

Federated Capital Income Fund

4Q
2019

12/31/19

Fund Facts

Performance Inception Date

5/27/88

Benchmark

40% Russell 1000[®] Value Index/20% Bloomberg Barclays Emerging Markets USD Aggregate Index/20% Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index/20% Bloomberg Barclays U.S. Mortgage Backed Securities Index

Morningstar Category

Allocation - 30% to 50% Equity

Lipper Classification

Mixed-Asset Target Allocation Conservative Funds

Fund Assets

\$1.1 billion

Ticker Symbols

Institutional Shares - CAPSX
A Shares - CAPAX
C Shares - CAPCX
F Shares - CAPFX
R Shares - CAPRX

Key Investment Team

Linda Bakhshian, CPA, CA
Jerome Conner, CFA
Todd Abraham, CFA
Mark Durbiano, CFA
Ihab Salib

Yields (%)

30-Day Yield (IS)	3.15
30-Day Yield (A)	2.74
12-Month Yield (IS)	3.86
12-Month Yield (A)	3.62

Fund Description

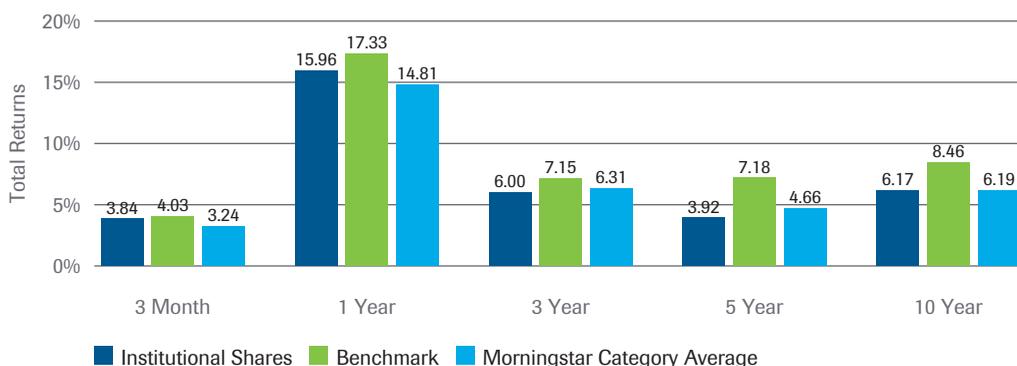
The fund pursues monthly income, long-term growth of income and capital appreciation and seeks to deliver this objective through a diversified portfolio of income-producing stocks and bonds.

Performance

Average Annual Total Returns (%)

Performance shown is before tax.

	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	15 Year	Since Inception	Expense Ratio*	
									Before Waivers	After Waivers
Institutional Shares	3.84	15.96	15.96	6.00	3.92	6.17	5.73	6.56	0.83	0.65
A Shares (NAV)	3.78	15.69	15.69	5.74	3.66	6.01	5.62	6.52	1.08	0.90
A Shares (MOP)	-1.96	9.36	9.36	3.76	2.49	5.40	5.22	6.33	1.08	0.90
Benchmark	4.03	17.33	17.33	7.15	7.18	8.46	7.07	-	-	-



Calendar Year Returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	15.96	-6.89	10.31	8.17	-5.94	2.59	13.04	11.11	4.67	11.32
Benchmark	17.33	-3.86	9.06	12.68	-0.94	8.79	11.25	11.52	8.70	13.19
Morningstar Category Average	14.81	-5.04	9.86	6.62	-2.37	3.90	7.07	9.22	1.74	10.01

Performance 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. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit FederatedInvestors.com. Maximum Offering Price figures reflect the maximum sales charge of 5.5% for A Shares. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

* The fund's expense ratio is from the most recent prospectus. The expense ratio may reflect voluntary fee waivers and/or expense reimbursements determined by the fund's Advisor and its affiliates. The voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of 2/1/20 or the date of the fund's next effective prospectus.

