



**Portfolio Manager Review and
Annual Shareholder Report**

October 31, 2011

Share Class	Ticker
R*	KAUFX

**formerly, Class K Shares*

Federated Kaufmann Fund

Fund Established 2001

A Portfolio of Federated Equity Funds

Not FDIC Insured • May Lose Value • No Bank Guarantee



Lawrence Auriana
Portfolio Co-Manager
Federated
Kaufmann Fund



Hans Utsch
Portfolio Co-Manager
Federated
Kaufmann Fund

Portfolio Manager Review

Dear Valued Shareholder:

Enclosed is your Annual Shareholder Report for Federated Kaufmann Fund Class R Shares¹ covering the 12-month reporting period from November 1, 2010 through October 31, 2011. Please review a complete listing of the fund's holdings, financial statements, Management's Discussion of Fund Performance and other information in the enclosed report, as well as the commentary in this letter.

The fund pursues capital appreciation primarily by investing in stocks of small-² and mid-sized, growth-oriented companies.

The 12-month reporting period saw equity markets riding a roller coaster with breathtaking dips and ascents as the economy continued on its slow path to recovery. The first six months of the period were highly positive for stocks overall. On the economic front, domestic growth picked up in late 2010 aided by stronger consumer spending, expanding manufacturing activity, rising exports, surging business investment and robust corporate profits. But rising agricultural commodity prices, severe winter storms, the earthquake-tsunami in Japan, a spike in oil and gas prices and a still-struggling housing industry slowed the expansion.

- 1 *Effective December 31, 2010, the fund's Class K Shares were renamed Class R Shares. The change in share class designation did not impact the fund's operation in any way.*
- 2 *Small company stocks may be less liquid and subject to greater price volatility than large-capitalization stocks.*

Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For current to the most recent month-end performance and after-tax returns, visit FederatedInvestors.com or call 1-800-341-7400.

During the second quarter of 2011, the stock market as a whole posted mixed returns as we saw an economic bounce back from Japan and a continuation of the European debt crisis, culminating in a financial bailout for Greece that avoided a default but strongly affected the euro and European growth. In the United States hiring was still weak, mortgage rates fell and mortgage applications increased as manufacturing continued to improve. The third quarter of 2011 was a different story as the economy slowed appreciably. The 10-year U.S. Treasury bond hit its lowest yield since 1953 at 1.90% and there were additional fears of a Greece default and a potential euro-zone collapse. Valuations of many companies approached attractive levels, though fears of global recession and a profits slowdown hurt the equity markets.

Closing out the fund's reporting period, October proved to be one of the best months ever for equity markets. Stocks rallied on better-than-expected domestic growth, a tentative euro-zone bailout package and signs that China may avoid a hard landing. Economic news helped to douse lingering double-dip recession fears: third-quarter gross domestic product reportedly increased 2.5%; corporate earnings surprised to the upside; consumer spending on services rose the most in five years; and year-over-year capital expenditures rose the most in 6½ years, suggesting momentum going into the fourth quarter.

From November 2010 through October 2011, large-cap stocks outperformed both mid-cap stocks and small-cap stocks. Over the same period, growth stocks outperformed value stocks. For the 12-month reporting period, the fund's Class R Shares returned -5.88% at net asset value. Total return performance over the 12 months follows below. For a detailed discussion of the key drivers of fund performance, please review the Management's Discussion of Fund Performance in the enclosed report.

Share Class	Redemption Charge	Total Return at Offering Price	Total Return at Net Asset Value
Class R Shares	0.20%	-6.07%	-5.88%

Benefitting from our in-depth knowledge of the managements, corporate cultures, business models and competitive advantages of the companies we own, we continue to seek attractive investment opportunities – companies that are dominant competitors with strong or strengthening fundamentals. We believe that such strong growth companies, if purchased at attractive prices, have the potential to provide investors with the opportunity for competitive returns over the long term.

At the end of the reporting period, the bulk of the portfolio was invested in four large sectors – HealthCare, Financials, Industrials and Information Technology – that have historically provided good opportunities for bottom-up growth investors.

Thank you for investing with Federated. We look forward to keeping you informed about Federated Kaufmann Fund through future reports. In the meantime, please feel free to visit our website, FederatedInvestors.com, for commentary on economic and market developments from Federated’s investment strategists.

Sincerely yours,



Lawrence Auriana
Portfolio Co-Manager



Hans Utsch
Portfolio Co-Manager

December 15, 2011

Share Class	Ticker
R*	KAUFX

**formerly, Class K Shares*

Federated Kaufmann Fund

Fund Established 2001

A Portfolio of Federated Equity Funds

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Management's Discussion of Fund Performance

The Fund's total return, based upon net asset value, for the 12-month reporting period ended October 31, 2011, was -5.88% for the Fund's Class R shares. The Russell Midcap[®] Growth Index (RMCG),¹ the Fund's broad-based securities market index, had a total return of 10.08% for same period. The Fund's total return for the fiscal year reflects actual cash flows, transaction costs and other expenses which are not reflected in the total return of the RMCG.

MARKET CONDITIONS

The stock market, as a whole, posted very strong returns during the first half of the fiscal year but then retreated into negative return territory during the second half of the reporting period. The equity markets returned to positive returns with a powerful rally during the final month of the Fund's fiscal year, October of 2011. The Standard and Poor's 500 Index (S&P 500)² bottomed in September of 2011 and finished the fiscal year up 8.09%. Overall, large-cap stocks performed best, followed by mid-caps and then small-caps. In terms of style, growth stocks outperformed value stocks across large-, mid- and small-cap stock groupings.

Economic growth in Europe began to slow, especially in the highly indebted countries of Greece, Italy, Portugal, Ireland, Spain, and others. Credit spreads widened substantially on speculation that those governments would not be able to support their level of indebtedness in a slowing economic environment without significant support from the European Central Bank. Politics have dominated much of the European debate. However, even after numerous meetings between bankers and politicians, and the resignation of several prime ministers, credible plans for a bailout remained elusive.

Unfortunately, political uncertainty was not limited to Europe; the President and the U.S. Congress generated a highly contentious standoff regarding the debt ceiling debate. This uncertainty prompted Standard and Poor's to downgrade the long-term credit rating of the U.S. one notch down from AAA. Additionally, during June of 2011, the Federal Reserve's second quantitative easing program, known as QE2, ended.

The European debt crisis, political uncertainty, and weaker economic indicators during the last six months of the reporting period clearly increased volatility and negatively affected the global equity markets.

FUND PERFORMANCE

The Fund underperformed the RMCG over the reporting period. Key factors affecting the Fund performance over the reporting period include the following:

International holdings: The Fund maintained exposure to growth companies outside of the U.S., particularly in Brazil, China, India, and others. Both developed and emerging international markets significantly underperformed the U.S. markets and accounted for nearly one-half of our underperformance, based upon performance attribution data.³

Stock selection: The eight worst contributing holdings during the period accounted for a substantial portion of underperformance. Specifically: Hypermecas (-64%); Lee & Man Paper Manufacturing (-49%); Warner Chilcott (-25%); Camelot Information Systems (-77%); Huabao International (-57%); STR Holdings (-66%); Examworks (-38%) and HCA Holdings (-34%).

Companies that were strong performers and contributed most to the Fund returns during the period were: Cetip (+33%); Cubist Pharmaceuticals (+62%); Restoque Comercio (97%); Alkermes Plc (+51%); Cia Hering (+40%) and NXP Semiconductor (36%).

Sector weightings: Substantially less exposure to Consumer Discretionary and Energy sectors relative to the RMCG hurt performance. Finally, an overweight in the Financial sector also hurt the Fund's performance.

Macroeconomic events, previously mentioned, also pushed stock correlations substantially higher, meaning many stocks moved in the same direction, up or down, simultaneously. This made stock selection more difficult because stocks reacted similarly to both good and bad news headlines more than company fundamentals.

The Fund was nearly fully invested during the reporting period with a cash position which averaged less than 1.5%.

- 1 The Russell Midcap Growth Index measures the performance of the mid-cap growth segment of the U.S. equity universe. It includes those Russell Midcap Index companies with higher price-to-book ratios and higher forecasted growth values.*
- 2 The Standard and Poor's 500 Index is an unmanaged, capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. It is not possible to invest directly in an index.*
- 3 International investing involves special risks including currency risk, increased volatility, political risks and differences in auditing and other financial standards. Prices of emerging markets securities can be significantly more volatile than the prices of securities in developed countries and currency risk and political risk are accentuated in emerging markets.*

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

The Average Annual Total Return table below shows returns for each class averaged over the stated periods. The graphs below illustrate the hypothetical investment of \$10,000¹ in the Federated Kaufmann Fund (the “Fund”) from October 31, 1996 to October 31, 2011, compared to the Russell Midcap Growth Index (RMCG)² and the Lipper Multi-Cap Growth Funds Category (LMCGC).²

Average Annual Total Returns for the Period Ended 10/31/2011

Share Class	6-Month (Cumulative)	1 Year	3 Years	5 Years	10 Years	15 Years
Class R Shares	-16.47%	-6.07%	9.19%	0.39%	6.09%	7.08%
Russell Midcap Growth Index	-10.22%	10.08%	19.96%	3.46%	6.98%	6.94%
Lipper Multi-Cap Growth Funds Category	-10.10%	6.23%	14.88%	2.02%	4.46%	5.73%

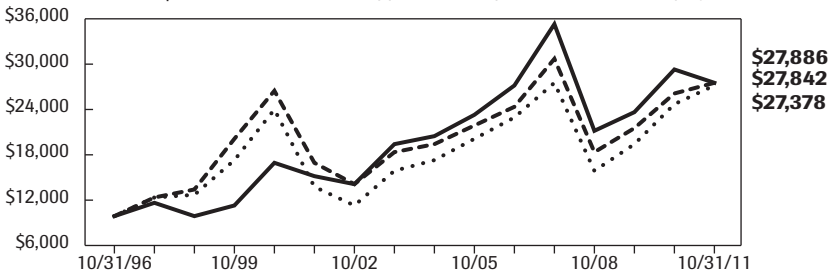
Performance data quoted represents past performance which is no guarantee of future results. Investment return and principal value will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Mutual fund performance changes over time and current performance may be lower or higher than what is stated. For current to the most recent month-end performance and after-tax returns, visit FederatedInvestors.com or call 1-800-341-7400. Returns shown do not reflect the deduction of taxes that a shareholder would pay on Fund distributions or the redemption of Fund shares. Mutual funds are not obligations of or guaranteed by any bank and are not federally insured.

GROWTH OF A \$10,000 INVESTMENT – CLASS R SHARES

Growth of a \$10,000 Investment Over 15 Years in Federated Kaufmann Fund

— Federated Kaufmann Fund - Class R Shares

···· Russell Mid-Cap Growth Index - - - Lipper Multi-Cap Growth Funds Category



- 1 Represents a hypothetical investment of \$10,000 in the Fund. The ending value of the Fund reflects a 0.20% redemption fee. The Fund's performance assumes the reinvestment of all dividends and distributions. The Russell Midcap Growth Index (RMCG) and the Lipper Multi-Cap Growth Funds Category (LMCGC) have been adjusted to reflect reinvestment of all dividends on securities in the index and average.
- 2 The RMCG is not adjusted to reflect sales charges, expenses or other fees that the Securities and Exchange Commission requires to be reflected in the Fund's performance. The RMCG measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index. The LMCGC is an equal dollar-weighted index of the largest mutual funds within the mid-cap growth classification, as defined by Lipper, Inc. The LMCGC does not reflect sales charges and is adjusted for the reinvestment of capital gains and income dividends. The RMCG is unmanaged and, unlike the Fund, is not affected by cash flows. Investments cannot be made in an index or an average.

