

# Federated Short-Intermediate Total Return Bond Fund

4Q  
2019

12/31/19

## Fund Facts

### Performance Inception Date

R6 Shares: 1/31/14  
Institutional Shares: 9/2/05  
A Shares: 1/31/14

### Benchmark

Bloomberg Barclays 1-5 Year Government/Credit Index

### Morningstar Category

Short-Term Bond

### Lipper Classification

Core Bond Funds

### Fund Assets

\$351.0 million

### Ticker Symbols

R6 Shares - SRBRX  
Institutional Shares - FGCIX  
Service Shares - FGCSX  
A Shares - FGCAX

### Key Investment Team

John Gentry, CFA  
Chengjun (Chris) Wu, CFA  
Todd Abraham, CFA  
Mark Durbiano, CFA  
Ihab Salib  
Steven Wagner  
Christopher McGinley

### Yields (%)

30-Day Yield (R6) 2.05  
30-Day Yield (IS) 2.04  
30-Day Yield (A) 1.77

## Fund Description

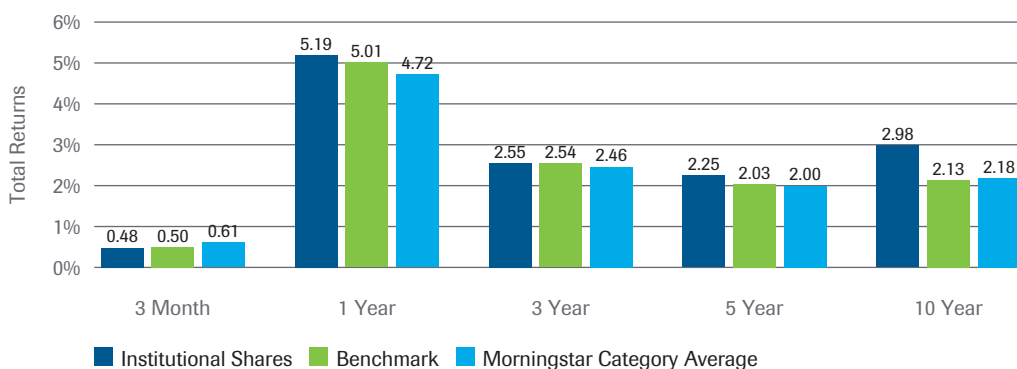
The fund seeks to maintain a dollar-weighted average effective portfolio duration of 1.5 to 3.5 years and pursues total return by investing in a broad mix of bond sectors that management believes will benefit from changes in economic and market conditions. U.S. government and investment-grade corporate bonds predominate, with limits on exposure to domestic high-yield and international emerging-market sectors.

## 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	0.48	5.20	5.20	2.59	2.01	-	1.85	0.49	0.37
Institutional Shares	0.48	5.19	5.19	2.55	2.25	2.98	3.76	0.53	0.38
A Shares (NAV)	0.42	4.93	4.93	2.29	2.00	-	1.92	0.80	0.63
A Shares (MOP)	-0.63	3.90	3.90	1.96	1.79	-	1.75	0.80	0.63
Benchmark	0.50	5.01	5.01	2.54	2.03	2.13	-	-	-



### Calendar Year Returns (%)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Institutional Shares	5.19	0.81	1.70	3.31	0.34	2.47	-0.17	4.12	5.03	7.25
Benchmark	5.01	1.38	1.27	1.56	0.97	1.42	0.28	2.24	3.14	4.08
Morningstar Category Average	4.72	0.92	1.73	2.08	0.19	1.07	0.45	3.67	1.66	4.11

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 1% 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 12/1/20 or the date of the fund's next effective prospectus.

