

Federated Hermes Strategic Value Dividend Fund

6/30/20

Fund facts

Performance inception date

3/30/05

Benchmark

Dow Jones U.S. Select Dividend Index

Morningstar category

Large Value

Lipper classification

Equity Income Funds

Fund assets

\$7.3 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)	4.61
30 day yield (IS)	4.60
30 day yield (A)	4.10
12 month yield (R6)	4.46
12 month yield (IS)	4.44
12 month yield (A)	4.19

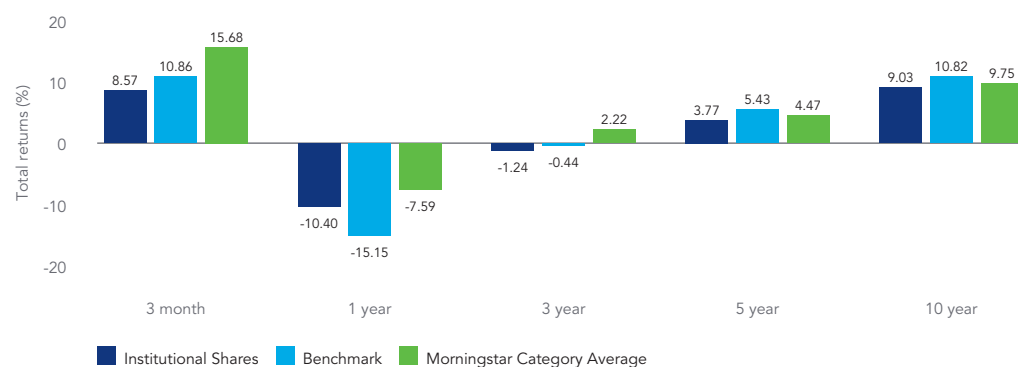
Fund description

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
R6 Shares	8.57	-17.35	-10.38	-1.22	3.76	8.96	5.78	0.86	0.79
Institutional Shares	8.57	-17.21	-10.40	-1.24	3.77	9.03	5.99	0.93	0.81
A Shares (NAV)	8.31	-17.41	-10.68	-1.50	3.49	8.78	5.72	1.18	1.06
A Shares (MOP)	2.36	-21.94	-15.63	-3.32	2.31	8.16	5.33	1.18	1.06
Benchmark	10.86	-21.68	-15.15	-0.44	5.43	10.82	-	-	-



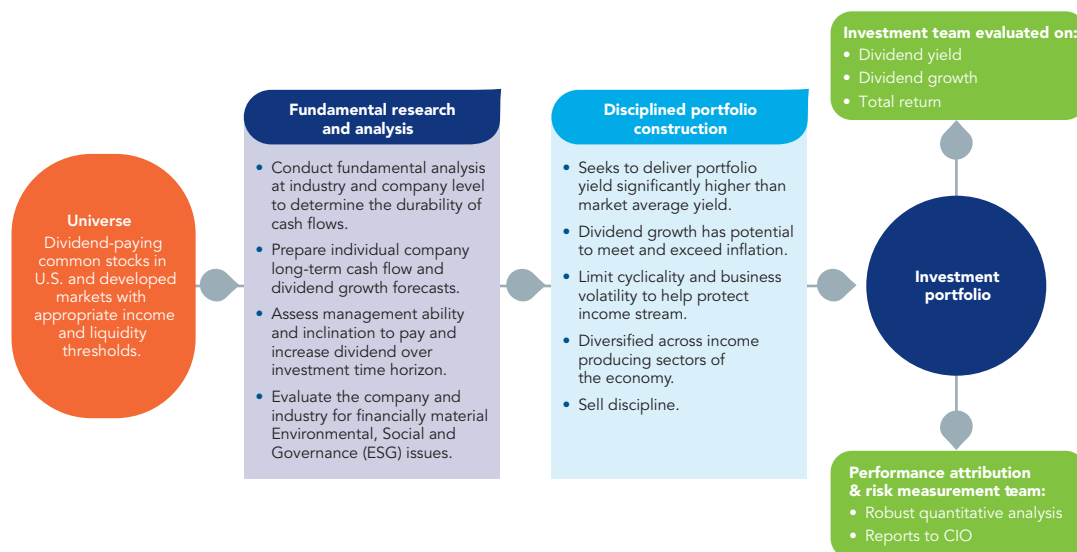
Calendar year returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	19.60	-8.21	15.14	10.39	3.87	11.54	21.93	6.92	14.96	11.18
Benchmark	23.11	-5.94	15.44	21.98	-1.64	15.36	29.06	10.84	12.42	18.32
S&P 500 Index	31.49	-4.39	21.82	11.95	1.37	13.68	32.38	16.00	2.11	15.06
Morningstar Category Average	25.04	-8.53	15.94	14.81	-4.05	10.21	31.21	14.57	-0.75	13.66

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* 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 1/1/21 or the date of the fund's next effective prospectus.

