

# Federated Strategic Value Dividend Fund

2Q  
2019

6/30/19

## 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

\$9.7 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

### Yields (%)

30-Day Yield (R6)	4.07
30-Day Yield (IS)	4.05
30-Day Yield (A)	3.59
12-Month Yield (R6)	3.71
12-Month Yield (IS)	3.69
12-Month Yield (A)	3.47

## Fund Description

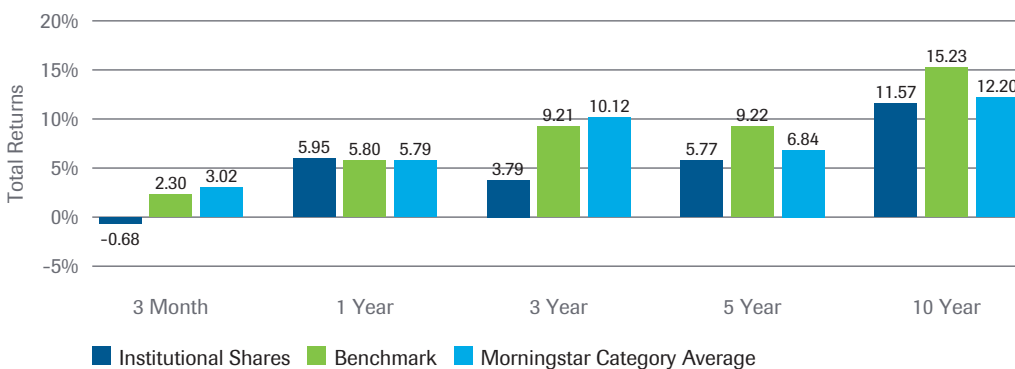
The fund pursues income and long-term capital appreciation by investing primarily in high-dividend-paying stocks with dividend growth potential. It seeks to provide a substantially higher yield than the broad market.

## 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	-0.67	10.51	5.97	3.81	5.74	11.48	7.01	0.85	0.79
Institutional Shares	-0.68	10.50	5.95	3.79	5.77	11.57	7.25	0.92	0.81
A Shares (NAV)	-0.74	10.43	5.71	3.55	5.50	11.30	6.98	1.18	1.06
A Shares (MOP)	-6.15	4.39	-0.03	1.62	4.31	10.68	6.55	1.18	1.06
Benchmark	2.30	13.64	5.80	9.21	9.22	15.23	-	-	-



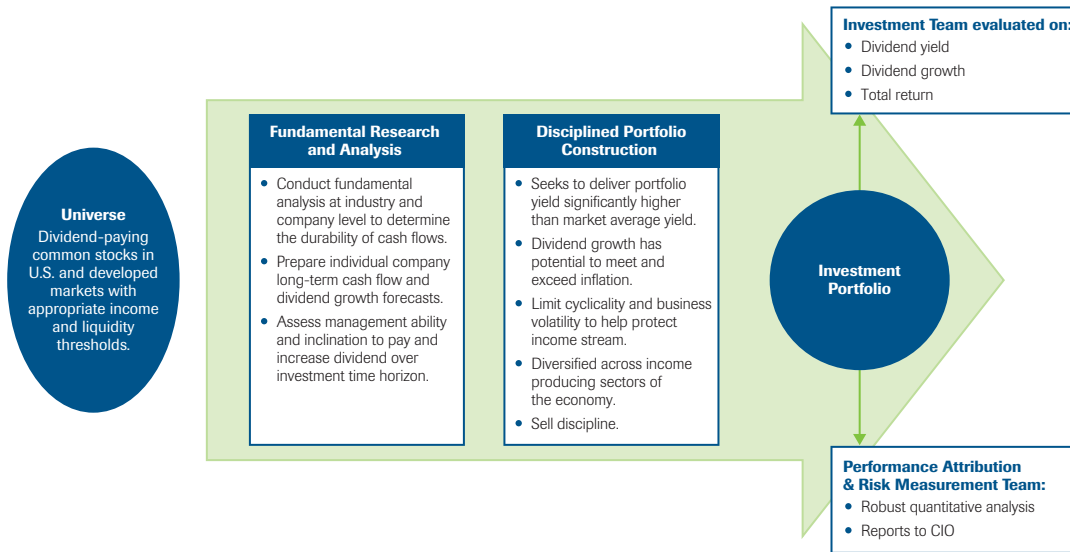
### Calendar Year Returns (%)

