

An Investor's Guide to Understanding Federated's Money Fund Management

It's a challenging time to be an investor, so it's natural that you may be concerned about the security of your investments. Be assured that Federated money market funds are among the most conservative of investments.

For more than 35 years, the name Federated Investors has been synonymous with experience and integrity in money fund management. Federated's emphasis on credit quality has helped to keep its holdings well insulated from the concerns that have been evident in the fixed-income market since 2008 – a year that changed the financial landscape.

Leading from a Position of Strength and Experience

Specifically, Federated money market funds:

- Have always sold and redeemed their shares at a \$1.00 net asset value (NAV). Federated has never infused capital to maintain a stable \$1.00 NAV. (Note that, while Federated money market funds have never broken the \$1.00 stated price, there is no guarantee that such price stability will be maintained in the future.)
- Hold only those securities that measure up to Federated's intensive internal rating standards. Our intensive credit analysis considers but does not rely on the ratings given by nationally recognized rating organizations or their equivalents.
- Strictly comply with Rule 2a-7 of the Investment Company Act of 1940, which seeks to limit the exposure that a fund would have to any one issuer or guarantor of securities.¹
- Are managed by seasoned professionals who have worked together for nearly 25 years and overseen our funds through a variety of business and economic cycles.

At Federated, we understand the importance of protecting what is important to you while you invest toward your financial goals. We invite you to read on to learn more about our structured, transparent and disciplined investment process.

Seeking to Optimize Performance without Compromising Liquidity and Stability

Few managers can match Federated's combination of asset size, breadth of experience and depth of staff. As one of the top 2% of money fund managers in the United States,² we deliver economies of scale that allow us to bring investors the key advantages of pricing and market access.

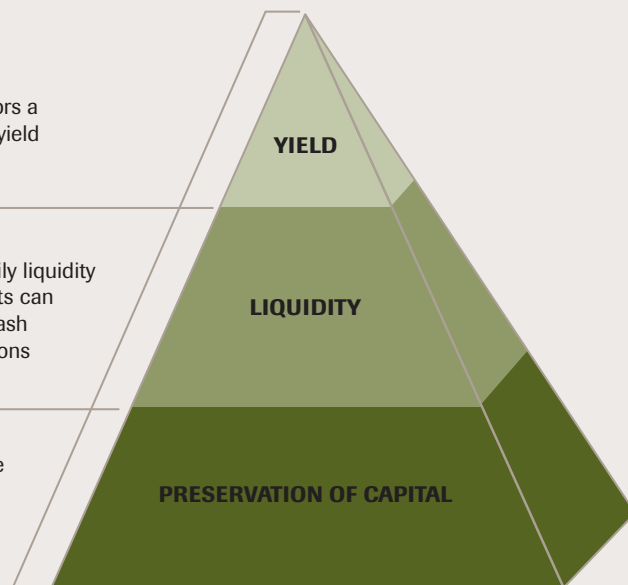
Our objectives in managing cash are threefold: to preserve principal, the foundation of financial stability; to maintain daily liquidity so clients can meet their cash flow obligations; and to offer investors a competitive yield.

We pursue these objectives through an unwavering adherence to a stringent credit review process, the experience of our long-tenured team of money fund managers and continued investment in technology that supports our decision making.

