

Federated Institutional High Yield Bond Fund

2Q
2019

6/30/19

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 Classification

High Yield Funds Average

Fund Assets

\$6.6 billion

Ticker Symbols

R6 Shares - FIHLX
Institutional Shares - FIHBX

Key Investment Team

Mark Durbiano, CFA
Steven Wagner

Yields (%)

30-Day Yield (R6) 5.50
30-Day Yield (IS) 5.49

Fund Description

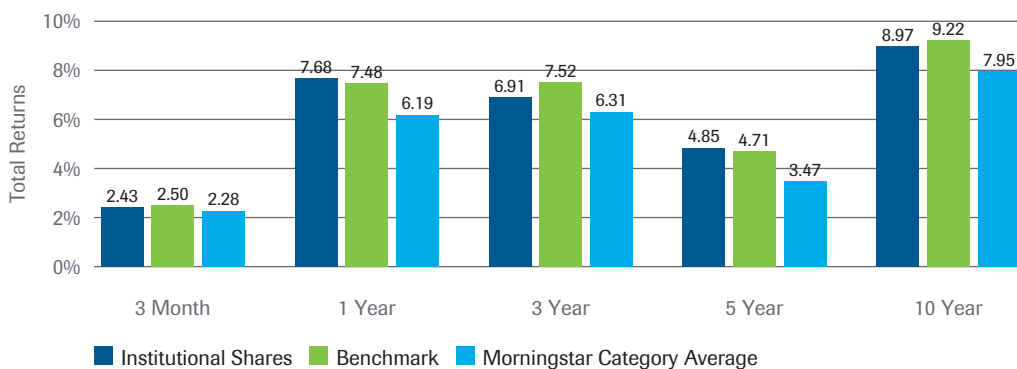
The fund pursues a high level of current income by investing primarily in non-investment-grade corporate fixed-income securities issued by U.S. or foreign businesses. Such securities tend to perform at their best during economic recoveries and expansions, and can offer portfolio diversification as their 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	After Waivers
R6 Shares	2.43	10.23	7.58	6.92	4.83	8.92	7.21	8.25	0.51	0.49
Institutional Shares	2.43	10.35	7.68	6.91	4.85	8.97	7.51	8.60	0.56	0.50
Benchmark	2.50	9.94	7.48	7.52	4.71	9.22	7.57	-	-	-



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.

* 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.

Investment Approach

Consistency of People

- The high-yield team is comprised of 13 investment professionals with an average of 20 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

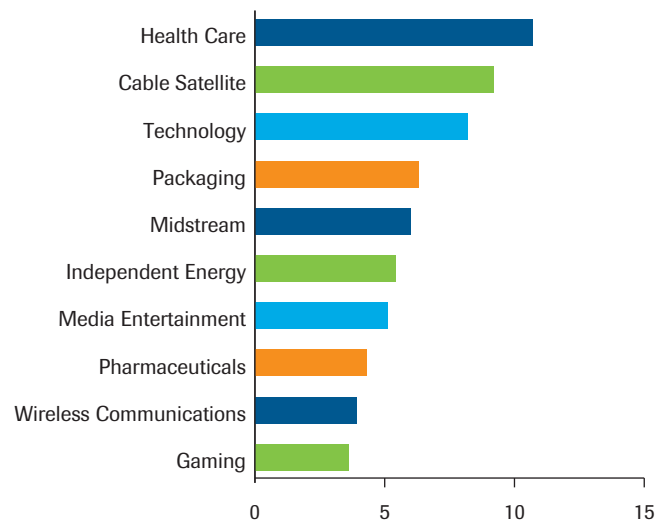
Weighted Average Effective Maturity	3.8 Yrs.
Weighted Average Duration to Worst	3.1 Yrs.
Weighted Average Coupon	6.32%
Weighted Average Bond Price	\$100.59
Weighted Average Yield to Worst	5.79%

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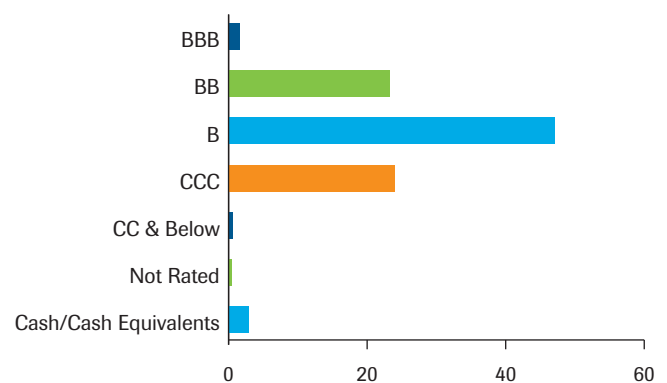
Top Holdings (%)

Charter Communications, Inc.	2.1
CSC Holdings LLC	2.1
Bausch Health Cos, Inc.	2.0
HCA Holdings, Inc.	1.8
Sprint Corp.	1.7
Eagle Holding Co. II LLC	1.2
TransDigm, Inc.	1.2
Ardagh Group SA	1.1
Hub International Ltd.	1.1
Post Holdings, Inc.	1.1
Total % of Portfolio	15.4

Top 10 Sector Weightings (%)



Quality Breakdown¹ (%)



Portfolio composition is based on net assets at the close of business on 6/30/19 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.

