

Federated Total Return Bond Fund

2Q
2019

6/30/19

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 Core-Plus Bond

Lipper Classification

Core Bond Funds

Fund Assets

\$8.6 billion

Ticker Symbols

R6 Shares - FTRLX
Institutional Shares - FTRBX
Service Shares - FTRFX
A Shares - TLRX
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

Yields (%)

30-Day Yield (R6) 3.45
30-Day Yield (IS) 3.44
30-Day Yield (A) 2.76

Fund Description

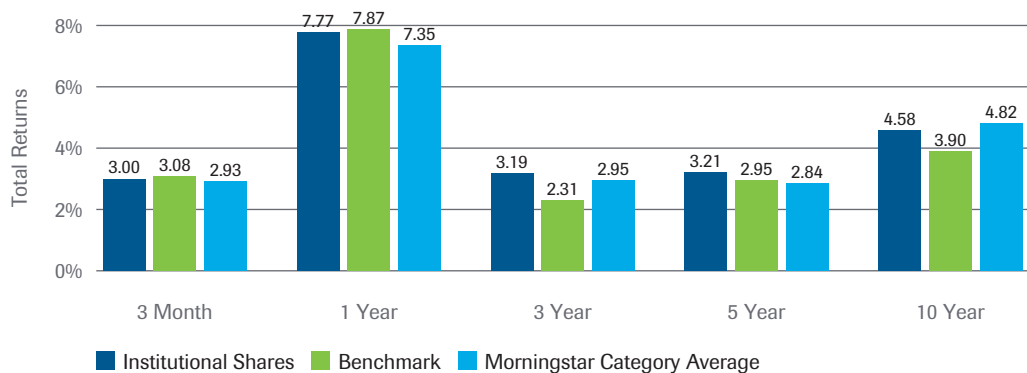
The fund pursues total return by investing in a broad mix of bond sectors that management believes will benefit from changes in economic and market conditions. U.S. government and investment-grade corporate bonds predominate, with limits on exposure to domestic high-yield and both developed and emerging 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	After Waivers
R6 Shares	3.00	6.77	7.68	3.20	3.19	4.50	4.57	5.04	0.42	0.38
Institutional Shares	3.00	6.86	7.77	3.19	3.21	4.58	4.73	5.56	0.47	0.39
A Shares (NAV)	2.86	6.57	7.18	2.62	2.65	4.01	4.16	4.31	1.01	0.94
A Shares (MOP)	-1.80	1.80	2.33	1.07	1.72	3.53	3.84	4.04	1.01	0.94
Benchmark	3.08	6.11	7.87	2.31	2.95	3.90	4.27	-	-	-



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	-0.61	4.27	3.86	-0.45	5.42	-0.90	7.76	6.27	8.51	15.12

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.**

Investment Approach

Core Plus Intermediate Bond Fund

- A disciplined approach to core fixed income with a conservative, investment-grade risk profile
- Invests primarily in US 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%

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 6/30/19

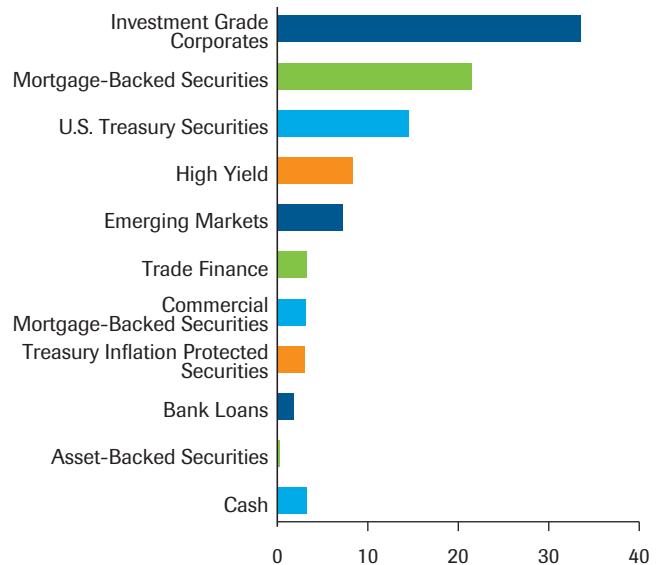
Portfolio Statistics

Weighted Average Effective Maturity	6.8 Yrs.
Weighted Average Effective Duration	5.6 Yrs.
Weighted Average Coupon	4.74%
Weighted Average Yield to Maturity	4.11%
Weighted Average Bond Price	\$104.55

