

Federated U.S. Government Securities Fund: 2-5 Years

Presented to:

Wisconsin Department of Employee Trust Funds

Presented by:

J. Andrew Kirschler
Vice President
Portfolio Manager

Robert Hurbanek
Vice President

Richard Recker
Vice President

April 5, 2016

16-63948(4/16)

Federated Securities Corp., Distributor

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Board	Meeting Date	Item #
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Federated Investors – Firm Profile



Delivering investment solutions since 1955

Founded: 1955

Headquarters: Pittsburgh

Global Operations: New York, Rochester, Boston, Houston, Dublin, Frankfurt, London and Tokyo

AUM: Approximately \$360 billion

Ownership:

- Publicly traded, privately held (NYSE: FII)
- 20% employee ownership

Revenue Distribution for Year 2015

Equity	46%
Liquidity	33%
Fixed-Income	21%

Representative Clients

- Corporate/Public Defined Benefit
- Defined Contribution
- Endowment/Foundation
- Taft-Hartley
- Insurance
- Sub-Advisory
- Local Government Investment Pools (LGIP)
- Financial Intermediaries

Equity Management

- Team-based approach with each team organized around a single strategy and research approach
- Portfolio managers average 22 years of experience, nearly 11 years servicing a variety of Federated client needs
- Centralized risk management and investment oversight

<u>Concentrated/High Active Share</u>	<u>Dividend Income</u>	<u>Balanced/Macro</u>	<u>Liquid Alternatives</u>	<u>Quant</u>
Kaufmann (Growth) Clover (Value) Leaders (International)	Strategic Value Capital Income	Global Allocation	Absolute Return Managed Risk Prudent Bear Enhanced Index	InterContinental MDT

Liquidity Management

- Pioneer in liquidity management for more than 40 years and one of the largest institutional money market fund managers in the industry*
- 35 liquidity management professionals with 18 years working together at Federated
- Have never bought a security out of or infused capital into a money market fund to maintain a stable \$1.00 NAV
 - Prime
 - Government
 - Tax-Free
 - Non-U.S Domiciled

Fixed-Income Management

- Experienced, specialized teams with strength across the yield curve
- Portfolio managers average 24 years of experience, nearly 18 with Federated
- Modular process is portable across fixed-income styles and lends itself to portfolio customization
 - Multi-Sector: Active Cash, Short, Intermediate
 - Sector Specific: Corporate, High-Yield, Emerging Markets, Trade Finance, Municipals

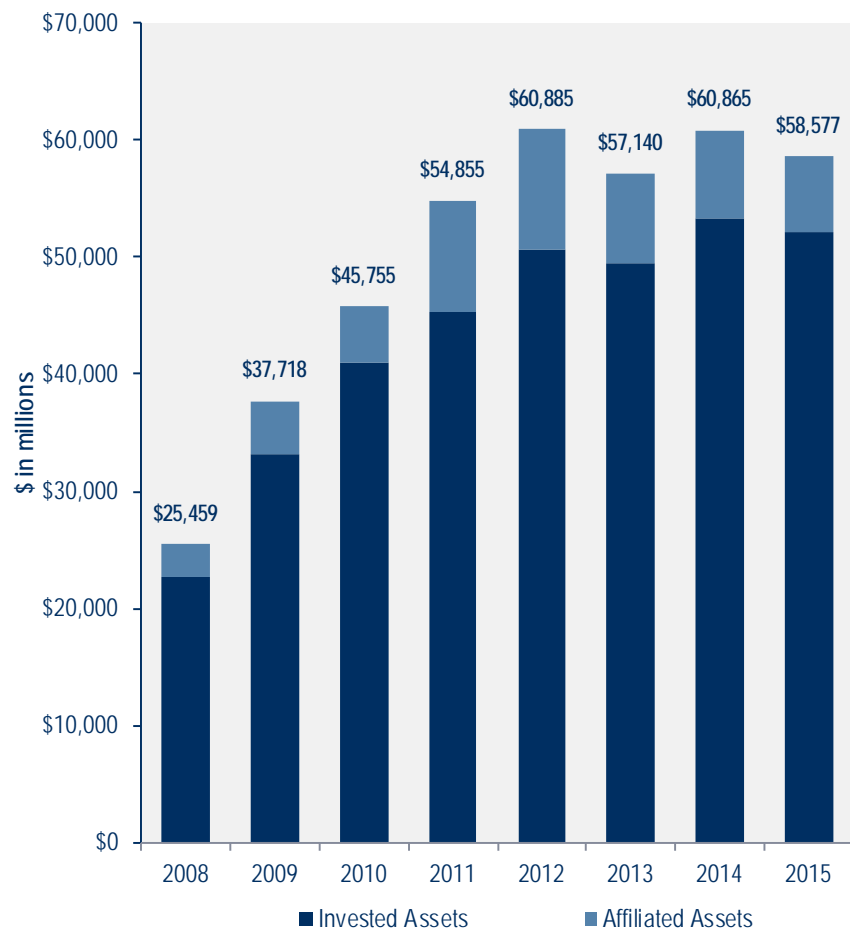
All information is as of 12/31/15 unless stated otherwise. Source for assets is federatedinvestors.com and may vary from GIPS assets.

*Source: iMoneyNet, Inc. November 30, 2015

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Global Fixed-Income Assets

Fixed-Income Asset Growth



	\$ in millions		
	Invested Assets	Affiliated Assets	Total Assets
Diversified (Multisector)			
Stable Value	\$4,729.07	\$519.20	\$5,248.26
Active Cash	\$5,259.04	\$358.95	\$5,617.99
Floating Rate	\$1,158.27	\$0.00	\$1,158.27
Short Duration	\$1,880.36	\$1,122.38	\$3,002.74
Short Intermediate	\$1,082.16	\$23.93	\$1,106.09
Intermediate	\$255.53	\$26.00	\$281.53
Core	\$9,167.48	\$3,577.25	\$12,744.73
Sector Specific			
Government/MBS	\$5,176.75	\$78.09	\$5,254.84
Corporate	\$4,223.90	\$339.15	\$4,563.04
High Yield	\$10,816.39	\$395.82	\$11,212.21
Emerging	\$1,324.83	\$39.74	\$1,364.57
International	\$321.43	\$7.47	\$328.90
Muni	\$6,358.87	\$0.00	\$6,358.87
Alternatives	\$303.71	\$31.74	\$335.45
Subtotal	\$52,057.79	\$6,519.72	\$58,577.49
Total			\$58,577.49

Asset breakdown as of 12/31/15. Federated's firm assets may vary between sources due to timing of release and methodology for calculating fund of fund assets. The source for these results is the assets used when reporting GIPS composites. In accordance with GIPS, Stable Value assets were added to these totals beginning in 2011.

Global Fixed Income Investment Management

John Fisher, President & CEO - Federated Advisory Companies

Robert Ostrowski, CFA
EVP, Chief Investment Officer for Global Fixed Income

70 Fixed Income Professionals: 26 Portfolio Managers, 27 Analysts, 16 Traders, 2 Specialists/Strategists

Donald Ellenberger
SVP, Sr. Portfolio Manager
Head of Multi-Sector Strategies

Managed Accounts

Municipal Bonds

Low Duration/
Structured Products

Corporate

Multi-Sector

High Yield

International

Government/
MBS

Denis Doherty, CFA
Senior Vice President
Senior Portfolio Manager
Managed Accounts

Brian Smalley
Associate Portfolio Manager

R. J. Gallo, CFA
Senior Vice President
Head of Investment Area
Senior Portfolio Manager

J. Scott Albrecht, CFA
Senior Vice President
Senior Portfolio Manager

Lee Cunningham
Vice President
Senior Portfolio Manager

Ann Ferentino, CFA
Vice President
Senior Investment Analyst
and Portfolio Manager

