

**Annual  
Shareholder Report**  
August 31, 2022



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Share Class | Ticker

Institutional | FHHIX

R6 | FHRX

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# Federated Hermes SDG Engagement High Yield Credit Fund

*Fund Established 2019*

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A Portfolio of Federated Hermes Adviser Series

Dear Valued Shareholder,

We are pleased to present the Annual Shareholder Report for your fund covering the period from September 1, 2021 through August 31, 2022. This report includes Management's Discussion of Fund Performance, a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

The fund invests primarily in a diversified portfolio of high yield fixed-income securities that, in its view, provide the potential for current income and long-term capital appreciation while also contributing to positive societal impact aligned to the United Nations Sustainable Development Goals. Through our pioneering engagement group, EOS at Federated Hermes, we engage with company leaders with the aim of improving on their environmental, social and governance factors, as well as gaining a deep understanding of their business strategy and purpose to ensure company behaviors align with the long-term interests of our clients.

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 black 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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# Management’s Discussion of Fund Performance (unaudited)

The total return of Federated Hermes SDG Engagement High Yield Credit Fund (the “Fund”), based on net asset value for the 12-month reporting period ending August 31, 2022, was -13.61% for the Institutional Shares and -13.62% for the Class R6 Shares. The total return of the ICE BofA Global High Yield Constrained USD Hedged Index (IGHYC),<sup>1</sup> the Fund’s broad-based securities market index, was -12.71% for the same period. The total return of the Lipper Global High Yield Funds Average (LGHYFA),<sup>2</sup> a peer group average for the Fund, was -11.67% for the same period. The Fund’s and LGHYFA’s total returns for the most recently completed reporting period reflected actual cash flows, transaction costs and expenses, which were not reflected in the total return of the IGHYC.

During the reporting period, the most significant factors affecting the Fund’s performance relative to the IGHYC were: (1) the allocation among industry sectors; (2) the allocation among credit ratings;<sup>3,4</sup> (3) the allocation between regions;<sup>5</sup> and (4) the selection of individual securities and other factors.

The following discussion will focus on the performance of the Fund’s Institutional Shares relative to the IGHYC.

## MARKET OVERVIEW

Credit markets, following the post-pandemic recovery, experienced a period of higher interest rate volatility, coupled with growing uncertainty around geopolitical pressures and inflationary worries. Investors’ confidence deteriorated as central banks’ responses to mounting inflationary pressures started to become a key concern from September 2021 onwards.

Over the fourth quarter of calendar year 2021, we saw U.S. Treasury yields rise as markets priced in the increasing likelihood of a rate hiking cycle, particularly as high inflation was looking less “transitory.” The Bank of England started to hike interest rates<sup>6</sup> while the European Central Bank hinted that rates would be firmly on hold through 2022. While the Federal Reserve (the “Fed”) doubled the pace of tapering its quantitative easing program, they had never waited so long to hike rates considering the low unemployment rate and the highest inflation in 40 years. This coupled with a slow-down in China and a deepening property crisis were key risks investors focused on. Corporate issuance for the year reached record levels as issuers sought to lock in low rates. High-yield issuers spent the past 20 months strengthening their balance sheets and extending maturities, allowing them more flexibility in their refinancing decisions.

The first quarter of calendar year 2022 marked a difficult start of the year for financial markets, largely driven by growing inflationary pressures and the devastating effects of the geopolitical conflict between Ukraine and Russia. Indeed, the macro environment was dominated by increasingly hawkish central

banks around the world in response to continued and persistent inflation, while we also saw an increase in volatility as tensions between Ukraine and Russia heightened. Russia's invasion of Ukraine led to a major risk-off move as sanctions were imposed and investors grew concerned about the potential for a further escalation in the war. Expectations around future monetary tightening significantly increased over the period as central banks tried to contain inflation and avoid further increases in living costs. Another cause for concern over the period was the inversion of the 2-year/10-year part of the U.S. Treasury Yield Curve<sup>7</sup> which raised recession worries among investors.

The second quarter of calendar year 2022 saw the start of a rebound in credit markets which continued through July as investors' confidence improved, driven by an optimistic outlook from the Fed, which contributed to a decrease in interest rate volatility, a key driver of credit performance during this month. That being said, elevated gas prices and the prospect of a tough winter in Europe dominated market sentiment in August as the cost of living crisis brought on additional pressures in developed markets.

Overall, within the global high-yield market, the Real Estate sector suffered large losses for the quarter driven by several issuers in China hitting distressed levels, while the Energy sector was the biggest gainer, supported by elevated oil prices. The Telecommunications and Financials sectors also suffered large losses due to higher sensitivity to interest rate volatility. From a regional perspective, Emerging Asia markets recorded large losses as China's economy continued to remain disrupted by restrictions linked to its "Zero-Covid" policy, and China Real Estate issuers remained under pressure over the period. Western Europe also suffered larger losses than North America during the geopolitical conflict due to its geographical proximity to, and greater reliance on, Russian oil and gas. From a ratings perspective, lower quality credit securities ("CCC" and below) materially outperformed the IGHYC, while performance of securities rated BB and above was less strong. The interest rate volatility we saw over the reporting period particularly helped "CCC"-rated credit performance, since it is the least sensitive part of the high-yield market to rates moves. Regionally, the U.K. outperformed the U.S. and Western Europe, with performance across Asian emerging-market credits substantially underperforming the IGHYC.

## **SECTOR ALLOCATION**

During the reporting period, Fund performance was negatively affected by its sector allocation. Fund performance benefited from the underweight positioning in Energy, Leisure and Financial Services. Sector selection was especially important over the period as we saw a significant dispersion between U.S. Energy issuers (benefitting from elevated oil prices) and Emerging Market Energy issuers (suffering from the knock-on effects from

the geopolitical conflict in Ukraine). Performance was negatively affected by the Fund's overweight positioning in the Capital Goods, Banking and Telecommunications sectors.

Performance was negatively affected during the reporting period by the Fund's use of credit default swap index contracts<sup>8</sup> as a proxy for market beta. The Fund also made use of U.S. Treasury notes and short government bond futures to manage performance-at-risk that can arise from changes in interest rates. As such, detraction from Fund performance attributed to interest rate duration<sup>9</sup> was offset by the performance of these securities.

### **RATING ALLOCATION**

Fund performance during the period was positively affected by the Fund's allocation across credit ratings. While the Fund's higher quality bias relative to the IGHYC detracted from performance over the first few months of 2022, it later benefitted from this exposure as we started to see higher quality issuers outperform meaningfully over the second quarter of 2022, driven by recessionary worries. Overweight positioning in "BBB"- and "BB"-rated securities contributed negatively to the relative performance of the Fund. Underweight positioning in "CCC"- and "B"-rated issues contributed positively to the relative performance of the Fund.

### **REGIONAL ALLOCATION**

During the reporting period, Fund performance was positively affected by the Fund's allocation across regions. Performance was negatively affected by the Fund's overweight allocation to Western Europe, North America and the UK, but was positively affected by the Fund's underweight to Asia emerging markets, Latin America and Eastern Europe.

### **SECURITY SELECTION AND OTHER FACTORS**

Fund performance was positively affected by security selection during the reporting period. On a single name basis, underweight positioning in issuers such as Pemex, Bausch Health and Gazprom (no exposure) contributed the most to relative performance over the period. In contrast, on a single name basis, overweight positioning in issuers such as Ardagh Group, Samhallsbyggnadsbolaget and Netflix detracted the most from relative performance.

During the reporting period, performance was negatively affected by the Fund's management of interest rates. The Fund was slightly overweight in interest rate duration compared to the index and was impacted by the volatility observed in interest rates during the period. The Fund was also negatively affected by its relative underweight position to bonds with high spread, which outperformed the index. Since inception in 2019, the Fund has had more of a bias towards the "BB" component of the high-yield universe, since we believe it is these issuers that will enact the most positive societal and environmental change. Finally, performance during the period was negatively affected by the Fund's relative underweight position relative to higher coupon-paying bonds.

- 1 *Please see the footnotes to the line graph below for definitions of, and further information about, the IGHYC.*
- 2 *Please see the footnotes to the line graph below for definitions of, and further information about, the Lipper peer group.*
- 3 *Credit ratings pertain only to the securities in the portfolio and do not protect Fund shares against market risk.*
- 4 *Investment-grade securities and noninvestment-grade securities may either be: (a) rated by a nationally recognized statistical ratings organization or rating agency; or (b) unrated securities that the Fund's Adviser believes are of comparable quality. The rating agencies that provided the ratings for rated securities include Standard and Poor's, Moody's Investor Services, Inc. and Fitch Rating Service. When ratings vary, the highest rating is used. Credit ratings of "AA" or better are considered to be high credit quality; credit ratings of "A" are considered high or medium/good quality; and credit ratings of "BBB" are considered to be medium/good credit quality, and the lowest category of investment-grade securities; credit ratings of "BB" and below are lower-rated, noninvestment-grade securities or junk bonds; and credit ratings of "CCC" or below are noninvestment-grade securities that have high default risk. Any credit quality breakdown does not give effect to the impact of any credit derivative investments made by the Fund. Credit ratings are an indication of the risk that a security will default. They do not protect a security from credit risk. Lower-rated bonds typically offer higher yields to help compensate investors for the increased risk associated with them. Among these risks are lower creditworthiness, greater price volatility, more risk to principal and income than with higher-rated securities and increased possibilities of default.*
- 5 *International investing involves special risks including currency risk, increased volatility, political risks and differences in auditing and other financial standards. Prices of emerging market securities can be significantly more volatile than the prices of securities in developed countries, and currency risk and political risks are accentuated in emerging markets.*
- 6 *Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.*
- 7 *The yield curve is a graph showing the comparative yields of securities in a particular class according to maturity. Securities on the long end of the yield curve have longer maturities.*
- 8 *The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.*
- 9 *Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter duration.*

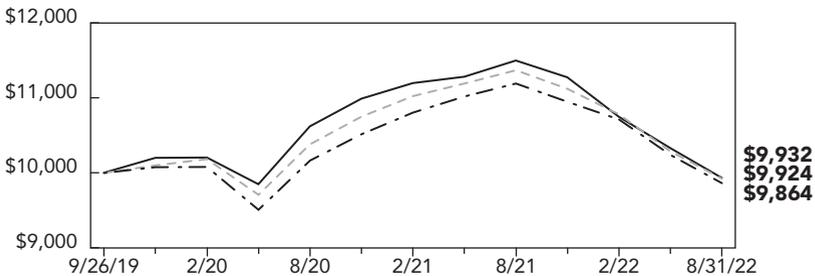
## FUND PERFORMANCE AND GROWTH OF A \$10,000 INVESTMENT

The graph below illustrates the hypothetical investment of \$10,000<sup>1</sup> in the Federated Hermes SDG Engagement High Yield Credit Fund (the “Fund”) from September 26, 2019 to August 31, 2022 compared to the ICE BofA Global High Yield Constrained USD Hedged Index (IGHYC)<sup>2</sup> and the Lipper Global High Yield Funds Average (LGHYFA).<sup>3</sup> The Average Annual Total Return table below shows returns for each class averaged over the stated periods.

### GROWTH OF A \$10,000 INVESTMENT

#### Growth of \$10,000 as of August 31, 2022

— Federated Hermes SDG Engagement High Yield Credit Fund - Institutional Shares  
 --- IGHYC                      - - - LGHYFA



The Fund offers multiple share classes whose performance may be greater than or less than its other share class(es) due to differences in sales charges and expenses. See the Average Annual Total Returns table below for the returns of additional classes not shown in the line graph above.