## Investment Approach

### Core, Intermediate-Term Bond Fund

- A disciplined approach to short-term fixed income with a conservative, investment-grade risk profile
- Invests primarily in U.S. government, mortgage-backed and investment-grade corporate fixed income with modest exposure to sectors such as high yield and emerging markets debt
- May invest in below investment grade securities up to 35%. Typically up to 15%

### Consistent, Repeatable Investment Process

- Combines top-down decision making with bottom-up security selection to build diversified, risk-managed portfolios
- Key decision teams known as "Alpha Pods" seek diversified, uncorrelated alpha sources across various market environments
- Positioning set across five factors: Sector Allocation, Security Selection, Duration Management, Yield Curve Strategy and Currency Management

### Tenured Team with Long-Term Results

- Team based approach focused by sector to extract value from each step of the process
- Federated's fixed income philosophy and process has a 45-year heritage
- Senior fixed-income management team averages more than 25 years of experience, and team members have worked together at Federated for more than 20 years

As of 12/31/19

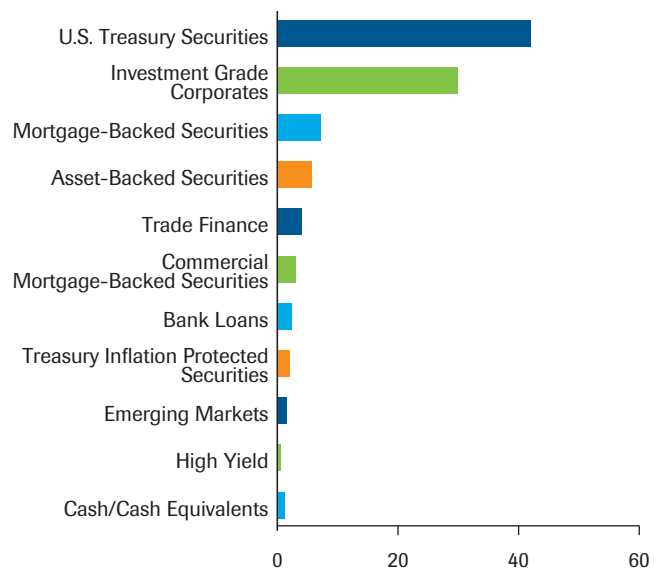
## Portfolio Statistics

Weighted Average Effective Maturity	3.3 Yrs.
Weighted Average Effective Duration	2.6 Yrs.
Weighted Average Coupon	2.72%
Weighted Average Yield to Maturity	2.27%
Weighted Average Bond Price	\$101.65

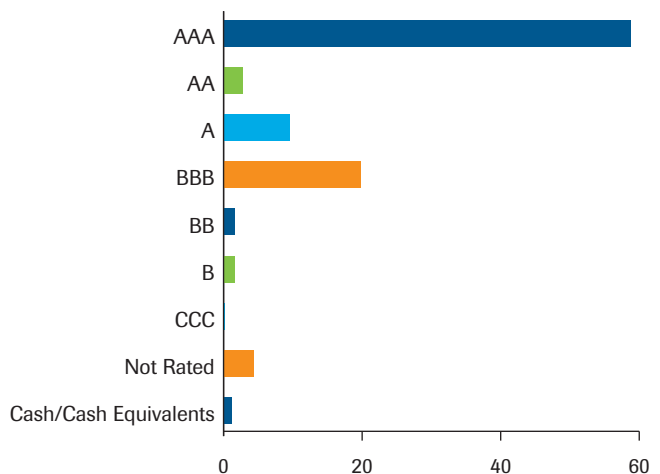
## Top Holdings (%)

Federated Mortgage Core Portfolio	6.8
U.S. Treasury Note, 1.750% due 6/30/24	4.9
Federated Project and Trade Finance Core Fund	4.6
U.S. Treasury Note, 2.125% due 3/31/24	2.9
Federated Bank Loan Core Fund	2.8
U.S. Treasury Note, 1.375% due 10/15/22	2.8
U.S. Treasury Note, 2.000% due 5/31/24	2.7
U.S. Treasury Note, 2.875% due 11/30/23	2.4
U.S. Treasury Note, 2.500% due 1/31/24	2.2
U.S. Treasury Note, 1.875% due 2/28/22	2.1
<b>Total % of Portfolio</b>	<b>34.2</b>

