

Federated Hermes Ultrashort Bond Fund

3/31/24

Fund facts

Performance inception date

R6 Shares	2/22/00
Institutional Shares	2/22/00
Service Shares	5/31/97
A Shares	5/31/97

Benchmark

Bloomberg US Short-Term Government/Corporate Index

Morningstar category

Ultrashort Bond

Lipper classification

Ultra-Short Obligations Funds

Fund assets

\$2.9 billion

Ticker symbols

R6 Shares - FULLX
Institutional Shares - FULIX
Service Shares - FULBX
A Shares - FULAX

Key investment team

Nicholas Tripodes, CFA
Daniel Mastalski, CFA

Yields (%)

30-day yield (R6)	4.47
30-day yield (IS)	4.44
30-day yield (SS)	4.35
30-day yield (A)	4.30

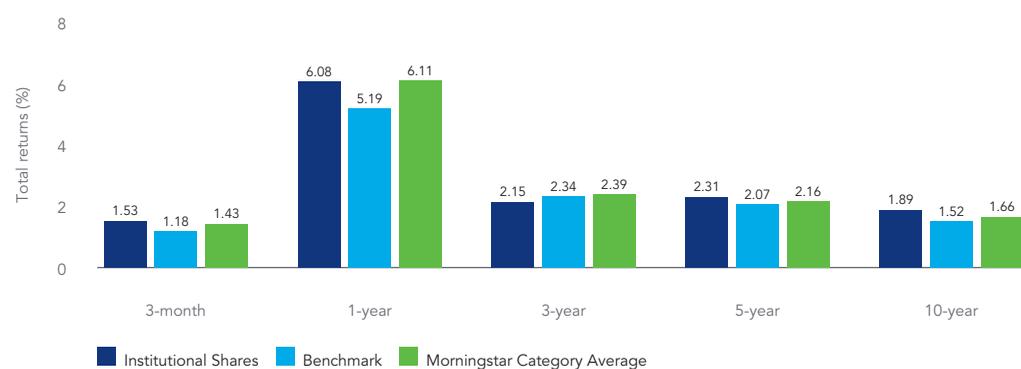
Fund description

The fund seeks total return consistent with current income by investing primarily in a diversified portfolio of investment-grade debt, including asset- and mortgage-backed, corporate, Treasury and government-agency securities. Its portfolio is invested in sectors that offer the best risk/return balance, while maintaining a weighted average effective duration of one year or less.

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	1.54	1.54	6.21	2.16	2.32	1.89	2.56	0.40	0.36
Institutional Shares	1.53	1.53	6.08	2.15	2.31	1.89	2.55	0.43	0.37
Service Shares	1.51	1.51	5.98	2.05	2.14	1.58	2.56	0.53	0.47
A Shares	1.50	1.50	5.93	2.00	2.10	1.49	2.39	0.60	0.52
Benchmark	1.18	1.18	5.19	2.34	2.07	1.52	–	–	–



Calendar year total returns (%)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Institutional Shares	5.90	-0.89	0.24	2.38	3.75	1.69	1.82	1.74	0.32	0.88
Benchmark	5.19	0.69	0.10	1.31	2.69	1.99	0.98	0.80	0.26	0.18
Morningstar Category Average	5.96	-0.14	0.20	1.34	3.08	1.61	1.44	1.31	0.21	0.31

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. 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 12/1/24 or the date of the fund's next effective prospectus.

Investment approach

Multiple alpha sources	Portfolio positioning	Tenured team with long-term results
<ul style="list-style-type: none"> The ultrashort bond investment process is integrated with Federated Hermes' fixed-income effort (the Alpha Pod process) as broad market and macroeconomic forces drive returns Seeks diversified sources of alpha across sector allocation, security selection, duration management and yield-curve strategy 	<ul style="list-style-type: none"> Invests primarily in asset-backed, mortgage-backed, corporate, Treasury and government agency securities and maintains a dollar-weighted average effective portfolio duration of one year or less Generally invests less than 10% in below investment-grade securities* Allocates across fixed and floating-rate securities based on the manager's view on the potential direction of interest rates 	<ul style="list-style-type: none"> 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 Portfolio managers have more than 65 years of combined experience and have worked at Federated Hermes for more than 28 years

* Per the prospectus, the fund is permitted to invest up to 35% in below investment-grade securities.

