

Strategic Value Dividend Managed Account Commentary

Market Overview

The major equity indexes slipped in June, as generally better-than-expected data on the U.S. economy gave way to worries late in the month over a possible Greek default, exit from the euro or both. The bulk of the monthly decline, which saw the S&P 500, Dow and NASDAQ fall a respective 2.1%, 2.2% and 1.6%, came on June 29, when a strong risk-off trade sent global equity markets tumbling as the Greek issue came to a head. June's losses were enough to push the S&P to a virtually flat total return for the quarter.

Questions over Greece's fate, as well as concerns over a potential default by Puerto Rico on its bonds, masked a month that all but confirmed a spring rebound from winter's detrimental mix of bad weather, West Coast port shutdowns and a stronger dollar. Nonfarm payrolls in May posted their largest gain in five months, with a much stronger-than-expected increase of 280,000 jobs. Elsewhere, May existing sales topped expectations, new home sales rose at their fastest pace in nearly eight years and pending home sales—a gauge of future final sales—hit a nine-year high, all fueled by a growing share of first-time buyers. In addition, consumer spending accelerated, with May personal consumption expenditures up the most in nearly six years, led by autos and other big-ticket durable goods. Manufacturing activity was more mixed, with various regional and national gauges indicative only of modest improvement.

Still, the overall portrait of June's economy was one that had put winter behind it. Most Wall Street forecasters are predicting a stronger summer and second half after yet another poor start to the year. But it remains to be seen if this will be enough to overcome market concerns about geopolitical eruptions such as Greece and Puerto Rico that have driven up volatility.

Strategic Value Dividend

Performance and Strategy

In spite of the recent commotion in the markets precipitated by uncertainty in Greece and the Federal Reserve's future interest-rate plans, the Federated Strategic Value Dividend portfolio remained focused, as always, on seeking to provide investors with a high dividend yield complemented by dividend growth. At the end of June, the portfolio's gross dividend yield measured 4.5%, higher than that of the broad market S&P 500 Index (2.1%) and the Dow Jones Select Dividend Index (3.8%), which aims to reflect the domestic dividend-paying universe. During the second quarter, the portfolio also realized six dividend increases. The most notable of these came from Williams Companies, Johnson & Johnson and Kinder Morgan, which raised their dividends by 10.3%, 7.1% and 6.7%, respectively. This is the third increase over the past 12 months for both Williams Companies and Kinder Morgan, which brings their cumulative trailing 12-month dividend raises to 14.3% and 11.6%, respectively. Johnson & Johnson's April 2015 dividend hike marked 53 consecutive years that the company has raised its dividend. For the overall 35-stock portfolio, there have now been 17 dividend increases year-to-date at the halfway point of 2015.

During the second quarter, the portfolio produced a gross total return of -1.3%. Over the same time frame, the S&P 500 Index and Dow Jones Select Dividend Index returned 0.3% and -2.6%, respectively. A "risk on" environment was present for most of the quarter, as investors favored low-yielding, high-beta, low-quality equities. In fact, when quintiling the broad U.S. market, stocks in the lowest-yielding quintile outperformed stocks in the high-yielding quintile by 2.2%. Similarly, stocks in the highest beta quintile led stocks in the lowest beta quintile by 5.6%. And regarding quality, stocks with a "C" quality rating outpaced stocks with an "A+" quality rating by 6.2%. Such stocks are not conducive to a dividend-oriented investment strategy and, consequently, the worst performing sector in the broad market was the defensive, dividend-rich Utilities space, which returned -5.8%. Industrials (-2.2%) and Energy (-1.9%) also lagged, while the top performing sectors were Health Care (2.8%) and Consumer Discretionary (1.9%).

Within the portfolio, the top performing sectors were Telecom Services (4.5%) and Consumer Staples (1.6%). Within these sectors, the portfolio was led by the advance of Vodafone (15.1%), AT&T (10.4%) and Reynolds American (9.4%). In the Energy sector, Williams Companies also added to overall performance, posting a return of 14.8%. Williams Companies' share price rose notably after news of a potential buyout from Energy Transfer Equity L.P. REITs and Utilities were the worst performing areas for the portfolio, returning -15.0% and -3.5%, respectively. REITs and Utilities experienced short-term price pressure due to speculation around when the Federal Reserve might raise rates, but the portfolio's holdings in these industries are nonetheless very supportive of an income-oriented investment strategy, evidenced by their average dividend yields of 5.6% and 4.6%.

