Federated Hermes Total Return Bond Fund

Quarterly Update

Federated Hermes

September 30, 2025

Market Review

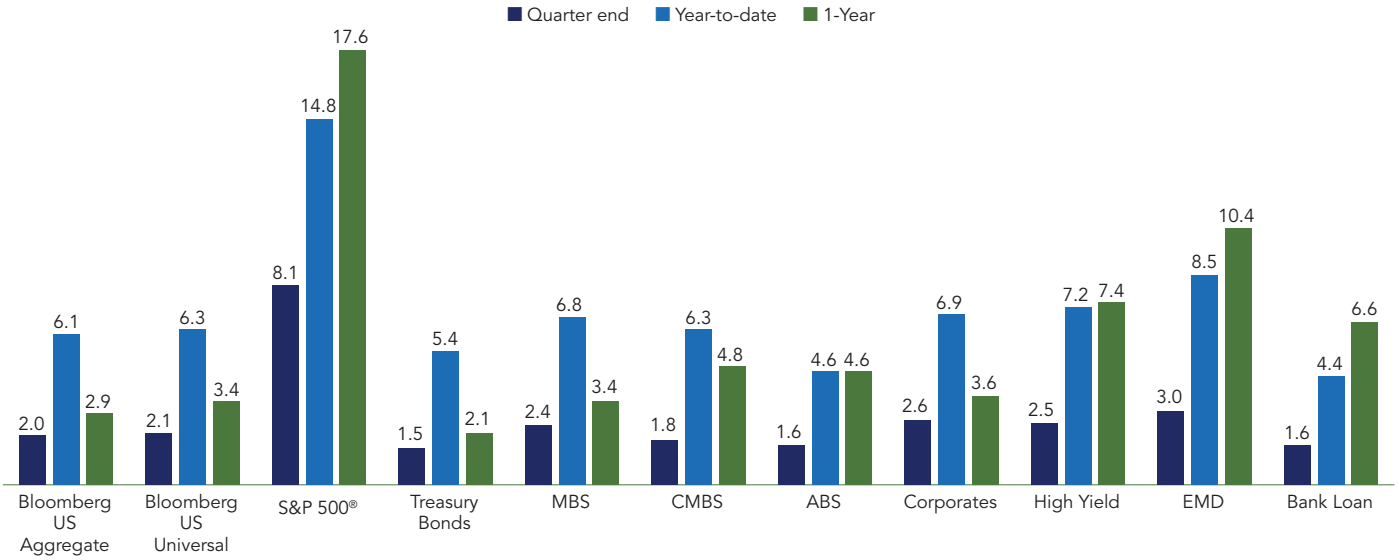
The third quarter was another strong quarter for the bond market, with the Bloomberg US Aggregate Bond Index gaining 2.03% and bringing the year-to-gain to over 6%. Most of the gains came from coupon income and spread tightening in the credit and structured product sectors, as interest rates declined only slightly. Two-year Treasury yields fell from 3.72% to 3.61% while 30-year Treasury yields fell from 4.77% to 4.70%. While overall GDP growth remained solid, supported by tax cuts and AI-driven capital spending, softening in the labor market prompted the Federal Reserve (the "Fed") to resume cutting the Fed Funds rate. This had little impact on longer maturity rates as the market had been anticipating the cut.

During the third quarter all sectors of the bond market significantly outperformed risk-free Treasuries. Spread sectors reacted positively to the Fed easing monetary policy even though GDP growth remained above trend and inflation remained above the Fed's 2% target. Corporate earnings were generally solid, exhibiting little drag from tariffs so far, which also boosted performance. The best performing sectors of the bond market, in order of highest excess return compared to duration equivalent Treasuries, were emerging market bonds, high yield bonds, trade finance loans, investment grade corporates, residential MBS, bank loans, commercial MBS and asset-backed securities. In general, lower credit quality securities outperformed higher credit quality securities.

