

6/30/23

Firm overview

Federated Hermes, Inc. is a leading \$704.0 billion global investment manager (assets under management as of 6/30/23). Guided by our conviction that responsible investing is the best way to create wealth over the long term, Federated Hermes offers world-class investment management and engagement services. Our products span equity, fixed-income, alternative/private markets, multi-asset and liquidity management strategies and a range of separately managed account strategies, all distributed through a network of institutions and intermediaries worldwide.

Composite

Federated Hermes
MDT Tax Aware All Cap Core SMA

Index

Russell 3000® Index

Key investment team

Daniel Mahr, CFA
Frederick Konopka, CFA
John Paul Lewicke
Sarah Stahl, CIPM
Damien Zhang, CFA
Tony Ng, CFA

Philosophy

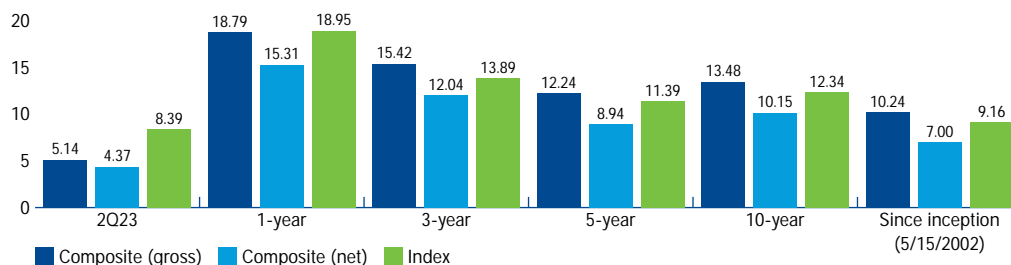
Our goal is to seek strong risk-adjusted performance for our clients. We believe that an unemotional, disciplined process can lead to results-driven portfolio selection. We believe that companies with strong combinations of fundamentals can outperform their peers in the long run. We believe that clients should hold a well-diversified portfolio with moderate tracking error and strong alpha potential.

Process

Every trading day, we analyze the most recent data for each stock in the MDT Tax Aware All Cap Core universe. We evaluate all companies bottom-up according to fundamental and technical factors that measure a company's value, growth/sentiment and quality characteristics. We build a portfolio of stocks with a variety of combinations of fundamental characteristics that obeys layered risk management measures. The end result of our disciplined process is a well-diversified portfolio with moderate tracking error and strong alpha potential net of trading costs.

<p>Investment process</p> <ul style="list-style-type: none"> • 3,000 stocks screened daily using fundamental and technical factors. • High-potential stocks identified by looking for combinations of factors that outperform. • Top stocks purchased for portfolio, subject to risk management. • Trading costs built into the model—trades are only made if they improve the portfolio net of expected trading costs. • Consideration given to taxes. 	<p>Risk management</p> <ul style="list-style-type: none"> • Portfolios tuned for relatively low risk given the potential alpha. • Typically 90-105 stocks in portfolio. • Diversification constraints designed to: <ul style="list-style-type: none"> ▶ limit position size. ▶ limit benchmark-relative exposure to correlated companies in different sectors. ▶ limit benchmark-relative exposure to businesses, industries and sectors. 	<p>Advantages</p> <ul style="list-style-type: none"> • Seeks strong risk-adjusted after-tax performance. • Daily bottom-up, fundamental stock selection. • Differentiated process. • Transparent process. • Disciplined, unemotional, repeatable process. • Integrated, whole market approach. • Constant research and reevaluation of model.
<p>Tax considerations</p> <ul style="list-style-type: none"> • Tax differential effect—takes into account the difference between short- and long-term tax rates. • Tax deferral effect—takes into account the benefit of deferring taxes one year. • Wash sales—strategy prevents wash sales from occurring. • Specific client tax bracket customization. 		

Annualized returns (%)



Data as of 6/30/23. Since inception performance is calculated starting on 6/1/02. Refer to the attached GIPS® report for additional information.

Total returns for periods of one year or less are cumulative.

Past performance is no guarantee of future results.

Not FDIC Insured • May Lose Value • No Bank Guarantee

Portfolio characteristics

	Portfolio	Index*
5-year forward EPS growth (%)	11.6	9.8
P/E forward fiscal year est.	22.5	23.9
Wtd. median market cap** (mil.)	\$49,471	\$129,473
Price/book	7.2x	6.3x
Dividend yield (%)^	1.3	1.5

Sector weightings (%)

	Portfolio	Index*
Communication Services	7.5	7.8
Consumer Discretionary	11.0	10.9
Consumer Staples	6.9	6.1
Energy	3.3	4.2
Financials	13.5	13.0
Health Care	14.5	13.5
Industrials	9.5	10.0
Information Technology	27.3	26.4
Materials	2.0	2.8
Real Estate	3.0	2.9
Utilities	1.5	2.5

Risk statistics***

	Portfolio	Index
Annualized standard deviation (%)	15.84	15.34
Annualized Sharpe ratio	0.81	0.77
Beta	1.01	1.00
Tracking error (%)	3.02	0.00
R-squared (%)	96.38	100.00
Up capture ratio (%)	101.92	100.00
Down capture ratio (%)	96.76	100.00

Calendar year returns (%)

	Composite (gross)	Composite (net)	Index
2014	16.68	13.27	12.56
2015	-2.65	-5.54	0.48
2016	11.97	8.68	12.74
2017	23.37	19.79	21.13
2018	-0.32	-3.27	-5.24
2019	26.72	23.04	31.02
2020	21.60	18.04	20.89
2021	31.17	27.37	25.66
2022	-14.26	-16.83	-19.21
2023 (YTD)	11.53	9.89	16.17

Refer to the attached GIPS® report for additional information.