## Sector Weightings (%)



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



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

- Accommodative Federal Reserve (Fed) as it affirmed its current policy
- Risk asset outperformance led by lower quality and longer duration
- The fund maintained neutral duration and increased allocations to mortgage-backed securities (MBS) and bank loan sectors

## Looking Back

After the August swoon, U.S. markets steadily recovered during the fourth quarter, led by consumers' improving view of prospects for their own situation and the general economy. One by one, risk factors fell away. In the British election, conservatives won their largest majority since 1987, reducing uncertainty about whether and how Britain can govern itself, and making it more likely that a Brexit deal moves forward. A "phase 1" trade deal between the U.S. and China was reached, lowering tensions and preventing the Dec.15, 2019 implementation of tariffs. Congress also agreed to a continuing budget resolution to keep funding the federal government's operations, averting a potential shutdown. Overseas, new European Central Bank President Lagarde reassured markets by not making any changes to rates or policy, while in the U.S., the Fed made it clear it is in no hurry to raise its federal funds rate. In its December meeting statement, the Fed downgraded its view of risk from global developments and muted inflation pressures, and removed reference to uncertainties about its outlook. The lower policy rate appears more appropriate for the given level of risk the economy faces. In its updated Summary of Economic Projections, the Fed sees no rate increase in 2020 and one 0.25% hike in each of 2021 and 2022, with a longer-run fed funds target of 2.50%. The Fed also sees unemployment slightly lower than it did in its September forecast and gross domestic product (GDP) growth unchanged (2% in 2020, falling to 1.9% in 2021 and 1.8% in 2022). The markets took this in stride, indicating that the Fed had done a good job of communicating expectations since its previous meeting.

Against a backdrop of accommodative Fed policy and calming global tensions, Treasury yields eased higher in November and December, though not sharply enough to jolt markets. Risk assets outperformed, led by the S&P 500 Index and longer-duration, lower-quality bonds. For example, according to Bloomberg Barclays data, bonds rated CCC earned more than half their annual return during December, and long-duration bonds rated BBB and emerging-market (EM) debt both gained over 2% in the quarter. The 10-year U.S. Treasury started the quarter yielding 1.67%, dropped to 1.53% in early October, but then marched steadily higher, ending the quarter and year at 1.92%. Crude oil followed a similar path, rising over 10% in December to end the year above \$61 a barrel. Aluminum and copper finished higher, mostly due to December rallies. The U.S. dollar strengthened slightly against a basket of currencies, up 1.5% compared to fourth quarter 2018 levels.

## Performance

Federated Short Intermediate Total Return Bond Fund Institutional Shares returned 0.48% at net asset value for the fourth quarter of 2019, while the fund's benchmark, the Bloomberg Barclays 1-5 Year Government Credit Index, had a total return of 0.50%. For 2019, the fund's institutional shares returned 5.19% compared to the benchmark's 5.01%. The fund's total return for the period also reflected actual cash flows, transaction costs and other expenses that were not reflected in the total return of the benchmark index.

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### Performance Contributors

- Contribution from investment-grade credit overweight and allocations to bank loans, MBS and EM debt
- Allocation to TIPS
- Selection in energy and consumer non-cyclical sectors

### Performance Detractors

- Yield curve positioning as yields of longer maturities rose more than those of shorter maturities
- Selection in banking and utility sectors