Portfolio statistics

Weighted average effective maturity	1.0 yrs.
Weighted average effective duration	0.9 yrs.
Weighted average spread duration	1.3 yrs.
Weighted average bond price	\$98.99

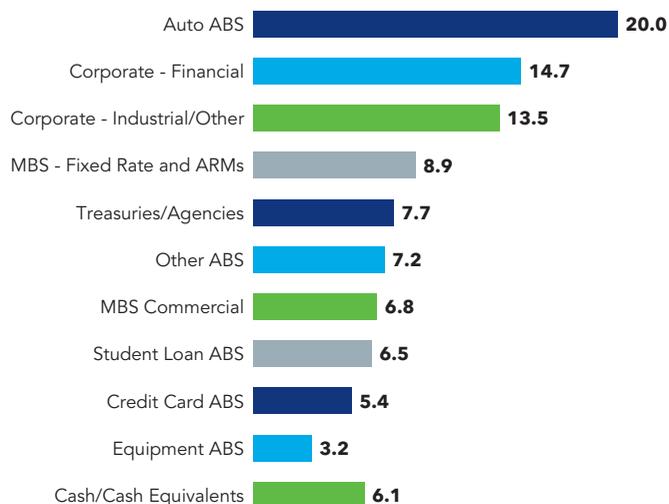
Top holdings (%)

U.S. Treasury Floating Rate Note due 7/31/24	5.9
Santander Retail Auto Lease Trust 2021-B, Class D, 1.410% due 11/20/25	1.9
Santander Retail Auto Lease Trust 2021-C, Class D, 1.390% due 8/20/26	1.8
Fontainebleau Miami Beach Trust 2019-FBL, Class B, 3.447% due 12/10/36	1.3
Navient Student Loan Trust 2021-BA, Class A, 0.940% due 7/15/69	1.2
Nelnet Student Loan Trust 2021-DA, Class AFL, Floating Rate Note due 4/20/62	1.2
Santander Retail Auto Lease Trust 2021-A, Class D, 1.380% due 3/22/27	1.2
FHLMC 4993, Class F, Floating Rate Note due 7/25/50	1.0
FHLMC KF95, Class AL, Floating Rate Note due 11/25/30	1.0
Navient Student Loan Trust 2021-FA, Class A, 1.110% due 2/18/70	1.0
Total % of portfolio	17.5

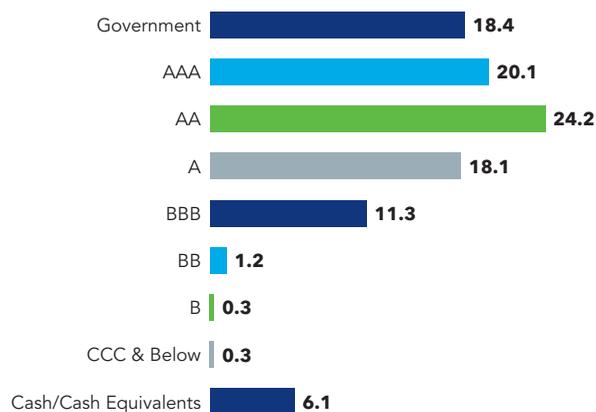
Interest rate basis (%)

Floating rate	45.7
Fixed rate	54.3

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 3/31/24 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

- Fund performance reflected a rise in short-term market yields, which finished the quarter higher as the rate on the U.S. 2-year Treasury note increased from 4.25% at 12/29/23 to 4.62% at 3/28/24
- Short-term credit spreads tightened during the quarter. The spread (option-adjusted) on the Bloomberg 1-3 Year Corporate Index (B1-3CI) improved from 67 basis points at 12/29/23 to 57 basis points at 3/28/24. Similarly, the spread on the Bloomberg ABS Index fell from 68 to 55 basis points
- The Federal Reserve (Fed) kept rates unchanged during the first quarter of 2024, as the target rate remains 5.25-5.50%. After aggressively tightening policy through 2022 and the beginning of 2023, the Fed has held rates steady since July 2023. While the future path of rates is uncertain, we believe the next move from the Fed will most likely be an easing of monetary policy

