

Federated Hermes Strategic Income Fund

12/31/22

Fund facts

Performance inception date

5/4/94

Benchmark 1

Bloomberg US Aggregate Bond Index

Benchmark 2

35% Bloomberg US Mortgage Backed Securities Index/40% Bloomberg US Corporate High Yield 2% Issuer Capped Index/25% Bloomberg Emerging Markets Seasoned ex Aggregate/Eurodollar Index

Morningstar category

Multisector Bond

Lipper classification

Multi-Sector Income Funds

Fund assets

\$768.1 million

Ticker symbols

R6 Shares - STILX

Institutional Shares - STISX

A Shares - STIAX

C Shares - SINCX

F Shares - STFSX

Key investment team

Donald Ellenberger

Nathan Kehm, CFA

Todd Abraham, CFA

Ihab Salib

Christopher McGinley

Steven Wagner

Mark Durbiano, CFA

Yields (%)

30-day yield (R6) 5.73

30-day yield (IS) 5.72

30-day yield (A) 5.15

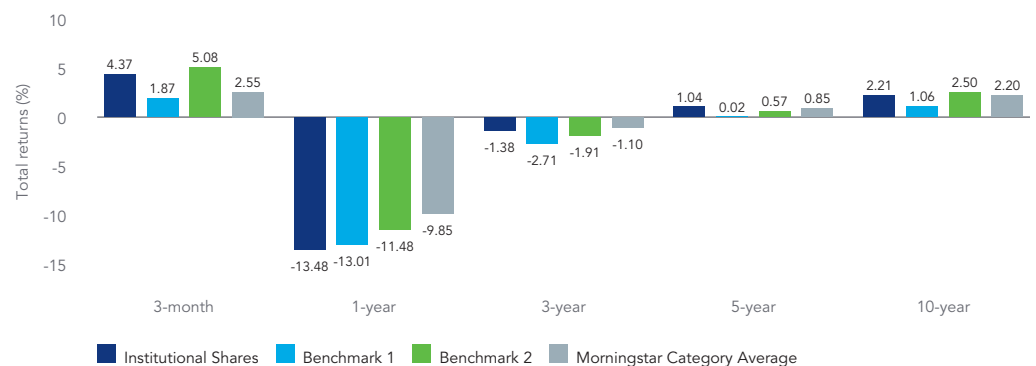
Fund description

The fund seeks a high level of current income by investing primarily in three bond sectors: U.S. high quality, U.S. high yield, and both developed and emerging international. Its focus is on sectors that management believes will benefit from anticipated changes in economic and market conditions.

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	4.21	-13.59	-13.59	-1.40	1.02	2.11	5.28	0.73	0.63
Institutional Shares	4.37	-13.48	-13.48	-1.38	1.04	2.21	5.67	0.80	0.64
A Shares (NAV)	4.26	-13.78	-13.78	-1.69	0.71	1.92	5.54	1.07	0.96
A Shares (MOP)	-0.47	-17.63	-17.63	-3.18	-0.22	1.44	5.37	1.07	0.96
Benchmark 1	1.87	-13.01	-13.01	-2.71	0.02	1.06	-	-	-
Benchmark 2	5.08	-11.48	-11.48	-1.91	0.57	2.50	-	-	-



Calendar year total returns (%)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Institutional Shares	-13.48	3.96	6.65	13.15	-2.99	6.43	10.76	-2.90	3.20	0.07
Benchmark 1	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.97	-2.02
Benchmark 2	-11.48	1.29	4.87	16.86	-4.22	9.32	13.83	-0.73	6.77	13.10
Morningstar Category Average	-9.85	2.49	4.84	9.80	-1.52	6.07	7.52	-2.18	3.63	1.87

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 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 2/1/23 or the date of the fund's next effective prospectus.

