

**Semi-Annual  
Shareholder Report**  
February 28, 2022



---

Share Class | Ticker

Institutional | FHCOX

---

## Federated Hermes Conservative Microshort Fund

*Fund Established 2021*

---

A Portfolio of Federated Hermes Adviser Series

Dear Valued Shareholder,

We are pleased to present the Semi-Annual Shareholder Report for your fund covering the period from September 1, 2021 through February 28, 2022. 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 cursive script, appearing to read "J. Christopher Donahue".

J. Christopher Donahue, President

---

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

**CONTENTS**

Portfolio of Investments Summary Table ..... 1

Portfolio of Investments ..... 2

Financial Highlights..... 6

Statement of Assets and Liabilities..... 7

Statement of Operations..... 8

Statement of Changes in Net Assets ..... 9

Notes to Financial Statements ..... 10

Shareholder Expense Example ..... 17

Evaluation and Approval of Advisory Contract ..... 19

Liquidity Risk Management Program –  
Annual Evaluation of Adequacy and Effectiveness..... 28

Voting Proxies on Fund Portfolio Securities ..... 30

Quarterly Portfolio Schedule ..... 30

# Portfolio of Investments Summary Table (unaudited)

At February 28, 2022, the Fund's portfolio composition<sup>1</sup> was as follows:

<b>Security Type</b>	<b>Percentage of Total Net Assets</b>
Asset-Backed Securities	39.7%
Commercial Paper	6.7%
Certificates of Deposit	1.7%
Corporate Bond	1.3%
Cash Equivalents <sup>2</sup>	30.1%
Other Repurchase Agreements	20.5%
Other Assets and Liabilities—Net <sup>3</sup>	(0.0)%
<b>TOTAL</b>	<b>100%</b>

- 1 See the Fund's Prospectus for a description of the principal types of securities in which the Fund invests.
- 2 Cash Equivalents include any investments in money market mutual funds.
- 3 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

# Portfolio of Investments

February 28, 2022 (unaudited)

Principal Amount or Shares		Value
	<b>ASSET-BACKED SECURITIES—39.7%</b>	
	<b>Auto Receivables—24.8%</b>	
\$ 1,012,542	Chase Auto Credit Linked Notes 2020-2, Class C, 1.139%, 2/25/2028	\$ 1,008,999
367,046	Chase Auto Credit Linked Notes 2020-2, Class D, 1.487%, 2/25/2028	365,847
428,124	Drive Auto Receivables Trust 2019-4, Class C, 2.510%, 11/17/2025	429,794
1,785,084	Drive Auto Receivables Trust 2021-2, Class A2, 0.360%, 5/15/2024	1,782,661
1,530,000	General Motors 2020-1, Class A, 0.680%, 8/15/2025	1,505,836
750,000	GM Financial Automobile Leasing Trust 2020-2, Class B, 1.560%, 7/22/2024	751,235
2,300,000	<sup>1</sup> Navistar Financial Dealer Note Master Trust 2020-1, Class B, 1.537% (1-month USLIBOR +1.350%), 7/25/2025	2,305,817
452,004	Santander Bank Auto Credit-Linked Notes 2021-1A, Class B, 2.695%, 12/15/2031	447,346
132,345	Santander Retail Auto Lease Trust 2019-A, Class D, 3.660%, 5/20/2024	132,536
115,000	Santander Retail Auto Lease Trust 2019-B, Class B, 2.580%, 8/21/2023	115,386
110,000	Santander Retail Auto Lease Trust 2019-B, Class C, 2.770%, 8/21/2023	110,424
945,000	Santander Retail Auto Lease Trust 2020-A, Class D, 2.520%, 11/20/2024	947,510
850,000	Tesla Auto Lease Trust 2020-A, Class B, 1.180%, 1/22/2024	848,418
3,000,000	Tesla Auto Lease Trust 2020-A, Class D, 2.330%, 2/20/2024	3,003,697
725,000	World Omni Auto Receivables Trust 2019-A, Class D, 2.590%, 12/15/2025	728,368
	TOTAL	14,483,874
	<b>Credit Card—0.5%</b>	
315,000	<sup>1</sup> American Express Credit Account Master Trust 2017-5, Class B, 0.771% (1-month USLIBOR +0.580%), 2/18/2025	315,431
	<b>Equipment Lease—5.6%</b>	
3,000,000	Dell Equipment Finance Trust 2020-2, Class D, 1.920%, 3/23/2026	2,999,429
300,000	Dell Equipment Finance Trust 2021-1, Class D, 1.030%, 11/23/2026	295,212
	TOTAL	3,294,641
	<b>Other—8.6%</b>	
750,000	PFS Financing Corp. 2019-A, Class B, 3.130%, 4/15/2024	753,926
1,878,000	PFS Financing Corp. 2020-B, Class A, 1.210%, 6/15/2024	1,884,718
1,500,000	PFS Financing Corp. 2022-B, Class B, 0.898% (30-DAY AVERAGE SOFR +0.850%), 2/17/2026	1,501,635
896,808	Sofi Consumer Loan Program Trust 2021-1, Class A, 0.490%, 9/25/2030	890,323
	TOTAL	5,030,602
	<b>Student Loans—0.2%</b>	
89,952	Navient Student Loan Trust 2018-A, Class A2, 3.190%, 2/18/2042	90,304
	TOTAL ASSET-BACKED SECURITIES (IDENTIFIED COST \$23,394,032)	23,214,852

