

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30D

Initial annual and semi-annual reports mailed to investment company shareholders pursuant to Rule 30e-1 (other than those required to be submitted as part of Form NCSR)

Filing Date: **1996-12-30** | Period of Report: **1996-10-31**  
SEC Accession No. **0000861469-96-000011**

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### FILER

#### FEDERATED INDEX TRUST

CIK: **861469** | State of Incorporation: **MA** | Fiscal Year End: **1031**  
Type: **N-30D** | Act: **40** | File No.: **811-06061** | Film No.: **96687721**

Mailing Address  
*FEDERATED INVESTORS  
TOWER  
PITTSBURG PA 15222-3779*

Business Address  
*FEDERATED INVESTORS  
TOWER  
PITTSBURGH PA 15222  
4122881581*

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FEDERATED MAX-CAP FUND  
(A PORTFOLIO OF FEDERATED INDEX TRUST)  
INSTITUTIONAL SHARES  
PROSPECTUS

The Institutional Shares of Federated Max-Cap Fund (the "Fund") offered by this prospectus represent interests in the Fund, which is an investment portfolio in Federated Index Trust (the "Trust"), an open-end, management investment company (a mutual fund). The investment objective of the Fund is to seek to provide investment results that correspond to the aggregate price and dividend performance of publicly traded common stocks as represented by the Standard & Poor's 500 Composite Stock Price Index (the "Index"). The Fund is neither affiliated with nor sponsored by the Standard & Poor's Ratings Group.

THE INSTITUTIONAL SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF ANY BANK, ARE NOT ENDORSED OR GUARANTEED BY ANY BANK, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENT AGENCY. INVESTMENT IN THESE SHARES INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

This prospectus contains the information you should read and know before you invest in the Fund. Keep this prospectus for future reference. The Fund has also filed a Statement of Additional Information for Institutional Shares and Institutional Service Shares dated December 31, 1996, with the Securities and Exchange Commission ("SEC"). The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information, or a paper copy of this prospectus, if you have received your prospectus electronically, free of charge by calling 1-800-341-7400. To obtain other information or to make inquiries about the Fund, contact the Fund at the address listed in the back of this prospectus. The Statement of Additional Information, material incorporated by reference into this document, and other information regarding the Fund is maintained electronically with the SEC at Internet Web site (<http://www.sec.gov>).

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospectus dated December 31, 1996

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SUMMARY OF FUND EXPENSES

FEDERATED MAX-CAP FUND  
INSTITUTIONAL SHARES

<TABLE>

<S>		<C>	<C>
	Shareholder Transaction Expenses		
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price).....			None
Maximum Sales Charge Imposed on Reinvested Dividends (as a percentage of offering price).....			None
Contingent Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, as applicable).....			None
Redemption Fee (as a percentage of amount redeemed, if applicable).....			None
Exchange Fee.....			None
	ANNUAL OPERATING EXPENSES (As a percentage of average net assets)		
Management Fee (after waiver) (1).....			0.24%
12b-1 Fee.....			None
Total Other Expenses.....			0.07%
Shareholder Services Fee (after waiver) (2).....	0.00%		
Total Operating Expenses (3).....			0.31%

</TABLE>

- (1) The management fee has been reduced to reflect the voluntary waiver of a portion of the management fee. The adviser can terminate this voluntary waiver at any time at its sole discretion. The maximum management fee is 0.30%.
- (2) The shareholder services fee has been reduced to reflect the voluntary waiver of the shareholder services fee. The shareholder service provider can terminate this voluntary waiver at any time at its sole discretion. The maximum shareholder services fee is 0.25%.
- (3) The total operating expenses would have been 0.62% absent the voluntary waivers of a portion of the management fee and the shareholder services fee.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of the Fund will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Federated Index Trust Information." Wire-transferred redemptions of less than \$5,000 may be subject to additional fees.

<TABLE>

<CAPTION>

EXAMPLE	1 year	3 years	5 years	10 years
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
You would pay the following expenses on a \$1,000 investment assuming (1) 5% annual return and (2) redemption at the end of each time period.....	\$3	\$10	\$17	\$39

</TABLE>

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

FEDERATED MAX-CAP FUND

FINANCIAL HIGHLIGHTS--INSTITUTIONAL SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Ernst & Young LLP, Independent Auditors on page 43.

<TABLE>

<CAPTION>

	YEAR ENDED OCTOBER 31,						
	1996	1995	1994	1993	1992	1991	1990 (A)
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

NET ASSET VALUE, BEGINNING OF PERIOD	\$14.74	\$12.02	\$12.24	\$11.64	\$11.07	\$ 8.60	\$10.00
-----							
INCOME FROM INVESTMENT OPERATIONS							
-----							
Net investment income	0.34	0.38	0.32	0.30	0.32	0.37	0.12
-----							
Net realized and unrealized gain (loss) on investments and futures contracts	2.80	2.70	0.10	1.29	0.71	2.46	(1.43)
-----							
Total from investment operations	3.14	3.08	0.42	1.59	1.03	2.83	(1.31)
-----							
LESS DISTRIBUTIONS							
-----							
Distributions from net investment income	(0.36)	(0.34)	(0.30)	(0.30)	(0.34)	(0.36)	(0.09)
-----							
Distributions from net realized gain on investments and futures contracts	(2.03)	(0.02)	(0.34)	(0.69)	(0.12)	--	--
-----							
Total distributions	(2.39)	(0.36)	(0.64)	(0.99)	(0.46)	(0.36)	(0.09)
-----							
NET ASSET VALUE, END OF PERIOD	\$15.49	\$14.74	\$12.02	\$12.24	\$11.64	\$11.07	\$ 8.60
-----							
TOTAL RETURN (B)	23.71%	26%	3.59%	14.35%	9.51%	33.31%	(14.46)%
-----							
RATIOS TO AVERAGE NET ASSETS							
-----							
Expenses	0.31%	0.31%	0.32%	0.31%	0.30%	0.24%	0.00%
-----							
Net investment income	2.29%	2.91%	2.70%	2.60%	2.92%	3.74%	5.19%*
-----							
Expense waiver/reimbursement (c)	0.31%	0.33%	0.07%	0.09%	0.18%	0.45%	0.94%*
-----							
SUPPLEMENTAL DATA							
-----							
Net assets, end of period (000 omitted)	\$900,131	\$679,237	\$443,815	\$407,246	\$309,614	\$144,528	\$25,129
-----							
Average commission rate paid	\$0.0153	--	--	--	--	--	--
-----							
Portfolio turnover	3%	57%	2%	13%	46%	6%	0%
-----							

</TABLE>

\* Computed on an annualized basis.

(a) Reflects operations for the period from July 5, 1990 (date of initial public offering) to October 31, 1990. For the period from the start of business June 26, 1990 to July 4, 1990, net investment income per share aggregating \$0.02 per share (\$155) was distributed to the Fund's manager. Such distribution represented the net income of the Fund prior to initial public offering of Fund shares which commenced on July 5, 1990.

(b) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.

(c) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

#### GENERAL INFORMATION

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 30, 1990. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. The shares in any one portfolio may be offered in separate classes. As of the date of this prospectus, the Board of Trustees ("Trustees") has established two classes of shares of the Fund, known as Institutional Shares ("Shares") and Institutional Service Shares. This prospectus relates only to Institutional Shares of the Fund. Institutional Shares are designed primarily for institutions investing on behalf of their customers. A minimum initial investment of \$25,000 over a 90-day period is required.

Shares are currently sold and redeemed at net asset value without a sales charge imposed by the Fund.

#### INVESTMENT INFORMATION

## INVESTMENT OBJECTIVE

The investment objective of the Fund is to provide investment results that correspond to the aggregate price and dividend performance of publicly-traded common stocks, by duplicating the composition of the Index. The investment objective cannot be changed without approval of shareholders. The Fund's ability to duplicate the Index will depend partly on the size and timing of cash flows into and out of the Fund. The Fund's performance is expected to closely mirror the performance of the Index. An investment in the Fund presents risks similar to those of investing in a portfolio comprised of the securities of the companies in the Index. While there is no assurance that the Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus.

## INVESTMENT POLICIES

The investment policies described below may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material changes in these policies become effective.

The Fund pursues its investment objective by attempting to duplicate the investment results of the Index, while minimizing transaction costs and other expenses. The Fund will attempt to achieve a correlation between the performance of its portfolio and that of the Index of at least 0.95 of 1% or better; a figure of 1.00 would represent perfect correlation. The Fund will normally be invested in substantially all of the stocks that comprise the Index. Under normal circumstances, at least 80% of the value of the Fund's total assets will be invested in stocks represented in the Index. However, the Fund is not required to sell securities if the 80% investment level changes due to increases or decreases in the market value of portfolio securities.

The Index consists of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Standard & Poor's Ratings Group ("S&P") designates the stocks to be included in the Index on a statistical basis. A particular stock's weighting in the Index is based on its relative total market value; that is, its market price per share times the number of shares outstanding. From time to time, S&P may add or delete stocks from the Index. Inclusion of a particular stock in the Index in no way implies an opinion by S&P as to its investment attractiveness, nor is S&P a sponsor or in any way affiliated with the Fund. The Fund utilizes the Index as the standard performance benchmark because it represents approximately 70% of the total market value of all common stocks. In addition, it is familiar to investors, and is recognized as a barometer of common stock investment returns.

The Fund will be managed passively, in that the traditional management functions of economic, financial, and market analysis will not be undertaken. Furthermore, a company's adverse financial circumstance will not trigger its elimination from the Fund's portfolio, unless the company's stock is removed from the Index by S&P. The Fund is managed by utilizing a computer program that identifies which stocks should be purchased or sold in order to duplicate, as much as possible, the composition of the Index. The Fund will include a stock in its investment portfolio in the order of the stock's weighting in the Index, starting with the heaviest-weighted stock. Thus, the proportion of Fund assets invested in such stock is nearly identical to the percentage of the particular stock represented in the Index. On occasion, so as to respond to changes in the Index's composition, as well as corporate mergers, tender offers, and other circumstances, adjustments will be made in the Fund's portfolio. However, it is anticipated that these adjustments will occur infrequently, and the costs will be minimized. As a result, portfolio turnover is expected to be well below that encountered in other investment company portfolios. Therefore, the accompanying costs, including accounting costs, brokerage fees, custodial expenses, and transfer taxes, are expected to be relatively low. While the cash flows into and out of the Fund will impact the Fund's portfolio turnover rate and the Fund's ability to replicate the Index's performance, investment adjustments will be made, as practicably as possible, to account for these circumstances.

The Fund believes that indexing, as described above, constitutes a reasonable and effective method of replicating percentage changes in the Index. While the Fund will not duplicate the Index's performance precisely, it is anticipated that the Fund's performance will closely resemble the performance of the Index. Factors such as the size of the Fund's portfolio, the size and timing of cash flows into and out of the Fund, and changes in the securities markets and the Index itself, will account for the difference.

In order to accommodate cash flows, the Fund may enter into stock index futures contracts and options. The Fund may purchase futures contracts and options solely to maintain adequate liquidity to meet its redemption demands. This will allow the Fund to simultaneously maximize the level of the Fund assets which are tracking the performance of the Index. The Fund can sell futures contracts and options in order to close out a previously established position. The Fund will not enter into any stock index futures contract for the purpose of speculation.

## ACCEPTABLE INVESTMENTS

The Fund will invest primarily in common stocks comprising the Index. In addition, the Fund may hold cash reserves which may be invested in the following:

U.S. GOVERNMENT SECURITIES. The Fund is permitted to invest in U.S. government securities which are either issued or guaranteed by the U.S. government, its agencies or instrumentalities. These securities include, but are not limited to:

- direct obligations of the U.S. Treasury, such as U.S. Treasury bills, notes, and bonds;
- notes, bonds, and discount notes issued or guaranteed by U.S. government agencies and instrumentalities supported by the full faith and credit of the United States;
- notes, bonds, and discount notes of U.S. government agencies or instrumentalities which receive or have access to federal funding; and
- notes, bonds, and discount notes of other U.S. government instrumentalities supported only by the credit of the instrumentalities.

REPURCHASE AGREEMENTS. The U.S. government securities and other securities in which the Fund invests may be purchased pursuant to repurchase agreements. Repurchase agreements are arrange-

ments in which banks, broker/dealers, and other recognized financial institutions sell U.S. government securities or other securities to the Fund and agree at the time of sale to repurchase them at a mutually agreed upon time and price. To the extent that the original seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities.

VARIABLE RATE U.S. GOVERNMENT SECURITIES. Some of the short-term U.S. government securities the Fund may purchase carry variable interest rates. These securities have a rate of interest subject to adjustment at least annually. This adjusted interest rate is ordinarily tied to some objective standard, such as a published interest rate or interest rate index.

CASH ITEMS. The Fund may also invest in cash items.

The Fund may also invest in commercial paper rated A-1 by S&P, Prime-1 by Moody's Investors Service, Inc., or F-1 by Fitch Investors Service, Inc.

STOCK INDEX FUTURES AND OPTIONS. The Fund may utilize stock index futures contracts, options, and options on futures contracts, subject to the limitation that the value of these futures contracts and options will not exceed 20% of the Fund's total assets. Also, the Fund will not purchase options to the extent that more than 5% of the value of the Fund's total assets would be invested in premiums on open put option positions. These futures contracts and options will be used to handle cash flows into and out of the Fund and to potentially reduce transactional costs, since transactional costs associated with futures and options contracts can be lower than costs stemming from direct investments in stocks.

There are several risks accompanying the utilization of futures contracts to effectively anticipate market transactions. First, positions in futures contracts may be closed only on an exchange or board of trade that furnishes a secondary market for such contracts. While the Fund plans to utilize futures contracts only if there exists an active market for such contracts, there is no guarantee that a liquid market will exist for the contracts at a specified time. Furthermore, because, by definition, futures contracts look to projected price levels in the future and not to current levels of valuation, market circumstances may result in there being a discrepancy between the price of the stock index future and the movement in the stock index. The absence of a perfect price correlation between the futures contract and its underlying stock index could stem from investors choosing to close futures contracts by offsetting transactions, rather than satisfying additional margin requirements. This could result in a distortion of the relationship between the index and futures market. In addition, because the futures market imposes less burdensome margin requirements than the securities market, an increased amount of participation by speculators in the futures market could result in price fluctuations.

In view of these considerations, the Fund will comply with the following restrictions when purchasing and selling futures contracts. First, the Fund will not participate in futures transactions if the sum of its initial margin deposits on open contracts will exceed 5% of the market value of the Fund's total assets, after taking into account the unrealized profits and losses on those contracts it has entered into. Second, the Fund will not enter into these contracts for speculative purposes. Third, since the Fund does not constitute a commodity pool, it will not market itself as such, nor serve as a vehicle for trading in the commodities futures or commodity options markets. In this regard, the Fund will disclose to all prospective investors the limitations on its futures and options transactions, and will make clear that these transactions are entered into only for bona fide hedging purposes or other permissible purposes pursuant to regulations promulgated by the Com-

modity Futures Trading Commission ("CFTC"). Also, the Fund intends to claim an exclusion from registration as a commodity pool operator under the regulations promulgated by the CFTC.

**INDEX PARTICIPATION CONTRACTS.** In addition to investing in stock index futures contracts, options and options on futures contracts, the Fund may also participate in the purchasing and selling of index participation contracts based on the Index. The Fund will utilize index participation contracts to aid in the management of cash flows into and out of the Fund and not for speculative purposes. These contracts provide the equivalent of a position in the stocks of the Index, where each stock is represented in the same proportion as it is represented in the Index. Unlike futures contracts, positions in these instruments may last indefinitely, with no expiration date and will pay dividends implied by the underlying stocks in the Index. Generally, the value of an index participation contract will rise and fall as the value of the Index rises and falls. Index participation contracts have lower transaction costs than those associated with the purchase and sale of individual stocks. The Fund will invest in index participation contracts only if there exists an active market for such contracts.

The value of these contracts, together with the value of the Fund's investment in stock index futures contracts, options and options on futures contracts will not exceed 20% of the Fund's total assets. The Fund's use of these investments will be to maintain adequate liquidity to meet redemption requests, while simultaneously maximizing the level of Fund assets which are tracking the performance of the Index.

#### LENDING OF PORTFOLIO SECURITIES

The Fund may lend its portfolio securities on a short-term basis or long-term basis, up to one-third of the value of its total assets to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with broker/dealers, banks or other institutions which the managers have determined are creditworthy under guidelines established by the Trustees. The Fund will receive collateral in the form of cash or U.S. government securities equal to at least 100% of the value of the securities loaned. There is the risk that when lending portfolio securities, the securities may not be available to the Fund on a timely basis and the Fund may, therefore, lose the opportunity to sell the securities at a desirable price. In addition, in the event that a borrower of securities would file for bankruptcy or become insolvent, disposition of the securities may be delayed pending court action.

#### WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

The Fund may purchase short-term U.S. government securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices.

The Fund may dispose of a commitment prior to settlement if the managers deem it appropriate to do so. In addition, the Fund may enter in transactions to sell its purchase commitments to third parties at current market values and simultaneously acquire other commitments to purchase similar securities at later dates. The Fund may realize short-term profits or losses upon the sale of such commitments.

#### INVESTMENT LIMITATIONS

The Fund will not:

- borrow money directly or through reverse repurchase agreements (arrangements in which



the Fund sells a money market instrument for at least a percentage of its cash value with an agreement to buy it back on a set date) except, under certain circumstances, the Fund may borrow up to one-third of the value of its total assets and pledge up to 10% of the value of those assets to secure such borrowings.

The above investment limitations cannot be changed without shareholder approval. The following investment limitation, however, may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in this policy becomes effective.

The Fund will not invest more than 15% of its net assets in securities that are illiquid.

FEDERATED INDEX  
TRUST INFORMATION

MANAGEMENT OF THE TRUST

BOARD OF TRUSTEES

The Trust is managed by the Trustees. The Trustees are responsible for managing the business affairs of the Trust and for exercising all of the powers of the Trust except those reserved for the shareholders. The Executive Committee of the Trustees handles the Trustees' responsibilities between meetings of the Trustees.

FUND'S MANAGER

Federated Management serves as the Fund's manager (the "Manager"). The Trust has entered into a management contract (the "Management Contract") with the Manager, which, in turn, has entered into a sub-management contract (the "Sub-Management Contract") with ANB Investment Management and Trust Company ("ANB" or the "Sub-Manager") (ANB and the Manager are collectively referred to herein as "Managers"). It is the Manager's responsibility to select the Sub-Manager, subject to the review and approval of the Trustees and to review and evaluate the Sub-Manager's continued performance. The Manager is also responsible for providing administrative services to the Fund.

Subject to the supervision and direction of the Trustees, the Manager provides to the Fund investment management evaluation services principally by performing initial due diligence on the Sub-Manager for the Fund and thereafter monitoring and evaluating the performance of the Fund's Sub-Manager through quantitative and qualitative analyses. In addition, the Manager conducts periodic in-person, telephonic and written consultations with the Sub-Manager. In initially evaluating the Sub-Manager, the Manager considered, among other factors, the Sub-Manager's level of expertise; relative performance over a minimum period of five years; level of efficiency; level of adherence to investment discipline or philosophy; personnel, facilities and financial strength; and quality of service and client communications. On an ongoing basis, the Manager is responsible for communicating performance expectations and evaluations to the Sub-Manager; monitoring tracking errors; monitoring and analyzing the appropriate futures contracts to purchase and the futures holdings of the Fund as a percentage of Fund assets; monitoring market timing in the Fund; discussing with the Sub-Manager which method of indexing to use; and ultimately recommending to the Trustees whether the Sub-Management Contract should be renewed, modified or terminated. The Manager provides written reports to the Trustees regarding the results of its evaluation and monitoring functions. In addition, the Manager is responsible for providing the Fund with administrative services, including, but not limited to, shareholder servicing and certain legal and accounting services. The Manager is also responsible for conducting all operations of the Fund, except those operations contracted to the Sub-Manager, custodian, transfer agent and dividend disbursing agent. As described below, the Manager receives an annual fee

from the Fund for performing its responsibilities under the Management Contract.

MANAGEMENT FEES. The Fund's Manager receives an annual management fee equal to .30% of the Fund's average daily net assets. Under the Management Contract, which provides for the voluntary waiver of the management fee by the Manager, the Manager will voluntarily waive some or all of the management fee. The

Manager can terminate this voluntary waiver of some or all of its management fee at any time in its sole discretion.

MANAGER'S BACKGROUND. Federated Management, a Delaware business trust organized on April 11, 1989, is a registered investment adviser under the Investment Advisers Act of 1940. It is a subsidiary of Federated Investors. All of the Class A (voting) shares of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, Chairman and Trustee of Federated Investors, Mr. Donahue's wife, and Mr. Donahue's son, J. Christopher Donahue, who is President and Trustee of Federated Investors. Federated Management and other subsidiaries of Federated Investors serve as investment advisers to a number of investment companies and private accounts. Certain other subsidiaries also provide administrative services to a number of investment companies. With over \$80 billion invested across more than 250 funds under management and/or administration by its subsidiaries, as of December 31, 1995, Federated Investors is one of the largest mutual fund investment managers in the United States. With more than 1,800 employees, Federated continues to be led by the management who founded the company in 1955. Federated funds are presently at work in and through 4,000 financial institutions nationwide. More than 100,000 investment professionals have selected Federated funds for their clients.

Both the Trust and the Manager have adopted strict codes of ethics governing the conduct of all employees who manage the Fund and its portfolio securities. These codes recognize that such persons owe a fiduciary duty to the Fund's shareholders and must place the interests of shareholders ahead of the employees' own interests. Among other things, the codes: require preclearance and periodic reporting of personal securities transactions; prohibit personal transactions in securities being purchased or sold, or being considered for purchase or sale, by the Fund; prohibit purchasing securities in initial public offerings; and prohibit taking profits on securities held for less than sixty days. Violations of the codes are subject to review by the Trustees, and could result in severe penalties.

#### SUB-MANAGER

Under the terms of the Sub-Management Contract between the Manager and ANB, ANB serves as the Fund's Sub-Manager. The Sub-Manager will develop, maintain and run the computer program designed to determine which securities will be purchased and sold so as to replicate the composition of the Index to the extent feasible, and, subject to the Manager's oversight, has complete discretion to purchase and sell portfolio securities for the Fund within the Fund's investment objective, restrictions and policies.

SUB-MANAGEMENT FEES. For its services under the Sub-Management Contract, ANB receives an annual fee from the Manager equal to .05% of the first \$100 million of net assets under management, .02% over \$100 million but less than \$200 million, and .01% of net assets over and above \$200 million, on an annualized basis. This fee is paid by the Manager out of its resources and is not an incremental Fund expense. No performance or incentive fees are paid to the Sub-Manager.

SUB-MANAGER'S BACKGROUND. ANB, incorporated in the State of Illinois on July 1, 1988, is a registered investment adviser under the Investment Advisers Act of 1940. ANB is a wholly-owned subsidiary of First Chicago Investment Manage-

ment Company which, in turn, is an indirect wholly-owned subsidiary of First Chicago NBD Corporation. It serves as investment adviser principally to corporate defined benefit and defined contribution plans which have, as of June 30, 1996, placed approximately \$22.2 billion in assets with ANB. Since 1973, when American National Bank and Trust Company of Chicago introduced its first commingled equity index fund, ANB has developed and managed a family of equity and bond index funds in which some 340 nationwide non-financial institution clients invest. In total, ANB manages 79 commingled/common trust funds. Also, since 1992, ANB has served as Sub-Manager for the Federated Mini-Cap Fund and for the Federated Mid-Cap Fund, which are also portfolios of the Trust.

#### DISTRIBUTION OF INSTITUTIONAL SHARES

Federated Securities Corp. is the principal distributor for the Fund. It is a Pennsylvania corporation organized on November 14, 1969, and is the principal distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors. Federated Securities Corp. pays a licensing fee to S&P for the right to use the Index in connection with the sub-management activities for the Fund. Federated Securities Corp. is not affiliated with S&P.

## SHAREHOLDER SERVICES

The Fund has entered into a Shareholder Services Agreement with Federated Shareholder Services, a subsidiary of Federated Investors, under which the Fund may make payments up to .25% of the average daily net asset value of its shares, computed at an annual rate, to obtain certain personal services for shareholders and to maintain shareholder accounts. From time to time and for such periods as deemed appropriate, the amount stated above may be reduced voluntarily. Under the Shareholder Services Agreement, Federated Shareholder Services will either perform shareholder services directly or will select financial institutions to perform shareholder services. Financial institutions will receive fees based upon shares owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the Fund and Federated Shareholder Services.

### SUPPLEMENTAL PAYMENTS TO

#### FINANCIAL INSTITUTIONS

In addition to payments made pursuant to the Shareholder Services Agreement, Federated Securities Corp. and Federated Shareholder Services, from their own assets, may pay financial institutions supplemental fees for the performance of substantial sales services, distribution-related support services, or shareholder services. The support may include sponsoring sales, educational and training seminars for their employees, providing sales literature, and engineering computer software programs that emphasize the attributes of the Fund. Such assistance will be predicated upon the amount of shares the financial institution sells or may sell, and/or upon the type and nature of sales or marketing support furnished by the financial institution. Any payments made by the distributor may be reimbursed by the Fund's Manager or its affiliates.

## FUND ADMINISTRATION

### ADMINISTRATIVE SERVICES

Federated Services Company, a subsidiary of Federated Investors, provides the Manager with the administrative personnel and services necessary to provide shareholder servicing and certain legal and accounting services.

### BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Managers look for prompt execution of the order at a favorable price. In working with dealers, the Managers will generally utilize those who are

recognized dealers in specific portfolio instruments, except when a better price and execution of the order can be obtained elsewhere. In selecting among firms believed to meet these criteria, the Managers may give consideration to those firms which have sold or are selling shares of the Fund and other funds distributed by Federated Securities Corp. The Managers make decisions on portfolio transactions and select brokers and dealers subject to review by the Trustees.

### NET ASSET VALUE

The Fund's net asset value per Share fluctuates. It is determined by adding the interest of the Shares in the market value of all securities and other assets of the Fund, subtracting the interest of the Shares in the liabilities of the Fund and those attributable to Shares, and dividing the remainder by the total number of Shares outstanding. The net asset value for Institutional Shares may exceed that of Institutional Service Shares due to the variance in daily net income realized by each class. Such variance will reflect only accrued net income to which the shareholders of a particular class are entitled.

INVESTING IN  
INSTITUTIONAL SHARES

SHARE PURCHASES

Shares are sold on days on which the New York Stock Exchange is open. Shares of the Fund may be purchased either by wire or mail. To purchase Shares of the Fund, open an account by calling Federated Securities Corp. Information needed to establish the account will be taken over the telephone. The Fund reserves the right to reject any purchase request.

BY WIRE

To purchase Shares of the Fund by Federal Reserve wire, call the Fund to place an order. Shareholders have until 4:00 p.m. (Eastern time) to call the Fund for settlement on the next business day. However, in order to maximize the Fund's ability to track the Index, shareholders are urged to transmit purchase requests prior to 2:00 p.m. (Eastern time). The order is considered received immediately. Payment by federal funds must be received before 4:00 p.m. (Eastern time) on the next business day following the order. Federal funds should be wired as follows: Federated Shareholder Services Company, c/o State Street Bank and Trust Company, Boston, Massachusetts; Attention: EDGEWIRE; For Credit to: Federated Index Trust, Federated Max-Cap Fund--Institutional Shares; Fund Number (this number can be found on the account statement or by contacting the Fund); Group Number or Order Number; Nominee or Institution Name; and ABA Number 011000028. Shares cannot be purchased by wire on holidays when wire transfers are restricted. Questions on wire purchases should be directed to your shareholder services representative at the telephone number listed on your account statement.

BY MAIL

To purchase Shares of the Fund by mail, send a check made payable to Federated Index Trust, Federated Max-Cap Fund--Institutional Shares to the Fund's transfer agent, Federated Shareholder Services Company, P.O. Box 8600, Boston, Massachusetts 02266-8600.

Orders by mail are considered received when payment by check is converted into federal funds. This is normally the next business day after the check is received.

MINIMUM INVESTMENT REQUIRED

The minimum initial investment in the Fund is \$25,000. However, an account may be opened with a smaller amount as long as the \$25,000 minimum is reached within 90 days. An investor's minimum investment will be calculated by com-

binning all accounts that the institution maintains with the Fund.

WHAT SHARES COST

Shares are sold at their net asset value next determined after an order is received. There is no sales charge imposed by the Fund.

The net asset value is determined as of the close of trading (normally 4:00 p.m., Eastern time) on the New York Stock Exchange, Monday through Friday, except on: (i) days on which there are not sufficient changes in the value of the Fund's portfolio securities that its net asset value might be materially affected; (ii) days during which no Shares are tendered for redemption and no orders to purchase Shares are received; and (iii) the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Fund, Federated Shareholder Services Company, maintains a share account for each shareholder. Share certificates are not issued unless requested by contacting the Fund.

Detailed confirmations of each purchase or redemption are sent to each shareholder. Quarterly confirmations are sent to report dividends paid during the quarter.

DIVIDENDS

Dividends are declared and paid quarterly. Unless shareholders request cash

payments by writing to the Fund, dividends are automatically reinvested in additional Shares on payment dates at the ex-dividend date net asset value without a sales charge.

#### CAPITAL GAINS

Capital gains realized by the Fund, if any, will be distributed at least once every 12 months.

#### REDEEMING INSTITUTIONAL SHARES

The Fund redeems Shares at their net asset value next determined after the Fund receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests must be received in proper form and can be made by telephone request or written request.

#### TELEPHONE REDEMPTION

Shareholders may redeem their Shares by telephoning the Fund before 4:00 p.m. (Eastern time). However, in order to maximize the Fund's ability to track the Index, shareholders are urged to telephone the Fund prior to 2:00 p.m. (Eastern time). The proceeds will normally be wired the following business day, but in no event more than seven days, to the shareholder's account at a domestic commercial bank that is a member of the Federal Reserve System. Proceeds from redemption requests received on holidays when wire transfers are restricted will be wired the following business day. Questions about telephone redemptions on days when wire transfers are restricted should be directed to your shareholder services representative at the telephone number listed on your account statement. If at any time the Fund shall determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified. An authorization form permitting State Street Bank or the Fund to accept telephone requests must first be completed. Authorization forms and information on this service are available from Federated Securities Corp. Telephone redemption instructions may be recorded.

In the event of drastic economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, another method of redemption, such as "Written Requests," should be considered.

If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

#### WRITTEN REQUESTS

Shares may also be redeemed by sending a written request to the Fund. Call the Fund for specific instructions before redeeming by letter. The shareholder will be asked to provide in the request his name, the Fund name, his account number, and the share or dollar amount requested. All owners of the account must sign the request exactly as the shares are registered. If share certificates have been issued, they should be sent unendorsed with the written request by registered or certified mail.

#### SIGNATURES

Shareholders requesting a redemption of any amount to be sent to an address other than that on record with the Fund, or a redemption payable other than to the shareholder of record must have their signatures guaranteed by:

- a trust company or commercial bank whose deposits are insured by the Bank Insurance Fund ("BIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC");
- a member of the New York, American, Boston, Midwest, or Pacific Stock Exchange;
- a savings bank or savings association whose deposits are insured by the Savings Association Insurance Fund ("SAIF"), which is administered by the FDIC; or
- any other "eligible guarantor institution," as defined in the Securities Exchange Act of 1934.

The Fund does not accept signatures guaranteed by a notary public.

The Fund and its transfer agent have adopted standards for accepting signature guarantees from the above institutions. The Fund may elect in the future to limit eligible signature guarantors to institutions that are members of a signature guarantee program. The Fund and its transfer agent reserve the right

to amend these standards at any time without notice.

#### RECEIVING PAYMENT

Normally, a check for the proceeds is mailed within one business day, but in no event more than seven days, after receipt of a proper written redemption request.

#### ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, the Fund may redeem shares in any account and pay the proceeds to the shareholder if the account balance falls below a required minimum value of \$25,000. This requirement does not apply, however, if the balance falls below \$25,000 because of changes in the Fund's net asset value.

Before Shares are redeemed to close an account, the shareholder is notified in writing and allowed 30 days to purchase additional shares to meet the minimum requirement.

#### SHAREHOLDER INFORMATION

##### VOTING RIGHTS

Each Share of the Fund gives the shareholder one vote in Trustee elections and other matters submitted to shareholders for vote. All shares of all classes of each portfolio in the Trust have equal voting rights except that, in matters affecting only a particular fund or class, only shares of that Fund or class are entitled to vote. As a Massachusetts business trust, the Trust is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Trust's or the Fund's operation and for the election of Trustees under certain circumstances.

Trustees may be removed by the Trustees or by shareholders at a special meeting. A special meeting of the shareholders shall be called by the Trustees upon the written request of shareholders

owning at least 10% of the outstanding shares of all series of the Trust.

#### TAX INFORMATION

##### FEDERAL INCOME TAX

The Fund will pay no federal income tax because it expects to meet requirements of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies.

The Fund will be treated as a single, separate entity for federal income tax purposes so that income (including capital gains) and losses realized by the Trust's other portfolios, if any, will not be combined for tax purposes with those realized by the Fund.

Unless otherwise exempt, shareholders are required to pay federal income tax on any dividends and other distributions, including capital gains distributions, received. This applies whether dividends and distributions are received in cash or as additional shares. Distributions representing long-term capital gains, if any, will be taxable to shareholders as long-term capital gains no matter how long the shareholders have held their shares.

##### STATE AND LOCAL TAXES

In the opinion of Houston, Donnelly & Meck, counsel to the Trust, Fund shares may be subject to personal property taxes imposed by counties, municipalities, and school districts in Pennsylvania to the extent that the portfolio securities in the Fund would be subject to such taxes if owned directly by residents of those jurisdictions.

Shareholders are urged to consult their own tax advisers regarding the status of their accounts under state and local tax laws.

#### PERFORMANCE INFORMATION

From time to time the Fund advertises its total return and yield for Shares.

Total return represents the change, over a specified period of time, in the value of an investment in Shares of the Fund after reinvesting all income and capital gain distributions. It is calculated by dividing that change by the initial investment and is expressed as a percentage.

The yield of Shares of the Fund is calculated by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned

by the Shares over a thirty-day period by the offering price per share of the Shares on the last day of the period. This number is then annualized using semi-annual compounding. The yield does not necessarily reflect income actually earned by the Shares and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

Shares are sold without any sales load or other similar non-recurring charges. Total return and yield will be calculated separately for Institutional Shares and Institutional Service Shares.

From time to time, advertisements for the Fund may refer to ratings, rankings, and other information in certain financial publications and/or compare the Fund's performance to certain indices.

#### OTHER CLASSES OF SHARES

Institutional Service Shares are sold at net asset value to retail or private banking customers of financial institutions and are subject to a minimum initial investment of \$25,000. Institutional Service Shares are distributed pursuant to a 12b-1 Plan adopted by the Trust.

Financial institutions and brokers providing sales and/or administrative services may receive different compensation depending upon which class of shares of the Fund is sold.

The amount of dividends payable to Institutional Shares will exceed that of Institutional Service Shares by the difference between Class Expenses

and distribution expenses borne by shares of each respective class.

The stated management fee is the same for both classes of shares.

To obtain more information and a prospectus for Institutional Service Shares, investors may call 1-800-341-7400.

#### FEDERATED MAX-CAP FUND

#### FINANCIAL HIGHLIGHTS--INSTITUTIONAL SERVICE SHARES

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(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Ernst & Young LLP, Independent Auditors on page 43.

<TABLE>  
<CAPTION>

	YEAR ENDED OCTOBER 31,			
	1996	1995	1994	1993 (A)
NET ASSET VALUE, BEGINNING OF PERIOD	\$14.72	\$12.02	\$12.24	\$12.12
INCOME FROM INVESTMENT OPERATIONS				
Net investment income	0.30	0.33	0.28 (b)	0.07
Net realized and unrealized gain (loss) on investments and futures contracts	2.79	2.69	0.11	0.12
Total from investment operations	3.09	3.02	0.39	0.19
LESS DISTRIBUTIONS				
Distributions from net investment income	(0.31)	(0.30)	(0.27)	(0.07)
Distributions from net realized gain on investments and futures contracts	(2.03)	(0.02)	(0.34)	--
Total distributions	(2.34)	(0.32)	(0.61)	(0.07)
NET ASSET VALUE, END OF PERIOD	\$15.47	\$14.72	\$12.02	\$12.24
TOTAL RETURN (C)	23.39%	25.52%	3.30%	1.70%

## RATIOS TO AVERAGE NET ASSETS

Expenses	0.61%	0.61%	0.62%	0.61%*
Net investment income	1.97%	2.55%	2.35%	1.52%*
Expense waiver/reimbursement (d)	0.31%	0.33%	0.26%	0.09%*
SUPPLEMENTAL DATA				
Net assets, end of period (000 omitted)	\$58,741	\$35,195	\$8,617	\$2,493
Average commission rate paid	\$0.0153	--	--	--
Portfolio turnover	3%	57%	2%	13%

&lt;/TABLE&gt;

\* Computed on an annualized basis.

- (a) Reflects operations for the period from August 30, 1993 (date of initial public investment) to October 31, 1993.
- (b) Per share information presented is based upon the monthly average number of shares outstanding due to large fluctuations in the number of shares outstanding during the period.
- (c) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.
- (d) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

FEDERATED MAX-CAP FUND  
PORTFOLIO OF INVESTMENTS

OCTOBER 31, 1996

&lt;TABLE&gt;

&lt;CAPTION&gt;

SHARES

VALUE

<C>	<C>	<S>	<C>
(A)	COMMON STOCKS	--94.2%	
	BASIC INDUSTRY	--6.3%	
7,200	ASARCO, Inc.		\$ 189,000
18,900	Air Products & Chemicals, Inc.		1,134,000
38,300	Alcan Aluminum Ltd.		1,259,112
29,392	(b) Allegheny Teledyne, Inc.		628,254
29,500	Aluminum Co. of America		1,729,437
92,427	Archer-Daniels-Midland Co.		2,010,287
18,000	(b) Armco, Inc.		67,500
8,900	Avery Dennison Corp.		586,287
5,100	Ball Corp.		123,037
60,500	Barrick Gold Corp.		1,580,562
38,000	Battle Mountain Gold Co.		289,750
8,900	Bemis Co., Inc.		311,500
18,800	(b) Bethlehem Steel Corp.		152,750
8,200	Boise Cascade Corp.		254,200
16,200	Champion International Corp.		704,700



39,000	Corning, Inc.	1,511,250
21,700	Crown Cork & Seal Co., Inc.	1,041,600
15,750	Cyprus Amax Minerals	356,344
41,500	Dow Chemical Co.	3,226,625
95,000	Du Pont (E.I.) de Nemours & Co.	8,811,250
13,225	Eastman Chemical Co.	697,619
23,600	Echo Bay Mines Ltd.	184,375
10,840	Ecolab, Inc.	395,660
24,362	Engelhard Corp.	444,606
33,100	Freeport-McMoRan Copper & Gold, Inc., Class B	1,005,412
15,500	Georgia-Pacific Corp.	1,162,500

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>			VALUE
<CAPTION>			
SHARES			
<C>	<C>	<S>	<C>
(A) COMMON STOCKS--CONTINUED			
-----			
BASIC INDUSTRY--CONTINUED			
-----			
9,100		Goodrich (B.F.) Co.	\$ 385,612
16,600	(b)	Grace (W.R.) & Co.	879,800
10,800		Great Lakes Chemical Corp.	562,950
18,100		Hercules, Inc.	862,012
24,800		Homestake Mining Co.	353,400
28,500		Inco Ltd.	904,875
8,200		Inland Steel Industries, Inc.	132,225
50,776		International Paper Co.	2,170,674
14,400		James River Corp. of Virginia	453,600
18,400		Louisiana-Pacific Corp.	384,100
8,900		Mead Corp.	505,075
7,300		Millipore Corp.	255,500
99,200		Monsanto Co.	3,930,800
24,100		Morton International, Inc.	948,938
11,400		Nalco Chemical Co.	414,675
16,811		Newmont Mining Corp.	777,509
14,800		Nucor Corp.	701,150
8,700	(b)	Owens Corning	337,125
31,600		PPG Industries, Inc.	1,801,200
19,533		Pall Corp.	500,533
11,100		Phelps Dodge Corp.	697,913
14,000		Pioneer Hi-Bred International	939,750

40,500	Placer Dome, Inc.	972,000
4,900	Potlatch Corp.	209,475
26,400	Praxair, Inc.	1,168,200
10,800	Reynolds Metals Co.	607,500
11,000	Rohm & Haas Co.	785,125
22,235	Santa Fe Pacific Gold	264,041
14,500	Sherwin-Williams Co.	726,813

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<C>

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<C>

(A) COMMON STOCKS--CONTINUED

BASIC INDUSTRY--CONTINUED		
8,500	Sigma-Aldrich Corp.	\$ 499,375
3,400	Springs Industries, Inc., Class A	153,425
16,808	Stone Container Corp.	256,322
9,400	Temple-Inland, Inc.	481,750
10,500	(b) Tupperware Corp.	539,438
14,320	USX-U.S. Steel Group, Inc.	390,220
11,600	Union Camp Corp.	565,500
21,900	Union Carbide Corp.	933,488
17,250	Westvaco Corp.	491,625
33,600	Weyerhaeuser Co.	1,541,400
9,400	Willamette Industries, Inc.	634,500
15,350	Worthington Industries, Inc.	318,513
	Total	60,295,743
CONSUMER DURABLES--3.5%		
14,800	Black & Decker Corp.	553,150
4,900	Briggs & Stratton Corp.	196,000
16,600	Brunswick Corp.	390,100
4,800	Centex Corp.	144,600
123,368	Chrysler Corp.	4,148,249
14,200	Cooper Tire & Rubber Co.	278,675
17,200	Dana Corp.	509,550
57,000	Eastman Kodak Co.	4,545,750
13,100	Eaton Corp.	782,725
10,400	Echlin, Inc.	339,300
6,000	Fleetwood Enterprises, Inc.	202,500
200,200	Ford Motor Co.	6,256,250
128,000	General Motors Corp.	6,896,000

20,500	Genuine Parts Co.	896,875
26,300	Goodyear Tire & Rubber Co.	1,206,512

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>  
SHARES

<S>	<C>	<S>	<C>	VALUE
(A) COMMON STOCKS--CONTINUED				
CONSUMER DURABLES--CONTINUED				
14,600		Hasbro, Inc.		\$ 567,575
6,553		Jostens, Inc.		140,890
6,600		Kaufman & Broad Homes Corp.		79,200
46,225		Mattel, Inc.		1,334,747
17,200		Maytag Corp.		341,850
26,900		Newell Co.		763,288
7,700		Polaroid Corp.		312,813
4,000		Pulte Corp.		106,000
25,400		Rubbermaid, Inc.		590,550
10,300		Snap-On Tools Corp.		330,888
15,000		Stanley Works		423,750
10,900		TRW, Inc.		986,450
12,600		Whirlpool Corp.		595,350
		Total		33,919,587
CONSUMER NON-DURABLES--11.2%				
4,700		Alberto-Culver Co., Class B		215,025
28,900		American Brands, Inc.		1,379,975
12,700		American Greetings Corp., Class A		372,269
83,900		Anheuser-Busch Cos., Inc.		3,230,150
22,500		Avon Products, Inc.		1,220,625
11,700		Brown-Forman Corp., Class B		506,025
24,500		CPC International, Inc.		1,932,437
38,900		Campbell Soup Co.		3,112,000
8,700		Clorox Co.		949,387
422,000		Coca-Cola Co.		21,311,000
24,900		Colgate-Palmolive Co.		2,290,800
41,200		ConAgra, Inc.		2,054,850
6,400		Coors Adolph Co., Class B		124,800
12,900	(b)	Fruit of the Loom, Inc., Class A		469,237

</TABLE>

## FEDERATED MAX-CAP FUND

<TABLE> <CAPTION> SHARES			VALUE
<C>	<C>	<S>	<C>
(A) COMMON STOCKS--CONTINUED			
CONSUMER NON-DURABLES--CONTINUED			
26,900	General Mills, Inc.		\$ 1,536,662
75,400	Gillette Co.		5,636,150
62,600	Heinz (H.J.) Co.		2,222,300
26,000	Hershey Foods Corp.		1,257,750
18,700	International Flavors & Fragrances, Inc.		773,713
35,900	Kellogg Co.		2,279,650
47,724	Kimberly-Clark Corp.		4,450,263
12,400	Liz Claiborne, Inc.		523,900
48,600	Nike, Inc., Class B		2,861,325
265,200	PepsiCo, Inc.		7,856,550
138,600	Philip Morris Cos., Inc.		12,837,825
116,100	Procter & Gamble Co.		11,493,900
22,900	Quaker Oats Co.		812,950
17,900	Ralston Purina Co.		1,183,638
9,500	Reebok International Ltd.		339,625
6,500	Russell Corp.		184,438
82,200	Sara Lee Corp.		2,918,100
63,400	Seagram Co. Ltd.		2,401,275
8,400	Stride Rite Corp.		69,300
31,800	UST, Inc.		918,225
27,100	Unilever N.V., ADR		4,142,913
10,800	V.F. Corp.		706,050
19,700	Wrigley (Wm.), Jr. Co.		1,186,925
	Total		107,762,007
ENERGY MINERALS--8.5%			
15,800	Amerada-Hess Corp.		874,925
84,200	Amoco Corp.		6,378,150
10,900	Ashland, Inc.		463,250
27,200	Atlantic Richfield Co.		3,604,000

&lt;/TABLE&gt;

## FEDERATED MAX-CAP FUND

<TABLE> <CAPTION> SHARES			VALUE
<C>	<C>	<S>	<C>
(A) COMMON STOCKS--CONTINUED			

## ENERGY MINERALS--CONTINUED

24,500	Baker Hughes, Inc.	\$ 872,812
21,200	Burlington Resources, Inc.	1,067,950
110,500	Chevron Corp.	7,265,375
210,200	Exxon Corp.	18,628,975
19,400	Halliburton Co.	1,098,525
4,200	Helmerich & Payne, Inc.	227,325
8,300	Kerr-McGee Corp.	520,825
5,800	Louisiana Land & Exploration Co.	329,875
66,700	Mobil Corp.	7,787,225
54,700	Occidental Petroleum Corp.	1,340,150
17,700	(b) Oryx Energy Co.	340,725
7,900	Pennzoil Co.	402,900
44,500	Phillips Petroleum Co.	1,824,500
14,400	(b) Rowan Companies, Inc.	322,200
90,700	Royal Dutch Petroleum Co., ADR	14,999,513
15,312	(b) Santa Fe Energy Resource, Inc.	218,196
41,500	Schlumberger Ltd.	4,113,688
15,137	Sun Co., Inc.	338,690
44,700	Texaco, Inc.	4,542,638
48,700	USX Corp.	1,065,313
42,394	Union Pacific Resources Group, Inc.	1,165,840
42,000	Unocal Corp.	1,538,250
9,000	(b) Western Atlas, Inc.	624,375
	Total	81,956,190
	FINANCE--13.5%	
18,300	AON Corp.	1,056,825
18,100	Ahmanson (H.F.) & Co.	567,887
7,600	Alexander & Alexander Services, Inc.	115,900
75,305	Allstate Corp.	4,226,493

&lt;/TABLE&gt;

## FEDERATED MAX-CAP FUND

&lt;TABLE&gt;

&lt;CAPTION&gt;

SHARES

VALUE

&lt;C&gt;

&lt;C&gt;

&lt;S&gt;

&lt;C&gt;

(A) COMMON STOCKS--CONTINUED

## FINANCE--CONTINUED

80,300	American Express Co.	\$ 3,774,100
34,600	American General Corp.	1,288,850
79,493	American International Group, Inc.	8,634,927

73,727	Banc One Corp.	3,124,182
25,800	Bank of Boston Corp.	1,651,200
65,300	Bank of New York Co., Inc.	2,163,062
60,876	BankAmerica Corp.	5,570,154
13,600	Bankers Trust New York Corp.	1,149,200
32,600	Barnett Banks, Inc.	1,242,875
9,100	Beneficial Corp.	532,350
26,500	Boatmen's Bancshares, Inc.	1,609,875
12,900	CIGNA Corp.	1,683,450
73,870	Chase Manhattan Corp.	6,334,352
29,500	Chubb Corp.	1,475,000
81,400	Citicorp	8,058,600
19,500	Comerica, Inc.	1,035,937
37,700	Corestates Financial Corp.	1,833,162
27,821	Dean Witter, Discover & Co.	1,637,961
30,300	Federal Home Loan Mortgage Corp.	3,060,300
184,900	Federal National Mortgage Association	7,234,212
17,900	Fifth Third Bancorp	1,120,987
23,900	First Bank System, Inc.	1,577,400
46,655	First Union Corp.	3,394,151
44,410	Fleet Financial Group, Inc.	2,214,949
13,300	General RE Corp.	1,958,425
9,800	Golden West Financial Corp.	635,775
23,200	Great Western Financial Corp.	649,600
23,200	Green Tree Financial Corp.	919,300
16,400	Household International, Inc.	1,451,400

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>			
<CAPTION>			
SHARES			VALUE
<C>	<C>	<S>	<C>
(A) COMMON STOCKS--CONTINUED			
FINANCE--CONTINUED			
19,900	ITT Hartford Group, Inc.		\$ 1,253,700
31,600	J.P. Morgan & Co., Inc.		2,729,450
12,025	Jefferson-Pilot Corp.		683,922
39,000	KeyCorp		1,818,375
17,700	Lincoln National Corp.		858,450
37,675	MBNA Corp.		1,422,231
10,000	MGIC Investment Corp.		686,250

12,200	Marsh & McLennan Cos., Inc.	1,270,325
22,000	Mellon Bank Corp.	1,432,750
28,600	Merrill Lynch & Co., Inc.	2,009,150
25,700	Morgan Stanley Group, Inc.	1,291,425
37,600	National City Corp.	1,630,900
49,246	NationsBank Corp.	4,641,436
62,700	Norwest Corp.	2,750,963
57,700	PNC Financial Corp.	2,091,625
15,800	Providian Corp.	742,600
9,400	Republic New York Corp.	716,750
13,700	Ryder Systems, Inc.	407,575
21,300	SAFECO Corp.	804,075
17,800	Salomon, Inc.	803,225
14,200	St. Paul Cos., Inc.	772,125
37,800	SunTrust Banks, Inc.	1,762,425
12,150	Torchmark Corp.	587,756
11,200	Transamerica Corp.	849,800
81,367	Travelers Group, Inc.	4,414,160
26,150	U.S. Bancorp.	1,046,000
12,400	UNUM Corp.	779,650
19,900	USF&G Corp.	378,100
5,800	USLIFE Corp.	181,250

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<C>

<C>

<S>

<C>

(A) COMMON STOCKS--CONTINUED

FINANCE--CONTINUED		
28,200	Wachovia Corp.	\$ 1,515,750
15,966	Wells Fargo & Co.	4,264,918
	Total	129,579,952
HEALTH CARE--10.0%		
132,100	Abbott Laboratories	6,687,562
25,455	Aetna Services Inc.	1,702,303
268	(b) Allergan Ligand Retinoid Therapeutics, Inc.	7,537
11,000	Allergan, Inc.	335,500
14,300	(b) Alza Corp.	370,012
107,700	American Home Products Corp.	6,596,625
44,800	(b) Amgen, Inc.	2,746,800
9,600	Bard (C.R.), Inc.	271,200

9,600	Bausch & Lomb, Inc.	324,000
46,100	Baxter International, Inc.	1,918,912
21,100	Becton, Dickinson & Co.	917,850
16,800	(b) Beverly Enterprises, Inc.	207,900
19,600	(b) Biomet, Inc.	316,050
30,000	(b) Boston Scientific Corp.	1,631,250
84,900	Bristol-Myers Squibb Co.	8,978,175
113,607	Columbia/HCA Healthcare Corp.	4,061,450
27,500	(b) Humana, Inc.	501,875
225,600	Johnson & Johnson	11,110,800
92,600	Lilly (Eli) & Co.	6,528,300
10,650	Manor Care, Inc.	418,013
40,500	Medtronic, Inc.	2,607,188
205,900	Merck & Co., Inc.	15,262,338
108,700	Pfizer, Inc.	8,994,925
86,055	Pharmacia & Upjohn, Inc.	3,097,980
62,600	Schering Plough Corp.	4,006,400

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE> <CAPTION> SHARES		VALUE
<C>	<C> <S>	<C>
(A) COMMON STOCKS--CONTINUED		
HEALTH CARE--CONTINUED		
4,000	Shared Medical Systems Corp.	\$ 193,000
13,650	(b) St. Jude Medical, Inc.	539,175
36,600	(b) Tenet Healthcare Corp.	764,025
10,600	U.S. Surgical Corp.	443,875
31,100	United Healthcare Corp.	1,177,913
45,900	Warner-Lambert Co.	2,920,388
	Total	95,639,321
PRODUCER MANUFACTURING--7.1%		
47,900	Allied-Signal, Inc.	3,137,450
6,200	Armstrong World Industries, Inc.	413,850
12,300	Case Corp.	571,950
32,600	Caterpillar, Inc.	2,237,175
6,700	Cincinnati Milacron, Inc.	128,137
18,300	Cooper Industries, Inc.	736,575
5,100	Crane Co.	237,150
6,700	Cummins Engine Co., Inc.	278,887



43,700	Deere & Co.	1,824,475
19,300	Dover Corp.	991,537
30,300	Dresser Industries, Inc.	996,112
38,000	Emerson Electric Co.	3,382,000
6,300	(b) FMC Corp.	463,837
279,500	General Electric Co.	27,041,625
8,400	General Signal Corp.	342,300
5,900	Giddings & Lewis, Inc.	69,325
7,978	Harnischfeger Industries, Inc.	319,120
21,400	Honeywell, Inc.	1,329,475
19,900	(b) ITT Industries, Inc.	462,675
20,700	Illinois Tool Works, Inc.	1,454,175
18,500	Ingersoll-Rand Co.	770,063

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<C>

<C>

<S>

<C>

(A) COMMON STOCKS--CONTINUED

PRODUCER MANUFACTURING--CONTINUED

7,000	Johnson Controls, Inc.	\$ 511,000
19,500	Loews Corp.	1,611,188
27,200	Masco Corp.	853,400
9,300	McDermott International, Inc.	165,075
71,000	Minnesota Mining & Manufacturing Co.	5,440,375
1,500	NACCO Industries, Inc., Class A	69,375
8,000	National Service Industries, Inc.	276,000
12,770	(b) Navistar International Corp.	118,123
6,540	PACCAR, Inc.	364,605
12,600	Parker-Hannifin Corp.	477,225
25,200	Pitney Bowes, Inc.	1,408,050
7,600	Raychem Corp.	593,750
28,900	Tenneco, Inc.	1,430,550
13,700	Textron, Inc.	1,215,875
6,800	Thomas & Betts Corp.	288,150
5,300	Timken Co.	236,513
4,800	Trinova Corp.	157,800
25,800	Tyco International, Ltd.	1,280,325
71,200	Westinghouse Electric Corp.	1,219,300
17,800	Whitman Corp.	431,650
55,000	Xerox Corp.	2,550,625



41,700	Walgreen Co.	1,574,175
25,700	Winn-Dixie Stores, Inc.	857,738
22,500	(b) Woolworth (F.W.) Co.	472,500
	Total	43,088,193

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

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(A) COMMON STOCKS--CONTINUED

RETAIL TRADE--CONTINUED		
SERVICES--5.0%		
22,100	Alco Standard Corp.	\$ 1,024,887
8,600	(b) Bally Entertainment Group	259,075
17,500	Block (H&R), Inc.	433,125
36,000	Browning-Ferris Industries, Inc.	945,000
62,475	(b) CUC International, Inc.	1,530,637
26,700	(b) Darden Restaurants, Inc.	223,612
14,000	Deluxe Corp.	456,750
114,800	Disney (Walt) Co.	7,562,450
25,900	Donnelley (R.R.) & Sons Co.	786,712
16,400	Dow Jones & Co.	541,200
28,800	Dun & Bradstreet Corp.	1,666,800
6,400	Fleming Cos., Inc.	111,200
14,100	Fluor Corp.	923,550
6,900	Foster Wheeler Corp.	282,900
23,900	Gannett Co., Inc.	1,813,412
8,600	Grainger (W.W.), Inc.	637,475
20,900	(b) HFS, Inc.	1,530,925
5,200	Harland (John H.) Co.	161,850
17,450	(b) Harrah's Entertainment, Inc.	292,287
33,100	Hilton Hotels Corp.	1,005,412
19,800	(b) ITT Corp.	831,600
13,800	Interpublic Group Cos., Inc.	669,300
6,350	(b) King World Productions, Inc.	228,600
16,200	Knight-Ridder, Inc.	605,475
53,000	Laidlaw, Inc., Class B	622,750
4,050	Luby's Cafeterias, Inc.	85,050
21,700	Marriott Corp.	1,234,188
118,400	McDonald's Corp.	5,254,000

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

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<C>	<C>	<S>	VALUE
<C>			<C>
(A) COMMON STOCKS--CONTINUED			
SERVICES--CONTINUED			
16,800		McGraw-Hill Cos., Inc.	\$ 787,500
4,600		Meredith Corp.	231,150
16,900		Moore Corp. Ltd.	342,225
16,500		New York Times Co., Class A	596,063
8,600	(b)	Ryan's Family Steak Houses, Inc.	63,425
9,850		Safety-Kleen Corp.	153,906
39,900		Service Corp. International	1,137,150
8,200	(b)	Shoney's, Inc.	60,475
11,400		Super Valu Stores, Inc.	339,150
30,800		Sysco Corp.	1,047,200
96,740		Time Warner, Inc.	3,603,565
17,500		Times Mirror Co., Class A	809,375
10,400		Tribune Co.	850,200
80,200	(b)	U.S. West Media Group	1,253,125
60,368	(b)	Viacom, Inc., Class B	1,969,506
83,100		WMX Technologies, Inc.	2,856,563
21,800		Wendy's International, Inc.	449,625
		Total	48,270,425
TECHNOLOGY--13.3%			
28,600	(b)	3Com Corp.	1,934,075
37,180		AMP, Inc.	1,259,472
22,900	(b)	Advanced Micro Devices, Inc.	406,475
20,500	(b)	Amdahl Corp.	210,125
10,175	(b)	Andrew Corp.	496,031
21,100		Apple Computer, Inc.	485,300
30,400	(b)	Applied Materials, Inc.	803,700
7,800		Autodesk, Inc.	178,425
49,000		Automatic Data Processing, Inc.	2,039,625
31,900	(b)	Bay Networks, Inc.	645,975

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

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			VALUE
--	--	--	-------

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<C>	<C>	<S>	<C>
(A) COMMON STOCKS--CONTINUED			
-----			
TECHNOLOGY--CONTINUED			
59,000		Boeing Co.	\$ 5,627,125
12,800	(b)	Cabletron Systems, Inc.	798,400
11,600	(b)	Ceridian Corp.	575,650
109,600	(b)	Cisco Systems, Inc.	6,781,500
45,600	(b)	Compaq Computer Corp.	3,174,900
61,675		Computer Associates International, Inc.	3,646,534
12,700	(b)	Computer Sciences Corp.	942,975
19,700	(b)	DSC Communications Corp.	273,337
6,600	(b)	Data General Corp.	98,175
15,200	(b)	Dell Computer Corp.	1,236,900
26,300	(b)	Digital Equipment Corp.	775,850
8,000		EG & G, Inc.	141,000
39,200	(b)	EMC Corp. Mass	1,029,000
37,900		First Data Corp., Class	3,022,525
10,620		General Dynamics Corp.	728,797
23,200		General Instrument Corp.	466,900
6,600		Harris Corp.	413,325
173,100		Hewlett-Packard Co.	7,638,037
139,200		Intel Corp.	15,294,600
8,000	(b)	Intergraph Corp.	75,000
89,300		International Business Machines Corp.	11,519,700
23,100	(b)	LSI Logic Corp.	612,150
33,888		Lockheed Martin Corp.	3,037,212
108,267		Lucent Technologies, Inc.	5,088,549
12,600		Mallinckrodt, Inc.	548,100
36,400		McDonnell-Douglas Corp.	1,983,800
35,300		Micron Technology, Inc.	895,738
101,300	(b)	Microsoft Corp.	13,903,425
100,300		Motorola, Inc.	4,613,800
-----			

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>			
<CAPTION>			
SHARES			VALUE
<C>	<C>	<S>	<C>
(A) COMMON STOCKS--CONTINUED			
-----			
TECHNOLOGY--CONTINUED			
23,400	(b)	National Semiconductor Corp.	\$ 450,450
43,700		Northern Telecom Ltd.	2,845,963

9,800	Northrop Corp.	791,350
59,800	(b) Novell, Inc.	553,150
110,750	Oracle Corp.	4,686,109
7,400	Perkin-Elmer Corp.	396,825
40,000	Raytheon Co.	1,970,000
37,000	Rockwell International Corp.	2,035,000
13,000	Scientific-Atlanta, Inc.	188,500
17,800	(b) Seagate Technology, Inc.	1,188,150
29,200	(b) Silicon Graphics, Inc.	540,200
31,200	(b) Sun Microsystems, Inc.	1,903,200
19,900	(b) Tandem Computers, Inc.	251,238
5,600	Tektronix, Inc.	219,100
15,100	(b) Tellabs, Inc.	1,285,388
32,100	Texas Instruments, Inc.	1,544,813
29,400	(b) Unisys Corp.	183,750
20,600	United Technologies Corp.	2,652,250
	Total	127,087,643
	TRANSPORTATION--1.4%	
15,400	(b) AMR Corp.	1,293,600
25,911	Burlington Northern Santa Fe	2,134,419
35,800	CSX Corp.	1,543,875
6,600	(b) Caliber System, Inc.	111,375
7,500	Consolidated Freightways, Inc.	180,000
13,700	Consolidated Rail Corp.	1,303,212
13,400	Delta Air Lines, Inc.	949,725
9,600	(b) Federal Express Corp.	772,800
21,300	Norfolk Southern Corp.	1,898,363

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<C>

<C> <S>

<C>

(A) COMMON STOCKS--CONTINUED

	TRANSPORTATION--CONTINUED	
24,500	Southwest Airlines Co.	\$ 551,250
10,800	(b) USAir Group, Inc.	187,650
41,200	Union Pacific Corp.	2,312,350
4,800	Yellow Corp.	62,700
	Total	13,301,319
	UTILITIES--9.9%	
272,978	AT&T Corp.	9,520,108

84,500	Airtouch Communications, Inc.	2,207,562
32,100	Alltel Corp.	979,050
31,700	American Electric Power Co., Inc.	1,315,550
93,000	Ameritech Corp.	5,091,750
24,950	Baltimore Gas & Electric Co.	679,887
74,100	Bell Atlantic Corp.	4,464,525
168,300	BellSouth Corp.	6,858,225
25,700	Carolina Power & Light Co.	928,412
35,600	Central & SouthWest Corp.	943,400
26,740	Cinergy Corp.	885,762
17,900	Coastal Corp.	769,700
9,300	(b) Columbia Gas System, Inc.	564,975
39,550	Comcast Corp., Class A	583,362
39,800	Consolidated Edison Co.	1,164,150
16,000	Consolidated Natural Gas Co.	850,000
24,600	DTE Energy Co.	741,075
30,150	Dominion Resources, Inc.	1,138,162
34,300	Duke Power Co.	1,676,412
3,400	Eastern Enterprises	130,900
74,200	Edison International	1,465,450
42,900	Enron Corp.	1,994,850
11,700	Enserch Corp.	251,550

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>		
<CAPTION>		
	SHARES	VALUE
<C>	<C> <S>	<C>
(A) COMMON STOCKS--CONTINUED		
UTILITIES--CONTINUED		
38,600	Entergy Corp.	\$ 1,080,800
31,000	FPL Group, Inc.	1,426,000
20,400	GPU, Inc.	670,650
163,800	GTE Corp.	6,900,075
44,500	Houston Industries, Inc.	1,017,938
116,400	MCI Communications Corp.	2,924,550
8,500	NICOR, Inc.	296,438
74,200	NYNEX Corp.	3,301,900
24,400	Niagara Mohawk Power Corp.	207,400
23,200	Noram Energy Corp.	356,700
11,600	Northern States Power Co.	545,200

25,800	Ohio Edison Co.	538,575
4,600	Oneok, Inc.	123,625
27,300	P P & L Resources, Inc.	638,138
14,400	Pacific Enterprises	442,800
70,400	Pacific Gas & Electric Co.	1,654,400
72,500	Pacific Telesis Group	2,465,000
49,800	Pacificorp	1,052,025
25,600	Panenergy Corp.	985,600
37,700	Peco Energy Co.	951,925
5,900	Peoples Energy Corp.	207,975
41,400	Public Service Enterprises Group, Inc.	1,112,625
103,100	SBC Communications, Inc.	5,013,238
14,600	Sonat, Inc.	719,050
114,000	Southern Co.	2,522,250
72,900	Sprint Corp.	2,861,325
110,500	(b) Tele-Communications, Inc., Class A	1,374,344
38,000	Texas Utilities Co.	1,539,000
80,900	U.S. West, Inc.	2,457,338

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE> <CAPTION> SHARES			VALUE
<C>	<C>	<S>	<C>
(A) COMMON STOCKS--CONTINUED			
UTILITIES--CONTINUED			
36,500		Unicom Corp.	\$ 949,000
17,300		Union Electric Co.	668,213
17,800		Williams Cos., Inc. (The)	930,050
65,700	(b)	WorldCom, Inc.	1,601,438
		Total	94,740,402
		TOTAL COMMON STOCKS (IDENTIFIED COST \$716,745,029)	903,527,629

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE> <CAPTION> SHARES OR PRINCIPAL AMOUNT			VALUE
<C>	<C>	<S>	<C>
PREFERRED STOCKS--0.0%			
		HEALTH CARE--0.0%	



16,600	Fresenius Medical Care, Pfd. (identified cost \$2,158)	\$ 2,158
-----		
(C) SHORT-TERM U.S. GOVERNMENT OBLIGATIONS--0.3%		
-----		
\$ 3,000,000	United States Treasury Bill, 12/12/1996 (at amortized cost)	2,983,710
-----		
(D) REPURCHASE AGREEMENT--4.9%		
-----		
47,060,000	BT Securities Corporation, 5.55%, dated 10/31/1996, due 11/1/1996 (at amortized cost)	47,060,000
-----		
	TOTAL INVESTMENTS (IDENTIFIED COST \$766,790,897) (E)	\$953,573,497
-----		

</TABLE>

(a) The Fund purchases Index futures contracts to efficiently manage cash flows resulting from shareholder purchases and redemptions, dividend and capital gain payments to shareholders and corporate actions while maintaining exposure to the Index and minimizing trading costs. The total market value of open Index futures contracts is \$54,288,225 at October 31, 1996, which represents 5.7% of net assets. Taking into consideration these open Index futures contracts, the Fund's effective total exposure to the Index is 99.9%.

(b) Non-income producing security.

(c) Represents a security held as collateral which is used to ensure the Fund is able to satisfy the obligations of its outstanding long future contracts.

(d) The repurchase agreement is fully collateralized by U.S. government obligations based on market prices at the date of the portfolio. The investment in the repurchase agreement is through participation in a joint account with other Federated funds.

(e) The cost of investments for federal tax purposes amounts to \$770,852,500. The net unrealized appreciation of investments on a federal tax basis amounts to \$182,720,997 which is comprised of \$200,408,679 appreciation and \$17,687,682 depreciation at October 31, 1996.

Note: The categories of investments are shown as a percentage of net assets (\$958,871,268) at October 31, 1996.

