Semi-Annual Shareholder Report

March 31, 2019

Share Class | Ticker **Institutional** | FGFIX **Service** | FGFSX

Federated Mortgage Fund

Fund Established 1997

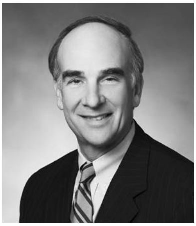
A Portfolio of Federated Total Return Series, Inc.

IMPORTANT NOTICE REGARDING REPORT DELIVERY

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports like this one will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund or your financial intermediary electronically by contacting your financial intermediary (such as a broker-dealer or bank); other shareholders may call the Fund at 1-800-341-7400, Option 4.

You may elect to receive all future reports in paper free of charge. You can inform the Fund or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by contacting your financial intermediary (such as a broker-dealer or bank); other shareholders may call the Fund at 1-800-341-7400, Option 4. Your election to receive reports in paper will apply to all funds held with the Fund complex or your financial intermediary.



J. Christopher Donahue

President

Federated Mortgage Fund

Letter from the President

Dear Valued Shareholder,

I am pleased to present the Semi-Annual Shareholder Report for your fund covering the period from October 1, 2018 through March 31, 2019. This report includes a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

In addition, our website, FederatedInvestors.com, offers easy access to Federated resources that include timely fund updates, economic and market insights from our investment strategists, and financial planning tools.

Thank you for investing with Federated. I hope you find this information useful and look forward to keeping you informed.

Sincerely,

J. Christopher Donahue, President

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Portfolio of Investments Summary Table (unaudited)

At March 31, 2019, the Fund's portfolio composition[1] was as follows:

Type of Investments	Percentage of Total Net Assets
U.S. Government Agency Mortgage-Backed Securities	92.6%
Collateralized Mortgage Obligations	25.1%
Non-Agency Mortgage-Backed Securities	4.5%
Agency Risk Transfer Securities	1.9%
Asset-Backed Securities	0.4%
U.S. Government Agency Adjustable Rate Mortgages	0.2%
Derivative Contracts[2,3]	(0.0)%
Cash Equivalents[4]	5.7%
Other Assets and Liabilities—Net[5]	(30.4)%
TOTAL	**100.0%**

1 *See the Fund's Prospectus and Statement of Additional Information for a description of the types of securities in which the Fund invests.*

2 *Based upon net unrealized appreciation (depreciation) or value of the derivative contracts as applicable. Derivative contracts may consist of futures, forwards, options and swaps. The impact of a derivative contract on the Fund's performance may be larger than its unrealized appreciation (depreciation) or value may indicate. In many cases, the notional value or amount of a derivative contract may provide a better indication of the contract's significance to the portfolio. More complete information regarding the Fund's direct investments in derivative contracts, including unrealized appreciation (depreciation), value and notional values or amounts of such contracts, can be found in the table at the end of the Portfolio of Investments included in this Report.*

3 *Represents less than 0.1%.*

4 *Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements.*

5 *Assets, other than investments in securities and derivative contracts, less liabilities. See Statement of Assets and Liabilities.*

Portfolio of Investments

March 31, 2019 (unaudited)

Principal Amount		Value
	MORTGAGE-BACKED SECURITIES—92.6%	
	Federal Home Loan Mortgage Corporation—36.0%	
$5,778,271	[1]3.500%, 7/1/2042	$ 5,932,582
3,683,723	3.500%, 10/1/2046	3,763,680
3,473,927	4.000%, 12/1/2041	3,616,842
4,519,250	4.000%, 3/1/2048	4,672,687
2,768	4.500%, 6/1/2019	2,767
1,617,200	4.500%, 9/1/2040	1,717,183
72,977	5.500%, 10/1/2021	74,853
10,899	6.000%, 7/1/2021	11,184
53,163	7.500%, 1/1/2027	59,119
620	7.500%, 9/1/2030	712
2,845	7.500%, 1/1/2031	3,259
2,799	7.500%, 1/1/2031	3,214
1,807	7.500%, 1/1/2031	1,997
31,064	7.500%, 2/1/2031	35,590
72,157	7.500%, 2/1/2031	83,239
	TOTAL	19,978,908
	Federal National Mortgage Association—56.2%	
6,066,197	3.000%, 10/1/2046	6,050,666
9,450,000	[2]3.000%, 4/1/2049	9,407,421
983	3.500%, 8/1/2020	1,005
7,600,000	[2]3.500%, 4/1/2049	7,702,462
5,074,492	4.000%, 8/1/2048	5,225,366
647	4.500%, 12/1/2019	646
2,196,061	4.500%, 1/1/2042	2,322,927
33,542	5.000%, 4/1/2036	36,317
3,821	5.500%, 8/1/2019	3,827
219,801	5.500%, 11/1/2035	240,629
81,900	6.000%, 2/1/2026	88,396
3,742	6.000%, 5/1/2036	4,209
525	6.500%, 7/1/2029	585
1,272	6.500%, 5/1/2030	1,411
4,284	6.500%, 2/1/2031	4,801
5,140	6.500%, 4/1/2031	5,763
423	6.500%, 4/1/2031	471
7,867	6.500%, 5/1/2031	8,817

Principal Amount		Value
	MORTGAGE-BACKED SECURITIES—continued	
	Federal National Mortgage Association—continued	
$ 6,728	6.500%, 6/1/2031	$ 7,542
7,928	6.500%, 7/1/2031	8,941
1,951	6.500%, 8/1/2031	2,166
3,264	7.000%, 4/1/2029	3,685
2,304	7.000%, 4/1/2029	2,592
5,597	7.000%, 5/1/2029	6,302
4,153	7.000%, 2/1/2030	4,679
3,016	8.000%, 12/1/2026	3,382
	TOTAL	31,145,008
	Government National Mortgage Association—0.4%	
25,105	5.000%, 1/15/2023	25,646
53,215	5.000%, 7/15/2023	54,930
8,247	7.000%, 10/15/2028	9,151
3,140	7.000%, 12/15/2028	3,479
4,348	7.000%, 2/15/2029	4,797
2,670	7.000%, 6/15/2029	3,006
5,141	8.000%, 10/15/2030	5,946
80,254	8.000%, 11/15/2030	93,079
	TOTAL	200,034
	TOTAL MORTGAGE-BACKED SECURITIES (IDENTIFIED COST $50,570,305)	51,323,950
	COLLATERALIZED MORTGAGE OBLIGATIONS—29.6%	
	Federal Home Loan Mortgage Corporation—25.0%	
3,204,215	[3]REMIC, Series 3114, Class PF, 2.883% (1-month USLIBOR +0.400%), 2/15/2036	3,201,633
3,671,847	[3]REMIC, Series 3307, Class FA, 2.913% (1-month USLIBOR +0.430%), 7/15/2034	3,672,644
6,961,981	[3]REMIC, Series 3910, Class FB, 2.983% (1-month USLIBOR +0.500%), 8/15/2041	6,984,484
	TOTAL	13,858,761
	Federal National Mortgage Association—0.1%	
43,599	REMIC, Series 1999-13, Class PH, 6.000%, 4/25/2029	47,450
	Non-Agency Mortgage-Backed Securities—4.5%	
120,548	Credit Suisse Mortgage Trust 2007-4, Class 4A2, 5.500%, 6/25/2037	79,649
971,187	Credit Suisse Mortgage Trust 2014-WIN2, Class A2, 3.500%, 10/25/2044	973,207
8,438	[4]Lehman Structured Securities Corp. Mortgage 2002-GE1, Class A, 0.000%, 7/26/2024	5,823