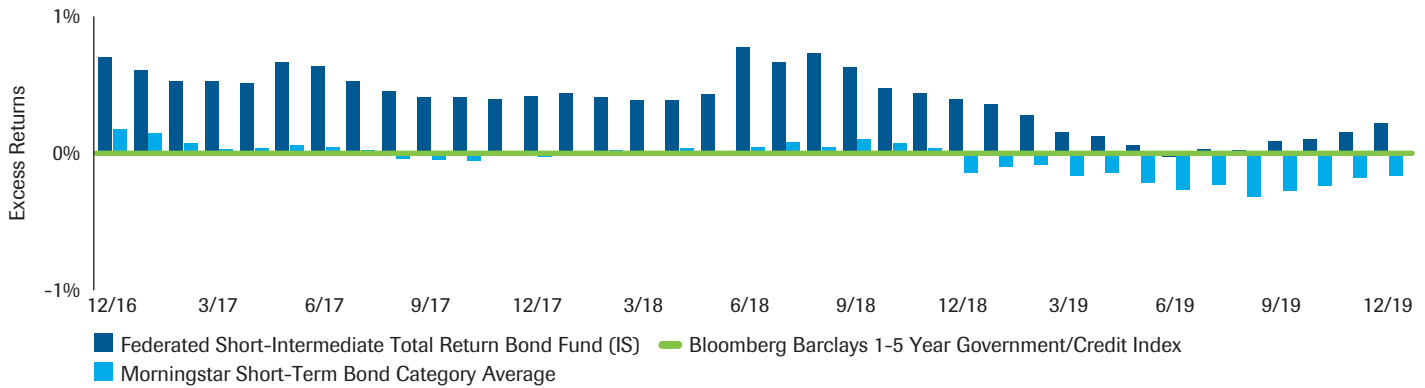
## How We Are Positioned

Paced by a confident consumer, the U.S. economy enters 2020 on solid footing. Old challenges have subsided, while the new year brings a host of different challenges, from the conclusion of the impeachment trial to presidential primaries and increased domestic political focus. The Fed has made it clear that it expects to be on hold during the year, and markets likely will focus on whether the new trade deal will boost corporate profitability and manufacturing activity.

In keeping with Federated's alpha pod recommendations, the fund reduced its allocation to investment-grade corporate debt, increased its allocation to MBS and maintained a neutral duration compared to its benchmark.

*See disclosure section for important disclosures and definitions.*

### 5-Year Rolling Excess Performance vs. Bloomberg Barclays 1-5 Year Government/Credit Index



Source: Morningstar, Inc. Performance for 5-year periods (1-month step) from 12/31/11 - 12/31/19. Returns are for IS Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

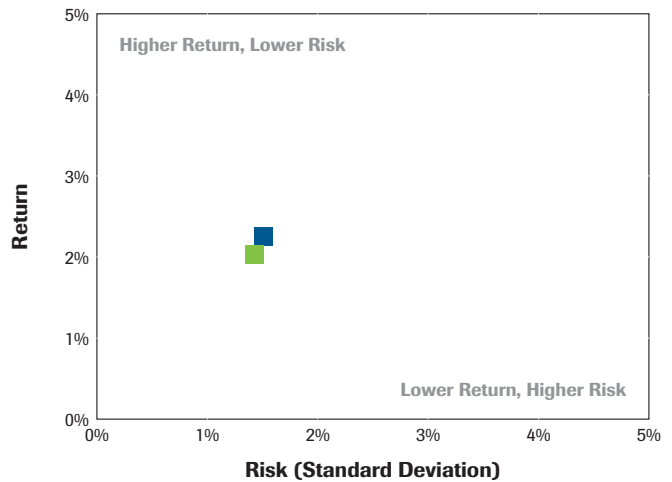
### Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	1.18	1.51	1.90	2.03
Alpha	0.17	0.41	0.21	0.57
Beta	0.79	0.79	1.04	1.18
Up Capture Ratio	90.57	98.25	114.74	128.61
Down Capture Ratio	58.53	72.20	115.22	104.80
Sharpe Ratio	0.69	0.75	0.59	1.17

Sources: Federated Investors, Morningstar, Inc. Fund vs. Bloomberg Barclays 1-5 Year Government/Credit Index

See disclosure section for important definitions.

