Federated Hermes Strategic Income Fund

6/30/20

Fund facts

Performance inception date
5/4/94

Benchmark 1
Bloomberg Barclays U.S. Aggregate Bond Index

Benchmark 2
35% Bloomberg Barclays U.S. Mortgage Backed Securities Index/40% Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index/25% Bloomberg Barclays Emerging Markets USD Aggregate Index

Morningstar category
Multisector Bond

Lipper classification
Multi-Sector Income Funds

Fund assets
$648.0 million

Ticker symbols
R6 Shares - STILX

Institutional Shares - STISX

A Shares - STIAX

C Shares - SINCX

F Shares - STFSX

Key investment team
Donald Ellenberger

Nathan Kehm, CFA®

Todd Abraham, CFA®

Ihab Salib

Christopher McGinley

Steven Wagner

Mark Durbiano, CFA®

Yields (%)

30-day yield (R6)	3.74
30-day yield (IS)	3.73
30-day yield (A)	3.26

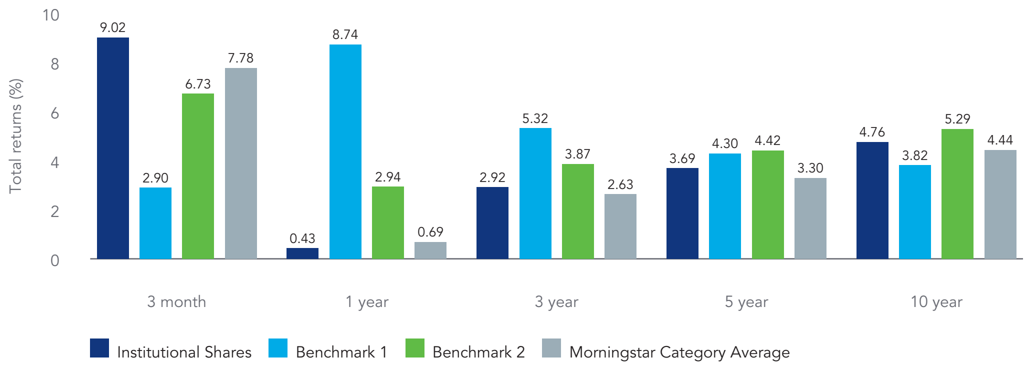
Fund description

The fund seeks a high level of current income by investing primarily in three bond sectors: U.S. high quality, U.S. high yield, and both developed and emerging international. Its focus is on sectors management believes will benefit from anticipated changes in economic and market conditions.

Average annual total returns (%)

Performance shown is before tax.

	3 month	YTD	1 year	3 year	5 year	10 year	15 year	Since inception	Expense ratio* Before waivers	Expense ratio* After waivers
R6 Shares	9.09	-2.79	0.44	2.95	3.63	4.60	5.24	5.86	0.76	0.64
Institutional Shares	9.02	-2.81	0.43	2.92	3.69	4.76	5.37	6.28	0.84	0.65
A Shares (NAV)	9.01	-2.85	0.11	2.61	3.41	4.49	5.17	6.17	1.09	0.97
A Shares (MOP)	4.12	-7.20	-4.43	1.04	2.47	4.01	4.84	5.99	1.09	0.97
Benchmark 1	2.90	6.14	8.74	5.32	4.30	3.82	4.39	–	–	–
Benchmark 2	6.73	-0.23	2.94	3.87	4.42	5.29	5.99	–	–	–



Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	13.15	-2.99	6.43	10.76	-2.90	3.20	0.07	10.82	5.20	11.59
Benchmark 1	8.72	0.01	3.54	2.65	0.55	5.97	-2.02	4.21	7.84	6.54
Benchmark 2	11.20	-1.07	5.89	9.77	-0.92	4.31	1.36	11.54	6.01	11.06
Morningstar Category Average	9.80	-1.52	6.07	7.52	-2.18	3.63	1.87	11.71	3.37	10.86

Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit FederatedInvestors.com. Maximum Offering Price figures reflect the maximum sales charge of 4.5% for A Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund. Total returns for periods of less than one year are cumulative.

