

# Federated Hermes Strategic Value Dividend Fund

6/30/24

## Fund facts

### Performance inception date

3/30/05

### Benchmark

S&P 500® Index

### Morningstar category

Large Value

### Lipper classification

Equity Income Funds

### Fund assets

\$7.5 billion

### Ticker symbols

R6 Shares - SVALX

Institutional Shares - SVAIX

A Shares - SVAAX

C Shares - SVACX

### Key investment team

Daniel Peris, Ph.D., CFA

Deborah Bickerstaff

Jared Hoff

Michael Tucker

### Yields (%)

30-day yield (R6) 3.93

30-day yield (IS) 3.90

30-day yield (A) 3.45

12-month yield (R6) 4.33

12-month yield (IS) 4.30

12-month yield (A) 4.10

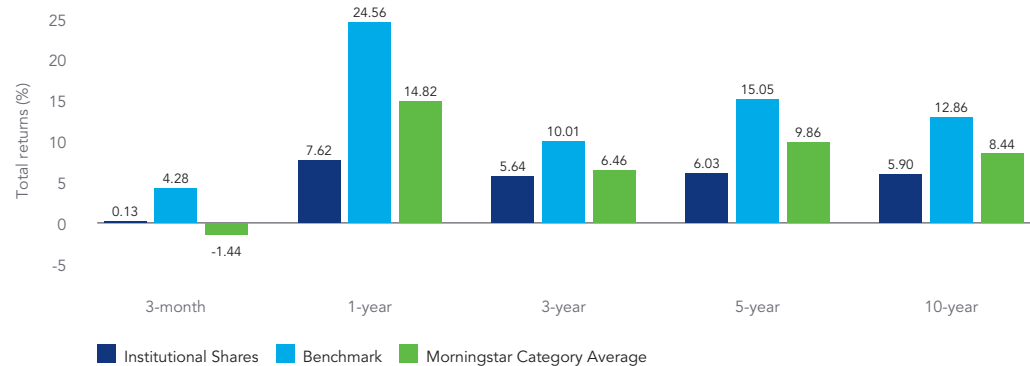
## Fund description

The fund pursues income and long-term capital appreciation by investing primarily in high-dividend-paying stocks with dividend growth potential. It seeks to provide a substantially higher yield than the broad market.

## Average annual total returns (%)

Performance shown is before tax.

	3-month	YTD	1-year	3-year	5-year	10-year	Since inception	Expense ratio*	
								Before waivers	After waivers
<b>R6 Shares</b>	-0.05	3.66	7.45	5.60	6.01	5.88	6.75	0.86	0.79
<b>Institutional Shares</b>	0.13	3.83	7.62	5.64	6.03	5.90	6.93	0.94	0.81
<b>A Shares (NAV)</b>	-0.12	3.55	7.22	5.36	5.73	5.61	6.65	1.18	1.06
<b>A Shares (MOP)</b>	-5.53	-2.22	1.35	3.37	4.53	5.02	6.34	1.18	1.06
<b>Benchmark</b>	4.28	15.29	24.56	10.01	15.05	12.86	-	-	-