Principal Amount		Value
	COLLATERALIZED MORTGAGE OBLIGATIONS—continued	
	Non-Agency Mortgage-Backed Securities—continued	
$1,444,762	Sequoia Mortgage Trust 2014-4, Class A5, 3.500%, 11/25/2044	$ 1,447,777
	TOTAL	2,506,456
	TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (IDENTIFIED COST $16,462,323)	16,412,667
	AGENCY RISK TRANSFER SECURITY—1.9%	
	Federal Home Loan Mortgage Corporation—1.9%	
1,000,000	[3]FHLMC Structured Agency Credit Risk Debt Note, Series 2017-DNA3, Class M2, 4.985% (1-month USLIBOR +2.500%), 3/25/2030 (IDENTIFIED COST $1,009,297)	1,024,475
	[3]ADJUSTABLE RATE MORTGAGES—0.2%	
	Federal Home Loan Mortgage Corporation ARM—0.0%	
16,830	4.465%, 7/1/2035	17,583
	Federal National Mortgage Association ARM—0.2%	
63,912	4.348%, 7/1/2034	66,517
51,893	5.050%, 2/1/2036	54,634
	TOTAL	121,151
	TOTAL ADJUSTABLE RATE MORTGAGES (IDENTIFIED COST $132,446)	138,734
	ASSET-BACKED SECURITY—0.4%	
	Other—0.4%	
225,378	Sierra Receivables Funding Co. LLC 2015-1A, Class A, 2.400%, 3/22/2032 (IDENTIFIED COST $225,322)	224,146
	INVESTMENT COMPANY—5.7%	
3,137,625	Federated Government Obligations Fund, Premier Shares, 2.36%[5] (IDENTIFIED COST $3,137,625)	3,137,625
	TOTAL INVESTMENT IN SECURITIES—130.4% (IDENTIFIED COST $71,537,318)[6]	72,261,597
	OTHER ASSETS AND LIABILITIES - NET—(30.4)%[7]	(16,858,252)
	TOTAL NET ASSETS—100%	$ 55,403,345

At March 31, 2019, the Fund had the following outstanding futures contracts:

Description	Number of Contracts	Notional Value	Expiration Date	Value and Unrealized Depreciation
[4]United States Treasury Note 5-Year Short Futures	20	$2,316,563	June 2019	$(20,358)

Unrealized Depreciation on Futures Contracts is included in "Other Assets and Liabilities—Net."

Affiliated fund holdings are investment companies which are managed by the Adviser or an affiliate of the Adviser. Transactions with affiliated fund holdings during the period ended March 31, 2019, were as follows:

	Federated Government Obligations Fund, Premier Shares
Balance of Shares Held 9/30/2018	8,480,527
Purchases/Additions	66,166,777
Sales/Reductions	(71,509,679)
Balance of Shares Held 3/31/2019	3,137,625
Value	$ 3,137,625
Change in Unrealized Appreciation/Depreciation	N/A
Net Realized Gain/(Loss)	N/A
Dividend Income	$ 37,099

1 *All or a portion of these securities are segregated pending settlement of dollar-roll transactions.*

2 *All or a portion of these To Be Announced Securities (TBAs) are subject to dollar-roll transactions.*

3 *Floating/adjustable note with current rate and current maturity or next reset date shown. Adjustable rate mortgage security coupons are based on the weighted average note rates of the underlying mortgages less the guarantee and servicing fees. These securities do not indicate an index and spread in their description above.*

4 *Non-income-producing security.*

5 *7-day net yield.*

6 *Also represents cost for federal tax purposes.*

7 *Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities. A significant portion of this balance is a result of dollar-roll transactions as of March 31, 2019.*

Note: The categories of investments are shown as a percentage of total net assets at March 31, 2019.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1—quoted prices in active markets for identical securities.

Level 2—other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Also includes securities valued at amortized cost.

Level 3—significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used, as of March 31, 2019, in valuing the Fund's assets carried at fair value:

Valuation Inputs

	Level 1— Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
Debt Securities:				
Mortgage-Backed Securities	$ —	$51,323,950	$—	$51,323,950
Collateralized Mortgage Obligations	—	16,412,667	—	16,412,667
Agency Risk Transfer Security	—	1,024,475	—	1,024,475
Adjustable Rate Mortgages	—	138,734	—	138,734
Asset-Backed Security	—	224,146	—	224,146
Investment Company	3,137,625	—	—	3,137,625
TOTAL SECURITIES	$3,137,625	$69,123,972	$—	$72,261,597
Other Financial Instruments[1]				
Assets	$ —	$ —	$—	$ —
Liabilities	(20,358)	—	—	(20,358)
TOTAL OTHER FINANCIAL INSTRUMENTS	$ (20,358)	$ —	$—	$ (20,358)

1 *Other financial instruments are futures contracts.*

The following acronyms are used throughout this portfolio:

ARM —Adjustable Rate Mortgage
LIBOR —London Interbank Offered Rate
REMIC—Real Estate Mortgage Investment Conduit

See Notes which are an integral part of the Financial Statements

Financial Highlights – Institutional Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 3/31/2019	Year Ended September 30, 2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	**$9.25**	**$9.59**	**$9.82**	**$9.71**	**$9.65**	**$9.60**
Income From Investment Operations:						
Net investment income	0.13	0.25	0.21	0.28	0.27	0.28
Net realized and unrealized gain (loss)	0.25	(0.33)	(0.19)	0.11	0.06	0.05
TOTAL FROM INVESTMENT OPERATIONS	0.38	(0.08)	0.02	0.39	0.33	0.33
Less Distributions:						
Distributions from net investment income	(0.13)	(0.26)	(0.25)	(0.28)	(0.27)	(0.28)
Net Asset Value, End of Period	**$9.50**	**$9.25**	**$9.59**	**$9.82**	**$9.71**	**$9.65**
Total Return[1]	4.18%	(0.89)%	0.20%	4.04%	3.46%	3.45%
Ratios to Average Net Assets:						
Net expenses	0.50%[2]	0.51%	0.50%	0.49%	0.49%	0.48%
Net investment income	2.86%[2]	2.63%	2.21%	2.52%	2.71%	2.76%
Expense waiver/reimbursement[3]	0.46%[2]	0.24%	0.20%	0.18%	0.16%	0.16%
Supplemental Data:						
Net assets, end of period (000 omitted)	$50,135	$90,789	$121,240	$150,636	$132,127	$150,646
Portfolio turnover	204%[4]	72%	277%	248%	71%	40%
Portfolio turnover (excluding purchases and sales from dollar-roll transactions)	149%	18%	63%	57%	62%	8%

1 *Based on net asset value. Total returns for periods of less than one year are not annualized.*

2 *Computed on an annualized basis.*

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

4 *The portfolio turnover rate was higher from the prior year as a result of significant client activity and asset reduction.*

