

Federated Capital Income Fund

2Q
2019

6/30/19

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

\$1.2 billion

Ticker Symbols

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

Key Investment Team

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

Yields (%)

30-Day Yield (IS)	3.46
30-Day Yield (A)	3.04
12-Month Yield (IS)	4.06
12-Month Yield (A)	3.82

Fund Description

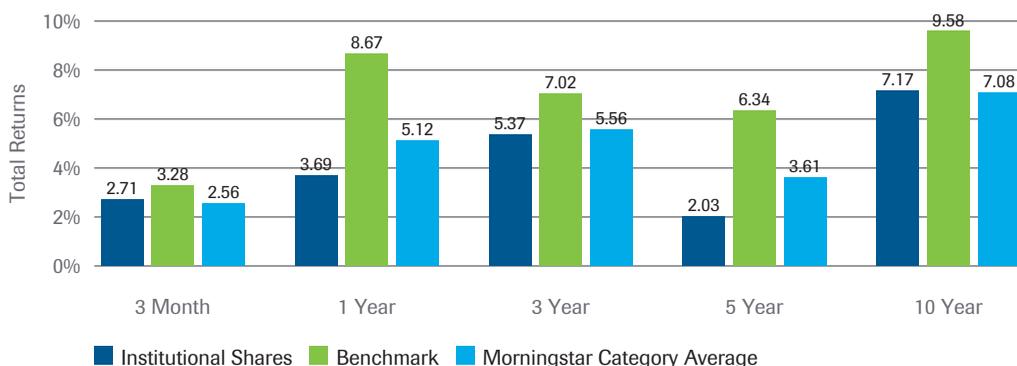
The fund pursues monthly income, long-term growth of income and capital appreciation and seeks to deliver this objective through a diversified portfolio of income-producing stocks and bonds.

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	2.71	10.57	3.69	5.37	2.03	7.17	6.02	6.50	0.83	0.65
A Shares (NAV)	2.64	10.44	3.30	5.11	1.78	7.02	5.92	6.47	1.08	0.90
A Shares (MOP)	-3.00	4.39	-2.38	3.16	0.64	6.42	5.53	6.28	1.08	0.90
Benchmark	3.28	11.26	8.67	7.02	6.34	9.58	7.41	-	-	-



Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Institutional Shares	-6.89	10.31	8.17	-5.94	2.59	13.04	11.11	4.67	11.32	28.10
Benchmark	-3.86	9.06	12.68	-0.94	8.79	—	—	—	—	—
Morningstar Category Average	-5.04	9.86	6.62	-2.37	3.90	7.07	9.22	1.74	10.01	20.38

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

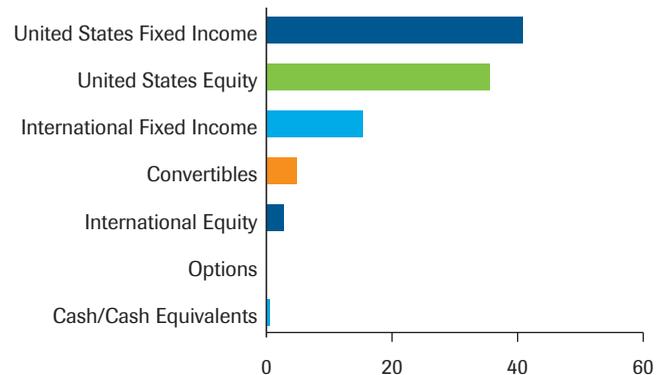
Portfolio Statistics

Equity	
Weighted Average P/E (NTM)	17.9x
Number of Equity Securities	180
Weighted Average Market Cap	\$124.3 b
Fixed Income	
Weighted Average Effective Maturity	5.7 Yrs.
Weighted Average Duration	4.2 Yrs.
Number of Fixed Income Securities	173

Top Holdings (%)

Equity Portfolio	
AT&T, Inc.	1.1
Johnson & Johnson	0.9
JPMorgan Chase & Co.	0.9
McDonald's Corp.	0.8
Fixed-Income Portfolio	
High Yield Bond Portfolio	22.6
Emerging Markets Core Fund	14.6
Federated Mortgage Core Portfolio	12.8
Banc of America Commercial Mortgage Trust 2016-UBS10 A4, 3.17%, 7/15/2049	0.2

Portfolio Composition (%)



Short fixed-income futures were -5.0%; long fixed-income futures were 12.4%; short equity futures were -6.8%; delta adjusted purchased equity put options were -1.8% 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 6/30/19 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 continued its momentum, advancing 4.30% in the second quarter
- The expectation of one or more insurance rate cuts by the Federal Reserve (Fed) was a positive driver for stocks and bonds
- Optimism that a trade deal between the U.S. and China will be reached in the near future also helped to drive equities higher in the latter part of the second quarter

