

Federated Hermes Strategic Income Fund

6/30/23

Fund facts

Performance inception date

5/4/94

Benchmark 1

Bloomberg US Aggregate Bond Index

Benchmark 2

35% Bloomberg US Mortgage Backed Securities Index/40% Bloomberg US Corporate High Yield 2% Issuer Capped Index/25% Bloomberg Emerging Markets Seasoned ex Aggregate/Eurodollar Index

Morningstar category

Multisector Bond

Lipper classification

Multi-Sector Income Funds

Fund assets

\$695.0 million

Ticker symbols

R6 Shares - STILX

Institutional Shares - STISX

A Shares - STIAX

C Shares - SINCX

F Shares - STFSX

Key investment team

Donald Ellenberger

Nathan Kehm, CFA

Todd Abraham, CFA

Ihab Salib

Christopher McGinley

Steven Wagner

Mark Durbiano, CFA

Yields (%)

30-day yield (R6) 5.07

30-day yield (IS) 5.06

30-day yield (A) 4.52

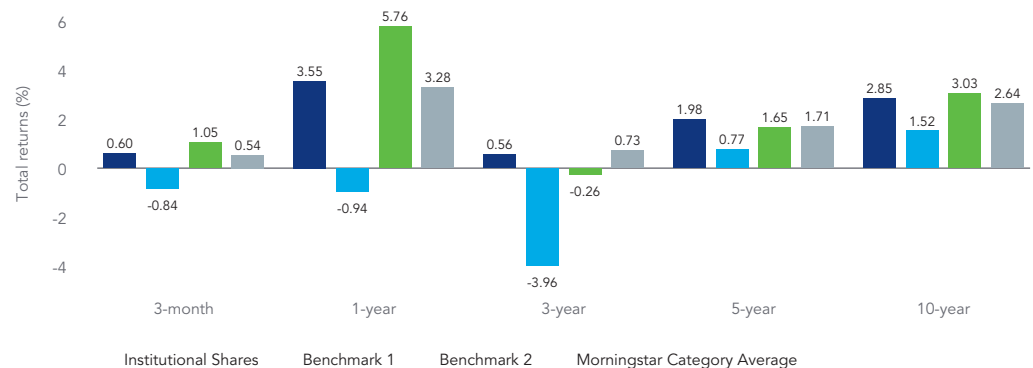
Fund description

The fund seeks a high level of current income by investing primarily in three bond sectors: U.S. high quality, U.S. high yield, and both developed and emerging international. Its focus is on sectors that management believes will benefit from anticipated changes in economic and market conditions.

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
R6 Shares	0.59	3.14	3.54	0.57	2.00	2.75	5.30	0.73	0.63
Institutional Shares	0.60	3.02	3.55	0.56	1.98	2.85	5.68	0.84	0.64
A Shares (NAV)	0.51	2.97	3.20	0.24	1.66	2.54	5.55	1.07	0.96
A Shares (MOP)	-3.99	-1.71	-1.50	-1.28	0.74	2.07	5.38	1.07	0.96
Benchmark 1	-0.84	2.09	-0.94	-3.96	0.77	1.52	-	-	-
Benchmark 2	1.05	3.75	5.76	-0.26	1.65	3.03	-	-	-



Calendar year total returns (%)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Institutional Shares	-13.48	3.96	6.65	13.15	-2.99	6.43	10.76	-2.90	3.20	0.07
Benchmark 1	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.97	-2.02
Benchmark 2	-11.48	1.29	4.87	16.86	-4.22	9.32	13.83	-0.73	6.77	13.10
Morningstar Category Average	-9.85	2.49	4.84	9.80	-1.52	6.07	7.52	-2.18	3.63	1.87

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. 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. 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 2/1/24 or the date of the fund's next effective prospectus.



