

# Semi-Annual Shareholder Report

February 28, 2023



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**Share Class** | Ticker

**A\*** | FEUGX

**Institutional** | FEUNX

*\*formerly, Service Shares*

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## Federated Hermes Adjustable Rate Fund

*Fund Established 1985*

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A Portfolio of Federated Hermes Adjustable Rate Securities Trust

Dear Valued Shareholder,

We are pleased to present the Semi-Annual Shareholder Report for your fund covering the period from September 1, 2022 through February 28, 2023. This report includes a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

As a global leader in active, responsible investment management, Federated Hermes is guided by our conviction that responsible investing is the best way to create wealth over the long term. The company provides capabilities across a wide range of asset classes to investors around the world.

In addition, [FederatedInvestors.com](https://www.federatedinvestors.com) offers quick and easy access to valuable resources that include timely fund updates, economic and market insights from our investment strategists and financial planning tools. You can also access many of those insights by following us on Twitter (@FederatedHermes) and LinkedIn.

Thank you for investing with us. We hope you find this information useful and look forward to keeping you informed.

Sincerely,

A handwritten signature in dark ink, appearing to read "J. Christopher Donahue".

J. Christopher Donahue, President

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**Not FDIC Insured • May Lose Value • No Bank Guarantee**

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# Portfolio of Investments Summary Table (unaudited)

At February 28, 2023, the Fund's portfolio composition<sup>1</sup> was as follows:

Type of Investment	Percentage of Total Net Assets
Collateralized Mortgage Obligations	67.6%
U.S. Government Agency Adjustable Rate Mortgage Securities	14.4%
U.S. Government Agency Commercial Mortgage-Backed Securities	6.0%
U.S. Treasury Securities	3.9%
Asset-Backed Securities	2.3%
Non-Agency Mortgage-Backed Securities	1.3%
U.S. Government Agency Mortgage-Backed Securities	0.1%
Cash Equivalents <sup>2</sup>	7.1%
Other Assets and Liabilities—Net <sup>3</sup>	(2.7)%
<b>TOTAL</b>	<b>100%</b>

1 See the Fund's Prospectus and Statement of Additional Information for a description of the types of securities in which the Fund invests.

2 Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements.

3 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

# Portfolio of Investments

February 28, 2023 (unaudited)

Principal Amount or Shares		Value
	<sup>1</sup> COLLATERALIZED MORTGAGE OBLIGATIONS—68.9%	
	<b>Federal Home Loan Mortgage Corporation—22.0%</b>	
\$ 84,821	REMIC, Series 2380, Class FL, 5.188% (1-month USLIBOR +0.600%), 11/15/2031	\$ 84,892
97,326	REMIC, Series 2434, Class FA, 5.588% (1-month USLIBOR +1.000%), 3/15/2032	98,317
35,810	REMIC, Series 2448, Class FA, 5.588% (1-month USLIBOR +1.000%), 1/15/2032	36,180
37,889	REMIC, Series 2452, Class FC, 5.588% (1-month USLIBOR +1.000%), 1/15/2032	38,280
114,472	REMIC, Series 2459, Class FP, 5.587% (1-month USLIBOR +1.000%), 6/15/2032	115,632
30,588	REMIC, Series 2470, Class EF, 5.588% (1-month USLIBOR +1.000%), 3/15/2032	30,899
138,152	REMIC, Series 2475, Class F, 5.588% (1-month USLIBOR +1.000%), 2/15/2032	139,535
99,527	REMIC, Series 2475, Class FD, 5.137% (1-month USLIBOR +0.550%), 6/15/2031	99,617
85,969	REMIC, Series 2480, Class NF, 5.588% (1-month USLIBOR +1.000%), 1/15/2032	86,813
30,119	REMIC, Series 2498, Class AF, 5.588% (1-month USLIBOR +1.000%), 3/15/2032	30,425
112,231	REMIC, Series 3085, Class UF, 5.038% (1-month USLIBOR +0.450%), 12/15/2035	111,499
245,842	REMIC, Series 3156, Class HF, 5.073% (1-month USLIBOR +0.485%), 8/15/2035	244,432
404,016	REMIC, Series 3208, Class FD, 0.797% (1-month USLIBOR +0.400%), 8/15/2036	400,271
393,097	REMIC, Series 3208, Class FG, 4.988% (1-month USLIBOR +0.400%), 8/15/2036	389,453
87,145	REMIC, Series 3213, Class GF, 5.018% (1-month USLIBOR +0.430%), 9/15/2036	86,427
573,687	REMIC, Series 3284, Class AF, 4.898% (1-month USLIBOR +0.310%), 3/15/2037	564,555
836,226	REMIC, Series 3314, Class FE, 0.667% (1-month USLIBOR +0.270%), 5/15/2037	817,077
752,203	REMIC, Series 3346, Class FT, 4.938% (1-month USLIBOR +0.350%), 10/15/2033	745,843
270,608	REMIC, Series 3380, Class FP, 4.937% (1-month USLIBOR +0.350%), 11/15/2036	267,900
317,345	REMIC, Series 3550, Class GF, 5.338% (1-month USLIBOR +0.750%), 7/15/2039	318,636

Principal Amount or Shares		Value
<sup>1</sup> COLLATERALIZED MORTGAGE OBLIGATIONS—continued		
<b>Federal Home Loan Mortgage Corporation—continued</b>		
\$ 418,950	REMIC, Series 3556, Class FA, 5.498% (1-month USLIBOR +0.910%), 7/15/2037	\$ 421,984
166,664	REMIC, Series 3593, Class CF, 5.188% (1-month USLIBOR +0.600%), 2/15/2036	166,768
1,135,134	REMIC, Series 4242, Class F, 4.988% (1-month USLIBOR +0.400%), 8/15/2043	1,110,670
1,965,315	REMIC, Series 4508, Class CF, 4.988% (1-month USLIBOR +0.400%), 9/15/2045	1,933,328
1,718,446	REMIC, Series 4752, Class PF, 4.888% (1-month USLIBOR +0.300%), 11/15/2047	1,666,214
4,339,640	REMIC, Series 4803, Class FA, 4.888% (1-month USLIBOR +0.300%), 6/15/2048	4,238,955
680,850	REMIC, Series 4829, Class FA, 4.838% (1-month USLIBOR +0.250%), 7/15/2037	667,751
1,184,070	REMIC, Series 4915, Class FG, 5.067% (1-month USLIBOR +0.450%), 9/25/2049	1,163,355
884,464	REMIC, Series 4921, Class FN, 5.067% (1-month USLIBOR +0.450%), 10/25/2049	867,960
558,212	REMIC, Series 4959, Class JF, 5.067% (1-month USLIBOR +0.450%), 3/25/2050	542,606
7,112,700	REMIC, Series 4983, Class FJ, 5.067% (1-month USLIBOR +0.450%), 6/25/2050	6,940,418
2,562,710	REMIC, Series 4998, Class KF, 4.834% (SOFR +0.350%), 8/25/2050	2,482,480
	<b>TOTAL</b>	<b>26,909,172</b>
<b>Federal National Mortgage Association—42.5%</b>		
88,249	REMIC, Series 2001-32, Class FA, 5.167% (1-month USLIBOR +0.550%), 7/25/2031	88,450
42,687	REMIC, Series 2001-57, Class FA, 5.067% (1-month USLIBOR +0.450%), 6/25/2031	42,475
34,267	REMIC, Series 2001-62, Class FC, 5.267% (1-month USLIBOR +0.650%), 11/25/2031	34,373
44,649	REMIC, Series 2001-71, Class FS, 5.217% (1-month USLIBOR +0.600%), 11/25/2031	44,740
148,551	REMIC, Series 2002-7, Class FG, 5.517% (1-month USLIBOR +0.900%), 1/25/2032	149,589
72,752	REMIC, Series 2002-8, Class FA, 5.348% (1-month USLIBOR +0.750%), 3/18/2032	73,191
93,837	REMIC, Series 2002-52, Class FG, 5.117% (1-month USLIBOR +0.500%), 9/25/2032	93,710
247,875	REMIC, Series 2002-58, Class FG, 5.617% (1-month USLIBOR +1.000%), 8/25/2032	250,399
40,280	REMIC, Series 2002-60, Class FH, 5.617% (1-month USLIBOR +1.000%), 8/25/2032	40,690

Principal Amount or Shares		Value
	<sup>1</sup> COLLATERALIZED MORTGAGE OBLIGATIONS—continued	
	<b>Federal National Mortgage Association—continued</b>	
\$ 80,169	REMIC, Series 2002-77, Class FA, 5.598% (1-month USLIBOR +1.000%), 12/18/2032	\$ 80,996
32,292	REMIC, Series 2002-77, Class FG, 5.148% (1-month USLIBOR +0.550%), 12/18/2032	32,307
94,009	REMIC, Series 2005-67, Class FM, 4.967% (1-month USLIBOR +0.350%), 8/25/2035	93,600
1,510,389	REMIC, Series 2005-95, Class FH, 4.917% (1-month USLIBOR +0.300%), 11/25/2035	1,493,112
119,653	REMIC, Series 2006-11, Class FB, 4.917% (1-month USLIBOR +0.300%), 3/25/2036	118,787
2,437,699	REMIC, Series 2006-42, Class CF, 5.067% (1-month USLIBOR +0.450%), 6/25/2036	2,422,042
1,328,291	REMIC, Series 2006-50, Class FE, 1.068% (1-month USLIBOR +0.400%), 6/25/2036	1,313,242
453,905	REMIC, Series 2006-65, Class DF, 4.967% (1-month USLIBOR +0.350%), 7/25/2036	449,009
178,156	REMIC, Series 2006-76, Class QF, 5.017% (1-month USLIBOR +0.400%), 8/25/2036	176,743
1,179,835	Series 2006-81, Class FA, 4.967% (1-month USLIBOR +0.350%), 9/25/2036	1,168,565
586,110	REMIC, Series 2006-85, Class PF, 4.997% (1-month USLIBOR +0.380%), 9/25/2036	581,796
489,250	REMIC, Series 2006-103, Class FB, 5.017% (1-month USLIBOR +0.400%), 10/25/2036	483,569
986,456	REMIC, Series 2006-123, Class CF, 4.877% (1-month USLIBOR +0.260%), 1/25/2037	973,053
1,657,503	Series 2006-W1, Class 2AF1, 4.837% (1-month USLIBOR +0.220%), 2/25/2046	1,640,593
82,372	REMIC, Series 2007-20, Class F, 4.877% (1-month USLIBOR +0.260%), 3/25/2037	80,792
956,211	REMIC, Series 2007-71, Class WF, 5.067% (1-month USLIBOR +0.450%), 7/25/2037	949,712
205,307	REMIC, Series 2007-88, Class FW, 5.167% (1-month USLIBOR +0.550%), 9/25/2037	203,876
57,186	REMIC, Series 2007-102, Class FA, 5.187% (1-month USLIBOR +0.570%), 11/25/2037	57,070
238,176	REMIC, Series 2008-69, Class FB, 5.617% (1-month USLIBOR +1.000%), 6/25/2037	240,847
29,087	REMIC, Series 2008-75, Class DF, 5.867% (1-month USLIBOR +1.250%), 9/25/2038	29,599
421,488	REMIC, Series 2009-78, Class UF, 5.387% (1-month USLIBOR +0.770%), 10/25/2039	423,475
683,363	REMIC, Series 2009-87, Class FX, 5.367% (1-month USLIBOR +0.750%), 11/25/2039	685,214
807,839	REMIC, Series 2009-87, Class HF, 5.467% (1-month USLIBOR +0.850%), 11/25/2039	812,491

