Federated Hermes Institutional High Yield Bond Fund

9/30/20

Fund facts

Performance inception date
11/1/02

Benchmark
Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index

Morningstar category
High Yield Bond

Lipper classification
High Yield Funds Average

Fund assets
$9.1 billion

Ticker symbols
R6 Shares - FIHLX
Institutional Shares - FIHBX

Key investment team
Mark Durbiano, CFA®
Steven Wagner

Yields (%)

30-day yield (R6)	4.52
30-day yield (IS)	4.51

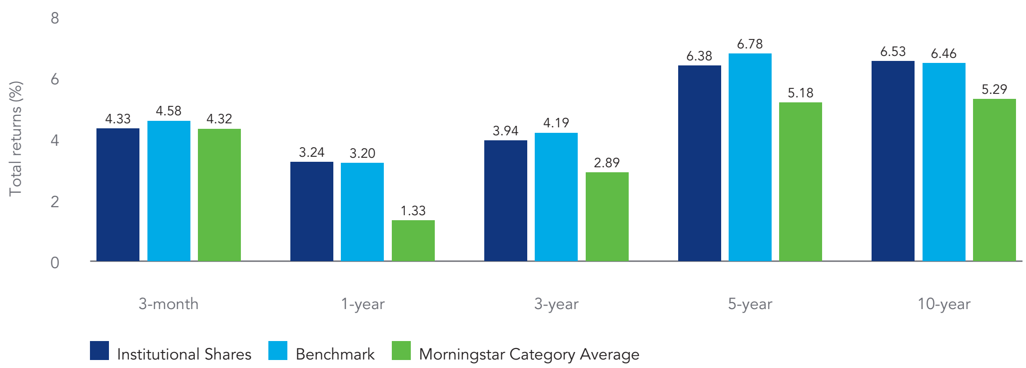
Fund description

The fund pursues a high level of current income by investing primarily in non-investment-grade corporate fixed-income securities issued by U.S. or foreign businesses. Such securities tend to perform at their best during economic recoveries and expansions, and can offer portfolio diversification as their performance historically is uncorrelated to other types of bonds.

Average annual total returns (%)

Performance shown is before tax.

	3-month	YTD	1-year	3-year	5-year	10-year	Since inception	Expense ratio* Before waivers	Expense ratio* After waivers
R6 Shares	4.45	0.45	3.36	3.99	6.40	6.51	7.93	0.51	0.49
Institutional Shares	4.33	0.44	3.24	3.94	6.38	6.53	8.25	0.55	0.50
Benchmark	4.58	0.57	3.20	4.19	6.78	6.46	–	–	–



Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	14.97	-2.84	7.16	15.09	-2.29	3.08	7.31	15.16	5.68	14.78
Benchmark	14.32	-2.08	7.50	17.13	-4.43	2.46	7.44	15.78	4.96	14.94
Morningstar Category Average	12.62	-2.59	6.47	13.30	-4.01	1.11	6.90	14.67	2.83	14.24

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. See the prospectus for other fees and expenses that apply to a continued investment in the fund. Total returns for periods of less than one year are cumulative.

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

Federated Hermes

Investment approach

Consistency of people	Consistency of process
• The high-yield team is comprised of 14 investment professionals with an average of 20 years of investment experience, 11 of 14 team members have more than 10 years of experience, the vast majority of experience earned on the Federated Hermes high-yield team. • Analysts are industry specialists responsible for researching the complex capital structures of high-yield companies and providing security recommendations to the portfolio managers.	• A bottom-up process, focusing on strong operating companies that generate free cash flow in stable and predictable businesses. • We hold a fundamentally different view of quality compared to the rating agencies. Our process includes: focus on franchise value, industry profile, competitive profile, strength of management, forward-looking view of company financials and a belief that the market is more efficient at pricing high-yield credit risk than the agencies.

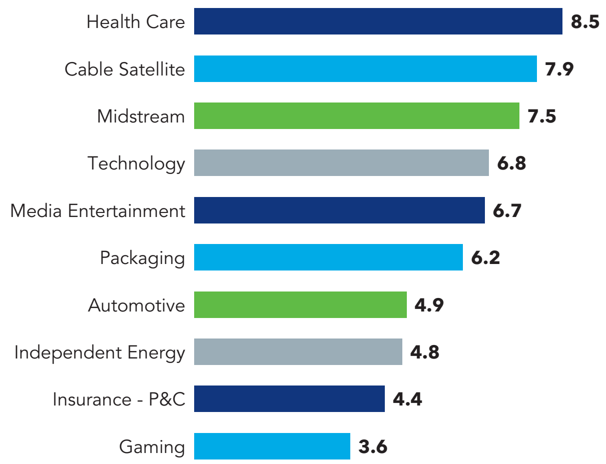
Portfolio statistics

Weighted average effective maturity	3.9 Yrs.
Weighted average duration to worst	3.2 Yrs.
Weighted average coupon	5.98%
Weighted average bond price	$101.21
Weighted average yield to worst	5.42%

