Federated Hermes Strategic Income Fund

9/30/20

Fund facts

Performance inception date

5/4/94

Benchmark 1

Bloomberg Barclays U.S. Aggregate Bond Index

Benchmark 2

35% Bloomberg Barclays U.S. Mortgage Backed Securities Index/40% Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index/25% Bloomberg Barclays Emerging Markets USD Aggregate Index

Morningstar category

Multisector Bond

Lipper classification

Multi-Sector Income Funds

Fund assets

$642.8 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)	3.88
30-day yield (IS)	3.87
30-day yield (A)	3.39

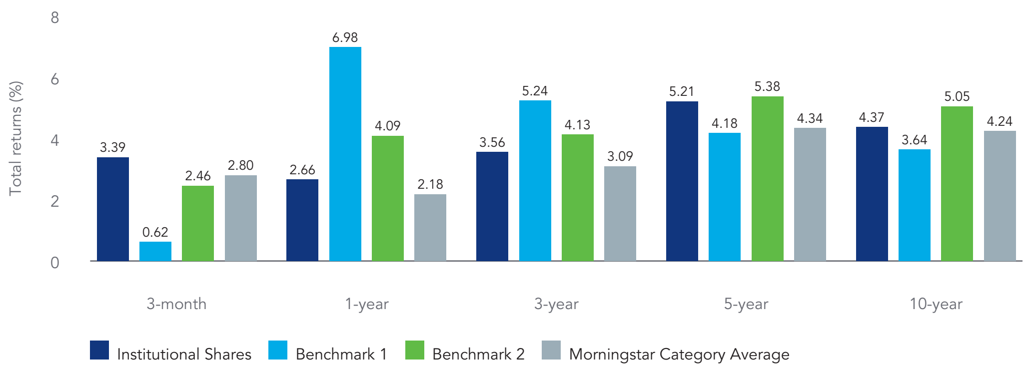
Fund description

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	3.37	0.48	2.66	3.58	5.15	4.22	5.94	0.76	0.64
Institutional Shares	3.39	0.48	2.66	3.56	5.21	4.37	6.36	0.84	0.65
A Shares (NAV)	3.28	0.34	2.32	3.24	4.91	4.10	6.24	1.09	0.97
A Shares (MOP)	-1.33	-4.16	-2.32	1.67	3.96	3.62	6.06	1.09	0.97
Benchmark 1	0.62	6.79	6.98	5.24	4.18	3.64	–	–	–
Benchmark 2	2.46	2.23	4.09	4.13	5.38	5.05	–	–	–



Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	13.15	-2.99	6.43	10.76	-2.90	3.20	0.07	10.82	5.20	11.59
Benchmark 1	8.72	0.01	3.54	2.65	0.55	5.97	-2.02	4.21	7.84	6.54
Benchmark 2	11.20	-1.07	5.89	9.77	-0.92	4.31	1.36	11.54	6.01	11.06
Morningstar Category Average	9.80	-1.52	6.07	7.52	-2.18	3.63	1.87	11.71	3.37	10.86

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 2/1/21 or the date of the fund's next effective prospectus.**

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 45-year heritage
- Senior fixed-income management team averages 27 years of experience, and team members have worked together at Federated Hermes for 22 years

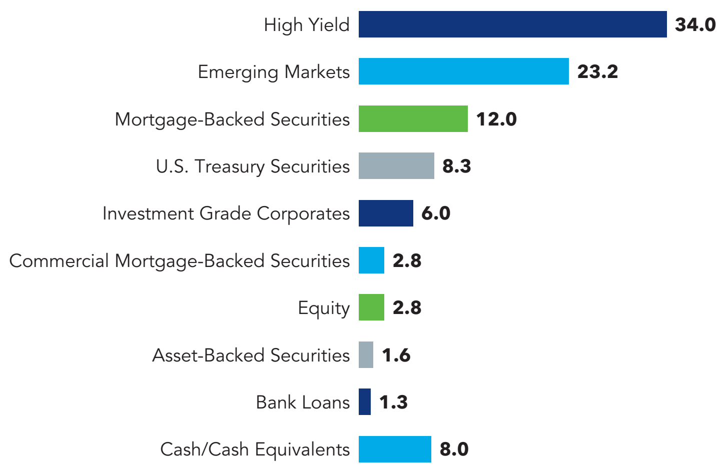
Portfolio statistics

Weighted average effective maturity	6.3 Yrs.
Weighted average effective duration	3.7 Yrs.
Weighted average coupon	4.74%
Weighted average yield to maturity	4.38%

