

Federated Hermes Strategic Value Dividend Fund

9/30/20

Fund facts

Performance inception date

3/30/05

Benchmark

Dow Jones U.S. Select Dividend Index

Morningstar category

Large Value

Lipper classification

Equity Income Funds

Fund assets

\$6.9 billion

Ticker symbols

R6 Shares - SVALX

Institutional Shares - SVAIX

A Shares - SVAAX

C Shares - SVACX

Key investment team

Daniel Peris, Ph.D., CFA®

Deborah Bickerstaff

Jared Hoff

Michael Tucker

Yields (%)

30-day yield (R6) 4.50

30-day yield (IS) 4.48

30-day yield (A) 3.98

12-month yield (R6) 4.40

12-month yield (IS) 4.38

12-month yield (A) 4.15

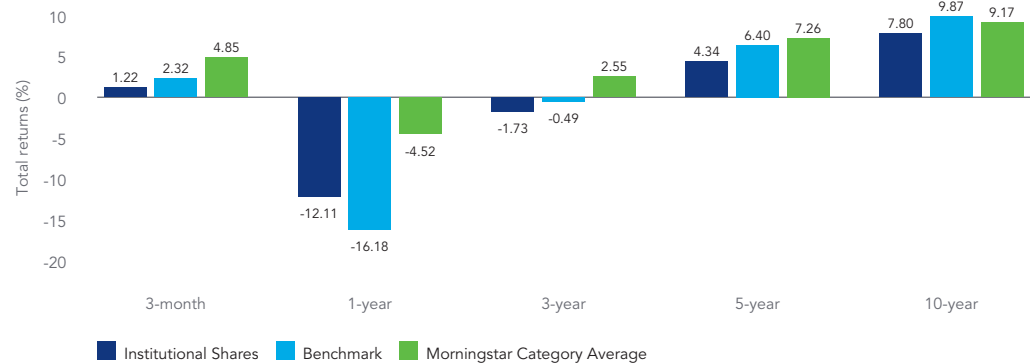
Fund description

The fund pursues income and long-term capital appreciation by investing primarily in high-dividend-paying stocks with dividend growth potential. It seeks to provide a substantially higher yield than the broad market.

Average annual total returns (%)

Performance shown is before tax.

	3-month	YTD	1-year	3-year	5-year	10-year	Since inception	Expense ratio* Before waivers	After waivers
R6 Shares	1.22	-16.34	-12.09	-1.71	4.34	7.73	5.76	0.86	0.79
Institutional Shares	1.22	-16.20	-12.11	-1.73	4.34	7.80	5.98	0.93	0.81
A Shares (NAV)	1.16	-16.45	-12.40	-1.98	4.06	7.54	5.70	1.18	1.06
A Shares (MOP)	-4.43	-21.03	-17.28	-3.81	2.89	6.93	5.32	1.18	1.06
Benchmark	2.32	-19.86	-16.18	-0.49	6.40	9.87	-	-	-



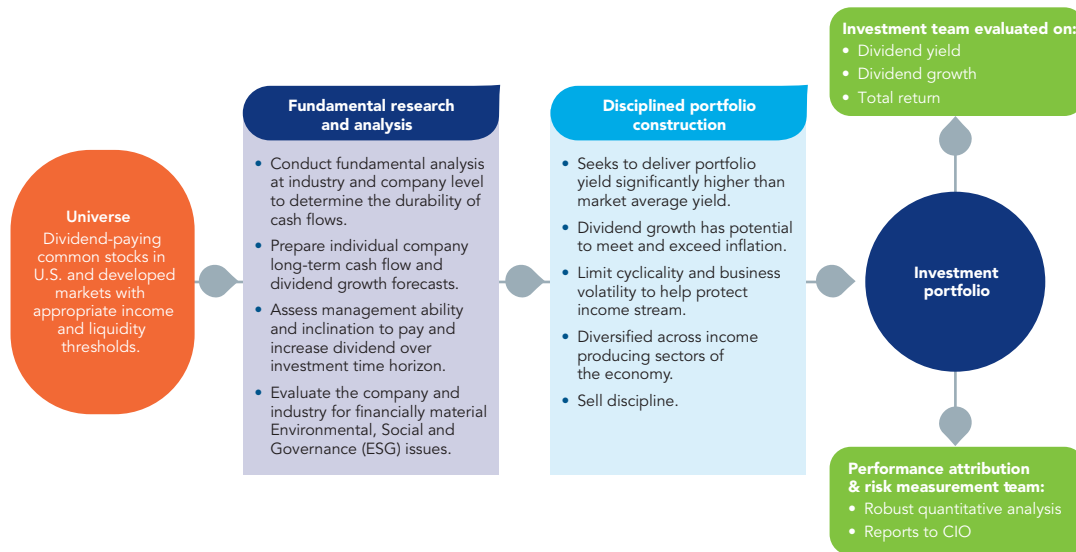
Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	19.60	-8.21	15.14	10.39	3.87	11.54	21.93	6.92	14.96	11.18
Benchmark	23.11	-5.94	15.44	21.98	-1.64	15.36	29.06	10.84	12.42	18.32
S&P 500 Index	31.49	-4.39	21.82	11.95	1.37	13.68	32.38	16.00	2.11	15.06
Morningstar Category Average	25.04	-8.53	15.94	14.81	-4.05	10.21	31.21	14.57	-0.75	13.66