John Kerber, CFA
Vice President
Senior Investment Analyst

Jordan Gregov
Associate Investment Analyst

Allen Knizner
Vice President
Manager Performance & Risk
Analysis

John Scullion
Assistant Vice President
Senior Performance &
Risk Analyst

Jeff Ignelzi
Intermediate Performance &
Risk Analyst

Andrew Nixon
Associate Performance & Risk
Analyst

Product Specialist

Robert Kowitz
Senior Vice President
Product Specialist

Randall Bauer, CFA
Senior Vice President
Head of Investment Area
Senior Portfolio Manager
Low Duration Strategies

Nick Tripodes, CFA
Vice President
Senior Investment Analyst
and Portfolio Manager

Daniel Mastalski
Assistant Vice President
Senior Investment Analyst

James Thompson
Assistant Vice President
Senior Investment Analyst

John Gentry, CFA
Senior Vice President
Head of Investment Area
Senior Portfolio Manager

Jerome Conner, CFA
Vice President
Senior Investment Analyst
and Portfolio Manager

Bryan Dingle, CFA
Vice President
Senior Investment Analyst
and Portfolio Manager

Brian Ruffner
Vice President
Senior Investment Analyst
and Portfolio Manager

Karen Manna
Vice President
Senior Investment Analyst

Robert Matthews, CFA
Assistant Vice President
Senior Investment Analyst

Joseph Engel
Intermediate Investment Analyst

Albert Meng
Intermediate Investment Analyst

Nathan Kehm, CFA
Vice President
Portfolio Manager

Chris Wu, CFA
Vice President
Senior Investment Analyst
and Portfolio Manager

William Ehling, CFA
Vice President
Market Strategist
Client Portfolio Manager

Mark Durbiano, CFA
Senior Vice President
Head of Investment Area
Senior Portfolio Manager

B. Anthony Delserrone, CFA
Vice President
Senior Portfolio Manager

Kathryn Glass, CFA
Vice President
Senior Investment Analyst
and Portfolio Manager

Gene Neavin, CFA
Vice President
Senior Investment Analyst
and Portfolio Manager

Thomas Scherr
Vice President
Senior Investment Analyst
and Portfolio Manager

Steven Wagner
Vice President
Senior Investment Analyst
and Portfolio Manager

Anthony Venturino, CFA
Vice President
Senior Investment Analyst

Gregory Czamara, CFA
Assistant Vice President
Senior Investment Analyst

Nicholas Cecchini, CFA
Intermediate Investment Analyst

Braden Rotberg
Intermediate Investment Analyst

Randal Stuckwith
Intermediate Investment Analyst

Ihab Salib
Senior Vice President
Head of Investment Area
Senior Portfolio Manager

Ruggero de' Rossi
Vice President
Senior Portfolio Manager

John Sidawi
Vice President
Portfolio Manager and
Senior Investment Analyst

John Polinski
Vice President
Senior Investment Analyst
and Portfolio Manager

Jason DeVito, CFA
Vice President
Senior Investment Analyst

Mohammed Elmi
Vice President
Senior Investment Analyst

Matthew Henning, CFA
Intermediate Investment Analyst

Christopher McGinley
Vice President
Head of Trade Finance Team
Portfolio Manager and
Senior Investment Analyst

Dalia Kay
Vice President
Senior Portfolio Manager and
Senior Investment Analyst

Patrick Bayliss
Vice President
Portfolio Manager and
Senior Investment Analyst

Antriksh (Robbie) Gautam
Assistant Vice President
Senior Investment Analyst

Jordan Chung
Associate Research Analyst

Todd Abraham, CFA
Senior Vice President
Head of Investment Area
Senior Portfolio Manager

Andrew Kirschler
Vice President
Portfolio Manager and
Senior Investment Analyst

Liam O'Connell, CFA
Vice President
Portfolio Manager and
Senior Investment Analyst

Multiple Alpha Sources: The Alpha Pod Process

CIO Bob Ostrowski
 Joined Federated 1987
 28 yrs. investment exp.



- Experienced, specialized teams
- PMs average 24 years experience, 18 with Federated
- Each team consists of alpha decision specialists

ALPHA POD CHAIRS



R.J. Gallo
 Joined Federated 2000
 21 yrs. investment exp.



Mark Durbiano
 Joined Federated 1982
 33 yrs. investment exp.



Don Ellenberger
 Joined Federated 1996
 29 yrs. investment exp.



Ihab Salib
 Joined Federated 1999
 23 yrs. investment exp.

DURATION MANAGEMENT

The portfolio is positioned to benefit from our interest rate outlook based on a thorough economic analysis of:

- Business Cycle Analysis
- Valuation Indicators
- Global Attractiveness

SECTOR ALLOCATION

The portfolio is overweighted or underweighted relative to the benchmark after an intensive review of:

- Historical Spread Analysis
- Volatility Analysis
- Business Cycle

YIELD CURVE STRATEGY

The portfolio is positioned along the yield curve based on assessment of:

- Federal Reserve Policy
- Inflation Expectations
- Multi-Factor Model

CURRENCY MANAGEMENT

The portfolio may gain exposure to non-dollar fixed-income based upon:

- U.S. Current Account/Fiscal Conditions
- Interest Rate Differential
- Expectation for Growth

SECURITY SELECTION

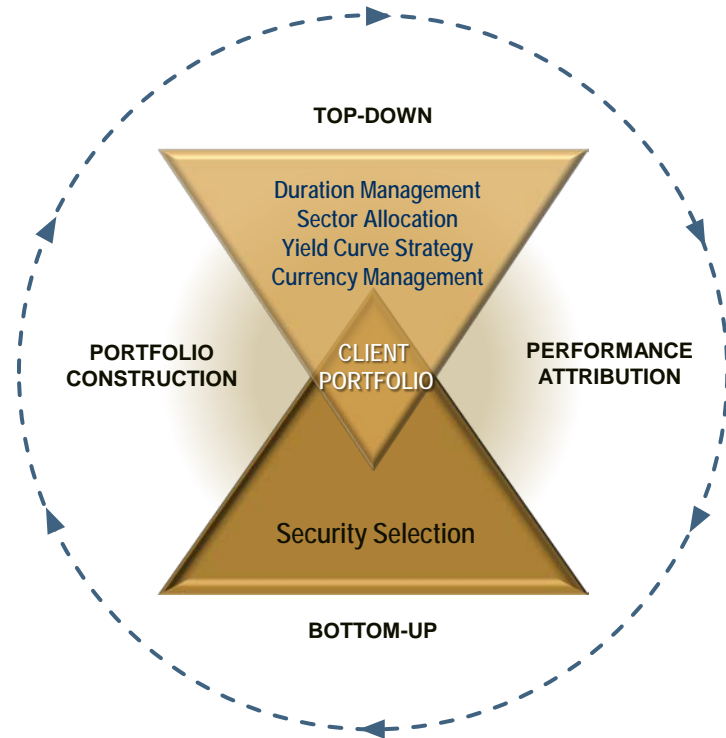
A model list of securities is identified through analysis of:

- Industry Outlook
- Relative Value
- Credit Quality
- Structural Characteristics

Our Fixed-Income Philosophy

“We believe optimal results are best achieved through utilization of multiple fixed-income decision tools independently managed by experienced professionals in every step of the process.”

“We believe this process is designed to capture strong full-cycle performance while providing our clients with appropriate risk characteristics.”



