

Federated Hermes Floating Rate Strategic Income Fund

6/30/20

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 BofAML 1-Year U.S. Treasury Note Index/15% ICE BofAML U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index

Morningstar category

Bank Loan

Lipper classification

Loan Participation Funds

Fund assets

\$634.5 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) 2.84
30-day yield (IS) 2.83
30-day yield (A) 2.56

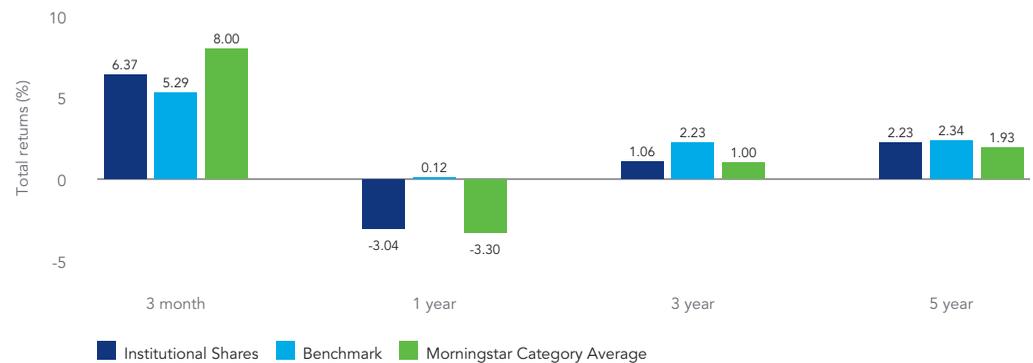
Fund description

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	Since inception	Expense ratio*	
							Before waivers	After waivers
R6 Shares	6.50	-5.15	-3.04	1.07	2.21	2.62	0.79	0.73
Institutional Shares	6.37	-5.15	-3.04	1.06	2.23	2.99	0.87	0.74
A Shares (NAV)	6.30	-5.27	-3.33	0.73	1.89	2.55	1.10	0.99
A Shares (MOP)	5.20	-6.23	-4.31	0.40	1.68	2.44	1.10	0.99
Benchmark	5.29	-1.79	0.12	2.23	2.34	-	-	-



Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Institutional Shares	6.69	0.35	3.53	7.80	1.05	1.38	4.30	6.64	2.09
Benchmark	5.71	1.51	2.66	5.66	-0.13	1.21	3.45	5.21	1.23
Morningstar Category Average	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 6/1/21 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

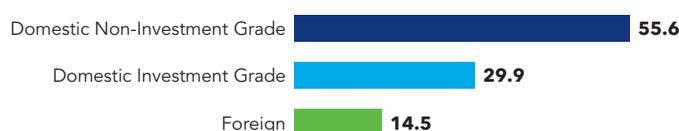
Portfolio statistics

Weighted average effective duration	1.2 Yrs.
Weighted average bond price	\$93.86
Number of securities	469

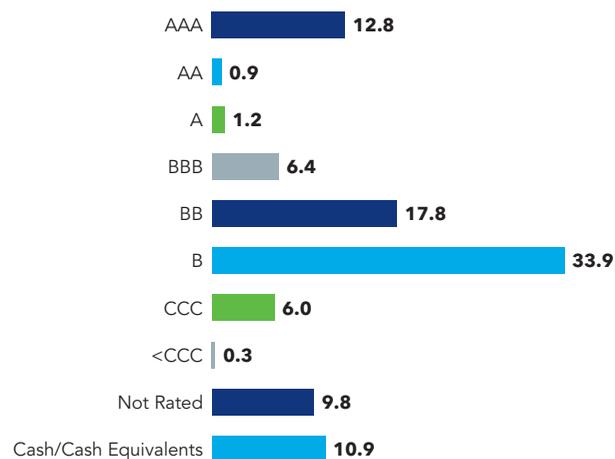
Top holdings (%)

