

# Federated Hermes Strategic Value Dividend Fund

6/30/22

## Fund facts

### Performance inception date

3/30/05

### Benchmark 1

S&P 500 Index

### Benchmark 2

Dow Jones U.S. Select Dividend Index

### Morningstar category

Large Value

### Lipper classification

Equity Income Funds

### Fund assets

\$9.6 billion

### Ticker symbols

R6 Shares - SVALX

Institutional Shares - SVAIX

A Shares - SVAAX

C Shares - SVACX

### Key investment team

Daniel Peris, Ph.D., CFA

Deborah Bickerstaff

Jared Hoff

Michael Tucker

### Yields (%)

30-day yield (R6)	3.73
30-day yield (IS)	3.71
30-day yield (A)	3.25
12-month yield (R6)	3.93
12-month yield (IS)	3.91
12-month yield (A)	3.69

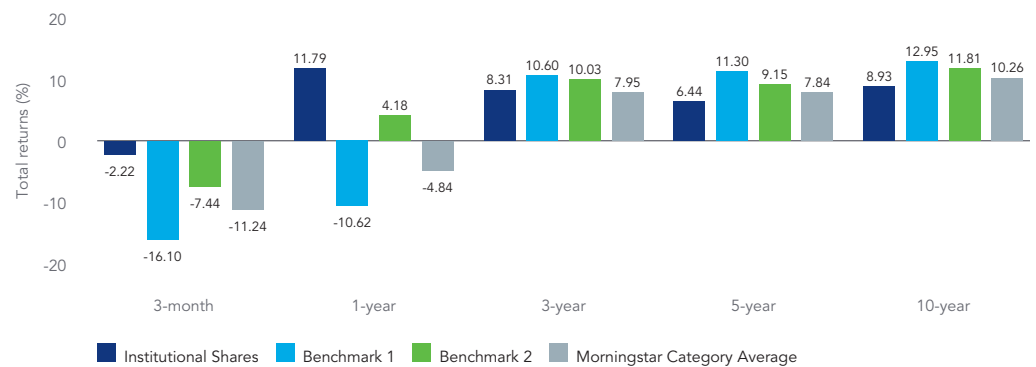
## Fund description

The fund pursues income and long-term capital appreciation by investing primarily in high-dividend-paying stocks with dividend growth potential. It seeks to provide a substantially higher yield than the broad 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>	-2.21	4.88	11.81	8.34	6.46	8.89	7.24	0.86	0.79
<b>Institutional Shares</b>	-2.22	4.86	11.79	8.31	6.44	8.93	7.44	0.94	0.81
<b>A Shares (NAV)</b>	-2.29	4.59	11.60	8.03	6.17	8.66	7.16	1.18	1.06
<b>A Shares (MOP)</b>	-7.64	-1.14	5.39	6.00	4.99	8.05	6.81	1.18	1.06
<b>Benchmark 1</b>	-16.10	-19.96	-10.62	10.60	11.30	12.95	-	-	-
<b>Benchmark 2</b>	-7.44	-2.56	4.18	10.03	9.15	11.81	-	-	-



