

# Federated Strategic Value Dividend Fund

4Q  
2019

12/31/19

## 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

\$9.8 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)	4.03
30-Day Yield (IS)	4.02
30-Day Yield (A)	3.56
12-Month Yield (R6)	3.78
12-Month Yield (IS)	3.77
12-Month Yield (A)	3.55

## Fund Description

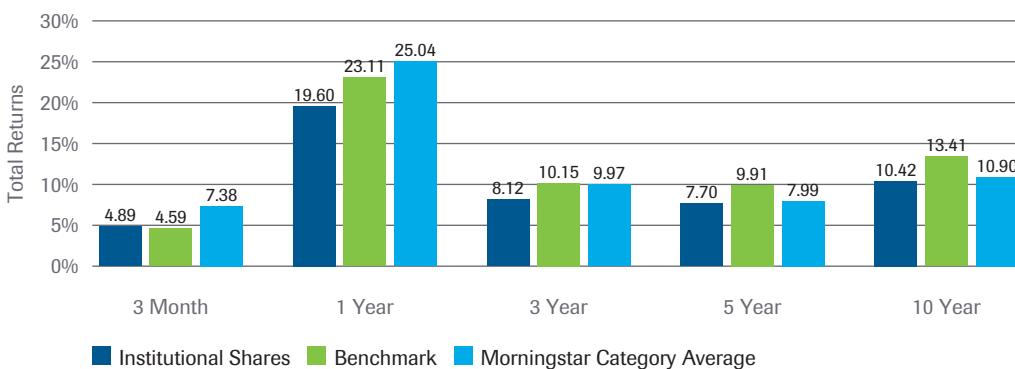
The fund pursues income and long-term capital appreciation by investing primarily in high-dividend-paying stocks with dividend growth potential. It seeks to provide a substantially higher yield than the broad market.

## 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	5.08	19.83	19.83	8.20	7.72	10.35	7.35	0.86	0.79
Institutional Shares	4.89	19.60	19.60	8.12	7.70	10.42	7.57	0.93	0.81
A Shares (NAV)	4.85	19.42	19.42	7.83	7.44	10.14	7.30	1.18	1.06
A Shares (MOP)	-0.99	12.89	12.89	5.83	6.24	9.52	6.89	1.18	1.06
Benchmark	4.59	23.11	23.11	10.15	9.91	13.41	-	-	-



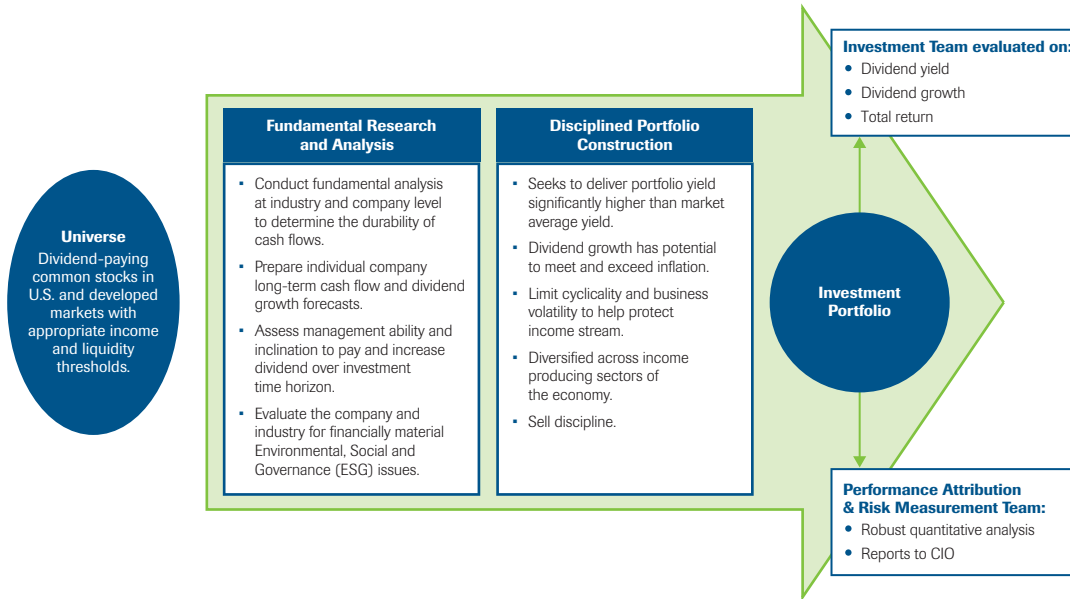
### Calendar Year Returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	19.60	-8.21	15.14	10.39	3.87	11.54	21.93	6.92	14.96	11.18
Benchmark	23.11	-5.94	15.44	21.98	-1.64	15.36	29.06	10.84	12.42	18.32
S&P 500 Index	31.49	-4.39	21.82	11.95	1.37	13.68	32.38	16.00	2.11	15.06
Morningstar Category Average	25.04	-8.53	15.94	14.81	-4.05	10.21	31.21	14.57	-0.75	13.66