Principal Amount or Shares		Value
	<sup>2</sup> COMMERCIAL PAPER—6.7%	
	<b>Electric Power—1.7%</b>	
\$ 1,000,000	Duke Energy Corp., 0.220%, 3/17/2022	\$ 999,863
	<b>Energy - Midstream—5.0%</b>	
2,900,000	Energy Transfer LP, 0.350%, 3/1/2022	2,899,964
	TOTAL COMMERCIAL PAPER (IDENTIFIED COST \$3,899,902)	3,899,827
	CERTIFICATES OF DEPOSIT—1.7%	
	<b>Banking—1.7%</b>	
1,000,000	MUFG Bank Ltd., 0.440%, 12/7/2022 (IDENTIFIED COST \$1,000,000)	993,812
	CORPORATE BOND—1.3%	
	<b>Financial Institution - Finance Companies—1.3%</b>	
750,000	<sup>1</sup> Air Lease Corp., Sr. Unsecd. Note, Series MTN, 0.553% (3-month USLIBOR +0.350%), 12/15/2022 (IDENTIFIED COST \$750,000)	749,723
	OTHER REPURCHASE AGREEMENTS—20.5%	
2,860,000	BNP Paribas S.A. 0.15%, dated 2/28/2022, interest in a \$500,000,000 collateralized loan agreement will repurchase securities provided as collateral for \$500,002,083 on 3/1/2022, in which asset-backed securities, collateralized mortgage obligations, corporate bond, medium-term notes and Sovereign with a market value of \$510,002,126 have been received as collateral and held with BNY Mellon as tri-party agent.	2,860,000
2,430,000	ING Financial Markets LLC, 0.14%, dated 2/28/2022, interest in a \$50,000,000 collateralized loan agreement will repurchase securities provided as collateral for \$50,000,194 on 3/1/2022, in which corporate bonds with a market value of \$51,001,056 have been received as collateral and held with BNY Mellon as tri-party agent.	2,430,000
1,000,000	MUFG Securities Americas, Inc., 0.22%, dated 2/28/2022, interest in a \$550,000,000 collateralized loan agreement will repurchase securities provided as collateral for \$550,003,361 on 3/1/2022, in which American depository receipts, common stocks, exchange traded funds, and unit investment trust with a market value of \$561,003,429 have been received as collateral and held with BNY Mellon as tri-party agent.	1,000,000
2,860,000	Societe Generale, Paris 0.22%, dated 2/28/2022, interest in a \$650,000,000 collateralized loan agreement will repurchase securities provided as collateral for \$650,003,972 on 3/1/2022, in which asset-backed securities, collateralized mortgage obligations, corporate bonds, medium-term notes and Sovereign with a market value of \$663,004,058 have been received as collateral and held with BNY Mellon as tri-party agent.	2,860,000
2,860,000	Standard Chartered Bank, 0.16%, dated 2/28/2022, interest in a \$100,000,000 collateralized loan agreement will repurchase securities provided as collateral for \$100,000,444 on 3/1/2022, in which, treasury bonds and treasury notes with a market value of \$102,000,520 have been received as collateral and held with BNY Mellon as tri-party agent.	2,860,000
	TOTAL OTHER REPURCHASE AGREEMENTS (IDENTIFIED COST \$12,010,000)	12,010,000

Principal Amount or Shares	Value
	INVESTMENT COMPANY—30.1%
17,612,489	Federated Hermes Institutional Money Market Management, Institutional Shares, 0.05% <sup>3</sup> (IDENTIFIED COST \$17,608,967) <span style="float: right;">\$17,605,444</span>
	TOTAL INVESTMENT IN SECURITIES—100.0% (IDENTIFIED COST \$58,662,901) <sup>4</sup> <span style="float: right;">58,473,658</span>
	OTHER ASSETS AND LIABILITIES - NET—(0.0)% <sup>5</sup> <span style="float: right;">(27,003)</span>
	TOTAL NET ASSETS—100% <span style="float: right;">\$58,446,655</span>

Affiliated fund holdings are investment companies which are managed by the Adviser or an affiliate of the Adviser. Transactions with affiliated fund holdings during the period ended February 28, 2022, were as follows:

	<b>Federated Hermes Institutional Money Market Management, Institutional Shares</b>
Value as of 8/31/2021	\$ 33,446,198
Purchases at Cost	\$ —
Proceeds from Sales	\$(15,837,231)
Change in Unrealized Appreciation/Depreciation	\$ (3,523)
Net Realized Gain/(Loss)	N/A
Value as of 2/28/2022	\$ 17,605,444
Shares Held as of 2/28/2022	17,612,489
Dividend Income	\$ 1,909

The Fund invests in Federated Hermes Institutional Money Market Management (MMM), a diversified portfolio of Federated Hermes Money Market Obligations Trust (MMOT) which is also managed by the Adviser. MMOT is an open-end management investment company, registered under the Investment Company Act of 1940, as amended. The investment objective of MMM is to provide current income consistent with stability of principal. Income distributions from MMM are declared daily and paid monthly. All income distributions are recorded by the Fund as dividend income. Capital gain distributions of MMM, if any, are declared and paid annually, and are recorded by the Fund as capital gains received. At February 28, 2022, MMM represents 30.1% of the Fund's net assets. Therefore, the performance of the Fund is directly affected by the performance of MMM. Copies of MMM's financial statements are available on the EDGAR Database on the SEC's website or upon request from the Fund.

- 1 Floating/variable note with current rate and current maturity or next reset date shown.
- 2 Discount rate at time of purchase for discount issues, or the coupon for interest-bearing issues.
- 3 7-day net yield.
- 4 Also represents cost of investments for federal tax purposes.
- 5 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, 2022.

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, 2022, 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>				
Asset-Backed Securities	\$ —	\$23,214,852	\$—	\$23,214,852
Commercial Paper	—	3,899,827	—	3,899,827
Certificates of Deposit	—	993,812	—	993,812
Corporate Bond	—	749,723	—	749,723
<b>Other Repurchase Agreements</b>	—	12,010,000	—	12,010,000
<b>Investment Company</b>	17,605,444	—	—	17,605,444
<b>TOTAL SECURITIES</b>	<b>\$17,605,444</b>	<b>\$40,868,214</b>	<b>\$—</b>	<b>\$58,473,658</b>

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

LIBOR—London Interbank Offered Rate

MTN —Medium Term Note

SOFR —Secured Overnight Financing Rate

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Institutional Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 2/28/2022	Period Ended 8/31/2021 <sup>1</sup>
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.02</b>	<b>\$10.00</b>
<b>Income From Investment Operations:</b>		
Net investment income (loss)	0.01	0.01
Net realized and unrealized gain (loss)	(0.05)	0.03
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(0.04)</b>	<b>0.04</b>
<b>Less Distributions:</b>		
Distributions from net investment income	(0.01)	(0.02)
<b>Net Asset Value, End of Period</b>	<b>\$9.97</b>	<b>\$10.02</b>
<b>Total Return<sup>2</sup></b>	<b>(0.36)%</b>	<b>0.36%</b>
<b>Ratios to Average Net Assets:</b>		
Net expenses <sup>3</sup>	0.06% <sup>4</sup>	0.04% <sup>4</sup>
Net investment income	0.27% <sup>4</sup>	0.23% <sup>4</sup>
Expense waiver/reimbursement <sup>5</sup>	0.54% <sup>4</sup>	1.15% <sup>4</sup>
<b>Supplemental Data:</b>		
Net assets, end of period (000 omitted)	\$58,447	\$71,621
Portfolio turnover <sup>6</sup>	15%	26%

1 Reflects operations for the period from February 3, 2021 (commencement of operations) to August 31, 2021.

2 Based on net asset value. Total returns for periods of less than one year are not annualized.

3 Amount does not reflect net expenses incurred by investment companies in which the Fund may invest.

4 Computed on an annualized basis.

5 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.

6 Securities that mature are considered sales for purposes of this calculation.

See Notes which are an integral part of the Financial Statements



# Statement of Assets and Liabilities

February 28, 2022 (unaudited)

**Assets:**

Investment in other repurchase agreements	\$12,010,000
Investment in securities	46,463,658
Investment in securities, at value including \$17,605,444 of investments in an affiliated holding* (identified cost \$58,662,901)	58,473,658
Income receivable	13,313
Income receivable from an affiliated holding	951
Prepaid expenses	12,239
<b>TOTAL ASSETS</b>	<b>58,500,161</b>

**Liabilities:**

Payable for shares redeemed	76
Payable to bank	499
Income distribution payable	13,238
Payable to adviser (Note 5)	1,223
Payable for administrative fee (Note 5)	125
Payable for custodian fees	4,994
Payable for Directors'/Trustees' fees (Note 5)	223
Payable for auditing fees	16,422
Payable for portfolio accounting fees	16,706
<b>TOTAL LIABILITIES</b>	<b>53,506</b>

