

MACRO & MARKETS

Markets remained under pressure through September, as investors digested and reacted to critical economic data that helps steer monetary policy.

Inflation as measured by the CPI came in above expectations at 8.3% y/y, down from the June peak but remaining stubbornly high. Core CPI, which excludes food and energy categories, surprisingly reaccelerated to 6.3% y/y suggesting that higher prices may be taking hold in portions of the economy more challenging to reverse. Meanwhile labor market tightness remained unyielding with continued wage growth and a false start on unemployment, which ticked higher to 3.7% from 3.5% a month earlier but was driven by a return of workers to the labor force.

As a result, the Fed raised interest rates by 75bps for the 3rd straight meeting, pushing the Fed Funds rate to the highest level since the Financial Crisis. Reaction in equity markets was decisively negative in September with no discernable dispersion by size or style. The S&P 500 was down 9.2%, while the Russell 2000 Value (R2V) fell 10.2% with all sectors participating in the drawdown.

While consensus earnings expectations for the R2V have come down a modest 3.6% in September, the sharp index correction reflects lower willingness to pay for those earnings, pushing R2V valuation to record lows and potentially suggesting a lot of negativity is already priced in at current levels.

FUND HIGHLIGHTS & POSITIONING

The Federated Hermes Clover Small Value Fund (IS Class) was down 1.2% in 3Q22 but outperformed its Russell 2000 Value benchmark by 343 basis points, broadening its YTD excess return to 473 basis points. The Fund's strong relative performance extends to its Morningstar category where the IS Class outperforms its small value category on a qtd, ytd, 1, 3, 5, and 10-year time periods.

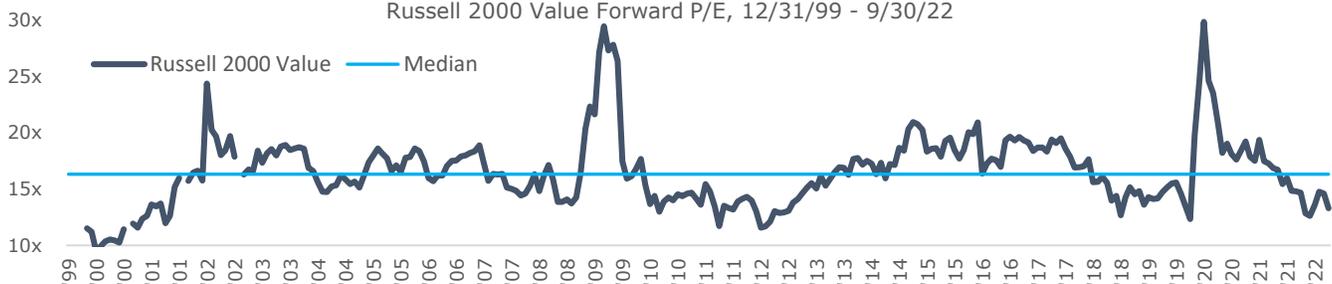
Benchmark outperformance this quarter was led by strong stock selection in Industrials aided by gains in positions tied to infrastructure spending, Financials with the acquisition of brokerage firm Cowen Inc. (COWN), and Consumer Discretionary where quick service restaurant Jack-in-the-Box (JACK) posted a strong rebound. Selection in Health Care and Energy detracted from performance.

Notable changes to portfolio positioning took place in September across several sectors:

- In Consumer Discretionary we exited Jack-in-the-Box (JACK) and started a new position in discount retailer Ollie's Bargain Outlets (OLLI) poised to benefit from consumer trade-down
- In Health Care we reallocated capital from exits of Syneos Health (SYNH) and Aurinia Pharmaceutical (AUPH) into a new position in plasma-derived biologics firm ADMA Biologics (ADMA)
- We added to defensive value positions across Industrials, Insurance and Consumer Staples

Valuation Pushes Toward Historical Lows

Russell 2000 Value Forward P/E, 12/31/99 - 9/30/22



Average annual total returns %** (as of 9/30/22)

Expense Ratio*

	1-year	5-year	10-year	Since Inception (2/28/96)	Before Waivers	After Waivers
IS	-12.10	4.04	8.09	9.71	1.23	0.89
A (NAV)	-12.29	3.78	7.82	9.57	1.48	1.14
A (MOP)	-17.12	2.62	7.22	9.34	1.48	1.14

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 charges of 5.5% for A Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund. Other classes of shares are available whose performance will vary due to different charges and expenses.

