Federated Hermes

Hot in Here:
Inflation's impact on the markets

Presented to

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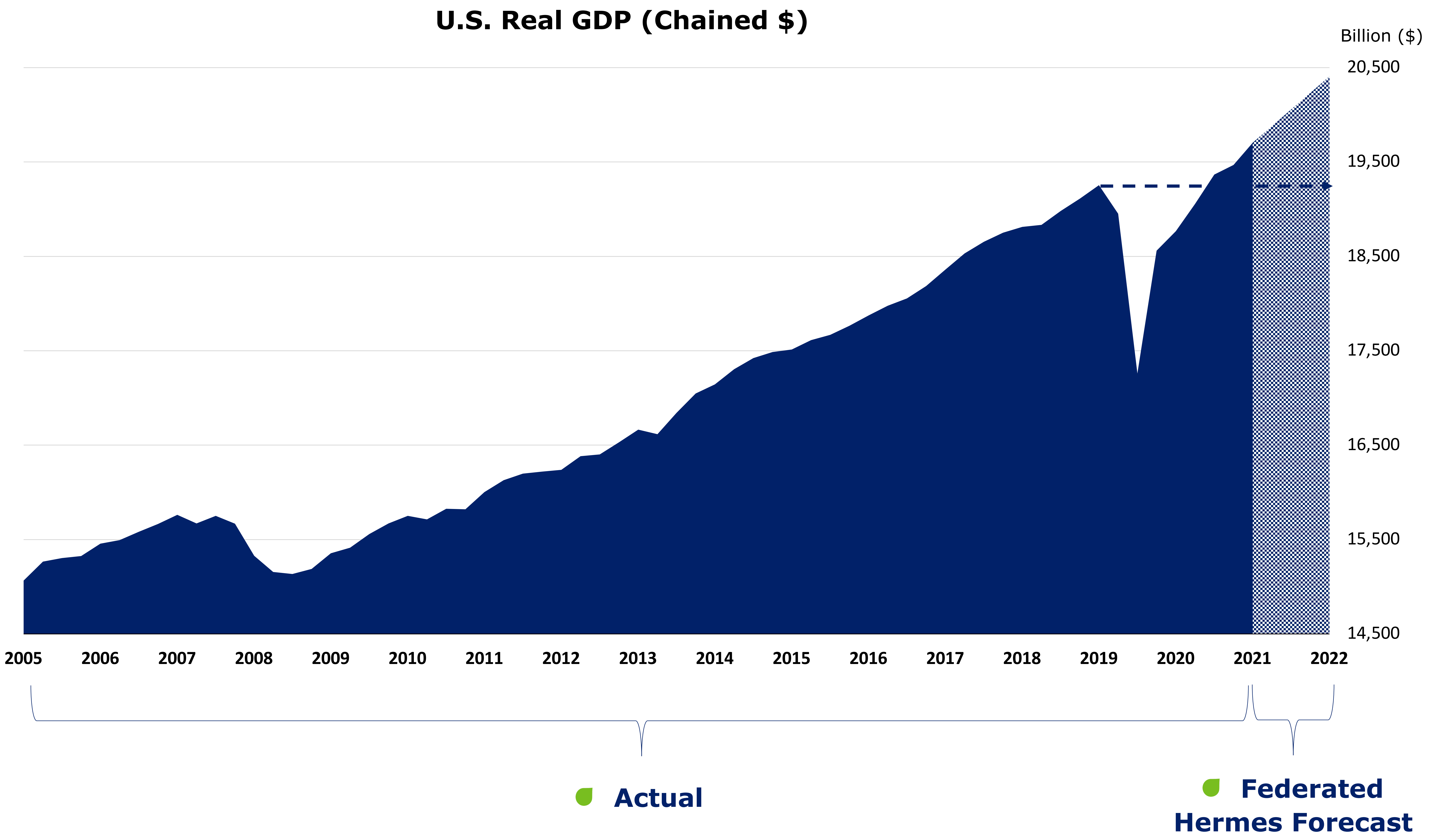
The recovery is complete

The V-shaped recovery has transitioned to a new economic expansion



Source: Bloomberg & Federated Hermes. As of December 3, 2021.

Incoming Data Suggest The Expansion Has Legs

The recovery continues with several indicators hitting new cycle-best levels

Federated Hermes Recession Dashboard

Indicators	Measure	1974	1980	1981	1991	2001	2008	2020	Average	Current	Earliest implied recession date (Based on average days from key level recession)
Labor market	Increase in claims	32k	90k	68k	80k	125k	50k	3k	64k	0k	10/2022
Inflation	Increase in core PCE	2.17%	2.38%	0.94%	1.90%	1.05%	1.40%	1.40%	1.61%	3.20%	12/2023
Housing	Decline in housing starts	-770k	-856k	-506k	-1,089k	-329k	-1,236k	-50k	-691k	-205k	04/2023
Yield curve	10-year Treasury yield – federal funds rate	-5.99%	-6.64%	-9.57%	-1.56%	-1.76%	-0.86%	-0.67%	-3.86%	1.41%	03/2023
Spreads	Bloomberg Corp High Yield –10-yr Treasury yield	-	-	-	9.30%	9.58%	5.80%	3.91%	7.15%	2.88%	12/2025
Manufacturing	ISM Index	57.8	44.8	46.7	45.1	42.1	50.1	47.8	47.8	61.1	07/2025
										Average:	**02/2024**

Sources: Bloomberg and Federated Hermes. Data as of 12/9/21.

Recent updates

12/9:
Initial jobless claims hit a new cycle low of 184,000, while the four-week moving average declined by just under 60,000. ↑

12/9:
The yield curve remained relatively stable, with a current slope of 1.41% vs. 1.45% last month. =

12/9:
High Yield spreads widened modestly from 2.71% last month to 2.88% currently. ↓

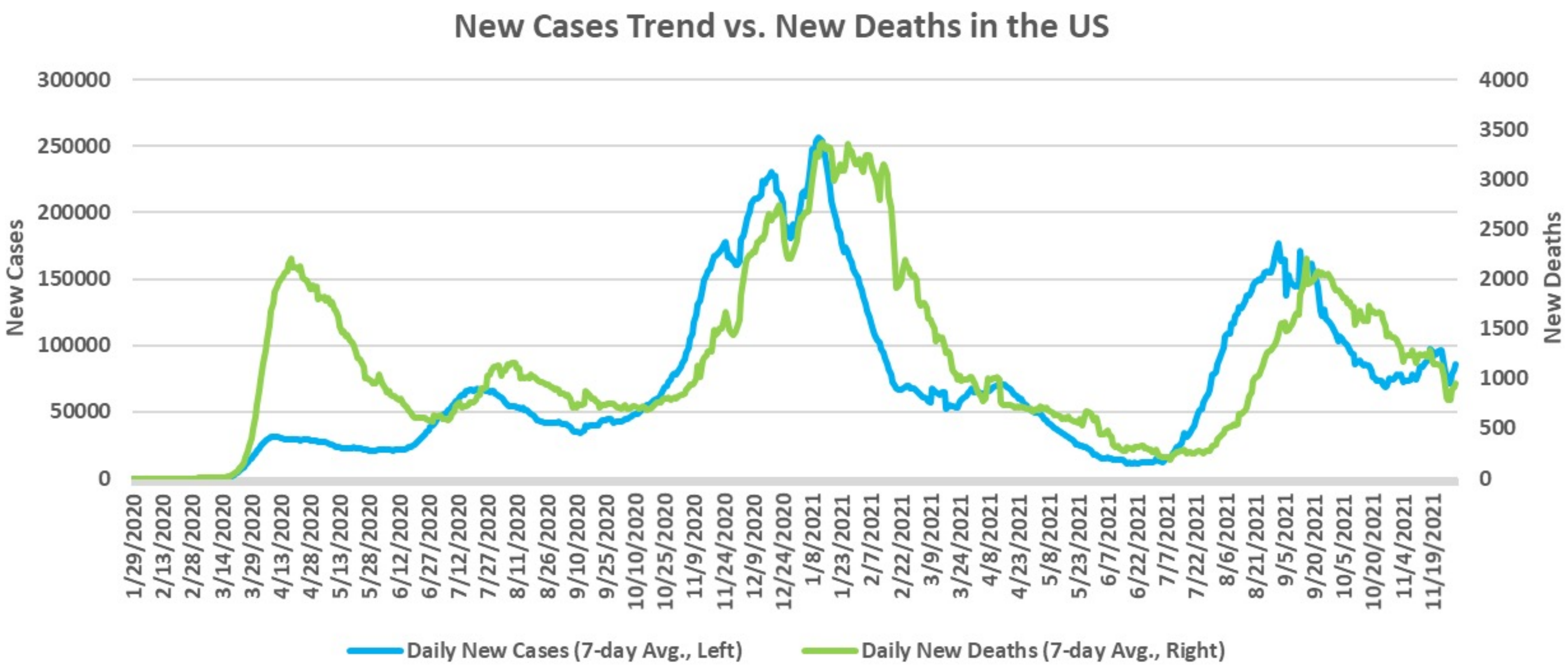
12/1:
ISM Manufacturing improved modestly from 60.8 last month to 61.1 this month. ↑

11/24:
Core PCE continued to move higher, coming in at 4.1% vs. 3.6% last month. The increase in Core PCE remains in recessionary territory. ↓

11/17
Housing Starts fell by 10,000, coming in at 1,520,000. ↓

Past performance is no guarantee of future results.

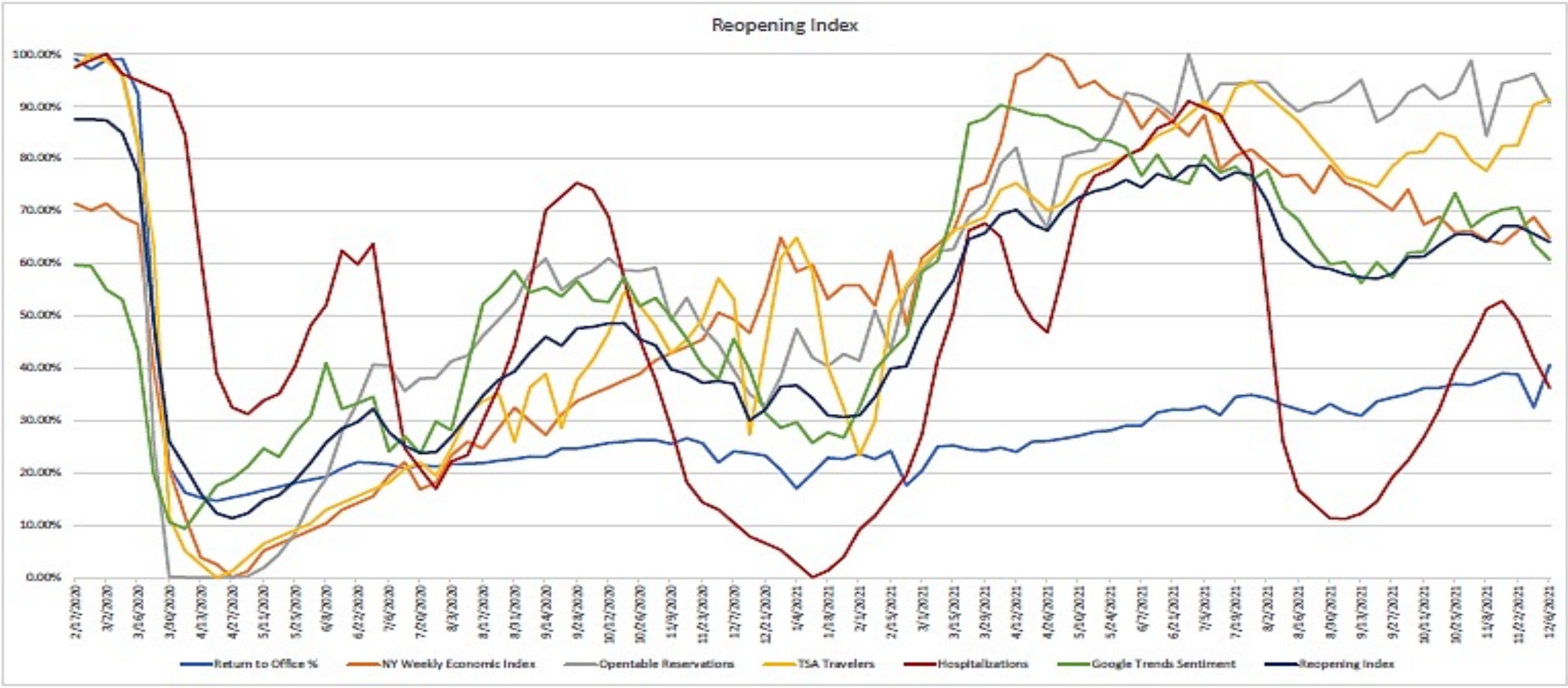
Will Omicron spark a "Fifth-Wave" surge of COVID-19?



Source: Federated Hermes and Johns Hopkins as of December 3, 2021.

Still, the Delta variant has slowed the pace of the expansion

Federated Hermes reopening index down from summer highs, but above 2020 levels



Reopening Diffusion Index

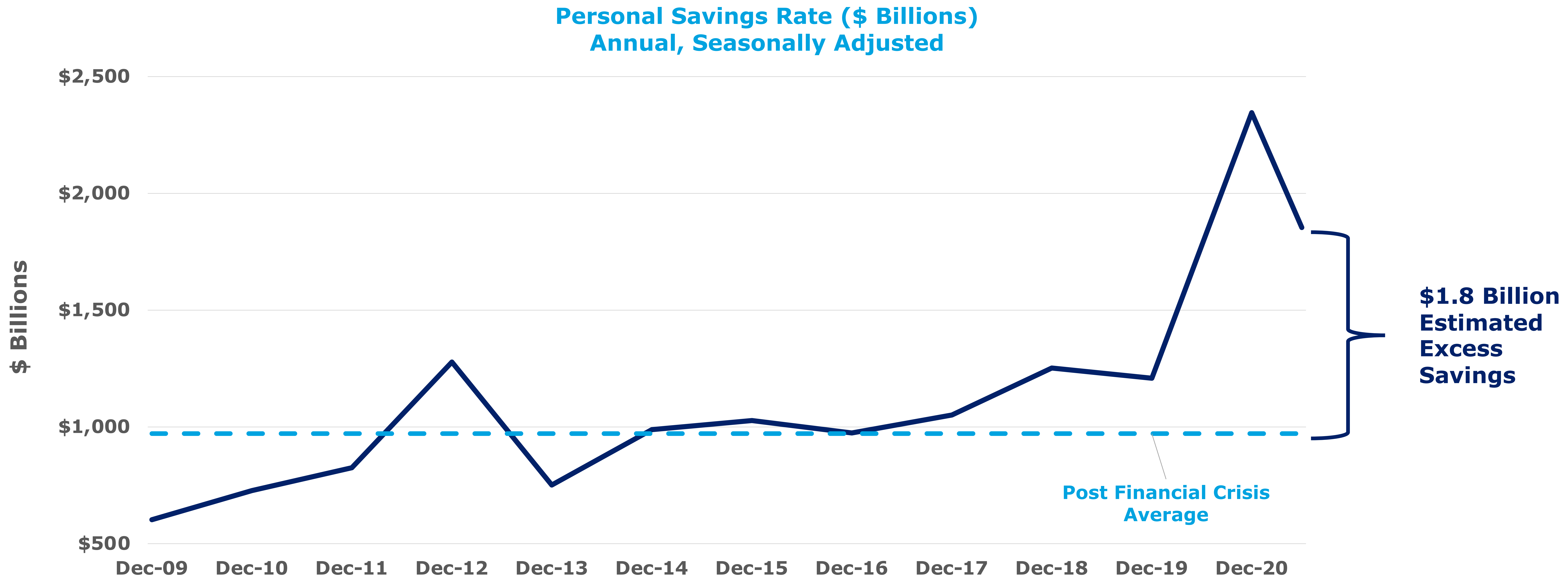
Takeaway: The reopening index continues to decline as Omicron fears and increasing cases numbers take their toll

	8/30/2021	9/6/2021	9/13/2021	9/20/2021	9/27/2021	10/4/2021	10/11/2021	10/18/2021	10/25/2021	11/1/2021	11/8/2021	11/15/2021	11/22/2021	11/29/2021	12/6/2021
% of workers returning to the office	33.1%	31.6%	30.9%	33.6%	34.4%	35.0%	36.1%	36.2%	36.9%	36.8%	37.8%	39.0%	38.8%	32.5%	40.6%
Opentable Reservations	90.8%	92.6%	95.0%	87.0%	88.7%	92.6%	94.0%	91.4%	92.8%	98.7%	84.4%	94.4%	95.1%	96.3%	90.7%
Fed Reserve Bank of NY Weekly Econ Index	78.7%	75.3%	74.3%	72.2%	70.2%	74.1%	67.4%	68.9%	65.9%	66.2%	64.4%	63.7%	66.3%	68.8%	64.8%
TSA Travelers	80.0%	76.5%	75.6%	74.6%	78.5%	81.1%	81.3%	85.0%	84.0%	79.7%	77.7%	82.4%	82.6%	90.3%	91.4%
COVID Hospitalizations	11.3%	11.2%	12.2%	14.5%	19.1%	22.4%	26.8%	32.2%	39.8%	45.0%	51.2%	52.8%	49.0%	42.0%	36.2%
Google Trends	59.8%	60.2%	56.3%	60.2%	57.3%	62.0%	62.2%	67.4%	73.5%	66.9%	69.1%	70.3%	70.7%	63.7%	60.7%
Reopening Index	59.0%	57.9%	57.4%	57.0%	58.0%	61.2%	61.3%	63.5%	65.5%	65.5%	64.1%	67.1%	67.1%	65.6%	64.1%

Source: Federated Hermes, Bloomberg, 12/15/2021

Consumers are sitting on a huge pile of savings

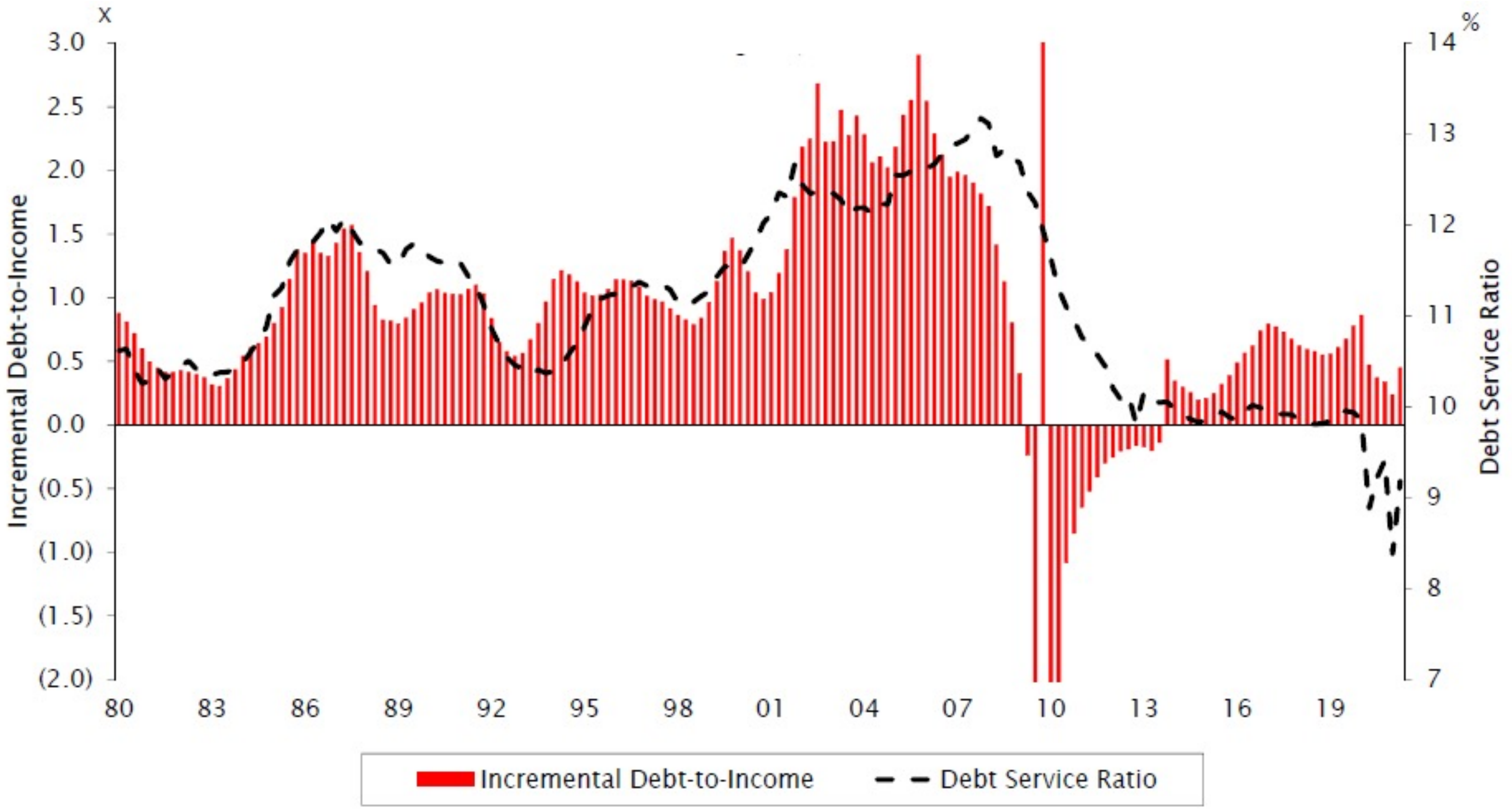
Excess savings over the past two years is nearly $2 trillion



Source: Federated Hermes & Bloomberg, as of September 29, 2021.