Net assets for 5,861,801 shares outstanding \$58,446,655

**Net Assets Consist of:**

Paid-in capital	\$58,641,752
Total distributable earnings (loss)	(195,097)
<b>TOTAL NET ASSETS</b>	<b>\$58,446,655</b>

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

$\$58,446,655 \div 5,861,801$  shares outstanding, no par value, unlimited shares authorized \$ 9.97

\* 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, 2022 (unaudited)

<b>Investment Income:</b>	
Interest	\$ 93,199
Dividends received from an affiliated holding*	1,909
TOTAL INCOME	95,108
<b>Expenses:</b>	
Investment adviser fee (Note 5)	72,611
Administrative fee (Note 5)	22,854
Custodian fees	4,872
Transfer agent fees	2,270
Directors'/Trustees' fees (Note 5)	223
Auditing fees	9,423
Legal fees	4,128
Portfolio accounting fees	26,932
Share registration costs	14,785
Printing and postage	8,751
Miscellaneous (Note 5)	5,996
TOTAL EXPENSES	172,845
<b>Waivers and Reimbursement:</b>	
Waiver of investment adviser fee (Note 5)	(72,611)
Waivers/reimbursement of other operating expenses (Note 5)	(84,186)
TOTAL WAIVERS AND REIMBURSEMENT	(156,797)
Net expenses	16,048
Net investment income	79,060
<b>Realized and Unrealized Gain (Loss) on Investments:</b>	
Net realized loss on investments	(1,317)
Net change in unrealized appreciation of investments (including net change in unrealized appreciation of \$(3,523) on investments in an affiliated holding*)	(247,016)
Net realized and unrealized gain (loss) on investments	(248,333)
Change in net assets resulting from operations	\$(169,273)

\* 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) 2/28/2022	Period Ended 8/31/2021 <sup>1</sup>
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	\$ 79,060	\$ 28,279
Net realized gain (loss)	(1,317)	(3,771)
Net change in unrealized appreciation/depreciation	(247,016)	57,773
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	(169,273)	82,281
<b>Distributions to Shareholders</b>	(80,456)	(27,649)
<b>Share Transactions:</b>		
Proceeds from sale of shares	3,200,502	71,621,650
Net asset value of shares issued to shareholders in payment of distributions declared	8,123	24,518
Cost of shares redeemed	(16,132,745)	(80,296)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(12,924,120)	71,565,872
Change in net assets	(13,173,849)	71,620,504
<b>Net Assets:</b>		
Beginning of period	71,620,504	—
End of period	\$ 58,446,655	\$71,620,504

1 Reflects operations for the period from February 3, 2021 (date of initial investment) to August 31, 2021.

See Notes which are an integral part of the Financial Statements

# Notes to Financial Statements

February 28, 2022 (unaudited)

## 1. ORGANIZATION

Federated Hermes Adviser Series (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 14 portfolios. The financial statements included herein are only those of Federated Hermes Conservative Microshort Fund (the "Fund"), a diversified portfolio. The financial statements of the other portfolios are presented separately. The assets of each portfolio are segregated and a shareholder's interest is limited to the portfolio in which shares are held. Each portfolio pays its own expenses. The Fund offers one class of shares: Institutional Shares, which commenced operations on February 3, 2021. Class A Shares are effective with the Securities and Exchange Commission (SEC), but currently are not yet offered for sale. The investment objective of the Fund is to provide current income consistent with capital preservation while maintaining liquidity.

The Fund invests a significant portion of its net assets in the Institutional Shares of Federated Hermes Institutional Money Market Management (the "Underlying Fund"), an affiliated institutional money market fund with substantially similar investment objectives and strategies as the Fund. Therefore, the performance of the Fund is directly affected by the performance of the Underlying Fund. To illustrate the security holdings, financial condition, results of operations and changes in net assets of the Underlying Fund, its financial statements should be read in conjunction with the Fund's financial statements.

## 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 the Fund's Board of Trustees (the "Trustees").
- 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.
- Derivative contracts listed on exchanges are valued at their reported settlement or closing price, except that options are valued at the mean of closing bid and asked quotations.
- Over-the-counter (OTC) derivative contracts are fair valued using price evaluations provided by a pricing service approved by the Trustees.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Trustees, 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 Fund's valuation policies and procedures, or if information furnished by a pricing service, in the opinion of the 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**

The Trustees have ultimate responsibility for determining the fair value of investments for which market quotations are not readily available. The Trustees have appointed a Valuation Committee comprised of officers of the Fund, Federated Investment Management Company (the "Adviser") and certain of the Adviser's affiliated companies to assist in determining fair value and in overseeing the calculation of the NAV. The Trustees have also authorized the use of pricing services recommended by the Valuation Committee 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 Trustees. The Trustees periodically review and approve the fair valuations made by the Valuation Committee and 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 asked 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 over-the-counter 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 Trustees.

