Short Term Investments Committee

Market insights and investment views

April 2026

Economic backdrop

It is no surprise that the war in Iran has been the center of discussions recently. From an investment standpoint on the short end, the focus has been mostly on how the war is influencing Federal Reserve (Fed) actions and views, particularly on inflation and future federal funds rate changes. We believe the Fed will be on hold for the foreseeable future, at least until December. They will want time to understand the lasting impact of the war before taking action. Let's not forget, though, that we are still in the midst of the uncertainty surrounding the official transition of leadership to Kevin Warsh. If and when that transition happens, we could see some changes in outlooks, but that all seems to be on hold while politicians and judges navigate legal proceedings.

Market insights

Government liquidity

Government liquidity portfolios have been finding value in the 1-year area of Treasury and agencies markets.

Less demand for repurchase agreements means they have been trading higher, near the interest on reserves rate, which has also been good. For risk-averse investors or those more unsettled by the ongoing conflict, we emphasize the value of liquidity in uncertain times as a place investors turn to for a relatively safe harbor.

Prime liquidity

Most trades in the prime liquidity space are happening in the 0-4-month area, but when we see issuance closer to 1-year, we see value there.

There is little supply out that far however, but we are taking advantage, when possible, given that rates were pricing in one to two hikes from the Fed by year-end at one point, presenting attractive buying opportunities.

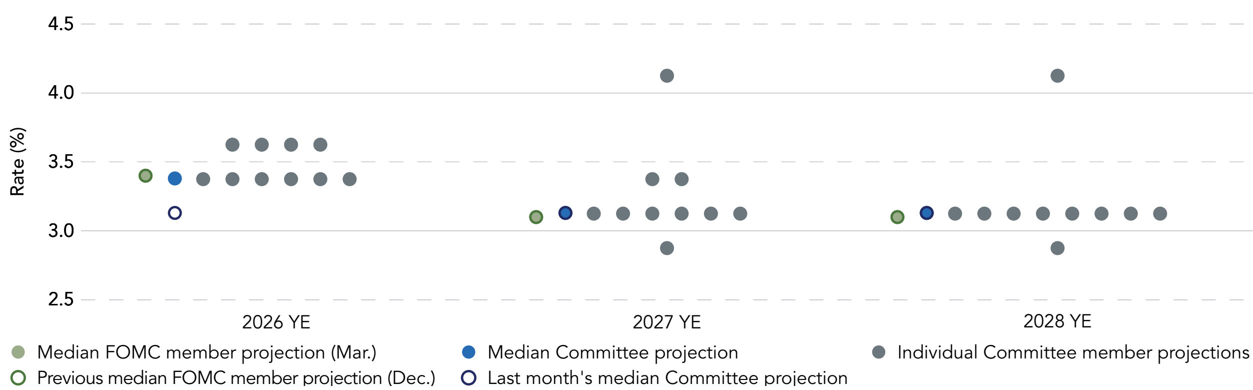
Credit

Ultrashort portfolios have benefited from increased flexibility in buying opportunities given decreased issuance of and demand for asset backed securities (ABS) amid the ongoing geopolitical volatility and uncertainty.

There was value present with spreads widening and higher rates. Issuance has picked up again so we expect to see some tightening over the coming weeks and further new issuance.

Assessment of monetary policy

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



Investment views

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

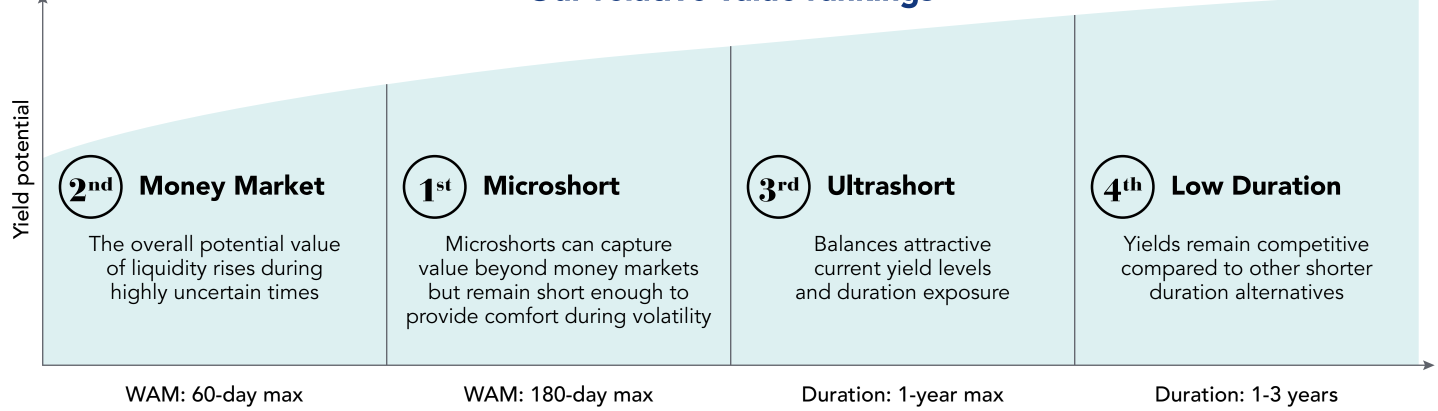
These themes are guiding our investment views in the space:

- Seasonal technical weakness, improving curve structure, and higher absolute and tax equivalent yields creates an attractive entry point for municipals.
- Maintain current overweight to collateralized mortgage obligations, neither increasing nor decreasing allocations.
- Views on investment grade corporates are more neutral where there is value due to recent spread widening.

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** Risk sensitive investor Low-to-no duration risk is attractive, especially for risk averse investors.		**Government Ultrashort** A majority government portfolio presents opportunities to benefit from income potential while not taking on additional credit risk.	**Short-Term Government** 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** Highest relative value seeking investor 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 the recent expected seasonal volatility in SIFMA, municipal money markets can still be fair value or attractive for tax-sensitive investors, especially when looking at a 4-week average.	**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 3.50%, 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 have been averaging around the middle of the Fed funds target range.
Liquidity	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. Although the Fed funds futures curve is pricing in a small chance of a cut by year-end, the bill curve remains positively sloped from overnight to 1-year. That said, recent uncertainty surrounding the rate outlook has made longer end rates a bit of a moving target, so investors should take an opportunistic approach. The expectation for negative net new bill supply through the end of May could put downward pressure on rates across the curve. Treasury floating-rate notes based on the 3-month T-bill remain a viable option but must be used cautiously in an uncertain rate environment.
Liquidity	US Government Agencies	Issuance by US government agencies has been steady in recent weeks. We continue to see discount notes offering value relative to bills on a 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 mostly unchanged in recent weeks.
Liquidity	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 remains positively sloped from 1-month to 1-year, making longer maturities more attractive. That said, recent uncertainty surrounding the rate outlook has made longer end rates a bit of a moving target, so investors should take an opportunistic approach. Floating-rate securities can provide exposure to indices such as SOFR, the Overnight Bank Funding Rate (OBFR), and the Fed Funds rate. Spreads on SOFR floaters remain near the cycle peak and can be an attractive hedge to an uncertain Fed outlook.
Liquidity	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	"All roads ultimately lead to easing, not hiking!" Overall, Euro area economic releases during the reporting period remained robust, but their inherently backward-looking nature rendered them unusable in the wake of a major conflict in the Middle East. Market participants began pricing in three 0.25% rate increases from the ECB in 2026; this seems very excessive. Should financial conditions tighten dramatically, this rate outlook could reverse abruptly. The Bank of England was the most vocal about its concerns over rising inflation due to the US-Iran conflict. Like the ECB, the current valuations for two interest rate hikes in the UK appear greatly overextended.
Fixed Income	Asset-Backed Securities (ABS)	As the war in the Middle East continued, ABS issuance slowed compared to early 1Q issuance. Issuers were more selective with new issue announcements as treasury rates remained volatile depending on expected outcomes from US/Iran negotiations. Demand was also not as strong as usual but this provided a good opportunity for investors willing to invest at higher rates and wider credit spreads. Auto ABS credit spreads widened about 10-20 basis points across both prime and sub-prime collateral over the past month thus providing more value compared to most other investment grade sectors.
Fixed Income	Investment Grade (IG) Corporates	Corporate earnings for 4Q25 saw low/mid double-digit growth year-over-year with continued expectation of 2026 earnings per share growth >10%. Corporate issuance remains resilient with deals over-subscribed and tightening significantly from price talk, with 1-3-year spreads widening by another 10 basis points (bps) in March ending the month at 61 bps (+10 bps YTD), as AI and geopolitical headlines continue to drive a flight to credit quality. The incremental widening in IG Corps vs other IG sectors (e.g. ABS & Mortgages) has led to better relative value, with our selection process remaining disciplined.
Fixed Income	Government/ Mortgage-Backed Securities (MBS)	Floating rate mortgage CMOs offer an attractive opportunity in the government mortgage space, providing high income relative to cash alternatives. Recent returns have been driven by high coupon income that provides steady returns and offsets volatility from spread changes.
Fixed Income	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).

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 $725 billion in assets in the 0-3-year space (as of 12/31/25)
- 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 April 2026 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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