Household balance sheets have been de-levered, providing additional borrowing power

Household Balance Sheets
Incremental Debt-to-Income
and the Debt Service Ratio
1980 Through Q2 2021

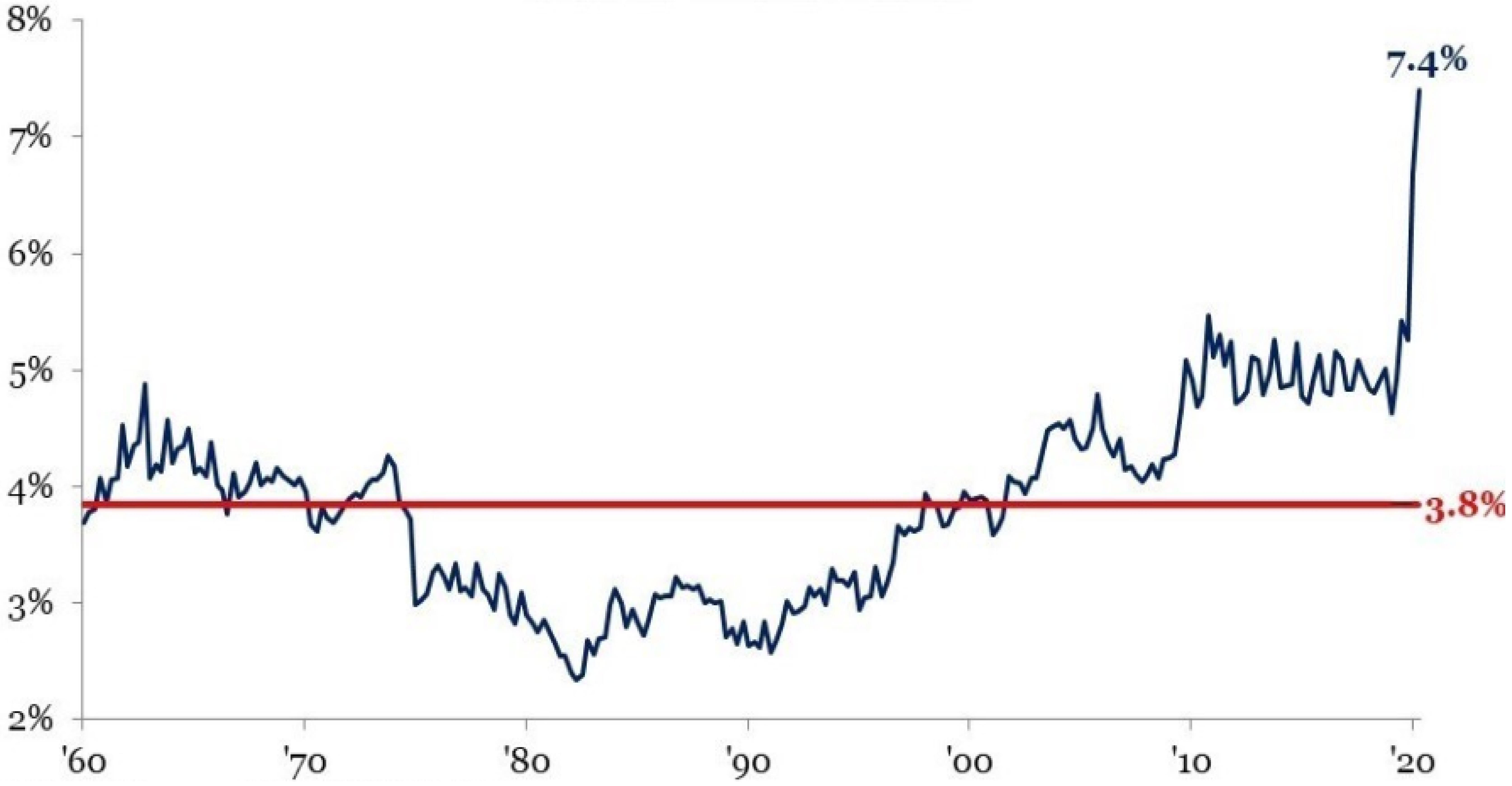


Source: Empirical Research Partners. November 22, 2021

And corporate cash balances are high

Corporations are sitting on nearly 2x normal cash levels

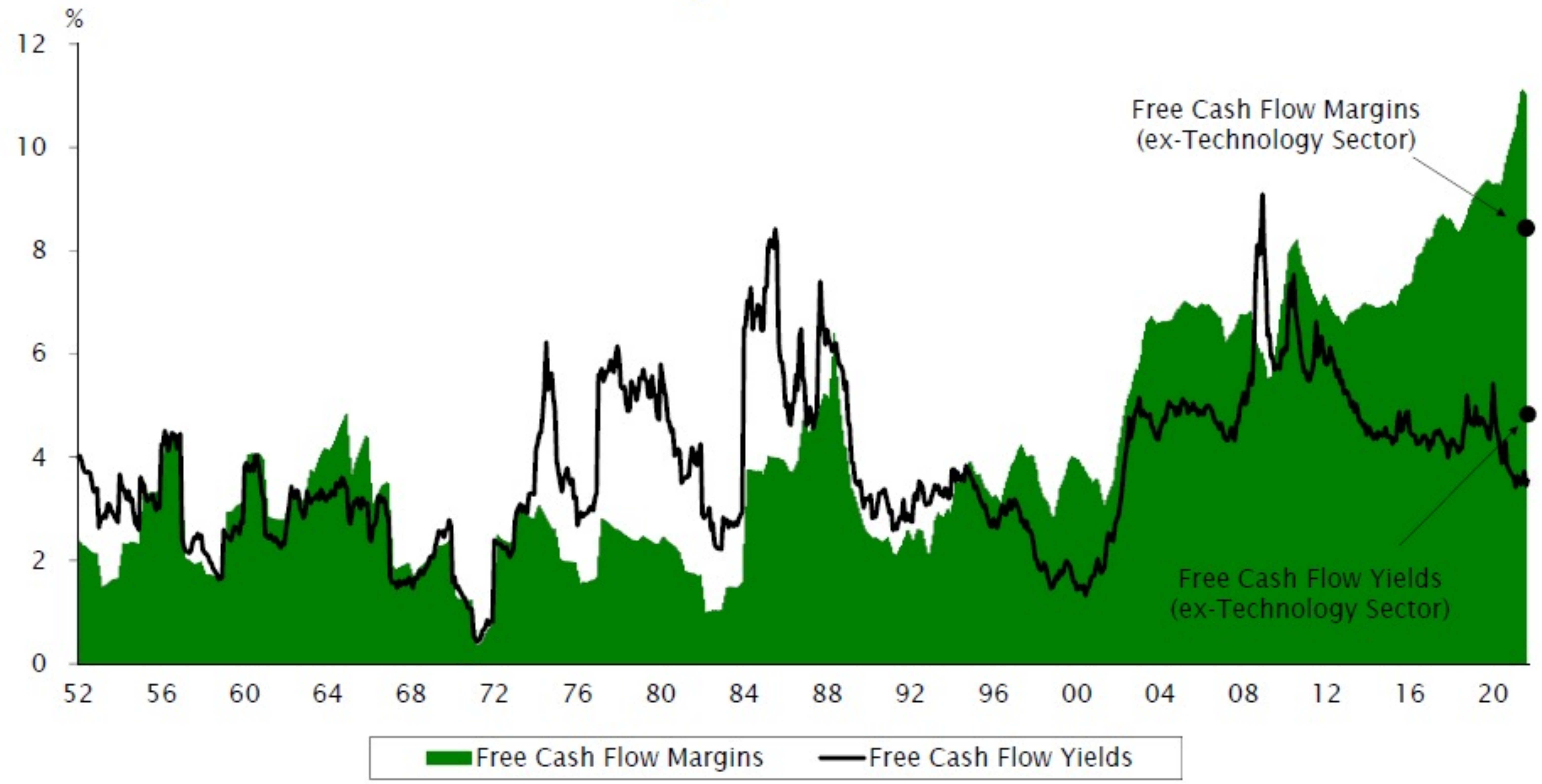
U.S. Non-financial Corporation Cash as a Percent of Assets – 1960 through December 16, 2020



Source: Federal Reserve, Strategas Research as of December 16, 2020

US corporations are superbly profitable

Large-Capitalization Stocks
Free Cash Flow Margins and Yields*
1952 Through Mid-November 2021



Source: Empirical Research Partners. November 22, 2021
*1Free cash flow margins are based on aggregated trailing four-quarter data, smoothed on a trailing three-month basis, and the yields are cap-weighted.

Inflation snapshot:

Tug of war between “Transitory” vs. “Sustainable” inflation

Agricultural

After rising 79% over 13 months, corn has declined by 20% over the last 5 months.

After rising 52% over 14 months, wheat has declined by 5% over the last two months.

After rising by 79% over 14 months, soybeans have declined by 16% over the last 4 months.

Note: Supplemental Nutrition Assistance Program (SNAP) benefits increased by 30% y/y in October 2021.

Materials

Copper up 134% over the last 19 months.

After rising by 280% over 14 months, steel has declined by 16% over the last 5 months.

After rising by 575% over 14 months, lumber has declined by 57% over the last 6 months.

Note: Housing prices have risen by a record 20% y/y through July 2021, creating the worst affordability index since 2008.

Energy

Natural gas up 353% over the last 17 months. But has declined by 27% over the last 2 months.

Crude oil (WTI) up 154% over the past 12 months. But has declined by 26% over the last month.

Gasoline up 62% over the past 12 months.

Note: Policy changes in Washington have impacted the global supply and demand balance in energy.

Wages

Average hourly earnings have risen by 5.6% on a month/month annualized basis for the last 8 months through November 2021.

Note: Historically, whenever wage growth has exceeded 4%, the economy has rolled over into a recession.

Source: Bloomberg. Data as of December 3, 2021.

Inflation: Higher for Longer

Inflation remains persistently elevated despite some signs of moderation

Federated Hermes Inflation Dashboard

Inflation measure	Start date for analysis	Most recent data point	Since 2000: 25th percentile	Since 2000: 50th percentile	Since 2000: 75th percentile	Entire history: 25th percentile	Entire history: 50th percentile	Entire history: 75th percentile	Current: Implied Fed target	Current: Current (YOY%)	Current: Proj. 2021 Y/E at 3 mo. avg rate	Federated Hermes 2021 forecast
Personal Consumption Expenditures • Based on surveys of what businesses are selling • Measures consumer spending for a period of time												
Headline PCE: Includes food and energy sectors, which can more accurately represent real expenses	1/1959	10/2021	1.39%	1.90%	2.53%	1.62%	2.48%	4.13%	2.18%	5.05%	5.59%	-
Core PCE: Does not include food and energy sectors, which can be very volatile	1/1959	10/2021	1.51%	1.72%	2.04%	1.62%	2.21%	4.24%	2.00%	4.12%	4.48%	4.30%
Trimmed PCE: Removes a certain fraction of the most extreme observations, then takes a weighted average of the remaining observations	2/1977	10/2021	1.73%	1.97%	2.27%	1.86%	2.33%	3.59%	2.25%	2.56%	2.98%	-
Consumer Price Index • Based on a survey of what households are buying • Measures the average change in prices over time												
Headline CPI: Includes food and energy sectors, which can more accurately represent real expenses	1/1959	11/2021	1.49%	2.11%	3.04%	1.74%	2.95%	4.61%	2.39%	6.81%	7.28%	-
Core CPI: Does not include food and energy sectors, which can be very volatile	1/1959	11/2021	1.71%	2.08%	2.31%	1.95%	2.71%	4.63%	2.36%	4.93%	5.43%	4.80%
CPI Services: Includes intangible items	1/1959	11/2021	2.44%	2.84%	3.16%	2.71%	3.48%	5.46%	3.12%	3.41%	3.75%	-
CPI Goods: Includes tangible items	1/1959	11/2021	-0.52%	0.00%	0.63%	0.26%	1.53%	3.91%	0.28%	9.38%	10.37%	-
Sticky CPI: Includes items on which prices change relatively slowly	1/1967	11/2021	2.12%	2.40%	2.73%	2.47%	3.20%	5.04%	2.68%	3.43%	3.74%	-
Flexible CPI: Includes items on which prices change relatively frequently	1/1967	11/2021	0.01%	2.24%	5.15%	1.43%	3.25%	5.66%	2.52%	17.86%	18.86%	-
Avg. Hourly Earnings (all employees): Gross figures that reflect changes in basic hourly and incentive wage rates	3/2006	11/2021	2.05%	2.55%	3.23%	2.05%	2.55%	3.23%	2.83%	4.80%	4.15%	-
5-year Breakeven Inflation Rate: A gauge of expected inflation within the U.S. over the next five years	1/2002	11/2021	1.53%	1.87%	2.24%	1.53%	1.87%	2.24%	2.15%	2.81%	-	-

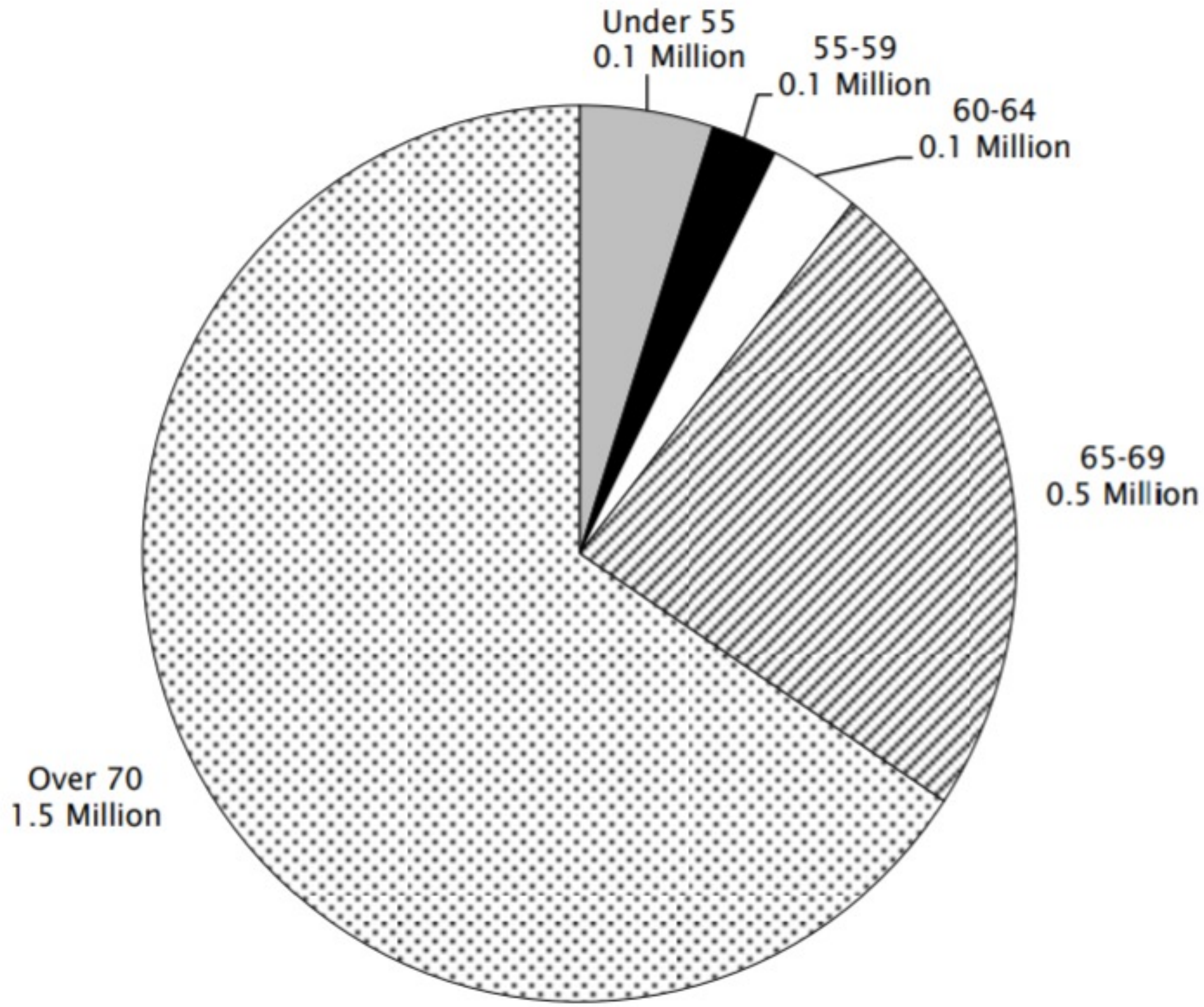
As of 1/1/00: **Green:** Below 50th percentile **Yellow:** Between 50-75th percentile **Red:** Above 75th percentile

Bottom line: Not only did every indicator increase from the prior month, but all of them remain above their 75th percentile threshold dating back to 2000. The recently released Headline CPI number came in at 6.8% year-over-year growth, the highest level since 1982, which is also well above the 75th percentile threshold over its entire history, dating back to 1959. In fact, Headline and Core PCE and CPI all sit in the top 25% of readings over their entire history. Simply put, current levels of inflation are increasingly reminiscent of the experience of the 1970s and 1980s.

Past performance is no guarantee of future results..

