

# At Any Rate . . .

a fixed income discussion

Presented to:

**CFA Nebraska**

Presented by

**Karen Manna**

Vice President

Fixed Income Client Portfolio Manager

Portfolio Manager

March 2024

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Federated Securities Corp.

24-40082 (3/24)

**This must be preceded or accompanied by a prospectus for Federated Hermes Total Return Bond Fund.**

Institutional Sales Material. Not for Distribution to the Public.



**\$757.6 B**

Assets under management

**\$1.4 T**

Assets under stewardship

**2,025**

Employees

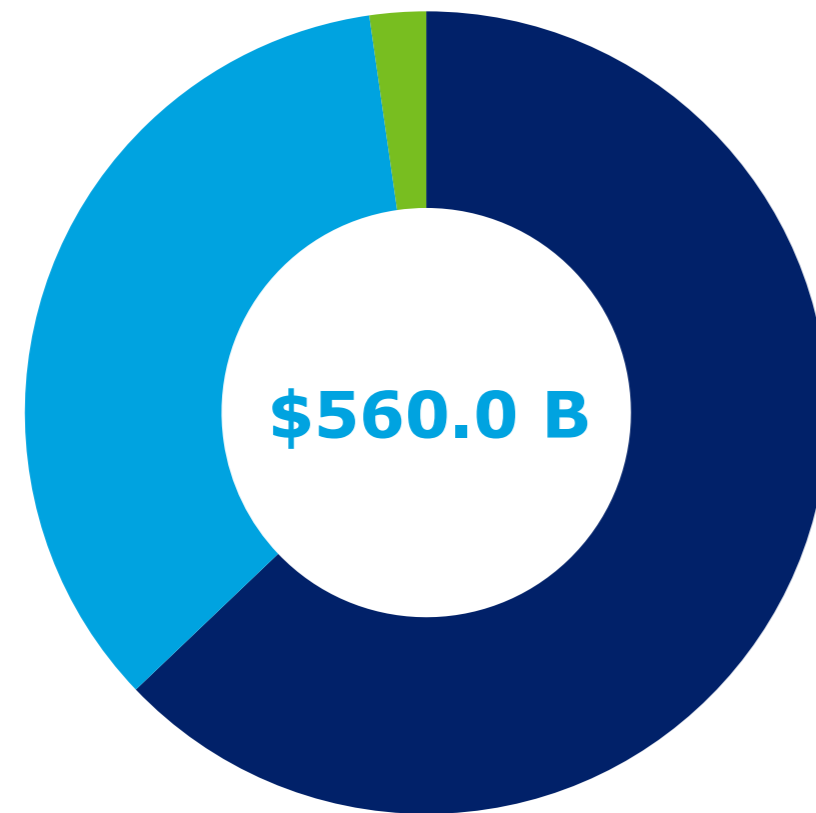
**448**

Investment & stewardship staff

# Federated Hermes assets (as of Dec. 31, 2023)

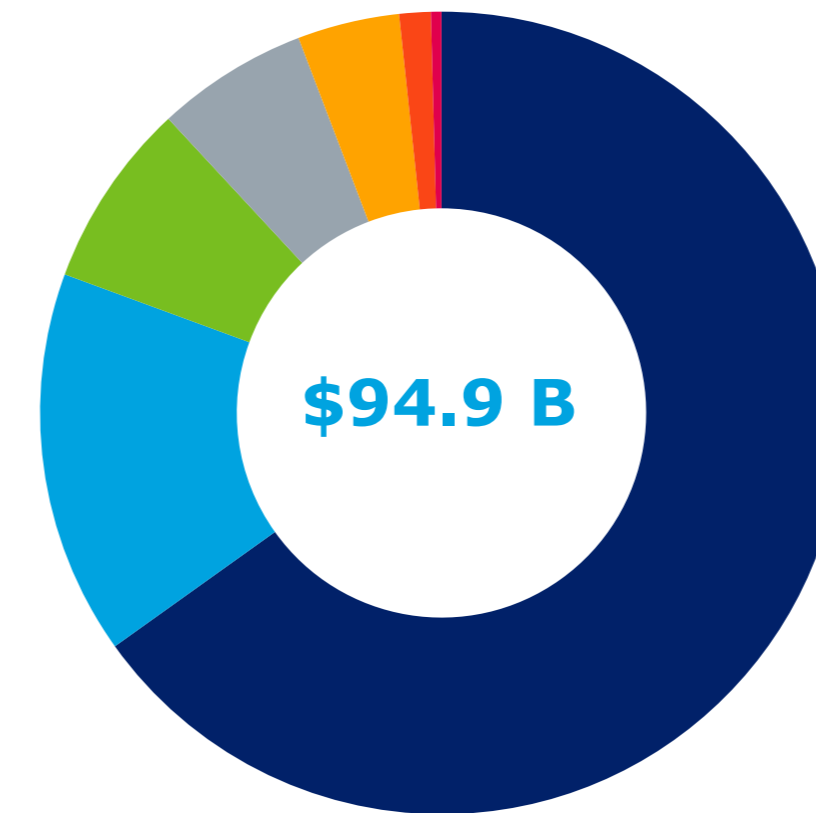
Active manager and global leader in responsible investing

## Money market



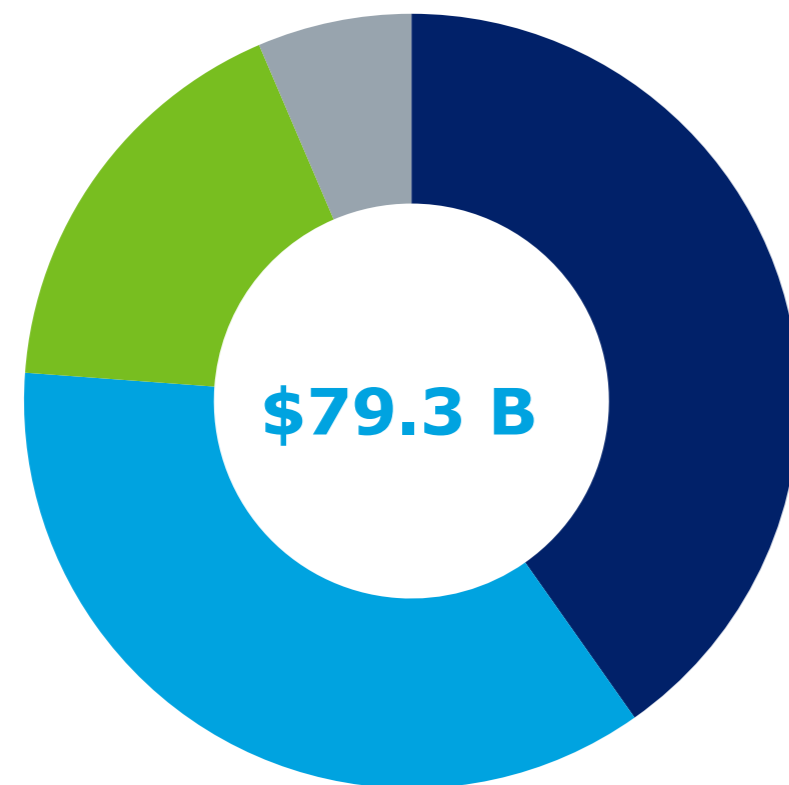
- Government: \$352.1 B
- Prime: \$195.2 B
- Tax-free: \$12.7 B

## Fixed income



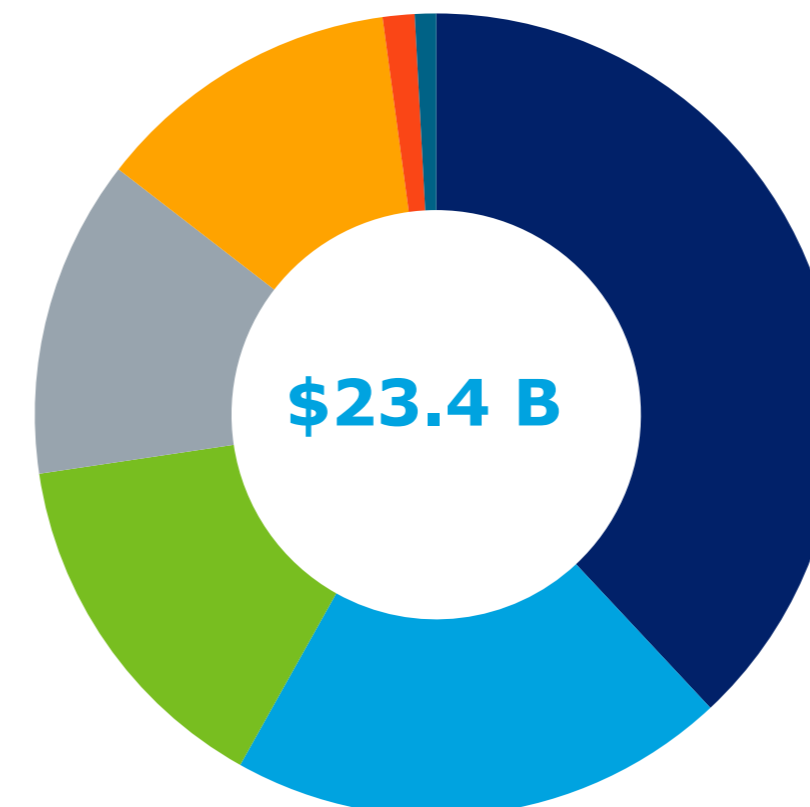
- Multi-sector: \$61.8 B
- High-yield: \$14.7 B
- Municipal: \$7.1 B
- U.S. corporate: \$5.8 B
- U.S. government: \$3.9 B
- International/global: \$1.2 B
- Mortgage-backed: \$0.4 B

## Equity



- Value and income: \$31.9 B
- International/global: \$28.5 B
- Growth: \$13.8 B
- Blend: \$5.1 B

## Alternative/private markets and multi-asset



- Real estate: \$8.9 B
- Private equity: \$4.7 B
- Other alternative: \$3.4 B
- Infrastructure: \$3.0 B
- Multi-asset: \$2.9 B
- Market neutral: \$0.3 B
- Bear: \$0.2 B

# Global Fixed-Income Investment Management

John Fisher, President & CEO – Federated Advisory Companies

## Robert Ostrowski, CFA, EVP, CIO

Head of Global Fixed Income, Senior Portfolio Manager  
36 years industry experience - 36 years with Federated Hermes

Corporate		Government/MBS		Multi-sector		High yield		International	
John Gentry, CFA		Todd Abraham, CFA		Donald Ellenberger		Mark Durbiano, CFA		Ihab Salib	
Investment Professionals	15	Investment Professionals	7	Investment Professionals	3	Investment Professionals	16	Investment Professionals	17
Portfolio Managers	4	Portfolio Managers	3	Portfolio Managers/CPM	3	Portfolio Managers	6	Portfolio Managers/CPM	7
Analysts	8	Traders	4			Analysts	8	Analysts	7
Traders	3					Traders	2	Traders	3
<i>Average Experience (yrs):</i>		<i>Average Experience (yrs):</i>		<i>Average Experience (yrs):</i>		<i>Average Experience (yrs):</i>		<i>Average Experience (yrs):</i>	
Industry	15	Industry	26	Industry	30	Industry	20	Industry	19
Federated Hermes	12	Federated Hermes	22	Federated Hermes	23	Federated Hermes	18	Federated Hermes	12
CW Henderson Muni SMA		Municipal bonds		Low duration/structured		Taxable SMA		Attribution	
R.J. Gallo, CFA				Nick Tripodes, CFA		Denis Doherty, CFA			
Investment Professionals	8	Investment Professionals	9	Investment Professionals	5	Investment Professionals	5	Investment Professionals	5
Portfolio Managers	5	Portfolio Managers	3	Portfolio Managers	1	Portfolio Manager	1	Analysts	5
Analysts	3	Analysts	4	Analysts	4	Analysts	2		
Traders*	0	Traders	2			Traders	2		
<i>Average Experience (yrs):</i>		<i>Average Experience (yrs):</i>		<i>Average Experience (yrs):</i>		<i>Average Experience (yrs):</i>		<i>Average Experience (yrs):</i>	
Industry	25	Industry	16	Industry	14	Industry	12	Industry	15
Federated Hermes	1	Federated Hermes	14	Federated Hermes	12	Federated Hermes	8	Federated Hermes	14

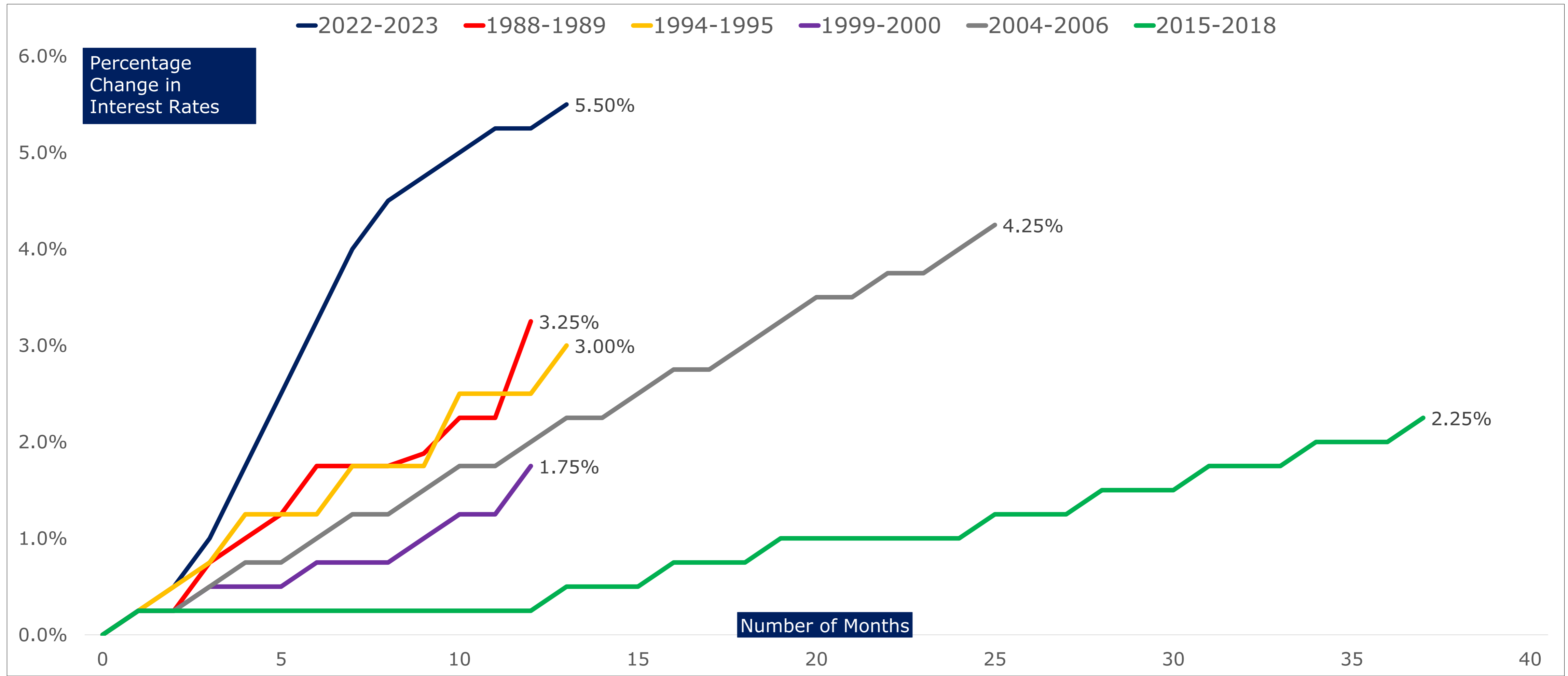
Chief Investment Officer is not included in count, Head of Investment Areas counted as PM; CPM has a dual role reporting to Phil Orlando  
\*Three Portfolio Managers have a dual role as Traders

