

Federated Hermes Ultrashort Bond Fund

12/31/20

Fund facts

Performance inception date

R6 Shares	2/22/00
Institutional Shares	2/22/00
Service Shares	5/31/97
A Shares	5/31/97

Benchmark

Bloomberg Barclays U.S. Short-Term Government/Corporate Index

Morningstar category

Ultrashort Bond

Lipper classification

Ultra-Short Obligations Funds

Fund assets

\$5.9 billion

Ticker symbols

R6 Shares - FULLX
 Institutional Shares - FULIX
 Service Shares - FULBX
 A Shares - FULAX

Key investment team

Randall Bauer, CFA®
 Nicholas Tripodes, CFA®

Yields (%)

30-day yield (R6)	0.83
30-day yield (IS)	0.82
30-day yield (SS)	0.72
30-day yield (A)	0.66

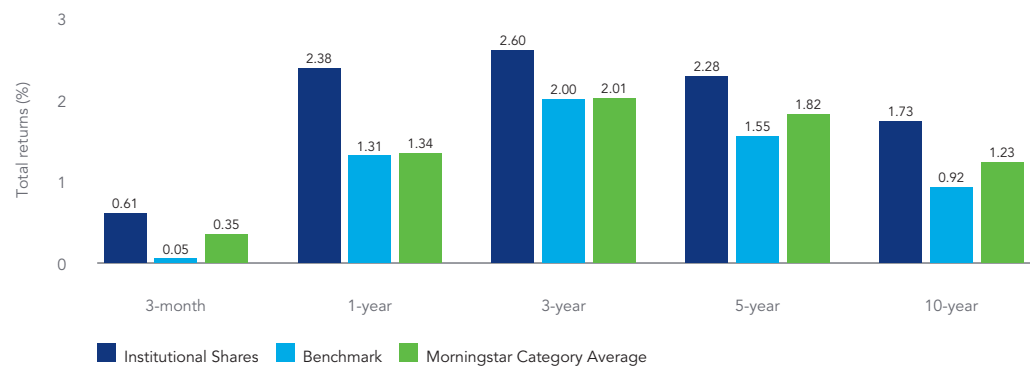
Fund description

The fund seeks total return consistent with current income by investing primarily in a diversified portfolio of investment-grade debt, including asset- and mortgage-backed, corporate, Treasury and government-agency securities. Its portfolio is invested in sectors that offer the best risk/return balance, while maintaining a weighted average effective duration of one year or less.

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	0.62	2.39	2.39	2.61	2.28	1.73	2.63	0.42	0.36
Institutional Shares	0.61	2.38	2.38	2.60	2.28	1.73	2.63	0.46	0.37
Service Shares	0.59	2.28	2.28	2.27	1.89	1.31	2.65	0.57	0.47
A Shares	0.58	2.23	2.23	2.19	1.80	1.22	2.46	0.61	0.52
Benchmark	0.05	1.31	1.31	2.00	1.55	0.92	-	-	-



Calendar year total returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Institutional Shares	2.38	3.75	1.69	1.82	1.74	0.32	0.88	0.63	2.81	1.32
Benchmark	1.31	2.69	1.99	0.98	0.80	0.26	0.18	0.25	0.36	0.37
Morningstar Category Average	1.34	3.08	1.61	1.44	1.31	0.21	0.31	0.50	1.99	0.22

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. 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 12/1/21 or the date of the fund's next effective prospectus.

Investment approach

Multiple alpha sources	Portfolio positioning	Tenured team with long-term results
<ul style="list-style-type: none"> The ultrashort bond investment process is integrated with Federated Hermes' fixed-income effort (the Alpha Pod process) as broad market and macroeconomic forces drive returns Seeks diversified sources of alpha across sector allocation, security selection, duration management and yield-curve strategy 	<ul style="list-style-type: none"> Invests primarily in asset-backed, mortgage-backed, corporate, Treasury and government agency securities and maintains a dollar-weighted average effective portfolio duration of one year or less Generally invests less than 10% in below investment-grade securities* Allocates across fixed and floating-rate securities based on the manager's view on the potential direction of interest rates 	<ul style="list-style-type: none"> 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 Portfolio managers have more than 60 years of combined experience and have worked at Federated Hermes for more than 27 years

* Per the prospectus, the fund is permitted to invest up to 35% in below-investment grade securities.

