Federated Total Return Bond Fund

4Q 2018

12/31/18

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 Category
Core Bond Funds

Fund Assets
$7.8 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
B. Anthony Delserone Jr., CFA
Christopher McGinley

Fund Description

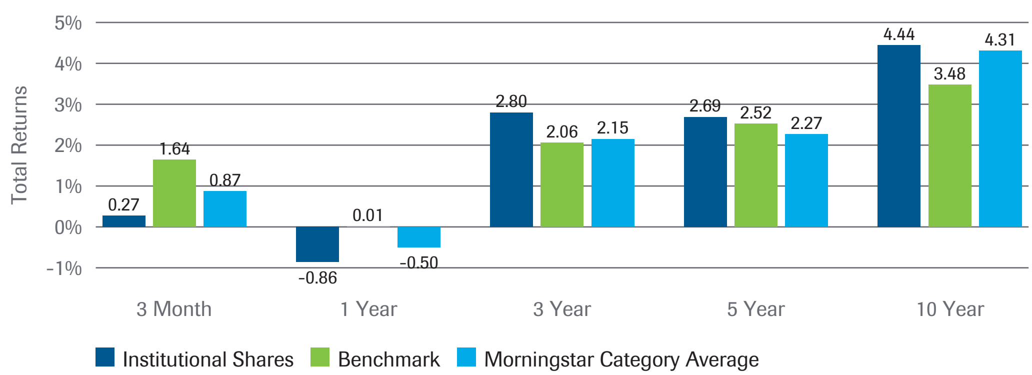
The fund pursues total return by investing in a broad mix of bond sectors that management believes will benefit from changes in economic and market conditions. U.S. government and investment-grade corporate bonds predominate, with limits on exposure to domestic high-yield and both developed and emerging 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	0.37	-0.85	-0.85	2.84	2.67	4.36	4.12	4.85	0.42	0.38
Institutional Shares	0.27	-0.86	-0.86	2.80	2.69	4.44	4.29	5.37	0.46	0.39
A Shares (NAV)	0.22	-1.40	-1.40	2.27	2.13	3.87	3.72	4.05	1.00	0.94
A Shares (MOP)	-4.24	-5.81	-5.81	0.72	1.20	3.39	3.40	3.78	1.00	0.94
Benchmark	1.64	0.01	0.01	2.06	2.52	3.48	3.87	–	–	–



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 2/1/19 or the date of the fund's next effective prospectus.**

Investment Approach

Core, Intermediate-Term Bond Fund

- 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%

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 27 years of experience, and team members have worked together at Federated for 22 years

As of 12/31/18

Portfolio Statistics

Weighted Average Effective Maturity	8.0 Yrs.
Weighted Average Effective Duration	5.6 Yrs.
Weighted Average Coupon	3.97%
Weighted Average Yield to Maturity	4.35%
Weighted Average Bond Price	$99.08
30-Day Yield (R6)	3.88%
30-Day Yield (IS)	3.87%
30-Day Yield (A)	3.17%

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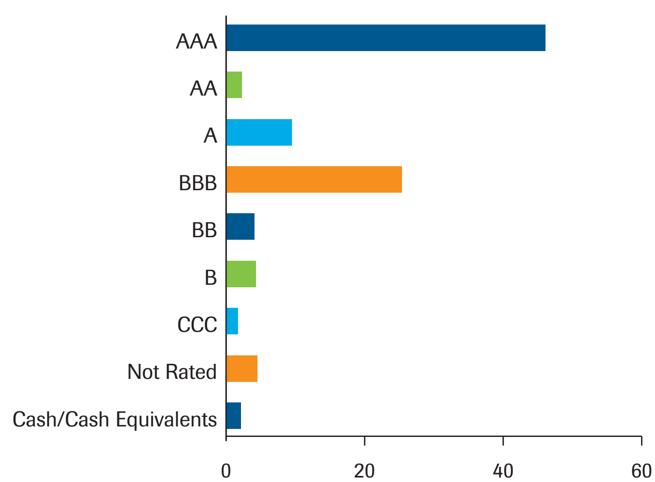
Sector Weightings (%)

