Short Term Investments Committee

Market insights and investment views

June 2026

Federated Hermes

Economic backdrop

New Federal Reserve (Fed) Chair Kevin Warsh officially has his first Federal Open Market Committee (FOMC) meeting in the books. With the change in leadership came a bevy of other announced changes to include multiple task forces, a shorter monetary policy statement, and the removal of typical forward guidance. The Summary of Economic Projections showed a large hawkish shift from the prior release in March with nine of the 18 participants penciling in a rate hike by year end. Inflation was a hot topic during the press conference with multiple reiterations of the statement that "The Committee will deliver price stability." In the generally uncertain environment we reside in today, the definitiveness of the claim was notable. Whether inflation remains higher-for-longer, we glide into a soft landing, or we see a growth slowdown the short end of the curve can be an attractive area for investors. With goals of liquidity, stability, and yield (at varying levels of stringency depending on risk and duration tolerance) investments at the short end present a real opportunity during uncertain times.

Market insights

Liquidity

Liquidity portfolios are finding value in the 1-year area on both the prime and government side.

With a new Fed Chair and rate expectations for the next 12 months shifting, markets are currently pricing in hikes. We believe the mismatched expectations create buying opportunities to capture higher yields.

Credit

Ultrashorts are opportunistically buying asset-backed securities (ABS) and investment grade corporates as we continue to see an active new issuance calendar in both sectors.

New issue ABS supply is about 25% ahead of 2025 at the same time, which is historically high. Since deals are anywhere from 3-10 times oversubscribed, showing high demand, spreads continue to grind tighter.

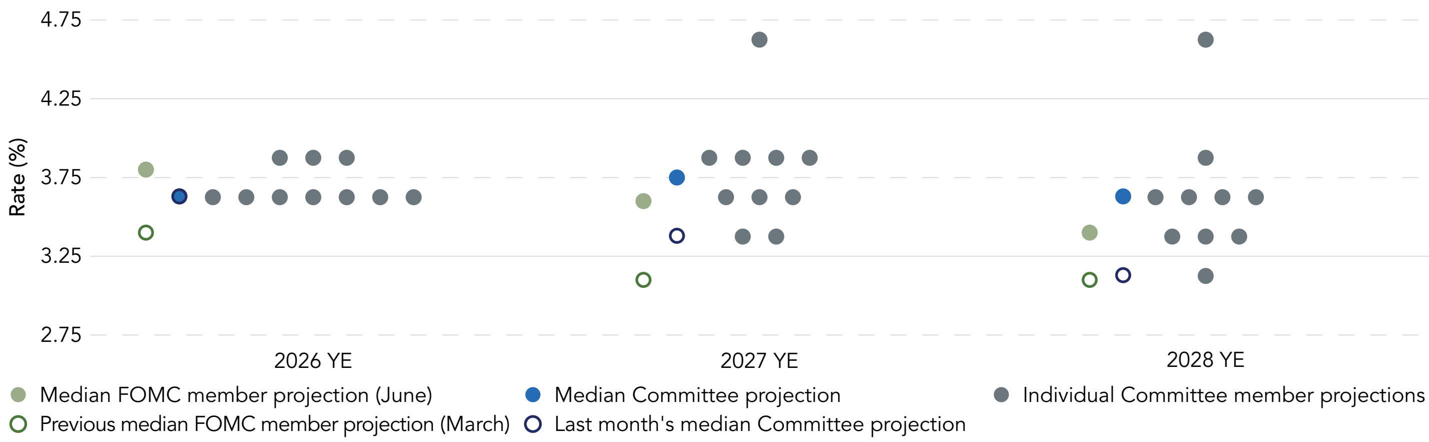
Municipals

Municipal portfolios are putting inflowing assets to work using new issuance as the market kicks off the summer note season for state and local governments.

Additionally, we are actively looking at the electric and gas, and high-quality healthcare sectors.

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.

