

# Federated Short-Intermediate Duration Municipal Trust

4Q  
2019

12/31/19

## Fund Facts

### Performance Inception Date

Institutional Shares: 8/20/81  
Service Shares: 9/1/93  
A Shares: 12/11/06

### Benchmark 1

S&P Municipal Bond Short Index

### Benchmark 2

S&P Municipal Bond 1-5 Years Investment Grade 5% Max Pre-Refunded Index

### Morningstar Category

Muni National Short

### Lipper Classification

Short Municipal Debt Funds

### Fund Assets

\$875.7 million

### Ticker Symbols

Institutional Shares - FSHIX  
Service Shares - FSHSX  
A Shares - FMTAX

### Key Investment Team

Jeff Kozemchak, CFA  
Mary Jo Ochson, CFA

### Yields (%)

30-Day Yield (IS) 1.35  
30-Day Yield (SS) 1.10  
30-Day Yield (A) 1.09

## Fund Description

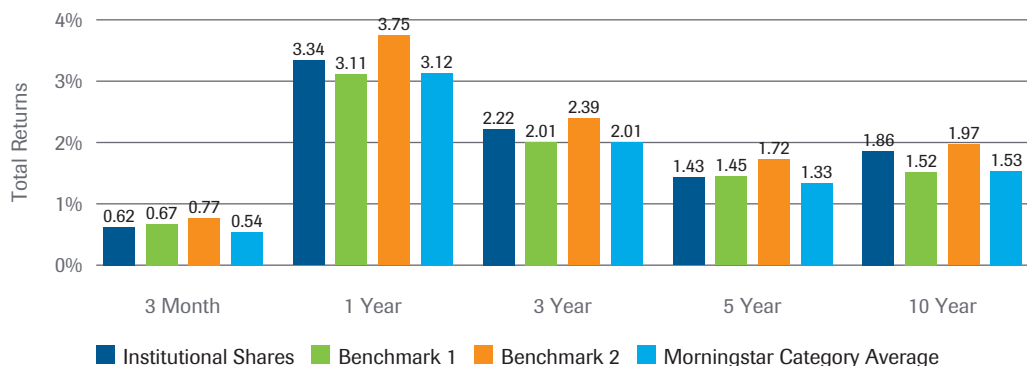
Investing primarily in short and intermediate municipal bonds, the fund seeks to provide dividend income exempt from federal regular income tax.

## 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	0.62	3.34	3.34	2.22	1.43	1.86	2.22	3.97	0.81	0.46
SS Shares	0.55	3.09	3.09	1.98	1.19	1.62	1.98	2.67	0.81	0.71
A Shares (NAV)	0.41	2.85	2.85	1.72	0.93	1.36	-	1.67	0.81	0.71
A Shares (MOP)	-0.55	1.85	1.85	1.39	0.74	1.26	-	1.60	0.81	0.71
Benchmark 1	0.67	3.11	3.11	2.01	1.45	1.52	2.28	-	-	-
Benchmark 2	0.77	3.75	3.75	2.39	1.72	1.97	-	-	-	-



### Calendar Year Returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	3.34	-0.86	4.40	4.96	-0.16	5.29	-0.87	6.58	6.28	7.35
Benchmark 1	3.11	1.78	1.16	0.37	0.88	1.02	1.10	1.39	2.27	1.66
Benchmark 2	3.75	1.77	1.66	0.15	1.33	1.45	1.33	1.97	4.09	2.26
Morningstar Category Average	3.12	1.13	1.76	-0.11	0.70	1.48	-0.08	1.86	3.59	1.68

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](http://FederatedInvestors.com). Maximum Offering Price figures reflect the maximum sales charge of 4.5% 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 contractual and/or voluntary fee waivers and/or expense reimbursements determined by the fund's Advisor and its affiliates. Shareholders must approve any changes to a contractual required waiver/reimbursement. Additionally, the voluntary waivers and/or reimbursements, if applicable, are in effect up to but not including the later of 9/01/20 or the date of the fund's next effective prospectus.

