Federated Hermes Total Return Bond Fund

6/30/20

Fund facts

Performance inception date

R6 Shares: 10/1/96
Institutional Shares: 10/1/96
A Shares: 8/16/01

Benchmark 1

Bloomberg Barclays U.S. Aggregate Bond Index

Benchmark 2

Bloomberg Barclays U.S. Universal Index

Morningstar category

Intermediate Core-Plus Bond

Lipper classification

Core Bond Funds

Fund assets

$9.2 billion

Ticker symbols

R6 Shares - FTRLX
Institutional Shares - FTRBX
Service Shares - FTRFX
A Shares - TLRAX
C Shares - TLRCX
R Shares - FTRKX

Key investment team

Donald Ellenberger
Jerome Conner, CFA®
R.J. Gallo, CFA®
Chengjun (Chris) Wu, CFA®
Todd Abraham, CFA®
Mark Durbiano, CFA®
Ihab Salib
Steven Wagner
Christopher McGinley

Yields (%)

30-day yield (R6)	2.11
30-day yield (IS)	2.10
30-day yield (A)	1.49

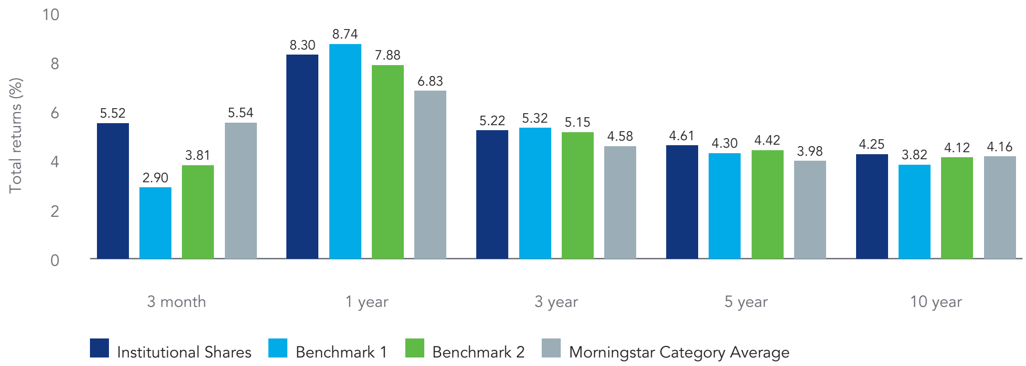
Fund description

The fund pursues total return by investing in a broad mix of bond sectors that management believes will benefit from changes in economic and market conditions. U.S. government and investment-grade corporate bonds predominate, with limits on exposure to domestic high-yield and both developed and emerging international sectors.

Average annual total returns (%)

Performance shown is before tax.

	3 month	YTD	1 year	3 year	5 year	10 year	15 year	Since inception	Expense ratio* Before waivers	After waivers
R6 Shares	5.62	5.57	8.41	5.27	4.62	4.19	4.71	5.18	0.42	0.38
Institutional Shares	5.52	5.47	8.30	5.22	4.61	4.25	4.82	5.67	0.46	0.39
A Shares (NAV)	5.47	5.19	7.71	4.68	4.05	3.68	4.26	4.49	1.00	0.94
A Shares (MOP)	0.70	0.47	2.83	3.10	3.10	3.20	3.94	4.23	1.00	0.94
Benchmark 1	2.90	6.14	8.74	5.32	4.30	3.82	4.39	–	–	–
Benchmark 2	3.81	5.17	7.88	5.15	4.42	4.12	4.60	–	–	–



Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	9.73	-0.86	4.40	4.96	-0.16	5.29	-0.87	6.58	6.28	7.35
Benchmark 1	8.72	0.01	3.54	2.65	0.55	5.97	-2.02	4.21	7.84	6.54
Benchmark 2	9.29	-0.26	4.09	3.91	0.43	5.59	-1.35	5.53	7.40	7.77
Morningstar Category Average	8.94	-0.61	4.27	3.86	-0.45	5.42	-0.90	7.76	6.27	8.51