OUTLOOK

Looking forward we believe the Fed’s resolve toward restrictive monetary policy is further reinforced by stubbornly high inflation and a tight labor market. We believe rates will continue to rise in the near-term and the U.S. economy will face added pressure albeit on a lagged basis as monetary policy takes time to affect capital markets and business outcomes.

Our approach to positioning in this environment continues to be prudent balance, with a paramount focus on stock selection. We continue to target attractive relative value and defensive value opportunities that provide insulation from market volatility, as well as isolated deep value opportunities with powerful stock-specific catalysts. Meanwhile our cyclical value bets are beginning to lean into areas that exhibit improving supply/demand dynamics, as well as areas that have priced in significant cyclical deterioration that may prove too extreme.

PORTFOLIO PROFILE							
<i>The Balanced Income/Value team seeks to identify positive internal or external fundamental change with catalysts for value realization – a process that can be deployed throughout the economic cycle and across the value spectrum (to include deep, cyclical, and relative value)</i>							
<p>Revanche Therapeutics (RVNC) Revance is a biopharmaceutical producer, developing drug delivery and treatments for dermatology and aesthetic medicine. The company’s lead product candidate DaxibotulinumtoxinA for Injection (DAXI) is a highly purified botulinum toxin and competitor to market leader BOTOX.</p> 	<table border="0"> <tr> <td style="background-color: #003366; color: white; padding: 5px;">Leading asset DAXI is a long-lasting neurotoxin that has been shown to last 50-100% longer than BOTOX; FDA approval is expected in September 2022</td> <td style="background-color: #cccccc; padding: 5px; text-align: center;">Internal</td> </tr> <tr> <td style="background-color: #003366; color: white; padding: 5px;">DAXI launch allows Revance to go to market offering doctors a filler and neurotoxin bundle, accelerating share gains in the \$3.0b+ combined US market</td> <td style="background-color: #cccccc; padding: 5px; text-align: center;">Internal</td> </tr> <tr> <td style="background-color: #003366; color: white; padding: 5px;">Recent financing removes balance sheet overhang and provides non-dilutive funding to support a successful commercial launch of DAXI</td> <td style="background-color: #cccccc; padding: 5px; text-align: center;">Internal</td> </tr> </table>	Leading asset DAXI is a long-lasting neurotoxin that has been shown to last 50-100% longer than BOTOX; FDA approval is expected in September 2022	Internal	DAXI launch allows Revance to go to market offering doctors a filler and neurotoxin bundle, accelerating share gains in the \$3.0b+ combined US market	Internal	Recent financing removes balance sheet overhang and provides non-dilutive funding to support a successful commercial launch of DAXI	Internal
Leading asset DAXI is a long-lasting neurotoxin that has been shown to last 50-100% longer than BOTOX; FDA approval is expected in September 2022	Internal						
DAXI launch allows Revance to go to market offering doctors a filler and neurotoxin bundle, accelerating share gains in the \$3.0b+ combined US market	Internal						
Recent financing removes balance sheet overhang and provides non-dilutive funding to support a successful commercial launch of DAXI	Internal						

**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 12/01/22 or the date of the fund’s next effective prospectus.*

****Total return** represents the change in value after reinvesting all income and capital gains. Total return would have been lower in the absence of certain fund expense waivers or reimbursements.

Disclosures

Past performance is no guarantee of future results.

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.

Risk

Mutual funds are subject to risks and fluctuate in value. Diversification does not assure a profit nor protect against loss.

Current and future portfolio holdings are subject to risk.

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

The fund may invest in small capitalization (or “smallcap”) 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 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.

Holdings referenced within this newsletter and their percentages as of 9/30/22 are as follows: Cowen Inc (0.2%), Ollie’s Bargain Outlets (1.0%). ADMA Biologics (0.4%), Revance Therapeutics (1.2%). The holdings percentages are based on net assets at the close of business on the dates above 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.

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

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. Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. ©2022 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

All information is as of 9/30/2022 unless stated otherwise. Other classes of shares are available whose performance will vary due to different charges and expenses.

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 visit [FederatedInvestors.com](https://www.federatedinvestors.com). Please carefully read the summary prospectus or the prospectus before investing

Federated Securities Corp., Distributor 50763-IM (11/22)