

Federated

WORLD-CLASS INVESTMENT MANAGER[®]



FEDERATED ADJUSTABLE RATE SECURITIES FUND

ANNUAL SHAREHOLDER REPORT

August 31, 2009

Institutional Shares
Institutional Service Shares

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Not FDIC Insured ■ May Lose Value ■ No Bank Guarantee

FINANCIAL HIGHLIGHTS—INSTITUTIONAL SHARES

(For a Share Outstanding Throughout Each Period)

Year Ended August 31	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Period	\$9.53	\$9.49	\$9.49	\$9.52	\$9.55
Income From Investment Operations:					
Net investment income	0.25	0.42	0.47	0.36	0.24
Net realized and unrealized gain (loss) on investments	0.21	0.04	0.00 ¹	(0.03)	(0.04)
TOTAL FROM INVESTMENT OPERATIONS	0.46	0.46	0.47	0.33	0.20
Less Distributions:					
Distributions from net investment income	(0.25)	(0.42)	(0.47)	(0.36)	(0.23)
Net Asset Value, End of Period	\$9.74	\$9.53	\$9.49	\$9.49	\$9.52
Total Return²	4.90%	4.92%	5.01%	3.53%	2.15%

Ratios to Average Net Assets:

Net expenses	0.63%	0.63%	0.62%	0.61%	0.61%
Net investment income	2.44%	4.29%	4.87%	3.73%	2.43%
Expense waiver/reimbursement ³	0.32%	0.44%	0.42%	0.45%	0.45%

Supplemental Data:

Net assets, end of period (000 omitted)	\$427,717	\$124,354	\$85,445	\$121,255	\$174,238
Portfolio turnover	36%	52%	22%	59%	22%

1 Represents less than \$0.01.

2 Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable.

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

See Notes which are an integral part of the Financial Statements

FINANCIAL HIGHLIGHTS—INSTITUTIONAL SERVICE SHARES

(For a Share Outstanding Throughout Each Period)

Year Ended August 31	2009	2008	2007	2006	2005
Net Asset Value, Beginning of Period	\$9.53	\$9.49	\$9.49	\$9.52	\$9.55
Income From Investment Operations:					
Net investment income	0.24	0.40	0.45	0.33	0.21
Net realized and unrealized gain (loss) on investments	0.20	0.04	0.00 ¹	(0.02)	(0.03)
TOTAL FROM INVESTMENT OPERATIONS	0.44	0.44	0.45	0.31	0.18
Less Distributions:					
Distributions from net investment income	(0.23)	(0.40)	(0.45)	(0.34)	(0.21)
Net Asset Value, End of Period	\$9.74	\$9.53	\$9.49	\$9.49	\$9.52
Total Return²	4.64%	4.70%	4.81%	3.29%	1.90%

Ratios to Average Net Assets:

Net expenses	0.88%	0.85%	0.82%	0.85%	0.86%
Net investment income	2.07%	4.14%	4.69%	3.45%	2.16%
Expense waiver/reimbursement ³	0.21%	0.58%	0.65%	0.52%	0.45%

Supplemental Data:

Net assets, end of period (000 omitted)	\$65,015	\$8,054	\$6,846	\$6,838	\$12,954
Portfolio turnover	36%	52%	22%	59%	22%

1 Represents less than \$0.01.

2 Based on net asset value, which does not reflect the sales charge, redemption fee or contingent deferred sales charge, if applicable.

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

See Notes which are an integral part of the Financial Statements

SHAREHOLDER EXPENSE EXAMPLE (UNAUDITED)

As a shareholder of the Fund, you incur ongoing costs, including management fees and to the extent applicable, distribution (12b-1) fees and/or 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 March 1, 2009 to August 31, 2009.

ACTUAL EXPENSES

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

HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

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

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

	Beginning Account Value 3/1/2009	Ending Account Value 8/31/2009	Expenses Paid During Period ¹
Actual:			
Institutional Shares	\$1,000	\$1,026.60	\$3.22
Institutional Service Shares	\$1,000	\$1,025.40	\$4.49
Hypothetical (assuming a 5% return before expenses):			
Institutional Shares	\$1,000	\$1,022.03	\$3.21
Institutional Service Shares	\$1,000	\$1,020.77	\$4.48

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

Institutional Shares	0.63%
Institutional Service Shares	0.88%

MANAGEMENT'S DISCUSSION OF FUND PERFORMANCE (UNAUDITED)

The Fund's total return, based on net asset value, for the 12-month reporting period was 4.90% for the Institutional Shares and 4.64% for the Institutional Service Shares. The Institutional Shares' total return consisted of 2.70% taxable dividends and 2.20% net asset value appreciation. The Institutional Service Shares' total return consisted of 2.44% taxable dividends and 2.20% net asset value appreciation. The Merrill Lynch 1-Year U.S. Treasury Note Index (ML1T), a performance benchmark for the Fund, returned 2.72%.¹ The Fund's total return for the most recently completed fiscal year reflected actual cashflows, transaction costs and other expenses not reflected in the total return of the passive ML1T.

The Fund's investment strategy focused on sector allocation and security selection among agency adjustable rate pass-through securities and agency monthly adjustable collateralized mortgage obligations (CMOs). For the purpose of the following, the discussion will focus on the performance of the Fund's Institutional Shares.

MARKET OVERVIEW

During the 12-month reporting period, the U.S. economy suffered its worst contraction since the 1930s. Economic activity declined precipitously as the nation was gripped by a financial crisis, falling equity and housing markets, and job losses. Over five million jobs were lost during the reporting period and the unemployment rate increased to 9.7%, the highest level since 1983. Policy maker response was both swift and unprecedented as rates were slashed, liquidity facilities commenced operation, and asset purchase programs were developed in order to stabilize financial markets and the economy.

¹ The ML1T is an index tracking U.S. government securities. The Index is unmanaged and investments cannot be made in an index.

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.

The Federal Reserve (the "Fed") flooded the financial system with liquidity and reduced interest rates in a bold plan to stabilize markets. The federal funds target rate was reduced from 2% to a range of 0% to 0.25%, in addition to opening a large number of liquidity facilities designed to improve market function for a wide range of fixed-income asset classes. It appears that a significant degree of economic stabilization occurred as several asset classes rebounded from intra-period lows. Demand for equity and non-Treasury, fixed-income securities increased as investor sentiment and risk appetite notably improved.