Portfolio of Investments Summary Table (unaudited)

At October 31, 2011, the Fund's sector composition¹ was as follows:

Sector Composition	Percentage of Total Net Assets
Information Technology	22.4%
Industrials	19.4%
Health Care	19.3%
Consumer Discretionary	13.7%
Financials	14.2%
Materials	6.1%
Energy	1.5%
Consumer Staples	1.2%
Telecommunication Services	0.8%
Utilities	0.7%
Securities Lending Collateral ²	7.7%
Cash Equivalents ³	1.2%
Other Assets and Liabilities—Net ⁴	(8.2)%
TOTAL	100.0%

- 1 Except for Securities Lending Collateral, Cash Equivalents and Other Assets and Liabilities, sector classifications are based upon, and individual portfolio securities are assigned to, the classifications of the Global Industry Classification System (GICS), except that the Adviser assigns a classification to securities not classified by the GICS and to securities for which the Adviser does not have access to the classification made by the GICS.*
- 2 Cash collateral received from lending portfolio securities, which is invested in short-term investments such as repurchase agreements or money market mutual funds.*
- 3 Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements other than those representing securities lending collateral.*
- 4 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.*

Portfolio of Investments

October 31, 2011

**Shares or
Principal
Amount**

Value

Shares or Principal Amount		Value
	COMMON STOCKS—98.7%	
	Consumer Discretionary—13.7%	
710,000	Abercrombie & Fitch Co., Class A	\$ 52,824,000
1,363,857	Bharat Forge Ltd.	8,347,363
1,637,606	Cia Hering	36,579,894
22,230,000	¹ Genting Singapore PLC	30,354,987
13,150,000	¹ L'Occitane International SA	28,855,067
1,217,800	¹ Las Vegas Sands Corp.	57,175,710
1,800,000	^{1,2} Melco PBL Entertainment (Macau) Ltd., ADR	20,646,000
1,815,249	National CineMedia, Inc.	21,964,513
140,000	¹ O'Reilly Automotive, Inc.	10,647,000
987,917	¹ Penn National Gaming, Inc.	35,565,012
22,570,741	¹ Prada Holding SpA	108,654,663
33,600	¹ Priceline.com, Inc.	17,059,392
350,000	Ralph Lauren Corp.	55,576,500
3,698,035	^{1,3} Restoque Comercio e Confeccoes de Roupas SA	58,157,058
60,991,468	¹ Samsonite International SA	99,745,937
700,000	^{1,2} Shutterfly, Inc.	29,169,000
300,000	^{1,2} SodaStream International Ltd.	10,224,000
250,000	Starbucks Corp.	10,585,000
390,000	² Starwood Hotels & Resorts Worldwide, Inc.	19,542,900
595,000	^{1,2} Vera Bradley, Inc.	26,953,500
208,000	Wynn Resorts Ltd.	27,622,400
1,860,897	^{1,2} Yoox SpA	26,575,546
	TOTAL	792,825,442
	Consumer Staples—1.2%	
2,599,180	Almacenes Exito SA	33,429,968
925,000	¹ Darling International, Inc.	12,968,500
300,000	^{1,2} TreeHouse Foods, Inc.	18,402,000
398,820	United Breweries Co., Inc.	3,391,116
	TOTAL	68,191,584
	Energy—1.5%	
3,476,400	¹ Coal India Ltd.	23,501,385
295,000	¹ Concho Resources, Inc.	27,942,400
626,847	^{1,2} Dresser-Rand Group, Inc.	30,339,395

**Shares or
Principal
Amount**
Value

COMMON STOCKS—continued		
Energy—continued		
74,800	National-Oilwell, Inc.	\$ 5,335,484
	TOTAL	87,118,664
Financials—14.2%		
322,129	BlackRock, Inc.	50,828,735
21,640,000	³ CETIP SA	298,726,155
11,438,000	^{1,4,5} CITIC Securities Co., Ltd.	22,791,196
13,600,000	Chimera Investment Corp.	40,936,000
1	^{1,4,8} FA Private Equity Fund IV LP	821,287
7,358,613	Fibra Uno Administracion SA	13,527,877
6,000,000	Housing Development Finance Corp. Ltd.	84,106,717
1	^{1,4,6} Infrastructure Fund	0
2,301,814	J.P. Morgan Chase & Co.	80,011,055
2,329,516	LPS Brasil Cons De Imoveis	42,076,064
1,614,587	Multiplan Empreendimentos Imobiliarios SA	32,651,927
23,142,407	PT Bank Central Asia	20,925,655
1	^{4,6} Peachtree Leadscope LLC, Class A and B	0
1	^{1,4,6} Peachtree Leadscope LLC, Class C	3,250,000
587,492	Power Finance Corp.	1,795,420
2,747,400	Wells Fargo & Co.	71,185,134
1,635,000	Willis Group Holdings PLC	59,366,850
	TOTAL	823,000,072
Health Care—18.7%		
5,818,897	^{1,3} Alkermes, Inc.	101,772,509
495,000	² Allergan, Inc.	41,639,400
1,487,712	^{1,2} Allscripts Healthcare Solutions, Inc.	28,489,685
1,000,000	¹ Amarin Corporation PLC., ADR	9,400,000
3,324,525	Amil Participacoes SA	33,635,437
1	^{4,6} Apollo Investment Fund V	4,106,516
2,516,000	¹ Biocon Ltd.	18,212,007
400,000	¹ Biogen Idec, Inc.	46,544,000
1,000,000	¹ Boston Scientific Corp.	5,890,000
31,189,620	¹ CFR Pharmaceuticals SA	7,296,389
351,900	^{1,4,5} CFR Pharmaceuticals SA, ADR	8,315,397
185,980	¹ Chindex International, Inc.	2,066,238
625,000	^{1,3,4} Conceptus, Inc.	7,200,000
386,174	^{1,3,4,5} Conceptus, Inc.	4,448,724
714,286	^{1,3,4} Conceptus, Inc.	8,228,575

**Shares or
Principal
Amount**
Value

COMMON STOCKS—continued		
Health Care—continued		
3,653,165	¹ Corcept Therapeutics, Inc.	\$ 11,580,533
500,000	^{1,4,6} Cortek, Inc.	0
4,250,000	^{1,2,3} Cubist Pharmaceuticals, Inc.	160,692,500
1	^{4,6} Denovo Ventures I LP	1,068,278
3,717,624	^{1,2,3} Dexcom, Inc.	36,395,539
126,065	^{1,3} Dexcom, Inc.	1,234,176
865,520	Dishman Pharmaceuticals & Chemicals Ltd.	922,438
15,200,000	^{1,3} Dyax Corp.	20,520,000
109,505	¹ Edwards Lifesciences Corp.	8,258,867
3,000,000	^{1,2,3} ExamWorks Group, Inc.	31,650,000
2,800,000	^{1,2} Express Scripts, Inc., Class A	128,044,000
1,834,871	^{1,2,3} Insulet Corp.	29,945,095
1	^{4,6} Latin Healthcare Fund	335,009
2,600,000	¹ Nektar Therapeutics	14,092,000
1	^{4,6} Peachtree Velquest	247,191
5,246,193	^{1,3} Progenics Pharmaceuticals, Inc.	34,467,488
5,400,000	^{1,2,3} Protalix Biotherapeutics, Inc.	32,994,000
213,251	¹ Regeneron Pharmaceuticals, Inc.	11,792,780
2,998,043	^{1,3} Repligen Corp.	10,283,287
843,785	¹ Salix Pharmaceuticals Ltd.	28,903,855
3,075,000	^{1,2} Seattle Genetics, Inc.	67,650,000
1,000,000	Shandong Weigao Group Medical Polymer Co., Ltd.	1,032,237
274	^{1,3,6} Sotaira, Inc.	0
358,728	¹ Threshold Pharmaceuticals, Inc.	573,965
7,048,500	^{1,2,3} Vical, Inc.	21,075,015
1,180,949	^{1,2} Vivus, Inc.	11,136,349
2,438,615	¹ Warner Chilcott PLC	44,187,704
712,300	¹ Watson Pharmaceuticals, Inc.	47,838,068
	TOTAL	1,084,165,251
Industrials—19.4%		
435,000	3M Co.	34,373,700
497,351	Aggreko PLC	13,598,198
1,250,000	CLARCOR, Inc.	60,600,000
343,000	Caterpillar, Inc.	32,399,780
700,000	¹ CoStar Group, Inc.	43,071,000
1,007,626	² Cummins, Inc.	100,188,253
1,300,000	² Danaher Corp.	62,855,000

**Shares or
Principal
Amount**
Value

COMMON STOCKS—continued		
Industrials—continued		
2,300,000	Expeditors International Washington, Inc.	\$ 104,880,000
1,100,000	FedEx Corp.	90,013,000
320,800	¹ IHS, Inc., Class A	26,943,992
900,000	¹ Kansas City Southern Industries, Inc.	56,853,000
158,200	Kuehne & Nagel International AG	19,583,741
642,000	Localiza Rent A Car SA	9,703,760
503,995	MSC Industrial Direct Co.	34,276,700
4,704,116	Max India Ltd.	18,385,387
200,000	Norfolk Southern Corp.	14,798,000
2,775,000	¹ Owens Corning, Inc.	78,754,500
530,000	Precision Castparts Corp.	86,469,500
485,000	¹ RPX Corp.	7,546,600
300,000	Rockwell Collins	16,749,000
600,000	¹ Teledyne Technologies, Inc.	32,682,000
400,000	Trinity Industries, Inc.	10,908,000
385,000	² Union Pacific Corp.	38,334,450
875,000	² United Technologies Corp.	68,232,500
1,772,120	¹ Verisk Analytics, Inc.	62,290,018
	TOTAL	1,124,490,079
Information Technology—22.4%		
7,000,000	Amadeus IT Holding SA	131,386,397
382,618	¹ Apple, Inc.	154,876,114
4,250,000	¹ Atmel Corp.	44,880,000
1,575,000	Avago Technologies Ltd.	53,187,750
600,000	¹ Check Point Software Technologies Ltd.	34,578,000
500,000	¹ Citrix Systems, Inc.	36,415,000
2,950,000	¹ Comverse Technology, Inc.	20,325,500
635,000	¹ Cypress Semiconductor Corp.	12,134,850
2,625,000	^{1,2} EMC Corp.	64,338,750
750,000	^{1,2} eBay, Inc.	23,872,500
1,059,322	^{4,6} Expand Networks Ltd.	0
450,000	¹ First Solar, Inc.	22,396,500
262,000	¹ Google, Inc.	155,271,680
1,000,000	¹ LivePerson, Inc.	12,590,000
535,432	^{1,4,5} Mail.RU Group Ltd., Series 144A, GDR	18,445,632
117,000	¹ Mellanox Technologies Ltd.	3,786,120
3,806,875	¹ Microsemi Corp.	70,274,913

**Shares or
Principal
Amount**
Value
COMMON STOCKS—continued
Information Technology—continued

2,000,000	¹ NCR Corp.	\$ 38,080,000
2,100,000	¹ NIC, Inc.	29,001,000
3,244,176	^{1,2} NXP Semiconductors NV	58,297,843
335,000	¹ NetApp, Inc.	13,721,600
1,700,000	¹ ON Semiconductor Corp.	12,869,000
1	^{4,6} Peachtree Open Networks	0
1,300,000	Qualcomm, Inc.	67,080,000
615,000	¹ RADWARE Ltd.	16,260,600
849,173	¹ RDA Microelectronics, Inc., ADR	6,878,301
1,413,683	¹ Riverbed Technology, Inc.	38,989,377
180,000	¹ Salesforce.com, Inc.	23,970,600
3,751,199	^{3,4,6} Sensable Technologies, Inc.	0
1,770,000	^{1,2} STR Holdings, Inc.	15,133,500
2,964,645	^{1,3} TNS, Inc.	57,899,517
728,412	Totvs SA	12,091,762
310,000	¹ VMware, Inc., Class A	30,302,500
580,550	^{1,2} VistaPrint Ltd.	20,272,806
	TOTAL	1,299,608,112

