

# Federated Floating Rate Strategic Income Fund

4Q  
2019

12/31/19

## Fund Facts

### Performance Inception Date

R6 Shares: 12/3/10  
Institutional Shares: 12/3/10  
A Shares: 2/23/11

### Benchmark

55% Credit Suisse Leveraged Loan Index/15% ICE 1-Month Libor/30% ICE BofAML 1-Year U.S. Treasury Note Index

### Morningstar Category

Bank Loan

### Lipper Classification

Loan Participation Funds

### Fund Assets

\$923.0 million

### Ticker Symbols

R6 Shares - FFRLX  
Institutional Shares - FFRSX  
A Shares - FR SAX  
C Shares - FRICX

### Key Investment Team

Mark Durbiano, CFA  
Steven Wagner  
B. Anthony Delserone Jr., CFA  
Todd Abraham, CFA  
Christopher McGinley

### Yields (%)

30-Day Yield (R6) 4.23  
30-Day Yield (IS) 4.23  
30-Day Yield (A) 3.94

## Fund Description

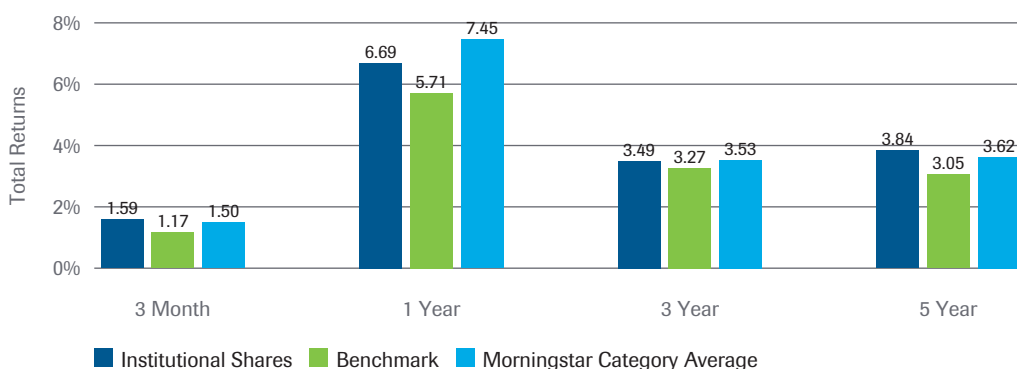
The fund seeks to provide total return consistent with current income and low interest-rate volatility. It invests primarily in a strategic mix of floating-rate fixed-income investments which pay interest at rates that increase or decrease with changes in market rates.

## Performance

### Average Annual Total Returns (%)

Performance shown is before tax.

	3 Month	YTD	1 Year	3 Year	5 Year	Since Inception	Expense Ratio*	
							Before Waivers	After Waivers
R6 Shares	1.59	6.70	6.70	3.50	3.81	3.36	0.79	0.73
Institutional Shares	1.59	6.69	6.69	3.49	3.84	3.76	0.85	0.74
A Shares (NAV)	1.51	6.33	6.33	3.13	3.48	3.33	1.08	0.99
A Shares (MOP)	0.47	5.23	5.23	2.79	3.27	3.21	1.08	0.99
Benchmark	1.17	5.71	5.71	3.27	3.05	-	-	-



### Calendar Year Returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011
Institutional Shares	6.69	0.35	3.53	7.80	1.05	1.38	4.30	6.64	2.09
Benchmark	5.71	1.51	2.66	5.66	-0.13	1.21	3.45	5.21	1.23
Morningstar Category Average	7.45	-0.26	3.48	9.25	-1.25	0.57	5.68	9.43	1.63

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 1% 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 6/1/20 or the date of the fund's next effective prospectus.

## Investment Approach

High Yield	International	Investment Grade
<b>Leveraged Loans; High-Yield Corporates and High-Yield Floaters</b>	<b>Trade Finance; International Loans and Corporates</b>	<b>Adjustable Rate Mortgages, Corporate Floaters and Floating-Rate Asset Backed</b>
<ul style="list-style-type: none"> <li>Low correlation with other fixed-income asset classes</li> <li>Loans typically positioned senior and secured in leveraged company's debt structure</li> <li>High current yield potential with modest interest duration risk</li> </ul>	<ul style="list-style-type: none"> <li>Trade Finance instruments primarily dollar based and pure floating rate</li> <li>Offers limited credit duration risk</li> <li>Less liquidity than loans</li> </ul>	<ul style="list-style-type: none"> <li>Diversified asset mix in higher quality floating rate securities</li> <li>Source of liquidity for the portfolio</li> <li>Low and negative correlation with other sectors of the strategy</li> </ul>

