

Semi-Annual Shareholder Report

February 28, 2019

Share Class | Ticker

Institutional | FEUGX

Service | FASSX

Federated Adjustable Rate Securities Fund

Fund Established 1985

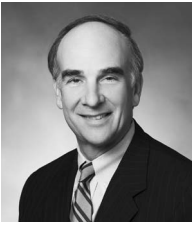
IMPORTANT NOTICE REGARDING REPORT DELIVERY

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

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

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

Not FDIC Insured • May Lose Value • No Bank Guarantee



**J. Christopher
Donahue**

President

Federated Adjustable
Rate Securities Fund

Letter from the President

Dear Valued Shareholder,

I am pleased to present the Semi-Annual Shareholder Report for your fund covering the period from September 1, 2018 through February 28, 2019. This report includes a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

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

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

Sincerely,

A handwritten signature in dark ink, reading "J. Christopher Donahue". The signature is written in a cursive, flowing style.

J. Christopher Donahue, President

CONTENTS

In Memoriam..... 1

Portfolio of Investments Summary Table 2

Portfolio of Investments..... 3

Financial Highlights 11

Statement of Assets and Liabilities..... 13

Statement of Operations..... 14

Statement of Changes in Net Assets..... 15

Notes to Financial Statements 16

Shareholder Expense Example 23

Evaluation and Approval of Advisory Contract..... 25

Voting Proxies on Fund Portfolio Securities 32

Quarterly Portfolio Schedule 32

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.

Portfolio of Investments Summary Table (unaudited)

At February 28, 2019, the Fund's portfolio composition¹ was as follows:

Type of Investment	Percentage of Total Net Assets
U.S. Government Agency Adjustable Rate Mortgage Securities (ARMS)	47.1%
Collateralized Mortgage Obligations	38.6%
U.S. Government Agency Mortgage-Backed Securities	8.3%
Non-Agency Mortgage-Backed Securities	1.3%
U.S. Government Agency Commercial Mortgage-Backed Securities	1.0%
Asset-Backed Security	0.6%
Cash Equivalents ²	2.5%
Other Assets and Liabilities—Net ³	0.6%
TOTAL	100.0%

- ¹ See the Fund's Prospectus and Statement of Additional Information for a description of the types of securities in which the Fund invests.
- ² Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements.
- ³ Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

Portfolio of Investments

February 28, 2019 (unaudited)

**Principal
Amount
or Shares**

Value

¹ADJUSTABLE RATE MORTGAGES—47.1%

Federal Home Loan Mortgage Corporation ARM—16.2%

\$1,699,906	3.741%, 7/1/2038	\$ 1,755,996
3,380,944	3.808%, 7/1/2034	3,464,234
2,107,546	4.035%, 2/1/2035	2,195,332
1,237,117	4.123%, 4/1/2034	1,302,283
1,227,589	4.210%, 5/1/2035	1,281,427
1,923,116	4.227%, 7/1/2036	2,006,246
1,337,509	4.243%, 4/1/2037	1,404,365
1,879,082	4.269%, 10/1/2033	1,961,049
610,658	4.378%, 2/1/2036	638,979
1,498,999	4.527%, 8/1/2035	1,579,570
1,622,956	4.538%, 11/1/2034	1,710,190
2,198,450	4.641%, 7/1/2035	2,306,987
1,340,549	4.733%, 12/1/2034	1,403,673
	TOTAL	23,010,331

Federal National Mortgage Association ARM—30.7%

241,120	3.766%, 5/1/2038	249,304
231,043	3.810%, 2/1/2036	242,056
631,346	3.917%, 5/1/2035	654,996
542,404	4.009%, 9/1/2033	554,575
1,420,236	4.020%, 5/1/2039	1,460,215
1,490,503	4.022%, 10/1/2034	1,531,930
650,782	4.051%, 5/1/2035	681,037
244,100	4.066%, 5/1/2035	251,731
696,805	4.101%, 10/1/2037	719,873
55,338	4.131%, 4/1/2034	57,613
234,827	4.141%, 11/1/2035	243,591
250,122	4.169%, 5/1/2036	263,284
259,498	4.185%, 7/1/2036	268,459
1,865,929	4.205%, 5/1/2036	1,961,106
1,426,670	4.212%, 10/1/2035	1,503,354
359,177	4.228%, 7/1/2035	372,491
478,366	4.249%, 6/1/2033	496,780
901,540	4.268%, 6/1/2034	928,773
575,499	4.270%, 1/1/2035	598,498

