

# Federated Strategic Value Dividend Fund

1Q  
2019

3/31/19

## Fund Facts

### Performance Inception Date

3/30/05

### Benchmark

Dow Jones U.S. Select Dividend Index

### Morningstar Category

Large Value

### Lipper Classification

Equity Income Funds

### Fund Assets

\$10.2 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

## Fund Description

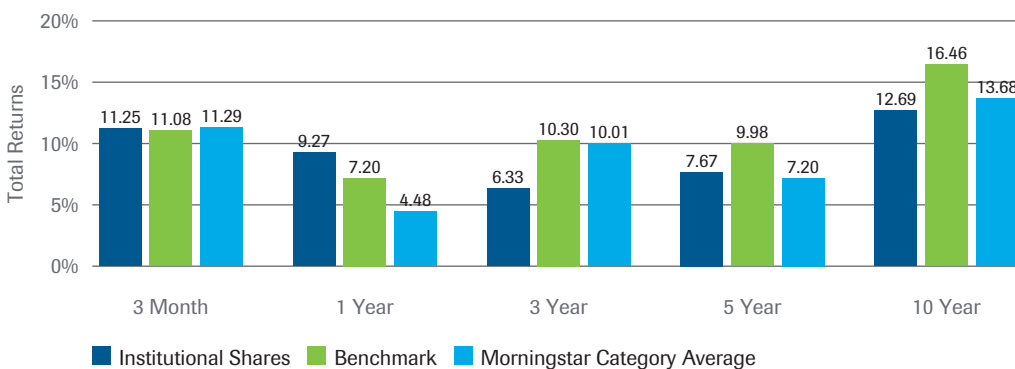
The fund pursues income and long-term capital appreciation by investing primarily in high dividend-paying stocks with dividend growth potential. It seeks to provide a substantially higher yield than the broad market.

## Performance

### 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
R6 Shares	11.26	11.26	9.29	6.33	7.63	12.59	7.19	0.85	0.79
Institutional Shares	11.25	11.25	9.27	6.33	7.67	12.69	7.44	0.92	0.81
A Shares (NAV)	11.25	11.25	9.04	6.09	7.40	12.38	7.16	1.18	1.06
A Shares (MOP)	5.17	5.17	3.04	4.11	6.20	11.74	6.73	1.18	1.06
Benchmark	11.08	11.08	7.20	10.30	9.98	16.46	-	-	-



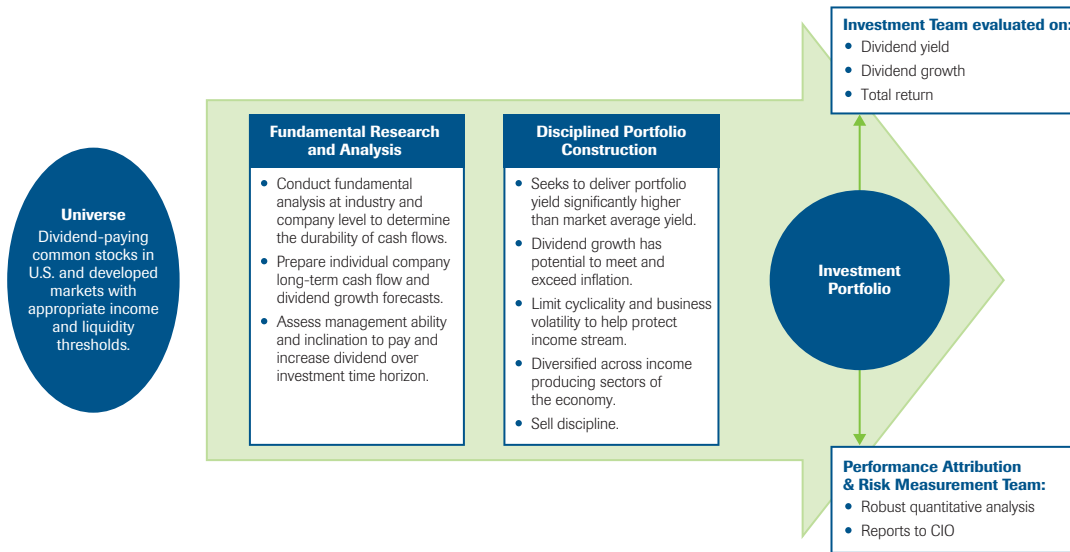
### Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Institutional Shares	-8.21	15.14	10.39	3.87	11.54	21.93	6.92	14.96	11.18	11.88
Benchmark	-5.94	15.44	21.98	-1.64	15.36	29.06	10.84	12.42	18.32	11.13
S&P 500 Index	-4.39	21.82	11.95	1.37	13.68	32.38	16.00	2.11	15.06	26.47
Morningstar Category Average	-8.53	15.94	14.81	-4.05	10.21	31.21	14.57	-0.75	13.66	24.13

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.

