

# Annual Shareholder Report

December 31, 2019

Share Class

Primary

Service

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## Federated Quality Bond Fund II

A Portfolio of Federated Insurance Series

### IMPORTANT NOTICE TO SHAREHOLDERS

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, you may not be receiving paper copies of the Fund's shareholder reports from the insurance company that offers your contract unless you specifically request paper copies from the insurance company or from your financial intermediary. Instead, the shareholder reports will be made available on a website, and the insurance company will notify you by mail each time a report is posted and provide you with a website link to access the report. Instructions for requesting paper copies will be provided by your insurance company.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the insurance company electronically by following the instructions provided by the insurance company.

You may elect to receive all future reports in paper free of charge from the insurance company. You can inform the insurance company that you wish to continue receiving paper copies of your shareholder reports by contacting the insurance company that offers your contract or your financial intermediary. Your election to receive reports in paper will apply to all portfolio companies available under your contract.

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Dear Valued Shareholder,

I am pleased to present the Annual Shareholder Report for your fund covering the period from January 1, 2019 through December 31, 2019. This report includes Management's Discussion of Fund Performance, a complete listing of your fund's holdings, performance information and financial statements along with other important fund information.

In addition, our website, [FederatedInvestors.com](http://FederatedInvestors.com), offers easy access to valuable resources that include timely fund updates, economic and market insights from our investment strategists, and financial planning tools.

Thank you for investing with us. I hope you find this information useful and look forward to keeping you informed.

Sincerely,



John B. Fisher, President

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**Not FDIC Insured • May Lose Value • No Bank Guarantee**

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## Management's Discussion of Fund Performance (unaudited)

The total return of Federated Quality Bond Fund II (the "Fund"), based on net asset value for the 12-month reporting period ended December 31, 2019, was 9.44% for the Primary Shares and 9.17% for the Service Shares. The total return of the Fund's broad-based benchmark, the Bloomberg Barclays U.S. Intermediate Credit Index (BBICI),<sup>1</sup> was 9.52% during the same period. The 9.44% total return of the Fund's Primary Shares consisted of 3.24% of taxable dividends and 6.20% of appreciation in the net asset value of shares. The Fund's total return for the most recently completed fiscal year reflected actual cash flows, transaction costs and other expenses, which were not reflected in the total return of the BBICI.

During the reporting period, the most significant factors affecting the Fund's performance relative to the BBICI were: (a) the selection of various industries and sectors of the corporate bond market;<sup>2</sup> (b) individual security selection; and (c) overall interest rate-sensitivity of the portfolio, as measured by the effective duration<sup>3</sup> of the Fund.

The following discussion will focus on the performance of the Fund's Primary Shares.

### MARKET OVERVIEW

The reporting period was marked by alternating bouts of risk-on and risk-off as recession and geopolitical worries – the U.S.-China trade war, ongoing Brexit (the U.K. leaving the European Union) saga, Hong Kong riots and the U.S. impeachment inquiry – periodically weighed on markets. The reporting period started with a strong risk-on rally that was a rebound from very weak market performance in December 2018. December was so weak in fact that it was the worst December for equities since the Great Depression. The January 2019 rebound was started, not so much because macroeconomic data improved, but because U.S. Federal Reserve (the "Fed") policymakers went out of their way to stress "patience" in policy decisions and added "sustaining the expansion" to Fed objectives. These moves that sparked the rally foreshadowed a rash of interest rate cuts by the European Central Bank and central banks across the globe over the remainder of the reporting period as countries battled the detrimental effects of a worsening U.S.-China trade war on their economies. Led by Europe, the widespread easing acted as a damper on longer U.S. yields as it caused an explosion in the amount of negative-yielding sovereign debt, which at one point topped \$17 trillion before trending down in the closing months of the reporting period. In the U.S., the Fed's pivot from rate normalization to three 25 basis point reductions in its target range in the back half of 2019 also served to inhibit upward movements in yields even as the economy continued to grow, becoming the longest expansion in U.S. history.

Amid the volatility, equity markets moved up in fits and starts for most of 2019, lifting the Dow Jones Industrial Average, S&P 500 Index and Nasdaq Composite Index to new highs during the reporting period. In the fixed-income markets, the 10-year U.S. Treasury yield started the period at 2.68%, gradually declined to a low of 1.46% in September, and ended the period at 1.91%. Similarly, as measured by the option-adjusted spread on the BBICI, investment-grade<sup>4</sup> corporate spreads started the period at 118 basis points and closed the period at 64 basis points.

### SECTOR/INDUSTRY AND SECURITY SELECTION

During the reporting period, the decision to take overweight or underweight positions to specific corporate sectors and/or ratings quality was the primary driver of Fund performance relative to the BBICI. In total for the year, sector allocation was a positive. Since 2019 was a risk-on year, the non-corporate/higher-quality sectors underperformed. As such, the Fund's underweight positions to these sectors, and specifically to Supranationals, added to performance. Overweight positions to Technology and Consumer Non-Cyclicals added to Fund performance as well.

Individual security selection was the second largest driver of positive performance relative to the BBICI. Security selection was particularly strong in the Capital Goods, Consumer Non-Cyclical, Electric, Energy and Technology sectors. Insurance, Transportation and Banking were detractors with weaker selection. Specific credits that contributed the most to Fund performance included: EDF, Goldman Sachs, General Electric and Constellation Brands. Specific credits that most negatively affected Fund performance included Pemex, HSBC Holdings and M&T Bank.

## DURATION AND DERIVATIVES MANAGEMENT

Duration had a slightly positive impact on performance due to tactical moves throughout the year even though, on average, the Fund matched the interest rate-sensitivity of the BBICI throughout the year. Derivatives, which were U.S. Treasury futures<sup>5</sup> that were used to adjust duration targets, had a negative effect on Fund performance during the reporting period.

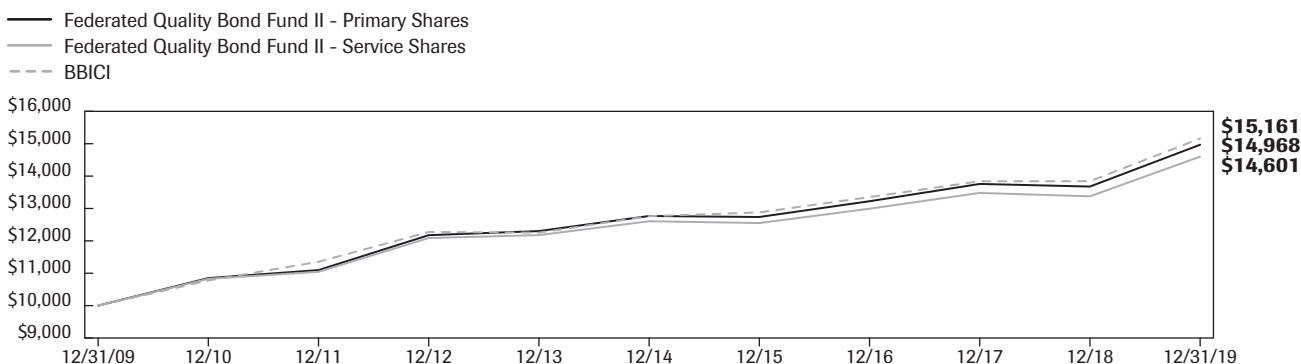
- 1 *Please see the footnotes to the line graphs under "Fund Performance and Growth of a \$10,000 Investment" below for the definition of, and more information about, the BBICI.*
- 2 *Bond prices are sensitive to changes in interest rates, and a rise in interest rates can cause a decline in their prices.*
- 3 *Duration is a measure of a 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.*
- 4 *Investment-grade securities are securities that are rated at least "BBB- (minus)" or unrated securities of a comparable quality. Noninvestment-grade securities are securities that are not rated at least "BBB- (minus)" or unrated securities of a comparable quality. Credit ratings are an indication of the risk that a security will default. They do not protect a security from credit risk. Lower-rated bonds typically offer higher yields to help compensate investors for the increased risk associated with them. Among these risks are lower credit-worthiness, greater price volatility, more risk to principal and income than with higher-rated securities and increased possibilities of default.*
- 5 *The Fund's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments.*

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

The graph below illustrates the hypothetical investment of \$10,000<sup>1</sup> in the Federated Quality Bond Fund II from December 31, 2009 to December 31, 2019, compared to the Bloomberg Barclays U.S. Intermediate Credit Index (BBICI).<sup>2</sup> The Average Annual Total Return table below shows returns for each class averaged over the stated periods.

### GROWTH OF A \$10,000 INVESTMENT

#### Growth of \$10,000 as of December 31, 2019



#### Average Annual Total Returns for the Period Ended 12/31/2019

	1 Year	5 Years	10 Years
Primary Shares	9.44%	3.23%	4.12%
Service Shares	9.17%	2.98%	3.86%
BBICI	9.52%	3.50%	4.25%

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. Performance of a variable investment option changes over time and current performance may be lower or higher than what is stated. For current to the most recent month end performance, contact your insurance company. The performance information presented does not include the charges and expenses imposed by the insurance company under the variable insurance product contract. The inclusion of such charges would lower performance. Please refer to the variable insurance product prospectus for a complete listing of these expenses. Fund shares are available exclusively as a funding vehicle for life insurance companies writing variable life insurance policies and variable annuity contracts. Variable investment options are not obligations of or guaranteed by any bank and are not federally insured.

<sup>1</sup> The Fund's performance assumes the reinvestment of all dividends and distributions. The BBICI has been adjusted to reflect reinvestment of dividends on securities in the index.

<sup>2</sup> The BBICI measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. The index only includes securities with maturity between one and ten years. It is composed of the Bloomberg Barclays U.S. Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities. The index is not adjusted to reflect sales loads, expenses or other fees that the Securities and Exchange Commission 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 December 31, 2019, the Fund's portfolio composition<sup>1</sup> was as follows:

<b>Security Type</b>	<b>Percentage of Total Net Assets</b>
Corporate Debt Securities	97.0%
Foreign Government Debt Securities	0.1%
Mortgage-Backed Securities <sup>2,3</sup>	0.0%
Collateralized Mortgage Obligation <sup>3</sup>	0.0%
Derivative Contracts <sup>3,4</sup>	0.0%
Securities Lending Collateral <sup>5</sup>	0.9%
Cash Equivalents <sup>6</sup>	2.0%
Other Assets and Liabilities—Net <sup>3,7</sup>	0.0%
<b>TOTAL</b>	<b>100.0%</b>

1 See the Fund's Prospectus and Statement of Additional Information for a description of these security types.

2 For purposes of this table, Mortgage-Backed Securities include mortgage-backed securities guaranteed by Government-Sponsored Enterprises.

3 Represents less than 0.1%.

4 Based upon net unrealized appreciation (depreciation) or value of the derivative contracts as applicable. Derivative contracts may consist of futures, forwards, options and swaps. The impact of a derivative contract on the Fund's performance may be larger than its unrealized appreciation (depreciation) or value may indicate. In many cases, the notional value or amount of a derivative contract may provide a better indication of the contract's significance to the portfolio. More complete information regarding the Fund's direct investments in derivative contracts, including unrealized appreciation (depreciation), value and notional values or amounts of such contracts, can be found in the table at the end of the Portfolio of Investments included in this Report.

5 Represents cash collateral received for portfolio securities on loan that may be invested in affiliated money market funds, other money market instruments and/or repurchase agreements.

6 Cash Equivalents include any investments in money market mutual funds and/or overnight repurchase agreements other than those representing cash collateral for securities lending.

7 Assets, other than investments in securities and derivative contracts, less liabilities. See Statement of Assets and Liabilities.

# Portfolio of Investments

December 31, 2019

Principal Amount		Value
	CORPORATE BONDS—97.0%	
	<b>Basic Industry - Chemicals—0.7%</b>	
\$ 640,000	FMC Corp., Sr. Unsecd. Note, 3.950%, 2/1/2022	\$ 659,417
500,000	RPM International, Inc., Sr. Unsecd. Note, 4.550%, 3/1/2029	541,577
	TOTAL	1,200,994
	<b>Basic Industry - Metals &amp; Mining—1.5%</b>	
230,000	Carpenter Technology Corp., Sr. Unsecd. Note, 4.450%, 3/1/2023	238,509
650,000	Carpenter Technology Corp., Sr. Unsecd. Note, 5.200%, 7/15/2021	666,421
470,000	Newcrest Finance Property Ltd., Sr. Unsecd. Note, 144A, 4.200%, 10/1/2022	489,929
1,000,000	Reliance Steel & Aluminum Co., Sr. Unsecd. Note, 4.500%, 4/15/2023	1,056,982
320,000	Southern Copper Corp., Sr. Unsecd. Note, 3.500%, 11/8/2022	330,730
	TOTAL	2,782,571
	<b>Capital Goods - Aerospace &amp; Defense—2.4%</b>	
600,000	Airbus Group SE, Sr. Unsecd. Note, 144A, 3.150%, 4/10/2027	623,257
270,000	BAE Systems Holdings, Inc., Sr. Unsecd. Note, 144A, 2.850%, 12/15/2020	271,860
280,000	BAE Systems Holdings, Inc., Sr. Unsecd. Note, 144A, 3.850%, 12/15/2025	297,132
519,000	Embraer Overseas Ltd., Sr. Unsecd. Note, 144A, 5.696%, 9/16/2023	571,121
410,000	Huntington Ingalls Industries, Inc., Sr. Unsecd. Note, 3.483%, 12/1/2027	427,322
300,000	Northrop Grumman Corp., Sr. Unsecd. Note, 2.550%, 10/15/2022	304,487
500,000	Northrop Grumman Corp., Sr. Unsecd. Note, 2.930%, 1/15/2025	515,441
320,000	Rockwell Collins, Inc., Sr. Unsecd. Note, 3.100%, 11/15/2021	325,498
910,000	<sup>1</sup> Textron Financial Corp., Jr. Sub. Note, 144A, 3.644% (3-month USLIBOR + 1.735%), 2/15/2042	725,147
295,000	Textron Inc., Sr. Unsecd. Note, 4.300%, 3/1/2024	316,591
	TOTAL	4,377,856
	<b>Capital Goods - Building Materials—0.9%</b>	
165,000	Allegion PLC, Sr. Unsecd. Note, 3.500%, 10/1/2029	168,061
800,000	Allegion US Holdings Co., Inc., Sr. Unsecd. Note, 3.200%, 10/1/2024	822,588
300,000	Masco Corp., Sr. Unsecd. Note, 3.500%, 11/15/2027	310,194
275,000	Masco Corp., Unsecd. Note, 4.450%, 4/1/2025	299,487
	TOTAL	1,600,330
	<b>Capital Goods - Construction Machinery—1.2%</b>	
500,000	CNH Industrial Capital America LLC, Sr. Unsecd. Note, 4.375%, 4/5/2022	523,376
595,000	CNH Industrial NV, Sr. Unsecd. Note, Series MTN, 3.850%, 11/15/2027	620,911
750,000	Deere & Co., Sr. Unsecd. Note, 2.600%, 6/8/2022	764,002
310,000	John Deere Capital Corp., Sr. Unsecd. Note, Series MTN, 3.450%, 3/7/2029	336,968
	TOTAL	2,245,257
	<b>Capital Goods - Diversified Manufacturing—3.0%</b>	
700,000	3M Co., Sr. Unsecd. Note, 2.000%, 2/14/2025	696,043
750,000	CK Hutchison Holdings Ltd., Sr. Unsecd. Note, 144A, 2.750%, 3/29/2023	754,478
430,000	General Electric Capital Corp., Sr. Unsecd. Note, Series GMTN, 4.625%, 1/7/2021	439,675
600,000	General Electric Capital Corp., Sub. Note, 5.300%, 2/11/2021	618,889
1,000,000	Lennox International, Inc., Sr. Unsecd. Note, 3.000%, 11/15/2023	1,017,638
250,000	Roper Technologies, Inc., Sr. Unsecd. Note, 3.650%, 9/15/2023	262,502
875,000	Roper Technologies, Inc., Sr. Unsecd. Note, 3.800%, 12/15/2026	940,290
800,000	United Technologies Corp., Sr. Unsecd. Note, 4.125%, 11/16/2028	901,176
	TOTAL	5,630,691
	<b>Capital Goods - Packaging—0.3%</b>	
500,000	WestRock Co., Sr. Unsecd. Note, Series WI, 3.750%, 3/15/2025	528,063