The following acronym is used throughout this portfolio:

ADR -- American Depositary Receipt

(See Notes which are an integral part of the Financial Statements)

FEDERATED MAX-CAP FUND

STATEMENT OF ASSETS AND LIABILITIES

OCTOBER 31, 1996

<TABLE>

<S>

<C>

<C>

ASSETS:

Total investments in securities, at value (identified cost \$766,790,897 and tax cost \$770,852,500)	\$953,573,497
Income receivable	1,288,713
Receivable for shares sold	6,581,722
Receivable for daily variation margin	506,325
Deferred expenses	250
Total assets	961,950,507

LIABILITIES:	
Payable for shares redeemed	\$2,194,180
Payable to Bank	732,363
Accrued expenses	155,996
<b>Total liabilities</b>	<b>3,082,539</b>
Net Assets for 61,910,559 shares outstanding	\$958,867,968
NET ASSETS CONSIST OF:	
Paid in capital	\$758,324,717
Net unrealized appreciation of investments and futures contracts	187,890,281
Accumulated net realized gain on investments and futures contracts	10,050,910
Undistributed net investment income	2,602,060
<b>Total Net Assets</b>	<b>\$958,867,968</b>
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE:	
INSTITUTIONAL SHARES:	
\$900,127,417 / 58,112,325 shares outstanding	\$15.49
INSTITUTIONAL SERVICE SHARES:	
\$58,740,551 / 3,798,234 shares outstanding	\$15.47

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MAX-CAP FUND

STATEMENT OF OPERATIONS

YEAR ENDED OCTOBER 31, 1996

<TABLE>	<C>	<C>	<C>
<S>			
INVESTMENT INCOME:			
Dividends			\$ 16,176,146
Interest			3,870,897
<b>Total income</b>			<b>20,047,043</b>
EXPENSES:			
Management fee	\$ 2,312,405		
Custodian fees	115,427		
Transfer and dividend disbursing agent fees and expenses	110,497		
Directors'/Trustees' fees	11,183		
Auditing fees	14,061		
Legal fees	7,471		
Portfolio accounting fees	129,749		
Distribution services fee--Institutional Service Shares	128,016		
Shareholder services fee--Institutional Shares	1,820,325		
Shareholder services fee--Institutional Service Shares	106,680		
Share registration costs	103,533		
Printing and postage	51,744		

Insurance premiums		10,215
Taxes		43,743
Miscellaneous		3,788
Total expenses		4,968,837
Waivers--		
Waiver of Management fee	\$ (490,571)	
Waiver of distribution services fee--Institutional Service Shares	(99,098)	
Waiver of shareholder services fee--Institutional Shares	(1,820,325)	
Waiver of shareholder services fee--Institutional Service Shares	(7,582)	
Total waivers		(2,417,576)
Net expenses		2,551,261
Net investment income		17,495,782
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FUTURES CONTRACTS:		
Net realized gain on investments and future contracts		13,947,611
Net change in unrealized appreciation of investments and futures contracts		134,550,523
Net realized and unrealized gain on investments and futures contracts		148,498,134
Change in net assets resulting from operations		\$165,993,916

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MAX-CAP FUND

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>

<CAPTION>

	YEAR ENDED OCTOBER 31,	
	1996	1995
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS--		
Net investment income	\$ 17,495,782	\$ 16,679,223
Net realized gain (loss) on investments and futures contracts (\$14,649,222 and \$103,347,377 net gains, respectively, as computed for federal tax purposes)	13,947,611	99,787,657
Net change in unrealized appreciation (depreciation)	134,550,523	21,104,700
Change in net assets resulting from operations	165,993,916	137,571,580
DISTRIBUTIONS TO SHAREHOLDERS--		
Distributions from net investment income		
Institutional Shares	(17,109,255)	(14,071,338)
Institutional Service Shares	(847,955)	(505,602)
Distributions from net realized gains on investments and futures contracts		
Institutional Shares	(98,597,371)	(729,209)
Institutional Service Shares	(4,696,377)	(14,188)

Change in net assets resulting from distributions to shareholders	(121,250,958)	(15,320,337)
-----		
SHARE TRANSACTIONS--		
-----		
Proceeds from sale of shares	680,420,450	374,533,702
-----		
Net asset value of shares issued to shareholders in payment of distributions declared	65,168,316	6,003,498
-----		
Cost of shares redeemed	(545,896,207)	(240,788,349)
-----		
Change in net assets resulting from share transactions	199,692,559	139,748,851
-----		
Change in net assets	244,435,517	262,000,094
-----		
NET ASSETS:		
-----		
Beginning of period	714,432,451	452,432,357
-----		
End of period (including undistributed net investment income of \$2,602,060 and \$3,063,488, respectively)	\$ 958,867,968	\$ 714,432,451
-----		

</TABLE>

(See Notes which are an integral part of the Financial Statements)

#### FEDERATED MAX-CAP FUND

#### NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 1996

##### (1) ORGANIZATION

Federated Index Trust (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 three portfolios. The financial statements included herein are only those of Federated Max-Cap Fund (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. The Fund offers two classes of shares: Institutional Shares and Institutional Service Shares. (The investment objective of the Fund is to provide investment results that correspond to the aggregate price and dividend performance of publicly-traded common stocks, by duplicating the composition of the index.)

Effective December 5, 1994, the Board of Trustees ("Trustees") changed the name of the Fund from Max-Cap Fund to Federated Max-Cap Fund.

##### (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 generally accepted accounting principles.

INVESTMENT VALUATIONS--Listed equity securities are valued at the last sale price reported on a national securities exchange. Short-term securities are valued at the prices provided by an independent pricing service. However, short-term securities with remaining maturities of sixty days or less at the time of purchase may be valued at amortized cost, which approximates fair market value.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS--It is the policy of the Fund to require the custodian bank or broker to take possession, to have legally segregated in the Federal Reserve Book Entry System, or to have segregated within the custodian bank's vault, all securities held as collateral under repurchase agreement transactions. Additionally, procedures have been established by the Fund to monitor, on a daily basis, the market value of each repurchase agreement's collateral to ensure that the value of collateral at least equals the repurchase price to be paid under the repurchase agreement transaction.

The Fund will only enter into repurchase agreements with banks and other recognized financial institutions such as broker/dealers which are deemed by the Fund's adviser to be creditworthy pursuant to guidelines and/or standards reviewed or established by the Trustees. Risks may arise from the potential inability of counterparties to honor the terms of these agreements. Accordingly, the Fund could receive less than the repurchase price on the sale of collateral securities.

INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS--Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue

FEDERATED MAX-CAP FUND

Code, as amended (the "Code"). Dividend income and distributions to shareholders are recorded on the ex-dividend date.

FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of its income. Accordingly, no provisions for federal tax are necessary.

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.

DEFERRED EXPENSES--The costs incurred by the Fund with respect to registration of its shares in its first fiscal year, excluding the initial expense of registering its shares, have been deferred and are being amortized over a period not to exceed five years from the Fund's commencement date.

FUTURES CONTRACTS--The Fund purchases stock index futures contracts to manage cashflows, enhance yield, and to potentially reduce transaction costs. Upon entering into a stock index futures contract with a broker, the Fund is required to deposit in a segregated account a specified amount of cash or U.S. government securities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. Daily, 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. For the period ended October 31, 1996, the Fund had realized gains of \$12,785,868 on futures contracts.

Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with changes in the value of the underlying securities. At October 31, 1996, the Fund had outstanding futures contracts as set forth below:

<TABLE>  
<CAPTION>

EXPIRATION DATE	CONTRACTS TO DELIVER/RECEIVE	POSITION	UNREALIZED APPRECIATION (DEPRECIATION)
<S> December 1996	<C> 153 S&P 500 Index Futures	<C> Long	<C> \$1,107,681

</TABLE>

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles 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.

OTHER--Investment transactions are accounted for on the trade date.

FEDERATED MAX-CAP FUND

(3) SHARES OF BENEFICIAL INTEREST

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value) for each class of shares.

Transactions in shares were as follows:

<TABLE>  
<CAPTION>

INSTITUTIONAL SHARES	YEAR ENDED OCTOBER 31,			
	1996		1995	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Shares sold	42,819,916	\$ 622,123,488	26,132,335	\$ 343,592,917
Shares issued to shareholders in payment of distributions declared	4,444,520	60,563,340	420,935	5,512,947
Shares redeemed	(35,228,936)	(503,599,044)	(17,407,051)	(230,818,438)
Net change resulting from Institutional Share transactions	12,035,500	\$ 179,087,784	9,146,219	\$ 118,287,426

</TABLE>

<TABLE>  
<CAPTION>

INSTITUTIONAL SERVICE SHARES	YEAR ENDED OCTOBER 31,			
	1996		1995	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Shares sold	4,027,604	\$ 58,296,962	2,368,216	\$ 30,940,785
Shares issued to shareholders in payment of distributions declared	337,876	4,604,976	36,486	490,551
Shares redeemed	(2,957,950)	(42,297,163)	(730,897)	(9,969,911)
Net change resulting from Institutional Service Share transactions	1,407,530	\$ 20,604,775	1,673,805	\$ 21,461,425
Net change resulting from fund share transactions	13,443,030	\$ 199,692,559	10,820,024	\$ 139,748,851

</TABLE>

(4) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

MANAGEMENT FEE--Federated Management, the Fund's manager (the "Manager"), receives for its services an annual management fee equal to 0.30% of the Fund's average daily net assets. The Manager has entered into a sub-management contract with ANB Investment Management and Trust Company ("Sub-Manager"). The Manager shall pay the Sub-Manager a management advisory fee based on the average daily net assets of the Fund as follows: 0.05% on the first \$100 million, 0.02% on the next \$100 million, and 0.01% thereafter. The Manager may voluntarily choose to waive any portion of its fee. The Manager can modify or terminate this voluntary waiver at any time at its sole discretion.

SHAREHOLDER SERVICES FEE--Under the terms of a Shareholder Services Agreement with Federated Shareholder Services ("FSS"), the Fund will pay FSS up to 0.25% of average daily net assets of the Fund for

FEDERATED MAX-CAP FUND

the period. The fee paid to FSS is used to finance certain services for shareholders and to maintain shareholder accounts. FSS may voluntarily choose to waive any portion of its fee. Federated Shareholder Services can modify or terminate this voluntary waiver at any time at its sole discretion. For the fiscal year ended October 31, 1996 Institutional Shares fully waived its shareholder service fee.

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 net assets of the Fund to finance activities intended to result in the sale of the Fund's Institutional Service Shares. The Plan provides that the Fund may incur distribution expenses up to 0.30% of the average daily net assets of the Institutional Service Shares, annually, to compensate FSC. FSC may voluntarily choose to waive a portion of its fee. FSC can modify or terminate this voluntary waiver at any time at its sole discretion.

TRANSFER AND DIVIDEND DISBURSING AGENT FEES AND EXPENSES--Federated Services Company ("FServ"), through its subsidiary, Federated Shareholder Services Company ("FSSC") serves as transfer and dividend disbursing agent for the Fund. The fee paid to FSSC is based on the size, type, and number of accounts and transactions made by shareholders.

PORTFOLIO ACCOUNTING FEES--FServ maintains the Trust's accounting records for which it receives a fee. The fee is based on the level of the Trust's average daily net assets for the period, plus out-of-pocket expenses.

GENERAL--Certain of the Officers and Trustees of the Trust are Officers and Directors or Trustees of the above companies.

(5) INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the period ended October 31, 1996, were as follows:

<TABLE>	<C>
<S>	
-----	
PURCHASES	\$203,364,802
-----	
SALES	\$ 19,949,485
-----	

REPORT OF ERNST & YOUNG LLP,  
INDEPENDENT AUDITORS

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To the Trustees and Shareholders of  
FEDERATED INDEX TRUST:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Federated Max-Cap Fund (a portfolio of Federated Index Trust), as of October 31, 1996, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights (see pages 2 and 15 of this prospectus) for each of the periods presented. 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 conducted our audits in accordance with generally accepted auditing standards. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1996, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.





The Institutional Service Shares of Federated Max-Cap Fund (the "Fund") offered by this prospectus represent interests in the Fund, which is an investment portfolio in Federated Index Trust (the "Trust"), an open-end, management investment company (a mutual fund). The investment objective of the Fund is to seek to provide investment results that correspond to the aggregate price and dividend performance of publicly traded common stocks as represented by the Standard & Poor's 500 Composite Stock Price Index (the "Index"). The Fund is neither affiliated with nor sponsored by the Standard & Poor's Ratings Group.

THE INSTITUTIONAL SERVICE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF ANY BANK, ARE NOT ENDORSED OR GUARANTEED BY ANY BANK, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENT AGENCY. INVESTMENT IN THESE SHARES INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

This prospectus contains the information you should read and know before you invest in the Fund. Keep this prospectus for future reference.

The Fund has also filed a Statement of Additional Information for Institutional Service Shares and Institutional Shares dated December 31, 1996, with the Securities and Exchange Commission ("SEC"). The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information, or a paper copy of this prospectus, if you have received your prospectus electronically, free of charge by calling 1-800-341-7400. To obtain other information or to make inquiries about the Fund, contact the Fund at the address listed in the back of this prospectus. The Statement of Additional Information, material incorporated by reference into this document, and other information regarding the Fund is maintained electronically with the SEC at Internet Web site (<http://www.sec.gov>).

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospectus dated December 31, 1996

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SUMMARY OF FUND EXPENSES

FEDERATED MAX-CAP FUND  
INSTITUTIONAL SERVICE SHARES

<TABLE>  
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<C>

SHAREHOLDER TRANSACTION EXPENSES

Maximum Sales Charge Imposed on Purchases (as a percentage of offering price).....	None
Maximum Sales Charge Imposed on Reinvested Dividends (as a percentage of offering price).....	None
Contingent Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, as applicable).....	None
Redemption Fee (as a percentage of amount redeemed, if applicable).....	None
Exchange Fee.....	None

ANNUAL OPERATING EXPENSES

(As a percentage of average net assets)

Management Fee (after waiver) (1).....	0.24%
12b-1 Fee (after waiver) (2).....	0.07%
Total Other Expenses.....	0.30%
Shareholder Services Fee (after waiver) (3).....	0.23%
Total Operating Expenses (4).....	0.61%

</TABLE>

- (1) The management fee has been reduced to reflect the voluntary waiver of a portion of the management fee. The adviser can terminate this voluntary waiver at any time at its sole discretion. The maximum management fee is 0.30%.
- (2) The 12b-1 fee has been reduced to reflect the voluntary waiver of a portion of the 12b-1 fee. The distributor can terminate the voluntary waiver at any time at its sole discretion. The maximum 12b-1 fee is 0.30%.
- (3) The shareholder services fee has been reduced to reflect the voluntary waiver of a portion of the shareholder services fee. The shareholder service provider can terminate this voluntary waiver at any time at its sole discretion. The maximum shareholder services fee is 0.25%.
- (4) The total operating expenses were 0.92% absent the voluntary waiver of portions of the management fee, shareholder services fee and 12b-1 fee.

LONG-TERM SHAREHOLDERS MAY PAY MORE THAN THE ECONOMIC EQUIVALENT OF THE MAXIMUM FRONT-END SALES CHARGES PERMITTED UNDER THE RULES OF THE NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of Institutional Service Shares of the Fund will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Federated Index Trust Information". Wire-transferred redemptions of less than \$5,000 may be subject to additional fees.

<TABLE>  
<CAPTION>

EXAMPLE	1 year	3 years	5 years	10 years
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
You would pay the following expenses on a \$1,000 investment assuming (1) 5% annual return and (2) redemption at the end of each time period.....	\$6	\$20	\$34	\$ 76

</TABLE>

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

FEDERATED MAX-CAP FUND

FINANCIAL HIGHLIGHTS--INSTITUTIONAL SERVICE SHARES

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(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Ernst & Young LLP, Independent Auditors on page 43.

<TABLE>  
<CAPTION>

YEAR ENDED OCTOBER 31,

-----  
1996                      1995                      1994                      1993 (A)

<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$14.72	\$12.02	\$12.24	\$12.12
INCOME FROM INVESTMENT OPERATIONS				
Net investment income	0.30	0.33	0.28 (b)	0.07
Net realized and unrealized gain (loss) on investments and futures contracts	2.79	2.69	0.11	0.12
Total from investment operations	3.09	3.02	0.39	0.19
LESS DISTRIBUTIONS				
Distributions from net investment income	(0.31)	(0.30)	(0.27)	(0.07 )
Distributions from net realized gain on investments and futures contracts	(2.03)	(0.02)	(0.34)	--
Total distributions	(2.34)	(0.32)	(0.61)	(0.07 )
NET ASSET VALUE, END OF PERIOD	\$15.47	\$14.72	\$12.02	\$12.24
TOTAL RETURN (C)	23.39%	25.52%	3.30%	1.70%
RATIOS TO AVERAGE NET ASSETS				
Expenses	0.61%	0.61%	0.62%	0.61%*
Net investment income	1.97%	2.55%	2.35%	1.52%*
Expense waiver/reimbursement (d)	0.31%	0.33%	0.26%	0.09%*
SUPPLEMENTAL DATA				
Net assets, end of period (000 omitted)	\$58,741	\$35,195	\$8,617	\$2,493
Average commission rate paid	\$0.0153	--	--	--
Portfolio turnover	3%	57%	2%	13%

</TABLE>

\* Computed on an annualized basis.

- (a) Reflects operations for the period from August 30, 1993 (date of initial public investment) to October 31, 1993.
- (b) Per share information presented is based upon the monthly average number of shares outstanding due to large fluctuations in the number of shares outstanding during the period.
- (c) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.
- (d) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

#### GENERAL INFORMATION

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 30, 1990. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. The shares in any one portfolio may be offered in separate classes. As of the date of this prospectus, the Board of Trustees ("Trustees") has established two classes of shares of the Fund known as Institutional Service Shares ("Shares") and Institutional Shares. This prospectus relates only to the Institutional Service Shares of the Fund. Institutional Service Shares are designed primarily for retail and private banking customers of financial institutions. A minimum initial investment of \$25,000 over a 90-day period is required.

Shares are currently sold and redeemed at net asset value without a sales charge imposed by the Fund.

## INVESTMENT OBJECTIVE

The investment objective of the Fund is to provide investment results that correspond to the aggregate price and dividend performance of publicly-traded common stocks, by duplicating the composition of the Index. The investment objective cannot be changed without approval of shareholders. The Fund's ability to duplicate the Index will depend partly on the size and timing of cash flows into and out of the Fund. The Fund's performance is expected to closely mirror the performance of the Index. An investment in the Fund presents risks similar to those of investing in a portfolio comprised of the securities of the companies in the Index. While there is no assurance that the Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus.

## INVESTMENT POLICIES

The investment policies described below may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material changes in these policies become effective.

The Fund pursues its investment objective by attempting to duplicate the investment results of the Index, while minimizing transaction costs and other expenses. The Fund will attempt to achieve a correlation between the performance of its portfolio and that of the Index of at least 0.95 or 1% or better; a figure of 1.00 would represent perfect correlation. The Fund will normally be invested in substantially all of the stocks that comprise the Index. Under normal circumstances, at least 80% of the value of the Fund's total assets will be invested in stocks represented in the Index. However, the Fund is not required to sell securities if the 80% investment level changes due to increases or decreases in the market value of portfolio securities.

The Index consists of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Standard & Poor's Ratings Group ("S&P") designates the stocks to be included in the Index on a statistical basis. A particular stock's weighting in the Index is based on its relative total market value; that is, its market price per share times the number of shares outstanding. From time to time, S&P may add or delete stocks from the Index. Inclusion of a particular stock in the Index in no way implies an opinion by S&P as to its investment attractiveness, nor is S&P a sponsor or in any way affiliated with the Fund. The Fund utilizes the Index as the standard performance benchmark because it represents approximately 70% of the total market value of all common stocks. In addition, it is familiar to investors, and is recognized as a barometer of common stock investment returns.

The Fund will be managed passively, in that the traditional management functions of economic, financial, and market analysis will not be undertaken. Furthermore, a company's adverse financial circumstance will not trigger its elimination from the Fund's portfolio, unless the company's stock is removed from the Index by S&P. The Fund is managed by utilizing a computer program that identifies which stocks should be purchased or sold in order to duplicate, as much as possible, the composition of the Index. The Fund will include a stock in its investment portfolio in the order of the stock's weighting in the Index, starting with the heaviest-weighted stock. Thus, the proportion of Fund assets invested in such stock is nearly identical to the percentage of the particular stock represented in the Index. On occasion, so as to respond to changes in the Index's composition, as well as corporate mergers, tender offers, and other circumstances, adjustments will be made in the Fund's portfolio. However, it is anticipated that these adjustments will occur infrequently, and the costs will be minimized. As a result, portfolio turnover is expected to be well below that encountered in other investment company portfolios. Therefore, the accompanying costs, including accounting costs, brokerage fees, custodial expenses, and transfer taxes, are expected to be relatively low. While the cash flows into and out of the Fund will impact the Fund's portfolio turnover rate and the Fund's ability to replicate the Index's performance, investment adjustments will be made, as practicably as possible, to account for these circumstances.

The Fund believes that indexing, as described above, constitutes a reasonable and effective method of replicating percentage changes in the Index. While the Fund will not duplicate the Index's performance precisely, it is anticipated that the Fund's performance will closely resemble the performance of the Index. Factors such as the size of the Fund's portfolio, the size and timing of cash flows into and out of the Fund, and changes in the securities markets and the Index itself, will account for the difference.

In order to accommodate cash flows, the Fund may enter into stock index futures contracts and options. The Fund may purchase futures contracts and options solely to maintain adequate liquidity to meet its redemption demands. This will allow the Fund to simultaneously maximize the level of the Fund assets which are tracking the performance of the Index. The Fund can sell futures contracts and options in order to close out a previously established position. The Fund will

not enter into any stock index futures contract for the purpose of speculation.

#### ACCEPTABLE INVESTMENTS

The Fund will invest primarily in common stocks comprising the Index. In addition, the Fund may hold cash reserves which may be invested in the following:

U.S. GOVERNMENT SECURITIES. The Fund is permitted to invest in U.S. government securities which are either issued or guaranteed by the U.S. government, its agencies or instrumentalities. These securities include, but are not limited to:

- direct obligations of the U.S. Treasury, such as U.S. Treasury bills, notes, and bonds;
- notes, bonds, and discount notes issued or guaranteed by U.S. government agencies and instrumentalities supported by the full faith and credit of the United States;
- notes, bonds, and discount notes of U.S. government agencies or instrumentalities which receive or have access to federal funding; and
- notes, bonds, and discount notes of other U.S. government instrumentalities supported only by the credit of the instrumentalities.

REPURCHASE AGREEMENTS. The U.S. government securities and other securities in which the Fund invests may be purchased pursuant to repurchase agreements. Repurchase agreements are arrange-

ments in which banks, broker/dealers, and other recognized financial institutions sell U.S. government securities or other securities to the Fund and agree at the time of sale to repurchase them at a mutually agreed upon time and price. To the extent that the original seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities.

VARIABLE RATE U.S. GOVERNMENT SECURITIES. Some of the short-term U.S. government securities the Fund may purchase carry variable interest rates. These securities have a rate of interest subject to adjustment at least annually. This adjusted interest rate is ordinarily tied to some objective standard, such as a published interest rate or interest rate index.

CASH ITEMS. The Fund may also invest in cash items.

The Fund may also invest in commercial paper rated A-1 by S&P, Prime-1 by Moody's Investors Service, Inc., or F-1 by Fitch Investors Service, Inc.

STOCK INDEX FUTURES AND OPTIONS. The Fund may utilize stock index futures contracts, options, and options on futures contracts, subject to the limitation that the value of these futures contracts and options will not exceed 20% of the Fund's total assets. Also, the Fund will not purchase options to the extent that more than 5% of the value of the Fund's total assets would be invested in premiums on open put option positions. These futures contracts and options will be used to handle cash flows into and out of the Fund and to potentially reduce transactional costs, since transactional costs associated with futures and options contracts can be lower than costs stemming from direct investments in stocks.

There are several risks accompanying the utilization of futures contracts to effectively anticipate market transactions. First, positions in futures contracts may be closed only on an exchange or board of trade that furnishes a secondary market for such contracts. While the Fund plans to utilize futures contracts only if there exists an active market for such contracts, there is no guarantee that a liquid market will exist for the contracts at a specified time. Furthermore, because, by definition, futures contracts look to projected price levels in the future and not to current levels of valuation, market circumstances may result in there being a discrepancy between the price of the stock index future and the movement in the stock index. The absence of a perfect price correlation between the futures contract and its underlying stock index could stem from investors choosing to close futures contracts by offsetting transactions, rather than satisfying additional margin requirements. This could result in a distortion of the relationship between the index and futures market. In addition, because the futures market imposes less burdensome margin requirements than the securities market, an increased amount of participation by

speculators in the futures market could result in price fluctuations.

In view of these considerations, the Fund will comply with the following restrictions when purchasing and selling futures contracts. First, the Fund will not participate in futures transactions if the sum of its initial margin deposits on open contracts will exceed 5% of the market value of the Fund's total assets, after taking into account the unrealized profits and losses on those contracts it has entered into. Second, the Fund will not enter into these contracts for speculative purposes. Third, since the Fund does not constitute a commodity pool, it will not market itself as such, nor serve as a vehicle for trading in the commodities futures or commodity options markets. In this regard, the Fund will disclose to all prospective investors the limitations on its futures and options transactions, and will make clear that these transactions are entered into only for bona fide hedging purposes or other permissible purposes pursuant to regulations promulgated by the Com-

modity Futures Trading Commission ("CFTC"). Also, the Fund intends to claim an exclusion from registration as a commodity pool operator under the regulations promulgated by the CFTC.

INDEX PARTICIPATION CONTRACTS. In addition to investing in stock index futures contracts, options and options on futures contracts, the Fund may also participate in the purchasing and selling of index participation contracts based on the Index. The Fund will utilize index participation contracts to aid in the management of cash flows into and out of the Fund and not for speculative purposes. These contracts provide the equivalent of a position in the stocks of the Index, where each stock is represented in the same proportion as it is represented in the Index. Unlike futures contracts, positions in these instruments may last indefinitely, with no expiration date and will pay dividends implied by the underlying stocks in the Index. Generally, the value of an index participation contract will rise and fall as the value of the Index rises and falls. Index participation contracts have lower transaction costs than those associated with the purchase and sale of individual stocks. The Fund will invest in index participation contracts only if there exists an active market for such contracts.

The value of these contracts, together with the value of the Fund's investment in stock index futures contracts, options and options on futures contracts will not exceed 20% of the Fund's total assets. The Fund's use of these investments will be to maintain adequate liquidity to meet redemption requests, while simultaneously maximizing the level of Fund assets which are tracking the performance of the Index.

#### LENDING OF PORTFOLIO SECURITIES

The Fund may lend its portfolio securities on a short-term basis or long-term basis up to one-third of the value of its total assets to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with broker/dealers, banks or other institutions which the managers have determined are creditworthy under guidelines established by the Trustees. The Fund will receive collateral in the form of cash or U.S. government securities equal to at least 100% of the value of the securities loaned. There is the risk that when lending portfolio securities, the securities may not be available to the Fund on a timely basis and the Fund may, therefore, lose the opportunity to sell the securities at a desirable price. In addition, in the event that a borrower of securities would file for bankruptcy or become insolvent, disposition of the securities may be delayed pending court action.

#### WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

The Fund may purchase short-term U.S. government securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices.

The Fund may dispose of a commitment prior to settlement if the managers deem it appropriate to do so. In addition, the Fund may enter in transactions to sell its purchase commitments to third parties at current market values and simultaneously acquire other commitments to purchase similar securities at later dates. The Fund may realize short-term profits or losses upon the sale of such commitments.

#### INVESTMENT LIMITATIONS

The Fund will not:

- borrow money directly or through reverse repurchase agreements (arrangements in which the Fund sells a money market instrument for at least a percentage of its cash value with an agreement to buy it back on a set date) except, under certain circumstances, the Fund may borrow up to one-third of the value of its total assets and pledge up to 10% of the value of those assets to secure such borrowings.

The above investment limitations cannot be changed without shareholder approval. The following investment limitation, however, may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

The Fund will not invest more than 15% of its net assets in securities that are illiquid.

#### FEDERATED INDEX TRUST INFORMATION

#### MANAGEMENT OF THE TRUST

#### BOARD OF TRUSTEES

The Trust is managed by the Trustees. The Trustees are responsible for managing the business affairs of the Trust and for exercising all of the powers of the Trust except those reserved for the shareholders. The Executive Committee of the Trustees handles the Trustees' responsibilities between meetings of the Trustees.

#### FUND'S MANAGER

Federated Management serves as the Fund's manager (the "Manager"). The Trust has entered into a management contract (the "Management Contract") with the Manager, which, in turn, has entered into a sub-management contract (the "Sub-Management Contract") with ANB Investment Management and Trust Company ("ANB" or the "Sub-Manager") (ANB and the Manager are collectively referred to herein as "Managers"). It is the Manager's responsibility to select the Sub-Manager, subject to the review and approval of the Trustees and to review and evaluate the Sub-Manager's continued performance. The Manager is also responsible for providing administrative services to the Fund.

Subject to the supervision and direction of the Trustees, the Manager provides to the Fund investment management evaluation services principally by performing initial due diligence on the Sub-Manager for the Fund and thereafter monitoring and evaluating the performance of the Fund's Sub-Manager through quantitative and qualitative analyses. In addition, the Manager conducts periodic in-person, telephonic and written consultations with the Sub-Manager. In initially evaluating the Sub-Manager, the Manager considered, among other factors, the Sub-Manager's level of expertise; relative performance over a minimum period of five years; level of efficiency; level of adherence to investment discipline or philosophy; personnel, facilities and financial strength; and quality of service and client communications. On an ongoing basis, the Manager is responsible for communicating performance expectations and evaluations to the Sub-Manager; monitoring tracking errors; monitoring and analyzing the appropriate futures contracts to purchase and the futures holdings of the Fund as a percentage of Fund assets; monitoring market timing in the Fund; discussing with the Sub-Manager which method of indexing to use; and ultimately recommending to the Trustees whether the Sub-Management Contract should be renewed, modified or terminated. The Manager provides written reports to the Trustees regarding the results of its evaluation and monitoring functions. In addition, the Manager is responsible for providing the Fund with administrative services, including, but not limited to, shareholder servicing and certain legal and accounting services. The

Manager is also responsible for conducting all operations of the Fund, except those operations contracted to the Sub-Manager, custodian, transfer agent and dividend disbursing agent. As described below, the Manager receives an annual fee from the Fund for performing its responsibilities under the Management Contract.



MANAGEMENT FEES. The Fund's Manager receives an annual management fee equal to .30% of the Fund's average daily net assets. Under the Management Contract, which provides for the voluntary waiver of the management fee by the Manager, the Manager will voluntarily waive some or all of the management fee. The Manager can terminate this voluntary waiver of some or all of its management fee at any time in its sole discretion.

MANAGER'S BACKGROUND. Federated Management, a Delaware business trust organized on April 11, 1989, is a registered investment adviser under the Investment Advisers Act of 1940. It is a subsidiary of Federated Investors. All of the Class A (voting) shares of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, Chairman and Trustee of Federated Investors, Mr. Donahue's wife, and Mr. Donahue's son, J. Christopher Donahue, who is President and Trustee of Federated Investors. Federated Management and other subsidiaries of Federated Investors serve as investment advisers to a number of investment companies and private accounts. Certain other subsidiaries also provide administrative services to a number of investment companies. With over \$80 billion invested across more than 250 funds under management and/or administration by its subsidiaries, as of December 31, 1995, Federated Investors is one of the largest mutual fund investment managers in the United States. With more than 1,800 employees, Federated continues to be led by the management who founded the company in 1955. Federated funds are presently at work in and through 4,000 financial institutions nationwide. More than 100,000 investment professionals have selected Federated funds for their clients.

Both the Trust and the Manager have adopted strict codes of ethics governing the conduct of all employees who manage the Fund and its portfolio securities. These codes recognize that such persons owe a fiduciary duty to the Fund's shareholders and must place the interests of shareholders ahead of the employees' own interests. Among other things, the codes: require preclearance and periodic reporting of personal securities transactions; prohibit personal transactions in securities being purchased or sold, or being considered for purchase or sale, by the Fund; prohibit purchasing securities in initial public offerings; and prohibit taking profits on securities held for less than sixty days. Violations of the codes are subject to review by the Trustees, and could result in severe penalties.

#### SUB-MANAGER

Under the terms of the Sub-Management Contract between the Manager and ANB, ANB serves as the Fund's Sub-Manager. The Sub-Manager will develop, maintain and run the computer program designed to determine which securities will be purchased and sold so as to replicate the composition of the Index to the extent feasible, and, subject to the Manager's oversight, has complete discretion to purchase and sell portfolio securities for the Fund within the Fund's investment objective, restrictions and policies.

SUB MANAGEMENT FEES. For its services under the Sub-Management Contract, ANB receives an annual fee from the Manager equal to .05% of the first \$100 million of net assets under management, .02% over \$100 million but less than \$200 million, and .01% of net assets over and above \$200 million, on an annualized basis. This fee is paid by the Manager out of its resources and is not an incremental Fund expense. No performance or incentive fees are paid to the Sub-Manager.

SUB-MANAGER'S BACKGROUND. ANB, incorporated in the State of Illinois on July 1, 1988, is a registered investment adviser under the Investment Advisers Act of 1940. ANB is a wholly-owned subsidiary of First Chicago Investment Management Company which, in turn, is an indirect wholly-owned subsidiary of First Chicago NBD Corporation. It serves as investment adviser principally to corporate defined benefit and defined contribution plans which have, as of June 30, 1996, placed approximately \$22.2 billion in assets with ANB. Since 1973, when American National Bank and Trust Company of Chicago introduced its first commingled equity index fund, ANB has developed and managed a family of equity and bond index funds in which some 340 nationwide non-financial institution clients invest. In total, ANB manages 79 commingled/common trust funds. Also, since 1992, ANB has served as Sub-Manager for the Federated Mini-Cap Fund and for the Federated Mid-Cap Fund, which are also portfolios of the Trust.

#### DISTRIBUTION OF INSTITUTIONAL SERVICE SHARES

Federated Securities Corp. is the principal distributor for the Fund. It is a

Pennsylvania corporation organized on November 14, 1969, and is the principal distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors. Federated Securities Corp. pays a licensing fee to S&P for the right to use the Index in connection with the management activities for the Fund. Federated Securities Corp. is not affiliated with S&P.

#### DISTRIBUTION PLAN AND SHAREHOLDER SERVICES

Under a distribution plan adopted in accordance with Rule 12b-1 under the Investment Company Act of 1940 (the "Plan"), the distributor may be paid by the Fund in an amount computed at an annual rate of 0.30% of the average daily net asset value of Shares. The distributor may select financial institutions such as banks, fiduciaries, custodians for public funds, investment advisers and broker/dealers to provide sales services or distribution-related support services as agents for their clients or customers.

The Plan is a compensation-type plan. As such, the Fund makes no payments to the distributor except as described above. Therefore, the Fund does not pay for unreimbursed expenses of the distributor, including amounts expended by the distributor in excess of amounts received by it from the Fund, interest, carrying or other financing charges in connection with excess amounts expended, or the distributor's overhead expenses. However, the distributor may be able to recover such amounts or may earn a profit from future payments made by the Fund under the Plan.

In addition, the Fund has entered into a Shareholder Services Agreement with Federated Shareholder Services, a subsidiary of Federated Investors, under which the Fund may make payments up to 0.25% of the average daily net asset value of Shares to obtain certain personal services for shareholders and to maintain shareholder accounts. Under the Shareholder Services Agreement, Federated Shareholder Services will either perform shareholder services directly or will select financial institutions to perform shareholder services. Financial institutions will receive fees based upon Shares owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the Fund and Federated Shareholder Services.

#### SUPPLEMENTAL PAYMENTS TO FINANCIAL

##### INSTITUTIONS

In addition to payments made pursuant to the Distribution Plan and Shareholder Services Agreement, Federated Securities Corp. and Federated Shareholder Services, from their own assets, may pay financial institutions supplemental fees for the performance of substantial sales services, distribution-related support services, or share-

holder services. The support may include sponsoring sales, educational and training seminars for their employees, providing sales literature, and engineering computer software programs that emphasize the attributes of the Fund. Such assistance will be predicated upon the amount of shares the financial institution sells or may sell, and/or upon the type and nature of sales or marketing support furnished by the financial institution. Any payments made by the distributor may be reimbursed by the Fund's Manager or its affiliates.

#### FUND ADMINISTRATION

##### ADMINISTRATIVE SERVICES

Federated Services Company, a subsidiary of Federated Investors, provides the Manager with the administrative personnel and services necessary to provide shareholder servicing and certain legal and accounting services.

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Managers look for prompt execution of the order at a favorable price. In working with dealers, the Managers will generally utilize those who are recognized dealers in specific portfolio instruments, except when a better price and execution of the order can be obtained elsewhere. In selecting among firms believed to meet these criteria, the Managers may give consideration to those firms which have sold or are selling Shares of the Fund and other funds distributed by Federated Securities Corp. The Managers make decisions on portfolio transactions and select brokers and dealers subject to review by the Trustees.

## NET ASSET VALUE

The Fund's net asset value per Share fluctuates. It is determined by adding the interest of the Shares in the market value of all securities and other assets of the Fund, subtracting the interest of the Shares in the liabilities of the Fund and those attributable to Shares, and dividing the remainder by the total number of Shares outstanding. The net asset value for Institutional Shares may exceed that of Institutional Service Shares due to the variance in daily net income realized by each class. Such variance will reflect only accrued net income to which the shareholders of a particular class are entitled.

## INVESTING IN INSTITUTIONAL

## SERVICE SHARES

## SHARE PURCHASES

Shares are sold on days on which the New York Stock Exchange is open. Shares of the Fund may be purchased either by wire or mail. To purchase Shares of the Fund, open an account by calling Federated Securities Corp. Information needed to establish the account will be taken over the telephone. The Fund reserves the right to reject any purchase request.

## BY WIRE

To purchase Shares of the Fund by Federal Reserve wire, call the Fund to place an order. Shareholders have until 4:00 p.m. (Eastern time) to call the Fund for settlement on the next business day. However, in order to maximize the Fund's ability to track the Index, shareholders are urged to transmit purchase requests prior to 2:00 p.m. (Eastern time). The order is considered received immediately. Payment by federal funds must be received before 4:00 p.m. (Eastern time) on the next business day following the order. Federal funds should be wired as follows: Federated Shareholder Services Company, c/o State Street Bank and Trust Company,

Boston, Massachusetts; Attention: EDGEWIRE; For Credit to: Federated Index Trust, Federated Max-Cap Fund--Institutional Service Shares; Fund Number (this number can be found on the account statement or by contacting the Fund); Group Number or Order Number; Nominee or Institution Name; and ABA Number 011000028.

Shares cannot be pur-

chased by wire on holidays when wire transfers are restricted. Questions on wire purchases should be directed to your shareholder services representative at the telephone number listed on your account statement.

## BY MAIL

To purchase Shares of the Fund by mail, send a check made payable to Federated Index Trust, Federated Max-Cap Fund--Institutional Service Shares to the Fund's transfer agent, Federated Shareholder Services Company, P.O. Box 8600, Boston, Massachusetts 02266-8600.

Orders by mail are considered received when payment by check is converted into federal funds. This is normally the next business day after the check is received.

## MINIMUM INVESTMENT REQUIRED

The minimum initial investment in the Fund is \$25,000. However, an account may be opened with a smaller amount as long as the \$25,000 minimum is reached within 90 days. An institutional investor's minimum investment will be calculated by combining all accounts that it maintains with the Fund.

#### WHAT SHARES COST

Shares are sold at their net asset value next determined after an order is received. There is no sales charge imposed by the Fund.

The net asset value is determined as of the close of trading (normally 4:00 p.m., Eastern time) on the New York Stock Exchange, Monday through Friday, except on: (i) days on which there are not sufficient changes in the value of the Fund's portfolio securities that its net asset value might be materially affected; (ii) days during which no shares are tendered for redemption and no orders to purchase shares are received; and (iii) the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

#### CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Fund, Federated Shareholder Services Company maintains a share account for each shareholder. Share certificates are not issued unless requested by contacting the Fund.

Detailed confirmations of each purchase or redemption are sent to each shareholder. Quarterly confirmations are sent to report dividends paid during the quarter.

#### DIVIDENDS

Dividends are declared and paid quarterly. Unless shareholders request cash payments by writing to the Fund, dividends are automatically reinvested in additional Shares on payment dates at the ex-dividend date net asset value without a sales charge.

#### CAPITAL GAINS

Capital gains realized by the Fund, if any, will be distributed at least once every 12 months.

#### REDEEMING INSTITUTIONAL

##### SERVICE SHARES

The Fund redeems Shares at their net asset value next determined after the Fund receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests must be received in proper form and can be made by telephone request or written request.

#### TELEPHONE REDEMPTION

Shareholders may redeem their Shares by telephoning the Fund before 4:00 p.m. (Eastern time). However, in order to maximize the Fund's ability to track the Index, shareholders are urged

to telephone the Fund prior to 2:00 p.m. (Eastern time). The proceeds will normally be wired the following business day, but in no event more than seven days, to the shareholder's account at a domestic commercial bank that is a member of the Federal Reserve System. Proceeds from redemption requests received on holidays when wire transfers are restricted will be wired the following business day. Questions about telephone redemptions on days when wire transfers are restricted should be directed to your shareholder services representative at the telephone number listed on your account statement. If at any time the Fund shall determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified. An authorization form permitting State Street Bank or the Fund to accept telephone requests must first be completed. Authorization forms and information on this service are available from Federated Securities Corp. Telephone redemption instructions may be recorded.

In the event of drastic economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, another method of redemption, such as "Written Requests," should be considered.

If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

## WRITTEN REQUESTS

Shares may also be redeemed by sending a written request to the Fund. Call the Fund for specific instructions before redeeming by letter. The shareholder will be asked to provide in the request his name, the Fund name, his account number, and the share or dollar amount requested. All owners of the account must sign the request exactly as the shares are registered. If share certificates have been issued, they should be sent unendorsed with the written request by registered or certified mail.

## SIGNATURES

Shareholders requesting a redemption of any amount to be sent to an address other than that on record with the Fund, or a redemption payable other than to the shareholder of record must have their signatures guaranteed by:

- a trust company or commercial bank whose deposits are insured by the Bank Insurance Fund ("BIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC");
- a member of the New York, American, Boston, Midwest, or Pacific Stock Exchange;
- a savings bank or savings association whose deposits are insured by the Savings Association Insurance Fund ("SAIF"), which is administered by the FDIC; or
- any other "eligible guarantor institution," as defined in the Securities Exchange Act of 1934.

The Fund does not accept signatures guaranteed by a notary public.

The Fund and its transfer agent have adopted standards for accepting signature guarantees from the above institutions. The Fund may elect in the future to limit eligible signature guarantors to institutions that are members of a signature guarantee program. The Fund and its transfer agent reserve the right to amend these standards at any time without notice.

## RECEIVING PAYMENT

Normally, a check for the proceeds is mailed within one business day, but in no event more than seven days, after receipt of a proper written redemption request.

## ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, the Fund may redeem shares in any account and pay the proceeds to the shareholder if the account balance falls below a required minimum value of \$25,000. This requirement does not apply, however, if the balance falls below \$25,000 because of changes in the Fund's net asset value.

Before Shares are redeemed to close an account, the shareholder is notified in writing and allowed 30 days to purchase additional shares to meet the minimum requirement.

## SHAREHOLDER INFORMATION

### VOTING RIGHTS

Each Share of the Fund gives the shareholder one vote in Trustee elections and other matters submitted to shareholders for vote. All shares of all classes of each portfolio in the Trust have equal voting rights except that, in matters affecting only a particular fund or class, only shares of that fund or class are entitled to vote. As a Massachusetts business trust, the Trust is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Trust's or the Fund's operation and for the election of Trustees under certain circumstances.

Trustees may be removed by the Trustees or by shareholders at a special meeting. A special meeting of the shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the outstanding shares of all series of the Trust.

## TAX INFORMATION

### FEDERAL INCOME TAX

The Fund will pay no federal income tax because it expects to meet requirements of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies.

The Fund will be treated as a single, separate entity for federal income tax purposes so that income (including capital gains) and losses realized by the Trust's other portfolios, if any, will not be combined for tax purposes with those realized by the Fund.

Unless otherwise exempt, shareholders are required to pay federal income tax on any dividends and other distributions, including capital gains distributions, received. This applies whether dividends and distributions are received in cash or as additional shares. Distributions representing long-term capital gains, if any, will be taxable to shareholders as long-term capital gains no matter how long the shareholders have held their shares.

#### STATE AND LOCAL TAXES

In the opinion of Houston, Donnelly & Meck, counsel to the Trust, Fund shares may be subject to personal property taxes imposed by counties, municipalities, and school districts in Pennsylvania to the extent that the portfolio securities in the Fund would be subject to such taxes if owned directly by residents of those jurisdictions.

Shareholders are urged to consult their own tax advisers regarding the status of their accounts under state and local tax laws.

#### PERFORMANCE INFORMATION

From time to time the Fund advertises its total return and yield for Shares.

Total return represents the change, over a specified period of time, in the value of an investment in the Shares of the Fund after reinvesting all income and capital gain distributions. It is calculated by dividing that change by the initial investment and is expressed as a percentage.

The yield of Shares of the Fund is calculated by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by Shares over a thirty-day period by the offering price per share of the Shares on the last day of the period. This number is then annualized using semi-annual compounding. The yield does not necessarily reflect income actually earned by the Institutional Service Shares and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

Shares are sold without any sales load or other similar non-recurring charges. Total return and yield will be calculated separately for Institutional Service Shares and Institutional Shares.

From time to time, advertisements for the Fund may refer to ratings, rankings, and other information in certain financial publications and/or compare the Fund's performance to certain indices.

#### OTHER CLASSES OF SHARES

Institutional Shares of the Fund are sold to accounts for which financial institutions act in a fiduciary or agency capacity. Institutional Shares are sold at net asset value and investments in Institutional Shares are subject to a minimum initial investment of \$25,000.

Institutional Shares of the Fund are distributed without a 12b-1 Plan. Financial institutions and brokers providing sales and administrative services may receive different compensation depending upon which class of shares of the Fund is sold.

The amount of dividends payable to Institutional Shares will exceed that of Institutional Service Shares by the difference between Class Expenses and distribution expenses borne by shares of each respective class.

The stated management fee is the same for both classes of shares.

To obtain more information and a prospectus for Institutional Shares, investors may call 1-800-341-7400.

## FINANCIAL HIGHLIGHTS--INSTITUTIONAL SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Ernst &amp; Young LLP, Independent Auditors on page 43.

<TABLE>  
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	YEAR ENDED OCTOBER 31,						
	1996	1995	1994	1993	1992	1991	1990 (A)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$14.74	\$12.02	\$12.24	\$11.64	\$11.07	\$ 8.60	\$10.00
INCOME FROM INVESTMENT OPERATIONS							
Net investment income	0.34	0.38	0.32	0.30	0.32	0.37	0.12
Net realized and unrealized gain (loss) on investments and futures contracts	2.80	2.70	0.10	1.29	0.71	2.46	(1.43 )
Total from investment operations	3.14	3.08	0.42	1.59	1.03	2.83	(1.31 )
LESS DISTRIBUTIONS							
Distributions from net investment income	(0.36)	(0.34)	(0.30)	(0.30)	(0.34)	(0.36)	(0.09 )
Distributions from net realized gain on investments and futures contracts	(2.03)	(0.02)	(0.34)	(0.69)	(0.12)	--	--
Total distributions	(2.39)	(0.36)	(0.64)	(0.99)	(0.46)	(0.36)	(0.09 )
NET ASSET VALUE, END OF PERIOD	\$15.49	\$14.74	\$12.02	\$12.24	\$11.64	\$11.07	\$ 8.60
TOTAL RETURN (B)	23.71%	26%	3.59%	14.35%	9.51%	33.31%	(14.46 )%
RATIOS TO AVERAGE NET ASSETS							
Expenses	0.31%	0.31%	0.32%	0.31%	0.30%	0.24%	0.00 %
Net investment income	2.29%	2.91%	2.70%	2.60%	2.92%	3.74%	5.19 %*
Expense waiver/reimbursement (c)	0.31%	0.33%	0.07%	0.09%	0.18%	0.45%	0.94 %*
SUPPLEMENTAL DATA							
Net assets, end of period (000 omitted)	\$900,131	\$679,237	\$443,815	\$407,246	\$309,614	\$144,528	\$25,129
Average commission rate paid	\$0.0153	--	--	--	--	--	--
Portfolio turnover	3%	57%	2%	13%	46%	6%	0 %

&lt;/TABLE&gt;

\* Computed on an annualized basis.

(a) Reflects operations for the period from July 5, 1990 (date of initial public offering) to October 31, 1990. For the period from the start of business June 26, 1990 to July 4, 1990, net investment income per share aggregating \$0.02 per share (\$155) was distributed to the Fund's manager. Such distribution represented the net income of the Fund prior to initial public offering of Fund shares which commenced on July 5, 1990.

(b) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.

(c) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

FEDERATED MAX-CAP FUND

PORTFOLIO OF INVESTMENTS

OCTOBER 31, 1996

<TABLE> <CAPTION> SHARES			VALUE
<C>	<C>	<S>	<C>
(A) COMMON STOCKS--94.2%			
BASIC INDUSTRY--6.3%			
7,200		ASARCO, Inc.	\$ 189,000

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<TABLE> <CAPTION>			VALUE
<C>	<C>	<S>	<C>
18,900		Air Products & Chemicals, Inc.	1,134,000
38,300		Alcan Aluminum Ltd.	1,259,112
29,392	(b)	Allegheny Teledyne, Inc.	628,254
29,500		Aluminum Co. of America	1,729,437
92,427		Archer-Daniels-Midland Co.	2,010,287
18,000	(b)	Armco, Inc.	67,500
8,900		Avery Dennison Corp.	586,287
5,100		Ball Corp.	123,037
60,500		Barrick Gold Corp.	1,580,562
38,000		Battle Mountain Gold Co.	289,750
8,900		Bemis Co., Inc.	311,500
18,800	(b)	Bethlehem Steel Corp.	152,750
8,200		Boise Cascade Corp.	254,200
16,200		Champion International Corp.	704,700
39,000		Corning, Inc.	1,511,250
21,700		Crown Cork & Seal Co., Inc.	1,041,600
15,750		Cyprus Amax Minerals	356,344
41,500		Dow Chemical Co.	3,226,625
95,000		Du Pont (E.I.) de Nemours & Co.	8,811,250
13,225		Eastman Chemical Co.	697,619
23,600		Echo Bay Mines Ltd.	184,375
10,840		Ecolab, Inc.	395,660
24,362		Engelhard Corp.	444,606
33,100		Freeport-McMoRan Copper & Gold, Inc., Class B	1,005,412
15,500		Georgia-Pacific Corp.	1,162,500

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>  
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SHARES		VALUE
(A) COMMON STOCKS--CONTINUED		
<C>	<C><S>	<C>
	BASIC INDUSTRY--CONTINUED	
9,100	Goodrich (B.F.) Co.	\$ 385,612
16,600	(b) Grace (W.R.) & Co.	879,800
10,800	Great Lakes Chemical Corp.	562,950
18,100	Hercules, Inc.	862,012
24,800	Homestake Mining Co.	353,400
28,500	Inco Ltd.	904,875
8,200	Inland Steel Industries, Inc.	132,225
50,776	International Paper Co.	2,170,674
14,400	James River Corp. of Virginia	453,600
18,400	Louisiana-Pacific Corp.	384,100
8,900	Mead Corp.	505,075
7,300	Millipore Corp.	255,500
99,200	Monsanto Co.	3,930,800
24,100	Morton International, Inc.	948,938
11,400	Nalco Chemical Co.	414,675
16,811	Newmont Mining Corp.	777,509
14,800	Nucor Corp.	701,150
8,700	(b) Owens Corning	337,125
31,600	PPG Industries, Inc.	1,801,200
19,533	Pall Corp.	500,533
11,100	Phelps Dodge Corp.	697,913
14,000	Pioneer Hi-Bred International	939,750
40,500	Placer Dome, Inc.	972,000
4,900	Potlatch Corp.	209,475
26,400	Praxair, Inc.	1,168,200
10,800	Reynolds Metals Co.	607,500
11,000	Rohm & Haas Co.	785,125
22,235	Santa Fe Pacific Gold	264,041
14,500	Sherwin-Williams Co.	726,813

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>

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SHARES		VALUE
<C>	<C> <S>	<C>
(A) COMMON STOCKS--CONTINUED		
	BASIC INDUSTRY--CONTINUED	
8,500	Sigma-Aldrich Corp.	\$ 499,375
3,400	Springs Industries, Inc., Class A	153,425

16,808	Stone Container Corp.	256,322
9,400	Temple-Inland, Inc.	481,750
10,500	(b) Tupperware Corp.	539,438
14,320	USX-U.S. Steel Group, Inc.	390,220
11,600	Union Camp Corp.	565,500
21,900	Union Carbide Corp.	933,488
17,250	Westvaco Corp.	491,625
33,600	Weyerhaeuser Co.	1,541,400
9,400	Willamette Industries, Inc.	634,500
15,350	Worthington Industries, Inc.	318,513
	Total	60,295,743
	CONSUMER DURABLES--3.5%	
14,800	Black & Decker Corp.	553,150
4,900	Briggs & Stratton Corp.	196,000
16,600	Brunswick Corp.	390,100
4,800	Centex Corp.	144,600
123,368	Chrysler Corp.	4,148,249
14,200	Cooper Tire & Rubber Co.	278,675
17,200	Dana Corp.	509,550
57,000	Eastman Kodak Co.	4,545,750
13,100	Eaton Corp.	782,725
10,400	Echlin, Inc.	339,300
6,000	Fleetwood Enterprises, Inc.	202,500
200,200	Ford Motor Co.	6,256,250
128,000	General Motors Corp.	6,896,000
20,500	Genuine Parts Co.	896,875
26,300	Goodyear Tire & Rubber Co.	1,206,512

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<S>

<C> <S>

<C>

(A) COMMON STOCKS--CONTINUED

CONSUMER DURABLES--CONTINUED

14,600	Hasbro, Inc.	\$ 567,575
6,553	Jostens, Inc.	140,890
6,600	Kaufman & Broad Homes Corp.	79,200
46,225	Mattel, Inc.	1,334,747
17,200	Maytag Corp.	341,850
26,900	Newell Co.	763,288

7,700	Polaroid Corp.	312,813
4,000	Pulte Corp.	106,000
25,400	Rubbermaid, Inc.	590,550
10,300	Snap-On Tools Corp.	330,888
15,000	Stanley Works	423,750
10,900	TRW, Inc.	986,450
12,600	Whirlpool Corp.	595,350
	Total	33,919,587
	CONSUMER NON-DURABLES--11.2%	
4,700	Alberto-Culver Co., Class B	215,025
28,900	American Brands, Inc.	1,379,975
12,700	American Greetings Corp., Class A	372,269
83,900	Anheuser-Busch Cos., Inc.	3,230,150
22,500	Avon Products, Inc.	1,220,625
11,700	Brown-Forman Corp., Class B	506,025
24,500	CPC International, Inc.	1,932,437
38,900	Campbell Soup Co.	3,112,000
8,700	Clorox Co.	949,387
422,000	Coca-Cola Co.	21,311,000
24,900	Colgate-Palmolive Co.	2,290,800
41,200	ConAgra, Inc.	2,054,850
6,400	Coors Adolph Co., Class B	124,800
12,900	(b) Fruit of the Loom, Inc., Class A	469,237

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FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<S> <C> <S>  
(A) COMMON STOCKS--CONTINUED

<C>

CONSUMER NON-DURABLES--CONTINUED

26,900	General Mills, Inc.	\$ 1,536,662
75,400	Gillette Co.	5,636,150
62,600	Heinz (H.J.) Co.	2,222,300
26,000	Hershey Foods Corp.	1,257,750
18,700	International Flavors & Fragrances, Inc.	773,713
35,900	Kellogg Co.	2,279,650
47,724	Kimberly-Clark Corp.	4,450,263
12,400	Liz Claiborne, Inc.	523,900
48,600	Nike, Inc., Class B	2,861,325
265,200	PepsiCo, Inc.	7,856,550

138,600	Philip Morris Cos., Inc.	12,837,825
116,100	Procter & Gamble Co.	11,493,900
22,900	Quaker Oats Co.	812,950
17,900	Ralston Purina Co.	1,183,638
9,500	Reebok International Ltd.	339,625
6,500	Russell Corp.	184,438
82,200	Sara Lee Corp.	2,918,100
63,400	Seagram Co. Ltd.	2,401,275
8,400	Stride Rite Corp.	69,300
31,800	UST, Inc.	918,225
27,100	Unilever N.V., ADR	4,142,913
10,800	V.F. Corp.	706,050
19,700	Wrigley (Wm.), Jr. Co.	1,186,925
	Total	107,762,007
	ENERGY MINERALS--8.5%	
15,800	Amerada-Hess Corp.	874,925
84,200	Amoco Corp.	6,378,150
10,900	Ashland, Inc.	463,250
27,200	Atlantic Richfield Co.	3,604,000

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FEDERATED MAX-CAP FUND

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<CAPTION>  
SHARES

VALUE

<S> <C> <S>  
(A) COMMON STOCKS--CONTINUED

<C>

ENERGY MINERALS--CONTINUED		
24,500	Baker Hughes, Inc.	\$ 872,812
21,200	Burlington Resources, Inc.	1,067,950
110,500	Chevron Corp.	7,265,375
210,200	Exxon Corp.	18,628,975
19,400	Halliburton Co.	1,098,525
4,200	Helmerich & Payne, Inc.	227,325
8,300	Kerr-McGee Corp.	520,825
5,800	Louisiana Land & Exploration Co.	329,875
66,700	Mobil Corp.	7,787,225
54,700	Occidental Petroleum Corp.	1,340,150
17,700	(b) Oryx Energy Co.	340,725
7,900	Pennzoil Co.	402,900
44,500	Phillips Petroleum Co.	1,824,500
14,400	(b) Rowan Companies, Inc.	322,200

90,700	Royal Dutch Petroleum Co., ADR	14,999,513
15,312	(b) Santa Fe Energy Resource, Inc.	218,196
41,500	Schlumberger Ltd.	4,113,688
15,137	Sun Co., Inc.	338,690
44,700	Texaco, Inc.	4,542,638
48,700	USX Corp.	1,065,313
42,394	Union Pacific Resources Group, Inc.	1,165,840
42,000	Unocal Corp.	1,538,250
9,000	(b) Western Atlas, Inc.	624,375
	Total	81,956,190
	FINANCE--13.5%	
18,300	AON Corp.	1,056,825
18,100	Ahmanson (H.F.) & Co.	567,887
7,600	Alexander & Alexander Services, Inc.	115,900
75,305	Allstate Corp.	4,226,493

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FEDERATED MAX-CAP FUND

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SHARES

VALUE

(A) COMMON STOCKS--CONTINUED

<C>	<S>	<C>
	FINANCE--CONTINUED	
80,300	American Express Co.	\$ 3,774,100
34,600	American General Corp.	1,288,850
79,493	American International Group, Inc.	8,634,927
73,727	Banc One Corp.	3,124,182
25,800	Bank of Boston Corp.	1,651,200
65,300	Bank of New York Co., Inc.	2,163,062
60,876	BankAmerica Corp.	5,570,154
13,600	Bankers Trust New York Corp.	1,149,200
32,600	Barnett Banks, Inc.	1,242,875
9,100	Beneficial Corp.	532,350
26,500	Boatmen's Bancshares, Inc.	1,609,875
12,900	CIGNA Corp.	1,683,450
73,870	Chase Manhattan Corp.	6,334,352
29,500	Chubb Corp.	1,475,000
81,400	Citicorp	8,058,600
19,500	Comerica, Inc.	1,035,937
37,700	Corestates Financial Corp.	1,833,162
27,821	Dean Witter, Discover & Co.	1,637,961
30,300	Federal Home Loan Mortgage Corp.	3,060,300

184,900	Federal National Mortgage Association	7,234,212
17,900	Fifth Third Bancorp	1,120,987
23,900	First Bank System, Inc.	1,577,400
46,655	First Union Corp.	3,394,151
44,410	Fleet Financial Group, Inc.	2,214,949
13,300	General RE Corp.	1,958,425
9,800	Golden West Financial Corp.	635,775
23,200	Great Western Financial Corp.	649,600
23,200	Green Tree Financial Corp.	919,300
16,400	Household International, Inc.	1,451,400

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FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

(A) COMMON STOCKS--CONTINUED

<C>	<S>	<C>
	FINANCE--CONTINUED	
19,900	ITT Hartford Group, Inc.	\$ 1,253,700
31,600	J.P. Morgan & Co., Inc.	2,729,450
12,025	Jefferson-Pilot Corp.	683,922
39,000	KeyCorp	1,818,375
17,700	Lincoln National Corp.	858,450
37,675	MBNA Corp.	1,422,231
10,000	MGIC Investment Corp.	686,250
12,200	Marsh & McLennan Cos., Inc.	1,270,325
22,000	Mellon Bank Corp.	1,432,750
28,600	Merrill Lynch & Co., Inc.	2,009,150
25,700	Morgan Stanley Group, Inc.	1,291,425
37,600	National City Corp.	1,630,900
49,246	NationsBank Corp.	4,641,436
62,700	Norwest Corp.	2,750,963
57,700	PNC Financial Corp.	2,091,625
15,800	Providian Corp.	742,600
9,400	Republic New York Corp.	716,750
13,700	Ryder Systems, Inc.	407,575
21,300	SAFECO Corp.	804,075
17,800	Salomon, Inc.	803,225
14,200	St. Paul Cos., Inc.	772,125
37,800	SunTrust Banks, Inc.	1,762,425
12,150	Torchmark Corp.	587,756

11,200	Transamerica Corp.	849,800
81,367	Travelers Group, Inc.	4,414,160
26,150	U.S. Bancorp.	1,046,000
12,400	UNUM Corp.	779,650
19,900	USF&G Corp.	378,100
5,800	USLIFE Corp.	181,250

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FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>  
SHARES

VALUE

(A) COMMON STOCKS--CONTINUED

<C>	<S>	<C>
	FINANCE--CONTINUED	
28,200	Wachovia Corp.	\$ 1,515,750
15,966	Wells Fargo & Co.	4,264,918
	Total	129,579,952
	HEALTH CARE--10.0%	
132,100	Abbott Laboratories	6,687,562
25,455	Aetna Services Inc.	1,702,303
268	(b) Allergan Ligand Retinoid Therapeutics, Inc.	7,537
11,000	Allergan, Inc.	335,500
14,300	(b) Alza Corp.	370,012
107,700	American Home Products Corp.	6,596,625
44,800	(b) Amgen, Inc.	2,746,800
9,600	Bard (C.R.), Inc.	271,200
9,600	Bausch & Lomb, Inc.	324,000
46,100	Baxter International, Inc.	1,918,912
21,100	Becton, Dickinson & Co.	917,850
16,800	(b) Beverly Enterprises, Inc.	207,900
19,600	(b) Biomet, Inc.	316,050
30,000	(b) Boston Scientific Corp.	1,631,250
84,900	Bristol-Myers Squibb Co.	8,978,175
113,607	Columbia/HCA Healthcare Corp.	4,061,450
27,500	(b) Humana, Inc.	501,875
225,600	Johnson & Johnson	11,110,800
92,600	Lilly (Eli) & Co.	6,528,300
10,650	Manor Care, Inc.	418,013
40,500	Medtronic, Inc.	2,607,188
205,900	Merck & Co., Inc.	15,262,338
108,700	Pfizer, Inc.	8,994,925
86,055	Pharmacia & Upjohn, Inc.	3,097,980

62,600

Schering Plough Corp.

