

# Semi-Annual Shareholder Report

June 30, 2023



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Share Class

Service

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## Federated Hermes Government Money Fund II

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A Portfolio of Federated Hermes Insurance Series

Dear Valued Shareholder,

We are pleased to present the Semi-Annual Shareholder Report for your fund covering the period from January 1, 2023 through June 30, 2023. This report includes a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

As a global leader in active, responsible investment management, Federated Hermes is guided by our conviction that responsible investing is the best way to create wealth over the long term. The company provides capabilities across a wide range of asset classes to investors around the world.

In addition, [FederatedHermes.com/us](https://www.federatedhermes.com/us) offers quick and easy access to valuable resources that include timely fund updates, economic and market insights from our investment strategists and financial planning tools. You can also access many of those insights by following us on Twitter (@FederatedHermes) and LinkedIn.

Thank you for investing with us. We hope you find this information useful and look forward to keeping you informed.

Sincerely,

A handwritten signature in black ink, appearing to read "John B. Fisher".

John B. Fisher, President

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## Portfolio of Investments Summary Tables (unaudited)

At June 30, 2023, the Fund's portfolio composition<sup>1</sup> was as follows:

<b>Security Type</b>	<b>Percentage of Total Net Assets</b>
U.S. Government Agency Securities	24.0%
U.S. Treasury Securities	9.3%
Repurchase Agreements	67.3%
Other Assets and Liabilities—Net <sup>2</sup>	(0.6)%
<b>TOTAL</b>	<b>100%</b>

1 See the Fund's Prospectus and Statement of Additional Information for a description of the types of securities in which the Fund invests.

2 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

At June 30, 2023, the Fund's effective maturity schedule<sup>1</sup> was as follows:

<b>Securities With an Effective Maturity of:</b>	<b>Percentage of Total Net Assets</b>
1-7 Days	88.5%
8-30 Days	0.1%
31-90 Days	1.8%
91-180 Days	2.1%
181 Days or more	8.1%
Other Assets and Liabilities—Net <sup>2</sup>	(0.6)%
<b>TOTAL</b>	<b>100%</b>

1 Effective maturity is determined in accordance with the requirements of Rule 2a-7 under the Investment Company Act of 1940, which regulates money market mutual funds.

2 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

# Portfolio of Investments

June 30, 2023 (unaudited)

Principal Amount		Value
	<b>GOVERNMENT AGENCIES—24.0%</b>	
\$ 525,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.085% (SOFR +0.025%), 7/3/2023	\$ 525,000
400,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.087% (SOFR +0.027%), 7/3/2023	399,983
150,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.100% (SOFR +0.040%), 7/3/2023	150,000
350,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.105% (SOFR +0.045%), 7/3/2023	350,000
925,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.110% (SOFR +0.050%), 7/3/2023	925,002
325,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.120% (SOFR +0.060%), 7/3/2023	324,987
500,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.135% (SOFR +0.075%), 7/3/2023	499,982
500,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.140% (SOFR +0.080%), 7/3/2023	499,993
400,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.145% (SOFR +0.085%), 7/3/2023	399,996
450,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.150% (SOFR +0.090%), 7/3/2023	450,000
250,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.155% (SOFR +0.095%), 7/3/2023	250,000
250,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.160% (SOFR +0.100%), 7/3/2023	250,000
300,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.165% (SOFR +0.105%), 7/3/2023	300,000
200,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.170% (SOFR +0.110%), 7/3/2023	200,000
250,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.180% (SOFR +0.120%), 7/3/2023	250,000
600,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.190% (SOFR +0.130%), 7/3/2023	599,995
100,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.195% (SOFR +0.135%), 7/3/2023	100,000
150,000	<sup>1</sup> Federal Farm Credit System Floating Rate Notes, 5.260% (SOFR +0.200%), 7/3/2023	150,000
875,000	<sup>1</sup> Federal Home Loan Bank System Floating Rate Notes, 5.120% (SOFR +0.060%), 7/3/2023	875,000
500,000	<sup>1</sup> Federal Home Loan Bank System Floating Rate Notes, 5.125% (SOFR +0.065%), 7/3/2023	500,000
100,000	<sup>1</sup> Federal Home Loan Bank System Floating Rate Notes, 5.130% (SOFR +0.070%), 7/3/2023	100,000
300,000	<sup>1</sup> Federal Home Loan Bank System Floating Rate Notes, 5.145% (SOFR +0.085%), 7/3/2023	300,000
950,000	<sup>1</sup> Federal Home Loan Bank System Floating Rate Notes, 5.150% (SOFR +0.090%), 7/3/2023	950,000
250,000	<sup>1</sup> Federal Home Loan Bank System Floating Rate Notes, 5.160% (SOFR +0.100%), 7/3/2023	250,000
750,000	<sup>1</sup> Federal Home Loan Bank System Floating Rate Notes, 5.180% (SOFR +0.120%), 7/3/2023	750,000
7,725,000	Federal Home Loan Bank System, 2.300% - 5.740%, 7/3/2023 - 7/12/2024	7,724,946
350,000	Federal Home Loan Mortgage Corp., 5.410% - 5.420%, 6/14/2024 - 6/17/2024	350,000
100,000	Federal National Mortgage Association Notes, 0.250%, 7/10/2023	99,906
	<b>TOTAL GOVERNMENT AGENCIES</b>	<b>18,524,790</b>
	<b>U.S. TREASURIES—9.3%</b>	
	<b><sup>2</sup>U.S. Treasury Bills—2.1%</b>	
1,000,000	United States Treasury Bills, 5.215%, 12/28/2023	973,925
650,000	United States Treasury Bills, 5.220% - 5.230%, 10/31/2023	638,862
	<b>TOTAL</b>	<b>1,612,787</b>
	<b><sup>1</sup>U.S. Treasury Notes—7.2%</b>	
500,000	United States Treasury Floating Rate Notes, 5.173% (91-day T-Bill -0.075%), 7/4/2023	500,000
750,000	United States Treasury Floating Rate Notes, 5.233% (91-day T-Bill -0.015%), 7/4/2023	750,180
1,400,000	United States Treasury Floating Rate Notes, 5.277% (91-day T-Bill +0.029%), 7/4/2023	1,400,019
750,000	United States Treasury Floating Rate Notes, 5.285% (91-day T-Bill +0.037%), 7/4/2023	749,561
250,000	United States Treasury Floating Rate Notes, 5.388% (91-day T-Bill +0.140%), 7/4/2023	249,737
850,000	United States Treasury Floating Rate Notes, 5.417% (91-day T-Bill +0.169%), 7/4/2023	850,174
1,050,000	United States Treasury Floating Rate Notes, 5.448% (91-day T-Bill +0.200%), 7/4/2023	1,050,209
	<b>TOTAL</b>	<b>5,549,880</b>
	<b>TOTAL U.S. TREASURIES</b>	<b>7,162,667</b>
	<b>REPURCHASE AGREEMENTS—67.3%</b>	
18,000,000	Interest in \$775,000,000 joint repurchase agreement 5.06%, dated 6/30/2023 under which ABN Amro Bank N.V., Netherlands will repurchase securities provided as collateral for \$775,326,792 on 7/3/2023. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency securities and a U.S. Treasury securities with various maturities to 5/20/2053 and the market value of those underlying securities was \$791,072,098.	18,000,000

