

# Federated Hermes Total Return Bond Fund

3/31/25

## Fund facts

### Performance inception date

R6 Shares	10/1/96
Institutional Shares	10/1/96
A Shares	8/16/01

### Benchmark 1

Bloomberg US Aggregate Bond Index

### Benchmark 2

Bloomberg US Universal Index

### Morningstar category

Intermediate Core-Plus Bond

### Lipper classification

Core Bond Funds

### Fund assets

\$15.3 billion

### Ticker symbols

R6 Shares - FTRLX  
Institutional Shares - FTRBX  
Service Shares - FTRFX  
A Shares - TLRAX  
C Shares - TLRXC  
R Shares - FTRKX

### Key investment team

Donald Ellenberger  
Jerome Conner, CFA  
R.J. Gallo, CFA  
Chengjun (Chris) Wu, CFA  
Todd Abraham, CFA  
Mark Durbiano, CFA  
Ihab Salib  
Anthony Venturino, CFA  
Christopher McGinley

### Yields (%)

30-day yield (R6)	4.35
30-day yield (IS)	4.34
30-day yield (A)	3.62

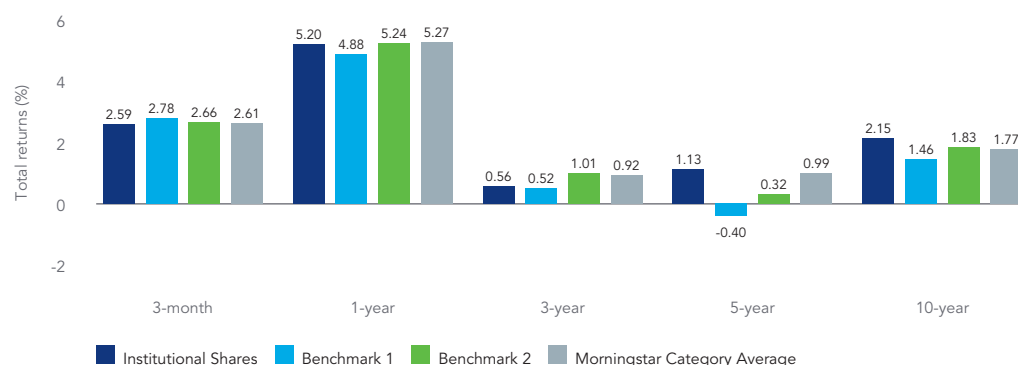
## Fund description

A core, multisector fund that 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 both developed and emerging international sectors (including trade finance and bank loan, with a sub-investment grade allocation limited to 25%).

## 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>	2.59	2.59	5.21	0.53	1.14	2.15	4.31	0.42	0.38	
<b>Institutional Shares</b>	2.59	2.59	5.20	0.56	1.13	2.15	4.71	0.47	0.39	
<b>A Shares (NAV)</b>	2.45	2.45	4.63	0.01	0.59	1.59	3.47	0.99	0.94	
<b>A Shares (MOP)</b>	-2.15	-2.15	-0.04	-1.50	-0.33	1.13	3.26	0.99	0.94	
<b>Benchmark 1</b>	2.78	2.78	4.88	0.52	-0.40	1.46	—	—	—	
<b>Benchmark 2</b>	2.66	2.66	5.24	1.01	0.32	1.83	—	—	—	



## Calendar year total returns (%)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Institutional Shares</b>	2.00	5.17	-12.49	0.18	9.58	9.73	-0.86	4.40	4.96	-0.16
<b>Benchmark 1</b>	1.25	5.53	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55
<b>Benchmark 2</b>	2.04	6.17	-12.99	-1.10	7.58	9.29	-0.26	4.09	3.91	0.43
<b>Morningstar Category Average</b>	2.37	6.22	-13.27	-0.67	8.06	8.94	-0.61	4.27	3.86	-0.45

**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 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 2/1/26 or the date of the fund's next effective prospectus.**

