

# Federated Hermes International Strategic Value Dividend Fund

9/30/20

## 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

\$369.8 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) 4.01

30-day yield (IS) 4.01

30-day yield (A) 3.54

12-month yield (R6) 3.88

12-month yield (IS) 3.87

12-month yield (A) 3.62

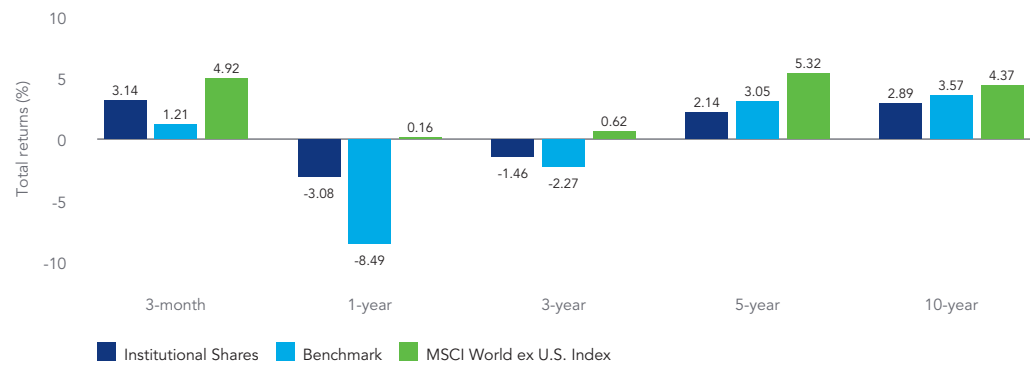
## Fund description

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>	3.14	-9.43	-3.07	-1.44	2.12	2.61	-3.00	0.94	0.85
<b>Institutional Shares</b>	3.14	-9.44	-3.08	-1.46	2.14	2.89	0.49	1.01	0.86
<b>A Shares (NAV)</b>	2.75	-9.89	-3.62	-1.72	1.84	2.65	0.25	1.29	1.11
<b>A Shares (MOP)</b>	-2.82	-14.79	-8.91	-3.54	0.67	2.07	-0.21	1.29	1.11
<b>Benchmark</b>	1.21	-15.45	-8.49	-2.27	3.05	3.57	-	-	-



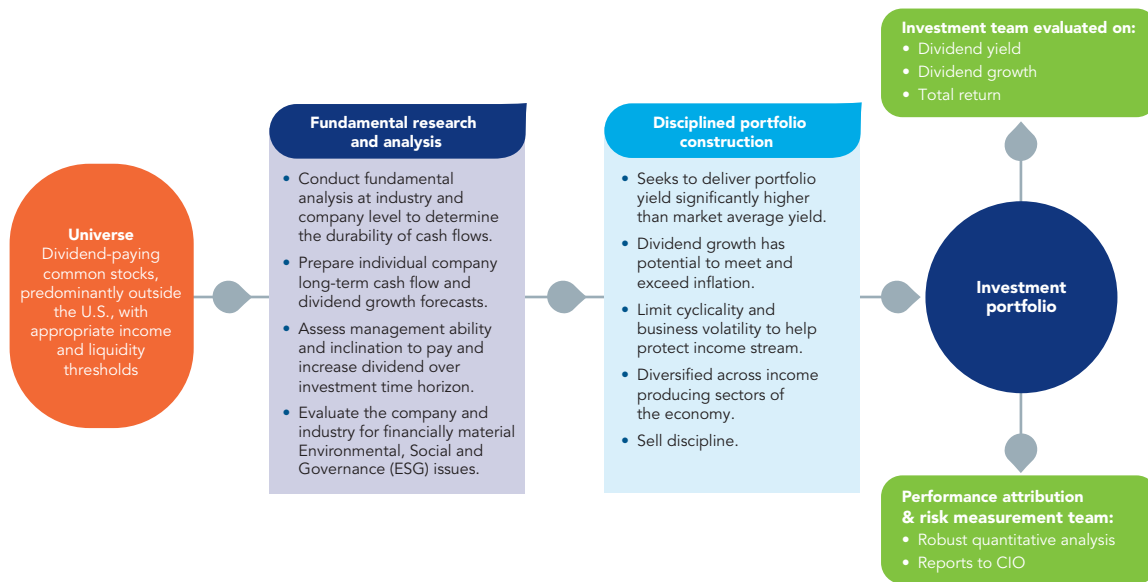
## Calendar year returns (%)