4,006,400

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## FEDERATED MAX-CAP FUND

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SHARES

VALUE

(A) COMMON STOCKS--CONTINUED

<C>	<C> <S>	<C>
	HEALTH CARE--CONTINUED	
4,000	Shared Medical Systems Corp.	\$ 193,000
13,650	(b) St. Jude Medical, Inc.	539,175
36,600	(b) Tenet Healthcare Corp.	764,025
10,600	U.S. Surgical Corp.	443,875
31,100	United Healthcare Corp.	1,177,913
45,900	Warner-Lambert Co.	2,920,388
	Total	95,639,321
	PRODUCER MANUFACTURING--7.1%	
47,900	Allied-Signal, Inc.	3,137,450
6,200	Armstrong World Industries, Inc.	413,850
12,300	Case Corp.	571,950
32,600	Caterpillar, Inc.	2,237,175
6,700	Cincinnati Milacron, Inc.	128,137
18,300	Cooper Industries, Inc.	736,575
5,100	Crane Co.	237,150
6,700	Cummins Engine Co., Inc.	278,887
43,700	Deere & Co.	1,824,475
19,300	Dover Corp.	991,537
30,300	Dresser Industries, Inc.	996,112
38,000	Emerson Electric Co.	3,382,000
6,300	(b) FMC Corp.	463,837
279,500	General Electric Co.	27,041,625
8,400	General Signal Corp.	342,300
5,900	Giddings & Lewis, Inc.	69,325
7,978	Harnischfeger Industries, Inc.	319,120
21,400	Honeywell, Inc.	1,329,475
19,900	(b) ITT Industries, Inc.	462,675
20,700	Illinois Tool Works, Inc.	1,454,175
18,500	Ingersoll-Rand Co.	770,063

&lt;/TABLE&gt;



FEDERATED MAX-CAP FUND

<TABLE> <CAPTION> SHARES		VALUE
(A) COMMON STOCKS--CONTINUED		
<C>	<S> PRODUCER MANUFACTURING--CONTINUED	<C>
7,000	Johnson Controls, Inc.	\$ 511,000
19,500	Loews Corp.	1,611,188
27,200	Masco Corp.	853,400
9,300	McDermott International, Inc.	165,075
71,000	Minnesota Mining & Manufacturing Co.	5,440,375
1,500	NACCO Industries, Inc., Class A	69,375
8,000	National Service Industries, Inc.	276,000
12,770	(b) Navistar International Corp.	118,123
6,540	PACCAR, Inc.	364,605
12,600	Parker-Hannifin Corp.	477,225
25,200	Pitney Bowes, Inc.	1,408,050
7,600	Raychem Corp.	593,750
28,900	Tenneco, Inc.	1,430,550
13,700	Textron, Inc.	1,215,875
6,800	Thomas & Betts Corp.	288,150
5,300	Timken Co.	236,513
4,800	Trinova Corp.	157,800
25,800	Tyco International, Ltd.	1,280,325
71,200	Westinghouse Electric Corp.	1,219,300
17,800	Whitman Corp.	431,650
55,000	Xerox Corp.	2,550,625
	Total	67,886,847
RETAIL TRADE--4.5%		
42,700	Albertsons, Inc.	1,467,812
24,700	American Stores Co.	1,021,962
17,600	Charming Shoppes, Inc.	81,400
16,600	Circuit City Store, Inc.	543,650
36,600	Dayton-Hudson Corp.	1,267,275
19,200	Dillard Department Stores, Inc., Class A	609,600

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE> <CAPTION> SHARES		VALUE
(A) COMMON STOCKS--CONTINUED		
<C>	<C> <S>	<C>

## RETAIL TRADE--CONTINUED

35,200	(b) Federated Department Stores, Inc.	\$ 1,161,600
5,153	(b) Footstar, Inc.	113,375
48,600	Gap (The), Inc.	1,409,400
10,100	Giant Foods, Inc., Class A	340,875
6,500	Great Atlantic & Pacific Tea Co., Inc.	195,000
12,300	Harcourt General, Inc.	611,925
81,100	Home Depot, Inc.	4,440,225
82,300	K Mart Corp.	802,425
21,300	(b) Kroger Co., Inc.	950,513
46,264	Limited, Inc.	850,101
3,400	Longs Drug Stores Corp.	152,575
29,100	Lowe's Cos., Inc.	1,174,913
42,300	May Department Stores Co.	2,003,963
17,900	Melville Corp.	666,775
6,200	Mercantile Stores Co., Inc.	307,675
13,800	Nordstrom, Inc.	497,663
38,100	Penney (J.C.) Co., Inc.	2,000,250
10,500	Pep Boys-Manny Moe & Jack	367,500
33,150	(b) Price/Costco, Inc.	658,856
14,200	Rite Aid Corp.	482,800
66,300	Sears, Roebuck & Co.	3,207,263
12,300	TJX Cos., Inc.	492,000
10,565	Tandy Corp.	397,508
46,300	(b) Toys "R" Us, Inc.	1,568,413
388,300	Wal-Mart Stores, Inc.	10,338,488
41,700	Walgreen Co.	1,574,175
25,700	Winn-Dixie Stores, Inc.	857,738
22,500	(b) Woolworth (F.W.) Co.	472,500
	Total	43,088,193

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## FEDERATED MAX-CAP FUND

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&lt;CAPTION&gt;

SHARES

VALUE

## (A) COMMON STOCKS--CONTINUED

<C>	<C> <S>	<C>
	SERVICES--5.0%	
22,100	Alco Standard Corp.	\$ 1,024,887
8,600	(b) Bally Entertainment Group	259,075
17,500	Block (H&R), Inc.	433,125
36,000	Browning-Ferris Industries, Inc.	945,000

62,475	(b) CUC International, Inc.	1,530,637
26,700	(b) Darden Restaurants, Inc.	223,612
14,000	Deluxe Corp.	456,750
114,800	Disney (Walt) Co.	7,562,450
25,900	Donnelley (R.R.) & Sons Co.	786,712
16,400	Dow Jones & Co.	541,200
28,800	Dun & Bradstreet Corp.	1,666,800
6,400	Fleming Cos., Inc.	111,200
14,100	Fluor Corp.	923,550
6,900	Foster Wheeler Corp.	282,900
23,900	Gannett Co., Inc.	1,813,412
8,600	Grainger (W.W.), Inc.	637,475
20,900	(b) HFS, Inc.	1,530,925
5,200	Harland (John H.) Co.	161,850
17,450	(b) Harrah's Entertainment, Inc.	292,287
33,100	Hilton Hotels Corp.	1,005,412
19,800	(b) ITT Corp.	831,600
13,800	Interpublic Group Cos., Inc.	669,300
6,350	(b) King World Productions, Inc.	228,600
16,200	Knight-Ridder, Inc.	605,475
53,000	Laidlaw, Inc., Class B	622,750
4,050	Luby's Cafeterias, Inc.	85,050
21,700	Marriott Corp.	1,234,188
118,400	McDonald's Corp.	5,254,000
16,800	McGraw-Hill Cos., Inc.	787,500

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FEDERATED MAX-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

(A) COMMON STOCKS--CONTINUED

<C>	<C>	<S>	<C>
		SERVICES--CONTINUED	
4,600		Meredith Corp.	\$ 231,150
16,900		Moore Corp. Ltd.	342,225
16,500		New York Times Co., Class A	596,063
8,600	(b)	Ryan's Family Steak Houses, Inc.	63,425
9,850		Safety-Kleen Corp.	153,906
39,900		Service Corp. International	1,137,150
8,200	(b)	Shoney's, Inc.	60,475
11,400		Super Valu Stores, Inc.	339,150

30,800	Sysco Corp.	1,047,200
96,740	Time Warner, Inc.	3,603,565
17,500	Times Mirror Co., Class A	809,375
10,400	Tribune Co.	850,200
80,200	(b) U.S. West Media Group	1,253,125
60,368	(b) Viacom, Inc., Class B	1,969,506
83,100	WMX Technologies, Inc.	2,856,563
21,800	Wendy's International, Inc.	449,625
	Total	48,270,425
	TECHNOLOGY--13.3%	
28,600	(b) 3Com Corp.	1,934,075
37,180	AMP, Inc.	1,259,472
22,900	(b) Advanced Micro Devices, Inc.	406,475
20,500	(b) Amdahl Corp.	210,125
10,175	(b) Andrew Corp.	496,031
21,100	Apple Computer, Inc.	485,300
30,400	(b) Applied Materials, Inc.	803,700
7,800	Autodesk, Inc.	178,425
49,000	Automatic Data Processing, Inc.	2,039,625
31,900	(b) Bay Networks, Inc.	645,975
59,000	Boeing Co.	5,627,125

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FEDERATED MAX-CAP FUND

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SHARES

VALUE

(A) COMMON STOCKS--CONTINUED

<C>	<C> <S>	<C>
	TECHNOLOGY--CONTINUED	
12,800	(b) Cabletron Systems, Inc.	\$ 798,400
11,600	(b) Ceridian Corp.	575,650
109,600	(b) Cisco Systems, Inc.	6,781,500
45,600	(b) Compaq Computer Corp.	3,174,900
61,675	Computer Associates International, Inc.	3,646,534
12,700	(b) Computer Sciences Corp.	942,975
19,700	(b) DSC Communications Corp.	273,337
6,600	(b) Data General Corp.	98,175
15,200	(b) Dell Computer Corp.	1,236,900
26,300	(b) Digital Equipment Corp.	775,850
8,000	EG & G, Inc.	141,000
39,200	(b) EMC Corp. Mass	1,029,000

37,900	First Data Corp., Class	3,022,525
10,620	General Dynamics Corp.	728,797
23,200	General Instrument Corp.	466,900
6,600	Harris Corp.	413,325
173,100	Hewlett-Packard Co.	7,638,037
139,200	Intel Corp.	15,294,600
8,000	(b) Intergraph Corp.	75,000
89,300	International Business Machines Corp.	11,519,700
23,100	(b) LSI Logic Corp.	612,150
33,888	Lockheed Martin Corp.	3,037,212
108,267	Lucent Technologies, Inc.	5,088,549
12,600	Mallinckrodt, Inc.	548,100
36,400	McDonnell-Douglas Corp.	1,983,800
35,300	Micron Technology, Inc.	895,738
101,300	(b) Microsoft Corp.	13,903,425
100,300	Motorola, Inc.	4,613,800
23,400	(b) National Semiconductor Corp.	450,450

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FEDERATED MAX-CAP FUND

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<CAPTION>  
SHARES

			VALUE
(A) COMMON STOCKS--CONTINUED			
<C>	<C>	<S>	<C>
		TECHNOLOGY--CONTINUED	
43,700		Northern Telecom Ltd.	\$ 2,845,963
9,800		Northrop Corp.	791,350
59,800	(b)	Novell, Inc.	553,150
110,750		Oracle Corp.	4,686,109
7,400		Perkin-Elmer Corp.	396,825
40,000		Raytheon Co.	1,970,000
37,000		Rockwell International Corp.	2,035,000
13,000		Scientific-Atlanta, Inc.	188,500
17,800	(b)	Seagate Technology, Inc.	1,188,150
29,200	(b)	Silicon Graphics, Inc.	540,200
31,200	(b)	Sun Microsystems, Inc.	1,903,200
19,900	(b)	Tandem Computers, Inc.	251,238
5,600		Tektronix, Inc.	219,100
15,100	(b)	Tellabs, Inc.	1,285,388
32,100		Texas Instruments, Inc.	1,544,813
29,400	(b)	Unisys Corp.	183,750

20,600	United Technologies Corp.	2,652,250
	Total	127,087,643
	TRANSPORTATION--1.4%	
15,400	(b) AMR Corp.	1,293,600
25,911	Burlington Northern Santa Fe	2,134,419
35,800	CSX Corp.	1,543,875
6,600	(b) Caliber System, Inc.	111,375
7,500	Consolidated Freightways, Inc.	180,000
13,700	Consolidated Rail Corp.	1,303,212
13,400	Delta Air Lines, Inc.	949,725
9,600	(b) Federal Express Corp.	772,800
21,300	Norfolk Southern Corp.	1,898,363
24,500	Southwest Airlines Co.	551,250

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FEDERATED MAX-CAP FUND

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SHARES

VALUE

(A) COMMON STOCKS--CONTINUED

<C>	<C> <S>	<C>
	TRANSPORTATION--CONTINUED	
10,800	(b) USAir Group, Inc.	\$ 187,650
41,200	Union Pacific Corp.	2,312,350
4,800	Yellow Corp.	62,700
	Total	13,301,319
	UTILITIES--9.9%	
272,978	AT&T Corp.	9,520,108
84,500	Airtouch Communications, Inc.	2,207,562
32,100	Alltel Corp.	979,050
31,700	American Electric Power Co., Inc.	1,315,550
93,000	Ameritech Corp.	5,091,750
24,950	Baltimore Gas & Electric Co.	679,887
74,100	Bell Atlantic Corp.	4,464,525
168,300	BellSouth Corp.	6,858,225
25,700	Carolina Power & Light Co.	928,412
35,600	Central & SouthWest Corp.	943,400
26,740	Cinergy Corp.	885,762
17,900	Coastal Corp.	769,700
9,300	(b) Columbia Gas System, Inc.	564,975
39,550	Comcast Corp., Class A	583,362
39,800	Consolidated Edison Co.	1,164,150
16,000	Consolidated Natural Gas Co.	850,000

24,600	DTE Energy Co.	741,075
30,150	Dominion Resources, Inc.	1,138,162
34,300	Duke Power Co.	1,676,412
3,400	Eastern Enterprises	130,900
74,200	Edison International	1,465,450
42,900	Enron Corp.	1,994,850
11,700	Enserch Corp.	251,550
38,600	Entergy Corp.	1,080,800

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

		VALUE
(A) COMMON STOCKS--CONTINUED		
<C>	<S>	<C>
	UTILITIES--CONTINUED	
31,000	FPL Group, Inc.	\$ 1,426,000
20,400	GPU, Inc.	670,650
163,800	GTE Corp.	6,900,075
44,500	Houston Industries, Inc.	1,017,938
116,400	MCI Communications Corp.	2,924,550
8,500	NICOR, Inc.	296,438
74,200	NYNEX Corp.	3,301,900
24,400	Niagara Mohawk Power Corp.	207,400
23,200	Noram Energy Corp.	356,700
11,600	Northern States Power Co.	545,200
25,800	Ohio Edison Co.	538,575
4,600	Oneok, Inc.	123,625
27,300	P P & L Resources, Inc.	638,138
14,400	Pacific Enterprises	442,800
70,400	Pacific Gas & Electric Co.	1,654,400
72,500	Pacific Telesis Group	2,465,000
49,800	Pacificorp	1,052,025
25,600	Panenergy Corp.	985,600
37,700	Peco Energy Co.	951,925
5,900	Peoples Energy Corp.	207,975
41,400	Public Service Enterprises Group, Inc.	1,112,625
103,100	SBC Communications, Inc.	5,013,238
14,600	Sonat, Inc.	719,050
114,000	Southern Co.	2,522,250
72,900	Sprint Corp.	2,861,325
110,500	(b) Tele-Communications, Inc., Class A	1,374,344

38,000	Texas Utilities Co.	1,539,000
80,900	U.S. West, Inc.	2,457,338
36,500	Unicom Corp.	949,000

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE> <CAPTION> SHARES		VALUE
<C>	<C> <S>	<C>
(A) COMMON STOCKS--CONTINUED		
UTILITIES--CONTINUED		
17,300	Union Electric Co.	\$ 668,213
17,800	Williams Cos., Inc. (The)	930,050
65,700	(b) WorldCom, Inc.	1,601,438
	Total	94,740,402

</TABLE>

<TABLE> <C>	<C> <S>	<C>
	TOTAL COMMON STOCKS (IDENTIFIED COST \$716,745,029)	903,527,629

</TABLE>

FEDERATED MAX-CAP FUND

<TABLE> <CAPTION> SHARES OR PRINCIPAL AMOUNT		VALUE
<C>	<C> <S>	<C>
PREFERRED STOCKS--0.0%		
HEALTH CARE--0.0%		
16,600	Fresenius Medical Care, Pfd. (identified cost \$2,158)	\$ 2,158
(C) SHORT-TERM U.S. GOVERNMENT OBLIGATIONS--0.3%		
\$ 3,000,000	United States Treasury Bill, 12/12/1996 (at amortized cost)	2,983,710
(D) REPURCHASE AGREEMENT--4.9%		
47,060,000	BT Securities Corporation, 5.55%, dated 10/31/1996, due 11/1/1996 (at amortized cost)	47,060,000
	TOTAL INVESTMENTS (IDENTIFIED COST \$766,790,897) (E)	\$953,573,497

</TABLE>

(a) The Fund purchases Index futures contracts to efficiently manage cash flows resulting from shareholder purchases and redemptions, dividend and capital gain payments to shareholders and corporate actions while maintaining exposure to the Index and minimizing trading costs. The total market value of open Index futures contracts is \$54,288,225 at October 31, 1996, which represents 5.7% of net assets. Taking into consideration these open Index futures contracts, the Fund's effective total exposure to the Index is



99.9%.

(b) Non-income producing security.

(c) Represents a security held as collateral which is used to ensure the Fund is able to satisfy the obligations of its outstanding long future contracts.

(d) The repurchase agreement is fully collateralized by U.S. government obligations based on market prices at the date of the portfolio. The investment in the repurchase agreement is through participation in a joint account with other Federated funds.

(e) The cost of investments for federal tax purposes amounts to \$770,852,500. The net unrealized appreciation of investments on a federal tax basis amounts to \$182,720,997 which is comprised of \$200,408,679 appreciation and \$17,687,682 depreciation at October 31, 1996.

Note: The categories of investments are shown as a percentage of net assets (\$958,871,268) at October 31, 1996.

The following acronym is used throughout this portfolio:

ADR--American Depositary Receipt

(See Notes which are an integral part of the Financial Statements)

FEDERATED MAX-CAP FUND

STATEMENT OF ASSETS AND LIABILITIES

OCTOBER 31, 1996

<TABLE>	<C>	<C>
<S>		
ASSETS:		
Total investments in securities, at value (identified cost \$766,790,897 and tax cost, \$770,852,500)		\$953,573,497
Income receivable		1,288,713
Receivable for shares sold		6,581,722
Receivable for daily variation margin		506,325
Deferred expenses		250
Total assets		961,950,507
LIABILITIES:		
Payable for shares redeemed	\$2,194,180	
Payable to Bank	732,363	
Accrued expenses	155,996	
Total liabilities		3,082,539
Net Assets for 61,910,559 shares outstanding		\$958,867,968
NET ASSETS CONSIST OF:		
Paid in capital		\$758,324,717
Net unrealized appreciation of investments and futures contracts		187,890,281
Accumulated net realized gain on investments and futures contracts		10,050,910
Undistributed net investment income		2,602,060

Total Net Assets	\$958,867,968
-----	
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE:	
-----	
INSTITUTIONAL SHARES:	
\$900,127,417 / 58,112,325 shares outstanding	\$15.49
-----	
INSTITUTIONAL SERVICE SHARES:	
\$58,740,551 / 3,798,234 shares outstanding	\$15.47
-----	

</TABLE>

(See Notes which are an integral part of the Financial Statements)

36

FEDERATED MAX-CAP FUND

STATEMENT OF OPERATIONS

YEAR ENDED OCTOBER 31, 1996

<TABLE>			
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
-----			
Dividends			\$ 16,176,146
Interest			3,870,897
			-----
Total income			20,047,043
-----			
EXPENSES:			
-----			
Management fee		\$ 2,312,405	
Custodian fees		115,427	
Transfer and dividend disbursing agent fees and expenses		110,497	
Directors'/Trustees' fees		11,183	
Auditing fees		14,061	
Legal fees		7,471	
Portfolio accounting fees		129,749	
Distribution services fee--Institutional Service Shares		128,016	
Shareholder services fee--Institutional Shares		1,820,325	
Shareholder services fee--Institutional Service Shares		106,680	
Share registration costs		103,533	
Printing and postage		51,744	
Insurance premiums		10,215	
Taxes		43,743	
Miscellaneous		3,788	
		-----	
Total expenses		4,968,837	
-----			
Waivers--			
-----			
Waiver of Management fee	\$	(490,571)	
Waiver of distribution services fee--Institutional Service Shares		(99,098)	
Waiver of shareholder services fee--Institutional Shares		(1,820,325)	
Waiver of shareholder services fee--Institutional Service Shares		(7,582)	
		-----	
Total waivers		(2,417,576)	
-----			
Net expenses			2,551,261

Net investment income	17,495,782
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FUTURES CONTRACTS:	
Net realized gain on investments and future contracts	13,947,611
Net change in unrealized appreciation of investments and futures contracts	134,550,523
Net realized and unrealized gain on investments and futures contracts	148,498,134
Change in net assets resulting from operations	\$165,993,916

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MAX-CAP FUND

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>

<CAPTION>

	YEAR ENDED OCTOBER 31,	
	1996	1995
	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS--		
Net investment income	\$ 17,495,782	\$ 16,679,223
Net realized gain (loss) on investments and futures contracts (\$14,649,222 and \$103,347,377 net gains, respectively, as computed for federal tax purposes)	13,947,611	99,787,657
Net change in unrealized appreciation (depreciation)	134,550,523	21,104,700
Change in net assets resulting from operations	165,993,916	137,571,580
DISTRIBUTIONS TO SHAREHOLDERS--		
Distributions from net investment income		
Institutional Shares	(17,109,255)	(14,071,338)
Institutional Service Shares	(847,955)	(505,602)
Distributions from net realized gains on investments and futures contracts		
Institutional Shares	(98,597,371)	(729,209)
Institutional Service Shares	(4,696,377)	(14,188)
Change in net assets resulting from distributions to shareholders	(121,250,958)	(15,320,337)
SHARE TRANSACTIONS--		
Proceeds from sale of shares	680,420,450	374,533,702
Net asset value of shares issued to shareholders in payment of distributions declared	65,168,316	6,003,498
Cost of shares redeemed	(545,896,207)	(240,788,349)
Change in net assets resulting from share transactions	199,692,559	139,748,851
Change in net assets	244,435,517	262,000,094
NET ASSETS:		
Beginning of period	714,432,451	452,432,357

End of period (including undistributed net investment income of  
\$2,602,060 and \$3,063,488, respectively) \$ 958,867,968 \$ 714,432,451

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MAX-CAP FUND

NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1996

(1) ORGANIZATION

Federated Index Trust (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 three portfolios. The financial statements included herein are only those of Federated Max-Cap Fund (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. The Fund offers two classes of shares: Institutional Shares and Institutional Service Shares. (The investment objective of the Fund is to provide investment results that correspond to the aggregate price and dividend performance of publicly-traded common stocks, by duplicating the composition of the Index.)

Effective December 5, 1994, the Board of Trustees ("Trustees") changed the name of the Fund from Max-Cap Fund to Federated Max-Cap Fund.

(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 generally accepted accounting principles.

INVESTMENT VALUATIONS--Listed equity securities are valued at the last sale price reported on a national securities exchange. Short-term securities are valued at the prices provided by an independent pricing service. However, short-term securities with remaining maturities of sixty days or less at the time of purchase may be valued at amortized cost, which approximates fair market value.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS--It is the policy of the Fund to require the custodian bank or broker to take possession, to have legally segregated in the Federal Reserve Book Entry System, or to have segregated within the custodian bank's vault, all securities held as collateral under repurchase agreement transactions. Additionally, procedures have been established by the Fund to monitor, on a daily basis, the market value of each repurchase agreement's collateral to ensure that the value of collateral at least equals the repurchase price to be paid under the repurchase agreement transaction.

The Fund will only enter into repurchase agreements with banks and other recognized financial institutions such as broker/dealers which are deemed by the Fund's adviser to be creditworthy pursuant to guidelines and/or standards reviewed or established by the Trustees. Risks may arise from the potential inability of counterparties to honor the terms of these agreements. Accordingly, the Fund could receive less than the repurchase price on the sale of collateral securities.

INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS--Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue

FEDERATED MAX-CAP FUND

Code, as amended (the "Code"). Dividend income and distributions to

shareholders are recorded on the ex-dividend date.

FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of its income. Accordingly, no provisions for federal tax are necessary.

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.

DEFERRED EXPENSES--The costs incurred by the Fund with respect to registration of its shares in its first fiscal year, excluding the initial expense of registering its shares, have been deferred and are being amortized over a period not to exceed five years from the Fund's commencement date.

FUTURES CONTRACTS--The Fund purchases stock index futures contracts to manage cashflows, enhance yield, and to potentially reduce transaction costs. Upon entering into a stock index futures contract with a broker, the Fund is required to deposit in a segregated account a specified amount of cash or U.S. government securities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. Daily, 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. For the period ended October 31, 1996, the Fund had realized gains of \$12,785,868 on futures contracts.

Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with changes in the value of the underlying securities. At October 31, 1996, the Fund had outstanding futures contracts as set forth below:

<TABLE>  
<CAPTION>

EXPIRATION DATE	CONTRACTS TO DELIVER/RECEIVE	POSITION	UNREALIZED APPRECIATION (DEPRECIATION)
<S> December 1996	<C> 153 S&P 500 Index Futures	<C> Long	<C> \$1,107,681

</TABLE>

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles 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.

OTHER--Investment transactions are accounted for on the trade date.

FEDERATED MAX-CAP FUND

(3) SHARES OF BENEFICIAL INTEREST

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value) for each class of shares.

Transactions in shares were as follows:

<TABLE>  
<CAPTION>

	YEAR ENDED OCTOBER 31,			
	1996		1995	
INSTITUTIONAL SHARES	SHARES	AMOUNT	SHARES	AMOUNT
<S> Shares sold	<C> 42,819,916	<C> \$ 622,123,488	<C> 26,132,335	<C> \$ 343,592,917

Shares issued to shareholders in payment of distributions declared	4,444,520	60,563,340	420,935	5,512,947
Shares redeemed	(35,228,936)	(503,599,044)	(17,407,051)	(230,818,438)
Net change resulting from Institutional Share transactions	12,035,500	\$ 179,087,784	9,146,219	\$ 118,287,426

</TABLE>

<TABLE>

<CAPTION>

INSTITUTIONAL SERVICE SHARES	YEAR ENDED OCTOBER 31,			
	1996		1995	
	SHARES	AMOUNT	SHARES	AMOUNT
Shares sold	4,027,604	\$ 58,296,962	2,368,216	\$ 30,940,785
Shares issued to shareholders in payment of distributions declared	337,876	4,604,976	36,486	490,551
Shares redeemed	(2,957,950)	(42,297,163)	(730,897)	(9,969,911)
Net change resulting from Institutional Service Shares transactions	1,407,530	\$ 20,604,775	1,673,805	\$ 21,461,425
Net change resulting from fund share transactions	13,443,030	\$ 199,692,559	10,820,024	\$ 139,748,851

</TABLE>

#### (4) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

MANAGEMENT FEE--Federated Management, the Fund's manger (the "Manager"), receives for its services an annual management fee equal to 0.30% of the Fund's average daily net assets. The Manager has entered into a sub-management contract with ANB Investment Management and Trust Company ("Sub-Manager"). The Manager shall pay the Sub-Manager a management fee based on the average daily net assets of the Fund as follows: 0.05% on the first \$100 million, 0.02% on the next \$100 million, and 0.01% thereafter. The Manager may voluntarily choose to waive any portion of its fee. The Manager can modify or terminate this voluntary waiver at any time at its sole discretion.

SHAREHOLDER SERVICES FEE--Under the terms of a Shareholder Services Agreement with Federated Shareholder Services ("FSS"), the Fund will pay FSS up to 0.25% of average daily net assets of the Fund for

#### FEDERATED MAX-CAP FUND

the period. The fee paid to FSS is used to finance certain services for shareholders and to maintain shareholder accounts. FSS may voluntarily choose to waive any portion of its fee. Federated Shareholder Services can modify or terminate this voluntary waiver at any time at its sole discretion. For the fiscal year ended October 31, 1996 Institutional Shares fully waived its shareholder service fee.

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 net assets of the Fund to finance activities intended to result in the sale of the Fund's Institutional Service Shares. The Plan provides that the Fund may incur distribution expenses up to 0.30% of the average daily net assets of the Institutional Service Shares, annually, to compensate FSC. FSC may voluntarily choose to waive a portion of its fee. FSC can modify or terminate this voluntary waiver at any time at its sole discretion.

TRANSFER AND DIVIDEND DISBURSING AGENT FEES AND EXPENSES--Federated Services Company ("FServ"), through its subsidiary, Federated Shareholder Services Company ("FSSC") serves as transfer and dividend disbursing agent for the Fund. The fee paid to FSSC is based on the size, type, and number of accounts and transactions made by shareholders.

PORTFOLIO ACCOUNTING FEES--FServ maintains the Trust's accounting records for which it receives a fee. The fee is based on the level of the Trust's average daily net assets for the period, plus out-of-pocket expenses.

GENERAL--Certain of the Officers and Trustees of the Trust are Officers and Directors or Trustees of the above companies.

(5) INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the period ended October 31, 1996, were as follows:

<TABLE>	<C>
<S>	
-----	
PURCHASES	\$203,364,802
-----	
SALES	\$ 19,949,485
-----	

REPORT OF ERNST & YOUNG LLP,

INDEPENDENT AUDITORS

-----  
To the Trustees and Shareholders of

FEDERATED INDEX TRUST:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Federated Max-Cap Fund (a portfolio of Federated Index Trust), as of October 31, 1996, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended, and the financial highlights (see pages 2 and 15 of this prospectus) for each of the periods presented. 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 conducted our audits in accordance with generally accepted auditing standards. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1996, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Federated Max-Cap Fund of Federated Index Trust at October 31, 1996, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Pittsburgh, Pennsylvania

December 16, 1996

ADDRESSES

-----		
<TABLE>		
<S>	<C>	<C>
	Federated Max-Cap Fund	Federated Investors Tower
	Institutional Service Shares	Pittsburgh, Pennsylvania 15222-3779
-----		
Distributor	Federated Securities Corp.	Federated Investors Tower
		Pittsburgh, Pennsylvania 15222-3779
-----		
Manager	Federated Management	Federated Investors Tower
		Pittsburgh, Pennsylvania 15222-3779
-----		
Sub-Manager	ANB Investment Management and Trust Co.	One North LaSalle Street Chicago, Illinois 60690
-----		
Custodian	State Street Bank and Trust Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
-----		
Transfer Agent and Dividend Disbursing Agent	Federated Shareholder Services Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
-----		
Independent Auditors	Ernst & Young LLP	One Oxford Centre Pittsburgh, Pennsylvania 15219
-----		
</TABLE>		

-----  
-----  
FEDERATED MAX-CAP FUND  
(A PORTFOLIO OF FEDERATED INDEX TRUST)  
INSTITUTIONAL SERVICE SHARES  
PROSPECTUS

An Open-End, Diversified  
Management Investment Company

Prospectus dated December 31, 1996

LOGO

Cusip 31420E403

0032104A-SS (12/96)

FEDERATED MAX-CAP FUND  
(A PORTFOLIO OF FEDERATED INDEX TRUST)  
INSTITUTIONAL SHARES  
INSTITUTIONAL SERVICE SHARES  
STATEMENT OF ADDITIONAL INFORMATION

The Institutional Shares and Institutional Service Shares of Federated Max-Cap Fund (the "Fund") (a portfolio of Federated Index Trust) represent interests in a diversified portfolio of securities. This Statement of Additional Information should be read with the respective prospectus for Institutional Shares and Institutional Service Shares dated December 31, 1996. This Statement is not a prospectus itself. You may request a copy of a prospectus or a paper copy of this



Statement of Additional Information, if you have received it electronically, free of charge by calling 1-800-341-7400.

FEDERATED INVESTORS TOWER  
PITTSBURGH, PENNSYLVANIA 15222-3779  
Statement dated December 31, 1996

[LOGO]

Federated Securities Corp. is the distributor of the Funds and is a subsidiary of Federated Investors.

Cusip 31420E106  
Cusip 31420E403  
0032104B (12/96)

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#### GENERAL INFORMATION ABOUT THE FUND

Federated Max-Cap Fund is a portfolio of Federated Index Trust (the "Trust"), which was established as a Massachusetts business trust under a Declaration of Trust dated January 30, 1990. On December 5, 1994, the Trustees changed the name of the Fund from the Max-Cap Fund to the Federated Max-Cap Fund. Shares of the Fund are offered in two classes, known as Institutional Shares and Institutional Service Shares

(individually and collectively referred to as "Shares"). This Statement of Additional Information relates to the Shares of the Fund.  
INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to provide investment results that correspond to the aggregate price and dividend performance of publicly-traded common stocks, by duplicating the composition of the Standard & Poor's 500 Composite Stock Price Index. The investment objective cannot be changed without approval of shareholders. The policies described below may be changed by the Board of Trustees ("Trustees") without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

#### TYPES OF INVESTMENTS

In addition to the common stocks described in the prospectus, the Fund may also invest in money market instruments and U.S. government obligations and securities in such proportions as, in the judgment of the managers, prevailing market conditions warrant.

#### MONEY MARKET INSTRUMENTS

The Fund may invest in the following money market instruments:  
o instruments of domestic and foreign banks and savings associations having capital, surplus, and undivided profits of over \$100,000,000,

or if the principal amount of the instrument is insured in full by the Federal Deposit Insurance Corporation; and  
o prime commercial paper (rated A-1 by Standard and Poor's Ratings Group, Prime-1 by Moody's Investors Service, Inc., or F-1 by Fitch Investors Service).

#### REPURCHASE AGREEMENTS

When purchasing U.S. government securities pursuant to repurchase agreements, in the event that a defaulting seller of the securities filed for bankruptcy or became insolvent, disposition of such securities by the Fund might be delayed pending court action. The Fund believes that under the regular procedures normally in effect for custody of the Fund's portfolio securities subject to repurchase agreements, a court of competent jurisdiction would rule in favor of the Fund and allow retention or disposition of such securities. The Fund will only enter into repurchase agreements with banks and other recognized financial institutions such as broker/dealers which are deemed by the Fund's managers to be creditworthy pursuant to guidelines established by the Trustees. The Fund or its custodian will take possession of the securities subject to repurchase agreements and these securities will be marked to market daily.

#### U.S. GOVERNMENT OBLIGATIONS

The types of U.S. government obligations in which the Fund may invest generally include direct obligations of the U.S. Treasury (such as U.S. Treasury bills, notes, and bonds) and obligations issued or guaranteed by U.S. government agencies or instrumentalities. These securities are backed by:  
o the full faith and credit of the U.S. Treasury;  
o the issuer's right to borrow from the U.S. Treasury;

o the discretionary authority of the U.S. government to purchase certain obligations of agencies or instrumentalities; or  
o the credit of the agency or instrumentality issuing the obligations. Examples of agencies and instrumentalities which may not always receive financial support from the U.S. government are:  
o The Farm Credit System, including the National Bank for Cooperatives, Farm Credit Banks, and Banks for Cooperatives;  
o Federal Home Loan Banks;  
o Farmers Home Administration; and  
o Federal National Mortgage Association

#### VARIABLE RATE U.S. GOVERNMENT SECURITIES

In the case of certain U.S. government securities purchased by the Fund that carry variable interest rates, these rates will reduce the changes in the market value of such securities from their original purchase prices.

Accordingly, the potential for capital appreciation or capital depreciation should not be greater than the potential for capital appreciation or capital depreciation of fixed interest rate U.S. government securities having maturities equal to the interest rate adjustment dates of the variable rate U.S. government securities.

#### STOCK INDEX FUTURES AND OPTIONS

The Fund may utilize stock index futures contracts and options on stocks, stock indices and stock index futures contracts for the purposes of managing cash flows into and out of the Fund's portfolio and potentially reducing transactional costs. The Fund may not use stock index futures contracts and options for speculative purposes. As a means of reducing fluctuations in the net asset value of shares of the Fund, the Fund may attempt to hedge all or a portion of its

portfolio through the purchase of listed put options on stocks, stock indices, and stock index futures contracts. These options will be used only as a form of forward pricing to protect portfolio securities against decreases in value resulting from market factors such as an anticipated increase in interest rates. A put option gives the Fund, in return for a premium, the right to sell the underlying security to the writer (seller) at a specified price during the term of the option. Put options on stock indices are similar to put options on stocks except for the delivery requirements. Instead of giving the Fund the right to make delivery of stock at a specified price, a put option on a stock index gives the Fund, as holder, the right to receive an amount of cash upon exercise of the option.

The Fund may also write covered call options. As the writer of a call option, the Fund has the obligation upon exercise of the option during the option period to deliver the underlying security upon payment of the exercise price.

The Fund may only: (1) buy listed put options on stock indices and stock index futures contracts; (2) buy listed put options on securities held in its portfolio; and (3) sell listed call options either on securities held in its portfolio or on securities which it has the right to obtain without payment of further consideration (or has segregated cash in the amount of any such additional consideration). The Fund will maintain its positions in securities, option rights, and segregated cash subject to puts and calls until the options are exercised, closed, or expired.

The Fund may also enter into stock index futures contracts. A stock index futures contract is a bilateral agreement which obligates the seller to deliver (and the purchaser to take delivery of) an amount of

cash equal to a specific dollar amount times the difference between the value of a specific stock index at the close of trading of the contract and the price at which the agreement is originally made. There is no physical delivery of the stocks constituting the index, and no price is paid upon entering into a futures contract. In general, contracts are closed out prior to their expiration. The Fund, when purchasing or selling a futures contract, will initially be required to deposit in a segregated account in the broker's name with the Fund's custodian an amount of cash or U.S. government securities approximately equal to 5-10% of the contract value. This amount is known as "initial margin", and it is subject to change by the exchange or board of trade on which the contract is traded. Subsequent payments to and from the broker are made on a daily basis as the price of the index or the securities underlying the futures contract fluctuates. These payments are known as "variation margins", and the fluctuation in value of the long and short positions in the futures contract is a process referred to as "marking to market." The Fund may decide to close its position on a contract at any time prior to the contract's expiration. This is accomplished by the Fund taking an opposite position at the then prevailing price, thereby terminating its existing position in the contract. Because both the initial and variation margin resemble a performance bond or good faith deposit on the contract, they are returned to the Fund upon the termination of the contract, assuming that all contractual obligations have been satisfied. Therefore, the margin utilized in futures contracts is readily distinguishable from the margin employed in security transactions, since futures contracts margin does not involve the borrowing of funds to finance the transaction.

#### WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are made to secure what is considered to be an advantageous price or yield for the Fund. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of the Fund sufficient to make payment for the securities to be purchased are segregated on the Fund's records at the trade date. These assets are marked to market daily and are maintained until the transaction has been settled. The Fund does not intend to engage in when-issued and delayed delivery transactions to an extent that would cause the segregation of more than 20% of the total value of its assets.

#### LENDING OF PORTFOLIO SECURITIES

The Fund may lend its portfolio securities up to one-third of the value of its total assets to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with broker/dealers, banks, or other institutions which the sub-manager has determined are creditworthy under guidelines established by the Trustees and will receive collateral equal to at least 100% of the value of the securities loaned.

The collateral received when the Fund lends portfolio securities must be valued daily and, should the market value of the loaned securities increase, the borrower must furnish additional collateral to the Fund. During the time portfolio securities are on loan, the borrower pays the Fund any dividends or interest paid on such securities. Loans are subject

to termination at the option of the Fund or the borrower. The Fund may pay reasonable administrative and custodial fees in connection with a loan and may pay a negotiated portion of the interest earned on the cash or equivalent collateral to the borrower or placing broker. The Fund does not have the right to vote securities on loan, but would terminate the loan and

regain the right to vote if that were considered important with respect to the investment.

#### REVERSE REPURCHASE AGREEMENTS

The Fund may also enter into reverse repurchase agreements. A reverse repurchase transaction is similar to borrowing cash. In a reverse repurchase agreement the Fund transfers possession of a portfolio instrument to another person, such as a financial institution, broker, or dealer, in return for a percentage of the instrument's market value in cash, and agrees that on a stipulated date in the future the Fund will repurchase the portfolio instrument by remitting the original consideration plus interest at an agreed upon rate. The use of reverse repurchase agreements may enable the Fund to avoid selling portfolio instruments at a time when a sale may be deemed to be disadvantageous, but the ability to enter into reverse repurchase agreements does not ensure that the Fund will be able to avoid selling portfolio instruments at a disadvantageous time. When effecting reverse repurchase agreements, liquid assets of the Fund, in a dollar amount sufficient to make payment for the obligations to be purchased, are segregated at the trade date. These assets are marked to market daily and maintained until the transaction is settled.

#### PORTFOLIO TURNOVER

The Fund will not attempt to set or meet a portfolio turnover rate since any turnover would be incidental to transactions undertaken in an attempt to achieve the Fund's investment objective. For the fiscal years ended October 31, 1996 and October 31, 1995, the portfolio turnover rates for the Fund were 3% and 57%, respectively.

#### INVESTMENT LIMITATIONS

##### INVESTING IN COMMODITIES

The Fund will not purchase or sell commodities. However, the Fund may purchase put options on stock index futures, put options on financial futures, and stock index futures contracts.

##### SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any securities short or purchase any securities on margin, other than in connection with buying stock index futures contracts, put options on stock index futures and put options on financial futures, but may obtain such short-term credits as are necessary for the clearance of transactions.

##### LENDING CASH OR SECURITIES

The Fund will not lend any of its assets except portfolio securities, the market value of which does not exceed one-third of the total value of the Fund's assets. This shall not prevent the purchase or holding of corporate or government bonds, debentures, notes, certificates of indebtedness or other debt securities of an issuer, repurchase agreements, or other transactions which are permitted by the Fund's investment objective and policies or the Declaration of Trust of the Trust.

##### UNDERWRITING

The Fund will not underwrite any issue of securities except as it may be deemed to be an underwriter under the Securities Act of 1933 in connection with the sale of restricted securities which the Fund may purchase pursuant to its investment objective, policies, and limitations.

##### INVESTING IN ISSUERS WHOSE SECURITIES ARE OWNED BY OFFICERS AND TRUSTEES OF THE TRUST

The Fund will not purchase or retain the securities of any issuer in which the Officers and Trustees of the Trust or the Fund's investment adviser own a substantial financial interest.

##### ISSUING SENIOR SECURITIES AND BORROWING MONEY

The Fund will not issue senior securities, except as permitted by its investment objective and policies, and except that the Fund may enter into reverse repurchase agreements and otherwise borrow up to one-third of the value of its total assets, including the amount borrowed, as a temporary, extraordinary, or emergency measure or to facilitate management of the portfolio by enabling the Fund to meet redemption requests when the liquidation of portfolio instruments would be inconvenient or disadvantageous. The Fund will not purchase any securities while any borrowings in excess of 5% of its total assets are outstanding. During the period any reverse repurchase agreements are outstanding the Fund will restrict the purchase of portfolio securities to money market instruments maturing on or before the expiration date of the reverse repurchase agreements, but only to the extent necessary to assure the completion of the reverse repurchase agreements.

##### PLEDGING ASSETS

The Fund will not mortgage, pledge, or hypothecate any assets except to

secure permitted borrowings. In those cases, it may mortgage, pledge, or hypothecate assets having a market value not exceeding the lesser of the dollar amounts borrowed or 10% of the value of the total assets at the time of the borrowing.

#### DIVERSIFICATION OF INVESTMENTS

The Fund will not invest more than 5% of the value of its total assets in the securities of any one issuer, except U.S. government securities, or invest in more than 10% of the voting securities of one issuer.

#### CONCENTRATION OF INVESTMENTS

The Fund will not invest 25% or more of the value of its total assets in securities of companies in any one industry. However, investing in U.S. government obligations shall not be considered investing in any one industry.

#### INVESTING IN REAL ESTATE

The Fund will not buy or sell real estate, although it may invest in the marketable securities of companies whose business involves the purchase or sale of real estate or in marketable securities which are secured by real estate or interests in real estate.

#### INVESTING IN RESTRICTED SECURITIES

The Fund will not invest in securities subject to restrictions on resale under the federal securities laws, unless the securities are determined by the Fund's manager to be liquid under criteria established by the Fund's Trustees. The Fund will not invest more than 5% of its total assets in restricted securities.

The above investment limitations cannot be changed without shareholder approval. The following investment limitations, however, may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

#### WRITING COVERED CALL OPTIONS

The Fund will not write call options on securities unless the securities are held in the Fund's portfolio or unless the Fund is entitled to them in

deliverable form without further payment or after segregating cash in the amount of any further payment.

#### INVESTING IN PUT OPTIONS

The Fund will not purchase put options on securities, other than put options on stock indices, unless the securities are held in the Fund's portfolio and not more than 5% of the value of the Fund's total assets would be invested in premiums on open put option positions.

#### ACQUIRING SECURITIES

The Fund will not purchase securities of other investment companies except to the extent permitted by the Investment Company Act of 1940, or except as part of a merger, consolidation, or other acquisition. It will not invest in securities for the purpose of exercising control or management.

#### INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 15% of its net assets in securities which are illiquid, including certain restricted securities not determined by the Trustees to be liquid and repurchase agreements providing for settlement more than seven days after notice.

Except with respect to borrowing money, if a percentage limitation is adhered to at the time of investment, a later increase or decrease in percentage resulting from any change in value or net assets will not result in a violation of such restriction.

The Fund did not borrow money or pledge securities in excess of 5% of the value of its net assets during the past fiscal year and does not expect to do so during the coming fiscal year.

For purposes of its policies and limitations, the Fund considers certificates of deposit and demand and time deposits issued by a U.S. branch of a domestic bank or savings association having capital, surplus,

and undivided profits in excess of \$100,000,000 at the time of investment to be "cash items".

#### FEDERATED INDEX TRUST MANAGEMENT

Officers and Trustees are listed with their addresses, birthdates, present positions with Federated Index Trust, and principal occupations.

John F. Donahue@\*

Federated Investors Tower

Pittsburgh, PA

Birthdate: July 28, 1924

Chairman and Trustee

Chairman and Trustee, Federated Investors, Federated Advisers, Federated Management, and Federated Research; Chairman and Director, Federated Research Corp. and Federated Global Research Corp.; Chairman, Passport Research, Ltd.; Chief Executive Officer and Director or Trustee of the

Funds.

Thomas G. Bigley  
28th Floor, One Oxford Centre  
Pittsburgh, PA  
Birthdate: February 3, 1934  
Trustee  
Chairman of the Board, Children's Hospital of Pittsburgh; formerly, Senior Partner, Ernst & Young LLP; Director, MED 3000 Group, Inc.; Trustee, University of Pittsburgh; Director or Trustee of the Funds.

John T. Conroy, Jr.  
Wood/IPC Commercial Department  
John R. Wood and Associates, Inc., Realtors  
3255 Tamiami Trail North  
Naples, FL  
Birthdate: June 23, 1937  
Trustee  
President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; Partner or Trustee in private real estate ventures in Southwest Florida; formerly, President, Naples Property Management, Inc. and Northgate Village Development Corporation; Director or Trustee of the Funds.

William J. Copeland  
One PNC Plaza - 23rd Floor  
Pittsburgh, PA  
Birthdate: July 4, 1918  
Trustee  
Director and Member of the Executive Committee, Michael Baker, Inc.; formerly, Vice Chairman and Director, PNC Bank, N.A., and PNC Bank Corp.; Director, Ryan Homes, Inc.; Director or Trustee of the Funds.

J. Christopher Donahue \*  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: April 11, 1949

Executive Vice President and Trustee  
President and Trustee, Federated Investors, Federated Advisers, Federated Management, and Federated Research; President and Director, Federated Research Corp. and Federated Global Research Corp.; President, Passport Research, Ltd.; Trustee, Federated Shareholder Services Company, and Federated Shareholder Services; Director, Federated Services Company; President or Executive Vice President of the Funds; Director or Trustee of some of the Funds. Mr. Donahue is the son of John F. Donahue, Chairman and Trustee of the Company.

James E. Dowd  
571 Hayward Mill Road  
Concord, MA  
Birthdate: May 18, 1922  
Trustee  
Attorney-at-law; Director, The Emerging Germany Fund, Inc.; Trustee of the Funds.

Lawrence D. Ellis, M.D.\*  
3471 Fifth Avenue, Suite 1111  
Pittsburgh, PA  
Birthdate: October 11, 1932  
Trustee  
Professor of Medicine, University of Pittsburgh; Medical Director, University of Pittsburgh Medical Center - Downtown; Member, Board of Directors, University of Pittsburgh Medical Center; formerly, Hematologist,

Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Director or Trustee of the Funds.

Edward L. Flaherty, Jr.@  
Miller, Ament, Henny & Kochuba  
205 Ross Street  
Pittsburgh, PA

Birthdate: June 18, 1924  
Trustee  
Attorney of Counsel, Miller, Ament, Henny & Kochuba; Director, Eat'N Park Restaurants, Inc.; formerly, Counsel, Horizon Financial, F.A., Western Region; Director or Trustee of the Funds.

Peter E. Madden  
One Royal Palm Way  
100 Royal Palm Way  
Palm Beach, FL  
Birthdate: March 16, 1942  
Trustee  
Consultant; Former State Representative, Commonwealth of Massachusetts; formerly, President, State Street Bank and Trust Company and State Street Boston Corporation; Director or Trustee of the Funds.

Gregor F. Meyer  
Miller, Ament, Henny & Kochuba  
205 Ross Street

Pittsburgh, PA  
Birthdate: October 6, 1926  
Trustee  
Attorney, Member of Miller, Ament, Henny & Kochuba; Chairman, Meritcare, Inc.; Director, Eat'N Park Restaurants, Inc.; Director or Trustee of the Funds.

John E. Murray, Jr., J.D., S.J.D.  
President, Duquesne University  
Pittsburgh, PA  
Birthdate: December 20, 1932  
Trustee  
President, Law Professor, Duquesne University; Consulting Partner, Mollica, Murray and Hogue; Director or Trustee of the Funds.

Wesley W. Posvar  
1202 Cathedral of Learning  
University of Pittsburgh  
Pittsburgh, PA  
Birthdate: September 14, 1925  
Trustee  
Professor, International Politics; Management Consultant; Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc., National Defense University, U.S. Space Foundation and Czech Management Center; President Emeritus, University of Pittsburgh; Founding Chairman, National Advisory Council for Environmental Policy and

Technology, Federal Emergency Management Advisory Board and Czech Management Center; Director or Trustee of the Funds.

Marjorie P. Smuts  
4905 Bayard Street  
Pittsburgh, PA  
Birthdate: June 21, 1935  
Trustee  
Public relations/Marketing/Conference Planning, Manchester Craftsmen's Guild; Restaurant Consultant, Frick Art & History Center; Conference Coordinator, University of Pittsburgh Art History Department; Director or Trustee of the Funds.

Glen R. Johnson  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: May 2, 1929  
President  
Trustee, Federated Investors; President and/or Trustee of some of the Funds; staff member, Federated Securities Corp.

Edward C. Gonzales  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: October 22, 1930  
Executive Vice President

Vice Chairman, Treasurer, and Trustee, Federated Investors; Vice President, Federated Advisers, Federated Management, Federated Research, Federated Research Corp., Federated Global Research Corp. and Passport Research, Ltd.; Executive Vice President and Director, Federated Securities Corp.; Trustee, Federated Shareholder Services Company; Trustee or Director of some of the Funds; President, Executive Vice President and Treasurer of some of the Funds.

John W. McGonigle  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: October 26, 1938  
Executive Vice President , Secretary and Treasurer  
Executive Vice President, Secretary, and Trustee, Federated Investors;  
Trustee, Federated Advisers, Federated Management, and Federated Research;  
Director, Federated Research Corp. and Federated Global Research Corp.;  
Trustee, Federated Shareholder Services Company; Director, Federated  
Services Company; President and Trustee, Federated Shareholder Services;  
Director, Federated Securities Corp.; Executive Vice President and  
Secretary of the Funds; Treasurer of some of the Funds.

Richard B. Fisher  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: May 17, 1923

Vice President  
Executive Vice President and Trustee, Federated Investors; Chairman and  
Director, Federated Securities Corp.; President or Vice President of some  
of the Funds; Director or Trustee of some of the Funds.

\*This Trustee is deemed to be an ``interested person'' as defined in  
the Investment Company Act of 1940.  
@Member of the Executive Committee. The Executive Committee of the  
Board of Trustees handles the responsibilities of the Board between  
meetings of the Board.

As used in the table above, "The Funds" and "Funds" mean the following  
investment companies: 111 Corcoran Funds; Annuity Management Series; Arrow  
Funds; Automated Government Money Trust; Blanchard Funds; Blanchard  
Precious Metals Fund, Inc.; Cash Trust Series II; Cash Trust Series, Inc. ;  
DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust;  
Federated Adjustable Rate U.S. Government Fund, Inc.; Federated American  
Leaders Fund, Inc.; Federated ARMs Fund; Federated Equity Funds; Federated  
Equity Income Fund, Inc.; Federated Fund for U.S. Government Securities,  
Inc.; Federated GNMA Trust; Federated Government Income Securities, Inc.;  
Federated Government Trust; Federated High Income Bond Fund, Inc.;  
Federated High Yield Trust; Federated Income Securities Trust; Federated  
Income Trust; Federated Index Trust; Federated Institutional Trust;  
Federated Insurance Series; Federated Investment Portfolios; Federated  
Investment Trust; Federated Master Trust; Federated Municipal Opportunities

Fund, Inc.; Federated Municipal Securities Fund, Inc.; Federated Municipal  
Trust; Federated Short-Term Municipal Trust; Federated Short-Term U.S.  
Government Trust; Federated Stock and Bond Fund, Inc.; Federated Stock  
Trust; Federated Tax-Free Trust; Federated Total Return Series, Inc.;  
Federated U.S. Government Bond Fund; Federated U.S. Government Securities  
Fund: 1-3 Years; Federated U.S. Government Securities Fund: 2-5 Years;  
Federated U.S. Government Securities Fund: 5-10 Years; Federated Utility  
Fund, Inc.; First Priority Funds; Fixed Income Securities, Inc.; High Yield  
Cash Trust; Intermediate Municipal Trust; International Series, Inc.;  
Investment Series Funds, Inc.; Investment Series Trust; Liberty Term  
Trust, Inc. - 1999; Liberty U.S. Government Money Market Trust; Liquid Cash  
Trust; Managed Series Trust; Money Market Management, Inc.; Money Market  
Obligations Trust; Money Market Trust; Municipal Securities Income Trust;  
Newpoint Funds; Peachtree Funds; RIMCO Monument Funds; Targeted Duration  
Trust; Tax-Free Instruments Trust; The Planters Funds; The Starburst Funds;  
The Starburst Funds II; The Virtus Funds; Trust for Financial Institutions;  
Trust for Government Cash Reserves; Trust for Short-Term U.S. Government  
Securities; Trust for U.S. Treasury Obligations; and World Investment  
Series, Inc.

FUND OWNERSHIP



Officers and Trustees own less than 1% of the Fund's outstanding shares. As of December 4, 1996, the following shareholders of record owned 5% or more of the Institutional Shares of the Fund: Mitra & Co., Milwaukee, WI, owned approximately 7,051,213 shares (12.23%); and Union Planters National Bank, Memphis, TN, owned approximately 6,714,086 shares (11.65%). As of December 4, 1996, the following shareholders of record owned 5% or more of the Institutional Service Shares of the Fund: Texas Commerce Bank as Trustee for Defined Contribution Plans, Houston, TX, owned approximately

513,717 shares (11.61%); Dubuque Bank & Trust Company, Dubuque, IA, owned approximately 262,937 shares (5.94%); Community First National Bank RPO Community First Bankshares, Fargo, ND, owned approximately 352,791 shares (7.97%); and Federated Bank & Trust Trustee RPO Beneficial Life Insurance Co., Pittsburgh, PA, owned approximately 245,168 shares (5.54%).

TRUSTEES' COMPENSATION

NAME , POSITION WITH TRUST	AGGREGATE COMPENSATION FROM TRUST*#	TOTAL COMPENSATION PAID FROM FUND COMPLEX +
John F. Donahue Chairman and Trustee the Fund	\$ -0-	\$-0- for the Trust and 54 other investment companies in Complex
J. Christopher Donahue Executive Vice President in the Fund and Trustee	\$ -0-	\$-0- for the Trust and 16 other investment companies Complex
Thomas G. Bigley++ Trustee the Fund	\$1,853.85	\$86,331 for the Trust and 54 other investment companies in Complex
John T. Conroy, Jr. Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex
William J. Copeland Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex
James E. Dowd Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex
Lawrence D. Ellis, M.D. and Trustee the Fund		\$1,853.85 \$104,898 for the Trust 54 other investment companies in Complex
Edward L. Flaherty, Jr. and Trustee the Fund		\$2,025.23 \$115,760 for the Trust 54 other investment companies in Complex
Peter E. Madden Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex
Gregor F. Meyer  Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex
John E. Murray, Jr. Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex

TRUSTEES' COMPENSATION (CONT'D.)

Wesley W. Posvar Trustee	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in
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the Fund		Complex
Marjorie P. Smuts	\$1,853.85	\$104,898 for the Trust and
Trustee		54 other investment companies in
the Fund		Complex

\*Information is furnished for the fiscal year ended October 31, 1996.  
 #The aggregate compensation is provided for the Trust which is comprised of three portfolios.

+The information is provided for the last calendar year.  
 ++Mr. Bigley served on 39 investment companies in the Federated Funds Complex from January 1 through September 30, 1995. On October 1, 1995, he was appointed a Trustee on 15 additional Federated Funds.

TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees will not be liable for errors of judgment or mistakes of fact or law. However, they are

not protected against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

MANAGEMENT SERVICES

MANAGERS TO THE FUND

The Fund's manager is Federated Management. It is a subsidiary of Federated Investors. All the voting securities of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, his wife, and his son, J. Christopher Donahue.

The Fund's sub-manager is ANB Investment Management and Trust Company ("ANB"). It is a wholly-owned subsidiary of First Chicago Investment Management Company. First Chicago Investment Management Company is a wholly-owned subsidiary of First National Bank of Chicago, which in turn, is a wholly-owned subsidiary of First Chicago NBD Corporation. The sub-manager's directors are Alan F. Delp, J. Stephen Baine, Thomas P. Michaels, David P. Bogler, Stephen P. Manus, Neil R. Wright, Terrall J. Janeway and P. James Kartalia. The officers of ANB are Alan F. Delp, Chairman, Stephen P. Manus, President, Neil R. Wright, Chief Investment Officer, and Thomas P. Michaels, Secretary and Treasurer.

Neither the manager nor the sub-manager shall be liable to the Trust, the Fund, or any shareholder of the Fund for any losses that may be sustained in the purchase, holding, or sale of any security or for anything done or omitted by the manager or sub-manager, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon either of them by their respective management contracts.

MANAGEMENT FEES

For its management services, Federated Management receives an annual fee as described in the prospectus. ANB receives an annual fee for its services as described in the prospectus, which will be paid by the manager, based on the Fund's average daily net assets.

For the fiscal years ended October 31, 1996, 1995 and 1994, the manager earned \$2,312,405, \$1,727,669 and \$1,287,529, respectively, of which \$490,571, \$433,282 and \$289,795, respectively, was voluntarily waived due to undertakings to limit the Fund's expenses.

OTHER RELATED SERVICES

Affiliates of the manager may, from time to time, provide certain electronic equipment and software to institutional customers in order to facilitate the purchase of shares of funds offered by Federated Securities Corp.

BROKERAGE TRANSACTIONS

The managers may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the managers and may include: advice as to the advisability of investing in securities; security analysis and reports; economic studies; industry studies; receipt of quotations for portfolio evaluations; and similar services. Research services provided by brokers and dealers may be used by the managers or their affiliates in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the managers or their affiliates might otherwise have paid, it would tend to reduce their expenses. The managers and their affiliates exercise reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. They determine in good faith that commissions charged by such persons are reasonable in

relationship to the value of the brokerage and research services provided. During the fiscal years ended October 31, 1996, 1995 and 1994, the Fund paid total brokerage commissions of \$48,476, \$35,334 and \$20,905, respectively.

Although investment decisions for the Fund are made independently from those of the other accounts managed by the managers, investments of the type the Fund may make may also be made by those other accounts. When the Fund and one or more other accounts managed by the managers are prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for sales will be allocated in a manner believed by the managers to be equitable to each. In some cases, this procedure may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund. In other cases, however, it is believed that coordination and the ability to participate in volume transactions will be to the benefit of the Fund.

#### OTHER SERVICES

##### CUSTODIAN AND PORTFOLIO ACCOUNTANT

State Street Bank and Trust Company, Boston, Massachusetts, is custodian for the securities and cash of the Fund. Federated Services Company, Pittsburgh, Pennsylvania, provides certain accounting and recordkeeping services with respect to the Funds's portfolio investments.

##### TRANSFER AGENT

Federated Services Company, through its registered transfer agent Federated Shareholder Services Company, maintains all necessary shareholder records. For its services, the transfer agent receives a fee based on the size, type and number of accounts and transactions made by shareholders.

##### INDEPENDENT AUDITORS

The independent auditors for the Fund are Ernst & Young LLP, Pittsburgh, Pennsylvania.

##### PURCHASING SHARES

Shares are sold at their net asset value without a sales charge on days the New York Stock Exchange is open for business. The procedure for purchasing Shares is explained in the respective prospectus under "Investing in Institutional Shares" or "Investing in Institutional Service Shares."

##### DISTRIBUTION PLAN (INSTITUTIONAL SERVICE SHARES) AND SHAREHOLDER SERVICES

These arrangements permit the payment of fees to financial institutions, the distributor, and Federated Shareholder Services, to stimulate distribution activities and to cause services to be provided to shareholders by a representative who has knowledge of the shareholder's particular circumstances and goals. These activities and services may include, but are not limited to, marketing efforts; providing office space, equipment, telephone facilities, and various clerical, supervisory, computer, and other personnel as necessary or beneficial to establish and maintain shareholder accounts and records; processing purchase and redemption transactions and automatic investments of client account cash balances; answering routine client inquiries; and assisting clients in changing dividend options, account designations, and addresses.

By adopting the Plan (Institutional Service Shares only), the Trustees expect that the Fund will be able to achieve a more predictable flow of cash for investment purposes and to meet redemptions. This will facilitate more efficient portfolio management and assist the Fund in pursuing its investment objectives. By identifying potential investors whose needs are served by the Fund's objectives, and properly servicing these accounts, the

Fund may be able to curb sharp fluctuations in rates of redemptions and sales.

Other benefits, which may be realized under either arrangement, may include: (1) providing personal services to shareholders; (2) investing shareholder assets with a minimum of delay and administrative detail; (3) enhancing shareholder recordkeeping systems; and (4) responding promptly to shareholders' requests and inquiries concerning their accounts.

For the fiscal year ended October 31, 1996, the Fund paid shareholder services fees in the amount of \$1,820,325, all of which was waived, for Institutional Shares.

For the fiscal year ended October 31, 1996, payment in the amount of \$128,016, of which \$99,098 was waived, was made pursuant to the Plan for Institutional Service Shares. In addition, the Fund paid shareholder services fees in the amount of \$106,680, of which \$7,582 was waived for Institutional Service Shares.

##### CONVERSION TO FEDERAL FUNDS

It is the Fund's policy to be as fully invested as possible so that maximum interest may be earned. State Street Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

##### DETERMINING NET ASSET VALUE

Net asset value generally changes each day. The days on which net asset value for each class of Shares is calculated by the Fund are described in the respective prospectus.

##### DETERMINING MARKET VALUE OF SECURITIES

Market values of the Fund's portfolio securities are determined as follows: for equity securities, according to the last sale price on a national securities exchange, if available;

oin the absence of recorded sales for equity securities, according to the mean between the last closing bid and asked prices;  
ofor bonds and other fixed income securities, at the last sale price on a national securities exchange if available, otherwise as determined by an independent pricing service;  
ofor short-term obligations, according to the mean between bid and asked prices as furnished by an independent pricing service or for short-term obligations with remaining maturities of 60 days or less at the time of purchase, at amortized cost; or  
ofor all other securities, at fair value as determined in good faith by the Trustees.

Prices provided by independent pricing services may be determined without relying exclusively on quoted prices and may reflect: institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data.

The Fund will value stock index futures contracts, options on stock and stock indices and put options on stock index futures and financial futures at their market values established by the exchanges at the close of option trading on such exchanges unless the Trustees determine in good faith that another method of valuing option positions is necessary to appraise their fair value.

#### REDEEMING SHARES

The Fund redeems Shares at the next computed net asset value after State Street Bank receives the redemption request. Redemption procedures are explained in the respective prospectus under "Redeeming Institutional Shares" or "Redeeming Institutional Service Shares."

#### REDEMPTION IN KIND

Although the Fund intends to redeem Shares in cash, it reserves the right under certain circumstances to pay the redemption price in whole or in part by a distribution of securities from the Fund's portfolio.

Redemption in kind will be made in conformity with applicable Securities and Exchange Commission rules, taking such securities at the same value employed in determining net asset value and selecting the securities in a manner the Trustees determine to be fair and equitable.

The Fund has elected to be governed by Rule 18f-1 of the Investment Company Act of 1940 under which the Fund is obligated to redeem shares for any one shareholder in cash only up to the lesser of \$250,000 or 1% of the Fund's net asset value during any 90-day period.

#### MASSACHUSETTS PARTNERSHIP LAW

Under certain circumstances, shareholders may be held personally liable as partners under Massachusetts law for acts or obligations of the Trust on behalf of the Fund. To protect shareholders of the Fund, the Trust has filed legal documents with Massachusetts that expressly disclaim the liability of shareholders of the Fund for such acts or obligations of the Trust. These documents require notice of this disclaimer to be given in each agreement, obligation, or instrument that the Trust enters into on behalf of the Fund.

In the unlikely event a shareholder of the Fund is held personally liable for the Trust's obligations on behalf of the Fund, the Trust is required to use the property of the Fund to protect or compensate the shareholder. On request, the Trust will defend any claim made and pay any judgment against a shareholder for any act or obligation of the Trust on behalf of the Fund. Therefore, financial loss resulting from liability as a shareholder of the

Fund will occur only if the Trust cannot meet its obligations to indemnify shareholders and pay judgments against them from the assets of the Fund.

#### TAX STATUS

##### THE FUND'S TAX STATUS

The Fund will pay no federal income tax because the Fund expects to meet the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies. To qualify for this treatment, the Fund must, among other requirements:

- oderive at least 90% of its gross income from dividends, interest, and gains from the sale of securities;
- oderive less than 30% of its gross income from the sale of securities held less than three months;
- oinvest in securities within certain statutory limits; and
- odistribute to its shareholders at least 90% of its net income earned during the year.

##### SHAREHOLDERS' TAX STATUS

Shareholders are subject to federal income tax on dividends received as cash or additional shares. No portion of any income dividend paid by the Fund is eligible for the dividends received deduction available to corporations. These dividends, and any short-term capital gains, are

taxable as ordinary income.

#### CAPITAL GAINS

Capital gains experienced by the Fund could result in an increase in dividends. Capital losses could result in a decrease in dividends. If the Fund realizes net long-term capital gains, it will distribute them at least once every 12 months.

#### TOTAL RETURN

The Fund's average annual total return for Institutional Shares for the one-year, five-year periods ended October 31, 1996 and for the period from July 2, 1990 (date of initial public investment) to October 31, 1996 was 23.71%, 15.12% and 14.40%, respectively.

The Fund's average annual total return for Institutional Service Shares for the one-year period ended October 31, 1996 and for the period from September 6, 1993 (date of initial public investment) to October 31, 1996 was 23.39% and 16.72%, respectively.

The average annual total return for each class of the Fund is the average compounded rate of return for a given period that would equate a \$1,000 initial investment to the ending redeemable value of that investment. The ending redeemable value is computed by multiplying the number of shares owned at the end of the period by the offering price per share at the end of the period. The number of shares owned at the end of the period is based on the number of shares purchased at the beginning of the period with \$1,000, adjusted over the period by any additional shares, assuming the quarterly reinvestment of all dividends and distributions.

#### YIELD

The SEC yields for Institutional Shares and for Institutional Service Shares of the Fund for the thirty-day period ended October 31, 1996, were 1.95% and 1.66%, respectively.

The yield for each class of shares of the Fund is determined by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by the Fund over a thirty-day period by the offering price per share of the Fund on the last day of the period. This value is annualized using semi-annual compounding. This means that the

amount of income generated during the thirty-day period is assumed to be generated each month over a twelve month period and is reinvested every six months. The yield does not necessarily reflect income actually earned by the Fund because of certain adjustments required by the Securities and Exchange Commission and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

To the extent that financial institutions and broker/dealers charge fees in connection with services provided in conjunction with an investment in the Fund, performance will be reduced for those shareholders paying those fees.

#### PERFORMANCE COMPARISONS

The Fund's performance depends upon such variables as:

- oportfolio quality;
- oaverage portfolio maturity;
- otype of instruments in which the portfolio is invested;
- ochanges in interest rates and market value of portfolio securities;
- ochanges in Fund expenses;
- othe relative amount of Fund cash flow; and
- ovarious other factors.

The performance of each class of Shares fluctuates on a daily basis largely because net earnings and offering price per share fluctuate daily. Both net earnings and offering price per share are factors in the computation of yield and total return.

Investors may use financial publications and/or indices to obtain a more complete view of the Fund's performance. When comparing performance, investors should consider all relevant factors such as the composition of any index used, prevailing market conditions, portfolio compositions of other funds, and methods used to value portfolio securities and compute

offering price. The financial publications and/or indices which the Fund uses in advertising may include:

oLIPPER ANALYTICAL SERVICES, INC., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all capital gains distributions and income dividends and takes into account any change in offering price over a specific period of time. From time to time, the Fund will quote its Lipper ranking in the "index funds" category in advertising and sales literature.

oDOW JONES INDUSTRIAL AVERAGE ("DJIA") represents share prices of selected blue-chip industrial corporations as well as public utility and transportation companies. The DJIA indicates daily changes in the average price of stocks in any of its categories. It also reports total sales for each group of industries. Because it represents the top corporations of America, the DJIA's index movements are leading economic indicators for the

stock market as a whole.

STANDARD & POOR'S DAILY STOCK PRICE INDEX OF 500 COMMON STOCKS, a composite index of common stocks in industry, transportation, and financial and public utility companies can be used to compare to the total returns of funds whose portfolios are invested primarily in common stocks. In addition, the Standard & Poor's index assumes reinvestments of all dividends paid by stocks listed on its index. Taxes due on any of these distributions are not included, nor are brokerage or other fees calculated in Standard & Poor's figures.

MORNINGSTAR, INC., an independent rating service, is the publisher of the bi-weekly Mutual Fund Values. Mutual Fund Values rates more than 1,000 NASDAQ-listed mutual funds of all types, according to their risk-adjusted returns. The maximum rating is five stars, and ratings are effective for two weeks.

Advertisements and other sales literature for each class of shares may quote total returns which are calculated on nonstandardized base periods. These total returns also represent the historic change in the value of an investment in either class of shares based on quarterly reinvestment of dividends over a specified period of time.

Advertising and other promotional literature may include charts, graphs or other illustrations using the Fund's returns, or returns in general, that demonstrate basic investment concepts such as tax-deferred compounding, dollar-cost averaging and systematic investment. In addition, the Fund can compare its performance, or performance for the types of securities in which it invests, to a variety of other investments, such as bank savings accounts, certificates of deposit, and Treasury bills.

#### ECONOMIC AND MARKET INFORMATION

Advertising and sales literature for the Fund may include discussions of economic, financial and political developments and their effect on the securities market. Such discussions may take the form of commentary on these developments by Fund portfolio managers and their views and analysis on how such developments could affect the Funds. In addition, advertising and sales literature may quote statistics and give general information about the mutual fund industry, including the growth of the industry, from sources such as the Investment Company Institute.

#### ABOUT FEDERATED INVESTORS

Federated Investors is dedicated to meeting investor needs which is reflected in its investment decision making-structured, straightforward, and consistent. This has resulted in a history of competitive performance with a range of competitive investment products that have gained the confidence of thousands of clients and their customers.

The company's disciplined security selection process is firmly rooted in sound methodologies backed by fundamental and technical research.

Investment decisions are made and executed by teams of portfolio managers, analysts, and traders dedicated to specific market sectors. The traders handle trillions of dollars in annual trading volume.

In the equity sector, Federated Investors has more than 25 years' experience. As of December 31, 1995, Federated Investors managed 22 equity funds totaling approximately \$5.4 billion in assets across growth, value, equity income, international, index and sector (i.e. utility) styles. Federated Investor's value-oriented management style combines quantitative and qualitative analysis and features a structured, computer-assisted composite modeling system that was developed in the 1970s.

J. Thomas Madden, Executive Vice President, oversees Federated Investors' equity and high yield corporate bond management while William D. Dawson, Executive Vice President, oversees Federated Investors' domestic fixed income management. Henry A. Frantzen, Executive Vice President, oversees the management of Federated Investors' international portfolios.

#### MUTUAL FUND MARKET

Twenty-seven percent of American households are pursuing their financial goals through mutual funds. These investors, as well as businesses and institutions, have entrusted over \$3 trillion to the more than 5,500 funds available.\*

Federated Investors, through its subsidiaries, distributes mutual funds for a variety of investment applications. Specific markets include:

#### INSTITUTIONAL CLIENTS

Federated Investors meets the needs of more than 4,000 institutional clients nationwide by managing and servicing separate accounts and mutual funds for a variety of applications, including defined benefit and defined

contribution programs, cash management, and asset/liability management. Institutional clients include corporations, pension funds, tax-exempt entities, foundations/endowments, insurance companies, and investment and financial advisors. The marketing effort to these institutional clients is headed by John B. Fisher, President, Institutional Sales Division.

#### TRUST ORGANIZATIONS

Other institutional clients include close relationships with more than

1,500 banks and trust organizations. Virtually all of the trust divisions of the top 100 bank holding companies use Federated funds in their clients' portfolios. The marketing effort to trust clients is headed by Mark R. Gensheimer, Executive Vice President, Bank Marketing & Sales.

BROKER/DEALERS AND BANK BROKER/DEALER SUBSIDIARIES

Federated funds are available to consumers through major brokerage firms nationwide--including 200 New York Stock Exchange firms--supported by more wholesalers than any other mutual fund distributor. Federated's service to financial professionals and institutions has earned it high ratings in several surveys performed by DALBAR, Inc. DALBAR is recognized as the industry benchmark for service quality measurement. The marketing effort to these firms is headed by James F. Getz, President, Broker/Dealer Division.

