

Strategic Value Dividend Managed Account Commentary

November 2012

Market Overview

It was a muddled month for the markets and the economy, as Hurricane Sandy played havoc with much of the economic data and uncertainty over the election's outcome gave way to uncertainty over the fiscal cliff's outcome. The confusion resulted in a muted month for stocks, with relatively low trading volumes and both the Dow and S&P 500 ending the month pretty much where they started.

The Federal Reserve's (the Fed) late October/mid-November assessment described the economy as continuing to expand at a "measured pace," with modest improvement in real estate—particularly single-family housing—and auto activity for much of the country. The Fed's Beige Book was less encouraging about manufacturing: seven of its 12 districts reported slowing or contracting activity. And while the third-quarter's real GDP growth was revised up from 2% to 2.7%, the increase was led by the biggest nonfarm inventory expansion in two years—historically, a rising inventory build is a harbinger of slower growth.

On the plus side, October pending home sales rose an above-consensus 18% year-over-year, lifting the future sales gauge to its highest since April 2010, when sales got a lift from a temporary tax credit. Case Shiller and FHFA data also showed prices continuing to rise. Shoppers outside of the areas hard hit by Sandy also appeared to be in a buying mood. The National Retail Federation said Thanksgiving weekend retail sales reached \$59 billion, up 12.1% over 2011. And ComScore reported that online sales for Black Friday topped \$1 billion for the first time while Cyber Monday sales hit \$1.5 billion, up 17% from a year ago and the biggest Internet shopping day in history.

Still, by month's end, Wall Street was slashing forecasts for fourth-quarter GDP on concerns about the drop-off in business investment, the inventory build and the temporary drag from Hurricane Sandy. Further, without a successful resolution to the cliff, even a temporary one that puts off big decisions off until later, the Congressional Budget Office warned that the economy likely will fall back into recession, a view an increasing number of Wall Street analysts appear to share—but one not yet priced into the equity market. Stay tuned.

Strategic Value Dividend

Performance and Strategy

Through the month of November, the Strategic Value Dividend portfolio proceeded on its way to achieving its objectives of providing a high-level of current income, long-term capital appreciation driven by dividend growth and lower downside risk. The portfolio finished with a gross dividend yield that measured 4.96% in line with its 5.0% target. This was significantly higher than the 2.28% yield of the broad market S&P 500 Index, as well as the 4.00% yield of the Dow Jones Select Dividend Index that aims to reflect the domestic dividend-paying universe.

The portfolio's strategy also strives to achieve steady dividend growth which was reinforced in the month of November with five dividend increases. Notable increases during the month included AT&T (+2.3%), Merck & Co. (+2.4%), Health Care REIT (+3.4%), National Grid (+6.5%), and Vodafone Group (+7.0%). Complementing its high yield, the portfolio's holdings have experienced 31 dividend increases and one special dividend year-to-date. This dividend growth allowed the portfolio to maintain its high yield, and also provided a rising cash stream to offset inflation.

During the month of November, the Strategic Value Dividend portfolio posted a gross total return of -0.65%. Total returns for the S&P 500 and the Dow Jones Select Dividend Index were 0.58% and -0.24% over the same time frame. All of the portfolio's underperformance occurred within the first 5 pre-election days of the month when the markets favored riskier assets characterized by high risk, low yield, and small size. After the election, the portfolio maintained flat performance when riskier assets posted losses. This reversal in investor sentiment is apparent in the S&P 500, as it returned 1.17% prior to the election and -0.59% post election.

The portfolio's large position in Food Beverage & Tobacco helped performance, as the industry group returned 3.32% in the portfolio for November. The Portfolio had positive returns across most holdings in the industry group with Altria Group, Lorillard, and Reynolds leading the way with returns of 6.32%, 5.78%, and 5.00% respectively. The dividend-friendly sectors, such as Utilities, Telecomm, and Energy – where the portfolio has the highest exposures – underperformed the broad market for November.

As investors worry about the approaching “fiscal cliff,” the Strategic Value Dividend strategy, with its weighted average 5-year stock beta of 0.60 versus the S&P 500 Index, and focus on high quality, large, well-run companies, in addition to providing a reliable income stream, may offer a compelling investment option.

Data as of 11/30/12. Information is supplemental to the attached GIPS presentation.

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 11/30/12 and are subject to change.