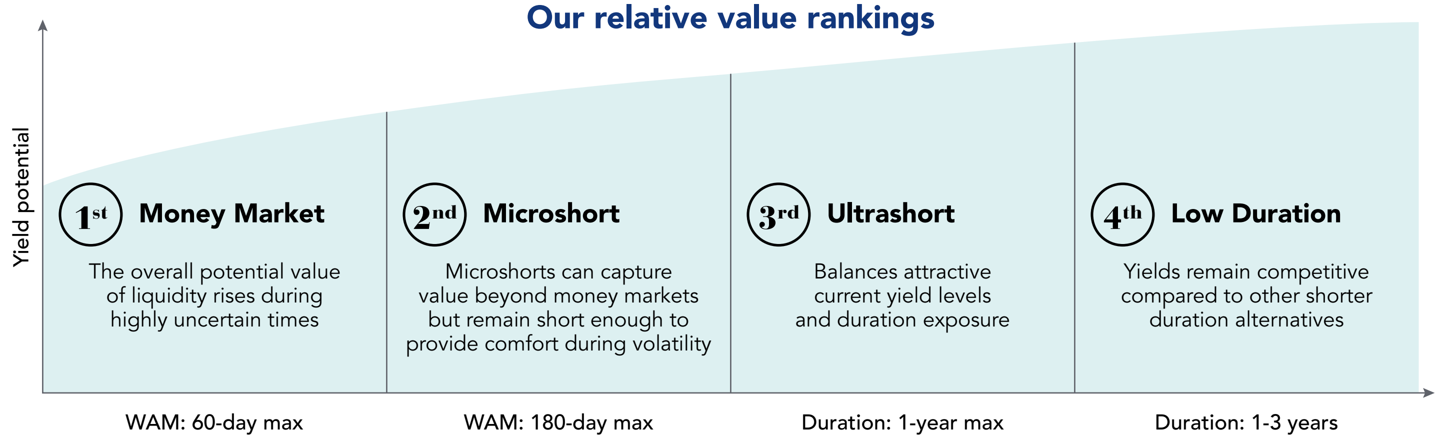
These themes are guiding our investment views in the space:

- We see improving curve structure and higher absolute and tax equivalent yields 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 tightening.

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 while seeking less volatility than longer alternative.	**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 or when repo rates are relatively more attractive.
Liquidity	T-Bills, T-Notes, Coupons	Fixed-rate Treasury securities typically provide a low-risk, efficient means of capturing higher yields by extending beyond overnight. With the Fed funds futures curve fully pricing in a hike as soon as October, the bill curve remains positively sloped from 1-month to 1-year. That said, ongoing uncertainty surrounding the rate outlook has made longer end rates a bit of a moving target, so investors should take an opportunistic approach. After a few weeks of negative net bill supply, the expectation is for it to turn positive beginning in the first full week of July. This could provide support to yields 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	We continue to see agency 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, with yields in the 1-year area reaching as high as 4.40% following the June FOMC meeting. That said, investors should be opportunistic as daily headlines can cause notable fluctuations in the longer end of the curve. 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 have been widening by a few basis points in recent weeks, with 1-year paper now in the upper-30s and callable structures paying an extra 4-5 bps in some cases. Floaters can act as a hedge when the rate outlook is uncertain.
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	As expected, the European Central Bank raised interest rates by 25 basis points in June. A September hike is also projected. Monetary outlook remains highly predicated on tensions in the Middle East. Consequently, policy error risks are increasing given the measurable economic slowdown in the region. Steeper curves are likely to return as well. The Bank of England is expected to raise rates by 25 basis points in July, with markets pricing in further gradual hikes through 2027. These expectations are driven by persistent inflation risks, but like Europe, seem excessive.
Fixed Income	Asset-Backed Securities (ABS)	ABS issuance continued to increase as the fragile ceasefire remained in place before the US and Iran agreed in good faith to a memorandum of understanding. May ABS supply increased to $38B with Auto ABS continuing to dominate issuance and year to date (YTD) supply up over 16% year-over-year. Auto ABS credit spreads tightened 5-15 basis points across both prime and sub-prime collateral. Fundamentals are still very strong with used car prices up over 19% from Jan-2021 levels, low unemployment at 4.3%, and a strong US economy. ABS offers good value at the short end of the yield curve compared to other investment grade sectors.
Fixed Income	Investment Grade (IG) Corporates	1Q 2026 corporate earnings are coming in >+25% vs 1Q 2025, with full year 2026 earnings per share growth expectations now expected north of 20%. Corporate issuance remains strong (>+20% YTD vs 2025) as deals, on average, are pricing almost 30 bps inside of initial talk. 1-3 year corporate spreads tightened another 7 basis points (bps) in May, ending the month at 46 bps (-5 bps YTD), as solid earnings reports, a lack of escalation of the war in the Middle East and stable labor markets continue to benefit spread levels. IG Corps have retraced much of the widening versus other IG sectors (e.g. ABS & Mortgages) on a YTD basis, making prudent security selection more vital.
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 interest rate changes.
Fixed Income	Municipal Bonds/Notes	State and local municipal government credit quality generally remains solid, benefiting from historically large financial reserves (that are likely to normalize over time) 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) and may be forced to readdress inflationary pressures.

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 Multisector 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 $728 billion in assets in the 0-3-year space (as of 3/31/26)
- 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 June 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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