Federated Hermes Capital Income Fund Newsletter

September 30, 2020

Federated Hermes Capital Income Fund pursues current income and long-term capital appreciation over a market cycle. The Fund seeks to provide monthly income through a differentiated portfolio of primarily income producing stocks and a strategic mix of bond sectors: U.S. High-Yield, U.S. Investment Grade and Emerging Market bonds. The Fund is diversified across asset classes, sectors and securities to help reduce volatility, while balancing income opportunities and risk across markets and sectors through active management. In the 3rd quarter, the Fund delivered a 4.81% total return (IS Class) and a 3.91% 12-month distribution yield (IS Class).

Fund Ticker: CAPSX; CAPAX

12 Month Distribution Yield-IS: 3.91%

3 Year Beta (S&P 500): 0.57

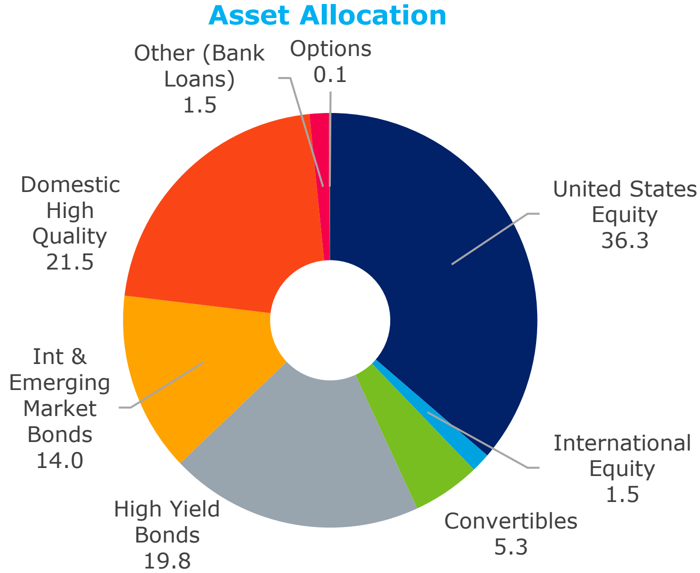
Asset Allocation: 42% Equity / 58% Fixed Income

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.

Market Comments

- We believe the Equity and Credit markets are likely to remain volatile for the foreseeable future, as we look to the November Presidential election. Investors and polls are analyzing many different scenarios and outcomes, but the bottom line is, markets have been able to move higher over the longer term under various political parties and we believe they will do the same again this time.
- Investors experienced a sharp decline in first quarter with many unpredictable events, and are now seeing light at the end of COVID tunnel. We believe we will have a vaccine relatively soon, additional government stimulus, and a Federal Reserve that is likely to remain patient for a long time. US economic data has been trending positive, although small business and unemployment rate may continue to struggle. In addition, global economies are bouncing back with numerous stimulus plans having rolled out this year. These circumstances lead us to remain positive over the long-term on the equity markets.

Asset Allocation



Positioning

- The Fund's asset allocation is currently 58% in Fixed Income and 42% in Equities. The allocation to Fixed Income was increased at the start of the year from 56% to account for heightened level of volatility in the stock market.
- Throughout the first part of this year, we enhanced the quality of our equity portfolio, as strong franchises came for sale. We believe companies with resilient cash flows, balance sheets, and management teams, are better able to weather through market uncertainty and can set themselves up for eventual recovery. This helped the equity portfolio outperform its Russell 1000 benchmark during the recent market volatility.
- Over the past quarter, we have gradually moved the Equity portfolio from a defensive posture, towards more

value cyclical theme. As the economy gradually opens up and life adapts to our new normal, opportunities with compelling valuations are presenting themselves. Sectors such as financials, materials, and industrials for example, that suffered heavy losses during the pandemic have become more compelling. We are also looking at leisure, e-commerce, cloud, and domestic manufacturing themes to help lean into more cyclical value companies that also offer growth opportunities.

Current Equity Portfolio Themes:

- Gaming and Leisure
- E-Commerce
- Cloud Computing
- Cyclical Recovery

New Equity Positions:

- Wyndham Destinations
- Akamai Technologies
- Reinsurance Group of America

Equity Trims/Sells:

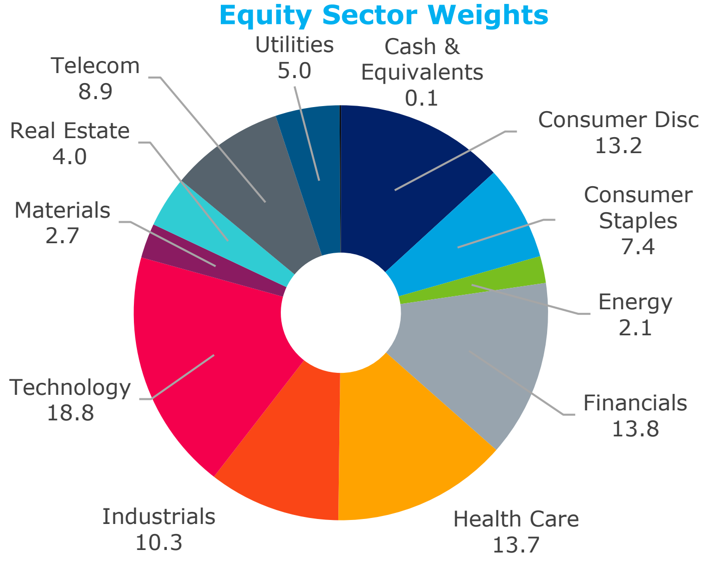
- Lowe's
- Met Life
- Nike
- Hess

Fixed Income Positioning:

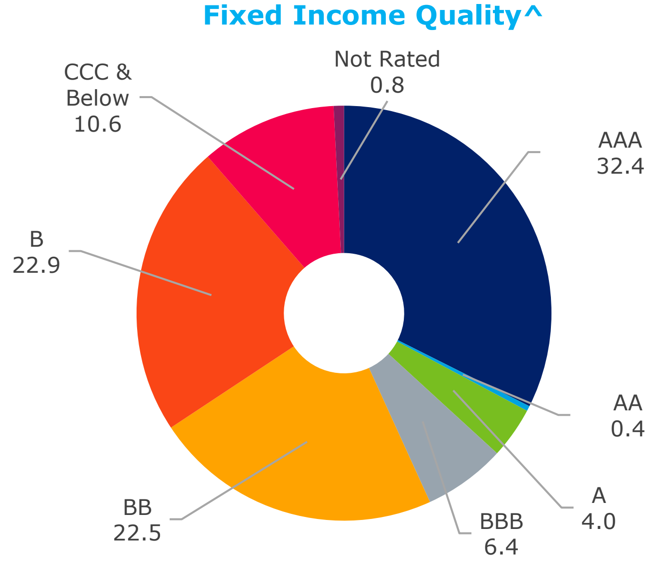
- 100% Duration
- Neutral Yield Curve
- Underweight High Yield
- Neutral Emerging Markets

- In gaming and leisure, we believe that drive-to destinations that cater to leisure travelers rather than business travelers stand to come back first. We have started a position in Wyndham Destinations and added to Boyd Gaming and Las Vegas Sands to reflect this stance.
- We have reduced our long technology overweight but still remain relatively overweight, as we believe the long term structural growth of the sector driven by cloud, Artificial Intelligence, Augmented Reality and gaming remains intact. Within technology we decreased our China related semiconductor exposure due to more political uncertainty and export restrictions but continue to favor Apple, Microsoft, and Nvidia while we added Akamai Technologies at an attractive valuation, which enables video streaming.
- The health crisis has reinforced our view that technology is both indispensable in modern life and a large enabler of businesses now and in the future as reflected in the shift to ecommerce. We continue to hold Amazon, as the market leader, and have also found other attractive ecommerce leaders such as Dicks Sporting Goods that exhibit similar strong omni-channel offerings and is a leader in its respective market.
- Fixed Income has moved into a fairly neutral stance across the board as the team expects the fourth quarter to be volatile period. The factors expected to contribute to volatility include increasing COVID-19 infections, the timing and magnitude of additional fiscal stimulus, and the potential for a drawn-out contested national election.
- With Treasury yields near lows and a Federal Reserve committed to keeping rates low for the foreseeable future, our positions in high yield and emerging markets bonds play a large role in the fund's income generation while also providing a significant carry advantage over a 10 year Treasury yielding just 68 bps.

Equity Sector Weights



Fixed Income Quality^



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Average annual total returns % (as of 9/30/20)

	1-year	5-year	10-year	Since inception	30-day distribution yield	30-day yield	Expense ratio* Before waivers	Expense ratio* After waivers
IS	4.61	5.49	6.42	5.42	2.77	2.58	0.83	0.65
A (NAV)	4.48	5.26	5.34	6.39	2.51	2.32	1.09	0.90
A (MOP)	-1.30	4.07	4.75	6.20	2.37	2.20	1.09	0.90

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**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 2/01/21 or the date of the fund's next effective prospectus.*

Total return represents the change in value after reinvesting all income and capital gains. Total return would have been lower in the absence of certain fund expense waivers or reimbursements.

Disclosures

^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.

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.

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

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 for IS shares would have been 2.58% and the 30-day yield for the A shares would have been 2.32% at NAV and 2.20% at MOP.

The 30-day distribution yield is calculated by taking an average of the past 30-days daily yields.

The fund's Institutional Shares commenced operations on March 30,2012. For the period prior to the commencement of operations of the Institutional Shares, the performance information shown is for the fund's A Shares. The performance of the A Shares has not been adjusted to reflect the expenses of the Institutional Shares, since the Institutional Shares had a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and adjusted to remove any voluntary waiver of fund expenses related to the A Shares during the period prior to the commencement of operations of the Institutional Shares.

Current and future portfolio holdings are subject to risk.

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

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Holdings referenced within this newsletter and their percentages as of 9/30/20 are as follows: Akamai Technologies, Inc. (0.3%), Apple Inc. (1.6%), Boyd Gaming Corporation (0.4%), Dick's Sporting Goods, Inc. (0.5%), Microsoft Corporation (1.6%), NVIDIA Corporation (0.6%), Reinsurance Group of America, Incorporated (0.4%), Wyndham Destinations, Inc. (0.4%), Las Vegas Sand Corp. (0.4%), and Amazon.com, Inc. (1.6%). The holdings percentages are based on net assets at the close of business on the dates above, 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.

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.

Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

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.

S&P 500 Index is an unmanaged capitalization-weighted index of 500 stocks designated to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

This material must be preceded or accompanied by a prospectus.

Federated Securities Corp., Distributor

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