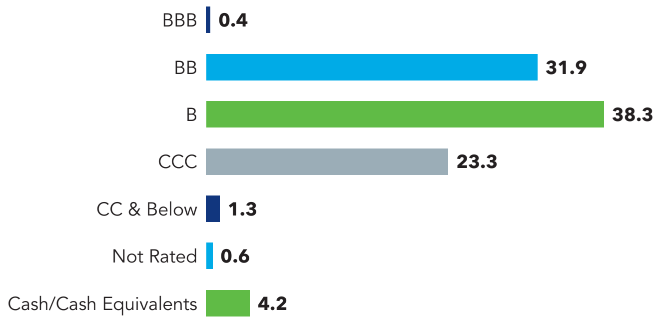
Top holdings (%)

Charter Communications, Inc.	2.3
Bausch Health Cos, Inc.	2.2
CSC Holdings LLC	2.0
Ford Motor Co.	1.8
Centene Corp.	1.7
HCA Holdings, Inc.	1.5
1011778 BC Unltd. Liability Co./New Red Finance, Inc.	1.4
Occidental Petroleum Corp.	1.4
Tenet Healthcare Corp.	1.4
TransDigm, Inc.	1.3
Total % of portfolio	17.0

Top 10 sector weightings (%)



Quality breakdown[1] (%)



Portfolio composition is based on net assets at the close of business on 9/30/20 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.

Market overview

For the three months ended September 30, 2020, the high-yield market outperformed the investment-grade bond market. For example, the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Bond Index (BBC2%HYBI) returned 4.58% versus a 0.62% return for the Bloomberg Barclays Aggregate Bond Index (Aggregate), a measure of high-quality bond performance.

The strong relative and absolute performance for high-yield bonds in the quarter was driven by investor confidence that the U.S. economy would rebound strongly from the historic downturn in the first half of 2020 caused by Covid-19. High-yield investor confidence in an economic recovery was supported by extraordinary accommodative fiscal and monetary policy, reports of positive momentum toward a vaccine and strong performance of equity markets. Also, strong demand for high-yield securities given extremely low yields in most other fixed-income markets helped drive prices higher. The strong performance happened despite historically high (but falling) unemployment and a troubling surge in virus cases as the quarter came to an end. The trailing 12-month-default-rate continued to move higher driven by stress in the energy market although the price of most bonds defaulting had already reflected that probability and had little impact on performance. The impact of these factors can be seen in the yield spread between the Credit Suisse High Yield Bond Index and Treasury securities with comparable maturities that started the period at 711 basis points and ended the period at 595 basis points.

Within the high-yield market, the strongest-performing major industries relative to the BBC2%HYBI were: aerospace & defense, leisure, retail, gaming and restaurants. The worst-performing major industries relative to the BBC2%HYBI were: oil field services, wireless communications, health insurance, electric utilities and cable & satellite. Quality sector returns were consistent with the risk-on environment as the lower-quality CCC-rated sector led the way with a return of 7.35%, followed by the B-rated sector at 4.53%. The higher quality BB-rated sector trailed with a total return of 3.97%.

Performance

The fund's Institutional Share class underperformed the BBC2%HYBI. The main driver of the fund's underperformance was the drag from its cash position. In addition, the fund was negatively impacted by its sector allocation. This was driven by its underweight to the strong performing aerospace & defense and leisure sectors. The fund's total return for the period also reflected actual cash flows, transaction costs and other expenses that were not reflected in the total return of the BBC2%HYBI.

The fund was positively impacted by security selection in the period. This was especially true in the health care, oil field services, gaming and pharmaceutical industry sectors. Specific high-yield issuers held by the portfolio that positively impacted performance relative to the BBC2%HYBI included: Mallinckrodt, Team Health, MPH Acquisition, Hexion and Michaels stores. The fund was negatively impacted by security selection in the consumer cyclical services industry sector. Specific high-yield issuers held by the portfolio that negatively impacted performance relative to the BBC2%HYBI included: Ford, Superior Energy Services, Entercom Media, Apache and Quicken Loans.

