Federated Hermes Intermediate Corporate Bond Fund

9/30/24

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
$410.6 million

Ticker symbols
Institutional Shares - FIIFX
Service Shares - INISX

Key investment team
Bryan Dingle, CFA
Brian Ruffner

Yields (%)

30-day yield (IS)	4.01
30-day yield (SS)	3.77

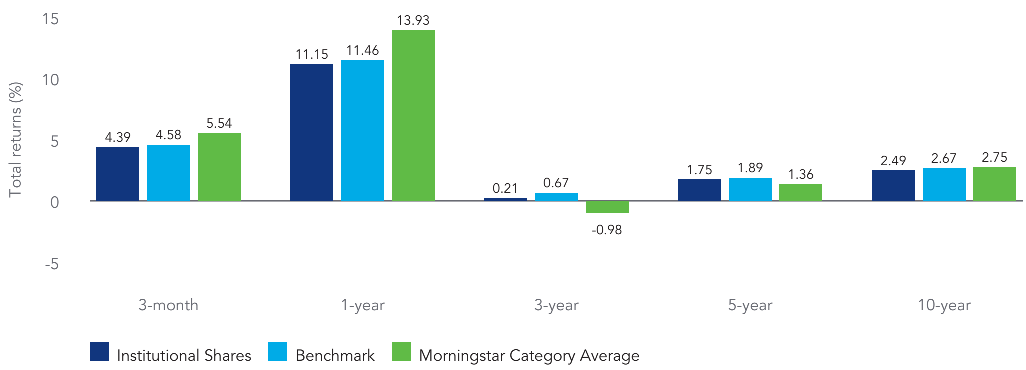
Fund description

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
Institutional Shares	4.39	5.46	11.15	0.21	1.75	2.49	4.64	0.97	0.52
Service Shares	4.32	5.27	10.88	-0.04	1.50	2.24	4.39	1.22	0.77
Benchmark	4.58	5.55	11.46	0.67	1.89	2.67	–	–	–



Calendar year total returns (%)

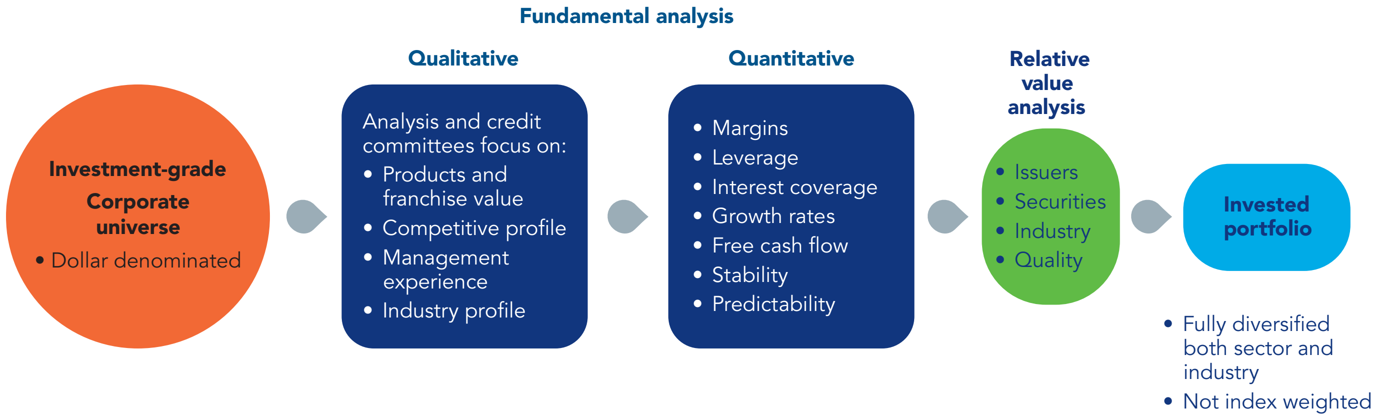
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Institutional Shares	6.40	-9.51	-1.25	7.55	9.70	-0.49	4.31	3.91	-0.07	4.30
Benchmark	6.94	-9.10	-1.03	7.08	9.52	0.01	3.67	3.68	0.90	4.16
Morningstar Category Average	8.33	-15.15	-0.76	9.24	13.03	-2.49	5.79	6.51	-1.39	6.93

