

Federated Hermes Muni and Stock Advantage Fund

12/31/22

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

Michael Jura

Yields (%)

30-day yield (IS) 2.47

30-day yield (A) 2.09

12-month yield (IS) 2.51

12-month yield (A) 2.25

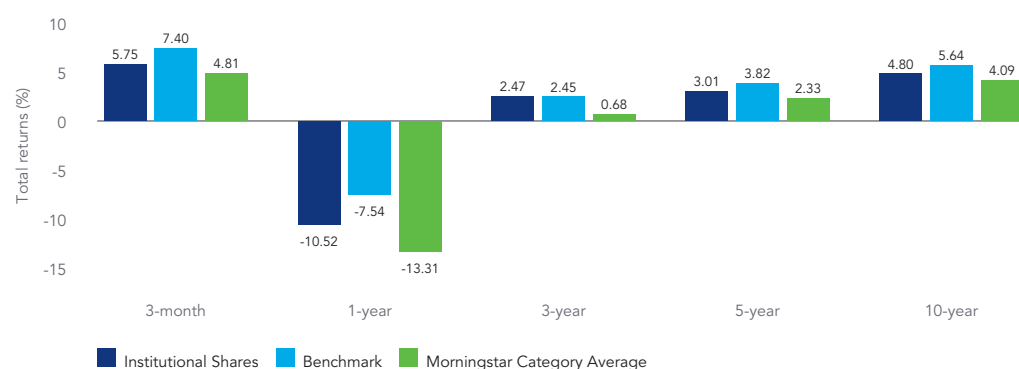
Fund description

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	Since inception	Expense ratio*	
								Before waivers	After waivers
Institutional Shares	5.75	-10.52	-10.52	2.47	3.01	4.80	5.11	0.83	0.75
A Shares (NAV)	5.68	-10.68	-10.68	2.24	2.77	4.54	5.15	1.08	1.00
A Shares (MOP)	-0.14	-15.58	-15.58	0.33	1.62	3.96	4.84	1.08	1.00
Benchmark	7.40	-7.54	-7.54	2.45	3.82	5.64	-	-	-



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	5.35	-11.41	2.21	4.19	4.66	-	-	-	-	-
A	5.31	-11.48	2.01	3.97	4.72	-0.49	-16.33	0.86	3.39	4.41
Return after taxes on distributions and sale of fund shares										
IS	3.40	-6.22	2.45	4.00	4.48	-	-	-	-	-
A	3.36	-6.32	2.25	3.78	4.51	-0.08	-9.22	1.35	3.29	4.24

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 1/1/24 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	10.5 yrs.
Weighted average stated maturity	17.9 yrs.
Weighted average effective duration	8.5 yrs.
Weighted average modified duration	7.0 yrs.
Weighted average market cap	\$332.4 b

Top holdings (%)

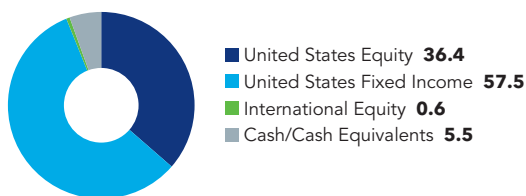
Equity portfolio

MICROSOFT CORP	1.4
Johnson & Johnson	1.3
Apple Inc.	1.2
Exxon Mobil Corporation	1.0
NextEra Energy Inc.	1.0