Distinguishing Characteristics

Income-Focused Approach	Combines income-producing and dividend-growing stocks and bonds	Potential for relatively high monthly income and dividend growth as inflation protection
Differentiated Portfolio	Strategic diversification across asset classes, sectors and securities	Balanced approach for investors seeking current income and long-term capital appreciation
Long-Term Potential	A team of managers experienced in providing income in various market cycles	Potential for lower volatility than a typical equity fund and higher capital appreciation than a typical bond fund

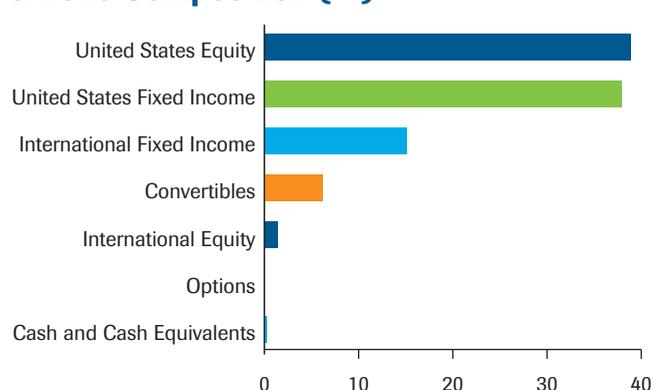
Portfolio Statistics

Equity	
Weighted Average P/E (NTM)	20.2x
Number of Equity Securities	111
Weighted Average Market Cap	\$244.7 b
Fixed Income	
Weighted Average Effective Maturity	6.1 Yrs.
Weighted Average Duration	4.2 Yrs.
Number of Fixed Income Securities	151

Top Holdings (%)

Equity Portfolio	
Apple Inc.	2.0
Microsoft Corporation	1.9
JPMorgan Chase & Co.	1.5
AT&T Inc.	1.1
Verizon Communications Inc.	1.1
Johnson & Johnson	1.0
Bank of America Corporation	0.9
Citigroup Inc.	0.9
Comcast Corp., Class A	0.9
UnitedHealth Group, Inc.	0.9
Fixed-Income Portfolio	
High Yield Bond Portfolio	21.2
Emerging Markets Core Fund	14.6
Federated Mortgage Core Portfolio	12.5
U.S. Treasury Note 1.75% 11/15/2029	0.8
Benchmark Mortgage Trust 2018-B4 A5, 4.121%, 7/15/2051	0.2
CD Commercial Mortgage Trust 2016-CD1 A4, 2.724%, 8/10/2049	0.2
FNMA 2016-M11 A2, 7/25/2026	0.2
FREMF Mortgage Trust 2015-K49 B, 10/25/2048	0.2
JPMDB Commercial Mortgage Securities Trust 2016-C4 A3, 3.1413%, 12/15/2049	0.2
Morgan Stanley Capital I Trust 2016-UB12 A4, 3.596%, 12/15/2049	0.2

Portfolio Composition (%)



Short fixed-income futures were -2.5%; long fixed-income futures were 6.5%; delta adjusted purchased equity put options were -1.1%; and credit default swaps were -0.5%. Futures contracts do not require cash outlay; the notional value is reported.

Portfolio composition is 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. Because this is a managed portfolio, the investment mix will change.

Highlights

- The S&P 500 Index reached all-time highs during the final three months, ending the year up more than 31% on a total return basis
- The U.S.-China trade war and Federal Reserve (Fed) decisions continued to attract the focus of investors
- Impeachment of President Trump and the election of U.K. Prime Minister Boris Johnson were noteworthy headlines

Looking Back

In the fourth quarter of 2019, equity markets advanced as trade tensions between the U.S. and China eased. The first phase of a deal – in which the U.S. will decrease tariffs and China will increase its U.S. agricultural imports – is expected to be signed in early 2020. On the domestic front, solid employment and housing data aided the equity rally, as did the Fed, which in October lowered its target rate a third time for the year and signaled it's likely to keep rates unchanged in 2020.

Looking abroad, incumbent Boris Johnson was re-elected U.K.'s prime minister, reducing Brexit uncertainty. It's likely a bill to exit the European Union (EU) will be signed in early 2020, setting the stage for a transition period in which the U.K. will withdraw from the EU. Treasury yields were mixed as yields fell at the short end of the curve but increased for maturities greater than two years on subsiding recession fears, the U.S.-China Phase One agreement and global bank easing. The yield curve "bear" steepened, with the yield on the 2 year Treasury bond decreasing approximately 5 basis points while the yield on the 10-year Treasury increased by 25 basis points. The only part of the curve that remained inverted was 6 months to a year, at just 1 basis point at year-end.

During the quarter, the Bloomberg Barclays Aggregate Index returned 0.18%, the Bloomberg Barclays Mortgage Index returned 0.71%, the Bloomberg Barclays High Yield 2% Issuer Cap Index returned 2.61% and the Bloomberg Barclays Emerging Markets USD Aggregate Index returned 2.09%. In addition, the S&P 500 returned 9.07%, the Russell 1000 Value Index returned 7.41% and the Russell 1000 Growth Index returned 10.62%. Cyclical equities outperformed defensive equities and equities outperformed fixed income.

