

# Federated Hermes Clover Small Value Fund



Tickers: IS: VSFIX | A: VSFAX

- Fund offers exposure to 70-90 small cap stocks, diversified across all market sectors
- Leverages a tenured investment team with decades of experience investing in value stocks
- Provides access to an investment strategy demonstrated over various market cycles since 1996

## A potential buying opportunity in small-cap value

History shows small-cap value has outperformed during and after high inflation

### High inflation periods

Annualized return (%) decades CPI exceeded 3% 1970-2022	1970s	1980s	2020 to 12/31/22
<b>Small-cap value</b>	15.13	21.54	11.70
<b>Large-cap value</b>	12.22	20.44	11.32
<b>Small-cap growth</b>	5.83	10.30	5.40
<b>Large-cap growth</b>	3.43	15.77	8.24

### Disinflation periods

Annual return (%) years with disinflation greater than 3% year over year	1975	1981	1982	1991	2008
<b>Small-cap value</b>	58.75	17.64	40.71	40.64	-33.81
<b>Large-cap value</b>	55.75	14.16	27.45	27.47	-39.05
<b>Small-cap growth</b>	61.82	-10.74	19.32	54.31	-40.75
<b>Large-cap growth</b>	34.41	-7.55	22.27	43.24	-34.10

Sources: Federated Hermes analysis, Fama French Small Value, Big Value, Big Growth and Small Growth Portfolios of all NYSE, AMEX and NASDAQ stocks for which data exists. For detailed information on portfolio construction, please see the disclaimers. **Past performance is no guarantee of future results.**

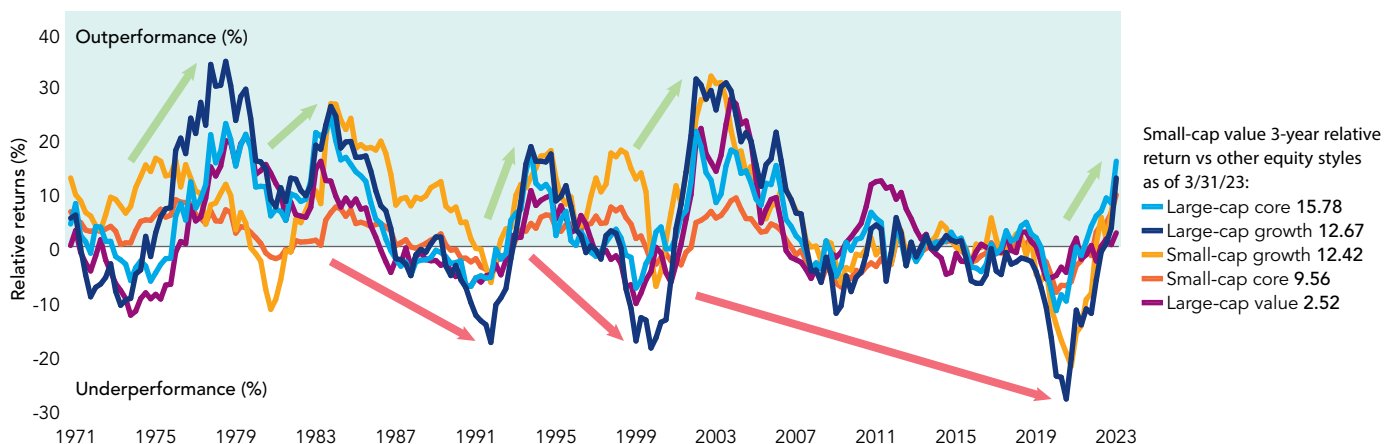
## Small-cap value performed better than large caps after the last five recessions

Relative return 12 months after recession	12/1/82 to 11/30/83	4/1/91 to 3/31/92	12/1/01 to 11/30/02	7/1/09 to 6/30/10	5/1/20 to 4/30/21
Small-cap value versus:					
<b>Small-cap growth</b>	23.63	10.31	21.91	18.28	-0.10
<b>Large-cap value</b>	18.92	7.43	24.19	19.11	25.97
<b>Large-cap growth</b>	32.39	15.00	18.35	21.39	48.86