## Investment Approach

### Multiple Alpha Sources

- The municipal bond investment process is integrated with Federated's fixed-income effort (the Alpha Pod Process) as broad market and macroeconomic forces drive returns across taxable and tax-exempt bond markets
- Seeks diversified sources of alpha across Municipal Credit Sector and Credit Quality Allocation, Duration Management, Yield Curve Management and Security Selection

### Portfolio Positioning

- Invests primarily in short-intermediate tax-exempt municipal bonds and typically maintains a dollar-weighted average portfolio duration of less than 5 years
- Historically has invested less than 5% in below-investment grade securities\*
- Allocates across fixed and floating securities based on direction of interest rates and across municipal sectors that offer the best risk/return profile

### Integrated Investment Team

- Federated's municipal investment team has experience across a range of investment strategies, from liquidity management to intermediate and longer-duration portfolios
- Key investment team members manage liquidity, ultrashort and low duration municipal portfolios, applying their insights across the short-end of the yield curve

\* Per the prospectus, the fund is permitted to invest up to 49% in below-investment grade securities.

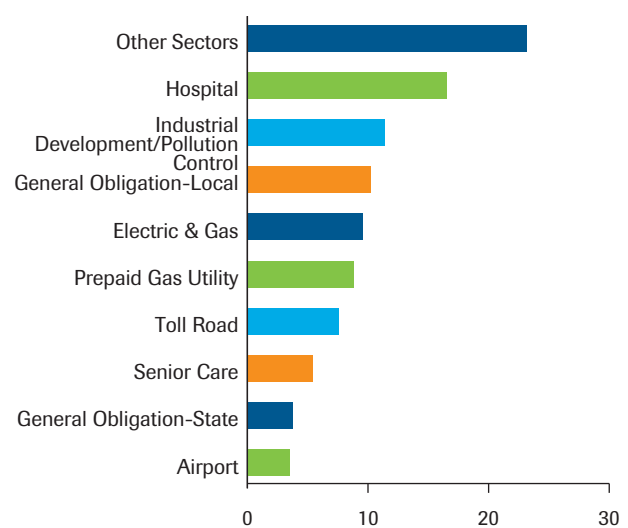
## Portfolio Statistics

Weighted Average Effective Duration	2.3 Yrs.
Weighted Average Effective Maturity	3.0 Yrs.
Weighted Average Bond Price	\$105.43
Weighted Average Yield to Worst	1.64%

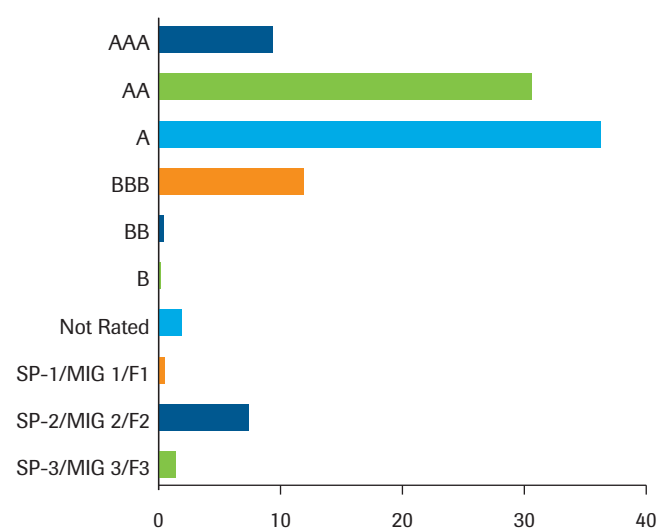
## Top Holdings (%)