Investment process



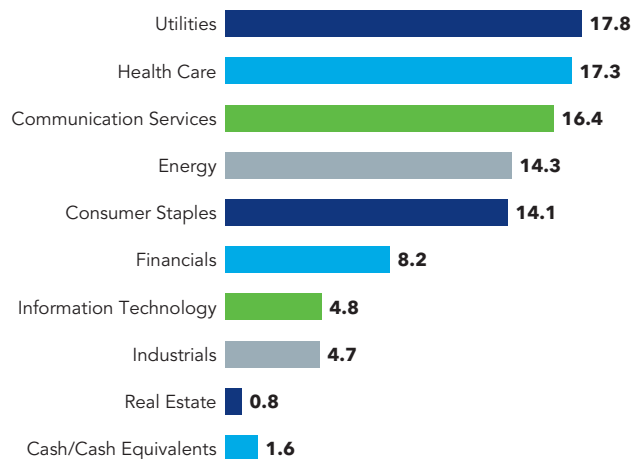
Portfolio statistics

Weighted median P/E (NTM)	14.8x
Median 3 year average payout ratio	67.13
Weighted average EPS growth next 5 years	6.17
Weighted median market cap	\$100.6 b
Weighted median price/book	2.0x
Number of securities	37
Foreign securities	27.34%
Annual portfolio turnover	45.49%

Top holdings (%)

AbbVie Inc.	5.8
AT&T, Inc.	5.1
Philip Morris International Inc.	4.7
Verizon Communications	4.7
Dominion Energy, Inc.	4.4
Chevron Corp.	4.3
Exxon Mobil Corp.	3.8
Pfizer, Inc.	3.8
Duke Energy Corp.	3.7
United Parcel Service, Inc.	3.5
Total % of Portfolio	43.8

Sector weightings (%)



Portfolio composition is based on net assets at the close of business on 6/30/20 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.

Highlights

- Federated Hermes Strategic Value Dividend Fund provided a 30 day SEC yield of 4.10% (A Shares at MOP) and a gross weighted average dividend yield of 5.26% at quarter end.
- This surpassed not only the broad market represented by the S&P 500 Index with its 1.84% yield, and the 10 year U.S. Treasury note at, 0.66%, but it also exceeded the 5.12% yield of the Dow Jones U.S. Select Dividend Index.
- In the trailing 12 month period, 31 companies within the portfolio raised their dividends, accounting for 32 increases overall. Two companies reduced their dividends.
- Expectations for further dividend increases are on pause as companies are expected to continue to increase liquidity and improve balance sheets to navigate ongoing market volatility.

Looking back

The market rallied in the second quarter as the economy gradually reopened, propelling the tech-led beta chase. Although coronavirus cases seem to be on the rise again, investor fears have been curtailed on hopes of additional aid for businesses and individuals. The risk-on market was apparent as cyclical, high-beta, low-yielding investments outperformed.

Information Technology was the top contributor in the S&P 500, accounting for 36% of the market's total performance with its notable 27% weight. To highlight further the narrow market leadership, the FAANGs accounted for 24% of total performance while Apple alone accounted for 10% of the total return of the S&P 500. As noted in the factor performance when quintiling the S&P 500, low beta underperformed high beta by -28.18% and high yield underperformed low yield by -10.05%. Furthermore, noting the S&P quality ratings, the highest-quality stocks (A+) underperformed the lowest-quality stocks (C&D) by -8.79%. These characteristics are not conducive to a low-volatility, high-dividend yield strategy.

Through the volatility, the portfolio maintained its focus on its core objectives of delivering high dividend income from high-quality assets.

Performance

The portfolio ended the quarter with a return of 8.31% (A Shares at NAV), while the Dow Jones U.S. Select Dividend Index and the S&P 500 posted returns of 10.86% and 20.54%, respectively.