Demand for agency mortgage-backed securities (MBS) was strong as historically attractive valuations and the Fed's agency MBS purchase program resulted in significantly tighter mortgage-to-Treasury yield spreads. The mortgage market rally was fueled by the Fed's \$800 billion purchase of agency MBS. Based on the Fed's March 2009 announcement, buying is expected to total \$1.25 trillion. Thirty-year fixed mortgage rates declined over 125 basis points to 5.14% at period end.

The flight-to-quality bid for Treasury securities subsided as the worst case economic scenario was seemingly averted. Over the 12-month reporting period, yields decreased across the Treasury maturity spectrum, although the terminal yields were well above the intra-period lows. Two-year and ten-year Treasury yields decreased 140 and 41 basis points to 0.97% and 3.40%, respectively.²

SECTOR ALLOCATION AND SECURITY SELECTION

Although the intra-period performance was quite volatile, a forceful rebound in MBS demand propelled the sector to strong gains relative to similar duration Treasury securities.³ Hybrid ARMs and monthly adjustable CMOs performed well as strong demand resulted in price gains. Additionally, opportunistic agency debt investments aided performance, most notably in the first half of the reporting period. Sector allocation and security selection made significant, positive impacts on performance.

- ² Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.
- ³ The value of some mortgage-backed securities may be particularly sensitive to changes in prevailing interest rates, and although the securities are generally supported by some form of government or private insurance, there is no assurance that private guarantors or insurers will meet their obligations.

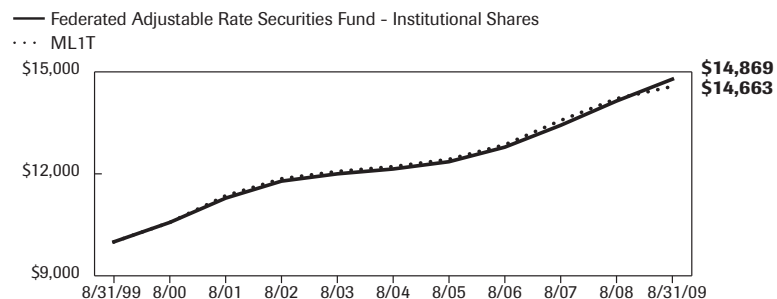
GROWTH OF A \$10,000 INVESTMENT – INSTITUTIONAL SHARES

The graph below illustrates the hypothetical investment of \$10,000¹ in Federated Adjustable Rate Securities Fund (Institutional Shares) (the “Fund”) from August 31, 1999 to August 31, 2009, compared to the Merrill Lynch 1-Year U.S. Treasury Note Index (ML1T).²

Average Annual Total Returns for the Period Ended 8/31/2009

1 Year	4.90%
5 Years	4.10%
10 Years	4.05%

GROWTH OF \$10,000 AS OF AUGUST 31, 2009



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.

- ¹ The Fund’s performance assumes the reinvestment of all dividends and distributions. The ML1T has been adjusted to reflect reinvestment of dividends on securities in the index.
- ² The ML1T is an index tracking U.S. government securities and is not adjusted to reflect expenses or other fees that the Securities and Exchange Commission (SEC) requires to be reflected in the Fund’s performance. The index is unmanaged, and, unlike the Fund, is not affected by cash flows. It is not possible to invest directly in an index.

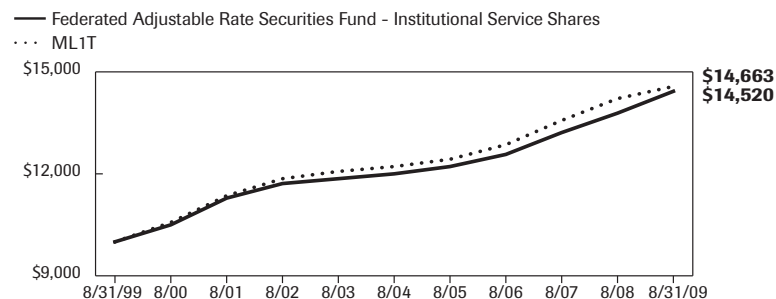
GROWTH OF A \$10,000 INVESTMENT – INSTITUTIONAL SERVICE SHARES

The graph below illustrates the hypothetical investment of \$10,000¹ in Federated Adjustable Rate Securities Fund (Institutional Service Shares) (the “Fund”) from August 31, 1999 to August 31, 2009, compared to the Merrill Lynch 1-Year U.S. Treasury Note Index (ML1T).²

Average Annual Total Returns for the Period Ended 8/31/2009

1 Year	4.64%
5 Years	3.86%
10 Years	3.80%

GROWTH OF \$10,000 AS OF AUGUST 31, 2009



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.

- ¹ The Fund’s performance assumes the reinvestment of all dividends and distributions. The ML1T has been adjusted to reflect reinvestment of dividends on securities in the index.
- ² The ML1T is an index tracking U.S. government securities and is not adjusted to reflect expenses or other fees that the SEC requires to be reflected in the Fund’s performance. The index is unmanaged, and unlike the Fund, is not affected by cash flows. It is not possible to invest directly in an index.

PORTFOLIO OF INVESTMENTS SUMMARY
TABLE (UNAUDITED)

At August 31, 2009, the Fund's portfolio composition¹ was as follows:

Type of Investment	Percentage of Total Net Assets
U.S. Government Agency Adjustable-Rate Mortgage Securities	40.1%
Other U.S. Government Agency Mortgage-Backed Securities	55.3%
Other U.S. Government Agency Security	0.8%
U.S. Treasury Security	0.8%
Cash Equivalents ²	8.1%
Other Assets and Liabilities - Net ³	(5.1)%
TOTAL	100.0%

- 1 See the Fund's Prospectus and Statement of Additional Information for a description of the types of securities in which the Fund invests.
- 2 Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements.
- 3 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

