

Federated MDT Small Cap Core Fund

4Q
2019

12/31/19

Fund Facts

Performance Inception Date

9/15/05

Benchmark

Russell 2000[®] Index

Morningstar Category

Small Blend

Lipper Classification

Small-Cap Core Funds

Fund Assets

\$1.1 billion

Ticker Symbols

R6 Shares - QLSCX

Institutional Shares - QISCX

A Shares - QASCX

C Shares - QCSCX

Key Investment Team

Daniel Mahr, CFA

Frederick Konopka, CFA

John Paul Lewicke

Damien Zhang, CFA

Fund Description

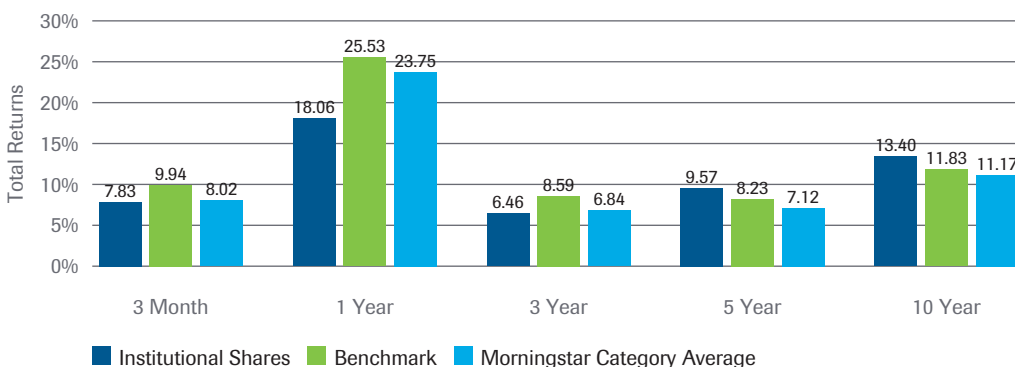
The fund pursues long-term capital appreciation by investing in a diversified portfolio of U.S. small-cap companies from the Russell 2000 Index. Through a fundamentally based, bottom up, systematic approach, it seeks to remove subjective and emotional influences from the stock-selection process.

Performance

Average Annual Total Returns (%)

Performance shown is before tax.

	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Expense Ratio*	
								Before Waivers	After Waivers
R6 Shares	7.83	18.06	18.06	6.48	9.47	12.23	4.77	0.96	0.88
Institutional Shares	7.83	18.06	18.06	6.46	9.57	13.40	7.37	1.06	0.89
A Shares (NAV)	7.73	17.74	17.74	6.20	9.29	13.12	7.11	1.31	1.14
A Shares (MOP)	1.79	11.25	11.25	4.22	8.06	12.48	6.69	1.31	1.14
Benchmark	9.94	25.53	25.53	8.59	8.23	11.83	-	-	-



Calendar Year Returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	18.06	-11.58	15.58	35.23	-3.20	3.15	46.16	20.35	-1.84	24.97
Benchmark	25.53	-11.01	14.65	21.31	-4.41	4.89	38.82	16.35	-4.18	26.85
Morningstar Category Average	23.75	-12.72	12.28	20.78	-5.38	3.79	37.39	15.46	-4.07	25.61

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 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.



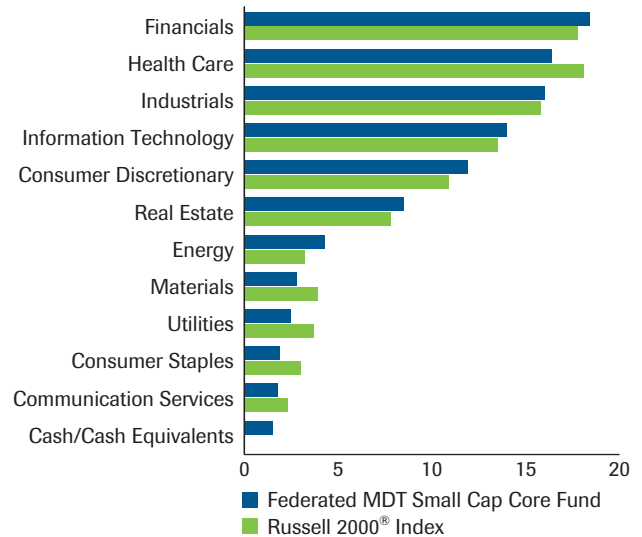
Portfolio Statistics

Weighted Median P/E (LTM)	22.7x
Weighted Median P/E (NTM)	16.8x
Weighted Median Market Cap	\$2.4 b
Weighted Median Price/Book	2.5x
Number of Securities	300