Principal Amount		Value
	REPURCHASE AGREEMENTS—continued	
\$15,802,000	Interest in \$3,000,000,000 joint repurchase agreement 5.05%, dated 6/30/2023 under which Sumitomo Mitsui Banking Corp will repurchase securities provided as collateral for \$3,001,262,500 on 7/3/2023. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency securities and a U.S. Treasury securities with various maturities to 10/20/2052 and the market value of those underlying securities was \$3,061,287,771.	\$15,802,000
18,000,000	Interest in \$4,100,000,000 joint repurchase agreement 5.06%, dated 6/30/2023 under which Wells Fargo Securities LLC will repurchase securities provided as collateral for \$4,101,728,833 on 7/3/2023. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency securities with various maturities to 6/20/2053 and the market value of those underlying securities was \$4,185,028,949.	18,000,000
	TOTAL REPURCHASE AGREEMENTS	51,802,000
	TOTAL INVESTMENT IN SECURITIES—100.6% (AT AMORTIZED COST) <sup>3</sup>	77,489,457
	OTHER ASSETS AND LIABILITIES - NET—(0.6)% <sup>4</sup>	(480,588)
	TOTAL NET ASSETS—100%	\$77,008,869

1 Floating/variable note with current rate and current maturity or next reset date shown.

2 Discount rate(s) at time of purchase.

3 Also represents cost for federal tax purposes.

4 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

Note: The categories of investments are shown as a percentage of total net assets at June 30, 2023.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1—quoted prices in active markets for identical securities.

Level 2—other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Also includes securities valued at amortized cost.

Level 3—significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

In valuing the Fund's assets as of June 30, 2023, all investments of the Fund are valued at amortized cost, which is a methodology utilizing Level 2 inputs.

The following acronym(s) are used throughout this portfolio:

SOFR—Secured Overnight Financing Rate

See Notes which are an integral part of the Financial Statements

## Financial Highlights – Service Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 6/30/2023	Year Ended December 31,				
		2022	2021	2020	2019	2018
<b>Net Asset Value, Beginning of Period</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>Income From Investment Operations:</b>						
Net investment income (loss)	0.020	0.011	0.000 <sup>1</sup>	0.002	0.016	0.012
Net realized gain (loss)	0.000 <sup>1</sup>	0.001	(0.000) <sup>1</sup>	0.000 <sup>1</sup>	0.000 <sup>1</sup>	(0.000) <sup>1</sup>
TOTAL FROM INVESTMENT OPERATIONS	0.020	0.012	0.000 <sup>1</sup>	0.002	0.016	0.012
<b>Less Distributions:</b>						
Distributions from net investment income	(0.020)	(0.012)	(0.000) <sup>1</sup>	(0.002)	(0.016)	(0.012)
<b>Net Asset Value, End of Period</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>	<b>\$1.00</b>
<b>Total Return<sup>2</sup></b>	2.06%	1.16%	0.00% <sup>3</sup>	0.20%	1.64%	1.25%
<b>Ratios to Average Net Assets:</b>						
Net expenses <sup>4</sup>	0.63% <sup>5</sup>	0.48%	0.07%	0.31%	0.63%	0.63%
Net investment income	4.12% <sup>5</sup>	1.14%	0.00% <sup>3</sup>	0.18%	1.66%	1.26%
Expense waiver/reimbursement <sup>6</sup>	0.08% <sup>5</sup>	0.24%	0.66%	0.40%	0.09%	0.11%
<b>Supplemental Data:</b>						
Net assets, end of period (000 omitted)	\$77,009	\$80,514	\$81,245	\$90,591	\$80,054	\$130,261

1 Represents less than \$0.001.

2 Based on net asset value. Total returns do not reflect any additional fees or expenses that may be imposed by separate accounts of insurance companies or in connection with any variable annuity or variable life insurance contract. Total returns for periods of less than one year are not annualized.

3 Represents less than 0.01%.

4 Amount does not reflect net expenses incurred by investment companies in which the Fund may invest.

5 Computed on an annualized basis.

6 This expense decrease is reflected in both the net expense and the net investment income ratios shown above. Amount does not reflect expense waiver/reimbursement recorded by investment companies in which the Fund may invest.

See Notes which are an integral part of the Financial Statements

# Statement of Assets and Liabilities

June 30, 2023 (unaudited)

## Assets:

Investment in repurchase agreements	\$51,802,000
Investment in securities	25,687,457
Total investment in securities, at amortized cost and fair value	77,489,457
Income receivable	212,612
Receivable for shares sold	6,095
<b>TOTAL ASSETS</b>	<b>77,708,164</b>

## Liabilities:

Payable for investments purchased	638,862
Payable for shares redeemed	31,463
Payable to bank	957
Payable for investment adviser fee (Note 4)	247
Payable for administrative fee (Note 4)	165
Payable for other service fees (Notes 2 and 4)	15,737
Accrued expenses (Note 4)	11,864
<b>TOTAL LIABILITIES</b>	<b>699,295</b>

Net assets for 77,009,302 shares outstanding \$77,008,869

## Net Assets Consist of:

Paid-in capital	\$77,008,851
Total distributable earnings (loss)	18
<b>TOTAL NET ASSETS</b>	<b>\$77,008,869</b>

## Net Asset Value, Offering Price and Redemption Proceeds Per Share:

### Service Shares:

\$77,008,869 ÷ 77,009,302 shares outstanding, no par value, unlimited shares authorized \$1.00

See Notes which are an integral part of the Financial Statements

# Statement of Operations

Six Months Ended June 30, 2023 (unaudited)

<b>Investment Income:</b>	
Interest	\$1,848,326
<b>Expenses:</b>	
Investment adviser fee (Note 4)	77,704
Administrative fee (Note 4)	30,858
Custodian fees	3,768
Transfer agent fees	2,263
Directors'/Trustees' fees (Note 4)	821
Auditing fees	10,460
Legal fees	4,639
Portfolio accounting fees	34,365
Other service fees (Notes 2 and 4)	96,368
Printing and postage	12,142
Miscellaneous (Note 4)	2,724
TOTAL EXPENSES	276,112
Waiver of investment adviser fee (Note 4)	(30,202)
Net expenses	245,910
Net investment income	1,602,416
Change in net assets resulting from operations	\$1,602,416