See Notes which are an integral part of the Financial Statements

Financial Highlights – Service Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 3/31/2019	Year Ended September 30, 2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	**$9.25**	**$9.59**	**$9.81**	**$9.71**	**$9.65**	**$9.60**
Income From Investment Operations:						
Net investment income	0.12	0.22	0.18	0.25	0.24	0.25
Net realized and unrealized gain (loss)	0.25	(0.33)	(0.18)	0.10	0.06	0.05
TOTAL FROM INVESTMENT OPERATIONS	0.37	(0.11)	—	0.35	0.30	0.30
Less Distributions:						
Distributions from net investment income	(0.12)	(0.23)	(0.22)	(0.25)	(0.24)	(0.25)
Net Asset Value, End of Period	**$9.50**	**$9.25**	**$9.59**	**$9.81**	**$9.71**	**$9.65**
Total Return[1]	4.02%	(1.19)%	0.00%[2]	3.62%	3.15%	3.15%
Ratios to Average Net Assets:						
Net expenses	0.81%[3]	0.81%	0.81%	0.79%	0.79%	0.78%
Net investment income	2.57%[3]	2.33%	1.91%	2.25%	2.38%	2.45%
Expense waiver/reimbursement[4]	0.68%[3]	0.44%	0.40%	0.38%	0.34%	0.34%
Supplemental Data:						
Net assets, end of period (000 omitted)	$5,268	$7,143	$11,269	$15,236	$17,893	$34,579
Portfolio turnover	204%[5]	72%	277%	248%	71%	40%
Portfolio turnover (excluding purchases and sales from dollar-roll transactions)	149%	18%	63%	57%	62%	8%

1 *Based on net asset value. Total returns for periods of less than one year are not annualized.*

2 *Represents less than 0.01%.*

3 *Computed on an annualized basis.*

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

5 *The portfolio turnover rate was higher from the prior year as a result of significant client activity and asset reduction.*

See Notes which are an integral part of the Financial Statements

Statement of Assets and Liabilities

March 31, 2019 (unaudited)

Assets:		
Investment in securities, at value including $3,137,625 of investment in an affiliated holding (identified cost $71,537,318)		$72,261,597
Restricted cash (Note 2)		13,800
Income receivable		145,103
Income receivable from an affiliated holding		6,870
Receivable for shares sold		4,566
Receivable for daily variation margin on futures contracts		33,434
TOTAL ASSETS		72,465,370
Liabilities:		
Payable for investments purchased	$16,893,737	
Payable for shares redeemed	105,248	
Income distribution payable	59,155	
Payable for investment adviser fee (Note 5)	1,866	
Payable for administrative fees (Note 5)	363	
Payable for Directors'/Trustees' fees (Note 5)	228	
Payable for distribution services fee (Note 5)	226	
Payable for other service fees (Notes 2 and 5)	1,136	
Accrued expenses (Note 5)	66	
TOTAL LIABILITIES		17,062,025
Net assets for 5,833,176 shares outstanding		$55,403,345
Net Assets Consist of:		
Paid-in capital		$57,861,161
Total distributable earnings (loss)		(2,457,816)
TOTAL NET ASSETS		$55,403,345
Net Asset Value, Offering Price and Redemption Proceeds Per Share		
Institutional Shares:		
Net asset value per share ($50,134,931 ÷ 5,278,333 shares outstanding), no par value,1,000,000,000 shares authorized		$9.50
Service Shares:		
Net asset value per share ($5,268,414 ÷ 554,843 shares outstanding), no par value,1,000,000,000 shares authorized		$9.50

See Notes which are an integral part of the Financial Statements

Statement of Operations

Six Months Ended March 31, 2019 (unaudited)

Investment Income:			
Interest			$ 995,514
Dividends received from an affiliated holding*			37,099
TOTAL INCOME			$ 1,032,613
Expenses:			
Investment adviser fee (Note 5)		$ 122,736	
Administrative fee (Note 5)		24,504	
Custodian fees		9,054	
Transfer agent fee		16,550	
Directors'/Trustees' fees (Note 5)		1,556	
Auditing fees		16,968	
Legal fees		6,087	
Portfolio accounting fees		55,661	
Distribution services fee (Note 5)		7,302	
Other service fees (Notes 2 and 5)		7,263	
Share registration costs		20,494	
Printing and postage		9,950	
Taxes		50	
Miscellaneous (Note 5)		11,293	
TOTAL EXPENSES		309,468	
Waivers and Reimbursements:			
Waiver/reimbursement of investment adviser fee (Note 5)	$(116,312)		
Waiver/reimbursement of other operating expenses (Note 5)	(30,784)		
TOTAL WAIVERS AND REIMBURSEMENTS		(147,096)	
Net expenses			162,372
Net investment income			870,241
Realized and Unrealized Gain (Loss) on Investments and Futures Contracts:			
Net realized loss on investments			(1,748,573)
Net realized loss on futures contracts			(159,652)
Net change in unrealized depreciation of investments			2,957,876
Net change in unrealized appreciation of futures contracts			(20,358)
Net realized and unrealized gain on investments and futures contracts			1,029,293
Change in net assets resulting from operations			$ 1,899,534

* *See information listed after the Fund's Portfolio of Investments*

See Notes which are an integral part of the Financial Statements

Statement of Changes in Net Assets

	Six Months Ended (unaudited) 3/31/2019	Year Ended 9/30/2018
Increase (Decrease) in Net Assets		
Operations:		
Net investment income	$ 870,241	$ 3,112,352
Net realized loss	(1,908,225)	(24,368)
Net change in unrealized appreciation/depreciation	2,937,518	(4,307,439)
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	1,899,534	(1,219,455)
Distributions to Shareholders (Note 2):		
Institutional Shares	(794,213)	(2,982,632)
Service Shares	(74,753)	(225,763)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(868,966)	(3,208,395)
Share Transactions:		
Proceeds from sale of shares	12,787,865	22,413,466
Net asset value of shares issued to shareholders in payment of distributions declared	491,101	2,035,405
Cost of shares redeemed	(56,838,271)	(54,597,511)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(43,559,305)	(30,148,640)
Change in net assets	(42,528,737)	(34,576,490)
Net Assets:		
Beginning of period	97,932,082	132,508,572
End of period	$ 55,403,345	$ 97,932,082

See Notes which are an integral part of the Financial Statements

Notes to Financial Statements

March 31, 2019 (unaudited)

1. ORGANIZATION

Federated Total Return Series, Inc. (the "Corporation") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Corporation consists of three portfolios. The financial statements included herein are only those of Federated Mortgage Fund (the "Fund"), a diversified portfolio. The financial statements of the other portfolios are presented separately. The assets of each portfolio are segregated and a shareholder's interest is limited to the portfolio in which shares are held. Each portfolio pays its own expenses. The Fund offers two classes of shares: Institutional Shares and Service Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. The investment objective of the Fund is to provide total return.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. These policies are in conformity with U.S. generally accepted accounting principles (GAAP).

Investment Valuation

In calculating its net asset value (NAV), the Fund generally values investments as follows:

- Fixed-income securities are fair valued using price evaluations provided by a pricing service approved by the Fund's Board of Directors (the "Directors").
- 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 Directors.
- Shares of other mutual funds or non-exchange-traded investment companies are valued based upon their reported NAVs.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Directors, certain factors may be considered, such as: the last traded or purchase price of the security, information obtained by contacting the issuer or dealers, analysis of the issuer's financial statements or other available documents, fundamental analytical data, the nature and duration of restrictions on disposition, the movement of the market in which the security is normally traded, public trading in similar securities or derivative contracts of the issuer or comparable issuers, movement of a relevant index, or other factors including but not limited to industry changes and relevant government actions.

