

# Strategic Value Dividend SMA ("SVD")



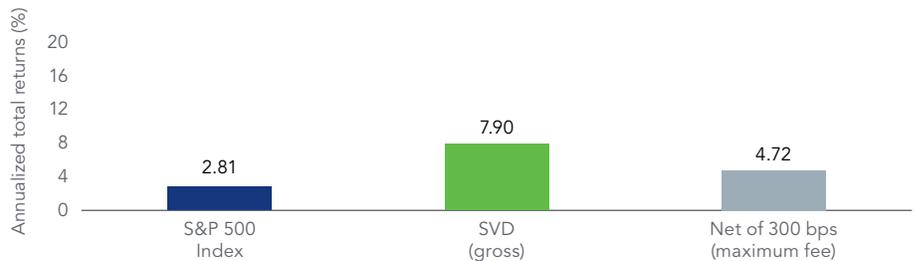
## Equity market conditions changed over the last 20 years — SVD didn't

Since SVD's 10/1/01 inception, its goals have been to generate high and rising income and shield investors from volatility. To show the results of SVD's income-first investment approach, we divided 20 years since SVD's inception into two decades and used the S&P 500 Index as a barometer of changing U.S. equity market conditions. Here's how SVD achieved its goals in both 10-year periods.

### Two decades, two different markets

The first 10 years following SVD's 10/1/01 inception included a number of risk-off market conditions, peppering the market with a period of yield curve inversion, a Federal Reserve interest rate hike cycle, the global financial crisis and subsequent Great Recession.

#### 10/1/01 to 9/30/11



	Dividend income (%)	Dividend growth (%)	Volatility (standard deviation) (%)
<b>SVD</b>	5.44	2.83	12.76
<b>S&amp;P 500 Index</b>	2.04	6.56	15.68

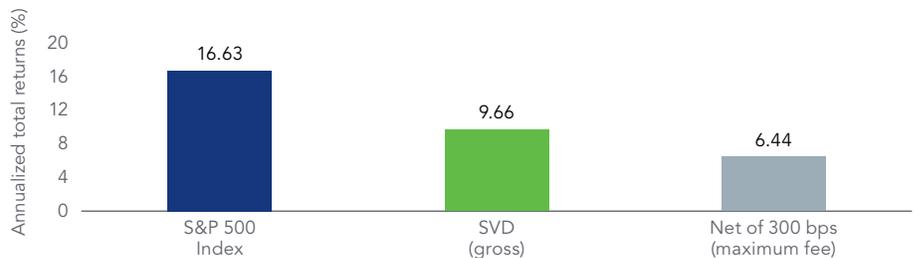
As of 9/30/11.

Sources: Standard & Poor's, Federated Hermes analysis.

**Past performance is no guarantee of future results.** Refer to the attached GIPS® report for additional information.

One of the strongest risk-on markets in history followed. Growth stocks (particularly technology stocks) drove stock market price appreciation. Meanwhile, fixed-income yields hit historic lows.

#### 9/30/11 to 9/30/21



	Dividend income (%)	Dividend growth (%)	Volatility (standard deviation) (%)
<b>SVD</b>	4.93	4.22	11.55
<b>S&amp;P 500 Index</b>	2.15	8.60	13.21

As of 9/30/21.

Sources: Standard & Poor's, Federated Hermes analysis.

**Past performance is no guarantee of future results.** Refer to the attached GIPS® report for additional information.

### In both decades, SVD's income-first approach delivered a consistent result.

## More than two decades delivering high dividend income, dividend growth and lower volatility

SVD has delivered the following outcomes since inception as of 3/31/22:

### High dividend income

- SVD has delivered a quarterly average gross dividend yield of 4.90%.
- Dividend income generated 5.17% of SVD's total return (gross).

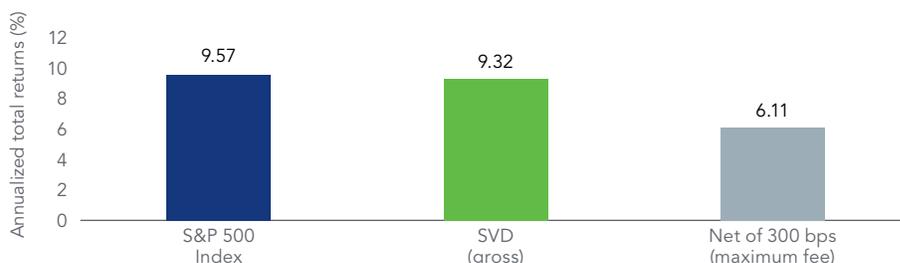
### Dividend growth

- Dividend growth generated 3.22% of SVD's total return (gross).

