

Tender offer funds

Tender offer funds are continuously offered closed-end funds that are not listed on a stock exchange and seek to provide investors with liquidity by offering to repurchase a percentage of their outstanding shares. The funds are permitted to offer an unlimited number of shares and sell them on a continuous basis; however, shares are not redeemable upon request by the shareholder on a daily basis.

How do tender offer funds differ from open-end funds and traditional closed-end funds?

Tender offer funds are organized as closed-end funds, which differ from open-end management investment companies (commonly known as mutual funds) in that closed-end fund shareholders do not have the right to redeem their shares on a daily basis. In order to meet daily redemption requests, mutual funds are subject to more stringent regulatory limitations than closed-end funds. In particular, a mutual fund generally may not invest more than 15% of its assets in illiquid securities.

In addition, tender offer funds differ from traditional closed-end funds and exchange traded funds (ETFs) because they do not provide liquidity on the secondary market (i.e., a stock exchange), but rather through periodic tender offers for repurchase of shares, typically at net asset value (NAV).

Shareholders do not have the right to require a fund to repurchase any or all of their shares. At the discretion of the board and provided that it is in the best interests of the fund and its shareholders, a fund may offer to repurchase shares at NAV by conducting repurchase offers for a portion of its outstanding shares.

What is the difference between tender offer funds and interval funds?

While both are closed-end funds, interval funds have predetermined repurchase offers and timing, while tender offer funds have flexibility in the amount to be tendered and the timing of those tenders.

How are tender offer funds regulated?

Tender offer funds are registered under the Investment Company Act of 1940, as amended, and its shares are registered under the Securities Act of 1933, as amended.

What is the tax treatment of tender offer funds?

Typically, tender offer funds are classified as an association taxable as a corporation for US federal tax purposes. This association is usually a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended.

Shareholders will normally be taxed on their fund distributions, unless their shares are held in a retirement account that permits tax deferral or the holder is exempt from US federal income tax. Tax reporting is typically made on Internal Revenue Service Form 1099.

Are investment holdings disclosed?

Regular regulatory filings provide details on portfolio holdings, enhancing the investment transparency of tender offer funds.

What is the valuation frequency?

While open-end funds value daily, tender offer funds have flexibility to value periodically (daily, weekly, monthly).

Does Federated Hermes have a tender offer fund?

Yes, our Federated Hermes Project and Trade Finance Tender Fund (XPTFX) is a tender offer fund. Since inception in 2017, the fund seeks to provide total return primarily from income by investing in trade finance, structured trade, export finance, import finance, supply chain financing and project finance assets of entities, including sovereign entities. Trade finance related securities will be located in, or have exposure to, global emerging markets. The fund has daily valuation and accepts purchases as of the last business day of each month, typically following 30 calendar days' advance notice. Liquidity is provided through repurchase offers, generally quarterly. Each repurchase offer ordinarily will be to repurchase approximately 5-15% of the net asset value, although the fund's board of trustees can determine to authorize to repurchase more than 15% of the net asset value of the fund in its discretion.

This document is not an offer to sell these securities and is not soliciting offers to buy these securities in any state where the offer or sale is not permitted. This is not an offering, which may only be made by a final prospectus. Investors should consider the fund's objective, risks, charges and expenses carefully before investing. The prospectus, which contains this and other information about the fund, should be read carefully before investing. A prospectus is available on request from your financial advisor, or you may obtain a copy from the fund by calling 1-800-341-7400.

The fund pursues its investment objective primarily by investing in trade finance, structured trade, export finance, import finance, supply chain financing and project finance assets of entities, including sovereign entities. Trade finance related securities will be located primarily in, or have exposure to, global emerging markets. As such, the fund is subject to all of the risks typical to investments generally made in emerging markets, in addition to risks specific to the trade finance asset class. Investing in the fund involves special risks including risks associated with non-investment-grade securities, interest rate risk, prepayment risk, call risk, credit risk, currency risk, liquidity risk, risks of investing in derivative contracts and hybrid instruments.

The fund is a continuously-offered, diversified, closed-end management investment company. The fund will not list shares on any securities exchange, and it is not expected that any secondary market will develop for the shares. Shareholders will not be able to tender for repurchase their shares on a daily basis. At the discretion of the fund's board of trustees, and provided that it is in the best interests of the fund and shareholders to do so, the fund intends to provide a limited degree of liquidity to shareholders by conducting repurchase offers, generally quarterly. The fund is subject to risks and fluctuates in value.

The fund currently intends to accept purchases of shares as of the last business day of each calendar month, typically following 30 calendar days' advance notice. Repurchases are at the discretion of the board of trustees of the fund, in order to provide liquidity, the fund intends on a quarterly basis to conduct repurchase offers for a portion of its outstanding shares.

This material is not intended to provide and should not be relied on for accounting, legal or tax advice, or investment recommendations. This document is provided for general information and educational purposes and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. Investors should seek independent advice from a tax professional based on their individual circumstances.

Consult your investment professional for further information.

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.

Diversification does not assure a profit nor protect against loss.

International 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.