PORTFOLIO OF INVESTMENTS

August 31, 2009

Principal Amount		Value
ADJUSTABLE RATE MORTGAGES—40.1%		
Federal Home Loan Mortgage Corp. ARM—12.7%		
\$ 2,246,502	3.586%, 4/1/2036	\$ 2,320,126
7,279,042	3.768%, 7/1/2030	7,406,131
7,221,363	3.792%, 5/1/2035	7,483,723
641,404	4.105%, 4/1/2027	661,961
4,358,805	4.208%, 12/1/2034	4,451,960
2,782,588	4.223%, 4/1/2034	2,862,004
1,331,922	4.391%, 1/1/2035	1,364,103
396,429	4.530%, 4/1/2035	406,883
3,998,434	4.835%, 4/1/2038	4,145,869
4,961,183	5.054%, 2/1/2036	5,114,697
162,693	5.532%, 9/1/2020	169,247
2,255,522	5.578%, 6/1/2036	2,356,834
6,681,321	5.599%, 9/1/2037	7,018,026
9,938,505	5.959%, 7/1/2036	10,427,778
5,965,377	6.007%, 12/1/2035	6,165,718
TOTAL		62,355,060
Federal National Mortgage Association ARM—27.0%		
12,196,150	2.251%, 3/1/2044	12,204,846
4,692,472	2.301%, 7/1/2042	4,691,121
3,897,256	2.768%, 7/1/2034	3,978,815
4,059,349	2.922%, 6/1/2033	4,166,226
2,805,128	3.050%, 11/1/2035	2,850,706
2,507,327	3.058%, 5/1/2035	2,543,042
63,957	3.059%, 10/1/2028	64,873
6,925,693	3.283%, 7/1/2035	7,122,285
196,166	3.347%, 2/1/2020	199,987
1,559,930	3.370%, 12/1/2040	1,597,882
269,608	3.412%, 10/1/2016	274,692

Principal Amount		Value
ADJUSTABLE RATE MORTGAGES—continued		
Federal National Mortgage Association ARM—continued		
\$ 4,882,269	3.671%, 6/1/2035	\$ 5,016,022
6,223,333	3.710%, 1/1/2036	6,431,363
549,313	3.736%, 5/1/2018	560,917
2,485,646	3.786%, 12/1/2033	2,551,400
5,277,965	3.800%, 7/1/2039	5,395,431
6,990,755	3.842%, 6/1/2034	7,250,433
497,469	3.861%, 7/1/2027	513,459
4,134,642	3.872%, 1/1/2035	4,242,333
3,753,867	3.989%, 2/1/2036	3,885,620
7,670,309	4.003%, 2/1/2033	7,854,830
6,930,214	4.069%, 7/1/2036	7,202,253
279,247	4.087%, 2/1/2019	285,089
6,139,394	4.089%, 12/1/2034	6,258,704
3,647,080	4.136%, 5/1/2036	3,805,903
682,707	4.307%, 4/1/2034	710,877
3,024,934	4.504%, 5/1/2038	3,146,930
16,139,029	4.603%, 10/1/2034	16,464,876
8,005,400	4.710%, 10/1/2035	8,314,532
2,969,922	4.801%, 12/1/2034	3,096,649
117,935	4.845%, 10/1/2033	120,826
	TOTAL	132,802,922
Government National Mortgage Association ARM—0.4%		
311,833	4.125%, 11/20/2023 - 10/20/2029	322,777
39,212	4.250%, 1/20/2030	40,842
1,268,212	4.375%, 1/20/2022 - 5/20/2029	1,320,787
468,942	4.625%, 7/20/2023 - 9/20/2023	485,204
	TOTAL	2,169,610
	TOTAL ADJUSTABLE RATE MORTGAGES (IDENTIFIED COST \$194,064,681)	197,327,592

Principal Amount		Value
COLLATERALIZED MORTGAGE OBLIGATIONS—43.0%		
Federal Home Loan Mortgage Corp. REMIC—18.0%		
\$ 3,618,951	REMIC 3346 FA, 0.503%, 2/15/2019	\$ 3,576,155
3,719,623	REMIC 3001 EA, 0.623%, 3/15/2035	3,649,697
3,486,620	REMIC 3174 FL, 0.623%, 6/15/2036	3,442,971
4,922,055	REMIC 3380 FP, 0.623%, 11/15/2036	4,857,715
4,122,212	REMIC 3179 FP, 0.653%, 7/15/2036	4,069,078
4,658,600	REMIC 2819 F, 0.673%, 6/15/2034	4,609,838
5,485,247	REMIC 3278 FA, 0.673%, 2/15/2037	5,336,894
3,506,114	REMIC 3301 MF, 0.673%, 4/15/2037	3,399,986
2,200,927	REMIC 3221 FW, 0.693%, 9/15/2036	2,169,804
2,468,503	REMIC 3213 GF, 0.703%, 9/15/2036	2,422,174
4,858,470	REMIC 3085 UF, 0.723%, 12/15/2035	4,773,567
1,178,542	REMIC 2774 FQ, 0.823%, 4/15/2031	1,179,881
2,474,608	REMIC 2475 FD, 0.823%, 6/15/2031	2,478,268
2,324,718	REMIC 2380 FL, 0.873%, 11/15/2031	2,337,076
11,892,913	REMIC 3550 GF, 1.023%, 7/15/2039	11,851,822
9,845,431	REMIC MS 1128 F, 1.183%, 7/15/2037	9,868,098
953,252	REMIC 2448 FA, 1.273%, 1/15/2032	962,268
1,008,568	REMIC 2452 FC, 1.273%, 1/15/2032	1,018,107
3,266,369	REMIC 2480 NF, 1.273%, 1/15/2032	3,298,755
4,177,587	REMIC 2475 F, 1.273%, 2/15/2032	4,222,778
3,621,564	REMIC 2434 FA, 1.273%, 3/15/2032	3,658,030
1,138,205	REMIC 2470 EF, 1.273%, 3/15/2032	1,149,666
1,120,746	REMIC 2498 AF, 1.273%, 3/15/2032	1,132,031
3,461,835	REMIC 2459 FP, 1.273%, 6/15/2032	3,498,182
	TOTAL	88,962,841
Federal National Mortgage Association REMIC—25.0%		
8,334,776	REMIC 2005-29 FE, 0.566%, 4/25/2035	8,143,976
10,386,789	REMIC 2005-67 FJ, 0.566%, 8/25/2035	10,136,664
1,871,021	REMIC 2006-11 FB, 0.566%, 3/25/2036	1,824,647