Performance 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, contact us or visit FederatedInvestors.com. Maximum offering price figures reflect the maximum sales charge of 5.5% for A Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund. Total returns for periods of less than one year are cumulative.

* 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 1/1/21 or the date of the fund's next effective prospectus.

Investment process



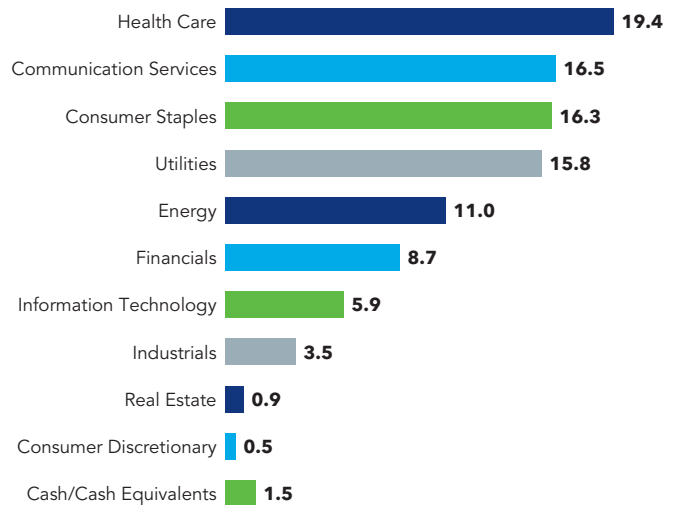
Portfolio statistics

Weighted median P/E (NTM)	13.3x
Median 3-year average payout ratio	66.15
Weighted average EPS growth next 5 years	6.46
Weighted median market cap	\$116.8 b
Weighted median price/book	2.5x
Number of securities	41
Foreign securities	24.96%
Annual portfolio turnover	37.83%

Top holdings (%)

Verizon Communications	5.2
AT&T, Inc.	5.0
Philip Morris International Inc.	5.0
AbbVie Inc.	4.6
Pfizer, Inc.	4.5
Chevron Corp.	3.7
BCE, Inc.	3.6
Southern Co.	3.5
British American Tobacco PLC	3.4
Duke Energy Corp.	3.4
Total % of portfolio	41.9

Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 9/30/20 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment mix will change.

Highlights

- Federated Hermes Strategic Value Dividend Fund provided a 30-day SEC yield of 3.98% and a gross weighted average dividend yield of 5.15% at quarter end
- This surpassed not only the broad market represented by the S&P 500 Index with its 1.68% yield, and the 10-year U.S. Treasury note at 0.69%, but it also exceeded the 4.95% yield of the Dow Jones Select Dividend Index
- In the trailing 12-month period, 25 companies within the fund raised their dividends, accounting for 25 increases overall, and four companies reduced their dividends
- Optimism surrounding vaccines and a better-than-feared earnings season caused the market to continue to post the best third quarter since 2010
- The risk-on market was apparent as cyclical, high-beta, low-yielding investments outperformed

Looking back

After their best five-month stretch in decades, U.S. equities gave ground in September but still closed up strongly for the third quarter, lifted by a surprisingly strong economic recovery off the Covid bottom, an improving earnings outlook and an ultra-dovish Federal Reserve.

