

Semi-Annual Shareholder Report

June 30, 2019

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 Semi-Annual Shareholder Report for your fund covering the period from January 1, 2019 through June 30, 2019. This report includes a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

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

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

Sincerely,



John B. Fisher, President

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Portfolio of Investments Summary Table (unaudited)

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

Security Type	Percentage of Total Net Assets
Corporate Debt Securities	98.3%
Foreign Government Debt Securities	0.1%
Mortgage-Backed Securities ²	0.1%
Collateralized Mortgage Obligation ³	0.0%
Derivative Contracts ^{3,4}	(0.0)%
Cash Equivalents ⁵	0.7%
Other Assets and Liabilities—Net ⁶	0.8%
TOTAL	100.0%

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

June 30, 2019 (unaudited)

Principal Amount		Value
	CORPORATE BONDS—98.3%	
	Basic Industry - Chemicals—0.6%	
\$ 640,000	FMC Corp., Sr. Unsecd. Note, 3.950%, 2/1/2022	\$ 659,855
500,000	RPM International, Inc., Sr. Unsecd. Note, 4.550%, 3/1/2029	528,414
	TOTAL	1,188,269
	Basic Industry - Metals & Mining—1.5%	
230,000	Carpenter Technology Corp., Sr. Unsecd. Note, 4.450%, 3/1/2023	233,511
650,000	Carpenter Technology Corp., Sr. Unsecd. Note, 5.200%, 7/15/2021	667,452
470,000	Newcrest Finance Property Ltd., Sr. Unsecd. Note, 144A, 4.200%, 10/1/2022	491,006
1,000,000	Reliance Steel & Aluminum Co., Sr. Unsecd. Note, 4.500%, 4/15/2023	1,050,267
320,000	Southern Copper Corp., Sr. Unsecd. Note, 3.500%, 11/8/2022	326,626
	TOTAL	2,768,862
	Capital Goods - Aerospace & Defense—2.5%	
600,000	Airbus Group SE, Sr. Unsecd. Note, 144A, 3.150%, 4/10/2027	620,177
270,000	BAE Systems Holdings, Inc., Sr. Unsecd. Note, 144A, 2.850%, 12/15/2020	271,086
280,000	BAE Systems Holdings, Inc., Sr. Unsecd. Note, 144A, 3.850%, 12/15/2025	292,750
519,000	Embraer Overseas Ltd., Sr. Unsecd. Note, 144A, 5.696%, 9/16/2023	570,251
410,000	Huntington Ingalls Industries, Inc., Sr. Unsecd. Note, 3.483%, 12/1/2027	417,339
270,000	Lockheed Martin Corp., Sr. Unsecd. Note, 2.500%, 11/23/2020	271,117
300,000	Northrop Grumman Corp., Sr. Unsecd. Note, 2.550%, 10/15/2022	301,742
500,000	Northrop Grumman Corp., Sr. Unsecd. Note, 2.930%, 1/15/2025	510,190
320,000	Rockwell Collins, Inc., Sr. Unsecd. Note, 3.100%, 11/15/2021	324,371
910,000	¹ Textron Financial Corp., Jr. Sub. Note, 144A, 4.253% (3-month USLIBOR + 1.735%), 2/15/2042	711,497
295,000	Textron, Inc., Sr. Unsecd. Note, 4.300%, 3/1/2024	312,951
	TOTAL	4,603,471
	Capital Goods - Building Materials—0.8%	
800,000	Allegion US Holdings Co., Inc., Sr. Unsecd. Note, 3.200%, 10/1/2024	809,562
300,000	Masco Corp., Sr. Unsecd. Note, 3.500%, 11/15/2027	294,988
80,000	Masco Corp., Sr. Unsecd. Note, 7.125%, 3/15/2020	82,313
275,000	Masco Corp., Unsecd. Note, 4.450%, 4/1/2025	292,919
	TOTAL	1,479,782
	Capital Goods - Construction Machinery—0.8%	
500,000	CNH Industrial Capital America LLC, Sr. Unsecd. Note, 4.375%, 4/5/2022	519,910
595,000	CNH Industrial NV, Sr. Unsecd. Note, Series MTN, 3.850%, 11/15/2027	594,309
310,000	John Deere Capital Corp., Sr. Unsecd. Note, Series MTN, 3.450%, 3/7/2029	329,510
	TOTAL	1,443,729
	Capital Goods - Diversified Manufacturing—2.4%	
750,000	CK Hutchison Holdings Ltd., Sr. Unsecd. Note, 144A, 2.750%, 3/29/2023	754,209
430,000	General Electric Capital Corp., Sr. Unsecd. Note, Series GMTN, 4.625%, 1/7/2021	442,600
600,000	General Electric Capital Corp., Sub. Note, 5.300%, 2/11/2021	622,523
1,000,000	Lennox International, Inc., Sr. Unsecd. Note, 3.000%, 11/15/2023	1,004,435
650,000	Parker-Hannifin Corp., Sr. Unsecd. Note, 3.250%, 3/1/2027	671,394
875,000	Roper Technologies, Inc., Sr. Unsecd. Note, 3.800%, 12/15/2026	914,120
	TOTAL	4,409,281
	Capital Goods - Packaging—0.3%	
500,000	WestRock Co., Sr. Unsecd. Note, Series WI, 3.750%, 3/15/2025	520,360
	Communications - Cable & Satellite—3.0%	
940,000	CCO Safari II LLC, 3.579%, 7/23/2020	948,477
567,000	CCO Safari II LLC, 4.464%, 7/23/2022	595,821

Principal
Amount

Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	Communications - Cable & Satellite—continued	
\$1,000,000	CCO Safari II LLC, 4.908%, 7/23/2025	\$ 1,085,905
600,000	Comcast Corp., Sr. Unsecd. Note, 1.625%, 1/15/2022	592,598
730,000	Comcast Corp., Sr. Unsecd. Note, 2.750%, 3/1/2023	740,973
300,000	Comcast Corp., Sr. Unsecd. Note, 3.300%, 2/1/2027	312,301
750,000	Comcast Corp., Sr. Unsecd. Note, 3.950%, 10/15/2025	809,325
400,000	Time Warner Cable, Inc., Sr. Unsecd. Note, 8.375%, 3/15/2023	474,117
	TOTAL	5,559,517
	Communications - Media & Entertainment—1.4%	
300,000	British Sky Broadcasting Group PLC, 144A, 3.750%, 9/16/2024	318,836
750,000	CBS Corp., 3.700%, 8/15/2024	776,553
250,000	Discovery Communications LLC, Sr. Unsecd. Note, 2.950%, 3/20/2023	252,388
250,000	Discovery Communications LLC, Sr. Unsecd. Note, 3.950%, 3/20/2028	257,884
400,000	Fox Corp., Sr. Unsecd. Note, 144A, 4.709%, 1/25/2029	446,597
500,000	S&P Global, Inc., Sr. Unsecd. Note, 3.300%, 8/14/2020	505,251
	TOTAL	2,557,509
	Communications - Telecom Wireless—0.9%	
600,000	American Tower Corp., Sr. Unsecd. Note, 3.500%, 1/31/2023	619,604
300,000	Crown Castle International Corp., 3.150%, 7/15/2023	305,899
360,000	Crown Castle International Corp., Sr. Unsecd. Note, 2.250%, 9/1/2021	358,406
395,000	Vodafone Group PLC, Sr. Unsecd. Note, 4.125%, 5/30/2025	421,065
	TOTAL	1,704,974
	Communications - Telecom Wirelines—1.9%	
450,000	AT&T, Inc., Sr. Unsecd. Note, 3.400%, 5/15/2025	462,729
750,000	AT&T, Inc., Sr. Unsecd. Note, 4.250%, 3/1/2027	803,503
450,000	Telefonica Emisiones SAU, Company Guarantee, 5.462%, 2/16/2021	471,422
250,000	Telefonica SA, Company Guarantee, 7.045%, 6/20/2036	328,071
600,000	Verizon Communications, Inc., Sr. Unsecd. Note, 4.150%, 3/15/2024	647,461
735,000	Verizon Communications, Inc., Sr. Unsecd. Note, 5.150%, 9/15/2023	820,941
	TOTAL	3,534,127
	Consumer Cyclical - Automotive—2.7%	
500,000	Daimler Finance NA LLC, Sr. Unsecd. Note, 144A, 3.250%, 8/1/2024	510,651
200,000	Fiat Chrysler Automobiles NV, Sr. Unsecd. Note, 5.250%, 4/15/2023	211,754
250,000	Ford Motor Co., Sr. Unsecd. Note, 4.346%, 12/8/2026	252,213
250,000	Ford Motor Credit Co. LLC, Sr. Unsecd. Note, 3.336%, 3/18/2021	251,149
920,000	General Motors Co., Sr. Unsecd. Note, 4.000%, 4/1/2025	937,372
500,000	General Motors Financial Co., Inc., Sr. Unsecd. Note, 3.200%, 7/6/2021	504,418
300,000	General Motors Financial Co., Inc., Sr. Unsecd. Note, 4.000%, 10/6/2026	302,757
1,025,000	Nissan Motor Acceptance Corp., Sr. Unsecd. Note, 144A, 2.650%, 7/13/2022	1,022,195
650,000	Volkswagen Group of America Finance LLC, Sr. Unsecd. Note, 144A, 4.000%, 11/12/2021	670,918
300,000	Volkswagen Group of America Finance LLC, Sr. Unsecd. Note, 144A, 4.250%, 11/13/2023	315,886
	TOTAL	4,979,313
	Consumer Cyclical - Leisure—0.4%	
658,683	Football Trust V, Pass Thru Cert., 5.350%, 10/5/2020	682,822
	Consumer Cyclical - Lodging—0.2%	
450,000	Choice Hotels International, Inc., Company Guarantee, 5.700%, 8/28/2020	465,187
	Consumer Cyclical - Retailers—2.7%	
600,000	CVS Health Corp., Sr. Unsecd. Note, 2.800%, 7/20/2020	601,617
250,000	CVS Health Corp., Sr. Unsecd. Note, 3.350%, 3/9/2021	253,467
580,000	CVS Health Corp., Sr. Unsecd. Note, 3.700%, 3/9/2023	599,164
1,290,000	CVS Health Corp., Sr. Unsecd. Note, 4.300%, 3/25/2028	1,360,730

