Trade Finance

Access uncorrelated alpha potential with limited reliance on traditional return drivers

Federated Hermes

For professional investors only.

Dating back to the 13th century, trade finance is among one of the oldest forms of institutionalized credit – yet it has only become accessible to institutional investors in recent years.

Due to its ability to provide uncorrelated alpha with limited reliance on traditional return drivers, more investors are turning towards this asset class as a diversifier in their portfolios.

Trade finance refers to loans that provide short-term financing to support the physical flow of goods (such as raw materials) to facilitate international trade flows.

These deals are structured to help all parties mitigate the challenges associated with cross-border trade – which can range from foreign currency exchange rates to regulatory compliance and non-payment.

Trade finance loans are vital for financing trade with emerging markets to help reduce risk exposure and bridge the liquidity gap for distributors. These loans are collateralized by the goods being financed.

Trade finance loans generally have the following qualities:

- Self-liquidating as goods are delivered
- Low interest rate and credit duration risk
- Float at a spread over a short duration index, such as Secured Overnight Financing Rate

The lender uses several risk mitigation techniques to reduce risks to an acceptable level, such as collateral management of the goods, permanent control of the title over the goods and ring-fenced cash flows. The arranger of a trade finance transaction, often a bank, holds a significant part of the deal on its own books to maturity.

A large, global market that has demonstrated resilience

Over the last decade, world trade has been up against a variety of economic shocks – collectively referred to as the "polycrisis." This includes the COVID-19 pandemic, disruptions to the supply chain and geopolitical concerns.

Trade finance: fast facts

- Trade volume has increased by **6.3% since 2019**.[5]
- In 2023, world merchandise trade was valued at **$24 trillion**.[5]
- World merchandise trade is projected to grow by **2.7% in 2025**.[5]
- **80% of trade** is dependent on trade finance vs. corporate loans.[6]
- In 2022, the global trade finance gap was estimated at **2.5 trillion**.[6]

2020

COVID-19 pandemic

As a whole, trade volume and supply was restricted during the COVID-19 pandemic, dropping by 21%. Despite these restrictions, the default rate for trade finance was 0.3% in 2020.[1]

2022

Russian invasion of Ukraine

During the realities of war with Russia's invasion of Ukraine, the focus of trade finance loans evolved from supporting Ukrainian exports to the financing of essential imports deemed crucial for the economy's survival.

Rising rates and inflation

In 2022, rising interest rates and inflation increased the demand for trade finance with the gap expanding to $2.5 trillion.[2]

2023

Red Sea disruptions

Maritime trade flows passing through the Red Sea were disrupted by Iran-backed Houthi rebels operating out of Yemen. While this resulted in increased shipping times and trade cost, the chief economic impact felt by container shipping companies has been positive – a significant boost to income from four-times higher charter rates.

The value of investments and income from them may go down as well as up, and you may not get back the original amount invested.

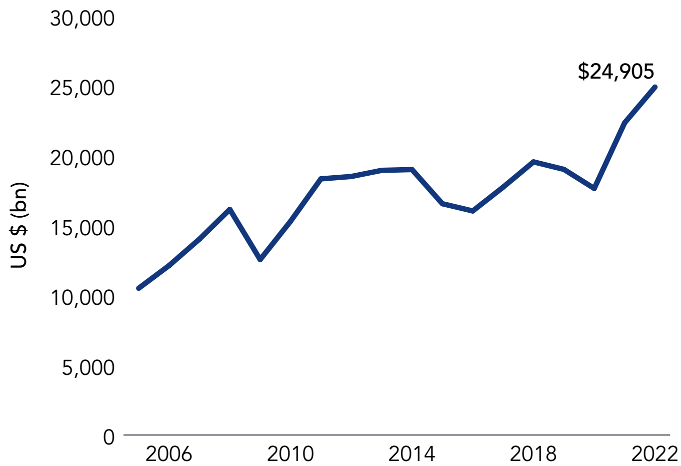
Through these challenges, trade finance has continued to show resilience due to the ongoing demand to serve a critical need for international economic development. In fact, during the aftermath of the 2008-2009 global financial crisis, it was trade finance that helped keep shipments moving, according to the International Monetary Fund.[3]

Accordingly, trade volume has increased by 6.3% since 2019 and 19.1% compared to the average level in 2015.[3]

South-to-South trade amongst developing countries in the Southern Hemisphere should be the largest driver of future growth in the near term, as it is tracking to grow from 17% in 2010 to an estimated 40% of total global trade by 2030.[4] This surge can be closely linked to the international fragmentation of production in the context of global value chains.

World merchandise totals (valued at US$24 trillion) are also expected to grow in the near term, by 2.7% in 2025.[5] This data paints a promising picture of the future for global trade.

Figure 1. Global export value of trade in goods (2005 to 2022)



Source: United Nations Conference on Trade and Development (Unctad).

