

# Annual Shareholder Report

December 31, 2018

Share Class

Primary

Service

## Federated Managed Volatility Fund II

A Portfolio of Federated Insurance Series

### IMPORTANT NOTICE TO SHAREHOLDERS

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, you may not be receiving paper copies of the Fund's shareholder reports from the insurance company that offers your contract unless you specifically request paper copies from the insurance company or from your financial intermediary. Instead, the shareholder reports will be made available on a website, and the insurance company will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

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 insurance company electronically by following the instructions provided by the insurance company.

You may elect to receive all future reports in paper free of charge from the insurance company. You can inform the insurance company that you wish to continue receiving paper copies of your shareholder reports by contacting the insurance company that offers your contract or your financial intermediary. Your election to receive reports in paper will apply to all portfolio companies available under your contract.

Dear Valued Shareholder,

I am pleased to present the Annual Shareholder Report for your fund covering the period from January 1, 2018 through December 31, 2018. This report includes Management's Discussion of Fund Performance, 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](http://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,



John B. Fisher, President

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## Management's Discussion of Fund Performance (unaudited)

The total return of Federated Managed Volatility Fund II (the "Fund"), based on net asset value for the 12-month reporting period ended December 31, 2018, was -8.49% for the Primary Shares and -8.59% for the Service Shares.<sup>1</sup> The -8.49% total return of the Primary Shares for the reporting period consisted of -11.11% in price depreciation and 2.62% in reinvested dividends. For the same period, the Russell 1000<sup>®</sup> Value Index (R1000V) returned -8.27%, and the Bloomberg Barclays U.S. Aggregate Bond Index (BBAB) returned 0.01%. Weighting these (40% R1000V/60% BBAB), the blended index ("Blended Index") return for the period was -3.12%.<sup>2</sup> The Fund's total return for the most recently completed fiscal year reflected actual cash flows, transaction costs and other expenses, which are not reflected in the total return of the Blended Index.

The Fund's investment strategy focused on income-earning investments, specifically high-quality, dividend-paying stocks<sup>3</sup> and fixed-income securities with high current yield, through: (1) portfolio allocation; (2) sector and security selection for equities and; (3) sector and security selection for bonds to achieve the Fund's objectives of high current income and moderate capital appreciation.

### MARKET OVERVIEW

During the reporting period, equity markets reached all-time highs despite large bouts of volatility. Tax reform was passed at the end of the prior year and helped propel equity markets to new highs in the first month of the reporting period. However, concerns over inflation and the path of future U.S. Federal Reserve Board (the "Fed") interest rate increases quickly pulled the market down over 10%. During this decline, the CBOE Volatility Index<sup>®</sup> (VIX<sup>®</sup> Index)<sup>4</sup> experienced its largest one-day spike on record – peaking over 50 on February 6th for just the second time since 2009. Positive global economic data eventually assuaged these concerns, and the Standard & Poor's 500 Index<sup>5</sup> (S&P 500) reached a new all-time high in September. However, the fourth quarter saw economic data begin to slow. Furthermore, fears over the ongoing Robert Mueller investigation and further escalation in the trade war with China culminated with the S&P 500 falling over 19% to close the year with a negative total return for the first time since 2008.

The S&P 500 returned -4.38% for the reporting period. In general, value stocks underperformed growth stocks, with cyclical sectors outperforming defensive sectors. The S&P 500's weak performance in the Energy and Materials sectors was overshadowed by stronger performance in the HealthCare, Utilities and Consumer Discretionary sectors.

On the fixed income side, the U.S. Treasury curve flattened throughout the year as the Fed raised the federal funds target interest rate four times to 2.5%. Specifically, interest rates for maturities of 1-month to 2-years increased by at least 60 basis points, while the 5- and 30-year U.S. Treasury rates were up 0.30% and 0.27%, respectively. Despite solid domestic economic activity, total returns for the various fixed-income spread sectors were mixed for most of the year. The high-yield<sup>6</sup> market outperformed all of the other major fixed-income markets through the first eleven months of the year. However, the risk-off sentiment in the equity and fixed-income markets in December led to wider credit spreads and the outperformance of the higher quality U.S. Treasury and mortgage-backed securities<sup>7</sup> markets for the reporting period. Concerns over the possible U.S. – China trade war, slowing global growth, tighter monetary policy, and "Brexit" (the U.K. exiting the European Union) drama all contributed to the negative investor sentiment in the final month of the year. The Bloomberg Barclays U.S. Treasury Index<sup>8</sup> total return for the reporting period was 0.86%, compared to the total returns of the Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index (-2.08%), the Bloomberg Barclays EM Aggregate Index (-2.46%), the Bloomberg Barclays U.S. Corporate Investment Grade Index<sup>9</sup> (-2.51%) and the Bloomberg Barclays MBS Index (0.99%).

### PORTFOLIO ALLOCATION

During the reporting period, the Fund's portfolio was allocated between stocks and fixed-income securities in a manner reflecting the Fund's primary investment objective of income and its secondary objective of capital appreciation. Factors used in making this allocation were: (1) the Fund's ability to pay and maintain an attractive level of dividends; and (2) the expected relative total return of fixed-income securities and stocks. The allocation at the end of the reporting period was 56% fixed-income securities, 39% stocks and 5% cash equivalents and other assets/liabilities.

Relative to the Blended Index, the Fund's allocation had a slight positive effect on Fund performance because of an allocation to cash for futures margin.

### SECTOR AND SECURITY SELECTION – EQUITY

The equity component of the Fund contributed to the Fund's current income objective; however, it slightly underperformed the R1000V benchmark (-8.27%) during the reporting period. Fund management focused on realization of the Fund's income and total return objectives by purchasing and holding income-producing equity securities with favorable valuation levels. Relative to the equity component of the blended index, stock selection contributed negatively to

the Fund's equity performance and was slightly offset by positive sector allocation. Stock selection in the HealthCare and Utilities sectors contributed positively to the Fund's equity performance. This was more than offset by negative stock selection in the Financials and Information Technology sectors. Sector selection in Information Technology and Energy helped the Fund's performance relative to the R1000V but was partially offset by negative sector selection in Financials.

During the reporting period, the Fund invested in S&P 500 futures contracts for volatility risk management purposes.<sup>10</sup> The first and fourth quarters of 2018 contained large volatility spikes causing the Fund to reduce its allocation to futures, ending the year at about +2%. The long futures exposure in the year was the major negative contributor to Fund performance for the reporting period. As a result of the dynamic adjustment of futures exposure, combined with varying levels of market volatility, the realized, annualized daily volatility of the Fund during the reporting period was 10.6%, in the middle of the 8%-12% target range.

## SECTOR AND SECURITY SELECTION – BONDS<sup>11</sup>

Sector allocation was the largest negative contributor to the Fund's fixed-income performance during the reporting period. The overweight to the credit-sensitive high-yield, emerging markets<sup>12</sup> and investment-grade<sup>13</sup> corporate sectors and the resulting underweight to the U.S. Treasury market resulted in the negative sector performance in a risk-off environment. Security selection was also negative across all of the fixed-income sectors. The fixed-income portfolio's duration<sup>14</sup> averaged 92% of its benchmark in the last nine months of the reporting period, resulting in a positive contribution to performance in a raising rate environment. The fixed-income's yield curve positioning did not have a material impact on performance.

1 The Fund's Service (S) Class commenced operations on April 26, 2018. For the periods prior to the commencement of operations of the Fund's S class, the performance information shown is for the Fund's Primary (P) class. The performance of the P class has not been adjusted to reflect the expenses applicable to the S class. The total returns of the S class would have been substantially similar to the annual returns for the P class over the same period because the classes are invested in the same portfolio of securities and would differ only to the extent the classes do not have the same expenses. It is anticipated that the expenses of the S class will be higher than those of the P class; accordingly, the performance of the S class is anticipated to be lower than the performance of the P class.

2 During the reporting period, the Blended Index was adjusted to 40% R1000V/60% Bloomberg Barclays U.S. Aggregate Bond Index (BBAB) from the 40% Russell 1000® Value Index (R1000V)/ 20% Bloomberg Barclays High Yield 2% Issuer Capped Index (BBHY2%ICI)/20% Bloomberg Barclays Mortgage Backed Securities Index (BBMB)/20% Bloomberg Barclays Emerging Markets USD Aggregate Index (BBEMAI). The total return of the former Blended Index for the period was -3.86%. Please see the footnotes to the line graphs under "Fund Performance and Growth of a \$10,000 Investment" below for the definition of, and more information about, the current Blended Index. The BBHY2%ICI is an issuer-constrained version of the Bloomberg Barclays U.S. Corporate High-Yield Index that measures the market of USD-denominated, noninvestment-grade, fixed-rate, taxable corporate bonds. The index follows the same rules as the uncapped index but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index-wide on a pro-rata basis. The BBMB covers agency mortgage-backed pass-through securities (both fixed-rate and hybrid ARM) issued by Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC). The BBEMAI tracks total returns for external-currency-denominated debt instruments of the emerging markets.

3 There are no guarantees that dividend-paying stocks will continue to pay dividends. In addition, dividend-paying stocks may not experience the same capital appreciation potential as non-dividend-paying stocks. High-yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment-grade securities and may include higher volatility and higher risk of default.

4 The CBOE Volatility Index® (VIX® Index) is a leading measure of market expectations of near-term volatility conveyed by S&P 500 Index option prices.\*

5 Please see the footnotes to the line graphs under "Fund Performance and Growth of a \$10,000 Investment" below for the definition of, and more information about, the S&P 500 Index.

6 High-yield, lower-rated securities generally entail greater market, credit and liquidity risks than investment-grade securities and may include higher volatility and a higher risk of default.

7 The value of some mortgage-backed securities may be particularly sensitive to changes in the prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations.

8 The Bloomberg Barclays U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury.\*

9 The Bloomberg Barclays U.S. Corporate Investment Grade Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.\*

10 The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities or other traditional instruments.

11 Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.

12 International investing involves special risks including currency risk, increased volatility, political risks and differences in auditing and other financial standards. Prices of emerging markets securities can be significantly more volatile than the prices of securities in developed countries and currency risk and political risks are accentuated in emerging markets.

13 Investment-grade securities are securities that are rated at least "BBB- (minus)" or unrated securities of a comparable quality. Noninvestment-grade securities are securities that are not rated at least "BBB- (minus)" or unrated securities of a comparable quality. Credit ratings are an indication of the risk that a security will default. They do not protect a security from credit risk. Lower-rated bonds typically offer higher yields to help compensate investors for the increased risk associated with them. Among these risks are lower credit-worthiness, greater price volatility, more risk to principal and income than with higher-rated securities and increased possibilities of default.

14 Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

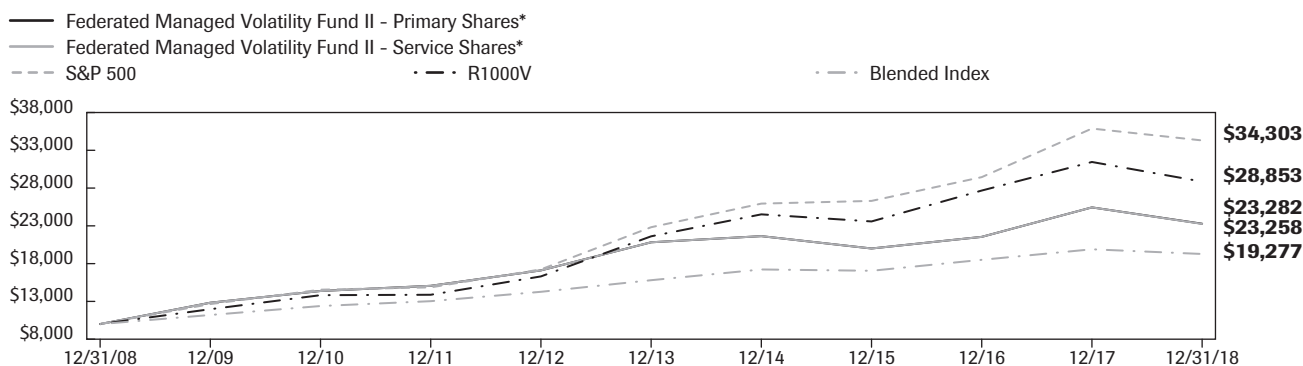
\* The index is unmanaged, and it is not possible to invest directly in an index.

## FUND PERFORMANCE AND GROWTH OF A \$10,000 INVESTMENT

The graph below illustrates the hypothetical investment of \$10,000<sup>1</sup> in the Federated Managed Volatility Fund II from December 31, 2008 to December 31, 2018, compared to the Standard & Poor's 500 Index (S&P 500),<sup>2,3</sup> the Russell 1000<sup>®</sup> Value Index (R1000V),<sup>3,4</sup> both broad-based securities market indexes, and a blend of indexes comprised of 40% R1000V/60% Bloomberg Barclays U.S. Aggregate Bond Index (BBAB) ("Blended Index").<sup>3,4</sup> The Average Annual Total Return table below shows returns averaged over the stated periods.

### GROWTH OF A \$10,000 INVESTMENT

#### Growth of \$10,000 as of December 31, 2018



\* The performance of the Primary Shares and Service Shares is substantially similar for the time period shown and, therefore, only one line appears in the graph.

#### Average Annual Total Returns for the Period Ended 12/31/2018

	1 Year	5 Years	10 Years
<b>Primary Shares</b>	-8.49%	2.26%	8.82%
<b>Service Shares<sup>5</sup></b>	-8.59%	2.23%	8.81%
S&P 500	-4.38%	8.49%	13.12%
R1000V	-8.27%	5.95%	11.18%
Blended Index	-3.12%	4.05%	6.78%

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Performance of a variable investment option changes over time and current performance may be lower or higher than what is stated. For current to the most recent month end performance, contact your insurance company. The performance information presented does not include the charges and expenses imposed by the insurance company under the variable insurance product contract. The inclusion of such charges would lower performance. Please refer to the variable insurance product prospectus for a complete listing of these expenses. Fund shares are available exclusively as a funding vehicle for life insurance companies writing variable life insurance policies and variable annuity contracts. Variable investment options are not obligations of or guaranteed by any bank and are not federally insured.

- 1 *The Fund's performance assumes the reinvestment of all dividends and distributions. The S&P 500, R1000V and the Blended Index have been adjusted to reflect reinvestment of dividends on securities in the indexes.*
- 2 *The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.*
- 3 *The S&P 500, R1000V and the Blended Index are not adjusted to reflect sales charges, expenses or other fees that the Securities and Exchange Commission (SEC) requires to be reflected in the Fund's performance. The indexes are unmanaged and, unlike the Fund, are not affected by cash flows. It is not possible to invest directly in an index.*
- 4 *The Russell 1000<sup>®</sup> Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000<sup>®</sup> Index companies with lower price-to-book ratios and lower expected growth values. The R1000V is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The R1000V is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. The Bloomberg Barclays U.S. Aggregate Bond Index measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid ARM pass-throughs), asset-backed securities and commercial mortgage-backed securities.*
- 5 *The Fund's Service (S) Class commenced operations on April 26, 2018. For the periods prior to the commencement of operations of the Fund's S class, the performance information shown is for the Fund's Primary (P) class. The performance of the P class has not been adjusted to reflect the expenses applicable to the S class. The total returns of the S class would have been substantially similar to the annual returns for the P class over the same period because the classes are invested in the same portfolio of securities and would differ only to the extent the classes do not have the same expenses. It is anticipated that the expenses of the S class will be higher than those of the P class; accordingly, the performance of the S class is anticipated to be lower than the performance of the P class.*

## Portfolio of Investments Summary Tables (unaudited)

At December 31, 2018, the Fund's portfolio composition<sup>1</sup> was as follows:

Portfolio Composition	Percentage of Total Net Assets
Domestic Fixed-Income Securities	42.2%
Domestic Equity Securities	38.1%
International Fixed-Income Securities	3.7%
Federated High Income Bond Fund II, Class P	3.4%
Federated Project and Trade Finance Core Fund	3.0%
Emerging Markets Core Fund	2.3%
Federated Bank Loan Core Fund	1.1%
International Equity Securities	0.4%
Federated U.S. Government Securities Fund: 2-5 Years, Institutional Shares <sup>2</sup>	0.0%
Other Security Types <sup>3</sup>	0.1%
Derivative Contracts <sup>4</sup>	0.3%
Repurchase Agreement	4.6%
Other Assets and Liabilities—Net <sup>5</sup>	0.8%
<b>TOTAL</b>	<b>100.0%</b>

At December 31, 2018, the Fund's sector composition<sup>6</sup> for its equity securities was as follows:

Sector Composition of Equity Holdings	Percentage of Equity Securities
Financials	22.2%
Health Care	15.8%
Information Technology	9.4%
Energy	9.3%
Consumer Staples	7.9%
Industrials	7.5%
Telecommunication Services	7.3%
Utilities	6.5%
Consumer Discretionary	5.2%
Real Estate	4.7%
Materials	4.2%
<b>TOTAL</b>	<b>100.0%</b>

<sup>1</sup> See the Fund's Prospectus and Statement of Additional Information for a description of the types of securities in which the Fund invests. As of the date specified above, the Fund owned shares of one or more affiliated investment companies. For purposes of this table, affiliated investment companies (other than an affiliated money market mutual fund) in which the Fund invested greater than 10% of its net assets are not treated as a single portfolio security, but rather the Fund is treated as owning a pro rata portion of each security and each other asset and liability owned by the affiliated investment company. Accordingly, the percentages of total net assets shown in the table will differ from those presented on the Portfolio of Investments. Affiliated investment companies (other than an affiliated money market mutual fund) in which the Fund invested less than 10% of its net assets are listed individually in the table.

