

International Strategic Value Dividend ADR Managed Account Commentary

Market Overview

March closed out a roller-coaster quarter for equities. Signs of improving, stimulus-fed economies in Europe and Japan were dampened by poor weather-led softness in the U.S., where hints of a modest advancement in the labor market continued to provide the only consistently positive source of data. The major indices in the U.S. closed down modestly, ending the first three months of 2015 roughly where they began the year, with the Dow and S&P 500 up fractionally and the Nasdaq advancing 3.5%. However shares in Europe pushed higher amidst further currency declines, with the DAX finishing the first quarter of the year up 22%.

Among the forces weighing on U.S. markets were concerns about the upcoming earnings season. During the first quarter, lower oil prices slowed business investment and hammered the energy sector. A stronger dollar also threatened to cut into the results of U.S.-based multinationals, which account for roughly half of S&P 500 profits. And the combination of West Coast port shutdowns, bitter cold and record storms slowed economic activity in the U.S. as supplies couldn't move and Americans stayed home, awaiting warmer temperatures. Meanwhile U.S. investors also remained largely on the sidelines, hopeful that a similar thaw would hit revenues and earnings.

International Strategic Value Dividend ADR

Performance and Strategy

In the first quarter of 2015, the Federated International Strategic Value Dividend ADR SMA portfolio continued to deliver on its objective of providing a substantially higher-than-market yield, with a weighted average stock dividend yield of 4.4%. This was well ahead of the 2.9% weighted average stock dividend yield for the international broad market, as represented by the MSCI EAFE Index. The strategy's yield was in line with the 4.4% yield provided by the MSCI EAFE High Dividend Yield Index. No new dividend increases were announced in the month of March, and the portfolio suffered its first announced dividend reduction in almost two years when Eni, the Italian integrated energy concern, lowered its payment by 30% as part of a 3-year capital plan announced by the company's new CEO. Year to date, the portfolio has had 13 increases, along with this one reduction. Overall, the portfolio continues to execute on its income objectives and has the potential to maintain a high yield while also receiving regular dividend increases from its holdings throughout 2015.

In Q1, the Federated International Strategic Value Dividend ADR SMA portfolio generated a gross total return of -1.0%. This compares to a return of 4.9% for the broad-based MSCI EAFE Index and 2.8% for the MSCI EAFE High Dividend Yield Index, a representation of the international dividend-paying universe. With the portfolio's investments in the dividend income-producing segment of the international market, and its 5-year weighted average stock beta versus the MSCI EAFE Index of 0.74, the strategy's short-term returns are not expected to move in accordance with the broad market.

In order to pursue its objectives of dividend yield, dividend growth and lower downside risk, the portfolio invests in high-yielding, high-quality stocks, many of which are found within mature markets and sectors that typically exhibit a low level of cyclicity. In a quarter when the MSCI EAFE Index posted strong performance, higher-beta sectors delivered some of the period's most attractive returns, while several dividend-friendly sectors that are central to our strategy either declined or produced only modest advances. Weaker Q1 performance was noted among the strategy's Utilities, Consumer Discretionary and Energy companies, in which portfolio holdings generated weighted average returns of -9.8%, -8.0% and -3.0%, respectively for the period. Within these sectors, Shaw Communications, SSE and Royal Dutch Shell posted some of the portfolio's largest Q1 declines, returning -16.4%, -10.4% and -8.6%, respectively. By contrast, the Health Care sector generated the strategy's best performance in Q1, with a weighted average total return of 7.6%. Large Pharmaceutical holdings GlaxoSmithKline, Novartis and Sanofi were among the strategy's top contributors for the period, delivering total returns of 9.6%, 8.6% and 8.4%, respectively.

Broad market performance in Q1 was more clearly delineated by geography than by economic sector, as foreign currency translation impacted the returns experienced by U.S.-based investors. The near-term negative effect of weakening foreign currency was most apparent in the strategy's positions in Canada, Italy and Brazil. In Canada, where the Canadian dollar declined -8.6% against the U.S. dollar, the strategy's holdings generated a weighted average total return of -12.5%. The portfolio's sole Italian holding, integrated energy holding Eni, returned -7.8% in the period, fueled in part by a -11.2% decline in the euro. And a -16.8% decline in the Brazilian real contributed to the headwind experienced by the strategy's two Brazilian holdings, which combined for a weighted average return of -6.6% in the period. Still, several dividend-friendly markets made positive contributions to Q1 returns, led by Germany, Singapore and Switzerland. Holdings in these countries generated total returns of 8.6%, 8.2% and 6.8%, respectively. Notably, returns generated by the strategy's Swiss holdings were buoyed by a modest strengthening of the Swiss franc in the first quarter, resulting from the Swiss National Bank's decision to unpeg the franc from the euro.