#### Average Annual Total Returns for the Period Ended 8/31/2022

	1 Year	Start of Performance <sup>4</sup>
<b>Institutional Shares</b>	-13.61%	-0.23%
<b>R6 Shares</b>	-13.62%	-0.24% <sup>5</sup>
IGHYC	-12.71%	-0.26%
LGHYFA	-11.67%	-0.48%

**Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For current to the most recent month-end performance and after-tax returns, visit [FederatedInvestors.com](https://www.federatedinvestors.com) or call 1-800-341-7400. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Mutual funds are not obligations of or guaranteed by any bank and are not federally insured.**

- 1 *The Fund's performance assumes the reinvestment of all dividends and distributions. The IGHYC and the LGHYFA have been adjusted to reflect reinvestment of dividends on securities in the indexes and the average.*
- 2 *The IGHYC contains all securities in the ICE BofA Global High Yield Index but caps issuer exposure at 2%. The ICE BofA Global High Yield Index tracks the performance of USD, CAD, GBP and EUR denominated below investment-grade corporate debt publicly issued in the major domestic or eurobond markets. The IGHYC is not adjusted to reflect sales charges, expenses or other fees that the Securities and Exchange Commission (SEC) requires to be reflected in the Fund's performance. The index is unmanaged and, unlike the Fund, is not affected by cash flows. It is not possible to invest directly in an index.*
- 3 *Lipper figures represent the average of the total returns reported by all funds designated by Lipper, Inc., as falling into the respective category and are not adjusted to reflect any sales charges. The Lipper figures in the Growth of a \$10,000 Investment line graph are based on historical return information published by Lipper and reflect the return of the funds comprising the category in the year of publication. Because the funds designated by Lipper as falling into the category can change over time, the Lipper figures in the line graph may not match the Lipper figures in the Average Annual Total Returns table, which reflect the return of the funds that currently comprise the category.*
- 4 *The Fund commenced operations on September 26, 2019.*
- 5 *The Fund's R6 Shares commenced operations on June 11, 2021. For the period prior to the commencement of operations of R6 Shares, the performance information shown for the Fund's R6 Shares is the Fund's Institutional Shares. The performance of the Institutional Shares has not been adjusted to reflect the expenses of the R6 Shares, since the R6 Shares have a lower expense ratio than the expense ratio of the Institutional Shares.*

# Portfolio of Investments Summary Table (unaudited)

At August 31, 2022, the Fund's sector composition<sup>1</sup> was as follows:

Sector Composition	Percentage of Total Net Assets
Banking	10.3%
Capital Goods	8.6%
Telecommunications	8.0%
Basic Industries	7.7%
Utilities	4.8%
Energy	3.5%
Health Care	3.4%
Media	2.9%
Automotive	2.3%
Consumer Goods	1.8%
Consumer Non-Cyclical	1.8%
Insurance	1.7%
Technology & Electronics	1.4%
Real Estate	1.3%
Financial Services	1.2%
Services	0.8%
Retail	0.4%
U.S. Treasury	28.4%
Derivatives <sup>2</sup>	1.8%
Other Assets and Liabilities—Net <sup>3</sup>	7.9%
<b>TOTAL</b>	<b>100%</b>

- 1 Sector classifications are based upon, and individual portfolio securities are assigned to, the classifications of the Global Industry Classification Standard (GICS) except that the Adviser assigns a classification to securities not classified by the GICS and to securities for which the Adviser does not have access to the classification made by the GICS.
- 2 Based upon net unrealized appreciation (depreciation) or value of the derivative contracts as applicable. Derivative contracts may consist of futures, forwards and swaps. The impact of a derivative contract on the Fund's performance may be larger than its unrealized appreciation (depreciation) or value may indicate. In many cases, the notional value or amount of a derivative contract may provide a better indication of the contract's significance to the portfolio. More complete information regarding the Fund's direct investments in derivative contracts, including unrealized appreciation (depreciation), value and notional values or amounts of such contracts, can be found in the table at the end of the Portfolio of Investments included in this Report.
- 3 Assets, other than investments in securities and derivative contracts, less liabilities. See Statement of Assets and Liabilities.

# Portfolio of Investments

August 31, 2022

Foreign Currency Par Amount or Principal Amount		Value in U.S. Dollars
	CORPORATE BONDS—61.9%	
	<b>Automotive—2.3%</b>	
EUR 230,000	Faurecia, Sr. Unsecd. Note, 2.375%, 6/15/2027	\$ 182,716
100,000	Goodyear Europe B.V., Sr. Unsecd. Note, REGS, 2.750%, 8/15/2028	80,520
250,000	LKQ Italia Bondco Di Lkq, Sr. Unsecd. Note, REGS, 3.875%, 4/1/2024	252,671
525,000	Volvo Car AB, Sr. Unsecd. Note, Series EMTN, 2.000%, 1/24/2025	501,115
	TOTAL	1,017,022
	<b>Banking—10.3%</b>	
200,000	<sup>1</sup> ABN Amro Bank NV, Jr. Sub. Deb., 4.750%, 9/22/2027	169,084
\$200,000	Akbank TAS, Sr. Unsecd. Note, REGS, 5.125%, 3/31/2025	180,324
250,000	<sup>1</sup> Ally Financial, Inc., Jr. Sub. Note, Series C, 4.700%, 5/15/2028	194,833
EUR 100,000	Alpha Bank AE, Sub., 5.500%, 6/11/2031	83,441
\$200,000	<sup>1</sup> Argentum Netherlands B.V., Sub., 4.625%, 8/15/2027	184,263
200,000	Banco Btg Pactual/Cayman, Sub., REGS, 7.750%, 2/15/2029	201,616
200,000	<sup>1</sup> Banco Mercantil De Norte, Jr. Sub. Deb., REGS, 7.500%, 6/27/2029	182,265
EUR 300,000	Bank of Ireland Group PLC, Sub. Note, Series EMTN, 1.375%, 8/11/2031	257,100
\$200,000	Bank of Ireland Group PLC, Sub., Series EMTN, 4.125%, 9/19/2027	199,884
400,000	<sup>1</sup> BNP Paribas, Jr. Sub. Note, REGS, 4.500%, 2/25/2030	309,300
EUR 200,000	Cellnex Finance Co. SA, Series EMTN, 2.000%, 2/15/2033	143,448
\$175,000	CIT Group, Inc., Sub., 6.125%, 3/9/2028	180,738
EUR 400,000	<sup>1</sup> Commerzbank AG, Jr. Sub. Note, 4.250%, 10/9/2027	303,509
200,000	<sup>1</sup> Cooperatieve Rabobank UA, Jr. Sub. Note, 3.250%, 12/29/2026	167,827
\$400,000	<sup>1</sup> Credit Suisse Group AG, Jr. Sub. Note, REGS, 4.500%, 9/3/2030	262,225
EUR 100,000	Deutsche Bank AG, Sr. Unsecd. Note, Series EMTN, 5.625%, 5/19/2031	99,393
\$200,000	<sup>1</sup> DNB Bank ASA, Jr. Sub. Note, Series -, 4.875%, 11/12/2024	190,250
300,000	<sup>1</sup> ING Groep N.V., Jr. Sub. Note, Series NC10, 4.250%, 5/16/2031	208,990
EUR 480,000	<sup>1</sup> Intesa Sanpaolo SpA, Jr. Sub. Note, 4.125%, 2/27/2030	332,694
\$200,000	Itau Unibanco Holding SA, Sub. Deb., REGS, 4.500%, 11/21/2029	192,262
400,000	<sup>1</sup> NatWest Markets plc, Jr. Sub. Note, 4.600%, 6/28/2031	300,891
200,000	<sup>1</sup> UBS Group AG, Jr. Sub. Note, REGS, 4.375%, 2/10/2031	151,094

**Foreign  
Currency Par  
Amount or  
Principal  
Amount**

**Value in  
U.S. Dollars**

CORPORATE BONDS—continued		
<b>Banking—continued</b>		
EUR 200,000	<sup>1</sup> UniCredit SpA, Jr. Sub. Note, Series EMTN, 3.875%, 6/3/2027	\$ 147,900
	<b>TOTAL</b>	<b>4,643,331</b>
<b>Basic Industries—7.7%</b>		
\$325,000	Alcoa Nederland Holding B.V., Sr. Unsecd. Note, 144A, 4.125%, 3/31/2029	287,017
250,000	Ashland LLC, Sr. Unsecd. Note, 144A, 3.375%, 9/1/2031	205,484
EUR 150,000	Ashland Services B.V., Sr. Unsecd. Note, REGS, 2.000%, 1/30/2028	128,105
\$400,000	Cemex SAB de CV, REGS, 3.875%, 7/11/2031	337,400
45,000	CF Industries Holdings, Inc., Sr. Unsecd. Note, 4.950%, 6/1/2043	40,080
45,000	CF Industries Holdings, Inc., Sr. Unsecd. Note, 5.150%, 3/15/2034	43,457
40,000	Cleveland-Cliffs, Inc., Sr. Unsecd. Note, 7.000%, 3/15/2027	39,379
EUR 100,000	Graphic Packaging International Corp., Sr. Unsecd. Note, REGS, 2.625%, 2/1/2029	84,550
100,000	Graphic Packaging International, LLC, Unsecd. Note, 144A, 2.625%, 2/1/2029	84,550
\$200,000	GUSAP III L.P., Sr. Unsecd. Note, REGS, 4.250%, 1/21/2030	186,940
320,000	Huntsman International LLC, Sr. Unsecd. Note, 2.950%, 6/15/2031	255,810
116,000	Novelis Corporation, Sr. Unsecd. Note, 144A, 3.875%, 8/15/2031	93,831
110,000	Novelis Corporation, Sr. Unsecd. Note, 144A, 4.750%, 1/30/2030	95,832
EUR 100,000	Novelis Sheet Ingot GmbH, Sr. Unsecd. Note, REGS, 3.375%, 4/15/2029	84,903
300,000	Olympus Water US Holding Corp., Sr. Unsecd. Note, REGS, 5.375%, 10/1/2029	236,329
\$200,000	Orbia Advance Corp. SAB de CV, Sr. Unsecd. Note, REGS, 2.875%, 5/11/2031	165,558
EUR 100,000	Sappi Papier Holding GmbH, Sr. Unsecd. Note, REGS, 3.125%, 4/15/2026	92,574
200,000	<sup>1</sup> Solvay S.A., Jr. Sub. Note, 2.500%, 12/2/2025	171,824
\$200,000	SPCM SA, Sr. Unsecd. Note, 144A, 3.375%, 3/15/2030	162,733
200,000	Summit Digital Infrastructure, 144A, 2.875%, 8/12/2031	155,704
450,000	Suzano Austria GmbH, Sr. Unsecd. Note, Series DM3N, 3.125%, 1/15/2032	357,104
186,000	Taylor Morrison Communities, Inc./Monarch Communities, Inc., Sr. Unsecd. Note, 144A, 5.125%, 8/1/2030	159,861
	<b>TOTAL</b>	<b>3,469,025</b>