<sup>2</sup> Represents less than 0.1%.

<sup>3</sup> Other Security Types consist of purchased options.

<sup>4</sup> 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.

<sup>5</sup> Assets, other than investments in securities and derivative contracts, less liabilities. See Statement of Assets and Liabilities.

<sup>6</sup> Sector classifications are based upon, and individual portfolio securities are assigned to, the classifications of the Global Industry Classification Standard (GICS) except that the Co-Advisers assign a classification to securities not classified by the GICS and to securities for which the Co-Advisers do not have access to the classification made by the GICS.

# Portfolio of Investments

December 31, 2018

Shares, Principal Amount or Contracts		Value
	COMMON STOCKS—38.5%	
	<b>Communication Services—2.8%</b>	
124,746	AT&T, Inc.	\$ 3,560,251
1,444	<sup>1</sup> Charter Communications, Inc.	411,497
73,565	Comcast Corp., Class A	2,504,888
44	<sup>1</sup> DISH Network Corp., Class A	1,099
4,058	<sup>1</sup> Discovery, Inc.	93,659
12,650	<sup>1</sup> Liberty Sirius Group, Class A	465,520
17,383	<sup>1</sup> Liberty Sirius Group, Class C	642,823
66,697	News Corp., Inc.	770,350
15,303	Telephone and Data System, Inc.	497,960
29,536	Twenty-First Century Fox, Inc.	1,421,272
9,775	<sup>1</sup> U.S. Cellular Corp.	508,007
105,850	Verizon Communications, Inc.	5,950,887
9,292	Viacom, Inc., Class A	258,410
266	Viacom, Inc., Class B	6,836
16,539	Walt Disney Co.	1,813,501
	<b>TOTAL</b>	<b>18,906,960</b>
	<b>Consumer Discretionary—2.0%</b>	
1,044	<sup>1</sup> AutoZone, Inc.	875,227
4,783	Best Buy Co., Inc.	253,308
11,007	<sup>1</sup> Bright Horizons Family Solutions, Inc.	1,226,730
4,438	Carnival Corp.	218,793
359	Columbia Sportswear Co.	30,188
4,258	Darden Restaurants, Inc.	425,204
23,608	<sup>1</sup> eBay, Inc.	662,677
22,016	Extended Stay America, Inc.	341,248
27,007	Foot Locker, Inc.	1,436,772
158,637	Ford Motor Co.	1,213,573
4,933	General Motors Co.	165,009
34,965	Gentex Corp.	706,643
3,034	Kohl's Corp.	201,276
8,657	Las Vegas Sands Corp.	450,597
221	Lear Corp.	27,152
6,750	McDonald's Corp.	1,198,597
11,702	<sup>1</sup> Michael Kors Holdings Ltd.	443,740
3,099	<sup>1</sup> Norwegian Cruise Line Holdings Ltd.	131,367
25,798	Pulte Group, Inc.	670,490
1,485	Ralph Lauren Corp.	153,638
5,143	Royal Caribbean Cruises Ltd.	502,934
11,207	Tapestry, Inc.	378,236
14,493	Target Corp.	957,842
3,361	V.F. Corp.	239,774
18,845	Yum China Holdings, Inc.	631,873
	<b>TOTAL</b>	<b>13,542,888</b>
	<b>Consumer Staples—3.0%</b>	
19,658	Colgate-Palmolive Co.	1,170,044
35,188	Conagra Brands, Inc.	751,616



Shares, Principal Amount or Contracts		Value
	COMMON STOCKS—continued	
	<b>Consumer Staples—continued</b>	
21,757	<sup>1</sup> Herbalife Ltd.	\$ 1,282,575
10,354	Hershey Foods Corp.	1,109,742
1,949	Lamb Weston Holdings, Inc.	143,368
9,441	Molson Coors Brewing Co., Class B	530,207
54,331	Mondelez International, Inc.	2,174,870
6,673	PepsiCo, Inc.	737,233
50,795	Philip Morris International, Inc.	3,391,074
45,078	Procter & Gamble Co.	4,143,570
2,055	<sup>1</sup> TreeHouse Foods, Inc.	104,209
841	<sup>1</sup> US Foods Holding Corp.	26,609
11,977	Walgreens Boots Alliance, Inc.	818,388
45,381	WalMart, Inc.	4,227,240
	TOTAL	20,610,745
	<b>Energy—3.6%</b>	
12,151	Anadarko Petroleum Corp.	532,700
12,466	Baker Hughes a GE Co. LLC	268,019
25,394	Cabot Oil & Gas Corp., Class A	567,556
36,486	Chevron Corp.	3,969,312
3,049	Cimarex Energy Co.	187,971
36,401	ConocoPhillips	2,269,602
22,861	Devon Energy Corp.	515,287
8,303	Diamondback Energy, Inc.	769,688
13,145	EOG Resources, Inc.	1,146,376
81,471	Exxon Mobil Corp.	5,555,508
7,896	Hess Corp.	319,788
24,911	Kinder Morgan, Inc.	383,131
14,131	<sup>1</sup> Kosmos Energy Ltd.	57,513
17,312	Marathon Oil Corp.	248,254
14,062	Marathon Petroleum Corp.	829,799
35,140	Occidental Petroleum Corp.	2,156,893
20,540	Phillips 66	1,769,521
3,345	Pioneer Natural Resources, Inc.	439,934
24,513	Schlumberger Ltd.	884,429
13,953	Valero Energy Corp.	1,046,056
11,113	<sup>1</sup> WPX Energy, Inc.	126,133
7,364	<sup>1</sup> Whiting Petroleum Corp.	167,089
	TOTAL	24,210,559
	<b>Financials—8.6%</b>	
23,438	AXA Equitable Holdings, Inc.	389,774
7,087	Aflac, Inc.	322,884
14,117	Allstate Corp.	1,166,488
57,387	Ally Financial, Inc.	1,300,389
2,777	Ameriprise Financial, Inc.	289,836
170,325	Annaly Capital Management, Inc.	1,672,592
2,945	BB&T Corp.	127,577
243,284	Bank of America Corp.	5,994,518
45,082	BankUnited, Inc.	1,349,755
30,600	<sup>1</sup> Berkshire Hathaway, Inc.	6,247,908
12,254	<sup>1</sup> Brighthouse Financial, Inc.	373,502

Shares, Principal Amount or Contracts		Value
	COMMON STOCKS—continued	
	<b>Financials—continued</b>	
7,840	Capital One Financial Corp.	\$ 592,626
80,427	Chimera Investment Corp.	1,433,209
498	Chubb Ltd.	64,332
42,988	Citigroup, Inc.	2,237,955
49,016	Citizens Financial Group, Inc.	1,457,246
18,622	Discover Financial Services	1,098,326
1,684	E*Trade Group, Inc.	73,894
65,078	Fifth Third Bancorp	1,531,285
12,344	Franklin Resources, Inc.	366,123
6,657	Goldman Sachs Group, Inc.	1,112,052
28,419	Huntington Bancshares, Inc.	338,755
86,171	JPMorgan Chase & Co.	8,412,013
17,007	KeyCorp	251,363
26,797	Legg Mason, Inc.	683,591
18,813	Lincoln National Corp.	965,295
50,200	MetLife, Inc.	2,061,212
40,634	Morgan Stanley	1,611,138
30,021	Navient Corp.	264,485
29,479	<sup>1</sup> OneMain Holdings, Inc.	716,045
12,637	PNC Financial Services Group	1,477,392
31,167	Principal Financial Group, Inc.	1,376,646
24,571	Prudential Financial, Inc.	2,003,765
13,017	Regions Financial Corp.	174,167
3,284	Reinsurance Group of America	460,515
12,301	SunTrust Banks, Inc.	620,462
39,493	Synchrony Financial	926,506
7,379	U.S. Bancorp	337,220
42,284	Unum Group	1,242,304
94,713	Wells Fargo & Co.	4,364,375
441	White Mountains Insurance Group, Inc.	378,241
1,938	Zions Bancorporation, N.A.	78,954
	<b>TOTAL</b>	<b>57,946,715</b>
	<b>Health Care—6.1%</b>	
54,122	Abbott Laboratories	3,914,644
10,432	Allergan PLC	1,394,341
6,629	Amgen, Inc.	1,290,467
6,462	Anthem, Inc.	1,697,115
22,568	Baxter International, Inc.	1,485,426
981	<sup>1</sup> Biogen, Inc.	295,203
30,795	Bristol-Myers Squibb Co.	1,600,724
6,600	CIGNA Corp.	1,253,437
8,623	CVS Health Corp.	564,979
8,149	Cardinal Health, Inc.	363,445
1,964	Danaher Corp.	202,528
2,694	<sup>1</sup> DaVita HealthCare Partners, Inc.	138,633
29,301	Dentsply Sirona, Inc.	1,090,290
13,843	Eli Lilly & Co.	1,601,912
8,760	Gilead Sciences, Inc.	547,938
9,795	HCA Healthcare, Inc.	1,218,988

Shares, Principal Amount or Contracts		Value
COMMON STOCKS—continued		
<b>Health Care—continued</b>		
41,747	<sup>1</sup> Hologic, Inc.	\$ 1,715,802
46,283	Johnson & Johnson	5,972,821
13,420	McKesson Corp.	1,482,507
14,252	Medtronic PLC	1,296,362
59,311	Merck & Co., Inc.	4,531,954
5,405	<sup>1</sup> Mylan NV	148,097
94,813	Pfizer, Inc.	4,138,588
28,577	<sup>1</sup> Premier, Inc.	1,067,351
10,008	Thermo Fisher Scientific, Inc.	2,239,690
	<b>TOTAL</b>	<b>41,253,242</b>
<b>Industrials—2.9%</b>		
14,980	Ametek, Inc.	1,014,146
6,929	CSX Corp.	430,499
4,491	Caterpillar, Inc.	570,671
6,296	Crane Co.	454,445
5,032	Cummins, Inc.	672,476
1,280	Curtiss Wright Corp.	130,714
28,414	Delta Air Lines, Inc.	1,417,859
3,030	Eaton Corp. PLC	208,040
25,143	Emerson Electric Co.	1,502,294
230,157	General Electric Co.	1,742,288
36,026	<sup>1</sup> HD Supply, Inc.	1,351,696
15,867	Honeywell International, Inc.	2,096,348
5,700	<sup>1</sup> IHS Markit Ltd.	273,429
6,928	Ingersoll-Rand PLC, Class A	632,041
10,902	<sup>1</sup> Jet Blue Airways Corp.	175,086
8,140	KAR Auction Services, Inc.	388,441
3,469	Kansas City Southern Industries, Inc.	331,116
1,025	Lockheed Martin Corp.	268,386
7,172	Masco Corp.	209,709
1,857	Norfolk Southern Corp.	277,696
2,693	Parker-Hannifin Corp.	401,634
1,042	Pentair PLC	39,367
60	Republic Services, Inc.	4,325
9,437	Southwest Airlines Co.	438,632
15,343	Terex Corp.	423,007
26,581	Textron, Inc.	1,222,460
5,813	<sup>1</sup> USG Corp.	247,983
13,832	<sup>1</sup> United Continental Holdings, Inc.	1,158,153
5,443	United Technologies Corp.	579,571
11,325	Waste Management, Inc.	1,007,812
	<b>TOTAL</b>	<b>19,670,324</b>
<b>Information Technology—3.6%</b>		
13,180	<sup>1</sup> Aspen Technology, Inc.	1,083,132
129,045	Cisco Systems, Inc.	5,591,520
15,475	Cypress Semiconductor Corp.	196,842
7,253	<sup>1</sup> Dell Technologies, Inc.	354,454
5,679	FLIR Systems, Inc.	247,264
12,248	Hewlett-Packard Co.	250,594

Shares, Principal Amount or Contracts		Value
	COMMON STOCKS—continued	
	<b>Information Technology—continued</b>	
7,815	IBM Corp.	\$ 888,331
110,578	Intel Corp.	5,189,426
13,482	Juniper Networks, Inc.	362,801
4,343	<sup>1</sup> Keysight Technologies, Inc.	269,613
36,065	Marvell Technology Group Ltd.	583,892
18,421	<sup>1</sup> Micron Technology, Inc.	584,498
19,411	Microsoft Corp.	1,971,575
978	NXP Semiconductors NV	71,668
14,018	National Instruments Corp.	636,137
58,256	Oracle Corp.	2,630,258
2,878	<sup>1</sup> Qorvo, Inc.	174,781
42,959	Qualcomm, Inc.	2,444,797
29,894	Western Digital Corp.	1,105,181
	<b>TOTAL</b>	<b>24,636,764</b>
	<b>Materials—1.6%</b>	
7,085	Air Products & Chemicals, Inc.	1,133,954
6,786	Ball Corp.	312,020
21,392	CF Industries Holdings, Inc.	930,766
2,972	Cabot Corp.	127,618
28,182	Domtar, Corp.	990,034
30,409	DowDuPont, Inc.	1,626,273
57,161	Freeport-McMoRan, Inc.	589,330
23,604	Huntsman Corp.	455,321
10,874	Linde PLC	1,696,779
5,583	LyondellBasell Investment LLC	464,282
13,138	Mosaic Co./The	383,761
8,047	Newmont Mining Corp.	278,829
2,806	Olin Corp.	56,429
17,154	Royal Gold, Inc.	1,469,240
728	Westlake Chemical Corp.	48,172
6,927	WestRock Co.	261,563
	<b>TOTAL</b>	<b>10,824,371</b>
	<b>Real Estate—1.8%</b>	
79,607	Brookfield Property REIT, Inc.	1,281,673
20,315	<sup>1</sup> CBRE Group, Inc.	813,413
19,621	<sup>1</sup> Equity Commonwealth	588,826
11,477	Extra Space Storage, Inc.	1,038,439
277	Gaming and Leisure Properties, Inc.	8,950
50,145	Host Marriott Corp.	835,917
344	<sup>1</sup> Howard Hughes Corp.	33,581
4,633	Hudson Pacific Properties, Inc.	134,635
836	Jones Lang LaSalle, Inc.	105,838
12,921	Lamar Advertising Co.	893,875
316	Medical PPTYS Trust, Inc.	5,081
26,506	Park Hotels & Resorts, Inc.	688,626
30,635	Rayonier, Inc.	848,283
38,586	Retail Properties of America, Inc.	418,658
11,544	SL Green Realty Corp.	912,900
8,161	Simon Property Group, Inc.	1,370,966

Shares, Principal Amount or Contracts		Value
	COMMON STOCKS—continued	
	<b>Real Estate—continued</b>	
10,690	Spirit Realty Capital, Inc.	\$ 376,822
32,328	Uniti Group, Inc.	503,347
41,689	Weingarten Realty Investors	1,034,304
17,792	Weyerhaeuser Co.	388,933
	<b>TOTAL</b>	<b>12,283,067</b>
	<b>Utilities—2.5%</b>	
104,045	AES Corp.	1,504,491
7,535	Ameren Corp.	491,508
26,068	CMS Energy Corp.	1,294,276
6,488	DTE Energy Co.	715,626
4,772	Duke Energy Corp.	411,824
33,565	Exelon Corp.	1,513,781
25,416	MDU Resources Group, Inc.	605,917
41,876	NRG Energy, Inc.	1,658,290
3,296	NextEra Energy, Inc.	572,911
41,024	OGE Energy Corp.	1,607,731
18,889	<sup>1</sup> P G & E Corp.	448,614
25,877	SCANA Corp.	1,236,403
21,815	Vectren Corp.	1,570,244
68,753	<sup>1</sup> Vistra Energy Corp.	1,573,756
32,898	Xcel Energy, Inc.	1,620,884
	<b>TOTAL</b>	<b>16,826,256</b>
	<b>TOTAL COMMON STOCKS</b> (IDENTIFIED COST \$271,200,474)	<b>260,711,891</b>
	ADJUSTABLE RATE MORTGAGES—0.0%	
\$ 7,462	<sup>2</sup> Federal National Mortgage Association ARM, 4.534%, 9/1/2037 (IDENTIFIED COST \$7,515)	7,843
	ASSET-BACKED SECURITIES—0.0%	
150,000	<sup>2</sup> American Express Credit Account Master Trust 2014-1, Class A, 2.825% (1-month USLIBOR +0.370%), 12/15/2021	150,103
42,000	PFS Financing Corp. 2016-BA, Class A, 1.870%, 10/15/2021	41,634
	<b>TOTAL ASSET-BACKED SECURITIES</b> (IDENTIFIED COST \$191,999)	<b>191,737</b>
	COLLATERALIZED MORTGAGE OBLIGATIONS—1.1%	
1,335,000	Bank of America Commercial Mortgage Trust 2016-UBS10, Class A4, 3.170%, 7/15/2049	1,302,426
340,000	Bank 2018-BN12, Class A4, 4.255%, 5/15/2061	353,396
1,000,000	Bank 2018-BN15, Class A4, 4.476%, 11/15/2061	1,054,694
85,000	Bank 2017-BNK8, Class A4, 3.488%, 11/15/2050	83,553
2,000,000	Benchmark Mortgage Trust 2018-B1, Class A5, 3.666%, 1/15/2051	2,002,469
1,195,000	CD Commercial Mortgage Trust 2016-CD1, Class A4, 2.724%, 8/10/2049	1,125,370
50,000	Commercial Mortgage Trust 2015-DC1, Class AM, 3.724%, 2/10/2048	49,056
875,000	Deutsche Bank Commercial Mortgage Trust 2016-C3, Class A5, 2.890%, 8/10/2049	835,019
100,000	JPMDB Commercial Mortgage Securities Trust 2016-C4, Class A3, 3.141%, 12/15/2049	96,854
590,000	UBS-Barclays Commercial Mortgage Trust 2013-C6, Class B, 3.875%, 4/10/2046	583,385
105,000	WF-RBS Commercial Mortgage Trust 2014-C25, Class B, 4.236%, 11/15/2047	104,639
	<b>TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS</b> (IDENTIFIED COST \$7,904,913)	<b>7,590,861</b>
	COMMERCIAL MORTGAGE-BACKED SECURITIES—0.3%	
	<b>Financials—0.3%</b>	
790,000	FREMF Mortgage Trust 2015-K49 REMIC, Class B, 3.720%, 10/25/2048	758,864
750,000	Federal Home Loan Mortgage Corp. REMIC, Series K055, Class A2, 2.673%, 3/25/2026	726,870

