Short Term Investments Committee

Market insights and investment views

November 2025

Economic backdrop

November brought an end to the longest government shutdown in US history at 43 days. As federal agencies resume operations, clearing the backlog of data and restarting collection will take time. All eyes on the short end are turning toward the December Federal Open Market Committee meeting to see what the Federal Reserve (the Fed) will do. There should be enough time for official data on jobs, inflation and GDP to be released before the Fed meets. In our group, most individuals are currently expecting the Fed to cut the federal funds rate by another 25 basis points in December.

Market insights

Government liquidity

Government money market portfolios are capitalizing on higher than normal repurchase agreement (repo) rates.

Strong Treasury bill supply, the Fed's use of quantitative tightening to shrink its balance sheet, and the low balance of the Fed's reverse repo facility are all contributing to the upward pressure on repo rates. We don't think there are funding or liquidity strains at play here and are happy to continue benefiting from elevated overnight repo for the time being.

Prime liquidity

Fixed-rate paper is attractive for prime liquidity portfolios.

Following the October Fed meeting and month end, we are seeing value in the 9-month and 1-year areas, which can also help to keep weighted average maturities long as we expect future fed funds rate cuts.

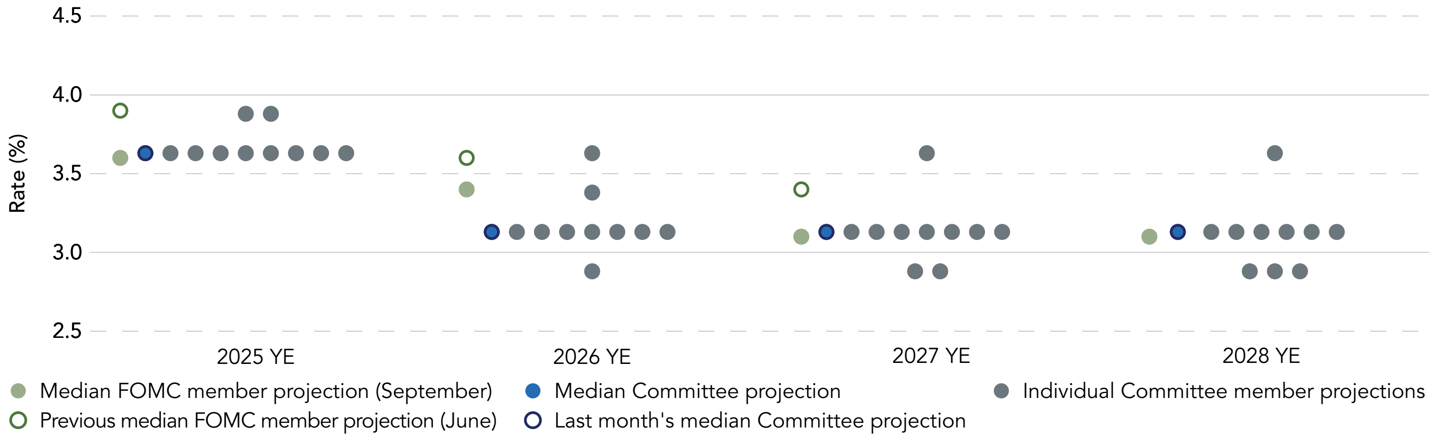
Credit

Ultrashort portfolios are enjoying robust asset-backed security (ABS) supply.

Historically, October tends to see substantially high issuance and this year was no exception with over 60 deals and $40B coming to market. This has continued into November with nearly 30 deals so far. Spreads have rebounded tighter following volatility from subprime headline news, and we still see value here relative to corporate securities.

Assessment of monetary policy

Results of the committee's poll estimating the midpoint of the target range for the federal funds rate



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Investment views

Relative to longer-term fixed income, the 0-3-year part of the yield curve is attractive.

