

Strategic Value Dividend Investment Team



Market insights and investment view

October 2023

Objectives update

- **Dividend yield:** The portfolio's holdings had a weighted average dividend yield at 10/31/23 of more than three times that of the S&P 500®. On an absolute basis, the portfolio's dividend yield is at the high end of its historical range. This is due primarily to lower share prices; our investment process and dividend yield objective remain the same as always.
- **Dividend growth:** We continue to expect dividend growth in 2023 to meet our target. The portfolio has had more than half its companies raise dividends year-to-date (YTD).
- **Long-term total return:** The highest yielding quintile of the S&P 500® has underperformed the no/lowest yielding by 39.28% YTD. Given our long-term goals of generating high and rising dividend yield and competitive long-term returns, we own companies with high dividend yields and, in this environment, performance has lagged the S&P 500® YTD. We continue to seek competitive long-term returns driven by dividend growth and we will not alter our investment style based on near-term market preferences.

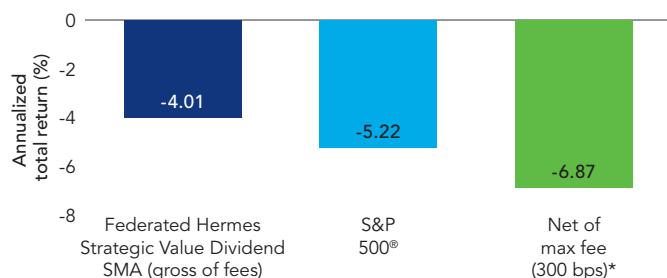
Insights from the team

- **History suggests defensive sectors lead when interest rates fall:** Since 1990 there have been 8 periods of falling interest rates. The top-performing sectors (on average) during these periods were Health Care (16.0% average return), Consumer Staples (12.9%), Utilities (12.0%) and Communications Services (11.8%).¹
- **The power of dividend growth:** Not only is higher dividend growth linked to higher long-term share price appreciation,² it can also help preserve buying power for income-seekers. The Consumer Price Index grew ~7x from 1970-2022, at an average rate of 3.86% each year. Over time, this rate erodes the purchasing power of fixed-rate income. Meanwhile, the S&P 500® dividend has grown ~20x, at an average rate of 5.94% annually. If only its dividend yield wasn't so relatively low (it's been ~2% for two decades). As the number of Americans 65 and older increases, so will the need for income. We believe our approach to dividend investing, to seek high dividends that have the potential to both grow at a rate that exceeds inflation and drive competitive long-term returns, may command a higher premium.

Investment view

- **Share prices vs. fundamentals:** Market preferences and share prices are at odds with the fundamentals of our holdings, in our view. Risk-on sentiment YTD has been strongly against high-quality companies that have strong balance sheets, stable cash flows, pricing power, and a history of paying high and rising dividends. Over time, we believe share prices will correct.

The SMA (gross) has outperformed since 2022



Average annual total returns (%) as of 9/30/23

	1-yr	5-yr	10-yr	20-yr	Since inception 10/1/01
Strategic Value Dividend SMA (gross)	1.65	4.08	6.68	7.60	8.07
Strategic Value Dividend SMA (net of maximum fee)	-1.35	1.01	3.53	4.43	4.89
S&P 500®	21.62	9.91	11.91	10.18	10.18

Total return for 1/1/22 to 10/31/23. **Past performance is not indicative of future results.**

*Total return for 1/1/22 to 10/31/23 net of 50bps: -4.50%; net of 100bps: -4.97%; net of 150 bps: -5.45%.

Performance is based on preliminary performance as of 10/31/23. Preliminary performance is calculated using the most recent composite performance available. When composite information is not available (typically a one-month period) performance information is derived from a representative portfolio. Preliminary performance should not be considered composite performance and is subject to change. Refer to the attached GIPS® report for composite performance and additional information.

¹ As of 10/18/23. Source: Strategas. **Past performance is no guarantee of future results.** For illustrative purposes only and not representative of performance for any specific investment.

² As of 12/31/22. Sources: FactSet Research Systems and Federated Hermes. Based on analysis showing the strength of the relationship of compound annual dividend growth rates and share price growth rates (R2) is 0.81 for companies with continuous data available from 12/31/62 to 12/31/22. To be included, a security must be a primary issue, must be a common stock, must be denominated in U.S. dollars, and must be domiciled in America. All share price and dividends included are split adjusted. The price and dividend of the security must be available during the beginning and end periods. **Past performance is no guarantee of future results.**

Unless otherwise noted, all information is as of 10/31/23.

Not FDIC Insured • May Lose Value • No Bank Guarantee

Strategic Value Dividend SMA

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 strategy's objective is to provide a high level of current income and long-term capital appreciation driven by dividend growth.

