

Federated Hermes Municipal Ultrashort Fund

12/31/25

Fund facts

Performance inception date

10/24/00

Benchmark

50% Bloomberg 1-Year US Municipal Bond Index/50% Lipper Tax-Exempt Money Market Funds Average

Morningstar category

Municipal National Short

Lipper classification

Short Municipal Debt Funds

Fund assets

\$1.4 billion

Ticker symbols

R6 Shares - FMULX
Institutional Shares - FMUSX
A Shares - FMUUX

Key investment team

Mary Jo Ochson, CFA
Kyle Stewart, CFA
Ann Ferentino, CFA

Yields (%)

30-day yield (R6)	2.98
30-day yield (IS)	2.96
30-day yield (A)	2.81
Tax equivalent yield (R6)	5.03
Tax equivalent yield (IS)	5.00
Tax equivalent yield (A)	4.75

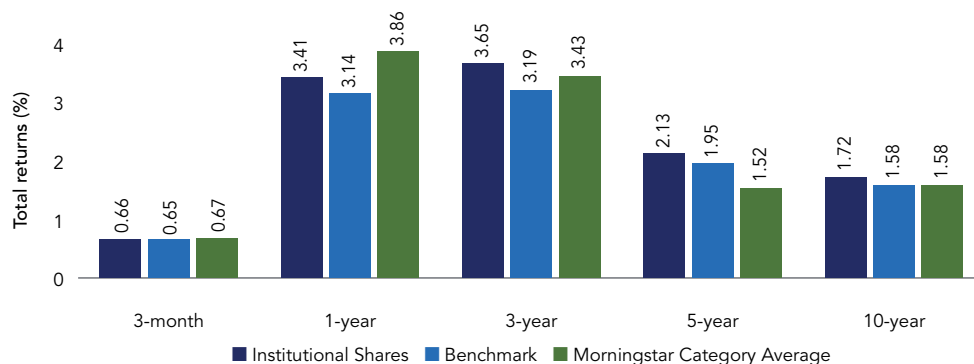
Fund description

The fund seeks to deliver current income exempt from federal income tax while maintaining a low degree of principal volatility. Investing in securities within sectors that may offer the best risk/return balance, the fund maintains a portfolio dollar-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	0.67	3.54	3.54	3.70	2.17	1.74	1.95	0.41	0.34
Institutional Shares	0.66	3.41	3.41	3.65	2.13	1.72	1.94	0.45	0.36
A Shares (NAV)	0.62	3.25	3.25	3.52	1.97	1.45	1.56	0.60	0.51
Benchmark	0.65	3.14	3.14	3.19	1.95	1.58	-	-	-



After-tax average annual total returns (%)

	1-year	3-year	5-year	10-year	Since inception
Return after taxes on distributions					
IS	3.41	3.65	2.13	1.72	1.94
A (NAV)	3.25	3.52	1.97	1.45	1.56
Return after taxes on distributions and sale of fund shares					
IS	3.29	3.53	2.13	1.71	1.94
A (NAV)	3.13	3.40	1.98	1.44	1.56

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 12/1/26 or the date of the fund's next effective prospectus.

Investment process

Multiple alpha sources	Portfolio positioning	Tenured team with long-term results
<ul style="list-style-type: none"> The municipal ultrashort investment process is integrated with Federated Hermes' fixed income effort, drawing upon the Alpha Pods, the tax-exempt investment committees and the Short Term Investment Committee, as broad market and macroeconomic forces drive returns across taxable and tax-exempt bond markets Seeks diversified sources of alpha across municipal credit sectors, duration management and yield curve strategy 	<ul style="list-style-type: none"> Invests primarily in tax-exempt municipal bonds and variable rate demand notes (VRDNs) and maintains a dollar-weighted average effective portfolio duration of one year or less Income from the fund may be subject to the alternative minimum tax (AMT) 	<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 more than 55-year heritage The fixed-income and liquidity management teams average 28 years of experience and have worked at Federated Hermes for an average of 22 years

As of 12/31/25.

Portfolio statistics

Weighted average effective maturity	0.95 yrs.
Weighted average effective duration	0.83 yrs.
Weighted average bond price	\$100.71
Weighted average modified duration	0.83 yrs.

