

# Prospectus

**December 31, 2018**

*The information contained herein relates to all classes of the Fund's Shares, as listed below, unless otherwise noted.*

**Share Class** | Ticker

**A** | FMAAX

**B** | FMBBX

**C** | FMRCX

**Institutional** | FMIIX

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## Federated Absolute Return Fund

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A Portfolio of Federated Equity Funds

A mutual fund seeking to provide absolute (positive) returns with low correlation to the U.S. equity market by investing a majority of its assets in domestic and foreign securities.

As with all mutual funds, the Securities and Exchange Commission (SEC) has not approved or disapproved these securities or passed upon the adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

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**Not FDIC Insured • May Lose Value • No Bank Guarantee**

# IMPORTANT INFORMATION REGARDING THE FEDERATED FUNDS

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## SUPPLEMENT TO CURRENT PROSPECTUSES

Please delete the current Appendix B in its entirety and replace with the following:

### **“Appendix B: Sales Charge Waivers and Exchange Features for Shareholders Purchasing Through Certain Financial Intermediaries**

**The term “fund family,” used herein, shall refer to the Federated mutual funds.**

#### **AMERIPRISE FINANCIAL**

##### **CLASS A SHARES FRONT-END SALES CHARGE WAIVERS AVAILABLE AT AMERIPRISE FINANCIAL:**

**The following information applies to Class A shares purchases if you have an account with or otherwise purchase Fund shares through Ameriprise Financial:**

Effective April 30, 2018, shareholders purchasing Fund shares through an Ameriprise Financial platform or account will be eligible for the following front-end sales charge waivers and discounts, which may differ from those disclosed elsewhere in this Fund’s prospectus:

- Employer-sponsored retirement plans (e.g., 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans). For purposes of this provision, employer-sponsored retirement plans do not include SEP IRAs, Simple IRAs or SAR-SEPs.
- Shares purchased through an Ameriprise Financial investment advisory program (if an Advisory or similar share class for such investment advisory program is not available).
- Shares purchased by third party investment advisors on behalf of their advisory clients through Ameriprise Financial’s platform (if an Advisory or similar share class for such investment advisory program is not available).
- Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same Fund (but not any other fund within the same fund family).
- Shares exchanged from Class C shares of the same fund in the month of or following the 10-year anniversary of the purchase date. To the extent that this prospectus elsewhere provides for a waiver with respect to such shares following a shorter holding period, that waiver will apply to exchanges following such shorter period. To the extent that this prospectus elsewhere provides for a waiver with respect to exchanges of Class C shares for load waived shares, that waiver will also apply to such exchanges.
- Employees and registered representatives of Ameriprise Financial or its affiliates and their immediate family members.
- Shares purchased by or through qualified accounts (including IRAs, Coverdell Education Savings Accounts, 401(k)s, 403(b) TSCAs subject to ERISA and defined benefit plans) that are held by a covered family member, defined as an Ameriprise financial advisor and/or the advisor’s spouse, advisor’s lineal ascendant (mother, father, grandmother, grandfather, great grandmother, great grandfather), advisor’s lineal descendant (son, step-son, daughter, step-daughter, grandson, granddaughter, great grandson, great granddaughter) or any spouse of a covered family member who is a lineal descendant.
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (1) the repurchase occurs within 90 days following the redemption; (2) the redemption and purchase occur in the same account; and (3) redeemed shares were subject to a front-end or deferred sales load (i.e., Rights of Reinstatement).

##### **EXCHANGE FEATURE OF CLASS C SHARES AVAILABLE AT AMERIPRISE FINANCIAL:**

**Automatic Exchange of Class C shares.** Class C shares will automatically exchange to Class A shares in the month of the 10-year anniversary of the purchase date.

## **MERRILL LYNCH**

Effective April 10, 2017, shareholders purchasing Fund shares through a Merrill Lynch platform or account will be eligible only for the following front-end sales charge waivers and shareholders redeeming Fund shares through a Merrill Lynch platform or account (regardless of purchase date) will be eligible only for the following contingent deferred, or back-end, sales charge (CDSC) waivers and discounts, which may differ from those disclosed elsewhere in this Fund's prospectus.

### **Front-End Sales Load Waivers on Class A Shares Available at Merrill Lynch**

- Employer-sponsored retirement, deferred compensation and employee benefit plans (including health savings accounts) and trusts used to fund those plans, provided that the shares are not held in a commission-based brokerage account and shares are held for the benefit of the plan;
- Shares purchased by or through a 529 Plan;
- Shares purchased through a Merrill Lynch affiliated investment advisory program, or effective June 1, 2019, exchanges of shares in the same Fund purchased through such a Merrill Lynch program due to the holdings moving from such program to a Merrill Lynch brokerage (non-advisory) account;
- Shares purchased by third-party investment advisors on behalf of their advisory clients through Merrill Lynch's platform;
- Shares of funds purchased through the Merrill Edge Self-Directed platform;
- Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same fund (but not any other fund within the fund family);
- Shares exchanged from Class C shares of the same fund in the month of or following the 10-year anniversary of the purchase date;
- Employees and registered representatives of Merrill Lynch or its affiliates and their family members;
- Directors or Trustees of the Fund, and employees of the Fund's investment adviser or any of its affiliates, as described in this prospectus;
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (1) the repurchase occurs within 90 days following the redemption; (2) the redemption and purchase occur in the same account; and (3) redeemed shares were subject to a front-end or deferred sales load (known as Rights of Reinstatement).

### **CDSC Waivers on A, B and C Shares Available at Merrill Lynch**

- Death or disability of the shareholder;
- Shares sold as part of a systematic withdrawal plan as described in the Fund's prospectus;
- Return of excess contributions from an IRA Account;
- Shares sold as part of a required minimum distribution for IRA and retirement accounts due to the shareholder reaching age 70½;
- Shares sold to pay Merrill Lynch fees but only if the transaction is initiated by Merrill Lynch;
- Shares acquired through a right of reinstatement;
- Shares held in retirement brokerage accounts, that are converted to a lower cost share class due to transfer to certain fee based accounts or platforms (applicable to A and C shares only). The CDSC applicable to the converted shares will be waived, and Merrill Lynch will remit to the Fund's Distributor a portion of the waived CDSC. Such portion shall be equal to the number of months remaining on the CDSC period divided by the total number of months of the CDSC period;
- Effective June 1, 2019, Class A Shares sold, where such Class A Shares were received as a result of exchanges of shares in the same Fund purchased through a Merrill Lynch affiliated investment advisory program due to the holdings moving from the program to a Merrill Lynch brokerage (non-advisory) account.

### **Front-End Load Discounts Available at Merrill Lynch: Breakpoints, Rights of Accumulation and Letters of Intent**

- Breakpoints as described in this prospectus;
- Rights of Accumulation (ROA) which entitle shareholders to breakpoint discounts will be automatically calculated based on the aggregated holding of fund family assets held by accounts within the purchaser's household at Merrill Lynch. Eligible fund family assets not held at Merrill Lynch may be included in the ROA calculation only if the shareholder notifies his or her financial advisor about such assets;
- Letters of Intent (LOI) which allow for breakpoint discounts based on anticipated purchases within a fund family, through Merrill Lynch, over a 13-month period of time.

## **MORGAN STANLEY SMITH BARNEY**

### **CLASS A SHARES FRONT-END SALES CHARGE WAIVERS AVAILABLE AT MORGAN STANLEY SMITH BARNEY:**

Effective July 1, 2018, shareholders purchasing Fund shares through a Morgan Stanley Wealth Management transactional brokerage account will be eligible only for the following front-end sales charge waivers with respect to Class A shares, which may differ from and may be more limited than those disclosed elsewhere in this Fund's Prospectus or SAI.

#### **Front-End Sales Charge Waivers on Class A Shares Available at Morgan Stanley Wealth Management**

- Employer-sponsored retirement plans (e.g., 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans). For purposes of this provision, employer-sponsored retirement plans do not include SEP IRAs, Simple IRAs, SAR-SEPs or Keogh plans;
- Morgan Stanley employee and employee-related accounts according to Morgan Stanley's account linking rules;
- Shares purchased through reinvestment of dividends and capital gains distributions when purchasing shares of the same fund;
- Shares purchased through a Morgan Stanley self-directed brokerage account;
- Class C (i.e., level-load) shares that are no longer subject to a contingent deferred sales charge and are exchanged to Class A shares of the same fund pursuant to Morgan Stanley Wealth Management's intra-fund share class exchange program;
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (i) the repurchase occurs within 90 days following the redemption; (ii) the redemption and purchase occur in the same account; and (iii) redeemed shares were subject to a front-end or deferred sales charge.

**RAYMOND JAMES & ASSOCIATES, INC., RAYMOND JAMES FINANCIAL SERVICES, INC. AND EACH ENTITY'S AFFILIATES ("RAYMOND JAMES")**

Effective March 1, 2019, shareholders purchasing and redeeming Fund shares through a Raymond James platform or account, or through an introducing broker-dealer or independent registered investment adviser for which Raymond James provides trade execution, clearance, and/or custody services, will be eligible only for the following load waivers (front-end sales charge waivers and contingent deferred, or back-end, sales charge waivers) and discounts, which may differ from those disclosed elsewhere in this Fund's prospectus or SAI.

**Front-End Sales Load Waivers on Class A Shares Available at Raymond James**

- Shares purchased through a Raymond James investment advisory program;
- Shares purchased within the same fund family through a systematic reinvestment of capital gains and dividend distributions;
- Employees and registered representatives of Raymond James or its affiliates and their family members as designated by Raymond James;
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (1) the repurchase occurs within 90 days following the redemption; (2) the redemption and purchase occur in the same account; and (3) redeemed shares were subject to a front-end or deferred sales load (known as Rights of Reinstatement);
- A shareholder in the Fund's Class C shares will have their shares automatically exchanged at net asset value to Class A shares (or the appropriate share class) of the Fund if the shares are no longer subject to a CDSC and the automatic exchange is in line with the policies and procedures of Raymond James.

**CDSC Waivers on A, B and C Shares Available at Raymond James**

- Death or disability of the shareholder;
- Shares sold as part of a systematic withdrawal plan as described in the fund's prospectus;
- Return of excess contributions from an IRA Account;
- Shares sold as part of a required minimum distribution for IRA and retirement accounts due to the shareholder reaching age 70½ as described in the fund's prospectus;
- Shares sold to pay Raymond James fees but only if the transaction is initiated by Raymond James;
- Shares acquired through a right of reinstatement.

**Front-End Load Discounts Available at Raymond James: Breakpoints, Rights of Accumulation, and/or Letters of Intent**

- Breakpoints as described in this prospectus;
- Rights of accumulation which entitle shareholders to breakpoint discounts will be automatically calculated based on the aggregated holding of fund family assets held by accounts within the purchaser's household at Raymond James. Eligible fund family assets not held at Raymond James may be included in the rights of accumulation calculation only if the shareholder notifies his or her financial advisor about such assets.
- Letters of Intent which allow for breakpoint discounts based on anticipated purchases within a fund family, over a 13-month time period. Eligible fund family assets not held at Raymond James may be included in the calculation of letters of intent only if the shareholder notifies his or her financial advisor about such assets.

**The Federated Funds include all of the following registrants (including any of their share classes):**

FEDERATED ADVISER SERIES

Federated MDT Large Cap Value Fund

FEDERATED EQUITY FUNDS

Federated Absolute Return Fund  
Federated Clover Small Value Fund  
Federated Global Strategic Value Dividend Fund  
Federated International Strategic Value Dividend Fund  
Federated Kaufmann Fund  
Federated Kaufmann Large Cap Fund  
Federated Kaufmann Small Cap Fund  
Federated MDT Mid Cap Growth Fund  
Federated Prudent Bear Fund  
Federated Strategic Value Dividend Fund

FEDERATED EQUITY INCOME FUND, INC.

FEDERATED FIXED INCOME SECURITIES, INC.

Federated Municipal Ultrashort Fund  
Federated Strategic Income Fund

FEDERATED GLOBAL ALLOCATION FUND

FEDERATED GOVERNMENT INCOME SECURITIES, INC.

FEDERATED HIGH INCOME BOND FUND

FEDERATED HIGH YIELD TRUST

Federated Equity Advantage Fund  
Federated High Yield Trust

FEDERATED INCOME SECURITIES TRUST

Federated Capital Income Fund  
Federated Floating Rate Strategic Income Fund  
Federated Fund for U.S. Government Securities  
Federated Muni and Stock Advantage Fund  
Federated Real Return Bond Fund

FEDERATED INDEX TRUST

Federated Max-Cap Index Fund

FEDERATED INSTITUTIONAL TRUST

Federated Government Ultrashort Duration Fund  
Federated Short-Intermediate Total Return Bond Fund

FEDERATED INTERNATIONAL SERIES, INC.

Federated Global Total Return Bond Fund

FEDERATED INVESTMENT SERIES FUNDS, INC.

Federated Bond Fund

FEDERATED MDT SERIES

Federated MDT All Cap Core Fund  
Federated MDT Balanced Fund  
Federated MDT Large Cap Growth Fund  
Federated MDT Small Cap Core Fund  
Federated MDT Small Cap Growth Fund

FEDERATED MUNICIPAL BOND FUND, INC.

FEDERATED MUNICIPAL SECURITIES INCOME TRUST

Federated Michigan Intermediate Municipal Trust  
Federated Municipal High Yield Advantage Fund  
Federated Ohio Municipal Income Fund  
Federated Pennsylvania Municipal Income Fund

FEDERATED SHORT-INTERMEDIATE DURATION MUNICIPAL TRUST

FEDERATED TOTAL RETURN SERIES, INC.

Federated Total Return Bond Fund  
Federated Ultrashort Bond Fund

FEDERATED WORLD INVESTMENT SERIES, INC.

Federated Emerging Market Debt Fund  
Federated International Leaders Fund  
Federated International Small-Mid Company Fund

June 27, 2019



Federated Investors Funds  
4000 Ericsson Drive  
Warrendale, PA 15086-7561

Contact us at **FederatedInvestors.com**  
or call 1-800-341-7400.

Federated Securities Corp., Distributor

Q454766 (6/19)

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# IMPORTANT INFORMATION REGARDING THE FEDERATED FUNDS

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## SUPPLEMENT TO CURRENT PROSPECTUSES

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**The term “fund family,” used herein, shall refer to the Federated mutual funds.**

#### **AMERIPRISE FINANCIAL**

#### **CLASS A SHARES FRONT-END SALES CHARGE WAIVERS AVAILABLE AT AMERIPRISE FINANCIAL:**

**The following information applies to Class A shares purchases if you have an account with or otherwise purchase Fund shares through Ameriprise Financial:**

Effective April 30, 2018, shareholders purchasing Fund shares through an Ameriprise Financial platform or account will be eligible for the following front-end sales charge waivers and discounts, which may differ from those disclosed elsewhere in this Fund’s prospectus:

- Employer-sponsored retirement plans (e.g., 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans). For purposes of this provision, employer-sponsored retirement plans do not include SEP IRAs, Simple IRAs or SAR-SEPs.
- Shares purchased through an Ameriprise Financial investment advisory program (if an Advisory or similar share class for such investment advisory program is not available).
- Shares purchased by third party investment advisors on behalf of their advisory clients through Ameriprise Financial’s platform (if an Advisory or similar share class for such investment advisory program is not available).
- Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same Fund (but not any other fund within the same fund family).
- Shares exchanged from Class C shares of the same fund in the month of or following the 10-year anniversary of the purchase date. To the extent that this prospectus elsewhere provides for a waiver with respect to such shares following a shorter holding period, that waiver will apply to exchanges following such shorter period. To the extent that this prospectus elsewhere provides for a waiver with respect to exchanges of Class C shares for load waived shares, that waiver will also apply to such exchanges.
- Employees and registered representatives of Ameriprise Financial or its affiliates and their immediate family members.
- Shares purchased by or through qualified accounts (including IRAs, Coverdell Education Savings Accounts, 401(k)s, 403(b) TSCAs subject to ERISA and defined benefit plans) that are held by a covered family member, defined as an Ameriprise financial advisor and/or the advisor’s spouse, advisor’s lineal ascendant (mother, father, grandmother, grandfather, great grandmother, great grandfather), advisor’s lineal descendant (son, step-son, daughter, step-daughter, grandson, granddaughter, great grandson, great granddaughter) or any spouse of a covered family member who is a lineal descendant.
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (1) the repurchase occurs within 90 days following the redemption; (2) the redemption and purchase occur in the same account; and (3) redeemed shares were subject to a front-end or deferred sales load (i.e. Rights of Reinstatement).



## **EXCHANGE FEATURE OF CLASS C SHARES AVAILABLE AT AMERIPRISE FINANCIAL:**

**Automatic Exchange of Class C shares.** Class C shares will automatically exchange to Class A shares in the month of the 10-year anniversary of the purchase date.

## **MERRILL LYNCH**

Effective April 10, 2017, shareholders purchasing Fund shares through a Merrill Lynch platform or account will be eligible only for the following front-end sales charge waivers and shareholders redeeming Fund shares through a Merrill Lynch platform or account (regardless of purchase date) will be eligible only for the following contingent deferred, or back-end, sales charge (CDSC) waivers and discounts, which may differ from those disclosed elsewhere in this Fund's prospectus.

### **Front-End Sales Load Waivers on Class A Shares Available at Merrill Lynch**

- Employer-sponsored retirement, deferred compensation and employee benefit plans (including health savings accounts) and trusts used to fund those plans, provided that the shares are not held in a commission-based brokerage account and shares are held for the benefit of the plan;
- Shares purchased by or through a 529 Plan;
- Shares purchased through a Merrill Lynch affiliated investment advisory program, or effective June 1, 2019, exchanges of shares in the same Fund purchased through such a Merrill Lynch program due to the holdings moving from such program to a Merrill Lynch brokerage (non-advisory) account;
- Shares purchased by third-party investment advisors on behalf of their advisory clients through Merrill Lynch's platform;
- Shares of funds purchased through the Merrill Edge Self-Directed platform;
- Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same fund (but not any other fund within the fund family);
- Shares exchanged from Class C shares of the same fund in the month of or following the 10-year anniversary of the purchase date;
- Employees and registered representatives of Merrill Lynch or its affiliates and their family members;
- Directors or Trustees of the Fund, and employees of the Fund's investment adviser or any of its affiliates, as described in this prospectus;
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (1) the repurchase occurs within 90 days following the redemption; (2) the redemption and purchase occur in the same account; and (3) redeemed shares were subject to a front-end or deferred sales load (known as Rights of Reinstatement).

**CDSC Waivers on A, B and C Shares Available at Merrill Lynch**

- Death or disability of the shareholder;
- Shares sold as part of a systematic withdrawal plan as described in the Fund's prospectus;
- Return of excess contributions from an IRA Account;
- Shares sold as part of a required minimum distribution for IRA and retirement accounts due to the shareholder reaching age 70½;
- Shares sold to pay Merrill Lynch fees but only if the transaction is initiated by Merrill Lynch;
- Shares acquired through a right of reinstatement;
- Shares held in retirement brokerage accounts, that are converted to a lower cost share class due to transfer to a fee based account or platform (applicable to A and C shares only). The CDSC applicable to the converted shares will be waived, and Merrill Lynch will remit to the Fund's Distributor a portion of the waived CDSC. Such portion shall be equal to the number of months remaining on the CDSC period divided by the total number of months of the CDSC period;
- Effective June 1, 2019, Class A Shares sold, where such Class A Shares were received as a result of exchanges of shares in the same Fund purchased through a Merrill Lynch affiliated investment advisory program due to the holdings moving from the program to a Merrill Lynch brokerage (non-advisory) account.

**Front-End Load Discounts Available at Merrill Lynch:****Breakpoints, Rights of Accumulation and Letters of Intent**

- Breakpoints as described in this prospectus;
- Rights of Accumulation (ROA) which entitle shareholders to breakpoint discounts will be automatically calculated based on the aggregated holding of fund family assets held by accounts within the purchaser's household at Merrill Lynch. Eligible fund family assets not held at Merrill Lynch may be included in the ROA calculation only if the shareholder notifies his or her financial advisor about such assets;
- Letters of Intent (LOI) which allow for breakpoint discounts based on anticipated purchases within a fund family, through Merrill Lynch, over a 13-month period of time.

## **MORGAN STANLEY SMITH BARNEY**

### **CLASS A SHARES FRONT-END SALES CHARGE WAIVERS AVAILABLE AT MORGAN STANLEY SMITH BARNEY:**

Effective July 1, 2018, shareholders purchasing Fund shares through a Morgan Stanley Wealth Management transactional brokerage account will be eligible only for the following front-end sales charge waivers with respect to Class A shares, which may differ from and may be more limited than those disclosed elsewhere in this Fund's Prospectus or SAI.

#### **Front-End Sales Charge Waivers on Class A Shares Available at Morgan Stanley Wealth Management**

- Employer-sponsored retirement plans (e.g., 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans). For purposes of this provision, employer-sponsored retirement plans do not include SEP IRAs, Simple IRAs, SAR-SEPs or Keogh plans;
- Morgan Stanley employee and employee-related accounts according to Morgan Stanley's account linking rules;
- Shares purchased through reinvestment of dividends and capital gains distributions when purchasing shares of the same fund;
- Shares purchased through a Morgan Stanley self-directed brokerage account;
- Class C (i.e., level-load) shares that are no longer subject to a contingent deferred sales charge and are exchanged to Class A shares of the same fund pursuant to Morgan Stanley Wealth Management's intra-fund share class exchange program;
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (i) the repurchase occurs within 90 days following the redemption; (ii) the redemption and purchase occur in the same account; and (iii) redeemed shares were subject to a front-end or deferred sales charge.

**RAYMOND JAMES & ASSOCIATES, INC., RAYMOND JAMES FINANCIAL SERVICES & RAYMOND JAMES AFFILIATES  
("RAYMOND JAMES")**

Effective March 1, 2019, shareholders purchasing and redeeming Fund shares through a Raymond James platform or account will be eligible only for the following load waivers (front-end sales charge waivers and contingent deferred, or back-end, sales charge waivers) and discounts, which may differ from those disclosed elsewhere in this Fund's prospectus or SAI.

**Front-End Sales Load Waivers on Class A Shares Available at Raymond James**

- Shares purchased through a Raymond James investment advisory program;
- Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same Fund (but not any other fund within the fund family);
- Employees and registered representatives of Raymond James or its affiliates and their family members as designated by Raymond James;
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (1) the repurchase occurs within 90 days following the redemption; (2) the redemption and purchase occur in the same account; and (3) redeemed shares were subject to a front-end or deferred sales load (known as Rights of Reinstatement);
- A shareholder in the Fund's Class C shares will have their shares automatically exchanged at net asset value to Class A shares (or the appropriate share class) of the Fund if the shares are no longer subject to a CDSC and the automatic exchange is in line with the policies and procedures of Raymond James.

**CDSC Waivers on A, B and C Shares Available at Raymond James**

- Death or disability of the shareholder;
- Shares sold as part of a systematic withdrawal plan as described in the fund's prospectus;
- Return of excess contributions from an IRA Account;
- Shares sold as part of a required minimum distribution for IRA and retirement accounts due to the shareholder reaching age 70 1/2 as described in the fund's prospectus;
- Shares sold to pay Raymond James fees but only if the transaction is initiated by Raymond James;
- Shares acquired through a right of reinstatement.

**Front-End Load Discounts Available at Raymond James: Breakpoints, and/or Rights of Accumulation**

- Breakpoints as described in this prospectus;
- Rights of accumulation which entitle shareholders to breakpoint discounts will be automatically calculated based on the aggregated holding of fund family assets held by accounts within the purchaser's household at Raymond James. Eligible fund family assets not held at Raymond James may be included in the rights of accumulation calculation only if the shareholder notifies his or her financial advisor about such assets."

**The Federated Funds include all of the following registrants (including any of their share classes):**

FEDERATED ADVISER SERIES

Federated MDT Large Cap Value

FEDERATED EQUITY FUNDS

Federated Absolute Return Fund  
Federated Clover Small Value Fund  
Federated Global Strategic Value Dividend Fund  
Federated International Strategic Value Dividend Fund  
Federated Kaufmann Fund  
Federated Kaufmann Large Cap Fund  
Federated Kaufmann Small Cap Fund  
Federated MDT Mid Cap Growth Fund  
Federated Prudent Bear Fund  
Federated Strategic Value Dividend Fund

FEDERATED EQUITY INCOME FUND, INC.

FEDERATED FIXED INCOME SECURITIES, INC.

Federated Strategic Income Fund

FEDERATED GLOBAL ALLOCATION FUND

FEDERATED GOVERNMENT INCOME SECURITIES, INC.

FEDERATED HIGH YIELD TRUST

Federated Equity Advantage Fund  
Federated High Yield Trust

FEDERATED INCOME SECURITIES TRUST

Federated Capital Income Fund  
Federated Muni and Stock Advantage Fund  
Federated Real Return Bond Fund  
Federated Short-Term Income Fund

FEDERATED INDEX TRUST

Federated Max-Cap Index Fund

FEDERATED INSITUTIONAL TRUST

Federated Government Ultrashort Duration Fund  
Federated Short-Intermediate Total Return Bond Fund

FEDERATED INTERNATIONAL SERIES, INC.