**Foreign  
Currency Par  
Amount or  
Principal  
Amount**

**Value in  
U.S. Dollars**

CORPORATE BONDS—continued

**Capital Goods—8.6%**

\$200,000	ARD Finance SA, Sec. Fac. Bond, 144A, 6.500%, 6/30/2027	\$ 155,413
EUR 100,000	Ardagh Metal Packaging, Sr. Unsecd. Note, REGS, 3.000%, 9/1/2029	78,871
GBP 600,000	Ardagh Packaging Finance PLC/Ardagh Holdings, Sr. Unsecd. Note, REGS, 4.750%, 7/15/2027	513,014
\$625,000	Ball Corp., Sr. Unsecd. Note, 2.875%, 8/15/2030	507,806
EUR 100,000	Berry Global, Inc., Sec. Fac. Bond, REGS, 1.500%, 1/15/2027	89,109
300,000	Berry Global, Inc., Term Loan—1st Lien, REGS, 1.000%, 1/15/2025	281,407
500,000	Crown European Holdings SA, Sr. Unsecd. Note, REGS, 2.875%, 2/1/2026	483,634
\$250,000	Klabin Austria Gmbh, Sr. Unsecd. Note, 144A, 3.200%, 1/12/2031	198,849
400,000	Klabin Austria Gmbh, Sr. Unsecd. Note, REGS, 3.200%, 1/12/2031	318,158
EUR 100,000	Rexel S.A., Sr. Unsecd. Note, 2.125%, 12/15/2028	82,587
\$375,000	Sealed Air Corp., Sr. Unsecd. Note, 144A, 4.000%, 12/1/2027	341,893
EUR 102,000	Sig Combibloc Purchaser, Sr. Unsecd. Note, 144A, 2.125%, 6/18/2025	98,033
250,000	Sig Combibloc Purchaser, Sr. Unsecd. Note, REGS, 2.125%, 6/18/2025	240,277
300,000	Smurfit Kappa Treasury Unlimited Company, Sr. Unsecd. Note, 1.000%, 9/22/2033	219,403
100,000	Trivium Packaging Finance BV, Sec. Fac. Bond, REGS, 3.750%, 8/15/2026	94,968
200,000	Verallia, Sr. Unsecd. Note, 1.875%, 11/10/2031	151,760
	<b>TOTAL</b>	<b>3,855,182</b>

**Consumer Goods—1.8%**

200,000	Arcelik AS, Sr. Unsecd. Note, 3.000%, 5/27/2026	169,837
GBP 200,000	Kraft Heinz Foods Co., Sr. Unsecd. Note, 4.125%, 7/1/2027	222,970
\$100,000	Kraft Heinz Foods Co., Sr. Unsecd. Note, 4.375%, 6/1/2046	85,099
83,000	Post Holdings, Inc., Sr. Unsecd. Note, 144A, 4.500%, 9/15/2031	70,678
318,000	Post Holdings, Inc., Sr. Unsecd. Note, 144A, 4.625%, 4/15/2030	276,561
	<b>TOTAL</b>	<b>825,145</b>

**Consumer Non-Cyclical—1.8%**

460,000	Hanesbrands, Inc., Sr. Unsecd. Note, 144A, 4.875%, 5/15/2026	423,794
442,000	Levi Strauss & Co., Sr. Unsecd. Note, 144A, 3.500%, 3/1/2031	371,934
	<b>TOTAL</b>	<b>795,728</b>

**Energy—3.5%**

300,000	Aker BP ASA, Sr. Unsecd. Note, REGS, 3.750%, 1/15/2030	270,054
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Foreign Currency Par Amount or Principal Amount		Value in U.S. Dollars
	CORPORATE BONDS—continued	
	<b>Energy—continued</b>	
GBP 100,000	<sup>1</sup> BP Capital Markets PLC, Sub., 4.250%, 3/22/2027	\$ 105,714
\$100,000	DCP Midstream Operating LP, Sr. Unsecd. Note, 5.375%, 7/15/2025	100,381
275,000	EnLink Midstream Partners LP, Sr. Unsecd. Note, 5.450%, 6/1/2047	210,394
32,000	EnLink Midstream Partners LP, Sr. Unsecd. Note, 5.600%, 4/1/2044	25,185
200,000	Enterprise Products Operating LLC, Jr. Sub. Deb., 5.375%, 2/15/2078	164,653
300,000	EQT Corp., Sr. Unsecd. Note, 3.900%, 10/1/2027	284,381
39,000	EQT Corp., Sr. Unsecd. Note, 7.500%, 2/1/2030	41,785
387,000	Range Resources Corp., Sr. Unsecd. Note, 4.875%, 5/15/2025	376,092
	TOTAL	1,578,639
	<b>Financial Services—1.2%</b>	
230,000	<sup>1</sup> Barclays Bank plc, Jr. Sub. Deb., 6.278%, 12/15/2034	249,259
400,000	China Ping An Insurance Overseas (Holdings) Ltd., Sr. Secd. Note, Series EMTN, 2.850%, 8/12/2031	304,726
	TOTAL	553,985
	<b>Health Care—3.4%</b>	
419,000	Centene Corp., 2.500%, 3/1/2031	334,940
50,000	Centene Corp., Sr. Unsecd. Note, 2.625%, 8/1/2031	39,994
EUR 200,000	<sup>1</sup> Eurofins Scientific SE, Jr. Sub. Note, 3.250%, 11/13/2025	185,346
480,000	Grifols Escrow Issuer SA, Sr. Unsecd. Note, REGS, 3.875%, 10/15/2028	385,902
\$50,000	HCA, Inc., Sec. Fac. Bond, 3.500%, 7/15/2051	34,384
EUR 500,000	Iqvia, Inc., Sr. Unsecd. Note, REGS, 2.250%, 3/15/2029	417,056
\$149,000	Mozart Debt Merger Sub, Inc., Sec. Fac. Bond, 144A, 3.875%, 4/1/2029	126,464
	TOTAL	1,524,086
	<b>Insurance—1.7%</b>	
EUR 100,000	<sup>1</sup> Caisse Nat Reassurance, Jr. Sub. Note, 6.375%, 5/28/2024	103,491
GBP 325,000	<sup>1</sup> Phoenix Group Holdings PLC, Jr. Sub. Deb., 5.750%, 4/26/2028	330,305
EUR 200,000	<sup>1</sup> UnipolSai Assicurazioni SpA, Jr. Sub. Note, 6.375%, 4/27/2030	184,170
\$200,000	Zurich Finance Ireland, Sub. Note, Series EMTN, 3.000%, 4/19/2051	161,764
	TOTAL	779,730

Foreign Currency Par Amount or Principal Amount		Value in U.S. Dollars
	CORPORATE BONDS—continued	
	<b>Media—2.9%</b>	
EUR 300,000	Altice France Holding SA, Sr. Unsecd. Note, REGS, 4.000%, 2/15/2028	\$ 214,055
100,000	Lagardere S.C.A., Sr. Unsecd. Note, 1.750%, 10/7/2027	92,501
450,000	Netflix, Inc., Sr. Unsecd. Note, REGS, 3.625%, 6/15/2030	408,386
\$230,000	UPC Broadband Finco BV, Sr. Note, 144A, 4.875%, 7/15/2031	199,234
EUR 100,000	VZ Vendor Financing B.V., Sr. Unsecd. Note, REGS, 2.875%, 1/15/2029	78,386
391,000	Ziggo Bond Co. BV, Sr. Unsecd. Note, REGS, 3.375%, 2/28/2030	294,887
	TOTAL	1,287,449
	<b>Real Estate—1.3%</b>	
100,000	CANPACK SA and Eastern PA Land Investment Holding LLC, REGS, 2.375%, 11/1/2027	85,357
\$200,000	Country Garden Holdings Co., 5.125%, 1/17/2025	108,000
GBP 200,000	MPT Operating Partnership LP/MPT Finance Corp., Sr. Unsecd. Note, 3.692%, 6/5/2028	194,006
\$32,000	MPT Operating Partnership LP/MPT Finance Corp., Sr. Unsecd. Note, 3.500%, 3/15/2031	24,047
EUR 300,000	<sup>1</sup> Samhallsbyggnadsbolaget i Norden AB, Jr. Sub. Note, 2.625%, 12/14/2025	132,654
100,000	<sup>1</sup> Samhallsbyggnadsbolaget i Norden AB, Jr. Sub. Note, Series *, 2.624%, 1/30/2025	44,576
	TOTAL	588,640
	<b>Retail—0.4%</b>	
GBP 100,000	Marks & Spencer PLC, Sr. Unsecd. Note, 3.250%, 7/10/2027	100,051
\$100,000	Marks & Spencer PLC, Sr. Unsecd. Note, REGS, 7.125%, 12/1/2037	94,983
	TOTAL	195,034
	<b>Services—0.8%</b>	
EUR 400,000	Catalent Pharma Solutions, Inc., Sr. Unsecd. Note, REGS, 2.375%, 3/1/2028	337,531
	<b>Technology &amp; Electronics—1.4%</b>	
\$100,000	Dell, Inc., Sr. Unsecd. Note, 5.400%, 9/10/2040	92,931
50,000	NXP BV / NXP Funding LLC / NXP USA Inc., Sr. Unsecd. Note, 2.500%, 5/11/2031	40,239
69,000	NXP BV / NXP Funding LLC / NXP USA Inc., Sr. Unsecd. Note, 3.400%, 5/1/2030	61,185
578,000	Seagate HDD Cayman, Sr. Unsecd. Note, 3.375%, 7/15/2031	452,797
	TOTAL	647,152

**Foreign  
Currency Par  
Amount or  
Principal  
Amount**

**Value in  
U.S. Dollars**

Foreign Currency Par Amount or Principal Amount		Value in U.S. Dollars
	CORPORATE BONDS—continued	
	<b>Telecommunications—8.0%</b>	
EUR 100,000	Altice Financing SA, Sec. Fac. Bond, REGS, 4.250%, 8/15/2029	\$ 81,157
100,000	Cellnex Telecom S.A., Conv. Bond, Series CLNX, 0.750%, 11/20/2031	75,526
100,000	Cellnex Telecom S.A., Sr. Unsecd. Note, 1.875%, 6/26/2029	80,899
200,000	Iliad SA, Sr. Secd. Note, 1.875%, 2/11/2028	167,586
200,000	Infrastrutture Wireless Italiane SPA, Sr. Unsecd. Note, Series EMTN, 1.750%, 4/19/2031	155,883
200,000	Infrastrutture Wireless Italiane SPA, Sr. Unsecd. Note, Series GMTN, 1.625%, 10/21/2028	169,043
\$425,000	Lumen Technologies, Inc., Sr. Unsecd. Note, Series P, 7.600%, 9/15/2039	334,960
400,000	Millicom International Cellular S. A., Sr. Unsecd. Note, REGS, 4.500%, 4/27/2031	328,598
300,000	<sup>1</sup> Network i2i Ltd., Sub. Deb., REGS, 5.650%, 1/15/2025	287,409
100,000	Sprint Corp., Sr. Unsecd. Note, 7.875%, 9/15/2023	103,160
50,000	Sprint Nextel Corp., Sr. Unsecd. Note, 6.000%, 11/15/2022	50,167
72,000	T-Mobile USA, Inc., 2.250%, 11/15/2031	57,816
300,000	T-Mobile USA, Inc., 3.300%, 2/15/2051	215,201
325,000	Telecom Italia Capital SA, Sr. Unsecd. Note, 6.000%, 9/30/2034	257,140
EUR 500,000	<sup>1</sup> Telefonica Europe BV, Jr. Sub. Note, 2.376%, 2/12/2029	375,271
\$200,000	Turk Telekomunikasyon AS, Sr. Unsecd. Note, REGS, 4.875%, 6/19/2024	179,136
GBP 449,000	Vmed O2 UK Financing I PLC, Sec. Fac. Bond, REGS, 4.500%, 7/15/2031	434,349
\$400,000	VTR Comunicaciones SpA, Sec. Fac. Bond, REGS, 4.375%, 4/15/2029	251,052
	TOTAL	3,604,353
	<b>Utilities—4.8%</b>	
57,000	AES Corp., Sr. Unsecd. Note, 2.450%, 1/15/2031	47,052
200,000	AES Gener S.A., Jr. Sub. Note, REGS, 6.350%, 10/7/2079	185,608
50,000	Clearway Energy Operating LLC, Sr. Unsecd. Note, 144A, 3.750%, 1/15/2032	41,662
443,000	Clearway Energy Operating LLC, Sr. Unsecd. Note, 144A, 3.750%, 2/15/2031	370,668
EUR 300,000	<sup>1</sup> Enel SpA, Jr. Sub. Note, Series 9.5Y, 1.875%, 6/8/2030	209,359
300,000	Energias de Portugal SA, Jr. Sub. Note, Series NC8, 1.875%, 3/14/2082	219,890
\$195,500	Greenko Power II Ltd., Sr. Unsecd. Note, REGS, 4.300%, 12/13/2028	158,355