Principal Amount		Value
COLLATERALIZED MORTGAGE OBLIGATIONS—continued		
Federal National Mortgage Association REMIC—continued		
\$ 1,556,331	REMIC 2004-27 FM, 0.586%, 7/25/2022	\$ 1,556,799
2,558,727	REMIC 2006-20 PF, 0.586%, 11/25/2030	2,534,809
3,000,836	REMIC 2007-58 FG, 0.586%, 6/25/2037	2,910,100
2,177,808	REMIC 2005-67 FM, 0.616%, 8/25/2035	2,124,553
1,956,641	REMIC 2006-81 FA, 0.616%, 9/25/2036	1,924,981
4,012,481	REMIC 2006-8 NF, 0.636%, 3/25/2036	3,924,146
1,804,887	REMIC 2007-15 AF, 0.636%, 3/25/2037	1,758,894
10,391,352	REMIC 2004-28 PF, 0.666%, 3/25/2034	10,251,683
3,436,712	REMIC 2006-76 QF, 0.666%, 8/25/2036	3,383,035
12,444,170	REMIC 2006-103 FB, 0.666%, 10/25/2036	12,244,867
1,507,657	REMIC 2003-90 FL, 0.716%, 3/25/2031	1,512,635
1,261,995	REMIC 2001-57 FA, 0.716%, 6/25/2031	1,252,567
3,672,998	REMIC 2007-88 FY, 0.726%, 9/25/2037	3,589,133
1,985,180	REMIC 2002-52 FG, 0.766%, 9/25/2032	1,985,123
3,301,415	REMIC 2001-32 FA, 0.816%, 7/25/2031	3,312,459
973,933	REMIC 2002-77 FG, 0.823%, 12/18/2032	972,236
3,233,651	REMIC 2007-102 FA, 0.836%, 11/25/2037	3,168,122
1,172,791	REMIC 2001-71 FS, 0.866%, 11/25/2031	1,175,970
1,636,942	REMIC 2002-8 FA, 1.023%, 3/18/2032	1,651,623
15,000,000	REMIC 2009-66 FY, 1.059%, 8/31/2039	14,990,700
5,420,609	REMIC 2002-7 FG, 1.166%, 1/25/2032	5,462,447
1,338,721	REMIC 2002-60 FH, 1.266%, 8/25/2032	1,352,825
16,245,572	REMIC 2008-69 FB, 1.266%, 6/25/2037	16,221,258
2,664,443	REMIC 2002-77 FA, 1.335%, 12/18/2032	2,692,600
1,070,477	REMIC 1995-17 B, 3.705%, 2/25/2025	1,097,928
	TOTAL	123,156,780
	TOTAL COLLATERALIZED MORTGAGE OBLIGATIONS (IDENTIFIED COST \$210,530,959)	212,119,621
GOVERNMENT AGENCY—0.8%		
4,000,000	Federal Home Loan Bank System, 1.625%, 1/21/2011 (IDENTIFIED COST \$3,996,680)	4,049,558

Principal Amount or Shares		Value
MORTGAGE-BACKED SECURITIES—12.3%		
\$ 5,000,000	Federal Home Loan Mortgage Corp., 4.500%, 9/1/2024	\$ 5,134,833
21,032,561	Federal Home Loan Mortgage Corp., 5.000%, 12/1/2022 - 4/1/2039	21,867,320
18,104,250	Federal Home Loan Mortgage Corp., 5.500%, 8/1/2023 - 3/1/2039	18,988,921
13,060,684	Federal National Mortgage Association, 5.000%, 1/1/2024 - 3/1/2039	13,491,522
853,918	Federal National Mortgage Association, 5.500%, 9/1/2037	890,764
37,074	Government National Mortgage Association, 8.500%, 1/15/2030	41,968
	TOTAL MORTGAGE-BACKED SECURITIES (IDENTIFIED COST \$59,891,313)	60,415,328
U.S. TREASURY—0.8%		
3,802,365	U.S. Treasury Inflation-Protected Note, 2.375%, 4/15/2011 (IDENTIFIED COST \$3,904,566)	3,895,642
MUTUAL FUND—8.1%		
39,987,294	^{1,2} Government Obligations Fund, Institutional Shares, 0.11% (AT NET ASSET VALUE)	39,987,294
	TOTAL INVESTMENTS—105.1% (IDENTIFIED COST \$512,375,493) ³	517,795,035
	OTHER ASSETS AND LIABILITIES - NET—(5.1)% ⁴	(25,062,697)
	TOTAL NET ASSETS—100%	\$492,732,338

1 *Affiliated company.*

2 *7-Day net yield.*

3 *Also represents cost for federal tax purposes.*

4 *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 August 31, 2009.

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

Level 1—quoted prices in active markets for identical securities

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

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 August 31, 2009, 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
Debt Securities:				
Adjustable Rate Mortgages	\$ —	\$197,327,592	\$—	\$197,327,592
Collateralized Mortgage Obligations	—	212,119,621	—	212,119,621
Government Agency	—	4,049,558	—	4,049,558
Mortgage-Backed Securities	—	60,415,328	—	60,415,328
U.S. Treasury	—	3,895,642	—	3,895,642
Mutual Fund	39,987,294	—	—	39,987,294
TOTAL SECURITIES	\$39,987,294	\$477,807,741	\$—	\$517,795,035

The following acronyms are used throughout this portfolio:

ARM –Adjustable Rate Mortgage

REMIC–Real Estate Mortgage Investment Conduit

See Notes which are an integral part of the Financial Statements

STATEMENT OF ASSETS AND LIABILITIES

August 31, 2009

Assets:

Total investments in securities, at value including \$39,987,294 of investments in an affiliated issuer (Note 5) (identified cost \$512,375,493)	\$ 517,795,035
Cash	60
Income receivable	2,629,902
Receivable for shares sold	4,126,832
TOTAL ASSETS	524,551,829

Liabilities:

Payable for investments purchased	\$ 30,908,004
Payable for shares redeemed	680,656
Income distribution payable	107,489
Payable for Directors'/Trustees' fees	1,363
Payable for shareholder services fee (Note 5)	119,005
Accrued expenses	2,974
TOTAL LIABILITIES	31,819,491
Net assets for 50,612,951 shares outstanding	\$492,732,338

Net Assets Consist of:

Paid-in capital	\$490,651,088
Net unrealized appreciation of investments	5,419,542
Accumulated net realized loss on investments	(3,369,448)
Undistributed net investment income	31,156
TOTAL NET ASSETS	\$492,732,338

