

Semi-Annual Shareholder Report

June 30, 2019

Share Class

Primary

Service

Federated Government Money Fund II

A Portfolio of Federated Insurance Series

IMPORTANT NOTICE TO SHAREHOLDERS

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

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company electronically by following the instructions provided by the insurance company.

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

Dear Valued Shareholder,

I am pleased to present the Semi-Annual Shareholder Report for your fund covering the period from January 1, 2019 through June 30, 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,



John B. Fisher, President

Not FDIC Insured • May Lose Value • No Bank Guarantee

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Portfolio of Investments Summary Tables (unaudited)

At June 30, 2019, the Fund's portfolio composition¹ was as follows:

Security Type	Percentage of Total Net Assets
U.S. Government Agency Securities	45.7%
U.S. Treasury Securities	11.8%
Repurchase Agreements	42.5%
Other Assets and Liabilities—Net ^{2,3}	0.0%
TOTAL	100.0%

At June 30, 2019, the Fund's effective maturity schedule⁴ was as follows:

Securities With an Effective Maturity of:	Percentage of Total Net Assets
1-7 Days	59.7%
8-30 Days	18.7%
31-90 Days	7.7%
91-180 Days	9.5%
181 Days or more	4.4%
Other Assets and Liabilities—Net ^{2,3}	0.0%
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 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

3 Represents less than 0.1%.

4 Effective maturity is determined in accordance with the requirements of Rule 2a-7 under the Investment Company Act of 1940, which regulates money market mutual funds.

Portfolio of Investments

June 30, 2019 (unaudited)