While short-term price trends may reflect varying preferences for quality and income, we remain focused on delivering a portfolio of companies that have the potential to generate significantly above-average dividend yields, moderate dividend growth and strong balance sheets. As a result of our strategy, the portfolio is broadly invested across a range of sectors and industries, with an orientation toward high dividend income opportunities in international markets. This diversification can lower the portfolio's volatility. Currently, some of the strategy's largest investments are in the Consumer Staples, Non-eurozone Financials, Energy, Telecom and Health Care sectors. The strategy's assets are invested in ADR shares of foreign securities—primarily in the developed markets of the U.K., Canada, Australia and Western Europe. A smaller portion of the portfolio's holdings may consist of securities from emerging markets like Brazil or Mexico.

**Beta is calculated using the weighted average of the betas of the portfolio's underlying stocks as of 3/31/15. Each stock's beta is derived from 60 months of data using country of risk to determine the appropriate market return.*

Data as of 3/31/15. Information is supplemental to the attached GIPS presentation.

For a comparison of gross to net returns, see chart on page 3. "Pure" gross-of-fees returns do not reflect the deduction of any expenses, including trading costs. "Pure" gross-of-fees returns are supplemental to net returns. This information is supplemental to the attached GIPS presentation which should be referred to for the current performance, including the net figures.

Issues discussed within this communication represent the investment manager's explanation of factors that were considered when executing transactions or holding specific securities on the prior date indicated. Because this is a managed portfolio, the investment mix will change and the holdings are not indicative of future portfolio composition. Marketplace conditions fluctuate suddenly and frequently, and investment manager's opinions may change. These comments are not intended to be and do not constitute recommendations that others buy, sell or hold any of the securities discussed. Opinions relate to the representative portfolio as of 3/31/15 and are subject to change.

Past performance is no guarantee of future results.

Schedule of Rates of Return and Statistics

Composite **International Strategic Value Dividend ADR Managed Account Composite**
 Index **MSCI EAFE High Dividend Yield (net)**
 Periods Ending **12/31/2014**

Returns (%)			
	Gross Composite Return	Index	Net Composite Return (Assuming Maximum Fee)
Q4 14	-4.98	-4.89	-5.70
1 Year	0.16	-3.61	-2.80
3 Years (Annld)	10.27	10.63	7.03
5 Years (Annld)	7.87	5.92	4.69
Jul 08 - Dec 14 (Annld)	3.73	2.66	0.67

	Composite Gross Return	Composite Net Return	Benchmark Return	Composite* 3-Yr St Dev	Benchmark* 3-Yr St Dev	Number of Portfolios	Dispersion**	% of Carve-Outs	Composite Assets (\$mil)	Firm Assets (\$bil)
2008	-30.53	-31.64	-36.71	N/A	N/A	1	N/A	0.00%	0.9	402.8
2009	25.08	21.44	40.53	N/A	N/A	1	N/A	0.00%	14.1	384.4
2010	3.84	0.77	-0.32	N/A	N/A	1	N/A	0.00%	37.4	354.3
2011	4.90	1.80	-1.19	19.14	24.37	6	N/A	0.00%	0.8	363.9
2012	15.42	12.04	13.38	16.95	19.54	10	0.13	0.00%	2.0	371.3
2013	15.96	12.57	23.90	13.51	15.37	58	0.17	0.00%	11.9	366.8
2014	0.16	-2.80	-3.61	12.12	13.80	142	0.06	0.00%	35.4	349.3

*Represents the 3-year annualized standard deviation for both the composite and index returns. The statistic is used to measure the volatility of composite returns.

**Standard deviation is calculated using gross returns. Standard deviation is not applicable ("N/A") for any period if fewer than five accounts are in the composite for that period. (See footnote 5)