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.**

Not FDIC Insured • May Lose Value • No Bank Guarantee

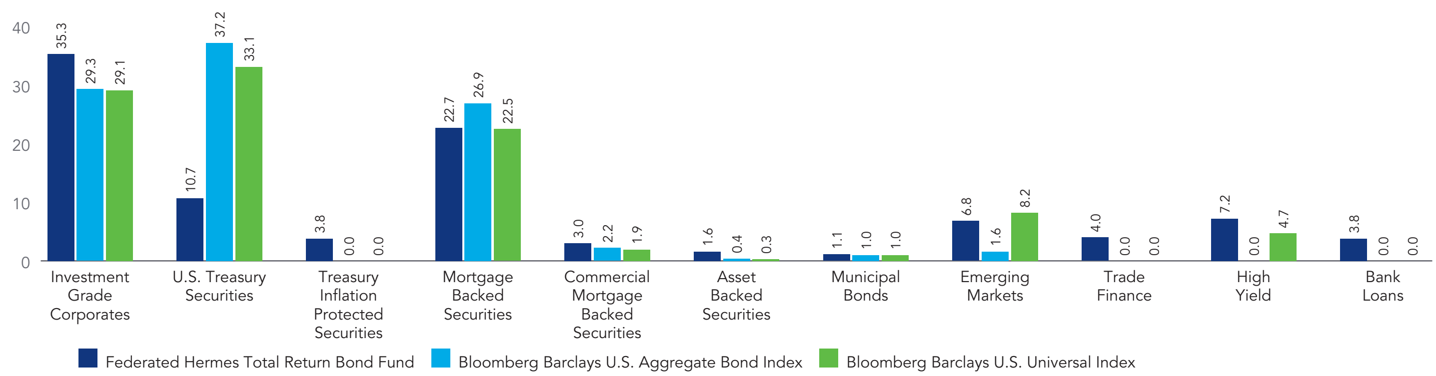
Federated Hermes

Investment approach

Core Plus Intermediate Bond Fund	Consistent, repeatable investment process	Tenured team with long-term results
• A disciplined approach to core fixed income with a conservative, investment-grade risk profile • Invests primarily in U.S. government, mortgage-backed and investment-grade corporate fixed income with modest exposure to sectors such as high yield and emerging markets debt • May invest in below investment grade securities up to 25%	• 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	• 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

As of 6/30/20

Sector weightings (%)



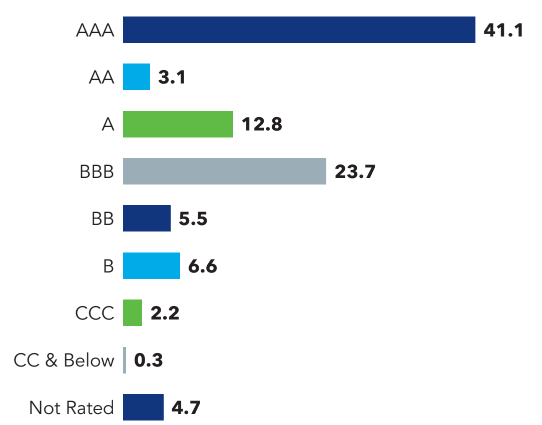
Portfolio statistics

Weighted average effective maturity	6.4 Yrs.
Weighted average effective duration	5.7 Yrs.
Weighted average coupon	3.45%
Weighted average yield to maturity	2.52%
Weighted average bond price	$106.49

Top holdings (%)

Mortgage Core Fund	21.7
High Yield Bond Core Fund	6.4
Emerging Markets Core Fund	5.5
Bank Loan Core Fund	4.9
Project and Trade Finance Core Fund	4.4
U.S. Treasury Bond, 1.250% due 5/15/50	3.4
U.S. Treasury Note, 0.125% due 5/15/23	2.2
U.S. Treasury Note, 0.625% due 5/15/30	2.0
U.S. Treasury Note, TIPS, 0.125% due 4/15/25	1.9
U.S. Treasury Note, TIPS, 0.125% due 1/15/30	1.8
Total % of Portfolio	54.2

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

- R6 shares returned 5.62% vs. 2.90% for the Bloomberg Barclays U.S. Aggregate Bond Index (BBAB) in the quarter
- Allocations to the credit sectors of the bond market (high-yield, investment- grade (IG) corporates and emerging-market (EM) bonds, and bank and trade finance loans) were the main drivers of the outperformance, followed by strong security selection
- To begin the quarter, the fund had the same overall interest-rate sensitivity as the BBAB while being positioned for long rates to rise more than short rates. The fund has little non-dollar currency exposure and is overweight IG corporate bonds, EM bonds, and bank and trade finance loans