\*source: Investment Company Institute  
STANDARD & POOR'S RATINGS GROUP

The Fund is not sponsored, endorsed, sold or promoted by, or affiliated with, Standard & Poor's Ratings Group ("S&P"). S&P makes no representation or warranty, express or implied, to the owners of the Fund or any member of the public regarding the advisability of investing in securities generally or in the Fund particularly or the ability of the S&P 500 Index to track general stock market performance. S&P's only relationship to Federated

Securities Corp. (the "Licensee") is the licensing of certain trademarks and trade names of S&P and of the S&P 500 Index which is determined, composed and calculated by S&P without regard to the Licensee or the Fund. S&P has no obligation to take the needs of the Licensee or the owners of the Fund into consideration in determining, composing or calculating the S&P 500 Index. S&P is not responsible for and has not participated in the determination of, the timing of, prices at, or quantities of the Fund to be issued or in the determination or calculation of the equation by which the Fund is to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the Fund. S&P does not guarantee the accuracy and/or the completeness of the S&P 500 Index or any data included therein. S&P makes no warranty, express or implied, as to results to be obtained by Licensee, owners of the Fund, or any other person or entity from the use of the S&P 500 Index or any data included therein in connection with the rights licensed hereunder or for any other use. S&P makes no express or implied warranties, and expressly disclaims all warranties of merchantability or fitness for a particular purpose or use with respect to the S&P 500 Index or any data included therein. Without limiting any of the foregoing, in no event shall S&P have any liability for any special, punitive, indirect, or consequential damages (including lost profits), even if notified of the possibility of such damages.

FEDERATED MAX-CAP FUND

(INSTITUTIONAL SHARES)

-----  
ANNUAL REPORT FOR FISCAL YEAR ENDED OCTOBER 31, 1996

MANAGEMENT DISCUSSION AND ANALYSIS  
-----

The fund's total return for the 12 months ended October 31, 1996 was 23.71%.\* The target index, the Standard & Poor's 500 Index (the "Index"), had a total return of 24.10% during the period.\*\* The fund's performance lagged that of the Index due to transaction costs, administrative expenses, and slight differences between the composition of the fund versus that of the Index.

The stock market reached new highs during the last 12 months, despite predictions by some analysts that the stock market has become overbought and should decline. Investor confidence has apparently remained high due to relatively stable interest rates and inflation, and strong corporate earnings. Additional factors supporting the market have been stock buybacks, purchases by foreign investors, strong cash flows into equity mutual funds and expectations of stable government policy after the recent elections.

During the fund's fiscal year the strongest performing sectors in the Index were energy, finance and technology, while trucking, telecommunications and steel were among the worst performing sectors in the

Index.

\* Performance quoted represents past performance. 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.

\*\* Standard and Poor's 500 Index is an unmanaged index consisting of 500 common stocks of the nation's largest corporations. Actual investments cannot be made in an index. The Max-Cap Fund seeks investment results that correspond to the aggregate price and total return performance of the Standard & Poor's Composite Stock Index, "Standard & Poor's(R)," "S&P(R)," "S&P 500 (R)," "Standard & Poor's 500" and "500" are trademarks of Standard & Poor's Ratings Group ("S&P") and have been licensed for use by Federated Securities Corp. The Fund is neither affiliated with nor promoted, sponsored, sold, or endorsed by Standard & Poor's Ratings Group. Its only relationship to the Fund is the licensing of the use of the Index.

FEDERATED MAX-CAP FUND  
(INSTITUTIONAL SHARES)

-----  
GROWTH OF \$25,000 INVESTED IN FEDERATED MAX-CAP FUND  
(INSTITUTIONAL SHARES)

The graph below illustrates the hypothetical investment of \$25,000 in the Federated Max-Cap Fund (Institutional Shares) (the "Fund") from July 11, 1990 (start of performance) to October 31, 1996, compared to the Standard and Poor's

500 Index (S&P 500).+

[`Graphic representation ``A1'' omitted. See Appendix.']]

AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED OCTOBER 31, 1996

<S>	<C>
1 Year.....	23.71%
5 Year.....	15.12%
Start of Performance (7/11/90).....	14.40%

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST. MUTUAL FUNDS ARE NOT OBLIGATIONS OF OR GUARANTEED BY ANY BANK AND ARE NOT FEDERALLY INSURED.

THIS REPORT MUST BE PRECEDED OR ACCOMPANIED BY THE FUND'S PROSPECTUS DATED DECEMBER 31, 1996, AND, TOGETHER WITH FINANCIAL STATEMENTS CONTAINED THEREIN, CONSTITUTES THE FUND'S ANNUAL REPORT.

\* The Fund's performance assumes the reinvestment of all dividends and distributions. The S&P 500 has been adjusted to reflect reinvestment of dividends on securities in the index.

+ The S&P 500 is not adjusted to reflect sales charges, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

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LOGO  
Since 1955

Federated Investors Tower  
Pittsburgh, PA 15222-3779

Federated Securities Corp. is the distributor of the fund and is a subsidiary of Federated Investors.

Cusip 31420E106  
006685-IS (12/96)



ANNUAL REPORT FOR FISCAL YEAR ENDED OCTOBER 31, 1996

MANAGEMENT DISCUSSION AND ANALYSIS

The fund's total return for the 12 months ended October 31, 1996 was 23.39%.\* The target index, the Standard & Poor's 500 Index (the "Index"), had a total return of 24.10% during the period.\*\* The fund's performance lagged that of the Index due to transaction costs, administrative expenses, and slight differences between the composition of the fund versus that of the Index.

The stock market reached new highs during the last 12 months, despite predictions by some analysts that the stock market has become overbought and should decline. Investor confidence has apparently remained high due to relatively stable interest rates and inflation, and strong corporate

earnings. Additional factors supporting the market have been stock buybacks, purchases by foreign investors, strong cash flows into equity mutual funds and expectations of stable government policy after the recent elections.

During the fund's fiscal year the strongest performing sectors in the Index were energy, finance and technology, while trucking, telecommunications and steel were among the worst performing sectors in the Index.

\* Performance quoted represents past performance and is not indicative 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.

\*\* Standard and Poor's 500 Index is an unmanaged index consisting of 500 common stocks of the nation's largest corporations. Actual investments cannot be made in an index. The Max-Cap Fund seeks investment results that correspond to the aggregate price and total return performance of the Standard & Poor's Composite Stock Index. "Standard & Poor's(R)," "S&P(R)," "S&P 500(R)," "Standard & Poor's 500" and "500" are trademarks of Standard & Poor's Ratings Group ("S&P") and have been licensed for use by Federated Securities Corp. The Fund is neither affiliated with nor promoted, sponsored, sold, or endorsed by Standard & Poor's Ratings Group. Its only relationship to the Fund is the licensing of the use of the Index.

GROWTH OF \$25,000 INVESTED IN FEDERATED MAX-CAP FUND  
(INSTITUTIONAL SERVICE SHARES)

The graph below illustrates the hypothetical investment of \$25,000 in the Federated Max-Cap Fund (Institutional Service Shares) (the "Fund") from September 7, 1993 (start of performance) to October 31, 1996, compared to the Standard and Poor's 500 Index (S&P 500).+

[`Graphic representation ``A2'' omitted. See Appendix.``]

AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED OCTOBER 31, 1996

<S>	<C>
1 Year.....	23.39%
Start of Performance (9/7/93).....	16.72%

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST. MUTUAL FUNDS ARE NOT OBLIGATIONS OF OR GUARANTEED BY ANY BANK AND ARE NOT FEDERALLY INSURED.

THIS REPORT MUST BE PRECEDED OR ACCOMPANIED BY THE FUND'S PROSPECTUS DATED DECEMBER 31, 1996, AND, TOGETHER WITH FINANCIAL STATEMENTS CONTAINED THEREIN, CONSTITUTES THE FUND'S ANNUAL REPORT.

- \* The Fund's performance assumes the reinvestment of all dividends and distributions. The S&P 500 has been adjusted to reflect reinvestment of dividends on securities in the index.
- + The S&P 500 is not adjusted to reflect sales charges, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

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Cusip 31420E403  
006685-SS (12/96)

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FEDERATED MID-CAP FUND  
(A PORTFOLIO OF FEDERATED INDEX TRUST)  
PROSPECTUS

Federated Index Trust (the "Trust") is an open-end, management investment company (a mutual fund). Federated Mid-Cap Fund (the "Fund"), a portfolio of the Trust, seeks to provide investment results generally corresponding to the aggregate price and dividend performance of publicly traded common stocks that comprise the Standard & Poor's 400 MidCap Index (the "Index"). The Fund is neither sponsored by nor affiliated with Standard & Poor's Ratings Group.

THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF ANY BANK, ARE NOT ENDORSED OR GUARANTEED BY ANY BANK, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENT AGENCY. INVESTMENT IN THESE SHARES INVOLVES INVESTMENT RISKS, INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

This prospectus contains the information you should read and know before you invest in the Fund. Keep this prospectus for future reference.

The Fund has also filed a Statement of Additional Information, dated December 31, 1996, with the Securities and Exchange Commission ("SEC"). The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information, or a paper copy of this prospectus if you have received your prospectus electronically, free of charge by calling 1-800-341-7400. To obtain other information or to make inquiries about the Fund, contact the Fund at the address listed in the back of this prospectus. The Statement of Additional Information, material incorporated by reference into this document, and other information regarding the Fund is maintained electronically with the SEC at Internet Web site (<http://www.sec.gov>).

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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SUMMARY OF FUND EXPENSES

FEDERATED MID-CAP FUND

<TABLE>	<C>	<C>
<S>		
SHAREHOLDER TRANSACTION EXPENSES		
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price).....		None
Maximum Sales Charge Imposed on Reinvested Dividends (as a percentage of offering price).....		None
Contingent Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, as applicable).....		None
Redemption Fee (as a percentage of amount redeemed, if applicable).....		None
Exchange Fee.....		None
ANNUAL OPERATING EXPENSES		
(As a percentage of average net assets)		
Management Fee (after waiver) (1).....		0.26%
12b-1 Fee.....		None
Total Other Expenses.....		0.34%
Shareholder Services Fee (after waiver) (2).....	0.05%	
Total Operating Expenses (3).....		0.60%
</TABLE>		

(1) The management fee has been reduced to reflect the voluntary waiver of a portion of the management fee. The adviser can terminate this voluntary waiver at any time at its sole discretion. The maximum management fee is 0.40%.

(2) The shareholder services fee has been reduced to reflect the voluntary waiver of a portion of the shareholder services fee. The shareholder service provider can terminate this voluntary waiver at any time at its sole discretion. The maximum shareholder services fee is 0.25%.

(3) The total operating expenses would have been 0.94% absent the voluntary waivers of portions of the management fee and the shareholder services fee.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of the Fund will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Federated Index Trust Information." Wire-transferred redemptions of less than \$5,000 may be subject to additional fees.

EXAMPLE	1 year	3 years	5 years	10 years
<S> You would pay the following expenses on a \$1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period.....	<C>	<C>	<C>	<C>
</TABLE>	\$6	\$19	\$33	\$75

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

FEDERATED MID-CAP FUND

FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Ernst & Young LLP, Independent Auditors, on page 38.

	YEAR ENDED OCTOBER 31,				
	1996	1995	1994	1993	1992 (A)
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$12.78	\$11.02	\$11.57	\$ 9.99	\$10.00
INCOME FROM INVESTMENT OPERATIONS					
Net investment income	0.18	0.22	0.21	0.25	0.080
Net realized and unrealized gain (loss) on investments and futures contracts	1.73	1.93	(0.07)	1.56	(0.086)
Total from investment operations	1.91	2.15	0.14	1.81	(0.006)
LESS DISTRIBUTIONS					
Distributions from net investment income	(0.20)	(0.20)	(0.19)	(0.23)	(0.004)
Distributions from net realized gain on investments and futures contracts	(0.74)	(0.19)	(0.50)	--	--
Total distributions	(0.94)	(0.39)	(0.69)	(0.23)	(0.004)
NET ASSET VALUE, END OF PERIOD	\$13.75	\$12.78	\$11.02	\$11.57	\$ 9.99
TOTAL RETURN (B)					
	15.80%	20.12%	1.25%	17.33%	0.00%
RATIOS TO AVERAGE NET ASSETS					
Expenses	0.60%	0.60%	0.54%	0.00%	0.00%
Net investment income	1.31%	1.89%	1.84%	2.33%	0.93%*
Expense waiver/reimbursement (c)	0.34%	0.41%	0.59%	1.75%	0.40%*

-----  
 SUPPLEMENTAL DATA  
 -----

Net assets, end of period (000 omitted)	\$59,948	\$62,580	\$44,012	\$16,192	\$3
Average commission rate paid	\$0.0432	--	--	--	--
Portfolio turnover	17%	26%	30%	59%	0%

</TABLE>

\* Computed on an annualized basis.

(a) Reflects operations for the period from September 3, 1992 (date of initial public investment) to October 31, 1992.

(b) Based on net asset value, which does not reflect the sales charge or contingent deferred sales charge, if applicable.

(c) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

GENERAL INFORMATION

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 30, 1990. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. The shares in any one portfolio may be offered in separate classes. This prospectus relates only to the Fund. The Fund is designed primarily for institutions investing on behalf of their customers. A minimum initial investment of \$25,000 over a 90-day period is required.

Fund shares are currently sold and redeemed at net asset value without a sales

charge or redemption fee being imposed by the Fund. The Fund's net asset value per share fluctuates.

INVESTMENT INFORMATION

INVESTMENT OBJECTIVE

The investment objective of the Fund is to provide investment results generally corresponding to the aggregate price and dividend performance of the publicly traded common stocks that comprise the mid-level stock capitalization sector of the United States equity market. The investment objective of the Fund cannot be changed without the approval of shareholders. While there is no assurance that the Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus.

INVESTMENT POLICIES

The investment policies described below may be changed by the Board of Trustees ("Trustees") without shareholder approval. Shareholders will be notified before any material changes in these policies become effective.

The Fund pursues its investment objective by investing primarily in the 400 common stocks that comprise the Index. These 400 common stocks are issued by medium-sized domestic companies whose market capitalizations generally range from \$200 million to \$5 billion. The stocks are selected for inclusion in the Index by Standard & Poor's Ratings Group ("S&P") on the basis of the issuer's market size, liquidity and industry group representation. A particular stock's weighting in the Index is based on its relative total market value, that is, the

stock's market price per share times the number of shares outstanding. From time to time, S&P may add or delete stocks from the Index. The inclusion of a stock in the Index in no way implies an opinion by S&P as to its attractiveness as an investment, nor is S&P a sponsor or in any way affiliated with the Fund.

The Fund will not attempt to actively manage the Fund's portfolio. Rather, the Fund will utilize a passive approach in pursuit of its investment objective, meaning that the Fund will not employ the traditional management functions of economic, financial and market analysis associated with actively managed funds. Thus, unless an issuer's stock is removed from the Index by S&P, an issuer's adverse financial circumstance will not cause its stock to be eliminated from

the Fund's portfolio.

In keeping with the passive management approach, the Fund will be managed using a computer program to determine which securities are to be purchased or sold so as to replicate the composition of the Index to the extent feasible. Stocks will be included in the Fund's portfolio on the basis of each stock's weighting in the Index, starting with the heaviest-weighted stock in the Index. As a result, the proportion of Fund assets invested in a particular stock will be nearly identical to the percentage of such stock represented in the Index. From time to time, adjustments will be made in the Fund's portfolio so as to respond to changes in the Index's composition, as well as corporate reorganizations and other circumstances. The Fund will attempt to be fully in-

vested in the common stocks comprising the Index, and, in any event, at least 80% of the Fund's assets will be invested in stocks represented in the Index. It is expected that adjustments to the Fund's portfolio will occur infrequently and

that transactional costs and other expenses will be minimized. Because portfolio turnover is expected to be well below that encountered in actively managed investment company portfolios, the Fund anticipates that accompanying costs, including accounting costs, brokerage fees, custodial expenses and transfer taxes, will be relatively low. While the cash flows into and out of the Fund will have an impact upon the Fund's portfolio turnover rate and its ability to replicate and track the performance of the Index, investment adjustments will be made, as practicably as possible, to account for these circumstances.

The Fund believes that the indexing approach described above constitutes an effective and reasonable method of substantially duplicating percentage changes in the Index. While the Fund will not duplicate the Index's performance precisely, it is anticipated that there will be a close correlation between the Fund's performance and that of the Index in both rising and falling markets. The Fund will attempt to achieve a correlation between the performance of its portfolio and that of the Index of at least 95%, without taking into account expenses of the Fund. A perfect correlation would be indicated by a figure of 100%, which would be achieved when the Fund's net asset value, including the value of its dividends and capital gains distributions, increases or decreases in exact proportion to changes in the Index. The Fund's ability to correlate its performance with that of the Index may be affected by, among other things, changes in the securities markets, the manner in which S&P calculates the Index and the size and timing of cash flows into and out of the Fund.

In order to accommodate cash flows into and out of the Fund's portfolio, the Fund may enter into stock index futures contracts, options and options on stock index futures contracts. This will allow the Fund to simultaneously maximize the level of the Fund assets used to track the movements of the Index. The Fund can

sell futures contracts and options in order to close out a previously established position. The Fund will not enter into stock index futures contracts, options and options on stock index futures contracts for speculative purposes.

#### ACCEPTABLE INVESTMENTS

Under normal market circumstances, the Fund will invest at least 80% of its assets in common stocks that are represented in the Index. In addition, the Fund may hold cash reserves which may, for other than defensive purposes, be invested in, but are not limited to, the following:

U.S. GOVERNMENT SECURITIES. The Fund is permitted to invest in U.S. government securities which are either issued or guaranteed by the U.S. government, its agencies or instrumentalities. These securities include, but are not limited to:

- direct obligations of the U.S. Treasury, such as U.S. Treasury bills, notes, and bonds;
- notes, bonds, and discount notes issued or guaranteed by U.S. government agencies and instrumentalities supported by the full faith and credit of the United States;
- notes, bonds, and discount notes of U.S. government agencies or instrumentalities which receive or have access to federal funding; and
- notes, bonds, and discount notes of other U.S. government instrumentalities supported only by the credit of the instrumentalities.

REPURCHASE AGREEMENTS. The U.S. government securities and other securities in which the Fund invests may be purchased pursuant to repurchase agreements. Repurchase agreements are arrangements pursuant to which banks, broker/dealers and other recognized financial institutions sell

U.S. government securities or other securities to the Fund and agree at the time of sale to repurchase them at a mutually agreed upon time and price. To the extent that the original seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities.

MONEY MARKET INSTRUMENTS. The Fund may also invest in:

- commercial paper; and
- instruments of domestic banks and savings associations (such as certificates of deposit and bankers' acceptances).

STOCK INDEX FUTURES AND OPTIONS. The Fund may utilize stock index futures contracts, options and options on stock index futures contracts, subject to the limitation that the value of these futures contracts and options will not exceed 20% of the Fund's total assets. Also, the Fund will not purchase options to the extent that more than 5% of the value of the Fund's total assets would be invested in premiums on open put option positions. These futures contracts and options will be used to handle cash flows into and out of the Fund and to potentially reduce transactional costs, since transactional costs associated with futures and options contracts can be lower than costs stemming from direct investments in stocks.

There are several risks accompanying the utilization of futures contracts to effectively anticipate market transactions. First, positions in futures contracts may be closed only on an exchange or board of trade that furnishes a secondary market for such contracts. While the Fund plans to utilize futures contracts only if there exists an active market for such contracts, there is no guarantee that a liquid market will exist for the contracts at a specified time. Furthermore, because, by definition, futures contracts look to projected price levels in the future and not to current levels of valuation, market circumstances may result in there being a discrepancy between the price of the stock index future and the movement in the stock index. The absence of a perfect price correlation between the futures contract and its underlying stock index could stem from investors choosing to close futures contracts by offsetting transactions, rather than satisfying additional margin requirements. This could result in a distortion of the relationship between the index and futures market. In addition, because the futures market imposes less burdensome margin requirements than the securities market, an increased amount of participation by speculators in the futures market could result in price fluctuations.

In view of these considerations, the Fund will comply with the following restrictions when purchasing and selling futures contracts. First, the Fund will not participate in futures transactions if the sum of its initial margin deposits on open contracts will exceed 5% of the market value of the Fund's total assets, after taking into account the unrealized profits and losses on those contracts into which it has entered. Second, the Fund will not enter into these contracts for speculative purposes. Third, since the Fund does not constitute a commodity pool, it will not market itself as such, nor serve as a vehicle for trading in the commodities futures or commodity options markets. In this regard, the Fund will disclose to all prospective investors the limitations on its futures and options transactions, and will make clear that these transactions are entered into only for bona fide hedging purposes or such other purposes permitted under regulations promulgated by the Commodity Futures Trading Commission ("CFTC"). Also, the Fund intends to claim an exclusion from registration as a commodity pool operator under the regulations promulgated by the CFTC.

#### LENDING OF PORTFOLIO SECURITIES

The Fund may lend its portfolio securities on a short-term basis or long-term basis up to one-

third of the value of its total assets to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with broker/dealers, banks or other institutions which the managers have determined are creditworthy under guidelines established by the Trustees.

The Fund will receive collateral in the form of cash or U.S. government



securities equal to at least 100% of the value of the securities loaned. There is the risk that when lending portfolio securities, the securities may not be available to the Fund on a timely basis and the Fund may, therefore, lose the opportunity to sell the securities at a desirable price. In addition, in the event that a borrower of securities would file for bankruptcy or become insolvent, disposition of the securities may be delayed pending court action.

#### WHEN-ISSUED AND DELAYED

#### DELIVERY TRANSACTIONS

The Fund may purchase short-term U.S. government securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices.

The Fund may dispose of a commitment prior to settlement if the managers deem it appropriate to do so. In addition, the Fund may enter in transactions to sell its purchase commitments to third parties at current market values and

simultaneously acquire other commitments to purchase similar securities at later dates. The Fund may realize short-term profits or losses upon the sale of such commitments.

#### INVESTMENT RISKS

As with other mutual funds that invest primarily in equity securities, the Fund is subject to market risks. That is, the possibility exists that common stocks will decline over short or even extended periods of time, and the United States equity market tends to be cyclical, experiencing both periods when stock prices generally increase and periods when stock prices generally decrease. However, because the Fund invests primarily in medium capitalization stocks, there are some additional risk factors associated with investments in the Fund. In particular, stocks in the medium capitalization sector of the United States equity market tend to be slightly more volatile in price than larger capitalization stocks, such as those included in the Standard & Poor's 500 Composite Stock Price Index. This is because, among other things, medium-sized companies have less certain growth prospects than larger companies; have a lower degree of liquidity in the equity market; and tend to have a greater sensitivity to changing economic conditions. Further, in addition to exhibiting slightly higher volatility, the stocks of medium-sized companies may, to some degree, fluctuate independently of the stocks of large companies. That is, the stocks of medium-sized companies may decline in price as the price of large company stocks rises or vice versa. Therefore, investors should expect that the Fund will be more volatile than, and may fluctuate independently of, broad stock market indices such as the Standard & Poor's 500 Composite Stock Price Index.

#### INVESTMENT LIMITATIONS

The Fund will not:

- borrow money directly or through reverse repurchase agreements (arrangements in which the Fund sells a money market instrument for at least a percentage of its cash value with an agreement to buy it back on a set date) except, under certain circumstances, the Fund may bor-

row up to one-third of the value of its total assets and pledge up to 10% of the value of those assets to secure such borrowings.

The above investment limitations cannot be changed without shareholder approval. The following investment limitation, however, may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in this policy becomes effective.

The Fund will not invest more than 15% of its net assets in securities that are illiquid.

FEDERATED INDEX

TRUST INFORMATION

MANAGEMENT OF THE TRUST

BOARD OF TRUSTEES

The Trust is managed by the Trustees. The Trustees are responsible for managing the business affairs of the Trust and for exercising all of the powers of the Trust except those reserved for the shareholders. The Executive Committee of the Board of Trustees handles the Trustees' responsibilities between meetings of the Trustees.

FUND'S MANAGER

Federated Management serves as the Fund's manager (the "Manager"). The Trust has entered into a management contract (the "Management Contract") with the Manager, which, in turn, has entered into a sub-management contract (the "Sub-Management Contract") with ANB Investment Management and Trust Company ("ANB" or the "Sub-Manager") (ANB and the Manager are collectively referred to herein as "Managers"). It is the Manager's responsibility to select the Sub-Manager, subject to the review and approval of the Trustees and to review and evaluate the Sub-Manager's continued performance. The Manager is also responsible for providing administrative services to the Fund.

Subject to the supervision and direction of the Trustees, the Manager provides to the Fund investment management evaluation services principally by performing initial due diligence on the Sub-Manager for the Fund and thereafter monitoring and evaluating the performance of the Fund's Sub-Manager through quantitative and qualitative analyses. In addition, the Manager conducts periodic in-person, telephonic and written consultations with the Sub-Manager. In initially evaluating the Sub-Manager, the Manager considered, among other factors, the Sub-Manager's level of expertise; relative performance over a minimum period of five years; level of efficiency; level of adherence to investment discipline or philosophy; personnel, facilities and financial strength; and quality of service and client communications. On an ongoing basis, the Manager is responsible for communicating performance expectations and evaluations to the Sub-Manager; monitoring tracking errors; monitoring and analyzing the appropriate futures contracts to purchase and the futures holdings of the Fund as a percentage of Fund assets; monitoring market timing in the Fund; discussing with the Sub-Manager which method of indexing to use; and ultimately recommending to the Trustees whether the Sub-Management Contract should be renewed, modified or terminated. The Manager provides written reports to the Trustees regarding the results of its evaluation and monitoring functions. In addition, the Manager is responsible for providing the Fund with administrative services, including, but not limited to, shareholder servicing and certain legal and accounting services. The Manager is also responsible for conducting all operations of the Fund, except those operations contracted to the Sub-Manager, custodian, transfer agent and dividend disbursing agent. As described below, the Manager receives an annual fee from the Fund for performing its responsibilities under the Management Contract.

**MANAGEMENT FEES.** The Fund's Manager receives an annual management fee equal to 0.40% of the Fund's average daily net assets. Under the Management Contract, which provides for the voluntary waiver of the management fee by the Manager, the Manager will voluntarily waive some or all of the management fee. The Manager can terminate this voluntary waiver of some or all of its management fee at any time in its sole discretion.

**MANAGER'S BACKGROUND.** Federated Management, a Delaware business trust organized on April 11, 1989, is a registered investment adviser under the Investment Advisers Act of 1940. It is a subsidiary of Federated Investors. All of the Class A (voting) shares of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, Chairman and Trustee of Federated Investors, Mr. Donahue's wife, and Mr. Donahue's son, J. Christopher Donahue, who is President and Trustee of Federated Investors. Federated Management and other subsidiaries of Federated Investors serve as investment advisers to a number of investment companies and private accounts. Certain other subsidiaries also provide administrative services to a number of investment companies. With over \$80 billion invested across more than 250 funds under management and/or

administration by its subsidiaries, as of December 31, 1995, Federated Investors is one of the largest mutual fund investment managers in the United States. With more than 1,800 employees, Federated continues to be led by the management who founded the company in 1955. Federated funds are presently at work in and through 4,000 financial institutions nationwide. More than 100,000 investment professionals have selected Federated funds for their clients.

Both the Trust and the Manager have adopted strict codes of ethics governing the conduct of all employees who manage the Fund and its portfolio securities. These codes recognize that such persons owe a fiduciary duty to the Fund's shareholders and must place the interests of shareholders ahead of the employees' own interests. Among other things, the codes: require preclearance and periodic reporting of personal securities transactions; prohibit personal transactions in securities being purchased or sold, or being considered for purchase or sale, by the Fund; prohibit purchasing securities in initial public offerings; and prohibit taking profits on securities held for less than sixty days. Violations of the codes are subject to review by the Trustees, and could result in severe penalties.

#### SUB-MANAGER

Under the terms of the Sub-Management Contract between the Manager and ANB, ANB serves as the Fund's Sub-Manager. The Sub-Manager will develop, maintain and run the computer program designed to determine which securities will be purchased and sold so as to replicate the composition of the Index to the extent feasible, and, subject to the Manager's oversight, has complete discretion to purchase and sell portfolio securities for the Fund within the Fund's investment objective, restrictions and policies.

SUB-MANAGEMENT FEES. For its services under the Sub-Management Contract, ANB receives an annual fee from the Manager of .035% of the Fund's average daily net

assets. This fee is paid by the Manager out of its resources and is not an incremental Fund expense. No performance or incentive fees are paid to the Sub-Manager.

SUB-MANAGER'S BACKGROUND. ANB, incorporated in the State of Illinois on July 1, 1988, is a registered investment adviser under the Investment Advisers Act of 1940. ANB is a wholly-owned subsidiary of First Chicago Investment Management Company which, in turn, is an indirect wholly-owned subsidiary of First Chicago NBD Corporation. It serves as investment adviser principally to corporate defined benefit and defined contribution plans which have, as of June 30, 1996, placed approximately \$22.2 billion in assets

with ANB. Since 1973, when American National Bank and Trust Company of Chicago introduced its first commingled equity index fund, ANB has developed and managed a family of equity and bond index funds in which some 340 nationwide non-financial institution clients invest. In total, ANB manages 79 commingled/common trust funds. Also, since 1990, ANB has served as Sub-Manager for the Federated Max-Cap Fund (formerly the S&P 500 Fund), which is another portfolio of the Trust. ANB also serves as Sub-Manager for the Federated Mini-Cap Fund, another portfolio of the Trust.

#### DISTRIBUTION OF FUND SHARES

Federated Securities Corp. is the principal distributor for shares of the Fund. It is a Pennsylvania corporation organized on November 14, 1969, and is the principal distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors. Federated Securities Corp. pays a licensing fee to S&P for the right to use the Index in connection with the management activities for the Fund. Federated Securities Corp. is not affiliated with S&P.

#### SHAREHOLDER SERVICES

The Fund has entered into a Shareholder Services Agreement with Federated Shareholder Services, a subsidiary of Federated Investors, under which the Fund may make payments up to .25% of the average daily net asset value of its shares,

computed at an annual rate, to obtain certain personal services for shareholders and to maintain shareholder accounts. From time to time and for such periods as deemed appropriate, the amount stated above may be reduced voluntarily. Under the Shareholder Services Agreement, Federated Shareholder Services will either perform shareholder services directly or will select financial institutions to perform shareholder services. Financial institutions will receive fees based upon shares owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the Fund and Federated Shareholder Services.

#### SUPPLEMENTAL PAYMENTS TO FINANCIAL

##### INSTITUTIONS

In addition to payments made pursuant to the Shareholder Services Agreement, Federated Securities Corp. and Federated Shareholder Services, from their own assets, may pay financial institutions supplemental fees for the performance of substantial sales services, distribution-related support services, or shareholder services. The support may include sponsoring sales, educational and training seminars for their employees, providing sales literature, and engineering computer software programs that emphasize the attributes of the Fund. Such assistance will be predicated upon the amount of shares the financial institution sells or may sell, and/or upon the type and nature of sales or marketing support furnished by the financial institution. Any payments made by the distributor may be reimbursed by the Fund's Manager or its affiliates.

#### FUND ADMINISTRATION

##### ADMINISTRATIVE SERVICES

Federated Services Company, a subsidiary of Federated Investors, provides the

Manager with the administrative personnel and services necessary to provide shareholder servicing and certain legal and accounting services.

##### BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Managers look for prompt execution of the order at a favorable price. In working with dealers, the Managers will generally utilize those who are recognized dealers in specific portfolio instruments, except when a better price and execution

of the order can be obtained elsewhere. In selecting among firms believed to meet these criteria, the Managers may give consideration to those firms which have sold or are selling shares of the Fund and other funds distributed by Federated Securities Corp. The Managers make decisions on portfolio transactions and select brokers and dealers, subject to review by the Trustees.

##### NET ASSET VALUE

The Fund's net asset value per share fluctuates. It is determined by dividing the sum of the market value of all securities and other assets, less liabilities, by the number of shares outstanding.

##### INVESTING IN THE FUND

##### SHARE PURCHASES

Fund shares are sold on days on which the New York Stock Exchange is open. Shares of the Fund may be purchased either by wire or mail. To purchase shares of the Fund, open an account by calling Federated Securities Corp. Information needed to establish the account will be taken over the telephone. The Fund reserves the right to reject any purchase request.

##### BY WIRE

To purchase shares of the Fund by Federal Reserve wire, call the Fund to place an order. Shareholders have until 4:00 p.m. (Eastern time) to call the Fund for

settlement on the next business day. The order is considered received immediately. Payment by federal funds must be received before 4:00 p.m. (Eastern time) on the next business day following the order. Federal funds should be wired as follows: Federated Shareholder Services Company, c/o State Street Bank and Trust Company, Boston, Massachusetts; Attention: EDGEWIRE; For Credit to: Federated Index Trust, Federated Mid-Cap Fund; Fund Number (this number can be found on the account statement or by contacting the Fund); Group Number or Order Number; Nominee or Institution Name; and ABA Number 011000028. Shares cannot be purchased by wire on holidays when wire transfers are restricted. Questions on wire purchases should be directed to your shareholder services representative at the telephone number listed on your account statement.

#### BY MAIL

To purchase shares of the Fund by mail, send a check made payable to Federated Index Trust, Federated Mid-Cap Fund, to the Fund's transfer agent, Federated Shareholder Services Company, P.O. Box 8600, Boston, Massachusetts 02266-8600. Orders by mail are considered received when payment by check is converted into federal funds. This is generally the next business day after the check is received.

#### MINIMUM INVESTMENT REQUIRED

The minimum initial investment in the Fund is \$25,000. However, an account may be opened with a smaller amount as long as the \$25,000 minimum is reached within 90 days. An investor's minimum investment will be calculated by combining all accounts that the investor maintains with the Fund.

#### WHAT SHARES COST

Fund shares are sold at their net asset value next determined after an order is received. There is no sales charge imposed by the Fund. Investors who purchase Fund shares through a financial intermediary may be charged a service fee by that financial intermediary.

The net asset value is determined as of the close of trading (normally 4:00 p.m., Eastern time) on the New York Stock Exchange, Monday through Friday, except on: (i) days on which there are not sufficient changes in the value of the Fund's portfolio securities that its net asset value might be materially

affected; (ii) days during which no shares are tendered for redemption and no orders

to purchase shares are received; and (iii) the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

#### EXCHANGING SECURITIES FOR FUND SHARES

Investors may exchange certain securities or a combination of certain securities and cash for shares of the Fund. The securities and any cash must have a market value of at least \$25,000. The Trust reserves the right to determine the acceptability of securities to be exchanged. On the day securities are accepted by the Trust, they are valued in the same manner as the Trust values its assets. Investors wishing to exchange securities should first contact Federated Securities Corp.

Shares purchased by exchange of securities cannot be redeemed by telephone for five business days to allow time for the transfer to settle.

#### CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Fund, Federated Shareholder Services Company maintains a share account for each shareholder. Share certificates are not issued unless requested by contacting the Fund.

Detailed confirmations of each purchase or redemption are sent to each shareholder. Quarterly confirmations are sent to report dividends paid during the quarter.

#### DIVIDENDS

Dividends are declared and paid quarterly. Unless shareholders request cash

payments by writing to the Fund, dividends are automatically reinvested in additional shares of the Fund on payment dates at the ex-dividend date net asset value without a sales charge.

#### CAPITAL GAINS

Capital gains realized by the Fund, if any, will be distributed at least once every 12 months.

#### REDEEMING SHARES

The Fund redeems shares at their net asset value next determined after the Fund receives the redemption request. Investors who redeem shares through a financial intermediary may be charged a service fee by that financial intermediary. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests must be received in proper form and can be made by telephone request or written request.

#### TELEPHONE REDEMPTION

Shareholders may redeem their shares by telephoning the Fund before 4:00 p.m. (Eastern time). The proceeds will normally be wired the following business day, but in no event more than seven days, to the shareholder's account at a domestic commercial bank that is a member of the Federal Reserve System. Proceeds from redemption requests received on holidays when wire transfers are restricted will be wired the following business day. Questions about telephone redemptions on days when wire transfers are restricted should be directed to your shareholder services representative at the telephone number listed on your account statement. If at any time, the Fund shall determine it necessary to terminate or modify this method of redemption, shareholders will be promptly notified. An authorization form permitting State Street Bank or the Fund to accept telephone requests must first be completed. Authorization forms and information on this service are available from Federated Securities Corp. Telephone redemption instructions may be recorded.

In the event of drastic economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, another method of redemption should be considered, such as by "Written Requests."

If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

#### WRITTEN REQUESTS

Fund shares may also be redeemed by sending a written request to the Fund. Call the Fund for specific instructions before redeeming by written request. The shareholder will be asked to provide in the request his name, the Fund name, his account number, and the share or dollar amount requested. All owners of the account must sign the request exactly as the shares are registered. If share certificates have been issued, they should be sent unendorsed with the written request by registered or certified mail.

#### SIGNATURES

Shareholders requesting a redemption of any amount to be sent to an address other than that on record with the Fund, or a redemption payable other than to the shareholder of record must have their signatures guaranteed by:

- a trust company or commercial bank whose deposits are insured by the Bank Insurance Fund ("BIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC");
- a member firm of the New York, American, Boston, Midwest, or Pacific Stock Exchange;
- a savings bank or savings association whose deposits are insured by the Savings Association Insurance Fund ("SAIF"), which is administered by the FDIC; or
- any other "eligible guarantor institution," as defined in the Securities Exchange Act of 1934.

The Fund does not accept signatures guaranteed by a notary public.

The Fund and its transfer agent have adopted standards for accepting signature guarantees from the above institutions. The Fund may elect in the future to

limit eligible signature guarantors to institutions that are members of a signature guarantee program. The Fund and its transfer agent reserve the right to amend these standards at any time without notice.

#### RECEIVING PAYMENT

Normally, a check for the proceeds is mailed within one business day, but in no event more than seven days, after receipt of a proper written redemption request.

#### ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, the Fund may redeem shares in any account and pay the proceeds to the shareholder if the account balance falls below a required minimum value of \$25,000. This requirement does not apply, however, if the balance falls below \$25,000 because of changes in the Fund's net asset value.

Before shares are redeemed to close an account, the shareholder is notified in writing and allowed 30 days to purchase additional shares to meet the minimum requirement.

#### SHAREHOLDER INFORMATION

##### VOTING RIGHTS

Each share of the Fund gives the shareholder one vote in Trustee elections and other matters submitted to shareholders for vote. All shares of each portfolio in the Trust have equal voting rights except that only shares of the Fund are entitled to vote on matters affecting only the Fund. As a Massachusetts business trust, the Trust is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Trust's or the Fund's operations and for the election of Trustees under certain circumstances.

Trustees may be removed by the Trustees or by shareholders at a special meeting. A special meet-

ing of the shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the outstanding shares of all series of the Trust.

#### TAX INFORMATION

##### FEDERAL INCOME TAX

The Fund will pay no federal income tax because it expects to meet the requirements of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies.

The Fund will be treated as a single, separate entity for federal income tax purposes so that income (including capital gains) and losses realized by the Trust's other portfolios, if any, will not be combined for tax purposes with those realized by the Fund.

Unless otherwise exempt, shareholders are required to pay federal income tax on any dividends and other distributions, including capital gains distributions, received. This applies whether dividends and distributions are received in cash or as additional shares. Distributions representing long-term capital gains, if any, will be taxable to shareholders as long-term capital gains no matter how long the shareholders have held their shares.

##### STATE AND LOCAL TAXES

In the opinion of Houston, Donnelly & Meck, counsel to the Trust, Fund shares may be subject to personal property taxes imposed by counties, municipalities, and school districts in Pennsylvania to the extent that the portfolio securities in the Fund would be subject to such taxes if owned directly by residents of those jurisdictions.

Shareholders are urged to consult their own tax advisers regarding the status of their accounts under state and local tax laws.

#### PERFORMANCE INFORMATION

From time to time the Fund advertises its total return and yield.

Total return represents the change, over a specified period of time, in the value of an investment in the Fund after reinvesting all income and capital gain distributions. It is calculated by dividing that change by the initial investment and is expressed as a percentage.

The yield of the Fund is calculated by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by the Fund over a thirty-day period by the offering price per share of the Fund on the last day of the period. This number is then annualized using semi-annual compounding. The yield does not necessarily reflect income actually earned by the Fund and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

The Fund is sold without any sales load or other similar non-recurring charges.

From time to time, advertisements for the Fund may refer to ratings, rankings, and other information in certain financial publications and/or compare the Fund's performance to certain indices.

FEDERATED MID-CAP FUND  
 PORTFOLIO OF INVESTMENTS  
 OCTOBER 31, 1996

<TABLE> <CAPTION> SHARES			VALUE
<C>	<C>	<S>	<C>
*COMMON STOCKS--89.5%			
-----			
		BASIC INDUSTRY--6.9%	
		-----	
5,500	(a)	Airgas, Inc.	\$ 124,437
		-----	
2,600		Albany International Corp., Class A	58,500
		-----	
4,800		Albemarle Corp.	77,400
		-----	
3,800	(a)	Alumax, Inc.	122,074
		-----	
2,300		Betz Laboratories, Inc.	120,750
		-----	
3,300		Bowater, Inc.	116,737
		-----	
1,400		Brush Wellman, Inc.	26,424
		-----	
5,200	(a)	Burlington Industries, Inc.	59,150
		-----	
6,000		Cabot Corp.	144,750
		-----	
2,000		CalMat Co.	37,250
		-----	
3,400		Calgon Carbon Corp.	34,000
		-----	
1,400		Carpenter Technology Corp.	45,674
		-----	
2,000		Chesapeake Corp.	56,500
		-----	
1,000		Cleveland Cliffs, Inc.	41,000
		-----	
3,800		Consolidated Papers, Inc.	190,474
		-----	
6,100		Crompton and Knowles Corp.	109,800
		-----	
2,100		Dexter Corp.	65,100
		-----	
2,200		Donaldson Company, Inc.	64,350
		-----	
10,000		Ethyl Corp.	82,500
		-----	
2,400		Ferro Corp.	64,800
		-----	
1,200		Fuller (H.B.) Co.	50,100
		-----	
3,200		Georgia Gulf Corp.	86,400
		-----	



3,700	Glatfelter (P.H.) Co.	70,300
4,500	Hanna (M.A.) Co.	95,624
7,800	IMC Global, Inc.	292,500

</TABLE>

FEDERATED MID-CAP FUND

<TABLE>		
<CAPTION>		
SHARES		VALUE
*COMMON STOCKS--CONTINUED		
<C>	<S>	<C>
	BASIC INDUSTRY--CONTINUED	
3,800	Lawter International, Inc.	\$ 44,650
2,700	Loctite Corp.	158,287
4,400	Longview Fibre Co.	76,450
5,300	Lubrizol Corp.	157,674
1,200	Lukens, Inc.	16,500
700	(a) Maxxam, Inc.	29,400
1,900	Minerals Technologies, Inc.	74,574
700	NCH, Corp.	39,025
1,600	Oregon Steel Mills	25,400
6,400	RPM, Inc.	107,200
2,500	Rayonier, Inc.	99,063
3,225	Schulman (A.), Inc.	68,128
3,600	(a) Sealed Air Corp.	139,950
7,685	Sonoco Products Co.	204,613
1,500	Southdown, Inc.	41,063
5,600	Unifi, Inc.	174,300
3,000	Vulcan Materials Co.	182,250
3,068	Wausau Paper Mills Co.	59,049
2,800	Wellman, Inc.	49,700
4,800	Witco Corp.	148,800
	Total	4,132,670
CONSUMER DURABLES--2.8%		
1,900	Arvin Industries, Inc.	43,462
5,800	Callaway Golf Co.	177,624
1,300	Carlisle Cos., Inc.	73,937
7,981	Clayton Homes, Inc.	134,678

1,400

Cross (A.T.) Co., Class A

15,924

&lt;/TABLE&gt;

## FEDERATED MID-CAP FUND

&lt;TABLE&gt;

&lt;CAPTION&gt;

SHARES

VALUE

\*COMMON STOCKS--CONTINUED

<C>	<C>	<S>	<C>
		CONSUMER DURABLES--CONTINUED	
4,400	(a)	Electronic Arts, Inc.	\$ 165,000
3,000		Federal-Mogul Corp.	67,124
6,500		Harley Davidson, Inc.	293,312
10,900		International Game Technology	230,262
7,100		Leggett and Platt, Inc.	212,112
600		National Presto Industries, Inc.	22,500
11,500		Shaw Industries, Inc.	135,124
1,600		Stanhope, Inc.	42,400
2,500		Superior Industries International, Inc.	60,938
4,000	(a)	Topps Co.	15,250
		Total	1,689,647
		CONSUMER NON-DURABLES--4.1%	
1,700		Church and Dwight, Inc.	36,550
10,300		Coca Cola Enterprises, Inc.	439,037
3,400		Dean Foods Co.	98,600
5,100		Dole Food, Inc.	198,900
1,100		Dreyers Grand Ice Cream, Inc.	28,324
3,600		First Brands Corp.	102,150
4,850		Flowers Industries, Inc.	113,368
1,400	(a)	Gibson Greetings, Inc.	21,874
8,000		IBP, Inc.	200,000
1,500		International Multifoods Corp.	22,874
4,400	(a)	Jones Apparel Group, Inc.	137,500
2,600		Lance, Inc.	45,500
6,900		McCormick & Co., Inc.	166,462
1,600		Michael Foods, Inc.	20,000
2,200		Savannah Foods & Industries, Inc.	35,200

&lt;/TABLE&gt;

FEDERATED MID-CAP FUND

<TABLE> <CAPTION> SHARES			VALUE
*COMMON STOCKS--CONTINUED			
<C>	<C>	<S>	<C>
CONSUMER NON-DURABLES--CONTINUED			
2,500		Smucker (J.M.) Co., Class A	\$ 41,250
3,100		Tambrands, Inc.	132,137
12,200		Tyson Foods, Inc., Class A	359,900
3,000		Universal Corp.	81,750
2,200		Universal Foods Corp.	77,824
4,400		Warnaco Group, Inc., Class A	109,450
		Total	2,468,650
ENERGY MINERALS--4.9%			
5,000		Anadarko Petroleum Corp.	318,124
7,500		Apache Corp.	266,250
3,100	(a)	BJ Services Co.	139,112
2,500		Diamond Shamrock, Inc.	73,437
5,900	(a)	ENSCO International, Inc.	255,174
14,000	(a)	Global Marine, Inc.	257,250
6,800		Lyondell Petrochemical Co.	144,500
5,000		Mapco, Inc.	155,624
3,800		Murphy Oil Corp.	187,624
7,100	(a)	Nabors Industries, Inc.	118,037
4,200		Noble Affiliates, Inc.	182,700
3,000		Parker & Parsley Petroleum Co.	86,250
4,700	(a)	Parker Drilling Co.	39,950
2,800		Quaker State Corp.	46,900
8,300		Ranger Oil Ltd.	62,250
3,300	(a)	Smith International, Inc.	125,400
3,700		Tosco Corp.	207,662
3,700		Valero Energy Corp.	87,875
2,600	(a)	Varco International, Inc.	51,350

</TABLE>

FEDERATED MID-CAP FUND

<TABLE> <CAPTION> SHARES		VALUE
<C>	<C> <S>	<C>
*COMMON STOCKS--CONTINUED		
ENERGY MINERALS--CONTINUED		
4,281	(a) Weatherford Enterra, Inc.	\$ 124,149
	Total	2,929,618
FINANCE--13.2%		
11,675	Aflac, Inc.	468,459
3,550	Bancorp Hawaii, Inc.	140,669
10,411	Bear Stearns Cos., Inc.	245,954
5,025	Central Fidelity Banks, Inc.	127,509
3,900	City National Corp.	68,250
4,450	Comdisco, Inc.	132,944
3,600	Crestar Financial Corp.	221,400
2,600	Dauphin Deposit Corp.	85,150
5,325	Edwards (AG), Inc.	159,084
6,300	First Security Corp.	185,063
5,600	First Tennessee National Corp.	203,700
2,900	First Virginia Bank, Inc.	129,775
5,300	First of America Bank Corp.	288,188
6,100	Firststar Corp.	298,900
6,800	Franklin Resources, Inc.	479,400
1,700	GATX Corp.	81,175
1,700	Hartford Steam Boiler Insurance	73,313
10,100	Hibernia Corp., Class A	112,363
8,000	Marshall & Ilsley Corp.	257,000
5,050	Mercantile Bancorporation, Inc.	250,606
4,000	Mercantile Bankshares Corp.	120,500
4,700	Northern Trust Corp.	325,475
2,800	PHH Corp.	83,300
3,000	PMI Group	171,375

</TABLE>

FEDERATED MID-CAP FUND

<TABLE> <CAPTION> SHARES		VALUE
<C>	<C> <S>	<C>
*COMMON STOCKS--CONTINUED		

<C>	<C>	<S>	<C>
		FINANCE--CONTINUED	
7,800		PaineWebber Group, Inc.	\$ 183,300
1,600	(a)	Policy Management System Corp.	57,600
6,100		Progressive Corp. Ohio	419,375
3,800		Provident Cos., Inc.	141,075
5,230		Regions Financial Corp.	261,500
14,750		Schwab (Charles) Corp.	368,750
7,900		SouthTrust Corp.	261,688
6,700		State Street Boston Corp.	424,613
7,700	(a)	Summit Bancorp	314,738
10,100		SunAmerica, Inc.	378,750
4,800		T. Rowe Price Associates	163,800
1,900		Transatlantic Holdings, Inc.	136,800
3,000		Wilmington Trust Corp.	113,250
		Total	7,934,791
		HEALTH CARE--7.8%	
2,400	(a)	Acuson Corp.	50,700
1,100	(a)	Advanced Technology Labs, Inc.	33,550
4,000	(a)	Apria Healthcare Group, Inc.	76,500
3,365		Bergen Brunswig Corp., Class A	105,577
3,000	(a)	Biogen, Inc.	223,500
5,375		Cardinal Health, Inc.	421,938
3,900		Carter Wallace, Inc.	60,450
5,700	(a)	Centocor, Inc.	167,438
14,224	(a)	Chiron Corp.	325,374
1,400	(a)	Datascope Corp.	23,800
2,300		Dentsply International, Inc.	96,888
1,100		Diagnostic Products Corp.	32,725

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FEDERATED MID-CAP FUND

<TABLE>	<CAPTION>		VALUE
	SHARES		
		*COMMON STOCKS--CONTINUED	
<C>	<C>	<S>	<C>
		HEALTH CARE--CONTINUED	
3,400	(a)	FHP International Corp.	\$ 116,025

3,800	(a) Forest Laboratories, Inc., Class A	146,300
4,800	(a) Foundation Health Corp.	143,400
5,800	(a) Genzyme Corp.	133,400
12,886	(a) HEALTHSOUTH Rehabilitation	483,225
2,900	(a) HealthCare COMPARE Corp.	127,600
3,900	(a) Healthcare & Retirement Corp.	96,038
5,300	(a) Healthsource, Inc.	64,925
4,334	(a) Horizon/CMS Healthcare Corp.	44,965
10,000	Ivax Corp.	165,000
10,400	(a) Laboratory Corporation of America Holdings	35,100
3,700	McKesson Corp.	184,075
6,000	(a) Medaphis Corp.	53,250
10,200	Mylan Laboratories, Inc.	154,275
4,800	(a) Nellcor, Inc.	93,600
5,500	(a) NovaCare, Inc.	45,375
2,600	(a) PacifiCare Health Systems, Inc., Class B	182,650
6,400	(a) Perrigo Co.	60,800
2,000	(a) Scherer (R.P.) Corp.	92,750
8,200	(a) Stryker Corp.	243,950
4,494	(a) Value Health, Inc.	78,083
6,100	(a) Vencor, Inc.	180,713
3,000	(a) Watson Pharmaceuticals, Inc.	100,125
	Total	4,644,064
	PRODUCER MANUFACTURING--6.4%	
5,000	American Financial Group, Inc.	179,375
7,900	(a) American Power Conversion Corp.	168,863

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FEDERATED MID-CAP FUND

<TABLE>		<CAPTION>	
SHARES		VALUE	
*COMMON STOCKS--CONTINUED			
<C>	<C>	<S>	<C>
		PRODUCER MANUFACTURING--CONTINUED	
2,800		Ametek, Inc.	\$ 55,650
4,900		Danaher Corp.	200,288
8,100	(a)	Dial Corp. Del.	111,375
3,863		Diebold, Inc.	222,094

1,900	Duriron, Inc.	50,825
3,800	Federal Signal Corp.	97,850
1,800	Goulds Pumps, Inc.	41,625
2,600	HON Industries, Inc.	91,000
2,100	Harsco Corp.	134,138
5,480	Hubbell, Inc., Class B	223,995
1,400	Kaydon Corp.	57,050
2,200	Kennametal, Inc.	74,800
3,000	Keystone International, Inc.	54,000
2,533	Lancaster Colony Corp.	94,988
2,100	Magnetek, Inc.	23,363
5,315	Mark IV Industries, Inc.	114,939
2,100	Miller Herman, Inc.	90,563
2,500	Modine Manufacturing Co.	61,875
1,500	Nordson Corp.	82,500
4,200	Olin Corp.	178,500
3,200	Pentair, Inc.	80,800
3,500	(a) Pittston Brink's Group	99,750
1,750	Precision Castparts Corp.	81,813
2,800	Stewart & Stevenson Services	59,500
1,900	Tecumseh Products Co., Class A	106,875
1,500	Teleflex, Inc.	72,188
11,750	(a) Thermo Electron Corp.	428,875

</TABLE>

FEDERATED MID-CAP FUND

<TABLE>		<CAPTION>	
SHARES		VALUE	
*COMMON STOCKS--CONTINUED			
<C>	<C> <S>	<C>	
	PRODUCER MANUFACTURING--CONTINUED		
3,550	Trinity Industries, Inc.	\$	122,919
8,100	Viad Corp.		117,450
2,500	Watts Industries, Inc., Class A		52,188
3,500	York International Corp.		169,313
	Total		3,801,327
	RETAIL TRADE--5.8%		

2,000	(a) Ann Taylor Stores Corp.	36,250
5,800	(a) Bed Bath & Beyond, Inc.	146,450
3,600	(a) Best Buy Co., Inc.	58,950
1,200	CPI Corp.	22,800
4,050	Claire's Stores, Inc.	68,850
4,500	(a) Consolidated Stores Corp.	173,813
6,097	Dollar General Corp.	169,192
2,300	Duty Free International, Inc.	36,800
4,800	Family Dollar Stores, Inc.	81,600
3,200	Fastenal Co.	148,000
3,900	Fingerhut Companies, Inc.	58,013
1,800	Hancock Fabrics, Inc.	15,300
3,600	Hannaford Brothers Co.	108,450
4,150	Heilig-Meyers Co.	53,950
7,679	(a) Home Shopping Network, Inc.	77,750
6,200	(a) Kohl's Corp.	223,200
2,900	Lands' End, Inc.	62,350
2,200	(a) MacFrugal's Bargains CloseOuts, Inc.	53,625
2,300	(a) Meyer (Fred), Inc.	80,788
2,900	(a) Micro Warehouse, Inc.	66,700
3,000	(a) Nine West Group, Inc.	149,625

</TABLE>

FEDERATED MID-CAP FUND

<TABLE>			<CAPTION>	
SHARES			VALUE	
*COMMON STOCKS--CONTINUED				
<C>	<C>	<S>	<C>	
RETAIL TRADE--CONTINUED				
13,125	(a)	Office Depot, Inc.	\$	257,578
10,350	(a)	Officemax Inc.		139,725
3,300	(a)	Payless ShoeSource, Inc.		111,788
5,700	(a)	Revco D. S., Inc.		171,713
3,900		Ruddick Corp.		50,700
8,400	(a)	Service Merchandise, Inc.		49,350
13,275	(a)	Staples, Inc.		247,247
2,600		Tiffany & Co.		96,200
7,000	(a)	Viking Office Products, Inc.		203,875



3,700	(a) Vons Companies, Inc.	204,888
2,800	(a) Waban, Inc.	73,150
	Total	3,498,670
	SERVICES--10.0%	
6,359	(a) AES Corp.	279,001
2,550	Banta Corp.	53,869
3,700	Belo (A.H.) Corp., Series A	144,300
3,600	Bob Evans Farms, Inc.	45,000
6,475	(a) Brinker International, Inc.	110,075
2,600	(a) Buffets, Inc.	28,925
4,200	(a) CalEnergy Co., Inc.	121,800
2,494	(a) Chris Craft Industries, Inc.	98,187
4,000	Cintas Corp.	233,000
8,700	(a) Circus Circus Enterprises, Inc.	300,150
5,050	Cracker Barrel Old Country Store	102,894
1,400	Ennis Business Forms, Inc.	15,400
12,700	Equifax, Inc.	377,825
2,600	Flightsafety International, Inc.	128,375

</TABLE>

FEDERATED MID-CAP FUND

<TABLE>		<CAPTION>	
SHARES			VALUE
*COMMON STOCKS--CONTINUED			
<C>	<C>	<S>	<C>
		SERVICES--CONTINUED	
1,800	(a)	Golden Books Family Entertainment, Inc.	\$ 20,025
1,500		Granite Construction, Inc.	28,875
3,600		Gtech Holdings Corp.	106,200
1,200		Houghton Mifflin Co.	59,550
1,900	(a)	International Dairy Queen, Inc., Class A	36,575
2,100	(a)	Jacobs Engineering Group, Inc.	46,463
3,175		Kelly Services, Inc., Class A	88,900
1,000		Lawson Products, Inc.	21,250
4,000		Lee Enterprises, Inc.	91,500
3,000	(a)	Lone Star Steakhouse & Saloon	76,875
6,900		Manpower, Inc.	195,788

2,200	Media General, Inc., Class A	65,450
15,400	Mirage Resorts, Inc.	338,800
4,200	Ogden Corp.	76,125
6,600	Olsten Corp.	132,000
6,700	Omnicom Group, Inc.	333,325
3,700	(a) Outback Steakhouse, Inc.	85,794
5,775	Paychex, Inc.	329,175
4,300	(a) Promus Hotel Corp.	136,525
7,000	Reynolds & Reynolds Co., Class A	184,625
3,000	Rollins, Inc.	57,375
1,700	Sbarro, Inc.	44,838
1,300	(a) Scholastic Corp.	95,225
6,200	Sensormatic Electronics Corp.	101,525
4,700	Sothebys Holdings, Inc., Class A	79,900
2,400	Standard Register	62,400
4,100	Transocean Offshore, Inc.	259,325

</TABLE>

FEDERATED MID-CAP FUND

<TABLE> <CAPTION> SHARES		VALUE
*COMMON STOCKS--CONTINUED		
<C>	<C> <S> SERVICES--CONTINUED	<C>
11,000	(a) USA Waste Services, Inc.	\$ 352,000
3,800	Wallace Computer, Inc.	111,625
900	Washington Post Co., Class B	296,100
	Total	5,952,934
TECHNOLOGY--12.8%		
5,300	(a) ADC Telecommunications, Inc.	362,388
3,821	(a) AST Research, Inc.	17,672
6,100	Adobe System, Inc.	211,213
3,700	(a) Altera Corp.	229,400
7,400	(a) America Online, Inc.	200,725
9,650	(a) Analog Devices, Inc.	250,900
4,275	(a) Arrow Electronics, Inc.	203,597
8,200	(a) Atmel Corp.	208,075
3,700	Avnet, Inc.	186,388

4,300	(a) BMC Software, Inc.	356,900
2,400	Beckman Instruments, Inc.	88,200
2,400	(a) Borland International, Inc.	12,150
6,500	(a) Cadence Design Systems, Inc.	237,250
5,300	(a) Cirrus Logic, Inc.	100,700
3,600	(a) Compuware Corp.	189,900
7,100	(a) Cypress Semiconductor Corp.	76,325
1,800	(a) Exabyte Corp.	23,850
3,800	(a) FIServ, Inc.	145,825
2,800	GenCorp, Inc.	46,200
3,500	(a) Imation Corp.	95,813
2,300	(a) Information Resources, Inc.	29,038
12,500	(a) Informix Corp.	277,344

</TABLE>

FEDERATED MID-CAP FUND

<TABLE>		<CAPTION>	
SHARES		VALUE	
*COMMON STOCKS--CONTINUED			
<C>	<C> <S>	<C>	
	TECHNOLOGY--CONTINUED		
6,500	(a) Integrated Device Technology, Inc.	\$	53,625
2,900	Intelligent Electronics, Inc.		25,738
6,200	Linear Technology Corp.		207,700
3,900	(a) Litton Industries, Inc.		175,013
5,100	(a) Maxim Integrated Products, Inc.		178,500
1,300	Measurex Corp.		33,475
5,200	(a) Mentor Graphics Corp.		44,200
8,500	Molex, Inc.		306,000
1,700	OEA, Inc.		64,175
4,000	(a) Octel Communications Corp.		63,500
10,400	(a) Parametric Technology Corp.		508,300
4,500	(a) Quantum Corp.		91,125
1,500	(a) Rohr, Inc.		27,750
800	(a) Sequa Corp., Class A		33,400
2,700	(a) Sequent Computer System, Inc.		39,994
4,200	(a) Solectron Corp.		224,700
11,237	(a) Sterling Commerce, Inc.		316,042

5,080	(a)	Storage Technology Corp.	216,535
1,900	(a)	Stratus Computer, Inc.	42,513
2,600	(a)	Structural Dynamics Research Corp.	46,150
5,200		Sundstrand Corp.	209,300
4,400	(a)	Symantec Corp.	47,850
2,200	(a)	Symbol Technologies, Inc.	98,725
7,000	(a)	Teradyne, Inc.	111,125
1,500		Thiokol Corp.	62,813
7,182	(a)	U.S. Robotics Corp.	451,568
2,600		Varian Association, Inc.	117,325

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FEDERATED MID-CAP FUND

<TABLE> <CAPTION> SHARES			VALUE
*COMMON STOCKS--CONTINUED			
<C>	<C>	<S>	<C>
		TECHNOLOGY--CONTINUED	
1,900	(a)	Verifone, Inc.	\$ 63,888
5,145	(a)	Vishay Intertechnology, Inc.	92,610
6,000	(a)	Xilinx, Inc.	196,500
		Total	7,699,992
TRANSPORTATION--1.6%			
2,200	(a)	APL, Ltd.	48,400
1,800		Airborne Freight Corp.	35,775
1,100	(a)	Alaska Air Group, Inc.	24,200
3,900		Alexander and Baldwin, Inc.	96,038
2,300		Arnold Industries, Inc.	36,513
2,800		Atlantic Southeast Airlines, Inc.	58,800
3,300		Hunt (J.B.) Transportation Services, Inc.	48,263
5,250		Illinois Central Corp.	169,969
3,200		Kansas City Southern Industries, Inc.	150,400
3,100		Overseas Shipholding Group, Inc.	52,700
5,300		Tidewater, Inc.	231,875
		Total	952,933
UTILITIES--13.2%			
9,900	(a)	360 Communications Co.	223,988
4,600		AGL Resources, Inc.	96,600

3,100	Aliant Communications, Inc.	50,375
10,200	Allegheny Power Systems, Inc.	304,725
6,600	American Water Works Co., Inc.	134,475
4,400	Atlantic Energy, Inc. NJ	77,550
1,200	Black Hills Corp.	30,600
4,100	Brooklyn Union Gas Co.	118,900
7,700	CMS Energy Corp.	243,513

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FEDERATED MID-CAP FUND

<TABLE> <CAPTION> SHARES		VALUE
*COMMON STOCKS--CONTINUED		
<C>	<C> <S>	<C>
UTILITIES--CONTINUED		
1,900	Central IA Electric Co.	\$ 51,538
2,700	Central Maine Power Co.	31,725
5,000	Century Telephone Enterprises, Inc.	160,625
4,000	Comsat Corp.	94,000
5,100	Delmarva Power and Light Co.	101,363
2,900	El Paso Natural Gas	140,650
8,100	Florida Progress Corp.	270,338
13,300	Frontier Corp.	385,700
2,500	Hawaiian Electric Industries, Inc.	89,063
3,200	Idaho Power Co.	99,600
6,400	Illinova Corp.	174,400
1,950	Indiana Energy, Inc.	47,775
4,800	Ipalco Enterprises, Inc.	129,000
5,200	Kansas City Power And Light Co.	143,000
5,600	LG&E Energy Corp.	129,500
5,600	MCN Corp.	154,000
8,522	MidAmerican Energy Co.	132,091
2,600	Minnesota Power And Light Co.	73,450
4,600	Montana Power Co.	97,750
18,100	(a) NEXTEL Communications, Inc.	289,600
5,300	NIPSCO Industries, Inc.	200,738
3,200	National Fuel Gas Co.	119,200
4,000	Nevada Power Co.	81,500

5,500	New England Electric System	185,625
6,000	New York State Electric and Gas Corp.	125,250
10,700	Northeast Utilities Co.	115,025
3,400	Oklahoma Gas and Electric Co.	133,025

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FEDERATED MID-CAP FUND

<TABLE>		<CAPTION>	
SHARES		VALUE	
*COMMON STOCKS--CONTINUED			
<C>	<C>	<S>	<C>
		UTILITIES--CONTINUED	
7,400		Pinnacle West Capital Corp.	\$ 228,475
4,300		Portland General Corp.	188,125
10,000		Potomac Electric Power Co.	256,250
5,400		Public Service Co. Colo	199,800
3,500		Public Service Co. New Mexico	65,625
5,400		Puget Sound Power & Light Co.	119,475
3,400		Questar Corp.	122,400
8,700		SCANA Corp.	232,725
5,200	(a)	Seagull Energy Corp.	112,450
5,500		Southern New England Telecommunications	204,875
3,500		Southwestern Public Service Co.	119,000
2,100		TCA Cable TV, Inc.	56,175
9,900		TECO Energy, Inc.	243,788
4,900		Telephone and Data System, Inc.	171,500
3,900		Utilicorp United, Inc.	105,788
3,500	(a)	Vanguard Cellular Systems, Inc., Class A	57,969
2,600		WPL Holdings, Inc.	73,125
3,600		Washington Gas Light Co.	80,550
9,300		Wisconsin Energy Corp.	252,263
		Total	7,926,615
		TOTAL COMMON STOCKS (IDENTIFIED COST \$43,245,074)	53,631,911

</TABLE>

FEDERATED MID-CAP FUND

<TABLE> <CAPTION> PRINCIPAL AMOUNT		VALUE
<C>	<C> <S>	<C>
(B) U.S. GOVERNMENT OBLIGATION--0.3%		
\$200,000	United States Treasury Bill, 12/19/1996 (identified cost \$198,627)	\$198,706
(C) REPURCHASE AGREEMENT--9.2%		
5,535,000	BT Securities, Inc., 5.55%, dated 10/31/1996, due 11/1/1996 (at amortized cost)	5,535,000
TOTAL INVESTMENTS (IDENTIFIED COST \$48,978,701) (D)		\$59,365,617

</TABLE>

\* The Fund purchases Index futures contracts to efficiently manage cash flows resulting from shareholder purchases and redemptions, dividend and capital gain payments to shareholders and corporate actions while maintaining exposure to the Index and minimizing trading costs. The total market value of open Index futures contracts is \$5,857,200 at October 31, 1996, which represents 9.8% of net assets. Taking into consideration these open Index futures contracts, the Fund's effective total exposure to the Index is 99.3% of net assets.

(a) Non-income producing security.

(b) Represents a security held as collateral which is used to ensure the Fund is able to satisfy the obligations of its outstanding long futures contracts.

(c) The repurchase agreement is fully collateralized by U.S. government and/or agency obligations based on market prices at the date of the portfolio. The investment in the repurchase agreement is through participation in a joint account with other Federated funds.

(d) The cost of investments for federal tax purposes amounts to \$48,989,468. The net unrealized appreciation of investments on a federal tax basis amounts to \$10,376,149 which is comprised of \$13,417,978 appreciation and \$3,041,829 depreciation at October 31, 1996.

Note: The categories of investments are shown as a percentage of net assets (\$59,947,998) at October 31, 1996.