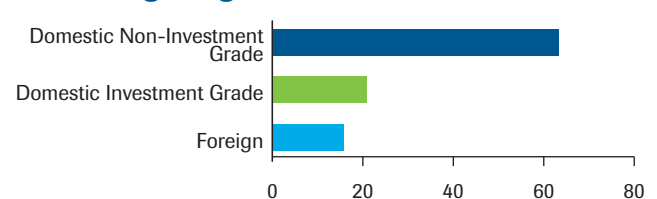
## Portfolio Statistics

Weighted Average Effective Duration	0.37 Yrs.
Weighted Average Bond Price	\$95.83
Number of Securities	448

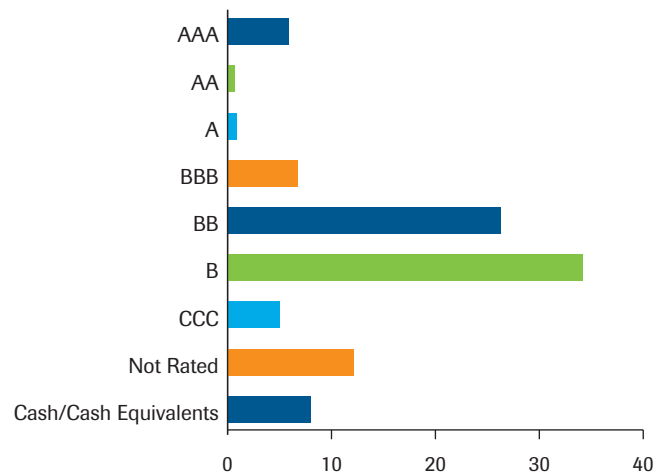
## Top Holdings (%)

SPDR Blackstone/ GSO Senior LN ETF	3.0
Invesco Senior Loan ETF	2.0
BWay Corp., Term Loan B - 1st Lien, 04/03/2024	1.0
MPH Acquisition Holdings , Term Loan B - 1st Lien, 06/07/2023	0.9
Sedgwick, Inc., Term Loan B - 1st Lien, 12/31/2025	0.9
Telenet Financing USD LLC, Term Loan AN - 1st Lien, 08/15/2026	0.9
American Express Credit Account Master Trust 2018-9, A, 04/15/2026	0.8
NFP Corp., Term Loan B - 1st Lien, 01/08/2024	0.8
Mohegan Tribal Gaming Aut, Term Loan - 1st Lien, 10/13/2023	0.7
Ortho-Clinical Diagnostics, Inc., Term Loan B - 1st Lien, 06/01/2025	0.7
<b>Total % of Portfolio</b>	<b>11.7</b>

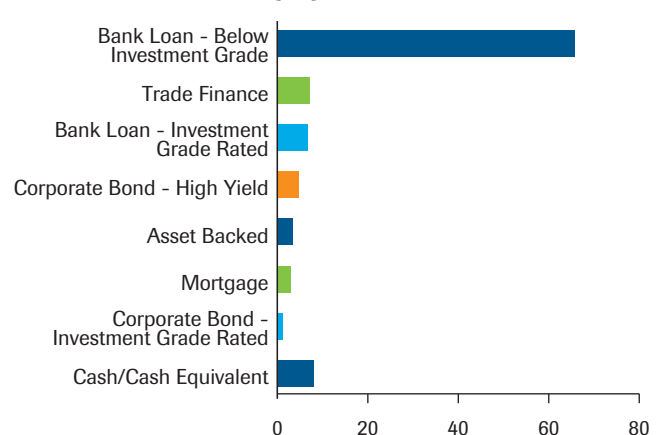
## Sector Weightings<sup>1</sup> (%)



## Quality Breakdown<sup>1,2</sup> (%)



## Asset Distribution<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.

## Investment Review

### Market Overview

The U.S. institutional leveraged-loan market once again experienced intra-period volatility, but ultimately generated an attractive positive total return for the final quarter of 2019 following a sharp rebound in the months of November and December. For example, the total return on the Credit Suisse Leveraged Loan Index (CSLLI) was 1.68% for the quarter. Loan risk spreads, as measured by the discount margin (3-year), began the quarter at 4.78% then tightened to 4.61% by the end of the reporting period after topping the 500 basis-points threshold in between.

