Federated Floating Rate Strategic Income Fund

1Q 2019

3/31/19

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

$1.0 billion

Ticker Symbols

R6 Shares - FFRLX
Institutional Shares - FFRSX
A Shares - FRSAX
C Shares - FRICX

Key Investment Team

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

Fund Description

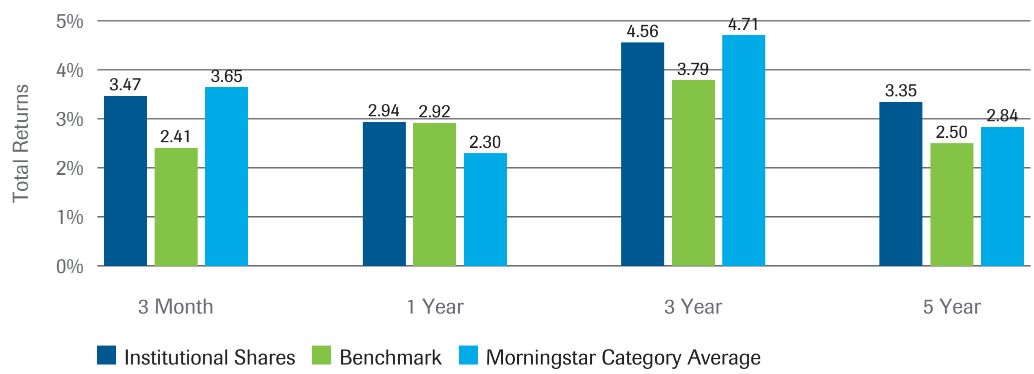
The fund seeks to provide total return consistent with current income and low interest-rate volatility. It invests primarily in a strategic mix of floating-rate fixed-income investments which pay interest at rates that increase or decrease with changes in market rates.

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	Expense Ratio* After Waivers
R6 Shares	3.36	3.36	2.85	4.51	3.28	3.28	0.78	0.72
Institutional Shares	3.47	3.47	2.94	4.56	3.35	3.72	0.85	0.74
A Shares (NAV)	3.38	3.38	2.58	4.20	2.99	3.28	1.18	1.09
A Shares (MOP)	1.26	1.26	0.56	3.49	2.56	3.02	1.18	1.09
Benchmark	2.41	2.41	2.92	3.79	2.50	–	–	–



Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011
Institutional Shares	0.35	3.53	7.80	1.05	1.38	4.30	6.64	2.09
Benchmark	1.51	2.66	5.66	-0.13	1.21	3.45	5.21	1.23
Morningstar Category Average	-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. Maximum Offering Price figures reflect the maximum sales charge of 2% 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 6/1/19 or the date of the fund's next effective prospectus.**

Investment Approach

High Yield	International	Investment Grade
Leveraged Loans; High-Yield Corporates and High-Yield Floaters	***Trade Finance; International Loans and Corporates***	***Adjustable Rate Mortgages, Corporate Floaters and Floating-Rate Asset Backed***
■ Low correlation with other fixed-income asset classes ■ Loans typically positioned senior and secured in leveraged company's debt structure ■ High current yield potential with modest interest duration risk	■ Trade Finance instruments primarily dollar based and pure floating rate ■ Offers limited credit duration risk ■ Less liquidity than loans	■ Diversified asset mix in higher quality floating rate securities ■ Source of liquidity for the portfolio ■ Low and negative correlation with other sectors of the strategy

Portfolio Statistics

Weighted Average Effective Duration	0.48 Yrs.
Weighted Average Bond Price	$96.80
Number of Securities	492
30-Day Yield (R6)	4.97%
30-Day Yield (IS)	4.95%
30-Day Yield (A)	4.50%

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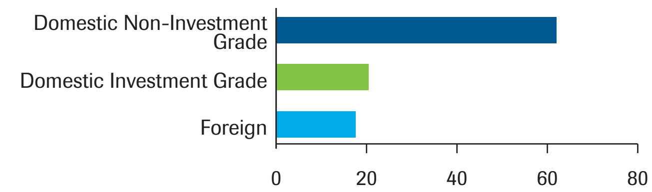
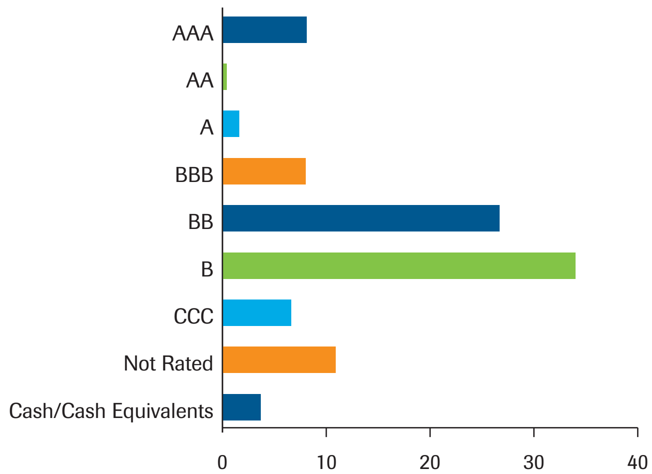
Top Holdings (%)

