

# Federated MDT Large Cap Value Fund

2Q  
2019

6/30/19

## Fund Facts

### Performance Inception Date

3/31/82

### Benchmark

Russell 1000<sup>®</sup> Value Index

### Morningstar Category

Large Value

### Lipper Classification

Multi-Cap Value Funds

### Fund Assets

\$1.2 billion

### Ticker Symbols

R6 Shares - FSTLX  
Institutional Shares - FMSTX  
Service Shares - FSTKX  
A Shares - FSTRX

### Key Investment Team

Daniel Mahr, CFA  
Frederick Konopka, CFA  
John Paul Lewicke  
Damien Zhang, CFA

## Fund Description

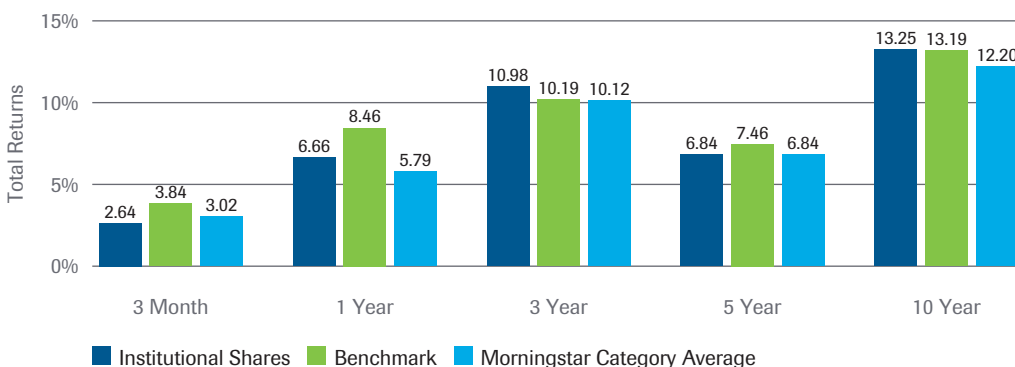
The fund pursues growth of income and capital by investing primarily in large U.S. companies it considers undervalued. Through a fundamentally based, bottom-up, quantitatively driven approach, it seeks to remove subjective and emotional influences from the stock-selection process.

## 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	2.61	14.86	6.73	11.03	6.78	13.12	7.82	11.35	0.87	0.70
Institutional Shares	2.64	14.88	6.66	10.98	6.84	13.25	7.91	11.37	0.95	0.77
A Shares (NAV)	2.54	14.72	6.43	10.73	6.61	13.02	7.76	11.31	1.20	0.99
A Shares (MOP)	-3.11	8.40	0.59	8.65	5.41	12.39	7.36	11.14	1.20	0.99
Benchmark	3.84	16.24	8.46	10.19	7.46	13.19	7.84	-	-	-



### Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Institutional Shares	-7.22	14.37	15.31	-4.79	14.32	40.03	20.12	2.23	10.06	18.86
Benchmark	-8.27	13.66	17.34	-3.83	13.45	32.53	17.51	0.39	15.51	19.69
Morningstar Category Average	-8.53	15.94	14.81	-4.05	10.21	31.21	14.57	-0.75	13.66	24.13

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

## Investment Process

### Fundamentally Based Research

Fundamentally based research identifies powerful combinations of value, growth and quality characteristics 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.



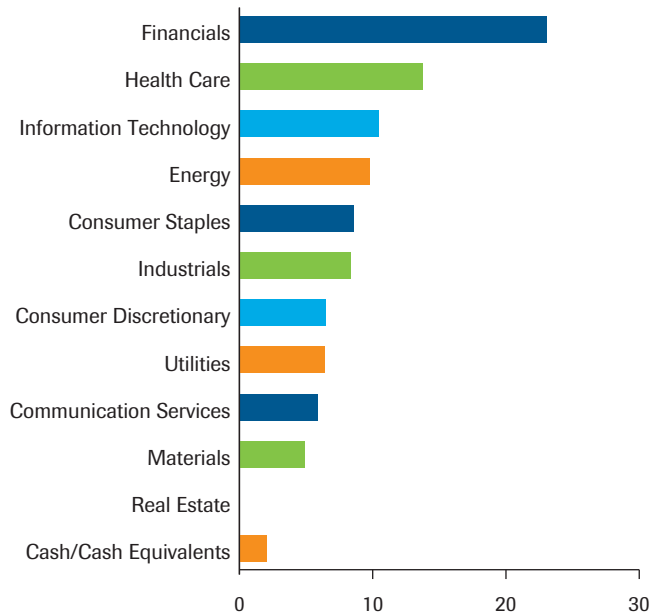
## Portfolio Statistics

Weighted Median P/E (LTM)	17.2x
Weighted Median P/E (NTM)	13.5x
Weighted Median Market Cap	\$34.6 b
Weighted Median Price/Book	2.0x
Number of Securities	100

