

Federated Hermes Strategic Income Fund

6/30/24

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

\$581.4 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) 5.16

30-day yield (IS) 5.15

30-day yield (A) 4.61

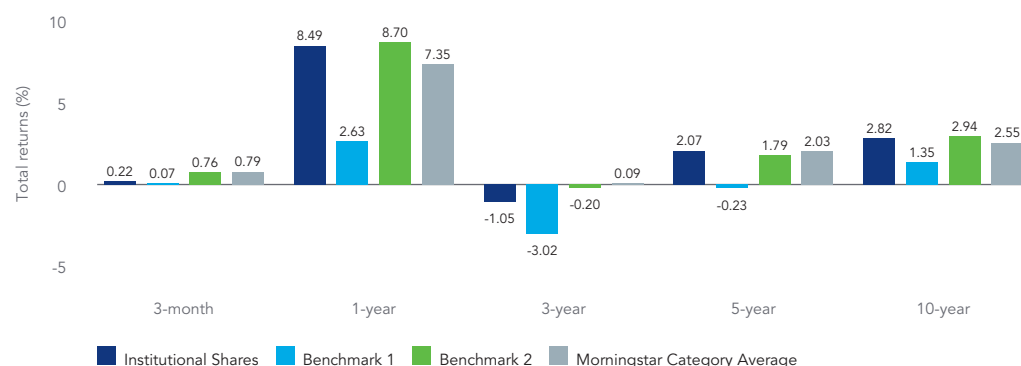
Fund description

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	0.22	1.71	8.44	-1.03	2.07	2.75	5.41	0.76	0.63
Institutional Shares	0.22	1.85	8.49	-1.05	2.07	2.82	5.77	0.86	0.64
A Shares (NAV)	0.14	1.67	8.09	-1.36	1.73	2.50	5.63	1.10	0.96
A Shares (MOP)	-4.32	-2.88	3.22	-2.85	0.79	2.03	5.47	1.10	0.96
Benchmark 1	0.07	-0.71	2.63	-3.02	-0.23	1.35	—	—	—
Benchmark 2	0.76	2.16	8.70	-0.20	1.79	2.94	—	—	—



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 2/1/25 or the date of the fund's next effective prospectus.

Not FDIC Insured • May Lose Value • No Bank Guarantee

**Federated
Hermes**

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 27 years of experience, and team members have worked together at Federated Hermes for 17 years

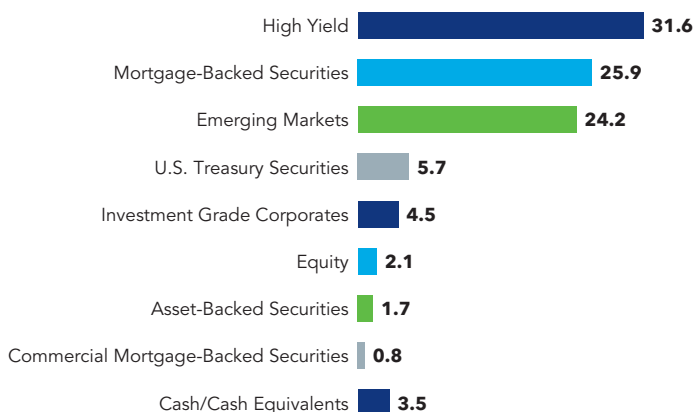
Portfolio statistics

Weighted average effective maturity	6.8 yrs.
Weighted average effective duration	4.5 yrs.
Weighted average coupon	5.11%
Weighted average yield to maturity	7.24%

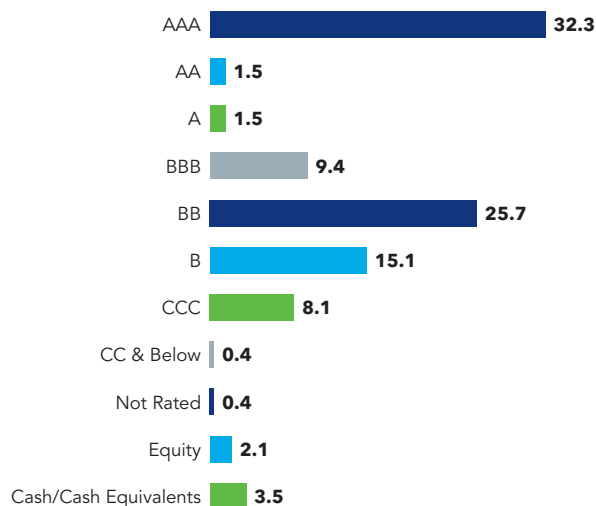
Top holdings (%)

High Yield Bond Core Fund	35.5
Emerging Markets Core Fund	23.0
Mortgage Core Fund	17.7
U.S. Treasury Note, 4.500% due 7/15/26	1.7
U.S. Treasury Note, 4.875% due 4/30/26	1.6
FNMA FBT224, 3.000% due 3/01/52	1.4
U.S. Treasury Note, 4.250% due 1/31/26	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	1.2
Total % of portfolio	85.9