Principal
Amount

Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	Consumer Cyclical - Retailers—continued	
\$ 600,000	Dollar Tree, Inc., Sr. Unsecd. Note, 3.700%, 5/15/2023	\$ 622,770
500,000	Dollar Tree, Inc., Sr. Unsecd. Note, 4.000%, 5/15/2025	521,337
500,000	Home Depot, Inc., Sr. Unsecd. Note, 2.125%, 9/15/2026	489,551
560,000	WalMart, Inc., Sr. Unsecd. Note, 3.400%, 6/26/2023	588,418
	TOTAL	5,037,054
	Consumer Cyclical - Services—2.4%	
500,000	Alibaba Group Holding Ltd., Sr. Unsecd. Note, 3.400%, 12/6/2027	508,189
500,000	Amazon.com, Inc., Sr. Unsecd. Note, 2.400%, 2/22/2023	505,009
170,000	Amazon.com, Inc., Sr. Unsecd. Note, 3.150%, 8/22/2027	178,774
750,000	Cintas Corp. No. 2, Sr. Unsecd. Note, 3.700%, 4/1/2027	798,922
350,000	Expedia, Inc., Company Guarantee, 5.950%, 8/15/2020	362,657
325,000	IHS Markit Ltd., Sr. Unsecd. Note, 4.125%, 8/1/2023	338,276
135,000	IHS Markit Ltd., Sr. Unsecd. Note, Series 5YR, 3.625%, 5/1/2024	139,307
1,000,000	Visa, Inc., Sr. Unsecd. Note, 2.800%, 12/14/2022	1,024,245
530,000	Visa, Inc., Sr. Unsecd. Note, 3.150%, 12/14/2025	556,113
	TOTAL	4,411,492
	Consumer Non-Cyclical - Food/Beverage—7.7%	
750,000	Anheuser-Busch InBev Finance, Inc., 2.650%, 2/1/2021	754,164
449,000	Anheuser-Busch InBev Finance, Inc., Sr. Unsecd. Note, 3.300%, 2/1/2023	463,525
750,000	Anheuser-Busch InBev Worldwide, Inc., Sr. Unsecd. Note, 4.750%, 1/23/2029	850,254
800,000	Coca-Cola Femsa S.A.B. de C.V., Sr. Unsecd. Note, 3.875%, 11/26/2023	840,038
1,000,000	Constellation Brands, Inc., Sr. Unsecd. Note, 4.650%, 11/15/2028	1,117,249
750,000	Danone SA, Sr. Unsecd. Note, 144A, 2.077%, 11/2/2021	745,136
340,000	Danone SA, Sr. Unsecd. Note, 144A, 2.947%, 11/2/2026	339,500
380,000	Flowers Foods, Inc., Sr. Unsecd. Note, 3.500%, 10/1/2026	380,665
330,000	General Mills, Inc., Sr. Unsecd. Note, 3.700%, 10/17/2023	346,059
500,000	Grupo Bimbo S.A.B. de CV, Sr. Unsecd. Note, 144A, 3.875%, 6/27/2024	516,859
660,000	Grupo Bimbo S.A.B. de CV, Sr. Unsecd. Note, 144A, 4.500%, 1/25/2022	683,491
1,050,000	Kerry Group Financial Services, Sr. Unsecd. Note, 144A, 3.200%, 4/9/2023	1,059,819
700,000	Keurig Dr Pepper, Inc., Sr. Unsecd. Note, 4.057%, 5/25/2023	735,119
450,000	Keurig Dr Pepper, Inc., Sr. Unsecd. Note, 4.417%, 5/25/2025	482,398
900,000	Kraft Heinz Foods Co., Sr. Unsecd. Note, 3.000%, 6/1/2026	876,214
1,000,000	McCormick & Co., Inc., Sr. Unsecd. Note, 3.150%, 8/15/2024	1,021,414
600,000	Mead Johnson Nutrition Co., Sr. Unsecd. Note, 3.000%, 11/15/2020	605,502
750,000	PepsiCo, Inc., 2.750%, 3/5/2022	763,991
250,000	PepsiCo, Inc., Sr. Unsecd. Note, 2.000%, 4/15/2021	249,951
380,000	Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 2.650%, 10/3/2021	374,574
240,000	Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 3.350%, 2/1/2022	239,477
60,000	Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 4.250%, 2/1/2027	61,129
370,000	Tyson Foods, Inc., Sr. Unsecd. Note, 3.900%, 9/28/2023	389,993
500,000	Tyson Foods, Inc., Sr. Unsecd. Note, 4.500%, 6/15/2022	528,204
	TOTAL	14,424,725
	Consumer Non-Cyclical - Health Care—1.8%	
420,000	Agilent Technologies, Inc., Sr. Unsecd. Note, 3.200%, 10/1/2022	427,091
940,000	Agilent Technologies, Inc., Sr. Unsecd. Note, 3.875%, 7/15/2023	983,440
500,000	Becton Dickinson & Co., Sr. Unsecd. Note, 2.894%, 6/6/2022	506,559
740,000	Becton Dickinson & Co., Sr. Unsecd. Note, 3.734%, 12/15/2024	776,335
250,000	Thermo Fisher Scientific, Inc., Sr. Unsecd. Note, 2.950%, 9/19/2026	251,883
500,000	Thermo Fisher Scientific, Inc., Sr. Unsecd. Note, 3.000%, 4/15/2023	512,876
	TOTAL	3,458,184

