

# Federated Hermes Strategic Value Dividend Fund

9/30/23

## Fund facts

### Performance inception date

3/30/05

### Benchmark

S&P 500® Index

### Morningstar category

Large Value

### Lipper classification

Equity Income Funds

### Fund assets

\$8.4 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) 4.41

30-day yield (IS) 4.39

30-day yield (A) 3.92

12-month yield (R6) 4.41

12-month yield (IS) 4.39

12-month yield (A) 4.16

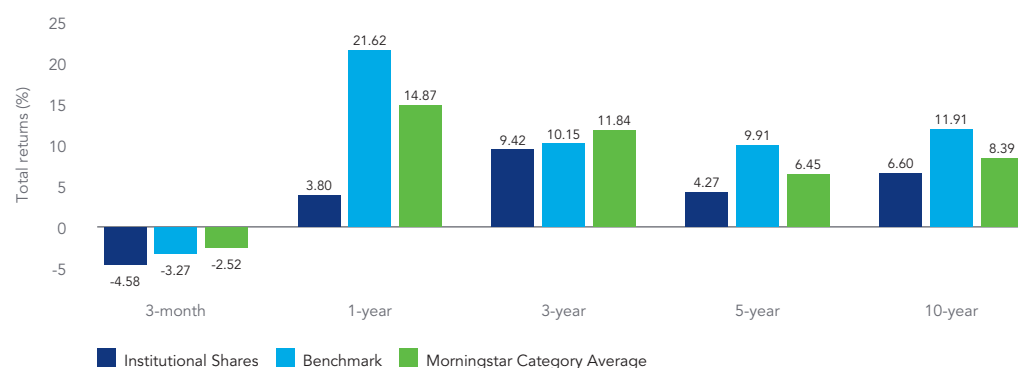
## Fund description

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>	-4.57	-9.59	4.01	9.45	4.29	6.58	6.35	0.86	0.79
<b>Institutional Shares</b>	-4.58	-9.60	3.80	9.42	4.27	6.60	6.53	0.94	0.81
<b>A Shares (NAV)</b>	-4.67	-9.84	3.56	9.14	4.00	6.32	6.25	1.18	1.06
<b>A Shares (MOP)</b>	-9.88	-14.85	-2.09	7.10	2.82	5.73	5.93	1.18	1.06
<b>Benchmark</b>	-3.27	13.07	21.62	10.15	9.91	11.91	-	-	-



## Calendar year total returns (%)

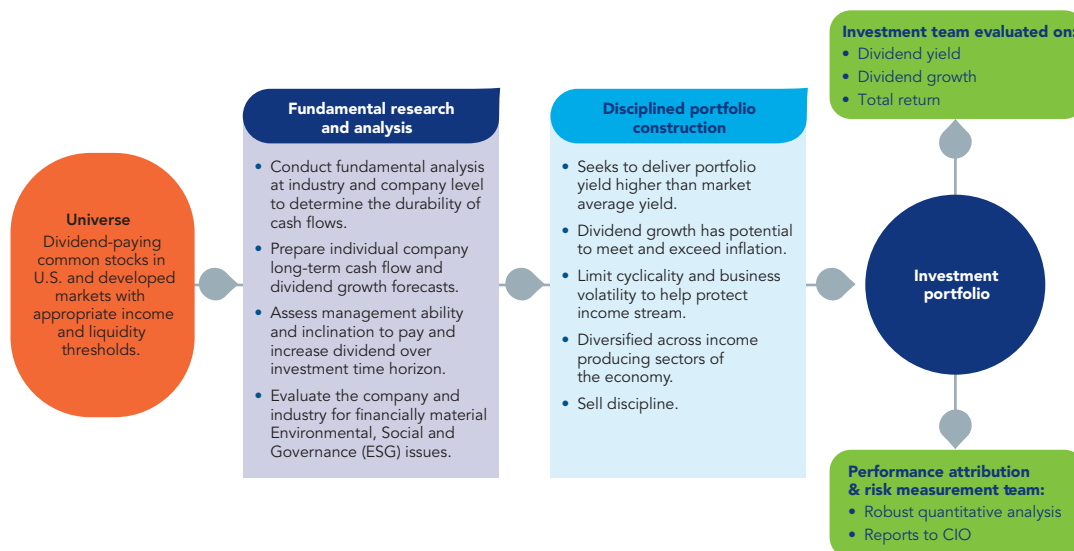
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
<b>Institutional Shares</b>	8.48	21.52	-7.87	19.60	-8.21	15.14	10.39	3.87	11.54	21.93
<b>Benchmark</b>	-18.11	28.71	18.40	31.49	-4.39	21.82	11.95	1.37	13.68	32.38
<b>Morningstar Category Average</b>	-5.90	26.22	2.91	25.04	-8.53	15.94	14.81	-4.05	10.21	31.21

