

Federated Hermes Ultrashort Bond Fund

6/30/20

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

\$4.0 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)	1.41
30-day yield (IS)	1.40
30-day yield (SS)	1.30
30-day yield (A)	1.24

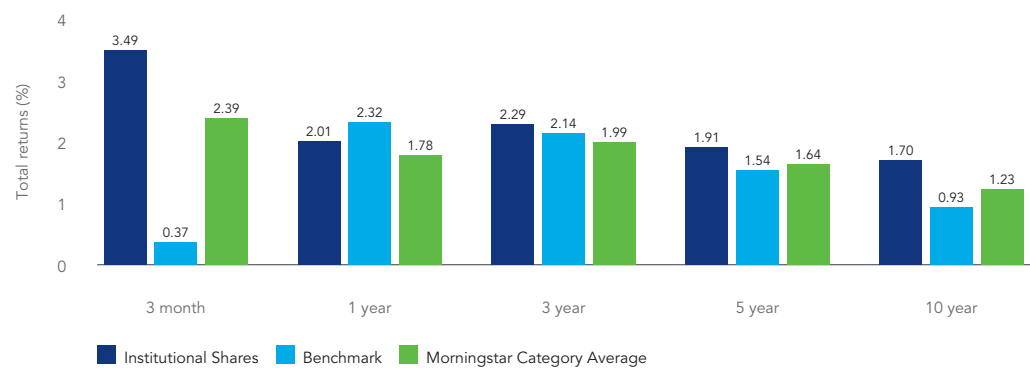
Fund description

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	15 year	Since inception	Expense ratio*	
									Before waivers	After waivers
R6 Shares	3.38	0.53	1.90	2.26	1.89	1.69	2.24	2.61	0.42	0.36
Institutional Shares	3.49	0.64	2.01	2.29	1.91	1.70	2.25	2.61	0.45	0.37
SS Shares	3.47	0.59	1.75	1.90	1.49	1.26	1.81	2.63	0.56	0.47
A Shares	3.45	0.56	1.57	1.81	1.39	1.17	1.71	2.44	0.61	0.52
Benchmark	0.37	1.16	2.32	2.14	1.54	0.93	1.78	-	-	-



Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	3.75	-0.86	4.40	4.96	-0.16	5.29	-0.87	6.58	6.28	7.35
Benchmark	2.69	1.99	0.98	0.80	0.26	0.18	0.25	0.36	0.37	0.68
Morningstar Category Average	3.08	1.61	1.44	1.31	0.21	0.31	0.50	1.99	0.22	2.37

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 12/1/20 or the date of the fund's next effective prospectus.



Not FDIC Insured • May Lose Value • No Bank Guarantee

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	1.6 Yrs.
Weighted average bond price	\$100.03

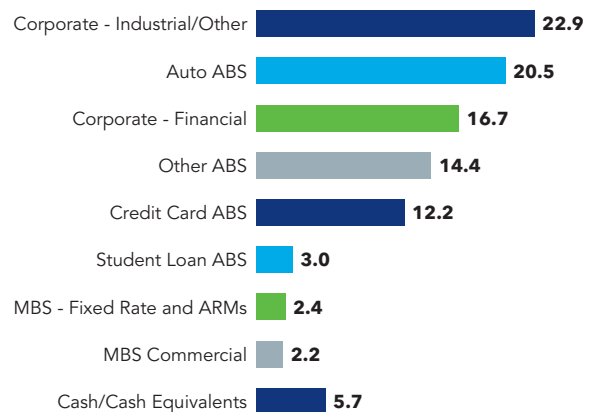
Top holdings (%)

