

Federated Hermes Short-Intermediate Municipal Fund

9/30/23

Fund facts

Performance inception date

Institutional Shares	8/20/81
Service Shares	9/1/93
A Shares	12/11/06

Benchmark 1

S&P Municipal Bond Short Index

Benchmark 2

S&P Municipal Bond 1-5 Years Investment Grade 5% Max Pre-Refunded Index

Morningstar category

Municipal National Short

Lipper classification

Short Municipal Debt Funds

Fund assets

\$442.8 million

Ticker symbols

Institutional Shares - FSHIX
Service Shares - FSHSX
A Shares - FMTAX
A2 Shares - FMTHX

Key investment team

Jeff Kozemchak, CFA
Mary Jo Ochson, CFA
Kyle Stewart, CFA

Yields (%)

30-day yield (IS)	2.95
30-day yield (SS)	2.71
30-day yield (A)	2.67

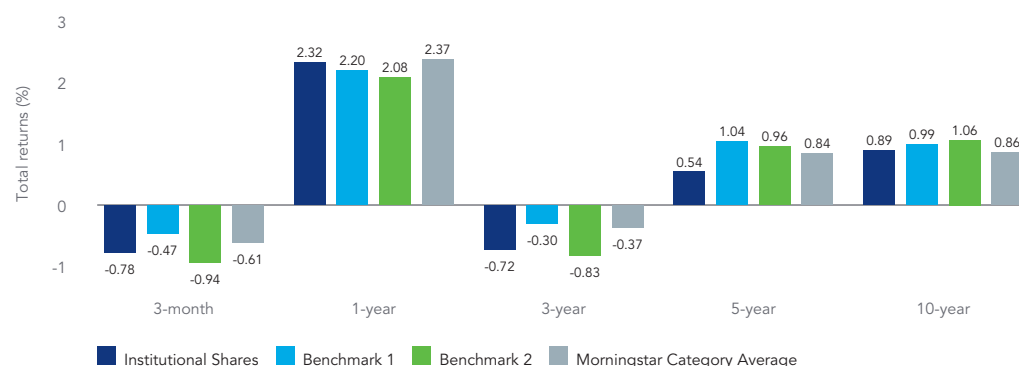
Fund description

Investing primarily in short and intermediate municipal bonds, the fund seeks to provide dividend income exempt from federal regular income tax.

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	After waivers
Institutional Shares	-0.78	0.68	2.32	-0.72	0.54	0.89	3.58	0.82	0.47
Service Shares	-0.73	0.61	2.18	-0.93	0.30	0.65	2.27	0.82	0.72
A Shares (NAV)	-0.84	0.60	2.17	-0.97	0.21	0.48	1.18	0.82	0.72
A Shares (MOP)	-1.84	-0.42	1.12	-1.29	0.01	0.38	1.12	0.82	0.72
Benchmark 1	-0.47	0.52	2.20	-0.30	1.04	0.99	-	-	-
Benchmark 2	-0.94	-0.03	2.08	-0.83	0.96	1.06	-	-	-



Calendar year total returns (%)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Institutional Shares	-3.76	0.12	1.97	3.34	1.19	2.15	-0.05	0.58	2.13	0.46
Benchmark 1	-2.02	0.41	2.32	3.11	1.78	1.16	0.37	0.88	1.02	1.10
Benchmark 2	-2.86	0.40	2.91	3.75	1.77	1.66	0.15	1.33	1.45	1.33
Morningstar Category Average	-2.64	0.22	2.28	3.12	1.18	1.69	-0.15	0.70	1.44	-0.07

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](https://www.federatedhermes.com/us). Maximum offering price figures reflect the maximum sales charge of 4.5% for A Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund. Performance for other share classes will vary due to differences in charges and expenses. Total returns for periods of less than one year are cumulative.

* The fund's expense ratio is from the most recent prospectus, which shows that the fund is voluntarily waiving expenses.



