

January 2024

### Objectives update

- **Dividend yield:**\* The portfolio's holdings had a weighted average dividend yield at 1/31/24 of more than three times that of the S&P 500®.
- **Dividend growth:** 37 of the portfolio's 48 companies raised dividends in the last 12 months.
- **Long-term total return:** Our income-first approach seeks to generate competitive long-term total return driven by dividends and dividend growth. Longer-term, the portfolio delivered this return objective, as shown below. Over the last 12 months, our style of investing has significantly underperformed the tech-led broad market. High-yielding S&P 500® stocks have underperformed no/low-yielding stocks by 41.31%.

\*For standard yield of the fund and for total returns, see the chart on page 3.

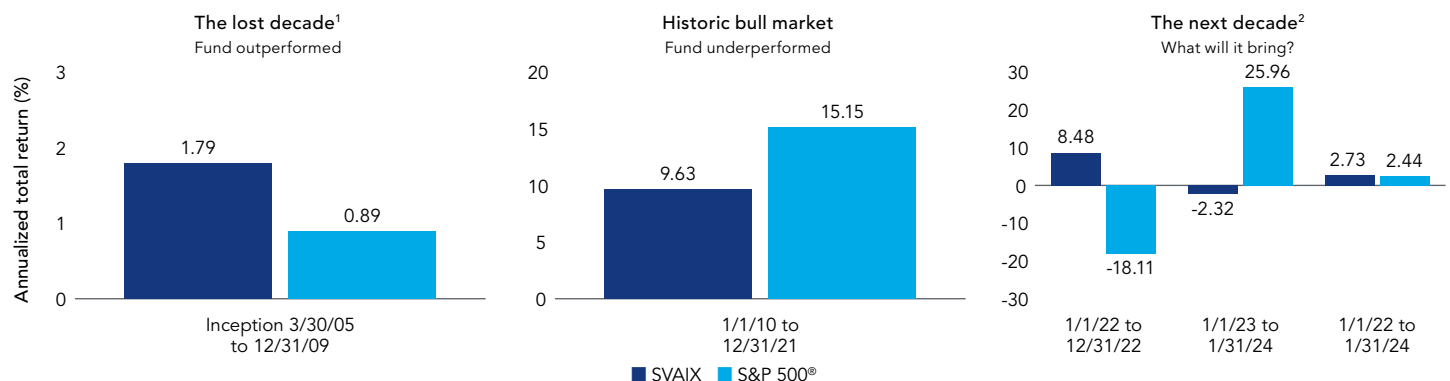
### Insights from the team

- **Free cash flow (FCF):** Recently, FCF generation in cyclical companies has mirrored exceptionally strong nominal economic growth. The tech sector, for example, currently has an average FCF margin of 28% (aided also by tech companies' generally low capital expenditure requirements) versus the S&P 500®'s 19%. However, cyclical companies likely experience a sharper decline in FCF in a recession. Our approach to FCF centers on the dividend. We seek companies with stable, durable FCF to support high dividend payments and dividend growth potential. We build 5-year FCF forecasts for each company and model the level of dividend growth that FCF can support. We conduct scenario analyses to measure potential impacts to FCF, such as, for a pharmaceutical company, patent expiry on a key drug. We seek FCF generated by mature, defensive businesses, which we believe will be durable in periods of economic weakness and continue to support high and rising dividend potential.

### Investment view

- Even if the Federal Reserve can engineer a "soft landing," economic growth is expected to slow and fixed-income yields are expected to fall. In our opinion, now is a great time to consider taking advantage of recent underperformance to invest in stocks with high and rising dividend yield potential. The strategy offers a long history of outperformance in down markets and competitive long-term return with lower volatility, as shown below. Plus, companies that paid high dividends in the past have bounced back after periods of underperformance.

The fund has provided competitive long-term return with lower volatility and outperformance in down markets



### Volatility (%) as of 1/31/24

	Standard deviation		
	5-year	10-year	15-year
<b>SVAIX</b>	15.94	13.29	12.80
<b>S&amp;P 500®</b>	18.28	15.12	15.17

Source: Morningstar, Inc. Performance is for IS Shares (SVAIX). Performance for other classes will vary due to differences in expenses. **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 [FederatedHermes.com/us](https://FederatedHermes.com/us). See page 3 for standard fund total returns.**

Unless noted, all information is as of 1/31/24. **Past performance is no guarantee of future results.**

<sup>1</sup> The period known as 'The lost decade' refers to 1/1/00 - 12/31/09 when the S&P 500® experienced a negative return over a full decade period. The graph shows the lost decade beginning from fund inception.