Looking Back

Domestic equity markets continued to rise in April-June quarter amid hopes for a U.S.-China trade war resolution and shift by the Federal Reserve to a more accommodative policy stance. After signaling at its March meeting that it planned no rate hikes for the remainder of 2019, the policy-setting Federal Open Market Committee in June sounded a more dovish note, prompting the market to price in with near certainty a rate cut at the Fed's July meeting and possibly two more by the end of the year. The expected rate reductions are being viewed as "insurance cuts" for a slowing economy—job growth, manufacturing and consumer spending slowed during the quarter—with persistently low inflation providing the Fed some leeway. Also in the waning days of June, Presidents Trump and Xi resumed stalled trade negotiations, reducing fears of another round of tariff increases and raising expectations for the second half of the year. Treasury yields decreased significantly across the curve on expectations of the Fed's renewed easing bias, creating a so-called "bull steepener" as yields on the shorter end fell faster than on the longer end. For example, the yield on the 2-year Treasury note decreased 51 basis points over the quarter, while the yield on the 10-year Treasury note decreased 40 basis points. Still, the shortest end of the Treasury yield curve – 3-month to 10-year Treasuries – has remained inverted since mid-May.

During the quarter, the Bloomberg Barclays Aggregate Index returned 3.08%, the Bloomberg Barclays Mortgage Index returned 1.96%, the Bloomberg Barclays HY 2% Issuer Cap Index returned 2.50% and the Bloomberg Barclays Emerging Markets USD Aggregate Index returned 3.75%. In addition, the S&P 500 Index returned 4.30% and the Russell 1000 Value Index returned 3.84%.

Performance

Federated Capital Income Fund A Shares returned 2.65% at Net Asset Value for the second quarter of 2019, underperforming the 3.28% return of the fund's benchmark comprising of 40% Russell 1000 Value Index, 20% BBHY2%ICI, 20% BBMB, and 20% BBEMB Index.

Performance Contributors

- Equity overweight position in Communication Services sector and underweight in the Energy sector
- Stock selection in the Real Estate and Information Technology sectors
- Fixed Income underweight in mortgage-backed securities (MBS) duration management and high yield (HY) security selection

Performance Detractors

- Value underperforming Growth was a structural headwind for equities
- Negative stock selection in the Consumer Staples and Industrials sectors
- Fixed-income yield-curve positioning in emerging markets (EM)

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How We Are Positioned

As the second half of 2019 begins, the market sits at all-time highs after a very strong run in the first half of the year. The trade war with China continues even though a détente was declared by Presidents Trump and Xi at the G-20 meeting in Japan. We are cautiously optimistic that a trade deal eventually will be struck, curbing further deterioration in Chinese economy and helping President Trump's re-election prospects as the 2020 election season picks up steam. The ongoing trade war has dented confidence and slowed global growth, outcomes the Fed has acknowledged along with inflation that continues to run stubbornly below its target, fueling expectations of insurance rate cuts in July and potentially September.

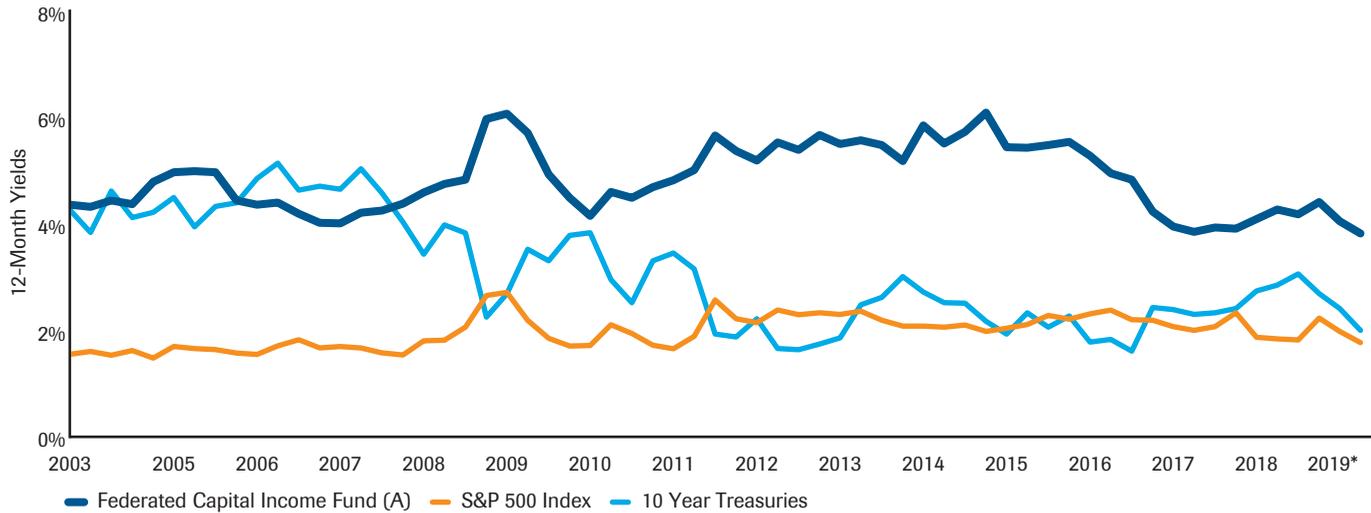
Turning our focus to the upcoming earnings season, we believe caution is warranted and expect some tough earnings reports and guidance cuts, especially out of the more cyclical sectors. We are more hopeful about third- and fourth-quarter earnings, retain a positive bias toward equities heading into the closing half of the year and remain broadly diversified within equity market sectors, with a prudent approach to balancing income, risk and long term total return.

