

Strategic Value Dividend Investment Team

Market insights and investment view

September 2024

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

- **Dividend yield:*** The portfolio's holdings had a weighted average dividend yield at 8/31/24 of more than 2.5x that of the S&P 500®.
- **Dividend growth:** Year-to-date (YTD), the portfolio has had 27 of its companies raise dividends. 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 underperformed the broad market, with high-yielding S&P 500® stocks underperforming no/low-yielding stocks by 3.34%. However, high-yielding stocks have outperformed as of late, leading no/low yielding names by 2.51% over the past 3 months.

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

Insights from the team

- **It's easy to underestimate the gains needed to recoup investment losses.** Recouping losses always requires a larger percentage of gains than the loss itself to fully recover, as seen in the graph to the right. Historically, high-quality stocks have outperformed low-quality stocks in contracting markets by on average 16%.¹ This highlights a key potential benefit of quality, high-dividend-paying companies — downside defense.

Investment view

- Our dividend portfolios attempt to side-step short-term market commotion and instead seek to anchor expectable total return in a high- and rising-income stream from high-quality assets. This differentiated approach can lead to wide return differentials between the ETF and the S&P 500®. However, over the long term, we believe our "tortoise" approach will catch up to the jumpier "hare," the broad market, and deliver competitive long-term returns. This catch up has played out over the last few months, exemplifying how a lower volatility equity strategy such as ours can provide a "smoother ride."
- As the election nears, the ETF should continue to provide a cushion from expected volatility. As our historical beta range of 0.79 to 0.91 and average beta of 0.86² shows, we attempt to insulate our clients from the market's extreme levels. We believe, this approach has the potential to capture much of the market's upside but more importantly, also be defensive in the inevitable downturns.
- Interest rates are falling in a weakening economy. In this environment, the high-quality dividend payers we seek can offer both downside defense and rate sensitivity, and, of course, higher income potential.

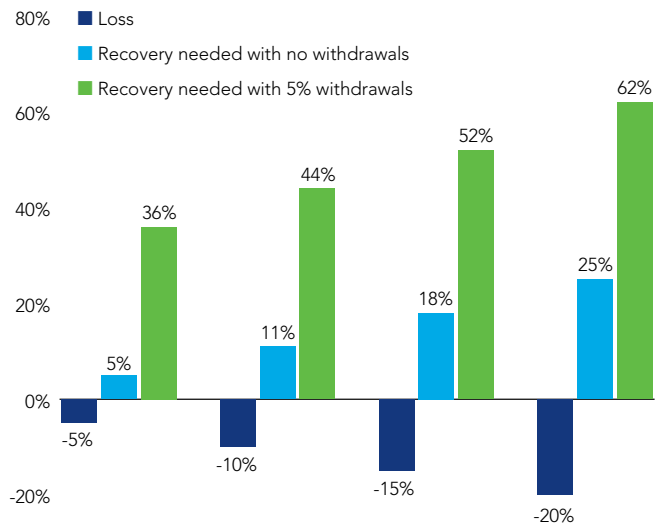
Unless otherwise noted, all information is as of 8/31/24. **Past performance is no guarantee of future results.**

¹ In the 10 periods when the S&P 500® dropped -10% or more since 2000, the highest-quality stocks returned on average 4.8%, while the lowest-quality stocks in the S&P 500® returned on average -11.4%.

² 1-year beta vs. S&P 500® based on quarterly data since inception as of 6/30/24. Sources: Morningstar, Inc., Federated Hermes analysis.

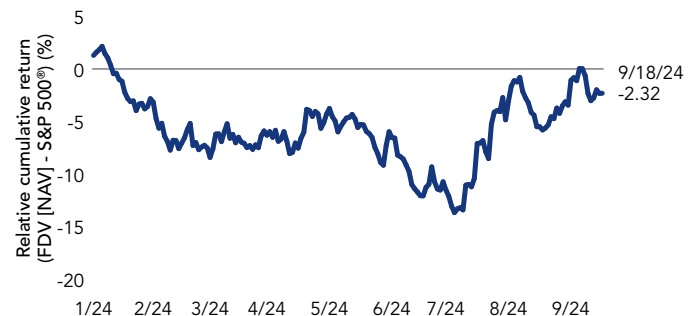
Not FDIC Insured • May Lose Value • No Bank Guarantee

Gains needed to recover losses



The illustration above is for educational purposes only. It does not represent investment performance of an actual investment. The graph shows the cumulative gains that would be required over five years after an initial given loss and annual withdrawals of 5%. This is a hypothetical scenario that assumes no price fluctuations beyond the initial loss. Source: Federated Hermes, Inc.