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

## Investment Process



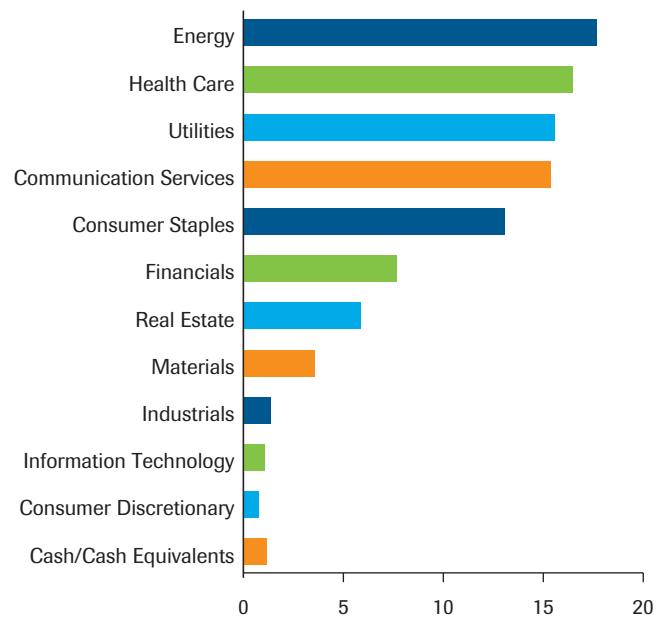
## Portfolio Statistics

Weighted Median P/E (NTM)	15.0x
Median 3 Year Average Payout Ratio	66.45
Weighted Average EPS Growth Next 5 Years	5.41
Weighted Median Market Cap	\$97.9 b
Weighted Median Price/Book	2.2x
Number of Securities	41
Foreign Securities	25.16%
Annual Portfolio Turnover	32.4%

## Top Holdings (%)

AT&T Inc.	5.3
AbbVie Inc.	5.2
Exxon Mobil Corporation	4.6
Verizon Communications Inc.	4.6
Philip Morris International Inc.	4.5
Pfizer Inc.	4.4
BP PLC	4.2
Dominion Energy, Inc.	3.7
Duke Energy Corporation	3.7
GlaxoSmithKline PLC	3.7
<b>Total % of Portfolio</b>	<b>43.9</b>

## Sector Weightings (%)



Portfolio composition is based on net assets at the close of business on 12/31/19 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 of 3.56% (A Shares at MOP) and a gross weighted average dividend yield of 4.62% at quarter end
- This dividend yield substantially exceeded not only the broad market represented by the S&P 500 Index with its 1.85% yield, and the 10-year U.S. Treasury note (1.92%), but it also surpassed the 3.90% yield of the Dow Jones Select Dividend Index
- During the quarter, eight fund holdings announced increases with highlights including Abbvie (10.3%), Amgen (10.3%), Enbridge (9.8%) and Pfizer (5.6%)
- For the rolling one-year period, 35 companies raised their dividends, accounting for 36 increases overall, two dividend reductions and one special dividend
- The risk-on trade was the prevailing theme for the fourth quarter as the cyclical, high-beta, tech rally resurfaced