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Communications - Cable &amp; Satellite—2.5%</b>	
\$ 567,000	CCO Safari II LLC, 4.464%, 7/23/2022	\$ 595,916
1,000,000	CCO Safari II LLC, 4.908%, 7/23/2025	1,101,559
600,000	Comcast Corp., Sr. Unsecd. Note, 1.625%, 1/15/2022	598,574
730,000	Comcast Corp., Sr. Unsecd. Note, 2.750%, 3/1/2023	747,079
300,000	Comcast Corp., Sr. Unsecd. Note, 3.300%, 2/1/2027	317,724
750,000	Comcast Corp., Sr. Unsecd. Note, 3.950%, 10/15/2025	818,531
400,000	Time Warner Cable, Inc., Sr. Unsecd. Note, 8.375%, 3/15/2023	472,170
	<b>TOTAL</b>	<b>4,651,553</b>
	<b>Communications - Media &amp; Entertainment—1.0%</b>	
300,000	British Sky Broadcasting Group PLC, 144A, 3.750%, 9/16/2024	321,283
750,000	CBS Corp., 3.700%, 8/15/2024	793,893
250,000	Discovery Communications LLC, Sr. Unsecd. Note, 2.950%, 3/20/2023	254,794
400,000	Fox Corp, Sr. Unsecd. Note, 144A, 4.709%, 1/25/2029	455,909
	<b>TOTAL</b>	<b>1,825,879</b>
	<b>Communications - Telecom Wireless—1.0%</b>	
600,000	American Tower Corp., Sr. Unsecd. Note, 3.500%, 1/31/2023	622,057
300,000	Crown Castle International Corp., 3.150%, 7/15/2023	309,586
360,000	Crown Castle International Corp., Sr. Unsecd. Note, 2.250%, 9/1/2021	361,040
200,000	Crown Castle International Corp., Sr. Unsecd. Note, 4.450%, 2/15/2026	219,073
395,000	Vodafone Group PLC, Sr. Unsecd. Note, 4.125%, 5/30/2025	428,967
	<b>TOTAL</b>	<b>1,940,723</b>
	<b>Communications - Telecom Wirelines—1.9%</b>	
450,000	AT&T, Inc., Sr. Unsecd. Note, 3.400%, 5/15/2025	471,696
750,000	AT&T, Inc., Sr. Unsecd. Note, 4.250%, 3/1/2027	823,547
450,000	Telefonica Emisiones SAU, Company Guarantee, 5.462%, 2/16/2021	467,076
250,000	Telefonica SA, Company Guarantee, 7.045%, 6/20/2036	349,692
600,000	Verizon Communications, Inc., Sr. Unsecd. Note, 4.150%, 3/15/2024	646,388
735,000	Verizon Communications, Inc., Sr. Unsecd. Note, 5.150%, 9/15/2023	815,329
	<b>TOTAL</b>	<b>3,573,728</b>
	<b>Consumer Cyclical - Automotive—3.0%</b>	
700,000	Daimler Finance NA LLC, Sr. Unsecd. Note, 144A, 3.250%, 8/1/2024	721,387
500,000	Fiat Chrysler Automobiles NV, Sr. Unsecd. Note, 5.250%, 4/15/2023	535,620
250,000	Ford Motor Co., Sr. Unsecd. Note, 4.346%, 12/8/2026	258,280
250,000	Ford Motor Credit Co. LLC, Sr. Unsecd. Note, 3.336%, 3/18/2021	251,891
920,000	General Motors Co., Sr. Unsecd. Note, 4.000%, 4/1/2025	969,853
500,000	General Motors Financial Co., Inc., Sr. Unsecd. Note, 3.200%, 7/6/2021	506,912
300,000	General Motors Financial Co., Inc., Sr. Unsecd. Note, 4.000%, 10/6/2026	314,508
1,025,000	Nissan Motor Acceptance Corp., Sr. Unsecd. Note, 144A, 2.650%, 7/13/2022	1,028,043
650,000	Volkswagen Group of America Finance LLC, Sr. Unsecd. Note, 144A, 4.000%, 11/12/2021	672,299
300,000	<sup>2</sup> Volkswagen Group of America Finance LLC, Sr. Unsecd. Note, 144A, 4.250%, 11/13/2023	319,668
	<b>TOTAL</b>	<b>5,578,461</b>
	<b>Consumer Cyclical - Leisure—0.2%</b>	
333,533	Football Trust V, Pass Thru Cert., 5.350%, 10/5/2020	341,634
	<b>Consumer Cyclical - Retailers—2.5%</b>	
250,000	CVS Health Corp., Sr. Unsecd. Note, 3.350%, 3/9/2021	254,158
580,000	CVS Health Corp., Sr. Unsecd. Note, 3.700%, 3/9/2023	604,148
1,290,000	CVS Health Corp., Sr. Unsecd. Note, 4.300%, 3/25/2028	1,408,842
200,000	Dollar General Corp., Sr. Unsecd. Note, 4.150%, 11/1/2025	217,707
600,000	Dollar Tree, Inc., Sr. Unsecd. Note, 3.700%, 5/15/2023	625,005
500,000	Dollar Tree, Inc., Sr. Unsecd. Note, 4.000%, 5/15/2025	534,822



Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Consumer Cyclical - Retailers—continued</b>	
\$ 500,000	Home Depot, Inc., Sr. Unsecd. Note, 2.125%, 9/15/2026	\$ 499,616
560,000	WalMart Inc., Sr. Unsecd. Note, 3.400%, 6/26/2023	588,779
	<b>TOTAL</b>	<b>4,733,077</b>
	<b>Consumer Cyclical - Services—2.5%</b>	
500,000	Alibaba Group Holding Ltd., Sr. Unsecd. Note, 3.400%, 12/6/2027	520,769
500,000	Amazon.com, Inc., Sr. Unsecd. Note, 2.400%, 2/22/2023	508,901
170,000	Amazon.com, Inc., Sr. Unsecd. Note, 3.150%, 8/22/2027	179,898
750,000	Cintas Corp. No. 2, Sr. Unsecd. Note, 3.700%, 4/1/2027	813,432
500,000	Expedia, Inc., 4.500%, 8/15/2024	533,664
325,000	IHS Markit Ltd., Sr. Unsecd. Note, 4.125%, 8/1/2023	345,741
135,000	IHS Markit Ltd., Sr. Unsecd. Note, Series 5YR, 3.625%, 5/1/2024	140,441
1,000,000	Visa, Inc., Sr. Unsecd. Note, 2.800%, 12/14/2022	1,029,091
530,000	Visa, Inc., Sr. Unsecd. Note, 3.150%, 12/14/2025	560,152
	<b>TOTAL</b>	<b>4,632,089</b>
	<b>Consumer Non-Cyclical - Food/Beverage—7.0%</b>	
449,000	Anheuser-Busch InBev Finance, Inc., Sr. Unsecd. Note, 3.300%, 2/1/2023	465,109
750,000	Anheuser-Busch InBev Worldwide, Inc., Sr. Unsecd. Note, 4.750%, 1/23/2029	868,911
800,000	Coca-Cola Femsa S.A.B. de C.V., Sr. Unsecd. Note, 3.875%, 11/26/2023	845,853
1,000,000	Constellation Brands, Inc., Sr. Unsecd. Note, 4.650%, 11/15/2028	1,124,833
750,000	Danone SA, Sr. Unsecd. Note, 144A, 2.077%, 11/2/2021	750,765
340,000	Danone SA, Sr. Unsecd. Note, 144A, 2.947%, 11/2/2026	347,263
380,000	Flowers Foods, Inc., Sr. Unsecd. Note, 3.500%, 10/1/2026	387,735
330,000	General Mills, Inc., Sr. Unsecd. Note, 3.700%, 10/17/2023	347,706
500,000	Grupo Bimbo S.A.B. de CV, Sr. Unsecd. Note, 144A, 3.875%, 6/27/2024	522,354
660,000	Grupo Bimbo S.A.B. de CV, Sr. Unsecd. Note, 144A, 4.500%, 1/25/2022	686,531
1,050,000	Kerry Group Financial Services, Sr. Unsecd. Note, 144A, 3.200%, 4/9/2023	1,063,125
700,000	Keurig Dr Pepper, Inc., Sr. Unsecd. Note, 4.057%, 5/25/2023	738,250
450,000	Keurig Dr Pepper, Inc., Sr. Unsecd. Note, 4.417%, 5/25/2025	491,575
900,000	Kraft Heinz Foods Co., Sr. Unsecd. Note, 3.000%, 6/1/2026	900,033
1,000,000	McCormick & Co., Inc., Sr. Unsecd. Note, 3.150%, 8/15/2024	1,038,213
250,000	PepsiCo, Inc., Sr. Unsecd. Note, 2.000%, 4/15/2021	250,721
380,000	<sup>2</sup> Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 2.650%, 10/3/2021	377,796
240,000	Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 3.350%, 2/1/2022	240,732
60,000	Smithfield Foods, Inc., Sr. Unsecd. Note, 144A, 4.250%, 2/1/2027	61,749
600,000	Smucker (J.M.) Co., Sr. Unsecd. Note, 3.500%, 3/15/2025	631,350
370,000	Tyson Foods, Inc., Sr. Unsecd. Note, 3.900%, 9/28/2023	392,470
500,000	Tyson Foods, Inc., Sr. Unsecd. Note, 4.500%, 6/15/2022	526,404
	<b>TOTAL</b>	<b>13,059,478</b>
	<b>Consumer Non-Cyclical - Health Care—2.6%</b>	
210,000	Agilent Technologies, Inc., Sr. Unsecd. Note, 2.750%, 9/15/2029	208,635
940,000	Agilent Technologies, Inc., Sr. Unsecd. Note, 3.875%, 7/15/2023	986,391
350,000	Alcon Finance Corp., Sr. Unsecd. Note, 144A, 3.000%, 9/23/2029	356,302
500,000	Becton Dickinson & Co., Sr. Unsecd. Note, 2.894%, 6/6/2022	508,250
740,000	Becton Dickinson & Co., Sr. Unsecd. Note, 3.734%, 12/15/2024	784,300
235,000	DH Europe Finance II S.a r.l., Sr. Unsecd. Note, 2.600%, 11/15/2029	234,293
470,000	DH Europe Finance II S.a r.l., Sr. Unsecd. Note, Series 5YR, 2.200%, 11/15/2024	470,731
450,000	PerkinElmer, Inc., Sr. Unsecd. Note, 3.300%, 9/15/2029	459,948
250,000	Thermo Fisher Scientific, Inc., Sr. Unsecd. Note, 2.950%, 9/19/2026	257,034
500,000	Thermo Fisher Scientific, Inc., Sr. Unsecd. Note, 3.000%, 4/15/2023	514,075
	<b>TOTAL</b>	<b>4,779,959</b>

Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Consumer Non-Cyclical - Pharmaceuticals—4.0%</b>	
\$ 210,000	Abbott Laboratories, Sr. Unsecd. Note, 3.400%, 11/30/2023	\$ 220,859
453,000	Abbott Laboratories, Sr. Unsecd. Note, 3.750%, 11/30/2026	495,028
580,000	AbbVie, Inc., Sr. Unsecd. Note, 144A, 2.950%, 11/21/2026	589,567
455,000	AbbVie, Inc., Sr. Unsecd. Note, 144A, 3.200%, 11/21/2029	463,160
300,000	AbbVie, Inc., Sr. Unsecd. Note, 3.600%, 5/14/2025	316,633
67,000	Actavis Funding SCS, Sr. Unsecd. Note, 4.750%, 3/15/2045	72,886
600,000	AstraZeneca PLC, Sr. Unsecd. Note, 3.125%, 6/12/2027	625,661
1,000,000	Bayer US Finance II LLC, Sr. Unsecd. Note, 144A, 3.875%, 12/15/2023	1,049,637
200,000	Bayer US Finance II LLC, Sr. Unsecd. Note, 144A, 4.250%, 12/15/2025	215,780
180,000	Biogen Idec, Inc., Sr. Unsecd. Note, 2.900%, 9/15/2020	181,342
320,000	Bristol-Myers Squibb Co., Sr. Unsecd. Note, 144A, 3.400%, 7/26/2029	342,254
340,000	Bristol-Myers Squibb Co., Sr. Unsecd. Note, 144A, 3.875%, 8/15/2025	367,813
200,000	Bristol-Myers Squibb Co., Sr. Unsecd. Note, 144A, 5.000%, 8/15/2045	256,420
310,000	Eli Lilly & Co., Sr. Unsecd. Note, 3.375%, 3/15/2029	334,235
220,000	Gilead Sciences, Inc., Sr. Unsecd. Note, 3.650%, 3/1/2026	236,755
500,000	Merck & Co., Inc., Sr. Unsecd. Note, 3.400%, 3/7/2029	541,386
900,000	Teva Pharmaceutical Finance Netherlands III BV, Sr. Unsecd. Note, 2.200%, 7/21/2021	873,243
300,000	Teva Pharmaceutical Finance Netherlands III BV, Sr. Unsecd. Note, 3.150%, 10/1/2026	250,507
	<b>TOTAL</b>	<b>7,433,166</b>
	<b>Consumer Non-Cyclical - Products—1.0%</b>	
575,000	Church and Dwight, Inc., Sr. Unsecd. Note, 2.450%, 8/1/2022	579,781
1,250,000	Reckitt Benckiser Treasury Services PLC, Sr. Unsecd. Note, 144A, 2.375%, 6/24/2022	1,259,103
	<b>TOTAL</b>	<b>1,838,884</b>
	<b>Consumer Non-Cyclical - Supermarkets—0.4%</b>	
610,000	Kroger Co., Bond, 6.900%, 4/15/2038	820,991
	<b>Consumer Non-Cyclical - Tobacco—1.0%</b>	
800,000	Altria Group, Inc., Sr. Unsecd. Note, 4.400%, 2/14/2026	869,105
290,000	BAT International Finance PLC, Sr. Unsecd. Note, 144A, 3.950%, 6/15/2025	306,715
300,000	Reynolds American, Inc., Sr. Unsecd. Note, 4.450%, 6/12/2025	322,986
360,000	Reynolds American, Inc., Sr. Unsecd. Note, 7.000%, 8/4/2041	440,287
	<b>TOTAL</b>	<b>1,939,093</b>
	<b>Energy - Independent—2.0%</b>	
94,000	Apache Corp., Sr. Unsecd. Note, 3.250%, 4/15/2022	95,773
500,000	Apache Corp., Sr. Unsecd. Note, 4.375%, 10/15/2028	522,432
420,000	Canadian Natural Resources Ltd., Sr. Unsecd. Note, 2.950%, 1/15/2023	428,467
500,000	Cimarex Energy Co., Sr. Unsecd. Note, 3.900%, 5/15/2027	517,220
250,000	Cimarex Energy Co., Sr. Unsecd. Note, 4.375%, 6/1/2024	264,040
215,000	Cimarex Energy Co., Sr. Unsecd. Note, 4.375%, 3/15/2029	227,562
475,000	Marathon Oil Corp., Sr. Unsecd. Note, 3.850%, 6/1/2025	502,954
100,000	Occidental Petroleum Corp., Sr. Unsecd. Note, 2.900%, 8/15/2024	101,652
1,000,000	Occidental Petroleum Corp., Sr. Unsecd. Note, 3.450%, 7/15/2024	1,024,254
	<b>TOTAL</b>	<b>3,684,354</b>
	<b>Energy - Integrated—2.4%</b>	
500,000	BP Capital Markets America, Inc., Sr. Unsecd. Note, 3.796%, 9/21/2025	541,005
500,000	BP Capital Markets PLC, Sr. Unsecd. Note, 3.994%, 9/26/2023	534,441
530,000	CNPC Hong Kong Overseas Capital Ltd., Company Guarantee, 144A, 5.950%, 4/28/2041	720,071
585,000	Husky Energy, Inc., 4.000%, 4/15/2024	617,555
240,000	Husky Energy, Inc., Sr. Unsecd. Note, 4.400%, 4/15/2029	258,354
800,000	Petroleos Mexicanos, Company Guarantee, 5.500%, 1/21/2021	823,600
175,000	Petroleos Mexicanos, Sr. Unsecd. Note, 4.875%, 1/18/2024	184,203

Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Energy - Integrated—continued</b>	
\$ 525,000	Shell International Finance B.V., Sr. Unsecd. Note, 1.875%, 5/10/2021	\$ 525,511
325,000	Shell International Finance B.V., Sr. Unsecd. Note, 2.875%, 5/10/2026	336,714
	TOTAL	4,541,454
	<b>Energy - Midstream—2.9%</b>	
500,000	Boardwalk Pipeline Partners LP, Sr. Unsecd. Note, 4.800%, 5/3/2029	534,585
565,000	Energy Transfer Partners LP, Sr. Unsecd. Note, 4.900%, 2/1/2024	606,236
470,000	Energy Transfer Partners LP, Sr. Unsecd. Note, Series 5Y, 4.200%, 9/15/2023	493,493
500,000	Kinder Morgan Energy Partners LP, 4.250%, 9/1/2024	535,723
500,000	MPLX LP, Sr. Unsecd. Note, 144A, 3.500%, 12/1/2022	514,838
350,000	MPLX LP, Sr. Unsecd. Note, 3.375%, 3/15/2023	359,441
395,000	MPLX LP, Sr. Unsecd. Note, 4.125%, 3/1/2027	414,816
345,000	ONEOK, Inc., Sr. Unsecd. Note, 4.000%, 7/13/2027	367,314
600,000	TC Pipelines, LP, Sr. Unsecd. Note, 3.900%, 5/25/2027	627,723
540,000	Texas Eastern Transmission LP, Sr. Unsecd. Note, 144A, 2.800%, 10/15/2022	545,297
300,000	Williams Partners LP, Sr. Unsecd. Note, 3.900%, 1/15/2025	315,831
	TOTAL	5,315,297
	<b>Energy - Oil Field Services—0.2%</b>	
300,000	Schlumberger Holdings Corp., Sr. Unsecd. Note, 144A, 4.000%, 12/21/2025	323,010
	<b>Energy - Refining—0.4%</b>	
215,000	Valero Energy Corp., 7.500%, 4/15/2032	298,758
335,000	Valero Energy Corp., Sr. Unsecd. Note, 6.625%, 6/15/2037	443,654
	TOTAL	742,412
	<b>Financial Institution - Banking—21.7%</b>	
750,000	American Express Co., Sr. Unsecd. Note, 3.000%, 10/30/2024	775,223
500,000	American Express Credit Corp., Sr. Unsecd. Note, Series MTN, 2.700%, 3/3/2022	508,348
800,000	Associated Banc-Corp., Sub. Note, 4.250%, 1/15/2025	845,510
250,000	Bank of America Corp., Sr. Unsecd. Note, 2.738%, 1/23/2022	251,905
1,250,000	Bank of America Corp., Sr. Unsecd. Note, 3.705%, 4/24/2028	1,336,148
1,450,000	Bank of America Corp., Sr. Unsecd. Note, Series GMTN, 2.816%, 7/21/2023	1,473,998
500,000	Bank of America Corp., Sr. Unsecd. Note, Series MTN, 2.456%, 10/22/2025	503,214
500,000	Bank of America Corp., Sr. Unsecd. Note, Series MTN, 3.248%, 10/21/2027	521,060
500,000	Bank of America Corp., Sr. Unsecd. Note, Series MTN, 4.271%, 7/23/2029	555,463
300,000	Bank of New York Mellon Corp., Sr. Unsecd. Note, Series MTN, 2.661%, 5/16/2023	304,619
550,000	Bank of New York Mellon Corp., Sr. Unsecd. Note, Series MTN, 3.250%, 9/11/2024	577,871
600,000	Capital One Financial Corp., Sr. Unsecd. Note, 3.050%, 3/9/2022	612,542
350,000	Capital One Financial Corp., Sr. Unsecd. Note, 3.200%, 1/30/2023	359,861
500,000	Citigroup, Inc., 4.125%, 7/25/2028	545,458
750,000	Citigroup, Inc., Sr. Unsecd. Note, 2.876%, 7/24/2023	763,352
730,000	Citigroup, Inc., Sr. Unsecd. Note, 3.400%, 5/1/2026	766,724
500,000	Citigroup, Inc., Sr. Unsecd. Note, 3.700%, 1/12/2026	533,132
500,000	Citigroup, Inc., Sr. Unsecd. Note, 4.075%, 4/23/2029	547,853
150,000	Citigroup, Inc., Sr. Unsecd. Note, 4.500%, 1/14/2022	157,282
500,000	Citizens Bank N.A., Sr. Unsecd. Note, Series BKNT, 3.750%, 2/18/2026	534,394
660,000	Citizens Financial Group, Inc., Sub. Note, 144A, 4.150%, 9/28/2022	688,543
300,000	Comerica, Inc., 3.800%, 7/22/2026	316,152
500,000	<sup>2</sup> Compass Bank, Birmingham, Sr. Unsecd. Note, Series BKNT, 3.500%, 6/11/2021	508,680
500,000	Compass Bank, Birmingham, Sub. Note, Series BKNT, 3.875%, 4/10/2025	525,110
140,000	Fifth Third Bancorp, Sr. Unsecd. Note, 2.375%, 1/28/2025	140,190
385,000	Fifth Third Bancorp, Sr. Unsecd. Note, 3.650%, 1/25/2024	405,917
630,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 2.350%, 11/15/2021	632,448

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## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Financial Institution - Banking—continued</b>	
\$ 500,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 3.000%, 4/26/2022	\$ 506,244
1,250,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 3.500%, 11/16/2026	1,314,720
500,000	Goldman Sachs Group, Inc., Sr. Unsecd. Note, 4.223%, 5/1/2029	551,023
500,000	Goldman Sachs Group, Inc., Sub. Note, 4.250%, 10/21/2025	542,921
1,000,000	HSBC USA, Inc., Sr. Unsecd. Note, 3.500%, 6/23/2024	1,055,808
500,000	Huntington Bancshares, Inc., Sr. Unsecd. Note, 2.625%, 8/6/2024	507,228
250,000	Huntington National Bank, Sr. Unsecd. Note, Series BKNT, 3.125%, 4/1/2022	255,568
1,000,000	JPMorgan Chase & Co., 3.250%, 9/23/2022	1,034,439
500,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 3.782%, 2/1/2028	538,993
500,000	JPMorgan Chase & Co., Sr. Unsecd. Note, 4.452%, 12/5/2029	568,713
1,000,000	JPMorgan Chase & Co., Sub. Note, 3.375%, 5/1/2023	1,039,252
1,000,000	JPMorgan Chase & Co., Sub. Note, 3.875%, 9/10/2024	1,070,445
408,000	MUFG Americas Holdings Corp., Sr. Unsecd. Note, 3.000%, 2/10/2025	416,084
250,000	MUFG Americas Holdings Corp., Sr. Unsecd. Note, 3.500%, 6/18/2022	258,584
250,000	MUFG Union Bank, N.A., Sr. Unsecd. Note, Series BKNT, 3.150%, 4/1/2022	255,822
1,940,000	<sup>1</sup> Manufacturers & Traders Trust Co., Sub. Note, Series BKNT, 2.546% (3-month USLIBOR +0.640%), 12/1/2021	1,941,175
750,000	Morgan Stanley, Sec. Fac. Bond, 2.750%, 5/19/2022	763,742
1,000,000	Morgan Stanley, Sr. Unsecd. Note, 3.625%, 1/20/2027	1,064,527
970,000	Morgan Stanley, Sr. Unsecd. Note, 5.750%, 1/25/2021	1,007,633
500,000	Morgan Stanley, Sr. Unsecd. Note, Series GMTN, 3.125%, 1/23/2023	514,232
250,000	Morgan Stanley, Sub. Note, 5.000%, 11/24/2025	281,582
1,000,000	Morgan Stanley, Sub. Note, Series MTN, 4.100%, 5/22/2023	1,056,297
320,000	PNC Bank NA, Sr. Unsecd. Note, Series BKNT, 2.232%, 7/22/2022	321,155
500,000	PNC Bank NA, Sr. Unsecd. Note, Series BKNT, 2.500%, 1/22/2021	502,996
640,000	Regions Financial Corp., Sr. Unsecd. Note, 3.200%, 2/8/2021	648,048
230,000	Regions Financial Corp., Sr. Unsecd. Note, 3.800%, 8/14/2023	243,470
250,000	State Street Corp., Sr. Unsecd. Note, 2.653%, 5/15/2023	253,482
700,000	State Street Corp., Sr. Unsecd. Note, 3.300%, 12/16/2024	738,242
475,000	Truist Bank, Sr. Unsecd. Note, Series BKNT, 2.150%, 12/6/2024	474,123
500,000	Truist Bank, Sr. Unsecd. Note, Series BKNT, 3.000%, 2/2/2023	512,798
200,000	Truist Bank, Sub. Note, Series BKNT, 3.300%, 5/15/2026	208,316
245,000	Truist Financial Corp., Sr. Unsecd. Note, Series MTN, 2.750%, 4/1/2022	249,311
600,000	U.S. Bank, N.A., Sr. Unsecd. Note, Series BKNT, 3.450%, 11/16/2021	617,855
750,000	US Bancorp, Sub. Note, Series MTN, 3.600%, 9/11/2024	797,026
500,000	Wells Fargo & Co., Series MTN, 3.500%, 3/8/2022	516,456
620,000	Wells Fargo & Co., Sr. Unsecd. Note, 3.000%, 10/23/2026	635,371
1,000,000	Wells Fargo & Co., Sr. Unsecd. Note, 3.069%, 1/24/2023	1,020,952
500,000	Wells Fargo & Co., Sr. Unsecd. Note, Series MTN, 3.584%, 5/22/2028	531,379
	<b>TOTAL</b>	<b>40,507,009</b>
	<b>Financial Institution - Broker/Asset Mgr/Exchange—1.3%</b>	
370,000	Eaton Vance Corp., Sr. Unsecd. Note, 3.625%, 6/15/2023	388,496
220,000	Invesco Finance PLC, Sr. Unsecd. Note, 3.750%, 1/15/2026	234,506
200,000	Jefferies Group LLC, Sr. Unsecd. Note, 6.500%, 1/20/2043	238,224
245,000	Nuveen LLC, Sr. Unsecd. Note, 144A, 4.000%, 11/1/2028	272,702
193,000	Raymond James Financial, Inc., Sr. Unsecd. Note, 5.625%, 4/1/2024	217,445
390,000	Stifel Financial Corp., 4.250%, 7/18/2024	415,145
190,000	Stifel Financial Corp., Sr. Unsecd. Note, 3.500%, 12/1/2020	192,441
500,000	TD Ameritrade Holding Corp., Sr. Unsecd. Note, 3.625%, 4/1/2025	531,912
	<b>TOTAL</b>	<b>2,490,871</b>

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Financial Institution - Finance Companies—1.8%</b>	
\$ 500,000	Discover Financial Services, Sr. Unsecd. Note, 3.850%, 11/21/2022	\$ 522,754
250,000	Discover Financial Services, Sr. Unsecd. Note, 4.100%, 2/9/2027	269,320
1,966,000	GE Capital International Funding Co., Sr. Unsecd. Note, 2.342%, 11/15/2020	1,967,896
600,000	GE Capital International Funding, Inc., Sr. Unsecd. Note, 4.418%, 11/15/2035	639,932
	TOTAL	3,399,902
	<b>Financial Institution - Insurance - Health—0.8%</b>	
300,000	CIGNA Corp., Sr. Unsecd. Note, 3.750%, 7/15/2023	314,677
650,000	CIGNA Corp., Sr. Unsecd. Note, 4.375%, 10/15/2028	720,499
405,000	UnitedHealth Group, Inc., Sr. Unsecd. Note, 3.750%, 7/15/2025	437,378
	TOTAL	1,472,554
	<b>Financial Institution - Insurance - Life—1.1%</b>	
350,000	AIA Group Ltd., Sr. Unsecd. Note, 144A, 3.600%, 4/9/2029	368,248
200,000	AIG Global Funding, Sec. Fac. Bond, 144A, 2.300%, 7/1/2022	201,087
800,000	American International Group, Inc., Sr. Unsecd. Note, 4.125%, 2/15/2024	859,012
290,000	Lincoln National Corp., Sr. Unsecd. Note, 4.200%, 3/15/2022	302,289
172,000	Massachusetts Mutual Life Insurance Co., Sub. Note, 144A, 8.875%, 6/1/2039	291,014
	TOTAL	2,021,650
	<b>Financial Institution - Insurance - P&amp;C—0.9%</b>	
200,000	Berkshire Hathaway, Inc., Sr. Unsecd. Note, 2.200%, 3/15/2021	200,782
250,000	CNA Financial Corp., Sr. Unsecd. Note, 3.450%, 8/15/2027	260,462
95,000	CNA Financial Corp., Sr. Unsecd. Note, 3.900%, 5/1/2029	102,245
250,000	Chubb INA Holdings, Inc., Sr. Unsecd. Note, 2.700%, 3/13/2023	255,331
300,000	Chubb INA Holdings, Inc., Sr. Unsecd. Note, 3.350%, 5/15/2024	316,052
300,000	Nationwide Mutual Insurance Co., Sub. Note, 144A, 9.375%, 8/15/2039	509,577
	TOTAL	1,644,449
	<b>Financial Institution - REIT - Apartment—1.1%</b>	
395,000	Avalonbay Communities, Inc., Sr. Unsecd. Note, Series MTN, 3.350%, 5/15/2027	416,109
500,000	<sup>2</sup> Mid-America Apartment Communities LP, Sr. Unsecd. Note, 3.750%, 6/15/2024	527,321
550,000	Post Apartment Homes LP, Sr. Unsecd. Note, 3.375%, 12/1/2022	566,770
500,000	UDR, Inc., Sr. Unsecd. Note, Series MTN, 2.950%, 9/1/2026	508,972
	TOTAL	2,019,172
	<b>Financial Institution - REIT - Healthcare—1.0%</b>	
500,000	Healthcare Trust of America, 3.700%, 4/15/2023	517,122
710,000	Physicians Realty Trust, Sr. Unsecd. Note, 4.300%, 3/15/2027	758,921
155,000	Welltower, Inc., Sr. Unsecd. Note, 2.700%, 2/15/2027	155,628
500,000	Welltower, Inc., Sr. Unsecd. Note, 3.100%, 1/15/2030	506,236
	TOTAL	1,937,907
	<b>Financial Institution - REIT - Office—0.6%</b>	
640,000	Alexandria Real Estate Equities, Inc., Sr. Unsecd. Note, 4.000%, 1/15/2024	681,811
480,000	Boston Properties LP, Sr. Unsecd. Note, 3.200%, 1/15/2025	498,134
	TOTAL	1,179,945
	<b>Financial Institution - REIT - Other—0.6%</b>	
320,000	Liberty Property LP, Sr. Unsecd. Note, 4.375%, 2/1/2029	364,106
300,000	ProLogis LP, Sr. Unsecd. Note, 4.250%, 8/15/2023	321,267
450,000	WP Carey, Inc., Sr. Unsecd. Note, 4.600%, 4/1/2024	482,450
	TOTAL	1,167,823
	<b>Financial Institution - REIT - Retail—0.8%</b>	
410,000	Kimco Realty Corp., Sr. Unsecd. Note, 2.700%, 3/1/2024	414,873
396,000	Kimco Realty Corp., Sr. Unsecd. Note, 3.200%, 5/1/2021	401,600
100,000	Kimco Realty Corp., Sr. Unsecd. Note, 3.400%, 11/1/2022	103,307

Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Financial Institution - REIT - Retail—continued</b>	
\$ 450,000	Regency Centers Corp., Sr. Unsecd. Note, 3.750%, 11/15/2022	\$ 468,712
	TOTAL	1,388,492
	<b>Sovereign—0.5%</b>	
320,000	Corp Andina De Fomento, Sr. Unsecd. Note, 4.375%, 6/15/2022	336,542
510,000	Inter-American Development Bank, Series MTN, 6.750%, 7/15/2027	657,492
	TOTAL	994,034
	<b>Technology—7.3%</b>	
500,000	Adobe, Inc., Sr. Unsecd. Note, 3.250%, 2/1/2025	528,056
650,000	Apple, Inc., Sr. Unsecd. Note, 2.400%, 5/3/2023	661,064
900,000	Apple, Inc., Sr. Unsecd. Note, 3.200%, 5/13/2025	950,772
125,000	Apple, Inc., Sr. Unsecd. Note, 4.450%, 5/6/2044	152,279
340,000	Automatic Data Processing, Inc., 3.375%, 9/15/2025	362,413
230,000	Broadcom Corp., Sr. Unsecd. Note, Series WI, 3.625%, 1/15/2024	238,345
280,000	Broadcom Corp., Sr. Unsecd. Note, Series WI, 3.875%, 1/15/2027	290,795
700,000	Broadcom, Inc., Sr. Unsecd. Note, 144A, 3.625%, 10/15/2024	727,991
400,000	Diamond 1 Finance Corp./Diamond 2 Finance Corp., Sr. Secd. Note, 144A, 6.020%, 6/15/2026	460,388
345,000	Equifax, Inc., Sr. Unsecd. Note, 2.300%, 6/1/2021	346,056
480,000	Equifax, Inc., Sr. Unsecd. Note, 2.600%, 12/1/2024	482,891
80,000	<sup>2</sup> Equifax, Inc., Sr. Unsecd. Note, Series 5Y, 3.950%, 6/15/2023	84,022
83,000	Fidelity National Information Services, Inc., Sr. Unsecd. Note, 3.875%, 6/5/2024	88,318
600,000	Fidelity National Information Services, Inc., Sr. Unsecd. Note, 5.000%, 10/15/2025	685,658
230,000	Fiserv, Inc., Sr. Unsecd. Note, 2.750%, 7/1/2024	234,127
500,000	Fiserv, Inc., Sr. Unsecd. Note, 4.200%, 10/1/2028	554,577
670,000	Ingram Micro, Inc., Sr. Unsecd. Note, 5.000%, 8/10/2022	692,098
500,000	Intel Corp., Sr. Unsecd. Note, 3.700%, 7/29/2025	540,706
460,000	Keysight Technologies, Inc., 4.550%, 10/30/2024	501,212
100,000	Keysight Technologies, Inc., Sr. Unsecd. Note, 3.000%, 10/30/2029	100,392
310,000	Lam Research Corp., Sr. Unsecd. Note, 4.000%, 3/15/2029	341,631
500,000	Micron Technology, Inc., Sr. Unsecd. Note, 4.640%, 2/6/2024	542,530
500,000	Microsoft Corp., Sr. Unsecd. Note, 1.550%, 8/8/2021	499,340
750,000	Microsoft Corp., Sr. Unsecd. Note, 2.400%, 8/8/2026	759,707
190,000	Molex Electronics Technologies LLC, Unsecd. Note, 144A, 3.900%, 4/15/2025	196,075
750,000	Oracle Corp., Sr. Unsecd. Note, 3.400%, 7/8/2024	791,636
310,000	Qualcomm, Inc., Sr. Unsecd. Note, 2.600%, 1/30/2023	315,566
350,000	Total System Services, Inc., Sr. Unsecd. Note, 3.800%, 4/1/2021	356,898
260,000	Total System Services, Inc., Sr. Unsecd. Note, 4.450%, 6/1/2028	284,806
195,000	Verisk Analytics, Inc., Sr. Unsecd. Note, 4.125%, 9/12/2022	204,746
600,000	Verisk Analytics, Inc., Sr. Unsecd. Note, 4.125%, 3/15/2029	658,575
	TOTAL	13,633,670
	<b>Transportation - Railroads—1.1%</b>	
8,961	Burlington Northern Santa Fe Corp., Pass Thru Cert., Series 99-2, 7.570%, 1/2/2021	9,101
1,100,000	Burlington Northern Santa Fe Corp., Sr. Unsecd. Note, 3.450%, 9/15/2021	1,125,529
850,000	Kansas City Southern Industries, Inc., Sr. Unsecd. Note, 3.000%, 5/15/2023	869,574
	TOTAL	2,004,204
	<b>Transportation - Services—1.2%</b>	
550,000	FedEx Corp., Sr. Unsecd. Note, 3.100%, 8/5/2029	549,935
250,000	Penske Truck Leasing Co. LP & PTL Finance Corp., Sr. Unsecd. Note, 144A, 3.375%, 2/1/2022	255,299
300,000	Penske Truck Leasing Co. LP & PTL Finance Corp., Sr. Unsecd. Note, 144A, 3.450%, 7/1/2024	311,600
250,000	Penske Truck Leasing Co. LP & PTL Finance Corp., Sr. Unsecd. Note, 144A, 4.450%, 1/29/2026	269,486
125,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 2.250%, 9/1/2021	125,301

Principal  
Amount

## Value

Principal Amount		Value
	CORPORATE BONDS—continued	
	<b>Transportation - Services—continued</b>	
\$ 280,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 2.800%, 3/1/2022	\$ 283,481
150,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 3.450%, 11/15/2021	153,367
250,000	Ryder System, Inc., Sr. Unsecd. Note, Series MTN, 3.500%, 6/1/2021	255,129
	TOTAL	2,203,598
	<b>Utility - Electric—5.3%</b>	
310,000	AEP Texas, Inc., Sr. Unsecd. Note, 3.850%, 10/1/2025	323,247
380,000	American Electric Power Co., Inc., Sr. Unsecd. Note, Series F, 2.950%, 12/15/2022	387,279
500,000	Berkshire Hathaway Energy Co., 3.500%, 2/1/2025	530,759
210,000	<sup>2</sup> Consolidated Edison Co., Sr. Unsecd. Note, 2.000%, 5/15/2021	210,141
205,000	<sup>2</sup> Dominion Energy Gas Holdings LLC, Sr. Unsecd. Note, Series A, 2.500%, 11/15/2024	205,999
560,000	Dominion Energy, Inc., Jr. Sub. Note, 3.071%, 8/15/2024	577,000
250,000	Duke Energy Corp., Sr. Unsecd. Note, 1.800%, 9/1/2021	249,774
500,000	EDP Finance BV, Sr. Unsecd. Note, 144A, 3.625%, 7/15/2024	520,549
1,000,000	Electricite de France SA, Jr. Sub. Note, 144A, 5.625%, 7/22/2068	1,060,715
180,000	Emera US Finance LP, Sr. Unsecd. Note, 2.700%, 6/15/2021	181,673
470,000	Enel Finance International NV, Sr. Unsecd. Note, 144A, 2.875%, 5/25/2022	476,003
380,000	Enel Finance International NV, Sr. Unsecd. Note, 144A, 4.625%, 9/14/2025	414,568
240,000	Fortis, Inc./Canada, Sr. Unsecd. Note, 3.055%, 10/4/2026	245,080
235,000	Great Plains Energy, Inc., Note, 4.850%, 6/1/2021	242,410
600,000	National Rural Utilities Cooperative Finance Corp., Sec. Fac. Bond, 2.400%, 4/25/2022	606,494
140,000	National Rural Utilities Cooperative Finance Corp., Sr. Unsecd. Note, 2.950%, 2/7/2024	144,343
375,000	NextEra Energy Capital Holdings, Inc., Sr. Unsecd. Note, 2.900%, 4/1/2022	382,683
300,000	NextEra Energy Capital Holdings, Inc., Sr. Unsecd. Note, 3.550%, 5/1/2027	318,653
110,000	NiSource Finance Corp., Sr. Unsecd. Note, 2.650%, 11/17/2022	111,355
500,000	NiSource Finance Corp., Sr. Unsecd. Note, 3.490%, 5/15/2027	525,852
590,000	<sup>2</sup> PPL Capital Funding, Inc., Sr. Unsecd. Note, 4.200%, 6/15/2022	615,387
425,000	PSEG Power LLC, Sr. Unsecd. Note, 4.150%, 9/15/2021	438,015
250,000	Public Service Enterprises Group, Inc., Sr. Unsecd. Note, 2.000%, 11/15/2021	249,852
250,000	Southern Co., Sr. Unsecd. Note, 3.250%, 7/1/2026	260,380
120,000	WEC Energy Group, Inc., Sr. Unsecd. Note, 3.100%, 3/8/2022	122,549
450,000	Wisconsin Energy Corp., Sr. Unsecd. Note, 3.550%, 6/15/2025	477,700
	TOTAL	9,878,460
	<b>Utility - Natural Gas—1.2%</b>	
1,000,000	<sup>2</sup> Enbridge Energy Partners LP, Sr. Unsecd. Note, 4.200%, 9/15/2021	1,030,451
600,000	National Fuel Gas Co., Sr. Unsecd. Note, 3.750%, 3/1/2023	619,371
250,000	Sempra Energy, Sr. Unsecd. Note, 2.900%, 2/1/2023	254,970
300,000	Southeast Supply Header LLC, Sr. Unsecd. Note, 144A, 4.250%, 6/15/2024	305,774
	TOTAL	2,210,566
	<b>Utility - Natural Gas Distributor—0.2%</b>	
450,000	Southern Co. Gas Capital, Sr. Unsecd. Note, 2.450%, 10/1/2023	453,125
	TOTAL CORPORATE BONDS (IDENTIFIED COST \$172,747,467)	180,728,435
	MORTGAGE-BACKED SECURITIES—0.0%	
	<b>Federal Home Loan Mortgage Corporation—0.0%</b>	
662	Federal Home Loan Mortgage Corp., Pool C01051, 8.000%, 9/1/2030	769
	<b>Government National Mortgage Association—0.0%</b>	
1,373	Government National Mortgage Association, Pool 1512, 7.500%, 12/20/2023	1,465
2,105	Government National Mortgage Association, Pool 2630, 6.500%, 8/20/2028	2,340
2,971	Government National Mortgage Association, Pool 2631, 7.000%, 8/20/2028	3,331
4,098	Government National Mortgage Association, Pool 2658, 6.500%, 10/20/2028	4,558

Principal Amount		Value
	MORTGAGE-BACKED SECURITIES—continued	
	<b>Government National Mortgage Association—continued</b>	
\$ 6,585	Government National Mortgage Association, Pool 2701, 6.500%, 1/20/2029	\$ 7,324
4,367	Government National Mortgage Association, Pool 2796, 7.000%, 8/20/2029	4,946
984	Government National Mortgage Association, Pool 3039, 6.500%, 2/20/2031	1,110
3,109	Government National Mortgage Association, Pool 3040, 7.000%, 2/20/2031	3,546
11,131	Government National Mortgage Association, Pool 3188, 6.500%, 1/20/2032	12,633
7,663	Government National Mortgage Association, Pool 3239, 6.500%, 5/20/2032	8,732
17,033	Government National Mortgage Association, Pool 3261, 6.500%, 7/20/2032	19,439
753	Government National Mortgage Association, Pool 493514, 8.000%, 9/15/2030	807
4,520	Government National Mortgage Association, Pool 516688, 8.000%, 8/15/2029	5,204
	<b>TOTAL</b>	<b>75,435</b>
	<b>TOTAL MORTGAGE-BACKED SECURITIES</b> (IDENTIFIED COST \$67,414)	<b>76,204</b>
	FOREIGN GOVERNMENTS/AGENCY—0.1%	
	<b>Sovereign—0.1%</b>	
225,000	Colombia, Government of, Sr. Unsec. Note, 4.375%, 7/12/2021 (IDENTIFIED COST \$224,835)	232,034
	COLLATERALIZED MORTGAGE OBLIGATION—0.0%	
	<b>Commercial Mortgage—0.0%</b>	
870	TIAA Seasoned Commercial Mortgage Trust 2007-C4, Class AJ, 5.502%, 8/15/2039 (IDENTIFIED COST \$863)	870
	REPURCHASE AGREEMENTS—2.9%	
	<b>Finance - Banking—2.9%</b>	
1,639,370	Interest in \$450,000,000 joint repurchase agreement 1.57%, dated 12/31/2019 under which BMO Capital Markets Corp. will repurchase securities provided as collateral for \$450,039,250 on 1/2/2020. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency and U.S. Treasury securities with various maturities to 11/20/2069 and the market value of those underlying securities was \$460,414,804 (purchased with proceeds from securities lending collateral).	1,639,370
3,676,000	Interest in \$450,000,000 joint repurchase agreement 1.57%, dated 12/31/2019 under which BMO Capital Markets Corp. will repurchase securities provided as collateral for \$450,039,250 on 1/2/2020. The securities provided as collateral at the end of the period held with BNY Mellon as tri-party agent, were U.S. Government Agency and U.S. Treasury securities with various maturities to 11/20/2069 and the market value of those underlying securities was \$460,414,804.	3,676,000
	<b>TOTAL REPURCHASE AGREEMENTS</b> (IDENTIFIED COST \$5,315,370)	<b>5,315,370</b>
	<b>TOTAL INVESTMENT IN SECURITIES—100.0%</b> (IDENTIFIED COST \$178,355,949) <sup>3</sup>	<b>186,352,913</b>
	<b>OTHER ASSETS AND LIABILITIES - NET—0.0%</b> <sup>4</sup>	<b>47,618</b>
	<b>TOTAL NET ASSETS—100%</b>	<b>\$ 186,400,531</b>

At December 31, 2019, the Fund had the following outstanding futures contracts:

Description	Number of Contracts	Notional Value	Expiration Date	Value and Unrealized Appreciation (Depreciation)
<sup>5</sup> U.S. Treasury Note 10-Year Long Futures	80	\$10,273,750	March 2020	\$(75,245)
<sup>5</sup> U.S. Treasury Long Bond Short Futures	23	\$ 3,585,844	March 2020	\$ 83,049
<sup>5</sup> U.S. Treasury Ultra Bond Short Futures	7	\$ 1,271,594	March 2020	\$ 43,250
<b>NET UNREALIZED APPRECIATION ON FUTURES CONTRACTS</b>				<b>\$ 51,054</b>

Net Unrealized Appreciation on Futures Contracts is included in "Other Assets and Liabilities—Net."

