

Objectives update - Federated Hermes U.S. Strategic Dividend ETF (FDV)

- **Dividend yield:*** The portfolio's holdings had a weighted average dividend yield at 2/29/24 of more than 2.5x times that of the S&P 500®.
- **Dividend growth:** 11 portfolio holdings raised dividends in February, which tends to be a popular month for dividend increases. None cut.
- **Long-term total return:** Our income-first approach seeks to generate competitive long-term total return driven by dividends and dividend growth. Over the last 12 months, our style of investing in stocks with the potential for high and rising dividends has significantly underperformed the tech-led broad market. High-yielding S&P 500® stocks have underperformed no/low-yielding stocks by 47.96%.

*For standard yield of the fund and for total returns, see the chart on page 3.

Insights from the team

- **How are businesses valued?** With value/growth stocks so out-of-whack (see below), it might be interesting to revisit the discounted cash flow (DCF) model of business valuation.

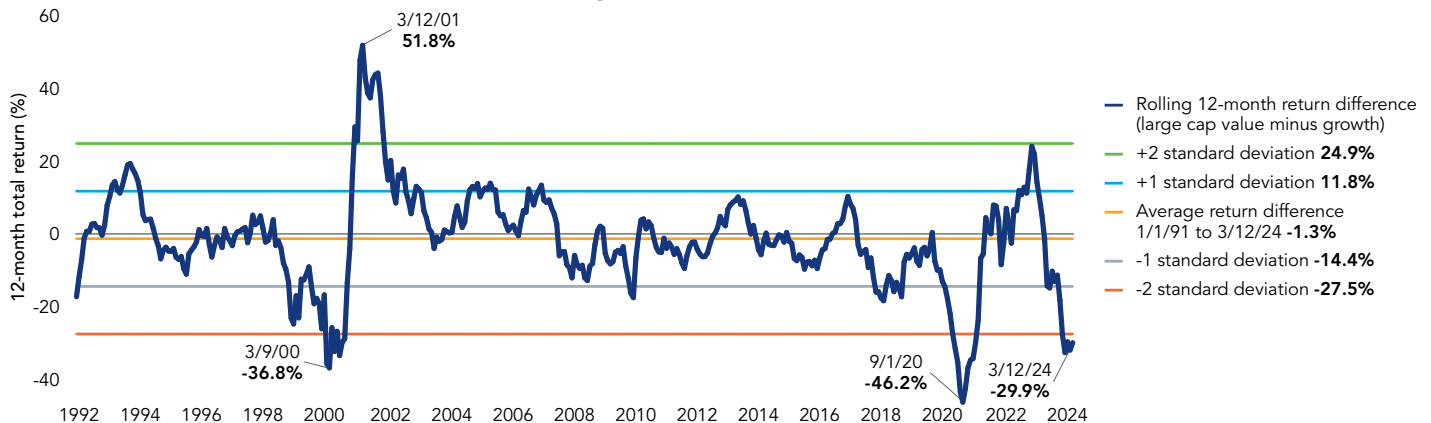
In the DCF, the business's income stream (the cash flow that a profitable business generates for the owner) and its projected income growth rate are discounted back to now to determine a present value, as \$1 paid now is more valuable than a promise to pay \$1 later. The projected growth rate of cash distributions is what drives change in the present value (all else equal).

Stock prices should closely reflect this value given free markets and widely accessible information. Stocks should go up, according to the DCF model, because businesses make large and rising income distributions to owners. However, short term, the market is not efficient. Many people purchase stocks with no expectation of receiving income, and stock valuations of many high growth companies that post no profit and/or pay little or no dividends can go much higher than many that do. However, ultimately, all businesses are subject to the same rules of financial math, which are based on cash flows to business owners. And, while there is no guarantee of future results, companies that have paid high cash flows to business owners via dividends have outperformed over the long term.¹

Investment view

- We consider ourselves business owners who use the stock market to seek a select portfolio of profitable businesses that have the potential to provide regular, tangible value to investors through dividend payments. Rather than seeking to profit from short-term share price movements, we seek long-term capital appreciation driven by dividend growth. Amid growth stock outperformance, our investments have continued to pay high dividends, and most have raised dividends in the last 12 months. We believe that over time, business values should rise along with income growth.