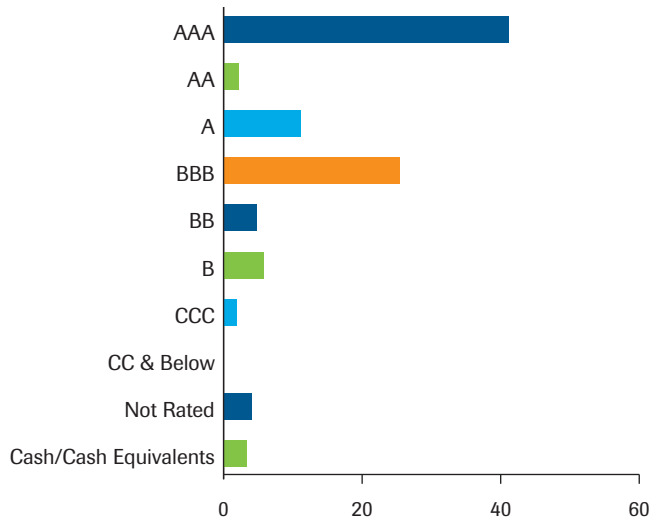
Top Holdings (%)

Federated Mortgage Core Portfolio	23.2
The High Yield Bond Portfolio	7.9
Emerging Markets Core Fund	5.3
Federated Project and Trade Finance Core Fund	4.4
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 5/15/29	1.7
U.S. Treasury Bond, 2.750% due 8/15/42	1.5
U.S. Treasury Note, 2.000% due 5/31/24	1.1
U.S. Treasury Note, TIPS, 0.375% due 7/15/27	0.9
Total % of Portfolio	50.5

Sector Weightings (%)



Quality Breakdown¹ (%)



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

- R6 shares returned 3.00% vs. 3.08% for the Bloomberg Barclays U.S. Aggregate Bond Index (BBAB) in the second quarter of 2019
- Sector allocation and a yield-curve steepening bias contributed, while Treasury Inflation-Protected Securities (TIPS) and a slightly lower interest-rate sensitivity profile than the BBAB during a quarter in which rates declined detracted
- The fund has a bias for the yield curve to steepen, the dollar to weaken and the credit sectors of the bond market to outperform Treasuries

Looking Back

The second quarter, like the first quarter, was a strong period for the bond market. Prices rose and Treasury interest rates fell 30 to 50 basis points across the yield curve on decelerating nonfarm payroll growth, a marked drop in inflation expectations and an escalating trade war with China. In response to these threats to what now is the longest economic expansion in U.S. history, the Federal Reserve (Fed) – which in January had flipped from a tightening bias to a pause – moved to an easing bias in June, ratifying the market's expectation for interest rate cuts in the second half of the this year. This shift Fed appears to reflect a hard lesson the Fed and other central banks have learned, that reacting slowly and tentatively to economic shocks results in longer and deeper economic distress than reacting swiftly and aggressively. Additionally, the Fed in the past has had to cut rates about five percentage points on average to revive economic growth. Today, it only can cut rates half that amount before having to resort to quantitative easing and other forms of nontraditional stimulus, making it much more sensitive to staying ahead of the recession curve. Finally, the inversion of short-term rates to medium-term rates strongly implies that some of the Fed's 2018 tightening moves need to be reversed.

While Treasury prices were a one-way trip higher, corporate bonds experienced more of a roller-coaster quarter. Spreads continued their first-quarter trend and tightened in April, before widening significantly in May as trade negotiations with China broke down and global growth continued to weaken. Corporate bonds again outperformed Treasuries in June when the Fed shifted from a pausing to easing bias, and were further boosted by President Trump's decisions to lift some sanctions on Huawei and not impose tariffs on an additional \$300 billion of Chinese imports. For the quarter, the best-performing bond sector was high-grade corporates, followed in order of excess return over comparable-maturity Treasuries by emerging-market (EM) bonds, trade finance loans, high-yield (HY) corporate bonds, bank loans, commercial mortgage-backed securities (CMBS) and asset-backed securities. Government mortgage-backed securities (MBS) underperformed Treasuries due to sharply higher prepayment risks.