Looking back

In the first quarter, only cash and Treasuries performed well as investors fled to the safest sectors of the bond market when the government shut down the economy to slow the spread of the coronavirus. The second quarter, however, witnessed a dramatic reversal, as cash and Treasuries significantly underperformed the riskier, credit-oriented sectors of the bond market. Despite all the job gains from the prior 12 years evaporating in a single month and gross domestic product (GDP) contracting at a pace not seen in decades, stocks and the credit sectors of the bond market rallied aggressively, mainly due to monetary and fiscal stimulus that was not only massive in scope but also implemented much more quickly than during the 2008 recession. For the first time, the Federal Reserve (Fed) used special purpose vehicles to purchase certain types of IG and high-yield corporate bonds, as well as agency mortgage-backed securities (MBS), commercial MBS, asset-backed securities (ABS), municipal bonds and other securities in order to restore efficient market functioning. The Fed also promised to keep short-term interest rates near zero for an extended period of time both to prop up housing and investment and to discourage investors from hoarding cash.

On the fiscal front, Congress passed legislation to support both businesses and consumers hurt by the government-mandated shutdown, including direct cash disbursements to individuals and loans to businesses. The total amount of monetary and fiscal stimulus totaled a staggering 44% of GDP at quarter-end. Just as importantly, Fed and government policymakers made clear they would continue to support the economy, with the Fed promising to "keep our foot on the gas" and Congress working on a fourth stimulus bill estimated to total approximately $1 trillion. All this stimulus, combined with a gradual reopening of the economy and hopeful signs for a vaccine, encouraged investors to reallocate back into the credit sectors of the bond market despite extremely weak economic statistics. During the quarter, all sectors of the bond market easily trounced Treasuries. The best performers, in order of excess returns to duration-equivalent Treasuries, were EM, high yield, IG corporates, bank loans, ABS, commercial MBS, municipals, trade finance loans and agency MBS.

Performance

Federated Hermes Total Return Bond Fund R6 Shares posted a total return net of fees of 5.62% for the quarter. The performance compares to a return of 2.90% for the BBAB Index. The fund's total return for the period also reflected actual cash flows, transaction costs and other expenses that were not reflected in the total return of the BBAB Index.

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

- Allocations to the credit sectors of the bond market (high yield and IG corporates, EM bonds, and bank and trade finance loans)
- Strong security selection across asset classes; for example, Treasury Inflation-Protected Securities (TIPS) outperformed nominal Treasuries as energy prices bounced and investors grew concerned about the Fed's monetization of the growing federal debt
- Slightly less interest-rate sensitivity than the BBAB and a yield-curve steepening bias at various points during the quarter

Performance detractors

- Non-dollar currency positioning subtracted slightly from returns

How we are positioned

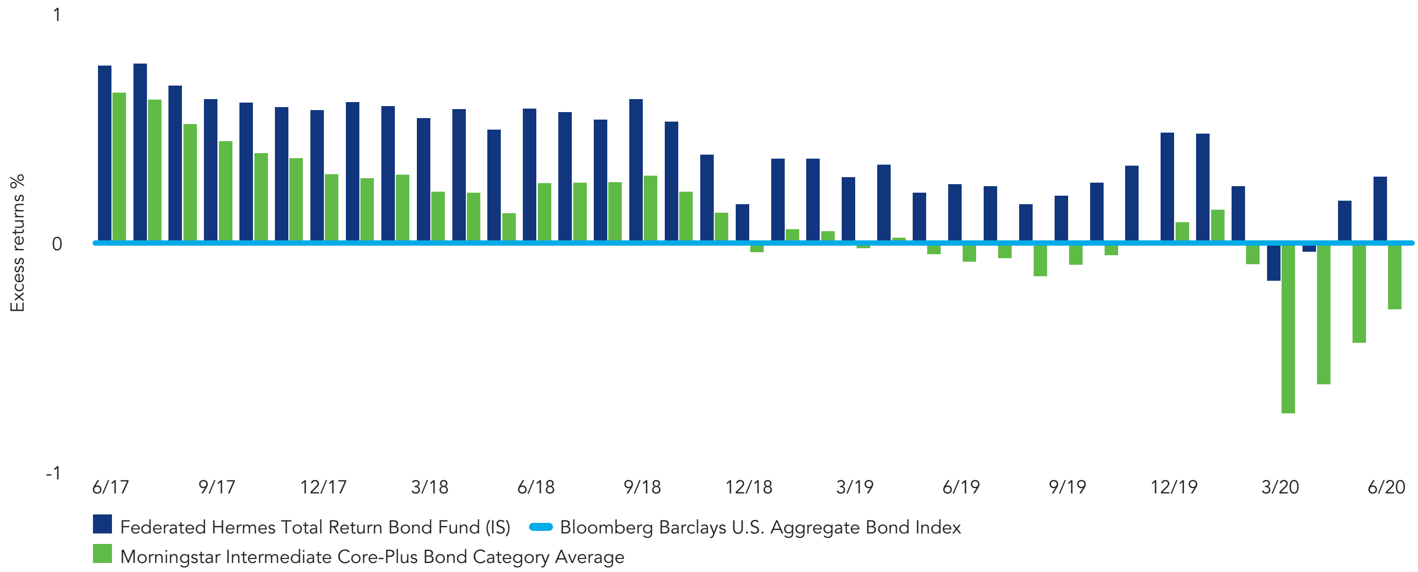
The fund was active during the quarter adjusting sector allocations. After adding a 7% overweight to MBS in March, the fund took profits and moved back to neutral in April as spreads richened and prepayment risks rose. The fund moved from an underweight to IG to an overweight, resulting in a net addition of 7% to the sector. The fund also added 1% to 2% each to high-yield bonds, bank loans, EM bonds and municipals, as well as a smaller amount to ABS and mortgage credit risk transfer securities. These purchases were funded by selling Treasuries and agency MBS. With the yield of the Treasury index only 0.50% on June 30, total return potential is extremely limited unless rates turn negative. But the Fed has consistently stated that negative rates are not a preferred strategy given the detrimental impact on bank earnings and money market funds, as well as the uninspiring track record of negative rates in Japan and Europe.