Objective:

Pursue current income

Concentration:

Short to intermediate U.S. Treasury notes and government agencies

Benchmark:

BofA Merrill Lynch 3-5 Year Treasury Index

Fund Assets:

\$511.8 million *(As of 2/29/16)*

Fund Management:

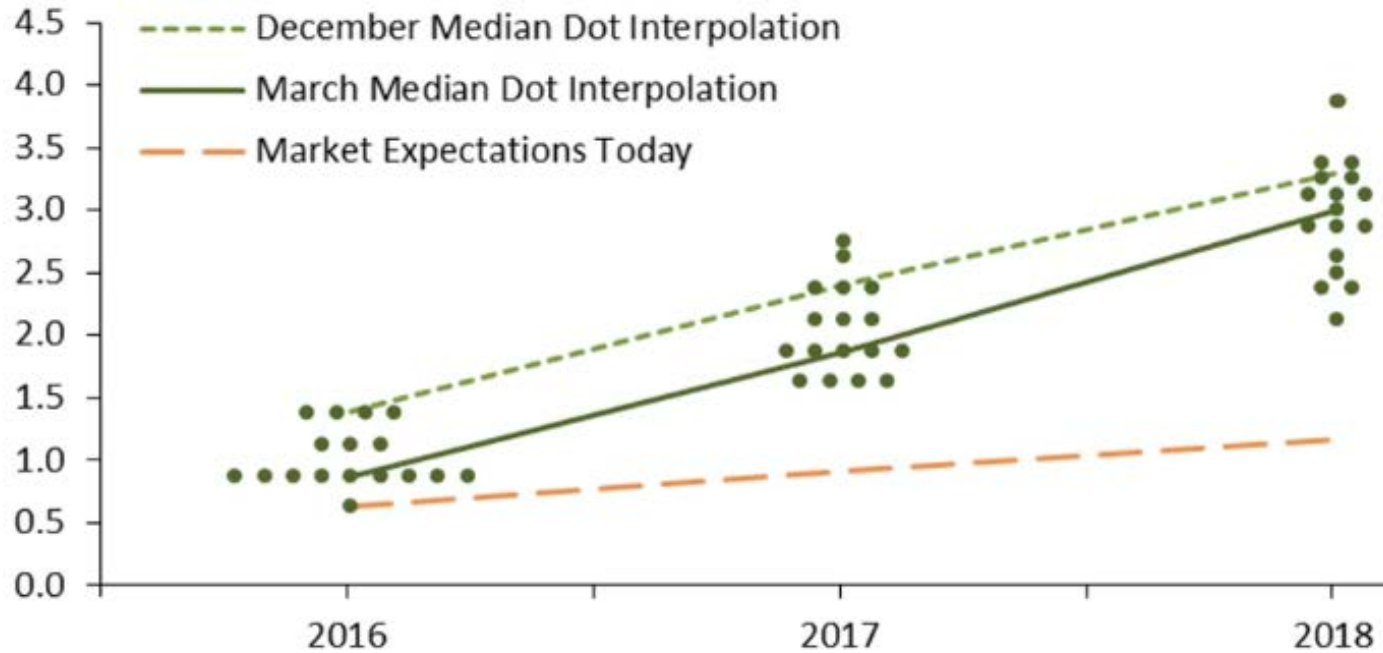
J. Andrew Kirschler

Vice President, Portfolio Manager

Joined Federated: 1990; Investment Experience: 21 Years

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

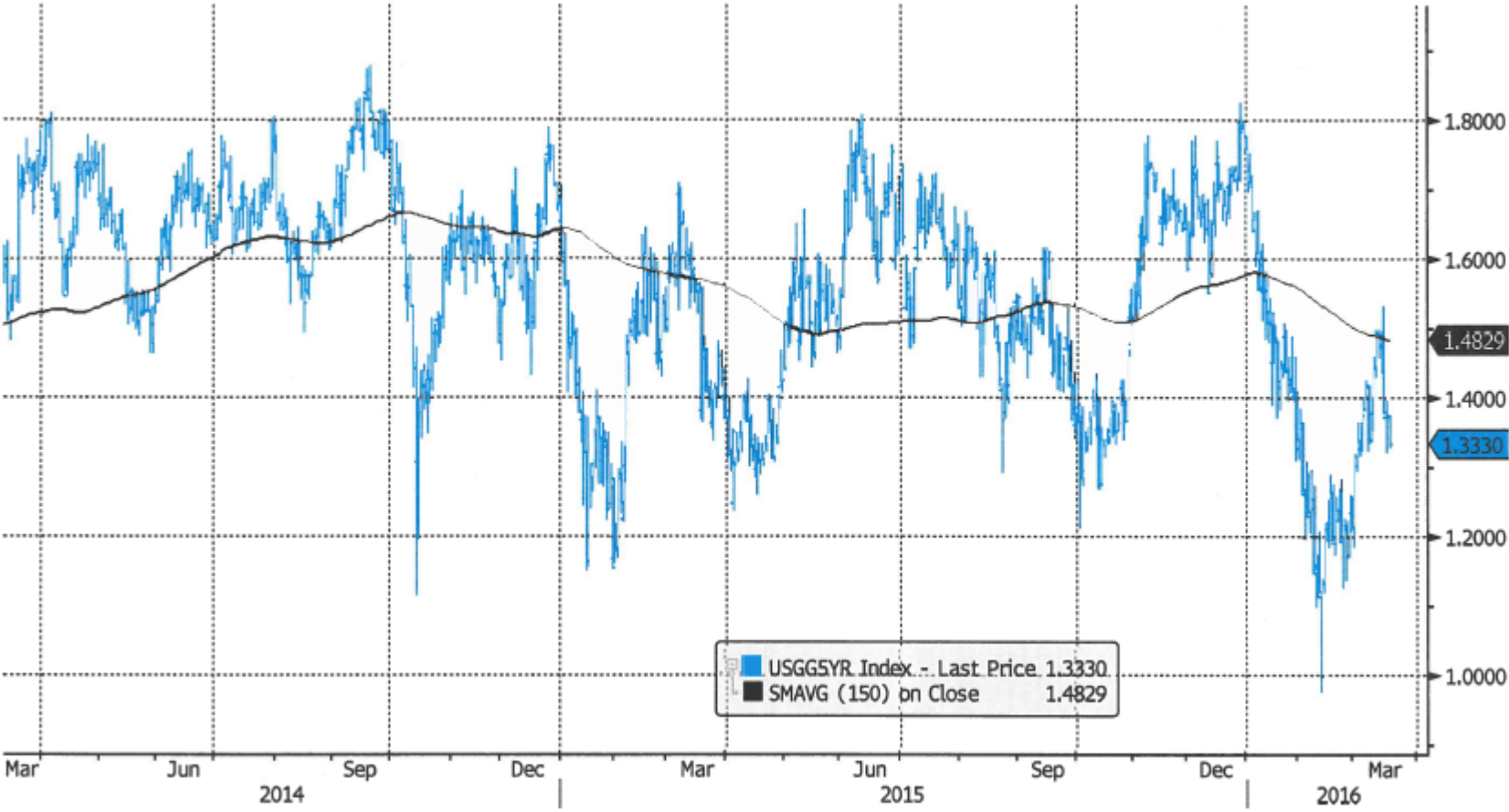
Fed Fund Expectations (As of 3/18/16)



