

Federated Total Return Bond Fund

4Q
2019

12/31/19

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 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) 2.96
30-Day Yield (IS) 2.95
30-Day Yield (A) 2.30

Fund Description

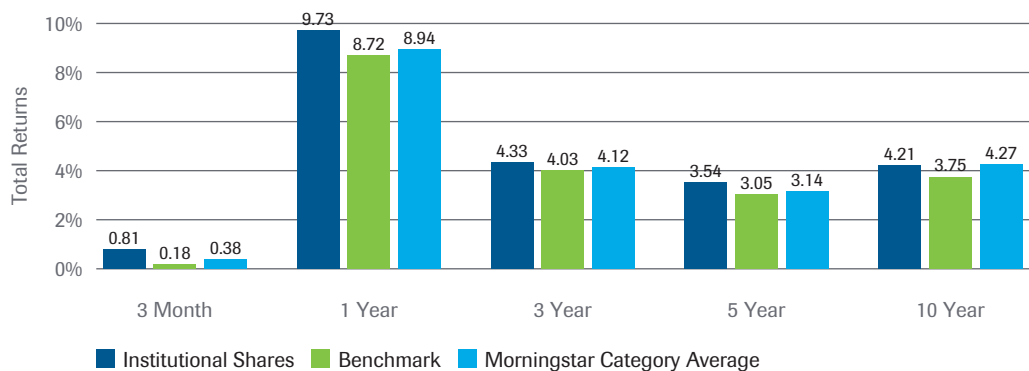
The fund pursues total return by investing in a broad mix of bond sectors that management believes will benefit from changes in economic and market conditions. U.S. government and investment-grade corporate bonds predominate, with limits on exposure to domestic high-yield and both developed and emerging 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 | 0.72 | 9.64 | 9.64 | 4.34 | 3.53 | 4.14 | 4.45 | 5.05 | 0.42 | 0.38 |
| Institutional Shares | 0.81 | 9.73 | 9.73 | 4.33 | 3.54 | 4.21 | 4.59 | 5.55 | 0.47 | 0.39 |
| A Shares (NAV) | 0.67 | 9.13 | 9.13 | 3.76 | 2.98 | 3.64 | 4.02 | 4.32 | 1.01 | 0.94 |
| A Shares (MOP) | -3.84 | 4.24 | 4.24 | 2.18 | 2.03 | 3.17 | 3.70 | 4.06 | 1.01 | 0.94 |
| Benchmark | 0.18 | 8.72 | 8.72 | 4.03 | 3.05 | 3.75 | 4.15 | - | - | - |



Calendar Year Returns (%)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 |
|------------------------------|------|-------|------|------|-------|------|-------|------|------|------|
| Institutional Shares | 9.73 | -0.86 | 4.40 | 4.96 | -0.16 | 5.29 | -0.87 | 6.58 | 6.28 | 7.35 |
| Benchmark | 8.72 | 0.01 | 3.54 | 2.65 | 0.55 | 5.97 | -2.02 | 4.21 | 7.84 | 6.54 |
| Morningstar Category Average | 8.94 | -0.61 | 4.27 | 3.86 | -0.45 | 5.42 | -0.90 | 7.76 | 6.27 | 8.51 |

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 12/31/19

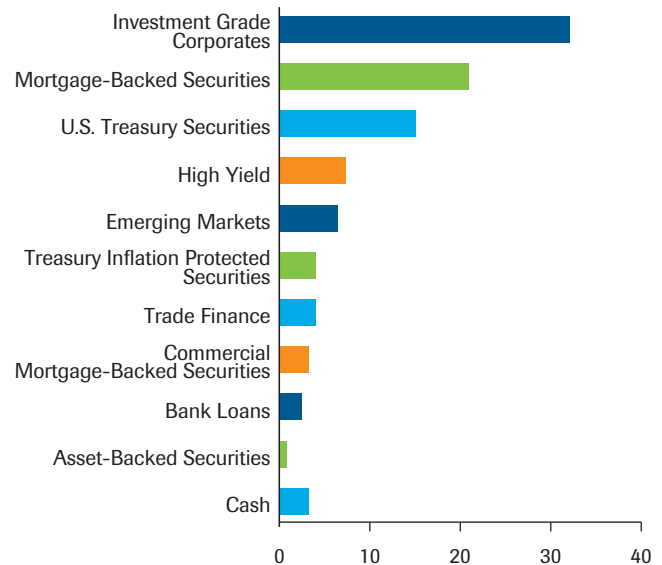
Portfolio Statistics

| | |
|-------------------------------------|----------|
| Weighted Average Effective Maturity | 7.6 Yrs. |
| Weighted Average Effective Duration | 5.7 Yrs. |
| Weighted Average Coupon | 3.79% |
| Weighted Average Yield to Maturity | 3.30% |
| Weighted Average Bond Price | \$105.62 |