# Economic Overview

1

# The 2022-23 rate hikes have been the fastest in history

Interest rate increases (Federal Reserve Fed Funds Target Rate -Upper Limit) 1988 - 2023

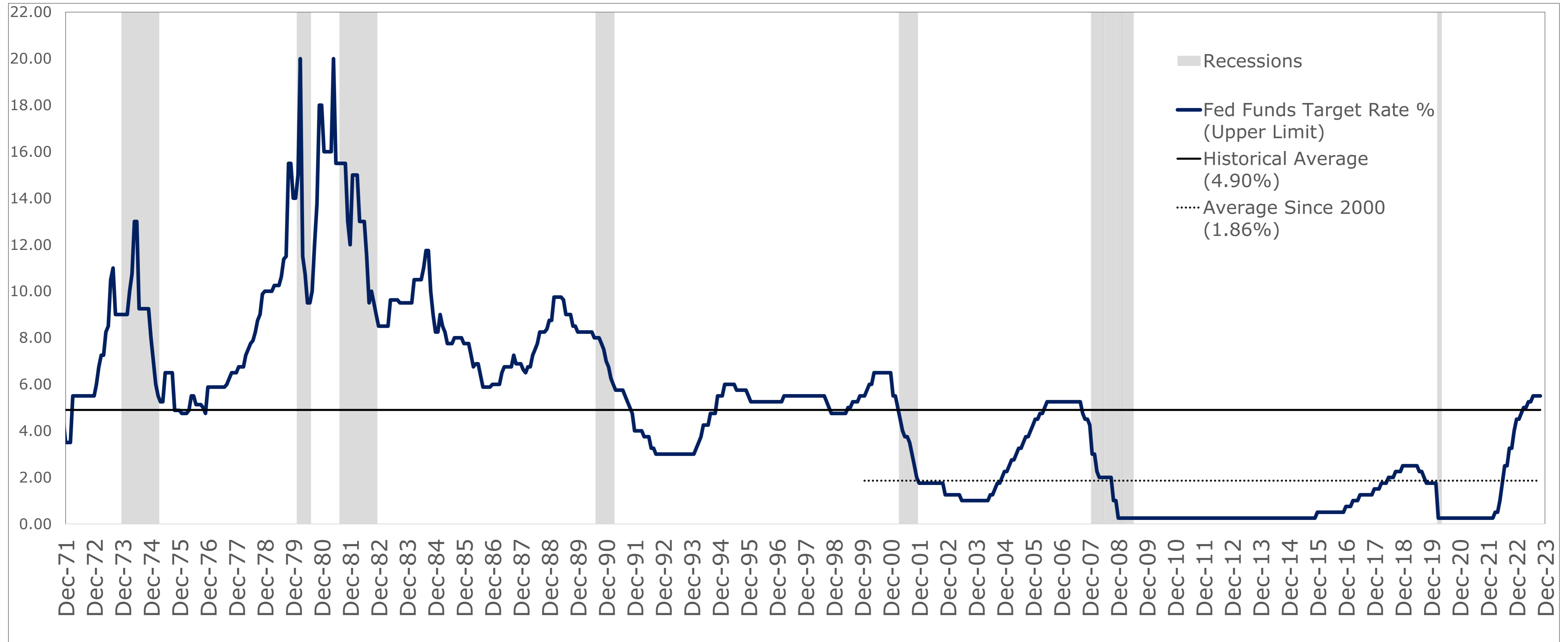


Source: Bloomberg, December 31, 2023

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# Fed's first hike typically has preceded next recession by several years

Current Fed Funds Rate (Upper Limit): 5.50%

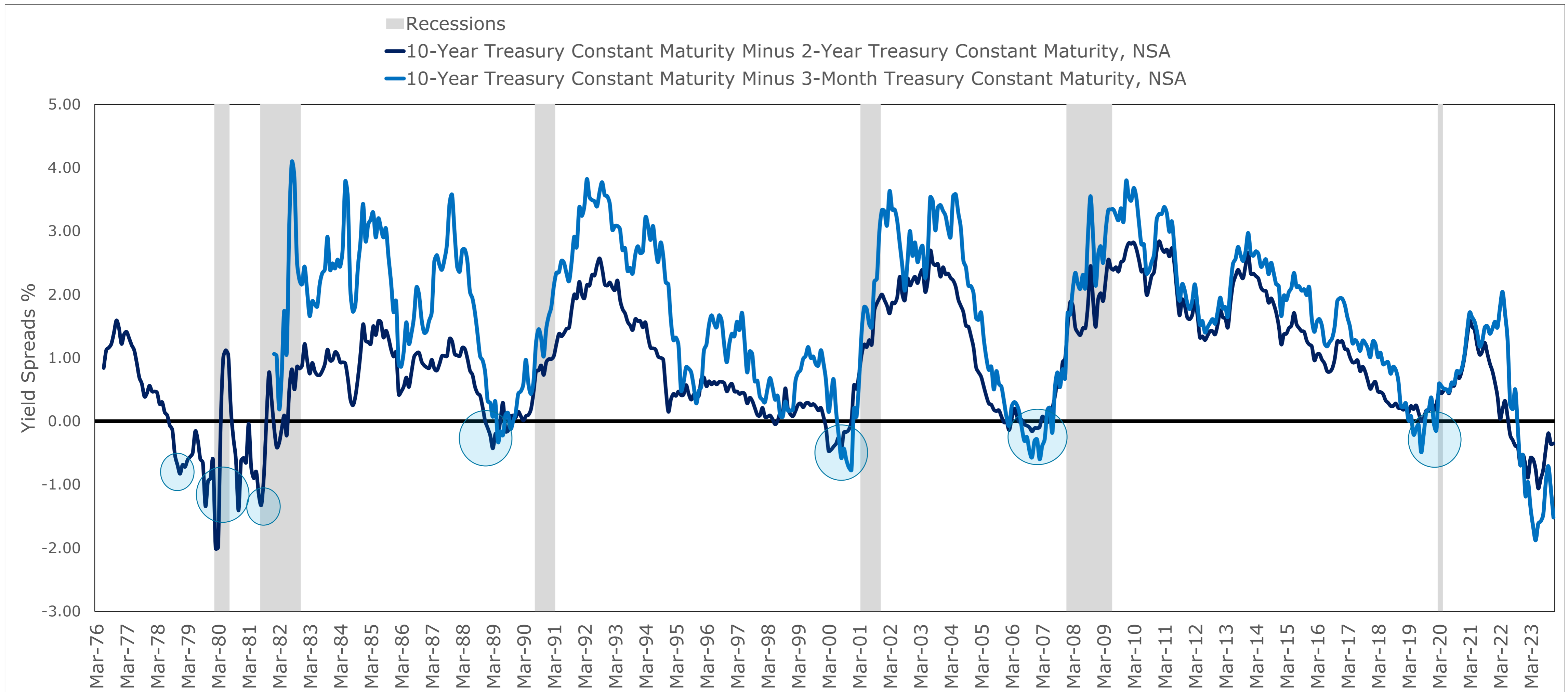


Note: Shaded areas indicate recessions. Fed Funds Rate refers to the upper band.  
Source: FRED Economic Data as of 12/20/2023.

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# Negative Treasury yield spreads often signal recessions

The 10Y 2Y spread has been negative since July 2022. The 10Y 3M spread has been negative since Oct. 2022

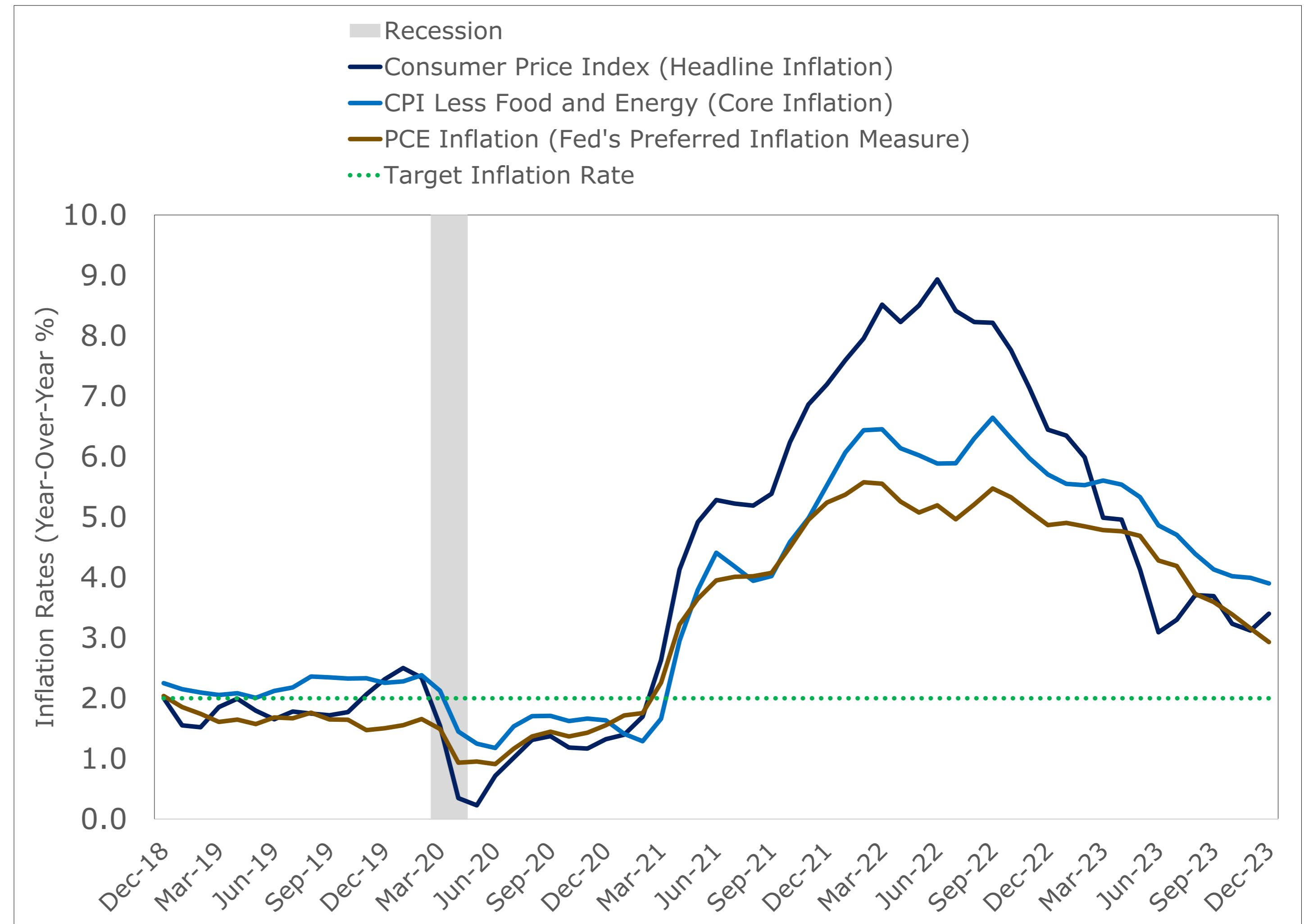
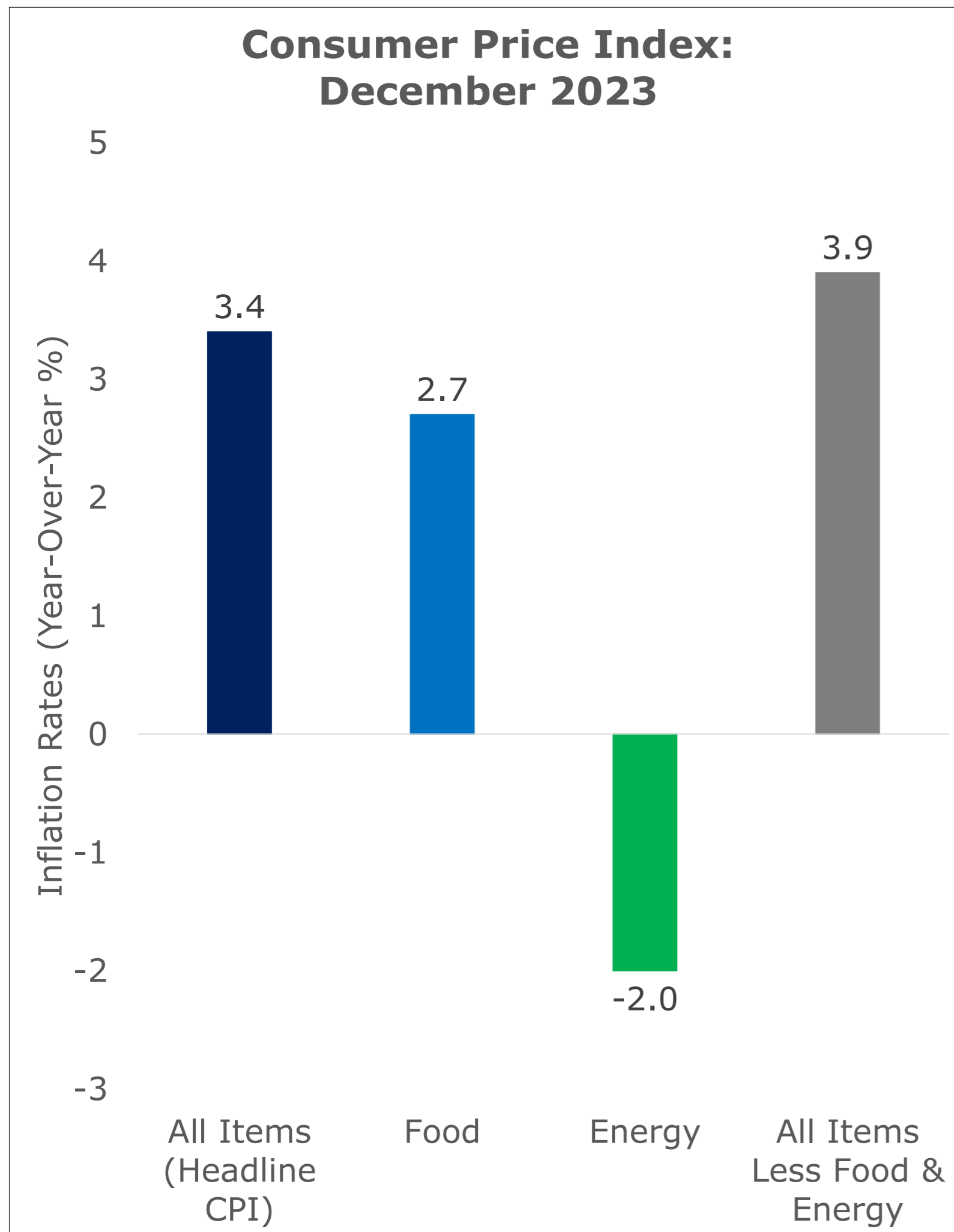


Source: Federal Reserve Bank, St. Louis. December 31, 2023

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# Inflation is declining; remains above the Fed's target rate...

