

Federated Muni and Stock Advantage Fund

4Q
2018

12/31/18

Fund Facts

Performance Inception Date

9/26/03

Benchmark

40% Russell 1000[®] Value Index/60% S&P Municipal Bond Index

Morningstar Category

Allocation - 30% to 50% Equity

Lipper Category

Mixed-Asset Target Allocation Conservative Funds

Fund Assets

\$1.5 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

Fund Description

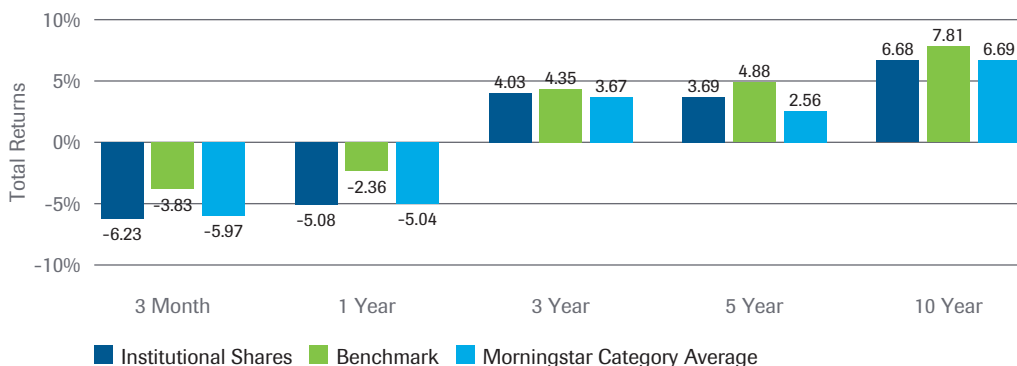
The fund seeks to provide tax-advantaged income, with a secondary objective of capital appreciation, by investing in a diversified portfolio of tax-exempt municipal bonds and dividend-paying stocks.

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	-6.23	-5.08	-5.08	4.03	3.69	6.68	4.80	5.10	0.82	0.75
A Shares (NAV)	-6.28	-5.24	-5.24	3.79	3.45	6.53	4.89	5.22	1.07	1.00
A Shares (MOP)	-11.44	-10.43	-10.43	1.87	2.29	5.92	4.50	4.83	1.07	1.00
Benchmark	-3.83	-2.36	-2.36	4.35	4.88	7.81	5.58	-	-	-



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
Return After Taxes on Distributions										
IS	-7.88	-7.41	2.88	6.12	4.63	-	-	-	-	-
A	-7.91	-7.47	2.68	5.98	4.77	-12.98	-12.54	1.53	5.38	4.38
Return After Taxes on Distributions and Sale of Fund Shares										
IS	-3.08	-2.37	3.00	5.68	4.48	-	-	-	-	-
A	-3.12	-2.47	2.79	5.53	4.58	-6.20	-5.58	1.88	5.02	4.24

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

Distinguishing Characteristics

Tax-Advantaged Income	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
Differentiated Portfolio	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
Long-Term Potential	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

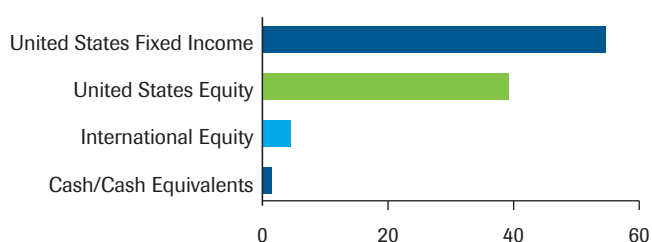
Weighted Average Effective Maturity	7.0 Yrs.
Weighted Average Stated Maturity	16.3 Yrs.
Weighted Average Effective Duration	7.1 Yrs.
Weighted Average Modified Duration	5.3 Yrs.
Weighted Average Market Cap	\$123.1 b
30-Day Yield (IS)	2.34%
30-Day Yield (A)	1.97%

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.