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 ("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 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.

Fair Valuation Procedures

The Directors have ultimate responsibility for determining the fair value of investments for which market quotations are not readily available. The Directors have appointed a Valuation Committee comprised of officers of the Fund, Federated Investment Management Company (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 Directors have 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. The Valuation Committee employs various methods for reviewing third-party pricing-service evaluations including periodic reviews of third-party pricing services' policies, procedures and valuation methods (including key inputs, methods, models and assumptions), transactional back-testing, comparisons of evaluations of different pricing services, and review of price challenges by the Adviser based on recent market activity. 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 Directors. The Directors periodically review and approve the fair valuations made by the Valuation Committee and any changes made to the procedures.

Factors considered by pricing services in evaluating an investment include the yields or prices of investments of comparable quality, coupon, maturity, call rights and other potential prepayments, terms and type, reported transactions, indications as to values from dealers and general market conditions. Some pricing services provide a single price evaluation reflecting the bid-side of the market for an investment (a "bid" evaluation). Other pricing services offer both bid evaluations and price evaluations indicative of a price between the prices bid and asked for the investment (a "mid" evaluation). The Fund normally uses bid evaluations for any U.S. Treasury and Agency securities, mortgage-backed securities and municipal securities. The Fund normally uses mid evaluations for any other types of fixed-income securities and any OTC derivative contracts. In the event that market quotations and price evaluations are not available for an investment, the fair value of the investment is determined in accordance with procedures adopted by the Directors.

Repurchase Agreements

The Fund may invest in repurchase agreements for short-term liquidity purposes. It is the policy of the Fund to require the other party to a repurchase agreement to transfer to the Fund's custodian or sub-custodian eligible securities or cash with a market value (after transaction costs) at least equal to the repurchase price to be paid under the repurchase agreement. The eligible securities are transferred to accounts with the custodian or sub-custodian in which the Fund holds a "securities entitlement" and exercises "control" as those terms are defined in the Uniform Commercial Code. The Fund has established procedures for monitoring the market value of the transferred securities and requiring the transfer of additional eligible securities if necessary to equal at least the repurchase price. These procedures also allow the other party to require securities to be transferred from the account to the extent that their market value exceeds the repurchase price or in exchange for other eligible securities of equivalent market value.

The insolvency of the other party or other failure to repurchase the securities may delay the disposition of the underlying securities or cause the Fund to receive less than the full repurchase price. Under the terms of the repurchase agreement, any amounts received by the Fund in excess of the repurchase price and related transaction costs must be remitted to the other party.

The Fund may enter into repurchase agreements in which eligible securities are transferred into joint trading accounts maintained by the custodian or sub-custodian for investment companies and other clients advised by the Fund's Adviser and its affiliates. The Fund will participate on a pro rata basis with the other investment companies and clients in its share of the securities transferred under such repurchase agreements and in its share of proceeds from any repurchase or other disposition of such securities.

Investment Income, Gains and Losses, Expenses and Distributions

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are recorded on an identified-cost basis. Interest income and expenses are accrued daily. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Distributions of net investment income are declared daily and paid monthly. Amortization/accretion of premium and discount is included in investment income. Gains and losses realized on principal payment of mortgage-backed securities (paydown gains and losses) are classified as part of investment income. Investment income, realized and unrealized gains and losses, and certain fund-level expenses are allocated to each class based on relative average daily net assets, except that select classes will bear certain expenses unique to those classes. The detail of the total fund expense waivers and reimbursement of $147,096 is disclosed in various locations in Note 5.

Dividends are declared separately for each class. No class has preferential dividend rights; differences in per share dividend rates are generally due to differences in separate class expenses. All distributions as indicated on the Statement of Changes in Net Assets for the year ended September 30, 2018, were from net investment income. Undistributed net investment income as of September 30, 2018 was $16,162.

Other Service Fees

The Fund may pay other service fees up to 0.25% of the average daily net assets of the Fund's Institutional Shares and Service Shares to unaffiliated financial intermediaries or to Federated Shareholder Services Company (FSSC) for providing services to shareholders and maintaining shareholder accounts. Subject to the terms described in the Expense Limitation note, FSSC may voluntarily reimburse the Fund for other service fees. For the six months ended March 31, 2019, other service fees for the Fund were as follows:

	Other Service Fees Incurred
Service Shares	$7,263

For the six months ended March 31, 2019, the Fund's Institutional Shares did not incur other service fees.

Federal Taxes

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code (the "Code") and to distribute to shareholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the six months ended March 31, 2019, the Fund did not have a liability for any uncertain tax positions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. As of March 31, 2019, tax years 2015 through 2018 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America, the state of Maryland, and the Commonwealth of Pennsylvania.

When-Issued and Delayed-Delivery Transactions

The Fund may engage in when-issued or delayed-delivery transactions. The Fund records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

The Fund may transact in To Be Announced Securities (TBAs). As with other delayed-delivery transactions, a seller agrees to issue TBAs at a future date. However, the seller does not specify the particular securities to be delivered. Instead, the Fund agrees to accept any security that meets specified terms such as issuer, interest rate and terms of underlying mortgages. The Fund records TBAs on the trade date utilizing information associated with the specified terms of the transaction as opposed to the specific mortgages. TBAs are marked to market daily and begin earning interest on the settlement date. Losses may occur due to the fact that the actual underlying mortgages received may be less favorable than those anticipated by the Fund.

Restricted Securities

The Fund may purchase securities which are considered restricted. Restricted securities are securities that either: (a) cannot be offered for public sale without first being registered, or being able to take advantage of an exemption from registration, under the Securities Act of 1933; or (b) are subject to contractual restrictions on public sales. In some cases, when a security cannot be offered for public sale without first being registered, the issuer of the restricted security has agreed to register such securities for resale, at the issuer's expense, either upon demand by the Fund or in connection with another registered offering of the securities. Many such restricted securities may be resold in the secondary market in transactions exempt from registration. Restricted securities may be determined to be liquid under criteria established by the Directors. The Fund will not incur any registration costs upon such resales. The Fund's restricted securities, like other securities, are priced in accordance with procedures established by and under the general supervision of the Directors.

Futures Contracts

The Fund purchases and sells financial futures contracts to manage cash flows and to seek to enhance yield. In addition, futures contracts are used as a duration and yield curve management tool with the goal of enhancing the Fund's total rate of return. Upon entering into a financial futures contract with a broker, the Fund is required to deposit in a segregated account, either U.S. government securities or a specified amount of restricted cash, which is shown in the Statement of Assets and Liabilities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. Daily, the Fund receives from or pays to the broker a specified amount of cash based upon changes in the variation margin account. When a contract is closed, the Fund recognizes a realized gain or loss. Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with the changes in the value of the underlying securities. There is minimal counterparty risk to the Fund since futures contracts are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures contracts, guarantees the futures contracts against default.

Futures contracts outstanding at period end are listed after the Fund's Portfolio of Investments.

The average notional value of short futures contracts held by the Fund throughout the period was $2,499,087. This is based on amounts held as of each month-end throughout the six-month period.