Not FDIC Insured • May Lose Value • No Bank Guarantee

Investment approach

Flexible, multi-sector approach

- Strategic mix of broad market segments: U.S. high quality, U.S. high yield and foreign (developed and emerging markets)
- Flexibility across sector exposures to position for anticipated changes in economic and market conditions
- Emphasizes credit sectors for added income and return potential

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 29 years of experience, and team members have worked together at Federated Hermes for 20 years

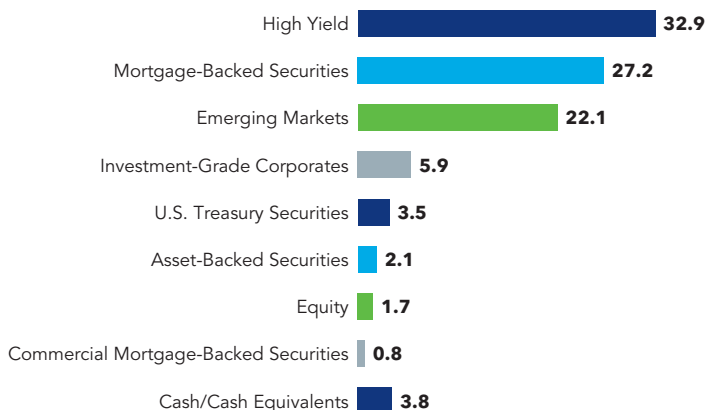
Portfolio statistics

Weighted average effective maturity	7.2 yrs.
Weighted average effective duration	5.2 yrs.
Weighted average coupon	4.93%
Weighted average yield to maturity	8.01%

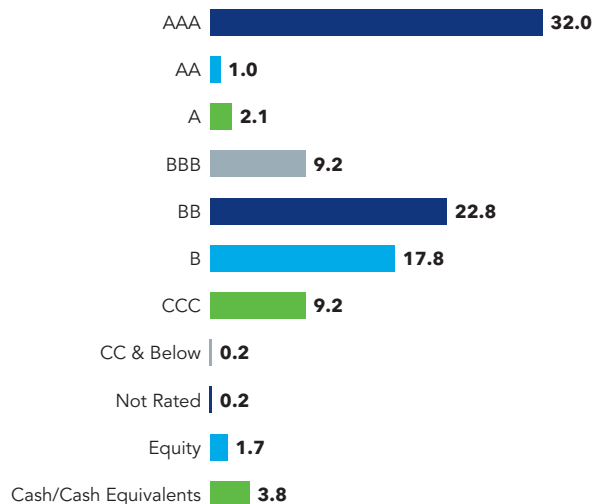
Top holdings (%)

High Yield Bond Core Fund	35.4
Emerging Markets Core Fund	22.5
Mortgage Core Fund	21.4
U.S. Treasury Note, 4.625% due 6/30/25	3.4
FNMA FBT224, 3.000% due 3/01/52	1.3
FHLMC SD8225, 3.000% due 7/01/52	1.1
FHLMC SD8243, 3.500% due 9/01/52	1.1
FNMA MA4732, 4.000% due 9/01/52	1.0
JP Morgan Mortgage Trust 2022-1, Class A2, 3.000% due 7/25/52	0.8
Welltower, Inc., 2.750% due 1/15/32	0.6
Total % of portfolio	88.6

Sector weightings (%)



Quality breakdown¹ (%)



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

Portfolio composition is based on net assets at the close of business on 6/30/23 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

- Equity and credit markets continued to perform well as the economy remained resilient and progress was made on bringing inflation down from its 2022 peak
- Large moves in Treasury bond yields and yield curves continued as confidence in the banking system improved after March's stress while a growing consensus expects the Federal Reserve (Fed) will hold rates at a restrictive level for a longer period to reach its 2% inflation target
- Following the fastest rate hikes in 40 years, the Fed held its policy rate steady at its June meeting to assess the lagged effect on the economy from prior actions
- The U.S. dollar was mixed against other currencies as economic growth and central bank policies have become more divergent

Looking back

The U.S. economy remained resilient during the second quarter of 2023 and market volatility declined as fear of a systemic problem in the banking system abated. This backdrop helped the S&P 500 Index return 8.74% and credit spreads contract across all asset classes over the period. However, Treasury bonds had negative returns as rates increased and the yield curve became more deeply inverted as progress on reducing inflation slowed and central banks indicated they intend to keep rates at current levels or higher for an extended period.