Net Asset Value, Offering Price and Redemption Proceeds Per Share

Institutional Shares:

\$427,717,152 ÷ 43,935,063 shares outstanding, no par value, unlimited shares authorized	\$9.74
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Institutional Service Shares:

\$65,015,186 ÷ 6,677,888 shares outstanding, no par value, unlimited shares authorized	\$9.74
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See Notes which are an integral part of the Financial Statements

STATEMENT OF OPERATIONS

Year Ended August 31, 2009

Investment Income:	
Interest	\$ 7,743,854
Dividends received from an affiliated issuer (Note 5)	98,120
TOTAL INCOME	7,841,974
Expenses:	
Investment adviser fee (Note 5)	\$ 1,533,742
Administrative personnel and services fee (Note 5)	198,507
Custodian fees	16,324
Transfer and dividend disbursing agent fees and expenses	44,176
Directors'/Trustees' fees	12,425
Auditing fees	23,500
Legal fees	4,628
Portfolio accounting fees	104,237
Distribution services fee—Institutional Service Shares (Note 5)	10,714
Shareholder services fee—Institutional Shares (Note 5)	371,992
Shareholder services fee—Institutional Service Shares (Note 5)	49,452
Account administration fee—Institutional Shares	2,015
Account administration fee—Institutional Service Shares	3,545
Share registration costs	49,733
Printing and postage	23,074
Insurance premiums	4,664
Miscellaneous	27,230
TOTAL EXPENSES	2,479,958
Waivers and Reimbursements (Note 5):	
Waiver/reimbursement of investment adviser fee	\$ (415,309)
Waiver of administrative personnel and services fee	(3,977)
Waiver of distribution services fee—Institutional Service Shares	(10,714)
Reimbursement of shareholder services fee—Institutional Shares	(371,992)
Reimbursement of shareholder services fee—Institutional Service Shares	(232)
Reimbursement of account administration fee—Institutional Shares	(2,015)
TOTAL WAIVERS AND REIMBURSEMENTS	(804,239)
Net expenses	1,675,719
Net investment income	6,166,255
Realized and Unrealized Gain on Investments:	
Net realized gain on investments	529,206
Net change in unrealized appreciation of investments	5,402,564
Net realized and unrealized gain on investments	5,931,770
Change in net assets resulting from operations	\$ 12,098,025

See Notes which are an integral part of the Financial Statements

STATEMENT OF CHANGES IN NET ASSETS

Year Ended August 31	2009	2008
Increase (Decrease) in Net Assets		
Operations:		
Net investment income	\$ 6,166,255	\$ 4,392,513
Net realized gain (loss) on investments	529,206	(67,177)
Net change in unrealized appreciation/depreciation of investments	5,402,564	301,910
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	12,098,025	4,627,246
Distributions to Shareholders:		
Distributions from net investment income		
Institutional Shares	(5,691,708)	(4,108,951)
Institutional Service Shares	(435,843)	(295,817)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(6,127,551)	(4,404,768)
Share Transactions:		
Proceeds from sale of shares	500,970,012	68,197,684
Net asset value of shares issued to shareholders in payment of distributions declared	4,819,479	2,225,457
Cost of shares redeemed	(151,434,986)	(30,530,059)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	354,354,505	39,893,082
Change in net assets	360,324,979	40,115,560
Net Assets:		
Beginning of period	132,407,359	92,291,799
End of period (including undistributed (distributions in excess of) net investment income of \$31,156 and \$(7,548), respectively)	\$ 492,732,338	\$ 132,407,359

See Notes which are an integral part of the Financial Statements

NOTES TO FINANCIAL STATEMENTS

August 31, 2009

1. ORGANIZATION

Federated Adjustable Rate Securities Fund (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "Act"), as a diversified, open-end management investment company. The Fund offers two classes of shares: Institutional Shares and Institutional Service Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. The investment objective of the Fund is to provide current income consistent with minimal volatility of principal.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Investment Valuation

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

- Fixed-income securities acquired with remaining maturities greater than 60 days are fair valued using price evaluations provided by a pricing service approved by the Board of Trustees (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).
- Shares of other mutual funds are valued based upon their reported NAVs.

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, mortgage-backed securities and municipal securities. The Fund normally uses mid evaluations for other types of fixed-income securities and over-the-counter 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 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 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

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.

With respect to agreements to repurchase U.S. government securities and cash items, the Fund treats the repurchase agreement as an investment in the underlying securities and not as an obligation of the other party to the repurchase agreement. Other repurchase agreements are treated as obligations of the other party secured by the underlying securities. Nevertheless, 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. Inflation and deflation adjustments on Treasury Inflation-Protected Securities are included in interest income. Distributions of net investment income are declared daily and paid monthly. 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 each class may bear certain expenses unique to that class such as account administration, distribution services and shareholder services fees. 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/Paydown Gains and Losses

All premiums and discounts on fixed-income securities, other than mortgage-backed securities, are amortized/accreted. Gains and losses realized on principal payment of mortgage-backed securities (paydown gains and losses) are classified as part of investment income.

Federal Taxes

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code (the "Code") and to distribute to shareholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. The Fund complies with the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." As of and during the year ended August 31, 2009, 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 August 31, 2009, tax years 2006 through 2009 remain subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the Commonwealth of Massachusetts.

When-Issued and Delayed Delivery Transactions

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

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 August 31	2009		2008	
	Shares	Amount	Shares	Amount
Institutional Shares:				
Shares sold	45,240,616	\$ 436,428,068	6,938,034	\$ 66,270,932
Shares issued to shareholders in payment of distributions declared	468,404	4,506,745	220,161	2,101,584
Shares redeemed	(14,828,804)	(143,059,644)	(3,110,564)	(29,660,701)
NET CHANGE RESULTING FROM INSTITUTIONAL SHARE TRANSACTIONS	30,880,216	\$ 297,875,169	4,047,631	\$ 38,711,815

Year Ended August 31	2009		2008	
	Shares	Amount	Shares	Amount
Institutional Service Shares:				
Shares sold	6,666,852	\$ 64,541,944	201,723	\$ 1,926,752
Shares issued to shareholders in payment of distributions declared	32,357	312,734	12,975	123,873
Shares redeemed	(866,863)	(8,375,342)	(90,884)	(869,358)
NET CHANGE RESULTING FROM INSTITUTIONAL SERVICE SHARE TRANSACTIONS	5,832,346	\$ 56,479,336	123,814	\$ 1,181,267
NET CHANGE RESULTING FROM FUND SHARE TRANSACTIONS	36,712,562	\$ 354,354,505	4,171,445	\$ 39,893,082

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 the expiration of capital loss carryforwards.