Dollar-Roll Transactions

The Fund engages in dollar-roll transactions in which the Fund sells mortgage-backed securities with a commitment to buy similar (same type, coupon and maturity), but not identical mortgage-backed securities on a future date. Both securities involved are TBA mortgage-backed securities. The Fund treats dollar-roll transactions as purchases and sales. Dollar-rolls are subject to interest rate risks and credit risks.

Option Contracts

The Fund buys or sells put and call options to increase return and to manage currency risk. The seller ("writer") of an option receives a payment or premium, from the buyer, which the writer keeps regardless of whether the buyer exercises the option. When the Fund writes a put or call option, an amount equal to the premium received is recorded as a liability and subsequently marked to market to reflect the current value of the option written. Premiums received from writing options which expire are treated as realized gains. The Fund, as a writer of an option, bears the market risk of an unfavorable change in the price of the underlying reference instrument. When the Fund purchases a put or call option, an amount equal to the premium paid is recorded as an increase to the cost of the investment and subsequently marked to market to reflect the current value of the option purchased. Premiums paid for purchasing options which expire are treated as realized losses. Premiums received/paid for writing/purchasing options which are exercised or closed are added to the proceeds or offset against amounts paid on the underlying reference instrument to determine the realized gain or loss. The risk associated with purchasing put and call options is limited to the premium paid. Options can trade on securities or commodities exchanges. In this case, the exchange sets all the terms of the contract except for the price. Most exchanges require investors to maintain margin accounts through their brokers to cover their potential obligations to the exchange. This protects investors against potential defaults by the counterparty.

At March 31, 2019, the Fund had no outstanding option contracts.

Additional Disclosure Related to Derivative Instruments

Fair Value of Derivative Instruments	Asset		Liability	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Derivatives not accounted for as hedging instruments under ASC Topic 815				
Interest Rate Contracts	Receivable for daily variation margin on futures contracts	$(20,358)*		

* *Includes cumulative depreciation of futures contracts as reported in the footnotes to the Portfolio of Investments. Only the current day's variation margin is reported within the Statement of Assets and Liabilities.*

The Effect of Derivative Instruments on the Statement of Operations for the Six Months Ended March 31, 2019

Amount of Realized Gain or (Loss) on Derivatives Recognized in Income

	Futures Contracts
Interest rate contracts	$(159,652)

Change in Unrealized Appreciation or (Depreciation) on Derivatives Recognized in Income

	Futures Contracts
Interest rate contracts	$(20,358)

Other

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets, liabilities, expenses and revenues reported in the financial statements. Actual results could differ from those estimated. The Fund applies investment company accounting and reporting guidance.

3. CAPITAL STOCK

The following tables summarize capital stock share activity:

	Six Months Ended 3/31/2019		Year Ended 9/30/2018	
Institutional Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	1,352,725	$ 12,686,267	2,270,384	$ 21,348,683
Shares issued to shareholders in payment of distributions declared	47,209	440,057	198,968	1,868,985
Shares redeemed	(5,935,715)	(54,676,274)	(5,293,250)	(49,607,171)
NET CHANGE RESULTING FROM INSTITUTIONAL SHARE TRANSACTIONS	(4,535,781)	$(41,549,950)	(2,823,898)	$(26,389,503)

	Six Months Ended 3/31/2019		Year Ended 9/30/2018	
Service Shares:	**Shares**	**Amount**	**Shares**	**Amount**
Shares sold	10,913	$ 101,598	112,612	$ 1,064,783
Shares issued to shareholders in payment of distributions declared	5,467	51,044	17,712	166,420
Shares redeemed	(233,934)	(2,161,997)	(533,140)	(4,990,340)
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	(217,554)	$ (2,009,355)	(402,816)	$ (3,759,137)
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(4,753,335)	$(43,559,305)	(3,226,714)	$(30,148,640)

4. FEDERAL TAX INFORMATION

At March 31, 2019, the cost of investments for federal tax purposes was $71,537,318. The net unrealized appreciation of investments for federal tax purposes was $703,921. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of $953,666 and net unrealized depreciation from investments for those securities having an excess of cost over value of $249,745. The amounts presented are inclusive of derivative contracts.

At September 30, 2018, the Fund had a capital loss carryforward of $1,290,051 which will reduce the Fund's taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Code, thereby reducing the amount of distributions to shareholders which would otherwise be necessary to relieve the Fund of any liability for federal income tax. Pursuant to the Code, a net capital loss incurred in taxable years beginning after December 22, 2010, retains its character as either short-term or long-term, does not expire and is required to be utilized prior to the losses which have a Carryforward Limit.

The following schedule summarizes the Fund's capital loss carryforwards:

Expiration Year	Short-Term	Long-Term	Total
No Expiration	$1,290,051	$—	$1,290,051

5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Investment Adviser Fee

The advisory agreement between the Fund and the Adviser provides for an annual fee equal to 40% of the Fund's average daily net assets. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily choose to waive any portion of its fee. For the six months ended March 31, 2019, the Adviser voluntarily waived $114,795 of its fee and voluntarily reimbursed $24,968 of other operating expenses.

The Adviser has agreed to reimburse the Fund for certain investment adviser fees as a result of transactions in other affiliated investment companies. For the six months ended March 31, 2019, the Adviser reimbursed $1,517.

Administrative Fee

Federated Administrative Services (FAS), under the Administrative Services Agreement, provides the Fund with administrative personnel and services. For purposes of determining the appropriate rate breakpoint, "Investment Complex" is defined as all of the Federated Funds subject to a fee under the Administrative Services Agreement. The fee paid to FAS is based on the average daily net assets of the Investment Complex as specified below:

Administrative Fee	Average Daily Net Assets of the Investment Complex
0.100%	on assets up to $50 billion
0.075%	on assets over $50 billion

Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the six months ended March 31, 2019, the annualized fee paid to FAS was 0.080% of average daily net assets of the Fund.

In addition, FAS may charge certain out-of-pocket expenses to the Fund.

Distribution Services Fee

The Fund has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Act. Under the terms of the Plan, the Fund will compensate Federated Securities Corp. (FSC), the principal distributor, from the daily net assets of the Fund's Service Shares to finance activities intended to result in the sale of these shares. The Plan provides that the Fund may incur distribution expenses at 0.25% of average daily net assets, annually, to compensate FSC. Subject to the terms described in the Expense Limitation note, FSC may voluntarily choose to waive any portion of its fee. For the six months ended March 31, 2019, distribution services fees for the Fund were as follows:

	Distribution Services Fees Incurred	Distribution Services Fees Waived
Service Shares	$7,302	$(5,816)

When FSC receives fees, it may pay some or all of them to financial intermediaries whose customers purchase shares. For the six months ended March 31, 2019, FSC retained $1,485 fees paid by the Fund.

Other Service Fees

For the six months ended March 31, 2019, FSSC received $186 of the other service fees disclosed in Note 2.

Expense Limitation

The Adviser and certain of its affiliates (which may include FSC, FAS and FSSC) on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Effective December 1, 2018, total annual fund operating expenses (as shown in the financial highlights, excluding interest expense, extraordinary expenses and proxy-related expenses paid by the Fund, if any) paid by the Fund's Institutional Shares and Service Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.50% and 0.80% (the "Fee Limit"), respectively, up to but not including the later of (the "Termination Date"): (a) December 1, 2019; or (b) the date of the Fund's next effective Prospectus. While the Adviser and its applicable 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 Directors.