## **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. Foreign dividends are recorded on the ex-dividend date or when the Fund is informed of 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. The detail of the total fund expense waiver and reimbursements of \$156,797 is disclosed in Note 5.

## **Federal Taxes**

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code (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, 2022, 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, 2022, tax year 2021 is subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the State of Delaware.

## 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.

## 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 Trustees.

## 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 table summarizes share activity:

	Six Months Ended 2/28/2022	Period Ended 8/31/2021 <sup>1</sup>
Shares sold	320,018	7,156,666
Shares issued to shareholders in payment of distributions declared	813	2,451
Shares redeemed	(1,610,123)	(8,024)
NET CHANGE RESULTING FROM FUND SHARE TRANSACTIONS	(1,289,292)	7,151,093

<sup>1</sup> Reflects operations for the period from February 3, 2021 (commencement of operations) to August 31, 2021.

## 4. FEDERAL TAX INFORMATION

At February 28, 2022, the cost of investments for federal tax purposes was \$58,662,901. The net unrealized depreciation of investments for federal tax purposes was \$189,243. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$5,351 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$194,594.

As of August 31, 2021, the Fund had a capital loss carryforward of \$9,158 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
\$9,158	\$—	\$9,158

## 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. The Underlying Fund also has an investment advisory agreement with the Adviser by which the Adviser is entitled to an investment adviser fee with respect to the Underlying Fund's average daily net assets. To avoid charging duplicative fees, the Adviser has agreed to waive and/or reimburse its fee with respect to the Fund's net assets invested in the Underlying Fund. For the six months ended February 28, 2022, the Adviser voluntarily waived its entire fee of \$72,611 and voluntarily reimbursed \$84,186 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, 2022, 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.



## Expense Limitation

The Adviser and certain of its affiliates (which may include FAS) 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 Institutional Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.25% (the "Fee Limit"), up to but not including the later of (the "Termination Date"): (a) November 1, 2022; 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.

## Affiliated Shares of Beneficial Interest

As of February 28, 2022, a majority of the shares of beneficial interest outstanding are owned by an affiliate of the Adviser.

## 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, 2022, were as follows:

Purchases	\$ 6,167,426
Sales	\$19,201,063

## 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 23, 2021. 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 the highest, on any day, of (a) (i) the federal funds effective rate, (ii) the one month London Interbank Offered Rate (LIBOR), or a replacement rate as appropriate, 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, 2022, the Fund had no outstanding loans. During the six months ended February 28, 2022, the Fund did not utilize the LOC.

## **8. INTERFUND LENDING**

Pursuant to an Exemptive Order issued by the SEC, 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, 2022, there were no outstanding loans. During the six months ended February 28, 2022, the program was not utilized.

## **9. 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 closing 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 may continue for an extended period of time and 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. Any such impact could adversely affect the Fund's performance.

## **10. RECENT ACCOUNTING PRONOUNCEMENTS**

In January 2021, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2021-01 "Reference Rate Reform (Topic 848)". ASU No. 2021-01 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. 2021-01 is effective immediately for certain reference rate-related contract modifications that occur through December 31, 2022. Management does not expect ASU No. 2021-01 to have a material impact on the financial statements.

## Shareholder Expense Example (unaudited)

As a shareholder of the Fund, you incur 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, 2021 to February 28, 2022.

### **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. 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.

	Beginning Account Value 9/1/2021	Ending Account Value 2/28/2022	Expenses Paid During Period <sup>1</sup>
<b>Actual</b>	\$1,000	\$ 996.40	\$0.30 <sup>2</sup>
<b>Hypothetical (assuming a 5% return before expenses)</b>	\$1,000	\$1,024.50	\$0.30 <sup>2</sup>

- 1 Expenses are equal to the Fund's annualized net expense ratio of 0.06%, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half-year period).
- 2 Actual and Hypothetical expenses paid during the period utilizing the Fund's current Fee Limit of 0.25% (as reflected in the Notes to Financial Statements, Note 5 under Expense Limitation), multiplied by the average account value over the period, multiplied by 181/365 (to reflect expenses paid as if they had been in effect throughout the most recent one-half-year period) would be \$1.24 and 1.26, respectively.

# Evaluation and Approval of Advisory Contract – November 2020

## **FEDERATED HERMES CONSERVATIVE MICROSHORT FUND (THE “FUND”)**

At its meetings in November 2020 (the “November Meetings”), the Fund’s Board of Trustees (the “Board”), including a majority of 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 for an initial two-year term a proposed investment advisory contract (the “Contract”) between the Fund and Federated Investment Management Company (the “Adviser”). The Board’s determination to approve the Contract reflects the exercise of its business judgment regarding whether to authorize the creation and offering of this new investment vehicle, as proposed by Federated Hermes, Inc. (together with its wholly owned subsidiaries, “Federated Hermes”), and is based on information requested by the Board and provided by Federated Hermes, as well as Federated Hermes’ recommendation to go forward with development of the Fund. 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 November 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 proposed management fee and in determining to approve 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.