Materials—6.1%

250,000	Allegheny Technologies, Inc.	11,600,000
708,250	BASF SE	51,473,349
1,560,000	Eastman Chemical Co.	61,292,400
3,511,300	¹ Greatview Aseptic Packaging Company Ltd.	1,290,928
34,631,057	Huabao International Holdings Ltd.	21,989,433
72,789,906	Lee & Man Paper Manufacturing Ltd.	29,333,541
46,781,387	¹ Mongolian Mining Corp.	40,793,221
141,500	Mosaic Co./The	8,286,240
325,000	Potash Corp. of Saskatchewan, Inc.	15,382,250
510,000	Praxair, Inc.	51,851,700
1,000,000	² Sociedad Quimica Y Minera de Chile, ADR	58,500,000
	TOTAL	351,793,062

Telecommunication Services—0.8%

2,654,130	¹ TW Telecom, Inc.	49,101,405
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Shares or Principal Amount		Value
	COMMON STOCKS—continued	
	Utilities—0.7%	
582,400	ITC Holdings Corp.	\$ 42,328,832
	TOTAL COMMON STOCKS (IDENTIFIED COST \$4,630,186,528)	5,722,622,503
	WARRANTS—0.1%	
	Health Care—0.1%	
1,500,000	¹ Advancis Pharmaceutical Corp., 4/12/2012	0
382,897	¹ Alexza Pharmaceuticals, Inc., 10/5/2012	514,575
157,125	¹ Clinical Data, Inc., 5/25/2012	0
797,358	¹ Corcept Therapeutics, Inc., 4/21/2013	760,201
242,091	¹ Cyclacel Pharmaceuticals, Inc., 2/17/2014	1,630
857,143	¹ Cyclacel Pharmaceuticals, Inc., 4/28/2013	38,917
2,750,000	¹ Dynavax Technologies Corp., 4/16/2015	5,875,375
1,042,038	¹ Favrille, Inc., 11/7/2012	0
27,781	¹ IntelliPharmaCeutics International, Inc., 11/14/2011	0
1,713,798	¹ Threshold Pharmaceuticals, Inc., 10/5/2014	1,270,610
	TOTAL WARRANTS (IDENTIFIED COST \$1,055,552)	8,461,308
	PREFERRED STOCKS—0.0%	
	Health Care—0.0%	
446,816	^{1,4,6} Cortek, Inc., Conv. Pfd., Series D2	0
1,515,152	^{1,4,6} Cortex, Inc., Pfd., Series D	0
958,744	^{3,6} Soteira, Inc., Pfd.	0
	TOTAL	0
	Information Technology—0.0%	
679,348	^{1,4,6} Multiplex, Inc., Pfd., Series C	0
	TOTAL PREFERRED STOCKS (IDENTIFIED COST \$8,588,631)	0
	CORPORATE BONDS—0.5%	
	Health Care—0.5%	
\$14,630,000	³ Insulet Corp., Conv. Bond, 3.75%, 6/15/2016	13,803,829
12,670,000	³ Insulet Corp., Conv. Bond, 5.375%, 6/15/2013	13,892,909
	TOTAL CORPORATE BONDS (IDENTIFIED COST \$27,300,000)	27,696,738

Shares or Principal Amount		Value
	MUTUAL FUND—8.9%	
511,911,319	^{3,7,8} Federated Prime Value Obligations Fund, Institutional Shares, 0.18% (AT NET ASSET VALUE)	\$ 511,911,319
	TOTAL INVESTMENTS—108.2% (IDENTIFIED COST \$5,179,042,030) ⁹	6,270,691,868
	OTHER ASSETS AND LIABILITIES - NET—(8.2)% ¹⁰	(473,600,948)
	TOTAL NET ASSETS—100%	\$5,797,090,920

At October 31, 2011, the Fund had the following outstanding foreign exchange contracts:

Settlement Date	Foreign Currency Units to Deliver	In Exchange For	Unrealized Depreciation
Contracts Purchased:			
11/3/2011	759,953 Brazilian Real	\$447,373	\$(4,729)
11/3/2011	15,509 Brazilian Real	\$ 9,130	\$ (97)
	UNREALIZED DEPRECIATION ON FOREIGN EXCHANGE CONTRACTS		\$(4,826)

Unrealized Depreciation on Foreign Exchange Contracts is included in “Other Assets and Liabilities—Net.”

- 1 *Non-income producing security.*
- 2 *All or a portion of these securities are temporarily on loan to unaffiliated broker/dealers.*
- 3 *Affiliated holdings.*
- 4 *Denotes a restricted security 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) is subject to a contractual restriction on public sales. At October 31, 2011, these restricted securities amounted to \$79,257,805, which represented 1.4% of total net assets.*
- 5 *Denotes a restricted security that may be resold without restriction to “qualified institutional buyers” as defined in Rule 144A under the Securities Act of 1933 and that the Fund has determined to be liquid under criteria established by the Fund’s Board of Trustees (the “Trustees”). At October 31, 2011, these liquid restricted securities amounted to \$54,000,949, which represented 0.9% of total net assets.*
- 6 *Market quotations and price evaluations are not available. Fair value determined in accordance with procedures established by and under the general supervision of the Trustees.*
- 7 *7-Day net yield.*
- 8 *All or a portion of this security is held as collateral for securities lending.*
- 9 *The cost of investments for federal tax purposes amounts to \$5,219,872,701.*
- 10 *Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.*

Note: The categories of investments are shown as a percentage of total net assets at October 31, 2011.

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, including investment companies with daily net asset values, if applicable.

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 October 31, 2011, in valuing the Fund's assets carried at fair value:

Valuation Inputs

	Level 1— Quoted Prices and Investments in Mutual Funds	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
Equity Securities:				
Common Stocks				
Domestic	\$3,788,370,240	\$—	\$9,828,281	\$3,798,198,521
International	1,114,427,228	809,996,754 ¹	—	1,924,423,982
Preferred Stocks				
Domestic	—	—	0	0
Debt Securities:				
Corporate Bonds	—	27,696,738	—	27,696,738
Warrants	—	8,461,308	—	8,461,308
Mutual Fund	511,911,319	—	—	511,911,319
TOTAL SECURITIES	\$5,414,708,787	\$846,154,800	\$9,828,281	\$6,270,691,868
OTHER FINANCIAL INSTRUMENTS ²				
	\$(4,826)	\$—	\$—	\$(4,826)

- ¹ Includes \$40,574,712 of a security transferred from Level 1 to Level 2 because fair value factors were applied to the equity security traded principally in foreign markets to account for significant post market close activity. Transfer shown represents the value of the security at the beginning of the period.
- ² Other financial instruments include foreign exchange contracts.

Following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

	Investments in Common Stock— Domestic Securities	Investments in Common Stock— International Securities	Investments in Preferred Stock— Domestic Securities
Balance as of November 1, 2010	\$ 11,113,453	\$ 493,814	\$ 616,987
Realized gain (loss)	(10,880,985)	318,661	(19,666,662)
Change in unrealized appreciation (depreciation)	9,550,253	(493,814)	19,049,675
Purchases	130,000	—	—
(Sales)	(84,440)	(318,661)	—
Balance as of October 31, 2011	\$ 9,828,281	\$ —	\$ 0
The total change in unrealized appreciation (depreciation) included in the Statement of Operations attributable to investments still held at October 31, 2011	\$ (1,330,732)	\$ —	\$ (616,987)

The following acronyms are used throughout this portfolio:

ADR—American Depositary Receipt

GDR—Global Depositary Receipt

LP —Limited Partnership

See Notes which are an integral part of the Financial Statements

Financial Highlights – Class R Shares

(For a Share Outstanding Throughout Each Period)

Year Ended October 31	2011	2010	2009	2008	2007
Net Asset Value, Beginning of Period	\$5.27	\$4.23	\$3.81	\$7.03	\$6.08
Income From Investment Operations:					
Net investment income (loss)	(0.05) ¹	0.02 ¹	(0.00) ^{1,2}	(0.03) ¹	(0.04) ¹
Net realized and unrealized gain (loss) on investments, written options, futures contracts, short sales and foreign currency transactions	(0.26)	1.03	0.42	(2.56)	1.73
TOTAL FROM INVESTMENT OPERATIONS	(0.31)	1.05	0.42	(2.59)	1.69
Less Distributions:					
Distributions from net investment income	(0.03)	(0.01)	—	—	—
Distributions from net realized gain on investments and foreign currency transactions	(0.00) ²	—	—	(0.63)	(0.74)
TOTAL DISTRIBUTIONS	(0.03)	(0.01)	—	(0.63)	(0.74)
Net Asset Value, End of Period	\$4.93	\$5.27	\$4.23	\$3.81	\$7.03
Total Return³	(5.88)%	24.81%	11.02%	(40.23)%	31.07%

Ratios to Average Net Assets:

Net expenses	1.95% ⁴	1.95% ⁴	1.95% ⁴	1.95% ⁴	1.95% ⁴
Net expenses excluding dividends and other expenses related to short sales	1.95% ⁴	1.95% ⁴	1.95% ⁴	1.95% ⁴	1.95% ⁴
Net investment income (loss)	(0.99)%	0.39%	(0.12)%	(0.56)%	(0.63)%
Expense waiver/reimbursement ⁵	0.54%	0.54%	0.53%	0.49%	0.48%

Supplemental Data:

Net assets, end of period (000 omitted)	\$3,001,225	\$3,621,789	\$3,168,922	\$3,051,697	\$5,432,110
Portfolio turnover	64%	54%	91%	78%	49%

- ¹ Per share numbers have been calculated using the average shares method.
- ² Represents less than \$0.01.
- ³ Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable.
- ⁴ The net expense ratio is calculated without reduction for fees paid indirectly for expense offset arrangements. The net expense ratios are 1.95%, 1.95%, 1.95%, 1.95% and 1.95% after taking into account these expense reductions for the years ended October 31, 2011, 2010, 2009, 2008 and 2007, respectively. The net expenses ratios excluding dividends and other expenses related to short sales are also calculated without reduction for these fees paid indirectly for expense offset arrangements.
- ⁵ This expense decrease is reflected in both the net expense and the net investment income (loss) ratios shown above.