### Lower volatility and downside risk

- SVD's lower downside risk is shown by its beta versus the S&P 500 Index, which has remained consistently below 1.0.
- SVD's lower volatility is shown by its lower standard deviation versus the S&P 500 Index in most rolling periods.

### Since inception — total returns driven by dividend income and dividend growth



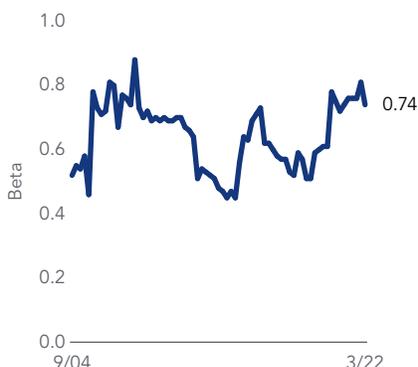
Since inception	Dividend income (%)	Dividend growth (%)	Volatility (standard deviation) (%)
<b>SVD</b>	5.17	3.22	12.24
<b>S&amp;P 500 Index</b>	2.08	7.29	14.64

As of 3/31/22. Sources: Standard & Poor's, Federated Hermes analysis.

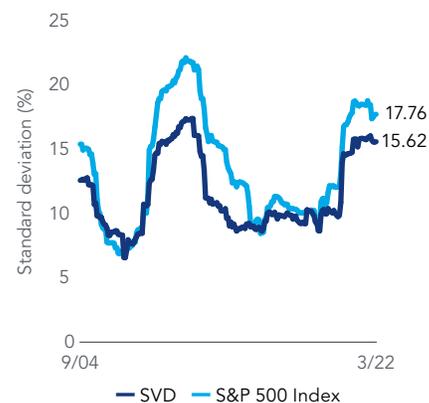
**Past performance is no guarantee of future results.** Refer to the attached GIPS® report for additional information.

### Since inception — lower volatility and downside risk vs. S&P 500 Index

#### 36-month rolling beta



#### 36-month rolling standard deviation



Since inception	Alpha	Beta	Upside/downside (gross) (%)
<b>SVD</b>	2.67	0.64	75.10/62.59

As of 3/31/22. Sources: Standard & Poor's, Federated Hermes analysis.

Left-hand graph: The blue line represents SVD's beta versus the S&P 500 Index over the last 36 months, rolling quarterly since inception 10/1/01 to 3/31/22 (71 periods).

Right-hand graph: The graph shows the S&P 500 Index's and the SVD's standard deviation over the last 36 months, rolling monthly since inception 10/1/01 to 3/31/22 (211 periods).

**Past performance is no guarantee of future results.** Refer to the attached GIPS® report for additional information.

[For more information call 1-888-400-7838.](tel:1-888-400-7838)

[Read more about the SVD SMA opportunity.](#)

### How might SVD's approach work in the decade to come?

- Dividends provide the potential for a steady stream of income that serves as a cushion, potentially enabling SVD to weather inevitable volatility.
- Dividend growth has the potential to provide inflation-protected income growth.
- Lower downside risk than the broad market has the potential to provide capital preservation.

## Schedule of rates of return and statistics

Composite Federated Hermes Strategic Value Dividend SMA  
 Index S&P 500; prior to Jan 22 Dow Jones U.S. Select Div; prior to Jan 07 Russell Midcap Value  
 Periods ending 3/31/2022

	Returns (%)		
	Composite pure gross return <sup>^</sup>	Index	Net composite return (assuming maximum fee)
<b>Q1 22</b>	6.80	-4.60	6.02
<b>YTD</b>	6.80	-4.60	6.02
<b>1 Year</b>	20.32	5.40	16.81
<b>3 Years (Annlzd)</b>	9.62	10.09	6.40
<b>5 Years (Annlzd)</b>	8.22	9.14	5.03
<b>7 Years (Annlzd)</b>	8.56	10.01	5.37
<b>10 Years (Annlzd)</b>	10.05	11.73	6.82
<b>15 Years (Annlzd)</b>	6.67	7.63	3.53
<b>20 Years (Annlzd)</b>	8.59	9.35	5.40
<b>Oct 01 - Mar 22 (Annlzd)<sup>^^</sup></b>	9.32	10.12	6.11