(See Notes which are an integral part of the Financial Statements)

FEDERATED MID-CAP FUND  
STATEMENT OF ASSETS AND LIABILITIES  
OCTOBER 31, 1996

<TABLE> <S>	<C>	<C>
ASSETS:		
Total investments in securities, at value (identified cost \$48,978,701, and tax cost \$48,989,468)		\$59,365,617
Cash		217
Income receivable		53,853
Receivable for shares sold		840,322
Receivable for daily variation margin		37,500
Deferred expenses		11,117
Total assets		60,308,626
LIABILITIES:		

Payable for shares redeemed	\$345,410
Accrued expenses	15,218
Total liabilities	360,628
NET ASSETS for 4,358,350 shares outstanding	\$59,947,998
NET ASSETS CONSIST OF:	
Paid in capital	\$46,972,122
Net unrealized appreciation of investments and futures contracts	10,519,926
Accumulated net realized gain on investments and futures contracts	2,415,428
Undistributed net investment income	40,522
Total Net Assets	\$59,947,998
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE: \$59,947,998 / 4,358,350 shares outstanding	\$13.75

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MID-CAP FUND  
STATEMENT OF OPERATIONS  
YEAR ENDED OCTOBER 31, 1996

	<C>	<C>	<C>
<TABLE>			
<S>			
INVESTMENT INCOME:			
Dividends			\$ 880,834
Interest			200,265
Total income			1,081,099
EXPENSES:			
Management fee		\$ 225,754	
Custodian fees		34,726	
Transfer and dividend disbursing agent fees and expenses		19,496	
Directors'/Trustees' fees		3,056	
Auditing fees		14,061	
Legal fees		3,636	
Portfolio accounting fees		48,128	
Shareholder services fee		141,096	
Share registration costs		15,995	
Printing and postage		16,727	
Taxes		2,999	
Miscellaneous		7,504	
Total expenses		533,178	
Waivers--			
Waiver of management fee		\$ (79,194)	



Waiver of shareholder services fee	(112,978)	
Total waivers	(192,172)	
Net expenses		341,006
Net investment income		740,093
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FUTURES CONTRACTS:		
Net realized gain on investments and futures contracts		2,211,765
Net change in unrealized appreciation of investments and futures contracts		5,352,243
Net realized and unrealized gain on investments and futures contracts		7,564,008
Change in net assets resulting from operations		\$8,304,101

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MID-CAP FUND  
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>  
<CAPTION>

	YEAR ENDED OCTOBER 31,	
	1996	1995
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS--		
Net investment income	\$ 740,093	\$ 987,497
Net realized gain on investments and futures contracts (\$2,561,538 and \$3,414,170 net gain, respectively, as computed for federal tax purposes)	2,211,765	3,630,556
Net change in unrealized appreciation of investments and futures contracts	5,352,243	5,366,839
Change in net assets resulting from operations	8,304,101	9,984,892
DISTRIBUTIONS TO SHAREHOLDERS--		
Distributions from net investment income	(846,844)	(893,649)
Distributions from net realized gains and futures contracts	(3,414,624)	(778,952)
Change in net assets resulting from distributions to shareholders	(4,261,468)	(1,672,601)
SHARE TRANSACTIONS--		
Proceeds from sale of shares	52,748,566	48,339,864
Net asset value of shares issued to shareholders in payment of distributions declared	2,549,965	858,211
Cost of shares redeemed	(61,972,769)	(38,942,349)
Change in net assets resulting from share transactions	(6,674,238)	10,255,726
Change in net assets	(2,631,605)	18,568,017
NET ASSETS:		
Beginning of period	62,579,603	44,011,586

End of period (including undistributed net investment income of \$40,522 and \$147,273, respectively)	\$ 59,947,998	\$ 62,579,603
---	---------------	---------------

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MID-CAP FUND  
 NOTES TO FINANCIAL STATEMENTS  
 OCTOBER 31, 1996

(1) ORGANIZATION

Federated Index Trust (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 three portfolios. The financial statements included herein are only those of Federated Mid-Cap Fund (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. The investment objective of the Fund is to provide investment results generally corresponding to the aggregate price and dividend performance of the publicly traded common stocks that comprise the mid-level stock capitalization sector of the United States equity market.

Effective December 5, 1994, the Board of Trustees ("Trustees") changed the name of the Fund from Mid-Cap Fund to Federated Mid-Cap Fund.

(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 generally accepted accounting principles.

INVESTMENT VALUATIONS--Listed equity securities are valued at the last sale price reported on a national securities exchange. Short-term securities are valued at the prices provided by an independent pricing service. However, short-term securities with remaining maturities of sixty days or less at the time of purchase may be valued at amortized cost, which approximates fair market value.

REPURCHASE AGREEMENTS--It is the policy of the Fund to require the custodian bank to take possession, to have legally segregated in the Federal Reserve Book Entry System, or to have segregated within the custodian bank's vault, all securities held as collateral under repurchase agreement transactions. Additionally, procedures have been established by the Fund to monitor, on a daily basis, the market value of each repurchase agreement's collateral to ensure that the value of collateral at least equals the repurchase price to be paid under the repurchase agreement transaction.

The Fund will only enter into repurchase agreements with banks and other recognized financial institutions, such as broker/dealers, which are deemed

by the Fund's manager to be creditworthy pursuant to the guidelines and/or standards reviewed or established by the Board of Trustees (the "Trustees"). Risks may arise from the potential inability of counterparties to honor the terms of the repurchase agreement. Accordingly, the Fund could receive less than the repurchase price on the sale of collateral securities.

INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS--Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue

FEDERATED MID-CAP FUND

Code, as amended (the "Code"). Dividend income and distributions to shareholders are recorded on the ex-dividend date.

FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of its income. Accordingly, no provisions for federal tax are necessary.

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.

DEFERRED EXPENSES--The costs incurred by the Fund with respect to registration of its shares in its first fiscal year, excluding the initial expense of registering its shares, have been deferred and are being amortized over a period not to exceed five years from the Fund's commencement date.

FUTURES CONTRACTS--The Fund purchases stock index futures contracts to manage cashflows, enhance yield, and to potentially reduce transaction costs. Upon entering into a stock index futures contract with a broker, the Fund is required to deposit in a segregated account a specified amount of cash or U.S. government securities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. Daily, 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. For the period ended October 31, 1996, the Fund had realized losses of \$252,492 on futures contracts.

Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with changes in the value of the underlying securities.

At October 31, 1996, the Fund had outstanding futures contracts as set forth below:

<TABLE>

<CAPTION>

EXPIRATION DATE	CONTRACTS TO DELIVER/RECEIVE	POSITION	UNREALIZED APPRECIATION
<S>	<C>	<C>	<C>
December 20, 1996	48 S&P 400 Index Futures	Long	\$133,010

</TABLE>

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles 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.

OTHER--Investment transactions are accounted for on the trade date.

FEDERATED MID-CAP FUND

(3) SHARES OF BENEFICIAL INTEREST

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value). Transactions in shares were as follows:

<TABLE>

<CAPTION>

	YEAR ENDED OCTOBER 31,	
	1996	1995
<S>	<C>	<C>

Shares sold	4,023,215	4,033,312
Shares issued to shareholders in payment of distributions declared	206,046	78,357
Shares redeemed	(4,766,402)	(3,208,182)
Net change resulting from share transactions	(537,141)	903,487

</TABLE>

(4) MANAGEMENT FEE AND OTHER TRANSACTIONS WITH AFFILIATES

MANAGEMENT FEE--Federated Management, the Fund's manager, ("Manager"), receives for its services an annual management fee equal to 0.40% of the Fund's average daily net assets. Under the terms of a sub-advisory agreement between the Manager and the Trust Division of ANB Investment Management and Trust Company ("Sub-Manager"), the Sub-Manager receives an annual fee from the Manager equal to 0.035% of the Fund's average daily net assets. In addition, the Sub-Manager may voluntarily choose to reduce its compensation. The Manager may voluntarily choose to waive any portion of its fee. The Manager can modify or terminate this voluntary waiver at any time at its sole discretion.

SHAREHOLDER SERVICES FEE--Under the terms of a Shareholder Services Agreement with Federated Shareholder Services ("FSS"), the Fund will pay FSS up to 0.25% of average daily net assets of the Fund for the period. The fee paid to FSS is used to finance certain services for shareholders and to maintain shareholder accounts. FSS may voluntarily choose to waive any portion of its fee. FSS can modify or terminate this voluntary waiver at any time at its sole discretion.

TRANSFER AND DIVIDEND DISBURSING AGENT FEES--Federated Services Company ("FServ"), through its subsidiary, Federated Shareholder Services Company ("FSSC") serves as transfer and dividend disbursing agent for the Fund. The fee paid to FSSC is based on the size, type, and number of accounts and transactions

made by shareholders.

PORTFOLIO ACCOUNTING FEES--FServ maintains the Fund's accounting records for which it receives a fee. The fee is based on the level of the Fund's average daily net assets for the period, plus out-of-pocket expenses.

ORGANIZATIONAL EXPENSES--Organizational expenses of \$23,784 were borne initially by the Manager. The Fund has agreed to reimburse the Manager for the organizational expenses at an annual rate of 0.005% of average daily net assets until expenses initially borne are fully reimbursed or the expiration of five years after effective date--whichever occurs earlier. For the period ended October 31, 1996, the Fund paid \$6,871 pursuant to this agreement.

FEDERATED MID-CAP FUND

GENERAL--Certain of the Officers and Trustees of the Trust are Officers and Directors or Trustees of the above companies.

(5) INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the period ended October 31, 1996, were as follows:

<TABLE>		<C>
<S>		
Purchases		\$ 8,725,444
Sales		\$15,432,850
</TABLE>		

-----  
 To the Trustees and Shareholders of  
 FEDERATED INDEX TRUST:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Federated Mid-Cap Fund (a portfolio of Federated Index Trust) as of October 31, 1996, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended and the financial highlights (see page 2 of this prospectus) for each of the periods presented. 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 conducted our audits in accordance with generally accepted auditing standards. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 1996, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Federated Mid-Cap Fund of Federated Index Trust at October 31, 1996, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Pittsburgh, Pennsylvania  
 December 16, 1996

ADDRESSES

-----		
<TABLE>		
<S>	<C>	<C>
Federated Mid-Cap Fund		Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
-----		
Distributor	Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
-----		
Manager	Federated Management	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
-----		
Sub-Manager	ANB Investment Management and Trust Co.	One North LaSalle Street Chicago, Illinois 60690
-----		
Custodian	State Street Bank and Trust Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
-----		
Transfer Agent and Dividend Disbursing Agent	Federated Shareholder Services Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
-----		

</TABLE>

FEDERATED MID-CAP FUND  
(A PORTFOLIO OF FEDERATED INDEX TRUST)  
PROSPECTUS

A No-Load, Open-End, Diversified  
Management Investment Company

Prospectus dated December 31, 1996

LOGO

Cusip 31420E205

2062304A (12/96)

FEDERATED MID-CAP FUND  
(A PORTFOLIO OF FEDERATED INDEX TRUST)  
STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus of the Fund dated December 31, 1996. This Statement is not a prospectus itself. You may request a copy of a prospectus or a paper copy of this Statement of Additional Information, if you have received it electronically, free of charge by calling 1-800-341-7400.

FEDERATED INVESTORS TOWER  
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated December 31, 1996

[LOGO]

Federated Securities Corp. is the distributor of the Funds and is a subsidiary of Federated Investors.

Cusip 31420E205  
2062304B (12/96)

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#### GENERAL INFORMATION ABOUT THE FUND

Federated Mid-Cap Fund (the "Fund") is a portfolio of Federated Index Trust (the "Trust"), which was established as a Massachusetts business trust under a Declaration of Trust dated January 30, 1990. On December 5, 1994, the Trustees changed the name of the Fund from the Mid-Cap Fund to the Federated Mid-Cap Fund.

#### INVESTMENT OBJECTIVE AND POLICIES

The investment objective of the Fund is to provide investment results generally corresponding to the aggregate price and dividend performance of the publicly traded common stocks that comprise the mid-level stock capitalization sector of the United States equity market. The investment objective cannot be changed without the approval of shareholders. The policies described below may be changed by the Board of Trustees ("Trustees") without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

#### TYPES OF INVESTMENTS

In addition to the common stocks described in the prospectus, the Fund may also invest in money market instruments and U.S. government obligations and securities in such proportions as, in the judgment of the sub-manager, prevailing market conditions warrant.

#### MONEY MARKET INSTRUMENTS

The Fund may invest in the following money market instruments: instruments of domestic banks and savings associations having capital, surplus, and undivided profits of over \$100,000,000, or if the principal amount of the instrument is insured in full by the Federal Deposit Insurance Corporation; and

prime commercial paper (rated A-1 by Standard and Poor's Ratings Group, Prime-1 by Moody's Investors Service, Inc., or F-1 by Fitch Investors Service).

#### REPURCHASE AGREEMENTS

The Fund requires its custodian to take possession of the securities subject to repurchase agreements, and these securities are marked to market daily. To the extent that the original seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities. In the event that such a defaulting seller files for bankruptcy or becomes insolvent, disposition of such securities by the Fund might be delayed pending court action. The Fund believes that under the regular procedures normally in effect for custody of the Fund's portfolio securities subject to repurchase agreements, a court of competent jurisdiction would rule in favor of the Fund and allow retention or disposition of such securities. The Fund will only enter into repurchase agreements with banks and other recognized financial institutions such as broker/dealers which are deemed by the Fund's sub-manager to be creditworthy pursuant to guidelines established by the Trustees.

#### U.S. GOVERNMENT OBLIGATIONS

The types of U.S. government obligations in which the Fund may invest generally include direct obligations of the U.S. Treasury (such as U.S. Treasury bills, notes, and bonds) and obligations issued or guaranteed by U.S. government agencies or instrumentalities. These securities are backed by:

- o the full faith and credit of the U.S. Treasury;
- o the issuer's right to borrow from the U.S. Treasury;

- o the discretionary authority of the U.S. government to purchase certain obligations of agencies or instrumentalities; or
- o the credit of the agency or instrumentality issuing the obligations. Examples of agencies and instrumentalities which may not always receive financial support from the U.S. government are:
  - o The Farm Credit System, including the National Bank for Cooperatives, Farm Credit Banks, and Banks for Cooperatives;
  - o Federal Home Loan Banks;
  - o Farmers Home Administration; and
  - o Federal National Mortgage Association.

#### STOCK INDEX FUTURES AND OPTIONS

The Fund may utilize stock index futures contracts and options on stocks, stock indices and stock index futures contracts for the purposes of managing cash flows into and out of the Fund's portfolio and potentially reducing transactional costs. The Fund may not use stock index futures contracts and options for speculative purposes. As a means of reducing fluctuations in the net asset value of shares of the Fund, the Fund may attempt to hedge all or a portion of its portfolio through the purchase of listed put options on stocks, stock indices and stock index futures contracts. These options will be used only as a form of forward pricing to protect portfolio securities against decreases in value resulting from market factors such as an anticipated increase in interest rates. A put option gives the Fund, in return for a premium, the right to sell the underlying security to the writer (seller) at a specified price during the term of the option. Put options on stock indices are similar to put options on stocks except for the delivery requirements. Instead of giving the Fund the right to make delivery of stock at a specified price, a put

option on a stock index gives the Fund, as holder, the right to receive an amount of cash upon exercise of the option. The Fund may also write covered call options. As the writer of a call option, the Fund has the obligation upon exercise of the option during the option period to deliver the underlying security upon payment of the exercise price.

The Fund may only: (1) buy listed put options on stock indices and stock index futures contracts; (2) buy listed put options on securities held in its portfolio; and (3) sell listed call options either on securities held in its portfolio or on securities which it has the right to obtain without payment of further consideration (or has segregated cash in the amount of any such additional consideration). The Fund will maintain its positions in securities, option rights, and segregated cash subject to puts and calls until the options are exercised, closed, or expired.

The Fund may also enter into stock index futures contracts. A stock index futures contract is a bilateral agreement which obligates the seller to deliver (and the purchaser to take delivery of) an amount of cash equal to a specific dollar amount times the difference between the value of a specific stock index at the close of trading of the contract and the price at which the agreement is originally made. There is no physical delivery of the stocks constituting the index, and no price is paid upon entering into a futures contract. In general, contracts are closed out prior to their expiration. The Fund, when purchasing or selling a futures contract, will initially be required to deposit in a segregated account in the broker's name with the Fund's custodian an amount of cash or U.S. government securities approximately equal to 5%-10% of the contract value. This amount is

known as "initial margin," and it is subject to change by the exchange or board of trade on which the contract is traded. Subsequent payments to and from the broker are made on a daily basis as the price of the index or the securities underlying the futures contract fluctuates. These payments are known as "variation margins," and the fluctuation in value of the long and short positions in the futures contract is a process referred to as "marking to market." The Fund may decide to close its position on a contract at any time prior to the contract's expiration. This is accomplished by the Fund taking an opposite position at the then prevailing price, thereby terminating its existing position in the contract. Because the initial margin resembles a performance bond or good faith deposit on the contract, it is returned to the Fund upon the termination of the contract, assuming that all contractual obligations have been satisfied. Therefore, the



margin utilized in futures contracts is readily distinguishable from the margin employed in security transactions, since the margin employed in futures contracts does not involve the borrowing of funds to finance the transaction.

#### RESTRICTIONS ON THE USE OF FUTURES CONTRACTS AND OPTIONS

The Fund will not enter into stock index futures contracts to the extent that, immediately thereafter, the sum of its initial margin deposits on open contracts exceeds 5% of the market value of the Fund's total assets. Further, the Fund will enter into stock index futures contracts only for bona fide hedging purposes or such other purposes permitted under Part 4 of the regulations promulgated by the Commodity Futures Trading Commission ("CFTC"). Also, the Fund may not enter into stock index futures contracts and options to the extent that the value of such contracts and options would exceed 20% of the

Fund's total net assets and may not purchase put options to the extent that more than 5% of the value of the Fund's total assets would be invested in premiums on open put option positions.

#### WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are made to secure what is considered to be an advantageous price or yield for the Fund. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of the Fund sufficient to make payment for the securities to be purchased are segregated on the Fund's records at the trade date. These assets are marked to market daily and are maintained until the transaction has been settled. The Fund does not intend to engage in when-issued and delayed delivery transactions to an extent that would cause the segregation of more than 20% of the total value of its assets.

#### LENDING OF PORTFOLIO SECURITIES

The Fund may lend its portfolio securities up to one-third of the value of its total assets to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with broker/dealers, banks, or other institutions which the sub-manager has determined are creditworthy under guidelines established by the Trustees and will receive collateral equal to at least 100% of the value of the securities loaned.

The collateral received when the Fund lends portfolio securities must be valued daily and, should the market value of the loaned securities increase, the borrower must furnish additional collateral to the Fund. During the time portfolio securities are on loan, the borrower pays the Fund any dividends or interest paid on such securities. Loans are subject to termination at the option of the Fund or the borrower. The Fund may pay reasonable administrative and custodial fees in connection with a loan and

may pay a negotiated portion of the interest earned on the cash or equivalent collateral to the borrower or placing broker. The Fund does not have the right to vote securities on loan, but would terminate the loan and regain the right to vote if that were considered important with respect to the investment.

#### REVERSE REPURCHASE AGREEMENTS

The Fund may also enter into reverse repurchase agreements. A reverse repurchase transaction is similar to borrowing cash. In a reverse repurchase agreement the Fund transfers possession of a portfolio instrument to another person, such as a financial institution, broker, or dealer, in return for a percentage of the instrument's market value in cash, and agrees that on a stipulated date in the future the Fund will repurchase the portfolio instrument by remitting the original consideration plus interest at an agreed upon rate. The use of reverse repurchase agreements may enable the Fund to avoid selling portfolio instruments at a time when a sale may be deemed to be disadvantageous, but the ability to enter into reverse repurchase agreements does not ensure that the Fund will be able to avoid selling portfolio instruments at a disadvantageous time. When effecting reverse repurchase agreements, liquid assets of the Fund, in a dollar amount sufficient to make payment for the obligations to be purchased, are segregated at the trade date. These securities are marked to market daily and are maintained until the transaction is settled.

#### PORTFOLIO TURNOVER

The Fund will not attempt to set or meet a portfolio turnover rate since any turnover would be incidental to transactions undertaken in an attempt to achieve the Fund's investment objective. For the fiscal years ended October 31, 1996 and October 31, 1995, the portfolio turnover rates for the Fund were 17% and 26%, respectively.

#### INVESTMENT LIMITATIONS

##### INVESTING IN COMMODITIES

The Fund will not purchase or sell commodities. However, the Fund may purchase stock index futures contracts and put options on stock indices and stock index futures contracts to the extent that not more than 5% of the Fund's total assets are required as initial margin deposit for futures

contracts and not more than 20% of the Fund's total net assets are invested in futures contracts and options at any time.

#### SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any securities short or purchase any securities on margin, other than in connection with buying stock index futures contracts and put options on stock index futures contracts, but may obtain such short-term credits as are necessary for the clearance of transactions.

#### LENDING CASH OR SECURITIES

The Fund will not lend any of its assets, except portfolio securities up to one-third of the value of its total assets. This shall not prevent the Fund from purchasing or holding U.S. government obligations, money market instruments, bonds, debentures, notes, certificates of indebtedness or other debt securities, entering into repurchase agreements, or engaging in other transactions where permitted by the Fund's investment objective and policies and the Declaration of Trust of the Trust.

#### UNDERWRITING

The Fund will not underwrite any issue of securities, except as it may be deemed to be an underwriter under the Securities Act of 1933 in connection with the sale of restricted securities which the Fund may purchase pursuant to its investment objective, policies, and limitations.

#### ISSUING SENIOR SECURITIES AND BORROWING MONEY

The Fund will not issue senior securities, except that the Fund may borrow money and engage in reverse repurchase agreements in amounts up to one-third of the value of its total assets, including the amounts borrowed. The Fund will not borrow money or engage in reverse repurchase agreements for investment leverage, but rather as a temporary, extraordinary, or emergency measure or to facilitate management of the portfolio by enabling the Fund to meet redemption requests when the liquidation of portfolio securities is deemed to be inconvenient or disadvantageous. The Fund will not purchase any securities while borrowings in excess of 5% of its total assets are outstanding. During the period any reverse repurchase agreements are outstanding, but only to the extent necessary to assure completion of the reverse repurchase agreements, the Fund will restrict the purchase of portfolio instruments to money market instruments maturing on or before the expiration date of the reverse repurchase agreements.

#### PLEDGING ASSETS

The Fund will not mortgage, pledge, or hypothecate any assets except to secure permitted borrowings. In those cases, it may pledge assets having a market value not exceeding the lesser of the dollar amounts borrowed or 10% of the value of total assets at the time of the borrowing.

#### DIVERSIFICATION OF INVESTMENTS

The Fund will not invest more than 5% of the value of its total assets in the securities of any one issuer, except U.S. government securities, or invest in more than 10% of the voting securities of any one issuer.

#### CONCENTRATION OF INVESTMENTS

The Fund will not invest 25% or more of the value of its total assets in securities of companies in any one industry. However, investing in U.S.

government obligations shall not be considered investing in any one industry.

#### INVESTING IN REAL ESTATE

The Fund will not buy or sell real estate, including partnership interests in real estate, although it may invest in securities of companies whose business involves the purchase or sale of real estate or in securities which are secured by real estate or interests in real estate.

#### INVESTING IN RESTRICTED SECURITIES

The Fund will limit its investment in restricted securities to 5% of the value of its total assets in securities subject to restrictions on resale under the Securities Act of 1933.

The above investment limitations cannot be changed without shareholder approval. The following investment limitations, however, may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

#### WRITING COVERED CALL OPTIONS

The Fund will not write call options on securities unless the securities are held in the Fund's portfolio or unless the Fund is entitled to them in deliverable form without further payment or after segregating cash in the amount of any further payment.

#### INVESTING IN PUT OPTIONS

The Fund will not purchase put options on securities, other than put options on stock, stock indices and stock index futures contracts, unless the securities are held in the Fund's portfolio and not more than 5% of the value of the Fund's total assets would be invested in premiums on open put option positions and not more than 20% of the Fund's total net assets are invested in put options and future contracts at any time.

#### ACQUIRING SECURITIES

The Fund will not purchase securities of other investment companies except to the extent permitted by the Investment Company Act of 1940, or except as

part of a merger, consolidation, or other acquisition. It will not invest in securities for the purpose of exercising control or management.

#### INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 15% of its net assets in securities which are illiquid, including certain restricted securities not determined by the Trustees to be liquid and repurchase agreements providing for settlement more than seven days after notice.

Except with respect to borrowing money, if a percentage limitation is adhered to at the time of investment, a later increase or decrease in percentage resulting from any change in value or net assets will not result in a violation of such restriction.

The Fund did not borrow money or pledge securities in excess of 5% of the value of its net assets during the past fiscal year and does not expect to do so during the coming fiscal year.

For purposes of its policies and limitations, the Fund considers certificates of deposit and demand and time deposits issued by a U.S. branch of a domestic bank or savings association having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment to be "cash items".

#### FEDERATED INDEX TRUST MANAGEMENT

Officers and Trustees are listed with their addresses, birthdates, present positions with Federated Index Trust, and principal occupations.

John F. Donahue@\*  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: July 28, 1924  
Chairman and Trustee  
Chairman and Trustee, Federated Investors, Federated Advisers, Federated Management, and Federated Research; Chairman and Director, Federated Research Corp. and Federated Global Research Corp.; Chairman, Passport Research, Ltd.; Chief Executive Officer and Director or Trustee of the Funds.

Thomas G. Bigley  
28th Floor, One Oxford Centre  
Pittsburgh, PA  
Birthdate: February 3, 1934  
Trustee  
Chairman of the Board, Children's Hospital of Pittsburgh; formerly, Senior Partner, Ernst & Young LLP; Director, MED 3000 Group, Inc.; Trustee, University of Pittsburgh; Director or Trustee of the Funds.

John T. Conroy, Jr.  
Wood/IPC Commercial Department  
John R. Wood and Associates, Inc., Realtors  
3255 Tamiami Trail North  
Naples, FL  
Birthdate: June 23, 1937

Trustee  
President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; Partner or Trustee in private real estate ventures in Southwest Florida; formerly, President, Naples Property Management, Inc. and Northgate Village Development Corporation; Director or Trustee of the Funds.

William J. Copeland  
One PNC Plaza - 23rd Floor  
Pittsburgh, PA  
Birthdate: July 4, 1918  
Trustee  
Director and Member of the Executive Committee, Michael Baker, Inc.; formerly, Vice Chairman and Director, PNC Bank, N.A., and PNC Bank Corp.; Director, Ryan Homes, Inc.; Director or Trustee of the Funds.

J. Christopher Donahue \*  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: April 11, 1949

Executive Vice President and Trustee  
President and Trustee, Federated Investors, Federated Advisers, Federated  
Management, and Federated Research; President and Director, Federated  
Research Corp. and Federated Global Research Corp.; President, Passport  
Research, Ltd.; Trustee, Federated Shareholder Services Company, and

Federated Shareholder Services; Director, Federated Services Company;  
President or Executive Vice President of the Funds; Director or Trustee of  
some of the Funds. Mr. Donahue is the son of John F. Donahue, Chairman and  
Trustee of the Company.

James E. Dowd  
571 Hayward Mill Road  
Concord, MA  
Birthdate: May 18, 1922  
Trustee  
Attorney-at-law; Director, The Emerging Germany Fund, Inc.; Trustee of the  
Funds.

Lawrence D. Ellis, M.D.\*  
3471 Fifth Avenue, Suite 1111  
Pittsburgh, PA  
Birthdate: October 11, 1932  
Trustee  
Professor of Medicine, University of Pittsburgh; Medical Director,  
University of Pittsburgh Medical Center - Downtown; Member, Board of  
Directors, University of Pittsburgh Medical Center; formerly, Hematologist,  
Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Director  
or Trustee of the Funds.

Edward L. Flaherty, Jr.@  
Miller, Ament, Henny & Kochuba  
205 Ross Street

Pittsburgh, PA  
Birthdate: June 18, 1924  
Trustee  
Attorney of Counsel, Miller, Ament, Henny & Kochuba; Director, Eat'N Park  
Restaurants, Inc.; formerly, Counsel, Horizon Financial, F.A., Western  
Region; Director or Trustee of the Funds.

Peter E. Madden  
One Royal Palm Way  
100 Royal Palm Way  
Palm Beach, FL  
Birthdate: March 16, 1942  
Trustee  
Consultant; Former State Representative, Commonwealth of Massachusetts;  
formerly, President, State Street Bank and Trust Company and State Street  
Boston Corporation; Director or Trustee of the Funds.

Gregor F. Meyer  
Miller, Ament, Henny & Kochuba  
205 Ross Street  
Pittsburgh, PA  
Birthdate: October 6, 1926  
Trustee

Attorney, Member of Miller, Ament, Henny & Kochuba; Chairman, Meritcare,  
Inc.; Director, Eat'N Park Restaurants, Inc.; Director or Trustee of the  
Funds.

John E. Murray, Jr., J.D., S.J.D.  
President, Duquesne University  
Pittsburgh, PA  
Birthdate: December 20, 1932  
Trustee  
President, Law Professor, Duquesne University; Consulting Partner, Mollica,  
Murray and Hogue; Director or Trustee of the Funds.

Wesley W. Posvar

1202 Cathedral of Learning  
University of Pittsburgh  
Pittsburgh, PA  
Birthdate: September 14, 1925  
Trustee  
Professor, International Politics; Management Consultant; Trustee, Carnegie  
Endowment for International Peace, RAND Corporation, Online Computer  
Library Center, Inc., National Defense University, U.S. Space Foundation  
and Czech Management Center; President Emeritus, University of Pittsburgh;  
Founding Chairman, National Advisory Council for Environmental Policy and  
Technology, Federal Emergency Management Advisory Board and Czech  
Management Center; Director or Trustee of the Funds.

Marjorie P. Smuts  
4905 Bayard Street  
Pittsburgh, PA  
Birthdate: June 21, 1935  
Trustee  
Public relations/Marketing/Conference Planning, Manchester Craftsmen's  
Guild; Restaurant Consultant, Frick Art & History Center; Conference  
Coordinator, University of Pittsburgh Art History Department; Director or  
Trustee of the Funds.

Glen R. Johnson  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: May 2, 1929  
President  
Trustee, Federated Investors; President and/or Trustee of some of the  
Funds; staff member, Federated Securities Corp.

Edward C. Gonzales  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: October 22, 1930  
Executive Vice President  
Vice Chairman, Treasurer, and Trustee, Federated Investors; Vice President,  
Federated Advisers, Federated Management, Federated Research, Federated

Research Corp., Federated Global Research Corp. and Passport Research,  
Ltd.; Executive Vice President and Director, Federated Securities Corp.;  
Trustee, Federated Shareholder Services Company; Trustee or Director of  
some of the Funds; President, Executive Vice President and Treasurer of  
some of the Funds.

John W. McGonigle  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: October 26, 1938  
Executive Vice President , Secretary and Treasurer  
Executive Vice President, Secretary, and Trustee, Federated Investors;  
Trustee, Federated Advisers, Federated Management, and Federated Research;  
Director, Federated Research Corp. and Federated Global Research Corp.;  
Trustee, Federated Shareholder Services Company; Director, Federated  
Services Company; President and Trustee, Federated Shareholder Services;  
Director, Federated Securities Corp.; Executive Vice President and  
Secretary of the Funds; Treasurer of some of the Funds.

Richard B. Fisher  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: May 17, 1923  
Vice President  
Executive Vice President and Trustee, Federated Investors; Chairman and  
Director, Federated Securities Corp.; President or Vice President of some  
of the Funds; Director or Trustee of some of the Funds.

\*This Trustee is deemed to be an ``interested person'' as defined in  
the Investment Company Act of 1940.

@Member of the Executive Committee. The Executive Committee of the  
Board of Trustees handles the responsibilities of the Board between  
meetings of the Board.

As used in the table above, "The Funds" and "Funds" mean the following investment companies: 111 Corcoran Funds; Annuity Management Series; Arrow Funds; Automated Government Money Trust; Blanchard Funds; Blanchard Precious Metals Fund, Inc.; Cash Trust Series II; Cash Trust Series, Inc.; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; Federated Adjustable Rate U.S. Government Fund, Inc.; Federated American Leaders Fund, Inc.; Federated ARMs Fund; Federated Equity Funds; Federated Equity Income Fund, Inc.; Federated Fund for U.S. Government Securities, Inc.; Federated GNMA Trust; Federated Government Income Securities, Inc.; Federated Government Trust; Federated High Income Bond Fund, Inc.; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Institutional Trust; Federated Insurance Series; Federated Investment Portfolios; Federated Investment Trust; Federated Master Trust; Federated Municipal Opportunities Fund, Inc.; Federated Municipal Securities Fund, Inc.; Federated Municipal Trust; Federated Short-Term Municipal Trust; Federated Short-Term U.S. Government Trust; Federated Stock and Bond Fund, Inc.; Federated Stock

Trust; Federated Tax-Free Trust; Federated Total Return Series, Inc.; Federated U.S. Government Bond Fund; Federated U.S. Government Securities Fund: 1-3 Years; Federated U.S. Government Securities Fund: 2-5 Years; Federated U.S. Government Securities Fund: 5-10 Years; Federated Utility Fund, Inc.; First Priority Funds; Fixed Income Securities, Inc.; High Yield Cash Trust; Intermediate Municipal Trust; International Series, Inc.; Investment Series Funds, Inc.; Investment Series Trust; Liberty Term Trust, Inc. - 1999; Liberty U.S. Government Money Market Trust; Liquid Cash Trust; Managed Series Trust; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; Newpoint Funds; Peachtree Funds; RIMCO Monument Funds; Targeted Duration Trust; Tax-Free Instruments Trust; The Planters Funds; The Starburst Funds; The Starburst Funds II; The Virtus Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; Trust for U.S. Treasury Obligations; and World Investment Series, Inc.

#### FUND OWNERSHIP

Officers and Trustees own less than 1% of the Fund's outstanding shares. As of December 4, 1996, the following shareholders of record owned 5% or more of the outstanding shares of the Fund: Charles Schwab & Co. Inc., San Francisco, CA, owned approximately 462,929 shares (10.57%); Covie & Co., Chicago, IL, owned approximately 359,819 shares (8.22%); FIRNATICIA, Iowa City, IA, owned approximately 335,099 shares, (7.65%); and Mitra & Co., Milwaukee, WI, owned approximately 629,561 shares (14.38%).

#### TRUSTEES' COMPENSATION

NAME , POSITION WITH TRUST	AGGREGATE COMPENSATION FROM TRUST*#	TOTAL COMPENSATION PAID FROM FUND COMPLEX +
John F. Donahue Chairman and Trustee the Fund	\$ -0-	\$-0- for the Trust and 54 other investment companies in Complex
J. Christopher Donahue Executive Vice President in the Fund and Trustee	\$ -0-	\$-0- for the Trust and 16 other investment companies Complex
Thomas G. Bigley++ Trustee the Fund	\$1,853.85	\$86,331 for the Trust and 54 other investment companies in Complex
John T. Conroy, Jr. Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex
William J. Copeland Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex
James E. Dowd Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex

Lawrence D. Ellis, M.D. and Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex
Edward L. Flaherty, Jr. and Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex
Peter E. Madden Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex
Gregor F. Meyer Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex
John E. Murray, Jr. Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex

#### TRUSTEES' COMPENSATION (CONT'D.)

Wesley W. Posvar Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex
Marjorie P. Smuts Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex

\*Information is furnished for the fiscal year ended October 31, 1996.

#The aggregate compensation is provided for the Trust which is comprised of three portfolios.

+The information is provided for the last calendar year.

++Mr. Bigley served on 39 investment companies in the Federated Funds Complex from January 1 through September 30, 1995. On October 1, 1995, he was appointed a Trustee on 15 additional Federated Funds.

#### TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees will not be liable for errors of judgment or mistakes of fact or law. However, they are not protected against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

#### MANAGEMENT SERVICES

#### MANAGERS TO THE FUND

The Fund's manager is Federated Management. It is a subsidiary of Federated Investors. All the voting securities of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, his wife, and his son, J. Christopher Donahue.

The Fund's sub-manager is ANB Investment Management and Trust Company ("ANB"). It is a wholly-owned subsidiary of First Chicago Investment Management Company. First Chicago Investment Management Company is a wholly-owned subsidiary of First National Bank of Chicago, which in turn, is a wholly-owned subsidiary of First Chicago NBD Corporation. The sub-manager's directors are Alan F. Delp, J. Stephen Baine, Thomas P. Michaels, David P. Bogler, Stephen P. Manus, Neil R. Wright, Terrall J. Janeway and P. James Kartalia. The officers of ANB are Alan F. Delp, Chairman, Stephen P. Manus, President, Neil R. Wright, Chief Investment Officer, and Thomas P. Michaels, Secretary and Treasurer.

Neither the manager nor the sub-manager shall be liable to the Trust, the Fund, or any shareholder of the Fund for any losses that may be sustained in the purchase, holding, or sale of any security or for anything done or omitted by the manager or sub-manager, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon either of them by their respective management contracts.

#### MANAGEMENT FEES

For its management services, Federated Management receives an annual fee as described in the prospectus. ANB receives an annual fee for its services, which will be paid by the manager, as described in the prospectus.

For the fiscal years ended October 31, 1996, 1995 and 1994, the manager

earned \$225,754, \$208,809 and \$115,033, respectively, of which \$79,194, \$106,606 and \$115,033 was voluntarily waived in 1996, 1995 and 1994, respectively, because of undertakings to limit the Fund's expenses.

#### OTHER RELATED SERVICES

Affiliates of the manager may, from time to time, provide certain electronic equipment and software to institutional customers in order to

facilitate the purchase of shares of funds offered by Federated Securities Corp.

#### BROKERAGE TRANSACTIONS

The managers may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the managers and may include: advice as to the advisability of investing in securities; security analysis and reports; economic studies; industry studies; receipt of quotations for portfolio evaluations; and similar services. Research services provided by brokers and dealers may be used by the managers or their affiliates in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the managers or their affiliates might otherwise have paid, it would tend to reduce their expenses. The managers and their affiliates exercise reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. They determine in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided. During the fiscal years ended October 31, 1996, 1995 and 1994, the Fund paid total brokerage commissions of \$23,672, \$45,385 and \$54,595, respectively.

Although investment decisions for the Fund are made independently from those of the other accounts managed by the managers, investments of the type the Fund may make may also be made by those other accounts. When the Fund and one or more other accounts managed by the managers are prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for sales will be allocated in a manner believed by the managers to be equitable to each. In some cases, this procedure may adversely affect the price paid or received by the Fund or

the size of the position obtained or disposed of by the Fund. In other cases, however, it is believed that coordination and the ability to participate in volume transactions will be to the benefit of the Fund.

#### OTHER SERVICES

##### CUSTODIAN AND PORTFOLIO ACCOUNTANT

State Street Bank and Trust Company, Boston, Massachusetts, is custodian for the securities and cash of the Fund. Federated Services Company, Pittsburgh, Pennsylvania, provides certain accounting and recordkeeping services with respect to the Funds's portfolio investments.

##### TRANSFER AGENT

Federated Services Company, through its registered transfer agent Federated Shareholder Services Company, maintains all necessary shareholder records. For its services, the transfer agent receives a fee based on the size, type and number of accounts and transactions made by shareholders.

##### INDEPENDENT AUDITORS

The independent auditors for the Fund are Ernst & Young LLP, Pittsburgh, Pennsylvania.

##### SHAREHOLDER SERVICES

This arrangement permits the payment of fees to Federated Shareholder Services to cause services to be provided which are necessary for the maintenance of shareholder accounts and to encourage personal services to shareholders by a representative who has knowledge of the shareholder's particular circumstances and goals. These activities and services may include, but are not limited to: providing office space, equipment, telephone facilities, and various clerical, supervisory, computer, and other personnel as necessary or beneficial to establish and maintain shareholder accounts and records; processing purchase and redemption

transactions and automatic investments of client account cash balances; answering routine client inquiries; and assisting clients in changing dividend options, account designations, and addresses.

By adopting the Shareholder Services Agreement, the Trustees expect that the Fund will benefit by: (1) providing personal services to shareholders; (2) investing shareholder assets with a minimum of delay and administrative detail; (3) enhancing shareholder recordkeeping systems; and (4) responding promptly to shareholders' requests and inquiries concerning their accounts.

For the fiscal year ended October 31, 1996, the Fund paid shareholder service fees in the amount of \$141,096 of which \$112,978 was waived.

##### PURCHASING SHARES

Shares are sold at their net asset value without a sales charge on days the



New York Stock Exchange is open for business. The procedure for purchasing shares of the Fund is explained in the prospectus under "Investing in the Fund."

#### CONVERSION TO FEDERAL FUNDS

It is the Fund's policy to be as fully invested as possible so that maximum interest may be earned. To this end, all payments from shareholders must be in federal funds or be converted into federal funds. State Street Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

#### EXCHANGING SECURITIES FOR FUND SHARES

Investors may exchange securities they already own for Fund shares, or they may exchange a combination of securities and cash for Fund shares. Any securities to be exchanged must meet the investment objective and policies of the Fund, must have a readily ascertainable market value and must not be subject to restrictions on resale. An investor should forward the securities in negotiable form with an authorized letter of transmittal to

Federated Securities Corp. The Fund will notify the investor of its acceptance and valuation of the securities within five business days of their receipt by State Street Bank.

The Fund values such securities in the same manner as the Fund values its assets. The basis of the exchange will depend upon the net asset value of Fund shares on the day the securities are valued. One share of the Fund will be issued for each equivalent amount of securities accepted. Any interest earned on the securities prior to the exchange will be considered in valuing the securities. All interest, dividends, subscription, conversion, or other rights attached to the securities become the property of the Fund, along with the securities.

#### TAX CONSEQUENCES

Exercise of this exchange privilege is treated as a sale for federal income tax purposes. Depending upon the cost basis of the securities exchanged for Fund shares, a gain or loss may be realized by the investor.

#### DETERMINING NET ASSET VALUE

Net asset value generally changes each day. The days on which net asset value is calculated by the Fund are described in the prospectus.

#### DETERMINING MARKET VALUE OF SECURITIES

Market values of the Fund's portfolio securities are determined as follows:  
for equity securities, according to the last sale price on a national securities exchange, if available;  
in the absence of recorded sales for equity securities, according to the mean between the last closing bid and asked prices;  
for bonds and other fixed income securities, at the last sale price on a national securities exchange if available, otherwise as determined by an independent pricing service;

for short-term obligations, according to the mean between bid and asked prices as furnished by an independent pricing service or for short-term obligations with remaining maturities of 60 days or less at the time of purchase, at amortized cost; or  
for all other securities, at fair value as determined in good faith by the Trustees.

Prices provided by independent pricing services may be determined without relying exclusively on quoted prices and may reflect: institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data.

The Fund will value stock index futures contracts and options on stocks, stock indices and stock index futures contracts at their market values established by the exchanges at the close of option trading on such exchanges unless the Trustees determine in good faith that another method of valuing option positions is necessary to appraise their fair value.

#### REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after State Street Bank receives the redemption request. Redemption procedures are explained in the prospectus under "Redeeming Shares."

#### REDEMPTION IN KIND

Although the Fund intends to redeem shares in cash, it reserves the right under certain circumstances to pay the redemption price in whole or in part with securities from the Fund's portfolio.

Such securities will be valued with the same valuation techniques employed in determining net asset value, and the securities will be selected in a manner the Trustees determine to be fair and equitable.

The Fund has elected to be governed by Rule 18f-1 of the Investment Company Act of 1940 under which the Fund will redeem shares for any one shareholder

in cash up to the lesser of \$250,000 or 1% of the Fund's net asset value during any 90-day period.

#### MASSACHUSETTS PARTNERSHIP LAW

Under certain circumstances, shareholders may be held personally liable as partners under Massachusetts law for acts or obligations of the Trust on behalf of the Fund. To protect shareholders of the Fund, the Trust has filed legal documents with Massachusetts that expressly disclaim the liability of shareholders of the Fund for such acts or obligations of the Trust. These documents require notice of this disclaimer to be given in each agreement, obligation, or instrument that the Trust enters into or its Trustees enter into or sign on behalf of the Fund.

In the unlikely event a shareholder of the Fund is held personally liable for the Trust's obligations on behalf of the Fund, the Trust is required to use the property of the Fund to protect or compensate the shareholder. On request, the Trust will defend any claim made and pay any judgment against a shareholder for any act or obligation of the Trust on behalf of the Fund. Therefore, financial loss resulting from liability as a shareholder of the Fund will occur only if the Trust itself cannot meet its obligations to indemnify shareholders and pay judgments against them from the assets of the Fund.

#### TAX STATUS

##### THE FUND'S TAX STATUS

The Fund will pay no federal income tax because the Fund expects to meet the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies. To qualify for this treatment, the Fund must, among other requirements:

- derive at least 90% of its gross income from dividends, interest, and gains from the sale of securities;
- derive less than 30% of its gross income from the sale of securities held less than three months;
- invest in securities within certain statutory limits; and
- distribute to its shareholders at least 90% of its net income earned during the year.

##### SHAREHOLDERS' TAX STATUS

Shareholders are subject to federal income tax on dividends received as cash or additional shares. No portion of any income dividend paid by the Fund is eligible for the dividends received deduction available to corporations. These dividends, and any short-term capital gains, are taxable as ordinary income.

##### CAPITAL GAINS

Shareholders will pay federal tax at capital gains rates on long-term capital gains distributed to them regardless of how long they have held the Fund shares.

##### TOTAL RETURN

The Fund's average annual total returns for the one-year period ended October 31, 1996 and for the period from November 5, 1992 (start of performance) to October 31, 1996, were 15.80% and 13.67% , respectively. The average annual total return for the Trust is the average compounded rate of return for a given period that would equate a \$1,000 initial investment to the ending redeemable value of that investment. The ending redeemable value is computed by multiplying the number of shares owned at the end of the period by the offering price per share at the end of the period. The number of shares owned at the end of the period is based on the number of shares purchased at the beginning of the period with \$1,000,

adjusted over the period by any additional shares, assuming the quarterly reinvestment of all dividends and distributions.

##### YIELD

The Fund's SEC yield for the thirty-day period ended October 31, 1996 was 1.35%.

The yield for the Fund is determined each day by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by the Fund over a thirty-day period by the offering price per share of the Fund on the last day of the period. This value is annualized using semi-annual compounding. This means that the amount of income generated during the thirty-day period is assumed to be generated each month over a twelve month period and is reinvested every six months. The yield does not necessarily reflect income actually earned by the Fund because of certain adjustments required by the Securities and Exchange Commission and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

To the extent that financial institutions and broker/dealers charge fees in connection with services provided in conjunction with an investment in the Fund, performance will be reduced for those shareholders paying those fees.

##### PERFORMANCE COMPARISONS

The Fund's performance depends upon such variables as:  
oportfolio quality;  
oaverage portfolio maturity;  
otype of instruments in which the portfolio is invested;  
ochanges in interest rates and market value of portfolio securities;

ochanges in Fund expenses;  
othe relative amount of Fund cash flow; and  
ovarious other factors.

The Fund's performance fluctuates on a daily basis largely because net earnings and offering price per share fluctuate daily. Both net earnings and offering price per share are factors in the computation of yield and total return.

Investors may use financial publications and/or indices to obtain a more complete view of the Fund's performance. When comparing performance, investors should consider all relevant factors such as the composition of any index used, prevailing market conditions, portfolio compositions of other funds, and methods used to value portfolio securities and compute offering price. The financial publications and/or indices which the Fund uses in advertising may include:

oLIPPER ANALYTICAL SERVICES, INC. ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all capital gains distributions and income dividends and takes into account any change in offering price over a specific period of time. From time to time, the Fund will quote its Lipper ranking in the "index funds" category in advertising and sales literature.

oRUSSELL 2000 SMALL STOCK INDEX--is a broadly diversified index consisting of approximately 2,000 small capitalization common stocks that can be used to compare to the total returns of funds whose portfolios are invested primarily in small capitalization common stocks.

oSTANDARD & POOR'S DAILY STOCK PRICE INDEXES OF 500 AND 400 COMMON STOCKS--are composite indexes of common stocks in industry, transportation, and financial and public utility companies that can be used to compare to the total returns of funds whose portfolios are invested primarily in common

stocks. In addition, the Standard & Poor's indexes assume reinvestments of all dividends paid by stocks listed on its indexes. Taxes due on any of these distributions are not included, nor are brokerage or other fees calculated in Standard & Poor's figures.

oWILSHIRE 5000 EQUITY INDEXES--consists of nearly 5,000 common equity securities, covering all stocks in the U.S. for which daily pricing is available, and can be used to compare to the total returns of funds whose portfolios are invested primarily in common stocks.

oMORNINGSTAR, INC., an independent rating service, is the publisher of the bi-weekly Mutual Fund Values. Mutual Fund Values rates more than 1,000 NASDAQ-listed mutual funds of all types, according to their risk-adjusted returns. The maximum rating is five stars, and ratings are effective for two weeks.

Advertisements and other sales literature for each class of shares may quote total returns which are calculated on nonstandardized base periods. These total returns also represent the historic change in the value of an investment in either class of shares based on quarterly reinvestment of dividends over a specified period of time.

Advertising and other promotional literature may include charts, graphs and other illustrations using the Fund's returns, or returns in general, that demonstrate basic investment concepts such as tax-deferred compounding, dollar-cost averaging and systematic investment. In addition, the Fund can compare its performance, or performance for the types of securities in which it invests, to a variety of other investments, such as bank savings accounts, certificates of deposit, and Treasury bills.

#### ECONOMIC AND MARKET INFORMATION

Advertising and sales literature for the Fund may include discussions of economic, financial and political developments and their effect on the

securities market. Such discussions may take the form of commentary on these developments by Fund portfolio managers and their views and analysis on how such developments could affect the Funds. In addition, advertising and sales literature may quote statistics and give general information about the mutual fund industry, including the growth of the industry, from sources such as the Investment Company Institute.

#### ABOUT FEDERATED INVESTORS

Federated Investors is dedicated to meeting investor needs which is reflected in its investment decision making-structured, straightforward, and consistent. This has resulted in a history of competitive performance with a range of competitive investment products that have gained the confidence of thousands of clients and their customers.

The company's disciplined security selection process is firmly rooted in sound methodologies backed by fundamental and technical research.

Investment decisions are made and executed by teams of portfolio managers,

analysts, and traders dedicated to specific market sectors. Traders handle trillions of dollars in annual trading volume.

In the equity sector, Federated Investors has more than 25 years' experience. As of December 31, 1995, Federated Investors managed 22 equity funds totaling approximately \$5.4 billion in assets across growth, value, equity income, international, index and sector (i.e. utility) styles. Federated Investor's value-oriented management style combines quantitative and qualitative analysis and features a structured, computer-assisted composite modeling system that was developed in the 1970s. J. Thomas Madden, Executive Vice President, oversees Federated Investors' equity and high yield corporate bond management while William D. Dawson, Executive Vice President, oversees Federated Investors' domestic fixed

income management. Henry A. Frantzen, Executive Vice President, oversees the management of Federated Investors' international portfolios.

#### MUTUAL FUND MARKET

Twenty-seven percent of American households are pursuing their financial goals through mutual funds. These investors, as well as businesses and institutions, have entrusted over \$3 trillion to the more than 5,500 funds available.\*

Federated Investors, through its subsidiaries, distributes mutual funds for a variety of investment applications. Specific markets include:

#### INSTITUTIONAL CLIENTS

Federated Investors meets the needs of more than 4,000 institutional clients nationwide by managing and servicing separate accounts and mutual funds for a variety of applications, including defined benefit and defined contribution programs, cash management, and asset/liability management. Institutional clients include corporations, pension funds, tax-exempt entities, foundations/endowments, insurance companies, and investment and financial advisors. The marketing effort to these institutional clients is headed by John B. Fisher, President, Institutional Sales Division.

#### TRUST ORGANIZATIONS

Other institutional clients include close relationships with more than 1,500 banks and trust organizations. Virtually all of the trust divisions of the top 100 bank holding companies use Federated funds in their clients' portfolios. The marketing effort to trust clients is headed by Mark R. Gensheimer, Executive Vice President, Bank Marketing & Sales.

#### BROKER/DEALERS AND BANK BROKER/DEALER SUBSIDIARIES

Federated funds are available to consumers through major brokerage firms nationwide--including 200 New York Stock Exchange firms--supported by more wholesalers than any other mutual fund distributor. Federated's service to financial professionals and institutions has earned it high ratings in several surveys performed by DALBAR, Inc. DALBAR is recognized as the industry benchmark for service quality measurement. The marketing effort to these firms is headed by James F. Getz, President, Broker/Dealer Division.

\*source: Investment Company Institute

#### STANDARD & POOR'S RATINGS GROUP

"Standard and Poor's," "S&P," "S&P MidCap 400 Index," and "Standard & Poor's MidCap 400 Index" are trademarks of Standard & Poor's Ratings Group ("S&P") and have been licensed for use by Federated Securities Corp. The Fund is not sponsored, endorsed, sold or promoted by S&P and S&P makes no representation regarding the advisability of investing in the Fund.

#### FEDERATED MID-CAP FUND

ANNUAL REPORT FOR FISCAL YEAR ENDED OCTOBER 31, 1996

#### MANAGEMENT DISCUSSION AND ANALYSIS

The fund's total return for the 12 months ended October 31, 1996 was 15.80%.\* The target index, the Standard & Poor's MidCap 400 Index (the "Index"), had a total return of 17.36% during the period.\*\* The fund's performance lagged that of the Index due to transaction costs, administrative expenses, and slight differences between the composition of the fund versus that of the Index.

The stock market reached new highs during the last 12 months, despite predictions by some analysts that the stock market has become overbought

and should decline. Investor confidence has apparently remained high due to relatively stable interest rates and inflation, and strong corporate earnings. Additional factors supporting the market have been stock buybacks, purchases by foreign investors, strong cash flows into equity mutual funds and expectations of stable government policy after the recent elections.

During the fund's fiscal year the strongest performing sectors in the Index were technology, energy and finance, while healthcare, homebuilding and office products were among the worst performing sectors in the Index.

\* Performance quoted represents past performance and is not indicative 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.

\*\* Standard and Poor's MidCap 400 Index is an unmanaged index consisting of 400 common stocks issued by medium-sized domestic companies with a median market capitalization of \$1.1 billion. Actual investments cannot be made in an index. The Mid-Cap Fund seeks investment results that correspond to the aggregate price and total return performance of the Standard & Poor's MidCap Index, "Standard & Poor's(R)," "S&P(R)," "S&P MidCap 400 Index," and "Standard & Poor's MidCap 400 Index" are trademarks of Standard & Poor's Ratings Group ("S&P") and have been licensed for use by Federated Securities Corp. The Fund is neither affiliated with nor promoted, sponsored, sold, or endorsed by Standard & Poor's Ratings Group. Its only relationship to the Fund is the licensing of the use of the Index.

FEDERATED MID-CAP FUND

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GROWTH OF \$25,000 INVESTED IN FEDERATED MID-CAP FUND

The graph below illustrates the hypothetical investment of \$25,000 in the Federated Mid-Cap Fund (the "Fund") from November 5, 1992 (start of performance) to October 31, 1996, compared to the Standard and Poor's Mid-Cap 400 Index (S&P 400).+

[`Graphic representation ``A3'' omitted. See Appendix.``]

AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED OCTOBER 31, 1996

<S>	<C>
1 Year.....	15.80%
Start of Performance (11/5/92).....	13.67%

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST. MUTUAL FUNDS ARE NOT OBLIGATIONS OF OR GUARANTEED BY ANY BANK AND ARE NOT FEDERALLY INSURED.

THIS REPORT MUST BE PRECEDED OR ACCOMPANIED BY THE FUND'S PROSPECTUS DATED DECEMBER 31, 1996, AND, TOGETHER WITH FINANCIAL STATEMENTS CONTAINED THEREIN, CONSTITUTES THE FUND'S ANNUAL REPORT.

- \* The Fund's performance assumes the reinvestment of all dividends and distributions. The S&P 400 has been adjusted to reflect reinvestment of dividends on securities in the index.
- + The S&P 400 is not adjusted to reflect sales charges, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

FEDERATED INVESTORS  
LOGO  
Since 1955

Federated Investors Tower  
Pittsburgh, PA 15222-3779

Federated Securities Corp. is the distributor of the fund

and is a subsidiary of Federated Investors.

Cusip 31420E205  
006686-A (12/96)

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FEDERATED MINI-CAP FUND  
(A PORTFOLIO OF FEDERATED INDEX TRUST)  
PROSPECTUS

Federated Index Trust (the "Trust") is an open-end, management investment company (a mutual fund). Federated Mini-Cap Fund (the "Fund"), a portfolio of the Trust, seeks to provide investment results generally corresponding to the aggregate price and dividend performance of publicly traded common stocks comprising the small-stock capitalization sector of the United States equity market.

THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF ANY BANK, ARE NOT ENDORSED OR GUARANTEED BY ANY BANK, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENT AGENCY. INVESTMENT IN THESE SHARES INVOLVES INVESTMENT RISKS,

INCLUDING THE POSSIBLE LOSS OF PRINCIPAL.

This prospectus contains the information you should read and know before you invest in the Fund. Keep this prospectus for future reference.

The Fund has also filed a Statement of Additional Information, dated December 31, 1996, with the Securities and Exchange Commission ("SEC"). The information contained in the Statement of Additional Information is incorporated by reference into this prospectus. You may request a copy of the Statement of Additional Information, or a paper copy of this prospectus if you have received your prospectus electronically, free of charge by calling 1-800-341-7400. To obtain other information or to make inquiries about the Fund, contact the Fund at the address listed in the back of this prospectus. The Statement of Additional Information, material incorporated by reference into this document, and other information regarding the Fund is maintained electronically with the SEC at Internet Web site (<http://www.sec.gov>).

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Prospectus dated December 31, 1996

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SUMMARY OF FUND EXPENSES  
FEDERATED MINI-CAP FUND

<S>	<C>	<C>
SHAREHOLDER TRANSACTION EXPENSES		
Maximum Sales Charge Imposed on Purchases (as a percentage of offering price).....		None
Maximum Sales Charge Imposed on Reinvested Dividends (as a percentage of offering price).....		None
Contingent Deferred Sales Charge (as a percentage of original purchase price or redemption proceeds, as applicable).....		None
Redemption Fee (as a percentage of amount redeemed, if applicable).....		None
Exchange Fee.....		None
ANNUAL OPERATING EXPENSES (As a percentage of average net assets)		
Management Fee (after waiver) (1).....		0.48%
12b-1 Fee.....		None
Total Other Expenses.....		0.26%
Shareholder Services Fee (after waiver) (2).....	0.04%	
Total Operating Expenses (3).....		0.74%

(1) The management fee has been reduced to reflect the voluntary waiver of a portion of the management fee. The adviser can terminate this voluntary waiver at any time at its sole discretion. The maximum management fee is 0.50%.

(2) The shareholder services fee has been reduced to reflect the voluntary waiver of a portion of the shareholder services fee. The shareholder service provider can terminate this voluntary waiver at any time at its sole discretion. The maximum shareholder services fee is 0.25%.

(3) The total operating expenses would have been 0.97% absent the voluntary waiver of portions of the management fee and the shareholder services fee.

The purpose of this table is to assist an investor in understanding the various costs and expenses that a shareholder of the Fund will bear, either directly or indirectly. For more complete descriptions of the various costs and expenses, see "Federated Index Trust Information". Wire-transferred redemptions of less than \$5,000 may be subject to additional fees.

<S>	1 year	3 years	5 years	10 years
EXAMPLE				
-----				
<S>	<C>	<C>	<C>	<C>
You would pay the following expenses on a \$1,000 investment, assuming (1) 5% annual return and (2) redemption at the end of each time period.....	\$8	\$24	\$41	\$ 92



</TABLE>

THE ABOVE EXAMPLE SHOULD NOT BE CONSIDERED A REPRESENTATION OF PAST OR FUTURE EXPENSES. ACTUAL EXPENSES MAY BE GREATER OR LESS THAN THOSE SHOWN.

FEDERATED MINI-CAP FUND

FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Ernst & Young LLP, Independent Auditors on page 96.

<TABLE>  
<CAPTION>

	YEAR ENDED OCTOBER 31,				
	1996	1995	1994	1993	1992 (A)
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$13.33	\$11.65	\$12.66	\$10.39	\$10.00
INCOME FROM INVESTMENT OPERATIONS					
Net investment income	0.16	0.15	0.11	0.17	0.02
Net realized and unrealized gain (loss) on investments and futures contracts	1.78	1.74	(0.23)	2.27	0.38
Total from investment operations	1.94	1.89	(0.12)	2.44	0.40
LESS DISTRIBUTIONS					
Distributions from net investment income	(0.16)	(0.14)	(0.11)	(0.17)	(0.01 )
Distributions from net realized gain on investments and futures contracts	(0.72)	(0.07)	(0.78)	--	--
Total distributions	(0.88)	(0.21)	(0.89)	(0.17)	(0.01 )
NET ASSET VALUE, END OF PERIOD	\$14.39	\$13.33	\$11.65	\$12.66	\$10.39
TOTAL RETURN (B)					
	15.09%	16.44%	(0.91%)	23.73%	4.00 %
RATIOS TO AVERAGE NET ASSETS					
Expenses	0.74%	0.75%	0.73%	0.37%	0.00 %
Net investment income	1.14%	1.23%	0.98%	1.48%	2.04 %*
Expense waiver/reimbursement (c)	0.23%	0.05%	0.11%	0.86%	0.87 %*
SUPPLEMENTAL DATA					
Net assets, end of period (000 omitted)	\$144,690	\$132,399	\$98,441	\$76,139	\$7,75 1
Average commission rate paid	\$0.0277	--	--	--	--
Portfolio turnover	42%	42%	32%	48%	1 %

</TABLE>

\* Computed on an annualized basis.

(a) Reflects operations for the period from August 10, 1992 (commencement of operations) to October 31, 1992.

(b) Based on net asset value, which does not reflect the sales charge or

contingent deferred sales charge, if applicable.

(c) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above.

(See Notes which are an integral part of the Financial Statements)

#### GENERAL INFORMATION

The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 30, 1990. The Declaration of Trust permits the Trust to offer separate series of shares of beneficial interest representing interests in separate portfolios of securities. The shares in any one portfolio may be offered in separate classes. This prospectus relates only to the Fund. The Fund is designed primarily for institutions investing on behalf of their customers. A minimum initial investment of \$25,000 over a 90-day period is required.

Fund shares are currently sold and redeemed at net asset value without a sales charge or redemption fee being imposed by the Fund. The Fund's net asset value per share fluctuates.

#### INVESTMENT INFORMATION

##### INVESTMENT OBJECTIVE

The investment objective of the Fund is to provide investment results that generally correspond to the aggregate price and dividend performance of the approximately 2,000 publicly traded common stocks that are ranked in terms of capitalization below the top 1,000 stocks that comprise the large and mid-range capitalization sector of the United States equity market. The investment objective of the Fund cannot be changed without the approval of shareholders. These stocks comprise the Russell 2000(®) Index (the "Index"), an index of small capitalization stocks. While there is no assurance that the Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus.

The Fund is neither affiliated with nor promoted, sponsored or endorsed by the Frank Russell Company. Frank Russell's only relationship to the Fund is the licensing of the use of the Index. Frank Russell Company is the owner of the trademarks and copyrights relating to the Index. The Russell 2000(®) Index is a trademark/service mark of the Frank Russell Company. Russell(TM) is a trademark of the Frank Russell Company. Frank Russell Company is not responsible for and has not reviewed the Fund or any associated literature or publications and Frank Russell Company makes no representation or warranty, express or implied, as to their accuracy, or completeness, or otherwise.

##### INVESTMENT POLICIES

The investment policies described below may be changed by the Board of Trustees ("Trustees") without shareholder approval. Shareholders will be notified before any material changes in these policies become effective.

The Fund pursues its investment objective by investing primarily in a pool of securities that will duplicate the investment characteristics of the Index. Under normal market circumstances, the Fund will invest at least 80% of its assets in the common stocks included in the Index.

In pursuit of its investment objective, the Fund uses a "passive" versus an "active" investment approach. In the case of a fund using an active investment approach, the fund would be managed by buying and selling securities based upon economic, financial and market analysis as well as active investment judgment. In contrast, the Fund uses a passive approach that attempts to approximate the investment performance of the Index. Stocks are selected for inclusion in the Fund's portfolio in the order of their contribution to the Fund's market capitalization, industry and fundamental characteristics. Thus, small stocks with the highest market capitalizations will comprise the highest percentage of the Fund's investment portfolio, and those with the lowest market capitalizations will comprise the lowest percentage of the Fund's investment portfolio.

The Fund will not attempt to duplicate or approximate the composition of the Index, although at least 80% of the assets comprising the Fund's portfolio will be invested in stocks included in the Index. It is expected that by investing in a pool of the issues that comprise the Index, the Fund's portfolio will closely

resemble the characteristics of the small stock capitalization sector of the United States equity market. It is also anticipated that the Fund's performance will achieve at least a 95% correlation to the performance of the Index, even though the Fund will not, and does not seek to, duplicate the Index's performance precisely.

The Russell 2000 Index is reconstituted annually, through a ranking of the total market value of public stocks, at the end of the second calendar quarter. The Fund is also reconstituted at that time to match the Index. This annual reconstitution significantly affects turnover and transaction costs. During the year, the Fund is also adjusted as changes occur in the Index. Despite this trading activity to track the Index, portfolio turnover is expected to be below that of most actively managed small stock funds. Therefore, the accompanying costs, including accounting costs, brokerage fees, custodial expenses, and transfer taxes are expected to be lower as well.

In order to accommodate cash flows into and out of the Fund's portfolio, the Fund may enter into stock index futures contracts, options and options on futures contracts. This will allow the Fund to simultaneously maximize the level of the Fund assets used to track the performance of the small stock capitalization sector of the United States equity market. The Fund can sell futures contracts and options in order to close out a previously established

position. The Fund will not enter into stock index futures contracts, options and options on futures contracts for speculative purposes.

#### ACCEPTABLE INVESTMENTS

Under normal market circumstances, the Fund will invest 80% of its assets in stocks that comprise the Index. In addition, the Fund may hold cash reserves which may, for other than defensive purposes, be invested in, but are not limited to, the following:

U.S. GOVERNMENT SECURITIES. The Fund is permitted to invest in U.S. government securities which are either issued or guaranteed by the U.S. government, its agencies or instrumentalities. These securities include, but are not limited to:

- direct obligations of the U.S. Treasury, such as U.S. Treasury bills, notes, and bonds;
- notes, bonds, and discount notes issued or guaranteed by U.S. government agencies and instrumentalities supported by the full faith and credit of the United States;
- notes, bonds, and discount notes of U.S. government agencies or instrumentalities which receive or have access to federal funding; and
- notes, bonds, and discount notes of other U.S. government instrumentalities supported only by the credit of the instrumentalities.

REPURCHASE AGREEMENTS. The U.S. government securities and other securities in which the Fund invests may be purchased pursuant to repurchase agreements. Repurchase agreements are arrangements pursuant to which banks, broker/dealers and other recognized financial institutions sell U.S. government securities or other securities to the Fund and agree at the time of sale to repurchase them at a mutually agreed upon time and price. To the extent that the original seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities.

MONEY MARKET INSTRUMENTS. The Fund may also invest in:

- commercial paper; and
- instruments of domestic banks and savings associations (such as certificates of deposit and bankers' acceptances).

STOCK INDEX FUTURES AND OPTIONS. The Fund may utilize stock index futures contracts, options, and options on futures contracts, subject to the limitation that the value of these futures contracts and options will not exceed 20% of the

Fund's total assets. Also, the Fund will not purchase options to the extent that

more than 5% of the value of the Fund's total assets would be invested in premiums on open put option positions. These futures contracts and options will be used to handle cash flows into and out of the Fund and to potentially reduce transactional costs, since transactional costs associated with futures and options contracts can be lower than costs stemming from direct investments in stocks.

There are several risks accompanying the utilization of futures contracts to effectively anticipate market transactions. First, positions in futures contracts may be closed only on an exchange or board of trade that furnishes a secondary market for such contracts. While the Fund plans to utilize futures contracts only if there exists an active market for such contracts, there is no guarantee that a liquid market will exist for the contracts at a specified time. Furthermore, because, by definition, futures contracts look to projected price levels in the future and not to current levels of valuation, market circumstances may result in there being a discrepancy between the price of the stock index future and the movement in the stock index. The absence of a perfect price correlation between the futures contract and its underlying stock index could stem from investors choosing to close futures contracts by offsetting transactions, rather than satisfying additional margin requirements. This could result in a distortion of the relationship between the index and futures market. In addition, because the futures market imposes less burdensome margin requirements than the securities market, an increased amount of participation by speculators in the futures market could result in price fluctuations.