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](http://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 1/1/24 or the date of the fund's next effective prospectus.



## Investment process



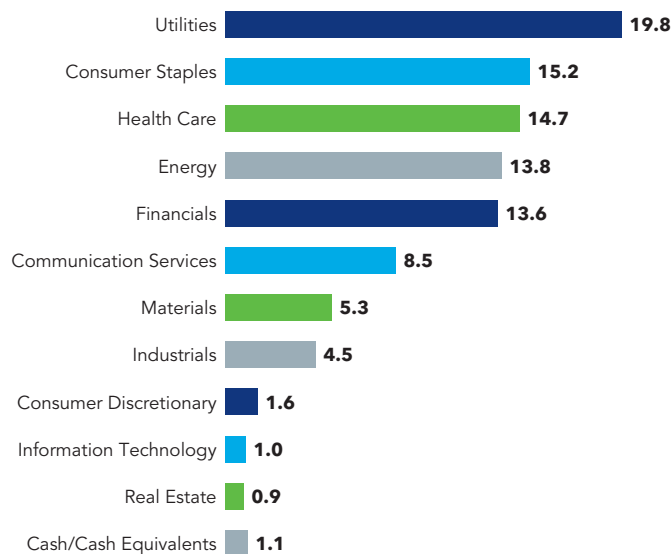
## Portfolio statistics

Weighted median P/E (NTM)	13.2x
Median 3-year average payout ratio	63.97
Weighted average EPS growth next 5 years	5.62
Weighted median market cap	\$68.0 b
Weighted median price/book	1.7x
Number of securities	45
Foreign securities	26.46%
Annual portfolio turnover	37.84%

## Top holdings (%)

TotalEnergies SE	5.3
Philip Morris International Inc.	4.8
Amgen Inc.	4.6
Verizon Communications Inc.	4.2
LyondellBasell Industries N.V.	3.9
Duke Energy Corporation	3.7
Sanofi	3.2
Southern Company	3.2
Williams Companies, Inc.	3.1
PNC Financial Services Group, Inc.	3.0
Total % of portfolio	39.0

## Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 9/30/23 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 3.92% (A shares at MOP) and a gross weighted average dividend yield of 5.11% at quarter end
- The fund had eight companies announce dividend increases in the third quarter, most notably Morgan Stanley, Conagra and PNC Financial Services, with increases of 9.7%, 6.1% and 3.3%, respectively
- The quarter started with the continued mega-cap growth rally; thereafter, markets slid on rate hike concerns, a possible government shutdown and macro volatility as 10-year U.S. Treasury yields reached a 16-year high

## 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 3.92% (A shares at MOP) and a gross weighted average dividend yield of 5.11%. This exceeded not only the S&P 500 Index's 1.62% yield but also the increasing 10-year U.S. Treasury note at 4.59%. For the 12-month period, 38 companies in the fund raised their dividends accounting for 39 increases overall.

The sell-off in Treasuries was the main driver of the notable stock market downturn in the quarter. The only sectors to post positive returns were Energy and Communication Services, which posted returns of 12.22% and 3.07%, respectively. The notable laggards in the index were the defensive sectors, as Utilities, REITs and Consumer Staples provided the weakest total returns of -9.25%, -8.90% and -5.97%, respectively. While this was a short-term headwind for our defensive high dividend strategy, the fund will remain focused on its main objectives and will not alter its focus based on near-term market preferences.

## Performance

The fund underperformed the S&P 500 Index, as defensive investments were out of favor.

