

Objectives update - Federated Hermes Strategic Value Dividend Fund

- **Dividend yield:*** The portfolio's holdings had a weighted average dividend yield at 5/31/24 of more than three times that of the S&P 500®.
- **Dividend growth:** 36 companies in the portfolio have raised dividends over the last 12 months, providing strong organic dividend growth. None have cut; however, National Grid PLC announced a 30% dilutive stock issuance, proceeds from rights associated with the issuance valued at 7%, and a 5.6% dividend increase. Netted together, we anticipate that the dividend going forward will be diluted by approximately 15-17% as a result.
- **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 14.83%.

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

Insights from the team

- **Corporate earnings:** S&P 500® earnings growth is still being driven by the Magnificent 7.¹ The first quarter was the fifth quarter in a row where the remaining 493 companies in the S&P 500® had negative average year-over-year earnings-per-share (EPS) growth: -2.1% based on companies that had reported as of mid-May. Including the Magnificent 7, 1Q24 EPS growth was 4.3%.
- **Remember Palm Pilot?** In 2000, Palm (the company that created the first successful personal digital assistant) was worth more than Apple, NVIDIA, and Amazon combined. By 2011, it was effectively defunct.
- **Which stocks have historically outperformed after rate cuts?** Utilities is the only sector with positive performance six months after every first rate cut since 1995, as shown below. Overall, defensive sectors outperformed. This makes sense, as rate cuts typically occur in challenging times.

Defensive sectors historically lead in the six months after the first rate cut

S&P 500® performance (%) by sector six months after the first fed funds rate cut

Date of first fed funds rate cut	Utilities	Consumer Staples	Health Care	Industrials	Materials	Communication Services	Energy	Financials	Consumer Discretionary	Real Estate	Information Technology
7/6/95	2.4	4.9	14.8	0.5	-11.3	13.8	2.7	4.8	-8.8	n/a	-18.5
1/3/01	3.9	1.7	-1.7	8.7	14.0	-2.4	5.7	3.9	10.9	n/a	-15.4
9/18/07	8.3	12.5	1.1	4.0	13.5	-6.9	11.4	-14.8	-6.1	-3.1	0.0
8/1/19	6.3	-2.2	0.1	-2.8	-9.7	-1.0	-18.7	-0.6	-4.2	-3.7	9.3
Average	5.2	4.2	3.6	2.6	1.6	0.9	0.3	-1.7	-2.1	-3.4	-6.2

Source: Strategas. **Past performance is not indicative of future results.** For illustrative purposes only and not representative of any specific investment.

Investment view

- These are trying times for dividend investors. Investors have been piling into stocks on the assumption that an interest rate cut is imminent and/or artificial intelligence (AI) is the next big thing. While mature, cash-distributing, defensive companies have moved up along with the market, they have not gained nearly as much as AI, big tech and non-dividend stocks. In some ways, sentiment recalls the 1990s, when non-dividend-paying stocks made a valiant charge against dividend payers and growers during the tech boom before crashing. This time may be different; we offer no date-specific expectations of outperformance. However, we note that high-dividend stocks offer a history of compelling long-term return² and lower downside risk³ versus non-dividend stocks, which should not be surprising considering what an equity investment really is: a small stake in a company that entitles you to a share of the company's profits, assuming they have profits.

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 4.81% is more than 3x the S&P 500® at 1.40% and more than the 10-year Treasury at 4.51%⁴
- R6 Shares have a 30-day SEC yield of 3.81%, IS Shares have a 30-day SEC yield of 3.78% and A Shares at maximum offering price (MOP) have a 30-day SEC yield of 3.34%⁵
- Trailing 12 months there were 36 dividend increases and zero cuts
- Top sector weights: Utilities 22.7% / Financials 16.2% / Health Care 15.2% / Consumer Staples 12.8% / Energy 11.9% (2.3% in Consumer Discretionary and 0.4% in Information Technology)
- Exited positions in May: National Grid PLC, Stanley Black & Decker, Inc.; Trimmed positions: Kimberly-Clark Corp., Texas Instruments, Inc.
- New positions: ProLogis, Inc.
- 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://www.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
Wtd. average dividend yield (%)	4.81	1.40
Wtd. median P/E ratio (NTM)	12.83x	23.05x
Median 3-year average dividend payout ratio	65.88	31.54
Wtd. median price/book	1.83x	7.92x
Wtd. median price/cash flow	7.86x	20.96x
Portfolio beta vs. S&P 500® (3-year)⁶	0.60	1.00
Foreign securities (%)	21.20	0.00
Number of holdings	42	500

Top 10 holdings (%)	Weight	Prospective dividend yield
Philip Morris International Inc.	4.9	5.1
Duke Energy Corporation	4.2	4.0
Verizon Communications Inc.	3.9	6.5
LyondellBasell Industries N.V.	3.7	5.4
TotalEnergies SE	3.7	4.7
Dominion Energy, Inc.	3.4	5.0
Amgen Inc.	3.3	2.9
The Southern Company	3.3	3.6
Sanofi	3.1	4.2
Enbridge Inc.	3.1	6.2

Unless otherwise noted, all information is as of 5/31/24.

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.

¹ Apple, Inc., Amazon.com, Inc., Alphabet, Inc., Meta Platforms, Inc., Microsoft Corp., NVIDIA Corp. and Tesla, Inc.

² 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 no indication of future results.**

³ In an analysis of all S&P 500® Index declines of -10% or steeper from 1/1/73 to 12/31/23, high-dividend payers returned -12.72% on average and non-dividend payers returned -27.38% on average. High-dividend payers (represented by Fama French Top 30% Dividend Payers Portfolio) outperformed non-dividend payers (represented by Fama French Non-Dividend Payers Portfolio) in seven out of 11 declines.

⁴ 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.

⁵ In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 3.74% for R6 Shares, 3.27% for A Shares at MOP and 3.71% for Institutional Shares as of 5/31/24.

⁶ 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 (3/30/05)	30-day yield [^]	Expense ratio [*]	
								Before waivers	After waivers
R6 Shares	SVALX	7.45	5.60	6.01	5.88	6.75	3.93	0.86	0.79
IS Shares	SVAIX	7.62	5.64	6.03	5.90	6.93	3.90	0.94	0.81
A Shares (NAV)	SVAAX	7.22	5.36	5.73	5.61	6.65	3.66	1.18	1.06
A Shares (MOP)	SVAAX	1.35	3.37	4.53	5.02	6.34	3.45	1.18	1.06
S&P 500[®] Index	–	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. 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 1/1/25 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.

[^]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 5/31/24 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.

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[®] 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[®] 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.