Directors'/Trustees' and Miscellaneous Fees

Certain Officers and Directors of the Fund are Officers and Directors or Trustees of certain of the above companies. To efficiently facilitate payment, Directors'/Trustees' fees and certain expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses are paid by an affiliate of the Adviser which in due course are reimbursed by the Fund. These expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses may be included in Accrued and Miscellaneous Expenses on the Statement of Assets and Liabilities and Statement of Operations, respectively.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding long-term U.S. government securities and short-term obligations, for the six months ended March 31, 2019, were as follows:

Purchases	$15,232,098
Sales	$ 1,884,665

7. LINE OF CREDIT

The Fund participates with certain other Federated Funds, on a several 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 Fund, 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. The Fund's ability to borrow under the LOC also is subject to the limitations of the Act and various conditions precedent that must be satisfied before the Fund can borrow. Loans under the LOC are charged interest at a fluctuating rate per annum equal to the highest, on any day, of (a) (i) the federal funds effective rate, (ii) the one month London Interbank Offered Rate (LIBOR), and (iii) 0.0%, plus (b) a margin. The LOC also requires the Fund to pay, quarterly in arrears and at maturity, its pro rata share of a commitment fee based on the amount of the lenders' commitment that has not been utilized.

As of March 31, 2019, the Fund had no outstanding loans. During the six months ended March 31, 2019, the Fund did not utilize the LOC.

8. INTERFUND LENDING

Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Fund, along with other funds advised by subsidiaries of Federated Investors, Inc., may participate in an interfund lending program. This program provides an alternative credit facility allowing the Fund to borrow from other participating affiliated funds. As of March 31, 2019, there were no outstanding loans. During the six months ended March 31, 2019, the program was not utilized.

Shareholder Expense Example (unaudited)

As a shareholder of the Fund, you incur ongoing costs, including management fees and to the extent applicable, distribution (12b-1) fees and/or other service fees and other Fund expenses. This Example is intended to help you to understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. It is based on an investment of $1,000 invested at the beginning of the period and held for the entire period from October 1, 2018 to March 31, 2019.

ACTUAL EXPENSES

The first section of the table below provides information about actual account values and actual expenses. You may use the information in this section, together with the amount you invested, to *estimate* the expenses that you incurred over the period. Simply divide your account value by $1,000 (for example, an $8,600 account value divided by $1,000 = 8.6), then multiply the result by the number in the first section under the heading entitled "Expenses Paid During Period" to estimate the expenses attributable to your investment during this period.

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

The second section of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an *assumed* rate of return of 5% per year before expenses, which is not the Fund's actual return. Thus, you should *not* use the hypothetical account values and expenses to estimate the actual ending account balance or your expenses for the period. Rather, these figures are required to be provided to enable you to compare the ongoing costs of investing in the Fund with other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only. Therefore, the second section of the table is useful in comparing ongoing costs only, and will not help you determine the relative *total* costs of owning different funds.

	Beginning Account Value 10/1/2018	Ending Account Value 3/31/2019	Expenses Paid During Period[1]
Actual:			
Institutional Shares	$1,000	$1,041.80	$2.55
Service Shares	$1,000	$1,040.20	$4.12
Hypothetical (assuming a 5% return before expenses):			
Institutional Shares	$1,000	$1,022.40	$2.52
Service Shares	$1,000	$1,020.90	$4.08

1 *Expenses are equal to the Fund's annualized net expense ratios, multiplied by the average account value over the period, multiplied by 182/365 (to reflect the one-half-year period). The annualized net expense ratios are as follows:*

Institutional Shares	0.50%
Service Shares	0.81%

Evaluation and Approval of Advisory Contract – May 2018

FEDERATED MORTGAGE FUND (THE "FUND")

At its meetings in May 2018, the Fund's Board of Directors (the "Board"), including a majority of those Directors who are not "interested persons" of the Fund, as defined in the Investment Company Act of 1940 (the "Independent Directors"), reviewed and unanimously approved the continuation of the Fund's investment advisory contract for an additional one-year term. The Board's decision regarding the contract reflects the exercise of its business judgment after considering all of the information received on whether to continue the existing arrangements.

The Board had previously appointed a Senior Officer, whose duties included specified responsibilities relating to the process by which advisory fees are to be charged to a fund advised by Federated Investment Management Company (the "Adviser") or its affiliates (collectively, "Federated") (each, a "Federated fund"). The Senior Officer's responsibilities included preparing and furnishing to the Board an annual independent written evaluation that covered topics discussed below. In December 2017, the Senior Officer position was eliminated. Notwithstanding the elimination of the Senior Officer position, at the request of the Independent Directors, the Fund's Chief Compliance Officer (the CCO) furnished to the Board in advance of its May 2018 meetings an independent written evaluation covering substantially the same topics that had been covered in the Senior Officer's written evaluation in prior years. The Board considered the CCO's independent written evaluation (the "CCO Fee Evaluation Report"), along with other information, in evaluating the reasonableness of the Fund's management fee and in deciding to approve the continuation of the investment advisory contract. Consistent with the former Senior Officer position, the CCO, in preparing the CCO Fee Evaluation Report, has the authority to retain consultants, experts or staff as reasonably necessary to assist in the performance of his duties, reports directly to the Board, and can be terminated only with the approval of a majority of the Independent Directors.

The Board also considered judicial decisions concerning allegedly excessive investment advisory fees in making its decision. Using these judicial decisions as a guide, the Board observed that the following factors may be relevant to an adviser's fiduciary duty with respect to its receipt of compensation from a fund: (1) the nature and quality of the services provided by an adviser to a fund and its shareholders (including the performance of the fund, its benchmark, and comparable funds); (2) an adviser's cost of providing the services (including the profitability to an adviser of providing advisory services to a fund); (3) the extent to which an adviser may realize "economies of scale" as a fund grows larger and, if such economies of scale exist, whether they have been shared with a fund and its shareholders or the family of funds; (4) any "fall-out" financial benefits that accrue to an adviser because of its relationship with a fund (including research services received from brokers that execute fund trades and any fees paid to affiliates of an adviser for services rendered to a fund); (5) comparative fee and expense structures (including a comparison of fees paid to an adviser with those paid by similar funds both internally and externally as well as management fees charged to institutional and other advisory clients of the Adviser or its affiliates for what might be viewed as like services); and (6) the extent of care, conscientiousness and independence with which the fund's board members perform their duties and their expertise (including whether they are fully informed about all facts the board deems relevant to its consideration of an adviser's services and fees). The Board noted that the Securities and Exchange Commission (SEC) disclosure requirements regarding the basis for the Board's approval of the Fund's investment advisory contract generally align with the factors listed above. The Board was aware of these factors and was guided by them in its review of the Fund's investment advisory contract to the extent it considered them to be appropriate and relevant, as discussed further below.

The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Fund and working with Federated on matters relating to the Federated funds. The Independent Directors were assisted in their deliberations by independent legal counsel.