Principal Amount		Value
	GOVERNMENT AGENCIES—45.7%	
\$1,000,000	¹ Federal Farm Credit System Discount Notes, 2.400%—2.680%, 8/23/2019 - 12/12/2019	\$ 990,638
500,000	² Federal Farm Credit System Floating Rate Notes, 2.294% (1-month USLIBOR -0.110%), 7/27/2019	500,000
500,000	² Federal Farm Credit System Floating Rate Notes, 2.324%—2.331% (1-month USLIBOR -0.080%), 7/13/2019 - 7/27/2019	499,990
750,000	² Federal Farm Credit System Floating Rate Notes, 2.348%—2.363% (1-month USLIBOR -0.065%), 7/12/2019 - 7/29/2019	749,979
300,000	² Federal Farm Credit System Floating Rate Notes, 2.370% (1-month USLIBOR -0.060%), 7/4/2019	299,997
500,000	² Federal Farm Credit System Floating Rate Notes, 2.372% (1-month USLIBOR -0.010%), 7/20/2019	500,000
250,000	² Federal Farm Credit System Floating Rate Notes, 2.381% (1-month USLIBOR -0.030%), 7/9/2019	250,000
500,000	² Federal Farm Credit System Floating Rate Notes, 2.396% (1-month USLIBOR -0.015%), 7/8/2019	500,000
250,000	² Federal Farm Credit System Floating Rate Notes, 2.409% (1-month USLIBOR +0.005%), 7/27/2019	249,991
500,000	² Federal Farm Credit System Floating Rate Notes, 2.410% (1-month USLIBOR +0.000%), 7/13/2019	500,000
400,000	² Federal Farm Credit System Floating Rate Notes, 2.431% (1-month USLIBOR +0.000%), 7/4/2019	399,988
200,000	² Federal Farm Credit System Floating Rate Notes, 2.505% (Effective Fed Funds +0.125%), 7/1/2019	199,983
250,000	² Federal Farm Credit System Floating Rate Notes, 2.540% (Secured Overnight Financing Rate +0.120%), 7/1/2019	250,000
700,000	Federal Farm Credit System Notes, 2.470%, 7/2/2019	699,868
5,750,000	¹ Federal Home Loan Bank System Discount Notes, 2.375%—2.455%, 7/5/2019 - 11/13/2019	5,722,988
400,000	² Federal Home Loan Bank System Floating Rate Notes, 2.171%—2.279% (3-month USLIBOR -0.140%), 9/19/2019 - 9/26/2019	400,034
600,000	² Federal Home Loan Bank System Floating Rate Notes, 2.269% (1-month USLIBOR -0.125%), 7/16/2019	600,000
400,000	² Federal Home Loan Bank System Floating Rate Notes, 2.280% (3-month USLIBOR -0.245%), 8/16/2019	399,954
1,800,000	² Federal Home Loan Bank System Floating Rate Notes, 2.284%—2.298% (3-month USLIBOR -0.300%), 7/3/2019 - 7/10/2019	1,800,000
1,200,000	² Federal Home Loan Bank System Floating Rate Notes, 2.285% (1-month USLIBOR -0.105%), 7/19/2019	1,200,000
2,200,000	² Federal Home Loan Bank System Floating Rate Notes, 2.290%—2.317% (3-month USLIBOR -0.275%), 7/22/2019 - 8/7/2019	2,200,000
600,000	² Federal Home Loan Bank System Floating Rate Notes, 2.306% (3-month USLIBOR -0.295%), 7/16/2019	600,000
200,000	² Federal Home Loan Bank System Floating Rate Notes, 2.312% (1-month USLIBOR -0.070%), 7/18/2019	200,000
1,400,000	² Federal Home Loan Bank System Floating Rate Notes, 2.317% (3-month USLIBOR -0.265%), 7/29/2019	1,400,000
500,000	² Federal Home Loan Bank System Floating Rate Notes, 2.321% (1-month USLIBOR -0.080%), 7/26/2019	500,000
750,000	² Federal Home Loan Bank System Floating Rate Notes, 2.322%—2.352% (1-month USLIBOR -0.060%), 7/11/2019 - 7/18/2019	750,000
1,000,000	² Federal Home Loan Bank System Floating Rate Notes, 2.326% (1-month USLIBOR -0.085%), 7/9/2019	1,000,000
750,000	² Federal Home Loan Bank System Floating Rate Notes, 2.328%—2.358% (1-month USLIBOR -0.055%), 7/12/2019 - 7/20/2019	750,000
750,000	² Federal Home Loan Bank System Floating Rate Notes, 2.340%—2.380% (1-month USLIBOR -0.050%), 7/5/2019 - 7/19/2019	750,000
200,000	² Federal Home Loan Bank System Floating Rate Notes, 2.346% (1-month USLIBOR -0.065%), 7/8/2019	200,000
500,000	² Federal Home Loan Bank System Floating Rate Notes, 2.357% (1-month USLIBOR -0.025%), 7/20/2019	500,000
500,000	² Federal Home Loan Bank System Floating Rate Notes, 2.364% (1-month USLIBOR -0.040%), 7/27/2019	500,000
300,000	² Federal Home Loan Bank System Floating Rate Notes, 2.394% (1-month USLIBOR +0.000%), 7/16/2019	300,000
1,250,000	² Federal Home Loan Bank System Floating Rate Notes, 2.440% (Secured Overnight Financing Rate +0.020%), 7/1/2019	1,250,000
250,000	² Federal Home Loan Bank System Floating Rate Notes, 2.441% (3-month USLIBOR -0.150%), 7/22/2019	250,000
500,000	² Federal Home Loan Bank System Floating Rate Notes, 2.445% (Secured Overnight Financing Rate +0.025%), 7/1/2019	500,000
1,000,000	² Federal Home Loan Bank System Floating Rate Notes, 2.450% (Secured Overnight Financing Rate +0.030%), 7/1/2019	1,000,000
500,000	² Federal Home Loan Bank System Floating Rate Notes, 2.455% (Secured Overnight Financing Rate +0.035%), 7/1/2019	500,000
250,000	² Federal Home Loan Bank System Floating Rate Notes, 2.525% (Secured Overnight Financing Rate +0.105%), 7/1/2019	250,000
300,000	² Federal Home Loan Bank System Floating Rate Notes, 2.535% (Secured Overnight Financing Rate +0.115%), 7/1/2019	299,998
1,900,000	Federal Home Loan Bank System, 2.400%—2.580%, 8/19/2019 - 6/17/2020	1,899,987
1,200,000	¹ Federal Home Loan Mortgage Corp. Discount Notes, 2.460%, 9/3/2019	1,194,752
1,200,000	Federal Home Loan Mortgage Corp., 2.460%—2.520%, 4/8/2020 - 6/3/2020	1,200,000
2,000,000	² Federal National Mortgage Association Floating Rate Notes, 2.580% (Secured Overnight Financing Rate +0.160%), 7/1/2019	2,000,000
900,000	Federal National Mortgage Association, 1.000%, 8/28/2019 - 10/24/2019	896,877
	TOTAL GOVERNMENT AGENCIES	37,605,024

