

# Annual Shareholder Report

December 31, 2018

Share Class

Primary

Service

## Federated Quality Bond 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](http://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 .....	4
Portfolio of Investments .....	5
Financial Highlights .....	16
Statement of Assets and Liabilities .....	18
Statement of Operations .....	19
Statement of Changes in Net Assets .....	20
Notes to Financial Statements .....	21
Report of Independent Registered Public Accounting Firm .....	27
Shareholder Expense Example .....	28
In Memoriam .....	29
Board of Trustees and Trust Officers .....	29
Evaluation and Approval of Advisory Contract .....	33
Voting Proxies on Fund Portfolio Securities .....	37
Quarterly Portfolio Schedule .....	37

## Management's Discussion of Fund Performance (unaudited)

The total return of Federated Quality Bond Fund II (the "Fund"), based on net asset value for the 12-month reporting period ended December 31, 2018, was -0.59% for the Primary Shares and -0.78% for the Service Shares. The total return of the Fund's broad-based benchmark, the Bloomberg Barclays U.S. Intermediate Credit Index ("BBICI"),<sup>1</sup> was 0.01% during the same period. The -0.59% total return of the Fund's Primary Shares consisted of 3.03% of taxable income and -3.62% of depreciation in the net asset value of shares. The Fund's total return 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 BBICI.

During the reporting period, the most significant factors affecting the Fund's performance relative to the BBICI were: (a) individual security selection; (b) the selection of various industries and sectors of the corporate bond market; and (c) overall interest rate sensitivity of the portfolio, as measured by the effective duration<sup>2</sup> of the Fund.

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

### MARKET OVERVIEW

The reporting period started with a strong risk-on rally, fueled by the late 2017 passage of corporate and individual tax reform. But the risk markets quickly turned skittish, initially on concerns about a breakout in inflation that failed to materialize, then on worries about mounting trade tensions with the U.S.'s major trading partners. This whipsawing in the period's first few months was representative of the entire 12-month span. There were countervailing periods of risk-on and risk-off as geopolitical events – a worsening trade war with China, nuclear tensions with North Korea, instabilities in Italy, the prolonged "Brexit" (the U.K. exiting the European Union) drama, mid-term elections and a potential government shut down – competed with a domestic economy experiencing one of its best stretches since before the global financial crisis, with unemployment hitting a 49-year low, various measures of consumer and business confidence reaching multi-decade highs and corporate profits growing at their fastest rate since 2011. Against this backdrop was the Federal Reserve (the "Fed"), which stuck to its policy normalization path, raised the federal funds target rate four times during the reporting period and continued quantitative tapering aimed at shrinking a balance sheet bloated by extraordinary stimulus used to combat the financial crisis.

This risk-on, risk-off rollercoaster made for volatile financial markets. Equities, as measured by the S&P 500 Index, twice reached record highs during the reporting period, in January and again in September, only to sell-off afterward in each case and to be down low-single digits for the full year. Investment-grade corporate bonds reflected similar behavior. The 10-year U.S. Treasury yield started the reporting period at 2.40%, climbed in fits and starts to 3.11% as of mid-May, fell back to 2.82% by late August, rose again to a period high of 3.24% in mid-November, then ended the period at 2.68%. As measured by the option-adjusted spread on the BBICI, investment-grade corporate spreads started the period at 67 basis points, tightened to 61 basis points by the end of January, rose to 91 basis points in June, narrowed to 76 basis points in September and ended the reporting period at 118 basis points. This on-again, off-again sentiment was unusual, but symptomatic of the geopolitical concerns that played havoc with the risk trade all period long, undermining returns for most risk assets.

### SECTOR/INDUSTRY SELECTION

For the reporting period, individual security selection was the largest driver of positive Fund performance relative to the BBICI. Security selection was particularly strong in the Banking, Basic Industries and Other Financial Sectors, while Capital Goods, Consumer Non-Cyclical and Owned No-Guarantee were detractors with weaker selection. Specific credits that contributed the most to performance included: Bruce Mansfield, Pemex, CVS Health and HSBC Bank USA. On the downside credits that detracted included: Textron, General Electric, Valero and Electricite de France.

The decision to hold overweight or underweight positions to specific corporate sectors and/or ratings qualities was the secondary driver of Fund performance relative to the BBICI. In total for the year, sector allocation was a detractor. Since 2018 was a risk-off year, the non-corporate/high quality sectors outperformed. As such, the Fund's underweight position to these sectors and specifically to Supranationals detracted from performance. Overweight positions in Energy and Consumer Cyclical, both of which underperformed the broader BBICI, hurt Fund performance as well.

## **DURATION AND DERIVATIVES MANAGEMENT**

Duration had a positive impact on the performance as the Fund was less interest rate-sensitive<sup>3</sup> than the BBICI throughout the year (97%) in a period of generally rising interest rates. The Fund maintained a short duration profile throughout the entire reporting period. However, the magnitude of the short duration posture was held within a relatively tight range of between 96% and 99% of benchmark duration. As previously stated, the 10-year U.S. Treasury yield started the period at 2.40% and after rising 84 basis points to hit the yearly high of 3.24%, ended the year at 2.68%. Derivatives, which were U.S. Treasury futures<sup>4</sup> that were used to adjust duration targets, had a negative impact on Fund performance during the reporting period.

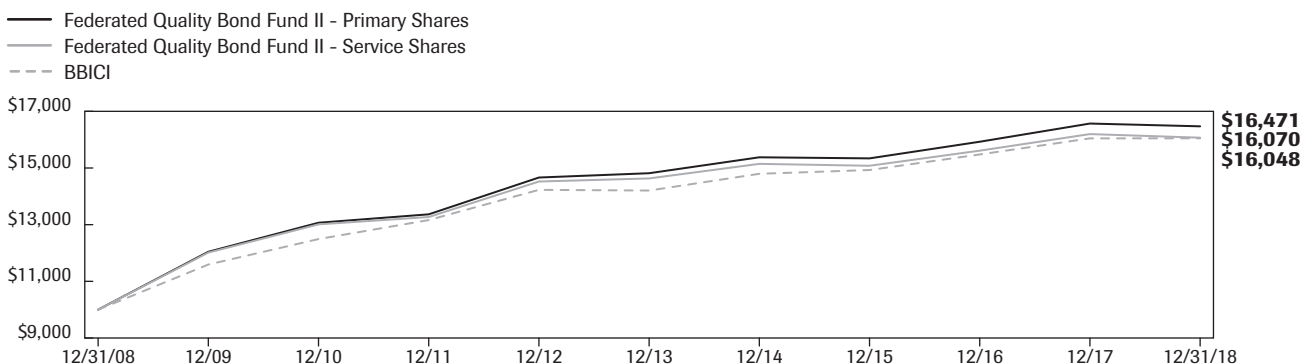
- 1 *Please see the footnotes to the line graphs under "Fund Performance and Growth of a \$10,000 Investment" below for the definition of, and more information about, the BBICI.*
- 2 *Duration is a measure of a security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.*
- 3 *Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.*
- 4 *The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.*

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

The graph below illustrates the hypothetical investment of \$10,000<sup>1</sup> in the Federated Quality Bond Fund II from December 31, 2008 to December 31, 2018, compared to the Bloomberg Barclays U.S. Intermediate Credit Index (BBICI).<sup>2</sup> 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



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

	1 Year	5 Years	10 Years
Primary Shares	-0.59%	2.14%	5.12%
Service Shares	-0.78%	1.89%	4.86%
BBICI	0.01%	2.47%	4.84%

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.

<sup>1</sup> The Fund's performance assumes the reinvestment of all dividends and distributions. The BBICI has been adjusted to reflect reinvestment of dividends on securities in the index.

<sup>2</sup> The BBICI measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. The index only includes securities with maturity between one and ten years. It is composed of the Bloomberg Barclays U.S. Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities. The index is not adjusted to reflect sales loads, 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.

## Portfolio of Investments Summary Table (unaudited)

At December 31, 2018, the Fund's portfolio composition<sup>1</sup> was as follows:

<b>Security Type</b>	<b>Percentage of Total Net Assets</b>
Corporate Debt Securities	97.3%
Foreign Government Debt Securities	0.6%
Mortgage-Backed Securities <sup>2</sup>	0.1%
Collateralized Mortgage Obligation <sup>3</sup>	0.0%
Derivative Contracts <sup>3,4</sup>	0.0%
Cash Equivalents <sup>5</sup>	1.1%
Other Assets and Liabilities—Net <sup>6</sup>	0.9%
<b>TOTAL</b>	<b>100.0%</b>

1 See the Fund's Prospectus and Statement of Additional Information for a description of these security types.

2 For purposes of this table, Mortgage-Backed Securities include mortgage-backed securities guaranteed by Government-Sponsored Enterprises.

3 Represents less than 0.1%.

4 Based upon net unrealized appreciation (depreciation) or value of the derivative contracts as applicable. Derivative contracts may consist of futures, forwards, options and swaps. The impact of a derivative contract on the Fund's performance may be larger than its unrealized appreciation (depreciation) or value may indicate. In many cases, the notional value or amount of a derivative contract may provide a better indication of the contract's significance to the portfolio. More complete information regarding the Fund's direct investments in derivative contracts, including unrealized appreciation (depreciation), value and notional values or amounts of such contracts, can be found in the table at the end of the Portfolio of Investments included in this Report.

5 Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements.

6 Assets, other than investments in securities and derivative contracts, less liabilities. See Statement of Assets and Liabilities.

