

Federated Floating Rate Strategic Income Fund

4Q
2018

12/31/18

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 Category

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

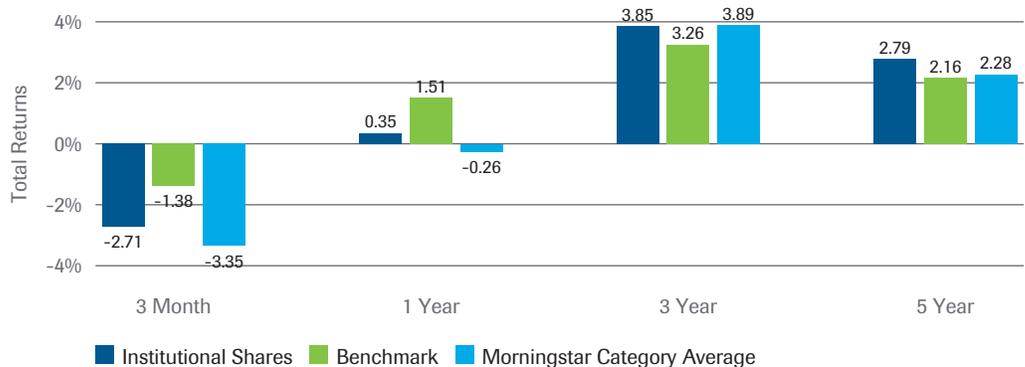
The fund seeks to provide total return consistent with current income and low interest-rate volatility. It invests primarily in a strategic mix of floating-rate fixed-income investments which pay interest at rates that increase or decrease with changes in market rates.

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	After Waivers
R6 Shares	-2.61	0.36	0.36	3.82	2.73	2.96	0.78	0.72
Institutional Shares	-2.71	0.35	0.35	3.85	2.79	3.40	0.85	0.74
A Shares (NAV)	-2.80	0.00	0.00	3.48	2.43	2.95	1.18	1.09
A Shares (MOP)	-4.71	-1.97	-1.97	2.78	2.01	2.68	1.18	1.09
Benchmark	-1.38	1.51	1.51	3.26	2.16	-	-	-



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
<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Trade Finance instruments primarily dollar based and pure floating rate Offers limited credit duration risk Less liquidity than loans 	<ul style="list-style-type: none"> 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

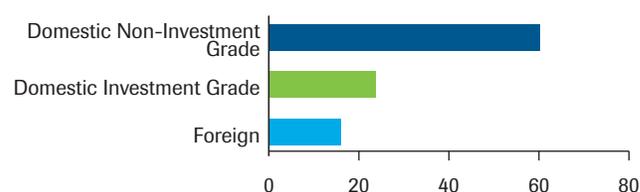
Weighted Average Effective Duration	0.47 Yrs.
Weighted Average Bond Price	\$94.69
Number of Securities	501
30-Day Yield (R6)	5.19%
30-Day Yield (IS)	5.17%
30-Day Yield (A)	4.71%

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.

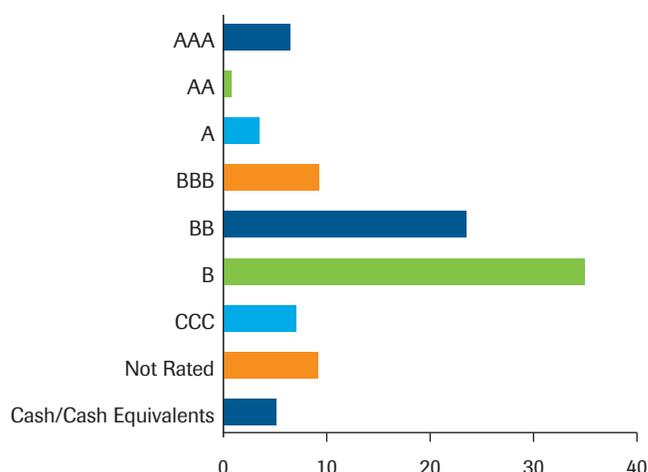
Top Holdings (%)