Top Holdings (%)

Portland General Electric Co.	1.7
Cirrus Logic, Inc.	1.6
Medpace Holdings, Inc.	1.5
Atkore International Group, Inc.	1.4
Repligen Corp.	1.4
CONMED Corp.	1.3
EastGroup Properties, Inc.	1.3
Arcosa Inc.	1.2
First Industrial Realty Trust	1.2
Perficient, Inc.	1.2
Total % of Portfolio	13.8

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 Small Cap Core Fund Institutional Shares returned 7.83% in the fourth quarter of 2019, underperforming the 9.94% return of its benchmark, the Russell 2000 Index.

Performance Contributors

- Stock selection among stocks with very low cash flow and negative analyst conviction
- Strong performers overweighted by the fund: Medicines Company, Inogen, Inc. and RH

Performance Detractors

- Overweighting stocks with neutral to high analyst conviction and without notably worsening earnings-to-price
- Security selection in Health Care and Materials sectors
- Weak performers overweighted by the fund: Kraton Corporation and NETGEAR, Inc.
- Strong performer underweighted by the fund: Arrowhead Pharmaceuticals, Inc.

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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 was a small underweight position in the technology hardware & equipment industry. At the end of the period, the fund had equal weight in value and growth stocks.

See disclosure section for important disclosures and definitions.

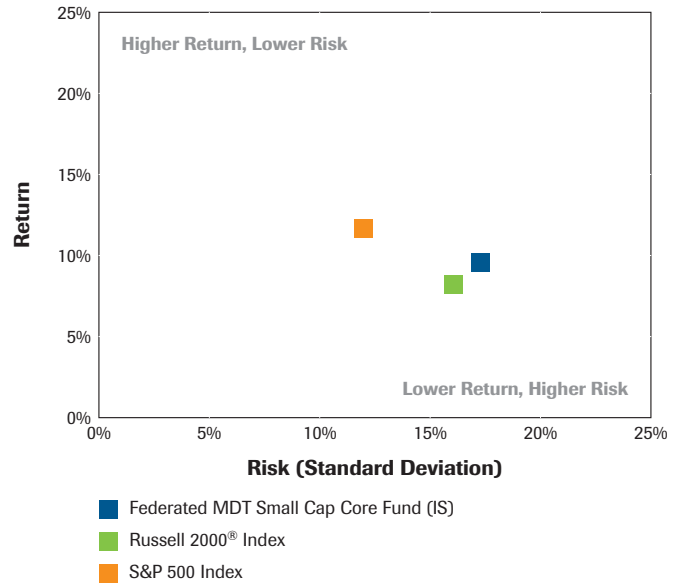
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	16.70	17.29	16.43	18.68
Alpha	-2.16	1.03	1.10	0.82
Beta	1.04	1.05	1.04	1.07
Correlation	0.99	0.97	0.97	0.98
R ²	97.97	94.76	94.79	95.23
Up Capture Ratio	98.29	105.56	105.26	106.92
Down Capture Ratio	109.24	100.86	100.10	103.18
Sharpe Ratio	0.28	0.48	0.75	0.68
Tracking Error	2.46	4.05	3.80	4.27