In addition to the extensive materials that comprise and accompany the CCO Fee Evaluation Report, the Board received detailed information about the Fund and the Federated organization throughout the year, and in connection with its May meetings at which the Board's formal approval of the advisory and subadvisory contracts occurred. In this regard, Federated provided much of this information at each regular meeting of the Board, and furnished additional information specifically in connection with the May meetings. In the months preceding the May meetings, the Board requested and reviewed written materials prepared by Federated in response to requests on behalf of the Independent Directors encompassing a wide variety of topics. At the May meetings, in addition to meeting in separate sessions of the Independent Directors without management present, senior management of the Adviser also met with the Independent Directors and their counsel to discuss the materials presented and such additional matters as the Independent Directors deemed reasonably necessary to evaluate the advisory and subadvisory contracts. Between regularly scheduled meetings, the Board also received information on particular matters as the need arose.

The Board's consideration of the investment advisory contract included review of the CCO Fee Evaluation Report, accompanying data and additional information covering the following matters, among others: the Adviser's investment philosophy, revenue, profitability, personnel and processes; investment and operating strategies; the Fund's short-term and long-term performance (in absolute terms, both on a gross basis and net of expenses, as well as in terms relative to its particular investment program and certain competitor or "peer group" funds and/or other benchmarks, as appropriate) and comments on the reasons for performance; the Fund's investment objectives; the Fund's expenses, including the advisory fee and the overall expense structure of the Fund (both in absolute terms and relative to similar and/or competing funds), with due regard for contractual or voluntary expense limitations; the use and allocation of brokerage commissions derived from trading the Fund's portfolio securities (if any); and the nature, quality and extent of the advisory and other services provided to the Fund by the Adviser and its affiliates. The Board also considered the preferences and expectations of Fund shareholders; the entrepreneurial and other risks assumed by the Adviser in sponsoring the Fund; the continuing state of competition in the mutual fund industry and market practices; the range of comparable fees for similar funds in the mutual fund industry; the Fund's relationship to the Federated funds which include a comprehensive array of funds with different investment objectives, policies and strategies which are generally available for exchange without the incurrence of additional sales charges; compliance and audit reports concerning the Federated funds and the Federated companies that service them (including communications from regulatory agencies), as well as Federated's responses to any issues raised therein; and relevant developments in the mutual fund industry and how the Federated funds and/or Federated are responding to them. The Board's evaluation process is evolutionary. The criteria considered and the emphasis placed on relevant criteria change in recognition of changing circumstances in the mutual fund marketplace.

While mindful that courts have cautioned against giving too much weight to comparative information concerning fees charged by other advisers for managing funds with comparable investment programs, the Board has found the use of such comparisons to be relevant to its deliberations. In this regard, the Board was presented with, and considered, information regarding the contractual advisory fee rates, net advisory fee rates, total expense ratios and each element of the Fund's total expense ratio (i.e., gross and net advisory fees, custody fees, portfolio accounting fees and transfer agency fees) relative to an appropriate group of peer funds compiled by Federated using data supplied by independent fund ranking organizations (the "Peer Group"). The Board received a description of the composition and methodology used to select the Peer Group. The Board focused on comparisons with other similar mutual funds more heavily than non-mutual fund products or services because it is believed that they are more relevant. For example, other mutual funds are the products most like the Fund, in that they are readily available to Fund shareholders as alternative investment vehicles. Also, they are the type of investment vehicle, in fact, chosen and maintained by the Fund's investors. The range of their fees and expenses, therefore, appears to be a relevant indicator of what consumers have found to be reasonable in the marketplace in which the Fund competes.

The Board reviewed the contractual advisory fee rate, net advisory fee rate and other expenses of the Fund and noted the position of the Fund's fee rates relative to its Peer Group. In this regard, the Board noted that the contractual advisory fee rate was below the median of the relevant Peer Group and the Board was satisfied that the overall expense structure of the Fund remained competitive.

For comparison, the CCO reviewed the fees charged by Federated for providing advisory services to products other than the Federated funds (e.g., institutional and separate accounts and third-party unaffiliated mutual funds for which Federated serves as sub-adviser) (referenced to as "Comparable Funds/Accounts"). With respect to Comparable Funds/Accounts other than third-party mutual funds, the CCO concluded that they are inherently different products. Those differences include, but are not limited to, different types of targeted investors; different applicable laws and regulations; different legal structures; different average account sizes and portfolio management techniques made necessary by different cash flows and different associated costs; and the time spent by portfolio managers and their teams, as well as personnel in the Funds Financial Services, Legal, Compliance and Risk Management departments, in reviewing securities pricing, addressing different administrative responsibilities, addressing different degrees of risk associated with management and a variety of different costs. The CCO also reviewed the differences in the nature of the services required for Federated to manage its proprietary mutual fund business versus managing a discrete pool of assets as a sub-adviser to another institution's mutual fund, and that Federated generally performs significant additional services and assumes substantially greater risk in managing the Fund and other Federated funds than in its role as sub-adviser to an unaffiliated third-party mutual fund. The CCO did not consider the fees for providing advisory services to Comparable Funds/Accounts to be determinative in judging the appropriateness of the Federated funds' advisory fees.

Following such evaluation, and full deliberations, the Board concluded that the fees and expenses of the Fund are reasonable and supported renewal of the Fund's investment advisory contract.

The Board considered the nature, extent and quality of the services provided to the Fund by the Adviser and the resources of the Adviser and its affiliates dedicated to the Fund. In this regard, the Board evaluated, among other things, the Adviser's personnel, experience, track record, overall reputation and willingness to invest in personnel and infrastructure that benefit the Fund. In addition, the Board reviewed the qualifications, backgrounds and responsibilities of the portfolio management team primarily responsible for the day-to-day management of the Fund and the Adviser's ability and experience in attracting and retaining qualified personnel to service the Fund. The Board noted the compliance program of the Adviser and the compliance-related resources provided to the Fund by the Adviser, including the Adviser's commitment to respond to rulemaking initiatives of the SEC. The Fund's ability to deliver competitive performance when compared to its Peer Group was also deemed to be relevant by the Board as a useful indicator of how the Adviser is executing the Fund's investment program. The Adviser's ability to execute this program was one of the Board's considerations in reaching a conclusion that the nature, extent and quality of the Adviser's investment management services warrant the continuation of the investment advisory contract.

In evaluating the Fund's investment performance, the Board considered performance results in light of the Fund's investment objective, strategies and risks, as disclosed in the Fund's prospectus. The Board considered detailed investment reports on the Fund's performance that were provided to the Board throughout the year and in connection with the May meetings. The CCO also reviewed information regarding the performance of other mutual funds in the Peer Group, noting the CCO's view that comparisons to fund peer groups may be helpful, though not conclusive, in evaluating the performance of the Adviser in managing the Fund. The Board considered, in evaluating such comparisons, that in some cases individual funds may exhibit significant and unique differences in their objectives and management techniques when compared to other funds within a Peer Group.

The Fund's performance fell below the median of the relevant Peer Group for the one-year, three-year and five-year periods covered by the CCO Fee Evaluation Report. The Board discussed the Fund's performance with the Adviser and recognized the efforts being taken by the Adviser in the context of other factors considered relevant by the Board.

Following such evaluation, and full deliberations, the Board concluded that the performance of the Fund supported renewal of the Fund's investment advisory contract.

