

# Federated Hermes Corporate Bond Fund

12/31/20

## Fund facts

### Performance inception date

6/28/95

### Benchmark 1

Bloomberg Barclays U.S. Credit Index

### Benchmark 2

75% Bloomberg Barclays U.S. Credit Index/25% Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index

### Morningstar category

Corporate Bond

### Lipper classification

Corporate Debt Funds BBB-Rated

### Fund assets

\$1.6 billion

### Ticker symbols

R6 Shares - FDBLX

Institutional Shares - FDBIX

A Shares - FDBAX

C Shares - FDBCX

F Shares - ISHIX

### Key investment team

Brian Ruffner

Bryan Dingle, CFA®

Mark Durbiano, CFA®

Steven Wagner

Christopher McGinley

### Yields (%)

30-day yield (R6) 2.23

30-day yield (IS) 2.21

30-day yield (A) 1.88

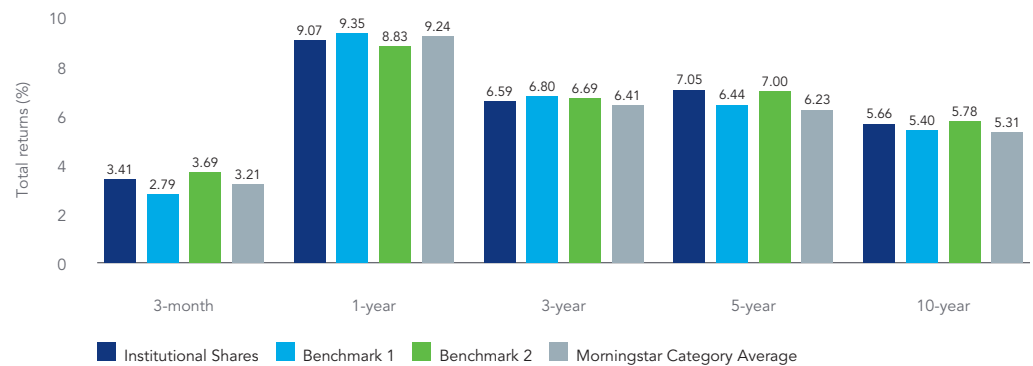
## Fund description

The fund seeks to provide a high level of current income and to preserve capital by investing in a diversified portfolio of fixed-income securities. It invests primarily in investment-grade corporate bonds, but also may invest up to 35% of its portfolio assets in lower-rated high-yield 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	After waivers
<b>R6 Shares</b>	3.30	9.08	9.08	6.60	7.01	5.54	6.15	0.66	0.59
<b>Institutional Shares</b>	3.41	9.07	9.07	6.59	7.05	5.66	6.22	0.75	0.61
<b>A Shares (NAV)</b>	3.24	8.80	8.80	6.33	6.77	5.43	6.11	1.00	0.86
<b>A Shares (MOP)</b>	-1.39	3.90	3.90	4.70	5.80	4.94	5.92	1.00	0.86
<b>Benchmark 1</b>	2.79	9.35	9.35	6.80	6.44	5.40	-	-	-
<b>Benchmark 2</b>	3.69	8.83	8.83	6.69	7.00	5.78	-	-	-