Investment approach

Multiple alpha sources	Portfolio positioning	Integrated investment team
<ul style="list-style-type: none"> The municipal bond investment process is integrated with Federated Hermes' fixed-income effort (the Alpha Pod process) as broad market and macroeconomic forces drive returns across taxable and tax-exempt bond markets Seeks diversified sources of alpha across municipal credit sector and credit quality allocation, duration management, yield curve management and security selection 	<ul style="list-style-type: none"> Invests primarily in short-intermediate tax-exempt municipal bonds and typically maintains a dollar-weighted average portfolio duration of less than 5 years Historically has invested less than 5% in below-investment grade securities* Allocates across fixed and floating securities based on direction of interest rates and across municipal sectors that offer the best risk/return profile 	<ul style="list-style-type: none"> Federated Hermes' municipal investment team has experience across a range of investment strategies, from liquidity management to intermediate and longer-duration portfolios Key investment team members manage liquidity, ultrashort and low duration municipal portfolios, applying their insights across the short-end of the yield curve

* Per the prospectus, the fund is permitted to invest up to 49% in below-investment grade securities.

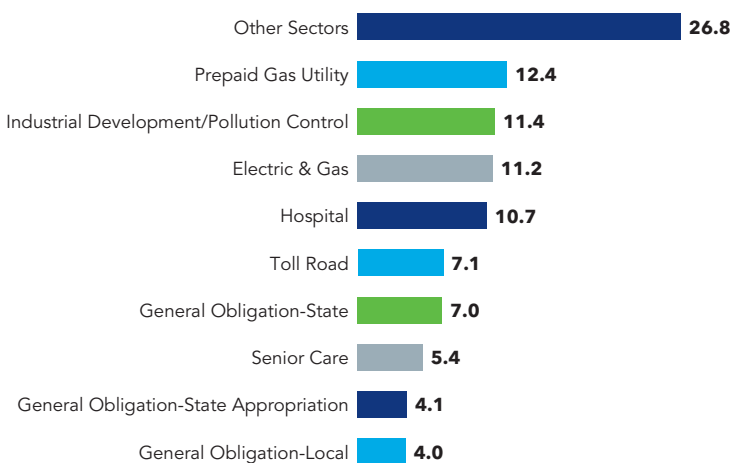
Portfolio statistics

Weighted average effective duration	2.4 yrs.
Weighted average effective maturity	2.7 yrs.
Weighted average bond price	\$98.85
Weighted average yield to worst	4.62%

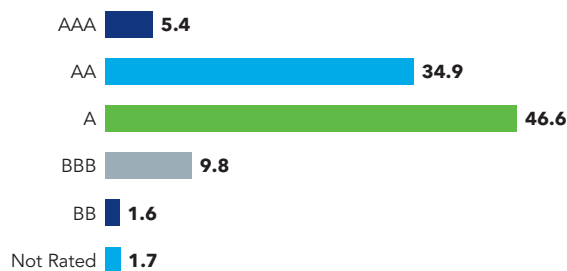
Top holdings (%)

Geisinger Authority, PA Health System, (Geisinger Health System), Health System Revenue Bonds (Series 2014B), Due 3/1/24	2.8
Bay Area Toll Authority, CA, San Francisco Bay Area Toll Bridge Revenue Bonds (SIFMA Index Rate Bonds Series 2007G-1), Due 10/29/23	2.3
New Jersey EDA, (New Jersey State), School Facilities Construction Refunding SIFMA Index Bonds (Series 2013 I), Due 3/1/25	2.3
California Infrastructure & Economic Development Bank, (Los Angeles County Museum of Art), Refunding Revenue Bonds (Series 2021A), Due 6/1/28	1.9
Los Angeles, CA Multi-Family Housing Revenue Bonds, (CORE Related/ GALA Rentals, LP), SPEAR's 3a7 (Series DBE-8081), Due 10/6/23, Deutsche Bank AG Liquidity, Deutsche Bank AG LCD	1.8
Columbia, AL IDB PCR, (Alabama Power Co.), Pollution Control Revenue Refunding Bonds (Series 2014-D), Due 6/21/23	1.6
Illinois State, UT GO Bonds (Series 2017D), 5.000%, Due 11/1/26	1.5
St. John the Baptist Parish, LA, (Marathon Oil Corp.), Revenue Refunding Bonds (Series 2017B-2), Due 7/1/26	1.5
Black Belt Energy Gas District, AL, Gas Prepay Revenue Bonds Project No. 4 (Series 2019A-1), Due 12/1/25, Morgan Stanley Guaranteed	1.4
Pennsylvania Economic Development Financing Authority, (Waste Management, Inc.), Solid Waste Disposal Revenue Bonds (Series 2011), Due 7/1/24	1.4
Total % of portfolio	18.5

Sector weightings (%)



Quality breakdown¹ (%)



Totals may not add up to 100% due to rounding.