In view of these considerations, the Fund will comply with the following restrictions when purchasing and selling futures contracts. First, the Fund will not participate in futures transactions if the sum of its initial margin

deposits on open contracts will exceed 5% of the market value of the Fund's total assets, after taking into account the unrealized profits and losses on those contracts into which it has entered. Second, the Fund will not enter into these contracts for speculative purposes. Third, since the Fund does not constitute a commodity pool, it will not market itself as such, nor serve as a vehicle for trading in the commodities futures or commodity options markets. In this regard, the Fund will disclose to all prospective investors the limitations on its futures and options transactions, and will make clear that these transactions are entered into only for bona fide hedging purposes or such other purposes permitted under regulations promulgated by the Commodity Futures Trading Commission ("CFTC"). Also, the Fund intends to claim an exclusion from registration as a commodity pool operator under the regulations promulgated by the CFTC.

#### LENDING OF PORTFOLIO SECURITIES

The Fund may lend its portfolio securities on a short-term or long-term basis up to one-third of the value of its total assets to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with broker/dealers, banks or other institutions which the managers have determined are creditworthy under guidelines established by the Trustees. The Fund will receive collateral in the form of cash or U.S. government securities

equal to at least 100% of the value of the securities loaned. There is the risk that when lending portfolio securities, the securities may not be available to the Fund on a timely basis and the Fund may, therefore, lose the opportunity to

sell the securities at a desirable price. In addition, in the event that a borrower of securities would file for bankruptcy or become insolvent, disposition of the securities may be delayed pending court action.

#### WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

The Fund may purchase short-term U.S. government securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices.

The Fund may dispose of a commitment prior to settlement if the managers deem it appropriate to do so. In addition, the Fund may enter in transactions to sell its purchase commitments to third parties at current market values and simultaneously acquire other commitments to purchase similar securities at later

dates. The Fund may realize short-term profits or losses upon the sale of such commitments.

#### INVESTMENT RISKS

As with other mutual funds that invest primarily in equity securities, the Fund is subject to market risks. That is, the possibility exists that common stocks will decline over short or even extended periods of time, and the United States

equity market tends to be cyclical, experiencing both periods when stock prices generally increase and periods when stock prices generally decrease. However, because the Fund invests primarily in small capitalization stocks, there are some additional risk factors associated with investments in the Fund. In particular, stocks in the small capitalization sector of the United States equity market have historically been more volatile in price than larger capitalization stocks, such as those included in the Standard & Poor's 500 Composite Stock Price Index. This is because, among other things, small companies have less certain growth prospects than larger companies; have a lower degree of liquidity in the equity market; and tend to have a greater sensitivity to changing economic conditions. Further, in addition to exhibiting greater volatility, the stocks of small companies may, to some degree, fluctuate independently of the stocks of large companies. That is, the stocks of small companies may decline in price as the price of large company stocks rises or vice versa. Therefore, investors should expect that the Fund will be more volatile than, and may fluctuate independently of, broad stock market indices such as the Standard & Poor's 500 Composite Stock Price Index.

#### INVESTMENT LIMITATIONS

The Fund will not:

- borrow money directly or through reverse repurchase agreements (arrangements in which the Fund sells a money market instrument for at least a percentage of its cash value with an agreement to buy it back on a set date) except, under certain circumstances, the Fund may borrow up to one-third of the value of its total assets and pledge up to 10% of the value of those assets to secure such borrowings.

The above investment limitations cannot be changed without shareholder approval. The following investment limitation, however, may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in this policy becomes effective.

The Fund will not invest more than 15% of its net assets in securities that are illiquid.

#### FEDERATED INDEX TRUST INFORMATION

##### MANAGEMENT OF THE TRUST

###### BOARD OF TRUSTEES

The Trust is managed by a Board of Trustees. The Trustees are responsible for managing the business affairs of the Trust and for exercising all of the powers of the Trust except those reserved for the shareholders. The Executive Committee of the Board of Trustees handles the Trustees' responsibilities between meetings of the Trustees.

###### FUND'S MANAGER

Federated Management serves as the Fund's manager (the "Manager"). The Trust has entered into a management contract (the "Management Contract") with the Manager, which, in turn, has entered into a sub-management contract (the "Sub-Management Contract") with ANB Investment Management and Trust Company ("ANB" or the "Sub-Manager") (ANB and the Manager are collectively referred to herein as "Managers"). It is the Manager's responsibility to select the Sub-Manager, subject to the review and approval of the Trustees, and to review and evaluate the Sub-Manager's continued performance. The Manager is also responsible for providing administrative services to the Fund.

Subject to the supervision and direction of the Trustees, the Manager provides to the Fund investment management evaluation services principally by performing

initial due diligence on the Sub-Manager for the Fund and thereafter monitoring and evaluating the performance of the Sub-Manager through quantitative and qualitative analyses. In addition, the Manager conducts periodic in-person, telephonic and written consultations with the Sub-Manager. In initially evaluating the Sub-Manager, the Manager considered, among other factors, the Sub-Manager's level of expertise; relative performance over a minimum period of five years; level of efficiency; level of adherence to investment discipline or philosophy; personnel, facilities and financial strength; and quality of service and client communications. On an ongoing basis, the Manager is responsible for communicating performance expectations and evaluations to the Sub-Manager; monitoring tracking errors; monitoring and analyzing the use of futures contracts; monitoring the futures holdings of the Fund as a percentage of Fund assets; monitoring market timing in the Fund; discussing with the Sub-Manager the portfolio sampling techniques employed by the Sub-Manager; defining with the

Sub-Manager the universe of stocks that comprise the small capitalization sector of the United States equity market; and ultimately recommending to the Trustees whether the Sub-Management Contract should be renewed, modified or terminated. The Manager provides written reports to the Trustees regarding the results of its evaluation and monitoring functions. In addition, the Manager is responsible for providing the Fund with administrative services, including, but not limited to, shareholder servicing and certain legal and accounting services. The Manager is also responsible for conducting all operations of the Fund, except those operations contracted to the Sub-Manager, custodian, transfer agent and dividend disbursing agent. As described below, the Manager receives an annual fee from the Fund for performing its responsibilities under the Management Contract.

**MANAGEMENT FEES.** The Fund's Manager receives an annual management fee equal to 0.50% of the Fund's average daily net assets. Under the Management Contract, which provides for the voluntary waiver of the management fee by the Manager, the Manager will voluntarily waive some or all of the management fee. The Manager can terminate this voluntary waiver of some or all

of its management fee at any time in its sole discretion.

**MANAGER'S BACKGROUND.** Federated Management, a Delaware business trust organized on April 11, 1989, is a registered investment adviser under the Investment Advisers Act of 1940. It is a subsidiary of Federated Investors. All of the Class A (voting) shares of Federated Investors are owned by a trust, the

trustees of which are John F. Donahue, Chairman and Trustee of Federated Investors, Mr. Donahue's wife, and Mr. Donahue's son, J. Christopher Donahue, who is President and Trustee of Federated Investors. Federated Management and other subsidiaries of Federated Investors serve as investment advisers to a number of investment companies and private accounts. Certain other subsidiaries also provide administrative services to a number of investment companies. With over \$80 billion invested across more than 250 funds under management and/or administration by its subsidiaries, as of December 31, 1995, Federated Investors is one of the largest mutual fund investment managers in the United States. With more than 1,800 employees, Federated continues to be led by the management who founded the company in 1955. Federated funds are presently at work in and through 4,000 financial institutions nationwide. More than 100,000 investment professionals have selected Federated funds for their clients.

Both the Trust and the Manager have adopted strict codes of ethics governing the conduct of all employees who manage the Fund and its portfolio securities. These codes recognize that such persons owe a fiduciary duty to the Fund's shareholders and must place the interests of shareholders ahead of the employees' own interests. Among other things, the codes: require preclearance and periodic reporting of personal securities transactions; prohibit personal transactions in securities being purchased or sold, or being considered for purchase or sale, by the Fund; prohibit purchasing securities in initial public offerings; and prohibit taking profits on securities held for less than sixty days. Violations of the codes are subject to review by the Trustees, and could result in severe penalties.

#### SUB-MANAGER

Under the terms of the Sub-Management Contract between the Manager and ANB, ANB serves as the Fund's Sub-Manager. The Sub-Manager will develop, maintain and run the computer program designed to determine which securities will be purchased and sold so as to replicate the composition of the Index to the extent feasible, and, subject to the Manager's oversight has complete discretion to purchase and

sell portfolio securities for the Fund within the Fund's investment objective, restrictions and policies.

**SUB-MANAGEMENT FEES.** For its services under the Sub-Management Contract, ANB receives an annual fee from the Manager of .065% of the Fund's average daily net assets. This fee is paid by the Manager out of its resources and is not an incremental Fund expense. No performance or incentive fees are paid to the Sub-Manager.

**SUB-MANAGER'S BACKGROUND.** ANB, incorporated in the State of Illinois on July 1, 1988, is a registered investment adviser under the Investment Advisers Act of 1940. ANB is a wholly-owned subsidiary of First Chicago Investment Management Company which, in turn, is an indirect wholly-owned subsidiary of First Chicago NBD Corporation. It serves as investment adviser principally to corporate defined benefit and defined contribution plans which have, as of June 30, 1996, placed approximately \$22.2 billion in assets with ANB. Since 1973, when American National Bank and Trust Company of Chicago introduced its first commingled equity index fund, ANB has developed and managed a family of equity and bond index funds in which some 340 nationwide non-financial institution clients

invest. In total, ANB manages 79 commingled/common trust funds. Also, since 1990, ANB has served as Sub-Manager

for the Federated Max-Cap Fund (formerly the S&P 500 Fund), which is another portfolio of the Trust. ANB also serves as Sub-Manager for the Federated Mid-Cap Fund, another portfolio of the Trust.

#### DISTRIBUTION OF FUND SHARES

Federated Securities Corp. is the principal distributor for shares of the Fund. It is a Pennsylvania corporation organized on November 14, 1969, and is the principal distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors.

#### SHAREHOLDER SERVICES

The Fund has entered into a Shareholder Services Agreement with Federated Shareholder Services, a subsidiary of Federated Investors, under which the Fund may make payments up to .25% of the average daily net asset value of its shares, computed at an annual rate, to obtain certain personal services for shareholders and to maintain shareholder accounts. From time to time and for such periods as deemed appropriate, the amount stated above may be reduced voluntarily. Under the Shareholder Services Agreement, Federated Shareholder Services will either

perform shareholder services directly or will select financial institutions to perform shareholder services. Financial institutions will receive fees based upon shares owned by their clients or customers. The schedules of such fees and the basis upon which such fees will be paid will be determined from time to time by the Fund and Federated Shareholder Services.

#### SUPPLEMENTAL PAYMENTS TO FINANCIAL INSTITUTIONS

In addition to payments made pursuant to the Shareholder Services Agreement, Federated Securities Corp. and Federated Shareholder Services, from their own assets, may pay financial institutions supplemental fees for the performance of substantial sales services, distribution-related support services, or shareholder services. The support may include sponsoring sales, educational and training seminars for their employees, providing sales literature, and engineering computer software programs that emphasize the attributes of the Fund. Such assistance will be predicated upon the amount of shares the financial institution sells or may sell, and/or upon the type and nature of sales or marketing support furnished by the financial institution. Any payments made by the distributor may be reimbursed by the Fund's Manager or its affiliates.

#### FUND ADMINISTRATION

#### ADMINISTRATIVE SERVICES

Federated Services Company, a subsidiary of Federated Investors, provides the Manager with the administrative personnel and services necessary to provide shareholder servicing and certain legal and accounting services.

#### BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Managers look for prompt execution of the order at a favorable price. In working with dealers, the Managers will generally utilize those who are recognized dealers in specific portfolio instruments, except when a better price and execution of the order can be obtained elsewhere. In selecting among firms believed to meet these criteria, the Managers may give consideration to those firms which have sold or are selling shares of the Fund and other funds distributed by Federated Securities Corp. The Managers make decisions on portfolio transactions and select brokers and dealers, subject to review by the Trustees.

#### NET ASSET VALUE

The Fund's net asset value per share fluctuates. It is determined by dividing the sum of the market value of all securities and other assets, less liabilities, by the number of shares outstanding.

#### INVESTING IN THE FUND

##### SHARE PURCHASES

Fund shares are sold on days on which the New York Stock Exchange is open. Shares of the Fund may be purchased either by wire or mail. To purchase shares of the Fund, open an account by calling Federated Securities Corp. Information needed to establish the account will be taken over the telephone. The Fund reserves the right to reject any purchase request.

##### BY WIRE

To purchase shares of the Fund by Federal Reserve wire, call the Fund to place an order. Shareholders have until 4:00 p.m. (Eastern time) to call the Fund for settlement on the next business day. The order is considered received immediately. Payment by federal funds must be received before 4:00 p.m. (Eastern time) on the next business day following the order. Federal funds should be wired as follows: Federated Shareholder Services Company, c/o State Street Bank and Trust Company, Boston, Massachusetts; Attention: EDGEWIRE; For Credit to: Federated Index Trust, Federated Mini-Cap Fund; Fund Number (this number can be found on the account statement or by contacting the Fund); Group Number or Order Number; Nominee or Institution Name; and ABA Number 011000028. Shares cannot be purchased by wire on holidays when wire transfers are restricted. Questions on wire purchases should be directed to your shareholder services representative at the telephone number listed on your account statement.

##### BY MAIL

To purchase shares of the Fund by mail, send a check made payable to Federated Index Trust, Federated Mini-Cap Fund, to the Fund's transfer agent, Federated Shareholder Services Company, P.O. Box 8600, Boston, Massachusetts 02266-8600. Orders by mail are considered received when payment by check is converted into federal funds. This is generally the next business day after the check is received.

##### MINIMUM INVESTMENT REQUIRED

The minimum initial investment in the Fund is \$25,000. However, an account may be opened with a smaller amount as long as the \$25,000 minimum is reached within 90 days. An investor's minimum investment will be calculated by combining all accounts that the institution maintains with the Fund.

##### WHAT SHARES COST

Fund shares are sold at their net asset value next determined after an order is received. There is no sales charge imposed by the Fund. Investors who purchase Fund shares through a financial intermediary may be charged a service fee by that financial intermediary.



The net asset value is determined as of the close of trading (normally 4:00 p.m., Eastern time) on the New York Stock Exchange, Monday through Friday, except on: (i) days on which there are not sufficient changes in the value of the Fund's portfolio securities that its net asset value might be materially affected; (ii) days during which no shares are tendered for redemption and no orders to purchase shares are received; and (iii) the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

#### EXCHANGING SECURITIES FOR FUND SHARES

Investors may exchange certain securities or a combination of securities and cash for shares of the Fund. The securities and any cash must have a market value of at least \$25,000. The Trust reserves the right to determine the acceptability of securities to be exchanged. On the day the securities are accepted by the Trust, they are valued in the same manner as the Trust values its assets.

Investors wishing to exchange securities should first contact Federated Securities Corp.

Shares purchased by exchange of securities cannot be redeemed by telephone for five business days to allow time for the transfer to settle.

#### CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Fund, Federated Shareholder Services Company maintains a share account for each shareholder. Share certificates are not issued unless requested by contacting the Fund.

Detailed confirmations of each purchase or redemption are sent to each shareholder. Quarterly confirmations are sent to report dividends paid during the quarter.

#### DIVIDENDS

Dividends are declared and paid quarterly. Unless shareholders request cash payments by writing to the Fund, dividends are automatically reinvested in additional shares of the Fund on payment dates at the ex-dividend date net asset value without a sales charge.

#### CAPITAL GAINS

Capital gains realized by the Fund, if any, will be distributed at least once every 12 months.

#### REDEEMING SHARES

The Fund redeems shares at their net asset value next determined after the Fund receives the redemption request. Investors who redeem shares through a financial intermediary may be charged a service fee by that financial intermediary. Redemptions will be made on days on which the Fund computes its net asset value.

Redemption requests must be received in proper form and can be made by telephone request or written request.

#### TELEPHONE REDEMPTION

Shareholders may redeem their shares by telephoning the Fund before 4:00 p.m. (Eastern time). The proceeds will normally be wired the following business day, but in no event more than seven days, to the shareholder's account at a domestic commercial bank that is a member of the Federal Reserve System. Proceeds from redemption requests received on holidays when wire transfers are restricted will be wired the following business day. Questions about telephone redemptions on days when wire transfers are restricted should be directed to your shareholder services representative at the telephone number listed on your account statement. If at any time, the Fund shall determine it necessary to terminate or modify this method of redemption, shareholders will be promptly notified. An authorization form permitting State Street Bank or the Fund to accept telephone requests must first be completed. Authorization forms and information on this service are available from Federated Securities Corp. Telephone redemption instructions may be recorded.

In the event of drastic economic or market changes, a shareholder may experience difficulty in redeeming by telephone. If such a case should occur, another method of redemption should be considered, such as by "Written Requests."

If reasonable procedures are not followed by the Fund, it may be liable for losses due to unauthorized or fraudulent telephone instructions.

#### WRITTEN REQUESTS

Fund shares may also be redeemed by sending a written request to the Fund. Call the Fund for specific instructions before redeeming by written request. The shareholder will be asked to provide in the request his name, the Fund name, his account number, and the share or dollar amount requested. All owners of the account must sign the request exactly as the shares are registered. If

share certificates have been issued, they should be sent unendorsed with the written request by registered or certified mail.

#### SIGNATURES

Shareholders requesting a redemption of any amount to be sent to an address other than that on record with the Fund, or a redemption payable other than to the shareholder of record must have their signatures guaranteed by:

- a trust company or commercial bank whose deposits are insured by the Bank Insurance Fund ("BIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC");
- a member firm of the New York, American, Boston, Midwest, or Pacific Stock Exchange;
- a savings bank or savings association whose deposits are insured by the Savings Association Insurance Fund ("SAIF"), which is administered by the FDIC; or
- any other "eligible guarantor institution," as defined in the Securities Exchange Act of 1934.

The Fund does not accept signatures guaranteed by a notary public.

The Fund and its transfer agent have adopted standards for accepting signature guarantees from the above institutions. The Fund may elect in the future to limit eligible signature guarantors to institutions that are members of a signature guarantee program. The Fund and its transfer agent reserve the right to amend these standards at any time without notice.

#### RECEIVING PAYMENT

Normally, a check for the proceeds is mailed within one business day, but in no event more than seven days, after receipt of a proper written redemption request.

#### ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, the Fund may redeem shares in any account and pay the proceeds to the shareholder if the account balance falls below a required minimum value of \$25,000. This

requirement does not apply, however, if the balance falls below \$25,000 because of changes in the Fund's net asset value.

Before shares are redeemed to close an account, the shareholder is notified in writing and allowed 30 days to purchase additional shares to meet the minimum requirement.

#### SHAREHOLDER INFORMATION

##### VOTING RIGHTS

Each share of the Fund gives the shareholder one vote in Trustee elections and other matters submitted to shareholders for vote. All shares of each portfolio in the Trust have equal voting rights except that only shares of the Fund are entitled to vote on matters affecting only the Fund. As a Massachusetts business trust, the Trust is not required to hold annual shareholder meetings. Shareholder approval will be sought only for certain changes in the Trust's or

the Fund's operations and for the election of Trustees under certain circumstances.

Trustees may be removed by the Trustees or by shareholders at a special meeting. A special meeting of the shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the outstanding shares of all series of the Trust.

TAX INFORMATION

FEDERAL INCOME TAX

The Fund will pay no federal income tax because it expects to meet the requirements of the Internal Revenue Code applicable to regulated investment

companies and to receive the special tax treatment afforded to such companies.

The Fund will be treated as a single, separate entity for federal income tax purposes so that income (including capital gains) and losses realized by the Trust's other portfolios, if any, will not be combined for tax purposes with those realized by the Fund.

Unless otherwise exempt, shareholders are required to pay federal income tax on any dividends and other distributions, including capital gains distributions, received. This applies whether dividends and distributions are received in cash or as additional shares. Distributions representing long-term capital gains, if any, will be taxable to shareholders as long-term capital gains no matter how long the shareholders have held their shares.

STATE AND LOCAL TAXES

In the opinion of Houston, Donnelly & Meck, counsel to the Trust, Fund shares may be subject to personal property taxes imposed by counties, municipalities, and school districts in Pennsylvania to the extent that the portfolio securities in the Fund would be subject to such taxes if owned directly by residents of those jurisdictions.

Shareholders are urged to consult their own tax advisers regarding the status of their accounts under state and local tax laws.

PERFORMANCE INFORMATION

From time to time the Fund advertises its total return and yield.

Total return represents the change, over a specified period of time, in the value of an investment in the Fund after reinvesting all income and capital gain distributions. It is calculated by dividing that change by the initial investment and is expressed as a percentage.

The yield of the Fund is calculated by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by the Fund over a thirty-day period by the offering price per share of the Fund on the last day of the period. This number is then annualized using semi-annual compounding. The yield does not necessarily reflect income actually earned by the Fund and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

The Fund is sold without any sales load or other similar non-recurring charges.

From time to time, advertisements for the Fund may refer to ratings, rankings, and other information in certain financial publications and/or compare the Fund's performance to certain indices.

FEDERATED MINI-CAP FUND

PORTFOLIO OF INVESTMENTS  
OCTOBER 31, 1996

<TABLE>			<CAPTION>		
SHARES			VALUE		
<C>	<C>	<S>	<C>		

\*COMMON STOCKS--95.1%

BASIC INDUSTRY--6.9%

3,200	(a)	Advanced Polymer Systems, Inc.	\$	25,000
5,500		Albany International Corp., Class A		123,750
10,800	(a)	Amax Gold, Inc.		59,400
3,700		AMCOL International Corp.		55,036
900		Ameron, Inc.		37,236
3,900		Aptargroup, Inc.		125,775
8,300		Arcadian Corp.		204,387
18,800	(a)	Armco, Inc.		70,500
6,500		Ball Corp.		156,812
2,800		Barnett, Inc.		66,150
49,100		Battle Mountain Gold Co.		374,386
6,200		Birmingham Steel Corp.		99,200
5,800		BMC Industries, Inc.		171,824
4,700		Brady (W.H.) Co.		111,038
3,400		Brush Wellman, Inc.		64,174
3,700	(a)	Buckeye Cellulose Corp.		96,663
13,500	(a)	Burlington Industries, Inc.		153,563
6,500	(a)	Calgene, Inc.		32,093
8,700		Calgon Carbon Corp.		87,000

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<TABLE>

<C>	<C>	<S>	<C>	VALUE
4,100		CalMat Co.		76,363
2,550		Cambrex Corp.		79,688
5,300		Caraustar Industries, Inc.		155,025
3,400		Carpenter Technology Corp.		110,924
2,500	(a)	Centex Construction Products, Inc.		39,063
1,200		Chaparral Steel Co.		15,900

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>	SHARES	VALUE		
*COMMON STOCKS--CONTINUED				
<C>	<C>	<S>	<C>	VALUE
		BASIC INDUSTRY--CONTINUED		
1,800		Chemed Corp.	\$	70,200

4,600	Chesapeake Corp.	129,950
2,300	Cleveland Cliffs, Inc.	94,300
4,700	Coeur d'Alene Mines Corp.	68,738
14,900	(a) Collins & Aikman Corp.	89,400
1,100	Columbus McKinnion Corporation	17,188
4,200	(a) Cone Mills Corp.	33,075
15,001	Crompton and Knowles Corp.	270,018
3,400	Dekalb Genetics Corp., Class B	134,300
3,899	Delta & Pine Land Co.	140,364
5,200	Dexter Corp.	161,200
4,500	Donaldson Company, Inc.	131,625
2,800	(a) Dravo Corp.	39,900
1,900	Elcor Corp.	36,574
2,000	(a) Embrace Systems Corp.	1,000
2,300	(a) Energy Conversion Devices, Inc.	32,775
900	Fab Industries, Inc.	23,963
5,700	Ferro Corp.	153,900
1,800	(a) Fibreboard Corp.	57,825
1,900	(a) Fieldcrest Cannon, Inc.	27,075
4,400	First Mississippi Corp.	127,600
1,400	Florida Rock Industries, Inc.	43,400
3,100	(a) Foamex International, Inc.	48,437
3,000	Fuller (H.B.) Co.	125,250
1,900	Furon Co.	39,900
11,700	(a) Gaylord Container Corp.	87,750
1,500	(a) Gelman Sciences, Inc.	46,125

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

\*COMMON STOCKS--CONTINUED

<C>	<C>	<S>	<C>
		BASIC INDUSTRY--CONTINUED	
2,800	(a)	Geneva Steel Co., Class A	\$ 10,500
4,900		Geon Co.	96,163
5,358	(a)	Getchell Gold Corp.	238,430
5,600		Glatfelter (P.H.) Co.	106,400

4,100	Greif Brothers Corp., Class A	113,775
2,700	Guilford Mills, Inc.	64,125
11,000	(a) Hecla Mining Co.	61,875
2,300	Imco Recycling, Inc.	36,800
2,614	(a) Intermagnetics General Corp.	37,575
1,500	(a) International Imaging Materials, Inc.	35,625
3,200	(a) Ionics, Inc.	147,200
3,900	J&L Specialty Steel, Inc.	45,825
2,100	(a) Kaiser Aluminum Corp.	23,363
600	(a) Landec Corp.	5,325
6,600	Lawter International, Inc.	77,550
1,500	Learonal	33,188
4,050	Lilly Industrial, Inc., Class A	72,900
1,000	Liqui Box Corp.	31,375
2,600	Lone Star Industries, Inc.	95,550
4,400	(a) Lone Star Technologies, Inc.	70,400
11,200	Longview Fibre Co.	194,600
3,200	Lukens, Inc.	44,000
3,700	(a) Lydall, Inc.	81,863
400	MacDermid, Inc.	36,800
3,300	(a) Material Sciences Corp.	50,325
1,200	(a) Maxxam, Inc.	50,400
1,400	(a) McWhorter Technologies, Inc.	26,950

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE> <CAPTION> SHARES		VALUE
*COMMON STOCKS--CONTINUED		
<C>	<C> <S> BASIC INDUSTRY--CONTINUED	<C>
3,500	Medusa Corp.	\$ 115,063
2,700	(a) Mercer International, Inc.	33,750
700	Mine Safety Appliances Co.	35,174
4,900	Minerals Technologies, Inc.	192,325
4,600	Mississippi Chemical Corp.	115,575
2,053	Mosinee Paper Corp.	58,511
3,600	(a) Mycogen Corp.	57,600

900	NCH, Corp.	50,175
4,600	(a) National Steel Corp., Class B	39,675
5,200	NL Industries, Inc.	44,200
3,000	Northland Cranberries, Inc., Class A	57,750
2,700	OM Group, Inc.	110,700
2,100	Optical Coating Laboratories, Inc.	24,019
3,700	Oregon Steel Mills	58,738
2,700	O'Sullivan Corp.	29,025
5,057	(a) Paxar Corp.	81,544
1,300	Petrolite Corp.	41,925
3,250	Pittway Corp., Class A	158,438
2,900	Pope & Talbot, Inc.	45,675
1,000	Puerto Rican Cement Co., Inc.	29,250
2,600	Quanex Corp.	74,100
4,000	Rexene Corp.	52,500
7,150	Rock-Tenn Co.	128,700
1,500	(a) Rogers Corp.	39,938
1,800	Rouge Steel Co., Class A	36,675
2,600	(a) Royal Gold, Inc.	33,150
1,000	Schnitzer Steel Industries, Inc., Class A	26,625

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>			<CAPTION>	
SHARES			VALUE	
*COMMON STOCKS--CONTINUED				
<C>	<C>	<S>	<C>	
BASIC INDUSTRY--CONTINUED				
8,100		Schulman (A.), Inc.	\$	171,113
3,100	(a)	Shorewood Packaging Corp.		58,513
3,700		Southdown, Inc.		101,288
3,200		Spartech Corp.		33,600
3,000		Springs Industries, Inc., Class A		135,375
1,900		Stepen Chemical Co.		33,013
3,200	(a)	Stillwater Mining Co.		55,200
41,700	(a)	Sunshine Mining Co.		52,125
1,900		Tejon Ranch Co.		31,113

2,400		Texas Industries, Inc.	136,200
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1,000	(a)	Tremont Corp.	34,250
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2,600		Universal Forest Products, Inc.	30,875
-----			
2,500	(a)	U.S. Can Corp.	40,000
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3,300		Valspar Corp.	162,113
-----			
6,175		Wausau Paper Mills Co.	118,869
-----			
1,300	(a)	WCI Steel, Inc.	12,838
-----			
6,400		Wellman, Inc.	113,600
-----			
3,600	(a)	WestPoint Stevens, Inc.	95,850
-----			
5,000	(a)	WHX Corp.	41,875
-----			
1,700	(a)	Zoltek Cos., Inc.	50,150
-----			
		Total	9,990,424
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		CONSUMER DURABLES--4.9%	
-----			
3,200	(a)	3DO Co.	18,400
-----			
7,100	(a)	Acclaim Entertainment, Inc.	35,055
-----			
1,500		Action Performance Companies, Inc.	22,500
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2,500	(a)	Activision, Inc.	31,562
-----			
900		American Homestar Corporation	19,125
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</TABLE>

FEDERATED MINI-CAP FUND

<TABLE> <CAPTION> SHARES			VALUE
-----			-----
*COMMON STOCKS--CONTINUED			
<C>	<C>	<S>	<C>
CONSUMER DURABLES--CONTINUED			
-----			
2,900		Apogee Enterprises, Inc.	\$ 111,650
-----			
4,750		Arctic Cat, Inc.	44,531
-----			
2,100		Armor All Products Corp.	35,175
-----			
4,800		Arvin Industries, Inc.	109,800
-----			
1,500	(a)	Avatar Holdings, Inc.	45,375
-----			
700		Barnes Group, Inc.	39,375
-----			
2,900		Bassett Furniture Industries, Inc.	64,887
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2,900		Borg-Warner Automotive, Inc.	111,288
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2,900		Breed Technologies, Inc.	66,700
-----			
3,700	(a)	Broderbund Software, Inc.	104,063
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1,900		Bush Industries, Inc., Class A	31,587



1,400	(a) Cannondale Corp.	26,950
2,900	Carlisle Cos., Inc.	164,938
3,300	(a) Castle & Cooke, Inc.	50,737
1,900	Cavalier Homes, Inc.	35,388
6,100	Centex Corp.	183,762
10,072	(a) Champion Enterprises, Inc.	198,922
20,900	Chyron Corporation	107,113
3,200	CLARCOR, Inc.	69,600
3,200	Coachmen Industries, Inc.	89,600
1,400	(a) Coastcast Corp.	25,550
700	(a) Comforce Corp.	10,937
1,500	Continental Homes Holding Corp.	24,375
2,700	Cross (A.T.) Co., Class A	30,713
3,600	(a) Culligan Water Technologies	135,000
4,600	(a) Department 56, Inc.	101,200
3,954	D. R. Horton, Inc.	36,080

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>  
SHARES

VALUE

\*COMMON STOCKS--CONTINUED

<C>	<C>	<S>	<C>
		CONSUMER DURABLES--CONTINUED	
3,100	(a)	Ethan Allen Interiors, Inc.	\$ 110,825
4,000		Exide Corp.	104,000
8,700		Fedders Corp.	51,113
7,600		Federal-Mogul Corp.	170,050
1,000	(a)	Fossil, Inc.	11,875
12,700	(a)	Furniture Brands International, Inc.	169,863
6,400	(a)	Gentex Corp.	152,000
3,220		Harman International Industries, Inc.	165,428
230		Hayes Wheels International, Inc.	7,648
2,900		Huffy Corp.	38,063
1,900	(a)	ITI Technologies, Inc.	54,625
7,300		Jostens, Inc.	156,950
3,017		K2, Inc.	69,391

8,400	Kaufman & Broad Homes Corp.	100,800
2,900	La-Z Boy Chair Co.	90,263
5,800	Lennar Corp.	129,050
3,200	Lewis Galoob Toys, Inc.	86,000
3,000	Libbey, Inc.	72,000
1,400	(a) L.L. Knickerbocker Company	14,875
4,700	(a) Lo-Jack Corp.	48,762
6,700	Mascotech, Inc.	105,525
1,600	Matthews International Corp., Class A	47,400
1,500	(a) Mikasa, Inc.	16,312
4,400	(a) Mohawk Industries, Inc.	106,700
2,747	Myers Industries, Inc.	42,579
800	National Presto Industries, Inc.	30,000
2,400	(a) NVR, Inc.	22,650

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

VALUE

\*COMMON STOCKS--CONTINUED

<C>	<C>	<S>	<C>
		CONSUMER DURABLES--CONTINUED	
2,000		Oneida Ltd.	\$ 28,750
4,300		Outboard Marine Corp.	66,650
2,000	(a)	Palm Harbor Homes, Inc.	56,250
5,900		Polaris Industries Partners, L.P., Class A	115,788
3,900		Pulte Corp.	103,350
2,099	(a)	Recoton Corp.	29,911
2,100		Rival Co.	49,350
2,100		Russ Berrie & Co., Inc.	37,800
3,200		Ryland Group, Inc.	41,200
2,500	(a)	Samsonite Corp.	84,375
4,100	(a)	Scotts Co.	76,363
3,500		Simpson Industries, Inc.	34,563
2,000		Skyline Corp.	55,000
3,400		Smith (A.O.) Corp.	89,250
4,700	(a)	Sola International, Inc.	169,788
2,000	(a)	Southern Energy Homes, Inc.	29,750

5,200	(a) Spectrum Holobyte, Inc.	29,250
2,300	SPX Corp.	65,263
1,800	Standard Motor Products, Inc.	25,425
6,500	Standard Pacific Corp.	34,938
3,125	Standard Products Co.	75,781
4,000	Stanhope, Inc.	106,000
3,500	Stant Corp.	42,000
1,500	Starrett (L.S.) Co., Class A	36,750
4,200	Sturm Ruger & Co., Inc.	78,750
4,600	Superior Industries International, Inc.	112,124
900	(a) Syratech Corp.	28,013

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

VALUE

\*COMMON STOCKS--CONTINUED

<C>	<C>	<S>	<C>
		CONSUMER DURABLES--CONTINUED	
5,150	(a)	TBC Corp.	\$ 34,118
1,100		Thor Industries, Inc.	27,500
4,700	(a)	Toll Brothers, Inc.	80,488
6,000	(a)	Top Source Technologies, Inc.	23,250
9,100	(a)	Topps Co.	34,694
2,600		Toro Co.	81,575
3,700	(a)	Toy Biz, Inc., Class A	65,675
7,500	(a)	Tyco Toys, Inc.	47,813
2,501	(a)	U.S. Home Corp.	54,084
3,200		United Stationers, Inc.	72,000
1,900		Walbro Corp.	39,663
1,500		WD 40 Co.	75,000
3,800		Webb (Del) Corp.	60,800
3,400		Windmere Corp.	53,975
3,100		Winnebago Industries, Inc.	22,862
1,950		Wynns International, Inc.	55,331
2,900		X-Rite, Inc.	54,012
5,813	(a)	Zenith Electronics Corp.	76,295

	Total	7,018,252
	-----	-----
	CONSUMER NON-DURABLES--3.5%	
	-----	
3,800	Authentic Fitness Corp.	42,275
	-----	
2,655	Block Drug, Inc., Class A	119,309
	-----	
3,900	Brown Group, Inc.	80,438
	-----	
1,300	Bush Boake Allen, Inc.	33,474
	-----	
3,700	(a) Canandaigua Wine Co., Inc., Class B	87,875
	-----	
6,400	Chiquita Brands International	80,000
	-----	
3,900	Church and Dwight, Inc.	83,850
	-----	

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FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

VALUE

\*COMMON STOCKS--CONTINUED

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		CONSUMER NON-DURABLES--CONTINUED	
		-----	
1,200		Coca-Cola Bottling Co.	\$ 48,000
		-----	
8,200		Coors Adolph Co., Class B	159,900
		-----	
500	(a)	Culbro Corp.	26,938
		-----	
8,700		Dean Foods Co.	252,300
		-----	
7,250		Dimon, Inc.	137,750
		-----	
2,000	(a)	Donnkenny, Inc.	25,250
		-----	
2,300		Dreyers Grand Ice Cream, Inc.	59,224
		-----	
2,000	(a)	Earthgrains Co.	106,000
		-----	
200		Farmer Brothers Co.	30,300
		-----	
12,450		Flowers Industries, Inc.	291,019
		-----	
2,700	(a)	FoodBrands America, Inc.	35,437
		-----	
3,500	(a)	Gibson Greetings, Inc.	54,688
		-----	
5,400	(a)	Gymboree Corp.	168,750
		-----	
5,300	(a)	Hartmarx Corp.	24,513
		-----	
2,600		Herbalife International, Inc.	51,675
		-----	
4,500		Hudson Foods, Inc., Class A	74,813
		-----	
3,500		International Multifoods Corp.	53,375
		-----	
3,975	(a)	Just For Feet, Inc.	102,852
		-----	
4,000		Justin Industries, Inc.	41,000
		-----	
4,600		Kellwood Co.	82,800
		-----	
1,400	(a)	Kenneth Cole Productions, Inc., Class A	23,100

3,300	Lance, Inc.	57,750
1,400	(a) Marisa Christina, Inc.	12,424
2,900	(a) Martek Biosciences Corp.	62,350
2,600	Michael Foods, Inc.	32,500
1,700	(a) Mondavi Robert Corp., Class A	48,450
1,600	(a) Morningstar Group, Inc.	27,000

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FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

VALUE

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\*COMMON STOCKS--CONTINUED

<C>

CONSUMER NON-DURABLES--CONTINUED		
3,174	Natures Sunshine Products, Inc.	\$ 70,225
7,600	(a) Nautica Enterprise, Inc.	233,700
3,400	(a) NBTY, Inc.	53,124
2,400	OshKosh B'Gosh, Inc., Class A	36,000
2,300	(a) Paragon Trade Brands, Inc.	60,375
3,600	Pepsi-Cola Puerto Rico Bottling Co., Class B	18,000
1,800	(a) Pete's Brewing Co.	12,600
5,100	Phillips Van Heusen Corp.	56,100
900	Pilgrims Pride Corp.	7,087
5,200	(a) Playtex Products, Inc.	44,200
1,500	(a) Quiksilver, Inc.	31,875
6,700	Ralcorp Holdings, Inc.	140,700
1,700	(a) Redhook Ale Brewery, Inc.	26,350
1,600	Riviana Foods, Inc.	23,800
1,500	Sanderson Farms, Inc.	20,250
4,500	Savannah Foods & Industries, Inc.	72,000
3,500	(a) Schweitzer-Mauduit International, Inc.	107,624
100	Seaboard Corp.	21,124
3,400	(a) Smithfield Foods, Inc.	98,600
6,300	Smucker (J.M.) Co., Class A	103,950
3,200	St. John Knits, Inc.	146,400
2,400	(a) Starter Corp.	14,400
10,700	Stride Rite Corp.	88,274

3,600	(a) The Boston Beer Co., Inc., Class A	44,550
-----		
1,800	(a) Timberland Co., Class A	59,175
-----		
3,825	Tootsie Roll Industries, Inc.	140,568
-----		
1,400	(a) USA Detergents, Inc.	46,200
-----		

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FEDERATED MINI-CAP FUND

<TABLE>			VALUE	
<CAPTION>			-----	
SHARES			<C>	
<C>	<C>	<S>		
*COMMON STOCKS--CONTINUED				
-----				
CONSUMER NON-DURABLES--CONTINUED				
-----				
2,000		Unitog Co.	\$	54,000
-----				
7,600		Universal Corp.		207,100
-----				
5,600		Universal Foods Corp.		198,100
-----				
1,700	(a)	Vans, Inc.		28,262
-----				
3,450		WLR Foods, Inc.		43,556
-----				
5,737		Wolverine World Wide, Inc.		141,991
-----				
		Total		5,067,639
-----				
ENERGY MINERALS--3.9%				
-----				
1,600	(a)	Addington Resources, Inc.		44,800
-----				
1,400		Ashland Coal, Inc.		33,074
-----				
1,100	(a)	Atwood Oceanics, Inc.		61,050
-----				
6,470	(a)	Barrett Resources		248,285
-----				
1,200		Belco Oil & Gas Corporation		29,850
-----				
2,100	(a)	Belden & Blake Corp.		55,650
-----				
5,600	(a)	Benton Oil & Gas Co.		137,200
-----				
4,200		Berry Petroleum Co., Class A		51,450
-----				
7,381	(a)	BJ Services Co.		331,221
-----				
4,000	(a)	Box Energy Corp., Class B		35,000
-----				
3,900	(a)	Brown Tom, Inc.		73,612
-----				
4,500		Cabot Oil & Gas Corp., Class A		69,750
-----				
3,200	(a)	Cairn Energy USA, Inc.		34,000
-----				
5,200		Camco International, Inc.		201,500
-----				
1,300	(a)	Cliffs Drilling Co.		55,737
-----				
3,300		Cross Timbers Oil Co.		77,963
-----				
1,500	(a)	Crown Center Petroleum Corp., Class A		20,438

4,100	Devon Energy Corp.	142,988
5,100	Diamond Shamrock, Inc.	149,812

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FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

<C>	<C>	<S>	VALUE
<C>	*COMMON STOCKS--CONTINUED		<C>
ENERGY MINERALS--CONTINUED			
2,500	(a)	Energy Ventures, Inc.	\$ 110,000
2,100	(a)	Falcon Drilling Co., Inc.	74,288
2,400	(a)	Flores & Rucks, Inc.	113,400
2,000		Forcenergy Gas Exploration, Inc.	54,750
4,700	(a)	Forest Oil Corp.	70,500
1,500		Getty Petroleum Corp.	25,500
1,500		Giant Industries, Inc.	23,062
4,600	(a)	Global Industries Ltd.	82,800
14,300	(a)	Harken Energy Corp.	35,750
5,400		Helmerich & Payne, Inc.	292,274
1,200		Holly Corp.	29,850
700	(a)	Hondo Oil & Gas Co.	9,275
2,600	(a)	Hugoton Energy Corp.	22,750
2,100		KCS Energy, Inc.	90,563
3,100		Lomak Petroleum, Inc.	50,763
1,600	(a)	Louis Dreyfus Natural Gas Corp.	27,000
8,700	(a)	Marine Drilling Cos., Inc.	120,713
13,800	(a)	Mesa, Inc.	63,825
8,100		Mitchell Energy & Development, Class A	159,974
3,700	(a)	Newfield Exploration Co.	174,825
2,500	(a)	Nuevo Energy Co.	124,688
5,000	(a)	Oceaneering International, Inc.	90,000
4,200	(a)	Offshore Logistics, Inc.	69,825
7,700		Parker & Parsley Petroleum Co.	221,375
10,400	(a)	Parker Drilling Co.	88,400
3,500	(a)	Plains Resources, Inc.	49,000
2,800	(a)	Pool Energy Services Co.	41,300

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FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>  
SHARES

<C>	<C>	<S>	<C>	VALUE
*COMMON STOCKS--CONTINUED				
-----				
ENERGY MINERALS--CONTINUED				
5,400	(a)	Pride Petroleum Services, Inc.	\$	94,500
1,800		Production Operations Corp.		71,550
7,100		Quaker State Corp.		118,924
1,400	(a)	RPC Energy Services, Inc.		21,875
1,500	(a)	Seacor Holdings, Inc.		81,000
2,100	(a)	Seitel, Inc.		83,475
6,000		Snyder Oil Corp.		91,500
3,300	(a)	Solv Ex Corp.		42,900
1,900	(a)	Stone Energy Corp.		39,900
2,700	(a)	Swift Energy Co.		66,150
-----				
5,600	(a)	Tesoro Petroleum Corp.		82,600
2,100	(a)	TransTexas Gas Corp.		29,400
8,800	(a)	Tuboscope Vetco International Corp.		134,200
5,609	(a)	United Meridian Corp.		264,323
3,700	(a)	Varco International, Inc.		73,074
2,300		Vintage Petroleum, Inc.		67,850
3,200		Zeigler Coal Holding Co.		58,000
Total				5,591,051
-----				
FINANCE--22.4%				
1,601		1st Source Corp.		36,622
9,100	(a)	20th Century Industries		145,600
2,400		Aames Financial Corp		107,100
3,200		Aaron Rents, Inc.		46,400
2,700	(a)	Acceptance Insurance Cos., Inc.		54,675
-----				
3,000		Acordia, Inc.		85,500
2,640		Albank Financial Corp.		73,260
3,100		Alex Brown, Inc.		175,925

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FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

			VALUE
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*COMMON STOCKS--CONTINUED			
FINANCE--CONTINUED			
8,900		Alexander & Alexander Services, Inc.	\$ 135,724
800	(a)	Alexander's, Inc.	58,800
4,300		Alfa Corp.	46,225
3,000		Allied Capital Commercial	65,250
3,000		Allied Group, Inc.	126,750
2,800		AmVestors Financial Corp.	40,950
2,650		Amcore Financial, Inc.	54,987
3,500	(a)	AMERCO	122,500
1,847		American Annuity Group, Inc.	25,165
4,400		American Bankers Insurance Group, Inc.	211,200
2,400		American Federal Bank, FSB SC	44,100
4,600		American Health Properties, Inc.	98,900
1,700		American Heritage Life Investments	37,611
3,100	(a)	American Travellers Corp.	106,562
6,100	(a)	Americredit Corp.	115,900
5,600	(a)	Amerin Corp.	110,600
1,800		Amlt Residential Properties Trust	39,600
1,150		Anchor Bancorp Wisconsin, Inc.	40,537
2,700		Apartment Investment & Management Co., Class A	62,775
3,800		Argonaut Group, Inc.	111,150
3,612		Associated Banc Corp.	144,480
2,200		Associated Estates Realty Corp.	45,100
4,300		Astoria Financial Corp.	152,112
6,300		Avalon Properties, Inc.	145,686
2,500		Baldwin & Lyons, Inc., Class B	44,844
4,060		Bancorpsouth, Inc.	103,022
1,925		Bank Granite Corp.	54,862

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FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

<C>

-----  
FINANCE--CONTINUED  
-----

1,400	Bankatlantic Bancorp, Inc.	\$	18,375
2,812	Bankers Corp.		54,130
3,900	Bankers Life Holding Corporation		96,037
1,500	Banknorth Group, Inc.		51,750
2,500	Bay Apartment Communities, Inc.		75,000
1,300	Bay View Capital Corp.		51,350
5,900	Beacon Properties Corp.		173,312
3,100	Berkley, W. R. Corp.		161,200
5,500	Berkshire Realty Co., Inc.		54,312
2,200	Blanch, E. W. Holdings, Inc.		45,374
1,048	(a) BOK Financial Corp.		26,724
2,746	Bradley Real Estate, Inc.		45,652
1,265	Brenton Bank, Inc.		29,728
6,994	BRE Properties, Inc., Class A		160,862
3,700	Burnham Pacific Properties, Inc.		45,788
9,900	(a) Cal Fed Bancorp, Inc.		230,175
3,300	Cali Realty Corp.		88,688
3,200	Camden Property Trust		87,200
800	CapMAC Holdings, Inc.		26,700
2,300	Capital Re Corp.		89,125
800	Capitol American Financial Corp.		29,000
7,650	Capstead Management Corp.		164,475
2,500	(a) Capsure Holdings Corp.		22,500
2,000	Carolina First Corporation		35,000
7,400	Carr Realty Corp.		185,925
16,100	(a) Catellus Development Corp.		158,988
4,500	CBL & Associates Properties, Inc.		106,313

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FEDERATED MINI-CAP FUND  
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<TABLE>  
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SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

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FINANCE--CONTINUED

1,700	CBT Corp., KY	\$	42,500
3,250	CCB Financial Corp.		185,250
3,100	Center Financial Corp.		78,081
2,400	CenterPoint Properties Corp.		66,000
4,900	Centura Banks, Inc.		190,487
2,500	Chelsea GCA Realty, Inc.		75,313
1,993	Chemical Financial Corp.		76,731
2,225	Chittenden Corp.		55,069
1,100	Citfed Bancorp, Inc.		49,225
2,900	Citizens Bancorp		148,625
2,300	Citizens Banking Corp.		67,275
1,500	Citizens Corp.		30,188
7,900	City National Corp.		138,250
1,100	Cityscape Financial Corporation		28,325
2,400	CMAC Investment Corp.		165,900
4,067	CNB Bancshares, Inc.		120,993
4,000	(a) Coast Savings Financial, Inc.		131,500
1,700	Cole Taylor Financial Group, Inc.		51,106
4,450	Collective Bancorp, Inc.		133,500
2,000	Colonial BancGroup, Inc.		75,750
3,800	Colonial Properties Trust		100,700
2,500	Columbus Realty Trust		52,500
2,478	Commerce Bancorp, Inc.		66,286
4,300	Commerce Group, Inc.		103,200
3,200	Commercial Federal Corp.		134,000
3,400	Commercial Net Lease Realty		46,750
4,869	Commonwealth Bancorp		61,471

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FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

<C>

FINANCE--CONTINUED

2,500	Community First Bankshares, Inc.	\$	61,875
2,300	CORT Business Services Corp.		48,300
1,700	Corus Bankshares, Inc.		52,275
4,900	Cousins Properties, Inc.		112,088
1,000	CPB, Inc.		30,375
5,200	Crawford & Co., Class B		102,700
4,500	(a) Credit Acceptance Corp.		121,500
4,500	Crescent Real Estate Equities, Inc.		187,875
6,600	Criimi Mae, Inc.		77,550
5,200	Crown American Realty Trust		40,300
4,840	Cullen Frost Bankers, Inc.		145,503
9,400	CWM Mortgage Holdings, Inc.		195,050
6,600	Dauphin Deposit Corp.		216,150
2,640	(a) Delphi Financial Group, Inc., Class A		74,250
4,100	Deposit Guaranty Corp.		206,024
4,100	Developers Diversified Realty		137,863
2,405	Downey Financial Corp.		62,530
6,100	Duke Realty Investments, Inc.		210,450
1,600	Eaton Vance Corp.		70,000
1,550	(a) Electro Rent Corp.		35,650
2,700	Enhance Financial Services Group, Inc.		90,113
4,800	Equity Inns, Inc.		55,800
3,900	Evans Withycombe Residential, Inc.		82,388
2,900	Excel Realty Trust, Inc.		63,438
2,500	Executive Risk, Inc.		103,125
7,000	Federal Realty Investment Trust		165,375
4,900	FelCor Suite Hotels, Inc.		160,475

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FEDERATED MINI-CAP FUND

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SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

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FINANCE--CONTINUED

1,982	Fidelity National Financial, Inc.	\$	31,464
2,100	(a) Financial Federal Corp.		29,400
6,843	Financial Security Assurance Holdings Ltd.		191,604

1,548	Financial Trust Corp.	41,990
2,100	First American Financial Corp.	79,013
2,500	First Citizens Bancshares, Inc., Class A	168,125
3,343	First Colorado Bancorp, Inc.	52,234
2,600	First Commerce Bancshares, Inc., Class A	72,475
4,869	First Commercial Corp.	163,106
4,800	First Commonwealth Financial Corp.	86,400
2,988	First Financial Bancorp	92,616
1,325	First Financial Bankshares, Inc.	47,866
1,112	First Financial Corp.	37,808
6,400	First Financial Corp. Wisconsin	173,600
5,000	First Hawaiian, Inc.	155,000
1,299	First Indiana Corp.	31,663
5,200	First Industrial Realty Trust	134,550
5,218	First Michigan Bank Corp.	130,450
2,600	First Midwest Bancorp, Inc.	82,874
2,400	First Savings Bank of Washington Bancorp, Inc.	40,800
1,400	First United Bancshares	39,025
1,702	First Western Bancorp, Inc.	45,316
2,700	FirstBank Puerto Rico	62,775
2,100	(a) FirstFed Financial Corp.	46,200
2,200	Firstbank Illinois Co.	71,500
6,600	Firstmerit Corp.	214,500
1,230	F & M Bancorporation, Inc.	37,515

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FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<C> <C> <S>

<C>

\*COMMON STOCKS--CONTINUED

FINANCE--CONTINUED

4,155	F & M National Corp.	\$ 76,868
1,974	FNB Corp.	46,635
1,900	Foremost Corp.	104,738
800	Forest City Enterprises, Inc., Class A	39,600
2,450	Fort Wayne National Corp.	84,831

8,700	Franchise Finance Corporation of America	208,800
4,165	Fremont General Corp.	122,347
2,415	Frontier Insurance Group, Inc.	95,996
7,151	Fulton Financial Corp.	144,808
1,500	Fund American Enterprises, Inc.	134,437
3,500	Gables Residential Trust	84,875
4,102	Gainsco, Inc.	39,482
3,100	Gallagher (Arthur J.) & Co.	91,063
4,300	GATX Corp.	205,325
5,900	General Growth Properties, Inc.	148,975
9,540	(a) Glendale Federal Bank	175,298
4,700	Glimcher Realty Trust	90,475
3,200	Great Financial Corp.	93,600
2,100	(a) Guarantee Mutual Life Co.	40,950
5,021	Guaranty National Corp.	79,081
1,700	Hancock Holding Co.	67,575
1,300	Harleysville Group, Inc.	36,400
1,437	Harleysville National Corp.	35,745
600	Harris Savings Bank, PA	9,150
4,400	Hartford Steam Boiler Insurance	189,750
6,100	HCC Insurance Holdings, Inc.	155,550
6,200	Health Care Property Investors, Inc.	217,775

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FEDERATED MINI-CAP FUND

<TABLE>

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SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

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FINANCE--CONTINUED

3,100	Health Care REIT, Inc.	\$ 73,238
2,500	Healthcare Realty Trust, Inc.	61,563
1,100	Heritage Financial Services, Inc.	23,100
2,500	(a) Highlands Insurance Group, Inc.	49,374
6,400	Highwoods Properties, Inc.	184,000
3,000	Hilb Rogal & Hamilton Co.	38,250
2,600	Home Beneficial Corp., Class B	64,675
5,327	Home Financial Corp.	86,564

1,200	Homeland Bankshares Corp.	46,200
5,100	Horace Mann Educators Corp.	174,675
3,772	Horizon Group, Inc.	79,684
4,900	Hospitality Properties Trust	127,400
3,002	Hubco, Inc.	64,553
3,411	(a) Imperial Bancorp	66,088
4,054	(a) Imperial Credit Industries, Inc.	73,479
5,600	(a) Insignia Financial Group, Inc., Class A	121,100
2,800	Integon Corp.	52,850
2,600	Inter Regional Financial Group, Inc.	84,175
2,200	Interpool, Inc.	47,850
800	(a) Investment Technology Group, Inc.	13,800
5,500	IRT Property Co.	52,938
3,700	Irvine Apartment Communities, Inc.	85,100
600	Irwin Financial Corp.	26,250
2,200	(a) Jayhawk Acceptance Corp.	31,350
2,400	JDN Realty Corp.	60,000
2,100	Jefferies Group, Inc.	75,075
3,300	Jefferson Bankshares, Inc.	90,750

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FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

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\*COMMON STOCKS--CONTINUED

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FINANCE--CONTINUED		
4,900	John Alden Financial Corp.	\$ 91,263
1,200	John Nuveen & Co., Inc., Class A	33,300
2,800	JP Realty, Inc.	63,700
1,800	JSB Financial, Inc.	66,150
700	Kansas City Life Insurance Co.	39,200
8,199	Keystone Financial, Inc.	213,173
5,800	Kimco Realty Corp.	167,475
2,600	Klamath First Bancorp	36,563
3,300	(a) Koger Equity, Inc.	51,563
2,775	Legg Mason, Inc.	89,494

1,200	Liberty Bancorp, Inc.-Oklahoma	46,500
3,200	Liberty Corp.	110,400
1,000	Liberty Financial Cos., Inc.	35,125
6,200	Liberty Property Trust	134,074
2,100	Life Re Corp.	76,913
3,300	(a) Life USA Holdings, Inc.	31,350
5,400	Long Island Bancorp, Inc.	160,650
3,900	LTC Properties, Inc.	66,300
3,900	Macerich Co. (The)	85,800
2,309	MAF Bancorp, Inc.	70,425
3,000	Magna Bancorp	55,500
6,000	Magna Group, Inc.	168,000
1,803	(a) MAIC Holdings, Inc.	58,598
5,300	Manufactured Home Communities, Inc.	103,350
2,950	Mark Twain Bancshares, Inc.	135,331
900	(a) Markel Corp.	78,300
1,900	McDonald & Co. Investors, Inc.	46,313

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FEDERATED MINI-CAP FUND

<TABLE> <CAPTION> SHARES			VALUE
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*COMMON STOCKS--CONTINUED			
FINANCE--CONTINUED			
1,300	McGrath Rentcorp.		\$ 30,874
1,000	Meadowbrook Insurance Group, Inc.		25,500
2,100	Meridian Industrial Trust, Inc.		36,750
7,300	Merry Land and Investment Co.		153,300
2,500	MGI Properties, Inc.		47,813
4,427	Mid Am, Inc.		77,473
2,200	Mid-American Apartment Communities, Inc.		55,825
3,200	Mills Corp.		66,800
3,200	ML Bancorp, Inc.		44,600
2,000	MMI Companies, Inc.		57,500
3,275	Morgan Keegan, Inc.		47,897
3,300	NAC Re Corp.		115,913



2,660	(a) National Auto Credit, Inc.	28,595
900	National Bancorp Alaska, Inc.	58,950
1,980	National City Bancshares, Inc.	57,420
5,350	National Community Bancorp	187,250
2,300	National Golf Properties, Inc.	66,700
4,100	National Health Investors, Inc.	142,988
1,469	National Penn Bancshares, Inc.	38,560
500	(a) National Western Life Insurance Co., Class A	38,500
8,900	Nationwide Health Properties, Inc.	200,250
1,974	New York Bancorp, Inc.	66,869
1,500	(a) NHP, Inc.	24,750
3,000	North American Mortgage Co.	62,624
5,300	North Fork Bancorp, Inc.	167,613
1,014	North Side Savings Bank	48,926
1,100	Nymagic, Inc.	19,113

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FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

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\*COMMON STOCKS--CONTINUED

VALUE

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FINANCE--CONTINUED		
3,300	Oasis Residential, Inc.	\$ 70,125
5,300	Old National Bancorp	192,125
6,700	(a) Olympic Financial Ltd.	106,363
1,300	Omega Financial Corp.	43,550
3,639	Omega Healthcare Investors	110,535
2,995	Onbancorp, Inc.	108,943
4,475	One Valley Bancorp West Virginia, Inc.	145,997
2,956	Orion Capital Corp.	160,733
1,200	(a) Oxford Resources Corp., Class A	30,600
3,200	Paragon Group, Inc.	51,200
900	Park National Corp.	43,425
4,900	Penncorp Financial Group, Inc.	169,663
1,600	Pennsylvania Real Estate Investment Trust	35,800
1,743	People First Corp.	39,218

2,700	Peoples Bank Bridgeport	69,524
5,041	Peoples Heritage Financial Group	115,943
7,400	PHH Corp.	220,150
1,650	Pikeville National Corp.	36,300
1,600	Pioneer Financial Services, Inc.	27,200
4,600	Pioneer Group, Inc.	110,400
2,300	Piper Jaffray Cos., Inc.	26,738
1,200	Poe & Brown, Inc.	30,975
3,400	(a) Policy Management System Corp.	122,400
4,700	Post Properties, Inc.	185,650
5,500	Presidential Life Corp.	62,563
3,100	Price Enterprises, Inc.	51,538
1,800	Price REIT, Inc.	58,950

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FEDERATED MINI-CAP FUND

<TABLE>  
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SHARES

<C>	<C>	<S>	VALUE
*COMMON STOCKS--CONTINUED			<C>
FINANCE--CONTINUED			
2,600		Provident Bancorp, Inc.	\$ 115,213
1,543		Provident Bankshares Corp.	55,548
11,700		Public Storage, Inc.	269,100
1,800		PXRE Corp.	44,550
1,533		Queens County Bancorp, Inc.	67,069
2,332		Quick & Reilly Group, Inc.	61,507
800	(a)	RAC Financial Group, Inc.	48,000
3,350		Raymond James Financial, Inc.	81,656
2,600		RCSB Financial, Inc.	75,400
5,000		Realty Income Corp.	115,000
1,900		Reckson Associates Realty Corp.	67,688
1,800		Redwood Trust, Inc.	59,400
2,000		Regency Realty Corp.	43,500
3,600		Reinsurance Group of America	163,350
13,000		Reliance Group Holdings, Inc.	107,250
3,433		Republic Bancorp, Inc.	40,768
2,306	(a)	Resource Bancshares Mortgage Group, Inc.	34,446

4,400	Resource Mortgage Capital, Inc.	115,500
5,200	RFS Hotel Investors, Inc.	84,500
4,400	Riggs National Corp.	75,350
3,700	(a) Risk Capital Holdings, Inc.	66,600
1,300	RLI Corp.	35,912
2,500	ROC Communities, Inc.	60,938
8,250	Rollins Truck Leasing Corp.	93,844
7,413	Roosevelt Financial Group, Inc.	128,801
2,100	Saul Centers, Inc.	30,712
2,000	Security Capital Corp.	132,000

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FEDERATED MINI-CAP FUND

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<C>	<C>	<S>	VALUE
*COMMON STOCKS--CONTINUED			<C>
FINANCE--CONTINUED			
1,800		Security Connecticut Corp.	\$ 57,600
3,100		Selective Insurance Group, Inc.	106,175
1,900	(a)	Silicon Valley Bancshares	49,638
1,300		Sirrom Capital Corp.	47,450
2,100		Smith (Charles E.) Residential Realty, Inc.	51,188
4,400		South West Property Trust, Inc.	66,000
10,408		Sovereign Bancorp, Inc.	122,294
1,600		Sovran Self Storage, Inc.	43,000
6,600		Spieker Properties, Inc.	202,950
2,400		S & T Bancorp, Inc.	76,200
3,944		St. Paul Bancorp, Inc.	104,023
3,600		Standard Financial, Inc.	64,125
1,250		State Auto Financial Corp.	17,500
1,800		Storage Trust Realty	41,625
900		Student Loan Corp.	30,600
900		Sumitomo Bank California	22,837
3,200		Summit Properties, Inc.	62,800
3,200		Sun Communities, Inc.	91,600
2,825		Susquehanna Bankshares, Inc.	84,044

6,600	Taubman Centers, Inc.	74,250
4,200	The Trust Company of New Jersey	57,750
3,300	Thornburg Mortgage Asset Co.	58,163
1,092	Toronto-Dominion Bank	25,526
3,400	Town & Country Trust	49,300
1,800	T R Financial Corp.	54,675
2,400	Trans Financial, Inc.	47,400
1,100	Transnational Re Corp., Class A	27,637

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FEDERATED MINI-CAP FUND

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SHARES

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\*COMMON STOCKS--CONTINUED

FINANCE--CONTINUED		
1,200	Trenwick Group, Inc.	\$ 58,950
2,600	Trinet Corporate Realty Trust, Inc.	83,850
4,345	Trustco Bank Corp.	96,670
5,900	Trustmark Corp.	147,500
7,300	(a) UICI	186,150
3,649	UMB Financial Corp.	144,136
1,200	(a) Union Acceptance Corp., Class A	21,150
3,300	United Bankshares, Inc.	98,175
5,250	United Carolina Bancshares	136,500
4,980	United Companies Financial Corp.	148,777
12,200	United Dominion Realty Trust, Inc.	172,325
2,050	United Fire & Casualty Co.	64,575
1,800	Universal Health Realty Trust, Inc.	34,425
2,900	Urban Shopping Centers, Inc.	74,675
1,100	Usbancorp, Inc.	42,900
2,100	U.S. Trust Corp.	130,725
3,400	UST Corp.	60,988
2,900	Vallicorp Holdings, Inc.	45,675
4,050	Vesta Insurance Group, Inc.	103,781
5,200	Vornado Realty Trust	223,600
2,300	Walden Residential Properties, Inc.	53,763
9,200	Washington Federal, Inc.	220,800

2,300	Washington National Corp.	65,838
6,800	Washington Real Estate Investment Trust	107,950
2,400	Weeks Corp.	68,700
5,100	Weingarten Realty Investors	195,712
3,650	Wellsford Residential Properties	83,950

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FEDERATED MINI-CAP FUND

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SHARES

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*COMMON STOCKS--CONTINUED			
FINANCE--CONTINUED			
1,600		Wesbanco, Inc.	\$ 48,600
2,100		WestAmerica Bancorporation	106,575
2,065		Westcorp, Inc.	49,044
3,700		Western Investment Real Estate Trust	47,175
1,500	(a)	Western Water Co.	28,875
1,000	(a)	WFS Financial, Inc.	21,000
1,200	(a)	White River Corp.	69,600
3,225		Whitney Holding Corp.	102,394
600		Winthrop Resources Corp.	16,800
4,500		World Acceptance Corp.	29,813
3,500		Xtra Corp.	145,250
2,200		Zenith National Insurance Corp.	59,950
2,400	(a)	Zurich Reinsurance Centre Holdings, Inc.	72,000
Total			32,292,272
HEALTH CARE--9.4%			
2,650	(a)	Access Health, Inc.	87,450
4,500	(a)	Acuson Corp.	95,062
3,766		ADAC Laboratories	77,202
3,000	(a)	Advanced Technology Labs, Inc.	91,500
8,000	(a)	Advanced Tissue Sciences, Inc., Class A	130,000
2,800	(a)	Agouron Pharmaceuticals, Inc.	160,300
2,900		A. L. Pharma, Inc., Class A	36,250
3,100	(a)	Alkermes, Inc.	41,074
6,000	(a)	Alliance Pharmaceutical Corp.	84,000

3,400	(a)	Alteon, Inc.	28,050
5,100	(a)	AmeriSource Health Corp., Class A	216,112
1,450	(a)	American HomePatient, Inc.	34,437

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FEDERATED MINI-CAP FUND

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SHARES

VALUE

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\*COMMON STOCKS--CONTINUED

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HEALTH CARE--CONTINUED			
3,800	(a)	American Medical Response	\$ 114,000
5,900	(a)	American Oncology Resources, Inc.	47,200
1,600		Amisys Managed Care Systems	24,400
3,800	(a)	Amylin Pharmaceuticals, Inc.	42,750
3,700	(a)	Angeion Corp.	15,725
1,200	(a)	Aphton Corp.	20,700
1,200	(a)	Arbor Health Care Co.	26,250
2,500		Arrow International, Inc.	73,125
1,100		Arthrocare Corporation	10,175
3,200	(a)	ATS Medical, Inc.	22,400
5,900		Ballard Medical Products	103,987
1,050	(a)	Barr Laboratories, Inc.	29,006
1,700		Bindley Western Industries, Inc.	29,111
2,250	(a)	Bio Rad Laboratories, Inc., Class A	54,562
9,400	(a)	Bio-Technology General Corp.	76,375
1,400		Biomatrix, Inc.	21,350
2,600	(a)	Capstone Pharmacy Services	30,388
1,700	(a)	Carrington Laboratories, Inc.	21,250
4,900		Carter Wallace, Inc.	75,950
3,100	(a)	Cellpro, Inc.	36,425
5,100	(a)	Cephalon, Inc.	114,113
5,200	(a)	Cerner Corp.	63,050
2,163		Chad Therapeutics Inc.	35,690
2,200	(a)	Circon Corp.	36,300
1,000	(a)	ClinTrials, Inc.	37,125
4,100	(a)	CNS, Inc.	69,700

3,400	(a) Coastal Physician Group, Inc.	17,850
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FEDERATED MINI-CAP FUND

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\*COMMON STOCKS--CONTINUED

HEALTH CARE--CONTINUED

4,100	Cocensys, Inc.	\$ 25,625
1,900	Collagen Corp.	36,813
6,000	(a) Columbia Laboratories, Inc.	72,000
9,600	(a) Community Psychiatric Centers	85,200
2,200	(a) Comdent Corp.	75,624
500	Conceptus, Inc.	6,000
3,100	(a) CONMED Corp.	53,475
1,551	(a) Copley Pharmaceutical	22,586
4,200	(a) Cor Therapeutics, Inc.	37,800
8,800	(a) Coram Healthcare Corp.	42,900
6,200	(a) Coventry Corp.	62,775
700	CRA Managed Care, Inc.	35,525
6,300	Creative BioMolecules, Inc.	54,338
1,400	Cryolife, Inc.	18,725
2,100	(a) Curative Technologies, Inc.	47,775
3,500	(a) Cygnus, Inc.	50,313
4,200	(a) Cytel Corp.	11,550
9,509	(a) Cytogen Corp.	51,111
700	Cytec Corp.	9,013
3,000	(a) Datascope Corp.	51,000
2,500	Depotech Corp.	39,063
2,400	Diagnostic Products Corp.	71,400
7,700	(a) Dura Pharmaceuticals, Inc.	265,650
1,400	(a) EmCare Holdings, Inc.	35,000
1,800	Emeritus Corp.	20,474
2,800	(a) Endosonics Corp.	35,350
800	Enterprise Systems, Inc.	12,900