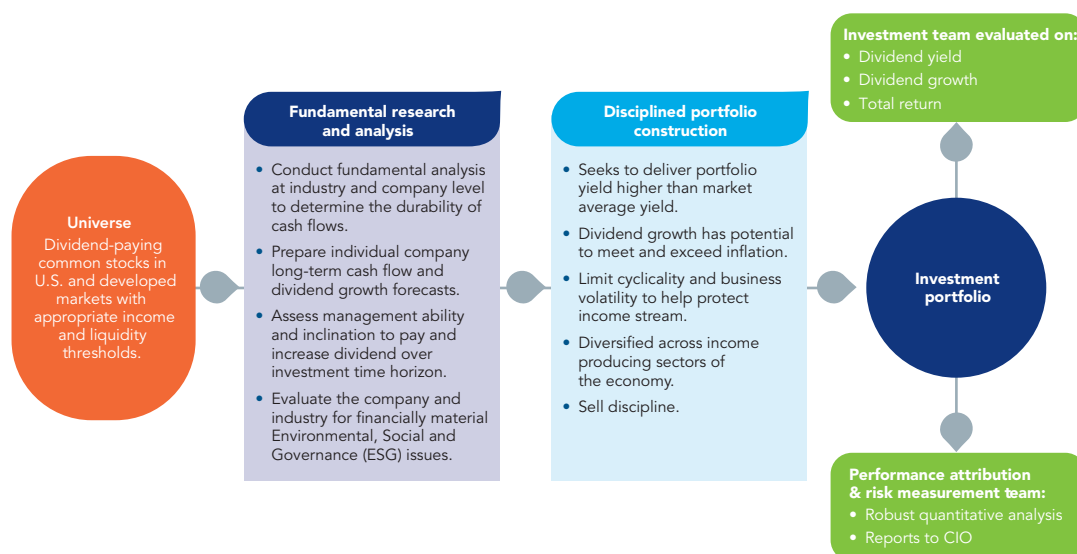
## Calendar year total returns (%)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Institutional Shares</b>	21.52	-7.87	19.60	-8.21	15.14	10.39	3.87	11.54	21.93	6.92
<b>Benchmark 1</b>	28.71	18.40	31.49	-4.39	21.82	11.95	1.37	13.68	32.38	16.00
<b>Benchmark 2</b>	32.24	-4.56	23.11	-5.94	15.44	21.98	-1.64	15.36	29.06	10.84
<b>Morningstar Category Average</b>	26.22	2.91	25.04	-8.53	15.94	14.81	-4.05	10.21	31.21	14.57

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 1/1/23 or the date of the fund's next effective prospectus.

## Investment process



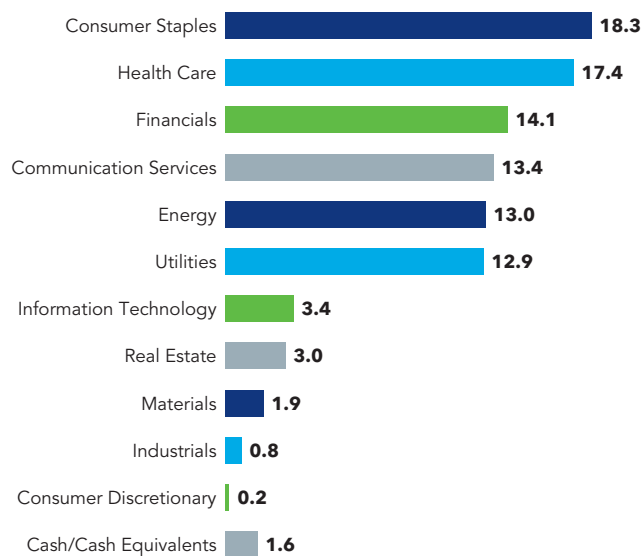
## Portfolio statistics

Weighted median P/E (NTM)	12.3x
Median 3-year average payout ratio	55.29
Weighted average EPS growth next 5 years	7.74%
Weighted median market cap	\$77.6 b
Weighted median price/book	2.1x
Number of securities	50
Foreign securities	27.75%
Annual portfolio turnover	42.26%

## Top holdings (%)

Verizon Communications	4.2
British American Tobacco PLC	4.0
Philip Morris International Inc.	4.0
TotalEnergies SE	4.0
Gilead Sciences, Inc.	3.8
Enbridge Inc.	3.4
Southern Co.	3.1
Vodafone Group PLC	3.1
AT&T, Inc.	3.0
BCE, Inc.	3.0
Total % of portfolio	35.6

## Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 6/30/22 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

- The Strategic Value Dividend Fund provided a 30-day SEC yield of 3.25% (A Shares) and a gross weighted average dividend yield of 4.47% at quarter end.
- The portfolio had four dividend increases in Q2, courtesy of General Mills, Total Energies, Canadian Imperial Bank of Commerce and Southern with increases of 5.9%, 4.5%, 3.1%, and 3.0%, respectively. This is the second increase for CIBC in the trailing twelve months ("TTM"), as the company increased the dividend in December by 10.3%, for a cumulative increase of 13.7%.
- Concerns surrounding heightened inflation and fears of a recession weighed heavily on the markets. The S&P 500® Index posted its worst quarterly performance since the height of the pandemic in 1Q20 and its worst first-half performance in 52 years.