*** The fund's expense ratio is from the most recent prospectus. The expense ratio may reflect voluntary fee waivers and/or expense reimbursements determined by the fund's Advisor and its affiliates. The voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of 2/1/21 or the date of the fund's next effective prospectus.**

Federated Hermes

Investment approach

Flexible, multisector approach

- Strategic mix of broad market segments: U.S. high quality, U.S. high yield and foreign (developed and emerging markets)
- Flexibility across sector exposures to position for anticipated changes in economic and market conditions
- Emphasizes credit sectors for added income and return potential

Consistent, repeatable investment process

- Combines top-down decision making with bottom-up security selection to build diversified, risk-managed portfolios
- Key decision teams known as "alpha pods" seek diversified, uncorrelated alpha sources across various market environments
- Positioning set across five factors: sector allocation, security selection, duration management, yield curve strategy and currency management

Tenured team with long-term results

- Team based approach focused by sector to extract value from each step of the process
- Federated Hermes' fixed income philosophy and process has a 45-year heritage
- Senior fixed-income management team averages 27 years of experience, and team members have worked together at Federated Hermes for 22 years

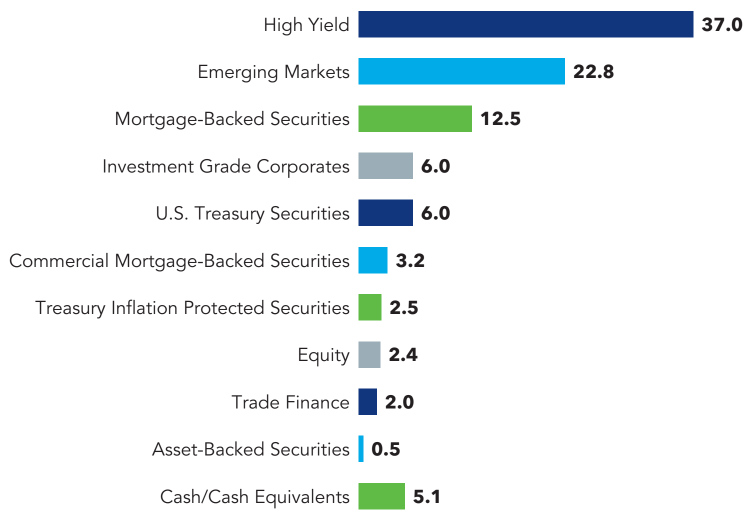
Portfolio statistics

Weighted average effective maturity	6.5 Yrs.
Weighted average effective duration	3.3 Yrs.
Weighted average coupon	4.78%
Weighted average yield to maturity	4.88%

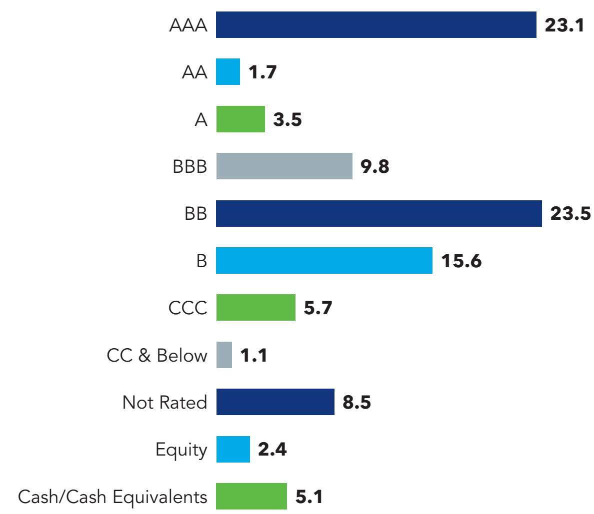
Top holdings (%)

High Yield Bond Core Fund	34.4
Emerging Markets Core Fund	23.8
Mortgage Core Fund	12.3
iShares iBoxx $ High Yield Corporate Bond Fund	6.3
U.S. Treasury Note, 1.625% due 6/30/21	3.1
U.S. Treasury Note, TIPS, 0.250% due 7/15/29	2.5
Project and Trade Finance Core Fund	2.3
U.S. Treasury Note, 0.250% due 5/31/25	2.2
U.S. Treasury Note, 1.750% due 12/31/24	0.8
Fontainebleau Miami Beach Trust, Class B, 3.447% due 12/10/36	0.7
Total % of Portfolio	88.4

Sector weightings (%)



Quality breakdown[1] (%)



Portfolio composition is based on net assets at the close of business on 6/30/20 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment mix will change.

