Rules to invest by

A guide for navigating the markets

Federated Hermes

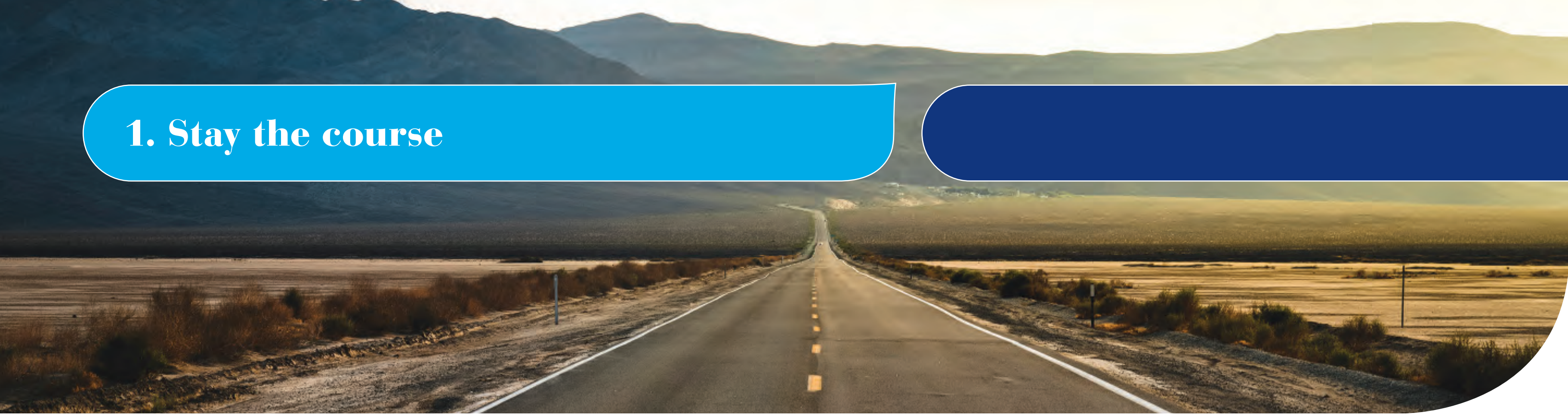

The markets will change...
but the principles don't

Welcome to the world of investing

It's a dynamic environment filled with change and growth, profit and loss, challenge and opportunity. Just when you think the going is steady and stable, sudden and unexpected shifts can occur. That's why, for long-term investors, the primary goal isn't to make as much money as possible on a hot tip or an investment trend. Instead, it's to create a portfolio of investments that can weather both the smooth and sometimes unsettled conditions that come with the territory.

Federated Hermes has guided investors through more than 65 years of market and economic change. Our experience has taught us the importance of discipline, the value of establishing a clear focus on objectives and the impact of maintaining an appropriate balance between risk and reward.

No one can predict or control the market's next move. But there are time-tested principles investors can rely on as they pursue their long-range goals through a variety of market conditions and their own changing circumstances. Consider this your guide for navigating the markets.