Typically tough September seasonality may have played a role, but stocks pulled back on the failure of Congress and the White House to come up with more stimulus as the number of coronavirus cases began to climb again and previous aid began to run out. There also were signs that outsized improvements in the economy may moderate in coming months. Still, while colleges and schools struggled with openings and at-home learning, there was little indication a new wave of lockdowns and stay-at-home orders was likely, in part because even as cases rose, death and hospitalization rates remained contained. While jobless claims leveled somewhat at still-high levels—less than half of jobs lost to the pandemic have been recovered so far—companies continued to add to payrolls, while both housing and manufacturing activity accelerated above pre-pandemic levels. In fact, new and existing home sales are now at 14-year highs. Consumer moods also perked up and household spending held up.

The high-beta, cyclical chase continued to dominate the market in the third quarter. As noted in factor performance, when quintiling the S&P 500, high yield underperformed low yield by 14.39% and low beta underperformed high beta by 1.48%. Although Information Technology was not the top-performing sector, it remains the top contributor in the S&P 500, accounting for 37% of the market's total performance with its notable 28% weight. To highlight further the narrow market leadership, the FAANGs accounted for 32% of total performance. In fact, Apple alone with its 7% weight accounted for 18% of total market performance as it became the first U.S. public company to surpass \$2 trillion in market value.

Performance

The fund ended the quarter with a return of 1.16% (A Shares at NAV), while the Dow Jones Select Dividend Index and the S&P 500 posted returns of 2.32% and 8.93%, respectively.

Performance contributors

- Industrials was the strongest contributing sector, led by United Parcel Services
- Consumer Staples was also additive to performance, led by strong performance from Philip Morris, Unilever and Coca-Cola
- Utilities and Financials also notably contributed to performance, led by Canadian Imperial Bank of Commerce and Duke Energy

Performance detractors

- Low beta and high yield underperformed during the month, which challenges a high-yield, low-volatility dividend strategy
- Energy was the largest detractor on declining oil prices and worse-than-expected earnings from ExxonMobil and Chevron
- Information Technology also detracted from performance as Cisco Systems declined 14.88%

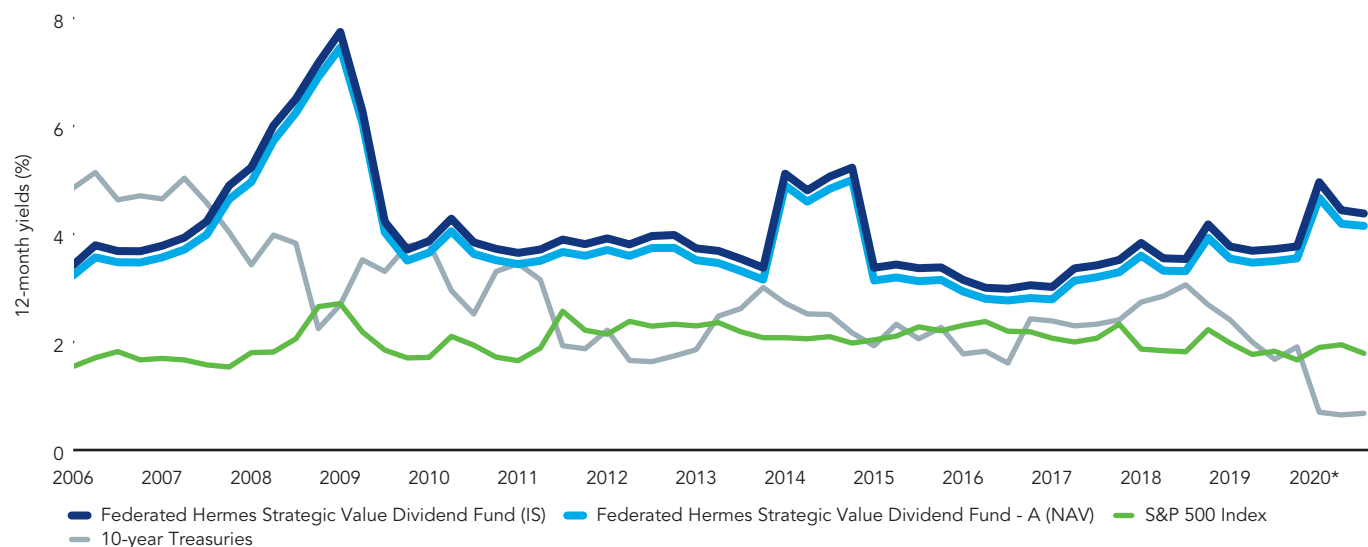
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How we are positioned

