Federated Total Return Bond Fund

1Q 2019

3/31/19

Fund Facts

Performance Inception Date

R6 Shares: 10/1/96
Institutional Shares: 10/1/96
A Shares: 8/16/01

Benchmark

Bloomberg Barclays U.S. Aggregate Bond Index

Morningstar Category

Intermediate-Term Bond

Lipper Classification

Core Bond Funds

Fund Assets

$8.2 billion

Ticker Symbols

R6 Shares - FTRLX
Institutional Shares - FTRBX
Service Shares - FTRFX
A Shares - TLRAX
C Shares - TLRCX
R Shares - FTRKX

Key Investment Team

Donald Ellenberger
Jerome Conner, CFA
R.J. Gallo, CFA
Todd Abraham, CFA
Mark Durbiano, CFA
Ihab Salib
Steven Wagner
Christopher McGinley

Fund Description

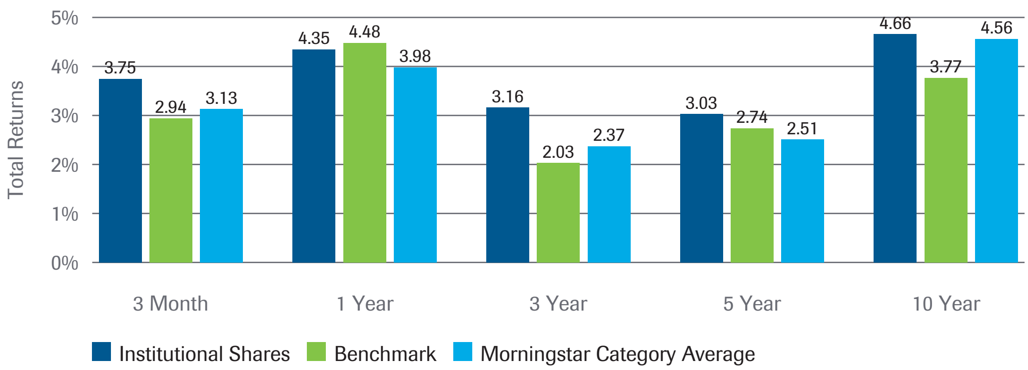
The fund pursues total return by investing in a broad mix of bond sectors that management believes will benefit from changes in economic and market conditions. U.S. government and investment-grade corporate bonds predominate, with limits on exposure to domestic high-yield and both developed and emerging international sectors.

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	Expense Ratio* After Waivers
R6 Shares	3.66	3.66	4.26	3.14	3.00	4.57	4.22	4.96	0.42	0.38
Institutional Shares	3.75	3.75	4.35	3.16	3.03	4.66	4.38	5.48	0.47	0.39
A Shares (NAV)	3.61	3.61	3.78	2.60	2.47	4.09	3.82	4.20	1.01	0.94
A Shares (MOP)	-1.03	-1.03	-0.87	1.04	1.53	3.61	3.50	3.93	1.01	0.94
Benchmark	2.94	2.94	4.48	2.03	2.74	3.77	3.89	–	–	–



Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Institutional Shares	-0.86	4.40	4.96	-0.16	5.29	-0.87	6.58	6.28	7.35	12.14
Benchmark	0.01	3.54	2.65	0.55	5.97	-2.02	4.21	7.84	6.54	5.93
Morningstar Category Average	-0.50	3.71	3.23	-0.26	5.18	-1.38	7.01	5.78	7.72	13.97

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. Maximum Offering Price figures reflect the maximum sales charge of 4.5% 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 2/1/20 or the date of the fund's next effective prospectus.**

Federated®

Investment Approach

Core, Intermediate-Term Bond Fund	Consistent, Repeatable Investment Process	Tenured Team with Long-Term Results
▪ A disciplined approach to core 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 25%, typically up to 15%	▪ 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	▪ 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 27 years of experience, and team members have worked together at Federated for 22 years