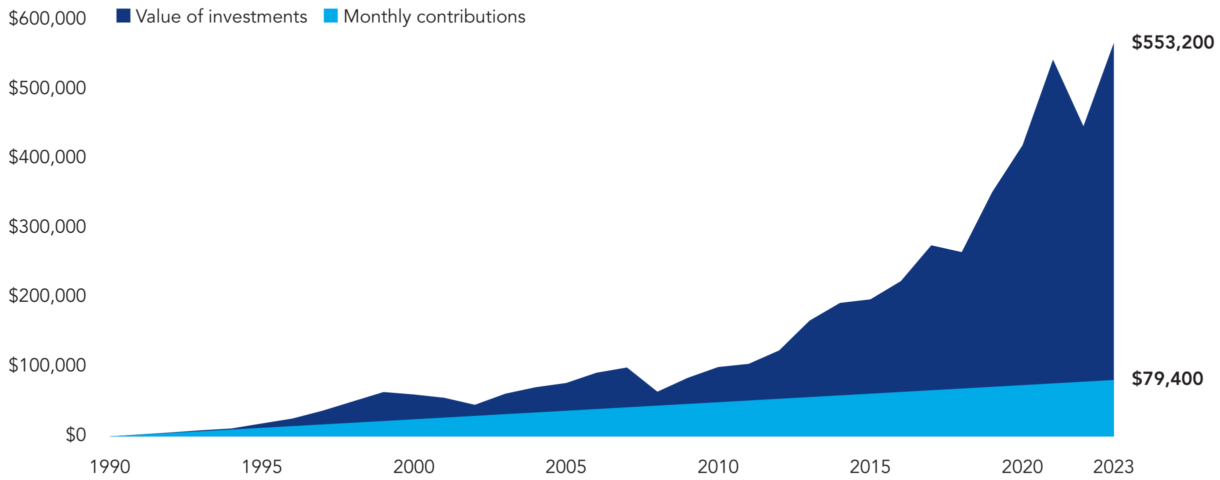
1. Stay the course

Investing regularly can pay off

Consistent investing can add up over time. Although there is no assurance that any investment strategy will prevent losses, investing regularly can help investors remove much of the emotion from their decision-making and avoid the nearly impossible task of determining exactly the best time to invest.

This chart illustrates how making regular monthly investments could have benefited investors over the long term.

Monthly contributions over the long term



Source: Morningstar, Inc.

Growth of hypothetical $200 monthly investment in the S&P 500® Index 12/31/1990-12/31/2023, shown for illustrative purposes. Investing in an investment vehicle may incur fees, which were not considered in the illustration above.

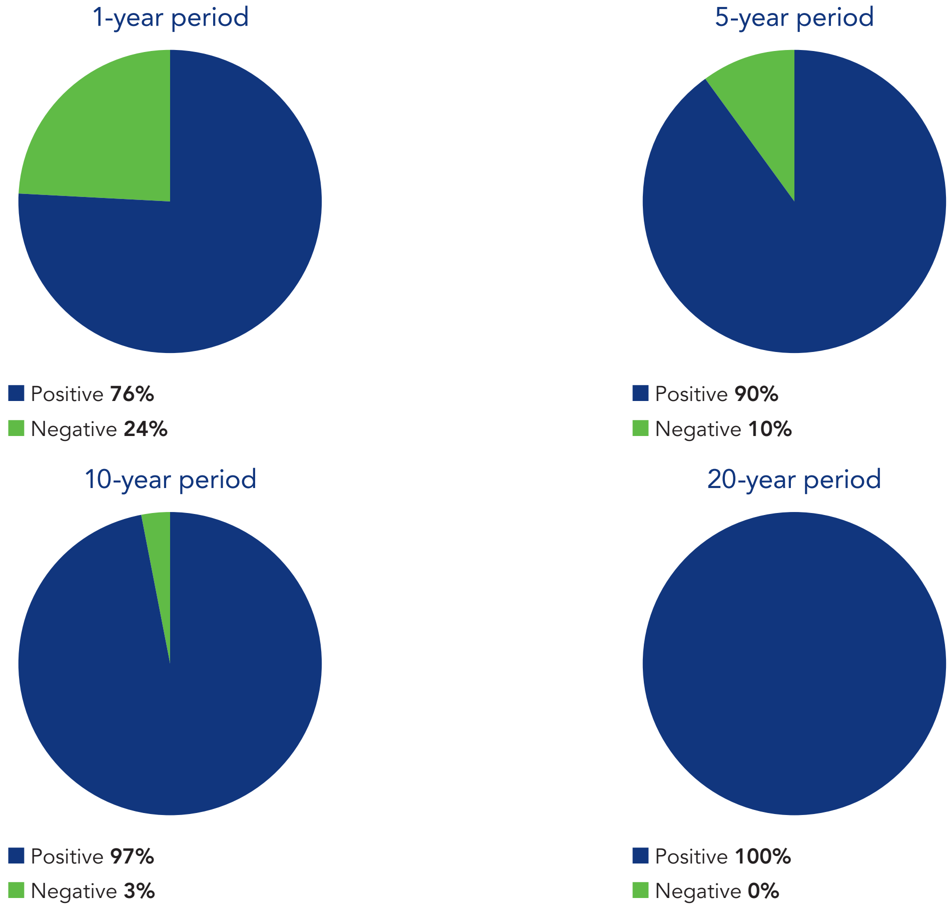
Systematic investing does not assure a profit or protect against loss in declining markets. Investors should consider their financial ability to continue purchasing during periods of low price levels.