For the year ended August 31, 2009, permanent differences identified and reclassified among the components of net assets were as follows:

Increase (Decrease)	Accumulated Net Realized Gain (Loss)
Paid-In Capital	
\$(1,463,703)	\$1,463,703

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 August 31, 2009 and 2008, was as follows:

	2009	2008
Ordinary income	\$6,127,551	\$4,404,768

As of August 31, 2009, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 31,156
Net unrealized appreciation	\$ 5,419,542
Capital loss carryforwards	\$(3,369,448)

At August 31, 2009, the cost of investments for federal tax purposes was \$512,375,493. The net unrealized appreciation of investments for federal tax purposes was \$5,419,542. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$5,615,651 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$196,109.

At August 31, 2009, the Fund had a capital loss carryforward of \$3,369,448 which will reduce the Fund's taxable income arising from future net realized gains on investments, if any, to the extent permitted by the Code and thus will reduce the amount of distributions to shareholders which would otherwise be necessary to relieve the Fund of any liability for federal income tax. Pursuant to the Code, such capital loss carryforward will expire as follows:

Expiration Year	Expiration Amount
2012	\$ 46,558
2013	\$1,952,394
2014	\$ 342,507
2015	\$ 817,446
2016	\$ 210,543

The Fund used capital loss carryforwards of \$505,336 to offset capital gains realized during the year ended August 31, 2009. Additionally, capital loss carryforwards of \$1,463,703 expired during the year ended August 31, 2009.

5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Investment Adviser Fee

Federated Investment Management Company is the Fund's investment adviser (the "Adviser"). The advisory agreement between the Fund and the Adviser provides for an annual fee equal to 0.60% of the Fund's average daily net assets. Subject to the terms described in the Expense Limitation note, the Adviser may voluntarily choose to waive any portion of its fee. The Adviser can modify or terminate this voluntary waiver at any time at its sole discretion. For the year ended August 31, 2009, the Adviser voluntarily waived \$394,372 of its fee.

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. FAS can modify or terminate this voluntary waiver at any time at its sole discretion. For the year ended August 31, 2009, the net fee paid to FAS was 0.076% of average daily net assets of the Fund. FAS waived \$3,977 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 Institutional Service Shares to finance activities intended to result in the sale of these shares. The Plan provides that the Fund may incur distribution expenses at 0.05% of average daily net assets, annually, to compensate FSC. Subject to the terms described in the Expense Limitation note, FSC may voluntarily choose to waive any portion of its fee. FSC can modify or terminate this voluntary waiver at any time at its sole discretion. For the year ended August 31, 2009, FSC voluntarily waived its entire fee of \$10,714. When FSC receives fees, it may pay some or all of them to financial intermediaries whose customers purchase 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 Institutional Shares and Institutional Service Shares to financial intermediaries or to Federated Shareholder Services Company (FSSC) for providing services to shareholders and maintaining shareholder accounts. Subject to the terms described in the Expense Limitation note, FSSC may voluntarily reimburse the Fund for shareholder services fees or account administration fees. This voluntary reimbursement can be modified or terminated at any time. For the year ended August 31, 2009, FSSC voluntarily reimbursed \$372,224 of shareholder services fees and \$2,015 of account administration fees. For the year ended August 31, 2009, FSSC did not receive any fees paid by the Fund.

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 operating expenses (as shown in the financial highlights) paid by the Fund's Institutional Shares and Institutional Service Shares (after the voluntary waivers and reimbursements) will not exceed 0.63% and 0.88%, respectively, for the fiscal year ending August 31, 2010. Although these actions are voluntary, the Adviser and its affiliates have agreed to continue these waivers and/or reimbursements at least through October 31, 2010.

General

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

Transactions with Affiliated Companies

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 August 31, 2009, the Adviser reimbursed \$20,937. Transactions with the affiliated company during the year ended August 31, 2009 were as follows:

Affiliate	Balance of Shares Held 8/31/2008	Purchases/ Additions	Sales/ Reductions	Balance of Shares Held 8/31/2009	Dividend Value	Dividend Income
Government Obligations Fund—Institutional Shares	1,570,347	416,472,544	378,055,597	39,987,294	\$39,987,294	\$98,120

6. 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 August 31, 2009, there were no outstanding loans. During the year ended August 31, 2009, the Fund did not utilize the LOC.

7. INTERFUND LENDING

Pursuant to an Exemptive Order issued by the Securities and Exchange Commission (SEC), 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 funds to borrow from other participating affiliated funds. As of August 31, 2009, there were no outstanding loans. During the year ended August 31, 2009, the program was not utilized.

8. LEGAL PROCEEDINGS

Since October 2003, Federated Investors, Inc. and related entities (collectively, "Federated") and various Federated funds ("Federated Funds") have been named as defendants in several class action lawsuits now pending in the United States District Court for the District of Maryland. The lawsuits were purportedly filed on behalf of people who purchased, owned and/or redeemed shares of Federated-sponsored mutual funds during specified periods beginning November 1, 1998. The suits are generally similar in alleging that Federated engaged in illegal and improper trading practices including market timing and late trading in concert with certain institutional traders, which allegedly caused financial injury to the mutual fund shareholders. These lawsuits began to be filed shortly after Federated's first public announcement that it had received requests for information on shareholder trading activities in the Federated Funds from the SEC, the Office of the New York State Attorney General ("NYAG") and other authorities. In that regard, on November 28, 2005, Federated announced that it had reached final settlements with the SEC and the NYAG with respect to those matters. As Federated previously reported in 2004, it has already paid approximately \$8.0 million to certain funds as determined by an independent consultant. As part of these settlements, Federated agreed to pay for the benefit of fund shareholders additional disgorgement and a civil money penalty in the aggregate amount of an additional \$72 million. Federated entities have also been named as defendants in several additional lawsuits that are now pending in the United States District Court for the Western District of Pennsylvania, alleging, among other things, excessive advisory and Rule 12b-1 fees. The Board of the Federated Funds retained the law firm of Dickstein Shapiro LLP to represent the Federated Funds in these lawsuits. Federated and the Federated Funds, and their respective counsel have been defending this litigation, and none of the Federated Funds remains a defendant in any of the lawsuits (though some could potentially receive any recoveries as nominal defendants). Additional lawsuits based upon similar allegations may be filed in the future. The potential impact of these lawsuits, all of which seek unquantified damages, attorneys' fees and expenses, and future potential similar suits is uncertain. Although we do not believe that these lawsuits will have a material adverse effect on the Federated Funds, there can be no assurance that these suits, the ongoing adverse publicity and/or other developments resulting from the regulatory investigations will not result in increased Federated Fund redemptions, reduced sales of Federated Fund shares or other adverse consequences for the Federated Funds.