	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)	14.4x
Median 3-year average payout ratio	71.31
Weighted average EPS growth next 5 years	6.58
Weighted median market cap	\$37.4 b
Weighted median price/book	2.2x
Number of securities	42
% of emerging markets	2.91%

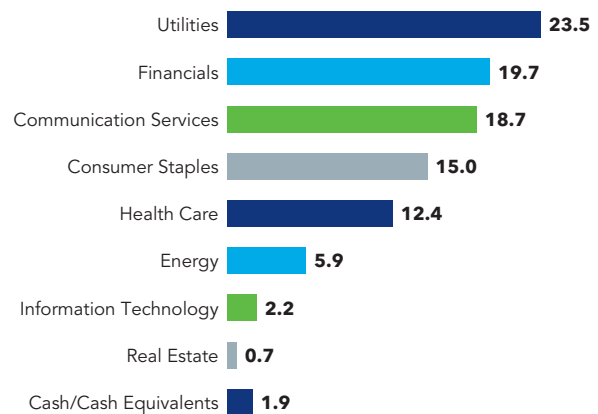
## Top holdings (%)

National Grid PLC	4.4
BCE, Inc.	4.3
Unilever PLC	4.2
Enbridge Inc.	4.1
Munich Re Group	4.1
Canadian Imperial Bank of Commerce	3.7
Telus Corp.	3.7
Admiral Group PLC	3.6
Zurich Insurance Group AG	3.4
Emera, Inc.	3.3
Total % of portfolio	38.8

## Country weightings (%)

Canada	24.7	Spain	2.4
United Kingdom	20.5	Mexico	2.1
Italy	9.7	Australia	2.1
France	8.2	Hong Kong	2.1
Switzerland	7.2	Finland	1.5
Germany	7.2	Norway	1.5
United States	5.1	Brazil	0.8
Japan	3.0	Cash/Cash Equivalents	1.9

## 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 International Strategic Value Dividend Fund provided a 30-day SEC yield of 3.54% (A shares at MOP) and a gross weighted average dividend yield of 4.95% at period end
- This was well ahead of the 2.67% weighted average yield provided by the MSCI World ex-U.S. Index and slightly trailing the 5.23% yield provided by the fund's benchmark, the MSCI World ex-U.S. High Dividend Yield Index
- For the rolling 1-year period, 30 companies raised their dividends, accounting for 30 increases overall, two dividend cuts and one suspension
- The fund underperformed the broad market in the third quarter of 2020 as investors favored cyclical sectors of the market over defensives

## Looking back

During the quarter, global equities continued the recovery from March lows as continued hopes of a vaccine remained positive, economic data surprised to the upside, and earnings beat lower expectations. The risk-on market was apparent as cyclical, 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 8.93% while the MSCI World ex-U.S. Index returned 4.92%. Within the broad international market, returns across the GICS sectors were mostly positive, with Materials, Industrials, Consumer Discretionary and Technology posting the highest returns of the period. Meanwhile Energy, Financials, Real Estate and Health Care delivered the weakest sector performance in the period. Within the broadly based MSCI World ex-U.S. Index, the lowest-beta quintile outperformed the highest quintile by 0.80%, and the highest-yielding equity quintile continued to underperform the lowest-yielding quintile by 11.42%.

Current regulatory, economic, political and social conditions have raised the level of uncertainty surrounding dividend distributions and, therefore, temporary interruptions to otherwise stable dividend streams may occur. Given the sharp decline in economic activity and uncertain outlook for recovery, dividend cuts have become very common in 2020. As a result of these conditions, roughly two thirds of the benchmark holdings have either cut, suspended or eliminated their dividends in the year-to-date period.

## Performance

Federated Hermes International Strategic Value Dividend Fund generated a total return of 2.75% (A Shares at NAV) in the third quarter of 2020. This compares to a return of 1.21% for the fund's benchmark, the MSCI World ex-U.S. High Dividend Yield Index, and a 4.92% 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 0.78, the strategy's short-term returns are not expected to move in line with the broad market.