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FEDERATED MINI-CAP FUND

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-----			
HEALTH CARE--CONTINUED			
-----			
4,274	(a)	Enzo Biochem, Inc.	\$ 77,991
-----			
2,700	(a)	Epitope, Inc.	41,175
-----			
3,000	(a)	Equimed, Inc.	17,813
-----			
1,800	(a)	Ergo Science Corp.	24,750
-----			
3,594	(a)	Foxmeyer Health Corp.	7,637
-----			
2,700	(a)	Fuisz Technologies Ltd.	21,938
-----			
2,800	(a)	Geltex Pharmaceuticals, Inc.	53,200
-----			
6,100	(a)	Genelabs Technologies, Inc.	24,781
-----			
5,300	(a)	Genesis Health Ventures, Inc.	121,238
-----			
5,500	(a)	Gensia, Inc.	27,500
-----			
6,100	(a)	Gilead Sciences, Inc.	142,588
-----			
4,262	(a)	GranCare, Inc.	76,716
-----			
2,900	(a)	Gulf South Medical Supplies, Inc.	63,800
-----			
5,000	(a)	Haemonetics Corp.	89,375
-----			
500	(a)	HCIA, Inc.	13,875
-----			
2,925	(a)	Health Management Systems, Inc.	68,738
-----			
2,691	(a)	Healthdyne Technologies, Inc.	23,883
-----			
1,700		Healthplan Services Corporation	30,812
-----			
1,400	(a)	Henry Schein, Inc.	55,650
-----			
2,100	(a)	Hologic, Inc.	47,775
-----			
11,208	(a)	Horizon/CMS Healthcare Corp.	116,283
-----			
2,700		HPR Inc.	37,800
-----			
4,000	(a)	Human Genome Sciences, Inc.	146,000
-----			
5,100	(a)	Hybridon, Inc.	40,163
-----			
6,728		ICN Pharmaceuticals, Inc.	127,832
-----			
6,400	(a)	ICOS Corp.	48,000
-----			
1,600	(a)	ICU Medical, Inc.	14,200
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			VALUE
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*COMMON STOCKS--CONTINUED			
HEALTH CARE--CONTINUED			
2,600	(a)	IDEC Pharmaceuticals Corp.	\$ 56,225
1,100	(a)	IDX Systems Corp.	32,450
14,900	(a)	Imatron, Inc.	59,134
4,200	(a)	Imclone Systems, Inc.	36,225
4,000	(a)	Immulogic Pharmaceutical Corp.	33,500
3,300	(a)	Immune Response Corp.	23,925
3,900	(a)	Immunex Corp.	52,650
4,400	(a)	Immunomedics, Inc.	30,800
2,000	(a)	Imnet Systems Inc.	28,000
2,200	(a)	InControl, Inc.	17,875
1,300	(a)	Inbrand Corp.	42,738
1,500	(a)	Incyte Pharmaceuticals, Inc.	60,750
2,200	(a)	Inhale Therapeutic Systems	31,900
2,400	(a)	Inphynet Medical Management, Inc.	38,400
6,100	(a)	Integra Lifesciences Corp.	30,500
4,800		Integrated Health Services, Inc.	118,200
500	(a)	Intercardia, Inc.	11,500
6,300		Invacare Corp.	176,400
5,400	(a)	Isis Pharmaceuticals, Inc.	87,750
2,400	(a)	I-Stat Corp.	49,800
4,900	(a)	Isolyser Co., Inc.	34,912
4,200		Jones Medical Industries, Inc.	182,700
2,600	(a)	KeraVision, Inc.	40,300
3,400		Kinetic Concepts, Inc.	44,625
500		Labone, Inc.	8,500
18,300	(a)	Laboratory Corporation of America Holdings	61,763
400	(a)	LCA Vision, Inc.	1,400

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\*COMMON STOCKS--CONTINUED

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HEALTH CARE--CONTINUED			
2,250	Life Technologies, Inc.	\$	52,313
2,300	(a) Lifescore Biomedical, Inc.		38,813
4,792	(a) Ligand Pharmaceuticals, Inc., Class B		59,301
6,500	(a) Liposome Co., Inc.		111,313
3,000	(a) Living Centers of America, Inc.		70,125
1,100	(a) Lunar Corp.		34,238
6,100	(a) Magellan Health Services, Inc.		112,088
6,200	(a) Mariner Health Group, Inc.		52,700
5,800	(a) Marquette Medical Systems, Class A		91,350
7,100	(a) Matria Healthcare, Inc.		52,363
3,600	(a) Matrix Pharmaceuticals, Inc.		27,225
3,800	(a) Maxicare Health Plans, Inc.		71,725
1,700	(a) MDL Information Systems, Inc.		26,137
1,900	(a) MedCath, Inc.		24,700
2,500	(a) Medimmune, Inc.		38,750
4,800	Mentor Corp.		106,200
1,900	Meridian Diagnostics, Inc.		19,950
9,000	(a) Mid Atlantic Medical Services, Inc.		96,750
700	(a) MiniMed, Inc.		18,374
2,900	(a) Multicare Cos., Inc.		52,200
1,800	(a) Myriad Genetics, Inc.		44,550
6,600	(a) NABI, Inc.		61,050
1,800	(a) National Surgery Centers, Inc.		48,600
2,500	(a) NeoPath, Inc.		40,781
4,100	(a) Neoprobe Corp.		58,938
3,000	(a) Neurex Corp.		46,875
2,800	(a) Neurogen Corp.		60,900

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FEDERATED MINI-CAP FUND

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\*COMMON STOCKS--CONTINUED

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HEALTH CARE--CONTINUED

5,900	(a) Neuromedical Systems, Inc.	\$	100,300
5,600	(a) Nexstar Pharmaceuticals, Inc.		87,500
2,700	(a) Northfield Laboratories, Inc.		28,519
14,200	(a) NovaCare, Inc.		117,150
3,200	(a) Noven Pharmaceuticals, Inc.		43,600
4,200	(a) OccuSystems, Inc.		114,974
3,600	(a) Oncogene Science, Inc.		25,650
2,800	(a) Organogenesis, Inc.		50,050
3,300	(a) OrthoLogic Corp.		21,656
3,400	(a) Orthodontic Centers of America, Inc.		48,875
1,900	(a) Ostex International, Inc.		12,588
2,500	(a) Owen Healthcare, Inc.		37,188
5,675	Owens & Minor, Inc.		53,203
3,500	(a) Palomar Medical Technologies, Inc.		25,375
1,700	(a) Parexel International Corp.		83,300
2,400	(a) Pathogenesis Corp.		50,400
2,400	(a) Patterson Dental Co.		67,200
1,250	(a) PDT, Inc.		31,250
1,700	(a) Pediatrix Medical Group		66,937
1,600	(a) Perclose, Inc.		26,400
14,400	(a) Perrigo Co.		136,800
2,751	(a) Pharmaceutical Product Development, Inc.		52,613
2,300	(a) Pharmacopedia, Inc.		43,700
2,500	(a) PHP Healthcare Corp.		57,188
1,500	(a) PhyMatrix Corp.		24,938
3,800	(a) Physician Computer Network, Inc.		33,963
8,200	(a) Physician Corp. of America		90,713

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FEDERATED MINI-CAP FUND

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\*COMMON STOCKS--CONTINUED

HEALTH CARE--CONTINUED

1,400	(a) Physicians Health Services, Inc., Class A	\$	23,450
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3,900	(a) Physicians Resource Group, Inc.	105,300
3,600	(a) Physio-Control International Corp.	70,200
2,600	(a) Possis Corp.	42,900
1,800	(a) Prime Medical Services	22,050
2,400	(a) Protein Design Laboratories, Inc.	57,000
1,400	(a) Protocol Systems, Inc.	15,050
600	(a) Raptor Systems, Inc.	12,674
3,600	(a) Regency Health Services, Inc.	40,500
4,400	(a) Regeneron Pharmaceuticals, Inc.	83,600
5,100	(a) Renal Treatment Centers, Inc.	136,425
1,100	(a) Res-Care, Inc.	18,700
2,100	(a) Research Industries Corp.	40,688
3,000	(a) Resound Corp.	23,250
3,500	(a) Respironics, Inc.	52,500
2,000	(a) Rexall Sundown, Inc.	54,250
800	(a) RightCHOICE Managed Care, Inc., Class A	7,900
2,500	(a) Roberts Pharmaceutical Corp.	38,594
5,300	(a) Rotech Medical Corp.	84,800
2,500	(a) RTW, Inc.	38,750
1,600	(a) Safeskin Corp.	63,000
2,200	(a) SangStat Medical Corp.	57,750
4,800	(a) Scherer (R.P.) Corp.	222,600
2,900	(a) SciClone Pharmaceuticals, Inc.	29,725
7,500	(a) Scios Nova, Inc.	43,125
1,000	Seafield Capital Corp.	35,313
5,800	(a) Sepracor, Inc.	94,250

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FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>  
SHARES

VALUE

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\*COMMON STOCKS--CONTINUED

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HEALTH CARE--CONTINUED

6,200	(a) Sequus Pharmaceuticals, Inc.	\$ 87,188
1,800	(a) Serologicals Corp.	54,900
3,200	(a) Sierra Health Services, Inc.	91,600
4,500	(a) Sofamor Danek Group, Inc.	123,750

4,600	(a) Somatix Therapy Corp.	15,238
3,900	(a) Somatogen, Inc.	41,438
2,300	SpaceLabs Medical, Inc.	46,575
2,100	(a) Spine-Tech, Inc.	53,025
2,800	(a) Staar Surgical Co.	34,650
800	(a) Summit Care Corp.	12,700
1,200	(a) Summit Medical Systems	9,450
6,300	(a) Summit Technology, Inc.	34,650
8,724	(a) Sun Healthcare Group, Inc.	111,231
3,600	(a) Sunrise Medical, Inc.	53,550
3,600	(a) Syntetic, Inc.	132,750
800	(a) Systemix, Inc.	11,900
2,200	(a) Target Therapeutics, Inc.	81,400
1,900	(a) Techne Corp.	45,125
3,300	(a) Technological Medical Products, Inc.	42,075
3,900	(a) TheraTx, Inc.	39,000
1,900	(a) Theragenics Corp.	32,300
3,300	(a) Theratech, Inc.	36,506
1,400	(a) Thoratec Laboratories Corp.	14,000
3,800	(a) Transcend Services, Inc.	19,000
3,000	(a) Uniphase Corp.	144,750
1,100	(a) United Dental Care, Inc.	33,000
1,350	United Wisconsin Services, Inc.	34,931

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FEDERATED MINI-CAP FUND

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SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

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HEALTH CARE--CONTINUED

6,800	(a) Universal Health Services, Inc., Class B	\$ 170,000
2,200	(a) UROHEALTH Systems, Inc., Class A	21,725
4,100	(a) Uromed Corp.	41,513
6,600	(a) U.S. Bioscience, Inc.	75,900
4,100	(a) Ventritex, Inc.	93,531
3,700	(a) Vertex Pharmaceuticals, Inc.	123,025

3,300	(a) Veterinary Centers of America	60,638
3,100	(a) Vical, Inc.	41,463
2,300	(a) VISX, Inc.	58,075
1,300	Vital Signs, Inc.	27,625
500	(a) Vitalink Pharmacy Services, Inc.	11,500
2,900	(a) Vivus, Inc.	97,150
2,700	West Co., Inc.	72,563
5,300	XOMA Corp.	18,881
4,800	(a) Zila, Inc.	32,400
	Total	13,562,168
	MISCELLANEOUS--0.3%	
500	American Financial Enterprises	12,750
600	Capital Southwest Corp.	42,300
3,800	(a) Chancellor Corp., Class A	122,550
12,800	(a) Thrifty PayLess Holdings, Inc., Class B	273,600
	Total	451,200
	PRODUCER MANUFACTURING--6.8%	
1,700	(a) ABC Rail Products Corp.	25,711
2,200	(a) ABT Building Products Corp.	46,200
2,800	(a) ACX Technologies, Inc.	49,700
2,500	(a) Acme Metals, Inc.	45,000

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FEDERATED MINI-CAP FUND

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<CAPTION>

SHARES

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\*COMMON STOCKS--CONTINUED

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PRODUCER MANUFACTURING--CONTINUED

700	(a) Advanced Lighting Technologies, Inc.	\$ 13,125
900	(a) Ag-Chem Equipment Co., Inc .	14,175
1,700	Alamo Group, Inc.	27,200
5,000	Allen Group, Inc.	79,375
2,000	Allied Products	49,500
1,700	(a) Alltrista Corp.	36,125
1,900	Amcast Industrial Corp.	38,712
900	(a) American Buildings Co.	18,872

7,100	Ametek, Inc.	141,112
1,000	Amtrol, Inc.	28,250
8,500	(a) Anixter International, Inc.	126,437
2,600	Applied Power, Inc., Class A	93,600
13,600	(a) Aura System, Inc.	31,450
2,400	(a) Avondale Industries, Inc.	39,300
4,310	Baldor Electric Co.	86,738
5,100	Belden, Inc.	146,625
2,350	Blount International, Inc., Class A	84,600
5,200	BW/IP Holding, Inc.	70,200
3,300	(a) Cable Design Technologies, Class A	85,800
2,100	Cascade Corp.	27,563
1,200	Charter Power Systems, Inc.	29,700
1,900	(a) Chase Brass Industries, Inc.	35,863
900	Chicago Miniature Lamp, Inc.	26,775
8,600	Cincinnati Milacron, Inc.	164,475
1,500	(a) Citation Corp.	17,625
10,900	(a) Coltec Industries, Inc.	188,025
3,100	Commercial Intertech Corp.	34,487

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FEDERATED MINI-CAP FUND

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*COMMON STOCKS--CONTINUED			
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PRODUCER MANUFACTURING--CONTINUED			
2,600		Commercial Metals Corp.	\$ 80,600
2,000		Commonwealth Aluminum Corp.	31,500
3,100	(a)	Cuno, Inc.	49,600
1,800	(a)	Detroit Diesel Corp.	33,300
1,100		DT Industries, Inc.	43,450
5,300		Duriron, Inc.	141,775
2,900	(a)	Fairchild Corp., Class A	48,938
1,300	(a)	Falcon Building Products, Inc.	15,275
4,000	(a)	Figgie International Holdings, Inc., Class A	42,500
1,000		Franklin Electronics, Inc.	40,250

5,800	Freeport McMoRan, Inc.	184,875
1,300	General Binding Corp.	32,175
600	(a) Gibraltar Steel Corp.	14,550
7,500	Giddings & Lewis, Inc.	88,125
800	Gleason Corp.	24,100
4,900	(a) Global Industrial Technologies, Inc.	91,263
4,600	Goulds Pumps, Inc.	106,375
2,675	Graco, Inc.	61,190
1,200	Greenbrier Cos., Inc.	13,200
3,500	Greenfield Industries, Inc.	92,750
6,200	(a) Griffon Corp.	58,900
3,000	Handy & Harman	57,000
1,400	Hardinge, Inc.	35,000
7,800	Hexcel Corporation	142,350
2,250	(a) Holophane Corp.	42,750
5,100	HON Industries, Inc.	178,500
1,800	Hunt Manufacturers Co.	30,375

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FEDERATED MINI-CAP FUND

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\*COMMON STOCKS--CONTINUED

VALUE  
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PRODUCER MANUFACTURING--CONTINUED		
1,200	Huntco, Inc., Class A	\$ 21,450
3,600	IDEX Corp.	135,450
2,000	(a) Insilco Corp.	78,000
4,000	Interface, Inc.	67,500
3,800	Intermet Corp.	45,124
4,000	Juno Lighting, Inc.	62,250
4,000	Kaman Corp., Class A	46,500
3,600	Kaydon Corp.	146,700
5,700	Kennametal, Inc.	193,800
6,700	Keystone International, Inc.	120,600
4,000	Kimball International, Inc., Class B	144,000
2,900	Kuhlman Corp.	46,763



5,400	Lincoln Electric Co.	149,850
1,400	Lindsay Manufacturing Co.	60,200
2,600	(a) Littlefuse, Inc.	107,250
1,600	LSI Industries, Inc.	16,000
4,400	Magnetek, Inc.	48,950
2,500	Manitowoc, Inc.	83,750
1,700	(a) MICROS Systems Corp.	58,862
5,400	Miller Herman, Inc.	232,875
2,200	(a) Miller Industries, Inc.	51,425
4,700	Modine Manufacturing Co.	116,325
3,700	(a) Mueller Industries, Inc.	148,925
1,600	NACCO Industries, Inc., Class A	74,000
16,200	(a) Navistar International Corp.	149,850
1,400	(a) NCI Building System, Inc.	45,850
1,850	NN Ball & Roller, Inc.	24,975

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FEDERATED MINI-CAP FUND

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SHARES

			VALUE
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*COMMON STOCKS--CONTINUED			
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PRODUCER MANUFACTURING--CONTINUED			
4,600	(a)	Nu-Kote Holdings, Inc., Class A	\$ 43,700
3,800	(a)	Oak Industries, Inc.	96,424
1,400	(a)	Oregon Metallurgical Corp.	44,100
2,050	(a)	Osmonics, Inc.	43,563
2,600		Pacific Scientific Co.	28,275
1,600	(a)	Park Ohio Industries, Inc.	24,000
1,700		Penn Engineering & Manufacturing Corp.	29,750
8,100		Pentair, Inc.	204,525
4,500		Pittston Co.	83,813
2,400		Ply Gem Industries, Inc.	29,400
4,450		Precision Castparts Corp.	208,037
4,400		Regal Beloit Corp.	78,100
1,700		Reliance Steel & Aluminum Co.	62,263
1,600		Robbins & Myers, Inc.	36,000
2,800		Roper Industries, Inc.	118,300

1,900	Scotsman Industries, Inc.	45,600
1,100	(a) Shiloh Industries, Inc.	18,150
800	(a) Simpson Manufacturing Co., Inc.	16,600
2,200	(a) Specialty Equipment Cos., Inc.	27,225
100	(a) Spinnaker Industries, Inc.	5,000
1,300	(a) SPS Technologies, Inc.	78,000
2,600	Standex International Corp.	79,950
1,600	Steel Technologies, Inc.	20,800
6,800	Stewart & Stevenson Services	144,500
3,800	Teleflex, Inc.	182,874
1,900	Tennant Co.	45,363
1,000	(a) Thermo Power Corp.	9,563

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FEDERATED MINI-CAP FUND

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\*COMMON STOCKS--CONTINUED

VALUE  
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PRODUCER MANUFACTURING--CONTINUED		
2,200	Thomas Industries, Inc.	\$ 42,350
3,100	Titan Wheel International, Inc.	39,524
3,300	TJ International, Inc.	62,700
1,100	(a) Tower Automotive, Inc.	32,038
1,600	Tredegar Industries, Inc.	61,200
3,200	(a) Triangle Pacific Corp.	67,700
4,840	Triarc Companies, Inc., Class A	56,870
3,400	Trimas Corp.	78,200
5,800	Trinova Corp.	190,674
900	(a) TurboChef, Inc.	10,013
4,900	UNR Industries, Inc.	33,075
8,300	(a) U.S. Filter Corp.	286,350
7,400	(a) U.S. Office Products Co.	214,600
2,200	Valhi, Inc.	12,925
1,900	Valmont Industries, Inc.	65,550
4,050	Wabash National Corp.	65,306
8,000	(a) Walter Industries, Inc.	112,000

2,100	Watsco, Inc.	40,688
4,300	Watts Industries, Inc., Class A	89,763
4,000	Westinghouse Electric Corp.	43,500
2,900	(a) Wolverine Tube, Inc.	115,638
3,700	Zebra Technologies Co., Class A	106,838
2,600	Zero Corp.	47,775
2,700	Zurn Industries, Inc.	67,838
-----		-----
	Total	9,907,200
-----		-----
RETAIL TRADE--4.1%		
900	(a) American Eagle Outfitters, Inc.	15,750

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FEDERATED MINI-CAP FUND

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*COMMON STOCKS--CONTINUED			
-----			
RETAIL TRADE--CONTINUED			
2,700		AMRE, Inc.	\$ 24,974
5,000	(a)	Ann Taylor Stores Corp.	90,625
3,850		Arbor Drugs, Inc.	87,106
2,200	(a)	Baby Superstore, Inc.	59,675
6,800	(a)	Best Buy Co., Inc.	111,350
3,500		Big B, Inc.	59,500
1,700		Blair Corp.	28,263
2,050	(a)	BMC West Corp.	24,600
8,100	(a)	Bombay Co., Inc.	42,525
2,200	(a)	Books-A-Million, Inc.	14,850
-----			
400	(a)	Buckle, Inc.	10,200
3,500	(a)	Burlington Coat Factory Warehouse	42,874
3,500	(a)	Carson Pirie Scott & Co.	87,063
5,600		Casey's General Stores, Inc.	100,800
6,200		Cash America International, Inc.	44,950
5,100		Cato Corp., Class A	24,544
20,200		Charming Shoppes, Inc.	93,424
2,600	(a)	Chronimed, Inc.	37,700
10,275		Claire's Stores, Inc.	174,675
10,600		CML Group, Inc.	51,675

2,200	(a)	Cole National Corp., Class A	51,975
3,000		CPI Corp.	57,000
400		Dart Group Corp., Class A	38,000
1,200		Delchamps, Inc.	25,050
1,800	(a)	Discount Auto Parts, Inc.	39,150
3,400	(a)	Dress Barn, Inc.	44,625
4,300		Duty Free International, Inc.	68,800

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FEDERATED MINI-CAP FUND

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			VALUE
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*COMMON STOCKS--CONTINUED			
RETAIL TRADE--CONTINUED			
4,100	(a)	Eagle Hardware & Garden, Inc.	\$ 117,362
3,200	(a)	Egghead, Inc.	16,400
1,400		Elcom International, Inc.	12,425
3,500	(a)	Express Scripts, Inc., Class A	101,938
3,100	(a)	Fabri-Centers of America, Class A	40,300
8,900		Family Dollar Stores, Inc.	151,300
9,900		Fingerhut Companies, Inc.	147,263
3,100	(a)	Friedmans, Inc., Class A	50,763
1,800		Gadzooks, Inc.	52,200
3,700	(a)	Garden Ridge Corp.	35,613
5,300	(a)	Genesco, Inc.	47,700
4,600		Hancock Fabrics, Inc.	39,100
10,300		HEARx, Ltd.	23,175
6,600	(a)	Hechinger Co., Class A	21,038
10,500		Heilig-Meyers Co.	136,500
4,500	(a)	Hollywood Entertainment Corp.	93,374
1,500		Ingles Markets, Inc., Class A	23,437
1,600	(a)	Jenny Craig, Inc.	14,400
3,500		Lands' End, Inc.	75,250
3,000		Longs Drug Stores Corp.	134,625
5,500	(a)	MacFrugal's Bargains CloseOuts, Inc.	134,063
2,325	(a)	Mens Wearhouse, Inc.	47,953

5,800	(a) Meyer (Fred), Inc.	203,725
4,300	(a) Michaels Stores, Inc.	43,538
3,050	(a) Microage, Inc.	61,000
1,000	(a) Movie Gallery, Inc.	13,500
2,900	(a) National Media Corp.	34,800

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FEDERATED MINI-CAP FUND

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\*COMMON STOCKS--CONTINUED

RETAIL TRADE--CONTINUED		
2,600	New Engineers Business Service, Inc.	\$ 46,800
1,000	(a) O'Reilly Automotive, Inc.	35,374
8,600	(a) Payless Cashway, Inc., Class A	16,125
785	(a) Penney (J.C.) Co., Inc.	41,213
2,750	(a) Petco Animal Supplies, Inc.	64,625
8,495	Pier 1 Imports, Inc.	118,930
12,200	Premark International, Inc.	254,675
3,300	(a) Proffitts, Inc.	133,237
1,850	Quality Food Centers, Inc.	67,524
2,400	Regis Corp. Minnesota	58,200
3,000	(a) Renters Choice, Inc.	57,000
1,700	Riser Foods, Inc., Class A	45,688
5,300	Ross Stores, Inc.	219,950
5,800	Ruddick Corp.	75,400
21,500	(a) Service Merchandise, Inc.	126,312
3,700	Shopko Stores, Inc.	59,663
2,100	Smart & Final, Inc.	49,350
1,967	Smith's Food & Drug Centers, Inc., Class B	51,388
4,250	(a) Sports & Recreation, Inc.	36,655
6,700	(a) Sports Authority, Inc.	162,475
1,850	(a) Stein Mart, Inc.	33,069
1,536	Strawbridge & Clothier, Inc., Class A	26,112
900	(a) Tractor Supply Co.	18,674
2,000	(a) Urban Outfitters, Inc.	31,500

2,100	(a) Value City Department Stores, Inc.	26,775
5,600	(a) Valuevision International, Inc., Class A	30,100
6,700	(a) Waban, Inc.	175,038

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FEDERATED MINI-CAP FUND

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*COMMON STOCKS--CONTINUED			<C>
RETAIL TRADE--CONTINUED			
1,600	(a)	West Marine, Inc.	\$ 56,400
1,100	(a)	Wet Seal, Inc., Class A	34,650
3,000		Whole Foods Market, Inc.	76,875
4,000	(a)	Williams-Sonoma, Inc.	110,000
6,800	(a)	Zale Corp.	131,750
		Total	5,895,992
SERVICES--10.4%			
2,900	(a)	7th Level, Inc.	14,862
3,000		ABM Industries, Inc.	52,875
2,050	(a)	ABR Information Services, Inc.	141,962
3,150		Ackerley Communications, Inc.	38,587
4,700	(a)	ADVO, Inc.	66,387
4,000	(a)	Air and Water Technology Corp., Class A	25,500
3,300	(a)	Alliance Entertainment Corp.	13,200
13,000	(a)	Allied Waste Industries, Inc.	117,812
7,100	(a)	Allwaste, Inc.	32,837
600	(a)	AMC Entertainment, Inc.	10,350
2,250	(a)	American Business Information	43,311
2,650		American Business Products, Inc.	58,962
9,000		American Media, Inc.	47,250
3,200	(a)	American Radio Systems Corp.	97,600
600	(a)	Ameristar Casinos, Inc.	3,225
3,200		Amresco, Inc.	67,600
1,300	(a)	Anchor Gaming	65,000
2,000		Angelica Corp.	39,000
5,437		Apple South, Inc.	63,884

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## FEDERATED MINI-CAP FUND

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SHARES

VALUE

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\*COMMON STOCKS--CONTINUED

## SERVICES--CONTINUED

3,000	(a)	APS Holding Corp., Class A	\$	62,250
3,100	(a)	Argosy Gaming Corp.		19,375
2,400	(a)	Argyle Television, Inc., Class A		66,600
1,200		Ascent Entertainment Group, Inc.		22,200
3,500	(a)	ATC Communications, Inc.		66,500
8,300	(a)	Aztar Corp.		67,437
300	(a)	Bally's Grand, Inc.		9,600
6,750		Banta Corp.		142,594
3,300		Barefoot, Inc.		33,412
1,000	(a)	BARRA, Inc.		27,984
2,650		Bearings, Inc.		68,900
3,000		Bell & Howell Group, Inc.		80,250
700		Berlitz International, Inc.		15,224
1,400	(a)	BET Holdings, Inc., Class A		40,950
3,000		Big Flower Press Holdings, Inc.		46,500
3,200	(a)	Billing Information Concepts		83,600
9,200		Bob Evans Farms, Inc.		115,000
2,700	(a)	Borg Warner Security Corp.		28,013
3,800		Bowne & Co., Inc.		88,825
5,200		Boyd Gaming Corporation		38,350
3,600		Bristol Hotel Company		96,750
2,200	(a)	BT Office Products International, Inc.		18,150
8,925	(a)	Buffets, Inc.		99,291
1,300		Butler Manufacturing Co.		40,950
3,800	(a)	Career Horizons, Inc.		154,375
2,100	(a)	Carmike Cinemas, Inc., Class A		49,875
3,850	(a)	Casino American, Inc.		18,769

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*COMMON STOCKS--CONTINUED			
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SERVICES--CONTINUED			
-----			
2,100	(a)	Casino Data Systems	\$ 30,187
-----			
5,400	(a)	Casino Magic Corp.	15,188
-----			
2,400		Castle (A.M.) & Co.	44,400
-----			
4,000	(a)	Catalina Marketing Corp.	203,500
-----			
2,200	(a)	CDI Corp.	60,500
-----			
1,000		Central Parking Corp.	34,624
-----			
4,400		Checkfree Corp.	80,300
-----			
1,800	(a)	Cheesecake Factory, Inc.	33,300
-----			
4,000		CKE Restaurants, Inc.	119,000
-----			
600	(a)	CKS Group, Inc.	11,624
-----			
1,500		CMG Information Services, Inc.	15,000
-----			
2,430	(a)	Consolidated Products, Inc.	41,310
-----			
1,900	(a)	Continental Waste Industries, Inc.	47,262
-----			
1,600	(a)	Copart, Inc.	29,400
-----			
2,850	(a)	Corestaff, Inc.	72,675
-----			
1,500	(a)	CSS Industries, Inc.	35,250
-----			
800	(a)	Daisytek International Corp.	30,600
-----			
2,400	(a)	Daka International, Inc.	21,300
-----			
3,500		Dames & Moore, Inc.	46,813
-----			
5,400	(a)	Data Broadcasting Corp.	40,500
-----			
600		Data Processing Resources Corp.	12,075
-----			
1,800		Data Transmission Network Corp.	38,700
-----			
1,100	(a)	Day Runner, Inc.	30,800
-----			
2,800	(a)	DeVRY, Inc.	139,650
-----			
1,900	(a)	Dendrite International, Inc.	50,588
-----			
1,400	(a)	Desktop Data, Inc.	33,250
-----			
2,900	(a)	Destec Energy, Inc.	43,500
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*COMMON STOCKS--CONTINUED			
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SERVICES--CONTINUED			
1,400	(a)	Devon Group, Inc.	\$ 35,000
630		Diana Corp.	17,167
4,900	(a)	Doubletree Corp.	198,756
900		Eagle River Interactive, Inc.	8,438
1,350	(a)	Edmark Corp.	14,681
1,600	(a)	Emmis Broadcasting Corp., Class A	58,000
3,800		Employee Solutions, Inc.	84,075
3,500		Ennis Business Forms, Inc.	38,500
1,800	(a)	Equity Corporation International	41,400
4,650	(a)	Evergreen Media Corp., Class A	125,550
-----			
6,800	(a)	Extended Stay America, Inc.	137,700
1,400	(a)	EZ Communications, Inc., Class A	53,900
1,600		Fair Isaac & Co., Inc.	60,200
3,500		Fisher Scientific International, Inc.	157,063
8,100		Fleming Cos., Inc.	140,737
8,400	(a)	Foodmaker, Inc.	81,900
1,700	(a)	Franklin Electronic Publishers, Inc.	21,675
3,600	(a)	Franklin Quest Co.	72,900
1,200	(a)	GC Cos., Inc.	40,650
4,450		G & K Services, Inc., Class A	129,050
3,700	(a)	Golden Books Family Entertainment, Inc.	41,163
2,450		Granite Construction, Inc.	47,163
2,000		GRC International	28,250
200		Grey Advertising, Inc.	46,900
-----			
9,800	(a)	Greyhound Lines, Inc.	35,525
1,200		HA-LO Industries, Inc.	37,200
7,200		Handleman Co.	46,800

&lt;/TABLE&gt;

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<CAPTION>  
SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

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SERVICES--CONTINUED			
6,600	Harland (John H.) Co.	\$	205,425
3,337	Harte-Hanks		86,345
1,300	Harveys Casino Resorts		20,963
1,700	(a) Heftel Broadcasting Corp., Class A		61,625
7,000	(a) Heritage Media Corp., Class A		106,750
5,000	Hollinger International Publishing, Inc.		62,500
3,300	(a) Hollywood Park, Inc.		32,381
5,700	(a) Host Marriott Services Corp.		50,588
3,100	Houghton Mifflin Co.		153,838
1,100	Hughes Supply, Inc.		41,800
3,900	(a) Identix, Inc.		31,688
1,700	(a) Inference Corp.		20,825
1,800	(a) IHOP Corp.		39,600
4,600	(a) Insituform Technologies, Inc., Class A		30,474
500	(a) Intelliquest Information Group, Inc.		11,000
3,300	(a) Interim Services, Inc.		132,000
3,300	(a) International Dairy Queen, Inc., Class A		63,525
650	(a) ITT Educational Services, Inc.		23,644
4,600	(a) Jacobs Engineering Group, Inc.		101,775
1,400	(a) Jacor Communications, Inc., Class A		39,200
2,100	(a) JP Foodservice, Inc.		46,725
2,900	(a) Katz Media Group		24,288
2,200	(a) KFX, Inc.		14,300
2,500	(a) Kinder-Care Learning Centers, Inc.		49,375
1,800	Landauer, Inc.		35,325
3,500	(a) Landrys Seafood Restaurants, Inc.		71,750
1,500	Lawson Products, Inc.		31,875

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FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

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SERVICES--CONTINUED

1,000	(a)	Learning Tree International, Inc.	\$	42,250
2,700	(a)	Lin Television Corp.		102,263
1,200	(a)	Longhorn Steaks, Inc.		19,200
5,100		Luby's Cafeterias, Inc.		107,100
1,600	(a)	Mail Boxes, ETC.		32,600
500	(a)	Manhattan Bagel Co., Inc.		5,125
2,550		Marcus Corp.		56,738
1,400	(a)	Mastec, Inc.		68,075
1,400	(a)	May & Speh, Inc.		23,275
6,500		McClatchy Newspapers, Inc. , Class A		181,188
2,600		Media General, Inc., Class A		77,350
1,200		Merrill Corp.		26,700
7,942	(a)	Metromedia International Group, Inc.		78,427
3,200	(a)	Molten Metal Technology		42,800
2,000	(a)	Morrison Health Care, Inc.		24,250
2,000	(a)	Morrison Knudsen Corp.		18,000
2,400		Nash Finch Co.		39,000
7,600	(a)	National Education Corp.		123,500
2,315	(a)	Newpark Resources, Inc.		86,813
1,900	(a)	NFO Research, Inc.		44,175
4,400	(a)	Noel Group, Inc.		28,600
2,600		Norrell Corp.		65,000
3,700	(a)	NPC International, Inc.		31,450
10,700		Ogden Corp.		193,938
4,200	(a)	OHM Corp.		32,025
1,100	(a)	On Assignment, Inc.		33,825
1,700	(a)	Papa Johns International, Inc.		84,575

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FEDERATED MINI-CAP FUND

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<CAPTION>

SHARES

VALUE

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\*COMMON STOCKS--CONTINUED

SERVICES--CONTINUED

3,300		Patriot American Hospitality, Inc.	\$	115,913
-------	--	------------------------------------	----	---------

300	(a) Paxson Communications Corp.	2,663
1,200	(a) PEC Israel Economic Corp.	18,300
600	(a) Penn National Gaming, Inc.	20,700
1,850	(a) Performance Food Group Co.	28,444
2,500	(a) Personnel Group of America, Inc.	69,063
5,500	Petroleum Heat & Power, Inc., Class A	40,563
9,400	Phoenix Duff & Phelps Corp.	57,575
1,100	(a) Pinkertons, Inc.	29,425
3,300	(a) Playboy Enterprises, Inc., Class B	39,600
6,300	(a) Players International, Inc.	42,525
5,700	(a) PMT Services, Inc.	114,000
4,600	(a) Prepaid Legal Services, Inc.	54,050
1,700	(a) Primadonna Resorts, Inc.	27,413
5,100	(a) Primark Corp.	126,863
6,700	(a) Pime Hospitality Corp.	102,175
1,000	(a) Profit Recovery Group International, Inc.	15,250
5,200	(a) PsiNet, Inc.	49,400
1,000	Pulitzer Publishing Co.	63,500
1,000	(a) Quality Dining, Inc.	21,500
800	(a) Quintel Entertainment, Inc.	6,400
1,900	(a) Rainforest Cafe Inc.	61,750
6,800	(a) Red Lion Hotels, Inc.	204,000
2,200	(a) Red Roof Inns, Inc.	29,425
5,437	(a) Regal Cinemas, Inc.	141,362
2,600	(a) Renaissance Communications Corp.	91,975
600	(a) Renaissance Solutions, Inc.	24,150

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FEDERATED MINI-CAP FUND

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<CAPTION>  
SHARES

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\*COMMON STOCKS--CONTINUED

VALUE

<C>

SERVICES--CONTINUED

2,800	(a) Rexel, Inc.	\$ 40,600
3,500	(a) Rio Hotel & Casino, Inc.	50,750
13,000	(a) Rollins Environmental Services, Inc.	29,250
4,600	Rollins, Inc.	87,975

1,300	(a) Romac International, Inc.	37,375
3,050	Ruby Tuesday, Inc.	49,563
2,000	(a) Rural / Metro Corp.	73,000
11,300	(a) Ryan's Family Steak Houses, Inc.	83,338
5,700	Rykoff Sexton, Inc.	81,225
12,500	Safety-Kleen Corp.	195,313
1,500	(a) Saga Communications, Inc., Class A	32,063
6,500	(a) Savoy Pictures Entertainment, Inc.	17,875
2,650	Sbarro, Inc.	69,894
2,600	(a) Scholastic Corp.	190,450
2,800	(a) Scientific Games Holdings Corp.	63,350
1,700	(a) Seattle Filmworks, Inc.	32,300
2,900	SEI Corp.	58,725
1,400	(a) SFX Broadcasting, Inc.	60,200
8,100	(a) Shoney's, Inc.	59,738
3,350	(a) ShowBiz Pizza Time, Inc.	61,975
3,400	Showboat, Inc.	64,600
2,400	(a) Shuffle Master, Inc.	26,700
5,000	Shurgard Storage Centers, Inc., Class A	131,250
2,000	(a) Silver King Communications, Inc.	44,500
2,800	(a) Sitel Corp.	55,300
2,000	(a) Sodak Gaming, Inc.	36,250
2,850	(a) Sonic Corp.	64,838

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FEDERATED MINI-CAP FUND

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<CAPTION>

SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

<C>

SERVICES--CONTINUED

9,300	Sothebys Holdings, Inc., Class A	\$ 158,100
2,800	Spelling Entertainment Group, Inc.	20,300
1,500	(a) SPS Transaction Services, Inc.	24,000
2,800	Standard Register	72,800
3,900	(a) Station Casinos, Inc.	43,388
500	(a) Steck-Vaughn Publishing Corp.	5,625

1,600	Stone & Webster, Inc.	52,800
4,200	Storage USA, Inc.	145,950
2,400	(a) Strategic Distribution, Inc.	13,800
2,200	(a) Stratosphere Corp.	3,094
2,050	(a) Studio Plus Hotels, Inc.	36,131
4,700	(a) SunRiver Corp.	10,869
800	(a) Superior Services, Inc.	13,800
2,600	(a) Sylvan Learning Systems, Inc.	109,850
2,706	(a) Tetra Tech, Inc.	60,209
2,800	(a) Tetra Technologies, Inc.	58,450
900	(a) Thermo Ecotek Corp.	13,613
350	Thermo Remediation, Inc.	3,675
700	(a) Thermo Terratech, Inc.	7,263
2,775	Thomas Nelson, Inc.	33,994
800	Trigen Energy Corp.	17,700
4,000	True North Communications, Inc.	95,000
4,600	(a) Trump Hotels & Casino Resorts, Inc.	73,025
4,400	Unifirst Corp.	88,550
900	United Television, Inc.	79,200
8,400	(a) United Waste Systems, Inc.	288,750
1,000	(a) U.S. Order, Inc.	9,688

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FEDERATED MINI-CAP FUND

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SHARES

VALUE

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\*COMMON STOCKS--CONTINUED

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SERVICES--CONTINUED

4,800	(a) Valassis Communication, Inc.	\$ 86,400
400	Value Line, Inc.	15,150
3,200	(a) Vanstar Corp.	76,000
2,000	(a) Veritas DGC, Inc.	41,000
1,100	(a) Volt Information Science, Inc.	42,350
3,900	VWR Corp.	49,725
2,400	Wackenhut Corp., Class A	39,000
1,200	(a) Wackenhut Corrections Corp.	22,200
700	Waverly, Inc.	19,600

6,100	(a) Westwood One, Inc.	93,788
2,800	Wiley (John) & Sons, Inc., Class A	85,750
1,700	(a) Wilmar Industries, Inc.	36,550
3,900	(a) WMS Industries, Inc.	95,550
7,300	(a) World Color Press	163,338
1,900	(a) Young Broadcasting, Inc., Class A	54,150
1,200	(a) Youth Services International, Inc.	18,600
	Total	15,059,860
	TECHNOLOGY--14.4%	
1,500	(a) 3D Systems Corp.	15,000
3,500	AAR Corp.	99,750
1,600	(a) ACT Networks, Inc.	54,800
3,400	(a) Actel Corp.	60,774
4,700	(a) Acxiom Corp.	184,475
1,200	Advanced Energy Industries, Inc.	4,950
700	(a) Advent Software, Inc.	22,750
2,400	(a) Affiliated Computer Services, Inc., Class A	132,000
4,800	(a) Alliance Semiconductor Corp.	30,600

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FEDERATED MINI-CAP FUND

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SHARES

		VALUE
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*COMMON STOCKS--CONTINUED		
TECHNOLOGY--CONTINUED		
2,000	Alliant Techsystems, Inc.	\$ 97,750
2,900	(a) Alternative Resources Corp.	58,362
2,850	(a) Altron, Inc.	42,036
325	(a) American Satellite Newwor, Warrants	0
6,100	(a) Ampex, Inc., Class A	41,175
900	Anadigics, Inc.	28,350
1,700	Analogic Corp.	46,325
3,200	Analysts International Corp.	80,000
1,100	(a) Ancor Communications, Inc.	15,811
3,400	(a) Antec Corp.	36,337

2,600	(a) Applied Digital Access, Inc.	16,250
2,000	(a) Applied Innovation, Inc.	17,000
5,700	(a) Applied Magnetics Corp.	121,837
1,800	(a) Applix, Inc.	43,650
2,300	(a) Arbor Software Corp.	83,374
1,700	(a) Aspen Technologies, Inc.	114,325
5,822	(a) AST Research, Inc.	26,927
800	(a) Astea International, Inc.	4,700
3,900	Augat, Inc.	107,250
5,100	(a) Auspex Systems, Inc.	52,275
3,118	(a) Avant! Corp.	94,304
3,400	Aviall, Inc.	31,025
4,500	(a) Avid Technology, Inc.	62,436
600	Bacou U.S.A., Inc.	9,825
4,379	(a) BancTec, Inc.	89,222
3,800	(a) BBN Corp.	81,225
3,000	(a) BDM International, Inc.	150,750

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FEDERATED MINI-CAP FUND

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TECHNOLOGY--CONTINUED			
3,700		BE Aerospace, Inc.	\$ 80,475
1,300	(a)	Berg Electronics Corp.	36,725
5,100	(a)	Bisys Group, Inc.	189,975
3,500	(a)	Black Box Corp.	118,125
1,100	(a)	Boca Research, Inc.	13,406
2,325	(a)	Boole & Babbage, Inc.	71,494
6,600	(a)	Borland International, Inc.	33,413
4,700	(a)	Boston Technology, Inc.	78,138
1,100	(a)	BRC Holdings, Inc.	43,450
1,900	(a)	Brightpoint, Inc.	47,500
1,900	(a)	Brite Voice Systems, Inc.	23,750
2,600	(a)	Broadband Technologies, Inc.	46,475
1,700		Brooktrout Technology, Inc.	54,825



3,550	(a) Burr Brown Corp.	75,438
2,900	(a) Caere Corp.	23,200
2,700	California Amplifier, Inc.	22,275
3,500	(a) California Microwave	51,624
2,100	(a) C-COR Electronics, Inc.	32,550
2,000	(a) Cellstar Corp.	15,000
4,190	(a) Cellular Technical Services, Inc.	67,564
1,300	Centennial Technologies, Inc.	72,313
8,100	(a) Cheyenne Software, Inc.	246,038
4,400	(a) Chips & Technologies, Inc.	87,450
1,600	(a) Ciber, Inc.	56,800
2,500	(a) Cidco, Inc.	47,188
5,100	(a) Citrix Systems Inc.	281,775
2,200	Clarify, Inc.	106,150

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FEDERATED MINI-CAP FUND

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SHARES

VALUE

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\*COMMON STOCKS--CONTINUED

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TECHNOLOGY--CONTINUED

7,000	(a) Cognex Corp.	\$ 90,124
1,900	(a) Coherent Communications Systems Corp.	36,812
2,400	(a) Coherent, Inc.	93,600
2,000	Cohu, Inc.	33,000
2,400	(a) Colonial Data Technologies Corp.	22,800
4,700	(a) Compucom System, Inc.	45,825
2,900	(a) Computer Horizons Corp.	89,900
700	Computer Language Research, Inc.	7,963
600	Computer Management Sciences	17,550
4,900	(a) Computer Network Technology	26,644
5,200	(a) Computer Products, Inc.	102,700
1,800	Computer Task Group, Inc.	67,950
13,600	(a) Computervision Corp.	122,400
2,100	Comshare, Inc.	28,875
4,600	(a) Comverse Technology, Inc.	161,000

2,900	(a)	Control Data Systems, Inc.	68,150
1,300		Cooper & Chyan Technology, Inc.	39,812
9,400	(a)	CopyTele, Inc.	67,268
2,100	(a)	C.P. Clare Corp.	17,325
4,650	(a)	Credence Systems Corp.	63,355
2,300	(a)	Cree Research, Inc.	26,450
600		CSG Systems International, Inc.	10,050
900		CTS Corp.	37,800
1,200		Cubic Corp.	24,750
500		Curtiss Wright Corp.	27,063
1,200	(a)	Cybercash, Inc.	34,500
3,700	(a)	Cyrix Corp.	65,675

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FEDERATED MINI-CAP FUND

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			VALUE
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TECHNOLOGY--CONTINUED			
5,700		Dallas Semiconductor Corp.	\$ 114,000
2,300		Daniel Industries, Inc.	29,613
7,700	(a)	Data General Corp.	114,538
1,500		Data Translation, Inc.	15,938
800	(a)	Datastream Systems, Inc.	14,600
1,000		Davox Corp.	36,000
1,600		DecisionOne Corp.	22,800
1,550	(a)	D H Technology, Inc.	36,038
1,600	(a)	Dialogic Corp.	54,800
6,700		Diamond Multimedia Systems, Inc.	79,563
2,400	(a)	Digi International, Inc.	35,400
1,200	(a)	Digital Systems Int., Inc.	16,350
3,400	(a)	Digital Microwave Corp.	77,775
1,800	(a)	DII Group, Inc.	39,600
2,800	(a)	Dionex Corp.	107,100
2,000	(a)	Documentum, Inc.	74,500
4,500	(a)	DSP Communications, Inc.	171,000
4,000	(a)	Dynatech Corp.	197,750

1,600	(a)	EIS International, Inc.	13,600
1,900	(a)	Electro Scientific Industries, Inc.	38,950
3,900	(a)	Electroglas, Inc.	51,188
1,100	(a)	Eltron International, Inc.	38,913
2,000	(a)	Encad, Inc.	82,000
2,500	(a)	Envoy Corp.	91,875
2,700	(a)	EPIC Design Technology, Inc.	66,150
3,600	(a)	ESS Technology, Inc.	57,600
1,800	(a)	Esterline Technologies Corp.	42,075

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			VALUE
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TECHNOLOGY--CONTINUED			
2,900	(a)	Etec Systems, Inc.	\$ 78,300
1,900	(a)	Evans & Sutherland Computer Co.	39,900
4,700	(a)	Exabyte Corp.	62,275
1,900	(a)	Excalibur Technologies Corp.	27,075
700		Excite, Inc.	4,288
9,900	(a)	Executone Information Systems, Inc.	25,369
2,000		FastComm Communications Corp.	16,750
3,300	(a)	Filenet Corp.	93,637
4,800	(a)	FSI International, Inc.	49,800
5,800	(a)	FTP Software, Inc.	36,975
1,700	(a)	Fusion Systems Corp.	30,600
1,400		Galileo Electro-Optics Corp.	30,800
1,850	(a)	Gasonics International Corp.	13,644
5,700		GenCorp, Inc.	94,050
4,300	(a)	GenRad, Inc.	87,075
4,500	(a)	General DataComm Industries, Inc.	43,313
2,900	(a)	General Magic, Inc.	8,700
1,400		General Scanning, Inc.	14,175
3,500	(a)	Genus, Inc.	18,375
12,400		Geotek Industries, Inc.	91,450

1,900	Geoworks	38,713
3,700	Gerber Scientific, Inc.	49,950
1,300	Greenwich Air Services, Inc., Class A	29,250
725	Hach Co.	12,416
1,700	(a) HADCO Corp.	51,638
1,900	(a) Harbinger Corp.	51,300
2,200	(a) Harmonic Lightwaves, Inc.	37,125

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FEDERATED MINI-CAP FUND

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SHARES

VALUE

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\*COMMON STOCKS--CONTINUED

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TECHNOLOGY--CONTINUED		
1,600	Helix Technology Corp.	\$ 42,600
1,600	Henry Jack & Associates, Inc.	64,600
1,800	HMT Technology Corp.	24,975
3,300	HNC Software	103,950
1,200	(a) Hutchinson Technology, Inc.	53,700
3,600	(a) Hyperion Software Corp.	73,350
1,000	(a) IDT Corp.	11,125
1,500	(a) IKOS Systems, Inc.	26,813
5,800	(a) IMP, Inc.	16,313
1,900	(a) In Focus Systems, Inc.	36,100
2,000	(a) Inacom Corp.	63,250
500	(a) Individual, Inc.	2,875
800	(a) Indus Group, Inc.	16,200
6,000	(a) Information Resources, Inc.	75,750
1,700	(a) Inso Corp.	83,725
16,700	(a) Integrated Device Technology, Inc.	137,775
600	(a) Integrated Measurement Systems, Inc	9,375
1,900	(a) Integrated Packaging Assembly Corp.	16,625
3,100	(a) Integrated Process Equipment Corp.	33,713
3,200	(a) Integrated Silicon Solution, Inc.	26,000
3,200	(a) Integrated Systems, Inc.	86,400
6,500	Intelligent Electronics, Inc.	57,688
1,800	(a) Inter-Tel, Inc.	27,225

9,900	(a) Interdigital Communications Corp.	63,731
8,700	(a) Intergraph Corp.	81,563
4,200	(a) Intersolv, Inc.	34,125
3,400	(a) Interville, Inc.	44,200

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FEDERATED MINI-CAP FUND

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SHARES

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*COMMON STOCKS--CONTINUED			<C>
TECHNOLOGY--CONTINUED			
600	(a)	Intevac, Inc.	\$ 8,700
800	(a)	IPC Information Systems, Inc.	12,000
1,000	(a)	Iron Mountain, Inc.	30,000
2,100	(a)	Itron, Inc.	34,913
1,300	(a)	Jabil Circuit, Inc.	31,200
600	(a)	JDA Software Group, Inc.	20,625
1,200		John Fluke Manufacturing, Co.	48,000
3,500	(a)	Keane, Inc.	162,313
8,300	(a)	Kemet Corp.	160,813
5,200	(a)	Kent Electronics Corp.	118,950
1,800	(a)	Kronos, Inc.	52,425
4,200	(a)	Kulicke & Soffa Industries	55,125
4,750	(a)	Lattice Semiconductor Corp.	162,688
3,500	(a)	Legato Systems, Inc.	124,250
2,800	(a)	Level One Communications, Inc.	79,100
1,500	(a)	Logic Works, Inc.	8,625
2,600		Logicon, Inc.	107,575
7,500	(a)	LTX Corp.	29,531
1,000	(a)	Mafco Consolidated Group, Inc.	27,875
1,600	(a)	Manugistics Group, Inc.	68,800
3,700	(a)	Marshall Industries	111,463
2,200	(a)	Mattson Technology, Inc.	20,075
1,300	(a)	Maxis, Inc.	16,900
3,100		Measurex Corp.	79,825

3,400	(a) Mercury Interactive Corp.	43,350
800	(a) Merix Corp.	16,800
1,800	(a) MetaTools, Inc.	34,650

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FEDERATED MINI-CAP FUND

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SHARES

		VALUE
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*COMMON STOCKS--CONTINUED		
-----		
TECHNOLOGY--CONTINUED		
6,700	Method Electronics, Inc., Class A	\$ 130,650
2,500	(a) Metricom, Inc.	35,313
1,700	(a) MicroTouch Systems, Inc.	30,813
7,300	(a) Microchip Technology, Inc.	264,625
3,300	(a) Microcom, Inc.	27,638
1,100	(a) Microware Systems Corp.	20,075
2,600	(a) MRV Communications, Inc.	56,550
2,000	MTS Systems Corp.	40,000
4,300	Mylex Corp.	54,825
3,000	National Computer Systems, Inc.	64,500
-----		
5,600	National Data Corp.	230,300
1,800	(a) National Instruments Corp.	51,300
1,700	(a) Neose Technologies, Inc.	27,625
6,600	(a) Netmanage, Inc.	44,963
3,400	(a) Network Appliance, Inc.	119,000
4,500	(a) Network Equipment Technologies, Inc.	60,188
2,100	(a) Network Peripherals, Inc.	36,488
1,200	(a) Nichols Research Corp.	41,700
2,900	(a) Nimbus CD International, Inc.	28,638
2,400	Novadigm, Inc.	19,500
3,500	(a) Novellus Systems, Inc.	144,375
7,700	(a) Oak Technology, Inc.	77,963
3,500	OEA, Inc.	132,125
3,900	(a) OIS Optical Imaging Systems, Inc.	10,725
-----		
900	(a) OnTrak Systems, Inc.	13,050
1,900	(a) Optical Data Systems, Inc.	27,788
5,600	(a) Orbital Sciences Corp.	117,600

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>  
SHARES

<C>	<C>	<S>	VALUE
*COMMON STOCKS--CONTINUED			<C>
TECHNOLOGY--CONTINUED			
1,400	(a)	Ortel Corp.	\$ 29,050
2,100		Park Electrochemical Corp.	43,050
3,400	(a)	P-COM, Inc.	74,800
1,900	(a)	Peak Technologies Group, Inc.	22,325
1,500	(a)	Perceptron, Inc.	37,125
1,100	(a)	Periphonics Corp.	39,050
2,800	(a)	Phoenix Technology, Ltd.	48,300
1,900	(a)	Photronic Labs, Inc.	51,300
1,400	(a)	Pinnacle Systems, Inc.	15,225
4,825		Pioneer Standard Electronics, Inc.	50,663
1,800	(a)	Pixar, Inc.	28,575
1,700	(a)	Planar Systems, Inc.	17,213
1,800	(a)	Plantronics, Inc.	67,725
10,598	(a)	Platinum Technology, Inc.	152,346
4,500	(a)	Power Control Technologies, Inc.	34,875
3,000	(a)	Precision Systems, Inc.	19,125
1,200	(a)	Premenos Technology Corp.	10,200
1,300	(a)	PRI Automation, Inc.	46,150
1,000	(a)	Prism Solutions, Inc.	4,938
2,400	(a)	Progress Software Corp.	37,500
1,300	(a)	Project Software & Development, Inc.	44,200
1,800	(a)	Proxim, Inc.	40,950
5,225	(a)	Pure Atria Corp.	142,381
6,400	(a)	Quarterdeck Office Systems	32,800
1,400	(a)	Quickresponse Services, Inc.	51,975
2,900	(a)	Quickturn Design Systems, Inc.	42,413
1,000	(a)	RadiSys Corp.	63,750

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>  
<CAPTION>  
SHARES

<C>	<C>	<S>	VALUE
*COMMON STOCKS--CONTINUED			<C>
TECHNOLOGY--CONTINUED			
1,300	(a)	Rainbow Technologies, Inc.	\$ 23,238
5,800	(a)	Ramtron International Corp.	42,775
2,400	(a)	Red Brick Systems, Inc.	56,400
2,400	(a)	Remedy Corp.	117,000
7,600	(a)	Riscorp, Inc., Class A	38,000
2,600	(a)	RMI Titanium Co.	62,725
3,300	(a)	Robotic Vision Systems, Inc.	33,000
4,700	(a)	Rohr, Inc.	86,950
4,200	(a)	ROSS Technology, Inc.	19,425
10,100	(a)	S3, Inc.	190,638
3,300	(a)	Sandisk Corp.	43,725
3,600	(a)	Sanmina Corp.	164,700
4,200	(a)	Santa Cruz Operation, Inc.	29,925
300	(a)	Sapient Corp.	13,875
1,600	(a)	Scopus Technology, Inc.	61,600
1,600	(a)	SDL, Inc.	27,200
1,400	(a)	Secure Computing Corp.	16,275
600	(a)	Segue Software, Inc.	8,100
1,450	(a)	Semitool, Inc.	13,050
1,700	(a)	Sequa Corp., Class A	70,975
6,500	(a)	Sequent Computer System, Inc.	96,281
1,900	(a)	Sheldahl, Inc.	28,738
5,800	(a)	Sierra Semiconductor Corp.	75,763
4,100	(a)	Silicon Storage Technology	30,750
6,300	(a)	Silicon Valley Group, Inc.	104,738
2,100	(a)	Siliconix, Inc.	38,325
1,100	(a)	Simula, Inc.	14,988

</TABLE>

FEDERATED MINI-CAP FUND



<TABLE>  
 <CAPTION>  
 SHARES

VALUE  
 -----  
 <C>

<C> <C> <S>  
 \*COMMON STOCKS--CONTINUED

TECHNOLOGY--CONTINUED			
2,700	(a) Smart Modular Technologies, Inc.	\$	54,675
800	(a) Smith Micro Software, Inc.		4,600
1,600	Software 2000, Inc.		11,600
900	(a) Speedfam International, Inc.		14,175
1,200	(a) SPSS, Inc.		37,350
2,400	(a) Spyglass, Inc.		28,800
600	(a) SQA, Inc.		16,425
4,500	(a) Stac Electronics		32,063
3,000	(a) Standard Microsystems Corp.		35,250
1,000	(a) Stanford Telcommunications, Inc.		28,500
2,000	(a) State of the Art, Inc.		24,250
3,700	(a) StorMedia, Inc.		42,550
700	(a) Storage Computer Corp.		9,713
5,000	(a) Stratus Computer, Inc.		111,875
6,800	(a) Structural Dynamics Research Corp.		120,700
2,500	(a) SubMicron Systems, Inc.		10,313
1,500	(a) Supertex, Inc.		33,750
11,500	(a) Symantec Corp.		125,063
3,400	(a) Symmetricom, Inc.		56,950
2,800	(a) Sync Research, Inc.		37,100
6,150	System Software Association		71,878
3,000	(a) Systems & Computer Technology Corp.		42,000
4,200	(a) Systemsoft Corp.		118,650
2,400	(a) TCSI Corp.		18,900
7,300	(a) Tech Data Corp.		187,975
1,400	(a) Tech-Sym Corp.		37,625
1,400	Technitrol, Inc.		46,375

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>  
 <CAPTION>  
 SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

-----  
<C>

-----  
TECHNOLOGY--CONTINUED  
-----

3,700	(a)	Technology Solutions Corp.	\$	143,838
1,500	(a)	Tekelec, Inc.		22,125
2,200	(a)	Telco System, Inc.		45,925
1,400	(a)	Teltrend, Inc.		46,200
3,500		Telxon Corp.		42,875
6,600	(a)	Tencor Instruments		124,575
700	(a)	ThermoSpectra Corp.		9,188
2,050	(a)	Thermotrex Corp.		72,775
3,900		Thiokol Corp.		163,313
4,600	(a)	Tracor, Inc.		104,650
2,500	(a)	TranSwitch Corp.		11,563
5,500	(a)	Transaction Systems Architects, Inc., Class A		228,250
2,600	(a)	Trident Microsystems, Inc.		52,000
4,200	(a)	Trimble Navigation Ltd.		59,588
1,600	(a)	Triquint Semiconductor, Inc.		27,800
2,900	(a)	Tseng Laboratories, Inc.		18,669
1,950	(a)	TSX Corp.		20,231
3,800	(a)	Ultratech Stepper, Inc.		64,600
700	(a)	Unison Software, Inc.		18,025
2,200	(a)	Unitrode Corp.		52,800
1,500	(a)	USDATA Corp., Inc.		12,000
1,800	(a)	Vantive Corp.		59,400
2,100	(a)	Veritas Software Corp.		106,050
1,800	(a)	Verity, Inc.		21,375
3,400	(a)	Viasoft, Inc.		167,450
6,600	(a)	Vicor Corp.		120,450
2,600	(a)	VideoLan Technologies, Inc.		8,125

</TABLE>

FEDERATED MINI-CAP FUND  
-----

<TABLE>  
<CAPTION>  
SHARES

-----  
VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

<C>

-----  
TECHNOLOGY--CONTINUED  
-----

2,700	(a) VideoServer, Inc.	\$ 127,913
3,400	(a) Viewlogic Systems, Inc.	32,088
1,500	(a) Visio Corp.	69,188
800	(a) Visioneer, Inc.	4,800
2,800	(a) Vitesse Semiconductor Corp.	89,250
9,900	(a) VLSI Technology, Inc.	170,775
1,700	(a) Wall Data, Inc.	23,375
7,300	(a) Wang Laboratories, Inc.	170,638
5,000	(a) Waters Corp.	155,000
1,800	Watkins Johnson Co.	32,625
2,000	(a) Whittaker Corp.	28,250
1,900	(a) Wind River Systems, Inc.	80,750
2,900	Wireless Telecom Group, Inc.	30,088
2,900	(a) Wonderware Corp.	24,288
800	(a) Workgroup Technology Corp.	4,700
2,700	Wyle Labs	80,663
4,100	(a) Wyman Gordon Co.	90,200
4,000	(a) Xicor, Inc.	45,500
3,500	Xircom, Inc.	70,875
600	(a) Yahoo, Inc.	11,850
4,200	Zilog, Inc.	82,950
1,000	(a) Zoran Corp.	16,000
800	(a) Zygo Corp.	28,400
1,100	(a) Zytec Corp.	12,100
	Total	20,777,744
	TRANSPORTATION--1.5%	
4,300	Airborne Freight Corp.	85,461

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE> <CAPTION> SHARES			VALUE
<C>	<C>	<S>	<C>
*COMMON STOCKS--CONTINUED			
TRANSPORTATION--CONTINUED			
3,500		Airlines Express International Corp.	\$ 105,875
3,000	(a)	Alaska Air Group, Inc.	66,000

10,402	(a) America West Airlines, Inc., Class B	119,623
4,400	(a) American Freightways Corp.	43,450
4,800	(a) APL, Ltd.	105,600
4,300	Arnold Industries, Inc.	68,262
5,100	Atlantic Southeast Airlines, Inc.	107,100
2,200	(a) Covenant Transport, Inc. , Class A	35,475
1,000	Eagle USA Airfreight, Inc.	27,250
2,600	Expeditors International Washington, Inc.	108,875
800	Florida East Coast, Inc.	69,900
1,882	Frozen Food Express Industries, Inc.	16,467
2,400	Harper Group	57,600
3,445	(a) Heartland Express, Inc.	75,790
4,900	Hunt (J.B.) Transportation Services, Inc.	71,663
5,700	(a) Kirby Corp.	111,150
400	(a) Knight Transportation, Inc.	9,000
2,800	(a) Landstar System, Inc.	66,150
5,900	(a) Mesa Air Group, Inc.	54,574
1,100	(a) Midwest Express Holdings, Inc.	37,400
1,900	(a) M.S. Carriers, Inc.	35,625
5,900	(a) OMI Corp.	41,300
6,100	Overseas Shipholding Group, Inc.	103,700
2,000	(a) Railtex, Inc.	45,750
2,900	Roadway Express, Inc.	46,038
1,600	SkyWest, Inc.	24,000
2,500	(a) Swift Transportation Co.	56,875

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>			<CAPTION>	
			SHARES	VALUE
<C>	<C>	<S>		<C>

\*COMMON STOCKS--CONTINUED

TRANSPORTATION--CONTINUED				
3,600	(a)	Trans World Airlines, Inc.	\$	28,800
1,200	(a)	United Transnet, Inc.		17,550
4,750		USFreightways Corp.		103,905
7,700	(a)	ValuJet, Inc.		75,074
4,500		Werner Enterprises, Inc.		78,750

1,600	(a) Western Pacific Airlines, Inc.	12,600
4,800	(a) Yellow Corp.	62,700
	Total	2,175,332
	UTILITIES--6.8%	
1,800	A+ Network, Inc.	11,250
2,800	ACC Corp.	119,000
3,400	(a) Adelpia Communications Corp., Class A	26,350
11,900	AGL Resources, Inc.	249,900
7,900	Aliant Communications, Inc.	128,374
3,300	(a) American Mobile Satellite Corp.	34,650
800	(a) American Paging, Inc.	4,000
2,100	(a) American Telecasting, Inc.	20,212
1,500	Aquarion Co.	37,874
1,200	Aquila Gas Pipeline Co.	17,400
4,446	(a) Arch Communications Group, Inc.	51,685
1,300	(a) Associated Group, Inc., Class A	36,725
11,300	Atlantic Energy, Inc. NJ	199,162
1,100	(a) Atlantic Telephone Network, Inc.	19,387
3,450	Atmos Energy Corp.	81,937
2,900	Bay State Gas Co.	81,925
3,100	Black Hills Corp.	79,050
5,465	(a) CAI Wireless Systems, Inc.	19,127

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>			<CAPTION>	
SHARES			VALUE	
<C>	<C>	<S>	<C>	
*COMMON STOCKS--CONTINUED				
UTILITIES--CONTINUED				
1,400		California Water Service Corp.	\$	52,324
2,400	(a)	Cellular Communications International, Inc.		75,300
2,600	(a)	Cellular Communications of Puerto Rico, Inc.		59,150
1,100		Cellularvision USA, Inc.		8,113
3,505	(a)	Centennial Cellular Corp., Class A		45,127
3,800		Central Hudson Gas & Electric Service		114,000
4,800		Central LA Electric Co.		130,200
7,000		Central Maine Power Co.		82,250

6,900	(a) Century Communications, Corp., Class A	47,437
2,800	CFW Communications Co.	61,250
2,900	Cilcorp, Inc.	105,850
16,330	(a) Citizens Utilities Co., Class B	179,630
1,800	Colonial Gas Co.	40,050
3,900	Commonwealth Energy System	93,600
3,000	(a) Comnet Cellular, Inc.	83,250
1,900	Connecticut Energy Corp.	39,662
2,100	Connecticut Natural Gas Corp.	48,037
3,000	(a) C-Tec Corp.	73,125
1,600	E Town	47,000
4,400	Eastern Enterprises	169,400
4,400	Eastern Utilities Association	70,950
12,900	El Paso Electric Co.	67,725
3,500	Empire Distribution Electric Co.	65,625
2,100	Energen Corp.	52,500
3,400	Executive Telecard Ltd.	28,900
5,200	(a) General Communications, Inc., Class A	35,750
2,900	(a) Heartland Wireless Communications, Inc.	63,075

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

<C>

UTILITIES--CONTINUED

4,800	HighwayMaster Communications, Inc.	\$ 84,600
6,400	IES Industries, Inc.	196,800
4,250	Indiana Energy, Inc.	104,125
2,100	(a) Intercel, Inc.	35,174
2,200	(a) Intermedia Communications of Florida, Inc.	70,400
6,533	(a) International Cabletel, Inc.	155,158
5,700	(a) International Family Entertainment, Inc., Class B	101,887
2,100	Interstate Power Co.	63,787
4,582	Jones Intercable, Inc.	53,265
5,500	(a) Kelley Oil & Gas Corp.	15,813

4,301	K N Energy, Inc.	160,750
3,800	Laclede Gas Co.	88,825
3,500	Madison Gas & Electric Co.	71,750
6,150	MDU Resources Group, Inc.	137,606
1,700	(a) MetroCall, Inc.	9,138
3,300	(a) MIDCOM Communications, Inc.	36,300
6,800	Minnesota Power And Light Co.	192,100
11,700	(a) Mobile Telecommunication Technologies Corp.	155,025
9,200	MobileMedia Communications, Inc.	18,687
2,400	(a) NETCOM On-line Communication Services, Inc.	36,600
10,300	Nevada Power Co.	209,863
3,900	New Jersey Resources Corp.	107,738
1,400	North Carolina Natural Gas	41,124
4,800	Northwest Natural Gas Co.	121,800
1,900	Northwestern Public Service Co.	63,413
2,100	NUI Corp.	41,738
5,000	Oneok, Inc.	134,375

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE> <CAPTION> SHARES			VALUE
<C>	<C>	<S>	<C>
*COMMON STOCKS--CONTINUED			
UTILITIES--CONTINUED			
2,900	Orange & Rockland Utilities, Inc.		\$ 101,863
2,400	Otter Tail Power Co.		77,400
1,600	(a) Palmer Wireless, Inc.		23,100
1,100	Pennsylvania Enterprises		47,575
2,300	(a) Peoples Choice TV Corp.		25,875
3,450	Philadelphia Suburban Corp.		58,650
6,300	Piedmont Natural Gas, Inc.		154,350
1,400	(a) Premiere Technologies, Inc.		22,750
4,788	(a) PriceCellular Corp., Class A		55,061
2,400	(a) ProNet, Inc.		15,900
8,100	Public Service Co. New Mexico		151,875
4,100	Public Service Co. North Carolina, Inc.		73,800

8,400	Rochester Gas & Electric Corp	156,450
12,832	(a) Seagull Energy Corp.	277,492
6,500	Sierra Pacific Resources	181,187
3,400	SIG Corp., Inc.	115,600
1,724	South Jersey Industries, Inc.	40,514
2,535	Southeastern Michigan Gas Energy	45,313
1,700	Southern CA Water Co.	36,975
1,734	(a) Southern Union Co.	43,132
5,300	Southwest Gas Corp.	101,363
5,300	Southwestern Energy Co.	78,838
4,600	(a) Starsight Telecast, Inc.	32,200
3,500	TCA Cable TV, Inc.	93,625
2,640	(a) Tejas Gas Corp.	107,250
1,600	(a) Tel-Save Holdings, Inc.	40,000
2,200	TNP Enterprises, Inc.	56,925

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<C> <C> <S>  
\*COMMON STOCKS--CONTINUED

<C>

UTILITIES--CONTINUED

1,550	(a) Transaction Network Services, Inc.	\$ 21,119
2,500	Trescomm International, Inc.	31,875
6,960	(a) Tucson Electric Power Co.	137,460
7,100	UGI Corp.	167,738
2,700	United Cities Gas Co.	56,700
3,000	United Illuminating Co.	99,750
8,400	(a) United International Holdings, Inc., Class A	102,900
2,200	(a) United Video Satellite Group, Inc., Class A	39,050
5,336	United Water Resources, Inc.	83,375
3,200	(a) U.S. Long Distance Corp.	26,800
6,300	(a) Vanguard Cellular Systems, Inc., Class A	104,344
5,200	Washington Energy Co.	100,100
9,400	Washington Gas Light Co.	210,325
3,100	Western Gas Resources, Inc.	49,213
3,900	WICOR, Inc.	138,938



5,200	(a) WinStar Communications, Inc.	109,200
2,800	(a) Wireless One, Inc.	36,400
6,600	WPL Holdings, Inc.	185,625
5,200	WPS Resources Corp.	154,700
600	(a) Xpedite Systems, Inc.	12,300
2,300	Yankee Energy Systems, Inc.	52,324
	Total	9,800,428
	TOTAL COMMON STOCKS (IDENTIFIED COST \$123,654,462)	137,589,562

</TABLE>

FEDERATED MINI-CAP FUND

<TABLE>			<CAPTION>		
PRINCIPAL AMOUNT			VALUE		
<C>	<C>	<S>	<C>		
(B) U.S. TREASURY--0.3%					
\$ 500,000		United States Treasury Bill, 12/19/1996 (AT AMORTIZED COST)	\$	496,765	
(C) REPURCHASE AGREEMENTS--4.0%					
5,725,000		BT Securities Corporation, 5.55%, dated 10/31/1996, due 11/1/1996 (AT AMORTIZED COST)		5,725,000	
TOTAL INVESTMENTS (IDENTIFIED COST \$129,876,227) (D)			\$143,811,327		

</TABLE>

\* The Fund purchases stock index futures contracts to efficiently manage cash flows resulting from share holder purchases and redemptions, dividend and capital gain payments to shareholders and corporate actions while maintaining exposure to the stock market and minimizing trading costs. The total market value of open futures contracts is \$6,448,100 at October 31, 1996, which represents 4.5% of net assets. Taking into consideration these open futures contracts, the Fund's effective, total exposure to stocks is 99.5%.