<sup>2</sup> The three time periods in this graph illustrate the three most recent periods for the broad market: 1/1/22 - 12/31/22 (broad market downturn), 1/1/23 - 1/31/24 (broad market rally led by mega-cap tech stocks) and 1/1/22 - 1/31/24 (looking at the two previous periods combined).

**Not FDIC Insured • May Lose Value • No Bank Guarantee**

## Federated Hermes Strategic Value Dividend Fund

### Our philosophy

We believe in owning businesses that are committed to providing investors regular dividend payments.

We are not a traditional equity value shop; rather, we believe in an income-first approach that seeks to deliver a high current yield and growing income stream to our clients. We believe we can meet the needs of investors seeking current income, as well as those looking for moderate capital appreciation through dividend growth.

### Objective

The fund pursues income and long-term capital appreciation by investing primarily in high-dividend-paying stocks with dividend growth potential.

- Seeks a higher dividend yield than that of the broad equity market
- Invests in high-quality companies positioned to increase their dividends over time
- Offers the potential for competitive upside performance in strong market environments and the potential for lower downside risk in weak environments

### Key data

- Gross weighted average dividend yield of 4.86% is more than 3x the S&P 500® at 1.46% and more than the 10-year Treasury at 3.99%<sup>3</sup>
- R6 Shares have a 30-day SEC yield of 4.14%, IS Shares have a 30-day SEC yield of 4.12% and A Shares at maximum offering price (MOP) have a 30-day SEC yield of 3.65%<sup>4</sup>
- Trailing 12 months there were 38 dividend increases and zero cuts
- Top sector weights: Utilities 21.9% / Financials 15.7% / Health Care 14.0% / Consumer Staples 13.8% / Energy 11.0% (1.9% in Consumer Discretionary and 1.4% in Information Technology)
- New buys in January: Bristol-Myers Squibb Company, Exxon Mobil Corporation, Kenvue Inc.; increased positions: AbbVie Inc., Chevron Corp.
- Eliminated positions: Williams Companies, Inc.; trimmed positions: Amgen Inc., Medtronic PLC
- 100% of the 48 holdings were investment-grade rated (highest S&P-rated holdings: Johnson & Johnson at AAA; lowest: Conagra Brands, Inc. at BBB-)

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Fund statistics	Federated Hermes Strategic Value Dividend Fund	S&P 500® Index	Top 10 holdings (%)	Weight	Prospective dividend yield
<b>Wtd. average dividend yield (%)</b>	4.86	1.46	<b>Philip Morris International Inc.</b>	4.5	5.7
<b>Wtd. median P/E ratio (NTM)</b>	13.49x	23.24x	<b>Verizon Communications Inc.</b>	4.1	6.3
<b>Median 3-year average dividend payout ratio</b>	65.88	29.59	<b>Duke Energy Corporation</b>	3.9	4.3
<b>Wtd. median price/book</b>	1.62x	7.15x	<b>TotalEnergies SE</b>	3.7	4.9
<b>Wtd. median price/cash flow</b>	7.49x	21.70x	<b>LyondellBasell Industries N.V.</b>	3.5	5.3
<b>Portfolio beta vs. S&amp;P 500® (3-year)<sup>5</sup></b>	0.63	1.00	<b>U.S. Bancorp</b>	3.1	4.7
<b>Foreign securities (%)</b>	22.33	0.00	<b>Truist Financial Corp</b>	3.1	5.6
<b>Number of holdings</b>	48	500	<b>Enbridge Inc.</b>	3.0	6.5
			<b>The Southern Company</b>	3.0	4.0
			<b>Sanofi</b>	3.0	3.8

Unless otherwise noted, all information is as of 1/31/24.

Investment-grade securities are securities that are rated at least "BBB" or unrated securities of a comparable quality. Non-investment-grade securities are securities that are not rated at least "BBB" or unrated securities of a comparable quality.