## Top Holdings (%)

Chevron Corp.	4.3
JPMorgan Chase & Co.	3.4
Procter & Gamble Co.	2.8
Allstate Corp.	2.7
Exxon Mobil Corp.	2.7
PACCAR, Inc.	2.7
Yum! Brands, Inc.	2.7
Consolidated Edison Co.	2.6
Merck & Co., Inc.	2.5
Verizon Communications	2.5
<b>Total % of Portfolio</b>	<b>28.9</b>

## Sector Weightings (%)



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.

## Highlights

- Large-cap growth stocks outperformed large-cap value stocks
- Stocks with flat or worsening earnings-to-price and low analyst conviction contributed most to underperformance
- Fund ended quarter roughly sector neutral to benchmark except for its Real Estate underweight

## Looking Back

The second quarter of 2019 was more volatile, return-wise, than the first quarter. During each of the respective three months, the Russell 3000 Index returned 3.99%, -6.47% and 7.02%, for a full-quarter return of 4.10%. Large caps and mid-caps did better than small caps (the mega-cap Russell Top 200 Index (RT200) returned 4.29% and was followed closely by the Russell Midcap Index (RMIDCAP) at 4.13%, but the Russell 2000 (R2000) and Russell Microcap Indexes trailed at a respective 2.10% and 0.92%.

While the growth style did lead the value style in most of the market-cap size ranges, the pattern of style returns was inconsistent. Growth and value were almost tied in the mega-cap range (the RT200G led the RT200V by only 0.25%), but growth led by a larger margin in the mid-cap range (the RMIDCAPG led the RMIDCAPV by 2.21%). The small-cap range also favored growth, although by less than the mid-caps (the R2000G led the R2000V by 1.37%). In the idiosyncratic microcap range, however, value led growth by 0.98%. These differences across the cap ranges can likely be attributed to the varying composition of the indexes and their respective perceived exposures to the trade war.

## Performance

Federated MDT Large Cap Value Fund Institutional Shares returned 2.64% in the second quarter of 2019, underperforming the 3.84% return of its benchmark, the Russell 1000 Value Index.

### Performance Contributors

- Stocks with prices near 52-week highs and not significantly worsening or improving earnings-to-price
- Security selection in Financials sector
- Strong performers overweighted by the fund: Yum! Brands, Inc., Everest Re Group, Ltd. and Allstate Corporation

### Performance Detractors

- Stocks with flat or worsening earnings to price and low analyst conviction
- Stocks with worsening earnings-to-price but not low analyst conviction
- Security selection in Health Care, Consumer Staples and Materials sectors
- Weak performers overweighted by the fund: Eli Lilly and Company and Domtar Corporation
- Strong performer not held by the fund: Qualcomm Incorporated

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## How We Are Positioned

The fund ended the second quarter roughly sector-neutral to the benchmark according to the GICS sectors, except for an underweight in Real Estate (the fund does not hold REITs). Within the sectors, there was a significant overweight position in the insurance industry and a smaller overweight position in the banks industry. There were underweight positions in the diversified financials, real estate and media & entertainment industries.