Looking back

Fund performance was positive in the first quarter despite the rise in front-end rates. The fund's exposure to spread product benefited performance as both corporate and asset-backed securities (ABS) credit spreads tightened during the period. The yield on the 2-year Treasury bond rose from 4.25% at the end of 2023 to 4.62% by the end of the first quarter of 2024. Despite the move higher in rates, the fund's capital value still rose by \$0.04 to \$9.21. Throughout the quarter, spread product performance was positive as short corporate bonds (B1-3C1) tightened from 0.67% on 12/29/2023 to 0.57% on 3/28/2024. Additionally, ABS spreads (Bloomberg ABS Index) finished 13 basis points better, ending the quarter at 0.55%. In addition to the spread tightening, the allocation to these securities was beneficial to the fund through the income they generated. Despite pressure from the heavy new issue calendar in both investment-grade corporates and ABS, investor demand for high-quality assets proved to be robust.

The average duration of the fund during the quarter was 0.90 years, longer than that of the fund's competitive benchmark, the Bloomberg Short-Term Government/Corporate Index (BSTGCI), which averaged 0.49 years during the period. Management has maintained the fund's duration at levels longer than the previous year under the assumption that the Fed is at or near the peak in the fed funds rate and that short-term market yields may be near their cycle highs. Additionally, duration remains longer than the midpoint of the fund's normal 0.4–1.0 years range.

Performance

Federated Hermes Ultrashort Bond Fund's return on Institutional Shares at net asset value (NAV) for the first quarter was 1.53%, versus returns on the ICE Bank of America Merrill Lynch 1-Year Treasury Bill Index of 1.15% and the BSTGCI of 1.18%. The average return for the Lipper Ultrashort Bond category was 1.44%.

Performance contributors

- The sector allocation added 41 basis points. The outcome reflected the fund's bias toward out-of-index credit-sensitive securities, particularly ABS, in an environment where the spread on these securities provided positive carry
- Security selection added 15 basis points in excess return, as several corporate holdings outperformed the corporate portion of the benchmark

Performance detractors

- The fund's interest-rate positioning, combining both duration and yield curve (i.e., holding certain securities with maturities either shorter or longer than that of the benchmark in a rising yield environment) subtracted 11 basis points of performance relative to the benchmark. The fund's duration was consistently longer than that of the benchmark throughout the quarter during which front-end rates rose.

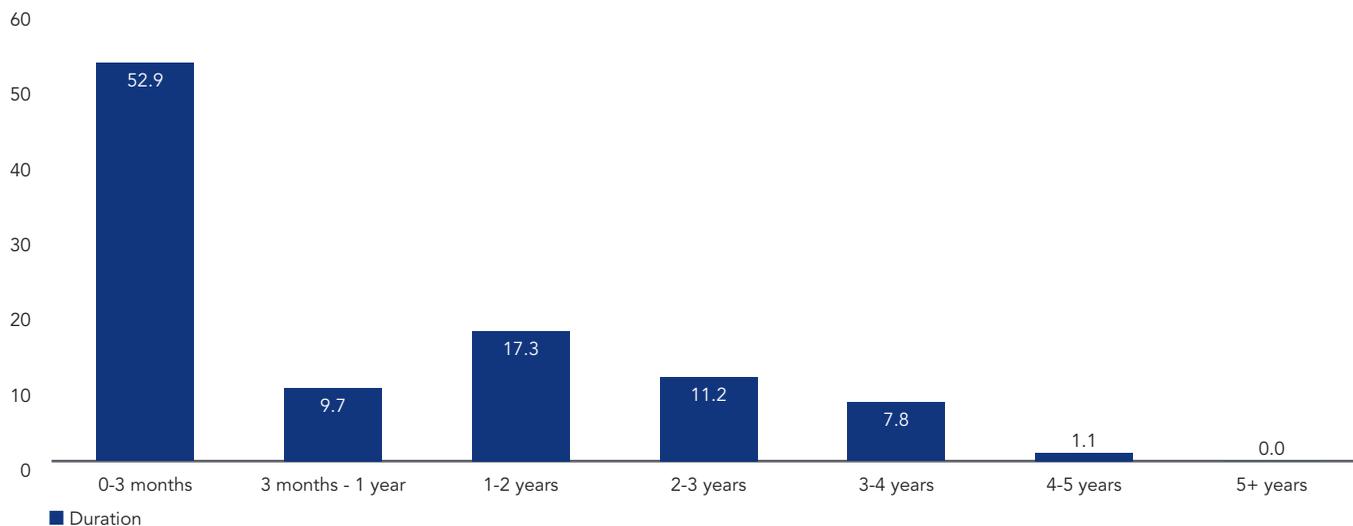
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How we are positioned