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 7/1/25 or the date of the fund's next effective prospectus.**

Federated Hermes

Investment process



Portfolio statistics

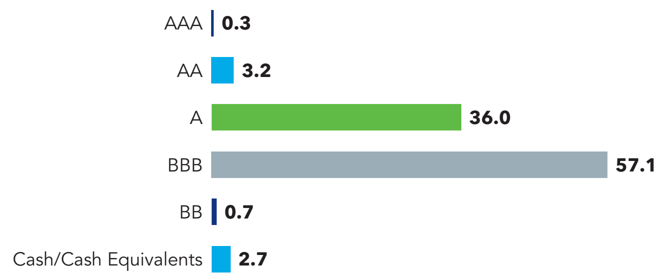
Weighted average effective maturity	4.7 yrs.
Weighted average effective duration	4.0 yrs.
Weighted average coupon	4.09%
Weighted average yield to maturity	4.51%
Weighted average bond price	$99.02

Top holdings (%)

Bank of America Corp., 2.592% due 4/29/31	0.6
Oracle Corp., 6.150% due 11/09/29	0.6
Amgen, Inc., 5.250% due 3/02/30	0.5
Bank of America Corp, 4.571% due 4/27/33	0.5
Bank of America Corp., 3.824% due 1/20/28	0.5
Citigroup, Inc., 2.572% due 6/03/31	0.5
Hyundai Capital America, 5.300% due 1/08/29	0.5
NextEra Energy Capital Holdings, 5.000% due 2/28/30	0.5
Truist Financial Corp., 5.122% due 1/26/34	0.5
Wells Fargo & Co., 3.584% due 5/22/28	0.5
Total % of portfolio	5.2

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 9/30/24 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

- The Bloomberg US Intermediate Credit Index (BICI), which excludes long maturities, had positive total returns of 4.58%, while the broad Bloomberg US Credit Index had even stronger returns of 5.71%
- Intermediate investment-grade credit outperformed similar duration US Treasuries. This was more of a "rising tide lifts all boats" quarter as lower-quality and higher-quality corporate assets performed on par with each other

Looking back

The third quarter marked the transition from the Federal Reserve's (Fed) fight against inflation to the other half of its dual mandate, maintaining a strong labor market. With many inflation measures on a sustainable path to the Fed's 2% target, Fed Chair Powell said at the August Jackson Hole symposium that the time has come for policy to adjust. The upside risks to inflation have diminished, and the downside risks to employment have increased. That is all markets needed to confirm that cuts to the federal funds rate would indeed be coming. At June 30, markets had seen fewer than two cuts by year-end 2024, but during the quarter, raised that to four, with at least four more cuts expected in 2025. The Fed's September Summary of Economic Projections sees the federal funds rate falling to 3.4% at year-end 2025, and 2.9% thereafter, with 2.0% growth through 2027; unemployment rate peaking at 4.4% in 2024 and 2025, before falling to 4.2%; and inflation peaking in 2024 at 2.3% before falling to 2.1% in 2025 and then 2.0% thereafter. This forecast implies an economic soft landing and would be a real success for the Fed and the economy if it could be achieved.

Treasury yields marched steadily lower during the quarter, led by the 2-year Treasury, which most closely follows fed funds expectations. Early August saw a hiccup in volatility following weaker economic data and Bank of Japan rate actions, but that subsided by quarter-end. According to Bloomberg, the aggregate index returned 5.20%, all fixed-income sectors posted strong total returns in the quarter, led by long-duration credit and Treasuries, and all sectors outperformed comparable-duration Treasuries. Commodity returns were mixed, as crude oil, gasoline, nickel, and iron ore fell, while gold, natural gas, aluminum and copper all rose.

A review of credit-risk assets shows the broad Bloomberg US Credit Index, which is comprised of the intermediate (67%) and long credit (33%) indices, had strong total returns of 5.71% led by lower rates and tighter credit spreads.

Longer duration assets outperformed and surprisingly, single-A and BBB-rated assets performed on par with each other. Credit outperformed US Treasuries as excess returns were solidly positive. For the quarter, the Bloomberg US Credit Index total returns of 5.71% were comprised of the Bloomberg US Long Credit Index at 8.10% and the BICI of 4.58%.