Invesco Senior Loan ETF	1.0
BWay Corp., Term Loan B - 1st Lien, 04/03/2024	0.9
Charter Communications OP, Term Loan B - 1st Lien, 04/30/2025	0.9
Las Vegas Sands, Term Loan - 1st Lien, 03/27/2025	0.9
GNMA1 2012-77 FE, 5/16/2041	0.7
Ortho-Clinical Diagnostics, Inc., Term Loan B - 1st Lien, 06/01/2025	0.7
Telenet Financing USD LLC, Term Loan AN - 1st Lien, 08/15/2026	0.7
Dana, Inc., Term Loan B - 1st Lien, 11/16/2025	0.6
GNMA1 2012-42 HF, 3/20/2042	0.6
Government National Mortgage Association 2012-41, FA, 2.3478%, 4/16/2028	0.6
U.S. Treasury Future	-3.5
Total % of Portfolio	4.1

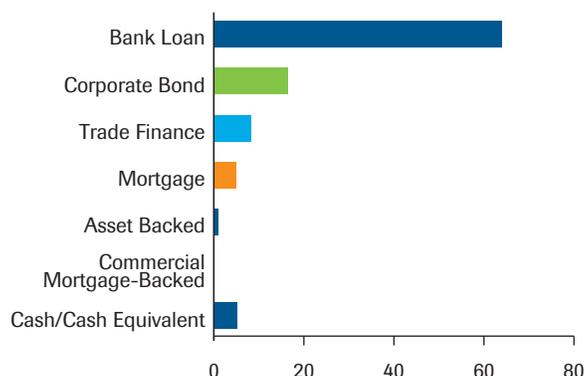
Sector Weightings¹ (%)



Quality Breakdown^{1,2} (%)



Asset Distribution¹ (%)



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.

Investment Review

Market Overview

During the fourth quarter of 2018, the primary U.S. dollar-denominated leveraged-finance asset classes experienced downside volatility and generated negative total returns. For example, the total return on the Credit Suisse Leveraged Loan Index (CSLLI) was -3.08% for the quarter. Loan risk spreads as measured by the discount margin (3-year) on the CSLLI abruptly moved wider, finishing the quarter at 5.50%, versus 3.81% at the beginning.

The leveraged-finance markets were negatively impacted by several factors that created uncertainty during the final months of 2018. Holders of risk assets were bothered by the continuing tariff jousting and trade negotiations between the U.S. and China. In addition, risk markets reacted negatively to the potential for a downshift in global economic and corporate earnings growth in 2019. Equity markets corrected dramatically during the quarter, approaching bear market levels with the volatility. Finally, political dysfunction in Washington, capped by a partial government shutdown, continued to create an uncomfortable and unpredictable backdrop for investors.

The U.S. leveraged loan market experienced an abrupt change in technical factors. Following years of inflows, loan funds experienced record outflows during the quarter. This created a new level of selling pressure in the market, forcing loan trading levels lower.

The fed funds target rate was hiked again by 25 basis points at the end of the quarter. Risk markets reacted negatively given concerns surrounding the path of future Fed tightening activities in the face of slower economic growth projections. In conjunction with the Fed tightening trend, the 3-month London interbank offered rate (Libor) continued to march higher, ending the quarter at 2.81%.

Performance

Federated Floating Rate Strategic Income Fund Institutional Shares had a net total return of -2.71% at net asset value for the quarter ending Dec. 31, 2018. On a gross basis, the portfolio return underperformed its higher quality blended benchmark, which is comprised of the following mix: 55% CSLLI; 30% 1-year U.S. Treasury Note Index and 15% 1-month Libor.

The fund finished the quarter at a modestly credit overweight position relative to its neutral setting in the domestic non-investment-grade (IG) sector. Given the negative volatility in risk assets broadly, this sector significantly underperformed the higher quality sectors in the benchmark. Security selection within this sector also was a negative contributor, primarily due to tactical positions in short-duration high-yield bonds, which experienced greater downside volatility.