Performance

Federated Capital Income Fund A Shares returned 3.78% at net asset value for the fourth quarter of 2019, underperforming the 4.03% return of the fund's benchmark comprising of 40% Russell 1000 Value Index, 20% BBHY2%ICI, 20% BBMB and 20% BBEMB Index.

Performance Contributors

- An equity relative overweight position in the Information Technology sector and underweight in Consumer Staples
- Stock selection in the Financials and Health Care sectors
- Fixed-income sector allocation and security selection in high yield and emerging markets (EM)

Performance Detractors

- Value underperforming growth was a structural headwind for equities
- Negative stock selection in the Communication Services and Consumer Discretionary sectors
- Fixed-income duration positioning and security selection in mortgage backed securities

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How We Are Positioned

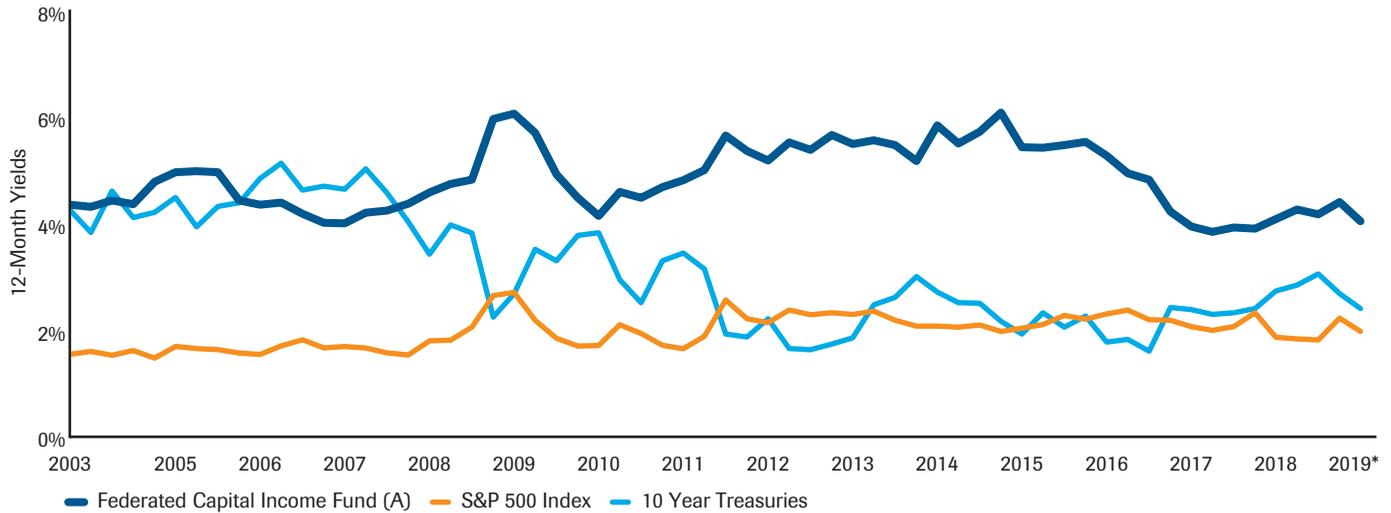
As the calendar turns to 2020, the market sits at all-time highs after a very strong run in the final quarter to cap a very strong 2019.

For the first time in over a year, we expect trade tensions with China to recede. While the Phase One deal does not address all concerns, it makes further escalation less likely as the two countries work toward a Phase Two agreement. We also don't expect a major escalation of tariffs with Europe, in part because a strong economy is President Trump's best argument for re-election. With further tariffs unlikely, companies should regain the confidence to invest. As the new year unfolds, we expect the election to gain increasing prominence, with March 3's Super Tuesday vote having the potential to go a long way toward deciding the Democratic nominee, which could introduce volatility depending on the outcome. Turning our focus to 2020 earnings, we expect company management to once again be cautiously optimistic, with profits growing faster than in 2019. As with history, earnings guidance is likely to start the year on the conservative side and improve as the year progresses. We have a positive bias toward value cyclical sectors and the equity markets in general, driven by our confidence in improving global economy, reduction in tariff uncertainty and increasing election clarity. Most market participants expect the global economy to return to trend growth of 2.5-3.0%, with the rest of the world closing the growth gap with the U.S. and with U.S. consumers continuing to benefit from low unemployment and real wage growth.