Fontainebleau Miami Beach Trust, Class B, 3.447% due 12/10/36 (Commercial MBS)	0.9
Volvo Financial Equipment Master Series 2017- A, Class A, Floating Rate Note due 11/15/22	0.9
Nextgear Floorplan Master Owner Trust 2019-1A, Class B, 3.460% due 2/15/24 (Auto Floorplan ABS)	0.8
Vodafone Group PLC, Floating Rate Note due 1/16/24	0.8
Westpac Banking Corp., Floating Rate Note due 1/11/23	0.8
National Australia Bank, Floating Rate Note due 12/13/22	0.7
Cosmopolitan Hotel Trust 2017-CSMO, Class B, Floating Rate Note due 11/15/36 (Commercial MBS)	0.6
DLL Securitization Trust 2019-MA2, Class A3, 2.340% due 9/20/23 (Equipment Lease ABS)	0.6
NatWest Markets PLC, 0.000% due 2/01/21	0.6
Royal Bank of Canada, Floating Rate Note due 8/05/22	0.6
Total % of Portfolio	7.3

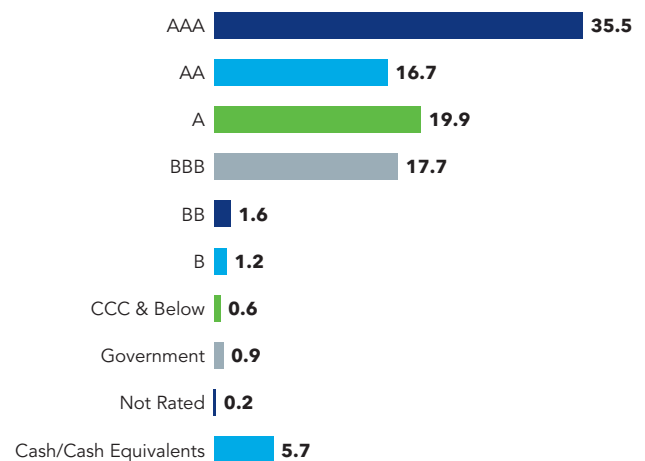
Interest rate basis (%)

Floating Rate	48.1
Fixed Rate	51.9

Sector weightings (%)



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

- Fund performance reflected tailwinds from unprecedented fiscal and monetary stimulus in reaction to the global coronavirus pandemic
- Short-term spread product recovered from the manic “rush to cash” as markets improved during the second quarter
- At this point, the reality of grappling with an ongoing global health crisis is providing a countervailing force against authorities around the world who have vowed to do “whatever it takes” to mitigate the massive economic dislocation brought on by Covid-19

Looking back

As was the case in the first quarter, performance in the second quarter was driven almost entirely by the effects of the coronavirus pandemic. This time around, however, it was the massive fiscal and monetary response to the pandemic which drove outcomes more than the progression of the virus itself. With central banks and governments across the globe mobilizing to provide support and liquidity on a scale even greater than that which occurred during the financial crisis, a very significant retracement of market levels occurred. Coupled with a belief that an active mitigation strategy had managed to contain the virus in many countries, including the U.S., markets regained anywhere from 75% to 90% of what had been lost in the first quarter. But a resurgence of the virus in mid-June threatened to extend the timing of the economic recovery, perhaps significantly. Market participants, on the other hand, do not yet appear ready to throw in the towel on either a faster recovery or the ability of central authorities to carry markets through whatever the pandemic brings from an economic standpoint.

One thing which differed significantly between the first and second quarters was the behavior of rates markets, particularly at the short-end of the yield curve. While rates still declined, they did so in much smaller increments, not surprising given they are now not terribly far from zero. The yields of 2-, 3- and 5-year Treasury notes fell by 10, 12 and 10 basis points, respectively, in the second quarter, after falling by 132, 131 and 131 basis points, respectively, in the previous quarter. With regard to credit spreads, the sharp reversal of spread widening which had begun at the very end of the first quarter continued for the entire second quarter. The spread (option-adjusted) on the Bloomberg Barclays 1-3 Year Credit Index, which ended the March quarter at 2.10%, recovered all the way to 0.62% at 6/30/20. Meanwhile, the spread on the shorter-duration, corporates-only portion of the Bloomberg Barclays Short-Term Government/Corporate Index (BBSTGCI) tightened from 2.67% at 3/31/20 to 0.60% at 6/30/20, and the spread on the Bloomberg Barclays ABS Index tightened from 2.13% to 0.68% over the same period.