Performance

Federated Total Return Bond Fund R6 Shares posted a total return net of fees of 3.00% for the quarter. The performance compares to a return of 3.08% 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

- Overweights to high grade and HY corporates, trade finance and bank loans
- Yield-curve steepening bias

Performance Detractors

- TIPS
- Slightly lower duration than the index during a quarter in which interest rates declined

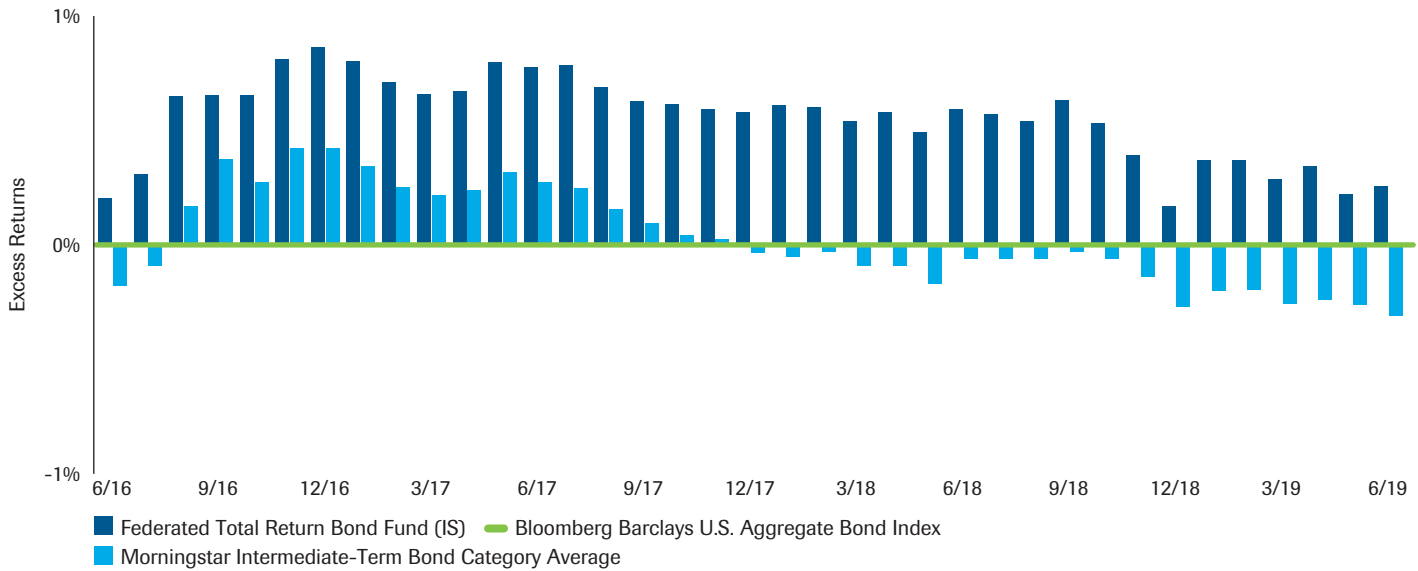
How We Are Positioned

The fund begins the third quarter of 2019 with interest-rate sensitivity (duration) approximately equal to the BBAB Index duration of just under six years. With \$13 trillion of sovereign and corporate bonds globally bearing negative yields, foreign buying of Treasuries is likely to prevent rates from rising significantly. But with several Fed cuts already priced in and a growth slowdown more likely than outright recession, a further significant drop in rates is equally unlikely. The fund is positioned for short-term rates to outperform long-term rates (a yield curve steepening bias), as a further deceleration in growth could elicit additional Fed eases, while a sudden acceleration in growth would not compel it to raise the fed funds rate given its stated willingness to let the economy run hot in order to anchor inflation expectations at 2% or higher.

In terms of sector allocation, the fund has reduced its overweight to EM and now has small overweights to most credit sectors, including HY and high-grade corporates, CMBS and bank loans. The fund is neutral on government MBS amid heightened prepayment risk, and retains a 4.5% weighting to trade finance loans. In terms of currencies, it has several small short dollar positions on expectations the dollar is likely to weaken, and on the security selection front, the fund remains positive on TIPS has also reduced its BBB position but remains overweight.