<sup>3</sup> Yield for the fund and index is the weighted average dividend yield. The current U.S. 10-year Treasury yield is not a dividend yield and is shown for comparison purposes. See the disclosures at the end of this document for yield definitions.

<sup>4</sup> In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 4.07% for R6 Shares, 3.58% for A Shares at maximum offering price and 4.05% for Institutional Shares as of 1/31/24.

<sup>5</sup> Morningstar 3-year beta versus S&P 500® Index calculated using monthly returns.

**Past performance is no guarantee of future results.**

## Average annual total returns (%) as of 12/31/23

	Ticker symbol	1-year	3-year	5-year	10-year	Since inception (3/30/05)	30-day yield <sup>^</sup>	Expense ratio <sup>*</sup>	
								Before waivers	After waivers
<b>R6 Shares</b>	SVALX	-1.79	9.01	7.38	6.77	6.73	4.13	0.86	0.79
<b>IS Shares</b>	SVAIX	-1.81	8.98	7.36	6.78	6.91	4.11	0.94	0.81
<b>A Shares (NAV)</b>	SVAAX	-2.07	8.71	7.10	6.51	6.63	3.87	1.18	1.06
<b>A Shares (MOP)</b>	SVAAX	-7.51	6.69	5.90	5.91	6.31	3.65	1.18	1.06
<b>S&amp;P 500® Index</b>	—	26.29	10.00	15.69	12.03	9.96	-	-	-

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 [FederatedHermes.com/us](https://FederatedHermes.com/us). 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.

<sup>\*</sup> 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 1/1/25 or the date of the fund's next effective prospectus.

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.

<sup>^</sup>In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 4.06% for R6 Shares, 3.74% for A Shares at net asset value (NAV), 3.52% for A Shares at maximum offering price (MOP) and 3.98% for Institutional Shares as of 12/31/23.

The fund is a managed portfolio and portfolio holdings are subject to change. The holdings percentages are based on net assets at the close of business on 1/31/24 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

### Definitions

**10-year Treasury yield** is the yield received for investing in a U.S. government issued treasury security that has a maturity of 10 years.

**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.

**Beta** analyzes the market risk of a fund by showing how responsive the fund is to the market. The beta of the market is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the market in up markets and 10% worse in down markets. Usually the higher betas represent riskier investments.

**Capital expenditure** is the money an organization spends to buy, maintain, or improve its fixed assets, such as buildings, vehicles, equipment, technology or land.

**Free cash flow** is calculated as cash from operations minus capital expenditures. It demonstrates the cash flow that a company can potentially distribute.

**High-dividend-paying stocks** are defined by the Advisor as those with a higher dividend yield than the S&P 500® Index's average dividend yield.

**Payout ratio** is the proportion of earnings paid out as dividends to shareholders, typically expressed as a percentage.

**Price/book ratio** is 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/cash flow ratio** is a stock valuation measure calculated by dividing a firm's cash flow per share into the current stock price.

**Price-to-earnings ratio (P/E ratio)** is a valuation ratio of a company's current share price compared to its per-share earnings. The P/E ratio helps investors determine the market value of a stock as compared to the company's earnings. A low P/E ratio might indicate that a stock that has the potential for significant growth is undervalued. P/E ratios are only one indicator of a company's financial well-being. Forward price-to-earnings (Forward P/E) is a version of the P/E that uses forecasted earnings for the P/E calculation. The earnings used in this formula are just an estimate and not as reliable as current or historical earnings data.

**Standard deviation** is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

**Weighted average dividend yield** is the prospective dividend yield for each security averaged based on the percentages of the securities in the portfolio. Prospective dividend yield is calculated by taking the most recent declared dividend payment multiplied by the number of dividend payments typically made during the year for each holding divided by the current share price for each security. This is calculated based on a snapshot in time and may change due to fluctuations in share prices, dividends actually paid and changes in holdings in the portfolio.

**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.

**This material must be preceded or accompanied by a prospectus. Click [here](#) for the latest prospectus.**

### 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.

International investing involves special risks including currency risk, increased volatility, political risks and differences in auditing and other financial standards.

The fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.