Past performance is no guarantee of future results. This chart is for illustrative purposes only and is not representative of performance for any specific investment. Indexes are unmanaged and cannot be invested in directly. See last page for index definitions.

Stocks have rewarded long-term investors

Stocks can be more volatile than other types of investments in the short term but, over the long term, staying invested through the market's ups and downs offers investors the best potential opportunity to generate gains. This chart shows how longer-term investments in stocks have been more likely to produce positive results. In fact, the S&P 500® Index has produced positive returns for every 20-year period since 1936.

Over 20-year periods, average stock returns have always been positive



Source: Morningstar, Inc. Based on yearly rolling returns of the S&P 500® Index 12/31/1936–12/31/2023.

The value of stocks will rise and fall. These fluctuations could be a sustained trend or a drastic movement.

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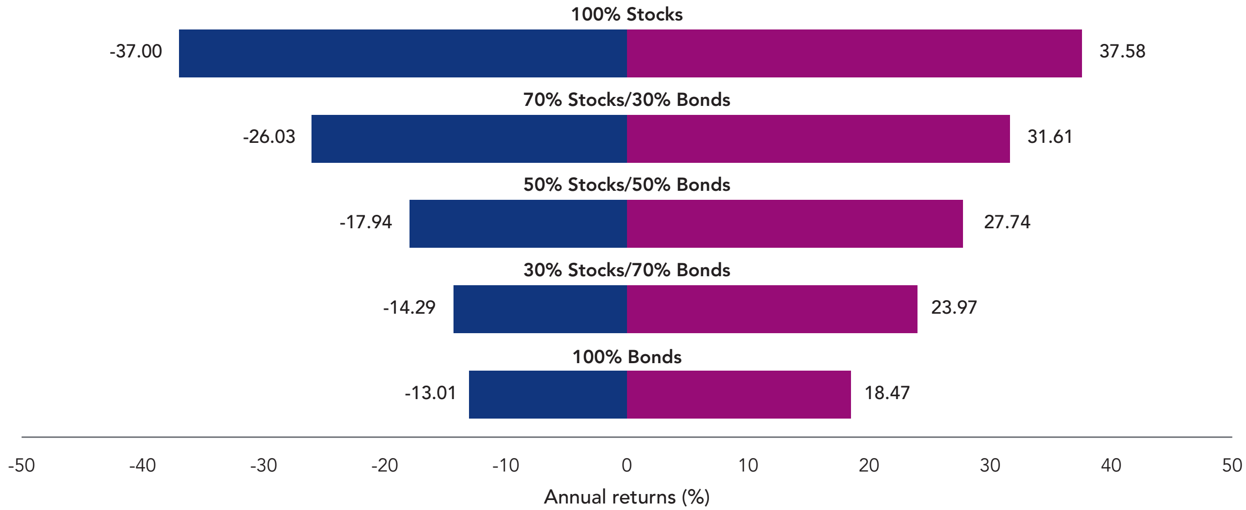
2. Diversify your investments

A diversified portfolio may limit loss in down markets and capture opportunities in up markets

Stocks can deliver big returns, but they can also experience big losses. Bonds generally deliver returns in a tighter and less-volatile range. However, a diversified portfolio of both stocks and bonds has the potential to deliver more competitive returns than an all bond portfolio with potentially fewer losses than an all stock portfolio.

Range of best and worst annual returns



Source: Morningstar, Inc.

Annual returns of the S&P 500® Index (for stock returns) and the Bloomberg US Aggregate Bond Index (for bond returns) from 1987 to 2023, shown for illustrative purposes. Investing in an investment vehicle may incur fees, which were not considered in the illustration above.

Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices. Diversification does not assure a profit nor protect against loss.

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No single area of the market performs best year in and year out

Maintaining a diversified portfolio allows an investor to reduce risk and participate in the potential rewards each market sector offers over time. The following chart shows the top-performing asset classes each year from 2014 to 2023 as well as the performance of a diversified portfolio consisting of an equal allocation (12.5%) to each of the eight asset classes.

A diversified portfolio would have helped avoid extreme ups and downs

Returns (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Large Cap Equities	13.69	1.38	21.31	25.03	1.87	31.49	19.96	28.71	1.46	26.29
Mid Cap Equities	13.22	0.84	17.49	21.83	0.86	30.54	18.40	22.58	-11.22	18.24
Corporate Bonds	7.53	0.05	13.80	18.52	-2.11	25.52	17.10	14.82	-12.46	17.23
Diversified Portfolio	**5.23**	-0.77	11.96	14.65	-2.26	22.01	**12.94**	11.26	**-13.33**	16.93
Treasuries	5.05	-0.81	**8.98**	**11.88**	-4.38	**18.20**	9.35	**9.69**	-14.45	**13.64**
Small Cap Equities	4.89	**-1.18**	5.63	7.48	**-4.71**	14.41	8.00	5.36	-15.26	13.46
High Yield Bonds	2.50	-2.44	1.04	6.18	-9.06	13.80	7.82	0.05	-17.32	8.18
Cash	0.03	-4.41	1.00	2.31	-11.01	6.86	6.17	-1.08	-18.11	5.01
International Equities	-4.90	-4.64	0.33	0.86	-13.79	2.28	0.67	-2.32	-20.44	4.05

Source: Morningstar, Inc. The above asset class categories are represented by the following indexes. Treasuries: Bloomberg US Treasury Index; Corporate Bonds: Bloomberg US Credit Index; High Yield Bonds: ICE BofA US High Yield II Index; Large Cap Equities: S&P 500® Index; Cash: ICE BofA 3-Month US Treasury Bill Index; Mid Cap Equities: Russell Midcap® Index; Small Cap Equities: Russell 2000® Index; International Equities: MSCI EAFE Index.

Small cap stocks have historically experienced greater volatility than average.

High-yield, lower-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment-grade securities.

Unlike stocks and corporate bonds, both government bonds and Treasury bills are guaranteed as to the payment of principal and interest by the U.S. government if held to maturity. International investing involves special risks, including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

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3. Pace yourself with dividends

Dividends can play an important role in total return

Investing in companies with a history of paying and increasing dividends offers investors the potential to benefit in three ways. Dividends can serve as a source of consistent income regardless of market conditions; dividends (as reflected in the accompanying chart) can provide a significant source of total return; and dividends can act as a hedge against inflation. Reinvesting dividends also allows investors to purchase more company shares, potentially generating more dividends and additional income.

Dividends’ contribution to total return

Total return **11.90%**

- Capital appreciation **7.85%**
- Dividend yield **4.05%**

Source: Slickcharts, Slickcharts.com/sp500/returns/details

Chart represents the averages of annual total return, dividend yield, and capital appreciation between 1928 and 2023 of the S&P 500® Index. Capital appreciation represents the return generated by price changes in the S&P 500® Index. Dividend yield is the return from reinvested dividends distributed by the companies in the index. Total return is the sum of the capital appreciation and dividend return.

Diversification does not ensure a profit or protect against loss.

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.

