

Annual Shareholder Report

December 31, 2018

Share Class

Primary

Service

Federated Kaufmann Fund II

A Portfolio of Federated Insurance Series

IMPORTANT NOTICE TO SHAREHOLDERS

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

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

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

Dear Valued Shareholder,

I am pleased to present the Annual Shareholder Report for your fund covering the period from January 1, 2018 through December 31, 2018. This report includes Management's Discussion of Fund Performance, a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

In addition, our website, FederatedInvestors.com, 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

CONTENTS

Management's Discussion of Fund Performance 1

Portfolio of Investments Summary Table 3

Portfolio of Investments 4

Financial Highlights 10

Statement of Assets and Liabilities 12

Statement of Operations 13

Statement of Changes in Net Assets 14

Notes to Financial Statements 15

Report of Independent Registered Public Accounting Firm 22

Shareholder Expense Example 23

In Memoriam 24

Board of Trustees and Trust Officers 24

Evaluation and Approval of Advisory Contract 28

Voting Proxies on Fund Portfolio Securities 32

Quarterly Portfolio Schedule 32

Management's Discussion of Fund Performance (unaudited)

The total return of Federated Kaufmann Fund II (the "Fund"), based on net asset value for the 12-month reporting period ended December 31, 2018, was 3.84% for the Primary Shares and 3.58% for the Service Shares. The Fund's benchmark, the Russell Midcap[®] Growth Index (the RMCGI),¹ a broad-based securities market index, had a total return of -4.75% for the period. The total return of the Morningstar Insurance Mid-Cap Growth Funds Average (MIMCGFA)² peer group average for the Fund, was -4.04%. The Fund's and MIMCGFA's total returns for the most recently completed fiscal year reflected actual cash flows, transaction costs and other expenses, which were not reflected in the total return of the RMCGI.

During the reporting period, the Fund's investment strategy focused on stock selection, sector exposure and country allocation. These were the most significant factors affecting the Fund's performance relative to the RMCGI.

The following discussion will focus on the Fund's Primary Shares.

MARKET OVERVIEW

As the U.S. economy enters 2019, the positive momentum began to slow toward the end of the reporting period despite U.S. business confidence reaching all-time highs and the U.S. passage of historic corporate tax reform in late 2017. Tax reform had a positive impact on earnings growth and GDP growth; however, towards the end of the reporting period, the market became suspect that the momentum would continue, leading to a sharp sell-off and erasing the gains for the reporting period. Global markets also reacted cautiously to the headwinds pushing most equity markets lower for the reporting period.

Large-cap companies significantly outperformed both mid- and small-cap companies during the reporting period. The U.S. equity markets were led by the S&P 500 Index³ which was down -4.39%. Large-cap stocks, as measured by the Russell 1000[®] Index,⁴ lost -4.79%. The Russell Midcap[®] Index,⁵ representing mid-cap stocks, returned -9.08%, and the Russell 2000[®] Index,⁶ representing small-cap stocks, returned -11.03%. Mid-cap growth stocks, as measured by the RMCGI, returned -4.75 and performed similar to mid-cap value stocks, as measured by the Russell Midcap[®] Value Index,⁷ which returned -4.76% throughout the reporting period.

The best-performing RMCGI sectors were: Utilities (12.71%), Consumer Staples (8.94%) and Information Technology (3.29%). The weakest-performing sectors during the reporting period were: Materials (-24.51%), Energy (-20.26%), Communication Services (-18.05%) and Financials (-13.56%).

STOCK SELECTION

The five stocks that contributed the most to the Fund's performance versus the RMCGI were: Veeva Systems, Tandem Diabetes, Argenx, Workday, Inc. and ServiceNow, Inc.

The five stocks that most negatively affected Fund performance were: Corcept Therapeutics, Floor & Décor Holdings, Air Lease Corporation, XPO Logistics and PagSeguro Digital.

SECTOR EXPOSURE

At the end of the reporting period, approximately 71% of the portfolio was invested in four large sectors: Health Care, Information Technology, Industrials and Consumer Discretionary. These sectors have historically provided good opportunities for bottom-up growth investors. In 2018, stock selection in Health Care and Information Technology had a positive impact on performance. The Fund maintained higher-than-benchmark exposure to Cash which hurt Fund performance. The Cash position of the Fund was approximately 18% on average throughout the reporting period.

COUNTRY ALLOCATION

The reporting period ended with approximately 18% of the Fund invested in non-U.S. holdings. During the reporting period, stock selection in foreign companies⁸ was a positive contributor to Fund performance. However, the allocation outside the U.S. hurt Fund performance relative to the RMCGI.

¹ Please see the footnotes to the line graphs below for definitions of, and further information about, the RMCGI.

² Please see the footnotes to the line graphs below for definitions of, and further information about, the MIMCGFA.

³ The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.*

⁴ The Russell 1000[®] Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 1000 of the smallest securities based on a combination of their market cap and current index membership.*

⁵ The Russell Midcap[®] Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap[®] Index is a subset of the Russell 1000[®] Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.*

⁶ The Russell 2000[®] Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.*

⁷ The Russell Midcap[®] Value Index measures the performance of the mid-cap value segment of the U.S. equity universe. It includes those Russell Midcap Index companies with lower price-to-book ratios and lower forecasted growth values.*

⁸ International investing involves special risks including currency risk, increased volatility, political risks and differences in auditing and other financial standards.

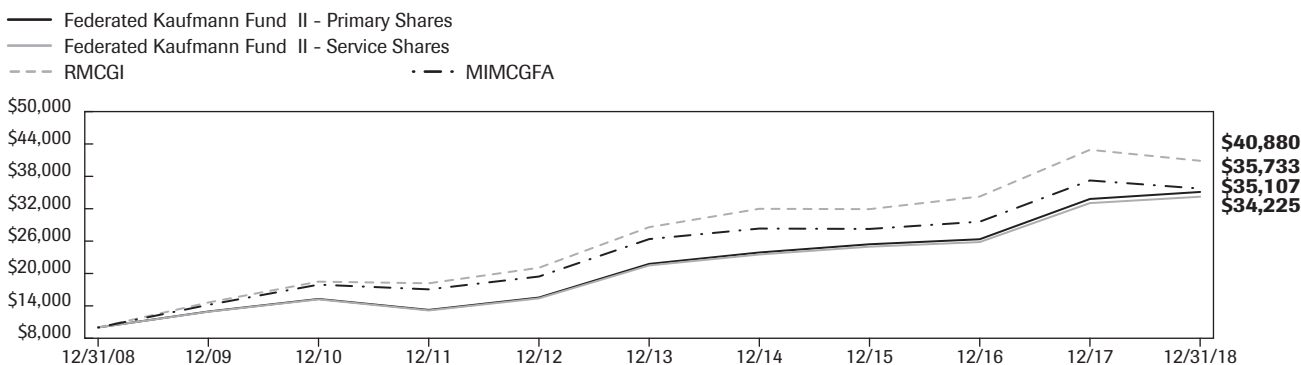
* The index is unmanaged, and it is not possible to invest directly in an index.