Portfolio composition is based on net assets at the close of business on 9/30/23 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

- The fund's net quarterly returns lagged the shorter duration prospectus benchmark
- Duration and yield curve positioning in a sharply rising rates environment detracted from performance
- With yields now significantly higher, the fund continues to focus on adding to high-quality fixed-coupon issuance in the 2- to 7-year duration space

Looking back

Treasury and municipal market yields increased during the quarter as strong U.S. economic growth persisted, inflation remained elevated, labor markets remained tight and market expectations of Federal Reserve (Fed) policy rates moved higher. Although the inflation rate has declined, it remains well above the Fed's 2% target. The Fed held its policy rates steady at its September meeting but signaled another increase in the federal funds rate may occur this year and projected higher policy rates in 2024 and 2025. The AAA-rated Bloomberg Evaluation 2-, 5-, 10- and 30-year municipal yields increased 73, 77, 89 and 86 basis points, respectively. Treasury yields increased by 15, 50, 73 and 84 basis points on 2-, 5-, 10- and 30-year securities, respectively.

The S&P Municipal Bond Index posted a return of -3.50% for the quarter. The 3-year component of the index returned -0.94%, the 10-year component returned -3.56% and the portion of the index maturing in 22 years and longer returned -6.23%. The S&P Municipal Bond Short Intermediate Index returned -1.58%. The S&P Municipal Bond A-Rating Band Index returned -3.22%, the BBB Rating Band Index returned -3.63% and the S&P Municipal Bond High Yield Index returned -3.69%.

Performance

During the third quarter of 2023, the fund had net total returns of -0.78% for the Institutional Shares (IS), -0.73% for the Service Shares (SS) and -0.84% for the A Shares at net asset value (NAV). The total return of the S&P Municipal Bond Short Index, the publicly available prospectus benchmark for the fund, was -0.47%.

Performance contributors

- Security selection as the fund's approximate 10% weighting in stable-value, variable-rate demand notes (VRDNs) held par value as yields increased
- With the yield curve inverted, the 18% weighting in floating-rate notes (FRNs) outperformed, producing the highest income returns in the portfolio, as well as limited price movement
- Overweight in credit, namely BBB and A-rated securities

Performance detractors

- Portfolio duration, which averaged about 2.3 years versus the prospectus benchmark of 1.8 years
- Yield curve positioning beyond 4.0 years in duration, which are excluded in the benchmark index, due to the rise in yields

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How we are positioned

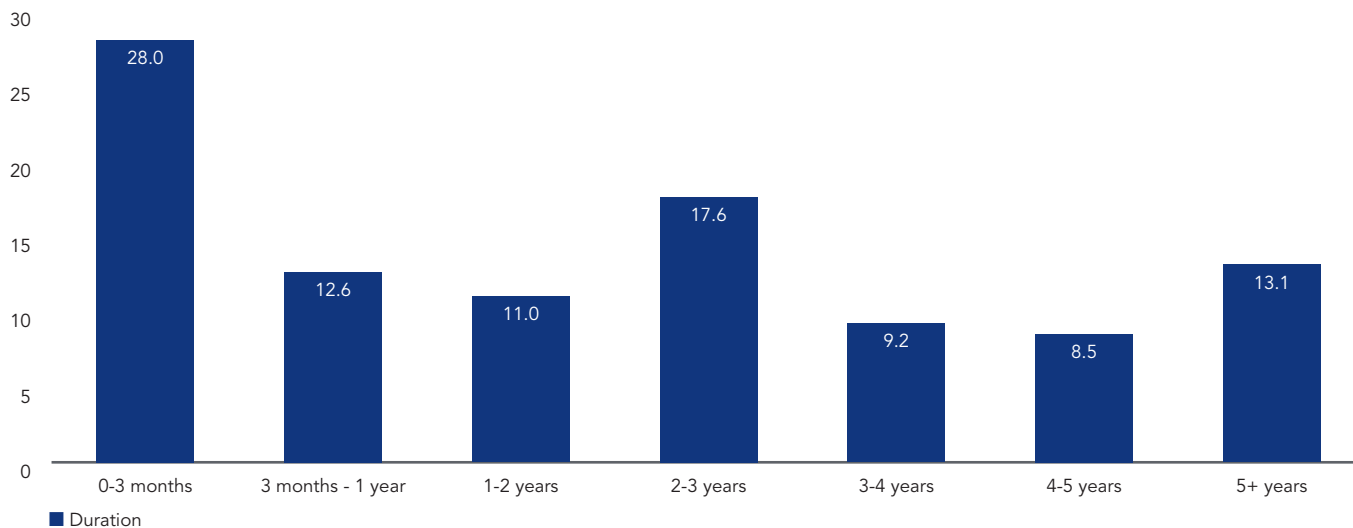
The Treasury and municipal yield curves remain inverted. At quarter-end, the market was pricing a 50% chance of another tightening by year-end 2023. Either way, the Fed is likely to leave the target rate higher for longer and unchanged for much of 2024 to further fight inflation.