The second quarter was a turbulent period for the markets, reminding investors of the importance of investing in a portfolio characterized by stability. The portfolio's unchanging investment strategy looks beyond short-term market noise and focuses instead on the long-term drivers of total return. Historically, dividend yield and dividend growth have been those drivers, which is why the portfolio seeks to invest in businesses with the ability and willingness to pay and raise their dividends over time. The portfolio's holdings not only have the potential to provide income, but they also may offer lower downside risk since the portfolio's investments naturally tend to be mature, large-cap global companies. The inherent defensive quality of these stocks is demonstrated by the portfolio's 5-year beta of just 0.5 versus the S&P 500. So as the broad market constantly ebbs and flows in its unpredictable fashion, the Federated Strategic Value Dividend portfolio provides a steadfast, objectives-based investment approach that seeks to provide income, growth in that income which may offset inflation, lower downside risk characteristics and a long-term investment approach positioned to outperform the broad market. As such, the portfolio provides a compelling investment opportunity for a wide array of investors.

Data as of 6/30/15. 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 6/30/15 and are subject to change.

Past performance is no guarantee of future results.

Schedule of Rates of Return and Statistics

Composite **Strategic Value Dividend Managed Account Composite**
 Index **Changed 1/07 to Dow Jones Select Dividend from Russell Midcap[®] Value Index**
 Periods Ending **3/31/2015**

Returns (%)			
	Gross Composite Return	Index	Net Composite Return (Assuming Maximum Fee)
Q1 15	0.90	-0.96	0.14
YTD	0.90	-0.96	0.14
1 Year	8.69	10.13	5.49
3 Years (Annld)	13.60	15.87	10.27
5 Years (Annld)	14.30	15.46	10.96
7 Years (Annld)	7.99	8.97	4.81
10 Years (Annld)	7.75	7.83	4.57
Oct 01 - Mar 15 (Annld)	9.71	10.18	6.49

	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)
2005	6.92	3.77	12.64	9.59	10.92	4,653	0.39	0.00%	1,015.6	210.9
2006	30.97	27.18	20.22	8.28	8.65	7,326	0.42	0.00%	1,889.8	227.2
2007	-4.55	-7.39	-5.16	7.91	8.85	9,420	0.38	0.00%	1,979.6	294.9
2008	-27.29	-29.50	-30.97	12.51	15.48	7,774	0.67	0.00%	1,221.5	402.8
2009	10.50	7.25	11.13	15.46	22.26	6,970	0.47	0.00%	1,401.0	384.4
2010	13.15	9.84	18.32	17.18	23.70	5,818	0.31	0.00%	1,470.9	354.3
2011	16.85	13.44	12.42	14.33	19.86	5,869	1.10	0.00%	1,678.9	363.9
2012	7.53	4.37	10.84	10.48	11.50	6,300	0.47	0.00%	1,817.0	371.3
2013	21.59	18.05	29.06	8.53	9.36	7,420	0.42	0.00%	2,444.2	366.8
2014	12.34	9.05	15.36	8.92	9.04	6,412	0.23	0.00%	2,223.3	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 domestic portfolios investing in 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. Within eligible portfolios, securities are selected based on dividend yields, dividend growth rates, valuation attractiveness, a fundamental assessment of their financial strength, and their performance during periods of market weakness. The benchmark was changed January 2007 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 Strategic Value Dividend Managed Account Composite to provide additional clarification. Effective July 2013, performance for this composite is calculated in U.S. dollars net of foreign withholding taxes on dividends, interest, and capital gains. 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. This composite was created in December 2001. Federated Investors has managed portfolios in this investment style since July 1997. Performance shown for 2001 is for a partial period starting on October 1, 2001. 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 December 31, 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 0.70%) 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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