Foreign Currency Par Amount or Principal Amount		Value in U.S. Dollars
	CORPORATE BONDS—continued	
	<b>Utilities—continued</b>	
EUR 151,000	Orsted A/S, Sub., 1.750%, 12/9/3019	\$ 133,172
GBP 149,000	Orsted A/S, Sub., Series GBP, 2.500%, 2/18/3021	124,657
\$400,000	TerraForm Power Operating LLC, Sr. Unsec'd. Note, 144A, 4.750%, 1/15/2030	354,714
EUR 400,000	<sup>1</sup> Veolia Environnement SA, Jr. Sub. Note, Series ., 2.500%, 1/20/2029	326,498
	TOTAL	2,171,635
	TOTAL CORPORATE BONDS (IDENTIFIED COST \$34,979,304)	27,873,667
	U.S. TREASURY—28.4%	
\$8,175,000	United States Treasury Note, 0.250%, 3/15/2024	7,778,704
5,520,200	United States Treasury Note, 0.250%, 8/31/2025	5,011,306
	TOTAL U.S. TREASURY (IDENTIFIED COST \$12,980,427)	12,790,010
	TOTAL INVESTMENT IN SECURITIES—90.3% (IDENTIFIED COST \$47,959,731) <sup>2</sup>	40,663,677
	OTHER ASSETS AND LIABILITIES - NET—9.7% <sup>3</sup>	4,367,477
	TOTAL NET ASSETS—100%	\$45,031,154

At August 31, 2022, the Fund had the following outstanding futures contracts:

Description	Number of Contracts	Notional Value	Expiration Date	Value and Unrealized Appreciation (Depreciation)
<b>Long Futures:</b>				
<sup>4</sup> United States Treasury Notes 2-Year Long Futures	2	\$416,656	December 2022	\$ (1,162)
<b>Short Futures:</b>				
<sup>4</sup> United States Treasury Notes 10-Year Short Futures	11	\$1,285,969	December 2022	\$ 8,829
<sup>4</sup> United States Treasury Ultra Bond Short Futures	7	\$1,046,500	December 2022	\$ 837
<sup>4</sup> Euro-Bund Short Futures	7	\$ 1,040,922	December 2022	\$28,990
NET UNREALIZED APPRECIATION ON FUTURES CONTRACTS				\$37,494

At August 31, 2022, the Fund had the following open swap contracts:

## CREDIT DEFAULT SWAPS

Counter-party	Reference Entity	Buy/Sell	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread at 8/31/2022 <sup>5</sup>	Notional Amount	Market Value	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
<b>OTC Swaps:</b>									
Barclays	Cellnex Telecom SA	Sell	5.00%	6/20/2027	2.50	100,000	10,240	12,529	(2,289)
Goldman Sachs	Schaeffler AG	Sell	5.00%	6/20/2027	3.44	310,000	18,997	41,719	(22,722)
Goldman Sachs	Volvo	Sell	5.00%	6/20/2027	3.14	50,000	3,854	7,308	(3,454)
Morgan Stanley	AES Corp.	Sell	5.00%	6/20/2027	1.48	100,000	14,803	15,135	(332)
Morgan Stanley	Ally Financial, Inc.	Sell	5.00%	6/20/2027	2.56	78,000	7,572	11,829	(4,257)
Morgan Stanley	Anglo American PLC	Sell	5.00%	12/20/2027	2.15	310,000	40,414	39,911	503
Morgan Stanley	Arcelor Mittal SA	Sell	5.00%	12/20/2027	2.92	200,000	18,077	18,878	(801)
Morgan Stanley	Cleveland-Cliffs Inc.	Sell	5.00%	6/20/2027	3.83	145,000	5,906	13,255	(7,349)
Morgan Stanley	Dell Inc.	Sell	1.00%	6/20/2027	1.84	500,000	(20,710)	(5,282)	(15,428)
Morgan Stanley	Ford Motor Co.	Sell	5.00%	12/20/2027	3.25	485,000	34,831	38,603	(3,772)
Morgan Stanley	General Motors Co.	Sell	5.00%	6/20/2027	1.94	507,000	63,072	69,764	(6,692)
Morgan Stanley	Goodyear Tire & Rubber Co.	Sell	5.00%	6/20/2027	3.74	225,000	9,821	8,043	1,778
Morgan Stanley	HCA Inc.	Sell	5.00%	6/20/2027	1.65	360,000	49,777	55,254	(5,477)
Morgan Stanley	Hess Corp.	Sell	1.00%	6/20/2027	1.36	200,000	(3,087)	(4,156)	1,069
Morgan Stanley	Iron Mountain Inc.	Sell	5.00%	6/20/2027	2.42	215,000	22,158	24,729	(2,571)
Morgan Stanley	KB Home	Sell	5.00%	6/20/2027	4.39	520,000	11,004	15,798	(4,794)
Morgan Stanley	Kraft Heinz Foods Co.	Sell	1.00%	12/20/2027	0.94	202,000	508	1,377	(869)
Morgan Stanley	Lennar Corp.	Sell	5.00%	6/20/2027	2.19	325,000	39,615	41,202	(1,587)

Counterparty	Reference Entity	Buy/Sell	Pay/Receive Fixed Rate	Expiration Date	Implied Credit Spread at 8/31/2022 <sup>5</sup>	Notional Amount	Market Value	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
Morgan Stanley	Lumen Technologies, Inc.	Sell	1.00%	6/20/2027	5.57	25,000	(4,085)	(3,467)	(618)
Morgan Stanley	Markit CDX North America High Yield Index Series 38	Sell	5.00%	6/20/2027	5.33	1,885,950	(24,518)	7,123	(31,641)
Morgan Stanley	Markit iTraxx Europe Crossover Index Series 37	Sell	5.00%	12/20/2027	5.88	5,857,000	(198,818)	(142,914)	(55,904)
Morgan Stanley	Marks & Spencer PLC	Sell	1.00%	12/20/2027	4.61	100,000	(11,402)	(15,541)	4,139
Morgan Stanley	Nokia Oy	Sell	5.00%	12/20/2027	1.77	425,000	64,674	65,295	(621)
Morgan Stanley	NRG Energy Inc.	Sell	5.00%	12/20/2027	3.95	500,000	19,290	28,490	(9,200)
Morgan Stanley	Occidental	Sell	1.00%	6/20/2027	1.20	699,000	(5,955)	(7,552)	1,597
Morgan Stanley	Rexel SA	Sell	5.00%	6/20/2027	3.20	200,000	14,597	23,313	(8,716)
Morgan Stanley	Stellantis N.V.	Sell	5.00%	12/20/2027	2.48	425,000	48,363	47,529	834
Morgan Stanley	Telecom Italia SpA	Sell	1.00%	6/20/2027	4.53	200,000	(28,802)	(30,227)	1,425
Morgan Stanley	Tenet Healthcare Corp.	Sell	5.00%	12/20/2027	4.22	488,000	13,727	19,408	(5,681)
Morgan Stanley	Toll Brothers Inc.	Sell	1.00%	12/20/2027	2.95	335,000	(19,508)	(29,680)	10,172
Morgan Stanley	Valeo	Sell	1.00%	6/20/2027	3.24	370,000	(34,445)	(31,942)	(2,503)
TOTAL CREDIT DEFAULT SWAPS							\$ 159,970	\$ 335,731	\$(175,761)

At August 31, 2022, the Fund had the following outstanding foreign exchange contracts:

Settlement Date	Counterparty	Foreign Currency Units to Receive/Deliver	In Exchange For	Unrealized Appreciation (Depreciation)
<b>Contracts Purchased:</b>				
9/21/2022	JP Morgan	140,000 EUR	\$ 142,637	\$ (1,744)
9/21/2022	JP Morgan	175,000 GBP	\$ 208,518	\$ (5,137)
9/21/2022	Lloyds Bank PLC	200,000 EUR	\$ 212,294	\$ (11,017)
9/21/2022	Lloyds Bank PLC	229,000 EUR	\$ 229,791	\$ 672
9/21/2022	RBC Europe	700,000 EUR	\$ 734,805	\$ (30,335)
9/21/2022	State Street	198,000 EUR	\$ 198,333	\$ 932
9/21/2022	State Street	204,000 EUR	\$ 204,516	\$ 787
9/21/2022	State Street	240,000 EUR	\$ 251,365	\$ (9,833)
<b>Contracts Sold:</b>				
9/21/2022	RBC Europe	5,900,000 EUR	\$6,195,944	\$258,270
9/21/2022	RBC Europe	2,100,000 EUR	\$2,563,134	\$122,559
9/21/2022	RBC Europe	156,000 EUR	\$ 159,193	\$ 2,197
9/21/2022	RBC Europe	150,000 EUR	\$ 154,319	\$ 3,361
9/21/2022	RBC Europe	150,000 EUR	\$ 153,688	\$ 2,730
9/21/2022	State Street	5,900,000 EUR	\$6,211,202	\$273,528
9/21/2022	State Street	200,000 EUR	\$ 204,638	\$ 3,361
9/21/2022	State Street	200,000 EUR	\$ 205,240	\$ 3,963
9/21/2022	State Street	200,000 EUR	\$ 205,931	\$ 4,654
9/21/2022	State Street	150,000 EUR	\$ 151,972	\$ 1,015
9/21/2022	State Street	100,000 GBP	\$ 121,170	\$ 4,952
NET UNREALIZED APPRECIATION ON FOREIGN EXCHANGE CONTRACTS				\$624,915

Net Unrealized Appreciation (Depreciation) on Futures Contracts, Foreign Exchange Contracts and value for Swap Contracts is included in "Other Assets and Liabilities-Net."