Currently, for only the third time in more than 30 years, the 12-month return difference between value and growth stocks is two standard deviations lower than average



As of 3/12/24. Graph shows the 12-month total return difference between the Russell 1000® Value Index and Russell 1000® Growth Index, rolling daily, using returns from 1/1/91 to 3/12/24. Graph also shows the average return difference over the period, and the return difference one and two standard deviations from the average return difference. This is for illustrative purposes only and is not indicative of any specific investment. Investments cannot be made in this portfolio. **Past performance is not indicative of future results.**

Unless otherwise noted, all information is as of 2/29/24.

Federated Hermes U.S. Strategic Dividend ETF (FDV)

Our philosophy

We believe in owning businesses that are committed to providing investors regular dividend payments.

We are not a traditional equity value shop; rather, we believe in an income-first approach that seeks to deliver a high current yield and growing income stream to our clients. We believe we can meet the needs of investors seeking current income, as well as those looking for moderate capital appreciation through dividend growth.

Objective

The fund pursues income and long-term capital appreciation by investing primarily in high-dividend-paying stocks of U.S. companies with dividend growth potential.

- Seeks a higher dividend yield than that of the broad equity market
- Invests in high-quality companies positioned to increase their dividends over time
- Offers the potential for competitive upside performance in strong market environments and the potential for lower downside risk in weak environments

Key data

- Gross weighted average dividend yield of 4.18% is more than 2.5x the S&P 500® at 1.41%²
- 30-day yield is 3.68% at net asset value (NAV) and 3.66% at market price³
- Trailing 12 months, there were 42 dividend increases and zero cuts
- 100% of the 54 holdings were investment-grade rated (highest S&P-rated holdings: Johnson & Johnson at AAA; lowest: Conagra Brands, Inc. and Skyworks Solutions, Inc. at BBB-)

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. To view performance current to the most recent month-end contact us or visit FederatedHermes.com/us. See following page for standard fund total returns.

Sector allocation	% of portfolio	% of benchmark	Variance
Utilities	18.6	2.1	16.5
Consumer Staples	17.8	6.0	11.8
Health Care	13.1	12.5	0.6
Financials	12.0	13.0	-1.0
Industrials	8.0	8.8	-0.8
Information Technology	7.7	29.8	-22.1
Communication Services	5.6	8.9	-3.3
Energy	5.4	3.7	1.7
Real Estate	4.1	2.3	1.8
Materials	3.7	2.3	1.4
Consumer Discretionary	3.5	10.6	-7.1
Cash/Cash Equivalents	0.5	0.0	0.5
Total % of portfolio:	100.0	100.0	-

Fund statistics	Federated Hermes U.S. Strategic Dividend ETF	S&P 500® Index
Wtd. average dividend yield (%)	4.18	1.41
Wtd. median P/E ratio (NTM)	15.06x	24.67x
Median 3-year average dividend payout ratio	60.03	32.33
Wtd. median price/book	2.29x	8.20x
Wtd. median price/cash flow	9.60x	21.07x
Portfolio beta vs. S&P 500® (5-year)⁴	0.82	1.00
Foreign securities (%)	0.00	0.00
Number of holdings	54	500

Top 10 holdings (%)	Weight	Prospective dividend yield
Target Corp.	3.4	2.9
Philip Morris International Inc.	3.1	5.8
The Southern Company	3.0	4.2
Texas Instruments, Inc.	3.0	3.1
Duke Energy Corporation	2.9	4.5
Verizon Communications Inc.	2.7	6.7
JPMorgan Chase & Co.	2.7	2.3
The PNC Financial Services Group, Inc.	2.7	4.2
Dominion Energy, Inc.	2.6	5.6
Conagra Brands, Inc.	2.6	5.0

Unless otherwise noted, all information is as of 2/29/24.

Investment-grade securities are securities that are rated at least "BBB" or unrated securities of a comparable quality. Non-investment-grade securities are securities that are not rated at least "BBB" or unrated securities of a comparable quality.

¹ As of 12/31/23, Fama French Top 30% Dividend Paying Portfolio returned 10.61%, 12.00% and 12.67% annualized over the last 30, 40 and 50 years, respectively, outperforming both the Fama French Low 30% Dividend Paying and Non Paying Dividend Portfolios. Fama French Low 30% Dividend Paying Portfolio returned 10.24%, 11.02% and 10.82% annualized over the last 30, 40 and 50 years, respectively. Fama French Non Dividend Paying Portfolio returned 10.40%, 9.99% and 11.81% annualized over the last 30, 40 and 50 years, respectively. This is for illustrative purposes only and is not indicative of any specific investment. Investments cannot be made in the portfolio. **Past performance is no guarantee of future results.**

² Yield for the fund and index is the weighted average dividend yield. See the disclosures at the end of this document for yield definitions.