*Information is derived from a universe that approximates the Russell 3000® Index.

**Market cap at which 50% of assets are invested in higher market caps and 50% of assets are invested in lower market caps.

***Data from 6/1/02-6/30/23.

^ Portfolio yield is only one component of available portfolio characteristics and it is not and should not be viewed as a statement of the current or future performance of the strategy.

The sector and style weightings and portfolio characteristics were derived through analysis of all accounts that are “shadowed” on MDT’s APL portfolio accounting system. Since this is a managed portfolio and market conditions can fluctuate suddenly and frequently, the portfolio holdings and investment mix will change.

Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The index is calculated on a total return basis with dividends reinvested. It is unmanaged and not available for direct investment. Investing in equities is speculative and involves substantial risk. Individual client accounts will vary. MDT seeks to optimize every portfolio on a daily basis. However, not all portfolios may trade daily, due to operational issues or liquidity constraints. All charts and tables were created using information from Morningstar, Inc. and MDT’s internal Investment Team.

The net performance results reflect the deduction of 3% investment advisory fees per year (the highest fee applicable to any account in a sub-advisory managed account program), deducted monthly.

Past performance is no guarantee of future results.

MDT Tax Aware All Cap Core SMA

Schedule of rates of return and statistics

Composite Federated Hermes MDT Tax Aware All Cap Core SMA
 Index Russell 3000 Index
 Periods ending 6/30/2023

	Returns (%)		
	Composite pure gross return [^]	Index	Net composite return (assuming maximum fee)
Q2 23	5.14	8.39	4.37
YTD	11.53	16.17	9.89
1 Year	18.79	18.95	15.31
3 Years (Annldz)	15.42	13.89	12.04
5 Years (Annldz)	12.24	11.39	8.94
7 Years (Annldz)	14.99	12.86	11.62
10 Years (Annldz)	13.48	12.34	10.15
15 Years (Annldz)	10.24	10.61	7.00
20 Years (Annldz)	11.10	10.05	7.84
Jun 02 - Jun 23 (Annldz)^{^^}	10.24	9.16	7.00

	Composite pure gross return (%) [^]	Composite net return (%)	Benchmark return (%)	*Composite 3-yr std dev	*Benchmark 3-yr std dev	Number of portfolios	Dispersion**	Composite assets (\$mil)	Firm assets (\$bil)
2013	35.81	31.89	33.55	13.71	12.53	111	0.68	69.8	366.8
2014	16.68	13.27	12.56	9.00	9.29	105	1.19	76.6	349.3
2015	-2.65	-5.54	0.48	10.68	10.58	69	0.56	36.2	343.4
2016	11.97	8.68	12.74	11.43	10.88	64	0.74	43.8	342.3
2017	23.37	19.79	21.13	11.00	10.09	65	0.70	49.2	354.7
2018	-0.32	-3.27	-5.24	12.15	11.18	50	0.64	33.4	377.2
2019	26.72	23.04	31.02	12.60	12.21	54	0.81	48.0	503.1
2020	21.60	18.04	20.89	19.89	19.41	54	0.90	56.5	585.7
2021	31.17	27.37	25.66	18.59	17.94	46	1.38	52.4	634.2
2022	-14.26	-16.83	-19.21	21.83	21.48	38	1.32	34.9	627.4

[^]Pure gross returns are shown as supplemental and do not reflect the deduction of transaction costs.

^{^^}Represents composite inception period. See additional notes to the schedule of rates of return and statistics.

*Represents the 3-year annualized standard deviation for both the gross composite and the index returns. Statistic is used to measure the volatility of composite returns.

