Federated Hermes Strategic Income Fund

12/31/23

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
$630.0 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
Anthony Venturino, CFA
Mark Durbiano, CFA

Yields (%)

30-day yield (R6)	5.62
30-day yield (IS)	5.61
30-day yield (A)	5.05

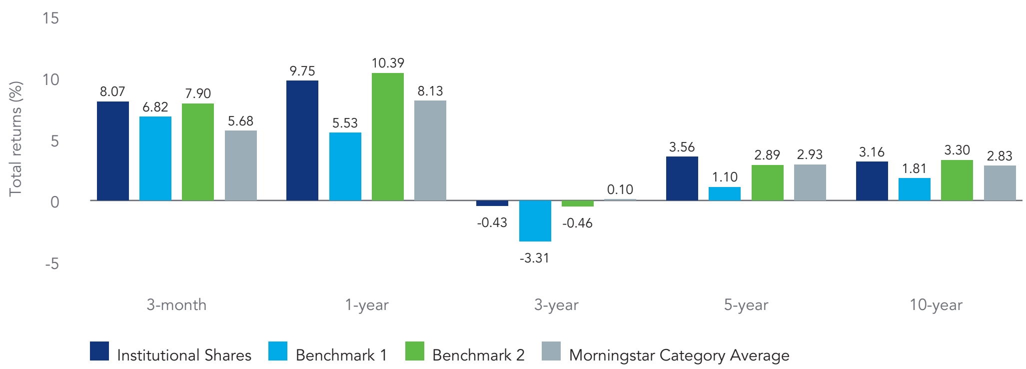
Fund description

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	Expense ratio* After waivers
R6 Shares	8.29	9.96	9.96	-0.41	3.60	3.09	5.44	0.73	0.63
Institutional Shares	8.07	9.75	9.75	-0.43	3.56	3.16	5.81	0.84	0.64
A Shares (NAV)	8.06	9.47	9.47	-0.74	3.23	2.85	5.67	1.07	0.96
A Shares (MOP)	3.20	4.50	4.50	-2.24	2.28	2.37	5.50	1.07	0.96
Benchmark 1	6.82	5.53	5.53	-3.31	1.10	1.81	–	–	–
Benchmark 2	7.90	10.39	10.39	-0.46	2.89	3.30	–	–	–



Calendar year total returns (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Institutional Shares	9.75	-13.48	3.96	6.65	13.15	-2.99	6.43	10.76	-2.90	3.20
Benchmark 1	5.53	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.97
Benchmark 2	10.39	-11.48	1.29	4.87	16.86	-4.22	9.32	13.83	-0.73	6.77
Morningstar Category Average	8.13	-9.85	2.49	4.84	9.80	-1.52	6.07	7.52	-2.18	3.63

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.**

Federated Hermes

Investment approach

Flexible, multi-sector approach	Consistent, repeatable investment process	Tenured team with long-term results
• 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	• 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	• 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

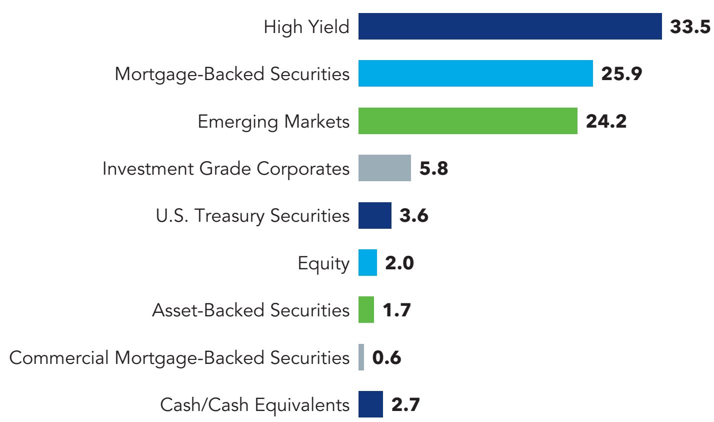
Portfolio statistics

Weighted average effective maturity	6.8 yrs.
Weighted average effective duration	4.5 yrs.
Weighted average coupon	5.13%
Weighted average yield to maturity	7.06%