FHLMC 4911 FB, 9/25/2049	2.3
SPDR Blackstone/ GSO Senior LN ETF	1.9
FNMA 2020-36 FH, 6/25/2050	1.6
Invesco Senior Loan ETF	1.6
FNMA 2019-59 FA, 10/25/2049	0.9
FNMA 2018-35 FA, 5/25/2048	0.8
FNMA 2019-24 BF, 5/25/2049	0.8
FNMA 2020-27 FD, 5/25/2050	0.8
Sedgwick, Inc., Term Loan B - 1st Lien, 12/31/2025	0.8
Stratus CLO, Ltd. 2020-1A, A, 05/01/2028	0.8
Total % of Portfolio	12.3

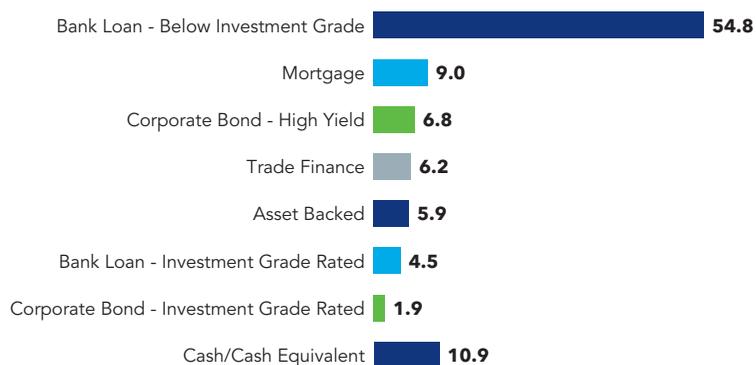
Sector weightings¹ (%)



Quality breakdown^{1,2} (%)



Asset distribution¹ (%)



Portfolio composition is based on net assets at the close of business on 6/30/20 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.

Investment review

Market overview

The U.S. institutional leveraged-loan market reversed course and generated a strong total return for the second quarter of 2020. For example, the total return on the Credit Suisse Leveraged Loan Index (CSLLI) was 9.71% for the quarter. Loan risk spreads, as measured by the discount margin (3-year), recaptured some of the lost ground by tightening to 7.00% by the end of June, compared to 9.74% at the beginning of the quarter.

During the quarter, there were three key drivers that fueled strong leveraged-loan returns in the U.S. First, with risk spreads approaching 1,000 basis points, the loan market offered an attractive valuation level for institutional credit investors with higher risk tolerance and longer holding time horizons. In short, leveraged-loan risk spreads more than compensated for the elevated corporate default risk in the views of many credit-oriented investors. Second, credit markets in general were broadly supported by a wave of new and existing liquidity backstops from governmental and private sources that were activated during the quarter. Specifically, massive monetary and fiscal stimulus, culminating in Fed programs to purchase bonds and exchange-traded funds (ETFs), offered valuation and trading liquidity support. Secondly, well-capitalized U.S. commercial banks and non-traditional credit investors flush with cash offered more valuation support to credit markets, further benefitting the leveraged-loan market. Finally, coronavirus “green shoots” appeared, lending hope that the worst of the health and economic impact had already been endured. While virus cases began to accelerate in certain areas near the end of the quarter, and certain states either halted or reversed reopening timelines, the severity impact of the cases appeared to be more limited.

Technical conditions in the U.S. leveraged-loan market were more balanced during the quarter. While loan funds and ETFs experienced moderate outflows, demand for loans increased from collateralized loan obligation (CLO) warehouses, credit arms of institutional managers and multi-asset allocation portfolios.

Performance

Federated Hermes Floating Rate Strategic Income Fund Institutional Shares returned 6.37% at net asset value for the quarter ending June 30, 2020. That compares with its higher quality blended benchmark of 55% CSLLI; 30% 1-year U.S. Treasury Note Index and 15% One-Month Deposit Rate, which returned 5.29% during the same period.

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. The core loan portfolio sleeve of the Fund underperformed the CSLLI. This was primarily due to the strong outperformance of the lowest quality tiers of the index versus higher quality tiers.

Fund returns in both the foreign and domestic investment-grade (IG) sectors outperformed the respective components of the blended benchmark. The trade finance portfolio generated a positive return, contributing to the fund's overall outperformance during the quarter.