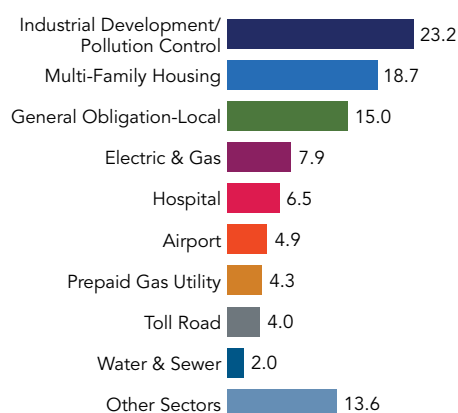
Top holdings (%)

Port of Port Arthur Navigation District of Jefferson County, TX, (Motiva Enterprises LLC), (Series 2010E), Due 1/7/26	4.9
Port of Port Arthur Navigation District of Jefferson County, TX, (Motiva Enterprises LLC), (Series 2010D), Due 1/7/26	3.0
Black Belt Energy Gas District, AL, Gas Revenue Bonds Project No.7 (Series 2021C-2), Due 12/1/26, Goldman Sachs Group, Inc. Guaranteed	1.8
Mobile, AL IDB, (Alabama Power Co.), Pollution Control Revenue Bonds (Series 2007B), 3.920%, Due 6/2/26	1.8
Triborough Bridge & Tunnel Authority, NY, (Central Business District Tolling Program), MS 3A-7 (Series 2025-MS0041), Due 1/1/26, Morgan Stanley Liquidity, Morgan Stanley Guaranteed	1.8
Ector County, TX Independent School District, UT GO School Building Bonds (Series 2024B), Due 8/15/27, Texas Permanent School Fund Guarantee Program Guaranteed	1.5
Nuveen AMT-Free Municipal Credit Income Fund, (Series B) MuniFund Preferred Shares, Due 1/7/26	1.5
Indiana State Finance Authority Environmental, (ArcelorMittal SA), (Series 2006), Due 1/7/26, Banco Bilbao Vizcaya Argentaria SA LCD	1.3
Nuveen California AMT-Free Quality Municipal Income Fund, (Series A) MuniFund Preferred Shares, Due 1/7/26	1.3
Nuveen AMT-Free Quality Municipal Income Fund, (Series D) MuniFund Preferred Shares, Due 1/7/26	1.2

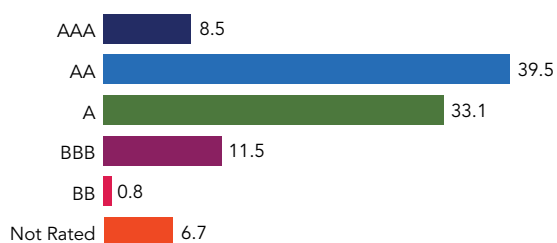
Interest rate basis (% of portfolio)

Floating rate	36.4
Fixed rate	63.6

Sector weightings (%)



Quality breakdown¹ (%)



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.

Highlights

- The Fund's quarterly net returns exceeded the return of the prospectus benchmark
- The Fund's weightings in variable- and floating-rate instruments and shorter duration were positive contributors to total return amid an increase in municipal short-term rates
- With the Federal Reserve (Fed) likely to continue cutting interest rates during 2026, the Fund will continue to emphasize investment-grade quality while opportunistically extending duration using a blend of fixed- and floating-rate coupons

Looking back

During the fourth quarter of 2025, the Fed delivered two 25-basis-point rate cuts as it continued a gradual transition from a restrictive policy stance toward a more neutral one. The US Treasury curve twist-steepened during the quarter, as Fed easing pulled front-end yields lower while cautious policy guidance and rising term-premium pressures pushed longer-dated rates higher. Municipal rates exhibited the opposite directional pattern. The AAA tax-exempt curve twist-flattened, with yields moving higher at the front end while declining from roughly seven years and longer. Rich valuations and technical factors in shortdated municipals overrode the normal transmission of Fed easing, resulting in higher frontend AAA taxexempt yields despite policy cuts. At the same time, munis rallied (yields down) out the curve as buyers leaned into attractive taxable-equivalent yields and seasonal reinvestment demand outweighed the upward pressure seen in long-dated Treasuries.

AAA-rated Bloomberg Evaluation two-year yields increased by 18 basis points while 10-year and 30-year yields fell by 19 and 11 basis points, respectively. The yield on two-year Treasuries fell by 13 basis points, while 10-year and 30-year Treasuries rose 2 and 11 basis points, respectively.

The Bloomberg Municipal Bond Index (BMBI), the broad municipal market index, posted a return of 1.56% for the quarter. The Bloomberg 1-Year Municipal Bond Index (B1MBI), the Fund's prospectus benchmark holding only bonds with maturities of one to two years, returned 0.56%. The three-year component of the BMBI (two- to four-year maturities) returned 0.46%, the five-year component (four- to six-year maturities) returned 0.50% and the 10-year component (eight- to 12-year maturities) returned 1.74%.