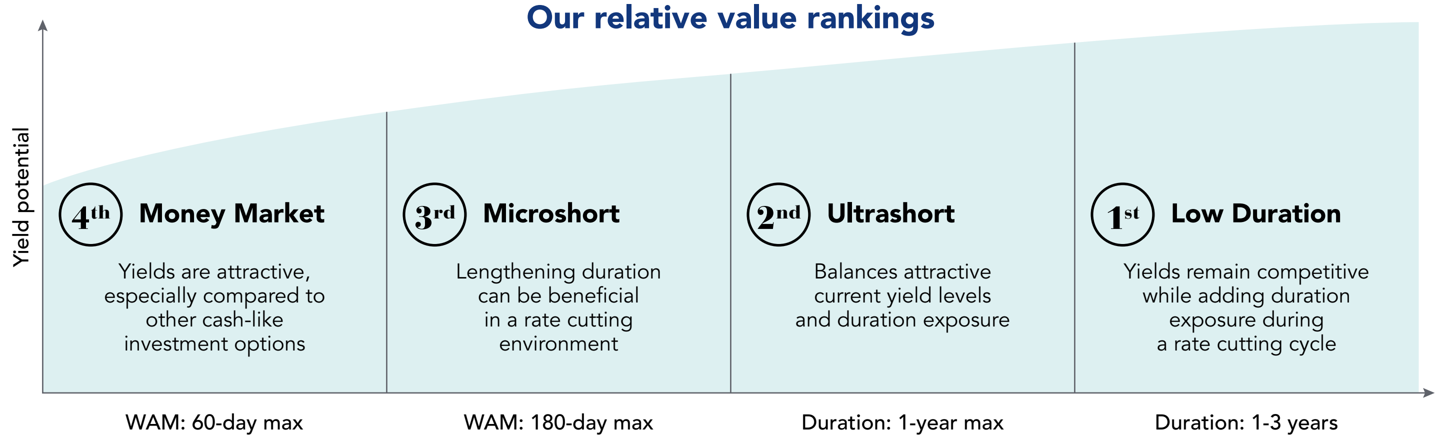
These themes are guiding our investment views in the space:

- While money market yields remain elevated, maintain a bias to lengthen duration where yields are more attractive.
- Take a constructive approach to MBS given attractive income potential and Fed rate environment.
- Take advantage of attractive income opportunities from municipal bonds by incrementally extending durations.

For investors diversifying across the 0-3-year universe

The asset classes and subsectors below represent the potential universe for a robust investment strategy that spans the 0-3-year space. Investments will vary depending on risk tolerance, maturity/duration needs, investment policies and more. Our relative value rankings and investment spotlights reflect the category we believe is the most attractive given general investment objectives or preferences and the current market conditions.

Our relative value rankings



Investment spotlights: for varying investor outcomes

Government	**Government Money Market** Low-to-no duration risk is attractive, especially for risk averse investors.		**Government Ultrashort** Risk sensitive investor A majority government portfolio presents opportunities to benefit from income potential while not taking on additional credit risk.	**Short-Term Government** Highest relative value seeking investor Lack of credit offers lower potential total return but avoids credit risk during volatile times.
Credit	**Prime Money Market** Liquidity seeking investor Yields have attractive spreads to Treasurys. Credit conditions on the short end of the curve remain solid.	**Microshort** Yields are more attractive than shorter alternatives and we expect this to be further recognized as the Fed cuts rates.	**Ultrashort** Yield seeking investor We are constructive on credit in the near-term given resilient economic conditions.	**Short-Term Income** Total return seeking investor We see higher total return potential within this asset's longer duration and constructive credit dynamics.
Municipal	**Municipal Money Market** Despite recent moves in SIFMA, municipal money markets can still be attractive for tax-sensitive investors.	**Municipal Microshort** Microshorts offer a smaller incremental step out if you don't want to jump from money markets to ultrashorts yet.	**Municipal Ultrashort** Tax sensitive yield seeking investor Taxable-equivalent yields are compelling for tax sensitive investors, especially compared to other shorter duration investments.	**Short-Term Municipal** Tax sensitive total return seeking investor Credit quality remains high and lengthening durations is becoming a more attractive move.

"WAM" is weighted average maturity.