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

The graph below illustrates the hypothetical investment of \$10,000¹ in the Federated Kaufmann Fund II from December 31, 2008 to December 31, 2018, compared to the Russell Midcap[®] Growth Index (RMCGI)² and the Morningstar Insurance Mid-Cap Growth Funds Average (MIMCGFA).³ The Average Annual Total Return table below shows returns for each class averaged over the stated periods.

GROWTH OF A \$10,000 INVESTMENT

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



The Fund offers multiple share classes whose performance may be greater or less than its other share class(es) due to differences in sales charges and expenses.

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

	1 Year	5 Years	10 Years
Primary Shares	3.84%	10.02%	13.38%
Service Shares	3.58%	9.75%	13.09%
RMCGI	-4.75%	7.42%	15.12%
MIMCGFA	-4.04%	6.26%	13.58%

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

- ¹ The Fund's performance assumes the reinvestment of all dividends and distributions. The RMCGI and MIMCGFA have been adjusted to reflect reinvestment of dividends on securities in the index and average.
- ² The RMCGI measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap[®] Index companies with higher price-to-book ratios and higher forecasted growth values. The RMCGI is constructed to provide a comprehensive and unbiased barometer of the mid-cap growth market. The RMCGI is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true mid-cap growth market. The RMCGI is not adjusted to reflect sales charges, expenses or other fees that the Securities and Exchange Commission requires to be reflected in the Fund's performance. The index is unmanaged and unlike the Fund, is not affected by cash flows. It is not possible to invest directly in an index.
- ³ Morningstar figures represent the average of the total returns reported by all the funds designated by Morningstar as falling into the respective category indicated. They do not reflect sales charges. The Morningstar figures in the Growth of \$10,000 line graph are based on historical return information published by Morningstar and reflect the return of the funds comprising the category in the year of publication. Because the funds designated by Morningstar as falling into the category can change over time, the Morningstar figures in the line graph may not match the Morningstar figures in the Average Annual Total Returns table, which reflect the return of the funds that currently comprise the category.

Portfolio of Investments Summary Table (unaudited)

At December 31, 2018, the Fund's sector composition¹ was as follows:

Sector Composition	Percentage of Total Net Assets
Health Care	31.7%
Information Technology	20.4%
Industrials	9.8%
Consumer Discretionary	8.0%
Financials	4.0%
Materials	3.2%
Real Estate	2.6%
Communication Services	0.7%
Consumer Staples	0.3%
Securities Lending Collateral ²	1.9%
Cash Equivalents ³	20.1%
Other Assets and Liabilities—Net ⁴	(2.7)%
TOTAL	100.0%

1 Except for Securities Lending Collateral, Cash Equivalents and Other Assets and Liabilities, sector classifications are based upon, and individual portfolio securities are assigned to, the classifications of the Global Industry Classification Standard (GICS), except that the Adviser assigns a classification to securities not classified by the GICS and to securities for which the Adviser does not have access to the classification made by the GICS.

2 Represents cash collateral received for portfolio securities on loan that may be invested in affiliated money market funds, other money market instruments and/or repurchase agreements.

3 Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements other than those representing cash collateral for securities lending.

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

Portfolio of Investments

December 31, 2018

Shares or
Principal
Amount

Value

Shares or Principal Amount		Value
	COMMON STOCKS—80.5%	
	Communication Services—0.7%	
2,300	Activision Blizzard, Inc.	\$ 107,111
21,900	JC Decaux SA	612,893
2,700	¹ Spotify Technology SA	306,450
	TOTAL	1,026,454
	Consumer Discretionary—8.0%	
4,600	¹ Alibaba Group Holding Ltd., ADR	630,522
872	¹ Amazon.com, Inc.	1,309,718
83	¹ Booking Holdings, Inc.	142,961
14,000	¹ Canada Goose Holdings, Inc.	612,080
27,600	¹ Floor & Decor Holdings, Inc.	714,840
25,680	¹ GreenTree Hospitality Group Ltd., ADR	333,583
15,700	¹ GrubHub, Inc.	1,205,917
13,600	Hilton Worldwide Holdings, Inc.	976,480
2,618	Home Depot, Inc.	449,825
34,960	¹ Hudson Ltd.	599,564
23,114	Las Vegas Sands Corp.	1,203,084
10,100	Moncler S.p.A	337,499
916,400	NagaCorp Ltd.	979,049
56,676	Samsonite International SA	160,000
3,905	Six Flags Entertainment Corp.	217,235
4,500	Vail Resorts, Inc.	948,690
9,900	¹ Weight Watchers International, Inc.	381,645
13,705	Wingstop, Inc.	879,724
	TOTAL	12,082,416
	Consumer Staples—0.3%	
2,460	Constellation Brands, Inc., Class A	395,617
	Financials—4.0%	
9,400	¹ ARYA Sciences Acquisition Corp.	96,256
27,200	² Ares Management Corp.	483,616
5,000	BlackRock, Inc.	1,964,100
129,100	FinecoBank Banca Fineco SPA	1,299,143
22,919	¹ Focus Financial Partners, Inc.	603,457
23,500	Hamilton Lane, Inc.	869,500
77,800	Mediobanca Spa	657,861
28,000	^{1,2} Qudian, Inc., ADR	120,120
	TOTAL	6,094,053
	Health Care—31.5%	
13,400	Abbott Laboratories	969,222
5,500	Agilent Technologies, Inc.	371,030
11,780	¹ Albireo Pharma, Inc.	288,963
3,100	¹ Align Technology, Inc.	649,233
27,324	¹ Amarin Corporation PLC., ADR	371,880
22,700	¹ Amphastar Pharmaceuticals, Inc.	451,730
9,620	¹ AnaptysBio, Inc.	613,660
49,400	¹ Argenx SE	4,777,610
15,315	¹ Argenx SE, ADR	1,471,312

