

Federated Hermes Floating Rate Strategic Income Fund

12/31/20

Fund facts

Performance inception date

R6 Shares	12/3/10
Institutional Shares	12/3/10
A Shares	2/23/11

Benchmark

55% Credit Suisse Leveraged Loan Index/30% ICE BofA 1-Year U.S. Treasury Note Index/15% ICE BofA U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index

Morningstar category

Bank Loan

Lipper classification

Loan Participation Funds

Fund assets

\$569.7 million

Ticker symbols

R6 Shares - FFRLX
 Institutional Shares - FFRSX
 A Shares - FRSAX
 C Shares - FRICX

Key investment team

Mark Durbiano, CFA®
 Steven Wagner
 B. Anthony Delserone Jr., CFA®
 Todd Abraham, CFA®
 Christopher McGinley

Yields (%)

30-day yield (R6)	3.31
30-day yield (IS)	3.29
30-day yield (A)	2.96

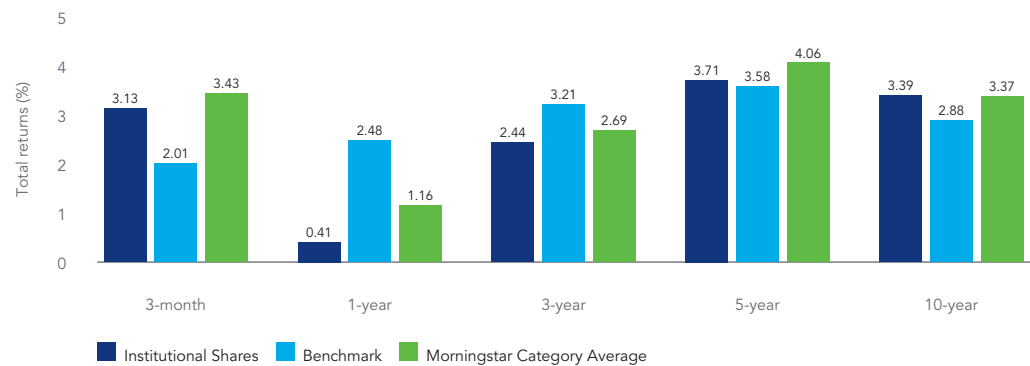
Fund description

The fund seeks to provide total return consistent with current income and low interest-rate volatility. It invests primarily in a strategic mix of floating-rate fixed-income investments which pay interest at rates that increase or decrease with changes in market rates.

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
R6 Shares	3.13	0.32	0.32	2.42	3.68	3.06	3.06	0.79	0.73
Institutional Shares	3.13	0.41	0.41	2.44	3.71	3.39	3.42	0.87	0.74
A Shares (NAV)	3.06	0.16	0.16	2.12	3.37	–	3.00	1.10	0.99
A Shares (MOP)	2.07	-0.85	-0.85	1.78	3.16	–	2.90	1.10	0.99
Benchmark	2.01	2.48	2.48	3.21	3.58	2.88	–	–	–



Calendar year total returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Institutional Shares	0.41	6.69	0.35	3.53	7.80	1.05	1.38	4.30	6.64	2.09
Benchmark	2.48	5.71	1.51	2.66	5.66	-0.13	1.21	3.45	5.21	1.23
Morningstar Category Average	1.16	7.45	-0.26	3.48	9.25	-1.25	0.57	5.68	9.43	1.63

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. 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 11/1/21 or the date of the fund's next effective prospectus.