### Performance contributors

- Financials (19.74% ending weight) provided the portfolio with the highest sector contribution to total return in the quarter with a weighted average return of 6.99%
- The fund's investments in Utilities (23.48% ending weight) also provided the portfolio with a positive contribution with a weighted average return of 3.14%
- Consumer Staples (14.96% ending weight) contributed positive returns to the fund's performance with a weighted average return of 4.49%

### Performance detractors

- High-yielding equities continued to lag the broad market during the quarter
- Energy (5.94% ending weight) generated the weakest sector performance with a weighted average return of -4.17% in the quarter
- Other notable detractors in the quarter included Vodafone, Telefonica Brasil and HKT Trust

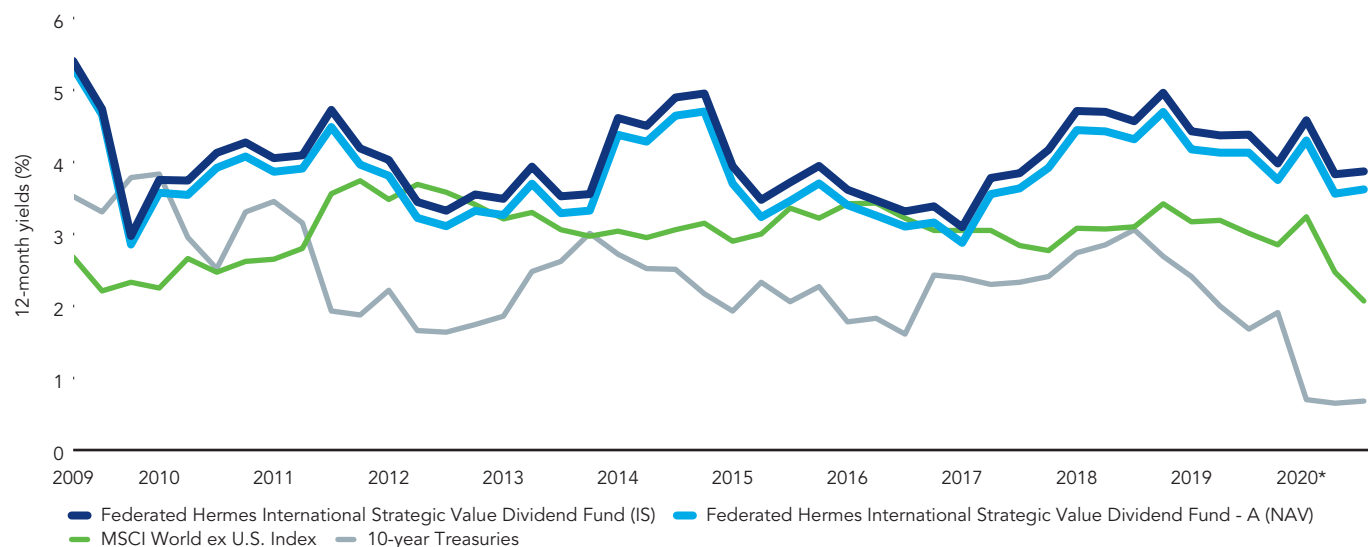
*Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com).*

## How we are positioned

While macroeconomic data points can impact share price movements in the near term, Federated Hermes International Strategic Value Dividend Fund remains firm in its focus on long-term drivers of total return—dividend yield and dividend growth. As such, the fund is committed to owning high-quality companies primarily in defensive sectors that seek to reach its income objectives over a full business cycle. To pursue those goals, the portfolio remains concentrated in Consumer Staples, Integrated Energy, Health Care pharmaceuticals, Telecom Services, Utilities and high-quality Banks and Insurers. These segments of the economy contain the type of high-quality dividend-friendly stocks that the portfolio seeks out, enabling the strategy to provide investors with the opportunity for a high dividend yield complemented with dividend growth. That dividend growth can help the fund seek to sustain its high yield and outpace inflation. Such investments also tend to be less volatile than the broad market, offering lower downside risk characteristics for the portfolio.