Principal
Amount

Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	Consumer Non-Cyclical - Pharmaceuticals—3.8%	
\$ 300,000	Abbott Laboratories, Sr. Unsecd. Note, 2.900%, 11/30/2021	\$ 304,993
210,000	Abbott Laboratories, Sr. Unsecd. Note, 3.400%, 11/30/2023	219,105
453,000	Abbott Laboratories, Sr. Unsecd. Note, 3.750%, 11/30/2026	489,984
300,000	AbbVie, Inc., Sr. Unsecd. Note, 3.600%, 5/14/2025	310,560
67,000	Actavis Funding SCS, Sr. Unsecd. Note, 4.750%, 3/15/2045	68,861
600,000	AstraZeneca PLC, Sr. Unsecd. Note, 3.125%, 6/12/2027	613,679
1,000,000	Bayer US Finance II LLC, Sr. Unsecd. Note, 144A, 3.875%, 12/15/2023	1,036,782
200,000	Bayer US Finance II LLC, Sr. Unsecd. Note, 144A, 4.250%, 12/15/2025	211,659
180,000	Biogen Idec, Inc., Sr. Unsecd. Note, 2.900%, 9/15/2020	180,911
320,000	Bristol-Myers Squibb Co., Sr. Unsecd. Note, 144A, 3.400%, 7/26/2029	334,974
500,000	Celgene Corp., Sr. Unsecd. Note, 2.875%, 8/15/2020	502,581
340,000	Celgene Corp., Sr. Unsecd. Note, 3.875%, 8/15/2025	364,495
200,000	Celgene Corp., Sr. Unsecd. Note, 5.000%, 8/15/2045	237,426
310,000	Eli Lilly & Co., Sr. Unsecd. Note, 3.375%, 3/15/2029	330,292
220,000	Gilead Sciences, Inc., Sr. Unsecd. Note, 3.650%, 3/1/2026	232,881
500,000	Merck & Co., Inc., Sr. Unsecd. Note, 3.400%, 3/7/2029	532,744
900,000	Teva Pharmaceutical Finance Netherlands III BV, Sr. Unsecd. Note, 2.200%, 7/21/2021	857,250
300,000	Teva Pharmaceutical Finance Netherlands III BV, Sr. Unsecd. Note, 3.150%, 10/1/2026	234,000
	TOTAL	7,063,177
	Consumer Non-Cyclical - Products—1.0%	
575,000	Church and Dwight, Inc., Sr. Unsecd. Note, 2.450%, 8/1/2022	576,195
1,250,000	Reckitt Benckiser Treasury Services PLC, Sr. Unsecd. Note, 144A, 2.375%, 6/24/2022	1,248,420
	TOTAL	1,824,615
	Consumer Non-Cyclical - Supermarkets—0.4%	
610,000	Kroger Co., Bond, 6.900%, 4/15/2038	773,311
	Consumer Non-Cyclical - Tobacco—1.0%	
800,000	Altria Group, Inc., Sr. Unsecd. Note, 4.400%, 2/14/2026	855,846
290,000	BAT International Finance PLC, Sr. Unsecd. Note, 144A, 3.950%, 6/15/2025	300,256
300,000	Reynolds American, Inc., Sr. Unsecd. Note, 4.450%, 6/12/2025	318,196
360,000	Reynolds American, Inc., Sr. Unsecd. Note, 7.000%, 8/4/2041	422,425
	TOTAL	1,896,723
	Energy - Independent—1.9%	
1,000,000	Anadarko Petroleum Corp., Sr. Unsecd. Note, 3.450%, 7/15/2024	1,023,458
94,000	Apache Corp., Sr. Unsecd. Note, 3.250%, 4/15/2022	95,553
500,000	Apache Corp., Sr. Unsecd. Note, 4.375%, 10/15/2028	522,705
420,000	Canadian Natural Resources Ltd., Sr. Unsecd. Note, 2.950%, 1/15/2023	424,294
500,000	Cimarex Energy Co., Sr. Unsecd. Note, 3.900%, 5/15/2027	514,040
250,000	Cimarex Energy Co., Sr. Unsecd. Note, 4.375%, 6/1/2024	265,271
215,000	Cimarex Energy Co., Sr. Unsecd. Note, 4.375%, 3/15/2029	228,373
475,000	Marathon Oil Corp., Sr. Unsecd. Note, 3.850%, 6/1/2025	492,594
	TOTAL	3,566,288
	Energy - Integrated—2.8%	
700,000	BP Capital Markets America, Inc., Sr. Unsecd. Note, 2.750%, 5/10/2023	707,903
500,000	BP Capital Markets America, Inc., Sr. Unsecd. Note, 3.796%, 9/21/2025	533,695
500,000	BP Capital Markets PLC, Sr. Unsecd. Note, 3.994%, 9/26/2023	532,043
530,000	CNPC Hong Kong Overseas Capital Ltd., Company Guarantee, 144A, 5.950%, 4/28/2041	701,402
585,000	Husky Energy, Inc., 4.000%, 4/15/2024	616,029
240,000	Husky Energy, Inc., Sr. Unsecd. Note, 4.400%, 4/15/2029	254,686
800,000	Petroleos Mexicanos, Company Guarantee, 5.500%, 1/21/2021	810,800
175,000	Petroleos Mexicanos, Sr. Unsecd. Note, 4.875%, 1/18/2024	172,113

Principal
Amount

Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	Energy - Integrated—continued	
\$ 525,000	Shell International Finance B.V., Sr. Unsecd. Note, 1.875%, 5/10/2021	\$ 522,780
325,000	Shell International Finance B.V., Sr. Unsecd. Note, 2.875%, 5/10/2026	332,493
	TOTAL	5,183,944
	Energy - Midstream—3.4%	
500,000	Andeavor Logistics LP, Sr. Unsecd. Note, 3.500%, 12/1/2022	512,046
500,000	Boardwalk Pipeline Partners LP, Sr. Unsecd. Note, 4.800%, 5/3/2029	522,049
565,000	Energy Transfer Partners LP, Sr. Unsecd. Note, 4.900%, 2/1/2024	606,817
470,000	Energy Transfer Partners LP, Sr. Unsecd. Note, Series 5Y, 4.200%, 9/15/2023	492,873
280,000	Florida Gas Transmission Co. LLC, Sr. Unsecd. Note, 144A, 5.450%, 7/15/2020	287,322
900,000	Kinder Morgan Energy Partners LP, Sr. Unsecd. Note, 5.300%, 9/15/2020	930,087
350,000	MPLX LP, Sr. Unsecd. Note, 3.375%, 3/15/2023	358,158
395,000	MPLX LP, Sr. Unsecd. Note, 4.125%, 3/1/2027	413,671
345,000	ONEOK, Inc., Sr. Unsecd. Note, 4.000%, 7/13/2027	358,724
600,000	TC Pipelines, LP, Sr. Unsecd. Note, 3.900%, 5/25/2027	613,149
540,000	Texas Eastern Transmission LP, Sr. Unsecd. Note, 144A, 2.800%, 10/15/2022	539,294
300,000	Williams Partners LP, Sr. Unsecd. Note, 3.900%, 1/15/2025	314,672
380,000	Williams Partners LP, Sr. Unsecd. Note, 4.125%, 11/15/2020	386,931
	TOTAL	6,335,793
	Energy - Oil Field Services—0.3%	
300,000	Schlumberger Holdings Corp., Sr. Unsecd. Note, 144A, 3.000%, 12/21/2020	302,494
300,000	Schlumberger Holdings Corp., Sr. Unsecd. Note, 144A, 4.000%, 12/21/2025	317,616
	TOTAL	620,110
	Energy - Refining—0.4%	
215,000	Valero Energy Corp., 7.500%, 4/15/2032	292,847
335,000	Valero Energy Corp., Sr. Unsecd. Note, 6.625%, 6/15/2037	423,992
	TOTAL	716,839
	Financial Institution - Banking—22.0%	
750,000	American Express Co., Sr. Unsecd. Note, 3.000%, 10/30/2024	768,944
500,000	American Express Credit Corp., Sr. Unsecd. Note, Series MTN, 2.700%, 3/3/2022	505,698
800,000	Associated Banc-Corp., Sub. Note, 4.250%, 1/15/2025	837,989
245,000	BB&T Corp., Sr. Unsecd. Note, Series MTN, 2.750%, 4/1/2022	247,980
250,000	Bank of America Corp., Sr. Unsecd. Note, 2.738%, 1/23/2022	251,129
1,250,000	Bank of America Corp., Sr. Unsecd. Note, 3.705%, 4/24/2028	1,313,872
1,450,000	Bank of America Corp., Sr. Unsecd. Note, Series GMTN, 2.816%, 7/21/2023	1,464,761
500,000	Bank of America Corp., Sr. Unsecd. Note, Series MTN, 3.248%, 10/21/2027	512,497
500,000	Bank of America Corp., Sr. Unsecd. Note, Series MTN, 4.271%, 7/23/2029	546,265
300,000	Bank of New York Mellon Corp., Sr. Unsecd. Note, Series MTN, 2.661%, 5/16/2023	302,530
550,000	Bank of New York Mellon Corp., Sr. Unsecd. Note, Series MTN, 3.250%, 9/11/2024	570,586
600,000	Capital One Financial Corp., Sr. Unsecd. Note, 3.050%, 3/9/2022	609,379
350,000	Capital One Financial Corp., Sr. Unsecd. Note, 3.200%, 1/30/2023	358,950
500,000	Citigroup, Inc., 4.125%, 7/25/2028	528,700
750,000	Citigroup, Inc., Sr. Unsecd. Note, 2.876%, 7/24/2023	759,619
730,000	Citigroup, Inc., Sr. Unsecd. Note, 3.400%, 5/1/2026	756,054
500,000	Citigroup, Inc., Sr. Unsecd. Note, 3.700%, 1/12/2026	526,580
500,000	Citigroup, Inc., Sr. Unsecd. Note, 4.075%, 4/23/2029	537,194
150,000	Citigroup, Inc., Sr. Unsecd. Note, 4.500%, 1/14/2022	157,691
500,000	Citizens Bank N.A., Sr. Unsecd. Note, Series BKNT, 3.750%, 2/18/2026	526,476
660,000	Citizens Financial Group, Inc., Sub. Note, 144A, 4.150%, 9/28/2022	682,396
480,000	City National Corp., Sr. Unsecd. Note, 5.250%, 9/15/2020	496,927
300,000	Comerica, Inc., 3.800%, 7/22/2026	312,480