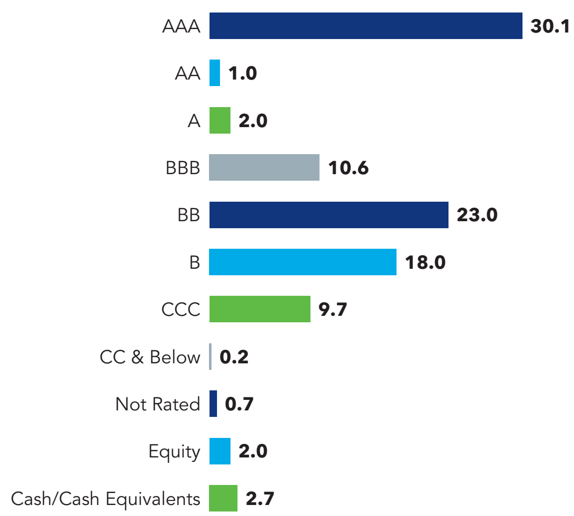
Top holdings (%)

High Yield Bond Core Fund	37.5
Emerging Markets Core Fund	24.2
Mortgage Core Fund	18.5
U.S. Treasury Note, 4.500% due 7/15/26	1.6
FNMA FBT224, 3.000% due 3/01/52	1.4
FHLMC SD8225, 3.000% due 7/01/52	1.2
FHLMC SD8243, 3.500% due 9/01/52	1.2
FNMA MA4732, 4.000% due 9/01/52	1.1
U.S. Treasury Note, 4.625% due 6/30/25	1.1
JP Morgan Mortgage Trust 2022-1, Class A2, 3.000% due 7/25/52	0.9
Total % of portfolio	88.7

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 third quarter U.S. economic data and increased geopolitical risk contributed to a risk-off tone across financial markets in the month of October
- Beginning in November, economic data began slowing in the labor market, wage growth and the manufacturing sector. Financial markets reversed course and began a risk-on rally that continued through the remainder of the quarter
- The Federal Reserve (Fed) maintained the fed funds rate at its current level throughout the quarter. The yield on Treasury bonds declined as investors interpreted the Fed's pause as a sign that the future path for interest rates is lower
- The yield curve flattened as yields on longer-maturity bonds declined more than shorter-maturity bonds
- The U.S. dollar weakened against most other currencies in reaction to falling U.S. interest rates

Looking back

Following the 4.9% increase in gross domestic product (GDP) on an annualized basis during the third quarter, more recent data on employment and manufacturing activity indicates that economic growth in the U.S. is beginning to slow. To date, economic strength has been primarily driven by consumer spending, supported by a strong labor market and high consumer confidence. Beginning in November, data on the labor market began to show signs of weakness with a decline in job openings, rising unemployment insurance claims, and slower growth in hourly earnings. The inflation rate measured by the Core PCE fell to 3.15% in November compared to 5.10% a year ago. Declining inflation and the reduction in wage pressure created a sense of optimism by market participants that the economy would ultimately be able to bring inflation back to the Fed's 2.0%-2.5% target without a recession.

The financial markets quickly embraced the view of a "soft-landing" and bond yields fell, the stock market rallied, and credit spreads contracted. At its final meeting of the year, the Fed once again held interest rates at the current level, which further reinforce the market perception that it has probably reached the end of the rate hiking cycle and will likely consider rate cuts in 2024.

Performance

Federated Hermes Strategic Income Fund Institutional Shares had a total return at net asset value of 8.07% for the quarter, slightly outperforming its blended benchmark return of 7.90%. 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 6.82%.

