

# Federated Muni and Stock Advantage Fund

2Q  
2019

6/30/19

## 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

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

### Yields (%)

30-Day Yield (IS) 1.86  
30-Day Yield (A) 1.53

## Fund Description

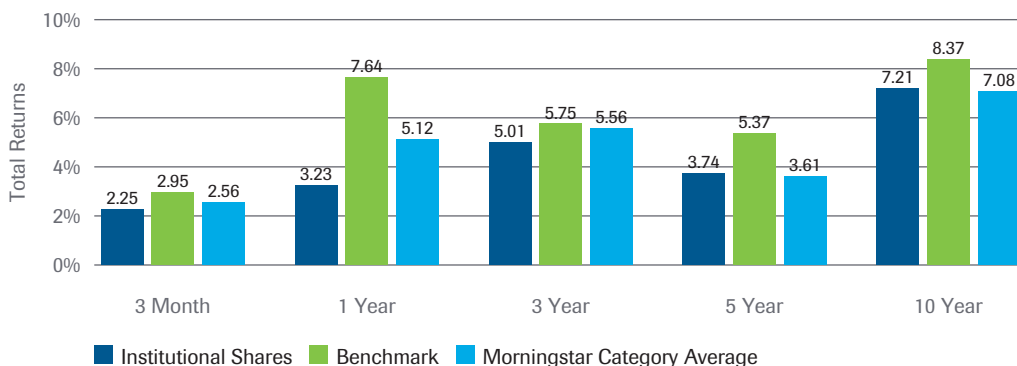
The fund seeks to provide tax-advantaged income, with a secondary objective of capital appreciation, by investing in a diversified portfolio of tax-exempt municipal bonds and dividend-paying stocks.

## 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	2.25	8.50	3.23	5.01	3.74	7.21	5.42	5.48	0.82	0.75
A Shares (NAV)	2.10	8.28	2.89	4.75	3.48	7.02	5.42	5.58	1.07	1.00
A Shares (MOP)	-3.54	2.31	-2.74	2.80	2.32	6.42	5.03	5.21	1.07	1.00
Benchmark	2.95	9.54	7.64	5.75	5.37	8.37	6.13	-	-	-



### 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
IS	2.01	1.22	3.07	6.70	5.05	-	-	-	-	-
A	1.89	0.95	2.84	6.52	5.17	-3.74	-4.58	1.69	5.93	4.79

### Return After Taxes on Distributions

IS	2.01	1.22	3.07	6.70	5.05	-	-	-	-	-
A	1.89	0.95	2.84	6.52	5.17	-3.74	-4.58	1.69	5.93	4.79

### Return After Taxes on Distributions and Sale of Fund Shares

IS	1.33	2.95	3.08	6.14	4.81	-	-	-	-	-
A	1.24	2.71	2.85	5.95	4.89	-2.10	-0.68	1.94	5.44	4.56

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.

## 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

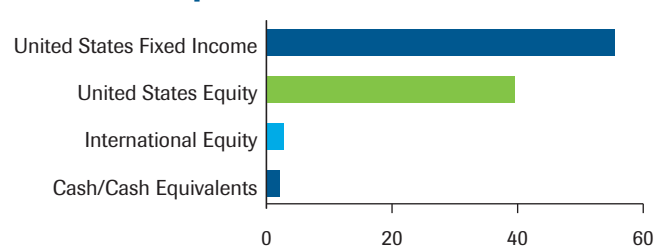
## Portfolio Statistics

Weighted Average Effective Maturity	6.7 Yrs.
Weighted Average Stated Maturity	17.1 Yrs.
Weighted Average Effective Duration	6.8 Yrs.
Weighted Average Modified Duration	5.2 Yrs.
Weighted Average Market Cap	\$155.8 b

## Top Holdings (%)

Equity Portfolio	
AT&T, Inc.	1.3
Johnson & Johnson	1.2
JPMorgan Chase & Co.	1.1
Fixed-Income Portfolio	
New York State Dormitory Authority, (Columbia University), Revenue Bonds (Series 2018A), 5.000%, 10/1/2048	1.3
Tobacco Settlement Financing Corp., NJ, Tobacco Settlement Asset-Backed Subordinate Refunding Bonds (Series 2018B), 5.000%, 06/01/2046	1.2
Washington State Convention Center Public Facilities District, Revenue Bonds (Series 2018), 5.000%, 07/01/2058	1.1

## Portfolio Composition (%)



## Sector Weightings (%) - Equity

Dedicated Tax	12.7
Hospital	11.4
General Obligation-State	8.4
Toll Road	7.2
General Obligation-State Appropriation	7.0
Water & Sewer	7.0

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

AAA	8.9
AA	40.0
A	24.6
BBB	14.7
BB	1.2
B & Below	1.5
Not Rated	9.1

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

- The S&P 500 continued its momentum, advancing 4.30% in the second quarter
- The expectation of one or more insurance rate cuts by the Federal Reserve (Fed) was a positive driver for stocks and bonds
- Optimism that a trade deal between the U.S. and China will be reached in the near future also helped to drive equities higher in the latter part of the quarter

## Looking Back

Domestic equity markets continued to rise in April-June quarter amid hopes for a U.S.-China trade war resolution and shift by the Federal Reserve to a more accommodative policy stance. After signaling at its March meeting that it planned no rate hikes for the remainder of 2019, the policy-setting Federal Open Market Committee in June sounded a more dovish note, prompting the market to price in with near certainty a rate cut at the Fed's July meeting and possibly two more by the end of the year. The expected rate reductions are being viewed as "insurance cuts" for a slowing economy—job growth, manufacturing and consumer spending slowed during the quarter—with persistently low inflation providing the Fed some leeway. Also in the waning days of June, Presidents Trump and Xi resumed stalled trade negotiations, reducing fears of another round of tariff increases and raising expectations for the second half of the year.

