

12/31/18

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 Category

Mixed-Asset Target Allocation Conservative Funds

Fund Assets

\$1.3 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

Fund Description

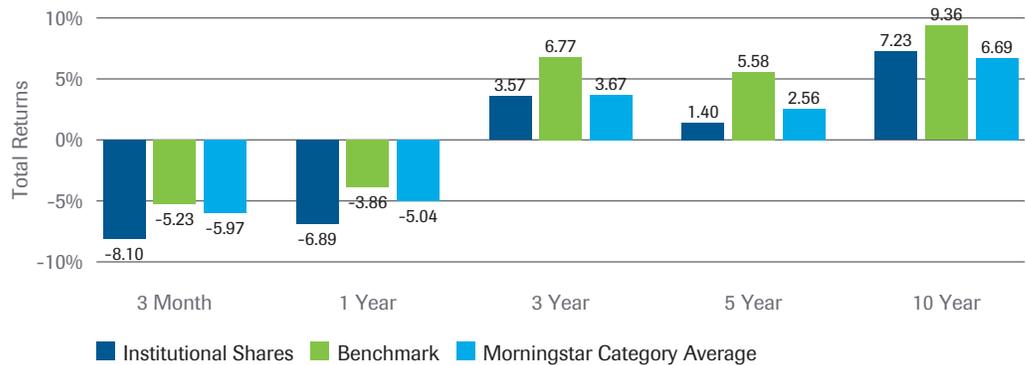
The fund pursues monthly income, long-term growth of income and capital appreciation and seeks to deliver this objective through a diversified portfolio of income-producing stocks and bonds.

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	-8.10	-6.89	-6.89	3.57	1.40	7.23	5.35	6.26	0.82	0.65
A Shares (NAV)	-8.17	-7.14	-7.14	3.31	1.15	7.09	5.26	6.23	1.06	0.90
A Shares (MOP)	-13.18	-12.21	-12.21	1.40	0.02	6.49	4.86	6.04	1.06	0.90
Benchmark	-5.23	-3.86	-3.86	6.77	5.58	9.36	6.79	-	-	-



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	-1.75	8.03	12.46	14.22	4.00	13.19	27.44
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 2/1/19 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

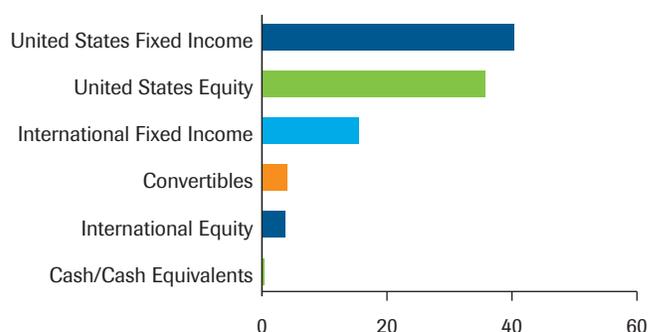
Equity	
Weighted Average P/E (NTM)	15.2x
Number of Equity Securities	178
Weighted Average Market Cap	\$102.9 b
Fixed Income	
Weighted Average Effective Maturity	7.3 Yrs.
Weighted Average Duration	4.8 Yrs.
Number of Fixed Income Securities	149
30-Day Yield (IS)	3.89%
30-Day Yield (A)	3.43%
12-Month Yield (IS)	4.68%
12-Month Yield (A)	4.41%

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Top Holdings (%)

Equity Portfolio	
Cisco Systems, Inc.	1.2
Intel Corp.	1.2
JPMorgan Chase & Co.	1.1
Comcast Corp., Class A	0.9
Johnson & Johnson	0.9
Liberty Media Group, Conv. Bond, 3.500%, 01/15/2031	0.9
Fixed-Income Portfolio	
The High Yield Bond Portfolio	22.2
Emerging Markets Core Fund	14.5
Federated Mortgage Core Portfolio	12.2

Portfolio Composition (%)



Short fixed-income futures were -4.1%; long fixed-income futures were 4.9%; and long equity futures 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 12/31/18 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

- Weaker macroeconomic data globally was a source of fear and volatility for investors
- Democrats regained control of the House of Representatives in the midterm elections.
- The Fed raised rates a quarter-point again and suggested two more are on the way in 2019
- Hopes of a U.S.-China trade war resolution a focus for investors heading into 2019

Looking Back

Equity markets experienced significant volatility and decline in the fourth quarter, pushing them into negative territory for the year and close to 20% off their late-summer record highs, as several macroeconomic events came to a head to close out the year. The litany of fears included concerns about a U.S.-China trade war despite a 90-day cease fire announced after December's G20 meeting; a split Congress following midterm elections; a Fed that increased its benchmark rate during a market rout; worries about the potential for lower-than-expected earnings that already have been revised down; and signs of global weakening. All of this made for a strong risk-off environment that saw U.S. stocks post their worst December since 1931 and their worst full year since the 2008 financial crisis.