Several economic and geopolitical factors contributed to the favorable backdrop for risk assets, including the loan market. Various areas of lingering uncertainty at least partially cleared; including an apparent Phase One trade deal between China and the U.S., a decisive victory for conservatives in the U.K.'s general election and a government funding agreement reached in the U.S. In addition, the U.S. economy continued to benefit from healthy employment metrics. Equity market indexes reached new highs on this confluence of exogenous tailwinds.

Despite the global search for income, the leveraged-loan market experienced more investor outflows throughout the quarter. With rising interest rate fears on the back burner, investors primarily concerned about maintaining a "rate hedge" in an income portfolio became less interested in the leveraged-loan asset class. Demand from collateralized loan obligations (CLO) and other institutional vehicles continued to pick up the slack, resulting in a relatively balanced technical picture.

Fundamental credit conditions in U.S. leveraged-finance markets remained healthy during the quarter. Relatively strong balance sheets and cash flow generation contributed to low default experience for leveraged corporate borrowers during the quarter.

### Performance

Federated Floating Rate Strategic Income Fund Institutional Shares had a net total return of 1.59% at net asset value for the quarter ending Dec. 31, 2019. On a gross basis, the portfolio outperformed its higher quality blended benchmark. The blended benchmark return is comprised of the following mix: 55% CSLLI; 30% 1-year U.S. Treasury Note Index and 15% 1-month Libor.

The fund maintained an overweight to the outperforming domestic non-investment-grade sector. Positive security selection, along with this sector positioning, contributed significantly to outperformance relative to the blended benchmark. Fund holdings in short duration high-yield corporates contributed to the outperformance in this sector versus the relevant component of the blended benchmark.

The fund benefited from positive security selection contribution from both the foreign and domestic investment-grade sectors. Leveraged loans were positive drivers in both sectors. The underlying trade finance portfolio modestly contributed to outperformance in the international sector, despite generating a "below coupon" positive return for the quarter.

*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).*

### How We Are Positioned

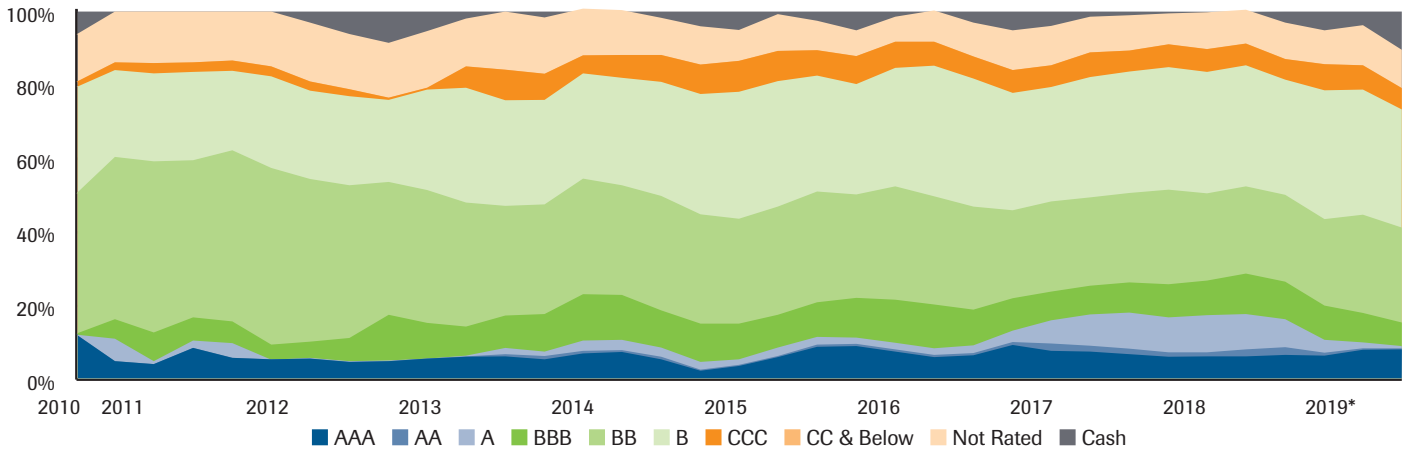
Fund assets are allocated across three broad sectors: domestic non-investment grade (leveraged loans and high yield corporates); foreign fixed income (trade finance and loan/corporate); and domestic investment-grade (agency mortgage, asset-backed, and loan/corporate). Sector allocation and security selection are key drivers of performance relative to the fund's blended benchmark. The multi-sector approach enables fund management to position assets across a risk and return spectrum based upon valuation metrics, fundamental credit conditions and macroeconomic assessment.