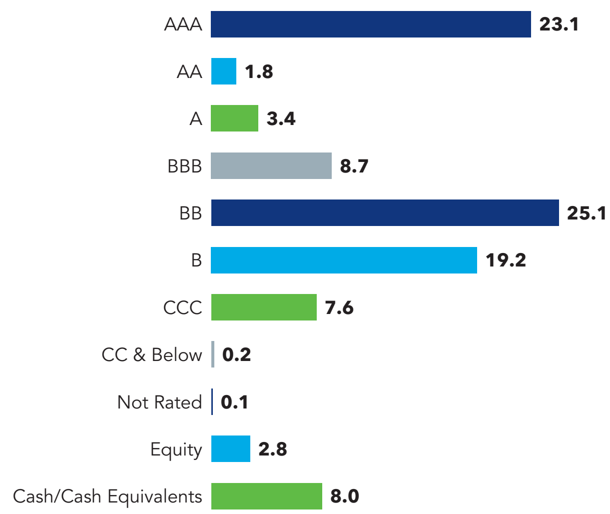
Top holdings (%)

High Yield Bond Core Fund	37.2
Emerging Markets Core Fund	24.5
Mortgage Core Fund	12.9
U.S. Treasury Note, 0.625% due 8/15/30	4.6
U.S. Treasury Note, 1.625% due 6/30/21	3.1
Bank Loan Core Fund	1.6
Fontainebleau Miami Beach Trust, Class B, 3.447% due 12/10/36	0.8
U.S. Treasury Note, 1.750% due 12/31/24	0.8
Alimentation Couche-Tard, 2.950% due 1/25/30	0.5
Hyundai Capital America, 3.000% due 2/10/27	0.5
Total % of portfolio	86.5

Sector weightings (%)



Quality breakdown[1] (%)



Portfolio composition is based on net assets at the close of business on 9/30/20 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

- Fiscal and monetary stimulus continued to support the recovery
- The ongoing rally in financial markets led to strong gains in equities, investment-grade (IG) and high-yield corporate bonds, and emerging market (EM) bonds
- Treasury yields remained stable at very low levels and the yield curve steepened as the Federal Reserve adopted a new policy of targeting an average inflation rate over time and signaled it will not hike rates until at least 2023
- The U.S. dollar depreciated in value relative to all other G-10 currencies as interest rate and growth differentials have continued to converge

Looking back

The global economy continued to recover as many Covid restrictions were gradually relaxed. While business such as lodging, airlines and movie theaters continued to struggle, enough businesses were able to adapt. This is being borne out by sharp recoveries in manufacturing and services gauges off April recessionary lows to robust expansion levels. That said, overall economic activity is still well below pre-pandemic levels, with private payrolls roughly 10 million below their pre-virus level and fiscal relief running out with no agreement yet on more. New issuance of IG and high-yield corporate debt set new record in the quarter, allowing companies to extend debt maturities and build cash reserves. For example, the IG bond market has issued more than $1.6 trillion of new debt so far this year, a 64% increase over the previous record set in 2019. This additional liquidity should benefit credit markets going forward, reducing defaults and buying time for corporate profits to recover more fully.

During the quarter, U.S. Treasury bonds had very low nominal returns and underperformed most credit sectors of the fixed-income markets, mainly because Fed policy caused the yield curve to twist. That is, yields on bonds with maturities of less than 10 years declined while yields on bonds with maturities greater than 10 years rose. This had the result of generating negative returns further out the Treasury curve over the 3-month period, with 2-year Treasury returning 0.07%, the 5-year 0.18%, the 10-year 0.06% and the 30-year -0.80%.

Among credit sectors, the high-yield bond market as measured by the Bloomberg Barclays U.S. High-Yield 2% Capped Index returned 4.58% for the quarter, with an excess return of 4.36% relative to similar maturity Treasury bonds. From a quality perspective, higher-rated credits underperformed lower-rated credits and the worst-performing sectors were primarily in the non-cyclical sectors such as communications and utilities. IG corporates as measured by the Bloomberg Barclays U.S. Corporate Index returned 1.54% during the quarter, led by lower-quality BBB IG credit. EM debt as measured by the Bloomberg Barclays Emerging Market USD Aggregate Index returned 2.37%, with EM corporate issuers underperforming sovereign issues.

Performance

Federated Hermes Strategic Income Fund Institutional Shares had a total return at net asset value (NAV) of 3.39%, outperforming its Blended Benchmark return of 2.46% during the quarter. The fund's return also outperformed the Bloomberg Barclays U.S. Aggregate Bond Index, a commonly used barometer of performance for the broad high-quality bond market that returned 0.62% during the quarter.