The fund begins the third quarter of 2020 with duration equal to the BBAB. With the Fed targeting a 0.00% to 0.25% fed funds rate, short and intermediate-term interest rates for the next several months are likely trapped in a very low range. The fund is, however, positioned for long rates to rise modestly (a yield-curve steepener). A rising Fed deficit, potential increase in the inflation risk premium and growing Treasury supply to fund the fiscal stimulus programs are all expected to exert a steepening bias on the yield curve. The fund has little non-dollar currency exposure to start the third quarter. In terms of major security selection themes, the fund has 4% in TIPS, moved down-in-quality in EM bonds and added to BBB-rated corporates.

The fund employed derivatives to express duration, yield curve, sector, currency and volatility investment themes during the quarter. Derivatives are used when they are less expensive or more efficient than physical securities to express investment themes from Federated Hermes' Alpha Pod process. The fund continues to actively incorporate into its security-selection process sustainable investing practices that focus on environmental, social and governance issues.

See disclosure section for important disclosures and definitions.

5 year rolling excess performance vs. Bloomberg Barclays U.S. Aggregate Bond Index



Source: Morningstar, Inc. Performance for 5 year periods (1-month step) from 6/30/12 - 6/30/20.

Returns are for IS Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

Risk statistics

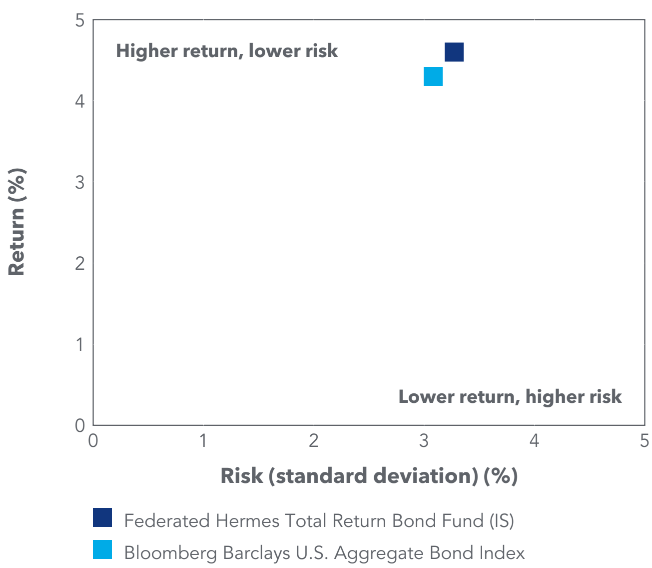
	3 year	5 year	7 year	10 year
Standard deviation	3.54	3.27	3.05	2.99
Alpha	0.24	0.61	0.71	0.76
Beta	0.91	0.90	0.88	0.89
Up capture ratio	99.85	103.94	101.35	102.98
Down capture ratio	103.89	98.06	88.29	89.86
Sharpe ratio	0.98	1.04	1.13	1.21