Federated Global Total Return Bond Fund

FEDERATED INVESTMENT SERIES FUNDS, INC.

Federated Bond Fund

FEDERATED MDT SERIES

Federated MDT All Cap Core Fund  
Federated MDT Balanced Fund  
Federated MDT Large Cap Growth Fund  
Federated MDT Small Cap Core Fund  
Federated MDT Small Cap Growth Fund

FEDERATED MUNICIPAL SECURITIES INCOME TRUST

Federated Michigan Intermediate Municipal Trust  
Federated Municipal High Yield Advantage Fund  
Federated Ohio Municipal Income Fund  
Federated Pennsylvania Municipal Income Fund

FEDERATED SHORT-INTERMEDIATE DURATION MUNICIPAL TRUST

FEDERATED TOTAL RETURN SERIES, INC.

Federated Total Return Bond Fund

FEDERATED WORLD INVESTMENT SERIES, INC.

Federated Emerging Market Debt Fund  
Federated International Leaders Fund  
Federated International Small-Mid Company Fund

May 29, 2019

**Federated**<sup>®</sup>

Federated Investors Funds  
4000 Ericsson Drive  
Warrendale, PA 15086-7561

Contact us at **FederatedInvestors.com**  
or call 1-800-341-7400.

Federated Securities Corp., Distributor

*Q454711 (5/19)*

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# FEDERATED ABSOLUTE RETURN FUND

## A Portfolio of Federated Equity Funds

**CLASS A SHARES (TICKER FMAAX)**

**CLASS B SHARES (TICKER FMBBX)**

**CLASS C SHARES (TICKER FMRCX)**

**INSTITUTIONAL SHARES (TICKER FMIIX)**

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### SUPPLEMENT TO CURRENT SUMMARY PROSPECTUS, PROSPECTUS AND STATEMENT OF ADDITIONAL INFORMATION

1. A Special Meeting of Shareholders of Federated Absolute Return Fund (FARF or the “Fund”) will be held at 4000 Ericsson Drive, Warrendale, Pennsylvania 15086-7561, at 10:00 AM (Eastern Time), on April 25, 2019, for the following purpose:

To approve or disapprove a proposed Agreement and Plan of Reorganization, pursuant to which Federated Global Allocation Fund (FGALF) would acquire all, or substantially all, of the assets of FARF in exchange for Class A Shares, Class B Shares, Class C Shares and Institutional Shares of FGALF to be distributed pro rata by FARF to its shareholders of Class A Shares, Class B Shares, Class C Shares and Institutional Shares, respectively, in a complete liquidation and dissolution of FARF (the “Reorganization”).

The Agreement and Plan of Reorganization was reviewed and approved by the Board of Trustees (the “Board”) of Federated Equity Funds at a meeting held on November 15, 2018. The Board’s approval of the Agreement and Plan of Reorganization is subject to further approval by FARF’s shareholders. FARF anticipates filing a prospectus/proxy statement, which will be mailed to shareholders of FARF on or about March 20, 2019.

The Fund’s Board, including the Independent Trustees, believes that the proposed tax-free Reorganization of the Fund into FGALF is in the best interests of the Fund’s shareholders and that the interests of FARF’s shareholders will not be diluted as a result of the Reorganization. If approved, shareholders of FARF will be receiving shares in a fund with greater assets, a stronger historical performance record and lower gross and net total expenses than FARF.

The record date for determination of shareholders entitled to vote at the Special Meeting has been fixed at February 25, 2019. Holders of shares purchased after this date will not be entitled to vote at the meeting. Assuming shareholder approval is obtained, the Reorganization is expected to occur after the close of business on or about May 10, 2019.

At the time of the Reorganization, it is anticipated that FARF will transfer most, if not all, of its then existing portfolio to FGALF. However, to better align its portfolio with FGALF’s, Federated Equity Management Company of Pennsylvania, FARF’s investment adviser (the “Adviser”), will begin to sell or trade certain portfolio securities prior to the Reorganization, such that at the time of the Reorganization, FARF’s portfolio will primarily consist of investments in the securities of other investment companies, including exchange-traded funds and other investment companies (which may or may not be available for general investment by the public) that are advised by the Adviser or an affiliate of the Adviser. Doing so may cause FARF to temporarily deviate from its stated investment objectives and strategies.

The estimated expenses associated with the Reorganization to be borne by FARF, including those related to direct proxy expenses and brokerage fees, will be provided in the forthcoming prospectus/proxy statement.

###

To the extent that Federated Investors, Inc., one of its subsidiaries, or its officers and directors, may be deemed to be participants in the solicitation of proxies from shareholders of the Fund in connection with the proposed proxy statement, additional information regarding the interests of participants in the solicitation of proxies in connection with the proposed proxy statement will be included in, or incorporated into the proxy statement that the Fund intends to file with the Securities and Exchange Commission (SEC).

The foregoing is not an offer to sell, nor a solicitation to buy, shares of any acquiring fund, nor is it a solicitation of any proxy. Shareholders of the Fund, as of February 25, 2019, will be receiving a Prospectus/Proxy Statement, or an “**Important Notice Regarding the Availability of Proxy Materials**,” that provides additional information regarding the proposed reorganization. The Prospectus/Proxy Statement, and any other documents filed by the Fund with the SEC, may be obtained free of charge at the SEC’s website at [www.sec.gov](http://www.sec.gov) or at the Fund’s website at [FederatedInvestors.com](http://FederatedInvestors.com). Investors should read the Prospectus/Proxy Statement carefully before making any voting decision, because it contains important information.

December 26, 2018





Federated Absolute Return Fund  
Federated Investors Funds  
4000 Ericsson Drive  
Warrendale, PA 15086-7561

Contact us at **FederatedInvestors.com**  
or call 1-800-341-7400.

Federated Securities Corp., Distributor

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# Fund Summary Information

## Federated Absolute Return Fund (the “Fund”)

### RISK/RETURN SUMMARY: INVESTMENT OBJECTIVE

The Fund’s investment objective is to provide absolute (positive) returns with low correlation to the U.S. equity market.

### RISK/RETURN SUMMARY: FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold Class A Shares (A), Class B Shares (B), Class C Shares (C) and Institutional Shares (IS) of the Fund. You may qualify for certain sales charge discounts if you and your family invest, or agree to invest in the future, at least \$50,000 in certain classes (e.g., A class) of Federated funds. More information about these and other discounts is available from your financial professional, in the “What Do Shares Cost?” section of the Prospectus on page 18 and in “Appendix B” to this Prospectus. If you purchase the Fund’s IS shares through a broker acting as an agent on behalf of its customers, you may be required to pay a commission to such broker; such commissions, if any, are not reflected in the Example below.

| <b>Shareholder Fees (fees paid directly from your investment)</b>   | <b>A</b>           | <b>B</b> | <b>C</b> | <b>IS</b> |
|---|--------------------|----------|----------|-----------|
| Maximum Sales Charge (Load) Imposed on Purchases (as a percentage of offering price) .....                                    | 5.50%              | None     | None     | None      |
| Maximum Deferred Sales Charge (Load) (as a percentage of original purchase price or redemption proceeds, as applicable) ..... | 0.00%              | 5.50%    | 1.00%    | None      |
| Maximum Sales Charge (Load) Imposed on Reinvested Dividends (and other Distributions) (as a percentage of offering price) ... | None               | None     | None     | None      |
| Redemption Fee (as a percentage of amount redeemed, if applicable) .....  | None               | None     | None     | None      |
| Exchange Fee .....  | None               | None     | None     | None      |
| <b>Annual Fund Operating Expenses (expenses that you pay each year as a percentage of the value of your investment)</b>       |                    |          |          |           |
| Management Fee .....  | 0.75%              | 0.75%    | 0.75%    | 0.75%     |
| Distribution (12b-1) Fee .....  | 0.00% <sup>1</sup> | 0.75%    | 0.75%    | None      |
| Other Expenses:   |                    |          |          |           |
| Dividends and Other Expenses Related to Short Sales .....   | 0.79%              | 0.79%    | 0.79%    | 0.79%     |
| Other Operating Expenses <sup>2</sup> .....   | 1.12%              | 1.10%    | 1.10%    | 0.85%     |
| Acquired Fund Fees and Expenses .....   | 0.02%              | 0.02%    | 0.02%    | 0.02%     |
| Total Annual Fund Operating Expenses <sup>2</sup> .....   | 2.68%              | 3.41%    | 3.41%    | 2.41%     |
| Fee Waivers and/or Expense Reimbursements <sup>3</sup> .....  | (0.28)%            | (0.26)%  | (0.26)%  | (0.26)%   |
| Total Annual Fund Operating Expenses After Fee Waivers and/or Expense Reimbursements .....                                    | 2.40%              | 3.15%    | 3.15%    | 2.15%     |

1 The Fund has adopted a Distribution (12b-1) Plan for its Class A Shares pursuant to which the A class of the Fund may incur or charge a Distribution (12b-1) Fee of up to a maximum of 0.05%. No such fee is currently incurred or charged by the A class of the Fund. The A class of the Fund will not incur or charge such a Distribution (12b-1) Fee until such time as approved by the Fund’s Board of Trustees (the “Trustees”).

2 Total Annual Fund Operating Expenses have been restated to reflect an anticipated increase in Other Operating Expenses for the fiscal year ending October 31, 2019, relative to the actual expenses for the fiscal year ended October 31, 2018.

3 The Adviser and certain of its affiliates on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Total annual fund operating expenses (excluding Acquired Fund Fees and Expenses, Dividends and Other Expenses Related to Short Sales, premiums for risk insurance policies on certain portfolio securities, interest expense, extraordinary expenses, line of credit expenses, and proxy related expenses paid by the Fund, if any) paid by the Fund’s A class, B class, C class and IS class (after the voluntary waivers and/or reimbursements) will not exceed 1.30%, 2.05%, 2.05% and 1.05% (the “Fee Limit”), respectively, up to but not including the later of (the “Termination Date”): (a) January 1, 2020; or (b) the date of the Fund’s next effective Prospectus. While the Adviser and its affiliates currently do not anticipate terminating or increasing these arrangements prior to the Termination Date, these arrangements may only be terminated or the Fee Limit increased prior to the Termination Date with the agreement of the Trustees.

## Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest \$10,000 for the time periods indicated and then redeem all of your Shares at the end of those periods. Expenses assuming no redemption are also shown. The Example also assumes that your investment has a 5% return each year and that the operating expenses are as shown in the table above and remain the same. Although your actual costs and returns may be higher or lower, based on these assumptions your costs would be:

| Share Class                     | 1 Year | 3 Years | 5 Years | 10 Years |
|---------------------------------|--------|---------|---------|----------|
| <b>A:</b>                       |        |         |         |          |
| Expenses assuming redemption    | \$806  | \$1,337 | \$1,892 | \$3,397  |
| Expenses assuming no redemption | \$806  | \$1,337 | \$1,892 | \$3,397  |
| <b>B:</b>                       |        |         |         |          |
| Expenses assuming redemption    | \$894  | \$1,448 | \$1,974 | \$3,530  |
| Expenses assuming no redemption | \$344  | \$1,048 | \$1,774 | \$3,530  |
| <b>C:</b>                       |        |         |         |          |
| Expenses assuming redemption    | \$444  | \$1,048 | \$1,774 | \$3,694  |
| Expenses assuming no redemption | \$344  | \$1,048 | \$1,774 | \$3,694  |
| <b>IS:</b>                      |        |         |         |          |
| Expenses assuming redemption    | \$244  | \$751   | \$1,285 | \$2,746  |
| Expenses assuming no redemption | \$244  | \$751   | \$1,285 | \$2,746  |

## Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or “turns over” its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund Shares are held in a taxable account. These costs, which are not reflected in Annual Fund Operating Expenses or in the Example, affect the Fund’s performance. During the most recent fiscal year, the Fund’s portfolio turnover rate was 192% of the average value of its portfolio.

## RISK/RETURN SUMMARY: INVESTMENTS, RISKS AND PERFORMANCE

### What are the Fund’s Main Investment Strategies?

The Fund pursues its investment objective by investing a majority of its assets in domestic (including American Depositary Receipts (ADRs)) and foreign securities (including emerging markets), both debt and equity, that the Fund’s Investment Adviser, Federated Equity Management Company of Pennsylvania (“Adviser”), and Sub-Adviser, Federated Investment Management Company (“Sub-Adviser”), deem to be mispriced or misperceived. The Adviser can position the Fund with respect to various asset classes or individual securities in a net long or a net short position.

The Adviser’s investment management approach involves both “top-down” and “bottom-up” processes. The top-down process influences asset allocation and also provides context for security selection. The investment framework involves judgment of risk versus reward potential and the likelihood of positive absolute returns. The assessment of risk versus reward involves careful macroeconomic analysis, study of global financial and liquidity conditions, and analysis of market expectations. The bottom-up equity security selection is driven by consideration of valuation, financial statements and expectations. An expectations opportunity is deemed to exist when the Adviser’s view deviates from the consensus view on individual securities or groups of securities.

The Fund may invest in exchange-traded funds (ETFs), derivative contracts (such as options, swaps and futures contracts) and hybrid investments (such as notes linked to underlying securities, indices or commodities), or sell securities short or obtain short exposure through a derivative contract or investment in another fund. The Fund may use such derivative contracts or hybrid instruments to increase or decrease the portfolio’s exposure to the investment(s) underlying the derivative or hybrid instruments in an attempt to benefit from changes in the value of the underlying investment(s), to realize gains from trading a derivative contract or to hedge against potential losses. There can be no assurances that the Fund’s use of derivative contracts or hybrid instruments will work as intended. The Fund may buy or sell foreign currencies or enter into foreign currency forwards in lieu of or in addition to non-dollar denominated fixed-income securities in order to increase or decrease its exposure to foreign interest rate and/or currency markets. When investing the fixed-income portion of the Fund, the Adviser is not constrained by any duration or maturity range or credit quality.

The Fund may invest in commodities. The Fund may invest in certain commodity ETFs, closed-end funds that hold commodities, and derivative or other hybrid instruments whose price depends upon the movement of an underlying commodity or by the performance of a commodity index. In addition, the Fund may invest directly in gold bullion. When investing in gold bullion, the Fund may take possession of gold bullion and store such gold bullion at a custodian or subcustodian.

The Fund actively trades its portfolio securities in an attempt to achieve its investment objective. Active trading will cause the Fund to have an increased portfolio turnover rate and increase the Fund's trading costs, which may have an adverse impact on the Fund's performance. An active trading strategy will likely result in the Fund generating more short-term capital gains or losses. Short-term gains are generally taxed at a higher rate than long-term gains. Any short-term losses are used first to offset short-term gains.

### **What are the Main Risks of Investing in the Fund?**

All mutual funds take investment risks. Therefore, it is possible to lose money by investing in the Fund. The primary factors that may reduce the Fund's returns include:

- **Stock Market Risk.** The value of equity securities in the Fund's portfolio will fluctuate and, as a result, the Fund's Share price may decline suddenly or over a sustained period of time. Information publicly available about a company, whether from the company's financial statements or other disclosures or from third parties, or information available to some but not all market participants, can affect the price of a company's shares in the market. Among other factors, equity securities may decline in value because of an increase in interest rates or changes in the stock market. Recent and potential future changes in industry and/or economic trends, as well as changes in monetary policy made by central banks and/or their governments, also can affect the level of interest rates and contribute to the development of or increase in volatility, illiquidity, shareholder redemptions and other adverse effects (such as a decline in a company's stock price), which could negatively impact the Fund's performance.
- **Investment Style Risk.** Securities with different characteristics tend to shift in and out of favor depending upon market and economic conditions as well as investor sentiment. A fund may outperform or underperform other funds that employ a different style. The Fund may employ a combination of styles that impact its risk characteristics, such as growth and value investing.
- **Risk of Foreign Investing.** Because the Fund invests in securities issued by foreign companies, the Fund's Share price may be more affected by foreign economic and political conditions, taxation policies and accounting and auditing standards than would otherwise be the case.
- **Real Estate Investment Trust Risk.** Real estate investment trusts (REITs) carry risks associated with owning real estate, including the potential for a decline in value due to economic or market conditions.
- **Risk of Investing in ADRs and Domestically Traded Securities of Foreign Issuers.** Because the Fund may invest in ADRs and other domestically traded securities of foreign companies, the Fund's Share price may be more affected by risks of foreign investing than would otherwise be the case.
- **Currency Risk.** Exchange rates for currencies fluctuate daily. Foreign securities are normally denominated and traded in foreign currencies. As a result, the value of the Fund's foreign investments and the value of the Shares may be affected favorably or unfavorably by changes in currency exchange rates relative to the U.S. dollar.
- **Eurozone Related Risk.** A number of countries in the European Union (EU) have experienced, and may continue to experience, severe economic and financial difficulties. Additional EU member countries may also fall subject to such difficulties. These events could negatively affect the value and liquidity of the Fund's investments in euro-denominated securities and derivatives contracts, securities of issuers located in the EU or with significant exposure to EU issuers or countries.
- **Risk of Investing in Emerging Market Countries.** Securities issued or traded in emerging markets generally entail greater risks than securities issued or traded in developed markets. Emerging market economies may also experience more actual or perceived severe downturns (with corresponding currency devaluation) than developed economies.
- **Sector Risk.** Because the Fund may allocate relatively more assets to certain industry sectors than others, the Fund's performance may be more susceptible to any developments which affect those sectors emphasized by the Fund.
- **Risk of Investing in Derivative Contracts and Hybrid Instruments.** Derivative contracts and hybrid instruments involve risks different from, or possibly greater than, risks associated with investing directly in securities and other traditional investments. Specific risk issues related to the use of such contracts and instruments include valuation and tax issues, increased potential for losses and/or costs to the Fund, and a potential reduction in gains to the Fund. Each of these issues is described in greater detail in this Prospectus. Derivative contracts and hybrid instruments may also involve other risks described in this Prospectus such as stock market, interest rate, credit, currency, liquidity and leverage risks.

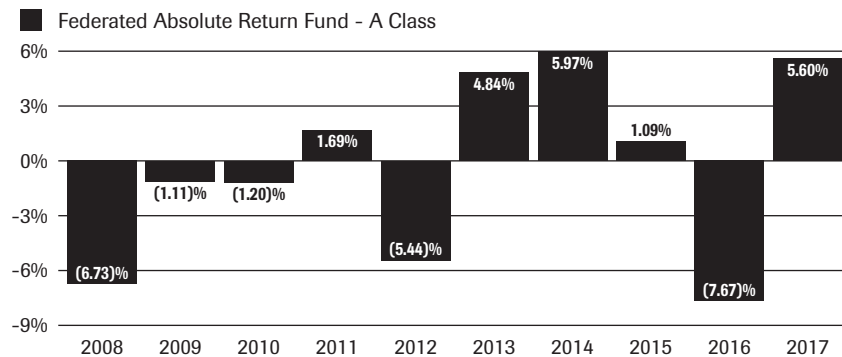
- **Risk of Investing in Commodities (including ETFs).** Because the Fund may invest in instruments including ETFs, whose performance is linked to the price of an underlying commodity or commodity index, the Fund may be subject to the risks of investing in physical commodities. These types of risks include regulatory, economic and political developments, weather events and natural disasters, pestilence, market disruptions and the fact that commodity prices may have greater volatility than investments in traditional securities.
- **Risk of Investing in Gold Bullion.** The Fund's investment in gold bullion could cause the Fund to fail to qualify as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code. It is the intent of the Fund to maintain its RIC status, and as such, the Fund will seek to manage its investment in gold bullion in an effort to continue to qualify as a RIC (for example, by altering the timing and/or amount of gold bullion transactions). However, there are no assurances it will be successful in doing so. Custodial services and other costs relating to investment in gold bullion are generally more expensive than those associated with investing in securities. The inability of the Fund to make intended purchases of gold bullion due to settlement problems could cause the Fund to not be fully protected against the loss of its assets or cause the Fund to miss attractive investment opportunities.
- **Interest Rate Risk.** Prices of fixed-income securities generally fall when interest rates rise. The longer the duration of a fixed-income security, the more susceptible it is to interest rate risk. Recent and potential future changes in monetary policy made by central banks and/or their governments are likely to affect the level of interest rates.
- **Credit Risk.** Credit risk is the possibility that an issuer will default on a security by failing to pay interest or principal when due. If an issuer defaults, the Fund will lose money.
- **Risk Associated with Noninvestment-Grade Securities.** Securities rated below investment-grade may be subject to greater interest rate, credit and liquidity risks than investment-grade securities. These securities are considered speculative with respect to the issuer's ability to pay interest and repay principal.
- **Liquidity Risk.** The securities in which the Fund invests may be less readily marketable and may be subject to greater fluctuation in price than other securities. Liquidity risk also refers to the possibility that the Fund may not be able to sell a security or close out a derivative contract when it wants to. If this happens, the Fund will be required to continue to hold the security or keep the position open, and the Fund could incur losses. OTC derivative contracts generally carry greater liquidity risk than exchange-traded contracts.
- **Risk Related to the Economy.** The value of the Fund's portfolio may decline in tandem with a drop in the overall value of the markets in which the Fund invests and/or other markets. Economic, political and financial conditions, or industry or economic trends and developments, may, from time to time, and for varying periods of time, cause the Fund to experience volatility, illiquidity, shareholder redemptions, or other potentially adverse effects. Among other investments, lower-grade bond returns may be particularly sensitive to changes in the economy.
- **Leverage Risk.** Leverage risk is created when an investment, which includes, for example, an investment in a derivative contract, exposes the Fund to a level of risk that exceeds the amount invested. Changes in the value of such an investment magnify the Fund's risk of loss and potential for gain.
- **Exchange-Traded Funds Risk.** An investment in an ETF generally presents the same primary risks as an investment in a conventional fund (i.e., one that is not exchange-traded) that has the same investment objectives, strategies and policies. The price of an ETF can fluctuate up or down, and the Fund could lose money investing in an ETF if the prices of the securities owned by the ETF go down.
- **Short Selling Risk.** The Fund may enter into short sales which expose the Fund to the risks of short selling. Short sales involve borrowing a security from a lender which is then sold in the open market at a future date. The security is then repurchased by the Fund and returned to the lender. Short selling allows an investor to profit from declines in prices of securities. Short selling a security involves the risk that the security sold short will appreciate in value at the time of repurchase therefore creating a loss for the Fund. The Fund may incur expenses in selling securities short and such expenses are investment expenses of the Fund.
- **Technology Risk.** The Adviser uses various technologies in managing the Fund, consistent with its investment objective and strategy described in this Prospectus. For example, proprietary and third-party data and systems are utilized to support decision making for the Fund. Data imprecision, software or other technology malfunctions, programming inaccuracies and similar circumstance may impair the performance of these systems, which may negatively affect Fund performance.

The Shares offered by this Prospectus are not deposits or obligations of any bank, are not endorsed or guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

## PERFORMANCE: BAR CHART AND TABLE

### Risk/Return Bar Chart

The bar chart and performance table below reflect historical performance data for the Fund and are intended to help you analyze the Fund's investment risks in light of its historical returns. The bar chart shows the variability of the Fund's A class total returns on a calendar year-by-year basis. The Average Annual Total Return table shows returns for each class *averaged* over the stated periods, and includes comparative performance information. *The Fund's performance will fluctuate, and past performance (before and after taxes) is not necessarily an indication of future results.* Updated performance information for the Fund is available under the "Products" section at [FederatedInvestors.com](http://FederatedInvestors.com) or by calling 1-800-341-7400.



*The total returns shown in the bar chart do not reflect the payment of any sales charges or recurring shareholder account fees. If these charges or fees had been included, the returns shown would have been lower.*

*The Fund's A class total return for the nine-month period from January 1, 2018 to September 30, 2018, was (12.04)%.*

*Within the periods shown in the bar chart, the Fund's A class highest quarterly return was 5.62% (quarter ended June 30, 2009). Its lowest quarterly return was (6.10)% (quarter ended September 30, 2009).*

### Average Annual Total Return Table

The Fund's IS class commenced operations on June 29, 2007. For the period prior to the commencement of operations of the IS class, the performance information shown in the Average Annual Total Return Table below is for the Fund's A class. The performance of the A class has not been adjusted to reflect the expenses of the IS class since the Institutional Shares are estimated to have a lower expense ratio than the expense ratio of the A class. In addition to Return Before Taxes, Return After Taxes is shown for A class to illustrate the effect of federal taxes on Fund returns. After-tax returns are shown only for the A class, and after-tax returns for the B, C and IS classes will differ from those shown for the A class. *Actual after-tax returns depend on each investor's personal tax situation, and are likely to differ from those shown.* After-tax returns are calculated using a standard set of assumptions. The stated returns assume the highest historical **federal** income and capital gains tax rates. These after-tax returns do **not** reflect the effect of any applicable **state** and **local** taxes. After-tax returns are not relevant to investors holding shares through a 401(k) plan, an Individual Retirement Plan or other tax-advantaged investment plan.

