

# Federated Hermes Strategic Value Dividend Fund

3/31/24

## Fund facts

### Performance inception date

3/30/05

### Benchmark

S&P 500® Index

### Morningstar category

Large Value

### Lipper classification

Equity Income Funds

### Fund assets

\$8.0 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) 4.01

30-day yield (IS) 3.99

30-day yield (A) 3.54

12-month yield (R6) 4.23

12-month yield (IS) 4.21

12-month yield (A) 4.00

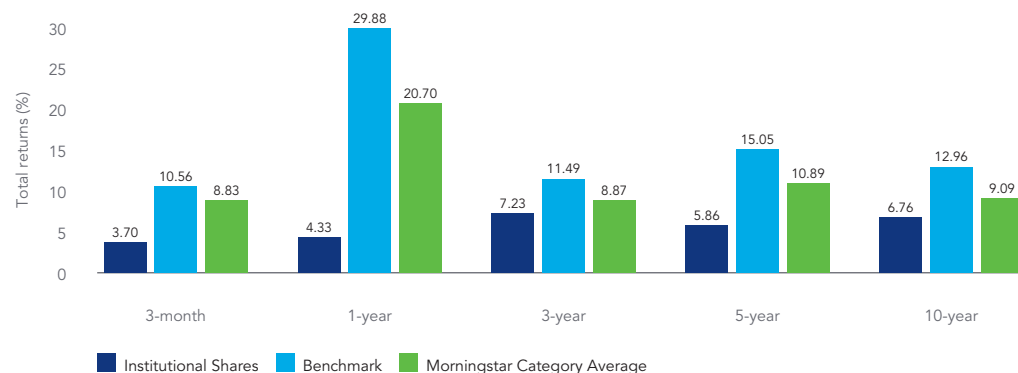
## Fund description

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>            | 3.71    | 3.71  | 4.34   | 7.25   | 5.88   | 6.75    | 6.85            | 0.86           | 0.79          |
| <b>Institutional Shares</b> | 3.70    | 3.70  | 4.33   | 7.23   | 5.86   | 6.76    | 7.02            | 0.94           | 0.81          |
| <b>A Shares (NAV)</b>       | 3.67    | 3.67  | 4.09   | 6.95   | 5.60   | 6.50    | 6.75            | 1.18           | 1.06          |
| <b>A Shares (MOP)</b>       | -2.10   | -2.10 | -1.71  | 4.98   | 4.42   | 5.90    | 6.43            | 1.18           | 1.06          |
| <b>Benchmark</b>            | 10.56   | 10.56 | 29.88  | 11.49  | 15.05  | 12.96   | -               | -              | -             |



## Calendar year total returns (%)

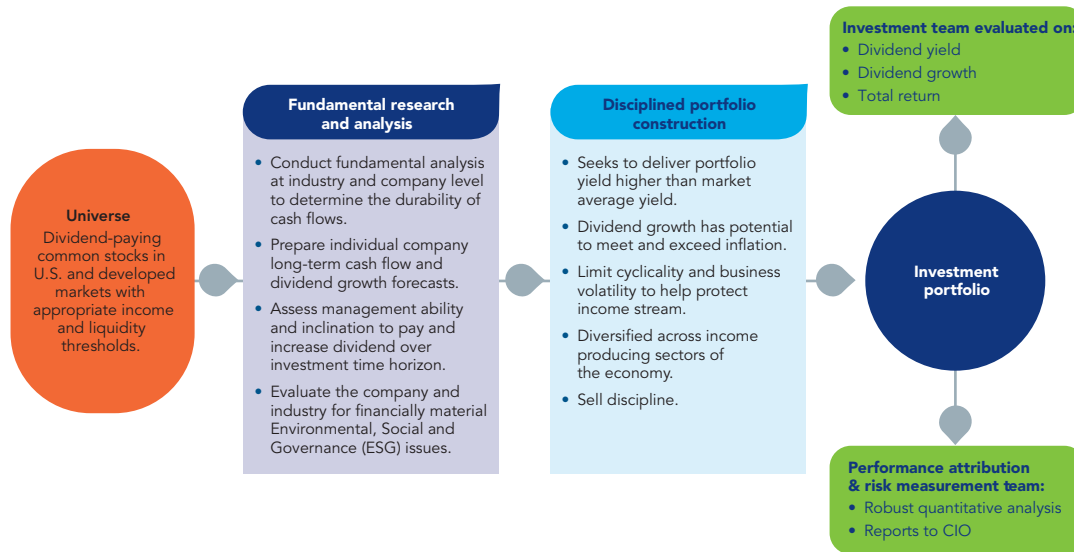
|                                     | 2023  | 2022   | 2021  | 2020  | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  |
|-------------------------------------|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|
| <b>Institutional Shares</b>         | -1.81 | 8.48   | 21.52 | -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