Portfolio statistics

Weighted average effective maturity	1.1 yrs.
Weighted average effective duration	0.9 yrs.
Weighted average spread duration	1.5 yrs.
Weighted average bond price	\$100.88

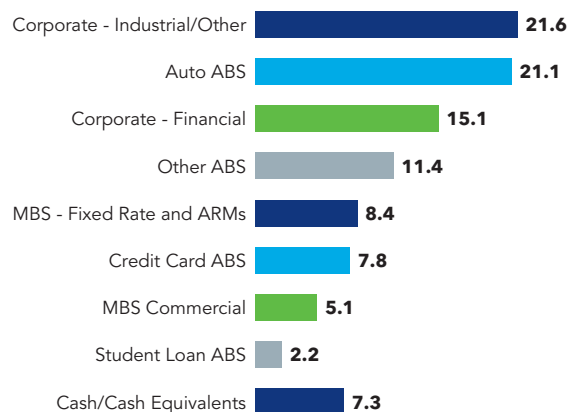
Top holdings (%)

FHLMC KF95 AL, Floating Rate Note due 11/25/30 (Agency CMBS)	1.0
GNMA1 2018-115 DF, Floating Rate Note due 8/20/48 (Agency MBS)	0.8
Chase Auto Credit Linked Notes 2020-2, Class B, 0.840% due 2/25/28	0.7
FHLMC 4993 F, Floating Rate Note due 7/25/50 (Agency MBS)	0.7
Fontainebleau Miami Beach Trust, Class B, 3.447% due 12/10/36 (Commercial MBS)	0.7
FHLMC 4920 FA, Floating Rate Note due 10/25/49 (Agency MBS)	0.6
FHLMC 5031 FB, Floating Rate Note due 4/25/41 (Agency MBS)	0.6
FHLMC KF94 AL, Floating Rate Note due 11/25/30 (Agency CMBS)	0.6
Phillips 66, 0.840% due 2/15/24	0.6
Volkswagen Auto Lease Trust 2020-A, Class A3, 0.390% due 1/22/24	0.6
Total % of portfolio	6.9

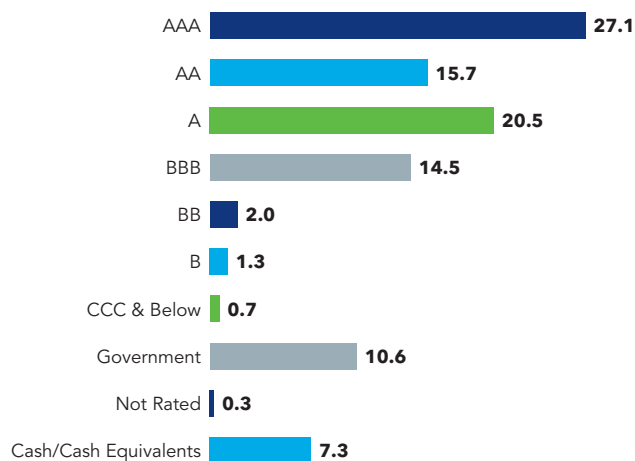
Interest rate basis (%)

Floating rate	49.4
Fixed rate	50.6

Sector weightings (%)



Quality breakdown¹ (%)



Portfolio composition is based on net assets at the close of business on 12/31/20 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

- Fund performance was solid, with credit spreads now generally back to pre-pandemic levels
- Short-term product continued its recovery in the fourth quarter, and investors sought the attractive returns offered by ultrashort and low duration products relative to cash alternatives
- Moving into 2021, a reasonable market tone persists based on continuing effects of fiscal and monetary stimulus combined with the initiation of a global vaccine regimen

Looking back

Fund performance in the fourth quarter continued to represent a balance between continuing improvement in credit markets and the ever-present concerns related to the coronavirus pandemic. The massive fiscal and monetary expansion which continues in response to the pandemic has managed to keep driving credit spreads tighter, even as a resurgence in cases worldwide is beginning to affect certain economic indicators again. The introduction of multiple vaccines across the globe appears to be offsetting concerns that health care systems may once again be overwhelmed and that shutdowns will cause a renewed contraction of economic activity into 2021.