- (a) Non-income producing security.
- (b) Represents a security held as collateral which is used to ensure the Fund is able to satisfy the obligations of its outstanding long futures contracts.
- (c) The repurchase agreement is fully collateralized by U.S. government and/or agency obligations based on market prices at the date of the portfolio. The investment in the repurchase agreement is through participation in a joint account with other Federated funds.
- (d) The cost of investments for federal tax purposes amounts to \$130,596,357. The net unrealized appreciation of investments on a federal tax basis amounts to \$13,214,970 which is comprised of \$25,757,669 appreciation and \$12,542,699 depreciation at October 31, 1996.

Note: The categories of investments are shown as a percentage of net assets (\$144,690,100) at October 31, 1996.

The following acronyms are used throughout this portfolio:

REIT -- Real Estate Investment Trust

(See Notes which are an integral part of the Financial Statements)

FEDERATED MINI-CAP FUND  
STATEMENT OF ASSETS AND LIABILITIES  
OCTOBER 31, 1996

<S>	<C>	<C>
ASSETS:		
Total investments in securities, at value (identified cost \$129,876,227, and tax cost \$130,596,357)		\$143,811,327
Income receivable		112,688
Receivable for investments sold		4,384
Receivable for shares sold		1,303,576
Receivable for daily variation margin		68,020
Deferred expenses		1,939
Total assets		145,301,934
LIABILITIES:		
Payable to bank	\$379,507	
Payable for shares redeemed	167,487	
Accrued expenses	64,840	
Total liabilities		611,834
NET ASSETS for 10,053,780 shares outstanding		\$144,690,100
NET ASSETS CONSIST OF:		
Paid in capital		\$118,508,885
Net unrealized appreciation of investments and futures contracts		13,889,920
Accumulated net realized gain on investments and futures contracts		12,174,378
Undistributed net investment income		116,917
Total Net Assets		\$144,690,100
NET ASSET VALUE, OFFERING PRICE AND REDEMPTION PROCEEDS PER SHARE: \$144,690,100 / 10,053,780 shares outstanding		\$14.39

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MINI-CAP FUND  
STATEMENT OF OPERATIONS  
YEAR ENDED OCTOBER 31, 1996

<TABLE>

<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Dividends			\$ 2,010,126
Interest			766,755
Total income			2,776,881
EXPENSES:			
Management fee		\$ 736,307	
Custodian fees		86,009	
Transfer and dividend disbursing agent fees and expenses		81,185	
Directors'/Trustees' fees		3,813	
Auditing fees		14,061	
Legal fees		3,706	
Portfolio accounting fees		55,321	
Shareholder services fee		368,154	
Share registration costs		18,207	
Printing and postage		39,230	
Insurance premiums		4,593	
Taxes		6,390	
Miscellaneous		8,482	
Total expenses		1,425,458	
Waivers--			
Waiver of management fee		\$ (22,506)	
Waiver of shareholder services fee		(309,249)	
Total waivers		(331,755)	
Net expenses			1,093,703
Net investment income			1,683,178
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FUTURES CONTRACTS:			
Net realized gain on investments and futures contracts			11,326,674
Net change in unrealized appreciation of investments and futures contracts			5,852,231
Net realized and unrealized gain on investments and futures contracts			17,178,905
Change in net assets resulting from operations			\$18,862,083

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MINI-CAP FUND  
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>  
<CAPTION>

YEAR ENDED OCTOBER 31,

	1996	1995
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
-----		
OPERATIONS--		
-----		
Net investment income	\$ 1,683,178	\$ 1,300,698
-----		
Net realized gain (loss) on investments and futures contracts (\$12,836,707 and \$7,103,741, respectively, as computed for federal tax purposes)	11,326,674	8,050,853
-----		
Net change in unrealized appreciation (depreciation) of investments and futures contracts	5,852,231	6,189,544
-----		
Change in net assets resulting from operations	18,862,083	15,541,095
-----		
DISTRIBUTIONS TO SHAREHOLDERS--		
-----		
Distributions from net investment income	(1,673,293)	(1,244,470)
-----		
Distributions from net realized gains on investments and futures contracts	(7,105,514)	(588,727)
-----		
Change in net assets resulting from distributions to shareholders	(8,778,807)	(1,833,197)
-----		
SHARE TRANSACTIONS--		
-----		
Proceeds from sale of shares	151,332,868	111,108,338
-----		
Net asset value of shares issued to shareholders in payment of distributions declared	3,949,341	639,919
-----		
Cost of shares redeemed	(153,074,545)	(91,497,761)
-----		
Change in net assets resulting from share transactions	2,207,664	20,250,496
-----		
Change in net assets	12,290,940	33,958,394
-----		
NET ASSETS:		
-----		
Beginning of period	132,399,160	98,440,766
-----		
End of period (including undistributed net investment income of \$116,917 and \$107,032, respectively)	\$144,690,100	\$132,399,160
-----		

</TABLE>

(See Notes which are an integral part of the Financial Statements)

FEDERATED MINI-CAP FUND  
NOTES TO FINANCIAL STATEMENTS  
OCTOBER 31, 1996

(1) ORGANIZATION

Federated Index Trust (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 three portfolios. The financial statements included herein are only those of Federated Mini-Cap Fund (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. The investment objective of the Fund is to provide investment results that generally correspond to the aggregate price and dividend performance of publicly traded common stocks comprising the small capitalization sector of the United States equity market.

Effective December 5, 1994, the Board of Trustees (the "Trustees") changed the name of the Fund from Mini-Cap Fund to Federated Mini-Cap Fund.

(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 generally accepted accounting principles.

INVESTMENT VALUATIONS--Listed equity securities are valued at the last sale price reported on a national securities exchange. Short-term securities are valued at the prices provided by an independent pricing service. However, short-term securities with remaining maturities of sixty days or less at the time of purchase may be valued at amortized cost, which approximates fair market value.

REPURCHASE AGREEMENTS--It is the policy of the Fund to require the custodian bank to take possession, to have legally segregated in the Federal Reserve Book Entry System, or to have segregated within the custodian bank's vault, all securities held as collateral under repurchase agreement transactions. Additionally, procedures have been established by the Fund to monitor, on a daily basis, the market value of each repurchase agreement's collateral to ensure that the value of collateral at least equals the repurchase price to be paid under the repurchase agreement transaction.

The Fund will only enter into repurchase agreements with banks and other recognized financial institutions, such as broker/dealers, which are deemed by the Fund's adviser to be creditworthy pursuant to the guidelines and/or standards reviewed or established by the Trustees. Risks may arise from the potential inability of counterparties to honor the terms of the repurchase agreement. Accordingly, the Fund could receive less than the repurchase price on the sale of collateral securities.

INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS--Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue

FEDERATED MINI-CAP FUND

-----

Code, as amended (the "Code"). Dividend income and distributions to shareholders are recorded on the ex-dividend date.

FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of its income. Accordingly, no provisions for federal tax are necessary.

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.

DEFERRED EXPENSES--The costs incurred by the Fund with respect to registration of its shares in its first fiscal year, excluding the initial expense of registering its shares, have been deferred and are being amortized over a period not to exceed five years from the Fund's commencement date.

FUTURES CONTRACTS--The Fund purchases stock index futures contracts to manage cashflows, enhance yield, and to potentially reduce transaction costs. Upon entering into a stock index futures contract with a broker, the Fund is required to deposit in a segregated account a specified amount of cash or U.S. government securities. Futures contracts are valued daily and unrealized gains or losses are recorded in a "variation margin" account. Daily, 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. For the period ended October 31, 1996, the Fund had realized gains on future contracts of \$267,984.

Futures contracts have market risks, including the risk that the change in the value of the contract may not correlate with changes in the value of the underlying securities.

At October 31, 1996, the Fund had outstanding futures contracts as set forth below:

<TABLE>  
<CAPTION>

EXPIRATION DATE	CONTRACTS TO DELIVER/RECEIVE	POSITION	UNREALIZED APPRECIATION (DEPRECIATION)
<S>	<C>	<C>	<C>
December 1996	37 Russell 2000	Long	(\$47,395)
December 1996	1 S&P 400	Long	2,215
Net Unrealized Depreciation on Futures Contracts			(\$45,180)

</TABLE>

USE OF ESTIMATES--The preparation of financial statements in conformity with generally accepted accounting principles 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.

OTHER--Investment transactions are accounted for on the trade date.

FEDERATED MINI-CAP FUND

(3) SHARES OF BENEFICIAL INTEREST

The Declaration of Trust permits the Trustees to issue an unlimited number of full and fractional shares of beneficial interest (without par value).

Transactions in shares were as follows:

<TABLE>  
<CAPTION>

	YEAR ENDED OCTOBER 31,	
	1996	1995
<S>	<C>	<C>
Shares sold	10,678,931	8,827,567
Shares issued to shareholders in payment of distributions declared	295,486	52,957
Shares redeemed	(10,852,665)	(7,400,092)
Net change resulting from share transactions	121,752	1,480,432

</TABLE>

(4) MANAGEMENT AND OTHER TRANSACTIONS WITH AFFILIATES

MANAGEMENT FEE--Federated Management, the Fund's investment adviser (the "Manager"), receives for its services an annual management fee equal to 0.50% of the Fund's average daily net assets. The Manager may voluntarily choose to waive any portion of its fee. The Manager can modify or terminate this voluntary waiver at any time at its sole discretion.

Under the terms of a sub-advisory agreement between the Manager and the Trust

Division of ANB Investment Management & Trust Company, ANB Investment Management & Trust Company receives an annual fee from the Manager equal to .065% of the Fund's average daily net assets.

SHAREHOLDER SERVICES FEE--Under the terms of a Shareholder Services Agreement with Federated Shareholder Services ("FSS"), the Fund will pay FSS up to 0.25% of average daily net assets of the Fund shares for the period. The fee paid to FSS is used to finance certain services for shareholders and to maintain shareholder accounts. FSS may voluntarily choose to waive any portion of its

fee. FSS can modify or terminate this voluntary waiver at any time at its sole discretion.

TRANSFER AND DIVIDEND DISBURSING AGENT FEES AND EXPENSES--Federated Services Company ("FServ"), through its subsidiary, Federated Shareholder Services Company ("FSSC") serves as transfer and dividend disbursing agent for the Fund. The fee paid to FSSC is based on the size, type, and number of accounts and transactions made by shareholders.

PORTFOLIO ACCOUNTING FEES--FServ maintains the Trust's accounting records for which it receives a fee. The fee is based on the level of the Trust's average daily net assets for the period, plus out-of-pocket expenses.

FEDERATED MINI-CAP FUND

ORGANIZATIONAL EXPENSES--Organizational expenses of \$22,217 were borne initially by the Manager. The Fund has agreed to reimburse Manager for the organizational expenses during the five year period following effective date. For the period ended October 31, 1996, the Fund paid \$6,418 pursuant to this agreement.

GENERAL--Certain of the Officers and Trustees of the Trust are Officers and

Directors or Trustees of the above companies.

(5) INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the period ended October 31, 1996, were as follows:

<TABLE>	<C>
<S>	
Purchases	\$71,280,011
Sales	\$53,882,999

REPORT OF ERNST & YOUNG LLP,  
INDEPENDENT AUDITORS

To the Trustees and Shareholders of  
FEDERATED INDEX TRUST:

We have audited the accompanying statement of assets and liabilities, including the portfolio of investments, of Federated Mini-Cap Fund (a portfolio of Federated Index Trust) as of October 31, 1996, and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years in the period then ended and the financial highlights (see page 2 of this prospectus) for each of the periods presented. 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 conducted our audits in accordance with generally accepted auditing standards. 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial

statements. Our procedures included confirmation of securities owned as of October 31, 1996, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Federated Mini-Cap Fund of Federated Index Trust at October 31, 1996, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with generally accepted accounting principles.

ERNST & YOUNG LLP

Pittsburgh, Pennsylvania

December 16, 1996

ADDRESSES

<hr/>		
<TABLE>		
<S>	<C>	<C>
Federated Mini-Cap Fund		Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
<hr/>		
Distributor	Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
<hr/>		
Manager	Federated Management	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
<hr/>		
Sub-Manager	ANB Investment Management and Trust Co.	One North LaSalle Street Chicago, Illinois 60690
<hr/>		
Custodian	State Street Bank and Trust Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
<hr/>		
Transfer Agent and Dividend Disbursing Agent	Federated Shareholder Services Company	P.O. Box 8600 Boston, Massachusetts 02266-8600
<hr/>		
Independent Auditors	Ernst & Young LLP	One Oxford Centre Pittsburgh, Pennsylvania 15219
<hr/>		

</TABLE>

FEDERATED MINI-CAP FUND  
(A PORTFOLIO OF FEDERATED INDEX TRUST)  
PROSPECTUS

A No-Load, Open-End, Diversified



Prospectus dated December 31, 1996

LOGO

Cusip 31420E304

2062305A (12/96)

FEDERATED MINI-CAP FUND  
(A PORTFOLIO OF FEDERATED INDEX TRUST)  
STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus of the Fund dated December 31, 1996. This Statement is not a prospectus itself. You may request a copy of a prospectus or a paper copy of this Statement of Additional Information, if you have received it electronically, free of charge by calling 1-800-341-7400 .

FEDERATED INVESTORS TOWER  
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated December 31, 1996

[LOGO]

Federated Securities Corp. is the distributor of the Funds and is a subsidiary of Federated Investors.

Cusip 31420E304  
2062305B (12/96)

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#### GENERAL INFORMATION ABOUT THE FUND

Federated Mini-Cap Fund (the "Fund") is a portfolio of Federated Index Trust (the "Trust"), which was established as a Massachusetts business trust under a Declaration of Trust dated January 30, 1990. On December 5, 1994, the Trustees changed the name of the Fund from the Mini-Cap Fund to the Federated Mini-Cap Fund.

#### INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to provide investment results that correspond to the aggregate price and dividend performance of the approximately 2,000 publicly traded common stocks that are ranked in terms of capitalization below the top 1,000 stocks that comprise the large and mid-range capitalization sector of the United States equity market. These stocks are included in the Russell 2000 Small Stock Index (the "Index"), an index of small capitalization stocks.

The Fund is neither affiliated with nor sponsored by the Frank Russell Company. Frank Russell's only relationship to the Fund is the licensing of the use of the Index. Frank Russell Company is the owner of the trademarks and copyrights relating to the Index.

The investment objective cannot be changed without the approval of shareholders. The policies described below may be changed by the Board of Trustees ("Trustees") without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

#### TYPES OF INVESTMENTS

In addition to the common stocks described in the prospectus, the Fund may also invest in money market instruments and U.S. government obligations and securities in such proportions as, in the judgment of the sub-manager, prevailing market conditions warrant.

#### MONEY MARKET INSTRUMENTS

The Fund may invest in the following money market instruments: instruments of domestic banks and savings associations having capital, surplus, and undivided profits of over \$100,000,000, or if the principal amount of the instrument is insured in full by the Federal Deposit Insurance Corporation; and prime commercial paper (rated A-1 by Standard and Poor's Ratings Group, Prime-1 by Moody's Investors Service, Inc., or F-1 by Fitch Investors Service).

#### REPURCHASE AGREEMENTS

The Fund requires its custodian to take possession of the securities subject to repurchase agreements, and these securities are marked to market daily. To the extent that the original seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities. In the event that such a defaulting seller files for bankruptcy or becomes insolvent, disposition of such securities by the Fund might be delayed pending court action. The Fund believes that under the regular procedures normally in effect for custody of the Fund's portfolio securities subject to repurchase agreements, a court of competent jurisdiction would rule in favor of the Fund and allow retention or disposition of such securities. The Fund will only enter into repurchase agreements with banks and other recognized financial institutions such as broker/ dealers which are deemed by the Fund's sub-manager to be creditworthy pursuant to guidelines established by the Trustees.

#### U.S. GOVERNMENT OBLIGATIONS

The types of U.S. government obligations in which the Fund may invest generally include direct obligations of the U.S. Treasury (such as U.S. Treasury bills, notes, and bonds) and obligations issued or guaranteed by U.S. government agencies or instrumentalities. These securities are backed by:

- the full faith and credit of the U.S. Treasury;
- the issuer's right to borrow from the U.S. Treasury;
- the discretionary authority of the U.S. government to purchase certain obligations of agencies or instrumentalities; or
- the credit of the agency or instrumentality issuing the obligations.

Examples of agencies and instrumentalities which may not always receive financial support from the U.S. government are:  
oThe Farm Credit System, including the National Bank for Cooperatives, Farm Credit Banks, and Banks for Cooperatives;  
oFederal Home Loan Banks;  
oFarmers Home Administration; and  
oFederal National Mortgage Association.

#### STOCK INDEX FUTURES AND OPTIONS

The Fund may utilize stock index futures contracts and options on stocks, stock indices and stock index futures contracts for the purposes of managing cash flows into and out of the Fund's portfolio and potentially reducing transactional costs. The Fund may not use stock index futures contracts and options for speculative purposes. As a means of reducing fluctuations in the net asset value of shares of the Fund, the Fund may attempt to hedge all or a portion of its portfolio through the purchase of listed put options on stocks, stock indices, and stock index futures contracts. These options will be used

as a form of forward pricing to protect portfolio securities against decreases in value resulting from market factors such as an anticipated increase in interest rates. A put option gives the Fund, in return for a premium, the right to sell the underlying security to the writer (seller) at a specified price during the term of the option. Put options on stock indices are similar to put options on stocks except for the delivery requirements. Instead of giving the Fund the right to make delivery of stock at a specified price, a put option on a stock index gives the Fund, as holder, the right to receive an amount of cash upon exercise of the option.

The Fund may also write covered call options. As the writer of a call option, the Fund has the obligation upon exercise of the option during the option period to deliver the underlying security upon payment of the exercise price.

The Fund may only: (1) buy listed put options on stock indices and stock index futures contracts; (2) buy listed put options on securities held in its portfolio; and (3) sell listed call options either on securities held in its portfolio or on securities which it has the right to obtain without payment of further consideration (or has segregated cash in the amount of any such additional consideration). The Fund will maintain its positions in securities, option rights, and segregated cash subject to puts and calls until the options are exercised, closed, or expired.

The Fund may also enter into stock index futures contracts. A stock index futures contract is a bilateral agreement which obligates the seller to deliver (and the purchaser to take delivery of) an amount of cash equal to a specific dollar amount times the difference between the value of a specific stock index at the close of trading of the

contract and the price at which the agreement is originally made. There is no physical delivery of the stocks constituting the index, and no price is paid upon entering into a futures contract. In general, contracts are closed out prior to their expiration. The Fund, when purchasing or selling a futures contract, will initially be required to deposit in a segregated account in the broker's name with the Fund's custodian an amount of cash or U.S. government securities approximately equal to 5%-10% of the contract value. This amount is known as "initial margin," and it is subject to change by the exchange or board of trade on which the contract is traded. Subsequent payments to and from the broker are made on a daily basis as the price of the index or the securities underlying the futures contract fluctuates. These payments are known as "variation margins," and the fluctuation in value of the long and short positions in the futures contract is a process referred to as "marking to market." The Fund may decide to close its position on a contract at any time prior to the contract's expiration. This is accomplished by the Fund taking an opposite position at the then prevailing price, thereby terminating its existing position in the contract. Because the initial margin resembles a performance bond or good faith deposit on the contract, it is returned to the Fund upon the termination of the contract, assuming that all contractual obligations have been satisfied. Therefore, the margin utilized in futures contracts is readily distinguishable from the margin employed in security transactions, since the margin employed in futures contracts does not involve the borrowing of funds to finance the transaction.

#### RESTRICTIONS ON THE USE OF FUTURES CONTRACTS AND OPTIONS

The Fund will not enter into futures contracts to the extent that, immediately thereafter, the sum of its initial margin deposits on open contracts exceeds 5% of the market value of the Fund's total assets. Further, the Fund will enter into stock index futures contracts only for bona fide hedging purposes or such other purposes permitted under

Part 4 of the regulations promulgated by the Commodity Futures Trading Commission ("CFTC"). Also, the Fund may not enter into stock index futures contracts and options to the extent that the value of such contracts would exceed 20% of the Fund's total net assets and may not purchase put options to the extent that more than 5% of the value of the Fund's total assets would be invested in premiums on open put option positions.

#### WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are made to secure what is considered to be an advantageous price or yield for the Fund. No fees or other expenses, other than normal transaction costs, are incurred. However, liquid assets of the Fund sufficient to make payment for the securities to be purchased are segregated on the Fund's records at the trade date. These assets are marked to market daily and are maintained until the transaction has been settled. The Fund does not intend to engage in when-issued and delayed delivery transactions to an extent that would cause the segregation of more than 20% of the total value of its assets.

#### LENDING OF PORTFOLIO SECURITIES

The Fund may lend its portfolio securities up to one-third of the value of its total assets to broker/dealers, banks, or other institutional borrowers of securities. The Fund will only enter into loan arrangements with broker/dealers, banks, or other institutions which the sub-manager has

determined are creditworthy under guidelines established by the Trustees and will receive collateral equal to at least 100% of the value of the securities loaned.

The collateral received when the Fund lends portfolio securities must be valued daily and, should the market value of the loaned securities increase, the borrower must furnish additional collateral to the Fund. During the time portfolio securities are on loan, the borrower pays the Fund any dividends or interest paid on such securities. Loans are subject to termination at the option of the Fund or the borrower. The Fund may pay reasonable administrative and custodial fees in connection with a loan and may pay a negotiated portion of the interest earned on the cash or equivalent collateral to the borrower or placing broker. The Fund does not have the right to vote securities on loan, but would terminate the loan and regain the right to vote if that were considered important with respect to the investment.

#### REVERSE REPURCHASE AGREEMENTS

The Fund may also enter into reverse repurchase agreements. A reverse repurchase transaction is similar to borrowing cash. In a reverse repurchase agreement the Fund transfers possession of a portfolio instrument to another person, such as a financial institution, broker, or dealer, in return for a percentage of the instrument's market value in cash, and agrees that on a stipulated date in the future the Fund will repurchase the portfolio instrument by remitting the original consideration plus interest at an agreed upon rate. The use of reverse repurchase agreements may enable the Fund to avoid selling portfolio instruments at a time when a sale may be deemed to be disadvantageous, but the ability to enter into reverse repurchase agreements does not ensure that the Fund will be able to avoid selling portfolio instruments at a disadvantageous time.

When effecting reverse repurchase agreements, liquid assets of the Fund, in a dollar amount sufficient to make payment for the obligations to be purchased, are segregated at the trade date. These securities are marked to market daily and are maintained until the transaction is settled.

#### PORTFOLIO TURNOVER

The Fund will not attempt to set or meet a portfolio turnover rate since any turnover would be incidental to transactions undertaken in an attempt to achieve the Fund's investment objective. For the fiscal years ended October 31, 1996 and October 31, 1995, the portfolio turnover rates for the Fund were 42% and 42%, respectively .

#### INVESTMENT LIMITATIONS

##### INVESTING IN COMMODITIES

The Fund will not purchase or sell commodities. However, the Fund may purchase stock index futures contracts and put options on stock indices and stock index futures contracts to the extent that not more than 5% of the Fund's total assets are required as initial margin deposit for futures contracts and not more than 20% of the Fund's total net assets are invested in futures and options at any time.

##### SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any securities short or purchase any securities on margin, other than in connection with buying stock index futures contracts and put options on stock index futures contracts, but may obtain such short-term credits as are necessary for the clearance of transactions.

##### LENDING CASH OR SECURITIES

The Fund will not lend any of its assets, except portfolio securities up to one-third of the value of its total assets. This shall not prevent the Fund from purchasing or holding U.S. government obligations, money market instruments, bonds, debentures, notes, certificates of indebtedness or

other debt securities, entering into repurchase agreements, or engaging in other transactions where permitted by the Fund's investment objective and policies and the Declaration of Trust of the Trust.

#### UNDERWRITING

The Fund will not underwrite any issue of securities, except as it may be deemed to be an underwriter under the Securities Act of 1933 in connection with the sale of restricted securities which the Fund may purchase pursuant to its investment objective, policies, and limitations.

#### ISSUING SENIOR SECURITIES AND BORROWING MONEY

The Fund will not issue senior securities, except that the Fund may borrow money and engage in reverse repurchase agreements in amounts up to one-third of the value of its total assets, including the amounts borrowed. The Fund will not borrow money or engage in reverse repurchase agreements for investment leverage, but rather as a temporary, extraordinary, or emergency measure or to facilitate management of the portfolio by enabling the Fund to meet redemption requests when the liquidation of portfolio securities is deemed to be inconvenient or disadvantageous. The Fund will not purchase any securities while borrowings in excess of 5% of its total assets are outstanding. During the period any reverse repurchase agreements are outstanding, but only to the extent necessary to assure completion of the reverse repurchase agreements, the Fund will restrict the purchase of portfolio instruments to money market instruments maturing on or before the expiration date of the reverse repurchase agreements.

#### PLEDGING ASSETS

The Fund will not mortgage, pledge, or hypothecate any assets except to secure permitted borrowings. In those cases, it may pledge assets having a market value not exceeding the lesser of the dollar amounts borrowed or 10% of the value of total assets at the time of the borrowing.

#### DIVERSIFICATION OF INVESTMENTS

The Fund will not invest more than 5% of the value of its total assets in the securities of any one issuer, except U.S. government securities, or invest in more than 10% of the voting securities of any one issuer.

#### CONCENTRATION OF INVESTMENTS

The Fund will not invest 25% or more of the value of its total assets in securities of companies in any one industry. However, investing in U.S. government obligations shall not be considered investing in any one industry.

#### INVESTING IN REAL ESTATE

The Fund will not buy or sell real estate, including partnership interests in real estate, although it may invest in securities of companies whose business involves the purchase or sale of real estate or in securities which are secured by real estate or interests in real estate.

#### INVESTING IN RESTRICTED SECURITIES

The Fund will limit its investment in restricted securities to 5% of the value of its total assets in securities subject to restrictions on resale under the Securities Act of 1933.

The above investment limitations cannot be changed without shareholder approval. The following investment limitations, however, may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

#### WRITING COVERED CALL OPTIONS

The Fund will not write call options on securities unless the securities are held in the Fund's portfolio or unless the Fund is entitled to them in deliverable form without further payment or after segregating cash in the amount of any further payment.

#### INVESTING IN PUT OPTIONS

The Fund will not purchase put options on securities, other than put options on stock, stock indices and stock index futures contracts, unless the securities are held in the Fund's portfolio and not more than 5% of the value of the Fund's total assets would be invested in premiums on open put option positions and not more than 20% of the Fund's total net assets are invested in put options and future contracts at any time.

#### ACQUIRING SECURITIES

The Fund will not purchase securities of other investment companies except to the extent permitted by the Investment Company Act of 1940, or except as part of a merger, consolidation, or other acquisition. It will not invest in securities for the purpose of exercising control or management.

#### INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 15% of its net assets in securities which are illiquid, including certain restricted securities not determined by the Trustees to be liquid and repurchase agreements providing for settlement more than seven days after notice.

Except with respect to borrowing money, if a percentage limitation is adhered to at the time of investment, a later increase or decrease in percentage resulting from any change in value or net assets will not result in a violation of such restriction.

The Fund does not expect to borrow money or pledge securities in excess of

5% of the value of its net assets during the coming fiscal year.

For purposes of its policies and limitations, the Fund considers certificates of deposit and demand and time deposits issued by a U.S. branch of a domestic bank or savings association having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment to be "cash items".

#### FEDERATED INDEX TRUST MANAGEMENT

Officers and Trustees are listed with their addresses, birthdates, present positions with Federated Index Trust, and principal occupations.

John F. Donahue@\*  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: July 28, 1924  
Chairman and Trustee  
Chairman and Trustee, Federated Investors, Federated Advisers, Federated Management, and Federated Research; Chairman and Director, Federated Research Corp. and Federated Global Research Corp.; Chairman, Passport Research, Ltd.; Chief Executive Officer and Director or Trustee of the Funds.

Thomas G. Bigley  
28th Floor, One Oxford Centre  
Pittsburgh, PA  
Birthdate: February 3, 1934  
Trustee  
Chairman of the Board, Children's Hospital of Pittsburgh; formerly, Senior Partner, Ernst & Young LLP; Director, MED 3000 Group, Inc.; Trustee, University of Pittsburgh; Director or Trustee of the Funds.

John T. Conroy, Jr.  
Wood/IPC Commercial Department  
John R. Wood and Associates, Inc., Realtors  
3255 Tamiami Trail North  
Naples, FL  
Birthdate: June 23, 1937  
Trustee  
President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; Partner or Trustee in private real estate ventures in Southwest Florida; formerly, President, Naples Property Management, Inc. and Northgate Village Development Corporation; Director or Trustee of the Funds.

William J. Copeland  
One PNC Plaza - 23rd Floor  
Pittsburgh, PA  
Birthdate: July 4, 1918  
Trustee  
Director and Member of the Executive Committee, Michael Baker, Inc.; formerly, Vice Chairman and Director, PNC Bank, N.A., and PNC Bank Corp.; Director, Ryan Homes, Inc.; Director or Trustee of the Funds.

J. Christopher Donahue \*  
Federated Investors Tower

Pittsburgh, PA  
Birthdate: April 11, 1949  
Executive Vice President and Trustee  
President and Trustee, Federated Investors, Federated Advisers, Federated Management, and Federated Research; President and Director, Federated Research Corp. and Federated Global Research Corp.; President, Passport Research, Ltd.; Trustee, Federated Shareholder Services Company, and Federated Shareholder Services; Director, Federated Services Company; President or Executive Vice President of the Funds; Director or Trustee of some of the Funds. Mr. Donahue is the son of John F. Donahue, Chairman and Trustee of the Company.

James E. Dowd  
571 Hayward Mill Road

Concord, MA  
Birthdate: May 18, 1922  
Trustee  
Attorney-at-law; Director, The Emerging Germany Fund, Inc.; Trustee of the Funds.

Lawrence D. Ellis, M.D.\*  
3471 Fifth Avenue, Suite 1111  
Pittsburgh, PA  
Birthdate: October 11, 1932  
Trustee  
Professor of Medicine, University of Pittsburgh; Medical Director, University of Pittsburgh Medical Center - Downtown; Member, Board of

Directors, University of Pittsburgh Medical Center; formerly, Hematologist, Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Director or Trustee of the Funds.

Edward L. Flaherty, Jr.@  
Miller, Ament, Henny & Kochuba  
205 Ross Street  
Pittsburgh, PA  
Birthdate: June 18, 1924  
Trustee  
Attorney of Counsel, Miller, Ament, Henny & Kochuba; Director, Eat'N Park Restaurants, Inc.; formerly, Counsel, Horizon Financial, F.A., Western Region; Director or Trustee of the Funds.

Peter E. Madden  
One Royal Palm Way  
100 Royal Palm Way  
Palm Beach, FL  
Birthdate: March 16, 1942  
Trustee  
Consultant; Former State Representative, Commonwealth of Massachusetts; formerly, President, State Street Bank and Trust Company and State Street Boston Corporation; Director or Trustee of the Funds.

Gregor F. Meyer  
Miller, Ament, Henny & Kochuba  
205 Ross Street  
Pittsburgh, PA  
Birthdate: October 6, 1926  
Trustee  
Attorney, Member of Miller, Ament, Henny & Kochuba; Chairman, Meritcare, Inc.; Director, Eat'N Park Restaurants, Inc.; Director or Trustee of the Funds.

John E. Murray, Jr., J.D., S.J.D.  
President, Duquesne University  
Pittsburgh, PA  
Birthdate: December 20, 1932  
Trustee  
President, Law Professor, Duquesne University; Consulting Partner, Mollica, Murray and Hogue; Director or Trustee of the Funds.

Wesley W. Posvar  
1202 Cathedral of Learning  
University of Pittsburgh  
Pittsburgh, PA  
Birthdate: September 14, 1925  
Trustee  
Professor, International Politics; Management Consultant; Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc., National Defense University, U.S. Space Foundation

and Czech Management Center; President Emeritus, University of Pittsburgh; Founding Chairman, National Advisory Council for Environmental Policy and Technology, Federal Emergency Management Advisory Board and Czech Management Center; Director or Trustee of the Funds.

Marjorie P. Smuts  
4905 Bayard Street  
Pittsburgh, PA

Birthdate: June 21, 1935  
Trustee  
Public relations/Marketing/Conference Planning, Manchester Craftsmen's  
Guild; Restaurant Consultant, Frick Art & History Center; Conference  
Coordinator, University of Pittsburgh Art History Department; Director or  
Trustee of the Funds.

Glen R. Johnson  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: May 2, 1929  
President  
Trustee, Federated Investors; President and/or Trustee of some of the  
Funds; staff member, Federated Securities Corp.

Edward C. Gonzales  
Federated Investors Tower

Pittsburgh, PA  
Birthdate: October 22, 1930  
Executive Vice President  
Vice Chairman, Treasurer, and Trustee, Federated Investors; Vice President,  
Federated Advisers, Federated Management, Federated Research, Federated  
Research Corp., Federated Global Research Corp. and Passport Research,  
Ltd.; Executive Vice President and Director, Federated Securities Corp.;  
Trustee, Federated Shareholder Services Company; Trustee or Director of  
some of the Funds; President, Executive Vice President and Treasurer of  
some of the Funds.

John W. McGonigle  
Federated Investors Tower  
Pittsburgh, PA  
Birthdate: October 26, 1938  
Executive Vice President , Secretary and Treasurer  
Executive Vice President, Secretary, and Trustee, Federated Investors;  
Trustee, Federated Advisers, Federated Management, and Federated Research;  
Director, Federated Research Corp. and Federated Global Research Corp.;  
Trustee, Federated Shareholder Services Company; Director, Federated  
Services Company; President and Trustee, Federated Shareholder Services;  
Director, Federated Securities Corp.; Executive Vice President and  
Secretary of the Funds; Treasurer of some of the Funds.

Richard B. Fisher  
Federated Investors Tower

Pittsburgh, PA  
Birthdate: May 17, 1923  
Vice President  
Executive Vice President and Trustee, Federated Investors; Chairman and  
Director, Federated Securities Corp.; President or Vice President of some  
of the Funds; Director or Trustee of some of the Funds.

\*This Trustee is deemed to be an ``interested person'' as defined in  
the Investment Company Act of 1940.

@Member of the Executive Committee. The Executive Committee of the  
Board of Trustees handles the responsibilities of the Board between  
meetings of the Board.

As used in the table above, "The Funds" and "Funds" mean the following  
investment companies: 111 Corcoran Funds; Annuity Management Series; Arrow  
Funds; Automated Government Money Trust; Blanchard Funds; Blanchard  
Precious Metals Fund, Inc.; Cash Trust Series II; Cash Trust Series, Inc. ;  
DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust;  
Federated Adjustable Rate U.S. Government Fund, Inc.; Federated American  
Leaders Fund, Inc.; Federated ARMs Fund; Federated Equity Funds; Federated  
Equity Income Fund, Inc.; Federated Fund for U.S. Government Securities,  
Inc.; Federated GNMA Trust; Federated Government Income Securities, Inc.;  
Federated Government Trust; Federated High Income Bond Fund, Inc.;  
Federated High Yield Trust; Federated Income Securities Trust; Federated



Income Trust; Federated Index Trust; Federated Institutional Trust; Federated Insurance Series; Federated Investment Portfolios; Federated Investment Trust; Federated Master Trust; Federated Municipal Opportunities Fund, Inc.; Federated Municipal Securities Fund, Inc.; Federated Municipal Trust; Federated Short-Term Municipal Trust; Federated Short-Term U.S. Government Trust; Federated Stock and Bond Fund, Inc.; Federated Stock Trust; Federated Tax-Free Trust; Federated Total Return Series, Inc.; Federated U.S. Government Bond Fund; Federated U.S. Government Securities Fund: 1-3 Years; Federated U.S. Government Securities Fund: 2-5 Years; Federated U.S. Government Securities Fund: 5-10 Years; Federated Utility Fund, Inc.; First Priority Funds; Fixed Income Securities, Inc.; High Yield Cash Trust; Intermediate Municipal Trust; International Series, Inc.; Investment Series Funds, Inc.; Investment Series Trust; Liberty Term Trust, Inc. - 1999; Liberty U.S. Government Money Market Trust; Liquid Cash Trust; Managed Series Trust; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; Newpoint Funds; Peachtree Funds; RIMCO Monument Funds; Targeted Duration Trust; Tax-Free Instruments Trust; The Planters Funds; The Starburst Funds; The Starburst Funds II; The Virtus Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; Trust for U.S. Treasury Obligations; and World Investment Series, Inc.

FUND OWNERSHIP

Officers and Trustees own less than 1% of the Fund's outstanding shares. As of December 4, 1996, the following shareholders of record owned 5% or more of the outstanding shares of the Fund: Mitra & Co., Milwaukee, WI, owned approximately 932,183 shares (9.05%); Frojack Co., Grand Forks, ND,

owned approximately 951,214 shares (9.24%); and Union Planters National Bank, Memphis, TN, owned approximately 523,129 shares (5.08%).

TRUSTEES' COMPENSATION

NAME , POSITION WITH TRUST	AGGREGATE COMPENSATION FROM TRUST*#	TOTAL COMPENSATION PAID FROM FUND COMPLEX +
John F. Donahue Chairman and Trustee the Fund	\$ -0-	\$-0- for the Trust and 54 other investment companies in Complex
J. Christopher Donahue Executive Vice President in the Fund and Trustee	\$ -0-	\$-0- for the Trust and 16 other investment companies Complex
Thomas G. Bigley++ Trustee the Fund	\$1,853.85	\$86,331 for the Trust and 54 other investment companies in Complex
John T. Conroy, Jr. Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex
William J. Copeland Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex
James E. Dowd Trustee the Fund	\$2,025.23	\$115,760 for the Trust and 54 other investment companies in Complex
Lawrence D. Ellis, M.D. and Trustee the Fund		\$1,853.85 \$104,898 for the Trust 54 other investment companies in Complex
Edward L. Flaherty, Jr. and Trustee the Fund		\$2,025.23 \$115,760 for the Trust 54 other investment companies in Complex
Peter E. Madden Trustee	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in

the Fund		Complex
Gregor F. Meyer Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex
John E. Murray, Jr.  Trustee the Fund	\$1,853.85	\$104,898 for the Trust and  54 other investment companies in Complex

TRUSTEES' COMPENSATION (CONT'D.)

Wesley W. Posvar Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex
Marjorie P. Smuts Trustee the Fund	\$1,853.85	\$104,898 for the Trust and 54 other investment companies in Complex

\*Information is furnished for the fiscal year ended October 31, 1996.  
#The aggregate compensation is provided for the Trust which is comprised of three portfolios.

+The information is provided for the last calendar year.  
++Mr. Bigley served on 39 investment companies in the Federated Funds Complex from January 1 through September 30, 1995. On October 1, 1995, he was appointed a Trustee on 15 additional Federated Funds.

TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees will not be liable for errors of judgment or mistakes of fact or law. However, they are not protected against any liability to which they would otherwise be subject by reason of willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties involved in the conduct of their office.

MANAGEMENT SERVICES

MANAGERS TO THE FUND

The Fund's Manager is Federated Management. It is a subsidiary of Federated Investors. All the voting securities of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, his wife, and his son, J. Christopher Donahue.

The Fund's sub-manager is ANB Investment Management and Trust Company ("ANB"). It is a wholly-owned subsidiary of First Chicago Investment Management Company. First Chicago Investment Management Company is a wholly-owned subsidiary of First National Bank of Chicago, which in turn, is a wholly-owned subsidiary of First Chicago NBD Corporation. The sub-manager's directors are Alan F. Delp, J. Stephen Baine, Thomas P. Michaels, David P. Bogler, Stephen P. Manus, Neil R. Wright, Terrall J. Janeway and P. James Kartalia. The officers of ANB are Alan F. Delp, Chairman, Stephen P. Manus, President, Neil R. Wright, Chief Investment Officer, and Thomas P. Michaels, Secretary and Treasurer.

Neither the manager nor the sub-manager shall be liable to the Trust, the Fund, or any shareholder of the Fund for any losses that may be sustained in the purchase, holding, or sale of any security or for anything done or omitted by the manager or sub-manager, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon either of them by their respective contracts.

MANAGEMENT FEES

For their management services, Federated Management receives an annual fee as described in the prospectus. ANB receives an annual fee for its services, which will be paid by the manager, as described in the prospectus.

For the fiscal years ended October 31, 1996, 1995 and 1994, the manager earned \$736,307, \$540,284 and \$439,054, respectively, of which \$22,506, \$56,620 and \$96,021, respectively, was voluntarily waived.

OTHER RELATED SERVICES

Affiliates of the manager may, from time to time, provide certain electronic equipment and software to institutional customers in order to facilitate the purchase of shares of funds offered by Federated Securities Corp.

BROKERAGE TRANSACTIONS

The managers may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the managers and may include: advice as to the advisability of investing

in securities; security analysis and reports; economic studies; industry studies; receipt of quotations for portfolio evaluations; and similar services. Research services provided by brokers and dealers may be used by the managers or their affiliates in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the managers or their affiliates might otherwise have paid, it would tend to reduce their expenses. The managers and their affiliates exercise reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. They determine in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided. During the fiscal years ended October 31, 1996, 1995 and 1994, the Fund paid total brokerage commissions of \$146,470, \$165,266 and \$144,250, respectively.

Although investment decisions for the Fund are made independently from those of the other accounts managed by the managers, investments of the

type the Fund may make may also be made by those other accounts. When the Fund and one or more other accounts managed by the managers are prepared to invest in, or desire to dispose of, the same security, available investments or opportunities for sales will be allocated in a manner believed by the managers to be equitable to each. In some cases, this procedure may adversely affect the price paid or received by the Fund or the size of the position obtained or disposed of by the Fund. In other cases, however, it is believed that coordination and the ability to participate in volume transactions will be to the benefit of the Fund.

#### OTHER SERVICES

#### CUSTODIAN AND PORTFOLIO ACCOUNTANT

State Street Bank and Trust Company, Boston, MA, is custodian for the securities and cash of the Trust/Fund. Federated Services Company, Pittsburgh, PA, provides certain accounting and recordkeeping services with respect to the Trust's/Fund's portfolio investments.

#### TRANSFER AGENT

Federated Services Company, through its registered transfer agent Federated Shareholder Services Company, maintains all necessary shareholder records. For its services, the transfer agent receives a fee based on the size, type and number of accounts and transactions made by shareholders.

#### INDEPENDENT AUDITORS

The independent auditors for the Fund are Ernst & Young LLP, Pittsburgh, Pennsylvania.

#### SHAREHOLDER SERVICES

This arrangement permits the payment of fees to Federated Shareholder Services to cause services to be provided which are necessary for the maintenance of shareholder accounts and to encourage personal services to

shareholders by a representative who has knowledge of the shareholder's particular circumstances and goals. These activities and services may include, but are not limited to: providing office space, equipment, telephone facilities, and various clerical, supervisory, computer, and other personnel as necessary or beneficial to establish and maintain shareholder accounts and records; processing purchase and redemption transactions and automatic investments of client account cash balances; answering routine client inquiries; and assisting clients in changing dividend options, account designations, and addresses.

By adopting the Shareholder Services Agreement, the Trustees expect that the Fund will benefit by: (1) providing personal services to shareholders; (2) investing shareholder assets with a minimum of delay and administrative detail; (3) enhancing shareholder recordkeeping systems; and (4) responding promptly to shareholders' requests and inquiries concerning their accounts.

For the fiscal year ended October 31, 1996, the Fund paid shareholder service fees in the amount of \$368,154 of which \$309,249 was waived.

#### PURCHASING SHARES

Shares are sold at their net asset value without a sales charge on days the New York Stock Exchange is open for business. The procedure for purchasing shares of the Fund is explained in the prospectus under "Investing in the Fund."

#### CONVERSION TO FEDERAL FUNDS

It is the Fund's policy to be as fully invested as possible so that maximum interest may be earned. To this end, all payments from shareholders must be in federal funds or be converted into federal funds. State Street Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

#### EXCHANGING SECURITIES FOR FUND SHARES

Investors may exchange securities they already own for Fund shares, or they may exchange a combination of securities and cash for Fund shares. Any securities to be exchanged must meet the investment objective and policies

of the Fund, must have a readily ascertainable market value and must not be subject to restrictions on resale. An investor should forward the securities in negotiable form with an authorized letter of transmittal to Federated Securities Corp. The Fund will notify the investor of its acceptance and valuation of the securities within five business days of their receipt by State Street Bank.

The Fund values such securities in the same manner as the Fund values its assets. The basis of the exchange will depend upon the net asset value of Fund shares on the day the securities are valued. One share of the Fund will be issued for each equivalent amount of securities accepted. Any interest earned on the securities prior to the exchange will be considered in valuing the securities. All interest, dividends, subscription, conversion, or other rights attached to the securities become the property of the Fund, along with the securities.

#### TAX CONSEQUENCES

Exercise of this exchange privilege is treated as a sale for federal income tax purposes. Depending upon the cost basis of the securities exchanged for Fund shares, a gain or loss may be realized by the investor.

#### DETERMINING NET ASSET VALUE

Net asset value generally changes each day. The days on which net asset value is calculated by the Fund are described in the prospectus.

#### DETERMINING MARKET VALUE OF SECURITIES

Market values of the Fund's portfolio securities are determined as follows:

- o for equity securities, according to the last sale price on a national securities exchange, if available;
- o in the absence of recorded sales for equity securities, according to the mean between the last closing bid and asked prices;
- o for bonds and other fixed income securities, at the last sale price on a national securities exchange if available, otherwise as determined by an independent pricing service;
- o for short-term obligations, according to the mean between bid and asked prices as furnished by an independent pricing service or for short-term obligations with remaining maturities of 60 days or less at the time of purchase, at amortized cost; or
- o for all other securities, at fair value as determined in good faith by the Trustees.

Prices provided by independent pricing services may be determined without relying exclusively on quoted prices and may reflect: institutional trading in similar groups of securities, yield, quality, coupon rate, maturity, type of issue, trading characteristics, and other market data.

The Fund will value stock index futures contracts and options on stocks, stock indices and stock index futures contracts at their market values established by the exchanges at the close of option trading on such exchanges unless the Trustees determine in good faith that another method of valuing option positions is necessary to appraise their fair value.

#### REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after State Street Bank receives the redemption request. Redemption procedures are explained in the prospectus under "Redeeming Shares."

#### REDEMPTION IN KIND

Although the Fund intends to redeem shares in cash, it reserves the right under certain circumstances to pay the redemption price in whole or in part with securities from the Fund's portfolio.

Such securities will be valued with the same valuation techniques employed in determining net asset value, and the securities will be selected in a manner the Trustees determine to be fair and equitable.

The Fund has elected to be governed by Rule 18f-1 of the Investment Company Act of 1940 under which the Fund will redeem shares for any one shareholder in cash up to the lesser of \$250,000 or 1% of the Fund's net asset value during any 90-day period.

#### MASSACHUSETTS PARTNERSHIP LAW

Under certain circumstances, shareholders may be held personally liable as partners under Massachusetts law for acts or obligations of the Trust on behalf of the Fund. To protect shareholders of the Fund, the Trust has filed legal documents with Massachusetts that expressly disclaim the liability of shareholders of the Fund for such acts or obligations of the Trust. These documents require notice of this disclaimer to be given in each agreement, obligation, or instrument that the Trust enters into or its Trustees enter into or sign on behalf of the Fund.

In the unlikely event a shareholder of the Fund is held personally liable for the Trust's obligations on behalf of the Fund, the Trust is required to use the property of the Fund to protect or compensate the shareholder. On request, the Trust will defend any claim made and pay any judgment against a shareholder for any act or obligation of the Trust on behalf of the Fund. Therefore, financial loss resulting from liability as a shareholder of the

Fund will occur only if the Trust itself cannot meet its obligations to

indemnify shareholders and pay judgments against them from the assets of the Fund.

#### TAX STATUS

##### THE FUND'S TAX STATUS

The Fund will pay no federal income tax because the Fund expects to meet the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies and to receive the special tax treatment afforded to such companies. To qualify for this treatment, the Fund must, among other requirements:

- o derive at least 90% of its gross income from dividends, interest, and gains from the sale of securities;
- o derive less than 30% of its gross income from the sale of securities held less than three months;
- o invest in securities within certain statutory limits; and
- o distribute to its shareholders at least 90% of its net income earned during the year.

##### SHAREHOLDERS' TAX STATUS

Shareholders are subject to federal income tax on dividends received as cash or additional shares. No portion of any income dividend paid by the Fund is eligible for the dividends received deduction available to corporations. These dividends, and any short-term capital gains, are taxable as ordinary income.

##### CAPITAL GAINS

Shareholders will pay federal tax at capital gains rates on long-term capital gains distributed to them regardless of how long they have held the Fund shares.

#### TOTAL RETURN

The Fund's average annual total return for the one-year period ended October 31, 1996 and for the period from August 11, 1992 (Start of Performance) to October 31, 1996 was 15.09% and 13.54%, respectively. The average annual total return for the Trust is the average compounded rate of return for a given period that would equate a \$1,000 initial investment to the ending redeemable value of that investment. The ending redeemable value is computed by multiplying the number of shares owned at the end of the period by the offering price per share at the end of the period. The number of shares owned at the end of the period is based on the number of shares purchased at the beginning of the period with \$1,000, adjusted over the period by any additional shares, assuming the quarterly reinvestment of all dividends and distributions.

#### YIELD

The Fund's SEC yield for the thirty-day period ended October 31, 1996 was 1.05%.

The yield for the Fund is determined each day by dividing the net investment income per share (as defined by the Securities and Exchange Commission) earned by the Fund over a thirty-day period by the offering price per share of the Fund on the last day of the period. This value is annualized using semi-annual compounding. This means that the amount of income generated during the thirty-day period is assumed to be generated each month over a twelve month period and is reinvested every six months. The yield does not necessarily reflect income actually earned by the Fund because of certain adjustments required by the Securities and Exchange Commission and, therefore, may not correlate to the dividends or other distributions paid to shareholders.

To the extent that financial institutions and broker/dealers charge fees in connection with services provided in conjunction with an investment in the Fund, performance will be reduced for those shareholders paying those fees.

#### PERFORMANCE COMPARISONS

The Fund's performance depends upon such variables as:

- o portfolio quality;
- o average portfolio maturity;
- o type of instruments in which the portfolio is invested;
- o changes in interest rates and market value of portfolio securities;
- o changes in Fund expenses;
- o the relative amount of Fund cash flow; and
- o various other factors.

Investors may use financial publications and/or indices to obtain a more complete view of the Fund's performance. When comparing performance, investors should consider all relevant factors such as the composition of any index used, prevailing market conditions, portfolio compositions of other funds, and methods used to value portfolio securities and compute offering price. The financial publications and/or indices which the Fund uses in advertising may include:

OLIPPER ANALYTICAL SERVICES, INC. ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all capital gains distributions and income dividends and takes into account any change in offering price over a specific period of time. From time to time, the Fund will quote its Lipper ranking in the "index funds" category in advertising and sales literature.

ORUSSELL 2000 INDEX--is a broadly diversified index consisting of approximately 2,000 small capitalization common stocks that can be

used to compare to the total returns of funds whose portfolios are invested primarily in small capitalization common stocks.

OSTANDARD & POOR'S DAILY STOCK PRICE INDEX OF 500 COMMON STOCKS--is a composite index of common stocks in industry, transportation, and financial and public utility companies that can be used to compare to the total returns of funds whose portfolios are invested primarily in common stocks. In addition, the Standard & Poor's index assumes reinvestments of all dividends paid by stocks listed on its index. Taxes due on any of these distributions are not included, nor are brokerage or other fees calculated in Standard & Poor's figures.

OWILSHIRE 5000 EQUITY INDEXES--consists of nearly 5,000 common equity securities, covering all stocks in the U.S. for which daily pricing is available, and can be used to compare to the total returns of funds whose portfolios are invested primarily in common stocks.

OMORNINGSTAR, INC., an independent rating service, is the publisher of the bi-weekly Mutual Fund Values. Mutual Fund Values rates more than 1,000 NASDAQ-listed mutual funds of all types, according to their risk-adjusted returns. The maximum rating is five stars, and ratings are effective for two weeks.

Advertisements and other sales literature for the Fund may quote total returns which are calculated on nonstandardized base periods. These total returns also represent the historic change in the value of an investment in the Fund based on quarterly reinvestment of dividends over a specified period of time.

Advertising and other promotional literature may include charts, graphs and other illustrations using the Fund's returns, or returns in general, that demonstrate basic investment concepts such as tax-deferred compounding, dollar-cost averaging and systematic investment. In addition, the Fund can

compare its performance, or performance for the types of securities in which it invests, to a variety of other investments, such as bank savings accounts, certificates of deposit, and Treasury bills.

#### ECONOMIC AND MARKET INFORMATION

Advertising and sales literature for the Fund may include discussions of economic, financial and political developments and their effect on the securities market. Such discussions may take the form of commentary on these developments by Fund portfolio managers and their views and analysis on how such developments could affect the Funds. In addition, advertising and sales literature may quote statistics and give general information about the mutual fund industry, including the growth of the industry, from sources such as the Investment Company Institute.

#### ABOUT FEDERATED INVESTORS

Federated Investors is dedicated to meeting investor needs which is reflected in its investment decision making-structured, straightforward, and consistent. This has resulted in a history of competitive performance with a range of competitive investment products that have gained the confidence of thousands of clients and their customers.

The company's disciplined security selection process is firmly rooted in sound methodologies backed by fundamental and technical research.

Investment decisions are made and executed by teams of portfolio managers, analysts, and traders dedicated to specific market sectors. The traders handle trillions of dollars in annual trading volume.

In the equity sector, Federated Investors has more than 25 years' experience. As of December 31, 1995, Federated Investors managed 22 equity funds totaling approximately \$5.4 billion in assets across growth, value, equity income, international, index and sector (i.e. utility) styles.

Federated Investor's value-oriented management style combines quantitative

and qualitative analysis and features a structured, computer-assisted composite modeling system that was developed in the 1970s.

J. Thomas Madden, Executive Vice President, oversees Federated Investors' equity and high yield corporate bond management while William D. Dawson, Executive Vice President, oversees Federated Investors' domestic fixed income management. Henry A. Frantzen, Executive Vice President, oversees the management of Federated Investors' international portfolios.

#### MUTUAL FUND MARKET

Twenty-seven percent of American households are pursuing their financial goals through mutual funds. These investors, as well as businesses and institutions, have entrusted over \$3 trillion to the more than 5,500 funds

available.\*

Federated Investors, through its subsidiaries, distributes mutual funds for a variety of investment applications. Specific markets include:

#### INSTITUTIONAL CLIENTS

Federated Investors meets the needs of more than 4,000 institutional clients nationwide by managing and servicing separate accounts and mutual funds for a variety of applications, including defined benefit and defined contribution programs, cash management, and asset/liability management. Institutional clients include corporations, pension funds, tax-exempt entities, foundations/endowments, insurance companies, and investment and financial advisors. The marketing effort to these institutional clients is headed by John B. Fisher, President, Institutional Sales Division.

#### TRUST ORGANIZATIONS

Other institutional clients include close relationships with more than 1,500 banks and trust organizations. Virtually all of the trust divisions of the top 100 bank holding companies use Federated funds in their clients'

portfolios. The marketing effort to trust clients is headed by Mark R. Gensheimer, Executive Vice President, Bank Marketing & Sales.

#### BROKER/DEALERS AND BANK BROKER/DEALER SUBSIDIARIES

Federated funds are available to consumers through major brokerage firms nationwide--including 200 New York Stock Exchange firms--supported by more wholesalers than any other mutual fund distributor. Federated's service to financial professionals and institutions has earned it high ratings in several surveys performed by DALBAR, Inc. DALBAR is recognized as the industry benchmark for service quality measurement. The marketing effort to these firms is headed by James F. Getz, President, Broker/Dealer Division.

\*source: Investment Company Institute  
FRANK RUSSELL COMPANY

Frank Russell Company reserves the right, at any time and without notice, to alter, amend, terminate or in any way change its Index. Frank Russell Company has no obligation to take the needs of any particular fund or its participants or any other product or person into consideration in determining, composing or calculating the index.

Frank Russell Company's publication of the Index in no way suggests or implies an opinion by Frank Russell Company as to the attractiveness or appropriateness of investment in any or all securities upon which the Index is based. FRANK RUSSELL COMPANY MAKES NO REPRESENTATION, WARRANTY, OR GUARANTEE AS TO THE ACCURACY, COMPLETENESS, RELIABILITY, OR OTHERWISE OF THE INDEX OR ANY DATA INCLUDED IN THE INDEX. FRANK RUSSELL COMPANY MAKES NO REPRESENTATION OR WARRANTY REGARDING THE USE OR THE RESULTS OF USE, OF THE INDEX OR ANY DATA INCLUDED THEREIN, OR ANY SECURITY (OR COMBINATION THEREOF) COMPRISING THE INDEX. FRANK RUSSELL COMPANY MAKES NO OTHER EXPRESS OR IMPLIED WARRANTY, AND EXPRESSLY DISCLAIMS ANY WARRANTY, OF ANY KIND,

INCLUDING, WITHOUT MEANS OF LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE INDEX OR ANY DATA OR ANY SECURITY (OR COMBINATION THEREOF) INCLUDED THEREIN.

#### FEDERATED MINI-CAP FUND

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ANNUAL REPORT FOR FISCAL YEAR ENDED OCTOBER 31, 1996

#### MANAGEMENT DISCUSSION AND ANALYSIS

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The fund's total return for the 12 months ended October 31, 1996 was 15.09%.\* The target index, the Russell 2000 Index (the "Index"), had a total return of 16.60% during the period.\*\* The fund's performance lagged that of the Index due to transaction costs, administrative expenses, and differences in return between the Index and holdings of stock index futures contracts. It is important to note that transaction costs for small company stocks are much higher than that for large company stocks due to illiquidity factors, i.e., there are sometimes very few buyers and sellers of small company stocks.

The stock market reached new highs during the last 12 months, despite

predictions by some analysts that the stock market has become overbought and should decline. Investor confidence has apparently remained high due to relatively stable interest rates and inflation, and strong corporate earnings. Additional factors supporting the market have been stock

buybacks, purchases by foreign investors, strong cash flows into equity mutual funds and expectations of stable government policy after the recent elections.

During the fund's fiscal year the strongest performing sectors in the Index were energy, finance and consumer/discretionary, while healthcare, utilities and consumer/staples were among the worst performing sectors in the Index.

\* Performance quoted represents past performance. 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.

\*\* Russell 2000 Index is an unmanaged index consisting of 2,000 common stocks of companies whose market capitalization generally falls just below the top 1,000 large and mid-cap companies. Actual investments cannot be made in an index. The Mini-Cap Fund seeks investment results that correspond to the aggregate price and total return performance of the Russell 2000(R) Small Stock Index. The Russell 2000(R) Small Stock Index is a trademark/service mark of the Frank Russell Company. Russell(TM) is a trademark of the Frank Russell Company. The Fund is neither affiliated with nor promoted, sponsored, sold, or endorsed by the Frank Russell Company. Its only relationship to the Fund is the licensing of the use of the Index.

FEDERATED MINI-CAP FUND

GROWTH OF \$25,000 INVESTED IN FEDERATED MINI-CAP FUND

The graph below illustrates the hypothetical investment of \$25,000 in the Federated Mini-Cap Fund (the "Fund") from August 11, 1992 (start of performance) to October 31, 1996, compared to the Russell 2000 Index (RUS2).+

[`Graphic representation ``A4'' omitted. See Appendix.']]

AVERAGE ANNUAL TOTAL RETURN FOR THE PERIOD ENDED OCTOBER 31, 1996

<S>	<C>
1 Year.....	15.09%
Start of Performance (8/11/92).....	13.54%

PAST PERFORMANCE IS NOT PREDICTIVE OF FUTURE PERFORMANCE. YOUR INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE SO WHEN SHARES ARE REDEEMED, THEY MAY BE WORTH MORE OR LESS THAN ORIGINAL COST. MUTUAL FUNDS ARE NOT OBLIGATIONS OF OR GUARANTEED BY ANY BANK AND ARE NOT FEDERALLY INSURED.

THIS REPORT MUST BE PRECEDED OR ACCOMPANIED BY THE FUND'S PROSPECTUS DATED DECEMBER 31, 1996, AND, TOGETHER WITH FINANCIAL STATEMENTS CONTAINED THEREIN, CONSTITUTES THE FUND'S ANNUAL REPORT.

\* The Fund's performance assumes the reinvestment of all dividends and distributions. The RUS2 has been adjusted to reflect reinvestment of dividends on securities in the index.

+ The RUS2 is not adjusted to reflect sales charges, expenses, or other fees that the SEC requires to be reflected in the Fund's performance. This index is unmanaged.

FEDERATED INVESTORS  
LOGO  
Since 1955

Federated Investors Tower  
Pittsburgh, PA 15222-3779

Federated Securities Corp. is the distributor of the fund and is a subsidiary of Federated Investors.



APPENDIX

A1. The graphic presentation here displayed consists of a line graph. The corresponding components of the line graph are listed underneath. The Institutional Shares of Federated Max-Cap Fund (the "Fund") are represented by a solid line. The Standard & Poor's 500 Index (the `S&P 500'`) is represented by a dotted line. The line graph is a visual representation of a comparison of change in value of a \$25,000 hypothetical investment in the Institutional Shares of the Fund and the S&P 500. The `x`' axis reflects computation periods from 7/11/90 to 10/31/96. The `y`' axis reflects the cost of the investment. The right margin reflects the ending value of the hypothetical investment in the Fund's Institutional Shares as compared to the S&P 500; the ending values were \$58,385 and \$59,248, respectively. The legend in the bottom quadrant of the graphic presentation indicates the Fund's Institutional Shares Average Annual Total Returns for the period ended 10/31/96; beginning with the start of performance date of the Fund (7/11/90), and the one-year and five-year periods thereafter; the Average Annual Total Returns were 14.40%, 23.71% and 15.12%, respectively.

A2. The graphic presentation here displayed consists of a line graph. The corresponding components of the line graph are listed underneath. The Institutional Service Shares of Federated Max-Cap Fund (the "Fund") are represented by a solid line. The Standard & Poor's 500 Index (the `S&P 500'`) is represented by a dotted line. The line graph is a visual representation of a comparison of change in value of a \$25,000 hypothetical investment in the Institutional Service Shares of the Fund and the S&P 500. The `x`' axis reflects computation periods from 9/7/93 to 10/31/96. The `y`' axis reflects the cost of the investment. The right margin reflects the ending value of the hypothetical investment in the Fund's Institutional Service Shares as compared to the S&P 500; the ending values were \$40,677 and \$41,696, respectively. The legend in the bottom quadrant of the graphic presentation indicates the Fund's Institutional Service Shares Average Annual Total Returns for the period ended 10/31/96; beginning with the start of performance date of the Fund (9/7/93), and the one-year period thereafter; the Average Annual Total Returns were 16.72% and 23.39%, respectively.

A3. The graphic presentation here displayed consists of a line graph. The corresponding components of the line graph are listed underneath. The Federated Mid-Cap Fund (the "Fund") is represented by a solid line. The Standard & Poor's Mid-Cap 400 Index (the `S&P 400'`) is represented by a dotted line. The line graph is a visual representation of a comparison of change in value of a \$25,000 hypothetical investment in the Fund and the S&P 400. The `x`' axis reflects computation periods from 11/5/92 to 10/31/96. The `y`' axis reflects the cost of the investment. The right margin reflects the ending value of the hypothetical investment in the Fund

as compared to the S&P 400; the ending values were \$41,681 and \$44,062, respectively. The legend in the bottom quadrant of the graphic presentation indicates the Fund's Average Annual Total Returns for the period ended 10/31/96; beginning with the start of performance date of the Fund (11/5/92), and the one-year period thereafter; the Average Annual Total Returns were 13.67% and 15.80%, respectively.

A4. The graphic presentation here displayed consists of a line graph. The corresponding components of the line graph are listed underneath. The Federated Mini-Cap Fund (the "Fund") is represented by a solid line. The Russell 2000 Index (the `RUS2'`) is represented by a dotted line. The line graph is a visual representation of a comparison of change in value of a \$25,000 hypothetical investment in the Fund and the RUS2. The `x`' axis reflects computation periods from 8/11/92 to 10/31/96. The `y`' axis reflects the cost of the investment. The right margin reflects the ending value of the hypothetical investment in the Fund as compared to the RUS2; the ending values were \$42,731 and \$46,692, respectively. The legend in the bottom quadrant of the graphic presentation indicates the Fund's Average Annual Total Returns for the period ended 10/31/96; beginning with the start of performance date of the Fund (8/11/92), and the one-year period thereafter; the Average Annual Total Returns were 13.54% and 15.09%, respectively.