This composite is comprised of all fully invested international equity portfolios invested in a manner consistent with Federated's International Strategic Value ADR model portfolio. The International Strategic Value ADR model portfolio consists of all portfolios investing in foreign stocks that management believes will provide high yield, reasonable dividend growth and lower volatility in falling equity market environments, yet will provide potential participation in rising markets. Eligible portfolios are managed with wide latitude to choose the sectors and securities to fulfill the mandate. Portfolios may invest in less developed or emerging markets which generally entail greater political, economic, market, tax, credit and other risks, and generally have greater price volatility than securities issued or traded in developed markets. Within eligible portfolios, securities are selected based on a fundamental assessment of their financial strength, dividend yields, dividend growth rates and valuation attractiveness. Portfolios in this composite implement the strategy using American Depositary Receipts (ADR) versus directly purchasing shares of companies on foreign exchanges. Performance prior to April 2011 is representative of the institutional composite in the same strategy. The institutional composite invests in foreign stocks through the use of local shares, whereas the wrap accounts invest through ADRs. Effective January 2013, performance for this composite is calculated in U.S. dollars net of foreign withholding taxes on dividends, interest, and capital gains. Accounts eligible for this composite generally have a minimum of \$100,000 at the time of opening and are a part of an asset-based pricing program. Accounts managed in this composite have a high degree of uniformity but will vary based on account opening dates, client contributions and withdrawals, and may contain client directed security restrictions. This composite was created in March 2011. Federated Investors has managed portfolios in this investment style since June 2008. Prior to April 2011, this composite consisted of the International Strategic Value Dividend Composite. For the period April 2011 through September 2011, wrap fee accounts made up 100% of this composite. Effective October 2011, non-fee paying portfolios comprise less than 5% of this composite, while the remainder of the composite is comprised of wrap fee paying portfolios. Performance shown for 2008 is for a partial period starting on July 1, 2008. Federated Investors claims compliance with the Global Investment Performance Standards ("GIPS®") and has prepared and presented this report in compliance with the GIPS® standards. Federated Investors has been independently verified for the period of January 1, 1992, through September 30, 2014. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis, and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation. Performance results are presented both net and gross of total wrap fees and reflect the reinvestment of income. "Pure" gross returns are shown as supplemental and do not reflect the deduction of transaction costs. Net returns reflect the deduction of a maximum fee. A model fee equal to the highest wrap fee that a client could pay (3.00% annually as charged by the program sponsor, inclusive of up to a maximum investment advisory fee of 0.75%) is used. This total wrap fee includes all charges for trading costs, portfolio management, custody and other administrative fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size.

See Notes to the Schedule of Rates of Return and Statistics.

Notes to the Schedule of Rates of Return and Statistics

- 1. Federated Investors is a global, independent, multi-strategy investment management firm with offices in Pittsburgh, New York, Rochester, Boston, London, Dublin, and Frankfurt. For GIPS® purposes, Federated Investors is defined to include the assets of registered investment companies, separate (or private) accounts, managed accounts (including wrap accounts) and commingled or collective trusts that are advised or sub-advised by the following subsidiaries: Federated Advisory Services Co.; Federated Equity Management Co. of PA; Federated Investment Counseling; Federated Investment Management Co.; Federated Global Investment Management Corp.; International Management Limited; Passport Research, Ltd.; MDT Advisers; Federated Securities Corp.; effective December, 2008, (the date of acquisition) the institutional assets of Federated Clover Investment Advisors, and effective September, 2009, (the date the assets were brought into compliance) the SMA/Wrap assets of Federated Clover Investment Advisors; and effective April, 2012 (the date of acquisition) Federated Investors (UK), LLP. Effective with the January 1, 2011, change in GIPS® policies regarding fair value, the assets of the Capital Preservation Fund (a Guaranteed Investment Contract vehicle) were included in the defined firm assets. Prior to that date they were excluded as they are not market value based investments.*
- 2. Interest income and dividends are recognized on an accrual basis. Returns include the reinvestment of all income.*
- 3. All market values and performance information are valued in U.S. dollars unless currency is denoted in composite title.*
- 4. With the exception of the Federated Clover Investment Advisors composites, annual composite dispersion is measured and presented using the asset weighted standard deviation of the returns of all of the portfolios included in the composite over the entire year. Quarterly dispersion is measured using all portfolios included in the composite for that quarter. With regard to Federated Clover Investment Advisors composites, annual dispersion is measured using the equal weighted standard deviation of the returns of all the portfolios included in the composite over the entire year.*
- 5. Composite dispersion does not measure the risk of the product presented, it simply measures the return variance among portfolios managed in a similar fashion. This variance can be affected by variations in cash flow or specific client parameters among the portfolios comprising the composites, as well as by Federated's execution of strategy across accounts.*
- 6. The composites may include the equity or fixed segments of balanced separate accounts, when appropriate. Client directed cash flows for balanced accounts are accounted for independently in the appropriate segment using the portfolio's cash position in place at the time of the cash flow.*
- 7. See the composite description language on the prior page for a discussion on appropriate fees currently applied to calculate composite performance. With regard to the institutional composites not managed by the Federated Clover or MDT Advisers teams, for the period July 1, 1992 through September 30, 2009, net of fee performance was calculated monthly by reducing the gross composite return by the highest actual fee of any account in the composite for that month, regardless of investment vehicle. Prior to this, the maximum management fee charged for the period July 1, 1992 through September 30, 1992 was used to calculate net of fee performance back to inception of the composite. In addition, further fee information can be obtained from Federated's respective Forms ADV Part 2 Brochure Item 5.*
- 8. Additional information regarding the policies for valuing portfolios, calculating performance, and preparing compliant presentations, as well as a complete list and description of the firm's composites is available upon request.*
- 9. Past performance is not indicative of future results.*
- 10. See disclosures on the Schedule of Rates of Return and Statistics Reports for additional information.*



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