	Treasury Yields[1]			
Maturity	2-Year	5-Year	10-Year	30-Year
9/30/2025	3.6%	3.7%	4.2%	4.7%
6/30/2025	3.7%	3.8%	4.2%	4.8%
12/31/2024	4.3%	4.4%	4.6%	4.8%

Option-adjusted spread basis points (Bps)[2]	Current	Last Year End	10-Year Median
Mortgage-backed securities (MBS)	31	43	35
Commercial MBS (CMBS)	75	80	81
Asset-backed securities (ABS)	49	44	51
Corporates	74	80	114
High yield (HY)	267	287	371
Emerging markets debt (EMD)	380	393	549

Market Performance Recap[2] (%)



Past performance is no guarantee of future results. For illustrative purposes only and not representative of performance for any specific investment. Investments cannot be made directly in an index.

1. Source: Department of the Treasury

2. Option-adjusted spread indicates the difference in yield between a given sector and comparable maturity Treasury bonds, factoring in any embedded call options where a bond may be called prior to its stated maturity date. Source: Bloomberg Indices. Treasury Bonds: Bloomberg US Treasury Index; MBS: Bloomberg US MBS Index; CMBS: Bloomberg CMBS Erisa Eligible Index; ABS: Bloomberg ABS Index; Corporates: Bloomberg US Credit Index; High Yield: Bloomberg US High Yield 2% Issuer Capped Index; EMD: Bloomberg EM Seasoned ex Agg/Eurodollar Index; Bank Loan: Bloomberg US Leveraged Loan Index.

Fund Review

Federated Hermes Total Return Bond Fund IS shares posted a total return net of fees of 2.02% for the quarter. The performance compares to a return of 2.03% for the Bloomberg US Aggregate Bond Index (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.

Sector Allocation

For the Bloomberg US Aggregate index (the "benchmark"), the more credit-exposed sectors performed well amid broad spread tightening as the market's appetite for risk continued over the quarter. Excess returns were 0.83% for MBS, 0.39% for ABS, 0.97% for investment grade corporates (IG), and 1.60% for EM (EM Seasoned ex Agg/Eurodollar). Within that group, our neutral position to MBS combined with an underweight to both ABS and IG, detracted from overall relative performance. However, an overweight to EM for most of the quarter was favorable as was the underweight to US Treasury Securities (UST). On balance, the fund's allocation across the benchmark available sectors was neutral from a relative performance perspective.

Relative to the benchmark, our positions in HY, Trade Finance, Collateralized Mortgage Obligation (CMO) Floaters, and local currency EM debt are out of index. Specific to HY, our 3% position was favorable as HY spreads tightened over the quarter and provided positive excess returns of 1.29%. Our 7% position in Trade Finance, along with the use of CMO floaters and local currency EM debt, generated positive performance, moving the sector contribution to 7 basis points for the quarter.

With valuations for IG and HY at historically tight levels, the portfolio management team remains concerned about the potential for modest spread widening, and accordingly recommends an underweight. In keeping with that view, the bias is for positions with limited credit and duration risk, and Trade Finance and CMO Floaters align to those characteristics.