Early Retirement

Excess Retirees* Distributions by Age
As of Q2 2021

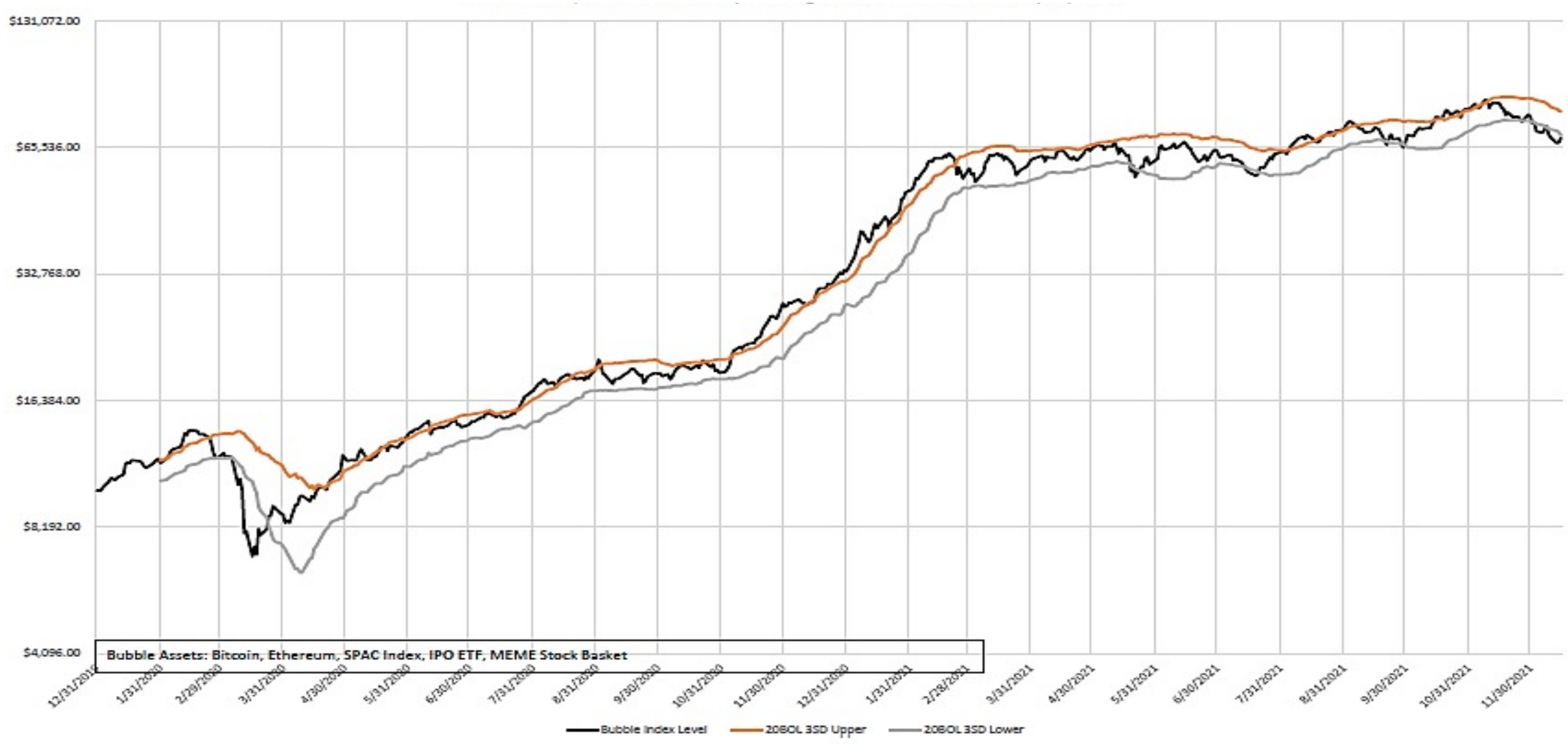


Source: Federal Reserve Bank of Atlanta, Bureau of Labor Statistics, Empirical Research Partners Analysis. November 9, 2021
*Number of retirees above the 2019 trend line.

Federated Hermes Asset Bubble Index

“Bubble Assets” have been range-bond since January after a huge run in 2020

Value of $10,000 Invested in Equal Weighted Bubble Assets on 12/31/19



	Historical Prices							Returns						Flags	
Index Name	Current Price	-1W	-1M	-3M	-6M	YTD	-1Y	-1W	-1M	-3M	-6M	YTD	-1Y	1M	3M
Bitcoin	49,192.6	50,635.1	63,899.9	47,941.6	39,831.6	28,996.3	19,424.2	-2.8%	-23.0%	2.6%	23.5%	69.7%	153.3%	FLAG	
Ethereum	4,063.8	4,418.8	4,571.0	3,555.4	2,541.7	739.0	588.8	-8.0%	-11.1%	14.3%	59.9%	449.9%	590.2%	FLAG	
IPOX SPAC Index	624.8	657.0	703.4	687.4	730.8	742.7		-4.9%	-11.2%	-9.1%	-14.5%	-15.9%		FLAG	FLAG
Renaissance IPO ETF	57.1	60.7	67.9	68.2	64.1	64.5	65.3	-6.0%	-16.0%	-16.4%	-11.0%	-11.5%	-12.6%	FLAG	FLAG
MEME 'Stonks' Basket (12/31/2019 = 100)*	581.5	646.0	784.9	746.2	947.0	219.2	201.0	-10.0%	-25.9%	-22.1%	-38.6%	165.3%	189.3%	FLAG	FLAG
ML Most Shorted Most Levered Basket	192.3	203.1	223.7	203.1	230.7	154.1	151.6	-5.3%	-14.0%	-5.3%	-16.7%	24.8%	26.8%	FLAG	FLAG
MVIS DeFi 20 Index	873.4	1,034.0	1,179.8	992.9	631.4	196.6	191.7	-15.5%	-26.0%	-12.0%	38.3%	344.3%	355.6%	FLAG	FLAG

*Meme 'Stonks' Basket is an equal weight basket consisting of: AMC, BB, CLNE, CLOV, GME, NOK, SNDL, TLRY, TSLA, WKHS

Green indicates >0%, Red indicates <0%.
Source: Federated Hermes, Bloomberg, as of December 15, 2021.

Federated Hermes

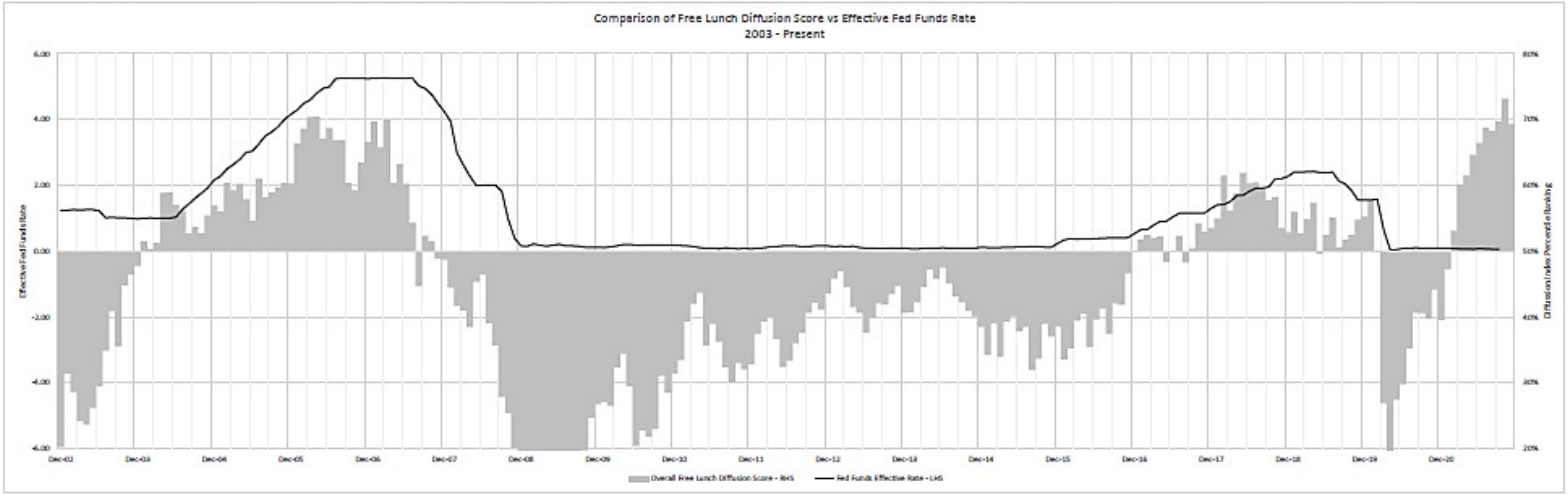
Federal Reserve Diffusion Monitor

Key indicators suggest The Fed will need to move to a much less accommodative stance

Federated Hermes Fed Diffusion Monitor

Percentile since 2000: Ranking to Color Code						
50.0	58.3	66.7	75.0	80.0	85.0	90.0
The FED should be:						
Accomodative			------------>			Tightening

Indicator Name	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
Employment Diffusion Index	70%	80%	78%	27%	0%	26%	29%	33%	40%	43%	45%	42%	22%	42%	47%	54%	53%	58%	62%	67%	67%	67%	69%	64%
Inflation Diffusion Index	65%	67%	63%	51%	42%	47%	50%	54%	55%	59%	56%	60%	59%	61%	64%	69%	73%	77%	82%	84%	83%	87%	88%	87%
Financial Conditions Diffusion Index	31%	26%	9%	3%	4%	9%	10%	18%	27%	20%	18%	30%	38%	39%	48%	57%	58%	59%	55%	56%	54%	55%	62%	56%
Overall Diffusion Score	55%	58%	50%	27%	16%	27%	30%	35%	41%	41%	40%	44%	40%	47%	53%	60%	61%	65%	66%	69%	68%	70%	73%	69%

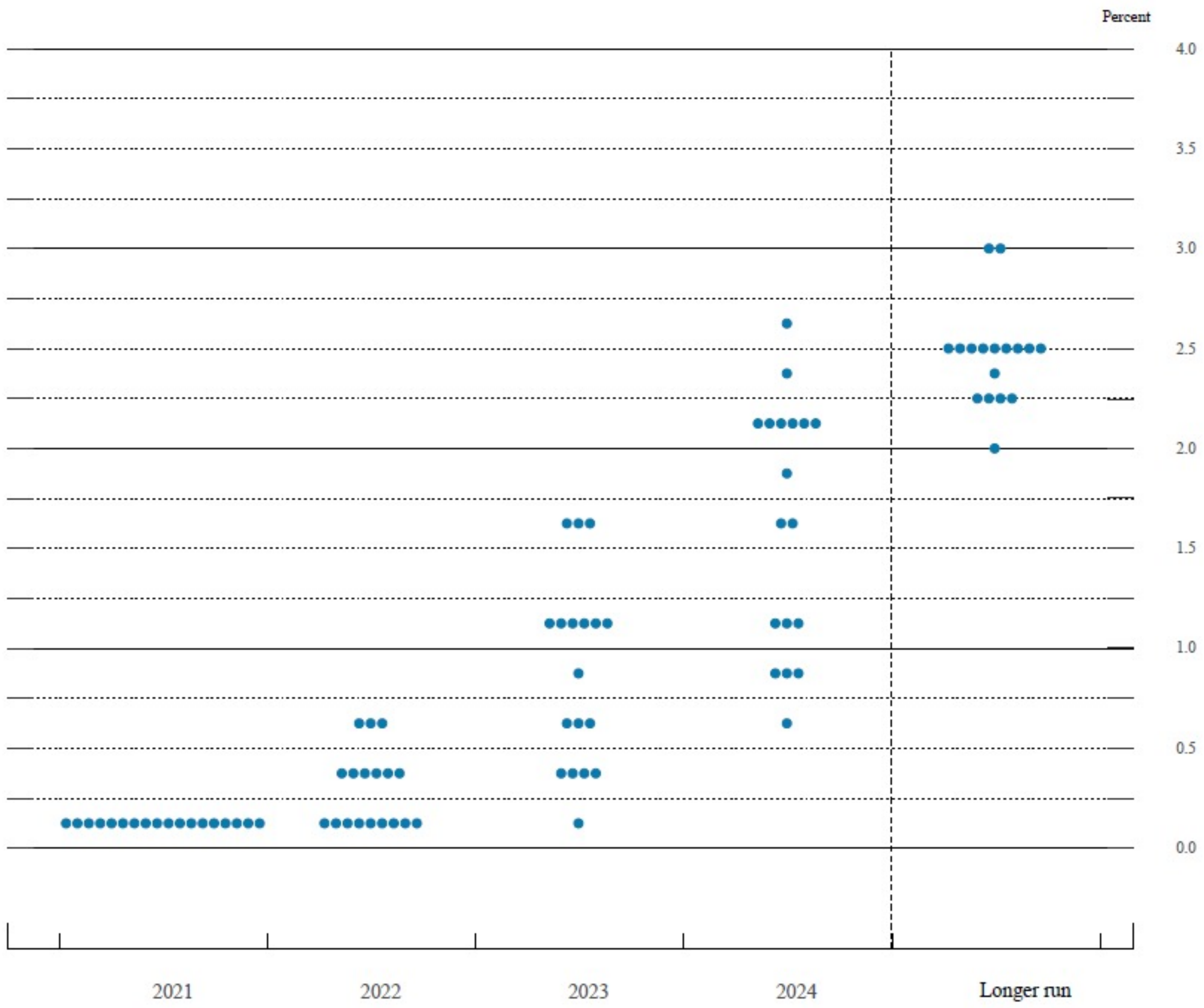


Note: Our Federal Reserve Diffusion Monitor compares a series of employment, inflation, and financial conditions indicators against their average levels since 2000. Historically, when the diffusion score is above 50 (i.e. these indicators are collectively sitting above their average level since 2000), the Fed has followed with interest rate hikes. When the diffusion score falls below 50, the Fed has tended to loosen economic policy, either by cutting rates or keeping them at or near 0%.
Source: Federated Hermes, Bloomberg, as of December 15, 2021.

Federated Hermes

FOMC Dots in September 2021 offered new insight into average inflation targeting

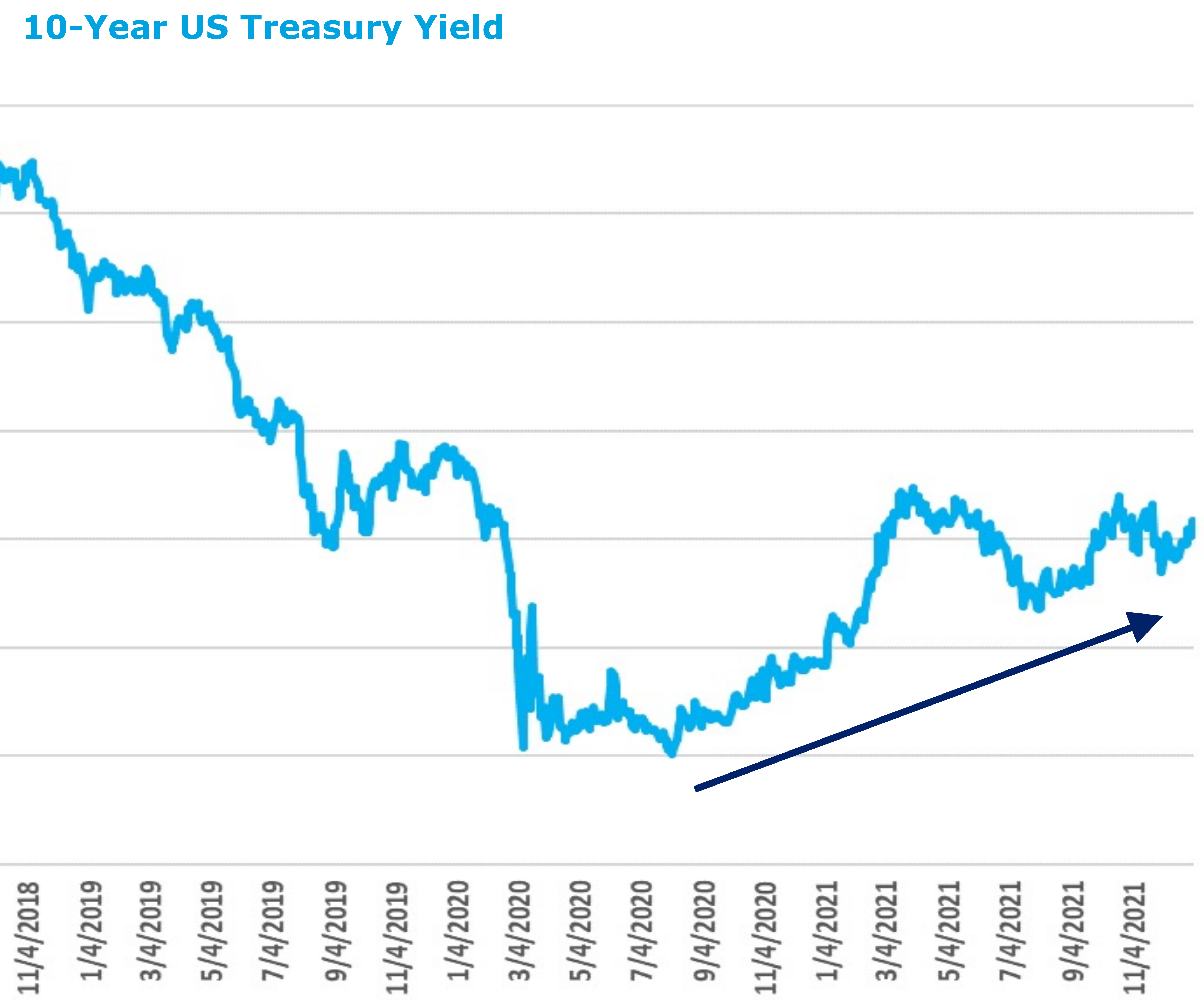
Variable in percent	*FOMC Statement of Economic Projections – Median Projection*			
	2021	**2022**	**2023**	**Longer run**
Change in real GDP	5.9	3.8	2.5	1.8
June projection	7.0	3.3	2.4	1.8
March projection	6.5	3.3	2.2	1.8
Unemployment rate	4.8	3.8	3.5	4.0
June projection	4.5	3.8	3.5	4.0
March projection	4.5	3.9	3.5	4.0
PCE inflation	4.2	2.2	2.2	2.0
June projection	3.4	2.1	2.2	2.0
March projection	2.4	2.0	2.2	2.0
Core PCE inflation	3.7	2.3	2.2	
June projection	3.0	2.1	2.1	
March projection	2.2	2.0	2.1	
Projected appropriate policy path				
Federal funds rate	0.1	0.3	1.0	2.5
June projection	0.1	0.1	0.6	2.5
March projection	0.1	0.1	0.1	2.5



- The September FOMC "dot plot" offered a glimpse into FOMC thinking, with 9 FOMC participants projecting liftoff from zero in 2022 and 9 projecting liftoff by 2023, with a median projection of four tightenings by year-end 2023.
- This sooner-than-expected liftoff occurs amid inflation projections that only sharply exceed 2.0% for one year (2021) and revert to about 2.2-2.3%, sending a surprisingly hawkish message to the market.

