

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)

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STAR FUNDS

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STAR FUNDS
MONEY MARKET FUNDS

PORTFOLIOS OF THE STAR FUNDS

PROSPECTUS

The shares offered in this prospectus represent interests in the money market portfolios of the Star Funds (the "Trust"), an open-end management investment company (a mutual fund). The Trust consists of the following six separate diversified investment portfolios, each having a distinct investment objective and policies.

Money Market Funds

- . Star Prime Obligations Fund
- . Star Tax-Free Money Market Fund
- . Star Treasury Fund

Equity and Income Funds

- . Star Relative Value Fund
- . The Stellar Fund
- . Star U.S. Government Income Fund

This prospectus relates only to the Money Market Funds of the Trust (individually referred to as the "Fund" or collectively as the "Funds") and contains the information you should read and know before you invest in any of the Money Market Funds of the Trust. Keep this prospectus for future reference.

AN INVESTMENT IN ANY OF THE FUNDS IS NEITHER INSURED NOR GUARANTEED BY THE U.S. GOVERNMENT. THE FUNDS ATTEMPT TO MAINTAIN A STABLE NET ASSET VALUE OF \$1.00 PER SHARE; THERE CAN BE NO ASSURANCE THAT THE FUNDS WILL BE ABLE TO DO SO.

THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF STAR BANK, N.A., OR ITS AFFILIATES, ARE NOT ENDORSED OR GUARANTEED BY STAR BANK, N.A., OR ITS AFFILIATES, AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION, THE FEDERAL RESERVE BOARD, OR ANY OTHER GOVERNMENT AGENCY.

The Trust has also filed separate Statements of Additional Information for each Fund dated January 31, 1994, with the Securities and Exchange Commission. The information contained in each Statement of Additional Information is incorporated by reference in this prospectus. You may request a copy of the Statement of Additional Information free of charge, obtain other information, or make inquiries about a Fund by writing to the Fund or by calling (513) 632-5547.

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

Prospectus dated January 31, 1994

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SYNOPSIS

The Trust, an open-end, diversified management investment company, was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. 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 shares of the Money Market Funds of the Trust. The Money Market Funds are designed primarily for customers, correspondents, or affiliates of Star Bank, N.A., as a convenient means of accumulating an interest in a professionally managed, diversified portfolio limited to either money market instruments maturing in 397 days or less, short-term municipal securities, or U.S. Treasury obligations.

As of the date of this prospectus, shares are offered in the following three Money Market Funds:

- . Star Prime Obligations Fund ("Prime Obligations Fund")--seeks to provide current income consistent with stability of principal. Prime Obligations Fund pursues this objective by investing exclusively in a variety of high-quality money market instruments.
- . Star Tax-Free Money Market Fund ("Tax-Free Money Market Fund")--seeks to provide current income exempt from federal regular income tax consistent with stability of principal. Tax-Free Money Market Fund pursues this objective by investing in a diversified portfolio of short-term municipal securities.
- . Star Treasury Fund ("Treasury Fund")--seeks to achieve stability of principal and current income consistent with stability of principal. Treasury Fund pursues this objective by investing exclusively in short-term U.S. Treasury obligations.

For information on how to purchase shares of any of the Money Market Funds, please refer to "Investing in the Funds." A minimum initial investment of \$1,000 (\$25 for Star Bank Connections Group Banking customers and Star Bank employees and members of their immediate family) is required for each Fund. Shares of each Money Market Fund are sold and redeemed at net asset value. Information on redeeming shares may be found under "Redeeming Shares." Star

Bank, N.A., is the investment adviser to the Funds.

STAR PRIME OBLIGATIONS FUND
SUMMARY OF FUND EXPENSES

<TABLE>
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES

<S>

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

<CAPTION>

ANNUAL FUND OPERATING EXPENSES
(As a percentage of average net assets)

<S>

Management Fees.....	0.55%
12b-1 Fees (after waiver) (1).....	0.00%
Total Other Expenses.....	0.27%
Total Fund Operating Expenses (after waiver) (2).....	0.82%

</TABLE>

(1) Under the Fund's Rule 12b-1 Distribution Plan, the Fund can pay the distributor up to 0.25% as a 12b-1 fee. The 12b-1 fee was reduced to reflect the voluntary waiver of compensation by the distributor. The distributor can terminate this voluntary waiver at any time at its sole discretion. The distributor has no present intention of collecting 12b-1 fees.