The benefits of trade finance

- **Alpha potential.** Inefficiencies exist for non-bank investors, which can be consistently exploited.
- **Diversifier.** Trade finance reduces reliance on traditional return drivers.
- **High income potential.** Coupons are higher than those of many other short-term debt securities.
- **Low volatility.** Historical annualized volatility has been low. According to Trade Finance Global, export lines of credit had a 0.02% exposure-weighted loss given default rate in 2023 with imports standing at 0.10%.[7]
- **Short duration.** These transactions are self-liquidating, and our firm's portfolios have a strategy-weighted average life of less than 24 months.[9]
- **Uncorrelated returns.** Historically, there have been low-to-negative correlations with most major market indices and other short-duration indices.

The trade finance gap

It is estimated that 80% of world trade is dependent on some form of financing.[5] This can be attributed to tighter credit conditions for obtaining alternative sources of capital. But as the demand for trade continues to grow, a complex regulatory environment, coupled with a lack of understanding for the asset class, has contributed to a global shortage of financing.

In a survey by Asian Development Bank, the global trade finance gap was estimated at $2.5 trillion in 2022, a 47% increase from the estimated $1.7 trillion just two years earlier.[6]

This opportunity in trade has been largely untapped by asset managers because of the high operational costs due to asset granularity and short instrument tenors.[8]

Advancement in developing trade finance as an investable asset class can help bridge this gap, through the continuing engagement with investors, as well as the improvement of industry practices around the sale of trade finance assets.

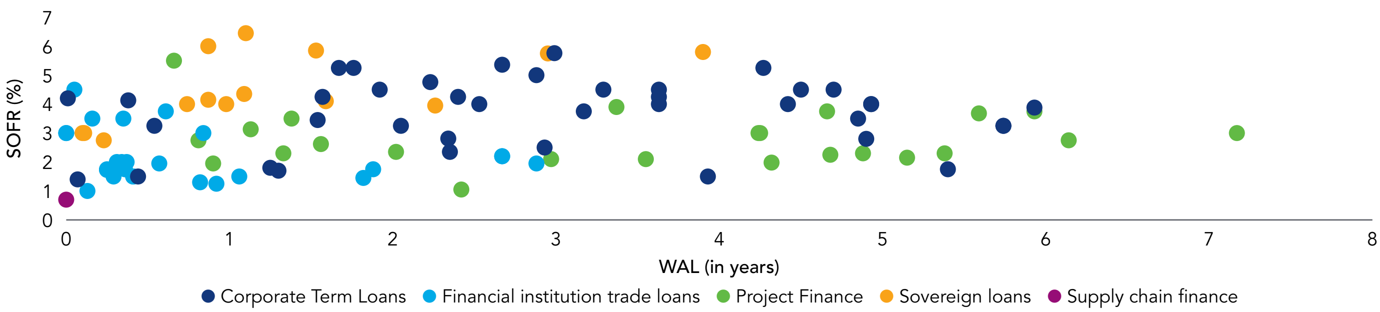
Common trade finance structures

The type and characteristics of trade structures can vary depending on the nature of the transaction, countries involved and party creditworthiness. Some structures available to investors are listed below.

- **Supply chain finance transactions** finance payment obligations of large US corporates (buyers, investment grade, multisector) to their suppliers (varying credit quality). This allows suppliers and buyers to optimize working capital cycles as a cost that is reflective of the stronger counterpart's credit risk.

  Investors can utilize these loans as short-term exposure (30-180 days) to investment-grade publicly listed US corporates, allowing for low payment default probability and limited country risk. The uncommitted nature of the transaction allows investors to quickly reduce or right-size the exposure to an obligor or the program overall.
- **Financial institution trade loans** are hard currency loans to financial institutions with a typical duration of six months to two years. These are used as senior unsecured bank funding instruments, with on-lending to key trade sectors of the local economy.
- **Corporate term loans** are hard currency loans to corporate borrowers with a typical duration of three to seven years. These self-liquidating structures are repaid from the top line and include the financing of specific asset expansions programs or cross-border movements of primary goods.
- **Sovereign loans** are hard currency loans to developing and emerging market foreign governments with a typical duration of five to 30 years. The use of proceeds is linked directly to key infrastructure projects in the central government budget with no general budgetary shortfall funding.
- **Project finance loans** fund long-term infrastructure, industrial projects and public services using a nonrecourse or limited-recourse financial structure with a typical duration of five to 20 years. The debt and equity used to finance the project are repaid solely from the cash flow generated by the project itself, and investors can benefit from revenues underpinned by long-term contracts.

Figure 2. Federated Hermes Trade Finance portfolio: maturity/Weighted Average Life (WAL) vs Secured Overnight Financing Rate (SOFR)



Note: metrics will vary from deal to deal; levels shown are indicative and for illustrative purposes only and are subject to change.
Based on a representative portfolio.
Data as of 12/31/24.