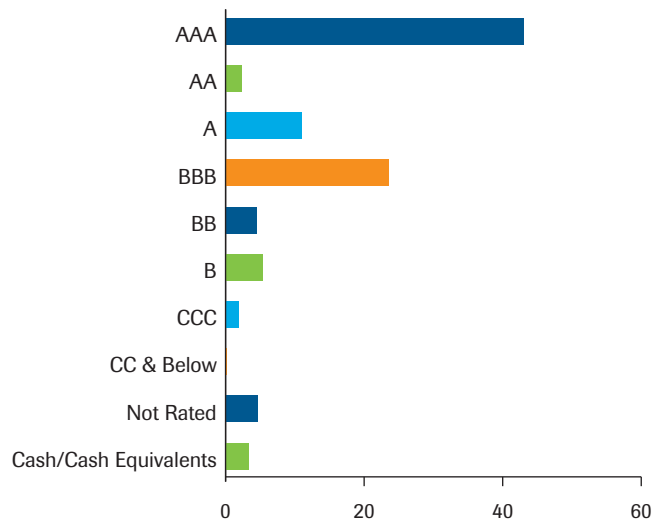
Top Holdings (%)

| | |
|---|-------------|
| Federated Mortgage Core Portfolio | 22.6 |
| High Yield Bond Portfolio | 7.0 |
| Emerging Markets Core Fund | 4.9 |
| Federated Project and Trade Finance Core Fund | 4.6 |
| Federated Bank Loan Core Fund | 3.0 |
| U.S. Treasury Note, 3.125% due 11/15/28 | 2.5 |
| U.S. Treasury Bond, 2.750% due 8/15/42 | 1.5 |
| U.S. Treasury Note, 1.625% 12/15/2022 | 1.4 |
| 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 | 49.4 |

Sector Weightings (%)



Quality Breakdown¹ (%)



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

- Institutional shares returned 0.81% vs. 0.18% for the Bloomberg Barclays U.S. Aggregate Bond Index (BBAB) in the fourth quarter
- Allocations to high-yield bonds, emerging-market (EM) bonds and bank loans, as well as a tactical overweight to government mortgage-backed securities (MBS), added to performance, as did a position in Treasury Inflation-Protected Securities (TIPS), a yield-curve steepening bias and long positions in several commodity currencies vs. the dollar
- To begin the year, the fund has the same duration and yield-curve positioning as the BBAB, a small overweight to EM bonds and 4% in TIPS

Looking Back

During the fourth quarter of 2019, riskier sectors of the bond market rallied strongly as many of the market's worst case fears failed to materialize. First and most importantly, a "phase 1" trade deal with China was announced. While thornier issues such as intellectual property rights are unlikely to be resolved anytime soon, a partial trade deal at least demonstrates that compromise is possible and that an all-out trade war that would torpedo the global economy is less likely to occur. Second, a resounding election victory for Boris Johnson's party greatly reduced the chances of a disruptive hard Brexit. Third, a U.S. government shutdown was averted yet again in December. Fourth, the yield curve un-inverted in the fourth quarter, reducing the odds of a 2020 recession in the U.S. Fifth, global Purchasing Manager Indexes appeared to bottom during the quarter, signaling a potential upswing in global growth in 2020. Sixth, impeachment proceedings against President Trump began but had little impact as the markets ascribed very little chance that the Republican-controlled Senate would vote to remove the president from office. And finally, central banks around the world continued to maintain accommodative monetary policies, supporting risk assets in general.

Interest rates for Treasury securities were little changed for short maturities and rose for longer maturities, resulting in a steeper yield curve. The strong risk-on environment noted above enabled almost all sectors of the bond market to outperform Treasuries. The best performers, in order of excess return over duration-equivalent Treasuries, were EM bonds (which benefitted from reduced trade war tensions), high-yield bonds, investment-grade corporate bonds (particularly BBB-rated companies), bank loans, MBS, trade finance loans, commercial MBS and asset-backed securities.

Performance

Federated Total Return Bond Fund Institutional Shares posted a total return net of fees of 0.81% for the quarter. This compares to a return of 0.18% 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 data 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. Other share classes may have experienced different returns than the share class presented. To view performance current to the most recent month-end, and for after-tax returns, contact us or visit FederatedInvestors.com.

