

# Federated MDT All Cap Core Fund

4Q  
2019

12/31/19

## Fund Facts

### Performance Inception Date

10/1/02

### Benchmark

Russell 3000<sup>®</sup> Index

### Morningstar Category

Large Value

### Lipper Classification

Multi-Cap Core Funds

### Fund Assets

\$354.9 million

### Ticker Symbols

R6 Shares - QKACX

Institutional Shares - QIACX

A Shares - QAACX

C Shares - QCACX

### Key Investment Team

Daniel Mahr, CFA

Frederick Konopka, CFA

John Paul Lewicke

Damien Zhang, CFA

## Fund Description

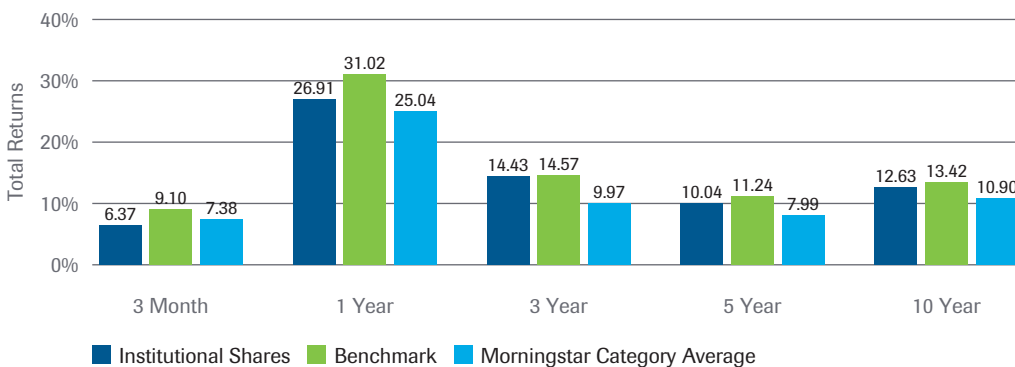
The fund pursues long-term capital appreciation by taking a “whole-market” approach to U.S. stocks and investing in a diversified portfolio of companies from the Russell 3000 Index. Through a fundamentally based, bottom-up, systematic approach, it seeks to remove subjective and emotional influences from the stock-selection process.

## 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            | 6.32    | 26.89 | 26.89  | 14.44  | 9.77   | 12.08   | 7.21    | 8.89            | 0.95           | 0.74          |
| Institutional Shares | 6.37    | 26.91 | 26.91  | 14.43  | 10.04  | 12.63   | 7.81    | 9.53            | 1.02           | 0.75          |
| A Shares (NAV)       | 6.27    | 26.50 | 26.50  | 14.09  | 9.72   | 12.32   | 7.51    | 9.23            | 1.28           | 1.05          |
| A Shares (MOP)       | 0.42    | 19.53 | 19.53  | 11.96  | 8.49   | 11.69   | 7.10    | 8.87            | 1.28           | 1.05          |
| Benchmark            | 9.10    | 31.02 | 31.02  | 14.57  | 11.24  | 13.42   | 9.03    | -               | -              | -             |



### Calendar Year Returns (%)

|                              | 2019  | 2018  | 2017  | 2016  | 2015  | 2014  | 2013  | 2012  | 2011  | 2010  |
|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Institutional Shares         | 26.91 | -2.49 | 21.07 | 12.41 | -4.21 | 13.32 | 40.49 | 16.54 | -0.33 | 10.09 |
| Benchmark                    | 31.02 | -5.24 | 21.13 | 12.74 | 0.48  | 12.56 | 33.55 | 16.42 | 1.03  | 16.93 |
| Morningstar Category Average | 25.04 | -8.53 | 15.94 | 14.81 | -4.05 | 10.21 | 31.21 | 14.57 | -0.75 | 13.66 |

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 5.5% 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 10/1/20 or the date of the fund's next effective prospectus.

## Investment Process

### Fundamentally Based Research

Research identifies powerful combinations of classic fundamentals enhanced with behavioral signals that work across market environments.

