

# Federated Hermes Capital Income Fund

Nasdaq symbol — IS: CAPSX | A: CAPAX | B: CAPBX | C: CAPCX | F: CAPFX | R: CAPRX

12/31/20

## Product highlights

- Pursues current income and long-term growth of income.
- Seeks to provide high current monthly income through a diversified portfolio of income producing stocks and bonds.
- Invests primarily in income producing equity securities and a strategic mix of bond sectors: U.S. High-Yield, U.S. Investment Grade and Emerging Market bonds.
- Balances income opportunities and risk across markets and sectors through active management.
- Diversified across asset classes, sectors and securities to reduce volatility.

## Morningstar category

Allocation--30% to 50% Equity

## Benchmark

40% Russell 1000® Value Index/20% Bloomberg Barclays Emerging Markets USD Aggregate Index/20% Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index/20% Bloomberg Barclays U.S. Mortgage Backed Securities Index

## Key investment team

Linda Bakhshian, CPA, CA  
Jerome Conner, CFA®  
Todd Abraham, CFA®  
Mark Durbiano, CFA®  
Ihab Salib

## Yields (%)

30-day Yields - IS	2.63
30-day Yields - A	2.25
30-day Yields - B	1.55
30-day Yields - C	1.57
30-day Yields - F	2.35
30-day Yields - R	2.23

## Fund statistics

Portfolio assets	\$1.0 b
Number of fixed-income securities	185
Number of equity securities	99
Dividends	Paid monthly
Foreign securities	16.1%
Portfolio beta (Source: Rolling 3 Yr Performance Attribution vs S&P 500)	0.57
Weighted average effective maturity	5.0 years
Weighted average duration	2.8 years
Weighted average market cap	\$309.7 b
Weighted average P/E (NTM)	27.4x

## Top holdings (%)

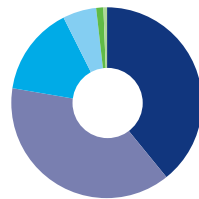
### Equity Portion

Apple Inc.	1.4
Microsoft Corporation	1.4
Amazon.com, Inc.	1.2
JPMorgan Chase & Co.	1.2
Bank of America Corporation	1.0

### Fixed Income Portion

High Yield Bond Core Fund	21.7
Emerging Markets Core Fund	14.6
Mortgage Core Fund	11.8
Bank Loan Core Fund	1.5
Bank 2018-BN15 A4, 4.407%, 11/15/2061	0.2

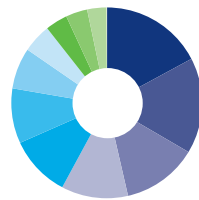
## Portfolio composition (%)



United States Fixed Income	39.1	Convertibles	5.6
United States Equity	38.6	International Equity	1.2
International Fixed Income	14.9	Cash and Cash Equivalents	0.6

Short fixed income futures were -7.5%, long fixed income futures were 8.2%, and delta adjusted written equity call options were -0.46%. Futures contracts do not require cash outlay; the notional value is reported.

## Sector weightings (%) — equity



Financials	17.1	Consumer Staples	6.9
Information Technology	16.3	Utilities	4.8
Health Care	13.0	Real Estate	3.7
Consumer Discretionary	11.5	Energy	3.6
Industrials	10.5	Materials	3.2
Communication Services	9.3	Cash/Cash Equivalents	0.1

## Average annual total returns (%)

Performance shown is before tax.

NAV	Performance inception	Cumulative 3-month	1-year	3-year	5-year	10-year	Since inception	Expense ratio*	
								Before waivers	After waivers
IS	5/27/88	8.92	9.73	5.82	7.17	6.02	6.65	0.83	0.65
A	5/27/88	8.73	9.47	5.56	6.91	5.83	6.61	1.09	0.90
B	9/28/94	8.49	8.39	4.65	6.02	5.17	5.08	1.85	1.75
C	4/27/93	8.50	8.55	4.71	6.07	5.01	4.77	1.84	1.73
F	6/1/96	8.74	9.47	5.55	6.88	5.81	4.72	1.09	0.91
R	5/27/88	8.67	9.27	5.36	6.69	5.62	6.44	1.45	1.15
Benchmark		8.71	5.31	5.91	8.51	7.68	-	-	-

## Maximum offering price

NAV	Performance inception	Cumulative 3-month	1-year	3-year	5-year	10-year	Since inception	Before waivers	After waivers
A	5/27/88	2.75	3.45	3.60	5.71	5.23	6.42	1.09	0.90
B	9/28/94	2.99	2.89	3.42	5.71	5.17	5.08	1.85	1.75
C	4/27/93	7.50	7.55	4.71	6.07	5.01	4.77	1.84	1.73
F	6/1/96	6.66	7.40	4.91	6.65	5.71	4.68	1.09	0.91