**Principal
Amount
or Shares**

Value

¹ADJUSTABLE RATE MORTGAGES—continued

Federal National Mortgage Association ARM—continued

\$1,213,128	4.289%, 8/1/2034	\$ 1,249,353
2,312,769	4.309%, 7/1/2034	2,437,080
3,811,551	4.320%, 8/1/2039	3,961,464
1,313,908	4.366%, 7/1/2035	1,383,436
97,019	4.391%, 2/1/2036	101,142
700,050	4.410%, 7/1/2034	737,677
446,688	4.430%, 7/1/2035	466,997
766,371	4.433%, 7/1/2039	803,675
2,740,734	4.438%, 5/1/2035	2,855,043
338,896	4.439%, 10/1/2035	355,885
937,883	4.501%, 7/1/2035	987,442
749,997	4.515%, 10/1/2037	789,399
1,296,655	4.516%, 7/1/2035	1,360,260
1,016,077	4.583%, 12/1/2034	1,064,015
82,187	4.595%, 10/1/2033	83,837
482,903	4.619%, 6/1/2035	508,859
256,196	4.637%, 12/1/2034	266,969
511,187	4.671%, 10/1/2035	538,664
673,512	4.682%, 1/1/2035	709,576
369,209	4.690%, 11/1/2040	389,054
4,494,550	4.732%, 8/1/2035	4,706,445
1,570,855	4.819%, 1/1/2040	1,655,289
918,298	4.835%, 11/1/2039	967,657
296,240	4.840%, 12/1/2033	312,163
1,680,828	4.880%, 2/1/2042	1,771,173
72,826	4.987%, 7/1/2027	76,261
	TOTAL	43,578,481

Government National Mortgage Association ARM—0.2%

52,581	3.375%, 1/20/2022	52,903
51,058	3.375%, 2/20/2023	51,502
52,987	3.375%, 3/20/2023	53,456
15,726	3.375%, 1/20/2030	16,048
25,254	3.625%, 5/20/2029	25,719
37,130	3.750%, 7/20/2023	37,455
40,888	3.750%, 9/20/2023	41,261
38,507	4.125%, 11/20/2023	38,985

**Principal
Amount
or Shares**

Value

Principal Amount or Shares		Value
	¹ ADJUSTABLE RATE MORTGAGES—continued	
	Government National Mortgage Association ARM—continued	
\$ 35,834	4.125%, 10/20/2029	\$ 36,617
	TOTAL	353,946
	TOTAL ADJUSTABLE RATE MORTGAGES (IDENTIFIED COST \$66,839,174)	66,942,758
	¹ ASSET-BACKED SECURITY—0.6%	
	Other—0.6%	
898,663	Sofi Professional Loan Program LLC, Class A1, 4.239% (1-month USLIBOR +1.750%), 8/25/2036 (IDENTIFIED COST \$890,586)	915,785
	¹ COLLATERALIZED MORTGAGE OBLIGATIONS—39.9%	
	Federal Home Loan Mortgage Corporation—10.4%	
238,000	REMIC, Series 2380, Class FL, 3.088% (1-month USLIBOR +0.600%), 11/15/2031	239,956
224,910	REMIC, Series 2434, Class FA, 3.488% (1-month USLIBOR +1.000%), 3/15/2032	229,298
92,528	REMIC, Series 2448, Class FA, 3.488% (1-month USLIBOR +1.000%), 1/15/2032	94,300
97,898	REMIC, Series 2452, Class FC, 3.488% (1-month USLIBOR +1.000%), 1/15/2032	99,772
291,078	REMIC, Series 2459, Class FP, 3.488% (1-month USLIBOR +1.000%), 6/15/2032	296,676
70,686	REMIC, Series 2470, Class EF, 3.488% (1-month USLIBOR +1.000%), 3/15/2032	72,065
325,872	REMIC, Series 2475, Class F, 3.488% (1-month USLIBOR +1.000%), 2/15/2032	332,199
268,725	REMIC, Series 2475, Class FD, 3.038% (1-month USLIBOR +0.550%), 6/15/2031	270,606
205,930	REMIC, Series 2480, Class NF, 3.488% (1-month USLIBOR +1.000%), 1/15/2032	209,914
69,602	REMIC, Series 2498, Class AF, 3.488% (1-month USLIBOR +1.000%), 3/15/2032	70,960
281,429	REMIC, Series 3085, Class UF, 2.938% (1-month USLIBOR +0.450%), 12/15/2035	282,292
622,495	REMIC, Series 3156, Class HF, 2.973% (1-month USLIBOR +0.485%), 8/15/2035	625,086
198,688	REMIC, Series 3213, Class GF, 2.918% (1-month USLIBOR +0.430%), 9/15/2036	199,023
1,171,379	REMIC, Series 3284, Class AF, 2.798% (1-month USLIBOR +0.310%), 3/15/2037	1,167,617
5,244,687	REMIC, Series 3284, Class BF, 2.788% (1-month USLIBOR +0.300%), 3/15/2037	5,247,966