Management believes the portfolio structure will emphasize high-quality fixed-rate issuance in the 2- to 7-year space, in which coupon/yield carry is now far higher than three months ago. Portfolio duration will likely continue to extend. The portfolio should continue to benefit in terms of income and liquidity with material weightings in VRDNs and FRNs. With an inverted yield curve, these can contribute to a combination of higher income and rates defensibility as the Fed is likely to delay future rate cuts. This has the potential to lower volatility and provide tactical flexibility to adjust and deploy capital into better-yielding market opportunities.

With a possibility of the start of a recession in 2024, we remain constructive to emphasizing high-quality General Obligation and Revenue debt of issuers over mid- to lower-quality debt.

See disclosure section for important disclosures and definitions.

Duration profile (%)



Totals may not add up to 100% due to rounding.

Risk statistics

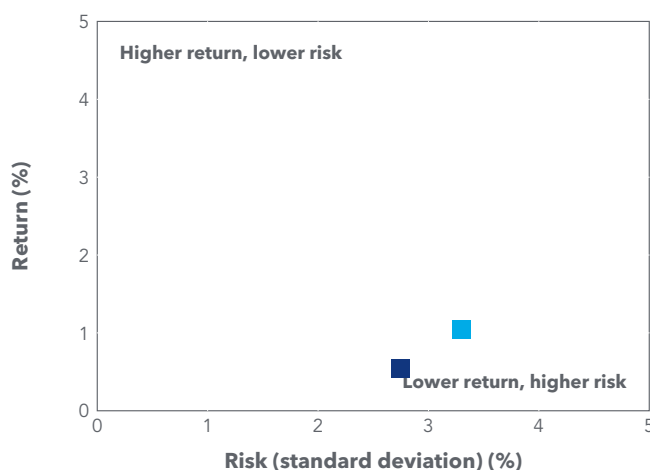
	3-year	5-year	7-year	10-year
Standard deviation	2.49	2.75	2.40	2.06
Alpha	-0.64	-0.73	-0.46	-0.45
Beta	0.67	0.76	0.73	0.71
Up capture ratio	72.17	74.83	72.16	68.06
Down capture ratio	70.36	82.55	72.31	70.25
Sharpe ratio	-1.09	-0.47	-0.42	0.68

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. S&P Municipal Bond Short Index

See disclosure section for important definitions.

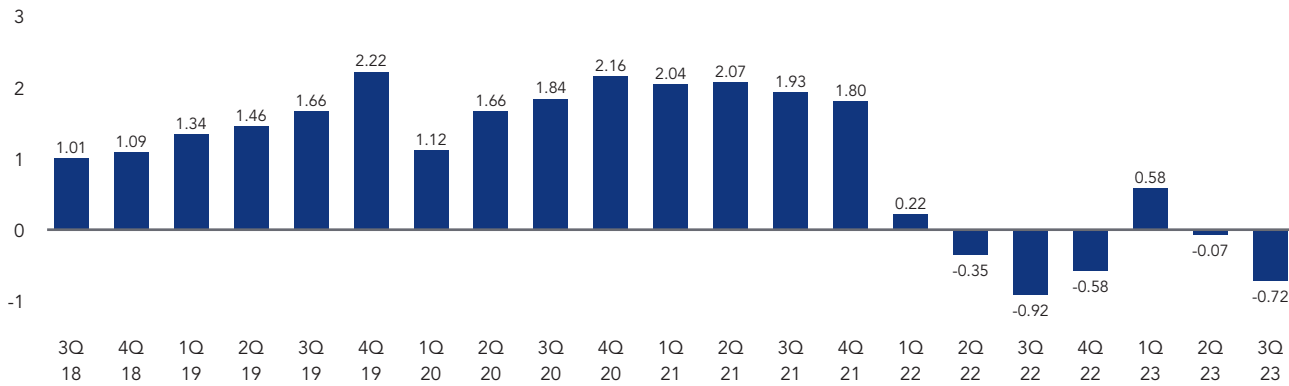
5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Short-Intermediate Municipal Fund (IS)	2.75	0.54
■ S&P Municipal Bond Short Index	3.30	1.04

