

Federated Hermes Institutional High Yield Bond Fund

12/31/25

Fund facts

Performance inception date

11/1/02

Benchmark

Bloomberg US Corporate High Yield
2% Issuer Capped Index

Morningstar category

High Yield Bond

Lipper classification

High Yield Funds Average

Fund assets

\$5.4 billion

Ticker symbols

R6 Shares - FIHLX
Institutional Shares - FIHBX
A Shares - FIHAX

Key investment team

Mark Durbiano, CFA
Kathryn Glass, CFA
Thomas Scherr, CFA
Randal Stuckwisch, CFA

Yields (%)

30-day yield (R6) 5.59
30-day yield (IS) 5.58
30-day yield (A) 5.08

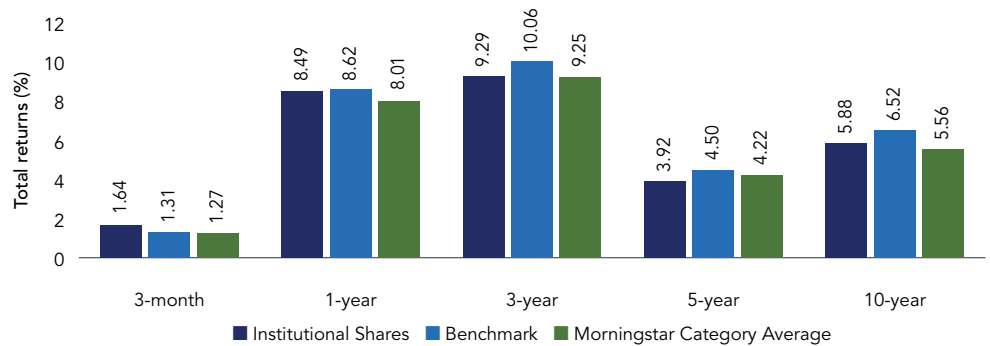
Fund description

The fund pursues a high level of current income by investing primarily in non-investment-grade corporate fixed-income securities issued by US or foreign businesses. Such securities tend to perform at their best during economic recoveries and expansions, and can offer portfolio diversification as their performance historically is uncorrelated to other types of bonds.

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	1.53	8.38	8.38	9.30	3.91	5.88	7.21	0.51	0.49
Institutional Shares	1.64	8.49	8.49	9.29	3.92	5.88	7.46	0.55	0.50
A Shares (NAV)	1.47	8.10	8.10	9.03	3.77	5.80	7.42	0.81	0.75
A Shares (MOP)	-3.12	3.21	3.21	7.38	2.82	5.31	7.21	0.81	0.75
Benchmark	1.31	8.62	8.62	10.06	4.50	6.52	-	-	-



Calendar year total returns (%)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Institutional Shares	8.49	6.37	13.12	-11.39	4.79	5.98	14.97	-2.84	7.16	15.09
Benchmark	8.62	8.19	13.44	-11.18	5.26	7.05	14.32	-2.08	7.50	17.13
Morningstar Category Average	8.01	7.63	12.08	-10.09	4.77	4.91	12.62	-2.59	6.47	13.30

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 1/1/27 or the date of the fund's next effective prospectus.

Investment approach

Consistency of people

- Analysts are industry specialists responsible for researching the complex capital structures of high-yield companies and providing security recommendations to the portfolio managers
- The high-yield team is comprised of 17 investment professionals with an average of 20 years of investment experience, with many members earning the majority of their experience on the Federated Hermes high-yield team

Consistency of process

- A bottom-up process, focusing on strong operating companies that generate free cash flow in stable and predictable businesses
- We hold a fundamentally different view of quality compared to the rating agencies. Our process includes: focus on franchise value, industry profile, competitive profile, strength of management, forward-looking view of company financials and a belief that the market is more efficient at pricing high-yield credit risk than the agencies

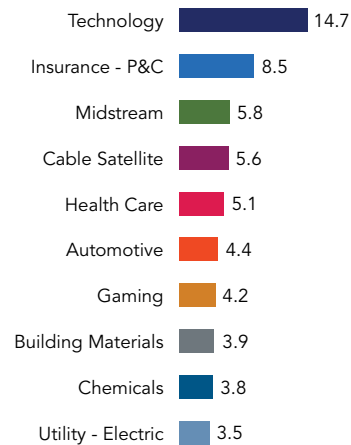
Portfolio statistics

Weighted average effective maturity	3.1 yrs.
Weighted average duration to worst	2.6 yrs.
Weighted average coupon	6.31%
Weighted average bond price	\$100.28
Weighted average yield to worst	5.79%