	Composite pure gross return (%) <sup>^</sup>	Composite net return (%)	Benchmark return (%)	*Composite 3-yr std dev	*Benchmark 3-yr std dev	Number of portfolios	**Dispersion	Composite assets (\$mil)	Firm assets (\$bil)
<b>2012</b>	7.53	4.37	10.84	10.48	11.50	6,300	0.47	1,817.0	371.3
<b>2013</b>	21.59	18.05	29.06	8.53	9.36	7,420	0.42	2,444.2	366.8
<b>2014</b>	12.34	9.05	15.36	8.92	9.04	6,412	0.23	2,223.3	349.3
<b>2015</b>	4.00	0.93	-1.64	9.97	9.91	6,982	0.21	2,303.9	343.4
<b>2016</b>	10.05	6.82	21.98	9.93	9.31	11,970	0.25	3,189.3	342.3
<b>2017</b>	15.64	12.26	15.44	9.11	7.69	13,884	0.16	3,918.8	354.7
<b>2018</b>	-7.89	-10.64	-5.94	9.83	8.92	10,330	0.21	2,526.3	377.2
<b>2019</b>	20.43	16.91	23.11	9.64	10.68	11,038	0.24	3,037.4	503.1
<b>2020</b>	-6.94	-9.71	-4.56	15.60	19.30	9,585	0.87	2,497.4	585.7
<b>2021</b>	22.89	19.32	32.24	15.52	20.10	9,776	0.41	3,062.5	634.2

<sup>^</sup>Pure gross returns are shown as supplemental and do not reflect the deduction of transaction costs.

<sup>^^</sup>Represents composite inception period. See additional notes to the schedule of rates of return and statistics.

\*Represents the 3-year annualized standard deviation for both the gross composite and the index returns. Statistic is used to measure the volatility of composite returns.

\*\*Standard deviation is calculated using gross returns. Standard deviation is not applicable ("N/A") for any period if fewer than five accounts are in the composite for that period. (See footnote 5)

This composite is comprised of all domestic portfolios investing in U.S. and foreign stocks that management believes will provide high yield, reasonable dividend growth and lower volatility in falling equity market environments, yet will provide potential participation in rising markets. Eligible portfolios are managed with wide latitude to choose the sectors and securities to fulfill the mandate. Within eligible portfolios, securities are selected based on a fundamental assessment of their financial strength, dividend yields, dividend growth rates, and performance during periods of market weakness. Portfolios in this composite implement the strategy using American Depositary Receipts (ADR) versus directly purchasing shares of companies on foreign exchanges. Investments in ADRs entail risks related to daily fluctuations in the value of currency, which may be more volatile in times of increased market risk. There are no guarantees that dividend-paying stocks will continue to pay dividends. Effective January 1, 2022, the index was changed to the S&P 500. As the portfolio does not directly seek to outperform a benchmark, the S&P 500 serves as a proxy for the broad U.S. equity market. The previous benchmark was the Dow Jones U.S. Select Dividend Index. The S&P 500 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. Indexes are unmanaged and cannot be invested in directly. Effective July 2013, performance for this composite is calculated in U.S. dollars net of foreign withholding taxes on dividends, interest, and capital gains. Individual tax rates may vary dependent on individual residency. Effective January 2016 accounts previously assigned to a platform-restricted composite may be eligible for inclusion in this composite. Accounts deemed by the portfolio manager to have a category restriction shall be excluded from this composite. A category is defined as a collection of investments with similar attributes such as industry classification, business sensitivity, social theme, or security features. Separate accounts eligible for this composite generally have a minimum of \$100,000 at the time of opening and are a part of an asset-based pricing program. Wrap fee accounts make up 100% of this composite for all time periods. This composite was created in December 2001. Federated Hermes has managed portfolios in this investment style since July 1997. Performance shown for 2001 is for a partial period starting on October 1, 2001. Federated Hermes claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS® standards. Federated Hermes has been independently verified for the period of January 1, 1992, through December 31, 2021. The verification report is available upon request. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Performance results are presented both net and gross of total wrap fees and reflect the reinvestment of income. "Pure" gross returns are shown as supplemental and do not reflect the deduction of transaction costs. Net returns reflect the deduction of a maximum fee. A fee equal to the highest anticipated wrap fee that a client could pay (3.00% annually as charged by the program sponsor, inclusive of up to a maximum investment advisory fee of 0.70%) is used. This total wrap fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size.