Inflation reached 41-year highs in 2022



Source: Bloomberg, December 31, 2023

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# Sharp divergence between declines in Headline and Core inflation (y/y)

Federal Reserve likely to remain hawkish and patient on interest rates

	Consumer Price Index (CPI)				Personal Consumption Expenditure Index (PCE)			
	Headline		Core		Headline		Core*	
<b>Peak</b>	9.1%	(June '22)	6.6%	(Sept. '22)	7.1%	(June '22)	5.6%	(Feb. '22)
<b>Current</b>	3.4%	(Dec. '23)	3.9%	(Dec. '23)	2.6%	(Dec. '23)	2.9%	(Dec. '23)
<b>Change</b>	(5.7%)		(2.7%)		(4.5%)		(2.7%)	
<b>Time</b>	18 Months		15 Months		18 Months		22 Months	
<b>Change/ Month</b>	(0.32%)		(0.18%)		(0.25%)		(0.12%)	
<b>Headline/Core Change/Month Ratio</b>	<b>1.8:1</b>				<b>2.1:1</b>			

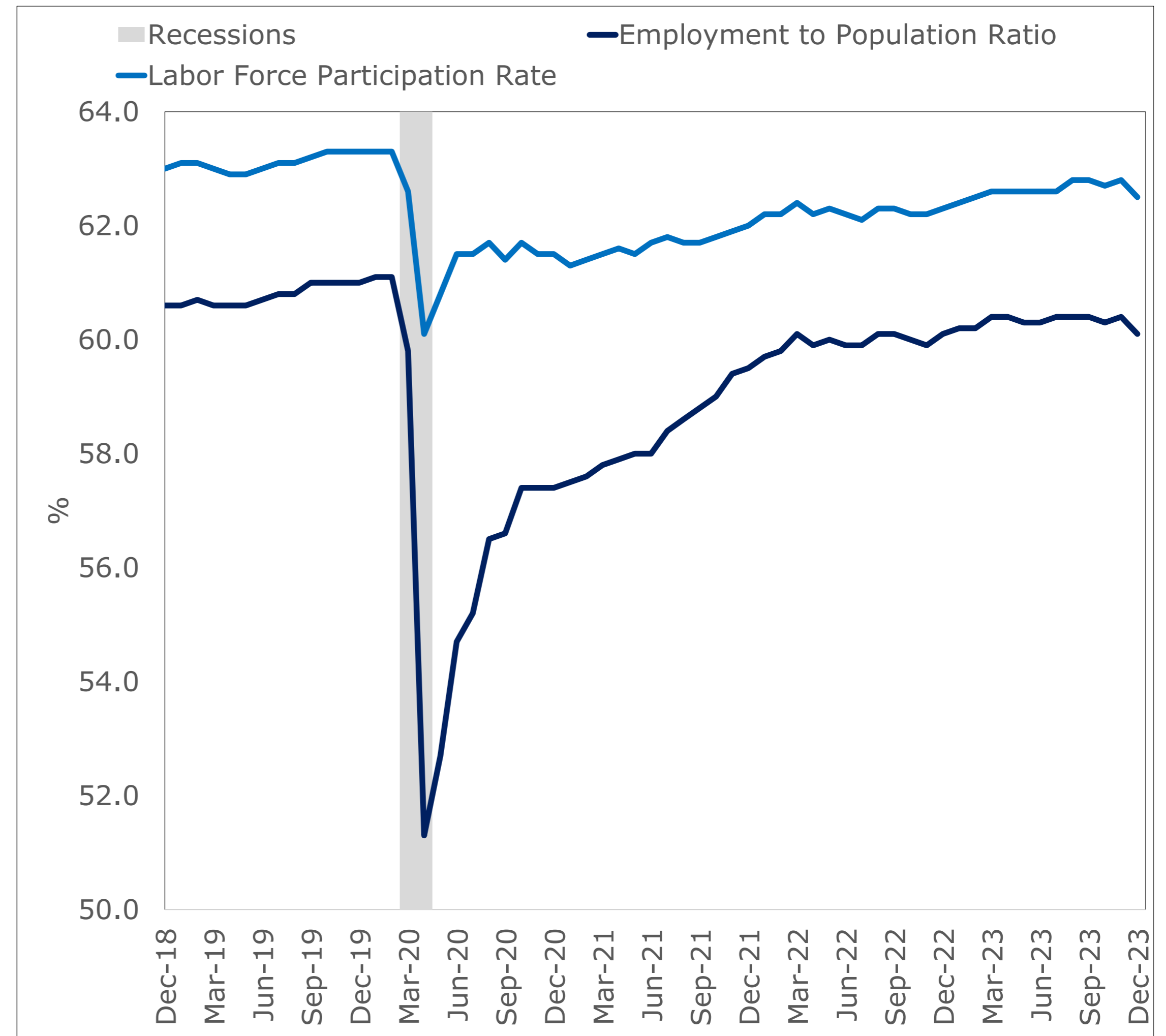
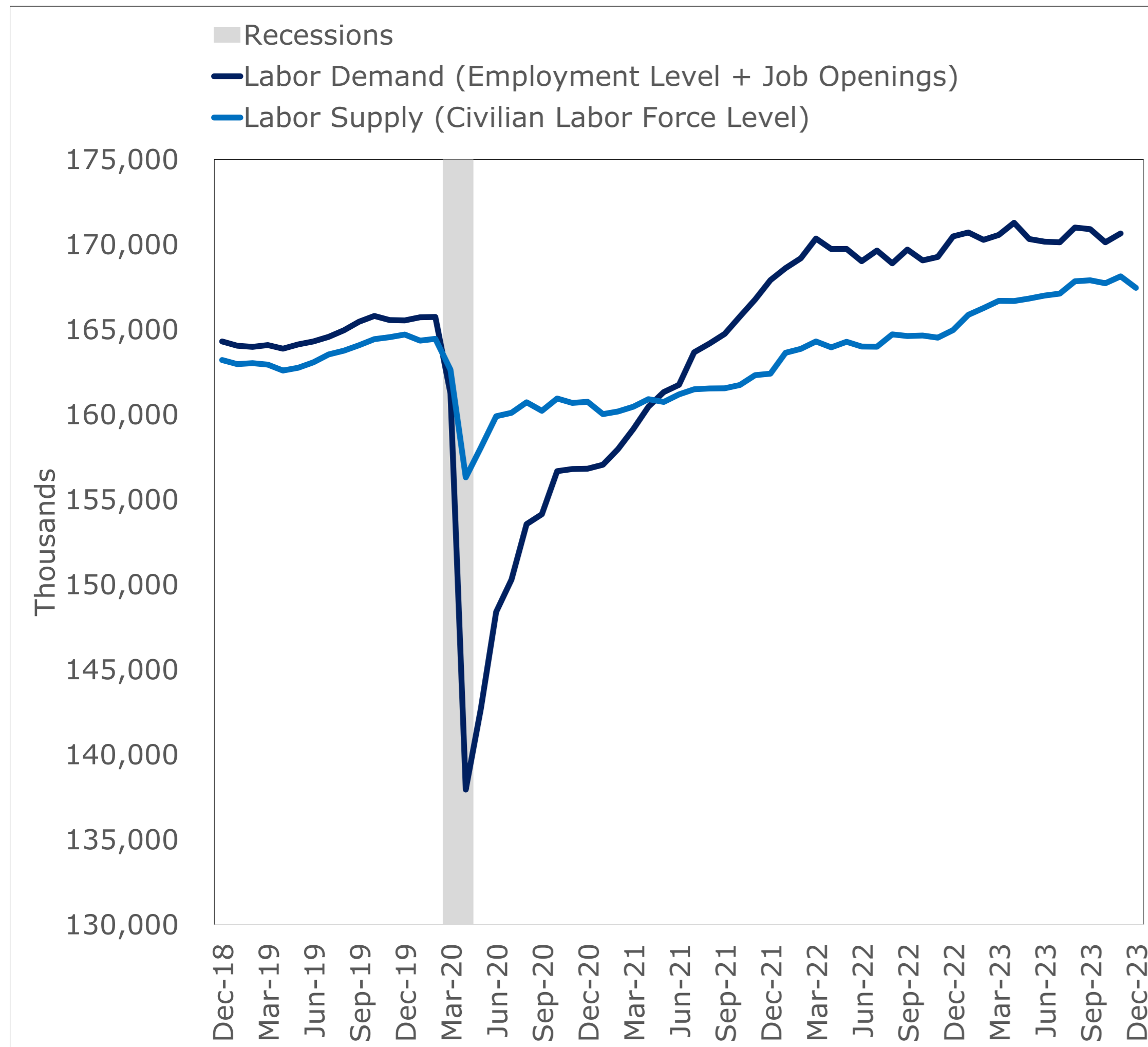
\*Federal Reserve's preferred measure of inflation. In its December 2023 Summary of Economic Projections, the Fed estimates that core PCE will approximate 2.0% by year-end 2026, for an average monthly decline of (0.03%) over the next 36 months.

Source: Bloomberg and Federated Hermes as of February 5, 2024.

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# Labor demand still exceeds labor supply

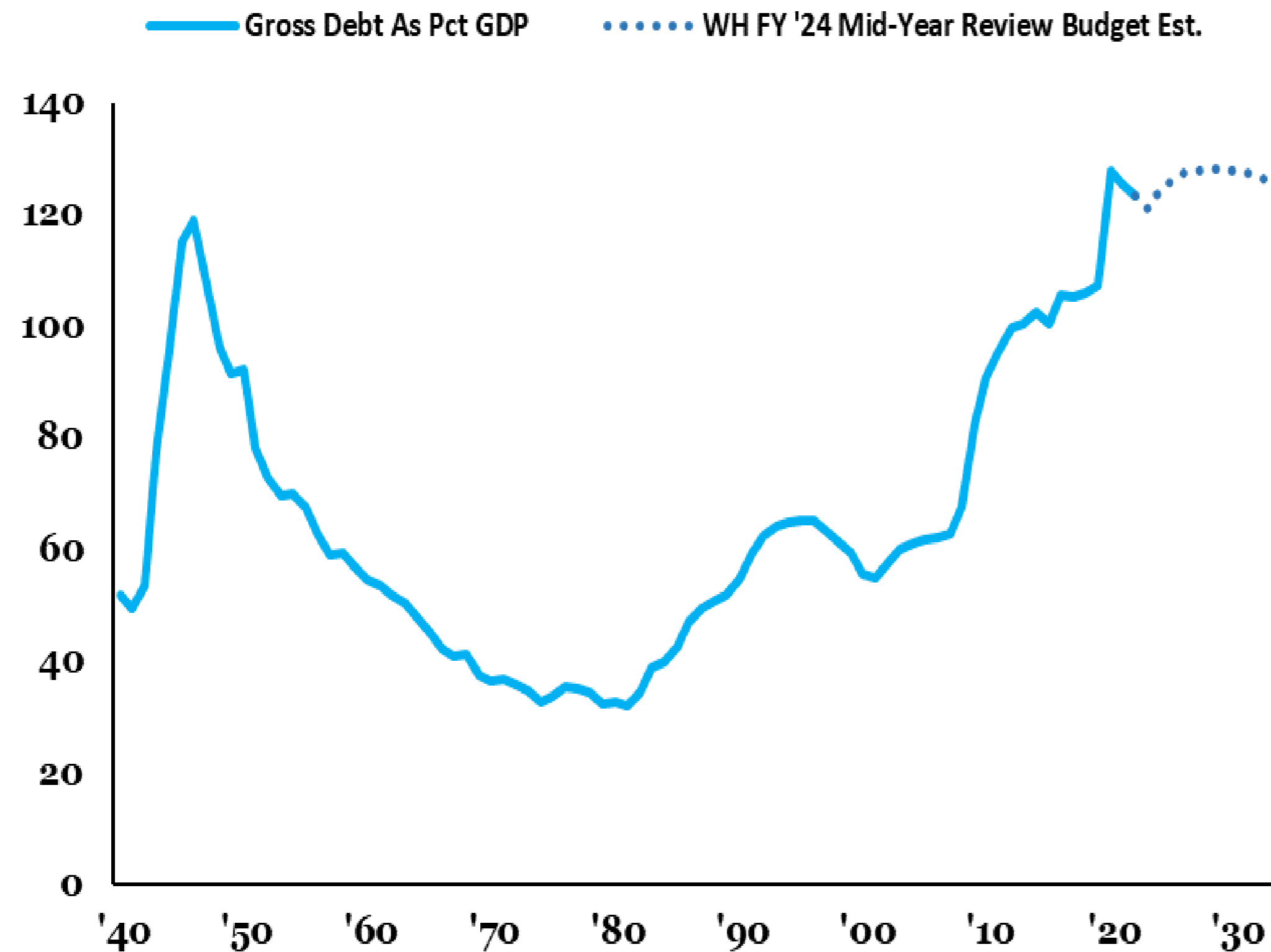
Labor availability is improving but still below pre-pandemic levels



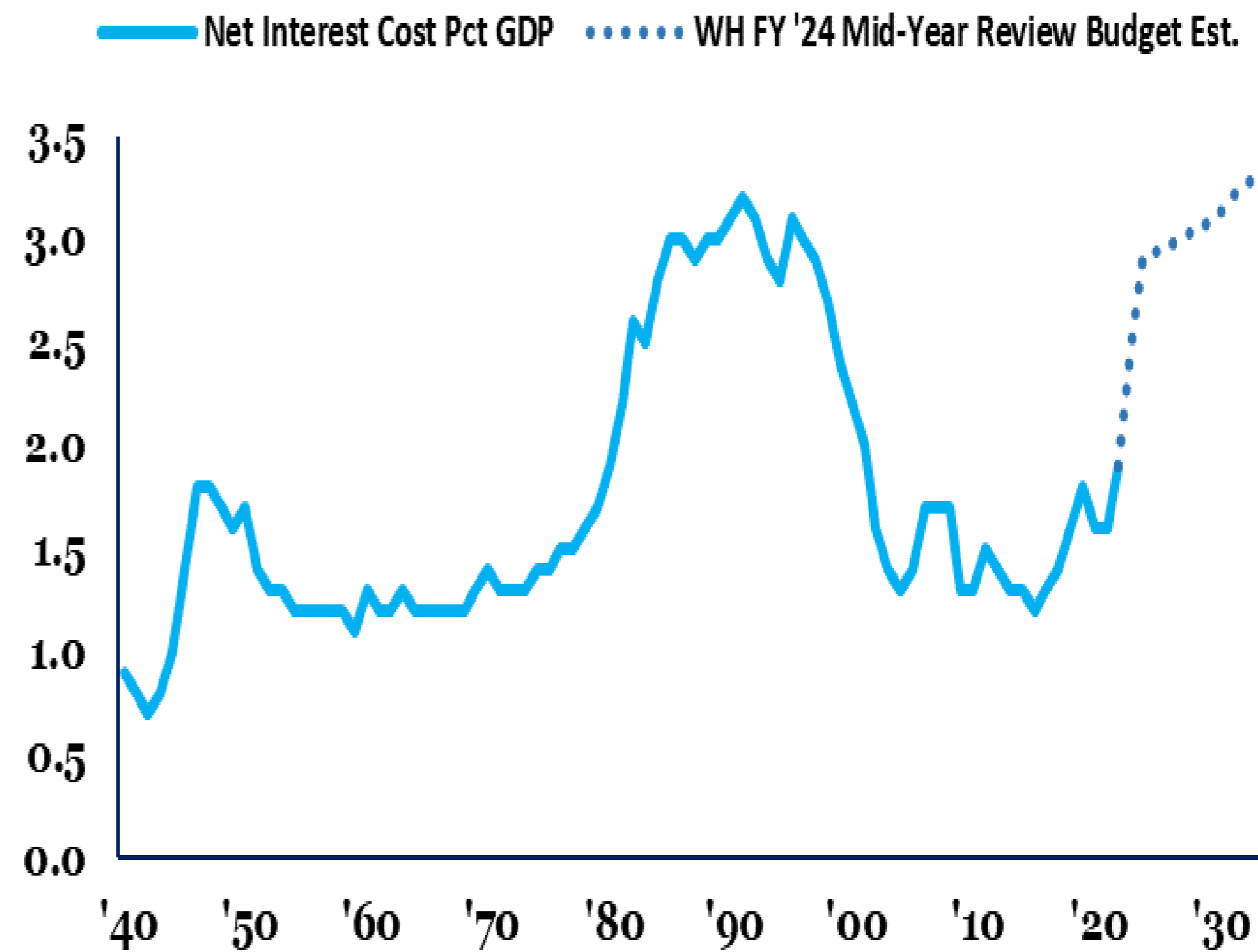
# The total federal debt is a growing problem

While debt levels have risen sharply, low rates mean that the interest burden has fallen dramatically

