Federated Institutional High Yield Bond Fund

4Q 2018

12/31/18

Fund Facts

Performance Inception Date

11/1/02

Benchmark

Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index

Morningstar Category

High Yield Bond

Lipper Category

High Yield Funds Average

Fund Assets

$6.1 billion

Ticker Symbols

R6 Shares - FIHLX
Institutional Shares - FIHBX

Key Investment Team

Mark Durbiano, CFA
Steven Wagner

Fund Description

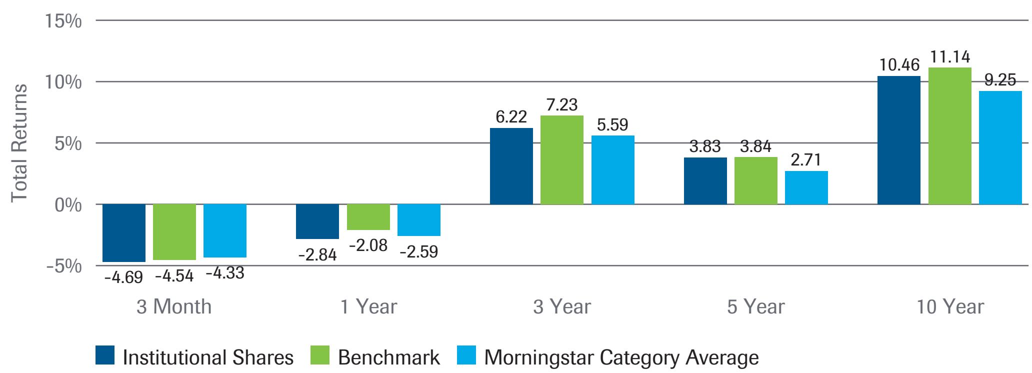
The fund pursues a high level of current income by investing primarily in non-investment-grade corporate fixed-income securities issued by U.S. or foreign businesses. Such securities tend to perform at their best during economic recoveries and expansions, and can offer portfolio diversification as their performance historically is uncorrelated to other types of 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	Expense Ratio* After Waivers
R6 Shares	-4.68	-2.82	-2.82	6.25	3.83	10.41	6.66	7.86	0.51	0.49
Institutional Shares	-4.69	-2.84	-2.84	6.22	3.83	10.46	6.97	8.22	0.56	0.50
Benchmark	-4.54	-2.08	-2.08	7.23	3.84	11.14	7.00	–	–	–



Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Institutional Shares	-2.84	7.16	15.09	-2.29	3.08	7.31	15.16	5.68	14.78	49.50
Benchmark	-2.08	7.50	17.13	-4.43	2.46	7.44	15.78	4.96	14.94	58.76
Morningstar Category Average	-2.59	6.47	13.30	-4.01	1.11	6.90	14.67	2.83	14.24	46.70

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. If shares are redeemed or exchanged within 90 days of purchase, a 2% redemption fee will be charged. The redemption fee will be paid to 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 1/1/20 or the date of the fund's next effective prospectus.**

Federated®

Investment Approach

Consistency of People

- The high-yield team is comprised of 13 investment professionals with an average of 19 years of investment experience, 11 of 13 team members have more than 10 years of experience, the vast majority of experience earned on the Federated high-yield team.
- Analysts are industry specialists responsible for researching the complex capital structures of high-yield companies and providing security recommendations to the portfolio managers.

Consistency of Process

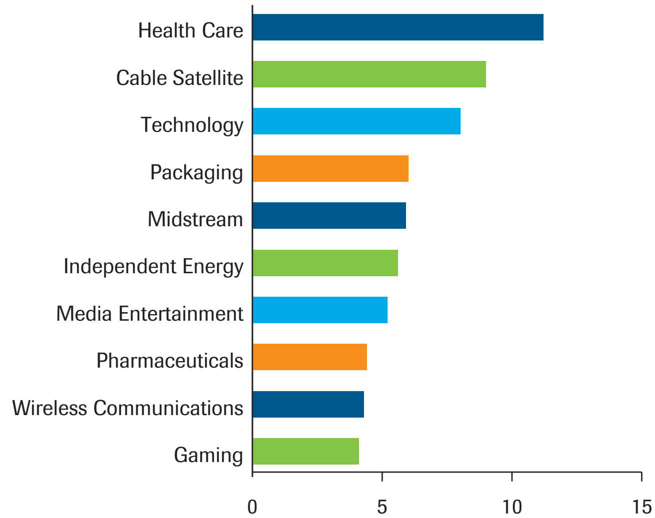
- A bottom-up process, focusing on strong operating companies that generate free cash flow in stable and predictable businesses.
- We hold a fundamentally different view of quality compared to the rating agencies. Our process includes: focus on franchise value, industry profile, competitive profile, strength of management, forward-looking view of company financials and a belief that the market is more efficient at pricing high-yield credit risk than the agencies.