See Notes which are an integral part of the Financial Statements



## Statement of Changes in Net Assets

	<b>Six Months Ended (unaudited) 6/30/2023</b>	<b>Year Ended 12/31/2022</b>
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	\$ 1,602,416	\$ 938,526
Net realized gain (loss)	—	989
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	1,602,416	939,515
<b>Distributions to Shareholders:</b>		
Service Shares	(1,602,513)	(938,522)
<b>Share Transactions:</b>		
Proceeds from sale of shares	8,287,234	30,810,447
Net asset value of shares issued to shareholders in payment of distributions declared	1,602,511	938,520
Cost of shares redeemed	(13,394,865)	(32,480,761)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(3,505,120)	(731,794)
Change in net assets	(3,505,217)	(730,801)
<b>Net Assets:</b>		
Beginning of period	80,514,086	81,244,887
End of period	\$ 77,008,869	\$ 80,514,086

See Notes which are an integral part of the Financial Statements

# Notes to Financial Statements

June 30, 2023 (unaudited)

## 1. ORGANIZATION

Federated Hermes Insurance Series (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein are only those of Federated Hermes Government Money Fund II (the "Fund"), a diversified portfolio. The financial statements of the other portfolios are presented separately. The assets of each portfolio are segregated and a shareholder's interest is limited to the portfolio in which shares are held. Each portfolio pays its own expenses. The Fund offers one class of shares: Service Shares. Fund shares are available exclusively as a funding vehicle for life insurance companies writing variable life insurance policies and variable annuity contracts. The investment objective of the Fund is to provide current income consistent with stability of principal and liquidity.

The Fund operates as a government money market fund. As a government money market fund, the Fund: (1) invests at least 99.5% of its total assets in: (i) cash; (ii) securities issued or guaranteed by the United States or certain U.S. government agencies or instrumentalities; and/or (iii) repurchase agreements that are collateralized fully; (2) generally continues to use amortized cost to value its portfolio securities and transact at a stable \$1.00 net asset value (NAV); and (3) has elected not to be subject to the liquidity fees and gates requirement at this time as permitted by Rule 2a-7 under the Act.

On August 11, 2022, the Fund's Board of Trustees (the "Trustees") approved the closure of the Primary Shares. Effective August 17, 2022, the Primary Shares were liquidated.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. These policies are in conformity with U.S. generally accepted accounting principles (GAAP).

### Investment Valuation

Securities are valued at amortized cost. The amortized cost method of valuation generally prescribes that an investment is valued at its acquisition cost as adjusted daily for amortization of premium or accretion of discount to the specified redemption value on the nearest call, demand or maturity date, as appropriate. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be determined in accordance with the procedures described below. There can be no assurance that the Fund could obtain the fair value assigned to an investment if it sold the investment at approximately the time at which the Fund determines its NAV per share, and the actual value obtained could be materially different.

Pursuant to Rule 2a-5 under the Act, the Trustees have designated Federated Investment Management Company (the "Adviser") as the Fund's valuation designee to perform any fair value determinations for securities and other assets held by the Fund. The Adviser is subject to the Trustees' oversight and certain reporting and other requirements intended to provide the Trustees the information needed to oversee the Adviser's fair value determinations.

The Adviser, acting through its valuation committee ("Valuation Committee"), is responsible for determining the fair value of investments. The Valuation Committee is comprised of officers of the Adviser and certain of the Adviser's affiliated companies and determines fair value of securities and oversees the comparison of amortized cost to market-based value. The Valuation Committee is also authorized to use pricing services to provide fair value evaluations of the current value of certain investments for purposes of monitoring the relationship of market-based value and amortized cost. The Valuation Committee employs various methods for reviewing third-party pricing-service evaluations including periodic reviews of third-party pricing services' policies, procedures and valuation methods (including key inputs and assumptions), and review of price challenges by the Adviser based on recent market activity. In the event that market quotations and price evaluations are not available for an investment, the Valuation Committee determines the fair value of the investment in accordance with procedures adopted by the Adviser. The Trustees periodically review the fair valuations made by the Valuation Committee. The Trustees have also approved the Adviser's fair valuation and significant events procedures as part of the Fund's compliance program and will review any changes made to the procedures.

### Repurchase Agreements

The Fund may invest in repurchase agreements for short-term liquidity purposes. It is the policy of the Fund to require the other party to a repurchase agreement to transfer to the Fund's custodian or sub-custodian eligible securities or cash with a market value (after transaction costs) at least equal to the repurchase price to be paid under the repurchase agreement. The eligible securities are transferred to accounts with the custodian or sub-custodian in which the Fund holds a "securities entitlement" and exercises "control" as those terms are defined in the Uniform Commercial Code. The Fund has established procedures for monitoring the market value of the transferred securities and requiring the transfer of additional eligible securities if necessary to equal at least the repurchase price. These procedures also allow the other party to require securities to be transferred from the account to the extent that their market value exceeds the repurchase price or in exchange for other eligible securities of equivalent market value.

The insolvency of the other party or other failure to repurchase the securities may delay the disposition of the underlying securities or cause the Fund to receive less than the full repurchase price. Under the terms of the repurchase agreement, any amounts received by the Fund in excess of the repurchase price and related transaction costs must be remitted to the other party.

The Fund may enter into repurchase agreements in which eligible securities are transferred into joint trading accounts maintained by the custodian or sub-custodian for investment companies and other clients advised by the Fund's Adviser and its affiliates. The Fund will participate on a pro rata basis with the other investment companies and clients in its share of the securities transferred under such repurchase agreements and in its share of proceeds from any repurchase or other disposition of such securities.

Repurchase agreements are subject to Master Netting Agreements which are agreements between the Fund and its counterparties that provide for the net settlement of all transactions and collateral with the Fund, through a single payment, in the event of default or termination. Amounts presented on the Portfolio of Investments and Statement of Assets and Liabilities are not net settlement amounts but gross. As indicated above, the cash or securities to be repurchased, as shown on the Portfolio of Investments, exceeds the repurchase price to be paid under the agreement reducing the net settlement amount to zero.

**Investment Income, Gains and Losses, Expenses and Distributions**

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are recorded on an identified-cost basis. Interest income and expenses are accrued daily. Distributions to shareholders are recorded on the ex-dividend date. Distributions of net investment income, if any, are declared daily and paid monthly. Amortization/accretion of premium and discount is included in investment income. Investment income, realized gains and losses, and certain fund-level expenses are allocated to each class based on relative average daily net assets, except that select classes will bear certain expenses unique to those classes. The detail of the total fund expense waiver of \$30,202 is disclosed in various locations in Note 5.