9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2009, the date the financial statements were issued, and determined that no events have occurred that require additional disclosure.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TO THE BOARD OF TRUSTEES OF AND SHAREHOLDERS OF FEDERATED ADJUSTABLE RATE SECURITIES FUND:

We have audited the accompanying statement of assets and liabilities of Federated Adjustable Rate Securities Fund (the "Fund"), including the portfolio of investments, as of August 31, 2009, 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 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 the 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 August 31, 2009, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from the brokers 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 Adjustable Rate Securities Fund at August 31, 2009, 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 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
October 20, 2009

BOARD OF TRUSTEES AND FUND OFFICERS

The Board is responsible for managing the Fund's business affairs and for exercising all the Fund's powers except those reserved for the shareholders. The following tables give information about each Board member and the senior officers of the Fund. Where required, the tables separately list Board members who are "interested persons" of the Fund (i.e., "Interested" Board members) and those who are not (i.e., "Independent" Board members). Unless otherwise noted, the address of each person listed is Federated Investors Tower, 1001 Liberty Avenue, Pittsburgh, PA 15222. The address of all Independent Board members listed is 4000 Ericsson Drive, Warrendale, PA 15086-7561; Attention: Mutual Fund Board. As of December 31, 2008, the Fund comprised one portfolio, and the Federated Fund Complex consisted of 40 investment companies (comprising 148 portfolios). Unless otherwise noted, each Officer is elected annually. Unless otherwise noted, each Board member oversees all portfolios in the Federated Fund Complex and serves for an indefinite term. The Fund's Statement of Additional Information includes additional information about Fund Trustees and is available, without charge and upon request, by calling 1-800-341-7400.

INTERESTED TRUSTEES BACKGROUND

Name	Birth Date	Positions Held with Fund	Principal Occupation(s) for Past Five Years, Other Directorships Held and Previous Position(s)
John F. Donahue*	Birth Date: July 28, 1924 TRUSTEE Began serving: May 1985		Principal Occupations: Director or Trustee of the Federated Fund Complex; Chairman and Director, Federated Investors, Inc.; Chairman of the Federated Fund Complex's Executive Committee. Previous Positions: Chairman of the Federated Fund Complex; Trustee, Federated Investment Management Company; Chairman and Director, Federated Investment Counseling.

Name	Birth Date	Positions Held with Fund	Principal Occupation(s) for Past Five Years, Other Directorships Held and Previous Position(s)
J. Christopher Donahue*	Birth Date: April 11, 1949 PRESIDENT AND TRUSTEE Began serving: July 1999		Principal Occupations: Principal Executive Officer and President of the Federated Fund Complex; Director or Trustee of some of the Funds in the Federated Fund Complex; 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. 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 Fund	Principal Occupation(s) for Past Five Years, Other Directorships Held and Previous Position(s)
John T. Conroy, Jr.	Birth Date: June 23, 1937 TRUSTEE Began serving: August 1991		Principal Occupations: Director or Trustee of the Federated Fund Complex; Chairman of the Board, Investment Properties Corporation; Partner or Trustee in private real estate ventures in Southwest Florida; Assistant Professor of Theology, Blessed Edmund Rice School for Pastoral Ministry. Previous Positions: President, Investment Properties Corporation; Senior Vice President, John R. Wood and Associates, Inc., Realtors; President, Naples Property Management, Inc. and Northgate Village Development Corporation.
Nicholas P. Constantakis	Birth Date: September 3, 1939 TRUSTEE Began serving: February 1998		Principal Occupation: Director or Trustee of the Federated Fund Complex. Other Directorships Held: Director and Chairman of the Audit Committee, Michael Baker Corporation (engineering and energy services worldwide). Previous Position: Partner, Andersen Worldwide SC.

Name	Principal Occupation(s) for Past Five Years, Other Directorships Held and Previous Position(s)
John F. Cunningham Birth Date: March 5, 1943 TRUSTEE Began serving: January 1999	Principal Occupation: Director or Trustee of the Federated Fund Complex. Other Directorships Held: Chairman, President and Chief Executive Officer, Cunningham & Co., Inc. (strategic business consulting); Trustee Associate, Boston College. Previous Positions: Director, QSGI, Inc. (technology services company); 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.
Maureen Lally-Green Birth Date: July 5, 1949 TRUSTEE Began serving: August 2009	Principal Occupations: Director or Trustee of the Federated Fund Complex; 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.
Peter E. Madden Birth Date: March 16, 1942 TRUSTEE Began serving: August 1991	Principal Occupations: Director or Trustee, and Chairman of the Board of Directors or Trustees of the Federated Fund Complex. Other Directorships Held: Board of Overseers, Babson College. Previous Positions: Representative, Commonwealth of Massachusetts General Court; President, 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.

Name	Principal Occupation(s) for Past Five Years, Other Directorships Held and Previous Position(s)
Charles F. Mansfield, Jr. Birth Date: April 10, 1945 TRUSTEE Began serving: July 1999	Principal Occupations: Director or Trustee of the Federated Fund Complex; Chairman of the Audit Committee of the Federated Fund Board of Directors or Trustees; Management Consultant. 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).
R. James Nicholson Birth Date: February 4, 1938 TRUSTEE Began serving: January 2008	Principal Occupations: Director or Trustee of the Federated Fund Complex; 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. Other Directorships Held: Director, Horatio Alger Association; Director, The Daniels Fund. 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.