Investment approach

High yield	International	Investment grade
Leveraged loans, high-yield corporates and high-yield floaters	Trade finance, international loans and corporates	Adjustable rate mortgages, corporate floaters and floating-rate asset backed
<ul style="list-style-type: none"> Low correlation with other fixed-income asset classes Loans typically positioned senior and secured in leveraged company's debt structure High current yield potential with modest interest duration risk 	<ul style="list-style-type: none"> Trade finance instruments primarily dollar based and pure floating rate Offers limited credit duration risk Less liquidity than loans 	<ul style="list-style-type: none"> Diversified asset mix in higher quality floating-rate securities Source of liquidity for the portfolio Low and negative correlation with other sectors of the strategy

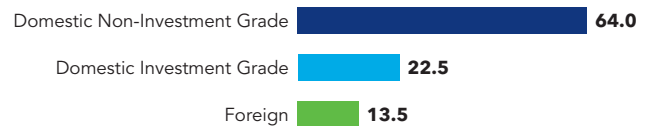
Portfolio statistics

Weighted average effective duration	1.4 yrs.
Weighted average bond price	\$96.86
Number of securities	508

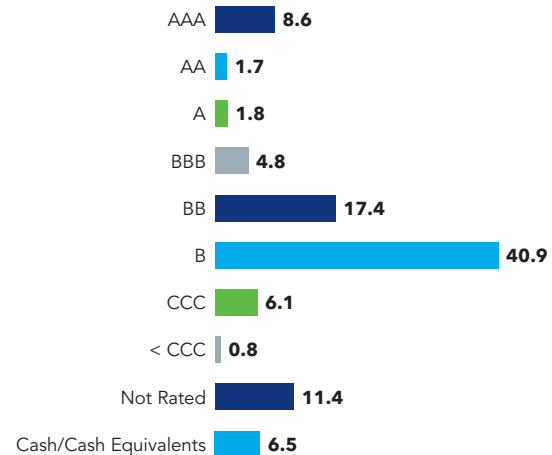
Top holdings (%)

SPDR Blackstone / GSO Senior Loan ETF	2.8
Invesco Senior Loan ETF	1.2
FHLMC 4911 FB, 9/25/2049	0.8
FNMA 2018-35 FA, 5/25/2048	0.8
FNMA 2019-24 BF, 5/25/2049	0.8
FNMA 2020-36 FH, 6/25/2050	0.8
Stratus CLO, Ltd. 2020-1A, A, 05/01/2028	0.8
AmWINS Group, Inc., Term Loan B - 1st Lien, 01/25/2024	0.7
Endo Luxembourg Finance, Term Loan - 1st Lien, 04/27/2024	0.7
Sedgwick, Inc., Term Loan B - 1st Lien, 12/31/2025	0.6
Total % of portfolio	10.0

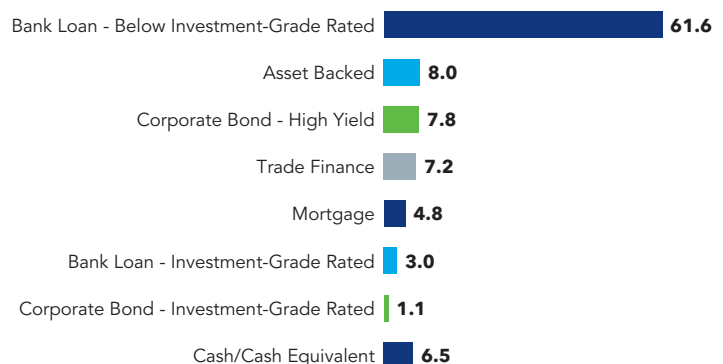
Sector weightings¹ (%)



Quality breakdown^{1,2} (%)



Asset distribution¹ (%)



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.

Investment review

Market overview

The U.S. institutional leveraged-loan market marched forward in its recovery and generated a strong total return for the fourth quarter of 2020. For example, the total return on the Credit Suisse Leveraged Loan Index (CSLLI) was 3.64% for the quarter. Loan risk spreads, as measured by the discount margin (3-year), compressed further by tightening to 4.86% by the end of December, compared to 5.79% at the beginning of the quarter.