See Notes which are an integral part of the Financial Statements

Statement of Assets and Liabilities

October 31, 2011

Assets:

Total investments in securities, at value including \$417,336,141 of securities loaned and \$1,455,297,695 of investments in affiliated holdings (Note 5) (identified cost \$5,179,042,030)	\$6,270,691,868
Cash	46,626
Cash denominated in foreign currencies (identified cost \$27,051,711)	27,081,040
Income receivable	1,439,019
Receivable for investments sold	54,724,417
Receivable for shares sold	2,966,156
TOTAL ASSETS	6,356,949,126

Liabilities:

Payable to adviser (Note 5)	\$ 1,872
Payable for investments purchased	95,832,444
Payable for shares redeemed	12,719,404
Unrealized depreciation on foreign exchange contracts	4,826
Payable for collateral due to broker for securities lending	443,574,449
Payable for capital gains taxes withheld	1,251,666
Payable for Directors'/Trustees' fees	4,406
Payable for distribution services fee (Note 5)	939,308
Payable for shareholder services fee (Note 5)	2,810,753
Accrued expenses	2,719,078
TOTAL LIABILITIES	559,858,206

Net assets for 1,187,057,229 shares outstanding	\$5,797,090,920
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Net Assets Consist of:

Paid-in capital	\$4,637,754,339
Net unrealized appreciation of investments and translation of assets and liabilities in foreign currency	1,091,464,875
Accumulated net realized gain on investments, futures contracts, written options and foreign currency transactions	67,871,706
TOTAL NET ASSETS	\$5,797,090,920

Statement of Assets and Liabilities – continued

Net Asset Value, Offering Price and Redemption Proceeds Per Share

Class A Shares:

Net asset value per share (\$1,999,939,919 ÷ 406,264,232 shares outstanding), no par value, unlimited shares authorized	\$4.92
Offering price per share (100/94.50 of \$4.92)	\$5.21
Redemption proceeds per share	\$4.92

Class B Shares:

Net asset value per share (\$301,468,796 ÷ 64,967,410 shares outstanding), no par value, unlimited shares authorized	\$4.64
Offering price per share	\$4.64
Redemption proceeds per share (94.50/100 of \$4.64)	\$4.38

Class C Shares:

Net asset value per share (\$494,456,897 ÷ 106,588,582 shares outstanding), no par value, unlimited shares authorized	\$4.64
Offering price per share	\$4.64
Redemption proceeds per share (99/100 of \$4.64)	\$4.59

Class R Shares:

Net asset value per share (\$3,001,225,308 ÷ 609,237,005 shares outstanding), no par value, unlimited shares authorized	\$4.93
Offering price per share	\$4.93
Redemption proceeds per share (99.80/100 of \$4.93)	\$4.92

See Notes which are an integral part of the Financial Statements

Statement of Operations

Year Ended October 31, 2011

Investment Income:

Dividends (including \$4,596,221 received from affiliated holdings (Note 5))	\$59,344,861
Interest (including \$1,399,956 received from affiliated holdings (Note 5) and income on securities loaned of \$5,446,032)	7,026,472
TOTAL INCOME	66,371,333

Expenses:

Investment adviser fee (Note 5)	\$ 97,739,359
Administrative fee (Note 5)	5,358,022
Custodian fees	4,077,593
Transfer and dividend disbursing agent fees and expenses (Note 2)	11,112,992
Directors'/Trustees' fees	60,294
Auditing fees	36,624
Legal fees	4,609
Portfolio accounting fees	208,735
Distribution services fee (Note 5)	31,007,015
Shareholder services fee (Note 5)	17,022,357
Account administration fee (Note 2)	49,135
Share registration costs	93,991
Printing and postage	543,942
Insurance premiums	18,872
Miscellaneous	75,844
TOTAL EXPENSES	167,409,384

Statement of Operations – continued

Waivers, Reimbursements and Reduction:

Waiver/reimbursement of investment adviser fee (Note 5)	\$(10,288,354)
Waiver of administrative fee (Note 5)	(138,398)
Waiver of distribution services fee (Note 5)	(16,933,234)
Reimbursement of shareholder services fee (Note 5)	(322,861)
Fees paid indirectly from directed brokerage arrangements (Note 6)	(65,729)

TOTAL WAIVERS, REIMBURSEMENTS AND REDUCTION	\$(27,748,576)
Net expenses	\$ 139,660,808
Net investment income (loss)	(73,289,475)

Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Transactions:

Net realized gain on investments and foreign currency (including realized gain of \$195,253,848 on sale of investments in affiliated holdings (Note 5))	845,883,977
Net change in unrealized appreciation of investments and translation of assets and liabilities in foreign currency	(1,116,013,448)
Net realized and unrealized loss on investments and foreign currency transactions	(270,129,471)
Change in net assets resulting from operations	\$ (343,418,946)

See Notes which are an integral part of the Financial Statements

Statement of Changes in Net Assets

Year Ended October 31	2011	2010
Increase (Decrease) in Net Assets		
Operations:		
Net investment income (loss)	\$ (73,289,475)	\$ 19,701,396
Net realized gain on investments and foreign currency transactions	845,883,977	253,892,900
Net change in unrealized appreciation/depreciation of investments and translation of assets and liabilities in foreign currency	(1,116,013,448)	1,256,013,974
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	(343,418,946)	1,529,608,270
Distributions to Shareholders:		
Distributions from net investment income		
Class A Shares	(15,556,814)	(4,293,307)
Class B Shares	(253,171)	—
Class C Shares	(803,794)	—
Class R Shares	(22,840,571)	(6,296,827)
Distributions from net realized gain on investments		
Class A Shares	(19,173)	—
Class B Shares	(312)	—
Class C Shares	(991)	—
Class R Shares	(28,151)	—
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(39,502,977)	(10,590,134)
Share Transactions:		
Proceeds from sale of shares	763,905,692	758,063,276
Net asset value of shares issued to shareholders in payment of distributions declared	36,595,371	9,822,517
Cost of shares redeemed	(1,865,805,782)	(1,582,655,103)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(1,065,304,719)	(814,769,310)
Change in net assets	(1,448,226,642)	704,248,826
Net Assets:		
Beginning of period	7,245,317,562	6,541,068,736
End of period (including undistributed net investment income of \$0 and \$10,346,338, respectively)	\$ 5,797,090,920	\$ 7,245,317,562

See Notes which are an integral part of the Financial Statements

Notes to Financial Statements

October 31, 2011

1. ORGANIZATION

Federated Equity Funds (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 13 portfolios. The financial statements included herein are only those of Federated Kaufmann Fund (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 four classes of shares: Class A Shares, Class B Shares, Class C Shares and Class R Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. The financial highlights of the Class A Shares, Class B Shares and Class C Shares are presented separately. The investment objective of the Fund is to provide capital appreciation.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Investment Valuation

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

- Equity securities listed on an exchange or traded through a regulated market system are valued at their last reported sale price or official closing price in their principal exchange or market.
- Shares of other mutual funds are valued based upon their reported NAVs.
- Fixed-income securities acquired with remaining maturities greater than 60 days are fair valued using price evaluations provided by a pricing service approved by the Trustees.
- Fixed-income securities acquired with remaining maturities of 60 days or less are valued at their cost (adjusted for the accretion of any discount or amortization of any premium), which approximates market value.
- Derivative contracts listed on exchanges are valued at their reported settlement or closing price.
- Over-the-counter (OTC) derivative contracts are fair valued using price evaluations provided by a pricing service approved by the Trustees.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Trustees, certain factors may be considered such as: the purchase price of the security, information obtained by contacting the issuer, 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 and public trading in similar securities of the issuer or comparable issuers.

If the Fund cannot obtain a price or price evaluation from a pricing service for an investment, the Fund may attempt to value the investment based upon the mean of bid and asked quotations or fair value the investment based on price evaluations from one or more dealers. If any price, quotation, price evaluation or other pricing source is not readily available when the NAV is calculated, 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 purchase or sell an investment at the price used to calculate the Fund's NAV.

Fair Valuation and Significant Events Procedures

The Trustees have authorized the use of pricing services to provide evaluations of the current fair value of certain investments for purposes of calculating the NAV. 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 U.S. Treasury and Agency securities. The Fund normally uses mid evaluations for other types of fixed-income securities and 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 in foreign markets, significant trends in U.S. equity markets or in the trading of foreign securities index futures or options contracts;
- With respect to price evaluations of fixed-income securities determined before the close of regular trading on the NYSE, actions by the Federal Reserve Open Market Committee and other significant trends in U.S. fixed-income markets;
- Political or other developments affecting the economy or markets in which an issuer conducts its operations or its securities are traded; and
- Announcements concerning matters such as acquisitions, recapitalizations, litigation developments, a natural disaster affecting the issuer's operations or regulatory changes or market developments affecting the issuer's industry.

The Trustees have approved the use of a pricing service to determine the fair value of equity securities traded principally in foreign markets when the Adviser determines that there has been a significant trend in the U.S. equity markets or in index futures trading. For other significant events, the Fund may seek to obtain more current quotations or price evaluations from alternative pricing sources. If a reliable alternative pricing source is not available, the Fund will determine the fair value of the investment using another method approved by the Trustees.

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.

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. 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 Class A Shares, Class B Shares, Class C Shares and Class R Shares may bear distribution services fees, shareholder services fees, account administration fees and certain transfer and dividend disbursing agent fees unique to those classes. For the year ended October 31, 2011, transfer and dividend disbursing agent fees and account administration fees for the Fund were as follows:

	Transfer and Dividend Disbursing Agent Fees Incurred	Account Administration Fees Incurred
Class A Shares	\$3,728,189	\$32,637
Class B Shares	641,161	—
Class C Shares	988,061	2,662

	Transfer and Dividend Disbursing Agent Fees Incurred	Account Administration Fees Incurred
Class R Shares	5,755,581	13,836
TOTAL	\$11,112,992	\$49,135

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.

Premium and Discount Amortization

All premiums and discounts on fixed-income securities are amortized/accreted using the effective interest rate method.

Federal Taxes

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code and to distribute to shareholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the year ended October 31, 2011, 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 October 31, 2011, tax years 2008 through 2011 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the Commonwealth of Massachusetts.

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

When-Issued and Delayed Delivery Transactions

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

Foreign Exchange Contracts

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

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

The average value at settlement date payable and receivable of foreign exchange contracts purchased and sold by the Fund throughout the period was \$17,937 and \$8,281, respectively. This is based on the contracts held as of each month-end throughout the fiscal period.

Foreign Currency Translation

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

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

Securities Lending

The Fund participates in a securities lending program providing for the lending of equity securities to qualified brokers. The Fund normally receives cash collateral for securities loaned that is invested in an affiliated money market fund or in short-term securities including repurchase agreements. Collateral is maintained at a minimum level of 100% of the market value of investments loaned, plus interest, if applicable. Earnings on collateral are allocated between the securities lending agent, as a fee for its services under the program, and the Fund, according to agreed-upon rates.

As of October 31, 2011, securities subject to this type of arrangement and related collateral were as follows:

Market Value of Securities Loaned	Market Value of Collateral
\$417,336,141	\$443,574,449

Short Sales

In a short sale, the Fund sells a security it does not own in anticipation of a decline in the fair market value of the security. When the Fund sells a security short, it must borrow the security in order to deliver it at the completion of the sale. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of the short sale.

The Fund has an obligation to replace the borrowed security (e.g., to purchase the security at a future date and deliver it to the lender of the security). While the security is borrowed, the proceeds from the sale are deposited with the lender (“Prime Broker”). The Fund may incur two types of expenses from short sales: borrowing expenses and dividend expenses. Borrowing expenses may occur because the Fund may be obligated to pay fees to the Prime Broker on borrowed securities. This fee is normally based upon the market value of the borrowed security and is dependent upon the availability of the security. Dividend expenses may occur because the Fund has to pay the Prime Broker the equivalent of any dividends earned on the borrowed security.

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 are valued at the price provided by dealers in the secondary market or, if no market prices are available, at the fair value as determined in accordance with procedures established by and under the general supervision of the Trustees.