### Stock Selection

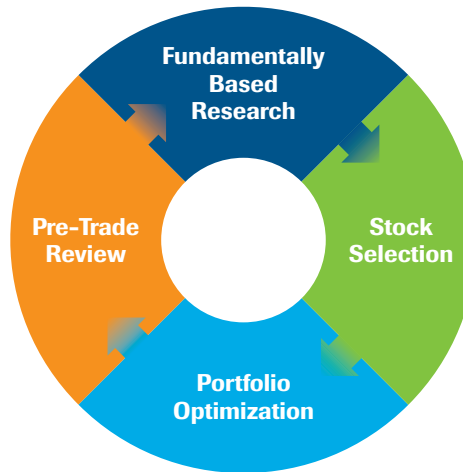
Stock alphas are forecasted based on each company's characteristics.

### Portfolio Optimization

Proprietary software is used to maximize portfolio alpha, net of trading costs, while managing risk.

### Pre-Trade Review

All trades are reviewed to ensure they are based on the most recent and accurate information. Insights from pre-trade review provide important feedback to the team and inspire further research.



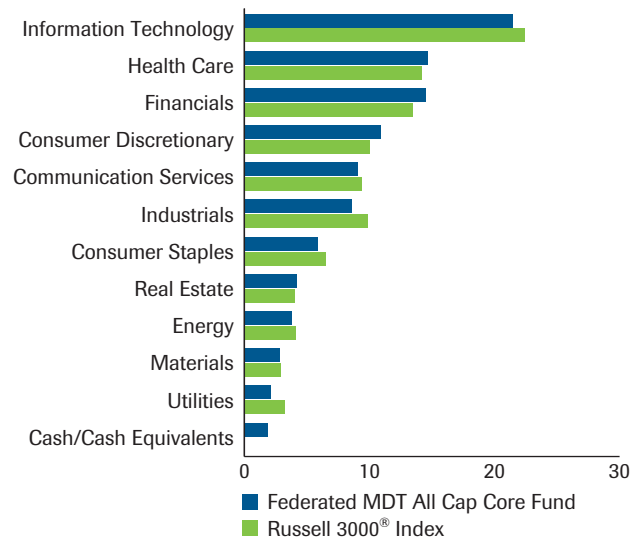
## Portfolio Statistics

|                            |          |
|----------------------------|----------|
| Weighted Median P/E (LTM)  | 26.1x    |
| Weighted Median P/E (NTM)  | 19.3x    |
| Weighted Median Market Cap | \$44.7 b |
| Weighted Median Price/Book | 5.1x     |
| Number of Securities       | 202      |

## Top Holdings (%)

|                              |             |
|------------------------------|-------------|
| Alphabet Inc.                | 3.6         |
| Lockheed Martin Corp.        | 2.8         |
| Allstate Corp.               | 2.6         |
| Ansys, Inc.                  | 2.4         |
| Charter Communications, Inc. | 2.3         |
| Mastercard, Inc.             | 2.3         |
| DuPont de Nemours Inc.       | 2.2         |
| Kimberly-Clark Corporation   | 2.2         |
| HCA Healthcare, Inc.         | 2.0         |
| Stryker Corp.                | 1.9         |
| <b>Total % of Portfolio</b>  | <b>24.3</b> |

## Sector Weightings (%)



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.

## Highlights

- The fourth quarter was a growth quarter during which our regular underweight of companies with lower quality (weak financial structures, low cash flow, etc.) worked against us
- Fund ended quarter roughly sector-neutral to benchmark

## Looking Back

The fourth quarter of 2019, with the whole-market Russell 3000 Index returning 9.10%, was a revisit to the very positive markets of the first quarter. With trade-war tensions lessening and the impeachment of the president counteracted by the support he is likely to receive in the Senate, the market reached record highs. The micro-capitalization range had the highest return (Russell Microcap at 13.45%, after having had the lowest return in the third quarter), followed by small caps (Russell 2000 at 9.94%), mega-caps (Russell Top 200 at 9.79%) and finally midcaps (Russell Midcap at 7.06%). Growth stocks led value stocks in every capitalization range. The largest differential between growth and value was in the microcaps (Russell Microcap Growth was ahead of its value sibling by 7.22%). In the other capitalization ranges, growth had an advantage over value of roughly two to three percentage points.