As of the end of the fourth quarter of 2019, the fund maintained an overweight position to the domestic non-investment-grade sector relative to the blended benchmark mix. Despite incurring bouts of intra-period volatility, the U.S. leveraged-loan market benefited from solid credit fundamental factors with low default experience. With a market spread level of 461 basis points as of year-end, the U.S. loan market continued to display reasonable valuation support versus the historical median level.

Given an uncertain geopolitical and macroeconomic backdrop globally, fund management continued to emphasize broad diversity across sectors and security holdings with varying degrees of risk and return characteristics. This disciplined, risk-adjusted approach has been an enduring theme driving portfolio management decisions for the Federated Floating Rate Strategic Income Fund.

*See disclosure section for important disclosures and definitions.*

### Historical Credit Quality<sup>2</sup>



\* As of 12/31/19

Portfolio composition is based on net assets at the close of business on the date indicated above 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.

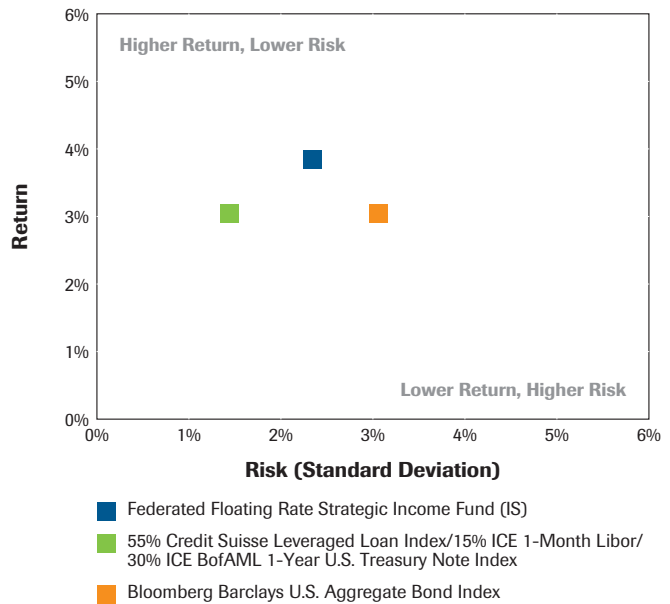
### Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	2.34	2.34	2.09	-
Correlation	0.98	0.97	0.96	-
R <sup>2</sup>	96.13	94.31	92.83	-
Sharpe Ratio	0.75	1.15	1.31	-

Sources: Federated Investors, Morningstar, Inc.  
 Fund vs. 55% Credit Suisse Leveraged Loan Index/15% ICE 1-Month Libor/30% ICE BofAML 1-Year U.S. Treasury Note Index

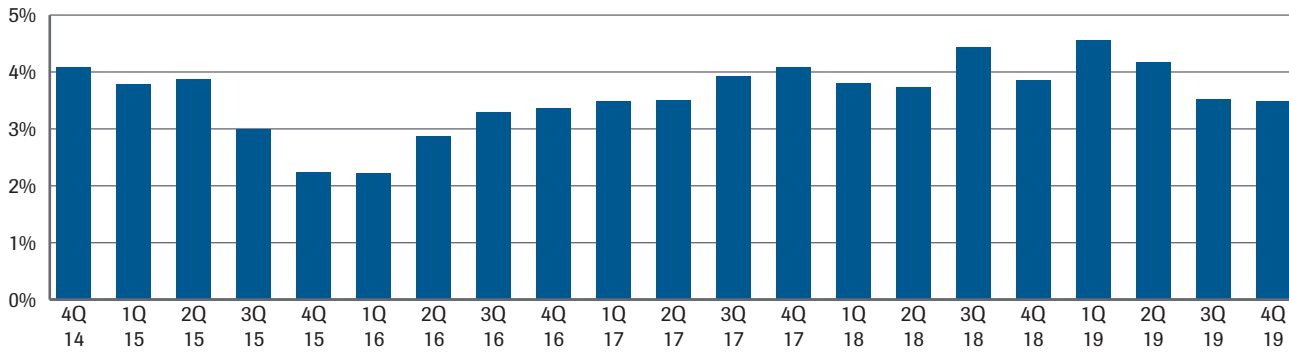
See disclosure section for important definitions.