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. Underperformance of this sector against the relevant sector of the blended benchmark was driven by portfolio positions in loans and bonds of foreign-domiciled issuers. The trade-finance segment of this sector generated attractive "coupon-like" returns during risk asset's volatile quarter.

The fund's underweight positioning to the domestic IG sector contributed negatively to relative performance. In addition, portfolio positions in IG-rated loans and floating-rate bonds also detracted from performance relative to the relevant portion of the blended benchmark.

The fund's short positions in U.S. Treasury futures contracts were a negative contributor to overall fund performance.

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.

How We Are Positioned

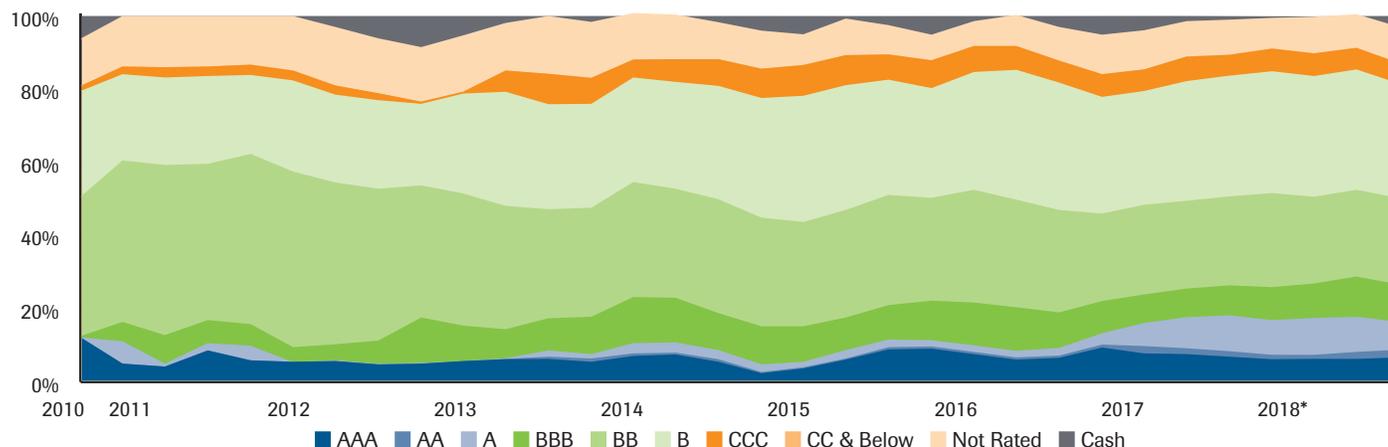
Fund assets are allocated across three broad sectors: domestic non-IG (leveraged loans and high-yield corporates); foreign fixed income (trade finance and loan/corporate); and domestic IG (agency mortgage, asset-backed, and loan/corporate). Sector allocation and security selection are key drivers of 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.

Amid heavy volatility at year-end, the fund increased its allocation to the domestic non-IG sector. Given fund management's constructive views on the U.S. economy and credit fundamentals in leveraged-finance markets, valuation appeared attractive enough to merit increased exposure to this credit-sensitive sector. Despite the shift higher in the non-IG bucket, fund management continued to diversify broadly across the three primary sectors as the long-running credit and economic cycles continued to chug along. Fund management's goal is to generate risk-adjusted relative performance through economic and credit cycles.

As of quarter-end, the fund maintained short positions in U.S. Treasury futures contracts as part of its duration management strategy.

See disclosure section for important disclosures and definitions.

Historical Credit Quality²



* As of 12/31/18

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.