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3-year rolling returns - IS (%)



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Category rankings

Morningstar Municipal National Short Category		1-year	3-year	5-year	10-year
IS Shares	Morningstar Category % Rank	54	61	76	40
	Morningstar Category Rank	113 of 228 funds	114 of 209 funds	140 of 191 funds	59 of 139 funds
A Shares	Morningstar Category % Rank	63	68	92	90
	Morningstar Category Rank	137 of 228 funds	136 of 209 funds	171 of 191 funds	119 of 139 funds

Lipper Short Municipal Debt Funds		1-year	3-year	5-year	10-year
IS Shares	Lipper Classification % Rank	57	75	75	25
	Lipper Classification Rank	79 of 139 funds	92 of 124 funds	82 of 110 funds	19 of 76 funds
A Shares	Lipper Classification % Rank	69	85	92	79
	Lipper Classification Rank	95 of 139 funds	105 of 124 funds	101 of 110 funds	60 of 76 funds

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

As of October 31, 2007, the fund gained the ability to invest at least a majority of its assets in securities rated investment-grade (or unrated securities of comparable quality), and may purchase securities rated below investment-grade (or unrated securities of comparable quality), which are also known as junk bonds, up to 49% of its assets. The fund does not have a specific minimum quality rating.

As of August 31, 2019, benchmark 1 changed from S&P Municipal Bond Short Intermediate Index to S&P Municipal Bond Short Index and benchmark 2 changed from S&P 1-5 Year National AMT-Free Municipal Bond Index to S&P Municipal Bond 1-5 Years Investment Grade 5% Max Pre-Refunded Index.

¹The ratings agencies that provided the ratings are Standard & Poor's, Moody's and Fitch. When ratings vary, the highest rating is used. Credit ratings of A or better are considered to be high credit quality; credit ratings of BBB are good credit quality and the lowest category of investment grade; credit ratings BB and below are lower-rated securities ("junk bonds"); and credit ratings of CCC or below have high default risk. The credit quality breakdown does not give effect to the impact of any credit derivative investments made by the fund.

30-day yield (also known as "SEC yield") for A Shares 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 2.53% at maximum offering price for A Shares, 2.57% for Service Shares, and 2.75% for Institutional Shares.

Federated Hermes Short-Intermediate Municipal Fund

A word about risk

Mutual funds are subject to risks and fluctuate in value.

International investing involves special risks, including currency risk, increased volatility, political risks and differences in auditing and other financial standards.

Small company stocks may be less liquid and subject to greater price volatility than large capitalization stocks.

Prices of emerging market and frontier market securities can be significantly more volatile than the prices of securities in developed countries, and currency risk and political risks are accentuated in emerging markets.

Diversification does not assure a profit nor protect against loss.

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 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 worst is an average of the lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

Yield curve is a graph showing the comparative yields of securities in a particular class according to maturity. Securities on the long end of the yield curve have longer maturities.

S&P Municipal Bond 1-5 Years Investment Grade 5% Max

Pre-Refunded Index represents the portion of the S&P Municipal Bond Investment Grade Index composed solely of investment-grade bonds (those with ratings higher than "BBB-"/"Baa3") with remaining maturities of between one and five years, 5% of which are pre-refunded. Indexes are unmanaged and cannot be invested in directly.

S&P Municipal Bond Short Index consists of bonds in the S&P Municipal Bond Index with a minimum maturity of six months and a maximum maturity of four years.

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Ratings and rating agencies

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