

# Federated Hermes Short-Intermediate Total Return Bond Fund

9/30/24

## Fund facts

### Performance inception date

R6 Shares	1/31/14
Institutional Shares	9/2/05
A Shares	1/31/14

### Benchmark

Bloomberg 1-5 Year US Government/Credit Index

### Morningstar category

Short-Term Bond

### Lipper classification

Short Investment Grade Debt Funds

### Fund assets

\$713.2 million

### Ticker symbols

R6 Shares - SRBRX  
Institutional Shares - FGCIX  
Service Shares - FGCSX  
A Shares - FGCAx

### Key investment team

John Gentry, CFA  
Chengjun (Chris) Wu, CFA  
Robert Matthews, CFA  
Todd Abraham, CFA  
Mark Durbiano, CFA  
Ihab Salib  
Anthony Venturino, CFA  
Christopher McGinley

### Yields (%)

30-day yield (R6)	4.12
30-day yield (IS)	4.11
30-day yield (A)	3.83

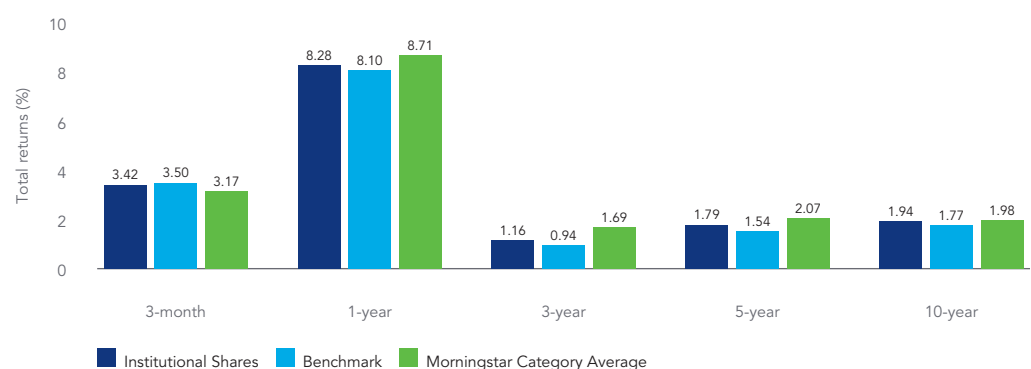
## Fund description

The fund seeks to maintain a dollar-weighted average effective portfolio duration of 1.5 to 3.5 years and pursues total return by investing in a broad mix of bond sectors that management believes will benefit from changes in economic and market conditions. US government and investment-grade corporate bonds predominate, with limits on exposure to domestic high-yield and international emerging-market sectors.

## 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
<b>R6 Shares</b>	3.53	4.62	8.29	1.17	1.80	1.81	1.83	0.44	0.37
<b>Institutional Shares</b>	3.42	4.61	8.28	1.16	1.79	1.94	3.26	0.48	0.38
<b>A Shares (NAV)</b>	3.36	4.42	8.01	0.88	1.54	1.68	1.75	0.71	0.63
<b>A Shares (MOP)</b>	2.33	3.39	6.92	0.53	1.33	1.58	1.65	0.71	0.63
<b>Benchmark</b>	3.50	4.50	8.10	0.94	1.54	1.77	-	-	-



## Calendar year total returns (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Institutional Shares</b>	5.17	-5.47	-0.28	4.89	5.19	0.81	1.70	3.31	0.34	2.47
<b>Benchmark</b>	4.89	-5.50	-0.97	4.71	5.01	1.38	1.27	1.56	0.97	1.42
<b>Morningstar Category Average</b>	5.73	-5.22	0.05	3.81	4.72	0.92	1.73	2.08	0.19	1.07

**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://FederatedHermes.com/us). Maximum offering price figures reflect the maximum sales charge of 1% for A Shares.** See the prospectus for other fees and expenses that apply to a continued investment in the fund. Total returns for periods of less than one year are cumulative.

\* 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 11/1/24 or the date of the fund's next effective prospectus.