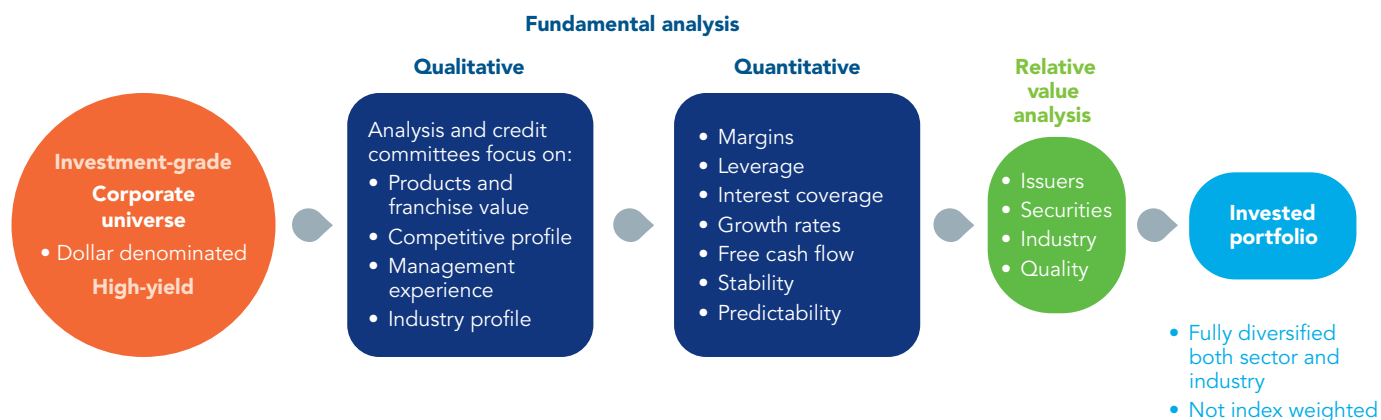
## Calendar year total returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Institutional Shares</b>	9.07	14.27	-2.84	7.05	8.44	-1.77	5.93	1.03	10.54	6.17
<b>Benchmark 1</b>	9.35	13.80	-2.11	6.18	5.63	-0.77	7.53	-2.01	9.37	8.35
<b>Benchmark 2</b>	8.83	13.96	-2.08	6.51	8.43	-1.66	6.25	0.28	10.95	7.55
<b>Morningstar Category Average</b>	9.24	13.03	-2.49	5.79	6.51	-1.39	6.93	-1.06	11.06	7.46

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](http://FederatedInvestors.com). Maximum offering price figures reflect the maximum sales charges of 4.5% for A Shares. 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 2/1/21 or the date of the fund's next effective prospectus.

## Investment process



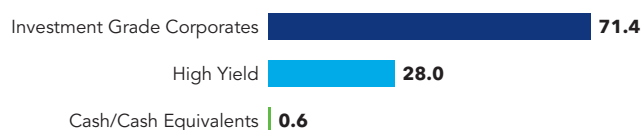
### Portfolio statistics

Weighted average effective maturity	9.2 yrs.
Weighted average effective duration	6.9 yrs.
Weighted average coupon	4.51%
Weighted average yield to maturity	2.75%
Weighted average bond price	\$112.58

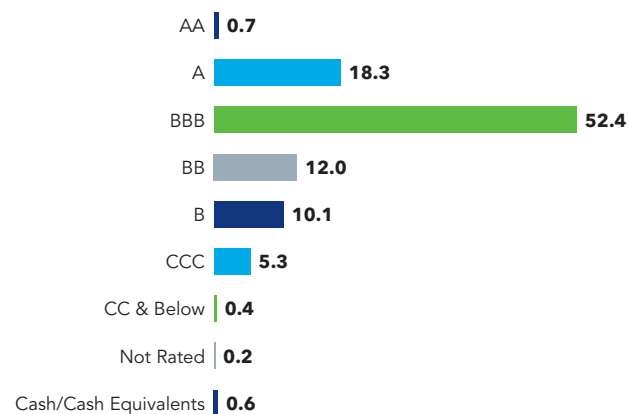
### Top holdings (%)

GE Capital International, 4.418% due 11/15/35	0.6
Goldman Sachs Group, Inc., 3.814% due 4/23/29	0.6
Anheuser-Busch InBev Worldwide, Inc., 4.600% due 4/15/48	0.5
Canadian Natural Resources Ltd., 5.850% due 2/01/35	0.5
CCO Safari II LLC, 4.908% due 7/23/25	0.5
DH Europe Finance II S.a.r.l., 2.600% due 11/15/29	0.5
JPMorgan Chase & Co., 3.509% due 1/23/29	0.5
JPMorgan Chase & Co., 3.875% due 9/10/24	0.5
Morgan Stanley, 3.772% due 1/24/29	0.5
Verizon Communications, Inc., 4.125% due 8/15/46	0.5
Total % of portfolio	5.2

### Sector weightings (%)



### Quality breakdown<sup>1</sup> (%)



Portfolio composition is based on net assets at the close of business on 12/31/20 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.