Top Holdings (%)

Federated Mortgage Core Portfolio	29.2
The High Yield Bond Portfolio	6.1
Federated Project and Trade Finance Core Fund	4.7
Emerging Markets Core Fund	4.1
U.S. Treasury Note, 3.125% due 11/15/28	4.1
U.S. Treasury Bond, 2.750% due 8/15/42	1.5
Federated Bank Loan Core Fund	1.3
U.S. Treasury Note, TIPS, 0.125% due 7/15/24	1.0
U.S. Treasury Note, TIPS, 0.375% due 7/15/27	1.0
U.S. Treasury Note, TIPS, 0.500% due 1/15/28	0.9
Total % of Portfolio	**53.9**

Quality Breakdown[1] (%)



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

- R6 shares returned 0.37% vs. 1.64% for the Bloomberg Barclays U.S. Aggregate Bond (BBAB) Index in the fourth quarter of 2018
- Sector allocation (overweights to high-yield and investment-grade corporates, emerging market bonds and bank loans) and security selection (overweights to TIPS and BBB-rated corporates) were the primary reasons for underperformance
- The fund is positioned for interest rates to rise, the 5-year maturity bucket to underperform on the yield curve, the dollar to underperform, and the credit and agency mortgage sectors to outperform Treasuries

Looking Back

The fourth quarter of 2018 was a very difficult period as virtually all asset classes (including bonds) struggled to generate positive returns despite solid U.S. GDP growth. Many factors contributed to the market malaise, including fear that Federal Reserve (Fed) increases in its target funds rate and its balance-sheet reduction were on “autopilot,” causing the Fed to blindly tighten the U.S. economy into recession; an escalating trade war with China; a significant flattening of the yield curve, which is often a harbinger of recession; growth slowdowns in Europe and Asia; a collapse in oil prices; diminishing returns from corporate and individual tax cuts; a growing probability of a “hard” Brexit; the Mueller investigation; and the ascendance of cash as a viable asset class after years of near-zero yields.

The accumulation of these factors after almost a decade of strong performance by riskier asset classes appears to have eroded investor confidence and contributed to the heavy fourth-quarter selling of risk assets. Additionally, President Trump’s aggressive negotiating tactics are designed to create uncertainty in the minds of adversaries such as China, but this can also create uncertainty in the minds of investors and restrain risk-taking.

In terms of the bond market, the worst-performing sectors were high yield, followed by bank loans, emerging markets (EM), investment-grade (IG) corporate bonds, commercial mortgage-backed securities (CMBS), government agency mortgage-backed securities (MBS) and asset-backed securities. All of these sectors underperformed duration-equivalent Treasuries. The only sector to outperform Treasuries was trade finance loans.

The key question facing investors heading into 2019 is whether the pessimism that characterized the fourth quarter was overdone or whether it heralded the start of the next recession and a longer-term bear market for stocks and corporate bonds. A significant bounce for risk assets will likely require either a resolution of the trade conflict with China or a less restrictive Fed.

Performance

Federated Total Return Bond Fund R6 Shares posted a total return net of fees of 0.37% for the quarter. The fund’s performance compares to a return of 1.64% 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.

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Performance Contributors

- A short position in the U.S. dollar relative to a basket of currencies
- A yield-curve flattener in November
- Trade finance and government MBS positions

Performance Detractors

- Even though the fund’s duration was lengthened to near neutral, the large decline in yields led to greater price appreciation for the benchmark than the fund
- Overweights to high-yield and IG corporates, EM, bank loans and CMBS
- Security selection as gains from an overweight to financials and an underweight to GNMA MBS were more than offset by overweights to BBB corporates, TIPS and energy-related IG corporates and an underweight to 15-year MBS