Principal Amount or Shares		Value
<sup>1</sup> COLLATERALIZED MORTGAGE OBLIGATIONS—continued		
<b>Federal National Mortgage Association—continued</b>		
\$1,136,052	REMIC, Series 2009-106, Class FN, 5.367% (1-month USLIBOR +0.750%), 1/25/2040	\$ 1,139,036
346,065	REMIC, Series 2010-39, Class EF, 5.137% (1-month USLIBOR +0.520%), 6/25/2037	344,812
2,215,731	REMIC, Series 2010-68, Class BF, 5.117% (1-month USLIBOR +0.500%), 7/25/2040	2,200,754
1,299,831	REMIC, Series 2011-4, Class PF, 5.167% (1-month USLIBOR +0.550%), 2/25/2041	1,295,408
383,580	REMIC, Series 2012-65, Class FB, 5.137% (1-month USLIBOR +0.520%), 6/25/2042	377,383
1,083,939	REMIC, Series 2012-122, Class LF, 5.017% (1-month USLIBOR +0.400%), 11/25/2042	1,070,520
1,446,269	REMIC, Series 2012-130, Class DF, 5.017% (1-month USLIBOR +0.400%), 12/25/2042	1,419,827
1,547,822	REMIC, Series 2014-20, Class FB, 5.017% (1-month USLIBOR +0.400%), 4/25/2044	1,528,087
1,090,279	REMIC, Series 2016-32, Class FA, 5.017% (1-month USLIBOR +0.400%), 10/25/2034	1,081,003
860,274	REMIC, Series 2016-83, Class FA, 5.117% (1-month USLIBOR +0.500%), 11/25/2046	849,145
1,722,374	REMIC, Series 2018-15, Class JF, 4.917% (1-month USLIBOR +0.300%), 3/25/2048	1,676,567
4,939,929	REMIC, Series 2018-57, Class FL, 4.917% (1-month USLIBOR +0.300%), 8/25/2048	4,830,702
2,599,823	Series 2018-70, Class HF, 4.967% (1-month USLIBOR +0.350%), 10/25/2058	2,561,492
2,766,940	REMIC, Series 2019-5, Class FA, 5.017% (1-month USLIBOR +0.400%), 3/25/2049	2,727,752
2,707,526	REMIC, Series 2019-21, Class FB, 5.067% (1-month USLIBOR +0.450%), 5/25/2049	2,669,051
1,903,140	REMIC, Series 2019-33, Class FB, 5.067% (1-month USLIBOR +0.450%), 7/25/2049	1,861,574
471,047	REMIC, Series 2019-41, Class FC, 5.067% (1-month USLIBOR +0.450%), 8/25/2049	463,880
1,545,495	REMIC, Series 2019-42, Class LF, 4.967% (1-month USLIBOR +0.350%), 8/25/2049	1,536,584
5,274,859	REMIC, Series 2020-27, Class FD, 5.067% (1-month USLIBOR +0.450%), 5/25/2050	5,180,939
2,011,542	Series 2020-34, Class FA, 5.067% (1-month USLIBOR +0.450%), 6/25/2050	1,978,433
	<b>TOTAL</b>	<b>52,121,056</b>
<b>Government National Mortgage Association—3.1%</b>		
320,475	REMIC, Series 2012-42, Class HF, 4.968% (1-month USLIBOR +0.450%), 9/25/2049	314,428

Principal Amount or Shares		Value
	<sup>1</sup> COLLATERALIZED MORTGAGE OBLIGATIONS—continued	
	<b>Government National Mortgage Association—continued</b>	
\$1,410,540	REMIC, Series 2014-2, Class BF, 4.948% (1-month USLIBOR +0.350%), 1/20/2044	\$ 1,389,413
2,141,331	REMIC, Series 2015-119, Class FN, 4.848% (1-month USLIBOR +0.250%), 8/20/2045	2,082,571
	<b>TOTAL</b>	<b>3,786,412</b>
	<b>Non-Agency Mortgage-Backed Securities—1.3%</b>	
1,779,081	JP Morgan Mortgage Trust 2021-1, Class A11, 4.960% (30-DAY AVERAGE SOFR +0.650%), 6/25/2051	1,644,171
	<b>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (IDENTIFIED COST \$85,813,316)</b>	<b>84,460,811</b>
	<sup>1</sup> ADJUSTABLE RATE MORTGAGES—14.4%	
	<b>Federal Home Loan Mortgage Corporation ARM—5.9%</b>	
729,899	2.625%, 2/1/2035	737,294
254,636	2.640%, 7/1/2038	254,151
1,361,326	2.931%, 7/1/2034	1,353,490
628,732	3.109%, 7/1/2036	632,051
431,818	3.191%, 4/1/2037	435,239
492,076	3.227%, 4/1/2034	499,097
508,604	3.253%, 5/1/2035	512,563
732,447	3.432%, 10/1/2033	735,053
521,842	3.897%, 8/1/2035	529,760
654,073	3.928%, 7/1/2035	659,705
409,009	4.047%, 12/1/2034	409,350
453,761	4.086%, 11/1/2034	460,752
	<b>TOTAL</b>	<b>7,218,505</b>
	<b>Federal National Mortgage Association ARM—8.5%</b>	
2,953	2.715%, 7/1/2027	2,922
25,669	2.866%, 4/1/2034	25,856
57,418	2.909%, 5/1/2038	57,784
28,553	3.112%, 5/1/2035	28,927
211,326	3.114%, 9/1/2033	210,743
642,370	3.236%, 10/1/2035	655,153
81,613	3.315%, 5/1/2035	82,651
107,486	3.340%, 6/1/2033	109,266
73,970	3.358%, 5/1/2035	74,484
36,348	3.392%, 2/1/2036	36,537
227,570	3.400%, 1/1/2035	228,753
476,607	3.465%, 10/1/2034	474,219
1,042,514	3.501%, 8/1/2039	1,049,028
388,752	3.565%, 7/1/2035	394,435



Principal Amount or Shares		Value
<sup>1</sup> ADJUSTABLE RATE MORTGAGES—continued		
<b>Federal National Mortgage Association ARM—continued</b>		
\$ 116,658	3.565%, 10/1/2037	\$ 117,035
489,468	3.639%, 5/1/2039	494,817
266,098	3.725%, 6/1/2034	267,521
186,088	3.731%, 7/1/2035	189,424
1,158,101	3.884%, 7/1/2034	1,181,352
117,198	3.887%, 12/1/2034	117,489
151,453	3.896%, 7/1/2035	153,487
238,538	3.933%, 7/1/2039	243,472
243,142	3.948%, 7/1/2034	248,476
261,381	4.027%, 7/1/2035	265,717
1,098,886	4.066%, 8/1/2035	1,119,169
175,200	4.079%, 7/1/2035	178,008
221,945	4.085%, 11/1/2039	224,802
554,168	4.119%, 1/1/2040	561,908
272,073	4.123%, 12/1/2034	274,673
89,245	4.143%, 10/1/2035	90,671
358,697	4.195%, 2/1/2042	363,093
261,089	4.307%, 1/1/2035	265,081
51,871	4.334%, 11/1/2035	51,923
154,520	4.340%, 12/1/2033	156,374
177,955	4.398%, 10/1/2035	181,481
227,778	5.259%, 8/1/2034	232,801
	<b>TOTAL</b>	<b>10,409,532</b>
<b>Government National Mortgage Association ARM—0.0%</b>		
22	2.625%, 3/20/2023	22
2,142	2.625%, 7/20/2023	2,128
2,243	2.625%, 9/20/2023	2,223
8,182	2.625%, 1/20/2030	8,020
2,778	2.750%, 11/20/2023	2,749
17,249	2.750%, 10/20/2029	16,677
9,615	2.875%, 5/20/2029	9,409
	<b>TOTAL</b>	<b>41,228</b>
	<b>TOTAL ADJUSTABLE RATE MORTGAGES</b> (IDENTIFIED COST \$18,213,722)	<b>17,669,265</b>
<b>COMMERCIAL MORTGAGE-BACKED SECURITIES—6.0%</b>		
<sup>1</sup> <b>Agency Commercial Mortgage-Backed Securities—6.0%</b>		
882,206	FHLMC REMIC, Series KF90, Class AS, 4.690% (SOFR +0.380%), 9/25/2030	874,523
2,399,687	FHLMC REMIC, Series KF94, Class AL, 4.874% (1-month USLIBOR +0.300%), 11/25/2030	2,377,587