## Looking Back

The S&P 500 closed the year up 29%, its best showing since 2013, while the Dow added 22% and the Nasdaq advanced 25%. The story was much the same overseas as the Stoxx Europe 600 rose 23% for its biggest gain in 10 years, the Shanghai Composite Index climbed 22%, the MSCI World Index rose 25% and the MSCI All Country World Index ex U.S. increased 18%.

During the fourth quarter of 2019, the market reached new highs as concerns over a weakening economy and the trade deal were minimized, buoying investor sentiment. The risk-on environment was evident, as low yield and high beta outperformed. When quintiling the S&P 500, low beta underperformed high beta by 11.18% and high yield underperformed low yield by 5.76%. Information Technology was the clear leader in the broad market, posting a return of 14.4%, led by Apple and Microsoft, which accounted for 20% of total performance as they posted returns of 31.50% and 13.82%, respectively. The strategy has minimal exposure to Information Technology, as it provides little opportunity for a rising dividend income stream. These characteristics do not align with a high-yield dividend strategy.

## Performance

The fund ended the quarter with a return of 4.85% (A Shares at net asset value), while the Dow Jones Select Dividend Index and the S&P 500 posted returns of 4.59% and 9.07%, respectively.

### Performance Contributors

- Health Care was the top-contributing sector, driven by Abbvie, which appreciated 18.63%
- Consumer Staples, another bright spot, added to performance with a 9.26% return
- Utilities were also additive to performance posting a 6.65% return

### Performance Detractors

- Low beta and high yield underperformed during the month, which challenges a high-yield dividend strategy
- REITs detracted from performance as they came under pressure due to the notable risk-on trade. Additionally, Ventas faced short-term price pressure declining 19.85% after reporting disappointing guidance and weak third quarter results regarding senior housing
- Individual names that detracted from performance include Duke Energy, BCE Inc. and Occidental Petroleum which declined -3.83%, -3.11% and -5.37%, respectively

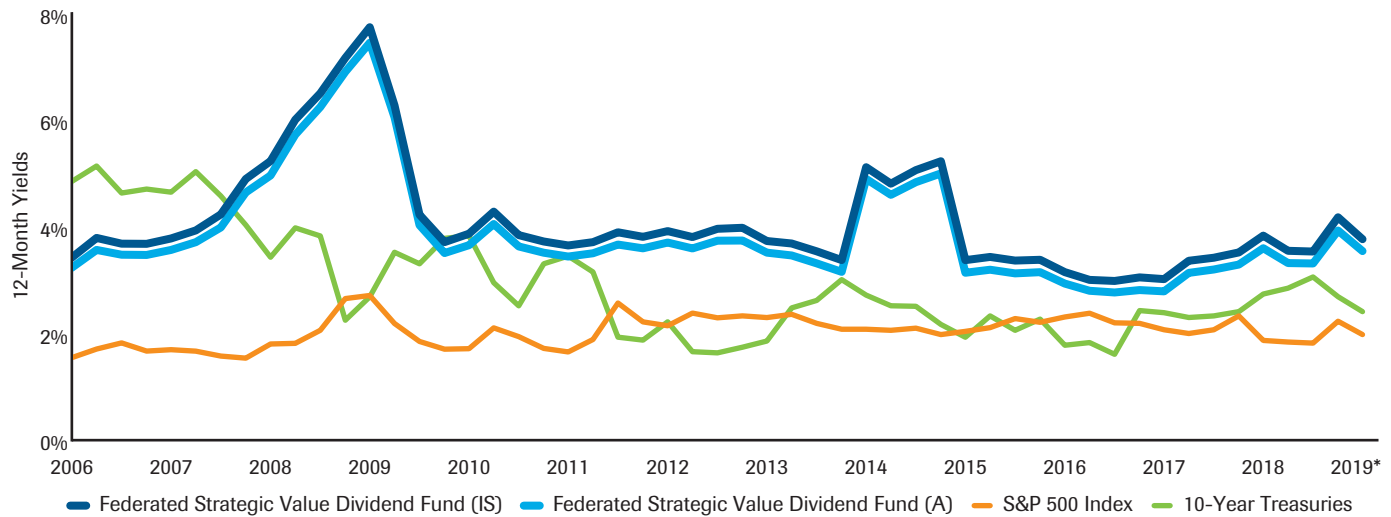
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## How We Are Positioned