More recent leading economic indicators are showing that the monetary tightening that took place last year is beginning to slow the economy, although just marginally at this point. For example, in May the ISM Manufacturing Index fell to 46.9 compared to 56.1 in May of 2022. While the service sectors of the economy have generally held up better, they also have begun to decline, with the ISM Services Index falling to 50.3 in May compared to 56.4 a year earlier. The labor market continues to be strong with the unemployment rate at 3.6% and average hourly earnings trending at approximately a 4% year-over-year increase. The number of job openings continues to exceed the number of people actively looking for work by a ratio of approximately 1.6 to 1.0.

On the inflation front, core CPI and PCE are both trending between 4% and 4.5% annually. While down year-over-year, they're still well above the Fed's 2% target inflation rate. At its June meeting, the FOMC held the fed funds rate steady for the first time since it began hiking last year. However, given the current strength in the labor market, the Fed has signaled that one or two smaller hikes of 25 basis points are likely through the remainder of the year. Assuming those hikes happen, that implies the terminal rate for fed funds will peak at 5.50% to 5.75%.

For the quarter, the Bloomberg US Corporate High Yield 2% Issuer Capped Index returned 1.75%, with an excess return of 2.79% relative to comparable-maturity Treasuries. From a quality perspective, the higher-rated BB sector had a lower nominal return of 0.88% vs. the 1.90% return on more credit-sensitive B-rated securities. Lower-quality CCC-rated securities outperformed, returning 4.18%. Within the investment-grade (IG) Bloomberg US Corporate Index, which returned -0.29%, higher-quality AA-rated bonds underperformed on a nominal basis with a total return of -0.69% vs. the -0.10% return of the lower-quality BBB component. At quarter-end, the yield to maturity was 8.53% for the high-yield index vs. 5.48% for the IG corporate index.

Emerging market (EM) debt as measured by the Bloomberg EM Seasoned ex AGG/Eurodollar Index returned 2.26%, with an excess return of -3.57% relative to similar maturity Treasury bonds. At quarter-end, the yield to maturity for the EM index was 11.12%.

Agency mortgage-backed securities (MBS) outperformed U.S. Treasuries with a nominal return of -0.64% and an excess return relative to similar maturity Treasury bonds of 0.76%.

Performance

Federated Hermes Strategic Income Fund Institutional Shares had a total return at net asset value of 0.60% for the quarter, slightly underperforming its blended benchmark return of 1.05%. The fund's return outperformed the longer duration Bloomberg US Aggregate Bond Index, a commonly used barometer of performance for the broad high-quality bond market, which returned -0.84%.

Performance contributors

- FX exposure in several G-10 currencies and EM currencies
- Overweight in IG corporate bonds
- Yield-curve positioning
- Security selection within the high yield and IG credit allocation
- Equity holdings

Performance detractors

- EM security selection
- Average duration longer than the benchmark
- Underweight to high-yield securities

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, contact us or visit FederatedHermes.com/us.