Principal Amount		Value
	U.S. TREASURIES—11.8%	
	U.S. Treasury Bills—3.3%	
\$ 750,000	¹ United States Treasury Bills, 2.130%, 12/19/2019	\$ 742,412
750,000	¹ United States Treasury Bills, 2.136%, 12/12/2019	742,702
500,000	¹ United States Treasury Bills, 2.390%, 10/17/2019	496,415
750,000	¹ United States Treasury Bills, 2.465%—2.468%, 2/27/2020	737,619
	TOTAL	2,719,148
	U.S. Treasury Notes—8.5%	
200,000	² United States Treasury Floating Rate Notes, 2.129% (91-day T-Bill +0.033%), 7/2/2019	200,013
1,200,000	² United States Treasury Floating Rate Notes, 2.141% (91-day T-Bill +0.045%), 7/2/2019	1,198,989
2,700,000	² United States Treasury Floating Rate Notes, 2.211% (91-day T-Bill +0.115%), 7/2/2019	2,698,347
200,000	United States Treasury Notes, 1.375%, 3/31/2020	198,256
1,000,000	United States Treasury Notes, 1.500%, 10/31/2019	996,415
250,000	United States Treasury Notes, 1.875%, 12/31/2019	249,185
950,000	United States Treasury Notes, 3.375%, 11/15/2019	952,985
500,000	United States Treasury Notes, 3.625%, 8/15/2019	500,614
	TOTAL	6,994,804
	TOTAL U.S. TREASURIES	9,713,952
	REPURCHASE AGREEMENTS—42.5%	
10,000,000	Interest in \$450,000,000 joint repurchase agreement 2.56%, dated 6/28/2019 under which J.P. Morgan Securities LLC will repurchase securities provided as collateral for \$450,096,000 on 7/1/2019. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency securities with various maturities to 10/16/2058 and the market value of those underlying securities was \$463,500,000.	10,000,000
20,000,000	Interest in \$100,000,000 joint repurchase agreement 2.54%, dated 6/28/2019 under which Pershing LLC will repurchase securities provided as collateral for \$100,021,167 on 7/1/2019. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency and U.S. Treasury securities with various maturities to 11/20/2048 and the market value of those underlying securities was \$102,083,052.	20,000,000
4,905,000	Interest in \$3,000,000,000 joint repurchase agreement 2.52%, dated 6/28/2019 under which Sumitomo Mitsui Banking Corp. will repurchase securities provided as collateral for \$3,000,630,000 on 7/1/2019. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency securities with various maturities to 11/20/2048 and the market value of those underlying securities was \$3,060,642,600.	4,905,000
	TOTAL REPURCHASE AGREEMENTS	34,905,000
	TOTAL INVESTMENT IN SECURITIES—100.0% (AT AMORTIZED COST) ³	82,223,976
	OTHER ASSETS AND LIABILITIES - NET—0.0% ⁴	28,122
	TOTAL NET ASSETS—100%	\$ 82,252,098

1 Discount rate(s) at time of purchase.

2 Floating/variable note with current rate and current maturity or next reset date shown.

3 Also represents cost for federal tax purposes.

4 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

Note: The categories of investments are shown as a percentage of total net assets at June 30, 2019.