Fund duration was maintained at the far end of its duration range during the quarter, and stood at 0.95 years at 6/30/20. 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 IS Shares at net asset value (NAV) for the second quarter was 3.49%, versus a return on the ICE Bank of America Merrill Lynch 1-Year Treasury Bill Index of 0.00% and a return on the BBSTGCI of 0.37%.

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.

Performance contributors

- The fund had a small contribution from its yield curve positioning, but the lion's share of performance relative to the BBSTGCI came from its orientation toward credit-sensitive securities in light of significant credit-spread tightening
- Security selection performance contribution was positive over all, though certain “off the run” sectors failed to tighten in line with the general investment-grade corporate and ABS markets as they were not covered by the Federal Reserve's programs which targeted wide swaths of these latter sectors for purchase

Performance detractors

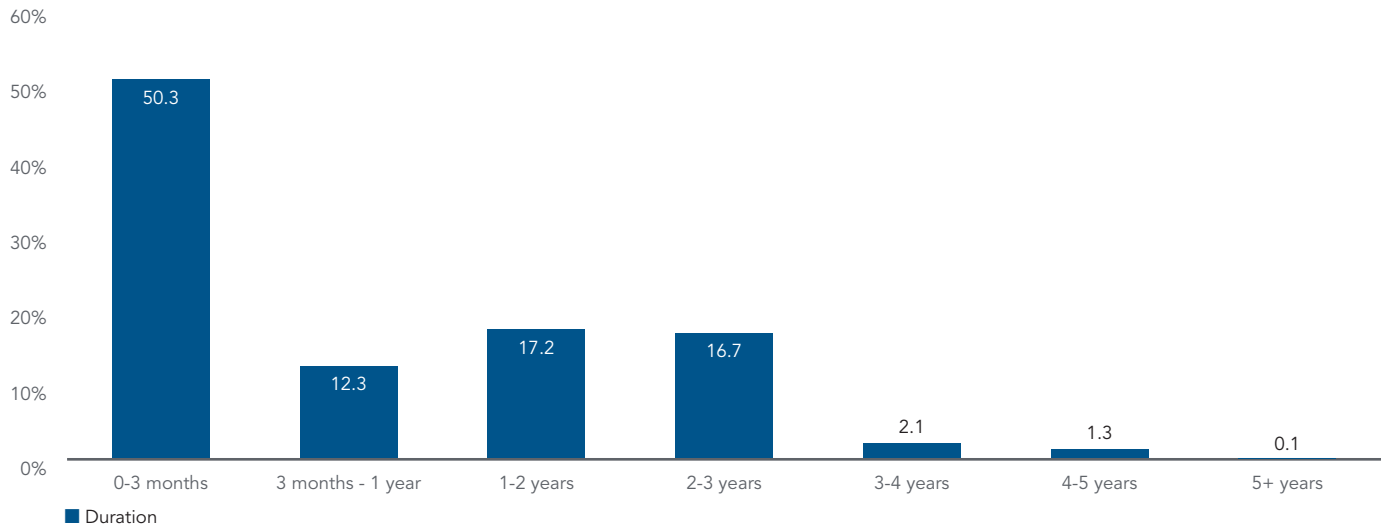
- See Performance Contributors above

How we are positioned

Management continues to make few significant changes in the portfolio. The current objective is to increase credit exposure in the fund slightly to take advantage of spreads, which continue to have value despite the tightening which occurred in the second quarter. The high-yield allocation has been raised slightly, though it still accounts for less than 4% of the portfolio at 6/30/20. In addition, management is still attempting to take advantage of as many security specific opportunities as possible with fund inflows, maturing securities and amortization payments. In both the corporate and securitized markets, however, spreads for the most highly rated securities are now very close to where they were at the onset of the pandemic, so credit analysis becomes an increasingly important part of the portfolio allocation process as management continues the search for value.

See disclosure section for important disclosures and definitions.