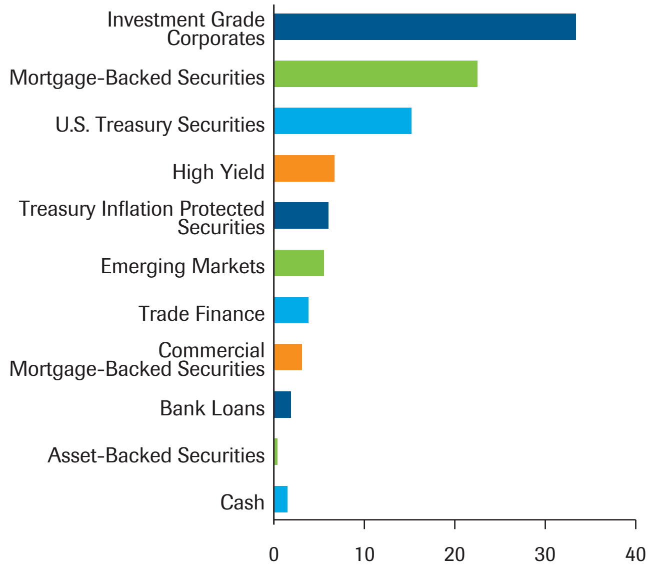
As of 3/31/19

Portfolio Statistics

Weighted Average Effective Maturity	7.0 Yrs.
Weighted Average Effective Duration	5.4 Yrs.
Weighted Average Coupon	3.87%
Weighted Average Yield to Maturity	4.06%
Weighted Average Bond Price	$102.05
30-Day Yield (R6)	3.45%
30-Day Yield (IS)	3.45%
30-Day Yield (A)	2.77%

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.

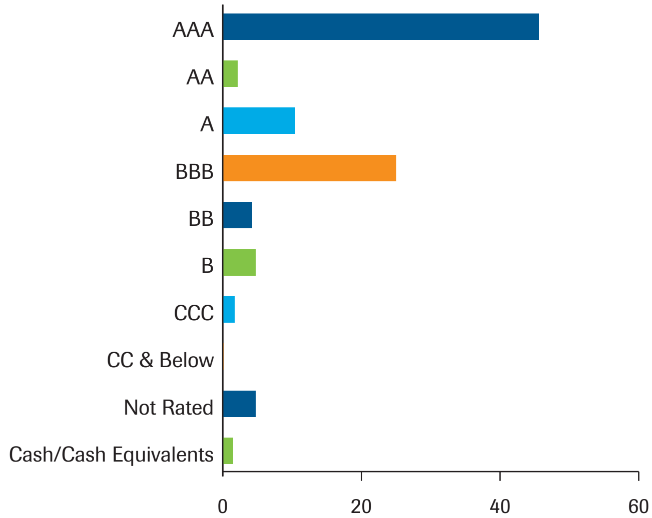
Sector Weightings (%)



Top Holdings (%)

Federated Mortgage Core Portfolio	23.5
The High Yield Bond Portfolio	6.3
Federated Project and Trade Finance Core Fund	4.5
Emerging Markets Core Fund	3.9
U.S. Treasury Note, 3.125% due 11/15/28	2.5
Federated Bank Loan Core Fund	2.0
U.S. Treasury Note, 2.375% due 2/29/24	1.7
U.S. Treasury Bond, 2.750% due 8/15/42	1.5
U.S. Treasury Note, TIPS, 0.875% due 1/15/29	1.5
U.S. Treasury Note, 2.500% due 2/15/22	1.1
Total % of Portfolio	**48.5**

Quality Breakdown[1] (%)



Portfolio composition is based on net assets at the close of business on 3/31/19 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

- R6 shares returned 3.66% vs. 2.94% for the Bloomberg Barclays U.S. Aggregate Bond (BBAB) Index in the first quarter of 2019
- Sector allocation (overweights to high-yield and emerging-market bonds, and to a lesser extent investment-grade corporates and commercial and residential mortgage-backed securities) and security selection (in particular overweights to Treasury Inflation Protection securities (TIPS) and BBB-rated corporates) were primary reasons for outperformance
- The fund is positioned with a bias for the yield curve to steepen, the dollar to weaken, the credit sectors of the bond market to outperform Treasuries, and interest rates to rise modestly