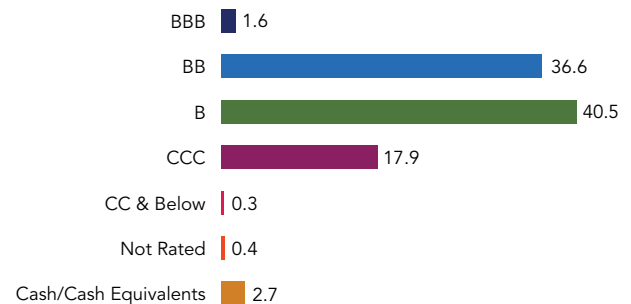
Top holdings (%)

Charter Communications, Inc.	2.0
TransDigm, Inc.	1.7
Hub International Ltd.	1.6
Ford Motor Co.	1.5
Cloud Software Group, Inc.	1.3
Ardonagh Group Finance Ltd.	1.1
Venture Global Plaquemines LNG LLC	1.1
1011778 BC Unltd. Liability Co./New Red Finance, Inc.	1.0
Antero Midstream Partners LP	1.0
Mozart Holdings LP	1.0
Total % of portfolio	13.3

Top 10 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 12/31/25 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.

Market overview

For the three months ending December 31, 2025, the high yield market outperformed the investment grade bond market. For example, the Bloomberg US Corporate High Yield 2% Issuer Capped Bond Index (BC2%HYBI) returned 1.31% versus a 1.10% return for the Bloomberg Aggregate Bond Index (Aggregate), a measure of high-quality bond performance.

During the quarter estimates indicate that the economy continued to expand modestly amid mixed signals from both credit markets and Federal Reserve policy. Growth remained below the long-term trend with forecasters projecting subdued GDP gains and labor market softness as the year closed. Inflation remains above the Fed's 2% target, making policy setting especially difficult when one looks at inflation above target and signs of weakening employment. The Fed has continued to move short rates lower with a federal funds cut in December, and consensus seems to indicate more cuts in 2026 but most likely that will depend on inflation, the economy and employment statistics. Credit markets continued firm with spreads at historically tight levels driven by strong demand and stable earnings despite several idiosyncratic defaults and signs of weakness in private credit. For the quarter, credit spreads between the ICE US High Yield Index and Treasury securities with similar maturities were little changed starting the quarter at 299 basis points (bps) and ending the quarter at 296 bps.

Within the high yield market, the strongest performing major industry sectors relative to the BC2%HYBI were: Metals & Mining, Health Care, Gaming, Aerospace & Defense and Diversified Manufacturing. The worst performing major industry sectors relative to the BC2%HYBI were: Packaging, Retailing, Building Material, Transportation and Consumer Products. From a credit quality perspective, the somewhat more cautious tone in credit markets was illustrated by the various credit quality returns with BB-rated and B-rated securities returning 1.51% and 1.58% respectively while CCC-rated returned just 0.18%.

Performance

The fund's Institutional Shares outperformed the BC2%HYBI. Fund performance was driven by strong security selection primarily in the Packaging, Retail, Chemicals, Building Materials, Midstream and Technology industry sectors. Specific high yield issuers held by the portfolio that positively impacted performance relative to the BC2%HYBI included: Hub International, Ford Motor Credit, Beach Acquisition (Skechers), TransDigm and CCO Holdings (Charter Communications). Specific high yield issuers held by the portfolio that negatively impacted performance relative to the BC2%HYBI included: Real Hero Merger, Organon, Condor Merger (McAfee), CoreWeave and Herens Holdco. The fund's total return for the period also reflects actual cash flows, transaction costs and other expenses which were not reflected in the total return of the BC2%HYBI.

