Federated®

Concerned about rising rates?

Consider high-yield bond funds in a rising-rate environment.

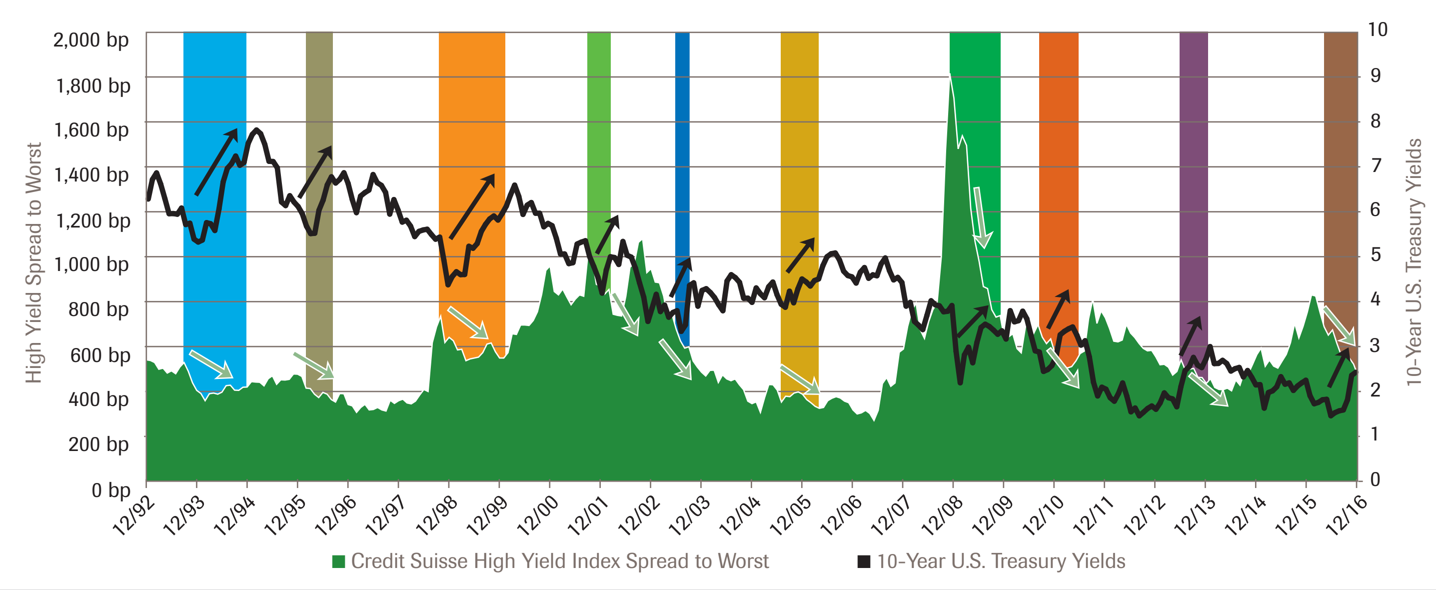
While rising rates will put pressure on bond prices, higher interest rates do not always imply negative total returns for fixed-income investors. Credit sectors, such as high-yield bonds, offer higher coupons than typical government bonds and may provide an income cushion to offset pressure on bond prices. Historically interest rates have risen when the economy is strengthening and corporate earnings and balance sheets are improving. These are fundamental factors in the performance of corporate bonds and reasons why, in past rising-rate periods, high-yield bonds have generated a positive total return.

Positive returns in past ten rising-rate periods

Rising-Rate Environment				Bloomberg Barclays U.S. Agg Bond Index Total Return	Bloomberg Barclays U.S. Corp. High Yield Bond Index Total Return
Beginning Date	Ending Date	U.S. Treasury 10-Yr Yield Increase (bp)	High Yield Spreads (bp)		
9/30/1993	11/30/1994	253	529 to 419	-3.03%	1.69%
12/31/1995	8/31/1996	137	477 to 364	-1.11%	5.06%
9/30/1998	1/31/2000	224	687 to 549	-0.61%	3.07%
10/31/2001	3/31/2002	117	933 to 744	-1.91%	4.96%
5/31/2003	8/31/2003	110	742 to 593	-2.91%	2.91%
8/31/2005	6/30/2006	112	379 to 359	-1.16%	2.81%
12/31/2008	12/31/2009	163	1706 to 634	5.93%	58.21%
8/31/2010	3/31/2011	100	698 to 505	-0.77%	10.46%
4/30/2013	12/31/2013	136	473 to 436	-2.89%	2.57%
7/29/2016	12/30/2016	100	616 to 472	-3.14%	4.57%

Risk premiums (i.e., spreads) have fallen amid economic improvement

In discussing high-yield bond returns, investment managers often refer to "spreads." Spreads simply represent the difference—or spread—between yields on high-yield bonds and comparable-maturity Treasury bonds. This spread reflects the additional risk premium demanded by investors for the added credit risk relative to Treasury bonds. In periods of economic expansion when interest rates are generally rising, high-yield bonds spreads typically tighten, as investors tend to demand a lower risk premium when corporate fundamentals are improving.



Sources: Morningstar, Inc., Bloomberg and Credit Suisse.
High yield spread to worst represented by Credit Suisse High Yield Index.
Past performance is no guarantee of future results. These charts are for illustrative purposes only and not representative of performance for any particular investment. Investments cannot be made directly in an index.

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For more complete information about Federated high yield bond funds, please visit FederatedInvestors.com for summary prospectuses or prospectuses. 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.

Mutual funds are subject to risks and fluctuate in value.

High-yield, lower-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment-grade securities.

Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.

bp=basis points

Spread to worst is the difference in overall returns between two different classes of securities, or returns from the same class, but different representative securities. The spread to worst measures the difference from the worst performing security to the best, and can be seen as a measure of dispersion of returns within a given market or between markets. The spread to worst can vary significantly depending on different market and economic variables.

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index composed of securities from the Barclays Government/Corporate Bond Index, Mortgage-Backed Securities Index and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indices are rebalanced monthly by market capitalization.

The Bloomberg Barclays U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded. The US Corporate High Yield Index is a component of the US Universal and Global High Yield Indices. The index was created in 1986, with history backfilled to July 1, 1983.

Credit Suisse High Yield Index is an unmanaged, trader priced index constructed to mirror the characteristics of the high yield bond market. The index includes issues rated BB and below by S&P or Moody's with par amounts greater than $75 million. Preferred issues, U.S. dollar denominated foreign issues and 144A securities meeting the above condition are also included. Morningstar receives and publishes this figure as a monthly total return.

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