

Federated Capital Reserves Fund

Nasdaq Symbol: **FRFXX** | Cusip Number: **608919304** | Newspaper Listing: **CapResFd**

Product Highlights

- Pursues current income consistent with stability of principal and liquidity.
- Invests primarily in short-term, high-quality, fixed-income securities issued by banks, corporations and the U.S. government.
- Offers the potential for higher yield than a money market fund portfolio limited to Treasury or government fixed-income securities.

Portfolio Manager(s)

Mark Weiss
Paige Wilhelm

Portfolio Assets

\$4.0 billion

Top Ten Holdings

Credit Suisse Group AG
BOK Financial Corp.
Royal Bank of Canada
Bank of Montreal
Mitsubishi UFJ Financial Group, Inc.
BNP Paribas SA
Bank of Nova Scotia
ABN Amro Bank NV
Canadian Imperial Bank of Commerce
Germany, Government of

Total % of Portfolio: 40.6%

Share Class Statistics

Inception Date

2/25/05

Federated Fund Number

806

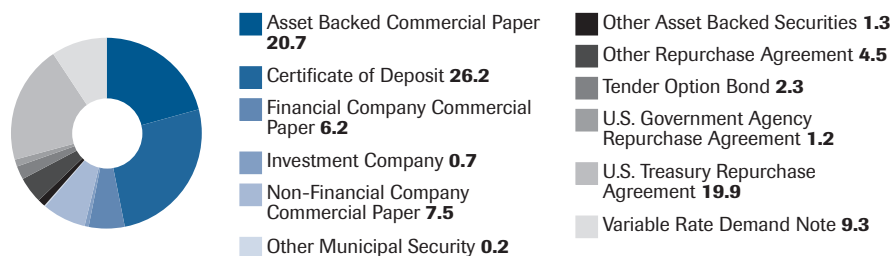
Cut-Off Times

4:00 p.m. ET — Purchases
4:00 p.m. ET — Redemptions

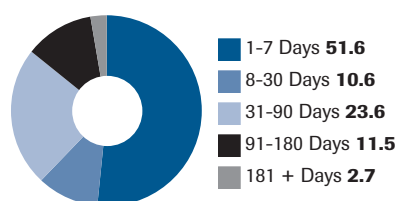
Dividends

Declared Daily/Paid Monthly

Portfolio Composition (%)



Effective Maturity Schedule (%)



2a-7 Liquidity

Daily 24.89%
Weekly 36.56%

Weighted Average Maturity

39 Days

Weighted Average Life

79 Days

Fund Performance

Net Yields (%)		Total Return (%)											
7-Day	0.89	1 Year	1.46										
Annualized Yields (%)		Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
7-Day		1.76	1.73	1.73	1.69	1.64	1.60	1.54	1.35	1.21	1.09	0.92	0.89

Performance quoted represents past performance, which is no guarantee of future results. Investment return will vary. An investor's shares, when redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, contact us or visit FederatedInvestors.com.

Although not contractually obligated to do so, the advisor and/or certain fund service providers waived all or a portion of their fees or reimbursed the fund for certain operating expenses. These voluntary waivers and reimbursements may be modified or terminated at any time; accordingly, the fund's expenses may vary (i.e., increase or decrease) during the fund's fiscal year. These waivers increase income to the fund and result in a higher return to investors.

Otherwise, the 7-day yield would have been .69% and total return would have been lower.

Total return represents the change in value of an investment after reinvesting all income and capital gains. Yield quotations more closely reflect the current earnings of the fund than the total return quotation.

Rule 2a-7 requires that money market funds maintain at least 10% daily liquidity assets and at least 30% weekly liquidity assets. Both requirements are 'point of purchase' requirements. Thus, it is possible that money market funds may, at any given time, have liquidity percentages reflecting less than the 10% and 30% thresholds. In such circumstances, the portfolio manager will be required to purchase securities to meet the requisite liquidity thresholds prior to purchasing longer-dated securities. Additionally, the SEC requirements for what may be defined as 'daily' and 'weekly' differs from the standard maturities used in calculating the 'Effective Maturity Schedule.' Therefore, the percentages in the 2a-7 Liquidity table will generally not equal the amounts shown in the 'Effective Maturity Schedule.'

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Portfolio Manager Commentary

For investors and financial institutions, the fourth quarter of 2019 might be best described as shifting from anxiety to optimism. Several macroeconomic and geopolitical uncertainties abated, leading the Federal Reserve to put monetary policy on hold and suggest that a recession was not imminent.