*See disclosure section for important disclosures and definitions.*

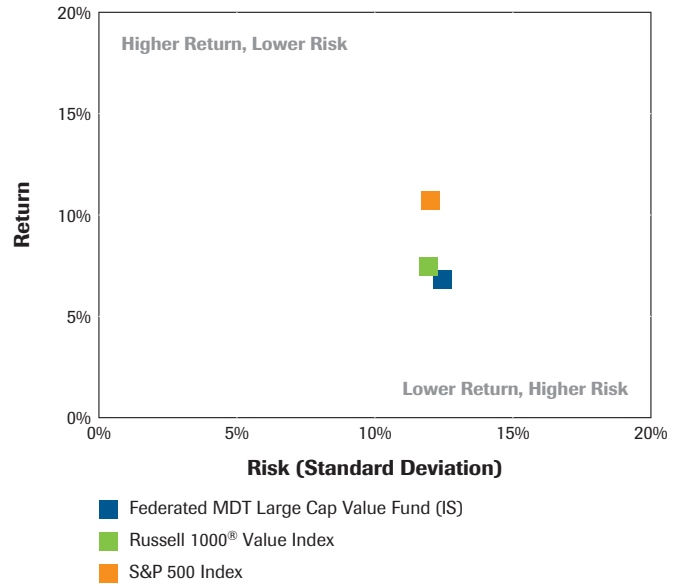
**Risk Statistics**

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	12.33	12.44	12.02	14.04
Alpha	0.71	-0.68	0.70	-0.32
Beta	1.00	1.02	1.04	1.04
Correlation	0.99	0.98	0.97	0.97
R <sup>2</sup>	97.22	96.21	93.67	93.27
Up Capture Ratio	102.82	98.69	104.70	101.80
Down Capture Ratio	98.75	102.67	99.05	103.06
Sharpe Ratio	0.76	0.47	1.04	0.90
Tracking Error	2.06	2.44	3.07	3.68

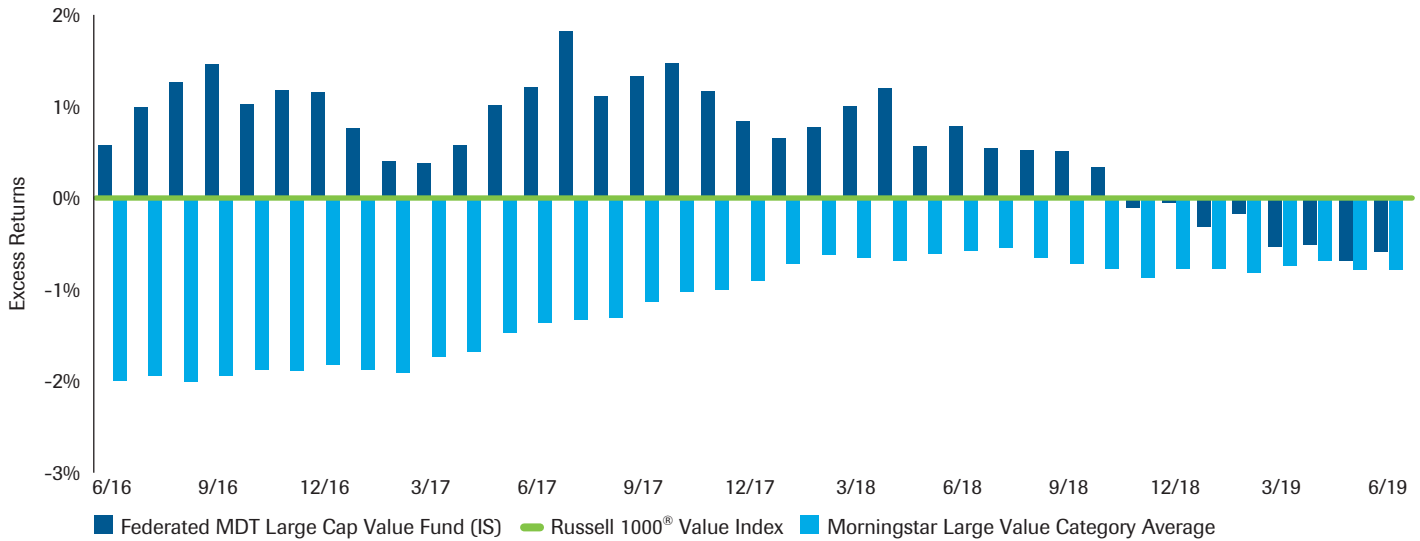
Sources: Federated Investors, Morningstar, Inc.  
Fund vs. Russell 1000<sup>®</sup> Value Index

See disclosure section for important definitions.

