

Why dividend investing?

Investors have used dividend investing for over a century to:

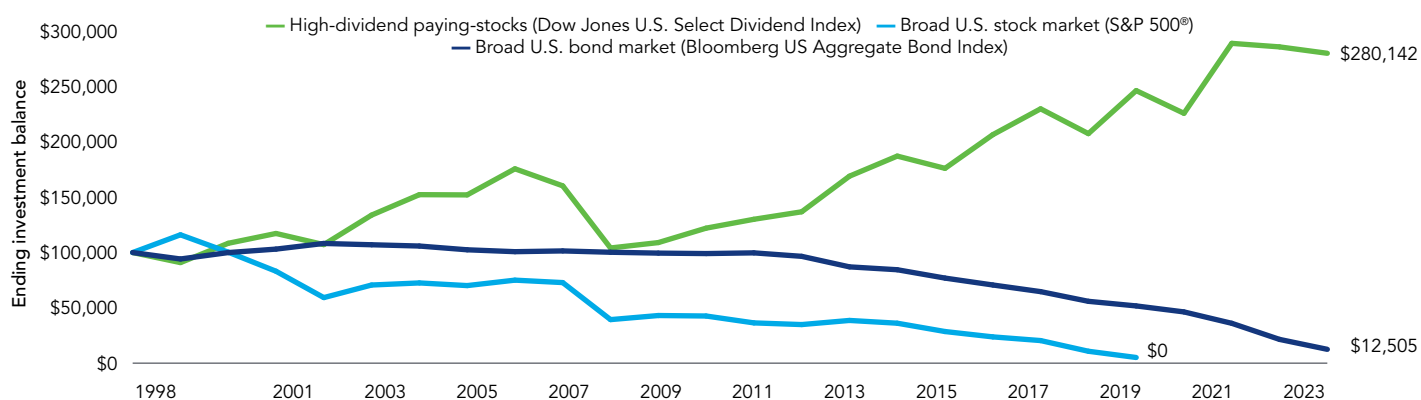
- Seek stable income
- Pursue long-term investment growth
- Help reduce portfolio risk

See how dividend investing has helped investors achieve these goals and consider what dividend investing could do for you.

Seek sustainable income

- Dividend-paying companies regularly pay each stockholder a portion of the company's profits: a dividend
- Investors can either withdraw dividend payments for income or reinvest them
- Over the last 25 years, high-dividend-paying stocks have provided income seekers an attractive alternative to the broad stock and bond markets. As shown below, a hypothetical \$100,000 investment in high-dividend-paying stocks not only delivered income over the full 25 years, but increased in value, sustaining its future income potential

Remaining value of a \$100,000 investment after annual withdrawals of \$5,000, increased 3% annually for inflation for 25 years



Year	Dow Jones U.S. Select Dividend Index		S&P 500®		Bloomberg US Aggregate Bond Index	
	Annual withdrawals	Ending investment value	Annual withdrawals	Ending investment value	Annual withdrawals	Ending investment value
12/31/98		\$100,000		\$100,000		\$100,000
2000	\$5,150	\$108,371	\$5,150	\$100,327	\$5,150	\$99,978
2005	\$5,970	\$152,113	\$5,970	\$70,126	\$5,970	\$102,490
2010	\$6,921	\$122,049	\$6,921	\$42,633	\$6,921	\$99,076
2015	\$8,024	\$176,111	\$8,024	\$28,598	\$8,024	\$76,904
2020	\$9,301	\$225,865	\$6,067	\$0	\$9,301	\$46,333
2023	\$10,164	\$280,142	\$0	\$0	\$10,164	\$12,505
Total withdrawals	\$182,296		\$149,449*		\$182,296	

As of 12/31/23. Sources: S&P, Bloomberg, Dow Jones, Federated Hermes analysis. For illustrative purposes and not representative of any specific investment. Indexes are unmanaged, cannot be invested in directly, and do not include fees or expenses associated with actual investments. Performance is for a selected time period. Other time periods may have different results. This example does not show the tax consequences of each type of investment. Stocks offer higher growth potential, but their prices are more volatile than those of bonds. **Past performance is not indicative of future results.**

*Total withdrawals from the S&P 500® portfolio were lower because all of the principal was depleted.