Principal Amount or Shares		Value
	COMMERCIAL MORTGAGE-BACKED SECURITIES—continued	
	<b><sup>1</sup>Agency Commercial Mortgage-Backed Securities—continued</b>	
\$1,575,000	Series KF148, Class AS, 5.332% (30-DAY Average SOFR +0.840%), 11/25/2032	\$ 1,605,642
1,999,958	Series KF149, Class AS, 4.702% (30-DAY Average SOFR +0.640%), 12/25/2032	1,999,960
519,512	FNMA REMIC, Series 2020-M5, Class FA, 5.025% (1-month USLIBOR +0.460%), 1/25/2027	517,244
	TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES (IDENTIFIED COST \$7,375,631)	7,374,956
	U.S. TREASURY—3.9%	
	<b>U.S. Treasury Bills—3.9%</b>	
5,000,000	United States Treasury Bills, 0.010%, 2/22/2024 (IDENTIFIED COST \$4,762,328)	4,762,328
	ASSET-BACKED SECURITIES—2.3%	
	<b>Auto Receivables—0.4%</b>	
500,000	Ford Credit Auto Lease Trust 2023-A, Class A2A, 5.190%, 6/15/2025	499,004
	<b>Student Loans—1.9%</b>	
332,442	Navient Student Loan Trust 2020-HA, Class A, 1.310%, 1/15/2069	303,046
847,498	Navient Student Loan Trust 2021-FA, Class A, 1.110%, 2/18/2070	722,718
884,876	Navient Student Loan Trust 2021-GA, Class A, 1.580%, 4/15/2070	768,935
563,243	<sup>1</sup> SMB Private Education Loan Trust 2020-BA, Class A1B, 5.687% (1-month USLIBOR +1.100%), 7/15/2053	551,642
	TOTAL	2,346,341
	TOTAL ASSET-BACKED SECURITIES (IDENTIFIED COST \$3,126,495)	2,845,345
	MORTGAGE-BACKED SECURITIES—0.1%	
	<b>Federal National Mortgage Association—0.1%</b>	
44,894	3.000%, 8/1/2023	44,561
10,841	5.000%, 1/1/2024	10,782
	TOTAL MORTGAGE-BACKED SECURITIES (IDENTIFIED COST \$57,582)	55,343
	INVESTMENT COMPANY—7.1%	
8,674,449	Federated Hermes Government Obligations Fund, Premier Shares, 4.44% <sup>2</sup> (IDENTIFIED COST \$8,674,449)	8,674,449
	TOTAL INVESTMENT IN SECURITIES—102.7% (IDENTIFIED COST \$128,023,523) <sup>3</sup>	125,842,497
	OTHER ASSETS AND LIABILITIES - NET—(2.7)% <sup>4</sup>	(3,291,427)
	TOTAL NET ASSETS—100%	\$122,551,070

Transactions with affiliated investment companies, which are funds managed by the Adviser or an affiliate of the Adviser, during the period ended February 28, 2023, were as follows:

	<b>Federated Hermes Government Obligations Fund, Premier Shares</b>
Value as of 8/31/2022	\$ 2,366,327
Purchases at Cost	\$ 67,217,803
Proceeds from Sales	\$(60,909,681)
Change in Unrealized Appreciation/Depreciation	\$ —
Net Realized Gain/(Loss)	\$ —
Value as of 2/28/2023	\$ 8,674,449
Shares Held as of 2/28/2023	8,674,449
Dividend Income	\$ 80,507

- 1 *Floating/adjustable note with current rate and current maturity or next reset date shown. Adjustable rate mortgage security coupons are based on the weighted average note rates of the underlying mortgages less the guarantee and servicing fees. These securities do not indicate an index and spread in their description above.*
- 2 *7-day net yield.*
- 3 *Also represents cost of investments for federal tax purposes.*
- 4 *Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.*

Note: The categories of investments are shown as a percentage of total net assets at February 28, 2023.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1—quoted prices in active markets for identical securities.

Level 2—other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Also includes securities valued at amortized cost.

Level 3—significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used, as of February 28, 2023, in valuing the Fund's assets carried at fair value:

# Valuation Inputs

	Level 1— Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
<b>Debt Securities:</b>				
Collateralized Mortgage Obligations	\$ —	\$ 84,460,811	\$—	\$ 84,460,811
Adjustable Rate Mortgages	—	17,669,265	—	17,669,265
Commercial Mortgage-Backed Securities	—	7,374,956	—	7,374,956
U.S. Treasuries	—	4,762,328	—	4,762,328
Asset-Backed Securities	—	2,845,345	—	2,845,345
Mortgage-Backed Securities	—	55,343	—	55,343
<b>Investment Company</b>	8,674,449	—	—	8,674,449
<b>TOTAL SECURITIES</b>	<b>\$8,674,449</b>	<b>\$117,168,048</b>	<b>\$—</b>	<b>\$125,842,497</b>

The following acronym(s) are used throughout this portfolio:

ARM —Adjustable Rate Mortgage  
FHLMC—Federal Home Loan Mortgage Corporation  
FNMA —Federal National Mortgage Association  
LIBOR —London Interbank Offered Rate  
REMIC —Real Estate Mortgage Investment Conduit  
SOFR —Secured Overnight Financing Rate

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Class A Shares<sup>1</sup>

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 2/28/2023	Year Ended August 31,				
		2022	2021	2020	2019	2018
<b>Net Asset Value, Beginning of Period</b>	<b>\$9.48</b>	<b>\$9.63</b>	<b>\$9.65</b>	<b>\$9.67</b>	<b>\$9.64</b>	<b>\$9.67</b>
<b>Income From Investment Operations:</b>						
Net investment income (loss)	0.16 <sup>2</sup>	0.05 <sup>2</sup>	0.02	0.15	0.22	0.14
Net realized and unrealized gain (loss)	(0.17)	(0.15)	(0.01)	(0.01)	0.03	(0.03)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(0.01)</b>	<b>(0.10)</b>	<b>0.01</b>	<b>0.14</b>	<b>0.25</b>	<b>0.11</b>
<b>Less Distributions:</b>						
Distributions from net investment income	(0.16)	(0.05)	(0.03)	(0.16)	(0.22)	(0.14)
<b>Net Asset Value, End of Period</b>	<b>\$9.31</b>	<b>\$9.48</b>	<b>\$9.63</b>	<b>\$9.65</b>	<b>\$9.67</b>	<b>\$9.64</b>
<b>Total Return<sup>3</sup></b>	<b>(0.10)%</b>	<b>(1.08)%</b>	<b>0.09%</b>	<b>1.42%</b>	<b>2.61%</b>	<b>1.15%</b>

## Ratios to Average Net Assets:

Net expenses <sup>4</sup>	0.55% <sup>5</sup>	0.55%	0.53%	0.52%	0.65%	0.65%
Net investment income	3.36% <sup>5</sup>	0.48%	0.26%	1.63%	2.24%	1.44%
Expense waiver/reimbursement <sup>6</sup>	0.29% <sup>5</sup>	0.26%	0.31%	0.35%	0.38%	0.33%

## Supplemental Data:

Net assets, end of period (000 omitted)	\$29,580	\$33,685	\$74,655	\$93,198	\$122,537	\$151,186
Portfolio turnover <sup>7</sup>	28%	54%	82%	80%	35%	21%
Portfolio turnover (excluding purchases and sales from dollar-roll transactions) <sup>7</sup>	26%	53%	51%	67%	35%	21%

- Effective at the start of business on July 28, 2022, the Fund's Service Shares were re-designated as Class A Shares. Prior to August 5, 2019, the former Service Shares were designated as the Institutional Shares.
- Per share numbers have been calculated using the average shares method.
- Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable. Total returns for periods of less than one year are not annualized.
- Amount does not reflect net expenses incurred by investment companies in which the Fund may invest.
- Computed on an annualized basis.
- This expense decrease is reflected in both the net expense and the net investment income ratios shown above. Amount does not reflect expense waiver/reimbursement recorded by investment companies in which the Fund may invest.
- Securities that mature are considered sales for purposes of this calculation.

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Institutional Shares<sup>1</sup>

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 2/28/2023	Year Ended August 31,			Period Ended 8/31/2019 <sup>2</sup>
		2022	2021	2020	
<b>Net Asset Value, Beginning of Period</b>	<b>\$9.48</b>	<b>\$9.63</b>	<b>\$9.65</b>	<b>\$9.67</b>	<b>\$9.67</b>
<b>Income From Investment Operations:</b>					
Net investment income (loss)	0.17 <sup>3</sup>	0.09 <sup>3</sup>	0.05	0.17	0.02
Net realized and unrealized gain (loss)	(0.17)	(0.17)	(0.02)	(0.01)	—
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>0.00</b>	<b>(0.08)</b>	<b>0.03</b>	<b>0.16</b>	<b>0.02</b>
<b>Less Distributions:</b>					
Distributions from net investment income	(0.17)	(0.07)	(0.05)	(0.18)	(0.02)
<b>Net Asset Value, End of Period</b>	<b>\$9.31</b>	<b>\$9.48</b>	<b>\$9.63</b>	<b>\$9.65</b>	<b>\$9.67</b>
<b>Total Return<sup>4</sup></b>	<b>0.03%</b>	<b>(0.84)%</b>	<b>0.31%</b>	<b>1.64%</b>	<b>0.18%</b>

## Ratios to Average Net Assets:

Net expenses <sup>5</sup>	0.30% <sup>6</sup>	0.30%	0.30%	0.30%	0.30% <sup>6</sup>
Net investment income	3.49% <sup>6</sup>	0.93%	0.47%	1.78%	3.10% <sup>6</sup>
Expense waiver/reimbursement <sup>7</sup>	0.29% <sup>6</sup>	0.26%	0.31%	0.34%	0.38% <sup>6</sup>

## Supplemental Data:

Net assets, end of period (000 omitted)	\$92,971	\$156,311	\$65,393	\$60,878	\$7,773
Portfolio turnover <sup>8</sup>	28%	54%	82%	80%	35% <sup>9</sup>
Portfolio turnover (excluding purchases and sales from dollar-roll transactions) <sup>8</sup>	26%	53%	51%	67%	35% <sup>9</sup>

- <sup>1</sup> The Fund's Institutional Shares are a new class of Shares effective as of the close of business on August 2, 2019.
- <sup>2</sup> Reflects operations for the period from August 5, 2019 (commencement of operations) to August 31, 2019.
- <sup>3</sup> Per share numbers have been calculated using the average shares method.
- <sup>4</sup> Based on net asset value. Total returns for periods of less than one year are not annualized.
- <sup>5</sup> Amount does not reflect net expenses incurred by investment companies in which the Fund may invest.
- <sup>6</sup> Computed on an annualized basis.
- <sup>7</sup> This expense decrease is reflected in both the net expense and the net investment income ratios shown above. Amount does not reflect expense waiver/reimbursement recorded by investment companies in which the Fund may invest.
- <sup>8</sup> Securities that mature are considered sales for purposes of this calculation.
- <sup>9</sup> Portfolio turnover is calculated at the Fund level. Percentage indicated was calculated for the fiscal year ended August 31, 2019.