U.S. Treasury and high-quality municipal yields fell sharply during the quarter. Yields on 2-, 10- and 30-year Treasury securities decreased by 51, 40 and 29 basis points, respectively. High-quality muni yields declined to a lesser degree, with the Municipal Market Data (MMD) 2-, 10- and 30-year down 24, 23 and 29 basis points, respectively. Municipal bond mutual funds experienced strong net inflows during the quarter.

For the quarter, the S&P 500 Index returned 4.30%, the Russell 1000 Value Index returned 3.84% and the S&P Municipal Bond Index returned 2.12%. The 3-year component of the muni bond index returned 1.10%, the 10-year component returned 2.27% and the portion of the index maturing in 22 years and longer returned 2.99%. The AAA-, A- and BBB-rated components of the index returned 1.91%, 2.31% and 2.84% respectively. The S&P High Yield Municipal Bond Index returned, 2.68%, which decreased to 2.61% when Puerto Rico bonds are excluded.

## Performance

Federated Muni & Stock Advantage Fund A Shares returned 2.10% at Net Asset Value for the second quarter of 2019, underperforming the 2.95% return of the fund's benchmark comprising of 40% Russell 1000 Value Index and 60% S&P Municipal Bond Index.

The fund's bond portfolio outperformed the S&P Municipal Bond Index and the fund's equity portfolio underperformed the Russell 1000 Value Index.

### Performance Contributors

- A relative overweight in the Communication Services sector
- Stock selection within the Information Technology sector
- Duration, sector position and security selection in the fixed-income portfolio

### Performance Detractors

- Stock selection in the Industrials and Consumer Staples sectors
- A relative underweight in the Financials sector and a relative overweight in the Information Technology sector
- Value underperforming Growth was a structural headwind for equities

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## How We Are Positioned

As the second half of 2019 begins, the market sits at all-time highs after a very strong run in the first half of the year. The trade war with China continues even though a détente was declared by Presidents Trump and Xi at the G-20 meeting in Japan. We are cautiously optimistic that a trade deal eventually will be struck, curbing further deterioration in Chinese economy and helping President Trump's re-election prospects as the 2020 election season picks up steam. The ongoing trade war has dented confidence and slowed global growth, outcomes the Fed has acknowledged along with inflation that continues to run stubbornly below its target, fueling expectations of insurance rate cuts in July and potentially September.

Turning our focus to the upcoming earnings season, we believe caution is warranted and expect some tough earnings reports and guidance cuts, especially out of the more cyclical sectors. We are more hopeful about third- and fourth-quarter earnings, retaining a positive bias toward equities heading into the closing half of the year and remain broadly diversified within equity market. Within fixed income, 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.*

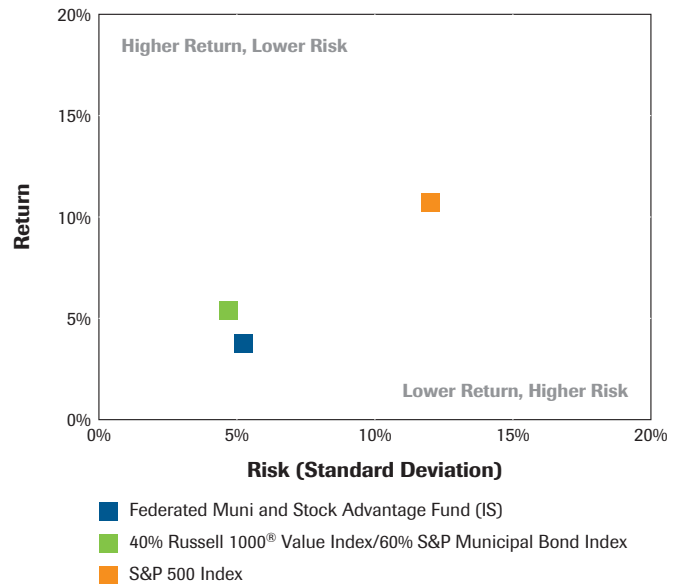
**Risk Statistics**

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	5.52	5.24	5.23	5.63
Alpha	-1.82	-1.10	-0.40	1.55
Beta	0.43	0.40	0.41	0.36
Correlation	0.95	0.92	0.86	0.82
R <sup>2</sup>	89.57	83.87	74.32	67.12