Performance contributors

- A 2.5% equity allocation
- Underweight positioning to residential MBS and overweight to IG corporate bonds and EM debt
- The fund was positioned for a steeper yield curve
- Positions in both G-10 and EM currencies, which appreciated against the U.S. dollar
- Security selection in the EM, IG credit and commercial MBS sectors

Performance detractors

- Underweight to high-yield securities relative to the Blended Benchmark

Performance data 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. Other share classes may have experienced different returns than the share class presented. 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

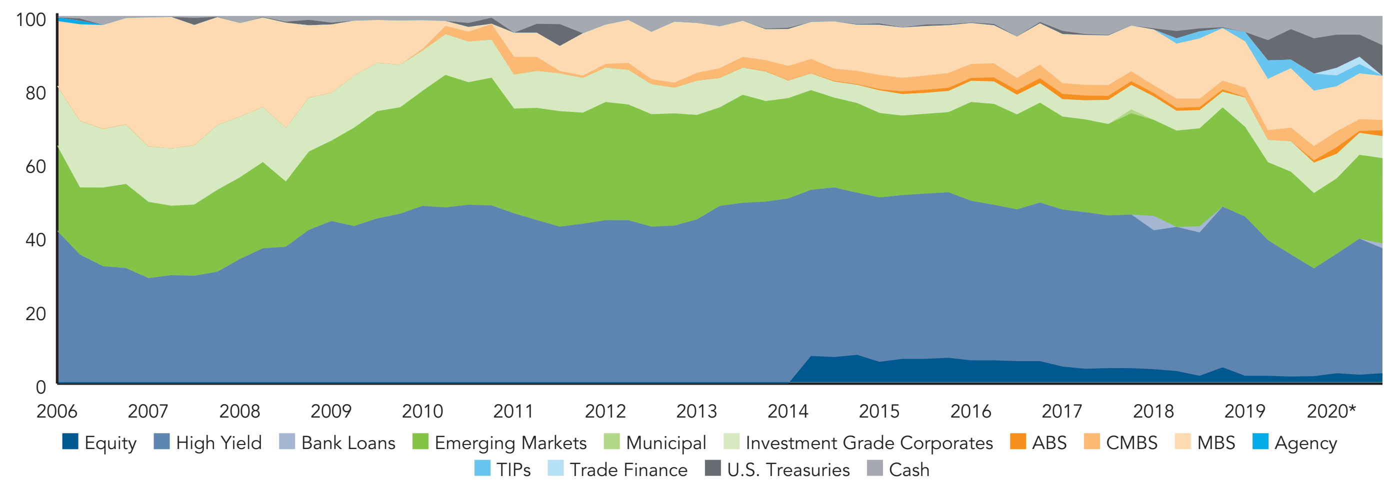
In the near term, we expect volatility from the increasing spread Covid-19 infections, the timing and magnitude of additional fiscal stimulus, and the potential for a drawn-out contested national election. As a consequence, we have positioned the portfolio fairly neutral to the Blended Benchmark in terms of duration, yield curve and sector. We will opportunistically take advantage of any market disruptions to enter positions with a more intermediate and long-term time horizon.

Looking forward into 2021, we are optimistic that the pandemic's influence on economic activity will lessen as better therapeutic treatments and/or a vaccine become available. We are confident more fiscal stimulus ultimately will be provided and do not feel a win by either candidate will materially impact the longer-term trajectory of the economy—we believe GDP will expand by 4.6% next year. We also expect growth in EM economies to be greater than that in developed markets. With most global central banks having already guided that they will not hike rates until inflation has exceeded targets for an extended period of time, we believe interest rates at the short end of the yield curve will hold near current levels while longer-term rates will increase with the expectation of higher inflation. We also expect continued improvement in corporate profitability, capital spending and job growth.

Taking all of this into account, we expect portfolio duration to run below the benchmark, with an overweight to the short and intermediate portions of the yield curve and underweight to longer-term maturities. We believe that the yield advantage of high-yield corporate bonds, EM bonds and IG corporate bonds will lead to meaningfully outperformance relative to less risky assets such as Treasuries and agency MBS.

See disclosure section for important disclosures and definitions.

