

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

\$4.8 billion

Top Ten Holdings

Credit Suisse Group AG
Bank of Montreal
Barclays Bank plc
Royal Bank of Canada
Wells Fargo & Co.
Barton Capital S.A.
Canadian Imperial Bank of Commerce
JPMorgan Chase & Co.
BOK Financial Corp.
Landesbank Baden-Wuerttemberg

Total % of Portfolio: 39.4%

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

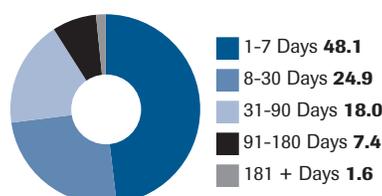
Dividends

Declared Daily/Paid Monthly

Portfolio Composition (%)



Effective Maturity Schedule (%)



Fund Performance

Net Yields (%)		Total Return (%)	
7-Day	1.71	1 Year	1.17

Annualized Yields (%)	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
7-Day	0.67	0.72	0.89	1.09	1.16	1.25	1.29	1.28	1.33	1.48	1.56	1.71

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 1.51% 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 a 10% daily liquidity bucket and a 30% weekly liquidity bucket. Both requirements are 'point of purchase' requirements. Thus, it is permissible and probable 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 fill the requisite liquidity bucket 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.'

2a-7 Liquidity

Daily 24.25%
Weekly 41.66%

Weighted Average Maturity

30 Days

Weighted Average Life

51 Days

Federated Capital Reserves Fund

Portfolio Manager Commentary

Federal Reserve officials sounded a more cautious tone in the fourth quarter amid heightened equity market volatility, increasing signs of a global slowdown and a White House that was openly critical of the Fed's leadership. While their "data-dependent" message was not new, policymakers strove to remind the markets that they make decisions based on their dual mandate of keeping inflation stable and maximizing employment—not on "noise" that may cloud the public's view of its mission.

Markets tend to forget the Fed's dual goals during periods of uncertainty, as was the case in the final three months of 2018 and particularly in the closing month of December. At that month's policy-setting Federal Open Market Committee meeting, Fed Chair Jerome Powell made clear its dual mandate was the main reason the central bank raised interest rates by 25 basis points to a range of 2.25%-2.50%.

While core inflation moderated and was just shy of the Fed's 2% target, the labor market remained robust in the fourth quarter while the broader economy was generally strong. This constructive macro backdrop led policymakers to look past the market turmoil (which Powell characterized as "crosscurrents"), trade tensions, a floundering Brexit, White House comments and other disruptions while sticking with its expected December rate hike. It did, however, pare projected 2019 rate increases to two from a previous three.

The Fed did take steps to emphasize that it considers rates, and not the ongoing runoff of still massive holdings of government securities, as its primary policy tool. At \$50 billion a month, the drawdown of its balance sheet in the fourth quarter was the largest it has been since quantitative tapering (QT) began in 2017, and the FOMC said this pace would continue into 2019. While this flood of supply has put upward pressure on rates, it's worth noting that the U.S. Treasury Department successfully introduced a weekly 2-month Treasury bill auction and transitioned Treasury bill maturities to a twice-weekly settlement structure in the quarter.

On the macro level, consumers continued to drive the U.S. economy, abetted by modestly rising wages, a near 50-year low in unemployment, high confidence levels and the best retail sales in seven years. There were some hiccups: housing experienced a pullback in sales and concerns over the effects of tariffs and the threat of a full-blown trade war weighed on business confidence and manufacturing production.

Over the course of the three months, the 1-month London interbank offered rate (Libor) rose from 2.26% to 2.50% and 3-month Libor rose from 2.40% to 2.81%. The short end of the Treasury yield curve also increased over the quarter, with 1-month and 3-month Treasury yields rising from 2.08% to 2.40% and 2.18% to 2.47%, respectively.

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 12/31/18 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.