Rates are moving higher

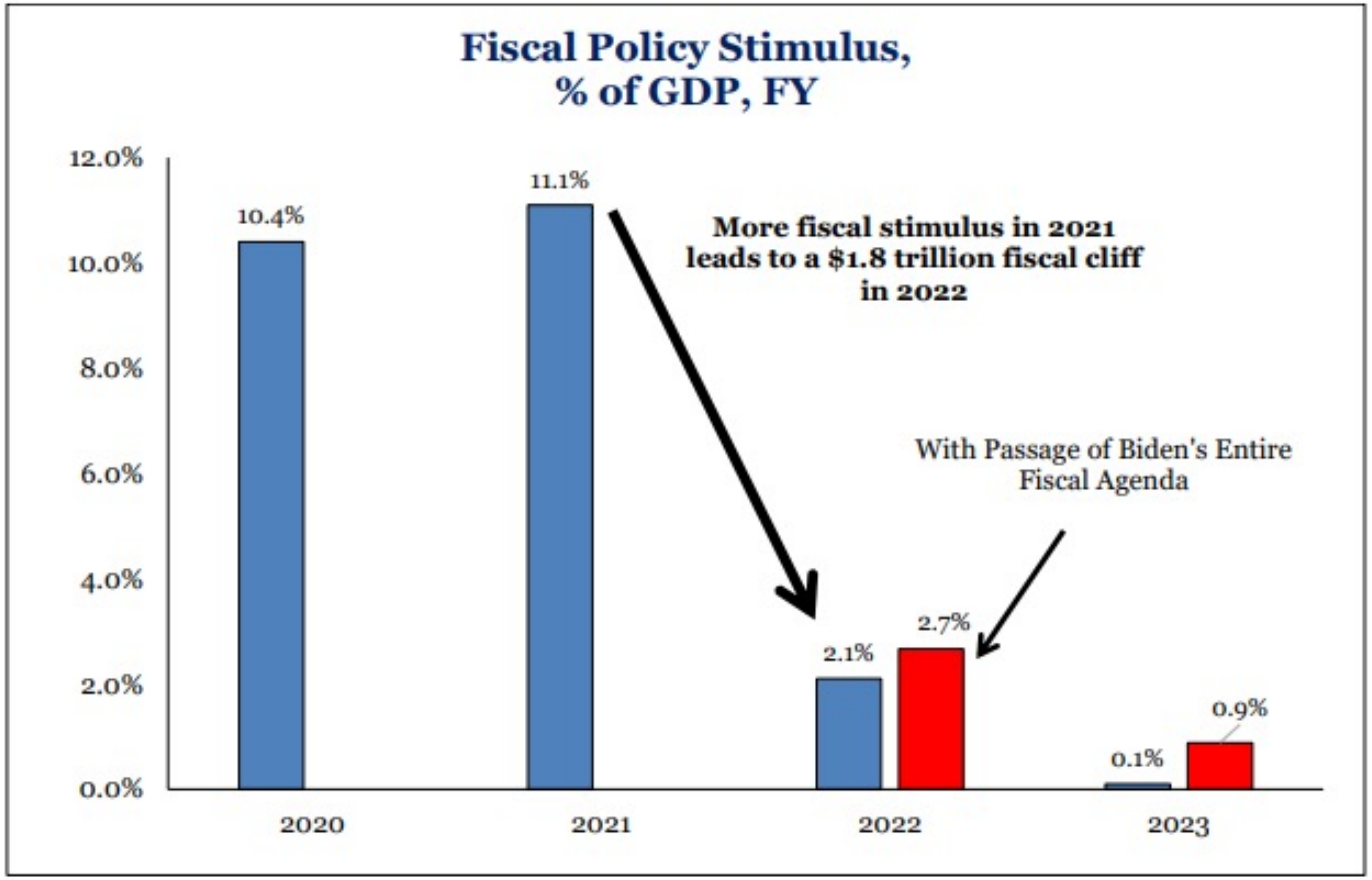
As The Fed moves closer to tapering, Yields on the long-end of the curve are responding



Source: Bloomberg. Data as of January 3, 2022.

Either way, a fiscal cliff is forthcoming

Even with ambitious spending proposals, we will see a fiscal cliff in 2022



Source: Strategas Research Partners, as of September 29, 2021.

S&P 500 continues to appreciate along with forward earnings expectations

S&P 500 Earnings Forecast

Source: Federated Hermes and Bloomberg as of January 3, 2022.
Past performance is no guarantee of future results.

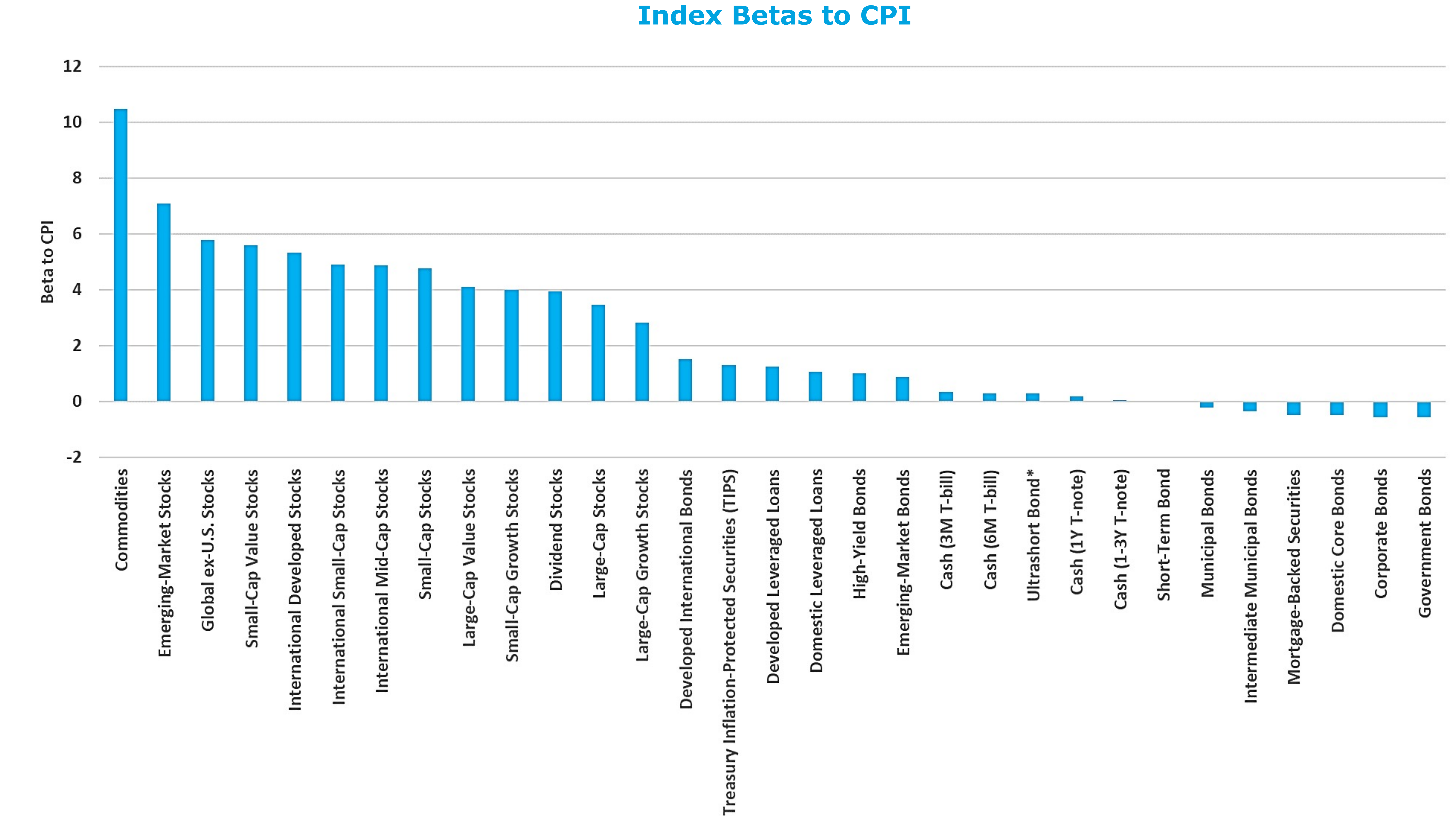
Federated Hermes Forecast

Views are as of December 2, 2021

	2016A	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Real GDP	1.70%	2.30%	3.00%	2.20%	(3.50)%	**5.50%**	**3.90%**	**2.50%**
Core CPI	2.20%	1.80%	2.20%	2.30%	1.60%	**4.80%**	**3.90%**	**2.50%**
Core PCE	1.80%	1.60%	2.00%	1.60%	1.50%	**4.30%**	**3.40%**	**2.00%**
Benchmark 10yr Treasury Yield	2.50%	2.40%	2.68%	1.92%	0.92%	**1.75%**	**2.50%**	**3.00%**
Fed Funds Rate	0.75%	1.50%	2.50%	1.75%	0.25%	**0.25%**	**1.00%**	**2.00%**
S&P 500 EPS	$119	$133	$163	$167	$137	**$210**	**$230**	**$250**
Target Forward P/E	16.8x	16.4x	15.0x	23.6x	19.3x	**20.9x**	**21.2x**	**N/A**
S&P 500 Target Price	2,239	2,674	2,507	3,231	3,756	**4,800**	**5,300**	**N/A**

PCE = Personal Consumption Expenditures. 2016, 2017, 2018, 2019 and 2020 are actual.
Views are as of the date indicated and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.
Source: Federated Hermes and the Commerce Department.

In periods of heightened inflation, which investments performed better than others?



Source: Federated Hermes, Inc. Betas calculated from data since 2001. For illustrative purposes only and not representative of any specific investment. Past performance is no guarantee of future results. Inflation beta is a measure of the responsiveness of an asset class's (represented here by the indicated indexes) returns to changes in inflation. Instead of calculating the risk of a stock to the overall market, this beta calculation reflects the risk of the asset class to CPI. For example, beta of 1.1 would indicate that if there were a 1% change in the CPI, the index would change 1.1% (or 10% better in times of inflation and 10% worse in times of deflation). Higher betas indicate higher risk to CPI, and potentially a better hedge in times of inflation. The beta is calculated using the year-over-year changes of both the seasonally adjusted CPI and each representative asset class index. The underlying data utilized for this analysis ranges from 1/31/01 to 11/30/21 (YOY returns from 1/31/02 to 11/30/21).
* The underlying data for this index is of a different length since it is newer. The data ranges from 7/31/04 to 11/30/21 (YOY returns from 7/31/05 to 11/30/21).

Federated Hermes Investment Focus

Views are as of December 1, 2021

Recommended % Allocation

- Equity – 5% Overweight
- Bonds – 5% Underweight
- Cash – 1% Overweight
- Fixed Income Duration – 95.0%

Recommended Sector Allocation

Overweight

- Discretionary
- Energy
- Health Care
- Industrials
- Financials
- Materials

Neutral

- Comm. Services
- REITs
- Technology

Underweight

- Staples
- Utilities

Asset Allocation Matrix

Equities

Overweight

- U.S. Small Cap Value
- U.S. Large Cap Value
- International Small-Mid Cap
- International Developed

Neutral

- Emerging Markets

Underweight

- U.S. Large Cap Growth
- U.S. Small Cap Growth

Bonds

Overweight

- High Yield
- Emerging Markets
- International Developed

Neutral

- IG Corporates
- MBS
- Muni's
- TIPs

Underweight

- Treasuries
- Agencies
- CMBS

The information and data contained herein are provided solely for informational purposes. Accordingly, this communications does not represent specific investment advice and should not be construed as an investment recommendation.

Federated Taxable Fixed-Income Decision Tools

Current positioning as of December 2, 2021

	Current	Rationale
Duration management	**Underweight benchmark duration at 95%**	Elevated inflation, hawkish central banks, improving Covid-19 news and economic normalization should push rates higher by year end. The pace should be tempered by slowing global growth, and limits on fiscal expansion.
Sector allocation	Neutral mortgage-backed securities and investment-grade corporates	Valuations in both sectors are uninspiring.
	Overweight high yield and emerging markets	We remain at 125% and 113% of benchmark in high yield and emerging markets respectively. Carry and coupon are still in demand as credit markets and the economy continue to "normalize".
	Underweight U.S. Treasuries and agencies, and commercial mortgage-backed securities	**U.S. Treasuries and agency positions by default. Commercial mortgage-backed securities underweight given the shift to remote work caused by Covid-19.**
Yield curve analysis	**Reimplemented a curve flattener**	**On "Powell's Pivot" we reimplemented a small flattening trade. Looking to add to that position on resteepening.**
Currency management	Short the U.S. dollar on a tactical basis	The Fed's pivot, uncertainty with rates, and the spread of Covid-19 variants globally suggest a rise in uncertainty and continued "risk off."
Security selection	Continue to overweight select lower-quality credits. Investment-grade value in BBB and financials. High yield value in "selective" mid to higher spread issuers.	While spreads have dramatically tightened over the past 19 months, credit fundamentals have kept pace. High yield default rates are likely to be well below estimates, corporate earnings will be very strong, income returns are attractive and spreads may tighten from already narrow levels.

Bold text indicates change in positioning and/or rationale from previous month.

Federated Tax-Exempt Fixed-Income Decision Tools

Current positioning for National Portfolios* as of December 8, 2021

	Current	Comments/outlook
Duration management	Short duration	**High inflation has prompted a hawkish Fed pivot, leading to a faster taper and fueling expectations of hikes. Covid variants challenge, but should not derail, the economic expansion. Muni ratios remain rich relative to history. Expect higher muni market yields.**
Yield curve analysis	**Anticipate flattening of muni yield curve**	**Fed pivot towards address high inflation should flatten yield curves.**
Credit quality	Underweight on AAA & AA-rated securities	Valuation remains somewhat rich, but relative performance for high quality bonds may improve as yields rise; add exposure toward neutral.
	Overweight A-rated securities	Valuation is rich but expect incremental outperformance from income advantages and improving credit quality; maintain overweight.
	Neutral to overweight BBB-rated and below-investment grade bonds	Valuation is somewhat rich and rising market yields likely will weaken investor demand; reduce overweights towards neutral.
Credit sector allocation	Underweight state and local general obligation bonds (GO)	**State and local governments credit trends are favorable; high quality state GO bonds are fair to rich, high quality Local GOs are fairly valued; add exposure towards neutral.**
	Overweight revenue bonds, including: public power, toll road, airport, hospital, senior care and industrial revenue bonds	Economic expansion supports credit quality in many revenue bond sectors, though interest rate volatility and shifting investor flows may create some performance challenges.
		Within high grades (AAA/AA), favor higher education, toll road, airport and dedicated and incremental tax revenue bonds; within mid-quality, favor toll road, industrial revenue, hospital and dedicated and incremental tax revenue bonds; within BBB and lower quality, favor industrial revenue and dedicated and incremental tax revenue bonds. Remain cautious in low quality higher education.

*Overweight/neutral/underweight provides a general characterization of portfolio position relative to portfolio indices.
Positioning varies somewhat across portfolios; comments above exclude ultrashort and state specific portfolios where index composition is often highly concentrated.
Bold text indicates change in positioning and/or rationale from previous month.
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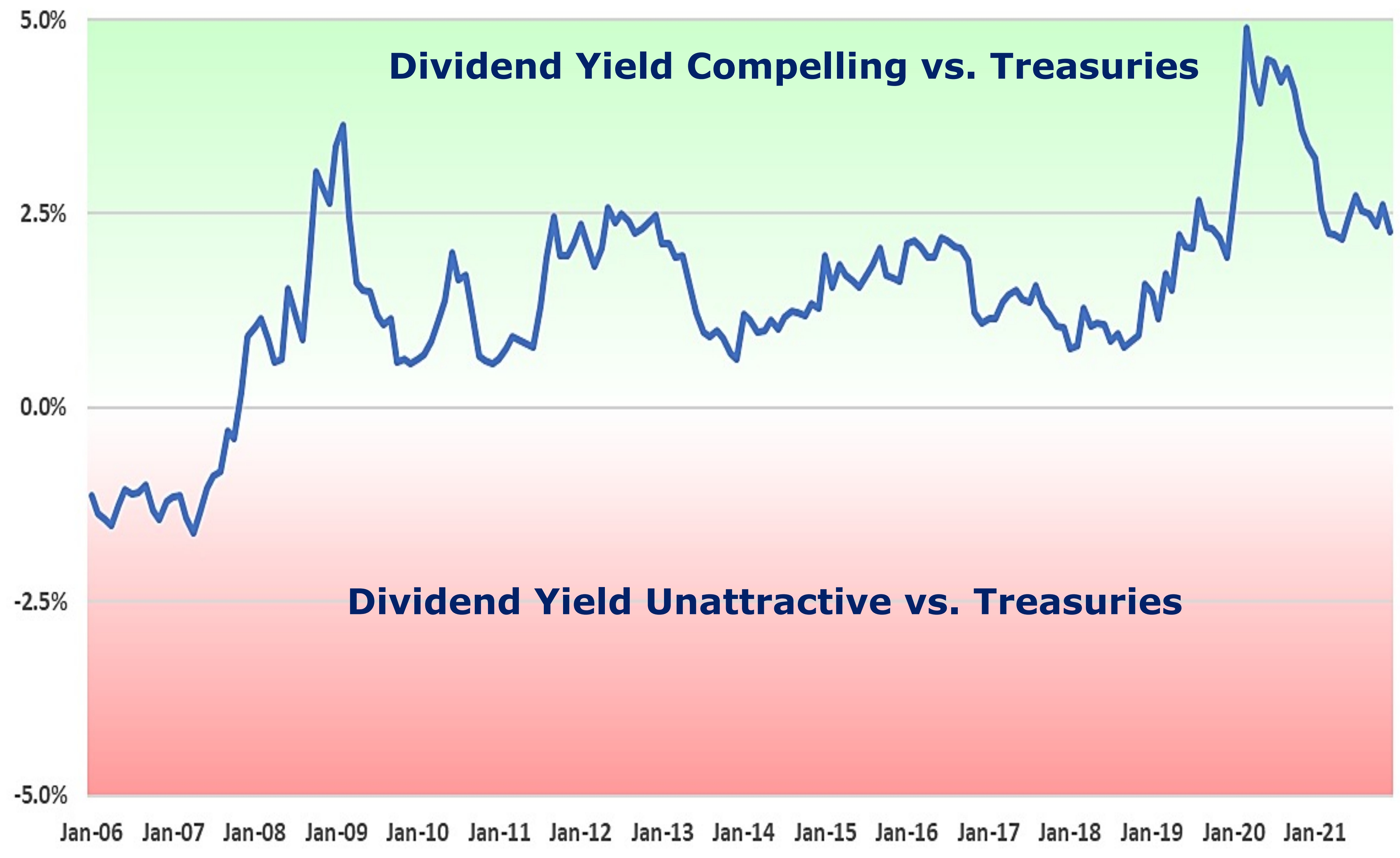
Federated Hermes

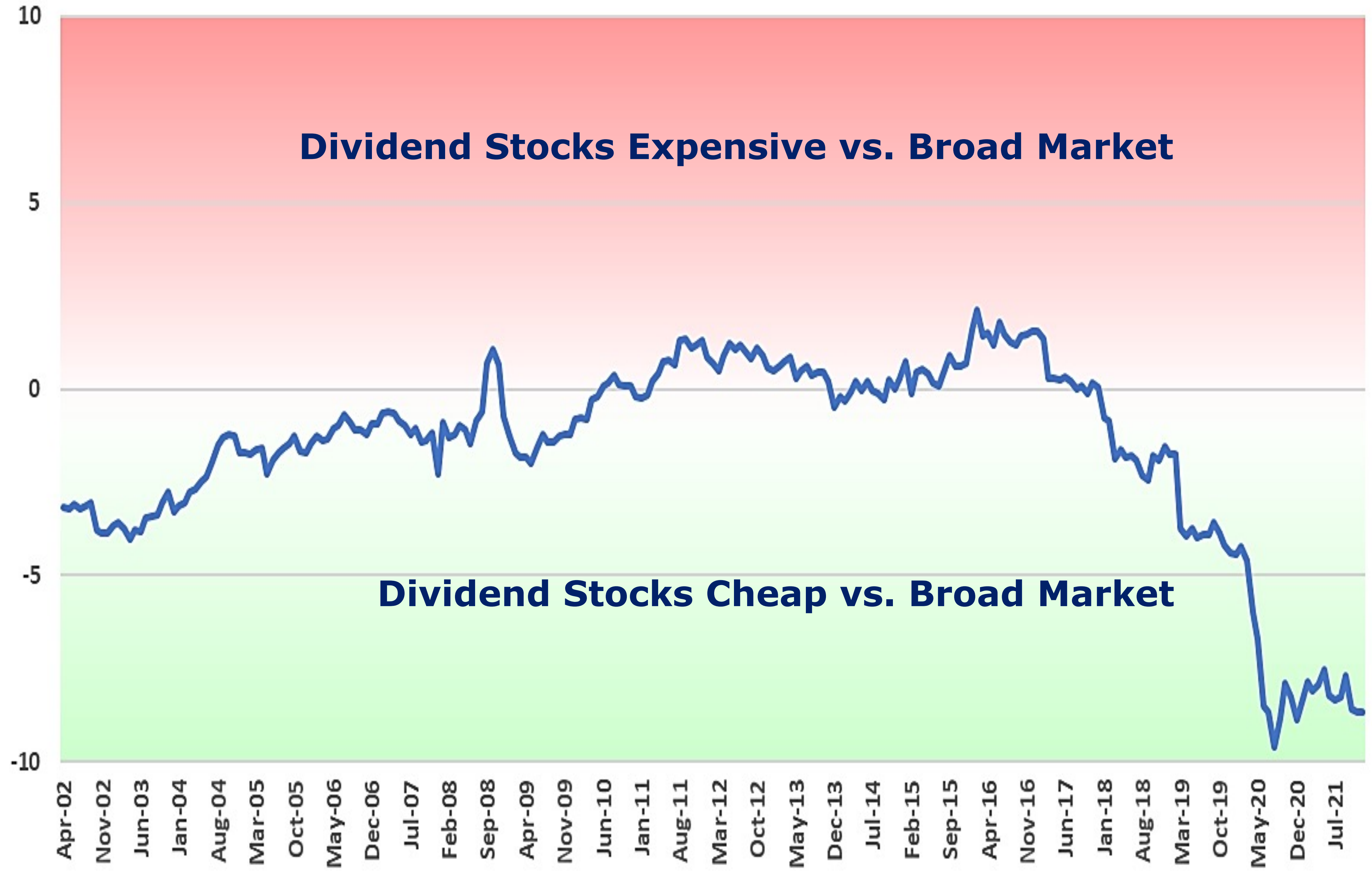
Dividend payers offer compelling yield & valuation