Security Selection

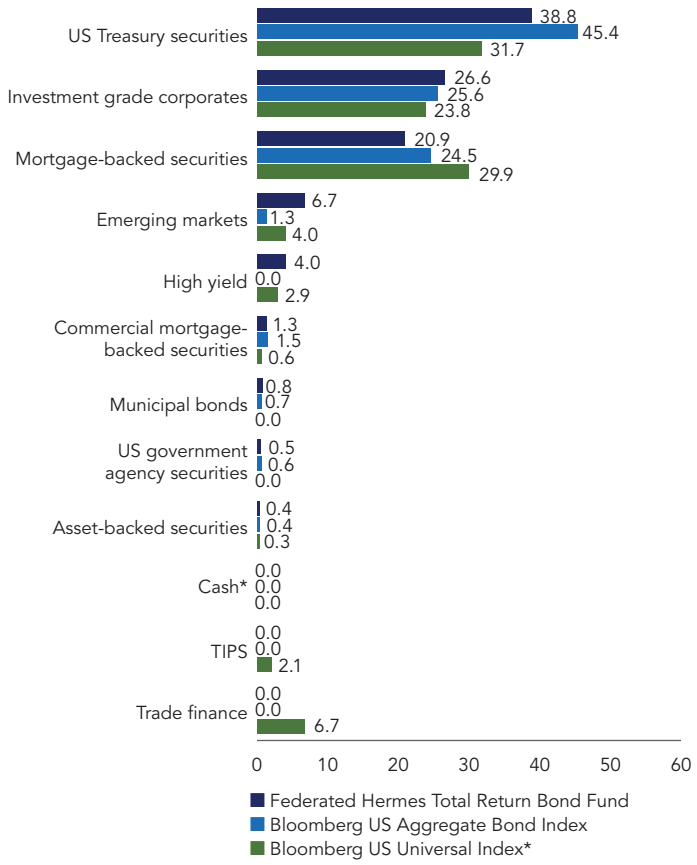
Security selection was fairly benign over the quarter. Selection in IG was favorable as was MBS, where positions in the belly of the coupon stack along with a preference for 30-year conventional securities was beneficial. This strength was mostly offset by the trading effect in UST. IG corporates continue to present safe haven attributes such as solid balance sheets, modest leverage and record high margins; however, given current spreads levels and potential volatility from the Administration's policies we are cautious on valuation but prepared to add if pricing conditions become more attractive. In HY, fundamentals are fine but not robust; and the complexity and uncertainty surrounding the global macroeconomic landscape remains difficult, leading us to continue to be cautious. We are more constructive on MBS and EM, with favorable attributes and opportunities in both markets and patiently await better entry points.

Characteristics

	Fund	Index*
Weighted average effective duration	5.8 yrs.	6.0 yrs.
Weighted average effective maturitiy	8.1 yrs.	8.3 yrs.
Weighted average coupon	4.4%	3.6%
Weighted average yield-to-maturity	4.5%	4.4%
Weighted average bond price	$97.1	$93.8
Number of securities	1,120	13,899

*Bloomberg US Aggregate Bond Index.

Sector allocation (%)