(2) The Total Fund Operating Expenses would have been 1.07% absent the voluntary waiver by the distributor.

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 "STAR FUNDS INFORMATION."

<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. As noted in the table above, the Fund charges no redemption fees.....	\$8	\$26	\$46	\$101

</TABLE>

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

STAR TAX-FREE MONEY MARKET FUND
SUMMARY OF FUND EXPENSES

<TABLE>
<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES

<S>

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

<CAPTION>

ANNUAL FUND OPERATING EXPENSES
(As a percentage of average net assets)

<S>

Management Fees (after waiver) (1).....	0.40%
12b-1 Fees (after waiver) (2).....	0.00%

Total Other Expenses.....	0.25%
Total Fund Operating Expenses (after waiver) (3).....	0.65%

- (1) The management fee was reduced to reflect the voluntary waiver by the investment adviser. The adviser can terminate this voluntary waiver at any time at its sole discretion. The maximum management fee is 0.55%.
- (2) Under the Fund's Rule 12b-1 Distribution Plan, the Fund can pay the distributor up to 0.25% as a 12b-1 fee. The 12b-1 fee was reduced to reflect the voluntary waiver of compensation by the distributor. The distributor can terminate this voluntary waiver at any time at its sole discretion. The distributor has no present intention of collecting 12b-1 fees.
- (3) The Total Fund Operating Expenses would have been 1.05% absent the voluntary waivers described above in Notes 1 and 2.

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 "STAR FUNDS INFORMATION."

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. As noted in the table above, the Fund charges no redemption fees.....	\$7	\$21	\$36	\$81

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

STAR TREASURY FUND
SUMMARY OF FUND EXPENSES

SHAREHOLDER TRANSACTION EXPENSES	
<S>	<C>
Maximum Sales Load Imposed on Purchases (as a percentage of offering price).....	None
Maximum Sales Load Imposed on Reinvested Dividends (as a percentage of offering price).....	None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, as applicable).....	None
Redemption Fees (as a percentage of amount redeemed, if applicable)..	None
Exchange Fee.....	None

ANNUAL FUND OPERATING EXPENSES (As a percentage of average net assets)	
<S>	<C>
Management Fees.....	0.50%
12b-1 Fees (after waiver) (1).....	0.00%
Total Other Expenses.....	0.20%
Total Fund Operating Expenses (after waiver) (2).....	0.70%

- (1) Under the Fund's Rule 12b-1 Distribution Plan, the Fund can pay the distributor up to 0.25% as a 12b-1 fee. The 12b-1 fee was reduced to reflect the voluntary waiver of compensation by the distributor. The distributor can terminate this voluntary waiver at any time at its sole discretion. The distributor has no present intention of collecting 12b-1 fees.
- (2) The Total Fund Operating Expenses would have been 0.95% absent the voluntary waiver by the distributor.

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 "STAR FUNDS INFORMATION."

<TABLE>

EXAMPLE	1 year 3 years 5 years 10 years			
	<C>	<C>	<C>	<C>
<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. As noted in the table above, the Fund charges no redemption fees.....				
</TABLE>	\$7	\$22	\$39	\$87

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

STAR PRIME OBLIGATIONS FUND
FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Independent Public Accountants on page 46.

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,			
	1993	1992	1991	1990*
<S>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
INCOME FROM INVESTMENT OPERATIONS				
Net investment income	0.02	0.03	0.05	0.06
LESS DISTRIBUTIONS				
Dividends to shareholders from net investment income	(0.02)	(0.03)	(0.05)	(0.06)
NET ASSET VALUE, END OF PERIOD	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL RETURN**	2.48%	3.37%	5.62%	6.31%
RATIOS TO AVERAGE NET ASSETS				
Expenses	0.82%	0.80%	0.87%	0.78%(a)
Net investment income	2.45%	3.33%	5.31%	7.50%(a)
Expense waiver/reimbursement (b)	0.25%	0.25%	0.10%	0.03%(a)
SUPPLEMENTAL DATA				
Net assets, end of period (000 omitted)	\$92,452	\$112,638	\$107,164	\$54,441

* Reflects operations for the period from February 5, 1990 (date of initial public investment), to November 30, 1990.