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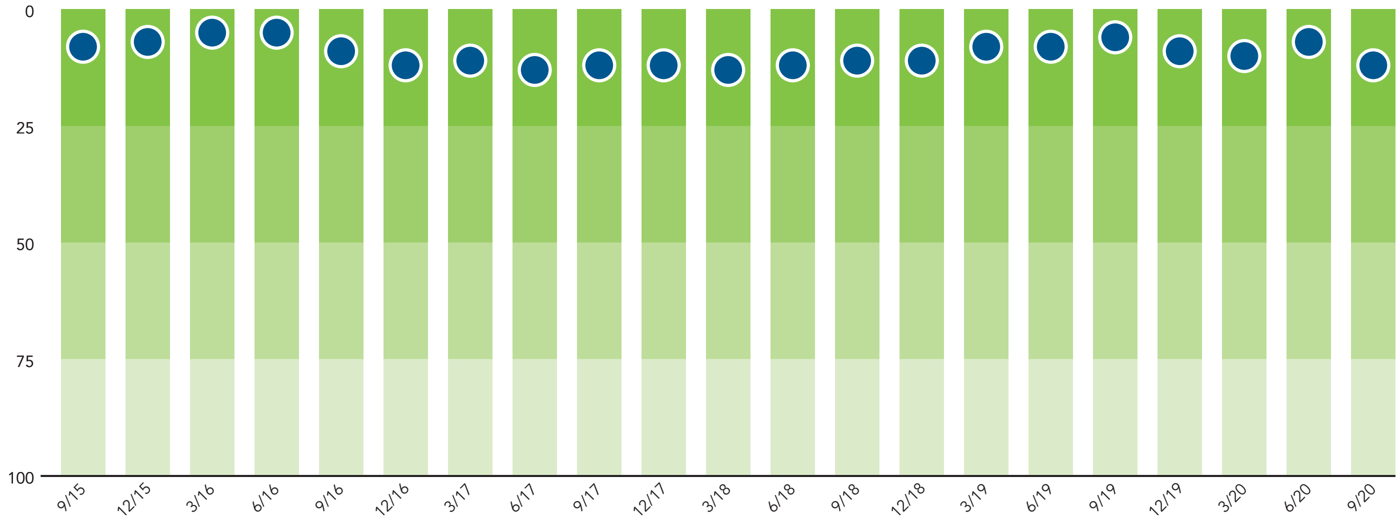
How we are positioned

The fourth quarter begins with uncertainty on many fronts. While third quarter GDP, when reported, will show a strong rebound from the Covid-19-impacted second quarter, it will still be down year over year. Unemployment, while off the highs, will still be at an uncomfortable level for workers and policy makers. While a vaccine may be close, Covid-19 cases are surging as the quarter begins. Not to be forgotten, the November election promises to be especially contentious. High-yield spreads remain above historical medians reflecting many of these risks but Covid-19 exposed sectors like leisure, airlines, gaming and restaurants were the best-performing sectors in the third quarter. This leaves the portfolio positioned somewhat defensively as the quarter begins with a significant underweight to the high effective spread subsector of the market. Also, the portfolio is underweight in many of the most Covid-19 exposed sectors as we believe those sectors have rallied strongly with few signs of fundamental improvements in the underlying companies' financial results.

See disclosure section for important disclosures and definitions.

5-year rolling Morningstar ranking (%)



5-year rolling Morningstar High Yield Bond Category. Ranking over other time periods will vary.

Percent rankings are for IS Shares.

Past performance is no guarantee of future results. Rankings are based on total return.

Risk statistics

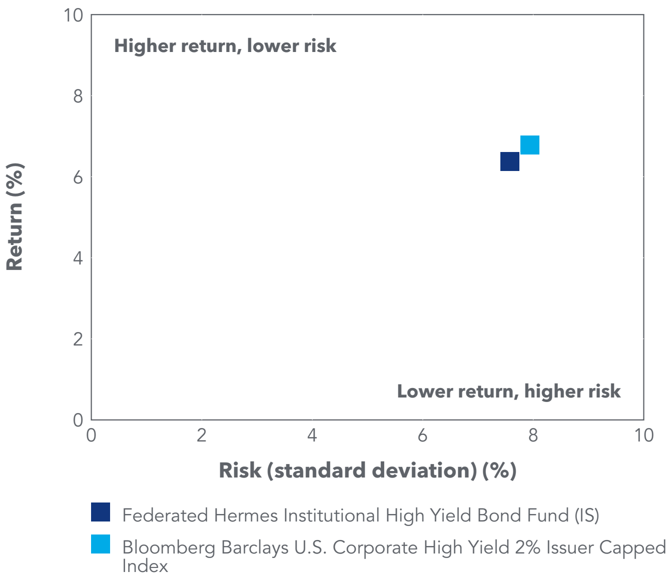
	3-year	5-year	7-year	10-year
Standard deviation	8.84	7.58	6.86	6.68
Alpha	-0.16	-0.12	0.26	0.38
Beta	0.96	0.95	0.95	0.94
Up capture ratio	96.76	95.08	96.08	96.12
Down capture ratio	98.21	96.19	92.28	90.98
Sharpe ratio	0.26	0.68	0.65	0.88

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index

See disclosure section for important definitions.