Not FDIC Insured • May Lose Value • No Bank Guarantee

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Hermes**

## Investment approach

### Core Plus, Intermediate Bond Fund

- A disciplined approach to core fixed income with a conservative, investment-grade risk profile
- Invests primarily in US 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 25%

### Consistent, repeatable investment process

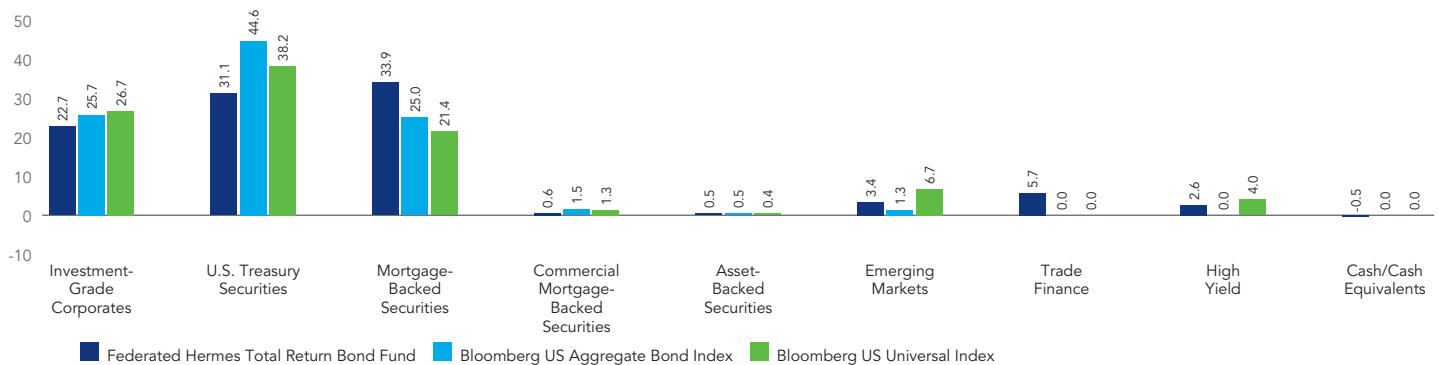
- Combines top-down decision making with bottom-up security selection to build diversified, risk-managed portfolios
- Key decision teams known as “alpha pods” seek diversified, uncorrelated alpha sources across various market environments
- Positioning set across five factors: sector allocation, security 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
- The fixed-income management team averages 28 years of experience and have worked at Federated Hermes for an average of 18 years

As of 3/31/25

## Sector weightings (%)



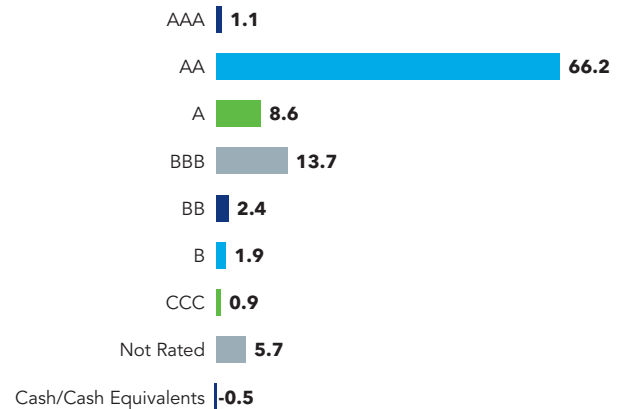
## Portfolio statistics

Weighted average effective maturity	9.1 yrs.
Weighted average effective duration	6.1 yrs.
Weighted average coupon	4.38%
Weighted average yield to maturity	5.00%
Weighted average bond price	\$95.54