Performance

During the fourth quarter of 2025, the Fund had net total returns of 0.66% for the Institutional Shares (IS) and 0.62% for the Class A Shares at net asset value (NAV). The fund's total return was comprised of tax-exempt dividends and NAV depreciation of 1 cent (-0.10%) for the IS and A share classes. The B1MBI, the fund's 1.29-year longer duration prospectus benchmark, returned 0.56% during the quarter amid an increase in short-term municipal interest rates.

For the one-year period ending December 31, 2025, the net return of the Fund's (IS) shares was 3.41%, lagging the 3.47% return of the B1MBI as the 2-year AAA municipal bond yield declined by 38 basis points and the 5-year AAA municipal bond yield declined by 51 basis points due to the municipal yield curve steepening.

Performance contributors

- Security selection, namely the 36% combined portfolio weighting of variable- and floating-rate notes, as they did not experience the price depreciation of fixed-coupon, longer-duration securities
- Structural duration positioning, namely a prospectus-mandated shorter duration (0.83 years at quarter-end) compared to the benchmark index (1.29 years) amid an increase in short municipal bond yields of approximately 10-20 basis points, depending on the maturity
- Credit, as the Fund's overweight in A-rated and BBB-rated securities outperformed

- Mildly positive sector allocations via an overweight position in multi-family housing bonds and an underweight position in the Local General Obligation bonds

Performance detractors

- Yield curve, specifically the Fund's fixed-rate duration weighting beyond four years (about 2.5% of the portfolio) underperformed the benchmark index as short municipal bond yields increased and the index only holds bonds in a narrow maturity band of one to two years
- Mildly negative sector allocation via an overweight position in industrial development/pollution control inclusive of prepaid gas utility and electric and gas utility bonds

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. 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

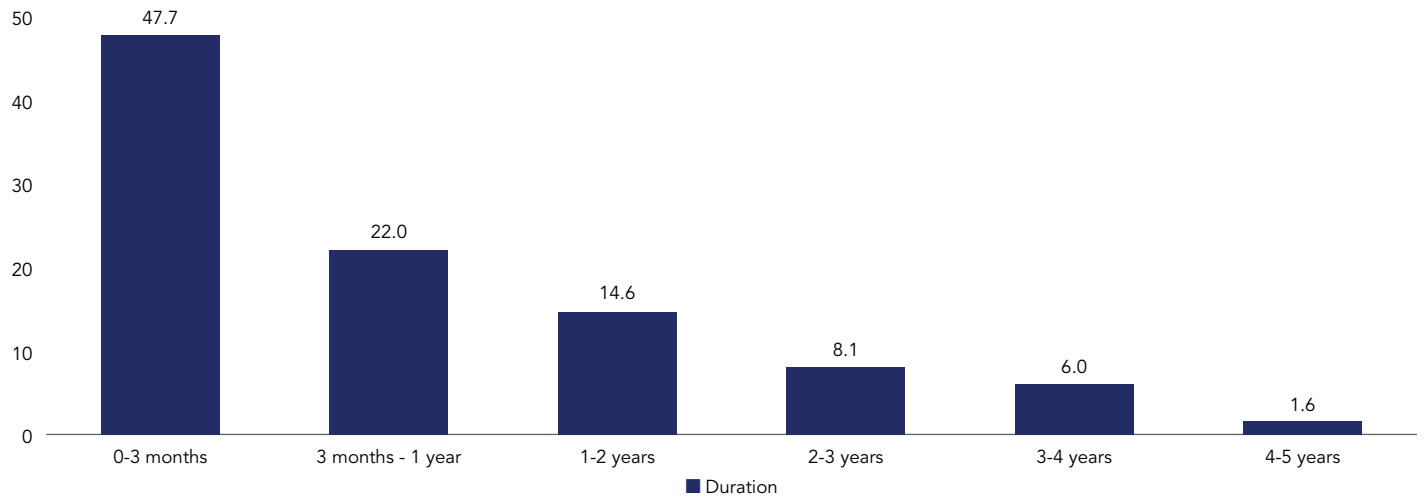
The Fed followed its 25-basis-point cut in mid-September with similar moves at both meetings held during the fourth quarter. That left the federal funds target range at 3.5-3.75%. The Fed's December 2025 dot plot showed a median expectation for the federal funds rate to fall to a range of 3.25-3.5% by the end of 2026, implying one additional cut in 2026, and to 3-3.25% by the end of 2027, suggesting another cut in 2027. The median projection remained at 3.6% in 2026 and 3.1% in 2027 and 2028.