Highlights

- Equities, high yield and investment-grade (IG) corporate credit rallied strongly on massive monetary and fiscal stimulus
- Direct purchases of corporate bond exchange-traded funds and individual IG and high-yield bonds by the Federal Reserve (Fed) created tremendous demand and historical issuance of new IG corporate issuance
- Fiscal stimulus primarily came through direct payments to individuals and small businesses, helping retail sales modestly rebound off early spring's plunge
- After spiking to historical highs with over 20 million job losses in March and April, unemployment began to recover on record job gains in May and June

Looking back

In a matter of weeks, the Covid crisis turned what had been a record economic expansion and a 50-year low in unemployment into a deep recession and record high unemployment, causing equities to move off record highs into a bear market and credit markets to effectively shut down. Now, as we finished the second quarter, the recovery in the financial markets has been equally spectacular. The S&P 500 ended the quarter within a few percentage points of February's record highs and the Nasdaq at new highs. IG and high-yield credit markets have followed a similar trajectory, just not as dramatic. As remarkable as the second-quarter recovery has been for the broader indexes, the rotation between the performance of longer-term winners and losers has created a unique environment for active security selection. Among the winners have been technology, online retailing and homebuilders. Sectors that are likely to see a secular decline include travel-related airlines and hotels, and traditional retailers. What remains to be seen is how much of the recent recovery has been driven by a world awash in liquidity thanks to unprecedented central bank and government stimulus, and how much and how fast the real economy recovers as Covid cases continue to hit new highs in much of the world, including the U.S. Indeed, spikes in the West and South toward quarter-end caused many cities and states to pause and in some cases roll back reopenings.

With investors again willing to accept risk in the spread sectors of the fixed-income markets, U.S. Treasury bonds underperformed. However, with the exception of the 30-year bond, all other maturities had positive returns as the Fed pledged that it would keep rates low at least through 2022. For example, the total return on the 2-year Treasury bond was 0.14%, 5-year returned 0.50% and the 10-year returned 0.68%. In the credit markets, high yield as measured by the Bloomberg Barclays U.S. High-Yield 2% Capped Index returned 10.14% for the quarter, with an excess return of 9.62% relative to similar maturity Treasury bonds. From a quality perspective, returns were skewed to higher-quality credits outperforming lower-rated credits. G corporates also performed well, with the Bloomberg Barclays U.S. Corporate Index returning 8.98% during the quarter with an excess return of 8.47% relative to similar maturity Treasury bonds. The lower-quality BBB investment-grade credit was particularly strong during the quarter, returning 11.51%, almost as much as the CCC high yield sector. Emerging market (EM) debt as measured by the Bloomberg Barclays Emerging Market USD Aggregate Index returned 10.0% for the quarter with an excess return of 9.33% relative to similar maturity Treasury bonds. Regionally, Asian sovereigns such as China and South Korea underperformed on a relative basis, while Latin America and EMEA outperformed. Agency MBS outperformed U.S. Treasuries with a nominal return of 0.67% and an excess return relative to similar maturity Treasury bonds of 0.38%.

Performance

Federated Hermes Strategic Income Fund Institutional Shares had a total return at net asset value of 9.02%, outperforming its Blended Benchmark which had a return of 7.12% during the quarter. The fund's return outperformed the Bloomberg Barclays Aggregate Bond Index, a commonly used barometer of performance for the broad high-quality bond market, which returned 2.90% during the quarter.

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. Current performance may be lower or higher than what is stated. Other share classes may have experienced different returns than the share class presented. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit FederatedInvestors.com.

Performance contributors

- A 2% equity allocation
- Underweight positioning to residential mortgage-backed securities (MBS) and overweight to IG corporate bonds and commercial MBS
- A decline in volatility and rebound in commodity and EM currencies relative to theU.S. dollar, particular positions in the Mexican peso, South African rand andcommodity-sensitive currencies
- Security selection in high yield

