

CORPORATE

Fund Description

The fund seeks to offer investors current income. To pursue its objective, the fund invests in asset-backed and mortgage-backed securities, corporate debt securities, and Treasury and agency securities.

Overall Morningstar Rating™

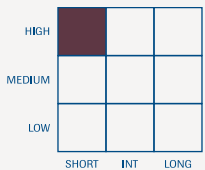
Rating is based on risk adjusted total return for Class Y Shares



out of 384 Funds in Short-Term 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

Short-Term Bond

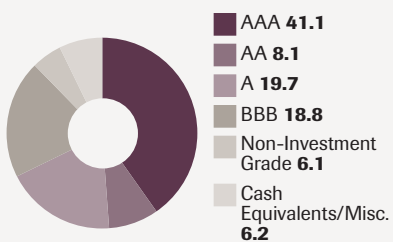
Benchmark

30% Bank of America Merrill Lynch US Corporate Index/30% Bank of America Merrill Lynch US Fixed & Floating Rate Asset-Backed Securities Index/20% Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index/20% Bank of America Merrill Lynch 0-3 Year US Mortgage-Backed Securities Index

Nasdaq Symbols

Class Y Shares (Y) FSTYX

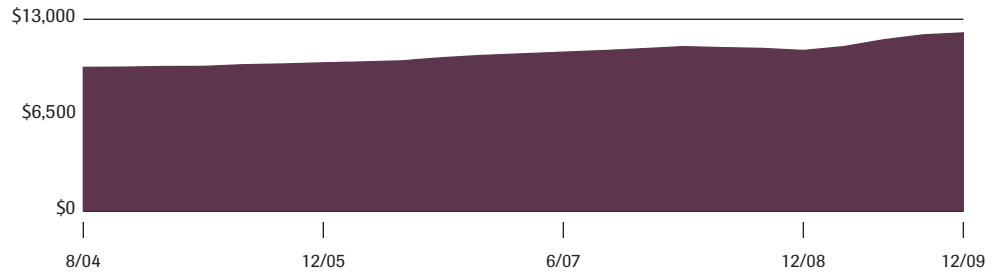
Quality Breakdown (%)



Growth Over Time

If you had invested \$10,000 on 8/31/04 (month end of the fund's performance inception) and reinvested all distributions, here's how your account would have grown by 12/31/09.

■ Federated Short-Term Income Fund Y \$12,425



Average Annual Total Returns (%)

Performance shown is before tax.

NAV	Performance Inception	Cumulative 3 Month	1 Year	5 Year	Since Inception	Expense Ratio*	
						Before Waivers	After Waivers
Y	8/26/04	1.11	10.91	4.26	4.14	0.69	0.36
Benchmark		1.23	8.96	2.70	N/A	N/A	N/A
Lipper Short Investment Grade Debt Funds Average		1.12	9.61	3.02	N/A	N/A	N/A

Calendar Year Total Returns (%)

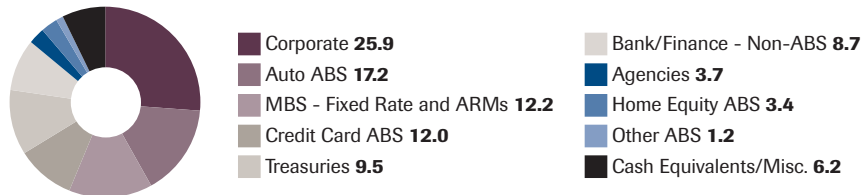
Class Y Shares/NAV

2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
10.91	-1.09	4.45	4.86	2.54	N/A	N/A	N/A	N/A	N/A

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 0.01% 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 06/30/10.

