

## STRATEGIC VALUE DIVIDEND MANAGED ACCOUNT STRATEGY

### 3<sup>rd</sup> Quarter 2011 Outlook

#### MARKET OVERVIEW

September ended on a higher note than it began. The final take on Q2 GDP was revised back up to its originally estimated increase of 1.3% on stronger consumer spending and business investment. Weekly jobless claims dipped below the critical 400,000 level, building up hopes for September payrolls that come out in early October after a very discouraging August report that put net payroll gains at zero. And despite mixed regional gauges, several national measures of manufacturing activity pointed to continued expansion in this sector.

But the rosier finish couldn't put a shine on the whole month, as equity indices finished sharply lower for a second straight month and Treasury securities hit historic post-war lows. The latter was driven by the Federal Reserve's dour assessment of economic conditions and its decision to stretch out the maturity of its holdings by replacing short-term Treasuries with longer-term Treasuries. Some dubbed the maneuver QE2½, but by whatever name, it was aimed at driving longer-term rates down, particularly mortgage rates, the latter of which got an extra boost by the Fed's decision to buy more agency mortgage-backed securities (MBS) with proceeds from maturing agency debt and agency MBS. The only problem is, even with mortgage rates at post-war lows, demand for housing and refinancing remains minimal, with home sales and housing starts stuck at nearly depression lows and consumers who aren't underwater on their mortgages seemingly focused more on paring than adding to debt.

The concern continues to be that geopolitical forces are a growing threat. In Europe, while there seemed to be movement toward a resolution regarding Greece, worries persisted about a potential EU financial crisis. All of this is weighing on businesses. The influential Business Roundtable said confidence among senior executives had plunged since early summer in large part because of the rising probability of recession.

#### PERFORMANCE & STRATEGY

As a dividend-oriented product focused on returning a high and rising stream of income to investors, the Strategic Value Dividend portfolio did well to achieve its objectives in the third quarter of 2011. The portfolio continues to provide investors with a high current gross dividend yield, which measured 5.1% at quarter end. Additionally, dividend growth continues to be robust, as the portfolio has now experienced 27 dividend increases year-to-date among its holdings. Notable dividend raisers in the third quarter include Altria, AstraZeneca, McDonald's, and Philip Morris International. These stocks respectively increased their dividends by 8%, 12%, 15%, and a hefty 20%! We expect the portfolio to experience further dividend increases in the fourth quarter of the year, resulting in a full year of handsome dividend growth to complement the portfolio's high current yield.

Although the third quarter of 2011 was hard on many investors, it did highlight something important: investing in high-quality, dividend-paying equities and investing in the S&P 500 are two separate concepts. Over that time period, the S&P 500, representing the broad market, posted a dismal return of -13.9%, bringing its year-to-date return to -8.7%. The Dow Jones Select Dividend Index, which attempts to reflect the domestic dividend-paying universe, also fell significantly, returning -8.0% for the third quarter of 2011 and -0.2% year-to-date. Conversely, the Strategic Value Dividend portfolio fell only slightly in the third quarter of 2011. The portfolio posted a total gross return of -2.8% during that time, allowing it to maintain a healthy 5.9% gross return year-to-date.

So why did the Strategic Value Dividend portfolio fare so well? The answer lies in the characteristics of the stocks that are selected for the portfolio. The Strategic Value Dividend portfolio seeks to invest in large, global companies that have the ability and inclination to pay and increase their dividend and that reliably generate strong cash flows

regardless of market conditions. These tend to be high yielding, large cap, high quality, low beta stocks. Securities such as this tend to perform better in times of market turmoil because their total returns are anchored to their substantial dividend payments and their ability to generate strong cash flows reduces the effects of cyclicity in the market. Thus, when the market turns sour, these stocks still return a positive dividend contribution to their shareholders. And since these companies still have the ability to generate strong cash flows and revenues, their stock prices tend to fall less than cyclically-exposed firms that are more impacted by a market downturn. The disparate returns of the third quarter showcase how comforting a strategy such as this can be to investors when the market turns south.

Driving the portfolio's performance in the third quarter, notable positive returns were provided by the portfolio's high-yielding, non-cyclical Consumer Staples and Utilities holdings. Illustrative of its lower downside risk, the portfolio was also helped by its absence in the cyclically-exposed Industrials and Materials sectors, which retreated in the recent quarter and brought down the returns of the S&P 500 and the Dow Jones Select Dividend Index. Additionally, the portfolio did well from its modest investment in the Financials sector, which is still feeling the wrath of global debt crises. The portfolio did retreat slightly as its Energy holdings fell with the price of oil and as its international Telecomm holdings rode the tide lower in Europe.