Source: Bloomberg

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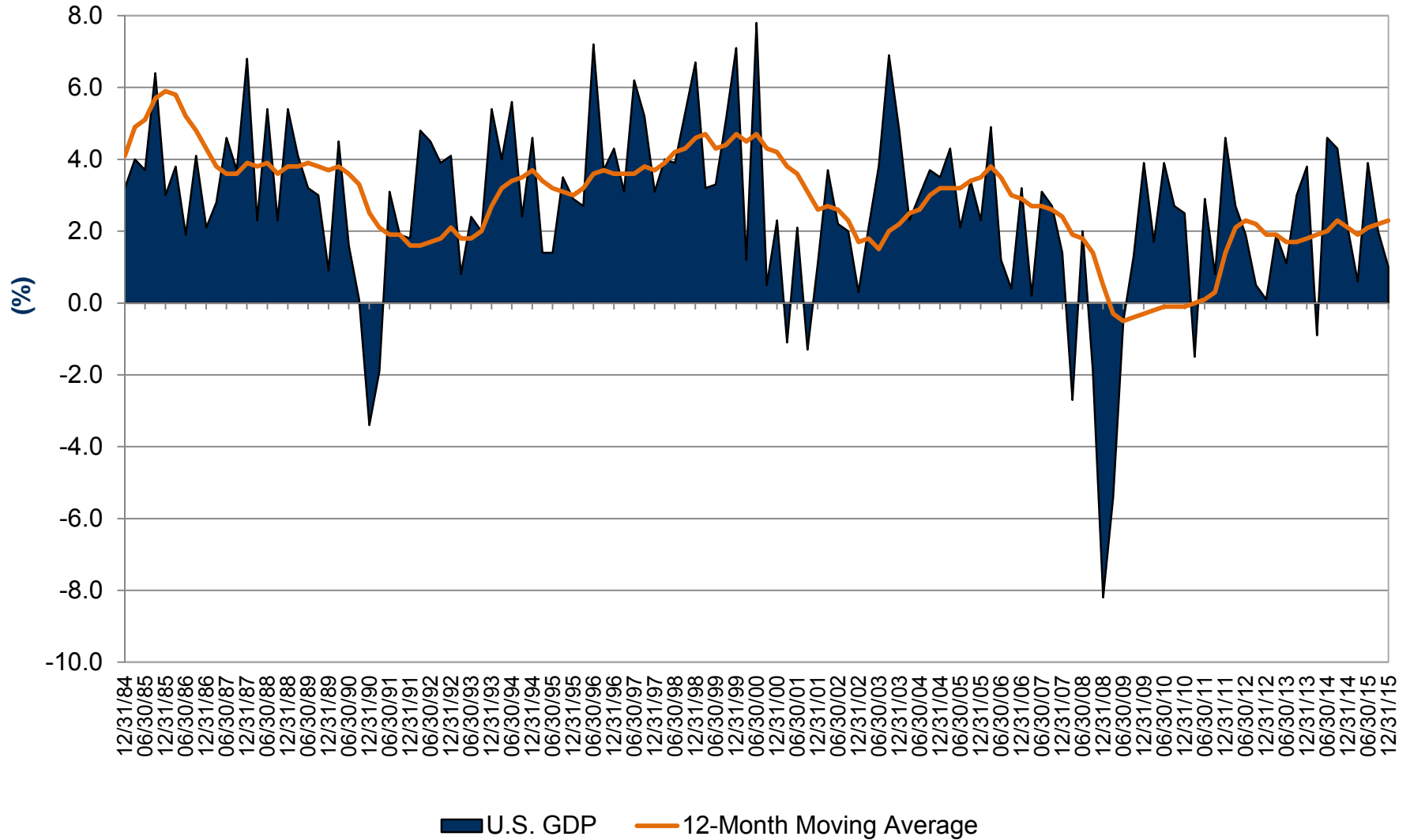
5-Year Treasury Rate (As of 3/18/16)



Source: Bloomberg

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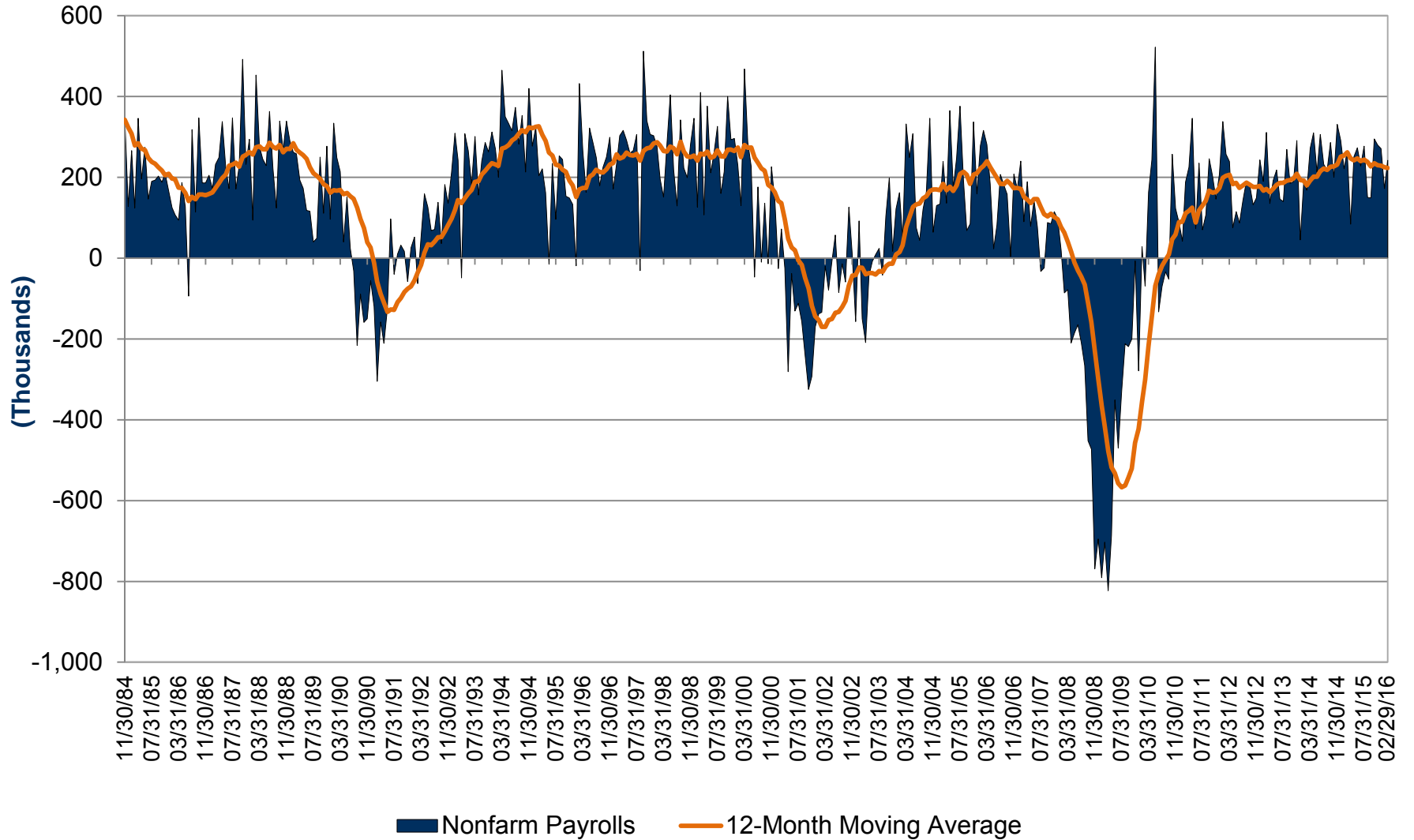
Gross Domestic Product with 12-Month Moving Average



Source: Bloomberg/Federal Reserve

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U.S. Monthly Nonfarm Payrolls