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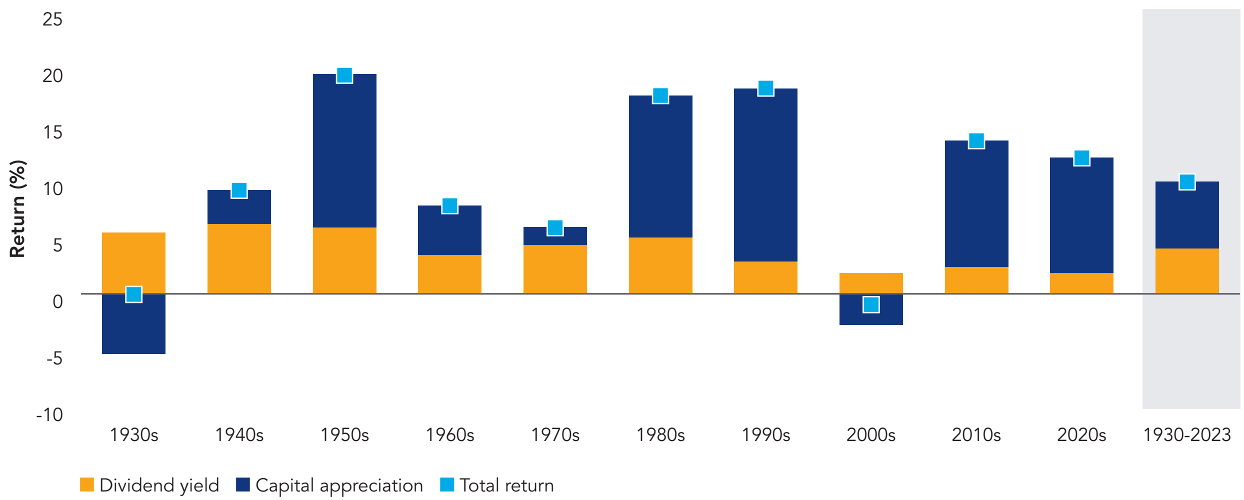
Dividends can provide reliable income in a variety of market environments

The return investors receive from dividends has little to do with equity market fluctuations but is driven by the earnings power of the underlying companies, and by their commitment to returning part of that earnings to investors in the form of dividends. Companies with long histories of paying dividends may continue to pay dividends even in challenging markets, potentially shielding investors from market downturns.

Dividends' impact on total return over the decades



Source: Slickcharts, Slickcharts.com/sp500/returns/details

Chart shows detailed S&P 500® Index data broken down into the annualized dividend yield, price appreciation, and total returns by decade from 1930 to 2023. Capital appreciation represents the return generated by price changes in the S&P 500® Index. Dividend yield is the return from reinvested dividends distributed by the companies in the index. Total return is the sum of the capital appreciation and dividend return.

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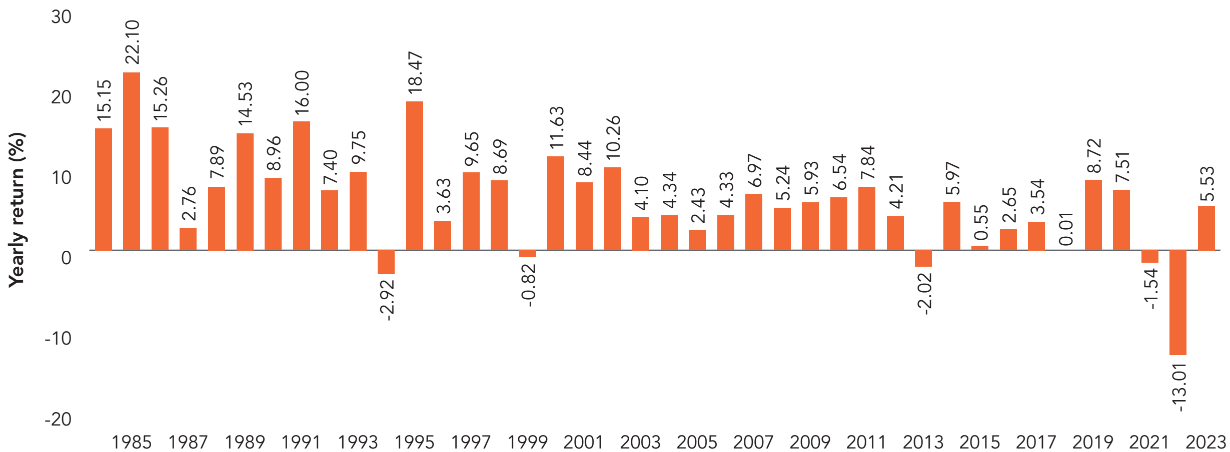
4. Bonds may help smooth the ride