Dividends are declared separately for each class. No class has preferential dividend rights; differences in per share dividend rates are generally due to differences in separate class expenses.

**Other Service Fees**

The Fund may pay other service fees up to 0.25% of the average daily net assets of the Fund’s Service Shares to unaffiliated financial intermediaries for providing services to shareholders and maintaining shareholder accounts. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily reimburse the Fund for other service fees. In addition, unaffiliated third-party financial intermediaries may waive other service fees. This waiver can be modified or terminated at any time.

For the six months ended June 30, 2023, other service fees for the Fund were as follows:

	<b>Other Service Fees Incurred</b>
Service Shares	\$96,368

**Federal Taxes**

It is the Fund’s policy to comply with the Subchapter M provision of the Internal Revenue Code of 1986 and to distribute to shareholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the six months ended June 30, 2023, the Fund did not have a liability for any uncertain tax positions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. As of June 30, 2023, tax years 2019 through 2022 remain subject to examination by the Fund’s major tax jurisdictions, which include the United States of America and the Commonwealth of Massachusetts.

**When-Issued and Delayed-Delivery Transactions**

The Fund may engage in when-issued or delayed-delivery transactions. The Fund records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

**Other**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets, liabilities, expenses and revenues reported in the financial statements. Actual results could differ materially from those estimated. The Fund applies investment company accounting and reporting guidance.

### 3. SHARES OF BENEFICIAL INTEREST

The following tables summarize share activity:

Primary Shares:	Six Months Ended 6/30/2023		Year Ended 12/31/2022	
	Shares	Amount	Shares	Amount
Shares sold	—	\$ —	—	\$ —
Shares issued to shareholders in payment of distributions declared	—	—	—	—
Shares redeemed	—	—	(100)	(100)
NET CHANGE RESULTING FROM PRIMARY SHARE TRANSACTIONS	—	\$ —	(100)	\$ (100)

Service Shares:	Six Months Ended 6/30/2023		Year Ended 12/31/2022	
	Shares	Amount	Shares	Amount
Shares sold	8,287,234	\$ 8,287,234	30,810,447	\$ 30,810,447
Shares issued to shareholders in payment of distributions declared	1,602,511	1,602,511	938,520	938,520
Shares redeemed	(13,394,865)	(13,394,865)	(32,480,661)	(32,480,661)
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	(3,505,120)	\$ (3,505,120)	(731,694)	\$ (731,694)
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(3,505,120)	\$ (3,505,120)	(731,794)	\$ (731,794)

### 4. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

#### Investment Adviser Fee

The advisory agreement between the Fund and the Adviser provides for an annual fee equal to 0.20% of the Fund's average daily net assets. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily choose to waive any portion of its fee and/or reimburse certain operating expenses of the Fund for competitive reasons such as to maintain the Fund's expense ratio, or as and when appropriate, to maintain positive or zero net yields. For the six months ended June 30, 2023, the Adviser voluntarily waived \$30,202 of its fee.

#### Administrative Fee

Federated Administrative Services (FAS), under the Administrative Services Agreement, provides the Fund with administrative personnel and services. For purposes of determining the appropriate rate breakpoint, "Investment Complex" is defined as all of the Federated Hermes Funds subject to a fee under the Administrative Services Agreement. The fee paid to FAS is based on the average daily net assets of the Investment Complex as specified below:

Administrative Fee	Average Daily Net Assets of the Investment Complex
0.100%	on assets up to \$50 billion
0.075%	on assets over \$50 billion

Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the six months ended June 30, 2023, the annualized fee paid to FAS was 0.079% of average daily net assets of the Fund.

In addition, FAS may charge certain out-of-pocket expenses to the Fund.

#### Expense Limitation

Due to the possibility of changes in market conditions and other factors, there can be no assurance that the level of waivers/reimbursement/reduction of Fund expenses reflected in the financial highlights will be maintained in the future. However, the Adviser and certain of its affiliates (which may include FAS and FSC) on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Total annual fund operating expenses (as shown in the financial highlights, excluding interest expense, extraordinary expenses and proxy-related expenses paid by the Fund, if any) paid by the Fund's Service Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.63% (the "Fee Limit"), up to but not including the later of (the "Termination Date"): (a) May 1, 2024; or (b) the date of the Fund's next effective Prospectus. While the Adviser and its applicable affiliates currently do not anticipate terminating or increasing these arrangements prior to the Termination Date, these arrangements may only be terminated or the Fee Limit increased prior to the Termination Date with the agreement of the Trustees.

#### Directors'/Trustees' and Miscellaneous Fees

Certain Officers and Trustees of the Fund are Officers and Directors or Trustees of certain of the above companies. To efficiently facilitate payment, Independent Directors'/Trustees' fees and certain expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses are paid by an affiliate of the Adviser which in due course are reimbursed by the Fund. These expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses may be included in Accrued and Miscellaneous Expenses on the Statement of Assets and Liabilities and Statement of Operations, respectively.

## **5. INTERFUND LENDING**

Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Fund, along with other funds advised by subsidiaries of Federated Hermes, Inc., may participate in an interfund lending program. This program provides an alternative credit facility allowing the Fund to borrow from other participating affiliated funds. As of June 30, 2023, there were no outstanding loans. During the six months ended June 30, 2023, the program was not utilized.

## **6. INDEMNIFICATIONS**

Under the Fund's organizational documents, its Officers and Directors/Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund (other than liabilities arising out of their willful misfeasance, bad faith, gross negligence or reckless disregard of their duties to the Fund). In addition, in the normal course of business, the Fund provides certain indemnifications under arrangements with third parties. Typically, obligations to indemnify a third party arise in the context of an arrangement entered into by the Fund under which the Fund agrees to indemnify such third party for certain liabilities arising out of actions taken pursuant to the arrangement, provided the third party's actions are not deemed to have breached an agreed-upon standard of care (such as willful misfeasance, bad faith, gross negligence or reckless disregard of their duties under the contract). The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet arisen. The Fund does not anticipate any material claims or losses pursuant to these arrangements at this time, and accordingly expects the risk of loss to be remote.

## **7. OTHER MATTERS**

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in late 2019 and subsequently spread globally. As of the date of the issuance of these financial statements, this coronavirus has resulted in, and may continue to result in, closed borders, enhanced health screenings, disruptions to healthcare service preparation and delivery, quarantines, cancellations, and disruptions to supply chains, workflow operations and consumer activity, as well as general concern and uncertainty. The impact of this coronavirus has resulted in substantial economic volatility. Health crises caused by outbreaks, such as the coronavirus outbreak, may exacerbate other pre-existing political, social and economic risks. The impact of this outbreak, and other epidemics and pandemics that may arise in the future, could continue to negatively affect the worldwide economy, as well as the economies of individual countries, individual companies (including certain Fund service providers and issuers of the Fund's investments) and the markets in general in significant and unforeseen ways. In addition, governments, their regulatory agencies, or self-regulatory organizations may take actions in response to the pandemic, including significant fiscal and monetary policy changes, that may affect the instruments in which the Fund invests or the issuers of such investments. Any such impact could adversely affect the Fund's performance.