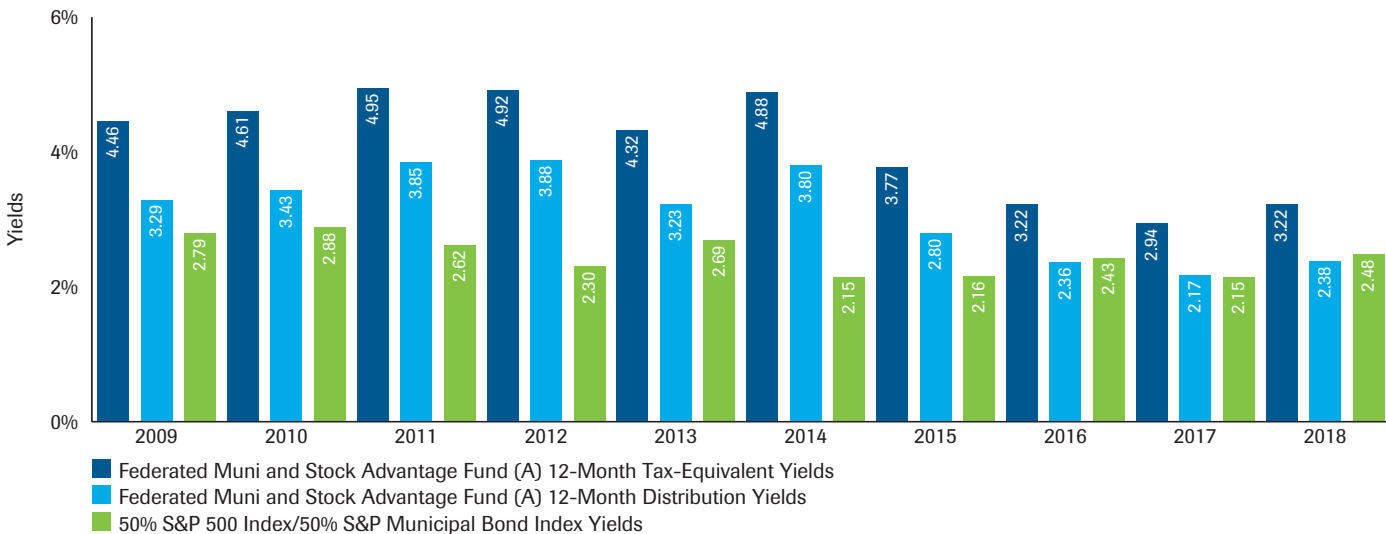
Sources: Federated Investors, Morningstar, Inc.  
Fund vs. S&P 500 Index

See disclosure section for important definitions.

**5-Year Risk/Return**



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



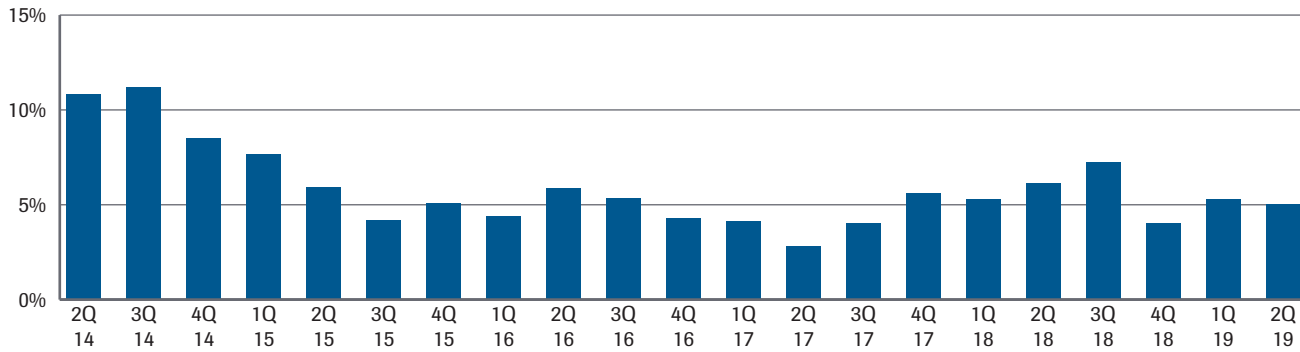
The tax-equivalent yields for the fund assume a 35% tax rate for 2010-2012, a 39.6% tax rate for 2013-2017 and a 37% tax rate for 2018 for the municipal portion. The stock portion of the tax-equivalent yield was not tax adjusted. The index yield was not tax adjusted.

Source: Federated Investors, Morningstar, Inc. Past performance is no guarantee of future results.

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	89	74	53	42
Morningstar Category Rank	488 of 553 Funds	351 of 492 Funds	207 of 398 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	90	81	62	48
Morningstar Category Rank	498 of 553 Funds	387 of 492 Funds	240 of 398 Funds	126 of 265 Funds

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

IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	97	71	51	-
Lipper Classification Rank	316 of 325 Funds	220 of 309 Funds	136 of 270 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	98	80	64	33
Lipper Classification Rank	319 of 325 Funds	248 of 309 Funds	173 of 270 Funds	63 of 192 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 1.45% for A Shares and 1.78% for IS Shares. Yields for other classes will vary.

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® Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® 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® 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.