Shares, Principal Amount or Contracts		Value
	COMMERCIAL MORTGAGE-BACKED SECURITIES—continued	
	<b>Financials—continued</b>	
\$149,056	Federal Home Loan Mortgage Corp. REMIC, Series K504, Class A2, 2.566%, 9/25/2020	\$ 148,064
	TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES (IDENTIFIED COST \$1,666,108)	1,633,798
	CORPORATE BONDS—20.1%	
	<b>Basic Industry - Chemicals—0.1%</b>	
200,000	Albemarle Corp., 4.150%, 12/1/2024	202,825
200,000	Albemarle Corp., Sr. Unsecd. Note, 5.450%, 12/1/2044	200,857
	TOTAL	403,682
	<b>Basic Industry - Metals &amp; Mining—0.2%</b>	
156,000	Carpenter Technology Corp., Sr. Unsecd. Note, 4.450%, 3/1/2023	151,709
650,000	Reliance Steel & Aluminum Co., Sr. Unsecd. Note, 4.500%, 4/15/2023	657,273
150,000	Worthington Industries, Inc., Sr. Unsecd. Note, 4.300%, 8/1/2032	142,441
55,000	Worthington Industries, Inc., Sr. Unsecd. Note, 4.550%, 4/15/2026	54,864
	TOTAL	1,006,287
	<b>Basic Industry - Paper—0.1%</b>	
350,000	International Paper Co., Sr. Unsecd. Note, 4.400%, 8/15/2047	295,875
161,000	International Paper Co., Sr. Unsecd. Note, 4.750%, 2/15/2022	168,063
	TOTAL	463,938
	<b>Capital Goods - Aerospace &amp; Defense—0.5%</b>	
750,000	Airbus Group SE, Sr. Unsecd. Note, 144A, 3.150%, 4/10/2027	722,392
500,000	BAE Systems Holdings, Inc., Sr. Unsecd. Note, 144A, 3.800%, 10/7/2024	499,584
800,000	Embraer Netherlands BV, Sr. Unsecd. Note, 5.050%, 6/15/2025	812,008
50,000	Embraer Overseas Ltd., Sr. Unsecd. Note, 144A, 5.696%, 9/16/2023	52,313
160,000	Huntington Ingalls Industries, Inc., Sr. Unsecd. Note, 3.483%, 12/1/2027	149,429
400,000	Lockheed Martin Corp., Sr. Unsecd. Note, 2.900%, 3/1/2025	384,519
585,000	Northrop Grumman Corp., Sr. Unsecd. Note, 3.250%, 1/15/2028	548,010
500,000	Textron, Inc., Sr. Unsecd. Note, 3.650%, 3/15/2027	477,072
20,000	Textron, Inc., Sr. Unsecd. Note, 4.000%, 3/15/2026	19,583
25,000	Textron, Inc., Sr. Unsecd. Note, 4.300%, 3/1/2024	25,578
	TOTAL	3,690,488
	<b>Capital Goods - Building Materials—0.1%</b>	
110,000	Allegion US Holdings Co., Inc., Sr. Unsecd. Note, 3.200%, 10/1/2024	103,911
490,000	Allegion US Holdings Co., Inc., Sr. Unsecd. Note, 3.550%, 10/1/2027	456,414
40,000	Masco Corp., Sr. Unsecd. Note, 4.375%, 4/1/2026	40,085
165,000	Masco Corp., Sr. Unsecd. Note, 4.500%, 5/15/2047	141,632
	TOTAL	742,042
	<b>Capital Goods - Construction Machinery—0.1%</b>	
520,000	CNH Industrial NV, Sr. Unsecd. Note, Series MTN, 3.850%, 11/15/2027	473,594
	<b>Capital Goods - Diversified Manufacturing—0.6%</b>	
600,000	Hutchison Whampoa International Ltd., Sr. Unsecd. Note, 144A, 4.625%, 1/13/2022	620,056
750,000	Lennox International, Inc., Sr. Unsecd. Note, 3.000%, 11/15/2023	706,497
700,000	Parker-Hannifin Corp., Sr. Unsecd. Note, 3.250%, 3/1/2027	672,236
500,000	Roper Technologies, Inc., Sr. Unsecd. Note, 2.800%, 12/15/2021	490,160
800,000	Siemens Financieringsmat, Sr. Unsecd. Note, 144A, 3.400%, 3/16/2027	779,414
800,000	Valmont Industries, Inc., 5.250%, 10/1/2054	718,428
	TOTAL	3,986,791
	<b>Capital Goods - Packaging—0.1%</b>	
600,000	Packaging Corp. of America, Sr. Unsecd. Note, 3.650%, 9/15/2024	590,300

Shares, Principal Amount or Contracts		Value
	CORPORATE BONDS—continued	
	<b>Capital Goods - Packaging—continued</b>	
\$ 360,000	WestRock Co., Sr. Unsecd. Note, 144A, 4.000%, 3/15/2028	\$ 342,713
	TOTAL	933,013
	<b>Communications - Cable &amp; Satellite—0.7%</b>	
900,000	CCO Safari II LLC, 4.908%, 7/23/2025	895,757
250,000	CCO Safari II LLC, 6.484%, 10/23/2045	258,848
1,600,000	Comcast Corp., Sr. Unsecd. Note, 3.150%, 2/15/2028	1,505,370
350,000	Comcast Corp., Sr. Unsecd. Note, 3.300%, 2/1/2027	334,101
600,000	Comcast Corp., Sr. Unsecd. Note, 3.950%, 10/15/2025	607,905
800,000	Cox Communications, Inc., Sr. Unsecd. Note, 144A, 3.350%, 9/15/2026	739,696
300,000	Time Warner Cable, Inc., Company Guarantee, 5.500%, 9/1/2041	266,259
	TOTAL	4,607,936
	<b>Communications - Media &amp; Entertainment—0.5%</b>	
600,000	British Sky Broadcasting Group PLC, 144A, 3.750%, 9/16/2024	598,516
800,000	CBS Corp., 4.900%, 8/15/2044	733,588
600,000	Discovery Communications LLC, Sr. Unsecd. Note, 3.950%, 3/20/2028	557,726
250,000	Discovery Communications LLC, Sr. Unsecd. Note, 4.900%, 3/11/2026	252,325
500,000	Grupo Televisa S.A., Sr. Unsecd. Note, 5.000%, 5/13/2045	439,378
100,000	Omnicom Group, Inc., Sr. Unsecd. Note, 3.600%, 4/15/2026	94,828
600,000	Omnicom Group, Inc., Sr. Unsecd. Note, 3.625%, 5/1/2022	592,127
300,000	WPP Finance 2010, Sr. Unsecd. Note, 5.125%, 9/7/2042	275,511
	TOTAL	3,543,999
	<b>Communications - Telecom Wireless—0.3%</b>	
300,000	American Tower Corp., Sr. Unsecd. Note, 5.000%, 2/15/2024	310,659
350,000	Bell Canada, Sr. Unsecd. Note, 4.464%, 4/1/2048	339,689
360,000	Crown Castle International Corp., Sr. Unsecd. Note, 3.700%, 6/15/2026	344,147
450,000	Crown Castle International Corp., Sr. Unsecd. Note, 3.800%, 2/15/2028	423,120
500,000	Vodafone Group PLC, Sr. Unsecd. Note, 4.125%, 5/30/2025	494,850
280,000	Vodafone Group PLC, Sr. Unsecd. Note, 5.250%, 5/30/2048	264,164
	TOTAL	2,176,629
	<b>Communications - Telecom Wirelines—0.8%</b>	
800,000	AT&T, Inc., Sr. Unsecd. Note, 3.200%, 3/1/2022	789,717
800,000	AT&T, Inc., Sr. Unsecd. Note, 4.800%, 6/15/2044	720,178
700,000	AT&T, Inc., Sr. Unsecd. Note, 5.150%, 3/15/2042	656,785
800,000	Deutsche Telekom International Finance BV, Sr. Unsecd. Note, 144A, 3.600%, 1/19/2027	756,233
580,000	Telefonica Emisiones SAU, Sr. Unsecd. Note, 5.213%, 3/8/2047	533,469
700,000	Verizon Communications, Inc., Sr. Unsecd. Note, 1.750%, 8/15/2021	676,353
700,000	Verizon Communications, Inc., Sr. Unsecd. Note, 4.125%, 8/15/2046	620,868
534,000	Verizon Communications, Inc., Sr. Unsecd. Note, 4.672%, 3/15/2055	493,140
125,000	Verizon Communications, Inc., Sr. Unsecd. Note, 5.150%, 9/15/2023	133,252
	TOTAL	5,379,995
	<b>Consumer Cyclical - Automotive—0.7%</b>	
150,000	American Honda Finance Corp., Unsecd. Deb., Series MTN, 2.250%, 8/15/2019	149,311
200,000	Daimler Finance NA LLC, Sr. Unsecd. Note, 144A, 2.850%, 1/6/2022	195,429
500,000	Daimler Finance NA LLC, Sr. Unsecd. Note, 144A, 3.350%, 2/22/2023	493,434
170,000	Ford Motor Co., Sr. Unsecd. Note, 4.750%, 1/15/2043	132,020
400,000	Ford Motor Credit Co. LLC, Sr. Unsecd. Note, 3.815%, 11/2/2027	338,285
350,000	General Motors Co., Sr. Unsecd. Note, 5.200%, 4/1/2045	291,528
400,000	General Motors Financial Co., Inc., Sr. Unsecd. Note, 4.000%, 10/6/2026	359,864

Shares, Principal Amount or Contracts		Value
	CORPORATE BONDS—continued	
	<b>Consumer Cyclical - Automotive—continued</b>	
\$ 400,000	Hyundai Capital Services, Inc., Sr. Unsecd. Note, 144A, 2.625%, 9/29/2020	\$ 393,185
200,000	Nissan Motor Acceptance Corp., Sr. Unsecd. Note, 144A, 2.250%, 1/13/2020	197,147
600,000	Nissan Motor Acceptance Corp., Sr. Unsecd. Note, 144A, 2.650%, 7/13/2022	574,016
720,000	Toyota Motor Credit Corp., Sr. Unsecd. Note, Series GMTN, 2.700%, 1/11/2023	700,324
200,000	Volkswagen Group of America Finance LLC, Sr. Unsecd. Note, 144A, 4.000%, 11/12/2021	200,535
600,000	Volkswagen Group of America Finance LLC, Sr. Unsecd. Note, 144A, 4.250%, 11/13/2023	595,691
	<b>TOTAL</b>	<b>4,620,769</b>
	<b>Consumer Cyclical - Retailers—0.5%</b>	
589,000	Advance Auto Parts, Inc., 4.500%, 12/1/2023	603,438
310,000	CVS Health Corp., Sr. Unsecd. Note, 4.300%, 3/25/2028	304,120
1,050,000	CVS Health Corp., Sr. Unsecd. Note, 5.050%, 3/25/2048	1,026,444
540,000	Dollar General Corp., Sr. Unsecd. Note, 3.875%, 4/15/2027	524,550
600,000	Dollar Tree, Inc., Sr. Unsecd. Note, 3.700%, 5/15/2023	587,314
500,000	Home Depot, Inc., Sr. Unsecd. Note, 2.800%, 9/14/2027	470,104
40,000	O'Reilly Automotive, Inc., Sr. Unsecd. Note, 3.550%, 3/15/2026	38,502
	<b>TOTAL</b>	<b>3,554,472</b>
	<b>Consumer Cyclical - Services—0.5%</b>	
800,000	Alibaba Group Holding Ltd., Sr. Unsecd. Note, 3.600%, 11/28/2024	783,111
400,000	Amazon.com, Inc., Sr. Unsecd. Note, 3.150%, 8/22/2027	386,608
400,000	Amazon.com, Inc., Sr. Unsecd. Note, 3.875%, 8/22/2037	389,599
800,000	Cintas Corp. No. 2, Sr. Unsecd. Note, 3.700%, 4/1/2027	783,133
400,000	IHS Markit Ltd., Sr. Unsecd. Note, 4.750%, 8/1/2028	391,012
480,000	Visa, Inc., Sr. Unsecd. Note, 2.750%, 9/15/2027	455,374
200,000	Visa, Inc., Sr. Unsecd. Note, 2.800%, 12/14/2022	197,590
30,000	Visa, Inc., Sr. Unsecd. Note, 3.150%, 12/14/2025	29,522
	<b>TOTAL</b>	<b>3,415,949</b>
	<b>Consumer Non-Cyclical - Food/Beverage—1.4%</b>	
900,000	Anheuser-Busch Cos LLC/Anheuser-Busch InBev Worldwide, Inc., Sr. Unsecd. Note, 144A, 3.650%, 2/1/2026	851,499
900,000	Anheuser-Busch Cos LLC/Anheuser-Busch InBev Worldwide, Inc., Sr. Unsecd. Note, 144A, 4.900%, 2/1/2046	837,525
800,000	Coca-Cola Femsa S.A.B. de C.V., Sr. Unsecd. Note, 3.875%, 11/26/2023	808,407
485,000	Constellation Brands, Inc., Sr. Unsecd. Note, 4.650%, 11/15/2028	484,249
200,000	Danone SA, Sr. Unsecd. Note, 144A, 2.589%, 11/2/2023	190,338
600,000	Danone SA, Sr. Unsecd. Note, 144A, 2.947%, 11/2/2026	548,670
500,000	Flowers Foods, Inc., Sr. Unsecd. Note, 3.500%, 10/1/2026	478,278
200,000	General Mills, Inc., Sr. Unsecd. Note, 3.700%, 10/17/2023	199,036
150,000	General Mills, Inc., Sr. Unsecd. Note, 4.550%, 4/17/2038	139,757
280,000	General Mills, Inc., Sr. Unsecd. Note, 4.700%, 4/17/2048	257,576
500,000	Grupo Bimbo SAB de CV, 144A, 4.875%, 6/27/2044	463,788
200,000	Grupo Bimbo SAB de CV, Sr. Unsecd. Note, 144A, 3.875%, 6/27/2024	197,082
690,000	Heineken NV, Sr. Unsecd. Note, 144A, 3.500%, 1/29/2028	667,047
500,000	Kraft Heinz Foods Co., Sr. Unsecd. Note, 3.950%, 7/15/2025	484,781
140,000	Kraft Heinz Foods Co., Sr. Unsecd. Note, 4.375%, 6/1/2046	115,909
220,000	Maple Escrow Subsidiary, Inc., Sr. Unsecd. Note, 144A, 4.417%, 5/25/2025	219,379
650,000	Molson Coors Brewing Co., Sr. Unsecd. Note, 2.100%, 7/15/2021	627,055
800,000	PepsiCo, Inc., Sr. Unsecd. Note, 3.000%, 10/15/2027	769,525
650,000	Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 4.250%, 2/1/2027	607,247
495,000	Tyson Foods, Inc., Sr. Unsecd. Note, 3.550%, 6/2/2027	462,077
400,000	Tyson Foods, Inc., Sr. Unsecd. Note, 4.550%, 6/2/2047	352,273
	<b>TOTAL</b>	<b>9,761,498</b>