**Shares or
Principal
Amount**

Value

COMMON STOCKS—continued		
Health Care—continued		
10,600	¹ Atara Biotherapeutics, Inc.	\$ 368,244
620	¹ Biogen, Inc.	186,570
333	^{1,3} BioNano Genomics, Inc.	1,569
23,000	¹ Boston Scientific Corp.	812,820
16,663	^{1,2} CRISPR Therapeutics AG	476,062
63,581	¹ Calithera Biosciences, Inc.	254,960
21,500	¹ Catabasis Pharmaceuticals, Inc.	93,955
15,400	¹ Clementia Pharmaceuticals, Inc.	181,104
138,700	¹ ContraFect Corp.	212,211
302,381	¹ Corcept Therapeutics, Inc.	4,039,810
13,600	Danaher Corp.	1,402,432
8,531	¹ Dexcom, Inc.	1,022,014
63,400	¹ Dynavax Technologies Corp.	580,110
7,200	¹ Editas Medicine, Inc.	163,800
2,500	¹ Edwards Lifesciences Corp.	382,925
6,163	¹ GW Pharmaceuticals PLC, ADR	600,215
13,300	¹ Galapagos NV	1,220,699
24,200	¹ Galapagos NV, ADR	2,220,108
7,249	¹ Genmab A/S	1,187,942
16,400	¹ Glaukos Corp.	921,188
2,700	¹ IDEXX Laboratories, Inc.	502,254
7,700	¹ Illumina, Inc.	2,309,461
10,032	^{1,2} Insulet Corp.	795,738
14,200	¹ Intellia Therapeutics, Inc.	193,830
15,398	¹ Intersect ENT, Inc.	433,916
986	¹ Rhythm Technologies, Inc.	68,507
162,987	¹ Minerva Neurosciences, Inc.	1,098,532
7,075	¹ Myokardia, Inc.	345,685
9,727	¹ Nevro Corp.	378,283
5,400	¹ PRA Health Sciences, Inc.	496,584
5,500	¹ Penumbra, Inc.	672,100
16,368	¹ Poxel SA	95,660
90,661	¹ Progenics Pharmaceuticals, Inc.	380,776
27,900	¹ Puma Biotechnology, Inc.	567,765
14,700	¹ Repligen Corp.	775,278
17,200	¹ Rhythm Pharmaceuticals, Inc.	462,336
10,568	¹ Rocket Pharmaceuticals, Inc.	156,618
139,400	^{1,2} Scynexis, Inc.	67,149
34,287	^{1,2} Seres Therapeutics, Inc.	154,977
29,400	¹ Spark Therapeutics, Inc.	1,150,716
4,300	Stryker Corp.	674,025
34,700	¹ Tandem Diabetes Care, Inc.	1,317,559
4,444	¹ Teladoc, Inc.	220,289
12,959	^{1,2} Tocagen, Inc.	106,393
10,042	^{1,2} Twist Bioscience Corporation	231,870
27,300	¹ Ultragenyx Pharmaceutical, Inc.	1,187,004
32,600	¹ UniQure N.V.	939,532
54,757	¹ Veeva Systems, Inc.	4,890,895

**Shares or
Principal
Amount**

Value

COMMON STOCKS—continued		
Health Care—continued		
20,382	¹ Zogenix, Inc.	\$ 743,128
	TOTAL	47,710,238
Industrials—9.8%		
40,044	Air Lease Corp.	1,209,729
61,150	¹ Azul S.A., ADR	1,693,243
4,800	¹ CoStar Group, Inc.	1,619,232
9,723	Fortive Corp.	657,858
109,386	GrafTech International Ltd.	1,251,376
19,695	Heico Corp.	1,525,969
13,730	¹ IHS Markit Ltd.	658,628
2,325	KAR Auction Services, Inc.	110,949
17,800	¹ Mercury Systems, Inc.	841,762
8,300	Roper Technologies, Inc.	2,212,116
11,000	^{1,2} Upwork, Inc.	199,210
9,470	¹ Verisk Analytics, Inc.	1,032,609
7,900	² Wabtec Corp.	554,975
23,200	¹ XPO Logistics, Inc.	1,323,328
	TOTAL	14,890,984
Information Technology—20.4%		
2,000	¹ 2U, Inc.	99,440
1,575	¹ Adobe, Inc.	356,328
75,995	¹ Advanced Micro Devices, Inc.	1,402,868
6,300	¹ Ansys, Inc.	900,522
6,700	Broadcom, Inc.	1,703,676
23,275	¹ Coupa Software, Inc.	1,463,067
2,000	¹ DocuSign, Inc.	80,160
9,855	¹ Dropbox, Inc.	201,338
212,300	Evry AS	771,229
55,000	^{1,2} GDS Holdings Ltd., ADR	1,269,950
26,300	¹ GoDaddy, Inc.	1,725,806
3,620	¹ Guidewire Software, Inc.	290,433
40,600	Marvell Technology Group Ltd.	657,314
2,700	Nvidia Corp.	360,450
2,800	¹ Okta, Inc.	178,640
58,300	^{1,2} PagSeguro Digital Ltd.	1,091,959
18,180	¹ Q2 Holdings, Inc.	900,819
35,400	¹ Radware Ltd.	803,934
18,015	¹ Rapid7, Inc.	561,347
18,455	¹ RealPage, Inc.	889,346
3,475	¹ Salesforce.com, Inc.	475,971
19,920	¹ ServiceNow, Inc.	3,546,756
8,105	^{1,2} Shopify, Inc.	1,122,137
30,000	¹ Splunk, Inc.	3,145,500
10,800	¹ Tyler Technologies, Inc.	2,006,856
19,915	¹ Workday, Inc.	3,180,027
15,600	¹ Worldpay, Inc.	1,192,308
25,700	¹ Zuora, Inc.	466,198
	TOTAL	30,844,379