- 1 *Perpetual Bond Security. The maturity date reflects the next call date.*
- 2 *The cost of investments for federal tax purposes amounts to \$47,793,726.*
- 3 *Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.*
- 4 *Non-income-producing security.*
- 5 *Implied credit spreads, represented in absolute terms, utilized in determining the market value of credit default swap agreements serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. A credit spread identified as "Defaulted" indicates a credit event has occurred for the referenced entity or obligation.*

Note: The categories of investments are shown as a percentage of total net assets at August 31, 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 August 31, 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>				
Corporate Bonds	\$ —	\$27,873,667	\$—	\$27,873,667
U.S. Treasury	—	12,790,010	—	12,790,010
TOTAL SECURITIES	\$ —	\$40,663,677	\$—	\$40,663,677
<b>Other Financial Instruments:</b>				
<b>Assets:</b>				
Futures	\$38,656	\$ —	\$—	\$ 38,656
Foreign Exchange Contracts	—	682,981	—	682,981
Swap Contracts	—	511,300	—	511,300
<b>Liabilities:</b>				
Futures	\$ (1,162)	\$ —	\$—	\$ (1,162)
Foreign Exchange Contracts	—	(58,066)	—	(58,066)
Swap Contracts	—	(351,330)	—	(351,330)
TOTAL OTHER FINANCIAL INSTRUMENTS	\$37,494	\$ 784,885	\$—	\$ 822,379

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

EMTN —Euro Medium Term Note  
 EUR —Euro  
 GBP —Great British Pound  
 GMTN—Global Medium Term Note  
 OTC —Over-the-Counter

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Institutional Shares

(For a Share Outstanding Throughout Each Period)

	Year Ended 8/31/2022	Year Ended 8/31/2021	Period Ended 8/31/2020 <sup>1</sup>
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.81</b>	<b>\$10.34</b>	<b>\$10.00</b>
<b>Income From Investment Operations:</b>			
Net investment income	0.22	0.26	0.37
Net realized and unrealized gain (loss)	(1.63)	0.58	0.23
TOTAL FROM INVESTMENT OPERATIONS	(1.41)	0.84	0.60
<b>Less Distributions:</b>			
Distributions from net investment income	(0.29)	(0.37)	(0.26)
Distributions from net realized gain	(0.22)	—	—
TOTAL DISTRIBUTIONS	(0.51)	(0.37)	(0.26)
<b>Net Asset Value, End of Period</b>	<b>\$8.89</b>	<b>\$10.81</b>	<b>\$10.34</b>
<b>Total Return<sup>2</sup></b>	<b>(13.61)%</b>	<b>8.27%</b>	<b>6.19%</b>
<b>Ratios to Average Net Assets:</b>			
Net expenses <sup>3</sup>	0.62%	0.62% <sup>4</sup>	0.62% <sup>4,5</sup>
Net investment income	2.23%	2.54%	4.08% <sup>5</sup>
Expense waiver/reimbursement <sup>6</sup>	0.86%	0.95%	1.10% <sup>5</sup>
<b>Supplemental Data:</b>			
Net assets, end of period (000 omitted)	\$45,031	\$47,738	\$32,603
Portfolio turnover <sup>7</sup>	75%	27%	36%

- 1 Reflects operations for the period from September 26, 2019 (date of initial investment) to August 31, 2020.
- 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 The net expense ratio is calculated without reduction for expense offset arrangements. The net expense ratio is 0.62% for the year ended August 31, 2021 and 0.62% for the period ended August 31, 2020, after taking into account this expense reduction.
- 5 Computed on an annualized basis.
- 6 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.
- 7 Securities that mature are considered sales for purposes of this calculation.

See Notes which are an integral part of the Financial Statements

# Financial Highlights – Class R6 Shares

(For a Share Outstanding Throughout Each Period)

	Year Ended 8/31/2022 <sup>1</sup>	Period Ended 8/31/2021 <sup>1,2</sup>
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.81</b>	<b>\$10.73</b>
<b>Income From Investment Operations:</b>		
Net investment income	0.20	0.11
Net realized and unrealized gain (loss)	(1.61)	0.02
TOTAL FROM INVESTMENT OPERATIONS	(1.41)	0.13
<b>Less Distributions:</b>		
Distributions from net investment income	(0.29)	(0.05)
Distributions from net realized gain	(0.22)	—
TOTAL DISTRIBUTIONS	(0.51)	(0.05)
<b>Net Asset Value, End of Period</b>	<b>\$8.89</b>	<b>\$10.81</b>
<b>Total Return<sup>3</sup></b>	<b>(13.62)%</b>	<b>1.24%</b>
<b>Ratios to Average Net Assets:</b>		
Net expenses <sup>4</sup>	0.57%	0.53% <sup>5</sup>
Net investment income	2.42%	2.39% <sup>5</sup>
Expense waiver/reimbursement <sup>6</sup>	0.00% <sup>7</sup>	0.22% <sup>5</sup>
<b>Supplemental Data:</b>		
Net assets, end of period (000 omitted)	\$0 <sup>8</sup>	\$0 <sup>8</sup>
Portfolio turnover <sup>9</sup>	75%	27% <sup>10</sup>

- 1 Certain ratios included in Ratios to Average Net Assets and per share amounts may be inflated or deflated as compared to the fee structure for the respective share class as a result of daily systematic allocations being rounded to the nearest penny for fund level income, expense and realized gain/loss amounts. Such differences are immaterial.
- 2 Reflects operations for the period from June 11, 2021 (date of initial investment) to August 31, 2021.
- 3 Based on net asset value. Total returns for periods of less than one year are not annualized.
- 4 Amount does not reflect net expenses incurred by investment companies in which the Fund may invest.
- 5 Computed on an annualized basis.
- 6 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.
- 7 Represents less than 0.01%.
- 8 Represents less than \$1,000.
- 9 Securities that mature are considered sales for purposes of this calculation.
- 10 Calculated at the fund level. Percentage indicated was calculated for the fiscal year ended August 31, 2021.

See Notes which are an integral part of the Financial Statements

# Statement of Assets and Liabilities

August 31, 2022

## Assets:

Investment in securities, at value (identified cost \$47,959,731)	\$40,663,677
Cash collateral on swap contracts	1,327,680
Cash	1,017,439
Cash denominated in foreign currencies (identified cost \$770,226)	740,599
Deposit at broker for futures	104,756
Unrealized appreciation on foreign exchange contracts	682,981
Swaps, at value (net premium paid of \$606,492)	511,300
Income receivable	364,622
Receivable for periodic payments from swap contracts	143,884
Receivable for investments sold	102,943
Receivable for shares sold	11,648
Receivable for variation margin on futures contracts	10,149
<b>TOTAL ASSETS</b>	<b>45,681,678</b>

## Liabilities:

Swaps, at value (net premium received of \$270,761)	\$351,330
Payable for investments purchased	96,746
Unrealized depreciation on foreign exchange contracts	58,066
Payable for shares redeemed	18,914
Payable for portfolio accounting fees	69,993
Payable for auditing fees	33,893
Payable to adviser (Note 5)	3,108
Payable for administrative fee (Note 5)	703
Accrued expenses (Note 5)	17,771
<b>TOTAL LIABILITIES</b>	<b>650,524</b>
Net assets for 5,063,449 shares outstanding	\$45,031,154

## Net Assets Consists of:

Paid-in capital	\$51,378,400
Total distributable earnings (loss)	(6,347,246)
<b>TOTAL NET ASSETS</b>	<b>\$45,031,154</b>

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

### Institutional Shares:

Net asset value per share (\$45,031,071 ÷ 5,063,440 shares outstanding), no par value, unlimited shares authorized	\$ 8.89
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### Class R6 Shares:

Net asset value per share (\$83 ÷ 9* shares outstanding), no par value, unlimited shares authorized	\$ 8.89
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\* Net Asset Value per Share and Shares outstanding round to the nearest whole total.

See Notes which are an integral part of the Financial Statements

# Statement of Operations

Year Ended August 31, 2022

## Investment Income:

Interest (net of foreign tax withheld of \$323)	\$ 1,357,608
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## Expenses:

Investment adviser fee (Note 5)	\$ 285,825
Administrative fee (Note 5)	39,897
Custodian fees	16,186
Transfer agent fees (Note 2)	31,129
Auditing fees	48,775
Legal fees	8,661
Portfolio accounting fees	193,175
Share registration costs	35,530
Printing and postage	20,130
Miscellaneous (Note 5)	26,283
<b>TOTAL EXPENSES</b>	<b>705,591</b>

## Waiver and Reimbursements:

Waiver of investment adviser fee (Note 5)	\$(285,825)
Reimbursements of other operating expenses (Notes 2 and 5)	(122,669)
<b>TOTAL WAIVER AND REIMBURSEMENTS</b>	<b>(408,494)</b>

Net expenses	297,097
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Net investment income	1,060,511
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## Realized and Unrealized Gain (Loss) on Investments, Foreign Exchange Contracts, Futures Contracts, Swap Contracts and Foreign Currency Transactions:

Net realized loss on investments and foreign currency transactions	(1,454,582)
Net realized gain on foreign exchange contracts	2,468,567
Net realized gain on futures contracts	608,459
Net realized loss on swap contracts	(260,540)
Net change in unrealized appreciation of investments and translation of assets and liabilities in foreign currency	(9,468,890)
Net change in unrealized appreciation of foreign exchange contracts	225,607
Net change in unrealized appreciation of futures contracts	36,229
Net change in unrealized appreciation of swap contracts	(251,146)
Net realized and unrealized gain (loss) on investments, foreign exchange contracts, futures contracts, swap contracts and foreign currency transactions	(8,096,296)
Change in net assets resulting from operations	\$(7,035,785)

See Notes which are an integral part of the Financial Statements

# Statement of Changes in Net Assets

Year Ended August 31	2022	2021
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	\$ 1,060,511	\$ 1,017,969
Net realized gain	1,361,904	626,338
Net change in unrealized appreciation/depreciation	(9,458,200)	1,418,263
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	(7,035,785)	3,062,570
<b>Distributions to Shareholders:</b>		
Institutional Shares	(2,402,966)	(1,366,335)
Class R6 Shares <sup>1</sup>	(5)	0 <sup>2</sup>
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(2,402,971)	(1,366,335)
<b>Share Transactions:</b>		
Proceeds from sale of shares	19,709,846	13,625,205
Net asset value of shares issued to shareholders in payment of distributions declared	2,258,742	1,279,458
Cost of shares redeemed	(15,236,715)	(1,465,940)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	6,731,873	13,438,723
Change in net assets	(2,706,883)	15,134,958
<b>Net Assets:</b>		
Beginning of period	47,738,037	32,603,079
End of period	\$ 45,031,154	\$47,738,037

1 The Fund's Class R6 Shares commenced on June 11, 2021.

2 Represents less than \$1,000.

See Notes which are an integral part of the Financial Statements

# Notes to Financial Statements

August 31, 2022

## 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 13 portfolios. The financial statements included herein are only those of the Federated Hermes SDG Engagement High Yield Credit 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 two classes of shares, Institutional Shares and Class R6 Shares, which commenced operations on June 11, 2021. Class A Shares and Class C Shares are effective with the Securities and Exchange Commission (SEC), but are not yet offered for sale. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. The Fund’s investment objective is to seek current income and long-term capital appreciation alongside positive societal impact.

## 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”).
- Equity securities listed on an exchange or traded through a regulated market system are valued at their last reported sale price or official closing price in their principal exchange or market.
- 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.
- 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 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 and Significant Events 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 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 Trustees.