In addition to the extensive materials that comprise and accompany the CCO Fee Evaluation Report, the Board considered the materials and presentations provided by Federated Hermes and the CCO’s independent written evaluation in connection with its annual approval of the continuation of the advisory and subadvisory contracts for the other funds advised by the Adviser and its affiliates (each, a “Federated Hermes Fund”) at its May 2020 meetings. The Board also considered such additional matters as the Independent Trustees deemed reasonably necessary to evaluate the proposed Contract, which included information furnished to the Board at its meetings throughout the year regarding the Federated Hermes Funds.

The Board’s consideration of the Contract included review of materials and information covering the following matters, among others: the Adviser’s investment philosophy, revenue, profitability, personnel and processes; investment and operating strategies; the Fund’s proposed investment objective; the Fund’s anticipated expenses, including the proposed advisory fee and the overall estimated 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 use and allocation of brokerage commissions to be derived from trading the Fund’s portfolio securities (if any); and the nature, quality and extent of the advisory and other services to be provided to the Fund by the Adviser and its affiliates. The Board also considered the preferences and expectations of anticipated Fund shareholders; the entrepreneurial and other risks assumed by the Adviser in sponsoring and managing the Fund; the continuing state of competition in the mutual fund industry and market practices; the range of comparable fees for similar funds in the mutual fund industry; the Fund’s proposed relationship to the other Federated Hermes Funds, which include a comprehensive array of funds with different investment objectives, policies and strategies which are generally available for exchange without the incurrence of additional sales charges; compliance and audit reports concerning the Federated Hermes Funds and the Federated Hermes’ affiliates that service them (including any communications from regulatory agencies), as well as Federated Hermes’ responses to any issues raised therein; and relevant developments in the mutual fund industry and how the Federated Hermes Funds and/or Federated Hermes may be responding to them. In addition, the Board received and considered information furnished by Federated Hermes on the impacts of the on-going coronavirus pandemic on Federated Hermes, including, among other information, the current and anticipated impacts on the proposed management and operations of the Fund. The Board noted that its evaluation process is evolutionary and that the criteria considered and the emphasis placed on relevant criteria may change in recognition of changing circumstances in the mutual fund marketplace.

The Board also considered judicial decisions concerning allegedly excessive investment advisory fees 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 an adviser to a fund and its shareholders (including the performance of the fund, its benchmark and comparable funds); (2) an adviser’s cost of providing the services (including the profitability to an adviser of providing advisory services to a fund); (3) the extent to which an adviser may realize “economies of scale” as a fund grows larger and, if such economies of scale exist, whether they have been shared with a fund and its shareholders or the family of funds; (4) any “fall-out” financial benefits that accrue to an adviser because of its

relationship with a fund (including research services received from brokers that execute fund trades and any fees paid to affiliates of an adviser for services rendered to a fund); (5) comparative fee and expense structures (including a comparison of fees paid to an 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 an adviser's services and fees). The Board noted that the Securities and Exchange Commission's ("SEC") disclosure requirements regarding the basis for a fund board's approval of the fund's investment advisory contracts generally align with the factors listed above. The Board was aware of these factors and was guided by them in its review of the proposed Contract to the extent it considered them to be appropriate and relevant, as discussed further below. The Board recognized that certain of the factors listed above (relating to such matters as anticipated Fund performance and any indirect benefits that may accrue to Federated Hermes as a result of the Adviser's proposed relationship with the Fund) are essentially impossible to apply before the Fund has experienced any meaningful operating history.

The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Federated Hermes Funds and working with Federated Hermes on matters relating to the Federated Hermes Funds. While individual members of the Board may have weighed certain factors differently, the Board's determination to approve the Contract was based on a comprehensive consideration of all information provided to the Board. The Independent Trustees were assisted throughout the evaluation process by independent legal counsel. In connection with their deliberations at the November 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 November Meetings.

### **Nature, Extent and Quality of Services to be Provided**

The Board considered the nature, extent and quality of the services to be provided to the Fund by the Adviser and the resources of the Adviser and its affiliates to be dedicated to the Fund. In this regard, the Board evaluated, among other things, the Adviser's personnel, experience and track record, as well as the financial resources and overall reputation of Federated Hermes and its willingness to invest in personnel and infrastructure that benefit the Federated Hermes Funds. The Board also considered its past experience with the Adviser with respect to the services it provides to other Federated Hermes

Funds. The Board noted the significant acquisition of Hermes Fund Managers Limited by Federated Hermes in 2018, which has deepened the organization's investment management expertise and capabilities and expanded the investment process for all of the Federated Hermes Funds to incorporate environmental, social and governance ("ESG") factors and issuer engagement on ESG matters.