**Standard deviation is calculated using gross returns. Standard deviation is not applicable ("N/A") for any period if fewer than five accounts are in the composite for that period. (See footnote 5)

This strategy utilizes a disciplined, quantitative investment process which analyzes a diverse universe of approximately 3,000 publicly traded domestic equities on a daily basis. The process selects stocks based on fundamental and technical variables, controls risk through diversification constraints, and controls turnover by taking into account the impact of trading cost. This strategy is similar to the All Cap Core except that it also takes into account the effect of taxes. The universe of stocks available to this strategy is the MDT All Cap Core, which approximates the Russell 3000. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. Indexes are unmanaged and cannot be invested in directly. Prior to March 2005, this composite consisted of the Federated Hermes MDT Tax Aware All Cap Core Institutional Composite. Beginning March 2005, wrap fee accounts make up 100% of this composite. This composite was created March 2005. MDT Advisers, a Hermes Federated advisory company, has managed portfolios in this investment style since May 2002. Firm assets prior January 2007 are of an acquired entity of Federated Hermes. Performance presented prior to January 2007 occurred while the Portfolio Management Team members were affiliated with a prior firm. Performance shown for 2002 is for a partial period starting on June 1, 2002. Federated Hermes claims compliance with the Global Investment Performance Standards ("GIPS[®]") and has prepared and presented this report in compliance with the GIPS[®] standards. Federated Hermes has been independently verified for the period of January 1, 1992, through March 31, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS[®] standards must establish policies and procedures for complying with all the applicable requirements of the GIPS[®] standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS[®] standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Accounts eligible for this composite must follow this style, be fully discretionary, and must have wrapped or bundled fees. Performance results are presented both net and gross of total wrap fees and reflect the reinvestment of income. "Pure" gross returns are shown as supplemental and do not reflect the deduction of transaction costs. Net returns reflect the deduction of a maximum fee. A fee equal to the highest anticipated wrap fee that a client could pay (3.00% annually as charged by the program sponsor, inclusive of up to a maximum investment advisory fee of 0.80%) is used. This total wrap fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. Gross returns prior to March 2005 are shown gross of fees and expenses, but net of direct transaction costs.

Notes to the schedule of rates of return and statistics

1. Federated Hermes is a global, independent, multi-strategy investment management firm. For GIPS® purposes, Federated Hermes is defined to include the assets of registered investment companies that are advised or sub-advised by the various Federated Hermes advisory companies. Effective September 30, 2020, for GIPS® purposes the name of the firm was officially changed to Federated Hermes. Firm assets on this report exclude assets affiliated with Hermes GPE and the advisory-only, model-based assets that may be included in other reports providing total firm assets.
2. Interest income and dividends are recognized on an accrual basis. Returns include the reinvestment of all income.
3. All market values and performance information are valued in USD unless currency is denoted in composite description.
4. Annual composite dispersion is measured and presented using the asset weighted standard deviation of the gross returns of all of the portfolios included in the composite over the entire year. Prior to January 2023, annual dispersion for the CW Henderson composites was measured using the equal weighted standard deviation of the returns of all the portfolios included in the composite over the entire year. Effective January 2023 this was changed to asset weighted. Prior to March 2020 with regard to Federated Clover Investment Advisors composites, annual dispersion was measured using the equal weighted standard deviation of the returns of all the portfolios included in the composite over the entire year.
5. Composite dispersion does not measure the risk of the product presented, it simply measures the return variance among portfolios managed in a similar fashion. This variance can be affected by variations in cash flow or specific client parameters among the portfolios comprising the composites, as well as by execution of strategy across accounts.
6. See the composite description language for a discussion on appropriate fees currently applied to calculate composite performance. With regard to the institutional composites not managed by the MDT Advisers and Federated Hermes London office teams, for the period July 1, 1992 through September 30, 2009, net of fee performance was calculated monthly by reducing the gross composite return by the highest actual fee of any account in the composite for that month, regardless of investment vehicle. Prior to July 1992, the maximum management fee for third quarter 1992 was used to calculate net of fee performance historically to inception of the composite. For those composites managed by the Federated Hermes London office investment team, net composite results are based off model fees using the stated fee schedule. In addition, further fee information can be obtained from the firm's respective Forms ADV Part 2 Brochure Item 5.
7. Additional information regarding the policies for valuing investments, calculating performance, and preparing GIPS® reports, as well as a complete list and description of the firm's composites and pooled funds is available upon request.
8. Past performance is not indicative of future results.
9. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.
10. See disclosures on the Schedule of Rates of Return and Statistics Reports for additional information.

Beta: A measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole.

Downside capture ratio: A statistical measure of an investment manager's overall performance in down markets.

EPS growth: The estimated average annual growth rate of fiscal year earnings per share for a given corporation.

Price/book value ratio: A ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share.

Price-to-earnings ratio (P/E): A ratio comparing the company's current share price, as compared to its earnings-per-share, for the last twelve months (LTM), or estimated for the next 12 months (NTM), current fiscal year (FY1), or next (forward) fiscal year.

R-squared: A statistical measure that represents the percentage of a fund or security's movements that can be explained by movements in a benchmark index.

Sharpe ratio: is calculated by dividing a fund's annualized excess return over a risk-free rate by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

Standard deviation: The square root of the variance. A measure of dispersion of a set of data from its mean.

Tracking error: The standard deviation of the difference between a portfolio's returns and the benchmark or index it was meant to mimic or beat.

Upside capture ratio: A statistical measure of an investment manager's overall performance in up markets.

Risk considerations

Investing in equities is speculative and involves substantial risk.

The quantitative models and analysis used by the strategy may perform differently than expected and negatively affect strategy performance