Qualities of a successful trade transaction

A successful trade finance transaction typically involves the following key qualities.

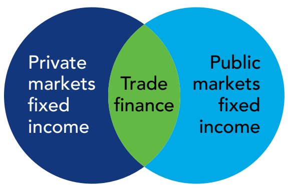
1. **Risk management:** Effective identification, assessment and mitigation of risks such as credit risk, currency risk and geopolitical risk are crucial.
2. **Clear documentation:** Accurate and complete documentation, including contracts, shipping details and certificates of origin, ensure that all parties are on the same page and can avoid disputes.
3. **Strong relationships:** Building and maintaining good relationships with banks, insurers and trading partners can facilitate smoother transactions and better terms.
4. **Compliance:** Adhering to international trade regulations and standards helps avoid legal issues and ensures the transaction proceeds without unnecessary delays.
5. **Efficient cash flow management:** Utilizing financing solutions like factoring or supply chain finance can help maintain liquidity and manage cash flow effectively.

Portfolio benefits and implementation

Amid an uncertain economic backdrop, a diversified pool of trade transactions has the potential to deliver the kind of "pure alpha" that many investors are searching for. Characteristics to consider for portfolio implementation include:

- **Uncorrelated returns of private markets without liquidity restraints.**

  Similar to private markets, this asset class has exhibited uncorrelated returns without liquidity restraints. (Federated Hermes' Trade Finance Strategy provides quarterly redemptions and daily mark-to-market information).



- **History of higher return, lower volatility.**

  Adding trade finance can help achieve higher return and lower volatility for portfolios across investor types.

  In particular, bonds are fundamental to investment portfolios as they have typically provided a relatively stable stream of cash flows and are generally less volatile than common stocks. They also help manage risk and meet obligations by matching liabilities with reliable cash flow streams.

Figure 3. Federated Hermes Trade Finance correlation of returns vs. different market indices (4/1/10 - 12/31/24)

Investment	1	2	3	4	5	6
1 Federated Hermes Trade Finance Fixed Income Composite (Gross)	1.00					
2 JPM EMBI+	0.34	1.00				
3 S&P 500 Total Return	0.15	0.57	1.00			
4 S&P Lev. Loan 100 Index	0.36	0.50	0.70	1.00		
5 Bloomberg US FRN Index <5yrs	0.60	0.39	0.45	0.70	1.00	
6 ICE BofA USD 1-Mo Deposit Offered Rate Constant Maturity	0.41	0.08	0.04	0.12	0.42	1.00

■ 1.00 to 0.80 ■ 0.80 to 0.60 ■ 0.60 to 0.40 ■ 0.40 to 0.20 ■ 0.20 to 0.00

Color coding shows darker shades as highly correlated to asset class (anything close to 1.0) and lighter shades as more lowly correlated.

Past performance is no guarantee of future results.

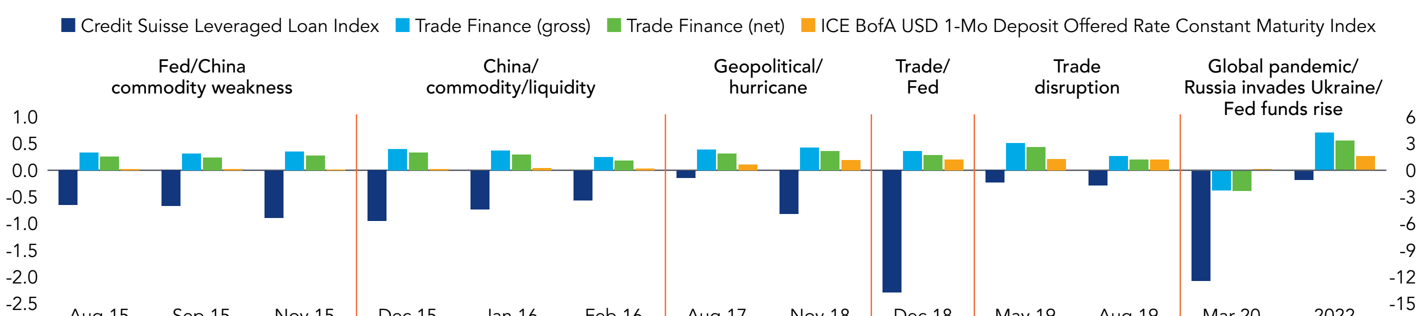
Source: Morningstar, Inc.

- **Floating rate nature of leveraged loans with more stringent loan structures and covenants.**

  Similar to leveraged loans, Trade Finance as an asset class benefits from having little sensitivity to interest rate moves, given all loans are issued based on a spread over a floating rate (such as SOFR or the ICE BofA US Dollar 1-Month Deposit Offered Rate Constant Maturity Index).