Detailed sector/security rationale driving rankings

Within the short end of the curve, each sector and security type has specific nuances that should be considered when making investment decisions.

Sector/security type		Rationale
Liquidity	Repurchase Agreements (Repo)	With the Fed's Reverse Repo Program (RRP) providing a soft floor for the market at 3.75%, overnight repurchase agreements are the preferred investment vehicle for liquidity in government portfolios. This can also be a valid option for prime portfolios when demand for very short CDs and CP exceeds supply. Repo rates remain elevated after the increase in treasury supply this year combined with the Fed's effort to reduce the size of its balance sheet through quantitative tightening (QT), making it an even more attractive alternative.
	T-Bills, T-Notes, Coupons	Fixed-rate Treasury securities typically provide a low-risk, efficient means of potentially preserving yield in a declining rate environment by extending beyond overnight. The Fed funds futures curve is pricing in a 50% chance of one more cut by year-end and a total of three by the end of 2026. The bill curve remains inverted from overnight to 1-year. While net new bill supply will likely total $140 billion for the month of November, it is expected to turn decidedly negative in December. This could put downward pressure on bill yields, making the extension trade somewhat more challenging. Treasury floating-rate notes based on the 3-month T-bill remain a viable option but must be used cautiously in a declining rate environment.
	US Government Agencies	Issuance by US government agencies has been mixed, with discount note oustandings increasing, while coupon securities have been pulling back a bit. We continue to see discount notes offering value relative to bills on a more frequent basis, making them an attractive alternative. Structured coupon securities, such as callable notes, can be a source of relative value, depending on your rate outlook. Agency issuance can also provide exposure to Secured Overnight Financing Rate (SOFR) based floating-rate securities and in much shorter tenors than Treasury floating-rate notes. SOFR floaters continue to be popular, with spreads narrowing only slightly in recent weeks.
	Certificates of Deposit (CDs) and Commercial Paper (CP)	Bank CDs, corporate CP and asset-backed CP can potentially enhance portfolio yield, while maintaining minimal credit risk as the credit quality of banks and corporations remains strong. The prime securities curve has become less inverted this month as recent Fedspeak has reduced the Fed funds futures market probability of a December rate cut to around 50%. Fixed-rate supply continues to be healthy, providing opportunities to extend portfolio maturities. However, as we get closer to year-end, supply could become more challenging as is typical. Floating-rate securities can provide exposure to indices such as SOFR, the Overnight Bank Funding Rate (OBFR), and the Fed Funds rate. With spreads on SOFR floaters widening a bit recently, they can make an attractive hedge to an uncertain Fed outlook.
	Variable Rate Demand Notes (VRDNs)	With a par optional tender and regular rate reset (both typically either daily or weekly), VRDNs are the preferred investment vehicle for liquidity in municipal portfolios. Given the tax-exempt interest, rates are usually lower than short-term taxable interest rates and can display more inconsistency during certain periods of supply/demand imbalances but, on average (we suggest a 4-week view), offer fair value for tax sensitive investors.
Non-US	Emerging and developed markets	In their latest meeting, the European Central Bank (ECB) kept rates on hold at 2% and their forward guidance was relatively uneventful. The current baseline for the ECB is to remain on hold in the near future, but with a slight bias of modest easing in the second half of 2026. Conversely, the prospects for interest rate hikes have begun to percolate among economic viewpoints, but we feel that this risk is premature given the disinflationary trends in Europe and the ongoing external geopolitical uncertainties. A recent stall in UK consumer price increases, along with moderating labor dynamics, has opened the door for the Bank of England to begin easing in a systematic fashion. However, the present 3.8% Consumer Price Index is still historically elevated and has been running over 3% for six consecutive months now. Nonetheless, economic datasets have finally begun to align themselves for further monetary easing from the Bank of England.
Fixed Income	Asset-Backed Securities (ABS)	New ABS supply remains robust and recent activity has come from prime auto, sub-prime auto, student loan, credit card, and equipment issuers, not to mention some deals backed by esoteric assets. Sub-prime auto ABS spreads tightened 30 basis points over the last month. Despite increasing delinquencies and charge-offs in auto ABS and more headline risk, most deals remain very well structured with ample credit protection. ABS continues to offer value at the short end of the yield curve compared to investment grade corporates.
	Investment Grade (IG) Corporates	3Q 25 corporate earnings are coming in much stronger than expected at low double digit growth and earnings expectations for the balance of 2025 and 2026 look solid. New issuance continues to be met with great demand with most deals tightening 30 basis points from initial price thoughts. AI and technology company issuance has increased recently with Meta receiving a record-breaking $125 billion in orders from investors in their last deal. IG corporate fundamentals remain strong from solid balance sheets, modest leverage, and high margins, and despite tight credit spreads, good buying opportunities still exist.
	Government/ Mortgage-Backed Securities (MBS)	Floating rate mortgage CMOs offer extremely attractive spreads in a government mortgage space, providing high income and the potential for price appreciation if spreads tighten. While spreads in competing sectors are historically tight, government MBS markets offer compelling opportunities to allocate funds.
	Municipal Bonds/Notes	State and local municipal government credit quality generally remains solid, benefiting from historically large financial reserves and strong management. Portfolios continue to benefit from a healthy supply of municipal bonds and notes and a Federal Reserve that has eased monetary policy at a slower pace than expected (the "higher for longer" scenario).