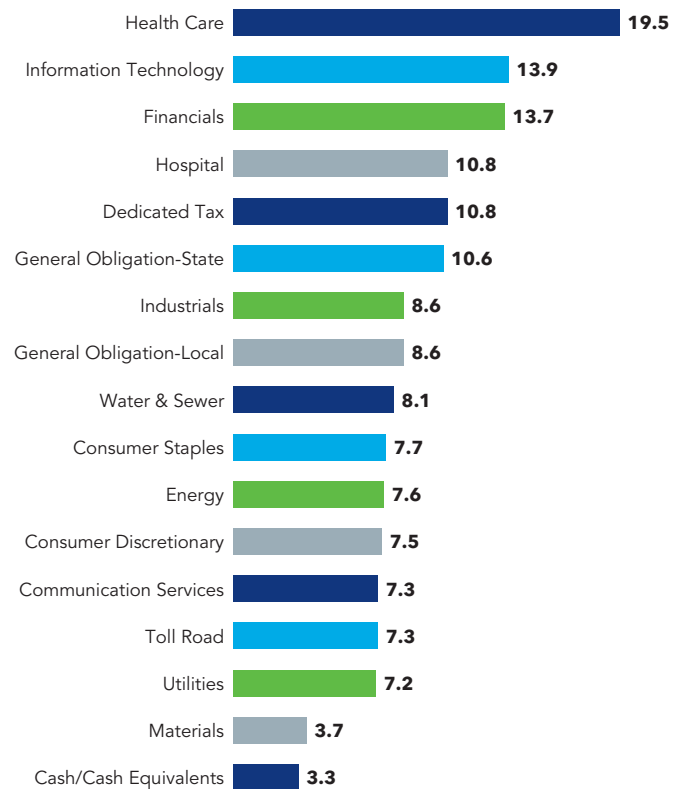
Fixed-Income portfolio

Puerto Rico Sales Tax Financing Corp., Restructured Sales Tax Bonds (Series 2019A), 5.000%, 07/01/2058	0.8
Denver, CO City & County, UT GO Bonds (Series 2022A), 5.000%, 08/01/2039	0.6
New York City, NY, UT GO Bonds (Series 2018B-1), 5.000%, 10/1/2039	0.6
Tampa, FL, (Tampa, FL Water and Wastewater Systems), Water and Wastewater Revenue Bonds (Series 2022A), 5.000%, 10/01/2047	0.6
Virginia College Building Authority, Revenue Bonds (Series 2018A), 5.000%, 09/01/2031	0.6

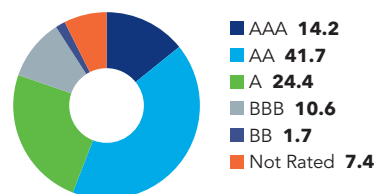
Portfolio composition (%)



Top sector weightings (%) - Equity



Quality breakdown¹ (%)



Portfolio composition is based on net assets at the close of business on 12/31/22 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

- The broad equity market as measured by the S&P 500 returned 7.56% for the quarter
- Value outperformed growth across capitalizations (large, mid and small)
- The equity portion of the fund underperformed its benchmark (Russell 1000 Value), largely on stock selection in the Consumer Discretionary and Industrials sectors and an allocation to cash

Looking back

The fourth quarter started with a risk-on move on expectations that the Federal Reserve (Fed) and other central banks may soon slow their aggressive rate-hike pace. Positioning, extreme bearish sentiment, late fall seasonality and third-quarter earnings and guidance that held up better than expected also helped drive equity markets higher. The rally partially reversed in December as a hawkish Fed doused hopes for an early end to monetary tightening, indicating through public statements and its December meeting that rates may remain elevated for the foreseeable future. But stocks still closed up on the quarter. The S&P 500 Index returned 7.56%, and large value stocks outperforming large growth stocks and other market caps and styles, with the Russell 1000 Value returning 12.42% and the Russell 1000 Growth returning 2.20%. Cyclical stocks generally outperformed defensive stocks, led by the Energy, Industrials and Materials sectors.

In fixed income, bonds got off to a rough start on inflation and Fed worries, sending Treasury and municipal yields to their highest levels since at least 2013. However, bigger-than-expected slowdowns in October and November inflation Treasury and municipal bond yields off their peak levels, and investor demand for municipals increased amid signs of decelerating inflation. With municipal issuance also dropping, municipal bond yields sharply outperformed Treasuries in the quarter. AAA-rated Bloomberg Evaluation 2-year, 10-year and 30-year municipal yields declined 39, 62 and 31 basis points, respectively, while yields on 2-year, 10-year and 30-year Treasury securities conversely edged up by 15, 5 and 19 basis points, respectively.

For the quarter, the S&P Municipal Bond Index returned 3.91%, with the 3-year component returning 2.19%, the 10-year component returning 4.70% and the portion of the index maturing in 22 years and longer returning 5.19%. The S&P Intermediate Municipal Bond Index returned 4.06%. The S&P Municipal Bond A-Rated Index returned 3.82%, the BBB Rated Index returned 3.93% and the S&P High Yield Municipal Bond Index returned 3.33%. Elsewhere, the broad Bloomberg US Aggregate Bond Index returned 1.87%, its first positive quarter for the year.