When it comes to long-term investing, no asset class stands alone

Each plays a part in your whole financial picture. For example, a rising-rate environment may lead some investors to reconsider their core bond holdings. But timing the bond market can be as unwise a pursuit as timing the stock market—rates never only go in one direction. Investors may be better served thinking about their reasons for owning bonds. Whether to mitigate stock volatility, diversify their portfolios or pursue steady income potential, those reasons don't change even when rates and the markets do.

Why diversify with bonds?

Bonds produced positive returns in 35 of the past 40 years



Source: Morningstar, Inc. Bond returns are represented by the Bloomberg US Aggregate Bond Index from 1984 to 2023.

Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.

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Targeted strategies during rising-rate environments

Not all bond sectors react the same when rates rise. Investors seeking an added measure of defense in a rising-rate environment may wish to complement their core bond holdings with more targeted fixed-income allocations:

- Floating-rate securities offer the unique benefit of generating income that could potentially keep pace with changes in market interest rates.
- High-yield bond performance is more strongly related to the business results and fundamentals of their companies than to interest rate movements.
- Short-duration bonds can have lower yields, but tend to be less sensitive to rate movements compared to intermediate- and long-term bonds because they are less exposed to economic cycles, which typically span longer timeframes.

			Credit Suisse Leveraged Loan USD	Bloomberg US Corporate High Yield TR USD	ICE BofA 3M US Trsy Bill TR USD
Beginning date	Ending date	U.S. Treasury 10-year yield increase (%)	Floating-rate security returns (%)	High-yield bond returns (%)	Short-duration bond returns (%)
10/31/2001	3/31/2002	+1.16	3.99	4.96	0.81
5/31/2003	8/31/2003	+1.09	2.32	2.91	0.29
6/30/2005	6/30/2006	+1.22	6.66	4.80	3.99
12/31/2008	12/31/2009	+1.63	44.87	58.21	0.21
8/31/2010	3/31/2011	+1.00	7.40	10.46	0.10
7/31/2012	12/31/2013	+1.56	7.00	9.57	0.10
7/31/2016	1/31/2017	+1.00	4.51	6.09	0.20
8/31/2017	10/31/2018	+1.03	5.14	1.98	1.59
7/31/2020	3/31/2021	+1.21	8.05	7.26	0.08
7/31/2021	12/31/2023*	+2.66	5.54	0.81	2.66

Sources: Federated Hermes, Inc., Morningstar, Inc. and Bloomberg.

*As of 12/31/2023. The period may continue past this date.

Variable and floating-rate loans and securities generally are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much or as quickly as interest rates in general. Conversely, variable and floating-rate loans and securities generally will not increase in value as much as fixed-rate debt instruments if interest rates decline. Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Floating-rate securities is represented by Credit Suisse Leveraged Loan Index, high-yield bonds is represented by Bloomberg US Corporate High Yield Bond Index and short-duration bonds is represented by ICE BofA 3-Month US Treasury Bill Index.

High-yield, lower-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment-grade securities.