Performance

Federated Hermes Intermediate Corporate Bond Fund Institutional Shares returned 4.39% at net asset value (NAV) for the third quarter of 2024. The fund's benchmark, the BICI, had a total return of 4.58%. 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 data 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. Other share classes may have experienced different returns than the share class presented. To view performance current to the most recent month-end and for after tax returns, click on the Performance tab.

Click the Performance tab for standard fund performance.

Click on the Portfolio Characteristics tab for information on quality ratings and the fund's top 10 holdings.

Performance contributors

- Duration was the largest positive contributor to performance. The portfolio was long duration relative to the benchmark in a period of falling interest rates
- Overall security selection was a neutral contributor with strong selection in banking being offset by weaker selection in consumer cyclical sector
- The tickers that were the strongest performers in the period were M&T Bank, Jefferies, Truist and British American Tobacco

Performance detractors

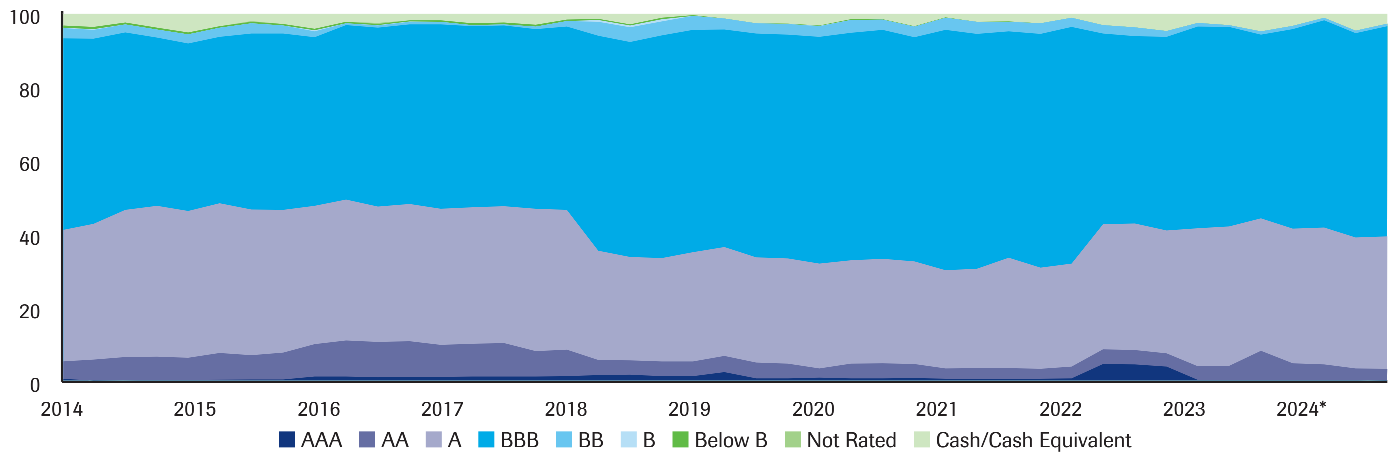
- Yield curve was a slight negative in the quarter as was sector allocation
- The negative sector contribution was driven by overweights in the energy and consumer cyclical sectors, both of which underperformed the benchmark
- The tickers that were the weakest performers relative to the benchmark were Duke Energy, Inter-American Development Bank and Apple

How we are positioned

The Fed has clearly moved into the next phase of the interest rate cycle – rate reductions. The back-and-forth of economic data continues as periods of softer data are punctuated with bouts of stronger numbers thereby continuing the volatility seen particularly in the rates market. Despite the volatility, we remain focused on picking credits that generate strong cash flows, have defensive characteristics and are industry leaders throughout the cycle. We remain overweight the BBB quality bucket; however, we are positioned to take advantage of opportunities should wider corporate spreads present themselves.

See disclosure section for important disclosures and definitions.