Principal
Amount

Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	Financial Institution - Banking—continued	
\$ 500,000	Compass Bank, Birmingham, Sr. Unsecd. Note, Series BKNT, 3.500%, 6/11/2021	\$ 509,586
500,000	Compass Bank, Birmingham, Sub. Note, Series BKNT, 3.875%, 4/10/2025	518,074
385,000	Fifth Third Bancorp, Sr. Unsecd. Note, 3.650%, 1/25/2024	404,806
630,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 2.350%, 11/15/2021	629,048
500,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 3.000%, 4/26/2022	504,409
1,250,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 3.500%, 11/16/2026	1,281,652
500,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 4.223%, 5/1/2029	536,366
500,000	Goldman Sachs Group, Inc., Sub. Note, 4.250%, 10/21/2025	530,650
500,000	HSBC Bank USA, N.A., Sub. Note, Series BKNT, 4.875%, 8/24/2020	513,844
841,000	HSBC USA, Inc., Sr. Unsecd. Note, 2.750%, 8/7/2020	845,036
1,000,000	HSBC USA, Inc., Sr. Unsecd. Note, 3.500%, 6/23/2024	1,042,304
250,000	Huntington National Bank, Sr. Unsecd. Note, Series BKNT, 3.125%, 4/1/2022	254,908
1,000,000	JPMorgan Chase & Co., 3.250%, 9/23/2022	1,027,339
500,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 3.782%, 2/1/2028	530,249
500,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 4.452%, 12/5/2029	556,516
1,000,000	JPMorgan Chase & Co., Sub. Note, 3.375%, 5/1/2023	1,028,468
1,000,000	JPMorgan Chase & Co., Sub. Note, 3.875%, 9/10/2024	1,051,519
500,000	JPMorgan Chase Bank, N.A., Sr. Unsecd. Note, Series BKNT, 3.086%, 4/26/2021	502,690
408,000	MUFG Americas Holdings Corp., Sr. Unsecd. Note, 3.000%, 2/10/2025	413,317
250,000	MUFG Americas Holdings Corp., Sr. Unsecd. Note, 3.500%, 6/18/2022	257,848
250,000	MUFG Union Bank, N.A., Sr. Unsecd. Note, Series BKNT, 3.150%, 4/1/2022	255,627
1,940,000	¹ Manufacturers & Traders Trust Co., Sub. Note, Series BKNT, 3.160% (3-month USLIBOR +0.640%), 12/1/2021	1,935,665
750,000	Morgan Stanley, Sec. Fac. Bond, 2.750%, 5/19/2022	758,078
1,000,000	Morgan Stanley, Sr. Unsecd. Note, 3.625%, 1/20/2027	1,051,288
970,000	Morgan Stanley, Sr. Unsecd. Note, 5.750%, 1/25/2021	1,018,917
500,000	Morgan Stanley, Sr. Unsecd. Note, Series GMTN, 3.125%, 1/23/2023	511,451
250,000	Morgan Stanley, Sub. Note, 5.000%, 11/24/2025	276,819
1,000,000	Morgan Stanley, Sub. Note, Series MTN, 4.100%, 5/22/2023	1,052,976
500,000	PNC Bank N.A., Sr. Unsecd. Note, Series BKNT, 2.500%, 1/22/2021	501,727
640,000	Regions Financial Corp., Sr. Unsecd. Note, 3.200%, 2/8/2021	647,018
230,000	Regions Financial Corp., Sr. Unsecd. Note, 3.800%, 8/14/2023	240,700
250,000	State Street Corp., Sr. Unsecd. Note, 2.653%, 5/15/2023	252,747
700,000	State Street Corp., Sr. Unsecd. Note, 3.300%, 12/16/2024	732,913
500,000	SunTrust Bank, Inc., Sr. Unsecd. Note, Series BKNT, 3.000%, 2/2/2023	510,191
200,000	SunTrust Bank, Inc., Sub. Note, Series BKNT, 3.300%, 5/15/2026	203,746
600,000	U.S. Bank, N.A., Sr. Unsecd. Note, Series BKNT, 3.450%, 11/16/2021	616,141
750,000	US Bancorp, Sub. Note, Series MTN, 3.600%, 9/11/2024	787,729
500,000	Wells Fargo & Co., Series MTN, 3.500%, 3/8/2022	514,479
620,000	Wells Fargo & Co., Sr. Unsecd. Note, 3.000%, 10/23/2026	627,136
1,500,000	Wells Fargo & Co., Sr. Unsecd. Note, 3.069%, 1/24/2023	1,523,544
500,000	Wells Fargo & Co., Sr. Unsecd. Note, Series MTN, 3.584%, 5/22/2028	522,686
	TOTAL	41,054,904
	Financial Institution - Broker/Asset Mgr/Exchange—1.4%	
170,000	Cantor Fitzgerald LP, Bond, 7.875%, 10/15/2019	172,199
370,000	Eaton Vance Corp., Sr. Unsecd. Note, 3.625%, 6/15/2023	385,198
220,000	Invesco Finance PLC, Sr. Unsecd. Note, 3.750%, 1/15/2026	229,555
200,000	Jefferies Group LLC, Sr. Unsecd. Note, 6.500%, 1/20/2043	217,328
245,000	Nuveen LLC, Sr. Unsecd. Note, 144A, 4.000%, 11/1/2028	268,918
193,000	Raymond James Financial, Inc., Sr. Unsecd. Note, 5.625%, 4/1/2024	218,400
390,000	Stifel Financial Corp., 4.250%, 7/18/2024	409,397