Port of Port Arthur Navigation District of Jefferson County, TX, (Motiva Enterprises LLC), (Series 2010E), Due 1/7/20	2.2
Black Belt Energy Gas District, AL, Gas Supply Revenue Bonds (Series 2016A), Due 6/1/21, Royal Bank of Canada Guaranteed	2.1
Chandler, AZ IDA, (Intel Corp.), Industrial Development Revenue Bonds (Series 2019), Due 6/3/24	1.7
Geisinger Authority, PA Health System, (Geisinger Health System), Health System Revenue Bonds (Series 2014B), Due 3/1/24	1.5
New Mexico Municipal Energy Acquisition Authority, Gas Supply Revenue Refunding and Acquisition Bonds (Series 2019A), Due 3/31/25, Royal Bank of Canada Guaranteed	1.3
Bay Area Toll Authority, CA, San Francisco Bay Area Toll Bridge Revenue Bonds (SIFMA Index Rate Bonds Series 2007G-1), Due 10/1/23	1.2
Pennsylvania State Turnpike Commission, Variable Rate Turnpike Revenue Bonds (SIFMA Index Bonds)(Series 2014B), Due 6/1/21	1.2
Michigan State Hospital Finance Authority, (Trinity Healthcare Credit Group), Hospital Revenue Bonds, Series 2015MI(FRN), Due 6/1/20	1.1
New Jersey EDA, (New Jersey State), School Facilities Construction Refunding SIFMA Index Bonds (Series 2013 I), Due 9/1/25	1.1
New Jersey State Transportation Trust Fund Authority, (New Jersey State), Transportation Program Notes (SIFMA Index Multimodal Notes) (Series 2014BB-2), Due 6/15/21	1.1
<b>Total % of Portfolio</b>	<b>14.5</b>

## Sector Weightings (%)



## Quality Breakdown<sup>1</sup> (%)



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 fund's quarterly net return (IS) matched, and gross returns exceeded the benchmark
- Overweight in credit added to performance
- The fund had strong income capture and low price volatility from floating-rate note (FRN) holdings

## Looking Back

For investors and financial institutions, the fourth quarter of 2019 might be best described as shifting from anxiety to optimism. Several macroeconomic and geopolitical uncertainties abated, leading the Federal Reserve to put monetary policy on hold and suggest that a recession was not imminent.

Despite being light on details, the U.S. and China reached a truce in their trade war late in the quarter. This lifted worries that the conflict would continue to be a drag on the two economies. In particular, it has been blamed for the weakness in the U.S. manufacturing sector. In Europe, the drawn-out affair of the negotiations for the U.K. to leave the European Union finally received the necessary political will, as Boris Johnson and his pro-Brexit party won a decisive victory in a snap election. The impeachment of President Trump could be seen as a relief for investors. Because it was widely thought that the trial in the Senate would be short and that Trump would remain in office, the vote in the House of Representatives seemed to alleviate this long-running uncertainty for the markets.

The quarter saw the U.S. economy seeming to retreat from previous indications that it might slip into recession in 2020. Gross domestic product growth in the third quarter, the most recent data, hit a healthy 2.1%. This was buoyed by the continued strength of the labor market, with unemployment dipping to levels not seen since 1969. Robust consumer confidence led to record retail sales on Black Friday and Cyber Monday.

At its October Federal Open Market Committee (FOMC) meeting, the Fed eased rates for the third time in 2019, lowering the federal funds target range by 25 basis points to a range of 1.50-1.75%. Unlike with the previous two policy actions, however, Fed officials signaled strongly that absent a material change in the outlook for the economy or inflation, rates were likely to remain within the new target range for quite some time. The markets received more detail at the December FOMC meeting, in which policymakers not only refrained from cutting rates, but communicated in their projections that they don't intend to make any changes throughout the entirety of 2020.

Verbal agreement between the U.S. and China on "Phase One" of a trade deal, receding risks of a no-deal Brexit and an easing of monetary policy by the Fed bolstered the near-term economic outlook and prompted a steepening of the U.S. Treasury yield curve. Yields on 2-year Treasury securities decreased by 5 basis points, while 10- and 30-year Treasury yields increased by 25 and 28 basis points, respectively. Municipal market yields shifted in a similar fashion but to a lesser degree as strong investor demand persisted. The Municipal Market Data (MMD) 2-year yield was down 18 basis points, while the 10- and 30-year yields increased by 2 and 8 basis points, respectively.

