

April 2024

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

- **Dividend yield:**\* The portfolio's holdings had a weighted average dividend yield at 4/30/24 of more than 2.5x times that of the S&P 500®.
- **Dividend growth:** 42 companies in the portfolio have raised dividends over the last 12 months, providing strong organic dividend growth. None have cut. In April, Johnson & Johnson and The Southern Company raised.
- **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 broad market, with high-yielding S&P 500® stocks underperforming no/low-yielding stocks by 31.37%. Over the last three months, this performance differential has narrowed to 0.32%. In April, the backdrop for a higher-for-longer monetary policy and declining consumer sentiment brought volatility back into the market, highlighting the benefit of defensive low-volatility investments.

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

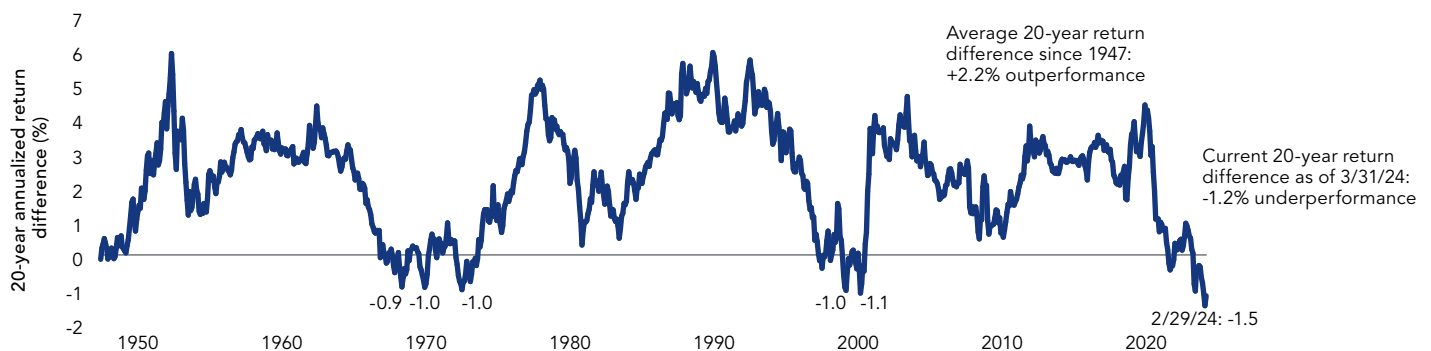
### Insights from the team

- **Big Tech companies initiating dividends:** The recent initiation of dividends by Big Tech companies is good news to be welcomed by people seeking to make business-like investments through the stock market. Decades of declining cash rates of return appear to have bottomed, if not reversed. But it is worth pointing out that the news does not change the calculus for dividend investors seeking income now, as these yields have gone from zero to still very low levels.

Including the new initiators, the S&P 500® features about 76 companies with dividend yields below 1%. In dollars, the dividend payments of this cohort may represent a significant sum (about \$84 billion). However, remember why dividend yield matters: it represents a potential cash return on investment over the next 12 months. From the present value perspective and from the perspective of a client needing income now, 1% is not enough. Still, the dividend initiations from Big Tech are a positive sign, even if it is too early to include these securities in income-focused portfolios.

### High dividend stocks have never been more out of favor... time for a reversal?

20-year annualized return difference: highest quintile dividend yield stocks minus lowest quintile dividend yield stocks



As of 3/31/24. Graph shows the 20-year annualized return of the highest 20% of stocks by dividend yield minus that of the lowest 20% of stocks by dividend yield. This is for illustrative purposes only and is not indicative of any investment. Sources: Federated Hermes analysis of monthly return data from July 1927 to March 2024, Ken French Data Library, [https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/Data\\_Library/det\\_port\\_form\\_dp.html](https://mba.tuck.dartmouth.edu/pages/faculty/ken.french/Data_Library/det_port_form_dp.html), accessed May 2024. **Past performance is not indicative of future results.** Investments cannot be made in the Fama French portfolios.