③ Offer investors a competitive yield

② Maintain daily liquidity so that clients can meet their cash flow obligations

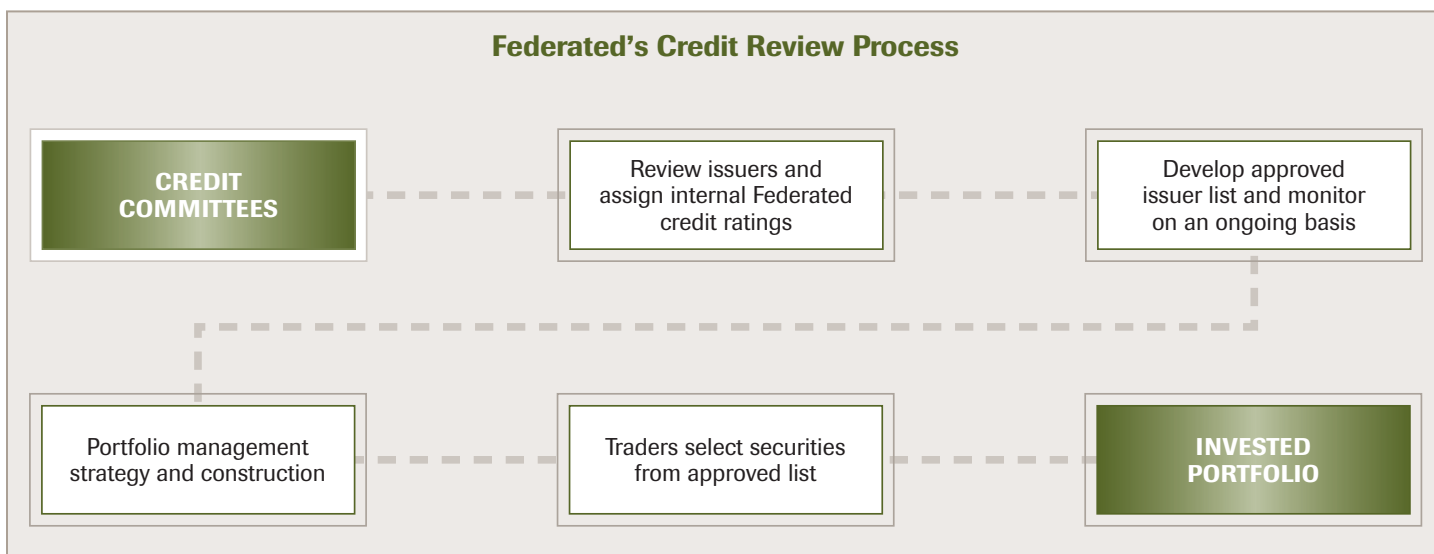
① Preserve principal, the foundation of financial stability



A Process Built on Intensive Credit Analysis

Managing money market funds requires attentiveness to many factors, including daily cash flows, longer-term cash flow trends in various rate environments, and overall market dynamics. We strive to add value in a variety of ways and have built our reputation on sound portfolio structure and a thorough credit review process.

As illustrated below, every issuer considered for Federated's approved issuer list is subject to stringent credit review, including the assignment of a credit rating by Federated, in addition to, and independent of, third-party evaluations. In addition to quality considerations, our intensive security selection process involves careful evaluation of interest rate trends and determination of maturity structures.



Credit ratings pertain only to the securities in the portfolio and do not protect fund shares against market risk.

We manage our money market funds in accordance to SEC Rule 2a-7

The following is a summary of recent Rule 2a-7 changes:

- **Quality changes**
 - $\leq 3\%$ of total assets in second-tier securities
 - $\leq 0.5\%$ of total assets in second-tier securities of a single issuer
 - ≤ 45 days to maturity for any single second-tier security
- **Liquidity changes**
 - Know your client
 - $\leq 5\%$ of total assets in illiquid securities
 - $\geq 10\%$ of total assets with daily liquidity
 - $\geq 30\%$ of total assets in weekly liquidity
- **Stress testing**
- **Repurchase agreement changes**
- **Weighted average maturity (WAM) reduced from 90 days to 60 days**
- **Weighted average life (WAL) must be a maximum of 120 days**
- **Monthly portfolio website disclosure changes**
- **Required Monthly reporting to SEC**

The People Behind the Process

The dedicated research teams supporting Federated's taxable and tax-free sectors comprise some of the most experienced and knowledgeable people in the business.