Relative Yield vs. 10-year treasuries & P/E discount vs. Broad equity market at historic levels

**Dow Jones Dividend Select Dividend Yield vs.
10 Year Treasury Yield**



**Dow Jones Dividend Select vs. S&P 500
12 Month Forward Relative P/E**

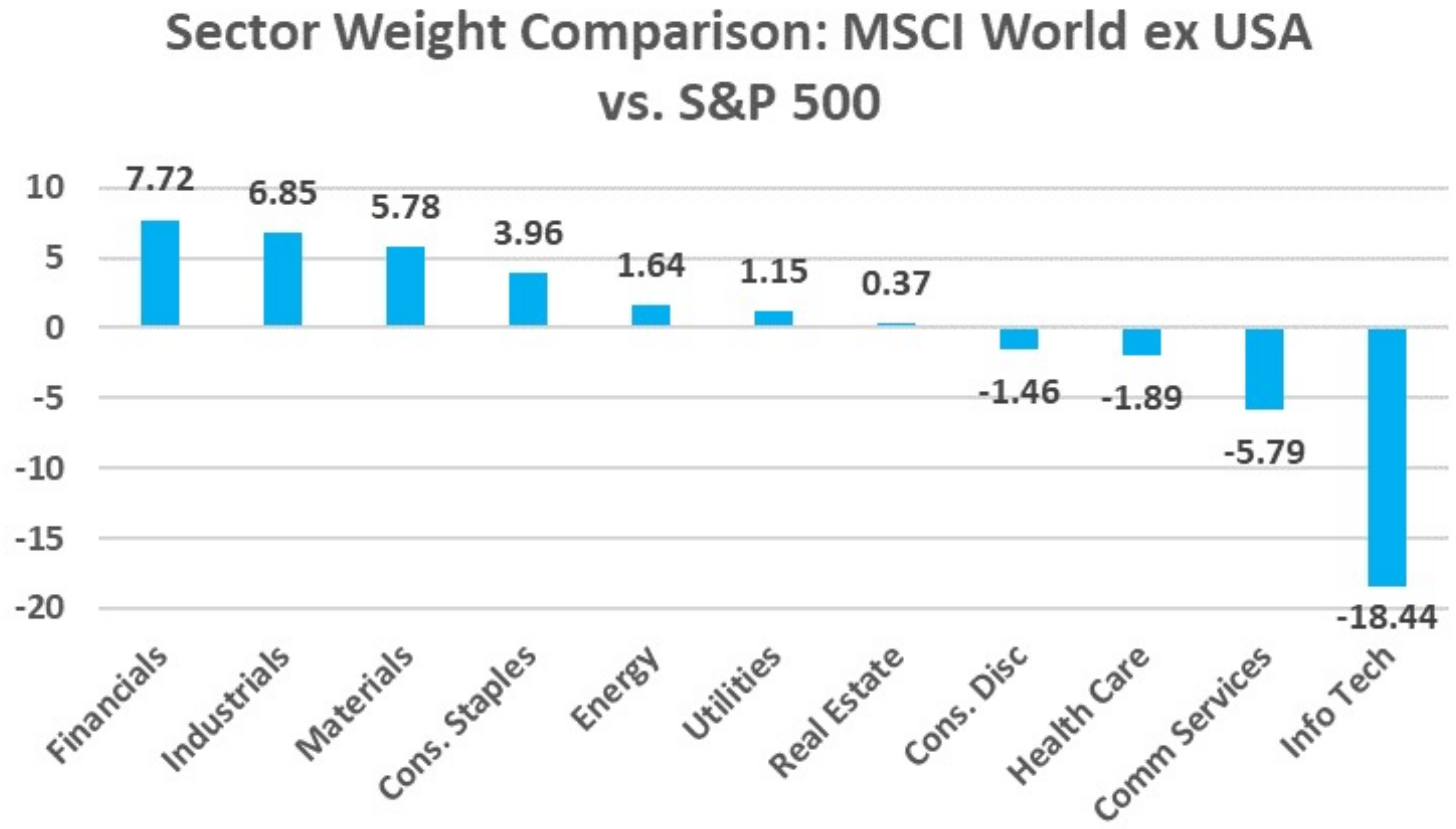


Source: Bloomberg. As of January 3, 2022. Past performance is no guarantee of future results. There are no guarantees that dividend paying stocks will continue to pay dividends. In addition, dividend paying stocks may not experience the same capital appreciation potential as non-dividend paying stocks

Federated Hermes

International vs. Domestic = Value vs. Growth

International Equity indices are much more heavily weighted in value sectors



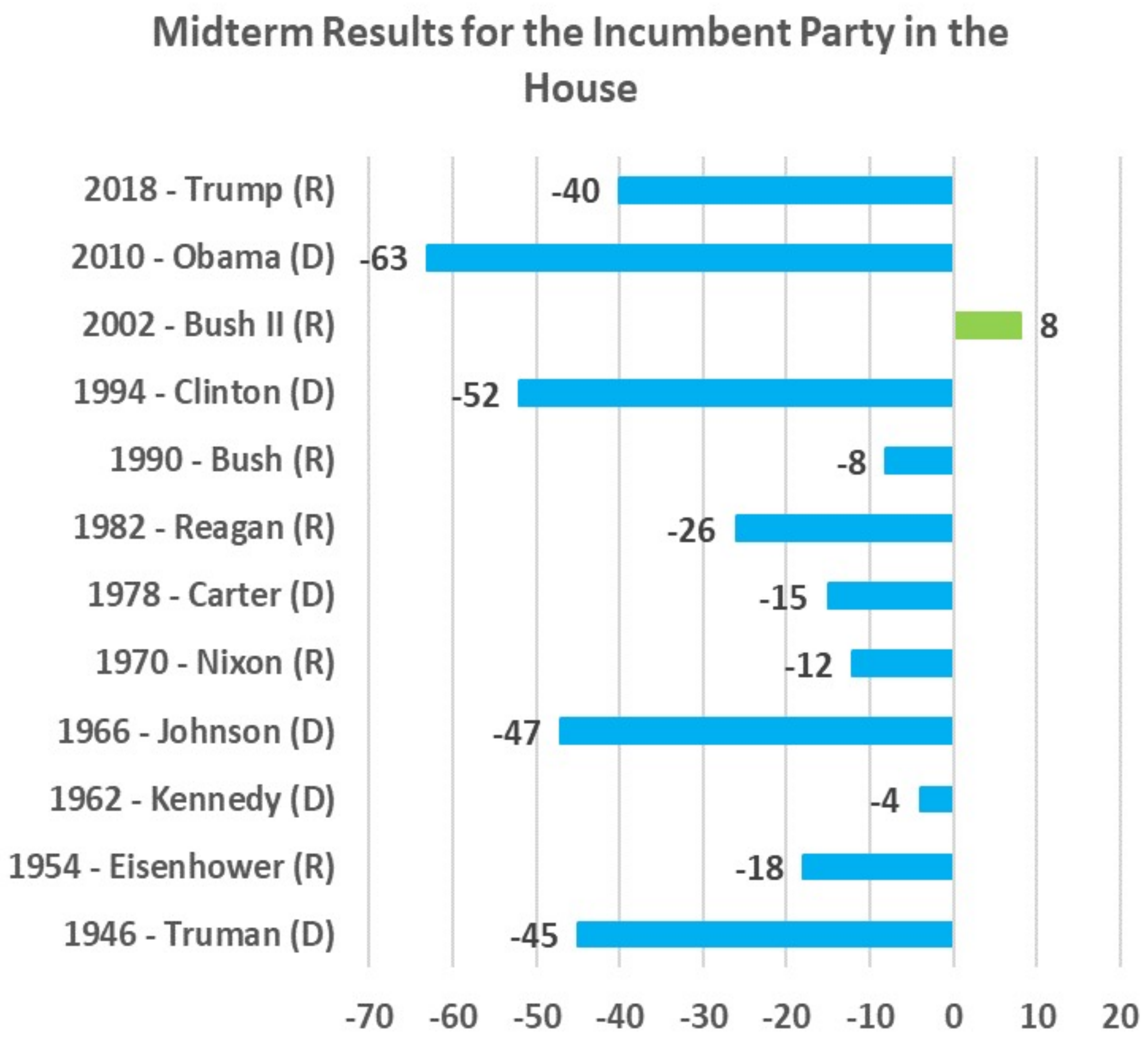
S&P 500	Weight
Info. Tech	28.0%
Media & Entertainment	9.2%
Internet Retail	5.0%
Biotech	1.9%
Total	44.0%

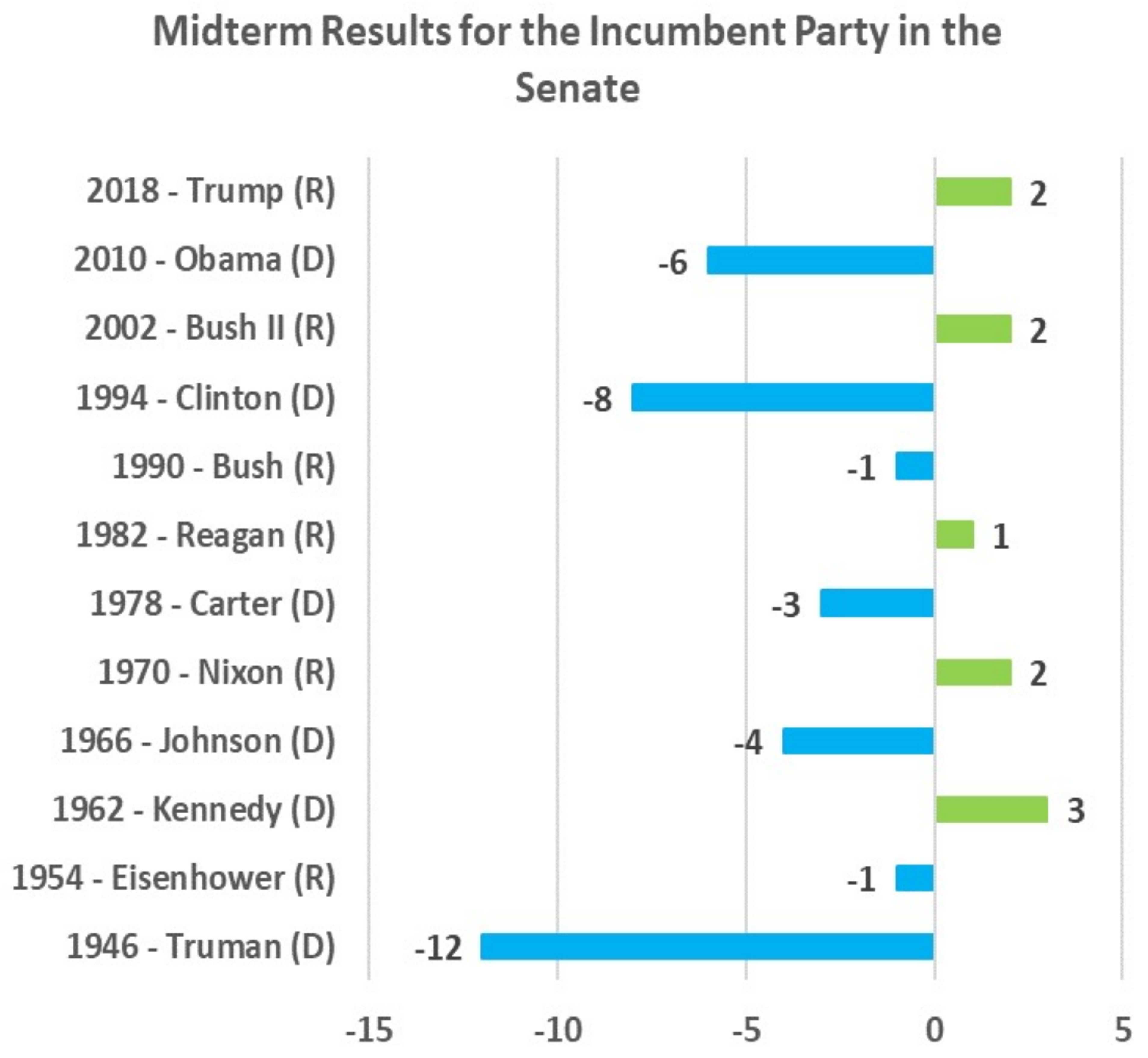
MSCI World ex USA	Weight
Financials	18.1%
Industrials	15.0%
Pharma	7.5%
Energy	4.0%
Total	44.6%

Source: Bloomberg. Data as od June 7, 2021.
International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards

Congress could potentially flip in 2022

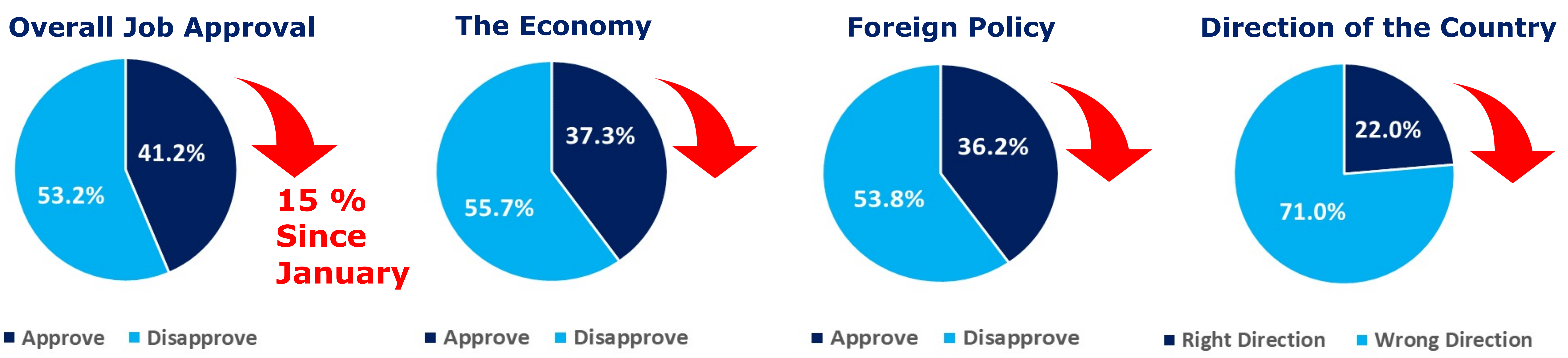
The White House historically loses an average of 27 House seats and 2 Senate seats in the first midterm election. Democratic presidents lose an average of 38 House seats and 5 Senate seats.



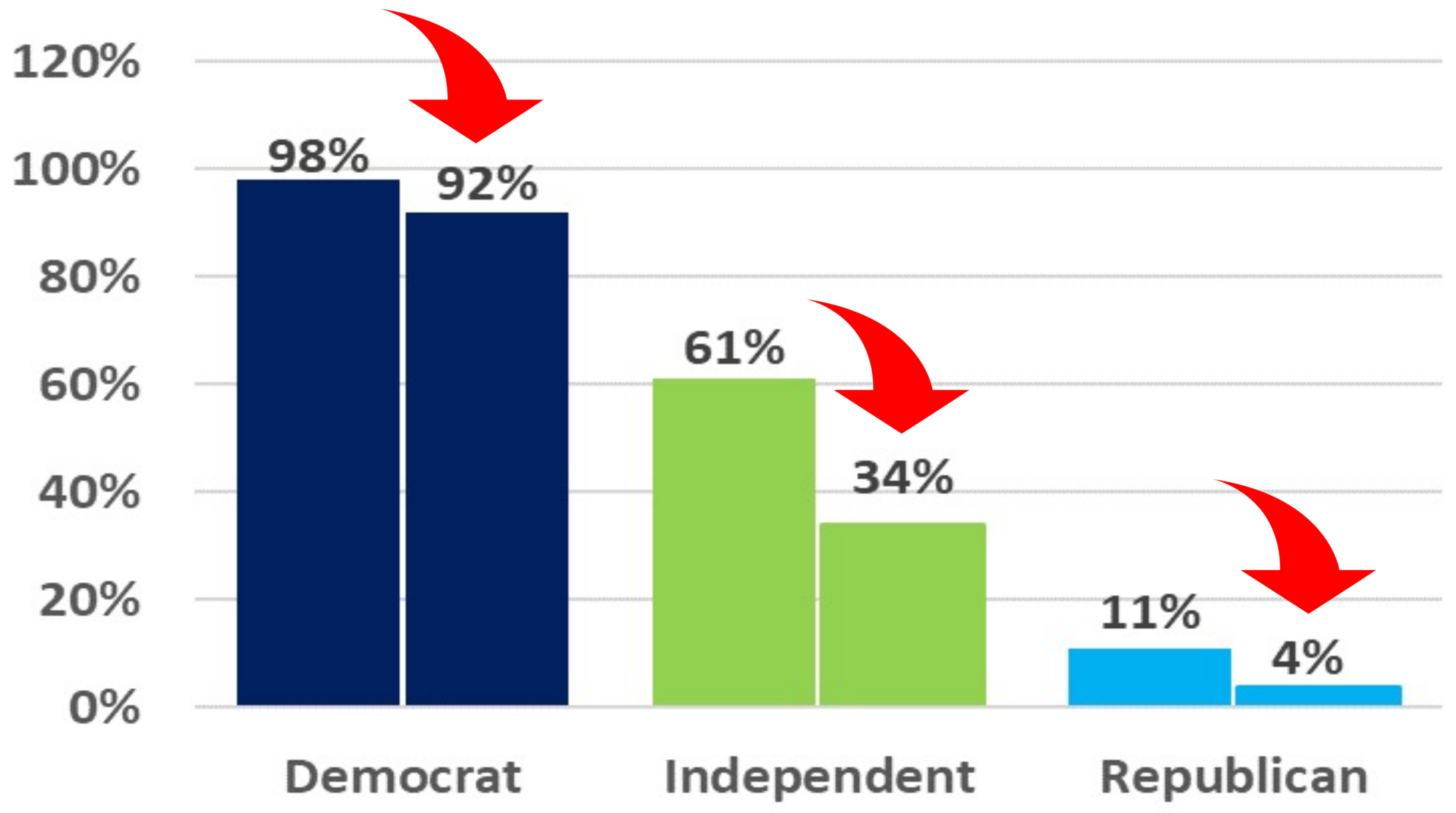


Source: United States Historical Midterm Results from The American Presidency Project. As of August 2021.