# Portfolio of Investments

December 31, 2018

Principal Amount		Value
	CORPORATE BONDS—97.3%	
	<b>Basic Industry - Chemicals—0.8%</b>	
\$ 640,000	FMC Corp., Sr. Unsecd. Note, 3.950%, 2/1/2022	\$ 643,949
800,000	Incitec Pivot Finance LLC, Company Guarantee, 144A, 6.000%, 12/10/2019	817,863
	<b>TOTAL</b>	<b>1,461,812</b>
	<b>Basic Industry - Metals &amp; Mining—2.1%</b>	
230,000	Carpenter Technology Corp., Sr. Unsecd. Note, 4.450%, 3/1/2023	223,674
650,000	Carpenter Technology Corp., Sr. Unsecd. Note, 5.200%, 7/15/2021	650,999
470,000	Newcrest Finance Property Ltd., Sr. Unsecd. Note, 144A, 4.200%, 10/1/2022	471,722
1,000,000	Reliance Steel & Aluminum Co., Sr. Unsecd. Note, 4.500%, 4/15/2023	1,011,190
320,000	Southern Copper Corp., Sr. Unsecd. Note, 3.500%, 11/8/2022	313,369
1,080,000	Worthington Industries, Inc., Sr. Unsecd. Note, 6.500%, 4/15/2020	1,116,317
	<b>TOTAL</b>	<b>3,787,271</b>
	<b>Capital Goods - Aerospace &amp; Defense—2.4%</b>	
600,000	Airbus Group SE, Sr. Unsecd. Note, 144A, 3.150%, 4/10/2027	577,914
270,000	BAE Systems Holdings, Inc., Sr. Unsecd. Note, 144A, 2.850%, 12/15/2020	266,515
280,000	BAE Systems Holdings, Inc., Sr. Unsecd. Note, 144A, 3.850%, 12/15/2025	278,150
519,000	Embraer Overseas Ltd., Sr. Unsecd. Note, 144A, 5.696%, 9/16/2023	543,009
410,000	Huntington Ingalls Industries, Inc., Sr. Unsecd. Note, 3.483%, 12/1/2027	382,911
270,000	Lockheed Martin Corp., Sr. Unsecd. Note, 2.500%, 11/23/2020	267,109
300,000	Northrop Grumman Corp., Sr. Unsecd. Note, 2.550%, 10/15/2022	290,825
500,000	Northrop Grumman Corp., Sr. Unsecd. Note, 2.930%, 1/15/2025	475,293
320,000	Rockwell Collins, Inc., Sr. Unsecd. Note, 3.100%, 11/15/2021	317,593
910,000	<sup>1</sup> Textron Financial Corp., Jr. Sub. Note, 144A, 4.351% (3-month USLIBOR +1.735%), 2/15/2042	657,475
295,000	Textron, Inc., Sr. Unsecd. Note, 4.300%, 3/1/2024	301,818
	<b>TOTAL</b>	<b>4,358,612</b>
	<b>Capital Goods - Building Materials—0.8%</b>	
800,000	Allegion US Holdings Co., Inc., Sr. Unsecd. Note, 3.200%, 10/1/2024	755,715
300,000	Masco Corp., Sr. Unsecd. Note, 3.500%, 11/15/2027	277,228
80,000	Masco Corp., Sr. Unsecd. Note, 7.125%, 3/15/2020	83,583
275,000	Masco Corp., Unsecd. Note, 4.450%, 4/1/2025	275,983
	<b>TOTAL</b>	<b>1,392,509</b>
	<b>Capital Goods - Construction Machinery—0.4%</b>	
500,000	CNH Industrial Capital LLC, Sr. Unsecd. Note, 4.375%, 4/5/2022	503,400
300,000	CNH Industrial NV, Sr. Unsecd. Note, Series MTN, 3.850%, 11/15/2027	273,227
	<b>TOTAL</b>	<b>776,627</b>
	<b>Capital Goods - Diversified Manufacturing—2.3%</b>	
750,000	CK Hutchison Holdings Ltd., Sr. Unsecd. Note, 144A, 2.750%, 3/29/2023	725,244
430,000	General Electric Capital Corp., Sr. Unsecd. Note, Series GMTN, 4.625%, 1/7/2021	431,302
600,000	General Electric Capital Corp., Sub. Note, 5.300%, 2/11/2021	601,020
1,000,000	Lennox International, Inc., Sr. Unsecd. Note, 3.000%, 11/15/2023	941,996
650,000	Parker-Hannifin Corp., Sr. Unsecd. Note, 3.250%, 3/1/2027	624,219
875,000	Roper Technologies, Inc., Sr. Unsecd. Note, 3.800%, 12/15/2026	855,080
	<b>TOTAL</b>	<b>4,178,861</b>
	<b>Capital Goods - Packaging—0.3%</b>	
25,000	WestRock Co., 7.650%, 3/15/2019	25,088
500,000	WestRock Co., Sr. Unsecd. Note, 144A, 3.750%, 3/15/2025	491,505
	<b>TOTAL</b>	<b>516,593</b>

Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Communications - Cable &amp; Satellite—2.6%</b>	
\$940,000	CCO Safari II LLC, 3.579%, 7/23/2020	\$ 939,185
567,000	CCO Safari II LLC, 4.464%, 7/23/2022	572,866
700,000	CCO Safari II LLC, 4.908%, 7/23/2025	696,699
600,000	Comcast Corp., Sr. Unsecd. Note, 1.625%, 1/15/2022	574,447
730,000	Comcast Corp., Sr. Unsecd. Note, 2.750%, 3/1/2023	710,862
750,000	Comcast Corp., Sr. Unsecd. Note, 3.950%, 10/15/2025	759,881
400,000	Time Warner Cable, Inc., Sr. Unsecd. Note, 8.375%, 3/15/2023	456,716
	TOTAL	4,710,656
	<b>Communications - Media &amp; Entertainment—1.2%</b>	
300,000	British Sky Broadcasting Group PLC, 144A, 3.750%, 9/16/2024	299,258
750,000	CBS Corp., 3.700%, 8/15/2024	729,684
500,000	Discovery Communications LLC, Sr. Unsecd. Note, 2.950%, 3/20/2023	479,267
250,000	Discovery Communications LLC, Sr. Unsecd. Note, 3.950%, 3/20/2028	232,386
500,000	S&P Global, Inc., Sr. Unsecd. Note, 3.300%, 8/14/2020	501,090
	TOTAL	2,241,685
	<b>Communications - Telecom Wireless—0.9%</b>	
600,000	American Tower Corp., Sr. Unsecd. Note, 3.500%, 1/31/2023	590,185
300,000	Crown Castle International Corp., 3.150%, 7/15/2023	288,668
360,000	Crown Castle International Corp., Sr. Unsecd. Note, 2.250%, 9/1/2021	348,263
395,000	Vodafone Group PLC, Sr. Unsecd. Note, 4.125%, 5/30/2025	390,931
	TOTAL	1,618,047
	<b>Communications - Telecom Wirelines—2.5%</b>	
700,000	AT&T, Inc., Sr. Unsecd. Note, 2.450%, 6/30/2020	691,032
450,000	AT&T, Inc., Sr. Unsecd. Note, 3.400%, 5/15/2025	423,603
590,000	AT&T, Inc., Sr. Unsecd. Note, 5.000%, 3/1/2021	610,353
500,000	CenturyLink, Inc., Sr. Note, Series Q, 6.150%, 9/15/2019	507,640
450,000	Telefonica Emisiones SAU, Company Guarantee, 5.462%, 2/16/2021	466,574
250,000	Telefonica SA, Company Guarantee, 7.045%, 6/20/2036	285,888
600,000	Verizon Communications, Inc., Sr. Unsecd. Note, 4.150%, 3/15/2024	613,515
985,000	Verizon Communications, Inc., Sr. Unsecd. Note, 5.150%, 9/15/2023	1,050,024
	TOTAL	4,648,629
	<b>Consumer Cyclical - Automotive—3.4%</b>	
250,000	Daimler Finance NA LLC, Sr. Unsecd. Note, 144A, 2.200%, 5/5/2020	245,934
700,000	Daimler Finance NA LLC, Sr. Unsecd. Note, 144A, 2.300%, 1/6/2020	692,420
500,000	Daimler Finance NA LLC, Sr. Unsecd. Note, 144A, 3.250%, 8/1/2024	482,176
250,000	Ford Motor Co., Sr. Unsecd. Note, 4.346%, 12/8/2026	223,524
600,000	Ford Motor Credit Co. LLC, Sr. Unsecd. Note, 2.681%, 1/9/2020	590,143
500,000	Ford Motor Credit Co. LLC, Sr. Unsecd. Note, 3.336%, 3/18/2021	485,394
920,000	General Motors Co., Sr. Unsecd. Note, 4.000%, 4/1/2025	861,160
500,000	General Motors Financial Co., Inc., Sr. Unsecd. Note, 3.200%, 7/6/2021	488,674
300,000	General Motors Financial Co., Inc., Sr. Unsecd. Note, 4.000%, 10/6/2026	269,898
750,000	Nissan Motor Acceptance Corp., Sr. Unsecd. Note, 144A, 2.250%, 1/13/2020	739,302
475,000	Nissan Motor Acceptance Corp., Sr. Unsecd. Note, 144A, 2.650%, 7/13/2022	454,429
350,000	Volkswagen Group of America Finance LLC, Sr. Unsecd. Note, 144A, 4.000%, 11/12/2021	350,936
300,000	Volkswagen Group of America Finance LLC, Sr. Unsecd. Note, 144A, 4.250%, 11/13/2023	297,846
	TOTAL	6,181,836
	<b>Consumer Cyclical - Leisure—0.4%</b>	
658,682	Football Trust V, Pass Thru Cert., 5.350%, 10/5/2020	681,835
	<b>Consumer Cyclical - Lodging—0.3%</b>	
450,000	Choice Hotels International, Inc., Company Guarantee, 5.700%, 8/28/2020	459,000



Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Consumer Cyclical - Retailers—2.6%</b>	
\$ 600,000	CVS Health Corp., Sr. Unsecd. Note, 2.800%, 7/20/2020	\$ 594,712
250,000	CVS Health Corp., Sr. Unsecd. Note, 3.350%, 3/9/2021	249,295
580,000	CVS Health Corp., Sr. Unsecd. Note, 3.700%, 3/9/2023	574,309
1,290,000	CVS Health Corp., Sr. Unsecd. Note, 4.300%, 3/25/2028	1,265,530
600,000	Dollar Tree, Inc., Sr. Unsecd. Note, 3.700%, 5/15/2023	587,314
500,000	Dollar Tree, Inc., Sr. Unsecd. Note, 4.000%, 5/15/2025	481,552
500,000	Home Depot, Inc., Sr. Unsecd. Note, 2.125%, 9/15/2026	450,795
560,000	WalMart, Inc., Sr. Unsecd. Note, 3.400%, 6/26/2023	566,080
	<b>TOTAL</b>	<b>4,769,587</b>
	<b>Consumer Cyclical - Services—2.2%</b>	
500,000	Alibaba Group Holding Ltd., Sr. Unsecd. Note, 3.400%, 12/6/2027	463,127
500,000	Amazon.com, Inc., Sr. Unsecd. Note, 2.400%, 2/22/2023	484,344
170,000	Amazon.com, Inc., Sr. Unsecd. Note, 3.150%, 8/22/2027	164,308
750,000	Cintas Corp. No. 2, Sr. Unsecd. Note, 3.700%, 4/1/2027	734,187
350,000	Expedia, Inc., Company Guarantee, 5.950%, 8/15/2020	361,695
325,000	IHS Markit Ltd., Sr. Unsecd. Note, 4.125%, 8/1/2023	322,091
1,000,000	Visa, Inc., Sr. Unsecd. Note, 2.800%, 12/14/2022	987,948
530,000	Visa, Inc., Sr. Unsecd. Note, 3.150%, 12/14/2025	521,561
	<b>TOTAL</b>	<b>4,039,261</b>
	<b>Consumer Non-Cyclical - Food/Beverage—7.8%</b>	
1,600,000	Anheuser-Busch Cos LLC/Anheuser-Busch InBev Worldwide, Inc., Sr. Unsecd. Note, 144A, 3.650%, 2/1/2026	1,513,776
750,000	Anheuser-Busch InBev Finance, Inc., 2.650%, 2/1/2021	737,548
500,000	Anheuser-Busch InBev Finance, Inc., Sr. Unsecd. Note, 3.300%, 2/1/2023	487,291
500,000	Coca-Cola Femsa S.A.B. de C.V., Sr. Unsecd. Note, 3.875%, 11/26/2023	505,254
900,000	Coca-Cola Femsa S.A.B. de C.V., Sr. Unsecd. Note, 4.625%, 2/15/2020	917,170
700,000	Constellation Brands, Inc., Sr. Unsecd. Note, 4.650%, 11/15/2028	698,916
750,000	Danone SA, Sr. Unsecd. Note, 144A, 2.077%, 11/2/2021	725,001
340,000	Danone SA, Sr. Unsecd. Note, 144A, 2.947%, 11/2/2026	310,913
380,000	Flowers Foods, Inc., Sr. Unsecd. Note, 3.500%, 10/1/2026	363,492
330,000	General Mills, Inc., Sr. Unsecd. Note, 3.700%, 10/17/2023	328,410
500,000	Grupo Bimbo S.A.B. de CV, Sr. Unsecd. Note, 144A, 3.875%, 6/27/2024	492,706
660,000	Grupo Bimbo S.A.B. de CV, Sr. Unsecd. Note, 144A, 4.500%, 1/25/2022	673,138
1,050,000	Kerry Group Financial Services, Sr. Unsecd. Note, 144A, 3.200%, 4/9/2023	1,017,839
300,000	Kraft Heinz Foods Co., Sr. Unsecd. Note, 3.000%, 6/1/2026	268,196
700,000	Maple Escrow Subsidiary, Inc., Sr. Unsecd. Note, 144A, 4.057%, 5/25/2023	697,805
450,000	Maple Escrow Subsidiary, Inc., Sr. Unsecd. Note, 144A, 4.417%, 5/25/2025	448,729
1,000,000	McCormick & Co., Inc., Sr. Unsecd. Note, 3.150%, 8/15/2024	965,110
600,000	Mead Johnson Nutrition Co., Sr. Unsecd. Note, 3.000%, 11/15/2020	598,289
750,000	PepsiCo, Inc., 2.750%, 3/5/2022	742,743
250,000	PepsiCo, Inc., Sr. Unsecd. Note, 2.000%, 4/15/2021	245,093
380,000	Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 2.650%, 10/3/2021	363,294
240,000	Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 3.350%, 2/1/2022	229,673
60,000	Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 4.250%, 2/1/2027	56,054
370,000	Tyson Foods, Inc., Sr. Unsecd. Note, 3.900%, 9/28/2023	369,857
500,000	Tyson Foods, Inc., Sr. Unsecd. Note, 4.500%, 6/15/2022	511,051
	<b>TOTAL</b>	<b>14,267,348</b>
	<b>Consumer Non-Cyclical - Health Care—2.0%</b>	
420,000	Agilent Technologies, Inc., Sr. Unsecd. Note, 3.200%, 10/1/2022	415,269
940,000	Agilent Technologies, Inc., Sr. Unsecd. Note, 3.875%, 7/15/2023	949,831
500,000	Becton Dickinson & Co., Sr. Unsecd. Note, 2.894%, 6/6/2022	484,627

Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Consumer Non-Cyclical - Health Care—continued</b>	
\$ 740,000	Becton Dickinson & Co., Sr. Unsecd. Note, 3.734%, 12/15/2024	\$ 715,721
340,000	Stryker Corp., Sr. Unsecd. Note, 2.000%, 3/8/2019	339,482
250,000	Thermo Fisher Scientific, Inc., Sr. Unsecd. Note, 2.950%, 9/19/2026	231,225
500,000	Thermo Fisher Scientific, Inc., Sr. Unsecd. Note, 3.000%, 4/15/2023	486,899
	<b>TOTAL</b>	<b>3,623,054</b>
	<b>Consumer Non-Cyclical - Pharmaceuticals—3.7%</b>	
300,000	Abbott Laboratories, Sr. Unsecd. Note, 2.900%, 11/30/2021	297,222
210,000	Abbott Laboratories, Sr. Unsecd. Note, 3.400%, 11/30/2023	209,580
453,000	Abbott Laboratories, Sr. Unsecd. Note, 3.750%, 11/30/2026	448,378
475,000	AbbVie, Inc., Sr. Unsecd. Note, 2.500%, 5/14/2020	470,580
300,000	AbbVie, Inc., Sr. Unsecd. Note, 3.600%, 5/14/2025	288,286
67,000	Actavis Funding SCS, Sr. Unsecd. Note, 4.750%, 3/15/2045	63,917
605,000	AstraZeneca PLC, Sr. Unsecd. Note, 2.375%, 6/12/2022	580,804
1,000,000	Bayer US Finance II LLC, Sr. Unsecd. Note, 144A, 3.875%, 12/15/2023	982,886
200,000	Bayer US Finance II LLC, Sr. Unsecd. Note, 144A, 4.250%, 12/15/2025	195,032
180,000	Biogen Idec, Inc., Sr. Unsecd. Note, 2.900%, 9/15/2020	178,914
500,000	Celgene Corp., Sr. Unsecd. Note, 2.875%, 8/15/2020	496,647
340,000	Celgene Corp., Sr. Unsecd. Note, 3.875%, 8/15/2025	327,924
200,000	Celgene Corp., Sr. Unsecd. Note, 5.000%, 8/15/2045	185,824
580,000	Gilead Sciences, Inc., Sr. Unsecd. Note, 3.500%, 2/1/2025	573,045
220,000	Gilead Sciences, Inc., Sr. Unsecd. Note, 3.650%, 3/1/2026	215,951
900,000	Teva Pharmaceutical Finance Netherlands III BV, Sr. Unsecd. Note, 2.200%, 7/21/2021	827,759
600,000	Teva Pharmaceutical Finance Netherlands III BV, Sr. Unsecd. Note, 3.150%, 10/1/2026	458,915
	<b>TOTAL</b>	<b>6,801,664</b>
	<b>Consumer Non-Cyclical - Products—1.0%</b>	
575,000	Church and Dwight, Inc., Sr. Unsecd. Note, 2.450%, 8/1/2022	556,157
1,250,000	Reckitt Benckiser Treasury Services PLC, Sr. Unsecd. Note, 144A, 2.375%, 6/24/2022	1,201,116
	<b>TOTAL</b>	<b>1,757,273</b>
	<b>Consumer Non-Cyclical - Supermarkets—0.4%</b>	
610,000	Kroger Co., Bond, 6.900%, 4/15/2038	720,334
	<b>Consumer Non-Cyclical - Tobacco—0.6%</b>	
290,000	BAT International Finance PLC, Sr. Unsecd. Note, 144A, 3.950%, 6/15/2025	271,483
500,000	Bat Capital Corp., Sr. Unsecd. Note, Series WI, 2.297%, 8/14/2020	488,276
360,000	Reynolds American, Inc., Sr. Unsecd. Note, 7.000%, 8/4/2041	388,300
	<b>TOTAL</b>	<b>1,148,059</b>
	<b>Energy - Independent—1.5%</b>	
1,000,000	Anadarko Petroleum Corp., Sr. Unsecd. Note, 3.450%, 7/15/2024	949,648
183,000	Apache Corp., Sr. Unsecd. Note, 3.250%, 4/15/2022	179,277
420,000	Canadian Natural Resources Ltd., Sr. Unsecd. Note, 2.950%, 1/15/2023	401,808
500,000	Cimarex Energy Co., Sr. Unsecd. Note, 3.900%, 5/15/2027	465,037
250,000	Cimarex Energy Co., Sr. Unsecd. Note, 4.375%, 6/1/2024	248,887
475,000	Marathon Oil Corp., Sr. Unsecd. Note, 3.850%, 6/1/2025	446,421
	<b>TOTAL</b>	<b>2,691,078</b>
	<b>Energy - Integrated—2.6%</b>	
1,200,000	BP Capital Markets America, Inc., Sr. Unsecd. Note, 2.750%, 5/10/2023	1,165,848
500,000	BP Capital Markets PLC, Sr. Unsecd. Note, 3.994%, 9/26/2023	510,895
530,000	CNPC Hong Kong Overseas Capital Ltd., Company Guarantee, 144A, 5.950%, 4/28/2041	638,828
585,000	Husky Energy, Inc., 4.000%, 4/15/2024	579,581
800,000	Petroleos Mexicanos, Company Guarantee, 5.500%, 1/21/2021	798,208
175,000	Petroleos Mexicanos, Sr. Unsecd. Note, 4.875%, 1/18/2024	163,537

Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Energy - Integrated—continued</b>	
\$ 525,000	Shell International Finance B.V., Sr. Unsecd. Note, 1.875%, 5/10/2021	\$ 511,499
325,000	Shell International Finance B.V., Sr. Unsecd. Note, 2.875%, 5/10/2026	311,715
	TOTAL	4,680,111
	<b>Energy - Midstream—4.2%</b>	
500,000	Andeavor Logistics LP, Sr. Unsecd. Note, 3.500%, 12/1/2022	484,347
350,000	Columbia Pipeline Group, Inc., Sr. Unsecd. Note, 3.300%, 6/1/2020	348,864
565,000	Energy Transfer Partners LP, Sr. Unsecd. Note, 4.900%, 2/1/2024	572,458
470,000	Energy Transfer Partners LP, Sr. Unsecd. Note, Series 5Y, 4.200%, 9/15/2023	463,663
460,000	Enterprise Products Operating LLC, 3.900%, 2/15/2024	463,230
280,000	Florida Gas Transmission Co. LLC, Sr. Unsecd. Note, 144A, 5.450%, 7/15/2020	288,319
1,600,000	Kinder Morgan Energy Partners LP, Sr. Unsecd. Note, 5.300%, 9/15/2020	1,643,635
300,000	Kinder Morgan, Inc., Sr. Unsecd. Note, 4.300%, 3/1/2028	295,076
350,000	MPLX LP, Sr. Unsecd. Note, 3.375%, 3/15/2023	339,947
395,000	MPLX LP, Sr. Unsecd. Note, 4.125%, 3/1/2027	376,927
345,000	ONEOK, Inc., Sr. Unsecd. Note, 4.000%, 7/13/2027	329,816
600,000	TC Pipelines, LP, Sr. Unsecd. Note, 3.900%, 5/25/2027	574,085
540,000	Texas Eastern Transmission LP, Sr. Unsecd. Note, 144A, 2.800%, 10/15/2022	519,722
300,000	Williams Partners LP, Sr. Unsecd. Note, 3.750%, 6/15/2027	284,939
380,000	Williams Partners LP, Sr. Unsecd. Note, 4.125%, 11/15/2020	383,101
310,000	Williams Partners LP, Sr. Unsecd. Note, 5.250%, 3/15/2020	316,128
	TOTAL	7,684,257
	<b>Energy - Oil Field Services—0.5%</b>	
500,000	Nabors Industries, Inc., Sr. Unsecd. Note, 5.500%, 1/15/2023	399,340
300,000	Schlumberger Holdings Corp., Sr. Unsecd. Note, 144A, 3.000%, 12/21/2020	297,479
300,000	Schlumberger Holdings Corp., Sr. Unsecd. Note, 144A, 4.000%, 12/21/2025	296,698
	TOTAL	993,517
	<b>Energy - Refining—0.3%</b>	
215,000	Valero Energy Corp., 7.500%, 4/15/2032	265,946
335,000	Valero Energy Corp., Sr. Unsecd. Note, 6.625%, 6/15/2037	368,402
	TOTAL	634,348
	<b>Financial Institution - Banking—20.5%</b>	
500,000	American Express Credit Corp., Sr. Unsecd. Note, Series MTN, 2.700%, 3/3/2022	490,297
350,000	Associated Banc-Corp., Sr. Unsecd. Note, Series BKNT, 3.500%, 8/13/2021	349,328
450,000	Associated Banc-Corp., Sub. Note, 4.250%, 1/15/2025	453,115
245,000	BB&T Corp., Sr. Unsecd. Note, Series MTN, 2.750%, 4/1/2022	241,013
250,000	Bank of America Corp., Sr. Unsecd. Note, 2.738%, 1/23/2022	246,271
750,000	Bank of America Corp., Sr. Unsecd. Note, 3.705%, 4/24/2028	720,610
2,200,000	Bank of America Corp., Sr. Unsecd. Note, Series GMTN, 2.816%, 7/21/2023	2,128,957
500,000	Bank of America Corp., Sr. Unsecd. Note, Series MTN, 3.248%, 10/21/2027	462,895
500,000	Bank of America Corp., Sr. Unsecd. Note, Series MTN, 4.271%, 7/23/2029	498,537
300,000	Bank of New York Mellon Corp., Sr. Unsecd. Note, Series MTN, 2.661%, 5/16/2023	291,901
550,000	Bank of New York Mellon Corp., Sr. Unsecd. Note, Series MTN, 3.250%, 9/11/2024	543,256
300,000	Capital One Financial Corp., Sr. Unsecd. Note, 3.050%, 3/9/2022	292,806
350,000	Capital One Financial Corp., Sr. Unsecd. Note, 3.200%, 1/30/2023	340,895
500,000	Citigroup, Inc., 4.125%, 7/25/2028	470,054
750,000	Citigroup, Inc., Sr. Unsecd. Note, 2.876%, 7/24/2023	726,181
730,000	Citigroup, Inc., Sr. Unsecd. Note, 3.400%, 5/1/2026	688,092
500,000	Citigroup, Inc., Sr. Unsecd. Note, 3.700%, 1/12/2026	481,696
500,000	Citigroup, Inc., Sr. Unsecd. Note, 4.075%, 4/23/2029	488,529
150,000	Citigroup, Inc., Sr. Unsecd. Note, 4.500%, 1/14/2022	153,362

Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Financial Institution - Banking—continued</b>	
\$1,160,000	Citizens Financial Group, Inc., Sub. Note, 144A, 4.150%, 9/28/2022	\$ 1,166,868
480,000	City National Corp., Sr. Unsecd. Note, 5.250%, 9/15/2020	495,046
300,000	Comerica, Inc., 3.800%, 7/22/2026	292,119
500,000	Compass Bank, Birmingham, Sr. Unsecd. Note, 3.500%, 6/11/2021	498,876
500,000	Compass Bank, Birmingham, Sub. Note, Series BKNT, 3.875%, 4/10/2025	480,176
630,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 2.350%, 11/15/2021	607,841
500,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 3.000%, 4/26/2022	484,425
1,250,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 3.500%, 11/16/2026	1,156,343
500,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 4.223%, 5/1/2029	482,395
500,000	Goldman Sachs Group, Inc., Sub. Note, 4.250%, 10/21/2025	479,447
500,000	HSBC Bank USA, N.A., Sub., Series BKNT, 4.875%, 8/24/2020	510,985
841,000	HSBC USA, Inc., Sr. Unsecd. Note, 2.750%, 8/7/2020	831,902
1,000,000	HSBC USA, Inc., Sr. Unsecd. Note, 3.500%, 6/23/2024	985,007
500,000	Huntington National Bank, Sr. Unsecd. Note, Series BKNT, 2.375%, 3/10/2020	495,258
500,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 2.250%, 1/23/2020	495,041
500,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 3.782%, 2/1/2028	486,122
500,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 4.452%, 12/5/2029	509,499
1,000,000	JPMorgan Chase & Co., Sub. Note, 3.375%, 5/1/2023	978,657
1,000,000	JPMorgan Chase & Co., Sub. Note, 3.875%, 9/10/2024	986,589
500,000	JPMorgan Chase Bank, N.A., Sr. Unsecd. Note, Series BKNT, 3.086%, 4/26/2021	498,005
408,000	MUFG Americas Holdings Corp., Sr. Unsecd. Note, 3.000%, 2/10/2025	391,760
250,000	MUFG Americas Holdings Corp., Sr. Unsecd. Note, 3.500%, 6/18/2022	250,706
1,940,000	<sup>1</sup> Manufacturers & Traders Trust Co., Sub. Note, Series BKNT, 3.376% (3-month USLIBOR +0.640%), 12/1/2021	1,921,636
750,000	Morgan Stanley, Sec. Fac. Bond, 2.750%, 5/19/2022	729,975
1,000,000	Morgan Stanley, Sr. Unsecd. Note, 3.625%, 1/20/2027	951,890
970,000	Morgan Stanley, Sr. Unsecd. Note, 5.750%, 1/25/2021	1,012,919
500,000	Morgan Stanley, Sr. Unsecd. Note, Series GMTN, 3.125%, 1/23/2023	488,546
250,000	Morgan Stanley, Sub. Note, 5.000%, 11/24/2025	255,402
1,000,000	Morgan Stanley, Sub. Note, Series MTN, 4.100%, 5/22/2023	1,002,381
500,000	PNC Bank N.A., Sr. Unsecd. Note, Series BKNT, 2.500%, 1/22/2021	493,501
890,000	Regions Financial Corp., Sr. Unsecd. Note, 3.200%, 2/8/2021	884,785
250,000	State Street Corp., Sr. Unsecd. Note, 2.653%, 5/15/2023	243,658
700,000	State Street Corp., Sr. Unsecd. Note, 3.300%, 12/16/2024	694,010
500,000	SunTrust Bank, Inc., Sr. Unsecd. Note, Series BKNT, 3.000%, 2/2/2023	490,497
200,000	SunTrust Bank, Inc., Sub. Note, 3.300%, 5/15/2026	189,806
600,000	U.S. Bank, N.A., Sr. Unsecd. Note, Series BKNT, 3.450%, 11/16/2021	604,718
750,000	US Bancorp, Sub. Note, Series MTN, 3.600%, 9/11/2024	746,911
500,000	Wells Fargo & Co., Series MTN, 3.500%, 3/8/2022	498,536
620,000	Wells Fargo & Co., Sr. Unsecd. Note, 3.000%, 10/23/2026	574,846
1,500,000	Wells Fargo & Co., Sr. Unsecd. Note, 3.069%, 1/24/2023	1,461,754
500,000	Wells Fargo & Co., Sr. Unsecd. Note, Series MTN, 2.550%, 12/7/2020	492,992
	<b>TOTAL</b>	<b>37,369,625</b>
	<b>Financial Institution - Broker/Asset Mgr/Exchange—1.4%</b>	
170,000	Cantor Fitzgerald LP, Bond, 7.875%, 10/15/2019	175,040
370,000	Eaton Vance Corp., Sr. Unsecd. Note, 3.625%, 6/15/2023	372,623
220,000	Invesco Finance PLC, Sr. Unsecd. Note, 3.750%, 1/15/2026	214,948
200,000	Jefferies Group LLC, Sr. Unsecd. Note, 6.500%, 1/20/2043	203,325
245,000	Nuveen LLC, Sr. Unsecd. Note, 144A, 4.000%, 11/1/2028	252,912
193,000	Raymond James Financial, Inc., Sr. Unsecd. Note, 5.625%, 4/1/2024	208,932
390,000	Stifel Financial Corp., 4.250%, 7/18/2024	394,853