## Looking back

The portfolio remained focused on its core objective of delivering high dividend income from high quality assets. The fund provided a 30-day SEC yield of 3.25% (A Shares) and a gross weighted average dividend yield of 4.47%, higher than the S&P 500's 1.71% dividend yield, the 10-year U.S. Treasury's 2.98% yield and the Dow Jones U.S. Select Dividend Index's 4.01% yield. In the TTM, 32 companies within the portfolio raised their dividends, accounting for 33 increases overall. The portfolio experienced two dividend resets after asset sales in February. AT&T announced a spinoff of their Warner Brothers assets to Discovery, resetting their dividend policy lower. PPL Corporation reset their dividend lower after selling their UK utility business to National Grid.

Market volatility, triggered by investor concerns about inflation and a recession, highlighted the benefit of defensive, low-volatility investments. As expected in a risk-off market, investors fled to safe havens—the highest-yield quintile of the S&P 500 outperformed the lowest-yield quintile by 20.67% and the lowest-beta quintile outpaced the highest beta by 21.38%. By S&P quality rating, the lowest-rated companies (C and D) underperformed the highest quality (A+) by 11.61%.

Defensive, dividend-yield focused strategies have historically aided investors in navigating volatility while keeping pace with inflation. The need for active management is most apparent during times of notable market stress.

## Performance

The fund notably outperformed the S&P 500 Index. The fund also outperformed the Dow Jones U.S. Select Dividend Index.

### Performance contributors

- High dividend yield, low beta, and high quality outperformed in the quarter, benefiting the fund
- Health Care was the strongest contributor
- Consumer Staples also contributed, as the sector benefited from the notable flight to safety

### Performance detractors

- Financials detracted, as banks navigated heightened volatility related to the possibility of a recession, inflation and the possible economic shocks associated with the Russia/Ukraine war
- Utilities detracted, mainly the result of National Grid, as UK utilities faced short-term pressure from the recently announced windfall tax and additional regulatory risk
- REITs also detracted, as the sector continued to face short-term price pressure from the fear of rising rates

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## How we are positioned

The late May rally in stocks proved fleeting. Equities resumed selling off in June, capping the worst first-half performance for the S&P 500 in 52 years. Performance overseas was no better. The global drivers continued to be elevated inflation, slowing economic growth, rising policy rates in developed markets, peak margins and continuing—if not somewhat easing—supply bottlenecks.

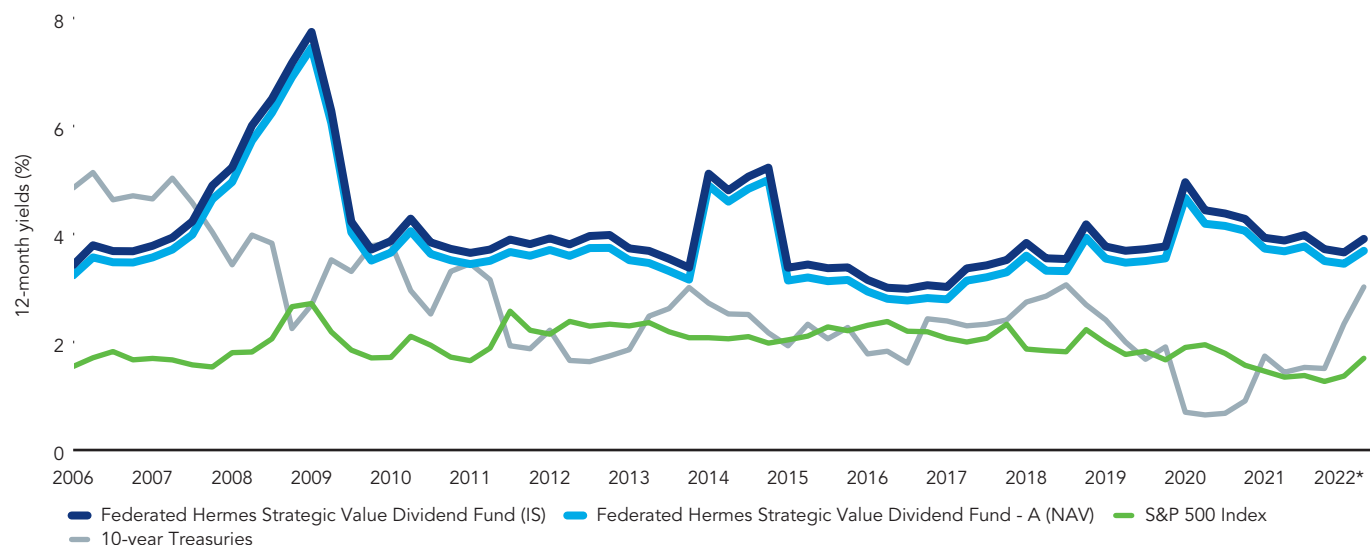
Heading into 2H22, consensus seemed to put little stock in the likelihood of macro improvements anytime soon. Job openings are running well above the available labor supply and claims are hovering close to—but trending above—record lows. The latest consumer spending, housing, manufacturing, and confidence measures signaled more slowing. The Atlanta Fed's GDPNow forecast at month's end had real Q2 GDP tracking at -2.1%, which, if it holds, would mark a technical recession given real GDP was -1.6% in Q1. Still, nominal GDP continues to be healthy, providing an ongoing source of revenue growth for companies.