## Shareholder Expense Example (unaudited)

As a shareholder of the Fund, you incur ongoing costs, including management fees and to the extent applicable, distribution (12b-1) fees and/or other service fees and other Fund expenses. This Example is intended to help you to understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other funds used as variable investment options. It is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from January 1, 2023 to June 30, 2023.

### ACTUAL EXPENSES

The first section of the table below provides information about actual account values and actual expenses. You may use the information in this section, together with the amount you invested, to *estimate* the expenses that you incurred over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first section under the heading entitled “Expenses Paid During Period” to estimate the expenses attributable to your investment during this period.

### HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

The second section of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an *assumed* rate of return of 5% per year before expenses, which is not the Fund’s actual return. Thus, you should *not* use the hypothetical account values and expenses to estimate the actual ending account balance or your expenses for the period. Rather, these figures are required to be provided to enable you to compare the ongoing costs of investing in the Fund with other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only. Therefore, the second section of the table is useful in comparing ongoing costs only, and will not help you determine the relative *total* costs of owning different funds.

	Beginning Account Value 1/1/2023	Ending Account Value 6/30/2023	Expenses Paid During Period <sup>1</sup>
<b>Actual:</b>			
Service Shares	\$1,000	\$1,020.60	\$3.16
<b>Hypothetical (assuming a 5% return before expenses):</b>			
Service Shares	\$1,000	\$1,021.67	\$3.16

<sup>1</sup> Expenses are equal to the Fund’s annualized net expense ratio, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half-year period). The expenses shown in the table do not include the charges and expenses imposed by the insurance company under the variable insurance product contract. Please refer to the variable insurance product prospectus for a complete listing of these expenses. The annualized net expense ratio is as follows:

Service Shares	0.63%
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## Evaluation and Approval of Advisory Contract – May 2023

### **FEDERATED HERMES GOVERNMENT MONEY FUND II (THE “FUND”)**

At its meetings in May 2023 (the “May Meetings”), the Fund’s Board of Trustees (the “Board”), including those Trustees who are not “interested persons” of the Fund, as defined in the Investment Company Act of 1940 (the “Independent Trustees”), reviewed and unanimously approved the continuation of the investment advisory contract between the Fund and Federated Investment Management Company (the “Adviser”) (the “Contract”) for an additional one-year term. The Board’s determination to approve the continuation of the Contract reflects the exercise of its business judgment after considering all of the information and factors believed to be relevant and appropriate on whether to approve the continuation of the existing arrangement. The information, factors and conclusions that formed the basis for the Board’s approval are summarized below.

#### ***Information Received and Review Process***

At the request of the Independent Trustees, the Fund’s Chief Compliance Officer (the “CCO”) furnished to the Board in advance of its May Meetings an independent written evaluation of the Fund’s management fee (the “CCO Fee Evaluation Report”). The Board considered the CCO Fee Evaluation Report, along with other information, in evaluating the reasonableness of the Fund’s management fee and in determining to approve the continuation of the Contract. The CCO, in preparing the CCO Fee Evaluation Report, has the authority to retain consultants, experts or staff as reasonably necessary to assist in the performance of his duties, reports directly to the Board, and can be terminated only with the approval of a majority of the Independent Trustees. At the request of the Independent Trustees, the CCO Fee Evaluation Report followed the same general approach and covered the same topics as that of the report that had previously been delivered by the CCO in his capacity as “Senior Officer” prior to the elimination of the Senior Officer position in December 2017.

In addition to the extensive materials that comprise and accompany the CCO Fee Evaluation Report, the Board considered information specifically prepared in connection with the approval of the continuation of the Contract that was presented at the May Meetings. In this regard, in the months preceding the May Meetings, the Board requested and reviewed written responses and supporting materials prepared by the Adviser and its affiliates (collectively, “Federated Hermes”) in response to requests posed to Federated Hermes by independent legal counsel on behalf of the Independent Trustees encompassing a wide variety of topics, including those summarized below. The Board also considered such additional matters as the Independent Trustees deemed reasonably necessary to evaluate the Contract, which included detailed information about the Fund and Federated Hermes furnished to the Board at its meetings throughout the year and in between regularly scheduled meetings on particular matters as the need arose.

The Board’s consideration of the Contract included review of materials and information covering the following matters, among others: the nature, quality and extent of the advisory and other services provided to the Fund by Federated Hermes; Federated Hermes’ business and operations; the Adviser’s investment philosophy, personnel and processes; the Fund’s investment objectives and strategies; the Fund’s short-term and long-term performance (in absolute terms, both on a gross basis and net of expenses, and relative to the Fund’s particular investment program and a group of its peer funds and/or its benchmark, as appropriate); the Fund’s investment objectives; the Fund’s fees and expenses, including the advisory fee and the overall expense structure of the Fund (both in absolute terms and relative to a group of its peer funds), with due regard for contractual or voluntary expense limitations (if any); the financial condition of Federated Hermes; the Adviser’s profitability with respect to managing the Fund; distribution and sales activity for the Fund; and the use and allocation of brokerage commissions derived from trading the Fund’s portfolio securities (if any).

The Board also considered judicial decisions concerning allegedly excessive investment advisory fees charged to other registered funds in evaluating the Contract. Using these judicial decisions as a guide, the Board observed that the following factors may be relevant to an adviser’s fiduciary duty with respect to its receipt of compensation from a fund: (1) the nature and quality of the services provided by the adviser to the fund and its shareholders, including the performance of the fund, its benchmark and comparable funds; (2) the adviser’s cost of providing the services and the profitability to the adviser of providing advisory services to the fund; (3) the extent to which the adviser may realize “economies of scale” as the fund grows larger and, if such economies of scale exist, whether they have been appropriately shared with the fund and its shareholders or the family of funds; (4) any “fall-out” benefits that accrue to the adviser because of its relationship with the fund, including research services received from brokers that execute fund trades and any fees paid to affiliates of the adviser for services rendered to the fund; (5) comparative fee and expense structures, including a comparison of management fees paid to the adviser with those paid by similar funds managed by the same adviser or other advisers as well as management fees charged to institutional and other advisory clients of the same adviser for what might be viewed as like services; and (6) the extent of care, conscientiousness and independence with which the fund’s board members perform their duties and their expertise, including whether they are fully informed about all facts the board deems relevant to its consideration of the adviser’s services and fees. The Board noted that the Securities and

Exchange Commission (“SEC”) disclosure requirements regarding the basis for a fund board’s approval of the fund’s investment advisory contract generally align with the factors listed above. The Board was guided by these factors in its evaluation of the Contract to the extent it considered them to be appropriate and relevant, as discussed further below. The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Fund and working with Federated Hermes on matters relating to the oversight of the other funds advised by Federated Hermes (each, a “Federated Hermes Fund” and, collectively, the “Federated Hermes Funds”).