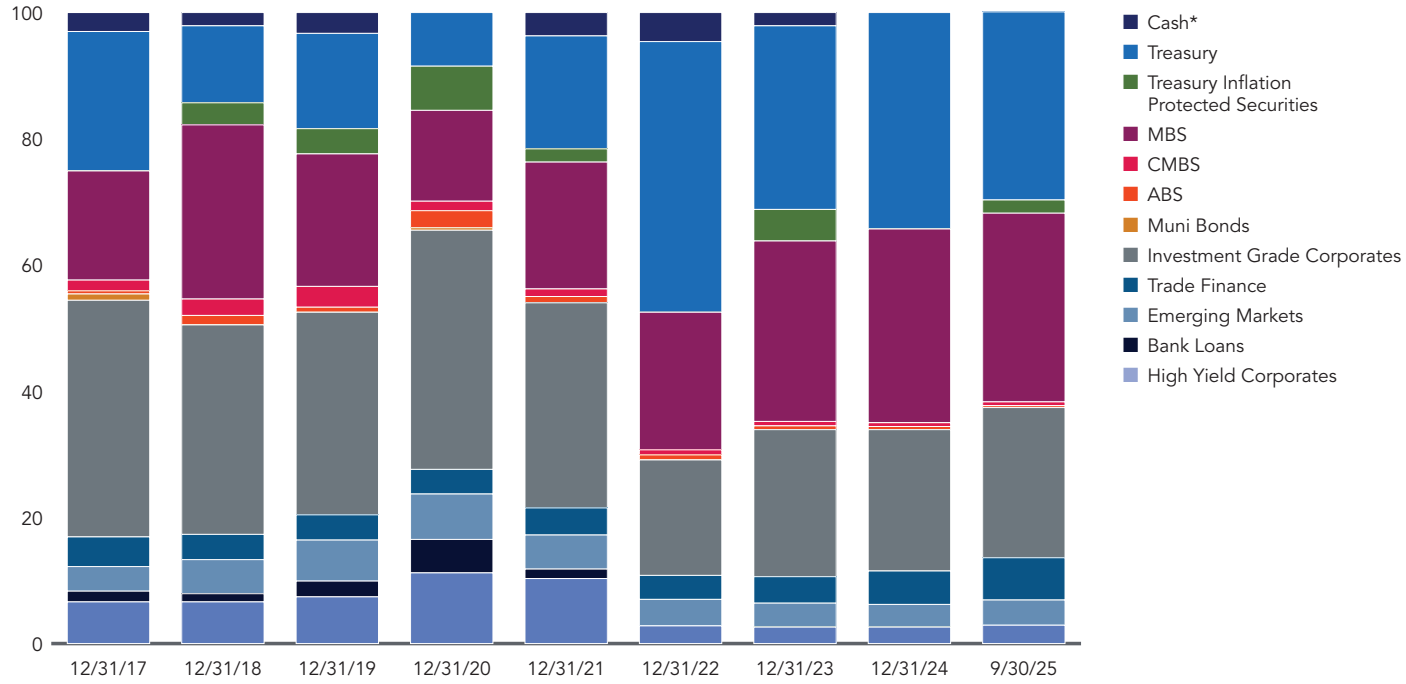


*As of 9/30/25, fund and index reported negative cash balance.

As of 9/30/2025
Source: Federated Hermes, Inc.

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.

Sector allocation history (%)



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Duration Management

It was another volatile time for US Treasury yields, as uncertainty around policies combined with mixed economic signals—strong GDP growth, weak job creation, and persistent inflation—tested markets. With the Fed signaling a strong desire to commence easing in September, yields were down across the UST curve over the quarter. The 2-year declined 11 basis points to end at 3.61%, the 5-year by 6 basis points to 3.74%, the 10-year by 8 basis points to 4.15%, and the 30-year by 4 basis points to 4.73%. The portfolio's modest long duration stance neither added nor detracted from performance over the month.

Yield Curve Management

Curves ebbed and flowed, reaching their steeps around the Fed's summit at Jackson Hole, WY. The most watched curve by the markets is the 2/10 curve (the difference in yield between 10-year maturity treasury bonds and 2-year maturity treasury bonds). 2/10s began the quarter at 47 basis points, peaked at 63 basis points on August 27th and then flattened to 54 basis points at the end of September. The 2/30 curve (the difference in yield between 30-year maturity treasury bonds and 2-year maturity treasury bonds) traveled a similar path, beginning at 99 basis points and ending at 112 basis points, only after peaking at 122 basis points on September 2nd. With the curve responding to the Fed's calendar, the committee tactically traded the yield curve steepener position this month, moving between 0.4 key rate duration (KRD) to the max position of 0.5 KRD, evidence of our conviction in the trade. On balance, the positioning was only a modest contributor to relative performance.

Currency Management

The fund was generally underweight to the US dollar (USD) over the quarter, with a preference for currency pair trades of non-US developed vs Emerging Markets. After seven consecutive months of declines, the USD has been generally consolidating in a 2.5% range since July. This development has naturally evoked reservations whether USD weakness is largely behind us. Many of the factors that we have previously covered that lead to USD weakness this year appear to be largely priced-in. However, "largely" does not imply that the trend is over but simply that these factors have simply become less bearish – certainly not bullish USD. With this in mind, a substantial majority of the Federated-Hermes Currency members remain in favor of holding long non-dollar allocations.

Conclusion

Looking ahead, we continue to be positioned conservatively from a credit risk standpoint as valuations have remained rich. For example, high yield bonds remain extremely rich, with 55% of high yield bonds trading at less than 200 bp over Treasuries. Corporate spreads ended the quarter at 70 bp over Treasuries, very rich compared to long term averages. Additionally, with the resumption of rate cuts, we continue to position for a steeper yield curve.