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Financial Institution - Broker/Asset Mgr/Exchange—continued</b>	
\$ 190,000	Stifel Financial Corp., Sr. Unsecd. Note, 3.500%, 12/1/2020	\$ 190,029
500,000	TD Ameritrade Holding Corp., Sr. Unsecd. Note, 3.625%, 4/1/2025	495,996
	<b>TOTAL</b>	<b>2,508,658</b>
	<b>Financial Institution - Finance Companies—2.5%</b>	
463,000	Discover Bank, Sub. Note, Series BKNT, 8.700%, 11/18/2019	483,002
500,000	Discover Financial Services, Sr. Unsecd. Note, 3.850%, 11/21/2022	496,951
250,000	Discover Financial Services, Sr. Unsecd. Note, 4.100%, 2/9/2027	233,910
1,966,000	GE Capital International Funding Co., Sr. Unsecd. Note, 2.342%, 11/15/2020	1,898,084
600,000	GE Capital International Funding, Inc., Sr. Unsecd. Note, 4.418%, 11/15/2035	506,205
960,000	Macquarie Group Ltd., Sr. Unsecd. Note, 144A, 6.000%, 1/14/2020	985,605
	<b>TOTAL</b>	<b>4,603,757</b>
	<b>Financial Institution - Insurance - Health—1.2%</b>	
300,000	Halfmoon Parent, Inc., Sr. Unsecd. Note, 144A, 3.750%, 7/15/2023	299,292
650,000	Halfmoon Parent, Inc., Sr. Unsecd. Note, 144A, 4.375%, 10/15/2028	655,290
750,000	UnitedHealth Group, Inc., Sr. Unsecd. Note, 2.700%, 7/15/2020	747,365
405,000	UnitedHealth Group, Inc., Sr. Unsecd. Note, 3.750%, 7/15/2025	410,507
	<b>TOTAL</b>	<b>2,112,454</b>
	<b>Financial Institution - Insurance - Life—1.3%</b>	
800,000	American International Group, Inc., Sr. Unsecd. Note, 4.125%, 2/15/2024	804,139
290,000	Lincoln National Corp., Sr. Unsecd. Note, 4.200%, 3/15/2022	295,029
172,000	Massachusetts Mutual Life Insurance Co., Sub. Note, 144A, 8.875%, 6/1/2039	258,517
242,000	MetLife, Inc., Sr. Unsecd. Note, 4.750%, 2/8/2021	249,731
500,000	New York Life Global Funding, Sec. Fac. Bond, 144A, 2.000%, 4/9/2020	494,302
235,000	Principal Life Global Funding II, 144A, 2.200%, 4/8/2020	232,325
	<b>TOTAL</b>	<b>2,334,043</b>
	<b>Financial Institution - Insurance - P&amp;C—1.2%</b>	
200,000	Berkshire Hathaway, Inc., Sr. Unsecd. Note, 2.200%, 3/15/2021	197,433
250,000	CNA Financial Corp., Sr. Unsecd. Note, 3.450%, 8/15/2027	233,160
680,000	CNA Financial Corp., Sr. Unsecd. Note, 5.875%, 8/15/2020	705,579
250,000	Chubb INA Holdings, Inc., Sr. Unsecd. Note, 2.700%, 3/13/2023	244,430
300,000	Chubb INA Holdings, Inc., Sr. Unsecd. Note, 3.350%, 5/15/2024	298,272
300,000	Nationwide Mutual Insurance Co., Sub. Note, 144A, 9.375%, 8/15/2039	455,701
	<b>TOTAL</b>	<b>2,134,575</b>
	<b>Financial Institution - REIT - Apartment—0.8%</b>	
395,000	Avalonbay Communities, Inc., Sr. Unsecd. Note, Series MTN, 3.350%, 5/15/2027	381,266
550,000	Post Apartment Homes LP, Sr. Unsecd. Note, 3.375%, 12/1/2022	544,120
300,000	UDR, Inc., Company Guarantee, Series 0001, 4.625%, 1/10/2022	308,298
200,000	UDR, Inc., Sr. Unsecd. Note, Series MTN, 2.950%, 9/1/2026	184,761
	<b>TOTAL</b>	<b>1,418,445</b>
	<b>Financial Institution - REIT - Healthcare—1.0%</b>	
960,000	Health Care REIT, Inc., Sr. Unsecd. Note, 6.125%, 4/15/2020	990,464
500,000	Healthcare Trust of America, 3.700%, 4/15/2023	492,765
310,000	Physicians Realty Trust, Sr. Unsecd. Note, 4.300%, 3/15/2027	301,704
	<b>TOTAL</b>	<b>1,784,933</b>
	<b>Financial Institution - REIT - Office—0.8%</b>	
500,000	Alexandria Real Estate Equities, Inc., 2.750%, 1/15/2020	496,163
450,000	Alexandria Real Estate Equities, Inc., Sr. Unsecd. Note, 4.600%, 4/1/2022	463,556
480,000	Boston Properties LP, Sr. Unsecd. Note, 3.200%, 1/15/2025	459,154
	<b>TOTAL</b>	<b>1,418,873</b>

Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Financial Institution - REIT - Other—0.4%</b>	
\$ 300,000	ProLogis LP, Sr. Unsecd. Note, 4.250%, 8/15/2023	\$ 309,998
450,000	WP Carey, Inc., Sr. Unsecd. Note, 4.600%, 4/1/2024	457,175
	TOTAL	767,173
	<b>Financial Institution - REIT - Retail—0.8%</b>	
396,000	Kimco Realty Corp., Sr. Unsecd. Note, 3.200%, 5/1/2021	393,854
100,000	Kimco Realty Corp., Sr. Unsecd. Note, 3.400%, 11/1/2022	98,512
450,000	Regency Centers Corp., Sr. Unsecd. Note, 3.750%, 11/15/2022	449,662
421,000	Regency Centers LP, Company Guarantee, 4.800%, 4/15/2021	430,632
	TOTAL	1,372,660
	<b>Sovereign—0.5%</b>	
320,000	Corp Andina De Fomento, Sr. Unsecd. Note, 4.375%, 6/15/2022	331,984
510,000	Inter-American Development Bank, Series MTN, 6.750%, 7/15/2027	639,937
	TOTAL	971,921
	<b>Technology—5.9%</b>	
500,000	Adobe, Inc., Sr. Unsecd. Note, 3.250%, 2/1/2025	491,315
650,000	Apple, Inc., Sr. Unsecd. Note, 2.400%, 5/3/2023	628,851
900,000	Apple, Inc., Sr. Unsecd. Note, 3.200%, 5/13/2025	887,155
125,000	Apple, Inc., Sr. Unsecd. Note, 4.450%, 5/6/2044	129,588
340,000	Automatic Data Processing, Inc., 3.375%, 9/15/2025	337,703
230,000	Broadcom Corp., Sr. Unsecd. Note, Series WI, 3.625%, 1/15/2024	217,835
280,000	Broadcom Corp., Sr. Unsecd. Note, Series WI, 3.875%, 1/15/2027	251,778
700,000	Diamond 1 Finance Corp./Diamond 2 Finance Corp., Sr. Secd. Note, 144A, 6.020%, 6/15/2026	704,501
345,000	Equifax, Inc., Sr. Unsecd. Note, 2.300%, 6/1/2021	334,782
80,000	Equifax, Inc., Sr. Unsecd. Note, Series 5Y, 3.950%, 6/15/2023	79,378
83,000	Fidelity National Information Services, Inc., Sr. Unsecd. Note, 3.875%, 6/5/2024	83,002
500,000	Fiserv, Inc., Sr. Unsecd. Note, 4.200%, 10/1/2028	500,299
670,000	Ingram Micro, Inc., Sr. Unsecd. Note, 5.000%, 8/10/2022	655,402
500,000	Intel Corp., Sr. Unsecd. Note, 3.700%, 7/29/2025	505,012
460,000	Keysight Technologies, Inc., 4.550%, 10/30/2024	469,758
1,500,000	Microsoft Corp., Sr. Unsecd. Note, 1.550%, 8/8/2021	1,457,690
750,000	Microsoft Corp., Sr. Unsecd. Note, 2.400%, 8/8/2026	702,575
300,000	Molex Electronics Technologies LLC, Sr. Unsecd. Note, 144A, 2.878%, 4/15/2020	297,156
190,000	Molex Electronics Technologies LLC, Unsecd. Note, 144A, 3.900%, 4/15/2025	189,369
750,000	Oracle Corp., Sr. Unsecd. Note, 3.400%, 7/8/2024	749,013
310,000	Qualcomm, Inc., Sr. Unsecd. Note, 2.600%, 1/30/2023	298,474
350,000	Total System Services, Inc., Sr. Unsecd. Note, 3.800%, 4/1/2021	350,105
260,000	Total System Services, Inc., Sr. Unsecd. Note, 4.450%, 6/1/2028	255,786
195,000	Verisk Analytics, Inc., Sr. Unsecd. Note, 4.125%, 9/12/2022	197,693
	TOTAL	10,774,220
	<b>Transportation - Airlines—0.0%</b>	
51,403	Continental Airlines, Inc., Equip. Trust, Series 991A, 6.545%, 2/2/2019	51,534
	<b>Transportation - Railroads—1.1%</b>	
22,584	Burlington Northern Santa Fe Corp., Pass Thru Cert., Series 99-2, 7.570%, 1/2/2021	23,262
1,100,000	Burlington Northern Santa Fe Corp., Sr. Unsecd. Note, 3.450%, 9/15/2021	1,111,527
850,000	Kansas City Southern Industries, Inc., Sr. Unsecd. Note, 3.000%, 5/15/2023	832,278
	TOTAL	1,967,067
	<b>Transportation - Services—0.7%</b>	
500,000	Penske Truck Leasing Co. LP & PTL Finance Corp., Sr. Unsecd. Note, 144A, 3.375%, 2/1/2022	494,755
125,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 2.250%, 9/1/2021	121,000
280,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 2.800%, 3/1/2022	273,087

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Transportation - Services—continued</b>	
\$ 150,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 3.450%, 11/15/2021	\$ 149,921
250,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 3.500%, 6/1/2021	250,443
	TOTAL	1,289,206
	<b>Utility - Electric—5.6%</b>	
310,000	AEP Texas, Inc., Sr. Unsecd. Note, 3.850%, 10/1/2025	309,815
420,000	Ameren Corp., Sr. Unsecd. Note, 2.700%, 11/15/2020	414,491
880,000	American Electric Power Co., Inc., Sr. Unsecd. Note, Series F, 2.950%, 12/15/2022	863,645
500,000	Berkshire Hathaway Energy Co., 3.500%, 2/1/2025	496,398
210,000	Consolidated Edison Co., Sr. Unsecd. Note, 2.000%, 5/15/2021	203,839
250,000	Duke Energy Corp., Sr. Unsecd. Note, 1.800%, 9/1/2021	239,432
500,000	EDP Finance BV, Sr. Unsecd. Note, 144A, 3.625%, 7/15/2024	469,075
1,000,000	Electricite de France SA, Jr. Sub. Note, 144A, 5.625%, 7/22/2067	923,750
180,000	Emera US Finance LP, Sr. Unsecd. Note, 2.700%, 6/15/2021	175,451
470,000	Enel Finance International NV, Sr. Unsecd. Note, 144A, 2.875%, 5/25/2022	443,168
380,000	Enel Finance International NV, Sr. Unsecd. Note, 144A, 4.625%, 9/14/2025	365,280
270,000	Fortis, Inc./Canada, Sr. Unsecd. Note, 2.100%, 10/4/2021	259,729
240,000	Fortis, Inc./Canada, Sr. Unsecd. Note, 3.055%, 10/4/2026	219,581
235,000	Great Plains Energy, Inc., Note, 4.850%, 6/1/2021	241,217
600,000	National Rural Utilities Cooperative Finance Corp., Sec. Fac. Bond, 2.400%, 4/25/2022	584,111
140,000	National Rural Utilities Cooperative Finance Corp., Sr. Unsecd. Note, 2.950%, 2/7/2024	137,851
300,000	NextEra Energy Capital Holdings, Inc., Sr. Unsecd. Note, 3.550%, 5/1/2027	286,942
110,000	NiSource Finance Corp., Sr. Unsecd. Note, 2.650%, 11/17/2022	105,402
500,000	NiSource Finance Corp., Sr. Unsecd. Note, 3.490%, 5/15/2027	478,244
590,000	PPL Capital Funding, Inc., Sr. Unsecd. Note, 4.200%, 6/15/2022	597,627
425,000	PSEG Power LLC, Sr. Unsecd. Note, 4.150%, 9/15/2021	429,892
250,000	Public Service Enterprises Group, Inc., Sr. Unsecd. Note, 2.000%, 11/15/2021	240,230
250,000	Southern Co., Sr. Unsecd. Note, 3.250%, 7/1/2026	234,692
230,000	TECO Finance, Inc., Company Guarantee, 5.150%, 3/15/2020	235,248
800,000	UIL Holdings Corp., Sr. Unsecd. Note, 4.625%, 10/1/2020	819,522
450,000	Wisconsin Energy Corp., Sr. Unsecd. Note, 3.550%, 6/15/2025	446,206
	TOTAL	10,220,838
	<b>Utility - Natural Gas—1.6%</b>	
250,000	Atmos Energy Corp., Sr. Unsecd. Note, 3.000%, 6/15/2027	238,811
1,000,000	Enbridge Energy Partners LP, Sr. Unsecd. Note, 4.200%, 9/15/2021	1,014,122
600,000	National Fuel Gas Co., Sr. Unsecd. Note, 3.750%, 3/1/2023	585,947
250,000	Sempra Energy, Sr. Unsecd. Note, 2.900%, 2/1/2023	243,142
300,000	Southeast Supply Header LLC, Sr. Unsecd. Note, 144A, 4.250%, 6/15/2024	302,788
500,000	TransCanada PipeLines Ltd., Sr. Unsecd. Note, 2.125%, 11/15/2019	495,346
	TOTAL	2,880,156
	<b>Utility - Natural Gas Distributor—0.2%</b>	
450,000	Southern Co. Gas Capital, Sr. Unsecd. Note, 2.450%, 10/1/2023	429,378
	TOTAL CORPORATE BONDS (IDENTIFIED COST \$180,189,384)	177,233,380
	MORTGAGE-BACKED SECURITIES—0.1%	
	<b>Federal Home Loan Mortgage Corporation—0.0%</b>	
778	Federal Home Loan Mortgage Corp., Pool C01051, 8.000%, 9/1/2030	903
	<b>Federal National Mortgage Association—0.0%</b>	
13	Federal National Mortgage Association, Pool 50276, 9.500%, 2/1/2020	13
	<b>Government National Mortgage Association—0.1%</b>	
2,148	Government National Mortgage Association, Pool 1512, 7.500%, 12/20/2023	2,303