**Principal
Amount
or Shares**

Value

¹ COLLATERALIZED MORTGAGE OBLIGATIONS—continued		
Federal Home Loan Mortgage Corporation—continued		
\$ 672,020	REMIC, Series 3380, Class FP, 2.838% (1-month USLIBOR +0.350%), 11/15/2036	\$ 670,612
686,059	REMIC, Series 3550, Class GF, 3.238% (1-month USLIBOR +0.750%), 7/15/2039	695,792
952,735	REMIC, Series 3556, Class FA, 3.398% (1-month USLIBOR +0.910%), 7/15/2037	967,473
409,725	REMIC, Series 3593, Class CF, 3.088% (1-month USLIBOR +0.600%), 2/15/2036	412,803
2,598,988	REMIC, Series 4149, Class F, 2.738% (1-month USLIBOR +0.250%), 1/15/2033	2,576,892
	TOTAL	14,761,302
Federal National Mortgage Association—23.8%		
41,020	REMIC, Series 1995-17, Class B, 4.145%, 2/25/2025	41,338
269,401	REMIC, Series 2001-32, Class FA, 3.039% (1-month USLIBOR +0.550%), 7/25/2031	271,219
95,989	REMIC, Series 2001-57, Class FA, 2.939% (1-month USLIBOR +0.450%), 6/25/2031	96,285
77,055	REMIC, Series 2001-62, Class FC, 3.139% (1-month USLIBOR +0.650%), 11/25/2031	77,890
102,087	REMIC, Series 2001-71, Class FS, 3.089% (1-month USLIBOR +0.600%), 11/25/2031	103,049
204,952	REMIC, Series 2002-52, Class FG, 2.989% (1-month USLIBOR +0.500%), 9/25/2032	206,262
558,578	REMIC, Series 2002-58, Class FG, 3.489% (1-month USLIBOR +1.000%), 8/25/2032	569,676
90,769	REMIC, Series 2002-60, Class FH, 3.489% (1-month USLIBOR +1.000%), 8/25/2032	92,572
368,034	REMIC, Series 2002-7, Class FG, 3.389% (1-month USLIBOR +0.900%), 1/25/2032	373,844
180,656	REMIC, Series 2002-77, Class FA, 3.481% (1-month USLIBOR +1.000%), 12/18/2032	184,226
76,011	REMIC, Series 2002-77, Class FG, 3.031% (1-month USLIBOR +0.550%), 12/18/2032	76,625
162,380	REMIC, Series 2002-8, Class FA, 3.231% (1-month USLIBOR +0.750%), 3/18/2032	164,727
234,670	REMIC, Series 2005-67, Class FM, 2.839% (1-month USLIBOR +0.350%), 8/25/2035	234,460
1,102,373	REMIC, Series 2006-103, Class FB, 2.889% (1-month USLIBOR +0.400%), 10/25/2036	1,107,689
293,468	REMIC, Series 2006-11, Class FB, 2.789% (1-month USLIBOR +0.300%), 3/25/2036	293,234

**Principal
Amount
or Shares**

Value

¹ COLLATERALIZED MORTGAGE OBLIGATIONS—continued		
Federal National Mortgage Association—continued		
\$1,042,964	REMIC, Series 2006-65, Class DF, 2.839% (1-month USLIBOR +0.350%), 7/25/2036	\$ 1,041,778
385,355	REMIC, Series 2006-76, Class QF, 2.889% (1-month USLIBOR +0.400%), 8/25/2036	385,506
3,626,882	REMIC, Series 2006-W1, Class 2AF1, 2.709% (1-month USLIBOR +0.220%), 2/25/2046	3,597,854
122,630	REMIC, Series 2007-102, Class FA, 3.059% (1-month USLIBOR +0.570%), 11/25/2037	123,284
345,843	REMIC, Series 2007-20, Class F, 2.749% (1-month USLIBOR +0.260%), 3/25/2037	344,779
2,395,935	REMIC, Series 2007-71, Class WF, 2.939% (1-month USLIBOR +0.450%), 7/25/2037	2,402,688
424,384	REMIC, Series 2007-88, Class FW, 3.039% (1-month USLIBOR +0.550%), 9/25/2037	424,701
585,186	REMIC, Series 2008-69, Class FB, 3.489% (1-month USLIBOR +1.000%), 6/25/2037	600,662
110,774	REMIC, Series 2008-75, Class DF, 3.739% (1-month USLIBOR +1.250%), 9/25/2038	113,786
2,574,462	REMIC, Series 2009-106, Class FN, 3.239% (1-month USLIBOR +0.750%), 1/25/2040	2,610,840
893,309	REMIC, Series 2009-78, Class UF, 3.259% (1-month USLIBOR +0.770%), 10/25/2039	907,363
1,603,452	REMIC, Series 2009-87, Class FX, 3.239% (1-month USLIBOR +0.750%), 11/25/2039	1,625,218
1,835,101	REMIC, Series 2009-87, Class HF, 3.339% (1-month USLIBOR +0.850%), 11/25/2039	1,867,867
844,090	REMIC, Series 2010-39, Class EF, 3.009% (1-month USLIBOR +0.520%), 6/25/2037	848,421
5,214,711	REMIC, Series 2010-68, Class BF, 2.989% (1-month USLIBOR +0.500%), 7/25/2040	5,240,735
3,651,185	REMIC, Series 2011-4, Class PF, 3.039% (1-month USLIBOR +0.550%), 2/25/2041	3,673,778
4,208,989	REMIC, Series 2012-130, Class DF, 2.889% (1-month USLIBOR +0.400%), 12/25/2042	4,191,856
	TOTAL	33,894,212
Government National Mortgage Association—4.4%		
946,991	REMIC, Series 2012-42, Class HF, 2.854% (1-month USLIBOR +0.370%), 3/20/2042	944,258
5,382,166	REMIC, Series 2012-90, Class FA, 2.884% (1-month USLIBOR +0.400%), 7/20/2042	5,369,976
	TOTAL	6,314,234