** Based on net asset value which does not reflect the sales load or redemption fee, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 5).

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

STAR TAX-FREE MONEY MARKET FUND
FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Independent Public Accountants on page 46.

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,		
	1993	1992	1991*
<S>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 1.00	\$ 1.00	\$ 1.00
INCOME FROM INVESTMENT OPERATIONS			
Net investment income	0.02	0.03	0.03
LESS DISTRIBUTIONS			
Dividends to shareholders from net investment income	(0.02)	(0.03)	(0.03)
NET ASSET VALUE, END OF PERIOD	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL RETURN**	1.91%	2.59%	2.84%
RATIOS TO AVERAGE NET ASSETS			
Expenses	0.65%	0.66%	0.55% (a)
Net investment income	1.90%	2.54%	3.95% (a)
Expense waiver/reimbursement (b)	0.40%	0.40%	0.48% (a)
SUPPLEMENTAL DATA			
Net assets, end of period (000 omitted)	\$135,022	\$144,487	\$113,731

</TABLE>

* Reflects operations for the period from March 15, 1991 (date of initial public investment), to November 30, 1991.

** Based on net asset value, which does not reflect the sales load or redemption fee, if applicable.

(a) Computed on an annualized basis.

(b) The voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 5).

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

STAR TREASURY FUND
FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Independent Public Accountants on page 46.

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,				
	1993	1992	1991	1990	1989*
<S>	<C>	<C>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
INCOME FROM INVESTMENT OPERATIONS					
Net investment income	0.03	0.03	0.06	0.07	0.05
LESS DISTRIBUTIONS					

Dividends to shareholders from net investment income	(0.03)	(0.03)	(0.06)	(0.07)	(0.05)
NET ASSET VALUE, END OF PERIOD	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
TOTAL RETURN**	2.56%	3.41%	5.72%	7.72%	5.36%
RATIOS TO AVERAGE NET ASSETS					
Expenses	0.70%	0.71%	0.71%	0.73%	0.77% (a)
Net investment income	2.53%	3.33%	5.51%	7.44%	8.28% (a)
Expense waiver/reimbursement (b)	0.25%	0.25%	0.10%	0.03%	0.01% (a)
SUPPLEMENTAL DATA					
Net assets, end of period (000 omitted)	\$386,020	\$346,508	\$307,278	\$226,519	\$174,062

</TABLE>

* Reflects operations for the period from April 14, 1989 (date of initial public investment), to November 30, 1989. For the period from the start of business, March 2, 1989, to April 13, 1989, net investment income aggregating \$0.010 per share (\$992) was distributed to Federated Administrative Services ("FAS").

** Based on net asset value which does not reflect the sales load or redemption fee, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 5).

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

OBJECTIVE AND INVESTMENT POLICIES OF EACH FUND

The investment objective and policies of each Fund appear below. The investment objective of a Fund cannot be changed without the approval of holders of a majority of that Fund's shares. While there is no assurance that a Fund will achieve its investment objective, it endeavors to do so by following the investment policies described in this prospectus.

With respect to Tax-Free Money Market Fund and the Treasury Fund, the investment policies and limitations described cannot be changed without the approval of a majority of each Fund's shares, except as noted. While Prime Obligations Fund may change its policies without shareholder approval, it will provide shareholders with notice before any material changes in policy become effective. Additional information about investment limitations, strategies that one or more Funds may employ, and certain investment policies mentioned below appear in the "Common Investment Techniques" sections of this prospectus and in each Fund's Statement of Additional Information.

