

# Federated Muni and Stock Advantage Fund

4Q  
2019

12/31/19

## Fund Facts

### Performance Inception Date

9/26/03

### Benchmark

40% Russell 1000<sup>®</sup> Value Index/60% S&P Municipal Bond Index

### Morningstar Category

Allocation - 30% to 50% Equity

### Lipper Classification

Mixed-Asset Target Allocation Conservative Funds

### Fund Assets

\$1.6 billion

### Ticker Symbols

Institutional Shares - FMUIX  
A Shares - FMUAX  
C Shares - FMUCX  
F Shares - FMUFX

### Key Investment Team

Linda Bakhshian, CPA, CA  
R.J. Gallo, CFA  
Ann Ferentino, CFA

### Yields (%)

30-Day Yield (IS)	1.53
30-Day Yield (A)	1.21
12-Month Yield (IS)	2.58
12-Month Yield (A)	2.34

## Fund Description

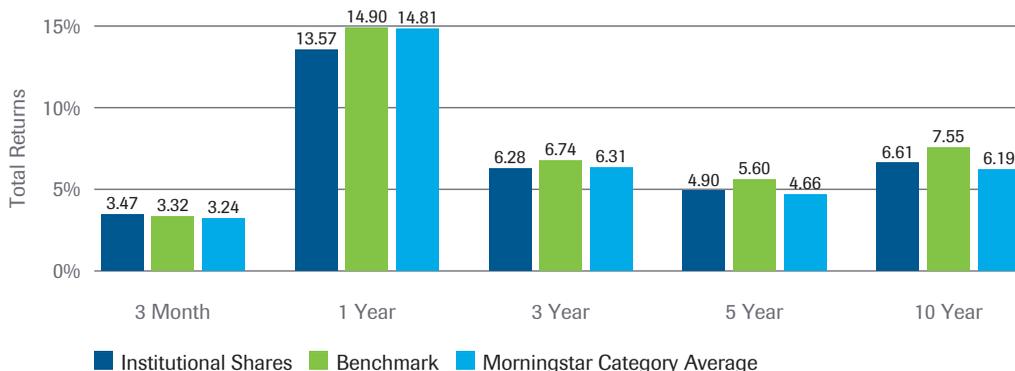
The fund seeks to provide tax-advantaged income, with a secondary objective of capital appreciation, by investing in a diversified portfolio of tax-exempt municipal bonds and dividend-paying stocks.

## 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
Institutional Shares	3.47	13.57	13.57	6.28	4.90	6.61	5.20	5.60	0.83	0.75
A Shares (NAV)	3.41	13.19	13.19	6.02	4.62	6.40	5.15	5.69	1.08	1.00
A Shares (MOP)	-2.26	6.95	6.95	4.04	3.45	5.80	4.76	5.33	1.08	1.00
Benchmark	3.32	14.90	14.90	6.74	5.60	7.55	5.92	-	-	-



### After Tax Average Annual Total Returns (%)

	Net Asset Value				Since Inception	Maximum Offering Price				
	Cumulative 3 Month	1 Year	5 Year	10 Year		Cumulative 3 Month	1 Year	5 Year	10 Year	Since Inception
<b>Return After Taxes on Distributions</b>										
IS	3.10	12.35	4.15	6.05	5.15	-	-	-	-	-
A	3.06	12.09	3.91	5.85	5.25	-2.59	5.91	2.75	5.26	4.89
<b>Return After Taxes on Distributions and Sale of Fund Shares</b>										
IS	2.05	8.00	3.89	5.55	4.87	-	-	-	-	-
A	2.02	7.78	3.66	5.35	4.95	-1.34	4.09	2.73	4.84	4.62

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 1/1/21 or the date of the fund's next effective prospectus.

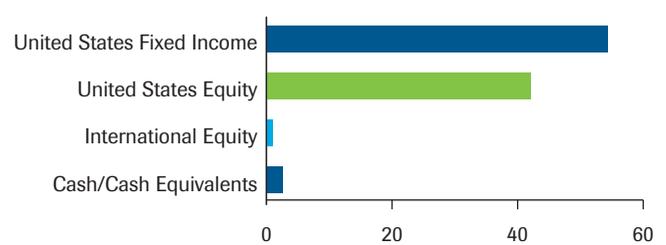
## Distinguishing Characteristics

<b>Tax-Advantaged Income</b>	Combination of tax-free munis and qualified dividend stocks in a single portfolio	Potential for relatively high, tax-advantaged monthly income and dividend growth as inflation protection
<b>Differentiated Portfolio</b>	At least 50% in municipal bonds and diversified across all S&P 500 sectors	Broad diversification driven by low correlation between equity and muni asset classes
<b>Long-Term Potential</b>	Experienced team of managers seeking to provide tax-advantaged income in various market cycles	Potential for lower volatility than a typical equity fund and higher capital appreciation than a typical bond fund

