

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

Presented to:

Deferred Compensation Board

Presented by:

J. Andrew Kirschler

Vice President, Portfolio Manager
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Previous associations: Senior Trader and Sales & Marketing Representative,
Federated Investors.

Education: B.S., The Pennsylvania State University;
M.B.A., University of Pittsburgh

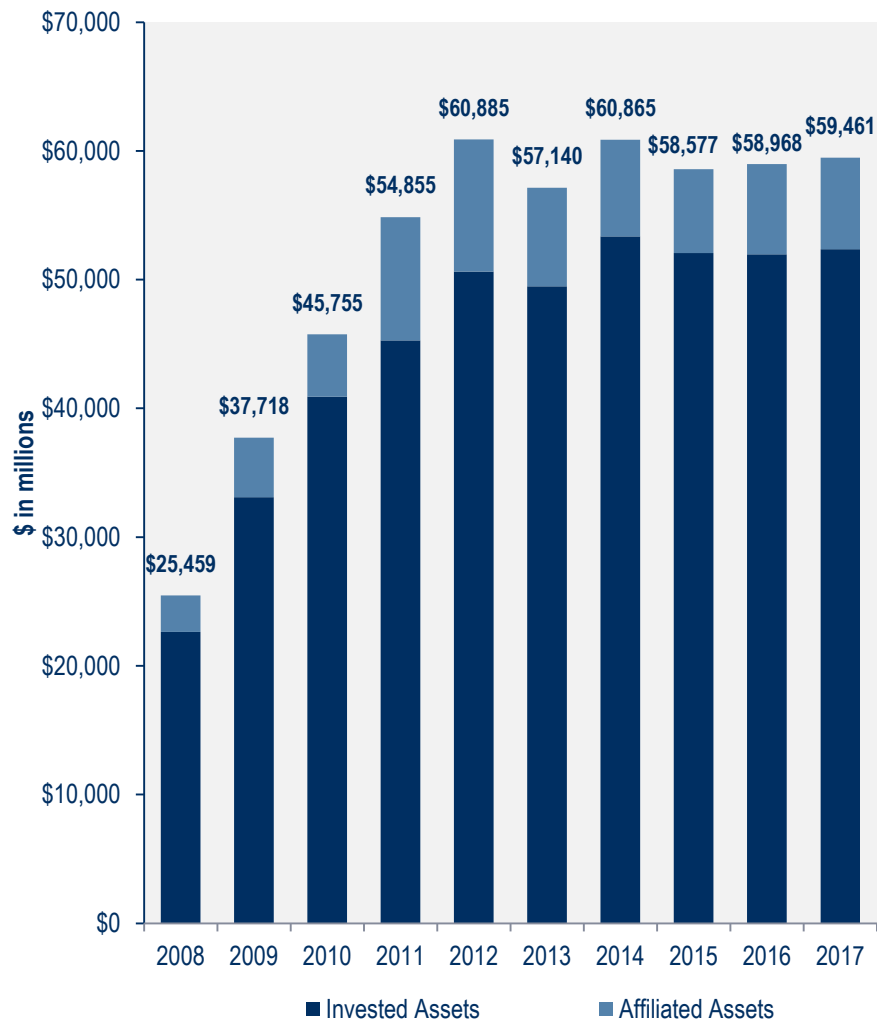
Joined Federated: 1990

Investment Experience: 22 years

*Responsible for portfolio management and research in the domestic
fixed income area.*

Global Fixed-Income Assets

Fixed-Income Asset Growth



	\$ in millions		
	Invested Assets	Affiliated Assets	Total Assets
Diversified (Multisector)	\$22,819.69	\$5,670.38	\$28,490.09
Stable Value	\$4,612.42	\$143.99	\$4,756.41
Active Cash	\$5,325.75	\$300.10	\$5,625.85
Floating Rate	\$1,437.36	\$0.00	\$1,437.36
Short Duration	\$1,716.46	\$1,289.32	\$3,005.79
Short Intermediate	\$1,030.39	\$18.58	\$1,048.97
Intermediate	\$253.40	\$17.61	\$271.01
Core	\$8,443.91	\$3,900.78	\$12,344.70
Sector Specific	\$29,541.22	\$1,429.81	\$30,971.04
Government/MBS	\$4,634.71	\$365.23	\$4,999.94
Corporate	\$4,069.47	\$325.48	\$4,394.95
High Yield	\$13,122.25	\$708.60	\$13,830.85
Emerging	\$1,306.72	\$12.33	\$1,319.06
International	\$199.63	\$10.92	\$210.56
Muni	\$5,956.32	\$0.00	\$5,956.32
Alternatives	\$252.12	\$7.25	\$259.36
Subtotal	\$52,360.91	\$7,100.19	\$59,461.13
Total			\$59,461.13

Asset breakdown as of 3/31/17. 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

72 Fixed-Income Professionals: 31 Portfolio Managers, 23 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
Head of Investment Area
Senior Portfolio Manager

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
Portfolio Manager
Senior Investment Analyst

John Kerber, CFA
Vice President
Senior Investment Analyst

Duwayne Walker
Senior Investment Analyst

Jordan Gregov
Intermediate Investment Analyst

Product Specialist
Robert Kowit
Senior Vice President
Product Specialist

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

Nick Tripodes, CFA
Vice President
Portfolio Manager
Senior Investment Analyst

Daniel Mastalski
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
Portfolio Manager
Senior Investment Analyst

Bryan Dingle, CFA
Vice President
Portfolio Manager
Senior Investment Analyst

Brian Ruffner
Vice President
Portfolio Manager
Senior Investment Analyst

Karen Manna
Vice President
Senior Investment Analyst

Joseph Engel
Assistant Vice President
Senior Investment Analyst

Robert Matthews, CFA
Assistant Vice President
Senior Investment Analyst

Albert Meng
Intermediate Investment Analyst

Nathan Kehm, CFA
Vice President
Portfolio Manager

Chris Wu, CFA
Vice President
Portfolio Manager
Senior Investment Analyst

William Ehling, CFA
Vice President
Market Strategist
Client Portfolio Manager

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

Steven Wagner
Senior Vice President
Senior Portfolio Manager
Senior Investment Analyst

