

Federated Hermes Capital Income Fund

- Pursues current income and long-term capital appreciation over a market cycle.
- Seeks 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.
- Diversified across asset classes, sectors, and securities to reduce relative volatility, while balancing income and risk through active management.
- In the 2nd quarter, the Fund delivered a -9.72% total return (IS Class) and a 4.01% 12-month distribution yield (IS Class).

Fund Ticker: IS: CAPSX; A: CAPAX

12 Month Distribution Yield-IS: 4.01%

30 Day SEC Yield-IS: 2.64%

3 Year Beta (S&P 500): 0.58

Asset Allocation: 41% Eq/59%FI

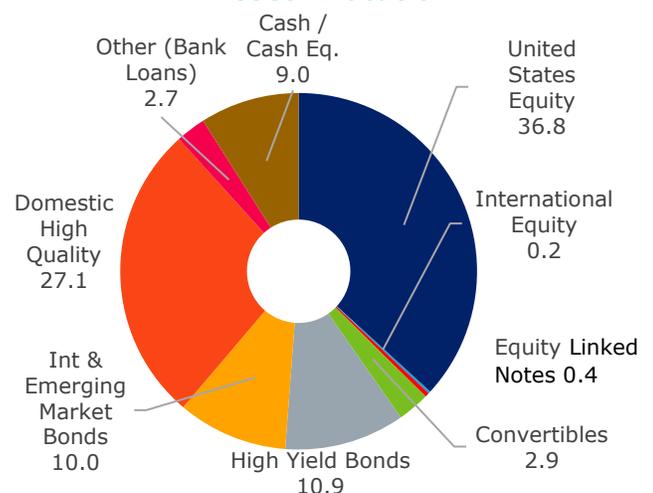
	Average annual total** returns % (as of 6/30/22)					Expense Ratio*	
	1-year	5-year	10-year	Since inception 5/27/88	30-Day Yield	Before Waivers	After Waivers
IS	-10.86	3.81	4.56	6.22	2.64	0.84	0.65
A (NAV)	-10.99	3.58	4.31	6.17	2.39	1.09	0.90
A (MOP)	-15.85	2.41	3.72	5.99	2.26	1.09	0.90

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 charges of 5.5% for A Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

Market Comments

- As we enter the third quarter, we continue to have a cautious economic and earnings outlook, and are cognizant of the likelihood of continued market volatility. Our base case is a rocky landing scenario as the Fed works to bring inflation under control through a series of interest rate hikes.
- Concerns over inflation, monetary tightening, and geopolitical tensions that could lead to a recession have contributed to market volatility and losses across the board for virtually all asset classes. Inflation has remained stubbornly high while labor has remained tight.
- In fixed income, central banks reacted quickly to the high inflation prints with larger than expected interest rate hikes. In the U.S., the consumer price index continues to run above 8% on a year-over-year basis, as prices for shelter, food and energy continued to increase. The Federal Reserve ("Fed") hike during the quarter caused short term interest rates to move aggressively. During the quarter, certain portions of the yield curve were inverted, historically viewed by some as a signal for impending slowdown in economic growth.

Asset Allocation



Positioning

- The Fund is positioned in line with our rocky landing outlook. The Fund is designed to be strategic in its asset allocation and take advantage of market movements and some level of self-correction in bonds. As such we have reduced the equity allocation to 41%, have been strategic in the fixed income portfolio, and have an elevated cash level as we look for opportunities and entry point(s) back into the markets. We believe better opportunities will be a function of both time and price.
- The equity portfolio is tilted toward higher quality defensive securities with strong balance sheets and low volatility in their income stream. On the fixed side we have continued upgrading the credit quality within the portfolio, opportunistically reducing exposure in the high yield and emerging markets to further below benchmark and increasing exposure to the MBS and Treasury sectors. The portfolio is maintaining duration around the benchmark, and we have a neutral position on the yield curve for the time being.
- **The Fund has a focus on higher quality defensive stocks that are less inflation sensitive.** Healthcare and Utilities are representative of this defensive lean. We are overweight these sectors as we expect these companies to hold up well in the face of slowing consumer demand in other sectors. We also continue to have conviction in the Consumer Staples sector and continue to like our positions in Walmart (WMT) and Coca-Cola (KO). Companies in all three of these sectors produce and deliver things people need - not necessarily what they want.
 - **Health Care.** During the quarter we added to our position in Johnson & Johnson (JNJ), a quality company poised for further growth as procedures continue to pick up at a reasonable valuation level. We entered a position with Tenet Healthcare (THC). They are a large player in the hospital market (mainly in the south where population has been growing faster) and have a strong position in alternative sites of care where we expect continued growth.
 - **Utilities.** We have a constructive view of the sector and look to capitalize on the relative valuation and dividend profiles of these companies. During the quarter, we upped our position to overweight in NextEra Energy (NEE). The security had valuation compression earlier in the year which gave us a buying opportunity in addition to a generous yield. With the recent run in the sector, we continue to monitor the space and will adjust the allocation and positions as market conditions warrant.
- **We have reduced our weight in Financials.** With additional rate hikes expected in the near term, we have taken profits and reduced our exposure to financials, largely regional banks. While we are underweight the sector, we have added exposure to other diversified financials, including insurance. In line with this view, the Fund added to its positions in Bank of America (BAC) and JP Morgan Chase (JPM), as these companies are not as sensitive to consumer behavior and entered into a position in Chubb (CB). During the quarter we exited our position in SVB Financial Group (SIVB) as it has exposure to private equity and declining tech company valuations.