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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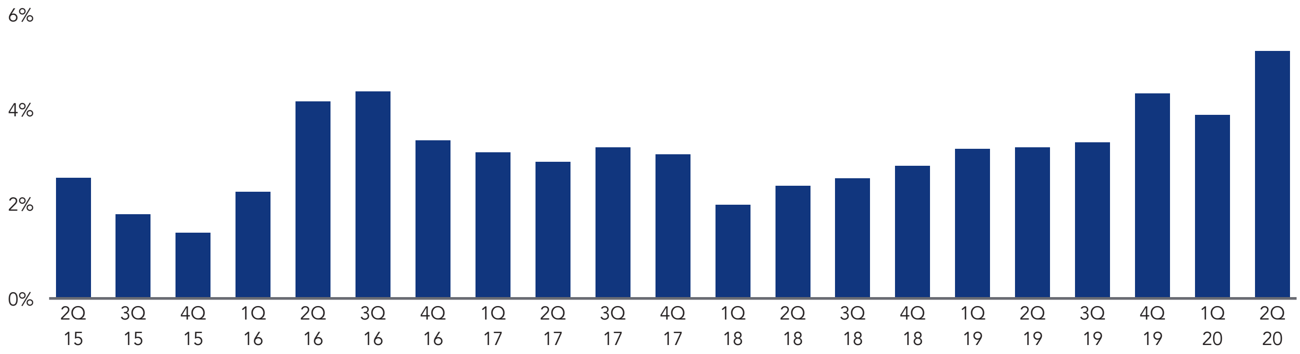
3 year rolling returns (IS)



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Category rankings

Morningstar Intermediate Core-Plus Bond Category		1 year	3 year	5 year	10 year
R6 Shares	Morningstar Category % Rank	22	25	18	44
	Morningstar Category Rank	128 of 601 Funds	120 of 534 Funds	78 of 455 Funds	–
IS Shares	Morningstar Category % Rank	26	26	19	44
	Morningstar Category Rank	144 of 601 Funds	130 of 534 Funds	80 of 455 Funds	133 of 333 Funds
A Shares	Morningstar Category % Rank	42	55	55	80
	Morningstar Category Rank	237 of 601 Funds	286 of 534 Funds	232 of 455 Funds	254 of 333 Funds

Lipper Core Bond Funds		1 year	3 year	5 year	10 year
R6 Shares	Lipper Classification % Rank	39	27	12	–
	Lipper Classification Rank	197 of 515 Funds	125 of 470 Funds	49 of 415 Funds	–
IS Shares	Lipper Classification % Rank	42	31	13	23
	Lipper Classification Rank	215 of 515 Funds	144 of 470 Funds	52 of 415 Funds	68 of 300 Funds
A Shares	Lipper Classification % Rank	61	67	51	63
	Lipper Classification Rank	310 of 515 Funds	312 of 470 Funds	211 of 415 Funds	187 of 300 Funds

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

As of June 29, 2020, the fund was renamed Federated Hermes Total Return Bond 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") 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. For an indefinite period of time, the investment advisor is waiving all or part of its fee and, in addition, may reimburse the fund for some of its expenses. Otherwise, the yield would have been 2.07% for R6 Shares, 2.03% for Institutional Shares, and 1.44% for A Shares.

The fund's R6 Shares commenced operations on April 22, 2015. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's Institutional Shares, adjusted to reflect the expenses of the R6 Shares for each year for which the expenses of the R6 Shares would have exceeded the actual expenses paid by the Institutional Shares.

A word about risk

Mutual funds are subject to risks and fluctuate in value.

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.

The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations.

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. Universal Index represents the union of the U.S. Aggregate Index, U.S. Corporate High-Yield, Investment Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index and the non-ERISA eligible portion of the CMBS Index. The index covers USD denominated, taxable bonds that are rated either investment-grade or below investment-grade.

Russell Top 200® Index measures the performance of the largest cap segment of the U.S. equity universe. The Russell Top 200® Index is a subset of the Russell 3000® Index. It includes approximately 200 of the largest securities based on a combination of their market cap and current index membership and represents approximately 68% of the U.S. market. The Russell Top 200® Index is constructed to provide a comprehensive and unbiased barometer for this very large cap segment and is completely reconstituted annually to ensure new and growing equities are reflected.

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.

Sharpe ratio is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

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

Up capture ratio/down capture ratio is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

Weighted average bond price is the weighted average of all individual bond prices within a portfolio.

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 Hermes family of funds may not be comparable to other funds outside of the Federated Hermes family of funds. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

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

Weighted average 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

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