B. Anthony Delsestone, CFA
Vice President
Senior Portfolio Manager

Kathryn Glass, CFA
Vice President
Portfolio Manager
Senior Investment Analyst

Gene Neavin, CFA
Vice President
Portfolio Manager
Senior Investment Analyst

Thomas Scherr, CFA
Vice President
Portfolio Manager
Senior Investment Analyst

Gregory Czamara, CFA
Vice President
Senior Investment Analyst

Anthony Venturino, CFA
Vice President
Senior Investment Analyst

Nicholas Cecchini, CFA
Assistant Vice President
Senior Investment Analyst

Braden Rotberg
Intermediate Investment Analyst

Randal Stuckwisch
Intermediate Investment Analyst

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

John Sidawi
Vice President
Portfolio Manager
Senior Investment Analyst

Mohammed Elmi, CFA
Vice President
Portfolio Manager
Senior Investment Analyst

John Polinski
Vice President
Portfolio Manager
Senior Investment Analyst

Jason DeVito, CFA
Vice President
Portfolio Manager
Senior Investment Analyst

Tyler Stenger
Associate Investment Analyst

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

Dalia Kay
Vice President
Senior Portfolio Manager
Senior Investment Analyst

Patrick Bayliss
Vice President
Senior Portfolio Manager
Senior Investment Analyst

Antriksh (Robbie) Gautam
Assistant Vice President
Senior Investment Analyst

Jordan Chung, CFA
Associate Research Analyst

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

Andrew Kirschler
Vice President
Portfolio Manager
Senior Investment Analyst

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

Performance Attribution

Allen Knizner
Vice President
Manager Performance & Risk Analysis

John Scullion
Assistant Vice President
Senior Performance & Risk Analyst

Jeffrey Ignelzi
Intermediate Performance & Risk Analyst

Karlie Lewis
Associate Performance & Risk Analyst

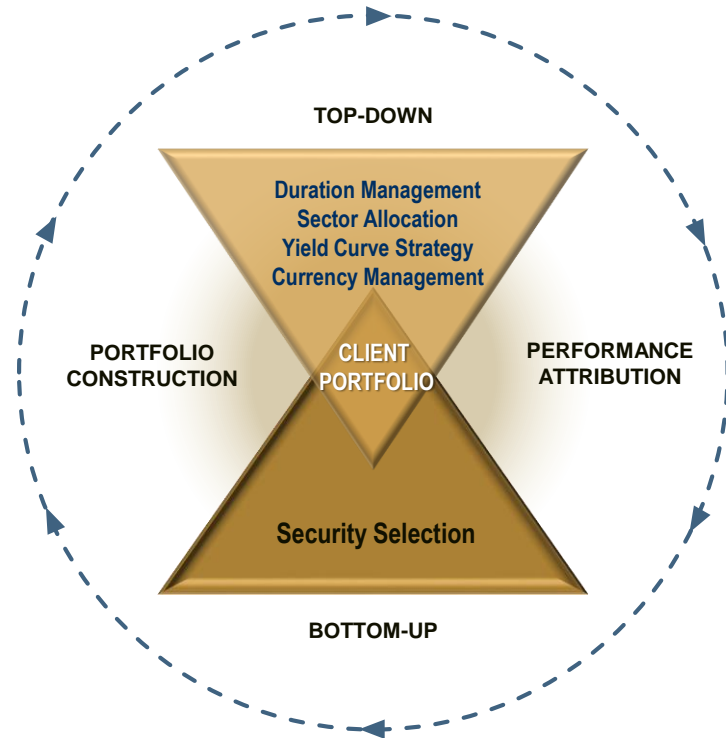
Patrick Madden*
Associate Performance & Risk Analyst

*Patrick Madden has a joint reporting structure to Mike Granito, Chief Risk Officer

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.”



Multiple Alpha Sources: The Alpha Pod Process

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



- Experienced, specialized teams
- PMs average 25 years experience, 20 with Federated
- Each team consists of alpha decision specialists

ALPHA POD CHAIRS



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



Mark Durbiano
 Joined Federated 1982
 35 yrs. investment exp.



Don Ellenberger
 Joined Federated 1996
 31 yrs. investment exp.



Ihab Salib
 Joined Federated 1999
 25 yrs. investment exp.



J. Andrew Kirschler
 Joined Federated 1990
 22 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

Decision Tools

Current Positioning as of May 5, 2017

	Current	Rationale
DURATION MANAGEMENT	Short relative to benchmark	The threat of a fiscal shock with full employment argues for higher rates across the yield curve. Past Fed cycles suggest the majority of the bond market selloff happens at the beginning of the tightening campaign. Technical support at 2.63% and 3.02% for U.S. Treasuries 10-year yields.
SECTOR ALLOCATION	Overweight Investment-Grade Corporates and High Yield Neutral Treasuries, Emerging Markets/International and Commercial Mortgage-Backed Securities Underweight Mortgage-Backed Securities and Agencies	These are the best houses in a bad neighborhood. Carry and coupon offset rising rates. Emerging markets are still at risk until policy uncertainty clears. There are valuation issues in the entire MBS space. Rate increases should lead to an increase in volatility.
YIELD CURVE ANALYSIS	Short the belly, short the long end, looking for near-term curve steepening	With the improvement in the outlook for global growth, European election worries behind us and the implementation of U.S. fiscal policy in the second half of 2017, we think the curve is too flat.
CURRENCY MANAGEMENT	Tactically neutral U.S. dollar. Bias towards U.S. dollar long positions on specific, strategic currency pairs	The U.S. dollar appreciation over the last two years on a trade-weighted basis anticipated higher U.S. rates. Global market volatility and a tightening of financial conditions means rate normalization will proceed at a gradual pace.
SECURITY SELECTION	Overweight select lower-quality credits, cyclical sectors and financials	Historically, regimes of low rates have signaled prolonged periods of low, slow growth. Low rates and time eventually cure the patient. Emphasis on broad diversification.

Bold text indicates change in positioning and/or rationale from previous month.