Total Federal Debt to GDP



Interest Expense as a % of GDP



# Fixed-Income Outlook

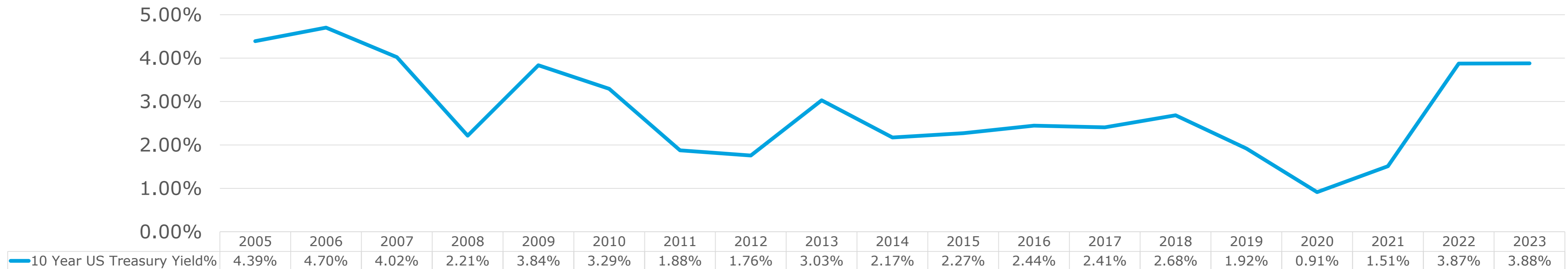


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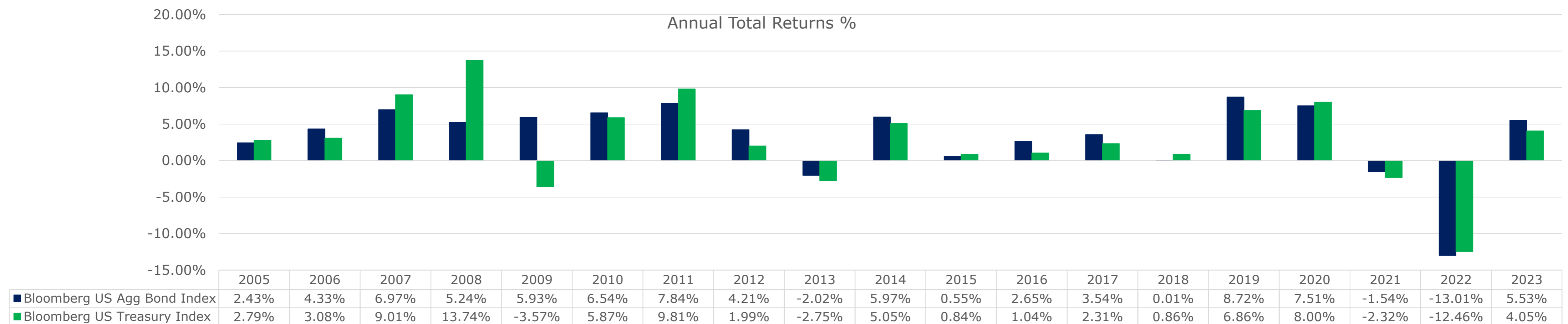
# Rising interest rates took a toll on fixed-income returns

Recent market rally has staved off three years of negative total returns.

### 10 Year US Treasury Yields%



### Annual Total Returns %

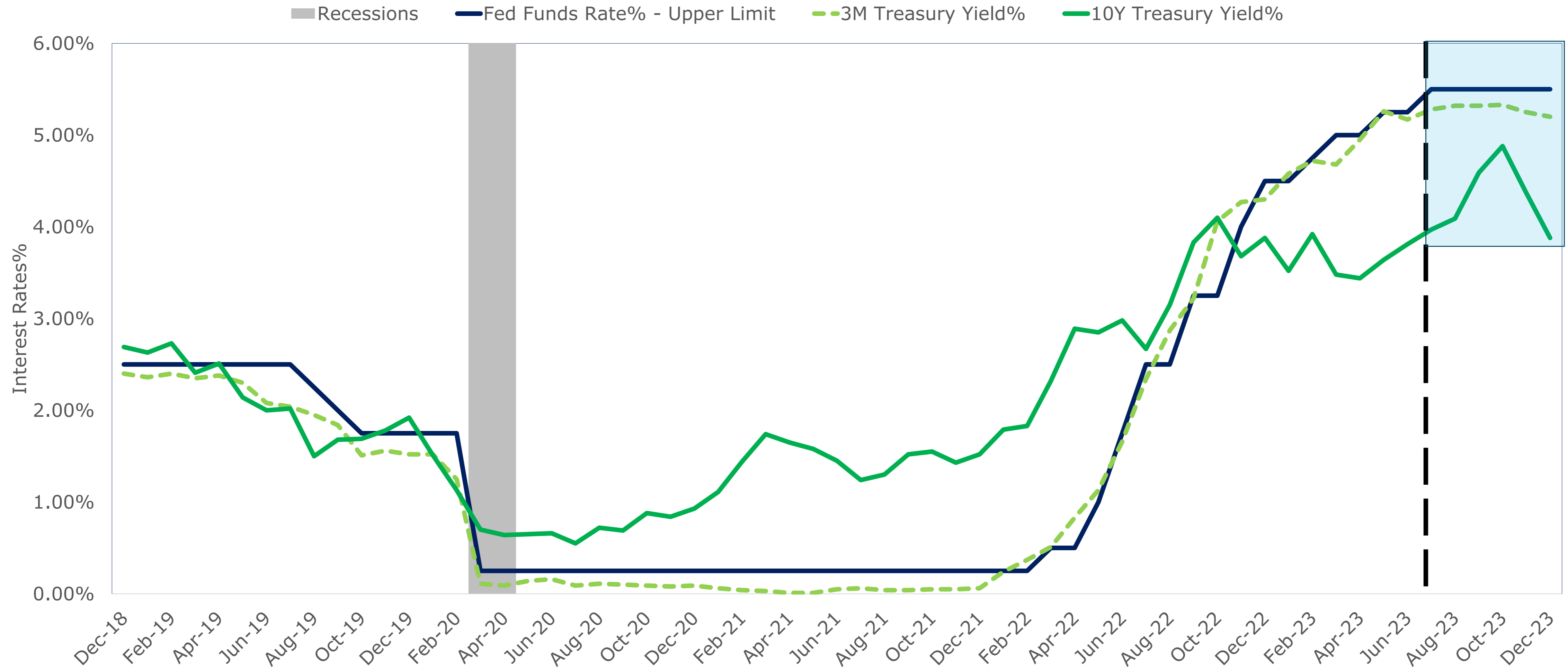


Sources: Department of the U.S. Treasury and Morningstar, Inc 12/31/2023  
Past performance is no guarantee of future results.

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# Fed rates have peaked for the cycle

So how quickly and how much will they ease?



Source: Federal Reserve Bank, St. Louis. December 31, 2023

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# World Interest Rate Probabilities (WIRP)

## Implied rate changes from Futures

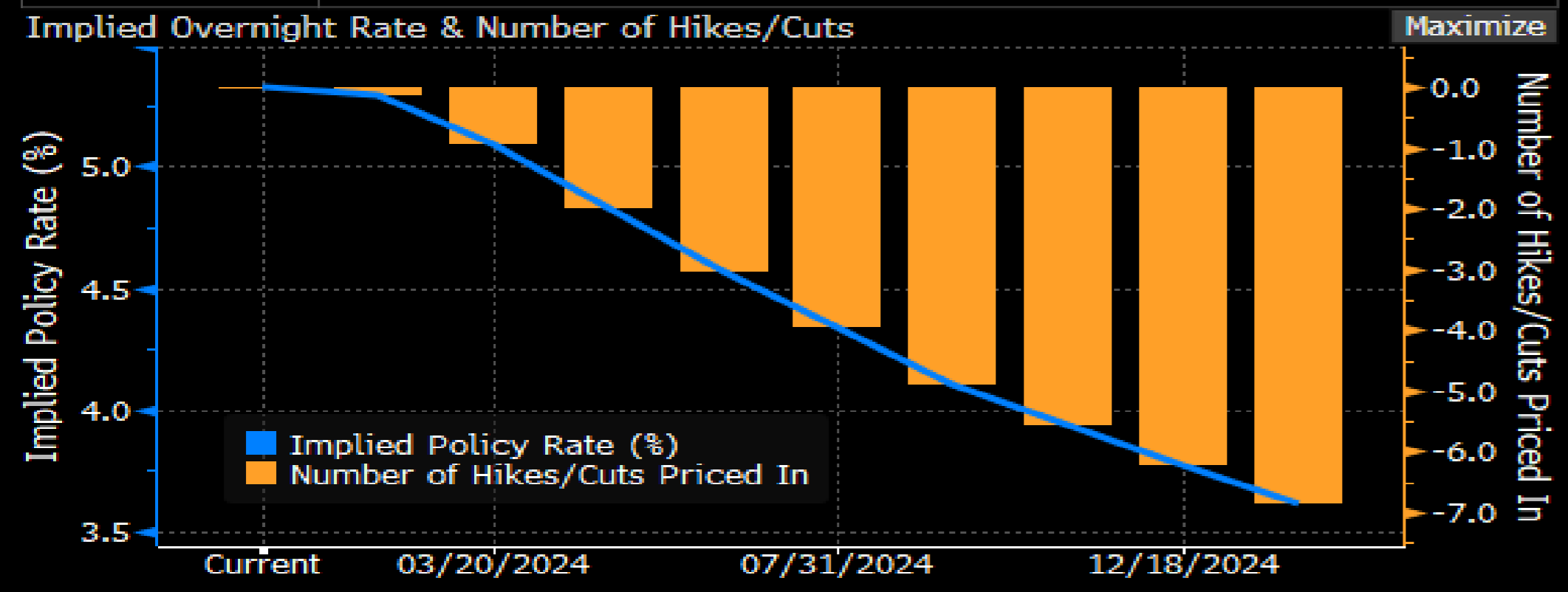
12/15/23

Region: United States » Instrument: Fed Funds Futures »

Target Rate 5.50 Pricing Date 12/15/23

Effective Rate 5.33 Cur. Imp. O/N Rate

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate
01/31/2024	-0.100	-10.0%	-0.025	5.303
03/20/2024	-0.768	-66.8%	-0.192	5.135
05/01/2024	-1.618	-84.9%	-0.404	4.923
06/12/2024	-2.531	-91.3%	-0.633	4.695
07/31/2024	-3.350	-81.9%	-0.838	4.490
09/18/2024	-4.250	-90.0%	-1.063	4.265
11/07/2024	-4.993	-74.3%	-1.248	4.079
12/18/2024	-5.660	-66.7%	-1.415	3.912
01/29/2025	-6.320	-66.0%	-1.580	3.748



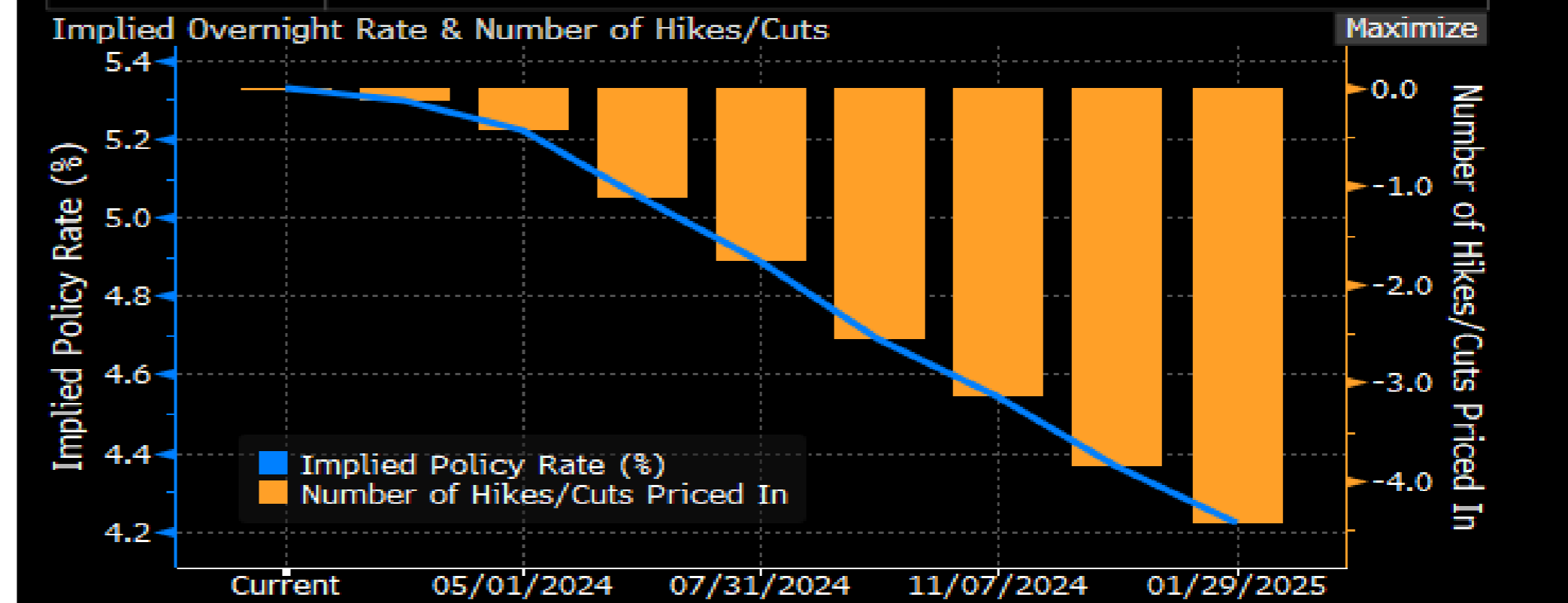
2/15/2024

Region: United States » Instrument: Fed Funds Futures »

Target Rate 5.50 Pricing Date 02/15/24

Effective Rate 5.33 Cur. Imp. O/N Rate

Meeting	#Hikes/Cuts	%Hike/Cut	Imp. Rate Δ	Implied Rate
03/20/2024	-0.130	-13.0%	-0.032	5.296
05/01/2024	-0.436	-30.6%	-0.109	5.220
06/12/2024	-1.111	-67.6%	-0.278	5.051
07/31/2024	-1.765	-65.4%	-0.441	4.887
09/18/2024	-2.555	-79.0%	-0.639	4.690
11/07/2024	-3.145	-59.0%	-0.786	4.543
12/18/2024	-3.836	-69.1%	-0.959	4.370
01/29/2025	-4.435	-59.9%	-1.109	4.220