## Highlights

- Election uncertainties reduced and approval of Covid-19 vaccines
- The Federal Reserve (Fed) remains accommodative
- Positive contribution from sector allocation

## Looking back

Markets climbed a wall of worries to finish a surprisingly strong year. Three foremost in the market's mind during the fourth quarter were the coronavirus, stimulus legislation and the election. One by one, they fell away, pushing equity indexes to record highs and bond yields to their highest levels since March.

As health experts had predicted, virus cases rebounded once the weather cooled, but markets chose to focus on the incredible work being done on developing a vaccine. Two very successful vaccines were announced in mid-November, allowing investors to be hopeful that an end to the uncertainty was within reach. As the first vaccinations were rolled out in December, it seemed only a matter of time before some sense of normalcy would return.

Unfortunately, bridging the economic chasm until normalcy returns proved very difficult. Market expectations that a fiscal stimulus deal would be agreed to before the November election were frustrated by political wrangling. Fed speakers made it clear that, while the Fed remained willing and able to increase its monetary policy actions to help the economy, the burden for action fell to the fiscal side, meaning Congress should act.

It became clear both parties were waiting for the election outcome before taking any action. While it took some time to certify the election results, Joe Biden emerged as the winner of the presidency, with two Senate seats in Georgia awaiting run-off to determine control of the Senate and the direction of the Democratic agenda. Seen as a down payment, a compromise stimulus bill was finally signed by the president in late December. So, as the prospect of normalcy in 2021 approaches, all three major risks of the fourth quarter are in the rearview mirror.

Financial markets were broadly higher during the quarter, as the S&P 500 Index gained over 12%, high-yield debt 6.45%, emerging markets 4.50% and investment-grade bonds 2.79%, while the broad measure of investment-grade debt, the Bloomberg Barclays U.S. Aggregate Bond Index, rose 0.67%, according to Bloomberg Barclays data. U.S. Treasuries posted a -0.83% return, as rates rose during the quarter. The 10-year Treasury yield edged higher, ranging from its start-of-quarter low at 0.68% to end the quarter at 0.91%.

## Performance

Federated Hermes Corporate Bond Fund R6 Shares returned 3.30% at net asset value (NAV) for the three months ended December 31, 2020. That compares with the Bloomberg Barclays U.S. Credit Index return of 2.79% and the Bloomberg Barclays U.S. High Yield 2% Issuer Capped Index return of 6.44%. The Blended Benchmark, consisting of 25% of the Bloomberg Barclays U.S. Credit Index and 75% of the Bloomberg Barclays U.S. High Yield 2% Issuer Capped Index, returned 3.69%. The fund's total return for the period also reflected actual cash flows, transaction costs and other expenses that were not reflected in the return of the Blended Benchmark.

### Performance contributors

- Underweight position in the non-corporate sectors, like sovereign and supranational
- Slight overweight, on average, to the high-yield asset class
- Specific issuers held by the portfolio that outperformed the Blended Benchmark included: Marathon Petroleum, Callon Petroleum, Dell Technologies, Antero Midstream and General Electric

### Performance detractors

- Negative security selection, with contribution in the banking, basic industries, capital goods and electric utility sectors
- Specific issuers held by the portfolio that underperformed the Blended Benchmark included: Bank of America, Community Health Systems, Goldman Sachs and Comcast Corporation