Sources: Federated Hermes analysis, Fama French Small Value, Big Value, Big Growth and Small Growth Portfolios of all NYSE, AMEX and NASDAQ stocks for which data exists. For detailed information on portfolio construction, please see the disclaimers. **Past performance is no indication of future results.**

## Cycles of small-cap value beating other equity styles have occurred since 1970

The graph below shows the difference between the 3-year return of small-cap value stocks and the equity styles listed (3-year relative returns).

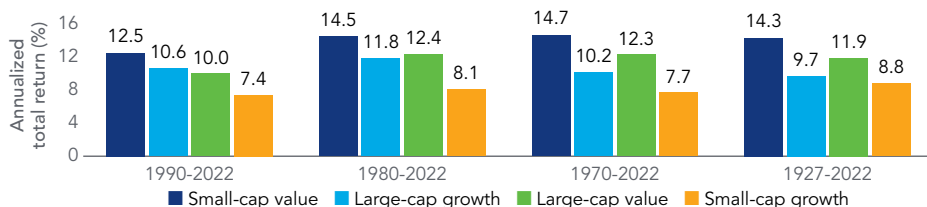


Sources: Federated Hermes analysis, Fama French Small Value, Big Value, Big Neutral, Big Growth, Small Neutral and Small Growth Portfolios of all NYSE, AMEX and NASDAQ stocks for which data exists. For detailed information on portfolio construction, please see the disclaimers. Relative three-year returns, rolling quarterly, using data from 1/1/70 to 3/31/23. **Past performance is no guarantee of future results.**

The above charts are for illustrative purposes only and are not representative of any specific investment.

**Not FDIC Insured • May Lose Value • No Bank Guarantee**

### Small-cap value has performed best long term



As of 12/31/22. Sources: Federated Hermes analysis, Fama French Small Value, Big Value, Big Growth and Small Growth Portfolios of all NYSE, AMEX and NASDAQ stocks for which data exists. For detailed information on portfolio construction, please see the disclaimers. Past performance is no guarantee of future results. For illustrative purposes only and not representative of any specific investment.

### Current valuations are attractive versus other equity styles

#### 3/31/23 P/E as a percentage of historical average P/E 1/31/01 to 3/31/23

	Value	Blend	Growth
Large	136.9%	142.7%	125.8%
Mid	124.2%	125.4%	132.8%
Small	84.8%	97.4%	100.0%

Last 12 months weighted median price-to-earnings ratio (P/E). Sources: FactSet, Federated Hermes analysis, Russell 1000®, 1000 Growth, 1000 Value, Midcap®, Midcap Growth, Midcap Value, 2000®, 2000 Growth and 2000 Value Indexes. For illustrative purposes only and not representative of any specific investment.

#### Key fund characteristics as of 3/31/23

- AUM: \$201.0 million
- Number of holdings: 91
- Active share<sup>1</sup>: 87.58%
- 3-year tracking error<sup>1</sup>: 4.67%

#### Investment team

- Lead portfolio manager has managed the fund since 2006
- Team of 10 portfolio managers and analysts
- 19 years average investment experience
- 13 years average experience at Federated Hermes

#### Investment strategy

- Focuses on small-cap companies with strong balance sheets trading below their intrinsic value
- Invests across the value spectrum (traditional/deep, cyclical, and relative value) to seek alpha in any market environment

### Total returns (%) as of 3/31/23

Share Class	Ticker symbol	Annualized					Expense Ratio*		
		3-month	1-year	3-year	5-year	10-year	Since inception 2/28/96	Before waivers	After waivers
<b>IS</b>	VSFIX	0.88	-6.58	26.69	6.16	7.63	9.92	1.21	0.89
<b>A (NAV)</b>	VSFAX	0.88	-6.75	26.41	5.89	7.37	9.78	1.46	1.14
<b>A (MOP)</b>	VSFAX	-4.67	-11.88	24.05	4.70	6.77	9.55	1.46	1.14
<b>Russell 2000® Value Index</b>	–	-0.66	-12.96	21.01	4.55	7.22	8.84	–	–

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](http://FederatedInvestors.com). Maximum offering price figures reflect the maximum sales charge of 5.5% for A Shares.