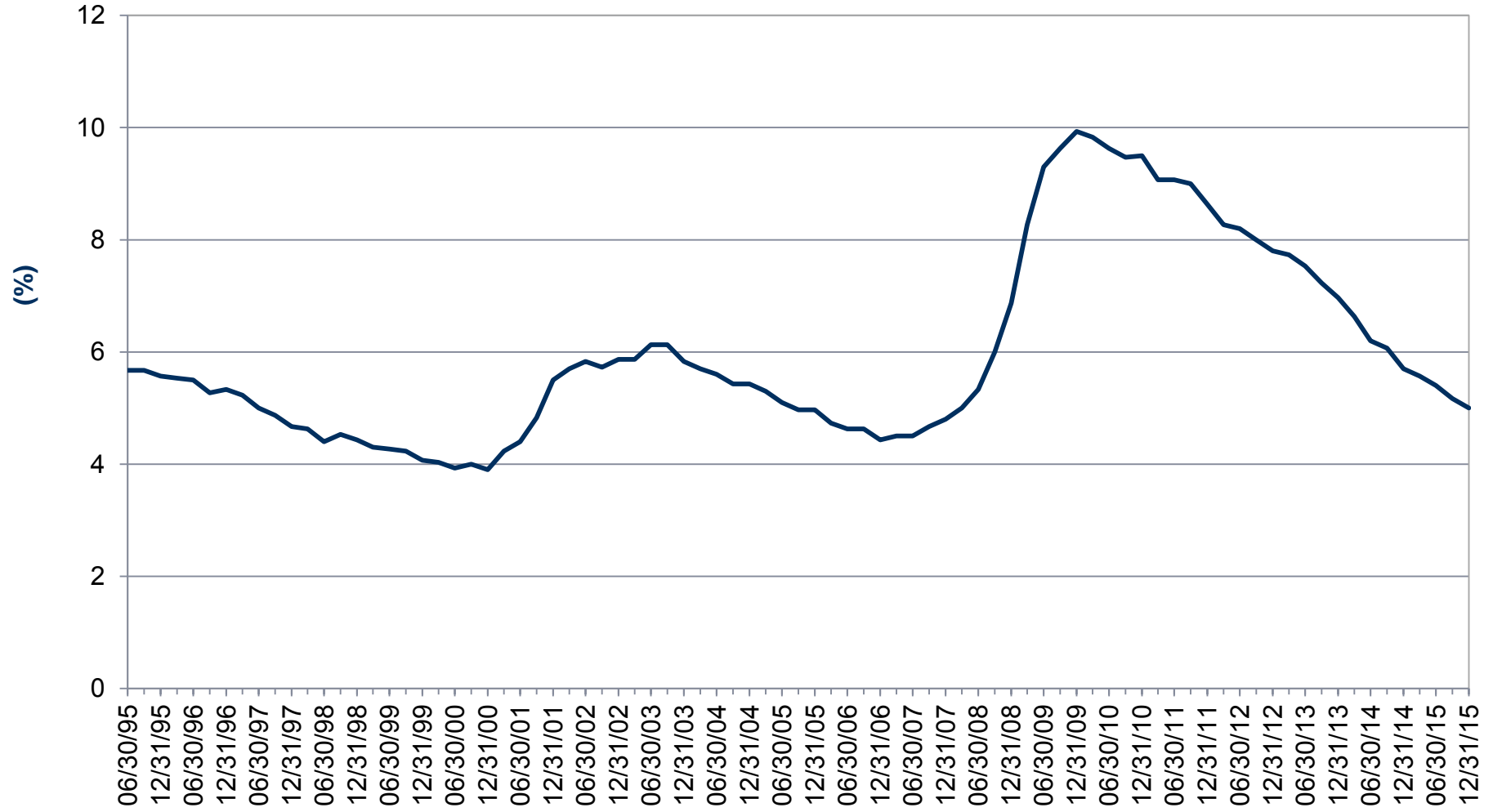


■ Nonfarm Payrolls — 12-Month Moving Average

Source: Bloomberg/Bureau of Labor Statistics

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U.S. Unemployment Rate



Source: Bloomberg

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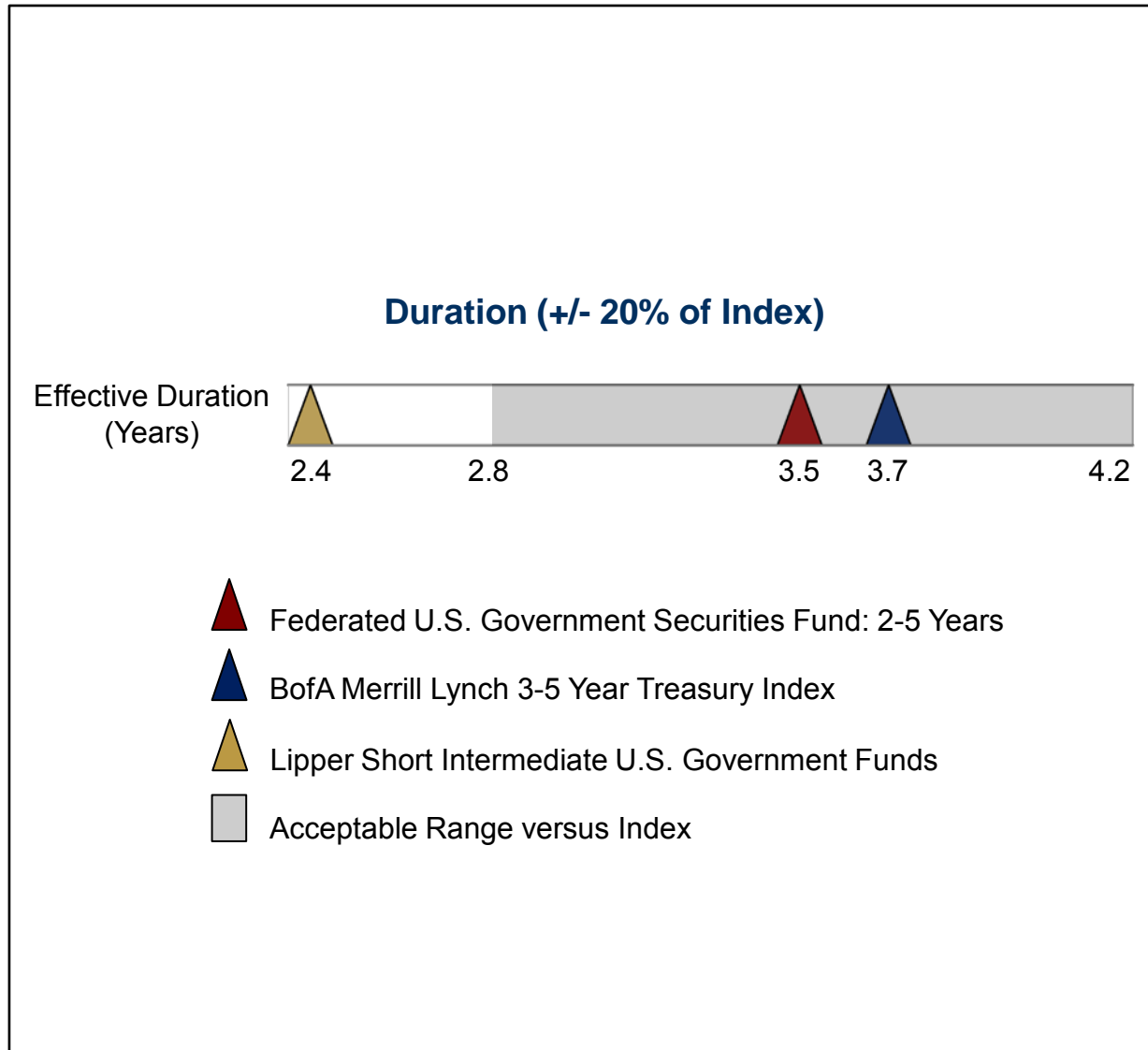
Initial Jobless Claims



Source: Bloomberg/Conference Board

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Duration Management (As of 2/29/16)