Shares or Principal Amount		Value
	COMMON STOCKS—continued	
	Materials—3.2%	
9,803	Agnico Eagle Mines Ltd.	\$ 396,041
41,643	¹ B2Gold Corp.	121,708
40,700	Barrick Gold Corp.	551,078
53,027	Goldcorp, Inc., Class A	519,665
9,700	¹ Ingevity Corp.	811,793
43,200	¹ Kinross Gold Corp.	139,968
25,782	OceanaGold Corp.	94,048
13,571	Osisko Gold Royalties Ltd.	119,153
4,800	Sherwin-Williams Co.	1,888,608
58,800	Yamana Gold, Inc.	138,768
	TOTAL	4,780,830
	Real Estate—2.6%	
9,600	¹ CBRE Group, Inc.	384,384
10,200	Crown Castle International Corp.	1,108,026
20,600	JBG Smith Properties	717,086
7,000	Lamar Advertising Co.	484,260
16,100	MGM Growth Properties LLC	425,201
12,810	Ryman Hospitality Properties	854,299
	TOTAL	3,973,256
	TOTAL COMMON STOCKS (IDENTIFIED COST \$81,690,337)	121,798,227
	PREFERRED STOCK—0.1%	
	Health Care—0.1%	
15,462	³ Alector, Inc. (IDENTIFIED COST \$219,798)	205,974
	WARRANTS—0.1%	
	Health Care—0.1%	
215,000	¹ Catabasis Pharmaceuticals, Inc., Warrants, Expiration Date 6/22/2022	33,691
42,500	¹ ContraFect Corp., Warrants, Expiration Date 7/27/2021	18,687
87,500	¹ ContraFect Corp., Warrants, Expiration Date 7/20/2022	35,796
21,060	¹ Scynexis, Inc., Warrants, Expiration Date 4/06/2021	232
42,000	¹ Scynexis, Inc., Warrants, Expiration Date 3/14/2019	0
25,200	¹ Scynexis, Inc., Warrants, Expiration Date 3/08/2023	1,749
	TOTAL WARRANTS (IDENTIFIED COST \$1,300)	90,155
	REPURCHASE AGREEMENTS—22.0%	
\$ 2,809,317	Interest in \$550,000,000 joint repurchase agreement 3.00%, dated 12/31/2018 under which BMO Capital Markets Corp. will repurchase securities provided as collateral for \$550,091,667 on 1/2/2019. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were collateralized mortgage obligations, commercial mortgage backed securities and U.S. Government Agency securities with various maturities to 11/20/2068 and the market value of those underlying securities was \$564,641,271. (purchased with proceeds from securities lending collateral).	2,809,317
30,487,000	Interest in \$550,000,000 joint repurchase agreement 3.00%, dated 12/31/2018 under which BMO Capital Markets Corp. will repurchase securities provided as collateral for \$550,091,667 on 1/2/2019. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency securities with various maturities to 11/20/2068 and the market value of those underlying securities was \$564,641,271.	30,487,000
	TOTAL REPURCHASE AGREEMENTS (AT COST)	33,296,317
	TOTAL INVESTMENT IN SECURITIES—102.7% (IDENTIFIED COST \$115,207,752) ⁴	155,390,673
	OTHER ASSETS AND LIABILITIES - NET—(2.7)% ⁵	(4,098,738)
	TOTAL NET ASSETS—100%	\$ 151,291,935

An affiliated company is a company in which the Fund has ownership of at least 5% of the voting shares. Transactions with affiliated companies during the period ended December 31, 2018, were as follows:

	Balance of Shares Held 12/31/2017	Purchases/ Additions**	Sales/ Reductions**	Balance of Shares Held 12/31/2018	Value	Change in Unrealized Appreciation/ Depreciation	Net Realized Gain/(Loss)**	Dividend Income**
Financials								
*Hamilton Lane, Inc.	21,900	1,600	—	23,500	\$ 869,500	\$ 11,774	\$ —	\$3,722
Health Care								
Argenx SE	45,023	4,377	—	49,400	\$ 4,777,610	\$ 1,549,844	\$ —	\$ —
Argenx SE, ADR	17,450	3,465.00	(5,600)	15,315	\$ 1,471,312	\$ 393,771	\$206,348	\$ —
Calithera Biosciences, Inc.	—	63,581	—	63,581	\$ 254,960	\$ (158,429)	\$ —	\$ —
Catabasis Pharmaceuticals, Inc.	—	21,500	—	21,500	\$ 93,955	\$ (121,045)	\$ —	\$ —
Catabasis Pharmaceuticals, Inc., Warrants, Expiration Date 6/22/2022	—	215,000	—	215,000	\$ 33,691	\$ 33,691	\$ —	\$ —
ContraFect Corp.	130,000	8,700.00	—	138,700	\$ 212,211	\$ 63,511	\$ —	\$ —
ContraFect Corp., Warrants, Expiration Date 7/27/2021	42,500	—	—	42,500	\$ 18,687	\$ 11,147	\$ —	\$ —
ContraFect Corp., Warrants, Expiration Date 7/20/2022	87,500	—	—	87,500	\$ 35,796	\$ 4,003	\$ —	\$ —
Corcept Therapeutics, Inc.	296,737	50,563	(44,919)	302,381	\$ 4,039,810	\$ (1,275,410)	\$ (87,457)	\$ —
Minerva Neurosciences, Inc.	155,287	7,700	—	162,987	\$ 1,098,532	\$ 95,906	\$ —	\$ —
Progenics Pharmaceuticals, Inc.	247,662	—	(157,001)	90,661	\$ 380,776	\$ (267,956)	\$225,543	\$ —
Scynexis, Inc.	83,400	56,000	—	139,400	\$ 67,149	\$ (220,979)	\$ —	\$ —
Scynexis, Inc., Warrants, Expiration Date 4/06/2021	21,060	—	—	21,060	\$ 232	\$ (23,690)	\$ —	\$ —
Scynexis, Inc., Warrants, Expiration Date 3/14/2019	—	42,000	—	42,000	\$ 0	\$ —	\$ —	\$ —
Scynexis, Inc., Warrants, Expiration Date 3/08/2023	—	25,200.00	—	25,200	\$ 1,749	\$ 1,749	\$ —	\$ —
UniQure N.V.	—	36,749.00	(4,149)	32,600	\$ 939,532	\$ (15,438)	\$ 22,568	\$ —
Information Technology								
*Zuora, Inc.	—	26,000	(300)	25,700	\$ 466,198	\$ (2,800)	\$ 1,564	\$ —
Affiliated issuer no longer held at period end	311,355	—	(311,355)	—	—	\$ (173,482)	602,302	\$ —
TOTAL OF AFFILIATED TRANSACTIONS	1,459,874	562,435	(523,324)	1,498,985	\$14,761,700	\$ (93,833)	\$970,868	\$3,722

* At December 31, 2018, the Fund no longer has ownership of at least 5% of the voting shares.

** A portion of the amount shown was recorded when the Fund no longer had ownership of at least 5% of the voting shares.

1 Non-income-producing security.

2 All or a portion of these securities are temporarily on loan to unaffiliated broker/dealers.

3 Market quotations and price evaluations are not available. Fair value determined using significant unobservable inputs in accordance with procedures established by and under the general supervision of the Fund's Board of Trustees (the "Trustees").