In addition, the Board considered the preferences and expectations of Fund shareholders and the potential disruptions of the Fund’s operations and various risks, uncertainties and other effects that could occur as a result of a decision to terminate or not renew the Contract. In particular, the Board recognized that many shareholders likely have invested in the Fund based on the strength of Federated Hermes’ industry standing and reputation and with the expectation that Federated Hermes will have a continuing role in providing advisory services to the Fund. Thus, the Board observed that there are a range of investment options available to the Fund’s shareholders and such shareholders in the marketplace, having had the opportunity to consider other investment options, have effectively selected Federated Hermes by virtue of investing in the Fund.

In determining to approve the continuation of the Contract, the members of the Board reviewed and evaluated information and factors they believed to be relevant and appropriate through the exercise of their reasonable business judgment. While individual members of the Board may have weighed certain factors differently, the Board’s determination to approve the continuation of the Contract was based on a comprehensive consideration of all information provided to the Board throughout the year and specifically with respect to the continuation of the Contract. The Board recognized that its evaluation process is evolutionary and that the factors considered and emphasis placed on relevant factors may change in recognition of changing circumstances in the registered fund marketplace. The Independent Trustees were assisted throughout the evaluation process by independent legal counsel. In connection with their deliberations at the May Meetings, the Independent Trustees met separately in executive session with their independent legal counsel and without management present to review the relevant materials and consider their responsibilities under applicable laws. In addition, senior management representatives of Federated Hermes also met with the Independent Trustees and their independent legal counsel to discuss the materials and presentations furnished to the Board at the May Meetings. The Board considered the approval of the Contract for the Fund as part of its consideration of agreements for funds across the family of Federated Hermes Funds, but its approvals were made on a fund-by-fund basis.

#### **Nature, Extent and Quality of Services**

The Board considered the nature, extent and quality of the services provided to the Fund by the Adviser and the resources of Federated Hermes dedicated to the Fund. In this regard, the Board evaluated, among other things, the terms of the Contract and the range of services provided to the Fund by Federated Hermes. The Board considered the Adviser’s personnel, investment philosophy and process, investment research capabilities and resources, trade operations capabilities, experience and performance track record. The Board reviewed the qualifications, backgrounds and responsibilities of the portfolio management team primarily responsible for the day-to-day management of the Fund and Federated Hermes’ ability and experience in attracting and retaining qualified personnel to service the Fund. The Board considered the trading operations by the Advisers, including the execution of portfolio transactions and the selection of brokers for those transactions. In addition, the Board noted that the Fund is a money market mutual fund that operates in accordance with the limitations set forth in Rule 2a-7 under the 1940 Act. In this connection, the Board considered the expertise of the Adviser in managing money market funds, its extensive experience with the requirements of Rule 2a-7 and its commitment to managing the Fund in accordance with these requirements. The Board also considered the Adviser’s ability to deliver competitive investment performance for the Fund when compared to the Fund’s Performance Peer Group (as defined below), which was deemed by the Board to be a useful indicator of how the Adviser is executing the Fund’s investment program. The Board also considered the additional yield support provided by Federated Hermes, in the form of voluntary fee waivers and/or expense reimbursements, in order to maintain a positive yield for the Fund in the low interest rate environment.

In addition, the Board considered the financial resources and overall reputation of Federated Hermes and its willingness to consider and make investments in personnel, infrastructure, technology, cybersecurity, business continuity planning and operational enhancements that are designed to benefit the Federated Hermes Funds. The Board noted that the significant acquisition of Hermes Fund Managers Limited by Federated Hermes has deepened Federated Hermes’ investment management expertise and capabilities and expanded its access to analytical resources related to environmental, social and governance (“ESG”) factors and issuer engagement on ESG matters. The Board considered the quality of Federated Hermes’ communications with the Board and responsiveness to Board inquiries and requests made from time to time with respect to the Federated Hermes Funds. The Board also considered that Federated Hermes is responsible for providing the Federated Hermes Funds’ officers.



The Board received and evaluated information regarding Federated Hermes' regulatory and compliance environment. The Board considered Federated Hermes' compliance program and compliance history and reports from the CCO about Federated Hermes' compliance with applicable laws and regulations, including responses to regulatory developments and any compliance or other issues raised by regulatory agencies. The Board also noted Federated Hermes' support of the Federated Hermes Funds' compliance control structure and the compliance-related resources devoted by Federated Hermes in support of the Fund's obligations pursuant to Rule 38a-1 under the Investment Company Act of 1940, including Federated Hermes' commitment to respond to rulemaking and other regulatory initiatives of the SEC. The Board considered Federated Hermes' approach to internal audits and risk management with respect to the Federated Hermes Funds and its day-to-day oversight of the Federated Hermes Funds' compliance with their investment objectives and policies as well as with applicable laws and regulations, noting that regulatory and other developments had over time led, and continue to lead, to an increase in the scope of Federated Hermes' oversight in this regard, including in connection with the implementation of new rules on derivatives risk management and fair valuation.

The Board also considered the implementation of Federated Hermes' business continuity plans. In addition, the Board noted Federated Hermes' commitment to maintaining high quality systems and expending substantial resources to prepare for and respond to ongoing changes due to the market, regulatory and control environments in which the Fund and its service providers operate.

The Board considered Federated Hermes' efforts to provide shareholders in the Federated Hermes Funds with a comprehensive array of funds with different investment objectives, policies and strategies. The Board considered the expenses that Federated Hermes had incurred, as well as the entrepreneurial and other risks assumed by Federated Hermes, in sponsoring and providing on-going services to new funds to expand these opportunities for shareholders. The Board noted the benefits to shareholders of being part of the family of Federated Hermes Funds, which include the general right to exchange investments between the same class of shares without the incurrence of additional sales charges.

Based on these considerations, the Board concluded that it was satisfied with the nature, extent and quality of the services provided by the Adviser to the Fund.