\* 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 1/1/20 or the date of the fund's next effective prospectus.

## Investment Process



## Portfolio Statistics

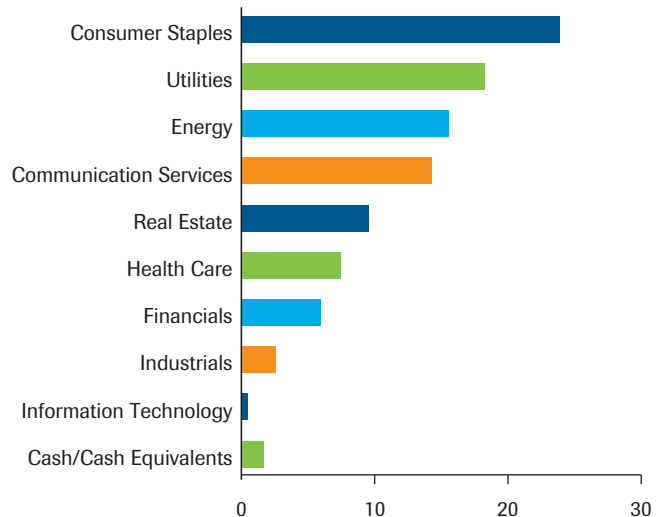
Weighted Median P/E (NTM)	16.0x
Median 3 Year Average Payout Ratio	66.80
Weighted Average EPS Growth Next 5 Years	8.37
Weighted Median Market Cap	\$95.9 b
Weighted Median Price/Book	2.2x
Number of Securities	38
Foreign Securities	23.74%
Annual Portfolio Turnover	18.3%
30-Day Yield (R6)	3.91%
30-Day Yield (IS)	3.89%
30-Day Yield (A)	3.44%
12-Month Yield (R6)	3.79%
12-Month Yield (IS)	3.77%
12-Month Yield (A)	3.55%

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## Top Holdings (%)

AT&T, Inc.	5.7
Philip Morris International, Inc.	5.5
Dominion Energy, Inc.	4.4
AbbVie Inc.	4.3
BP PLC	4.2
<b>Total % of Portfolio</b>	<b>24.1</b>

## Sector Weightings (%)



Portfolio composition is based on net assets at the close of business on 3/31/19 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 Strategic Value Dividend Fund provided a 30-day SEC yield at MOP of 3.44% and a gross weighted average dividend yield of 4.62% at quarter end
- This exceeded not only the broad market represented by the S&P 500 Index with its 2.00% yield, and the 10-year U.S. Treasury Note (2.41%), but it also surpassed the 4.09% yield of the Dow Jones Select Dividend Index
- Eleven companies in the portfolio increased their dividends during the quarter, the most notable courtesy of Munich RE (+7.6%), Digital Realty Trust (+6.9%), Chevron (6.2%), United Parcel Services (+5.5%), BCE (+5.0%), and British American Tobacco (+4.0%)
- The fund experienced one dividend cut in February. Kraft Heinz cut its dividend after reporting disappointing earnings and weak 2019 guidance
- For the rolling one-year period, 31 companies raised their dividends, accounting for 32 increases overall

## Looking Back

The S&P 500's 13.1% rise for the year's first three months was its best quarterly performance since 2009. Overseas, the MSCI World Ex-US Index closed down slightly on the month, with weakness centered in Europe.

A dovish Federal Reserve and optimism regarding a trade deal with China buoyed investor confidence and triggered a notable risk-on trade. High-beta, low-yield, low-quality cyclical stocks were the top performers. Information Technology led performance in the S&P 500, comprising 28% of the index's total return. Additionally, the FAANG's accounted for 16% of the S&P 500's total performance. Although investor preferences during the quarter were not very conducive to a high-quality dividend strategy, the fund still posted a double-digit total return and captured 82% of the broad market's outperformance.