SPDR Blackstone/ GSO Senior LN ETF	1.1
BWay Corp., Term Loan B - 1st Lien, 04/03/2024	1.0
Invesco Senior Loan ETF	0.9
Charter Communications OP, Term Loan B - 1st Lien, 04/30/2025	0.8
Telenet Financing USD LLC, Term Loan AN - 1st Lien, 08/15/2026	0.8
Virgin Media Bristol LLC, Term Loan K - 1st Lien, 01/15/2026	0.8
Filtration Group Corp., Term Loan B - 1st Lien, 03/27/2025	0.7
NFP Corp., Term Loan B - 1st Lien, 01/08/2024	0.7
RegionalCare Hospital Partners Holdings, Inc., Term Loan - 1st Lien, 11/16/2025	0.7
Sedgwick, Inc., Term Loan B - 1st Lien, 12/31/2025	0.7
Total % of Portfolio	**8.2**

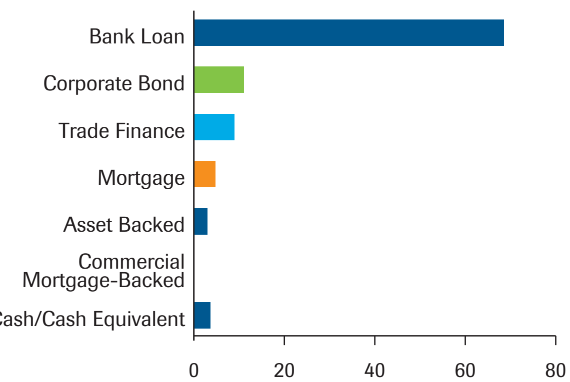
Sector Weightings[1] (%)



Quality Breakdown[1,2] (%)



Asset Distribution[1] (%)



Portfolio composition is based on net assets at the close of business on 3/31/19 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

During the first quarter of 2019, the primary U.S. dollar-denominated leveraged-finance asset classes experienced a sharp rebound from the challenging 2018 fourth quarter and generated positive total returns. For example, the total return on the Credit Suisse Leveraged Loan Index (CSLLI) was 3.78% for the quarter. Loan risk spreads as measured by the discount margin (3-year) on the CSLLI contracted sharply, finishing the quarter at 4.67%, versus 5.50% at the beginning.

During the first quarter, tailwinds for risk markets were created by various factors that reversed course from the final months of 2018. The most influential shift came from the Federal Reserve (Fed), which struck a more dovish stance, including a material shift lower in implied target rates moving forward, i.e., its dot plot projections, following the March meeting. Resolution to the government shutdown in the U.S. and a rebound in oil prices provided positive catalysts, as well. Equity markets rebounded and realized strong gains in the first quarter. With the continuation of healthy credit fundamentals and attractive spread valuations at the beginning of the year, U.S. leveraged-finance markets participated in the upswing by generating attractive returns.

Despite the strong recovery in asset prices, plenty of concerns persisted for risk markets. While news flow was more positive, the outcome of trade talks between China and the US remained uncertain. Economic softness in the eurozone and China continued to present an overhang to the global growth outlook. Finally, possible Brexit outcomes for the U.K. presented event risk for investors.

Technical factors in the U.S. leveraged-loan market achieved more balance in the first quarter. Modest outflows from loan funds continued, but reduced corporate issuance and pockets of demand from institutional sources alleviated the heavy selling pressure prevalent in the final months of 2018.

With the Fed rate-hiking cycle on hold, the upward trend in short term rates plateaued. In fact, the 3-month London interbank offered rate (Libor) retreated by roughly 20 basis points, ending the quarter at 2.6%.

Performance

Federated Floating Rate Strategic Income Fund Institutional Shares had a total return of 3.47% at net asset value (NAV) for the quarter ending March 31, 2019. On a gross basis, the portfolio return 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.