The Strategic Value Dividend portfolio remains a compelling investment option for any investor. Whether one is seeking high current income (especially in an environment where the 10-year U.S. Treasury bond is yielding 2% or lower), a rising income stream to offset inflation, lower downside risk to protect their investment principal, or a long-term strategy to provide superior returns to the broad market, the Strategic Value Dividend portfolio is an option. Amidst the recent uncertainty and volatility in the market, the Strategic Value Dividend portfolio provides a focused strategy and achievable objectives that can ease investors as it consistently returns cash dividends to their pockets.

***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 9/30/11 and are subject to change.***

***Supplemental to the GIPS compliant composite.  
Past performance is no guarantee of future results.***

Federated Investment Counseling, Advisor  
11-41228 (10/11)

Composite **Strategic Value Dividend Managed Account Composite**  
 Index **Changed 1/07 to Dow Jones Select Dividend from Russell Midcap Value Index**  
 Periods Ending **6/30/2011**

Returns (%)			
	Gross Composite Return	Index	Net Composite Return (Assuming Maximum Fee)
<b>2nd Qtr. 11</b>	3.88	2.56	3.11
<b>YTD</b>	8.93	8.39	7.33
<b>1 Year</b>	31.50	29.92	27.69
<b>3 Years (Annlzd)</b>	5.75	7.77	2.63
<b>5 Years (Annlzd)</b>	2.48	0.94	-0.55
<b>Oct 01-June 11 (Annlzd)</b>	8.42	8.34	5.23

	Gross Historical Returns (%)					Net Historical Returns (%)					Index Historical Returns (%)				
	Q1	Q2	Q3	Q4	Annual/YTD	Q1	Q2	Q3	Q4	Annual/YTD	Q1	Q2	Q3	Q4	Annual/YTD
<b>2001</b>	N/A	N/A	N/A	9.05	N/A	N/A	N/A	N/A	8.26	N/A	N/A	N/A	N/A	12.03	N/A
<b>2002</b>	9.59	-0.89	-11.92	5.15	0.59	8.79	-1.64	-12.61	4.38	-2.39	.789	-4.68	-17.95	7.06	-9.66
<b>2003</b>	-5.21	16.35	5.33	10.95	28.90	-5.93	15.52	4.55	10.15	25.16	-4.06	17.89	5.94	15.22	38.06
<b>2004</b>	6.18	-2.83	3.85	9.67	17.52	5.40	-3.57	3.08	8.88	14.08	5.35	1.73	1.74	13.46	23.71
<b>2005</b>	-0.21	5.23	2.97	-1.12	6.92	-0.96	4.46	2.21	-1.86	3.77	0.78	4.70	5.35	1.34	12.64
<b>2006</b>	7.52	1.88	9.20	9.49	30.97	6.74	1.12	8.41	8.69	27.18	7.62	-0.56	3.53	8.50	20.22
<b>2007</b>	1.32	0.32	-1.52	-4.65	-4.55	0.57	-0.43	-2.26	-5.38	-7.39	2.29	1.85	-2.98	-6.17	-5.16
<b>2008</b>	-8.08	-8.90	0.33	-13.46	-27.29	-8.78	-9.60	-0.42	-14.14	-29.50	-8.61	-14.00	11.27	-21.07	-30.97
<b>2009</b>	-16.36	10.22	10.49	8.49	10.50	-17.03	9.42	9.69	7.70	7.25	-23.09	13.71	18.24	7.46	11.13
<b>2010</b>	0.43	-6.67	14.51	5.42	13.15	-0.32	-7.38	13.69	4.65	9.84	5.94	-6.82	11.53	7.48	18.32
<b>2011</b>	4.86	3.88	N/A	N/A	8.93	4.08	3.11	N/A	N/A	7.33	5.68	2.56	N/A	N/A	8.93