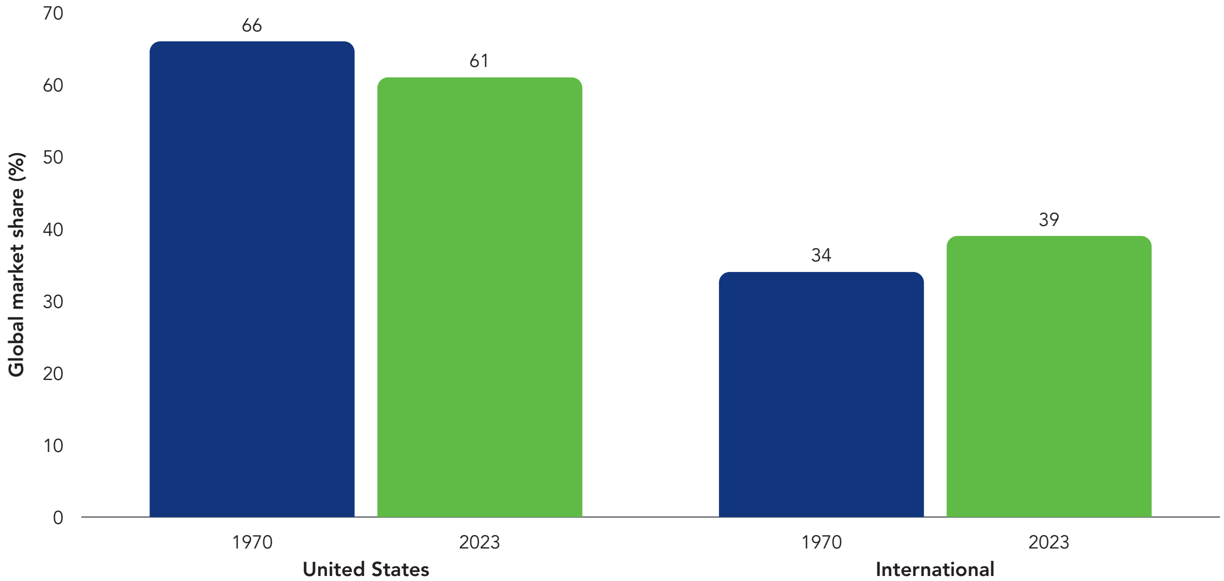
Past performance is no guarantee of future results. Periods less than one year are cumulative; periods greater than one year are annualized. This chart is for illustrative purposes only and is not representative of performance for any particular investment. Indexes are unmanaged and cannot be invested in directly. See last page for index definitions.

5. Broaden your investment horizons

Our economy is truly global

International companies increasingly represent a greater share of the world's innovation, productivity and economic advancement. Leading companies in virtually every industry and sector stretch around the world—along with powerful investment opportunities. By investing internationally, investors can seek to participate in the major factors driving global growth.

Including international stocks expands opportunity



Sources: FTSE and Bloomberg.

Global Market Share Over Time – U.S. companies vs. non-U.S. (1970 and 2023) is represented by global market capitalization; global market capitalization is an indicator of global market share.

International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards.

Understand the differences

SMAs, mutual funds and ETFs each have distinguishing features. Compare and contrast the differences to determine which vehicle structure could benefit you the most.

	Separately Managed Account (SMA)	Mutual Fund	Exchange-Traded Fund (ETF)
Investment structure	• Investors own the individual underlying securities	• Investors own a pool of securities	• Investors own a pool of securities
Minimum investment	• Higher minimums, varying by asset class	• Varies by share class	• Share price of ETF at time of purchase
Fees	• Tiered, asset-based fee	• Expense ratio, varies by share class	• Flat expense ratio
Personalization	• Flexibility to address unique investor needs	• Not available	• Not available
Tax efficiency	• Potential to manage for capital gains and losses	• Potential yearly capital gain distributions • Investor redemptions create tax implications across all investors	• Capital gains distributions potentially kept at a minimum • In-kind transactions can reduce tax implications of portfolio manager changes or other investors' redemptions
Transparency	• Daily holdings transparency for account holders	• Quarterly, sometimes monthly, holdings reporting	• Daily holdings transparency
Transactions	• Transaction guidelines generally determined at the time of account setup	• End-of-day executions at NAV • Direct reinvestment of dividend income at end-of-day NAV	• ETFs can be purchased and sold throughout the day