Each Federated analyst is assigned to a particular sector or product area, such as Banks, Consumer Products, Government Agencies, Asset-Backed Credit Programs and Manufacturing on the taxable side, and Variable Rate Demand Notes, Municipal Commercial Paper and other types of municipal securities on the tax-free side, as well as specific types of credit or industries available within that sector/area. This structure gives every analyst an in-depth understanding of the companies in a given sector, the impact of monetary and fiscal policy on an industry, and the behavior of each sector within a credit cycle. It also allows team members to develop relationships within the industry that facilitate an understanding of company management.

The combination of the analysts' focus on sector with the overarching work of the credit committee creates an environment in which analysts have the freedom to do their own research, but are compelled to present only their best ideas to

their peers and to senior management. This ensures the integrity and quality of the research process.

Rounding out the taxable and tax-free teams are dedicated, experienced traders. Working closely together, Federated's team of managers, analysts and traders support and implement Federated's intensive credit research process with an objective to successfully manage cash across all market cycles.

Technology Delivers Added Support

Although Federated's credit research team provides the foundation of our fund selection and management process, their work is thoroughly integrated and supported through FedPorts, Federated's proprietary trading and portfolio management system. FedPorts is a vital tool to the portfolio manager and provides a powerful compliance screen and audit trail.

Any portfolio constraints are programmed into FedPorts by product and portfolio. The system flags all questionable trades relative to investment policy and prevents trades that would render the portfolio out of compliance. This approach focuses not only on generating competitive returns, but also on managing risk and providing transparency to the entire investment process.

Comprehensive Cash Management Solutions

Federated's money market funds allow you to pursue relative safety, liquidity and competitive income across money market sectors.

- Taxable money market funds — prime, government and treasury.
- Municipal money market funds — various national and 14 state-specific funds. Income may be subject to federal alternative minimum tax and state and local taxes (AMT). Some funds are managed to avoid AMT.

In addition, we offer qualified clients a variety of taxable money market funds, other types of mutual funds, separate accounts³ and offshore funds (not available in all countries and not available for sale either to U.S. citizens or to persons in any other jurisdiction in which such offer is unlawful).

Count on Federated for Total Support

Whether it's our broad selection of products, unwavering credit standards, experienced fund management, state-of-the-art technology or the efficiencies and pricing advantage that accompanies our scale, Federated continually strives to provide additional value to investors. We look forward to sharing the benefit of our experience with you.

Federated Knows...

Stability

Ranks as a leading global investment manager, managing approximately \$355 billion in assets,⁴ delivering competitive and consistent results since 1955 and fostering growth by reinvesting in the company

Investment Solutions

Offers broad product lines spanning domestic and international equity, fixed income, alternative and money market strategies with the goal of long-term consistent, competitive performance

Diligence

Takes the long view, believing that doing business the right way over time will present opportunity for future growth

For more information about Federated's cash management solutions and how they can help you pursue your financial goals, please contact your investment advisor.

For more complete information, visit FederatedInvestors.com or contact your Federated representative by calling 1-800-341-7400 for a summary prospectus or prospectus. You should consider the fund's investment objectives, risks, charges and expenses carefully before you invest. Information about these and other important subjects is in the fund's summary prospectus or prospectus which you should read carefully before investing.

An investment in money market funds is neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in these funds.

Securities are considered to be "first tier" as follows: Standard & Poor's: A-1+ and A-1, based on the obligor's capacity to meet its financial commitment on the obligation; Moody's: P-1, based on the issuer's ability to repay short-term obligations; Fitch: F-1+ and F-1, based on the issuer's liquidity necessary to meet financial commitments in a timely manner.

¹ *Rule 2a-7 is a rule under the Investment Company Act of 1940 which permits a money market fund to use amortized cost to stabilize the value of its shares at \$1.00. Rule 2a-7 imposes various restrictions on the money market fund's portfolio, including restrictions related to diversification, and credit quality and maturity of portfolio securities.*

² *Strategic Insight, 2/28/11, based on assets under management in open-end funds.*

³ *Separately managed accounts are available through Federated Investment Counseling, a registered investment advisor.*

⁴ *As of 3/31/11.*

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Current and future portfolio holdings are subject to risk.