MONEY MARKET FUNDS

The Money Market Funds intend to limit their investments by operating in a manner consistent with Rule 2a-7, as amended, under the Investment Company Act of 1940. Rule 2a-7 permits the Funds to utilize the amortized cost method of valuation in order to offer their shares at a net asset value of \$1.00 per share. (See also the section in each Fund's Statement of Additional Information entitled "Determining Net Asset Value.") Rule 2a-7 imposes certain risk-limiting conditions on the Funds which, in some instances, restrict a Fund's investment policies. These risk-limiting conditions include the following:

- . The Funds must limit their investments to "Eligible Securities," as defined under Rule 2a-7, and which the Funds' adviser has determined present minimal credit risks under guidelines adopted by the Trust's Board of Trustees ("Trustees").
- . Each Fund (except the Tax-Free Money Market Fund) must limit investments in "Second Tier Securities," as defined under Rule 2a-7, to 5% of its total assets and to 1% of its total assets in the securities of a single

Second Tier issuer.

- . The Funds may invest without limit in "First Tier Securities," as defined under Rule 2a-7, subject to the Funds' issuer diversification limitation. In addition, the portfolio investments of each Fund must have a maturity of 397 days or less from the time of purchase by a Fund, although securities owned pursuant to a repurchase agreement and certain adjustable interest rate instruments may bear longer maturities. The dollar-weighted average maturity of each Fund's portfolio must not exceed 90 days. A Fund's yield and, under unusual circumstances, the value of its portfolio securities may be affected by changes in interest rates.

For a description of the ratings of nationally recognized statistical rating organizations (individually, an "NRSRO") utilized in managing each Fund's investments, see the Appendix to each Fund's Statement of Additional Information, if any.

PRIME OBLIGATIONS FUND

The investment objective of Prime Obligations Fund is current income consistent with stability of principal. 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 investment objective cannot be changed without approval of shareholders.

The Fund pursues this investment objective by investing exclusively in a portfolio of high-quality money market instruments maturing in 397 days or less. Unless indicated otherwise, the investment policies may be changed by the Trustees without the approval of shareholders. Shareholders will be notified before any material changes in these policies become effective.

ACCEPTABLE INVESTMENTS. The Fund invests in high-quality money market instruments that are either rated in the highest short-term rating category by one or more NRSRO or of comparable quality to securities having such ratings. Examples of these instruments include, but are not limited to:

- . domestic issues of corporate debt obligations, including variable rate demand notes;
- . commercial paper (including Canadian Commercial Paper ("CCP") and Europaper);
- . certificates of deposit, demand and time deposits, bankers' acceptances and other instruments of domestic and foreign banks and other deposit institutions ("Bank Instruments");
- . short-term credit facilities, such as demand notes;
- . asset-backed securities;
- . obligations issued or guaranteed as to payment of principal and interest by the U.S. government or one of its agencies or instrumentalities ("Government Securities"); and
- . other money market instruments.

The Fund invests only in instruments denominated and payable in U.S. dollars.

BANK INSTRUMENTS. The Fund only invests in Bank Instruments either issued by an institution having capital, surplus, and undivided profits over \$100 million or insured by the Bank Insurance Fund ("BIF") or the Savings Association Insurance Fund ("SAIF"). Bank Instruments may include Eurodollar Certificates of Deposit ("ECDs"), Yankee Certificates of Deposit ("Yankee CDs") and Eurodollar Time Deposits ("ETDs"). The Fund will treat securities credit-enhanced with a bank's letter of credit as Bank Instruments.

SHORT-TERM CREDIT FACILITIES. Demand notes are short-term borrowing arrangements between a corporation and an institutional lender (such as the Fund) payable upon demand by either party. The notice period for demand typically ranges from one to seven days, and the party may demand full or partial payment. The Fund may also enter into, or acquire participations in, short-term revolving credit facilities with corporate borrowers. Demand notes and other short-term credit arrangements usually provide for floating or variable rates of interest.

ASSET-BACKED SECURITIES. Asset-backed securities are securities issued by special purpose entities whose primary assets consist of a pool of loans or accounts receivable. The securities may take the form of beneficial interests in a special purpose trust, limited partnership interests or commercial paper or other debt securities issued by a special purpose corporation. Although the securities often have some form of credit or liquidity enhancement, payments on the securities depend predominately

upon collections of the loans and receivables held by the issuer.

RESTRICTED SECURITIES. The Fund intends to invest in restricted securities. Restricted securities are any securities in which the Fund may otherwise invest pursuant to its investment objective and policies but which are subject to restrictions on resale under federal securities law. However, the Fund will limit investments in illiquid securities, including certain restricted securities not determined by the Trustees to be liquid, non-negotiable time deposits, and repurchase agreements providing for settlement in more than seven days after notice, to 10% of its net assets.