Current Equity Portfolio Themes

- Health Care
- Utilities

Equity Buys/Adds

- Tenet Healthcare
- Johnson & Johnson
- JP Morgan Chase

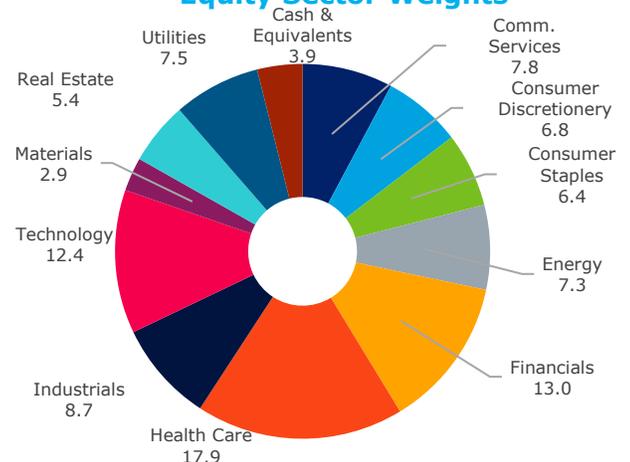
Equity Trims/Sells

- SVB Financial Group
- Chevron Corp

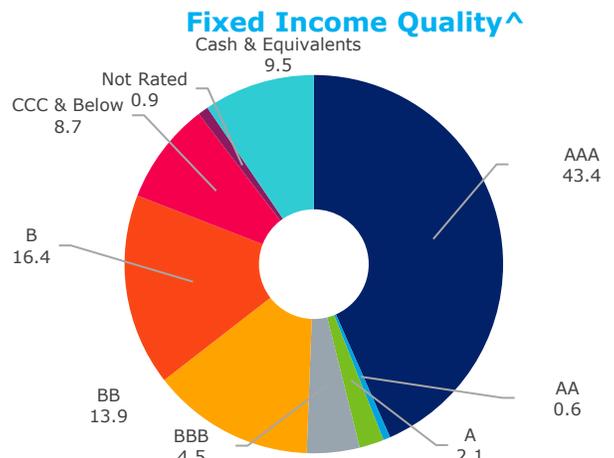
Fixed Income Positioning

- Duration – 5.3 years
- Underweight High Yield and Emerging Markets
- Overweight High Quality