- Pursues a substantially higher dividend yield than the broad market average
- Invests in high-quality companies that are positioned to increase their dividend distribution over time
- Seeks competitive performance in strong market environments and lower downside risk in periods of broad market weakness

Key data

- Gross weighted average dividend yield of 5.52%¹ is more than 3x the S&P 500® at 1.66% and more than the 10-year Treasury at 4.88%
- Trailing 12 months there were 32 dividend increases and zero cuts; October increases: American Electric Power, Entergy Corp., AbbVie Inc. and Amcor PLC
- Top sector weights: Utilities 20.65% / Energy 17.59% / Staples 15.12% / Health Care 13.67%; (0% in Discretionary and 0% in Technology)
- 100% of the 40 holdings were investment-grade rated (highest S&P-rated holdings: Sanofi at AA; lowest: ConagraBrands, Inc. at BBB-)

Portfolio statistics	Strategic Value Dividend SMA	S&P 500® Index
Wtd. average dividend yield (%)¹	5.52	1.66
Wtd. median P/E ratio (NTM)	13.03x	20.15x
Median 3-year average dividend payout ratio	62.06	28.57
Wtd. median price/book	1.59x	6.03x
Wtd. median price/cash flow	7.04x	19.02x
Portfolio beta vs. S&P 500 (3 year)²	0.66	1.00
Percentage in non-U.S./ADRs	26.27	0.00
Number of holdings	40	500

Top 10 holdings (%)	Weight	Prospective dividend yield ¹
TotalEnergies SE	5.70	4.68
Philip Morris International Inc.	4.67	5.83
Verizon Communications Inc.	4.29	7.57
Duke Energy Corporation	4.10	4.61
Williams Companies, Inc.	3.99	5.20
LyondellBasell Industries N.V.	3.68	5.54
Enbridge Inc.	3.58	7.99
Amgen Inc.	3.57	3.33
BCE Inc.	3.36	7.52
National Grid PLC	3.32	5.67

Unless otherwise noted, all information is as of 10/31/23.

¹ **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.** See the disclosures at the end of this document for yield definition.

² The 3 year beta is derived using 3 years of monthly linked returns to calculate the covariance of the portfolio and the broad market divided by the variance of the 3 year monthly linked returns of the broad market.

Yield for the portfolio 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. Refer to the attached GIPS® report for additional information.

While there is no assurance that the strategy will achieve its objective, the advisor endeavors to do so by selecting securities in the manner described in this document.

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.

Past performance is no guarantee of future results.

Monthly trading activity and rationale

	Company	Rationale
New purchases and increased positions	Kenvue Inc. (new position)	We believe Kenvue's portfolio of leading consumer health brands (Neutrogena, Listerine, Tylenol, Johnson's Baby, Nicorette, Zyrtec, and Band-Aid) will continue to support its mid-50% gross margin, providing earnings consistency that underpins the dividend. We expect the company's A-rated balance sheet and clear target of 55% to 65% payout ratio to support dividend growth in-line with its mid to long term EPS growth trajectory.
	Xcel Energy (increased)	Xcel's management has a strong track record of executing on growth metrics by achieving 6% EPS growth from 2005-2022 and is on track to hit the current 5-7% EPS growth guidance for 2023. The company also has a strong track record of delivering solid dividend growth, averaging ~6.4% since 2014. Xcel has upside opportunity in the shift from coal to renewables and the transmission build out, which is not baked into consensus, as well as opportunities to improve earned returns on equity via rate case activity. Xcel also has one of the strongest balance sheets in the utilities space.
Exited positions	Amgen Inc and Sanofi were reduced to provide funds for purchases.	

Unless otherwise noted, all information is as of 10/31/23.

As of the date indicated, the new buys listed were and may still be held within the strategy and at the time of this report was (and may still be) considered by Federated Investment Counseling to be a "hold" recommendation for the purposes of the strategy's portfolio. The information presented is not definitive investment advice, should not be relied on as such, and should not be viewed as a recommendation by Federated Investment Counseling generally or for any purpose outside of this strategy as of the date indicated. It is presented solely to illustrate Federated Investment Counseling's investment process and its analysis and views of the security presented as of the date indicated. The securities presented are not representative of all of the securities purchased, sold or held for advisory clients, and it should not be assumed that the investment in the security identified was or will be profitable. Federated Investment Counseling's views of, recommendations with respect to, and investment decisions regarding, the security presented may vary across Federated Investment Counseling's strategies. Such recommendation is subject to change continually and without notice of any kind and may no longer be true after the date indicated.