Shares, Principal Amount or Contracts		Value
	CORPORATE BONDS—continued	
	<b>Consumer Non-Cyclical - Health Care—0.3%</b>	
\$200,000	Agilent Technologies, Inc., Sr. Unsecd. Note, 3.875%, 7/15/2023	\$ 202,092
600,000	Becton Dickinson & Co., Sr. Unsecd. Note, 3.700%, 6/6/2027	568,237
200,000	Becton Dickinson & Co., Sr. Unsecd. Note, 4.669%, 6/6/2047	189,085
100,000	Becton Dickinson & Co., Sr. Unsecd. Note, 4.685%, 12/15/2044	94,058
820,000	Medtronic Global Holdings SCA, Sr. Unsecd. Note, 3.350%, 4/1/2027	804,482
10,000	Stryker Corp., Sr. Unsecd. Note, 3.500%, 3/15/2026	9,636
	<b>TOTAL</b>	<b>1,867,590</b>
	<b>Consumer Non-Cyclical - Pharmaceuticals—0.4%</b>	
283,000	Abbott Laboratories, Sr. Unsecd. Note, 3.750%, 11/30/2026	280,112
500,000	Abbott Laboratories, Sr. Unsecd. Note, 4.900%, 11/30/2046	527,592
190,000	AstraZeneca PLC, Sr. Unsecd. Note, 2.375%, 6/12/2022	182,401
600,000	AstraZeneca PLC, Sr. Unsecd. Note, 3.125%, 6/12/2027	559,457
600,000	Bayer US Finance LLC, Sr. Unsecd. Note, 144A, 3.375%, 10/8/2024	566,482
500,000	Celgene Corp., Sr. Unsecd. Note, 3.900%, 2/20/2028	470,150
200,000	Celgene Corp., Sr. Unsecd. Note, 4.350%, 11/15/2047	169,289
200,000	Teva Pharmaceutical Finance Netherlands III BV, Sr. Unsecd. Note, 3.150%, 10/1/2026	152,972
	<b>TOTAL</b>	<b>2,908,455</b>
	<b>Consumer Non-Cyclical - Products—0.1%</b>	
70,000	Newell Rubbermaid, Inc., Sr. Unsecd. Note, 4.200%, 4/1/2026	68,509
600,000	Reckitt Benckiser Treasury Services PLC, Sr. Unsecd. Note, 144A, 3.000%, 6/26/2027	558,461
	<b>TOTAL</b>	<b>626,970</b>
	<b>Consumer Non-Cyclical - Supermarkets—0.1%</b>	
600,000	Kroger Co., Sr. Unsecd. Note, 2.650%, 10/15/2026	534,992
200,000	Kroger Co., Sr. Unsecd. Note, 4.450%, 2/1/2047	176,125
	<b>TOTAL</b>	<b>711,117</b>
	<b>Consumer Non-Cyclical - Tobacco—0.1%</b>	
350,000	Bat Capital Corp., Sr. Unsecd. Note, Series WI, 4.540%, 8/15/2047	279,976
280,000	Reynolds American, Inc., Sr. Unsecd. Note, 7.000%, 8/4/2041	302,011
	<b>TOTAL</b>	<b>581,987</b>
	<b>Energy - Independent—0.5%</b>	
400,000	Anadarko Petroleum Corp., Sr. Unsecd. Note, 3.450%, 7/15/2024	379,859
300,000	Anadarko Petroleum Corp., Sr. Unsecd. Note, 5.550%, 3/15/2026	314,796
700,000	Apache Corp., Sr. Unsecd. Note, 4.375%, 10/15/2028	655,550
100,000	Canadian Natural Resources Ltd., 3.900%, 2/1/2025	97,272
800,000	Canadian Natural Resources Ltd., Sr. Unsecd. Note, 3.800%, 4/15/2024	789,777
250,000	Cimarex Energy Co., Sr. Unsecd. Note, 3.900%, 5/15/2027	232,518
300,000	EOG Resources, Inc., Sr. Unsecd. Note, 4.150%, 1/15/2026	308,508
700,000	Marathon Oil Corp., Sr. Unsecd. Note, 3.850%, 6/1/2025	657,883
	<b>TOTAL</b>	<b>3,436,163</b>
	<b>Energy - Integrated—0.5%</b>	
600,000	BP Capital Markets America, Inc., Sr. Unsecd. Note, 2.520%, 9/19/2022	580,509
110,000	BP Capital Markets America, Inc., Sr. Unsecd. Note, 3.119%, 5/4/2026	104,823
300,000	BP Capital Markets PLC, Sr. Unsecd. Note, 3.062%, 3/17/2022	297,481
300,000	Husky Energy, Inc., 4.000%, 4/15/2024	297,221
300,000	Husky Energy, Inc., Sr. Unsecd. Note, 3.950%, 4/15/2022	301,761
150,000	Petroleos Mexicanos, 6.500%, 6/2/2041	124,575
500,000	Petroleos Mexicanos, Sr. Unsecd. Note, 4.625%, 9/21/2023	470,500
300,000	Petroleos Mexicanos, Sr. Unsecd. Note, 6.375%, 1/23/2045	242,625

Shares, Principal Amount or Contracts		Value
	CORPORATE BONDS—continued	
	<b>Energy - Integrated—continued</b>	
\$ 75,000	Shell International Finance B.V., Sr. Unsecd. Note, 4.000%, 5/10/2046	\$ 72,708
500,000	Shell International Finance B.V., Sr. Unsecd. Note, 4.125%, 5/11/2035	502,044
500,000	Suncor Energy, Inc., Sr. Unsecd. Note, 3.600%, 12/1/2024	489,657
	<b>TOTAL</b>	<b>3,483,904</b>
	<b>Energy - Midstream—0.6%</b>	
225,000	Energy Transfer Partners LP, Sr. Unsecd. Note, 4.050%, 3/15/2025	213,585
40,000	Energy Transfer Partners LP, Sr. Unsecd. Note, 4.900%, 2/1/2024	40,528
500,000	Energy Transfer Partners LP, Sr. Unsecd. Note, 5.150%, 3/15/2045	435,690
70,000	Enterprise Products Operating LLC, Sr. Unsecd. Note, 3.950%, 2/15/2027	69,849
900,000	Enterprise Products Operating LLC, Sr. Unsecd. Note, 4.250%, 2/15/2048	802,022
200,000	Kinder Morgan Energy Partners LP, Sr. Unsecd. Note, 6.375%, 3/1/2041	213,106
450,000	Kinder Morgan, Inc., 5.050%, 2/15/2046	413,004
240,000	MPLX LP, Sr. Unsecd. Note, 4.125%, 3/1/2027	229,019
400,000	MPLX LP, Sr. Unsecd. Note, 4.900%, 4/15/2058	335,889
335,000	ONEOK, Inc., Sr. Unsecd. Note, 4.950%, 7/13/2047	311,013
120,000	TC Pipelines, LP, Sr. Unsecd. Note, 3.900%, 5/25/2027	114,817
200,000	Williams Partners LP, Sr. Unsecd. Note, 4.125%, 11/15/2020	201,632
490,000	Williams Partners LP, Sr. Unsecd. Note, 4.900%, 1/15/2045	446,694
	<b>TOTAL</b>	<b>3,826,848</b>
	<b>Energy - Oil Field Services—0.0%</b>	
200,000	Weatherford International Ltd., 7.000%, 3/15/2038	104,000
	<b>Energy - Refining—0.2%</b>	
600,000	Marathon Petroleum Corp., Sr. Unsecd. Note, 3.625%, 9/15/2024	584,525
220,000	Phillips 66, Sr. Unsecd. Note, 4.875%, 11/15/2044	214,986
600,000	Valero Energy Corp., Sr. Unsecd. Note, 4.900%, 3/15/2045	566,689
	<b>TOTAL</b>	<b>1,366,200</b>
	<b>Financial Institution - Banking—3.8%</b>	
600,000	American Express Credit Corp., Sr. Unsecd. Note, Series MTN, 3.300%, 5/3/2027	584,497
20,000	BB&T Corp., Sr. Unsecd. Note, Series MTN, 2.250%, 2/1/2019	19,988
495,000	BB&T Corp., Sr. Unsecd. Note, Series MTN, 2.750%, 4/1/2022	486,944
250,000	BB&T Corp., Sr. Unsecd. Note, Series MTN, 3.750%, 12/6/2023	252,253
1,850,000	Bank of America Corp., Sr. Unsecd. Note, 3.419%, 12/20/2028	1,731,171
250,000	Bank of America Corp., Sr. Unsecd. Note, 3.705%, 4/24/2028	240,203
1,200,000	Bank of America Corp., Sr. Unsecd. Note, Series MTN, 3.124%, 1/20/2023	1,180,263
50,000	<sup>2</sup> Bank of America Corp., Sr. Unsecd. Note, Series MTN, 3.447% (3-month USLIBOR +0.650%), 10/1/2021	49,652
150,000	Bank of America Corp., Sub. Note, 6.500%, 9/15/2037	166,058
50,000	Bank of America Corp., Sub. Note, Series L, 3.950%, 4/21/2025	48,508
300,000	Bank of America Corp., Sub. Note, Series MTN, 4.000%, 1/22/2025	292,598
800,000	Bank of New York Mellon Corp., Sr. Unsecd. Note, Series MTN, 2.200%, 8/16/2023	760,075
200,000	Bank of New York Mellon Corp., Sr. Unsecd. Note, Series MTN, 2.661%, 5/16/2023	194,601
500,000	Capital One Financial Corp., Sr. Unsecd. Note, 3.050%, 3/9/2022	488,009
800,000	Citigroup, Inc., Sr. Unsecd. Note, 2.350%, 8/2/2021	777,618
570,000	Citigroup, Inc., Sr. Unsecd. Note, 3.400%, 5/1/2026	537,277
1,900,000	Citigroup, Inc., Sr. Unsecd. Note, 3.668%, 7/24/2028	1,797,848
250,000	Citizens Bank NA, Sr. Unsecd. Note, Series BKNT, 2.550%, 5/13/2021	244,652
30,000	Comerica, Inc., 3.800%, 7/22/2026	29,212
350,000	Compass Bank, Birmingham, Sub. Note, Series BKNT, 3.875%, 4/10/2025	336,123
800,000	Fifth Third Bancorp, Sr. Unsecd. Note, 3.950%, 3/14/2028	795,609
1,300,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 2.876%, 10/31/2022	1,263,022

Shares, Principal Amount or Contracts		Value
	CORPORATE BONDS—continued	
	<b>Financial Institution - Banking—continued</b>	
\$1,400,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 3.814%, 4/23/2029	\$ 1,309,370
500,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 6.250%, 2/1/2041	571,992
1,400,000	HSBC Holdings PLC, Sr. Unsecd. Note, 3.900%, 5/25/2026	1,343,426
200,000	Huntington Bancshares, Inc., Sr. Unsecd. Note, 3.150%, 3/14/2021	199,216
1,200,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 2.972%, 1/15/2023	1,170,568
1,850,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 3.509%, 1/23/2029	1,754,211
650,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 4.500%, 1/24/2022	670,008
850,000	JPMorgan Chase & Co., Sub. Note, 3.375%, 5/1/2023	831,859
210,000	M&T Bank Corp., Sr. Unsecd. Note, 3.550%, 7/26/2023	210,904
500,000	Manufacturers & Traders Trust Co., Sr. Unsecd. Note, Series BKNT, 2.500%, 5/18/2022	485,907
1,850,000	Morgan Stanley, Sr. Unsecd. Note, Series GMTN, 3.772%, 1/24/2029	1,773,090
250,000	Morgan Stanley, Sr. Unsecd. Note, Series MTN, 6.250%, 8/9/2026	277,386
275,000	Morgan Stanley, Sub. Note, Series MTN, 4.100%, 5/22/2023	275,655
400,000	PNC Bank N.A., Sr. Unsecd. Note, Series BKNT, 3.250%, 1/22/2028	387,172
250,000	Regions Financial Corp., Sr. Unsecd. Note, 3.200%, 2/8/2021	248,535
600,000	SunTrust Bank, Inc., Sr. Unsecd. Note, Series BKNT, 3.000%, 2/2/2023	588,596
60,000	SunTrust Bank, Inc., Sr. Unsecd. Note, 2.900%, 3/3/2021	59,513
300,000	Wells Fargo & Co., Sr. Unsecd. Note, 3.000%, 10/23/2026	278,151
50,000	<sup>2</sup> Wells Fargo & Co., Sr. Unsecd. Note, 3.756% (3-month USLIBOR + 1.230%), 10/31/2023	49,878
1,300,000	Wells Fargo & Co., Sr. Unsecd. Note, Series MTN, 3.584%, 5/22/2028	1,250,136
	<b>TOTAL</b>	<b>26,011,754</b>
	<b>Financial Institution - Broker/Asset Mgr/Exchange—0.2%</b>	
40,000	Invesco Finance PLC, Sr. Unsecd. Note, 3.750%, 1/15/2026	39,081
200,000	Jefferies Group LLC, Sr. Unsecd. Note, 6.250%, 1/15/2036	201,247
200,000	Jefferies Group LLC, Sr. Unsecd. Note, 6.500%, 1/20/2043	203,325
165,000	Nuveen LLC, Sr. Unsecd. Note, 144A, 4.000%, 11/1/2028	170,329
400,000	Stifel Financial Corp., Sr. Unsecd. Note, 3.500%, 12/1/2020	400,062
200,000	TD Ameritrade Holding Corp., Sr. Unsecd. Note, 3.300%, 4/1/2027	191,603
	<b>TOTAL</b>	<b>1,205,647</b>
	<b>Financial Institution - Finance Companies—0.3%</b>	
750,000	Discover Bank, Sr. Unsecd. Note, Series BKNT, 4.650%, 9/13/2028	732,473
1,500,000	GE Capital International Funding, Inc., Sr. Unsecd. Note, 4.418%, 11/15/2035	1,265,512
	<b>TOTAL</b>	<b>1,997,985</b>
	<b>Financial Institution - Insurance - Health—0.3%</b>	
600,000	Halfmoon Parent, Inc., Sec. Fac. Bond, 144A, 4.125%, 11/15/2025	600,323
350,000	Halfmoon Parent, Inc., Sr. Unsecd. Note, 144A, 3.750%, 7/15/2023	349,173
800,000	UnitedHealth Group, Inc., Sr. Unsecd. Note, 2.950%, 10/15/2027	757,110
	<b>TOTAL</b>	<b>1,706,606</b>
	<b>Financial Institution - Insurance - Life—0.6%</b>	
800,000	Aflac, Inc., Sr. Unsecd. Note, 3.625%, 6/15/2023	803,098
800,000	American International Group, Inc., Sr. Unsecd. Note, 4.125%, 2/15/2024	804,139
400,000	American International Group, Inc., Sr. Unsecd. Note, 4.875%, 6/1/2022	415,315
450,000	Lincoln National Corp., Sr. Unsecd. Note, 3.625%, 12/12/2026	436,682
350,000	Lincoln National Corp., Sr. Unsecd. Note, 4.200%, 3/15/2022	356,070
150,000	Massachusetts Mutual Life Insurance Co., Sub. Note, 144A, 4.900%, 4/1/2077	150,268
500,000	MetLife, Inc., Sr. Unsecd. Note, 4.050%, 3/1/2045	464,563
170,000	Pacific Life Insurance Co., Sub. Note, 144A, 4.300%, 10/24/2067	149,779
700,000	Prudential Financial, Inc., Sr. Unsecd. Note, Series MTN, 4.600%, 5/15/2044	699,847
	<b>TOTAL</b>	<b>4,279,761</b>

Shares, Principal Amount or Contracts		Value
	CORPORATE BONDS—continued	
	<b>Financial Institution - Insurance - P&amp;C—0.4%</b>	
\$ 700,000	CNA Financial Corp., Sr. Unsecd. Note, 3.450%, 8/15/2027	\$ 652,847
30,000	Chubb INA Holdings, Inc., 3.350%, 5/3/2026	29,390
490,000	Hartford Financial Services Group, Inc., Sr. Unsecd. Note, 4.400%, 3/15/2048	459,472
640,000	Liberty Mutual Group, Inc., 144A, 4.850%, 8/1/2044	624,506
500,000	Nationwide Mutual Insurance Co., Sub. Note, 144A, 9.375%, 8/15/2039	759,502
	<b>TOTAL</b>	<b>2,525,717</b>
	<b>Financial Institution - REIT - Apartment—0.3%</b>	
750,000	Avalonbay Communities, Inc., Sr. Unsecd. Note, Series MTN, 3.350%, 5/15/2027	723,924
750,000	Mid-America Apartment Communities LP, 4.000%, 11/15/2025	748,661
200,000	UDR, Inc., Series MTN, 3.750%, 7/1/2024	198,918
550,000	UDR, Inc., Sr. Unsecd. Note, Series GMTN, 3.500%, 1/15/2028	522,199
	<b>TOTAL</b>	<b>2,193,702</b>
	<b>Financial Institution - REIT - Healthcare—0.3%</b>	
300,000	Health Care REIT, Inc., Sr. Unsecd. Note, 4.950%, 1/15/2021	307,220
750,000	Healthcare Trust of America, Sr. Unsecd. Note, 3.750%, 7/1/2027	715,788
600,000	Physicians Realty Trust, Sr. Unsecd. Note, 3.950%, 1/15/2028	568,051
100,000	Physicians Realty Trust, Sr. Unsecd. Note, 4.300%, 3/15/2027	97,324
450,000	Welltower, Inc., Sr. Unsecd. Note, 4.250%, 4/1/2026	450,111
	<b>TOTAL</b>	<b>2,138,494</b>
	<b>Financial Institution - REIT - Office—0.2%</b>	
350,000	Alexandria Real Estate Equities, Inc., Sr. Unsecd. Note, 3.900%, 6/15/2023	352,437
400,000	Alexandria Real Estate Equities, Inc., Sr. Unsecd. Note, 3.950%, 1/15/2028	387,294
750,000	Boston Properties LP, Sr. Unsecd. Note, 3.650%, 2/1/2026	727,313
	<b>TOTAL</b>	<b>1,467,044</b>
	<b>Financial Institution - REIT - Other—0.3%</b>	
820,000	Liberty Property LP, Sr. Unsecd. Note, 3.750%, 4/1/2025	800,344
650,000	ProLogis LP, Sr. Unsecd. Note, 4.250%, 8/15/2023	671,661
250,000	WP Carey, Inc., Sr. Unsecd. Note, 4.600%, 4/1/2024	253,986
	<b>TOTAL</b>	<b>1,725,991</b>
	<b>Financial Institution - REIT - Retail—0.3%</b>	
740,000	Kimco Realty Corp., Sr. Unsecd. Note, 3.800%, 4/1/2027	713,270
700,000	Regency Centers LP, Sr. Unsecd. Note, 4.125%, 3/15/2028	692,866
750,000	Tanger Properties LP, Sr. Unsecd. Note, 3.125%, 9/1/2026	670,191
	<b>TOTAL</b>	<b>2,076,327</b>
	<b>Technology—0.9%</b>	
600,000	Apple, Inc., Sr. Unsecd. Note, 2.400%, 5/3/2023	580,478
1,350,000	Apple, Inc., Sr. Unsecd. Note, 2.500%, 2/9/2022	1,329,234
900,000	Apple, Inc., Sr. Unsecd. Note, 2.900%, 9/12/2027	848,835
75,000	Autodesk, Inc., Sr. Unsecd. Note, 4.375%, 6/15/2025	75,917
350,000	Cisco Systems, Inc., 3.625%, 3/4/2024	357,182
270,000	Diamond 1 Finance Corp./Diamond 2 Finance Corp., Sr. Secd. Note, 144A, 4.420%, 6/15/2021	269,877
260,000	Diamond 1 Finance Corp./Diamond 2 Finance Corp., Sr. Secd. Note, 144A, 6.020%, 6/15/2026	261,672
725,000	Equifax, Inc., Sr. Unsecd. Note, 2.300%, 6/1/2021	703,528
380,000	Fiserv, Inc., Sr. Unsecd. Note, 3.800%, 10/1/2023	382,748
600,000	Microsoft Corp., Sr. Unsecd. Note, 3.125%, 11/3/2025	594,254
245,000	Microsoft Corp., Sr. Unsecd. Note, 4.000%, 2/12/2055	241,685
600,000	Oracle Corp., Sr. Unsecd. Note, 3.250%, 11/15/2027	579,696
20,000	Total System Services, Inc., Sr. Unsecd. Note, 4.800%, 4/1/2026	20,195