For the year as a whole, returns were the highest they have been in the domestic market since 2013. In 2013, small caps led the way, but this year mega-caps had the highest return (Russell Top 200 Index at 31.75%) followed by the cap ranges in descending order of size (Russell Midcap at 30.54%, Russell 2000 at 25.52% and Russell Microcap at 22.43%). Given that growth has led value almost every quarter this year, it is not surprising that growth led value for the full year in every capitalization range.

The fourth quarter was a growth quarter during which the companies that did the best were largely companies that had weaker financial structures. Because our research shows that companies with weak financial structures do not outperform over the long run, we avoid most of those companies, and we were not in the sweet spot of the market.

## Performance

Federated MDT All Cap Core Fund Institutional Shares returned 6.37% in the fourth quarter of 2019, underperforming the 9.10% return of its benchmark, the Russell 3000 Index.

### Performance Contributors

- Strong performers overweighted by the fund: Biogen Inc., Charter Communications, Inc. (Class A) and ANSYS, Inc.

### Performance Detractors

- Stock selection and overweight of stocks with neutral to high analyst conviction and without notably worsening earnings-to-price
- Security selection in Industrials, Materials and Financials sectors
- Weak performer overweighted by the fund: Expedia Group, Inc.
- Strong performers underweighted by the fund: Apple Inc. and Microsoft Corporation

*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

The fund ended the fourth quarter roughly sector-neutral to the benchmark according to the GICS sectors. Within the sectors, there were overweight positions in the insurance and household & personal products industries. There were underweight positions in the food, beverage & tobacco, technology hardware & equipment and banks industries. At the end of the period, the fund was tilted toward growth stocks.

*See disclosure section for important disclosures and definitions.*

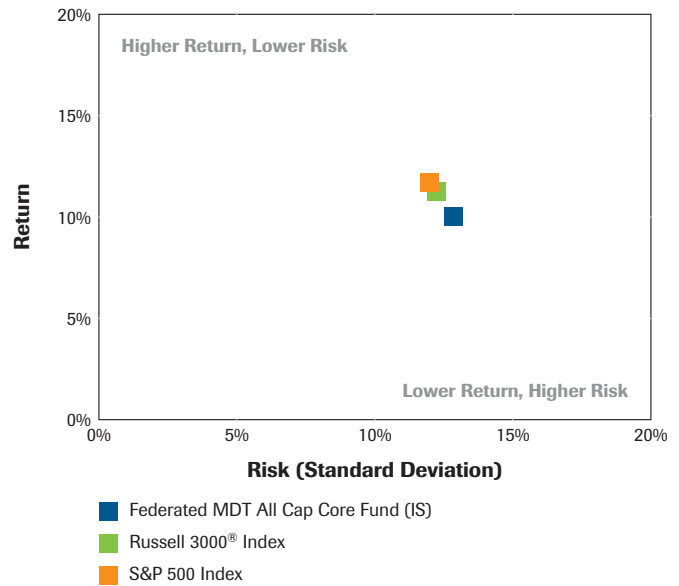
**Risk Statistics**

|                    | 3 Year | 5 Year | 7 Year | 10 Year |
|--------------------|--------|--------|--------|---------|
| Standard Deviation | 12.80  | 12.85  | 12.16  | 13.80   |
| Alpha              | -0.21  | -1.26  | -0.39  | -1.19   |
| Beta               | 1.01   | 1.02   | 1.04   | 1.05    |
| Correlation        | 0.98   | 0.98   | 0.97   | 0.98    |
| R <sup>2</sup>     | 95.62  | 95.07  | 94.88  | 95.33   |
| Up Capture Ratio   | 96.41  | 94.59  | 99.95  | 99.39   |
| Down Capture Ratio | 93.26  | 99.23  | 99.44  | 104.50  |
| Sharpe Ratio       | 0.98   | 0.69   | 1.11   | 0.68    |
| Tracking Error     | 2.69   | 2.86   | 2.79   | 3.04    |

Sources: Federated Investors, Morningstar, Inc.  
Fund vs. Russell 3000<sup>®</sup> Index

See disclosure section for important definitions.