  However, where Trade Finance loans differ from leveraged loans is that each transaction within a trade finance portfolio is originated as part of a structure with specific covenants (loans are typically collateralized by the goods being financed), typically avoiding the risks that leveraged loans are most exposed to in comparison.

Figure 4. Bank loan spread widening environments



	Aug 15	Sep 15	Nov 15	Dec 15	Jan 16	Feb 16	Aug 17	Nov 18	Dec 18	May 19	Aug 19	Mar 20	2022
Credit Suisse Leveraged Loan Index	-0.65	-0.67	-0.89	-0.95	-0.73	-0.56	-0.14	-0.82	-2.29	-0.23	-0.28	-12.46	-1.06
Trade Finance (gross)	0.33	0.31	0.35	0.40	0.37	0.25	0.39	0.43	0.36	0.51	0.27	-2.26	4.24
Trade Finance (net)	0.26	0.24	0.28	0.33	0.30	0.18	0.31	0.36	0.29	0.44	0.20	-2.33	3.35
ICE BofA USD 1-Mo Deposit Offered Rate Constant Maturity Index	0.02	0.02	0.01	0.02	0.04	0.03	0.11	0.19	0.20	0.21	0.20	0.12	1.58

Past performance is no guarantee of future results. Refer to the attached GIPS report for additional information.

See page 8 for full portfolio performance.

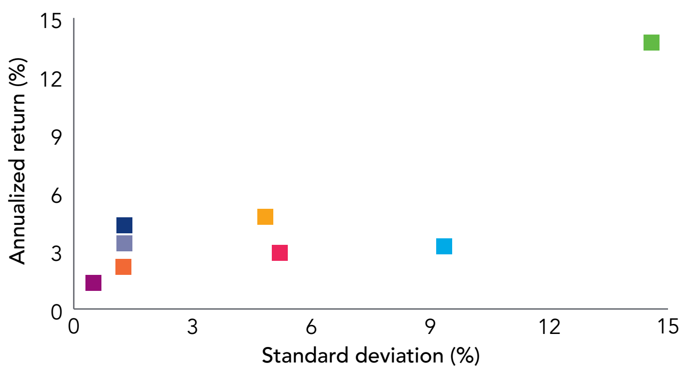
Source: Morningstar, Inc.

- **Low volatility and lower drawdown characteristics compared to public fixed income.**

  This has been achieved by focusing on two main elements: the structure of the loan and the average life of the loan. Self-liquidating structures include loans that will typically have characteristics preventing their mark-to-market values from being written down as aggressively as corporate bonds might.

  At Federated Hermes, our focus on maintaining the average life of the strategy around 24 months means a large proportion of the portfolio is focused on shorter-term, self-liquidating transactions.

Figure 5. Return and volatility comparison (4/1/10 – 12/31/24)



Name	Standard deviation (%)	Annualized return (%)
Federated Hermes Trade Finance Fixed Income Composite (gross)	1.28	4.31
Federated Hermes Trade Finance Fixed Income Composite (net)	1.28	3.38
JPM EMBI Plus Idx	9.35	3.22
S&P 500 Idx	14.58	13.73
S&P Lev. Loan 100 Idx	4.83	4.74
Bloomberg US Floating Rate Notes <5 Yr Idx	1.25	2.16
JPM TIPS Index Agg Lv Idx	5.20	2.90
ICE BofA USD 1M Dep OR CM TR USD	0.50	1.34

Past performance is no guarantee of future results.

Source: Morningstar, Inc.

Refer to the attached GIPS® report for additional information.

Data as of 12/31/24

Case study: financing Europe's push for energy security

In 2024, Federated Hermes was part of a lending consortium, along with various global banks, which signed a loan facility worth more than US$1bn with a large European oil and gas group to expand its operations in the North Sea.

As a reserve-based lending transaction, the amount the group was able to borrow was based on the value of the underlying reserves. A number of factors are re-examined every six months: the level and type of reserves (proven or unproven), the expected price of oil and gas and assumptions about the borrower's operating costs.

After drilling, the oil and gas was sold to off-takers – intermediaries which have long-term export contracts with the borrower – and upon delivery, payment was made into a US dollar-denominated offshore account. The distributions from this pledged offshore account were controlled by the consortium of lenders and followed a strict "cash waterfall." The self-liquidating offshore structure of the loan sought to ensure that Federated Hermes and other lenders were repaid as soon as possible – after money was set aside for any mandatory operating and capital expenditures.

The loan had robust financial covenants and was secured on the underlying assets. The borrower pledged all of the security documents to the lending consortium – including the offtake contracts, project documents and operation agreements – so if anything went awry, the lending group had the right to step in and raise a claim against those titles.