The S&P Municipal Bond Index posted a return of 0.65% for the quarter. The 3-year component of the index returned 0.79%, the 10-year component returned 0.55% and the portion of the index maturing in 22 years and longer returned 0.61%. The AAA-, A- and BBB-rated components of the index returned 0.56%, 0.66% and 0.89% respectively. The S&P Municipal Bond Short Index, the fund's prospectus benchmark, returned 0.67% over the quarter.

## Performance

During the fourth quarter of 2019, the fund had net total returns of 0.62% for the Institutional Shares (IS), 0.55% for the Service Shares (SS) and 0.41% for the Class (A) Shares at net asset value (NAV).

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### Performance Contributors

- Overweight in credit, namely securities rated A and BBB, which outperformed in a tight supply environment
- Weighting in FRNs, whose coupons remained significantly greater than equivalent-maturity fixed-rate bond yields; at quarter-end, FRNs comprised 19% of the fund and had an average coupon yield of 2.23%
- The fund's sector selections helped performance, namely an overweight in Hospitals, Senior Care and Industrial Development and Pollution Control Revenue bonds

### Performance Detractors

- With cash inflows, the fund's duration shortened slightly over the period, and with a decline in rates, this slightly hurt performance

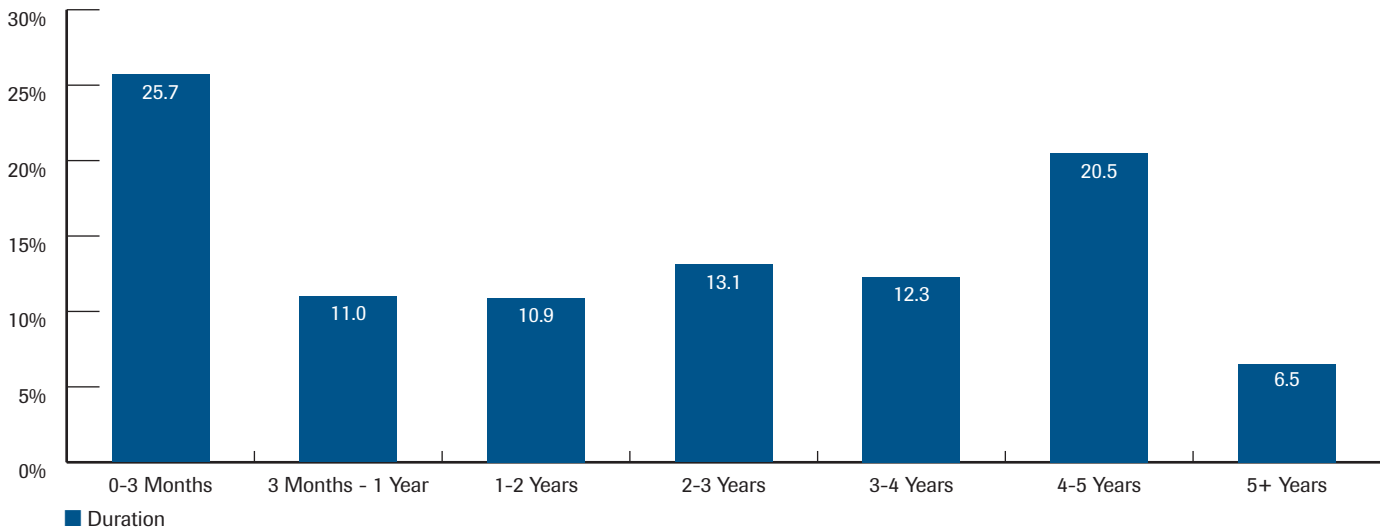
## How We Are Positioned

With the prospect of the Fed being on hold for much of 2020, management believes the portfolio structure will continue to emphasize the higher return potential of fixed-rate issuance in the 1- to 7-year space. That being said, with the flat yield curve, the portfolio should continue to benefit from the weighting in FRNs, which contribute to higher income and capital stability.