(For the Period Ended December 31, 2017)

|   | 1 Year  | 5 Years | 10 Years |
|---|---------|---------|----------|
| <b>A:</b>   |         |         |          |
| Return Before Taxes   | (0.24)% | 0.70%   | (0.98)%  |
| Return After Taxes on Distributions   | (0.33)% | 0.61%   | (1.43)%  |
| Return After Taxes on Distributions and Sale of Fund Shares   | (0.07)% | 0.53%   | (0.81)%  |
| <b>B:</b>   |         |         |          |
| Return Before Taxes   | (0.61)% | 0.69%   | (1.02)%  |
| <b>C:</b>   |         |         |          |
| Return Before Taxes   | 3.75%   | 1.08%   | (1.16)%  |
| <b>IS:</b>  |         |         |          |
| Return Before Taxes   | 5.93%   | 2.10%   | (0.16)%  |
| <b>ICE BofAML US 3-Month Treasury Bill Index<sup>1</sup></b><br>(reflects no deduction for fees, expenses or taxes) | 0.86%   | 0.27%   | 0.39%    |
| <b>Lipper Absolute Return Funds Average<sup>2</sup></b><br>(reflects no deduction for fees, expenses or taxes)      | 6.11%   | 3.02%   | (0.59)%  |

<sup>1</sup> ICE BofAML US 3-Month Treasury Bill Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date. Effective October 22, 2017, the index name changed from "BofA ML US 3-Month Treasury Bill Index" to "ICE BofAML US 3-Month Treasury Bill Index."

<sup>2</sup> Lipper figures represent the average of the total returns reported by all mutual funds designated by Lipper, Inc., as falling into the respective category and is not adjusted to reflect any sales charges.

#### FUND MANAGEMENT

The Fund's Investment Adviser is Federated Equity Management Company of Pennsylvania. The Fund's Sub-Adviser is Federated Investment Management Company.

Dana L. Meissner, CFA, FRM and CAIA, Senior Portfolio Manager, has been the Fund's portfolio manager since February 2009.

#### PURCHASE AND SALE OF FUND SHARES

Class B Shares are closed to new investments by new investors and existing shareholders (excluding reinvestment of dividends and capital gains). Reinvestment of dividends and capital gains will continue uninterrupted. Class B Shares of the Fund may be exchanged for Class B Shares of any other Federated fund.

Please disregard any further references to purchases of Class B Shares with the exception of Class B Share exchanges.

You may purchase, redeem or exchange Shares of the Fund on any day the New York Stock Exchange is open. Shares may be purchased through a financial intermediary firm that has entered into a Fund selling and/or servicing agreement with the Distributor or an affiliate ("Financial Intermediary") or directly from the Fund, by wire or by check. Please note that certain purchase restrictions may apply. Redeem or exchange Shares through a financial intermediary or directly from the Fund by telephone at 1-800-341-7400 or by mail.

#### A, B & C Classes

The minimum investment amount for the Fund's A, B and C classes is generally \$1,500 for initial investments and \$100 for subsequent investments. The minimum initial and subsequent investment amounts for Individual Retirement Accounts are generally \$250 and \$100, respectively. There is no minimum initial or subsequent investment amount for employer-sponsored retirement plans. Certain types of accounts are eligible for lower minimum investments. The minimum investment for Systematic Investment Programs is \$50.

#### IS Class

The minimum initial investment amount for the Fund's IS class is generally \$1,000,000 and there is no minimum subsequent investment amount. Certain types of accounts are eligible for lower minimum investments. The minimum investment amount for Systematic Investment Programs is \$50.

#### TAX INFORMATION

The Fund's distributions are taxable as ordinary income or capital gains except when your investment is through a 401(k) plan, an Individual Retirement Account or other tax-advantaged investment plan.



## **PAYMENTS TO BROKER-DEALERS AND OTHER FINANCIAL INTERMEDIARIES**

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and/or its related companies may pay the intermediary for the sale of Fund Shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

## **What are the Fund's Investment Strategies?**

The Fund's investment objective is to provide absolute (positive) returns with low correlation to the U.S. equity market. While there is no assurance that the Fund will achieve its investment objective, it endeavors to do so by following the strategies and policies described in this Prospectus. The Fund's Statement of Additional Information (SAI) provides information about the Fund's non-principal strategies.

The Fund's asset allocation is based on rigorous "top-down" and "bottom-up" considerations. The top-down investment framework involves judgment of risk versus reward potential and the likelihood of positive absolute returns. The assessment of risk versus reward involves careful macroeconomic analysis, study of global financial and liquidity conditions, and analysis of market expectations. The bottom-up analysis impacts asset allocation through estimation of risk versus reward potential of individual securities.

The Adviser employs risk management procedures, which include technical analysis, to help size asset class exposures and to aid in the timing of purchases and sales. The Adviser sells a portfolio security if it determines that the issue does not continue to meet its selection criteria.

With regard to equity securities, the Adviser selects securities primarily utilizing a bottom-up approach to security analysis but also considers top-down analysis. The Adviser does not generally consider the composition of market indices in its selection of equity securities. The Adviser strives to identify undervalued securities for long positions and overvalued securities for short positions. For long equity positions, the Fund generally will favor securities that are trading at attractive valuations relative to one or more of the following measurements: (i) the historic valuation of the securities; (ii) valuations of the issuer's industry peers; or (iii) absolute valuation levels. Historically, undervalued securities have generally had lower share price volatility, and a higher yield, when compared with other equity securities. The Fund may invest in both foreign and domestic equity securities.

Primarily using the bottom-up approach to security analysis, the Adviser normally searches for equity securities that appear to be mispriced or misperceived. In searching for securities that meet this criteria, the Adviser first utilizes a global long stock selection process which screens for and rates stocks based upon various factors such as valuation, financial strength and the quality of company management. Then, the Adviser strives to identify stocks with perception gaps between market expectations and reality. A potential stock opportunity is deemed to exist when the Adviser believes that future company results are likely to be better than the market expects (for long positions) or worse than the market expects (for short positions). Such potential opportunities may result from a variety of market inefficiencies, including, among others, imperfect information, overly optimistic or pessimistic forecasts by Wall Street analysts and swings in investor psychology. The Adviser believes that these inefficiencies can cause substantially mispriced securities.

Depending on its outlook, the Adviser may take a short position in a particular asset class (e.g., through a short sale on market index ETF, individual security or other investment). The Fund will generally hedge a portion of the long equity exposure through a short position on equity market index futures. If the Adviser deems the risk versus reward backdrop to be favorable for shorting, the Adviser may take additional short positions to place the Fund in a net short position relative to a particular asset class. The Fund may also obtain short exposure by purchasing a derivative such as a put option or swap, or through investing in another investment company (including an affiliated fund) or an ETF. The amount and composition of short exposure within the Fund will be actively managed at the discretion of the Adviser. In order to cover its obligation to purchase such securities in the future, the Fund holds short-term liquid securities such as money market funds, U.S. Treasury securities or government agency securities for liquidity purposes and to cover the Fund's obligations in connection with outstanding short positions.

The Adviser may increase the Fund's cash position if the Adviser is unable to find a sufficient number of attractive securities. Additionally, the Adviser may keep a portion of the Fund's portfolio in cash in order to readily take advantage of buying opportunities, in an effort to preserve capital. The Fund's cash position will normally be invested in traditional cash investments such as U.S. Treasury securities, repurchase agreements or money market funds.

When investing in fixed-income securities, the Adviser invests in asset classes within the fixed-income market that it believes offer the most attractive yield based on an evaluation of risk and return. Fixed-income asset classes may include noninvestment-grade fixed-income securities, emerging market debt and foreign non-dollar denominated fixed-income securities issued by foreign governmental entities or corporations, as well as U.S. Treasury securities and other investment-grade securities. The Fund may buy or sell foreign currencies or enter into foreign currency derivatives in lieu of or in addition to non-dollar denominated fixed-income securities in order to increase or decrease its exposure to foreign interest rate and/or currency markets. The Adviser is not constrained by any duration or maturity range or credit quality when investing the fixed-income portion of the Fund.

In addition to investing in equity and fixed-income securities, the Adviser may invest in the following in attempting to achieve its investment objective:

- ETF's;
- Commodities;
- Derivative contracts or hybrid instruments; and
- Investments which give the Fund exposure to the price movement of gold, silver or other precious metals.

The Fund may purchase shares of ETFs in order to achieve exposure to a specific region, country, commodity or market sector or for other reasons consistent with its investment strategy.

The Fund may buy securities in initial public offerings. The Adviser may select initial public offerings based on its fundamental analysis of the issuer.

The Fund may invest in commodities. Such commodities may include precious metals (e.g., gold, silver), industrial metals (e.g., copper, nickel), agricultural and livestock commodities (e.g., wheat, pork) and energy related commodities (e.g., crude oil, natural gas). The Fund may invest in commodities by investing in a derivative or other hybrid instrument whose price depends upon the movement of an underlying commodity or by the performance of a commodity index. In addition, the Fund may invest directly in gold bullion to maintain exposure to the price of gold in order to hedge against inflation, financial market turmoil, depreciation of the U.S. dollar or if the Adviser believes that gold is undervalued. When investing in gold bullion, the Fund may take possession of gold bullion and store such gold bullion at a custodian or a subcustodian.

The Fund may invest in derivative contracts, such as swaps, options and futures contracts to efficiently implement its overall investment strategies. First, the Fund may invest in a hybrid instrument which is structured as a note that pays a fixed dividend and at maturity either converts into shares of an equity security or returns a payment to the Fund based on the change in value of an underlying equity security. Second, the Fund may use derivative contracts and/or hybrid instruments to increase or decrease the allocation of the portfolio to securities, currencies, markets or indices or types of securities in which the Fund may invest directly. Third, the Fund may invest in hybrid instruments which are structured as interest-bearing notes whose amount paid at maturity is determined by the price of an underlying security, commodity, or by the performance of a security or commodity index.

Additionally, by way of example, the Fund may use derivative contracts in an attempt to:

- seek to benefit from anticipated changes in the volatility of designated assets or instruments, such as indices, currencies and interest rates. (Volatility is a measure of the frequency and level of changes in the value of an asset or instrument without regard to the direction of such changes.);
- obtain premiums from the sale of derivative contracts;
- realize gains from trading a derivative contract; or
- hedge against potential losses. For example, the Fund may buy put options on stock indices or individual stocks (even if the stocks are not held by the Fund) in an attempt to hedge against a decline in stock prices.

There can be no assurance that the Fund's use of derivative contracts or hybrid instruments will work as intended.

## **PORTFOLIO TURNOVER**

The Fund actively trades its portfolio securities in an attempt to achieve its investment objective. Active trading will cause the Fund to have an increased portfolio turnover rate and increase the Fund's trading costs, which may have an adverse impact on the Fund's performance. An active trading strategy will likely result in the Fund generating more short-term capital gains or losses. Short-term gains are generally taxed at a higher rate than long-term gains. Any short-term losses are used first to offset short-term gains.

## **TEMPORARY INVESTMENTS**

The Fund may temporarily depart from its principal investment strategies by investing its assets in shorter-term debt securities and similar obligations or holding cash. It may do this in response to unusual circumstances, such as: adverse market, economic or other conditions (for example, to help avoid potential losses, or during periods when there is a shortage of appropriate securities); to maintain liquidity to meet shareholder redemptions; or to accommodate cash inflows. It is possible that such investments could affect the Fund's investment returns and/or the ability to achieve the Fund's investment objectives.

## **What are the Fund's Principal Investments?**

In addition to investing in gold bullion, as disclosed in its investment strategy, the following provides general information on the Fund's principal investments. The Fund's Statement of Additional Information provides information about the Fund's non-principal investments and may provide additional information about the Fund's principal investments.

## **SHORT SALES**

The Fund may sell a security short in an effort to take advantage of an anticipated decline in the price of the security. In a short sale, the Fund sells a security it does not own, and must borrow the security in order to deliver it at completion of the sale. The Fund then has an obligation to replace the borrowed security (e.g., to purchase the security at a future date and deliver it to the lender of the security). In order to cover its obligation to purchase such securities in the future, the Fund holds short-term liquid securities such as money market funds, U.S. Treasury securities or government agency securities. If the value of the security sold short declines between the time that the Fund borrows the security and the time it repurchases and returns the security to the lender, the Fund makes a profit on the difference (less any interest, fees and/or dividend payments the Fund is required to pay the lender). If it has to buy the security back at a higher price, a loss results. The Fund may incur expenses in selling securities short and such expenses are investment expenses of the Fund.

## **EQUITY SECURITIES**

Equity securities represent a share of an issuer's earnings and assets, after the issuer pays its liabilities. The Fund cannot predict the income it will receive from equity securities because issuers generally have discretion as to the payment of any dividends or distributions. However, equity securities offer greater potential for appreciation than many other types of securities, because their value increases directly with the value of the issuer's business.

The following describes the equity securities in which the Fund principally invests.

### **Common Stocks**

Common stocks are the most prevalent type of equity security. Common stocks receive the issuer's earnings after the issuer pays its creditors and any preferred stockholders. As a result, changes in an issuer's earnings directly influence the value of its common stock.

### **Real Estate Investment Trusts (REITs)**

REITs are real estate investment trusts (including foreign REITs and REIT-like entities) that lease, operate and finance commercial real estate. REITs in the United States are exempt from federal corporate income tax if they limit their operations and distribute most of their income. Such tax requirements limit a U.S. REIT's ability to respond to changes in the commercial real estate market. The Fund is not eligible for a deduction from dividends received from REITs that is available to individuals who invest directly in REITs.

## **FOREIGN SECURITIES**

Foreign securities are securities of issuers based outside the United States. To the extent a Fund invests in securities included in its applicable broad-based securities market index, the Fund may consider an issuer to be based outside the United States if the applicable index classifies the issuer as based outside the United States. Accordingly, the Fund may consider an issuer to be based outside the United States if the issuer satisfies at least one, but not necessarily all, of the following:

- it is organized under the laws of, or has its principal office located in, another country;
- the principal trading market for its securities is in another country;
- it (directly or through its consolidated subsidiaries) derived in its most current fiscal year at least 50% of its total assets, capitalization, gross revenue or profit from goods produced, services performed or sales made in another country; or
- it is classified by an applicable index as based outside the United States.

Foreign securities are primarily denominated in foreign currencies. Along with the risks normally associated with domestic securities of the same type, foreign securities are subject to currency risks and risks of foreign investing. Trading in certain foreign markets is also subject to liquidity risks.

## **Foreign Exchange Contracts**

In order to convert U.S. dollars into the currency needed to buy a foreign security, or to convert foreign currency received from the sale of a foreign security into U.S. dollars, the Fund may enter into spot currency trades. In a spot trade, the Fund agrees to exchange one currency for another at the current exchange rate. The Fund may also enter into derivative contracts in which a foreign currency is an underlying asset. The exchange rate for currency derivative contracts may be higher or lower than the spot exchange rate. Use of these derivative contracts may increase or decrease the Fund's exposure to currency risks.

## **Foreign Government Securities (A Type of Foreign Fixed-Income Security)**

Foreign government securities generally consist of fixed-income securities supported by national, state or provincial governments or similar political subdivisions. Foreign government securities also include debt obligations of supranational entities, such as international organizations designed or supported by governmental entities to promote economic reconstruction or development, international banking institutions and related government agencies. Examples of these include, but are not limited to, the International Bank for Reconstruction and Development (the "World Bank"), the Asian Development Bank, the European Investment Bank and the Inter-American Development Bank.

Foreign government securities also include fixed-income securities of quasi-governmental agencies that are either issued by entities owned by a national, state or equivalent government or are obligations of a political unit that are not backed by the national government's full faith and credit. Further, foreign government securities include mortgage-related securities issued or guaranteed by national, state or provincial governmental instrumentalities, including quasi-governmental agencies.

## **Foreign Corporate Debt Instruments**

The Fund may also invest in investment grade and high yield debt instruments of foreign corporations. Notes, bonds, debentures, loans and commercial paper are the most prevalent types of corporate debt securities. The Fund may also purchase interests in bank loans to companies.

The credit risks of corporate debt instruments vary widely among issuers. The credit risk of an issuer's debt instruments may also vary based on its priority for repayment. For example, higher ranking ("senior") debt instruments have a higher priority than lower ranking ("subordinated") instruments. This means that the issuer might not make payments on subordinated debt instruments while continuing to make payments on senior debt instruments. In addition, in the event of bankruptcy, holders of senior debt instruments may receive amounts otherwise payable to the holders of subordinated debt instruments.

## **Depositary Receipts (A Type of Foreign Equity Security)**

Depositary receipts represent interests in underlying securities issued by a foreign company. Depositary receipts are not traded in the same market as the underlying security. The foreign securities underlying American Depositary Receipts (ADRs) are traded outside the United States. ADRs provide a way to buy shares of foreign-based companies in the United States rather than in overseas markets. ADRs are also traded in U.S. dollars, eliminating the need for foreign exchange transactions. The foreign securities underlying European Depositary Receipts (EDRs), Global Depositary Receipts (GDRs) and International Depositary Receipts (IDRs) are traded globally or outside the United States. Depositary receipts involve many of the same risks of investing directly in foreign securities, including currency risks and risks of foreign investing.

## **DERIVATIVE CONTRACTS**

Derivative contracts are financial instruments that require payments based upon changes in the values of designated securities, commodities, currencies, indices, or other assets or instruments including other derivative contracts, (each a "Reference Instrument" and collectively, "Reference Instruments"). Each party to a derivative contract may sometimes be referred to as a counterparty. Some derivative contracts require payments relating to an actual, future trade involving the Reference Instrument. These types of derivatives are frequently referred to as "physically settled" derivatives. Other derivative contracts require payments relating to the income or returns from, or changes in the market value of, a Reference Instrument. These types of derivatives are known as "cash-settled" derivatives, since they require cash payments in lieu of delivery of the Reference Instrument.

Many derivative contracts are traded on securities or commodities exchanges. In this case, the exchange sets all the terms of the contract except for the price. Investors make payments due under their contracts through the exchange. Most exchanges require investors to maintain margin accounts through their brokers to cover their potential obligations to the exchange. Parties to the contract make (or collect) daily payments to the margin accounts to reflect losses (or gains) in the value of their contracts. This protects investors against potential defaults by the other party to the contract. Trading contracts on an exchange also allows investors to close out their contracts by entering into offsetting contracts.

The Fund may also trade derivative contracts over-the-counter (OTC) in transactions negotiated directly between the Fund and a financial institution. OTC contracts do not necessarily have standard terms, so they may be less liquid and more difficult to close out than exchange-traded contracts. In addition, OTC contracts with more specialized terms may be more difficult to value than exchange-traded contracts, especially in times of financial stress.

The market for swaps and other OTC derivatives was largely unregulated prior to the enactment of federal legislation known as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). Regulations enacted by the Commodity Futures Trading Commission (the CFTC) under the Dodd-Frank Act require the Fund to clear certain swap contracts through a clearing house or central counterparty (a CCP).

To clear a swap through the CCP, the Fund will submit the contract to, and post margin with, a futures commission merchant (FCM) that is a clearing house member. The Fund may enter into the swap with a financial institution other than the FCM and arrange for the contract to be transferred to the FCM for clearing, or enter into the contract with the FCM itself. If the Fund must centrally clear a transaction, the CFTC’s regulations also generally require that the swap be executed on a registered exchange or through a market facility that is known as a swap execution facility or SEF. Central clearing is presently required only for certain swaps; the CFTC is expected to impose a mandatory central clearing requirement for additional derivative instruments over time.

The CCP, SEF and FCM are all subject to regulatory oversight by the CFTC. In addition, most derivative market participants are now regulated as swap dealers or major swap participants and are subject to certain minimum capital and margin requirements and business conduct standards. Similar regulatory requirements are expected to apply to derivative contracts that are subject to the jurisdiction of the SEC, although the SEC has not yet finalized its regulations. In addition, uncleared OTC swaps will be subject to regulatory collateral requirements that could adversely affect the Fund’s ability to enter into swaps in the OTC market. These developments could cause the Fund to terminate new or existing swap agreements or to realize amounts to be received under such instruments at an inopportune time.

Until the mandated rulemaking and regulations are implemented completely, it will not be possible to determine the complete impact of the Dodd-Frank Act and related regulations on the Fund.

Depending on how the Fund uses derivative contracts and the relationships between the market value of a derivative contract and the Reference Instrument, derivative contracts may increase or decrease the Fund’s exposure to the risks of the Reference Instrument, and may also expose the Fund to liquidity and leverage risks. OTC contracts also expose the Fund to credit risks in the event that a counterparty defaults on the contract, although this risk may be mitigated by submitting the contract for clearing through a CCP.

Payment obligations arising in connection with derivative contracts are frequently required to be secured with margin (which is commonly called “collateral”). To the extent necessary to meet such requirements, the Fund may purchase U.S. Treasury and/or government agency securities.

The Fund may invest in a derivative contract if it is permitted to own, invest in, or otherwise have economic exposure to the Reference Instrument. The Fund is not required to own a Reference Instrument in order to buy or sell a derivative contract relating to that Reference Instrument. The Fund may trade in the following specific types and/or combinations of derivative contracts:

#### **Futures Contracts (A Type of Derivative)**

Futures contracts provide for the future sale by one party and purchase by another party of a specified amount of a Reference Instrument at a specified price, date and time. Entering into a contract to buy a Reference Instrument is commonly referred to as buying a contract or holding a long position in the asset. Entering into a contract to sell a Reference Instrument is commonly referred to as selling a contract or holding a short position in the Reference Instrument. Futures contracts are considered to be commodity contracts. The Adviser has claimed an exclusion from the definition of the term “commodity pool operator” under the Commodity Exchange Act with respect to the Fund and, therefore, is not subject to registration or regulation with respect to the Fund. Futures contracts traded OTC are frequently referred to as forward contracts. The Fund can buy or sell financial futures (such as interest-rate futures, index futures and security futures), as well as currency futures and currency forward contracts.

#### **Option Contracts (A Type of Derivative)**

Option contracts (also called “options”) are rights to buy or sell a Reference Instrument for a specified price (the “exercise price”) during, or at the end of, a specified period. The seller (or “writer”) of the option receives a payment, or premium, from the buyer, which the writer keeps regardless of whether the buyer uses (or exercises) the option. A call option gives the holder (buyer) the right to buy the Reference Instrument from the seller (writer) of the option. A put option gives the holder the right to sell the Reference Instrument to the writer of the option. Options may be bought or sold on a wide variety of Reference Instruments. Options that are written on futures contracts will be subject to margin requirements similar to those applied to futures contracts.



### **Swap Contracts (A Type of Derivative)**

A swap contract (also known as a “swap”) is a type of derivative contract in which two parties agree to pay each other (swap) the returns derived from Reference Instruments. Swaps do not always involve the delivery of the Reference Instruments by either party, and the parties might not own the Reference Instruments underlying the swap. The payments are usually made on a net basis so that, on any given day, the Fund would receive (or pay) only the amount by which its payment under the contract is less than (or exceeds) the amount of the other party’s payment. Swap agreements are sophisticated instruments that can take many different forms and are known by a variety of names. Common types of swaps in which the Fund may invest include interest rate swaps, caps and floors, total return swaps, credit default swaps, currency swaps and volatility swaps.

### **Hybrid Instruments**

Hybrid instruments combine elements of two different kinds of securities or financial instruments (such as a derivative contract). Frequently, the value of a hybrid instrument is determined by reference to changes in the value of a Reference Instrument (that is a designated security, commodity, currency, index or other asset or instrument including a derivative contract). The Fund may use hybrid instruments only in connection with permissible investment activities. Hybrid instruments can take on many forms including, but not limited to, the following forms. First, a common form of a hybrid instrument combines elements of a derivative contract with those of another security (typically a fixed-income security). In this case all or a portion of the interest or principal payable on a hybrid security is determined by reference to changes in the price of a Reference Instrument. Second, a hybrid instrument may also combine elements of a fixed-income security and an equity security. Third, hybrid instruments may include convertible securities with conversion terms related to a Reference Instrument.

Depending on the type and terms of the hybrid instrument, its risks may reflect a combination of the risks of investing in the Reference Instrument with the risks of investing in other securities, currencies and derivative contracts. Thus, an investment in a hybrid instrument may entail significant risks in addition to those associated with traditional investments or the Reference Instrument. Hybrid instruments are also potentially more volatile than traditional securities or the Reference Instrument. Moreover, depending on the structure of the particular hybrid, it may expose the Fund to leverage risks or carry liquidity risks.

### **FIXED-INCOME SECURITIES**

Fixed-income securities pay interest, dividends or distributions at a specified rate. The rate may be a fixed percentage of the principal or may be adjusted periodically. In addition, the issuer of a fixed-income security must repay the principal amount of the security, normally within a specified time. Fixed-income securities provide more regular income than equity securities. However, the returns on fixed-income securities are limited and normally do not increase with the issuer’s earnings. This limits the potential appreciation of fixed-income securities as compared to equity securities.

A security’s yield measures the annual income earned on a security as a percentage of its price. A security’s yield will increase or decrease depending upon whether it costs less (a “discount”) or more (a “premium”) than the principal amount. If the issuer may redeem the security before its scheduled maturity, the price and yield on a discount or premium security may change based upon the probability of an early redemption. Securities with higher risks generally have higher yields.