Market Overview

For the three months ended June 30, 2019, 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 2.50% versus a 3.08% return for the Bloomberg Barclays Aggregate Bond Index (Aggregate), a measure of high-quality bond performance.

The high-yield market generated acceptable absolute returns during the quarter but could not keep up with the longer-duration, higher-quality markets as interest rates on U.S. Treasury securities moved substantially lower. On a duration-adjusted basis, the BBC2%HYBI actually generated positive excess returns of 39 basis points compared to Treasuries of similar duration. The move lower in rates was driven by economic concerns brought about by slowing global growth estimates, trade disputes and geopolitical tensions. Also, negative interest rates in several developed markets exerted a downward bias on U.S. rates. Credit spreads were modestly wider during the period although volatility was fairly high. For example, the yield spread between the Credit Suisse High Yield Bond Index and Treasury securities with comparable maturities started the period at 449 basis points. It declined to 401 basis points in mid-April, then rose to a high of 509 basis points in early June before declining to 452 basis points on June 30, 2019.

Within the high-yield market, the strongest-performing major industries relative to the BBC2%HYBI were: Wireless Telecommunications, Banking, Home Construction, Retail and Finance Companies. The worst-performing major industries relative to the BBC2%HYBI were: Oil Field Services, Independent Energy, Chemicals, Pharmaceuticals and Health Care. Reflecting the move lower in interest rates, the more interest rate sensitive BB-rated sector led the way with a return of 3.08% followed by the B-rated sector, which returned 2.66%. The more economically sensitive CCC-rated sector trailed the other two sectors with a return of 0.29% as economic concerns and credit-specific issues offset the positive interest rate impact.

Performance

The fund underperformed the BBC2%HYBI on a net basis and performed roughly in line with the BBC2%HYBI on a gross basis. The fund was positively impacted by being underweight the poor-performing Independent Energy and Oil Field Service sectors as well as being overweight the outperforming Property & Casualty sector. Strong security selection in the Independent Energy and Automotive sectors also benefited returns. Specific high-yield issuers held by the portfolio that positively impacted performance relative to the BBC2%HYBI included: EP Energy, Albertsons, Avolon Holdings, AssuredPartners and DishDBS.

The fund was negatively impacted by poor security selection in the Health Care, Pharmaceutical and Packaging sectors. The fund's underweight to the strong-performing Home Construction, Retail and Banking sectors also negatively impacted performance. Specific high-yield issuers held by the portfolio that negatively impacted performance relative to the BBC2%HYBI included: SESI LLC, Mallinckrodt, Envision Healthcare, Flex Acquisition and Team Health. 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.

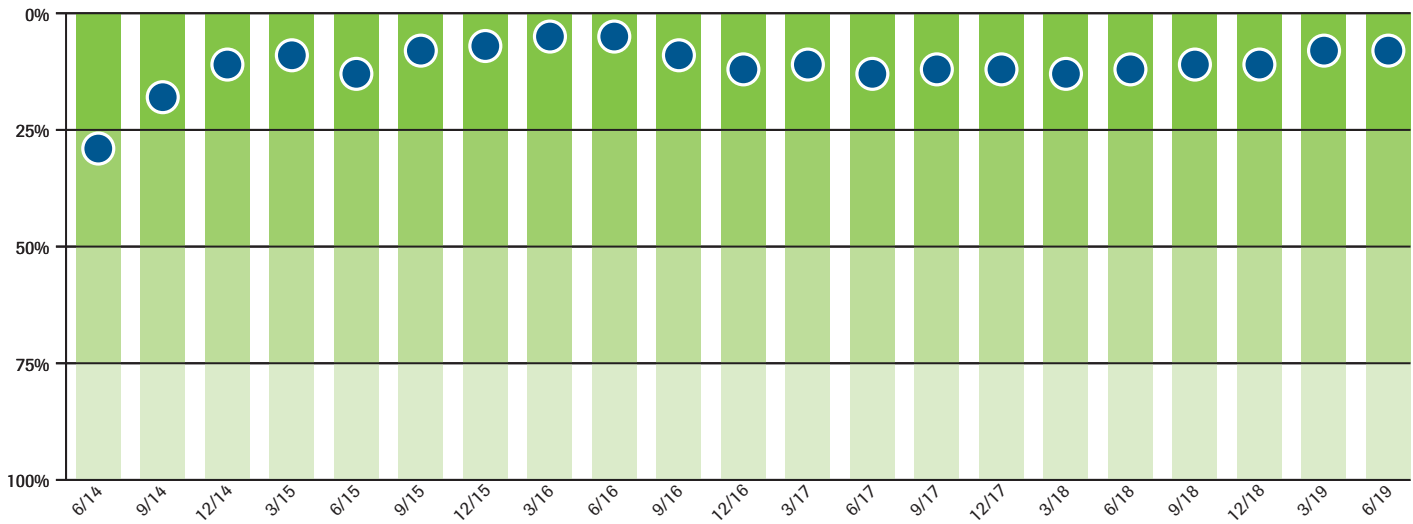
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How We Are Positioned