The YTD performance differential between the S&P 500® and FDV (NAV) has narrowed as volatility has increased



As of 9/18/24. Sources: Bloomberg, Federated Hermes analysis. Relative performance measures the returns of the ETF against the S&P 500® Index. **Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit FederatedHermes.com/us. See page three for standard fund total returns.**

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 US 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 3.70% is more than 2.5x the S&P 500® at 1.31%³
- 30-day yield is 3.23% at net asset value (NAV) and market price⁴
- Trailing 12 months, there were 45 dividend increases and zero cuts
- 100% of the 52 holdings were investment-grade rated (highest S&P-rated holdings: Johnson & Johnson at AAA; lowest: Conagra Brands, 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	18.5	2.4	16.1
Consumer Staples	17.0	6.0	11.0
Health Care	15.5	12.2	3.3
Financials	12.9	13.3	-0.4
Real Estate	8.4	2.4	6.0
Industrials	5.4	8.5	-3.1
Energy	5.2	3.5	1.7
Information Technology	5.2	31.0	-25.8
Communication Services	4.5	8.8	-4.3
Materials	4.2	2.2	2.0
Consumer Discretionary	3.3	9.7	-6.4
Cash/Cash Equivalents	-0.1	0.0	-0.1
Total % of Portfolio:	100.0	100.0	-

Fund statistics	Federated Hermes U.S. Strategic Dividend ETF	S&P 500® Index
Wtd. average dividend yield (%)	3.70	1.31
Wtd. median P/E ratio (NTM)	15.99x	24.52x
Median 3-year average dividend payout ratio	59.09	31.06
Wtd. median price/book	2.56x	7.92x
Wtd. median price/cash flow	11.16x	21.40x
Portfolio beta vs. S&P 500® (5-year)⁵	0.82	1.00
Foreign securities (%)	0.00	0.00
Number of holdings	52	500

Top 10 holdings (%)	Weight	Prospective dividend yield
Amgen Inc.	3.1	2.7
Morgan Stanley	3.1	3.6
Chevron Corp	3.1	4.4
The PNC Financial Services Group, Inc.	3.0	3.5
Duke Energy Corporation	2.8	3.7
The Southern Company	2.8	3.3
Gilead Sciences, Inc.	2.8	3.9
The Coca-Cola Company	2.7	2.7
Target Corp.	2.7	2.9
LyondellBasell Industries N.V.	2.5	5.4

Unless otherwise noted, all information is as of 8/31/24.

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.

³ Yield for the fund and index is the weighted average dividend yield. See the disclosures at the end of this document for yield definitions.

⁴ In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 3.13% at NAV and market price as of 8/31/24.

⁵ 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 9/30/24

	Ticker symbol	Cumulative 3-month	1-year	Since inception (11/15/22)	30-day yield [^]	Expense ratio ^{*,†}	
						Before waivers	After waivers
NAV	FDV	13.03	29.15	9.14	3.19	0.62	0.50
Market price	FDV	13.12	29.20	9.53	3.19	0.62	0.50
S&P 500® Index	–	5.89	36.35	23.54	-	-	-

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.

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 3.09% at NAV and market price as of 9/30/24.

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.

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.

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 8/31/24 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.

Indexes are unmanaged and cannot be invested in directly.

A word about risk

ETFs are subject to risks and fluctuate in value.

The value of equity securities in the fund's portfolio will fluctuate and, as a result, the fund's share price may decline. Equity securities may decline in value because of an increase in interest rates or changes in the stock market.

Mid-cap companies often have narrower markets and limited managerial and financial resources compared to larger and more established companies.

Large-cap companies may have fewer opportunities to expand the market for their products or services, may focus their competitive efforts on maintaining or expanding their market share, and may be less capable of responding quickly to competitive challenges. The above factors could result in the share price of large-cap companies lagging the overall stock market or growth in the general economy, and, as a result, could have a negative effect on the fund's portfolio, performance and share price.

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.