Shares, Principal Amount or Contracts		Value
	CORPORATE BONDS—continued	
	<b>Technology—continued</b>	
\$ 25,000	Verisk Analytics, Inc., Sr. Unsecd. Note, 5.500%, 6/15/2045	\$ 25,425
	TOTAL	6,270,726
	<b>Transportation - Railroads—0.1%</b>	
175,000	Burlington Northern Santa Fe Corp., Sr. Unsecd. Note, 3.000%, 4/1/2025	170,600
750,000	Kansas City Southern Industries, Inc., Sr. Unsecd. Note, 3.125%, 6/1/2026	700,484
	TOTAL	871,084
	<b>Transportation - Services—0.3%</b>	
400,000	Enterprise Rent-A-Car USA Finance Co., Sr. Unsecd. Note, 144A, 3.300%, 10/15/2022	391,872
280,000	Enterprise Rent-A-Car USA Finance Co., Sr. Unsecd. Note, 144A, 4.500%, 2/15/2045	264,752
500,000	Penske Truck Leasing Co. LP & PTL Finance Corp., Sr. Unsecd. Note, 144A, 2.700%, 3/14/2023	477,474
250,000	Penske Truck Leasing Co. LP & PTL Finance Corp., Sr. Unsecd. Note, 144A, 3.375%, 2/1/2022	247,377
500,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 3.400%, 3/1/2023	493,862
250,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 3.450%, 11/15/2021	249,869
	TOTAL	2,125,206
	<b>Utility - Electric—1.4%</b>	
600,000	American Electric Power Co., Inc., Sr. Unsecd. Note, 3.200%, 11/13/2027	570,528
900,000	Berkshire Hathaway Energy Co., 3.500%, 2/1/2025	893,516
300,000	Berkshire Hathaway Energy Co., Sr. Unsecd. Note, 3.750%, 11/15/2023	304,434
900,000	Duke Energy Corp., Sr. Unsecd. Note, 2.650%, 9/1/2026	821,195
200,000	EDP Finance BV, Sr. Unsecd. Note, 144A, 3.625%, 7/15/2024	187,630
375,000	Electricite de France SA, Jr. Sub. Note, 144A, 5.625%, 7/22/2067	346,406
400,000	Emera US Finance LP, Sr. Unsecd. Note, 3.550%, 6/15/2026	380,118
400,000	Emera US Finance LP, Sr. Unsecd. Note, 4.750%, 6/15/2046	386,557
470,000	Enel Finance International NV, Sr. Unsecd. Note, 144A, 4.625%, 9/14/2025	451,794
200,000	Enel Finance International SA, Company Guarantee, 144A, 6.000%, 10/7/2039	199,057
70,000	EverSource Energy, Sr. Unsecd. Note, 3.350%, 3/15/2026	66,751
500,000	EverSource Energy, Sr. Unsecd. Note, Series N, 3.800%, 12/1/2023	505,335
320,000	Exelon Corp., Sr. Unsecd. Note, 3.400%, 4/15/2026	304,868
500,000	Exelon Corp., Sr. Unsecd. Note, 4.450%, 4/15/2046	478,020
50,000	Exelon Generation Co. LLC, Sr. Unsecd. Note, 4.250%, 6/15/2022	50,723
150,000	Fortis, Inc./Canada, Sr. Unsecd. Note, 3.055%, 10/4/2026	137,238
20,000	Indiana Michigan Power Co., Sr. Unsecd. Note, Series K, 4.550%, 3/15/2046	20,253
490,000	Kansas City Power And Light Co., Sr. Unsecd. Note, 4.200%, 3/15/2048	477,905
200,000	Mississippi Power Co., Sr. Unsecd. Note, 3.950%, 3/30/2028	197,869
50,000	National Rural Utilities Cooperative Finance Corp., Sr. Sub. Note, 5.250%, 4/20/2046	49,656
110,000	National Rural Utilities Cooperative Finance Corp., Sr. Unsecd. Note, 2.950%, 2/7/2024	108,312
25,000	NextEra Energy Capital Holdings, Inc., Sr. Unsecd. Note, 2.700%, 9/15/2019	24,868
700,000	NextEra Energy Capital Holdings, Inc., Sr. Unsecd. Note, 3.625%, 6/15/2023	699,812
500,000	NiSource Finance Corp., Sr. Unsecd. Note, 3.950%, 3/30/2048	447,098
65,000	NiSource Finance Corp., Sr. Unsecd. Note, 4.375%, 5/15/2047	60,791
300,000	PPL Capital Funding, Inc., Sr. Unsecd. Note, 3.100%, 5/15/2026	281,792
1,000,000	Southern Co., Sr. Unsecd. Note, 3.250%, 7/1/2026	938,767
140,000	Virginia Electric & Power Co., Sr. Unsecd. Note, Series A, 3.500%, 3/15/2027	138,195
	TOTAL	9,529,488
	<b>Utility - Natural Gas—0.4%</b>	
200,000	Atmos Energy Corp., Sr. Unsecd. Note, 3.000%, 6/15/2027	191,048
700,000	Enbridge Energy Partners LP, Sr. Unsecd. Note, 5.500%, 9/15/2040	727,818
750,000	Sempra Energy, Sr. Unsecd. Note, 3.400%, 2/1/2028	686,996
120,000	Southern Natural Gas, Sr. Unsecd. Note, 144A, 4.800%, 3/15/2047	114,792

Shares, Principal Amount or Contracts		Value
	CORPORATE BONDS—continued	
	<b>Utility - Natural Gas—continued</b>	
\$ 690,000	TransCanada PipeLines Ltd., Sr. Secd. Note, 5.100%, 3/15/2049	\$ 688,612
	TOTAL	2,409,266
	TOTAL CORPORATE BONDS (IDENTIFIED COST \$140,339,749)	136,209,114
	MORTGAGE-BACKED SECURITIES—0.0%	
	<b>Federal National Mortgage Association—0.0%</b>	
32,295	Federal National Mortgage Association, Pool AO8829, 3.500%, 30 Year, 7/1/2042	32,542
	<b>Government National Mortgage Association—0.0%</b>	
7,754	Government National Mortgage Association, Pool 2796, 7.000%, 30 Year, 8/20/2029	8,724
4,417	Government National Mortgage Association, Pool 3040, 7.000%, 30 Year, 2/20/2031	5,018
12,608	Government National Mortgage Association, Pool 3188, 6.500%, 30 Year, 1/20/2032	14,200
15,182	Government National Mortgage Association, Pool 3239, 6.500%, 30 Year, 5/20/2032	17,155
	TOTAL	45,097
	TOTAL MORTGAGE-BACKED SECURITIES (IDENTIFIED COST \$73,910)	77,639
	PURCHASED CALL OPTIONS—0.1%	
1,850	SPDR S&P 500 ETF Trust, Notional Amount \$46,235,200, Exercise Price \$260.00, Expiration Date: 1/18/2019	246,975
13,000	SPDR S&P 500 ETF Trust, Notional Amount \$324,896,000, Exercise Price \$290.00, Expiration Date: 1/18/2019	19,500
	TOTAL PURCHASED CALL OPTIONS (IDENTIFIED COST \$861,900)	266,475
	U.S. TREASURIES—8.9%	
\$10,600,000	United States Treasury Bond, 2.750%, 8/15/2047	10,051,271
20,000	United States Treasury Bond, 2.750%, 11/15/2047	18,951
1,000	United States Treasury Bond, 3.000%, 11/15/2044	999
2,000,000	United States Treasury Bond, 3.125%, 5/15/2048	2,040,415
2,400,000	United States Treasury Note, 1.625%, 2/15/2026	2,246,688
7,000,000	United States Treasury Note, 1.875%, 12/31/2019	6,950,098
8,250,000	United States Treasury Note, 1.875%, 1/31/2022	8,105,057
1,000,000	United States Treasury Note, 2.000%, 10/31/2022	982,546
2,650,000	United States Treasury Note, 2.000%, 11/15/2026	2,529,371
2,300,000	United States Treasury Note, 2.125%, 11/30/2024	2,245,225
50,000	United States Treasury Note, 2.250%, 11/15/2027	48,338
5,700,000	United States Treasury Note, 2.500%, 6/30/2020	5,695,689
4,000,000	United States Treasury Note, 2.625%, 7/15/2021	4,014,897
3,000,000	United States Treasury Note, 2.750%, 6/30/2025	3,030,234
40,000	United States Treasury Note, 2.875%, 5/31/2025	40,689
1,200,000	United States Treasury Note, 2.875%, 5/15/2028	1,219,274
10,700,000	United States Treasury Note, 3.625%, 2/15/2021	10,947,487
3,240	U.S. Treasury Inflation-Protected Notes, 0.125%, 4/15/2020	3,165
10,672	U.S. Treasury Inflation-Protected Notes, 1.000%, 2/15/2046	10,116
	TOTAL U.S. TREASURIES (IDENTIFIED COST \$59,543,165)	60,180,510
	INVESTMENT COMPANIES—26.1%	
1,696,947	Emerging Markets Core Fund	15,730,695
769,550	Federated Bank Loan Core Fund	7,410,768
3,835,070	Federated High Income Bond Fund II, Class P	23,278,873
11,473,149	Federated Mortgage Core Portfolio	110,142,229
2,226,116	Federated Project and Trade Finance Core Fund	20,168,614

Shares, Principal Amount or Contracts		Value
	INVESTMENT COMPANIES—continued	
1,012	Federated U.S. Government Securities Fund: 2-5 Years, Institutional Shares	\$ 10,783
	TOTAL INVESTMENT COMPANIES (IDENTIFIED COST \$177,787,835)	176,741,962
	REPURCHASE AGREEMENT—4.6%	
\$31,098,000	Interest in \$550,000,000 joint repurchase agreement 3.00%, dated 12/31/2018 under which BMO Capital Markets Corp. will repurchase securities provided as collateral for \$550,091,667 on 1/2/2019. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency securities with various maturities to 11/20/2068 and the market value of those underlying securities was \$564,641,271. (IDENTIFIED COST \$31,098,000)	31,098,000
	TOTAL INVESTMENTS—99.7% (IDENTIFIED COST \$690,675,568) <sup>3</sup>	674,709,830
	OTHER ASSETS AND LIABILITIES - NET—0.3% <sup>4</sup>	2,284,790
	TOTAL NET ASSETS—100%	\$ 676,994,620

At December 31, 2018, the Fund had the following outstanding futures contracts:

Description	Number of Contracts	Notional Value	Expiration Date	Value and Unrealized Appreciation (Depreciation)
<sup>1</sup> S&P 500 Index Long Futures	20	\$12,526,000	March 2019	\$ (834,065)
<sup>1</sup> United States Treasury Notes 2-Year Long Futures	150	\$31,846,875	March 2019	\$ 219,977
<sup>1</sup> United States Treasury Notes 10-Year Ultra Short Futures	130	\$16,910,156	March 2019	\$ (524,203)
NET UNREALIZED DEPRECIATION ON FUTURES CONTRACTS				\$(1,138,291)

At December 31, 2018, the Fund had the following outstanding written options contracts:

Description	Contracts	Notional Amount	Expiration Date	Exercise Price	Value
<sup>1</sup> SPDR S&P 500 ETF Trust (CALL-Option)	1,850	\$ 46,235,200	January 2019	\$270.00	\$(32,375)
<sup>1</sup> SPDR S&P 500 ETF Trust (CALL-Option)	13,000	\$324,896,000	January 2019	\$295.00	\$(19,500)
(PREMIUMS RECEIVED \$237,872)					\$(51,875)

Net Unrealized Depreciation on Futures Contracts and the value of Written Option Contracts is included in "Other Assets and Liabilities—Net."

Affiliated fund holdings are investment companies which are managed by Federated Global Investment Management Corp., Federated Investment Management Company and Federated Equity Management Company of Pennsylvania (collectively, the "Co-Advisers") or an affiliate of the Co-Advisers. Transactions with affiliated fund holdings during the period ended December 31, 2018, were as follows:

Affiliates	Balance of Shares Held 12/31/2017	Purchases/ Additions	Sales/ Reductions	Balance of Shares Held 12/31/2018	Value	Change in Unrealized Appreciation/ Depreciation	Net Realized Gain/ (Loss)	Dividend Income
Emerging Markets Core Fund	—	1,975,558	(278,611)	1,696,947	\$ 15,730,695	\$ (854,836)	\$ (208,507)	\$ 725,270
Federated Bank Loan Core Fund	—	872,009	(102,459)	769,550	\$ 7,410,768	\$ (364,931)	\$ (41,075)	\$ 366,290
Federated High Income Bond Fund II, Class P	13,497,668	1,374,775	(11,037,373)	3,835,070	\$ 23,278,873	\$(4,243,076)	\$1,253,866	\$1,613,989
Federated Mortgage Core Portfolio	—	12,655,660	(1,182,511)	11,473,149	\$110,142,229	\$ 494,923	\$(345,523)	\$2,398,590
Federated Project and Trade Finance Core Fund	—	2,776,777	(550,661)	2,226,116	\$ 20,168,614	\$ (477,342)	\$ (390,968)	\$ 712,437
Federated U.S. Government Securities Fund: 2-5 Years, Institutional Shares	—	1,012	—	1,012	\$ 10,783	\$ (762)	\$ —	\$ 121
High Yield Bond Portfolio	—	156,975	(156,975)	—	\$ —	\$ —	\$ (81,535)	\$ 12,859
TOTAL OF AFFILIATED TRANSACTIONS	13,497,668	19,812,766	(13,308,590)	20,001,844	\$176,741,962	\$(5,446,024)	\$ 186,258	\$5,829,556

<sup>1</sup> Non-income-producing security.

- 2 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.
- 3 The cost of investments for federal tax purposes amounts to \$692,143,229.
- 4 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

Note: The categories of investments are shown as a percentage of total net assets at December 31, 2018.

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 December 31, 2018, 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
<b>Equity Securities:</b>				
Common Stocks				
Domestic	\$249,997,182	\$ —	\$—	\$249,997,182
International	10,714,709	—	—	10,714,709
<b>Debt Securities:</b>				
Adjustable Rate Mortgages	—	7,843	—	7,843
Asset-Backed Securities	—	191,737	—	191,737
Collateralized Mortgage Obligations	—	7,590,861	—	7,590,861
Commercial Mortgage-Backed Securities	—	1,633,798	—	1,633,798
Corporate Bonds	—	136,209,114	—	136,209,114
Mortgage-Backed Securities	—	77,639	—	77,639
U.S. Treasuries	—	60,180,510	—	60,180,510
Purchased Call Options	266,475	—	—	266,475
<b>Investment Companies<sup>1</sup></b>	10,783	—	—	176,741,962
<b>Repurchase Agreement</b>	—	31,098,000	—	31,098,000
<b>TOTAL SECURITIES</b>	<b>\$260,989,149</b>	<b>\$236,989,502</b>	<b>\$—</b>	<b>\$674,709,830</b>
<b>Other Financial Instruments</b>				
<b>Assets</b>				
Futures Contracts	\$ 219,977	\$ —	\$—	\$ 219,977
Written Options Contracts	—	—	—	—
<b>Liabilities</b>				
Futures Contracts	(1,358,268)	—	—	(1,358,268)
Written Options Contracts	(51,875)	—	—	(51,875)
<b>TOTAL OTHER FINANCIAL INSTRUMENTS</b>	<b>\$ (1,190,166)</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$ (1,190,166)</b>

- 1 As permitted by U.S. generally accepted accounting principles (GAAP), Investment Companies valued at \$176,731,179 are measured at fair value using the net asset value (NAV) per share practical expedient and have not been categorized in the chart above but are included in the Total column. The amount included herein is intended to permit reconciliation of the fair value classifications to the amounts presented on the Statement of Assets and Liabilities. The price of shares redeemed in Emerging Markets Core Fund, Federated Bank Loan Core Fund, Federated High Income Bond Fund II, Class P and Federated Mortgage Core Portfolio is the next determined NAV after receipt of a shareholder redemption request. The price of shares redeemed of Federated Project and Trade Finance Core Fund may be determined as of the closing NAV of the fund up to twenty-four days after receipt of a shareholder redemption request.