Additional information on restricted securities, excluding securities purchased under Rule 144A, if applicable, that have been deemed liquid by the Trustees, held at October 31, 2011, is as follows:

Security	Acquisition Date	Cost	Market Value
Apollo Investment Fund V	5/18/2001	\$ 0	\$4,106,516
Conceptus, Inc.	8/11/2005	\$4,500,000	\$7,200,000
Conceptus, Inc.	4/10/2001	\$5,000,000	\$8,228,575
Cortek, Inc.	2/29/2000	\$ 0	\$ 0
Cortek, Inc., Conv. Pfd., Series D2	3/31/2003	\$ 0	\$ 0
Cortex, Inc., Pfd., Series D	6/18/2001	\$ 0	\$ 0
Denovo Ventures I LP	3/9/2000	\$2,888,396	\$1,068,278
Expand Networks Ltd.	9/22/2000	\$2,500,000	\$ 0
FA Private Equity Fund IV LP	3/4/2002	\$ 439,044	\$ 821,287
Infrastructure Fund	8/11/2000	\$ 404,496	\$ 0
Latin Healthcare Fund	11/28/2000	\$ 0	\$ 335,009
Multiplex, Inc., Pfd., Series C	2/22/2001	\$5,000,001	\$ 0
Peachtree Leadscope LLC, Class A and B	6/30/2000	\$ 712,054	\$ 0
Peachtree Leadscope LLC, Class C	4/30/2002	\$3,000,000	\$3,250,000
Peachtree Open Networks	10/5/2000	\$ 892,599	\$ 0
Peachtree Velquest	9/14/2000	\$ 494,382	\$ 247,191
Sensible Technologies, Inc.	10/15/2004	\$ 0	\$ 0

Additional Disclosure Related to Derivative Instruments

Fair Value of Derivative Instruments

	Liability	
	Statement of Assets and Liabilities Location	Fair Value
Derivatives not accounted for as hedging instruments under ASC Topic 815		
Foreign exchange contracts	Unrealized depreciation on foreign exchange contracts	\$4,826

The Effect of Derivative Instruments on the Statement of Operations for the Year Ended October 31, 2011

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

	Forward Currency Contracts
Foreign exchange contracts	\$(1,347,453)

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

	Forward Currency Contracts
Foreign exchange contracts	\$48,699

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.

3. SHARES OF BENEFICIAL INTEREST

The following tables summarize share activity:

Year Ended October 31	2011		2010	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold	98,824,715	\$ 516,747,402	108,384,912	\$ 510,485,496
Shares issued to shareholders in payment of distributions declared	2,507,026	13,688,361	801,053	3,756,940
Shares redeemed	(163,851,163)	(870,540,365)	(150,272,322)	(709,884,481)
NET CHANGE RESULTING FROM CLASS A SHARE TRANSACTIONS	(62,519,422)	\$(340,104,602)	(41,086,357)	\$(195,642,045)

Year Ended October 31	2011		2010	
	Shares	Amount	Shares	Amount
Class B Shares:				
Shares sold	3,793,204	\$ 19,214,651	4,936,393	\$ 22,093,225
Shares issued to shareholders in payment of distributions declared	44,017	227,570	—	—
Shares redeemed	(34,331,522)	(172,846,233)	(50,285,191)	(223,072,532)
NET CHANGE RESULTING FROM CLASS B SHARE TRANSACTIONS	(30,494,301)	\$(153,404,012)	(45,348,798)	\$(200,979,307)

Year Ended October 31	2011		2010	
	Shares	Amount	Shares	Amount
Class C Shares:				
Shares sold	9,418,288	\$ 47,966,563	13,712,395	\$ 61,221,439
Shares issued to shareholders in payment of distributions declared	122,226	631,908	—	—
Shares redeemed	(39,974,916)	(201,008,903)	(40,828,794)	(182,157,622)
NET CHANGE RESULTING FROM CLASS C SHARE TRANSACTIONS	(30,434,402)	\$(152,410,432)	(27,116,399)	\$(120,936,183)

Year Ended October 31	2011		2010	
	Shares	Amount	Shares	Amount
Class R Shares:				
Shares sold	33,245,133	\$ 179,977,076	34,634,870	\$ 164,263,116
Shares issued to shareholders in payment of distributions declared	4,030,627	22,047,532	1,293,247	6,065,577
Shares redeemed	(115,185,739)	(621,410,281)	(98,552,433)	(467,540,468)
NET CHANGE RESULTING FROM CLASS R SHARE TRANSACTIONS	(77,909,979)	\$(419,385,673)	(62,624,316)	\$(297,211,775)
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(201,358,104)	\$(1,065,304,719)	(176,175,870)	\$(814,769,310)

Redemption Fee

The Fund's Class R Shares impose a redemption fee of 0.20% on the redemption price of the Fund's Class R Shares redeemed, if such shares were purchased after February 1, 1985. The redemption fee is applied to the Fund's Class R Shares expenses for providing redemption services, including, but not limited to: transfer agent fees; postage; printing; telephone; and related employment costs. Any excess fee proceeds are added to the Fund's assets. Shares acquired through employer-sponsored retirement plans will not be subject to the redemption fee. However, if shares are purchased for a retirement plan account through a broker, financial institution or other intermediary maintaining an omnibus account for the shares, the waiver may not apply. In addition, this waiver does not apply to individual retirement accounts, such as Traditional, Roth and SEP-IRAs. For the years ended October 31, 2011 and October 31, 2010, redemption fees of \$39,177 and \$55,592, were imposed to cover the cost of redemptions.

4. FEDERAL TAX INFORMATION

The timing and character of income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP. These differences are due to differing treatments for foreign currency transactions, passive foreign investment company gains and losses, partnership adjustments, reclassification for regulatory settlement proceeds, discount accretion/premium amortization on debt securities and net operating losses.

For the year ended October 31, 2011, permanent differences identified and reclassified among the components of net assets were as follows:

	Increase (Decrease)	
	Undistributed Net Investment Income (Loss)	Accumulated Net Realized Gain (Loss)
Paid-In Capital		
\$(71,386,316)	\$102,397,487	\$(31,011,171)

Net investment income (loss), net realized gains (losses) and net assets were not affected by this reclassification.

The tax character of distributions as reported on the Statement of Changes in Net Assets for the years ended October 31, 2011 and 2010, was as follows:

	2011	2010
Ordinary income	\$39,454,350	\$10,590,134
Long-term capital gains	\$ 48,627	\$ —

As of October 31, 2011, the components of distributable earnings on a tax basis were as follows:

Undistributed capital gains	\$ 109,954,043
Net unrealized appreciation	\$1,049,382,538

The difference between book-basis and tax-basis net unrealized appreciation/depreciation is attributable to differing treatments for the deferral of losses on wash sales and partnership adjustments.

At October 31, 2011, the cost of investments for federal tax purposes was \$5,219,872,701. The net unrealized appreciation of investments for federal tax purposes excluding any unrealized appreciation/depreciation resulting from changes in foreign currency exchange rates and outstanding foreign currency commitments was \$1,050,819,167. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$1,299,595,863 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$248,776,696.

The Fund used capital loss carryforwards of \$704,260,190 to offset taxable capital gains realized during the year ended October 31, 2011.

5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Investment Adviser Fee

Federated Equity Management Company of Pennsylvania is the Fund's investment adviser (the "Adviser"). The advisory agreement between the Fund and the Adviser provides for an annual fee equal to 1.425% of the Fund's average daily net assets. Pursuant to the settlement of certain litigation the Adviser has agreed, for a period continuing until June 30, 2022, to waive its investment advisory fee so that such fee will not exceed 1.275%. Also as part of the settlement agreement, effective July 1, 2012 and continuing until June 30, 2022, the Adviser has agreed to further waive the advisory fee by an additional 0.02%, 0.04%, 0.06% or 0.07% if the Fund's net assets exceed eight, nine, ten or twelve billion dollars, respectively. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily choose to waive any portion of its fee. For the year ended October 31, 2011, the Adviser voluntarily waived \$9,866,985 of its fee.

Certain of the Fund's assets are managed by Federated Global Investment Management Corp. (the "Sub-Adviser"). Under the terms of a sub-advisory agreement between the Adviser and the Sub-Adviser, the Sub-Adviser receives an allocable portion of the Fund's adviser fee. The fee is paid by the Adviser out of its resources and is not an incremental Fund expense. For the year ended October 31, 2011, the Sub-Adviser earned a fee of \$80,592,103.

Administrative Fee

Federated Administrative Services (FAS), under the Administrative Services Agreement, provides the Fund with administrative personnel and services. The fee paid to FAS is based on the average aggregate daily net assets of certain Federated funds as specified below:

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

The administrative fee received during any fiscal year shall be at least \$150,000 per portfolio and \$40,000 per each additional class of Shares. Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the year ended October 31, 2011, the net fee paid to FAS was 0.076% of average daily net assets of the Fund. FAS waived \$138,398 of its fee.

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 Class A Shares, Class B Shares, Class C Shares and Class R 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:

Share Class Name	Percentage of Average Daily Net Assets of Class
Class A Shares	0.25%
Class B Shares	0.75%
Class C Shares	0.75%
Class R Shares	0.50%

Subject to the terms described in the Expense Limitation note, FSC may voluntarily choose to waive any portion of its fee. For the year ended October 31, 2011, distribution services fees for the Fund were as follows:

	Distribution Services Fees Incurred	Distribution Services Fees Waived
Class A Shares	\$ 5,854,477	\$ (3,005,236)
Class B Shares	3,035,838	—
Class C Shares	4,665,100	(483,536)
Class R Shares	17,451,600	(13,444,462)
TOTAL	\$31,007,015	\$(16,933,234)

When FSC receives fees, it may pay some or all of them to financial intermediaries whose customers purchase shares. For the year ended October 31, 2011, FSC retained \$5,270,581 of fees paid by the Fund.

Sales Charges

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. They are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. For the year ended October 31, 2011, FSC retained \$139,419 in sales charges from the sale of Class A Shares. FSC also retained \$2,550 of CDSC relating to redemptions of Class A Shares, \$64,397 relating to redemption of Class B Shares and \$6,470 relating to redemptions of Class C Shares.

Shareholder Services Fee

The Fund may pay fees (“Service Fees”) up to 0.25% of the average daily net assets of the Fund’s Class A Shares, Class B Shares, Class C Shares and Class R Shares to financial intermediaries or to Federated Shareholder Services Company (FSSC) for providing services to shareholders and maintaining shareholder accounts. Financial intermediaries may include a company affiliated with management of Federated Investors, Inc. A financial intermediary affiliated with management of Federated Investors, Inc. received \$17,617 of Service Fees for the year ended October 31, 2011. Subject to the terms described in the Expense Limitation note, FSSC may voluntarily reimburse the Fund for Service Fees. For the year ended October 31, 2011, Service Fees for the Fund were as follows:

	Service Fees Incurred	Service Fees Reimbursed
Class A Shares	\$ 5,782,608	\$ —
Class B Shares	1,011,946	(322,861)
Class C Shares	1,538,590	—
Class R Shares	8,689,213	—
TOTAL	\$17,022,357	\$(322,861)

For the year ended October 31, 2011, FSSC received \$5,001,577 of fees paid by the Fund.

Commitments and Contingencies

In the course of pursuing its investment objective, the Fund sometimes invests in limited partnerships and limited liability companies. These entities often require the Fund to commit to a total dollar amount to be invested. The actual investments are usually made in installments over a period of time. At October 31, 2011, the Fund had total commitments to limited partnerships and limited liability companies of \$35,173,400; of this amount, \$34,044,996 was actually invested by the Fund leaving the Fund contingently liable for additional investments of \$1,128,404.

Expense Limitation

The Adviser and its affiliates (which may include FSC, FAS and FSSC) have voluntarily agreed to waive their fees and/or reimburse expenses so that the total annual fund operating expenses (as shown in the financial highlights, excluding dividends and other expenses related to short sales) paid by the Fund’s Class A Shares, Class B Shares, Class C Shares and Class R Shares (after the voluntary waivers and/or reimbursements) will not exceed 1.95%, 2.50%, 2.50% and 1.95% (the “Fee Limit”), respectively, up to but not including the later of (the “Termination Date”): (a) January 1, 2013; or (b) the date of the Fund’s next effective Prospectus. While the Adviser and its affiliates currently do not anticipate terminating or increasing these arrangements prior to the Termination Date, these arrangements may only be terminated or the Fee Limit increased prior to the Termination Date with the agreement of the Trustees.