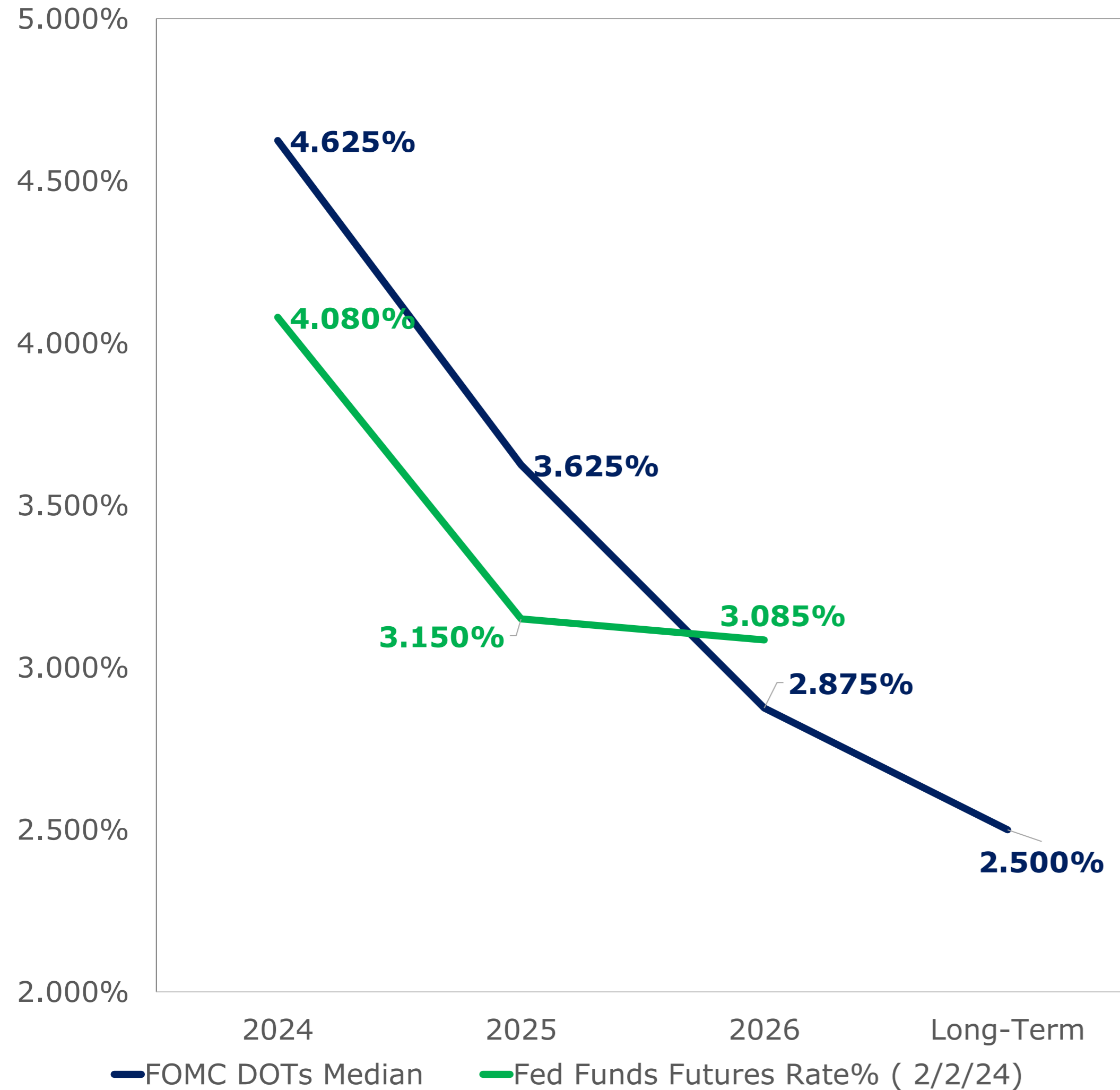


Source: Bloomberg 2/15/2024  
Past performance is no guarantee of future results.

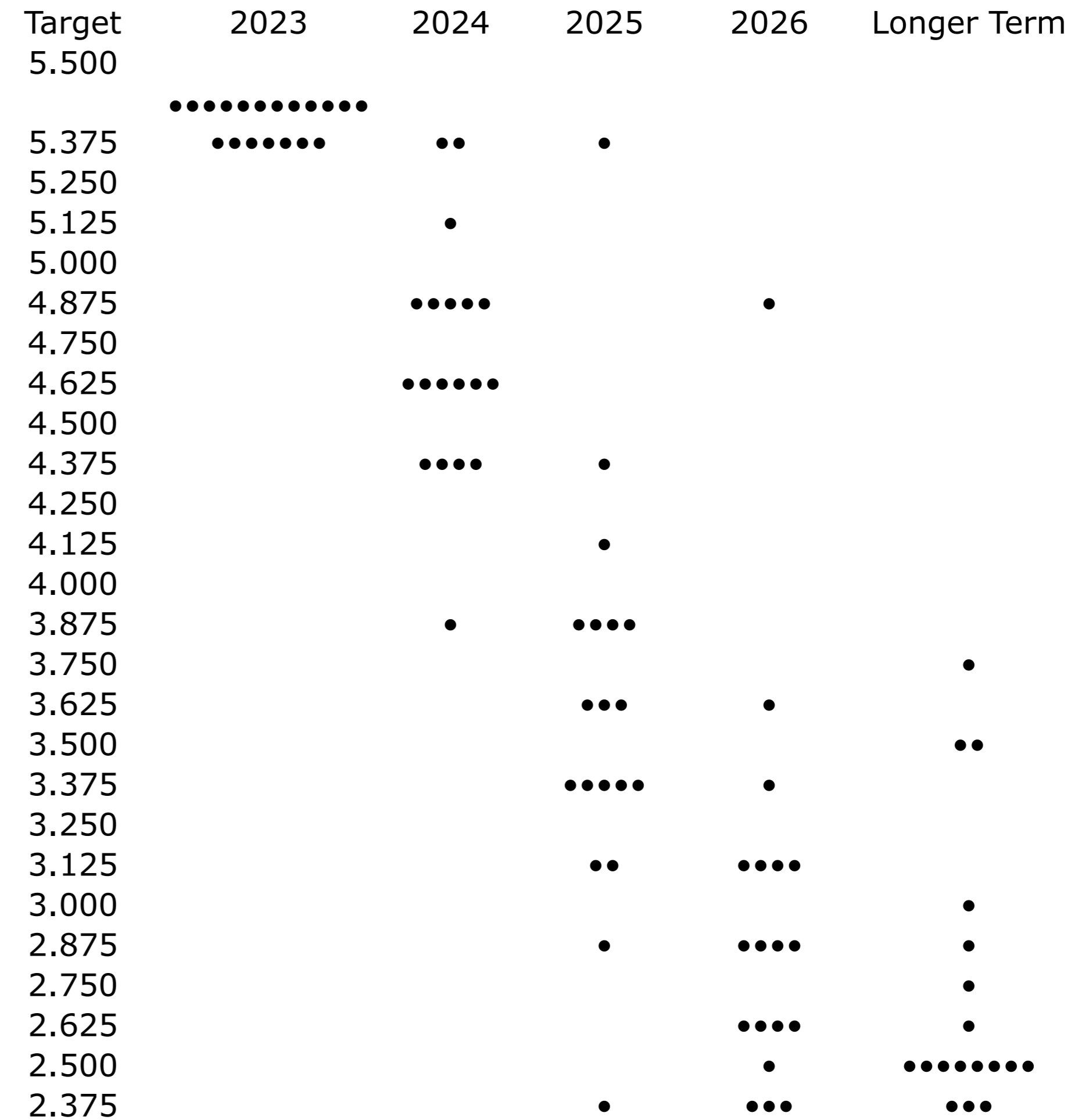
# Median Dot gets all the attention amid a cloud of dots

Market is pricing more easing than the median

The Median DOT Path vs. Market Expectations



FOMC DOT Plot



Source: Bloomberg, December 31, 2023  
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# Fed policy moves in prior election years

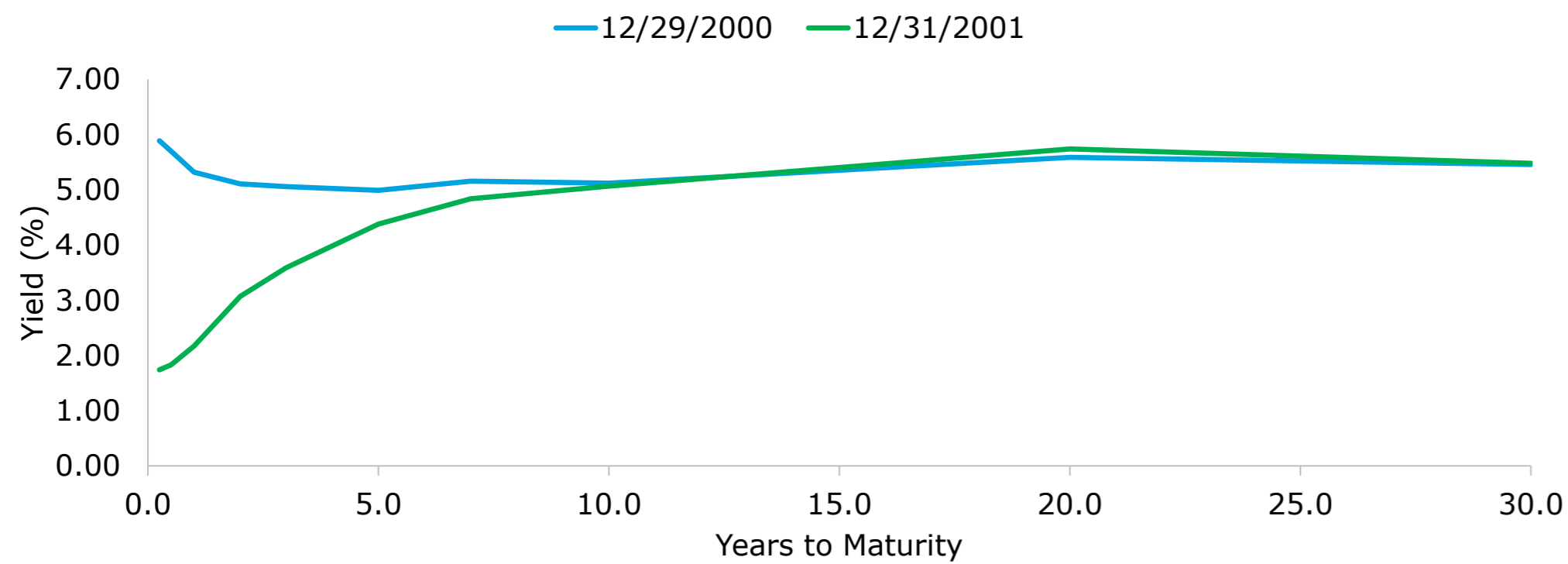
The Fed has hiked or cut rates in EVERY Presidential election year since 1984

Election Year	Rate Hike	Rate Hike Within 2 Months of Election	Rate Cut	Rate Cut Within 2 Months of Election	Recession	Incumbent	Winner
1984	Yes		Yes	Yes		Republican	Republican
1988	Yes					Republican	Republican
1992			Yes	Yes		Republican	Democrat
1996			Yes			Democrat	Democrat
2000	Yes					Democrat	Republican
2004	Yes	Yes				Republican	Republican
2008			Yes	Yes	Yes	Republican	Democrat
2012			QE3	QE3		Democrat	Democrat
2016	Yes					Democrat	Republican
2020			Yes		Yes	Republican	Democrat

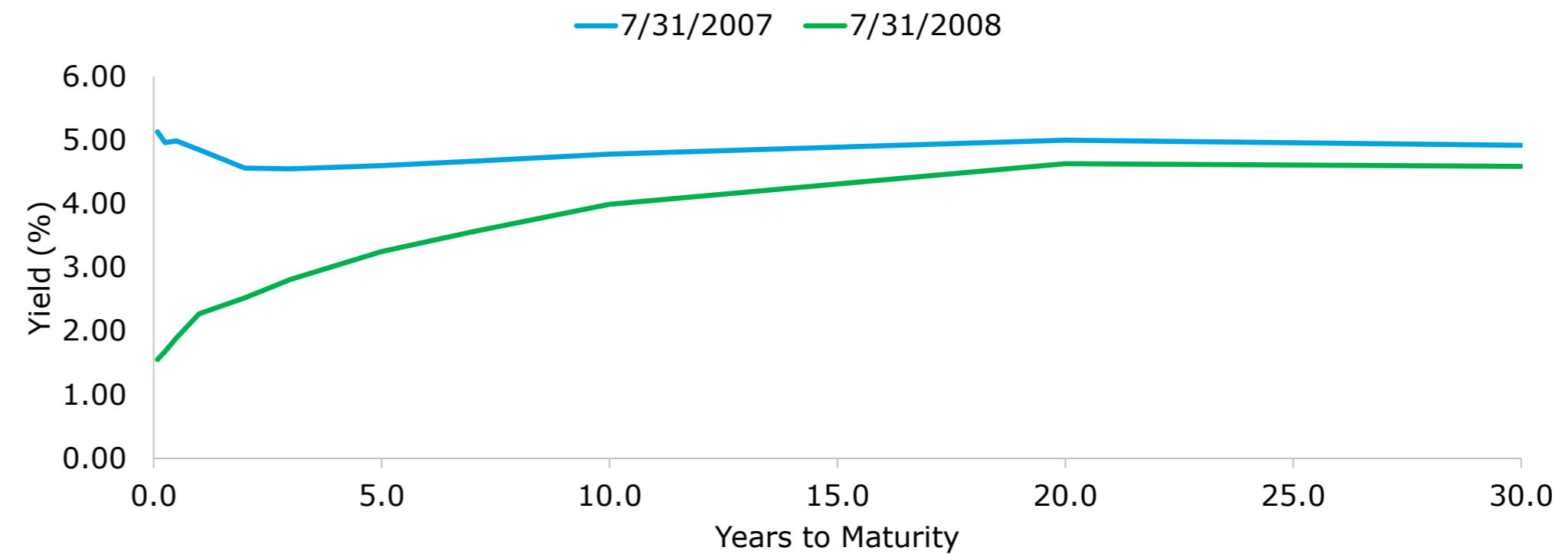
# Yield curve typically steepens following Fed pause