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

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

Goal	Pursues current income
Performance Inception Date	2/18/1983 (IS Shares) 2/18/1983 (R Shares) 5/30/1992 (SS Shares)
Ticker Symbols	FIGTX (IS Shares) FIGKX (R Shares) FIGIX (SS Shares)
Concentration	Short to Intermediate U.S. Treasury notes and government agencies
Benchmark	BofA Merrill Lynch 3-5 Year Treasury Index
Fund Assets	\$447.6 million*
Overall Morningstar Rating ★★★★ (IS Shares)	Out of 105 funds in the Short Government Category <i>Ratings are based on risk adjusted total return. The overall rating is derived from a weighted average of the fund's three-, five-, and ten-year average annual returns, as applicable.</i>
Fund Management	J. Andrew Kirschler Vice President, Portfolio Manager Joined Federated: 1990; Investment Experience: 21 Years

*As of 3/31/17

The Morningstar Rating™ for funds, or “star rating”, is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Federated U.S. Government Securities Fund: 2-5 Years was rated against the following numbers of U.S.-domiciled Short Government funds over the following time periods. Ratings are for Institutional Shares; other classes may have different performance characteristics. For the 3-, 5- and 10-year periods ended 3/31/17, the fund received 3, 2 and 5 stars, and was rated among 105, 95 and 74 funds, respectively. Past performance is no guarantee of future results. Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices

Fund Statistics Snapshot

Statistics

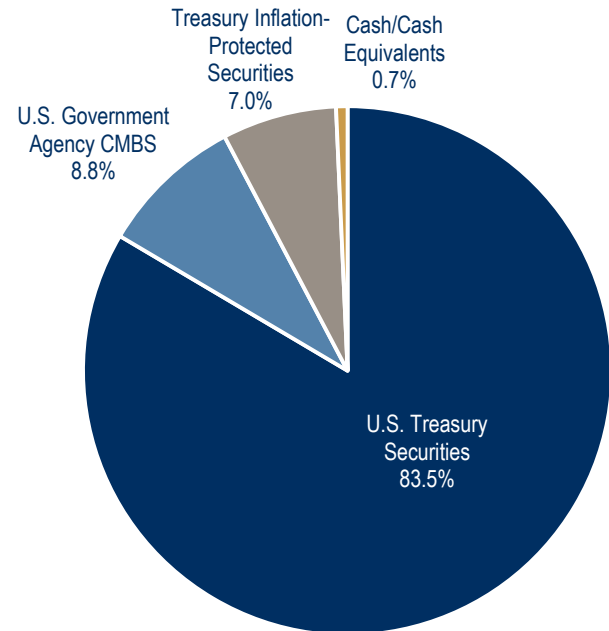
Weighted Average Maturity	3.6 Yrs.
Weighted Average Effective Duration	3.3 Yrs.
Weighted Average Coupon	1.47%
Weighted Average Bond Price	\$99.82

Portfolio Composition

Credit Quality: AAA	99.3%
Cash/Cash Equivalents	0.7%

Maturity Schedule

< 2 Year Securities	2.7%
2-5 Year Securities	92.5%
> 5 Year Securities	4.8%



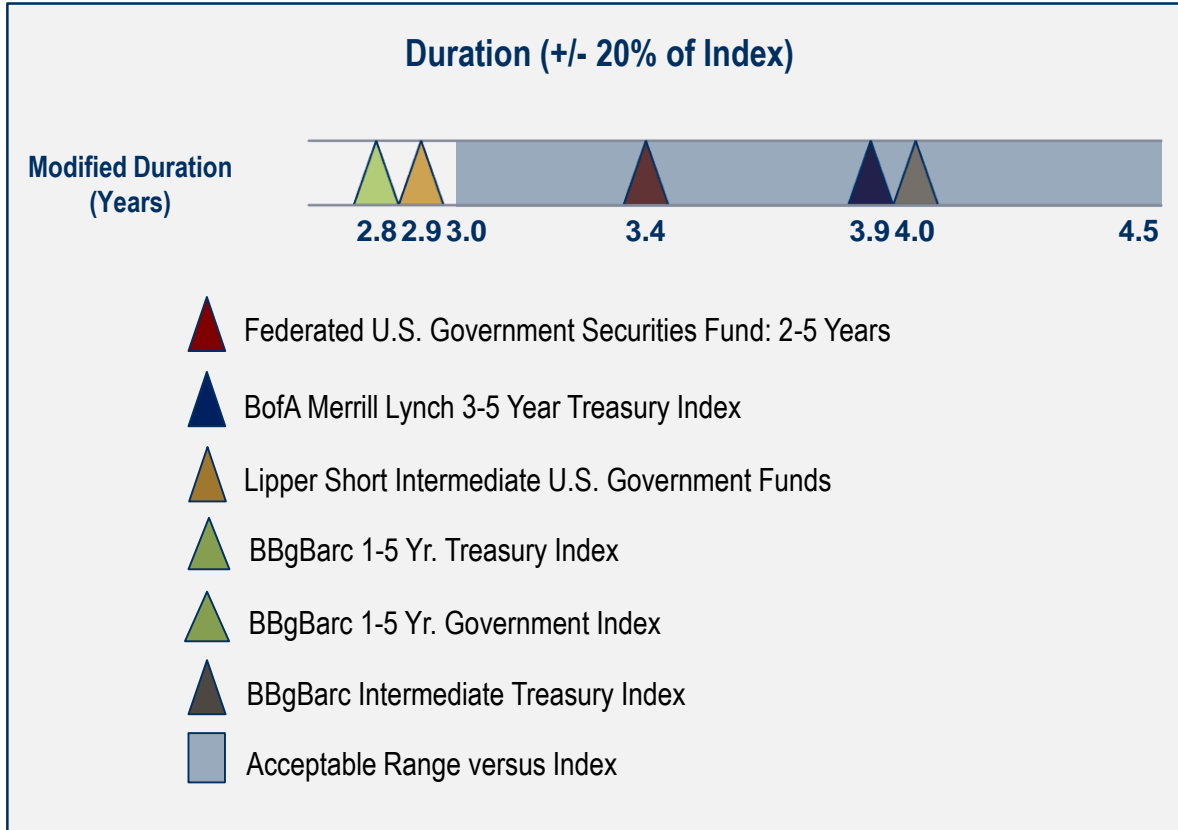
As of 3/31/17

Past performance is no guarantee of future results.

The fund is a managed portfolio and portfolio holdings are subject to change. The percentages are based on net assets at the close of business on 3/31/17 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes.

Prepared exclusively for the Deferred Compensation Board. Not for Distribution to the Public.