4 The cost of investments for federal tax purposes amounts to \$115,428,634.

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

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

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

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

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

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

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

The following is a summary of the inputs used, as of December 31, 2018, in valuing the Fund's assets carried at fair value:

Valuation Inputs

	Level 1— Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
Equity Securities:				
Common Stocks				
Domestic	\$ 91,360,691	\$ —	\$ 1,569	\$ 91,362,260
International	18,336,382	12,099,585	—	30,435,967
Preferred Stocks				
Domestic	—	—	205,974	205,974
Debt Securities:				
Warrants	—	90,155	—	90,155
Repurchase Agreements	—	33,296,317	—	33,296,317
TOTAL SECURITIES	\$109,697,073	\$45,486,057	\$207,543	\$155,390,673

The following acronym is used throughout this portfolio:

ADR—American Depositary Receipt

See Notes which are an integral part of the Financial Statements

Financial Highlights – Primary Shares

(For a Share Outstanding Throughout Each Period)

Year Ended December 31	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$19.16	\$16.70	\$17.42	\$18.92	\$19.22
Income From Investment Operations:					
Net investment income (loss) ¹	(0.11)	(0.14)	(0.11)	(0.15)	(0.15)
Net realized and unrealized gain (loss)	0.95	4.54	0.56	1.44	1.91
TOTAL FROM INVESTMENT OPERATIONS	0.84	4.40	0.45	1.29	1.76
Less Distributions:					
Distributions from net realized gain	(1.45)	(1.94)	(1.17)	(2.79)	(2.06)
Net Asset Value, End of Period	\$18.55	\$19.16	\$16.70	\$17.42	\$18.92
Total Return²	3.84%	28.33%	3.66%	6.37%	9.71%

Ratios to Average Net Assets:

Net expenses	1.52%	1.54%	1.54% ³	1.53% ³	1.53% ³
Net investment loss	(0.53)%	(0.77)%	(0.67)%	(0.84)%	(0.83)%
Expense waiver/reimbursement ⁴	—%	—%	0.03%	0.00% ⁵	0.09%

Supplemental Data:

Net assets, end of period (000 omitted)	\$46,160	\$47,985	\$42,122	\$46,450	\$49,425
Portfolio turnover	41%	44%	59%	60%	51%

1 Per share numbers have been calculated using the average shares method.

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.

3 The net expense ratio is calculated without reduction for expense offset arrangements. The net expense ratios are 1.54%, 1.53% and 1.53% for the year ended December 31, 2016, 2015 and 2014, respectively, after taking into account these expense reductions.

4 This expense decrease is reflected in both the net expense and the net investment income (loss) ratios shown above.

5 Represents less than 0.01%.

See Notes which are an integral part of the Financial Statements

Financial Highlights – Service Shares

(For a Share Outstanding Throughout Each Period)

Year Ended December 31	2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$18.26	\$16.04	\$16.82	\$18.39	\$18.78
Income From Investment Operations:					
Net investment income (loss) ¹	(0.15)	(0.17)	(0.14)	(0.19)	(0.19)
Net realized and unrealized gain (loss)	0.91	4.33	0.53	1.41	1.86
TOTAL FROM INVESTMENT OPERATIONS	0.76	4.16	0.39	1.22	1.67
Less Distributions:					
Distributions from net realized gain	(1.45)	(1.94)	(1.17)	(2.79)	(2.06)
Net Asset Value, End of Period	\$17.57	\$18.26	\$16.04	\$16.82	\$18.39
Total Return²	3.58%	27.97%	3.42%	6.15%	9.43%

Ratios to Average Net Assets:

Net expenses	1.77%	1.79%	1.79% ³	1.78% ³	1.78% ³
Net investment income (loss)	(0.77)%	(1.02)%	(0.92)%	(1.07)%	(1.08)%
Expense waiver/reimbursement ⁴	—%	—%	0.03%	0.00% ⁵	0.09%

Supplemental Data:

Net assets, end of period (000 omitted)	\$105,132	\$96,037	\$78,870	\$91,458	\$69,369
Portfolio turnover	41%	44%	59%	60%	51%

1 Per share numbers have been calculated using the average shares method.

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.

3 The net expense ratio is calculated without reduction for expense offset arrangements. The net expense ratios are 1.79%, 1.78% and 1.78% for the year ended December 31, 2016, 2015 and 2014, respectively, after taking into account these expense reductions.

4 This expense decrease is reflected in both the net expense and the net investment income (loss) ratios shown above.

5 Represents less than 0.01%.

See Notes which are an integral part of the Financial Statements

Statement of Assets and Liabilities

December 31, 2018

Assets:

Investment in repurchase agreements	\$ 33,296,317	
Investment in securities	122,094,356	
Investment in securities, at value including \$2,790,548 of securities loaned and including \$13,426,002 of investments in affiliated companies (identified cost \$115,207,752)		\$155,390,673
Cash		392
Cash denominated in foreign currencies (identified cost \$6,994)		6,993
Income receivable		56,592
Receivable for investments sold		55,994
Receivable for shares sold		105,307
TOTAL ASSETS		155,615,951

Liabilities:

Payable for investments purchased	\$ 1,166,612	
Payable for shares redeemed	241,859	
Payable for collateral due to broker for securities lending	2,809,317	
Payable for investment adviser fee (Note 5)	5,722	
Payable for administrative fees (Note 5)	328	
Payable for distribution services fee (Note 5)	23,198	
Accrued expenses (Note 5)	76,980	
TOTAL LIABILITIES		4,324,016

Net assets for 8,472,843 shares outstanding \$151,291,935

Net Assets Consist of:

Paid-in capital	\$ 95,086,293
Total distributable earnings (loss)	56,205,642
TOTAL NET ASSETS	\$151,291,935

Net Asset Value, Offering Price and Redemption Proceeds Per Share

Primary Shares:

Net asset value per share (\$46,160,399 ÷ 2,488,997 shares outstanding), no par value, unlimited shares authorized \$18.55

Service Shares:

Net asset value per share (\$105,131,536 ÷ 5,983,846 shares outstanding), no par value, unlimited shares authorized \$17.57

See Notes which are an integral part of the Financial Statements

Statement of Operations

Year Ended December 31, 2018

Investment Income:

Dividends (including \$3,722 received from affiliated companies* and net of foreign taxes withheld of \$26,338)	\$ 988,966
Interest	578,903
Net income on securities loaned	87,519
TOTAL INCOME	1,655,388

Expenses:

Investment adviser fee (Note 5)	\$2,154,083
Administrative fee (Note 5)	133,674
Custodian fees	40,068
Transfer agent fee	16,886
Directors'/Trustees' fees (Note 5)	2,181
Auditing fees	34,570
Legal fees	9,441
Portfolio accounting fees	58,887
Distribution services fee (Note 5)	285,668
Printing and postage	38,516
Miscellaneous (Note 5)	38,605
TOTAL EXPENSES	2,812,579