Short rates went down more than long rates following recent Fed pauses

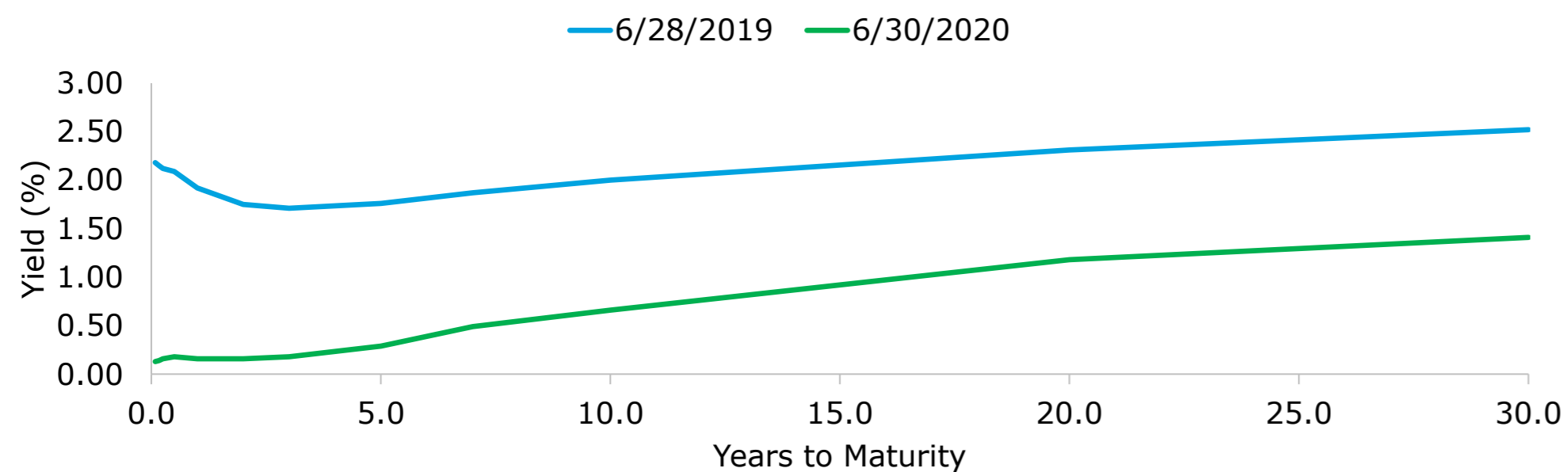
**Treasury Yield Curve - Tech Bubble**



**Treasury Yield Curve - Financial Crisis**



**Treasury Yield Curve - Covid Era**



**Treasury Yield Curve - Year to Date 2023**

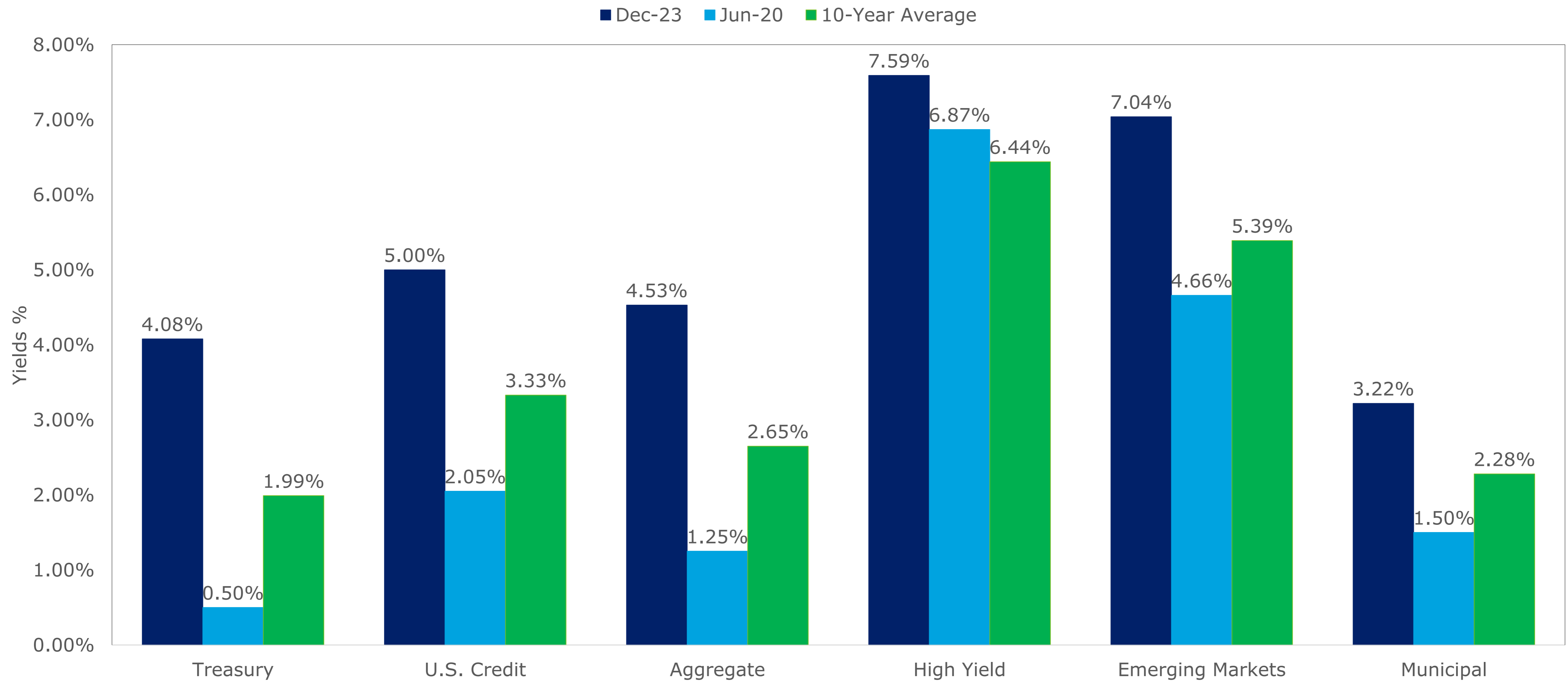


Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.

Source: U.S. Department of the Treasury

Note: Yield Curve: Graph showing the comparative yields of securities in a particular class according to maturity. Securities

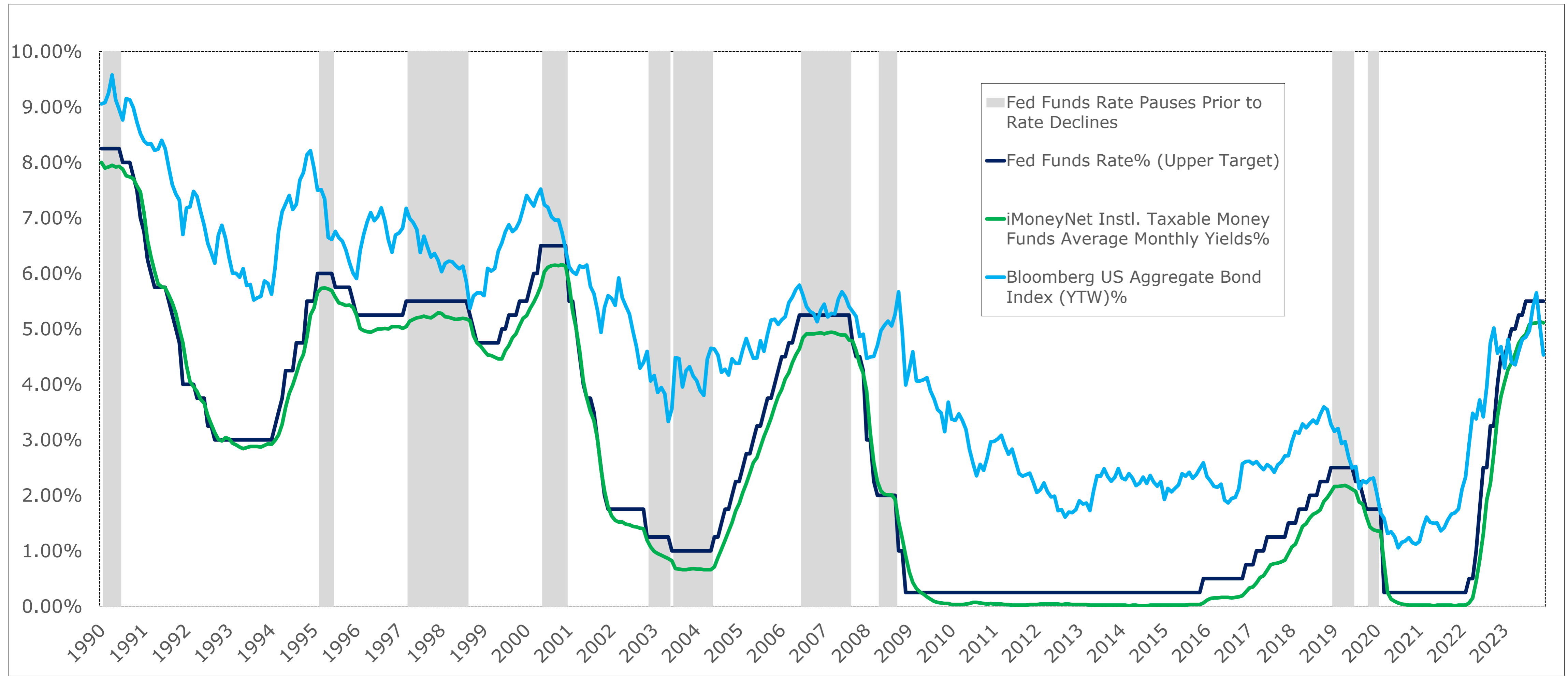
# Fixed-Income yields have risen since the pandemic



Source: Barclays. December 31, 2023

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# Extending duration when The Fed pauses provides yield advantages



Sources: Bloomberg, L.P., iMoneyNet, Inc. and Barclays. December 31, 2023. Past performance is no guarantee of future results. For illustrative purposes only.

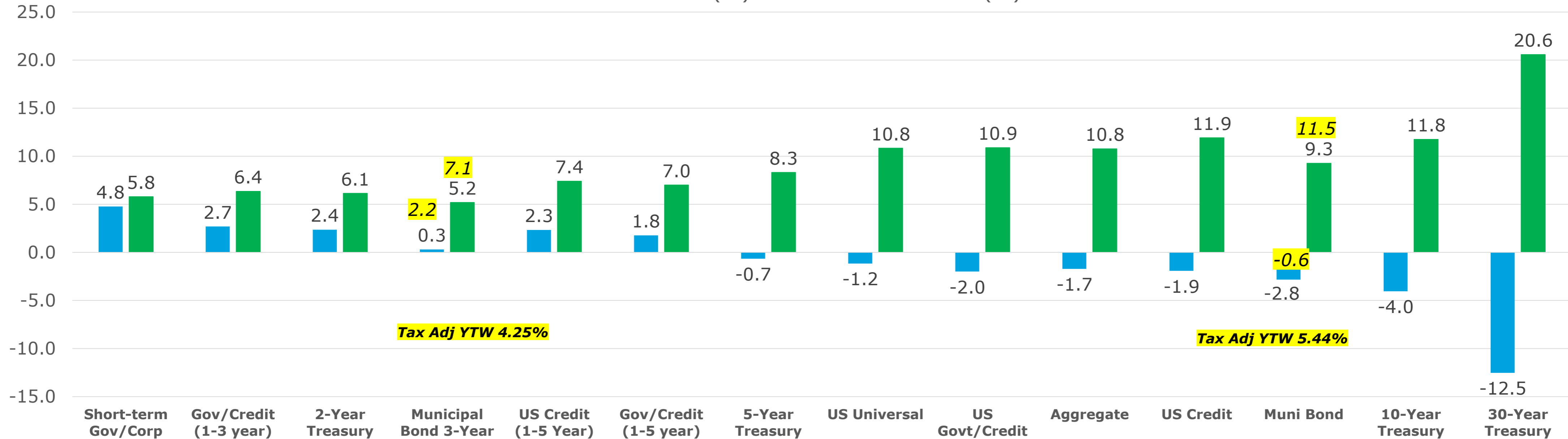
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# Current yield and duration levels produce favorable return profile

Stressing rates 1% up or 1% down suggests long-term investors shouldn't fear duration

Hypothetical index total returns assuming parallel shift scenarios over 12-months

■ 1% Increase TR (%)\*   ■ 1% Decrease TR (%)\*



Tax Adj YTW 4.25%

Tax Adj YTW 5.44%

Effective Duration (Years)

YTW (%)

Asset Class	Effective Duration (Years)	YTW (%)
Short-term Gov/Corp	0.51	5.28
Gov/Credit (1-3 year)	1.83	4.52
2-Year Treasury	1.89	4.25
Municipal Bond 3-Year	2.45	2.75
US Credit (1-5 Year)	2.53	4.87
Gov/Credit (1-5 year)	2.62	4.39
5-Year Treasury	4.49	3.83
US Universal	6.00	4.84
US Govt/Credit	6.44	4.45
Aggregate	6.24	4.53
US Credit	6.92	5.00
Muni Bond	6.05	3.22
10-Year Treasury	7.90	3.86
30-Year Treasury	16.55	4.02

Source: Bloomberg Indices. Data as of 12/31/2023.

Yield to Worst (%). Yield to worst is used as an approximation for the income return over a 12-month period.

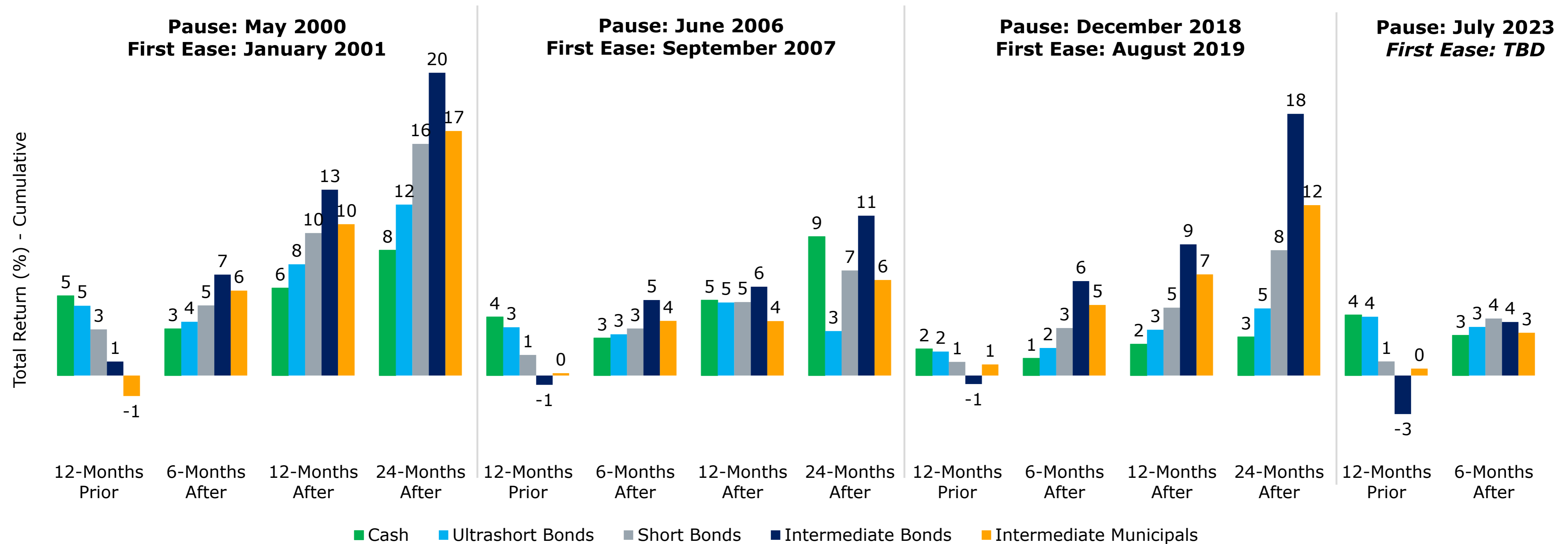
\* 1% Increase scenario = Yield to Worst (YTW) - Effective duration

\* 1% Decrease scenario = Yield to Worst (YTW) + Effective duration

These hypothetical scenarios are for illustrative purposes only. They are based on a simple mathematical formula and are not a guarantee of future performance. Indexes are unmanaged and investments cannot be made in an index. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices. Tax-adjusted yields shown for Municipal indices based on a 40.8% tax rate (37% top federal income tax rate plus 3.8% tax on net investment income).

# Performance following Fed pauses

Longer duration has typically outperformed shorter duration following pauses



Source: Morningstar Direct. Ultrashort Bonds = Morningstar Ultrashort Bond category average; Short Bonds = Morningstar Short-Term Bond category average; Intermediate Bonds = Morningstar Intermediate Core-Plus Bond category average; Intermediate Munis = Morningstar Muni National Intermediate Category

Past performance is no guarantee of future results

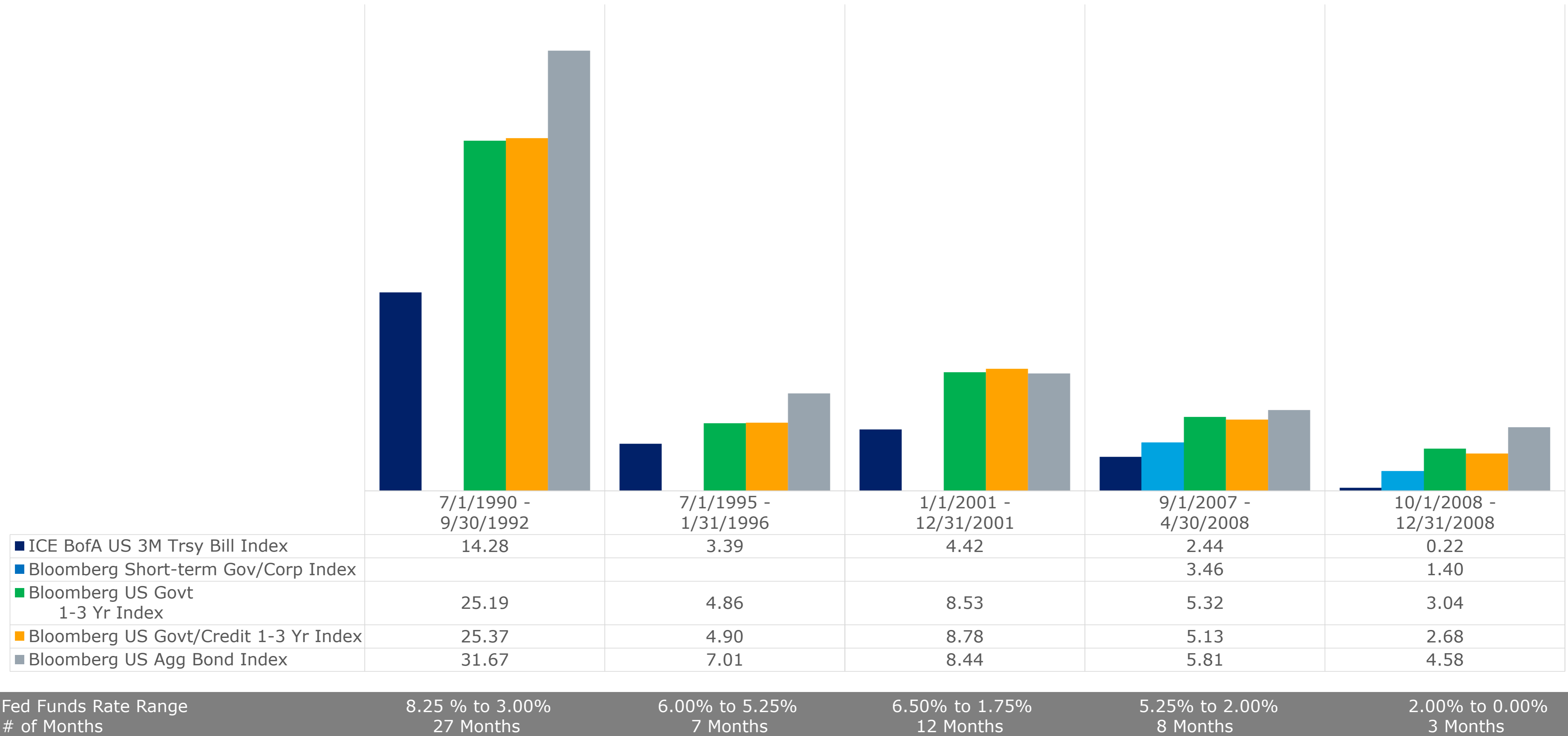
Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.