	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



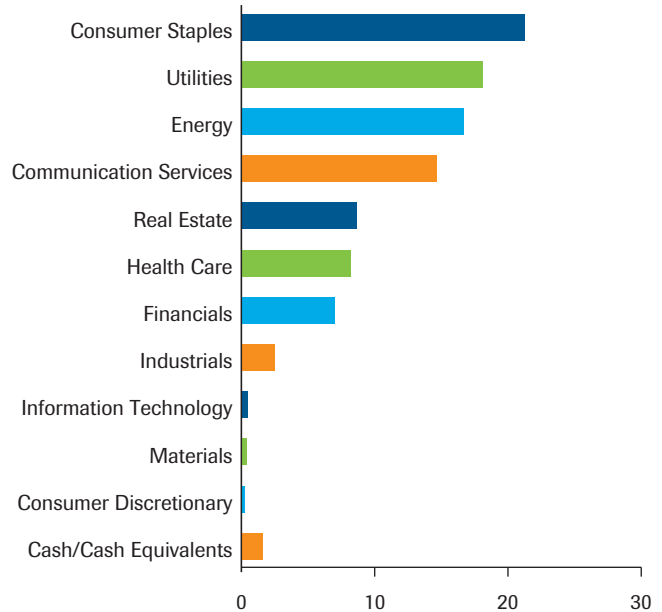
## Portfolio Statistics

Weighted Median P/E (NTM)	14.6x
Median 3 Year Average Payout Ratio	68.69
Weighted Average EPS Growth Next 5 Years	6.84
Weighted Median Market Cap	\$88.6 b
Weighted Median Price/Book	2.2x
Number of Securities	41
Foreign Securities	23.05%
Annual Portfolio Turnover	19.3%

## Top Holdings (%)

AT&T, Inc.	5.9
Philip Morris International, Inc.	5.1
Dominion Energy, Inc.	4.6
BP PLC	4.2
AbbVie Inc.	4.1
<b>Total % of Portfolio</b>	<b>23.9</b>

## Sector Weightings (%)



Portfolio composition is based on net assets at the close of business on 6/30/19 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 of 3.59% (A Shares at MOP) and a gross weighted average dividend yield of 4.67% at quarter end
- This exceeded not only the broad market represented by the S&P 500 Index with its 1.96% yield and the 10-year U.S. Treasury Note (2.00%), but it also surpassed the 4.07% yield of the Dow Jones Select Dividend Index, which aims to reflect the domestic high dividend-paying universe
- Year-to-date, the fund had 19 of its 41 holdings increase their dividend distributions, with two reductions. During the quarter eight fund holdings announced increases with highlights including Paychex (10.7%), KeyCorp (8.8%), Exxon Mobil (6.1%) and Procter & Gamble (4.0%)
- For the rolling 1-year period, 32 companies in the portfolio raised their dividends, accounting for 33 increases overall and two dividend reductions

## Looking Back

Despite the pullback in May, the markets reached new highs during the quarter and ended the period in the green. Investor optimism increased amid talks of the Federal Reserve lowering rates and the hopes of a truce on the ongoing U.S.-China trade war, which sparked the cyclical rally. When quintiling the S&P 500, high yield underperformed low yield by 1.74% for the quarter. The broad market's strong performance was led by the cyclical, Information Technology sector, which posted a 6.06% return and accounted for 30% of the overall market performance. Taking a deeper dive, Microsoft posted a 14% return and its 4.2% weight accounted for 12% of the overall performance of the S&P 500. The end result was investor preferences that were not conducive to a high-quality dividend strategy during the quarter.

During the quarter, Vodafone announced a dividend reduction, cutting its distribution by 40.3%. Vodafone announced the reduction as the company's board of directors elected to retain more cash in order to improve the company's balance sheet following an increase in debt related to the Liberty Global acquisition, numerous 5G spectrum auctions and weaker growth in Europe.