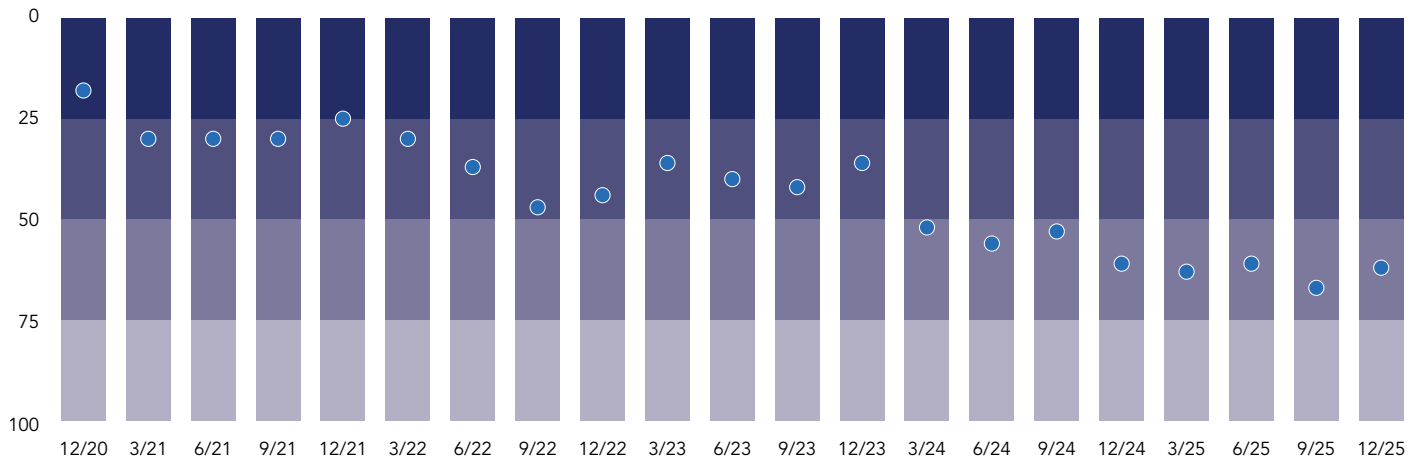
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How we are positioned

The high yield market in 2025 proved very resilient in the face of tariffs, wars and overall economic concerns. We continue to focus on absolute levels of spreads in the market and find spreads to be extremely tight versus history. As we think about the opportunities in high yield in 2026, we believe that returns will likely come primarily from coupon income, with limited opportunities for capital appreciation. Credit spreads remain at levels well inside of historical medians. The complexity and uncertainty surrounding the global macroeconomic landscape remains difficult, leading us to continue to be cautious regarding the high yield market.

See disclosure section for important disclosures and definitions.

5-year rolling Morningstar ranking (%)



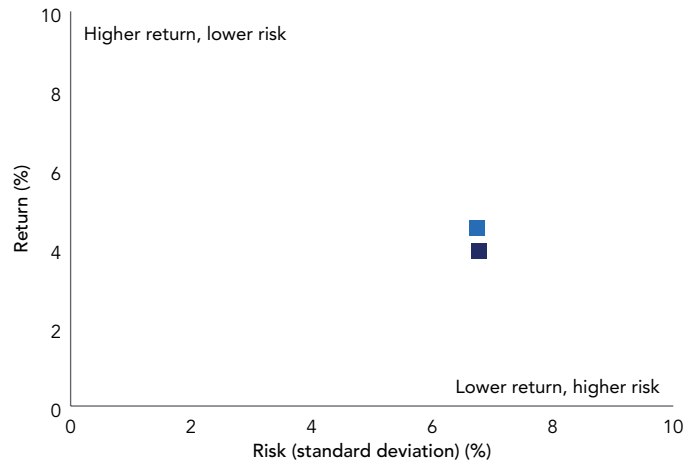
5-year rolling Morningstar High Yield Bond Category. Ranking over other time periods will vary.
 Percent rankings are for Institutional Shares.
 Past performance is no guarantee of future results. Rankings are based on total return.

Risk statistics

	3-year	5-year	7-year	10-year
Standard deviation	4.83	6.77	8.02	7.09
Alpha	-0.75	-0.56	-0.39	-0.48
Beta	1.01	1.00	0.97	0.97
Up capture ratio	95.58	96.28	96.52	94.84
Down capture ratio	106.77	102.60	100.30	99.95
Sharpe ratio	0.85	0.07	0.36	0.50

Sources: Federated Hermes, Inc., Morningstar, Inc.
 Fund vs. Bloomberg US Corporate High Yield 2% Issuer Capped Index
See disclosure section for important definitions.