### Performance contributors

- The fund's French exposure added positively to performance, driven by Energy name TotalEnergies, which posted a total return of 16.43%, benefiting from rising oil prices.
- While Health Care was a modestly negative contributor in the index, it provided a positive return in the strategy, as Amgen and AbbVie posted double digit returns of 22.03% and 11.86%, respectively. Amgen and AbbVie both advanced on better-than-expected quarterly earnings and raised guidance.

### Performance detractors

- Defensive names were out of favor in the period, as Utilities, REITs and Consumer Staples were the worst performing sectors in the index, as they returned -9.25%, -8.90% and -5.97%, respectively, weighing on the fund's performance in these sectors.
- While Communication Services outperformed in the index, the sector underperformed in the strategy, as the strategy is exposed to the defensive diversified telecom names that underperformed. Those that outperformed in the benchmark included Alphabet Inc. and Meta Platforms Inc., which do not meet the yield criteria for the fund.

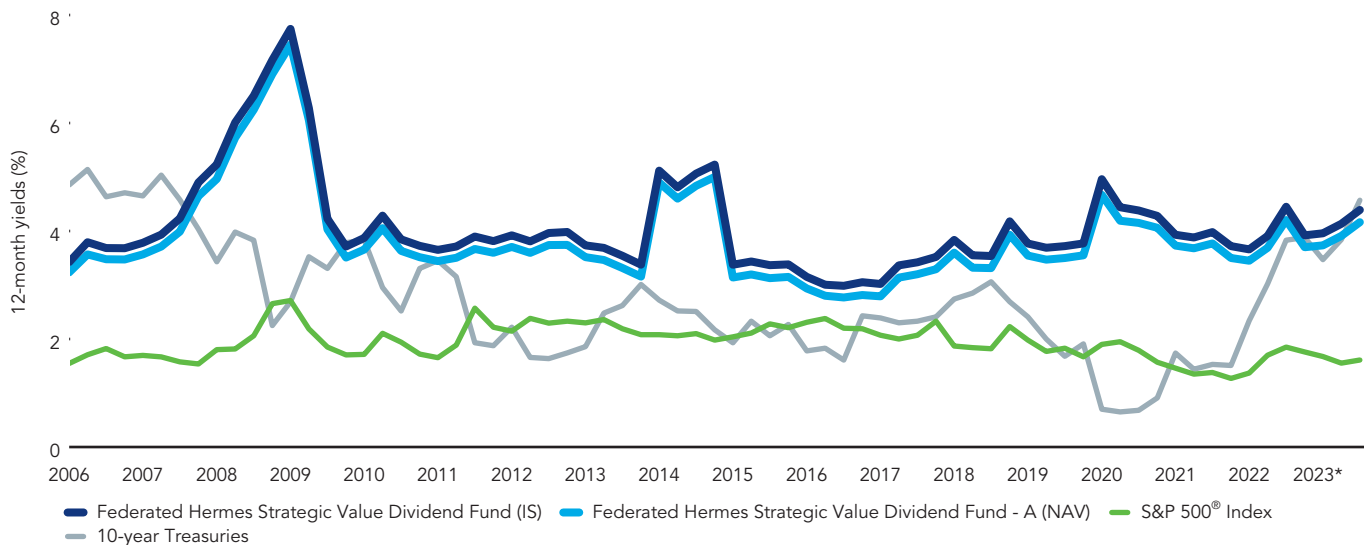
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## How we are positioned

Notwithstanding current market conditions, the Federated Hermes Strategic Value Dividend Fund will remain committed to its goals of providing a high- and rising-income stream from high quality business assets and will not alter its investment style based on near-term market preferences.

See disclosure section for important disclosures and definitions.

## The fund delivered higher yield



Source: Federated Hermes

Yields for other classes will vary.