Not FDIC Insured • May Lose Value • No Bank Guarantee

## Investment approach

### Core, Intermediate-term Bond Fund

- A disciplined approach to short-term fixed income with a conservative, investment-grade risk profile
- Invests primarily in U.S. government, mortgage-backed and investment-grade corporate fixed income with modest exposure to sectors such as high yield and emerging markets debt
- May invest in below investment-grade securities up to 35%. Typically up to 15%

### Consistent, repeatable investment process

- Combines top-down decision making with bottom-up security selection to build diversified, risk-managed portfolios
- Key decision teams known as “Alpha Pods” seek diversified, uncorrelated alpha sources across various market environments
- Positioning set across five factors: sector allocation, security selection, duration management, yield curve strategy and currency management

### Tenured team with long-term results

- Team-based approach focused by sector to extract value from each step of the process
- Federated Hermes’ fixed-income philosophy and process has a 50-year heritage
- Senior fixed-income management team averages more than 28 years of experience, and team members have worked together at Federated Hermes for more than 24 years

As of 9/30/24

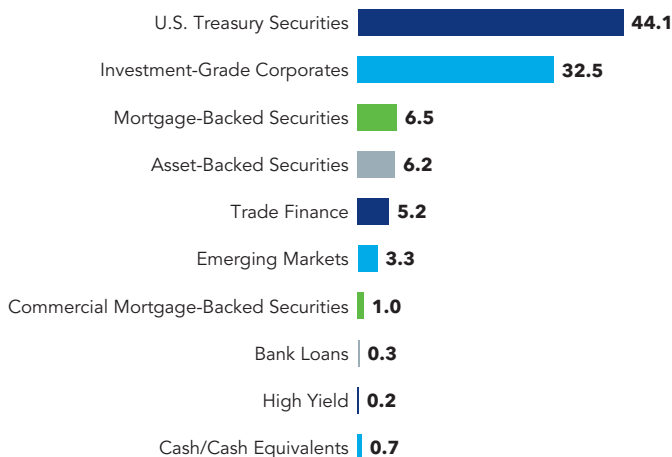
## Portfolio statistics

Weighted average effective maturity	3.2 yrs.
Weighted average effective duration	2.6 yrs.
Weighted average coupon	4.30%
Weighted average yield to maturity	4.37%
Weighted average bond price	\$99.48

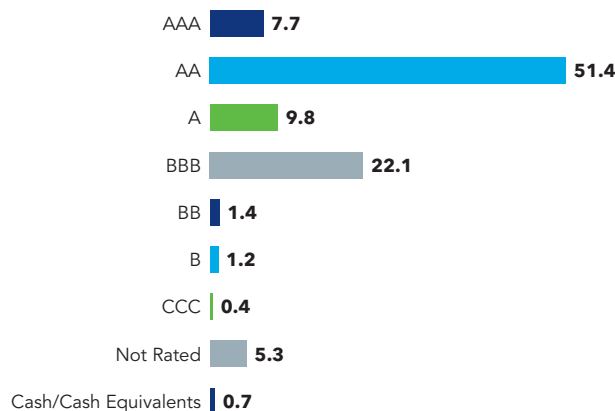
## Top holdings (%)

U.S. Treasury Note, 5.000% due 8/31/25	12.9
Mortgage Core Fund	6.2
Project and Trade Finance Core Fund	6.0
U.S. Treasury Note, 3.125% due 8/31/27	5.2
U.S. Treasury Note, 4.125% due 9/30/27	4.6
U.S. Treasury Note, 3.500% due 1/31/28	4.2
U.S. Treasury Note, 3.750% due 12/31/28	4.2
U.S. Treasury Note, 2.750% due 4/30/27	4.0
Emerging Markets Core Fund	2.9
U.S. Treasury Note, 4.375% due 8/31/28	2.9
Total % of portfolio	53.1

## Sector weightings (%)



## Quality breakdown<sup>1</sup> (%)



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

- In the third quarter, the fund's Institutional shares returned 3.42% vs. 3.50% for the Bloomberg 1-5 Year Government/Credit Index. Year-to-date, the fund's Institutional shares returned 4.61% vs. 4.50% for the index
- Sector allocation and duration management were the key contributors to performance during the quarter
- To start the fourth quarter, the fund's duration is in-line with its benchmark and its yield curve exposure, and is underweight the front-end of its benchmark, with allocations to securitized products, trade finance and emerging markets (EM) debt

## 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.

## Performance

Federated Hermes Short Intermediate Total Return Bond Fund Institutional Shares returned 3.42% at net asset value (NAV) for the third quarter of 2024, while the fund's benchmark, the Bloomberg 1-5 Year Government/Credit Index, had a total return of 3.50%. 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 benchmark index.

