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The case for active ETFs

All the advantages of ETFs, and then some

Today's investment landscape has the potential for lower returns and heightened risk. We believe these challenges increase the value of active management and ETFs have the potential to enhance this value.

Passive ETFs	Tax efficiency	Intraday trading	Daily transparency	Liquidity	
Active ETFs	Tax efficiency	Intraday trading	Daily transparency[1]	Liquidity	Outperformance potential

Active ETF managers seek outperformance and have daily flexibility to pursue it.

Active ETFs offer:

1. Outperformance potential

Active managers aim to beat their benchmarks and have many ways to do so using research, trading expertise, innovative technologies and more. Until active ETFs, investors wanting the benefits of the ETF structure had to accept the limitations of index-tracking (passive) ETFs. Passive ETF performance aims to track an index, either by replicating its holdings or by sampling, representing a smaller set of its investment universe. Active managers can go where they find the best investment opportunities. Benchmark outperformance is not guaranteed and underperformance is possible.

2. Lower downside risk potential

Active managers have daily flexibility seek to mitigate risk through sector rotation, shortening or extending duration and more.

3. Informed flexibility

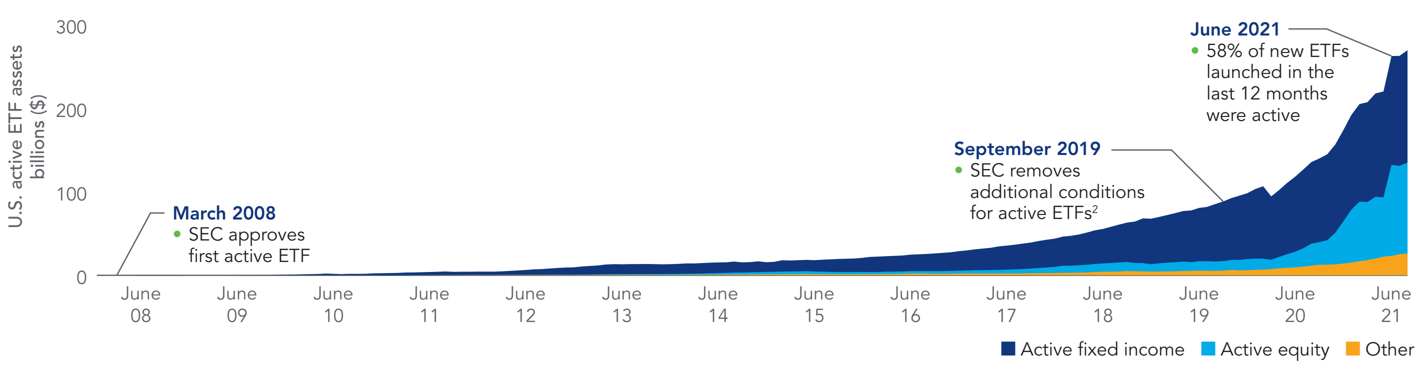
Investors in active ETFs can use ETFs' holdings transparency and intraday trading to make more informed, real-time asset allocation decisions.

4. A liquid, tax-efficient investment vehicle

Active ETFs have added liquidity potential because they can be traded even when their underlying securities are not. Investors can use this added liquidity to trade ETFs like stocks, quickly and efficiently throughout the day. Plus, ETFs use an in-kind transaction process that can reduce tax implications.

Active ETFs taking off

Two out of three professional ETF investors plan to increase exposure to active ETFs in the next 12 months.



Total active ETF assets as of 8/31/21: $269.4 billion (fixed-income: $134.6; equity: $108.8; other: $26.1). Sources: Federated Hermes analysis and and Morningstar, Inc.

Professional ETF investors are 382 financial advisors, institutionalinvestors and fund managers from the U.S., Europe and Greater China who invest in ETFs and were surveyed by Brown Brothers Harriman. Data as of 3/1/21. Source: Brown Brothers Harriman. 2021 Global ETF Survey Results, 2021 [Survey].

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Federated Hermes

Explore Federated Hermes active ETFs

Federated Hermes Short Duration Corporate ETF **Ticker: FCSH**

Federated Hermes Short Duration High Yield ETF **Ticker: FHYS**

Founded in 1955, Federated Hermes is a leading global investment manager with $634 billion in assets under management as of 9/30/21. Our active management has helped clients achieve investment goals such as wealth creation, income generation, sustainable outcomes and more.

Call 1-800-400-7838 to speak to a representative about Federated Hermes active ETFs.

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. Please carefully read the summary prospectus or the prospectus before investing.

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.

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

Active ETFs typically have higher fees than passive ETFs, which can reduce performance.

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

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

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.

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

[1] Many active ETFs offer daily transparency, however, active semi-transparent or active non-transparent ETFs do not.

[2] SEC. Release Nos. 33-10695; IC-33646; File No. S7-15-18 [Rule]. 2019.

A note about ETF liquidity

ETFs have multiple liquidity providers—authorized participants, broker-dealers and the secondary market—that can help provide liquidity.

An authorized participant (AP) is an authorized broker-dealer that has the right to create and redeem shares of an exchange traded fund (ETF). They provide a large portion of the liquidity in the ETF market by purchasing the securities required to create the shares of an ETF and delivering them to the ETF's sponsor, who creates the ETF shares. APs also help ETF sponsors redeem shares, by selling the securities that an ETF sponsor needs to sell to redeem ETF shares. APs increase liquidity of an ETF because of the mutually beneficial relationship between APs and ETF sponsors—while APs are not compensated directly, they can profit from trading the ETFs underlying securities on the secondary market. APs help keep ETF prices close to their net asset values (NAVs). Another benefit of the liquidity added by the ETF creation and redemption process is that it allows investors to trade ETFs in large amounts without significantly affecting the ETF's price, regardless of the ETF's size or trading volume.

Broker-dealers who are not acting as APs can provide added ETF liquidity by contacting ETF sponsors or APs directly to redeem or create ETF shares. These broker-dealers can sell ETF shares directly on the secondary market.

On the secondary market, market participants provide liquidity by trading ETF shares as securities.

A note about the tax efficiency of ETFs

ETFs can be tax-efficient because of their unique structure, which involves using an in-kind trading process, meaning that managers trade securities in "units," also known as blocks or baskets of securities, which are exempt from capital gains due to a tax law that rules that funds can avoid triggering a tax event by trading in-kind, rather than in cash. When investors sell shares, which could normally trigger a tax event (such as capital gains tax on profits), investors either trade the ETF in-kind to one another on the secondary market or ETF managers redeem the shares by transacting in units, with the help of APs. If these transactions are in-kind rather than cash, which they typically are, no tax event is triggered.

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