The portfolio remains concentrated in Consumer Staples, Pharmaceuticals, Telecom Services, Integrated Energy and Utilities. These segments contain the dividend-friendly stocks that the portfolio seeks, enabling the strategy to provide investors with an opportunity for high dividend yield complemented with dividend growth. Dividend growth can help the portfolio both sustain its high yield and outpace inflation. Furthermore, stocks that consistently pay and increase their dividend tend to have lower volatility, as reflected in the portfolio's three-year beta of 0.69 (versus the S&P 500).

Since inception, the portfolio has participated materially in the broad market's positive performance with an upside capture ratio of 78%. Perhaps more importantly, it has historically provided lower downside risk, posting a 56% downside capture ratio since inception. Notwithstanding current market conditions, the Strategic Value Dividend portfolio will remain committed to its objectives of providing a high- and rising-income stream from high-quality business assets and will not alter its investment style based on near-term market preferences.

See disclosure section for important disclosures and definitions.

## The fund delivered higher yield



Source: Federated Hermes

Yields for other classes will vary.

\* As of 6/30/22

## Risk statistics

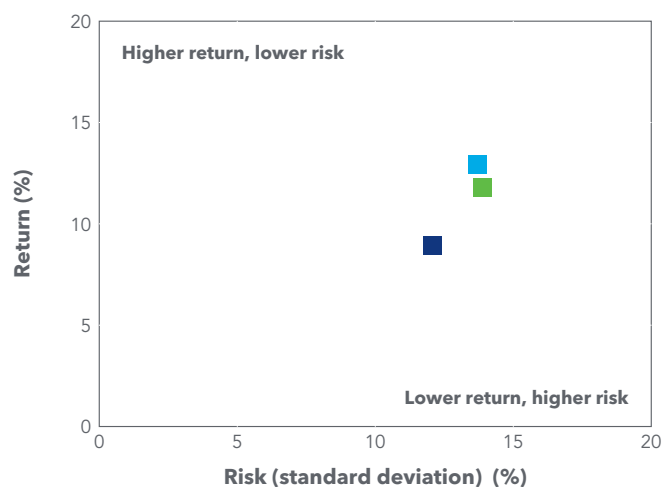
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	16.24	14.31	13.31	12.08
<b>Beta</b>	0.70	0.67	0.66	0.67
<b>Correlation</b>	0.81	0.80	0.77	0.76
<b>Up capture ratio</b>	72.05	65.52	67.44	69.27
<b>Down capture ratio</b>	69.69	70.91	65.28	69.42
<b>Sharpe ratio</b>	0.47	0.37	0.52	0.68