Sector Weightings (%)



Key Investment Team Members

Randall S. Bauer, CFA

Fund Statistics

Portfolio Assets	\$483.7 m
Number of Holdings	305
Dividends	Paid Monthly
30-Day Yield	2.50%
Weighted Average Effective Maturity	2.1 Years
Weighted Average Effective Duration	1.6 Years

Top Holdings (%)

U.S. Treasury Inflation Indexed Note, TIPS, 2.00% due 1/15/16	9.5
FHLMC, 3.875% due 6/29/11	2.2
FHLMC, 4.75% due 1/18/11	1.5
Americredit Automobile Receivables Trust 2007-AX, Class A4, Floating Rate Note due 10/06/13	1.1
Bank of America Credit Card Trust 2007-B1, Class B1, Floating Rate Note due 6/15/12	1.0
Harley-Davidson Motorcycle Trust 2009-4, Class B, 3.19% due 9/15/14	1.0
Wells Fargo Home Equity Trust, 2006-1, Class A3, Floating Rate Note due 5/25/36	0.9
BMW Vehicle Lease Trust 2009-1, Class A3, 2.91% due 3/15/12	0.8
Bank of America Auto Issuance Trust 2009-3, Class A3, 1.67% due 12/15/13	0.8
CitiFinancial Auto Issuance Trust 2009-1, Class A3, 2.59% due 10/15/13	0.8

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

Past performance is no guarantee of future results.

The fund's Class Y Shares commenced operations on August 30, 2004. The fund offers three other classes of shares, Institutional Shares, Institutional Service Shares and A Shares.

A WORD ABOUT RISK

Mutual funds are subject to risks and fluctuate in value. 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 12/31/09 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 Class Y 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. In the absence of temporary expense waivers or reimbursements, the 30-day yield would have been 2.26%.

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

Weighted average effective maturity is the average time to maturity of debt securities held in the fund.

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 US Corporate Index (formerly known as Merrill Lynch 1-3 Year Corporate Index) tracks the performance of US dollar denominated investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P and Fitch foreign currency long term sovereign debt ratings). In addition, qualifying securities must have at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$250 million. Bank of America Merrill Lynch US Fixed & Floating Rate Asset Backed Securities Index (formerly known as Merrill Lynch 0-3 Year Fixed Rate ABS Index) tracks the performance of US dollar denominated investment grade asset backed securities publicly issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). In addition, qualifying securities must have at least one year remaining term to final stated maturity, at least one month to the last expected cash flow, a fixed or floating rate coupon, an original deal size for the collateral group of at least \$250 million, a current outstanding deal size for the collateral group greater than or equal to 10% of the original deal size and a minimum outstanding tranche size of \$50 million for senior tranches and \$10 million for mezzanine and subordinated tranches. 144a securities

qualify for inclusion in the Index. Bank of America Merrill Lynch 1-3 Year US Treasury & Agency Index (formerly known as Merrill Lynch 1-3 Year Treasury/Agency Index) is a subset of The Bank of America Merrill Lynch US Treasury & Agency Index including all securities with a remaining term to final maturity less than 3 years. Bank of America Merrill Lynch 0-3 Year US Mortgage Backed Securities Index (formerly known as Merrill Lynch 0-3 Year Mortgage Index) is a subset of The Bank of America Merrill Lynch US Mortgage Backed Securities Index including all securities with an average life less than 3 years. Indexes are unmanaged and cannot be invested in directly.

The ratings agencies that provided the ratings are Standard and Poor's, Moody's and Fitch. When ratings vary, the highest rating is used. Credit ratings of A or better are considered to be high credit quality; credit ratings of BBB are good credit quality and the lowest category of investment grade; credit ratings BB and below are lower-rated securities ("junk bonds"); and credit ratings of CCC or below have high default risk. The credit quality breakdown does not give effect to the impact of any credit derivative investments made by the fund.

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 Class Y Shares; other classes may have different performance characteristics. For the 3-, 5- and 10-year periods ended 12/31/09, the fund received 3, 4 and 3 stars, and was rated among 384, 318 and 168 funds, respectively. Past performance is no guarantee of future results.

