Federated Hermes Capital Reserves Fund

Nasdaq symbol: FRFXX | Cusip number: 608919304 | Newspaper listing: CapResFd

6/30/20

Product highlights

- Pursues current income consistent with stability of principal and liquidity.
- Invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. government.
- Intensive credit review integrating ESG factors in a non-exclusionary way.
- Offers the potential for higher yield than a money market fund portfolio limited to Treasury or government fixed-income securities.

Portfolio manager(s)

Mark Weiss
Paige Wilhelm

Portfolio assets

$4.4 billion

Top ten holdings

Credit Suisse Group AG
Groupe BPCE
Sumitomo Mitsui Trust Holdings, Inc.
Sumitomo Mitsui Financial Group, Inc.
United States Treasury
BOK Financial Corp.
Landesbank Baden-Wurttemberg
Atlantic Asset Securitization LLC
Societe Generale
Toronto Dominion Bank
Total % of Portfolio: 43.1%

Share class statistics

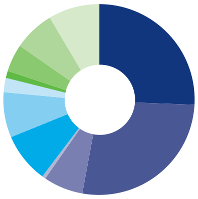
Inception date
2/25/05

Federated Hermes fund number
806

Cut-off times
4:00 p.m. ET — purchases
4:00 p.m. ET — redemptions

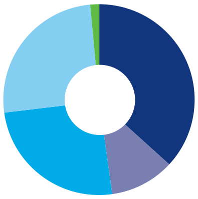
Dividends
Declared daily/paid monthly

Portfolio composition (%)



- Asset Backed Commercial Paper **25.6**
- Certificate of Deposit **27.3**
- Financial Company Commercial Paper **6.8**
- Investment Company **0.6**
- Non-Financial Company Commercial Paper **8.5**
- Other Asset Backed Securities **0.1**
- Other Repurchase Agreement **7.6**
- Tender Option Bond **2.4**
- U.S. Government Agency Repurchase Agreement **1.2**
- U.S. Treasury Debt **4.6**
- U.S. Treasury Repurchase Agreement **6.8**
- Variable Rate Demand Note **8.5**

Effective maturity schedule (%)



- 1-7 Days **36.7**
- 8-30 Days **11.1**
- 31-90 Days **25.3**
- 91-180 Days **25.4**
- 181 + Days **1.5**

2a-7 liquidity

Daily	20.26%
Weekly	35.07%

Weighted average maturity

54 Days

Weighted average life

67 Days

Fund performance

Net yields (%)	
7-day	0.01

Total return (%)	
1-year	0.81

Annualized yields (%)	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
7-day	1.54	1.35	1.21	1.09	0.92	0.89	0.85	0.82	0.41	0.07	0.01	0.01

Performance quoted represents past performance, which is no guarantee of future results. Investment return will vary. An investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, contact us or visit FederatedInvestors.com.

Although not contractually obligated to do so, the advisor and/or certain fund service providers waived all or a portion of their fees or reimbursed the fund for certain operating expenses. These voluntary waivers and reimbursements may be modified or terminated at any time; accordingly, the fund's expenses may vary (i.e., increase or decrease) during the fund's fiscal year. These waivers increase income to the fund and result in a higher return to investors.

Otherwise, the 7-day yield would have been -.44% and total return would have been lower.

Total return represents the change in value of an investment after reinvesting all income and capital gains. Yield quotations more closely reflect the current earnings of the fund than the total return quotation.

Rule 2a-7 requires that money market funds maintain at least 10% daily liquidity assets and at least 30% weekly liquidity assets. Both requirements are 'point of purchase' requirements. Thus, it is possible that money market funds may, at any given time, have liquidity percentages reflecting less than the 10% and 30% thresholds. In such circumstances, the portfolio manager will be required to purchase securities to meet the requisite liquidity thresholds prior to purchasing longer-dated securities. Additionally, the SEC requirements for what may be defined as 'daily' and 'weekly' differs from the standard maturities used in calculating the 'Effective Maturity Schedule.' Therefore, the percentages in the 2a-7 Liquidity table will generally not equal the amounts shown in the 'Effective Maturity Schedule.'