## Calendar year total returns (%)

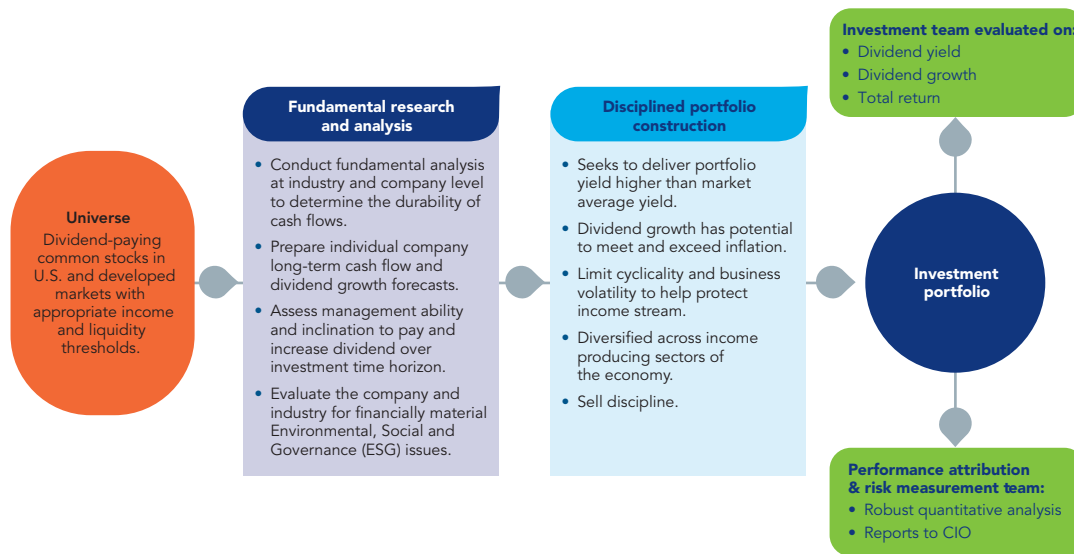
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Institutional Shares</b>	-1.81	8.48	21.52	-7.87	19.60	-8.21	15.14	10.39	3.87	11.54
<b>Benchmark</b>	26.29	-18.11	28.71	18.40	31.49	-4.39	21.82	11.95	1.37	13.68
<b>Morningstar Category Average</b>	11.63	-5.90	26.22	2.91	25.04	-8.53	15.94	14.81	-4.05	10.21

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. Total returns for periods of less than one year are cumulative.

\* 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.



## Investment process



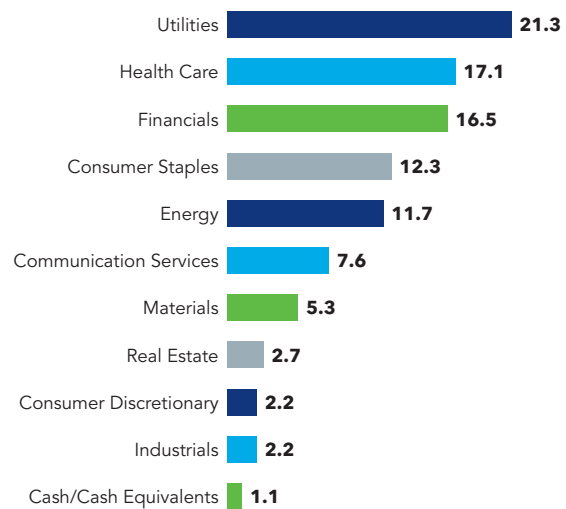
## Portfolio statistics

Weighted median P/E (NTM)	12.6x
Median 3-year average payout ratio	65.25
Weighted average EPS growth next 5 years	7.07
Weighted median market cap	\$75.6 b
Weighted median price/book	1.8x
Number of securities	42
Foreign securities	20.79%
Annual portfolio turnover	22.06%

## Top holdings (%)

Philip Morris International Inc.	4.8
Duke Energy Corporation	4.2
Verizon Communications Inc.	4.1
LyondellBasell Industries N.V.	3.7
TotalEnergies SE	3.4
Gilead Sciences, Inc.	3.3
Truist Financial Corp.	3.2
Enbridge Inc.	3.1
Sanofi	3.1
U.S. Bancorp	3.0
Total % of portfolio	35.9

## Sector weightings (%)



Portfolio composition is 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. Because this is a managed portfolio, the investment mix will change.

## Key fund characteristics

- The Federated Hermes Strategic Value Dividend Fund had a 30-day SEC yield of 3.45% (A Shares at MOP) and a gross weighted average dividend yield of 4.90% at quarter end.
- The fund had 4 companies announce dividend increases in the second quarter: Morgan Stanley, LyondellBasell Industries, Johnson & Johnson and Southern Co., which increased their dividend payments by 8.8%, 7.2%, 4.2%, and 2.9%, respectively. National Grid announced a 30% dilutive stock issuance, proceeds from rights associated with the issuance valued at 7%, and a 5.6% dividend increase. Netted together it is anticipated that the dividend going forward will be diluted by approximately 15-17%, as a result.
- The broad market's concentrated rally was driven by the continued optimism surrounding AI. Excluding the top-performing AI names, NVIDIA, Apple, Alphabet, Microsoft, and Broadcom, the S&P 500 would have posted a -0.50% return for the second quarter.

