

Why own Federated Hermes Short Duration Corporate ETF?



NYSE ticker - FCSH

This actively managed exchange-traded fund (ETF) can be used in various ways to customize your fixed-income fund needs, such as pursuing a higher level of income or lowering the interest rate sensitivity of your portfolio.

Mitigate interest rate risk through active management

- The ETF is actively managed within an expected 1.5- to 3.5-year duration range as a way to mitigate interest rate risk. With a target duration lower than many core bond portfolios, this ETF can be used to manage the overall duration of a portfolio's fixed-income allocation.

Seek yield advantage

- Amid a low rate environment, the ETF can help solve the problem of generating attractive income. The investment team seeks to achieve a portfolio yield in excess of short-maturity government bonds by targeting short-maturity corporate bonds with favorable yields across the full investment-grade credit spectrum (AAA to BBB).

Pursue attractive performance

- The team believes the relative value within the shorter end of the credit yield curve provides the opportunity for particularly attractive risk-adjusted performance. Using a rigorous credit research process demonstrated over several market cycles, they seek to outperform this actively managed ETF's benchmark, the Bloomberg US Corporate Bond 1-5 Year Index.

Portfolio fit

Use Federated Hermes Short Duration Corporate ETF to:

- Reduce the interest rate risk to a portfolio with longer maturity "core" bond holdings, without substantially sacrificing yield potential.
- Seek higher income than shorter duration instruments without having to incur meaningfully higher interest rate risk.

How active management can impact returns

The ETF seeks securities with strong risk-adjusted return potential across the investment-grade credit rating spectrum—focusing on A- and BBB-rated bonds—which have the potential to outperform the Bloomberg US Corporate Bond 1-5 Year Index over time.

Bloomberg US Corporate Bond 1-5 Year Index calendar year returns (%) segmented by credit quality

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
BBB 6.97	BBB 2.23	BBB 2.35	A 1.56	BBB 3.51	BBB 3.01	AAA 1.58	BBB 7.80	A 5.51	BBB -0.23
A 6.09	A 1.18	A 2.08	AA 1.43	A 2.19	A 2.30	AA 1.33	A 6.48	BBB 5.14	AA -0.63
AA 3.77	AA 0.68	AAA 2.01	AAA 1.31	AA 1.93	AA 1.91	A 1.06	AA 5.62	AA 4.62	A -0.73
AAA 1.53	AAA 0.05	AA 1.86	BBB 0.73	AAA 1.37	AAA 1.51	BBB 0.77	AAA 5.20	AAA 4.56	AAA -0.80

As of 12/31/21.

Sources: Federated Hermes and Bloomberg.

Graphic ranks from highest to lowest the calendar year performance of the Bloomberg US Corporate Bond 1-5 Year Index by ratings category (AAA, AA, A and BBB-rated bonds).

Below investment grade and unrated securities representing less than 2% of the index as of 12/31/21 are not included.

This chart is for illustrative purposes only and is not representative of any particular investment. Indexes are unmanaged and cannot be invested in directly.

Performance quoted represents past performance, which is no guarantee of future results.

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Investment process

Bottom-up fundamental analysis forms the basis for portfolio construction. Individual security selection, and sector exposures that arise from security selection, are expected to be key drivers of performance. Our analysts are sector specialists with a comprehensive understanding of the companies in their sector, the impact of monetary and fiscal policy on an industry and the behavior of individual sectors within a credit cycle.

The portfolio managers construct the portfolio based on analyst recommendations. For example, portfolio managers can overweight BBB-rated firms to seek to capture the value in a company's improving fundamentals. Duration and sector positions are monitored for unintended risk exposures.

Key investment team

John Gentry, CFA
Senior Vice President
Senior Portfolio Manager
Head of Corporate Fixed Income Group
Investment experience: 32 years

Robert Matthews, CFA
Vice President
Senior Investment Analyst
Portfolio Manager
Investment experience: 13 years

Average annual total returns (%) as of 6/30/22

	NYSE ticker	Performance inception	Cumulative 1-month	Cumulative 3-month	YTD	Cumulative since inception	Expense ratio*	
							Before waivers	After waivers
NAV	FCSH	12/16/21	-1.34	-2.23	-5.84	-5.81	0.42	0.30
Market price	FCSH	12/16/21	-1.17	-2.06	-5.71	-5.45	0.42	0.30
Bloomberg US Corporate Bond 1-5 Year Index	-	-	-1.34	-1.94	-5.60	-	-	-

Performance quoted represents past performance, which is no guarantee of future results. Fund performance changes over time and current performance may be lower or higher than what is stated. Investment return and principal value will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than their original cost and current performance may be lower or higher than the performance quoted. Performance includes reinvestment of dividends and other earnings. Returns for periods shorter than one year are not annualized. To view performance current to the most recent month-end contact us or visit [FederatedInvestors.com](https://www.federatedinvestors.com). Total return would have been lower in the absence of expense waivers or reimbursements.

* 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 7/1/23 or the date of the fund's next effective prospectus.

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 prospectus before investing.

The returns shown do not represent the returns you would receive if you traded shares at other times. 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](https://www.federatedinvestors.com).

The ratings agencies that provided the ratings are Standard and 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 CC or below have high default risk.

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.

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.

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.

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

Certain non-rated securities may carry a higher risk of default.

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

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

The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates.

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.

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.

Bloomberg US Corporate Bond 1-5 Year Index measures the investment-grade, fixed-rate, taxable corporate bond market with 1-5 year maturities.