Performance Contributors

- Allocations to high-yield bonds, EM bonds and bank loans
- Tactical overweight to government MBS
- TIPS
- Yield-curve steepening bias
- Long positions in several commodity currencies vs. the dollar

Performance Detractors

- None of significance

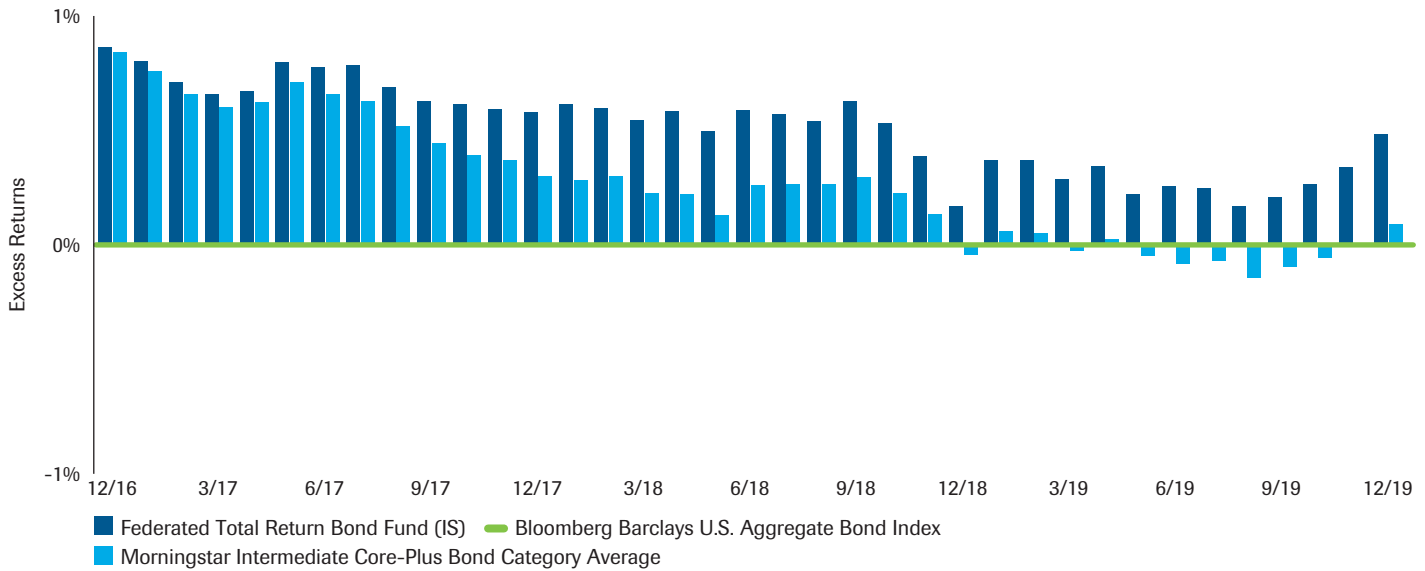
How We Are Positioned

The fund begins the first quarter of 2020 with duration and yield-curve positioning similar to the BBAB. With the Federal Reserve (Fed) unlikely to either raise or lower interest rates for at least the next several months, rates and the curve are likely trapped in a range to start the year. In terms of sector allocation, the fund is neutral high-yield bonds, investment-grade corporates, MBS and CMBS, and maintains a small overweight to EM bonds. The more neutral overall sector positioning for the fund is not due to expectations of an imminent recession that would cause spread sectors to underperform Treasuries, but rather due to expensive valuations and concerns that uncertainty over the 2020 elections could create volatility for the non-government sectors of the bond market. The fund continues to hold 4.5% in trade-finance loans, and increased bank loans from 2% to 3% due to attractive valuation relative to high-yield bonds. In terms of currencies, the fund has small short dollar positions in two commodity-oriented currencies, which should benefit from reduced trade war fears. On the security selection front, the fund boosted TIPS from 3% to 4%. TIPS provide a hedge against an unexpected increase in inflation. While inflation has thus far shown little signs of acceleration, this may change given the Fed's desire to boost inflation expectations.

The fund employed derivatives to express duration, yield curve, sector and currency investment themes during the quarter. The fund continues to incorporate into its security selection process sustainable investing practices that focus on environmental, social and governance issues.

See disclosure section for important disclosures and definitions.

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



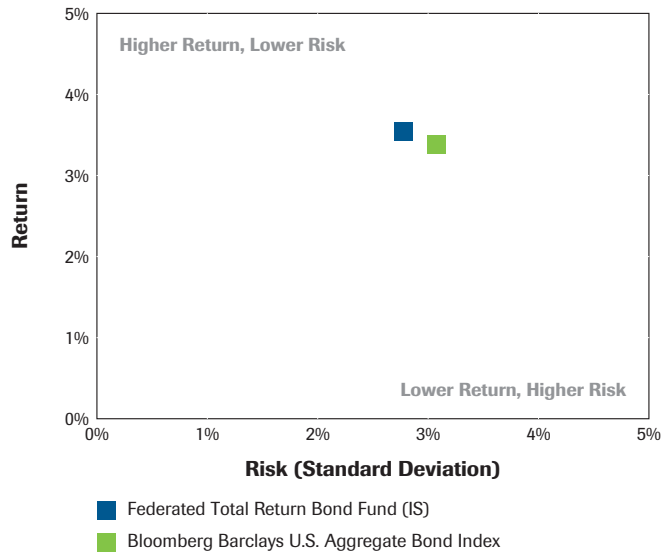
Source: Morningstar, Inc. Performance for 5-year periods (1-month step) from 12/31/11 - 12/31/19. Returns are for IS Shares. Other classes of shares are available whose performance will vary due to different charges and expenses.