## Notes to the schedule of rates of return and statistics

1. Federated Hermes is a global, independent, multi-strategy investment management firm. For GIPS® purposes, Federated Hermes is defined to include the assets of registered investment companies that are advised or sub-advised by the various Federated Hermes advisory companies. Effective September 30, 2020, for GIPS® purposes the name of the firm was officially changed to Federated Hermes. Firm assets on this report exclude assets affiliated with Hermes GPE and the advisory-only, model-based assets that may be included in other reports providing total firm assets.
2. Interest income and dividends are recognized on an accrual basis. Returns include the reinvestment of all income.
3. All market values and performance information are valued in USD unless currency is denoted in composite description.
4. Annual composite dispersion is measured and presented using the asset weighted standard deviation of the gross returns of all of the portfolios included in the composite over the entire year. Prior to March, 2020 with regard to Federated Clover Investment Advisors composites, annual dispersion was measured using the equal weighted standard deviation of the returns of all the portfolios included in the composite over the entire year.
5. Composite dispersion does not measure the risk of the product presented, it simply measures the return variance among portfolios managed in a similar fashion. This variance can be affected by variations in cash flow or specific client parameters among the portfolios comprising the composites, as well as by execution of strategy across accounts.
6. See the composite description language for a discussion on appropriate fees currently applied to calculate composite performance. With regard to the institutional composites not managed by the MDT Advisers and Federated Hermes International teams, for the period July 1, 1992 through September 30, 2009, net of fee performance was calculated monthly by reducing the gross composite return by the highest actual fee of any account in the composite for that month, regardless of investment vehicle. Prior to July 1992, the maximum management fee for third quarter 1992 was used to calculate net of fee performance historically to inception of the composite. For those composites managed by the Federated Hermes International investment team, net composite results are based off model fees using the stated fee schedule. In addition, further fee information can be obtained from the firm's respective Forms ADV Part 2 Brochure Item 5.
7. Additional information regarding the policies for valuing investments, calculating performance, and preparing GIPS® reports, as well as a complete list and description of the firm's composites and pooled funds is available upon request.
8. Past performance is not indicative of future results.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
10. See disclosures on the Schedule of Rates of Return and Statistics Reports for additional information.

### Past performance is no guarantee of future results.

**Investors should be willing to accept the higher risk of investing in stocks compared to bonds. Stocks offer higher return potential, but their prices are more volatile than those of bonds.**

Views are as of 4/20/22 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.

Because this is a managed portfolio, the investment mix will change, and the holdings are not indicative of future portfolio composition. Marketplace conditions fluctuate suddenly and frequently, and investment manager's opinions may change.

Dividend income reflects the representative portfolio of the wrap composite.

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.

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

ESG factors may be considered in the investment analysis process in a manner that is complementary to and enhances the fundamental research and analysis process. Certain ESG factors may help identify business and operational risks or opportunities and add a contextual dimension to the overall evaluation of a security. Like any aspect of investment analysis, there is no guarantee that an investment strategy that considers ESG factors will result in performance better than or equal to products that do not consider such factors.

**Alpha:** Shows how much or how little return is generated, given the risk a portfolio takes. A portfolio with an alpha greater than 0 has earned more than expected given its beta—meaning the portfolio has generated excess return without increasing risk. A portfolio with a negative alpha is producing a lower return than would be expected given its risk.

**Average dividend yield since inception:** Represents the average of SVD's dividend yield at the end of each quarter beginning 3/31/02 and ending 3/31/22 (81 periods in total). The dividend yield represents the average yield of the underlying securities within the portfolio. The average yield is a gross 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.

**Beta:** Analyzes the market risk of a fund by showing how responsive the fund is to the market. The beta of the market is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the market in up markets and 10% worse in down markets. Usually the higher betas represent riskier investments.

**Dividend growth:** Is the increase of a security's annual dividend distribution to shareholders over a period of time.

**Standard deviation:** Standard deviation is a statistical measurement of dispersion about an average which depicts how widely the returns varied over a certain period of time. The higher the standard deviation, the greater the volatility.

**Upside/downside:** 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.

**S&P 500 Index:** 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.