Federated Hermes Short-Intermediate Total Return Bond Fund


6/30/20

Product highlights
- Pursues total return.
- Invests in a broad, strategic mix of bond sectors: primarily U.S. government, investment-grade corporate, also high-yield and emerging markets (including trade finance); high-yield allocation limited to 35%, typically under 15%.
- Focuses on sectors management believes will benefit from anticipated changes in economic and market conditions.
- Maintains a portfolio dollar-weighted average effective duration between 1.5 and 3.5 years.
- Serves as a short-intermediate core multi-sector bond holding.

Morningstar category
Short-Term Bond

Benchmark
Bloomberg Barclays 1-5 Year U.S. Government/Credit Index

Key investment team
John Gentry, CFA®
Chengjun (Chris) Wu, CFA®
Todd Abraham, CFA®
Mark Durbiano, CFA®
Ihab Salib
Christopher McGinley
Steven Wagner

Yields
30-day yield - R6 0.66%
30-day yield - IS 0.64%
30-day yield - SS 0.40%
30-day yield - A 0.38%

Fund statistics
Portfolio assets $783.7 m
Number of securities 347
Dividends Paid monthly
Weighted average effective maturity 3.3 years
Weighted average effective duration 2.7 years
Weighted average bond price $103.13

Top holdings (%)
Mortgage Core Fund 6.9
Project and Trade Finance Core Fund 4.0
U.S. Treasury Note, 0.250% due 6/15/23 3.8
Bank Loan Core Fund 3.0
U.S. Treasury Note, 0.250% due 5/31/25 3.0
Emerging Markets Core Fund 2.5
U.S. Treasury Note, 0.125% due 5/31/22 2.4
U.S. Treasury Note, 1.375% due 1/31/25 2.4
U.S. Treasury Note, 1.750% due 6/30/24 2.3
U.S. Treasury Note, TIPS, 0.125% due 4/15/22 2.0

Overall Morningstar Rating™
Institutional Shares ★ ★ ★ ★
A Shares ★ ★ ★ ★

Sector weightings (%)
U.S. Treasury Securities 43.8
Investment Grade Corporates 27.6
Mortgage-Backed Securities 7.5
Asset-Backed Securities 5.7
Trade Finance 3.6
Treasury Inflation Protected Securities 3.0
Emerging Markets 2.7
Bank Loans 2.3
Commercial Mortgage-Backed Securities 1.4
High Yield 0.7
Cash/Cash Equivalents 1.7

Quality breakdown (%)**
AAA 60.7
AA 2.5
A 10.3
BBB 16.2
BB 1.5
AA 2.5
CCC 0.5
CC & Below 0.1
Not Rated 4.0
Cash/Cash Equivalents 1.7

Average annual total returns (%)
NAV Performance inception Cumulative 3-month 1-year 3-year 5-year 10-year Since inception Before waivers After waivers Expense ratio*
R6 1/31/14 2.33 5.18 3.36 2.60 - 2.28 0.50 0.38
IS 9/2/05 2.33 5.17 3.35 2.77 2.86 3.88 0.55 0.39
SS 9/2/05 2.17 4.81 3.09 2.50 2.60 3.62 0.80 0.64
A 1/31/14 2.17 4.81 3.09 2.51 - 2.33 0.80 0.64
Benchmark 1.77 5.43 3.49 2.63 2.22 - -
Maximum offering price A 1/31/14 1.11 3.81 2.76 2.30 - 2.16 0.80 0.64

Calendar year total returns (%)
Institutional Shares/NAV
R6 3.67 5.19 0.81 1.70 3.31 0.34 2.47 -0.17 4.12 5.03
IS 3.98 5.01 1.38 1.27 1.56 0.97 1.42 0.28 2.24 3.14
Benchmark 3.98 5.01 1.38 1.27 1.56 0.97 1.42 0.28 2.24 3.14

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. Maximum offering price figures reflect the maximum sales charge of 1% for A 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 12/1/20 or the date of the fund’s next effective prospectus.
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Growth over time

If you had invested $10,000 in Institutional Shares on 9/30/05 (month end of the fund’s performance inception) and reinvested all distributions, here’s how your account would have grown by 6/30/20.

$17,593

As of June 29, 2020, the fund was renamed Federated Hermes Short-Intermediate Total Return Bond Fund.

A word about risk

Mutual funds are subject to risks and fluctuate in value. Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices. International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging market and frontier market securities can be significantly more volatile than the prices of securities in developed countries, and currency risk and political risks are accentuated in emerging markets.

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

The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations.

The fund’s use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.

Definitions

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. 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. For an indefinite period of time, the investment advisor is waiving all or part of its fee and, in addition, may reimburse the fund for some of its expenses. Otherwise, the yield would have been 0.55% for R6 Shares, 0.52% for Institutional Shares, 0.26% for Service Shares, and 0.27% for A Shares.

Growth over time performance is for the fund’s Institutional Shares. The fund offers additional share classes whose performance will vary due to differences in charges and expenses.

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

Weighted average effective duration (sometimes called “Option-Adjusted Duration”) is a measure of a security’s price sensitivity to changes in interest rates calculated using a model that recognizes that the probability of a bond being called or remaining outstanding until maturity may vary if market interest rates change, and that makes adjustments based on a bond’s embedded options (e.g., call rights, or in the case of a mortgage-backed security, the probability that homeowners will prepay their mortgages), if any, based on the probability that the options will be exercised. A fund’s weighted average effective duration will equal the market value weighted average duration of each bond’s effective duration in the fund’s portfolio. As with any model, several assumptions are made so the weighted average effective duration of a fund in the Federated Hermes family of funds may not be comparable to other funds outside of the Federated Hermes family of funds. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

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

Bloomberg Barclays 1-5 Year U.S. Government/Credit Bond Index is a broad-based benchmark that measures the non-securitized component of the Bloomberg Barclays U.S. aggregate index. It includes investment grade, U.S. dollar-denominated, fixed-rate treasuries, government-related and corporate securities that have a remaining maturity of greater than or equal to one year and less than five years.

Indexes are unmanaged and cannot be invested in directly.

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. Please carefully read the summary prospectus or the prospectus before investing.

Past performance is no guarantee of future results.

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, it will be rated against the Morningstar Peer Group, a composite of funds in the same Morningstar Category identified by Morningstar. Morningstar will rate funds as either the top 10%, next 22.5%, the next 22.5%, the next 22.5%, or the bottom 10%.

Morningstar Rating™ for funds, or “star rating”, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product’s monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star.

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Federated Hermes Short-Intermediate Total Return Bond Fund was rated against the following numbers of U.S.-domiciled Short-Term Bond funds over the following time periods. Ratings are for A and Institutional Shares; other classes may have different performance characteristics. For the 3-, 5- and 10-year periods ended 6/30/20, the fund’s A Shares received 4, 4 and 4 stars and the fund’s Institutional Shares received 4, 4 and 4 stars, and was rated among 510, 448 and 283 funds, respectively. The Morningstar ratings are based on performance of the IS Shares for periods prior to the A Shares inception. 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 investment grade (“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.