*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

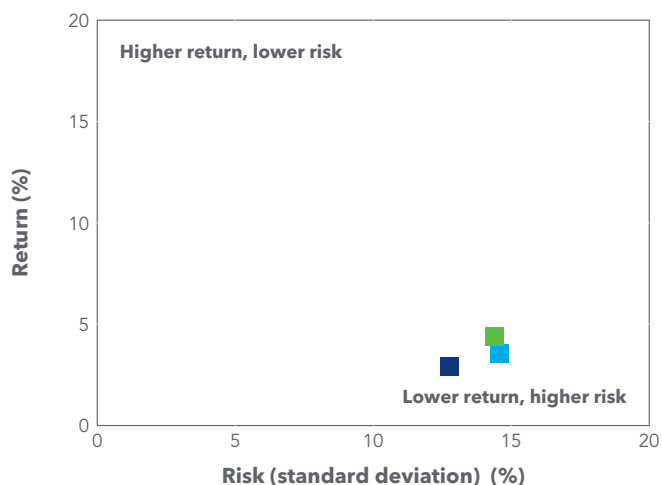
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	13.54	12.19	12.04	12.75
<b>Beta</b>	0.78	0.77	0.80	0.82
<b>Correlation</b>	0.93	0.90	0.92	0.94
<b>Up capture ratio</b>	75.45	76.20	78.78	80.95
<b>Down capture ratio</b>	74.98	77.77	80.95	81.44

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. MSCI World ex U.S. Index

See disclosure section for important definitions.

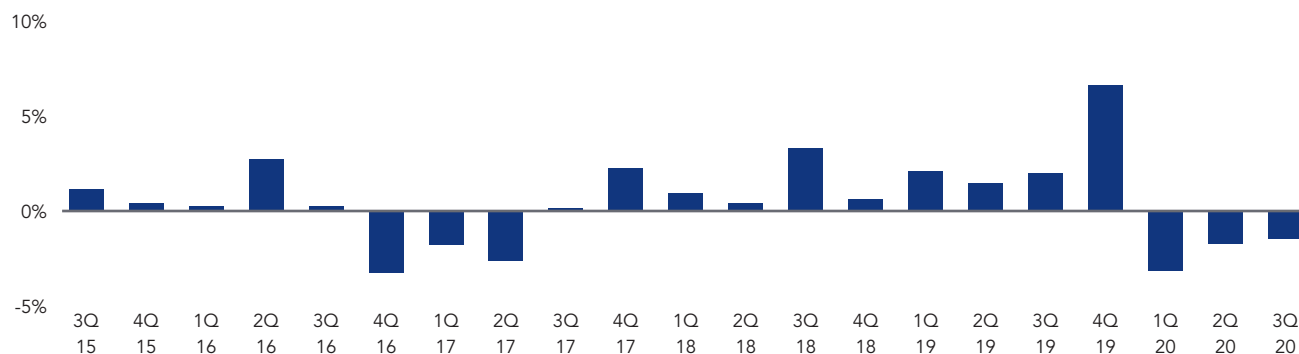
## 10-year risk/return



- Federated Hermes International Strategic Value Dividend Fund (IS)
- MSCI World ex U.S. High Dividend Yield Index
- MSCI World ex U.S. Index

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).

## 3-year rolling returns (IS)



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).

## Category rankings

### Morningstar Foreign Large Value Category

		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	22	14	55	37
	Morningstar Category Rank	85 of 341 funds	40 of 313 funds	–	–
<b>IS Shares</b>	Morningstar Category % Rank	22	14	55	37
	Morningstar Category Rank	86 of 341 funds	42 of 313 funds	124 of 274 funds	61 of 180 funds
<b>A Shares</b>	Morningstar Category % Rank	26	20	61	47
	Morningstar Category Rank	105 of 341 funds	54 of 313 funds	148 of 274 funds	74 of 180 funds

### Lipper International Equity Income Funds

		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	39	43	–	–
	Lipper Classification Rank	39 of 99 funds	39 of 91 funds	–	–
<b>IS Shares</b>	Lipper Classification % Rank	40	44	78	52
	Lipper Classification Rank	40 of 99 funds	40 of 91 funds	61 of 78 funds	22 of 42 funds
<b>A Shares</b>	Lipper Classification % Rank	49	49	82	56
	Lipper Classification Rank	49 of 99 funds	45 of 91 funds	64 of 78 funds	24 of 42 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 3.83% for Institutional Shares, 3.35% for A Shares, and 3.84% 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

**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 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.

**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.

### Ratings and rating agencies

Lipper Categories: Data Source: Lipper, A Reuters Company. Copyright 2020© Reuters. All rights reserved. Any copying, republication or redistribution of Lipper content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

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. ©2020 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.