The fund remains concentrated in Consumer Staples, Pharmaceuticals, Telecom Services and Utilities. These segments contain the dividend-friendly stocks that the fund seeks, enabling the strategy to provide investors with a high dividend yield complemented with dividend growth. That dividend growth can help the fund both sustain its high yield and outpace inflation. Furthermore, stocks that consistently pay and increase their dividends tend to have lower volatility, as reflected in the fund's beta 0.72 (Factset 3-year beta versus the S&P calculated using the monthly return). Notwithstanding current market conditions, Federated Hermes Strategic Value Dividend Fund will remain committed to its objectives of providing a high and rising income stream from high-quality business assets and will not alter its investment style based on near-term market preferences.

See disclosure section for important disclosures and definitions.

The fund delivered higher yield



Source: Federated Hermes

Yields for other classes will vary.

* As of 9/30/20

Risk statistics

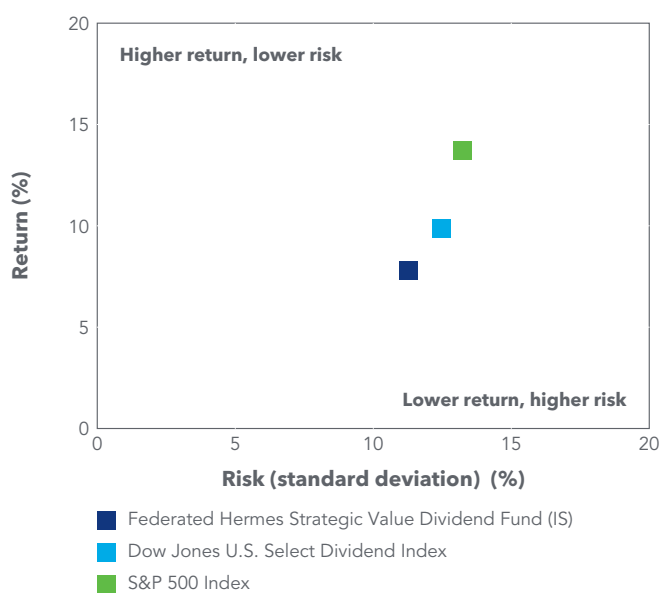
	3-year	5-year	7-year	10-year
Standard deviation	14.87	13.03	12.06	11.27
Beta	0.72	0.69	0.69	0.64
Correlation	0.86	0.79	0.78	0.75
Up capture ratio	50.17	55.35	63.11	62.46
Down capture ratio	91.05	79.94	82.22	68.07
Sharpe ratio	-0.22	0.24	0.37	0.63

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. S&P 500 Index

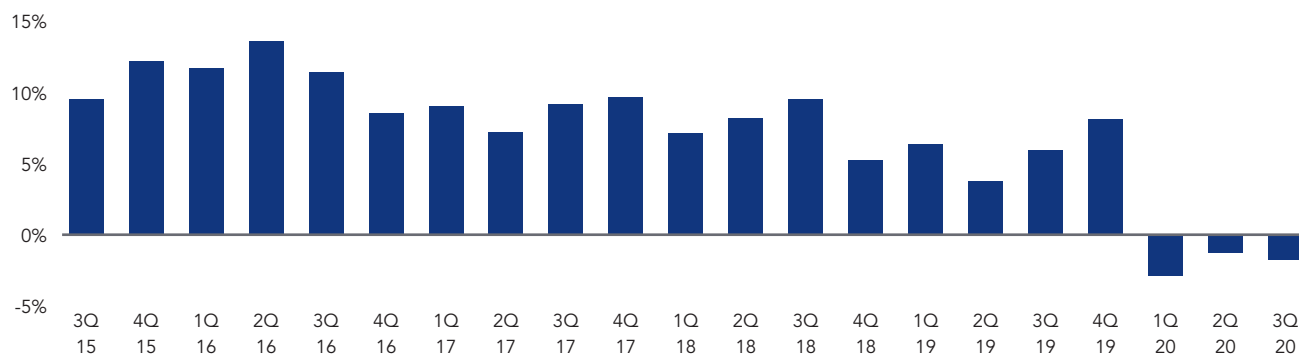
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10-year risk/return