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

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

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

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

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

In valuing the Fund's assets as of June 30, 2019, all investments of the Fund are valued using amortized cost, which is a methodology utilizing Level 2 inputs.

The following acronym is used throughout this portfolio:

LIBOR—London Interbank Offered Rate

See Notes which are an integral part of the Financial Statements

Financial Highlights – Primary Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 6/30/2019	Year Ended December 31,		Period Ended 12/31/2016¹
		2018	2017	
Net Asset Value, Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00
Income From Investment Operations:				
Net investment income	0.013	0.015	0.002	0.000 ²
Net realized gain	(0.003)	0.000 ²	0.004	—
TOTAL FROM INVESTMENT OPERATIONS	0.010	0.015	0.006	0.000²
Less Distributions:				
Distributions from net investment income	(0.010)	(0.015)	(0.006)	(0.000) ²
TOTAL DISTRIBUTIONS	(0.010)	(0.015)	(0.006)	(0.000)²
Net Asset Value, End of Period	\$1.00	\$1.00	\$1.00	\$1.00
Total Return³	1.04%	1.50%	0.56%	0.06%
Ratios to Average Net Assets:				
Net expenses	0.38% ⁴	0.38%	0.38%	—%
Net investment income	2.68% ⁴	0.84%	0.17%	0.02% ⁴
Expense waiver/reimbursement	—%	—%	—%	—%
Supplemental Data:				
Net assets, end of period (000 omitted)	\$0 ⁵	\$0 ⁵	\$0 ⁵	\$0 ⁵

1 Reflects operations for the period from April 29, 2016 (date of initial investment) to December 31, 2016.

2 Represents less than \$0.001.

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

4 Computed on an annualized basis.

5 Represents less than \$1,000.

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) 10/31/2017	Year Ended December 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Income From Investment Operations:						
Net investment income	0.009	0.012	0.003	0.000 ¹	—	—
Net realized gain (loss)	—	(0.000) ¹	0.000 ¹	(0.000) ¹	0.000 ¹	0.000 ¹
TOTAL FROM INVESTMENT OPERATIONS	0.009	0.012	0.003	(0.000)¹	0.000¹	0.000¹
Less Distributions:						
Distributions from net investment income	(0.009)	(0.012)	(0.003)	(0.000) ¹	—	—
Distributions from net realized gain	—	—	—	—	(0.000) ¹	—
TOTAL DISTRIBUTIONS	(0.009)	(0.012)	(0.003)	(0.000)¹	(0.000)¹	(0.000)
Net Asset Value, End of Period	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Total Return²	0.91%	1.25%	0.31%	0.00%	0.00%	0.00%

Ratios to Average Net Assets:

Net expenses	0.63% ³	0.63%	0.63%	0.49%	0.34%	0.26%
Net investment income	1.84% ³	1.26%	0.30%	0.00% ⁴	0.00%	0.00%
Expense waiver/reimbursement ⁵	0.06% ³	0.11%	0.07%	0.19%	0.40%	0.42%

Supplemental Data:

Net assets, end of period (000 omitted)	\$82,252	\$130,261	\$93,719	\$112,214	\$139,170	\$132,678
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1 Represents less than \$0.001.

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

3 Computed on an annualized basis.

4 Represents less than 0.01%.

5 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

June 30, 2019 (unaudited)

Assets:

Investment in repurchase agreements	\$34,905,000	
Investment in securities	47,318,976	
Investment in securities, at amortized cost and fair value		\$82,223,976
Cash		60
Income receivable		121,482
Receivable for shares sold		4,612
Other receivables		351
TOTAL ASSETS		82,350,481

Liabilities:

Payable for shares redeemed	\$ 52,557	
Payable for investment adviser fee (Note 5)	582	
Payable for administrative fees (Note 5)	536	
Payable for portfolio accounting fees	26,215	
Payable for other service fees (Note 2 and 5)	18,493	
TOTAL LIABILITIES		98,383