Portfolio Statistics

Weighted Average Effective Maturity	5.6 Yrs.
Weighted Average Duration to Worst	4.4 Yrs.
Weighted Average Coupon	6.29%
Weighted Average Bond Price	$93.28
Weighted Average Yield to Worst	7.94%
30-Day Yield (R6)	6.99%
30-Day Yield (IS)	6.98%

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.

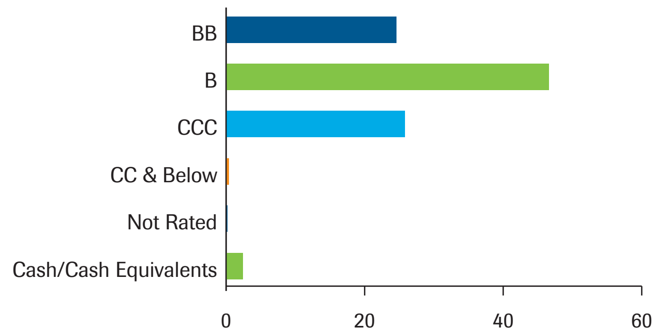
Top 10 Sector Weightings (%)



Top Holdings (%)

HCA Holdings, Inc.	2.2
Charter Communications, Inc.	2.1
Bausch Health Cos, Inc.	2.0
Sprint Corp.	1.8
CSC Holdings LLC	1.4
Ardagh Group SA	1.1
Eagle Holding Co. II LLC	1.1
Infor Software Parent, Inc.	1.1
Post Holdings, Inc.	1.1
Tenet Healthcare Corp.	1.0
TransDigm, Inc.	1.0
Total % of Portfolio	**15.9**

Quality Breakdown[1] (%)



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.

Market Overview

For the three months ended December 31, 2018, the high-yield market underperformed the investment-grade bond market. For example, the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Bond Index (BBC2%HYBI) returned -4.54% versus a 1.64% return for the Bloomberg Barclays Aggregate Bond Index (Aggregate), a measure of high-quality bond performance.

The high-yield market was negatively impacted by a number of factors in the fourth quarter of 2018. The continuing tariff negotiations between Beijing and Washington are perhaps the single largest item of concern on the economic front with a looming March 1, 2019 deadline for an agreement. Also, investors remain concerned about the pace of Federal Reserve (Fed) rate increases in light of economic uncertainties. While most forecasters see U.S. economic growth modestly slowing in 2019, larger concerns center on Europe and China. In addition, political rancor in the U.S. continues with border funding, a partial government shutdown and investigations into President Trump topping the list. Finally, a substantial decline in oil prices negatively impacted a large sector within the high-yield market. These uncertainties led risk assets lower in the quarter with equity markets flirting with bear market declines in addition to the underperformance of high-yield bonds. While flows in high-yield mutual funds continued to be moderately negative, leveraged loan mutual funds set records for outflows after multiple years of inflows adding to overall negative sentiment for riskier fixed-income investments. Given this negative sentiment, the yield spread between the Credit Suisse High Yield Bond Index and Treasury securities with comparable maturities moved from 360 basis points at the beginning of the quarter to 575 basis points as of December 31, 2018.

Within the high-yield market, the strongest-performing major industries relative to the BBC2%HYBI were: Electric Utilities, Media & Entertainment, Banking, Packaging and Food & Beverage. The worst-performing major industries relative to the BBC2%HYBI were: Oil Field Services, Independent Energy, Wireline Telecommunications, Finance Companies and Chemicals. From a quality perspective, the credit-sensitive CCC-rated sector was the hardest hit sector with a -9.28% total return followed by the B-rated sector, which returned -4.35%. The higher-quality BB-rated sector was the strongest-performing quality sector although it also was in negative territory with a -2.91% total return.

Performance

The fund underperformed the BBC2%HYBI on a net basis and performed relatively in line with the benchmark on a gross basis during the quarter. The fund was positively impacted by its industry sector positioning during the quarter. This was driven by its underweight to the poor-performing Oil Field Services, Wireline Telecommunications and Independent Energy sectors. The fund was also positively impacted by strong security selection in the Independent Energy sector. Specific high-yield issuers held by the portfolio that positively impacted performance relative to the BBC2%HYBI included: Seminole Hard Rock Entertainment, Platform Specialty Products, Enviva Partners, CCO Holdings and Albertsons Cos.