Rates markets were mixed in the fourth quarter. The short-end of the U.S. Treasury yield curve was relatively quiet, with yields changing by only 1 basis point at the 2- and 3-year points. From the 5-year point outward, however, market levels did increase more substantially, with the yields on the 5- and 10-year Treasury notes increasing by 8 and 23 basis points, respectively, to quarter-end levels of 0.36% and 0.92%, respectively. With regard to credit, the spread (option-adjusted) on the Bloomberg Barclays 1-3 Year Credit Index, which began the quarter at 0.51%, tightened significantly to 0.31% on December 31, 2020. On the other hand, the spread on the shorter duration corporates-only portion of the Bloomberg Barclays Short-Term Government/Corporate Index (BBSTGCI) actually widened from 0.49% on September 30, 2020 to 0.54% on December 31, 2020, a statistic which would appear to be at odds with both the longer-duration spread metric and observed credit-market performance. To wit, the spread on the Bloomberg Barclays Asset-Backed Securities (ABS) Index tightened throughout the quarter without any reversal, moving from 0.42% to 0.33% over the course of the reporting period.

Fund duration was maintained near the long end of its range during the quarter and stood at 0.95 years on December 31, 2020. It remains longer than the 0.54-year duration of the fund's BBSTGCI competitive benchmark.

Performance

Federated Hermes Ultrashort Bond Fund's return on Institutional Shares at net asset value (NAV) for the fourth quarter was 0.61%, versus a return on the ICE BofA 1-Year Treasury Bill Index of 0.08% and a return on the BBSTGCI of 0.05%.

Performance contributors

- The lion's share of performance relative to the BBSTGCI came from its orientation toward credit-sensitive securities in the light of significant credit-spread tightening
- Sector-selection performance contribution was positive overall at 36 basis points, reflecting the fund's tilt toward credit-sensitive securities relative to the benchmark. The fourth quarter also posted a strong security-selection residual of 37 basis points as certain "off the run" sectors, in which the fund maintains exposure (e.g., subordinate credit card and auto ABS), made further gains in the fourth (these sectors had begun to tighten in-line with the general investment-grade corporate and ABS markets in the third quarter)

Performance detractors

- The fund posted a slightly negative contribution from interest-rate positioning, with a 1 basis-point deduction from duration positioning and a 5 basis-point deduction from yield-curve positioning

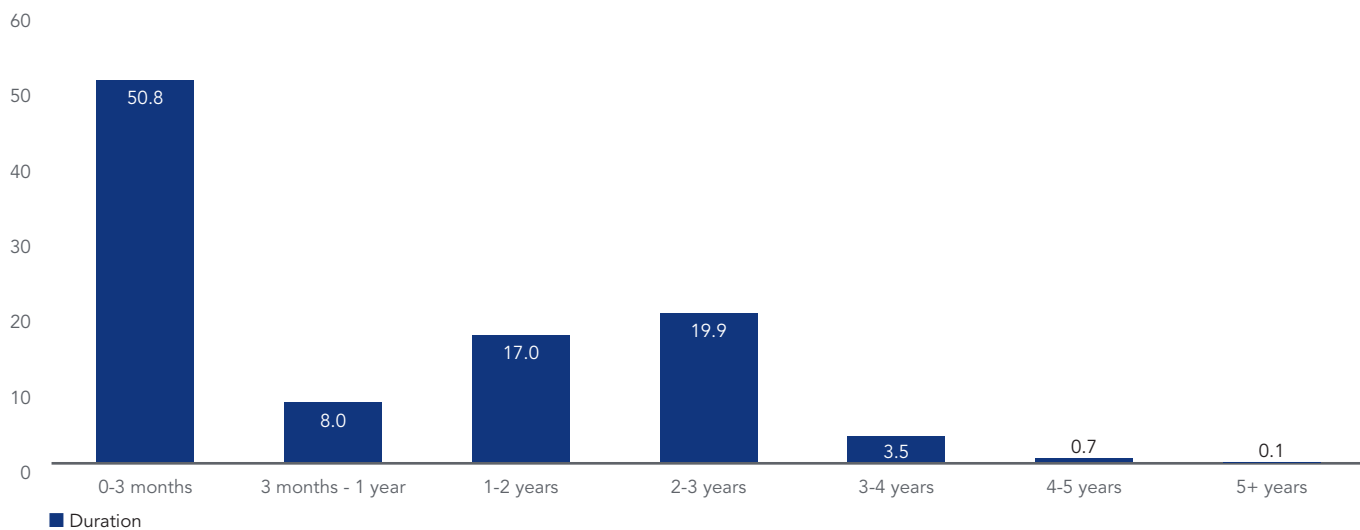
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How we are positioned