Interfund Transactions

During the year ended October 31, 2011, the Fund engaged in purchase and sale transactions with funds that have a common investment adviser (or affiliated investment advisers), common Directors/Trustees and/or common Officers. These purchase and sale transactions complied with Rule 17a-7 under the Act and amounted to \$3,708,509 and \$28,367,096, respectively.

General

Certain Officers and Trustees of the Fund are Officers and Directors or Trustees of the above companies.

Transactions Involving Affiliated Companies and Affiliated Holdings

An affiliated company is a company in which the Fund has ownership of at least 5% of the voting shares. Transactions with affiliated companies during the year ended October 31, 2011, were as follows:

Affiliates	Balance of Shares Held 10/31/2010	Purchases/ Additions	Sales/ Reductions	Balance of Shares Held 10/31/2011	Value	Dividend/ Interest Income
Alkermes, Inc.	9,722,273	5,818,897	9,722,273	5,818,897	\$101,772,509	\$ —
*Auxilium Pharmaceuticals, Inc.	3,093,592	—	3,093,592	—	—	—
*Brasil Brokers Participacoes	9,858,127	—	9,858,127	—	—	514,048
*Cbeyond Communications, Inc.	1,771,638	—	1,771,638	—	—	—
CETIP SA	22,772,799	2,381,201	3,514,000	21,640,000	298,726,155	2,392,688
*Conceptus, Inc.	3,634,700	—	3,634,700	—	—	—
Conceptus, Inc.	625,000	—	—	625,000	7,200,000	—
Conceptus, Inc.	714,286	—	—	714,286	8,228,575	—
Conceptus, Inc.	600,000	—	213,826	386,174	4,448,724	—
Cubist Pharmaceuticals, Inc.	7,008,000	—	2,758,000	4,250,000	160,692,500	—
Dexcom, Inc.	4,916,800	—	1,199,176	3,717,624	36,395,539	—
Dexcom, Inc.	126,065	—	—	126,065	1,234,176	—
Dyax Corp.	12,850,000	2,350,000	—	15,200,000	20,520,000	—
*Endologix, Inc.	5,198,050	—	5,198,050	—	—	—
*Endologix, Inc.	3,555,556	—	3,555,556	—	—	—
ExamWorks Group Inc.	2,227,383	772,617	—	3,000,000	31,650,000	—
Insulet Corp.	2,672,070	144,100	981,299	1,834,871	29,945,095	—
Insulet Corp., Conv. Bond, 5.375, 6/15/2013	27,670,000	—	15,000,000	12,670,000	13,892,909	1,214,033
Insulet Corp., Conv. Bond, 3.75, 6/15/2016	—	14,630,000	—	14,630,000	13,803,829	185,923
Progenics Pharmaceuticals, Inc.	5,246,193	—	—	5,246,193	34,467,488	—
Protalix Biotherapeutics, Inc.	3,000,000	2,400,000	—	5,400,000	32,994,000	—
Repligen Corp.	2,998,043	—	—	2,998,043	10,283,287	—
Restoque Comercio e Confecoes de Roupas SA	11,570,138	—	7,872,103	3,698,035	58,157,058	2,085,571

Affiliates	Balance of Shares Held 10/31/2010	Purchases/ Additions	Sales/ Reductions	Balance of Shares Held 10/31/2011	Value	Dividend/ Interest Income
Sensible Technologies, Inc.	3,751,199	—	—	3,751,199	—	—
Soteira, Inc.	274	—	—	274	—	—
Soteira, Inc. Pfd.	958,744	—	—	958,744	—	—
TNS, Inc.	2,964,645	—	—	2,964,645	57,899,517	—
Vical, Inc.	9,330,475	—	2,281,975	7,048,500	21,075,015	—
TOTAL OF AFFILIATED COMPANIES	158,836,050	28,496,815	70,654,315	116,678,550	\$943,386,376	\$6,392,263

* At October 31, 2011, the Fund no longer has ownership of at least 5% of the voting shares.

Affiliated holdings are mutual funds which are managed by the Adviser or an affiliate of the Adviser. The Adviser has agreed to reimburse the Fund for certain investment adviser fees as a result of transactions in other affiliated mutual funds. For the year ended October 31, 2011, the Adviser reimbursed \$421,369. Transactions involving the affiliated holding during the year ended October 31, 2011, were as follows:

	Federated Prime Value Obligations Fund, Institutional Shares
Balance of Shares Held 10/31/2010	119,963,791
Purchases/Additions	4,252,483,876
Sales/Reductions	3,860,536,348
Balance of Shares Held 10/31/2011	511,911,319
Value	\$ 511,911,319
Dividend Income	\$ 117,962

6. EXPENSE REDUCTION

The Fund directs portfolio trades to a broker that in turn pays a portion of the Fund's operating expenses. For the year ended October 31, 2011, the Fund's expenses were reduced by \$65,729 under these arrangements.

7. INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding long-term U.S. government securities and short-term obligations, for the year ended October 31, 2011, were as follows:

Purchases	\$4,335,569,440
Sales	\$5,498,771,674

8. CONCENTRATION OF RISK

The Fund invests in securities of non-U.S. issuers. Political or economic developments may have an effect on the liquidity and volatility of portfolio securities and currency holdings.

At October 31, 2011, the diversification of countries was as follows:

Country	Percentage of Net Assets
United States	66.1%
Brazil	9.0%
Ireland	3.6%
India	2.7%
Italy	2.3%
Spain	2.3%
Luxembourg	2.2%
Netherlands	1.4%
Chile	1.3%
Cayman Islands	1.2%
Israel	1.1%
Germany	0.9%
Singapore	0.9%
Colombia	0.6%
Hong Kong	0.5%
Isle of Man	0.5%
Bermuda	0.4%
China	0.4%
Indonesia	0.4%
United Kingdom	0.4%
British Virgin Islands	0.3%
Canada	0.3%
Switzerland	0.3%
Mexico	0.2%

9. LINE OF CREDIT

The Fund participates in a \$100,000,000 unsecured, uncommitted revolving line of credit (LOC) agreement with PNC Bank. The LOC was made available for extraordinary or emergency purposes, primarily for financing redemption payments. Borrowings are charged interest at a rate offered to the Fund by PNC Bank at the time of the borrowing. As of October 31, 2011, there were no outstanding loans. During the year ended October 31, 2011, the Fund did not utilize the LOC.

10. 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 October 31, 2011, there were no outstanding loans. During the year ended October 31, 2011, the program was not utilized.

11. LEGAL PROCEEDINGS

Since February 2004, Federated Investors, Inc. and related entities (collectively, "Federated"), had been named as defendants in several lawsuits in the United States District Court for the Western District of Pennsylvania. These lawsuits have been consolidated into a single action alleging excessive advisory fees involving the Fund. Without admitting the validity of any claim, in April 2011, Federated reached a final settlement to resolve this lawsuit resulting in no material adverse effect on Federated or the Fund.

12. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2011, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) No. 2011-03, "Reconsideration of Effective Control for Repurchase Agreements." This ASU amends FASB Accounting Standards Codification (ASC) Topic 860, "Transfers and Servicing"; specifically the criteria required to determine whether a repurchase agreement and similar agreements should be accounted for as sales of financial assets or secured borrowings with commitments. This ASU is effective for fiscal years and interim periods beginning after December 15, 2011. At this time, management is evaluating the implications of adopting ASU No. 2011-03 and its impact on the Fund's financial statements and the accompanying notes, net assets and results of operations.

In addition, in May 2011, FASB released ASU No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." This ASU amends FASB ASC Topic 820, "Fair Value Measurement," to establish common requirements for measuring fair value and for disclosing information about fair value measurements in accordance with GAAP. This ASU is effective for fiscal years and interim periods beginning after December 15, 2011. At this time, management is evaluating the implications of adopting ASU No. 2011-04 and its impact on the Fund's financial statements and the accompanying notes.

13. FEDERAL TAX INFORMATION (UNAUDITED)

For the year ended October 31, 2011, the amount of long-term capital gains designated by the Fund was \$48,627.

For the fiscal year ended October 31, 2011, 100% of total ordinary income distributions made by the Fund are qualifying dividends which may be subject to a maximum tax rate of 15%, as provided for by the Jobs and Growth Tax Relief Act of 2003. Complete information is reported in conjunction with the reporting of your distributions on Form 1099-DIV.

Of the ordinary income distributions made by the Fund during the year ended October 31, 2011, 97.0% qualify for the dividend received deduction available to corporate shareholders.

Report of Independent Registered Public Accounting Firm

TO THE BOARD OF TRUSTEES OF FEDERATED EQUITY FUNDS AND SHAREHOLDERS OF FEDERATED KAUFMANN FUND, CLASS R:

We have audited the accompanying statement of assets and liabilities of Federated Kaufmann Fund (the "Fund") (one of the portfolios constituting Federated Equity Funds), including the portfolio of investments, as of October 31, 2011, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights of the Class R Shares for each of the five years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2011, by correspondence with the custodian and others or by other appropriate auditing procedures where replies from others were not received. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Federated Kaufmann Fund, a portfolio of Federated Equity Funds, at October 31, 2011, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights of the Class R Shares for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Boston, Massachusetts
December 23, 2011

Shareholder Expense Example (unaudited)

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs, including sales charges (loads) on purchase or redemption payments and redemption/exchange fees; and (2) ongoing costs, including management fees and to the extent applicable, distribution (12b-1) fees and/or shareholder services 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 mutual funds. It is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from May 1, 2011 to October 31, 2011.

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 and do not reflect any transaction costs, such as sales charges (loads) on purchase or redemption payments, or redemption/exchange fees. 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. In addition, if these transaction costs were included, your costs would have been higher.

	Beginning Account Value 5/1/2011	Ending Account Value 10/31/2011	Expenses Paid During Period¹
Actual	\$1,000	\$837.00	\$9.03
Hypothetical (assuming a 5% return before expenses)	\$1,000	\$1,015.38	\$9.91

¹ Expenses are equal to the Fund's annualized net expense ratio of 1.95%, multiplied by the average account value over the period, multiplied by 184/365 (to reflect the one-half-year period).

Board of Trustees and Trust Officers

The Board of Trustees is responsible for managing the Trust business affairs and for exercising all the Trust powers except those reserved for the shareholders. The following tables give information about each Trustee and the senior officers of the Fund. Where required, the tables separately list Trustees who are “interested persons” of the Fund (i.e., “Interested” Trustees) and those who are not (i.e., “Independent” Trustees). Unless otherwise noted, the address of each person listed is Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222. The address of all Independent Trustees listed is 4000 Ericsson Drive, Warrendale, PA 15086-7561; Attention: Mutual Fund Board. As of December 31, 2010, the Trust comprised 13 portfolio(s), and the Federated Fund Family consisted of 43 investment companies (comprising 136 portfolios). Unless otherwise noted, each Officer is elected annually. Unless otherwise noted, each Trustee oversees all portfolios in the Federated Fund Family and serves for an indefinite term. The Fund’s Statement of Additional Information includes additional information about Trust Trustees and is available, without charge and upon request, by calling 1-800-341-7400.