The following describes the fixed-income securities in which the Fund principally invests:

#### **Treasury Securities (A Type of Fixed-Income Security)**

Treasury securities are direct obligations of the federal government of the United States. Treasury securities are generally regarded as having minimal credit risks.

#### **Corporate Debt Securities (A Fixed-Income Security)**

Corporate debt securities are fixed-income securities issued by businesses. Notes, bonds, debentures and commercial paper are the most prevalent types of corporate debt securities. The Fund may also purchase interests in bank loans to companies. The credit risks of corporate debt securities vary widely among issuers.

In addition, the credit risk of an issuer’s debt security may vary based on its priority for repayment. For example, higher ranking (“senior”) debt securities have a higher priority than lower ranking (“subordinated”) securities. This means that the issuer might not make payments on subordinated securities while continuing to make payments on senior securities. In addition, in the event of bankruptcy, holders of senior securities may receive amounts otherwise payable to the holders of subordinated securities. Some subordinated securities, such as trust preferred and capital securities notes, also permit the issuer to defer payments under certain circumstances. For example, insurance companies issue securities known as surplus notes that permit the insurance company to defer any payment that would reduce its capital below regulatory requirements.

The Fund may invest in both investment-grade and noninvestment-grade corporate debt securities. Lower-rated fixed-income securities are securities rated below investment-grade (i.e., BB or lower) by a nationally recognized statistical rating organization (NRSRO). There is no minimal acceptable rating for a security to be purchased or held by the Fund and the Fund may purchase or hold unrated securities and securities whose issuers are in default.

### **Loan Instruments (A Fixed-Income Security)**

The Fund may invest in loan (and loan-related) instruments, which are interests in amounts owed by a corporate, governmental or other borrower to lenders or groups of lenders known as lending syndicates (loans and loan participations). Investments in certain loans have additional risks that result from the use of agents and other interposed financial institutions. Such loans are structured and administered by a financial institution (e.g., a commercial bank) that acts as the agent of the lending syndicate. The agent bank, which may or may not also be a lender, typically administers and enforces the loan on behalf of the lenders in the lending syndicate. In addition, an institution, typically but not always the agent bank, holds the collateral, if any, on behalf of the lenders. A financial institution's employment as an agent bank might be terminated for a number of reasons, for example, in the event that it fails to observe a requisite standard of care or becomes insolvent. A successor agent bank would generally be appointed to replace the terminated agent bank, and assets held by the agent bank under the loan agreement likely would remain available to holders of such indebtedness. However, if assets held by the agent bank for the benefit of the Fund were determined to be subject to the claims of the agent bank's general creditors, the Fund might incur certain costs and delays in realizing payment on a loan or loan participation and could suffer a loss of principal and/or interest. In situations involving other interposed financial institutions (e.g., an insurance company or government agency) similar risks may arise.

Loan instruments may be secured or unsecured. If secured, then the lenders have been granted rights to specific property (such as receivables, tangible goods, real property or commodities), which is commonly referred to as collateral. The purpose of securing a loan is to allow the lenders to exercise their rights over the collateral if the loan is not repaid as required by the terms of lending agreement. Unsecured loans expose the lenders to increased credit risk.

The loan instruments in which the Fund may invest may involve borrowers, agent banks, co-lenders and collateral located both in the United States and outside of the United States (in both developed and emerging markets).

The Fund treats loan instruments as a type of fixed-income security. Investments in loan instruments may expose the Fund to interest rate risk, risks of investing in foreign securities, risks of emerging markets, credit risk, liquidity risk and leverage risk. (For purposes of the descriptions in this Prospectus of these various risks, "issuer" includes borrowers in loan instruments). Many loan instruments incorporate risk mitigation and insurance products into their structures in order to manage these risks. There is no guarantee that these risk management techniques will work as intended.

### **Convertible Securities (A Fixed-Income Security)**

Convertible securities are fixed-income securities that the Fund or, in some instances, its issuer, has the option to exchange for equity securities at a specified conversion price, or which are automatically exchanged for equity securities after a specified conversion period. The option allows the Fund to realize additional returns if the market price of the equity securities exceeds the conversion price. For example, the Fund may hold fixed-income securities that are convertible into shares of common stock at a conversion price of \$10 per share. If the market value of the shares of common stock reached \$12, the Fund could realize an additional \$2 per share by converting its fixed-income securities.

Convertible securities have lower yields than comparable fixed-income securities. In addition, at the time a convertible security is issued, the conversion price exceeds the market value of the underlying equity securities. Thus, convertible securities may provide lower returns than non-convertible, fixed-income securities or equity securities depending upon changes in the price of the underlying equity securities. However, convertible securities permit the Fund to realize some of the potential appreciation of the underlying equity securities with less risk of losing its initial investment.

The Fund treats convertible securities as fixed-income securities for purposes of its investment policies and limitations, because of their unique characteristics.

### **Asset Segregation**

In order to secure its obligations in connection with derivative contracts or special transactions, the Fund will either own the underlying assets, enter into offsetting transactions or set aside cash or readily marketable securities in each case, as provided by the SEC or SEC staff guidance. This requirement may cause the Fund to miss favorable trading opportunities, due to a lack of sufficient cash or readily marketable securities. This requirement may also cause the Fund to realize losses on offsetting or terminated derivative contracts or special transactions.

## **Investing in Securities of Other Investment Companies**

The Fund may invest its assets in securities of other investment companies, including the securities of affiliated money market funds, as an efficient means of carrying out its investment policies and managing its uninvested cash. The Fund may also invest in high-yield and other asset classes primarily by investing in other investment companies (which may or may not be available for general investment by the public) and that are advised by the Adviser, or an affiliate of the Adviser. These other investment companies are managed independently of the Fund and incur additional expenses. Therefore, any such investment by the Fund may be subject to duplicate expenses. However, the Adviser believes that the benefits and efficiencies of this approach should outweigh the additional expenses.

The Fund may also purchase shares of exchange-traded funds (ETFs) in order to achieve exposure to a specific region, country, commodity, market sector or for reasons consistent with its investment strategy.

As with traditional mutual funds, ETFs charge asset-based fees, although these fees tend to be relatively low. ETFs do not charge initial sales charges or redemption fees and investors pay only customary brokerage fees to buy and sell ETF shares.

## **Investment Ratings for Investment-Grade Securities**

The Adviser will determine whether a security is investment grade based upon the credit ratings given by one or more nationally recognized statistical rating organizations (NRSROs). For example, Standard & Poor's, a rating service, assigns ratings to investment-grade securities (AAA, AA, A and BBB including modifiers, sub-categories or gradations) based on their assessment of the likelihood of the issuer's inability to pay interest or principal (default) when due on each security. Lower credit ratings correspond to higher credit risk. If a security has not received a rating, the Fund must rely entirely upon the Adviser's credit assessment that the security is comparable to investment grade. If a security is downgraded below the minimum quality grade discussed above, the Adviser will reevaluate the security, but will not be required to sell it. The presence of a ratings modifier, sub-category, or gradation (for example, a (+) or (-)) is intended to show relative standing within the major rating categories and does not affect the security credit rating for purposes of the Fund's investment parameters.

## **What are the Specific Risks of Investing in the Fund?**

The following provides general information on the risks associated with the Fund's principal investments. Any additional risks associated with the Fund's non-principal investments are described in the Fund's SAI. The Fund's SAI also may provide additional information about the risks associated with the Fund's principal investments.

### **STOCK MARKET RISK**

The value of equity securities in the Fund's portfolio will rise and fall over time. These fluctuations could be a sustained trend or a drastic movement. Historically, the equity market has moved in cycles, and the value of the Fund's securities may fluctuate from day to day. The Fund's portfolio will reflect changes in prices of individual portfolio stocks or general changes in stock valuations. Consequently, the Fund's Share price may decline. The Adviser attempts to manage market risk by limiting the amount the Fund invests in each company's equity securities. However, diversification will not protect the Fund against widespread or prolonged declines in the stock market.

Information publicly available about a company, whether from the company's financial statements or other disclosures or from third parties, or information available to some but not all market participants, can affect the price of a company's shares in the market. The price of a company's shares depends significantly on the information publicly available about the company. The reporting of poor results by a company, the restatement of a company's financial statements or corrections to other information regarding a company or its business may adversely affect the price of its shares, as would allegations of fraud or other misconduct by the company's management. The Fund may also be disadvantaged if some market participants have access to material information not readily available to other market participants, including the Fund.

### **INVESTMENT STYLE RISK**

Securities with different characteristics tend to shift in and out of favor depending upon market and economic conditions as well as investor sentiment. A fund may outperform or underperform other funds that employ a different style. The Fund may employ a combination of styles that impact its risk characteristics, such as growth and value investing. Growth stocks may be more volatile than other stocks because they are more sensitive to investor perceptions of the issuing company's growth of earnings potential. Growth-oriented funds will typically underperform when value investing is in favor. Value stocks are those which are out of favor or undervalued in comparison to their peers due to adverse business developments or other factors. Value-oriented funds will typically underperform when growth investing is in favor.



## **RISK OF FOREIGN INVESTING**

Foreign securities pose additional risks because foreign economic or political conditions may be less favorable than those of the United States. Securities in foreign markets may also be subject to taxation policies that reduce returns for U.S. investors.

Foreign companies may not provide information (including financial statements) as frequently or to as great an extent as companies in the United States. Foreign companies may also receive less coverage than U.S. companies by market analysts and the financial press. In addition, foreign countries may lack uniform accounting, auditing and financial reporting standards or regulatory requirements comparable to those applicable to U.S. companies. These factors may prevent the Fund and its Adviser from obtaining information concerning foreign companies that is as frequent, extensive and reliable as the information available concerning companies in the United States.

Foreign countries may have restrictions on foreign ownership of securities or may impose exchange controls, capital flow restrictions or repatriation restrictions which could adversely affect the liquidity of the Fund's investments.

## **REAL ESTATE INVESTMENT TRUST RISK**

Real estate investment trusts (REITs), including foreign REITs and REIT-like entities, are subject to risks associated with the ownership of real estate. Some REITs experience market risk due to investment in a limited number of properties, in a narrow geographic area, or in a single property type, which increases the risk that such REIT could be unfavorably affected by the poor performance of a single investment or investment type. These companies are also sensitive to factors such as changes in real estate values and property taxes, interest rates, cash flow of underlying real estate assets, supply and demand and the management skill and creditworthiness of the issuer. Borrowers could default on or sell investments that a REIT holds, which could reduce the cash flow needed to make distributions to investors. In addition, REITs may also be affected by tax and regulatory requirements impacting the REITs' ability to qualify for preferential tax treatments or exemptions. REITs require specialized management and pay management expenses. REITs also are subject to physical risks to real property, including weather, natural disasters, terrorist attacks, war, or other events that destroy real property. Foreign REITs and REIT-like entities can also be subject to currency risk, emerging market risk, limited public information, illiquid trading and the impact of local laws.

REITs include equity REITs and mortgage REITs. Equity REITs may be affected by changes in the value of the underlying property owned by the trusts, while mortgage REITs may be affected by the quality of any credit extended. Further, equity and mortgage REITs are dependent upon management skills and generally may not be diversified. Equity and mortgage REITs are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidations. In addition, equity and mortgage REITs could possibly fail to qualify for tax-free pass-through of income under applicable tax laws or to maintain their exemptions from registration under the Investment Company Act of 1940, as amended. The above factors may also adversely affect a borrower's or a lessee's ability to meet its obligations to the REIT. In the event of a default by a borrower or lessee, the REIT may experience delays in enforcing its rights as a mortgagee or lessor and may incur substantial costs associated with protecting its investments. In addition, even many of the larger REITs in the industry tend to be small to medium-sized companies in relation to the equity markets as a whole.

Effective for taxable years beginning after December 31, 2017, the recently enacted Tax Cuts and Jobs Act generally allows individuals and certain other non-corporate entities, such as partnerships, a deduction for 20% of qualified REIT dividends. However, the new law does not include any provision for a RIC to pass the character of its qualified REIT dividends through to its shareholders. As a result, an investor who invests directly in REITs will be able to receive the benefit of that deduction, while a shareholder in the Fund will not.

## **RISK OF INVESTING IN ADRS AND DOMESTICALLY TRADED SECURITIES OF FOREIGN ISSUERS**

Because the Fund may invest in ADRs and other domestically traded securities of foreign companies, the Fund's Share price may be more affected by foreign economic and political conditions, taxation policies and accounting and auditing standards than would otherwise be the case.

## **CURRENCY RISK**

Exchange rates for currencies fluctuate daily. The combination of currency risk and market risks tends to make securities traded in foreign markets more volatile than securities traded exclusively in the United States. The Adviser and Sub-Adviser attempt to manage currency risk by limiting the amount the Fund invests in securities denominated in a particular currency. However, diversification will not protect the Fund against a general increase in the value of the U.S. dollar relative to other currencies.

Investing in currencies or securities denominated in a foreign currency, entails risk of being exposed to a currency that may not fully reflect the strengths and weaknesses of the economy of the country or region utilizing the currency. In addition, it is possible that a currency (such as, for example, the euro) could be abandoned in the future by countries that have already adopted its use, and the effects of such an abandonment on the applicable country and the rest of the countries

utilizing the currency are uncertain but could negatively affect the Fund's investments denominated in the currency. If a currency used by a country or countries is replaced by another currency, the Fund's Adviser and Sub-Adviser would evaluate whether to continue to hold any investments denominated in such currency, or whether to purchase investments denominated in the currency that replaces such currency, at the time. Such investments may continue to be held, or purchased, to the extent consistent with the Fund's investment objective(s) and permitted under applicable law.

Many countries rely heavily upon export-dependent businesses and any strength in the exchange rate between a currency and the U.S. dollar or other currencies can have either a positive or a negative effect upon corporate profits and the performance of investments in the country or region utilizing the currency. Adverse economic events within such country or region may increase the volatility of exchange rates against other currencies, subjecting the Fund's investments denominated in such country's or region's currency to additional risks.

### **EUROZONE RELATED RISK**

A number of countries in the European Union (EU) have experienced, and may continue to experience, severe economic and financial difficulties. Additional EU member countries may also fall subject to such difficulties. These events could negatively affect the value and liquidity of the Fund's investments in euro-denominated securities and derivatives contracts, securities of issuers located in the EU or with significant exposure to EU issuers or countries. If the euro is dissolved entirely, the legal and contractual consequences for holders of euro-denominated obligations and derivative contracts would be determined by laws in effect at such time. Such investments may continue to be held, or purchased, to the extent consistent with the Fund's investment objective(s) and permitted under applicable law. These potential developments, or market perceptions concerning these and related issues, could adversely affect the value of the Shares.

Certain countries in the EU have had to accept assistance from supra-governmental agencies such as the International Monetary Fund, the European Stability Mechanism (the ESM) or other supra-governmental agencies. The European Central Bank has also been intervening to purchase Eurozone debt in an attempt to stabilize markets and reduce borrowing costs. There can be no assurance that these agencies will continue to intervene or provide further assistance and markets may react adversely to any expected reduction in the financial support provided by these agencies. Responses to the financial problems by European governments, central banks and others including austerity measures and reforms, may not work, may result in social unrest and may limit future growth and economic recovery or have other unintended consequences.

In addition, one or more countries may abandon the euro and/or withdraw from the EU. The impact of these actions, especially if they occur in a disorderly fashion, could be significant and far-reaching. In June 2016, the United Kingdom (U.K.) approved a referendum to leave the EU, commonly referred to as "Brexit," which sparked depreciation in the value of the British pound, short-term declines in global stock markets and heightened risk of continued worldwide economic volatility. As a result of Brexit, there is considerable uncertainty as to the arrangements that will apply to the U.K.'s relationship with the EU and other countries leading up to, and following, its withdrawal. This long-term uncertainty may affect other countries in the EU and elsewhere. Further, the U.K.'s departure from the EU may cause volatility within the EU, triggering prolonged economic downturns in certain European countries or sparking additional member states to contemplate departing the EU. In addition, Brexit can create actual or perceived additional economic stresses for the U.K., including potential for decreased trade, capital outflows, devaluation of the British pound, wider corporate bond spreads due to uncertainty and possible declines in business and consumer spending as well as foreign direct investment.

### **RISK OF INVESTING IN EMERGING MARKET COUNTRIES**

Securities issued or traded in emerging markets generally entail greater risks than securities issued or traded in developed markets. For example, their prices may be significantly more volatile than prices in developed countries. Emerging markets economies may also experience more severe downturns (with corresponding currency devaluations) than developed economies.

Emerging market countries may have relatively unstable governments and may present the risk of nationalization of businesses, expropriation, confiscatory taxation or, in certain instances, reversion to closed market, centrally planned economies.

### **SECTOR RISK**

Companies with similar characteristics may be grouped together in broad categories called sectors. Sector risk is the possibility that a certain sector may underperform other sectors or the market as a whole. As the Adviser allocates more of the Fund's portfolio holdings to a particular sector, the Fund's performance will be more susceptible to any economic, business or other developments which generally affect that sector.

## **RISK OF INVESTING IN DERIVATIVE CONTRACTS AND HYBRID INSTRUMENTS**

The Fund's exposure to derivative contracts and hybrid instruments (either directly or through its investment in another investment company) involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. First, changes in the value of the derivative contracts and hybrid instruments in which the Fund invests may not be correlated with changes in the value of the underlying Reference Instruments or, if they are correlated, may move in the opposite direction than originally anticipated. Second, while some strategies involving derivatives may reduce the risk of loss, they may also reduce potential gains or, in some cases, result in losses by offsetting favorable price movements in portfolio holdings. Third, there is a risk that derivative contracts and hybrid instruments may be erroneously priced or improperly valued and, as a result, the Fund may need to make increased cash payments to the counterparty. Fourth, exposure to derivative contracts and hybrid instruments may have tax consequences to the Fund and its shareholders. For example, derivative contracts and hybrid instruments may cause the Fund to realize increased ordinary income or short-term capital gains (which are treated as ordinary income for Federal income tax purposes) and, as a result, may increase taxable distributions to shareholders. In addition, under certain circumstances certain derivative contracts and hybrid instruments may cause the Fund to: (a) incur an excise tax on a portion of the income related to those contracts and instruments; and/or (b) reclassify, as a return of capital, some or all of the distributions previously made to shareholders during the fiscal year as dividend income. Fifth, a common provision in OTC derivative contracts permits the counterparty to terminate any such contract between it and the Fund, if the value of the Fund's total net assets declines below a specified level over a given time period. Factors that may contribute to such a decline (which usually must be substantial) include significant shareholder redemptions and/or a marked decrease in the market value of the Fund's investments. Any such termination of the Fund's OTC derivative contracts may adversely affect the Fund (for example, by increasing losses and/or costs, and/or preventing the Fund from fully implementing its investment strategies). Sixth, the Fund may use a derivative contract to benefit from a decline in the value of a Reference Instrument. If the value of the Reference Instrument declines during the term of the contract, the Fund makes a profit on the difference (less any payments the Fund is required to pay under the terms of the contract). Any such strategy involves risk. There is no assurance that the Reference Instrument will decline in value during the term of the contract and make a profit for the Fund. The Reference Instrument may instead appreciate in value creating a loss for the Fund. Seventh, a default or failure by a CCP or an FCM (also sometimes called a "futures broker"), or the failure of a contract to be transferred from an Executing Dealer to the FCM for clearing, may expose the Fund to losses, increase its costs, or prevent the Fund from entering or exiting derivative positions, accessing margin, or fully implementing its investment strategies. The central clearing of a derivative and trading of a contract over a SEF could reduce the liquidity in, or increase costs of entering into or holding, any contracts. Finally, derivative contracts and hybrid instruments may also involve other risks described in this Prospectus, such as interest rate and credit risk.

## **RISK OF INVESTING IN COMMODITIES (INCLUDING ETFS)**

Because the Fund may invest in instruments (including ETFs) whose performance is linked to the price of an underlying commodity or commodity index, the Fund may be subject to the risks of investing in physical commodities. These types of risks include regulatory, economic and political developments, weather events and natural disasters, pestilence, market disruptions and the fact that commodity prices may have greater volatility than investments in traditional securities.

## **RISK OF INVESTING IN GOLD BULLION**

The Fund's investment in gold bullion could cause the Fund to fail to qualify as a regulated investment company (RIC) under Subchapter M of the Internal Revenue Code. It is the intent of the Fund to maintain its RIC status, and as such, the Fund will seek to manage its investment in gold bullion in an effort to continue to qualify as a RIC (for example, by altering the timing and/or amount of gold bullion transactions). However, there are no assurances it will be successful in doing so.

Custodial services and other costs relating to investment in gold bullion are generally more expensive than those associated with investing in securities. The inability of the Fund to make intended purchases of gold bullion due to settlement problems could cause the Fund to not be fully protected against the loss of its assets or cause the Fund to miss attractive investment opportunities.

If the Fund fails to qualify as a RIC in a taxable year, the Fund will become subject to corporate level tax on its net income and capital gains. In addition, any dividends paid by the Fund would continue to be subject to tax at the shareholder level. In order to regain RIC qualifications, the Fund could also be required to recognize unrealized gains, pay substantial taxes and interest, and make substantial distributions to shareholders.

The Fund's investments in gold bullion may involve higher custody and transaction costs than investment in securities.

## **INTEREST RATE RISK**

Prices of fixed-income securities rise and fall in response to changes in interest rates. Generally, when interest rates rise, prices of fixed-income securities fall. However, market factors, such as the demand for particular fixed-income securities, may cause the price of certain fixed-income securities to fall while the prices of other securities rise or remain unchanged.

The longer the duration of a fixed-income security, the more susceptible it is to interest rate risk. The duration of a fixed-income security may be equal to or shorter than the stated maturity of a fixed-income security. Recent and potential future changes in monetary policy made by central banks and/or their governments are likely to affect the level of interest rates. Duration measures the price sensitivity of a fixed-income security given a change in interest rates. For example, if a fixed-income security has an effective duration of three years, a 1% increase in general interest rates would be expected to cause the security's value to decline about 3% while a 1% decrease in general interest rates would be expected to cause the security's value to increase about 3%.

## **CREDIT RISK**

Credit risk is the possibility that an issuer will default on a security by failing to pay interest or principal when due. If an issuer defaults, the Fund will lose money.

Fixed-income securities generally compensate for greater credit risk by paying interest at a higher rate. The difference between the yield of a security and the yield of a U.S. Treasury security with a comparable maturity (the "spread") measures the additional interest paid for risk. Spreads may increase generally in response to adverse economic or market conditions. A security's spread may also increase if the security's rating is lowered, or the security is perceived to have an increased credit risk. An increase in the spread will cause the price of the security to decline.

Credit risk includes the possibility that a party to a transaction involving the Fund may fail to meet its obligations. This could cause the Fund to lose money or to lose the benefit of the transaction or prevent the Fund from selling or buying other securities to implement its investment strategy.

## **RISK ASSOCIATED WITH NONINVESTMENT-GRADE SECURITIES**

Securities rated below investment grade, also known as junk bonds, generally entail greater economic, credit and liquidity risks than investment-grade securities. For example, their prices are more volatile, economic downturns and financial setbacks may affect their prices more negatively, and their trading market may be more limited. These securities are considered speculative with respect to the issuer's ability to pay interest and repay principal.

## **LIQUIDITY RISK**

Trading opportunities are more limited for securities that have not received any credit ratings, have received ratings below investment grade or are not widely held. Any one or more of these features may make it more difficult to sell or buy a security at a favorable price or time. Consequently, the Fund may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on the Fund's performance. Infrequent trading of securities may also lead to an increase in their price volatility. Noninvestment-grade securities generally have less liquidity than investment-grade securities.

Liquidity risk also refers to the possibility that the Fund may not be able to sell a security or close out a derivative contract when it wants to. If this happens, the Fund will be required to continue to hold the security or keep the position open, and the Fund could incur losses. OTC derivative contracts generally carry greater liquidity risk than exchange-traded contracts. This risk may be increased in times of financial stress, if the trading market for OTC derivative contracts becomes restricted.

## **RISK RELATED TO THE ECONOMY**

The value of the Fund's portfolio may decline in tandem with a drop in the overall value of the markets in which the Fund invests and/or other markets based on negative developments in the U.S. and global economies. Economic, political and financial conditions, or industry or economic trends and developments, may, from time to time, and for varying periods of time, cause volatility, illiquidity or other potentially adverse effects in the financial markets, including the fixed-income market. The commencement, continuation or ending of government policies and economic stimulus programs, changes in monetary policy, increases or decreases in interest rates, or other factors or events that affect the financial markets, including the fixed-income markets, may contribute to the development of or increase in volatility, illiquidity, shareholder redemptions and other adverse effects which could negatively impact the Fund's performance. For example, the value of certain portfolio securities may rise or fall in response to changes in interest rates, which could result from a change in government policies, and has the potential to cause investors to move out of certain portfolio securities, including fixed-income securities, on a

large scale. This may increase redemptions from funds that hold large amounts of certain securities and may result in decreased liquidity and increased volatility in the financial markets. Market factors, such as the demand for particular portfolio securities, may cause the price of certain portfolio securities to fall while the prices of other securities rise or remain unchanged. Among other investments, lower-grade bonds may be particularly sensitive to changes in the economy.