### 5-Year Risk/Return



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).

### 3-Year Rolling Returns (IS)



*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).*

### Category Rankings

#### Morningstar Bank Loan Category

R6 Shares	1 Year	3 Year	5 Year
Morningstar Category % Rank	80	56	37
Morningstar Category Rank	190 of 241 Funds	120 of 219 Funds	-
IS Shares	1 Year	3 Year	5 Year
Morningstar Category % Rank	81	57	38
Morningstar Category Rank	191 of 241 Funds	122 of 219 Funds	75 of 195 Funds
A Shares	1 Year	3 Year	5 Year
Morningstar Category % Rank	85	78	60
Morningstar Category Rank	202 of 241 Funds	165 of 219 Funds	113 of 195 Funds

#### Lipper Loan Participation Funds

R6 Shares	1 Year	3 Year	5 Year
Lipper Classification % Rank	76	54	-
Lipper Classification Rank	182 of 240 Funds	117 of 219 Funds	-
IS Shares	1 Year	3 Year	5 Year
Lipper Classification % Rank	76	55	39
Lipper Classification Rank	183 of 240 Funds	119 of 219 Funds	74 of 192 Funds
A Shares	1 Year	3 Year	5 Year
Lipper Classification % Rank	81	74	57
Lipper Classification Rank	195 of 240 Funds	162 of 219 Funds	110 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 4.18% for R6 Shares, 4.09% for Institutional Shares, and 3.84% for A Shares.

<sup>1</sup>The breakdown does not give effect to the impact of derivative investments by the fund, including futures.

<sup>2</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.

The fund’s R6 Shares commenced operations on December 27, 2016. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for Institutional Shares. The performance of the Institutional Shares has not been adjusted to reflect the expenses applicable to the R6 since the R6 Shares have a lower expense ratio than the expense ratio of the Institutional Shares. The performance of the Institutional Shares has been adjusted to remove any voluntary waiver of the fund’s expenses related to the Institutional Shares that may have occurred during the period prior to the commencement of operations of the R6 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.

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.

Diversification does not assure a profit nor protect against loss.

The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations.

Variable and floating-rate loans securities generally are less sensitive to interest rate changes, but may decline in value if their interest rates do not rise as much or as quickly as interest rates in general. Conversely, variable and floating-rate loans and securities generally will not increase in value as much as fixed-rate debt instruments if interest rates decline.

In addition to the risks associated with debt instruments, such as credit, market, interest rate, liquidity and derivatives risks, bank loans are also subject to the risk that the value of the collateral securing a loan may decline, be insufficient to meet the obligations of the borrower, or be difficult to liquidate.

### Definitions

**ICE BofAML 1-Year U.S. Treasury Note Index** is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding two-year Treasury note that matures closest to, but not beyond, one year from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.

**Bloomberg Barclays U.S. Aggregate Bond Index** is an unmanaged index composed of securities from the Bloomberg Barclays Government/Corporate Bond Index, the Mortgage-Backed Securities Index and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indices are rebalanced monthly by market capitalization.

**Credit Suisse Leveraged Loan Index** is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. Average values are computed over the Index for coupon, current yield, initial spread and price. The average coupon, current yield and initial spread are weighted by market value (amount outstanding multiplied by the price) at the end of the measurement period for each loan currently paying interest in the Index. Total return is computed for each loan, which is the percent change in the value of each loan during the measurement period. Total return is the sum of three components: principal, interest and reinvestment return.

**ICE 1-Month Libor or London Interbank Offered Rate** is the interest rate offered by a specific group of London banks for U.S. dollar deposits with a one-month maturity.

Indexes are unmanaged and cannot be invested in directly.

**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.

**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.

**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.

### Ratings and Rating Agencies

Lipper Categories: Data Source: Lipper, A Reuters Company. Copyright 2020© Reuters. All rights reserved. Any copying, republication or redistribution of Lipper content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

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. ©2020 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. Past performance is no guarantee of future results.

This must be preceded or accompanied by a prospectus.