- 1 Floating/variable note with current rate and current maturity or next reset date shown.
- 2 All or a portion of these securities are temporarily on loan to unaffiliated broker/dealers.
- 3 The cost of investments for federal tax purposes amounts to \$178,356,097.
- 4 Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.
- 5 Non-income-producing security.



Note: The categories of investments are shown as a percentage of total net assets at December 31, 2019.

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.). Also includes securities valued at amortized cost.

Level 3—significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used, as of December 31, 2019, in valuing the Fund's assets carried at fair value:

#### Valuation Inputs

	Level 1— Quoted Prices	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
<b>Debt Securities:</b>				
Corporate Bonds	\$ —	\$180,728,435	\$—	\$180,728,435
Mortgage-Backed Securities	—	76,204	—	76,204
Foreign Governments/Agency	—	232,034	—	232,034
Collateralized Mortgage Obligation	—	870	—	870
<b>Repurchase Agreements</b>	—	5,315,370	—	5,315,370
<b>TOTAL SECURITIES</b>	<b>\$ —</b>	<b>\$186,352,913</b>	<b>\$—</b>	<b>\$186,352,913</b>
<b>Other Financial Instruments:<sup>1</sup></b>				
Assets	\$126,299	\$ —	\$—	\$ 126,299
Liabilities	(75,245)	—	—	(75,245)
<b>TOTAL OTHER FINANCIAL INSTRUMENTS</b>	<b>\$ 51,054</b>	<b>\$ —</b>	<b>\$—</b>	<b>\$ 51,054</b>

1 *Other financial instruments are futures contracts.*

The following acronyms are used throughout this portfolio:

BKNT —Bank Notes

GMTN —Global Medium Term Note

LIBOR —London Interbank Offered Rate

MTN —Medium Term Note

REIT —Real Estate Investment Trust

See Notes which are an integral part of the Financial Statements

## Financial Highlights – Primary Shares

(For a Share Outstanding Throughout Each Period)

<b>Year Ended December 31</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.65</b>	<b>\$11.05</b>	<b>\$10.98</b>	<b>\$10.97</b>	<b>\$11.42</b>
<b>Income From Investment Operations:</b>					
Net investment income <sup>1</sup>	0.31	0.30	0.31	0.34	0.37
Net realized and unrealized gain (loss)	0.68	(0.37)	0.12	0.07	(0.39)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>0.99</b>	<b>(0.07)</b>	<b>0.43</b>	<b>0.41</b>	<b>(0.02)</b>
<b>Less Distributions:</b>					
Distributions from net investment income	(0.33)	(0.33)	(0.36)	(0.40)	(0.43)
Distributions from net realized gain	(0.00) <sup>2</sup>	—	—	—	—
<b>TOTAL DISTRIBUTIONS</b>	<b>(0.33)</b>	<b>(0.33)</b>	<b>(0.36)</b>	<b>(0.40)</b>	<b>(0.43)</b>
<b>Net Asset Value, End of Period</b>	<b>\$11.31</b>	<b>\$10.65</b>	<b>\$11.05</b>	<b>\$10.98</b>	<b>\$10.97</b>
<b>Total Return<sup>3</sup></b>	<b>9.44%</b>	<b>(0.59)%</b>	<b>4.04%</b>	<b>3.82%</b>	<b>(0.24)%</b>

### Ratios to Average Net Assets:

Net expenses	0.74%	0.74%	0.74%	0.73%	0.73%
Net investment income	2.79%	2.83%	2.81%	3.10%	3.30%
Expense waiver/reimbursement <sup>4</sup>	0.08%	0.08%	0.06%	0.07%	0.05%

### Supplemental Data:

Net assets, end of period (000 omitted)	\$167,625	\$162,812	\$185,026	\$188,831	\$198,990
Portfolio turnover	21%	19%	27%	26%	17%

1 Per share numbers have been calculated using the average shares method.

2 Represents less than \$0.01.

3 Based on net asset value. Total returns do not reflect any additional fees or expenses that may be imposed by separate accounts of insurance companies or in connection with any variable annuity or variable life insurance contract.

4 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 – Service Shares

(For a Share Outstanding Throughout Each Period)

Year Ended December 31	2019	2018	2017	2016	2015
<b>Net Asset Value, Beginning of Period</b>	<b>\$10.62</b>	<b>\$11.01</b>	<b>\$10.94</b>	<b>\$10.93</b>	<b>\$11.37</b>
<b>Income From Investment Operations:</b>					
Net investment income <sup>1</sup>	0.28	0.27	0.28	0.31	0.34
Net realized and unrealized gain (loss)	0.68	(0.36)	0.12	0.07	(0.38)
<b>TOTAL FROM INVESTMENT OPERATIONS</b>	<b>0.96</b>	<b>(0.09)</b>	<b>0.40</b>	<b>0.38</b>	<b>(0.04)</b>
<b>Less Distributions:</b>					
Distributions from net investment income	(0.30)	(0.30)	(0.33)	(0.37)	(0.40)
Distributions from net realized gain	(0.00) <sup>2</sup>	—	—	—	—
<b>TOTAL DISTRIBUTIONS</b>	<b>(0.30)</b>	<b>(0.30)</b>	<b>(0.33)</b>	<b>(0.37)</b>	<b>(0.40)</b>
<b>Net Asset Value, End of Period</b>	<b>\$11.28</b>	<b>\$10.62</b>	<b>\$11.01</b>	<b>\$10.94</b>	<b>\$10.93</b>
<b>Total Return<sup>3</sup></b>	<b>9.17%</b>	<b>(0.78)%</b>	<b>3.75%</b>	<b>3.53%</b>	<b>(0.44)%</b>

### Ratios to Average Net Assets:

Net expenses	0.99%	0.99%	0.99%	0.98%	0.98%
Net investment income	2.54%	2.58%	2.56%	2.86%	3.04%
Expense waiver/reimbursement <sup>4</sup>	0.08%	0.07%	0.06%	0.07%	0.05%

### Supplemental Data:

Net assets, end of period (000 omitted)	\$18,776	\$19,344	\$22,596	\$23,920	\$27,977
Portfolio turnover	21%	19%	27%	26%	17%

1 Per share numbers have been calculated using the average shares method.

2 Represents less than \$0.01.

3 Based on net asset value. Total returns do not reflect any additional fees or expenses that may be imposed by separate accounts of insurance companies or in connection with any variable annuity or variable life insurance contract.

4 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

# Statement of Assets and Liabilities

December 31, 2019

## Assets:

Investment in securities, at value including \$1,597,008 of securities loaned (identified cost \$178,355,949)	\$186,352,913
Cash	304
Due from broker (Note 2)	29,640
Income receivable	1,637,451
Receivable for shares sold	116,027
Receivable for variation margin on futures contracts	7,299
<b>TOTAL ASSETS</b>	<b>188,143,634</b>

## Liabilities:

Payable for shares redeemed	\$ 7,061
Payable for collateral due to broker for securities lending	1,639,370
Payable to advisor (Note 5)	2,660
Payable for administrative fees (Note 5)	402
Payable for portfolio accounting fees	47,669
Payable for distribution services fee (Note 5)	3,993
Accrued expenses (Note 5)	41,948
<b>TOTAL LIABILITIES</b>	<b>1,743,103</b>

Net assets for 16,489,832 shares outstanding \$186,400,531

## Net Assets Consist of:

Paid-in capital	\$172,743,441
Total distributable earnings (loss)	13,657,090
<b>TOTAL NET ASSETS</b>	<b>\$186,400,531</b>

## Net Asset Value, Offering Price and Redemption Proceeds Per Share

### Primary Shares:

Net asset value per share (\$167,624,679 ÷ 14,824,862 shares outstanding), no par value, unlimited shares authorized \$11.31

### Service Shares:

Net asset value per share (\$18,775,852 ÷ 1,664,970 shares outstanding), no par value, unlimited shares authorized \$11.28

See Notes which are an integral part of the Financial Statements

# Statement of Operations

Year Ended December 31, 2019

**Investment Income:**

Interest	\$ 6,528,763
Net income on securities loaned	2,691
<b>TOTAL INCOME</b>	<b>6,531,454</b>

**Expenses:**

Investment adviser fee (Note 5)	\$1,111,121
Administrative fee (Note 5)	153,253
Custodian fees	12,386
Transfer agent fee	17,544
Directors'/Trustees' fees (Note 5)	2,452
Auditing fees	26,830
Legal fees	9,160
Portfolio accounting fees	94,094
Distribution services fee (Note 5)	47,924
Printing and postage	69,905
Miscellaneous (Note 5)	26,710
<b>TOTAL EXPENSES</b>	<b>1,571,379</b>
Waiver of investment adviser fee (Note 5)	(150,000)
Net expenses	1,421,379
Net investment income	5,110,075

**Realized and Unrealized Gain (Loss) on Investments and Futures Contracts:**

Net realized gain on investments	668,699
Net realized loss on futures contracts	(112,111)
Net change in unrealized depreciation of investments	10,920,333
Net change in unrealized appreciation of futures contracts	(4,706)
Net realized and unrealized gain (loss) on investments and futures contracts	11,472,215
Change in net assets resulting from operations	\$16,582,290

See Notes which are an integral part of the Financial Statements

## Statement of Changes in Net Assets

Year Ended December 31	2019	2018
<b>Increase (Decrease) in Net Assets</b>		
<b>Operations:</b>		
Net investment income	\$ 5,110,075	\$ 5,349,919
Net realized gain (loss)	556,588	(92,357)
Net change in unrealized appreciation/depreciation	10,915,627	(6,611,129)
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	16,582,290	(1,353,567)
<b>Distributions to Shareholders:</b>		
Primary Shares	(4,859,559)	(5,280,660)
Service Shares	(520,306)	(603,797)
CHANGE IN NET ASSETS RESULTING FROM DISTRIBUTIONS TO SHAREHOLDERS	(5,379,865)	(5,884,457)
<b>Share Transactions:</b>		
Proceeds from sale of shares	11,736,570	10,374,695
Net asset value of shares issued to shareholders in payment of distributions declared	5,379,862	5,884,454
Cost of shares redeemed	(24,074,695)	(34,487,264)
CHANGE IN NET ASSETS RESULTING FROM SHARE TRANSACTIONS	(6,958,263)	(18,228,115)
Change in net assets	4,244,162	(25,466,139)
<b>Net Assets:</b>		
Beginning of period	182,156,369	207,622,508
End of period	\$186,400,531	\$182,156,369

See Notes which are an integral part of the Financial Statements

# Notes to Financial Statements

December 31, 2019

## 1. ORGANIZATION

Federated Insurance Series (the "Trust") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein are only those of Federated Quality Bond Fund II (the "Fund"), a diversified portfolio. The financial statements of the other portfolios are presented separately. The assets of each portfolio are segregated and a shareholder's interest is limited to the portfolio in which shares are held. Each portfolio pays its own expenses. The Fund offers two classes of shares: Primary Shares and Service Shares. All shares of the Fund have equal rights with respect to voting, except on class-specific matters. Fund shares are available exclusively as a funding vehicle for life insurance companies writing variable life insurance policies and variable annuity contracts. The investment objective of the Fund is to provide current income.

## 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 are fair valued using price evaluations provided by a pricing service approved by Fund's Board of Trustees (the "Trustees").
- Derivative contracts listed on exchanges are valued at their reported settlement or closing price, except that options are valued at the mean of closing bid and asked quotations.
- Over-the-counter (OTC) derivative contracts are fair valued using price evaluations provided by a pricing service approved by the Trustees.
- Shares of other mutual funds or non-exchange-traded investment companies are valued based upon their reported NAVs.
- For securities that are fair valued in accordance with procedures established by and under the general supervision of the Trustees, certain factors may be considered, such as: the last traded or purchase price of the security, information obtained by contacting the issuer or dealers, analysis of the issuer's financial statements or other available documents, fundamental analytical data, the nature and duration of restrictions on disposition, the movement of the market in which the security is normally traded, public trading in similar securities or derivative contracts of the issuer or comparable issuers, movement of a relevant index, or other factors including but not limited to industry changes and relevant government actions.

If any price, quotation, price evaluation or other pricing source is not readily available when the NAV is calculated, if the Fund cannot obtain price evaluations from a pricing service or from more than one dealer for an investment within a reasonable period of time as set forth in the Fund's valuation policies and procedures, or if information furnished by a pricing service, in the opinion of the valuation committee ("Valuation Committee"), is deemed not representative of the fair value of such security, 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 obtain the fair value assigned to an investment if it sold the investment at approximately the time at which the Fund determines its NAV per share.

### Fair Valuation and Significant Events Procedures

The Trustees have ultimate responsibility for determining the fair value of investments for which market quotations are not readily available. The Trustees have appointed a Valuation Committee comprised of officers of the Fund, Federated Investment Management Company (the "Adviser") and certain of the Adviser's affiliated companies to assist in determining fair value and in overseeing the calculation of the NAV. The Trustees have also authorized the use of pricing services recommended by the Valuation Committee to provide fair value evaluations of the current value of certain investments for purposes of calculating the NAV. The Valuation Committee employs various methods for reviewing third-party pricing-service evaluations including periodic reviews of third-party pricing services' policies, procedures and valuation methods (including key inputs, methods, models and assumptions), transactional back-testing, comparisons of evaluations of different pricing services, and review of price challenges by the Adviser based on recent market activity. In the event that market quotations and price evaluations are not available for an investment, the Valuation Committee determines the fair value of the investment in accordance with procedures adopted by the Trustees. The Trustees periodically review and approve the fair valuations made by the Valuation Committee and any changes made to the procedures.

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 any U.S. Treasury and Agency securities, mortgage-backed securities and municipal securities. The Fund normally uses mid evaluations for any other types of fixed-income securities and any OTC derivative contracts. In the event that market quotations and price evaluations are not available for an investment, the fair value of the investment is determined in accordance with procedures adopted by the Trustees.

The Trustees also have adopted procedures requiring an investment to be priced at its fair value whenever the Adviser determines that a significant event affecting the value of the investment has occurred between the time as of which the price of the investment would otherwise be determined and the time as of which the NAV is computed. An event is considered significant if there is both an affirmative expectation that the investment's value will change in response to the event and a reasonable basis for quantifying the resulting change in value. Examples of significant events that may occur after the close of the principal market on which a security is traded, or after the time of a price evaluation provided by a pricing service or a dealer, include:

- With respect to securities traded principally in foreign markets, significant trends in U.S. equity markets or in the trading of foreign securities index futures contracts;
- Political or other developments affecting the economy or markets in which an issuer conducts its operations or its securities are traded;
- Announcements concerning matters such as acquisitions, recapitalizations, litigation developments, or a natural disaster affecting the issuer's operations or regulatory changes or market developments affecting the issuer's industry.

The Trustees have adopted procedures whereby the Valuation Committee uses a pricing service to provide factors to update the fair value of equity securities traded principally in foreign markets from the time of the close of their respective foreign stock exchanges to the pricing time of the Fund. For other significant events, the Fund may seek to obtain more current quotations or price evaluations from alternative pricing sources. If a reliable alternative pricing source is not available, the Fund will determine the fair value of the investment in accordance with the fair valuation procedures approved by the Trustees. The Trustees have ultimate responsibility for any fair valuations made in response to a significant event.

