

Strategic Value Dividend Investment Team



Market insights and investment view

September 2024

Objectives update - Strategic Value Dividend SMA

- **Dividend yield:** The portfolio's holdings had a weighted average dividend yield at 8/31/24 of more than three times that of the S&P 500®.
- **Dividend growth:** Year-to-date (YTD), the portfolio has had 20 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.

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. The high-quality companies we seek tend to outperform low-quality stocks in contracting markets by on average 16%.¹

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 0.45 to 0.88 and average beta of 0.64² 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.

Average annual total returns (%) as of 6/30/24

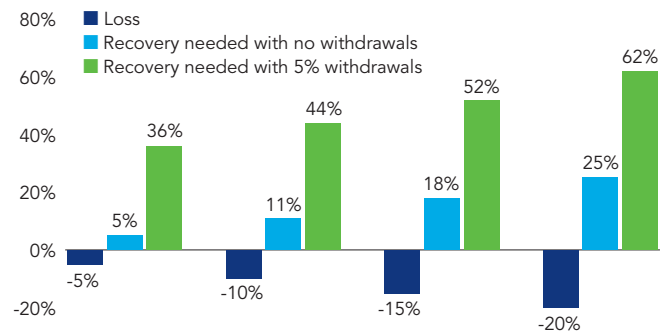
	1-yr	5-yr	10-yr	20-yr	Since inception 10/1/01
Strategic Value Dividend SMA (gross)	7.56	5.80	5.91	7.51	8.36
Strategic Value Dividend SMA (net of maximum 300bps fee)	4.40	2.68	2.79	4.35	5.17
S&P 500®	24.56	15.05	12.86	10.29	9.66

Past performance is no guarantee of future results.

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

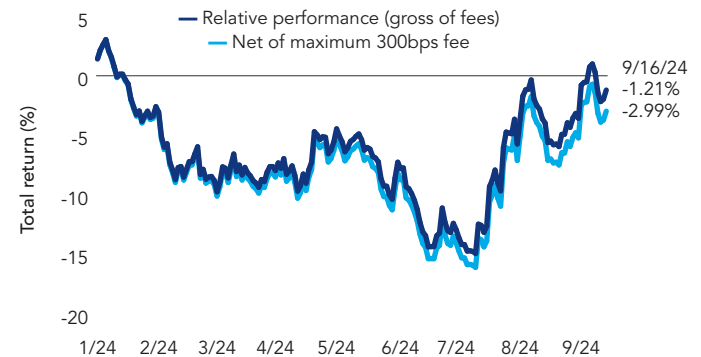
Not FDIC Insured • May Lose Value • No Bank Guarantee

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 to recover after an initial given loss with no withdrawals, and with annual withdrawals of 5% over 5 years. 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 portfolio has narrowed as volatility has increased



As of 9/16/24. Sources: FactSet, Bloomberg, Federated Hermes analysis. **Past performance is not indicative of future results.**

Refer to the attached GIPS® report for additional information.

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 4.56%³ is more than 3x the S&P 500[®] at 1.31% and more than the 10-year Treasury at 3.91%
- Trailing 12 months there were 32 dividend increases and zero cuts
- Top sector weights (%): Utilities 19.90 / Health Care 17.07 / Financials 14.49 / Energy 14.30; (0 in Discretionary and 0 in Technology)
- New positions in August: Alexandria Real Estate Equities Inc., Johnson & Johnson, PepsiCo Inc.; Increased positions: Diageo PLC, Gilead Sciences Inc., Morgan Stanley, Paychex Inc., ProLogis Inc., WEC Energy Group
- Trimmed positions: American Electric Power Company Inc., Amgen Inc., Conagra Brands Inc., Duke Energy Corp., Kimberly-Clark Corp., Philip Morris International Inc., Southern Company, Williams Companies
- 100% of the 45 holdings were investment-grade rated (highest S&P-rated holdings: Johnson & Johnson at AAA; lowest: Conagra Brands, Inc. at BBB-)

Portfolio statistics	Strategic Value Dividend SMA	S&P 500 [®] Index	Top 10 holdings (%)	Weight	Prospective dividend yield ³
Wtd. average dividend yield (%)³	4.56	1.31	Verizon Communications Inc.	4.08	6.37
Wtd. median P/E ratio (NTM)	14.77	24.52	Gilead Sciences Inc.	3.71	3.90
Median 3-year average dividend payout ratio	66.99	31.06	Enbridge, Inc.	3.60	6.75
Wtd. median price/book	1.87	7.92	Sanofi	3.54	3.72
Wtd. median price/cash flow	9.11	21.40	Philip Morris International Inc.	3.47	4.22
Portfolio beta vs. S&P 500 (3 year)⁴	0.62	1.00	National Grid	3.36	5.72
Percentage in non-U.S./ADRs	24.61	0.00	LyondellBasell Industries N.V.	3.22	5.43
Number of holdings	45	500	PNC Financial Services Group Inc.	3.16	3.46
			TotalEnergies SE	3.05	5.08
			U.S. Bancorp	2.94	4.15

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

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, Federated Hermes analysis.

³ **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.

⁴ 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.

Schedule of rates of return and statistics

Composite Federated Hermes Strategic Value Dividend SMA
 Index S&P 500 Index
 Periods ending 6/30/24

	Returns (%)		
	Composite pure gross return [^]	Index	Net composite return (assuming maximum fee)
Q2 24	-0.22	4.28	-0.97
YTD	3.36	15.29	1.83
1 Year	7.56	24.56	4.40
3 Years (Annldz)	4.53	10.01	1.44
5 Years (Annldz)	5.80	15.05	2.68
7 Years (Annldz)	5.31	14.28	2.20
10 Years (Annldz)	5.91	12.86	2.79
15 Years (Annldz)	9.99	14.82	6.76
20 Years (Annldz)	7.51	10.29	4.35
Oct 01 - Jun 24 (Annldz)^{^^}	8.36	9.66	5.17

	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)
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
2023	-2.54	-5.43	26.29	15.19	17.29	2,178	0.25	780.0	720.0

[^]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 March 31, 2024. 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 characteristics are based on a portfolio which is used as a guide for cloning (or managing) underlying accounts to a particular strategy. Taking into consideration individual investor circumstances could cause deviation from this guide (e.g. restrictions, tax requests, etc.). Portfolio characteristics are as of the date indicated and are based on individual securities in the portfolio on that date. Securities in the portfolio are subject to change.

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.

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

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

Price-to-cash flow ratio is a stock valuation indicator or multiple that measures the value of a stock's price relative to its operating cash flow per share.

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.

Price/book value 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.

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.

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.