The fund was negatively impacted by poor security selection in the quarter. This was especially true in the Health Care, Technology, Pharmaceutical, Automotive and Wireless Telecommunications sectors. The fund was also negatively impacted by its underweight to the strong-performing Banking sector. The fund's overweight to CCC-rated securities negatively impacted performance. Specific high-yield issuers held by the portfolio that negatively impacted performance relative to the BBC2%HYBI included: Mallinckrodt, Sesi LLC, Inception Merger Sub., Navient Corp and Riverbed Technology. The fund's total return for the period also reflected actual cash flows, transaction costs and other expenses that were not reflected in the total return of the BBC2%HYBI.

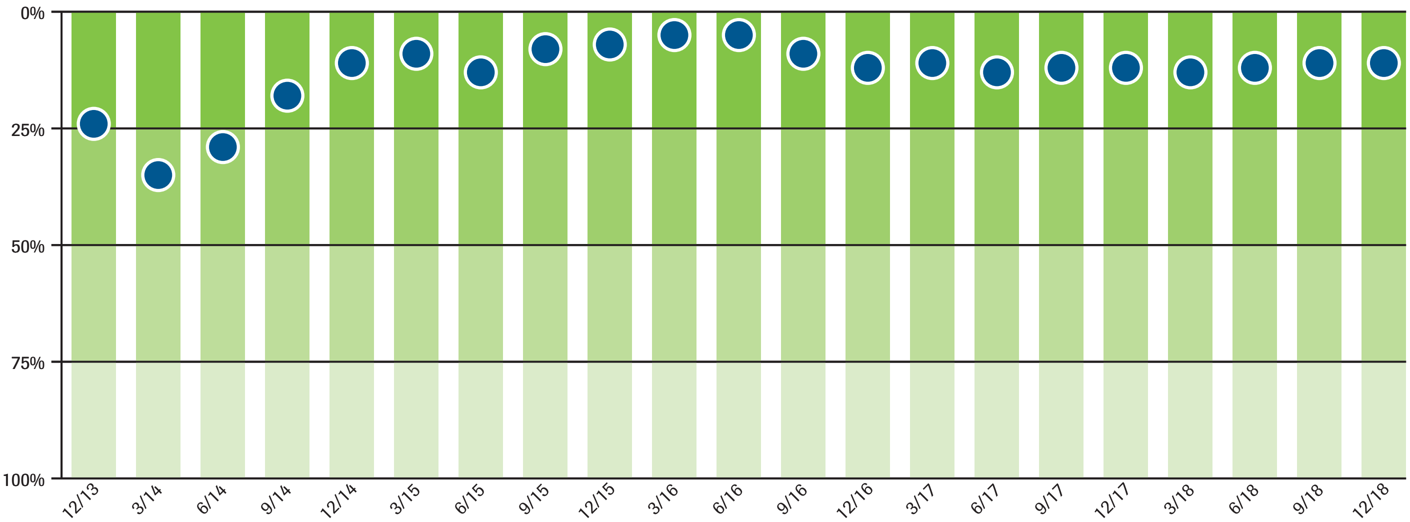
Performance quoted represents past performance, which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. 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

The poor performance for high-yield securities in the fourth quarter leaves the market at a crossroad. While many worries exist–trade negotiations, the Fed, equity markets, political discord–yields just shy of 8% on the BBC2%HYBI and credit spreads well above their historical median certainly look more attractive than in recent quarters. Corporate credit quality remains good, default rates remain modest, projected earnings growth should build on the 20% plus growth seen in 2018 and the consumer-led economy appears to be poised to continue the current expansion in an environment of very low unemployment. This should set the stage for the high-yield market to experience a bounce back from the poor performance in the fourth quarter. The biggest risk would be a surprising slowdown in U.S. economic activity in response to a negative outcome in current trade discussions with China.

See disclosure section for important disclosures and definitions.

5-Year Rolling Morningstar Ranking



5-Year Rolling Morningstar High Yield Bond Category. Ranking over other time periods will vary.
% Rankings are for IS Shares.
Past performance is no guarantee of future results. Rankings are based on total return.