## Portfolio Statistics

Weighted Average Effective Maturity	6.0 Yrs.
Weighted Average Stated Maturity	16.6 Yrs.
Weighted Average Effective Duration	6.3 Yrs.
Weighted Average Modified Duration	4.9 Yrs.
Weighted Average Market Cap	\$263.4 b

## Portfolio Composition (%)



## Top Holdings (%)

Equity Portfolio	
Apple Inc.	2.0
Microsoft Corporation	1.9
JPMorgan Chase & Co.	1.4
Fixed-Income Portfolio	
New York State Dormitory Authority, (Columbia University), Revenue Bonds (Series 2018A), 5.000%, 10/1/2048	1.3
Puerto Rico Sales Tax Financing Corp., Restructured Sales Tax Bonds (Series 2019A), 5.000%, 7/1/2058	1.2
Tobacco Settlement Financing Corp., NJ, Tobacco Settlement Asset-Backed Subordinate Refunding Bonds (Series 2018B), 5.000%, 6/1/2046	1.2

## Sector Weightings (%) - Equity

Dedicated Tax	12.5
Hospital	10.7
General Obligation-State	8.2
Toll Road	7.8
Water & Sewer	7.0
Refunded	6.9

## Quality Breakdown<sup>1</sup> (%)

AAA	10.1
AA	39.8
A	24.2
BBB	13.3
BB	2.3
B & Below	1.5
Not Rated	8.8

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 S&P 500 Index reached all-time highs during the final three months, ending the year up more than 31% on a total return basis
- The U.S.-China trade war and Federal Reserve (Fed) decisions continued to attract the focus of investors
- Impeachment of President Trump and the election of U.K. Prime Minister Boris Johnson were noteworthy headlines in the final month of 2019

## Looking Back

In the fourth quarter of 2019, equity markets advanced as trade tensions between the U.S. and China eased. The first phase of a deal – in which the U.S. will decrease tariffs and China will increase its U.S. agricultural imports – is expected to be signed in early 2020. On the domestic front, solid employment and housing data aided the equity rally, as did the Fed, which in October lowered its target rate a third time for the year and signaled it's likely to keep rates unchanged in 2020.

Looking abroad, incumbent Boris Johnson as expected was re-elected U.K.'s prime minister, reducing Brexit uncertainty. It's likely a bill to exit the European Union (EU) will be signed in early 2020, setting the stage for a transition period in which the U.K. will withdraw from the EU.

The Phase One verbal agreement between the U.S. and China, receding risks of a no-deal Brexit and further Fed easing bolstered the near-term economic outlook and prompted a steepening of the U.S. Treasury yield curve. Yields on 2-year Treasury securities decreased 5 basis points while 10- and 30-year Treasury yields rose 25 and 28 basis points, respectively, during the quarter. Municipal market yields shifted in a similar fashion but to a lesser degree as strong investor demand persisted. The Municipal Market Data (MMD) 2-year yield declined 18 basis points, while the 10- and 30-year yields increased by 2 and 8 basis points, respectively.

During the quarter, the S&P 500 returned 9.07%, the Russell 1000 Value Index returned 7.41% and the Russell 1000 Growth returned 10.62%. Cyclical equities outperformed defensive equities and equities outperformed Treasuries. The S&P Municipal Bond Index posted a return of 0.65% for the quarter. The 3-year component of the index returned 0.79%, the 10-year component returned 0.55% and the portion of the index maturing in 22 years and longer returned 0.61%. The AAA-, A- and BBB-rated components of the index returned 0.56%, 0.66% and 0.89% respectively. The S&P High Yield Municipal Bond Index posted a return of 1.09% and 1.06% when Puerto Rico bonds are excluded.

## Performance

Federated Muni & Stock Advantage Fund A Shares returned 3.41% at net asset value for the fourth quarter of 2019, outperforming 3.32% return of the fund's benchmark comprising of 40% Russell 1000 Value Index and 60% S&P Municipal Bond Index. Both the fund's bond and equity portfolios modestly outperformed the S&P Municipal Bond Index and the Russell 1000 Value Index, respectively.