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. S&P 500 Index

**See disclosure section for important definitions.**

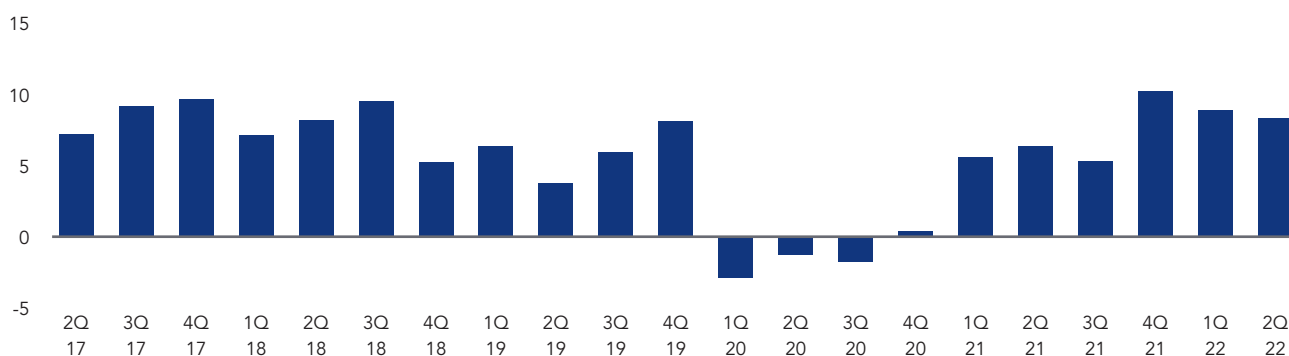
## 10-year risk/return



	Risk (%)	Return (%)
<span style="color: #0056b3;">■</span> Federated Hermes Strategic Value Dividend Fund (IS)	12.08	8.93
<span style="color: #00a0e3;">■</span> S&P 500 Index	13.70	12.95
<span style="color: #70ad47;">■</span> Dow Jones U.S. Select Dividend Index	13.87	11.81

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## 3-year rolling returns - IS (%)



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## Category rankings

### Morningstar Large Value Category

		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	1	42	81	–
	Morningstar Category Rank	3 of 1,217 funds	449 of 1,145 funds	836 of 1,077 funds	–
<b>IS Shares</b>	Morningstar Category % Rank	1	43	81	87
	Morningstar Category Rank	4 of 1,217 funds	455 of 1,145 funds	839 of 1,077 funds	681 of 779 funds
<b>A Shares</b>	Morningstar Category % Rank	1	49	85	89
	Morningstar Category Rank	5 of 1,217 funds	521 of 1,145 funds	893 of 1,077 funds	699 of 779 funds

### Lipper Equity Income Funds

		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	1	45	74	–
	Lipper Classification Rank	3 of 462 funds	198 of 442 funds	299 of 407 funds	–
<b>IS Shares</b>	Lipper Classification % Rank	1	46	74	79
	Lipper Classification Rank	4 of 462 funds	203 of 442 funds	300 of 407 funds	200 of 254 funds
<b>A Shares</b>	Lipper Classification % Rank	2	52	79	84
	Lipper Classification Rank	5 of 462 funds	226 of 442 funds	319 of 407 funds	212 of 254 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 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. In the absence of temporary 3.13% at maximum offering price and 3.32% at net asset value for A Shares, 3.66% for R6 Shares and 3.59% for Institutional 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 June 29, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund’s Institutional Shares adjusted to remove any voluntary waiver of fund expenses related to the fund’s Institutional Shares that may have occurred during the periods prior to the commencement of operations of the fund’s R6 Shares.

Prior to December 31, 2021, the fund’s broad-based security market index was the Dow Jones U.S. Select Dividend Index. Effective December 31, 2021, the fund’s broad-based security market index is the S&P 500 Index. The adviser believes that the S&P 500 Index better reflects the broad U.S. equity market.

### 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.

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.

### 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.

**Sharpe ratio** is calculated by dividing a fund’s annualized excess return by the fund’s annualized standard deviation. The higher the Sharpe ratio, the better the fund’s historical risk adjusted performance.

**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.

**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.

**Dow Jones U.S. Select Dividend Index** universe is defined as all dividend-paying companies in the Dow Jones U.S. Total Market Index that have a non-negative historical five-year dividend-per-share growth rate, a five-year average dividend earnings-per-share ratio of less than or equal to 60%, and a three-month average daily trading volume of 200,000 shares. Current index components are included in the universe regardless of their dividend payout ratio. The Dow Jones U.S. Total Market Index is a rule-governed, broad-market benchmark that represents approximately 95% of the U.S. market capitalization.

Indexes are unmanaged and cannot be invested in directly.

### Ratings and rating agencies

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