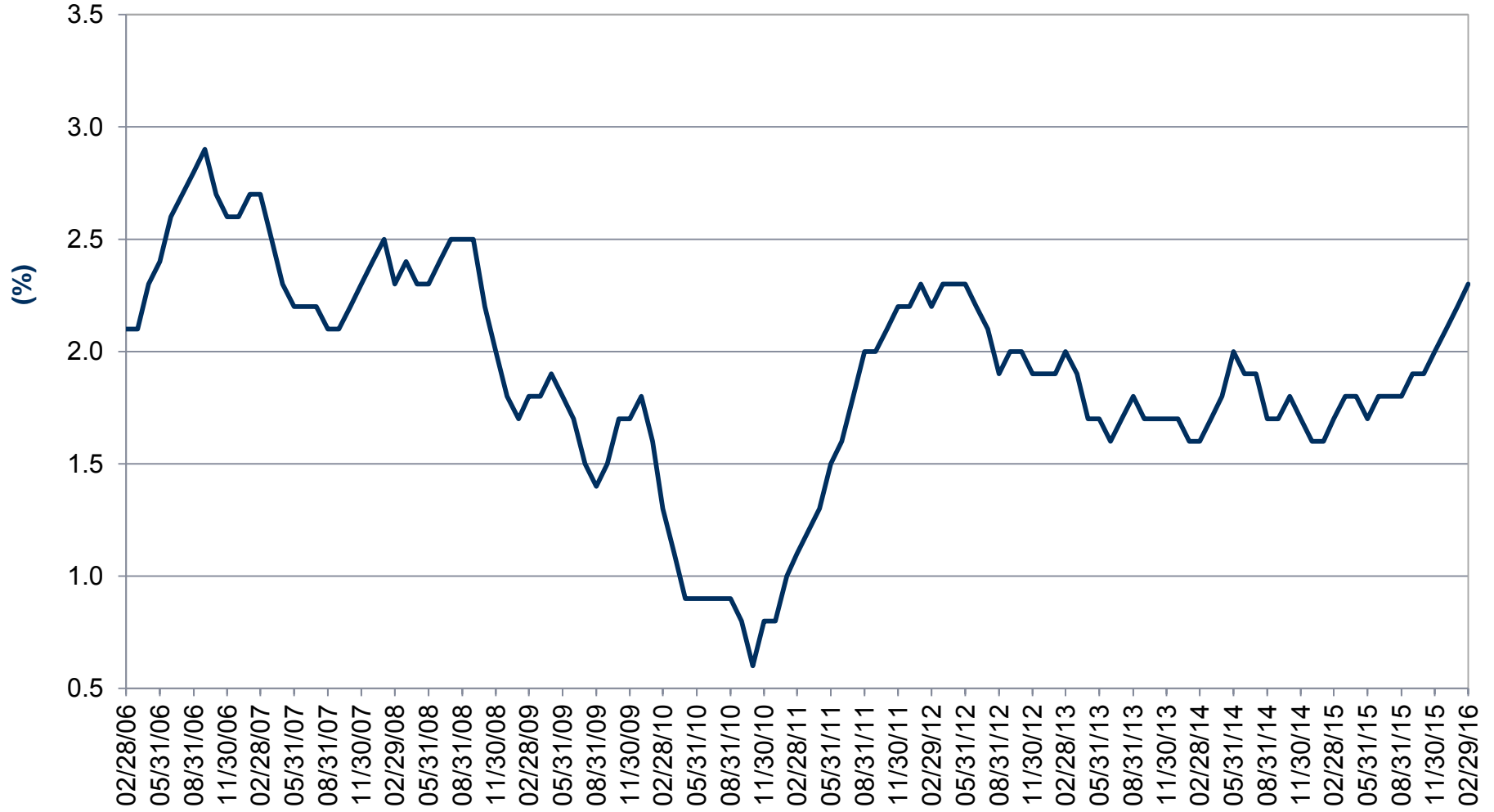


Duration Call:

- Risk/Reward
- U.S. Yields Inconsistent with U.S. Growth
- Tug of War between U.S. and World Growth; Demand for U.S. Debt