## Performance

The fund ended the quarter with a return of -0.74% (A Shares at NAV), while the Dow Jones Select Dividend Index and the S&P 500 posted returns of 2.30% and 4.30%, respectively.

### Performance Contributors

- Financials was the top-contributing sector generating a 9.39% return, driven by KeyCorp, PNC and Munich Re, which posted returns of 13.85%, 12.73% and 10.00%, respectively
- Additionally, the Utilities sector added to performance posting a 1.82% return, led by Southern Company, which returned a noteworthy 8.20% in the quarter
- Communication Services was also a positive contributor to performance, with a 2.54% return led by AT&T, which appreciated 8.57%

### Performance Detractors

- Consumer Staples declined 3.39%, led by tobacco names, Imperial Brands, Altria, British American Tobacco and Phillip Morris which fell 27.09%, 16.26%, 14.39% and 9.84%, respectively, as declining cigarette sales placed short-term pressure on tobacco names
- Energy detracted from performance declining 4.46%, due to volatile oil prices. Additionally, Occidental Petroleum declined 22.81% due to investor concerns surrounding the Anadarko deal
- Health Care detracted from performance as AbbVie fell 16% in one day after announcing its merger with Allergan. Although the acquisition initially surprised investors, the deal may lead to significant cash flow accretion, providing an opportunity for even higher dividend growth, deleveraging and investment in its business

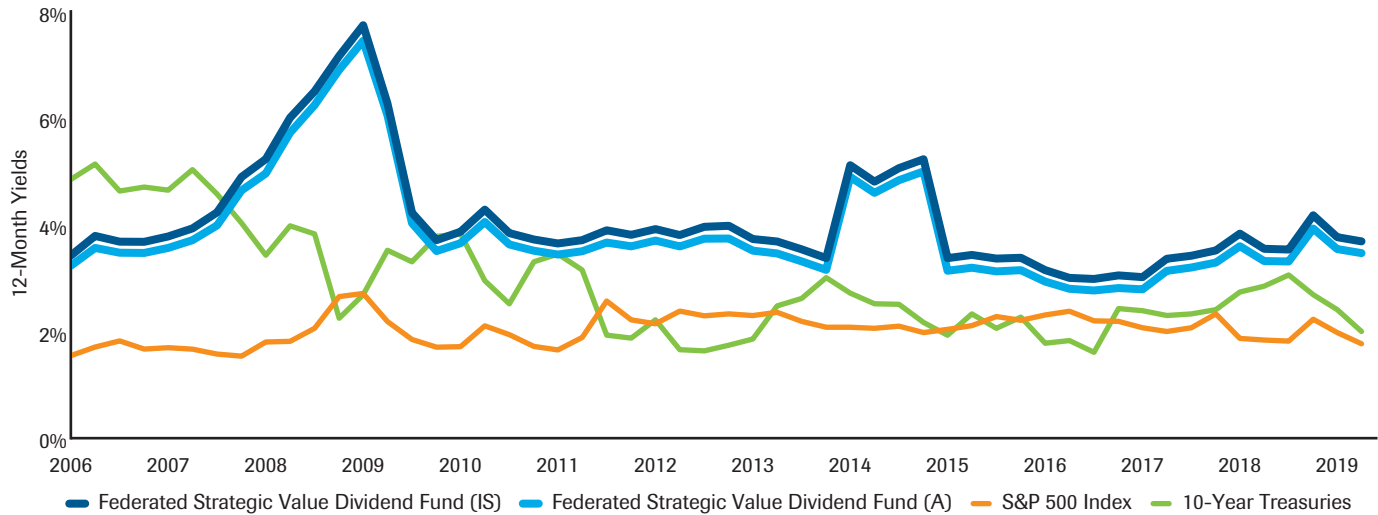
*Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. 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

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 0.60 (Factset 3-year beta versus the S&P 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 6/30/19