Principal Amount		Value
	MORTGAGE-BACKED SECURITIES—continued	
	<b>Government National Mortgage Association—continued</b>	
\$ 2,509	Government National Mortgage Association, Pool 2630, 6.500%, 8/20/2028	\$ 2,770
3,503	Government National Mortgage Association, Pool 2631, 7.000%, 8/20/2028	3,909
5,174	Government National Mortgage Association, Pool 2658, 6.500%, 10/20/2028	5,721
7,863	Government National Mortgage Association, Pool 2701, 6.500%, 1/20/2029	8,694
114	Government National Mortgage Association, Pool 276337, 10.000%, 8/15/2019	115
5,169	Government National Mortgage Association, Pool 2796, 7.000%, 8/20/2029	5,816
1,268	Government National Mortgage Association, Pool 3039, 6.500%, 2/20/2031	1,421
3,534	Government National Mortgage Association, Pool 3040, 7.000%, 2/20/2031	4,014
12,608	Government National Mortgage Association, Pool 3188, 6.500%, 1/20/2032	14,200
9,065	Government National Mortgage Association, Pool 3239, 6.500%, 5/20/2032	10,243
19,486	Government National Mortgage Association, Pool 3261, 6.500%, 7/20/2032	22,048
974	Government National Mortgage Association, Pool 493514, 8.000%, 9/15/2030	1,057
4,835	Government National Mortgage Association, Pool 516688, 8.000%, 8/15/2029	5,619
	<b>TOTAL</b>	<b>87,930</b>
	<b>TOTAL MORTGAGE-BACKED SECURITIES</b> (IDENTIFIED COST \$79,114)	<b>88,846</b>
	FOREIGN GOVERNMENTS/AGENCIES—0.6%	
	<b>Sovereign—0.6%</b>	
225,000	Colombia, Government of, Sr. Unsec'd. Note, 4.375%, 7/12/2021	228,375
900,000	Qatar, Government of, 144A, 5.250%, 1/20/2020	918,187
	<b>TOTAL FOREIGN GOVERNMENTS/AGENCIES</b> (IDENTIFIED COST \$1,124,451)	<b>1,146,562</b>
	COLLATERALIZED MORTGAGE OBLIGATION—0.0%	
	<b>Commercial Mortgage—0.0%</b>	
78,166	TIAA Seasoned Commercial Mortgage Trust 2007-C4, Class AJ, 5.481%, 8/15/2039 (IDENTIFIED COST \$77,557)	78,349
	REPURCHASE AGREEMENT—1.1%	
	<b>Finance - Banking—1.1%</b>	
2,014,000	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. (IDENTIFIED COST \$2,014,000)	2,014,000
	<b>TOTAL INVESTMENT IN SECURITIES—99.1%</b> (IDENTIFIED COST \$183,484,506) <sup>2</sup>	<b>180,561,137</b>
	<b>OTHER ASSETS AND LIABILITIES - NET—0.9%</b> <sup>3</sup>	<b>1,595,232</b>
	<b>TOTAL NET ASSETS—100%</b>	<b>\$ 182,156,369</b>

At December 31, 2018, the Fund had the following outstanding futures contracts:

Description	Number of Contracts	Notional Value	Expiration Date	Value and Unrealized Appreciation (Depreciation)
<sup>4</sup> U.S. Treasury Note 10-Year Long Futures	112	\$13,665,750	March 2019	\$ 322,623
<sup>4</sup> U.S. Treasury Long Bond Short Futures	23	\$ 3,358,000	March 2019	\$(152,247)
<sup>4</sup> U.S. Treasury Note 2-Year Short Futures	15	\$ 3,184,688	March 2019	\$(21,128)
<sup>4</sup> U.S. Treasury Ultra Bond Short Futures	11	\$ 1,767,219	March 2019	\$(93,488)
<b>NET UNREALIZED APPRECIATION ON FUTURES CONTRACTS</b>				<b>\$ 55,760</b>

Net Unrealized Appreciation (Depreciation) on Futures Contracts is included in "Other Assets and Liabilities—Net."

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

2 The cost of investments for federal tax purposes amounts to \$183,484,654.



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

4 *Non-income-producing security.*

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
<b>Debt Securities:</b>				
Corporate Bonds	\$ —	\$177,233,380	\$—	\$177,233,380
Mortgage-Backed Securities	—	88,846	—	88,846
Foreign Governments/Agencies	—	1,146,562	—	1,146,562
Collateralized Mortgage Obligations	—	78,349	—	78,349
Repurchase Agreements	—	2,014,000	—	2,014,000
TOTAL SECURITIES	\$ —	\$180,561,137	\$—	\$180,561,137
<b>Other Financial Instruments<sup>1</sup></b>				
<b>Assets:</b>	\$ 322,623	\$ —	\$—	\$ 322,623
<b>Liabilities:</b>	(266,863)	—	—	(266,863)
TOTAL OTHER FINANCIAL INSTRUMENTS	\$ 55,760	\$ —	\$—	\$ 55,760

1 *Other financial instruments are futures contracts.*

The following acronyms are used throughout this portfolio:

BKNT —Bank Notes

GMTN—Global Medium Term Note

LIBOR—London Interbank Offered Rate

MTN —Medium Term Note

REIT —Real Estate Investment Trust

See Notes which are an integral part of the Financial Statements

## Financial Highlights – Primary Shares

(For a Share Outstanding Throughout Each Period)

<b>Year Ended December 31</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net Asset Value, Beginning of Period</b>	<b>\$11.05</b>	<b>\$10.98</b>	<b>\$10.97</b>	<b>\$11.42</b>	<b>\$11.43</b>
<b>Income From Investment Operations:</b>					
Net investment income <sup>1</sup>	0.30	0.31	0.34	0.37	0.40
Net realized and unrealized gain (loss)	(0.37)	0.12	0.07	(0.39)	0.03
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(0.07)</b>	<b>0.43</b>	<b>0.41</b>	<b>(0.02)</b>	<b>0.43</b>
<b>Less Distributions:</b>					
Distributions from net investment income	(0.33)	(0.36)	(0.40)	(0.43)	(0.44)
<b>Net Asset Value, End of Period</b>	<b>\$10.65</b>	<b>\$11.05</b>	<b>\$10.98</b>	<b>\$10.97</b>	<b>\$11.42</b>
<b>Total Return<sup>2</sup></b>	<b>(0.59)%</b>	<b>4.04%</b>	<b>3.82%</b>	<b>(0.24)%</b>	<b>3.79%</b>

### Ratios to Average Net Assets:

Net expenses	0.74%	0.74%	0.73%	0.73%	0.73%
Net investment income	2.83%	2.81%	3.10%	3.30%	3.53%
Expense waiver/reimbursement <sup>3</sup>	0.08%	0.06%	0.07%	0.05%	0.04%

### Supplemental Data:

Net assets, end of period (000 omitted)	\$162,812	\$185,026	\$188,831	\$198,990	\$220,355
Portfolio turnover	19%	27%	26%	17%	18%

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

See Notes which are an integral part of the Financial Statements

## Financial Highlights – Service Shares

(For a Share Outstanding Throughout Each Period)

<b>Year Ended December 31</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net Asset Value, Beginning of Period</b>	<b>\$11.01</b>	<b>\$10.94</b>	<b>\$10.93</b>	<b>\$11.37</b>	<b>\$11.38</b>
<b>Income From Investment Operations:</b>					
Net investment income <sup>1</sup>	0.27	0.28	0.31	0.34	0.38
Net realized and unrealized gain (loss)	(0.36)	0.12	0.07	(0.38)	0.01
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>(0.09)</b>	<b>0.40</b>	<b>0.38</b>	<b>(0.04)</b>	<b>0.39</b>
<b>Less Distributions:</b>					
Distributions from net investment income	(0.30)	(0.33)	(0.37)	(0.40)	(0.40)
<b>Net Asset Value, End of Period</b>	<b>\$10.62</b>	<b>\$11.01</b>	<b>\$10.94</b>	<b>\$10.93</b>	<b>\$11.37</b>
<b>Total Return<sup>2</sup></b>	<b>(0.78)%</b>	<b>3.75%</b>	<b>3.53%</b>	<b>(0.44)%</b>	<b>3.51%</b>

### Ratios to Average Net Assets:

Net expenses	0.99%	0.99%	0.98%	0.98%	0.98%
Net investment income	2.58%	2.56%	2.86%	3.04%	3.29%
Expense waiver/reimbursement <sup>3</sup>	0.07%	0.06%	0.07%	0.05%	0.04%

### Supplemental Data:

Net assets, end of period (000 omitted)	\$19,344	\$22,596	\$23,920	\$27,977	\$33,857
Portfolio turnover	19%	27%	26%	17%	18%