**5-Year Risk/Return**



**A Diversified Equity Holding Can Help Weather Market Cycles**

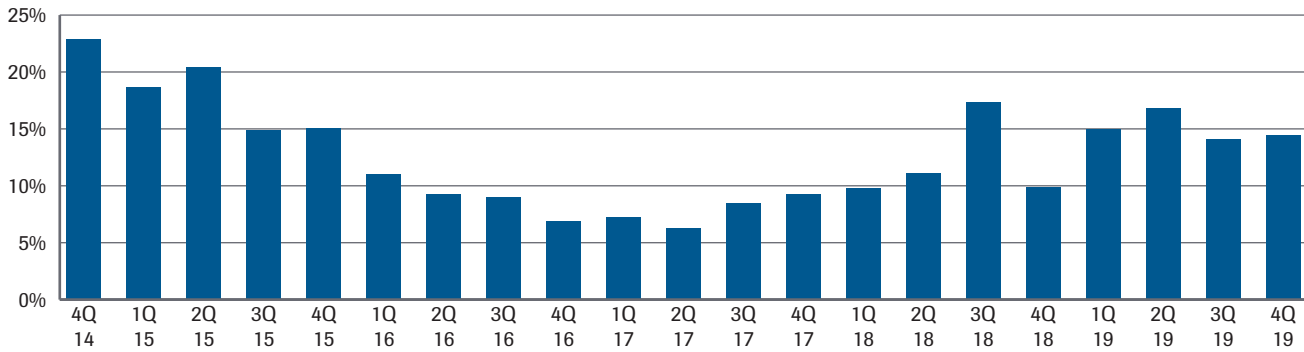
| 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  |
|---|---|---|---|---|---|---|
| Small Growth<br>43.30%                      | Mid Value<br>14.75%                         | Large Growth<br>5.09%                       | Small Value<br>31.74%                       | Large Growth<br>29.59%                      | Large Growth<br>-2.12%                      | Large Growth<br>35.85%                      |
| <b>MDT All Cap Core Fund (IS)</b><br>40.49% | <b>MDT All Cap Core Fund (IS)</b><br>13.32% | Mid Growth<br>-0.20%                        | Mid Value<br>20.00%                         | Mid Growth<br>25.27%                        | <b>MDT All Cap Core Fund (IS)</b><br>-2.49% | Mid Growth<br>35.47%                        |
| Mid Growth<br>35.74%                        | Large Value<br>12.70%                       | Small Growth<br>-1.38%                      | Large Value<br>18.40%                       | Small Growth<br>22.17%                      | Mid Growth<br>-4.75%                        | Small Growth<br>28.48%                      |
| Small Value<br>34.52%                       | Large Growth<br>12.44%                      | Large Value<br>-4.13%                       | <b>MDT All Cap Core Fund (IS)</b><br>12.41% | <b>MDT All Cap Core Fund (IS)</b><br>21.07% | Large Value<br>-8.58%                       | Mid Value<br>27.06%                         |
| Large Growth<br>34.23%                      | Mid Growth<br>11.90%                        | <b>MDT All Cap Core Fund (IS)</b><br>-4.21% | Small Growth<br>11.32%                      | Mid Value<br>13.34%                         | Small Growth<br>-9.31%                      | <b>MDT All Cap Core Fund (IS)</b><br>26.91% |
| Mid Value<br>33.46%                         | Small Growth<br>5.60%                       | Mid Value<br>-4.78%                         | Large Growth<br>7.39%                       | Large Value<br>13.19%                       | Mid Value<br>-12.29%                        | Large Value<br>26.26%                       |
| Large Value<br>32.69%                       | Small Value<br>4.22%                        | Small Value<br>-7.47%                       | Mid Growth<br>7.33%                         | Small Value<br>7.84%                        | Small Value<br>-12.86%                      | Small Value<br>22.39%                       |

Source: Morningstar, Inc. Small Cap Value is represented by the Russell 2000<sup>®</sup> Value Index; Small Cap Growth is represented by the Russell 2000<sup>®</sup> Growth Index; Mid Cap Value is represented by the Russell Mid Cap<sup>®</sup> Value Index; Mid Cap Growth is represented by the Russell Mid Cap<sup>®</sup> Growth Index; Large Cap Value is represented by the Russell 3000<sup>®</sup> Value Index and Large Cap Growth is represented by the Russell 3000<sup>®</sup> Growth Index.