At the start of the third quarter, uncertainty remained high. Global growth, including that of the U.S., appears to be slowing. Trade wars, tensions with Iran, volatile oil prices and uncertain Federal Reserve policy all contribute to the mix. Against this backdrop is the beginning of a global easing cycle; U.S. employment statistics that are very strong; confidence levels that, although off the top, remain at high levels and U.S. equity markets close to all-time highs. And, it's hard to believe, but the 2020 Presidential cycle appears to be in full swing. All these cross currents most likely mean that volatility will remain high in financial markets with credit spreads reacting to the news flow. While we continue to believe that lower spreads are still likely, the non-distressed sector of the market has tightened considerably and the overall spread level reflects a fairly sizable "fat tail" of semi-distressed paper. Spread tightening from current levels may be either the result of strong performance of these semi-distressed securities or these securities simply defaulting and exiting the market.

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.

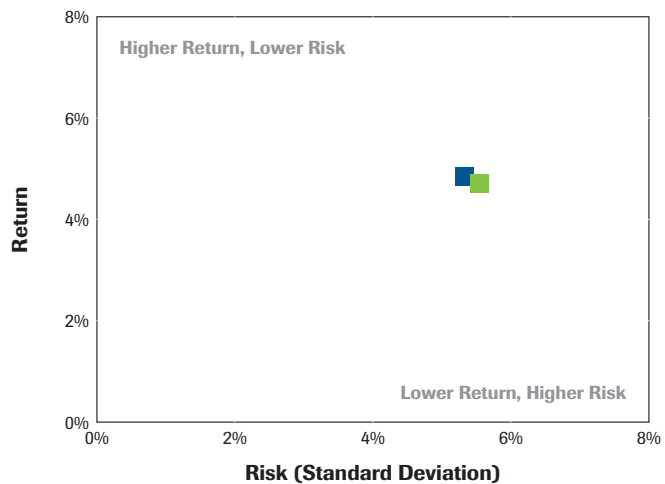
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	4.64	5.33	4.93	5.87
Alpha	-0.86	0.32	0.12	0.43
Beta	1.05	0.95	0.95	0.92
Up Capture Ratio	96.21	96.50	95.87	94.33
Down Capture Ratio	106.89	91.11	93.03	88.83
Sharpe Ratio	1.16	0.73	1.12	1.44

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

See disclosure section for important definitions.

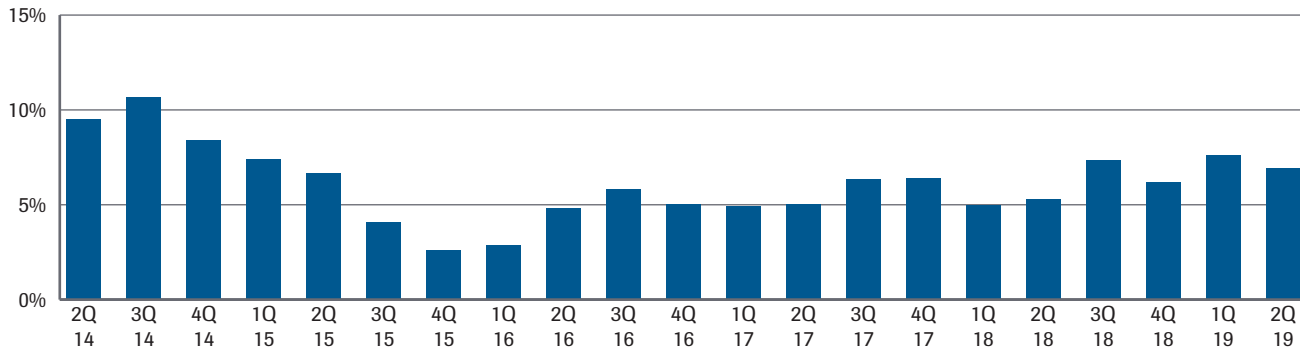
5-Year Risk/Return



■ Federated Institutional High Yield Bond Fund (IS)
 ■ Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index

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3-Year Rolling Returns (IS)



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Category Rankings

Morningstar High Yield Bond Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	23	32	8	14
Morningstar Category Rank	138 of 705 Funds	187 of 610 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	21	32	8	14
Morningstar Category Rank	126 of 705 Funds	190 of 610 Funds	31 of 524 Funds	42 of 337 Funds

Lipper High Yield Funds Average

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	22	32	-	-
Lipper Classification Rank	103 of 478 Funds	129 of 403 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	20	32	8	12
Lipper Classification Rank	95 of 478 Funds	129 of 403 Funds	27 of 355 Funds	30 of 259 Funds

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

¹The 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 5.48% for R6 Shares and 5.44% 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 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.

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 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 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

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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.