

# Federated Hermes International Strategic Value Dividend Fund

6/30/20

## Fund facts

### Performance inception date

6/4/08

### Benchmark

MSCI World ex-U.S. High Dividend Yield Index

### Morningstar category

Foreign Large Value

### Lipper classification

International Equity Income Funds

### Fund assets

\$371.3 million

### Ticker symbols

R6 Shares - IVFLX

Institutional Shares - IVFIX

A Shares - IVFAX

C Shares - IVFCX

### Key investment team

Daniel Peris, Ph.D., CFA®

Deborah Bickerstaff

Jared Hoff

Michael Tucker

### Yields (%)

30 day yield (R6)	4.08
30 day yield (IS)	4.07
30 day yield (A)	3.60
12 month yield (R6)	3.84
12 month yield (IS)	3.83
12 month yield (A)	3.56

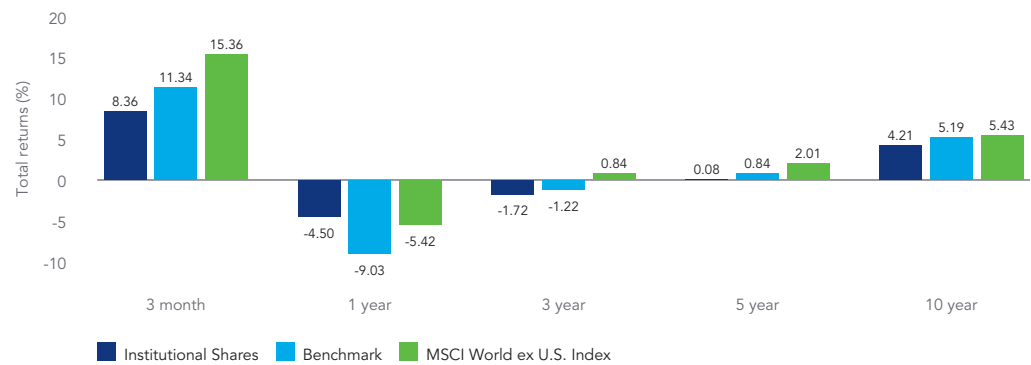
## Fund description

The fund pursues income and long-term capital appreciation by investing primarily in companies based outside the U.S., with a focus on high-dividend-paying stocks with dividend growth potential. It seeks to provide a substantially higher yield than the broad international 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
<b>R6 Shares</b>	8.73	-12.18	-4.21	-1.71	0.04	3.84	-3.31	0.94	0.85
<b>Institutional Shares</b>	8.36	-12.19	-4.50	-1.72	0.08	4.21	0.24	1.01	0.86
<b>A Shares (NAV)</b>	8.66	-12.30	-4.46	-1.96	-0.11	3.97	0.03	1.29	1.11
<b>A Shares (MOP)</b>	2.70	-17.07	-9.77	-3.81	-1.22	3.39	-0.44	1.29	1.11
<b>Benchmark</b>	11.34	-16.46	-9.03	-1.22	0.84	5.19	-	-	-