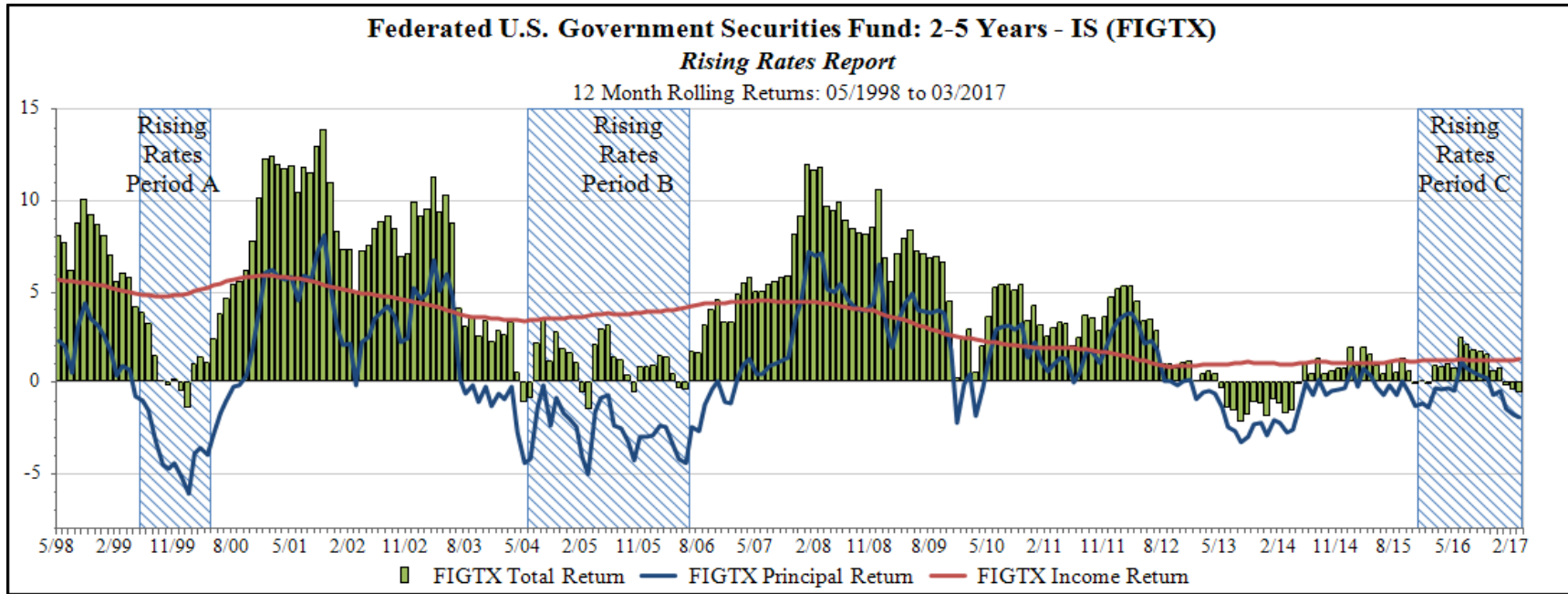
Duration Management (as of 3/31/17)



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

Positive Total Returns in Recent Fed Tightening Periods



Shaded regions represent periods of time where the Federal Funds Rate experienced an increase. These time periods are defined in the chart above as "Rising Rates Period...".

	Time Period	Period's Cumulative Total Return %	Period's Ann Total Return %	Period's Ann Principal Return %	Period's Ann Income Return %
Federated U.S. Govt. Securities Fund: 2-5 Yrs - IS	05-31-1997 to 3-31-2017	116.22	3.96	0.68	3.26
	Highest Historical Return	10-31-2000 to 10-31-2001	13.89	13.89	-
	Lowest Historical Return	08-31-2012 to 08-31-2013	-2.17	-2.17	-
Source: Morningstar Direct, Lipper LANA					
	*Time Period	Fed Fund Rate's Range	FIGTX Ann Total Return %	FIGTX Ann Principal Return %	FIGTX Ann Income Return %
Rising Rates Period A	05-31-1999 to 04-30-2000	4.75 - 6.50	2.08	-2.65	4.86
Rising Rates Period B	05-31-2004 to 06-30-2006	1.00 - 5.25	1.36	-2.50	3.95
Rising Rates Period C	11-30-2015 to 3-31-2017	0.25 - 1.00	0.76	-0.48	1.24
Source: Lipper LANA					

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.

Source: Federated Investors, FINDERS; Lipper LANA. *For periods less than 1 year, return information is cumulative.

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

As of 3/31/17	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	-0.61	0.73	0.21	2.82	5.76	1.48
BofA Merrill Lynch 3-5 Year Treasury Index	-0.57	1.72	1.32	3.69	-	-
Lipper Short Intermediate U.S. Government Funds Average	-0.35	0.75	0.53	2.55	-	-
Lipper Category Rank / # of funds in category	19 / 26	16 / 26	18 / 24	6 / 21	-	-
Morningstar Short Government Category Average	-0.10	0.58	0.41	2.03	-	-
Morningstar Category Rank / # of funds in category	88 / 109	43 / 105	62 / 95	8 / 74	-	-

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 1.34%.

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 2017 ©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

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

<i>Periods 2Q83-1Q17</i>	Federated U.S. Government Securities Fund: 2-5 Years <u>Gross</u>	BAML 3-5 Year <u>Treasury Index</u>
Up Market Performance <i>(98 out of 136 quarters)</i>	9.76	10.73
Down Market Performance** <i>(38 out of 136 quarters)</i>	(1.96)	(3.30)
Annualized Return 2Q83 – 1Q17	6.35	6.62
Standard Deviation	3.26	3.84
Sharpe Ratio	0.65	0.62
Tracking Error	N/A	0.88
Information Ratio	N/A	(0.28)

** Down market defined as negative periods for the blended index

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Gross returns do not reflect fees and expenses.

Invests In...

	Fund	BofAML U.S. 3-5 Yr. Treasury Index	BBgBarc Treasury 1-5 Yr. Index	BBgBarc Government 1-5 Yr. Index	BBgBarc Intermediate Treasury Index
U.S. Treasury Securities	✓	✓	✓	✓	✓
U.S. Government Agency Securities	✓			✓	
U.S. Government Agency	✓				
U.S. Government Agency CMBS	✓				
TIPS	✓				
Modified Duration Comparison	3.4 yrs.	3.9 yrs.	2.8 yrs.	2.8 yrs.	4.0 yrs.