Not FDIC Insured • May Lose Value • No Bank Guarantee

**Federated
Hermes**

Investment approach

Flexible, multi-sector approach

- Strategic mix of broad market segments: U.S. high quality, U.S. high yield and foreign (developed and emerging markets)
- Flexibility across sector exposures to position for anticipated changes in economic and market conditions
- Emphasizes credit sectors for added income and return potential

Consistent, repeatable investment process

- Combines top-down decision making with bottom-up security selection to build diversified, risk-managed portfolios
- Key decision teams known as “alpha pods” seek diversified, uncorrelated alpha sources across various market environments
- Positioning set across five factors: sector allocation, security selection, duration management, yield curve strategy and currency management

Tenured team with long-term results

- Team-based approach focused by sector to extract value from each step of the process
- Federated Hermes’ fixed-income philosophy and process has a 50-year heritage
- Senior fixed-income management team averages 28 years of experience, and team members have worked together at Federated Hermes for 24 years

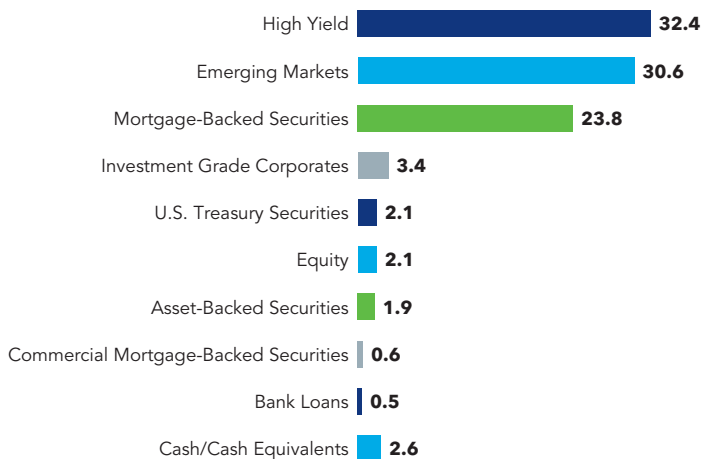
Portfolio statistics

Weighted average effective maturity	7.6 yrs.
Weighted average effective duration	4.9 yrs.
Weighted average coupon	4.96%
Weighted average yield to maturity	8.07%

Top holdings (%)

High Yield Bond Core Fund	35.1
Emerging Markets Core Fund	24.9
Mortgage Core Fund	13.5
iShares JPMorgan USD Emerging Markets Bond ETF	3.4
U.S. Treasury Note, 3.875% due 11/30/27	1.9
FNMA CB3914, 4.000% due 6/01/52	1.8
FNMA FNBT224, 3.000% due 3/01/52	1.2
FHLMC SD8225, 3.000% due 7/01/52	1.0
FHLMC SD8243, 3.500% due 9/01/52	1.0
FNMA CA9390, 2.500% due 3/01/51	1.0
Total % of portfolio	84.8

Sector weightings (%)



Quality breakdown¹ (%)

AAA	27.0
AA	0.9
A	2.1
BBB	12.0
BB	24.6
B	19.7
CCC	11.8
CC & Below	0.2
Not Rated	-3.0
Equity	2.1
Cash/Cash Equivalents	2.6

Quality breakdown does not apply to Equity or Cash/Cash Equivalents.

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

- Equity and credit markets rallied as economic data indicated inflation may have peaked and could slow
- The Fed and global central banks pledged to keep policy rates at a high level for an extended period, feeding volatility in the Treasury market and a deeper inversion in the yield curve
- All fixed-income spread sectors posted strong gains, led by emerging-market (EM) bonds
- The U.S. dollar reversed its year-to-date trend and depreciated against every G-10 currency and most EM currencies

Looking back

Global financial markets rallied sharply during the fourth quarter as investors grew more confident that inflation had peaked and began pricing in slower monetary tightening. In the equity markets, the S&P 500 returned 7.55% during the quarter, while in fixed income, high-yield credit spreads as measured by the Credit Suisse US High Yield II Index narrowed 45 basis points. Treasury yields were extremely volatile but ended up finishing close to where they began the quarter.

