

Strategic Value Dividend Investment Team

Market insights and investment view

September 2024

R6: SVALX | IS: SVAIX | A: SVAAX

Objectives update - Federated Hermes Strategic Value Dividend Fund

- **Dividend yield:*** The portfolio's holdings had a weighted average dividend yield at 8/31/24 of more than 3x that of the S&P 500®.
- **Dividend growth:** Year-to-date (YTD), the portfolio has had 22 of its companies raise dividends. None cut, but National Grid announced a dilutive stock issuance.
- **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.

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

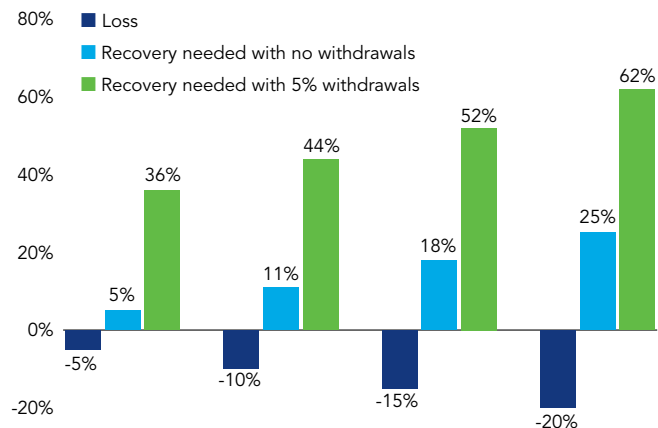
Insights from the team

- **It's easy to underestimate the gains needed to recoup investment losses.** Recouping losses always requires a larger percentage of gains than the loss itself to fully recover, as seen in the graph to the right. Historically, high-quality stocks have outperformed low-quality stocks in contracting markets by on average 16%.¹ This highlights a key potential benefit of quality, high-dividend-paying companies — downside defense.

Investment view

- As our long-term clients know, our dividend portfolios attempt to side-step short-term market commotion and instead seek to anchor expectable total return in a high- and rising-income stream from high-quality assets. This differentiated approach leads, at times, to wide return differentials between our portfolio and the S&P 500®. However, over the long term, our "tortoise" approach has tended to catch up to the jumpier "hare," the broad market, to deliver competitive long-term returns. This catch up has played out again over the last few months, exemplifying how a lower volatility equity strategy such as ours can provide a "smoother ride."
- As the election nears, our portfolio should continue to provide a cushion from expected volatility. As our historical beta range of 0.46 to 0.89 and average beta of 0.65² shows, we attempt to insulate our clients from the market's extreme levels. Historically, this approach has captured much of the market's upside but more importantly, has proven defensive in the inevitable downturns.
- Interest rates are falling in a weakening economy. In this environment, the high-quality dividend payers we seek can offer both downside defense and rate sensitivity, and, of course, higher income potential.

Gains needed to recover losses



The illustration above is for educational purposes only. It does not represent investment performance of an actual investment. The graph shows the cumulative gains that would be required over five years after an initial given loss and annual withdrawals of 5%. This is a hypothetical scenario that assumes no price fluctuations beyond the initial loss. Source: Federated Hermes, Inc.

The YTD performance differential between the S&P 500® and the fund (SVAIX) has narrowed as volatility has increased



As of 9/18/24. Sources: Bloomberg, Federated Hermes analysis. Relative performance measures the returns of the fund against the S&P 500® Index. Performance is for IS Shares. Other classes of shares are available whose performance will vary due to different charges and 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. See page three for standard fund total returns.**

Unless otherwise noted, all information is as of 8/31/24. **Past performance is no guarantee of future results.**

¹ In the 10 periods when the S&P 500® dropped -10% or more since 2000, the highest-quality stocks returned on average 4.8%, while the lowest-quality stocks in the S&P 500® returned on average -11.4%.

² 3-year beta vs. S&P 500® based on quarterly data since inception as of 6/30/24. Sources: Morningstar, Inc., Federated Hermes analysis.