#### **LEVERAGE RISK**

Leverage risk is created when an investment, which includes, for example, an investment in a derivative contract, exposes the Fund to a level of risk that exceeds the amount invested. Changes in the value of such an investment magnify the Fund's risk of loss and potential for gain. Investments can have these same results if their returns are based on a multiple of a specified index, security or other benchmark.

#### **EXCHANGE-TRADED FUNDS RISK**

An investment in an exchange-traded fund (ETF) generally presents the same primary risks as an investment in a conventional fund (i.e., one that is not exchange-traded) that has the same investment objectives, strategies and policies. The price of an ETF can fluctuate up or down, and the Fund could lose money investing in an ETF if the prices of the securities owned by the ETF go down. In addition, ETFs may be subject to the following risks that do not apply to conventional funds: (i) the market price of an ETF's shares may trade above or below its net asset value; (ii) an active trading market for an ETF's shares may not develop or be maintained; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are delisted from the exchange or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally.

#### **SHORT SELLING RISK**

The Fund can sell securities short to the maximum extent permitted under the 1940 Act. A short sale by the Fund involves borrowing a security from a lender which is then sold in the open market. At a future date, the security is repurchased by the Fund and returned to the lender. While the security is borrowed, the proceeds from the sale are deposited with the lender and the Fund may be required to pay interest, fees and/or the equivalent of any dividend payments paid by the security to the lender. If the value of the security declines between the time the Fund borrows the security and the time it repurchases and returns the security to the lender, the Fund makes a profit on the difference (less any expenses the Fund is required to pay the lender). There is no assurance that a security will decline in value during the period of the short sale and make a profit for the Fund. If the value of the security sold short increases between the time that the Fund borrows the security and the time it repurchases and returns the security to the lender, the Fund will realize a loss on the difference plus any expenses the Fund is required to pay to the lender. This loss is theoretically unlimited as there is no limit as to how high the security sold short can appreciate in value, thus increasing the cost of buying that security to cover a short position. In addition, there is no guarantee that the security needed to cover the short position will be available for purchase.

The Fund may incur two types of expenses from short sales: borrowing expenses and dividend expenses. Borrowing expenses may occur because the Fund may pay income or be charged a fee on borrowed securities. This income or fee is based upon the market value of the borrowed security and is dependent upon the availability of the security. Dividend expenses may occur because the Fund has to pay the lender of the security the value of any dividends earned on the borrowed security. These dividends and borrowing expenses are investment expenses of the Fund.

#### **TECHNOLOGY RISK**

The Adviser uses various technologies in managing the Fund, consistent with its investment objective(s) and strategy described in this Prospectus. For example, proprietary and third-party data and systems are utilized to support decision-making for the Fund. Data imprecision, software or other technology malfunctions, programming inaccuracies and similar circumstances may impair the performance of these systems, which may negatively affect Fund performance.

## **What Do Shares Cost?**

#### **CALCULATION OF NET ASSET VALUE**

When the Fund receives your transaction request in proper form (as described in this Prospectus under the sections entitled "How to Purchase Shares" and "How to Redeem and Exchange Shares"), it is processed at the next calculated net asset value of a Share (NAV) plus any applicable front-end sales charge ("public offering price"). A Share's NAV is determined as of the end of regular trading on the New York Stock Exchange (NYSE) (normally 4:00 p.m. Eastern time), each day the NYSE is open. The Fund calculates the NAV of each class by valuing the assets allocated to the Share's class, subtracting the liabilities allocated to each class and dividing the balance by the number of Shares of the class outstanding.



The NAV for each class of Shares may differ due to the level of expenses allocated to each class as well as a result of the variance between the amount of accrued investment income and capital gains or losses allocated to each class and the amount actually distributed to shareholders of each class. The Fund's current NAV and/or public offering price may be found at FederatedInvestors.com, via online news sources and in certain newspapers.

You can purchase, redeem or exchange Shares any day the NYSE is open.

When the Fund holds securities that trade principally in foreign markets on days the NYSE is closed, the value of the Fund's assets may change on days you cannot purchase or redeem Shares. This may also occur when the U.S. markets for fixed-income securities are open on a day the NYSE is closed.

In calculating its NAV, the Fund generally values investments as follows:

- Equity securities listed on an exchange or traded through a regulated market system are valued at their last reported sale price or official closing price in their principal exchange or market.
- Fixed-income securities are fair valued using price evaluations provided by a pricing service approved by the Board of Trustees ("Board").
- Derivative contracts listed on exchanges are valued at their reported settlement or closing price, except that options are valued at the mean of closing bid and asked quotations.
- Over-the-counter (OTC) derivative contracts are fair valued using price evaluations provided by a pricing service approved by the Board.

If any price, quotation, price evaluation or other pricing source is not readily available when the NAV is calculated, if the Fund cannot obtain price evaluations from a pricing service or from more than one dealer for an investment within a reasonable period of time as set forth in the Fund's valuation policies and procedures, or if information furnished by a pricing service, in the opinion of the Valuation Committee, is deemed not representative of the fair value of such security, the Fund uses the fair value of the investment determined in accordance with the procedures generally described below. There can be no assurance that the Fund could obtain the fair value assigned to an investment if it sold the investment at approximately the time at which the Fund determines its NAV per share.

Shares of other mutual funds are valued based upon their reported NAVs. The prospectuses for these mutual funds explain the circumstances under which they will use fair value pricing and the effects of using fair value pricing.

#### **FAIR VALUATION AND SIGNIFICANT EVENTS PROCEDURES**

The Board has ultimate responsibility for determining the fair value of investments for which market quotations are not readily available. The Board has appointed a Valuation Committee comprised of officers of the Fund, the Adviser and certain of the Adviser's affiliated companies to assist in determining fair value and in overseeing the calculation of the NAV. The Board has also authorized the use of pricing services recommended by the Valuation Committee to provide fair value evaluations of the current value of certain investments for purposes of calculating the NAV. In the event that market quotations and price evaluations are not available for an investment, the Valuation Committee determines the fair value of the investment in accordance with procedures adopted by the Board. The Board periodically reviews and approves the fair valuations made by the Valuation Committee and any changes made to the procedures. The Fund's SAI discusses the methods used by pricing services and the Valuation Committee to assist the Board in valuing investments.

Using fair value to price investments may result in a value that is different from an investment's most recent closing price and from the prices used by other mutual funds to calculate their NAVs. The application of the fair value procedures to an investment represent a good faith determination of such investment's fair value. There can be no assurance that the Fund could obtain the fair value assigned to an investment if it sold the investment at approximately the time at which the Fund determines its NAV per share.

The Board also has adopted procedures requiring an investment to be priced at its fair value whenever the Adviser determines that a significant event affecting the value of the investment has occurred between the time as of which the price of the investment would otherwise be determined and the time as of which the NAV is computed. An event is considered significant if there is both an affirmative expectation that the investment's value will change in response to the event and a reasonable basis for quantifying the resulting change in value.

Examples of significant events that may occur after the close of the principal market on which a security is traded, or after the time of a price evaluation provided by a pricing service or a dealer, include:

- With respect to securities traded principally in foreign markets, significant trends in U.S. equity markets or in the trading of foreign securities index futures contracts;
- Political or other developments affecting the economy or markets in which an issuer conducts its operations or its securities are traded; and
- Announcements concerning matters such as acquisitions, recapitalizations or litigation developments or a natural disaster affecting the issuer's operations or regulatory changes or market developments affecting the issuer's industry.

The Board has adopted procedures whereby the Valuation Committee uses a pricing service to determine the fair value of equity securities traded principally in foreign markets when the Adviser determines that there has been a significant trend in the U.S. equity markets or in index futures trading. For other significant events, the Fund may seek to obtain more current quotations or price evaluations from alternative pricing sources. If a reliable alternative pricing source is not available, the Valuation Committee will determine the fair value of the investment using another method approved by the Board. The Board has ultimate responsibility for any fair valuations made in response to a significant event.

The fair valuation of securities following a significant event can serve to reduce arbitrage opportunities for short-term traders to profit at the expense of long-term investors in the Fund. For example, such arbitrage opportunities may exist when the market on which portfolio securities are traded closes before the Fund calculates its NAV, which is typically the case with Asian and European markets. However, there is no assurance that these significant event procedures will prevent dilution of the NAV by short-term traders. See “Account and Share Information – Frequent Trading Policies” for other procedures the Fund employs to deter such short-term trading.

## SALES CHARGE INFORMATION

The following table summarizes the minimum investment amount and the maximum sales charge, if any, that you will pay on an investment in the Fund. Keep in mind that financial intermediaries may charge you fees for their services in connection with your Share transactions.

| Shares Offered | Minimum<br>Initial/Subsequent<br>Investment<br>Amounts <sup>1</sup> | Maximum Sales Charges                  |   |
|----------------|---|--|---|
|                |   | Front-End<br>Sales Charge <sup>2</sup> | Contingent<br>Deferred<br>Sales Charge <sup>3</sup> |
| A              | \$1,500/\$100   | 5.50%                                  | 0.00%   |
| B              | \$1,500/\$100   | None                                   | 5.50%   |
| C              | \$1,500/\$100   | None                                   | 1.00%   |

<sup>1</sup> The minimum initial and subsequent investment amounts for Individual Retirement Accounts (IRAs) are generally \$250 and \$100, respectively. There is no minimum initial or subsequent investment amount required for employer-sponsored retirement plans; however, such accounts remain subject to the Fund’s policy on “Accounts with Low Balances” as discussed later in this Prospectus. Please see “By Systematic Investment Program” for applicable minimum investment. Financial intermediaries may impose higher or lower minimum investment requirements on their customers than those imposed by the Fund.

To maximize your return and minimize the sales charges and marketing fees, purchases of the B class are generally limited to \$100,000 and purchases of the C class are generally limited to \$1,000,000. Purchases equal to or in excess of these limits may be made in the A class. If your Shares are held on the books of the Fund in the name of a financial intermediary, you may be subject to rules of your financial intermediary that differ from those of the Fund. See “Purchase Restrictions on B Class and C Class” below. After the B class has been held for eight years from the date of purchase, they will automatically convert to the A class. This conversion is a non-taxable event.

After C Shares have been held for ten years from the date of purchase, they will automatically convert to A Shares on the next monthly conversion processing date, provided that certain conditions are satisfied. See “How is the Fund Sold?” This conversion is a non-taxable event.

<sup>2</sup> Front-End Sales Charge is expressed as a percentage of public offering price. See “Sales Charge When You Purchase.”

<sup>3</sup> See “Sales Charge When You Redeem.”

As shown in the table above, each class of Shares has a different sales charge structure. In addition, the ongoing annual operating expenses (expense ratios), as well as the compensation payable to financial intermediaries, also vary among the classes. Before you decide which class to purchase, you should review the different charges and expenses of each class carefully, in light of your personal circumstances, and consult with your financial intermediary.

Among the important factors to consider are the amount you plan to invest and the length of time you expect to hold your investment (for example, whether the investment is in connection with a long-term retirement program). You should also consider, for example, that it may be possible to reduce or eliminate the front-end sales charges imposed on purchases of the A class. Among other ways, the A class has a series of “breakpoints,” which means that the front-end sales charges decrease (and can be eliminated entirely) as the amount invested increases. (The breakpoint schedule is set out below, along with detailed information on ways to reduce, or eliminate, front-end sales charges.) On the other hand, the B class does not have front-end sales charges, but the deferred sales charges imposed on redemptions of the B class do not vary at all in relation to the amounts invested. Rather, these charges decrease with the passage of time (ultimately going to zero after Shares have been held for six full years). Finally, the C class does not have front-end sales charges, but do impose a contingent deferred sales charge only if redeemed within one year after purchase; however, the asset-based 12b-1 fees charged to the C class are greater than those charged to the A class and comparable to those charged to the B class.

You should also consider that the expense ratio for the A class will be lower than that for the B class or the C class. Thus, the fact that no front-end charges are ever imposed on purchases of the B class and C class does not always make them preferable to the A class.

## SALES CHARGE WHEN YOU PURCHASE

The following table lists the sales charges which will be applied to your Share purchase, subject to the breakpoint discounts indicated in the table and described below.

A:

| Purchase Amount                     | Sales Charge as a Percentage of Public Offering Price | Sales Charge as a Percentage of NAV |
|-------------------------------------|---|-------------------------------------|
| Less than \$50,000                  | 5.50%   | 5.82%                               |
| \$50,000 but less than \$100,000    | 4.50%   | 4.71%                               |
| \$100,000 but less than \$250,000   | 3.75%   | 3.90%                               |
| \$250,000 but less than \$500,000   | 2.50%   | 2.56%                               |
| \$500,000 but less than \$1 million | 2.00%   | 2.04%                               |
| \$1 million or greater <sup>1</sup> | 0.00%   | 0.00%                               |

<sup>1</sup> A contingent deferred sales charge (CDSC) of 0.75% of the redemption amount applies to Shares originally purchased in an amount of \$1 million or more and redeemed up to 24 months after purchase under certain investment programs where a financial intermediary received an advance payment on the transaction. CDSC exceptions may apply. See "Sales Charge When You Redeem."

## REDUCING THE SALES CHARGE WITH BREAKPOINT DISCOUNTS

Your investment may qualify for a reduction or elimination of the sales charge, also known as a breakpoint discount. The breakpoint discounts offered by the Fund are indicated in the table above.

You or your financial intermediary must notify the Fund's Transfer Agent of eligibility for any applicable breakpoint discount at the time of purchase.

In order to receive the applicable breakpoint discount, it may be necessary at the time of purchase for you to inform your financial intermediary or the Transfer Agent of the existence of other accounts in which there are holdings eligible to be aggregated to meet a sales charge breakpoint ("Qualifying Accounts"). Qualifying Accounts mean those share accounts in the Federated funds held directly or through a financial intermediary or through a single-participant retirement account by you, your spouse, your parents (if you are under age 21) and/or your children under age 21, which can be linked using tax identification numbers (TINs), social security numbers (SSNs) or broker identification numbers (BINs). Accounts held through 401(k) plans and similar multi-participant retirement plans, or through "Section 529" college savings plans or those accounts which cannot be linked using TINs, SSNs or BINs, are not Qualifying Accounts.

In order to verify your eligibility for a breakpoint discount, you will be required to provide to your financial intermediary or the Transfer Agent certain information on your New Account Form and may be required to provide account statements regarding Qualifying Accounts. If you purchase through a financial intermediary, you may be asked to provide additional information and records as required by the financial intermediary. Failure to provide proper notification or verification of eligibility for a breakpoint discount may result in your not receiving a breakpoint discount to which you are otherwise entitled. Breakpoint discounts apply only to your current purchase and do not apply retroactively to previous purchases. The sales charges applicable to the Shares offered in this Prospectus, and the breakpoint discounts offered with respect to such Shares, are described in full in this Prospectus. Because the Prospectus is available on Federated's website free of charge, Federated does not disclose this information separately on the website.

**Contingent upon notification to the Transfer Agent, the sales charge at purchase of the A class only, may be reduced or eliminated by:**

### Larger Purchases

- Purchasing the A class in greater quantities to reduce the applicable sales charge;

### Concurrent and Accumulated Purchases

- Combining concurrent purchases of and/or current investments in the A class, B class, C class, F class and R class of any Federated fund made or held by Qualifying Accounts; the purchase amount used in determining the sales charge on your additional Share purchase will be calculated by multiplying the respective maximum public offering price times the number of the A class, B class, C class, F class and R class shares of any Federated fund currently held in Qualifying Accounts and adding the dollar amount of your current purchase; or



## Letter of Intent

- Signing a letter of intent to purchase a qualifying amount of the A class within 13 months. (Call your financial intermediary or the Fund for more information.) The Fund's custodian will hold Shares in escrow equal to the maximum applicable sales charge. If you complete the Letter of Intent, the Custodian will release the Shares in escrow to your account. If you do not fulfill the Letter of Intent, the Custodian will redeem the appropriate amount from the Shares held in escrow to pay the sales charges that were not applied to your purchases.

## PURCHASE RESTRICTIONS ON B CLASS AND C CLASS

In order to maximize shareholder returns and minimize sales charges and marketing fees, an investor's purchases of the B class are generally limited to \$100,000 and an investor's purchases of the C class are generally limited to \$1,000,000 (except for employer-sponsored retirement plans held in omnibus accounts with respect to C Shares). In applying the limit, the dollar amount of the current purchase is added to the product obtained by multiplying the respective maximum public offering price times the number of the A class, B class, C class, F class and R class of any Federated fund currently held in linked Qualifying Accounts, as defined in the section entitled "Reducing the Sales Charge with Breakpoint Discounts." If the sum of these two amounts would equal or exceed the limit, then the current purchase order will not be processed. Instead, the Distributor will attempt to contact the investor or the investor's financial intermediary to offer the opportunity to convert the order to the A class. If your Shares are held on the books of the Fund in the name of a financial intermediary, you may be subject to rules of your financial intermediary that differ from those of the Fund.

## ELIMINATING THE SALES CHARGE

Your investment may qualify for a sales charge waiver. Sales charge waivers offered by the Fund are listed below. In order to receive a sales charge waiver, you must inform your financial intermediary or the Transfer Agent at the time of each purchase that your investment is eligible for a waiver. It is possible that your financial intermediary may not, in accordance with its policies, procedures and system limitations, be able to ensure your receipt of one or more of these waiver categories. In this situation, you would need to invest directly through the Fund's Transfer Agent. If you do not let your financial intermediary or the Transfer Agent know that your investment is eligible for a sales charge waiver at the time of purchase, you may not receive the waiver to which you may otherwise be entitled.

**Contingent upon notification to the Transfer Agent, the sales charge will be eliminated when you purchase or acquire Shares:**

- within 120 days of redeeming Shares of an equal or greater amount (see "120 Day Reinstatement Program" below);
- through an eligible program offered by a Financial Intermediary that provides for the purchase of Shares without imposition of a sales charge (for example, a wrap account, self-directed brokerage account, retirement or other fee-based program offered by the Financial Intermediary);
- with reinvested dividends or capital gains;
- issued in connection with the merger, consolidation or acquisition of the assets of another fund. Further, the sales charge will be eliminated on purchases of Shares made by a shareholder that originally became a shareholder of a Federated Fund pursuant to the terms of an agreement and plan of reorganization which permits shareholders to acquire Shares at NAV, provided that such purchased Shares are held directly with the Fund's transfer agent. If the Shares are held through a financial intermediary, the sales charge waiver will not apply (A class only);
- as a Federated Life Member (Federated shareholders who originally were issued shares through the "Liberty Account," which was an account for the Liberty Family of Funds on February 28, 1987, or who invested through an affinity group prior to August 1, 1987, into the Liberty Account) (A class only);
- as a Trustee, employee or former employee of the Fund, the Adviser, the Distributor and their affiliates, an employee of any financial intermediary that sells Shares according to a sales agreement with the Distributor, an immediate family member of these individuals or a trust, pension or profit-sharing plan for these individuals; or
- pursuant to the exchange privilege.

The sales charge will not be eliminated if you purchase Shares of the Fund through an exchange of shares of Federated Government Reserves Fund unless your Federated Government Reserves Fund shares were acquired through an exchange of shares on which the sales charge had previously been paid.

## 120 DAY REINSTATEMENT PROGRAM

Within 120 days of redeeming Class A Shares, Class B Shares and Class C Shares of the Fund, upon proper notification to the Fund's Transfer Agent, you may reinvest all or a portion of the redemption proceeds in Class A Shares of the Fund at net asset value, without the imposition of a sales charge or CDSC. Please note:

- The ownership of the account receiving the purchase is not required to be identical to that of the account in which the redemption was placed; however, the registration of the account receiving the purchase must include at least one registered shareholder of the account from which the redemption occurred.

- You will not be reimbursed for any fees originally incurred on the redemption (e.g., CDSC or redemption fees) by subsequently participating in the 120 Day Reinstatement Program.
- The 120 Day Reinstatement Program does not supersede or override any restrictions placed on an account due to frequent trading and/or client contractual issues.

Additional operational restrictions may apply, please contact a Client Service Representative at 1-800-341-7400 for more information.

### SALES CHARGE WHEN YOU REDEEM

Your redemption proceeds may be reduced by a sales charge, commonly referred to as a contingent deferred sales charge (CDSC). Shares otherwise subject to a CDSC will not be charged a CDSC at the time of an exchange; however, the CDSC will continue to be measured from the date of your original purchase. The CDSC schedule applicable to your original purchase will continue to apply to the shares you receive in an exchange.

**To keep the sales charge as low as possible, the Fund redeems your Shares in this order:**

- Shares that are not subject to a CDSC; and
- Shares held the longest. (To determine the number of years your Shares have been held, include the time you held shares of other Federated funds that have been exchanged for Shares of this Fund.)

The CDSC is then calculated using the Share price at the time of purchase or redemption, whichever is lower.

#### A:

If you make a purchase of the A class in the amount of \$1 million or more and your financial intermediary received an advance commission on the sale, you will pay a 0.75% CDSC on any such Shares redeemed within 24 months of the purchase.

#### B:

| Shares Held Up To: | CDSC  |
|--------------------|-------|
| 1 Year             | 5.50% |
| 2 Years            | 4.75% |
| 3 Years            | 4.00% |
| 4 Years            | 3.00% |
| 5 Years            | 2.00% |
| 6 Years            | 1.00% |
| 7 Years or More    | 0.00% |

#### C:

You will pay a 1.00% CDSC if you redeem Shares within 12 months of the purchase date.

Your redemption may qualify for a waiver of the CDSC. The CDSC waivers offered by the Fund are listed below. In order to receive a waiver of the CDSC, you must inform your financial intermediary or the Transfer Agent at the time of each redemption that your investment is eligible for a waiver. It is possible that your financial intermediary may not, in accordance with its policies, procedures and system limitations, be able to ensure your receipt of one or more of these waiver categories. In this situation, you would need to invest directly through the Fund's Transfer Agent in order to take advantage of the waiver. If you do not let your financial intermediary or the Transfer Agent know that your redemption is eligible for a CDSC waiver at the time of redemption, you may not receive the waiver to which you may otherwise be entitled.

**Contingent upon notification to the Transfer Agent, you will not be charged a CDSC when redeeming Shares:**

- following the death of the last surviving shareholder on the account or the post-purchase disability of all registered shareholders, as defined in Section 72(m)(7) of the Internal Revenue Code of 1986 (the beneficiary on an account with a Transfer on Death registration is deemed the last surviving shareholder on the account);
- due to the termination of a trust following the death of the trustor/grantor or beneficiary, provided that the trust document specifically states that the trust is terminated upon the death;
- representing minimum required distributions from an IRA or other retirement plan as required under the Internal Revenue Code;
- purchased by Trustees, employees of the Fund, the Adviser, the Distributor and their affiliates, by employees of a financial intermediary that sells Shares according to a sales agreement with the Distributor, by the immediate family members of the above persons and by trusts, pension or profit-sharing plans for the above persons;
- purchased through an eligible program offered by a Financial Intermediary that provides for the purchase of Shares without imposition of a sales charge (for example, a wrap account, self-directed brokerage account, retirement or other fee-based program offered by the Financial Intermediary);
- purchased with reinvested dividends or capital gains;

- redeemed by the Fund when it closes an account for not meeting the minimum balance requirements; or
- purchased pursuant to the exchange privilege if the Shares were held for the applicable CDSC holding period (the holding period on the Shares purchased in the exchange will include the holding period of the Shares sold in the exchange).

#### **A Class Only**

- purchased in the amount of \$1 million or more and redeemed within 24 months of purchase if the Shares were originally purchased through an eligible program offered by a Financial Intermediary that provides for the purchase of Shares without imposition of a sales charge (for example, a wrap account, self-directed brokerage account, retirement or other fee-based program offered by the Financial Intermediary); or

#### **B Class Only**

- which are qualifying redemptions of the B class under a Systematic Withdrawal Program.

#### **ADDITIONAL INFORMATION ON THE AVAILABILITY OF CERTAIN WAIVERS AND DISCOUNTS**

The availability of certain sales charge waivers and discounts will depend on whether you purchase your shares directly from the Fund or through a financial intermediary. **Certain financial intermediaries may have different policies and procedures regarding the availability of front-end sales load waivers or CDSC waivers which are discussed in Appendix B to this Prospectus. The information contained in Appendix B is based on information provided by these financial intermediaries. Please contact your financial intermediary to ensure that you have the most current information regarding the sales charge waivers and discounts available to you and that you understand the steps you must take to qualify for available waivers and discounts.** In all instances, it is the shareholder's responsibility to notify the Fund or the shareholder's Financial Intermediary at the time of purchase of any relationship or other facts qualifying the investor for sales charge waivers or discounts. **For waivers and discounts not available through a particular financial intermediary, shareholders will have to purchase Fund shares directly from the Fund or through another financial intermediary to receive these waivers or discounts.**

#### **COMMISSIONS ON CERTAIN SHARES**

The Fund does not charge any front-end load, deferred sales charge or other asset-based fee for sales or distribution of IS Shares. However, if you purchase IS Shares through a broker acting solely as an agent on behalf of its customers, you may be required to pay a commission to the broker in an amount determined and separately disclosed to you by the broker.