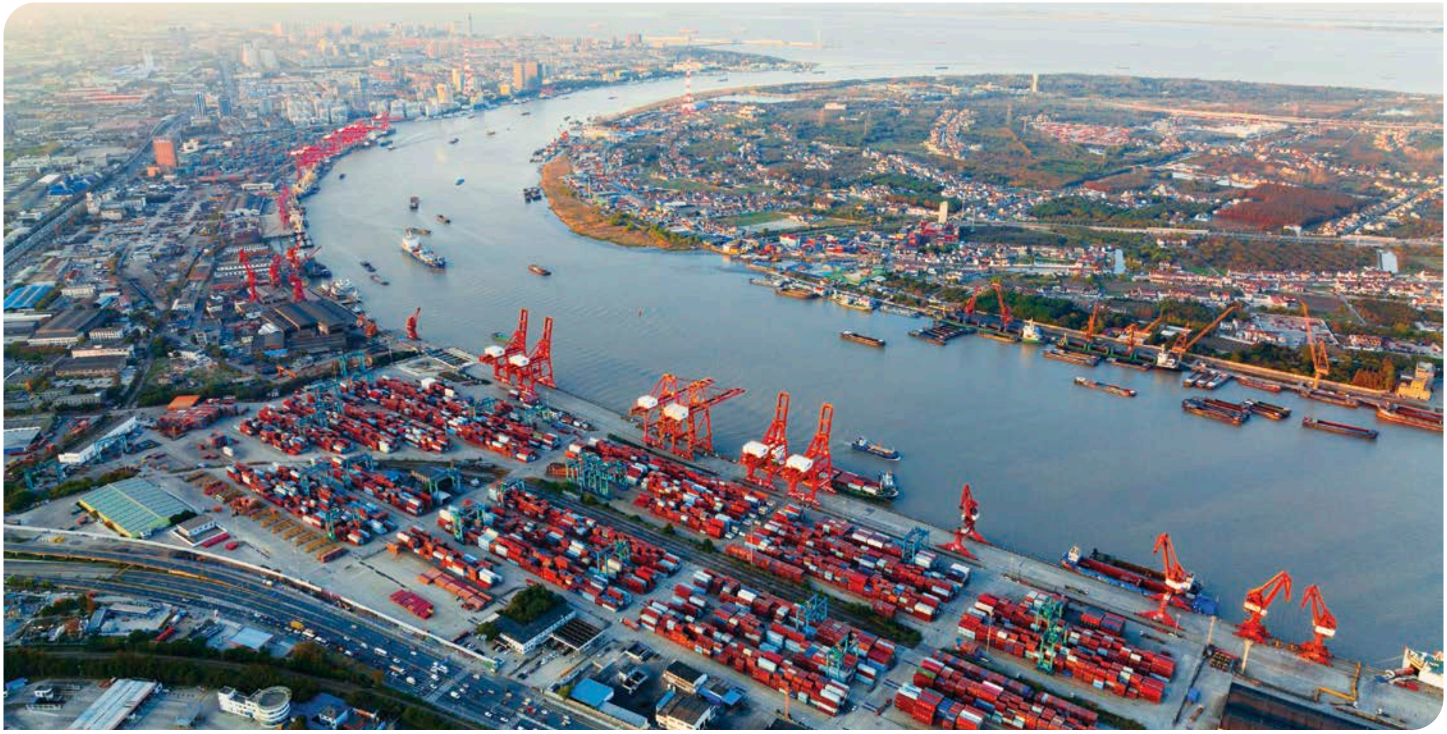
As part of the deal, the lending group also employed engineers to visit the drilling site and review operations, check reserves and assess the technical workings of the facility.

In reserve-based lending, the semi-annual redetermination process is an important covenant. On top of standard checks – such as looking at the borrower's net leverage – a group liquidity test is also undertaken to assess whether the borrower's future sources of income meet its proposed expenditure plan over a projected period. Lenders also benefit from regular technical reporting on the operations by a third party.

At the conclusion of the transaction, the gas was sold to one of the largest energy companies in the Nordics and piped to various facilities and onshore power stations in Denmark and the Netherlands and used to generate electricity. Once the redevelopment of the Danish offshore field is completed, it should extend the field's life by 25 years and produce enough gas per day to power the equivalent of 1.5 million homes.*

* Company reports.

The case study is for informational purposes only and is not a recommendation for any specific sector or security. It is presented solely to illustrate Federated Investment Counseling's investment process, and its analysis and views of the securities and sector presented. It should not be assumed that the investment in these securities was or will be profitable.



Why partner with Federated Hermes?