#### **Fund Investment Performance**

The Board considered the investment performance of the Fund. In evaluating the Fund's investment performance, the Board considered performance results in light of the Fund's investment objective, strategies and risks. The Board considered detailed investment reports on, and the Adviser's analysis of, the Fund's performance over different time periods that were provided to the Board throughout the year and in connection with the May Meetings. These reports included, among other items, information on the Fund's gross and net returns, the Fund's investment performance compared to one or more relevant categories or groups of peer funds and the Fund's benchmark index, performance attribution information and commentary on the effect of market conditions. The Board considered that, in its evaluation of investment performance at meetings throughout the year, it focused particular attention on information indicating less favorable performance of certain Federated Hermes Funds for specific time periods and discussed with Federated Hermes the reasons for such performance as well as any specific actions Federated Hermes had taken, or had agreed to take, to seek to enhance Fund investment performance and the results of those actions.

The Board also reviewed comparative information regarding the performance of other registered funds in the category of peer funds selected by iMoneyNet, an independent fund ranking organization (the "Performance Peer Group"). The Board noted the CCO's view that comparisons to fund peer groups may be helpful, though not conclusive, in evaluating the performance of the Adviser in managing the Fund. The Board considered the CCO's view that, in evaluating such comparisons, in some cases there may be differences in the funds' objectives or investment management techniques, or the costs to implement the funds, even within the same Performance Peer Group.

The Board considered that the Fund's performance fell below the median of the Performance Peer Group for the one-year period ended December 31, 2022. The Board discussed the Fund's performance with the Adviser and recognized the efforts being taken by the Adviser in the context of other factors considered relevant by the Board. The Board also considered the relatively tight dispersion of performance data with respect to the Fund and its Peer Group.

Based on these considerations, the Board concluded that it had continued confidence in the Adviser's overall capabilities to manage the Fund.

#### **Fund Expenses**

The Board considered the advisory fee and overall expense structure of the Fund and the comparative fee and expense information that had been provided in connection with the May Meetings. In this regard, the Board was presented with, and considered, information regarding the contractual advisory fee rates, total expense ratios and each element of the Fund's total expense ratio (i.e., gross and net advisory fees, administrative fees, custody fees, portfolio accounting fees and

transfer agency fees) relative to an appropriate group of peer funds compiled by Federated Hermes from the category of peer funds selected by iMoneyNet (the “Expense Peer Group”). The Board received a description of the methodology used to select the Expense Peer Group from the overall iMoneyNet category. The Board also reviewed comparative information regarding the fees and expenses of the broader group of funds in the overall iMoneyNet category.

While mindful that courts have cautioned against giving too much weight to comparative information concerning fees charged to funds by other advisers, the use of comparisons between the Fund and its Expense Peer Group assisted the Board in its evaluation of the Fund’s fees and expenses. The Board focused on comparisons with other registered funds with comparable investment programs more heavily than non-registered fund products or services because such comparisons are believed to be more relevant. The Board considered that other registered funds are the products most like the Fund, in that they are readily available to Fund shareholders as alternative investment vehicles, and they are the type of investment vehicle, in fact, chosen and maintained by the Fund’s shareholders. The Board noted that the range of such other registered funds’ fees and expenses, therefore, appears to be a relevant indicator of what investors have found to be reasonable in the marketplace in which the Fund competes.

The Board reviewed the contractual advisory fee rate, net advisory fee rate and other expenses of the Fund and noted the position of the Fund’s contractual advisory fee rate and other expenses relative to its Expense Peer Group. In this regard, the Board noted that the contractual advisory fee rate was below the median of the Expense Peer Group, and the Board was satisfied that the overall expense structure of the Fund remained competitive.

The Board also received and considered information about the nature and extent of services offered and fees charged by Federated Hermes to other types of clients with investment strategies similar to those of the Federated Hermes Funds, including non-registered fund clients (such as institutional separate accounts) and third-party unaffiliated registered funds for which the Adviser or its affiliates serve as sub-adviser. The Board noted the CCO’s conclusion that non-registered fund clients are inherently different products due to the following differences, among others: (i) different types of targeted investors; (ii) different applicable laws and regulations; (iii) different legal structures; (iv) different average account sizes and portfolio management techniques made necessary by different cash flows and different associated costs; (v) the time spent by portfolio managers and their teams (among other personnel across various departments, including legal, compliance and risk management) in reviewing securities pricing and fund liquidity; (vi) different administrative responsibilities; (vii) different degrees of risk associated with management; and (viii) a variety of different costs. The Board also considered information regarding the differences in the nature of the services required for Federated Hermes to manage its proprietary registered fund business versus managing a discrete pool of assets as a sub-adviser to another institution’s registered fund, noting the CCO’s view that Federated Hermes generally performs significant additional services and assumes substantially greater risks in managing the Fund and other Federated Hermes Funds than in its role as sub-adviser to an unaffiliated third-party registered fund. The Board noted that the CCO did not consider the fees for providing advisory services to other types of clients to be determinative in judging the appropriateness of the Federated Hermes Funds’ advisory fees.

Based on these considerations, the Board concluded that the fees and total operating expenses of the Fund, in conjunction with other matters considered, are reasonable in light of the services provided.

### **Profitability**

The Board received and considered profitability information furnished by Federated Hermes. Such profitability information included revenues reported on a fund-by-fund basis and estimates of the allocation of expenses made on a fund-by-fund basis, using allocation methodologies specified by the CCO and described to the Board. The Board considered the CCO’s view that, while these cost allocation reports apply consistent allocation processes, the inherent difficulties in allocating costs on a fund-by-fund basis continues to cause the CCO to question the precision of the process and to conclude that such reports may be unreliable because a single change in an allocation estimate may dramatically alter the resulting estimate of cost and/or profitability of a Federated Hermes Fund and may produce unintended consequences. In addition, the Board considered the CCO’s view that the allocation methodologies used by Federated Hermes in estimating profitability for purposes of reporting to the Board in connection with the continuation of the Contract are consistent with the methodologies previously reviewed by an independent consultant. The Board noted that the independent consultant had previously conducted a review of the allocation methodologies and reported to the Board that, although there is no single best method to allocate expenses, the methodologies used by Federated Hermes are reasonable. The Board considered the CCO’s view that the estimated profitability to the Adviser from its relationship with the Fund was not unreasonable in relation to the services provided. The Board noted the impact of the additional yield support provided by Federated Hermes, in the form of voluntary fee waivers and/or expense reimbursements, on the profitability of the Fund to the Adviser.

The Board also reviewed information compiled by Federated Hermes comparing its profitability information to other publicly held fund management companies, including information regarding profitability trends over time. The Board recognized that profitability comparisons among fund management companies are difficult because of the variation in the type of comparative information that is publicly available, and the profitability of any fund management company is affected by numerous factors. The Board considered the CCO's conclusion that, based on such profitability information, Federated Hermes' profit margins did not appear to be excessive. The Board also considered the CCO's view that Federated Hermes appeared financially sound, with the resources necessary to fulfill its obligations under its contracts with the Federated Hermes Funds.