The Trustees also have adopted procedures requiring an investment to be priced at its fair value whenever the Adviser determines that a significant event affecting the value of the investment has occurred between the time as of which the price of the investment would otherwise be determined and the time as of which the NAV is computed. An event is considered significant if there is both an affirmative expectation that the investment's value will change in response to the event and a reasonable basis for quantifying the resulting change in value. Examples of significant events that may occur after the close of the principal market on which a security is traded, or after the time of a price evaluation provided by a pricing service or a dealer, include:

- With respect to securities principally traded in foreign markets, significant trends in U.S. equity markets or in the trading of foreign securities index futures contracts;
- Political or other developments affecting the economy or markets in which an issuer conducts its operations or its securities are traded;
- Announcements concerning matters such as acquisitions, recapitalizations, litigation developments, or a natural disaster affecting the issuer's operations or regulatory changes or market developments affecting the issuer's industry.

The Trustees have adopted procedures whereby the Valuation Committee uses a pricing service to provide factors to update the fair value of equity securities traded principally in foreign markets from the time of the close of their respective foreign stock exchanges to the pricing time of the Fund. For other significant events, the Fund may seek to obtain more current quotations or price evaluations from alternative pricing sources. If a reliable alternative pricing source is not available, the Fund will determine the fair value of the investment in accordance with the fair valuation procedures approved by the Trustees. The Trustees have ultimate responsibility for any fair valuations made in response to a significant event.

### **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 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. 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 \$408,494 is disclosed in various locations in this Note 2 and Note 5.

## Transfer Agent Fees

For the year ended August 31, 2022, transfer agent fees for the Fund were as follows:

	Transfer Agent Fees Incurred	Transfer Agent Fees Reimbursed
Institutional Shares	\$31,129	\$(112)

## Other Service Fees

The Fund may pay other service fees up to 0.25% of the average daily net assets of the Fund's Institutional Shares to unaffiliated 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 year ended August 31, 2022, 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 (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 year ended August 31, 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 August 31, 2022, tax years 2020 through 2022 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the State of Delaware.

The Fund may be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The Fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or gains are earned.

## 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.

## Swap Contracts

Swap contracts involve two parties that agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, indices or other measures. The gross returns to be exchanged or “swapped” between parties are generally calculated with respect to a “notional amount” for a determined period of time. The Fund may enter into interest rate, total return, credit default, currency and other swap agreements to seek to increase yield, income and return and to manage country, currency, security, market and sector/asset class risks. Risks may arise upon entering into swap agreements from the potential inability of the counterparties to meet the terms of their contract from unanticipated changes in the value of the swap agreement. In connection with these agreements, securities or cash may be identified as collateral or margin in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default.

The Fund is subject to interest rate risk exposure in the normal course of pursuing its investment objectives. Because the Fund holds fixed rate bonds, the value of these bonds may decrease if interest rates rise. Interest rate swap agreements generally involve the agreement by the Fund to pay the counterparty a fixed or floating interest rate on a fixed notional amount and to receive a fixed or floating rate on a fixed notional amount, but may also involve the agreement to pay or receive payments derived from changes in interest rates. Periodic payments are generally made during the life of the swap agreement according to the terms and conditions of the agreement and at termination or maturity. The Fund’s maximum risk of loss from counterparty credit risk is the discounted value of the net cash flows to be received from/paid to the counterparty over the contract’s remaining life, to the extent the amount is positive. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund’s exposure to the counterparty.

The “buyer” in a credit default swap is obligated to pay the “seller” a periodic stream of payments over the term of the contract provided that no event of default on an underlying reference obligation has occurred. If an event of default occurs, the seller must pay the buyer the full notional value, or the “par value,” of the reference obligation in exchange for the reference obligation. In connection with these agreements, securities may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of the value and recourse in the event of default or bankruptcy/solvency. Recovery values are assumed by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is typically determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specific valuation method, are used to calculate the settlement value. The maximum amount of the payment that may occur, as a result of a credit event payable by the protection seller, is equal to the notional amount of the underlying index or security. The Fund’s maximum exposure to loss of the notional value of credit default swaps outstanding at August 31, 2022, is \$16,341,950. The Fund’s maximum risk of loss from counterparty credit risk, either as the protection buyer or as

the protection seller, is the fair value of the contract. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Upfront payments received or paid by the Fund will be reflected as an asset or liability on the Statement of Assets and Liabilities. Changes in the value of swap contracts are included in "Swaps, at value" on the Statement of Assets and Liabilities, and periodic payments are reported as "Net realized gain (loss) on swap contracts" in the Statement of Operations.

Certain swap contracts are subject to Master Netting Agreements (MNAs) which are agreements between the Fund and its counterparties that provides for the net settlement of all transactions and collateral with the Fund, through a single payment, in the event of default or termination. Amounts presented on the Portfolio of Investments and Statement of Assets and Liabilities are not net settlement amounts but gross. The cash or securities deposited in a segregated account offsets the amount due to the broker reducing the net settlement amount to zero.

Certain swap contracts may be centrally cleared ("centrally cleared swaps"), whereby all payments made or received by the Fund pursuant to the contract are with a central clearing party (the "CCP") rather than the counterparty. The CCP guarantees the performance of the parties to the contract. Upon entering into centrally cleared swaps, the Fund is required to deposit with the CCP, either in cash or securities, an amount of initial margin determined by the CCP, which is subject to adjustment. For centrally cleared swaps, the daily change in valuation is recorded as a receivable or payable for variation margin and settled in cash with the CCP daily. In the case of centrally cleared swaps, counterparty risk is minimal due to protections provided by the CCP.

Swaps, at value at period end, including net unrealized appreciation/depreciation, are listed after the Fund's Portfolio of Investments.

The average notional amount of credit default swap contracts held by the Fund throughout the period was \$12,700,323. This is based on amounts held as of each month-end throughout the fiscal period.

## **Foreign Exchange Contracts**

The Fund may enter into foreign exchange contracts to manage currency risk. Purchased contracts are used to acquire exposure to foreign currencies, whereas, contracts to sell are used to hedge the Fund's securities against currency fluctuations. Risks may arise upon entering into these transactions from the potential inability of counterparties to meet the terms of their commitments and from unanticipated movements in security prices or foreign exchange rates. The foreign exchange contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the settlement date.

Foreign exchange contracts are subject to MNAs. Amounts presented on the Portfolio of Investments and Statement of Assets and Liabilities are not net settlement amounts but gross.

Foreign exchange contracts outstanding at period end, including net unrealized appreciation or net settlement amount, are listed after the Fund's Portfolio of Investments.

The average value at settlement date payable and receivable of foreign exchange contracts purchased and sold by the Fund throughout the period was \$317,219 and \$46,060, respectively. This is based on the amounts held as of each month-end throughout the fiscal period.

### **Foreign Currency Translation**

The accounting records of the Fund are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rates of exchange of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities, income and expenses are translated at the rate of exchange quoted on the respective date that such transactions are recorded. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities at period end, resulting from changes in the exchange rate.

### **Futures Contracts**

The Fund purchases and sells financial futures contracts to manage duration risk. Upon entering into a financial futures contract with a broker, the Fund is required to deposit with a broker, either U.S. government securities or a specified amount of cash, which is shown as due from broker in the Statement of Assets and Liabilities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. The Fund receives from or pays to the broker a specified amount of cash based upon changes in the variation margin account. When a contract is closed, the Fund recognizes a realized gain or loss. Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with the changes in the value of the underlying securities. There is minimal counterparty risk to the Fund since futures contracts are exchange traded and the exchange's clearing house, as counterparty to all exchange traded futures contracts, guarantees the futures contracts against default.

Futures contracts outstanding at period end are listed after the Fund's Portfolio of Investments.

The average notional value of long and short futures contracts held by the Fund throughout the period was \$96,739 and \$3,383,382, respectively. This is based on amounts held as of each month-end throughout the fiscal period.

## 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.

## Additional Disclosure Related to Derivative Instruments

### Fair Value of Derivative Instruments

	Asset		Liability	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Derivatives not accounted for as hedging instruments under ASC Topic 815				
Foreign exchange contracts	Unrealized appreciation on foreign exchange contracts	\$ 682,981	Unrealized depreciation on foreign exchange contracts	\$ 58,066
Credit contracts	Swaps, at value	511,300	Swaps, at value	351,330
Interest rate	Receivable for variation margin on futures contracts	37,494*	Payable for variation margin on futures contracts	—
Total derivatives not accounted for as hedging instruments under ASC Topic 815		\$1,231,775		\$409,396

\* Includes cumulative appreciation of futures contracts as reported in the footnotes to the Portfolio of Investments. Only the current day's variation margin is reported within the Statement of Assets and Liabilities.

## The Effect of Derivative Instruments on the Statement of Operations For the Year Ended August 31, 2022

### Amount of Realized Gain or (Loss) on Derivatives Recognized in Income

	Foreign Exchange Contracts	Interest Rate Contracts	Credit Contracts	Total
Credit Default Swap Contracts	\$ —	\$ —	\$(260,540)	\$ (260,540)
Foreign Exchange Contracts	2,468,567	—	—	2,468,567
Futures Contracts	—	608,459	—	608,459
TOTAL	\$2,468,567	\$608,459	\$(260,540)	\$2,816,486

### Change in Unrealized Appreciation or (Depreciation) on Derivatives Recognized in Income

	Foreign Exchange Contracts	Interest Rate Contracts	Credit Contracts	Total
Credit Default Swap Contracts	\$ —	\$ —	\$(251,146)	\$(251,146)
Foreign Exchange Contracts	225,607	—	—	225,607
Futures Contracts	—	36,229	—	36,229
TOTAL	\$225,607	\$36,229	\$(251,146)	\$ 10,690

As indicated above, certain derivative investments are transacted subject to MNAs. These agreements permit the Fund to offset with a counterparty certain derivative payables and/or receivables with collateral held and create one single net payment in the event of default or termination of the agreement by either the Fund or the counterparty. As of August 31, 2022, the impact of netting assets and liabilities and the collateral pledged or received based on MNAs are detailed below:

### Gross Amounts Not Offset in the Statement of Assets and Liabilities

Transaction	Gross Asset Derivatives Presented in Statement of Assets and Liabilities	Financial Instrument	Collateral Received	Net Amount
Swap Contracts	\$ 511,300	\$(351,330)	\$(159,970)	\$ —
Foreign Exchange Contracts	682,981	(40,840)	—	642,141
TOTAL	\$1,194,281	\$(392,170)	\$(159,970)	\$642,141

Transaction	Gross Liability Derivatives Presented in Statement of			
	Assets and Liabilities	Financial Instrument	Collateral Pledged	Net Amount
Swap Contracts	\$351,330	\$(351,330)	\$—	\$ —
Foreign Exchange Contracts	58,066	(40,840)	—	17,226
TOTAL	\$409,396	\$(392,170)	\$—	\$17,226

### 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:

Year Ended August 31	2022		2021	
	Shares	Amount	Shares	Amount
<b>Institutional Shares:</b>				
Shares sold	2,048,095	\$ 19,709,846	1,279,585	\$13,625,105
Shares issued to shareholders in payment of distributions declared	222,760	2,258,742	120,730	1,279,458
Shares redeemed	(1,621,786)	(15,236,715)	(137,890)	(1,465,940)
NET CHANGE RESULTING FROM INSTITUTIONAL SHARE TRANSACTIONS	649,069	\$ 6,731,873	1,262,425	\$13,438,623

Year Ended August 31	2022		2021 <sup>1</sup>	
	Shares	Amount	Shares	Amount
<b>Class R6 Shares:</b>				
Shares sold	—	\$ —	9	\$ 100
NET CHANGE RESULTING FROM CLASS R6 SHARE TRANSACTIONS	—	\$ —	9	\$ 100
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	649,069	\$6,731,873	1,262,434	\$13,438,723

<sup>1</sup> Reflects operations for the period June 11, 2021 (date of initial investment) to August 31, 2021.