Performance

Federated Hermes Muni & Stock Advantage Fund Institutional Shares returned 5.75% in the fourth quarter of 2022, underperforming the 7.40% return of the fund's blended benchmark of 40% Russell 1000 Value Index and 60% S&P Municipal Bond Index.

The fund's bond portfolio underperformed the S&P Municipal Bond index. By design, the fund has a heavier concentration in mid to lower quality credit and has a longer duration relative to the S&P Municipal Bond Index, which contributed to the underperformance.

Performance contributors

- No allocation to Real Estate (per product design) and an overweight in Health Care
- Stock selection in Health Care, Financials, and Energy
- Duration, primarily positioning across the yield curve. Sector allocation with an overweight to Higher Education and Tobacco Settlement bonds and an underweight to Housing bonds

Performance detractors

- Having an allocation to cash, an overweight in Information Technology, and an underweight in Energy
- Stock selection in Consumer Discretionary, Industrials, and Materials
- Underweight to higher quality AAA and AA rated securities and an overweight to A, BBB and non-investment grade rated securities. Sector allocation with an underweight to Local GO and an overweight to Senior Care bonds

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How we are positioned

As we start 2023, we expect continued market volatility due to uncertainty about Fed policy, inflation, the delayed impact of past rate hikes, China reopening, geopolitical issues in Europe and challenges to corporate earnings/guidance. Our base case continues to be a rocky landing and our positioning is in line with that scenario, with a tilt towards value equities. We favor higher quality companies and are starting to allocate some capital to early-cycle companies with favorable valuations, strong balance sheets and low volatility in their income stream. We have conviction in Health Care and Consumer Staples as we expect these companies to maintain margins and earnings, and the equity component of the fund is positioned with a diversified portfolio of value and predominantly income-paying securities with favorable relative valuations, free cash flows, strong balance sheets and improving business fundamentals.

Bond strategy integrates views on both interest rate and credit cycles. The bond portfolio managers 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. Bond portfolio managers also strive to balance the fund's primary objective of tax-advantaged income and secondary objective of total return. 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

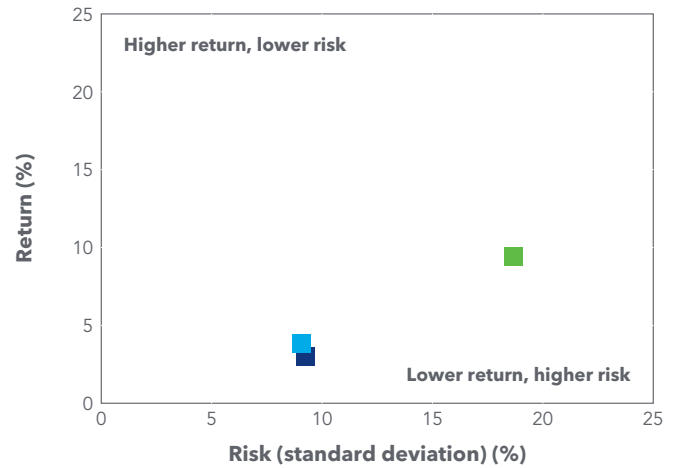
	3-year	5-year	7-year	10-year
Standard deviation	10.85	9.27	8.04	7.32
Alpha	-2.06	-2.37	-1.39	-1.39
Beta	0.48	0.47	0.46	0.46
Correlation	0.94	0.95	0.94	0.92
R²	88.81	89.63	87.67	84.09