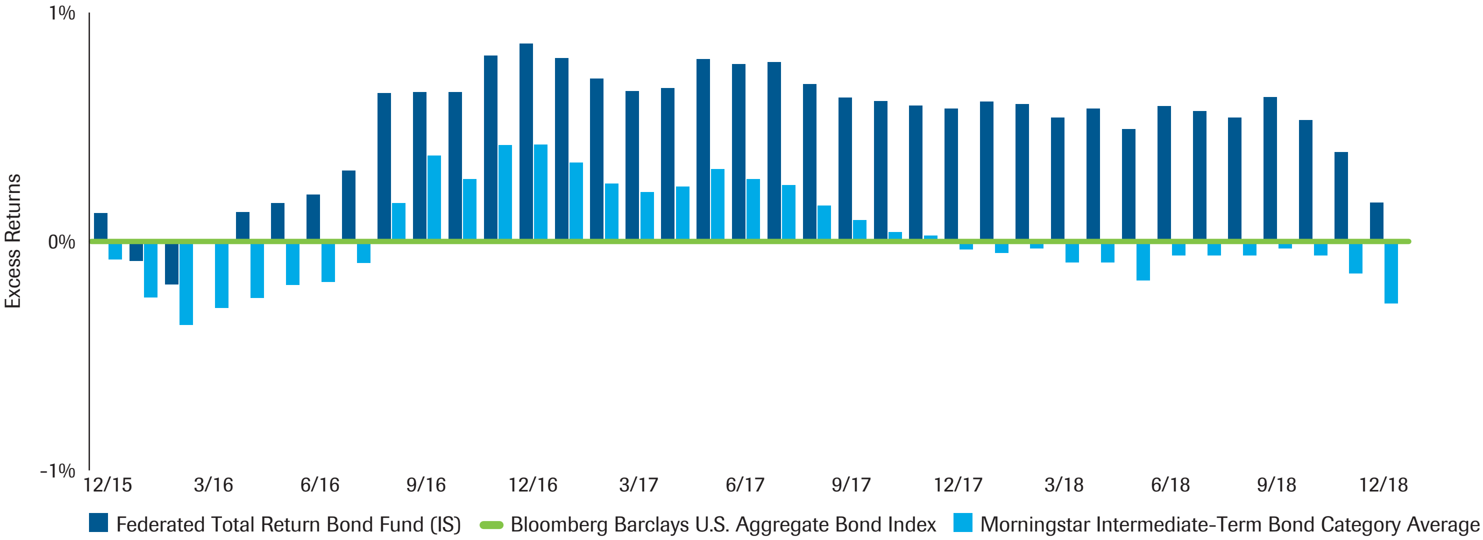
How We Are Positioned

The fund begins the first quarter of 2019 with 92.5% of the interest-rate sensitivity (duration) of benchmark on expectations interest rates will retrace some Q4’s large decline. In addition, the relentless supply of Treasuries to fund the growing fiscal deficit is a long-term tailwind for higher yields. The fund moved to an underweight of the 5-year maturity, which has become very expensive as the market has priced out any further rate hikes by the Fed.

In terms of sector and security allocation, the fund added to its high-yield and EM overweight, maintained its BBB and modest IG and CMBS overweights, increased government MBS exposure to overweight, kept trade-finance loans at just under 5% of the fund, and reduced bank loans to 1.3% and Treasuries to 16%. It also reduced its TIPS exposure. In currencies, the fund has small short positions in the dollar vs. several oversold commodity currencies.

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 12/31/10 - 12/31/18.
Returns are for IS Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