**5-Year Risk/Return**



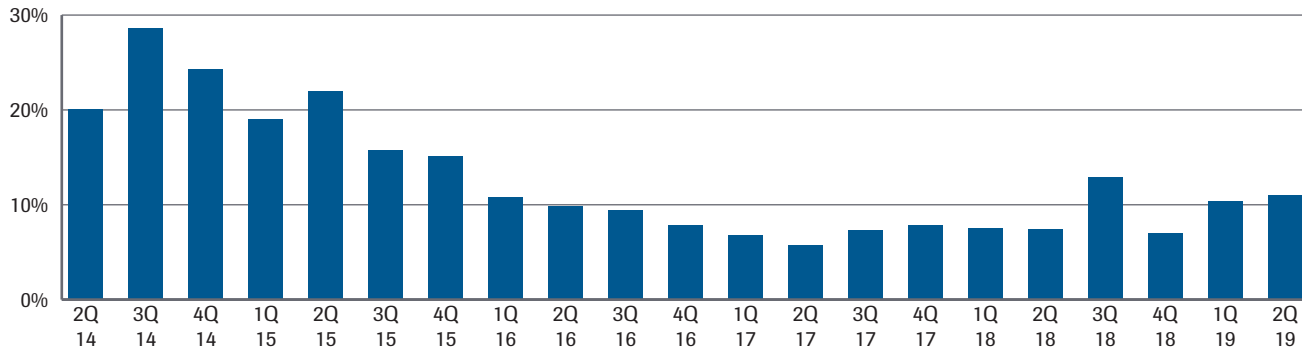
**5-Year Rolling Excess Performance vs. Russell 1000<sup>®</sup> Value Index**



Source: Morningstar, Inc. Performance for 5-year periods (1-month step) from 6/30/11 - 6/30/19. Returns are for IS Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

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### 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	42	32	53	28
Morningstar Category Rank	546 of 1,236 Funds	327 of 1,103 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	43	33	52	23
Morningstar Category Rank	553 of 1,236 Funds	347 of 1,103 Funds	460 of 956 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	44	39	57	30
Morningstar Category Rank	574 of 1,236 Funds	415 of 1,103 Funds	515 of 956 Funds	-

#### Lipper Multi-Cap Value Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	15	19	-	-
Lipper Classification Rank	60 of 408 Funds	67 of 355 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	16	20	29	-
Lipper Classification Rank	62 of 408 Funds	68 of 355 Funds	89 of 314 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	17	24	34	-
Lipper Classification Rank	69 of 408 Funds	85 of 355 Funds	105 of 314 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 the Federated MDT Large Cap Value Fund (a Massachusetts business trust with the same name as the fund) ("predecessor fund"), pursuant to a reorganization involving the fund, the predecessor fund and the Federated Clover Value Fund completed after the close of business on December 8, 2017. The predecessor fund is both the tax and accounting survivor of the reorganization. Prior to the date of the reorganization, the fund had no investment operations. Accordingly, the performance information, including information on fees and expenses and financial information provided above for periods prior to December 8, 2017 is historical information for the predecessor fund.

The predecessor fund's A Shares commenced operations on May 1, 2014. For the periods prior to the commencement of operations of the A Shares, the performance information is for the predecessor fund's SS Shares. The performance of the SS Shares has not been adjusted, except for sales charges, to reflect the expenses applicable to the A Shares since the A Shares has the same net expense ratio as the SS Shares. The performance of the SS Shares has been adjusted to remove any voluntary waiver of fund expenses related to the SS Shares that may have occurred during the periods prior to the commencement of operations of the A Shares.

The predecessor fund's IS Shares commenced operations on January 29, 2010. For the period prior to the commencement of operations of the IS Shares, the performance information is for the predecessor fund's SS Shares. The performance of the SS Shares has not been adjusted to reflect the expenses applicable to the IS Shares since the IS Shares has a lower expense ratio than the expense ratio of the SS Shares. The performance of the SS Shares has been adjusted to remove any voluntary waiver of fund expenses related to the SS Shares that may have occurred during the period prior to the commencement of operations of the IS Shares.

The predecessor fund's R6 Shares commenced operations on June 29, 2016. For the periods prior to the commencement of operations of the predecessor fund's R6 Shares, the performance information is for the predecessor fund's SS Shares. The performance of the SS Shares has not been adjusted to reflect the expenses applicable to the R6 Shares since the R6 Shares has a lower expense ratio than the expense ratio of the SS Shares. The performance of the SS Shares has been adjusted to remove any voluntary waiver of fund expenses related to the SS Shares that may have occurred during the periods prior to the commencement of operations of the R6 Shares.

### 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 1000<sup>®</sup> Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> Index companies with lower price-to-book ratios and lower expected growth values. The R1000V is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The Russell 1000<sup>®</sup> Value Index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics.

**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.

**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.

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.

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

**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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