Benchmark Performance Returns

	YTD	1 Year	3 Years	5 Years	10 Years
BBgBarc Treasury 1-5 Yr. Index	0.39	-0.16	1.09	0.89	2.66
BBgBarc Intermediate Treasury Index	0.54	-0.72	1.57	1.24	3.40
BBgBarc Government 1-5 Yr. Index	0.39	-0.13	1.09	0.90	2.65
BBgBarc U.S. Treasury TIPS 1-5 Yr. Index	1.26	1.48	2.03	0.97	4.24
Federated US Govt 2-5 Yr. Instl	0.47	-0.61	0.73	0.22	2.82

As of 3/31/17

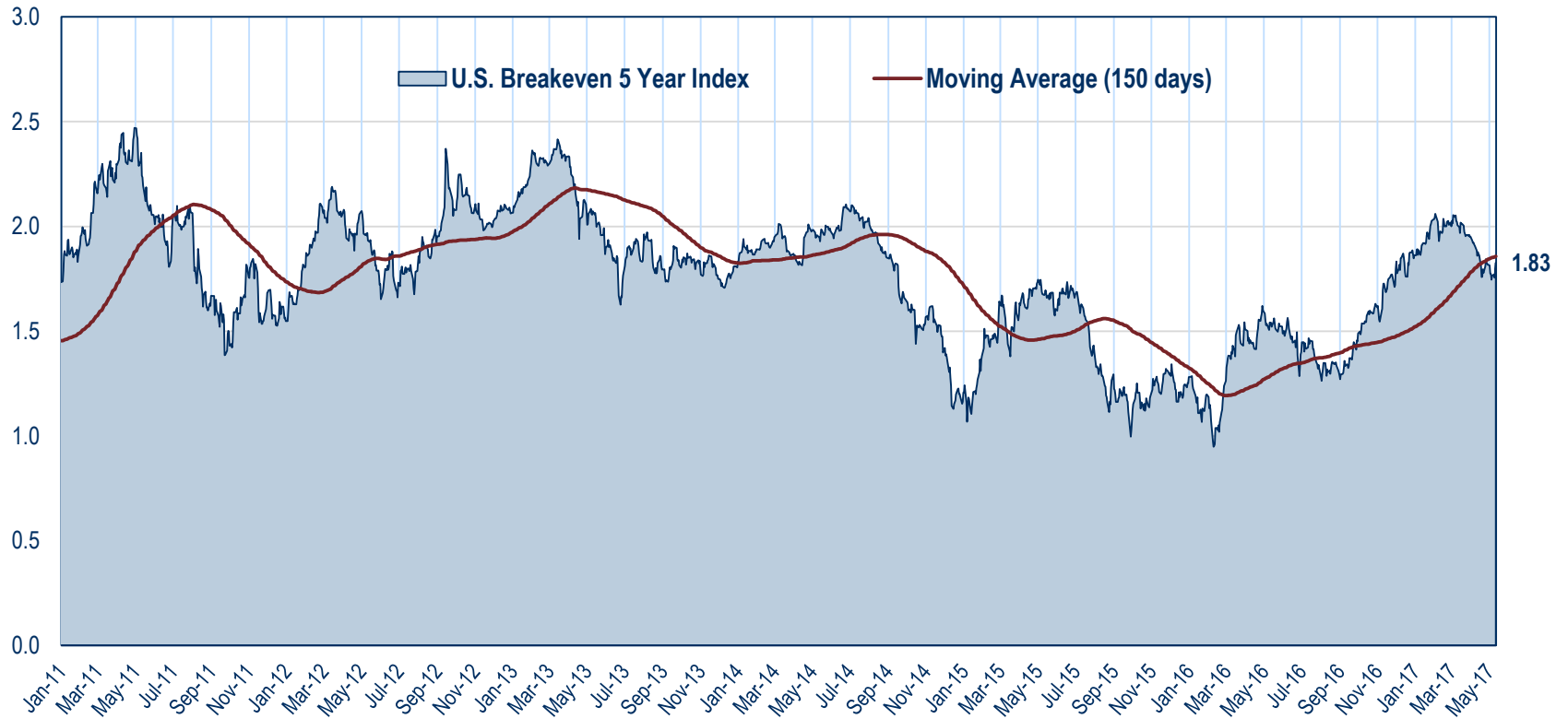
Sources: Federated, Bloomberg Barclays

Indexes are unmanaged and it is not possible to invest directly in an index.

