

GOVERNMENT

Fund Description

The fund seeks to provide investors with current income consistent with minimal principal volatility. To pursue its objective, the fund invests in adjustable and floating rate mortgage securities.

Overall Morningstar Rating™

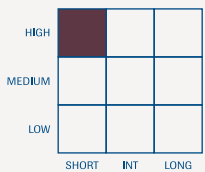
Rating is based on risk adjusted total return for Institutional Shares



out of 87 Funds in Ultrashort Bond Category

The overall rating is derived from a weighted average of the fund's three-, five-, and ten-year average annual returns, as applicable.

Morningstar Style Box™



Morningstar Category

Ultrashort Bond

Benchmark

Bank of America Merrill Lynch 1-Year Treasury Index

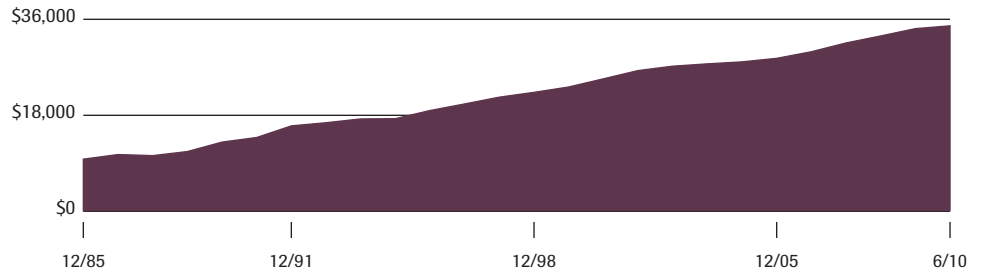
Nasdaq Symbols

Institutional Shares (IS) FEUGX
 Institutional Service Shares (SS) FASSX

Growth Over Time

If you had invested \$10,000 on 12/31/85 (month end of the fund's performance inception) and reinvested all distributions, here's how your account would have grown by 6/30/10.

█ Federated Adjustable Rate Securities Fund IS \$35,774



Average Annual Total Returns (%)

Performance shown is before tax.

NAV	Performance Inception	Cumulative 3 Month	1 Year	5 Year	10 Year	15 Year	20 Year	Since Inception	Expense Ratio*	
									Before Waivers	After Waivers
IS	12/3/85	1.12	2.85	4.19	3.83	4.39	5.04	5.32	1.06	0.65
SS	4/25/92	1.06	2.60	3.95	3.58	4.14	N/A	4.10	1.11	0.90
Benchmark		0.26	0.99	3.50	3.54	4.21	N/A	N/A	N/A	N/A
Lipper Ultra-Short Obligations Funds Average		0.38	3.87	2.06	2.74	3.75	4.43	N/A	N/A	N/A

Calendar Year Total Returns (%)

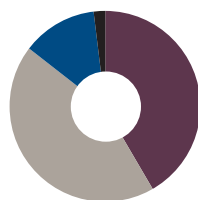
Institutional Shares/NAV

2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
4.17	4.16	5.50	4.30	2.39	1.34	1.61	3.10	6.25	6.56
1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
4.51	4.19	6.32	6.52	8.81	0.27	4.29	3.71	15.73	6.62

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. Current performance may be lower or higher than what is stated. To view performance current to the most recent month-end, and for after tax returns, contact us or visit FederatedInvestors.com.

* Expenses include 0.02% of indirect expenses of acquired funds in which the fund invests. Waivers/reimbursements are voluntary. The Adviser has agreed not to terminate these waivers and/or reimbursements until after 10/31/2010.