Looking Back

In last quarter's commentary we wrote that "a significant bounce for risk assets will likely require either a resolution of the trade conflict with China or a less restrictive Fed." While negotiations continue with China, the Federal Reserve (Fed) did surprise the markets by abruptly shifting to a less restrictive monetary policy early in January. The fourth-quarter sell-off in risk assets (stocks down 20%, oil down 45%, high-yield bond spreads over 200 basis points wider) had been precipitated not by weaker economic statistics (GDP clocked in at respectable 2.2%) but by fears the Fed would over-tighten the economy into recession. The sell-off in risk assets almost exactly coincided with Chairman Powell's early October remark that the fed funds rate was "a long way from neutral" and accelerated when Powell later added that the Fed's balance sheet drawdown was "on autopilot." However, in the first week of January, the Fed announced further hikes were on hold, and then in March eliminated all hikes from 2019 (based on its projections) and said its balance-sheet drawdown would terminate in September, sooner than the market had anticipated. Numerous Fed members added to the dovish tone, suggesting the Fed would not immediately enact restrictive policy once inflation breached its 2% target, arguing a modest overshoot would better anchor declining inflation expectations.

This dovish turn dramatically reversed the prior quarter's risk-off sentiment. Even though first-quarter GDP growth was expected to slow to less than 2%, stocks ended up 13% for the quarter, oil rallied and corporate bonds significantly outperformed government bonds. Part of the risk-on trade did reverse at the end of March when 10-year Treasury yields dipped below 3-month Treasury yields, which in the past has been a reliable recession indicator. But unless this inversion deepens and remains in place for several weeks, the predictive power of this indicator typically weakens. One of the few instances curve inversion generated a false recession signal was the mid-1960s, the only other time that the 10-year term premium was negative as it is today.

In terms of the bond market, the best-performing sector (defined by excess return over Treasuries) was high yield, followed in order by emerging markets (EM), bank loans, investment-grade (IG) corporate bonds, commercial mortgage-backed securities (CMBS), asset-backed securities (ABS), government agency mortgage-backed securities (MBS) and trade finance loans. All of these sectors outperformed duration-equivalent Treasuries. Within each sector, lower credit quality bonds generally outperformed higher credit quality bonds.

Performance

Federated Total Return Bond Fund R6 Shares posted a total return net of fees of 3.66% for the quarter. The fund's performance compares to a return of 2.94% for the BBAB Index. 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 BBAB Index.

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 Contributors

- Overweights to high yield and IG corporates, EM, bank loans, CMBS and MBS
- Overweights to BBB-rated corporates and Treasury Inflation-Protected Securities (TIPS)

Performance Detractors

- The fund had slightly lower duration than the index, resulting in less price appreciation as interest rates declined