## Top holdings (%)

Mortgage Core Fund	26.4
Project and Trade Finance Core Fund	6.7
U.S. Treasury Note, 4.625% due 2/15/35	5.6
U.S. Treasury Note, 4.125% due 10/31/31	5.1
High Yield Bond Core Fund	2.6
U.S. Treasury Bond, 4.125% due 8/15/53	2.6
U.S. Treasury Bond, 4.250% due 2/15/54	2.6
Emerging Markets Core Fund	2.1
U.S. Treasury Note, 3.750% due 8/31/31	1.7
U.S. Treasury Note, 4.250% due 11/15/34	1.7
Total % of portfolio	57.1

## 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 3/31/25 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

- Institutional Shares returned 2.59% in the quarter, compared to 2.78% for the Bloomberg US Aggregate Bond Index (BAB)
- Helping performance vs. the BAB was an allocation to trade finance loans and an underweight to investment-grade (IG) corporate bonds
- Slightly less interest rate risk (duration) than the BAB and security selection in emerging markets (EM) bonds detracted from returns
- To begin the second quarter, the fund's overall duration is slightly longer than the BAB. The fund is underweight IG corporate bonds and commercial mortgage-backed securities (CMBS), overweight residential mortgage-backed securities (MBS), holds small allocations to EM bonds and high-yield bonds, and has 6.7% in trade finance loans

## Looking back

As the new White House administration's policies on tariffs, federal job and funding cuts, and immigration restrictions came into focus, the markets began to price in growing risks of a stagflationary environment of higher inflation and lower growth in 2025. While the inflationary impact was deemed to be short term, the potential for more lasting damage to the economy caused interest rates to fall in the first quarter and risk assets in general to underperform. The 2-year Treasury yield declined from 4.24% at the end of 2024 to 3.88% on March 31, while 10-year yields declined from 4.57% to 4.21%.

For the first time in several quarters, most sectors of the bond market underperformed duration equivalent Treasuries in the first quarter. Only trade finance loans posted modest positive excess returns. Residential government MBS matched the return of duration equivalent Treasuries. EM bonds, high-yield bonds, IG corporate bonds, bank loans, asset-backed securities, and CMBS all underperformed, with the lower-credit quality sectors underperforming more than higher-credit quality sectors. Within the corporate bond market, utilities underperformed financials and industrials.

## Performance

Federated Hermes Total Return Bond Fund IS shares posted a total return net of fees of 2.59% for the quarter. The performance compares to a return of 2.78% for the BAB. 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 BAB.

### Performance contributors

- Allocation to out-of-index trade finance loans
- Underweight to IG corporate bonds

### Performance detractors

- Slightly less duration than the BAB
- Security selection in EM

*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](https://FederatedHermes.com/us).*