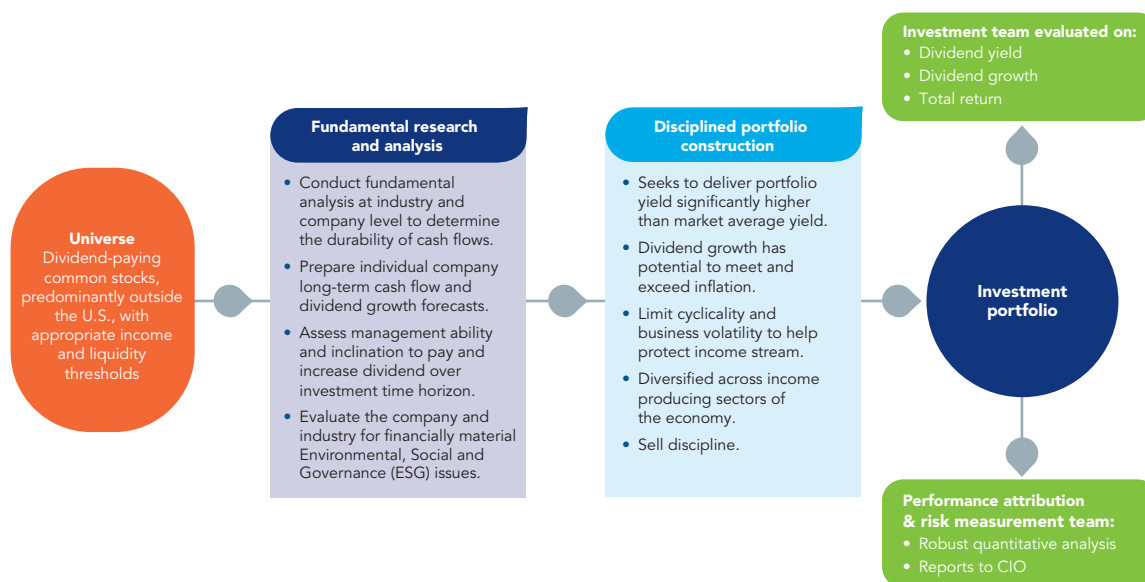
## Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
<b>Institutional Shares</b>	20.14	-11.99	14.63	0.94	-7.60	-2.84	12.80	13.05	2.98	3.06
<b>Benchmark</b>	23.72	-13.04	19.90	5.70	-9.80	-2.85	22.43	12.47	-1.50	0.99
<b>MSCI World ex U.S. Index</b>	22.49	-14.09	24.21	2.75	-0.81	-4.90	22.78	17.32	-12.14	7.75
<b>Morningstar Category Average</b>	17.80	-15.44	22.08	3.34	-3.10	-6.32	21.00	16.21	-12.93	7.48

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. 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 2/1/21 or the date of the fund's next effective prospectus.

## Investment process



## Portfolio statistics

Weighted median P/E (NTM)	16.0x
Median 3 year average payout ratio	71.31
Weighted average EPS growth next 5 years	6.13
Weighted median market cap	\$41.7 b
Weighted median price/book	2.1x
Number of securities	42
% of emerging markets	1.88%

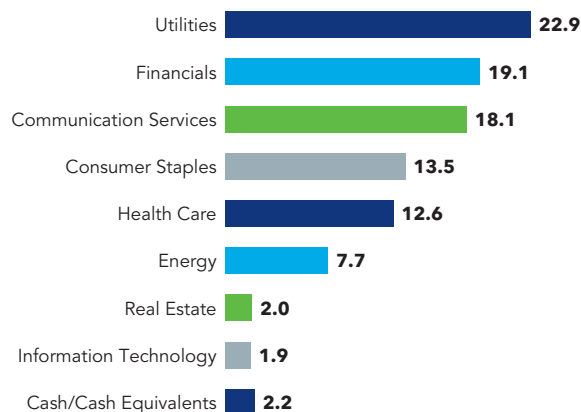
## Top holdings (%)

National Grid PLC	4.7
BCE, Inc.	4.3
Enbridge Inc.	4.3
Munich Re Group	4.1
Unilever PLC	3.7
Canadian Imperial Bank of Commerce	3.5
Telus Corp.	3.5
Zurich Insurance Group AG	3.4
Admiral Group PLC	3.3
Sanofi	3.3
Total % of Portfolio	38.1

## Country weightings (%)

Canada	24.1	Hong Kong	2.3
United Kingdom	22.6	Cash/Cash Equivalents	2.2
Italy	9.3	Japan	1.9
Germany	8.5	Australia	1.8
France	8.3	Finland	1.6
Switzerland	7.3	Norway	1.3
United States	4.6	Mexico	1.0
Spain	2.3	Brazil	0.9

## Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 6/30/20 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 International Strategic Value Dividend Fund provided a 30 day SEC yield of 3.60% (A shares at MOP) and a gross weighted average dividend yield of 4.95% at period end.
- This was well ahead of the 2.84% weighted average yield provided by the MSCI World ex-U.S. Index and slightly trailing the 5.31% yield provided by the fund's benchmark MSCI World ex-U.S. High Dividend Yield Index.
- For the rolling one-year period, 31 companies raised their dividends, accounting for 32 increases overall.
- The fund underperformed the broad market in the second quarter of 2020 as investors reacted with positive sentiment to cyclical stocks as countries began to relax Covid-19 restrictions and reopen economies.