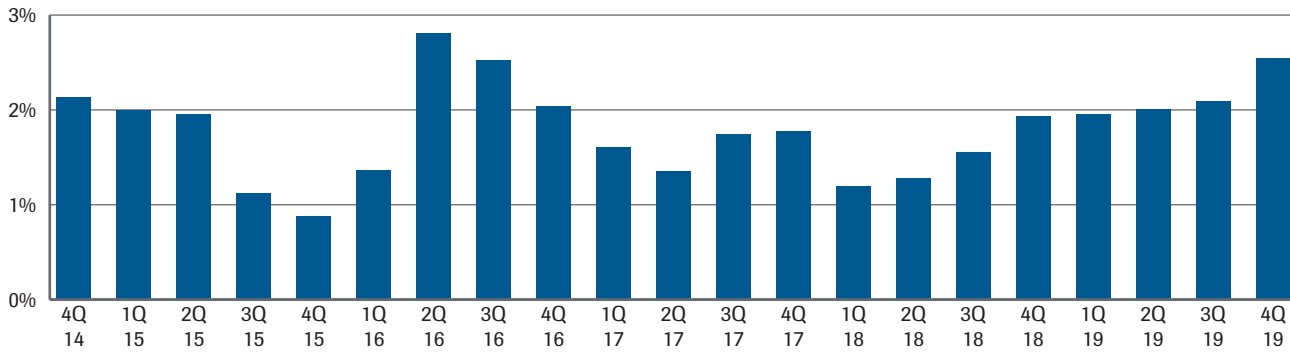
### 5-Year Risk/Return



Legend:  
■ Federated Short-Intermediate Total Return Bond Fund (IS)  
■ Bloomberg Barclays 1-5 Year Government/Credit Index

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### 3-Year Rolling Returns (IS)



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### Category Rankings

#### Morningstar Short-Term Bond Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	32	38	46	19
Morningstar Category Rank	159 of 569 Funds	165 of 488 Funds	172 of 442 Funds	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	33	41	34	14
Morningstar Category Rank	161 of 569 Funds	176 of 488 Funds	120 of 442 Funds	36 of 280 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	38	62	46	17
Morningstar Category Rank	193 of 569 Funds	265 of 488 Funds	176 of 442 Funds	-

#### Lipper Core Bond Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	97	95	93	-
Lipper Classification Rank	494 of 512 Funds	429 of 452 Funds	362 of 389 Funds	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	97	96	87	89
Lipper Classification Rank	495 of 512 Funds	431 of 452 Funds	338 of 389 Funds	261 of 294 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	98	98	93	-
Lipper Classification Rank	499 of 512 Funds	441 of 452 Funds	362 of 389 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") for A Shares 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 1.93% for R6, 1.88% for IS and 1.61% for A shares.

### A Word About Risk

Mutual funds are subject to risks and fluctuate in value.

High-yield, lower-rated securities generally entail greater market, credit/default and liquidity risks, and may be more volatile than investment-grade securities.

International investing involves special risks, including currency risk, increased volatility, political risks, and differences in auditing and other financial standards. Prices of emerging market and frontier 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.

The fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.

Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.

The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations.

### Definitions

**Bloomberg Barclays 1-5 Year U.S. Government/Credit Bond Index** is a broad-based benchmark that measures the non-securitized component of the Barclays U.S. Aggregate Index. It includes investment grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related and corporate securities that have a remaining maturity of greater than or equal to one year and less than five years.

Indexes are unmanaged and cannot be invested in directly.

**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.

**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.

**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 Average Bond Price** is the weighted average of all individual bond prices within a portfolio.

**Weighted Average Coupon** is the weighted average interest payment of all individual debt securities within a portfolio.

**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 Yield to Maturity** is used to determine the rate of return an investor would receive if a long-term, interest-bearing investment, such as a bond, is held to its maturity date. It takes into account purchase price, redemption value, time to maturity, coupon yield and the time between interest payments.

### Ratings and Rating Agencies

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This must be preceded or accompanied by a prospectus.