Investors mostly focused on the headline Consumer Price Index (CPI), which has steadily declined since June. But other measures of core inflation have remained elevated, particularly in service sectors, with core inflation as measured by the core PCE deflator holding in a 4.70%-5.20% range on a year-over-year basis. The Federal Reserve (Fed) continued to communicate that it was committed to keeping financial conditions tight until there was convincing evidence that inflation was on a trend back to its 2% target, hiking rates by 75 basis points in November and 50 basis points in December. A policy range that began the year at 0-0.25% ended the quarter at 4.25-4.50%, the fastest 1-year increase in the federal funds rate in 40 years.

Aside from the performance of the financial markets, the U.S. economy remained resilient, only beginning to slow down toward the end of the period. Consumers continued to be supported by a very strong job market and high levels of savings, with spending on retail goods and expenditures on services such as travel, lodging and restaurants remaining robust. The housing sector was the one area most severely impacted by tighter monetary policy as the combination of high housing prices and higher mortgage rates pushed affordability to its lowest level in decades.

For the quarter, the Bloomberg US Corporate High Yield 2% Issuer Capped Index (BC2%HYI) returned 4.17%, with an excess return of 3.19% relative to comparable-maturity Treasuries. From a quality perspective, the higher-rated BB sector had slightly lower nominal returns of 4.30% compared to the more credit-sensitive B-rated securities, which returned 4.93%. Lower-quality CCC-rated securities underperformed, returning 0.51%, as investors remained cautious. The Bloomberg US Corporate Index returned 3.63%. Within the investment-grade (IG) credit market, the lower-quality BBB component outperformed on a nominal and excess return basis, with a total return 4.07%, compared to the higher-quality AA-rated bonds, which returned 2.80%.

EM debt as measured by the Bloomberg EM Seasoned ex AGG/Eurodollar Index returned 10.68% in the fourth quarter, with an excess return of 9.69% relative to similar maturity Treasury bonds. The large outperformance was mainly due to a rebound of numerous smaller countries that had been previously stressed by the strength of the U.S. dollar. For example, Egypt returned 18.72%, Kenya 15.99% and Nigeria 14.83%. EM corporate issuers underperformed sovereign issuers. By region, Latin America was relatively stronger as central banks in most countries were more proactive in raising interest rates and are closer to the peak in their respective tightening cycle. Returns from most Asian countries were marginally lower than other regions as the credit quality tends to be stronger.

Agency mortgage-backed securities (MBS) outperformed U.S. Treasuries with a nominal return of 2.14% and an excess return relative to similar maturity Treasury bonds of 1.06%.

Performance

Federated Hermes Strategic Income Fund Institutional Shares had a total return at net asset value of 4.37% for the quarter, slightly underperforming its blended benchmark return of 5.09%. The fund's return outperformed the Bloomberg US Aggregate Bond Index, a commonly used barometer of performance for the broad high-quality bond market, which returned 1.87%.

Performance contributors

- FX exposure in several G-10 currencies and EM currencies
- Underweight to MBS and overweight in IG corporate bonds
- Yield-curve positioning
- Equity holdings

Performance detractors

- Average duration less than that of benchmark
- Underweight to high-yield debt
- Slight underperformance in EM security selection