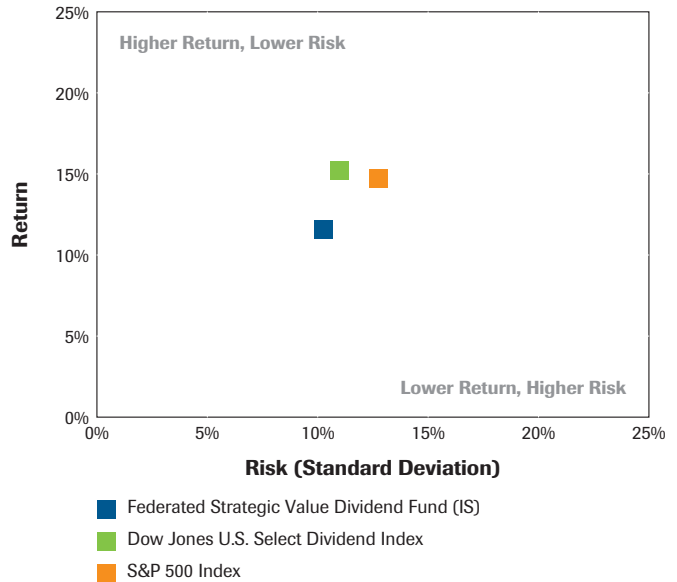
### Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	10.12	10.27	9.90	10.26
Beta	0.60	0.60	0.63	0.59
Correlation	0.72	0.70	0.70	0.73
Up Capture Ratio	49.60	62.36	67.61	67.11
Down Capture Ratio	78.13	69.77	69.20	53.06
Sharpe Ratio	0.23	0.47	0.85	1.07

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

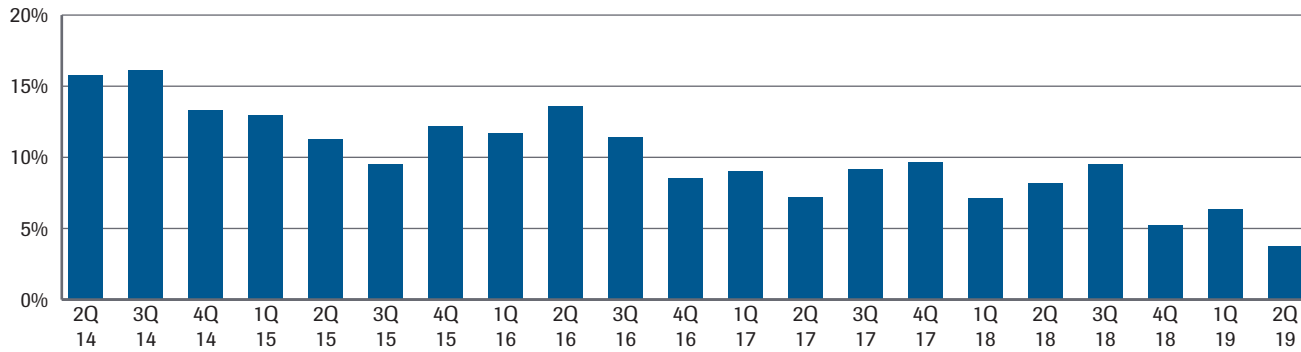
See disclosure section for important definitions.

### 10-Year Risk/Return



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 Large Value Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	50	98	77	72
Morningstar Category Rank	632 of 1,236 Funds	1,086 of 1,103 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	50	98	78	72
Morningstar Category Rank	638 of 1,236 Funds	1,087 of 1,103 Funds	729 of 956 Funds	469 of 696 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	53	98	84	79
Morningstar Category Rank	667 of 1,236 Funds	1,089 of 1,103 Funds	789 of 956 Funds	527 of 696 Funds

#### Lipper Equity Income Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	61	96	-	-
Lipper Classification Rank	331 of 542 Funds	455 of 475 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	45	93	62	54
Lipper Classification Rank	244 of 542 Funds	439 of 475 Funds	257 of 418 Funds	134 of 248 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	48	93	68	62
Lipper Classification Rank	256 of 542 Funds	442 of 475 Funds	283 of 418 Funds	154 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 4.00% for R6 Shares, 3.93% for Institutional Shares, and 3.47% 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

Lipper Categories: Data Source: Lipper, A Reuters Company. Copyright 2019© 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. ©2019 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.

This must be preceded or accompanied by a prospectus.