The Federated Hermes Ultrashort Bond Fund's investment philosophy reflects the belief that in all but the most difficult of environments, the income earned by utilizing a modestly credit-oriented portfolio should be able to more than offset capital fluctuation and provide a return which exceeds that of a cash investment. This proved to be the case during the first quarter as the fund outperformed a non-credit comparable, the Treasury component of the BSTGCI (1.14% return). Despite periods of credit volatility seen in the past year, the general overweight to credit remains in place, though investments having lower credit quality continue to remain below long-run allocations. Interest-rate sensitivity has been raised to levels higher than the general fund midpoint of 0.4-1.0 years (as well as remaining long of the benchmark index) as the Fed's tightening cycle appears to be at or near completion. We still believe high-quality corporate and ABS securities will offer attractive carry (i.e., yield income) which can result in a positive contribution to total return for the portfolio.

See disclosure section for important disclosures and definitions.

Duration profile (%)



Risk statistics

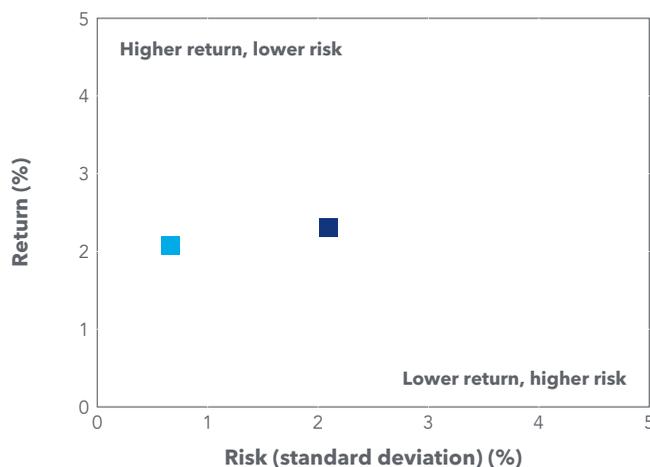
	3-year	5-year	7-year	10-year
Standard deviation	1.19	2.09	1.77	1.50
Alpha	0.14	0.21	0.26	0.39
Sharpe ratio	-0.67	0.07	0.12	0.68

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg US Short-Term Government/Corporate Index

See disclosure section for important definitions.