Despite being light on details, the U.S. and China reached a truce in their trade war late in the quarter. This lifted worries that the conflict would continue to be a drag on the two economies. In particular, it has been blamed for the weakness in the U.S. manufacturing sector. In Europe, the drawn-out affair of the negotiations for the U.K. to leave the European Union finally received the necessary political will, as Boris Johnson and his pro-Brexit party won a decisive victory in a snap election. The impeachment of President Trump could be seen as a relief for investors. Because it was widely thought that the trial in the Senate would be short and that Trump would remain in office, the vote in the House of Representatives seemed to alleviate this long-running uncertainty for the markets.

The quarter saw the U.S. economy seeming to retreat from previous indications that it might slip into recession in 2020. Gross domestic product growth in the third quarter, the most recent data, hit a healthy 2.1%. This was buoyed by the continued strength of the labor market, with unemployment dipping to levels not seen since 1969. Robust consumer confidence led to record retail sales on Black Friday and Cyber Monday.

At its October Federal Open Market (FOMC) meeting, the Fed eased rates for the third time in 2019, lowering the federal funds target range by 25 basis points to a range of 1.50-1.75%. Unlike with the previous two policy actions, however, Fed officials signaled strongly that absent a material change in the outlook for the economy or inflation, they were likely to remain at the new target range for quite some time. The markets received more detail at the December FOMC meeting, in which policymakers not only refrained from cutting rates, but communicated in their projections that they don't intend to make any changes through the entirety of 2020.

In the liquidity space, the Fed played another role in a different anxiety-causing arena, that of quelling concern about how the repo market would respond to year-end pressure. The worry stemmed from the unexpected spike in the repo rate in September, one caused by technical events rather than any credit stress but exacerbated by a lower amount of bank reserves held at the central bank. Despite aggressive action by the Fed following that occurrence, markets did not appear to be satisfied that the Fed could eliminate the potential for another bout of volatility at the end of the year. In his press conference following the announcement of the pause in rate action at the December FOMC meeting, Chair Jerome Powell said that the Fed stood ready to support the overnight market and that the measures already taken through overnight, term and permanent operations (its purchases of Treasury bills) made policymakers confident year-end would go smoothly. This was the case as the liquidity the Fed offered to primary dealers successfully averted any dislocations.

The Treasury yield curve ended the quarter with 1-month at 1.47%, 3-month at 1.55%, 6-month at 1.59% and 12-month at 1.58%. The London interbank offered rate (LIBOR) ended with 1-month at 1.76%, 3-month at 1.91%, 6-month at 1.91% and 12-month at 1.99%.

You could lose money by investing in the fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. The fund may impose a fee upon the sale of your shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimums because of market conditions or other factors. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.

A Word About Risk

The value of some asset-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private guarantee and/or insurance, there is no assurance that private guarantors or insurers will meet their obligations.

Current and future portfolio holdings are subject to risk.

Definitions

Net yields are based on the average daily income dividend and average net asset value for the 7 days ended on the date of calculation. The 7-day net annualized yield is based on the average net income per share for the 7 days ended on the date of calculation and the offering price on that date.

The fund is a managed portfolio and its holdings are subject to change.

The holdings percentages are based on net assets at the close of business on 12/31/19 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

Weighted Average Maturity is the mean average of the periods of time remaining until the securities held in the fund's portfolio (a) are scheduled to be repaid, (b) would be repaid upon a demand by the fund or (c) are scheduled to have their interest rate readjusted to reflect current market rates. Securities with adjustable rates payable upon demand are treated as maturing on the earlier of the two dates if their scheduled maturity is 397 days or less, and the later of the two dates if their scheduled maturity is more than 397 days. The mean is weighted based on the percentage of the amortized cost of the portfolio invested in each period.

Weighted Average Life is calculated in the same manner as the Weighted Average Maturity (WAM), but is based solely on the periods of time remaining until the securities held in the fund's portfolio (a) are scheduled to be repaid or (b) would be repaid upon a demand by the fund without reference to when interest rates of securities within the fund are scheduled to be readjusted.

Repurchase agreements consist of a financial institution selling securities to a fund and agreeing to repurchase them at a mutually agreed upon price and time.

Variable rate demand notes are tax-exempt securities that require the issuer or a third party, such as a dealer or bank, to repurchase the security for its face value upon demand. The securities also pay interest at a variable rate intended to cause the securities to trade at their face value.

This must be preceded or accompanied by a current prospectus.