Principal Amount		Value
	CORPORATE BONDS—continued	
	Financial Institution - Broker/Asset Mgr/Exchange—continued	
\$ 190,000	Stifel Financial Corp., Sr. Unsecd. Note, 3.500%, 12/1/2020	\$ 192,110
500,000	TD Ameritrade Holding Corp., Sr. Unsecd. Note, 3.625%, 4/1/2025	525,681
	TOTAL	2,618,786
	Financial Institution - Finance Companies—2.1%	
500,000	Discover Financial Services, Sr. Unsecd. Note, 3.850%, 11/21/2022	521,556
500,000	Discover Financial Services, Sr. Unsecd. Note, 3.950%, 11/6/2024	526,071
250,000	Discover Financial Services, Sr. Unsecd. Note, 4.100%, 2/9/2027	260,531
1,966,000	GE Capital International Funding Co., Sr. Unsecd. Note, 2.342%, 11/15/2020	1,956,927
600,000	GE Capital International Funding, Inc., Sr. Unsecd. Note, 4.418%, 11/15/2035	592,686
	TOTAL	3,857,771
	Financial Institution - Insurance - Health—1.2%	
300,000	Halfmoon Parent, Inc., Sr. Unsecd. Note, 144A, 3.750%, 7/15/2023	312,384
650,000	Halfmoon Parent, Inc., Sr. Unsecd. Note, 144A, 4.375%, 10/15/2028	701,620
750,000	UnitedHealth Group, Inc., Sr. Unsecd. Note, 2.700%, 7/15/2020	753,168
405,000	UnitedHealth Group, Inc., Sr. Unsecd. Note, 3.750%, 7/15/2025	433,109
	TOTAL	2,200,281
	Financial Institution - Insurance - Life—1.1%	
350,000	AIA Group Ltd., Sr. Unsecd. Note, 144A, 3.600%, 4/9/2029	365,644
200,000	AIG Global Funding, Sec. Fac. Bond, 144A, 2.300%, 7/1/2022	200,048
800,000	American International Group, Inc., Sr. Unsecd. Note, 4.125%, 2/15/2024	847,756
290,000	Lincoln National Corp., Sr. Unsecd. Note, 4.200%, 3/15/2022	303,559
172,000	Massachusetts Mutual Life Insurance Co., Sub. Note, 144A, 8.875%, 6/1/2039	282,254
	TOTAL	1,999,261
	Financial Institution - Insurance - P&C—0.9%	
200,000	Berkshire Hathaway, Inc., Sr. Unsecd. Note, 2.200%, 3/15/2021	200,548
250,000	CNA Financial Corp., Sr. Unsecd. Note, 3.450%, 8/15/2027	253,849
95,000	CNA Financial Corp., Sr. Unsecd. Note, 3.900%, 5/1/2029	99,938
250,000	Chubb INA Holdings, Inc., Sr. Unsecd. Note, 2.700%, 3/13/2023	254,119
300,000	Chubb INA Holdings, Inc., Sr. Unsecd. Note, 3.350%, 5/15/2024	315,877
300,000	Nationwide Mutual Insurance Co., Sub. Note, 144A, 9.375%, 8/15/2039	490,919
	TOTAL	1,615,250
	Financial Institution - REIT - Apartment—1.2%	
395,000	Avalonbay Communities, Inc., Sr. Unsecd. Note, Series MTN, 3.350%, 5/15/2027	410,797
500,000	Mid-America Apartment Communities LP, Sr. Unsecd. Note, 3.750%, 6/15/2024	520,468
550,000	Post Apartment Homes LP, Sr. Unsecd. Note, 3.375%, 12/1/2022	563,893
300,000	UDR, Inc., Company Guarantee, Series 0001, 4.625%, 1/10/2022	313,885
500,000	UDR, Inc., Sr. Unsecd. Note, Series MTN, 2.950%, 9/1/2026	497,323
	TOTAL	2,306,366
	Financial Institution - REIT - Healthcare—0.7%	
500,000	Healthcare Trust of America, 3.700%, 4/15/2023	511,313
710,000	Physicians Realty Trust, Sr. Unsecd. Note, 4.300%, 3/15/2027	733,343
	TOTAL	1,244,656
	Financial Institution - REIT - Office—0.9%	
640,000	Alexandria Real Estate Equities, Inc., Sr. Unsecd. Note, 4.000%, 1/15/2024	677,101
450,000	Alexandria Real Estate Equities, Inc., Sr. Unsecd. Note, 4.600%, 4/1/2022	474,426
480,000	Boston Properties LP, Sr. Unsecd. Note, 3.200%, 1/15/2025	490,075
	TOTAL	1,641,602
	Financial Institution - REIT - Other—0.6%	
320,000	Liberty Property LP, Sr. Unsecd. Note, 4.375%, 2/1/2029	346,477
300,000	ProLogis LP, Sr. Unsecd. Note, 4.250%, 8/15/2023	320,801

Principal
Amount

Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	Financial Institution - REIT - Other—continued	
\$ 450,000	WP Carey, Inc., Sr. Unsecd. Note, 4.600%, 4/1/2024	\$ 475,140
	TOTAL	1,142,418
	Financial Institution - REIT - Retail—0.5%	
396,000	Kimco Realty Corp., Sr. Unsecd. Note, 3.200%, 5/1/2021	400,752
100,000	Kimco Realty Corp., Sr. Unsecd. Note, 3.400%, 11/1/2022	102,871
450,000	Regency Centers Corp., Sr. Unsecd. Note, 3.750%, 11/15/2022	467,171
	TOTAL	970,794
	Sovereign—0.5%	
320,000	Corp Andina De Fomento, Sr. Unsecd. Note, 4.375%, 6/15/2022	337,511
510,000	Inter-American Development Bank, Series MTN, 6.750%, 7/15/2027	666,229
	TOTAL	1,003,740
	Technology—6.9%	
500,000	Adobe, Inc., Sr. Unsecd. Note, 3.250%, 2/1/2025	521,500
650,000	Apple, Inc., Sr. Unsecd. Note, 2.400%, 5/3/2023	656,541
900,000	Apple, Inc., Sr. Unsecd. Note, 3.200%, 5/13/2025	941,024
125,000	Apple, Inc., Sr. Unsecd. Note, 4.450%, 5/6/2044	143,909
340,000	Automatic Data Processing, Inc., 3.375%, 9/15/2025	360,045
230,000	Broadcom Corp., Sr. Unsecd. Note, Series WI, 3.625%, 1/15/2024	232,492
280,000	Broadcom Corp., Sr. Unsecd. Note, Series WI, 3.875%, 1/15/2027	274,762
700,000	Broadcom, Inc., Sr. Unsecd. Note, 144A, 3.625%, 10/15/2024	704,171
700,000	Diamond 1 Finance Corp./Diamond 2 Finance Corp., Sr. Secd. Note, 144A, 6.020%, 6/15/2026	772,551
345,000	Equifax, Inc., Sr. Unsecd. Note, 2.300%, 6/1/2021	343,021
80,000	Equifax, Inc., Sr. Unsecd. Note, Series 5Y, 3.950%, 6/15/2023	83,433
83,000	Fidelity National Information Services, Inc., Sr. Unsecd. Note, 3.875%, 6/5/2024	87,758
600,000	Fidelity National Information Services, Inc., Sr. Unsecd. Note, 5.000%, 10/15/2025	673,689
230,000	Fiserv, Inc., Sr. Unsecd. Note, 2.750%, 7/1/2024	231,787
500,000	Fiserv, Inc., Sr. Unsecd. Note, 4.200%, 10/1/2028	542,217
670,000	Ingram Micro, Inc., Sr. Unsecd. Note, 5.000%, 8/10/2022	676,429
500,000	Intel Corp., Sr. Unsecd. Note, 3.700%, 7/29/2025	536,213
460,000	Keysight Technologies, Inc., 4.550%, 10/30/2024	492,372
310,000	Lam Research Corp., Sr. Unsecd. Note, 4.000%, 3/15/2029	330,265
500,000	Micron Technology, Inc., Sr. Unsecd. Note, 4.640%, 2/6/2024	521,472
500,000	Microsoft Corp., Sr. Unsecd. Note, 1.550%, 8/8/2021	495,769
750,000	Microsoft Corp., Sr. Unsecd. Note, 2.400%, 8/8/2026	753,876
190,000	Molex Electronics Technologies LLC, Unsecd. Note, 144A, 3.900%, 4/15/2025	196,318
750,000	Oracle Corp., Sr. Unsecd. Note, 3.400%, 7/8/2024	786,168
310,000	Qualcomm, Inc., Sr. Unsecd. Note, 2.600%, 1/30/2023	310,730
350,000	Total System Services, Inc., Sr. Unsecd. Note, 3.800%, 4/1/2021	356,504
260,000	Total System Services, Inc., Sr. Unsecd. Note, 4.450%, 6/1/2028	278,739
195,000	Verisk Analytics, Inc., Sr. Unsecd. Note, 4.125%, 9/12/2022	204,842
350,000	Verisk Analytics, Inc., Sr. Unsecd. Note, 4.125%, 3/15/2029	376,536
	TOTAL	12,885,133
	Transportation - Railroads—1.1%	
9,542	Burlington Northern Santa Fe Corp., Pass Thru Cert., Series 99-2, 7.570%, 1/2/2021	9,893
1,100,000	Burlington Northern Santa Fe Corp., Sr. Unsecd. Note, 3.450%, 9/15/2021	1,126,819
850,000	Kansas City Southern Industries, Inc., Sr. Unsecd. Note, 3.000%, 5/15/2023	863,252
	TOTAL	1,999,964
	Transportation - Services—0.9%	
250,000	Penske Truck Leasing Co. LP & PTL Finance Corp., Sr. Unsecd. Note, 144A, 3.375%, 2/1/2022	254,879
300,000	Penske Truck Leasing Co. LP & PTL Finance Corp., Sr. Unsecd. Note, 144A, 3.450%, 7/1/2024	309,208