### **Repurchase Agreements**

The Fund may invest in repurchase agreements for short-term liquidity purposes. It is the policy of the Fund to require the other party to a repurchase agreement to transfer to the Fund's custodian or sub-custodian eligible securities or cash with a market value (after transaction costs) at least equal to the repurchase price to be paid under the repurchase agreement. The eligible securities are transferred to accounts with the custodian or sub-custodian in which the Fund holds a "securities entitlement" and exercises "control" as those terms are defined in the Uniform Commercial Code. The Fund has established procedures for monitoring the market value of the transferred securities and requiring the transfer of additional eligible securities if necessary to equal at least the repurchase price. These procedures also allow the other party to require securities to be transferred from the account to the extent that their market value exceeds the repurchase price or in exchange for other eligible securities of equivalent market value.

The insolvency of the other party or other failure to repurchase the securities may delay the disposition of the underlying securities or cause the Fund to receive less than the full repurchase price. Under the terms of the repurchase agreement, any amounts received by the Fund in excess of the repurchase price and related transaction costs must be remitted to the other party.

The Fund may enter into repurchase agreements in which eligible securities are transferred into joint trading accounts maintained by the custodian or sub-custodian for investment companies and other clients advised by the Fund's Adviser and its affiliates. The Fund will participate on a pro rata basis with the other investment companies and clients in its share of the securities transferred under such repurchase agreements and in its share of proceeds from any repurchase or other disposition of such securities.

Repurchase agreements are subject to Master Netting Agreements which are agreements between the Fund and its counterparties that provide for the net settlement of all transactions and collateral with the Fund, through a single payment, in the event of default or termination. Amounts presented on the Portfolio of Investments and Statement of Assets and Liabilities are not net settlement amounts but gross. As indicated above, the cash or securities to be repurchased, as shown on the Portfolio of Investments, exceeds the repurchase price to be paid under the agreement reducing the net settlement amount to zero.

### **Investment Income, Gains and Losses, Expenses and Distributions**

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from investment transactions are recorded on an identified-cost basis. Interest income and expenses are accrued daily. Dividend income and distributions to shareholders are recorded on the ex-dividend date. Foreign dividends are recorded on the ex-dividend date or when the Fund is informed of the ex-dividend date. Distributions of net investment income, if any, are declared and paid annually. Non-cash dividends included in dividend income, if any, are recorded at fair value. Amortization/accretion of premium and discount is included in investment income. Gains and losses realized on principal payment of mortgage-backed securities (paydown gains and losses) are classified as part of investment income. 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 select classes will bear certain expenses unique to those classes. The detail of the total fund expense waiver of \$150,000 is disclosed in Note 5.

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.

### **Federal Taxes**

It is the Fund's policy to comply with the Subchapter M provision of the Internal Revenue Code and to distribute to shareholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the year ended December 31, 2019, 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 December 31, 2019, tax years 2016 through 2019 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.



## Futures Contracts

The Fund purchases and sells financial futures contracts to manage duration risk and yield curve risk. Upon entering into a financial futures contract with a broker, the Fund is required to deposit with a broker, either U.S. government securities or a specified amount of cash, which is shown as due from broker in the Statement of Assets and Liabilities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. The Fund receives from or pays to the broker a specified amount of cash based upon changes in the variation margin account. When a contract is closed, the Fund recognizes a realized gain or loss. Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with the changes in the value of the underlying securities. There is minimal counterparty risk to the Fund since futures contracts are exchange traded and the exchange's clearing house, as counterparty to all exchange traded futures contracts, guarantees the futures contracts against default.

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

The average notional value of long and short futures contracts held by the Fund throughout the period was \$9,312,606 and \$5,872,366, respectively. This is based on amounts held as of each month-end throughout the fiscal period.

## Securities Lending

The Fund participates in a securities lending program providing for the lending of government securities to qualified brokers. The term of the loans within the program is one year or less. The Fund normally receives cash collateral for securities loaned that may be invested in affiliated money market funds, other money market instruments and/or repurchase agreements. Investments in money market funds may include funds with a "floating" NAV that can impose redemption fees and liquidity gates, impose certain operational impediments to investing cash collateral, and, if the investee fund's NAV decreases, result in the Fund recognizing losses and being required to cover the decrease in the value of the cash collateral. Collateral is maintained at a minimum level of 100% of the market value of investments loaned, plus interest, if applicable. In accordance with the Fund's securities lending agreement, the market value of securities on loan is determined each day at the close of business and any additional collateral required to cover the value of securities on loan is delivered to the Fund on the next business day. Earnings on collateral are allocated between the borrower of the security, the securities lending agent, as a fee for its services under the program and the Fund, according to agreed-upon rates. The Fund will not have the right to vote on securities while they are on loan. However, the Fund will attempt to terminate a loan in an effort to reacquire the securities in time to vote on matters that are deemed to be material by the Adviser. There can be no assurance that the Fund will have sufficient notice of such matters to be able to terminate the loan in time to vote thereon.

As of December 31, 2019, securities subject to this type of arrangement and related collateral were as follows:

Market Value of Securities Loaned	Collateral Received
\$1,597,008	\$1,639,370

## Restricted Securities

The Fund may purchase securities which are considered restricted. Restricted securities are securities that either: (a) cannot be offered for public sale without first being registered, or being able to take advantage of an exemption from registration, under the Securities Act of 1933; or (b) are subject to contractual restrictions on public sales. In some cases, when a security cannot be offered for public sale without first being registered, the issuer of the restricted security has agreed to register such securities for resale, at the issuer's expense, either upon demand by the Fund or in connection with another registered offering of the securities. Many such restricted securities may be resold in the secondary market in transactions exempt from registration. Restricted securities may be determined to be liquid under criteria established by the Trustees. The Fund will not incur any registration costs upon such resales. The Fund's restricted securities, like other securities, are priced in accordance with procedures established by and under the general supervision of the Trustees.

## Additional Disclosure Related to Derivative Instruments

### Fair Value of Derivative Instruments

	Assets	
	Statement of Assets and Liabilities Location	Fair Value
Derivatives not accounted for as hedging instruments under ASC Topic 815		
Interest Rate Contracts	Receivable for variation margin on futures contracts	\$51,054*

\* Includes cumulative net appreciation of futures contracts as reported in the footnotes to the Portfolio of Investments. Only the current day's variation margin is reported within the Statement of Assets and Liabilities.

## The Effect of Derivative Instruments on the Statement of Operations for the Year Ended December 31, 2019

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

	Futures Contracts
Interest rate contracts	\$(112,111)

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

	Futures Contracts
Interest rate contracts	\$(4,706)

### 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. The Fund applies investment company accounting and reporting guidance.

### 3. SHARES OF BENEFICIAL INTEREST

Year Ended December 31	2019		2018	
Primary Shares:	Shares	Amount	Shares	Amount
Shares sold	1,017,072	\$ 11,219,212	926,837	\$ 9,908,467
Shares issued to shareholders in payment of distributions declared	456,297	4,859,559	501,964	5,280,660
Shares redeemed	(1,939,194)	(21,305,622)	(2,887,517)	(30,973,082)
NET CHANGE RESULTING FROM PRIMARY SHARE TRANSACTIONS	(465,825)	\$ (5,226,851)	(1,458,716)	\$(15,783,955)

Year Ended December 31	2019		2018	
Service Shares:	Shares	Amount	Shares	Amount
Shares sold	47,093	\$ 517,358	43,477	\$ 466,228
Shares issued to shareholders in payment of distributions declared	48,900	520,303	57,450	603,794
Shares redeemed	(252,919)	(2,769,073)	(330,799)	(3,514,182)
NET CHANGE RESULTING FROM SERVICE SHARE TRANSACTIONS	(156,926)	\$(1,731,412)	(229,872)	\$ (2,444,160)
NET CHANGE RESULTING FROM TOTAL FUND SHARE TRANSACTIONS	(622,751)	\$(6,958,263)	(1,688,588)	\$(18,228,115)

### 4. FEDERAL TAX INFORMATION

The tax character of distributions as reported on the Statement of Changes in Net Assets for the years ended December 31, 2019 and 2018, was as follows:

	2019	2018
Ordinary income	\$5,379,865	\$5,884,457

As of December 31, 2019, the components of distributable earnings on a tax-basis were as follows:

Undistributed ordinary income	\$5,261,941
Unrealized appreciation	\$7,996,816
Undistributed long-term capital gains	\$ 398,333

The difference between book-basis and tax-basis net unrealized appreciation/depreciation is attributable to differing treatments for deferral of losses on wash sales and mark-to-market of futures contracts.

At December 31, 2019, the cost of investments for federal tax purposes was \$178,356,097. The net unrealized appreciation of investments for federal tax purposes was \$7,996,816. This consists of net unrealized appreciation from investments for those securities having an excess of value over cost of \$8,260,701 and net unrealized depreciation from investments for those securities having an excess of cost over value of \$263,885. The amounts presented are inclusive of derivative contracts.

### 5. INVESTMENT ADVISER FEE AND OTHER TRANSACTIONS WITH AFFILIATES

#### Investment Adviser Fee

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. For the year ended December 31, 2019, the Adviser voluntarily waived \$150,000 of its fee.

## Administrative Fee

Federated Administrative Services (FAS), under the Administrative Services Agreement, provides the Fund with administrative personnel and services. For purposes of determining the appropriate rate breakpoint, "Investment Complex" is defined as all of the Federated Funds subject to a fee under the Administrative Services Agreement. The fee paid to FAS is based on the average daily net assets of the Investment Complex as specified below:

Administrative Fee	Average Daily Net Assets of the Investment Complex
0.100%	on assets up to \$50 billion
0.075%	on assets over \$50 billion

Subject to the terms described in the Expense Limitation note, FAS may voluntarily choose to waive any portion of its fee. For the year ended December 31, 2019, the annualized fee paid to FAS was 0.083% of average daily net assets of the Fund.

In addition, FAS may charge certain out-of-pocket expenses to the Fund.

## 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 Primary Shares and 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 the following percentages of average daily net assets annually, to compensate FSC:

	Percentage of Average Daily Net Assets of Class
Primary Shares	0.25%
Service Shares	0.25%

Subject to the terms described in the Expense Limitation note, FSC may voluntarily choose to waive any portion of its fee. For the year ended December 31, 2019, distribution services fees for the Fund were as follows:

	Distribution Services Fees Incurred
Service Shares	\$47,924

When FSC receives fees, it may pay some or all of them to financial intermediaries whose customers purchase shares.

For the year ended December 31, 2019, the Fund's Primary Shares did not incur a distribution services fee; however, it may begin to incur this fee upon approval of the Trustees.

## Expense Limitation

The Adviser and certain of its affiliates (which may include FSC and FAS) on their own initiative have agreed to waive certain amounts of their respective fees and/or reimburse expenses. Total annual fund operating expenses (as shown in the financial highlights, excluding interest expense, extraordinary expenses, line of credit expenses and proxy-related expenses paid by the Fund, if any) paid by the Fund's Primary Shares and Service Shares (after the voluntary waivers and/or reimbursements) will not exceed 0.74% and 0.99% (the "Fee Limit"), respectively, up to but not including the later of (the "Termination Date"): (a) May 1, 2020; or (b) the date of the Fund's next effective Prospectus. While the Adviser and its applicable affiliates currently do not anticipate terminating or increasing these arrangements prior to the Termination Date, these arrangements may only be terminated or the Fee Limit increased prior to the Termination Date with the agreement of the Trustees.

## Directors'/Trustees' and Miscellaneous Fees

Certain Officers and Trustees of the Fund are Officers and Directors or Trustees of certain of the above companies. To efficiently facilitate payment, Independent Directors'/Trustees' fees and certain expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses are paid by an affiliate of the Adviser which in due course are reimbursed by the Fund. These expenses related to conducting meetings of the Directors/Trustees and other miscellaneous expenses may be included in Accrued and Miscellaneous Expenses on the Statement of Assets and Liabilities and Statement of Operations, respectively.

## 6. INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding long-term U.S. government securities and short-term obligations, for the year ended December 31, 2019, were as follows:

Purchases	\$37,804,797
Sales	\$46,198,420

## **7. LINE OF CREDIT**

The Fund participates with certain other Federated Funds, on a several basis, in an up to \$500,000,000 unsecured, 364-day, committed, revolving line of credit (LOC) agreement. The LOC was made available to finance temporarily the repurchase or redemption of shares of the Fund, failed trades, payment of dividends, settlement of trades and for other short-term, temporary or emergency general business purposes. The Fund cannot borrow under the LOC if an inter-fund loan is outstanding. The Fund's ability to borrow under the LOC also is subject to the limitations of the Act and various conditions precedent that must be satisfied before the Fund can borrow. Loans under the LOC are charged interest at a fluctuating rate per annum equal to the highest, on any day, of (a) (i) the federal funds effective rate, (ii) the one month London Interbank Offered Rate (LIBOR), and (iii) 0.0%, plus (b) a margin. The LOC also requires the Fund to pay, quarterly in arrears and at maturity, its pro rata share of a commitment fee based on the amount of the lenders' commitment that has not been utilized. As of December 31, 2019, the Fund had no outstanding loans. During the year ended December 31, 2019, the Fund did not utilize the LOC.

## **8. INTERFUND LENDING**

Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the Fund, along with other funds advised by subsidiaries of Federated Investors, Inc., may participate in an interfund lending program. This program provides an alternative credit facility allowing the Fund to borrow from other participating affiliated funds. As of December 31, 2019, there were no outstanding loans. During the year ended December 31, 2019, the program was not utilized.

## **9. SUBSEQUENT EVENT**

Effective on or about April 28, 2020, the name of the Trust and Fund will change to Federated Hermes Insurance Series and Federated Hermes Quality Bond Fund II, respectively.

# Report of Independent Registered Public Accounting Firm

## **TO THE BOARD OF TRUSTEES OF THE FEDERATED INSURANCE SERIES AND SHAREHOLDERS OF FEDERATED QUALITY BOND FUND II:**

### **Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of the Federated Quality Bond Fund II (the “Fund”), a portfolio of Federated Insurance Series, as of December 31, 2019, the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended, and the related notes (collectively, the “financial statements”) and the financial highlights for each of the years in the five-year period ended December 31, 2019. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of December 31, 2019, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

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 are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. 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, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Such procedures also included confirmation of securities owned as of December 31, 2019, by correspondence with the custodian and brokers or by other appropriate auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

**KPMG LLP**

We have served as the auditor of one or more of Federated Investors’ investment companies since 2006.

Boston, Massachusetts  
February 14, 2020

## 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 other service 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 funds used as variable investment options. It is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period from July 1, 2019 to December 31, 2019.

