

Federated Hermes Muni and Stock Advantage Fund

6/30/20

Fund facts

Performance inception date

9/26/03

Benchmark

40% Russell 1000® Value Index/60% S&P Municipal Bond Index

Morningstar category

Allocation - 30% to 50% Equity

Lipper classification

Mixed-Asset Target Allocation Conservative Funds

Fund assets

\$1.4 billion

Ticker symbols

Institutional Shares - FMUIX

A Shares - FMUAX

C Shares - FMUCX

F Shares - FMUFX

Key investment team

Linda Bakhshian, CPA, CA

R.J. Gallo, CFA®

Ann Ferentino, CFA®

Yields (%)

30-day yield (IS)	1.49
30-day yield (A)	1.18
12-month yield (IS)	2.79
12-month yield (A)	2.53

Fund description

The fund seeks to provide tax-advantaged income, with a secondary objective of capital appreciation, by investing in a diversified portfolio of tax-exempt municipal bonds and dividend-paying stocks.

Average annual total returns (%)

Performance shown is before tax.

	3 month	YTD	1 year	3 year	5 year	10 year	15 year	Since inception	Expense ratio*	
									Before waivers	After waivers
Institutional Shares	8.75	-3.25	1.27	3.81	4.55	6.40	4.80	5.22	0.83	0.75
A Shares (NAV)	8.68	-3.30	1.09	3.58	4.31	6.16	4.72	5.31	1.08	1.00
A Shares (MOP)	2.72	-8.60	-4.48	1.64	3.13	5.56	4.33	4.96	1.08	1.00
Benchmark	7.29	-5.18	-0.55	3.56	4.52	6.97	5.35	-	-	-



After tax average annual total returns (%)

	Net Asset Value					Maximum Offering Price				
	Cumulative 3 month	1 year	5 year	10 year	Since inception	Cumulative 3 month	1 year	5 year	10 year	Since inception
Return After Taxes on Distributions										
IS	8.49	0.60	3.90	5.87	4.80	-	-	-	-	-
A	8.44	0.49	3.69	5.66	4.90	2.50	-5.05	2.52	5.06	4.55
Return After Taxes on Distributions and Sale of Fund Shares										
IS	5.18	1.22	3.74	5.44	4.60	-	-	-	-	-
A	5.13	1.07	3.52	5.22	4.67	1.61	-2.25	2.59	4.71	4.35

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 5.5% 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 1/1/21 or the date of the fund's next effective prospectus.



Distinguishing characteristics

Tax-Advantaged Income	Combination of tax-free munis and qualified dividend stocks in a single portfolio	Potential for relatively high, tax-advantaged monthly income and dividend growth as inflation protection
Differentiated Portfolio	At least 50% in municipal bonds and diversified across all S&P 500 sectors	Broad diversification driven by low correlation between equity and muni asset classes
Long-Term Potential	Experienced team of managers seeking to provide tax-advantaged income in various market cycles	Potential for lower volatility than a typical equity fund and higher capital appreciation than a typical bond fund

Portfolio statistics

Weighted average effective maturity	6.5 Yrs.
Weighted average stated maturity	16.8 Yrs.
Weighted average effective duration	7.2 Yrs.
Weighted average modified duration	5.1 Yrs.
Weighted Average Market Cap	\$331.7 b

Top holdings (%)

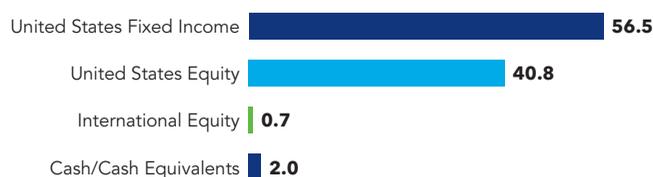
Equity Portfolio

Microsoft Corporation	2.2
Apple Inc.	1.8
Amazon.com, Inc.	1.4

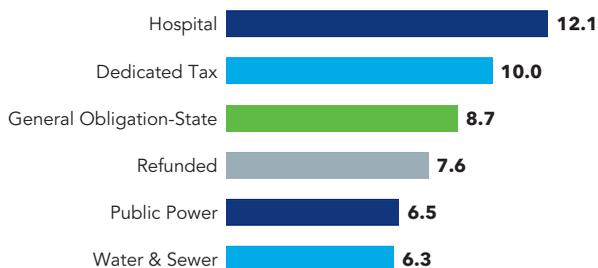
Fixed-Income Portfolio

New York State Dormitory Authority, (Columbia University), Revenue Bonds (Series 2018A), 5.000%, 10/1/2048	0.9
Massachusetts Development Finance Agency, (Harvard University), Revenue Refunding Bonds (Series 2016A), 5.000%, 7/15/2040	0.7
Minnesota State, Various Purpose Refunding UT GO Bonds (Series 2016D), 5.000%, 8/1/2025	0.7