5-year risk/return



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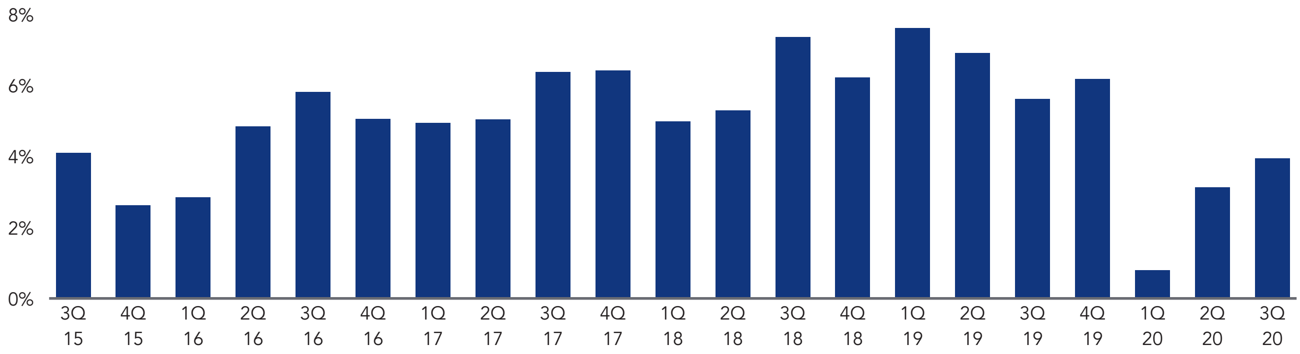
3-year rolling returns (IS)



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Category rankings

Morningstar High Yield Bond Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	21	21	10	5
	Morningstar Category Rank	101 of 676 funds	95 of 620 funds	–	–
IS Shares	Morningstar Category % Rank	23	22	12	6
	Morningstar Category Rank	117 of 676 funds	101 of 620 funds	47 of 534 funds	13 of 350 funds

Lipper High Yield Funds Average		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	18	18	–	–
	Lipper Classification Rank	88 of 500 funds	78 of 452 funds	–	–
IS Shares	Lipper Classification % Rank	21	19	10	5
	Lipper Classification Rank	102 of 500 funds	85 of 452 funds	38 of 388 funds	14 of 281 funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

Federated Hermes Institutional High Yield Bond Fund

As of June 29, 2020, the fund was renamed Federated Hermes Institutional High Yield Bond Fund.

[1]The ratings agencies that provided the ratings are Standard & Poor's, Moody's and Fitch. When ratings vary, the lowest 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.

The 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 4.48% for R6 Shares and 4.44% for Institutional Shares.

The fund's R6 Shares commenced operations on June 30, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for Institutional Shares. The performance of the Institutional Shares has not been adjusted to reflect the expenses applicable to the R6 Shares since the R6 Shares have a lower expense ratio than the expense ratio of the Institutional Shares. The performance of the Institutional Shares has been adjusted to remove any voluntary waiver of fund expenses related to the Institutional Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares.

A word about risk

Mutual funds are subject to risks and fluctuate in value.

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

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

Definitions

Alpha shows how much or how little return is generated, given the risk a portfolio takes. A portfolio with an alpha greater than 0 has earned more than expected given its beta—meaning the portfolio has generated excess return without increasing risk. A portfolio with a negative alpha is producing a lower return than would be expected given its risk.

Beta measures a portfolio's volatility relative to the market. A beta greater than 1.00 suggests the portfolio has historically been more volatile than the market as measured by the fund's benchmark. A beta less than 1.00 suggests the portfolio has historically had less volatility relative to the market.

Sharpe ratio is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard deviation is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

Up capture ratio/down capture ratio is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

Weighted average bond price is the weighted average of all individual bond prices within a portfolio.

Weighted average coupon is the weighted average interest payment of all individual debt securities within a portfolio.

Weighted average duration to worst is the approximate percentage change in a bond's price given a 1% change in its yield-to-maturity or its yield-to-call, whichever is lower. Duration-to-Worst is the same as Macaulay's duration except the pre-determined set of principal and interest cash flows are based on either the final maturity date, or a call date within the bond's call schedule, whichever would result in the lowest yield to the investor – i.e., the Yield-to-Worst.

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

Weighted average yield to worst is an average of the lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index composed of securities from the Bloomberg Barclays Government/Corporate Bond Index, the Mortgage-Backed Securities Index and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indices are rebalanced monthly by market capitalization.

Bloomberg 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.

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.

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Federated Securities Corp., Distributor

This must be preceded or accompanied by a prospectus.