## Looking back

The fund remained focused on its core goal of delivering high dividend income as it ended the quarter with a 30-day SEC yield of 3.45% (A Shares at MOP) and a gross weighted average dividend yield of 4.90%. This is more than three times the yield of the S&P 500 at 1.35%, and also surpassed the 10-year U.S. Treasury Note at 4.36%. For the 12-month period, 36 companies in the fund raised their dividends, and National Grid announced a dilutive stock issuance, as noted above.

Market returns for this year have been propelled approximately equally by both stock multiple expansion and EPS. The concentrated market rally continued through the second quarter driven by the ongoing optimism surrounding AI and strong tech earnings. The top-performing sectors were Information Technology and Communication Services, as they included the top-performing AI names, NVIDIA, Apple, Alphabet, Microsoft, and Broadcom. These five names with a total weight of 26.31% contributed 476 bps to total return, exceeding the total return of the S&P 500. To further highlight the narrow AI market outperformance, two AI names within Information Technology, NVIDIA, and Apple, with a 13.3% weight, accounted for 76% of the total performance of the S&P 500. Information Technology continues to afford little in the way of high-and-rising dividend paying companies.

## Performance

The fund underperformed the S&P 500, due to the investor bias toward cyclical, mega cap growth names.

### Performance contributors

- While Consumer Staples was a laggard in the index, the fund's holdings in Consumer Staples delivered a respectable gain, driven by Philip Morris. Phillip Morris shares continued to rise after reporting strong Q1 results due to robust ZYN performance and favorable IQOS inventory movement
- The Utilities sector was an outperformer in the index and the fund benefited accordingly with its 21.34% weight. Utilities benefited from expectations of soaring electricity demand tied in part to the build-out of AI data centers

### Performance detractors

- Financials was an underperformer in the index and consequently, also detracted from fund performance as U.S. Bancorp led to the downside. U.S. Bancorp shares fell after they announced they were revising their net interest income guidance down due to the ongoing higher-for-longer interest rate environment
- The fund's international exposure was an area of weakness as international securities underperformed domestic, as noted when comparing the quarterly performance of the S&P 500 versus the MSCI World ex USA with performance of 4.28% and -0.60%, respectively

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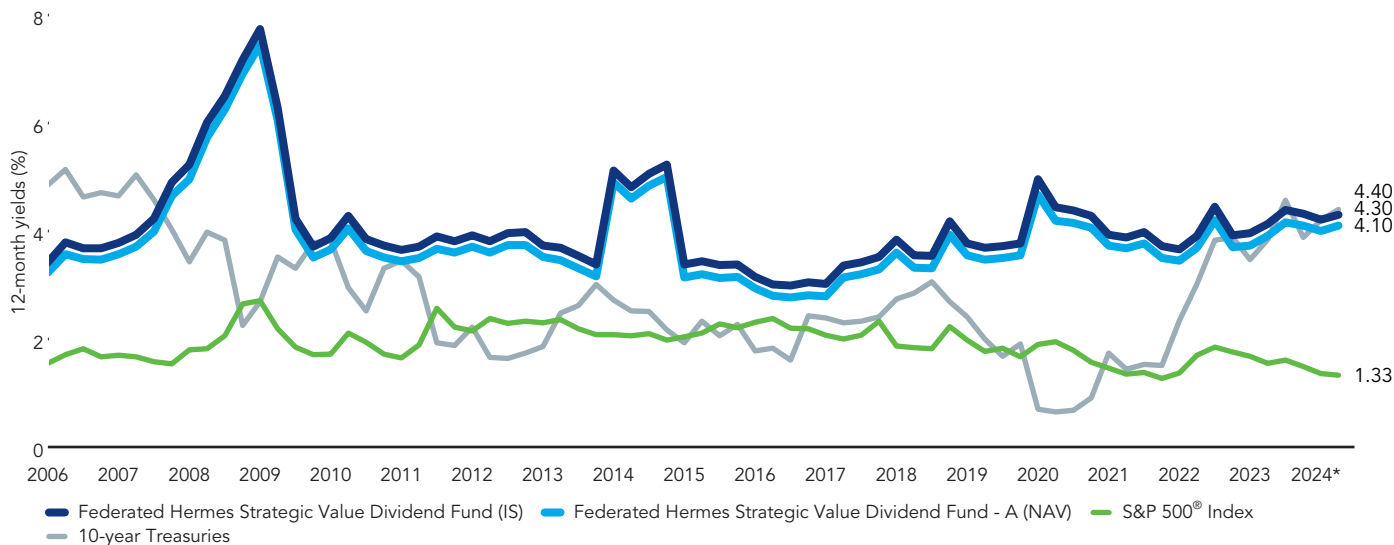
## How we are positioned