The Fund may invest in commercial paper issued in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933. Section 4(2) paper is restricted as to disposition under federal securities law and is generally sold to institutional investors, such as the Fund, who agree that they are purchasing the paper for investment purposes and not with a view to public distribution. Any resale by the purchaser must be in an exempt transaction. Section 4(2) paper is normally resold to other institutional investors like the Fund through or with the assistance of the issuer or investment dealers who make a market in Section 4(2) paper, thus providing liquidity. The Fund believes that Section 4(2) paper, and possibly certain other restricted securities which meet the criteria for liquidity established by the Trustees, though technically restricted, are quite liquid. The Fund intends, therefore, to treat the securities which meet the criteria for liquidity established by the Trustees, as determined by the Fund's investment adviser, as liquid and not subject to the investment limitations applicable to illiquid securities.

CONCENTRATION OF INVESTMENTS. The Fund may invest more than 25% of the value of its total assets in cash or cash items (including instruments issued by a U.S. branch of a domestic bank or savings and loan having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment), securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or instruments secured by these money market instruments, such as repurchase agreements. (As an operating policy, the Fund will consider "instruments secured by these money market instruments" to be only repurchase agreements.)

INVESTMENT RISKS. ECDs, ETDs, Yankee CDs, CCPs, and Europaper are subject to different risks than domestic obligations of domestic banks or corporations. Examples of these risks include international, economic and political developments, foreign governmental restrictions that may adversely affect the payment of principal or interest, foreign withholdings or other taxes on interest income, difficulties in obtaining or enforcing a judgment against the issuing entity, and the possible impact of interruptions in the flow of international currency transactions. Different risks may also exist for ECDs, ETDs, and Yankee CDs because the banks issuing these instruments, or their domestic or foreign branches, are not necessarily subject to the same regulatory requirements that apply to domestic banks, such as reserve requirements, loan limitations, examinations, accounting, auditing, and recordkeeping, and the public availability of information. These factors will be carefully considered by the Fund's adviser in selecting investments for the Fund.

TAX-FREE MONEY MARKET FUND

The investment objective of Tax-Free Money Market Fund is current income exempt from federal regular income tax consistent with stability of principal. Federal regular income tax refers to normal income tax that most U.S. taxpayers compute and pay each year and does not include the federal alternative minimum tax for individuals or corporations. Interest income of the Fund that is exempt from federal regular income tax retains its tax-free status when distributed to the Fund's shareholders. The Fund invests its assets so that at least 80% of its annual interest income is exempt from federal regular income tax and not subject to the alternative minimum tax. 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. Unless otherwise indicated, the investment objective and the policies and limitations described below cannot be changed without approval of shareholders.

The Fund pursues this investment objective by investing in a portfolio of short-term municipal securities.

ACCEPTABLE INVESTMENTS. The Fund invests primarily in debt obligations issued by or on behalf of states, territories and possessions of the United States, including the District of Columbia, and any political subdivision or financing authority of any of these, the income from which is, in the opinion of qualified legal counsel, exempt from federal regular income tax ("Municipal Securities"). Examples of Municipal Securities include, but are not limited to:

- . tax and revenue anticipation notes ("TRANS") issued to finance working

- capital needs in anticipation of receiving taxes or other revenues;
- . bond anticipation notes ("BANs") that are intended to be refinanced through a later issuance of longer-term bonds;
- . municipal commercial paper and other short-term notes;
- . variable rate demand notes;
- . municipal bonds (including bonds having serial maturities and pre-refunded bonds) and leases;
- . construction loan notes insured by the Federal Housing Administration and financed by the Federal or Government National Mortgage Associations; and
- . participation, trust and partnership interests in any of the foregoing obligations.

PARTICIPATION INTERESTS. The Fund may purchase interests in Municipal Securities from financial institutions such as commercial and investment banks, savings and loan associations and insurance companies. These interests may take the form of participations, beneficial interests in a trust, partnership interests or any other form of indirect ownership that allows the Fund to treat the income from the investment as exempt from federal income tax. The Fund invests in these participation interests in order to obtain credit enhancement or demand features that would not be available through direct ownership of the underlying Municipal Securities.