#### 4. FEDERAL TAX INFORMATION

The tax character of distributions as reported on the Statement of Changes in Net Assets for the years ended August 31, 2022 and 2021, was as follows:

	2022	2021
Ordinary income <sup>1</sup>	\$1,856,656	\$1,366,335
Long-term capital gains	\$ 546,315	\$ —

1 For tax purposes, short-term capital gain distributions are considered ordinary income distributions.

As of August 31, 2022, the components of distributable earnings on a tax basis were as follows:

Undistributed long-term capital gains	\$ 751,177
Net unrealized depreciation	\$(7,098,423)

The difference between book-basis and tax-basis net unrealized appreciation is attributable to differing treatments for the mark to market of derivative instruments and discount accretion/premium amortization on debt securities.

At August 31, 2022, the cost of investments for federal tax purposes was \$47,793,726. The net unrealized depreciation of investments for federal tax purposes was \$7,130,049. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$94,439 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$7,224,488. The amounts presented are inclusive of derivative contracts.

#### 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 0.60% 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 year ended August 31, 2022, the Adviser voluntarily waived its entire fee of \$285,825, and voluntarily reimbursed \$112 of transfer agent fees and \$122,557 of other operating expenses.

Some or all of the Fund's assets are managed by Hermes Investment Management Limited (the "Sub-Adviser"). Under the terms of a sub-advisory agreement between the Adviser and the Sub-Adviser, the Sub-Adviser receives an annual fee equal to 0.35% of the daily net assets of the Fund. The fee is paid by the Adviser out of its resources and is not an incremental Fund expense. The Sub-Adviser may from time to time and for such periods as it deems appropriate reduce its compensation. The Sub-Adviser agrees to share pro rata in any fee waivers, or expense assumptions and reimbursements, imposed or made by the Adviser or its affiliates.

For the year ended August 31, 2022, the Sub-Adviser waived all of its fee.

## 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 year ended August 31, 2022, the annualized fee paid to FAS was 0.084% 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 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 Institutional Shares and Class R6 Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.62% and 0.57% (the "Fee Limit"), respectively, 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.

## 6. INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding long-term U.S. government securities and short-term obligations, for the year ended August 31, 2022, were as follows:

Purchases	\$43,211,892
Sales	\$32,288,490

## **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 August 31, 2022, the Fund had no outstanding loans. During the year ended August 31, 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 August 31, 2022, there were no outstanding loans. During the year ended August 31, 2022, 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 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.

## **11. FEDERAL TAX INFORMATION (UNAUDITED)**

For the fiscal year ended August 31, 2022, the amount of long-term capital gains designated by the Fund was \$546,315.

# Report of Independent Registered Public Accounting Firm

## **TO THE BOARD OF TRUSTEES OF FEDERATED HERMES ADVISER SERIES AND THE SHAREHOLDERS OF FEDERATED HERMES SDG ENGAGEMENT HIGH YIELD CREDIT FUND:**

### **Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities of Federated Hermes SDG Engagement High Yield Credit Fund (the Fund), a portfolio of Federated Hermes Adviser Series, including the portfolio of investments, as of August 31, 2022, the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the related notes (collectively, the financial statements) and the financial highlights for each of the years in the two-year period then ended and for the period from September 26, 2019 (date of initial investment) to August 31, 2020. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of August 31, 2022, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the two-year period then ended and for the period from September 26, 2019 (date of initial investment) to August 31, 2020, in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Such procedures also included confirmation of securities owned as of August 31, 2022, by correspondence with custodians and brokers; when replies were not received from brokers, we performed other auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

**KPMG LLP**

We have served as the auditor for one or more of Federated Hermes' investment companies since 2006.

Boston, Massachusetts  
October 24, 2022

## 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 March 1, 2022 to August 31, 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 3/1/2022	Ending Account Value 8/31/2022	Expenses Paid During Period <sup>1</sup>
<b>Actual:</b>			
Institutional Shares	\$1,000	\$ 924.20	\$3.06
Class R6 Shares	\$1,000	\$ 924.10	\$2.81
<b>Hypothetical (assuming a 5% return before expenses):</b>			
Institutional Shares	\$1,000	\$1,022.03	\$3.21
Class R6 Shares	\$1,000	\$1,022.28	\$2.96

1 Expenses are equal to the Fund's annualized net expense ratios, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half-year period). The annualized net expense ratios are as follows:

Institutional Shares	0.63%
Class R6 Shares	0.58%

## Board of Trustees and Trust Officers

The Board of Trustees is responsible for managing the Trust's business affairs and for exercising all the Trust's powers except those reserved for the shareholders. The following tables give information about each Trustee and the senior officers of the Fund. Where required, the tables separately list Trustees who are "interested persons" of the Fund (i.e., "Interested" Trustees) and those who are not (i.e., "Independent" Trustees). Unless otherwise noted, the address of each person listed is 1001 Liberty Avenue, Pittsburgh, PA 15222-3779. The address of all Independent Trustees listed is 4000 Ericsson Drive, Warrendale, PA 15086-7561; Attention: Mutual Fund Board. As of December 31, 2021, the Trust comprised 14 portfolio(s), and the Federated Hermes Fund Family consisted of 33 investment companies (comprising 102 portfolios). Unless otherwise noted, each Officer is elected annually. Unless otherwise noted, each Trustee oversees all portfolios in the Federated Hermes Fund Family and serves for an indefinite term. The Fund's Statement of Additional Information includes additional information about Trust Trustees and is available, without charge and upon request, by calling 1-800-341-7400, Option #4.

### INTERESTED TRUSTEES BACKGROUND

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<b>Name</b>	
<b>Birth Date</b>	
<b>Positions Held with Trust</b>	<b>Principal Occupation(s) for Past Five Years,</b>
<b>Date Service Began</b>	<b>Other Directorships Held and Previous Position(s)</b>
<b>J. Christopher Donahue*</b>	
Birth Date: April 11, 1949	
PRESIDENT AND TRUSTEE	
Indefinite Term	
Began serving: May 2017	
	<b>Principal Occupations:</b> Principal Executive Officer and President of certain of the Funds in the Federated Hermes Fund Family; Director or Trustee of the Funds in the Federated Hermes Fund Family; President, Chief Executive Officer and Director, Federated Hermes, Inc.; Chairman and Trustee, Federated Investment Management Company; Trustee, Federated Investment Counseling; Chairman and Director, Federated Global Investment Management Corp.; Chairman and Trustee, Federated Equity Management Company of Pennsylvania; Trustee, Federated Shareholder Services Company; Director, Federated Services Company.
	<b>Previous Positions:</b> President, Federated Investment Counseling; President and Chief Executive Officer, Federated Investment Management Company, Federated Global Investment Management Corp. and Passport Research, Ltd; Chairman, Passport Research, Ltd.

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Name	Birth Date	Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held and Previous Position(s)
<b>John B. Fisher*</b>	Birth Date: May 16, 1956	TRUSTEE Indefinite Term Began serving: May 2017	<p><b>Principal Occupations:</b> Principal Executive Officer and President of certain of the Funds in the Federated Hermes Fund Family; Director or Trustee of certain of the Funds in the Federated Hermes Fund Family; Director and Vice President, Federated Hermes, Inc.; President, Director/Trustee and CEO, Federated Advisory Services Company, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, Federated Investment Management Company; President of some of the Funds in the Federated Hermes Fund Family and Director, Federated Investors Trust Company.</p> <p><b>Previous Positions:</b> President and Director of the Institutional Sales Division of Federated Securities Corp.; President and Director of Federated Investment Counseling; President and CEO of Passport Research, Ltd.; Director, Edgewood Securities Corp.; Director, Federated Services Company; Chairman and Director, Southpointe Distribution Services, Inc. and President, Technology, Federated Services Company.</p>

\* Reasons for "interested" status: J. Christopher Donahue and John B. Fisher are interested due to their beneficial ownership of shares of Federated Hermes, Inc. and due to positions they hold with Federated Hermes, Inc. and its subsidiaries.

## INDEPENDENT TRUSTEES BACKGROUND

Name	Birth Date	Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
<b>John T. Collins</b>	Birth Date: January 24, 1947	TRUSTEE Indefinite Term Began serving: May 2017	<p><b>Principal Occupations:</b> Director or Trustee, and Chair of the Board of Directors or Trustees, of the Federated Hermes Fund Family; formerly, Chairman and CEO, The Collins Group, Inc. (a private equity firm) (Retired).</p> <p><b>Other Directorships Held:</b> Director, KLX Energy Services Holdings, Inc. (oilfield services); former Director of KLX Corp. (aerospace).</p> <p><b>Qualifications:</b> Mr. Collins has served in several business and financial management roles and directorship positions throughout his career. Mr. Collins previously served as Chairman and CEO of The Collins Group, Inc. (a private equity firm) and as a Director of KLX Corp. Mr. Collins serves as Chairman Emeriti, Bentley University. Mr. Collins previously served as Director and Audit Committee Member, Bank of America Corp.; Director, FleetBoston Financial Corp.; and Director, Beth Israel Deaconess Medical Center (Harvard University Affiliate Hospital).</p>

Name	Birth Date	Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
<b>G. Thomas Hough</b>	Birth Date: February 28, 1955	TRUSTEE Indefinite Term Began serving: May 2017	<p><b>Principal Occupations:</b> Director or Trustee, Chair of the Audit Committee of the Federated Hermes Fund Family; formerly, Vice Chair, Ernst &amp; Young LLP (public accounting firm) (Retired).</p> <p><b>Other Directorships Held:</b> Director, Chair of the Audit Committee, Equifax, Inc.; Lead Director, Member of the Audit and Nominating and Corporate Governance Committees, Haverty Furniture Companies, Inc.; formerly, Director, Member of Governance and Compensation Committees, Publix Super Markets, Inc.</p> <p><b>Qualifications:</b> Mr. Hough has served in accounting, business management and directorship positions throughout his career. Mr. Hough most recently held the position of Americas Vice Chair of Assurance with Ernst &amp; Young LLP (public accounting firm). Mr. Hough serves on the President's Cabinet and Business School Board of Visitors for the University of Alabama. Mr. Hough previously served on the Business School Board of Visitors for Wake Forest University, and he previously served as an Executive Committee member of the United States Golf Association.</p>
<b>Maureen Lally-Green</b>	Birth Date: July 5, 1949	TRUSTEE Indefinite Term Began serving: May 2017	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; Adjunct Professor Emerita of Law, Duquesne University School of Law; formerly, Dean of the Duquesne University School of Law and Professor of Law and Interim Dean of the Duquesne University School of Law; formerly, Associate General Secretary and Director, Office of Church Relations, Diocese of Pittsburgh.</p> <p><b>Other Directorships Held:</b> Director, CNX Resources Corporation (formerly known as CONSOL Energy Inc.).</p> <p><b>Qualifications:</b> Judge Lally-Green has served in various legal and business roles and directorship positions throughout her career. Judge Lally-Green previously held the position of Dean of the School of Law of Duquesne University (as well as Interim Dean). Judge Lally-Green previously served as a member of the Superior Court of Pennsylvania and as a Professor of Law, Duquesne University School of Law. Judge Lally-Green was appointed by the Supreme Court of Pennsylvania to serve on the Supreme Court's Board of Continuing Judicial Education and the Supreme Court's Appellate Court Procedural Rules Committee. Judge Lally-Green also currently holds the positions on not for profit or for profit boards of directors as follows: Director and Chair, UPMC Mercy Hospital; Regent, Saint Vincent Seminary; Member, Pennsylvania State Board of Education (public); Director, Catholic Charities, Pittsburgh; and Director CNX Resources Corporation (formerly known as CONSOL Energy Inc.). Judge Lally-Green has held the positions of: Director, Auberle; Director, Epilepsy Foundation of Western and Central Pennsylvania; Director, Ireland Institute of Pittsburgh; Director, Saint Thomas More Society; Director and Chair, Catholic High Schools of the Diocese of Pittsburgh, Inc.; Director, Pennsylvania Bar Institute; Director, St. Vincent College; Director and Chair, North Catholic High School, Inc.; Director and Vice Chair, Our Campaign for the Church Alive!, Inc.; and Director, Saint Francis University.</p>

