Federated Hermes Intermediate Corporate Bond Fund

12/31/23

Fund facts

Performance inception date
12/20/93

Benchmark
Bloomberg US Intermediate Credit Index

Morningstar category
Corporate Bond

Lipper classification
Corporate Debt Funds BBB-Rated

Fund assets
$360.3 million

Ticker symbols
Institutional Shares - FIIFX
SS Shares - INISX

Key investment team
Bryan Dingle, CFA
Brian Ruffner

Yields (%)

30-day yield (IS)	4.64
30-day yield (SS)	4.39

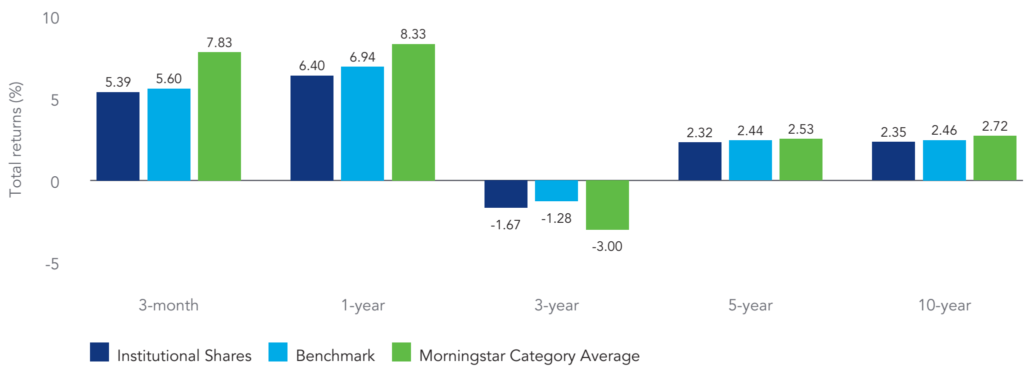
Fund description

The fund seeks to provide current income by investing in a diversified portfolio of investment-grade, fixed-income securities. Under normal market conditions, the fund's dollar-weighted average maturity is expected to be between three and ten years and dollar-weighted average duration to between three and seven years.

Average annual total returns (%)

Performance shown is before tax.

	3-month	YTD	1-year	3-year	5-year	10-year	Since inception	Expense ratio* Before waivers	Expense ratio* After waivers
IS Shares	5.39	6.40	6.40	-1.67	2.32	2.35	4.58	1.05	0.52
SS Shares	5.33	6.01	6.01	-1.95	2.07	2.09	4.32	1.31	0.77
Benchmark	5.60	6.94	6.94	-1.28	2.44	2.46	–	–	–



Calendar year total returns (%)

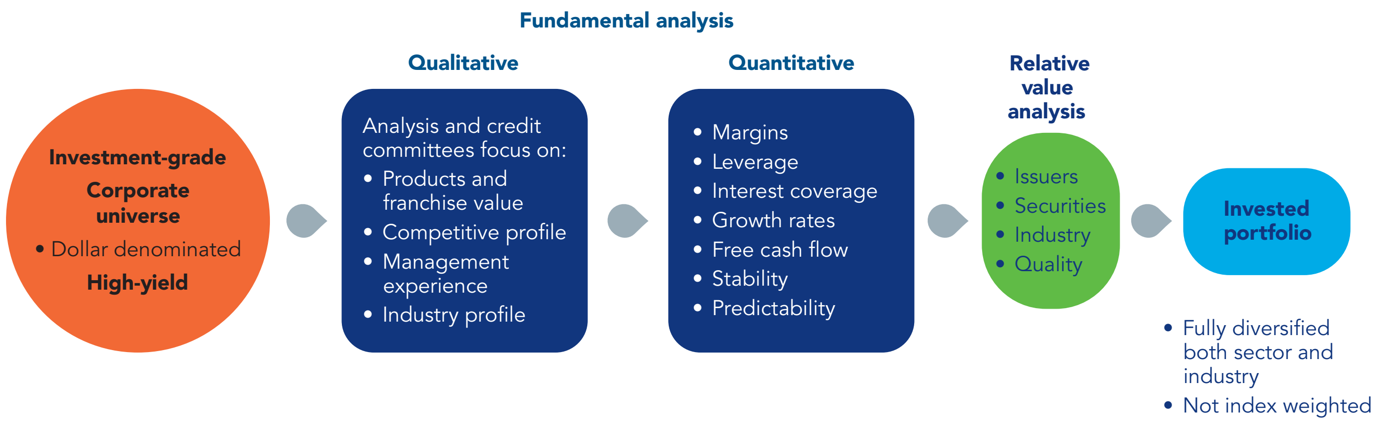
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Institutional Shares	6.40	-9.51	-1.25	7.55	9.70	-0.49	4.31	3.91	-0.07	4.30
Benchmark	6.94	-9.10	-1.03	7.08	9.52	0.01	3.67	3.68	0.90	4.16
Morningstar Category Average	8.33	-15.15	-0.76	9.24	13.03	-2.49	5.79	6.51	-1.39	6.93

Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit FederatedHermes.com/us.

*** The fund's expense ratio is from the most recent prospectus. The expense ratio may reflect voluntary fee waivers and/or expense reimbursements determined by the fund's Advisor and its affiliates. The voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of 7/1/24 or the date of the fund's next effective prospectus.**

Federated Hermes

Investment process



Portfolio statistics

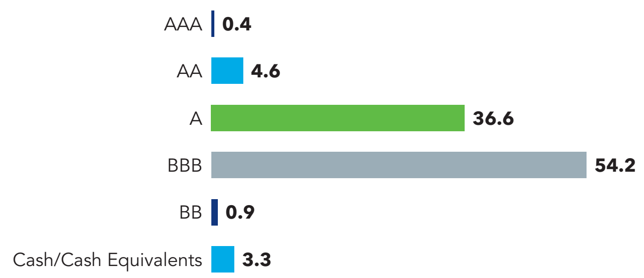
Weighted average effective maturity	4.7 yrs.
Weighted average effective duration	3.9 yrs.
Weighted average coupon	3.89%
Weighted average yield to maturity	5.00%
Weighted average bond price	$96.43

Top holdings (%)

U.S. Treasury Note, 4.500% due 11/15/25	1.3
Bank of America Corp., 2.592% due 4/29/31	0.7
Amgen, Inc., 5.250% due 3/02/30	0.6
Bank of America Corp., 3.824% due 1/20/28	0.6
Bank of America Corp., 4.571% due 4/27/33	0.6
Citigroup, Inc., 2.572% due 6/03/31	0.6
CVS Health Corp., 5.000% due 1/30/29	0.6
NextEra Energy Capital, 5.000% due 2/28/30	0.6
Oracle Corp., 6.150% due 11/09/29	0.6
Wells Fargo & Co., 3.584% due 5/22/28	0.6
Total % of portfolio	6.8

Sector weightings (%)

Quality breakdown[1] (%)



Quality breakdown does not apply to Equity or Cash/Cash Equivalents.

Portfolio composition is based on net assets at the close of business on 12/31/23 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment mix will change.

Highlights

- Strong positive total returns in the quarter were driven by lower interest rates especially in the longer end of the U.S. Treasury curve. Overall corporate bond spreads on the Bloomberg US Credit Index were tighter and that was driven by lower-quality credits
- The Bloomberg US Intermediate Credit Index (BICI), which excludes long maturities, had total returns of 5.60%

Looking back

After pushing through higher lows and higher highs all year, Treasury yields rolled over in the fourth quarter, powering all fixed-income sectors to solid total returns for both the quarter and the year. Risk appetite increased in November and again in December, as the Federal Reserve (Fed) passed on raising its federal funds rate amid continuing evidence that inflation was cooling even as the economy continued to add jobs. It appears that the Fed may be done with rate hikes. Fed Chair Powell surprised markets after December's meeting with his dovish view of Fed policy. He explained that since Fed policy works with a lag, the Fed would not wait to achieve its 2% inflation target before cutting the funds rate, since that would cause the Fed to overshoot. The market sees nearly six rate cuts in 2024, and by not countering this narrative, Powell appeared to endorse the more accommodative policy, continuing the Fed's push and pull battle with the market into 2024.