During the quarter, there were several key factors that drove the recovery rally even further. In general, riskier asset classes generated strong absolute returns as investor confidence in a global recovery continued to take root. This optimism was stoked by improving business activity data, prospects for a fiscal stimulus package in the U.S. and the approval of highly efficacious Covid-19 vaccines. While controversies dominated the presidential election news cycle, it appeared that forward-looking markets absorbed the chaos reasonably well in anticipation of an orderly and peaceful transition of administrations in January. As company earnings reports rolled out, it became apparent that corporate debt issuers were performing much better than earlier feared across a variety of industry sectors. Leveraged-finance investors also were encouraged by the debtor's ability to fortify liquidity and balance sheets in those sectors most negatively impacted by the pandemic. While the issuer default rate in leveraged-finance markets continued to rise during the quarter, it appeared to be peaking at much lower levels than most forecasts following the Covid-19-induced downdraft. The leveraged-loan market benefited from an array of liquidity and demand sources, including collateralized loan obligation (CLO) warehouse activity, institutional asset managers, non-traditional credit investors and well-capitalized commercial banks.

With short-term rates anchored, the 3-month Libor rate (a common rate benchmark for leveraged loans) ended the quarter at 0.24%, virtually unchanged from the prior quarter-end level. Given the low short-term rate environment, Libor floors were observed on the majority of new leveraged-loan issuance during the quarter. Floor levels on recently syndicated loans typically ranged from 0.50% to 1.00%.

Performance

Federated Hermes Floating Rate Strategic Income Fund Institutional Shares had a net total return of 3.13% at net asset value for the quarter ending Dec. 31, 2020. The fund outperformed its higher quality blended benchmark. The blended benchmark return is comprised of the following mix: 55% CSLLI; 30% 1-year U.S. Treasury Note Index and 15% One-Month Deposit Rate.

The fund maintained an overweight to the domestic non-investment-grade sector. This sector positioning was a primary driver of outperformance relative to the blended benchmark. Positive credit selection in loans and short duration bonds throughout the domestic non-investment-grade and foreign sectors also contributed to the outperformance. While the domestic investment-grade sector of the portfolio generated an attractive positive return, this sleeve underperformed the relevant component of the blended benchmark.

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.

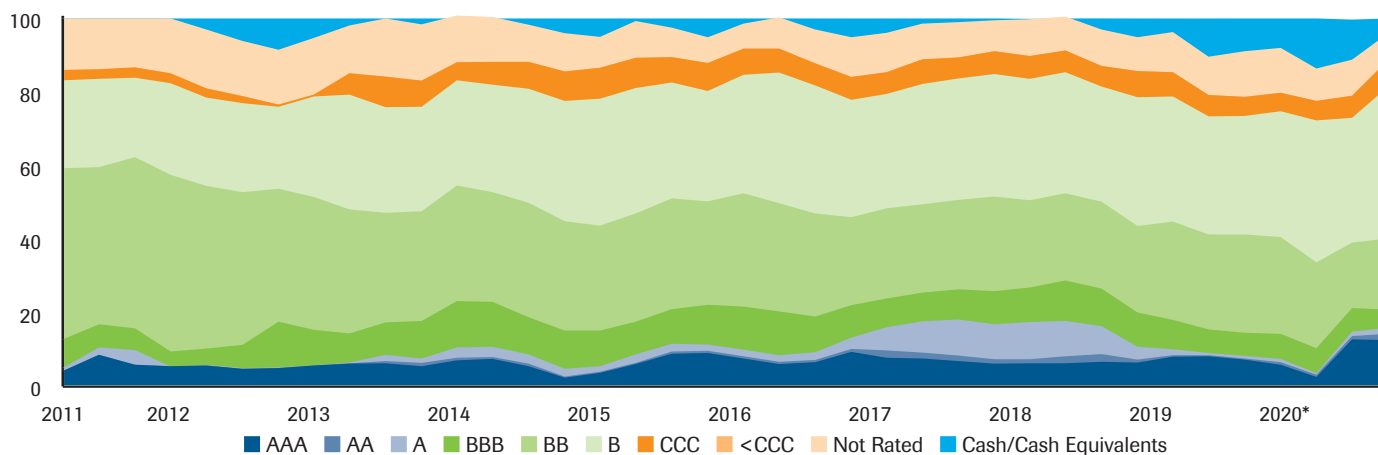
How we are positioned

Fund assets are allocated across three broad sectors: domestic non-investment-grade (leveraged loans and high-yield corporates); foreign fixed income (trade finance and loan/corporate); and domestic investment-grade (agency mortgage, asset-backed, and loan/corporate). Sector allocation and security selection are key drivers of performance relative to the fund's blended benchmark. The multi-sector approach enables fund management to position assets across a risk and return spectrum based upon valuation metrics, fundamental credit conditions and macroeconomic assessment.