Despite municipal credit spreads being near post-crisis lows, we remain constructive on A-rated and BBB-rated securities for their incremental carry advantages. We also continue to favor specific revenue bond sectors and are neutral on local and state general obligation bonds.

*See disclosure section for important disclosures and definitions.*

### Duration Profile



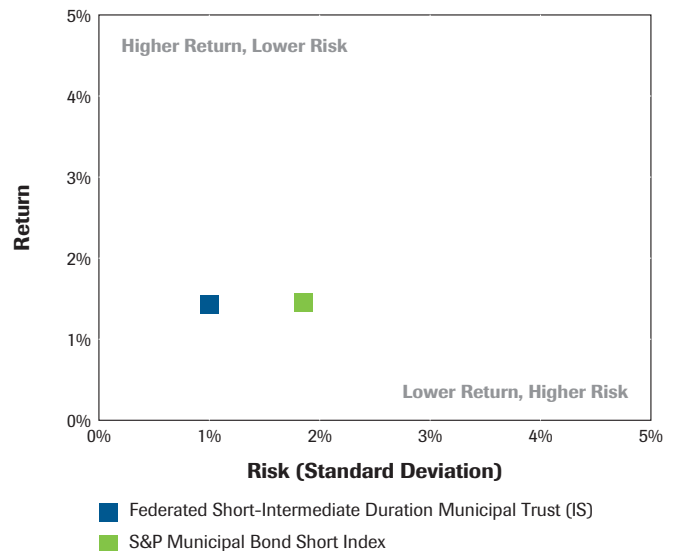
### Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	0.86	1.00	1.10	1.23
Alpha	-0.11	-0.21	-0.13	-0.02
Beta	0.50	0.50	0.57	0.64
Up Capture Ratio	63.41	57.35	60.49	66.92
Down Capture Ratio	35.20	45.13	51.68	58.35
Sharpe Ratio	0.58	0.33	0.53	0.68

Sources: Federated Investors, Morningstar, Inc.  
Fund vs. S&P Municipal Bond Short Index

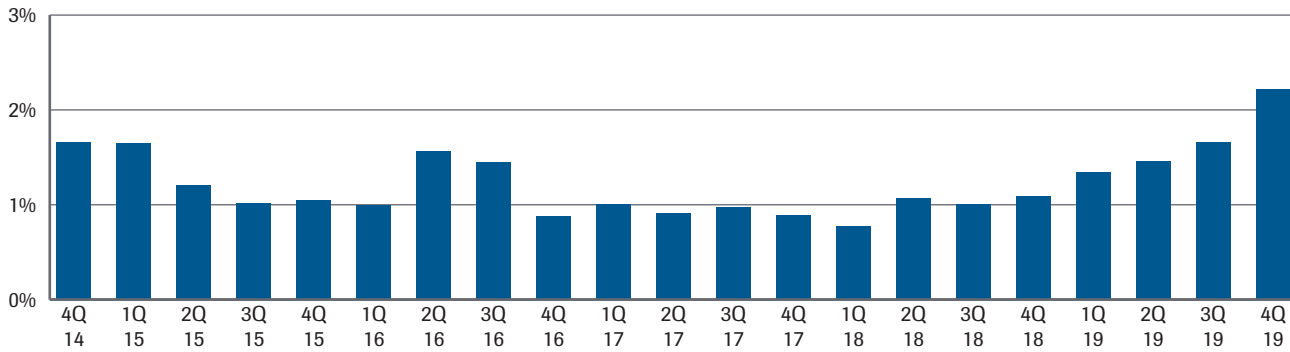
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### 5-Year Risk/Return



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### 3-Year Rolling Returns (IS)



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### Category Rankings

#### Morningstar Muni National Short Category

IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	43	35	39	25
Morningstar Category Rank	105 of 209 Funds	69 of 176 Funds	64 of 158 Funds	34 of 114 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	57	65	82	58
Morningstar Category Rank	141 of 209 Funds	121 of 176 Funds	131 of 158 Funds	67 of 114 Funds