Top Holdings (%)

Equity Portfolio	
JPMorgan Chase & Co.	1.3
Johnson & Johnson	1.2
Cisco Systems, Inc.	1.1
Intel Corp.	1.1
Comcast Corp., Class A	1.0
Fixed-Income Portfolio	
Minnesota State, Various Purpose Refunding UT GO Bonds (Series 2016D), 5.000%, 8/1/2025	1.2
New York State Dormitory Authority, (Columbia University), Revenue Bonds (Series 2018A), 5.000%, 10/1/2048	1.2
New York City, NY, UT GO Bonds (Series 2018B-1), 5.000%, 10/1/2039	1.1
New York State Dormitory Authority State Personal Income Tax Revenue, (New York State Personal Income Tax Revenue Bond Fund), General Purpose Revenue Refunding Bonds (Series 2012A), 5.000%, 12/15/2028	1.1
Virginia College Building Authority, Revenue Bonds (Series 2018A), 5.000%, 9/1/2031	1.1

Portfolio Composition (%)



Sector Weightings (%) - Equity

Hospital	11.7
Dedicated Tax	11.6
Education	7.7
General Obligation-State	7.7
Toll Road	7.5
Water & Sewer	7.4

Quality Breakdown¹ (%)

AAA	8.0
AA	39.5
A	27.6
BBB	13.3
BB	1.4
B&Below	1.6
Not Rated	8.6

Portfolio composition is based on net assets at the close of business on 12/31/18 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

- Weaker macroeconomic data globally was a source of fear and volatility for investors
- Democrats regained control of the House of Representatives in the midterm elections
- The Fed hiked rates another 25 basis points and suggested two more are on the way in 2019
- Hopes of a U.S.-China Trade War resolution will be a focus heading into 2019

Looking Back

Equity markets experienced significant volatility and decline in the fourth quarter, pushing them into negative territory for the year and close to 20% off their late-summer record highs, as several macroeconomic events came to a head to close out the year. The litany of fears included concerns about a U.S.-China trade war despite a 90-day cease fire announced after December's G20 meeting; a split Congress following midterm elections; a Fed that increased its benchmark rate during a market rout; worries about the potential for lower-than-expected earnings that already have been revised down; and signs of global weakening. All of this made for a strong risk-off environment that saw U.S. stocks post their worst December since 1931 and their worst full year since the 2008 financial crisis.

U.S. Treasury and high-quality municipal yields fell sharply due to the same factors that drove steep losses in equities. The surge in stock-market volatility fueled flight-to-quality demand for U.S. Treasuries, causing yields on 2-, 10- and 30-year Treasuries to decline by a respective 33, 38 and 19 basis points in the quarter. High-quality muni yields declined to a lesser degree, with Municipal Market Data (MMD) 2-year, 10-year and 30-year AAA tax-exempt yields falling by 19, 30 and 17 basis points, respectively.

During the quarter, the S&P 500 Index returned -13.52% and the Russell 1000 Value Index returned -11.72%. The S&P Municipal Bond Index returned 1.52% for the quarter, with its 3-year component returning 1.10%, its 10-year component returning 2.06% and the portion of the index maturing in 22 years and longer returning 1.14%. The AAA- and A- and BBB-rated components of the index returned 1.64%, 1.56% and 1.00% respectively. The S&P High Yield Municipal Bond Index posted a return of -0.20%, which improved to a return of 0.02% excluding Puerto Rico bonds.

Performance

Federated Muni & Stock Advantage Fund A Shares returned -6.28% at Net Asset Value for the fourth quarter of 2018, underperforming the -3.83% 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 underperformed the S&P Municipal Bond Index and the fund's equity portfolio underperformed the Russell 1000 Value Index.

Performance Contributors

- A relative underweight in the Energy and Financials sectors
- Relative underweight positions in Exxon and United Technologies
- Duration and yield curve position in the fixed-income portfolio

Performance Detractors

- Stock selection in the Financials and Consumer Staples sectors
- A relative underweight in the Utilities sector and overweight in the Industrials sector
- An overweight position in BBB and lower-quality bonds in fixed income

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.