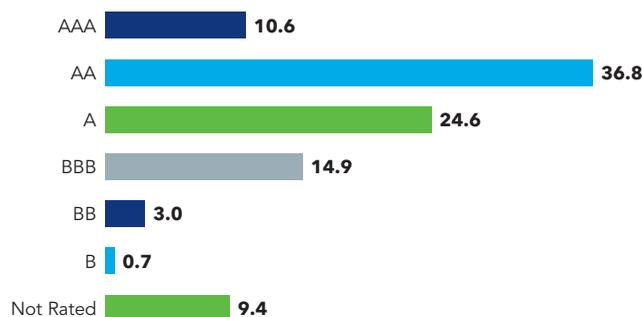
Portfolio composition (%)



Sector weightings (%) - equity



Quality breakdown¹ (%)



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.

Highlights

- Equities had their best quarter in more than 20 years as Covid-related economic fears began to dissipate and the economy started to reopen
- Support from the Federal Reserve (Fed) and Congress acted as an economic bridge loan
- The equity portion of the fund outperformed its benchmark (Russell 1000 Value), driven by stock selection in Information Technology, Health Care, and Financials

Looking back

After returning -19.6% in the year's first three months, the worst quarter since the global financial crisis, the S&P 500 Index bounced back with a 20.5% return for its best quarter since 1998. Covid-19 dominated the headlines, but the market began to look through to the other side of the crisis. Investor sentiment changed thanks to an accommodative central bank, fiscal stimulus from the government for both individuals and businesses, and the reopening of the economy toward the latter half of the quarter. Favorable valuations and a positive trend in economic data led investors back into equities, with growth stocks continuing their leadership position.

The municipal bond market responded favorably to the slowing of new U.S. Covid-19 cases during the first two months of the quarter, the implementation of extensive fiscal and monetary policy programs to stimulate the economy and the gradual reopening of economic activity in many states. Municipal bonds traded early in the quarter at yields that were about 2 to 5 times higher than comparable maturity Treasury securities, attracting strong demand from institutional and retail investors, including large flows into municipal bond mutual funds. Municipal Market Data (MMD) 2-, 10- and 30-year yields decreased by 79, 43 and 39 basis points, respectively during the quarter. In contrast, Treasury yields remained in narrow ranges for most of the quarter, reflecting the Fed's apparent commitment to keep short-term rates near zero for a number of years as well as inflation's decline from the Covid-fed economic shock. Yields on 2- and 10-year Treasury securities decreased by 10 and one basis point, respectively, while the yield on the 30-year Treasury increased 9 basis points over the quarter.

During the quarter, the S&P 500 Index returned 20.54%, the Russell 1000 Value Index returned 14.29% and the Russell 1000 Growth returned 27.84%. Cyclical equities outperformed defensive and equities significantly outperformed Treasuries. The S&P Municipal Bond Index posted a return of 2.57% for the quarter, with the 3-year component returning 2.28%, the 10-year component returning 2.82% and the portion of the index maturing in 22 years and longer returning 3.22%. AAA-, AA-, A- and BBB-rated components of the index returned 2.64%, 2.36%, 2.30% and 2.79%, respectively. The S&P High Yield Municipal Bond Index posted a return of 4.73%.

Performance

Federated Hermes Muni & Stock Advantage Fund A Shares returned 8.68% at net asset value for the second quarter of 2020, outperforming 7.29% return of the fund's benchmark comprising of 40% Russell 1000 Value Index and 60% S&P Municipal Bond Index.

The fund's bond portfolio outperformed the S&P Municipal Bond index. The portfolio's long duration relative to the index accounted for much of the outperformance, followed by an overweight allocation to BBB-rated and lower quality bonds which outperformed.

Performance contributors

- Stock selection in the Information Technology, Health Care and Financials sectors
- Relative overweight positions in the Consumer Discretionary and Information Technology sectors
- Sector allocation among muni credit sectors

Performance detractors

- Stock selection in the Energy and Utilities sectors
- A relative underweight in the Energy and Materials sectors
- Security selection in the bond portfolio

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How we are positioned

As we enter the second half of the year, Covid-19 is still dominating the headlines. Even as the global economy has begun to reopen, fear of a second wave continues as countries, states and regions grapple with virus hot spots, potentially causing some backsliding in economic activity in the coming months and quarters. While there have been positive headlines from the scientific community around vaccine developments and experimental therapies, more progress is needed before the economy and the world return to a new normal.

