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MUTUAL FUND PROFILE

Fund Defies Weak Stock Market While Also Paying Out Solid Yield

Soothe Jittery Grandmothers

This value-focused fund smooths out market bumps in your retirement.

BY PAUL KATZEFF
INVESTOR'S BUSINESS DAILY

Is the crummy stock market tearing your retirement planning to shreds? Would you like relief in the form of a stock mutual fund that's up 9.46% for the year, generates nearly triple the yield of the S&P 500 index and aims to soothe even jittery grandmothers among its shareholders?

If you answered yes, yes and yes, then check out $9 billion Federated Hermes Strategic Value Dividend Fund **(SVAAX)**.

The fund's year-to-date return compares to a 7.37% loss for the S&P 500 and a 0.91% setback on average for its large-cap value rivals tracked by Morningstar Direct, going into Wednesday.

Its trailing 12-month yield of 3.45% was 2.7 times larger than the yield generated by the popular SPDR S&P 500 ETF (SPY), which tracks the popular stock market bogey.

When the market tilts away from the value-oriented stocks this fund favors, its rate of price appreciation can lag. For example, over the past 15 years its average annual total return was 5.94% vs. 9.91% for the S&P 500. That lagged 87% of its peer group.

Still, if income is a key theme in your retirement planning, slower growth may matter less than steady yield generation.

As for the fund's holdings, don't expect to find FAANG stocks (Meta Platforms **(FB)** predecessor Facebook, Apple **(AAPL)**, Amazon.com **(AMZN)**, Netflix **(NFLX)** and Google parent Alphabet **(GOOGL)**) with nosebleed market capitalizations or other megacap technology stocks.

In fact, don't hold your breath expecting to see tech stocks at all. "We don't have trillion-dollar market-cap companies with no dividends and no profits," said Daniel Peris, who runs the fund along with Deborah Bickerstaff, Jared Hoff and Michael Tucker.

Of those, only Apple offers a dividend yield. It's a scant 0.5%.

Instead, the fund aims for stocks that pay dividends that are high and rising. As a result of their ability to do that, they also achieve price appreciation.

That approach is especially well suited to people focused on making income a keystone of their retirement planning. They're also willing to trade off the fastest growth in return for high and rising income, Peris says. "We're cutting the dividend check to grandma," Peris said. "Our commitment is to make sure that grandma is getting the monthly check."

Federated Hermes Strategic Value Div A

Daniel Peris

- Max front load: 5.50%
- Expenses: 1.06%
- Symbol: SVAAX

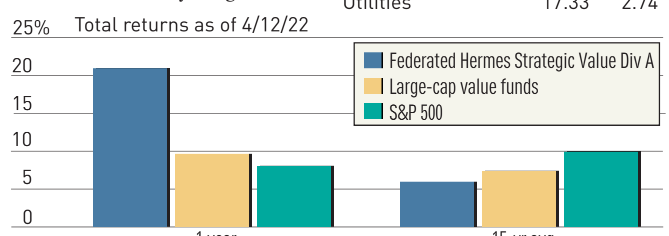
Total returns as of 4/12/22

2021: 21.36%	3-yr. avg.:	9.28%
YTD: 9.46%	5-yr. avg.:	7.62%
	10-yr. avg.:	9.70%

Sector weightings

Fund as of 12/31/21, S&P 500 as of 3/31/22

	% of stock assets	% of S&P 500
Cyclical	**11.66%**	
Basic materials	0.00	2.31%
Consumer cyclical	0.00	11.84
Financial services	10.66	13.22
Real estate	1.00	2.72
Economically sensitive	**33.61**	
Communication services	12.65	9.36
Energy	16.46	3.87
Industrials	3.48	8.15
Technology	1.02	25.58
Defensive	**54.74**	
Consumer defensive	18.01	6.51
Health care	19.40	13.70
Utilities	17.33	2.74



Source: Morningstar Direct

Low-Risk Businesses

The fund's distributions come from holdings in well-established companies. "Our companies (which Peris does not comment on individually) are fairly mature," Peris said "They have cash flows. They're generally engaged in activities that are not speculative. They are in food, beverages, tobacco, household products. They are utilities, phone companies, integrated energy companies and miscellaneous other relatively low-risk businesses."

Health care was the fund's largest sector, with an 18.3% weighting as of Feb. 28. AbbVie **(ABBV)**, whose pharmaceutical products treat cancer and other diseases, was the topmost holding of this fund that tries to be a friend for anyone focused on retirement planning.

Additional health-care holdings included pharmaceuticals drugmakers Pfizer **(PFE)**, Merck **(MRK)** and Bristol-Myers Squibb **(BMY)** as of Jan. 31.

Current yields range from Sanofi's **(SNY)** 2.4% to 4.7% for Gilead Sciences **(GILD)**. "We like health care for the same reason we've liked them for years," Peris said, "They pay high and rising dividends."

Among different varieties of health-care stocks, the fund has preferred "pharma because they are bigger dividend payers," Peris said.

The energy sector is another

place this fund finds fuel to drive shareholders' retirement planning.

Energy was the fund's second largest sector. It had a 17.5% weighting. Holdings include integrated oil and gas firms and energy pipeline companies. Oil prices have soared since early December. "Energy pipeline companies offer a long-term and steady revenue stream," Peris said.

None of the integrated firms was acquired amid the sector's recent run up, Peris says. All have been in the portfolio for years.