Duration profile



Risk statistics

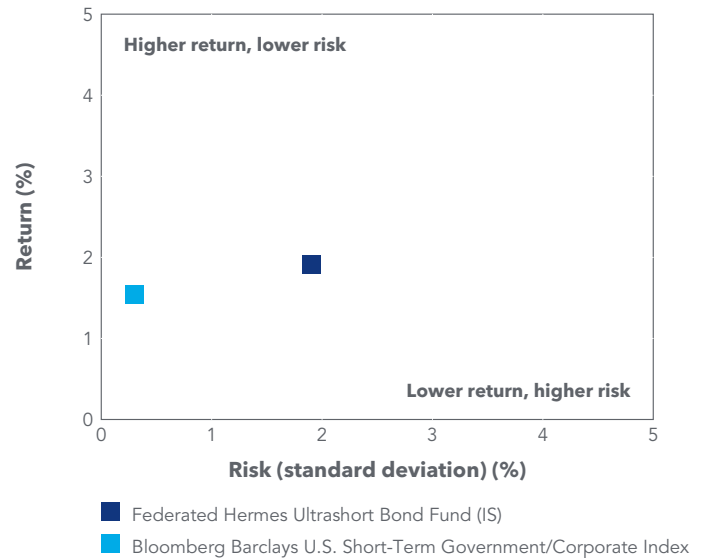
	3 year	5 year	7 year	10 year
Standard deviation	2.44	1.90	1.62	1.42
Alpha	1.70	1.42	1.38	1.50
Sharpe ratio	0.24	0.38	0.49	0.68

Sources: Federated Hermes, Morningstar, Inc.

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

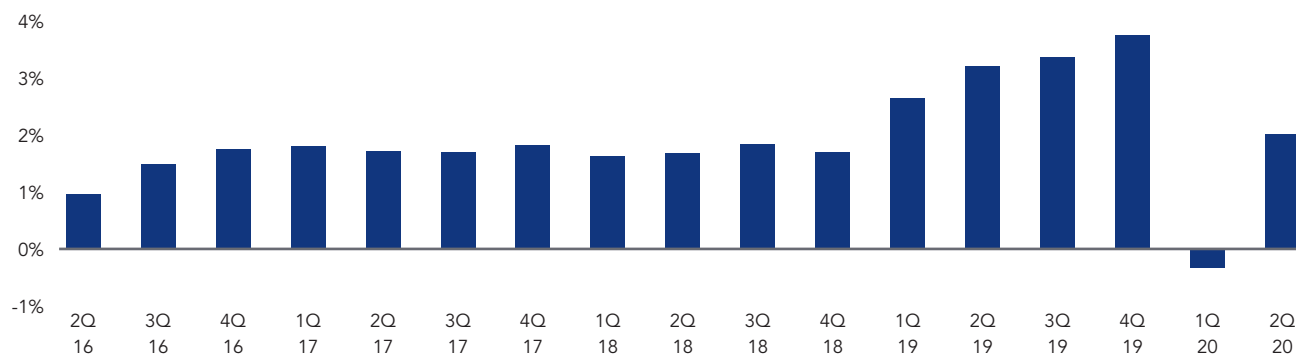
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5 year risk/return



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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
IS Shares	Morningstar Category % Rank	45	24	21	12
	Morningstar Category Rank	89 of 205 Funds	31 of 164 Funds	25 of 124 Funds	10 of 56 Funds
A Shares	Morningstar Category % Rank	77	75	75	62
	Morningstar Category Rank	148 of 205 Funds	116 of 164 Funds	88 of 124 Funds	36 of 56 Funds
R6 Shares	Morningstar Category % Rank	53	62	67	52
	Morningstar Category Rank	104 of 205 Funds	–	–	–

Lipper Ultra-Short Obligations Funds

		1 year	3 year	5 year	10 year
IS Shares	Lipper Classification % Rank	46	14	12	7
	Lipper Classification Rank	76 of 167 Funds	18 of 131 Funds	12 of 99 Funds	3 of 48 Funds
A Shares	Lipper Classification % Rank	74	68	63	54
	Lipper Classification Rank	123 of 167 Funds	89 of 131 Funds	63 of 99 Funds	26 of 48 Funds
R6 Shares	Lipper Classification % Rank	53	–	–	–
	Lipper Classification Rank	88 of 167 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 1.35% for R6, 1.31% for IS, 1.22% for SS and 1.16% 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

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.

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.

Ratings and rating agencies

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