Schedule of rates of return and statistics

Composite Federated Hermes Strategic Value Dividend SMA
 Index S&P 500 Index
 Periods ending 9/30/2023

	Returns (%)		
	Composite pure gross return [^]	Index	Net composite return (assuming maximum fee)
Q3 23	-4.52	-3.27	-5.24
YTD	-10.58	13.07	-12.60
1 Year	1.65	21.62	-1.35
3 Years (Annld)	8.36	10.15	5.17
5 Years (Annld)	4.08	9.91	1.01
7 Years (Annld)	4.56	12.23	1.48
10 Years (Annld)	6.68	11.91	3.53
15 Years (Annld)	7.49	10.29	4.32
20 Years (Annld)	7.60	10.18	4.43
Oct 01 - Sep 23 (Annld)^{^^}	8.07	10.18	4.89

	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	21.59	18.05	32.38	8.53	11.94	7,420	0.42	2,442.2	366.8
2014	12.34	9.05	13.68	8.92	8.97	6,412	0.23	2,223.3	349.3
2015	4.00	0.93	1.37	9.97	10.47	6,982	0.21	2,309.9	343.4
2016	10.05	6.82	11.95	9.93	10.59	11,970	0.25	3,189.3	342.3
2017	15.64	12.26	21.82	9.11	9.92	13,884	0.16	3,918.8	354.7
2018	-7.89	-10.64	-4.40	9.83	10.80	10,330	0.21	2,526.3	377.2
2019	20.43	16.91	31.49	9.64	11.94	11,038	0.24	3,037.4	503.1
2020	-6.94	-9.71	18.40	15.60	18.53	9,585	0.87	2,497.4	585.7
2021	22.89	19.32	28.71	15.52	17.17	9,776	0.41	3,062.5	634.2
2022	5.94	2.82	-18.11	18.00	20.87	2,533	0.28	999.0	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 composite is comprised of all domestic portfolios investing in U.S. and foreign stocks that management believes will provide high yield, reasonable dividend growth and lower volatility in falling equity market environments yet will provide potential participation in rising markets. Eligible portfolios are managed with wide latitude to choose the sectors and securities to fulfill the mandate. Within eligible portfolios, securities are selected based on a fundamental assessment of their financial strength, dividend yields, dividend growth rates, and performance during periods of market weakness. Portfolios in this composite implement the strategy using American Depositary Receipts (ADR) versus directly purchasing shares of companies on foreign exchanges. Investments in ADRs entail risks related to daily fluctuations in the value of currency, which may be more volatile in times of increased market risk. There are no guarantees that dividend-paying stocks will continue to pay dividends. Effective December 2022 and retroactive to inception, the composite's official benchmark is the S&P 500. The S&P 500 is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Previously, the composite utilized the Dow Jones Select Dividend Index (2007-2022) and the Russell MidCap Value Index (2001-2007). Because the strategy's objectives of dividend yield and dividend growth are absolute in nature, and the strategy's investment universe/guidelines do not align well to many dividend index proxies, the S&P 500 was chosen as the most applicable broad market comparison for the strategy's overall risk/return performance profile. The strategy generally takes a benchmark-agnostic investment approach, and while the strategy expects lower volatility than the S&P 500 (or broad equity market), it does not actively seek to outperform the S&P 500 as one of its investment goals. Indexes are unmanaged and cannot be invested in directly. Effective July 2013, performance for this composite is calculated in U.S. dollars net of foreign withholding taxes on dividends, interest, and capital gains. Individual tax rates may vary dependent on individual residency. Effective January 2016 accounts previously assigned to a platform-restricted composite may be eligible for inclusion in this composite. Accounts deemed by the portfolio manager to have a category restriction shall be excluded from this composite. A category is defined as a collection of investments with similar attributes such as industry classification, business sensitivity, social theme, or security features. Separate accounts eligible for this composite generally have a minimum of \$100,000 at the time of opening and are a part of an asset-based pricing program. Wrap fee accounts make up 100% of this composite for all time periods. This composite was created in December 2001. Federated Hermes has managed portfolios in this investment style since July 1997. Performance shown for 2001 is for a partial period starting on October 1, 2001. 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 June 30, 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. 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 0.70%) 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.

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.

Portfolio information is from a representative portfolio and for illustrative purposes only. Actual account characteristics of individual accounts may be different. Portfolio characteristics are as of 10/31/23 and are based on individual securities in the portfolio on that date. Securities in the portfolio are subject to change. Statistics shown are not indicative of future statistics and are not representative of future portfolio performance.

Since this is a managed portfolio and market conditions can fluctuate suddenly and frequently, the portfolio holdings and investment mix will change.

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

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 higher betas represent riskier investments.

Forward P/E (NTM - next twelve months) in the graph on the first page is calculated by FactSet using their standardized method. In calculating P/E, FactSet aggregates the position values and recurrent earnings and calculates P/E using these aggregated values in order to account for size and reduce the impact of outliers and negative values.

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.

R² is a statistical measure that explains to what extent the variance of one variable explains the variance of the second variable. It ranges from 0 to 1.

S&P 500® Index 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.

S&P 500® Utilities comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

Indexes are unmanaged and cannot be invested in directly.

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.

Risk considerations

Investing in equities is speculative and involves substantial risk.

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.