In the fourth quarter, all fixed-income sectors posted positive total returns, led by long duration and lower-quality credit. All sectors outperformed comparable-duration Treasuries, led by high yield, long-duration credit, and EM debt.

Performance

Federated Hermes Intermediate Corporate Bond Fund Institutional Shares returned 5.39% at net asset value (NAV) for the fourth quarter of 2023. The fund's benchmark, the BICI, had a total return of 5.60%. The fund's total return for the period also reflected actual cash flows, transaction costs and other expenses that were not reflected in the total return of the BICI.

Performance contributors

- Sector was the largest contributor to performance in the period. The portfolio was underweight the higher-quality sectors such as supranationals, local authority and sovereigns, which underperformed in the period, and such positioning was additive to performance
- Although overall security selection was a detractor, tickers such as Advance Auto Parts, Jefferies and British American Tobacco were the strongest performers
- Duration and yield curve were largely neutral contributors in the period

Performance detractors

- Security selection was the largest detractor from performance. Selection was weaker in the Communications, Consumer Non-Cyclical and Electric sectors. Broadly speaking, the securities in these sectors were of shorter maturities relative to the comparable sector in the benchmark and thus underperformed
- The tickers that were the weakest performers were Apple, Duke Energy and Charles Schwab

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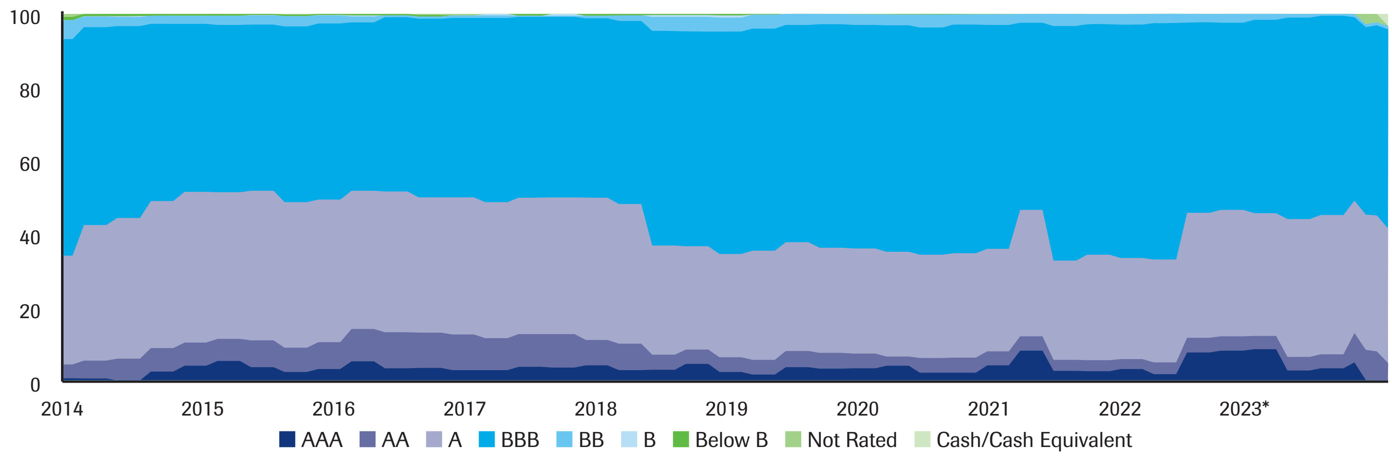
How we are positioned

With additional Fed rate increases more than likely behind us, the economy is experiencing a slowdown in inflation, but also more economic strength than expected especially after 525 basis points of rate hikes from the current cycle. In addition, the Fed has tempered the fear that they would slow economic growth too much from maintaining its "higher for longer" rate posture by communicating that the committee would not wait to achieve its 2% target before cutting rates. As such, we are growing more comfortable with the economy's resilience and the Fed's inflation fighting vigilance. However, the question still remains as to whether or not the economy will achieve the often talked about "soft landing" or experience a mild recession. Although retaining a somewhat cautious view, we've softened our overall defensive bias and look to add solid credits that can navigate successfully the current economic environment. We will continue to make adjustments to overall positioning in response to changes in corporate valuations and credit quality as the Fed's rate cycle progresses.

