

### Objectives update - Federated Hermes Strategic Value Dividend Fund

- **Dividend yield:**\* The portfolio's holdings had a weighted average dividend yield at 6/30/24 of more than 3.5x that of the S&P 500®.
- **Dividend growth:** One company in the portfolio raised its dividend in June, Morgan Stanley. None cut.
- **Long-term total return:** Our income-first approach seeks to generate competitive long-term total return driven by dividends and dividend growth. Since inception, the portfolio has delivered this return objective. Over the last 12 months, our style of investing in stocks with the potential for high and rising dividends has significantly underperformed the broad market, with high-yielding S&P 500® stocks underperforming no/low-yielding stocks by 17.97%.

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

### Insights from the team

- **2Q24 equity return drivers:** Large cap second quarter returns breakdown as follows, according to UBS. Apple, Inc., Amazon.com, Inc., Alphabet, Inc., Meta Platforms, Inc., Microsoft Corp., and NVIDIA Corp. drove the S&P 500®'s 3.9% price return. The six largest tech stocks were up 17.0%, driven by 9.2% earnings-per-share (EPS) growth and multiple expansion of 7.2%. Excluding these six stocks, the rest of the index returned -1.1%, driven by multiple contraction of -3.8%.
- **Present vs. past periods of uninterrupted exuberance:** US equities broke new highs each week from 11/1/23 to 3/1/24, the longest streak in 80 years, according to Morgan Stanley. The S&P 500® has now gone ~650 days without a -10% correction as of 7/17/24. The Roaring 20s market moved up without a -10% correction for ~1,000 days. By the same measure, the dot-com bubble lasted ~1,800 days.

### Investment view

- **Current market conditions have created an unusual, uneven environment that is not sustainable long-term, in our view.** A handful of securities and a phenomenon that has yet to be tested as to its profitability, artificial intelligence (AI), are driving market performance. NVIDIA alone drove 34.5% of returns in the S&P 500® YTD through early June. As we noted above, about 40% of NVIDIA and the other mega-cap tech stocks' performance in 2Q24 came from multiple expansion. In other words, market participants paid more for expected future earnings. Meanwhile, dividend payments contributed a negligible return, as these companies pay very low or no dividends. Recent history aside, this is rare. Dividend payments contributed about 40% of market returns from 1925-2023.<sup>1</sup> And over the long term, high-dividend strategies have outperformed low/no-dividend paying stocks.<sup>2</sup>

#### Low/no dividend stocks' blockbuster years in the rear view?

As seen below from 1970-2023, high-dividend annual stock returns were more often in the middle range (0-20%), and less often to the downside, providing a "smoother ride." Low/no-dividend stocks have returned >20% slightly more often than high-dividend stocks, but history suggests that they may have already seen all or most of their blockbuster years for this decade.

| Number of years/decade returns were within range       | Low/no-dividend stocks |             |            | High-dividend stocks |             |            |
|--|------------------------|-------------|------------|----------------------|-------------|------------|
|  | Years <0%              | Years 0-20% | Years 20%+ | Years <0%            | Years 0-20% | Years 20%+ |
| <b>1970s</b>   | 4                      | 2           | 4          | 2                    | 6           | 2          |
| <b>1980s</b>   | 2                      | 5           | 3          | 0                    | 4           | 6          |
| <b>1990s</b>   | 2                      | 3           | 5          | 2                    | 5           | 3          |
| <b>2000s</b>   | 4                      | 4           | 2          | 3                    | 5           | 2          |
| <b>2010s</b>   | 3                      | 3           | 4          | 2                    | 5           | 3          |
| <b>Average percentage of years/decade within range</b> | <b>30%</b>             | <b>34%</b>  | <b>36%</b> | <b>18%</b>           | <b>50%</b>  | <b>32%</b> |
| <b>2020-23</b>   | 1                      | 0           | 3          | 1                    | 2           | 1          |
| <b>Percentage of years within range</b>                | <b>25%</b>             | <b>0%</b>   | <b>75%</b> | <b>25%</b>           | <b>50%</b>  | <b>25%</b> |

As of 12/31/23. Sources: Eugene F. Fama & Kenneth R. French, Morningstar, Inc., Federated Hermes analysis. High-dividend stocks represented by Fama French Top 30% Dividend Payers. Low/no-dividend stocks represented by Fama French Low 30% Dividend Payers. Investments cannot be made in the Fama French portfolios. **Past performance is not indicative of future results.**

- Typically, the best time to embrace a particular investment style is when it is out of favor. We believe now is a buying opportunity for our strategy of pursuing high- and rising-dividend income.

Unless otherwise noted, all information is as of 6/30/24. **Past performance is no guarantee of future results.**

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.

### Key data

- Gross weighted average dividend yield of 4.90% is more than 3.5x the S&P 500® at 1.35% and more than the 10-year Treasury at 4.36%<sup>3</sup>
- R6 Shares have a 30-day SEC yield of 3.93%, IS Shares have a 30-day SEC yield of 3.90% and A Shares at maximum offering price (MOP) have a 30-day SEC yield of 3.45%<sup>4</sup>
- Trailing 12 months there were 36 dividend increases and zero cuts
- Top sector weights: Utilities 21.3% / Health Care 17.1% / Financials 16.5% / Consumer Staples 12.3% / Energy 11.7% (2.2% in Consumer Discretionary and 0.0% in Information Technology)
- New positions in June: CVS Health Corporation; Increased positions: Bristol-Myers Squibb Company, Evergy, Inc., Gilead Sciences, Inc., ProLogis, Inc.
- Exited positions: Texas Instruments, Inc.; Trimmed positions: Amgen, Inc., Dominion Energy, Inc., Kimberly-Clark Corporation, Southern Company.
- 100% of the 42 holdings were investment-grade rated (highest S&P-rated holdings: Johnson & Johnson at AAA; lowest: Conagra Brands, Inc. at BBB-)