Sector Weightings (%)



- █ U.S. Government Agency Floating Rate Securities (includes FDIC-Guaranteed Debt) **42.7**
- █ U.S. Government Agency Adjustable Rate Mortgage Securities **42.2**
- █ U.S. Government Agency Mortgage-Backed Securities **13.6**
- █ Cash Equivalents/Misc. **1.5**

GOVERNMENT

Key Investment Team Members

Todd A. Abraham, CFA

Fund Statistics

Portfolio Assets	\$964.1 m
Dividends	Paid Monthly
30-Day Yield	1.12%
Weighted Average Effective Duration	0.9 Years

Top Holdings (%)

FHLMC 4.5% due 06/01/24	5.8
FNMA ARM 3.160% due 08/01/39	3.5
FNMA Remic 2010-39 EF 0.86719% due 04/30/40	2.5
FHLMC Remic 3611 FH 1.09969% due 07/15/34	2.4
FNMA Remic 2006-72 TE 0.64719% due 08/25/36	2.2
FHLMC Floating Rate 0.271% due 02/02/12	2.1
FHLMC 4% due 06/01/25	2.1
FNMA Remic 2009-87 HF 1.19719% due 11/25/39	2.0
FNMA ARM 3.550% due 01/01/40	2.0
FNMA ARM 3.320% due 01/01/39	1.8

Federated knows...

Stability

Ranks as a leading global investment manager, managing approximately \$335 billion in assets, delivering competitive and consistent results since 1955 and fostering growth by reinvesting in the company

Investment Solutions

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

Diligence

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

Client-centric

Delivers business solutions through consultative meetings, investment forums and market insights, often delivered proactively at client-specific locations

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus, or if available, a summary prospectus containing this and other information, contact us or visit FederatedInvestors.com. Please carefully read the prospectus or the summary prospectus before investing.

Past performance is no guarantee of future results.

Effective January 21, 1992, the fund converted its investment policy from intermediate- to longer-term Treasuries to adjustable rate mortgage securities.

A WORD ABOUT RISK

Bond prices are sensitive to changes in interest rates and a rise in interest rates can cause a decline in their prices.

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.

DEFINITIONS

The holdings percentages are based on net assets at the close of business on 6/30/10 and may not necessarily reflect adjustments that are routinely made when presenting net assets for formal financial statement purposes. Because this is a managed portfolio, the investment mix will change.

Total return represents the change in value of an investment after reinvesting all income and capital gains. Total return would have been lower in the absence of temporary expense waivers or reimbursements.

The 30-day yield for Institutional Shares is calculated by dividing the net investment income per share for the 30 days ended on the date of calculation by the maximum offering price per share on that date. The figure is compounded and annualized. The 30-day yield for Institutional Service Shares was 0.89%. For an indefinite period of time, the investment adviser is waiving all or part of its fee and, in addition, may reimburse the fund for some of its expenses. Otherwise, the yield would have been 0.84% for Institutional Shares and 0.69% for Institutional Service Shares.

Growth Over Time performance is for the fund's Institutional Shares. The fund offers an additional share class whose performance will vary due to differences in charges and expenses.

Weighted average effective duration is a measure of security's price sensitivity to changes in interest rates. Securities with longer durations are more sensitive to changes in interest rates than securities of shorter durations.

Bank of America Merrill Lynch 1-Year Treasury Index is an unmanaged index tracking U.S. government securities. The index is produced by Bank of America Merrill Lynch, Pierce, Fenner & Smith, Inc. Indexes are unmanaged and cannot be invested in directly.

RATINGS AND RATING AGENCIES

Lipper Averages represent the average total returns reported by all mutual funds designated by Lipper, Inc. as falling into the respective categories indicated and do not reflect sales charges. Data Source: Lipper, A Reuters Company. Copyright 2010© Reuters. All rights reserved. Any copying, republication or redistribution of Lipper content, including by caching, framing or similar means, is expressly prohibited without the prior written consent of Lipper. Lipper shall not be liable for any errors or delays in the content, or for any actions taken in reliance thereon.

Morningstar Style Box™ reveals a fund's investment strategy. For fixed-income funds the vertical axis shows the average credit quality of the bonds owned, and the horizontal axis shows interest rate sensitivity as measured by a bond's duration.

Morningstar Category identifies funds based on their actual investment styles as measured by their underlying portfolio holdings over the past three years. If the fund is less than three years old, the category is based on the life of the fund. ©2010 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

For each fund with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted-average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics. Ratings are for Institutional Shares; other classes may have different performance characteristics. For the 3-, 5- and 10-year periods ended 6/30/10, the fund received 5, 5 and 5 stars, and was rated among 87, 77 and 48 funds, respectively. Past performance is no guarantee of future results.