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 could 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 0.61 (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 12/31/19

### Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	9.75	10.04	9.93	10.06
Beta	0.61	0.58	0.63	0.58
Correlation	0.76	0.69	0.70	0.72
Up Capture Ratio	60.99	62.37	69.47	66.16
Down Capture Ratio	70.55	58.65	68.92	54.19
Sharpe Ratio	0.65	0.65	0.94	0.97

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

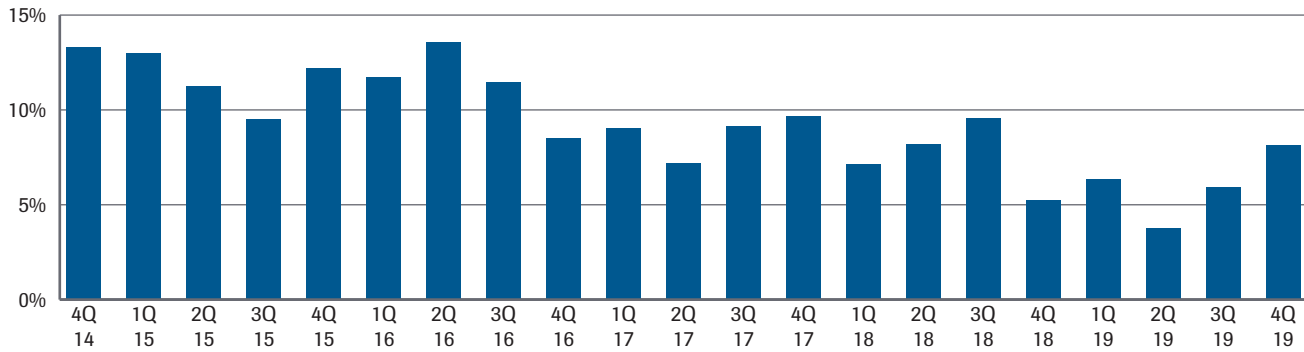
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### 10-Year Risk/Return



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### 3-Year Rolling Returns (IS)



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	92	81	60	69
Morningstar Category Rank	1,126 of 1,209 Funds	857 of 1,091 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	93	83	61	70
Morningstar Category Rank	1,137 of 1,209 Funds	872 of 1,091 Funds	535 of 945 Funds	450 of 690 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	93	87	67	76
Morningstar Category Rank	1,142 of 1,209 Funds	926 of 1,091 Funds	605 of 945 Funds	506 of 690 Funds

#### Lipper Equity Income Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	87	75	-	-
Lipper Classification Rank	456 of 528 Funds	356 of 475 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	87	77	66	65
Lipper Classification Rank	458 of 528 Funds	366 of 475 Funds	270 of 410 Funds	159 of 246 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	87	82	70	73
Lipper Classification Rank	460 of 528 Funds	386 of 475 Funds	286 of 410 Funds	180 of 246 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 3.96% for R6 Shares, 3.90% for Institutional Shares, and 3.44% 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.