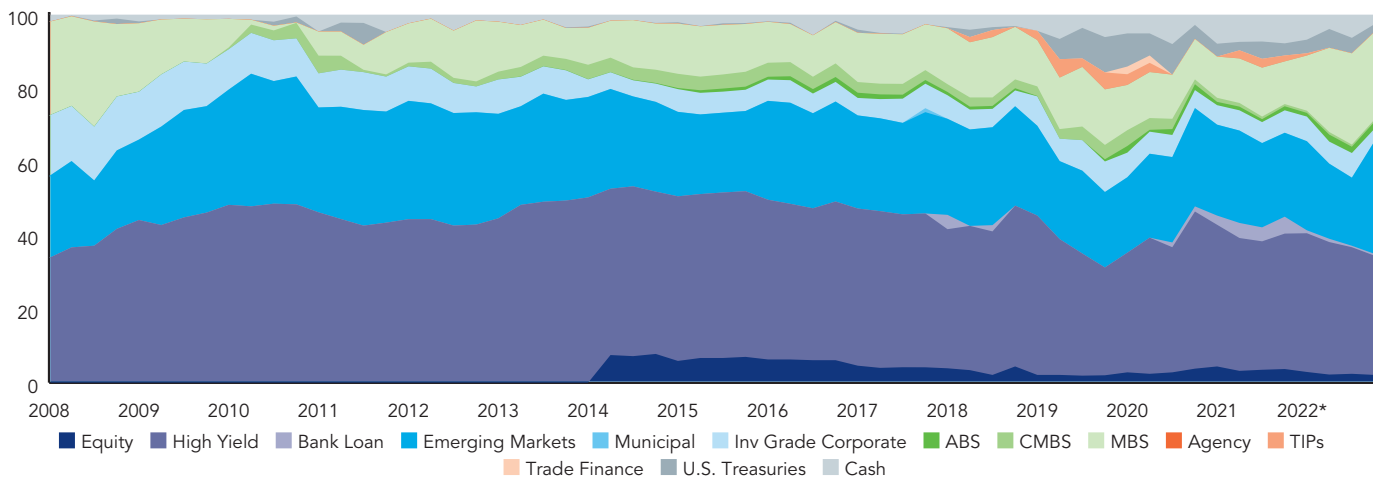
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How we are positioned

Current expectations are the Fed will continue to hike rates early in 2023 and then pause after reaching a terminal rate of 5-5.25%. With the 2-year Treasury currently yielding approximately 4.25%, we feel that most policy tightening has been priced into the bond market and that fixed-income investments will begin to attract investors seeking good risk-adjusted returns over the intermediate term. We have moved our duration and yield-curve positioning in U.S. rates to a neutral position relative to the fund's blended benchmark. Further monetary tightening should begin to slow both economic activity and inflation, with some decline in the labor market and corporate profitability likely. Accordingly, we remain underweight domestic high yield sector relative to higher-quality Treasuries, MBS and IG credit and are more constructive on EM debt on China's abandoning its zero-Covid policy and expectations the U.S. dollar will continue to depreciate against most foreign currencies.

See disclosure section for important disclosures and definitions.

Historical sector weightings (%)



* As of 12/31/22

Risk statistics

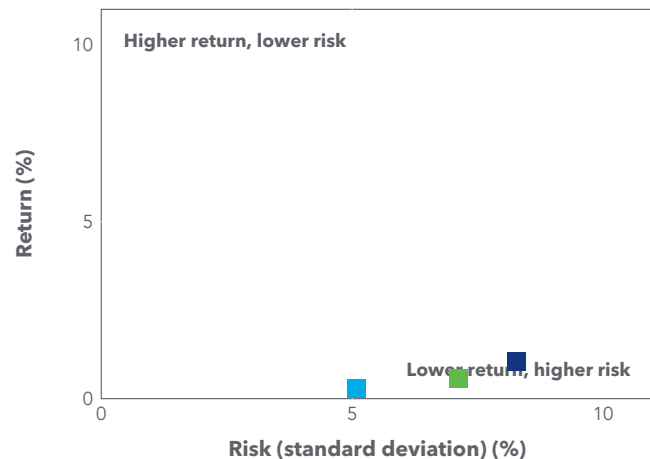
	3-year	5-year	7-year	10-year
Standard deviation	10.18	8.28	7.30	6.62
Alpha	1.98	1.14	2.35	1.32
Beta	1.08	0.92	0.88	0.87
Correlation	0.62	0.56	0.55	0.54
R²	38.57	31.85	30.00	29.08

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg US Aggregate Bond Index

See disclosure section for important definitions.