MUNICIPAL LEASES. Municipal leases are obligations issued by state and local governments or authorities to finance the acquisition of equipment and facilities and may be considered to be illiquid. They may take the form of a lease, an installment purchase contract, a conditional sales contract, or a participation interest in any of the above.

In determining the liquidity of municipal lease securities, the Fund's investment adviser, under the authority delegated by the Trustees, will base its determination on the following factors: (a) whether the lease can be terminated by the lessee; (b) the potential recovery, if any, from a sale of the leased property upon termination of the lease; (c) the lessee's general credit strength (e.g., its debt, administrative, economic and financial characteristics, and prospects); (d) the likelihood that the lessee will discontinue appropriating funding for the leased property because the property is no longer deemed essential to its operations (e.g., the potential for an "event of nonappropriation"); and (e) any credit enhancement or legal recourse provided upon an event of nonappropriation or other termination of the lease.

RESTRICTED AND ILLIQUID SECURITIES. The Fund may invest in restricted securities. Restricted securities are any securities in which the Fund may invest pursuant to its investment objective and policies but which are subject to restrictions on resale under federal securities laws. Under criteria established by the Trustees, certain restricted securities are considered liquid. To the extent that restricted securities or municipal leases are found not to be liquid, the Fund will limit their purchase, together with other securities considered not to be liquid, to 10% of its net assets.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES. The Fund may invest in the securities of other investment companies, but it will not own more than 3% of the total outstanding voting stock of any investment company, invest more than 5% of its total assets in any one investment company, or invest more than 10% of its total assets in investment companies in general. The Fund may only invest in the securities of other investment companies that are money market funds having investment objectives and policies similar to its own and primarily for the purpose of investing short-term cash which has not yet been invested in other portfolio instruments. The adviser to the Fund will waive its investment advisory fee on that portion of its assets invested in securities of open-end investment companies. These limitations are not applicable if the securities are acquired in a merger, consolidation, reorganization, or acquisition of assets.

TEMPORARY INVESTMENTS. From time to time, when the investment adviser determines that market conditions call for a temporary defensive posture, the Fund may invest in short-term temporary investments. Interest income from temporary investments may be taxable to shareholders as ordinary income. These temporary investments include: obligations issued by or on behalf of municipal or corporate issuers having the same quality and maturity characteristics as Municipal Securities purchased by the Fund; marketable obligations issued or guaranteed by the U.S. government, its agencies or instrumentalities; instruments issued by banks or other depository institutions which have capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment; repurchase agreements; and prime commercial paper rated A-1 by

Standard & Poor's Corporation ("S&P"), Prime-1 by Moody's Investors Service, Inc. ("Moody's"), or F-1 by Fitch Investors Service, Inc. ("Fitch"), and other short-term credit instruments.

Although the Fund is permitted to make taxable, temporary investments, there is no current intention of generating income subject to federal regular income tax.

MUNICIPAL SECURITIES. Municipal Securities are generally issued to finance public works such as airports, bridges, highways, housing, hospitals, mass transportation projects, schools, streets, and water and sewer works. They are also issued to repay outstanding obligations, to raise funds for general operating expenses, and to make loans to other public institutions and facilities.

Municipal Securities include industrial development bonds issued by or on behalf of public authorities to provide financing aid to acquire sites or construct and equip facilities for privately or publicly owned corporations. The availability of this financing encourages these corporations to locate within the sponsoring communities and thereby increases local employment.

The two principal classifications of Municipal Securities are "general obligation" and "revenue" bonds. General obligation bonds are secured by the issuer's pledge of its full faith and credit and taxing power for the payment of principal and interest. Interest on and principal of revenue bonds, however, are payable only from the revenue generated by the facility financed by the bond or other specified sources of revenue. Revenue bonds do not represent a pledge of credit or create any debt of or charge against the general revenues of a municipality or public authority. Industrial development bonds are typically classified as revenue bonds.