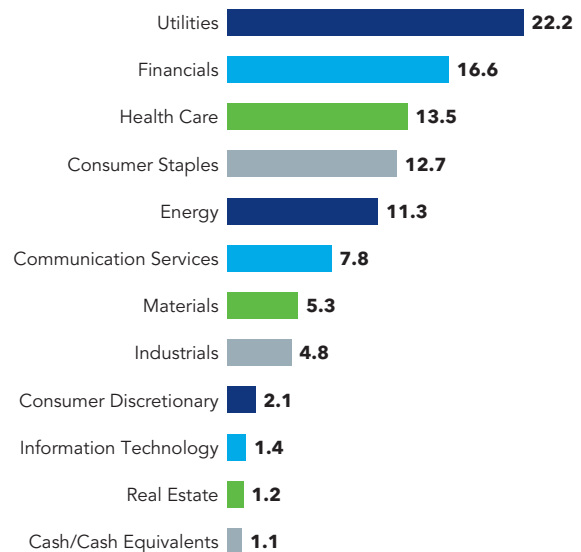
## Portfolio statistics

|  |          |
|--|----------|
| Weighted median P/E (NTM)                | 13.8x    |
| Median 3-year average payout ratio       | 65.88    |
| Weighted average EPS growth next 5 years | 5.71     |
| Weighted median market cap               | \$69.6 b |
| Weighted median price/book               | 1.8x     |
| Number of securities                     | 47       |
| Foreign securities                       | 21.75%   |
| Annual portfolio turnover                | 24.35%   |

## Top holdings (%)

|                                  |      |
|----------------------------------|------|
| Philip Morris International Inc. | 4.3  |
| Verizon Communications Inc.      | 4.1  |
| Duke Energy Corporation          | 3.8  |
| TotalEnergies SE                 | 3.8  |
| LyondellBasell Industries N.V.   | 3.7  |
| U.S. Bancorp                     | 3.3  |
| Truist Financial Corp.           | 3.2  |
| National Grid PLC                | 3.1  |
| Dominion Energy, Inc.            | 3.0  |
| Enbridge Inc.                    | 3.0  |
| Total % of portfolio             | 35.3 |

## Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 3/31/24 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 provided a 30-day SEC yield of 3.54% (A shares at MOP) and a gross weighted average dividend yield of 4.76% at quarter end
- The fund had 14 companies announce dividend increases in Q1, most notable courtesy of Allianz, Chevron, PPL, and TotalEnergies, which increased their dividend payments by 21.1%, 7.9%, 7.3% and 6.8%, respectively. There were no dividend cuts in the quarter
- The broad market's robust performance in the first quarter was propelled by earnings strength and the narrow mega cap growth rally

## Looking back

The fund remained focused on its core goals of delivering high dividend income from high quality assets as it ended the quarter with a 30-day SEC yield of 3.54% (A shares at MOP) and a gross weighted average dividend yield of 4.76%. This exceeded not only the S&P 500's 1.36% yield but also the 10-year U.S. Treasury Note at 4.20%. For the 12-month period, 36 companies in the portfolio raised their dividends, providing 37 increases overall. There were no dividend cuts in the period.

The market continued its rally through Q1, posting its biggest first-quarter gain since 2019. Except for REITs, all sectors in the S&P 500 posted positive performance, although the defensive sectors lagged the overall index. REITs, Utilities, Consumer Staples and Health Care posted returns of -0.55%, 4.57%, 7.52% and 8.85%, respectively. Four mega-cap names, NVIDIA, Microsoft, Meta, and Amazon (which together are 18.3% of the index) drove 46% of the total performance of the S&P 500. NVIDIA alone (with a 5.1% weight) drove 24% of the total performance of the S&P 500. The portfolio had no exposure to these top performers as they either do not pay a dividend or pay a dividend notably lower than the portfolio's minimum threshold. The portfolio remained focused on its main objectives and will not alter its focus based on near-term market performance trends.

## Performance

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

### Performance contributors

- The Financials sector provided the portfolio's highest contribution to total return during the quarter, driven by Huntington Bancshares and Truist Financial Corporation
- The Utilities sector was another notable contributor to performance. Top performers include American Electric Power and Dominion Energy
- Individual names that added notably to performance include Verizon, AbbVie and LyondellBasell. Verizon shares were up after reporting a strong final quarter for 2023

### Performance detractors

- High-yielding and low-beta equities were out of favor in the period, creating a relative performance headwind for high-yield, low-beta, defensive dividend-paying stocks
- Industrials was the fund's only sector with a negative total return during the quarter, driven by United Parcel Service. Shares of United Parcel Service fell after reporting a revenue miss and disappointing guidance for 2024