See Notes which are an integral part of the Financial Statements

# Statement of Assets and Liabilities

February 28, 2023 (unaudited)

## Assets:

Investment in securities, at value including \$8,674,449 of investments in affiliated holdings* (identified cost \$128,023,523, including \$8,674,449 of identified cost in affiliated holdings)	\$125,842,497
Income receivable	189,135
Income receivable from affiliated holdings	20,150
Receivable for investments sold	62,386
Receivable for shares sold	1,536,644
<b>TOTAL ASSETS</b>	<b>127,650,812</b>

## Liabilities:

Payable for investments purchased	4,762,328
Payable for shares redeemed	112,417
Payable to bank	7,560
Income distribution payable	172,960
Payable to adviser (Note 5)	2,976
Payable for administrative fee (Note 5)	258
Payable for Directors'/Trustees' fees (Note 5)	527
Payable for other service fees (Notes 2 and 5)	5,897
Accrued expenses (Note 5)	34,819
<b>TOTAL LIABILITIES</b>	<b>5,099,742</b>
Net assets for 13,164,228 shares outstanding	\$122,551,070

## Net Assets Consist of:

Paid-in capital	\$129,759,966
Total distributable earnings (loss)	(7,208,896)
<b>TOTAL NET ASSETS</b>	<b>\$122,551,070</b>

## Net Asset Value, Offering Price and Redemption Proceeds Per Share:

### Class A Shares:

Net asset value per share ( $\$29,580,124 \div 3,177,465$ shares outstanding), no par value, unlimited shares authorized	\$9.31
Offering price per share (100/99.00 of \$9.31)	\$9.40
Redemption proceeds per share	\$9.31

### Institutional Shares:

Net asset value per share ( $\$92,970,946 \div 9,986,763$ shares outstanding), no par value, unlimited shares authorized	\$9.31
Offering price per share	\$9.31
Redemption proceeds per share	\$9.31

\* See information listed after the Fund's Portfolio of Investments.

See Notes which are an integral part of the Financial Statements

# Statement of Operations

Six Months Ended February 28, 2023 (unaudited)

## Investment Income:

Interest	\$ 2,852,492
Dividends received from affiliated holdings*	80,507
<b>TOTAL INCOME</b>	<b>2,932,999</b>

## Expenses:

Investment adviser fee (Note 5)	191,809
Administrative fee (Note 5)	60,980
Custodian fees	9,741
Transfer agent fees	61,642
Directors'/Trustees' fees (Note 5)	3,970
Auditing fees	19,706
Legal fees	5,225
Portfolio accounting fees	59,337
Other service fees (Notes 2 and 5)	38,613
Share registration costs	22,207
Printing and postage	11,573
Miscellaneous (Note 5)	10,174
<b>TOTAL EXPENSES</b>	<b>494,977</b>

## Waiver and Reimbursement:

Waiver of investment adviser fee (Note 5)	(191,809)
Reimbursement of other operating expenses (Note 5)	(30,625)
<b>TOTAL WAIVER AND REIMBURSEMENT</b>	<b>(222,434)</b>
Net expenses	272,543
Net investment income	2,660,456

## Realized and Unrealized Gain (Loss) on Investments:

Net realized loss on investments	(1,886,242)
Net change in unrealized depreciation of investments	(1,395,984)
Net realized and unrealized gain (loss) on investments	(3,282,226)
Change in net assets resulting from operations	\$ (621,770)

\* See information listed after the Fund's Portfolio of Investments.

See Notes which are an integral part of the Financial Statements



# Statement of Changes in Net Assets

	Six Months Ended (unaudited) 2/28/2023	Year Ended 8/31/2022
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	\$ 2,660,456	\$ 1,156,922
Net realized gain (loss)	(1,886,242)	(732,918)
Net change in unrealized appreciation/depreciation	(1,395,984)	(1,729,125)
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	(621,770)	(1,305,121)
<b>Distributions to Shareholders:</b>		
Class A Shares <sup>1</sup>	(540,687)	(296,399)
Institutional Shares	(2,172,065)	(803,614)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(2,712,752)	(1,100,013)
<b>Share Transactions:</b>		
Proceeds from sale of shares	31,102,894	172,680,133
Net asset value of shares issued to shareholders in payment of distributions declared	1,554,547	693,050
Cost of shares redeemed	(96,767,518)	(121,021,211)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(64,110,077)	52,351,972
Change in net assets	(67,444,599)	49,946,838
<b>Net Assets:</b>		
Beginning of period	189,995,669	140,048,831
End of period	\$122,551,070	\$ 189,995,669

1 The Fund's former Service Shares have been re-designated as Class A Shares, effective July 28, 2022.

See Notes which are an integral part of the Financial Statements

# Notes to Financial Statements

February 28, 2023 (unaudited)

## 1. ORGANIZATION

Federated Hermes Adjustable Rate Securities Trust (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open-end management investment company. The Trust consists of one portfolio: Federated Hermes Adjustable Rate Fund (the “Fund”), a diversified portfolio. The Fund offers two classes of shares: Class A Shares and Institutional Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. The investment objective of the Fund is to provide current income consistent with minimal volatility of principal.

Effective at the start of business on July 28, 2022, the Fund’s existing Service Shares were re-designated as Class A Shares.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. These policies are in conformity with U.S. generally accepted accounting principles (GAAP).

### Investment Valuation

In calculating its net asset value (NAV), the Fund generally values investments as follows:

- Fixed-income securities are fair valued using price evaluations provided by a pricing service approved by Federated Investment Management Company (the “Adviser”).
- Shares of other mutual funds or non-exchange-traded investment companies are valued based upon their reported NAVs, or NAV per share practical expedient, as applicable.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Adviser, certain factors may be considered, such as: the last traded or purchase price of the security, information obtained by contacting the issuer or dealers, analysis of the issuer’s financial statements or other available documents, fundamental analytical data, the nature and duration of restrictions on disposition, the movement of the market in which the security is normally traded, public trading in similar securities or derivative contracts of the issuer or comparable issuers, movement of a relevant index, or other factors including but not limited to industry changes and relevant government actions.

If any price, quotation, price evaluation or other pricing source is not readily available when the NAV is calculated, if the Fund cannot obtain price evaluations from a pricing service or from more than one dealer for an investment within a reasonable period of time as set forth in the Adviser’s valuation policies and procedures for the Fund, or if information furnished by a pricing service, in the opinion of the Adviser’s valuation committee (“Valuation Committee”), is deemed not representative of the fair value of such security, the Fund uses the fair value of the investment determined in accordance with the procedures described below. There can be no assurance that the Fund could obtain the fair value assigned to an investment if it sold the investment at approximately the time at which the Fund determines its NAV per share, and the actual value obtained could be materially different.

## **Fair Valuation Procedures**

Pursuant to Rule 2a-5 under the Act, the Fund's Board of Trustees (the "Trustees") has designated the Adviser as the Fund's valuation designee to perform any fair value determinations for securities and other assets held by the Fund. The Adviser is subject to the Trustees' oversight and certain reporting and other requirements intended to provide the Trustees the information needed to oversee the Adviser's fair value determinations.

The Adviser, acting through its Valuation Committee, is responsible for determining the fair value of investments for which market quotations are not readily available. The Valuation Committee is comprised of officers of the Adviser and certain of the Adviser's affiliated companies and determines fair value and oversees the calculation of the NAV. The Valuation Committee is also authorized to use pricing services to provide fair value evaluations of the current value of certain investments for purposes of calculating the NAV. The Valuation Committee employs various methods for reviewing third-party pricing-service evaluations including periodic reviews of third-party pricing services' policies, procedures and valuation methods (including key inputs, methods, models and assumptions), transactional back-testing, comparisons of evaluations of different pricing services, and review of price challenges by the Adviser based on recent market activity. In the event that market quotations and price evaluations are not available for an investment, the Valuation Committee determines the fair value of the investment in accordance with procedures adopted by the Adviser. The Trustees periodically review the fair valuations made by the Valuation Committee. The Trustees have also approved the Adviser's fair valuation and significant events procedures as part of the Fund's compliance program and will review any changes made to the procedures.

Factors considered by pricing services in evaluating an investment include the yields or prices of investments of comparable quality, coupon, maturity, call rights and other potential prepayments, terms and type, reported transactions, indications as to values from dealers and general market conditions. Some pricing services provide a single price evaluation reflecting the bid-side of the market for an investment (a "bid" evaluation). Other pricing services offer both bid evaluations and price evaluations indicative of a price between the prices bid and ask for the investment (a "mid" evaluation). The Fund normally uses bid evaluations for any U.S. Treasury and Agency securities, mortgage-backed securities and municipal securities. The Fund normally uses mid evaluations for any other types of fixed-income securities and any OTC derivative contracts. In the event that market quotations and price evaluations are not available for an investment, the fair value of the investment is determined in accordance with procedures adopted by the Adviser.

## **Repurchase Agreements**

The Fund may invest in repurchase agreements for short-term liquidity purposes. It is the policy of the Fund to require the other party to a repurchase agreement to transfer to the Fund's custodian or sub-custodian eligible securities or cash with a market value (after transaction costs) at least equal to the repurchase price to be paid under the repurchase agreement. The eligible securities are transferred to accounts with the custodian or sub-custodian in which the Fund holds a "securities entitlement" and exercises "control" as those terms are defined in the Uniform Commercial Code. The Fund has established procedures for monitoring the market value of the transferred

securities and requiring the transfer of additional eligible securities if necessary to equal at least the repurchase price. These procedures also allow the other party to require securities to be transferred from the account to the extent that their market value exceeds the repurchase price or in exchange for other eligible securities of equivalent market value.

The insolvency of the other party or other failure to repurchase the securities may delay the disposition of the underlying securities or cause the Fund to receive less than the full repurchase price. Under the terms of the repurchase agreement, any amounts received by the Fund in excess of the repurchase price and related transaction costs must be remitted to the other party.

The Fund may enter into repurchase agreements in which eligible securities are transferred into joint trading accounts maintained by the custodian or sub-custodian for investment companies and other clients advised by the Fund's Adviser and its affiliates. The Fund will participate on a pro rata basis with the other investment companies and clients in its share of the securities transferred under such repurchase agreements and in its share of proceeds from any repurchase or other disposition of such securities.

**Investment Income, Gains and Losses, Expenses and Distributions**

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are recorded on an identified-cost basis. Interest income and expenses are accrued daily. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Distributions of net investment income, if any, are declared daily and paid monthly. Non-cash dividends included in dividend income, if any, are recorded at fair value. Amortization/accretion of premium and discount is included in investment income. Gains and losses realized on principal payment of mortgage-backed securities (paydown gains and losses) are classified as part of investment income. Investment income, realized and unrealized gains and losses, and certain fund-level expenses are allocated to each class based on relative average daily net assets, except that select classes will bear certain expenses unique to those classes. Dividends are declared separately for each class. No class has preferential dividend rights; differences in per share dividend rates are generally due to differences in separate class expenses. The detail of the total fund expense waiver and reimbursements of \$222,434 is disclosed in Note 5.