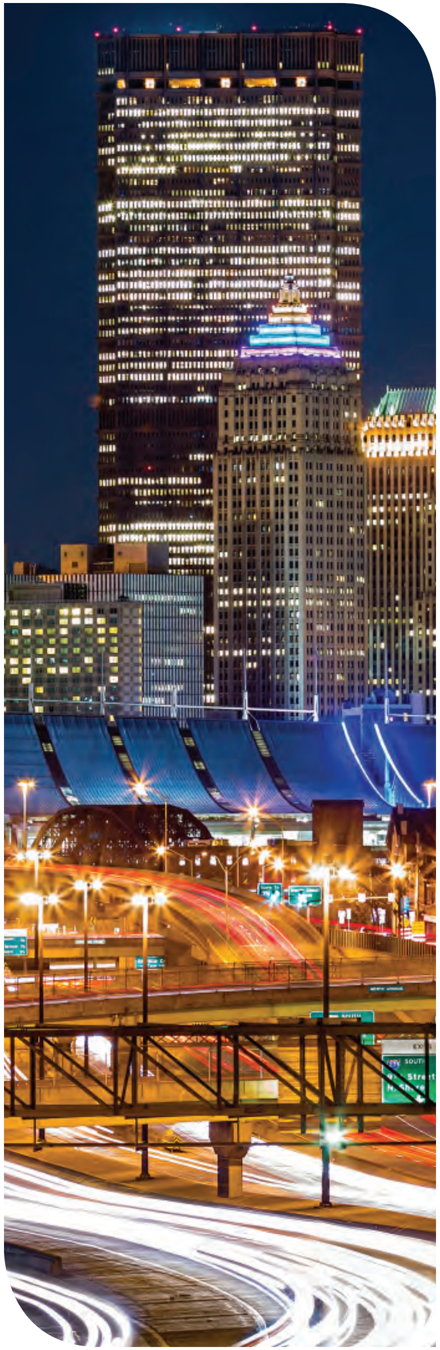
Past performance is no guarantee of future results. There is no guarantee that any type of investment approach will be successful.


Put experience on your side

Chart a long-term plan with an experienced guide

History tells us that markets always rise after they fall, and vice versa. But the speed and depth of both upturns and downturns can easily cause investors to make decisions they may come to regret. That's why one of the most valuable components of a long-term investment strategy is the experience and guidance of a financial professional.

There's no substitute for an objective discussion regarding risk tolerance, time horizons and contingency plans for unexpected events. With a solid plan and professional support, it's much easier to maintain a disciplined strategy of regular investments, portfolio rebalancing and ongoing adjustments needed to pursue long-term financial goals, especially when the markets change.



Bloomberg US Aggregate Bond Index is an unmanaged index composed of securities from the Bloomberg Government/Corporate Bond Index, Mortgage-Backed Securities Index and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indexes are rebalanced monthly by market capitalization.

Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indexes' EM country definition, are excluded. The US Corporate High Yield Index is a component of the US Universal and Global High Yield indexes. The index was created in 1986, with history backfilled to July 1, 1983.

Bloomberg US Credit Index is composed of all publicly issued, fixed-rate, nonconvertible, investment-grade corporate debt. Issues are rated at least Baa by Moody's Investors Service or BBB by Standard & Poor's, if unrated by Moody's. Collateralized Mortgage Obligations (CMOs) are not included. Total return comprises price appreciation/depreciation and income as a percentage of the original investment.

Bloomberg US Treasury Bond Index is part of Bloomberg global family of government bonds indexes. The index measures the performance of the U.S. Treasury bond market, using market capitalization weighting and a standard rule based inclusion methodology.

Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. Average values are computed over the index for coupon, current yield, initial spread and price. The average coupon, current yield and initial spread are weighted by market value (amount outstanding multiplied by the price) at the end of the measurement period for each loan currently paying interest in the index. Total return is computed for each loan, which is the percent change in the value of each loan during the measurement period. Total return is the sum of three components: principal, interest and reinvestment return.

ICE BofA 3-Month US Treasury Bill Index is a subset of the BofA 0-1 Year US Treasury Index including all securities with a remaining term to final maturity less than three months.

ICE BofA US High Yield Master II Index tracks the performance of U.S. dollar-denominated below investment-grade rated corporate debt publically issued in the U.S. domestic market.

MSCI EAFE Index is an equity index which captures large- and mid-cap representation across developed market countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap® Index is a subset of the Russell 1000® Index.

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 designated major industries.

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