Because the Fund is not a party to any such commission arrangement between you and your broker, any purchases and redemptions of IS Shares will be made at the applicable net asset value (before imposition of the sales commission). Any such commissions charged by a broker are not reflected in the fees and expenses listed in the "Risk/Return Summary: Fees and Expenses" section of the Fund's Prospectus and described above nor are they reflected in the "Performance: Bar Chart and Table," because they are not charged by the Fund.

Shares of the Fund are available in other share classes that have different fees and expenses.

### **How is the Fund Sold?**

The Fund offers the following Share classes: Class A Shares (A), Class B Shares (B), Class C Shares (C) and Institutional Shares (IS), each representing interests in a single portfolio of securities. All Share classes have different sales charges and other expenses which affect their performance. Please note that certain purchase restrictions may apply.

Under the Distributor's Contract with the Fund, the Distributor, Federated Securities Corp., offers Shares on a continuous, best-efforts basis. The Distributor is a subsidiary of Federated Investors, Inc. ("Federated").

#### **Class B Share Closure**

Class B Shares are closed to new investments by new investors and existing shareholders (excluding reinvestment of dividends and capital gains). Reinvestment of dividends and capital gains will continue uninterrupted. Class B Shares of the Fund may be exchanged for Class B Shares of any other Federated fund.

A shareholder owning the Fund's Class B Shares may continue to hold those shares until such shares automatically convert to Class A Shares under the Fund's existing conversion schedule as described in the Fund's prospectus, or until the shareholder redeems such Class B Shares, subject to any applicable contingent deferred sales charge (CDSC).

Reinvestment of dividends and capital gains will continue uninterrupted.

All other Class B Share features, including but not limited to distribution (12b-1) and service fees, CDSC, accumulation privileges and conversion features, will remain unchanged for Class B Shares.

## **A, B & C Classes**

The Fund's Distributor markets the A, B and C classes to institutions or to individuals, directly or through financial intermediaries.

## **IS Class**

The Fund's Distributor markets the IS class to Eligible Investors, as described below. In connection with a request to purchase the IS class, you should provide documentation sufficient to verify your status as an Eligible Investor. As a general matter, the IS class is not available for direct investment by natural persons.

The following categories of Eligible Investors are not subject to any minimum initial investment amount for the purchase of the IS class (however, such accounts remain subject to the Fund's policy on "Accounts with Low Balances" as discussed later in this Prospectus):

- An investor participating in a no-load platform, network or other fee-based program offered by a financial intermediary, for example, a wrap-account or retirement platform where Federated has entered into an agreement with the intermediary;
- A trustee/director, employee or former employee of the Fund, the Adviser, the Distributor and their affiliates; an immediate family member of these individuals or a trust, pension or profit-sharing plan for these individuals;
- An employer-sponsored retirement plan;
- A trust institution investing on behalf of its trust customers;
- Additional sales to an investor (including a natural person) who owned the IS class of the Fund as of December 31, 2008;
- A Federated Fund;
- An investor (including a natural person) who acquired the IS class of a Federated fund pursuant to the terms of an agreement and plan of reorganization which permits the investor to acquire such shares; and
- In connection with an acquisition of an investment management or advisory business, or related investment services, products or assets, by Federated or its investment advisory subsidiaries, an investor (including a natural person) who: (1) becomes a client of an investment advisory subsidiary of Federated; or (2) is a shareholder or interest holder of a pooled investment vehicle or product that becomes advised or subadvised by a Federated investment advisory subsidiary as a result of such an acquisition other than as a result of a fund reorganization transaction pursuant to an agreement and plan of reorganization.

The following categories of Eligible Investors are subject to applicable minimum initial investment amounts for the purchase of the IS class (see "How to Purchase Shares" below):

- An investor, other than a natural person, purchasing the IS class directly from the Fund; and
- In connection with an initial purchase of the IS class through an exchange, an investor (including a natural person) who owned the IS class of another Federated fund as of December 31, 2008.

## **Intra-Fund Share Conversion Program**

A shareholder in the Fund's Shares may convert their Shares at net asset value to any other share class of the Fund if the shareholder meets the investment minimum and eligibility requirements for the share class into which the conversion is sought, as applicable. This share conversion program is not applicable to the Fund's Class B Shares. The share conversion program is not applicable to the Fund's Class A Shares and Class C Shares subject to a contingent deferred sales charge, if applicable. For Class C Shares purchased through a financial intermediary after June 30, 2017, such shares may only be converted to another share class of the same Fund if: (i) the shares are no longer subject to a CDSC or the financial intermediary agrees to reimburse the Fund's distributor the CDSC otherwise payable upon the sale of such shares; (ii) the shareholder meets the investment minimum and eligibility requirements for the share class into which the conversion is sought, as applicable; and (iii) (a) the conversion is made to facilitate the shareholder's participation in a self-directed brokerage (non-advice) account or a fee-based advisory program offered by the intermediary; or (b) the conversion is part of a multiple-client transaction through a particular financial intermediary as pre-approved by the Fund's Administrator. Such conversion of classes should not result in a realization event for tax purposes. Contact your financial intermediary or call 1-800-341-7400 to convert your Shares.

## **Class B Share Automatic Conversion Feature**

After Class B Shares have been held for eight years from the date of purchase, they will automatically convert into Class A Shares on the next monthly conversion processing date, provided that the Fund or financial intermediary has records confirming that the Class B Shares have been held for at least eight years and that the Class A Shares are available for purchase. For Class B Shares acquired in an exchange from another fund, the date of purchase will be based on the initial purchase of the Class B Shares of the prior fund. Certain financial intermediaries, record keepers and platforms do not track shareholder level share lot aging for certain types of accounts. These Class B Shares would not satisfy the conditions for the conversion. Contact your financial intermediary or call 1-800-341-7400 for more information.

### **Class C Share Automatic Conversion Feature**

After Class C Shares have been held for ten years from the date of purchase, they will automatically convert into Class A Shares on the next monthly conversion processing date, provided that the Fund or financial intermediary has records confirming that the Class C Shares have been held for at least ten years and that the Class A Shares are available for purchase. For Class C Shares acquired in an exchange from another Federated fund, the date of purchase will be based on the initial purchase of the Class C Shares of the prior Federated fund. Certain financial intermediaries, record keepers and platforms do not track shareholder level share lot aging for certain types of accounts. These Class C Shares would not satisfy the conditions for the conversion. Contact your financial intermediary or call 1-800-341-7400 for more information.

### **Payments to Financial Intermediaries**

The Fund and its affiliated service providers may pay fees as described below to financial intermediaries (such as broker-dealers, banks, investment advisers or third-party administrators) whose customers are shareholders of the Fund.

### **FRONT-END SALES CHARGE REALLOWANCES**

The Distributor receives a front-end sales charge on certain Share sales. The Distributor pays a portion of this charge to financial intermediaries that are eligible to receive it (the "Dealer Reallowance") and retains any remaining portion of the front-end sales charge.

When a financial intermediary's customer purchases Shares, the financial intermediary may receive a Dealer Reallowance as follows:

| <b>A:</b>                           |   |
|-------------------------------------|---|
| Purchase Amount                     | Dealer Reallowance as a Percentage of Public Offering Price |
| Less than \$50,000                  | 5.00%   |
| \$50,000 but less than \$100,000    | 4.00%   |
| \$100,000 but less than \$250,000   | 3.25%   |
| \$250,000 but less than \$500,000   | 2.25%   |
| \$500,000 but less than \$1 million | 1.80%   |
| \$1 million or greater              | 0.00%   |

### **ADVANCE COMMISSIONS**

When a financial intermediary's customer purchases Shares, the financial intermediary may receive an advance commission as follows:

#### **A (for purchases over \$1 million):**

| <b>A (for purchases over \$1 million):</b> |   |
|--|---|
| Purchase Amount                            | Advance Commission as a Percentage of Public Offering Price |
| First \$1 million - \$5 million            | 0.75%   |
| Next \$5 million - \$20 million            | 0.50%   |
| Over \$20 million                          | 0.25%   |

Advance commissions are calculated on a year-by-year basis based on amounts invested during that year. Accordingly, with respect to additional purchase amounts, the advance commission breakpoint resets annually to the first breakpoint on the anniversary of the first purchase.

The A class purchases under this program may be made by Letter of Intent or by combining concurrent purchases. The above advance commission will be paid only on those purchases that were not previously subject to a front-end sales charge or dealer advance commission. Certain retirement accounts may not be eligible for this program.

| <b>B:</b>            |   |
|----------------------|---|
|                      |   |
|                      | Advance Commission as a Percentage of Public Offering Price |
| All Purchase Amounts | Up to 5.00%   |

C:

Advance Commission  
as a Percentage of  
Public Offering Price

All Purchase Amounts

1.00%

## **RULE 12B-1 FEES**

### **A, B & C Classes**

The Board has adopted a Rule 12b-1 Plan, which allows payment of marketing fees of up to 0.05% for A class, 0.75% for B class and 0.75% for C class of average net assets to the Distributor for the sale, distribution, administration and customer servicing of the Fund's A class, B class and C class. When the Distributor receives Rule 12b-1 fees, it may pay some or all of them to financial intermediaries whose customers purchase Shares. The Fund's A class has no present intention of paying, accruing or incurring any Rule 12b-1 Fees until such time as approved by the Fund's Board of Trustees. In addition, in connection with the sale of the B class and C class, Federated and its subsidiaries make advance commission payments to financial intermediaries and in return may receive Rule 12b-1 fees and contingent deferred sales loads from the B class and C class. Federated and its subsidiaries may benefit or sustain losses from such arrangements. Because these Shares pay marketing fees on an ongoing basis, your investment cost may be higher over time than other shares with different sales charges and marketing fees.

## **SERVICE FEES**

### **A, B & C Classes**

The A, B and C classes may pay Service Fees of up to 0.25% of average net assets to financial intermediaries or to Federated Shareholder Services Company (FSSC), a subsidiary of Federated, for providing services to shareholders and maintaining shareholder accounts. Intermediaries that receive Service Fees may include a company affiliated with management of Federated. If a financial intermediary receives Service Fees on an account, it is not eligible to also receive Account Administration Fees on that same account.

## **ACCOUNT ADMINISTRATION FEES**

### **A, B & C Classes**

The A, B and C classes may pay Account Administration Fees of up to 0.25% of average net assets to banks that are not registered as broker-dealers or investment advisers for providing administrative services to the Fund and its shareholders. If a financial intermediary receives Account Administration Fees on an account, it is not eligible to also receive Service Fees or Recordkeeping Fees on that same account.

## **RECORDKEEPING FEES**

The Fund may pay Recordkeeping Fees on an average-net-assets basis or on a per-account-per-year basis to financial intermediaries for providing recordkeeping services to the Fund and its shareholders. If a financial intermediary receives Recordkeeping Fees on an account, it is not eligible to also receive Account Administration Fees or Networking Fees on that same account.

## **NETWORKING FEES**

The Fund may reimburse Networking Fees on a per-account-per-year basis to financial intermediaries for providing administrative services to the Fund and its shareholders on certain non-omnibus accounts. If a financial intermediary receives Networking Fees on an account, it is not eligible to also receive Recordkeeping Fees on that same account.

## **ADDITIONAL PAYMENTS TO FINANCIAL INTERMEDIARIES**

The Distributor may pay out of its own resources amounts to certain financial intermediaries, including broker-dealers, banks, registered investment advisers, independent financial planners and retirement plan administrators, that support the sale of Shares or provide services to Fund shareholders. The amounts of these payments could be significant, and may create an incentive for the financial intermediary or its employees or associated persons to recommend or sell Shares of the Fund to you. Not all financial intermediaries receive such payments, and the amount of compensation may vary by intermediary. In some cases, such payments may be made by or funded from the resources of companies affiliated with the Distributor (including the Adviser). These payments are not reflected in the fees and expenses listed in the fee table section of the Fund's Prospectus and described above because they are not paid by the Fund.



These payments are negotiated and may be based on such factors as: the number or value of Shares that the financial intermediary sells or may sell; the value of client assets invested; the level and types of services or support furnished by the financial intermediary; or the Fund's and/or other Federated funds' relationship with the financial intermediary. These payments may be in addition to payments, as described above, made by the Fund to the financial intermediary. In connection with these payments, the financial intermediary may elevate the prominence or profile of the Fund and/or other Federated funds, within the financial intermediary's organization by, for example, placement on a list of preferred or recommended funds and/or granting the Distributor preferential or enhanced opportunities to promote the funds in various ways within the financial intermediary's organization. In addition, as discussed above in "Commissions on Certain Shares," if you purchase Institutional Shares through a broker acting solely as an agent on behalf of its customers, you may be required to pay a commission to the broker in an amount determined and separately disclosed to you by the broker. You can ask your financial intermediary for information about any payments it receives from the Distributor or the Fund and any services provided, as well as about fees and/or commissions it charges.

## How to Purchase Shares

As described in more detail in the section entitled "How is the Fund Sold?" under the subheading "Class B Share Closure," the Fund's Class B Shares are closed to new investments by new investors and existing shareholders (excluding reinvestment of dividends and capital gains). Reinvestment of dividends and capital gains will continue uninterrupted. Please disregard any further references to purchases of Class B Shares with the exception of Class B Share exchanges. Class B Shares of the Fund may be exchanged for Class B Shares of any other Federated fund.

You may purchase Shares of the Fund any day the NYSE is open. Shares will be purchased at the NAV next calculated after your investment is received by the Fund, or its agent, in proper form. The Fund reserves the right to reject any request to purchase or exchange Shares. New investors must submit a completed New Account Form. All accounts, including those for which there is no minimum initial investment amount required, are subject to the Fund's policy on "Accounts with Low Balances" as discussed later in this Prospectus.

Where the Fund offers more than one Share class and you do not specify the class choice on your New Account Form or form of payment (e.g., Federal Reserve wire or check), you automatically will receive the A class.

For important account information, see the section "Security and Privacy Protection."

### **A, B & C Classes**

You may purchase Shares through a financial intermediary, directly from the Fund or through an exchange from another Federated fund.

### **IS Class**

Eligible investors may purchase Shares through a financial intermediary, directly from the Fund or through an exchange from another Federated fund in the manner described above under "How is the Fund Sold?"

Where applicable, the required minimum initial investment for the IS class is generally \$1,000,000. There is no minimum subsequent investment amount.

### **THROUGH A FINANCIAL INTERMEDIARY**

- Establish an account with the financial intermediary; and
- Submit your purchase order to the financial intermediary before the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time).

The Fund has authorized certain intermediaries to accept Share purchase orders on its behalf. When authorized intermediaries receive an order in proper form, the order is considered as being placed with the Fund, and Shares will be bought at the NAV next calculated after such an order is received by the authorized intermediary. If your financial intermediary is not an authorized intermediary, the Fund or its agent must receive the purchase order in proper form from your financial intermediary by the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time) in order for your transaction to be priced at that day's NAV. In addition, your financial intermediary must forward your payment by the prescribed trade settlement date (typically within one to three business days) to the Fund's transfer agent, State Street Bank and Trust Company ("Transfer Agent"). You will become the owner of Shares and receive dividends when your payment is received in accordance with these time frames (provided that, if payment is received in the form of a check, the check clears). If your payment is not received in accordance with these time frames, or a check does not clear, your purchase will be canceled and you could be liable for any losses, fees or expenses incurred by the Fund or the Fund's Transfer Agent.

Financial intermediaries should send payments according to the instructions in the sections "By Wire" or "By Check."

Financial intermediaries may impose higher or lower minimum investment requirements on their customers than those imposed by the Fund. Keep in mind that financial intermediaries may charge you fees for their services in connection with your Share transactions.

Shareholders are encouraged to ask their financial intermediary if they are an authorized agent for the Fund and about any fees that may be charged by the financial intermediary.

#### **DIRECTLY FROM THE FUND**

- Establish your account with the Fund by submitting a completed New Account Form; and
- Send your payment to the Fund by Federal Reserve wire or check.

You will become the owner of Shares and your Shares will be priced at the next calculated NAV after the Fund receives your wire or your check. If your check does not clear, your purchase will be canceled and you could be liable for any losses or fees incurred by the Fund or the Fund's Transfer Agent.

#### **By Wire**

To facilitate processing your order, please call the Fund before sending the wire. Send your wire to:

State Street Bank and Trust Company  
Boston, MA  
Dollar Amount of Wire  
ABA Number 011000028  
BNF: 23026552  
Attention: Federated EDGEWIRE  
Wire Order Number, Dealer Number or Group Number  
Nominee/Institution Name  
Fund Name and Number and Account Number

You cannot purchase Shares by wire on holidays when wire transfers are restricted.

#### **By Check**

Make your check payable to **The Federated Funds**, note your account number on the check, and send it to:

The Federated Funds  
P.O. Box 219318  
Kansas City, MO 64121-9318

If you send your check by a **private courier or overnight delivery service** that requires a street address, send it to:

The Federated Funds  
430 W 7<sup>th</sup> Street  
Suite 219318  
Kansas City, MO 64105-1407

Payment should be made in U.S. dollars and drawn on a U.S. bank. The Fund reserves the right to reject **any** purchase request. For example, to protect against check fraud the Fund may reject any purchase request involving a check that is not made payable to **The Federated Funds** (including, but not limited to, requests to purchase Shares using third-party checks) or involving temporary checks or credit card checks.

#### **By Direct Deposit**

You may establish Payroll Deduction/Direct Deposit arrangements for investments into the Fund by either calling a Client Service Representative at 1-800-341-7400; or by completing the Payroll Deduction/Direct Deposit Form, which is available on FederatedInvestors.com under Customer Service/Find a Form. You will receive a confirmation when this service is available.

#### **THROUGH AN EXCHANGE**

You may purchase Fund Shares through an exchange from another Federated fund. To do this you must:

- meet any applicable shareholder eligibility requirements;
- ensure that the account registrations are identical;
- meet any applicable minimum initial investment requirements; and
- receive a prospectus for the fund into which you wish to exchange.

An exchange is treated as a redemption and a subsequent purchase, and is a taxable transaction. The Fund reserves the right to reject any request to purchase or exchange Shares. The Fund may modify or terminate the exchange privilege at any time.



## **A, B & C Classes**

You may purchase Shares through an exchange from the same share class of another Federated fund.

## **IS Class**

You may purchase Shares through an exchange from any Federated fund or share class that does not have a stated sales charge or contingent deferred sales charge, except Shares of Federated Institutional Money Market Management, Federated Institutional Tax-Free Cash Trust, Federated Institutional Prime Obligations Fund, Federated Institutional Prime Value Obligations Fund, Class A Shares of Federated Government Reserves Fund and Class R Shares of any Fund.

## **By Online Account Services**

You may access your accounts online to purchase shares through Federated's Shareholder Account Access system once you have registered for access. Online transactions may be subject to certain limitations including limitations as to the amount of the transaction. For more information about the services available through Shareholder Account Access, please visit [www.FederatedInvestors.com](http://www.FederatedInvestors.com) and select "My Investments," or call (800) 245-4770 to speak with a Client Service Representative.

## **BY SYSTEMATIC INVESTMENT PROGRAM (SIP)**

Once you have opened an account, you may automatically purchase additional Shares on a regular basis by completing the SIP section of the New Account Form or by contacting the Fund or your financial intermediary. The minimum investment amount for SIPs is \$50.

## **BY AUTOMATED CLEARING HOUSE (ACH)**

Once you have opened an account, you may purchase additional Shares through a depository institution that is an ACH member. This purchase option can be established by completing the appropriate sections of the New Account Form.

## **RETIREMENT INVESTMENTS**

### **A, B & C Classes**

You may purchase Shares as retirement investments (such as qualified plans and IRAs or transfer or rollover of assets). Call your financial intermediary or the Fund for information on retirement investments. We suggest that you discuss retirement investments with your tax adviser. You may be subject to an account fee charged by your financial intermediary.

## **How to Redeem and Exchange Shares**

Class B Shares of the Fund may be exchanged for Class B Shares of any other Federated fund.

You should redeem or exchange Shares:

- through a financial intermediary if you purchased Shares through a financial intermediary; or
- directly from the Fund if you purchased Shares directly from the Fund.

Shares of the Fund may be redeemed for cash, or exchanged for shares of other Federated funds as described herein, on days on which the Fund computes its NAV. Redemption requests may be made by telephone or in writing.

Redemption proceeds normally are wired or mailed within one business day for each method of payment after receiving a timely request in proper form. Depending upon the method of payment, when shareholders receive redemption proceeds can differ. Payment may be delayed for up to seven days under certain circumstances (see "Limitations on Redemption Proceeds").

For important account information, see the section "Security and Privacy Protection."

## **THROUGH A FINANCIAL INTERMEDIARY**

Submit your redemption or exchange request to your financial intermediary by the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time). The redemption amount you will receive is based upon the next calculated NAV after the Fund receives the order from your financial intermediary.

## **DIRECTLY FROM THE FUND**

### **By Telephone**

You may redeem or exchange Shares by simply calling the Fund at 1-800-341-7400.

If you call before the end of regular trading on the NYSE (normally 4:00 p.m. Eastern time), you will receive a redemption amount based on that day's NAV.

### **By Mail**

You may redeem or exchange Shares by sending a written request to the Fund.

You will receive a redemption amount based on the next calculated NAV after the Fund receives your written request in proper form.

Send requests by mail to:

The Federated Funds  
P.O. Box 219318  
Kansas City, MO 64121-9318

Send requests by **private courier or overnight delivery service** to:

The Federated Funds  
430 W 7<sup>th</sup> Street  
Suite 219318  
Kansas City, MO 64105-1407

All requests must include:

- Fund name and Share class, account number and account registration;
- amount to be redeemed or exchanged;
- signatures of all shareholders exactly as registered; and
- **if exchanging**, the Fund name and Share class, account number and account registration into which you are exchanging.

Call your financial intermediary or the Fund if you need special instructions.

### **Signature Guarantees**

Signatures must be guaranteed by a financial institution which is a participant in a Medallion signature guarantee program if:

- your redemption will be sent to an address other than the address of record;
- your redemption will be sent to an address of record that was changed within the last 30 days;
- a redemption is payable to someone other than the shareholder(s) of record; or
- transferring into another fund with a different shareholder registration.

A Medallion signature guarantee is designed to protect your account from fraud. Obtain a Medallion signature guarantee from a bank or trust company, savings association, credit union or broker, dealer or securities exchange member. **A notary public cannot provide a signature guarantee.**

### **By Online Account Services**

You may access your accounts online to redeem or exchange shares through Federated's Shareholder Account Access system once you have registered for access. Online transactions may be subject to certain limitations including limitations as to the amount of the transaction. For more information about the services available through Shareholder Account Access, please visit [www.FederatedInvestors.com](http://www.FederatedInvestors.com) and select "My Investments," or call (800) 245-4770 to speak with a Client Service Representative.

### **PAYMENT METHODS FOR REDEMPTIONS**

Your redemption proceeds will be mailed by check to your address of record. The following payment options are available if you complete the appropriate section of the New Account Form or an Account Service Options Form. These payment options require a signature guarantee if they were not established when the account was opened:

- An electronic transfer to your account at a financial institution that is an ACH member; or
- Wire payment to your account at a domestic commercial bank that is a Federal Reserve System member.

### **METHODS THE FUND MAY USE TO MEET REDEMPTION REQUESTS**

The Fund intends to pay Share redemptions in cash. To ensure that the Fund has cash to meet Share redemptions on any day, the Fund typically expects to hold a cash or cash equivalent reserve or sell portfolio securities.

In unusual or stressed circumstances, the Fund may generate cash in the following ways:

- **Inter-fund Borrowing and Lending.** The SEC has granted an exemption that permits the Fund and all other funds advised by subsidiaries of Federated Investors, Inc. ("Federated funds") to lend and borrow money for certain temporary purposes directly to and from other Federated funds. Inter-fund borrowing and lending is permitted only: (a) to meet shareholder redemption requests; (b) to meet commitments arising from "failed" trades; and (c) for other temporary purposes. All inter-fund loans must be repaid in seven days or less.

- **Committed Line of Credit.** The Fund participates with certain other Federated funds, on a joint basis, in an up to \$500,000,000 unsecured, 364-day, committed, revolving line of credit (LOC) agreement. The LOC was made available to finance temporarily the repurchase or redemption of shares of the funds, failed trades, payment of dividends, settlement of trades and for other short-term, temporary or emergency general business purposes. The Fund cannot borrow under the LOC if an inter-fund loan is outstanding.
- **Redemption in Kind.** Although the Fund intends to pay Share redemptions in cash, it reserves the right to pay the redemption price in whole or in part by an “in-kind” distribution of the Fund’s portfolio securities. Because the Fund has elected to be governed by Rule 18f-1 under the 1940 Act, the Fund is obligated to pay Share redemptions to any one shareholder in cash only up to the lesser of \$250,000 or 1% of the net assets represented by such Share class during any 90-day period. Redemptions in kind are made consistent with the procedures adopted by the Fund’s Board, which generally include distributions of a pro rata share of the Fund’s portfolio assets. Redemption in kind is not as liquid as a cash redemption. If redemption is made in kind, securities received may be subject to market risk and the shareholder could incur taxable gains and brokerage or other charges in converting the securities to cash.