	# of Accts @ Quarter End				Composite Assets (\$ mil)				Dispersion*				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Annual
<b>2001</b>	N/A	N/A	N/A	2	N/A	N/A	N/A	0.4	N/A	N/A	N/A	N/A	N/A
<b>2002</b>	4	6	12	36	1.1	1.3	1.8	6.9	N/A	0.02	0.09	0.16	0.03
<b>2003</b>	88	166	379	692	21.9	43.7	92.4	191.9	0.56	0.40	0.43	0.44	1.20
<b>2004</b>	1,090	1,526	1,896	2,298	3071	395.5	492.5	612.3	0.26	0.21	0.10	0.10	0.60
<b>2005</b>	3,010	3,648	4,348	4,653	754.3	909.0	1,057.3	1,015.6	0.10	0.10	0.11	0.32	0.39
<b>2006</b>	5,352	5,810	6,461	7,326	1,266.3	1,350.6	1,620.9	1,889.8	0.14	0.22	0.24	0.15	0.42
<b>2007</b>	8,771	10,277	10,878	9,420	2,137.7	2,430.5	2,484.5	1,979.6	0.20	0.19	0.21	0.24	0.38
<b>2008</b>	9,810	9,358	8,679	7,774	1,910.5	1,655.3	1,517.3	1,221.5	0.29	0.21	0.57	0.57	0.67
<b>2009</b>	7,928	7,597	7,334	6,970	1,074.7	1,206.8	1,312.5	1,401.0	0.33	0.19	0.18	0.19	0.47
<b>2010</b>	6,760	6,374	5,731	5,818	1,398.8	1,261.7	1,335.2	1,470.9	0.10	0.21	0.20	0.10	0.31
<b>2011</b>	6,135	5,306	N/A	N/A	1,669.5	1,446.2	N/A	N/A	0.09	0.17	N/A	N/A	N/A

	Firm Assets (\$bil)				Carve Outs as % of Composite Assets				3-Yr Std Dev**	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Composite	Index
<b>2001</b>	145.6	159.9	162.5	176.5	N/A	N/A	N/A	N/A	N/A	N/A
<b>2002</b>	175.4	182.8	179.8	193.1	N/A	N/A	N/A	N/A	N/A	N/A
<b>2003</b>	193.3	199.3	190.4	193.9	N/A	N/A	N/A	N/A	N/A	N/A
<b>2004</b>	190.4	180.8	174.2	177.0	N/A	N/A	N/A	N/A	12.44	14.47
<b>2005</b>	177.0	202.5	204.5	210.9	N/A	N/A	N/A	N/A	9.59	10.92
<b>2006</b>	215.1	208.0	213.1	227.2	N/A	N/A	N/A	N/A	8.28	8.65
<b>2007</b>	246.0	254.5	276.3	294.9	0.00%	0.00%	0.00%	0.00%	7.91	8.85
<b>2008</b>	331.0	326.6	337.9	402.8	0.00%	0.00%	0.00%	0.00%	12.51	15.48
<b>2009</b>	404.1	396.8	387.4	384.4	0.00%	0.00%	0.00%	0.00%	15.46	22.26
<b>2010</b>	345.3	334.1	336.4	354.3	0.00%	0.00%	0.00%	0.00%	17.18	23.70
<b>2011</b>	351.2	345.0	N/A	N/A	0.00%	0.00%	0.00%	0.00%	15.89	21.44

\*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).

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

The composite was created in December, 2001. Federated Investors has managed portfolios in this investment style since July, 1997. 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 January, 1992, through March 31, 2011. 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. The benchmark was changed to the Dow Jones Select Dividend Index which proved to be more representative of the current strategy. Effective April, 2010, the composite name was changed from Strategy Value Managed Account Composite to provide additional clarification. This composite is comprised of all domestic portfolios investing in stocks that management believes will provide lower volatility in falling equity market environments, yet will provide some potential for participation in rising markets. Eligible portfolios are managed with wide latitude to choose the sectors and securities to fulfill the mandate, but generally utilize a relatively large amount of utilities and other high-dividend paying equity-like securities, including REITs. Within eligible portfolios, securities are selected based on a fundamental assessment of the quality of the company's business, including a search for market leading companies with strong finances whose stocks appear attractive on our valuation models. Separate 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. Wrap fee accounts make up 100% of this composite for all time periods. Net returns reflect the deduction of the maximum annual wrap fee of 3.00%. Wrap fee accounts pay a fee based on a percentage of assets under management that generally covers investment management, trading, portfolio monitoring, consulting services, and in some cases, custodial services. Gross returns are shown as additional information and are stated net of any direct transaction costs, if any. See Notes to the Schedule of Rates of Return and Statistics.

**Notes to the Schedule of Rates of Returns and Statistics**

1. Federated Investors is a global, independent, multi-strategy investment management firm with offices in Pittsburgh, New York, Rochester, Boston, London, 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. 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 is recognized on an accrual basis. All portfolio assets include dividends recognized on accrual basis.
3. All market values and performance information are valued in US. dollars unless euro is denoted in composite title.
4. With the exception of the Clover Capital 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 Clover Capital 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. Performance results are presented gross and net of management fees. Effective October 1, 2009, net of fee performance for institutional composites is calculated monthly by reducing the gross composite return by the highest institutional management fee. 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. With regard to a composite which may reflect the performance of the Federated Clover Investment Advisors portfolio management team, net of fee performance is calculated monthly using the actual net return for all portfolios in the composite. Further fee information can be obtained from Federated's respective Forms ADV, Part II, Schedule F.
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.