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How we are positioned

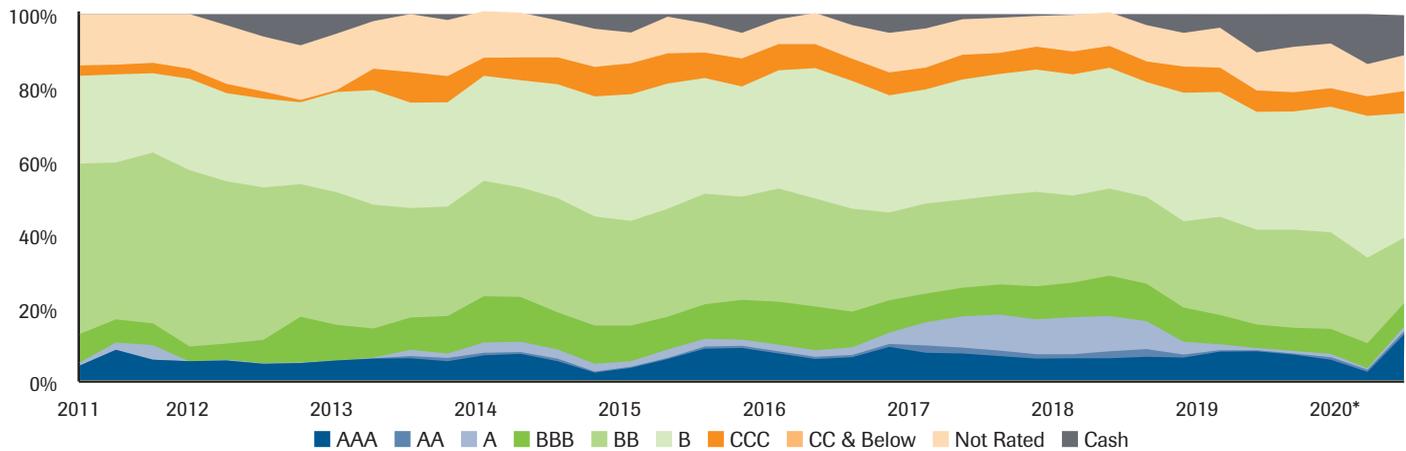
Fund assets are allocated across three broad sectors: domestic non-IG (leveraged loans and high-yield corporates); foreign fixed income (trade finance and loan/corporate); and domestic IG (agency mortgage, asset-backed and loan/corporate). Sector allocation and security selection are key drivers of performance 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 second quarter of 2020, the fund maintained a modest overweight position to the domestic non-IG sector relative to the blended benchmark mix despite economic uncertainty and difficult fundamental credit conditions. As we approach the second quarter “earnings season” for corporate borrowers, there certainly will be a reminder that companies across a variety of sectors are experiencing an immensely challenging operating environment. Defaults in the leveraged-loan market moved higher during the quarter, and we anticipate that more are lurking on the horizon. As of quarter end, risk markets were focused on the potential for more coronavirus waves and strength of an economic recovery. Despite expectation of further volatility, fund management believes that loan market valuation levels compensate the investor for the economic uncertainty and associated credit risks.

As of quarter-end, fund management continued to broadly diversify holdings across sectors and securities with varying degrees of risk profiles. This diversified approach provided plenty of liquidity options as investors navigated in a choppy environment. This disciplined and consistent multi-sector approach continued to be the guiding theme as of quarter-end.

See disclosure section for important disclosures and definitions.

Historical credit quality²



* As of 6/30/20

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Risk statistics

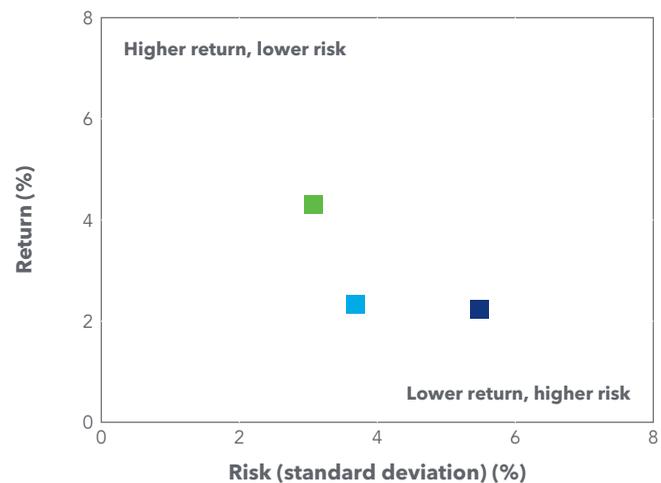
	3 year	5 year	7 year	10 year
Standard deviation	6.86	5.48	4.69	-
Correlation	1.00	0.99	0.99	-
R²	99.04	98.49	98.06	-
Sharpe ratio	-0.09	0.19	0.36	-