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3-year rolling returns (IS)



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Category rankings

Morningstar Large Value Category

		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	93	92	92	84
	Morningstar Category Rank	1,126 of 1,205 funds	1,038 of 1,129 funds	–	–
IS Shares	Morningstar Category % Rank	93	92	92	84
	Morningstar Category Rank	1,128 of 1,205 funds	1,041 of 1,129 funds	911 of 992 funds	593 of 716 funds
A Shares	Morningstar Category % Rank	93	93	93	87
	Morningstar Category Rank	1,135 of 1,205 funds	1,053 of 1,129 funds	924 of 992 funds	618 of 716 funds

Lipper Equity Income Funds

		1-year	3-year	5-year	10-year
R6 Shares	Lipper Classification % Rank	92	94	–	–
	Lipper Classification Rank	414 of 451 funds	393 of 419 funds	–	–
IS Shares	Lipper Classification % Rank	93	94	92	85
	Lipper Classification Rank	416 of 451 funds	394 of 419 funds	332 of 363 funds	188 of 221 funds
A Shares	Lipper Classification % Rank	93	95	93	90
	Lipper Classification Rank	418 of 451 funds	397 of 419 funds	336 of 363 funds	198 of 221 funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

Federated Hermes Strategic Value Dividend Fund

As of June 29, 2020, the fund was renamed Federated Hermes Strategic Value Dividend Fund.

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. For an indefinite period of time, the investment advisor is waiving all or part of its fee and, in addition, may reimburse the fund for some of its expenses. Otherwise, the yield would have been 4.41% for R6 Shares, 4.34% for Institutional Shares, and 3.85% for A Shares.

The 12-month yield is the sum of a fund's total trailing 12-month interest and dividend payments divided by the last month's ending share price (NAV) plus any capital gains distributed over the same period.

The fund's R6 Shares commenced operations on June 30, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's Institutional Shares adjusted to remove any voluntary waiver of fund expenses related to the fund's Institutional Shares that may have occurred during the periods prior to the commencement of operations of the fund's R6 Shares.

A word about risk

Mutual funds are subject to risks and fluctuate in value.

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.

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.

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

Definitions

Beta measures a portfolio's volatility relative to the market. A beta greater than 1.00 suggests the portfolio has historically been more volatile than the market as measured by the fund's benchmark. A beta less than 1.00 suggests the portfolio has historically had less volatility relative to the market.

Correlation is the degree to which one variable (here, the fund's returns) fluctuates relative to another (the returns of the fund's benchmark). Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

Median 3-year average payout ratio is the proportion of earnings paid out as dividends to shareholders, typically expressed as a percentage.

Sharpe ratio is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard deviation is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

Up capture ratio/down capture ratio is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

Weighted average dividend yield is a weighted average of the dividends of all the stocks in a portfolio.

Weighted average EPS growth next 5 years is the weighted average annual growth rate of fiscal year earnings-per-share for the next five years for a given corporation.

Weighted median P/E (NTM—next 12 months) is a ratio comparing share price to earnings-per-share using estimated data for the next 12 months.

Weighted median market cap is the calculation representing the median market capitalization of the stocks in the portfolio, weighted by the amount of each stock.

Weighted median price/book is a ratio comparing share price to book value or assets minus liabilities.

Dow Jones U.S. Select Dividend Index universe is defined as all dividend-paying companies in the Dow Jones U.S. Total Market Index that have a non-negative historical five-year dividend-per-share growth rate, a five-year average dividend earnings-per-share ratio of less than or equal to 60%, and a three-month average daily trading volume of 200,000 shares. Current index components are included in the universe regardless of their dividend payout ratio. The Dow Jones U.S. Total Market Index is a rule-governed, broad-market benchmark that represents approximately 95% of the U.S. market capitalization.

S&P 500 Index is an unmanaged capitalization-weighted index of 500 stocks designated to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Indexes are unmanaged and cannot be invested in directly.

Ratings and rating agencies

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