Principal Amount or Shares		Value
	¹ COLLATERALIZED MORTGAGE OBLIGATIONS—continued	
	Non-Agency Mortgage-Backed Securities—1.3%	
\$1,907,510	Sequoia Mortgage Trust 2013-1, Class 1A1, 1.450%, 2/25/2043	\$ 1,776,698
	TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (IDENTIFIED COST \$56,592,484)	56,746,446
	¹ COMMERCIAL MORTGAGE-BACKED SECURITIES—1.0%	
	Agency Commercial Mortgage-Backed Securities—1.0%	
196,652	FHLMC REMIC, Series KF03, Class A, 2.853% (1-month USLIBOR +0.340%), 1/25/2021	196,600
1,171,494	FHLMC REMIC, Series KS02, Class A, 2.893% (1-month USLIBOR +0.380%), 8/25/2023	1,170,850
	TOTAL COMMERCIAL MORTGAGE-BACKED SECURITIES (IDENTIFIED COST \$1,368,146)	1,367,450
	MORTGAGE-BACKED SECURITIES—8.3%	
	Federal Home Loan Mortgage Corporation—1.5%	
1,477,792	4.000%, 9/1/2047	1,513,073
504,152	4.000%, 11/1/2047	516,030
	TOTAL	2,029,103
	Federal National Mortgage Association—6.8%	
1,342,078	3.000%, 8/1/2023	1,349,207
1,833,178	4.000%, 12/1/2047	1,887,893
510,784	4.000%, 2/1/2048	522,518
532,736	4.000%, 2/1/2048	545,640
3,711,233	4.000%, 3/1/2048	3,791,849
1,396,302	4.000%, 3/1/2048	1,426,196
169,262	5.000%, 1/1/2024	175,081
	TOTAL	9,698,384
	TOTAL MORTGAGE-BACKED SECURITIES (IDENTIFIED COST \$11,534,401)	11,727,487
	INVESTMENT COMPANY—2.5%	
3,603,385	Federated Government Obligations Fund, Premier Shares, 2.32% ² (AT AMORTIZED COST)	3,603,385
	TOTAL INVESTMENT IN SECURITIES—99.4% (IDENTIFIED COST \$140,828,176) ³	141,303,311
	OTHER ASSETS AND LIABILITIES - NET—0.6% ⁴	838,458
	TOTAL NET ASSETS—100%	\$142,141,769

Affiliated fund holdings are investment companies which are managed by the Adviser or an affiliate of the Adviser. Transactions with affiliated fund holdings during the period ended February 28, 2019, were as follows:

	Federated Government Obligations Fund, Premier Shares
Balance of Shares Held 8/31/2018	6,416,535
Purchases/Additions	46,782,023
Sales/Reductions	(49,595,173)
Balance of Shares Held 2/28/2019	3,603,385
Value	\$ 3,603,385
Change in Unrealized Appreciation/Depreciation	N/A
Net Realized Gain/(Loss)	N/A
Dividend Income	\$ 33,405

- 1 *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.*
- 2 *7-day net yield.*
- 3 *The cost of investments for federal tax purposes amounts to \$140,828,184.*
- 4 *Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.*

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 February 28, 2019, in valuing the Fund's assets carried at fair value:

Valuation Inputs

	Level 1— Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
Debt Securities:				
Adjustable Rate Mortgages	\$ —	\$ 66,942,758	\$—	\$ 66,942,758
Asset-Backed Security	—	915,785	—	915,785
Collateralized Mortgage Obligations	—	56,746,446	—	56,746,446
Commercial Mortgage-Backed Securities	—	1,367,450	—	1,367,450
Mortgage-Backed Securities	—	11,727,487	—	11,727,487
Investment Company	3,603,385	—	—	3,603,385
TOTAL SECURITIES	\$3,603,385	\$137,699,926	\$—	\$141,303,311

The following acronyms are used throughout this portfolio:

- ARM —Adjustable Rate Mortgage
- FHLMC—Federal Home Loan Mortgage Corporation
- LIBOR —London Interbank Offered Rate
- REMIC —Real Estate Mortgage Investment Conduit

See Notes which are an integral part of the Financial Statements

Financial Highlights – Institutional Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 2/28/2019	Year Ended August 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$9.64	\$9.67	\$9.69	\$9.78	\$9.81	\$9.78
Income From Investment Operations:						
Net investment income	0.10	0.14	0.08	0.06	0.05	0.05
Net realized and unrealized gain (loss)	0.01	(0.03)	(0.02)	(0.09)	(0.03)	0.03
TOTAL FROM INVESTMENT OPERATIONS	0.11	0.11	0.06	(0.03)	0.02	0.08
Less Distributions:						
Distributions from net investment income	(0.11)	(0.14)	(0.08)	(0.06)	(0.05)	(0.05)
Net Asset Value, End of Period	\$9.64	\$9.64	\$9.67	\$9.69	\$9.78	\$9.81
Total Return¹	1.10%	1.15%	0.63%	(0.35)%	0.16%	0.83%
Ratios to Average Net Assets:						
Net expenses	0.65% ²	0.65%	0.65%	0.64%	0.64%	0.64%
Net investment income	2.16% ²	1.44%	0.82%	0.58%	0.47%	0.52%
Expense waiver/reimbursement ³	0.37% ²	0.33%	0.30%	0.25%	0.24%	0.24%
Supplemental Data:						
Net assets, end of period (000 omitted)	\$131,589	\$151,186	\$226,904	\$357,065	\$555,017	\$674,103
Portfolio turnover	19%	21%	1%	19%	27%	12%
Portfolio turnover (excluding purchases and sales from dollar-roll transactions)	19%	21%	1%	19%	27%	12%

