

# The Federated Hermes approach to managing fixed-income investments



Active fixed-income options designed to meet a range of investor needs

## ● \$99.8 billion

Fixed-income assets under management<sup>1</sup>

- Multi-sector **\$67.2 b**
- High-yield **\$10.5 b**
- Municipal **\$7.4 b**
- US Corporate **\$6.9 b**
- US Government **\$5.5 b**
- International/global **\$1.6 b**
- Mortgage-backed **\$0.7 b**

## ● More than 55 years

Managing fixed income

## ● More than 100

Portfolio managers, analysts and traders

## ● 21 years

Average tenure of portfolio managers at the firm

<sup>1</sup> Firmwide, including mutual funds, separately managed accounts and other vehicles, as of 3/31/26.

## Philosophy

Federated Hermes believes that optimum results in fixed-income products are best achieved through a traditional value-based approach, using fundamental analysis with teams focused by sector to extract value from each step. Our management process combines top-down decision making with bottom-up security selection to build diversified, risk-managed portfolios.

## Leveraging skill, experience and breadth

Our portfolio managers average 29 years in the investment industry and, more importantly, 21 years at Federated Hermes.

More than 100 fixed-income investment professionals are deployed across the spectrum of sectors, including US and international developed markets, government and corporate bonds, municipals, emerging market debt and trade finance.

- Mutual funds, SMAs, active ETFs, UCITS and closed-end funds
- Institutional separate accounts and collective investment funds
- Multi-sector, short duration, total return and capital preservation

## Multiple alpha sources

Federated Hermes fixed-income teams make key investment decisions based on input from our proprietary structure we call "Alpha Pods." The Alpha Pod process consists of duration management, sector allocation, yield curve strategy and currency management. The Pods are comprised of senior portfolio managers, traders, analysts and the CIO for Fixed Income. The Pods operate independently from one another to ensure the consideration of diverse viewpoints and to reduce correlation between the active decisions of each Pod. Views and recommendations of each of the four committees are tracked and distributed to clients in the form of "decision tools."

The Alpha Pod decision tools represent our firm's bond market and positioning views from a top-down perspective. Implementation of the Alpha Pod's views can be expressed comprehensively in full discretion portfolios pursuing the most flexible strategies. In more constrained portfolios, Alpha Pod views are filtered through strategy-specific lenses and incorporated as applicable based on portfolio constraints, risk considerations, and sector-specific market considerations. Effects of Alpha Pod positioning on portfolios are tracked in quarterly attribution reports.

## Investing responsibly

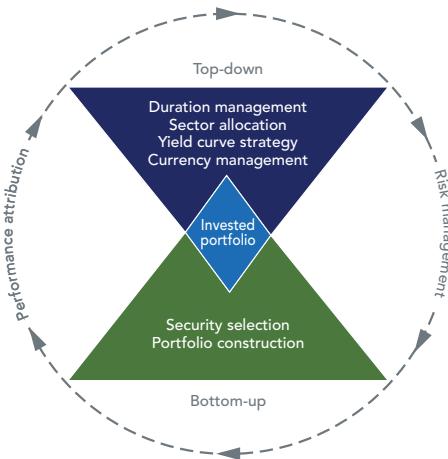
We seek to fully evaluate the risks and opportunities of fixed-income securities, including Environmental, Social and Governance (ESG) considerations that incorporate proprietary insights from EOS at Federated Hermes, our corporate engagement division.

Our subject-matter experts cover a wide range of topics including human capital management, sustainable supply chains and corporate governance.

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Balanced use of uncorrelated decision tools leads to the potential for strong risk-adjusted returns

## Alpha pod chairs



### Duration management

11 voting members

#### R.J. Gallo, CFA

Chief Investment Officer  
 Joined Federated Hermes: 2000  
 Investment experience: 32 years

Our interest rate outlook based on:

- Business cycle analysis
- Valuation indicators
- Global attractiveness



### Sector allocation

9 voting members

#### Mark Durbiano, CFA

Joined Federated Hermes: 1982  
 Investment experience: 44 years

Our weighting position relative to the benchmark after an intensive review of:

- Historical spread analysis
- Volatility analysis



### Yield curve strategy

11 voting members

#### Donald Ellenberger

Joined Federated Hermes: 1996  
 Investment experience: 40 years

Our position along the yield curve based on an assessment of:

- Federal Reserve policy
- Inflation expectations
- Proprietary multi-factor model



### Currency management

7 voting members

#### Ihab Salib

Joined Federated Hermes: 1999  
 Investment experience: 34 years

Portfolios may gain may gain exposure to non-dollar fixed income based upon:

- US current account/fiscal conditions
- Interest rate differential
- Expectation for growth

### Security selection

Sector investment teams combine pertinent top-down input with bottom-up analysis of:

- Industry outlook
- Relative value
- Credit quality
- Structural characteristics

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.

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

Alpha measures a fund's risk-adjusted performance. It represents the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. A positive value for alpha implies that the fund has performed better than would have been expected given its volatility. The higher the alpha, the better the fund's risk-adjusted performance.

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.

Governance, environmental, social and other factors may be considered in the investment analysis process in a manner that is complementary to and enhances the fundamental research and analysis process. Such factors may help identify business and operational risks or opportunities and add a contextual dimension to the overall evaluation of a security. Like any aspect of investment analysis, there is no guarantee that an investment strategy that considers such factors will result in performance better than or equal to products that do not consider such factors.

Separately managed accounts are available through Federated Investment Counseling.

UCITS funds are available to non-US investors through Federated Hermes Limited.

**Duration:** A measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

**Yield Curve:** 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.

**Investors should carefully consider the fund's investment objectives, risks, charges, and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information contact us or visit [FederatedHermes.com/us](https://www.federatedhermes.com/us). Please carefully read the summary prospectus or prospectus before investing.**