Given attractive spread valuation levels in the loan market, portfolio assets were shifted to a higher credit overweight position relative to the neutral setting in the domestic non-investment grade sector during the quarter. Strong performance of the loan market contributed broadly to outperformance. Security selection within this sector also was a positive contributor, primarily due to tactical positions in short-duration high-yield bonds, which experienced greater upside than loans.

The fund also maintained a modest overweight to the foreign fixed-income sector, which consists of trade-finance instruments, term loans and corporate bonds from foreign-domiciled issuers. Positive performance from loans and bonds contributed to outperformance of this sector against the relevant portion of the blended benchmark. The trade finance sub-portfolio generated a small positive return, but detracted from performance versus the benchmark.

The fund's underweight position to the domestic investment-grade sector contributed positively to relative performance due to the strong outperformance of riskier credit sectors. Positive performance of higher quality bonds and loans contributed to the outperformance of this sector versus the relevant portion of the blended benchmark.

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How We Are Positioned

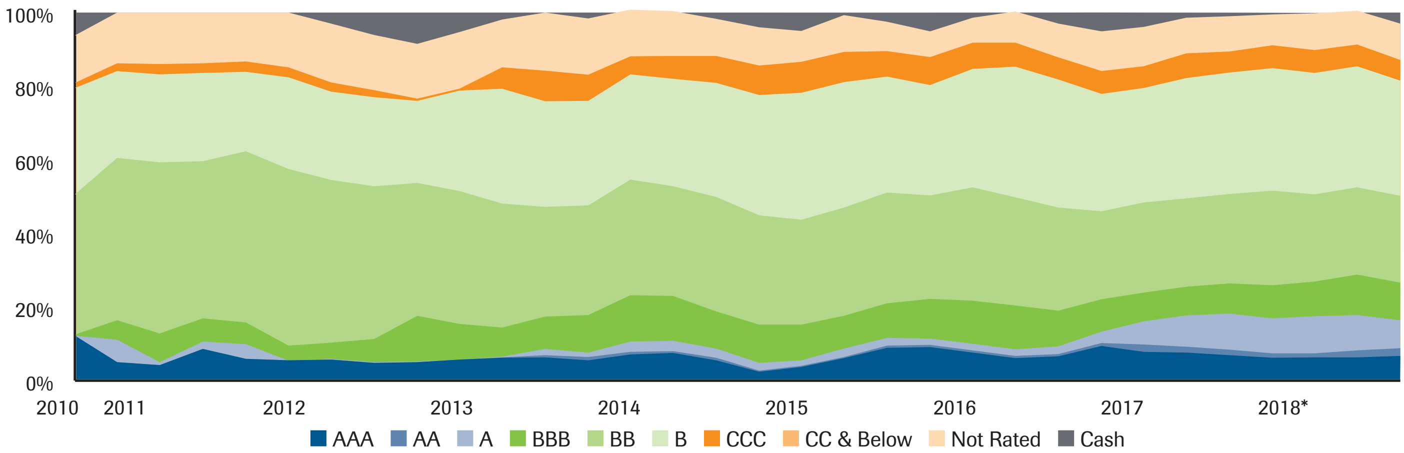
Fund assets are allocated across three broad sectors: domestic non-investment-grade (leveraged loans and high-yield corporates); foreign fixed income (trade finance and loan/corporate); and domestic investment-grade (agency mortgage, asset-backed, and loan/corporate). Sector allocation and security selection are key drivers of performance relative to the fund's blended benchmark. The flexible and nimble approach of a multi-sector floating-rate portfolio enables fund management to position assets across the risk spectrum based on our macro and fundamental views.

As of the end of the first quarter of 2019, the fund maintained a higher allocation to the domestic non-investment-grade sector than the previous quarter-end. While risk markets endured heavy downside volatility at the end of 2018, fund management's constructive views on the U.S. economy and credit fundamentals in the leveraged-finance markets justified higher weightings to credit-sensitive sectors at attractive valuations.

Despite the shift higher in the non-investment-grade bucket, fund management continues to emphasize a broadly diversified portfolio as the mature credit and economic cycles evolve. Careful consideration of relative valuation between sectors and asset classes are key components to portfolio positioning across the risk spectrum.

See disclosure section for important disclosures and definitions.