Name**Birth Date****Positions Held with Fund
Date Service Began****Principal Occupation(s) for Past Five Years,
Other Directorships Held and Previous Position(s)**

Thomas M. O'Neill

Birth Date: June 14, 1951

TRUSTEE

Began serving: October 2006

Principal Occupations: Director or Trustee of the Federated Fund Complex; Managing Director and Partner, Navigator Management Company, L.P. (investment and strategic consulting).**Other Directorships Held:** Board of Overseers, Children's Hospital of Boston; Visiting Committee on Athletics, Harvard College.**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).

John S. Walsh

Birth Date: November 28, 1957

TRUSTEE

Began serving: July 1999

Principal Occupations: Director or Trustee of the Federated Fund Complex; 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.

James F. Will

Birth Date: October 12, 1938

TRUSTEE

Began serving: April 2006

Principal Occupations: Director or Trustee of the Federated Fund Complex; formerly, Vice Chancellor and President, Saint Vincent College.**Other Directorships Held:** Trustee, Saint Vincent College; Alleghany Corporation.**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.

OFFICERS

Name**Birth Date****Positions Held with Fund
Date Service Began****Principal Occupation(s) for Past Five Years and Previous Position(s)**

John W. McGonigle

Birth Date: October 26, 1938

EXECUTIVE VICE PRESIDENT
AND SECRETARYBegan serving: June 1995
and May 1985, respectively**Principal Occupations:** Executive Vice President and Secretary of the Federated Fund Complex; 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 Complex; 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.

Richard B. Fisher

Birth Date: May 17, 1923

VICE PRESIDENT

Began serving: May 1985

Principal Occupations: Vice Chairman or Vice President of some of the Funds in the Federated Fund Complex; Vice Chairman, Federated Investors, Inc.; Chairman, Federated Securities Corp.**Previous Positions:** President and Director or Trustee of some of the Funds in the Federated Fund Complex; Executive Vice President, Federated Investors, Inc.; Director and Chief Executive Officer, Federated Securities Corp.

Name Birth Date Positions Held with Fund Date Service Began	Principal Occupation(s) for Past Five Years and Previous Position(s)
Brian P. Bouda Birth Date: February 28, 1947 CHIEF COMPLIANCE OFFICER AND SENIOR VICE PRESIDENT Began serving: August 2004 and January 2006, respectively	Principal Occupations: Senior Vice President and Chief Compliance Officer of the Federated Fund Complex; 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.
Robert J. Ostrowski Birth Date: April 26, 1963 CHIEF INVESTMENT OFFICER Began serving: May 2004	Principal Occupations: Robert J. Ostrowski joined Federated in 1987 as an Investment Analyst and became a Portfolio Manager in 1990. He was named Chief Investment Officer of taxable fixed-income products in 2004 and also serves as a Senior Portfolio Manager. Mr. Ostrowski became an Executive Vice President of the Fund's Adviser in 2009 and served as a Senior Vice President of the Fund's Adviser from 1997 to 2009. Mr. Ostrowski is a Chartered Financial Analyst. He received his M.S. in Industrial Administration from Carnegie Mellon University.
Todd A. Abraham Birth Date: February 10, 1966 VICE PRESIDENT Began serving: November 1998	Principal Occupations: Todd A. Abraham has been the Fund's Portfolio Manager since August 1995. He is Vice President of the Fund. Mr. Abraham has been a Portfolio Manager since 1995, a Vice President of the Fund's Adviser since 1997 and a Senior Vice President of the Fund's Adviser beginning 2007. Mr. Abraham joined Federated in 1993 as an Investment Analyst and served as Assistant Vice President of the Fund's Adviser from 1995 to 1997. Mr. Abraham served as a Portfolio Analyst at Ryland Mortgage Co. from 1992-1993. Mr. Abraham is a Chartered Financial Analyst and received his M.B.A. in Finance from Loyola College.

EVALUATION AND APPROVAL OF ADVISORY CONTRACT—MAY 2009

FEDERATED ADJUSTABLE RATE SECURITIES FUND (THE "FUND")

The Fund's Board reviewed the Fund's investment advisory contract at meetings held in May 2009. The Board's decision regarding the contract 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 Board considered that evaluation, along with other information, in deciding to approve the advisory contract.

During its review of the contract, the Board considered compensation and benefits received by the Adviser. This included the fees received for services provided to the Fund by other entities in the Federated organization and research services 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 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 contract 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 reports in connection with the particular meeting at which the Board's formal review of the advisory contract 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 contract included review of the Senior Officer's evaluation, accompanying data and additional reports covering such matters as: the Adviser'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'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 particularly useful, 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 reports 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 highly important in judging the reasonableness of proposed fees.

For both the one-year, three-year and five-year periods covered by the report, the Fund's performance was above the median of the relevant peer group.

The Board also received financial information about Federated, including reports on the compensation and benefits Federated derived from its relationships with the Federated funds. These reports 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 reports also discussed 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 report regarding the institution or elimination of these voluntary waivers.

Federated furnished reports, 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 reports unreliable. The allocation reports were considered in the analysis by the Board but were determined to be of limited use.

The Board and the Senior Officer also reviewed a report 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, 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.

It was noted in the materials for the Board meeting that for the period covered by the report, 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's evaluation noted his belief that the information and observations contained in his evaluation supported a finding that the proposed management fees 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 contract. 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 contract on the totality of the circumstances and relevant factors and with a view to past and future long-term considerations. Not all of the factors and considerations identified above were necessarily relevant to the Fund, nor did the Board consider any one of them to be determinative. With respect to the factors that were relevant, the Board's decision to approve the 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 Web site at FederatedInvestors.com. To access this information from the "Products" section of the Web site, click on the "Prospectuses and Regulatory Reports" link under "Related Information," then select the appropriate link opposite the name of the Fund; or select the name of the Fund and from the Fund's page, click on the "Prospectuses and Regulatory Reports" link. Form N-PX filings are also available at the SEC's Web site 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 Web site 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 Web site at FederatedInvestors.com by clicking on "Portfolio Holdings" under "Related Information," then selecting the appropriate link opposite the name of the Fund; or select the name of the Fund and from the Fund's page, click on the "Portfolio Holdings" link.

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

WORLD-CLASS INVESTMENT MANAGER[®]

Federated Adjustable Rate Securities Fund
Federated Investors Funds
4000 Ericsson Drive
Warrendale, PA 15086-7561

Contact us at **FederatedInvestors.com**
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