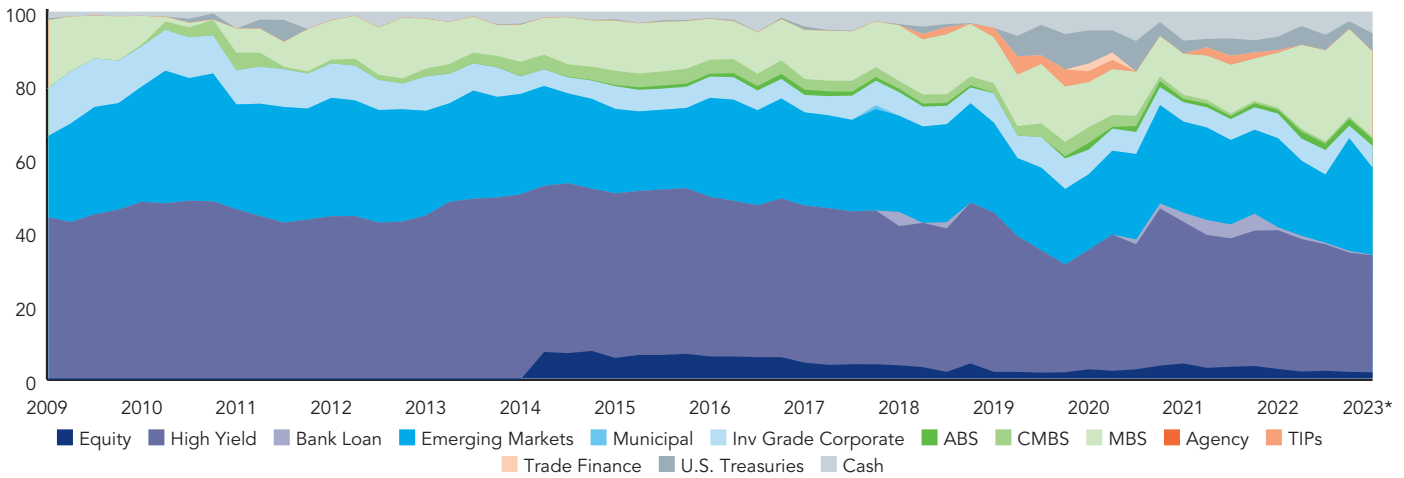
How we are positioned

With the recent increase in Treasury bond yields and the yield curve deeply inverted, we believe that fair value has been reestablished in the bond market. We have increased the duration of the portfolio to approximately 110% of the blended benchmark and are positioned for a steepening of the yield curve.

We remain underweight domestic high yield as we expect that tightening credit conditions and slowing earnings will lead to wider credit spreads. We've recently reduced our exposure to EM debt as spreads tightened significantly during the second quarter on expectations for a slowing global economy and increasing divergence in central bank policies. We have increased our exposure to residential MBS, as spreads in this sector continue to be wide of historical averages and the shortage of U.S. housing inventory has continued to support home prices and new construction activity.

See disclosure section for important disclosures and definitions.

Historical sector weightings (%)



* As of 6/30/23

Risk statistics

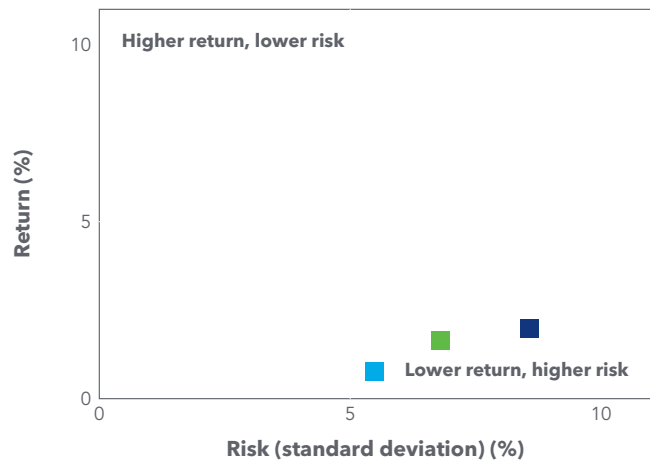
	3-year	5-year	7-year	10-year
Standard deviation	7.93	8.57	7.36	6.70
Alpha	4.96	1.37	2.26	1.51
Beta	1.05	0.94	0.91	0.86
Correlation	0.81	0.60	0.59	0.55
R²	65.22	35.53	34.72	30.27

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg US Aggregate Bond Index

See disclosure section for important definitions.