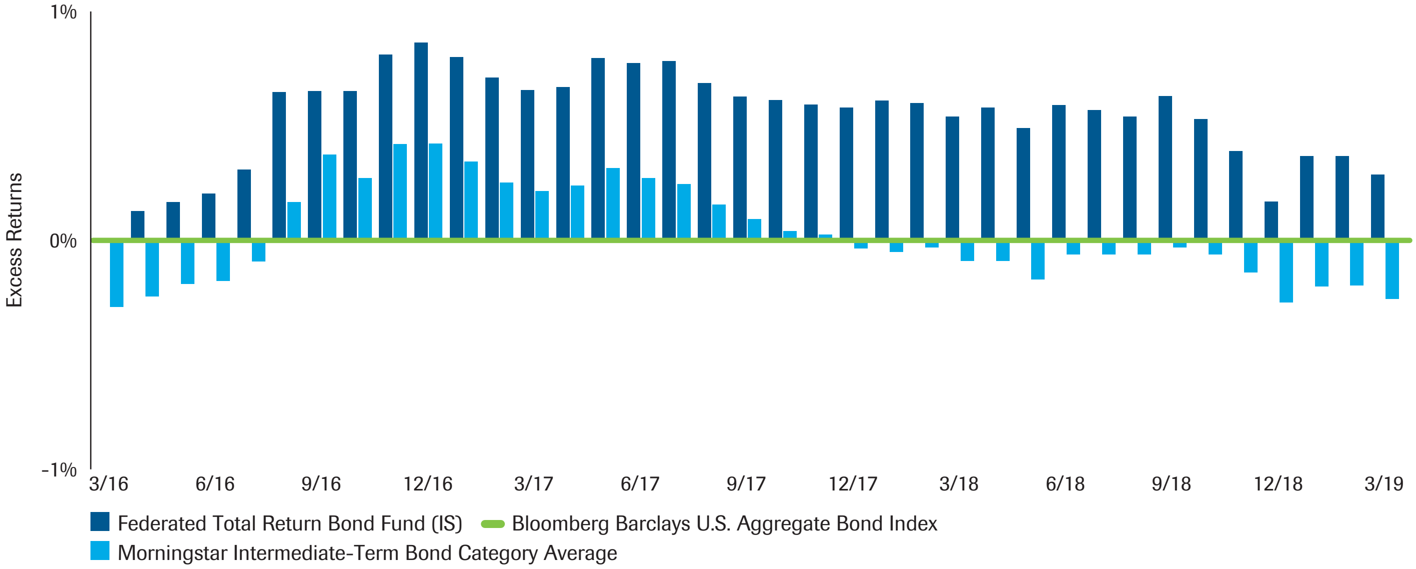
How We Are Positioned

The fund begins the second quarter with slightly less interest-rate sensitivity (duration) than the BBAB Index. While the Fed's on-hold stance makes a big swing in rates in either direction less likely, its efforts to boost inflation expectations and an expected rebound in second-quarter GDP growth both point to marginally higher rates. The fund also is positioned for the yield curve to steepen, with term premiums likely increasing if the Fed is successful in pushing inflation up. Additionally, a resolution with China would likely boost commodity prices and weaken the dollar, providing a lift to both inflation and term premiums.

The fund added to high yield and EM in January and remains overweight these sectors. It is slightly overweight IG corporates and CMBS, and increased bank loans to 2%. Given first-quarter outperformance, the fund also has begun to reduce its overweight to BBB-rated corporates, in particular longer maturities. The Fed's pause is evidence of its determination to extend the cycle and not repeat past mistakes of over-tightening. Defaults remain low, credit quality is off peaks but solid and recession risks have risen but are not yet flashing red. Also, the 80-basis-point decline in 10-year Treasury yields since October likely will rekindle a reach for yield in the credit sectors. In currencies, the fund has small short positions in the dollar vs. several commodity-oriented and Latin American currencies. As for security selection, the fund has increased its TIPS position to 6% on the Fed's efforts to push up inflation and a possible China trade resolution that could boost commodity prices and weaken the dollar, also potentially lifting inflation.

See disclosure section for important disclosures and definitions.

5-Year Rolling Excess Performance vs. Bloomberg Barclays U.S. Aggregate Bond Index



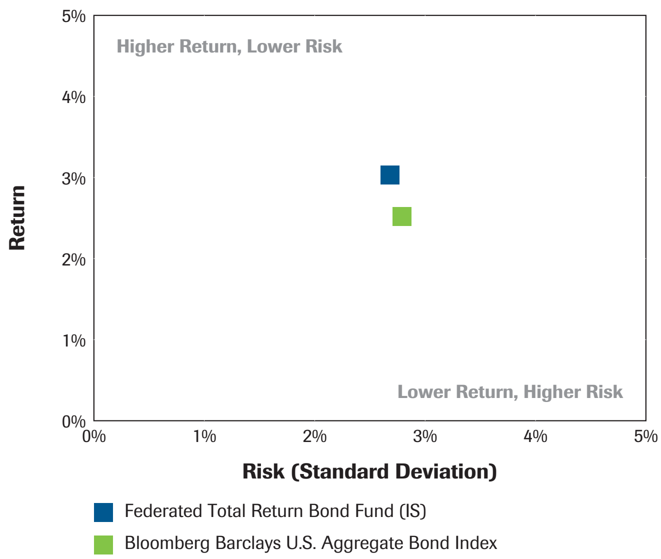
Source: Morningstar, Inc. Performance for 5-year periods (1-month step) from 3/31/11 - 3/31/19.
Returns are for IS Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	2.76	2.68	2.71	2.80
Alpha	1.20	0.57	0.75	1.24
Beta	0.87	0.85	0.87	0.89
Up Capture Ratio	104.41	95.74	100.42	105.68
Down Capture Ratio	68.83	80.20	81.86	77.60
Sharpe Ratio	0.67	0.83	0.88	1.50