Principal
Amount

Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	Transportation - Services—continued	
\$ 250,000	Penske Truck Leasing Co. LP & PTL Finance Corp., Sr. Unsecd. Note, 144A, 4.450%, 1/29/2026	\$ 268,157
125,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 2.250%, 9/1/2021	124,606
280,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 2.800%, 3/1/2022	282,587
150,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 3.450%, 11/15/2021	153,280
250,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 3.500%, 6/1/2021	255,065
	TOTAL	1,647,782
	Utility - Electric—5.8%	
310,000	AEP Texas, Inc., Sr. Unsecd. Note, 3.850%, 10/1/2025	324,285
420,000	Ameren Corp., Sr. Unsecd. Note, 2.700%, 11/15/2020	421,420
380,000	American Electric Power Co., Inc., Sr. Unsecd. Note, Series F, 2.950%, 12/15/2022	385,936
500,000	Berkshire Hathaway Energy Co., 3.500%, 2/1/2025	527,672
210,000	Consolidated Edison Co., Sr. Unsecd. Note, 2.000%, 5/15/2021	208,896
360,000	Dominion Energy, Inc., Jr. Sub. Note, 3.071%, 8/15/2024	362,927
250,000	Duke Energy Corp., Sr. Unsecd. Note, 1.800%, 9/1/2021	247,353
500,000	EDP Finance BV, Sr. Unsecd. Note, 144A, 3.625%, 7/15/2024	515,464
1,000,000	Electricite de France SA, Jr. Sub. Note, 144A, 5.625%, 7/22/2067	1,028,215
180,000	Emera US Finance LP, Sr. Unsecd. Note, 2.700%, 6/15/2021	180,627
470,000	Enel Finance International NV, Sr. Unsecd. Note, 144A, 2.875%, 5/25/2022	473,746
380,000	Enel Finance International NV, Sr. Unsecd. Note, 144A, 4.625%, 9/14/2025	408,012
270,000	Fortis, Inc./Canada, Sr. Unsecd. Note, 2.100%, 10/4/2021	267,695
240,000	Fortis, Inc./Canada, Sr. Unsecd. Note, 3.055%, 10/4/2026	238,343
235,000	Great Plains Energy, Inc., Note, 4.850%, 6/1/2021	243,409
600,000	National Rural Utilities Cooperative Finance Corp., Sec. Fac. Bond, 2.400%, 4/25/2022	604,189
140,000	National Rural Utilities Cooperative Finance Corp., Sr. Unsecd. Note, 2.950%, 2/7/2024	143,639
375,000	NextEra Energy Capital Holdings, Inc., Sr. Unsecd. Note, 2.900%, 4/1/2022	381,526
300,000	NextEra Energy Capital Holdings, Inc., Sr. Unsecd. Note, 3.550%, 5/1/2027	313,326
110,000	NiSource Finance Corp., Sr. Unsecd. Note, 2.650%, 11/17/2022	110,722
500,000	NiSource Finance Corp., Sr. Unsecd. Note, 3.490%, 5/15/2027	517,417
590,000	PPL Capital Funding, Inc., Sr. Unsecd. Note, 4.200%, 6/15/2022	617,201
425,000	PSEG Power LLC, Sr. Unsecd. Note, 4.150%, 9/15/2021	436,699
250,000	Public Service Enterprises Group, Inc., Sr. Unsecd. Note, 2.000%, 11/15/2021	247,675
250,000	Southern Co., Sr. Unsecd. Note, 3.250%, 7/1/2026	254,005
800,000	UIL Holdings Corp., Sr. Unsecd. Note, 4.625%, 10/1/2020	819,512
120,000	WEC Energy Group, Inc., Sr. Unsecd. Note, 3.100%, 3/8/2022	122,207
450,000	Wisconsin Energy Corp., Sr. Unsecd. Note, 3.550%, 6/15/2025	472,654
	TOTAL	10,874,772
	Utility - Natural Gas—1.3%	
250,000	Atmos Energy Corp., Sr. Unsecd. Note, 3.000%, 6/15/2027	254,422
1,000,000	Enbridge Energy Partners LP, Sr. Unsecd. Note, 4.200%, 9/15/2021	1,031,021
600,000	National Fuel Gas Co., Sr. Unsecd. Note, 3.750%, 3/1/2023	613,727
250,000	Sempra Energy, Sr. Unsecd. Note, 2.900%, 2/1/2023	252,175
300,000	Southeast Supply Header LLC, Sr. Unsecd. Note, 144A, 4.250%, 6/15/2024	310,641
	TOTAL	2,461,986
	Utility - Natural Gas Distributor—0.2%	
450,000	Southern Co. Gas Capital, Sr. Unsecd. Note, 2.450%, 10/1/2023	448,934
	TOTAL CORPORATE BONDS (IDENTIFIED COST \$176,970,390)	183,183,858
	MORTGAGE-BACKED SECURITIES—0.1%	
	Federal Home Loan Mortgage Corporation—0.0%	
747	Federal Home Loan Mortgage Corp., Pool C01051, 8.000%, 9/1/2030	868

Principal Amount	Value
MORTGAGE-BACKED SECURITIES—continued	
Federal National Mortgage Association—0.0%	
\$ 6	Federal National Mortgage Association, Pool 50276, 9.500%, 2/1/2020 \$ 6
Government National Mortgage Association—0.1%	
1,891	Government National Mortgage Association, Pool 1512, 7.500%, 12/20/2023 2,027
2,340	Government National Mortgage Association, Pool 2630, 6.500%, 8/20/2028 2,608
3,277	Government National Mortgage Association, Pool 2631, 7.000%, 8/20/2028 3,684
4,666	Government National Mortgage Association, Pool 2658, 6.500%, 10/20/2028 5,207
7,309	Government National Mortgage Association, Pool 2701, 6.500%, 1/20/2029 8,158
4,754	Government National Mortgage Association, Pool 2796, 7.000%, 8/20/2029 5,395
1,142	Government National Mortgage Association, Pool 3039, 6.500%, 2/20/2031 1,292
3,320	Government National Mortgage Association, Pool 3040, 7.000%, 2/20/2031 3,804
11,725	Government National Mortgage Association, Pool 3188, 6.500%, 1/20/2032 13,338
8,413	Government National Mortgage Association, Pool 3239, 6.500%, 5/20/2032 9,604
18,090	Government National Mortgage Association, Pool 3261, 6.500%, 7/20/2032 20,687
866	Government National Mortgage Association, Pool 493514, 8.000%, 9/15/2030 935
4,681	Government National Mortgage Association, Pool 516688, 8.000%, 8/15/2029 5,415
	TOTAL 82,154
	TOTAL MORTGAGE-BACKED SECURITIES (IDENTIFIED COST \$73,295) 83,028
FOREIGN GOVERNMENTS/AGENCY—0.1%	
Sovereign—0.1%	
225,000	Colombia, Government of, Sr. Unsec. Note, 4.375%, 7/12/2021 (IDENTIFIED COST \$224,784) 232,596
COLLATERALIZED MORTGAGE OBLIGATION—0.0%	
Commercial Mortgage—0.0%	
61,090	TIAA Seasoned Commercial Mortgage Trust 2007-C4, Class AJ, 5.482%, 8/15/2039 (IDENTIFIED COST \$60,614) 61,316
REPURCHASE AGREEMENT—0.7%	
1,347,000	Interest in \$590,000,000 joint repurchase agreement 2.51%, dated 6/28/2019 under which Bank of America, N.A. will repurchase securities provided as collateral for \$590,123,408 on 7/1/2019. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency securities with various maturities to 6/20/2044 and the market value of those underlying securities was \$601,925,877. (IDENTIFIED COST \$1,347,000) 1,347,000
	TOTAL INVESTMENT IN SECURITIES—99.2% (IDENTIFIED COST \$178,676,083)² 184,907,798
	OTHER ASSETS AND LIABILITIES - NET—0.8%³ 1,489,427
	TOTAL NET ASSETS—100% \$ 186,397,225

At June 30, 2019, the Fund had the following outstanding futures contracts:

Description	Number of Contracts	Notional Value	Expiration Date	Value and Unrealized Appreciation (Depreciation)
⁴ U.S. Treasury Note 10-Year Long Futures	55	\$7,038,281	September 2019	\$ 194,525
⁴ U.S. Treasury Long Bond Short Futures	23	\$3,578,656	September 2019	\$(161,911)
⁴ U.S. Treasury Bond Ultra Short Futures	11	\$1,953,188	September 2019	\$(106,587)
NET UNREALIZED DEPRECIATION ON FUTURES CONTRACTS				\$ (73,973)

Net Unrealized 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 Also represents cost for federal tax purposes.
- 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 June 30, 2019.