Net assets for 82,253,788 shares outstanding \$82,252,098

Net Assets Consist of:

Paid-in capital	\$82,253,338
Total distributable earnings (loss)	(1,240)
TOTAL NET ASSETS	\$82,252,098

Net Asset Value, Offering Price and Redemption Proceeds Per Share

Primary Shares:

\$100 ÷ 100 shares outstanding, no par value, unlimited shares authorized \$1.00

Service Shares:

\$82,251,998 ÷ 82,253,688 shares outstanding, no par value, unlimited shares authorized \$1.00

See Notes which are an integral part of the Financial Statements

Statement of Operations

Six Months Ended June 30, 2019 (unaudited)

Investment Income:

Interest	\$1,329,171
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Expenses:

Investment adviser fee (Note 5)	\$107,529
Administrative fee (Note 5)	43,018
Custodian fees	4,940
Transfer agent fee	2,659
Directors'/Trustees' fees (Note 5)	990
Auditing fees	10,582
Legal fees	5,565
Portfolio accounting fees	39,319
Other service fees (Notes 2 and 5)	133,708
Printing and postage	22,733
Miscellaneous (Note 5)	2,736
TOTAL EXPENSES	373,779

Waiver:

Waiver of investment adviser fee (Note 5)	(33,131)
Net expenses	340,648
Net investment income	988,523
Change in net assets resulting from operations	\$ 988,523

See Notes which are an integral part of the Financial Statements

Statement of Changes in Net Assets

	Six Months Ended (unaudited) 6/30/2019	Year Ended 12/31/2018
Increase (Decrease) in Net Assets		
Operations:		
Net investment income	\$ 988,523	\$ 1,211,133
Net realized gain (loss)	—	(332)
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	988,523	1,210,801
Distributions to Shareholders:		
Primary Shares	(2)	(1)
Service Shares	(988,516)	(1,211,130)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(988,518)	(1,211,131)
Share Transactions:		
Proceeds from sale of shares	14,729,710	75,281,929
Net asset value of shares issued to shareholders in payment of distributions declared	988,514	1,211,130
Cost of shares redeemed	(63,727,666)	(39,950,260)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(48,009,442)	36,542,799
Change in net assets	(48,009,437)	36,542,469
Net Assets:		
Beginning of period	130,261,535	93,719,066
End of period	\$ 82,252,098	\$130,261,535

See Notes which are an integral part of the Financial Statements

Notes to Financial Statements

June 30, 2019 (unaudited)

1. ORGANIZATION

Federated Insurance Series (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein are only those of Federated Government Money Fund II (the "Fund"), a diversified portfolio. The financial statements of the other portfolios are presented separately. The assets of each portfolio are segregated and a shareholder's interest is limited to the portfolio in which shares are held. Each portfolio pays its own expenses. The Fund offers two classes of shares: Primary Shares and Service Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. Fund shares are available exclusively as a funding vehicle for life insurance companies writing variable life insurance policies and variable annuity contracts. The investment objective of the Fund is to provide current income consistent with stability of principal and liquidity.

The Fund operates as a government money market fund. As a government money market fund, the Fund: (1) invests at least 99.5% of its total assets in: (i) cash; (ii) securities issued or guaranteed by the United States or certain U.S. government agencies or instrumentalities; and/or (iii) repurchase agreements that are collateralized fully; (2) generally continues to use amortized cost to value its portfolio securities and transact at a stable \$1.00 net asset value (NAV); and (3) has elected not to be subject to the liquidity fees and gates requirement at this time as permitted by Rule 2a-7 under the Act.

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

Securities are valued at amortized cost. Under the amortized cost valuation method, an investment is valued initially at its cost as determined in accordance with GAAP. The Fund then adjusts the amount of interest income accrued each day over the term of the investment to account for any difference between the initial cost of the investment and the amount payable at its maturity. If amortized cost is determined not to approximate fair value, the value of the portfolio securities will be 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.