As of the end of the fourth quarter of 2020, the fund maintained its meaningful overweight position to the domestic non-investment-grade sector. While leveraged-finance default percentages continued to climb during the quarter, it is fund management's view that the default rate may have peaked for the cycle. Fund management anticipates leveraged-finance markets could experience volatility in the short run, mainly due to the persistent risk associated with the spread of Covid-19 along with potential roadblocks with the vaccine rollout. Despite the potential for volatility and uncertain path to recovery, fund management believes that spreads and relative value proposition of the loan market as of the quarter-end adequately compensate the investor for these risks.

See disclosure section for important disclosures and definitions.

Historical credit quality (%)²



* As of 12/31/20

Portfolio composition is based on net assets at the close of business on the date indicated 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.

Risk statistics

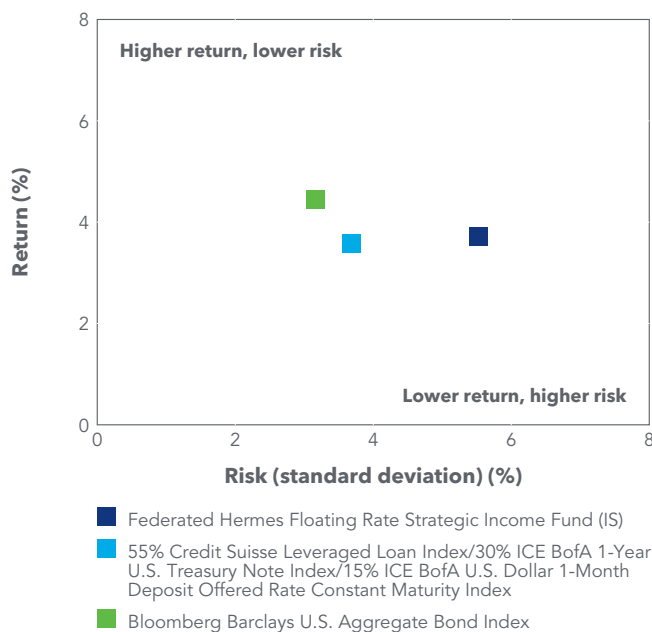
	3-year	5-year	7-year	10-year
Standard deviation	7.00	5.53	4.75	4.25
Correlation	1.00	0.99	0.99	0.99
R²	99.02	98.71	98.03	97.02
Sharpe ratio	0.13	0.45	0.45	0.65

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. 55% Credit Suisse Leveraged Loan Index/30% ICE BofA 1-Year U.S. Treasury Note Index/15% ICE BofA U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index

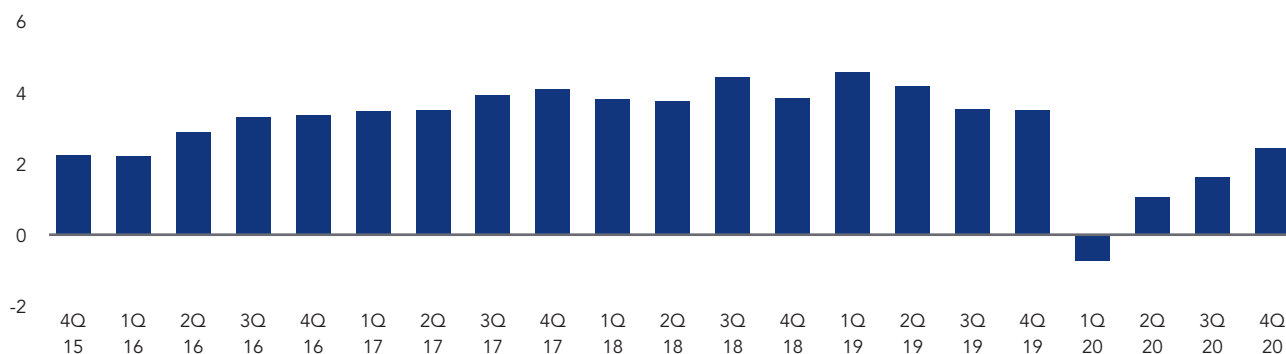
See disclosure section for important definitions.