Short Term Investments Committee

Federated Hermes

Federated Hermes' strength on the short end of the curve

The **Short Term Investments Committee** is a collection of investment professionals with in-depth experience investing across the 0-3-year part of the yield curve. On a monthly basis, the Committee meets to provide insights, strategize and discuss investment opportunities.

The Committee is headed by Nicholas Tripodes, CFA and Mark Weiss, CFA. Nick is senior vice president, senior portfolio manager and head of Low Duration/Structured Products Group. He is responsible for portfolio management and administration of low duration multi-sector portfolios with concentrations in investment-grade securities, as well as management and administration of structured product allocations. Mark is vice president and senior portfolio manager. He is responsible for portfolio management and research in the fixed-income area concentrating on liquidity portfolios.

Committee members:

- consist of portfolio managers and investment analysts with product managers and more also attending meetings
- manage $696 billion in assets in the 0-3-year space (as of 9/30/25)
- average over 25 years of investment experience
- include multi-asset solutions professionals skilled at investing and research in the global asset allocation area
- are subject matter experts in government liquidity, prime liquidity, municipal liquidity and short-term fixed-income including investment-grade securities, asset-backed and mortgage-backed securities and other short duration securities

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although some money market funds seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in these funds.

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or prospectus containing this and other information, contact us or view the prospectus provided on FederatedHermes.com/us. Please carefully read the summary prospectus or prospectus before investing.

Views are as of November 2025 and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

Variable and floating rate loans and securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much or as quickly as interest rates in general. Conversely, variable and floating rate loans and securities generally will not increase in value as much as fixed-rate debt instruments if interest rates decline.

Yields quoted are for illustrative purposes only and not representative of all securities or any specific investment.

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.

Past performance is no guarantee of future results.

Yield curve is a graph showing the comparative yields of securities in a particular class according to maturity. Securities on the long end of the yield curve have longer maturities.

Bond credit ratings measure the risk that a security will default. Credit ratings of A or better are considered to be high credit quality; credit ratings of BBB are good credit quality and the lowest category of investment grade; credit ratings of BB and below are lower-rated securities; and credit ratings of CCC or below have high default risk.

Ultra-short and microshort bond funds are not "money market" mutual funds. Some money market mutual funds attempt to maintain a stable net asset value through compliance with relevant Securities and Exchange Commission (SEC) rules. Ultra-short and microshort funds are not governed by those rules, and their shares will fluctuate in value.

The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations.

Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

The value of some asset-backed securities may be particularly sensitive to changes in prevailing interest rates, and although certain securities may be supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

Income from municipal funds may be subject to the federal alternative minimum tax and state and local taxes.

International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging-market 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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