Historical Credit Quality[2]



* As of 3/31/19
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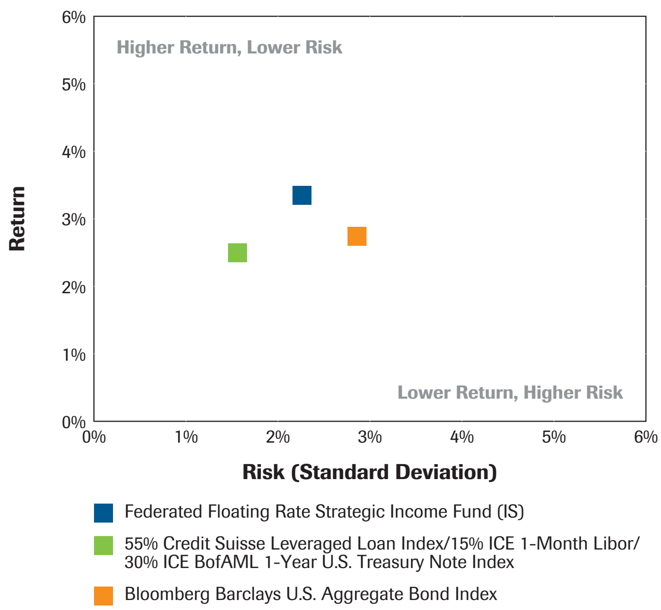
Risk Statistics

	3 Year	5 Year	7 Year
Standard Deviation	2.31	2.26	2.03
Correlation	0.98	0.97	0.96
R^2	96.34	94.03	92.95
Sharpe Ratio	1.40	1.12	1.50

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



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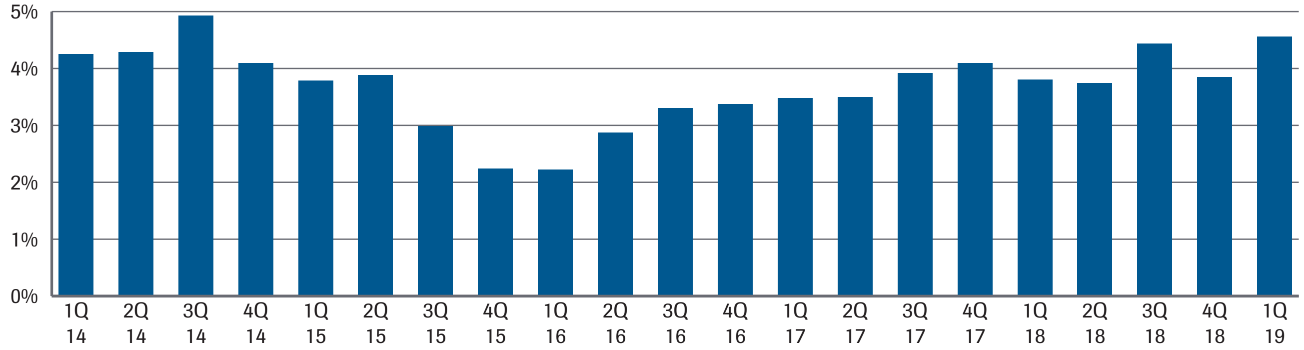
3-Year Rolling Returns (IS)



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Category Rankings

Morningstar Bank Loan Category

R6 Shares	1 Year	3 Year	5 Year
Morningstar Category % Rank	19	50	22
Morningstar Category Rank	32 of 240 Funds	–	–
IS Shares	**1 Year**	**3 Year**	**5 Year**
Morningstar Category % Rank	12	48	20
Morningstar Category Rank	19 of 240 Funds	124 of 215 Funds	42 of 196 Funds
A Shares	**1 Year**	**3 Year**	**5 Year**
Morningstar Category % Rank	37	66	42
Morningstar Category Rank	71 of 240 Funds	153 of 215 Funds	86 of 196 Funds

Lipper Loan Participation Funds

R6 Shares	1 Year	3 Year	5 Year
Lipper Classification % Rank	14	–	–
Lipper Classification Rank	31 of 237 Funds	–	–
IS Shares	**1 Year**	**3 Year**	**5 Year**
Lipper Classification % Rank	9	58	22
Lipper Classification Rank	20 of 237 Funds	123 of 212 Funds	42 of 193 Funds
A Shares	**1 Year**	**3 Year**	**5 Year**
Lipper Classification % Rank	28	71	43
Lipper Classification Rank	66 of 237 Funds	151 of 212 Funds	82 of 193 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 perfund 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 4.90% for R6 Shares, 4.81% for Institutional Shares, and 4.39% for A Shares.

[1]The breakdown does not give effect to the impact of derivative investments by the fund, including futures.

[2]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

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. Past performance is no guarantee of future results.

This must be preceded or accompanied by a prospectus.

G42142-20 (4/19)
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