### **Economies of Scale**

The Board received and considered information about the notion of possible realization of "economies of scale" as a fund grows larger, the difficulties of determining economies of scale at an individual fund level, and the extent to which potential scale benefits are shared with shareholders. In this regard, the Board considered that Federated Hermes has made significant and long-term investments in areas that support all of the Federated Hermes Funds, such as: portfolio management, investment research and trading operations; shareholder services; compliance; business continuity, cybersecurity and information security programs; internal audit and risk management functions; and technology and use of data. The Board noted that Federated Hermes' investments in these areas are extensive and are designed to provide enhanced services to the Federated Hermes Funds and their shareholders. The Board considered that the benefits of these investments are likely to be shared with the family of Federated Hermes Funds as a whole. In addition, the Board considered that fee waivers and expense reimbursements are another means for potential economies of scale to be shared with shareholders and can provide protection from an increase in expenses if a Federated Hermes Fund's assets decline. The Board considered that, in order for the Federated Hermes Funds to remain competitive in the marketplace, Federated Hermes has frequently waived fees and/or reimbursed expenses for the Federated Hermes Funds and has disclosed to shareholders and/or reported to the Board its intention to do so (or continue to do so) in the future. The Board also considered that Federated Hermes has been active in managing expenses of the Federated Hermes Funds in recent years, which has resulted in benefits being realized by shareholders.

The Board also received and considered information on adviser-paid fees (commonly referred to as "revenue sharing" payments) that was provided to the Board throughout the year and in connection with the May Meetings. The Board considered that Federated Hermes and the CCO believe that this information is relevant to considering whether Federated Hermes had an incentive to either not apply breakpoints, or to apply breakpoints at higher levels, but should not be considered when evaluating the reasonableness of advisory fees. The Board also noted the absence of any applicable regulatory or industry guidelines economies of scale, which is compounded by the lack of any uniform methodology or pattern with respect to structuring fund advisory fees with breakpoints that serve to reduce the fees as a fund attains a certain size.

### **Other Benefits**

The Board considered information regarding the compensation and other ancillary (or "fall-out") benefits that Federated Hermes derived from its relationships with the Federated Hermes Funds. The Board noted that, in addition to receiving advisory fees under the Federated Hermes Funds' investment advisory contracts, Federated Hermes' affiliates also received fees for providing other services to the Federated Hermes Funds under separate service contracts including for serving as the Federated Hermes Funds' administrator and distributor. In this regard, the Board considered that certain of Federated Hermes' affiliates provide distribution and shareholder services to the Federated Hermes Funds, for which they may be compensated through distribution and servicing fees paid pursuant to Rule 12b-1 plans or otherwise. The Board also received and considered information detailing the benefits, if any, that Federated Hermes may derive from its receipt of research services from brokers who execute portfolio trades for the Federated Hermes Funds.

### **Conclusions**

The Board considered: (i) the CCO's conclusion that his observations and the information accompanying the CCO Fee Evaluation Report show that the management fee for the Fund is reasonable; and (ii) the CCO's recommendation that the Board approve the management fee. The Board noted that, under these circumstances, no changes were recommended to, and no objection was raised to the continuation of, the Contract by the CCO. The CCO also recognized that the Board's evaluation of the Federated Hermes Funds' advisory and sub-advisory arrangements is a continuing and ongoing process that is informed by the information that the Board requests and receives from management throughout the course of the year and, in this regard, the CCO noted certain items for future reporting to the Board or further consideration by management as the Board continues its ongoing oversight of the Federated Hermes Funds.

On the basis of the information and factors summarized above, among other information and factors deemed relevant by the Board, and the evaluation thereof, the Board, including the Independent Trustees, unanimously voted to approve the continuation of the Contract. The Board based its determination to approve the Contract on the totality of the circumstances and relevant factors and with a view of past and future long-term considerations. Not all of the factors and considerations identified above were necessarily deemed to be relevant to the Fund, nor did the Board consider any one of them to be determinative.

## Voting Proxies on Fund Portfolio Securities

A description of the policies and procedures that the Fund uses to determine how to vote proxies, if any, relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling 1-800-341-7400, Option #4. A report on "Form N-PX" of how the Fund voted any such proxies during the most recent 12-month period ended June 30 is available via the Proxy Voting Record (Form N-PX) link associated with the Fund and share class name at [FederatedHermes.com/us/FundInformation](https://FederatedHermes.com/us/FundInformation). Form N-PX filings are also available at the SEC's website at [sec.gov](https://sec.gov).

## Portfolio Schedule

The Fund files with the SEC a complete schedule of its portfolio holdings as of the close of each month on "Form N-MFP." Form N-MFP is available on the SEC's website at [sec.gov](https://sec.gov). You may access Form N-MFP via the link to the Fund and share class name at [FederatedHermes.com/us](https://FederatedHermes.com/us).

*Variable investment options are not bank deposits or obligations, are not guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. Investment in variable investment options involves investment risk, including the possible loss of principal.*

*You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.*

This Report is authorized for distribution to prospective investors only when preceded or accompanied by the Fund's Prospectus, which contains facts concerning its objective and policies, management fees, expenses and other information.

**IMPORTANT NOTICE ABOUT FUND DOCUMENT DELIVERY**

In an effort to reduce costs and avoid duplicate mailings, the Fund(s) intend to deliver a single copy of certain documents to each household in which more than one shareholder of the Fund(s) resides (so-called "householding"), as permitted by applicable rules. The Fund's "householding" program covers its/their Prospectus and Statement of Additional Information, and supplements to each, as well as Semi-Annual and Annual Shareholder Reports and any Proxies or information statements. Shareholders must give their written consent to participate in the "householding" program. The Fund is also permitted to treat a shareholder as having given consent ("implied consent") if (i) shareholders with the same last name, or believed to be members of the same family, reside at the same street address or receive mail at the same post office box, (ii) the Fund gives notice of its intent to "household" at least sixty (60) days before it begins "householding" and (iii) none of the shareholders in the household have notified the Fund(s) or their agent of the desire to "opt out" of "householding." Shareholders who have granted written consent, or have been deemed to have granted implied consent, can revoke that consent and opt out of "householding" at any time: shareholders who purchased shares through an intermediary should contact their representative; other shareholders may call the Fund at 1-800-341-7400, Option #4.

Notes



Federated Hermes Government Money Fund II  
Federated Hermes Funds  
4000 Ericsson Drive  
Warrendale, PA 15086-7561

Contact us at [FederatedHermes.com/us](https://www.federatedhermes.com/us)  
or call 1-800-341-7400.

Federated Securities Corp., Distributor

CUSIP 313916504

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