See disclosure section for important disclosures and definitions.

Historical credit quality (%)[1]



* As of 12/31/23

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Risk statistics

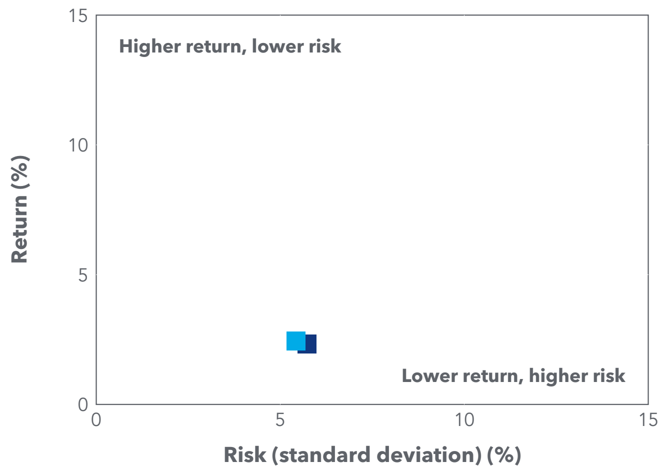
	3-year	5-year	7-year	10-year
Standard deviation	5.46	5.73	4.91	4.33
Alpha	-0.47	-0.13	-0.08	-0.15
Beta	0.98	1.05	1.05	1.04
Up capture ratio	95.22	101.65	101.02	100.09
Down capture ratio	100.92	104.28	102.92	102.87
Sharpe ratio	-0.75	0.05	0.07	0.68

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg US Intermediate Credit Index

See disclosure section for important definitions.

5-year risk/return



	Risk (%)	Return (%)
Federated Hermes Intermediate Corporate Bond Fund (IS)	5.73	2.32
Bloomberg US Intermediate Credit Index	5.43	2.44

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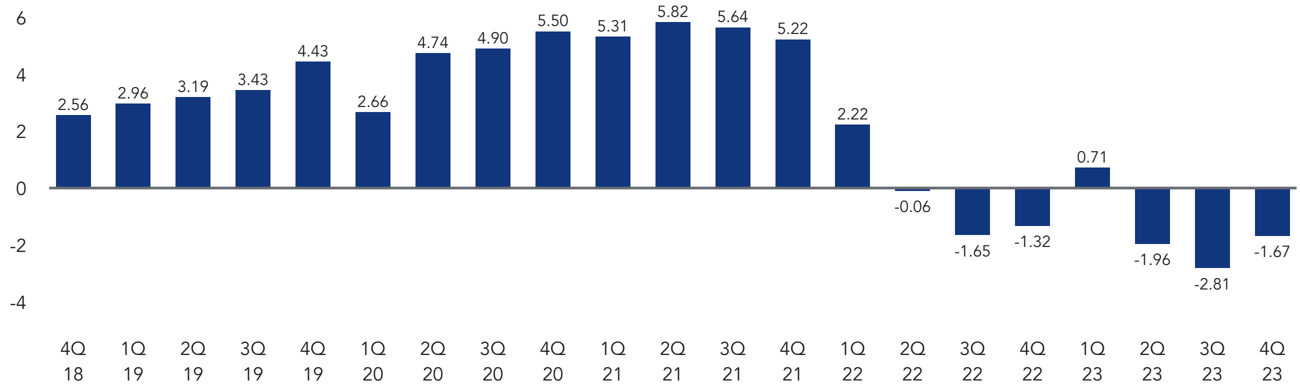
3-year rolling returns - IS (%)