³ In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 3.58% at NAV and 3.56% at market price as of 2/29/24.

⁴ 5-year weighted average beta of underlying stocks vs. the S&P 500® Index.

Past performance is no guarantee of future results.

Average annual total returns (%) as of 12/31/23

	Ticker symbol	Cumulative 3-month	1-year	Since inception (11/15/22)	30-day yield [^]	Expense ratio ^{*,†}	
						Before waivers	After waivers
NAV	FDV	8.64	-2.13	-0.80	3.54	0.62	0.50
Market price	FDV	8.64	-2.18	-0.25	3.54	0.62	0.50
S&P 500® Index	–	11.69	26.29	15.55	–	–	–

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. To view performance current to the most recent month-end contact us or visit [FederatedHermes.com/us](https://www.federatedhermes.com/us).

The market price return is calculated from closing prices as determined by the fund's listing exchange. The returns shown do not represent the returns you would receive if you traded shares at other times.

*** 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 1/1/25 or the date of the fund's next effective prospectus.**

† Includes acquired fund fees and other expenses.

[^]In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 3.44% at NAV and 3.44% at market price.

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

Definitions

30-day yield (also known as "SEC yield") is a compounded and annualized figure calculated according to a formula set by the SEC. The formula requires use of a specific methodology for calculating dividends and interest earned, and expenses accrued, during the period, and reflects the net asset value (NAV) per fund share. The standardized computation is designed to facilitate yield comparisons among different funds. The 30-day yield at market price is calculated similarly to the "SEC yield" but is based on market price rather than NAV.

Beta analyzes the market risk of a fund by showing how responsive the fund is to the market. The beta of the market is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the market in up markets and 10% worse in down markets. Usually the higher betas represent riskier investments.

Fama-French portfolios are formed on D/P at the end of each June using NYSE breakpoints. The dividend yield used to form portfolios in June of year t is the total dividends paid from July of t-1 to June of t per dollar of equity in June of t. Includes all NYSE, AMEX, and NASDAQ stocks for which we have market equity for June of year t, and at least 7 monthly returns (to compute the dividend yield) from July of t-1 to June of t.

High-dividend-paying stocks are defined by the Advisor as those with a higher dividend yield than the S&P 500® Index's average dividend yield.

The holdings percentages are based on net assets at the close of business on 2/29/24 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment holdings will change.

Payout ratio is the proportion of earnings paid out as dividends to shareholders, typically expressed as a percentage.

Price/book ratio is a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

Price/cash flow ratio is a stock valuation measure calculated by dividing a firm's cash flow per share into the current stock price.

Price/earnings ratio (P/E ratio) is a valuation ratio of a company's current share price compared to its per-share earnings. The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. A low P/E ratio might indicate that a stock that has the potential for significant growth is undervalued. P/E ratios are only one indicator of a company's financial well-being. Forward price-to-earnings (Forward P/E) is a version of the P/E that uses forecasted earnings for the P/E calculation. The earnings used in this formula are just an estimate and not as reliable as current or historical earnings data.

Standard deviation is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

Weighted average dividend yield is the prospective dividend yield for each security averaged based on the percentages of the securities in the portfolio. Prospective dividend yield is calculated by taking the most recent declared dividend payment multiplied by the number of dividend payments typically made during the year for each holding divided by the current share price for each security. This is calculated based on a snapshot in time and may change due to fluctuations in share prices, dividends actually paid and changes in holdings in the portfolio.

Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® index companies with lower price-to-book ratios and lower expected growth values. The Russell 1000® Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000® Growth Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics.

S&P 500® Index is an unmanaged capitalization-weighted index of 500 stocks designated to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Indexes are unmanaged and cannot be invested in directly.

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A word about risk

There are no guarantees that dividend-paying stocks will continue to pay dividends. In addition, dividend-paying stocks may not experience the same capital appreciation potential as non-dividend-paying stocks.

Diversification does not assure a profit nor protect against loss.

This material must be preceded or accompanied by a prospectus. Click [here](https://www.federatedhermes.com/us) for the latest prospectus.