Federated Hermes was one of the early asset manager adopters of Trade Finance as an asset class, offering it to institutional investors since 2009. Our highly selective investment process has demonstrated resilience and low volatility of returns over time due to the following:

- **Focus on essential goods, which are material to livelihood of populations around the globe.**

  The production of essential goods like oil, gas and agricultural commodities is predominantly concentrated in a few countries. To access these products, countries rely on imports through international trade. Our Trade Finance portfolio focuses on financing these essential goods, especially in emerging countries where the Trade Finance gap is most prominent (South to South). This enables investors to be part of reducing this gap, by co-investing in large corporate or financial players alongside banks.

- **Greater level of diversification across sectors, regions and types of loans**.

  Just as lenders and investors mitigate risks through collateral management, diversifying across various trade finance types helps reduce the risk of portfolio investment concentration in a single type. We firmly believe in the importance of investing across the full spectrum of loan types. This includes shorter-term, self-liquidating structures that enhance the portfolio's liquidity profile, as well as longer-term, alpha-generating project finance deals. By holding a variety of uncorrelated assets that respond differently to market events, our strategy aims to offset market volatility and reduce unsystemic risk.

- **Long-standing experience in building relationships with partner banks.**

  Access to the market is a barrier to entry for many managers, with banks remaining key players as they are largely used for the origination of trades. The team has over 15 years of experience in the asset class, having done business with over 50 institutions since inception with transactions in the strategy typically sourced from at least 30 different banks. This has developed a specific expertise in deal origination as a crucial part of the investment process.

- **In-depth analysis and due diligence performed by skilled investment professionals.**

  Each trade transaction is a unique deal specific to a flow of goods. We don't rely solely on the banks' assessment; we do our own due diligence on the institution, the transaction, the structure of the loan, the legal landscape and the collateral, performing a rigorous credit review on over 300 deals in a given year on average. We also have a strong focus on risk management, with each position typically representing 80-90bps in terms of portfolio weight, which enables a reduction in idiosyncratic risks at portfolio level.

Federated Hermes Trade Finance Strategy

Characteristics:

- **Average life:** 24 months
- **Alpha target:** SOFR 250-400 bps
- **Liquidity:** Monthly subscriptions, quarterly redemptions
- **Launch date:** 4/1/2010
- **Historic volatility:** 1.28%

Targets are aspirational, do not consider expenses, and cannot be guaranteed.

Team:

Christopher McGinley
Senior Vice President
Head of Trade Finance Team
Senior Portfolio Manager

Joined Federated Hermes: 2004

20 years of experience

Ihab Salib
Senior Vice President
Senior Portfolio Manager
Head of International Fixed Income Group

Joined Federated Hermes: 1999

32 years of experience

Maarten Offeringa
Vice President
Portfolio Manager
Senior Investment Analyst

Joined Federated Hermes: 2018

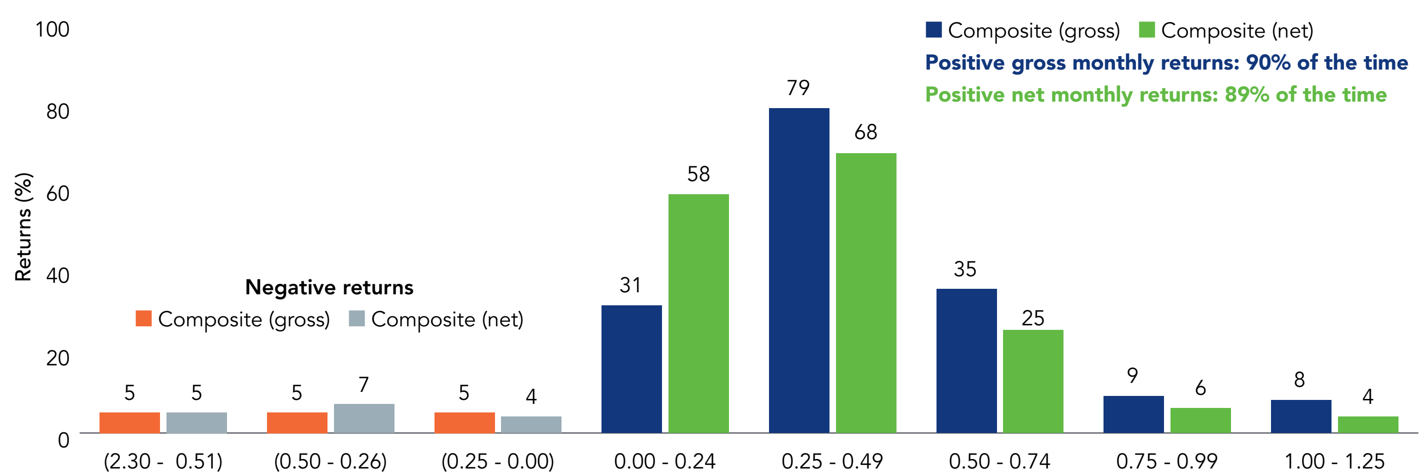
23 years of experience

Kazaur Rahman, ACA
Assistant Vice President
Senior Investment Analyst
Portfolio Manager