This illustrates the Morningstar categories noted, is for illustrative purposes only and is not indicative of any specific investment. 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 durations..

Ultra-short bond funds are not "money market" mutual funds. Some money market mutual funds attempt to maintain a stable net asset value through compliance with relevant Securities and Exchange Commission (SEC) rules. Ultra-short funds are not governed by those rules, and their shares will fluctuate in value.

# Performance in falling interest rate environments

Historically, extending duration has provided total return advantages

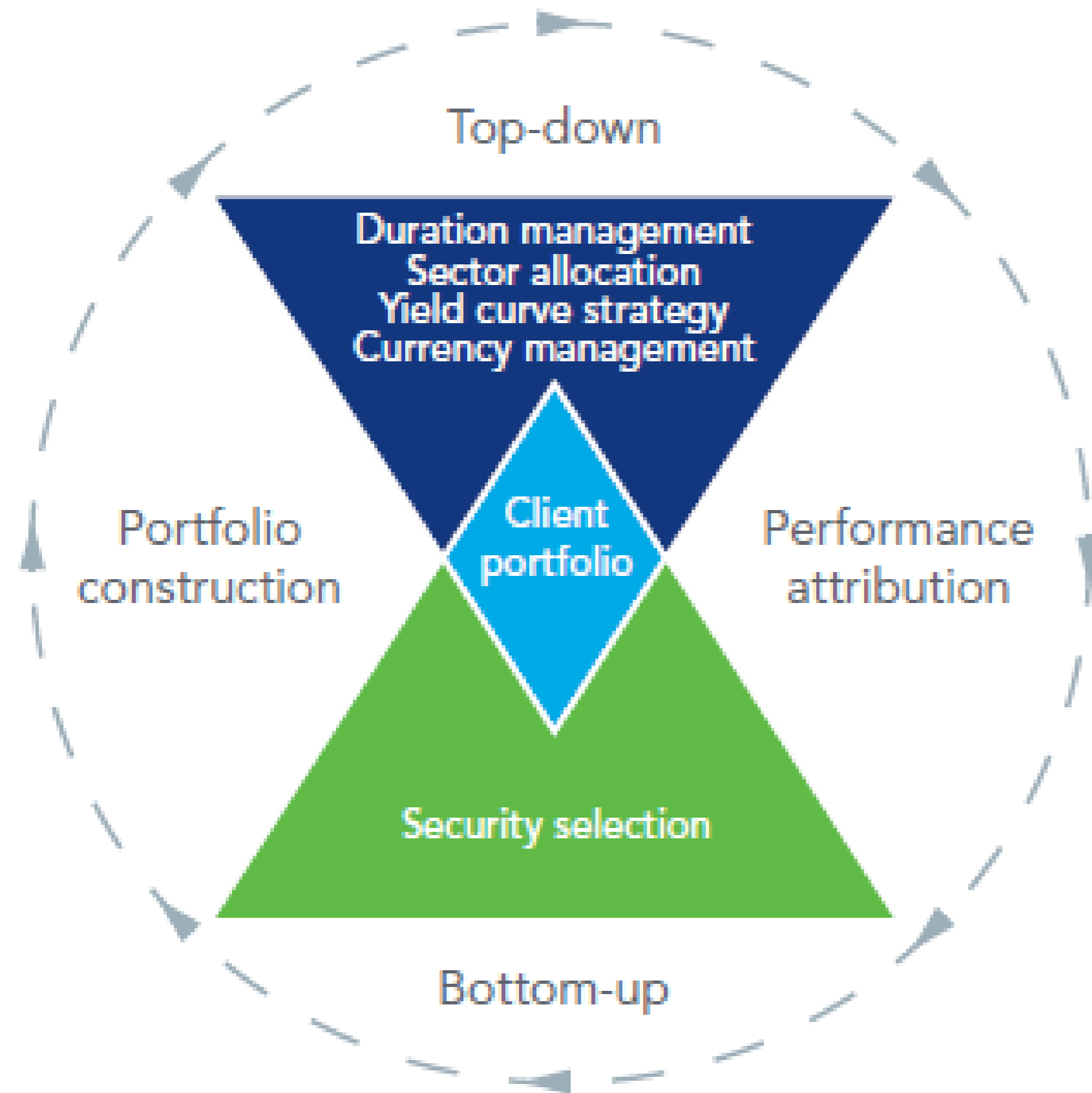


Source: Morningstar, Inc. December 31, 2023. Past performance is no guarantee of future results. For illustrative purposes only. Institutional Sales Material. Not for Distribution to the Public.

# Fixed-Income Philosophy, Positioning and Products

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# Fixed-Income philosophy



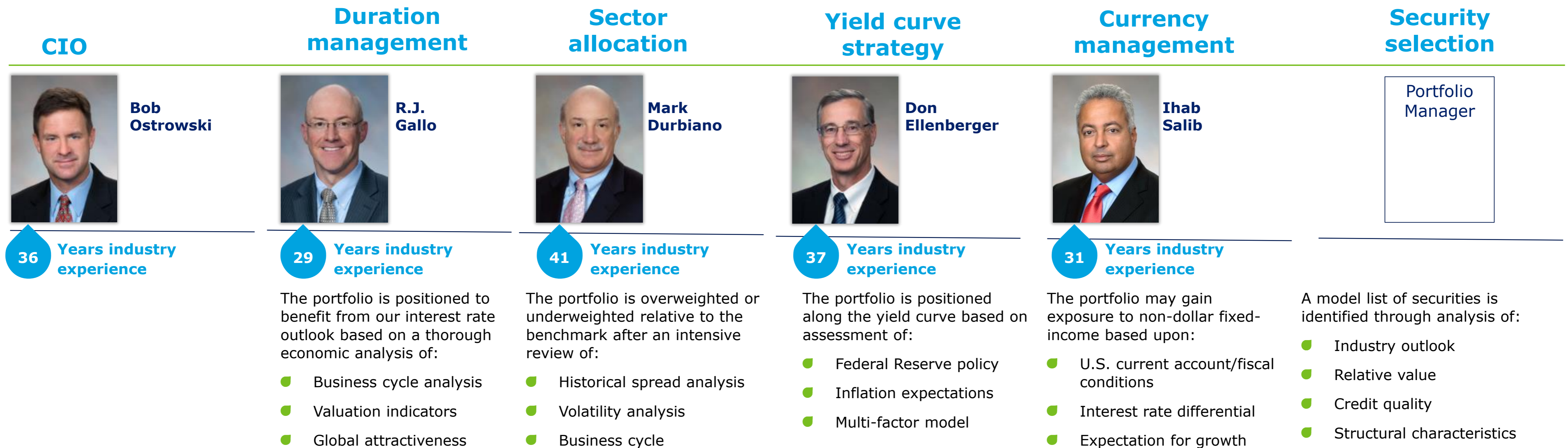
## Fixed-Income management points of distinction

<b>Experienced portfolio management team</b>	<ul style="list-style-type: none"> <li>• 29 years average experience, 20 together at Federated Hermes</li> <li>• Ideally supports a team-based approach leveraging multiple alpha sources</li> </ul>
<b>Validated investment philosophy</b>	<ul style="list-style-type: none"> <li>• Optimal results are best achieved through utilization of multiple fixed-income decision tools</li> <li>• Process is designed to capture strong full-cycle performance while providing clients with appropriate risk characteristics</li> </ul>
<b>Demonstrated investment process</b>	<ul style="list-style-type: none"> <li>• Combines top-down decision making with bottom-up security selection</li> <li>• Decision teams designed to capitalize on diversity of experience and perspective</li> <li>• Historical performance reflective of current management team</li> </ul>
<b>Intensive risk management</b>	<ul style="list-style-type: none"> <li>• Multiple levels of risk management: portfolio, department and firm</li> <li>• Effectively identifies, diversifies and manages risk at every step in the decision-making process</li> <li>• Quantifiable risk budget applied to each decision tool serves to mitigate downside risk</li> </ul>

Alpha measures a fund's risk-adjusted performance. It represents the difference between a fund's actual returns and its expected performance, given its level of risk as measured by beta. A positive value for alpha implies that the fund has performed better than would have been expected given its volatility. The higher the alpha, the better the fund's risk-adjusted performance.

# Multiple alpha sources: the Alpha Pod process

- Experienced, specialized teams
- Portfolio managers average 29 years experience, 20 with Federated Hermes
- Each team consists of Alpha Pod decision specialist



# Federated Hermes taxable fixed-income decision tools

Current positioning as of January 19, 2024

	Current	Rationale
<b>Duration management</b>	<b>Edged slightly longer to 102.5% of the respective benchmark.</b>	<b>The Committee has been waiting for an opportunity to move longer on duration on the view that rates will be lower by the end of the year. Extreme demand pushed yields down to very low levels in late December and we patiently waited for a return to more reasonable levels, which began to occur last week.</b>
<b>Sector allocation</b>	Underweight investment-grade corporates ("IG"), high yield ("HY") and commercial mortgage-backed securities.  Neutral emerging markets debt.  Overweight U.S. Treasuries, agencies, and mortgage-backed securities ("MBS").	The Fed's policy shift in December had a significant impact on risk sectors. While no directional changes were made to the underweight/overweight sectors, the committee refined their recommendations by reducing the underweight to investment grade credit and reducing the overweight to MBS.
<b>Yield curve analysis</b>	Positioned for a steepener.	<b>We are positioned for a longer-term steepening as the curve reverts to its more natural upward slope. In a tactical move, the Committee reduced and then removed the 2s-10s steepener to take profits and eliminate some negative carry. In turn, they added to the 5s-30s trade to increase it to 0.3 of key rate duration.</b>
<b>Currency management</b>	Neutral USD. Selective overweight positions in higher yielding currencies relative to low yielding funding currencies.	USD currency and rate markets remain intertwined and we are neutral on USD. We continue to see attractive possibilities for yield and total return in emerging market currency trades and some developed markets currencies.
<b>Security selection</b>	<b>Somewhat cautious as thirst for yield dominates the relative value spread discussion.</b>	<ul style="list-style-type: none"> <li><b>Slightly more constructive on IG credit as the economy has been resilient and earnings expectations for FY24 are positive low, single digits. IG credit quality has deteriorated from historically strong levels but management teams are focused on BS strength.</b></li> <li><b>HY credit is under pressure from higher interest rates. The team sees default rates increasing. Spreads are well below long-term medians and past periods of stress.</b></li> </ul>

# Federated Hermes Total Return Bond Fund

As of 12/31/2023

## Characteristics

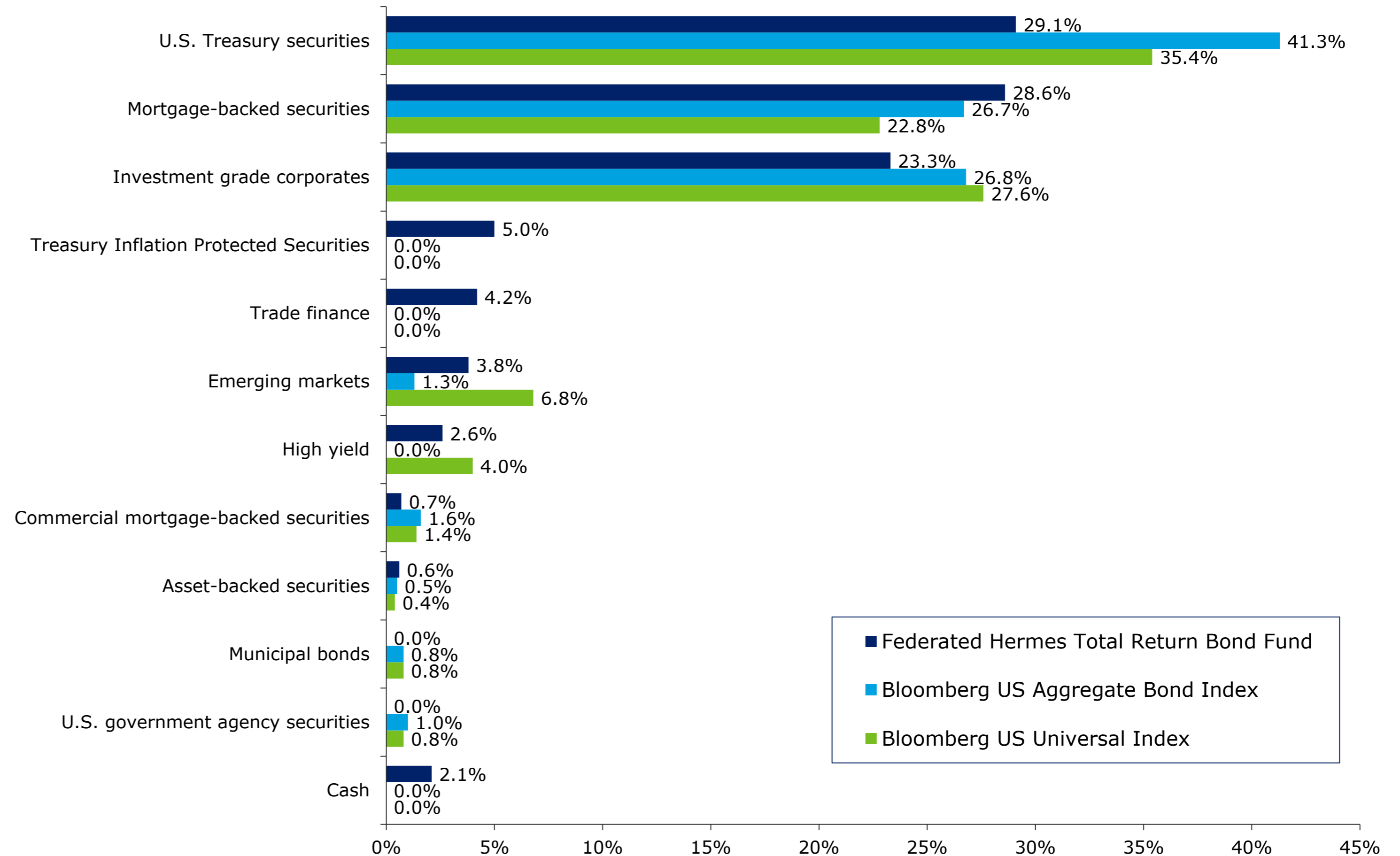
Weighted average effective duration	6.0 yrs.
Weighted average effective maturity	8.8 yrs.
Weighted average coupon	3.84%
Weighted average YTM	4.96%
Weighted average bond price	\$94.92
Number of securities	859

## Credit quality allocation (%)\*

AAA	2.6
AA	62.5
A	8.4
BBB	14.5
BB	2.2
B	2.3
CCC	1.0
CC & Below	0.1
Not rated	4.3
Cash/Cash Equivalents	2.1

\*Quality breakdown does not apply to Equity or Cash/Cash Equivalents.