### Performance Contributors

- Stock selection in the Financials, Information Technology and Health Care sectors
- A relative overweight in the Information Technology sector
- Overweight allocation to BBB-rated and lower quality

### Performance Detractors

- Stock selection in the Communication Services and the Consumer Discretionary sectors
- A relative underweight in the Financials sector
- Yield curve positioning and security selection

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## How We Are Positioned

As the calendar turns to 2020, the market sits at all-time highs after a very strong run in the final quarter to cap a very strong 2019.

For the first time in over a year, we expect trade tensions with China to recede. While the Phase One deal does not address all concerns, it makes further escalation less likely as the two countries work toward a Phase Two agreement. We also don't expect a major escalation of tariffs with Europe, in part because a strong economy is President Trump's best argument for re-election. With further tariffs unlikely, companies should regain the confidence to invest. As the new year unfolds, we expect the election to gain increasing prominence, with March 3's Super Tuesday vote having the potential to go a long way toward deciding the Democratic nominee, which could introduce volatility depending on the outcome. Turning our focus to 2020 earnings, we expect company management to once again be cautiously optimistic, with profits growing faster than in 2019. As with history, earnings guidance is likely to start the year on the conservative side and improve as the year progresses. We have a positive bias towards value cyclical sectors and the equity markets in general, driven by our confidence in improving global economy, reduction in tariff uncertainty and increasing election clarity.

Bond strategy integrates views on both interest rate and credit cycles, with bond portfolio managers attempting to add incremental return through active management of duration and credit risk, allocation among credit sectors, positioning on the yield curve and bond selection, all while balancing the fund's primary objective of tax-advantaged income and secondary objective of total return. The fund remains focused on intermediate and long-term securities and the tactical use of mid-to-lower credit quality bonds to enhance income and total return.

*See disclosure section for important disclosures and definitions.*

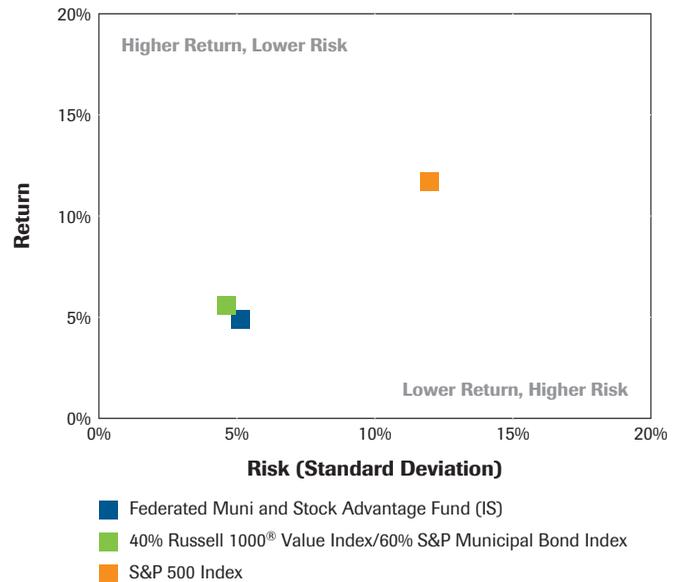
**Risk Statistics**

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	5.45	5.12	5.20	5.34
Alpha	-1.24	-0.42	-0.60	1.43
Beta	0.44	0.40	0.41	0.35
Correlation	0.96	0.92	0.88	0.82
R <sup>2</sup>	92.52	85.53	76.77	66.92