Risk Statistics

| | 3 Year | 5 Year | 7 Year | 10 Year |
|--------------------|--------|--------|--------|---------|
| Standard Deviation | 2.43 | 2.78 | 2.80 | 2.70 |
| Alpha | 0.80 | 0.82 | 0.70 | 0.92 |
| Beta | 0.77 | 0.82 | 0.85 | 0.85 |
| Up Capture Ratio | 91.71 | 97.06 | 97.08 | 98.85 |
| Down Capture Ratio | 60.28 | 74.55 | 78.99 | 76.71 |
| Sharpe Ratio | 1.06 | 0.87 | 0.83 | 1.34 |

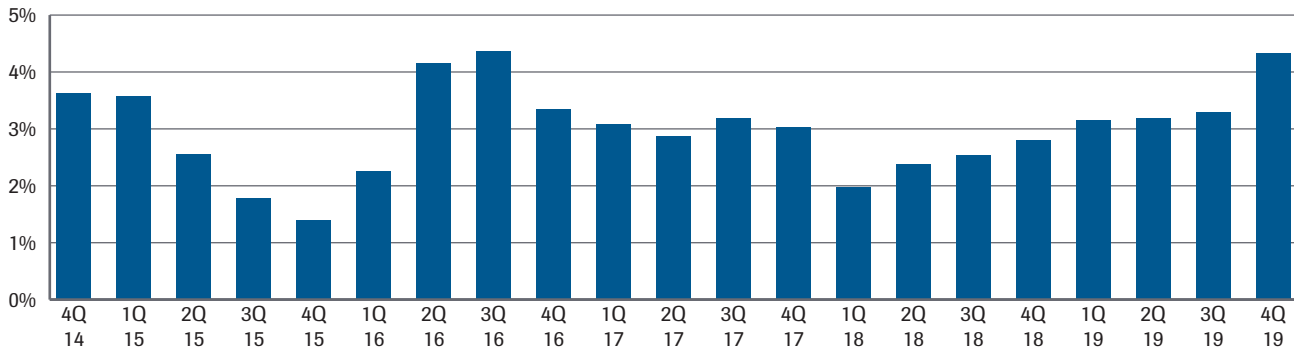
Sources: Federated Investors, Morningstar, Inc. Fund vs. Bloomberg Barclays U.S. Aggregate Bond Index. See disclosure section for important definitions.

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 Core-Plus Bond Category

| R6 Shares | 1 Year | 3 Year | 5 Year | 10 Year |
|-----------------------------|------------------|------------------|------------------|------------------|
| Morningstar Category % Rank | 35 | 33 | 21 | 53 |
| Morningstar Category Rank | 219 of 613 Funds | 173 of 530 Funds | - | - |
| IS Shares | 1 Year | 3 Year | 5 Year | 10 Year |
| Morningstar Category % Rank | 32 | 34 | 20 | 52 |
| Morningstar Category Rank | 202 of 613 Funds | 176 of 530 Funds | 90 of 444 Funds | 157 of 332 Funds |
| A Shares | 1 Year | 3 Year | 5 Year | 10 Year |
| Morningstar Category % Rank | 55 | 72 | 64 | 84 |
| Morningstar Category Rank | 325 of 613 Funds | 373 of 530 Funds | 269 of 444 Funds | 273 of 332 Funds |

Lipper Core Bond Funds

| R6 Shares | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------------|------------------|------------------|------------------|------------------|
| Lipper Classification % Rank | 22 | 17 | - | - |
| Lipper Classification Rank | 109 of 512 Funds | 77 of 452 Funds | - | - |
| IS Shares | 1 Year | 3 Year | 5 Year | 10 Year |
| Lipper Classification % Rank | 19 | 18 | 8 | 26 |
| Lipper Classification Rank | 93 of 512 Funds | 80 of 452 Funds | 31 of 389 Funds | 74 of 294 Funds |
| A Shares | 1 Year | 3 Year | 5 Year | 10 Year |
| Lipper Classification % Rank | 38 | 58 | 44 | 62 |
| Lipper Classification Rank | 190 of 512 Funds | 261 of 452 Funds | 169 of 389 Funds | 181 of 294 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 2.93% for R6, 2.88% for IS and 2.25% 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

Lipper Categories: Data Source: Lipper, A Reuters Company. Copyright 2020© 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. ©2020 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.