## Sector weights (%)

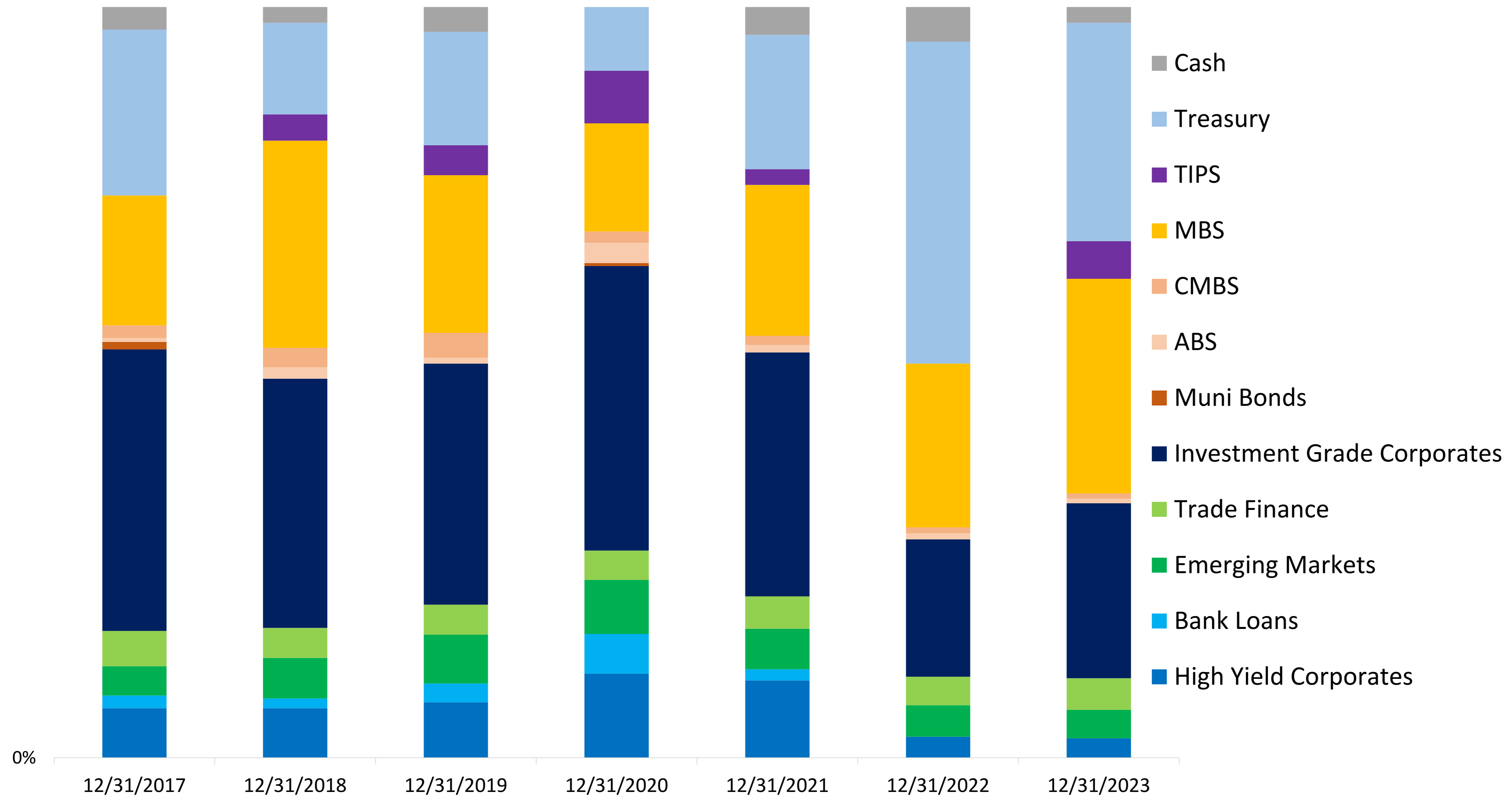


The fund is a managed portfolio and portfolio holdings are subject to change. The percentages are based on net assets at the close of business on 12/31/2023 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

Credit ratings pertain only to the securities in the portfolio and do not protect fund shares against market risk. 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.

# Historical sector allocation

As of 12/31/2023



# Diversified alpha sources

FTRBF's largest contributor has shifted in different market environments

	Duration	Yield Curve	Sector	Security Selection
2007		X		
2008	X			
2009			X	
2010			X	
2011		X		
2012			X	
2013			X	
2014				X
2015				X
2016			X	
2017				X
2018	X			
2019			X	
2020			X	
2021			X	
2022	X			
2023		X		

# Federated Hermes Total Return Bond Fund results

Average annual total returns (%) as of 12/31/2023

	3 months	YTD	1 year	3 year	5 year	10 year	15 year	20 year	Since inception (10/1/1996)
<b>Class IS Shares (FTRBX)</b>	6.60	5.17	5.17	-2.67	2.08	2.39	3.65	3.73	4.76
<b>Bloomberg US Aggregate Bond Index</b>	6.82	5.53	5.53	-3.31	1.10	1.81	2.68	3.17	-
<b>Morningstar Intermediate Core-Plus Bond Category Average</b>	6.77	6.22	6.22	-2.99	1.48	1.93	3.62	3.35	-
<b>IS Shares - Morningstar Category Rank</b>	-	-	512 / 632	127 / 568	89 / 536	61 / 375	134 / 279	44 / 185	-
<b>IS Shares - Morningstar Percentile Rank</b>	-	-	86	31	21	19	49	26	-
<b>Lipper Core Bond Funds Average</b>	6.74	5.85	5.85	-3.31	1.25	1.73	3.22	3.00	-
<b>Lipper Category Rank</b>	-	-	411 / 516	60 / 485	31 / 458	17 / 334	69 / 258	14 / 186	-
<b>Lipper Percentile Rank</b>	-	-	80	13	7	6	27	8	-

	30-day yield (%)	30-day unsubsidized yield (%)
IS Shares	4.42	4.35

Source: Lipper Analytical Services (LANA) and Morningstar, Inc.

Returns of less than one year are cumulative.

Rankings are based on total return and do not take sales charges into account. Rankings for other classes will vary.

**Performance quoted represents past performance which is no guarantee of future results. Investment return and principal value fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For performance current to the most recent month-end, and after-tax returns, visit [FederatedHermes.com/us](https://FederatedHermes.com/us) or call 1-800-341-7400. Other classes of shares are available whose performance will differ due to different charges and expenses.**

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Total return represents the change in value after reinvesting all income and capital gains. Total return would have been lower in the absence of certain fund expense waivers or reimbursements. The unsubsidized yield represents the yield in the absence of these waivers or reimbursements

# Federated Hermes Total Return Bond Fund results

Average annual total returns (%) as of 12/31/2023

	3 months	YTD	1 year	3 year	5 year	10 year	Since inception (8/16/2001)
<b>Class A Shares – NAV (TLRAX)</b>	6.46	4.59	4.59	-3.20	1.53	1.83	3.48
<b>Class A Shares - MOP</b>	1.64	-0.15	-0.15	-4.69	0.60	1.36	3.27
<b>Bloomberg US Aggregate Bond Index</b>	6.82	5.53	5.53	-3.31	1.10	1.81	-
<b>Morningstar Intermediate Core-Plus Bond Category Average</b>	6.77	6.22	6.22	-2.99	1.48	1.93	-
<b>A Shares – Morningstar Category Rank</b>	-	-	559 / 632	259 / 568	242 / 536	204 / 375	-
<b>A Shares – Morningstar Percentile Rank</b>	-	-	92	57	49	59	-
<b>Lipper Core Bond Funds Average</b>	6.74	5.85	5.85	-3.31	1.25	1.73	-
<b>Lipper Category Rank</b>	-	-	483 / 516	146 / 485	127 / 458	144 / 334	-
<b>Lipper Percentile Rank</b>	-	-	94	31	28	43	-

<b>A Shares</b>	<b>30-day yield (%)</b>	<b>30-day unsubsidized yield (%)</b>
A Shares - NAV	3.88	3.84
A Shares - MOP	3.70	3.67

Source: Lipper Analytical Services (LANA) and Morningstar, Inc.

Returns less than one year are cumulative.

Rankings are based on total return and do not take sales charges into account. Rankings for other classes will vary.

**Performance quoted represents past performance which is no guarantee of future results. Investment return and principal value fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. MOP returns for A Shares reflect the maximum 4.5% sales charge.**

**Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For performance current to the most recent month-end, and after-tax returns, visit [FederatedHermes.com/us](https://FederatedHermes.com/us) or call 1-800-341-7400. Other classes of shares are available whose performance will differ due to different charges and expenses.**

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# Federated Hermes Total Return Bond Fund results

Annual Returns (%) as of 12/31/2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>A Shares – NAV</b>	4.59	-12.97	-0.36	8.98	9.13	-1.40	3.83	4.49	-0.80	4.71
<b>A Shares – MOP</b>	-0.15	-16.92	-4.89	4.09	4.24	-5.81	-0.86	-0.20	-5.26	0.03
<b>Bloomberg US Aggregate Bond Index</b>	5.53	-13.01	-1.54	7.51	8.72	0.01	3.54	2.65	0.55	5.97

**Performance quoted represents past performance which is no guarantee of future results. Investment return and principal value fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. MOP returns for A Shares reflect the maximum 4.5% sales charge. Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For performance current to the most recent month-end, and after-tax returns, visit [FederatedHermes.com/us](https://FederatedHermes.com/us) or call 1-800-341-7400. Other classes of shares are available whose performance will differ due to different charges and expenses.**

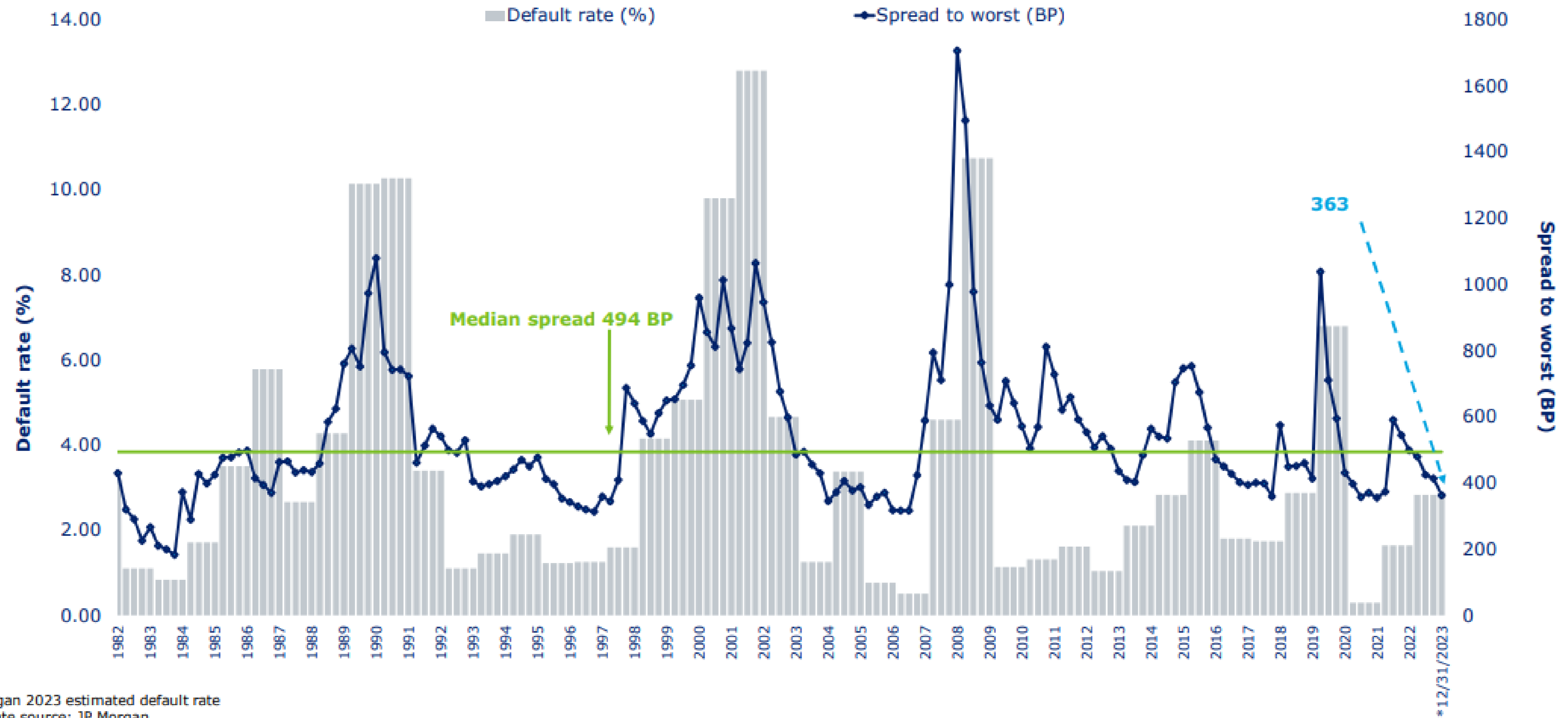
*Total return represents the change in value after reinvesting all income and capital gains. Total return would have been lower in the absence of certain fund expense waivers or reimbursements.*

# Appendix

4

# Yield spreads vs. default rates

1982 – 12/31/2023



\*J.P. Morgan 2023 estimated default rate

Default rate source: JP Morgan

Spread to Treasury source: Credit Suisse High Yield Index II.

Past performance is no guarantee of future results. This chart is for illustrative purposes only and is not representative of performance for any specific investment.

High yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment grade securities and may include higher volatility and high-risk default.

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

# Disclosures

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The information and data contained herein are provided solely for informational purposes. Accordingly, this communications does not represent specific investment advice and should not be construed as an investment recommendation.

Mutual Fund investing involves risk. Principal loss is possible. Diversification does not guarantee a profit or protect against loss. 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.

Ultrashort bond funds are not “money market” mutual funds. Some money market mutual funds attempt to maintain a stable net asset value through compliance with relevant Securities and Exchange Commission (SEC) rules. Ultrashort bond funds are not governed by those rules, and their shares will 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.

Bloomberg US Aggregate Bond Index is an unmanaged index composed of securities from the Bloomberg Government/Corporate Bond Index, 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.

Indexes are unmanaged and cannot be invested in directly.

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.

When homeowners prepay their mortgages in response to lower interest rates, the fund will be required to reinvest the proceeds at the lower interest rates available. Also, when interest rates fall, the price of mortgage-backed securities may not rise to as great an extent as that of other fixed income securities.

# Biography



## Karen Manna

Vice President  
Fixed Income Client Portfolio Manager  
Portfolio Manager

As client portfolio manager, Karen Manna is responsible for interactions with clients and consultants regarding Federated Hermes' fixed income funds. She is also responsible for portfolio management and research in the fixed income area. Karen has more than 20 years of investment experience.

Before joining Federated Hermes in 2004, Karen was a real estate portfolio analyst and a fixed income product manager at Fidelity Management Trust Company, the defined benefit arm of Fidelity Investments in Boston. She then went on to serve in various roles at Federated Hermes. These roles included: Director of research and fixed income marketing; senior product manager of fixed income; portfolio manager and senior investment analyst for tax-free money markets and bonds and then portfolio manager and senior investment analyst on the investment grade bond team.

Karen earned a bachelor's degree from Pennsylvania State University and an MBA from Boston College.