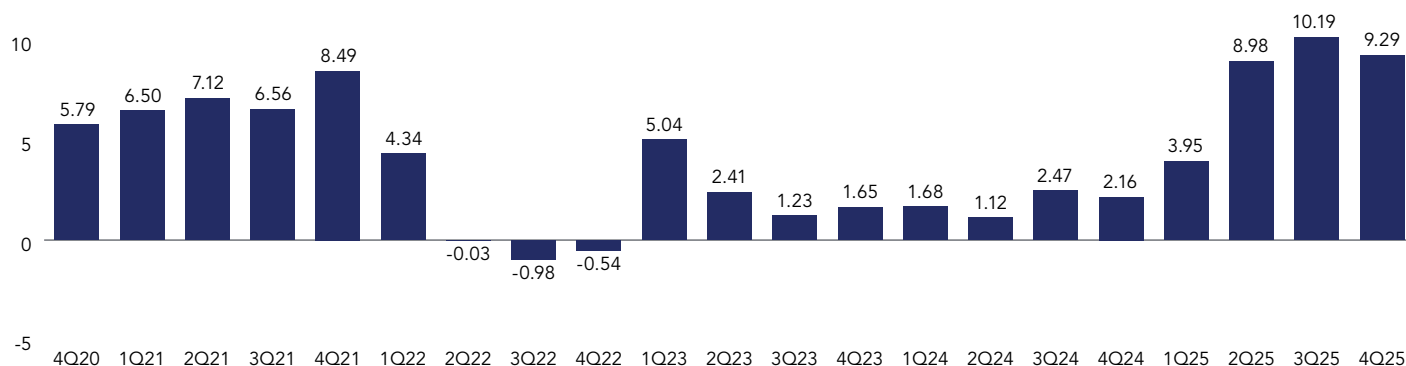
5-year risk/return



	Risk (%)	Return (%)
Federated Hermes Institutional High Yield Bond Fund (IS)	6.77	3.92
Bloomberg US Corporate High Yield 2% Issuer Capped Index	6.75	4.50

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3-year rolling returns - IS (%)



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Category rankings

Morningstar High Yield Bond Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	43	50	64	–
	Morningstar Category Rank	240 of 622 funds	269 of 584 funds	338 of 548 funds	–
IS Shares	Morningstar Category % Rank	40	51	62	36
	Morningstar Category Rank	214 of 622 funds	273 of 584 funds	332 of 548 funds	138 of 445 funds
A Shares	Morningstar Category % Rank	51	–	–	–
	Morningstar Category Rank	303 of 622 funds	–	–	–
Lipper High Yield Funds Average		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	43	49	58	–
	Lipper Classification Rank	211 of 491 funds	226 of 465 funds	245 of 428 funds	–
IS Shares	Lipper Classification % Rank	39	49	57	36
	Lipper Classification Rank	189 of 491 funds	227 of 465 funds	241 of 428 funds	119 of 336 funds
A Shares	Lipper Classification % Rank	54	–	–	–
	Lipper Classification Rank	263 of 491 funds	–	–	–

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

Federated Hermes Institutional High Yield Bond Fund

The fund's A Shares commenced operations on February 14, 2023. For the periods prior to commencement of operations of the fund's A 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 A Shares. The performance has been adjusted to reflect the differences in sale charges and deferred sales charges applicable to the A Shares. The expense ratios of the A Shares will be higher than the expense ratio of the Institutional Shares; accordingly, for the periods prior to the commencement of operations, the performance of the A Shares would have been lower than the performance of the Institutional Shares.

¹ The ratings agencies that provided the ratings are S&P Global Ratings, Moody's and Fitch. When ratings vary, the lowest 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 5.02% at maximum offering price for A Shares, 5.57% for R6 Shares, and 5.51% for Institutional Shares.

The fund's R6 Shares commenced operations on June 30, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for 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 performance of the Institutional Shares has been adjusted to remove any voluntary waiver of fund expenses related to the Institutional Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares.

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.

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 duration to worst is the approximate percentage change in a bond's price given a 1% change in its yield-to-maturity or its yield-to-call, whichever is lower. Duration-to-Worst is the same as Macaulay's duration except the pre-determined set of principal and interest cash flows are based on either the final maturity date, or a call date within the bond's call schedule, whichever would result in the lowest yield to the investor – i.e., the Yield-to-Worst.

Weighted average effective maturity is the average time to maturity of debt securities held in the fund.

Weighted average yield to worst is an average of the lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

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.

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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