Money market prime retail

Federated Hermes Capital Reserves Fund

Portfolio manager commentary

The shutdown of the U.S. in an effort to contain the Covid-19 pandemic began in March, but the parade of abysmal economic reports began in the second quarter. The labor market led the way in shocking fashion in April as nonfarm payrolls plunged by 20.5 million jobs, the unemployment rate soared to 14.7% and continuing jobless claims climbed over 20 million. No economic metric escaped the downturn, with data for manufacturing, the housing market, retail sales and many more falling off a cliff. The National Bureau of Economic Research made it official by declaring that the U.S. entered a full-fledged recession in February.

While the Federal Reserve stated that its emergency programs, such as the Money Market Mutual Fund Liquidity Facility (MMLF) and the Primary Dealer Credit Facility (PDCF), saved the liquidity markets from an even greater crisis, officials said they would not hesitate to add more stimulus and special purpose vehicles if needed. Policymakers kept the fed funds target range at 0-0.25% in the reporting period, but made clear they were not considering setting rates below zero. The Fed's increased purchases of government securities since the outbreak pushed its balance sheet to more than $7 trillion at quarter-end.

Asset flows in the liquidity space diversified in the quarter. The concentration in government funds was pared as flows into the municipal sector were net positive and assets poured back into prime offerings, especially institutional prime money market funds. The short end of the Treasury yield curve rose and the London interbank offered rate (Libor) fell.

As the quarter progressed, many states and cities began to open up, business brought back employees and new coronavirus infections dropped, giving hope to the possibility that the U.S. economy would recover quicker than expected. Among the areas with improving data were the labor market and retail sales. But this thesis was challenged at the end of the reporting period due to a resurgence of cases.

Treasuries ended the second quarter with 1-month at 0.13%, 3-month at 0.15%, 6-month at 0.18% and 12-month at 0.17%. Libor ended the quarter with 1-month at 0.16%, 3-month at 0.30%, 6-month at 0.37% and 12-month at 0.55%.

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. The fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. 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.

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

A word about risk

The value of some asset-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 guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

Current and future portfolio holdings are subject to risk.

Definitions

At Federated Hermes, integrating ESG factors means including relevant and financially material environmental, social and governance information in the analysis of a security/issuer. ESG factors are used as qualitative insights with the goal of improving portfolio risk/reward characteristics and prospects for long-term outperformance. ESG investing does not automatically exclude issuers or sectors, but rather attempts to mitigate risks by identifying companies exhibiting positive (or negative) ESG policies and behaviors.

Net yields are based on the average daily income dividend and average net asset value for the 7 days ended on the date of calculation. The 7-day net annualized yield is based on the average net income per share for the 7 days ended on the date of calculation and the offering price on that date.

The fund is a managed portfolio and its holdings are subject to change.

The holdings percentages are based on net assets at the close of business on 6/30/20 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

Weighted average maturity is the mean average of the periods of time remaining until the securities held in the fund's portfolio (a) are scheduled to be repaid, (b) would be repaid upon a demand by the fund or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates if their scheduled maturity is 397 days or less, and the later of the two dates if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

Weighted average life is calculated in the same manner as the Weighted average maturity (WAM), but is based solely on the periods of time remaining until the securities held in the fund's portfolio (a) are scheduled to be repaid or (b) would be repaid upon a demand by the fund without reference to when interest rates of securities within the fund are scheduled to be readjusted.

Repurchase agreements consist of a financial institution selling securities to a fund and agreeing to repurchase them at a mutually agreed upon price and time.

Variable rate demand notes are tax-exempt securities that require the issuer or a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. The securities also pay interest at a variable rate intended to cause the securities to trade at their face value.