The following acronyms are used throughout this portfolio:

ARM —Adjustable Rate Mortgage  
BKNT —Bank Notes  
ETF —Exchange-Traded Fund  
FREMF—Freddie Mac Multifamily K-Deals  
GMTN —Global Medium Term Note  
LIBOR —London Interbank Offered Rate  
MTN —Medium Term Note  
REIT —Real Estate Investment Trust  
REMIC—Real Estate Mortgage Investment Conduit  
SPDR —Standard & Poor's Depositary Receipt

See Notes which are an integral part of the Financial Statements

## Financial Highlights – Primary Shares

(For a Share Outstanding Throughout Each Period)

Year Ended December 31	2018	2017	2016	2015	2014
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.80</b>	<b>\$9.52</b>	<b>\$9.29</b>	<b>\$10.54</b>	<b>\$11.30</b>
<b>Income From Investment Operations:</b>					
Net investment income (loss) <sup>1</sup>	0.23	0.29	0.34	0.44	0.54
Net realized and unrealized gain (loss)	(1.13)	1.39	0.34	(1.20)	(0.12)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(0.90)</b>	<b>1.68</b>	<b>0.68</b>	<b>(0.76)</b>	<b>0.42</b>
<b>Less Distributions:</b>					
Distributions from net investment income	(0.30)	(0.40)	(0.45)	(0.44)	(0.38)
Distributions from net realized gain	—	—	—	(0.05)	(0.80)
<b>TOTAL DISTRIBUTIONS</b>	<b>(0.30)</b>	<b>(0.40)</b>	<b>(0.45)</b>	<b>(0.49)</b>	<b>(1.18)</b>
<b>Net Asset Value, End of Period</b>	<b>\$9.60</b>	<b>\$10.80</b>	<b>\$9.52</b>	<b>\$9.29</b>	<b>\$10.54</b>
<b>Total Return<sup>2</sup></b>	<b>(8.49)%</b>	<b>18.11%</b>	<b>7.69%</b>	<b>(7.64)%</b>	<b>4.01%</b>

### Ratios to Average Net Assets:

Net expenses	0.89%	0.83%	0.79% <sup>3</sup>	0.75% <sup>3</sup>	0.76%
Net investment income	2.26%	2.91%	3.72%	4.38%	4.99%
Expense waiver/reimbursement <sup>4</sup>	0.03%	0.09%	0.14%	0.16%	0.15%

### Supplemental Data:

Net assets, end of period (000 omitted)	\$632,957	\$621,804	\$563,745	\$631,701	\$652,011
Portfolio turnover	96%	71%	90%	97%	54%

<sup>1</sup> Per share numbers have been calculated using the average shares method.

<sup>2</sup> Based on net asset value. Total returns do not reflect any additional fees or expenses that may be imposed by separate accounts of insurance companies or in connection with any variable annuity or variable life insurance contract.

<sup>3</sup> The net expense ratio is calculated without reduction for expense offset arrangements. The net expense ratios are 0.79% and 0.75% for the years ended December 31, 2016 and 2015, respectively, after taking into account these expense reductions.

<sup>4</sup> This expense decrease is reflected in both the net expense and the net investment income ratios shown above.

See Notes which are an integral part of the Financial Statements

## Financial Highlights – Service Shares

(For a Share Outstanding Throughout the Period)

<b>Period Ended December 31</b>	<b>2018<sup>1</sup></b>
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.08</b>
<b>Income From Investment Operations:</b>	
Net investment income (loss) <sup>2</sup>	0.13
Net realized and unrealized gain (loss)	(0.62)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(0.49)</b>
<b>Net Asset Value, End of Period</b>	<b>\$9.59</b>
<b>Total Return<sup>3</sup></b>	<b>(4.86)%</b>

### Ratios to Average Net Assets:

Net expenses	1.15% <sup>4</sup>
Net investment income	1.91% <sup>4</sup>
Expense waiver/reimbursement	0.02% <sup>4</sup>

### Supplemental Data:

Net assets, end of period (000 omitted)	\$44,037
Portfolio turnover	96% <sup>5</sup>

<sup>1</sup> Reflects operations for the period from April 26, 2018 (date of initial investment) to December 31, 2018.

<sup>2</sup> Per share numbers have been calculated using the average shares method.

<sup>3</sup> Based on net asset value. Total returns do not reflect any additional fees or expenses that may be imposed by separate accounts of insurance companies or in connection with any variable annuity or variable life insurance contract. Total returns for periods of less than one year are not annualized.

<sup>4</sup> Computed on an annualized basis.

<sup>5</sup> Portfolio turnover is calculated at the Fund level. Percentage indicated was calculated for the year ended December 31, 2018.

See Notes which are an integral part of the Financial Statements

# Statement of Assets and Liabilities

December 31, 2018

## Assets:

Investment in securities, at value including \$176,741,962 of investment in affiliated holdings (identified cost \$690,675,568)	\$674,709,830
Cash denominated in foreign currencies (identified cost \$38,939)	37,383
Restricted cash (Note 2)	772,320
Income receivable	2,434,174
Income receivable from affiliated holdings	547,130
Receivable for investments sold	32,375
Receivable for shares sold	220,988
Receivable for daily variation margin on futures contracts	65,190
<b>TOTAL ASSETS</b>	<b>678,819,390</b>

## Liabilities:

Payable for investments purchased	\$796,608
Payable for shares redeemed	807,746
Written options outstanding (premium \$237,872), at value	51,875
Bank overdraft	45,896
Payable for investment adviser fee (Note 5)	13,502
Payable for administrative fees (Note 5)	1,820
Payable for portfolio accounting fees	39,742
Payable for distribution services fee (Note 5)	9,602
Accrued expenses (Note 5)	57,979
<b>TOTAL LIABILITIES</b>	<b>1,824,770</b>
Net assets for 70,552,009 shares outstanding	\$676,994,620

## Net Assets Consist of:

Paid-in capital	\$738,324,054
Total distributable earnings (loss)	(61,329,434)
<b>TOTAL NET ASSETS</b>	<b>\$676,994,620</b>

## Net Asset Value, Offering Price and Redemption Proceeds Per Share

### Primary Shares:

Net asset value per share ( $\$632,957,393 \div 65,959,981$ shares outstanding), no par value, unlimited shares authorized	\$9.60
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### Service Shares:

Net asset value per share ( $\$44,037,227 \div 4,592,028$ shares outstanding), no par value, unlimited shares authorized	\$9.59
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See Notes which are an integral part of the Financial Statements

# Statement of Operations

Year Ended December 31, 2018

## Investment Income:

Dividends (including \$5,829,556 received from affiliated holdings* and net of foreign taxes withheld of \$1,771)	\$ 12,225,765
Interest	8,314,487
<b>TOTAL INCOME</b>	<b>20,540,252</b>

## Expenses:

Investment adviser fee (Note 5)	\$4,892,927
Administrative fee (Note 5)	653,638
Custodian fees	52,998
Transfer agent fee	54,869
Directors'/Trustees' fees (Note 5)	5,645
Auditing fees	34,570
Legal fees	13,601
Portfolio accounting fees	154,063
Distribution services fee (Note 5)	44,327
Printing and postage	113,529
Miscellaneous (Note 5)	30,316
<b>TOTAL EXPENSES</b>	<b>6,050,483</b>
Waiver/reimbursement of investment adviser fee (Note 5)	(196,006)
<b>Net expenses</b>	<b>5,854,477</b>
<b>Net investment income</b>	<b>14,685,775</b>

## Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Written Options, Swap Contracts and Foreign

### Currency Transactions:

Net realized loss on investments (including net realized gain of \$186,258 on sales of investments in affiliated holdings*)	(1,514,849)
Net realized gain on foreign currency transactions	1,864
Net realized loss on futures contracts	(20,089,579)
Net realized loss on written options	(1,088,010)
Net realized loss on swap contracts	(124,905)
Net change in unrealized appreciation of investments (including net change in unrealized appreciation of \$(5,446,024) on investments in affiliated fund holdings*)	(52,070,273)
Net change in unrealized appreciation/depreciation of translation of assets and liabilities in foreign currency	(3,175)
Net change in unrealized appreciation of futures contracts	(4,600,537)
Net change in unrealized appreciation of written options	(282,817)
Net change in unrealized depreciation of swap contracts	140,921
<b>Net realized and unrealized gain (loss) on investments, futures contracts, written options, swap contracts and foreign currency transactions</b>	<b>(79,631,360)</b>
<b>Change in net assets resulting from operations</b>	<b>\$(64,945,585)</b>

\* 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

Year Ended December 31	2018	2017
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	\$ 14,685,775	\$ 17,089,659
Net realized gain (loss)	(22,815,479)	66,499,270
Net change in unrealized appreciation/depreciation	(56,815,881)	14,324,983
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	(64,945,585)	97,913,912
<b>Distributions to Shareholders (Note 2):</b>		
Primary Shares	(17,245,330)	(22,796,040)
<b>Share Transactions:</b>		
Proceeds from sale of shares	60,468,298	61,126,884
Proceeds from shares issued in connection with the tax-free transfer of assets from Federated Managed Tail Risk Fund II	181,846,189	—
Net asset value of shares issued to shareholders in payment of distributions declared	17,245,330	22,796,040
Cost of shares redeemed	(122,178,476)	(100,981,610)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	137,381,341	(17,058,686)
Change in net assets	55,190,426	58,059,186
<b>Net Assets:</b>		
Beginning of period	621,804,194	563,745,008
End of period	\$ 676,994,620	\$ 621,804,194

See Notes which are an integral part of the Financial Statements

# Notes to Financial Statements

December 31, 2018

## 1. ORGANIZATION

Federated Insurance Series (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein are only those of Federated Managed Volatility Fund II (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: Primary Shares and Service Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. Fund shares are available exclusively as a funding vehicle for life insurance companies writing variable life insurance policies and variable annuity contracts. The investment objective of the Fund is to achieve high current income and moderate capital appreciation. The Co-Advisers each are registered as a “commodity pool operator” with respect to operation of the Fund.

Effective April 26, 2018, the Fund’s original shares were redesignated as Primary Shares and the Fund’s Service Shares commenced operations.

On August 17, 2018, the Fund acquired all of the net assets of Federated Managed Tail Risk Fund II, an open-end investment company in a tax-free reorganization in exchange for shares of the Fund, pursuant to a plan of reorganization approved by the Federated Managed Tail Risk Fund II shareholders on August 3, 2018. The purpose of the transaction was to combine two portfolios with comparable investment objectives and strategies. For financial reporting purposes, assets received and shares issued by the Fund were recorded at fair value; however, the cost basis of the investments received from the Federated Managed Tail Risk Fund II was carried forward to align ongoing reporting of the Fund’s realized gains and losses with amounts distributable to shareholders for tax purposes.

For every one share of Federated Managed Tail Risk Fund II Primary Shares exchanged, a shareholder received 0.4796 shares of the Fund’s Primary Shares.

For every one share of Federated Managed Tail Risk Fund II Service Shares exchanged, a shareholder received 0.4799 shares of the Fund’s Service Shares.

The Fund received net assets from Federated Managed Tail Risk Fund II as the result of the tax-free reorganization as follows:

Shares of the Fund Issued	Federated Managed Tail Risk Fund II Net Assets Received	Unrealized Appreciation <sup>1</sup>	Net Assets of the Fund Immediately Prior to Combination	Net Assets of the Fund Immediately After Combination
17,252,819	\$181,846,189	\$1,990,708	\$599,415,157	\$781,261,346

<sup>1</sup> Unrealized Appreciation is included in the Net Assets Received amount shown above.

Assuming the acquisition had been completed on January 1, 2018, the beginning of the annual reporting period of the Fund, the Fund’s pro forma results of operations for the year ended December 31, 2018, were as follows:

Net investment income*	\$ 16,332,897
Net realized and unrealized loss on investments	\$(82,276,859)
Net decrease in net assets resulting from operations	\$(65,943,962)

\* Net investment income includes \$133,000 of pro forma additional expenses.

Because the combined investment portfolios have been managed as a single integrated portfolio since the acquisition was completed, it is not practicable to separate the amounts of revenue and earnings of the Federated Managed Tail Risk Fund II that have been included in the Fund’s Statement of Operations as of December 31, 2018.

## 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 GAAP.

### Investment Valuation

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 Fund’s Board of Trustees (the “Trustees”).
- Shares of other mutual funds or non-exchange-traded investment companies are valued based upon their reported NAVs.
- 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 Trustees.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Trustees, 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 and Significant Events Procedures**

The Trustees have ultimate responsibility for determining the fair value of investments for which market quotations are not readily available. The Trustees have appointed a Valuation Committee comprised of officers of the Fund, the Co-Advisers and certain of the Co-Advisers' affiliated companies to assist in determining fair value and in overseeing the calculation of the NAV. The Trustees 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 Co-Advisers 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 Trustees. The Trustees 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 Trustees.

The Trustees also have adopted procedures requiring an investment to be priced at its fair value whenever the Co-Advisers determine 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;
- Announcements concerning matters such as acquisitions, recapitalizations, litigation developments, or a natural disaster affecting the issuer's operations or regulatory changes or market developments affecting the issuer's industry.

The Trustees have 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 Co-Advisers determine 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 Fund will determine the fair value of the investment in accordance with the fair valuation procedures approved by the Trustees. The Trustees have ultimate responsibility for any fair valuations made in response to a significant event.

### **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 Co-Advisers and their 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.



Repurchase agreements are subject to Master Netting Agreements (MNA) which are agreements between the Fund and its counterparties that provide for the net settlement of all transactions and collateral with the Fund, through a single payment, in the event of default or termination. Amounts presented on the Portfolio of Investments and Statement of Assets and Liabilities are not net settlement amounts but gross. As indicated above, the cash or securities to be repurchased, as shown on the Portfolio of Investments, exceeds the repurchase price to be paid under the agreement reducing the net settlement amount to zero.

### **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. Foreign dividends are recorded on the ex-dividend date or when the Fund is informed of the ex-dividend date. Positive or negative inflation adjustments on Treasury Inflation-Protected Securities (TIPS) are included in interest income. Distributions of net investment income, if any, are declared and paid annually. Non-cash dividends included in dividend income, if any, are recorded at fair value. 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 waiver and reimbursement of \$196,006 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 December 31, 2017, were from net investment income. Undistributed net investment income at December 31, 2017, was \$17,449,297.

### **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 year ended December 31, 2018, 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 December 31, 2018, tax years 2015 through 2018 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the Commonwealth of Massachusetts.

The Fund may be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The Fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or gains are earned.

### **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.

### **Swap Contracts**

Swap contracts involve two parties that agree to exchange the returns (or the differential in rates of return) earned or realized on particular predetermined investments, instruments, indices or other measures. The gross returns to be exchanged or "swapped" between parties are generally calculated with respect to a "notional amount" for a predetermined period of time. The Fund may enter into interest rate, total return, credit default, currency and other swap agreements. Risks may arise upon entering into swap agreements from the potential inability of the counterparties to meet the terms of their contract from unanticipated changes in the value of the swap agreement.

The Fund uses credit default swaps to seek to increase income and to manage country, currency, duration, individual security, market, sector/asset class and yield curve risks. The "buyer" in a credit default swap is obligated to pay the "seller" a periodic stream of payments over the term of the contract provided that no event of default on an underlying reference obligation has occurred. If an event of default occurs, the seller must pay the buyer the full notional value, or the "par value", of the reference obligation in exchange for the reference obligation. In connection with these agreements, securities may be identified as collateral in accordance with the terms of the respective swap agreements to provide assets of value and recourse in the event of default or bankruptcy/insolvency. Recovery values are assumed by market makers considering either industry standard recovery rates or entity specific factors and considerations until a credit event occurs. If a credit event has occurred, the recovery value is typically determined by a facilitated auction whereby a minimum number of allowable broker bids, together with a specific valuation method, are used to calculate the settlement value. The maximum amount of the payment that may occur, as a result of a credit event payable by the protection seller, is equal to the notional amount of the underlying index or security. The Fund's maximum risk of loss from counterparty credit risk, either as the protection buyer or as the protection seller, is the fair value of the contract. This risk is mitigated by having a master netting arrangement between the Fund and the counterparty and by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

Upfront payments received or paid by the Fund will be reflected as an asset or liability on the Statement of Assets and Liabilities. Changes in the value of swap contracts are included in Swaps, at value on the Statement of Assets and Liabilities, and periodic payments are reported as "Net realized gain (loss) on swap contracts" in the Statement of Operations.

Certain swap contracts are subject to MNA. Amounts presented on the Portfolio of Investments and Statement of Assets and Liabilities are not net settlement amounts but gross. The cash or securities deposited in a segregated account, offsets the amount due to the broker reducing the net settlement amount to zero.