Performance detractors

- Underweight to high yield
- Holdings in trade finance

How we are positioned

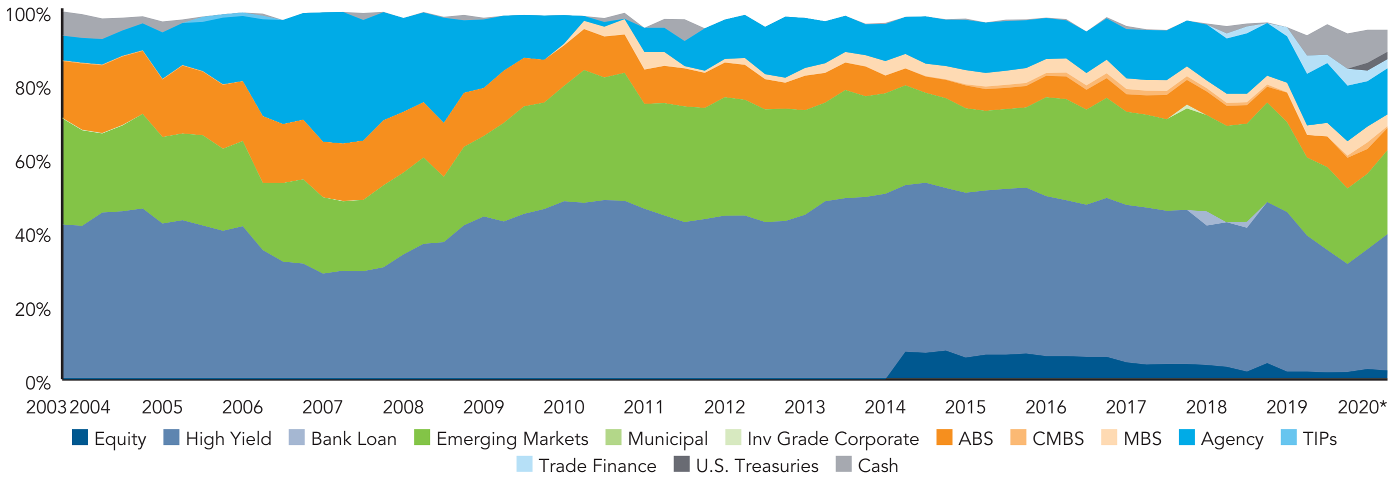
With global economies now beginning to reopen businesses, financial markets have rebounded and investors are endeavoring to figure out what the longer-term trajectory of economic activity will look like. Many are debating whether it will be a quick V-shaped recovery or a longer drawn-out U-shaped recovery.

The "V" argument contends that, despite the unusual circumstances of this recession, the recovery will be similar to past recoveries, with the shock causing inefficient business to fail and survivors to grow market share. Due to the efficiency of the surviving companies, they will have operating leverage that will cause their earnings to grow more rapidly than sales, enabling them to rehire and bring unemployment back to more normal levels. Those arguing for a more subtle "U" believe the extreme amount of fiscal and monetary policy ultimately will create a headwind for the recovery, along with the more immediate concern of a still-rampant pandemic acting as a damper on consumer spending, the primary driver of the economy.

Layered over this, of course, is uncertainty about the looming presidential election. Taken together, these issues would suggest that markets will be living with uncertainty in coming months, with central banks and governments continuing to provide support until the outcomes become clearer.

See disclosure section for important disclosures and definitions.

Historical sector weightings



* As of 6/30/20

Risk statistics

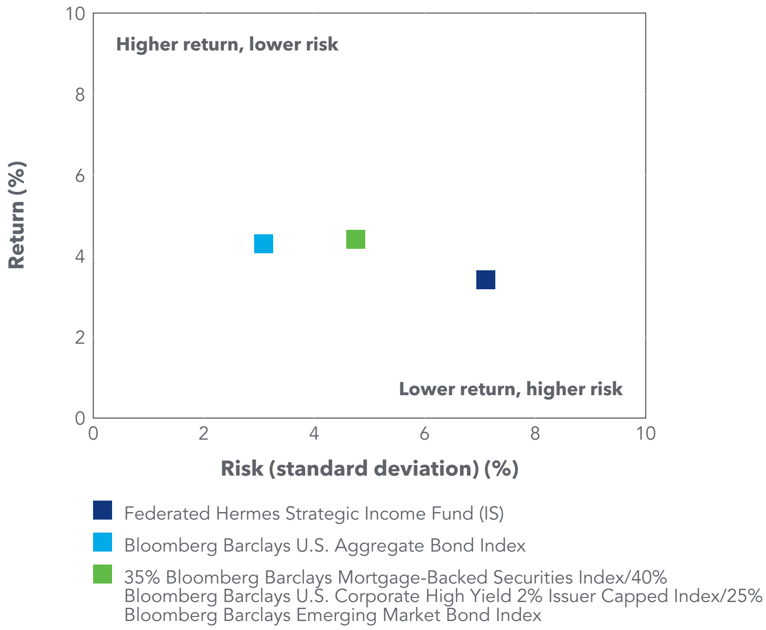
	3 year	5 year	7 year	10 year
Standard deviation	8.20	7.11	6.33	6.07
Alpha	-2.25	0.05	0.69	1.79
Beta	0.64	0.56	0.58	0.62
Correlation	0.25	0.24	0.27	0.30
R^2	6.43	5.90	7.42	9.01