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The Case for TIPS

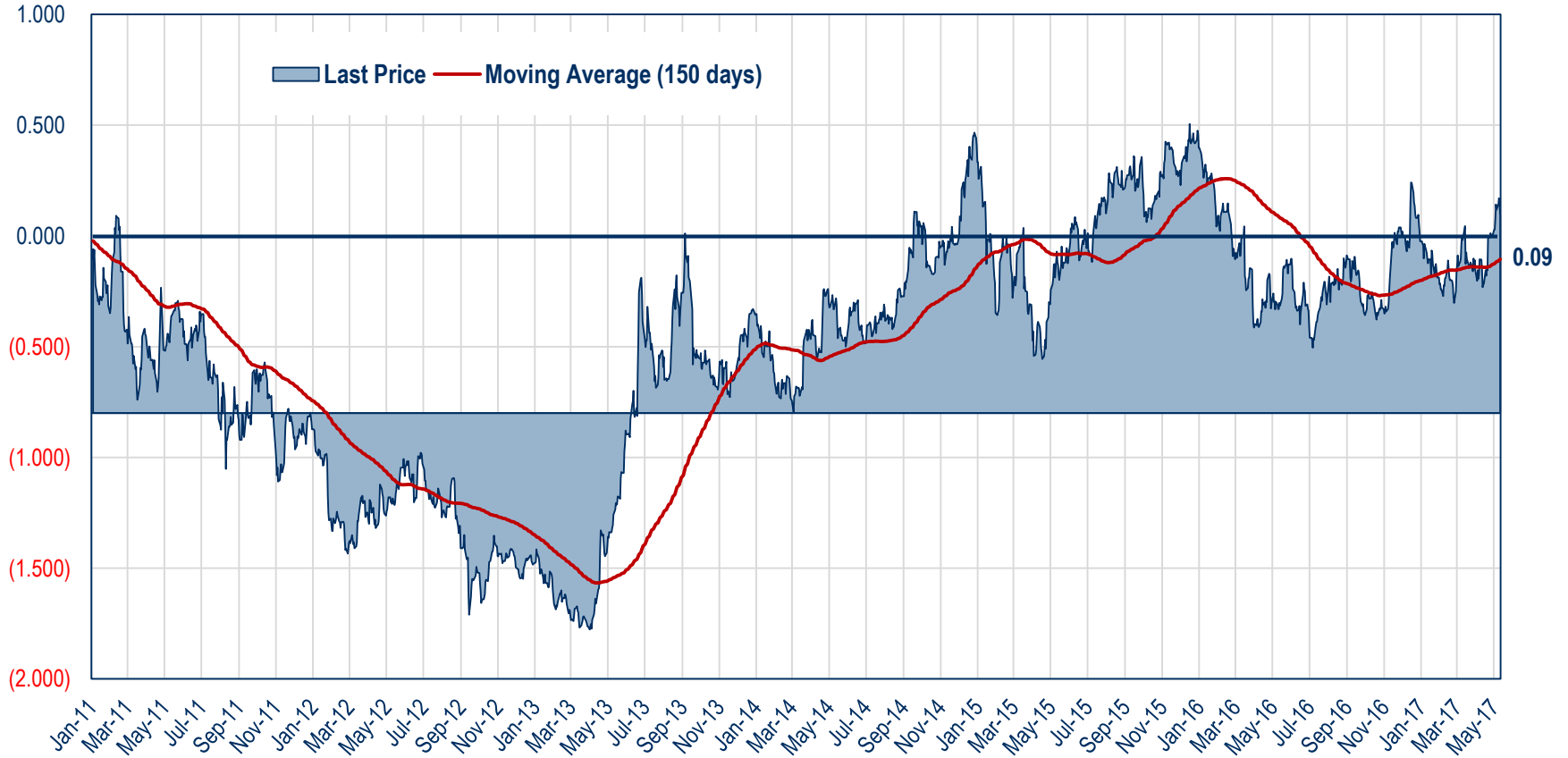
U.S. Breakeven 5 Year Index



- Insurance for inflation is cheap
- Modest upward trend

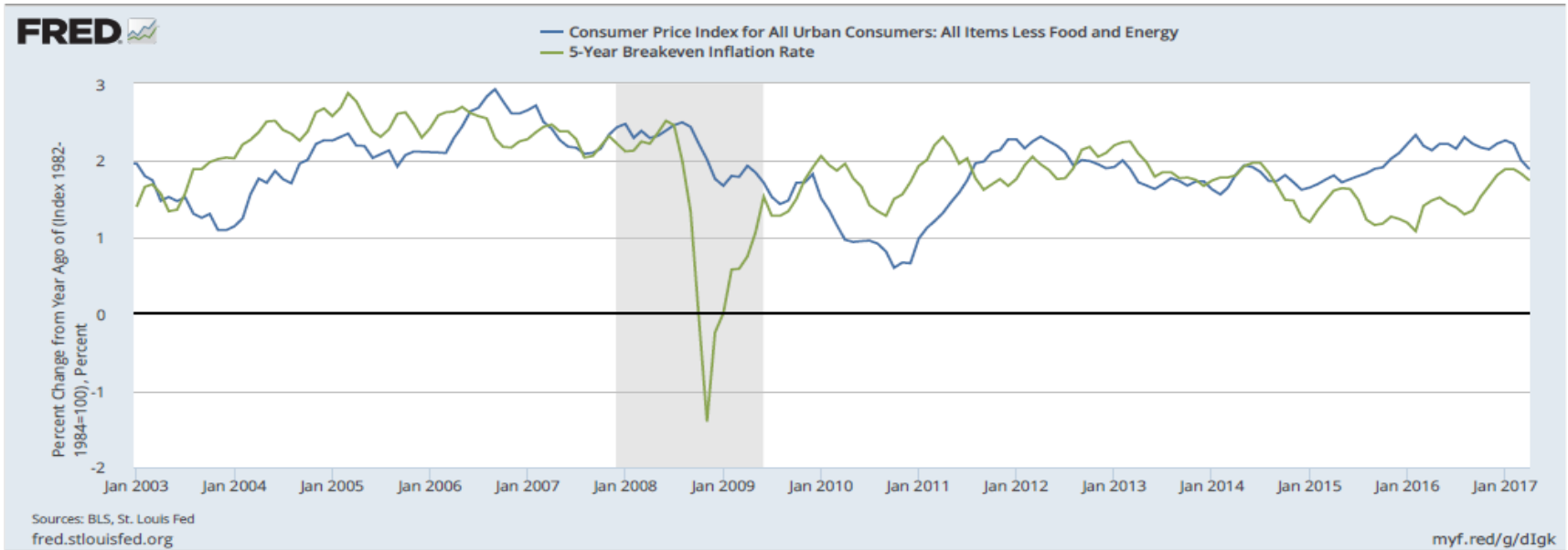
Modest inflation and uncertain interest rate environment are supportive of TIPS allocation

5-Year Real Interest Rates



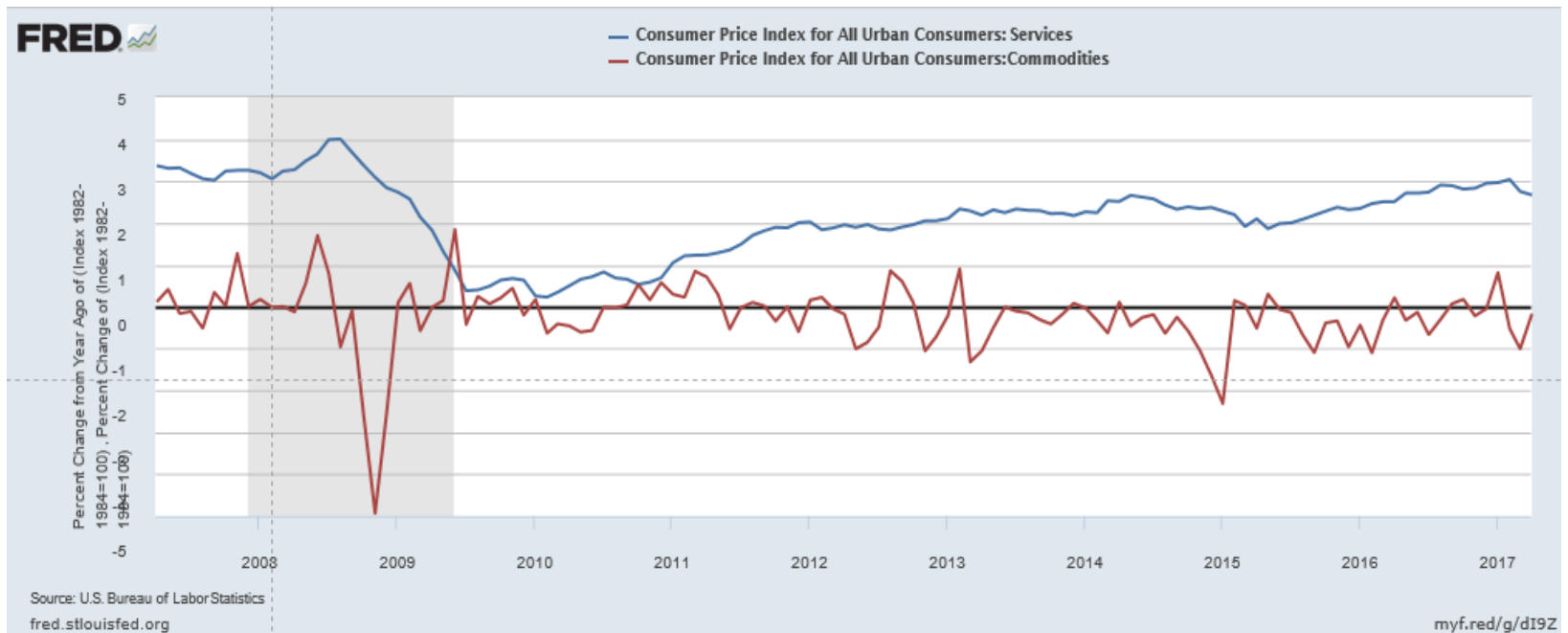
TIPS are adjusted every six months based on the CPI Rate providing protection against an unexpected spin in inflation.