The equity rally continued in June, with the S&P 500, the Dow and, especially, the Nasdaq once again posting strong gains on the month. On a sector basis, Information Technology, followed by Consumer Discretionary and Communication Services led outperformance versus the S&P 500, while Utilities, Materials and Industrials fared worst.

In the U.S., 10-year Treasury yields were little changed at month-end, despite some volatility over the course of June. In housing news, 30-year mortgage rates drifted down from 7% to 6.9%. Inflation continued to show signs of moderation, with the core PCE dropping to 2.6%. The market continues to expect an initial Fed cut in September. Oil prices rose on the month from \$77/barrel to \$82.

See disclosure section for important disclosures and definitions.

## The fund delivered higher yield



Source: Federated Hermes

Yields for other classes will vary.

\* As of 6/30/24

## Risk statistics

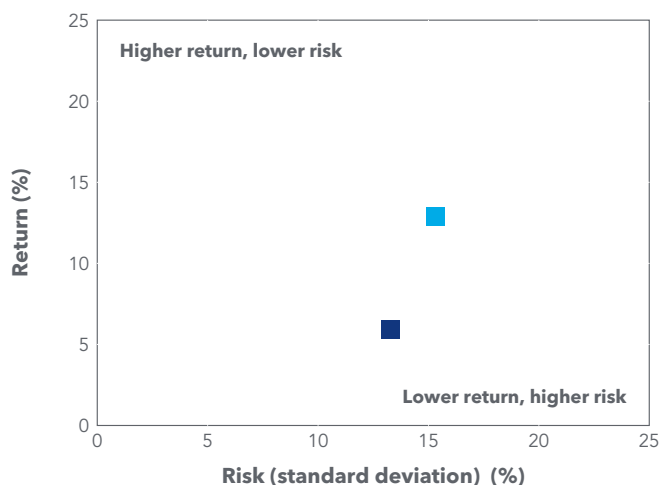
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	14.83	15.85	14.59	13.30
<b>Beta</b>	0.59	0.70	0.68	0.67
<b>Correlation</b>	0.70	0.80	0.79	0.77
<b>Up capture ratio</b>	58.28	60.29	58.81	61.13
<b>Down capture ratio</b>	59.92	74.91	74.58	73.02
<b>Sharpe ratio</b>	0.14	0.23	0.21	0.32

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. S&P 500® Index

See disclosure section for important definitions.