## Performance

Federated Strategic Value Dividend Fund ended the quarter with a return of 11.25% (A Shares at NAV), while the Dow Jones Select Dividend Index and the S&P 500 posted returns of 11.08% and 13.65%, respectively.

### Performance Contributors

- Consumer Staples was the top contributing sector led by Tobacco stocks, Phillip Morris and British American Tobacco, which posted returns of 34.11% and 32.80%, respectively
- The Energy sector posted an increase of 14.69% driven by the recovery in oil prices
- The Utilities sector was a notable contributor posting an 11.65% return, as Southern Company and National Grid posted strong double-digit returns of 19.12% and 13.91%, respectively
- The fund's international exposure also contributed positively to performance as the international names posted a collective return of 10.77%, driven predominately by the U.K. investments, which appreciated 11.00%

### Performance Detractors

- Low beta, high quality and high yield underperformed during the month, challenging a high-yield dividend strategy
- Health Care detracted modestly from performance posting a decline of 2.19%. This underperformance was attributable to Abbvie, which depreciated 11.48% as a result of weaker-than-expected earnings due to European bio-similar competition
- Individual names that detracted from performance include Kraft Heinz and Vodafone

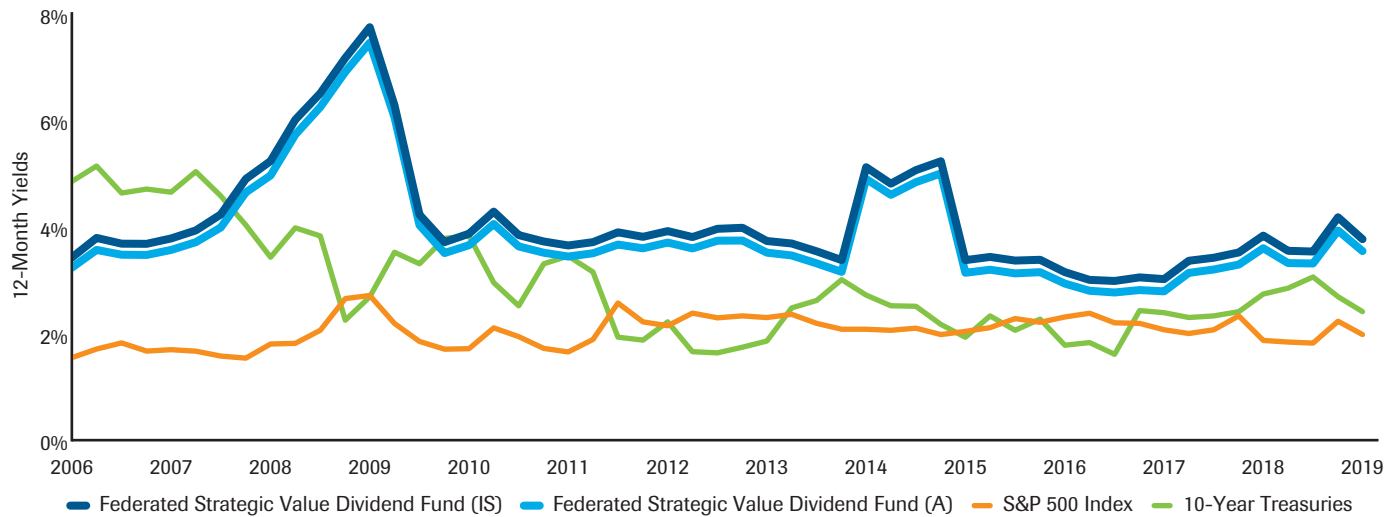
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## How We Are Positioned

The fund remains concentrated in Consumer Staples, Integrated Energy, Pharmaceuticals, Telecom Services and Utilities. These segments contain the dividend-friendly stocks that the fund seeks, enabling the strategy to provide investors with the opportunity for a high-dividend yield complemented with dividend growth. That dividend growth may help the fund both sustain its high yield and outpace inflation. Furthermore, stocks that consistently pay and increase their dividends tend to have lower volatility, as reflected in the fund's beta of 0.59 (Factset 3-year beta versus the S&P 500 calculated using the monthly return). Notwithstanding current market conditions, Federated Strategic Value Dividend Fund will remain committed to its goals 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 Investors  
 Yields for other classes will vary.  
 \* As of 3/31/19