Performance contributors

- Overweight in investment-corporate bonds
- Security selection
- Equity allocation

Performance detractors

- Yield curve positioning
- 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.

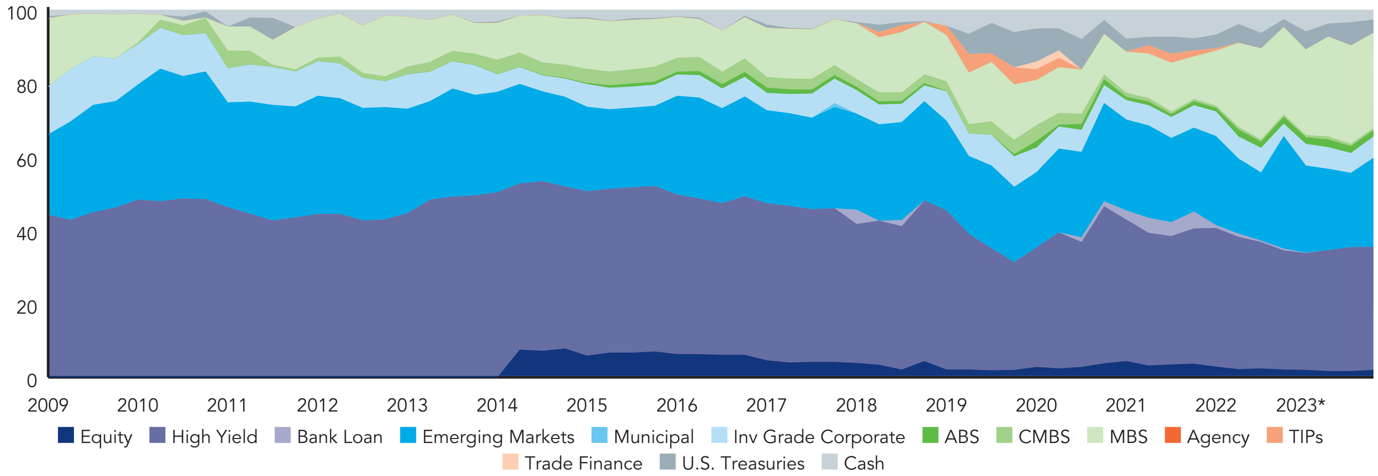
How we are positioned

We agree with the market consensus view that fight to bring down inflation may be won without the U.S. economy having to enter a recession. However, the market repricing was so abrupt in the final two months of 2023, that we perceive current valuations to be overly optimistic. For instance, the forward Treasury rate curve is currently pricing six 25 basis point rate cuts beginning in March of 2024.

With the recent decrease in Treasury bond yields, we have tactically moved the portfolio duration to equal that of the benchmark. We continue to be positioned for a steepening of the yield curve. We still expect that corporate credit quality will deteriorate as corporate issuers have locked in higher interest rates over the past two years and will have trouble increasing prices going forward. We remain neutral on emerging markets (EM) debt as yields in that sector continue to be high and U.S. dollar depreciation will relieve funding pressures on some EM economies that rely on external debt. Following the recent rally, we have reduced our overweight exposure to residential mortgage-backed securities but remain constructive on this sector given rising home prices and the shortage of U.S. housing inventory.

See disclosure section for important disclosures and definitions.

Historical sector weightings (%)