#### **LIMITATIONS ON REDEMPTION PROCEEDS**

Redemption proceeds normally are wired or mailed within one business day after receiving a request in proper form. Payment may be delayed for up to seven days:

- to allow your purchase to clear (as discussed below);
- during periods of market volatility;
- when a shareholder’s trade activity or amount adversely impacts the Fund’s ability to manage its assets; or
- during any period when the Federal Reserve wire or applicable Federal Reserve banks are closed, other than customary weekend and holiday closings.

If you request a redemption of Shares recently purchased by check (including a cashier’s check or certified check), money order, bank draft or ACH, your redemption proceeds may not be made available for up to seven calendar days to allow the Fund to collect payment on the instrument used to purchase such Shares. If the purchase instrument does not clear, your purchase order will be canceled and you will be responsible for any losses incurred by the Fund as a result of your canceled order.

In addition, the right of redemption may be suspended, or the payment of proceeds may be delayed (including beyond seven days), during any period:

- when the NYSE is closed, other than customary weekend and holiday closings;
- when trading on the NYSE is restricted, as determined by the SEC;
- in which an emergency exists, as determined by the SEC, so that disposal of the Fund’s investments or determination of its NAV is not reasonably practicable; or
- as the SEC may by order permit for the protection of Fund shareholders.

You will not accrue interest or dividends on uncashed redemption checks from the Fund when checks are undeliverable and returned to the Fund.

#### **REDEMPTIONS FROM RETIREMENT ACCOUNTS**

##### **A, B & C Classes**

In the absence of your specific instructions, 10% of the value of your redemption from a retirement account in the Fund may be withheld for taxes. This withholding only applies to certain types of retirement accounts.

#### **EXCHANGE PRIVILEGE**

You may exchange Shares of the Fund. To do this, you must:

- meet any applicable shareholder eligibility requirements;
- ensure that the account registrations are identical;
- meet any applicable minimum initial investment requirements; and
- receive a prospectus for the fund into which you wish to exchange.

An exchange is treated as a redemption and a subsequent purchase, and is a taxable transaction. The Fund reserves the right to reject any request to purchase or exchange Shares. The Fund may modify or terminate the exchange privilege at any time.

In addition, the Fund may terminate your exchange privilege if your exchange activity is found to be excessive under the Fund’s frequent trading policies. See “Account and Share Information – Frequent Trading Policies.”

Financial intermediaries may have different policies and procedures regarding the availability of intra-fund exchanges (“automatic exchanges”). These exchanges which are directed by the financial intermediary and not the Fund are discussed in Appendix B to this Prospectus.

### **A, B & C Classes**

You may exchange Shares into shares of the same class of another Federated fund.

### **IS Class**

You may exchange Shares of the Fund for shares of any Federated fund or share class that does not have a stated sales charge or contingent deferred sales charge, except Shares of Federated Institutional Money Market Management, Federated Institutional Tax-Free Cash Trust, Federated Institutional Prime Obligations Fund, Federated Institutional Prime Value Obligations Fund, Class A Shares of Federated Government Reserves Fund and Class R Shares of any Fund.

### **SYSTEMATIC WITHDRAWAL/EXCHANGE PROGRAM**

You may automatically redeem or exchange Shares. The minimum amount for all new or revised systematic redemptions or exchanges of Shares is \$50 per transaction per fund. Complete the appropriate section of the New Account Form or an Account Service Options Form or contact your financial intermediary or the Fund. Your account value must meet the minimum initial investment amount at the time the program is established. This program may reduce, and eventually deplete, your account. Payments should not be considered yield or income.

Generally, it is not advisable to continue to purchase Shares subject to a sales charge while redeeming Shares using this program.

### **Systematic Withdrawal Program (SWP) on B Class**

You will not be charged a CDSC on SWP redemptions if:

- you redeem 12% or less of your account value in a single year;
- you reinvest all dividends and capital gains distributions;
- your account has at least a \$10,000 balance when you establish the SWP (You cannot aggregate multiple B class accounts to meet this minimum balance.); and
- for all B class accounts established on or after August 2, 2010, the minimum SWP redemption amount is \$50 per transaction, per fund, including transactions that qualify for a CDSC waiver as outlined in this Prospectus.

You will be subject to a CDSC on redemption amounts that exceed the 12% annual limit. In measuring the redemption percentage, your account is valued when you establish the SWP and then annually at calendar year-end. You can redeem monthly, quarterly or semi-annually.

### **ADDITIONAL CONDITIONS**

#### **Telephone Transactions**

The Fund will record your telephone instructions. If the Fund does not follow reasonable procedures, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

#### **Share Certificates**

The Fund does not issue share certificates.

## **Security and Privacy Protection**

### **ONLINE ACCOUNT AND TELEPHONE ACCESS SECURITY**

Federated Investors, Inc. will not be responsible for losses that result from unauthorized transactions, unless Federated does not follow procedures designed to verify your identity. When initiating a transaction by telephone or online, shareholders should be aware that any person with access to your account and other personal information including PINs (Personal Identification Numbers) may be able to submit instructions by telephone or online. Shareholders are responsible for protecting their identity by using strong usernames and complex passwords which utilize combinations of mixed case letters, numbers and symbols, and change passwords and PINs frequently.

Using Federated’s Account Access website means you are consenting to sending and receiving personal financial information over the Internet, so you should be sure you are comfortable with the risks. You will be required to accept the terms of an online agreement and to establish and utilize a password in order to access online account services. The Transfer Agent has adopted security procedures to confirm that internet instructions are genuine. The Transfer Agent will also send you written confirmation of share transactions. The Transfer Agent, the Fund and any of its affiliates will not be liable for losses or expenses that occur from fraudulent Internet instructions reasonably believed to be genuine.

The Transfer Agent or the Fund will employ reasonable procedures to confirm that telephone transaction requests are genuine, which may include recording calls, asking the caller to provide certain personal identification information, sending you written confirmation, or requiring other confirmation security procedures. The Transfer Agent, the Fund and any of its affiliates will not be liable for relying on instructions submitted by telephone that the Fund reasonably believes to be genuine.

#### **ANTI-MONEY LAUNDERING COMPLIANCE**

To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify, and record information that identifies each new customer who opens a Fund account and to determine whether such person's name appears on governmental lists of known or suspected terrorists or terrorist organizations. Pursuant to the requirements under the USA PATRIOT Act, the information obtained will be used for compliance with the USA PATRIOT Act or other applicable laws, regulations and rules in connection with money laundering, terrorism or other illicit activities.

Information required includes your name, residential or business address, date of birth (for an individual), and other information that identifies you, including your social security number, tax identification number or other identifying number. The Fund cannot waive these requirements. The Fund is required by law to reject your Account Application if the required information is not provided. If, after reasonable effort, the Fund is unable to verify your identity or that of any other person(s) authorized to act on your behalf, or believes it has identified potentially suspicious, fraudulent or criminal activity, the Fund reserves the right to close your account and redeem your shares at the next calculated NAV without your permission. Any applicable contingent deferred sales charge (CDSC) will be assessed upon redemption of your shares.

The Fund has a strict policy designed to protect the privacy of your personal information. A copy of Federated Investors' privacy policy notice was given to you at the time you opened your account. The Fund sends a copy of the privacy notice to you annually. You may also obtain the privacy notice by calling the Fund, or through Federated Investors' website.

## Account and Share Information

#### **CONFIRMATIONS AND ACCOUNT STATEMENTS**

You will receive confirmation of purchases, redemptions and exchanges (except for systematic transactions). In addition, you will receive periodic statements reporting all account activity, including systematic transactions, dividends and capital gains paid.

#### **DIVIDENDS AND CAPITAL GAINS**

The Fund declares and pays any dividends annually to shareholders. Dividends are paid to all shareholders invested in the Fund on the record date. The record date is the date on which a shareholder must officially own Shares in order to earn a dividend.

In addition, the Fund pays any capital gains at least annually, and may make such special distributions of dividends and capital gains as may be necessary to meet applicable regulatory requirements. Your dividends and capital gains distributions will be automatically reinvested in additional Shares without a sales charge, unless you elect cash payments. Dividends may also be reinvested without sales charges in shares of any class of any other Federated fund of which you are already a shareholder.

If you purchase Shares just before the record date for a dividend or capital gain distribution, you will pay the full price for the Shares and then receive a portion of the price back in the form of a taxable distribution, whether or not you reinvest the distribution in Shares. Therefore, you should consider the tax implications of purchasing Shares shortly before the record date for a dividend or capital gain. Contact your financial intermediary or the Fund for information concerning when dividends and capital gains will be paid.

Under the federal securities laws, the Fund is required to provide a notice to shareholders regarding the source of distributions made by the Fund if such distributions are from sources other than ordinary investment income. In addition, important information regarding the Fund's distributions, if applicable, is available, via the link to the Fund and share class name at [www.Federatedinvestors.com/FundInformation](http://www.Federatedinvestors.com/FundInformation).

#### **SMALL DISTRIBUTIONS AND UNCASHED CHECKS**

Generally, dividend and/or capital gain distributions payable by check in an amount of less than \$25 will be automatically reinvested in additional shares. This policy does not apply if you have elected to receive cash distributions that are directly deposited into your bank account via wire or ACH.

Additionally, if one or more dividend or capital gain distribution checks are returned as “undeliverable,” or remain uncashed for 180 days, all subsequent dividend and capital gain distributions will be reinvested in additional shares. No interest will accrue on amounts represented by uncashed distribution checks. For questions on whether reinvestment applies to your distributions, please contact a Client Service Representative at 1-800-341-7400.

Certain states, including the state of Texas, have laws that allow shareholders to designate a representative to receive abandoned or unclaimed property (“escheatment”) notifications by completing and submitting a designation form that generally can be found on the official state website. If a shareholder resides in an applicable state, and elects to designate a representative to receive escheatment notifications, escheatment notices generally will be delivered as required by such state laws, including, as applicable, to both the shareholder and the designated representative. A completed designation form may be mailed to the Fund (if Shares are held directly with the Fund) or to the shareholder’s financial intermediary (if Shares are not held directly with the Fund). Shareholders should refer to relevant state law for the shareholder’s specific rights and responsibilities under his or her state’s escheatment law(s), which can generally be found on a state’s official website.

### **ACCOUNTS WITH LOW BALANCES**

Federated reserves the right to close accounts if redemptions or exchanges cause the account balance to fall below:

- \$1,500 for the A, B and C classes (or in the case of IRAs, \$250);
- \$25,000 for the IS class.

Before an account is closed, you will be notified and allowed at least 30 days to purchase additional Shares to meet the minimum.

### **TAX INFORMATION**

The Fund sends an IRS Form 1099 and an annual statement of your account activity to assist you in completing your federal, state and local tax returns. Fund distributions of dividends and capital gains are taxable to you whether paid in cash or reinvested in the Fund. Dividends are taxable at different rates depending on the source of dividend income. Distributions of net short-term capital gains are taxable to you as ordinary income. Distributions of net long-term capital gains are taxable to you as long-term capital gains regardless of how long you have owned your Shares.

Fund distributions are expected to be both dividends and capital gains. Redemptions are taxable sales. Please consult your tax adviser regarding your federal, state and local tax liability.

### **FREQUENT TRADING POLICIES**

Frequent or short-term trading into and out of the Fund can have adverse consequences for the Fund and shareholders who use the Fund as a long-term investment vehicle. Such trading in significant amounts can disrupt the Fund’s investment strategies (e.g., by requiring it to sell investments at inopportune times or maintain excessive short-term or cash positions to support redemptions), increase brokerage and administrative costs and affect the timing and amount of taxable gains distributed by the Fund. Investors engaged in such trading may also seek to profit by anticipating changes in the Fund’s NAV in advance of the time as of which NAV is calculated.

The Fund’s Board has approved policies and procedures intended to discourage excessive frequent or short-term trading of the Fund’s Shares. The Fund’s fair valuation procedures are intended in part to discourage short-term trading strategies by reducing the potential for these strategies to succeed. See “What Do Shares Cost?” The Fund also monitors trading in Fund Shares in an effort to identify disruptive trading activity. The Fund monitors trades into and out of the Fund within a period of 30 days or less. The Fund may also monitor trades into and out of the Fund for potentially disruptive trading activity over periods longer than 30 days. The size of Share transactions subject to monitoring varies. Where it is determined that a shareholder has exceeded the detection amounts twice within a period of 12 months, the Fund will temporarily prohibit the shareholder from making further purchases or exchanges of Fund Shares. If the shareholder continues to exceed the detection amounts for specified periods, the Fund will impose lengthier trading restrictions on the shareholder, up to and including permanently prohibiting the shareholder from making any further purchases or exchanges of Fund Shares. Whether or not the specific monitoring limits are exceeded, the Fund’s management or the Adviser may determine from the amount, frequency or pattern of purchases and redemptions or exchanges that a shareholder is engaged in excessive trading that is or could be detrimental to the Fund and other shareholders and may prohibit the shareholder from making further purchases or exchanges of Fund Shares. No matter how the Fund defines its limits on frequent trading of Fund Shares, other purchases and sales of Fund Shares may have adverse effects on the management of the Fund’s portfolio and its performance.

The Fund’s frequent trading restrictions do not apply to purchases and sales of Fund Shares by other Federated funds. These funds impose the same frequent trading restrictions as the Fund at their shareholder level. In addition, allocation changes of the investing Federated fund are monitored, and the managers of the recipient fund must determine that there is no disruption to their management activity. The intent of this exception is to allow investing fund managers to



accommodate cash flows and other activity that result from non-abusive trading in the investing fund, without being stopped from such trading because the aggregate of such trades exceeds the monitoring limits. Nonetheless, as with any trading in Fund Shares, purchases and redemptions of Fund Shares by other Federated funds could adversely affect the management of the Fund's portfolio and its performance.

The Fund will not restrict transactions made on a non-discretionary basis by certain asset allocation programs, wrap programs, fund of funds, collective funds or other similar accounts that have been pre-approved by Federated ("Approved Accounts"). The Fund will continue to monitor transactions by the Approved Accounts and will seek to limit or restrict even non-discretionary transactions by Approved Accounts that are determined to be disruptive or harmful to the Fund.

The Fund's objective is that its restrictions on short-term trading should apply to all shareholders that are subject to the restrictions, regardless of the number or type of accounts in which Shares are held. However, the Fund anticipates that limitations on its ability to identify trading activity to specific shareholders, including where Shares are held through intermediaries in multiple or omnibus accounts, will mean that these restrictions may not be able to be applied uniformly in all cases.

Other funds in the Federated family of funds may impose different monitoring policies or in some cases, may not monitor for frequent or short-term trading. Under normal market conditions such monitoring policies are designed to protect the funds being monitored and their shareholders and the operation of such policies and shareholder investments under such monitoring are not expected to have materially adverse impact on the Federated funds or their shareholders. If you plan to exchange your fund shares for shares of another Federated fund, please read the prospectus of that other Federated fund for more information.

### **PORTFOLIO HOLDINGS INFORMATION**

Information concerning the Fund's portfolio holdings is available via the link to the Fund and share class name at [www.FederatedInvestors.com/FundInformation](http://www.FederatedInvestors.com/FundInformation). A complete listing of the Fund's portfolio holdings as of the end of each calendar quarter is posted on the website 30 days (or the next business day) after the end of the quarter and remains posted for six months thereafter. Summary portfolio composition information as of the close of each month is posted on the website 15 days (or the next business day) after month-end and remains posted until replaced by the information for the succeeding month. The summary portfolio composition information may include identification of the Fund's top 10 holdings and a percentage breakdown of the portfolio by sector.

You may also access portfolio information as of the end of the Fund's fiscal quarters via the link to the Fund and share class name at [www.FederatedInvestors.com/FundInformation](http://www.FederatedInvestors.com/FundInformation). The Fund's Annual and Semi-Annual Shareholder Reports contain complete listings of the Fund's portfolio holdings as of the end of the Fund's second and fourth fiscal quarters. The Fund's Form N-Q filings contain complete listings of the Fund's portfolio holdings as of the end of the Fund's first and third fiscal quarters. Fiscal quarter information is made available on the website within 70 days after the end of the fiscal quarter. This information is also available in reports filed with the SEC at the SEC's website at [www.sec.gov](http://www.sec.gov).

In addition, from time to time (for example, during periods of unusual market conditions), additional information regarding the Fund's portfolio holdings and/or composition may be posted to Federated's website. If and when such information is posted, its availability will be noted on, and the information will be accessible from, the home page of the website.

### **Who Manages the Fund?**

The Board governs the Fund. The Board selects and oversees the Adviser, Federated Equity Management Company of Pennsylvania. The Adviser manages the Fund's assets, including buying and selling portfolio securities. Federated Advisory Services Company (FASC), an affiliate of the Adviser, provides research, quantitative analysis, equity trading and transaction settlement and certain support services to the Adviser. The fee for these services is paid by the Adviser and not by the Fund.

The address of the Adviser and FASC is Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222-3779.

The Adviser has delegated daily management of some or all of the Fund assets to the Sub-Adviser, Federated Investment Management Company, who is paid by the Adviser and not by the Fund, based on the portion of securities the Sub-Adviser manages. The Sub-Adviser's address is Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222-3779.

The Adviser, Sub-Adviser and other subsidiaries of Federated advise approximately 108 equity, fixed-income and money market mutual funds as well as a variety of other pooled investment vehicles, private investment companies and customized separately managed accounts (including non-U.S./offshore funds) which totaled approximately \$397.6 billion in assets as of December 31, 2017. Federated was established in 1955 and is one of the largest investment managers in the United States with approximately 1,400 employees. Federated provides investment products to approximately 8,500 investment professionals and institutions.

The Adviser advises approximately 18 equity mutual funds (including sub-advised funds) which totaled approximately \$23.0 billion in assets as of December 31, 2017.

The Sub-Adviser advises approximately 76 fixed-income and money market mutual funds (including sub-advised funds) and private investment companies, which totaled approximately \$237 billion in assets as of December 31, 2017.

## **PORTFOLIO MANAGEMENT INFORMATION**

### **Dana L. Meissner**

Dana L. Meissner, CFA, FRM and CAIA, Senior Portfolio Manager, has been the Fund's portfolio manager since February 2009.

Mr. Meissner has primary responsibility for the day-to-day management of the Fund. He has been with Federated since 2000; has worked in investment management since 2000; and has managed investment portfolios since 2009. Education: M.S.I.A., Carnegie Mellon University; M.S. and B.S., University of Toledo.

The Fund's SAI provides additional information about the Portfolio Manager's compensation, management of other accounts and ownership of securities in the Fund.

### **ADVISORY FEES**

The Fund's investment advisory contract provides for payment to the Adviser of an annual investment advisory fee of 0.75% of the Fund's average daily net assets. The Adviser may voluntarily waive a portion of its fee or reimburse the Fund for certain operating expenses. The Adviser and its affiliates have also agreed to certain "Fee Limits" as described in the footnote to the "Risk/Return Summary: Fees and Expenses" table found in the "Fund Summary" section of the Prospectus.

A discussion of the Board's review of the Fund's investment advisory contract is available in the Fund's annual and semi-annual shareholder reports for the periods ended October 31 and April 30, respectively.

## **Financial Information**

### **FINANCIAL HIGHLIGHTS**

The Financial Highlights will help you understand the Fund's financial performance for its past five fiscal years. Some of the information is presented on a per Share basis. Total returns represent the rate an investor would have earned (or lost) on an investment in the Fund, assuming reinvestment of any dividends and capital gains.

This information has been audited by KPMG LLP, an independent registered public accounting firm, whose report, along with the Fund's audited financial statements, is included in the Annual Report.



## Financial Highlights – Class A Shares

(For a Share Outstanding Throughout Each Period)

| <b>Year Ended October 31</b>                | <b>2018</b>     | <b>2017</b>   | <b>2016</b>    | <b>2015</b>         | <b>2014</b>         |
|---|-----------------|---------------|----------------|---------------------|---------------------|
| <b>Net Asset Value, Beginning of Period</b> | <b>\$9.73</b>   | <b>\$9.45</b> | <b>\$10.28</b> | <b>\$10.07</b>      | <b>\$9.47</b>       |
| <b>Income From Investment Operations:</b>   |                 |               |                |                     |                     |
| Net investment income (loss) <sup>1</sup>   | (0.01)          | 0.01          | 0.01           | (0.00) <sup>2</sup> | 0.05                |
| Net realized and unrealized gain (loss)     | (1.19)          | 0.27          | (0.84)         | 0.34                | 0.55                |
| <b>TOTAL FROM INVESTMENT OPERATIONS</b>     | <b>(1.20)</b>   | <b>0.28</b>   | <b>(0.83)</b>  | <b>0.34</b>         | <b>0.60</b>         |
| <b>Less Distributions:</b>                  |                 |               |                |                     |                     |
| Distributions from net investment income    | (0.04)          | —             | —              | (0.13)              | (0.00) <sup>2</sup> |
| <b>Net Asset Value, End of Period</b>       | <b>\$8.49</b>   | <b>\$9.73</b> | <b>\$9.45</b>  | <b>\$10.28</b>      | <b>\$10.07</b>      |
| <b>Total Return<sup>3</sup></b>             | <b>(12.43)%</b> | <b>2.96%</b>  | <b>(8.07)%</b> | <b>3.45%</b>        | <b>6.38%</b>        |

### Ratios to Average Net Assets:

|  |         |       |       |       |       |
|--|---------|-------|-------|-------|-------|
| Net expenses   | 2.11%   | 1.46% | 1.50% | 1.50% | 1.26% |
| Net expenses excluding dividends and other expenses related to short sales | 1.32%   | 1.30% | 1.29% | 1.32% | 1.26% |
| Net investment income (loss)   | (0.11)% | 0.14% | 0.07% | 0.03% | 0.49% |
| Expense waiver/reimbursement <sup>4</sup>                                  | 0.27%   | 0.16% | 0.11% | 0.12% | 0.15% |

### Supplemental Data:

|   |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Net assets, end of period (000 omitted) | \$43,913 | \$54,314 | \$69,440 | \$94,755 | \$88,588 |
| Portfolio turnover                      | 192%     | 118%     | 132%     | 94%      | 117%     |

1 Per share numbers have been calculated using the average shares method.

2 Represents less than \$0.01.

3 Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable.

4 This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.

Further information about the Fund's performance is contained in the Fund's Annual Report, dated October 31, 2018, which can be obtained free of charge.

## Financial Highlights – Class B Shares

(For a Share Outstanding Throughout Each Period)

| <b>Year Ended October 31</b>                | <b>2018</b>     | <b>2017</b>   | <b>2016</b>    | <b>2015</b>    | <b>2014</b>         |
|---|-----------------|---------------|----------------|----------------|---------------------|
| <b>Net Asset Value, Beginning of Period</b> | <b>\$9.49</b>   | <b>\$9.28</b> | <b>\$10.17</b> | <b>\$9.91</b>  | <b>\$9.39</b>       |
| <b>Income From Investment Operations:</b>   |                 |               |                |                |                     |
| Net investment income (loss) <sup>1</sup>   | (0.08)          | (0.06)        | (0.07)         | (0.07)         | (0.03)              |
| Net realized and unrealized gain (loss)     | (1.16)          | 0.27          | (0.82)         | 0.33           | 0.55                |
| <b>TOTAL FROM INVESTMENT OPERATIONS</b>     | <b>(1.24)</b>   | <b>0.21</b>   | <b>(0.89)</b>  | <b>0.26</b>    | <b>0.52</b>         |
| <b>Less Distributions:</b>                  |                 |               |                |                |                     |
| Distributions from net investment income    | —               | —             | —              | —              | (0.00) <sup>2</sup> |
| <b>Net Asset Value, End of Period</b>       | <b>\$8.25</b>   | <b>\$9.49</b> | <b>\$9.28</b>  | <b>\$10.17</b> | <b>\$9.91</b>       |
| <b>Total Return<sup>3</sup></b>             | <b>(13.07)%</b> | <b>2.26%</b>  | <b>(8.75)%</b> | <b>2.62%</b>   | <b>5.59%</b>        |

### Ratios to Average Net Assets:

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Net expenses   | 2.86%   | 2.21%   | 2.26%   | 2.24%   | 2.03%   |
| Net expenses excluding dividends and other expenses related to short sales | 2.07%   | 2.05%   | 2.04%   | 2.07%   | 2.03%   |
| Net investment income (loss)   | (0.88)% | (0.60)% | (0.68)% | (0.70)% | (0.28)% |
| Expense waiver/reimbursement <sup>4</sup>                                  | 0.25%   | 0.16%   | 0.11%   | 0.13%   | 0.15%   |

### Supplemental Data:

|   |         |         |         |         |          |
|---|---------|---------|---------|---------|----------|
| Net assets, end of period (000 omitted) | \$1,178 | \$2,777 | \$4,368 | \$7,517 | \$11,193 |
| Portfolio turnover                      | 192%    | 118%    | 132%    | 94%     | 117%     |

1 Per share numbers have been calculated using the average shares method.

2 Represents less than \$0.01.

3 Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable.