## Looking back

Amidst the market volatility during the quarter, the fund remained committed to meeting its objectives of delivering a high level of dividend income and moderate dividend growth. Nonetheless, distributions of three holdings owned in the June year-to-date period were impacted by the Covid-19 crisis. U.K.-based paper and packaging company Mondi announced the cancellation of its final dividend. Separately, U.K. auto insurer Admiral suspended its previously-declared special dividend. French reinsurance holding Scor complied with the French regulator's guidance that insurance companies must refrain from proposing the distribution of dividends before October 2020. Current regulatory, economic, political and social conditions have raised the level of uncertainty surrounding dividend distributions and, as a result, temporary interruptions to otherwise stable dividend streams may occur.

During the quarter, global equities rebounded from the lows experienced in March 2020 as the coronavirus infection curve began to flatten, initial vaccines/treatments showed positive results and stimulus measures taken by Congress restored some positive market sentiment to investors. These factors encouraged the shift to a risk-on market environment as cyclical, high-beta/low-yielding investments outperformed in the quarter. U.S. equities fared better than the broader global equity market for the quarter as the S&P 500 returned 20.54% while the MSCI World ex-U.S. Index returned 15.34%. Within the broad international market, returns across all GICS sectors were all positive, with the cyclical sectors of Information Technology, Consumer Discretionary and Materials posting the highest returns while Energy, Consumer Staples and Real Estate posted the weakest performance in the period. Typical of a risk-on market, within the broadly based MSCI World ex-U.S. Index, the lowest-beta quintile underperformed the highest quintile by 19.07%, and the highest-yielding equity quintile continued to underperform the lowest-yielding quintile by 10.95%.

## Performance

Federated Hermes International Strategic Value Dividend Fund generated a total return of 8.66% (A Shares at NAV) in the second quarter of 2020. This compares to a return of 11.34% for the fund's benchmark MSCI World ex-U.S. High Dividend Yield Index and a 15.34% return for the broad-based MSCI World ex-U.S. Index. With the fund's investments in the dividend income-producing segment of the international market, and its 3 year beta versus the MSCI World ex-U.S. Index of 0.79, the strategy's short-term returns are not expected to move in line with the broad market.

### Performance contributors

- Financials (19.13% ending weight) provided the portfolio with the highest sector contribution to total return.
- The fund's Health Care investments (12.63% ending weight) also provided the portfolio with a positive contribution with a weighted average return of 15.58%.
- Utilities (22.93% ending weight) contributed positive returns to the fund's performance with a weighted average return of 8.11%.

### Performance detractors

- Low-beta and high-yielding equities continued to lag the broad market during the quarter.
- Materials generated the weakest sector returns in the quarter.
- Other notable detractors included NTT DoCoMo, BP and Telefonica Brasil.

