Why own Federated Hermes Short Duration High Yield ETF?

NYSE ticker - FHYS

This actively managed exchange-traded fund (ETF) can provide the opportunity for high yield and lower interest rate risk.

Provides high income potential

- The ETF seeks to provide high current income. With more than 20 years of investment experience, the portfolio managers pursue attractive opportunities in the high-yield bond and bank loan sectors.

Can lower interest rate risk

- The ETF has the potential to help investors mitigate interest rate risk relative to funds with longer durations by actively managing duration exposure with a three year targeted maximum.

Attractive return potential by going active

- The ETF seeks enhanced return potential by applying a proven active investment approach to an expanded short duration high-yield opportunity set that includes bank loans, which more than doubles the investment universe.

Portfolio fit

Use Federated Hermes Short Duration High Yield ETF to:

- Boost income potential within a short duration fixed-income allocation.
- Reduce average duration and potential interest rate risk within an overall fixed-income or high-yield allocation.

Seeks short duration high-yield opportunities across ratings and sectors

CCC-rated short duration bonds and bank loans have outperformed the short duration high-yield index[1] in recent years (as shown below). The team managing this ETF has decades of experience investing in both. Other portfolios may avoid these securities because they are outside their investment universe or underweight them because they have lower ratings. The Federated Hermes team seeks to uncover value across all ratings and high-yield securities.

Calendar year returns (%) of the ETF's primary investment universe: Examples by investment type and rating

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
CCC 15.57	CCC 11.24	Bank loans 2.05	BB 1.51	CCC 30.43	CCC 9.83	B 1.47	B 9.50	CCC 3.67	CCC 8.97
Short duration high yield 10.76	Short duration high yield 6.83	BB 1.95	Bank loans -0.38	Short duration high yield 13.48	Short duration high yield 5.81	Bank loans 1.14	BB 8.63	BB 3.32	Bank loans 5.40
B 10.44	B 6.63	B 1.75	B -2.01	B 10.72	B 5.67	BB 0.78	Short duration high yield 8.58	Bank loans 2.77	Short duration high yield 4.70
Bank loans 9.43	Bank loans 6.15	Short duration high yield 1.28	Short duration high yield -2.89	Bank loans 9.87	Bank loans 4.24	Short duration high yield 0.63	Bank loans 8.17	Short duration high yield 2.15	B 4.61
BB 8.62	BB 4.99	CCC 0.80	CCC -10.64	BB 7.09	BB 4.01	CCC -1.87	CCC 4.98	B 0.99	BB 3.09

■ Short duration high-yield performance represented by the ICE BofA 0-3 Year Duration-to-Worst US High Yield Constrained Index.

■ BB, ■ B and ■ CCC-rated bonds performance represented by BB, B and CCC-rated bonds in the ICE BofA 0-3 Year Duration-to-Worst US High Yield Constrained Index.

■ Bank loans performance represented by the Credit Suisse Leveraged Loan Index.

As of 12/31/21.

Sources: Federated Hermes, Bloomberg, ICE BofA and Credit Suisse.

Graphic ranks from highest to lowest the calendar year performance of the ICE BofA 0-3 Year Duration-to-Worst US High Yield Constrained Index, the ICE BofA 0-3 Year Duration-to-Worst US High Yield Constrained Index by ratings category (BB, B and CCC-rated bonds) and the Credit Suisse Leveraged Loan Index.

[1] ICE BofA 0-3 Year Duration-to-Worst US High Yield Constrained Index.

This is for illustrative purposes only and is not representative of any specific investment.

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

Why own Federated Hermes Short Duration High Yield ETF?

Managed by an investment team with more than 20 years of average experience and over $11.7 billion in high-yield and bank loan assets under management* as of 9/30/22

Investment process

The investment process centers on forward-looking, bottom-up fundamental research that assesses each company's future ability to service debt. Because rating agencies' assessments are typically backward-looking, this process can identify securities to avoid as well as uncover future value in overlooked securities (such as CCC-rated bonds) within the high-yield market. The team also looks for relative value opportunities across issuers and other high-yielding market segments such as bank loans. To manage rate risk, they limit average portfolio duration to under three years.

Key investment team

Mark Durbiano, CFA
Senior Vice President
Senior Portfolio Manager
Head of Domestic High Yield Group
Investment experience: 40 years

Steven Wagner
Senior Vice President
Senior Portfolio Manager
Senior Investment Analyst
Investment experience: 25 years

Anthony Venturino, CFA
Vice President
Senior Investment Analyst
Portfolio Manager
Investment experience: 25 years

Average annual total returns (%) as of 9/30/22

	NYSE ticker	Performance inception	Cumulative 1-month	Cumulative 3-month	YTD	Cumulative since inception	Expense ratio***	
							Before waivers	After waivers
NAV	FHYS	12/16/21	-2.59	0.82	-10.16	-9.55	0.65	0.51
Market price	FHYS	12/16/21	-1.67	1.10	-10.40	-9.39	0.65	0.51
Benchmark**	-	-	-1.83	0.60	-7.01	-	-	-

*This total is for assets managed by this team and includes certain assets, such as bank loan assets managed by the team, and excludes other assets, such as high-yield assets managed by other teams, that comprise the total high-yield assets managed by Federated Hermes indicated in other reports providing total firm high-yield assets.

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

*****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.** Includes acquired fund fees and other expenses.

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. The returns shown do not represent the returns you would receive if you traded shares at other times.

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.

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.

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.

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.

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.

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.

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

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.

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.

Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. Average values are computed over the index for coupon, current yield, initial spread and price. The average coupon, current yield and initial spread are weighted by market value (amount outstanding multiplied by the price) at the end of the measurement period for each loan currently paying interest in the index. Total return is computed for each loan, which is the percent change in the value of each loan during the measurement period. Total return is the sum of three components: principal, interest and reinvestment return.

Indexes are unmanaged and cannot be invested in directly.