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

2 Computed on an annualized basis.

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

See Notes which are an integral part of the Financial Statements

Financial Highlights – Service Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 2/28/2019	Year Ended August 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$9.64	\$9.67	\$9.69	\$9.78	\$9.81	\$9.78
Income From Investment Operations:						
Net investment income	0.09	0.11	0.06	0.04	0.02	0.03
Net realized and unrealized gain (loss)	0.00	(0.02)	(0.02)	(0.09)	(0.03)	0.03
TOTAL FROM INVESTMENT OPERATIONS	0.09	0.09	0.04	(0.05)	(0.01)	0.06
Less Distributions:						
Distributions from net investment income	(0.09)	(0.12)	(0.06)	(0.04)	(0.02)	(0.03)
Net Asset Value, End of Period	\$9.64	\$9.64	\$9.67	\$9.69	\$9.78	\$9.81
Total Return¹	0.98%	0.90%	0.40%	(0.55)%	(0.07)%	0.60%
Ratios to Average Net Assets:						
Net expenses	0.90% ²	0.90%	0.88%	0.85%	0.88%	0.88%
Net investment income	1.93% ²	1.16%	0.60%	0.39%	0.23%	0.28%
Expense waiver/reimbursement ³	0.29% ²	0.21%	0.18%	0.14%	0.12%	0.12%
Supplemental Data:						
Net assets, end of period (000 omitted)	\$10,552	\$10,647	\$20,109	\$30,134	\$38,078	\$42,755
Portfolio turnover	19%	21%	1%	19%	27%	12%
Portfolio turnover (excluding purchases and sales from dollar-roll transactions)	19%	21%	1%	19%	27%	12%

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

2 Computed on an annualized basis.

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

See Notes which are an integral part of the Financial Statements

Statement of Assets and Liabilities

February 28, 2019 (unaudited)

Assets:

Investment in securities, at value including \$3,603,385 of investment in an affiliated holding (identified cost \$140,828,176)	\$141,303,311
Income receivable	758,370
Income receivable from affiliated holdings	4,763
Receivable for shares sold	307,954
Prepaid expenses	3,408
TOTAL ASSETS	142,377,806

Liabilities:

Payable for shares redeemed	\$ 55,772
Income distribution payable	127,434
Payable for investment adviser fee (Note 5)	2,725
Payable for administrative fees (Note 5)	310
Payable for Directors'/Trustees' fees (Note 5)	702
Payable for portfolio accounting fees	37,460
Payable for other service fees (Notes 2 and 5)	11,634
TOTAL LIABILITIES	236,037
Net assets for 14,746,815 shares outstanding	\$142,141,769

Net Assets Consist of:

Paid-in capital	\$143,329,334
Total distributable earnings (loss)	(1,187,565)
TOTAL NET ASSETS	\$142,141,769

Net Asset Value, Offering Price and Redemption Proceeds Per Share

Institutional Shares:

Net asset value per share (\$131,589,273 ÷ 13,651,771 shares outstanding), no par value, unlimited shares authorized	\$9.64
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Service Shares:

Net asset value per share (\$10,552,496 ÷ 1,095,044 shares outstanding), no par value, unlimited shares authorized	\$9.64
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See Notes which are an integral part of the Financial Statements

Statement of Operations

Six Months Ended February 28, 2019 (unaudited)

Investment Income:

Interest	\$2,081,193
Dividends received from an affiliated holding*	33,405
TOTAL INCOME	2,114,598

Expenses:

Investment adviser fee (Note 5)	\$ 451,152
Administrative fee (Note 5)	60,109
Custodian fees	9,804
Transfer agent fee	47,176
Directors'/Trustees' fees (Note 5)	4,283
Auditing fees	16,552
Legal fees	6,368
Portfolio accounting fees	54,421
Other service fees (Notes 2 and 5)	68,429
Share registration costs	21,294
Printing and postage	12,123
Miscellaneous (Note 5)	26,333
TOTAL EXPENSES	778,044

Waiver and Reimbursements:

Waiver/reimbursement of investment adviser fee (Note 5)	\$(219,805)
Reimbursement of other operating expenses (Notes 2 and 5)	(55,313)
TOTAL WAIVER AND REIMBURSEMENTS	(275,118)

Net expenses	502,926
Net investment income	1,611,672

Realized and Unrealized Gain (Loss) on Investments:

Net realized loss on investments	(182,908)
Net change in unrealized appreciation of investments	186,988
Net realized and unrealized gain on investments	4,080
Change in net assets resulting from operations	\$1,615,752

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

See Notes which are an integral part of the Financial Statements

Statement of Changes in Net Assets

	Six Months Ended (unaudited) 2/28/2019	Year Ended 8/31/2018
Increase (Decrease) in Net Assets		
Operations:		
Net investment income	\$ 1,611,672	\$ 3,040,279
Net realized gain (loss)	(182,908)	305,475
Net change in unrealized appreciation/depreciation	186,988	(1,148,505)
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	1,615,752	2,197,249
Distributions to Shareholders (Note 2):		
Institutional Shares	(1,541,801)	(2,875,124)
Service Shares	(102,953)	(169,926)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(1,644,754)	(3,045,050)
Share Transactions:		
Proceeds from sale of shares	23,962,923	31,869,438
Net asset value of shares issued to shareholders in payment of distributions declared	887,048	1,923,618
Cost of shares redeemed	(44,512,403)	(118,124,910)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(19,662,432)	(84,331,854)
Change in net assets	(19,691,434)	(85,179,655)
Net Assets:		
Beginning of period	161,833,203	247,012,858
End of period	\$142,141,769	\$ 161,833,203