Performance contributors

- Health Care was the top-contributing sector, driven by Abbvie, which appreciated 30.71%.
- Energy posted a 8.69% gain as oil hit a three-month high.
- Additional contributors to performance were Dominion Energy, United Parcel Services, Cisco Systems, Vodafone and Canadian Imperial Bank of Commerce.

Performance detractors

- Low beta, high yield and high quality underperformed.
- Real Estate was the only sector to detract from performance as Welltower, declined -19.00% after announcing a surprise dividend cut. The <1% position was exited in the period.
- Also detracting from performance: BP, Invesco and Southern Co.

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How we are positioned

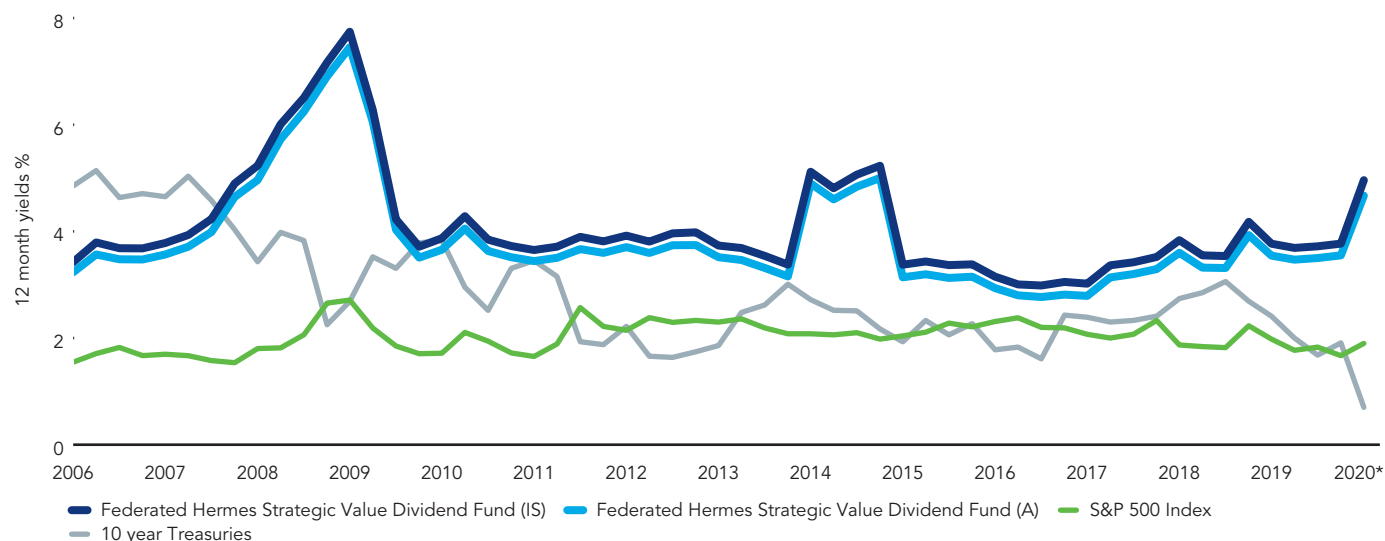
In June, a late-month surge in Sunbelt states pushed new daily Covid-19 cases to new highs, raising fears the recovery may drag out and behave more like a "U" than a "V."

Looking ahead, July promises to post a number of challenges to the rally, led by a second-quarter gross domestic product report that is expected to show the economy contracted at its fastest rate since the Great Depression and earnings reports that are certain to be ugly. The big question on the latter front will be what, if any, guidance companies can give to the remainder of the year given the ongoing devastation the pandemic has dealt across a range of industries and the uncertainty over when it may be brought under control.

The fund remains concentrated in Consumer Staples, Integrated Energy, Pharmaceuticals, Telecom Services and Utilities. These segments contain the dividend-friendly stocks that the fund seeks, enabling the strategy to provide investors with the opportunity for a high dividend yield complemented with dividend growth. That dividend growth could help the fund both sustain its high yield and outpace inflation. Furthermore, stocks that consistently pay and increase their dividend tended to have lower volatility, as reflected in the fund's beta 0.75 (Factset 3-year beta versus the S&P calculated using the monthly return). Notwithstanding current market conditions, 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 6/30/20