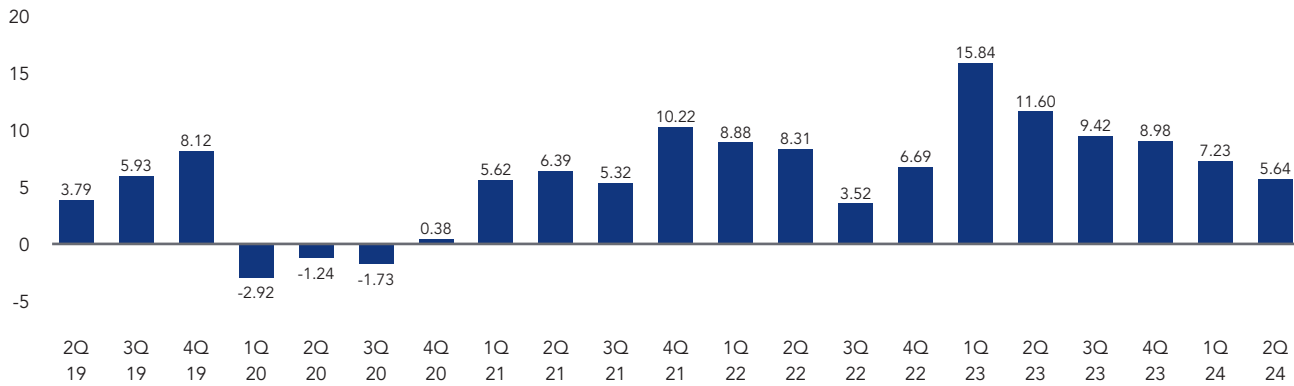
## 10-year risk/return



	Risk (%)	Return (%)
Federated Hermes Strategic Value Dividend Fund (IS)	13.30	5.90
S&P 500® Index	15.31	12.86

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## 3-year rolling returns - IS (%)



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## Category rankings

Morningstar Large Value Category		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Morningstar Category % Rank	94	69	96	-
	Morningstar Category Rank	1,097 of 1,180 funds	786 of 1,099 funds	1,000 of 1,035 funds	-
<b>IS Shares</b>	Morningstar Category % Rank	94	68	96	97
	Morningstar Category Rank	1,094 of 1,180 funds	780 of 1,099 funds	998 of 1,035 funds	782 of 809 funds
<b>A Shares</b>	Morningstar Category % Rank	94	74	97	97
	Morningstar Category Rank	1,102 of 1,180 funds	832 of 1,099 funds	1,007 of 1,035 funds	787 of 809 funds

Lipper Equity Income Funds		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	89	65	93	-
	Lipper Classification Rank	408 of 459 funds	279 of 431 funds	383 of 412 funds	-
<b>IS Shares</b>	Lipper Classification % Rank	88	64	93	90
	Lipper Classification Rank	404 of 459 funds	276 of 431 funds	382 of 412 funds	282 of 313 funds
<b>A Shares</b>	Lipper Classification % Rank	90	69	94	91
	Lipper Classification Rank	410 of 459 funds	295 of 431 funds	388 of 412 funds	285 of 313 funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

## Federated Hermes Strategic Value Dividend Fund

30-day yield (also known as "SEC yield") for A Shares 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. In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 3.38% at maximum offering price for A Shares, 3.86% for R6 Shares, and 3.83% for Institutional Shares.

The 12-month yield is the sum of a fund's total trailing 12-month interest and dividend payments divided by the last month's ending share price (NAV) plus any capital gains distributed over the same period.

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.

### 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.

ESG factors may be considered in the investment analysis process in a manner that is complementary to and enhances the fundamental research and analysis process. Certain ESG factors may help identify business and operational risks or opportunities and add a contextual dimension to the overall evaluation of a security. Like any aspect of investment analysis, there is no guarantee that an investment strategy that considers ESG factors will result in performance better than or equal to products that do not consider such factors.

### Definitions

**Beta** measures a portfolio's volatility relative to the market. A beta greater than 1.00 suggests the portfolio has historically been more volatile than the market as measured by the fund's benchmark. A beta less than 1.00 suggests the portfolio has historically had less volatility relative to the market.

**Correlation** is the degree to which one variable (here, the fund's returns) fluctuates relative to another (the returns of the fund's benchmark). Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

**Median 3-year average payout ratio** is the proportion of earnings paid out as dividends to shareholders, typically expressed as a percentage.

**Sharpe ratio** is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

**Standard deviation** is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

**Up capture ratio/down capture ratio** is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of

the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

**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.

**Weighted average EPS growth next 5 years** is the weighted average annual growth rate of fiscal year earnings-per-share for the next five years for a given corporation.

**Weighted median P/E (NTM—next 12 months)** is a ratio comparing share price to earnings-per-share using estimated data for the next 12 months.

**Weighted median market cap** is the calculation representing the median market capitalization of the stocks in the portfolio, weighted by the amount of each stock.

**Weighted median price/book** is a ratio comparing share price to book value or assets minus liabilities.

**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.

### Ratings and rating agencies

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