Historical sector weightings (%)



* As of 9/30/20

Risk statistics

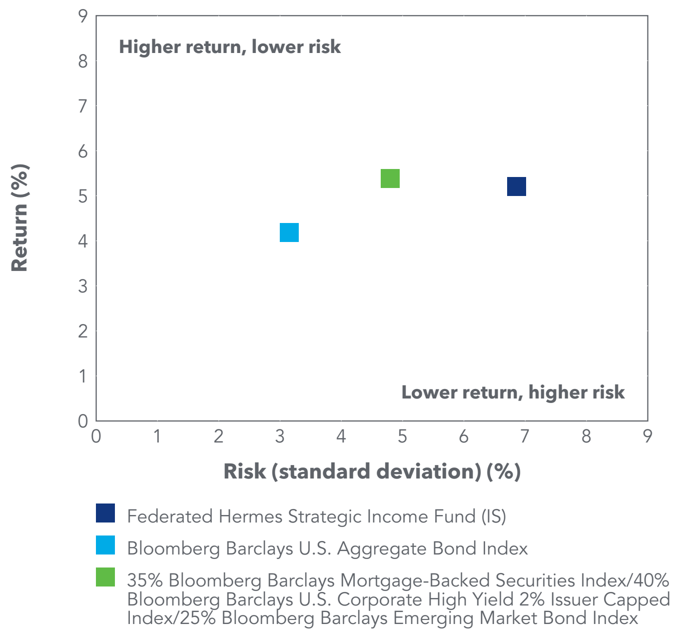
	3-year	5-year	7-year	10-year
Standard deviation	8.09	6.86	6.20	5.88
Alpha	-0.38	2.25	1.48	1.96
Beta	0.73	0.64	0.60	0.63
Correlation	0.30	0.29	0.29	0.31
R^2	9.13	8.53	8.57	9.87

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg Barclays U.S. Aggregate Bond Index

See disclosure section for important definitions.

5-year risk/return



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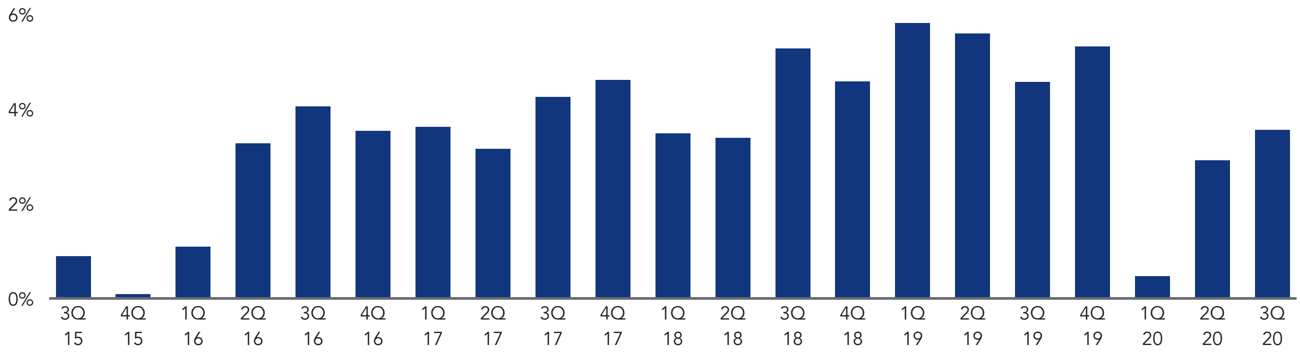
3-year rolling returns (IS)



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Category rankings

Morningstar Multisector Bond Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	55	39	36	67
	Morningstar Category Rank	200 of 330 funds	123 of 292 funds	–	–
IS Shares	Morningstar Category % Rank	55	39	18	48
	Morningstar Category Rank	199 of 330 funds	124 of 292 funds	55 of 248 funds	60 of 133 funds
A Shares	Morningstar Category % Rank	57	49	36	57
	Morningstar Category Rank	214 of 330 funds	157 of 292 funds	92 of 248 funds	75 of 133 funds

Lipper Multi-Sector Income Funds		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	66	48	–	–
	Lipper Classification Rank	220 of 334 funds	144 of 299 funds	–	–
IS Shares	Lipper Classification % Rank	66	49	26	49
	Lipper Classification Rank	220 of 334 funds	146 of 299 funds	65 of 254 funds	61 of 124 funds
A Shares	Lipper Classification % Rank	69	58	38	59
	Lipper Classification Rank	231 of 334 funds	173 of 299 funds	96 of 254 funds	73 of 124 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 Strategic Income Fund

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

[1]The 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 3.75% for R6 Shares, 3.66% for Institutional Shares and 3.26% 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.

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 Barclays Emerging Markets USD Aggregate Index tracks total returns for external-currency-denominated debt instruments of the emerging markets: Brady bonds, loans, Eurobonds, and U.S. dollar-denominated local market instruments. Countries covered are Argentina, Brazil, Bulgaria, Ecuador, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, and Venezuela.

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.

Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index is an issuer-constrained version of the flagship U.S. 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 Barclays U.S. 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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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. 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.

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