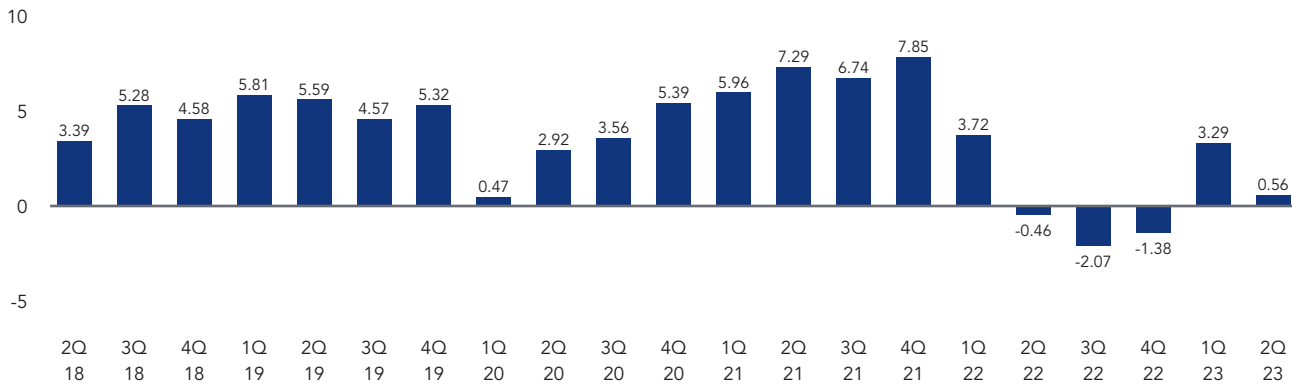
5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Strategic Income Fund (IS)	8.57	1.98
■ Bloomberg US Aggregate Bond Index	5.48	0.77
■ 35% Bloomberg US Mortgage Backed Securities Index/40% Bloomberg US Corporate High Yield 2% Issuer Capped Index/25% Bloomberg Emerging Markets Seasoned ex Aggregate/Eurodollar Index	6.79	1.65

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3-year rolling returns - IS (%)



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Category rankings

Morningstar Multisector Bond Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	53	54	45	-
	Morningstar Category Rank	197 of 351 funds	165 of 311 funds	120 of 260 funds	-
IS Shares	Morningstar Category % Rank	52	54	47	42
	Morningstar Category Rank	195 of 351 funds	166 of 311 funds	129 of 260 funds	67 of 160 funds
A Shares	Morningstar Category % Rank	59	63	59	60
	Morningstar Category Rank	222 of 351 funds	200 of 311 funds	161 of 260 funds	93 of 160 funds

Lipper Multi-Sector Income Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	44	44	37	-
	Lipper Classification Rank	162 of 368 funds	147 of 336 funds	104 of 285 funds	-
IS Shares	Lipper Classification % Rank	44	45	39	39
	Lipper Classification Rank	160 of 368 funds	149 of 336 funds	110 of 285 funds	65 of 166 funds
A Shares	Lipper Classification % Rank	53	55	52	56
	Lipper Classification Rank	192 of 368 funds	185 of 336 funds	146 of 285 funds	92 of 166 funds

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

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 4.40% at maximum offering price for A Shares, 4.95% for R6 Shares, and 4.88% for Institutional Shares.

The fund's R6 Shares commenced operations on January 27, 2017. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for A Shares. The performance of the A Shares has not been adjusted to reflect the expenses applicable to the R6 Shares since the R6 Shares have a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and adjusted to remove any voluntary waiver of fund expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares.

The fund's Institutional Shares commenced operations on January 28, 2008. For the period prior to the commencement of operations of the Institutional Shares, the performance information shown is for the fund's A Shares. The performance of the A Shares has not been adjusted to reflect the expenses applicable to the Institutional Shares since the Institutional Shares have a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and adjusted to remove any voluntary waiver of fund expenses related to the A Shares that may have occurred prior to commencement of operations of the Institutional Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

Federated Hermes Strategic Income 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.

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.

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

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

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.

Correlation is the degree to which one variable (here, the fund's returns) fluctuates relative to another (the returns of the fund's benchmark). Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

R-squared indicates what percentage of a portfolio's movement in performance is explained by movement in performance of the market. R-squared ranges from 0 to 100, and a score of 100 suggests that all movements of a portfolio's performance are completely explained by movements in the market as measured by the fund's benchmark.

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

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 Emerging Markets Seasoned ex Aggregate/Eurodollar Index is the emerging markets debt component of the Bloomberg US Universal Bond Index and is generally at least 80% non-investment grade.

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.

Bloomberg US Corporate High Yield 2% Issuer Capped Index is an issuer-constrained version of the flagship US Corporate High Yield Index, which measures the USD-denominated, high yield, fixed-rate corporate bond market. The index follows the same rules as the uncapped version, but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index wide on a pro rata basis. The index was created in 2002, with history backfilled to January 1, 1993.

Bloomberg US Mortgage-Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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