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## How we are positioned

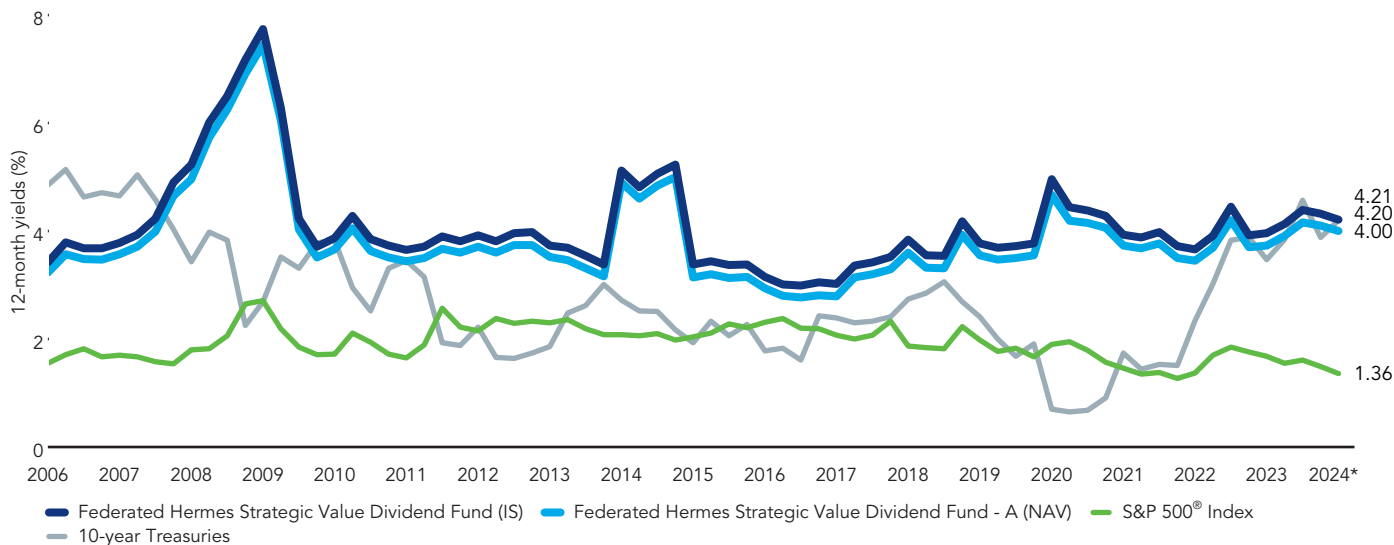
U.S. equities continued to rally in March, with investors seeing strength in the economy and earnings. The S&P 500, the Dow and the Nasdaq all notched their fifth consecutive month of gains. On a sector basis, Energy, Materials and Communication Services were the top outperformers vs. the S&P 500, while Real Estate, Consumer Discretionary and Information Technology underperformed the most.

Inflation readings continued to cause investors to postpone rate-cut expectations, with the market penciling in June for a first cut from the Federal Reserve. Ten-year Treasury yields closed out the month at 4.2%. Oil prices rose over the month, pushing energy stocks higher. The Ukraine war and cutbacks in OPEC+ output are among the reasons given for the price spike. Growth remained anemic at best across several developed markets, such as Japan, the U.K. and Germany. In the U.S., by contrast, growth was solid, with the Atlanta Fed's GDP Now tracker predicting 2.8% for the first quarter.

*Other dividend increases for the quarter include Sanofi (+5.6%), Coca-Cola (+5.4%), Public Service Enterprises (5.3%), Kimberly Clark (+3.4%), TC Energy (+3.2%), BCE (+3.1%), Gilead (2.7%), Best Buy (2.2%), British American Tobacco (+2.0%) and United Parcel Service (+0.6%). There were no dividend cuts during the month.*

See disclosure section for important disclosures and definitions.

## The fund delivered higher yield



Source: Federated Hermes

Yields for other classes will vary.