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. Bloomberg Barclays U.S. Aggregate Bond Index

See disclosure section for important definitions.

5 year risk/return



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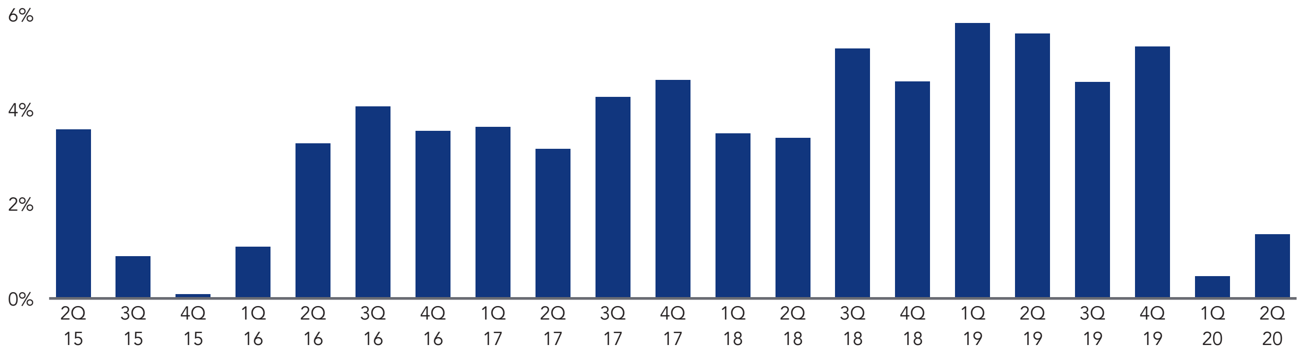
3 year rolling returns (IS)



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Category rankings

Morningstar Multisector Bond Category		1 year	3 year	5 year	10 year
R6 Shares	Morningstar Category % Rank	59	45	50	64
	Morningstar Category Rank	196 of 321 Funds	134 of 283 Funds	–	–
IS Shares	Morningstar Category % Rank	92	84	68	58
	Morningstar Category Rank	300 of 321 Funds	239 of 283 Funds	166 of 235 Funds	75 of 128 Funds
A Shares	Morningstar Category % Rank	63	53	49	54
	Morningstar Category Rank	208 of 321 Funds	161 of 283 Funds	117 of 235 Funds	68 of 128 Funds

Lipper Multi-Sector Income Funds		1 year	3 year	5 year	10 year
R6 Shares	Lipper Classification % Rank	68	52	–	–
	Lipper Classification Rank	229 of 340 Funds	157 of 303 Funds	–	–
IS Shares	Lipper Classification % Rank	68	54	43	40
	Lipper Classification Rank	230 of 340 Funds	164 of 303 Funds	107 of 248 Funds	48 of 120 Funds
A Shares	Lipper Classification % Rank	70	61	54	55
	Lipper Classification Rank	238 of 340 Funds	184 of 303 Funds	133 of 248 Funds	66 of 120 Funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

Federated Hermes Strategic Income Fund

As of June 29, 2020, the fund was renamed Federated Hermes Strategic Income Fund.

"[1]The ratings agencies that provided the ratings are Standard & Poor's, Moody's and Fitch. When ratings vary, the highest rating is used. Credit ratings of A or better are considered to be high credit quality; credit ratings of BBB are good credit quality and the lowest category of investment grade; credit ratings BB and below are lower-rated securities (""junk bonds""); and credit ratings of CCC or below have high default risk. The credit quality breakdown does not give effect to the impact of any credit derivative investments made by the fund."