Core CPI vs. 5 yr Breakevens



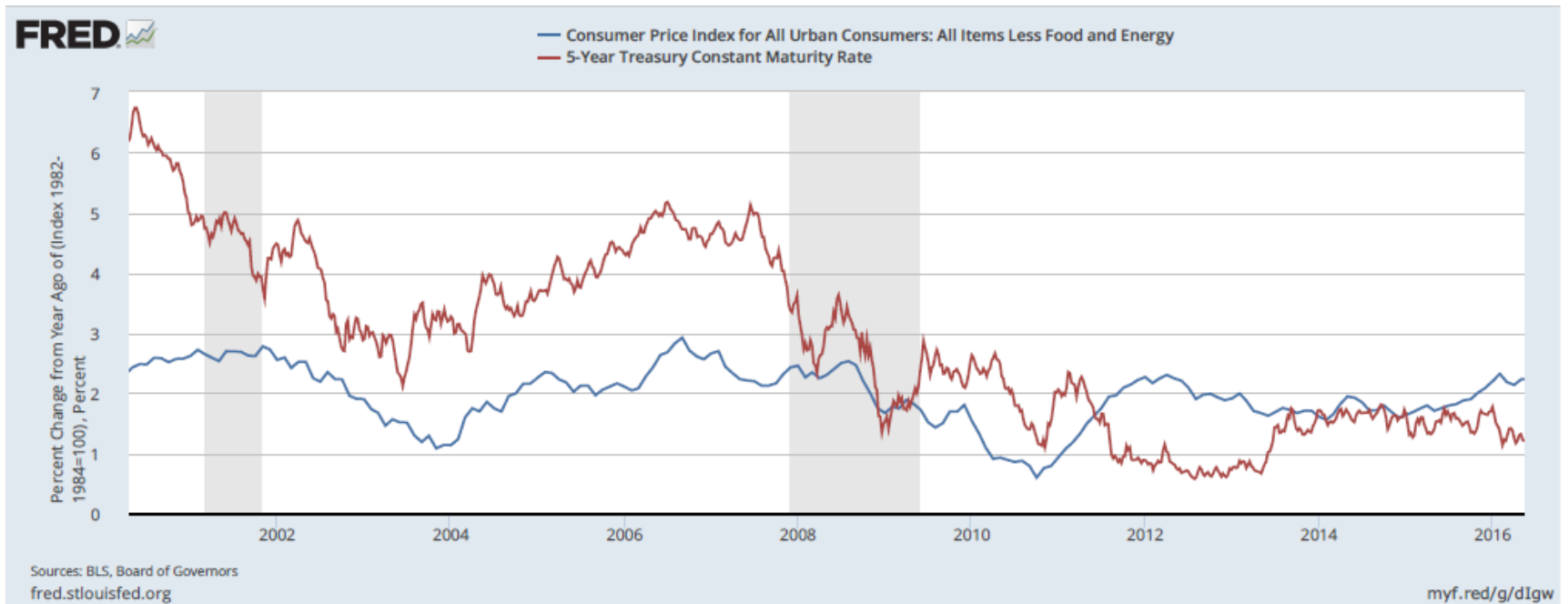
Breakeven inflation is trading below actual inflation.