4 This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.

Further information about the Fund's performance is contained in the Fund's Annual Report, dated October 31, 2018, which can be obtained free of charge.

## Financial Highlights – Class C Shares

(For a Share Outstanding Throughout Each Period)

| <b>Year Ended October 31</b>                | <b>2018</b>     | <b>2017</b>   | <b>2016</b>    | <b>2015</b>    | <b>2014</b>         |
|---|-----------------|---------------|----------------|----------------|---------------------|
| <b>Net Asset Value, Beginning of Period</b> | <b>\$9.44</b>   | <b>\$9.23</b> | <b>\$10.12</b> | <b>\$9.86</b>  | <b>\$9.35</b>       |
| <b>Income From Investment Operations:</b>   |                 |               |                |                |                     |
| Net investment income (loss) <sup>1</sup>   | (0.08)          | (0.06)        | (0.07)         | (0.07)         | (0.03)              |
| Net realized and unrealized gain (loss)     | (1.15)          | 0.27          | (0.82)         | 0.33           | 0.54                |
| <b>TOTAL FROM INVESTMENT OPERATIONS</b>     | <b>(1.23)</b>   | <b>0.21</b>   | <b>(0.89)</b>  | <b>0.26</b>    | <b>0.51</b>         |
| <b>Less Distributions:</b>                  |                 |               |                |                |                     |
| Distributions from net investment income    | —               | —             | —              | —              | (0.00) <sup>2</sup> |
| <b>Net Asset Value, End of Period</b>       | <b>\$8.21</b>   | <b>\$9.44</b> | <b>\$9.23</b>  | <b>\$10.12</b> | <b>\$9.86</b>       |
| <b>Total Return<sup>3</sup></b>             | <b>(13.03)%</b> | <b>2.28%</b>  | <b>(8.79)%</b> | <b>2.64%</b>   | <b>5.50%</b>        |

### Ratios to Average Net Assets:

|  |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|
| Net expenses   | 2.86%   | 2.21%   | 2.25%   | 2.24%   | 2.04%   |
| Net expenses excluding dividends and other expenses related to short sales | 2.07%   | 2.05%   | 2.04%   | 2.07%   | 2.04%   |
| Net investment income (loss)   | (0.83)% | (0.59)% | (0.67)% | (0.71)% | (0.28)% |
| Expense waiver/reimbursement <sup>4</sup>                                  | 0.25%   | 0.16%   | 0.11%   | 0.13%   | 0.15%   |

### Supplemental Data:

|   |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Net assets, end of period (000 omitted) | \$11,493 | \$31,528 | \$48,157 | \$63,406 | \$70,323 |
| Portfolio turnover                      | 192%     | 118%     | 132%     | 94%      | 117%     |

1 Per share numbers have been calculated using the average shares method.

2 Represents less than \$0.01.

3 Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable.

4 This expense decrease is reflected in both the net expense and net investment income (loss) ratios shown above.

Further information about the Fund's performance is contained in the Fund's Annual Report, dated October 31, 2018, which can be obtained free of charge.

## Financial Highlights – Institutional Shares

(For a Share Outstanding Throughout Each Period)

| <b>Year Ended October 31</b>                | <b>2018</b>     | <b>2017</b>   | <b>2016</b>    | <b>2015</b>    | <b>2014</b>         |
|---|-----------------|---------------|----------------|----------------|---------------------|
| <b>Net Asset Value, Beginning of Period</b> | <b>\$9.85</b>   | <b>\$9.54</b> | <b>\$10.35</b> | <b>\$10.14</b> | <b>\$9.52</b>       |
| <b>Income From Investment Operations:</b>   |                 |               |                |                |                     |
| Net investment income <sup>1</sup>          | 0.01            | 0.04          | 0.03           | 0.02           | 0.07                |
| Net realized and unrealized gain (loss)     | (1.20)          | 0.27          | (0.84)         | 0.35           | 0.55                |
| <b>TOTAL FROM INVESTMENT OPERATIONS</b>     | <b>(1.19)</b>   | <b>0.31</b>   | <b>(0.81)</b>  | <b>0.37</b>    | <b>0.62</b>         |
| <b>Less Distributions:</b>                  |                 |               |                |                |                     |
| Distributions from net investment income    | (0.06)          | —             | —              | (0.16)         | (0.00) <sup>2</sup> |
| <b>Net Asset Value, End of Period</b>       | <b>\$8.60</b>   | <b>\$9.85</b> | <b>\$9.54</b>  | <b>\$10.35</b> | <b>\$10.14</b>      |
| <b>Total Return<sup>3</sup></b>             | <b>(12.15)%</b> | <b>3.25%</b>  | <b>(7.83)%</b> | <b>3.69%</b>   | <b>6.56%</b>        |

### Ratios to Average Net Assets:

|  |       |       |       |       |       |
|--|-------|-------|-------|-------|-------|
| Net expenses   | 1.86% | 1.21% | 1.25% | 1.27% | 1.04% |
| Net expenses excluding dividends and other expenses related to short sales | 1.07% | 1.05% | 1.04% | 1.07% | 1.04% |
| Net investment income  | 0.12% | 0.39% | 0.31% | 0.22% | 0.72% |
| Expense waiver/reimbursement <sup>4</sup>                                  | 0.25% | 0.16% | 0.11% | 0.11% | 0.14% |

### Supplemental Data:

|   |          |          |           |           |          |
|---|----------|----------|-----------|-----------|----------|
| Net assets, end of period (000 omitted) | \$20,406 | \$52,974 | \$112,822 | \$106,928 | \$36,380 |
| Portfolio turnover                      | 192%     | 118%     | 132%      | 94%       | 117%     |

1 *Per share numbers have been calculated using the average shares method.*

2 *Represents less than \$0.01.*

3 *Based on net asset value.*

4 *This expense decrease is reflected in both the net expense and net investment income ratios shown above.*

Further information about the Fund's performance is contained in the Fund's Annual Report, dated October 31, 2018, which can be obtained free of charge.

## Appendix A: Hypothetical Investment and Expense Information

The following charts provide additional hypothetical information about the effect of the Fund's expenses, including investment advisory fees and other Fund costs, on the Fund's assumed returns over a 10-year period. Each chart shows the estimated expenses that would be incurred in respect of a hypothetical investment of \$10,000, assuming a 5% return each year, and no redemption of Shares. Each chart also assumes that the Fund's annual expense ratio stays the same throughout the 10-year period (except the B class, which converts to the A class after you have held them for eight years) and that all dividends and distributions are reinvested. The annual expense ratios used in each chart are the same as stated in the "Fees and Expenses" table of this Prospectus (and thus may not reflect any fee waiver or expense reimbursement currently in effect). The maximum amount of any sales charge that might be imposed on the *purchase* of Shares (and deducted from the hypothetical initial investment of \$10,000; the "Front-End Sales Charge") is reflected in the "Hypothetical Expenses" column. The hypothetical investment information does not reflect the effect of charges (if any) normally applicable to *redemptions* of Shares (e.g., deferred sales charges, redemption fees). Mutual fund returns, as well as fees and expenses, may fluctuate over time, and your actual investment returns and total expenses may be higher or lower than those shown below.

### FEDERATED ABSOLUTE RETURN FUND - A CLASS

**ANNUAL EXPENSE RATIO: 2.68%**

**MAXIMUM FRONT-END SALES CHARGE: 5.50%**

| Year       | Hypothetical Beginning Investment | Hypothetical Performance Earnings | Investment After Returns | Hypothetical Expenses | Hypothetical Ending Investment |
|------------|-----------------------------------|-----------------------------------|--------------------------|-----------------------|--------------------------------|
| 1          | \$10,000.00                       | \$472.50                          | \$9,922.50               | \$806.20              | \$9,669.24                     |
| 2          | \$9,669.24                        | \$483.46                          | \$10,152.70              | \$262.14              | \$9,893.57                     |
| 3          | \$9,893.57                        | \$494.68                          | \$10,388.25              | \$268.22              | \$10,123.10                    |
| 4          | \$10,123.10                       | \$506.16                          | \$10,629.26              | \$274.45              | \$10,357.96                    |
| 5          | \$10,357.96                       | \$517.90                          | \$10,875.86              | \$280.81              | \$10,598.26                    |
| 6          | \$10,598.26                       | \$529.91                          | \$11,128.17              | \$287.33              | \$10,844.14                    |
| 7          | \$10,844.14                       | \$542.21                          | \$11,386.35              | \$293.99              | \$11,095.72                    |
| 8          | \$11,095.72                       | \$554.79                          | \$11,650.51              | \$300.81              | \$11,353.14                    |
| 9          | \$11,353.14                       | \$567.66                          | \$11,920.80              | \$307.79              | \$11,616.53                    |
| 10         | \$11,616.53                       | \$580.83                          | \$12,197.36              | \$314.93              | \$11,886.03                    |
| Cumulative |                                   | \$5,250.10                        |                          | \$3,396.67            |                                |

### FEDERATED ABSOLUTE RETURN FUND - B CLASS

**ANNUAL EXPENSE RATIO: 3.41%**

**MAXIMUM FRONT-END SALES CHARGE: NONE**

| Year                                    | Hypothetical Beginning Investment | Hypothetical Performance Earnings | Investment After Returns | Hypothetical Expenses              | Hypothetical Ending Investment |
|---|-----------------------------------|-----------------------------------|--------------------------|------------------------------------|--------------------------------|
| 1                                       | \$10,000.00                       | \$500.00                          | \$10,500.00              | \$343.71                           | \$10,159.00                    |
| 2                                       | \$10,159.00                       | \$507.95                          | \$10,666.95              | \$349.18                           | \$10,320.53                    |
| 3                                       | \$10,320.53                       | \$516.03                          | \$10,836.56              | \$354.73                           | \$10,484.63                    |
| 4                                       | \$10,484.63                       | \$524.23                          | \$11,008.86              | \$360.37                           | \$10,651.34                    |
| 5                                       | \$10,651.34                       | \$532.57                          | \$11,183.91              | \$366.10                           | \$10,820.70                    |
| 6                                       | \$10,820.70                       | \$541.04                          | \$11,361.74              | \$371.92                           | \$10,992.75                    |
| 7                                       | \$10,992.75                       | \$549.64                          | \$11,542.39              | \$377.83                           | \$11,167.53                    |
| 8                                       | \$11,167.53                       | \$558.38                          | \$11,725.91              | \$383.84                           | \$11,345.09                    |
| <b>Converts from Class B to Class A</b> |                                   |                                   |                          | <b>Annual Expense Ratio: 2.68%</b> |                                |
| 9                                       | \$11,345.09                       | \$567.25                          | \$11,912.34              | \$307.58                           | \$11,608.30                    |
| 10                                      | \$11,608.30                       | \$580.42                          | \$12,188.72              | \$314.71                           | \$11,877.61                    |
| Cumulative                              |                                   | \$5,377.51                        |                          | \$3,529.97                         |                                |

**FEDERATED ABSOLUTE RETURN FUND - C CLASS****ANNUAL EXPENSE RATIO: 3.41%****MAXIMUM FRONT-END SALES CHARGE: NONE**

| <b>Year</b> | <b>Hypothetical<br/>Beginning<br/>Investment</b> | <b>Hypothetical<br/>Performance<br/>Earnings</b> | <b>Investment<br/>After<br/>Returns</b> | <b>Hypothetical<br/>Expenses</b> | <b>Hypothetical<br/>Ending<br/>Investment</b> |
|-------------|--|--|---|----------------------------------|---|
| 1           | \$10,000.00                                      | \$500.00   | \$10,500.00                             | \$343.71                         | \$10,159.00                                   |
| 2           | \$10,159.00                                      | \$507.95   | \$10,666.95                             | \$349.18                         | \$10,320.53                                   |
| 3           | \$10,320.53                                      | \$516.03   | \$10,836.56                             | \$354.73                         | \$10,484.63                                   |
| 4           | \$10,484.63                                      | \$524.23   | \$11,008.86                             | \$360.37                         | \$10,651.34                                   |
| 5           | \$10,651.34                                      | \$532.57   | \$11,183.91                             | \$366.10                         | \$10,820.70                                   |
| 6           | \$10,820.70                                      | \$541.04   | \$11,361.74                             | \$371.92                         | \$10,992.75                                   |
| 7           | \$10,992.75                                      | \$549.64   | \$11,542.39                             | \$377.83                         | \$11,167.53                                   |
| 8           | \$11,167.53                                      | \$558.38   | \$11,725.91                             | \$383.84                         | \$11,345.09                                   |
| 9           | \$11,345.09                                      | \$567.25   | \$11,912.34                             | \$389.94                         | \$11,525.48                                   |
| 10          | \$11,525.48                                      | \$576.27   | \$12,101.75                             | \$396.14                         | \$11,708.74                                   |
| Cumulative  |  | \$5,373.36                                       |   | \$3,693.76                       |   |

**FEDERATED ABSOLUTE RETURN FUND - IS CLASS****ANNUAL EXPENSE RATIO: 2.41%****MAXIMUM FRONT-END SALES CHARGE: NONE**

| <b>Year</b> | <b>Hypothetical<br/>Beginning<br/>Investment</b> | <b>Hypothetical<br/>Performance<br/>Earnings</b> | <b>Investment<br/>After<br/>Returns</b> | <b>Hypothetical<br/>Expenses</b> | <b>Hypothetical<br/>Ending<br/>Investment</b> |
|-------------|--|--|---|----------------------------------|---|
| 1           | \$10,000.00                                      | \$500.00   | \$10,500.00                             | \$244.12                         | \$10,259.00                                   |
| 2           | \$10,259.00                                      | \$512.95   | \$10,771.95                             | \$250.44                         | \$10,524.71                                   |
| 3           | \$10,524.71                                      | \$526.24   | \$11,050.95                             | \$256.93                         | \$10,797.30                                   |
| 4           | \$10,797.30                                      | \$539.87   | \$11,337.17                             | \$263.58                         | \$11,076.95                                   |
| 5           | \$11,076.95                                      | \$553.85   | \$11,630.80                             | \$270.41                         | \$11,363.84                                   |
| 6           | \$11,363.84                                      | \$568.19   | \$11,932.03                             | \$277.42                         | \$11,658.16                                   |
| 7           | \$11,658.16                                      | \$582.91   | \$12,241.07                             | \$284.60                         | \$11,960.11                                   |
| 8           | \$11,960.11                                      | \$598.01   | \$12,558.12                             | \$291.97                         | \$12,269.88                                   |
| 9           | \$12,269.88                                      | \$613.49   | \$12,883.37                             | \$299.53                         | \$12,587.67                                   |
| 10          | \$12,587.67                                      | \$629.38   | \$13,217.05                             | \$307.29                         | \$12,913.69                                   |
| Cumulative  |  | \$5,624.89                                       |   | \$2,746.29                       |   |

## Appendix B: Sales Charge Waivers and Exchange Features for Shareholders Purchasing Through Certain Financial Intermediaries

The term “fund family,” used herein, shall refer to the Federated mutual funds.

### AMERIPRISE FINANCIAL

#### CLASS A SHARES FRONT-END SALES CHARGE WAIVERS AVAILABLE AT AMERIPRISE FINANCIAL:

The following information applies to Class A shares purchases if you have an account with or otherwise purchase Fund shares through Ameriprise Financial:

Effective April 30, 2018, shareholders purchasing Fund shares through an Ameriprise Financial platform or account will be eligible for the following front-end sales charge waivers and discounts, which may differ from those disclosed elsewhere in this Fund’s prospectus:

- Employer-sponsored retirement plans (e.g., 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans). For purposes of this provision, employer-sponsored retirement plans do not include SEP IRAs, Simple IRAs or SAR-SEPs.
- Shares purchased through an Ameriprise Financial investment advisory program (if an Advisory or similar share class for such investment advisory program is not available).
- Shares purchased by third party investment advisors on behalf of their advisory clients through Ameriprise Financial’s platform (if an Advisory or similar share class for such investment advisory program is not available).
- Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same Fund (but not any other fund within the same fund family).
- Shares exchanged from Class C shares of the same fund in the month of or following the 10-year anniversary of the purchase date. To the extent that this prospectus elsewhere provides for a waiver with respect to such shares following a shorter holding period, that waiver will apply to exchanges following such shorter period. To the extent that this prospectus elsewhere provides for a waiver with respect to exchanges of Class C shares for load waived shares, that waiver will also apply to such exchanges.
- Employees and registered representatives of Ameriprise Financial or its affiliates and their immediate family members.
- Shares purchased by or through qualified accounts (including IRAs, Coverdell Education Savings Accounts, 401(k)s, 403(b) TSCAs subject to ERISA and defined benefit plans) that are held by a covered family member, defined as an Ameriprise financial advisor and/or the advisor’s spouse, advisor’s lineal ascendant (mother, father, grandmother, grandfather, great grandmother, great grandfather), advisor’s lineal descendant (son, step-son, daughter, step-daughter, grandson, granddaughter, great grandson, great granddaughter) or any spouse of a covered family member who is a lineal descendant.
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (1) the repurchase occurs within 90 days following the redemption; (2) the redemption and purchase occur in the same account; and (3) redeemed shares were subject to a front-end or deferred sales load (i.e., Rights of Reinstatement).

#### EXCHANGE FEATURE OF CLASS C SHARES AVAILABLE AT AMERIPRISE FINANCIAL:

**Automatic Exchange of Class C shares.** Class C shares will automatically exchange to Class A shares in the month of the 10-year anniversary of the purchase date.

### MERRILL LYNCH

Effective April 10, 2017, shareholders purchasing Fund shares through a Merrill Lynch platform or account will be eligible only for the following front-end sales charge waivers and shareholders redeeming Fund shares through a Merrill Lynch platform or account (regardless of purchase date) will be eligible only for the following contingent deferred, or back-end, sales charge (CDSC) waivers and discounts, which may differ from those disclosed elsewhere in this Fund’s prospectus.

#### Front-End Sales Load Waivers on Class A Shares Available at Merrill Lynch

- Employer-sponsored retirement, deferred compensation and employee benefit plans (including health savings accounts) and trusts used to fund those plans, provided that the shares are not held in a commission-based brokerage account and shares are held for the benefit of the plan;
- Shares purchased by or through a 529 Plan;
- Shares purchased through a Merrill Lynch affiliated investment advisory program;
- Shares purchased by third-party investment advisors on behalf of their advisory clients through Merrill Lynch’s platform;
- Shares of funds purchased through the Merrill Edge Self-Directed platform;



- Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same fund (but not any other fund within the fund family);
- Shares exchanged from Class C shares of the same fund in the month of or following the 10-year anniversary of the purchase date;
- Employees and registered representatives of Merrill Lynch or its affiliates and their family members;
- Directors or Trustees of the Fund, and employees of the Fund's investment adviser or any of its affiliates, as described in this prospectus;
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (1) the repurchase occurs within 90 days following the redemption; (2) the redemption and purchase occur in the same account; and (3) redeemed shares were subject to a front-end or deferred sales load (known as Rights of Reinstatement).

**CDSC Waivers on A, B and C Shares available at Merrill Lynch**

- Death or disability of the shareholder;
- Shares sold as part of a systematic withdrawal plan as described in the Fund's prospectus;
- Return of excess contributions from an IRA Account;
- Shares sold as part of a required minimum distribution for IRA and retirement accounts due to the shareholder reaching age 70½;
- Shares sold to pay Merrill Lynch fees but only if the transaction is initiated by Merrill Lynch;
- Shares acquired through a right of reinstatement;
- Shares held in retirement brokerage accounts, that are converted to a lower cost share class due to transfer to certain fee based accounts or platforms (applicable to A and C shares only). The CDSC applicable to the converted shares will be waived, and Merrill Lynch will remit to the Fund's Distributor a portion of the waived CDSC. Such portion shall be equal to the number of months remaining on the CDSC period divided by the total number of months of the CDSC period.

**Front-End Load Discounts Available at Merrill Lynch:  
Breakpoints, Rights of Accumulation and Letters of Intent**

- Breakpoints as described in this prospectus;
- Rights of Accumulation (ROA) which entitle shareholders to breakpoint discounts will be automatically calculated based on the aggregated holding of fund family assets held by accounts within the purchaser's household at Merrill Lynch. Eligible fund family assets not held at Merrill Lynch may be included in the ROA calculation only if the shareholder notifies his or her financial advisor about such assets;
- Letters of Intent (LOI) which allow for breakpoint discounts based on anticipated purchases within a fund family, through Merrill Lynch, over a 13-month period of time.

**MORGAN STANLEY SMITH BARNEY**

**CLASS A SHARES FRONT-END SALES CHARGE WAIVERS AVAILABLE AT MORGAN STANLEY SMITH BARNEY:**

Effective July 1, 2018, shareholders purchasing Fund shares through a Morgan Stanley Wealth Management transactional brokerage account will be eligible only for the following front-end sales charge waivers with respect to Class A shares, which may differ from and may be more limited than those disclosed elsewhere in this Fund's Prospectus or SAI.

**Front-End Sales Charge Waivers on Class A Shares Available at Morgan Stanley Wealth Management**

- Employer-sponsored retirement plans (e.g., 401(k) plans, 457 plans, employer-sponsored 403(b) plans, profit sharing and money purchase pension plans and defined benefit plans). For purposes of this provision, employer-sponsored retirement plans do not include SEP IRAs, Simple IRAs, SAR-SEPs or Keogh plans;
- Morgan Stanley employee and employee-related accounts according to Morgan Stanley's account linking rules;
- Shares purchased through reinvestment of dividends and capital gains distributions when purchasing shares of the same fund;
- Shares purchased through a Morgan Stanley self-directed brokerage account;
- Class C (i.e., level-load) shares that are no longer subject to a contingent deferred sales charge and are exchanged to Class A shares of the same fund pursuant to Morgan Stanley Wealth Management's intra-fund share class exchange program;
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (i) the repurchase occurs within 90 days following the redemption; (ii) the redemption and purchase occur in the same account; and (iii) redeemed shares were subject to a front-end or deferred sales charge.

**RAYMOND JAMES & ASSOCIATES, INC., RAYMOND JAMES FINANCIAL SERVICES & RAYMOND JAMES AFFILIATES  
("RAYMOND JAMES")**

Effective March 1, 2019, shareholders purchasing and redeeming Fund shares through a Raymond James platform or account will be eligible only for the following load waivers (front-end sales charge waivers and contingent deferred, or back-end, sales charge waivers) and discounts, which may differ from those disclosed elsewhere in this Fund's prospectus or SAI.

**Front-End Sales Load Waivers on Class A Shares Available at Raymond James**

- Shares purchased through a Raymond James investment advisory program;
- Shares purchased through reinvestment of capital gains distributions and dividend reinvestment when purchasing shares of the same Fund (but not any other fund within the fund family);
- Employees and registered representatives of Raymond James or its affiliates and their family members as designated by Raymond James;
- Shares purchased from the proceeds of redemptions within the same fund family, provided: (1) the repurchase occurs within 90 days following the redemption; (2) the redemption and purchase occur in the same account; and (3) redeemed shares were subject to a front-end or deferred sales load (known as Rights of Reinstatement);
- A shareholder in the Fund's Class C shares will have their shares automatically exchanged at net asset value to Class A shares (or the appropriate share class) of the Fund if the shares are no longer subject to a CDSC and the automatic exchange is in line with the policies and procedures of Raymond James.

**CDSC Waivers on A, B and C Shares Available at Raymond James**

- Death or disability of the shareholder;
- Shares sold as part of a systematic withdrawal plan as described in the fund's prospectus;
- Return of excess contributions from an IRA Account;
- Shares sold as part of a required minimum distribution for IRA and retirement accounts due to the shareholder reaching age 70½ as described in the fund's prospectus;
- Shares sold to pay Raymond James fees but only if the transaction is initiated by Raymond James;
- Shares acquired through a right of reinstatement.

**Front-End Load Discounts Available at Raymond James: Breakpoints, and/or Rights of Accumulation**

- Breakpoints as described in this prospectus;
- Rights of accumulation which entitle shareholders to breakpoint discounts will be automatically calculated based on the aggregated holding of fund family assets held by accounts within the purchaser's household at Raymond James. Eligible fund family assets not held at Raymond James may be included in the rights of accumulation calculation only if the shareholder notifies his or her financial advisor about such assets.

An SAI dated December 31, 2018, is incorporated by reference into this Prospectus. Additional information about the Fund and its investments is contained in the Fund's SAI and Annual and Semi-Annual Reports to shareholders as they become available. The Annual Report's Management's Discussion of Fund Performance discusses market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year. The SAI contains a description of the Fund's policies and procedures with respect to the disclosure of its portfolio securities. To obtain the SAI, Annual Report, Semi-Annual Report and other information without charge, and to make inquiries, call your financial intermediary or the Fund at 1-800-341-7400.

These documents, as well as additional information about the Fund (including portfolio holdings, performance and distributions), are also available on Federated's website at [FederatedInvestors.com](http://FederatedInvestors.com).

You can obtain information about the Fund (including the SAI) by accessing Fund information from the EDGAR Database on the SEC's website at [www.sec.gov](http://www.sec.gov). You can purchase copies of this information by contacting the SEC by email at [publicinfo@sec.gov](mailto:publicinfo@sec.gov).



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Federated Securities Corp., Distributor

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