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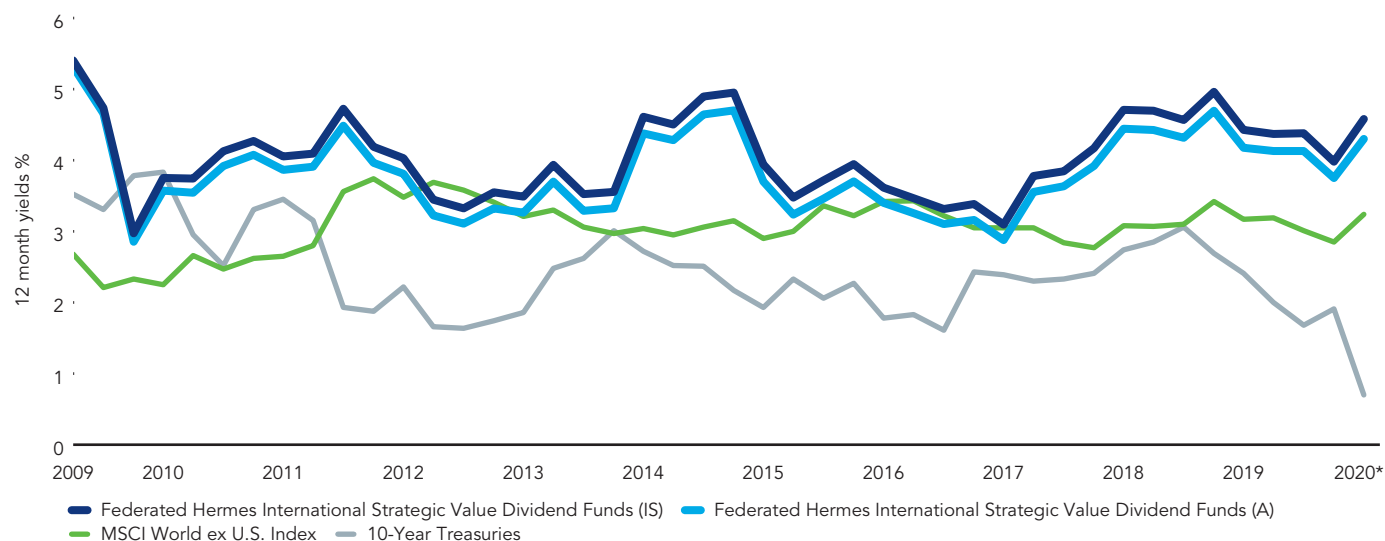
## How we are positioned

Looking ahead, July promises to post a number of challenges to the rally, led by a second-quarter gross domestic product report that is expected to show the economy contracted at its fastest rate since the Great Depression and earnings reports that are certain to be ugly. The big question on the latter front will be what, if any, guidance companies can give to the remainder of the year given the ongoing devastation the pandemic has dealt across a range of industries and the uncertainty over when it may be brought under control.

While macroeconomic data points such as these can impact share price movements in the near term, Federated Hermes International Strategic Value Dividend Fund remains committed to its focus on long-term drivers of total return: dividend yield and dividend growth. To pursue those goals, the fund remains concentrated in Consumer Staples, Integrated Energy, Health Care Pharmaceuticals, Telecom Services, Utilities and high-quality banks and insurers.

*See disclosure section for important disclosures and definitions.*

## The fund delivered higher yield



Source: Federated Hermes

Yields for other classes will vary.

\* As of 6/30/20

## Risk statistics

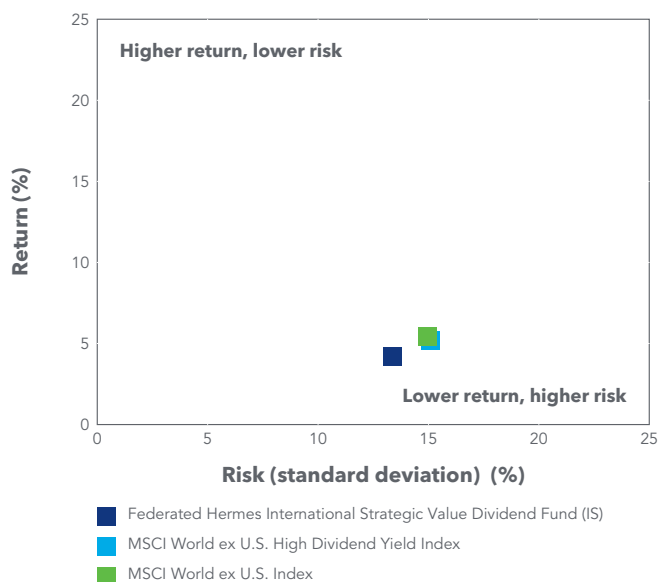
	3 year	5 year	7 year	10 year
<b>Standard deviation</b>	13.33	12.43	12.21	13.36
<b>Beta</b>	0.80	0.79	0.81	0.84
<b>Correlation</b>	0.94	0.91	0.92	0.95
<b>Up capture ratio</b>	72.58	75.54	78.51	81.73
<b>Down capture ratio</b>	77.23	79.05	82.95	82.39