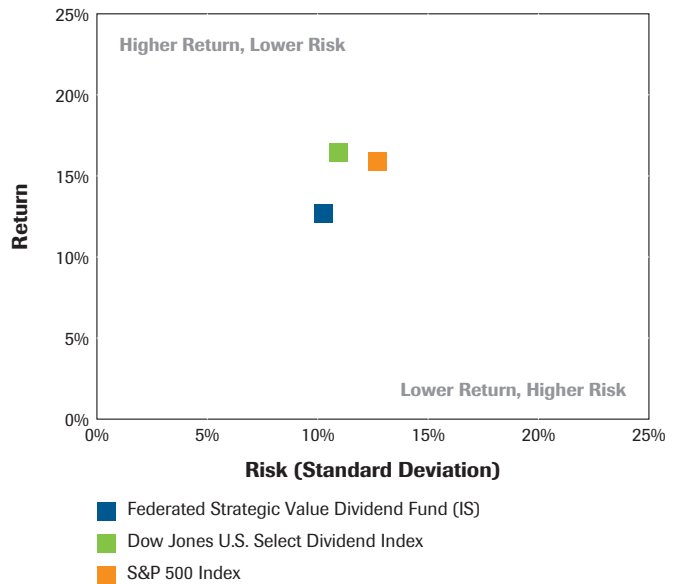
### Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	9.82	10.05	9.83	10.26
Beta	0.59	0.60	0.63	0.58
Correlation	0.64	0.67	0.69	0.71
Up Capture Ratio	60.31	70.03	71.56	68.11
Down Capture Ratio	79.64	69.43	63.99	51.88
Sharpe Ratio	0.51	0.68	0.94	1.19

Sources: Federated Investors, Morningstar, Inc.  
 Fund vs. S&P 500 Index

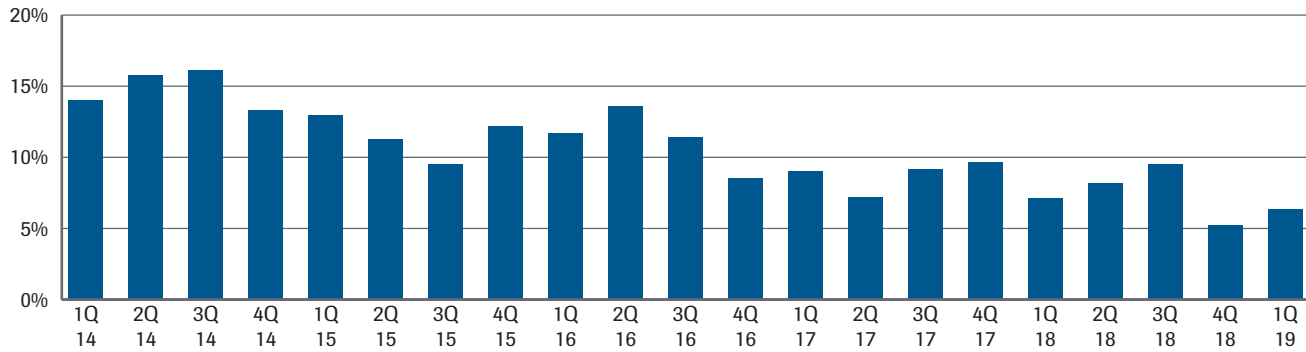
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### 10-Year Risk/Return



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### 3-Year Rolling Returns (IS)



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### Category Rankings

#### Morningstar Large Value Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	15	96	39	75
Morningstar Category Rank	114 of 1,229 Funds	-	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	15	96	39	75
Morningstar Category Rank	116 of 1,229 Funds	1,052 of 1,096 Funds	319 of 939 Funds	496 of 691 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	16	97	46	81
Morningstar Category Rank	132 of 1,229 Funds	1,061 of 1,096 Funds	380 of 939 Funds	538 of 691 Funds

#### Lipper Equity Income Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	21	-	-	-
Lipper Classification Rank	110 of 542 Funds	-	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	21	91	48	70
Lipper Classification Rank	111 of 542 Funds	423 of 467 Funds	194 of 411 Funds	172 of 248 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	24	92	54	76
Lipper Classification Rank	128 of 542 Funds	429 of 467 Funds	219 of 411 Funds	188 of 248 Funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

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 expense waivers or reimbursements, the 30-day yield would have been 3.85% for R6 Shares, 3.78% for Institutional Shares, and 3.32% for A 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 30, 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.

### 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

**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.

**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.

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.

**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 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.

### Ratings and Rating Agencies

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**This must be preceded or accompanied by a prospectus.**