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 6/30/11 - 6/30/19. Returns are for IS Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

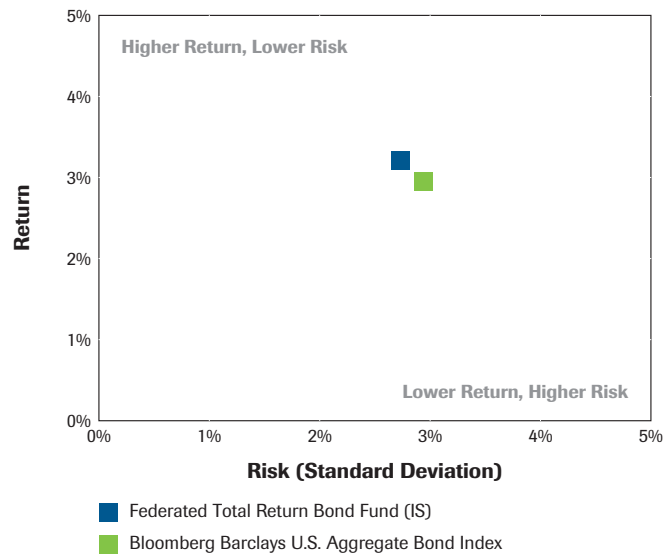
Risk Statistics

	3 Year	5 Year	7 Year	10 Year
Standard Deviation	2.71	2.73	2.76	2.79
Alpha	0.99	0.58	0.81	1.09
Beta	0.83	0.84	0.88	0.87
Up Capture Ratio	99.20	95.33	101.58	102.27
Down Capture Ratio	68.83	80.20	81.86	77.60
Sharpe Ratio	0.63	0.83	0.91	1.45

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

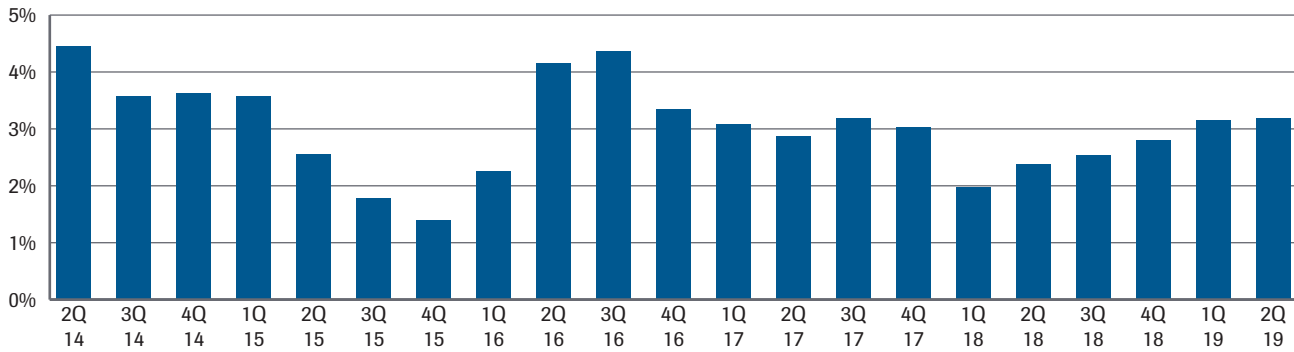
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5-Year Risk/Return



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3-Year Rolling Returns (IS)



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Category Rankings

Morningstar Intermediate Core-Plus Bond Category

R6 Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	43	33	29	61
Morningstar Category Rank	265 of 623 Funds	173 of 539 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	40	34	27	61
Morningstar Category Rank	245 of 623 Funds	177 of 539 Funds	113 of 453 Funds	195 of 332 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Morningstar Category % Rank	64	68	65	86
Morningstar Category Rank	403 of 623 Funds	358 of 539 Funds	278 of 453 Funds	279 of 332 Funds

Lipper Core Bond Funds

R6 Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	42	9	-	-
Lipper Classification Rank	212 of 510 Funds	37 of 446 Funds	-	-
IS Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	36	9	13	36
Lipper Classification Rank	181 of 510 Funds	39 of 446 Funds	48 of 379 Funds	103 of 291 Funds
A Shares	1 Year	3 Year	5 Year	10 Year
Lipper Classification % Rank	72	34	53	64
Lipper Classification Rank	363 of 510 Funds	150 of 446 Funds	198 of 379 Funds	184 of 291 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") 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 3.41% for R6, 3.36% for IS and 2.70% 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 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.