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## The best-performing large-cap fund manager of 2022 shares what he got right as high inflation and interest rates tanked the market this year — and where he's investing heading into 2023

By James Faris

**H**istorian-turned-mutual fund manager Daniel Peris is making some history of his own this year.

For the second time in eight years, the Federated Hermes Strategic Value Dividend Fund (SVAAX) that Peris runs is on pace to beat 99% of its peers, according to Morningstar. The \$10.7 billion fund is also the best performing large-cap fund in 2022, according to Kiplinger.

With such an extraordinary performance over the last few years, it should come as no surprise that Peris isn't your ordinary portfolio manager. Instead of pursuing finance in college, he opted for Russian studies and went on to earn a PhD in Russian history shortly after the Soviet Union collapsed. Facing dismal job prospects, Peris became a stock researcher before landing at Federated Hermes in the early 2000s, where he's managed money ever since.

Nearly as unconventional as Peris' background is his approach to running his dividend fund. Absolute and relative performance matter little compared to dividend growth and yields, Peris told Insider in a recent interview.

That long-term mindset likens him more to a business owner than a stock trader, he said.

"It looks like 2022 is going to add another data point to justifying that value proposition of being a business investor in the stock market — of having a certain targeted yield, targeted dividend growth rate, targeted



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internal rate of return, and an implied total return," Peris said.

Peris continued: "And while the US stock market's all over the place — much higher, much lower, whatever

— in 2022, it's been a very quiet year for us.”

## How an outside-the-box method led to strong gains in a down year

Back in July, Peris shared his investing process with Insider.

Many investors prefer sizzle to substance and try to improve their returns by timing the market or maximize income by chasing high yields, even though the risk is higher. Peris does neither, and instead acts like the manager of a privately held real estate business. Cash flow is the critical component for any company he considers, not its valuation or future growth prospects.

Unlike momentum investors who identify trendy sectors and ride them, Peris trims exposure to companies in hot sectors, since their dividend yields fall as their share prices rise.

In 2022, that meant reducing exposure to the red-hot energy sector as its dividend yields slid, and using profits to invest in other high-yielding and fairly valued

parts of the market, including **financials** and **real estate investment trusts** (REITs), Peris said.

## Where to invest in 2023

As 2023 approaches, Peris said he's targeting dividend stocks in other parts of the market, including **regional commercial banks, phone companies**, and industries within **consumer staples** like **food, beverage** and **tobacco, household products**, and **pharmaceuticals**.

Regional banks are beaten down now but have stronger capital positions that will allow them to increase their dividends, Peris said, adding that their loan books look nothing like they did in 2008.

Lastly, consumer staples stocks have been “whip-sawed” this year, Peris said, despite their defensive attributes as some firms struggled to pass on higher costs to consumers. However, the fund manager said that as inflation starts to settle down, stocks in the aforementioned food, beverage and tobacco, household products, and pharmaceuticals industries are his favorites.

For more complete information, visit [FederatedInvestors.com](https://www.federatedinvestors.com) or contact your investment professional for a summary prospectus or prospectus. You should consider the fund's investment objectives, risks, charges and expenses carefully before you invest. Information about these and other important subjects is in the fund's summary prospectus or prospectus, which you should read carefully before investing.

Kiiplinger named the Federated Hermes Strategic Value Dividend Fund A Shares the best performing large-cap fund in 2022 for the 1-year period based on total returns reported by Morningstar for the period ended 11/30/22. As of 12/31/22, Morningstar rankings for the Federated Hermes Strategic Value Dividend Fund were as follows.

Morningstar Large Value Category		1-year	3-year	5-year	10-year
R6 Shares	Morningstar Category % Rank	1	57	78	-
	Morningstar Category Rank	1 of 1,229 funds	653 of 1,155 funds	844 of 1,099 funds	-
IS Shares	Morningstar Category % Rank	1	57	79	84
	Morningstar Category Rank	2 of 1,229 funds	643 of 1,155 funds	851 of 1,099 funds	678 of 819 funds
A Shares	Morningstar Category % Rank	1	60	83	88
	Morningstar Category Rank	3 of 1,229 funds	707 of 1,155 funds	901 of 1,099 funds	722 of 819 funds

Morningstar rankings are based on total return and do not take sales charges into account. Rankings for other share classes will vary. ©2023 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not considered to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Average Annual Total Returns (%) as of 12/31/2022							
Federated Hermes Strategic Value Dividend Fund	1 Year	3 Year	5 Year	10 Year	Since Inception (3/30/05)	Expense Ratio <sup>†</sup>	
						Before Waivers	After Waivers
Class A (SVAAX) NAV	8.09	6.41	5.66	8.83	7.15	1.18	1.06
Class A (SVAAX) MOP	2.16	4.43	4.46	8.22	6.81	1.18	1.06
Class IS (SVAIX) NAV	8.48	6.69	5.92	9.12	7.42	0.94	0.81

As of 12/31/2022, the 30-day SEC yield was 3.78 for Class IS and 3.32 for Class A.

*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. Class A Shares MOP (maximum offering price) returns reflect the maximum sales charge of 5.5%. 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 [FederatedInvestors.com](https://www.federatedinvestors.com).*

<sup>†</sup> *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.*

The fund offers other share classes whose performance will vary due to differences in charges and expenses.

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.

Total returns for periods of less than one year are cumulative.

Total return may have been lower in the absence of temporary expense waivers or reimbursements and the 30-day SEC yield would have been 3.66% for Institutional Shares and 3.21% for A shares.

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

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.

Mutual funds are subject to risks and fluctuate in value.

There is no guarantee that any investment approach will be successful. Current and future portfolio holdings are subject to risk.

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Views are as of the interview date of Dec. 5, 2022 and are subject to change based on market conditions and other factors.



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