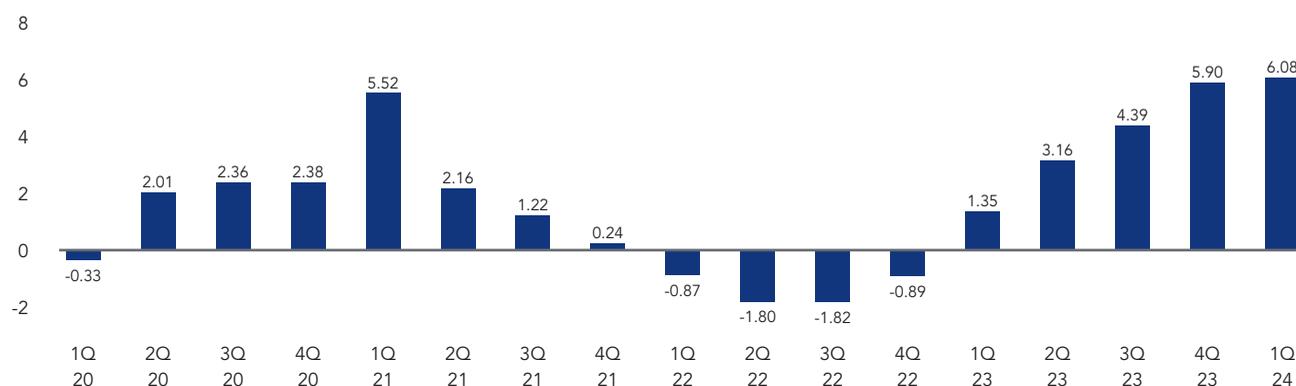
5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Ultrashort Bond Fund (IS)	2.09	2.31
■ Bloomberg US Short-Term Government/Corporate Index	0.66	2.07

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12-month rolling returns - IS (%)



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Category rankings

Morningstar Ultrashort Bond Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	34	74	–	–
	Morningstar Category Rank	85 of 238 funds	151 of 203 funds	–	–
IS Shares	Morningstar Category % Rank	38	75	34	29
	Morningstar Category Rank	97 of 238 funds	154 of 203 funds	60 of 183 funds	35 of 110 funds
A Shares	Morningstar Category % Rank	47	80	60	65
	Morningstar Category Rank	124 of 238 funds	164 of 203 funds	111 of 183 funds	75 of 110 funds

Lipper Ultra-Short Obligations Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	34	81	–	–
	Lipper Classification Rank	54 of 158 funds	118 of 146 funds	–	–
IS Shares	Lipper Classification % Rank	41	82	31	28
	Lipper Classification Rank	65 of 158 funds	120 of 146 funds	40 of 130 funds	21 of 76 funds
A Shares	Lipper Classification % Rank	55	88	65	76
	Lipper Classification Rank	86 of 158 funds	128 of 146 funds	85 of 130 funds	58 of 76 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 4.17% for A Shares, 4.42% for R6 Shares, 4.37% for Institutional Shares, and 4.27% for Service Shares.

Prior to October 27, 1998, the fund was named Federated Limited Duration Government Fund with an investment concentration in government securities. The fund was reconfigured to maintain an ultrashort duration (one year or less) with a revised investment policy of purchasing both higher and lower quality fixed income securities.

The fund's A Shares commenced operations on October 8, 2002. For the period prior to the commencement of operations of the A Shares, the performance information shown is for the fund's Service Shares, adjusted to reflect the sales charges (for maximum offering price performance) that were applicable to the fund's A Shares until December 1, 2019 and expenses of the A Shares.

The fund's R6 Shares commenced operations on May 29, 2019. For the periods prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's Institutional Shares. The performance of the Institutional 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 Institutional Shares.

The fund may invest in Federated Hermes portfolios that are not available to the public and provide for more effective diversification than is available through the purchase of individual securities. Where applicable, the fund holdings reflect exposure to underlying securities held by the portfolios.

Federated Hermes Ultrashort Bond Fund

A word about risk

Mutual funds are subject to risks and fluctuate in value.

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

The fund is not a "money market" mutual fund. Some money market mutual funds attempt to maintain a stable net asset value through compliance with relevant Securities and Exchange Commission (SEC) rules. The fund is not governed by those rules, and its shares will fluctuate in value.

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.

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

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.

Weighted average bond price is the weighted average of all individual bond prices 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 spread duration is the average of the spread durations of the underlying securities.

Yield curve is a graph showing the comparative yields of securities in a particular class according to maturity. Securities on the long end of the yield curve have longer maturities.

Bloomberg US Short-Term Government/Corporate Index represents securities that have fallen out of the US Government/Corporate Index because of the standard minimum one year maturity constraint. Sectors include treasuries, agencies, industrials, utilities and financial institutions. Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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