**Other Service Fees**

The Fund may pay other service fees up to 0.25% of the average daily net assets of the Fund's Class A Shares and Institutional Shares to financial intermediaries or to Federated Shareholder Services Company (FSSC) for providing services to shareholders and maintaining shareholder accounts. Subject to the terms described in the Expense Limitation note, FSSC may voluntarily reimburse the Fund for other service fees. For the six months ended February 28, 2023, other service fees for the Fund were as follows:

	Other Service Fees Incurred
Class A Shares	\$38,613

For the six months ended February 28, 2023, the Fund's Institutional Shares did not incur other service fees.

## **Federal Taxes**

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code of 1986 (the "Code") and to distribute to shareholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the six months ended February 28, 2023, the Fund did not have a liability for any uncertain tax positions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. As of February 28, 2023, tax years 2019 through 2022 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the Commonwealth of Massachusetts.

## **When-Issued and Delayed-Delivery Transactions**

The Fund may engage in when-issued or delayed-delivery transactions. The Fund records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

## **Dollar-Roll Transactions**

The Fund engages in dollar-roll transactions in which the Fund sells mortgage-backed securities with a commitment to buy similar (same type, coupon and maturity), but not identical mortgage-backed securities on a future date. Both securities involved are to-be-announced (TBA) mortgage-backed securities. The Fund treats dollar-roll transactions as purchases and sales. Dollar-rolls are subject to interest rate risks and credit risks.

## **Restricted Securities**

The Fund may purchase securities which are considered restricted. Restricted securities are securities that either: (a) cannot be offered for public sale without first being registered, or being able to take advantage of an exemption from registration, under the Securities Act of 1933; or (b) are subject to contractual restrictions on public sales. In some cases, when a security cannot be offered for public sale without first being registered, the issuer of the restricted security has agreed to register such securities for resale, at the issuer's expense, either upon demand by the Fund or in connection with another registered offering of the securities. Many such restricted securities may be resold in the secondary market in transactions exempt from registration. Restricted securities may be determined to be liquid under criteria established by the Trustees. The Fund will not incur any registration costs upon such resales. The Fund's restricted securities, like other securities, are priced in accordance with procedures established by and under the general supervision of the Adviser.

## **Other**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets, liabilities, expenses and revenues reported in the financial statements. Actual results could differ materially from those estimated. The Fund applies investment company accounting and reporting guidance.

### 3. SHARES OF BENEFICIAL INTEREST

The following tables summarize share activity:

	Six Months Ended 2/28/2023		Year Ended 8/31/2022	
	Shares	Amount	Shares	Amount
<b>Class A Shares:<sup>1</sup></b>				
Shares sold	110,687	\$ 1,036,226	3,546,115	\$ 33,768,104
Shares issued to shareholders in payment of distributions declared	51,080	476,083	16,722	159,008
Shares redeemed	(536,962)	(5,012,375)	(7,758,991)	(73,967,635)
NET CHANGE RESULTING FROM CLASS A SHARE TRANSACTIONS	(375,195)	\$ (3,500,066)	(4,196,154)	\$ (40,040,523)
	Six Months Ended 2/28/2023		Year Ended 8/31/2022	
	Shares	Amount	Shares	Amount
<b>Institutional Shares:</b>				
Shares sold	3,218,775	\$ 30,066,668	14,574,293	\$138,912,029
Shares issued to shareholders in payment of distributions declared	115,658	1,078,464	56,168	534,042
Shares redeemed	(9,835,203)	(91,755,143)	(4,933,332)	(47,053,576)
NET CHANGE RESULTING FROM INSTITUTIONAL SHARE TRANSACTIONS	(6,500,770)	\$(60,610,011)	9,697,129	\$ 92,392,495
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(6,875,965)	\$(64,110,077)	5,500,975	\$ 52,351,972

1 The Fund's former Service Shares have been re-designated as Class A Shares, effective July 28, 2022.

### 4. FEDERAL TAX INFORMATION

At February 28, 2023, the cost of investments for federal tax purposes was \$128,023,523. The net unrealized depreciation of investments for federal tax purposes was \$2,181,026. This consists of unrealized appreciation from investments for those securities having an excess of value over cost of \$109,046 and unrealized depreciation from investments for those securities having an excess of cost over value of \$2,290,072.

As of August 31, 2022, the Fund had a capital loss carryforward of \$3,142,805 which will reduce the Fund's taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Code, thereby reducing the amount of distributions to shareholders which would otherwise be necessary to relieve the Fund of any liability for federal income tax. Pursuant to the Code, these net capital losses retain their character as either short-term or long-term and do not expire.

The following schedule summarizes the Fund's capital loss carryforwards:

Short-Term	Long-Term	Total
\$2,919,782	\$223,023	\$3,142,805

## 5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

### Investment Adviser Fee

The advisory agreement between the Fund and the Adviser provides for an annual fee equal to 0.25% of the Fund's average daily net assets. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily choose to waive any portion of its fee and/or reimburse certain operating expenses of the Fund for competitive reasons such as to maintain the Fund's expense ratio, or as and when appropriate, to maintain positive or zero net yields. For the six months ended February 28, 2023, the Adviser voluntarily waived \$191,809 of its fee and voluntarily reimbursed \$30,625 of other operating expenses.

### Administrative Fee

Federated Administrative Services (FAS), under the Administrative Services Agreement, provides the Fund with administrative personnel and services. For purposes of determining the appropriate rate breakpoint, "Investment Complex" is defined as all of the Federated Hermes Funds subject to a fee under the Administrative Services Agreement. The fee paid to FAS is based on the average daily net assets of the Investment Complex as specified below:

Administrative Fee	Average Daily Net Assets of the Investment Complex
0.100%	on assets up to \$50 billion
0.075%	on assets over \$50 billion

Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the six months ended February 28, 2023, the annualized fee paid to FAS was 0.079% of average daily net assets of the Fund.

In addition, FAS may charge certain out-of-pocket expenses to the Fund.

### Sales Charges

Front-end sales charges and contingent deferred sales charges do not represent expenses of the Fund. They are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. For the six months ended February 28, 2023, Federated Securities Corp. (FSC) did not retain sales charges from the sale of the Class A Shares.

### Other Service Fees

For the six months ended February 28, 2023, FSSC received \$200 of the other service fees disclosed in Note 2.

### Expense Limitation

The Adviser and certain of its affiliates (which may include FSC, FAS and FSSC) on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Total annual fund operating expenses (as shown in the financial highlights, excluding interest expense, extraordinary expenses and proxy-related expenses paid by the Fund, if any) paid by the Fund's Class A Shares and Institutional Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.55% and 0.30% (the "Fee Limit"), respectively, up to but not including the later of

(the “Termination Date”): (a) November 1, 2023 or (b) the date of the Fund’s next effective Prospectus. While the Adviser and its applicable affiliates currently do not anticipate terminating or increasing these arrangements prior to the Termination Date, these arrangements may only be terminated or the Fee Limit increased prior to the Termination Date with the agreement of the Trustees.

### **Directors’/Trustees’ and Miscellaneous Fees**

Certain Officers and Trustees of the Fund are Officers and Directors or Trustees of certain of the above companies. To efficiently facilitate payment, Independent Directors’/Trustees’ fees and certain expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses are paid by an affiliate of the Adviser which in due course are reimbursed by the Fund. These expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses may be included in Accrued and Miscellaneous Expenses on the Statement of Assets and Liabilities and Statement of Operations, respectively.

## **6. INVESTMENT TRANSACTIONS**

Purchases and sales of investments, excluding long-term U.S. government securities and short-term obligations, for the six months ended February 28, 2023, were as follows:

Purchases	\$1,649,933
Sales	\$9,048,804

## **7. LINE OF CREDIT**

The Fund participates with certain other Federated Hermes Funds, on a several basis, in an up to \$500,000,000 unsecured, 364-day, committed, revolving line of credit (LOC) agreement dated June 22, 2022. The LOC was made available to temporarily finance the repurchase or redemption of shares of the Fund, failed trades, payment of dividends, settlement of trades and for other short-term, temporary or emergency general business purposes. The Fund cannot borrow under the LOC if an inter-fund loan is outstanding. The Fund’s ability to borrow under the LOC also is subject to the limitations of the Act and various conditions precedent that must be satisfied before the Fund can borrow. Loans under the LOC are charged interest at a fluctuating rate per annum equal to (a) the highest, on any day, of (i) the federal funds effective rate, (ii) the published secured overnight financing rate plus an assigned percentage, and (iii) 0.0%, plus (b) a margin. Any fund eligible to borrow under the LOC pays its pro rata share of a commitment fee based on the amount of the lenders’ commitment that has not been utilized, quarterly in arrears and at maturity. As of February 28, 2023, the Fund had no outstanding loans. During the six months ended February 28, 2023, the Fund did not utilize the LOC.

## **8. INTERFUND LENDING**

Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Fund, along with other funds advised by subsidiaries of Federated Hermes, Inc., may participate in an interfund lending program. This program provides an alternative credit facility allowing the Fund to borrow from other participating affiliated funds. As of February 28, 2023, there were no outstanding loans. During the six months ended February 28, 2023, the program was not utilized.



## 9. INDEMNIFICATIONS

Under the Fund's organizational documents, its Officers and Directors/Trustees are indemnified against certain liabilities arising out of the performance of their duties to the Fund (other than liabilities arising out of their willful misfeasance, bad faith, gross negligence or reckless disregard of their duties to the Fund). In addition, in the normal course of business, the Fund provides certain indemnifications under arrangements with third parties. Typically, obligations to indemnify a third party arise in the context of an arrangement entered into by the Fund under which the Fund agrees to indemnify such third party for certain liabilities arising out of actions taken pursuant to the arrangement, provided the third party's actions are not deemed to have breached an agreed-upon standard of care (such as willful misfeasance, bad faith, gross negligence or reckless disregard of their duties under the contract). The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet arisen. The Fund does not anticipate any material claims or losses pursuant to these arrangements at this time, and accordingly expects the risk of loss to be remote.