### Performance contributors

- Allocations to trade finance, emerging market debt (EMD) and mortgage-backed securities (MBS), and overweight to investment-grade corporates
- Duration management, as the portfolio shifted from duration short of its benchmark to long and then back to neutral at quarter-end

### Performance detractors

- Slight drag from energy and utility selection
- Yield curve positioning, primarily from longer duration MBS and EM debt

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## How we are positioned

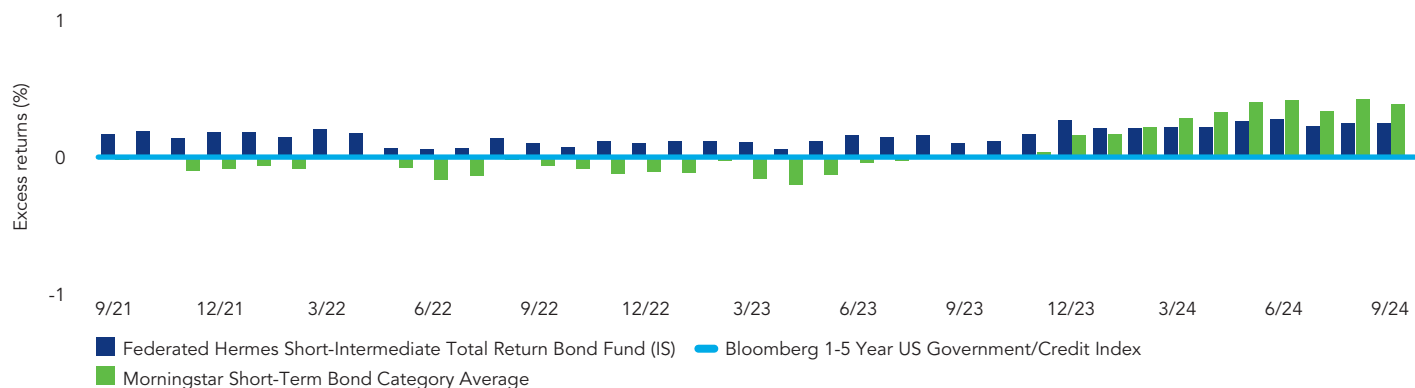
The fund starts the fourth quarter of 2024 with duration in-line with its benchmark and yield curve exposure underweight the belly of the curve. During the third quarter, the fund reduced exposure to investment-grade corporates and added emerging market and asset-backed securities exposure.

The fund employed derivatives to express duration, yield curve, sector and currency investment themes during the quarter. The fund continues to incorporate into its security selection process sustainable investing practices that focus on environmental, social and governance issues.

*ESG factors may be considered in the investment analysis process in a manner that is complementary to and enhances the fundamental research and analysis process. Certain ESG factors may help identify business and operational risks or opportunities and add a contextual dimension to the overall evaluation of a security. Like any aspect of investment analysis, there is no guarantee that an investment strategy that considers ESG factors will result in performance better than or equal to products that do not consider such factors.*

See disclosure section for important disclosures and definitions.

## 5-year rolling excess performance vs. Bloomberg 1-5 Year US Government/Credit Index



Source: Morningstar, Inc. Performance represents 5-year periods (1-month step).

Returns are for Institutional Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

### Risk statistics

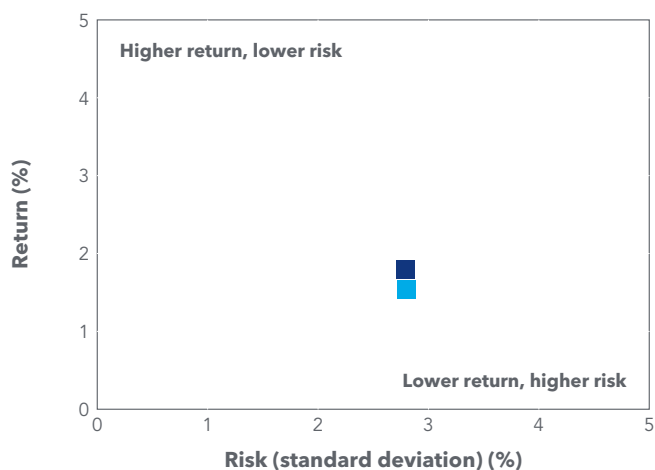
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	3.44	2.79	2.47	2.26
<b>Alpha</b>	0.14	0.23	0.12	0.17
<b>Beta</b>	0.97	0.98	0.95	0.94
<b>Up capture ratio</b>	98.77	99.88	96.53	98.56
<b>Down capture ratio</b>	93.71	91.56	87.99	89.03
<b>Sharpe ratio</b>	-0.76	-0.24	-0.13	0.09

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg 1-5 Year US Government/Credit Index

See disclosure section for important definitions.