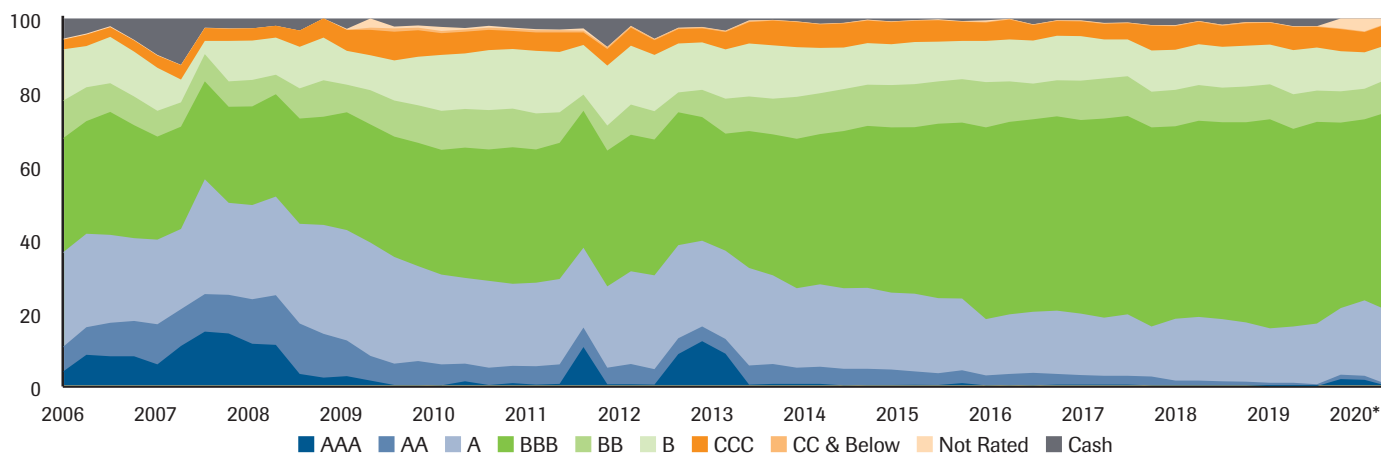
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## How we are positioned

We exited the quarter targeting a slight underweight position in the high-yield asset class and maintaining an overweight allocation to the BBB component of the investment-grade asset class. Additionally, the fund is targeting neutral duration and yield curve positioning relative to the benchmark. The portfolio remains committed to adjust the overall sector positioning in response to changes in valuation and credit quality.

See disclosure section for important disclosures and definitions.

## Historical credit quality (%)<sup>1</sup>



\* As of 12/31/20

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## Risk statistics

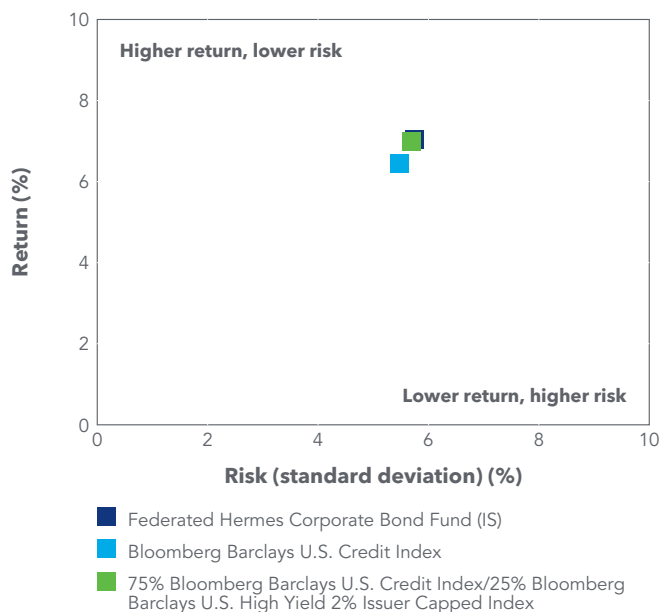
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	6.85	5.74	5.23	4.95
<b>Alpha</b>	-0.29	0.54	0.10	0.38
<b>Beta</b>	1.02	1.01	0.99	0.97
<b>Up capture ratio</b>	96.25	100.93	97.23	97.74
<b>Down capture ratio</b>	95.32	87.68	92.00	88.03
<b>Sharpe ratio</b>	0.73	1.01	0.90	1.01

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg Barclays U.S. Credit Index