See Notes which are an integral part of the Financial Statements

Notes to Financial Statements

February 28, 2019 (unaudited)

1. ORGANIZATION

Federated Adjustable Rate Securities Fund (the “Fund”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as a diversified, open-end management investment company. The Fund offers two classes of shares: Institutional Shares and Service Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. The investment objective of the Fund is to provide current income consistent with minimal volatility of principal.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Investment Valuation

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

- Fixed-income securities are fair valued using price evaluations provided by a pricing service approved by the Fund’s Board of Trustees (the “Trustees”).
- Shares of other mutual funds or non-exchange-traded investment companies are valued based upon their reported NAVs.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the 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 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, Federated Investment Management Company (the “Adviser”) and certain of the Adviser’s affiliated companies to assist in determining fair value and in overseeing the calculation of the NAV. The 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 Adviser based on recent market activity. In the event that market quotations and price evaluations are not available for an investment, the Valuation Committee determines the fair value of the investment in accordance with procedures adopted by the 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.

Repurchase Agreements

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

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

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

Investment Income, Gains and Losses, Expenses and Distributions

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are recorded on an identified-cost basis. Interest income and expenses are accrued daily. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Distributions of net investment income, if any, are declared daily and paid monthly. Amortization/accretion of premium and discount is included in investment income. Gains and losses realized on principal payment of mortgage-backed securities (paydown gains and losses) are classified as part of investment income. Investment income, realized and unrealized gains and losses, and certain fund-level expenses are allocated to each class based on relative average daily net assets, except that select classes will bear certain expenses unique to those classes. The detail of the total fund expense waiver and reimbursements of \$275,118 is disclosed in various locations in this Note 2 and 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 August 31, 2018, were from net investment income. Undistributed net investment income at August 31, 2018, was \$41,385.

Other Service Fees

The Fund may pay other service fees up to 0.25% of the average daily net assets of the Fund's Institutional Shares and Service Shares to unaffiliated financial intermediaries or to Federated Shareholder Services Company (FSSC) for providing services to shareholders and maintaining shareholder accounts. Subject to the terms described in the Expense Limitation note, FSSC may voluntarily reimburse the Fund for other service fees. For the six months ended February 28, 2019, other service fees for the Fund were as follows:

	Other Service Fees Incurred	Other Service Fees Reimbursed
Institutional Shares	\$55,313	\$(55,313)
Service Shares	13,116	—
TOTAL	\$68,429	\$(55,313)

Federal Taxes

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code (the "Code") and to distribute to shareholders each year substantially all of its income.

Accordingly, no provision for federal income tax is necessary. As of and during the six months ended February 28, 2019, the Fund did not have a liability for any uncertain tax positions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. As of February 28, 2019, 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.

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.

Dollar-Roll Transactions

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

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.

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:

Institutional Shares:	Six Months Ended 2/28/2019		Year Ended 8/31/2018	
	Shares	Amount	Shares	Amount
Shares sold	2,447,195	\$ 23,574,514	3,250,879	\$ 31,351,160
Shares issued to shareholders in payment of distributions declared	81,989	789,864	182,687	1,762,310
Shares redeemed	(4,561,851)	(43,933,136)	(11,203,030)	(108,053,937)
NET CHANGE RESULTING FROM INSTITUTIONAL SHARE TRANSACTIONS	(2,032,667)	\$(19,568,758)	(7,769,464)	\$(74,940,467)

Service Shares:	Six Months Ended 2/28/2019		Year Ended 8/31/2018	
	Shares	Amount	Shares	Amount
Shares sold	40,336	\$ 388,409	53,785	\$ 518,278
Shares issued to shareholders in payment of distributions declared	10,089	97,184	16,720	161,308
Shares redeemed	(60,171)	(579,267)	(1,044,684)	(10,070,973)
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	(9,746)	\$ (93,674)	(974,179)	\$ (9,391,387)
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(2,042,413)	\$(19,662,432)	(8,743,643)	\$(84,331,854)

4. FEDERAL TAX INFORMATION

At February 28, 2019, the cost of investments for federal tax purposes was \$140,828,184. The net unrealized appreciation of investments for federal tax purposes was \$475,127. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$1,182,882 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$707,755.

At August 31, 2018, the Fund had a capital loss carryforward of \$1,488,087 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 on or before December 22, 2010, is characterized as short-term and may be carried forward for a maximum of eight tax years ("Carryforward Limit"), whereas a net capital loss incurred in taxable years beginning after December 22, 2010, retains its character as either short-term or long-term, does not expire and is required to be utilized prior to the losses which have a Carryforward Limit.

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

Expiration Year	Short-Term	Long-Term	Total
No Expiration	\$1,154,114	\$331,407	\$1,485,521
2019	\$ 2,566	NA	\$ 2,566

5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Investment Adviser Fee

The advisory agreement between the Fund and the Adviser provides for an annual fee equal to 0.60% of the Fund's average daily net assets. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily choose to waive any portion of its fee. For the six months ended February 28, 2019, the Adviser voluntarily waived \$218,758 of its fee.

The Adviser has agreed to reimburse the Fund for certain investment adviser fees as a result of transactions in other affiliated investment companies. For the six months ended February 28, 2019, the Adviser reimbursed \$1,047.