Past performance is no guarantee of future results.

Schedule of Rates of Returns 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 **9/30/2012**

Returns (%)			
	Gross Composite Return	Index	Net Composite Return (Assuming Maximum Fee)
Q3 12	3.21	3.64	2.44
YTD	9.50	10.42	7.09
1 Year	20.78	24.42	17.26
3 Years (Annlzd)	16.24	16.43	12.84
5 Years (Annlzd)	2.09	1.12	-0.93
10 Years (Annlzd)	9.49	10.22	6.27
Oct 01 - Sep 12	9.01	8.69	5.81

	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
2002	9.59	-0.89	-11.92	5.15	0.59	8.79	-1.64	-12.61	4.38	-2.39	7.90	-4.67	-17.95	7.06	-9.65
2003	-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	38.07
2004	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
2005	-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
2006	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
2007	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
2008	-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
2009	-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
2010	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
2011	4.86	3.88	-2.74	10.30	16.85	4.08	3.11	-3.48	9.50	13.44	5.68	2.56	-7.95	12.68	12.42
2012	1.09	4.96	3.21	N/A	9.50	0.34	4.18	2.44	N/A	7.09	5.06	1.41	3.64	N/A	10.42

	Composite Assets (\$ mil)				# of Accts at Year End	Dispersion* Annual	% Carve Out at Year End	Firm Assets (\$ bil)				3-Yr Std Dev**	
	Q1	Q2	Q3	Q4				Q1	Q2	Q3	Q4	Composite	Index
2002	1.1	1.3	1.8	6.9	36	0.03	0.00	175.4	182.8	179.8	193.1	N/A	N/A
2003	21.9	43.7	92.4	191.9	692	1.20	0.00	193.3	199.3	190.4	193.9	N/A	N/A
2004	307.1	395.5	492.5	612.3	2,298	0.60	0.00	190.4	180.8	174.2	177.0	12.44	14.47
2005	754.3	909.0	1,057.3	1,015.6	4,653	0.39	0.00	177.0	202.5	204.5	210.9	9.59	10.92
2006	1,266.3	1,350.6	1,620.9	1,889.8	7,326	0.42	0.00	215.1	208.0	213.1	227.2	8.28	8.65
2007	2,137.7	2,430.5	2,484.5	1,979.6	9,420	0.38	0.00	246.0	254.5	276.3	294.9	7.91	8.85
2008	1,910.4	1,655.3	1,517.3	1,221.5	7,774	0.67	0.00	331.0	326.6	337.9	402.8	12.51	15.48
2009	1,074.7	1,206.8	1,312.5	1,401.0	6,970	0.47	0.00	404.1	396.8	387.4	384.4	15.46	22.26
2010	1,398.8	1,261.7	1,335.2	1,470.9	5,818	0.31	0.00	345.3	334.1	336.4	354.3	17.18	23.70
2011	1,669.5	1,446.2	1,503.6	1,678.9	5,869	1.10	0.00	351.2	345.0	346.9	363.9	14.33	19.86
2012	2,041.0	2,313.5	1,851.2	N/A	N/A	N/A	0.00	358.0	350.1	355.8	N/A	10.66	11.88

*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. The statistic is used to measure the 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 June 30, 2012. The verification report is available upon request. 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 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. 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 supplemental information and are stated gross of all fees and transaction costs.

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

Notes to the Schedule of Rates of Returns and Statistics

- 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 Prime Rate Capital Management, LLP. Federated Investors is in the process of bringing the assets of the Federated Prime Rate Capital Management, LLP into compliance. 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.*
- Interest income is recognized on an accrual basis. All portfolio assets include dividends recognized on accrual basis.*
- All market values and performance information are valued in U.S. dollars unless euro is denoted in composite title.*
- 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.*
- 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.*
- 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.*
- With regard to the composites not managed by the Federated Clover or MDT Advisers teams, 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 Clover Capital portfolio management team, net of fee performance is calculated monthly using the actual net return for all portfolios in the composite. With regard to a composite which may reflect the performance of the MDT Advisers portfolio management team, net of fee performance is calculated monthly using the highest institutional management fee. Further fee information can be obtained from Federated's respective Forms ADV Part 2 Brochure Item 5.*
- 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.*
- Past performance is not indicative of future results.*
- See disclosures on the Schedule of Rates of Return and Statistics Reports for additional information.*



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