In the fixed-income markets, Treasury yields increased at the front end of the curve on the Fed's move, while maturities two years and longer decline on the risk-off trade. As a result, the yield curve continued to flatten, though it was a bull flattener, with the yield on the 2-year Treasury bond decreasing approximately 33 basis points while the 10-year Treasury yield decreased by 38 basis points. Interest-rate volatility also increased meaningfully during the quarter.

During the quarter, the Bloomberg Barclays Aggregate Index returned 1.64%, the Bloomberg Barclays Mortgage Index returned 2.08%, the Bloomberg Barclays HY 2% Issuer Cap Index returned -4.54% and the Bloomberg Barclays Emerging Markets (EM) USD Aggregate Index returned -0.18%. In addition, the S&P 500 Index returned -13.52% and the Russell 1000 Value Index returned -11.72%.

Performance

Federated Capital Income Fund A Shares returned -8.17% for the fourth quarter of 2018, underperforming the -5.23% return of the fund's benchmark comprising of 40% Russell 1000 Value Index, 20% BBHY2%ICI, 20% BBMB, and 20% BBEMB Index.

Performance Contributors

- Value outperformed as growth was a structural tailwind for equities
- Equity underweight positions in Energy and Financials sectors
- Fixed-income overweight in EM and high-yield security selection

Performance Detractors

- Portfolio asset allocation's equity overweight
- Negative stock selection within the Financials and Consumer Staples sectors
- Fixed-income mortgage-backed securities underweight and security selection in EM

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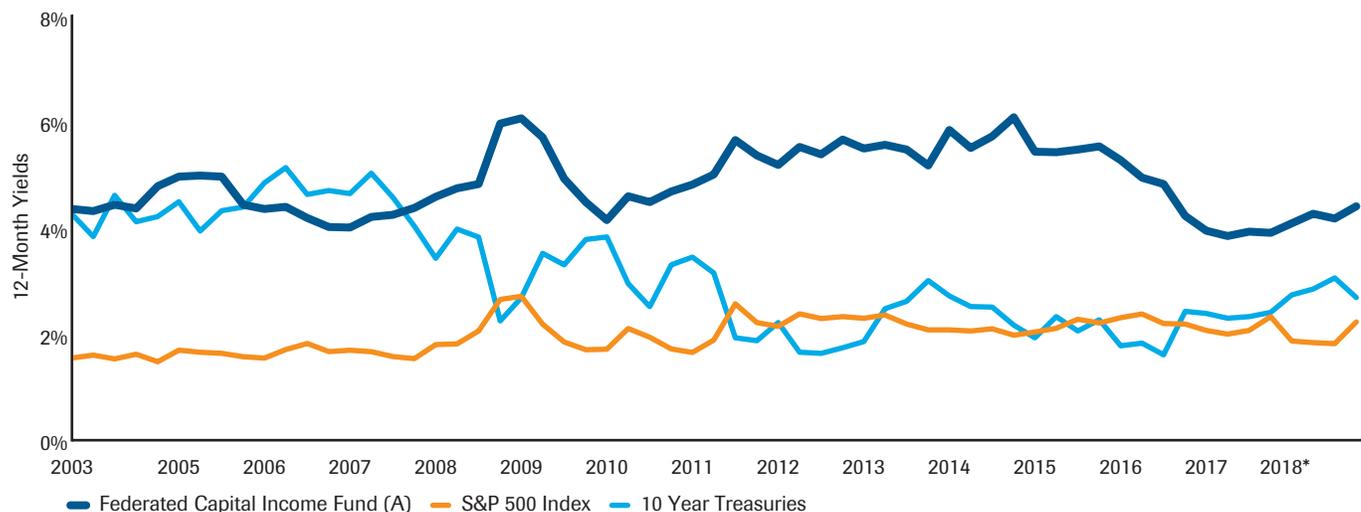
How We Are Positioned

As we begin 2019, we expect the narrative to stay the same. We believe we are in a "Show me" market that, for volatility to subside, will require companies to report strong earnings and guidance without overly negative commentary on trade with China. Washington, D.C., also will need to show progress on the trade-war front and churn in the president's cabinet, while the Fed may need to back off its already less aggressive stance on monetary policy for 2019. Even if all of that occurs, it will take time for the damage to investor psyches to be repaired. As a result, we expect volatility may continue in 2019's first quarter and will closely watch to see if the economic data is being affected by turbulent market action. We do not believe a recession is imminent as corporate profits and earnings remain strong, the economy continues to add jobs, holiday spending was robust and consumer confidence is historically high.