Net investment income (loss)	(1,157,191)
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Realized and Unrealized Gain (Loss) on Investments, Futures Contracts, Foreign Exchange Contracts and Foreign Currency Transactions:

Net realized gain on investments (including net realized gain of \$970,868 on sales of investments in affiliated companies*)	16,871,794
Net realized gain on foreign currency transactions	13,489
Net realized gain on foreign exchange contracts	18
Net realized loss on futures contracts	(25,896)
Net change in unrealized appreciation of investments (including net change in unrealized appreciation of \$(93,833) on investments in affiliated companies*)	(11,070,333)
Net change in unrealized appreciation/depreciation of translation of assets and liabilities in foreign currency	(174)
Net change in unrealized depreciation of futures contracts	14,872
Net realized and unrealized gain on investments, futures contracts, foreign exchange contracts and foreign currency transactions	5,803,770
Change in net assets resulting from operations	\$ 4,646,579

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

See Notes which are an integral part of the Financial Statements

Statement of Changes in Net Assets

Year Ended December 31	2018	2017
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ (1,157,191)	\$ (1,246,983)
Net realized gain	16,859,405	12,414,022
Net change in unrealized appreciation/depreciation	(11,055,635)	21,559,681
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	4,646,579	32,726,720
Distributions to Shareholders (Note 2):		
Primary Shares	(3,543,669)	(4,734,296)
Service Shares	(7,812,619)	(9,289,863)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(11,356,288)	(14,024,159)
Share Transactions:		
Proceeds from sale of shares	53,258,598	18,372,467
Net asset value of shares issued to shareholders in payment of distributions declared	11,356,277	14,024,145
Cost of shares redeemed	(50,635,284)	(28,069,059)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	13,979,591	4,327,553
Change in net assets	7,269,882	23,030,114
Net Assets:		
Beginning of period	144,022,053	120,991,939
End of period	\$151,291,935	\$144,022,053

See Notes which are an integral part of the Financial Statements

Notes to Financial Statements

December 31, 2018

1. ORGANIZATION

Federated Insurance Series (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein are only those of Federated Kaufmann 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 capital appreciation.

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:

- Equity securities listed on an exchange or traded through a regulated market system are valued at their last reported sale price or official closing price in their principal exchange or market.
- Fixed-income securities are fair valued using price evaluations provided by a pricing service approved by the Trustees.
- Shares of other mutual funds or non-exchange-traded investment companies are valued based upon their reported NAVs.
- Derivative contracts listed on exchanges are valued at their reported settlement or closing price, except that options are valued at the mean of closing bid and asked quotations.
- Over-the-counter (OTC) derivative contracts are fair valued using price evaluations provided by a pricing service approved by the Trustees.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Trustees, certain factors may be considered, such as: the last traded or purchase price of the security, information obtained by contacting the issuer or dealers, analysis of the issuer’s financial statements or other available documents, fundamental analytical data, the nature and duration of restrictions on disposition, the movement of the market in which the security is normally traded, public trading in similar securities or derivative contracts of the issuer or comparable issuers, movement of a relevant index, or other factors including but not limited to industry changes and relevant government actions.

If any price, quotation, price evaluation or other pricing source is not readily available when the NAV is calculated, if the Fund cannot obtain price evaluations from a pricing service or from more than one dealer for an investment within a reasonable period of time as set forth in the Fund’s valuation policies and procedures, or if information furnished by a pricing service, in the opinion of the valuation committee (“Valuation Committee”), is deemed not representative of the fair value of such security, the Fund uses the fair value of the investment determined in accordance with the procedures described below. There can be no assurance that the Fund could obtain the fair value assigned to an investment if it sold the investment at approximately the time at which the Fund determines its NAV per share.

Fair Valuation and Significant Events Procedures

The Trustees have ultimate responsibility for determining the fair value of investments for which market quotations are not readily available. The Trustees have appointed a Valuation Committee comprised of officers of the Fund, Federated Equity Management Company of Pennsylvania (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.

The Trustees also have adopted procedures requiring an investment to be priced at its fair value whenever the Adviser determines that a significant event affecting the value of the investment has occurred between the time as of which the price of the investment would otherwise be determined and the time as of which the NAV is computed. An event is considered significant if there is both an affirmative expectation that the investment's value will change in response to the event and a reasonable basis for quantifying the resulting change in value. Examples of significant events that may occur after the close of the principal market on which a security is traded, or after the time of a price evaluation provided by a pricing service or a dealer, include:

- With respect to securities traded principally in foreign markets, significant trends in U.S. equity markets or in the trading of foreign securities index futures contracts;
- Political or other developments affecting the economy or markets in which an issuer conducts its operations or its securities are traded;
- Announcements concerning matters such as acquisitions, recapitalizations, litigation developments, or a natural disaster affecting the issuer's operations or regulatory changes or market developments affecting the issuer's industry.

The Trustees have adopted procedures whereby the Valuation Committee uses a pricing service to determine the fair value of equity securities traded principally in foreign markets when the Adviser determines that there has been a significant trend in the U.S. equity markets or in index futures trading. For other significant events, the Fund may seek to obtain more current quotations or price evaluations from alternative pricing sources. If a reliable alternative pricing source is not available, the Fund will determine the fair value of the investment in accordance with the fair valuation procedures approved by the Trustees. The Trustees have ultimate responsibility for any fair valuations made in response to a significant event.

Repurchase Agreements

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

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

The Fund may enter into repurchase agreements in which eligible securities are transferred into joint trading accounts maintained by the custodian or sub-custodian for investment companies and other clients advised by the Fund's 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 (MNA) which are agreements between the Fund and its counterparties that provide for the net settlement of all transactions and collateral with the Fund, through a single payment, in the event of default or termination. Amounts presented on the Portfolio of Investments and Statement of Assets and Liabilities are not net settlement amounts but gross. As indicated above, the cash or securities to be repurchased, as shown on the Portfolio of Investments, exceeds the repurchase price to be paid under the agreement reducing the net settlement amount to zero.

Investment Income, Gains and Losses, Expenses and Distributions

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are recorded on an identified-cost basis. Interest income and expenses are accrued daily. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Foreign dividends are recorded on the ex-dividend date or when the Fund is informed of the ex-dividend date. Amortization/accretion of premium and discount is included in investment income. Distributions of net investment income, if any, are declared and paid annually. Non-cash dividends included in dividend income, if any, are recorded at fair value. 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.

Dividends are declared separately for each class. No class has preferential dividend rights; differences in per share dividend rates are generally due to differences in separate class expenses. All distributions as indicated on the Statement of Changes in Net Assets for the year ended December 31, 2017 were from net realized gains. Accumulated net investment income (loss) at December 31, 2017, was \$(200,746).