## 10. OTHER MATTERS

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in late 2019 and subsequently spread globally. As of the date of the issuance of these financial statements, this coronavirus has resulted in, and may continue to result in, closed borders, enhanced health screenings, disruptions to healthcare service preparation and delivery, quarantines, cancellations, and disruptions to supply chains, workflow operations and consumer activity, as well as general concern and uncertainty. The impact of this coronavirus has resulted in substantial economic volatility. Health crises caused by outbreaks, such as the coronavirus outbreak, may exacerbate other pre-existing political, social and economic risks. The impact of this outbreak, and other epidemics and pandemics that may arise in the future, could continue to negatively affect the worldwide economy, as well as the economies of individual countries, individual companies (including certain Fund service providers and issuers of the Fund's investments) and the markets in general in significant and unforeseen ways. In addition, governments, their regulatory agencies, or self-regulatory organizations may take actions in response to the pandemic, including significant fiscal and monetary policy changes, that may affect the instruments in which the Fund invests or the issuers of such investments. Any such impact could adversely affect the Fund's performance.

## 11. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2022-06 "Reference Rate Reform (Topic 848)". ASU No. 2022-06 updates and clarifies ASU No. 2020-04, which provides optional, temporary relief with respect to the financial reporting of contracts subject to certain types of modifications due to the planned discontinuation of LIBOR and other interbank-offered reference rates. The temporary relief provided by ASU No. 2022-06 is effective immediately for certain reference rate-related contract modifications that occur through December 31, 2024. Management does not expect ASU No. 2022-06 to have a material impact on the financial statements.

# Shareholder Expense Example (unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase or redemption payments; and (2) ongoing costs, including management fees and to the extent applicable, distribution (12b-1) fees and/or other service fees and other Fund expenses. This Example is intended to help you to understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. It is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from September 1, 2022 to February 28, 2023.

## ACTUAL EXPENSES

The first section of the table below provides information about actual account values and actual expenses. You may use the information in this section, together with the amount you invested, to *estimate* the expenses that you incurred over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first section under the heading entitled “Expenses Paid During Period” to estimate the expenses attributable to your investment during this period.

## HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

The second section of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an *assumed* rate of return of 5% per year before expenses, which is not the Fund’s actual return. Thus, you should *not* use the hypothetical account values and expenses to estimate the actual ending account balance or your expenses for the period. Rather, these figures are required to be provided to enable you to compare the ongoing costs of investing in the Fund with other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs, such as sales charges (loads) on purchase or redemption payments. Therefore, the second section of the table is useful in comparing ongoing costs only, and will not help you determine the relative *total* costs of owning different funds. In addition, if these transaction costs were included, your costs would have been higher.

	Beginning Account Value 9/1/2022	Ending Account Value 2/28/2023	Expenses Paid During Period
<b>Actual:</b>			
Class A Shares	\$1,000	\$ 999.00	\$2.73
Institutional Shares	\$1,000	\$1,000.30	\$1.49
<b>Hypothetical (assuming a 5% return before expenses):</b>			
Class A Shares	\$1,000	\$1,022.07	\$2.76
Institutional Shares	\$1,000	\$1,023.31	\$1.51

1 Expenses are equal to the Fund’s annualized net expense ratios, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half-year period). The annualized net expense ratios are as follows:

Class A Shares	0.55%
Institutional Shares	0.30%

# Evaluation and Approval of Advisory Contract – May 2022

## **FEDERATED HERMES ADJUSTABLE RATE FUND (THE “FUND”)**

At its meetings in May 2022 (the “May Meetings”), the Fund’s Board of Trustees (the “Board”), including those Trustees who are not “interested persons” of the Fund, as defined in the Investment Company Act of 1940 (the “Independent Trustees”), reviewed and unanimously approved the continuation of the investment advisory contract between the Fund and Federated Investment Management Company (the “Adviser”) (the “Contract”) for an additional one-year term. The Board’s determination to approve the continuation of the Contract reflects the exercise of its business judgment after considering all of the information and factors believed to be relevant and appropriate on whether to approve the continuation of the existing arrangement. The information, factors and conclusions that formed the basis for the Board’s approval are summarized below.

### **Information Received and Review Process**

At the request of the Independent Trustees, the Fund’s Chief Compliance Officer (the “CCO”) furnished to the Board in advance of its May Meetings an independent written evaluation presenting on the topics discussed below. The Board considered the CCO’s independent written evaluation (the “CCO Fee Evaluation Report”), along with other information, in evaluating the reasonableness of the Fund’s management fee and in determining to approve the continuation of the Contract. The CCO, in preparing the CCO Fee Evaluation Report, has the authority to retain consultants, experts or staff as reasonably necessary to assist in the performance of his duties, reports directly to the Board, and can be terminated only with the approval of a majority of the Independent Trustees. At the request of the Independent Trustees, the CCO Fee Evaluation Report followed the same general approach and covered the same topics as that of the report that had previously been delivered by the CCO in his capacity as “Senior Officer” prior to the elimination of the Senior Officer position in December 2017.

In addition to the extensive materials that comprise and accompany the CCO Fee Evaluation Report, the Board considered information specifically prepared in connection with the approval of the continuation of the Contract that was presented at the May Meetings. In this regard, in the months preceding the May Meetings, the Board requested and reviewed written responses and supporting materials prepared by the Adviser and its affiliates (collectively, “Federated Hermes”) in response to requests posed to Federated Hermes by independent legal counsel on behalf of the Independent Trustees encompassing a wide variety of topics, including those summarized below. The Board also considered such additional matters as the Independent Trustees deemed

reasonably necessary to evaluate the Contract, which included detailed information about the Fund and Federated Hermes furnished to the Board at its meetings throughout the year and in between regularly scheduled meetings on particular matters as the need arose.

The Board's consideration of the Contract included review of materials and information covering the following matters, among others: the nature, quality and extent of the advisory and other services provided to the Fund by the Adviser and its affiliates; Federated Hermes' business and operations; the Adviser's investment philosophy, personnel and processes; the Fund's investment objectives and strategies; the Fund's short-term and long-term performance (in absolute terms, both on a gross basis and net of expenses, and relative to the Fund's particular investment program and a group of its peer funds and/or its benchmark, as appropriate); the Fund's fees and expenses, including the advisory fee and the overall expense structure of the Fund (both in absolute terms and relative to a group of its peer funds), with due regard for contractual or voluntary expense limitations (if any); the financial condition of Federated Hermes; the Adviser's profitability with respect to the Fund; distribution and sales activity for the Fund; and the use and allocation of brokerage commissions derived from trading the Fund's portfolio securities (if any).

The Board also considered judicial decisions concerning allegedly excessive investment advisory fees charged to other registered funds in determining to approve the Contract. Using these judicial decisions as a guide, the Board observed that the following factors may be relevant to an adviser's fiduciary duty with respect to its receipt of compensation from a fund: (1) the nature and quality of the services provided by the adviser to the fund and its shareholders, including the performance of the fund, its benchmark and comparable funds; (2) the adviser's cost of providing the services and the profitability to the adviser of providing advisory services to the fund; (3) the extent to which the adviser may realize "economies of scale" as the fund grows larger and, if such economies of scale exist, whether they have been appropriately shared with the fund and its shareholders or the family of funds; (4) any "fall-out" benefits that accrue to the adviser because of its relationship with the fund, including research services received from brokers that execute fund trades and any fees paid to affiliates of the adviser for services rendered to the fund; (5) comparative fee and expense structures, including a comparison of management fees paid to the adviser with those paid by similar funds both internally and externally as well as management fees charged to institutional and other advisory clients of the adviser for what might be viewed as like services; and (6) the extent of care, conscientiousness and independence with which the fund's board members perform their duties and their expertise, including whether they are fully informed about all facts the board deems relevant to its consideration of the adviser's services and fees. The Board noted that the Securities and Exchange Commission ("SEC") disclosure requirements

regarding the basis for a fund board's approval of the fund's investment advisory contract generally align with the factors listed above. The Board was guided by these factors in its review of the Contract to the extent it considered them to be appropriate and relevant, as discussed further below. The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Fund and working with Federated Hermes on matters relating to the oversight of the other funds advised by Federated Hermes (each, a "Federated Hermes Fund" and, collectively, the ("Federated Hermes Funds")).

In addition to considering the above-referenced factors, the Board was mindful of the preferences and expectations of Fund shareholders and the potential disruptions of the Fund's operations and various risks, uncertainties and other effects that could occur as a result of a decision to terminate or not renew the Contract. In particular, the Board recognized that many shareholders likely have invested in the Fund on the strength of Federated Hermes' industry standing and reputation and with the expectation that Federated Hermes will have a continuing role in providing advisory services to the Fund. Thus, the Board observed that in the marketplace there are a range of investment options available to the Fund's shareholders and such shareholders, having had the opportunity to consider other investment options, have effectively selected Federated Hermes by virtue of investing in the Fund.

In determining to approve the continuation of the Contract, the members of the Board reviewed and evaluated information and factors they believed to be relevant and appropriate through the exercise of their reasonable business judgment. While individual members of the Board may have weighed certain factors differently, the Board's determination to approve the continuation of the Contract was based on a comprehensive consideration of all information provided to the Board throughout the year and specifically with respect to the continuation of the Contract. The Board recognized that its evaluation process is evolutionary and that the factors considered and emphasis placed on relevant factors may change in recognition of changing circumstances in the registered fund marketplace. The Independent Trustees were assisted throughout the evaluation process by independent legal counsel. In connection with their deliberations at the May Meetings, the Independent Trustees met separately in executive session with their independent legal counsel and without management present to review the relevant materials and consider their responsibilities under applicable laws. In addition, senior management representatives of Federated Hermes also met with the Independent Trustees and their independent legal counsel to discuss the materials and presentations furnished to the Board at the May Meetings. The Board considered the approval of the Contract for the Fund as part of its consideration of agreements for funds across the family of Federated Hermes Funds, but its approvals were made on a fund-by-fund basis.

### **Nature, Extent and Quality of Services**

The Board considered the nature, extent and quality of the services provided to the Fund by the Adviser and the resources of Federated Hermes dedicated to the Fund. In this regard, the Board evaluated, among other things, the terms of the Contract and the range of services provided to the Fund by Federated Hermes. The Board considered the Adviser's personnel, investment philosophy and process, investment research capabilities and resources, trade operations capabilities, experience and performance track record. The Board reviewed the qualifications, backgrounds and responsibilities of the portfolio management team primarily responsible for the day-to-day management of the Fund and Federated Hermes' ability and experience in attracting and retaining qualified personnel to service the Fund. The Board also considered the Adviser's ability to deliver competitive investment performance for the Fund when compared to the Fund's Performance Peer Group (as defined below), which was deemed by the Board to be a useful indicator of how the Adviser is executing the Fund's investment program.