Presidential Biden's current approval ratings



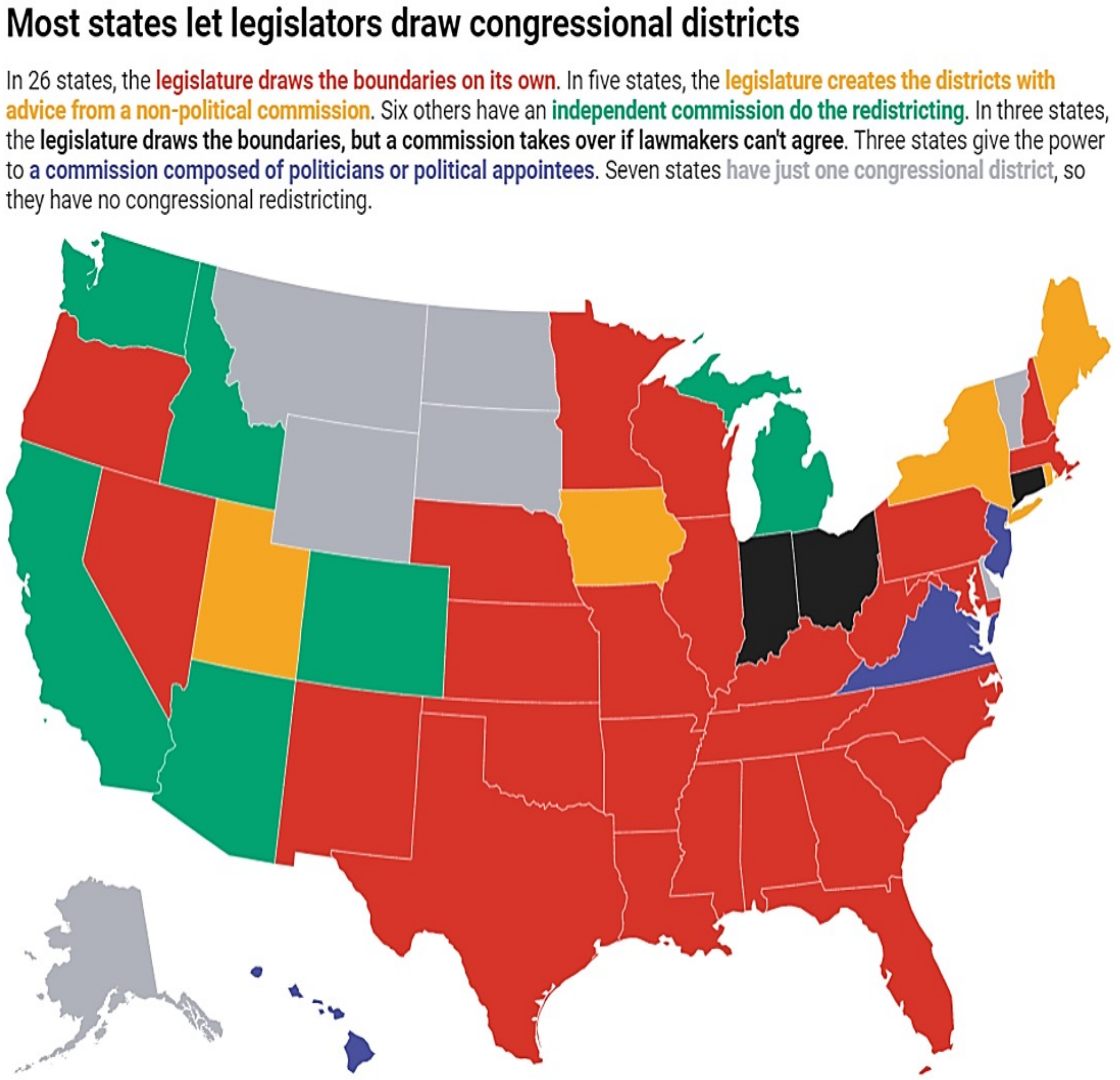
Party Breakdown of Biden's Approval Ratings



Recent Gallup polling has found that Independent party approval of President Biden has plunged 27 points since he took office.

Sources: Gallup as of October 22, 2021. NBC/WSJ News poll as of October 31, 2021. RealClearPolitics as of November 18, 2021.

Congressional redistricting from the 2020 decennial census favors Republicans



Note: Some states use different procedures for drawing state legislative district boundaries.
Map: The Conversation, CC-BY-ND Source: Robin Best and Steve Lem
Source: The Conversation.com as of November 24, 2020 and Federated Hermes as of May 2021.

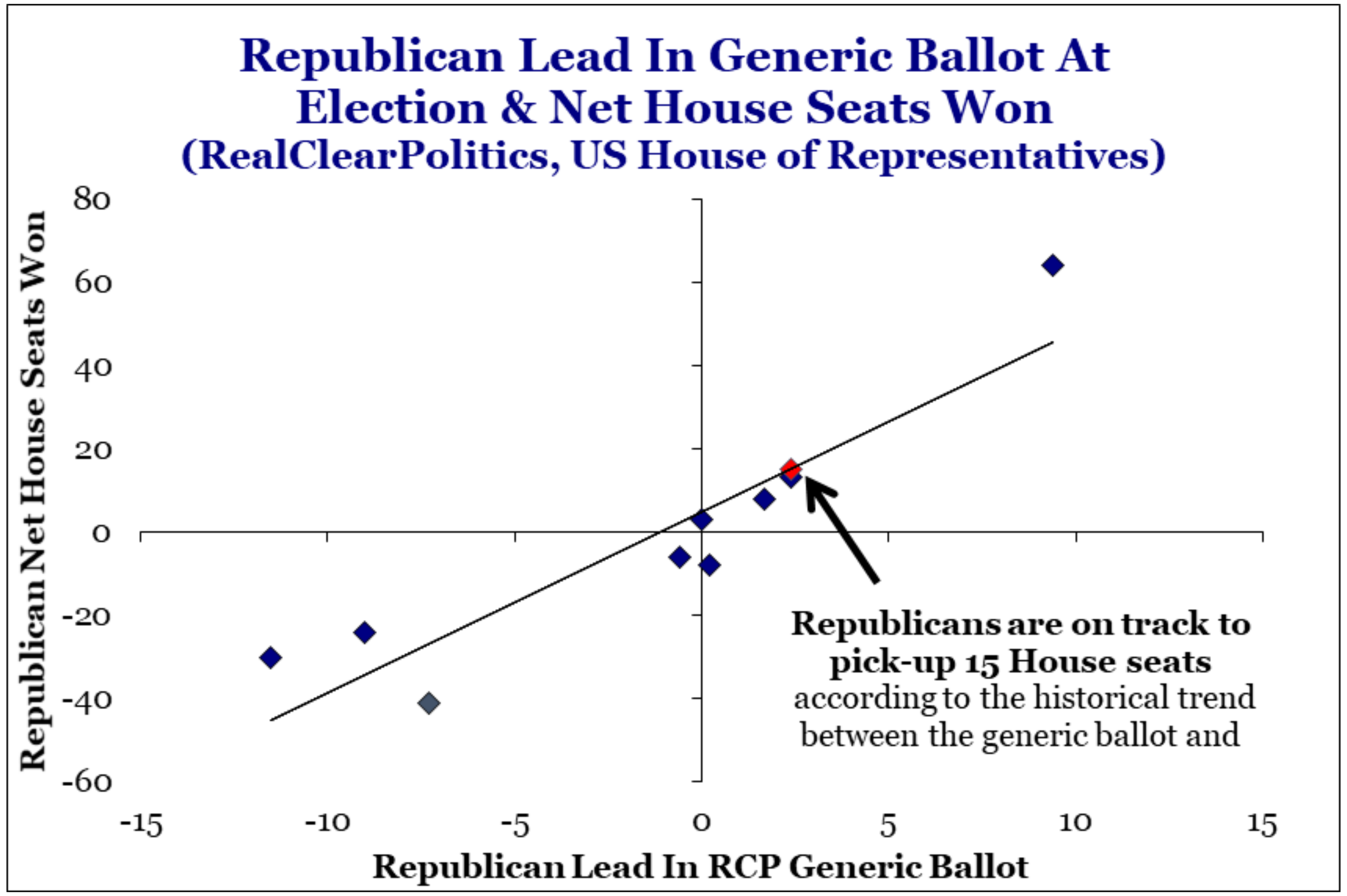
- Population migration from high-tax to low- or no-tax states over the past decade:
  - Californians migrating to Nevada and Arizona
  - Illinois residents moving to Texas
  - New York, New Jersey, Connecticut and Massachusetts residents moving to Tennessee, North Carolina, South Carolina and Florida

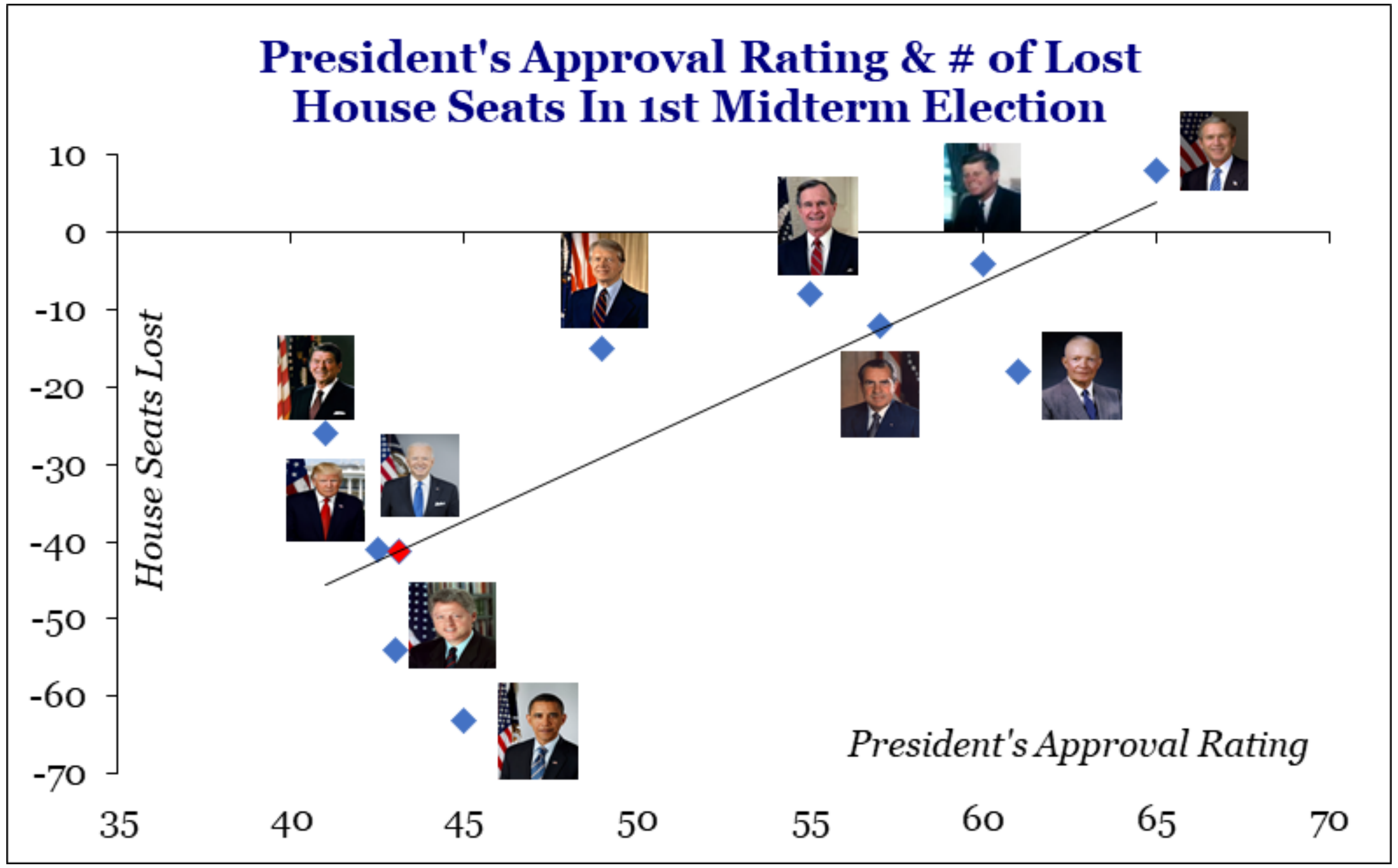
- Republicans gained six net seats – less than the 10-15 net-seat gain that had been expected – in the House of Representatives in the 2022 midterm elections, due exclusively to the Census, the subsequent Congressional redistricting of its 435 seats and the state-by-state gerrymandering process:

Gains		**Losses**	
Texas (Republican)	+2	California (Democrat)	-1
Florida (Republican)	+1	Illinois (Democrat)	-1
Montana (Republican)	+1	New York (Democrat)	-1
North Carolina (Republican)	+1	Michigan (Democrat)	-1
Colorado (Democrat)	+1	Pennsylvania (Democrat)	-1
Oregon (Democrat)	+1	Ohio (Republican)	-1
		West Virginia (Republican)	-1

- But President Biden signed an executive order in January 2021, undoing President Trump's order to keep undocumented immigrants from being included in the state-by-state Census tallies. This resulted in a population shift of an estimated 3 million people (1% of 331 million U.S. residents) from Republican to Democratic states, which prevented an additional six seats from shifting from Democratic states to Republican states. The Census Bureau is expected to release their final results on September 30, at which time the states will start their individual gerrymandering process.