Management continues to make few significant changes in the portfolio. The current goal is to maintain a slightly more credit-sensitive credit profile to take advantage of spreads which, despite significant tightening over the past nine months, continue to offer some value due to better 2021 growth prospects and unprecedented monetary and fiscal stimulus. Management is still attempting to take advantage of as many security-specific opportunities as possible with fund inflows, maturing securities and amortization payments. But in both the corporate and securitized markets, spreads for the majority of credit-sensitive securities are now close to, or even tighter than, where they were at the onset of the pandemic. Robust credit analysis and value assessment will continue to be critical elements of the portfolio allocation process as opportunities to add incremental value become more limited.

See disclosure section for important disclosures and definitions.

Duration profile (%)



Risk statistics

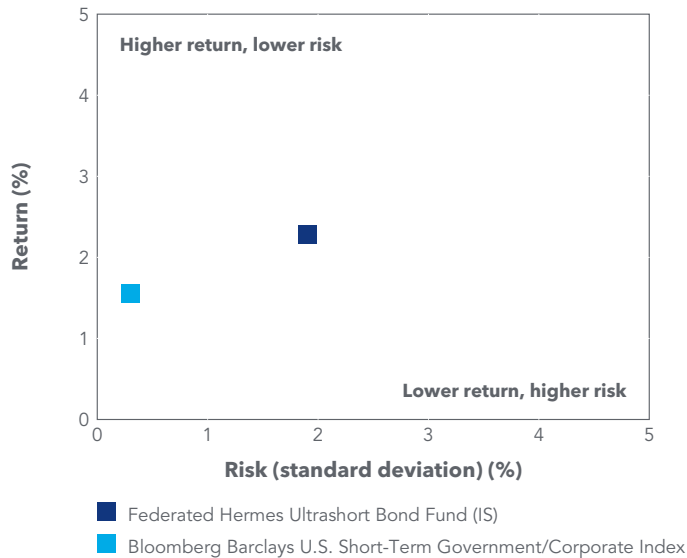
	3-year	5-year	7-year	10-year
Standard deviation	2.45	1.90	1.62	1.41
Alpha	2.46	1.88	1.52	1.57
Sharpe ratio	0.44	0.58	0.58	0.68

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg Barclays U.S. Short-Term Government/Corporate Index

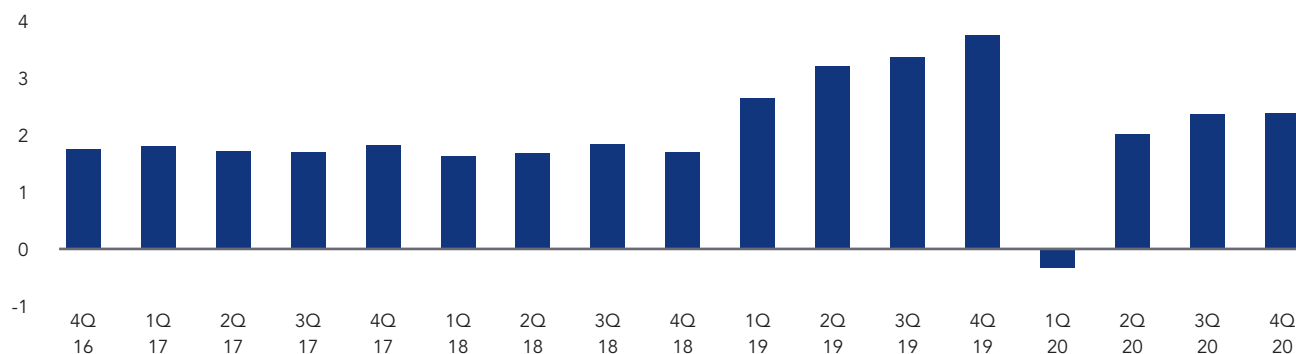
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5-year risk/return