Management believes the Fund's ongoing barbell portfolio structure will emphasize a blended weighting of high-quality, fixed-rate issuance in the three-month to two-year space, as well as stable-value, variable-rate demand note issuance for liquidity and duration management. However, issuance of multi-family housing bonds with par coupons that are escrowed with US Treasuries in the three- to four-year maturity space are providing attractive yield spreads (income). Expectations for rate cuts in 2026 should keep a bias to at least maintain, if not lengthen, portfolio duration.

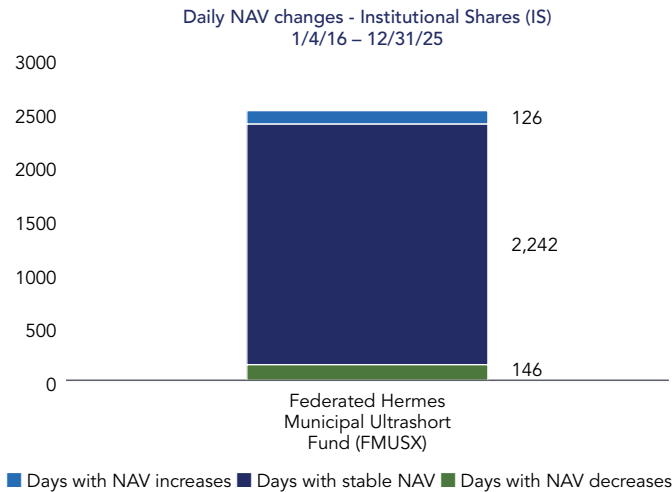
While the economy has remained resilient, the outlook is clouded by various factors. We continue to emphasize issuers of high- and medium-quality debt over low-quality debt.

See disclosure section for important disclosures and definitions.

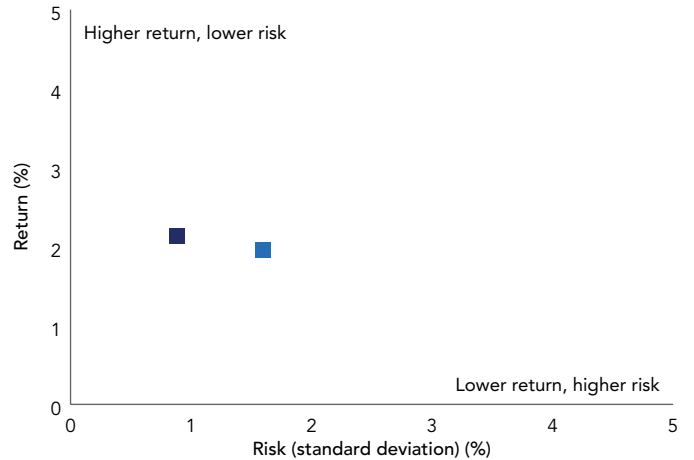
Duration profile (%)



A history of minimal NAV volatility



5-year risk/return



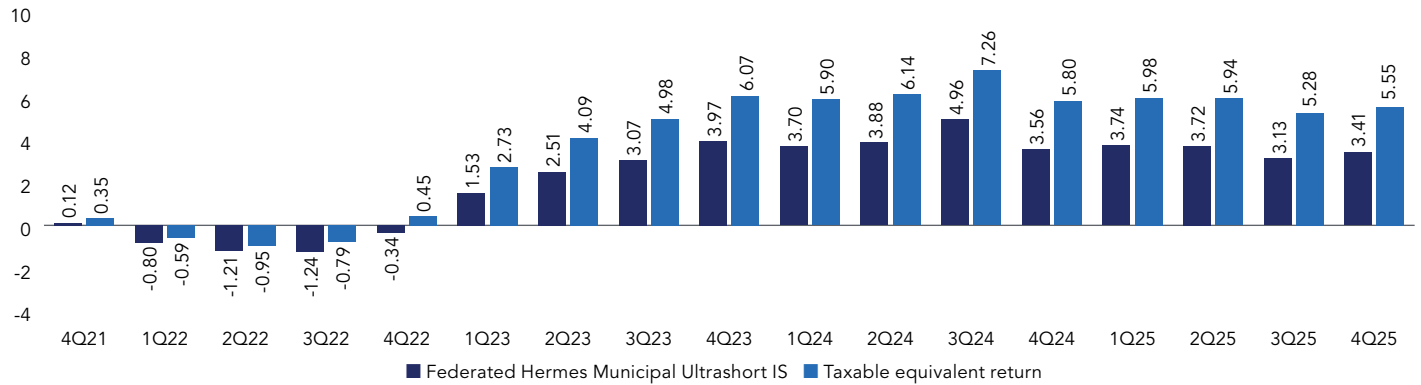
	Risk (%)	Return (%)
Federated Hermes Municipal Ultrashort Fund (IS)	0.88	2.13
50% Bloomberg 1-year US Municipal Bond Index/50% Lipper Tax-Exempt Money Market Funds Average	1.60	1.95