#### Lipper Short Municipal Debt Funds

IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	23	16	22	6
Lipper Classification Rank	31 of 136 Funds	18 of 112 Funds	21 of 98 Funds	4 of 67 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	49	54	74	39
Lipper Classification Rank	67 of 136 Funds	60 of 112 Funds	73 of 98 Funds	26 of 67 Funds

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

As of October 31, 2007, the fund gained the ability to invest at least a majority of its assets in securities rated investment-grade (or unrated securities of comparable quality), and may purchase securities rated below investment-grade (or unrated securities of comparable quality), which are also known as junk bonds, up to 49% of its assets. The fund does not have a specific minimum quality rating.

As of August 31, 2019, benchmark 1 changed from S&P Municipal Bond Short Intermediate Index to S&P Municipal Bond Short Index and benchmark 2 changed from S&P 1-5 Year National AMT-Free Municipal Bond Index to S&P Municipal Bond 1-5 Years Investment Grade 5% Max Pre-Refunded Index.

<sup>1</sup>The ratings agencies that provided the ratings are Standard & Poor's, Moody's and Fitch. When ratings vary, the highest rating is used. Credit ratings of A or better are considered to be high credit quality; credit ratings of BBB are good credit quality and the lowest category of investment grade; credit ratings BB and below are lower-rated securities ("junk bonds"); and credit ratings of CCC or below have high default risk. The credit quality breakdown does not give effect to the impact of any credit derivative investments made by the fund.

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 1.16% for IS, 0.99% for A and 1.00% for SS shares.

### A Word About Risk

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.

Interest income from the fund's investments may be subject to the federal Alternative Minimum Tax (AMT) for individuals. Dividends may be subject to state and local taxes.

### Definitions

**S&P Municipal Bond Short Index** consists of bonds in the S&P Municipal Bond Index with a minimum maturity of 6 months and a maximum maturity of 4 years.

**S&P Municipal Bond 1-5 Years Investment Grade 5% Max Pre-Refunded Index** represents the portion of the S&P Municipal Bond Investment Grade Index composed solely of investment-grade bonds (those with ratings higher than "BBB-"/"Baa3") with remaining maturities of between one and five years, 5% of which are pre-refunded.

Indexes are unmanaged and cannot be invested in directly.

**Alpha** shows how much or how little return is generated, given the risk a portfolio takes. A portfolio with an Alpha greater than 0 has earned more than expected given its Beta—meaning the portfolio has generated excess return without increasing risk. A portfolio with a negative Alpha is producing a lower return than would be expected given its risk.

**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.

**Sharpe Ratio** is calculated by dividing a fund's annualized excess return by the fund's annualized standard deviation. The higher the Sharpe Ratio, the better the fund's historical risk adjusted performance.

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

**Up Capture Ratio/Down Capture Ratio** is a measure of how well a manager was able to replicate or improve on periods of positive benchmark returns and how badly the manager was affected by periods of negative benchmark returns. The up-market capture ratio is a measure of a manager's performance in up markets relative to the index during the same period. For example, a ratio value of 115 indicates that the manager has outperformed the market index by 15% in periods when the index has risen. The down-market capture ratio is the direct opposite of the up-market capture ratio, gauging performance of the manager relative to the index in down markets. A ratio

value of 80 would indicate the manager had declined on 80% as much as the declining overall market, indicating relative outperformance.

**Weighted Average Bond Price** is the weighted average of all individual bond prices within a portfolio.

**Weighted Average Effective 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 effective duration will equal the market value weighted average of each bond's effective duration in the fund's portfolio. As with any model, several assumptions are made so the weighted average effective 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 Yield to Worst** is an average of the lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call or sinking fund, are used by the issuer.

**Yield Curve** is a graph showing the comparative yields of securities in a particular class according to maturity. Securities on the long end of the yield curve have longer maturities.

### Ratings and Rating Agencies

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**This must be preceded or accompanied by a prospectus.**