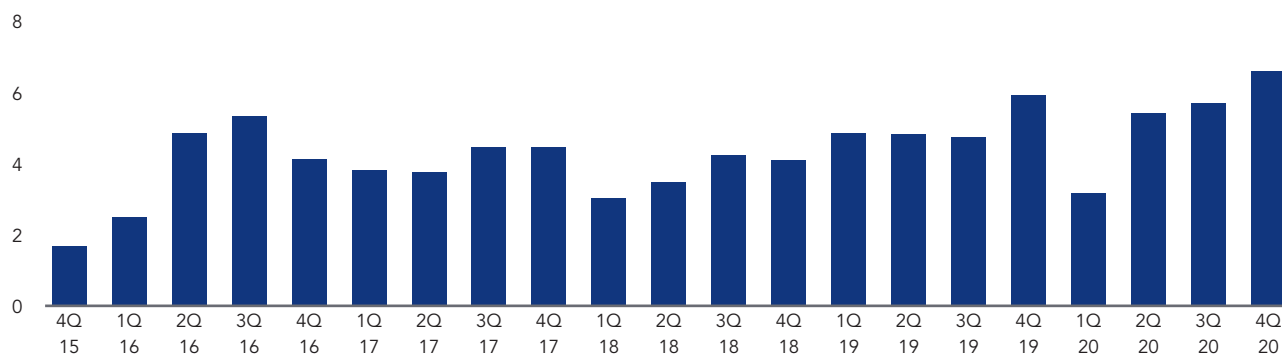
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## 5-year risk/return



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## 3-year rolling returns - IS (%)



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## Category rankings

### Morningstar Corporate Bond Category

		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	66	58	25	49
	Morningstar Category Rank	148 of 206 funds	113 of 190 funds	–	–
<b>IS Shares</b>	Morningstar Category % Rank	66	59	24	43
	Morningstar Category Rank	149 of 206 funds	114 of 190 funds	33 of 136 funds	42 of 89 funds
<b>A Shares</b>	Morningstar Category % Rank	67	68	36	58
	Morningstar Category Rank	154 of 206 funds	136 of 190 funds	54 of 136 funds	53 of 89 funds

### Lipper Corporate Debt Funds BBB-Rated

		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	63	52	–	–
	Lipper Classification Rank	163 of 258 funds	123 of 236 funds	–	–
<b>IS Shares</b>	Lipper Classification % Rank	64	53	29	46
	Lipper Classification Rank	164 of 258 funds	124 of 236 funds	52 of 184 funds	56 of 121 funds
<b>A Shares</b>	Lipper Classification % Rank	68	60	39	54
	Lipper Classification Rank	174 of 258 funds	142 of 236 funds	71 of 184 funds	65 of 121 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 Corporate Bond Fund

As of June 29, 2020, the Federated Bond Fund was renamed Federated Hermes Corporate Bond Fund.

<sup>1</sup>The ratings agencies that provided the ratings are Standard & 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.

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 2.18% for R6 Shares, 2.10% for Institutional Shares, and 1.76% for A Shares.

The fund's Institutional Shares commenced operations on January 28, 2008. 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 applicable to the Institutional Shares since the Institutional Shares have 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 that may have occurred prior to commencement of operations of the Institutional Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

The fund's R6 Shares commenced operations on September 30, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for A Shares. The performance of the A Shares has not been adjusted to reflect the expenses applicable to the R6 since the R6 Shares have 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 the fund's expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

### 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.

Diversification does not assure a profit nor protect against loss.

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

**Weighted average yield to maturity** is used to determine the rate of return an investor would receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. It takes into account purchase price, redemption value, time to maturity, coupon yield and the time between interest payments.

**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.

**Bloomberg Barclays U.S. Credit Index** is composed of all publicly issued, fixed-rate, nonconvertible, investment-grade corporate debt. Issues are rated at least Baa by Moody's Investors Service or BBB by Standard & Poor's, if unrated by Moody's. Collateralized Mortgage Obligations (CMOs) are not included. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

Indexes are unmanaged and cannot be invested in directly.

### Ratings and rating agencies

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