In fixed income, we expect less monetary stimulus by central banks going forward. However, with an election year in the U.S., new fiscal stimulus proposals are likely, with the growing federal deficit acting as a deterrent to anything major. Credit markets should continue to benefit from ample liquidity and low default rates, with the excess carry from corporate and EM providing positive excess returns in the medium term. Inflation expectations likely will rise from very low levels, causing yield curves to continue to steepen, while the narrowing growth gap between the U.S. and the rest of the world should continue to reverse dollar strength. At the end of 2019, the fixed-income portfolio's duration was slightly longer than the duration of the benchmark, and yield-curve positioning was neutral. We remain slightly overweight EM debt and are neutral in high yield.

See disclosure section for important disclosures and definitions.

The Fund Delivered Higher Yield



Source: Federated Investors
* As of 12/31/19

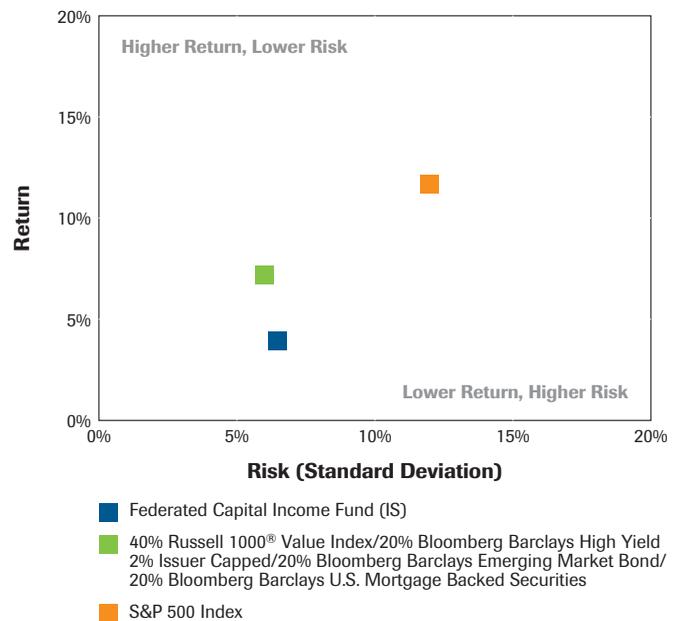
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	6.30	6.47	6.50	6.99
Beta	0.50	0.50	0.53	0.51
Correlation	0.96	0.93	0.91	0.92
R ²	92.68	87.39	82.62	83.83
Tracking Error	6.28	6.36	5.87	6.67

Sources: Federated Investors, Morningstar, Inc.
Fund vs. S&P 500 Index

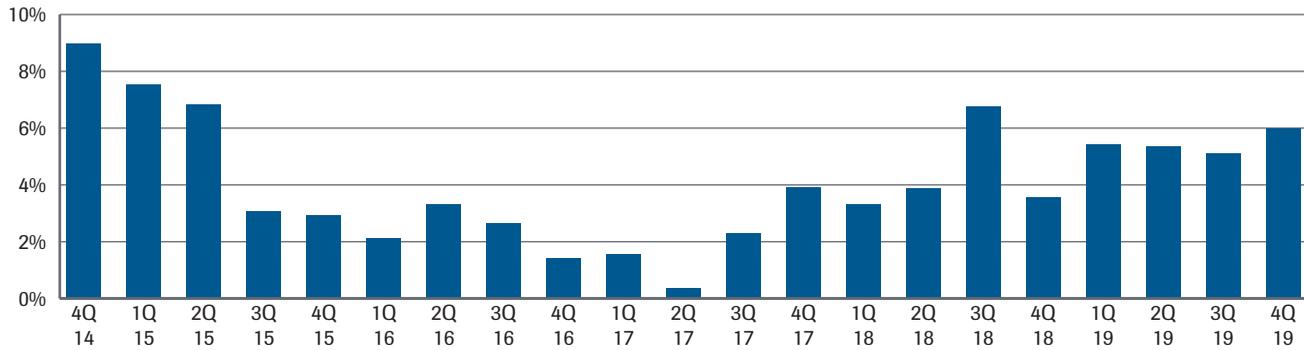
See disclosure section for important definitions.

5-Year Risk/Return



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3-Year Rolling Returns (IS)



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Category Rankings

Morningstar Allocation - 30% to 50% Equity Category

IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	32	70	82	47
Morningstar Category Rank	173 of 562 Funds	338 of 506 Funds	338 of 419 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	35	76	87	53
Morningstar Category Rank	196 of 562 Funds	371 of 506 Funds	362 of 419 Funds	145 of 270 Funds

Lipper Mixed-Asset Target Allocation Conservative Funds

IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	14	37	58	-
Lipper Classification Rank	42 of 319 Funds	112 of 302 Funds	156 of 268 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	17	45	73	28
Lipper Classification Rank	54 of 319 Funds	135 of 302 Funds	194 of 268 Funds	53 of 190 Funds

Past performance is no guarantee of future results. Rankings are based on total return and do not take sales charges into account.