\* As of 9/30/23

## Risk statistics

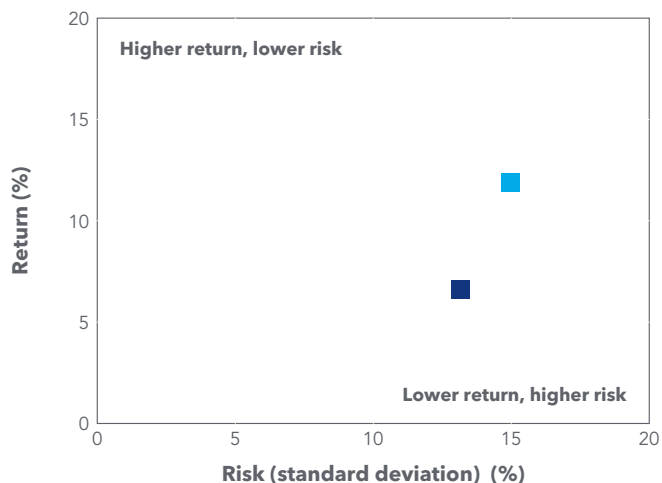
	3-year	5-year	7-year	10-year
<b>Standard deviation</b>	15.58	16.18	14.35	13.16
<b>Beta</b>	0.65	0.69	0.68	0.68
<b>Correlation</b>	0.74	0.81	0.78	0.77
<b>Up capture ratio</b>	69.47	63.36	60.43	65.36
<b>Down capture ratio</b>	59.93	72.47	75.80	72.81
<b>Sharpe ratio</b>	0.46	0.15	0.20	0.40

Sources: Federated Hermes, Morningstar, Inc.

Fund vs. S&P 500® Index

**See disclosure section for important definitions.**

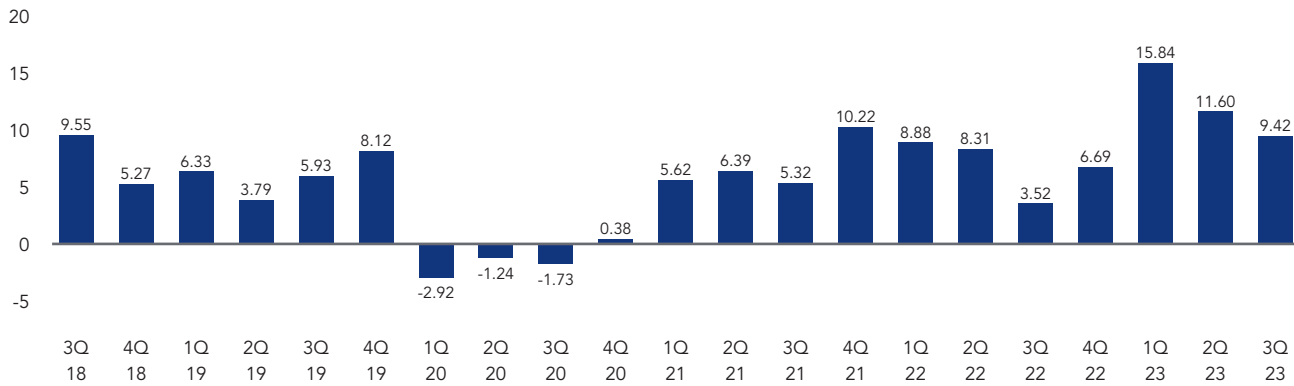
## 10-year risk/return



	Risk (%)	Return (%)
■ Federated Hermes Strategic Value Dividend Fund (IS)	13.16	6.60
■ S&P 500® Index	14.96	11.91

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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	98	78	90	-
	Morningstar Category Rank	1,208 of 1,221 funds	875 of 1,138 funds	972 of 1,084 funds	-
<b>IS Shares</b>	Morningstar Category % Rank	98	78	90	91
	Morningstar Category Rank	1,210 of 1,221 funds	878 of 1,138 funds	977 of 1,084 funds	747 of 821 funds
<b>A Shares</b>	Morningstar Category % Rank	99	81	91	95
	Morningstar Category Rank	1,212 of 1,221 funds	911 of 1,138 funds	998 of 1,084 funds	774 of 821 funds

Lipper Equity Income Funds		1-year	3-year	5-year	10-year
<b>R6 Shares</b>	Lipper Classification % Rank	96	58	83	-
	Lipper Classification Rank	520 of 547 funds	299 of 523 funds	411 of 500 funds	-
<b>IS Shares</b>	Lipper Classification % Rank	96	59	83	86
	Lipper Classification Rank	522 of 547 funds	305 of 523 funds	413 of 500 funds	318 of 373 funds
<b>A Shares</b>	Lipper Classification % Rank	97	63	87	88
	Lipper Classification Rank	524 of 547 funds	325 of 523 funds	431 of 500 funds	326 of 373 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 3.78% at maximum offering price for A Shares, 4.33% for R6 Shares, and 4.25% 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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