In fact, the fund's overall annual turnover rate is just 23% vs. 62% for all U.S. stock mutual funds.

Current yields by energy holdings are in a fairly tight range, from 3.3% for Chevron **(CVX)** to 5.9% for Enbridge **(ENB)**, a Canadian gas distributor.

The fund's highest yielding stock as of Feb. 28 was AT&T **(T)**. Yield, then 8.2%, is now 5.7%. Vodafone Group's 8.8% is now tops. Communications services — "phone companies," as Peris calls them — comprised the fund's fifth largest sector.

Consumer staples made up the fund's third biggest sector, with a 16.9% weighting. Current dividend yields range from 2.7% from Coca Cola **(KO)** to 6.8% from British American Tobacco **(BTI)**.

How do you decide how much yield is too high? The optimal yield is the maximum a company can pay without hurting its own ability to pay for future needs, Peris says. "We try to maximize the net present value of each business. We want to get as much income as possible without creating downstream business problems."

And why is the fund doing so well presently? A lot of investors, whether or not they're focused on retirement planning, are seeking safe haven in the Steady Eddie stocks this fund owns. "This portfolio has a lot of defensive stocks: utilities, phone companies — which for years you could not give away — and lots of old stand-bys," Peris said. "This is the type of stuff that, when outside risk is high and investors are spooked, investors decide there's not a lot that's wrong with these types of companies."

This must be preceded or accompanied by a prospectus for Federated Strategic Value Dividend Fund.

Average Annual Total Returns (%) and yield as of 3/31/22							
Federated Strategic Value Dividend Fund Class A	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**Since Inception (3/30/05)**	**Expense Ratio†**	**30-day SEC yield**
NAV	**19.33**	**8.60**	**7.32**	**9.34**	**7.41**	***1.18**	**3.02**
LOAD	**12.86**	**6.59**	**6.10**	**8.73**	**7.05**	****1.06**	

****Before Waivers **After Waivers***

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, visit FederatedInvestors.com or call 1-800-341-7400. Class A Share load returns reflect the maximum sales charge of 5.5%.

See the product page for more information on the fund's holdings, including performance contributors and detractors.

†The fund's expense ratio is from the most recent prospectus. The expense ratio may reflect voluntary fee waivers and/or expense reimbursements determined by the fund's Advisor and its affiliates. The voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of 01/01/2023 or the date of the fund's next effective prospectus.

The holdings, which are referenced in the article, made up the following percentages of Federated Strategic Value Dividend Fund's portfolio as of 3/31/22: Meta Platforms, 0.0%; Apple, 0.0%; Amazon, 0.0%; Netflix, 0.0%; Google, 0.0%; AbbVie, 5.0%; Pfizer, 1.9%; Merck & Co., 3.6%; Bristol-Myers Squibb, 2.5%; Sanofi's, 0.3%; Gilead Sciences, 3.7%; Chevron, 3.9%; Enbridge, 0.3%; AT&T, 2.2%; Vodafone, 3.1%; Coca-Cola, 0.0%; and British American Tobacco, 4.2%. The Fund is a managed portfolio and holdings are subject to change. Current and future portfolio holdings are subject to risk. The holdings percentages are based on net assets at the close of business on 3/31/22 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

30-day yield (also known as "SEC yield") is a compounded and annualized figure calculated according to a formula set by the SEC. The formula requires use of a specific methodology for calculating dividends and interest earned, and expenses accrued, during the period, and reflects the maximum offering price per fund share. The standardized computation is designed to facilitate yield comparisons among different funds.

The trailing 12-month yield represents the average yield of the underlying securities within the portfolio. The average yield is a weighted average calculated by assigning a weight to each of the underlying securities in the portfolio based upon the portion of total assets of the portfolio each underlying security represents.

Although the fund seeks to provide income and long-term capital appreciation by investing in high-dividend paying stocks with dividend growth potential, there is no guarantee that it will achieve its investment objectives.

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.

The S&P 500 Index is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Investments cannot be made in an index.

The SPDR S&P 500 trust trades on the NYSE under the symbol "SPY." SPDR is an acronym for the Standard & Poor's Depositary Receipts. It is designed to track the S&P 500 stock market index.

Performance data and rankings quoted in the article are according to Morningstar as of 4/18/22 and are for Class A shares at NAV.

Fund assets quoted in this article are as of 4/18/22.

As of 3/31/22, Morningstar ranked the Federated Strategic Value Dividend Fund (A) in the 4th percentile for the 1-year period, the 96th percentile for the 3-year period, the 96th percentile for the 5-year period, and the 97th percentile for the 10-year period out of 1215, 1146, 1047 and 770 Large Value funds, respectively. Morningstar rankings are based on total return and do not take sales charges into account.

The fund offers additional classes of shares. Performance for these classes will differ due to differences in charges and expenses.
Total return may have been lower and the 30-day yield would have been 2.91% in the absence of temporary expense waivers or reimbursements.

A word about risk:

Mutual funds are subject to risks and fluctuate in value.

Because the fund may allocate relatively more assets to certain industry sectors than others, the fund's performance may be more susceptible to any developments which affect those sectors emphasized by the fund.

There are no guarantees that dividend-paying stocks will continue to pay dividends. In addition, dividend-paying stocks may not experience the same capital appreciation potential as non-dividend paying stocks.

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

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