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

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

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

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

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

The following is a summary of the inputs used, as of June 30, 2019, in valuing the Fund's assets carried at fair value:

Valuation Inputs

	Level 1— Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
Debt Securities:				
Corporate Bonds	\$ —	\$183,183,858	\$—	\$183,183,858
Mortgage-Backed Securities	—	83,028	—	83,028
Foreign Governments/Agency	—	232,596	—	232,596
Collateralized Mortgage Obligation	—	61,316	—	61,316
Repurchase Agreement	—	1,347,000	—	1,347,000
TOTAL SECURITIES	\$ —	\$184,907,798	—	\$184,907,798
Other Financial Instruments:¹				
Assets	\$ 194,525	\$ —	\$—	\$ 194,525
Liabilities	(268,498)	—	—	(268,498)
TOTAL OTHER FINANCIAL INSTRUMENTS	\$ (73,973)	\$ —	\$—	\$ (73,973)

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)

	Six Months Ended (unaudited) 6/30/2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.65	\$11.05	\$10.98	\$10.97	\$11.42	\$11.43
Income From Investment Operations:						
Net investment income ¹	0.16	0.30	0.31	0.34	0.37	0.40
Net realized and unrealized gain (loss)	0.54	(0.37)	0.12	0.07	(0.39)	0.03
TOTAL FROM INVESTMENT OPERATIONS	0.70	(0.07)	0.43	0.41	(0.02)	0.43
Less Distributions:						
Distributions from net investment income	(0.33)	(0.33)	(0.36)	(0.40)	(0.43)	(0.44)
Distributions from net realized gain	(0.00) ²	—	—	—	—	—
TOTAL DISTRIBUTIONS	(0.33)	(0.33)	(0.36)	(0.40)	(0.43)	(0.44)
Net Asset Value, End of Period	\$11.02	\$10.65	\$11.05	\$10.98	\$10.97	\$11.42
Total Return³	6.64%	(0.59)%	4.04%	3.82%	(0.24)%	3.79%

Ratios to Average Net Assets:

Net expenses	0.74% ⁴	0.74%	0.74%	0.73%	0.73%	0.73%
Net investment income	2.90% ⁴	2.83%	2.81%	3.10%	3.30%	3.53%
Expense waiver/reimbursement ⁵	0.09% ⁴	0.08%	0.06%	0.07%	0.05%	0.04%

Supplemental Data:

Net assets, end of period (000 omitted)	\$167,107	\$162,812	\$185,026	\$188,831	\$198,990	\$220,355
Portfolio turnover	13%	19%	27%	26%	17%	18%

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

2 Represents less than \$0.01.

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

4 Computed on an annualized basis.

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

See Notes which are an integral part of the Financial Statements

Financial Highlights – Service Shares

(For a Share Outstanding Throughout Each Period)

	Six Months Ended (unaudited) 6/30/2019	Year Ended December 31,				
		2018	2017	2016	2015	2014
Net Asset Value, Beginning of Period	\$10.62	\$11.01	\$10.94	\$10.93	\$11.37	\$11.38
Income From Investment Operations:						
Net investment income (loss) ¹	0.14	0.27	0.28	0.31	0.34	0.38
Net realized and unrealized gain (loss)	0.55	(0.36)	0.12	0.07	(0.38)	0.01
TOTAL FROM INVESTMENT OPERATIONS	0.69	(0.09)	0.40	0.38	(0.04)	0.39
Less Distributions:						
Distributions from net investment income	(0.30)	(0.30)	(0.33)	(0.37)	(0.40)	(0.40)
Distributions from net realized gain	(0.00) ²	—	—	—	—	—
TOTAL DISTRIBUTIONS	(0.30)	(0.30)	(0.33)	(0.37)	(0.40)	(0.40)
Net Asset Value, End of Period	\$11.01	\$10.62	\$11.01	\$10.94	\$10.93	\$11.37
Total Return³	6.56%	(0.78)%	3.75%	3.53%	(0.44)%	3.51%

Ratios to Average Net Assets:

Net expenses	0.99% ⁴	0.99%	0.99%	0.98%	0.98%	0.98%
Net investment income	2.65% ⁴	2.58%	2.56%	2.86%	3.04%	3.29%
Expense waiver/reimbursement ⁵	0.09% ⁴	0.07%	0.06%	0.07%	0.05%	0.04%

Supplemental Data:

Net assets, end of period (000 omitted)	\$19,290	\$19,344	\$22,596	\$23,920	\$27,977	\$33,857
Portfolio turnover	13%	19%	27%	26%	17%	18%

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

2 Represents less than \$0.01.

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

4 Computed on an annualized basis.

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

See Notes which are an integral part of the Financial Statements

Statement of Assets and Liabilities

June 30, 2019 (unaudited)

Assets:

Investment in securities, at value (identified cost \$178,676,083)	\$184,907,798
Cash	226
Restricted cash (Note 2)	52,725
Income receivable	1,731,777
Receivable for shares sold	5,167
Receivable for daily variation margin on futures contracts	6,705
TOTAL ASSETS	186,704,398

Liabilities:

Payable for investments purchased	\$199,942
Payable for shares redeemed	44,528
Payable for investment adviser fee (Note 5)	8,027
Payable for administrative fees (Note 5)	1,215
Payable for auditing fees	13,305
Payable for portfolio accounting fees	30,206
Payable for distribution services fee (Note 5)	3,946
Accrued expenses (Note 5)	6,004
TOTAL LIABILITIES	307,173

Net assets for 16,912,954 shares outstanding \$186,397,225

Net Assets Consist of:

Paid-in capital	\$177,481,957
Total distributable earnings (loss)	8,915,268
TOTAL NET ASSETS	\$186,397,225

Net Asset Value, Offering Price and Redemption Proceeds Per Share

Primary Shares:

Net asset value per share ($\$167,107,467 \div 15,160,492$ shares outstanding), no par value, unlimited shares authorized \$11.02

Service Shares:

Net asset value per share ($\$19,289,758 \div 1,752,462$ shares outstanding), no par value, unlimited shares authorized \$11.01

See Notes which are an integral part of the Financial Statements

Statement of Operations

Six Months Ended June 30, 2019 (unaudited)

Investment Income:

Interest	\$ 3,309,283
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Expenses:

Investment adviser fee (Note 5)	\$545,112
Administrative fee (Note 5)	74,742
Custodian fees	5,686
Transfer agent fee	8,679
Directors'/Trustees' fees (Note 5)	1,248
Auditing fees	13,305
Legal fees	5,074
Portfolio accounting fees	44,936
Distribution services fee (Note 5)	23,830
Printing and postage	36,303
Miscellaneous (Note 5)	12,984
TOTAL EXPENSES	771,899

Waiver:

Waiver of investment adviser fee (Note 5)	(77,313)
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Net expenses	694,586
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Net investment income	2,614,697
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Realized and Unrealized Gain (Loss) on Investments and Futures Contracts:

Net realized gain on investments	157,190
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Net realized gain on futures contracts	43,230
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Net change in unrealized depreciation of investments	9,155,084
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Net change in unrealized appreciation of futures contracts	(129,733)
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Net realized and unrealized gain on investments and futures contracts	9,225,771
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Change in net assets resulting from operations	\$11,840,468
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See Notes which are an integral part of the Financial Statements

Statement of Changes in Net Assets

	Six Months Ended (unaudited) 6/30/2019	Year Ended 12/31/2018
Increase (Decrease) in Net Assets		
Operations:		
Net investment income	\$ 2,614,697	\$ 5,349,919
Net realized gain (loss)	200,420	(92,357)
Net change in unrealized appreciation/depreciation	9,025,351	(6,611,129)
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	11,840,468	(1,353,567)
Distributions to Shareholders:		
Primary Shares	(4,859,559)	(5,280,660)
Service Shares	(520,306)	(603,797)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(5,379,865)	(5,884,457)
Share Transactions:		
Proceeds from sale of shares	4,313,518	10,374,695
Net asset value of shares issued to shareholders in payment of distributions declared	5,379,862	5,884,454
Cost of shares redeemed	(11,913,127)	(34,487,264)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(2,219,747)	(18,228,115)
Change in net assets	4,240,856	(25,466,139)
Net Assets:		
Beginning of period	182,156,369	207,622,508
End of period	\$186,397,225	\$182,156,369

See Notes which are an integral part of the Financial Statements

Notes to Financial Statements

June 30, 2019 (unaudited)

1. ORGANIZATION

Federated Insurance Series (the “Trust”) is registered under the Investment Company Act of 1940, as amended (the “Act”), as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein are only those of Federated 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 provide factors to update the fair value of equity securities traded principally in foreign markets from the time of the close of their respective foreign stock exchanges to the pricing time of the Fund. 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 \$77,313 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.