## How we are positioned

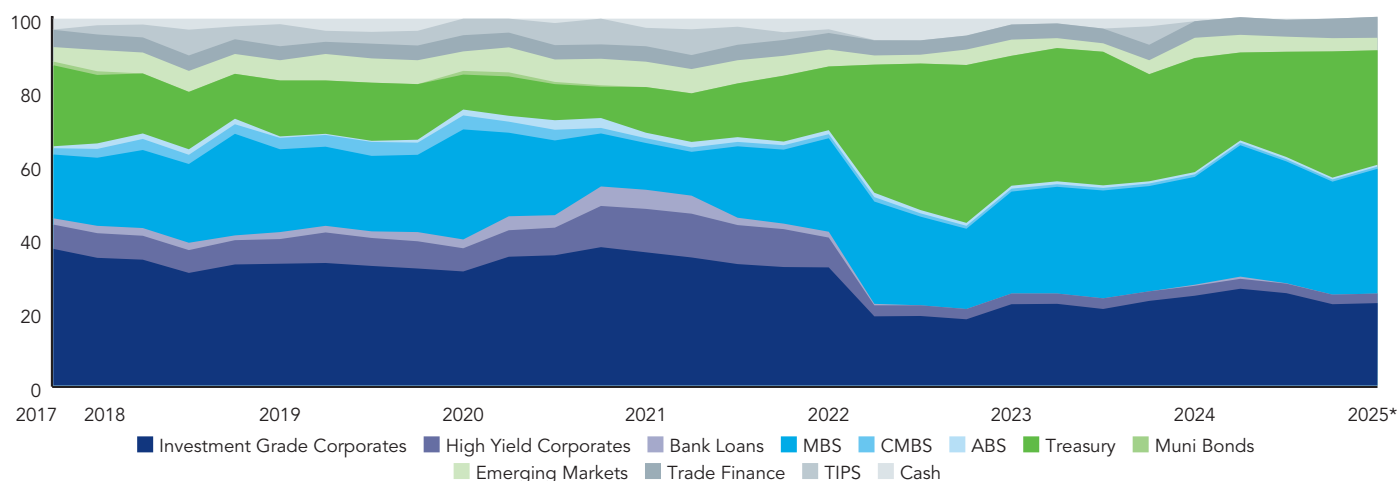
During the first quarter, the fund decreased its allocation to IG corporate bonds to 18% as corporate spreads remain rich compared to long-term averages. The fund held 26% in MBS pass-throughs and increased its allocation to floating rate collateralized mortgage obligations from 3% to 6%. EM bonds were reduced from 3% to 2%, and high-yield bonds to under 2%, as these sectors also continue to trade very rich to long-term averages despite the March weakness. Trade finance loans increased from 5.7% to 6.7% as this sector yields close to 7% and has very little correlation to other assets. CMBS remained at 0.6%. Finally in terms of sector allocation, Treasuries comprised 31% of the fund.

The fund's overall duration is slightly longer than the BAB to start the new quarter. The fund removed a yield curve steepening bias and is laddered across the maturity spectrum. The fund also initiated small trades that will benefit from US dollar weakness.

The fund employed derivatives to both hedge risks and to express duration, yield curve, and currency investment themes during the quarter. Derivatives are used when they are less expensive or more efficient than physical securities to express investment themes generated by Federated Hermes Alpha Pod process.

*See disclosure section for important disclosures and definitions.*

## Historical sector weightings (%)



\*As of 3/31/25

## Risk statistics

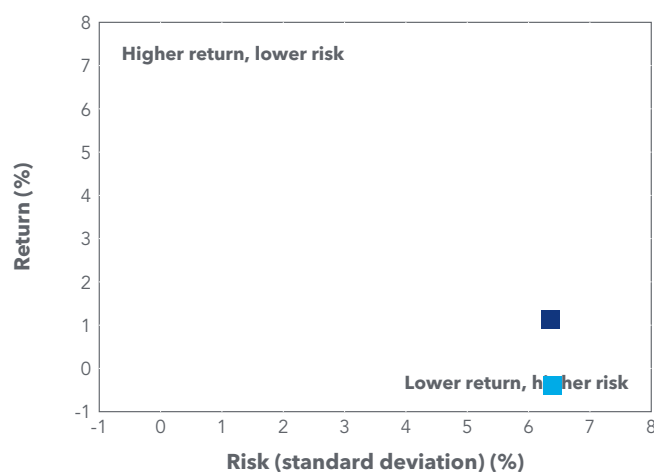
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	7.51	6.35	5.71	4.98
<b>Alpha</b>	-0.06	1.48	0.61	0.66
<b>Beta</b>	0.98	0.99	0.96	0.96
<b>Up capture ratio</b>	98.13	108.65	102.32	103.31
<b>Down capture ratio</b>	97.71	91.01	93.50	92.15
<b>Sharpe ratio</b>	-0.52	-0.25	-0.06	0.04