A Red Wave may be forming

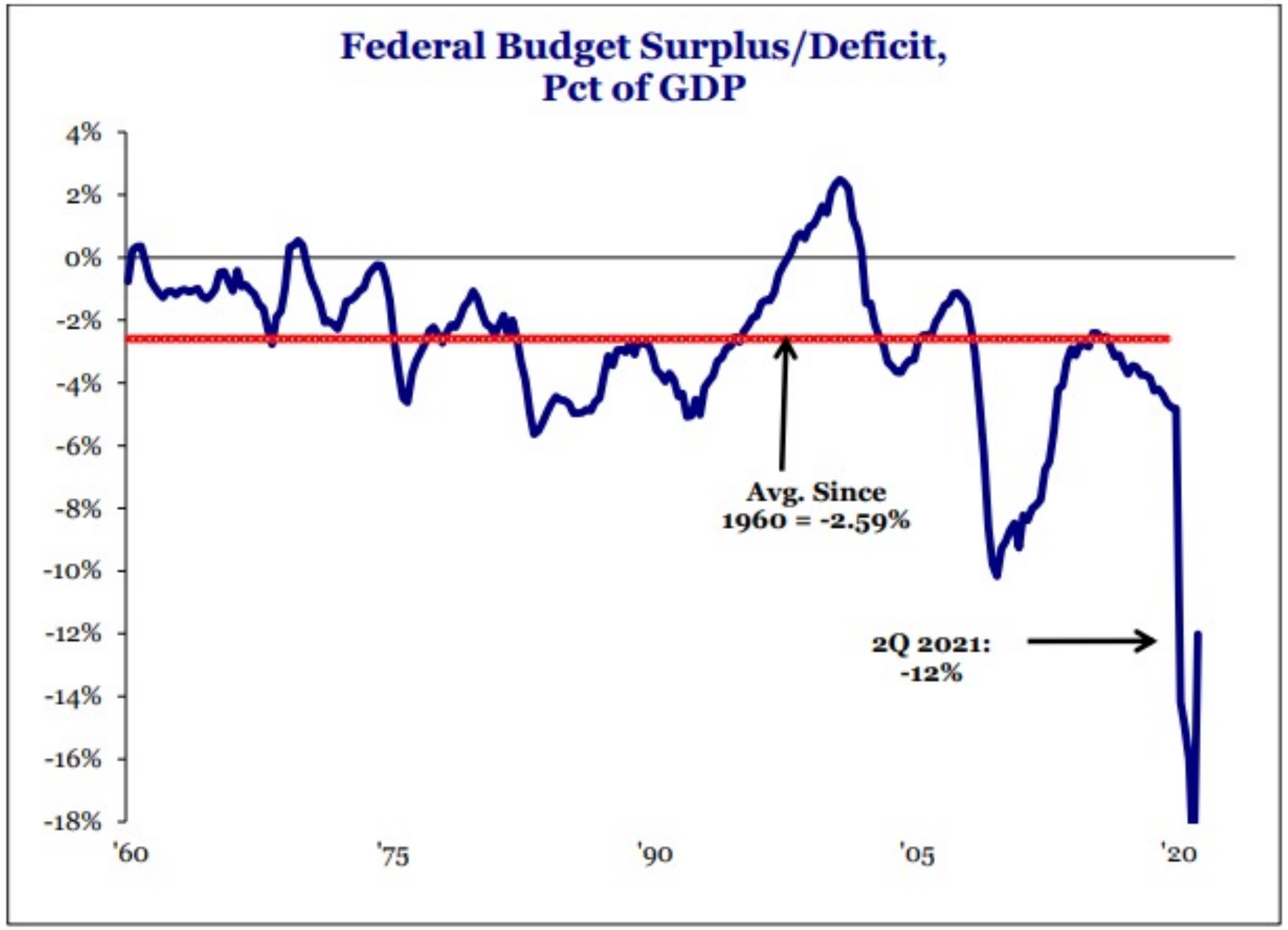


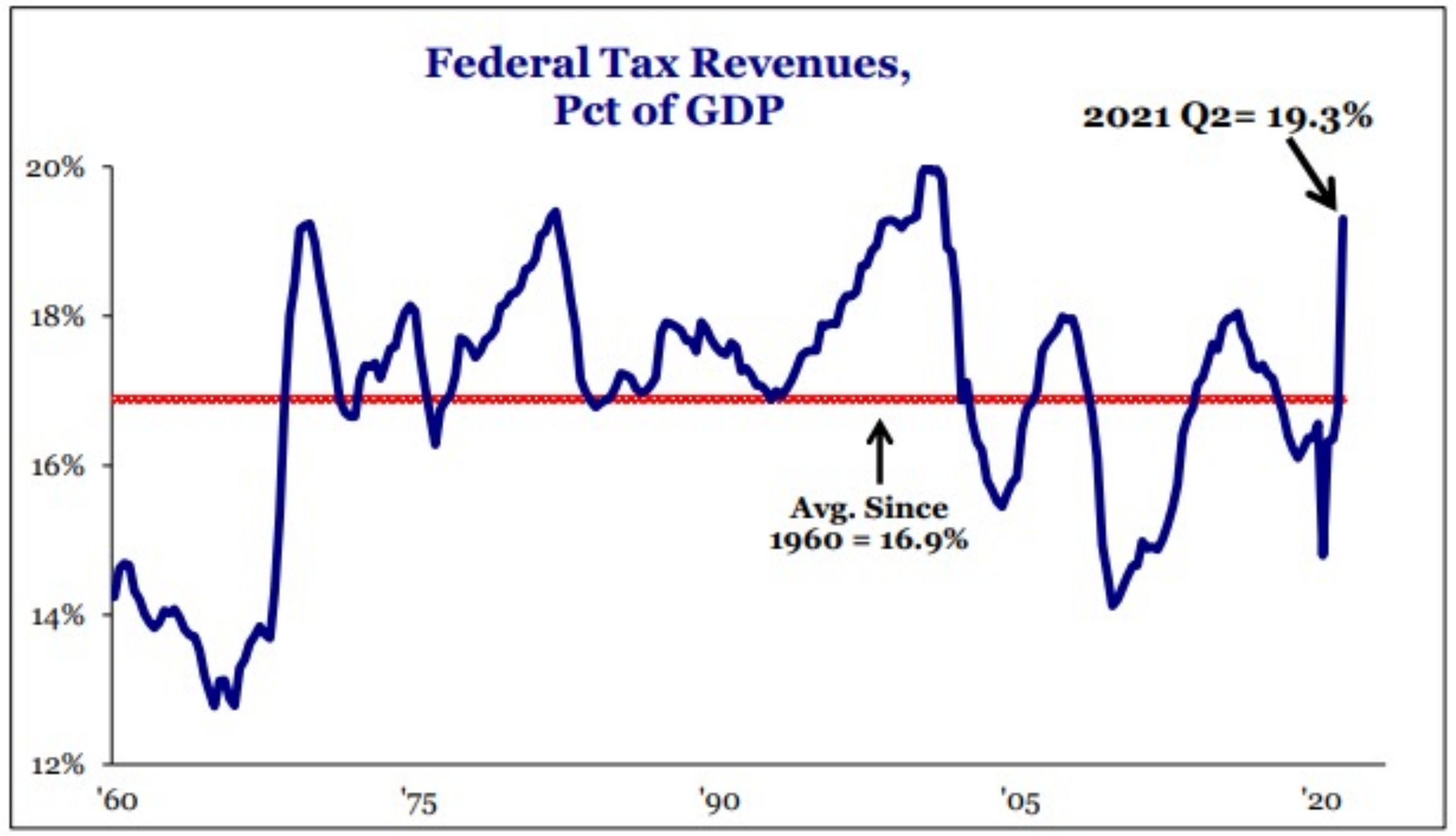


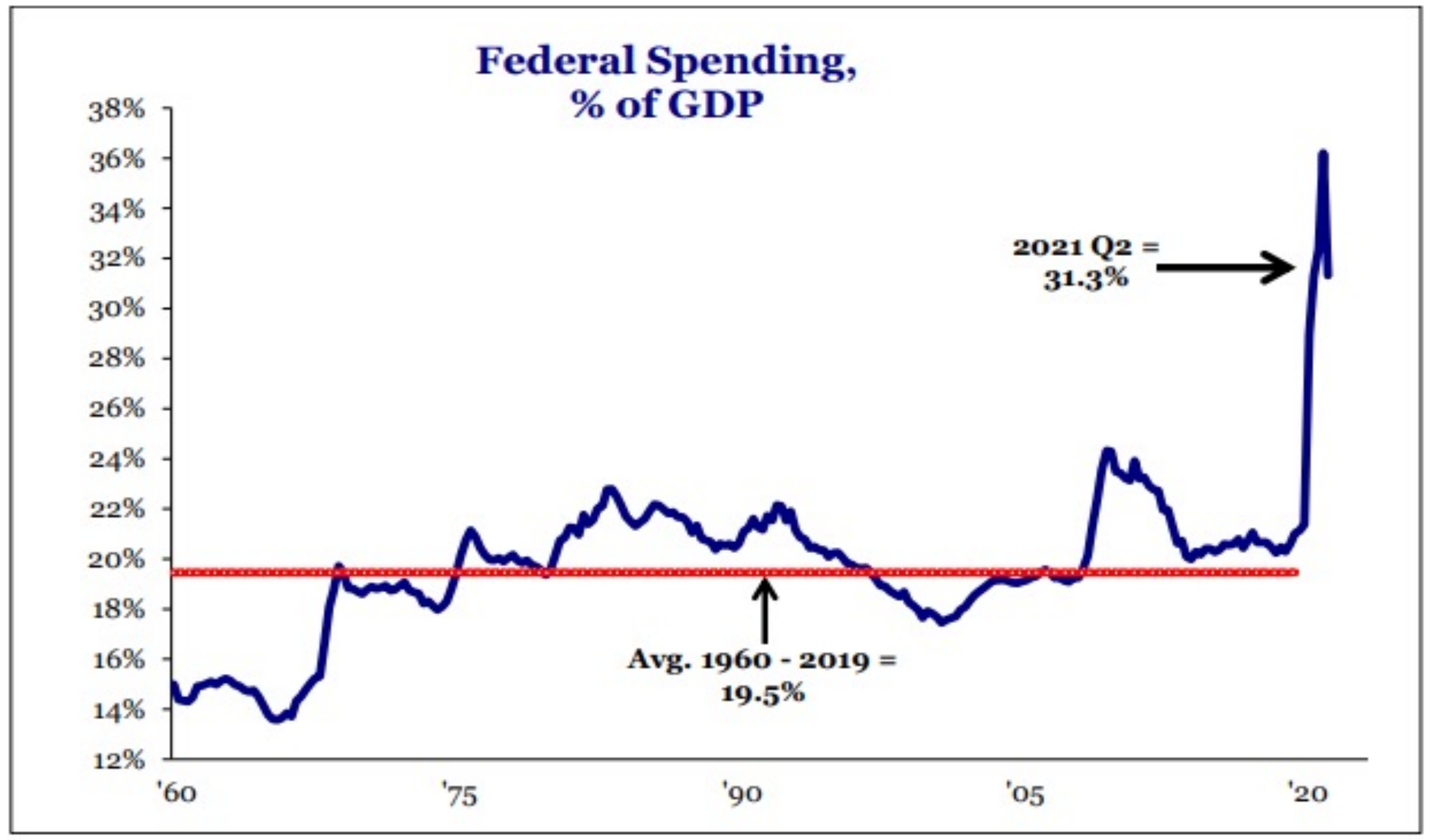
Source: Real Clear Politics (left) and Gallup (right) as of January 3, 2022.

We have a spending, not a tax problem

Fiscal deficit driven by spending, not a lack of tax revenues







Source: Strategas Research Partners, as of September 29, 2021.

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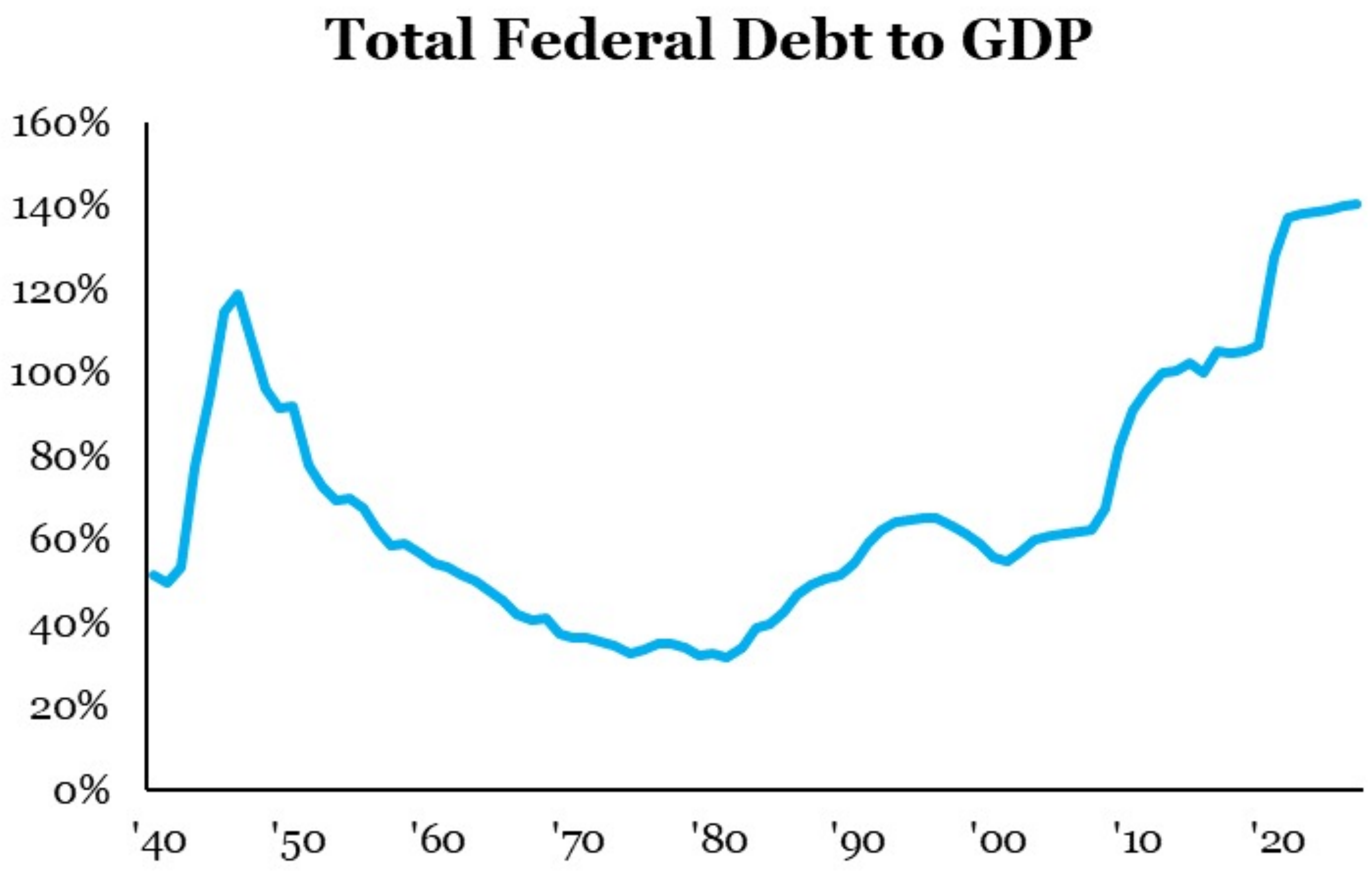
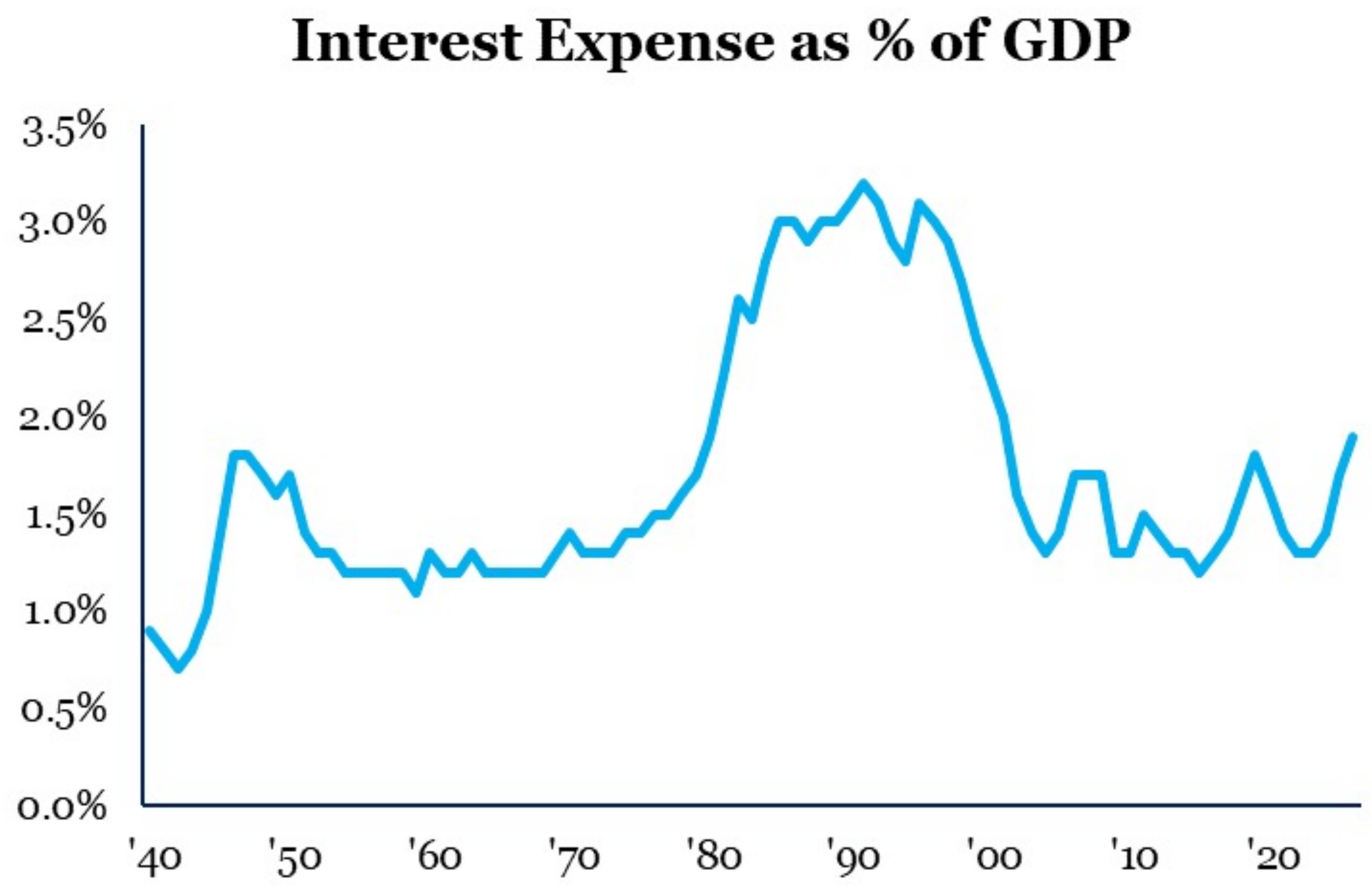
The total federal debt is a growing problem

While debt levels have risen sharply, low rates mean that the interest burden has fallen dramatically





Source: Strategas Research Partners, as of November 23, 2021.

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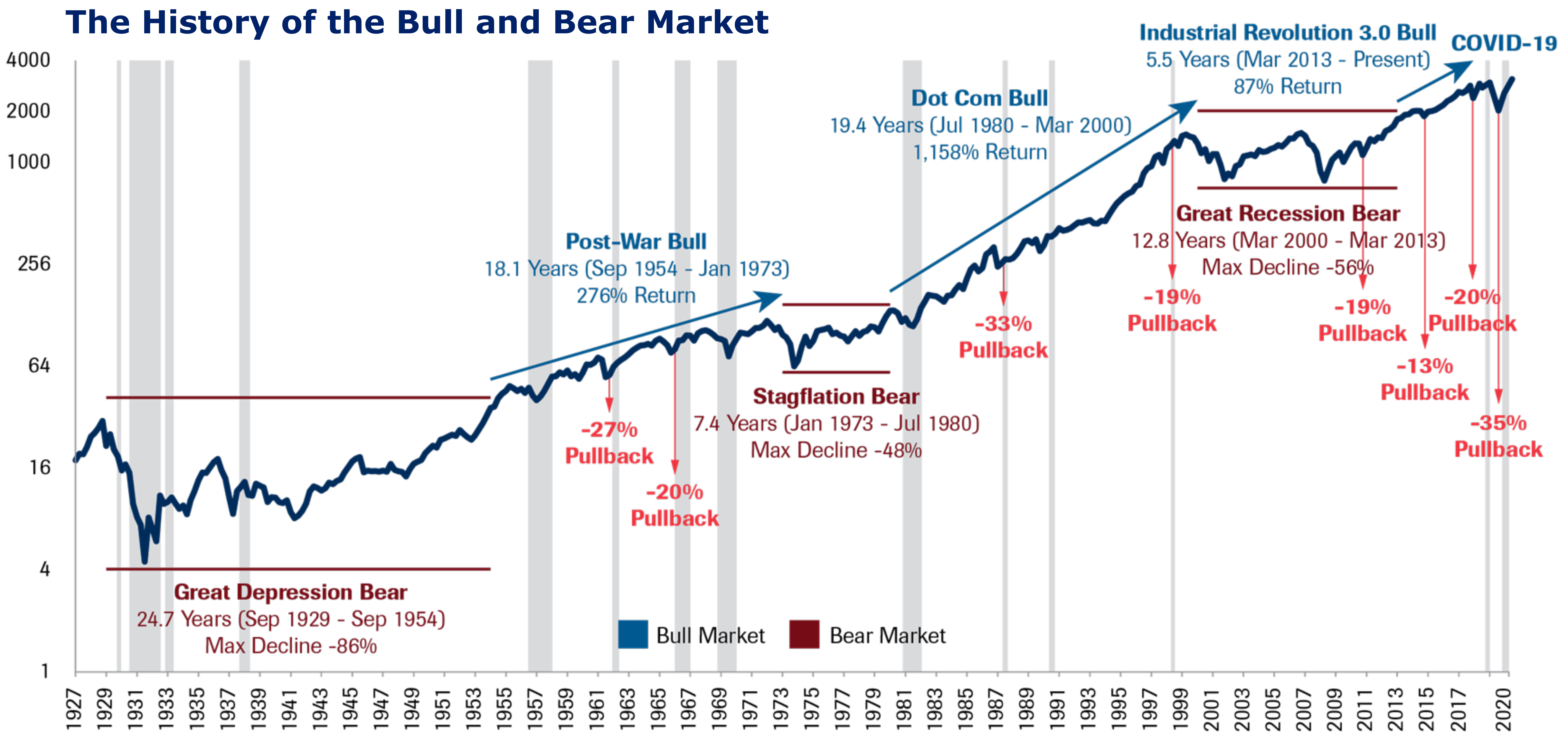
We continue to believe that the secular bull is intact

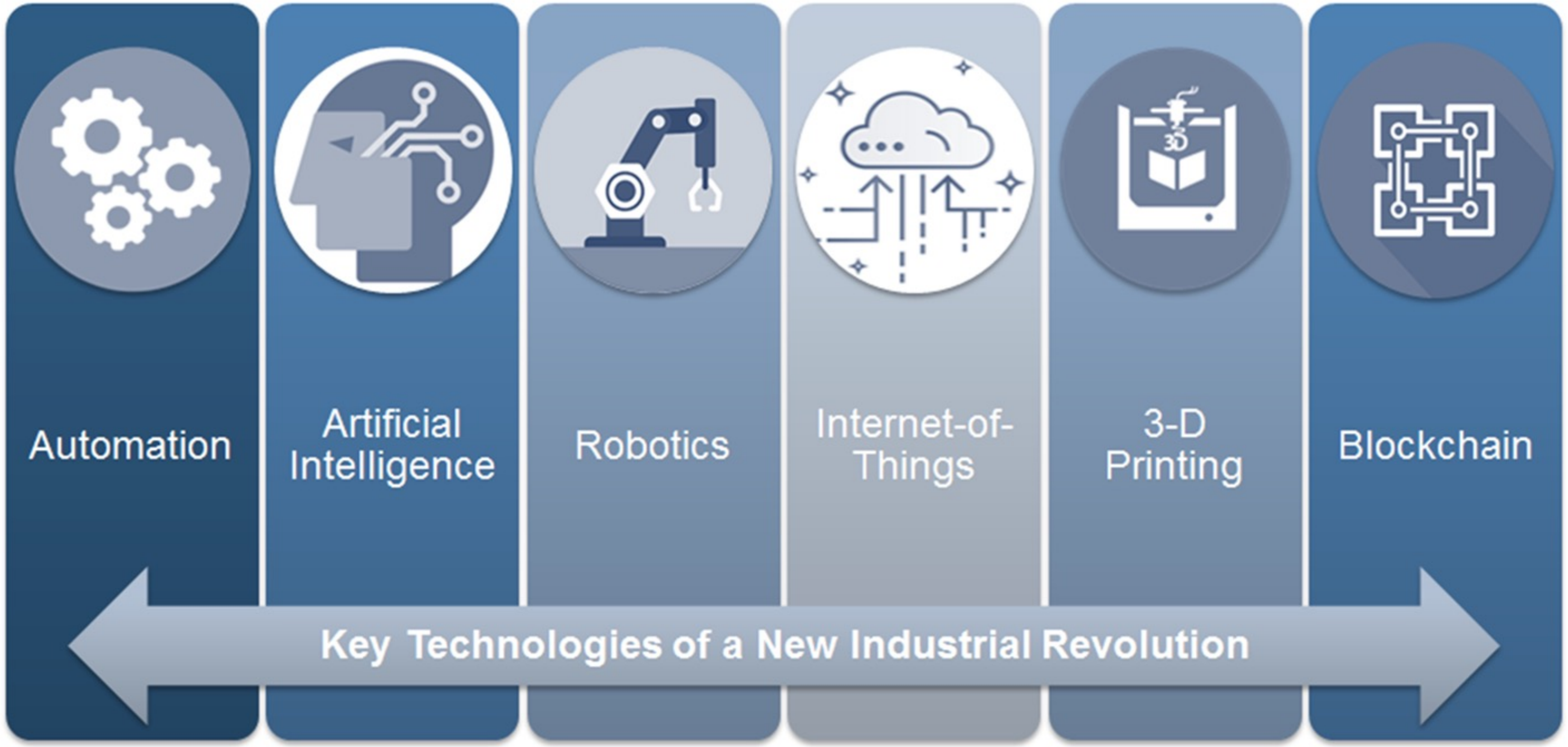
We expect markets to surpass their old highs



Note: Shaded areas indicate recessions.
Source: Bloomberg, Federated Hermes. As of January 2021. Past performance is no guarantee of future results. For illustrative purposes only and not representative of any specific investment.