Name	Birth Date	Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
<b>Thomas M. O'Neill</b>	Birth Date: June 14, 1951	TRUSTEE Indefinite Term Began serving: May 2017	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; Sole Proprietor, Navigator Management Company (investment and strategic consulting).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. O'Neill has served in several business, mutual fund and financial management roles and directorship positions throughout his career. Mr. O'Neill serves as Director, Medicines for Humanity. Mr. O'Neill previously served as Chief Executive Officer and President, Managing Director and Chief Investment Officer, Fleet Investment Advisors; President and Chief Executive Officer, Aeltus Investment Management, Inc.; General Partner, Hellman, Jordan Management Co., Boston, MA; Chief Investment Officer, The Putnam Companies, Boston, MA; Credit Analyst and Lending Officer, Fleet Bank; Director and Consultant, EZE Castle Software (investment order management software); Director, The Golisano Children's Museum of Naples, Florida; and Director, Midway Pacific (lumber).</p>
<b>Madelyn A. Reilly</b>	Birth Date: February 2, 1956	TRUSTEE Indefinite Term Began serving: November 2020	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; formerly, Executive Vice President for Legal Affairs, General Counsel and Secretary to the Board of Directors, Duquesne University (Retired).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Ms. Reilly has served in various business and legal management roles throughout her career. Ms. Reilly previously served as Senior Vice President for Legal Affairs, General Counsel and Secretary to the Board of Directors and Assistant General Counsel and Director of Risk Management, Duquesne University. Prior to her work at Duquesne University, Ms. Reilly served as Assistant General Counsel of Compliance and Enterprise Risk as well as Senior Counsel of Environment, Health and Safety, PPG Industries. Ms. Reilly currently serves as a member of the Board of Directors of UPMC Mercy Hospital.</p>

Name	Birth Date	Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
<b>P. Jerome Richey</b>	Birth Date: February 23, 1949	TRUSTEE Indefinite Term Began serving: May 2017	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; Management Consultant; Retired; formerly, Senior Vice Chancellor and Chief Legal Officer, University of Pittsburgh and Executive Vice President and Chief Legal Officer, CONSOL Energy Inc. (now split into two separate publicly traded companies known as CONSOL Energy Inc. and CNX Resources Corp.).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Richey has served in several business and legal management roles and directorship positions throughout his career. Mr. Richey most recently held the positions of Senior Vice Chancellor and Chief Legal Officer, University of Pittsburgh. Mr. Richey previously served as Chairman of the Board, Epilepsy Foundation of Western Pennsylvania and Chairman of the Board, World Affairs Council of Pittsburgh. Mr. Richey previously served as Chief Legal Officer and Executive Vice President, CONSOL Energy Inc. and CNX Gas Company; and Board Member, Ethics Counsel and Shareholder, Buchanan Ingersoll &amp; Rooney PC (a law firm).</p>
<b>John S. Walsh</b>	Birth Date: November 28, 1957	TRUSTEE Indefinite Term Began serving: May 2017	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; President and Director, Heat Wagon, Inc. (manufacturer of construction temporary heaters); President and Director, Manufacturers Products, Inc. (distributor of portable construction heaters); President, Portable Heater Parts, a division of Manufacturers Products, Inc.</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Walsh has served in several business management roles and directorship positions throughout his career. Mr. Walsh previously served as Vice President, Walsh &amp; Kelly, Inc. (paving contractors).</p>

## OFFICERS

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**Name**

**Birth Date**

**Positions Held with Trust**

**Date Service Began**

**Principal Occupation(s) for Past Five Years  
and Previous Position(s)**

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**Lori A. Hensler**

Birth Date: January 6, 1967

TREASURER

Officer since: May 2017

**Principal Occupations:** Principal Financial Officer and Treasurer of the Federated Hermes Fund Family; Senior Vice President, Federated Administrative Services; Financial and Operations Principal for Federated Securities Corp.; and Assistant Treasurer, Federated Investors Trust Company. Ms. Hensler has received the Certified Public Accountant designation.

**Previous Positions:** Controller of Federated Hermes, Inc.; Senior Vice President and Assistant Treasurer, Federated Investors Management Company; Treasurer, Federated Investors Trust Company; Assistant Treasurer, Federated Administrative Services, Federated Administrative Services, Inc., Federated Securities Corp., Edgewood Services, Inc., Federated Advisory Services Company, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, Federated Investment Management Company, Passport Research, Ltd., and Federated MDTA, LLC; Financial and Operations Principal for Federated Securities Corp., Edgewood Services, Inc. and Southpointe Distribution Services, Inc.

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**Peter J. Germain**

Birth Date:

September 3, 1959

CHIEF LEGAL OFFICER,  
SECRETARY AND EXECUTIVE  
VICE PRESIDENT

Officer since: November 2017

**Principal Occupations:** Mr. Germain is Chief Legal Officer, Secretary and Executive Vice President of the Federated Hermes Fund Family. He is General Counsel, Chief Legal Officer, Secretary and Executive Vice President, Federated Hermes, Inc.; Trustee and Senior Vice President, Federated Investors Management Company; Trustee and President, Federated Administrative Services; Director and President, Federated Administrative Services, Inc.; Director and Vice President, Federated Securities Corp.; Director and Secretary, Federated Private Asset Management, Inc.; Secretary, Federated Shareholder Services Company; and Secretary, Retirement Plan Service Company of America. Mr. Germain joined Federated Hermes, Inc. in 1984 and is a member of the Pennsylvania Bar Association.

**Previous Positions:** Deputy General Counsel, Special Counsel, Managing Director of Mutual Fund Services, Federated Hermes, Inc.; Senior Vice President, Federated Services Company; and Senior Corporate Counsel, Federated Hermes, Inc.

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**Stephen Van Meter**

Birth Date: June 5, 1975

CHIEF COMPLIANCE  
OFFICER AND SENIOR  
VICE PRESIDENT

Officer since: May 2017

**Principal Occupations:** Senior Vice President and Chief Compliance Officer of the Federated Hermes Fund Family; Vice President and Chief Compliance Officer of Federated Hermes, Inc. and Chief Compliance Officer of certain of its subsidiaries. Mr. Van Meter joined Federated Hermes, Inc. in October 2011. He holds FINRA licenses under Series 3, 7, 24 and 66.

**Previous Positions:** Mr. Van Meter previously held the position of Compliance Operating Officer, Federated Hermes, Inc. Prior to joining Federated Hermes, Inc., Mr. Van Meter served at the United States Securities and Exchange Commission in the positions of Senior Counsel, Office of Chief Counsel, Division of Investment Management and Senior Counsel, Division of Enforcement.

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<b>Name</b> <b>Birth Date</b> <b>Positions Held with Trust</b> <b>Date Service Began</b>	<b>Principal Occupation(s) for Past Five Years and Previous Position(s)</b>
<b>Stephen F. Auth</b> Birth Date: September 13, 1956 101 Park Avenue 41 <sup>st</sup> Floor New York, NY 10178 CHIEF INVESTMENT OFFICER Officer since: May 2017	<p><b>Principal Occupations:</b> Stephen F. Auth is Chief Investment Officer of various Funds in the Federated Hermes Fund Family; Executive Vice President, Federated Investment Counseling, Federated Global Investment Management Corp. and Federated Equity Management Company of Pennsylvania.</p> <p><b>Previous Positions:</b> Executive Vice President, Federated Investment Management Company and Passport Research, Ltd. (investment advisory subsidiary of Federated); Senior Vice President, Global Portfolio Management Services Division; Senior Vice President, Federated Investment Management Company and Passport Research, Ltd.; Senior Managing Director and Portfolio Manager, Prudential Investments.</p>

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# Evaluation and Approval of Advisory Contract – May 2022

## **FEDERATED HERMES SDG ENGAGEMENT HIGH YIELD CREDIT 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”) and the investment sub-advisory contract between the Adviser and Hermes Investment Management Limited (the “Sub-Adviser” and together with the Adviser, the “Advisers”) with respect to the Fund (together, the “Contracts”) for an additional one-year term. The Board’s determination to approve the continuation of the Contracts 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 arrangements. 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 Contracts. 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 Contracts 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 Advisers and their 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 Contracts, 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 Contracts 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 Advisers and their affiliates; Federated Hermes' business and operations; the Advisers' 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 Contracts. 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 Contracts 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 Contracts. 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 Contracts, 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 Contracts 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 Contracts. 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 Contracts 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 Advisers and the resources of Federated Hermes dedicated to the Fund. In this regard, the Board evaluated, among other things, the terms of the Contracts and the range of services provided to the Fund by Federated Hermes. The Board considered the Advisers' personnel, investment philosophy and process, investment research capabilities and resources, trade operations capabilities, experience and performance track record. The Board considered information about the Advisers' capabilities and resources with respect to environmental, social and governance ("ESG") investing, noting that in managing the assets of the Fund, the Advisers seek to invest in companies that, in their view, provide the potential for current income and long-term capital appreciation while also contributing to positive societal impact aligned to the United Nations Sustainable Development Goals. 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 Advisers' 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 Advisers are 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 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 Advisers 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 also considered information regarding how ESG investing may relate to the Fund's investment performance. The Board considered detailed investment reports on, and the Advisers' 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 Advisers 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.

The Fund's performance fell below the median of the Performance Peer Group for the one-year period ended December 31, 2021. The Board discussed the Fund's performance with the Advisers and recognized the efforts being taken by the Advisers 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 Advisers' overall capabilities to manage the Fund.

### **Fund Expenses**

The Board considered the advisory fee, sub-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 above the median of the Expense Peer Group, but the Board noted that the investment advisory fee was waived in its entirety, and that the overall expense structure of the Fund remained competitive in the context of other factors considered by the Board.

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 any of the Advisers or their 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 Contracts 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 Contracts 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 Contracts. The Board based its determination to approve the Contracts 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 Contracts reflects its view that Federated Hermes’ performance and actions provided a satisfactory basis to support the determination to approve the continuation of the existing arrangements.

## 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 SDG Engagement High Yield Credit 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 each Federated Hermes Fund’s investment adviser as the administrator for the Program (the “Administrator”) 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.

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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.



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