The Fund's Board of Trustees (the "Trustees") have ultimate responsibility for determining the fair value of investments. The Trustees have appointed a valuation committee ("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 of securities and in overseeing the comparison of amortized cost to market-based value. 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 monitoring the relationship of market-based value and amortized cost. 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 and assumptions), 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.

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.

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

Investment Income, Gains and Losses, Expenses and Distributions

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are recorded on an identified-cost basis. Interest income and expenses are accrued daily. 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. Investment income, realized 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 of \$33,131 is disclosed in various locations in Note 5.

Dividends are declared separately for each class. No class has preferential dividend rights; differences in per share dividend rates are generally due to differences in separate class expenses.

Other Service Fees

The Fund may pay other service fees up to 0.25% of the average daily net assets of the Fund's Primary Shares and Service Shares to unaffiliated financial intermediaries for providing services to shareholders and maintaining shareholder accounts. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily reimburse the Fund for other service fees. In addition, unaffiliated third-party financial intermediaries may waive other service fees. This waiver can be modified or terminated at any time.

For the six months ended June 30, 2019, other service fees for the Fund were as follows:

	Other Service Fees Incurred
Service Shares	\$133,708

For the six months ended June 30, 2019, the Fund's Primary Shares did not incur other service fees.

Federal Taxes

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code (the "Code") and to distribute to shareholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the six months ended June 30, 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 June 30, 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.

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:

	Six Months Ended 6/30/2019		Year Ended 12/31/2018	
	Shares	Amount	Shares	Amount
Primary Shares:				
Shares sold	—	\$—	—	\$—
Shares issued to shareholders in payment of distributions declared	—	—	—	—
Shares redeemed	—	—	—	—
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	—	\$—	—	\$—

	Six Months Ended 6/30/2019		Year Ended 12/31/2018	
	Shares	Amount	Shares	Amount
Service Shares:				
Shares sold	14,729,709	\$ 14,729,710	75,281,929	\$ 75,281,929
Shares issued to shareholders in payment of distributions declared	988,514	988,514	1,211,130	1,211,130
Shares redeemed	(63,727,666)	(63,727,666)	(39,950,260)	(39,950,260)
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	(48,009,443)	\$(48,009,442)	36,542,799	\$ 36,542,799
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(48,009,443)	\$(48,009,442)	36,542,799	\$ 36,542,799

4. FEDERAL TAX INFORMATION

At December 31, 2018, the Fund had a capital loss carryforward of \$1,274 which will reduce the Fund's taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Code, thereby reducing the amount of distributions to shareholders which would otherwise be necessary to relieve the Fund of any liability for federal income tax. Pursuant to the Code, a net capital loss incurred in taxable years beginning after December 22, 2010, retains its character as either short-term or long-term and does not expire. All of the Fund's capital loss carryforwards were incurred in taxable years beginning after December 22, 2010.

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

Short-Term	Long-Term	Total
\$776	\$498	\$1,274

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 0.20% 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 June 30, 2019, the Adviser voluntarily waived \$33,131 of its fee.

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 June 30, 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 Primary Shares to finance activities intended to result in the sale of these shares. The Plan provides that the Fund may incur distribution expenses at the following percentages of average daily net assets annually, to compensate FSC:

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

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 June 30, 2019, the Fund's Primary Shares did not incur a distribution services fee; however, it may begin to incur this fee upon approval of the Trustees.

Expense Limitation

Due to the possibility of changes in market conditions and other factors, there can be no assurance that the level of waivers/reimbursement/reduction of Fund expenses reflected in the financial highlights will be maintained in the future. However, the Adviser and certain of its affiliates (which may include FAS and FSC) on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Total annual fund operating expenses (as shown in the financial highlights, excluding interest expense, extraordinary expenses and proxy-related expenses paid by the Fund, if any) paid by the Fund's Primary Shares and Service Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.38% and 0.63% (the "Fee Limit"), respectively, up to but not including the later of (the "Termination Date"): (a) May 1, 2020; 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. 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 June 30, 2019, the Fund had no outstanding loans. During the six months ended June 30, 2019, the Fund did not utilize the LOC.