10 years ended 12/31/25	IS	%
NAV as of 12/31/25	10.03	-
NAV as of 1/4/16	9.99	-
Total business days over 10 years	2,515	-
Days with NAV increases	126	5.0%
Days with NAV stability	2,242	89.1%
Days with NAV decreases	146	5.8%
52-week maximum NAV	10.06	-
52-week minimum NAV	9.96	-

Sources: Morningstar, Inc. and Federated Hermes, Inc.

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12-month rolling returns - IS (%)



Taxable equivalent total returns assumes a top rate of 40.8% (37% top federal income tax rate plus 3.8% tax on net investment income).

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Category rankings

Morningstar Municipal National Short Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	67	25	11	-
	Morningstar Category Rank	160 of 215 funds	55 of 199 funds	12 of 186 funds	-
IS Shares	Morningstar Category % Rank	74	32	14	32
	Morningstar Category Rank	171 of 215 funds	72 of 199 funds	17 of 186 funds	50 of 145 funds
A Shares	Morningstar Category % Rank	82	42	23	66
	Morningstar Category Rank	187 of 215 funds	95 of 199 funds	29 of 186 funds	93 of 145 funds
Lipper Short Municipal Debt Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	64	22	7	-
	Lipper Classification Rank	87 of 136 funds	27 of 124 funds	7 of 114 funds	-
IS Shares	Lipper Classification % Rank	68	31	11	20
	Lipper Classification Rank	92 of 136 funds	38 of 124 funds	12 of 114 funds	16 of 80 funds
A Shares	Lipper Classification % Rank	78	41	21	61
	Lipper Classification Rank	106 of 136 funds	51 of 124 funds	24 of 114 funds	49 of 80 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 Municipal Ultrashort Fund

¹ The 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. Short-term debt obligations with ratings of A-1, P-1 or F-1 are considered to have the strongest repayment ability, those rated A-2, P-2 or F-2 have a satisfactory repayment ability, and those rated A-3, P-3 or F-3 have an adequate repayment ability. 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") 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 2.90% for IS, 2.75% for A and 2.92% for R6 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 tax-equivalent yield is calculated similarly to the yield but is adjusted to reflect the taxable yield that the fund would have had to earn to equal its actual yield. It assumes a top rate of 40.8% (37% top federal income tax rate plus 3.8% tax on net investment income).

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.

Interest income from the fund's investments may be subject to the federal Alternative Minimum Tax (AMT) for individuals and state and local taxes.

Definitions

After-tax returns are calculated using a standard set of assumptions. Actual after-tax returns depend on each investor's personal tax situation, and are likely to differ from those shown. The stated returns assume the highest historical federal income and capital gains tax rates, but do not reflect the effect of any applicable state and local taxes. Return After Taxes on Distributions assumes a continued investment in the fund and shows the effect of taxes on fund distributions. Return After Taxes on Distribution and Sale of Fund Shares assumes all shares were redeemed at the end of each measurement period, and shows the effect of any taxable gain (or offsetting loss) on redemption, as well as the effects of taxes on fund distributions. After-tax returns are not relevant to investors holding shares through tax-deferred programs, such as IRA, 401(k) plans. The after-tax average annual returns are based on the 37% tax bracket and include the 3.8% tax on net investment income.

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.

Taxable equivalent total return is equal to $(\text{Income return} / (1 - \text{Tax rate}) + \text{Price return})$. The Income return is the Total return minus the Price return.

Weighted average modified duration (sometimes called "Weighted Average Duration" or "Duration to Worst") is a measure of a security's price sensitivity to changes in interest rates calculated by assuming that a callable bond will be redeemed on the appropriate call date if the bond is priced to a call date or at maturity if priced to maturity. A fund's weighted average duration will equal the market value weighted average of each bond's weighted average duration in the fund's portfolio. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

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.

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 1-Year US Municipal Bond Index is the one year (1-2) component of the Bloomberg US Municipal Bond Index. The Bloomberg US Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Lipper Tax-Exempt Money Market Funds Average is an equally-weighted, average annual performance metric for a specific group of mutual funds that invest in high-quality, tax-exempt municipal debt securities, aiming to provide constant net asset value (NAV) with tax-exempt interest. It calculates the collective performance of all funds within this Lipper classification, adjusting for capital gains distributions and income, to serve as a benchmark for how these specific types of funds perform overall.

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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