We expect volatility in the equity and fixed income markets to continue in the second half, not just on virus worries but also on the fast-approaching 2020 presidential election. A Democratic Party sweep of the White House and Congress potentially could have implications for the stock market as prospects rise for various tax increases and increased regulations. This is balanced against investor optimism over continued central bank accommodation and additional government stimulus.

The second-quarter earnings season is almost certain to be unpredictable, as roughly 40% of S&P 500 companies have withdrawn guidance. We expect managements to remain cautious in the near term. Our bias is toward higher quality companies with strong credit, cash flows and balance sheets, coupled with value cyclical sectors as we believe these companies have been unduly punished and are likely to emerge stronger out of the current environment. We remain broadly diversified within equity market sectors, with a prudent approach to balancing income, risk and long-term total return.

Muni strategy integrates views on both interest rate and credit cycles. We attempt to add incremental return through active management of duration and credit risk, allocation among credit sectors, positioning on the yield curve and bond selection. The fund remains focused on intermediate and long-term securities and the tactical use of mid-to-lower credit quality bonds to enhance income and total return.

See disclosure section for important disclosures and definitions.

Risk statistics

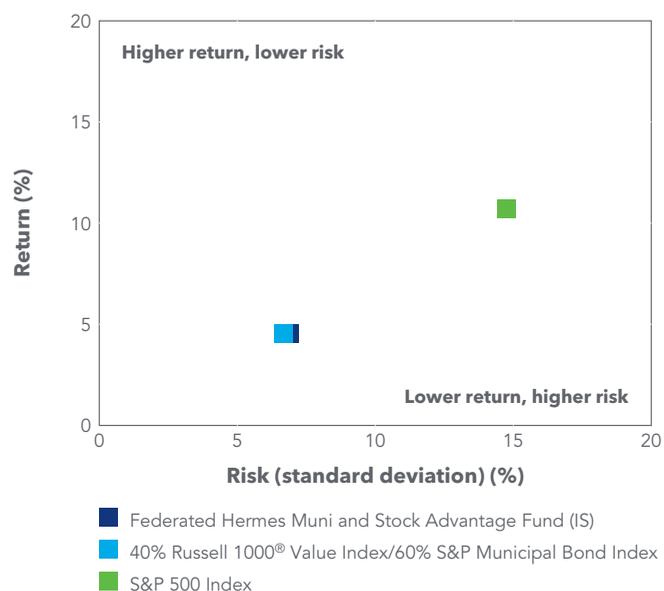
	3 year	5 year	7 year	10 year
Standard deviation	8.23	6.91	6.40	6.11
Alpha	-2.17	-0.89	-0.91	0.69
Beta	0.46	0.44	0.43	0.38
Correlation	0.94	0.93	0.91	0.83
R²	89.16	86.63	82.11	69.19

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. S&P 500 Index

See disclosure section for important definitions.

5 year risk/return



History of a high level of tax-adjusted income



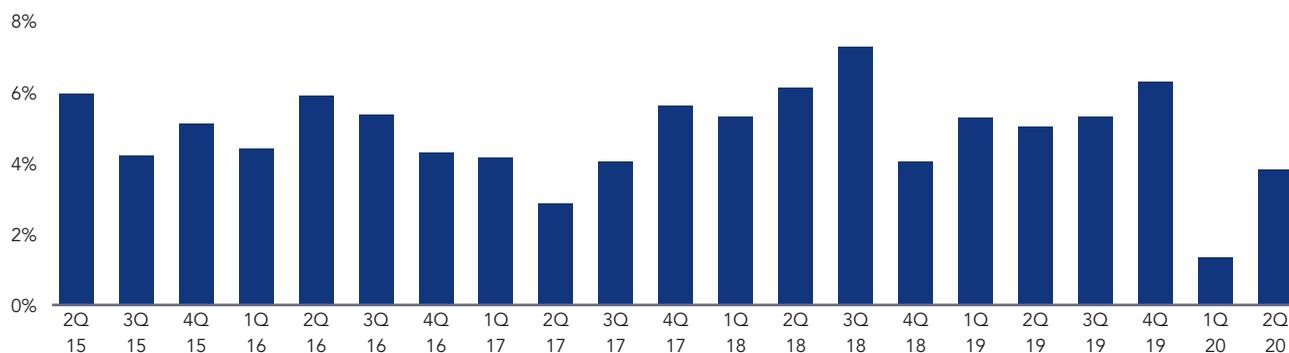
The calculation assumes a 40.8% tax rate (for 2019 and 2018) and 43.4% (for 2017, 2016, and 2015) for the muni portion; the equity portion was not tax adjusted. The tax equivalent yield assumes the highest marginal tax rate.