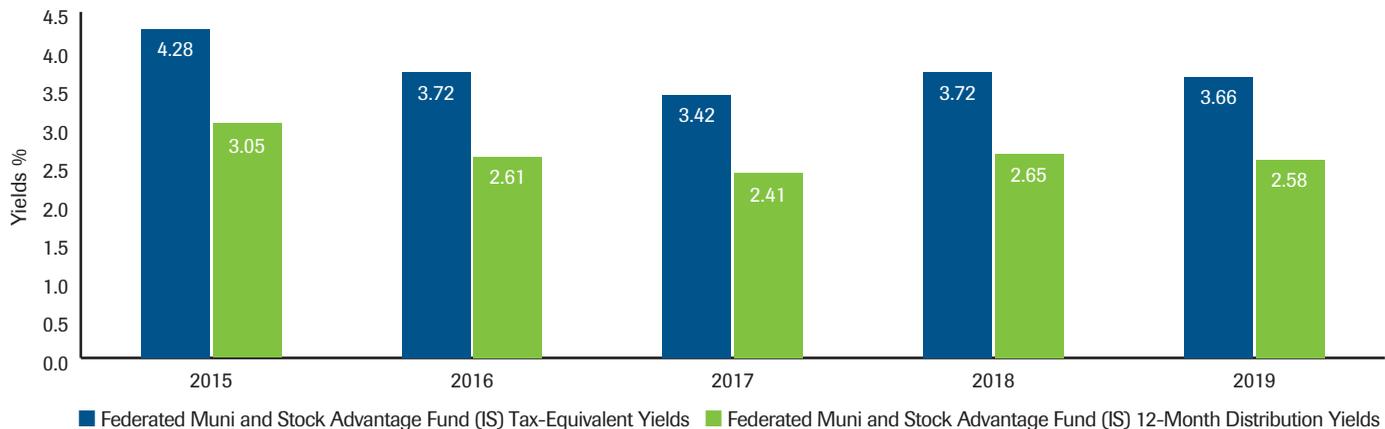
Sources: Federated Investors, Morningstar, Inc.  
Fund vs. S&P 500 Index

See disclosure section for important definitions.

**5-Year Risk/Return**



**History of a High Level of Tax-Adjusted Income**



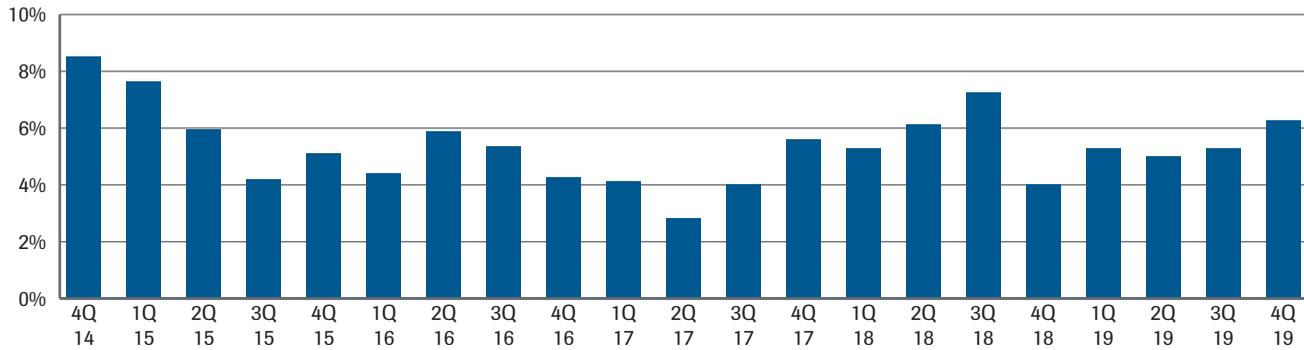
The calculation assumes a 40.8% tax rate (for 2019 and 2018) and 43.4% (for 2017, 2016, and 2015) for the muni portion; the equity portion was not tax adjusted. The tax equivalent yield assumes the highest marginal tax rate.

Source: Federated Investors, Inc.

The 12-month distribution yield is calculated by adding up the trailing 12-month's income distributions from a fund and dividing by the last month's ending NAV (plus any capital gains distributed). This provides a historical view of actual dividends that were paid, but may not accurately represent the future.

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### 3-Year Rolling Returns (IS)



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### Category Rankings

#### Morningstar Allocation - 30% to 50% Equity Category

IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	76	59	48	28
Morningstar Category Rank	422 of 562 Funds	287 of 506 Funds	197 of 419 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	80	70	60	39
Morningstar Category Rank	450 of 562 Funds	337 of 506 Funds	244 of 419 Funds	105 of 270 Funds

#### Lipper Mixed-Asset Target Allocation Conservative Funds

IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	40	29	22	-
Lipper Classification Rank	128 of 319 Funds	86 of 302 Funds	58 of 268 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	46	36	30	18
Lipper Classification Rank	146 of 319 Funds	108 of 302 Funds	79 of 268 Funds	34 of 190 Funds

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

<sup>1</sup>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.

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 1.14% for A Shares and 1.46% for IS Shares. Yields for other classes will vary. The 12-month yield is the sum of a fund's total trailing 12-month interest and dividend payments divided by the last month's ending share price (NAV) plus any capital gains distributed over the same period.