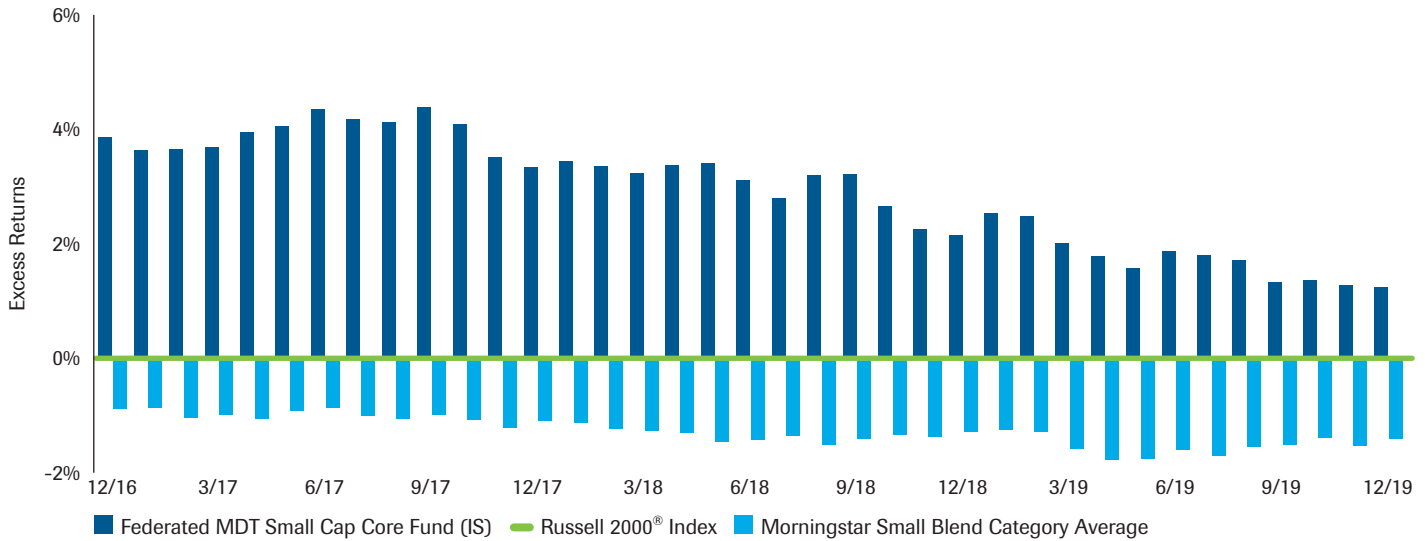
Sources: Federated Investors, Morningstar, Inc.
Fund vs. Russell 2000[®] Index

See disclosure section for important definitions.

5-Year Risk/Return



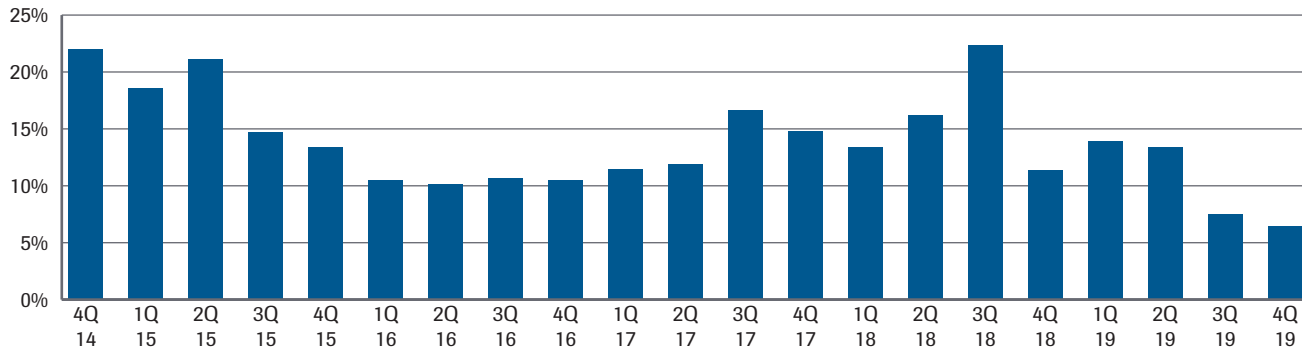
5-Year Rolling Excess Performance vs. Russell 2000[®] Index



Source: Morningstar, Inc. Performance for 5-year periods (1-month step) from 1/1/12 - 12/31/19. 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 Small Blend Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	91	59	8	2
Morningstar Category Rank	644 of 702 Funds	367 of 630 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	91	60	8	2
Morningstar Category Rank	643 of 702 Funds	369 of 630 Funds	33 of 507 Funds	9 of 367 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	92	63	13	5
Morningstar Category Rank	650 of 702 Funds	387 of 630 Funds	53 of 507 Funds	17 of 367 Funds

Lipper Small-Cap Core Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	93	50	-	-
Lipper Classification Rank	852 of 922 Funds	410 of 832 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	93	50	7	3
Lipper Classification Rank	852 of 922 Funds	412 of 832 Funds	47 of 681 Funds	10 of 481 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	94	54	10	4
Lipper Classification Rank	862 of 922 Funds	442 of 832 Funds	65 of 681 Funds	18 of 481 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. Please carefully read the summary prospectus or the prospectus before investing.

The fund is the successor to MDT Small 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 Small Cap Core Fund.

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 the fund's 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 have been adjusted to remove any voluntary waiver of the 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.

Small company stocks may be less liquid and subject to greater price volatility than large capitalization stocks.

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

Definitions

Russell 2000[®] Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000[®] Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000[®] Index is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

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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