Risk statistics

	3 year	5 year	7 year	10 year
Standard deviation	14.74	13.25	12.11	11.48
Beta	0.75	0.72	0.72	0.65
Correlation	0.87	0.80	0.79	0.76
Up capture ratio	53.67	60.26	65.90	64.98
Down capture ratio	92.62	78.61	83.38	64.94
Sharpe ratio	-0.20	0.19	0.39	0.73

Sources: Federated Hermes, Morningstar, Inc. Fund vs. S&P 500 Index

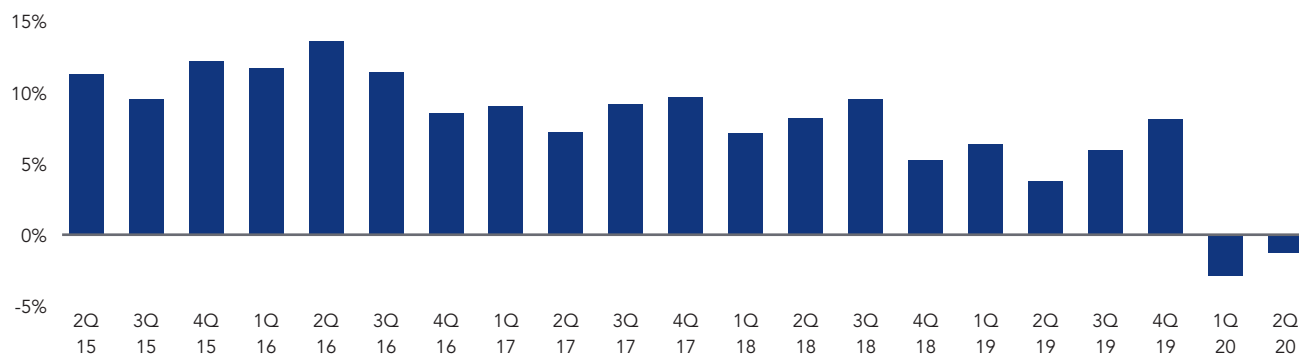
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10 year risk/return



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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
R6 Shares	Morningstar Category % Rank	72	89	65	73
	Morningstar Category Rank	873 of 1,193 Funds	993 of 1,109 Funds	-	-
IS Shares	Morningstar Category % Rank	72	89	65	73
	Morningstar Category Rank	876 of 1,193 Funds	996 of 1,109 Funds	605 of 970 Funds	486 of 703 Funds
A Shares	Morningstar Category % Rank	75	91	69	78
	Morningstar Category Rank	908 of 1,193 Funds	1,016 of 1,109 Funds	648 of 970 Funds	533 of 703 Funds

Lipper Equity Income Funds

		1 year	3 year	5 year	10 year
R6 Shares	Lipper Classification % Rank	84	92	-	-
	Lipper Classification Rank	408 of 489 Funds	413 of 449 Funds	-	-
IS Shares	Lipper Classification % Rank	84	92	74	76
	Lipper Classification Rank	410 of 489 Funds	414 of 449 Funds	290 of 391 Funds	182 of 241 Funds
A Shares	Lipper Classification % Rank	85	94	79	81
	Lipper Classification Rank	415 of 489 Funds	421 of 449 Funds	307 of 391 Funds	194 of 241 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

As of June 29, 2020, the fund was renamed Federated Hermes Strategic Value Dividend Fund.

30-day yield (also known as "SEC yield") 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. For an indefinite period of time, the investment advisor is waiving all or part of its fee and, in addition, may reimburse the fund for some of its expenses. Otherwise, the yield would have been 4.54% for R6 Shares, 4.46% for Institutional Shares, and 3.96% for A 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 30, 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.

Because the fund may allocate relatively more assets to certain industry sectors than others, the fund's performance may be more susceptible to any developments which affect those sectors emphasized by the fund.

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

Definitions

Dow Jones U.S. Select Dividend Index universe is defined as all dividend-paying companies in the Dow Jones U.S. Total Market Index that have a non-negative historical five-year dividend-per-share growth rate, a five-year average dividend earnings-per-share ratio of less than or equal to 60%, and a three-month average daily trading volume of 200,000 shares. Current index components are included in the universe regardless of their dividend payout ratio. The Dow Jones U.S. Total Market Index is a rule-governed, broad-market benchmark that represents approximately 95% of the U.S. market capitalization.

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.

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 a weighted average of the dividends of all the stocks in a portfolio.

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

Ratings and rating agencies

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