**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 three for standard fund total returns.**

### 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

| Fund statistics   | Federated Hermes Strategic Value Dividend Fund | S&P 500® Index |
|---|--|----------------|
| <b>Wtd. average dividend yield (%)</b>                      | 4.90   | 1.35           |
| <b>Wtd. median P/E ratio (NTM)</b>                          | 12.63x   | 23.91x         |
| <b>Median 3-year average dividend payout ratio</b>          | 65.25  | 31.18          |
| <b>Wtd. median price/book</b>                               | 1.79x  | 8.55x          |
| <b>Wtd. median price/cash flow</b>                          | 7.68x  | 21.95x         |
| <b>Portfolio beta vs. S&amp;P 500® (3-year)<sup>5</sup></b> | 0.59   | 1.00           |
| <b>Foreign securities (%)</b>                               | 20.79  | 0.00           |
| <b>Number of holdings</b>                                   | 42   | 500            |

| Top 10 holdings (%)                     | Weight | Prospective dividend yield |
|---|--------|----------------------------|
| <b>Philip Morris International Inc.</b> | 4.8    | 5.1                        |
| <b>Duke Energy Corporation</b>          | 4.2    | 4.1                        |
| <b>Verizon Communications Inc.</b>      | 4.1    | 6.5                        |
| <b>LyondellBasell Industries N.V.</b>   | 3.7    | 5.6                        |
| <b>TotalEnergies SE</b>                 | 3.4    | 5.1                        |
| <b>Gilead Sciences, Inc.</b>            | 3.3    | 4.5                        |
| <b>Truist Financial Corp</b>            | 3.2    | 5.4                        |
| <b>Sanofi</b>                           | 3.1    | 4.2                        |
| <b>Enbridge Inc.</b>                    | 3.1    | 6.4                        |
| <b>U.S. Bancorp</b>                     | 3.0    | 4.9                        |

Unless otherwise noted, all information is as of 6/30/24.

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>1</sup> As of 12/31/23. Sources: Robert Schiller, Federated Hermes analysis. **Past performance is not indicative of future results.**

<sup>2</sup> As of 12/31/23, Fama French Top 30% Dividend Paying Portfolio returned 10.61%, 12.00% and 12.67% annualized over the last 30, 40 and 50 years, respectively, outperforming both the Fama French Low 30% Dividend Paying and Non Paying Dividend Portfolios. Fama French Low 30% Dividend Paying Portfolio returned 10.24%, 11.02% and 10.82% annualized over the last 30, 40 and 50 years, respectively. Fama French Non Dividend Paying Portfolio returned 10.40%, 9.99% and 11.81% annualized over the last 30, 40 and 50 years, respectively. This is for illustrative purposes only and is not indicative of any specific investment. Investments cannot be made in the portfolio. **Past performance is not indicative of future results.**

<sup>3</sup> Yield for the fund and index is the weighted average dividend yield. The current US 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 3.86% for R6 Shares, 3.38% for A Shares at MOP and 3.83% for Institutional Shares as of 6/30/24.

<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 6/30/24

|                                      | Ticker symbol | 1-year | 3-year | 5-year | 10-year | Since inception<br>(3/30/05) | 30-day yield <sup>^</sup> | Expense ratio <sup>*</sup> |               |
|--------------------------------------|---------------|--------|--------|--------|---------|------------------------------|---------------------------|----------------------------|---------------|
|                                      |               |        |        |        |         |                              |                           | Before waivers             | After waivers |
| <b>R6 Shares</b>                     | SVALX         | 7.45   | 5.60   | 6.01   | 5.88    | 6.75                         | 3.93                      | 0.86                       | 0.79          |
| <b>IS Shares</b>                     | SVAIX         | 7.62   | 5.64   | 6.03   | 5.90    | 6.93                         | 3.90                      | 0.94                       | 0.81          |
| <b>A Shares (NAV)</b>                | SVAAX         | 7.22   | 5.36   | 5.73   | 5.61    | 6.65                         | 3.66                      | 1.18                       | 1.06          |
| <b>A Shares (MOP)</b>                | SVAAX         | 1.35   | 3.37   | 4.53   | 5.02    | 6.34                         | 3.45                      | 1.18                       | 1.06          |
| <b>S&amp;P 500<sup>®</sup> Index</b> | –             | 24.56  | 10.01  | 15.05  | 12.86   | 10.50                        | -                         | -                          | -             |

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 3.86% for R6 Shares, 3.59% for A Shares at net asset value (NAV), 3.38% for A Shares at maximum offering price (MOP) and 3.83% for Institutional Shares as of 6/30/24.

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 6/30/24 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 US government issued treasury security that has a maturity of 10 years.

**30-day yield** (also known as "SEC" yield<sup>™</sup>) 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.

**EPS growth** is the estimated average annual growth rate of fiscal year earnings per share for a given corporation.

**Fama-French portfolios** formed on D/P at the end of each June using NYSE breakpoints. The dividend yield used to form portfolios in June of year t is the total dividends paid from July of t-1 to June of t per dollar of equity in June of t. Includes all NYSE, AMEX and NASDAQ stocks for which we have market equity for June of year t, and at least 7 monthly returns (to compute the dividend yield) from July of t-1 to June of t.

**High-dividend-paying stocks** are defined by the Advisor as those with a higher dividend yield than the S&P 500<sup>®</sup> 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.

**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<sup>®</sup> 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.