In addition, the Board considered the financial resources and overall reputation of Federated Hermes and its willingness to consider and make investments in personnel, infrastructure, technology, cybersecurity, business continuity planning and operational enhancements that are designed to benefit the Federated Hermes Funds. The Board noted the significant acquisition of Hermes Fund Managers Limited by Federated Hermes, which has deepened the organization's investment management expertise and capabilities and expanded the investment process for all of the Federated Hermes Funds to have access to analytical resources related to environmental, social and governance ("ESG") factors and issuer engagement on ESG matters. The Board considered Federated Hermes' oversight of the securities lending program for the Federated Hermes Funds that engage in securities lending and noted the income earned by the Federated Hermes Funds that participate in such program. In addition, the Board considered the quality of Federated Hermes' communications with the Board and responsiveness to Board inquiries and requests made from time to time with respect to the Fund and other Federated Hermes Funds. In this regard, the Board took into account Federated Hermes' communications with the Board in light of the pandemic. The Board also considered that Federated Hermes is responsible for providing the Federated Hermes Funds' officers.

The Board received and evaluated information regarding Federated Hermes' regulatory and compliance environment. The Board considered Federated Hermes' compliance program and compliance history and reports from the CCO about Federated Hermes' compliance with applicable laws and regulations, including responses to regulatory developments and any compliance or other issues raised by regulatory agencies. The Board also noted Federated Hermes' support of the Federated Hermes Funds' compliance control structure and the compliance-related resources devoted by Federated

Hermes in support of the Fund's obligations pursuant to Rule 38a-1 under the Investment Company Act of 1940, including Federated Hermes' commitment to respond to rulemaking and other regulatory initiatives of the SEC. The Board considered Federated Hermes' approach to internal audits and risk management with respect to the Federated Hermes Funds and its day-to-day oversight of the Federated Hermes Funds' compliance with their investment objectives and policies as well as with applicable laws and regulations, noting that regulatory and other developments had over time led to an increase in the scope of Federated Hermes' oversight in this regard, including in connection with the designation of the Federated Hermes Funds' investment advisers as the administrators of the Federated Hermes Funds' liquidity risk management program.

The Board also considered the implementation of Federated Hermes' business continuity plans and recognized steps taken by Federated Hermes to continue to provide the same nature, extent and quality of services to the Federated Hermes Funds during the pandemic. In addition, the Board noted Federated Hermes' commitment to maintaining high quality systems and expending substantial resources to prepare for and respond to ongoing changes due to the market, regulatory and control environments in which the Fund and its service providers operate, including changes associated with the pandemic.

The Board considered Federated Hermes' efforts to provide shareholders in the Federated Hermes Funds with a comprehensive array of funds with different investment objectives, policies and strategies. The Board considered the expenses that Federated Hermes had incurred, as well as the entrepreneurial and other risks assumed by Federated Hermes, in sponsoring and providing ongoing services to new funds to expand these opportunities for shareholders. The Board noted the benefits to shareholders of being part of the family of Federated Hermes Funds, which include the general right to exchange investments between the same class of shares without the incurrence of additional sales charges.

Based on these considerations, the Board concluded that it was satisfied with the nature, extent and quality of the services provided by the Adviser to the Fund.

### **Fund Investment Performance**

The Board considered the investment performance of the Fund. In evaluating the Fund's investment performance, the Board considered performance results in light of the Fund's investment objective, strategies and risks. The Board considered detailed investment reports on, and the Adviser's analysis of, the Fund's performance over different time periods that were provided to the Board throughout the year and in connection with the May Meetings. These reports include, among other items, information on the Fund's



gross and net returns, the Fund's investment performance compared to one or more relevant categories or groups of peer funds and the Fund's benchmark index, performance attribution information and commentary on the effect of market conditions.

The Board also reviewed comparative information regarding the performance of other registered funds in the category of peer funds selected by Morningstar, Inc. (the "Morningstar"), an independent fund ranking organization (the "Performance Peer Group"). The Board noted the CCO's view that comparisons to fund peer groups may be helpful, though not conclusive, in evaluating the performance of the Adviser in managing the Fund. The Board considered, in evaluating such comparisons, that in some cases there may be differences in the funds' objectives or investment management techniques, or the costs to implement the funds, even within the same Performance Peer Group.

For the periods ended December 31, 2021, the Fund's performance for the one-year period was above the median of the Performance Peer Group, and the Fund's performance fell below the median of the Performance Peer Group for the three-year and five-year periods. The Board discussed the Fund's performance with the Adviser and recognized the efforts being taken by the Adviser in the context of other factors considered relevant by the Board.

Based on these considerations, the Board concluded that it had continued confidence in the Adviser's overall capabilities to manage the Fund.

### **Fund Expenses**

The Board considered the advisory fee and overall expense structure of the Fund and the comparative fee and expense information that had been provided in connection with the May Meetings. In this regard, the Board was presented with, and considered, information regarding the contractual advisory fee rates, net advisory fee rates, total expense ratios and each element of the Fund's total expense ratio (i.e., gross and net advisory fees, administrative fees, custody fees, portfolio accounting fees and transfer agency fees) relative to an appropriate group of peer funds compiled by Federated Hermes from the category of peer funds selected by Morningstar (the "Expense Peer Group"). The Board received a description of the methodology used to select the Expense Peer Group from the overall Morningstar category. The Board also reviewed comparative information regarding the fees and expenses of the broader group of funds in the overall Morningstar category.

While mindful that courts have cautioned against giving too much weight to comparative information concerning fees charged by other advisers for managing funds with comparable investment programs, the Board noted that it found the use of such comparisons to be relevant to its evaluation. The Board focused on comparisons with other similar registered funds more heavily than non-registered fund products or services because such comparisons are believed to be more relevant. The Board considered that other registered funds

are the products most like the Fund, in that they are readily available to Fund shareholders as alternative investment vehicles, and they are the type of investment vehicle, in fact, chosen and maintained by the Fund's shareholders. The Board noted that the range of such other registered funds' fees and expenses, therefore, appears to be a relevant indicator of what investors have found to be reasonable in the marketplace in which the Fund competes.

The Board noted that, for the year ended December 31, 2021, the Fund's investment advisory fee was waived in its entirety. The Board reviewed the contractual advisory fee rate, net advisory fee rate and other expenses of the Fund with the Adviser and noted the position of the Fund's fee rates relative to its Expense Peer Group. In this regard, the Board noted that the contractual advisory fee rate was below the median of the Expense Peer Group and the Board was satisfied that the overall expense structure of the Fund remained competitive. In 2019, the Board approved a reduction of 30 basis points in the contractual advisory fee. In 2021, the Board approved a reduction of 5 basis points in the contractual advisory fee.

The Board also received and considered information about the fees charged by Federated Hermes for providing advisory services to other types of clients with investment strategies similar to those of the Federated Hermes Funds, including non-registered fund clients (such as institutional separate accounts) and third-party unaffiliated registered funds for which the Adviser or its affiliates serve as sub-adviser. The Board noted the CCO's conclusion that non-registered fund clients are inherently different products due to the following differences, among others: (i) different types of targeted investors; (ii) different applicable laws and regulations; (iii) different legal structures; (iv) different average account sizes and portfolio management techniques made necessary by different cash flows and different associated costs; (v) the time spent by portfolio managers and their teams (among other personnel across various departments, including legal, compliance and risk management) in reviewing securities pricing and fund liquidity; (vi) different administrative responsibilities; (vii) different degrees of risk associated with management; and (viii) a variety of different costs. The Board also considered information regarding the differences in the nature of the services required for Federated Hermes to manage its proprietary registered fund business versus managing a discrete pool of assets as a sub-adviser to another institution's registered fund, noting the CCO's view that Federated Hermes generally performs significant additional services and assumes substantially greater risks in managing the Fund and other Federated Hermes Funds than in its role as sub-adviser to an unaffiliated third-party registered fund. The Board noted that the CCO did not consider the fees for providing advisory services to other types of clients to be determinative in judging the appropriateness of the Federated Hermes Funds' advisory fees.

Based on these considerations, the Board concluded that the fees and total operating expenses of the Fund, in conjunction with other matters considered, are reasonable in light of the services provided.

### **Profitability**

The Board received and considered profitability information furnished by Federated Hermes, as requested by the CCO. Such profitability information included revenues reported on a fund-by-fund basis and estimates of the allocation of expenses made on a fund-by-fund basis, using allocation methodologies specified by the CCO and described to the Board. The Board considered the CCO's view that, while these cost allocation reports apply consistent allocation processes, the inherent difficulties in allocating costs on a fund-by-fund basis continues to cause the CCO to question the precision of the process and to conclude that such reports may be unreliable because a single change in an allocation estimate may dramatically alter the resulting estimate of cost and/or profitability of a Federated Hermes Fund and may produce unintended consequences. In addition, the Board considered the CCO's view that the allocation methodologies used by Federated Hermes in estimating profitability for purposes of reporting to the Board in connection with the continuation of the Contract are consistent with the methodologies previously reviewed by an independent consultant. The Board noted that the independent consultant had previously conducted a review of the allocation methodologies and reported that, although there is no single best method to allocate expenses, the methodologies used by Federated Hermes are reasonable.

The Board also reviewed information compiled by Federated Hermes comparing its profitability information to other publicly held fund management companies, including information regarding profitability trends over time. The Board considered the CCO's conclusion that, based on such profitability information, Federated Hermes' profit margins did not appear to be excessive. The Board also considered the CCO's view that Federated Hermes appeared financially sound, with the resources necessary to fulfill its obligations under its contracts with the Federated Hermes Funds.

### **Economies of Scale**

The Board received and considered information about the notion of possible realization of "economies of scale" as a fund grows larger, the difficulties of calculating economies of scale at an individual fund level, and the extent to which potential scale benefits are shared with shareholders. In this regard, the Board considered that Federated Hermes has made significant and long-term investments in areas that support all of the Federated Hermes Funds, such as: personnel, processes and tools for portfolio management, including the use of market data on which portfolio managers make investment decisions; trading operations; ESG integration and issuer engagement on ESG matters; shareholder services; compliance; business continuity; cybersecurity; internal audit and risk management functions; and technology that supports the

provision of investment management services. The Board noted that Federated Hermes' investments in these areas are extensive and are designed to provide enhanced services to the Federated Hermes Funds and their shareholders. The Board considered that the benefits of these investments are likely to be shared with the family of Federated Hermes Funds as a whole. In addition, the Board considered that fee waivers and expense reimbursements are another means for potential economies of scale to be shared with shareholders and can provide protection from an increase in expenses if a Federated Hermes Fund's assets decline. The Board considered that, in order for the Federated Hermes Funds to remain competitive in the marketplace, Federated Hermes has frequently waived fees and/or reimbursed expenses for the Federated Hermes Funds and has disclosed to shareholders and/or reported to the Board its intention to do so (or continue to do so) in the future. The Board also considered Federated Hermes' reductions in contractual management fees for certain Federated Hermes Funds during the prior year, including in response to the CCO's recommendations in the prior year's CCO Fee Evaluation Report, which have resulted in benefits being realized by shareholders.