\* As of 3/31/24

## Risk statistics

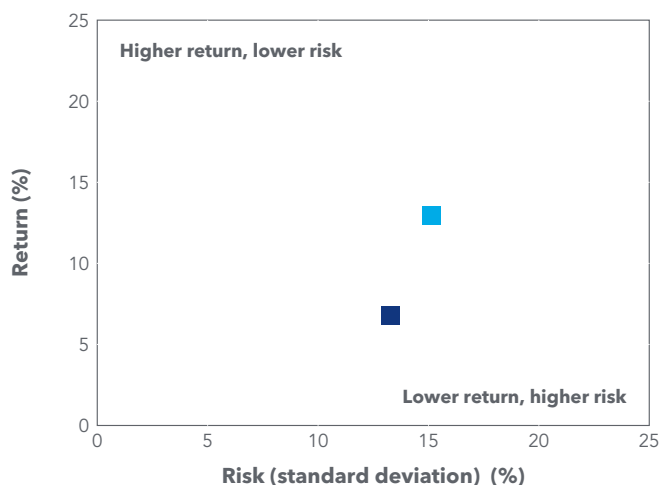
|                           | 3-year | 5-year | 7-year | 10-year |
|---------------------------|--------|--------|--------|---------|
| <b>Standard deviation</b> | 14.68  | 15.98  | 14.56  | 13.29   |
| <b>Beta</b>               | 0.60   | 0.70   | 0.69   | 0.67    |
| <b>Correlation</b>        | 0.71   | 0.80   | 0.79   | 0.76    |
| <b>Up capture ratio</b>   | 60.60  | 60.32  | 60.57  | 64.00   |
| <b>Down capture ratio</b> | 60.07  | 75.47  | 75.15  | 73.45   |
| <b>Sharpe ratio</b>       | 0.28   | 0.23   | 0.25   | 0.39    |

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. S&P 500<sup>®</sup> Index

See disclosure section for important definitions.

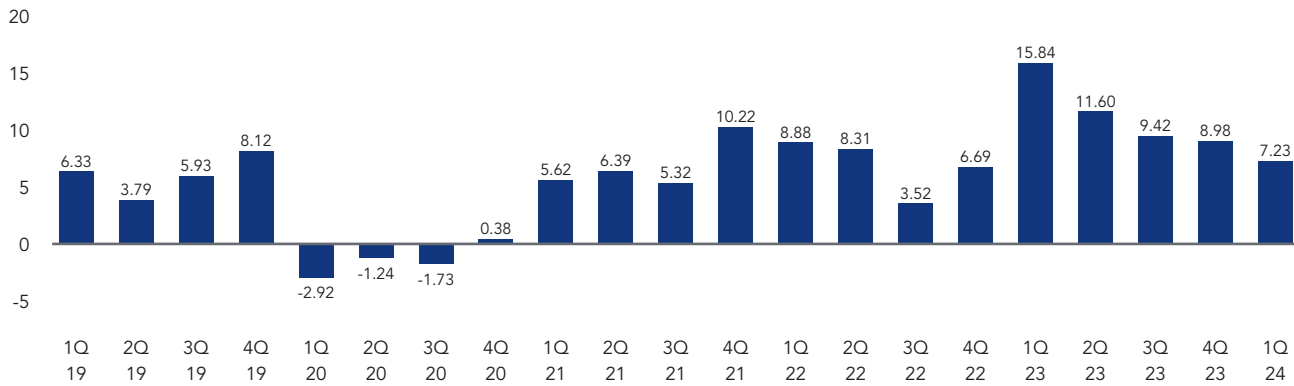
## 10-year risk/return



|   | Risk (%) | Return (%) |
|---|----------|------------|
| Federated Hermes Strategic Value Dividend Fund (IS) | 13.29    | 6.76       |
| S&P 500 <sup>®</sup> Index                          | 15.16    | 12.96      |

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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 | 100                  | 80                 | 98                   | -                |
|                                  | Morningstar Category Rank   | 1,197 of 1,204 funds | 918 of 1,118 funds | 1,041 of 1,058 funds | -                |
| <b>IS Shares</b>                 | Morningstar Category % Rank | 100                  | 80                 | 98                   | 96               |
|                                  | Morningstar Category Rank   | 1,198 of 1,204 funds | 920 of 1,118 funds | 1,042 of 1,058 funds | 782 of 816 funds |
| <b>A Shares</b>                  | Morningstar Category % Rank | 100                  | 83                 | 98                   | 97               |
|                                  | Morningstar Category Rank   | 1,200 of 1,204 funds | 952 of 1,118 funds | 1,046 of 1,058 funds | 792 of 816 funds |

| Lipper Equity Income Funds |                              | 1-year           | 3-year           | 5-year           | 10-year          |
|----------------------------|------------------------------|------------------|------------------|------------------|------------------|
| <b>R6 Shares</b>           | Lipper Classification % Rank | 99               | 71               | 95               | -                |
|                            | Lipper Classification Rank   | 457 of 462 funds | 310 of 437 funds | 393 of 417 funds | -                |
| <b>IS Shares</b>           | Lipper Classification % Rank | 99               | 72               | 95               | 88               |
|                            | Lipper Classification Rank   | 458 of 462 funds | 311 of 437 funds | 394 of 417 funds | 281 of 319 funds |
| <b>A Shares</b>            | Lipper Classification % Rank | 100              | 75               | 96               | 90               |
|                            | Lipper Classification Rank   | 459 of 462 funds | 328 of 437 funds | 398 of 417 funds | 288 of 319 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 3.43% at maximum offering price for A Shares, 3.94% for R6 Shares, and 3.86% 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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