In addition, the Board reviewed the qualifications, backgrounds and responsibilities of the portfolio management team to be primarily responsible for the day-to-day management of the Fund and the Adviser's ability and experience in attracting and retaining qualified personnel to service the proposed Fund. In particular, the Board considered the abilities and experience of the portfolio management team in managing short duration fixed income portfolios. The Board noted the compliance program of the Adviser and the compliance-related resources that would be devoted by the Adviser and its affiliates in support of the Fund's obligations pursuant to Rule 38a-1 under the Investment Company Act of 1940, including the Adviser's commitment to respond to rulemaking and other regulatory initiatives of the SEC, such as the liquidity risk management program rules. In addition, the Board considered the response by the Adviser to recent market conditions with respect to other Federated Hermes Funds and considered the overall performance of the Adviser in this context. The Adviser's anticipated ability to execute the proposed Fund's investment program was one of the Board's considerations in reaching a conclusion that, with due regard for the fact that the Fund did not yet have an operating history, the nature, extent and quality of the Adviser's investment management and related services warrant the approval of the Contract.

### **Fund Investment Performance**

Recognizing that the Fund is new and has no performance history, the Board did not consider the performance history of the Fund. Instead, the Board considered the investment performance of the Adviser, including, for purposes of considering the investment skill and experience of the Adviser in managing other Federated Hermes Funds with short duration fixed income portfolios, performance data showing the Adviser's capabilities in managing the Federated Hermes Ultrashort Bond Fund and Federated Hermes Government Ultrashort Fund. The Board also received additional information about the broad range of the portfolio management team's investment experience and their investment philosophy and process, including with respect to the Fund's proposed investments in investment-grade fixed income securities.

Based on these considerations, the Board concluded that it was satisfied that the Adviser has the capability of providing satisfactory investment performance for the Fund.



## **Fund Expenses**

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 has found the use of such comparisons to be relevant to its deliberations. In this regard, the Board was presented with, and considered, information regarding the proposed contractual advisory fee rates, proposed net advisory fee rates, anticipated total expense ratios and each element of the Fund's anticipated total expense ratio (i.e., gross and net advisory fees, custody fees, portfolio accounting fees and transfer agency fees) relative to funds with an institutional share class within the category of peer funds selected by Morningstar, Inc., an independent fund ranking organization (the "Peer Group"). The Board noted the CCO's view that comparisons to fund peer groups may be helpful, though not conclusive, in evaluating the reasonableness of the Fund's fees. 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 Peer Group. The Board focused on comparisons with other similar mutual funds more heavily than non-mutual fund products or services because such comparisons are believed to be more relevant. The Board considered that other mutual 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, anticipated to be chosen and maintained by the Fund's anticipated investors. The Board noted that the range of their fees and expenses, therefore, appears to be a relevant indicator of what consumers have found to be reasonable in the marketplace in which the Fund will compete.

The Board reviewed the proposed contractual advisory fee rate, proposed net advisory fee rate and proposed other expenses of the Fund and noted the position of the Fund's proposed fee rates relative to its Peer Group. In this regard, the Board noted that the proposed contractual advisory fee rate of the Fund was equal to the median of the Peer Group.

For comparison, the Board 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 Fund, including non-mutual fund clients such as institutional separate accounts and third-party unaffiliated mutual funds for which the Adviser or its affiliates serve as sub-adviser. The comparative fee data also included information regarding advisory fees charged by the Adviser to the Federated Hermes Ultrashort Bond Fund and Federated Hermes Government Ultrashort Fund. The Board noted the CCO's conclusion that non-mutual 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) and 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, addressing different administrative responsibilities, and addressing different degrees of risk associated with management; and (vi) 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 mutual fund business versus managing a discrete pool of assets as a sub-adviser to another institution's mutual fund, noting 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 mutual 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.

The Board also considered the extent to which the Fund may invest in one or more other Federated Hermes Funds managed by the Adviser and the Adviser's agreement to waive and/or reimburse the Fund's management fee in proportion to the amount of the Fund's assets invested in such underlying funds.

The Board considered the CCO's conclusion that the proposed management fee was reasonable. The Board reviewed the proposed fees and other expenses of the Fund and was satisfied that the proposed overall expense structure of the Fund appeared to be appropriate.