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

See Notes which are an integral part of the Financial Statements

# Statement of Assets and Liabilities

December 31, 2018

## Assets:

Investment in securities, at value (identified cost \$183,484,506)	\$180,561,137
Cash	14,356
Restricted cash (Note 2)	26,919
Income receivable	1,792,675
Receivable for shares sold	18,364
Receivable for daily variation margin on futures contracts	56,122
<b>TOTAL ASSETS</b>	<b>182,469,573</b>

## Liabilities:

Payable for shares redeemed	\$242,486
Payable for investment adviser fee (Note 5)	2,565
Payable for administrative fees (Note 5)	399
Payable for auditing fees	22,800
Payable for portfolio accounting fees	23,133
Payable for distribution services fee (Note 5)	4,116
Payable for printing and postage	3,634
Accrued expenses (Note 5)	14,071
<b>TOTAL LIABILITIES</b>	<b>313,204</b>

Net assets for 17,112,583 shares outstanding \$182,156,369

## Net Assets Consist of:

Paid-in capital	\$179,701,704
Total distributable earnings	2,454,665
<b>TOTAL NET ASSETS</b>	<b>\$182,156,369</b>

## Net Asset Value, Offering Price and Redemption Proceeds Per Share

### Primary Shares:

Net asset value per share ( $\$162,811,910 \div 15,290,687$  shares outstanding), no par value, unlimited shares authorized \$10.65

### Service Shares:

Net asset value per share ( $\$19,344,459 \div 1,821,896$  shares outstanding), no par value, unlimited shares authorized \$10.62

See Notes which are an integral part of the Financial Statements

# Statement of Operations

Year Ended December 31, 2018

**Investment Income:**

Interest	\$ 6,822,336
----------	--------------

**Expenses:**

Investment adviser fee (Note 5)	\$1,146,330
Administrative fee (Note 5)	153,054
Custodian fees	12,315
Transfer agent fee	18,808
Directors'/Trustees' fees (Note 5)	2,559
Auditing fees	26,829
Legal fees	10,379
Portfolio accounting fees	89,053
Distribution services fee (Note 5)	52,097
Printing and postage	75,143
Miscellaneous (Note 5)	29,086
<b>TOTAL EXPENSES</b>	<b>1,615,653</b>

**Waiver:**

Waiver of investment adviser fee (Note 5)	\$ (143,236)
---	--------------

Net expenses	1,472,417
--------------	-----------

Net investment income	5,349,919
-----------------------	-----------

**Realized and Unrealized Gain (Loss) on Investments and Futures Contracts:**

Net realized loss on investments	(261,142)
----------------------------------	-----------

Net realized gain on futures contracts	168,785
--	---------

Net change in unrealized appreciation of investments	(6,733,612)
--	-------------

Net change in unrealized depreciation of futures contracts	122,483
--	---------

Net realized and unrealized gain (loss) on investments and futures contracts	(6,703,486)
--	-------------

Change in net assets resulting from operations	\$(1,353,567)
--	---------------

See Notes which are an integral part of the Financial Statements

## Statement of Changes in Net Assets

Year Ended December 31	2018	2017
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	\$ 5,349,919	\$ 5,883,584
Net realized gain (loss)	(92,357)	980,431
Net change in unrealized appreciation/depreciation	(6,611,129)	1,451,894
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	(1,353,567)	8,315,909
<b>Distributions to Shareholders (Note 2):</b>		
Primary Shares	(5,280,660)	(6,150,393)
Service Shares	(603,797)	(704,143)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(5,884,457)	(6,854,536)
<b>Share Transactions:</b>		
Proceeds from sale of shares	10,374,695	14,911,393
Net asset value of shares issued to shareholders in payment of distributions declared	5,884,454	6,854,533
Cost of shares redeemed	(34,487,264)	(28,355,851)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(18,228,115)	(6,589,925)
Change in net assets	(25,466,139)	(5,128,552)
<b>Net Assets:</b>		
Beginning of period	207,622,508	212,751,060
End of period	\$182,156,369	\$207,622,508

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 Quality Bond Fund II (the “Fund”), a diversified portfolio. The financial statements of the other portfolios are presented separately. The assets of each portfolio are segregated and a shareholder’s interest is limited to the portfolio in which shares are held. Each portfolio pays its own expenses. The Fund offers two classes of shares: Primary Shares and Service Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. Fund shares are available exclusively as a funding vehicle for life insurance companies writing variable life insurance policies and variable annuity contracts. The investment objective of the Fund is to provide current income.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### Investment Valuation

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

- Fixed-income securities are fair valued using price evaluations provided by a pricing service approved by Fund’s Board of Trustees (the “Trustees”).
- 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.
- Shares of other mutual funds or non-exchange-traded investment companies are valued based upon their reported NAVs.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Trustees, certain factors may be considered, such as: the last traded or purchase price of the security, information obtained by contacting the issuer or dealers, analysis of the issuer’s financial statements or other available documents, fundamental analytical data, the nature and duration of restrictions on disposition, the movement of the market in which the security is normally traded, public trading in similar securities or derivative contracts of the issuer or comparable issuers, movement of a relevant index, or other factors including but not limited to industry changes and relevant government actions.

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

### Fair Valuation 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 Investment Management Company (the “Adviser”) and certain of the Adviser’s affiliated companies to assist in determining fair value and in overseeing the calculation of the NAV. The Trustees have also authorized the use of pricing services recommended by the Valuation Committee to provide fair value evaluations of the current value of certain investments for purposes of calculating the NAV. The Valuation Committee employs various methods for reviewing third-party pricing-service evaluations including periodic reviews of third-party pricing services’ policies, procedures and valuation methods (including key inputs, methods, models and assumptions), transactional back-testing, comparisons of evaluations of different pricing services, and review of price challenges by the Adviser based on recent market activity. In the event that market quotations and price evaluations are not available for an investment, the Valuation Committee determines the fair value of the investment in accordance with procedures adopted by the Trustees. The Trustees periodically review and approve the fair valuations made by the Valuation Committee and any changes made to the procedures.

Factors considered by pricing services in evaluating an investment include the yields or prices of investments of comparable quality, coupon, maturity, call rights and other potential prepayments, terms and type, reported transactions, indications as to values from dealers and general market conditions. Some pricing services provide a single price evaluation reflecting the bid-side of the market for an investment (a “bid” evaluation). Other pricing services offer both bid evaluations and price evaluations indicative of a price between the prices bid and asked for the investment (a “mid” evaluation). The Fund normally uses bid evaluations for any U.S. Treasury and Agency securities, mortgage-backed securities and municipal securities. The Fund normally uses mid evaluations for any other types of fixed-income securities and any OTC derivative contracts. In the event that market quotations and price evaluations are not available for an investment, the fair value of the investment is determined in accordance with procedures adopted by the Trustees.

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 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. 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. Amortization/accretion of premium and discount is included in investment income. Gains and losses realized on principal payment of mortgage-backed securities (paydown gains and losses) are classified as part of investment income. Investment income, realized and unrealized gains and losses, and certain fund-level expenses are allocated to each class based on relative average daily net assets, except that select classes will bear certain expenses unique to those classes. The detail of the total fund expense waiver of \$143,236 is disclosed in Note 5.

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

All distributions as indicated on the Statement of Changes in Net Assets for the year ended December 31, 2017, were from net investment income. Undistributed net investment income at December 31, 2017, was \$5,882,594.

### **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.



## 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 duration and yield curve 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 clearing house, as counterparty to all exchange traded futures contracts, guarantees the futures contracts against default.

Futures contracts outstanding at period end are listed after the Fund's Portfolio of Investments.

The average notional value of long and short futures contracts held by the Fund throughout the period was \$14,542,704 and \$10,655,172, respectively. This is based on amounts held as of each month-end throughout the fiscal period.

## 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.

## Additional Disclosure Related to Derivative Instruments

### Fair Value of Derivative Instruments

	Assets	
	Statement of Assets and Liabilities Location	Fair Value
Derivatives not accounted for as hedging instruments under ASC Topic 815		
Interest Rate Contracts	Receivable for daily variation margin on futures contracts	\$55,760*

\* Includes cumulative appreciation of futures contracts as reported in the footnotes to the Portfolio of Investments. Only the current day's variation margin is reported within the Statement of Assets and Liabilities.

## 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
Interest rate contracts	\$168,785

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

	Futures Contracts
Interest rate contracts	\$122,483

## 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

Year Ended December 31	2018		2017	
Primary Shares:	Shares	Amount	Shares	Amount
Shares sold	926,837	\$ 9,908,467	1,108,844	\$ 12,178,568
Shares issued to shareholders in payment of distributions declared	501,964	5,280,660	572,662	6,150,393
Shares redeemed	(2,887,517)	(30,973,082)	(2,130,443)	(23,413,689)
NET CHANGE RESULTING FROM PRIMARY SHARE TRANSACTIONS	(1,458,716)	\$(15,783,955)	(448,937)	\$( 5,084,728)

Year Ended December 31	2018		2017	
Service Shares:	Shares	Amount	Shares	Amount
Shares sold	43,477	\$ 466,228	250,406	\$ 2,732,825
Shares issued to shareholders in payment of distributions declared	57,450	603,794	65,623	704,140
Shares redeemed	(330,799)	(3,514,182)	(450,145)	(4,942,162)
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	(229,872)	\$( 2,444,160)	(134,116)	\$(1,505,197)
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(1,688,588)	\$(18,228,115)	(583,053)	\$(6,589,925)

### 4. FEDERAL TAX INFORMATION

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
Ordinary income	\$5,884,457	\$6,854,536

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

Undistributed ordinary income	\$ 5,378,182
Net unrealized depreciation	\$(2,923,517)

The difference between book-basis and tax-basis net unrealized appreciation/depreciation is attributable to differing treatments for deferral of losses on wash sales and mark-to-market of futures contracts.

At December 31, 2018, the cost of investments for federal tax purposes was \$183,484,654. The net unrealized depreciation of investments for federal tax purposes was \$2,923,517. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$1,107,198 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$4,030,715. The amounts presented are inclusive of derivative contracts.

### 5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

#### Investment Adviser Fee

The advisory agreement between the Fund and the Adviser provides for an annual fee equal to 0.60% of the Fund's average daily net assets. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily choose to waive any portion of its fee. For the year ended December 31, 2018, the Adviser voluntarily waived \$143,236 of its fee.

#### Administrative Fee

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

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

Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the year ended December 31, 2018, the annualized fee paid to FAS was 0.080% 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:

<b>Administrative Fee</b>	<b>Average Daily Net Assets of the Investment Complex</b>
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:

	<b>Percentage of Average Daily Net Assets of Class</b>
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:

	<b>Distribution Services Fees Incurred</b>
Service Shares	\$52,097

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 retained \$21 of 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 0.73% and 0.98% (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 sale transactions with funds that have a common investment adviser (or affiliated investment advisers), common Directors/Trustees and/or common Officers. These sale transactions complied with Rule 17a-7 under the Act and amounted to \$207,028.