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 4.36% is more than 3x the S&P 500® at 1.31% and more than the 10-year Treasury at 3.91%³
- R6 Shares have a 30-day SEC yield of 3.65%, IS Shares have a 30-day SEC yield of 3.63% and A Shares at maximum offering price (MOP) have a 30-day SEC yield of 3.21%⁴
- Trailing 12 months there were 36 dividend increases and zero cuts
- Top sector weights: Utilities 19.2% / Health Care 17.8% / Financials 17.3% / Consumer Staples 12.4% / Energy 11.5% (1.6% in Consumer Discretionary and 0.0% in Information Technology)
- New positions in August: Kimco Realty Corp., PepsiCo, Inc., Target Corp.; Increased positions: Diageo PLC, Johnson & Johnson, Paychex, Inc., ProLogis, Inc. WEC Energy Group, Inc.
- Trimmed positions: American Electric Power Company, Inc., Amgen, Inc., Conagra Brands, Inc., Duke Energy Corp., Kimberly-Clark Corp., Philip Morris International, Inc., The Southern Company
- 100% of the 48 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. See page three for standard fund total returns.

Fund statistics	Federated Hermes Strategic Value Dividend Fund	S&P 500® Index	Top 10 holdings (%)	Weight	Prospective dividend yield
Wtd. average dividend yield (%)	4.36	1.31	Gilead Sciences, Inc.	3.8	3.9
Wtd. median P/E ratio (NTM)	14.45x	24.52x	Verizon Communications Inc.	3.7	6.4
Median 3-year average dividend payout ratio	66.03	31.06	LyondellBasell Industries N.V.	3.5	5.4
Wtd. median price/book	1.87x	7.92x	Philip Morris International Inc.	3.4	4.2
Wtd. median price/cash flow	9.11x	21.40x	Truist Financial Corp	3.4	4.7
Portfolio beta vs. S&P 500® (3-year)⁵	0.60	1.00	Sanofi	3.3	3.7
Foreign securities (%)	23.82	0.00	U.S. Bancorp	3.3	4.2
Number of holdings	48	500	TotalEnergies SE	3.2	5.1
			Enbridge Inc.	3.2	5.7
			Duke Energy Corporation	2.9	3.7

Unless otherwise noted, all information is as of 8/31/24.

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.

³Yield 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.

⁴In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 3.61% for R6 Shares, 3.17% for A Shares at MOP and 3.59% for Institutional Shares as of 8/31/24.

⁵Morningstar 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 9/30/24

	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	28.90	10.88	8.24	7.61	7.40	3.54	0.84	0.79
IS Shares	SVAIX	28.87	10.79	8.22	7.62	7.57	3.52	0.92	0.81
A Shares (NAV)	SVAAX	28.79	10.59	7.96	7.36	7.30	3.27	1.16	1.06
A Shares (MOP)	SVAAX	21.81	8.53	6.73	6.74	7.00	3.09	1.16	1.06
S&P 500[®] Index	–	36.35	11.91	15.98	13.38	10.62	-	-	-

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*** 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 3.50% for R6 Shares, 3.18% for A Shares at net asset value (NAV), 3.01% for A Shares at maximum offering price (MOP) and 3.44% for Institutional Shares as of 9/30/24.

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 8/31/24 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 US 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.

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.

Diversification does not assure a profit nor protect against a loss.

The value of equity securities in the fund's portfolio will fluctuate and, as a result, the fund's share price may decline. Equity securities may decline in value because of an increase in interest rates or changes in the stock market.

Mid-cap companies often have narrower markets and limited managerial and financial resources compared to larger and more established companies.

Large-cap companies may have fewer opportunities to expand the market for their products or services, may focus their competitive efforts on maintaining or expanding their market share, and may be less capable of responding quickly to competitive challenges. The above factors could result in the share price of large-cap companies lagging the overall stock market or growth in the general economy, and, as a result, could have a negative effect on the fund's portfolio, performance and share price.

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.