Source: Federated Hermes, Inc.

The 12-month distribution yield is calculated by adding up the trailing 12-month's income distributions from a fund and dividing by the last month's ending NAV (plus any capital gains distributed). This provides a historical view of actual dividends that were paid, but may not accurately represent the future.

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3 year rolling returns (IS)



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Category rankings

Morningstar Allocation - 30% to 50% Equity Category

		1 year	3 year	5 year	10 year
IS Shares	Morningstar Category % Rank	65	57	38	33
	Morningstar Category Rank	342 of 552 Funds	288 of 511 Funds	157 of 427 Funds	-
A Shares	Morningstar Category % Rank	66	62	45	45
	Morningstar Category Rank	344 of 552 Funds	315 of 511 Funds	190 of 427 Funds	119 of 277 Funds

Lipper Mixed-Asset Target Allocation Conservative Funds

		1 year	3 year	5 year	10 year
IS Shares	Lipper Classification % Rank	76	52	21	-
	Lipper Classification Rank	235 of 312 Funds	153 of 298 Funds	55 of 267 Funds	-
A Shares	Lipper Classification % Rank	74	57	27	20
	Lipper Classification Rank	230 of 312 Funds	169 of 298 Funds	70 of 267 Funds	37 of 188 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 Muni and Stock Advantage Fund

As of June 29, 2020, the fund was renamed Federated Hermes Muni and Stock Advantage Fund.

¹The 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 1.10% for A Shares and 1.41% for IS Shares. Yields for other classes will vary. The 12-month yield is 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.

As indicated in its name, Federated Hermes Muni and Stock Advantage Fund invests in both municipal (muni) securities and equity securities (stock) as described in the fund's prospectus. Thus, the fund is not entirely a "tax-exempt" or "municipal" fund, and a portion of the income derived from the fund's portfolio (or dividend distributions) will be subject to federal income tax and state and local personal income tax.

The fund's Institutional Shares commenced operations on December 29, 2010. 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.

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. 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.

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.

Fund income may be subject to state and local taxes. Although this fund pursues tax-advantaged income and seeks to invest primarily in securities whose interest is not subject to the federal alternative minimum tax, there are no assurances that it will achieve these goals.

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.

Definitions

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. The R1000V is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Russell 1000® Value Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

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.

S&P Municipal Bond Index is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market. The index includes bonds of all quality—from "AAA" to non-rated, including defaulted bonds—from all sectors of the municipal bond market.

Indexes are unmanaged and cannot be invested in directly.

After-tax returns are calculated using a standard set of assumptions. Actual after-tax returns depend on each investor's personal tax situation, and are likely to differ from those shown. The stated returns assume the highest historical federal income and capital gains tax rates, but do not reflect the effect of any applicable state and local taxes. Return After Taxes on Distributions assumes a continued investment in the fund and shows the effect of taxes on fund distributions. Return After Taxes on Distribution and Sale of Fund Shares assumes all shares were redeemed at the end of each measurement period, and shows the effect of any taxable gain (or offsetting loss) on redemption, as well as the effects of taxes on fund distributions. After-tax returns are not relevant to investors holding shares through tax-deferred programs, such as IRA, 401(k) plans. The after-tax average annual returns are based on the 37% tax bracket and include the 3.8% tax on net investment income.

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.

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.

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 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 Market Capitalization is calculated as the average market capitalization of the stocks within the portfolio, weighted by the amount of each stock owned.

Weighted Average Modified Duration (sometimes called "Weighted Average Duration" or "Duration to Worst") is a measure of a security's price sensitivity to changes in interest rates calculated by assuming that a callable bond will be redeemed on the appropriate call date if the bond is priced to a call date or at maturity if priced to maturity. A fund's weighted average duration will equal the market value weighted average of each bond's weighted average duration in the fund's portfolio. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Weighted Average Stated Maturity is the stated term or maturity of each portfolio security, multiplied by each such security's market value, divided by the total market value of the fund. The stated term or maturity of a portfolio security is the period remaining until such security's stated maturity date, determined without taking into account the ability of a security to be called at the option of the issuer and by taking into account the ability to put the security at the option of the holder.

Ratings and rating agencies

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