### Investment view

- For most of its history, the U.S. stock market was largely driven by a cash relationship between companies and their owners, better known as paying dividends to its shareholders. Declining rates, the rise of share buyback and the emergence of Silicon Valley drove a transition to dividend-light/free. We believe that investors should prepare for a move back to a fundamental approach. Typically, the best time to embrace a particular investment style is when it is out of favor. As seen above, low-dividend stocks have beaten high-dividend stocks by the widest margin on record over the last 20 years. It is now a matter of when, not if, the paradigm will shift back to dividend-focused stock investing, in our view.

Unless otherwise noted, all information is as of 4/30/24. **Past performance is no guarantee of future results.**

Not FDIC Insured • May Lose Value • No Bank Guarantee

## 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 4.13% is more than 2.5x the S&P 500® at 1.46%<sup>1</sup>
- 30-day yield is 3.65% at net asset value (NAV) and 3.62% at market price<sup>2</sup>
- Trailing 12 months, there were 43 dividend increases and zero cuts
- 100% of the 55 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](https://FederatedHermes.com/us). See following page for standard fund total returns.**

Sector allocation	% of portfolio	% of benchmark	Variance
Utilities	18.6	2.3	16.3
Consumer Staples	18.0	6.2	11.8
Health Care	13.8	12.3	1.5
Financials	11.0	13.1	-2.1
Information Technology	8.0	29.2	-21.2
Industrials	7.9	8.8	-0.9
Energy	5.6	4.1	1.5
Communication Services	5.5	9.1	-3.6
Real Estate	4.5	2.2	2.3
Materials	3.6	2.4	1.2
Consumer Discretionary	3.3	10.3	-7.0
Cash/Cash Equivalents	0.2	0.0	0.2
<b>Total % of portfolio:</b>	100.0	100.0	-

Fund statistics	Federated Hermes U.S. Strategic Dividend ETF	S&P 500® Index
<b>Wtd. average dividend yield (%)</b>	4.13	1.46
<b>Wtd. median P/E ratio (NTM)</b>	14.59x	22.39x
<b>Median 3-year average dividend payout ratio</b>	59.72	31.85
<b>Wtd. median price/book</b>	2.37x	7.30x
<b>Wtd. median price/cash flow</b>	10.08x	19.84x
<b>Portfolio beta vs. S&amp;P 500® (5-year)<sup>3</sup></b>	0.82	1.00
<b>Foreign securities (%)</b>	0.00	0.00
<b>Number of holdings</b>	55	500

Top 10 holdings (%)	Weight	Prospective dividend yield
<b>Amgen Inc.</b>	3.6	3.3
<b>Philip Morris International Inc.</b>	3.2	5.5
<b>The Southern Company</b>	3.2	3.9
<b>Texas Instruments, Inc.</b>	3.1	3.0
<b>Conagra Brands, Inc.</b>	3.0	4.6
<b>Duke Energy Corporation</b>	3.0	4.2
<b>The PNC Financial Services Group, Inc.</b>	2.8	4.1
<b>Chevron Corp.</b>	2.8	4.0
<b>Verizon Communications Inc.</b>	2.7	6.7
<b>Corning, Inc.</b>	2.6	3.4

Unless otherwise noted, all information is as of 4/30/24.

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.

<sup>1</sup> Yield for the fund and index is the weighted average dividend yield. See the disclosures at the end of this document for yield definitions.

<sup>2</sup> In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 3.55% at NAV and 3.52% at market price as of 4/30/24.

<sup>3</sup> 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 3/31/24

	Ticker symbol	Cumulative 3-month	1-year	Since inception (11/15/22)	30-day yield <sup>^</sup>	Expense ratio <sup>*,†</sup>	
						Before waivers	After waivers
<b>NAV</b>	<b>FDV</b>	5.27	6.31	3.13	3.51	0.62	0.50
<b>Market price</b>	<b>FDV</b>	6.15	7.29	4.24	3.50	0.62	0.50
<b>S&amp;P 500® Index</b>	–	10.56	29.88	21.08	–	–	–

**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://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.

<sup>^</sup>In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 3.41% at NAV and 3.40% at market price as of 3/31/24.

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://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** 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 4/30/24 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.

**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.

**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://FederatedHermes.com/us) for the latest prospectus.**