### 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 7/1/2019	Ending Account Value 12/31/2019	Expenses Paid During Period <sup>1</sup>
<b>Actual:</b>			
Primary Shares	\$1,000	\$1,026.30	\$3.78
Service Shares	\$1,000	\$1,024.50	\$5.05
<b>Hypothetical (assuming a 5% return before expenses):</b>			
Primary Shares	\$1,000	\$1,021.50	\$3.77
Service Shares	\$1,000	\$1,020.20	\$5.04

<sup>1</sup> 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 expenses shown in the table do not include the charges and expenses imposed by the insurance company under the variable insurance product contract. Please refer to the variable insurance product prospectus for a complete listing of these expenses. The annualized net expense ratios are as follows:

Primary Shares	0.74%
Service Shares	0.99%

## Board of Trustees and Trust Officers

The Board of Trustees is responsible for managing the Trust's business affairs and for exercising all the Trust's powers except those reserved for the shareholders. The following tables give information about each Trustee and the senior officers of the Fund. Where required, the tables separately list Trustees who are "interested persons" of the Fund (i.e., "Interested" Trustees) and those who are not (i.e., "Independent" Trustees). Unless otherwise noted, the address of each person listed is 1001 Liberty Avenue, Pittsburgh, PA 15222. The address of all Independent Trustees listed is 4000 Ericsson Drive, Warrendale, PA 15086-7561; Attention: Mutual Fund Board. As of December 31, 2019, the Trust comprised six portfolio(s), and the Federated Hermes Fund Family consisted of 41 investment companies (comprising 135 portfolios). Unless otherwise noted, each Officer is elected annually. Unless otherwise noted, each Trustee oversees all portfolios in the Federated Hermes Fund Family and serves for an indefinite term. The Fund's Statement of Additional Information includes additional information about Trust Trustees and is available, without charge and upon request, by calling 1-800-341-7400.

### INTERESTED TRUSTEES BACKGROUND

Name Birth Date Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held and Previous Position(s)
<b>J. Christopher Donahue*</b> Birth Date: April 11, 1949 TRUSTEE Indefinite Term Began serving: September 1993	<b>Principal Occupations:</b> Principal Executive Officer and President of certain of the Funds in the Federated Hermes Fund Family; Director or Trustee of the Funds in the Federated Hermes Fund Family; President, Chief Executive Officer and Director, Federated Hermes, Inc.; Chairman and Trustee, Federated Investment Management Company; Trustee, Federated Investment Counseling; Chairman and Director, Federated Global Investment Management Corp.; Chairman and Trustee, Federated Equity Management Company of Pennsylvania; Trustee, Federated Shareholder Services Company; Director, Federated Services Company.  <b>Previous Positions:</b> President, Federated Investment Counseling; President and Chief Executive Officer, Federated Investment Management Company, Federated Global Investment Management Corp. and Passport Research, Ltd; Chairman, Passport Research, Ltd.
<b>Thomas R. Donahue*</b> Birth Date: October 20, 1958 TRUSTEE Indefinite Term Began serving: May 2016	<b>Principal Occupations:</b> Director or Trustee of certain of the funds in the Federated Hermes Fund Family; Chief Financial Officer, Treasurer, Vice President and Assistant Secretary, Federated Hermes, Inc.; Chairman and Trustee, Federated Administrative Services; Chairman and Director, Federated Administrative Services, Inc.; Trustee and Treasurer, Federated Advisory Services Company; Director or Trustee and Treasurer, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, and Federated Investment Management Company; Director, MDTA LLC; Director, Executive Vice President and Assistant Secretary, Federated Securities Corp.; Director or Trustee and Chairman, Federated Services Company and Federated Shareholder Services Company; and Director and President, FII Holdings, Inc.  <b>Previous Positions:</b> Director, Federated Hermes, Inc.; Assistant Secretary, Federated Investment Management Company, Federated Global Investment Management Company and Passport Research, LTD; Treasurer, Passport Research, LTD; Executive Vice President, Federated Securities Corp.; and Treasurer, FII Holdings, Inc.

\* Family relationships and reasons for "interested" status: J. Christopher Donahue and Thomas R. Donahue are brothers. Both are "interested" due to their beneficial ownership of shares of Federated Hermes, Inc. and the positions they hold with Federated Hermes, Inc. and its subsidiaries.

### INDEPENDENT TRUSTEES BACKGROUND

Name Birth Date Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
<b>John T. Collins</b> Birth Date: January 24, 1947 TRUSTEE Indefinite Term Began serving: October 2013	<b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; formerly, Chairman and CEO, The Collins Group, Inc. (a private equity firm) (Retired).  <b>Other Directorships Held:</b> Director, Chairman of the Compensation Committee, KLX Energy Services Holdings, Inc. (oilfield services); former Director of KLX Corp. (aerospace).  <b>Qualifications:</b> Mr. Collins has served in several business and financial management roles and directorship positions throughout his career. Mr. Collins previously served as Chairman and CEO of The Collins Group, Inc. (a private equity firm) and as a Director of KLX Corp. Mr. Collins serves as Chairman Emeriti, Bentley University. Mr. Collins previously served as Director and Audit Committee Member, Bank of America Corp.; Director, FleetBoston Financial Corp.; and Director, Beth Israel Deaconess Medical Center (Harvard University Affiliate Hospital).

Name Birth Date Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
<b>G. Thomas Hough</b> Birth Date: February 28, 1955 TRUSTEE Indefinite Term Began serving: August 2015	<p><b>Principal Occupations:</b> Director or Trustee, Chair of the Audit Committee of the Federated Hermes Fund Family; formerly, Vice Chair, Ernst &amp; Young LLP (public accounting firm) (Retired).</p> <p><b>Other Directorships Held:</b> Director, Member of Governance and Compensation Committees, Publix Super Markets, Inc.; Director, Chair of the Audit Committee, Equifax, Inc.; Director, Member of the Audit Committee, Haverty Furniture Companies, Inc.</p> <p><b>Qualifications:</b> Mr. Hough has served in accounting, business management and directorship positions throughout his career. Mr. Hough most recently held the position of Americas Vice Chair of Assurance with Ernst &amp; Young LLP (public accounting firm). Mr. Hough serves on the President's Cabinet and Business School Board of Visitors for the University of Alabama. Mr. Hough previously served on the Business School Board of Visitors for Wake Forest University, and he previously served as an Executive Committee member of the United States Golf Association.</p>
<b>Maureen Lally-Green</b> Birth Date: July 5, 1949 TRUSTEE Indefinite Term Began serving: August 2009	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; Adjunct Professor of Law, Duquesne University School of Law; formerly, Dean of the Duquesne University School of Law and Professor of Law and Interim Dean of the Duquesne University School of Law; formerly, Associate General Secretary and Director, Office of Church Relations, Diocese of Pittsburgh.</p> <p><b>Other Directorships Held:</b> Director, CNX Resources Corporation (formerly known as CONSOL Energy Inc.).</p> <p><b>Qualifications:</b> Judge Lally-Green has served in various legal and business roles and directorship positions throughout her career. Judge Lally-Green previously held the position of Dean of the School of Law of Duquesne University (as well as Interim Dean). Judge Lally-Green previously served as a member of the Superior Court of Pennsylvania and as a Professor of Law, Duquesne University School of Law. Judge Lally-Green was appointed by the Supreme Court of Pennsylvania to serve on the Supreme Court's Board of Continuing Judicial Education and the Supreme Court's Appellate Court Procedural Rules Committee. Judge Lally-Green also currently holds the positions on not for profit or for profit boards of directors as follows: Director and Chair, UPMC Mercy Hospital; Director and Vice Chair, Our Campaign for the Church Alive!, Inc.; Regent, Saint Vincent Seminary; Member, Pennsylvania State Board of Education (public); Director, Catholic Charities, Pittsburgh; and Director CNX Resources Corporation (formerly known as CONSOL Energy Inc.). Judge Lally-Green has held the positions of: Director, Auberle; Director, Epilepsy Foundation of Western and Central Pennsylvania; Director, Ireland Institute of Pittsburgh; Director, Saint Thomas More Society; Director and Chair, Catholic High Schools of the Diocese of Pittsburgh, Inc.; Director, Pennsylvania Bar Institute; Director, St. Vincent College; and Director and Chair, North Catholic High School, Inc.</p>
<b>Charles F. Mansfield, Jr.</b> Birth Date: April 10, 1945 TRUSTEE Indefinite Term Began serving: September 1999	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; Management Consultant and Author.</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Mansfield has served as a Marine Corps officer and in several banking, business management, educational roles and directorship positions throughout his long career. He remains active as a Management Consultant and Author.</p>
<b>Thomas M. O'Neill</b> Birth Date: June 14, 1951 TRUSTEE Indefinite Term Began serving: August 2006	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; Sole Proprietor, Navigator Management Company (investment and strategic consulting).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. O'Neill has served in several business, mutual fund and financial management roles and directorship positions throughout his career. Mr. O'Neill serves as Director, Medicines for Humanity and Director, The Golisano Children's Museum of Naples, Florida. Mr. O'Neill previously served as 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); and Director, Midway Pacific (lumber).</p>
<b>P. Jerome Richey</b> Birth Date: February 23, 1949 TRUSTEE Indefinite Term Began serving: October 2013	<p><b>Principal Occupations:</b> Director or Trustee of the Federated Hermes Fund Family; Management Consultant; Retired; formerly, Senior Vice Chancellor and Chief Legal Officer, University of Pittsburgh and Executive Vice President and Chief Legal Officer, CNX Resources Corporation (formerly known as CONSOL Energy Inc.).</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Richey has served in several business and legal management roles and directorship positions throughout his career. Mr. Richey most recently held the positions of Senior Vice Chancellor and Chief Legal Officer, University of Pittsburgh. Mr. Richey previously served as Chairman of the Board, Epilepsy Foundation of Western Pennsylvania and Chairman of the Board, World Affairs Council of Pittsburgh. Mr. Richey previously served as Chief Legal Officer and Executive Vice President, CNX Resources Corporation (formerly known as CONSOL Energy Inc.); and Board Member, Ethics Counsel and Shareholder, Buchanan Ingersoll &amp; Rooney PC (a law firm).</p>



Name Birth Date Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years, Other Directorships Held, Previous Position(s) and Qualifications
<b>John S. Walsh</b> Birth Date: November 28, 1957 TRUSTEE Indefinite Term Began serving: January 1999	<p><b>Principal Occupations:</b> Director or Trustee, and Chair of the Board of Directors or Trustees, of the Federated Hermes Fund Family; President and Director, Heat Wagon, Inc. (manufacturer of construction temporary heaters); President and Director, Manufacturers Products, Inc. (distributor of portable construction heaters); President, Portable Heater Parts, a division of Manufacturers Products, Inc.</p> <p><b>Other Directorships Held:</b> None.</p> <p><b>Qualifications:</b> Mr. Walsh has served in several business management roles and directorship positions throughout his career. Mr. Walsh previously served as Vice President, Walsh &amp; Kelly, Inc. (paving contractors).</p>

## OFFICERS

Name Birth Date Address Positions Held with Trust Date Service Began	Principal Occupation(s) for Past Five Years and Previous Position(s)
<b>Lori A. Hensler</b> Birth Date: January 6, 1967 TREASURER Officer since: April 2013	<p><b>Principal Occupations:</b> Principal Financial Officer and Treasurer of the Federated Hermes Fund Family; Senior Vice President, Federated Administrative Services; Financial and Operations Principal for Federated Securities Corp. and Edgewood Services, Inc.; and Assistant Treasurer, Federated Investors Trust Company. Ms. Hensler has received the Certified Public Accountant designation.</p> <p><b>Previous Positions:</b> Controller of Federated Hermes, Inc.; Senior Vice President and Assistant Treasurer, Federated Investors Management Company; Treasurer, Federated Investors Trust Company; Assistant Treasurer, Federated Administrative Services, Federated Administrative Services, Inc., Federated Securities Corp., Edgewood Services, Inc., Federated Advisory Services Company, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, Federated Investment Management Company, Passport Research, Ltd., and Federated MDTA, LLC; Financial and Operations Principal for Federated Securities Corp., Edgewood Services, Inc. and Southpointe Distribution Services, Inc.</p>
<b>Peter J. Germain</b> Birth Date: September 3, 1959 CHIEF LEGAL OFFICER, SECRETARY AND EXECUTIVE VICE PRESIDENT Officer since: January 2005	<p><b>Principal Occupations:</b> Mr. Germain is Chief Legal Officer, Secretary and Executive Vice President of the Federated Hermes Fund Family. He is General Counsel, Chief Legal Officer, Secretary and Executive Vice President, Federated Hermes, Inc.; Trustee and Senior Vice President, Federated Investors Management Company; Trustee and President, Federated Administrative Services; Director and President, Federated Administrative Services, Inc.; Director and Vice President, Federated Securities Corp.; Director and Secretary, Federated Private Asset Management, Inc.; Secretary, Federated Shareholder Services Company; and Secretary, Retirement Plan Service Company of America. Mr. Germain joined Federated Hermes in 1984 and is a member of the Pennsylvania Bar Association.</p> <p><b>Previous Positions:</b> Deputy General Counsel, Special Counsel, Managing Director of Mutual Fund Services, Federated Hermes, Inc.; Senior Vice President, Federated Services Company; and Senior Corporate Counsel, Federated Hermes, Inc.</p>
<b>John B. Fisher</b> Birth Date: May 16, 1956 PRESIDENT Officer since: November 2004	<p><b>Principal Occupations:</b> Principal Executive Officer and President of certain of the Funds in the Federated Hermes Fund Family; Director or Trustee of certain of the Funds in the Federated Hermes Fund Family; Vice President, Federated Hermes, Inc.; President, Director/Trustee and CEO, Federated Advisory Services Company, Federated Equity Management Company of Pennsylvania, Federated Global Investment Management Corp., Federated Investment Counseling, Federated Investment Management Company; President and CEO of Passport Research, Ltd.; President of some of the Funds in the Federated Fund Complex and Director, Federated Investors Trust Company.</p> <p><b>Previous Positions:</b> President and Director of the Institutional Sales Division of Federated Securities Corp.; President and Director of Federated Investment Counseling; Director, Edgewood Securities Corp.; Director, Federated Services Company; Director, Federated Hermes, Inc.; Chairman and Director, Southpointe Distribution Services, Inc. and President, Technology, Federated Services Company.</p>
<b>Stephen Van Meter</b> Birth Date: June 5, 1975 CHIEF COMPLIANCE OFFICER AND SENIOR VICE PRESIDENT Officer since: July 2015	<p><b>Principal Occupations:</b> Senior Vice President and Chief Compliance Officer of the Federated Hermes Fund Family; Vice President and Chief Compliance Officer of Federated Hermes, Inc. and Chief Compliance Officer of certain of its subsidiaries. Mr. Van Meter joined Federated in October 2011. He holds FINRA licenses under Series 3, 7, 24 and 66.</p> <p><b>Previous Positions:</b> Mr. Van Meter previously held the position of Compliance Operating Officer, Federated Hermes, Inc. Prior to joining Federated Hermes, Mr. Van Meter served at the United States Securities and Exchange Commission in the positions of Senior Counsel, Office of Chief Counsel, Division of Investment Management and Senior Counsel, Division of Enforcement.</p>
<b>Stephen F. Auth</b> Birth Date: September 13, 1956 101 Park Avenue 41 <sup>st</sup> Floor New York, NY 10178 CHIEF INVESTMENT OFFICER Officer since: November 2002	<p><b>Principal Occupations:</b> Stephen F. Auth is Chief Investment Officer of various Funds in the Federated Hermes Fund Family; Executive Vice President, Federated Investment Counseling, Federated Global Investment Management Corp. and Federated Equity Management Company of Pennsylvania.</p> <p><b>Previous Positions:</b> Executive Vice President, Federated Investment Management Company and Passport Research, Ltd. (investment advisory subsidiary of Federated); Senior Vice President, Global Portfolio Management Services Division; Senior Vice President, Federated Investment Management Company and Passport Research, Ltd.; Senior Managing Director and Portfolio Manager, Prudential Investments.</p>
<b>Robert J. Ostrowski</b> Birth Date: April 26, 1963 CHIEF INVESTMENT OFFICER Officer since: May 2004	<p><b>Principal Occupations:</b> Robert J. Ostrowski joined Federated Hermes in 1987 as an Investment Analyst and became a Portfolio Manager in 1990. He was named Chief Investment Officer of Federated Hermes' 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 has received the Chartered Financial Analyst designation. He received his M.S. in Industrial Administration from Carnegie Mellon University.</p>

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<b>Name</b> <b>Birth Date</b> <b>Address</b> <b>Positions Held with Trust</b> <b>Date Service Began</b>	<b>Principal Occupation(s) for Past Five Years</b> <b>and Previous Position(s)</b>
<b>Deborah A. Cunningham</b> Birth Date: September 15, 1959 CHIEF INVESTMENT OFFICER Officer since: June 2012	<b>Principal Occupations:</b> Deborah A. Cunningham was named Chief Investment Officer of Federated Hermes' money market products in 2004. She joined Federated Hermes in 1981 and has been a Senior Portfolio Manager since 1997 and an Executive Vice President of the Fund's Adviser since 2009. Ms. Cunningham has received the Chartered Financial Analyst designation and holds an M.S.B.A. in Finance from Robert Morris College.