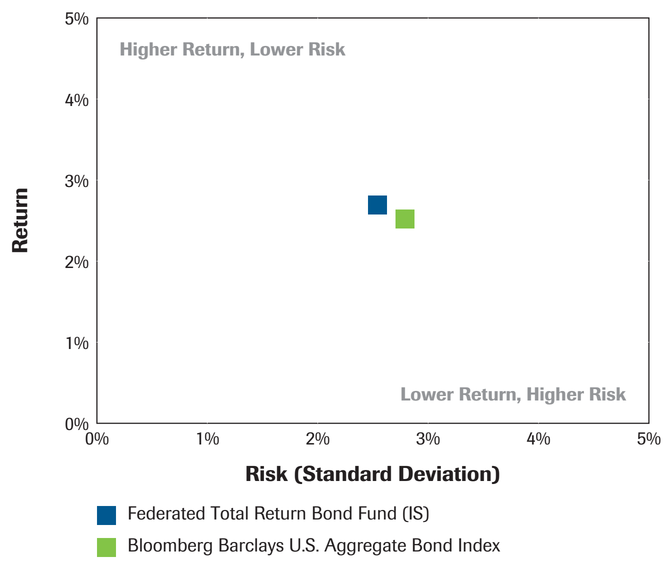
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	2.62	2.54	2.63	2.76
Alpha	0.89	0.48	0.82	1.32
Beta	0.83	0.83	0.87	0.87
Up Capture Ratio	98.21	93.00	100.54	105.16
Down Capture Ratio	71.38	79.88	78.85	74.26
Sharpe Ratio	0.64	0.79	0.84	1.46

Sources: Federated Investors, Morningstar, Inc.
Fund vs. Bloomberg Barclays U.S. Aggregate Bond Index

See disclosure section for important definitions.

5-Year Risk/Return



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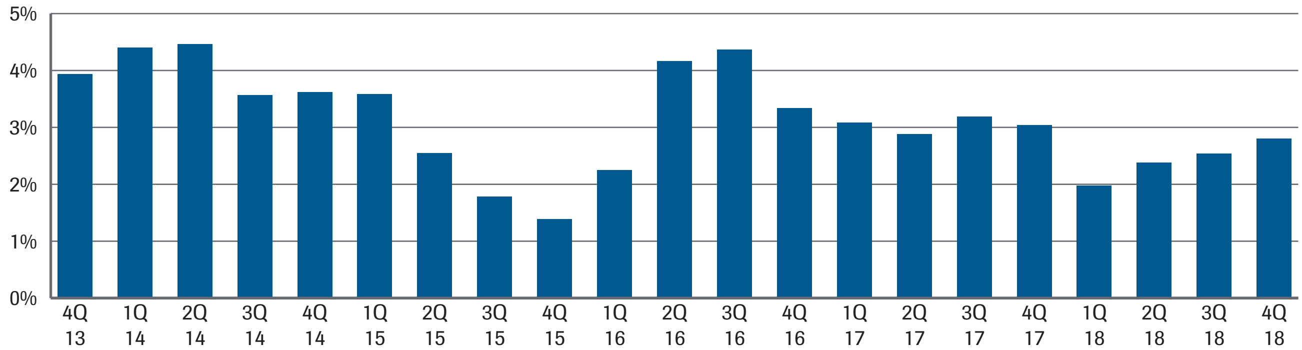
3-Year Rolling Returns (IS)



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Category Rankings

Morningstar Intermediate-Term Bond Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	67	15	23	47
Morningstar Category Rank	636 of 1,019 Funds	128 of 876 Funds	–	–
IS Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Morningstar Category % Rank	68	16	24	47
Morningstar Category Rank	641 of 1,019 Funds	143 of 876 Funds	168 of 767 Funds	271 of 560 Funds
A Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Morningstar Category % Rank	83	40	61	65
Morningstar Category Rank	820 of 1,019 Funds	348 of 876 Funds	456 of 767 Funds	386 of 560 Funds

Lipper Core Bond Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Category % Rank	63	7	–	–
Lipper Category Rank	315 of 506 Funds	28 of 442 Funds	–	–
IS Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Lipper Category % Rank	63	8	16	40
Lipper Category Rank	319 of 506 Funds	33 of 442 Funds	58 of 378 Funds	116 of 290 Funds
A Shares	**1 Year**	**3 Year**	**5 Year**	**10 Year**
Lipper Category % Rank	84	30	59	66
Lipper Category Rank	425 of 506 Funds	131 of 442 Funds	221 of 378 Funds	190 of 290 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 3.84% for R6, 3.79% for IS and 3.12% 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 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.

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