

# Federated Hermes Short Duration High Yield ETF

Federated  
Hermes

Federated Hermes Short Duration High Yield ETF is an actively managed ETF investing in short duration high-yield corporate bonds and bank loans.

**NYSE ticker:** FHYS

**CUSIP:** 31423L206

**ISIN:** US31423L2060

**Investment objective**

Seeks high current income.

**Investment universe**

The exchange-traded fund (ETF) will invest, under normal circumstances, at least 80% of its assets in investments rated below investment grade. Primary investments will be short duration high-yield bonds and bank loans. The ETF also has the flexibility to invest in additional higher-yielding market segments.

**Benchmark**

ICE BofA 0-3 Year Duration-to-Worst US High Yield Constrained Index

**Duration**

The effective duration of the portfolio will generally be less than 3.0 years.

**Transparency**

Daily, with holdings posted daily by open of market trading

**Dividends**

Declared and paid monthly

**Advisor**

Federated Investment Management Company

**Custodian**

State Street Bank and Trust Company

**Key investment team**

Mark Durbiano, CFA  
Steven Wagner  
Anthony Venturino, CFA

## An opportunity for attractive yield and strong performance with lower interest rate risk

- The team seeks to provide high current income by investing at least 80% of its assets in investments rated below investment grade.
- Portfolio duration will generally be less than 3.0 years and invests in floating rate loans and securities, so the ETF can be useful when seeking to mitigate rate risk in an overall fixed-income portfolio.

## An experienced investment team

- Dedicated investment team of 14 people consisting of portfolio managers, analysts and traders. Portfolio managers average over 20 years of investment experience.
- Federated Hermes has managed high-yield portfolios since 1972 and loans since 2010.

## A forward-looking, active approach to finding investment opportunities

- The team uses time-tested credit analysis and a proprietary, forward-looking internal rating system to assess opportunities, rather than relying completely on rating agencies whose assessments can be backward-looking.
- For higher return potential, the team looks for relative value opportunities across the high-yield spectrum in a wide opportunity set that includes bank loans.

## The resources and oversight of Federated Hermes

- Federated Hermes has an over 50-year history of active management across the yield curve in a variety of investment vehicles.
- Risk management is overseen by portfolio managers and compliance, as well as investment team and firm level committees.
- Fixed-income investment teams work with the firm's Responsible Investing Office to integrate proprietary ESG analysis and stewardship resources.

Fund shares are bought and sold on an exchange at market price (not NAV) and are not individually redeemed from the fund. However, shares may be redeemed at NAV directly by certain authorized broker-dealers (Authorized Participants) in very large creation/redemption units. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns. Market price returns are based on the official closing price of an ETF share or, if the official closing price isn't available, the midpoint between the national best bid and national best offer ("NBBO") as of the time the ETF calculates the current NAV per share. NAVs are calculated using prices as of 4:00 PM Eastern Time. Recent information, including information about the fund's NAV, market price, premiums and discounts, and bid-ask spreads, is included on the fund's website at [FederatedInvestors.com](http://FederatedInvestors.com).

Although the information provided in this document has been obtained from sources which Federated Hermes believes to be reliable, it does not guarantee accuracy of such information, and such information may be incomplete or condensed.

**Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information, contact us or visit [FederatedInvestors.com](https://www.federatedinvestors.com). Please carefully read the summary prospectus or the prospectus before investing.**

#### **A word about risk**

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 asset-backed securities may be particularly sensitive to changes in prevailing interest rates.

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

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.

In addition to the risks generally associated with debt instruments, such as credit, market, interest rate, liquidity and derivatives risks, bank loans are also subject to the risk that the value of the collateral securing a loan may decline, be insufficient to meet the obligations of the borrower or be difficult to liquidate.

Variable and floating rate loans and securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much or as quickly as interest rates in general. Conversely, variable and floating rate loans and securities generally will not increase in value as much as fixed rate debt instruments if interest rates decline.

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

ESG factors may be considered in the investment analysis process in a manner that is complementary to and enhances the fundamental research and analysis process. Certain ESG factors may help identify business and operational risks or opportunities and add a contextual dimension to the overall evaluation of a security. Like any aspect of investment analysis, there is no guarantee that an investment strategy that considers ESG factors will result in performance better than or equal to products that do not consider such factors.

Issuers of fixed-income securities may fail to pay interest or principal on those securities when due, which may reduce the value of the fund's portfolio holdings, its share price and its performance.

#### **Definitions**

**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.

**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.

**ICE BofA 0-3 Year Duration-to-Worst US High Yield Constrained Index** tracks the performance of short-term U.S. dollar-denominated below investment-grade corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have a duration-to-worst less than three years, a remaining to final maturity of at least one month, at least 18 months to final maturity at point of issuance, a below investment-grade rating (based on an average of Moody's, S&P and Fitch), a fixed coupon schedule and a minimum amount outstanding of \$250 million.

Indexes are unmanaged and cannot be invested in directly.