Joined Federated Hermes: 2019

19 years of experience

Figure 6: Monthly performance since inception (4/1/10 - 12/31/24)



Returns	YTD (Qtr-End) USD	1 Yr (Qtr-End) USD	3 Yr (Qtr-End) USD	5 Yr (Qtr-End) USD	10 Yr (Qtr-End) USD
FH Trade Finance Composite (Gross)	6.73	9.17	7.50	5.49	4.47
FH Trade Finance Composite (Net)	6.05	8.24	6.59	4.60	3.58
ICE BofA USD 1-Mo Deposit Offered Rate Constant Maturity	4.13	5.55	3.62	2.41	1.76
Bloomberg US Credit 1-3 Yr Index	4.95	8.12	2.02	2.17	2.14
Bloomberg US Credit 1-5 Yr Index	5.23	9.39	1.50	2.12	2.36
Bloomberg US Agg Bond Index	4.45	11.57	-1.39	0.33	1.84

Past performance is no guarantee of future results.

Refer to the attached GIPS® report for additional information.

Source: BofA and Bloomberg.

Data as of 12/31/24.

Schedule of rates of return and statistics

Composite Federated Hermes Trade Finance
Index ICE BofA USD 1-Mo Deposit Offered Rate Constant Maturity
Periods ending 12/31/2024

	Returns (%)		
	Gross composite return	Index	Net composite return (assuming maximum fee)
Q4 24	2.28	1.22	2.06
1 Year	9.17	5.40	8.24
3 Years (Annlzd)	7.50	4.03	6.59
5 Years (Annlzd)	5.49	2.56	4.60
10 Years (Annlzd)	4.47	1.88	3.58
Apr 10 - Dec 24 (Annlzd)^^	4.31	1.34	3.38

	Composite gross return (%)	Composite net return (%)	Benchmark return (%)	*Composite 3-yr st dev	*Benchmark 3-yr st dev	Number of portfolios	**Dispersion	Composite assets ($mil)	Firm assets ($bil)
2015	2.78	1.91	0.18	0.86	0.01	5	0.07	488.5	343.4
2016	4.00	3.12	0.48	0.83	0.04	5	0.07	556.2	342.3
2017	2.00	1.13	1.07	0.81	0.11	<5	N/A	586.7	354.7
2018	4.77	3.88	1.99	0.71	0.19	<5	N/A	651.6	377.2
2019	3.72	2.84	2.34	0.74	0.17	<5	N/A	674.7	503.1
2020	2.33	1.46	0.66	1.69	0.24	<5	N/A	654.4	585.7
2021	2.79	1.92	0.10	1.66	0.30	<5	N/A	1,448.7	634.2
2022	4.24	3.35	1.58	1.97	0.31	<5	N/A	1,245.7	627.4
2023	9.17	8.24	5.17	1.39	0.65	<5	N/A	1,391.8	720.0
2024	9.17	8.24	5.40	1.35	0.55	<5	N/A	2,000.3	792.2

The value of investments and income from them may go down as well as up, and you may not get back the original amount invested.

^^Represents composite inception period. See additional notes to the schedule of rates of return and statistics.

*Represents the 3-year annualized standard deviation for both the gross composite and the index returns. Statistic is used to measure the volatility of composite returns.

**Standard deviation is calculated using gross returns. Standard deviation is not applicable ("N/A") for any period if fewer than five accounts are in the composite for that period. (See footnote 5)

This composite includes portfolios utilizing Federated Hermes' trade finance approach, focusing on both fundamental credit sensitive security selection and top-down risk controls to ensure proper portfolio diversification. From inception of this composite through September 2013, this process utilized a partner who provided expertise in credit research and security selection. Personnel from the partner were hired by Federated Hermes in October 2013. Effective October 2022, the ICE BofA USD 1-Mo Deposit Offered Rate Constant Maturity index represents the Secured Overnight Financing Rate (SOFR), prior to October 2022, the index was representing the London Interbank Offered Rate (LIBOR) rate. Portfolios eligible for this composite may include portfolios managed on behalf of registered investment companies (mutual funds) or separate account portfolios. Due to the nature of the investments in these portfolios, a longer transition period may be required to achieve an initial cash position of no more than 25%. Investments in trade finance-related instruments may entail credit, liquidity, currency, and market risks in addition to other risks, such as the risk of investing in foreign securities and emerging market securities. Investments in less developed or emerging markets generally entail greater political, economic, market, tax, credit, and other risks, and generally have greater price volatility than securities issued or traded in developed markets. This composite was created June 2010. Federated Hermes has managed portfolios in this investment style since August 2009. Performance shown for 2010 is for a partial period starting on April 1, 2010. Federated Hermes claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS® standards. Federated Hermes has been independently verified for the period of January 1, 1992, through September 30, 2024. The verification report is available upon request. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. The firm's separately managed account fee schedule for this product is 0.85% on the first $25 million; 0.75% on $25 - $50 million; 0.65% on $50 - $75; 0.50% on assets greater than $75 million. Currently, all composite net-of-fee returns are calculated using highest fee. See disclosure notes for any appropriate historical fee calculations. Actual fees may vary by client.