Our macro views are similar in fixed income, where we remain slightly overweight HY and EM debt, with a neutral duration position relative to the benchmark and steepening bias on the yield curve.

Given relative market valuations and considering risks, we believe a balanced portfolio of cyclical and defensive companies that have strong cash flow, balance sheet strength and improving fundamentals will continue to help navigate the current uncertain investment landscape. The fund continues to strive to achieve its primary goal of current income and long-term growth of income, with capital appreciation as a secondary objective.

See disclosure section for important disclosures and definitions.

The Fund Delivered Higher Yield



Source: Federated Investors
* As of 6/30/19

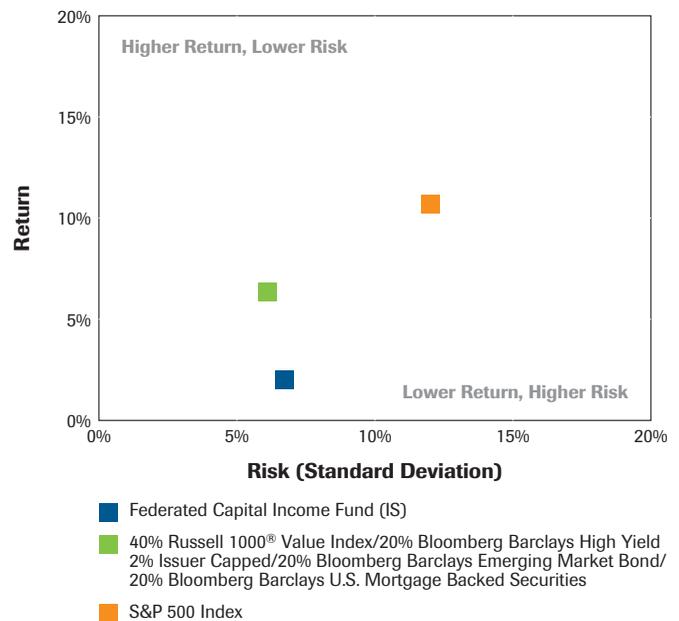
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	6.27	6.71	6.49	7.20
Beta	0.49	0.51	0.53	0.52
Correlation	0.96	0.92	0.90	0.92
R ²	91.53	84.80	81.42	84.03
Tracking Error	6.46	6.42	5.92	6.76

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

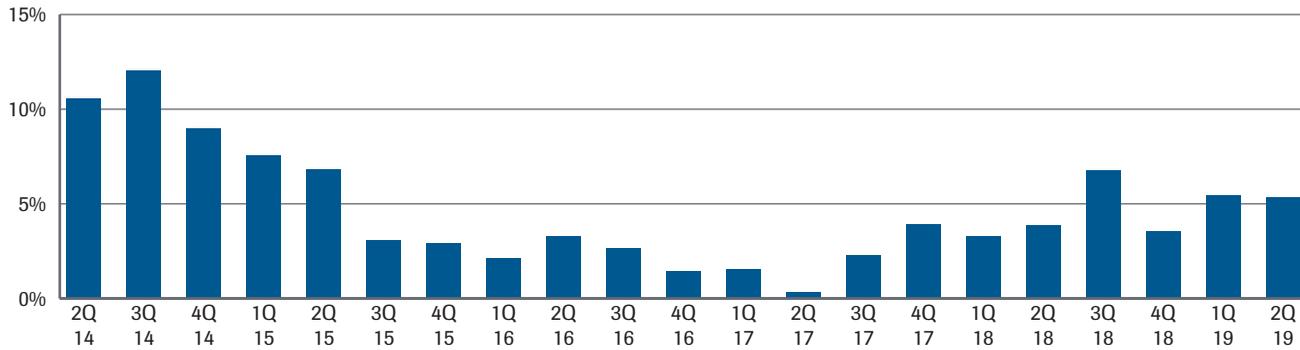
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5-Year Risk/Return



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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	83	60	93	43
Morningstar Category Rank	459 of 553 Funds	288 of 492 Funds	369 of 398 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	87	71	94	48
Morningstar Category Rank	484 of 553 Funds	333 of 492 Funds	374 of 398 Funds	125 of 265 Funds

Lipper Mixed-Asset Target Allocation Conservative Funds

IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	88	34	95	-
Lipper Classification Rank	284 of 325 Funds	105 of 309 Funds	256 of 270 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	92	42	97	26
Lipper Classification Rank	299 of 325 Funds	130 of 309 Funds	261 of 270 Funds	50 of 192 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 3.29% for IS Shares and 2.86% 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.