CPI – Core Goods and Core Services



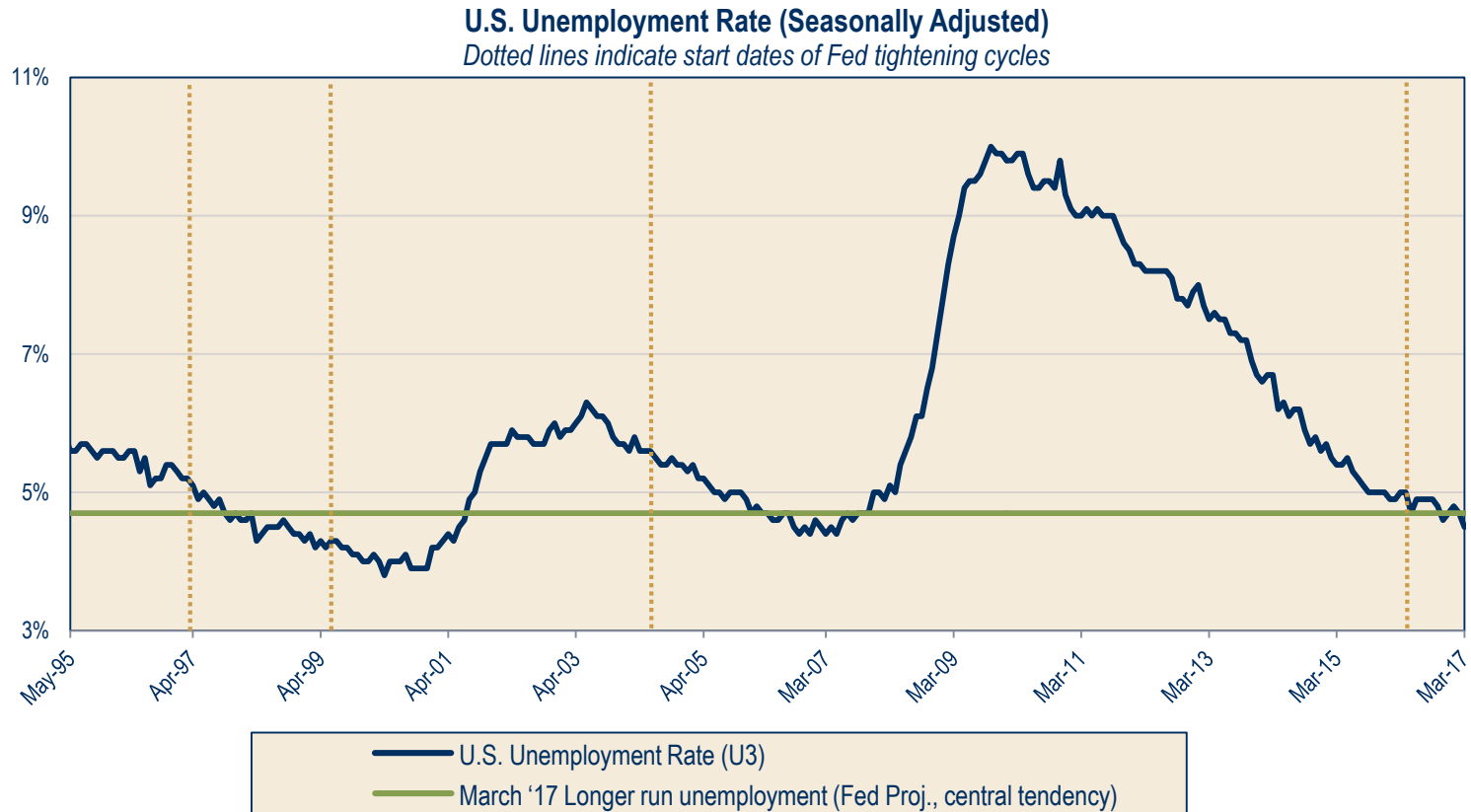
- Service inflation has been rising since the recession
- The U.S. is a service denominated economy

Core CPI vs. 5 Yr Treasury



- Treasury rates are below inflation.
- Warrant a short duration stance.

U.S. Unemployment Rate

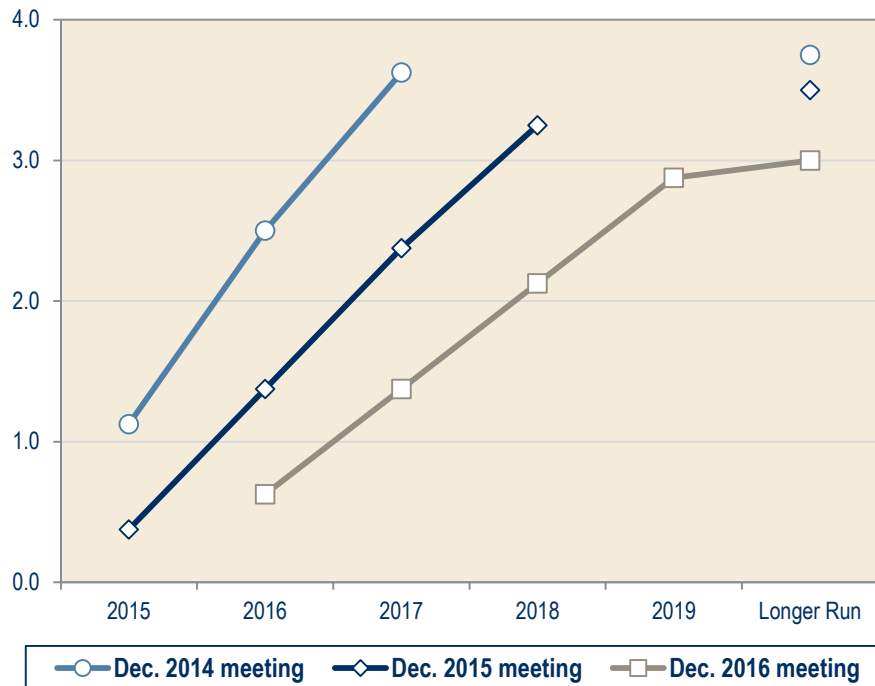


U.S. at full employment has a tight labor market.

Source: Bloomberg, U.S. Unemployment Rate, Total in Labor Force, Seasonally Adjusted, Period as of 3/31/17. Central Tendency excludes the three highest and three lowest economic projections of the Federal Reserve Board members and Federal Reserve Bank presidents for each variable in each year. Vertical lines mark the first tightening/first hikes in Fed tightening cycles.

The Fed Has Consistently Moderated Its Economic, Inflation and Rates Outlook

Median of FOMC Participants' Projected Year-End Fed Funds Rate



FOMC Participants' Economic Projections

Variable & FOMC Meeting Date	Central Tendency* (%)				
	2016	2017	2018	2019	Longer Run
Change In Real GDP – Dec.. 2016	1.8 to 1.9	1.9 to 2.3	1.8 to 2.2	1.8 to 2.0	1.8 to 2.0
<i>Dec. 2014</i>	2.5 to 3.0	2.3 to 2.5	<i>N/A</i>	<i>N/A</i>	2.0 to 2.3
Unemployment Rate - Dec. 2016	4.7 to 4.8	4.5 to 4.6	4.3 to 4.7	4.3 to 4.8	4.7 to 5.0
<i>Dec. 2014</i>	5.0 to 5.2	4.9 to 5.3	<i>N/A</i>	<i>N/A</i>	5.2 to 5.5
PCE Inflation - Dec. 2016	1.5	1.7 to 2.0	1.9 to 2.0	2.0 to 2.1	2.0
<i>Dec. 2014</i>	1.7 to 2.0	1.8 to 2.0	<i>N/A</i>	<i>N/A</i>	2.0

- Normalization of policy rates amid downward revisions to growth, inflation and fed funds rate expectations should provide less upward pressure on market rates than was experienced during the 2013 Taper Tantrum.
- An electoral surprise that would jeopardize the Fed leadership could alter this framework in a bond bearish direction since Yellen's term as Fed Chair ends in February 2018.

Source: Federal Reserve December 2016, December 2015 & December 2014.

Midpoint of target range reflects the FOMC participants "judgment of the midpoint of the appropriate target range for the federal funds rate"; also known as the "dot plot".

*The central tendency excludes the three highest and three lowest projections for each variable in each year.

Disclosures

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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