Federal Taxes

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code and to distribute to shareholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the year ended December 31, 2018, the Fund did not have a liability for any uncertain tax positions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. As of December 31, 2018, tax years 2015 through 2018 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the Commonwealth of Massachusetts.

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

When-Issued and Delayed-Delivery Transactions

The Fund may engage in when-issued or delayed-delivery transactions. The Fund records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed-delivery basis are marked to market daily and begin earning interest on the settlement date. Losses may occur on these transactions due to changes in market conditions or the failure of counterparties to perform under the contract.

Futures Contracts

The Fund purchases and sells financial futures contracts to manage currency risk and market risks. Upon entering into a financial futures contract with a broker, the Fund is required to deposit in a segregated account, either U.S. government securities or a specified amount of Restricted cash, which is shown in the Statement of Assets and Liabilities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. Daily, the Fund receives from or pays to the broker a specified amount of cash based upon changes in the variation margin account. When a contract is closed, the Fund recognizes a realized gain or loss. Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with the changes in the value of the underlying securities. There is minimal counterparty risk to the Fund since futures contracts are exchange traded and the exchange's clearinghouse, as counterparty to all exchange traded futures contracts, guarantees the futures contracts against default.

At December 31, 2018, the fund had no outstanding Futures contracts.

The average notional value of short futures contracts held by the Fund throughout the period was \$164,677. This is based on amounts held as of each month-end throughout the fiscal period.

Foreign Exchange Contracts

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

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

The average value at settlement date payable of foreign exchange contracts purchased by the Fund throughout the period was \$5. This is based on the contracts held as of each month-end throughout the fiscal period.

Foreign Currency Translation

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

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

Securities Lending

The Fund participates in a securities lending program providing for the lending of equity securities to qualified brokers. The term of the loans within the program is one year or less. The Fund normally receives cash collateral for securities loaned that may be invested in affiliated money market funds, other money market instruments and/or repurchase agreements. Investments in money market funds may include funds with a "floating" NAV that can impose redemption fees and liquidity gates, impose certain operational impediments to investing cash collateral, and, if the investee fund's NAV decreases, result in the Fund recognizing losses and being required to cover the decrease in the value of the cash collateral. Collateral is maintained at a minimum level of 100% of the market value of investments loaned, plus interest, if applicable. In accordance with the Fund's securities lending agreement, the market value of securities on loan is determined each day at the close of business and any additional collateral required to cover the value of securities on loan is delivered to the Fund on the next business day. Earnings on collateral are allocated between the borrower of the security, the securities lending agent, as a fee for its services under the program and the Fund, according to agreed-upon rates.

Securities lending transactions 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 amount but gross. As indicated below, the cash collateral received by the Fund exceeds the market value of the securities loaned reducing the net settlement amount to zero. The chart below identifies the amount of collateral received as well as the market value of securities on loan. Additionally, the securities lending agreement executed by the Fund includes an indemnification clause. This clause stipulates that the borrower will reimburse the Fund for any losses as a result of any failure of the borrower to return equivalent securities to the Fund.

As of December 31, 2018, securities subject to this type of arrangement and related collateral were as follows:

Market Value of Securities Loaned	Market Value of Collateral
\$2,790,548	\$2,809,317

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.

The Effect of Derivative Instruments on the Statement of Operations for the Year Ended December 31, 2018

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

	Futures Contracts	Forward Exchange Contracts	Total
Equity contracts	\$(25,896)	\$—	\$(25,896)
Foreign exchange contracts	—	18	18
TOTAL	\$(25,896)	\$18	\$(25,878)

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

	Futures
Equity contracts	\$14,872

Other

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets, liabilities, expenses and revenues reported in the financial statements. Actual results could differ from those estimated. The Fund applies investment company accounting and reporting guidance.

3. SHARES OF BENEFICIAL INTEREST

The following tables summarize share activity:

Year Ended December 31	2018		2017	
Primary Shares:	Shares	Amount	Shares	Amount
Shares sold	246,431	\$ 5,031,315	195,640	\$ 3,425,347
Shares issued to shareholders in payment of distributions declared	176,918	3,543,667	289,029	4,734,294
Shares redeemed	(439,023)	(8,907,467)	(502,213)	(8,803,914)
NET CHANGE RESULTING FROM PRIMARY SHARE TRANSACTIONS	(15,674)	\$ (332,485)	(17,544)	\$ (644,273)

Year Ended December 31	2018		2017	
Service Shares:	Shares	Amount	Shares	Amount
Shares sold	2,502,643	\$ 48,227,283	890,081	\$ 14,947,120
Shares issued to shareholders in payment of distributions declared	410,758	7,812,610	593,980	9,289,851
Shares redeemed	(2,189,022)	(41,727,817)	(1,142,552)	(19,265,145)
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	724,379	\$ 14,312,076	341,509	\$ 4,971,826
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	708,705	\$ 13,979,591	323,965	\$ 4,327,553

4. FEDERAL TAX INFORMATION

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. These differences are due to differing treatments for foreign currency reclassifications, net operating loss utilized to offset short-term capital gains, net operating losses, passive foreign investment company gains and losses and return of capital adjustments.

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

Increase (Decrease)	Total Distributable Earnings (Loss)
Paid-In Capital	
\$(649,713)	\$649,713

Net assets were not affected by this reclassification.

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

	2018	2017
Long-term capital gains	\$11,356,288	\$14,024,159

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

Net unrealized appreciation	\$39,961,858
Undistributed long-term capital gains	\$16,243,784

The difference between book-basis and tax-basis net unrealized appreciation/depreciation is attributable to differing treatments for wash sales and passive foreign investment company adjustments.

At December 31, 2018, the cost of investments for federal tax purposes was \$115,428,634. The net unrealized appreciation of investments for federal tax purposes was \$39,962,039. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$46,381,446 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$6,419,407.

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 1.30% 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.

Certain of the Fund's assets are managed by Federated Global Investment Management Corp. (the "Sub-Adviser"). Under the terms of a sub-advisory agreement between the Adviser and the Sub-Adviser, the Sub-Adviser receives an allocable portion of the Fund's adviser fee. The fee is paid by the Adviser out of its resources and is not an incremental Fund expense. For the year ended December 31, 2018, the Sub-Adviser earned a fee of \$1,766,348.

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 year ended December 31, 2018, the annualized fee paid to FAS was 0.081% of average daily net assets of the Fund.

