

**Morningstar Category**

World Allocation

**Benchmark**60% MSCI All Country World Index/ 40%  
Bloomberg Barclays Global Aggregate  
Index**Portfolio Assets (as of 9/30/2018)**

\$396.8 million

**Tickers**A: FSTBX    B: FSBBX    C: FSBCX  
R: FSBKX    IS: SBFIX    R6: FSBLX**Key Investment Team****Timothy H. Goodger, Ph.D**  
SVP, Sr. Portfolio Manager**John Sherman, CFA**  
VP, Sr. Portfolio Manager**Ihab L. Salib**  
SVP, Sr. Portfolio Manager  
Head of Intl Fixed Income**Chengjun Wu, CFA**  
VP, Portfolio Manager  
Sr. Investment Analyst**Steven A. Chiavarone, CFA**  
VP, Portfolio Manager**Qun Liu, CFA**  
AVP, Portfolio Manager  
Sr. Quantitative Analyst**MARKET OVERVIEW**

In the third quarter of 2018, US equity markets rallied while on strong economic and corporate profit growth, while bonds continued to sell off in response to further Federal Reserve rate hikes. International markets had to contend with trade tensions, uncertainty around Brexit and Italian fiscal policy, a strong dollar, higher US interest rates, and currency instability in certain emerging markets. This led to more mixed results.

Within the fixed income space, resurgent economic growth, coupled with the gradual Federal Reserve tightening, contributed to significant outperformance of risk assets during the quarter.

This risk asset outperformance was even more impressive when considering all the headwinds weighing on the financial market in last few months. The wall of worries included escalating trade tensions with China, economic stress in some vulnerable emerging market economies, Italy's fiscal issues, the risk of a 'no-deal' Brexit, and higher oil prices. For the quarter though, investors focused on the positive: a strong US economy with the lowest unemployment rate since 1970, surging business and consumer confidence, record-level corporate profits, and core PCE inflation that finally hit Fed's 2% target.

**FUND  
PERFORMANCE**

Federated Global Allocation Fund's IS shares returned 2.87% during the third quarter, outperforming the fund's benchmark, which returned 2.18%.

During the quarter, equity security selection was, once again, a positive driver. The international developed and emerging market security selection strategies led the way, while the domestic large cap strategy also modestly outperformed. The results on the fixed income side were also positive, with both the domestic and international strategies outperforming. During the quarter, the fund benefitted from duration positioning and overweights to high yield, investment grade corporates, trade finance, and bank loans.

From an allocation perspective, an overweight to stocks relative to bonds was beneficial given strong equity market returns relative to bonds.

The tactical overlay strategies also contributed to performance. The global currency strategy led the way, benefitting from a net long position in the US dollar. The global fixed income strategy was also positive, while the global equity strategy was the sole detractor.

*Performance data 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. Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For current to the most-recent month-end performance and after-tax returns, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com).*

**QUARTER-END  
POSITIONING**

The fund continues to have an overweight allocation to stocks vs. bonds, as we remain bullish into year-end despite the potential for volatility ahead of the mid-term elections. Ultimately, we believe that strong economic fundamentals, continued corporate earnings growth, and historically benign levels of inflation and interest rates should continue to support equity markets. We also continue to have a net long position in the dollar.

From a fixed income perspective, we begin the fourth quarter with 97.5% of the interest-rate sensitivity (duration) of the index. While we expect interest rates to move higher we have reduced the short from 95% to 97.5% locking in profits and reducing risk ahead of the US mid-term elections. At the same time, the fund is positioned for a further flattening of the yield curve.

The fund also maintains a small overweight to high yield and is neutral on investment grade corporate bonds and government mortgages.

**AVERAGE ANNUAL TOTAL RETURNS (%) AS OF 9/30/2018**

	YTD	1 Year	3 Year	5 Year	10 Year
<b>Federated Global Allocation Fund</b>					
IS Shares (NAV)	1.77	5.57	7.72	5.54	6.60
A Shares (NAV)	1.55	5.29	7.42	5.24	6.33
A Shares (MOP)	-4.02	-0.52	5.42	4.05	5.73
60% MSCI All Country World Index/ 40% Bloomberg Barclays Global Aggregate Index	1.37	5.28	8.81	5.55	6.30
<b>Morningstar World Allocation Peer Median</b>	<b>0.18</b>	<b>3.39</b>	<b>7.25</b>	<b>4.74</b>	<b>6.18</b>
<b>Federated Global Allocation Fund</b>					
IS Shares % Rank in Category	-	21	43	25	37
A Shares % Rank in Category	-	24	51	36	47
<b># of Funds in Category</b>	<b>-</b>	<b>466</b>	<b>399</b>	<b>334</b>	<b>166</b>

*Rankings are based on total return and do not take sales charges into account. The 3, 5, and 10 year returns are average annual total returns. Performance data 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. Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For current to the most-recent month-end performance and after-tax returns, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com). Class A Shares maximum offering price returns reflect the maximum sales charge of 5.5%.*

Views are as of 9/30/18 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.

*For more complete information, visit [FederatedInvestors.com](http://FederatedInvestors.com) or contact your investment professional for prospectuses or summary 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.*

**MSCI All Country World Index:** Captures large- and mid-cap representation across 23 developed markets countries and 23 emerging markets countries. The index covers approximately 85% of the global investable equity opportunity set.

**Bloomberg Barclays Global Aggregate Bond Index:** A measure of global investment grade debt from twenty-four different local currency markets. This multi-currency benchmark includes fixed-rate treasury, government-related, corporate and securitized bonds from both developed and emerging markets issuers.

**Duration:** A measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

**A Word About Risk**

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

International investing involves special risks including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging markets securities can be significantly more volatile than the prices of securities in developed countries and currency risk and political risks are accentuated in emerging markets.

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

Diversification and asset allocation do not assure a profit nor protect against loss.

The Fund may make short sales of securities, which involves unlimited risk including the possibility that losses may exceed the original amount invested.

S&P 500 Index: An unmanaged capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Indexes are unmanaged and investments cannot be made in an index.

The fund offers additional classes of shares. Performance for these classes will differ due to differences in charges and expenses.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. ©2018 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 warranted 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.

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