30-day yield (also known as “SEC yield”) is a compounded and annualized figure calculated according to a formula set by the SEC. The formula requires use of a specific methodology for calculating dividends and interest earned, and expenses accrued, during the period, and reflects the maximum offering price per fund share. The standardized computation is designed to facilitate yield comparisons among different funds. In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 2.97% for IS Shares and 2.57% for A Shares. Yields for other classes will vary.

The 12-month yield for A Shares is the sum of a fund’s total trailing 12-month interest and dividend payments divided by the last month’s ending share price (NAV) plus any capital gains distributed over the same period.

The fund’s Institutional Shares commenced operations on March 30, 2012. For the period prior to the commencement of operations of the Institutional Shares, the performance information shown is for the fund’s A Shares. The performance of the A Shares has not been adjusted to reflect the expenses of the Institutional Shares since the Institutional Shares have a lower expense ratio than the expense ratio of the A Shares. The performance shown has been adjusted to reflect differences between the sales loads and charges imposed on the purchase and redemption of the fund’s A Shares and Institutional Shares and to remove any voluntary waiver of fund expenses related to the A Shares that may have occurred during the period prior to the commencement of operations of the Institutional Shares.

A Word About Risk

Mutual funds are subject to risks and fluctuate in value.

International investing involves special risks, including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging market 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-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment-grade securities.

Diversification does not assure a profit nor protect against loss.

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

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.

Definitions

Bloomberg Barclays Emerging Markets USD Aggregate Index tracks total returns for external-currency-denominated debt instruments of the emerging markets: Brady bonds, loans, Eurobonds, and U.S. dollar-denominated local market instruments. Countries covered are Argentina, Brazil, Bulgaria, Ecuador, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, and Venezuela.

Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index is an issuer-constrained version of the flagship U.S. Corporate High Yield Index, which measures the USD-denominated, high yield, fixed-rate corporate bond market. The index follows the same rules as the uncapped version, but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index wide on a pro rata basis. The index was created in 2002, with history backfilled to January 1, 1993.

Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

Russell 1000® Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® Index companies with lower price-to-book ratios and lower expected growth values. The R1000V is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Russell 1000® Value Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

S&P 500 Index is an unmanaged capitalization-weighted index of 500 stocks designated 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 cannot be invested in directly.

Beta measures a portfolio’s volatility relative to the market. A Beta greater than 1.00 suggests the portfolio has historically been more volatile than the market as measured by the fund’s benchmark. A Beta less than 1.00 suggests the portfolio has historically had less volatility relative to the market.

Correlation is the degree to which one variable (here, the fund’s returns) fluctuates relative to another (the returns of the fund’s benchmark).

Correlation ranges from 1.00, when two variables move identically in the same direction, to -1.00, when two variables move identically in the opposite direction.

R-Squared indicates what percentage of a portfolio’s movement in performance is explained by movement in performance of the market.

R-squared ranges from 0 to 100, and a score of 100 suggests that all movements of a portfolio’s performance are completely explained by movements in the market as measured by the fund’s benchmark.

Standard Deviation is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

Tracking Error is the difference between a portfolio’s returns and the benchmark or index it was meant to mimic or beat.

Weighted Average Duration (sometimes called “Option-Adjusted Duration”) is a measure of a security’s price sensitivity to changes in interest rates calculated using a model that recognizes that the probability of a bond being called or remaining outstanding until maturity may vary if market interest rates change, and that makes adjustments based on a bond’s embedded options (e.g., call rights, or in the case of a mortgage-backed security, the probability that homeowners will prepay their mortgages), if any, based on the probability that the options will be exercised. A fund’s weighted average duration will equal the market value weighted average of each bond’s duration in the fund’s portfolio. As with any model, several assumptions are made so the weighted average duration of a fund in the Federated family of funds may not be comparable to other funds outside of the Federated family of funds. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Weighted Average Effective Maturity is the average time to maturity of debt securities held in the fund.

Weighted Average Market Capitalization is calculated as the average market capitalization of the stocks within the portfolio, weighted by the amount of each stock owned.

Weighted Average P/E (NTM—Next Twelve Months) is an average comparing share price to earnings per share with values greater than 75 are capped at 75 and excludes negatives.

Ratings and Rating Agencies

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This must be preceded or accompanied by a prospectus.