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 six months ended June 30, 2019, the Fund did not have a liability for any uncertain tax positions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. As of June 30, 2019, tax years 2015 through 2018 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the Commonwealth of Massachusetts.

When-Issued and Delayed-Delivery Transactions

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

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 \$8,798,275 and \$6,627,456, respectively. This is based on amounts held as of each month-end throughout the six-month 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		
	Receivable for daily variation margin on futures contracts	
Interest Rate Contracts		\$(73,973)*

* Includes cumulative net depreciation 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 Six Months Ended June 30, 2019

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

	Futures Contracts
Interest rate contracts	\$43,230

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

	Futures Contracts
Interest rate contracts	\$(129,733)

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

	Six Months Ended 6/30/2019		Year Ended 12/31/2018	
	Shares	Amount	Shares	Amount
Primary Shares:				
Shares sold	382,576	\$ 4,130,212	926,837	\$ 9,908,467
Shares issued to shareholders in payment of distributions declared	456,297	4,859,559	501,964	5,280,660
Shares redeemed	(969,068)	(10,454,658)	(2,887,517)	(30,973,082)
NET CHANGE RESULTING FROM PRIMARY SHARE TRANSACTIONS	(130,195)	\$ (1,464,887)	(1,458,716)	\$(15,783,955)

	Six Months Ended 6/30/2019		Year Ended 12/31/2018	
	Shares	Amount	Shares	Amount
Service Shares:				
Shares sold	17,089	\$ 183,306	43,477	\$ 466,228
Shares issued to shareholders in payment of distributions declared	48,901	520,303	57,450	603,794
Shares redeemed	(135,424)	(1,458,469)	(330,799)	(3,514,182)
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	(69,434)	\$ (754,860)	(229,872)	\$ (2,444,160)
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(199,629)	\$(2,219,747)	(1,688,588)	\$(18,228,115)

4. FEDERAL TAX INFORMATION

At June 30, 2019, the cost of investments for federal tax purposes was \$178,676,083. The net unrealized appreciation of investments for federal tax purposes was \$6,157,742. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$6,804,278 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$646,536. 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 six months ended June 30, 2019, the Adviser voluntarily waived \$77,313 of its fee.

Administrative Fee

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

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

Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the six months ended June 30, 2019, the annualized fee paid to FAS was 0.082% of average daily net assets of the Fund.

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

Distribution Services Fee

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

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

Subject to the terms described in the Expense Limitation note, FSC may voluntarily choose to waive any portion of its fee. For the six months ended June 30, 2019, distribution services fees for the Fund were as follows:

	Distribution Services Fees Incurred
Service Shares	\$23,830

When FSC receives fees, it may pay some or all of them to financial intermediaries whose customers purchase shares.

For the six months ended June 30, 2019, FSC did not retain any fees paid by the Fund. For the six months ended June 30, 2019, the Fund's Primary Shares did not incur a distribution services fee; however, it may begin to incur this fee upon approval of the Trustees.

Expense Limitation

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. Effective May 1, 2019, total annual fund operating expenses (as shown in the financial highlights, excluding interest expense, extraordinary expenses and proxy-related expenses paid by the Fund, if any) paid by the Fund's Primary Shares and Service Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.74% and 0.99% (the "Fee Limit"), respectively, up to but not including the later of (the "Termination Date"): (a) May 1, 2020; or (b) the date of the Fund's next effective Prospectus. While the Adviser and its applicable affiliates currently do not anticipate terminating or increasing these arrangements prior to the Termination Date, these arrangements may only be terminated or the Fee Limit increased prior to the Termination Date with the agreement of the Trustees.

Directors'/Trustees' and Miscellaneous Fees

Certain Officers and Trustees of the Fund are Officers and Directors or Trustees of certain of the above companies. To efficiently facilitate payment, Directors'/Trustees' fees and certain expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses are paid by an affiliate of the Adviser which in due course are reimbursed by the Fund. These expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses may be included in Accrued and Miscellaneous Expenses on the Statement of Assets and Liabilities and Statement of Operations, respectively.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding long-term U.S. government securities and short-term obligations, for the six months ended June 30, 2019, were as follows:

Purchases	\$24,218,080
Sales	\$28,455,082

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 June 30, 2019, the Fund had no outstanding loans. During the six months ended June 30, 2019, the Fund did not utilize the LOC.

8. INTERFUND LENDING

Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Fund, along with other funds advised by subsidiaries of Federated Investors, Inc., may participate in an interfund lending program. This program provides an alternative credit facility allowing the Fund to borrow from other participating affiliated funds. As of June 30, 2019, there were no outstanding loans. During the six months ended June 30, 2019, the program was not utilized.

Shareholder Expense Example (unaudited)

As a shareholder of the Fund, you incur ongoing costs, including management fees and to the extent applicable, distribution (12b-1) fees and/or other service fees and other Fund expenses. This Example is intended to help you to understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other 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 January 1, 2019 to June 30, 2019.

ACTUAL EXPENSES

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

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

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

Please note that the expenses shown in the table are meant to highlight your ongoing costs only. Therefore, the second section of 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 1/1/2019	Ending Account Value 6/30/2019	Expenses Paid During Period ¹
Actual:			
Primary Shares	\$1,000	\$1,066.40	\$3.79
Service Shares	\$1,000	\$1,065.60	\$5.07
Hypothetical (assuming a 5% return before expenses):			
Primary Shares	\$1,000	\$1,021.10	\$3.71
Service Shares	\$1,000	\$1,019.90	\$4.96

¹ Expenses are equal to the Fund’s annualized net expense ratios, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half-year period). The expenses shown in the table do not include the charges and expenses imposed by the insurance company under the variable insurance product contract. Please refer to the variable insurance product prospectus for a complete listing of these expenses. The annualized net expense ratios are as follows:

Primary Shares	0.74%
Service Shares	0.99%

Evaluation and Approval of Advisory Contract – May 2019

FEDERATED QUALITY BOND FUND II (THE “FUND”)

At its meetings in May 2019, the Fund’s Board of Trustees (the “Board”), including a majority of those Trustees who are not “interested persons” of the Fund, as defined in the Investment Company Act of 1940 (the “Independent Trustees”), reviewed and unanimously approved the continuation of the Fund’s investment advisory contract for an additional one-year term. The Board’s decision regarding the contract reflects the exercise of its business judgment after considering all of the information received on whether to continue the existing arrangements.

At the request of the Independent Trustees, the Fund’s Chief Compliance Officer (the CCO) furnished to the Board in advance of its May 2019 meetings an independent written evaluation presenting on the topics discussed below. The Board considered the CCO’s independent written evaluation (the “CCO Fee Evaluation Report”), along with other information, in evaluating the reasonableness of the Fund’s management fee and in deciding to approve the continuation of the investment advisory contract. The CCO, in preparing the CCO Fee Evaluation Report, has the authority to retain consultants, experts or staff as reasonably necessary to assist in the performance of his duties, reports directly to the Board, and can be terminated only with the approval of a majority of the Independent Trustees. At the request of the Independent Trustees, the CCO Fee Evaluation Report followed the same general approach and covered the same topics as that of the report that had previously been delivered by the CCO in his capacity as “Senior Officer,” prior to the elimination of the Senior Officer position in December 2017.

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

The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Fund and working with Federated Investment Management Company (the “Adviser”) and its affiliates (collectively, “Federated”) on matters relating to the funds advised by Federated (each, a “Federated Fund”). The Independent Trustees were assisted in their deliberations by independent legal counsel.

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

The Board’s consideration of the investment advisory contract included review of the CCO Fee Evaluation Report, accompanying data and additional information covering the following matters, among others: the Adviser’s investment philosophy, revenue, profitability, personnel and processes; investment and operating strategies; the Fund’s short-term and long-term performance (in absolute terms, both on a gross basis and net of expenses, as well as in terms relative to its particular investment program and certain competitor or “peer group” funds and/or other benchmarks, as appropriate) and comments on the reasons for performance; the Fund’s investment objectives; the Fund’s expenses, including the advisory fee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Voting Proxies on Fund Portfolio Securities

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

Quarterly Portfolio Schedule

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

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.

IMPORTANT NOTICE ABOUT FUND DOCUMENT DELIVERY

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



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

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