Notes to the schedule of rates of return and statistics

1. Federated Hermes is a global, independent, multi-strategy investment management firm. For GIPS® purposes, Federated Hermes is defined to include the assets of registered investment companies that are advised or sub-advised by the various Federated Hermes advisory companies. Effective September 30, 2020, for GIPS® purposes the name of the firm was officially changed to Federated Hermes. Firm assets on this report exclude assets affiliated with Hermes GPE and the advisory-only, model-based assets that may be included in other reports providing total firm assets.
2. Interest income and dividends are recognized on an accrual basis. Returns include the reinvestment of all income.
3. All market values and performance information are valued in USD unless currency is denoted in composite description.
4. Annual composite dispersion is measured and presented using the asset weighted standard deviation of the gross returns of all of the portfolios included in the composite over the entire year. Prior to January 2023, annual dispersion for the CW Henderson composites was measured using the equal weighted standard deviation of the returns of all the portfolios included in the composite over the entire year. Effective January 2023 this was changed to asset weighted. Prior to March 2020 with regard to Federated Clover Investment Advisors composites, annual dispersion was measured using the equal weighted standard deviation of the returns of all the portfolios included in the composite over the entire year.
5. Composite dispersion does not measure the risk of the product presented, it simply measures the return variance among portfolios managed in a similar fashion. This variance can be affected by variations in cash flow or specific client parameters among the portfolios comprising the composites, as well as by execution of strategy across accounts.
6. See the composite description language for a discussion on appropriate fees currently applied to calculate composite performance. With regard to the institutional composites not managed by the MDT Advisers and Federated Hermes London office teams, for the period July 1, 1992 through September 30, 2009, net of fee performance was calculated monthly by reducing the gross composite return by the highest actual fee of any account in the composite for that month, regardless of investment vehicle. Prior to July 1992, the maximum management fee for third quarter 1992 was used to calculate net of fee performance historically to inception of the composite. For those composites managed by the Federated Hermes London office investment team, net composite results are based off model fees using the stated fee schedule. In addition, further fee information can be obtained from the firm's respective Forms ADV Part 2 Brochure Item 5.
7. Additional information regarding the policies for valuing investments, calculating performance, and preparing GIPS® reports, as well as a complete list and description of the firm's composites and pooled funds is available upon request.
8. Past performance is not indicative of future results.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
10. See disclosures on the Schedule of Rates of Return and Statistics Reports for additional information.

[1] "Impact of the Covid-19 Crisis and Challenges Ahead." International Chamber of Commerce, March 2022.

[2] "2023 Trade Finance Gaps, Growth and Jobs Survey." Asian Development Bank, September 2023.

[3] "Trade and Trade Finance in the 2008-09 Financial Crisis." International Monetary Fund, 2011.

[4] "South-South Trade and its Implications for the World Economy." International Banker, 2015.

[5] "Global Trade Outlook and Statistics." World Trade Organization, April 2024.

[6] "Trade finance and SMEs." World Trade Organization, 2016

[7] "Trade finance default rates rise slightly, 2023 ICC Trade Finance Register." Trade Finance Global, November 2023.

[8] "How investing in trade finance can be profitable and help SMEs thrive." World Economic Forum, June 2022.

[9] Average life refers to the underlying securities held by Federated Hermes portfolios which are not available to the public and are used by the multi-sector portfolios to provide more effective diversification than is available through the purchase of individual securities.

ICE BofA U.S. Dollar 1-Month Deposit Offered Rate Constant Maturity Index is an independent calculation of the 1-month Secured Overnight Financing Rate (SOFR). SOFR is a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. Prior to October 1, 2022, the index was based on the 1-month London Interbank Offered Rate (LIBOR). LIBOR was a widely used benchmark for short-term interest rates, providing an indication of the average rates at which LIBOR panel banks could obtain wholesale, unsecured funding for set periods in particular currencies.

Portfolio information is from a representative portfolio and for illustrative purposes only. Actual account characteristics of individual accounts may be different. Portfolio characteristics are as of the date indicated and are based on individual securities in the portfolio on that date. Securities in the portfolio are subject to change.

Although the information provided in this document has been obtained from sources which Federated Hermes believes to be reliable, it does not guarantee accuracy of such information and such information may be incomplete or condensed.

Forward-looking statements or projections are subject to certain risks and uncertainties. Actual results may differ from those expressed or implied.

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.

Trade finance related securities will be located primarily in, or have exposure to, global emerging markets. 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.

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