"30-day yield (also known as ""SEC yield"") for A Shares is a compounded and annualized figure calculated according to a formula set by the SEC. The formula requires use of a specific methodology for calculating dividends and interest earned, and expenses accrued, during the period, and reflects the maximum offering price per fund share. The standardized computation is designed to facilitate yield comparisons among different funds. In the absence of temporaryexpense waivers or reimbursements, the 30-day yield would have been 3.61% for R6, 3.51% for IS and 3.13% for A shares."

The fund's R6 Shares commenced operations on January 27, 2017. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for A Shares. The performance of the A Shares has not been adjusted to reflect the expenses applicable to the R6 Shares since the R6 Shares have a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and adjusted to remove any voluntary waiver of fund expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the R6 Shares.

The fund's Institutional Shares commenced operations on January 28, 2008. For the period prior to the commencement of operations of the Institutional Shares, the performance information shown is for the fund's A Shares. The performance of the A Shares has not been adjusted to reflect the expenses applicable to the Institutional Shares since the Institutional Shares have a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and adjusted to remove any voluntary waiver of fund expenses related to the A Shares that may have occurred prior to commencement of operations of the Institutional Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

A word about risk

Mutual funds are subject to risks and fluctuate in value.

International investing involves special risks, including currency risk, increased volatility, political risks and differences in auditing and other financial standards. Prices of emerging market and frontier 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.

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

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

Diversification does not assure a profit nor protect against loss.

Definitions

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index composed of securities from the Bloomberg Barclays Government/Corporate Bond Index, the Mortgage-Backed Securities Index and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indices are rebalanced monthly by market capitalization.

Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index is an issuer-constrained version of the flagship U.S. Corporate High Yield Index, which measures the USD-denominated, high yield, fixed-rate corporate bond market. The index follows the same rules as the uncapped version, but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index wide on a pro rata basis. The index was created in 2002, with history backfilled to January 1, 1993.

Bloomberg Barclays Emerging Markets USD Aggregate Index tracks total returns for external-currency-denominated debt instruments of the emerging markets: Brady bonds, loans, Eurobonds, and U.S. dollar-denominated local market instruments. Countries covered are Argentina, Brazil, Bulgaria, Ecuador, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, and Venezuela.

Indexes are unmanaged and cannot be invested in directly.

Alpha shows how much or how little return is generated, given the risk a portfolio takes. A portfolio with an Alpha greater than 0 has earned more than expected given its Beta-meaning the portfolio has generated excess return without increasing risk. A portfolio with a negative Alpha is producing a lower return than would be expected given its risk.

Beta measures a portfolio's volatility relative to the market. A beta greater than 1.00 suggests the portfolio has historically been more volatile than the market as measured by the fund's benchmark. A beta less than 1.00 suggests the portfolio has historically had less volatility relative to the market.

Correlation is the degree to which one variable (here, the fund's returns) fluctuates relative to another (the returns of the fund's benchmark). Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

R-squared indicates what percentage of a portfolio's movement in performance is explained by movement in performance of the market. R-squared ranges from 0 to 100, and a score of 100 suggests that all movements of a portfolio's performance are completely explained by movements in the market as measured by the fund's benchmark.

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

Weighted average coupon is the weighted average interest payment of all individual debt securities within a portfolio.

Weighted average effective duration (sometimes called "Option-Adjusted Duration") is a measure of a security's price sensitivity to changes in interest rates calculated using a model that recognizes that the probability of a bond being called or remaining outstanding until maturity may vary if market interest rates change, and that makes adjustments based on a bond's embedded options (e.g., call rights, or in the case of a mortgage-backed security, the probability that homeowners will prepay their mortgages), if any, based on the probability that the options will be exercised. A fund's weighted average effective duration will equal the market value weighted average of each bond's effective duration in the fund's portfolio. As with any model, several assumptions are made so the weighted average effective duration of a fund in the Federated family of funds may not be comparable to other funds outside of the Federated family of funds. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Weighted average effective maturity is the average time to maturity of debt securities held in the fund.

Weighted average yield to maturity is used to determine the rate of return an investor would receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. It takes into account purchase price, redemption value, time to maturity, coupon yield and the time between interest payments.

Ratings and rating agencies

Lipper Categories: Data Source: Lipper, A Reuters Company.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. ©2020 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.