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## Evaluation and Approval of Advisory Contract – May 2019

### **FEDERATED QUALITY BOND FUND II (THE “FUND”)**

At its meetings in May 2019, the Fund’s Board of Trustees (the “Board”), including a majority of those Trustees who are not “interested persons” of the Fund, as defined in the Investment Company Act of 1940 (the “Independent Trustees”), reviewed and unanimously approved the continuation of the Fund’s investment advisory contract for an additional one-year term. The Board’s decision regarding the contract reflects the exercise of its business judgment after considering all of the information received on whether to continue the existing arrangements.

At the request of the Independent Trustees, the Fund’s Chief Compliance Officer (the CCO) furnished to the Board in advance of its May 2019 meetings an independent written evaluation presenting on the topics discussed below. The Board considered the CCO’s independent written evaluation (the “CCO Fee Evaluation Report”), along with other information, in evaluating the reasonableness of the Fund’s management fee and in deciding to approve the continuation of the investment advisory contract. The CCO, in preparing the CCO Fee Evaluation Report, has the authority to retain consultants, experts or staff as reasonably necessary to assist in the performance of his duties, reports directly to the Board, and can be terminated only with the approval of a majority of the Independent Trustees. At the request of the Independent Trustees, the CCO Fee Evaluation Report followed the same general approach and covered the same topics as that of the report that had previously been delivered by the CCO in his capacity as “Senior Officer,” prior to the elimination of the Senior Officer position in December 2017.

The Board also considered judicial decisions concerning allegedly excessive investment advisory fees in making its decision. Using these judicial decisions as a guide, the Board observed that the following factors may be relevant to an adviser’s fiduciary duty with respect to its receipt of compensation from a fund: (1) the nature and quality of the services provided by an adviser to a fund and its shareholders (including the performance of the fund, its benchmark, and comparable funds); (2) an adviser’s cost of providing the services (including the profitability to an adviser of providing advisory services to a fund); (3) the extent to which an adviser may realize “economies of scale” as a fund grows larger and, if such economies of scale exist, whether they have been shared with a fund and its shareholders or the family of funds; (4) any “fall-out” financial benefits that accrue to an adviser because of its relationship with a fund (including research services received from brokers that execute fund trades and any fees paid to affiliates of an adviser for services rendered to a fund); (5) comparative fee and expense structures (including a comparison of fees paid to an adviser with those paid by similar funds both internally and externally as well as management fees charged to institutional and other advisory clients of the adviser for what might be viewed as like services); and (6) the extent of care, conscientiousness and independence with which the fund’s board members perform their duties and their expertise (including whether they are fully informed about all facts the board deems relevant to its consideration of an adviser’s services and fees). The Board noted that the Securities and Exchange Commission (SEC) disclosure requirements regarding the basis for the Board’s approval of the Fund’s investment advisory contract generally align with the factors listed above. The Board was aware of these factors and was guided by them in its review of the Fund’s investment advisory contract to the extent it considered them to be appropriate and relevant, as discussed further below.

The Board considered and weighed these factors in light of its substantial accumulated experience in governing the Fund and working with Federated Investment Management Company (the “Adviser”) and its affiliates (collectively, “Federated”) on matters relating to the funds advised by Federated (each, a “Federated Fund”). The Independent Trustees were assisted in their deliberations by independent legal counsel.

In addition to the extensive materials that comprise and accompany the CCO Fee Evaluation Report, the Board received detailed information about the Fund and the Federated organization throughout the year, and in connection with its May meetings at which the Board’s formal approval of the advisory and subadvisory contracts occurred. In this regard, Federated provided much of this information at each regular meeting of the Board, and furnished additional information specifically in connection with the May meetings. In the months preceding the May meetings, the Board requested and reviewed written materials prepared by Federated in response to requests on behalf of the Independent Trustees encompassing a wide variety of topics. At the May meetings, in addition to meeting in separate sessions of the Independent Trustees without management present, senior management of the Adviser also met with the Independent Trustees and their counsel to discuss the materials presented and such additional matters as the Independent Trustees deemed reasonably necessary to evaluate the advisory and subadvisory contracts. Between regularly scheduled meetings, the Board also received information on particular matters as the need arose.

The Board’s consideration of the investment advisory contract included review of the CCO Fee Evaluation Report, accompanying data and additional information covering the following matters, among others: the Adviser’s investment philosophy, revenue, profitability, personnel and processes; investment and operating strategies; the Fund’s short-term and long-term performance (in absolute terms, both on a gross basis and net of expenses, as well as in terms relative 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

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; the entrepreneurial and other risks assumed by the Adviser in sponsoring the Fund; 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 Funds which include a comprehensive array of funds with different investment objectives, policies and strategies which are generally 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.

While mindful that courts have cautioned against giving too much weight to comparative information concerning fees charged by other advisers for managing funds with comparable investment programs, the Board has found the use of such comparisons to be relevant to its deliberations. In this regard, the Board was presented with, and considered, information regarding the contractual advisory fee rates, total expense ratios and each element of the Fund's total expense ratio (i.e., gross and net advisory fees, custody fees, portfolio accounting fees and transfer agency fees) relative to an appropriate group of peer funds compiled by Federated using data supplied by independent fund ranking organizations (the "Peer Group"). The Board received a description of the composition and methodology used to select the Peer Group. 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, in that they are readily available to Fund shareholders as alternative investment vehicles. Also, 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 relevant indicator of what consumers have found to be reasonable in the marketplace in which the Fund competes.

The Board reviewed the contractual advisory fee rate, net advisory fee rate and other expenses of the Fund and noted the position of the Fund's contractual advisory fee rate and other expenses relative to its Peer Group. In this regard, the Board noted that the contractual advisory fee rate was above the median of the relevant Peer Group, but the Board noted the applicable waivers and reimbursements, and that the overall expense structure of the Fund remained competitive in the context of other factors considered by the Board.

For comparison, the CCO reviewed the fees charged by Federated for providing advisory services to products other than the Federated Funds (e.g., institutional separate accounts and third-party unaffiliated mutual funds for which Federated serves as sub-adviser) (referenced to as "Comparable Funds/Accounts"). With respect to Comparable Funds/Accounts other than third-party mutual funds, the CCO concluded that they are inherently different products. Those differences include, but are not limited to, different types of targeted investors; different applicable laws and regulations; different legal structures; different average account sizes and portfolio management techniques made necessary by different cash flows and different associated costs; and the time spent by portfolio managers and their teams, as well as personnel in the Funds Financial Services, Legal, Compliance and Risk Management departments, in reviewing securities pricing, addressing different administrative responsibilities, addressing different degrees of risk associated with management and a variety of different costs. The CCO also reviewed the differences in the nature of the services required for Federated to manage its proprietary mutual fund business versus managing a discrete pool of assets as a sub-adviser to another institution's mutual fund, and that Federated generally performs significant additional services and assumes substantially greater risks in managing the Fund and other Federated Funds than in its role as sub-adviser to an unaffiliated third-party mutual fund. The CCO did not consider the fees for providing advisory services to Comparable Funds/Accounts to be determinative in judging the appropriateness of the Federated Funds' advisory fees.

Following such evaluation, and full deliberations, the Board concluded that the fees and expenses of the Fund are reasonable and supported renewal of the Fund's investment advisory contract.

The Board considered the nature, extent and quality of the services provided to the Fund by the Adviser and the resources of the Adviser and its affiliates dedicated to the Fund. In this regard, the Board evaluated, among other things, the Adviser's personnel, experience, track record, financial resources, overall reputation and willingness to invest in personnel and infrastructure that benefit the Fund. In addition, the Board reviewed the qualifications, backgrounds and responsibilities of the portfolio management team primarily responsible for the day-to-day management of the Fund and the Adviser's ability and experience in attracting and retaining qualified personnel to service the Fund. The Board noted the investment research and company engagement capabilities of the Adviser and its affiliates. The Board also noted the compliance program of the Adviser and the compliance-related resources provided to the Fund by the Adviser, including the Adviser's commitment to respond to rulemaking initiatives of the SEC. The Fund's ability to deliver competitive performance when compared to its

Peer Group was also deemed to be relevant by the Board as a useful indicator of how the Adviser is executing the Fund's investment program. The Adviser's ability to execute this program was one of the Board's considerations in reaching a conclusion that the nature, extent and quality of the Adviser's investment management services warrant the continuation of the investment advisory contract.

In evaluating the Fund's investment performance, the Board considered performance results in light of the Fund's investment objective, strategies and risks, as disclosed in the Fund's prospectus. The Board considered detailed investment reports on the Fund's performance that were provided to the Board throughout the year and in connection with the May meetings. The CCO also reviewed information regarding the performance of other mutual funds in the Peer Group, noting the CCO's view that comparisons to fund peer groups may be helpful, though not conclusive, in evaluating the performance of the Adviser in managing the Fund. The Board considered, in evaluating such comparisons, that in some cases there may be differences in the funds' objectives or investment management techniques, or the costs to implement the funds, even within the same Peer Group.

For the periods covered by the CCO Fee Evaluation Report, the Fund's performance for the one-year period was above the median of the relevant Peer Group, and the Fund's performance fell below the median of the relevant Peer Group for the three-year and five-year periods. The Board discussed the Fund's performance with the Adviser and recognized the efforts being taken by the Adviser in the context of other factors considered relevant by the Board.

Following such evaluation, and full deliberations, the Board concluded that the performance of the Fund supported renewal of the Fund's investment advisory contract.

The Board also received financial information about Federated, including information regarding the compensation and ancillary (or "fall-out") benefits Federated derived from its relationships with the Federated Funds. This information covered not only the fees under the investment 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 and distributor). In this regard, the Board considered that certain Federated subsidiaries provide distribution and shareholder services to the Federated Funds, for which they may be compensated through distribution and servicing fees paid pursuant to Rule 12b-1 plans or otherwise. The information also detailed any indirect benefit Federated may derive from its receipt of research services from brokers who execute Federated Fund trades. In addition, the Board considered the fact that, in order for a Federated Fund to be competitive in the marketplace, the Adviser and its affiliates frequently waived fees and/or reimbursed expenses and have disclosed to Federated Fund investors and/or indicated to the Board their intention to do so in the future. Moreover, the Board receives regular reporting as to the institution, adjustment or elimination of these voluntary waivers. The Board considered Federated's previous reductions in contractual management fees to certain Federated Funds in response to the CCO's recommendations in the prior year's CCO Fee Evaluation Report.

Federated furnished information, requested by the CCO, 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 CCO. The CCO noted that, while these cost allocation reports apply consistent allocation processes, the inherent difficulties in allocating costs continues to cause the CCO to question the precision of the process and to conclude that such reports may be unreliable, since a single change in an allocation estimate may dramatically alter the resulting estimate of cost and/or profitability of a Federated Fund and may produce unintended consequences. The allocation information, including the CCO's view that fund-by-fund estimations may be unreliable, was considered in the evaluation by the Board.

The Board and the CCO also reviewed information compiled by Federated comparing its profitability information to other publicly held fund management companies, including information regarding profitability trends over time. In this regard, the CCO concluded that Federated's profit margins did not appear to be excessive. The CCO also noted that Federated appeared financially sound, with the resources necessary to fulfill its obligations under its contracts with the Fund.

The CCO Fee Evaluation Report also discussed the notion of possible realization of "economies of scale" as a fund grows larger, the difficulties of calculating economies of scale at an individual fund level, and the extent to which potential scale benefits are shared with shareholders. In this regard, the Board considered that Federated 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, shareholder services, compliance, internal audit and risk management functions, as well as systems technology (including technology relating to cybersecurity) and that the benefits of these investments (as well as any economies of scale, should they exist) were likely to be shared with the Federated Fund family as a whole. The Board noted that Federated's investments in these areas are extensive. In addition, the Board considered that the Adviser and its affiliates have frequently waived fees and/or reimbursed expenses and that this has allowed potential economies of scale to be shared with shareholders. The Board also considered that such waivers and reimbursements can provide protection from an increase in expenses if a Federated Fund's assets decline. Federated, as it does throughout the year, and specifically in connection with the Board's review of the advisory and subadvisory contracts, furnished information relative to revenue sharing or adviser-paid fees. Federated and the CCO noted that this information should be viewed to determine if there was an incentive to either not apply breakpoints, or to apply breakpoints at higher levels, and should not be viewed to determine the

appropriateness of advisory fees. The Board also noted the absence of any applicable regulatory or industry guidelines on this subject, which (as discussed in the CCO Fee Evaluation Report) 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 a fund attains a certain size.

The CCO stated that his observations and the information accompanying the CCO Fee Evaluation Report supported a finding by the Board that the management fee for the Fund was reasonable. Under these circumstances, no changes were recommended to, and no objection was raised to the continuation of, the Fund’s investment advisory contract. The CCO also recognized that the Board’s evaluation of the Federated Funds’ advisory and subadvisory arrangements is a continuing and on-going process that is informed by the information that the Board requests and receives from management throughout the course of the year and, in this regard, the CCO noted certain items for future reporting to the Board or further consideration by management as the Board continues its on-going oversight of the Federated Funds.

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 investment 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 investment 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 concluded that, in light of the factors summarized above, including the nature, quality and scope of the services provided to the Fund by the Adviser and its affiliates, continuation of the investment advisory contract was appropriate.

The Board based its decision to approve the investment 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 continuation of the contract reflects its view that Federated’s performance and actions provided a satisfactory basis to support the decision to continue the existing arrangement.

## 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 via the Proxy Voting Record (Form N-PX) link associated with the Fund and share class name at [www.FederatedInvestors.com/FundInformation](http://www.FederatedInvestors.com/FundInformation). Form N-PX filings are also available at the SEC's website at [sec.gov](http://sec.gov).

## Quarterly Portfolio Schedule

Each fiscal quarter, the Fund will file with the SEC a complete schedule of its monthly portfolio holdings on "Form N-PORT." The Fund's holdings as of the end of the third month of every fiscal quarter, as reported on Form N-PORT, will be publicly available on the SEC's website at [www.sec.gov](http://www.sec.gov) within 60 days of the end of the fiscal quarter upon filing. You may also access this information via the link to the Fund and share class name at [www.FederatedInvestors.com](http://www.FederatedInvestors.com).

*Variable investment options 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 variable investment options 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 Quality Bond Fund II  
Federated Hermes Funds  
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Warrendale, PA 15086-7561

Contact us at [FederatedInvestors.com](https://www.federatedinvestors.com)  
or call 1-800-341-7400.

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*G00433-14 (2/20)*

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