Sources: Federated Hermes, Morningstar, Inc.

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

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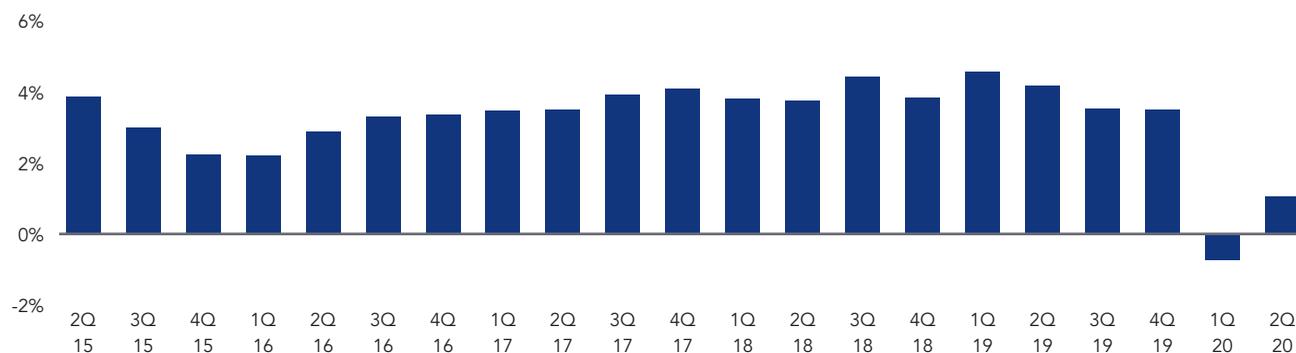
5 year risk/return



- Federated Hermes Floating Rate Strategic Income Fund (IS)
- 55% Credit Suisse Leveraged Loan Index/30% ICE BofAML 1-Year U.S. Treasury Note Index/15% ICE BofAML U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index
- Bloomberg Barclays U.S. Aggregate Bond Index

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3 year rolling returns (IS)



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Category rankings

Morningstar Bank Loan Category

		1 year	3 year	5 year
R6 Shares	Morningstar Category % Rank	57	56	39
	Morningstar Category Rank	117 of 247 Funds	113 of 225 Funds	-
IS Shares	Morningstar Category % Rank	58	56	39
	Morningstar Category Rank	118 of 247 Funds	115 of 225 Funds	73 of 203 Funds
A Shares	Morningstar Category % Rank	65	70	61
	Morningstar Category Rank	140 of 247 Funds	146 of 225 Funds	112 of 203 Funds

Lipper Loan Participation Funds

		1 year	3 year	5 year
R6 Shares	Lipper Classification % Rank	48	50	-
	Lipper Classification Rank	118 of 250 Funds	111 of 224 Funds	-
IS Shares	Lipper Classification % Rank	48	52	36
	Lipper Classification Rank	118 of 250 Funds	115 of 224 Funds	72 of 200 Funds
A Shares	Lipper Classification % Rank	56	64	55
	Lipper Classification Rank	139 of 250 Funds	144 of 224 Funds	110 of 200 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.

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 2.76% for R6 Shares, 2.65% for Institutional Shares, and 2.43% for A Shares.

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.

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

ICE BofAML 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 BofAML U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index is an independent calculation of the ICE BofAML 1-Month London Interbank Offered Rate (LIBOR). The ICE BofAML 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.

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.

Indexes are unmanaged and cannot be invested in directly.

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 family of funds may not be comparable to other funds outside of the Federated family of funds. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Ratings and rating agencies

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