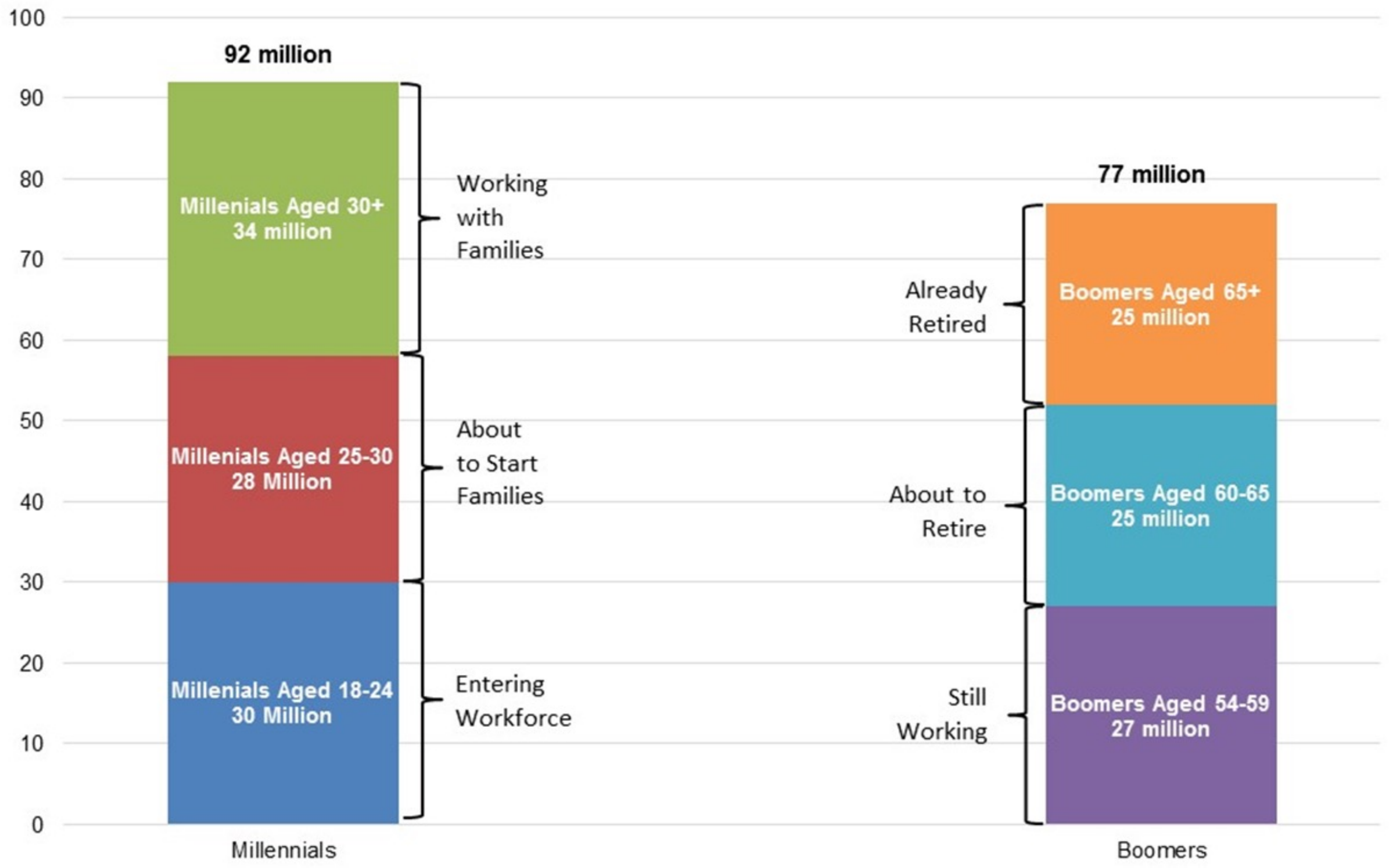
The Digitization Revolution is changing traditional rules of thumb for economic/ market forecasters

A Flurry of Innovation is Changing the Nature of Business and Leading to a More Productive Economy



Source: Federated Hermes.

The Digital Revolution is occurring alongside the rise of the millennials



Source: Federated Hermes; Goldman Sachs. As of December 2018.

The five key long-term drivers of this secular bull market are accelerating, not weakening. . .

Driver	Impact on Driver of Bull Getting the Virus
Digital Revolution	Accelerated
Biotech Revolution	Accelerated
U.S. Manufacturing Renaissance	Accelerated
Supportive Policy Backdrop	Lengthened
You Can’t Own Everything	Deepened, Lengthened

Views as of April 2020.

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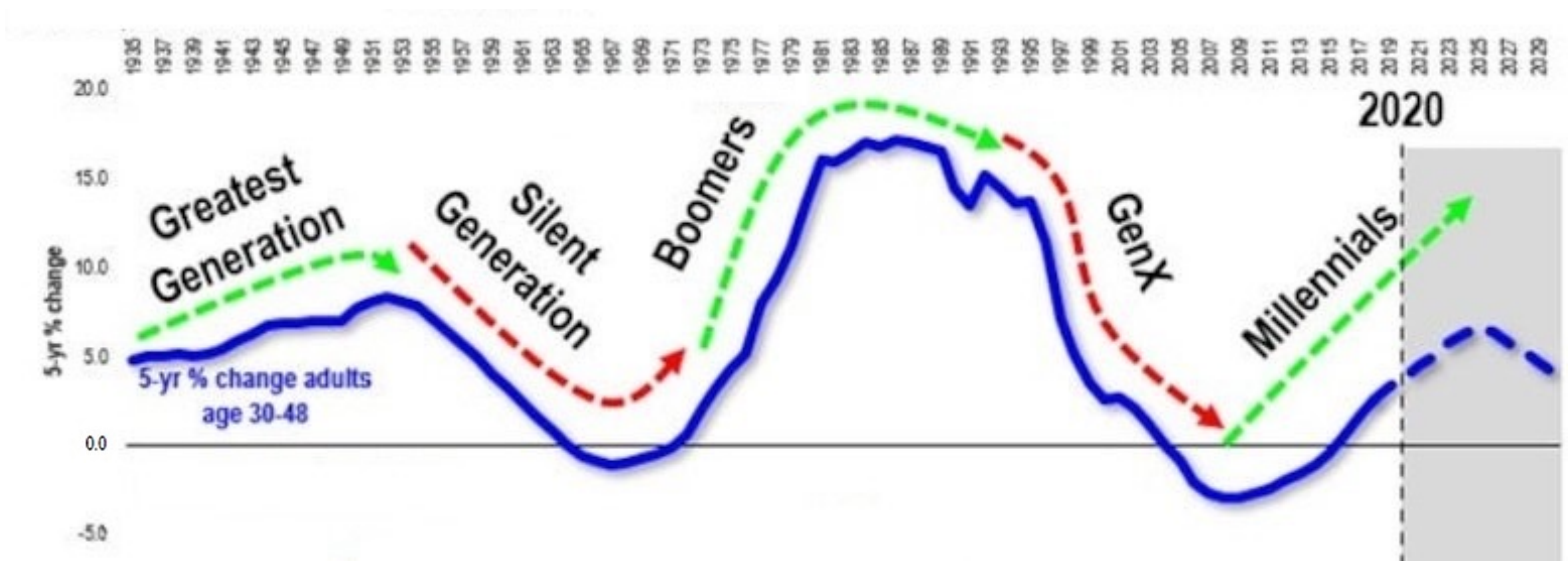
It All Depends On Your Time Horizon: In the long term, prime skilled adults age 30-48 are surging

Prime Leverage Years: # Adults Age 30-48 Since 1935 per the US Census Bureau



Generation...	Birth years	
Greatest Generation	1910	1927
Silent Generation	1928	1945
Baby Boomers	1946	1964
GenX	1965	1980
Millennials	1981	2000
Generation Z	2001	2018

Source: Fundstrat, Bloomberg, BEA, National Association of Realtors, US Census Bureau. Report as of July 30, 2020.

The Largest Generation Ever, Millennials Are Just Entering Their Prime Income Years

Total US Population Divided by Age Groups

Generation…	Years of birth		Average age	At peak	(year)
Greatest Generation	1910	1927	97.9	43.2	1930
Silent Generation	1928	1945	83.5	44.1	1974
Baby Boomers	1946	1964	66.3	79.5	1999
GenX	1965	1980	49.5	65.8	2018
Millennials	1981	2000	31.5	95.8	2038
Generation Z	2001	2018	13.3	96.2	2060

Peak population figures above include immigration. Reduced immigration will lead to a smaller overall size of Gen Z.
Source: DESA UN Data sets, Fundstrat; Federated Hermes. Updated December 8, 2021

Labor Force Growth and GDP – Trend Shows Continued Slow Growth

Country	1980 Min	2000 Min	80-00 % Δ	2015 Min	00-15 % Δ	2030 Min	15-30 % Δ	2050 Min	30-50 % Δ
China	473.9	765.7	62%	928.6	21%	880.0	-5%	733.4	-17%
United States	130.1	167.6	29%	192.5	15%	196.1	2%	211.3	8%
Europe	398	442	11%	455	3%	412	-9%	370	-10%
Japan	69.9	78.2	12%	71.0	-9%	63.6	-10%	50.4	-21%
India	326.0	532.4	63%	736.6	38%	911.8	24%	1,029.1	13%

Source: Evercore ISI, China Research, July 12, 2017

The US manufacturing renaissance will see supply chains come back home

"Brand China" Is Wounded

- **Higher shipping costs**
- **Higher energy costs**
- **No IP protection**
- **Geopolitical risks**
- **Lack of Transparency**
- **Pandemic Origination**

The Center of the US is the Next Great "Emerging Market"

- **Abundance of land**
- **So much energy we burn it at the well**
- **Easy shipping routes to the best end markets (i.e. East and West coast)**
- **Ironclad IP protection**
- **One of the lowest tax rates in the world**
- **No new diseases from Kentucky**
- **Amber waves of grain**

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The math behind various approaches over a full market cycle

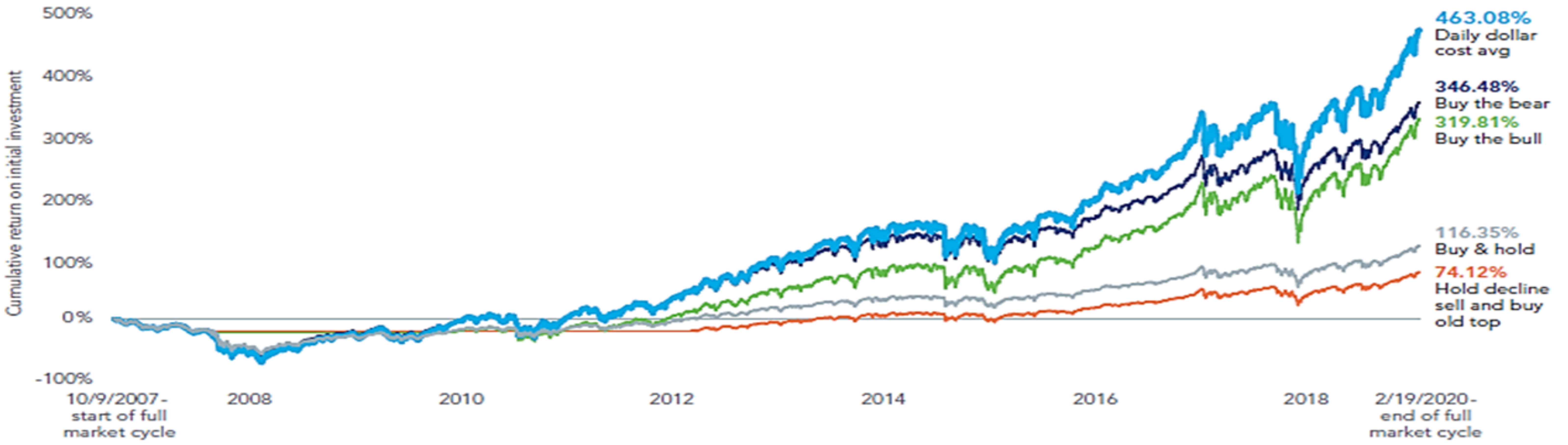
Despite the uncertainty, averaging in historically pays

Consistently investing can potentially add up. 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 the exact best time to invest.

This chart illustrates how making regular investments and adding to their original $100,000 starting balance could have benefited investors over the long term. Purchases are daily to illustrate investors buying or selling market highs or lows as indicated in the various investment approaches.

	Starting balance as of 10/9/07	Purchases – different investment approaches may include additional investment over time as indicated	Total amount invested*	Ending balance as of 2/19/20	Average annual return	Cumulative return on initial investment**
Daily dollar cost average	$100,000	$311,100 – purchased $100 per day	$411,100	$874,177	22.48%	463.08%
Buy the bear	$100,000	$119,100 – purchased $100 per day after initial 20% fall until market returns to prior peak	$219,100	$565,576	19.19%	346.48%
Buy the bull	$100,000	$249,000 – purchased $100 per day until initial 20% fall, sell and go to cash, then reinvest and add $100 per day once market returns to level of sell.	$349,000	$668,707	18.33%	319.81%
Buy & hold	$100,000	$0 – no dollar cost averaging, just a one-time investment in the market. No additional investment.	$100,000	$216,347	9.48%	116.35%
Hold the decline, sell, and buy the old high	$100,000	$0 – Hold initial $100,000 investment until market falls 20%, sell and go to cash, buy back and hold once market reaches prior high. No additional investment.	$100,000	$159,443	6.72%	59.43%

* Starting balance + purchases
** (Ending balance – purchases) / starting balance



Source: .Federated Hermes, Inc. and Bloomberg, 2020. As of 2/19/20.
Based on hypothetical investments in S&P 500. Indexes are unmanaged and actual investments cannot be made in an index.
Past performance is no guarantee of future results. For illustrative purposes only and not representative of any specific investment. Please note that the total investment amounts are different for these examples. See details in the table above.

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And has been A winning strategy over time

Since 1929, averaging has outperformed the market in every decade except for the 2000's

If an investment of $100,000 is made on the last day of a decade, what would the returns – cumulative and average annual – look like for the following decade?

Like in the previous slide, the "buy & hold" approach represents a one-time investment of $100,000 in the S&P 500, and no additional investments are made. The "monthly dollar cost average" approach represents and investment of $100,000 in the S&P 500, and an additional $1000 investment is made monthly on the last day of the month.

	1930s	1940s	1950s	1960s	1970s	1980s	1990s	2000s	2010s	1930-2019
Cumulative return: Buy & hold	-41.91%	34.75%	256.70%	53.72%	17.25%	227.40%	315.75%	-24.10%	189.73%	13137.34%
Average annual return: Monthly dollar cost average	-26.25%	75.66%	367.90%	77.69%	33.22%	349.04%	523.19%	-27.93%	286.52%	92222.27%
Average annual return: Buy & hold	-5.29%	3.03%	13.56%	4.39%	1.60%	12.59%	15.31%	-2.72%	11.22%	5.55%
Average annual return: Monthly dollar cost average	-3.00%	5.80%	16.68%	5.92%	2.91%	16.21%	20.08%	-3.22%	14.48%	7.84%

Source: Federated Hermes, Inc. and Bloomberg, 2020. As of 12/31/19.
Based on hypothetical investment in S&P 500. Indexes are unmanaged and actual investments cannot be made in an index.
Past performance is no guarantee of future results. For illustrative purposes only and not representative of any specific investment. Please note that the total investment amounts are different for these examples.
Dollar-cost-averaging cannot assure a profit or protect against loss in declining markets. Because it involves continuous investment regardless of fluctuating prices, investors must consider their financial ability to continue purchases during periods of low price levels.

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Disclosures

Past performance is no guarantee of future results.

Analysis of asset class performance in rising-rate environments compared the returns of all indexes that are listed as Federated Hermes benchmarks in Morningstar Direct, 44 in total.

Rising-rate environments for this analysis are periods from 1/1/98 to 5/31/21 in which the 10-year Treasury yield rose by 1% or more (without having more than 3 consecutive months of decreasing yields). By this definition, there are ten such periods of rising-rate environments 1/1/98 to 5/31/21. For periods longer than one year, returns were annualized. Analysis shows the top 10 performing indexes based on median returns over the 10 periods. Fixed-income analysis excludes stock indexes to determine the top 10 performing fixed-income indexes based on median returns. For indexes, also with inception dates later than 1/1/98, median returns are calculated over the number of periods for which data is available.

Indexes analyzed:
MSCI ACWI SMID Cap Index, MSCI ACWI ex USA SMID Cap Index, S&P Municipal Bond Index, S&P Municipal Bond Short Index, S&P Municipal Bond Intermediate Index,
Bloomberg Barclays Short-term Gov/Corporate Index, S&P Municipal Bond Ohio Index, S&P Municipal Bond Pennsylvania Index, JPM EMBI Global Index, Bloomberg Barclays Municipal 1 Year 1-2 Index, JPM GBI Global ex US Index, Bloomberg Barclays US Govt/Credit 1-3 Year Index, Bloomberg Barclays US Govt/Credit 1-5 Year Index, Bloomberg Barclays Global Aggregate Index, Russell 1000® Growth Index, Russell 1000 Value Index, Russell 2000® Growth Index, Russell 2000 Value Index, Russell MidCap® Growth Index, Bloomberg Barclays US Aggregate Bond Index, Bloomberg Barclays US Credit Index, Bloomberg Barclays US Government Index, Bloomberg Barclays US Intermediate Credit Index, Bloomberg Barclays US MBS Index, Russell 2000 Index, Russell 3000® Index, MSCI EAFE Index, MSCI World ex USA Index, ICE BofA 1-Year US Treasury Note Index, ICE BofA US 3M Treasury Bill Index, ICE BofA US 6M Treasury Bill Index, ICE BofA 1-3 Year US Treasury Index, ICE BofA 3-5 Year US Treasury Index, ICE BofA Current 5-Y US Treasury Index, MSCI ACWI Index, MSCI EM Index, MSCI World Small Cap Index, Bloomberg Barclays US Treasury US TIPS Index, MSCI ACWI ex USA Index, S&P 500 Index S&P MidCap 400 Index, Bloomberg BarclaysUS High Yield 2% Issuer Capped Index, MSCI ACWI Ex USA Growth Index, Credit Suisse Leveraged Loan Index.

Biography

Steven Chiavarone, CFA

Vice President

Portfolio Manager

Equity Strategist

Head of Multi-Asset Solutions

Steve Chiavarone is responsible for portfolio management and research in the global asset allocation area and is a portfolio manager of Federated Hermes Global Allocation Fund. Steve is responsible for the formulation of Federated Hermes' views on the economy, the financial markets and the firm's investment positioning strategies as a member of both the Macro Economic Policy and the PRISM Asset Allocation committees. Steve is also responsible for bringing macroeconomic, investment strategy and product knowledge directly to clients in collaboration with the sales team.

He joined Federated Hermes in 2007 and has more than 15 years of industry experience. He previously worked at U.S. Trust/Bank of America Private Wealth Management as a project manager in the Office of the Investment Management COO.

Steve has been a regular contributor across the financial media, including CNBC's "Squawk Box," "Worldwide Exchange," "Power Lunch," "Trading Nation," and "Fast Money," Fox Business Network's "Mornings with Maria," "Making Money with Charles Payne" and "Countdown to the Closing Bell," and Bloomberg's "Surveillance," "Markets: Americas" and "The Open." Steve is also frequently quoted in publications such as AP, Reuters, The Wall Street Journal, The Financial Times, The New York Times and CNN Money.

Steve earned his bachelor's degree from Drew University and is a CFA® charterholder.