How We Are Positioned

As we begin 2019, we expect the narrative to stay the same. We believe we are in a "Show me" market that, for volatility to subside, will require companies to report strong earnings and guidance without overly negative commentary on trade with China. Washington, D.C., also will need to show progress on the trade-war front and churn in the president's cabinet, while the Fed may need to back off its already less aggressive stance on monetary policy for 2019. Even if all of that occurs, it will take time for the damage to investor psyches to be repaired. We do not believe a recession is imminent as corporate profits and earnings remain strong, the economy continues to add jobs, holiday spending was robust and consumer confidence is historically high.

We remain broadly diversified within equity market sectors, with a prudent approach to balancing income, risk and long-term total return. Given relative market valuations and considering risks, we believe a balanced portfolio of cyclical and defensive companies that have strong cash flow, balance-sheet strength and improving fundamentals will continue to help navigate the current choppy investment landscape. On the bond side, the fund remains focused on intermediate and long-term securities with the tactical use of mid-to-lower credit quality bonds to enhance income and total return.

See disclosure section for important disclosures and definitions.

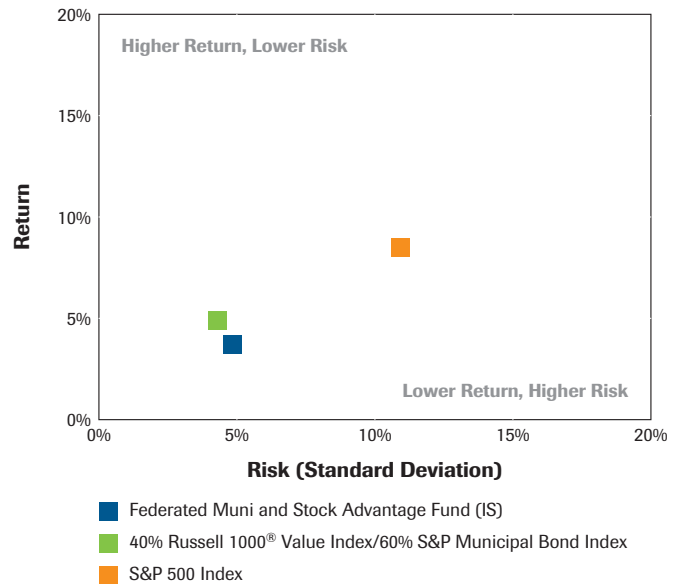
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	4.80	4.84	4.93	5.74
Alpha	-0.36	-0.09	0.15	1.82
Beta	0.40	0.39	0.38	0.35
Correlation	0.89	0.87	0.82	0.82
R ²	79.79	76.44	66.55	67.17

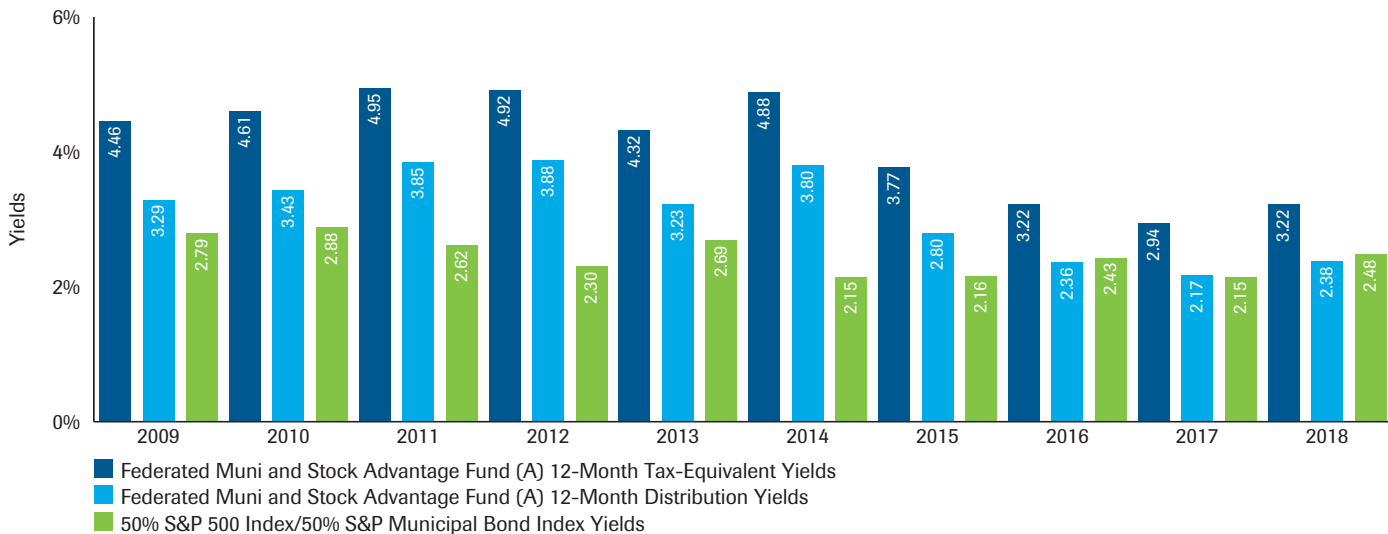
Sources: Federated Investors, Morningstar, Inc.
Fund vs. S&P 500 Index