Using dividend-paying stocks for income

- Invest in quality companies that offer dividend potential to help meet your income needs
- Consider a strategy that invests in companies with high dividend yields and dividend growth potential; unlike income from an individual bond, dividend income has the potential to grow over time
- In most investment accounts, dividends that are not reinvested can automatically be sent via check or credited to your account, where they can be withdrawn—withdrawing dividends alone does not deplete your balance of shares

Pursue long-term investment growth

High-dividend stocks have offered competitive returns and outperformed the broad market over longer term periods

Annualized total return (%)

	Last 10 years	Last 20 years	Last 30 years	Last 40 years	Last 50 years
High-dividend-paying stocks portfolio	10.00	8.70	10.61	12.00	12.67
Non-dividend-paying stocks portfolio	12.68	11.16	10.40	9.99	11.81
S&P 500®	12.03	9.69	10.15	11.32	11.18

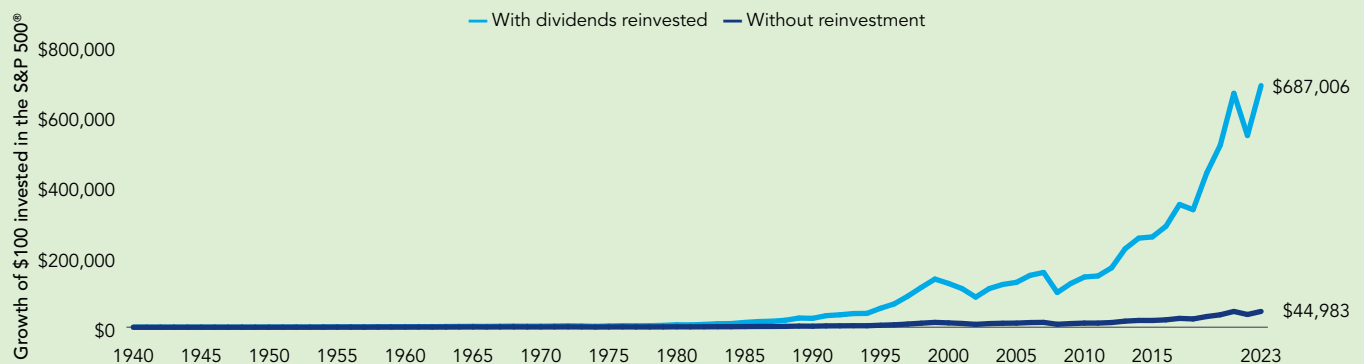
As of 12/31/23. Sources: Eugene F. Fama & Kenneth R. French, Morningstar, Inc. High-dividend-paying stocks portfolio represented by Fama French Top 30% Dividend Payers. Non-dividend-paying stocks portfolio represented by Fama French Non-Dividend Payers. Investments cannot be made in the Fama French portfolios. **Past performance is not indicative of future results.**

Pursuing investment growth with dividend-paying stocks

- Consider companies with both high dividend yields and dividend growth potential
- Not only has high dividend growth been linked to long-term share price appreciation,¹ but rising dividend payments have the potential to protect against inflation, which can eat into long-term returns
- Reinvest dividends over the long term to unlock the potential of compound income (stocks do not mature, so dividends can be reinvested in perpetuity)

The power of compound dividend income

Recall the saying, “Money makes money, and the money that money makes, makes money,” about the potential compounding effect of reinvesting interest or income over time. The broad stock market has provided a good example of the potential benefits of reinvesting over time. Below shows that a hypothetical \$100 investment in the S&P 500® grew without dividend reinvestment from 1940 to 2023, but grew much more with dividends reinvested. This is because reinvesting dividends bought more shares (and therefore, more dividends), unlocking the potential of compound income over time.



As of 12/31/23. Sources: Robert J. Schiller, Federated Hermes analysis. **Past performance is not indicative of future results.**

Investing over the long term has been the key to compounding income

Below shows the hypothetical results of purchasing one share of the S&P 500® in each of the listed years, and then reinvesting dividends until 12/31/23. Over longer periods, reinvested dividends purchased exponentially more shares.

Starting year	1940	1960	1980	2000
Number of additional shares purchased by reinvested dividends	14	5	2	1
Dividends paid in 2023	\$1,056	\$395	\$192	\$107
Account balance in 2023	\$72,696	\$27,173	\$13,225	\$7,367
Average annual percentage return with dividends reinvested	11%	10%	11%	7%

As of 12/31/23. Sources: Robert Schiller, Federated Hermes analysis. **Past performance is not indicative of future results.**