The Board also received financial information about Federated, including information regarding the compensation and ancillary (or "fall-out") benefits Federated derived from its relationships with the Federated funds. This information covered not only the fees under the investment advisory contracts, but also fees received by Federated's subsidiaries for providing other services to the Federated funds under separate contracts (e.g., for serving as the Federated funds' administrator and distributor). In this regard, the Board considered that certain Federated subsidiaries provide distribution and shareholder services to the Federated funds, for which they may be compensated through distribution and servicing fees paid pursuant to Rule 12b-1 plans or otherwise. The information also detailed any indirect benefit Federated may derive from its receipt of research services from brokers who execute Federated fund trades. In addition, the Board considered the fact that, in order for a Federated fund to be competitive in the marketplace, the Adviser and its affiliates frequently waived fees and/or reimbursed expenses and have disclosed to Federated fund investors and/or indicated to the Board their intention to do so in the future. Moreover, the Board receives regular reporting as to the institution, adjustment or elimination of these voluntary waivers. The Board considered Federated's previous reductions in contractual management fees to certain Federated funds in response to the CCO's recommendations.

Federated furnished information, requested by the CCO, that reported revenues on a fund-by-fund basis and made estimates of the allocation of expenses on a fund-by-fund basis, using allocation methodologies specified by the CCO. The CCO noted that, while these cost allocation reports apply consistent allocation processes, the inherent difficulties in allocating costs continues to cause the CCO to question the precision of the process and to conclude that such reports may be unreliable, since a single change in an allocation estimate may dramatically alter the resulting estimate of cost and/or profitability of a Federated fund and may produce unintended consequences. The allocation information, including the CCO's view that fund-by-fund estimations may be unreliable, was considered in the evaluation by the Board.

The Board and the CCO also reviewed information compiled by Federated comparing its profitability information to other publicly held fund management companies, including information regarding profitability trends over time. In this regard, the CCO concluded that Federated's profit margins did not appear to be excessive. The CCO also noted that Federated appeared financially sound, with the resources necessary to fulfill its obligations under its contracts with the Fund.

The CCO Fee Evaluation Report also discussed the notion of possible realization of "economies of scale" as a fund grows larger. In this regard, the Board considered that the Adviser has made significant and long-term investments in areas that support all of the Federated funds, such as personnel and processes for the portfolio management, shareholder services, compliance, internal audit and risk management functions, as well as systems technology (including technology relating to cybersecurity) and that the benefits of these efforts (as well as any economies of scale, should they exist) were likely to be shared with the Federated fund family as a whole. The Board noted that the Adviser's investments in these areas are extensive. In addition, the Board considered that the Adviser and its affiliates have frequently waived fees and/or reimbursed expenses and that this has allowed fund shareholders to share potential economies of scale with shareholders. The Board also considered that such waivers and reimbursements can provide protection from an increase in expenses if a Federated fund's assets decline. Federated, as it does throughout the year, and specifically in connection with the Board's review of the advisory and subadvisory contracts, furnished information relative to revenue sharing or adviser-paid fees. Federated and the CCO noted that this information should be viewed to determine if there was an incentive to either not apply breakpoints, or to apply breakpoints at higher levels, and should not be viewed to determine the appropriateness of advisory fees because it would represent marketing and distribution expenses. The Board also noted the absence of any applicable regulatory or industry guidelines on this subject, which (as discussed in the CCO Fee Evaluation Report) is compounded by the lack of any common industry practice or general pattern with respect to structuring fund advisory fees with "breakpoints" that serve to reduce the fee as a fund attains a certain size.

The CCO stated that his observations and the information accompanying the CCO Fee Evaluation Report supported a finding by the Board that the management fee for the Fund was reasonable. Under these circumstances, no changes were recommended to, and no objection was raised to the continuation of, the Fund's investment advisory contract. The CCO also recognized that the Board's evaluation of the Federated funds' advisory and subadvisory arrangements is a continuing and on-going process that is informed by the information that the Board requests and receives from management throughout the course of the year and, in this regard, the CCO noted certain items for future reporting to the Board or further consideration by management as the Board continues its on-going oversight of the Federated funds.

In its decision to continue an existing investment advisory contract, the Board was mindful of the potential disruptions of the Fund's operations and various risks, uncertainties and other effects that could occur as a result of a decision to terminate or not renew an investment advisory contract. In particular, the Board recognized that many shareholders have invested in the Fund on the strength of the Adviser's industry standing and reputation and with the expectation that the Adviser will have a continuing role in providing advisory services to the Fund. Thus, the Board's approval of the investment advisory contract reflected the fact that it is the shareholders who have effectively selected the Adviser by virtue of having invested in the Fund. The Board concluded that, in light of the factors summarized above, including the nature, quality and scope of the services provided to the Fund by the Adviser and its affiliates, continuation of the investment advisory contract was appropriate.

The Board based its decision to approve the investment advisory contract on the totality of the circumstances and relevant factors and with a view to past and future long-term considerations. Not all of the factors and considerations identified above were necessarily relevant to the Fund, nor did the Board consider any one of them to be determinative. With respect to the factors that were relevant, the Board's decision to approve the continuation of the contract reflects its view that Federated's performance and actions provided a satisfactory basis to support the decision to continue the existing arrangement.

Voting Proxies on Fund Portfolio Securities

A description of the policies and procedures that the Fund uses to determine how to vote proxies, if any, relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling 1-800-341-7400. A report on "Form N-PX" of how the Fund voted any such proxies during the most recent 12-month period ended June 30 is available via the Proxy Voting Record (Form N-PX) link associated with the Fund and share class name at www.FederatedInvestors.com/FundInformation. Form N-PX filings are also available at the SEC's website at www.sec.gov.

Quarterly Portfolio Schedule

Each fiscal quarter, the Fund will file with the SEC a complete schedule of its monthly portfolio holdings on "Form N-PORT." The Fund's holdings as of the end of the third month of every fiscal quarter, as reported on Form N-PORT, will be publicly available on the SEC's website at www.sec.gov within 60 days of the end of the fiscal quarter upon filing. You may also access this information via the link to the Fund and share class name at www.FederatedInvestors.com.

Mutual funds are not bank deposits or obligations, are not 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. Investment in mutual funds involves investment risk, including the possible loss of principal.

This Report is authorized for distribution to prospective investors only when preceded or accompanied by the Fund's Prospectus, which contains facts concerning its objective and policies, management fees, expenses and other information.

IMPORTANT NOTICE ABOUT FUND DOCUMENT DELIVERY

In an effort to reduce costs and avoid duplicate mailings, the Fund(s) intend to deliver a single copy of certain documents to each household in which more than one shareholder of the Fund(s) resides (so-called "householding"), as permitted by applicable rules. The Fund's "householding" program covers its/their Prospectus and Statement of Additional Information, and supplements to each, as well as Semi-Annual and Annual Shareholder Reports and any Proxies or information statements. Shareholders must give their written consent to participate in the "householding" program. The Fund is also permitted to treat a shareholder as having given consent ("implied consent") if (i) shareholders with the same last name, or believed to be members of the same family, reside at the same street address or receive mail at the same post office box, (ii) the Fund gives notice of its intent to "household" at least sixty (60) days before it begins "householding" and (iii) none of the shareholders in the household have notified the Fund(s) or their agent of the desire to "opt out" of "householding." Shareholders who have granted written consent, or have been deemed to have granted implied consent, can revoke that consent and opt out of "householding" at any time: shareholders who purchased shares through an intermediary should contact their representative; other shareholders may call the Fund at 1-800-341-7400.

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Federated®

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

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