Overall, we remain broadly diversified within equity market sectors, with a prudent approach to balancing income, risk and long-term total return. 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 choppy investment landscape. In fixed Income, we continue to expect the U.S. economy to remain robust over the short and intermediate term but are mindful of certain trends beneath the surface that could create eventual headwinds, a growing fiscal deficit among them. We believe the substantial spread widening in fixed-income credit assets in Q4 has the potential to create opportunities in Q1 2019, particularly in high yield and EM.

See disclosure section for important disclosures and definitions.

The Fund Delivered Higher Yield



Source: Federated Investors
* As of 12/31/18

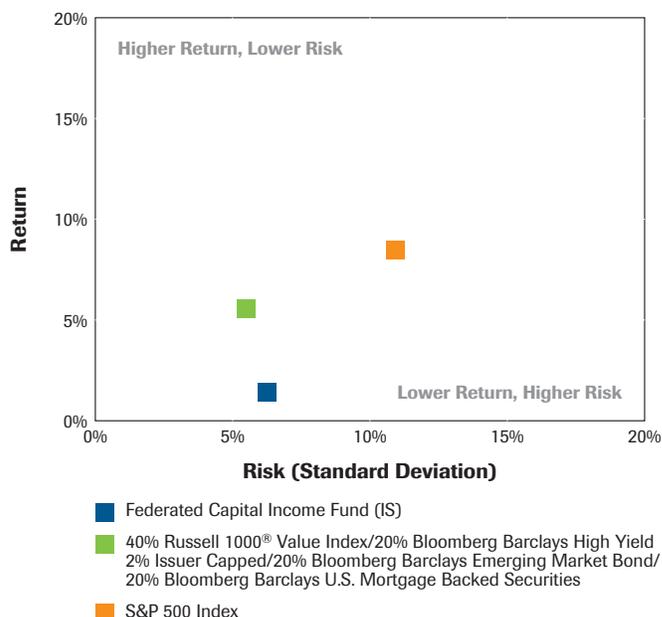
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	5.64	6.24	6.28	7.44
Beta	0.48	0.51	0.53	0.50
Correlation	0.93	0.90	0.89	0.91
R ²	85.63	80.54	78.99	82.01
Tracking Error	6.11	6.02	5.84	7.56

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

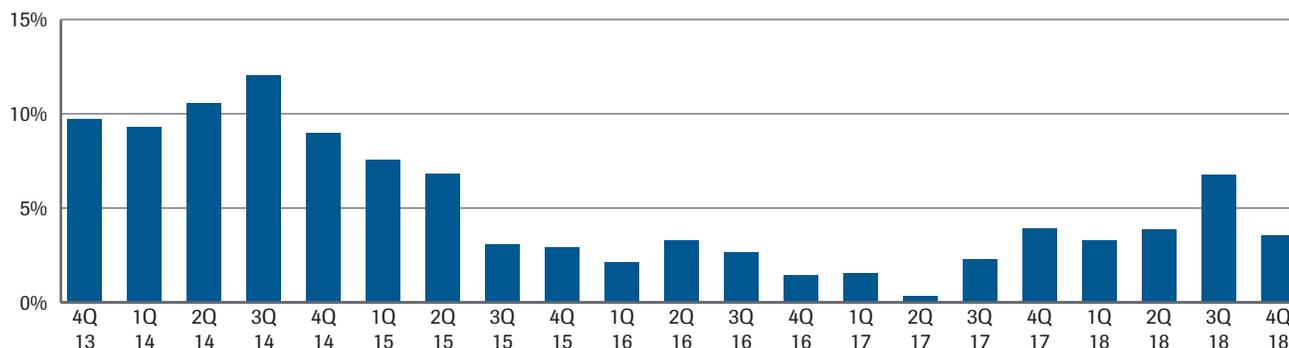
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5-Year Risk/Return



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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	88	61	88	29
Morningstar Category Rank	472 of 541 Funds	274 of 463 Funds	321 of 367 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	89	69	92	33
Morningstar Category Rank	481 of 541 Funds	324 of 463 Funds	333 of 367 Funds	88 of 261 Funds

Lipper Mixed-Asset Target Allocation Conservative Funds

IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Category % Rank	95	35	88	-
Lipper Category Rank	328 of 346 Funds	109 of 315 Funds	243 of 278 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Category % Rank	96	47	92	20
Lipper Category Rank	332 of 346 Funds	146 of 315 Funds	254 of 278 Funds	40 of 209 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 3.69% for IS Shares and 3.25% 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 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.