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. S&P 500® Index

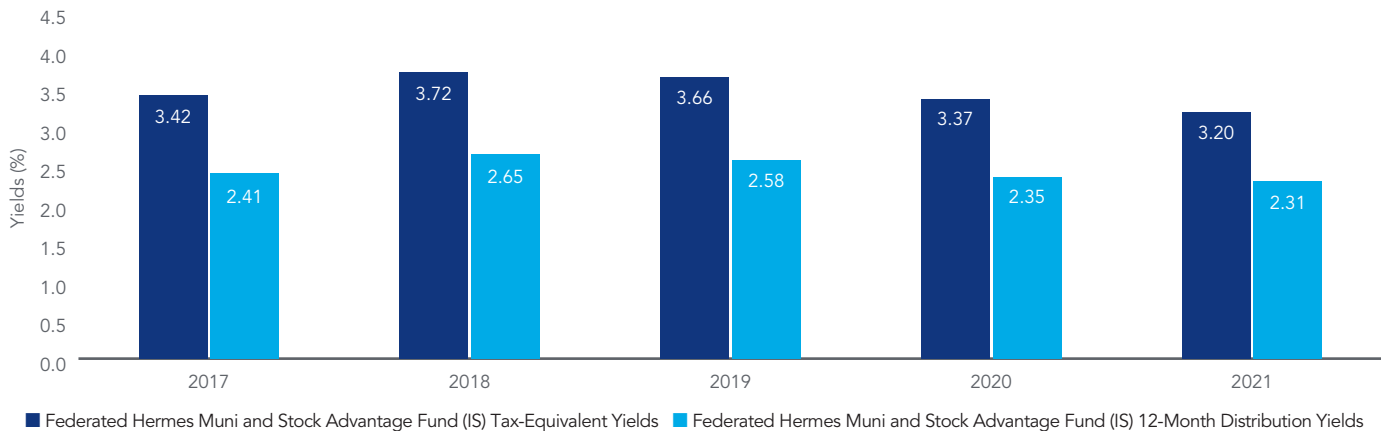
See disclosure section for important definitions.

5-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Muni and Stock Advantage Fund (IS)	9.27	3.01
■ 40% Russell 1000® Value Index/60% S&P Municipal Bond Index	9.05	3.82
■ S&P 500® Index	18.69	9.42

History of a high level of tax-adjusted income



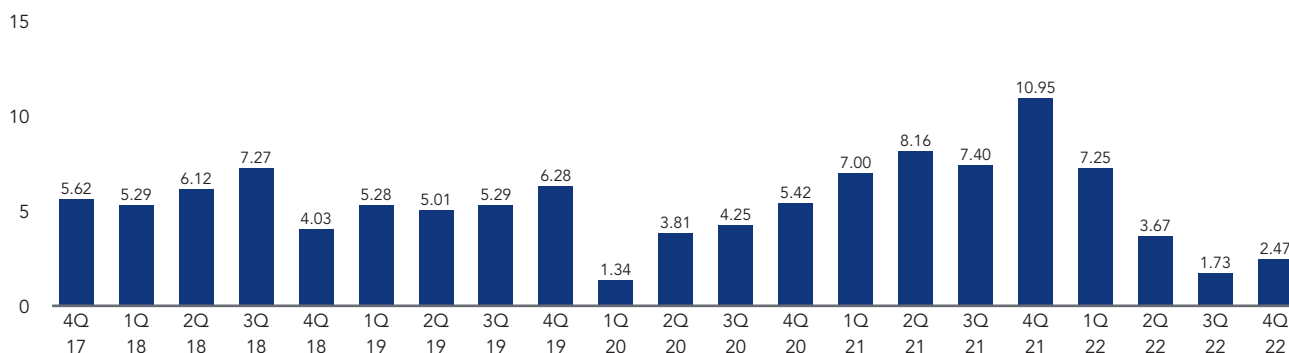
The calculation assumes a 40.8% tax rate (for 2021-2018) and 43.4% (for 2017) for the muni portion; the equity portion was not tax adjusted. The tax equivalent yield assumes the highest marginal tax rate.

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	17	9	25	19
	Morningstar Category Rank	102 of 465 funds	51 of 431 funds	109 of 404 funds	65 of 296 funds
A Shares	Morningstar Category % Rank	18	13	34	26
	Morningstar Category Rank	107 of 465 funds	63 of 431 funds	142 of 404 funds	83 of 296 funds

Lipper Mixed-Asset Target Allocation Conservative Funds		1-year	3-year	5-year	10-year
IS Shares	Lipper Classification % Rank	16	2	8	5
	Lipper Classification Rank	49 of 321 funds	3 of 298 funds	21 of 285 funds	9 of 215 funds
A Shares	Lipper Classification % Rank	17	3	14	7
	Lipper Classification Rank	52 of 321 funds	6 of 298 funds	38 of 285 funds	14 of 215 funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

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 2.01% for A Shares and 2.39% 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 most distributions will be subject to applicable 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.

Federated Hermes Muni and Stock Advantage Fund

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

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.

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.

Ratings and rating agencies

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