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Category rankings

Morningstar Corporate Bond Category		1-year	3-year	5-year	10-year
IS Shares	Morningstar Category % Rank	96	12	71	85
	Morningstar Category Rank	200 of 204 funds	10 of 187 funds	113 of 171 funds	81 of 100 funds
SS Shares	Morningstar Category % Rank	97	18	83	91
	Morningstar Category Rank	201 of 204 funds	17 of 187 funds	136 of 171 funds	88 of 100 funds

Lipper Corporate Debt Funds BBB-Rated		1-year	3-year	5-year	10-year
IS Shares	Lipper Classification % Rank	82	10	57	69
	Lipper Classification Rank	238 of 293 funds	24 of 268 funds	139 of 248 funds	111 of 165 funds
SS Shares	Lipper Classification % Rank	86	12	68	75
	Lipper Classification Rank	248 of 293 funds	30 of 268 funds	167 of 248 funds	121 of 165 funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

[1]The ratings referred to in the quality breakdown are provided by Standard and Poor's, Moody's, and Fitch. The allocation of ratings presented aligns with the methodology of the Bloomberg index. Bloomberg employs the middle rating from Standard and Poor's, Moody's, and Fitch to determine a security's credit classification, essentially following a "two-out-of-three" rule. In cases where only two agencies rate a security, the more conservative (lower) rating is utilized. If only one agency rates a security, that single rating is used. Additionally, certain securities may not have a credit rating from any of the agencies, and they are categorized as "not rated." For clarity, credit ratings of A or better are indicative of high credit quality, while BBB represents good credit quality and the lowest tier of investment grade. Ratings of BB and below are assigned to lower-rated securities, often referred to as "junk bonds," and credit ratings of CCC or below indicate a high level of default risk. This breakdown doesn't consider the impact of credit derivatives in the fund.

30-day yield (also known as "SEC yield") is a compounded and annualized figure calculated according to a formula set by the SEC. The formula requires use of a specific methodology for calculating dividends and interest earned, and expenses accrued, during the period, and reflects the maximum offering price per fund share. The standardized computation is designed to facilitate yield comparisons among different funds. In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 4.34% for Institutional Shares and 3.87% for Service Shares.

A word about risk

Mutual funds are subject to risks and fluctuate in value.

Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.

The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations.

Definitions

Alpha shows how much or how little return is generated, given the risk a portfolio takes. A portfolio with an alpha greater than 0 has earned more than expected given its beta—meaning the portfolio has generated excess return without increasing risk. A portfolio with a negative alpha is producing a lower return than would be expected given its risk.

Beta measures a portfolio's volatility relative to the market. A beta greater than 1.00 suggests the portfolio has historically been more volatile than the market as measured by the fund's benchmark. A beta less than 1.00 suggests the portfolio has historically had less volatility relative to the market.

Sharpe ratio is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard deviation is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

Up capture ratio/down capture ratio is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

Weighted average bond price is the weighted average of all individual bond prices within a portfolio.

Weighted average coupon is the weighted average interest payment of all individual debt securities within a portfolio.

Weighted average effective duration (sometimes called "Option-Adjusted Duration") is a measure of a security's price sensitivity to changes in interest rates calculated using a model that recognizes that the probability of a bond being called or remaining outstanding until maturity may vary if market interest rates change, and that makes adjustments based on a bond's embedded options (e.g., call rights, or in the case of a mortgage-backed security, the probability that homeowners will prepay their mortgages), if any, based on the probability that the options will be exercised. A fund's weighted average effective duration will equal the market value weighted average of each bond's effective duration in the fund's portfolio. As with any model, several assumptions are made so the weighted average effective duration of a fund in the Federated Hermes family of funds may not be comparable to other funds outside of the Federated Hermes family of funds. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Weighted average effective maturity is the average time to maturity of debt securities held in the fund.

Weighted average yield to maturity is used to determine the rate of return an investor would receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. It takes into account purchase price, redemption value, time to maturity, coupon yield and the time between interest payments.

Bloomberg US Intermediate Credit Index measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. The index only includes securities with maturity between one and ten years. It is composed of the Bloomberg US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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This must be preceded or accompanied by a prospectus.