5-year risk/return



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.

3-year rolling returns - IS (%)



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.

Category rankings

Morningstar Bank Loan Category

		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	82	72	71	57
	Morningstar Category Rank	190 of 245 funds	156 of 232 funds	-	-
IS Shares	Morningstar Category % Rank	80	71	69	56
	Morningstar Category Rank	185 of 245 funds	155 of 232 funds	134 of 207 funds	52 of 96 funds
A Shares	Morningstar Category % Rank	83	79	82	72
	Morningstar Category Rank	193 of 245 funds	176 of 232 funds	164 of 207 funds	-

Lipper Loan Participation Funds

		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	77	66	-	-
	Lipper Classification Rank	191 of 248 funds	152 of 230 funds	-	-
IS Shares	Lipper Classification % Rank	75	66	65	53
	Lipper Classification Rank	185 of 248 funds	151 of 230 funds	132 of 204 funds	51 of 96 funds
A Shares	Lipper Classification % Rank	78	75	79	-
	Lipper Classification Rank	194 of 248 funds	172 of 230 funds	161 of 204 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 Floating Rate Strategic Income Fund

As of June 29, 2020, the fund was renamed Federated Hermes Floating Rate Strategic Income Fund.

¹The breakdown does not give effect to the impact of derivative investments by the fund, including futures.

²The 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 3.22% for R6 Shares, 3.15% for Institutional Shares and 2.83% for A Shares.

The fund's R6 Shares commenced operations on December 27, 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 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 the fund's 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.

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

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.

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.

Variable and floating-rate loans securities generally are less sensitive to interest rate changes, but may decline in value if their interest rates do not rise as much or as quickly as interest rates in general. Conversely, variable and floating-rate loans and securities generally will not increase in value as much as fixed-rate debt instruments if interest rates decline.

In addition to the risks associated with debt instruments, such as credit, market, interest rate, liquidity and derivatives risks, bank loans are also subject to the risk that the value of the collateral securing a loan may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate.

Definitions

Correlation is the degree to which one variable (here, the fund's returns) fluctuates relative to another (the returns of the fund's benchmark). Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

R-squared indicates what percentage of a portfolio's movement in performance is explained by movement in performance of the market. R-squared ranges from 0 to 100, and a score of 100 suggests that all movements of a portfolio's performance are completely explained by movements in the market as measured by the fund's benchmark.

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.

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

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.

Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. Average values are computed over the Index for coupon, current yield, initial spread and price. The average coupon, current yield and initial spread are weighted by market value (amount outstanding multiplied by the price) at the end of the measurement period for each loan currently paying interest in the Index. Total return is computed for each loan, which is the percent change in the value of each loan during the measurement period. Total return is the sum of three components: principal, interest and reinvestment return.

ICE BofA 1-Year U.S. Treasury Note Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding two-year Treasury note that matures closest to, but not beyond, one year from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.

ICE BofA U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index is an independent calculation of the ICE BofA 1-Month London Interbank Offered Rate (LIBOR). The ICE BofA 1-Month LIBOR is a widely used benchmark for short term interest rates, providing an indication of the average rates at which LIBOR panel banks could obtain wholesale, unsecured funding for set periods in particular currencies.

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

Lipper Categories: Data Source: Lipper, A Reuters Company. Copyright 2021© Reuters. All rights reserved. Any copying, republication or redistribution of Lipper content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

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. ©2021 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.