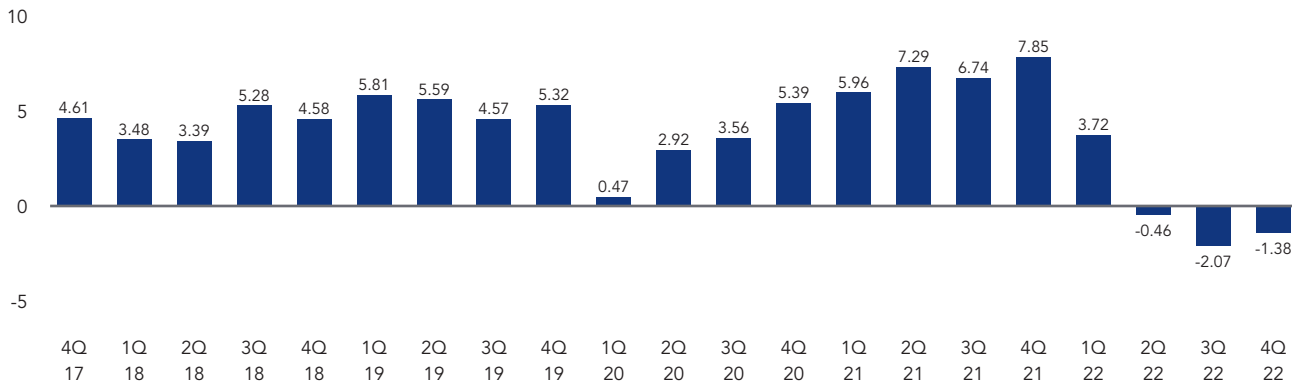
5-year risk/return



	Risk (%)	Return (%)
Federated Hermes Strategic Income Fund (IS)	8.28	1.04
Bloomberg US Aggregate Bond Index	5.09	0.02
35% Bloomberg US Mortgage Backed Securities Index/40% Bloomberg US Corporate High Yield 2% Issuer Capped Index/25% Bloomberg Emerging Markets Seasoned ex Aggregate/Eurodollar Index	7.11	0.57

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3-year rolling returns - IS (%)



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Category rankings

Morningstar Multisector Bond Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	89	61	51	-
	Morningstar Category Rank	317 of 343 funds	188 of 290 funds	131 of 253 funds	-
IS Shares	Morningstar Category % Rank	87	60	49	53
	Morningstar Category Rank	311 of 343 funds	184 of 290 funds	127 of 253 funds	76 of 148 funds
A Shares	Morningstar Category % Rank	90	67	63	62
	Morningstar Category Rank	321 of 343 funds	208 of 290 funds	160 of 253 funds	93 of 148 funds

Lipper Multi-Sector Income Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	86	59	45	-
	Lipper Classification Rank	317 of 368 funds	191 of 324 funds	125 of 283 funds	-
IS Shares	Lipper Classification % Rank	85	58	43	49
	Lipper Classification Rank	313 of 368 funds	188 of 324 funds	121 of 283 funds	76 of 156 funds
A Shares	Lipper Classification % Rank	87	67	56	62
	Lipper Classification Rank	321 of 368 funds	215 of 324 funds	158 of 283 funds	97 of 156 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") for A Shares 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 5.62% for R6 Shares, 5.47% for Institutional Shares and 5.02% for A Shares.

The fund's R6 Shares commenced operations on January 27, 2017. 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 Shares 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 fund expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the R6 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.

Federated Hermes Strategic Income 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 and frontier 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.

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.

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 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 Emerging Markets Seasoned ex Aggregate/Eurodollar Index is the emerging markets debt component of the Bloomberg US Universal Bond Index and is generally at least 80% non-investment grade.

Bloomberg US Aggregate Bond Index is an unmanaged index composed of securities from the Bloomberg 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.

Bloomberg US Corporate High Yield 2% Issuer Capped Index is an issuer-constrained version of the flagship US 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 US Mortgage-Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC).

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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