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12-month rolling returns - IS (%)



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Category rankings

Morningstar Ultrashort Bond Category

		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	12	23	33	45
	Morningstar Category Rank	30 of 212 funds	–	–	–
IS Shares	Morningstar Category % Rank	12	8	13	15
	Morningstar Category Rank	31 of 212 funds	15 of 172 funds	19 of 131 funds	11 of 63 funds
A Shares	Morningstar Category % Rank	14	40	53	58
	Morningstar Category Rank	38 of 212 funds	60 of 172 funds	68 of 131 funds	38 of 63 funds

Lipper Ultra-Short Obligations Funds

		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	14	–	–	–
	Lipper Classification Rank	23 of 173 funds	–	–	–
IS Shares	Lipper Classification % Rank	14	7	8	8
	Lipper Classification Rank	24 of 173 funds	9 of 138 funds	8 of 105 funds	4 of 52 funds
A Shares	Lipper Classification % Rank	18	34	48	50
	Lipper Classification Rank	31 of 173 funds	46 of 138 funds	50 of 105 funds	26 of 52 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 Ultrashort Bond Fund

As of June 29, 2020, the fund was renamed Federated Hermes Ultrashort Bond 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") 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 0.78% for R6 Shares, 0.75% for Institutional Shares, 0.64% for SS Shares and 0.61% for A Shares.

Prior to October 27, 1998, the fund was named Federated Limited Duration Government Fund with an investment concentration in government securities. The fund was reconfigured to maintain an ultrashort duration (one year or less) with a revised investment policy of purchasing both higher and lower quality fixed income securities.

The fund's A Shares commenced operations on October 8, 2002. For the period prior to the commencement of operations of the A Shares, the performance information shown is for the fund's Service Shares, adjusted to reflect the sales charges (for maximum offering price performance) that were applicable to the fund's A Shares until December 1, 2019 and expenses of the A Shares.

The fund's R6 Shares commenced operations on May 29, 2019. For the periods prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's Institutional Shares. The performance of the Institutional 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 Institutional Shares.

The fund may invest in Federated Hermes Portfolios that are not available to the public and provide for more effective diversification than is available through the purchase of individual securities. Where applicable, the fund holdings reflect exposure to underlying securities held by the portfolios.

A word about risk

Mutual funds are subject to risks and fluctuate in value.

Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.

The fund is not a "money market" mutual fund. Some money market mutual funds attempt to maintain a stable net asset value through compliance with relevant Securities and Exchange Commission (SEC) rules. The fund is not governed by those rules, and its shares will fluctuate in value.

The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations.

High-yield, lower-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment-grade securities.

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.

Sharpe ratio is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard deviation is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

Weighted average bond price is the weighted average of all individual bond prices within a portfolio.

Weighted average effective duration (sometimes called "Option-Adjusted Duration") is a measure of a security's price sensitivity to changes in interest rates calculated using a model that recognizes that the probability of a bond being called or remaining outstanding until maturity may vary if market interest rates change, and that makes adjustments based on a bond's embedded options (e.g., call rights, or in the case of a mortgage-backed security, the probability that homeowners will prepay their mortgages), if any, based on the probability that the options will be exercised. A fund's weighted average effective duration will equal the market value weighted average of each bond's effective duration in the fund's portfolio. As with any model, several assumptions are made so the weighted average effective duration of a fund in the Federated 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 spread duration is the average of the spread durations of the underlying securities.

Yield curve is a graph showing the comparative yields of securities in a particular class according to maturity. Securities on the long end of the yield curve have longer maturities.

Bloomberg Barclays U.S. Short-Term Government/Corporate Index represents securities that have fallen out of the U.S. Government/Corporate Index because of the standard minimum one year maturity constraint. Sectors include treasuries, agencies, industrials, utilities and financial institutions.

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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