INTERESTED TRUSTEES BACKGROUND

Name	
Birth Date	
Positions Held with Trust	Principal Occupation(s) for Past Five Years,
Date Service Began	Other Directorships Held and Previous Position(s)
John F. Donahue*	Principal Occupations: Director or Trustee of the Federated Fund Family; Chairman and Director, Federated Investors, Inc.; Chairman of the Federated Fund Family’s Executive Committee.
Birth Date: July 28, 1924	
TRUSTEE	
Began serving: April 1984	Previous Positions: Chairman of the Federated Fund Family; Trustee, Federated Investment Management Company; Chairman and Director, Federated Investment Counseling.
J. Christopher Donahue*	Principal Occupations: Principal Executive Officer and President of the Federated Fund Family; Director or Trustee of some of the Funds in the Federated Fund Family; President, Chief Executive Officer and Director, Federated Investors, Inc.; Chairman and Trustee, Federated Investment Management Company; Trustee, Federated Investment Counseling; Chairman and Director, Federated Global Investment Management Corp.; Chairman, Federated Equity Management Company of Pennsylvania and Passport Research, Ltd. (investment advisory subsidiary of Federated); Trustee, Federated Shareholder Services Company; Director, Federated Services Company.
Birth Date: April 11, 1949	
PRESIDENT AND TRUSTEE	
Began serving: January 2000	Previous Positions: President, Federated Investment Counseling; President and Chief Executive Officer, Federated Investment Management Company, Federated Global Investment Management Corp. and Passport Research, Ltd.

* Family relationships and reasons for “interested” status: John F. Donahue is the father of J. Christopher Donahue; both are “interested” due to their beneficial ownership of shares of Federated Investors, Inc. and the positions they hold with Federated and its subsidiaries.

INDEPENDENT TRUSTEES BACKGROUND

Name

Birth Date

**Positions Held with Trust
Date Service Began**

**Principal Occupation(s) for Past Five Years,
Other Directorships Held, Previous Position(s) and Qualifications**

Nicholas P. Constantakis, CPA

Birth Date: September 3, 1939
TRUSTEE

Began serving: February 1998

Principal Occupation: Director or Trustee of the Federated Fund Family.

Other Directorship Held: Director and Chairman of the Audit Committee, Michael Baker Corporation (architecture, engineering and construction services).

Previous Position: Partner, Andersen Worldwide SC.

Qualifications: Public accounting and director experience.

John F. Cunningham

Birth Date: March 5, 1943
TRUSTEE

Began serving: January 1999

Principal Occupation: Director or Trustee of the Federated Fund Family.

Other Directorships Held: Chairman, President and Chief Executive Officer, Cunningham & Co., Inc. (strategic business consulting); Trustee Associate, Boston College.

Previous Positions: Director, Redgate Communications and EMC Corporation (computer storage systems); Chairman of the Board and Chief Executive Officer, Computer Consoles, Inc.; President and Chief Operating Officer, Wang Laboratories; Director, First National Bank of Boston; Director, Apollo Computer, Inc.

Qualifications: Business management and director experience.

Maureen Lally-Green

Birth Date: July 5, 1949
TRUSTEE

Began serving: August 2009

Principal Occupations: Director or Trustee of the Federated Fund Family; Director, Office of Church Relations, Diocese of Pittsburgh; Adjunct Professor of Law, Duquesne University School of Law.

Other Directorships Held: Director, Auberle; Trustee, St. Francis University; Director, Ireland Institute of Pittsburgh; Director, UPMC Mercy Hospital; Regent, St. Vincent Seminary; Director, Epilepsy Foundation of Western and Central Pennsylvania; Director, Saint Thomas More Society, Allegheny County.

Previous Position: Pennsylvania Superior Court Judge.

Qualifications: Legal and director experience.

Peter E. Madden

Birth Date: March 16, 1942
TRUSTEE

Began serving: November 1991

Principal Occupation: Director or Trustee, and Chairman of the Board of Directors or Trustees, of the Federated Fund Family.

Previous Positions: Representative, Commonwealth of Massachusetts General Court; President, Chief Operating Officer and Director, State Street Bank and Trust Company and State Street Corporation (retired); Director, VISA USA and VISA International; Chairman and Director, Massachusetts Bankers Association; Director, Depository Trust Corporation; Director, The Boston Stock Exchange.

Qualifications: Business management, mutual fund services and director experience.

Name Birth Date Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
Charles F. Mansfield, Jr. Birth Date: April 10, 1945 TRUSTEE Began serving: January 1999	<p>Principal Occupations: Director or Trustee and Chairman of the Audit Committee of the Federated Fund Family; Management Consultant.</p> <p>Previous Positions: Chief Executive Officer, PBTC International Bank; Partner, Arthur Young & Company (now Ernst & Young LLP); Chief Financial Officer of Retail Banking Sector, Chase Manhattan Bank; Senior Vice President, HSBC Bank USA (formerly Marine Midland Bank); Vice President, Citibank; Assistant Professor of Banking and Finance, Frank G. Zarb School of Business, Hofstra University; Executive Vice President, DVC Group, Inc. (marketing, communications and technology).</p> <p>Qualifications: Banking, business management, education and director experience.</p>
R. James Nicholson Birth Date: February 4, 1938 TRUSTEE Began serving: January 2008	<p>Principal Occupations: Director or Trustee of the Federated Fund Family; Senior Counsel, Brownstein Hyatt Farber Schrek, P.C.; Former Secretary of the U.S. Dept. of Veterans Affairs; Former U.S. Ambassador to the Holy See; Former Chairman of the Republican National Committee.</p> <p>Other Directorships Held: Director, Horatio Alger Association; Director, The Daniels Fund, both charitable nonprofit organizations.</p> <p>Previous Positions: Colonel, U.S. Army Reserve; Partner, Calkins, Kramer, Grimshaw and Haring, P.C.; General Counsel, Colorado Association of Housing and Building; Chairman and CEO, Nicholson Enterprises, Inc. (real estate holding company); Chairman and CEO, Renaissance Homes of Colorado.</p> <p>Qualifications: Legal, government, business management and director experience.</p>
Thomas M. O'Neill Birth Date: June 14, 1951 TRUSTEE Began serving: October 2006	<p>Principal Occupations: Director or Trustee of the Federated Fund Family; Sole Proprietor, Navigator Management Company (investment and strategic consulting).</p> <p>Other Directorships Held: Board of Overseers, Children's Hospital of Boston; Visiting Committee on Athletics, Harvard College; Board of Directors, Medicines for Humanity.</p> <p>Previous Positions: Chief Executive Officer and President, Managing Director and Chief Investment Officer, Fleet Investment Advisors; President and Chief Executive Officer, Aeltus Investment Management, Inc.; General Partner, Hellman, Jordan Management Co., Boston, MA; Chief Investment Officer, The Putnam Companies, Boston, MA; Credit Analyst and Lending Officer, Fleet Bank; Director and Consultant, EZE Castle Software (investment order management software); Director, Midway Pacific (lumber).</p> <p>Qualifications: Business management, mutual fund, director and investment experience.</p>

Name	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
Birth Date Positions Held with Trust Date Service Began John S. Walsh Birth Date: November 28, 1957 TRUSTEE Began serving: January 1999	Principal Occupations: Director or Trustee of the Federated Fund Family; President and Director, Heat Wagon, Inc. (manufacturer of construction temporary heaters); President and Director, Manufacturers Products, Inc. (distributor of portable construction heaters); President, Portable Heater Parts, a division of Manufacturers Products, Inc. Previous Position: Vice President, Walsh & Kelly, Inc. Qualifications: Business management and director experience.
James F. Will Birth Date: October 12, 1938 TRUSTEE Began serving: April 2006	Principal Occupations: Director or Trustee of the Federated Fund Family; formerly, Vice Chancellor and President, Saint Vincent College. Other Directorships Held: Trustee, Saint Vincent College; Director, Allegheny Corporation; Trustee, Wheeling Jesuit University; Director, Liberty Tire Recycling. Previous Positions: Chairman, President and Chief Executive Officer, Armco, Inc.; President and Chief Executive Officer, Cyclops Industries; President and Chief Operating Officer, Kaiser Steel Corporation. Qualifications: Business management, education and director experience.

OFFICERS

Name	Principal Occupation(s) for Past Five Years and Previous Position(s)
Birth Date Address Positions Held with Trust Date Service Began John W. McGonigle Birth Date: October 26, 1938 EXECUTIVE VICE PRESIDENT AND SECRETARY Began serving: April 1984	Principal Occupations: Executive Vice President and Secretary of the Federated Fund Family; Vice Chairman, Executive Vice President, Secretary and Director, Federated Investors, Inc. Previous Positions: Trustee, Federated Investment Management Company and Federated Investment Counseling; Director, Federated Global Investment Management Corp., Federated Services Company and Federated Securities Corp.
Richard A. Novak Birth Date: December 25, 1963 TREASURER Began serving: January 2006	Principal Occupations: Principal Financial Officer and Treasurer of the Federated Fund Family; Senior Vice President, Federated Administrative Services; Financial and Operations Principal for Federated Securities Corp., Edgewood Services, Inc. and Southpointe Distribution Services, Inc. Previous Positions: Controller of Federated Investors, Inc.; Vice President, Finance of Federated Services Company; held various financial management positions within The Mercy Hospital of Pittsburgh; Auditor, Arthur Andersen & Co.

Name	Birth Date	Address	Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years and Previous Position(s)
Richard B. Fisher	Birth Date: May 17, 1923	VICE PRESIDENT	Began serving: April 1984	<p>Principal Occupations: Vice Chairman or Vice President of some of the Funds in the Federated Fund Family; Vice Chairman, Federated Investors, Inc.; Chairman, Federated Securities Corp.</p> <p>Previous Positions: President and Director or Trustee of some of the Funds in the Federated Fund Family; Executive Vice President, Federated Investors, Inc.; Director and Chief Executive Officer, Federated Securities Corp.</p>
Brian P. Bouda	Birth Date: February 28, 1947	CHIEF COMPLIANCE OFFICER AND SENIOR VICE PRESIDENT	Began serving: August 2004	<p>Principal Occupations: Senior Vice President and Chief Compliance Officer of the Federated Fund Family; Vice President and Chief Compliance Officer of Federated Investors, Inc. and Chief Compliance Officer of its subsidiaries. Mr. Bouda joined Federated in 1999 and is a member of the American Bar Association and the State Bar Association of Wisconsin.</p>
Stephen F. Auth	Birth Date: September 3, 1956	450 Lexington Avenue Suite 3700	New York, NY 10017-3943 CHIEF INVESTMENT OFFICER	<p>Principal Occupations: Mr. Auth is Chief Investment Officer of this Fund and various other Funds in the Federated Fund Family; Executive Vice President, Federated Investment Counseling, Federated Global Investment Management Corp. and Federated Equity Management Company of Pennsylvania.</p> <p>Previous Positions: Executive Vice President, Federated Investment Management Company, and Passport Research, Ltd. (investment advisory subsidiary of Federated); Senior Vice President, Global Portfolio Management Services Division; Senior Vice President, Federated Investment Management Company and Passport Research, Ltd.; Senior Managing Director and Portfolio Manager, Prudential Investments.</p>
Lawrence Auriana	Birth Date: January 8, 1944	140 East 45th Street New York, NY 10017	VICE PRESIDENT Began serving: November 2001	<p>Principal Occupations: Lawrence Auriana has been the Fund's Portfolio Manager since February 1986. He is Vice President of the Trust. Mr. Auriana joined Federated in April 2001 as Co-Head of Investments/Federated Kaufmann. From August 1984 to April 2001, Mr. Auriana was President and Treasurer of Edgemont Asset Management Corp., and Chairman of the Board and Portfolio Manager to The Kaufmann Fund, Inc. (predecessor to the Federated Kaufmann Fund). Mr. Auriana earned a B.S. in economics from Fordham University and has been engaged in the securities business since 1965.</p>
Hans P. Utsch	Birth Date: July 3, 1936	VICE PRESIDENT	Began serving: November 2001	<p>Principal Occupations: Hans P. Utsch has been the Fund's Portfolio Manager since February 1986. He is Vice President of the Trust. Mr. Utsch joined Federated in April 2001 as Co-Head of Investments/Federated Kaufmann. From August 1984 to April 2001, Mr. Utsch was Chairman of the Board and Secretary of Edgemont Asset Management Corp., and President and Portfolio Manager to The Kaufmann Fund, Inc. (predecessor to the Federated Kaufmann Fund). Mr. Utsch graduated from Amherst College and holds an M.B.A. from Columbia University. He has been engaged in the securities business since 1962.</p>

Evaluation and Approval of Advisory Contract – May 2011

FEDERATED KAUFMANN FUND (THE “FUND”)

The Fund’s Board reviewed the Fund’s investment advisory and subadvisory contracts at meetings held in May 2011. The Board’s decision regarding these contracts reflects the exercise of its business judgment on whether to continue the existing arrangements.