Certain swap contracts may be centrally cleared ("centrally cleared swaps"), whereby all payments made or received by the Fund pursuant to the contract are with a central clearing party (CCP) rather than the counterparty. The CCP guarantees the performance of the parties to the contract. Upon entering into centrally cleared swaps, the Fund is required to deposit with the CCP, either in cash or securities, an amount of initial margin determined by the CCP, which is subject to adjustment. For centrally cleared swaps, the daily change in valuation is recorded as a receivable or payable for variation margin and settled in cash with the CCP daily. In the case of centrally cleared swaps, counterparty risk is minimal due to protections provided by the CCP.

At December 31, 2018, the Fund had no outstanding swap contracts.

The average notional amount of swap contracts held by the Fund throughout the period was \$825,385. This is based on amounts held as of each month-end throughout the fiscal period.

## **Futures Contracts**

The Fund purchases and sells financial futures contracts to manage duration and yield curve risks. 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 long and short futures contracts held by the Fund throughout the period was \$265,105,409 and \$26,320,765, respectively. This is based on amounts held as of each month-end throughout the fiscal period.

## **Foreign Exchange Contracts**

The Fund enters into foreign exchange contracts to manage currency risk. Purchased contracts are used to acquire exposure to foreign currencies, whereas, contracts to sell are used to hedge the Fund's securities against currency fluctuations. Risks may arise upon entering into these transactions from the potential inability of counterparties to meet the terms of their commitments and from unanticipated movements in security prices or foreign exchange rates. The foreign exchange contracts are adjusted by the daily exchange rate of the underlying currency and any gains or losses are recorded for financial statement purposes as unrealized until the settlement date.

At December 31, 2018, the Fund had no outstanding foreign exchange contracts.

## **Foreign Currency Translation**

The accounting records of the Fund are maintained in U.S. dollars. All assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the rates of exchange of such currencies against U.S. dollars on the date of valuation. Purchases and sales of securities, income and expenses are translated at the rate of exchange quoted on the respective date that such transactions are recorded. The Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books, and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities at fiscal period end, resulting from changes in the exchange rate.

## **Option Contracts**

The Fund buys or sells put and call options to manage market risks. 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.

Purchased option contracts outstanding at period-end are listed in the Fund's Portfolio of Investments and written option contracts outstanding at period end are listed after the Fund's Portfolio of Investments.

The average market value of purchased call and put options held by the Fund throughout the period was \$646,015 and \$418,927, respectively. This is based on amounts held as of each month-end throughout the fiscal period.

The average market value of written call and put options held by the Fund throughout the period was \$81,721 and \$132,087, respectively. This is based on amounts held as of each month-end throughout the fiscal period.

## 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 Trustees. 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 Trustees.

## 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	\$(304,226)*		\$—
Equity contracts	Receivable for daily variation margin on futures contracts	\$(834,065)*		\$—
Equity contracts		\$—	Written option contracts outstanding, at value	\$ 51,875
Equity contracts	Purchased options, Investment in securities at value	\$266,475		\$—
Total derivatives not accounted for as hedging instruments under ASC Topic 815		\$(871,816)		\$51,875

\* Includes net 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 Year Ended December 31, 2018

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

	Credit Default Swaps	Futures Contracts	Purchased Option Contracts <sup>1</sup>	Written Option Contracts	Total
Interest rate contracts	\$ —	\$ 667,493	\$ —	\$ —	\$ 667,493
Credit contracts	\$(124,905)	\$ —	\$ —	\$ —	\$ (124,905)
Equity contracts	\$ —	\$(20,757,072)	\$(4,756,608)	\$(1,088,010)	\$(26,601,690)
TOTAL	\$(124,905)	\$(20,089,579)	\$(4,756,608)	\$(1,088,010)	\$(26,059,102)

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

	Credit Default Swaps	Futures Contracts	Purchased Option Contracts <sup>2</sup>	Written Option Contracts	Total
Interest rate contracts	\$ —	\$ (251,260)	\$ —	\$ —	\$ (251,260)
Credit contracts	\$140,921	\$ —	\$ —	\$ —	\$ 140,921
Equity contracts	\$ —	\$(4,349,277)	\$735,950	\$(282,817)	\$(3,896,144)
TOTAL	\$140,921	\$(4,600,537)	\$735,950	\$(282,817)	\$(4,006,483)

1 The net realized loss on Purchased Option Contracts is found within the Net realized loss on investments on the Statement of Operations.

2 The net change in unrealized depreciation of Purchased Option Contracts is found within the Net change in unrealized appreciation of investments on the Statement of Operations.

## 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. SHARES OF BENEFICIAL INTEREST

The following tables summarize share activity:

Year Ended December	2018		2017	
Primary Shares:	Shares	Amount	Shares	Amount
Shares sold	5,736,527	\$ 59,498,677	6,093,908	\$ 61,126,884
Proceeds from shares issued in connection with the tax-free transfer of assets from Federated Managed Tail Risk Fund II	12,384,634	130,535,314	—	—
Shares issued to shareholders in payment of distributions declared	1,677,561	17,245,330	2,357,398	22,796,040
Shares redeemed	(11,423,916)	(118,377,677)	(10,085,603)	(100,981,610)
NET CHANGE RESULTING FROM PRIMARY SHARE TRANSACTIONS	8,374,806	\$ 88,901,644	(1,634,297)	\$ (17,058,686)

Period Ended December	2018 <sup>1</sup>		12/31/2017	
Service Shares:	Shares	Amount	Shares	Amount
Shares sold	95,335	\$ 969,621	—	\$ —
Proceeds from shares issued in connection with the tax-free transfer of assets from Federated Managed Tail Risk Fund II	4,868,185	51,310,875	—	—
Shares redeemed	(371,492)	(3,800,799)	—	—
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	4,592,028	\$ 48,479,697	—	\$ —
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	12,966,834	\$137,381,341	(1,634,297)	\$ (17,058,686)

1 Reflects operations for the period from April 26, 2018 (date of initial investment) to December 31, 2018.

### 4. FEDERAL TAX INFORMATION

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. These differences are primarily due to differing treatments for defaulted securities, discount accretion/premium amortization on debt securities, partnership adjustments, return of capital adjustments to dividends received, foreign currency transactions, equalization reclasses, merger adjustments, expiration of capital loss carryforwards and credit default swap contracts.

For the year ended December 31, 2018, permanent differences identified and reclassified among the components of net assets were as follows:

	Increase (Decrease)
Paid-In Capital	Total Distributable Earnings (Loss)
\$25,410,285	\$(25,410,285)

Net assets were not affected by this reclassification.

The tax character of distributions as reported on the Statement of Changes in Net Assets for the years ended December 31, 2018 and 2017, was as follows:

	2018	2017
Ordinary income	\$17,245,330	\$22,796,040

As of December 31, 2018, the components of distributable earnings on a tax-basis were as follows:

Undistributed ordinary income	\$ 14,749,933
Unrealized depreciation	\$(17,248,958)
Capital loss carry forwards and deferrals	\$(58,830,409)

The difference between book-basis and tax-basis net unrealized appreciation/depreciation is attributable to differing treatments for discount accretion/premium amortization on debt securities, return of capital adjustments, deferral of losses on wash sales, straddle loss deferrals and mark-to-market of futures contracts.

At December 31, 2018, the cost of investments for federal tax purposes was \$692,143,229. The net unrealized depreciation of investments for federal tax purposes was \$17,347,979. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$20,440,352 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$37,788,331. The amounts presented are inclusive of derivative contracts.

At December 31, 2018, the Fund had a capital loss carryforward of \$58,729,832 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 and does not expire. All of the Fund's capital loss carryforwards were incurred in taxable years after December 22, 2010.

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

Short-Term	Long-Term	Total
\$38,344,065	\$20,385,767	\$58,729,832

At December 31, 2018, for federal income tax purposes, the Fund had \$100,577 in straddle loss deferrals.

As a result of the August 2018 tax-free transfer of assets from Federated Managed Tail Risk II, certain capital loss carryforwards listed above may be limited.

## 5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

### Investment Adviser Fee

The co-advisory agreement between the Fund and the Co-Advisers provides for an annual fee equal to 0.75% of the Fund's average daily net assets. Subject to the terms described in the Expense Limitation note, the Co-Advisers may voluntarily choose to waive any portion of their fee. The Co-Advisers have agreed to reimburse the Fund for certain investment adviser fees as a result of transactions in other affiliated investment companies. For the year ended December 31, 2018, the Co-Advisers waived \$5,902 of their fees and reimbursed \$190,104.

### 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

In addition to the fees described above, the Fund agrees to pay FAS an annual Administrative Service Charge of \$125,000 for administrative and compliance services related to commodities Futures Trading Commission Rule 4.5. Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the year ended December 31, 2018, the annualized fee paid to FAS was 0.100% of average daily net assets of the Fund.

Prior to September 1, 2017, the fee paid to FAS was based on the average daily net assets of the Investment Complex as specified below, plus certain out-of-pocket expenses:

Administrative Fee	Average Daily Net Assets of the Investment Complex
0.150%	on the first \$5 billion
0.125%	on the next \$5 billion
0.100%	on the next \$10 billion
0.075%	on assets in excess of \$20 billion

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 the following percentages of average daily net assets annually, to compensate FSC:

	Percentage of Average Daily Net Assets of Class
Service Shares	0.25%

Subject to the terms described in the Expense Limitation note, FSC may voluntarily choose to waive any portion of its fee. For the year ended December 31, 2018, distribution services fees for the Fund were as follows:

	Distribution Services Fees Incurred
Service Shares	\$44,327

When FSC receives fees, it may pay some or all of them to financial intermediaries whose customers purchase shares. For the year ended December 31, 2018, FSC did not retain any fees paid by the Fund.

## Expense Limitation

The Co-Advisers and certain of their affiliates (which may include FAS) on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Effective May 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 Primary Shares and Service Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.93% and 1.18% (the "Fee Limit") up to but not including the later of (the "Termination Date"): (a) June 1, 2019; or (b) the date of the Fund's next effective Prospectus. While the Co-Advisers and their 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 Trustees.

## Interfund Transactions

During the year ended December 31, 2018, the Fund engaged in purchase and sale transactions with funds that have a common investment adviser (or affiliated investment advisers), common Directors/Trustees and/or common Officers. These purchase and sale transactions complied with Rule 17a-7 under the Act and amounted to \$414,056 and \$12,728,005, respectively.

## Directors'/Trustees' and Miscellaneous Fees

Certain Officers and Trustees 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 Co-Advisers 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 year ended December 31, 2018, were as follows:

Purchases	\$577,360,710
Sales	\$429,045,817

## 7. CONCENTRATION OF RISK

The Fund invests in securities of non-U.S. issuers. Political or economic developments may have an effect on the liquidity and volatility of portfolio securities and currency holdings.

## 8. 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 December 31, 2018, the Fund had no outstanding loans. During the year ended December 31, 2018, the Fund did not utilize the LOC.

## 9. 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 December 31, 2018, there were no outstanding loans. During the year ended December 31, 2018, the program was not utilized.

## 10. FEDERAL TAX INFORMATION (UNAUDITED)

Of the ordinary income distributions made by the Fund during the year ended December 31, 2018, 29.58% qualify for the dividend received deduction available to corporate shareholders.

# Report of Independent Registered Public Accounting Firm

## **TO THE BOARD OF TRUSTEES OF THE FEDERATED INSURANCE SERIES AND SHAREHOLDERS OF FEDERATED MANAGED VOLATILITY FUND II:**

### **Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of the Federated Managed Volatility Fund II (the “Fund”), a portfolio of Federated Insurance Series, as of December 31, 2018, the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the related notes (collectively, the “financial statements”) and the financial highlights for each of the years or periods in the five-year period then ended. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of December 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years or periods in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Such procedures also included confirmation of securities owned as of December 31, 2018, by correspondence with the custodian and brokers, or by other appropriate auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

**KPMG LLP**

We have served as the auditor of one or more of Federated Investors’ investment companies since 2006.

Boston, Massachusetts  
February 15, 2019



## 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 funds used as variable investment options. It is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from July 1, 2018 to December 31, 2018.

### 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 7/1/2018	Ending Account Value 12/31/2018	Expenses Paid During Period <sup>1</sup>
<b>Actual:</b>			
Primary Shares	\$1,000	\$ 952.40	\$4.43
Service Shares	\$1,000	\$ 951.40	\$5.66
<b>Hypothetical (assuming a 5% return before expenses):</b>			
Primary Shares	\$1,000	\$1,020.70	\$4.58
Service Shares	\$1,000	\$1,019.40	\$5.85

<sup>1</sup> Expenses are equal to the Fund’s annualized net expense ratios, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half-year period). The annualized net expense ratios are as follows:

Primary Shares	0.90%
Service Shares	1.15%



## In Memoriam

With profound sadness, Federated announces the passing of Richard B. (“Dick”) Fisher. He will be greatly missed.

### RICHARD B. FISHER

(Former Officer of the Federated Funds, Chairman of Federated Securities Corp., and Vice Chairman of Federated Investors, Inc.)

Dick Fisher, along with John F. (“Jack”) Donahue and Thomas J. Donnelly, Esq., co-founded Federated in 1955 and served as a leader, particularly for Federated’s sales division, and an officer of the Federated Funds. Mr. Fisher was a family man of deep faith, with exemplary character, prodigious generosity, immeasurable devotion, undeniable charm and a good sense of humor. He served his religion, family, community, and the Federated Funds and Federated, as well as their shareholders, officers and employees, with distinction. His integrity, intelligence, and keen sense of duty to shareholders, coupled with his faith and devotion to family, allowed him to become the consummate gentleman and salesman par excellence who will be greatly missed. Among his many achievements, Mr. Fisher led the sales strategy and execution for Federated’s Fund for U.S. Government Securities, the first fund to invest exclusively in government bonds, and spearheaded the campaign for sales of Federated’s Government Income Securities Fund, the first of what would become Federated’s Fortress family of funds. Federated expresses deep gratitude to Mr. Fisher for his inspiring leadership, distinguished service and contributions as a husband, father, co-founder, officer, colleague and friend.

## Board of Trustees and Trust Officers

The Board of Trustees is responsible for managing the Trust’s business affairs and for exercising all the Trust’s powers except those reserved for the shareholders. The following tables give information about each Trustee and the senior officers of the Fund. Where required, the tables separately list Trustees who are “interested persons” of the Fund (i.e., “Interested” Trustees) and those who are not (i.e., “Independent” Trustees). Unless otherwise noted, the address of each person listed is Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222. The address of all Independent Trustees listed is 4000 Ericsson Drive, Warrendale, PA 15086-7561; Attention: Mutual Fund Board. As of December 31, 2018, the Trust comprised six portfolio(s), and the Federated Fund Family consisted of 40 investment companies (comprising 102 portfolios). Unless otherwise noted, each Officer is elected annually. Unless otherwise noted, each Trustee oversees all portfolios in the Federated Fund Family and serves for an indefinite term. The Fund’s Statement of Additional Information includes additional information about Trust Trustees and is available, without charge and upon request, by calling 1-800-341-7400.

### INTERESTED TRUSTEES BACKGROUND

Name	
Birth Date	
Positions Held with Trust	Principal Occupation(s) for Past Five Years, Other Directorships Held and Previous Position(s)
Date Service Began	
<b>J. Christopher Donahue*</b> Birth Date: April 11, 1949 TRUSTEE Indefinite Term Began serving: September 1993	<b>Principal Occupations:</b> Principal Executive Officer and President of certain of the Funds in the Federated Fund Family; Director or Trustee of the Funds in the Federated Fund Family; President, Chief Executive Officer and Director, Federated Investors, Inc.; Chairman and Trustee, Federated Investment Management Company; Trustee, Federated Investment Counseling; Chairman and Director, Federated Global Investment Management Corp.; Chairman and Trustee, Federated Equity Management Company of Pennsylvania; Trustee, Federated Shareholder Services Company; Director, Federated Services Company.  <b>Previous Positions:</b> President, Federated Investment Counseling; President and Chief Executive Officer, Federated Investment Management Company, Federated Global Investment Management Corp. and Passport Research, Ltd; Chairman, Passport Research, Ltd.
<b>Thomas R. Donahue*</b> Birth Date: October 20, 1958 TRUSTEE Indefinite Term Began serving: May 2016	<b>Principal Occupations:</b> Director or Trustee of certain of the funds in the Federated Fund Family; Chief Financial Officer, Treasurer, Vice President and Assistant Secretary, Federated Investors, Inc.; Chairman and Trustee, Federated Administrative Services; Chairman and Director, Federated Administrative Services, Inc.; Trustee and Treasurer, Federated Advisory Services Company; Director or Trustee and Treasurer, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, and Federated Investment Management Company; Director, MDTA LLC; Director, Executive Vice President and Assistant Secretary, Federated Securities Corp.; Director or Trustee and Chairman, Federated Services Company and Federated Shareholder Services Company; and Director and President, FII Holdings, Inc.  <b>Previous Positions:</b> Director, Federated Investors, Inc.; Assistant Secretary, Federated Investment Management Company, Federated Global Investment Management Company and Passport Research, LTD; Treasurer, Passport Research, LTD; Executive Vice President, Federated Securities Corp.; and Treasurer, FII Holdings, Inc.

\* Family relationships and reasons for “interested” status: J. Christopher Donahue and Thomas R. Donahue are brothers. Both are “interested” due to their beneficial ownership of shares of Federated Investors, Inc. and the positions they hold with Federated and its subsidiaries.