7. 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 June 30, 2019, there were no outstanding loans. During the six months ended June 30, 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 variable investment options. It is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from January 1, 2019 to June 30, 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 each 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 1/1/2019	Ending Account Value 6/30/2018	Expenses Paid During Period ¹
Actual:			
Primary Shares	\$1,000	\$1,010.40	\$1.89
Service Shares	\$1,000	\$1,009.10	\$3.14
Hypothetical (assuming a 5% return before expenses):			
Primary Shares	\$1,000	\$1,022.90	\$1.91
Service Shares	\$1,000	\$1,021.70	\$3.16

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 expenses shown in the table do not include the charges and expenses imposed by the insurance company under the variable insurance product contract. Please refer to the variable insurance product prospectus for a complete listing of these expenses. The annualized net expense ratios are as follows:

Primary Shares	0.38%
Service Shares	0.63%

Evaluation and Approval of Advisory Contract – May 2019

FEDERATED GOVERNMENT MONEY FUND II (THE “FUND”)

At its meetings in May 2019, 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.

At the request of the Independent Trustees, the Fund’s Chief Compliance Officer (the CCO) furnished to the Board in advance of its May 2019 meetings an independent written evaluation presenting on the topics discussed below. 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. 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. At the request of the Independent Trustees, the CCO Fee Evaluation Report followed the same general approach and covered the same topics as that of the report that had previously been delivered by the CCO in his capacity as “Senior Officer,” prior to the elimination of the Senior Officer position in December 2017.

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 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 Investment Management Company (the “Adviser”) and its affiliates (collectively, “Federated”) on matters relating to the funds advised by Federated (each, a “Federated Fund”). 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 incurrence of additional sales charges; compliance and audit reports concerning the Federated Funds and the Federated companies that service them (including communications from regulatory agencies), as well as Federated's responses to any issues raised therein; and relevant developments in the mutual fund industry and how the Federated Funds and/or Federated are responding to them. The Board's evaluation process is evolutionary. The criteria considered and the emphasis placed on relevant criteria change in recognition of changing circumstances in the mutual fund marketplace.

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

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

For comparison, the CCO reviewed the fees charged by Federated for providing advisory services to products other than the Federated Funds (e.g., institutional 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 risks 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.

The CCO noted that the services, administrative responsibilities and risks associated with such relationships are quite different than serving as a primary adviser to a fund.

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, financial resources, 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 investment research and company engagement capabilities of the Adviser and its affiliates. The Board also 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 there may be differences in the funds' objectives or investment management techniques, or the costs to implement the funds, even within the same Peer Group.

The Fund's performance was above the median of the relevant Peer Group for the one-year period covered by the CCO Fee Evaluation Report. The Board also considered the relatively tight dispersion of performance data with respect to the Fund and its Peer Group.

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.

In 2015, the Board approved a reduction of 30 basis points in the contractual advisory fee.

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, the difficulties of calculating economies of scale at an individual fund level, and the extent to which potential scale benefits are shared with shareholders. In this regard, the Board considered that Federated 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 investments (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 Federated'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 potential economies of scale to be shared 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. 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.

Portfolio Schedule

The Fund files with the SEC a complete schedule of its portfolio holdings as of the close of each month on "Form N-MFP." Form N-MFP is available on the SEC's website at www.sec.gov. You may access Form N-MFP via the link to the Fund and share class name at www.FederatedInvestors.com.

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

You could lose money by investing in the Fund. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund's sponsor has no legal obligation to provide financial support to the Fund, and you should not expect that the sponsor will provide financial support to the Fund at any time.

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

Notes



Federated Government Money Fund II
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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