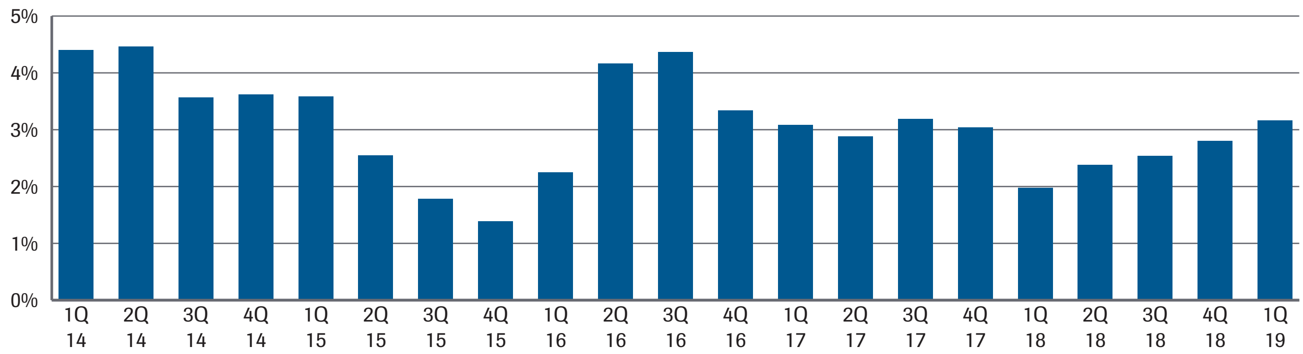
Sources: Federated Investors, Morningstar, Inc.
Fund vs. Bloomberg Barclays U.S. Aggregate Bond Index
See disclosure section for important definitions.

5-Year Risk/Return



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.

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 Intermediate-Term Bond Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	41	17	19	48
Morningstar Category Rank	377 of 1,024 Funds	153 of 901 Funds	–	–
IS Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Morningstar Category % Rank	32	16	18	47
Morningstar Category Rank	299 of 1,024 Funds	146 of 901 Funds	133 of 769 Funds	270 of 564 Funds
A Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Morningstar Category % Rank	66	36	56	66
Morningstar Category Rank	653 of 1,024 Funds	329 of 901 Funds	412 of 769 Funds	389 of 564 Funds

Lipper Core Bond Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	39	8	–	–
Lipper Classification Rank	198 of 509 Funds	34 of 447 Funds	–	–
IS Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Lipper Classification % Rank	30	8	13	42
Lipper Classification Rank	150 of 509 Funds	33 of 447 Funds	46 of 380 Funds	123 of 293 Funds
A Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Lipper Classification % Rank	68	24	51	65
Lipper Classification Rank	345 of 509 Funds	105 of 447 Funds	193 of 380 Funds	189 of 293 Funds

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

[1]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 3.42% for R6, 3.37% for IS and 2.72% for A shares.

The fund's R6 Shares commenced operations on April 22, 2015. For the period prior to the commencement of operations of the R6 Shares, the performance information shown is for the fund's Institutional Shares, adjusted to reflect the expenses of the R6 Shares for each year for which the expenses of the R6 Shares would have exceeded the actual expenses paid by the Institutional 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.

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 U.S. Aggregate Bond Index is an unmanaged index composed of securities from the Bloomberg Barclays Government/Corporate Bond Index, the Mortgage-Backed Securities Index and the Asset-Backed Securities Index. Total return comprises price appreciation/depreciation and income as a percentage of the original investment. Indices are rebalanced monthly by market capitalization.

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 ration, 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

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. Past performance is no guarantee of future results.

This must be preceded or accompanied by a prospectus.

G42142-05 (4/19)
Federated Securities Corp., Distributor