Administrative Fee

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

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

Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the six months ended February 28, 2019, the annualized fee paid to FAS was 0.080% of average daily net assets of the Fund.

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

Distribution Services Fee

The Fund has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Act. Under the terms of the Plan, the Fund will compensate Federated Securities Corp. (FSC), the principal distributor, from the daily net assets of the Fund's Service Shares to finance activities intended to result in the sale of these shares. The Plan provides that the Fund may incur distribution expenses at 0.05% of average daily net assets, annually, to compensate FSC. Subject to the terms described in the Expense Limitation note, FSC may voluntarily choose to waive any portion of its fee. When FSC receives fees, it may pay some or all of them to financial intermediaries whose customers purchase shares. For the six months ended February 28, 2019, the Fund's Service Shares did not incur a distribution services fee; however, it may begin to incur this fee upon approval of the Trustees.

Other Service Fees

For the six months ended February 28, 2019, FSSC received \$273 and reimbursed \$55,313 of the other service fees disclosed in Note 2.

Expense Limitation

The Adviser and certain of its affiliates (which may include FSC, FAS and FSSC) on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Effective November 1, 2018, total annual fund operating expenses (as shown in the financial highlights, excluding interest expense, extraordinary expenses and proxy-related expenses paid by the Fund, if any) paid by the Fund's Institutional Shares and Service Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.65% and 0.90% (the "Fee Limit"), respectively, up to but not including the later of (the "Termination Date"): (a) November 1, 2019; or (b) the date of the Fund's next effective Prospectus. While the Adviser and its applicable affiliates currently do not anticipate terminating or increasing these arrangements prior to the Termination Date, these arrangements may only be terminated or the Fee Limit increased prior to the Termination Date with the agreement of the Trustees.

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 Adviser which in due course are reimbursed by the Fund. These expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses may be included in Accrued and Miscellaneous Expenses on the Statement of Assets and Liabilities and Statement of Operations, respectively.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding long-term U.S. government securities and short-term obligations, for the six months ended February 28, 2019, were as follows:

Purchases	\$11,872,703
Sales	\$ 8,667,655

7. LINE OF CREDIT

The Fund participates with certain other Federated Funds, on a several basis, in an up to \$500,000,000 unsecured, 364-day, committed, revolving line of credit (LOC) agreement. The LOC was made available to finance temporarily the repurchase or redemption of shares of the Fund, failed trades, payment of dividends, settlement of trades and for other short-term, temporary or emergency general business purposes. The Fund cannot borrow under the LOC if an inter-fund loan is outstanding. The Fund's ability to borrow under the LOC also is subject to the limitations of the Act and various conditions precedent that must be satisfied before the Fund can borrow. Loans under the LOC are charged interest at a fluctuating rate per annum equal to the highest, on any day, of (a) (i) the federal funds effective rate, (ii) the one month London Interbank Offered Rate (LIBOR), and (iii) 0.0%, plus (b) a margin. The LOC also requires the Fund to pay, quarterly in arrears and at maturity, its pro rata share of a commitment fee based on the amount of the lenders' commitment that has not been utilized.

As of February 28, 2019, the Fund had no outstanding loans. During the six months ended February 28, 2019, the Fund did not utilize the LOC.

8. INTERFUND LENDING

Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Fund, along with other funds advised by subsidiaries of Federated Investors, Inc., may participate in an interfund lending program. This program provides an alternative credit facility allowing the Fund to borrow from other participating affiliated funds. As of February 28, 2019, there were no outstanding loans. During the six months ended February 28, 2019, the program was not utilized.

Shareholder Expense Example (unaudited)

As a shareholder of the Fund, you incur ongoing costs, including management fees and to the extent applicable, distribution (12b-1) fees and/or other service fees and other Fund expenses. This Example is intended to help you to understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. It is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from September 1, 2018 to February 28, 2019.

ACTUAL EXPENSES

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

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

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

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

	Beginning Account Value 9/1/2018	Ending Account Value 2/28/2019	Expenses Paid During Period¹
Actual:			
Institutional Shares	\$1,000	\$1,011.00	\$3.24
Service Shares	\$1,000	\$1,009.80	\$4.48
Hypothetical (assuming a 5% return before expenses):			
Institutional Shares	\$1,000	\$1,021.60	\$3.26
Service Shares	\$1,000	\$1,020.30	\$4.51

¹ Expenses are equal to the Fund's annualized net expense ratios, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half-year period). The annualized net expense ratios are as follows:

Institutional Shares	0.65%
Service Shares	0.90%

Evaluation and Approval of Advisory Contract – May 2018

FEDERATED ADJUSTABLE RATE SECURITIES FUND (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 for an additional one-year term. The Board’s decision regarding the contract reflects the exercise of its business judgment after considering all of the information received on whether to continue the existing arrangements.