## Calendar year total returns (%)

A Shares/NAV

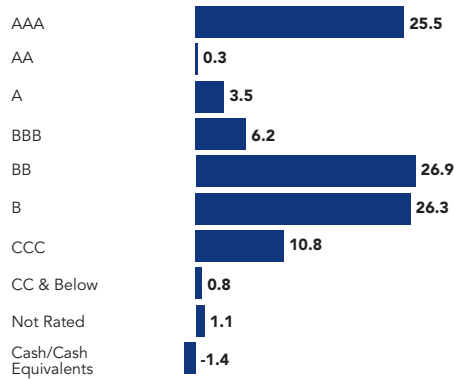
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
NAV	9.47	15.69	-7.14	10.05	7.91	-6.18	2.34	12.65	11.44	4.67
Benchmark	5.31	17.33	-3.86	9.06	12.68	-1.75	8.03	12.46	14.22	4.00

Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com). Maximum offering price figures reflect the maximum sales charges of 5.5% for A Shares and 1% for F Shares, and the maximum contingent deferred sales charges of 5.5% for B Shares, 1% for C Shares and 1% for F Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

\* 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 2/1/21 or the date of the fund's next effective prospectus.

# Federated Hermes Capital Income Fund

## Quality breakdown (%) \*\*



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 [FederatedInvestors.com](http://FederatedInvestors.com). Please carefully read the summary prospectus or the prospectus before investing.

Past performance is no guarantee of future results.

The fund's R Shares commenced operations on June 28, 2013. The fund's IS Shares commenced operations on March 30, 2012. For the period prior to the commencement of operations of the fund's R Shares, the R Shares performance information shown is the fund's A Shares performance adjusted to reflect the expenses of the fund's R Shares for each year for which the expenses of the fund's R Shares would have exceeded the actual expenses paid by the fund's A Shares. For the period prior to the commencement of operations of the IS Shares, the performance information shown is for the A Shares. The performance of the A Shares has not been adjusted to reflect the expenses applicable to the IS Shares since the IS Shares has a lower expense ratio than the expense ratio of the A Shares. The performance shown has also been adjusted to reflect differences between the sales loads and charges imposed on the purchase and redemption of the fund's A Shares, R Shares and IS Shares and to remove any voluntary waiver of fund expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the R and IS Shares.

The B Shares of this Federated Hermes fund are closed to new investors and new investments from existing shareholders (excluding reinvestment of dividends and capital gains and exchanges from B Shares of other Federated Hermes Funds).

As of June 29, 2020, the fund was renamed Federated Hermes Capital Income Fund.

### A word about risk

Mutual funds are subject to risks and fluctuate in value.

There are no guarantees that dividend-paying stocks will continue to pay dividends. In addition, dividend-paying stocks may not experience the same capital appreciation potential as non-dividend-paying stocks.

International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging markets 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.

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

Diversification does not assure a profit nor protect against loss.

Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.

G02086-09 (1/21)

Federated Securities Corp., Distributor

### Definitions

The **holdings percentages** are based on net assets at the close of business on 12/31/20 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.

**30-day yield** (also known as "SEC yield") is a compounded and annualized figure calculated according to a formula set by the SEC. The formula requires use of a specific methodology for calculating dividends and interest earned, and expenses accrued, during the period, and reflects the maximum offering price per fund share. The standardized computation is designed to facilitate yield comparisons among different funds. In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 2.45% for Institutional Shares, 2.08% for A Shares, 1.44% for B Shares, 1.45% for C Shares, 2.18% for F Shares, and 1.87% for R Shares.

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

**Weighted average 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 duration will equal the market value weighted average of each bond's duration in the fund's portfolio. As with any model, several assumptions are made so the weighted average 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 market capitalization** is calculated as the average market capitalization of the stocks within the portfolio, weighted by the amount of each stock owned.

**Weighted average P/E (NTM - next twelve months)** is an average comparing share price to earnings per share with values greater than 75 are capped at 75 and excludes negatives.

**Beta** analyzes the market risk of a fund by showing how responsive the fund is to the market. The beta of the market is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the market in up markets and 10% worse in down markets. Usually the higher betas represent riskier investments.

**Russell 1000® Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® index companies with lower price-to-book ratios and lower expected growth values. The R1000V is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Russell 1000® value index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

**Bloomberg Barclays Emerging Markets USD Aggregate Index** tracks total returns for external-currency-denominated debt instruments of the emerging markets: Brady bonds, loans, Eurobonds, and U.S. dollar-denominated local market instruments. Countries covered are Argentina, Brazil, Bulgaria, Ecuador, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, and Venezuela.

**Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index** is an issuer-constrained version of the flagship U.S. 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 Barclays U.S. 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).

Indexes are unmanaged and cannot be invested in directly.

### 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. ©2021 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

\*\* The ratings agencies that provided the ratings are Standard and Poor's, Moody's and Fitch. When ratings vary, the highest rating is used. Credit ratings of A or better are considered to be high credit quality; credit ratings of BBB are good credit quality and the lowest category of investment grade; credit ratings BB and below are lower-rated securities ("junk bonds"); and credit ratings of CCC or below have high default risk. The credit quality breakdown does not give effect to the impact of any credit derivative investments made by the fund.