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or a prospectus containing this and other information, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com). Please carefully read the summary prospectus or the prospectus before investing.

Total return would have been lower in the absence of temporary expense waivers or reimbursements. Returns for periods of one year and less 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 12/1/24 or the date of the fund's next effective prospectus.

The performance information provided for the periods prior to August 28, 2009 is historical information of the Touchstone Diversified Small Cap Value Fund (the "Touchstone Small Fund"). The fund is the successor to the Touchstone Small Fund pursuant to a reorganization that took place on August 28, 2009.

**[Access the potential buying opportunity in small-cap value.](#)**  
**[Call 1-888-400-7838 to learn more.](#)**

<sup>1</sup> Active share and tracking error versus the Russell 2000® Value Index.

**Fama French equity style portfolios** are formed on size and book-to-market value and include NYSE, AMEX, and NASDAQ stocks for which market equity data and (positive) book equity data for exists. The portfolios, which are constructed at the end of each June, are the intersections of 2 portfolios formed on size (market equity, ME) and 3 portfolios formed on the ratio of book equity to market equity (BE/ME). The size breakpoint for year t is the median NYSE market equity at the end of June of year t. BE/ME for June of year t is the book equity for the last fiscal year end in t-1 divided by ME for December of t-1. The BE/ME breakpoints are the 30th and 70th NYSE percentiles. Fama French “Neutral” or core portfolios contain both value and growth stocks.

	Median ME	
70th BE/ME percentile	Small Value	Big Value
30th BE/ME percentile	Small Neutral/Core	Big Neutral/Core
	Small Growth	Big Growth

**Russell 1000® Index** is a stock market index used as a benchmark by investors. It is a subset of the larger Russell 300 index and represents the 1000 top companies by market capitalization in the United States

**Russell 1000 Growth Index** is designed to measure the performance of large-cap growth stocks in the United States.

**Russell 1000® Value Index** measures the performance of the large-cap value segment of the US equity universe.

**Russell Midcap® Index** is a market capitalization-weighted index comprised of 800 publicly traded U.S. companies with market caps of between \$2 and \$10 billion. The 800 companies in the Russell Midcap Index are the 800 smallest of the 1,000 companies that comprise the Russell 1000 index.

**Russell Midcap® Growth Index** is an unmanaged index that measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

**Russell Midcap® Value Index** measures the performance of the mid-cap value segment of the US equity universe.

**Russell 2000® Index** measures the performance of the small-cap segment of the US equity universe. The Russell 2000 index is a subset of the Russell 3000 index.

**Russell 2000® Growth Index** measures the performance of the small cap growth segment of the US equity universe.

**Russell 2000® Value Index** measures the performance of the small-cap value segment of the US equity universe.

Indexes are unmanaged and cannot be invested in directly.

**Active share** is a measure of the percentage of stock holdings in a portfolio that differs from the benchmark index.

**Tracking error** is the standard deviation of the difference between the returns of an investment and its benchmark.

## A word about risk

Mutual funds are subject to risks and fluctuate in value.

The fund may invest in small capitalization (or “small-cap”) companies. Small-cap companies may have less liquid stock, a more volatile share price, unproven track records, a limited product or service base and limited access to capital. The above factors could make small-cap companies more likely to fail than larger companies and increase the volatility of the fund’s portfolio, performance and share price. Suitable securities of small-cap companies also can have limited availability and cause capacity constraints on investment strategies for funds that invest in them.

Value stocks may lag growth stocks in performance at times, particularly in late stages of a market advance.