INVESTMENT RISKS. Yields on Municipal Securities depend on a variety of factors, including: the general conditions of the short-term municipal note market and of the municipal bond market; the size of the particular offering; the maturity of the obligations; and the rating of the issue. The ability of the Fund to achieve its investment objective also depends on the continuing ability of the issuers of Municipal Securities and demand features, or the credit enhancers of either, to meet their obligations for the payment of interest and principal when due.

TREASURY FUND

The investment objective of the Treasury Fund is stability of principal and current income consistent with stability of principal. 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 investment objective and the policies and limitations described below cannot be changed without approval of shareholders.

The Fund pursues its investment objective by investing in a portfolio consisting exclusively of short-term U.S. Treasury obligations.

ACCEPTABLE INVESTMENTS. The short-term U.S. Treasury obligations in which the Fund invests are issued by the U.S. government and are fully guaranteed as to principal and interest by the United States. They mature in 397 days or less from the date of acquisition unless they are purchased under a repurchase agreement that provides for repurchase by the seller within 397 days from the date of acquisition. The Fund may also retain Fund assets in cash.

COMMON INVESTMENT TECHNIQUES OF THE FUNDS

REPURCHASE AGREEMENTS. The Funds may enter into repurchase agreements. Repurchase agreements are arrangements in which banks, broker/dealers, and other recognized financial institutions sell securities to the Funds and agree at the time of sale to repurchase them at a mutually agreed upon time and price within one year from the date of acquisition.

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

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. Prime Obligations Fund, Tax-Free Money Market Fund, and Treasury Fund may purchase short-term U.S. government obligations, Municipal Securities, and U.S. Treasury obligations, respectively, 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 Fund engages in when-issued and delayed delivery transactions only for the purpose of acquiring portfolio securities consistent with the Fund's investment objective and policies, not for investment leverage. In when-issued and delayed delivery transactions, the Fund relies on the seller to complete the transaction. The seller's failure to complete the transaction may cause the Fund to miss a price or yield considered to be advantageous.

REGULATORY COMPLIANCE. The Funds may follow non-fundamental operational policies that are more restrictive than their fundamental investment limitations, as set forth in this prospectus and in each Fund's Statement of Additional Information, in order to comply with applicable laws and regulations, including the provisions of and regulations under the Investment Company Act of 1940, as amended. In particular, the Funds will comply with the various requirements of Rule 2a-7, which regulates money market mutual funds. For example, with limited exceptions, Rule 2a-7 prohibits the investment of more than 5% of a Fund's total assets in the securities of any one issuer, exclusive of U.S. government securities and repurchase agreements fully collateralized thereby, although the Fund's investment limitations only requires such 5% diversification with respect to 75% of its assets. Prime Obligations Fund and Tax-Free Money Market Fund will invest more than 5% of their assets in any one issuer only under the circumstances permitted by Rule 2a-7. These Funds will also determine the effective maturity of their investments, as well as their ability to consider a security as having received the requisite short-term ratings by NRSROs, according to Rule 2a-7. The Funds may change these operational policies to reflect changes in the laws and regulations without the approval of their shareholders.

COMMON INVESTMENT TECHNIQUES OF PRIME OBLIGATIONS FUND AND TREASURY FUND

REVERSE REPURCHASE AGREEMENTS. Prime Obligations Fund and Treasury Fund may also enter into reverse repurchase agreements. This 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.

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.

During the period any reverse repurchase agreements are outstanding, 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, but only to the extent necessary to assure completion of the reverse repurchase agreements.

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.

COMMON INVESTMENT TECHNIQUES OF PRIME OBLIGATIONS FUND AND TAX-FREE MONEY MARKET FUND

VARIABLE RATE DEMAND NOTES. In the case of Prime Obligations Fund, variable rate demand notes are long-term corporate debt instruments. In the case of Tax-Free Money Market Fund, variable rate demand notes are Municipal Securities. These variable rate demand notes have variable or floating interest rates and provide the Fund with the right to tender the security for repurchase at its stated principal amount plus accrued interest. Such securities typically bear interest at a rate that is intended to cause the securities to trade at par. The interest rate may float or be adjusted at regular intervals (ranging from daily to annually) and is normally based on an interest index (for Prime Obligations Fund) or on a municipal interest index (for Tax-Free Money Market Fund) or a published interest rate or interest rate index. Most variable rate demand notes allow the Fund to demand the repurchase of the security on not more than seven days' prior notice. Other notes only permit the Fund to tender the security at the time of each interest rate adjustment or at other fixed intervals. See "Demand Features." The Fund treats variable rate demand notes as maturing on the later of the date of the next interest adjustment or the date on which the Fund may next tender the security

for repurchase.