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg US Aggregate Bond Index

**See disclosure section for important definitions.**

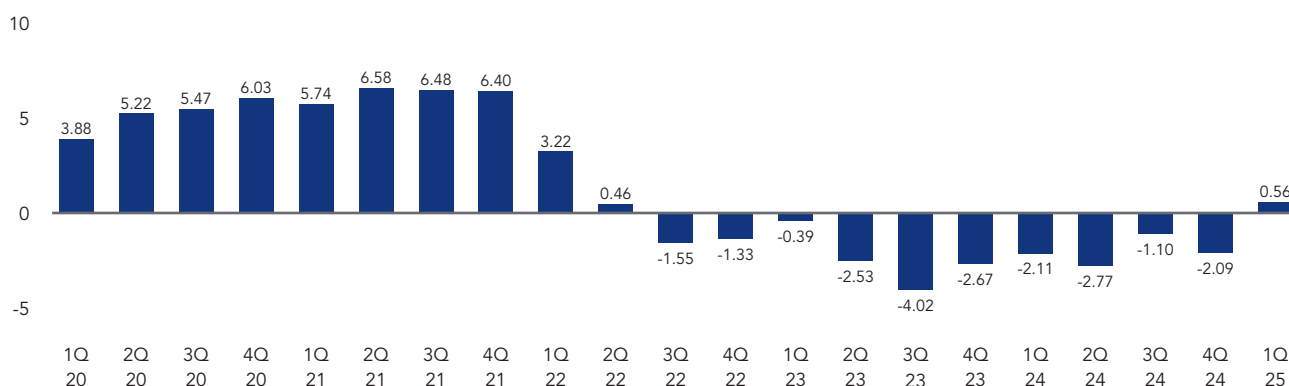
## 5-year risk/return



	Risk (%)	Return (%)
Federated Hermes Total Return Bond Fund (IS)	6.35	1.13
Bloomberg US Aggregate Bond Index	6.39	-0.40

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



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## Category rankings

Morningstar Intermediate Core-Plus Bond Category		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	50	68	37	–
	Morningstar Category Rank	276 of 573 funds	311 of 530 funds	169 of 478 funds	–
<b>IS Shares</b>	Morningstar Category % Rank	51	67	37	23
	Morningstar Category Rank	281 of 573 funds	305 of 530 funds	171 of 478 funds	67 of 346 funds
<b>A Shares</b>	Morningstar Category % Rank	83	84	64	62
	Morningstar Category Rank	459 of 573 funds	416 of 530 funds	291 of 478 funds	199 of 346 funds

Lipper Core Bond Funds		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	29	44	17	–
	Lipper Classification Rank	147 of 513 funds	205 of 474 funds	73 of 438 funds	–
<b>IS Shares</b>	Lipper Classification % Rank	30	40	17	8
	Lipper Classification Rank	150 of 513 funds	190 of 474 funds	74 of 438 funds	26 of 335 funds
<b>A Shares</b>	Lipper Classification % Rank	76	84	32	41
	Lipper Classification Rank	387 of 513 funds	395 of 474 funds	138 of 438 funds	136 of 335 funds

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

<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 3.58% at maximum offering price for A Shares, 4.32% for R6 Shares, and 4.28% for Institutional Shares.

The fund's R6 Shares commenced operations on April 17, 2015. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's Institutional Shares, adjusted to reflect the expenses of the R6 Shares for each year for which the expenses of the R6 Shares would have exceeded the actual expenses paid by the Institutional Shares.

## Federated Hermes Total Return Bond Fund

### 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.

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.

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.

Bank loan instruments carry increased levels of credit and default risk and are generally less liquid than government and investment-grade bonds.

Investments in trade finance-related instruments may entail credit, liquidity, currency, and market risks in addition to other risks, such as the risk of investing in foreign securities and emerging market securities.

### 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 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 Universal Index** represents the union of the US Aggregate Index, US Corporate High-Yield, Investment Grade 144A Index, Eurodollar Index, US Emerging Markets Index and the non-ERISA eligible portion of the CMBS Index. The index covers USD denominated, taxable bonds that are rated either investment grade or below investment grade.

Indexes are unmanaged and cannot be invested in directly.

### Ratings and rating agencies

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