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 6/30/24 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 Federal Reserve (Fed) maintained the fed funds rate at its current level throughout the quarter and communicated it would have patience before beginning to reduce interest rates. Globally, several central banks began to ease their monetary policy
- Nominal returns for U.S. fixed-income assets were relatively subdued during the second quarter. Election results and diverging economic policies in several countries contributed to higher interest-rate volatility during the quarter
- Interest rates rose sharply in April, but then fell back to levels near where they began the quarter as U.S. employment and inflation data began to soften in June
- The yield curve steepened slightly during the quarter
- In the credit markets, the middle quality BBB and BB bonds outperformed, while the highest quality AA and lowest quality CCC-rated bonds underperformed
- The U.S. dollar weakened against most other major currencies with notable exceptions in the Brazilian real, Mexican peso and Japanese yen

Looking back

Mixed economic data and a Fed that continues to be on hold and data dependent created large swings in interest rates during the second quarter. For example, the yield on the 5-year Treasury bond began the quarter at 4.2%, climbed to 4.72% in April and then ended the quarter at 4.38%. After a series of increasingly high monthly readings during the first quarter of the year, recent data on gross domestic product (GDP), employment and inflation began declining in the second quarter. The Fed has communicated that if the economy continues to be resilient, they will not have a sense of urgency to ease monetary policy. At the end of the quarter, the market consensus was expecting two 25 basis point reductions in the fed funds rate in 2024.

Risk assets like stocks and corporate bond spreads continued to trade at relatively rich valuations. However, there were growing divergences in the stock market between growth and value stocks. A handful of AI oriented tech stocks drove the S&P 500 to a 4.28% return for the quarter compared to -1.27% for the Dow Jones Industrial Index and -3.28% for the small-cap Russell 2000 Index. A similar divergence was seen in the corporate credit markets where the middle of the quality spectrum (BBB and BB-rated) bonds outperformed the highest and lowest (AA and CCC-rated) bonds.

The high yield, bank loans, commercial mortgage-backed securities (CMBS), trade finance loans and asset-backed securities outperformed similar maturity Treasury bonds during the second quarter. Investment-grade corporate bonds and government agency mortgage-backed securities (MBS) had small negative excess returns during the quarter.

Performance

Federated Hermes Strategic Income Fund Institutional Shares had a total return at net asset value of 0.22% for the quarter, underperforming its blended benchmark return of 0.76%. The fund's return outperformed the Bloomberg US Aggregate Bond Index, a commonly used barometer of performance for the broad high-quality bond market, which returned 0.07%.

Performance contributors

- Foreign currency exposure
- Equity allocation
- Overweight allocation to emerging markets (EM) debt

Performance detractors

- Underweight allocation to high-yield bonds
- Security selection within the high yield and EM debt allocations
- Duration

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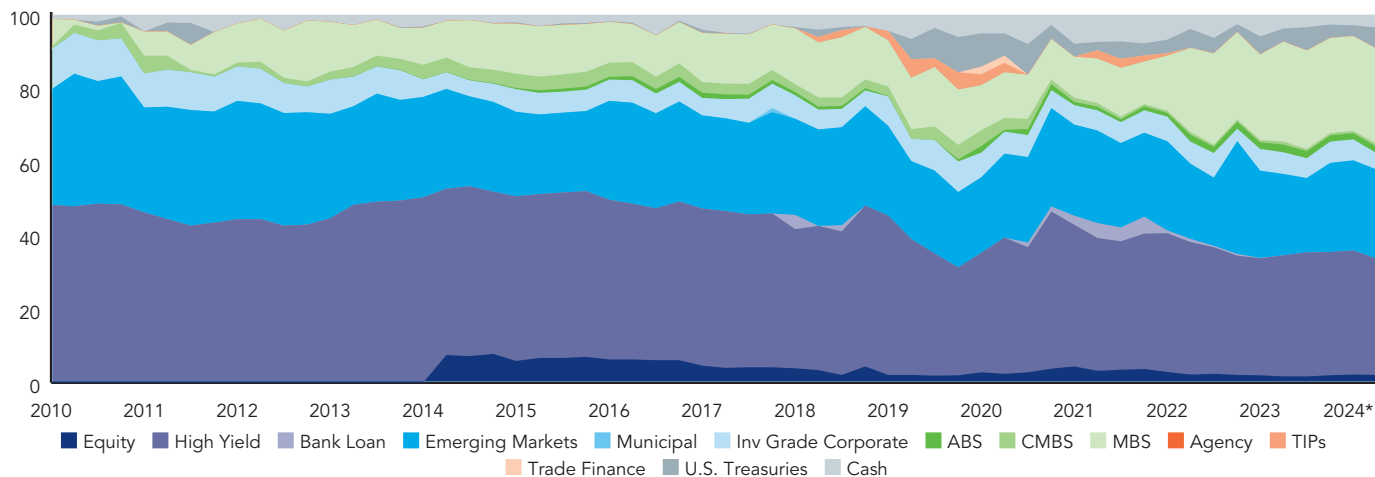
How we are positioned

While market views on the path of monetary policy easing have swung wildly over the first half of 2024, ours has remained relatively consistent with the expectation of two 25 basis point cuts likely in the second half of the year.