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. MSCI World ex U.S. Index

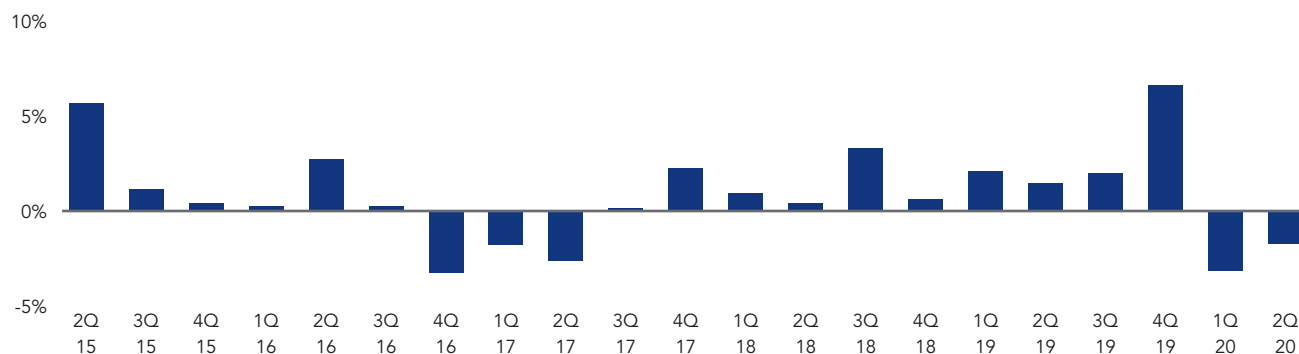
**See disclosure section for important definitions.**

## 10 year risk/return



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## 3 year rolling returns (IS)



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## Category rankings

### Morningstar Foreign Large Value Category

		1 year	3 year	5 year	10 year
<b>R6 Shares</b>	Morningstar Category % Rank	7	22	32	39
	Morningstar Category Rank	16 of 330 Funds	56 of 302 Funds	-	-
<b>IS Shares</b>	Morningstar Category % Rank	8	23	32	40
	Morningstar Category Rank	19 of 330 Funds	58 of 302 Funds	55 of 258 Funds	56 of 171 Funds
<b>A Shares</b>	Morningstar Category % Rank	8	27	35	50
	Morningstar Category Rank	18 of 330 Funds	68 of 302 Funds	63 of 258 Funds	69 of 171 Funds

### Lipper International Equity Income Funds

		1 year	3 year	5 year	10 year
<b>R6 Shares</b>	Lipper Classification % Rank	21	48	-	-
	Lipper Classification Rank	19 of 93 Funds	41 of 86 Funds	-	-
<b>IS Shares</b>	Lipper Classification % Rank	28	49	57	45
	Lipper Classification Rank	26 of 93 Funds	42 of 86 Funds	39 of 68 Funds	17 of 37 Funds
<b>A Shares</b>	Lipper Classification % Rank	27	52	64	50
	Lipper Classification Rank	25 of 93 Funds	45 of 86 Funds	44 of 68 Funds	19 of 37 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 International Strategic Value Dividend Fund

As of June 29, 2020, the fund was renamed Federated Hermes International 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 3.89% for Institutional Shares, 3.40% for A Shares, and 3.90% for R6 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 January 27, 2017. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for Institutional Shares, adjusted to remove any voluntary waiver of fund expenses related to the fund's Institutional Shares that occurred during the period 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

**MSCI World ex U.S. High Dividend Yield Index** is based on the MSCI World ex U.S. Index, its parent index, and includes large- and mid-cap stocks across 22 of 23 Developed Markets countries. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. The index also applies quality screens and reviews 12-month past performance to omit stocks with potentially deteriorating fundamentals that could force them to cut or reduce dividends.

**MSCI World ex U.S. Index** captures large- and mid-cap representation across 22 of 23 Developed Markets countries—excluding the United States. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Indexes are unmanaged and cannot be invested in directly.

**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.

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

**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.

### Ratings and rating agencies

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