In this connection, the Federated Funds’ Board had previously appointed a Senior Officer, whose duties include specified responsibilities relating to the process by which advisory fees are to be charged to a Federated fund. The Senior Officer has the authority to retain consultants, experts, or staff as may be reasonably necessary to assist in the performance of his duties, reports directly to the Board, and may be terminated only with the approval of a majority of the independent members of the Board. The Senior Officer prepared and furnished to the Board an independent, written evaluation that covered topics discussed below (the “Evaluation”). The Board considered that Evaluation, along with other information, in deciding to approve the advisory and subadvisory contracts.

During its review of these contracts, the Board considered compensation and benefits received by the Adviser and subadviser. This included the fees received for services provided to the Fund by other entities in the Federated organization and research services (if any) received by the Adviser from brokers that execute Federated fund trades, as well as advisory fees. The Board is also familiar with and considered judicial decisions concerning allegedly excessive investment advisory fees, which have indicated that the following factors may be relevant to an Adviser’s fiduciary duty with respect to its receipt of compensation from a fund: the nature and quality of the services provided by the Adviser, including the performance of the fund; the Adviser’s cost of providing the services; the extent to which the Adviser may realize “economies of scale” as a fund grows larger; any indirect benefits that may accrue to the Adviser and its affiliates as a result of the Adviser’s relationship with a fund; performance and expenses of comparable funds; and the extent to which the independent Board members are fully informed about all facts the Board deems relevant bearing on the Adviser’s services and fees. The Board further considered management fees (including any components thereof) charged to institutional and other clients of the Adviser and subadviser for what might be viewed as like services, and the cost to the Adviser and its affiliates of supplying services pursuant to the management fee agreements, excluding any intra-corporate profit and profit margins of the Adviser and its affiliates for supplying such services. The Board was aware of these factors and was guided by them in its review of the Fund’s advisory and subadvisory contracts to the extent it considered them to be appropriate and relevant, as discussed further below.

The Board considered and weighed these circumstances in light of its substantial accumulated experience in governing the Fund and working with Federated on matters relating to the Federated funds, and was assisted in its deliberations by independent legal counsel. Throughout the year, the Board has requested and received substantial and detailed information about the Fund and the Federated organization that was in addition to the extensive materials that comprise and accompany the Senior Officer's Evaluation. Federated provided much of this information at each regular meeting of the Board, and furnished additional information in connection with the particular meeting at which the Board's formal review of the advisory and subadvisory contracts occurred. Between regularly scheduled meetings, the Board also received information on particular matters as the need arose. Thus, the Board's consideration of the advisory and subadvisory contracts included review of the Senior Officer's Evaluation, accompanying data and additional information covering such matters as: the Adviser's and subadviser's investment philosophy, revenue, profitability, personnel and processes; investment and operating strategies; the Fund's short- and long-term performance (in absolute terms, both on a gross basis and net of expenses, as well as in relationship 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 itself 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 and their relative sophistication; 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 family of funds which include a comprehensive array of funds with different investment objectives, policies and strategies which are available for exchange without the incurrence of additional sales charges; compliance and audit reports concerning the Federated funds and the Federated companies that service them (including communications from regulatory agencies), as well as Federated's responses to any issues raised therein; and relevant developments in the mutual fund industry and how the Federated funds and/or Federated are responding to them. The Board also considered that the longevity and experience of the Fund's portfolio management team and their unique approach to investing may limit the utility of comparisons to other equity mutual funds. The Board's evaluation process is evolutionary. The criteria considered and the emphasis placed on relevant criteria change in recognition of changing circumstances in the mutual fund marketplace.

With respect to the Fund's performance and expenses in particular, the Board has found the use of comparisons to other mutual funds with comparable investment programs to be relevant, given the high degree of competition in the mutual fund business. 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, they are readily available to Fund shareholders as alternative investment vehicles, and 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 generally reliable indication of what consumers have found to be reasonable in the precise marketplace in which the Fund competes. The Fund's ability to deliver competitive performance when compared to its peer group was a useful indicator of how the Adviser is executing the Fund's investment program, which in turn assisted the Board in reaching a conclusion that the nature, extent, and quality of the Adviser's investment management services were such as to warrant continuation of the advisory contract. In this regard, the Senior Officer has reviewed Federated's fees for providing advisory services to products outside the Federated family of funds (e.g., institutional and separate accounts). He concluded that mutual funds and institutional accounts are inherently different products. Those differences include, but are not limited to, different types of targeted investors; being subject to different laws and regulations; different legal structures; different average account sizes; different associated costs; different portfolio management techniques made necessary by different cash flows; and portfolio manager time spent in review of securities pricing. The Senior Officer did not consider these fee schedules to be determinative in judging the appropriateness of mutual fund advisory contracts.

The Senior Officer reviewed information compiled by Federated, using data supplied by independent fund ranking organizations, regarding the performance of, and fees charged by, other mutual funds, noting his view that comparisons to fund peer groups are relevant in judging the reasonableness of proposed fees.

The Fund's performance fell below the median of the relevant peer group for the one-year, three-year and five-year periods covered by the Evaluation. The Board discussed the Fund's performance with the Adviser and recognized the efforts being undertaken by the Adviser. The Board will continue to monitor these efforts and the performance of the Fund.

The Board also received financial information about Federated, including information regarding the compensation and benefits Federated derived from its relationships with the Federated funds. This information covered not only the fees under the 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). 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 fund to be competitive in the marketplace, Federated and its affiliates frequently waived fees and/or reimbursed expenses and have disclosed to fund investors and/or indicated to the Board their intention to do so in the future, where appropriate. Moreover, the Board receives regular reporting as to the institution or elimination of these voluntary waivers.

Federated furnished information, requested by the Senior Officer, 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 Senior Officer. The Senior Officer noted that, although they may apply consistent allocation processes, the inherent difficulties in allocating costs (and the unavoidable arbitrary aspects of that exercise) and the lack of consensus on how to allocate those costs may render such allocation information unreliable. The allocation information was considered in the analysis by the Board but was determined to be of limited use.

The Board and the Senior Officer also reviewed information compiled by Federated comparing profitability information for Federated to other publicly held fund management companies. In this regard, the Senior Officer noted the limited availability of such information, but nonetheless concluded that Federated's profit margins did not appear to be excessive and the Board agreed.

The Senior Officer's Evaluation also discussed the notion of possible realization of "economies of scale" as a fund grows larger. The Board considered in this regard that the Adviser has made significant and long-term investments in areas that support all of the Federated funds, such as personnel and processes for the portfolio management, compliance, internal audit, and risk management functions; and systems technology; and that the benefits of these efforts (as well as any economies, should they exist) were likely to be enjoyed by the fund complex as a whole. Finally, the Board also noted the absence of any applicable regulatory or industry guidelines on this subject, which (as discussed in the Senior Officer's Evaluation) 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 the fund attains a certain size. The Senior Officer did not recommend institution of breakpoints in pricing Federated's fund advisory services at this time. In this regard, the Senior Officer's Evaluation noted that the Board is aware that the Fund is a relatively more expensive fund for the Adviser to manage than other Federated equity funds and that the Fund has for long periods in the past been significantly and consistently above median in its investment performance. The Board agreed to monitor future developments and review changes in industry practices or competitive initiatives.

In connection with its discussion of the Senior Officer's Evaluation, the Board reviewed and discussed substantial other data which related to the Fund, including reports of an independent, third-party service provider which give further explanation of the relative performance of the Fund. The Board also

considered and discussed oral and written information requested of and provided by representatives of Federated's senior management describing and analyzing both relative and absolute performance of the Fund over its operating history, the uniqueness of its investment style and the quality and consistency of the Fund's investment management process and investment professionals.

The Board also considered that on April 28, 2011, the adviser reached a final settlement to resolve the consolidated cases involving the fees being charged to the Federated Kaufmann Fund.

It was noted in the materials for the Board meeting that for the period covered by the Evaluation, the Fund's investment advisory fee, after waivers and expense reimbursements, if any, was above the median of the relevant peer group. The Board reviewed the fees and other expenses of the Fund with the Adviser and was satisfied that the overall expense structure of the Fund remained competitive. The Board will continue to monitor advisory fees and other expenses borne by the Fund.

The Senior Officer noted that, considering the totality of the circumstances, and all of the factors referenced within his Evaluation, he had concluded that, subject to comments and recommendations made within his Evaluation, his observations and the information accompanying the Evaluation supported a finding by the Board that the management fees for each of the funds are reasonable and that Federated appeared to provide appropriate administrative services to the Fund for the fees paid. Under these circumstances, no changes were recommended to, and no objection was raised to, the continuation of the Fund's advisory and subadvisory contracts. The Board concluded that the nature, quality and scope of services provided the Fund by the Adviser and its affiliates were satisfactory.

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 advisory contract. In particular, the Board recognized that many shareholders have invested in the Fund on the strength of the Adviser's industry standing and reputation and with the expectation that the Adviser will have a continuing role in providing advisory services to the Fund. Thus, the Board's approval of the advisory 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 based its decision to approve the advisory and subadvisory contracts on the totality of the circumstances and relevant factors and with a view to past and future long-term considerations. Not all of the factors and considerations identified above were necessarily relevant to the Fund, nor did the Board consider any one of them to be determinative. With respect to the factors that were relevant, the Board's decision to approve the contract reflects its determination that Federated's performance and actions provided a satisfactory basis to support the decision to continue the existing arrangements.

Voting Proxies on Fund Portfolio Securities

A description of the policies and procedures that the Fund uses to determine how to vote proxies, if any, relating to securities held in the Fund's portfolio is available, without charge and upon request, by calling 1-800-341-7400. A report on "Form N-PX" of how the Fund voted any such proxies during the most recent 12-month period ended June 30 is available from Federated's website at FederatedInvestors.com. To access this information from the home page, select "All" under "Asset Classes." Select a fund name and share class, if applicable, to go to the Fund Overview page. On the Fund Overview page, select the "Documents" tab. At the bottom of that page, select "Proxy Voting Record Report (Form N-PX)." Form N-PX filings are also available at the SEC's website at www.sec.gov.

Quarterly Portfolio Schedule

The Fund files with the SEC a complete schedule of its portfolio holdings, as of the close of the first and third quarters of its fiscal year, on "Form N-Q." These filings are available on the SEC's website at www.sec.gov and may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. (Call 1-800-SEC-0330 for information on the operation of the Public Reference Room.) You may also access this information from the "Products" section of Federated's website at FederatedInvestors.com. From the home page, select "All" under "Asset Classes." Select a fund name and share class, if applicable, to go to the Fund Overview page. On the Fund Overview page, select the "Documents" tab. At the bottom of that page, select "Form N-Q."

Mutual funds 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 mutual funds involves investment risk, including the possible loss of principal.

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

Federated[®]

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Contact us at **FederatedInvestors.com**
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Federated Securities Corp., Distributor

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