We now think Treasury bond yields are priced attractively, making us constructive to increase duration. We expect the yield curve to continue to steepen and favor the intermediate duration (2–7-year maturities) portion of the yield curve. We continue to see value in MBS and EM bonds. We continue to have a less than benchmark allocation to high-yield bonds as we think credit spreads are unattractive at current levels.

See disclosure section for important disclosures and definitions.

Historical sector weightings (%)



* As of 6/30/24

Risk statistics

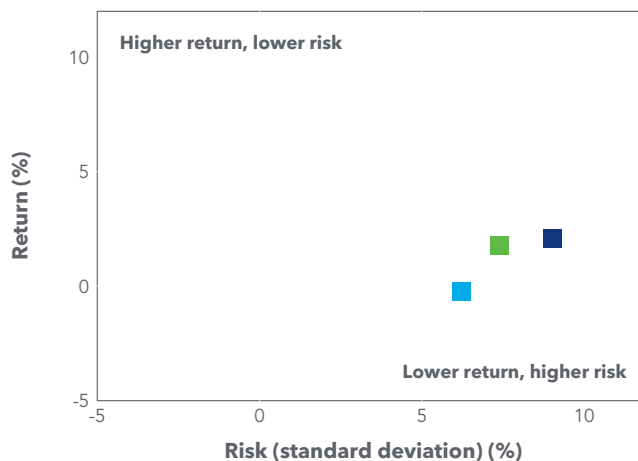
	3-year	5-year	7-year	10-year
Standard deviation	8.59	9.01	7.89	7.09
Alpha	2.17	2.51	1.87	1.56
Beta	1.01	1.00	0.94	0.89
Correlation	0.88	0.69	0.66	0.61
R²	76.91	47.90	43.15	37.28

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg US Aggregate Bond Index

See disclosure section for important definitions.

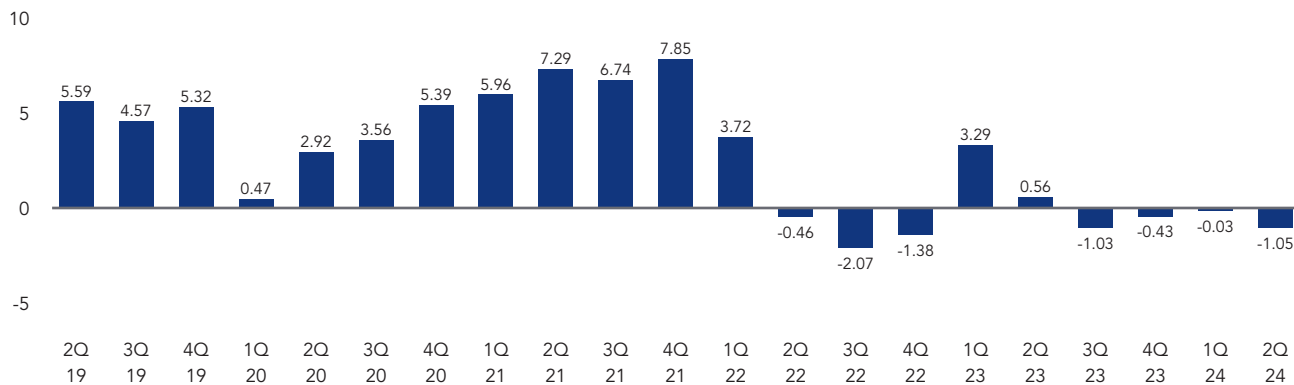
5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Strategic Income Fund (IS)	9.01	2.07
■ Bloomberg US Aggregate Bond Index	6.23	-0.23
■ 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	7.38	1.79

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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	33	74	50	-
	Morningstar Category Rank	112 of 353 funds	233 of 316 funds	133 of 262 funds	-
IS Shares	Morningstar Category % Rank	31	75	50	38
	Morningstar Category Rank	107 of 353 funds	236 of 316 funds	132 of 262 funds	72 of 177 funds
A Shares	Morningstar Category % Rank	40	83	65	58
	Morningstar Category Rank	145 of 353 funds	268 of 316 funds	172 of 262 funds	104 of 177 funds

Lipper Multi-Sector Income Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	29	65	40	-
	Lipper Classification Rank	103 of 363 funds	216 of 335 funds	116 of 289 funds	-
IS Shares	Lipper Classification % Rank	27	66	40	38
	Lipper Classification Rank	97 of 363 funds	219 of 335 funds	114 of 289 funds	71 of 189 funds
A Shares	Lipper Classification % Rank	37	75	53	55
	Lipper Classification Rank	133 of 363 funds	250 of 335 funds	153 of 289 funds	104 of 189 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 S&P Global Ratings, 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 4.50% at maximum offering price for A Shares, 5.05% for R6 Shares, and 4.97% 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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