Prior to September 1, 2017, the breakpoints of the Administrative Fee paid to FAS, described above, were:

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

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

Distribution Services Fee

The Fund has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Act. Under the terms of the Plan, the Fund will compensate Federated Securities Corp. (FSC), the principal distributor, from the daily net assets of the Fund's Primary Shares and Service Shares to finance activities intended to result in the sale of these shares. The Plan provides that the Fund may incur distribution expenses at the following percentages of average daily net assets annually, to compensate FSC:

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

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

	Distribution Services Fees Incurred
Service Shares	\$285,668

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

The Adviser and certain of its affiliates (which may include FSC and FAS) 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, line of credit 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 1.53% and 1.78% (the "Fee Limit"), respectively, up to but not including the later of (the "Termination Date"): (a) May 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.

Interfund Transactions

During the year ended December 31, 2018, the Fund engaged in purchase and sale transactions with funds that have a common investment adviser (or affiliated investment advisers), common Directors/Trustees and/or common Officers. These purchase and sale transactions complied with Rule 17a-7 under the Act and amounted to \$63,140 and \$1,376,354, respectively.

Directors'/Trustees' and Miscellaneous Fees

Certain Officers and Trustees of the Fund are Officers and Directors or Trustees of certain of the above companies. To efficiently facilitate payment, Directors'/Trustees' fees and certain expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses are paid by an affiliate of the 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 year ended December 31, 2018, were as follows:

Purchases	\$55,166,297
Sales	\$64,266,971

7. CONCENTRATION OF RISK (UNAUDITED)

The Fund invests in securities of non-U.S. issuers. Political or economic developments may have an effect on the liquidity and volatility of portfolio securities and currency holdings. At December 31, 2018, the diversification of countries was as follows:

Country	Percentage of Net Assets
United States	84.2%
Netherland	4.8%
Canada	2.5%
Belgium	2.3%
Brazil	1.9%
China	1.6%
Italy	1.5%
Other ¹	3.9%

¹ Countries representing less than 1.0% have been aggregated under the designation "Other."

8. LINE OF CREDIT

The Fund participates with certain other Federated Funds, on a several basis, in an up to \$500,000,000 unsecured, 364-day, committed, revolving line of credit (LOC) agreement. The LOC was made available to finance temporarily the repurchase or redemption of shares of the Fund, failed trades, payment of dividends, settlement of trades and for other short-term, temporary or emergency general business purposes. The Fund cannot borrow under the LOC if an inter-fund loan is outstanding. The Fund's ability to borrow under the LOC also is subject to the limitations of the Act and various conditions precedent that must be satisfied before the Fund can borrow. Loans under the LOC are charged interest at a fluctuating rate per annum equal to the highest, on any day, of (a) (i) the federal funds effective rate, (ii) the one month London Interbank Offered Rate (LIBOR), and (iii) 0.0%, plus (b) a margin. The LOC also requires the Fund to pay, quarterly in arrears and at maturity, its pro rata share of a commitment fee based on the amount of the lenders' commitment that has not been utilized. As of December 31, 2018, the Fund had no outstanding loans. During the year ended December 31, 2018, the Fund did not utilize the LOC.

9. INTERFUND LENDING

Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Fund, along with other funds advised by subsidiaries of Federated Investors, Inc., may participate in an interfund lending program. This program provides an alternative credit facility allowing the Fund to borrow from other participating affiliated funds. As of December 31, 2018, there were no outstanding loans. During the year ended December 31, 2018, the program was not utilized.

10. FEDERAL TAX INFORMATION (UNAUDITED)

For the year ended December 31, 2018, the amount of long-term capital gains designated by the Fund was \$11,356,288.

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF TRUSTEES OF THE FEDERATED INSURANCE SERIES AND SHAREHOLDERS OF FEDERATED KAUFMANN FUND II:

Opinion on the Financial Statements

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

Basis for Opinion

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

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

KPMG LLP

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

Boston, Massachusetts
February 15, 2019

Shareholder Expense Example (unaudited)

As a shareholder of the Fund, you incur ongoing costs, including management fees and to the extent applicable, distribution (12b-1) fees and/or other service fees and other Fund expenses. This Example is intended to help you to understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other funds used as variable investment options. It is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from July 1, 2018 to December 31, 2018.

ACTUAL EXPENSES

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

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

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

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

	Beginning Account Value 7/1/2018	Ending Account Value 12/31/2018	Expenses Paid During Period ¹
Actual:			
Primary Shares	\$1,000	\$ 910.20	\$7.37
Service Shares	\$1,000	\$ 908.90	\$8.52
Hypothetical (assuming a 5% return before expenses):			
Primary Shares	\$1,000	\$1,017.50	\$7.78
Service Shares	\$1,000	\$1,016.30	\$9.00

¹ Expenses are equal to the Fund’s annualized net expense ratios, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half-year period). The 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	1.53%
Service Shares	1.77%

In Memoriam

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

RICHARD B. FISHER

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

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

Board of Trustees and Trust Officers

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

INTERESTED TRUSTEES BACKGROUND

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

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

INDEPENDENT TRUSTEES BACKGROUND

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

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

OFFICERS

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

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

Evaluation and Approval of Advisory Contract – May 2018

FEDERATED KAUFMANN FUND II (THE “FUND”)

At its meetings in May 2018, the Fund’s Board of Trustees (the “Board”), including a majority of those Trustees who are not “interested persons” of the Fund, as defined in the Investment Company Act of 1940 (the “Independent Trustees”), reviewed and unanimously approved the continuation of the Fund’s investment advisory and subadvisory contracts for an additional one-year term. The Board’s decision regarding these contracts 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 Equity Management Company of Pennsylvania (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 and subadvisory contracts. 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 and subadvisory contracts 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 and subadvisory contracts 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 and subadvisory contracts included review of the CCO Fee Evaluation Report, accompanying data and additional information covering the following matters, among others: the Adviser's and sub-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 also considered that the longevity and experience of the Fund's portfolio management team and their extensive bottom-up approach to investing may limit the utility of comparisons to other equity mutual funds. 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 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 and subadvisory contracts.

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 and subadvisory contracts.

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.

For the one-year, three-year and five-year periods covered by the CCO Fee Evaluation Report, the Fund's performance was above the median of the relevant Peer Group.

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

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 and subadvisory contracts. 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 advisory and subadvisory contracts 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 and subadvisory contracts were appropriate.

The Board based its decision to approve the investment advisory and subadvisory contracts 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 view. With respect to the factors that were relevant, the Board's decision to approve the continuation of the contracts reflects its view that Federated's performance and actions provided a satisfactory basis to support the decision to continue the existing arrangements.

Voting Proxies on Fund Portfolio Securities

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

Quarterly Portfolio Schedule

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

Notes

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

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

Federated[®]

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