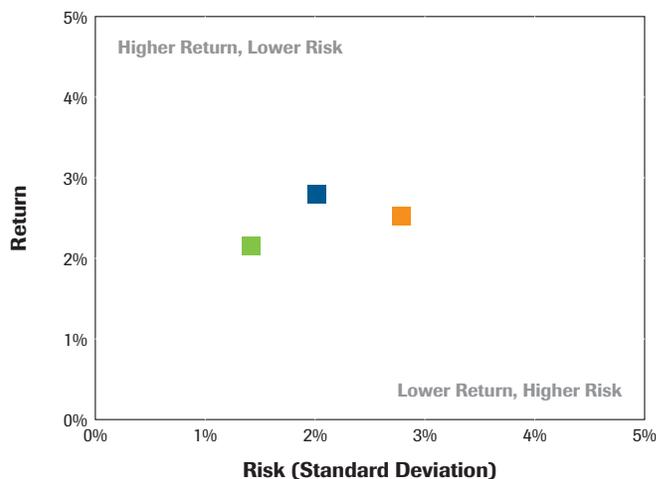
Risk Statistics

	3 Year	5 Year	7 Year
Standard Deviation	2.23	2.02	1.90
Correlation	0.98	0.96	0.96
R ²	96.05	92.92	92.62
Sharpe Ratio	1.21	1.04	1.59

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.

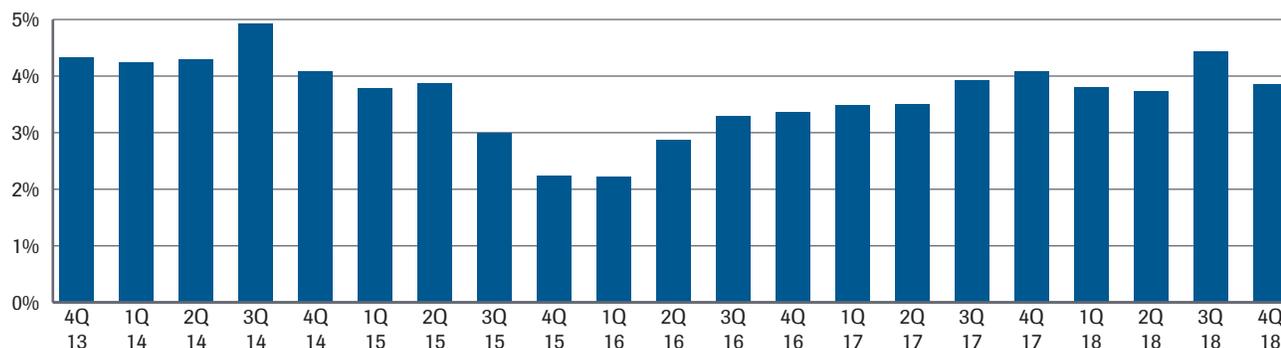
5-Year Risk/Return



- Federated Floating Rate Strategic Income Fund (IS)
- 55% Credit Suisse Leveraged Loan Index/15% ICE 1-Month Libor/30% ICE BofAML 1-Year U.S. Treasury Note Index
- Bloomberg Barclays U.S. Aggregate Bond Index

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.

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.

Category Rankings

Morningstar Bank Loan Category

R6 Shares	1 Year	3 Year	5 Year
Morningstar Category % Rank	21	48	20
Morningstar Category Rank	43 of 241 Funds	-	-
IS Shares	1 Year	3 Year	5 Year
Morningstar Category % Rank	22	48	21
Morningstar Category Rank	45 of 241 Funds	121 of 213 Funds	43 of 196 Funds
A Shares	1 Year	3 Year	5 Year
Morningstar Category % Rank	37	61	44
Morningstar Category Rank	81 of 241 Funds	141 of 213 Funds	89 of 196 Funds

Lipper Loan Participation Funds

R6 Shares	1 Year	3 Year	5 Year
Lipper Category % Rank	19	-	-
Lipper Category Rank	44 of 238 Funds	-	-
IS Shares	1 Year	3 Year	5 Year
Lipper Category % Rank	20	57	21
Lipper Category Rank	46 of 238 Funds	119 of 210 Funds	40 of 192 Funds
A Shares	1 Year	3 Year	5 Year
Lipper Category % Rank	35	66	44
Lipper Category Rank	82 of 238 Funds	138 of 210 Funds	84 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 5.14% for R6 Shares, 5.05% for Institutional Shares, and 4.62% for A Shares.

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

²The 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 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 2019© 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. ©2019 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.