As indicated in its name, Federated Muni and Stock Advantage Fund invests in both municipal (muni) securities and equity securities (stock) as described in the fund's prospectus. Thus, the fund is not entirely a "tax-exempt" or "municipal" fund, and a portion of the income derived from the fund's portfolio (or dividend distributions) will be subject to federal income tax and state and local personal income tax.

The fund's Institutional Shares commenced operations on December 29, 2010. For the period prior to the commencement of operations of the Institutional Shares, the performance information shown is for the fund's A Shares. The performance of the A Shares has not been adjusted to reflect the expenses of the Institutional Shares, since the Institutional Shares had a lower expense ratio than the expense ratio of the A Shares. The performance of the A Shares has been adjusted to reflect the absence of sales charges and adjusted to remove any voluntary waiver of fund expenses related to the A Shares during the period prior to the commencement of operations of the Institutional Shares.

### A Word About Risk

Mutual funds are subject to risks and fluctuate in value.

International investing involves special risks, including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging market securities can be significantly more volatile than the prices of securities in developed countries, and currency risk and political risks are accentuated in emerging markets. 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.

Fund income may be subject to state and local taxes. Although this fund pursues tax-advantaged income and seeks to invest primarily in securities whose interest is not subject to the federal alternative minimum tax, there are no assurances that it will achieve these goals.

There are no guarantees that dividend-paying stocks will continue to pay dividends. In addition, dividend-paying stocks may not experience the same capital appreciation potential as non-dividend-paying stocks.

### 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.

**S&P Municipal Bond Index** is a broad, market value-weighted index that seeks to measure the performance of the U.S. municipal bond market. The index includes bonds of all quality—from "AAA" to non-rated, including defaulted bonds—from all sectors of the municipal bond market.

Indexes are unmanaged and cannot be invested in directly.

**After-Tax Returns** are calculated using a standard set of assumptions. Actual after-tax returns depend on each investor's personal tax situation, and are likely to differ from those shown. The stated returns assume the highest historical federal income and capital gains tax rates, but do not reflect the effect of any applicable state and local taxes. Return After Taxes on Distributions assumes a continued investment in the fund and shows the effect of taxes on fund distributions. Return After Taxes on Distribution and Sale of Fund Shares assumes all shares were redeemed at the end of each measurement period, and shows the effect of any taxable gain (or offsetting loss) on redemption, as well as the effects of taxes on fund distributions. After-tax returns are not relevant to investors holding shares through tax-deferred programs, such as IRA, 401(k) plans. The after-tax average annual returns are based on the 37% tax bracket and include the 3.8% tax on net investment income.

**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.

**Standard Deviation** is a historical measure of the variability of returns relative to the average annual return. A higher number indicates higher overall volatility.

**Weighted Average Effective Duration** (sometimes called "Option-Adjusted Duration") is a measure of a security's price sensitivity to changes in interest rates calculated using a model that recognizes that the probability of a bond being called or remaining outstanding until maturity may vary if market interest rates change, and that makes adjustments based on a bond's embedded options (e.g., call rights, or in the case of a mortgage-backed security, the probability that homeowners will prepay their mortgages), if any, based on the probability that the options will be exercised. A fund's weighted average effective duration will equal the market value weighted average of each bond's effective duration in the fund's portfolio. As with any model, several assumptions are made so the weighted average effective duration of a fund in the Federated family of funds may not be comparable to other funds outside of the Federated family of funds. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

**Weighted Average Effective Maturity** is the average time to maturity of debt securities held in the fund.

**Weighted Average Market Capitalization** is calculated as the average market capitalization of the stocks within the portfolio, weighted by the amount of each stock owned.

**Weighted Average Modified Duration** (sometimes called "Weighted Average Duration" or "Duration to Worst") is a measure of a security's price sensitivity to changes in interest rates calculated by assuming that a callable bond will be redeemed on the appropriate call date if the bond is priced to a call date or at maturity if priced to maturity. A fund's weighted average duration will equal the market value weighted average of each bond's weighted average duration in the fund's portfolio. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

**Weighted Average Stated Maturity** is the stated term or maturity of each portfolio security, multiplied by each such security's market value, divided by the total market value of the fund. The stated term or maturity of a portfolio security is the period remaining until such security's stated maturity date, determined without taking into account the ability of a security to be called at the option of the issuer and by taking into account the ability to put the security at the option of the holder.

### Ratings and Rating Agencies

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This must be preceded or accompanied by a prospectus.