* As of 12/31/23

Risk statistics

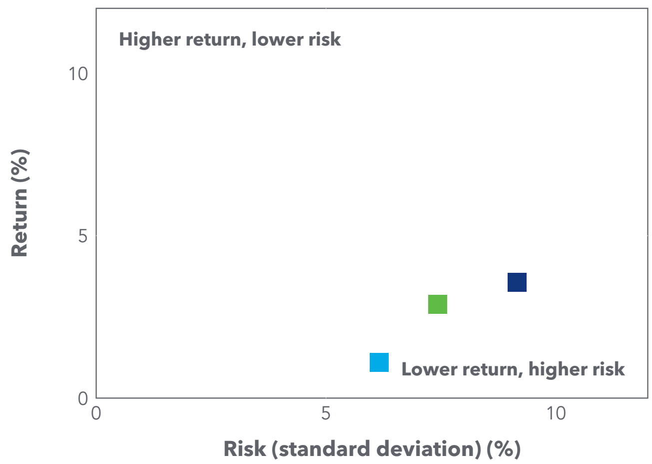
	3-year	5-year	7-year	10-year
Standard deviation	8.53	9.16	7.84	7.06
Alpha	3.18	2.65	1.83	1.52
Beta	1.03	1.01	0.96	0.90
Correlation	0.87	0.68	0.65	0.60
R^2	75.71	45.76	42.71	36.56

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)	9.16	3.56
Bloomberg US Aggregate Bond Index	6.16	1.10
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	7.43	2.89

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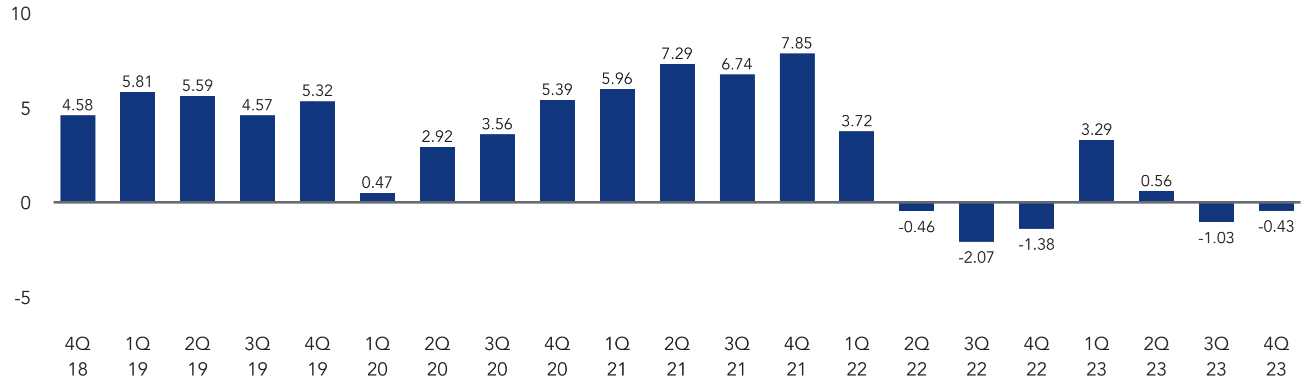
3-year rolling returns - IS (%)



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Category rankings

Morningstar Multisector Bond Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	19	63	32	–
	Morningstar Category Rank	79 of 358 funds	192 of 322 funds	77 of 267 funds	–
IS Shares	Morningstar Category % Rank	22	63	35	35
	Morningstar Category Rank	93 of 358 funds	193 of 322 funds	88 of 267 funds	62 of 163 funds
A Shares	Morningstar Category % Rank	29	74	46	53
	Morningstar Category Rank	116 of 358 funds	225 of 322 funds	125 of 267 funds	87 of 163 funds

Lipper Multi-Sector Income Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	21	50	20	–
	Lipper Classification Rank	80 of 388 funds	182 of 368 funds	63 of 320 funds	–
IS Shares	Lipper Classification % Rank	25	50	23	34
	Lipper Classification Rank	97 of 388 funds	183 of 368 funds	72 of 320 funds	67 of 203 funds
A Shares	Lipper Classification % Rank	31	59	38	51
	Lipper Classification Rank	119 of 388 funds	216 of 368 funds	119 of 320 funds	102 of 203 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 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 4.92% at maximum offering price for A Shares, 5.50% for R6 Shares, and 5.39% 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.

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

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.

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Federated Securities Corp., Distributor

This must be preceded or accompanied by a prospectus.