## INDEPENDENT TRUSTEES BACKGROUND

<b>Name</b> <b>Birth Date</b> <b>Positions Held with Trust</b> <b>Date Service Began</b>	<b>Principal Occupation(s) for Past Five Years,</b> <b>Other Directorships Held, Previous Position(s) and Qualifications</b>
<b>John T. Collins</b> Birth Date: January 24, 1947 TRUSTEE Indefinite Term Began serving: October 2013	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; formerly, Chairman and CEO, The Collins Group, Inc. (a private equity firm) (Retired).</p> <p><b>Other Directorships Held:</b> Director, Chairman of the Compensation Committee, KLX Energy Services Holdings, Inc. (oilfield services); former Director of KLX Corp. (aerospace).</p> <p><b>Qualifications:</b> Mr. Collins has served in several business and financial management roles and directorship positions throughout his career. Mr. Collins previously served as Chairman and CEO of The Collins Group, Inc. (a private equity firm) and as a Director of KLX Corp. Mr. Collins serves as Chairman Emeriti, Bentley University. Mr. Collins previously served as Director and Audit Committee Member, Bank of America Corp.; Director, FleetBoston Financial Corp.; and Director, Beth Israel Deaconess Medical Center (Harvard University Affiliate Hospital).</p>
<b>G. Thomas Hough</b> Birth Date: February 28, 1955 TRUSTEE Indefinite Term Began serving: August 2015	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; formerly, Vice Chair, Ernst &amp; Young LLP (public accounting firm) (Retired).</p> <p><b>Other Directorships Held:</b> Director, Member of Governance and Compensation Committees, Publix Super Markets, Inc.; Director, Chair of the Audit Committee, Equifax, Inc.; Director, Member of the Audit Committee, Haverly Furniture Companies, Inc.</p> <p><b>Qualifications:</b> Mr. Hough has served in accounting, business management and directorship positions throughout his career. Mr. Hough most recently held the position of Americas Vice Chair of Assurance with Ernst &amp; Young LLP (public accounting firm). Mr. Hough serves on the President's Cabinet and Business School Board of Visitors for the University of Alabama and is on the Business School Board of Visitors for Wake Forest University. Mr. Hough previously served as an Executive Committee member of the United States Golf Association.</p>
<b>Maureen Lally-Green</b> Birth Date: July 5, 1949 TRUSTEE Indefinite Term Began serving: August 2009	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; Dean of the Duquesne University School of Law; Professor and Adjunct Professor of Law, Duquesne University School of Law; formerly, Interim Dean of the Duquesne University School of Law; formerly, Associate General Secretary and Director, Office of Church Relations, Diocese of Pittsburgh.</p> <p><b>Other Directorships Held:</b> Director, CNX Resources Corporation (formerly known as CONSOL Energy Inc.).</p> <p><b>Qualifications:</b> Judge Lally-Green has served in various legal and business roles and directorship positions throughout her career and currently serves as the Dean of the School of Law of Duquesne University. Judge Lally-Green previously served as a member of the Superior Court of Pennsylvania and as a Professor of Law, Duquesne University School of Law. Judge Lally-Green also currently holds the positions on not for profit or for profit boards of directors as follows: Director and Chair, UPMC Mercy Hospital; Director and Vice Chair, Our Campaign for the Church Alive!, Inc.; Regent, Saint Vincent Seminary; Member, Pennsylvania State Board of Education (public); and Director CNX Resources Corporation (formerly known as CONSOL Energy Inc.). Judge Lally-Green has held the positions of: Director, Auberle; Director, Epilepsy Foundation of Western and Central Pennsylvania; Director, Ireland Institute of Pittsburgh; Director, Saint Thomas More Society; Director and Chair, Catholic High Schools of the Diocese of Pittsburgh, Inc.; Director, Pennsylvania Bar Institute; Director, St. Vincent College; and Director and Chair, North Catholic High School, Inc.</p>
<b>Charles F. Mansfield, Jr.</b> Birth Date: April 10, 1945 TRUSTEE Indefinite Term Began serving: September 1999	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; Management Consultant and Author.</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Mansfield has served as a Marine Corps officer and in several banking, business management, educational roles and directorship positions throughout his long career. He remains active as a Management Consultant and Author.</p>
<b>Thomas M. O'Neill</b> Birth Date: June 14, 1951 TRUSTEE Indefinite Term Began serving: August 2006	<p><b>Principal Occupations:</b> Director or Trustee, Chair of the Audit Committee of the Federated Fund Family; Sole Proprietor, Navigator Management Company (investment and strategic consulting).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. O'Neill has served in several business, mutual fund and financial management roles and directorship positions throughout his career. Mr. O'Neill serves as Director, Medicines for Humanity and Director, The Golisano Children's Museum of Naples, Florida. Mr. O'Neill previously served as Chief Executive Officer and President, Managing Director and Chief Investment Officer, Fleet Investment Advisors; President and Chief Executive Officer, Aeltus Investment Management, Inc.; General Partner, Hellman, Jordan Management Co., Boston, MA; Chief Investment Officer, The Putnam Companies, Boston, MA; Credit Analyst and Lending Officer, Fleet Bank; Director and Consultant, EZE Castle Software (investment order management software); and Director, Midway Pacific (lumber).</p>

Name Birth Date Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
<b>P. Jerome Richey</b> Birth Date: February 23, 1949 TRUSTEE Indefinite Term Began serving: October 2013	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; Management Consultant; Retired; formerly, Senior Vice Chancellor and Chief Legal Officer, University of Pittsburgh and Executive Vice President and Chief Legal Officer, CNX Resources Corporation (formerly known as CONSOL Energy Inc.).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Richey has served in several business and legal management roles and directorship positions throughout his career. Mr. Richey most recently held the positions of Senior Vice Chancellor and Chief Legal Officer, University of Pittsburgh. Mr. Richey previously served as Chairman of the Board, Epilepsy Foundation of Western Pennsylvania and Chairman of the Board, World Affairs Council of Pittsburgh. Mr. Richey previously served as Chief Legal Officer and Executive Vice President, CNX Resources Corporation (formerly known as CONSOL Energy Inc.); and Board Member, Ethics Counsel and Shareholder, Buchanan Ingersoll &amp; Rooney PC (a law firm).</p>
<b>John S. Walsh</b> Birth Date: November 28, 1957 TRUSTEE Indefinite Term Began serving: January 1999	<p><b>Principal Occupations:</b> Director or Trustee, and Chair of the Board of Directors or Trustees, of the Federated Fund Family; President and Director, Heat Wagon, Inc. (manufacturer of construction temporary heaters); President and Director, Manufacturers Products, Inc. (distributor of portable construction heaters); President, Portable Heater Parts, a division of Manufacturers Products, Inc.</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Walsh has served in several business management roles and directorship positions throughout his career. Mr. Walsh previously served as Vice President, Walsh &amp; Kelly, Inc. (paving contractors).</p>

## OFFICERS

Name Birth Date Address Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years and Previous Position(s)
<b>Lori A. Hensler</b> Birth Date: January 6, 1967 TREASURER Officer since: April 2013	<p><b>Principal Occupations:</b> Principal Financial Officer and Treasurer of the Federated Fund Family; Senior Vice President, Federated Administrative Services; Financial and Operations Principal for Federated Securities Corp. and Edgewood Services, Inc.; and Assistant Treasurer, Federated Investors Trust Company. Ms. Hensler has received the Certified Public Accountant designation.</p> <p><b>Previous Positions:</b> Controller of Federated Investors, Inc.; Senior Vice President and Assistant Treasurer, Federated Investors Management Company; Treasurer, Federated Investors Trust Company; Assistant Treasurer, Federated Administrative Services, Federated Administrative Services, Inc., Federated Securities Corp., Edgewood Services, Inc., Federated Advisory Services Company, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, Federated Investment Management Company, Passport Research, Ltd., and Federated MDTA, LLC; Financial and Operations Principal for Federated Securities Corp., Edgewood Services, Inc. and Southpointe Distribution Services, Inc.</p>
<b>Peter J. Germain</b> Birth Date: September 3, 1959 CHIEF LEGAL OFFICER, SECRETARY AND EXECUTIVE VICE PRESIDENT Officer since: January 2005	<p><b>Principal Occupations:</b> Mr. Germain is Chief Legal Officer, Secretary and Executive Vice President of the Federated Fund Family. He is General Counsel, Chief Legal Officer, Secretary and Executive Vice President, Federated Investors, Inc.; Trustee and Senior Vice President, Federated Investors Management Company; Trustee and President, Federated Administrative Services; Director and President, Federated Administrative Services, Inc.; Director and Vice President, Federated Securities Corp.; Director and Secretary, Federated Private Asset Management, Inc.; Secretary, Federated Shareholder Services Company; and Secretary, Retirement Plan Service Company of America. Mr. Germain joined Federated in 1984 and is a member of the Pennsylvania Bar Association.</p> <p><b>Previous Positions:</b> Deputy General Counsel, Special Counsel, Managing Director of Mutual Fund Services, Federated Investors, Inc.; Senior Vice President, Federated Services Company; and Senior Corporate Counsel, Federated Investors, Inc.</p>
<b>John B. Fisher</b> Birth Date: May 16, 1956 PRESIDENT Officer since: November 2004	<p><b>Principal Occupations:</b> Principal Executive Officer and President of certain of the Funds in the Federated Fund Family; Director or Trustee of certain of the Funds in the Federated Fund Family; Vice President, Federated Investors, Inc.; President, Director/Trustee and CEO, Federated Advisory Services Company, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, Federated Investment Management Company; President and CEO of Passport Research, Ltd.; President of some of the Funds in the Federated Fund Complex and Director, Federated Investors Trust Company.</p> <p><b>Previous Positions:</b> President and Director of the Institutional Sales Division of Federated Securities Corp.; President and Director of Federated Investment Counseling; Director, Edgewood Securities Corp.; Director, Federated Services Company; Director, Federated Investors, Inc.; Chairman and Director, Southpointe Distribution Services, Inc. and President, Technology, Federated Services Company.</p>
<b>Stephen Van Meter</b> Birth Date: June 5, 1975 CHIEF COMPLIANCE OFFICER AND SENIOR VICE PRESIDENT Officer since: July 2015	<p><b>Principal Occupations:</b> Senior Vice President and Chief Compliance Officer of the Federated Fund Family; Vice President and Chief Compliance Officer of Federated Investors, Inc. and Chief Compliance Officer of certain of its subsidiaries. Mr. Van Meter joined Federated in October 2011. He holds FINRA licenses under Series 3, 7, 24 and 66.</p> <p><b>Previous Positions:</b> Mr. Van Meter previously held the position of Compliance Operating Officer, Federated Investors, Inc. Prior to joining Federated, Mr. Van Meter served at the United States Securities and Exchange Commission in the positions of Senior Counsel, Office of Chief Counsel, Division of Investment Management and Senior Counsel, Division of Enforcement.</p>

<b>Name</b> <b>Birth Date</b> <b>Address</b> <b>Positions Held with Trust</b> <b>Date Service Began</b>	<b>Principal Occupation(s) for Past Five Years</b> <b>and Previous Position(s)</b>
<b>Stephen F. Auth</b> Birth Date: September 13, 1956 101 Park Avenue 41 <sup>st</sup> Floor New York, NY 10178 CHIEF INVESTMENT OFFICER Officer since: November 2002	<b>Principal Occupations:</b> Stephen F. Auth is Chief Investment Officer of various Funds in the Federated Fund Family; Executive Vice President, Federated Investment Counseling, Federated Global Investment Management Corp. and Federated Equity Management Company of Pennsylvania.  <b>Previous Positions:</b> Executive Vice President, Federated Investment Management Company and Passport Research, Ltd. (investment advisory subsidiary of Federated); Senior Vice President, Global Portfolio Management Services Division; Senior Vice President, Federated Investment Management Company and Passport Research, Ltd.; Senior Managing Director and Portfolio Manager, Prudential Investments.
<b>Robert J. Ostrowski</b> Birth Date: April 26, 1963 CHIEF INVESTMENT OFFICER Officer since: May 2004	<b>Principal Occupations:</b> Robert J. Ostrowski joined Federated in 1987 as an Investment Analyst and became a Portfolio Manager in 1990. He was named Chief Investment Officer of Federated's taxable fixed-income products in 2004 and also serves as a Senior Portfolio Manager. Mr. Ostrowski became an Executive Vice President of the Fund's Adviser in 2009 and served as a Senior Vice President of the Fund's Adviser from 1997 to 2009. Mr. Ostrowski has received the Chartered Financial Analyst designation. He received his M.S. in Industrial Administration from Carnegie Mellon University.
<b>Deborah A. Cunningham</b> Birth Date: September 15, 1959 CHIEF INVESTMENT OFFICER Officer since: June 2012	<b>Principal Occupations:</b> Deborah A. Cunningham was named Chief Investment Officer of Federated's money market products in 2004. She joined Federated in 1981 and has been a Senior Portfolio Manager since 1997 and an Executive Vice President of the Fund's Adviser since 2009. Ms. Cunningham has received the Chartered Financial Analyst designation and holds an M.S.B.A. in Finance from Robert Morris College.

## Evaluation and Approval of Advisory Contract – May 2018

### **FEDERATED MANAGED VOLATILITY FUND II (THE “FUND”)**

At its meetings in May 2018, the Fund’s Board of Trustees (the “Board”), including a majority of those Trustees who are not “interested persons” of the Fund, as defined in the Investment Company Act of 1940 (the “Independent Trustees”), reviewed and unanimously approved the continuation of the Fund’s investment advisory contract, under which Federated Global Investment Management Corp., Federated Investment Management Company and Federated Equity Management Company of Pennsylvania will serve as co-advisers to the Fund (“Co-Advisers”) 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 the Co-Advisers or their 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 Trustees, 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, 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 Trustees.

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 Co-Advisers or their 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. Also, in weighing these factors, the Board considered the aggregate advisory fee paid by the Fund for the services of all Co-Advisers in addition to considering the allocation of that aggregate fee among the Co-Advisers and the rationale for that allocation.

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 Trustees 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 contacts 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 Trustees encompassing a wide variety of topics. At the May meetings, in addition to meeting in separate sessions of the Independent Trustees without management present, senior management of the Co-Advisers also met with the Independent Trustees and their counsel to discuss the materials presented and such additional matters as the Independent Trustees 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 Co-Advisers' 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 Co-Adviser and their affiliates. The Board also considered the preferences and expectations of Fund shareholders; the entrepreneurial and other risks assumed by the Co-Advisers 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, 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 investment advisory contract between the Fund and the Co-Advisers provides for payment of a single advisory fee by the Fund for all services provided by the Co-Advisers. The investment advisory contract permits the Co-Advisers to allocate the advisory fee in a manner commensurate with the services they provide to the Fund. Throughout the year, as well as in connection with its May meetings, the Board considered the fee allocation and analyzed whether the allocation of fees among the Co-Advisers continued to be a reasonable proxy for and measurement of the level of resources and services provided by each Co-Adviser toward the management of the Fund.

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 contractual advisory fee rate and other expenses 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 Co-Advisers and the resources of the Co-Advisers and their affiliates dedicated to the Fund. In particular, the Board considered the services provided by the Co-Advisers in the aggregate, to the extent that the Co-Advisers collaborate in the implementation of the Fund's strategy, as well as separately, to the extent to which specific services provided by a Co-Advisers are distinguishable and subject to meaningful assessment. In this regard, the Board evaluated, among other things, the Co-Advisers' 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 Co-Adviser's ability and experience in attracting and retaining qualified personnel to service the Fund. The Board noted the compliance program of the Co-Adviser and the compliance-related resources provided to the Fund by the Co-Advisers, including the Co-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 Co-Advisers are executing the Fund's investment program. The Co-Advisers' ability to execute this program was one of the Board's considerations in reaching a conclusion that the nature, extent, and quality of the Co-Advisers' 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 Co-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.

For the one-year, three-year and five-year periods covered by the CCO Fee Evaluation Report, the Fund's performance was above the median of the relevant Peer Group. The Board noted that, effective April 26, 2018, the Fund changed its principal strategies and benchmark. Although the Board considered information comparing the Fund's performance to that of the relevant Peer Group, the Board concluded that, in light of the recent changes to the Fund, additional time is required to evaluate the Adviser's performance in managing the Fund under its new mandate.

Following such evaluation, and full deliberations, the Board concluded that the performance of the Fund supported renewal of the 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 Co-Advisers and their 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 Co-Advisers have 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 Co-Advisers’ investments in these areas are extensive. In addition, the Board considered that the Co-Adviser and their 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 Co-Advisers’ industry standing and reputation and with the expectation that the Co-Advisers 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 Co-Advisers 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 Co-Advisers and their 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 arrangements.



## 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](http://www.FederatedInvestors.com/FundInformation). Form N-PX filings are also available at the SEC's website at [www.sec.gov](http://www.sec.gov).

## Quarterly Portfolio Schedule

The Fund files with the SEC a complete schedule of its portfolio holdings, as of the close of the first and third quarters of its fiscal year, on "Form N-Q." These filings are available on the SEC's website at [www.sec.gov](http://www.sec.gov). You may also access this information via the link to the Fund and share class name at [www.FederatedInvestors.com/FundInformation](http://www.FederatedInvestors.com/FundInformation).

*Variable investment options 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 variable investment options 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.



Federated Managed Volatility Fund II  
Federated Investors Funds  
4000 Ericsson Drive  
Warrendale, PA 15086-7561

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

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