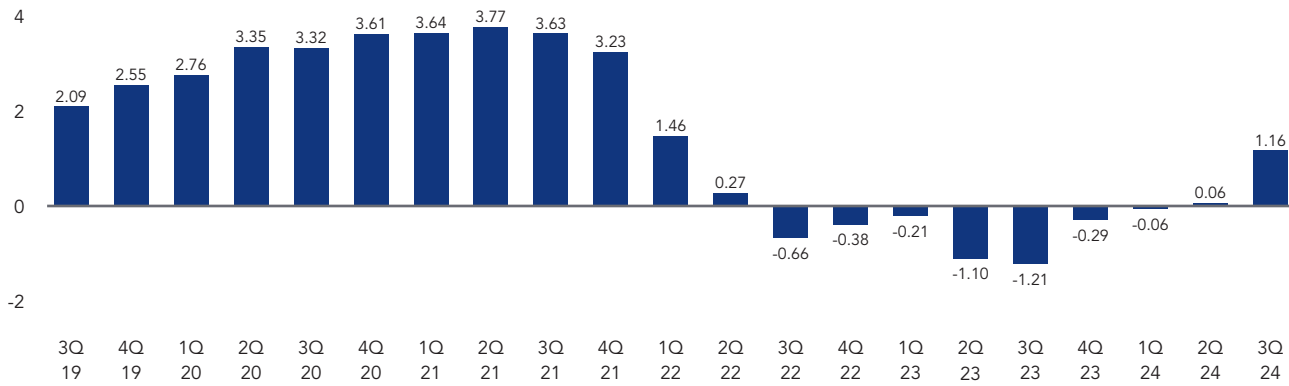
### 5-year risk/return



	Risk (%)	Return (%)
Federated Hermes Short-Intermediate Total Return Bond Fund (IS)	2.79	1.79
Bloomberg 1-5 Year US Government/Credit Index	2.80	1.54

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## 3-year rolling returns - IS (%)



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## Category rankings

Morningstar Short-Term Bond Category		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	52	74	64	63
	Morningstar Category Rank	268 of 554 funds	365 of 522 funds	290 of 486 funds	208 of 366 funds
<b>IS Shares</b>	Morningstar Category % Rank	52	74	64	51
	Morningstar Category Rank	270 of 554 funds	367 of 522 funds	294 of 486 funds	158 of 366 funds
<b>A Shares</b>	Morningstar Category % Rank	67	86	76	75
	Morningstar Category Rank	349 of 554 funds	428 of 522 funds	359 of 486 funds	237 of 366 funds

Lipper Short Investment Grade Debt Funds		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	38	84	69	63
	Lipper Classification Rank	139 of 369 funds	290 of 346 funds	221 of 322 funds	154 of 245 funds
<b>IS Shares</b>	Lipper Classification % Rank	39	84	70	48
	Lipper Classification Rank	143 of 369 funds	291 of 346 funds	224 of 322 funds	118 of 245 funds
<b>A Shares</b>	Lipper Classification % Rank	54	94	82	72
	Lipper Classification Rank	197 of 369 funds	325 of 346 funds	262 of 322 funds	175 of 245 funds

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

## Federated Hermes Short-Intermediate Total Return Bond Fund

<sup>1</sup>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") 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 3.70% at maximum offering price for A Shares, 4.02% for R6 Shares, and 3.97% for Institutional Shares.

### A word about risk

Mutual funds are subject to risks and fluctuate in value.

High-yield, lower-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment-grade securities.

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

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.

The fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.

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 1-5 Year US Government/Credit Index** is a broad-based benchmark that measures the non-securitized component of the US Aggregate Index. It includes investment grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities that have a remaining maturity of greater than or equal to one year and less than five years.

**Bloomberg US Aggregate Bond Index** is an unmanaged index composed of securities from the Bloomberg Government/Corporate Bond Index, the Mortgage-Backed Securities Index and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indices are rebalanced monthly by market capitalization.

Indexes are unmanaged and cannot be invested in directly.

### Ratings and rating agencies

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