The Board had previously appointed a Senior Officer, whose duties included specified responsibilities relating to the process by which advisory fees are to be charged to a fund advised by Federated Investment Management Company (the “Adviser”) or its affiliates (collectively, “Federated”) (each, a “Federated fund”). The Senior Officer’s responsibilities included preparing and furnishing to the Board an annual independent written evaluation that covered topics discussed below. In December 2017, the Senior Officer position was eliminated. Notwithstanding the elimination of the Senior Officer position, at the request of the Independent 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, in evaluating the reasonableness of the Fund’s management fee and in deciding to approve the continuation of the investment advisory contract. Consistent with the former Senior Officer position, the CCO, in preparing the CCO Fee Evaluation Report, has the authority to retain consultants, experts or staff as reasonably necessary to assist in the performance of his duties, reports directly to the Board, and can be terminated only with the approval of a majority of the Independent 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 Adviser or its affiliates for what might be viewed as like services); and (6) the extent of care, conscientiousness and independence with which the fund's board members perform their duties and their expertise (including whether they are fully informed about all facts the board deems relevant to its consideration of an adviser's services and fees). The Board noted that the Securities and Exchange Commission (SEC) disclosure requirements regarding the basis for the Board's approval of the Fund's investment advisory contract generally align with the factors listed above. The Board was aware of these factors and was guided by them in its review of the Fund's investment advisory contract to the extent it considered them to be appropriate and relevant, as discussed further below.

The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Fund and working with Federated on matters relating to the Federated funds. The Independent 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 contracts occurred. In this regard, Federated provided much of this information at each regular meeting of the Board, and furnished additional information specifically in connection with the May meetings. In the months preceding the May meetings, the Board requested and reviewed written materials prepared by Federated in response to requests on behalf of the Independent 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 Adviser 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 Adviser's investment philosophy, revenue, profitability, personnel and processes; investment and operating strategies; the Fund's short-term and long-term performance (in absolute terms, both on a gross basis and net of expenses, as well as in terms relative to its particular investment program and certain competitor or "peer group" funds and/or other benchmarks, as appropriate) and comments on the

reasons for performance; the Fund's investment objectives; the Fund's expenses, including the advisory fee and the overall expense structure of the Fund (both in absolute terms and relative to similar and/or competing funds), with due regard for contractual or voluntary expense limitations; the use and allocation of brokerage commissions derived from trading the Fund's portfolio securities (if any); and the nature, quality and extent of the advisory and other services provided to the Fund by the Adviser and its affiliates. The Board also considered the preferences and expectations of Fund shareholders; the entrepreneurial and other risks assumed by the Adviser in sponsoring the Fund; the continuing state of competition in the mutual fund industry and market practices; the range of comparable fees for similar funds in the mutual fund industry; the Fund's relationship to the Federated funds which include a comprehensive array of funds with different investment objectives, policies and strategies which are generally available for exchange without the incurrance of additional sales charges; compliance and audit reports concerning the Federated funds and the Federated companies that service them (including communications from regulatory agencies), as well as Federated's responses to any issues raised therein; and relevant developments in the mutual fund industry and how the Federated funds and/or Federated are responding to them. The Board's evaluation process is evolutionary. The criteria considered and the emphasis placed on relevant criteria change in recognition of changing circumstances in the mutual fund marketplace.

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

The Board reviewed the contractual advisory fee rate, net advisory fee rate and other expenses of the Fund and noted the position of the Fund's fee rates relative to its Peer Group. In this regard, the Board noted that the contractual advisory fee rate was above the median of the relevant Peer Group, but the Board noted the applicable waivers and reimbursements, and that the overall expense structure of the Fund remained competitive in the context of other factors considered by the Board.

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

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

The Board considered the nature, extent and quality of the services provided to the Fund by the Adviser and the resources of the Adviser and its affiliates dedicated to the Fund. In this regard, the Board evaluated, among other things, the Adviser's personnel, experience, track record, overall reputation and willingness to invest in personnel and infrastructure that benefit the Fund. In addition, the Board reviewed the qualifications, backgrounds and responsibilities of the portfolio management team primarily responsible for the day-to-day management of the Fund and the Adviser's ability and experience in attracting and retaining qualified personnel to service the Fund. The Board noted the compliance program of the Adviser and the compliance-related resources provided to the Fund by the Adviser, including the Adviser's commitment to

respond to rulemaking initiatives of the SEC. The Fund's ability to deliver competitive performance when compared to its Peer Group was also deemed to be relevant by the Board as a useful indicator of how the Adviser is executing the Fund's investment program. The Adviser's ability to execute this program was one of the Board's considerations in reaching a conclusion that the nature, extent and quality of the Adviser's investment management services warrant the continuation of the investment advisory contract.

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

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

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

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

the Board receives regular reporting as to the institution, adjustment or elimination of these voluntary waivers. The Board considered Federated's previous reductions in contractual management fees to certain Federated funds in response to the CCO's recommendations.

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

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

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

regulatory or industry guidelines on this subject, which (as discussed in the CCO Fee Evaluation Report) is compounded by the lack of any common industry practice or general pattern with respect to structuring fund advisory fees with “breakpoints” that serve to reduce the fee as a fund attains a certain size.

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

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

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

Voting Proxies on Fund Portfolio Securities

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

Quarterly Portfolio Schedule

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

Mutual funds are not bank deposits or obligations, are not guaranteed by any bank and are not insured or guaranteed by the U.S. government, the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency. Investment in mutual funds involves investment risk, including the possible loss of principal.

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

IMPORTANT NOTICE ABOUT FUND DOCUMENT DELIVERY

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

Notes

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Federated®

Federated Adjustable Rate Securities Fund
Federated Investors Funds
4000 Ericsson Drive
Warrendale, PA 15086-7561

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

Federated Securities Corp., Distributor

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