The Board also considered reports on adviser-paid fees (commonly referred to as "revenue sharing") that were provided to the Board throughout the year and in connection with the May Meetings. The Board considered that Federated Hermes and the CCO believe that this information should be viewed to determine if there was an incentive to either not apply breakpoints, or to apply breakpoints at higher levels, and should not be viewed to evaluate the reasonableness of advisory fees. The Board also noted the absence of any applicable regulatory or industry guidelines on this subject, which is compounded by the lack of any uniform methodology or pattern with respect to structuring fund advisory fees with breakpoints that serve to reduce the fees as a fund attains a certain size.

### **Other Benefits**

The Board considered information regarding the compensation and other ancillary (or "fall-out") benefits that Federated Hermes derived from its relationships with the Federated Hermes Funds. The Board noted that, in addition to receiving advisory fees under the Federated Hermes Funds' investment advisory contracts, Federated Hermes' affiliates also receive fees for providing other services to the Federated Hermes Funds under separate contracts (e.g., for serving as the Federated Hermes Funds' administrator and distributor). In this regard, the Board considered that certain of Federated Hermes' affiliates provide distribution and shareholder services to the Federated Hermes Funds, for which they may be compensated through distribution and servicing fees paid pursuant to Rule 12b-1 plans or otherwise. The Board also received and considered information detailing any indirect benefit that Federated Hermes may derive from its receipt of research services from brokers who execute portfolio trades for the Federated Hermes Funds.

## **Conclusions**

The Board considered: (i) the CCO's conclusion that his observations and the information accompanying the CCO Fee Evaluation Report show that the management fee for the Fund is reasonable; and (ii) the CCO's recommendation that the Board approve the management fee. The Board noted that, under these circumstances, no changes were recommended to, and no objection was raised to the continuation of, the Contract by the CCO. The CCO also recognized that the Board's evaluation of the Federated Hermes Funds' advisory and sub-advisory arrangements is a continuing and ongoing process that is informed by the information that the Board requests and receives from management throughout the course of the year and, in this regard, the CCO noted certain items for future reporting to the Board or further consideration by management as the Board continues its ongoing oversight of the Federated Hermes Funds.

On the basis of the information and factors summarized above, among other information and factors deemed relevant by the Board, and the evaluation thereof, the Board, including the Independent Trustees, unanimously voted to approve the continuation of the Contract. The Board based its determination to approve the Contract on the totality of the circumstances and relevant factors and with a view of past and future long-term considerations. Not all of the factors and considerations identified above were necessarily deemed to be relevant to the Fund, nor did the Board consider any one of them to be determinative. With respect to the factors that were deemed to be relevant, the Board's determination to approve the continuation of the Contract reflects its view that Federated Hermes' performance and actions provided a satisfactory basis to support the determination to approve the continuation of the existing arrangement.

## Liquidity Risk Management Program – Annual Evaluation of Adequacy and Effectiveness

In accordance with Rule 22e-4 under the Investment Company Act of 1940, as amended (the “Liquidity Rule”), Federated Hermes Adjustable Rate Fund (the “Fund” and, collectively with the other non-money market open-end funds advised by Federated Hermes, the “Federated Hermes Funds”) has adopted and implemented a liquidity risk management program (the “Program”) for the Fund. The Program seeks to assess and manage the Fund’s liquidity risk. “Liquidity risk” is defined under the Liquidity Rule as the risk that the Fund is unable to meet redemption requests without significantly diluting remaining investors’ interests in the Fund. The Board of Trustees of the Fund (the “Board”) has approved the designation of each Federated Hermes Fund’s investment adviser as the administrator (the “Administrator”) for the Program with respect to that Fund. The Administrator, in turn, has delegated day-to-day responsibility for the administration of the Program to multiple Liquidity Risk Management Committees, which are comprised of representatives from certain divisions within Federated Hermes.

The Program is comprised of various components designed to support the assessment and/or management of liquidity risk, including: (1) the periodic assessment (no less frequently than annually) of certain factors that influence the Fund’s liquidity risk; (2) the periodic classification (no less frequently than monthly) of the Fund’s investments into one of four liquidity categories that reflect an estimate of their liquidity under current market conditions; (3) a 15% limit on the acquisition of “illiquid investments” (as defined under the Liquidity Rule); (4) to the extent a Fund does not invest primarily in “highly liquid investments” (as defined under the Liquidity Rule), the determination of a minimum percentage of the Fund’s assets that generally will be invested in highly liquid investments (an “HLIM”); (5) if a Fund has established an HLIM, the periodic review (no less frequently than annually) of the HLIM and the adoption of policies and procedures for responding to a shortfall of the Fund’s highly liquid investments below its HLIM; and (6) periodic reporting to the Board.

At its meetings in May 2022, the Board received and reviewed a written report (the “Report”) from the Federated Hermes Funds’ Chief Compliance Officer and Chief Risk Officer, on behalf of the Administrator, concerning the operation of the Program for the period from April 1, 2021 through March 31, 2022 (the “Period”). The Report addressed the operation of the Program and assessed its adequacy and effectiveness, including, where applicable, the operation of any HLIM established for a Federated Hermes Fund and each Federated Hermes Fund’s access to other available funding sources such as the Federated Hermes Funds’ interfund lending facility, redemptions in-kind, reverse repurchase agreement transactions, redemptions delayed beyond the normal T+1 settlement, but within seven days of the

redemption request, and committed lines of credit. There were no material changes to the Program during the Period. The Report summarized the operation of the Program and the information and factors considered by the Administrator in assessing whether the Program has been adequately and effectively implemented with respect to the Federated Hermes Funds. Such information and factors included, among other things:

- confirmation that it was not necessary for the Fund to utilize, and the Fund did not utilize, alternative funding sources during the Period;
- the periodic classifications of the Fund's investments into one of four liquidity categories and the methodologies and inputs used to classify the investments, including the Fund's reasonably anticipated trade size;
- the analysis received from a third-party liquidity assessment vendor that is taken into account in the process of determining the liquidity classifications of the Fund's investments and the results of an evaluation of the services performed by the vendor in support of this process;
- the fact that the Fund invested primarily in highly liquid investments during the Period and, therefore, was not required to establish, and has not established, an HLIM and the procedures for monitoring the status of the Fund as investing primarily in highly liquid investments;
- the fact that the Fund invested no more than 15% of its assets in illiquid investments during the Period and the procedures for monitoring this limit;
- the fact that there were no liquidity events during the Period, that materially affected the Fund's liquidity risk
- the impact on liquidity and management of liquidity risk caused by extended non-U.S. market closures and confirmation that there were no issues for any of the affected Federated Hermes Funds in meeting shareholder redemptions at any time during these temporary non-U.S. market closures;
- circumstances during the Period under which the Administrator convened meetings of the Liquidity Risk Management Committees more frequently than normal to conduct enhanced liquidity risk monitoring, including prior to the Russian invasion of Ukraine.

Based on this review, the Administrator concluded that the Program is operating effectively to assess and manage the Fund's liquidity risk, and that the Program has been and continues to be adequately and effectively implemented to monitor and, as applicable, respond to the Fund's liquidity developments.

## Voting Proxies on Fund Portfolio Securities

A description of the policies and procedures that the Fund uses to determine how to vote proxies, if any, relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling 1-800-341-7400, Option #4. A report on "Form N-PX" of how the Fund voted any such proxies during the most recent 12-month period ended June 30 is available via the Proxy Voting Record (Form N-PX) link associated with the Fund and share class name at [FederatedInvestors.com/FundInformation](https://www.federatedinvestors.com/FundInformation). Form N-PX filings are also available at the SEC's website at [sec.gov](https://www.sec.gov).

## Quarterly Portfolio Schedule

Each fiscal quarter, the Fund will file with the SEC a complete schedule of its monthly portfolio holdings on "Form N-PORT." The Fund's holdings as of the end of the third month of every fiscal quarter, as reported on Form N-PORT, will be publicly available on the SEC's website at [sec.gov](https://www.sec.gov) within 60 days of the end of the fiscal quarter upon filing. You may also access this information via the link to the Fund and share class name at [FederatedInvestors.com](https://www.federatedinvestors.com).



*Mutual funds are not bank deposits or obligations, are not guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. Investment in mutual funds involves investment risk, including the possible loss of principal.*

This Report is authorized for distribution to prospective investors only when preceded or accompanied by the Fund's Prospectus, which contains facts concerning its objective and policies, management fees, expenses and other information.

#### **IMPORTANT NOTICE ABOUT FUND DOCUMENT DELIVERY**

In an effort to reduce costs and avoid duplicate mailings, the Fund(s) intend to deliver a single copy of certain documents to each household in which more than one shareholder of the Fund(s) resides (so-called "householding"), as permitted by applicable rules. The Fund's "householding" program covers its/their Prospectus and Statement of Additional Information, and supplements to each, as well as Semi-Annual and Annual Shareholder Reports and any Proxies or information statements. Shareholders must give their written consent to participate in the "householding" program. The Fund is also permitted to treat a shareholder as having given consent ("implied consent") if (i) shareholders with the same last name, or believed to be members of the same family, reside at the same street address or receive mail at the same post office box, (ii) the Fund gives notice of its intent to "household" at least sixty (60) days before it begins "householding" and (iii) none of the shareholders in the household have notified the Fund(s) or their agent of the desire to "opt out" of "householding." Shareholders who have granted written consent, or have been deemed to have granted implied consent, can revoke that consent and opt out of "householding" at any time: shareholders who purchased shares through an intermediary should contact their representative; other shareholders may call the Fund at 1-800-341-7400, Option #4.

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## Sign up for Electronic Delivery!

*A faster way to receive documents.*

If you purchased shares through a financial intermediary (bank or broker-dealer), please contact your representative to set up e-delivery. Otherwise, contact the Fund at 1-800-341-7400, Option #4.



Federated Hermes Adjustable Rate Fund  
Federated Hermes Funds  
4000 Ericsson Drive  
Warrendale, PA 15086-7561

Contact us at [FederatedInvestors.com](https://www.federatedinvestors.com)  
or call 1-800-341-7400.

Federated Securities Corp., Distributor

CUSIP 314082108  
CUSIP 314082306

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