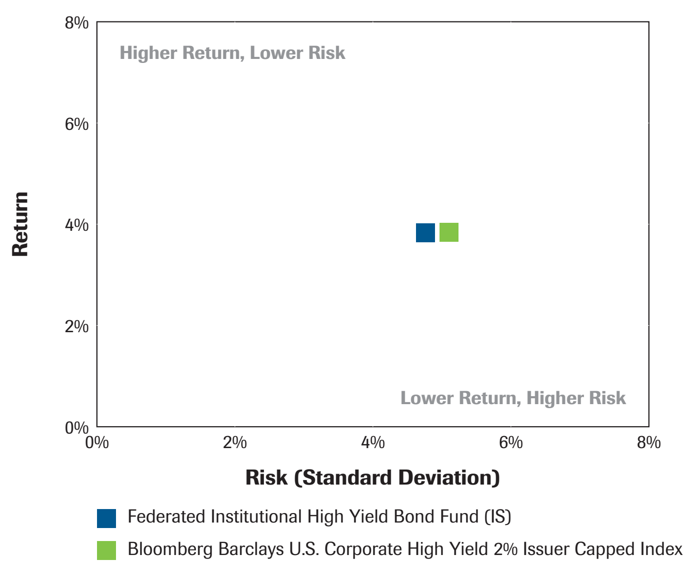
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	4.27	4.76	4.72	6.79
Alpha	-0.41	0.24	0.24	0.65
Beta	0.91	0.92	0.94	0.87
Up Capture Ratio	89.79	94.18	94.95	91.19
Down Capture Ratio	98.05	90.16	90.70	85.13
Sharpe Ratio	1.18	0.66	1.13	1.48

Sources: Federated Investors, Morningstar, Inc.
Fund vs. Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index

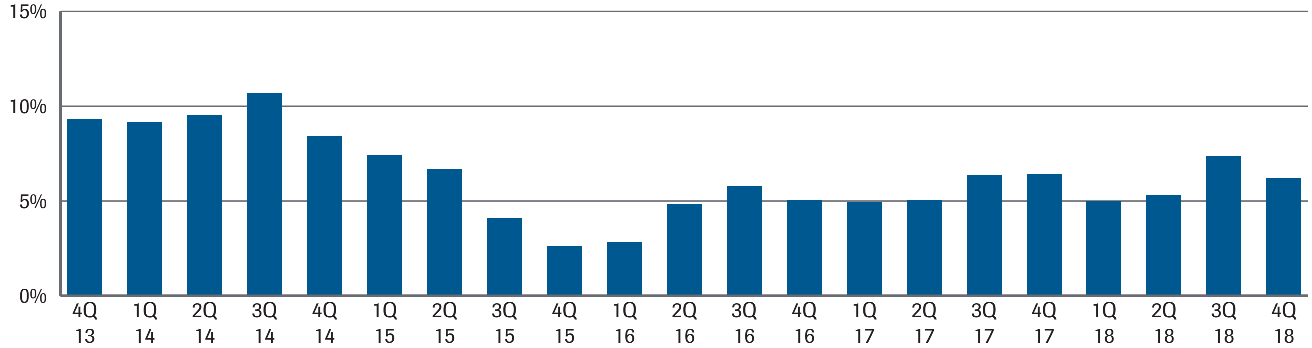
See disclosure section for important definitions.

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.

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 High Yield Bond Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	52	31	10	16
Morningstar Category Rank	322 of 695 Funds	–	–	–
IS Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Morningstar Category % Rank	53	32	11	16
Morningstar Category Rank	328 of 695 Funds	170 of 604 Funds	43 of 507 Funds	44 of 329 Funds

Lipper High Yield Funds Average

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Category % Rank	47	–	–	–
Lipper Category Rank	310 of 672 Funds	–	–	–
IS Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Lipper Category % Rank	47	28	8	13
Lipper Category Rank	316 of 672 Funds	159 of 582 Funds	38 of 487 Funds	39 of 312 Funds

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

[1]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 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 6.97% for R6 Shares and 6.92% for Institutional Shares.

The fund's R6 Shares commenced operations on June 30, 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 Shares 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 fund 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.

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.

Definitions

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.

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.

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 ration, 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 Coupon is the weighted average interest payment of all individual debt securities within a portfolio.

Weighted Average Duration to Worst is the approximate percentage change in a bond's price given a 1% change in its yield-to-maturity or its yield-to-call, whichever is lower. Duration-to-Worst is the same as Macaulay's duration except the pre-determined set of principal and interest cash flows are based on either the final maturity date, or a call date within the bond's call schedule, whichever would result in the lowest yield to the investor – i.e., the Yield-to-Worst.

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.

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.

G42142-17 (1/19)
Federated Securities Corp., Distributor