Historical credit quality (%)[1]



* As of 9/30/24

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Risk statistics

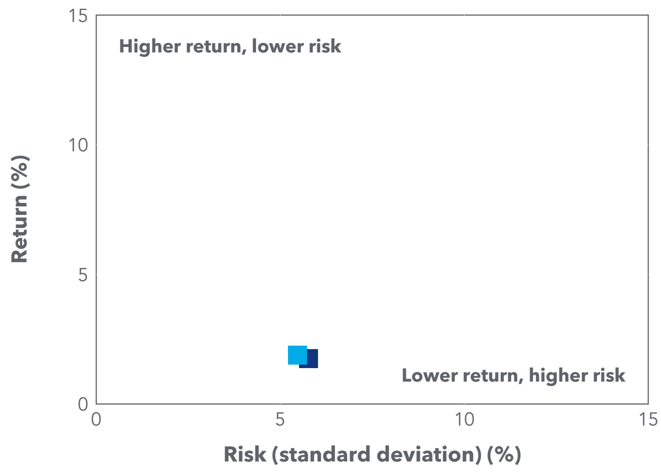
	3-year	5-year	7-year	10-year
Standard deviation	5.77	5.77	5.04	4.41
Alpha	-0.52	-0.10	-0.18	-0.21
Beta	0.98	1.05	1.04	1.04
Up capture ratio	96.64	101.48	99.82	99.28
Down capture ratio	102.29	104.08	103.23	103.19
Sharpe ratio	-0.61	-0.12	0.00	0.68

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)	5.77	1.75
Bloomberg US Intermediate Credit Index	5.47	1.89

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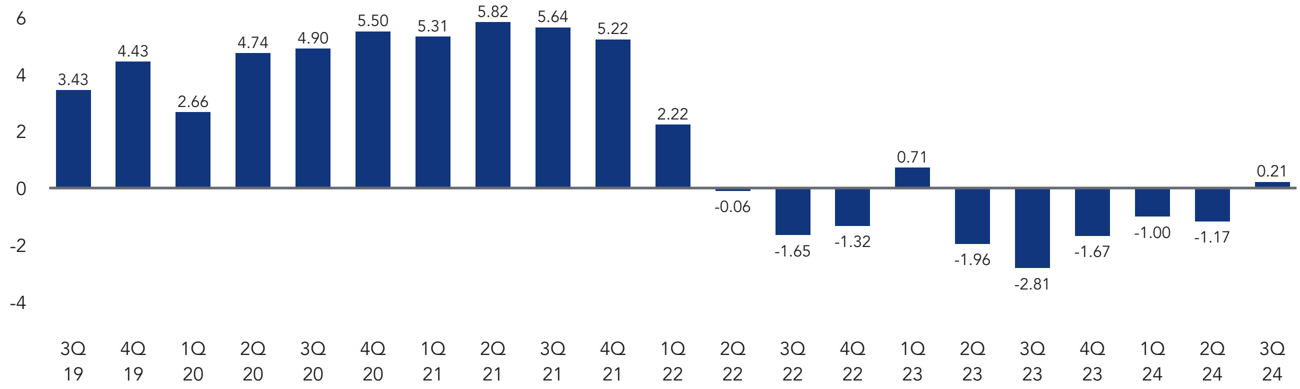
3-year rolling returns - IS (%)



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Category rankings

Morningstar Corporate Bond Category		1-year	3-year	5-year	10-year
IS Shares	Morningstar Category % Rank	94	10	21	78
	Morningstar Category Rank	185 of 191 funds	9 of 180 funds	27 of 160 funds	74 of 99 funds
SS Shares	Morningstar Category % Rank	96	15	34	87
	Morningstar Category Rank	187 of 191 funds	13 of 180 funds	50 of 160 funds	82 of 99 funds

Lipper Corporate Debt Funds BBB-Rated		1-year	3-year	5-year	10-year
IS Shares	Lipper Classification % Rank	88	10	22	65
	Lipper Classification Rank	225 of 255 funds	22 of 231 funds	45 of 211 funds	90 of 138 funds
SS Shares	Lipper Classification % Rank	91	13	33	72
	Lipper Classification Rank	232 of 255 funds	29 of 231 funds	69 of 211 funds	100 of 138 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 S&P Global Ratings, Moody's, and Fitch. The allocation of ratings presented aligns with the methodology of the Bloomberg index. Bloomberg employs the middle rating from S&P Global Ratings, 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 3.70% for Institutional Shares and 2.84% 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, US 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

Lipper Categories: Data Source: Lipper, A Reuters Company.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. Past performance is no guarantee of future results.