Average annual total returns (%) as of 9/30/25

	3-month	YTD	1-Year	3-Year	5-Year	10-Year	Expense ratio* Before waivers	Expense ratio* After waivers
Institutional Shares - FTRBX	2.02	5.97	2.87	4.88	0.37	2.62	0.47	0.39
A (NAV) Shares - TLRAX	1.87	5.53	2.31	4.31	-0.18	2.06	0.99	0.94
A (MOP) Shares - TLRAX	-2.73	0.79	2.31	4.31	-0.18	2.06	0.99	0.94
Bloomberg US Aggregate Bond Index	2.03	6.13	2.88	4.93	-0.45	1.84	-	-
Morningstar Intermediate Core-Plus Bond	2.16	6.32	3.40	5.65	0.35	2.32	-	-

Yields (%) as of 9/30/25

Fund	30-day	30-day distribution	30-day unsubsidized
Institutional Shares - FTRBX	4.69	4.63	4.63
A (NAV) Shares - TLRAX	4.14	4.09	4.10
A (MOP) Shares - TLRAX	3.95	3.90	3.92

Performance quoted represents past performance, which is no guarantee of future results. Total returns for periods of less than one year are cumulative. 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. Other classes of shares are available whose performance will vary due to differences in charges and expenses.

*** 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.**

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.

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.

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.

Definitions

The holdings percentages are based on net assets at the close of business on 9/30/25 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.

Total return represents the change in value of an investment after reinvesting all income and capital gains. Total return would have been lower in the absence of temporary expense waivers or reimbursements.

Gross Domestic Product (GDP) is a broad measure of the economy that measures the retail value of goods and services produced in a country.

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. For an indefinite period of time, the investment advisor is waiving all or part of its fee and, in addition, may reimburse the fund for some of its expenses.

30-day distribution yield is calculated by taking an average of the past 30 days' daily yields.

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: A representation of the difference in yields by maturity date among bonds of the same credit quality.

Weighted Average yield-to-maturity: This figure is calculated by weighting each bond's yield to maturity by its relative size in the portfolio.

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

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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 bond price - calculated by weighting the price of each bond by its relative size in the portfolio. This number reveals if the manager favors bonds selling at prices above or below face value (discount or premium securities, respectively). A higher number indicates a bias toward premiums. This statistic is expressed as a percentage of par (face) value.

Weighted Average Coupon: This figure is calculated by weighting each bond's coupon by its relative size in the portfolio. This figure indicates whether the portfolio has more high- or low-coupon bonds.

Bloomberg US Aggregate Bond Index is an unmanaged index composed of securities from the Bloomberg Government/Corporate Bond Index, 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 is an index that 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.

S&P 500® is an unmanaged capitalization weighted index of 500 stocks designated to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Bloomberg US Treasury Index tracks public obligations of the US Treasury with a remaining maturity of one year or more. Treasury inflation-protected securities and treasury bills are not included.

Bloomberg US Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Asset Backed Securities (ABS) Index tracks pass-through, bullet, and controlled amortization structures. Issues are rated at least Baa by Moody's Investors Service or BBB by S&P Global Ratings, if unrated by Moody's.

Bloomberg Commercial Mortgage Backed Securities (CMBS) Erisa Eligible Index tracks commercial mortgage-backed securities which are ERISA-eligible under the underwriter exemption and are rated at least Baa by Moody's Investors Service or BBB by S&P Global Ratings, if unrated by Moody's.

Bloomberg US Credit Index is composed of all publicly issued, fixed-rate, nonconvertible, investment-grade corporate debt. Issues are rated at least Baa by Moody's Investors Service or BBB by S&P Global Ratings, if unrated by Moody's. Collateralized Mortgage Obligations (CMOs) are not included. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

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.

Bloomberg US Leveraged Loan Index tracks USD-denominated, broadly syndicated floating rate loan market. Loans must be rated high yield (BB or lower) by one or more rating agencies (S&P, Moddy's or Fitch) to be eligible.

Bloomberg Emerging Markets Seasoned ex Aggregate/Eurodollar Index is the emerging markets debt component of the Bloomberg Barclay US Universal Bond Index and is generally at least 80% non-investment grade.

Ratings and rating agencies Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. Past performance is no guarantee of future results.

This must be preceded or accompanied by a prospectus.

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