### **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	\$35,793,703
Sales	\$52,682,776

## **7. LINE OF CREDIT**

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

## **8. INTERFUND LENDING**

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

# Report of Independent Registered Public Accounting Firm

## **TO THE BOARD OF TRUSTEES OF THE FEDERATED INSURANCE SERIES AND SHAREHOLDERS OF FEDERATED QUALITY BOND 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 Quality Bond 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. 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 <sup>1</sup>
<b>Actual:</b>			
Primary Shares	\$1,000	\$1,009.50	\$3.75
Service Shares	\$1,000	\$1,008.50	\$5.01
<b>Hypothetical (assuming a 5% return before expenses):</b>			
Primary Shares	\$1,000	\$1,021.50	\$3.77
Service Shares	\$1,000	\$1,020.20	\$5.04

<sup>1</sup> 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	0.74%
Service Shares	0.99%

## 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)
<b>J. Christopher Donahue*</b> Birth Date: April 11, 1949 TRUSTEE Indefinite Term Began serving: September 1993	<b>Principal Occupations:</b> 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.  <b>Previous Positions:</b> 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.
<b>Thomas R. Donahue*</b> Birth Date: October 20, 1958 TRUSTEE Indefinite Term Began serving: May 2016	<b>Principal Occupations:</b> 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.  <b>Previous Positions:</b> 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><b>John T. Collins</b> Birth Date: January 24, 1947 TRUSTEE Indefinite Term Began serving: October 2013</p>	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; formerly, Chairman and CEO, The Collins Group, Inc. (a private equity firm) (Retired).</p> <p><b>Other Directorships Held:</b> Director, Chairman of the Compensation Committee, KLX Energy Services Holdings, Inc. (oilfield services); former Director of KLX Corp. (aerospace).</p> <p><b>Qualifications:</b> 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><b>G. Thomas Hough</b> Birth Date: February 28, 1955 TRUSTEE Indefinite Term Began serving: August 2015</p>	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; formerly, Vice Chair, Ernst &amp; Young LLP (public accounting firm) (Retired).</p> <p><b>Other Directorships Held:</b> 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, Haverly Furniture Companies, Inc.</p> <p><b>Qualifications:</b> 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 &amp; 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><b>Maureen Lally-Green</b> Birth Date: July 5, 1949 TRUSTEE Indefinite Term Began serving: August 2009</p>	<p><b>Principal Occupations:</b> 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><b>Other Directorships Held:</b> Director, CNX Resources Corporation (formerly known as CONSOL Energy Inc.).</p> <p><b>Qualifications:</b> 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><b>Charles F. Mansfield, Jr.</b> Birth Date: April 10, 1945 TRUSTEE Indefinite Term Began serving: September 1999</p>	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Fund Family; Management Consultant and Author.</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> 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><b>Thomas M. O'Neill</b> Birth Date: June 14, 1951 TRUSTEE Indefinite Term Began serving: August 2006</p>	<p><b>Principal Occupations:</b> Director or Trustee, Chair of the Audit Committee of the Federated Fund Family; Sole Proprietor, Navigator Management Company (investment and strategic consulting).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> 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
<b>P. Jerome Richey</b> Birth Date: February 23, 1949 TRUSTEE Indefinite Term Began serving: October 2013	<p><b>Principal Occupations:</b> 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><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> 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 &amp; Rooney PC (a law firm).</p>
<b>John S. Walsh</b> Birth Date: November 28, 1957 TRUSTEE Indefinite Term Began serving: January 1999	<p><b>Principal Occupations:</b> 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><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Walsh has served in several business management roles and directorship positions throughout his career. Mr. Walsh previously served as Vice President, Walsh &amp; Kelly, Inc. (paving contractors).</p>

## OFFICERS

Name	Principal Occupation(s) for Past Five Years and Previous Position(s)
<b>Lori A. Hensler</b> Birth Date: January 6, 1967 TREASURER Officer since: April 2013	<p><b>Principal Occupations:</b> 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><b>Previous Positions:</b> 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>
<b>Peter J. Germain</b> Birth Date: September 3, 1959 CHIEF LEGAL OFFICER, SECRETARY AND EXECUTIVE VICE PRESIDENT Officer since: January 2005	<p><b>Principal Occupations:</b> 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><b>Previous Positions:</b> 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>
<b>John B. Fisher</b> Birth Date: May 16, 1956 PRESIDENT Officer since: November 2004	<p><b>Principal Occupations:</b> 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><b>Previous Positions:</b> 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>
<b>Stephen Van Meter</b> Birth Date: June 5, 1975 CHIEF COMPLIANCE OFFICER AND SENIOR VICE PRESIDENT Officer since: July 2015	<p><b>Principal Occupations:</b> 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><b>Previous Positions:</b> 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>

<b>Name</b> <b>Birth Date</b> <b>Address</b> <b>Positions Held with Trust</b> <b>Date Service Began</b>	<b>Principal Occupation(s) for Past Five Years</b> <b>and Previous Position(s)</b>
<b>Stephen F. Auth</b> Birth Date: September 13, 1956 101 Park Avenue 41 <sup>st</sup> Floor New York, NY 10178 CHIEF INVESTMENT OFFICER Officer since: November 2002	<b>Principal Occupations:</b> 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.  <b>Previous Positions:</b> 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.
<b>Robert J. Ostrowski</b> Birth Date: April 26, 1963 CHIEF INVESTMENT OFFICER Officer since: May 2004	<b>Principal Occupations:</b> 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.
<b>Deborah A. Cunningham</b> Birth Date: September 15, 1959 CHIEF INVESTMENT OFFICER Officer since: June 2012	<b>Principal Occupations:</b> 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 QUALITY BOND 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 contract for an additional one-year term. The Board’s decision regarding the contract reflects the exercise of its business judgment after considering all of the information received on whether to continue the existing arrangements.

The Board had previously appointed a Senior Officer, whose duties included specified responsibilities relating to the process by which advisory fees are to be charged to a fund advised by Federated Investment Management Company (the “Adviser”) or its affiliates (collectively, “Federated”) (each, a “Federated fund”). The Senior Officer’s responsibilities included preparing and furnishing to the Board an annual independent written evaluation that covered topics discussed below. In December 2017, the Senior Officer position was eliminated. Notwithstanding the elimination of the Senior Officer position, at the request of the Independent Trustees, the Fund’s Chief Compliance Officer (the CCO) furnished to the Board in advance of its May 2018 meetings an independent written evaluation covering substantially the same topics that had been covered in the Senior Officer’s written evaluation in prior years. The Board considered the CCO’s independent written evaluation (the “CCO Fee Evaluation Report”), along with other information, in evaluating the reasonableness of the Fund’s management fee and in deciding to approve the continuation of the investment advisory contract. Consistent with the former Senior Officer position, the CCO, in preparing the CCO Fee Evaluation Report, has the authority to retain consultants, experts or staff as reasonably necessary to assist in the performance of his duties, reports directly to the Board, and can be terminated only with the approval of a majority of the Independent Trustees.

The Board also considered judicial decisions concerning allegedly excessive investment advisory fees in making its decision. Using these judicial decisions as a guide, the Board observed that the following factors may be relevant to an adviser’s fiduciary duty with respect to its receipt of compensation from a fund: (1) the nature and quality of the services provided by an adviser to a fund and its shareholders (including the performance of the fund, its benchmark, and comparable funds); (2) an adviser’s cost of providing the services (including the profitability to an adviser of providing advisory services to a fund); (3) the extent to which an adviser may realize “economies of scale” as a fund grows larger and, if such economies of scale exist, whether they have been shared with a fund and its shareholders or the family of funds; (4) any “fall-out” financial benefits that accrue to an adviser because of its relationship with a fund (including research services received from brokers that execute fund trades and any fees paid to affiliates of an adviser for services rendered to a fund); (5) comparative fee and expense structures (including a comparison of fees paid to an adviser with those paid by similar funds both internally and externally as well as management fees charged to institutional and other advisory clients of the Adviser or its affiliates for what might be viewed as like services); and (6) the extent of care, conscientiousness and independence with which the fund’s board members perform their duties and their expertise (including whether they are fully informed about all facts the board deems relevant to its consideration of an adviser’s services and fees). The Board noted that the Securities and Exchange Commission (SEC) disclosure requirements regarding the basis for the Board’s approval of the Fund’s investment advisory contract generally align with the factors listed above. The Board was aware of these factors and was guided by them in its review of the Fund’s investment advisory contract to the extent it considered them to be appropriate and relevant, as discussed further below.

The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Fund and working with Federated on matters relating to the Federated funds. The Independent Trustees were assisted in their deliberations by independent legal counsel.

In addition to the extensive materials that comprise and accompany the CCO Fee Evaluation Report, the Board received detailed information about the Fund and the Federated organization throughout the year, and in connection with its May meetings at which the Board’s formal approval of the advisory and subadvisory contracts occurred. In this regard, Federated provided much of this information at each regular meeting of the Board, and furnished additional information specifically in connection with the May meetings. In the months preceding the May meetings, the Board requested and reviewed written materials prepared by Federated in response to requests on behalf of the Independent Trustees encompassing a wide variety of topics. At the May meetings, in addition to meeting in separate sessions of the Independent Trustees without management present, senior management of the Adviser also met with the Independent Trustees and their counsel to discuss the materials presented and such additional matters as the Independent Trustees deemed reasonably necessary to evaluate the advisory and subadvisory contracts. Between regularly scheduled meetings, the Board also received information on particular matters as the need arose.

The Board’s consideration of the investment advisory contract included review of the CCO Fee Evaluation Report, accompanying data and additional information covering the following matters, among others: the Adviser’s investment philosophy, revenue, profitability, personnel and processes; investment and operating strategies; the Fund’s short-term and long-term performance (in absolute terms, both on a gross basis and net of expenses, as well as in terms relative to its

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

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

The Board reviewed the contractual advisory fee rate, net 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 contract.

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

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

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

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

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

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

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

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

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

it would represent marketing and distribution expenses. The Board also noted the absence of any applicable regulatory or industry guidelines on this subject, which (as discussed in the CCO Fee Evaluation Report) is compounded by the lack of any common industry practice or general pattern with respect to structuring fund advisory fees with “breakpoints” that serve to reduce the fee as a fund attains a certain size.

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

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

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

## Voting Proxies on Fund Portfolio Securities

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

*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**<sup>®</sup>

Federated Quality Bond Fund II  
Federated Investors Funds  
4000 Ericsson Drive  
Warrendale, PA 15086-7561

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

Federated Securities Corp., Distributor

*CUSIP 313916884  
CUSIP 313916785*

*G00433-14 (2/19)*

Federated is a registered trademark of Federated Investors, Inc.  
2019 ©Federated Investors, Inc.