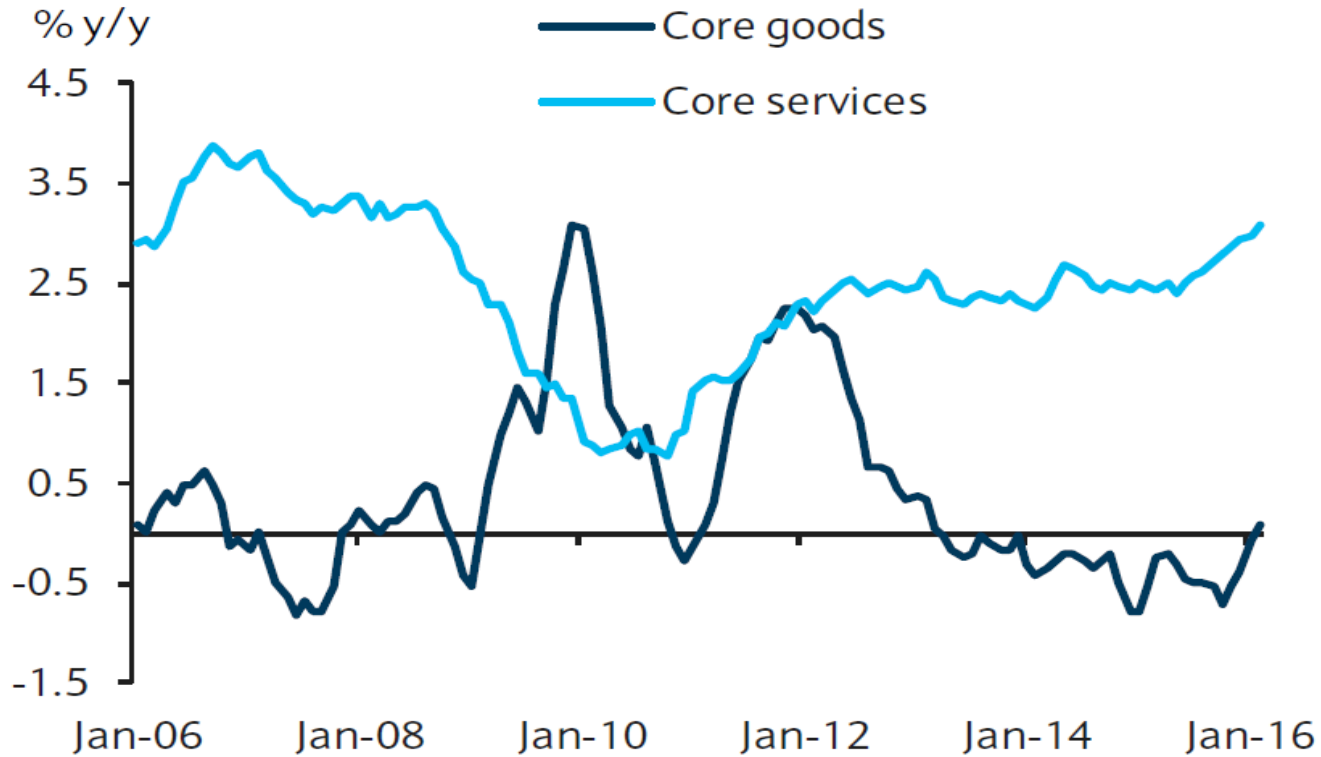
U.S. Core Consumer Price Index YOY



Source: Bloomberg

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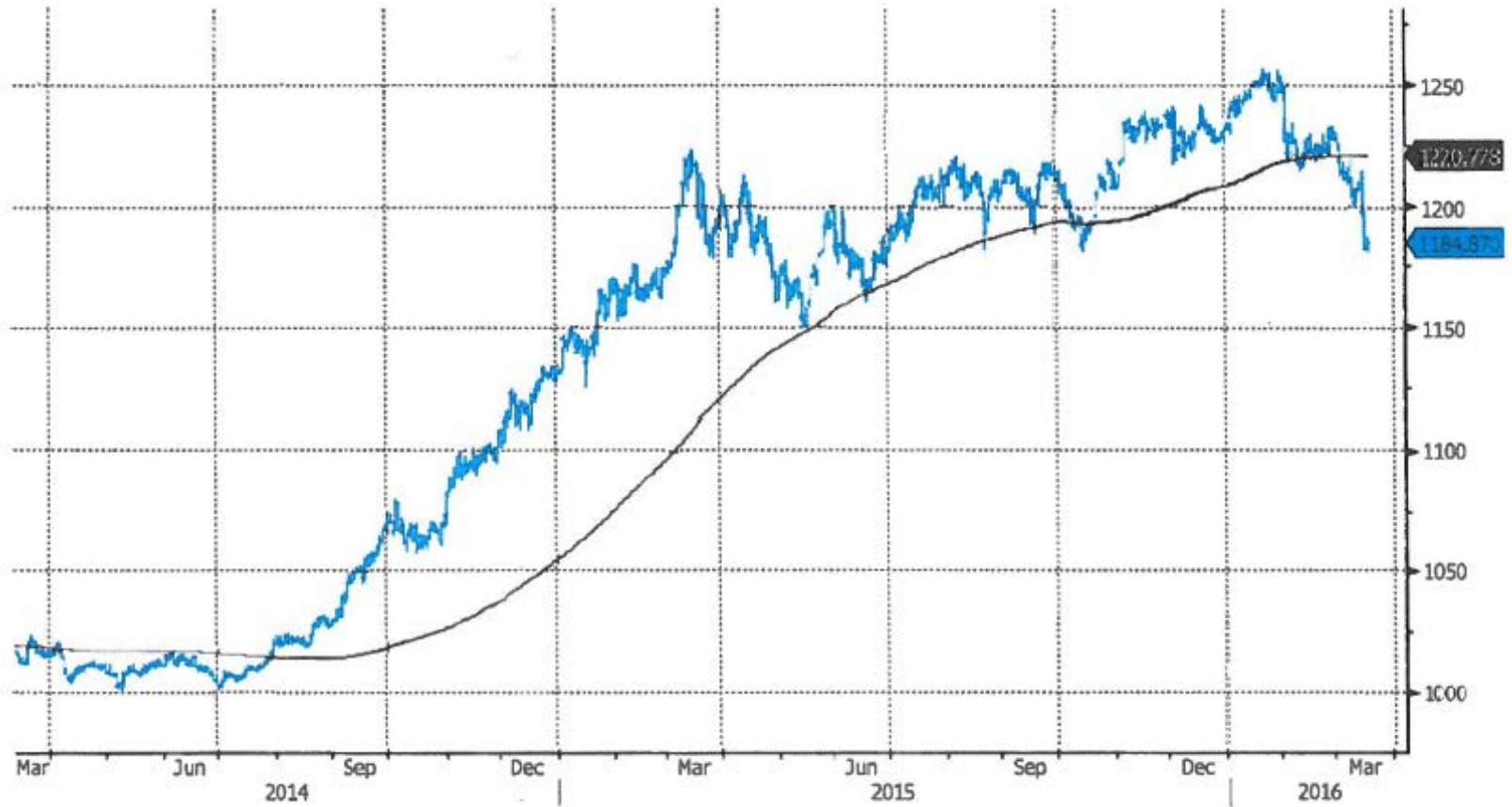
CPI – Core Goods and Core Services



Source: Bureau of Labor Statistics, Barclays Research

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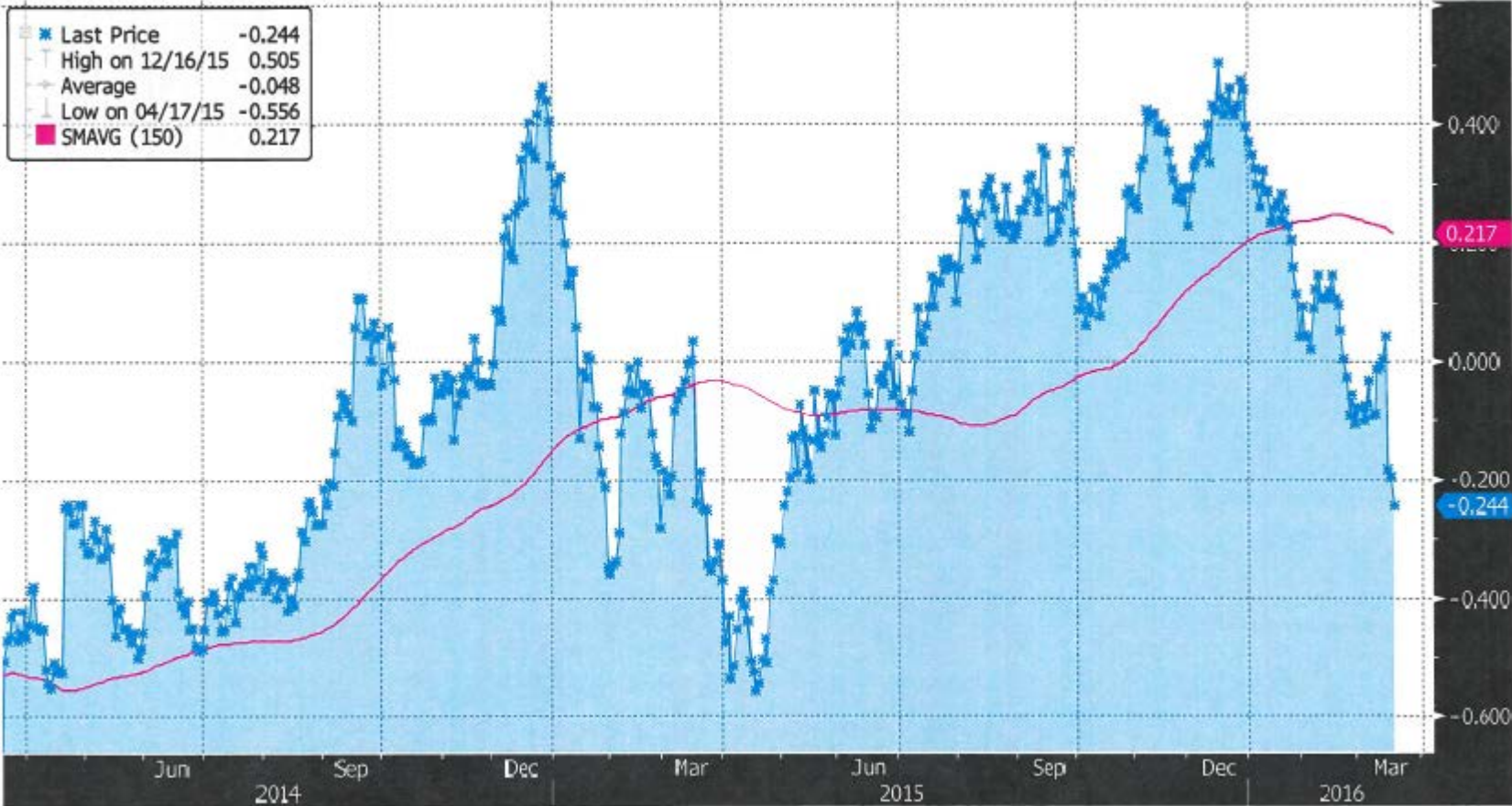
U.S. Dollar Index (As of 3/18/16)