Equity Sector Weights

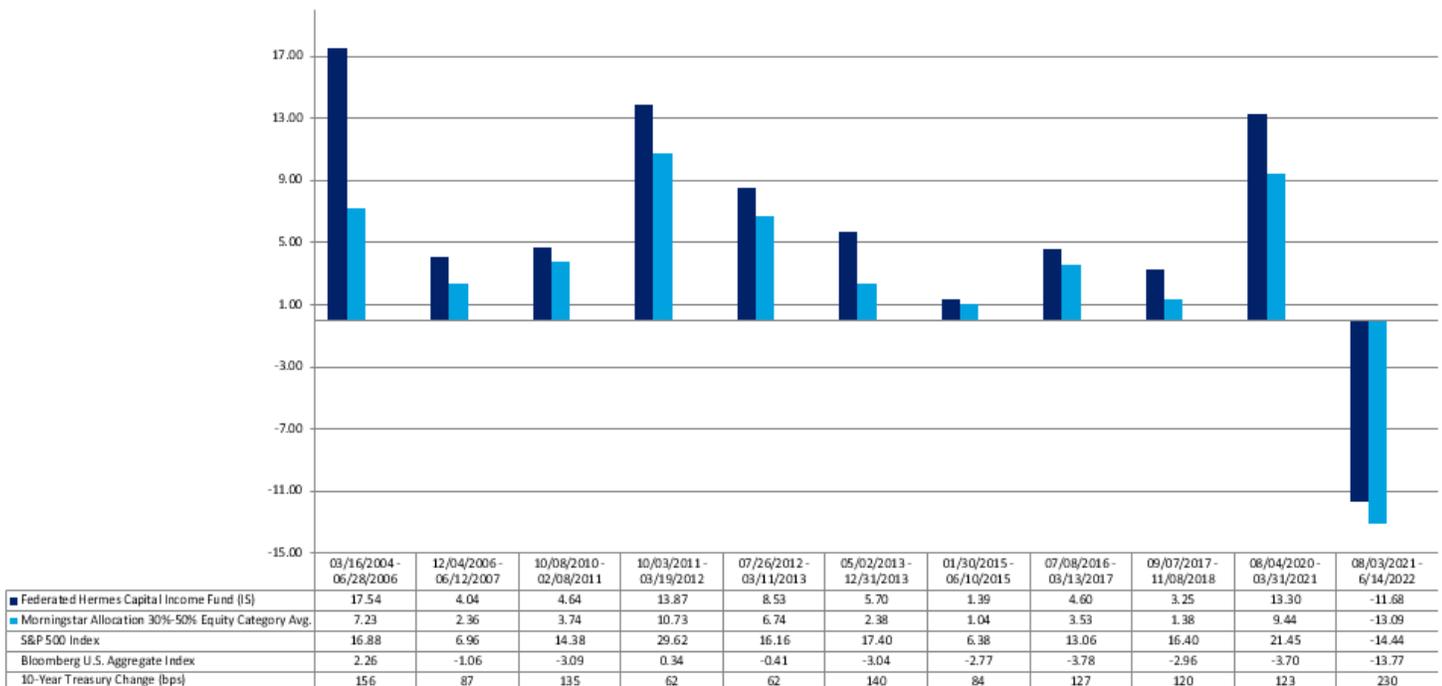


- Fixed Income’s increasingly negative view toward credit** continues as the team expects stress to build as the Fed continues the rate hiking cycle with the goal of reducing inflation. We have further reduced our high yield position with the proceeds going to cash, MBS, and Treasuries as yield increased substantially. We currently sit near the low end of both our high yield and emerging markets exposure and at the higher end of domestic high quality relative to history. Our view continues to be that higher inflation will drive the Fed to tighten rates causing an increase in Treasury yields, though the pace of the increase in Treasury yields and shape of the yield curve remain uncertain and volatile.
- Credit spreads began the year at historically tight levels and have continued to widen as investors pulled money from the market in anticipation of a Fed induced economic slowdown and subsequent increase in defaults. Additionally, emerging markets have been hit by the rapidly strengthening dollar and geopolitical issues. While yields are now more attractive in high yield and emerging markets, we believe there is a strong probability of further spread widening and we expect look for better entry points before putting capital back to work in these assets.



Performance During Rising Rate Environments

The combination of dividend paying equities and higher yielding fixed income has resulted in outperformance during periods of rising rates and this latest example is on different. When the 10-year Treasury yield increased by more than 50 bps, the Fund outperformed its Morningstar 30%-50% Equity category in all periods and a blend of broad-based fixed income and equity indices, in all but one time-period.



Source: Bloomberg, Morningstar, Inc As of 6/30/2022

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This is for a select time period. Performance for other share classes and over longer time periods will vary.

**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 2/01/23 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.

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

Diversification does not assure a profit nor protect against loss.

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 2.42% and the 30-day yield for the A shares would have been 2.18% at NAV and 2.06% at MOP.

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. Value stocks may lag growth stocks in performance, particularly in late stages of a market advance.

Holdings referenced within this newsletter and their percentages as of 6/30/22 are as follows: Johnson & Johnson (1.2%), Walmart (0.7%), Coca-Cola (0.4%), Tenet Healthcare (0.2%), NextEra Energy (0.5%), Bank of America (0.8%), JP Morgan Chase (0.7%), and Chubb (0.4%). 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.

12-month Distribution Yield: The sum of a fund's total trailing 12-month interest and dividend payments divided by the last month's ending share price (NAV) plus any capital gains distributed over the same period.

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.

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

Bloomberg US Aggregate Bond Index is an unmanaged index composed of securities from the Government/Corporate Bond Index, Mortgage Back Securities Index and the Asset Back Securities Index.

All information is as of 6/30/2022 unless stated otherwise.

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

Other classes of shares are available whose performance will vary due to different charges and expenses.

This material must be preceded or accompanied by a prospectus. Federated Securities Corp., Distributor 22-40422 8/22)