See back for index definitions. Index performance is for illustrative purposes only and is not representative of performance for any particular investment. This chart is for a selected time period. Results over different periods would have varied. Investments cannot be made in an 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](http://FederatedInvestors.com).**

### 3-Year Rolling Returns (IS)



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### Category Rankings

#### Morningstar Large Value Category

| R6 Shares                   | 1 Year             | 3 Year            | 5 Year          | 10 Year         |
|-----------------------------|--------------------|-------------------|-----------------|-----------------|
| Morningstar Category % Rank | 32                 | 3                 | 13              | 20              |
| Morningstar Category Rank   | 356 of 1,209 Funds | 20 of 1,091 Funds | 92 of 945 Funds | 98 of 690 Funds |
| IS Shares                   | 1 Year             | 3 Year            | 5 Year          | 10 Year         |
| Morningstar Category % Rank | 32                 | 3                 | 9               | 10              |
| Morningstar Category Rank   | 353 of 1,209 Funds | 21 of 1,091 Funds | 60 of 945 Funds | 39 of 690 Funds |
| A Shares                    | 1 Year             | 3 Year            | 5 Year          | 10 Year         |
| Morningstar Category % Rank | 37                 | 4                 | 13              | 16              |
| Morningstar Category Rank   | 404 of 1,209 Funds | 29 of 1,091 Funds | 95 of 945 Funds | 69 of 690 Funds |

#### Lipper Multi-Cap Core Funds

| R6 Shares                    | 1 Year           | 3 Year           | 5 Year           | 10 Year          |
|------------------------------|------------------|------------------|------------------|------------------|
| Lipper Classification % Rank | 66               | 24               | 39               | 41               |
| Lipper Classification Rank   | 467 of 715 Funds | 143 of 617 Funds | 203 of 524 Funds | 150 of 370 Funds |
| IS Shares                    | 1 Year           | 3 Year           | 5 Year           | 10 Year          |
| Lipper Classification % Rank | 65               | 24               | 32               | 26               |
| Lipper Classification Rank   | 463 of 715 Funds | 145 of 617 Funds | 168 of 524 Funds | 96 of 370 Funds  |
| A Shares                     | 1 Year           | 3 Year           | 5 Year           | 10 Year          |
| Lipper Classification % Rank | 69               | 31               | 41               | 34               |
| Lipper Classification Rank   | 493 of 715 Funds | 190 of 617 Funds | 213 of 524 Funds | 126 of 370 Funds |

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

**Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a summary prospectus or a prospectus containing this and other information, contact us or visit [FederatedInvestors.com](http://FederatedInvestors.com). Please carefully read the summary prospectus or the prospectus before investing.**

The fund is the successor to MDT All Cap Core Fund pursuant to a reorganization that took place on December 8, 2006. Prior to that date, the fund had no investment operations. Accordingly, the performance information shown for periods prior to that date is that of MDT All Cap Core Fund.

The fund's R Shares, re-designated as R6 Shares on September 1, 2016, commenced operations on December 12, 2006. For the period prior to the commencement of operations of the R Shares (now known as R6 Shares), the performance information shown is for the fund's Institutional Shares, adjusted to reflect the expenses of the R Shares and the performance information for the R6 Shares prior to September 1, 2016 reflects the higher R Shares expenses. See the prospectus for other fees and expenses that apply to a continued investment in the fund.

### A Word About Risk

Mutual funds are subject to risks and fluctuate in value.

The quantitative models and analysis used by the fund may perform differently than expected and negatively affect fund performance.

### Definitions

**Russell 3000<sup>®</sup> Index** measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell 3000<sup>®</sup> Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected.

**S&P 500 Index** is an unmanaged capitalization-weighted index of 500 stocks designated to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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.

**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.

**Tracking Error** is the difference between a portfolio's returns and the benchmark or index it was meant to mimic or beat.

**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 Median Price/Book** is a ratio comparing share price to book value or assets minus liabilities.

**Weighted Median Market Cap** is the calculation representing the median market capitalization of the stocks in the portfolio, weighted by the amount of each stock.

**Weighted Median P/E (LTM—Latest 12 Months)** is a ratio comparing share price to earnings per share using data from the previous 12 months.

**Weighted Median P/E (NTM—Next 12 Months)** is a ratio comparing share price to earnings per share using estimated data for the next 12 months.

### Ratings and Rating Agencies

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