See disclosure section for important definitions.

5-Year Risk/Return



History of a High Level of Tax-Adjusted Income



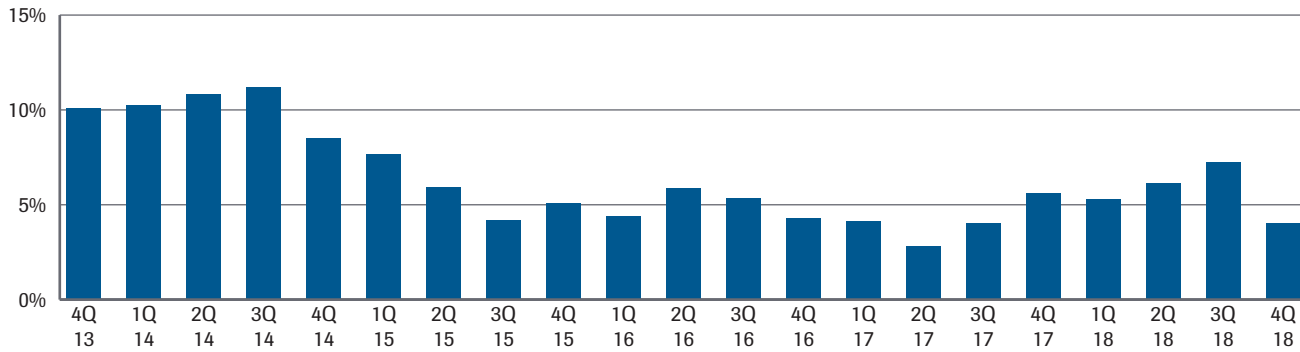
The tax-equivalent yields for the fund assume a 35% tax rate for 2010-2012, a 39.6% tax rate for 2013-2017 and a 37% tax rate for 2018 for the municipal portion. The stock portion of the tax-equivalent yield was not tax adjusted. The index yield was not tax adjusted.

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.

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. Performance is at net asset value and does not 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.

3-Year Rolling Returns (IS)



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.

Category Rankings

Morningstar Allocation - 30% to 50% Equity Category

IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	65	40	14	45
Morningstar Category Rank	336 of 541 Funds	175 of 463 Funds	52 of 367 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	68	50	20	52
Morningstar Category Rank	353 of 541 Funds	221 of 463 Funds	72 of 367 Funds	133 of 261 Funds

Lipper Mixed-Asset Target Allocation Conservative Funds

IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Category % Rank	77	18	12	-
Lipper Category Rank	264 of 346 Funds	54 of 315 Funds	31 of 278 Funds	-
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Category % Rank	80	26	15	33
Lipper Category Rank	275 of 346 Funds	82 of 315 Funds	41 of 278 Funds	69 of 209 Funds

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

¹The 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 1.88% for A Shares and 2.25% 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

Lipper Categories: Data Source: Lipper, A Reuters Company. Copyright 2019© Reuters. All rights reserved. Any copying, republication or redistribution of Lipper content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. ©2019 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

This must be preceded or accompanied by a prospectus.