### **Profitability and Other Benefits**

In connection with the Board's governance of other Federated Hermes Funds, the Board regularly receives financial information about Federated Hermes, including information regarding the compensation and ancillary (or "fall-out") benefits Federated Hermes derived from its relationships with the Federated Hermes Funds. This information covers not only the fees under the Federated Hermes Funds' investment advisory contracts, but also fees received by Federated Hermes' affiliates for providing other services to the Federated Hermes Funds under separate contracts (e.g., for serving as the Federated Hermes Funds' administrator and distributor). The information also details any indirect benefit Federated Hermes may derive from its receipt of research services from brokers who execute portfolio trades for the Federated Hermes Funds. In addition, the Board considered the fact that, in order for the Federated Hermes Funds to be competitive in the marketplace, the Adviser and its affiliates frequently waived fees and/or reimbursed expenses and have disclosed to Federated Hermes Fund shareholders and/or reported to the Board their intention to do so in the future. Moreover, the Board received and

considered regular reports from Federated Hermes throughout the year as to the institution, adjustment or elimination of these voluntary waivers and/or reimbursements. The Board also considered that Federated Hermes has been active in managing expenses for the Federated Hermes Funds.

The Board received and considered information furnished by Federated Hermes, as requested by the CCO, that reported projected revenues for the Fund, as detailed cost allocation reports had not yet been projected for this Fund. The Board considered the CCO's view that, while these cost allocation reports apply consistent allocation processes, the inherent difficulties in allocating costs continue 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. The CCO noted that the Fund was new to Federated Hermes and any projected cost allocation and/or profit margin does not represent the full or actual cost of operating a Federated Hermes Fund and makes only rough estimates of the cost to launch a Federated Hermes Fund. The CCO also noted that, while the Fund is expected to grow in size, the creation and maintenance of the Fund requires a substantial initial investment. The allocation information, including the CCO's view that the estimations regarding the Fund may be unreliable, was considered in the evaluation by the Board.

The Board also considered information regarding the CCO's review of 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 that the CCO noted that Federated Hermes regularly undertakes to establish new Federated Hermes Funds and maintains a number of other smaller Federated Hermes Funds that, while expected to grow to a greater size, nevertheless require substantial investment and waiver or assumption of fees and other expenses in order to deliver them to the marketplace. 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, including the proposed Contract.

### **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 and processes for the portfolio management, trading operations, issuer engagement (including with respect to ESG matters), shareholder services, compliance, business continuity, internal audit and risk management functions, as well as systems technology (including technology relating to cybersecurity) and use of data. 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 (as well as the benefits of any economies of scale, should they exist) are likely to be shared with the Federated Hermes Fund family as a whole. In addition, the Board considered that the Adviser and its affiliates have frequently waived fees and/or reimbursed expenses for the Federated Hermes Funds and that such waivers and 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 noted the fee waiver arrangement proposed for the Fund.

In connection with the Board's governance of other Federated Hermes Funds, the Board regularly receives information furnished by Federated Hermes regarding adviser-paid fees (commonly referred to as revenue sharing). The Board considered the beliefs of Federated Hermes and the CCO 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 determine the appropriateness 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 common industry practice or general pattern with respect to structuring fund advisory fees with "breakpoints" that serve to reduce the fee as a fund attains a certain size. The Board considered that the CCO did not recommend institution of breakpoints in pricing Federated Hermes' proposed advisory services to the Fund at this time, noting that it would review future asset growth and the appropriateness of any potential future breakpoints as part of its future annual review of the Contract.

### **Conclusions**

The Board considered the CCO's conclusion that his observations and the information accompanying the CCO Fee Evaluation Report show that the proposed management fee for the Fund was reasonable and the CCO's recommendation that the Board approve the proposed management fee.

The Board based its determination to approve the proposed Contract on the totality of the circumstances and relevant factors and with a view to 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 proposed Contract reflects its view that, based upon the information requested and supplied, Federated Hermes' proposal to establish and manage the Fund and its past performance and actions in providing services to other Federated Hermes Funds (which the Board has found to be satisfactory with respect to such other Federated Hermes Funds) provided a satisfactory basis to support the determination to approve the proposed 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 Adviser Series (the “Trust”) has adopted and implemented a liquidity risk management program (the “Program”) for Federated Hermes Conservative Microshort Fund (the “Fund” and, collectively with the other non-money market open-end funds advised by Federated Hermes, the “Federated Hermes Funds”). 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 Trust (the “Board”) has approved the designation of the Fund’s investment adviser as the administrator for the Program with respect to the Fund (the “Administrator”). Each affiliated Federated Hermes advisory subsidiary (including the Fund’s investment adviser) that serves as investment adviser to a Federated Hermes Fund (including the Fund) has been approved as the administrator of the Program with respect to each Federated Hermes Fund that is managed by such advisory subsidiary (collectively, the “Administrator”). 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 2021, 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, 2020 through March 31, 2021 (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 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 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; and
- liquidity events during the Period, including the impact on liquidity caused by extended non-U.S. market closures and the March-April 2020 market conditions, and the fact that there were no specific liquidity events during the Period that materially affected the Fund's liquidity risk.

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.

# Notes

# Notes

# Notes

# Notes

# Notes

# Notes

## 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 Conservative Microshort 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 31423A473

Q455167 (4/22)

© 2022 Federated Hermes, Inc.