Help reduce portfolio risk

- High-dividend stocks fared better than non-payers in most stock market declines, as shown below. There are two main reasons why:
 - » High-dividend-payers are historically profitable companies that are typically mature, have steady cash flows, and can better weather difficult markets. They tend to operate in the more defensive, stable sectors of the economy, and often provide necessities that customers rely on, such as electricity and food. Regardless of the economic climate, these necessities can generate stable cash flows and profits, which has historically helped support defensive, dividend-payers' share prices in market downturns
 - » Dividends provide a cash payment that is a positive source of return that can help offset share price declines and reduce overall losses. While there is no guarantee, quality dividend-paying companies typically continue to pay dividends, whether stock prices are up or down

High-dividend-paying stocks have outperformed in most market declines

Periods of S&P 500® declines of -10% or steeper	3/1/73 - 9/30/74	3/1/77 - 3/31/78	6/1/81 - 6/30/82	12/1/87 - 12/31/87	6/1/90 - 10/31/90	7/1/98 - 8/31/98	9/1/00 - 9/30/02	11/1/07 - 2/28/09	10/1/18 - 12/31/18	1/1/20 - 3/31/20	1/1/22 - 9/30/22
Cumulative return (%) High-dividend-paying stocks portfolio	-27.32	3.26	-0.08	3.66	-12.94	-9.71	2.77	-55.39	-8.89	-27.87	-7.44
Non-dividend paying-stocks portfolio	-55.15	23.16	-38.19	9.99	-31.33	-23.20	-68.14	-51.43	-18.24	-15.09	-33.52

Based on monthly returns. Includes all S&P 500® Index declines of -10% or steeper from 1/1/73 to 12/31/23. Sources: Eugene F. Fama & Kenneth R. French, Morningstar, Inc., Federated Hermes analysis. High-dividend-paying stocks portfolio represented by Fama French Top 30% Dividend Payers. Non-dividend-paying stocks portfolio represented by Fama French Non-Dividend Payers. For illustrative purposes only and not representative of performance for any specific investment. The Fama French portfolios are unmanaged, cannot be invested in directly, and do not reflect fees or expenses associated with actual investments. **Past performance is no guarantee of future results.**

Using dividend-paying stocks to help lower portfolio risk

- A high-dividend strategy can help lower equity portfolio risk when included in an overall equity allocation

Investing in dividend-paying stocks

With the potential for high income, competitive total return, and lower downside risk, dividend investing offers an attractive value proposition. Before selecting dividend stocks or strategies, consider investment goals. Not all dividend strategies are alike. Some focus on the companies with the highest current dividend yields, others focus on companies with the highest dividend growth potential. Some strategies seek both attractive dividend yield and growth. Each of these strategies may seek a different investment outcome, and each can play a different role in a diversified portfolio.

At Federated Hermes, we believe both high dividend yield and dividend growth objectives are essential to achieve the full potential of dividend investing. We believe our active dividend management can help investors avoid value traps and companies where dividends may be at risk, as well as seek companies with the greatest potential to pay high and rising dividends.

¹ As of 12/31/23. Sources: FactSet Research Systems and Federated Hermes. Based on analysis showing the strength of the relationship of compound annual dividend growth rates and share price growth rates (R-squared) is 0.77 for companies with continuous data available from 12/31/62 to 12/31/23. To be included, a security must be a primary issue, must be a common stock, must be denominated in U.S. dollars, and must be domiciled in America. All share price and dividends included are split adjusted. The price and dividend of the security must be available during the beginning and end periods. Past performance is no guarantee of future results.

High dividend paying stocks are defined by the advisor as those with a higher dividend yield than the S&P 500®'s average dividend yield.

R-squared is the percentage of a security's price movements that can be explained by movements in another variable, such as dividend growth. An R-squared of 100% means that all movements of a security are completely explained by the variable.

S&P 500® is an unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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.

Dow Jones U.S. Select Dividend Index is an unmanaged index of 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 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 rules-governed, broad-market benchmark that represents approximately 95% of the U.S. market capitalization.

Fama-French portfolios are formed on D/P at the end of each June using NYSE breakpoints. The dividend yield used to form portfolios in June of year t is the total dividends paid from July of t-1 to June of t per dollar of equity in June of t. Includes all NYSE, AMEX, and NASDAQ stocks for which we have market equity for June of year t, and at least 7 monthly returns (to compute the dividend yield) from July of t-1 to June of t.

Risk considerations

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.

Performance is for a selected time period. Other time periods may have different results. This example does not show the tax consequences of each type of investment.

Stocks offer higher growth potential, but their prices are more volatile than those of bonds.

Diversification and asset allocation do not assure a profit nor protect against loss.

There can be no guarantee that any specific investment strategy will be successful or that investment objectives will be achieved.

Past performance is no guarantee of future results.