Source: Bloomberg

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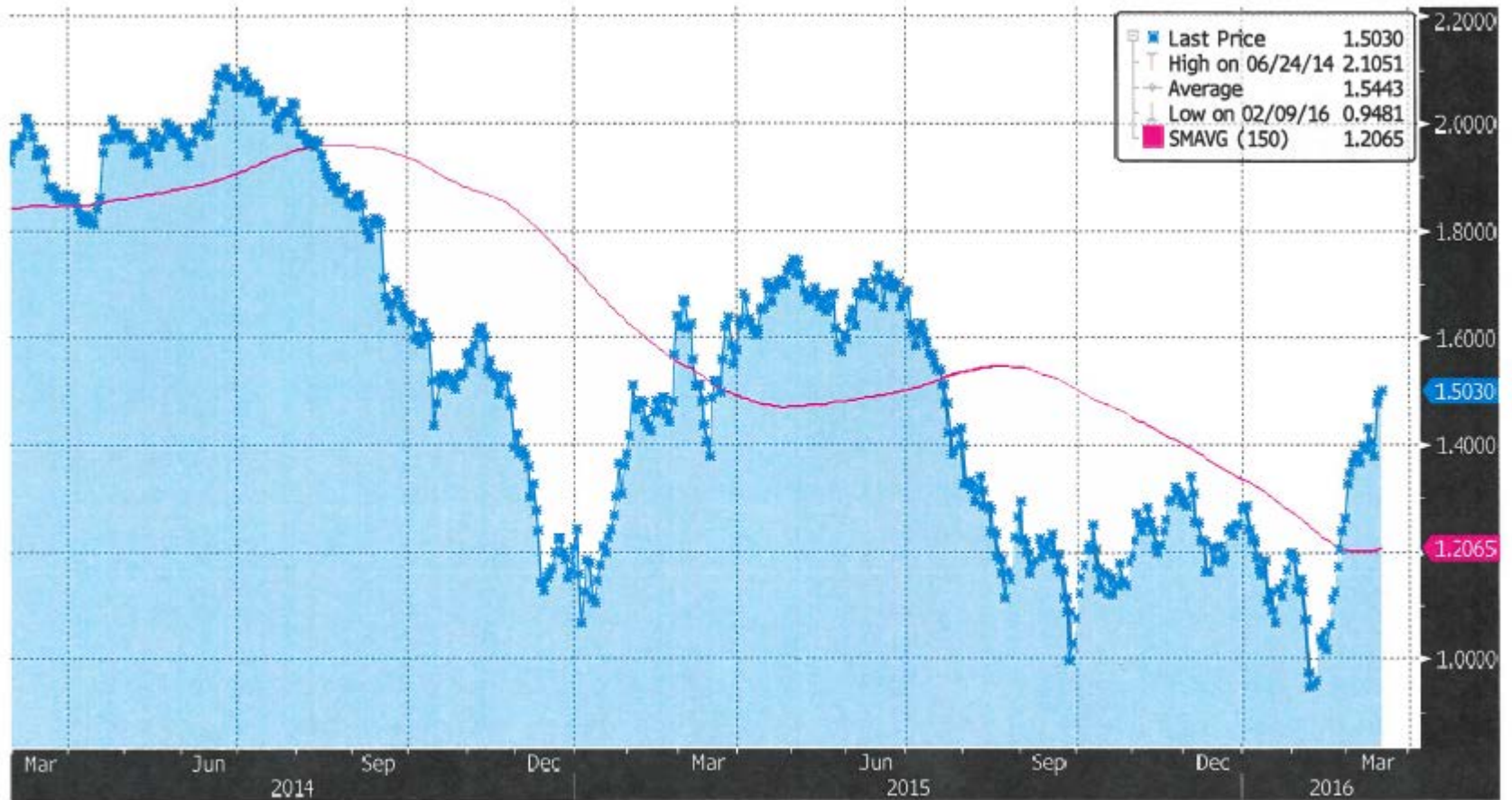
5-Year Real Interest Rates (As of 3/18/16)



Source: Bloomberg

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5-Year Breakeven Inflation Rate (As of 3/18/16)



Source: Bloomberg

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Federated U.S. Government Securities Fund: 2-5 Years – IS Shares (As of 2/29/16)

Portfolio Profile	
Weighted Average Maturity	3.9 Yrs.
Weighted Average Effective Duration	3.5 Yrs.
Weighted Average Coupon	1.66%
Weighted Average Bond Price	\$101.67

Sector Distribution	% of Portfolio
U.S. Treasury Securities	85.4
U.S. Government Agency Securities	1.9
U.S. Government Agency MBS	7.3
U.S. Government Agency CMBS	3.9
Cash/Cash Equivalents	1.5
Total % of Portfolio:	100.0

Source: Federated Investors

Past performance is no guarantee of future results.

The Fund is a managed portfolio and portfolio composition is subject to change. Portfolio composition percentages are based on net assets at the close of business on 2/29/16 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

Average Annual Total Returns (%) – Institutional Shares (IS)

As of 12/31/15	1 Year	3 Year	5 Year	10 Year	Since Inception (2/18/83)	30-Day SEC Yield
Federated U.S. Government Securities Fund: 2-5 Years	0.13	-0.30	0.97	3.19	5.95	0.73
BofA Merrill Lynch 3-5 Year Treasury Index	1.59	0.93	2.10	4.04	-	-
Lipper Short Intermediate U.S. Government Funds Average	0.18	0.05	1.02	2.89	-	-
Lipper Category Rank	19/28	19/27	14/25	7/23		
Morningstar Short Government Category Average	0.17	0.07	0.68	2.42	-	-
Morningstar Category Rank	65/122	92/115	37/107	12/93		

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after tax returns, contact us or visit FederatedInvestors.com.

Rankings are based on total return and do not take sales charges into account. Rankings for other classes will vary.

Total returns would have been lower in the absence of temporary expense waivers or reimbursements. In addition, the 30-day SEC yield would have been 0.61% as of 12/31/15. Performance quoted is for Institutional Shares. Returns for other classes of shares will vary due to differences in expenses.

Lipper figures represent the average total returns reported by all mutual funds designated by Lipper, Inc. as falling into the respective categories indicated. These figures do not reflect sales charges. Copyright 2016 ©Reuters. All rights reserved. Any republication or redistribution of Lipper content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper.

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Source: Federated Investors, BofA Merrill Lynch, Lipper and Morningstar

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Performance Attribution/Risk Management (As of 12/31/15)
Federated U.S. Government Securities Fund: 2-5 Years vs. BofA Merrill Lynch 3-5 Year Treasury Index

Management Summary	1-Year	3-Year (Annualized)	5-Year (Annualized)
Duration	-0.02	0.02	-0.15
Sector	0.07	-0.22	-0.14
Yield Curve	-0.26	-0.02	0.25
Security Selection	-0.65	-0.41	-0.48
Total Reported Management Return	-0.86	-0.63	-0.52

Federated's Alpha Pods are teams of experienced investment professionals who seek to provide consistent, controlled, value-added management to client portfolios by capitalizing on multiple decision tools.

This chart highlights the contribution each pod, or team, made to the portfolio's total return. These measures are relative to the fund's benchmark.

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after tax returns, contact us or visit FederatedInvestors.com.

Annual Total Returns (%) vs. Benchmark (As of 12/31/15)

	Federated U.S. Government Securities Fund: 2-5 Years (IS)		BofA Merrill Lynch 3-5 Year Treasury Index	GOV2-5 Outperformance/ Underperformance*
	Gross	Net		
2015	0.72	0.13	1.59	-0.87
2014	1.42	0.83	2.14	-0.72
2013	-1.27	-1.84	-0.91	-0.36
▶ 2012	1.75	1.16	1.58	+0.17
2011	5.28	4.67	6.23	-0.95
2010	4.87	4.26	5.70	-0.83
▶ 2009	0.86	0.28	-0.67	+1.53
2008	11.23	10.64	12.15	-0.92
2007	9.82	9.18	9.84	-0.02
▶ 2006	3.94	3.34	3.55	+0.39
▶ 2005	1.47	0.87	0.86	+0.61
▶ 2004	2.20	1.59	2.10	+0.10
▶ 2003	2.85	2.24	2.47	+0.38
2002	10.61	9.95	11.42	-0.81
▶ 2001	8.94	8.34	8.47	+0.47

▶ Gross returns beat the benchmark 7 out of the last 15 years.

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost.

Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For performance, current to the most recent month-end and after-tax returns visit FederatedInvestors.com or call 1-800-341-7400.

*Based on gross returns.

Mutual fund investing involves risk. Principal loss is possible. Diversification does not guarantee a profit or protect against loss.

BofA Merrill Lynch 3-5 Year Treasury Index is an unmanaged index which includes U.S. Treasury securities with maturities of 3 to 4.99 years. The Index is produced by Bank of America Merrill Lynch, Pierce, Fenner & Smith, Inc. Indexes are unmanaged and cannot be invested in directly.

The 30-day net yield SEC yield is calculated by dividing the net investment income per share for the 30 days ended on the date of calculation by the maximum offering price per share on that date. The figure is compounded and annualized.

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.

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

Weighted Average Coupon is calculated by weighting each bond's coupon by its relative size in the portfolio. This figure indicates whether the portfolio has more high- or low-coupon bonds.

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

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For more complete information on Federated Funds, visit FederatedInvestors.com or contact your Federated wholesaler for a summary prospectus or prospectus. Investors should consider the fund's investment objectives, risks, charges, and expenses carefully before investing. Information about these and other important subjects is in the fund's summary prospectus or prospectus, which should be read carefully before investing.