RATINGS. In the case of Prime Obligations Fund and Tax-Free Money Market Fund, the securities in which each Fund is permitted to invest are rated in the highest short-term rating category by one or more NRSRO or are of comparable quality to securities having such ratings. A NRSRO's highest rating category is determined without regard for sub-categories and gradations. For example, securities rated A-1 or A-1+ by S&P, Prime-1 by Moody's, or F-1 (+ or -) by Fitch are all considered rated in the highest short-term rating category.

Each Fund will follow applicable regulations in determining whether a security rated by more than one NRSRO can be treated as being in the highest short-term rating category. See "Regulatory Compliance." Prime Obligations Fund currently requires that securities in which it invests be rated by two NRSROs in their highest rating category.

Tax-Free Money Market Fund may also purchase bonds which have no short-term ratings but which have long-term ratings by NRSROs in the two highest rating categories. The Fund has the ability but no present intention of investing in Municipal Securities that are rated MIG2 or VMIG2 by Moody's, FIN-2 by Fitch, or A-2 or SP-2 by S&P and tax-exempt commercial paper that is rated P-2 by Moody's, A-2 by S&P, or F-2 by Fitch, or securities which are not rated but are deemed to be of comparable quality. Shareholders of Tax-Free Money Market Fund will be notified should the Fund decide to invest in these securities.

CREDIT ENHANCEMENT. Certain of Prime Obligations Fund's and Tax-Free Money Market Fund's acceptable investments may have been credit enhanced by a guaranty, letter of credit, or insurance. These Funds typically evaluate the credit quality and ratings of credit-enhanced securities based upon the financial condition and ratings of the party providing the credit enhancement (the "credit enhancer"), rather than the issuer.

Generally, Prime Obligations Fund will not treat credit-enhanced securities as having been issued by the credit enhancer for diversification purposes. However, under certain circumstances, applicable regulations may require the Fund to treat the securities as having been issued by both the issuer and the credit enhancer.

With respect to Tax-Free Money Market Fund, credit-enhanced securities will also not be treated as having been issued by the credit enhancer for diversification purposes, unless the Fund has invested more than 10% of its assets in securities issued, guaranteed, or otherwise credit enhanced by the credit enhancer, in which case the securities will be treated as having been issued both by the issuer and the credit enhancer.

The bankruptcy, receivership, or default of the credit enhancer will adversely affect the quality and marketability of the underlying security.

Tax-Free Money Market Fund may have more than 25% of its total assets invested in securities credit-enhanced by banks.

DEMAND FEATURES. Prime Obligations Fund and Tax-Free Money Market Fund may acquire securities that are subject to puts and standby commitments ("demand features") to purchase the securities at their principal amount (usually with accrued interest) within a fixed period (usually seven days) following a demand by the Funds. The demand feature may be issued by the issuer of the underlying securities, a dealer in the securities, or by another third party and may not be transferred separately from the underlying security. The Funds use these arrangements to provide the Funds with liquidity and not to protect against changes in the market value of the underlying securities. The bankruptcy, receivership, or default by the issuer of the demand feature, or a default on the underlying security or other event that terminates the demand feature before its exercise, will adversely affect the liquidity of the underlying security. Demand features that are exercisable even after a payment default on the underlying security may be treated as a form of credit enhancement.

INVESTMENT LIMITATIONS

Prime Obligations Fund will not:

- . borrow money directly or through reverse repurchase agreements, or pledge securities except, under certain circumstances, the Fund may borrow up to one-third of the value of its net assets and pledge up to 15% of the value of its total assets to secure such borrowings; or
- . with respect to 75% of the value of its total assets, invest more than 5% of its total assets in securities of one issuer (except repurchase agreements collateralized by U.S. government securities and U.S. government obligations). The remaining 25% of its total assets may be invested in a single issuer if the investment adviser believes such a strategy to be prudent.

Tax-Free Money Market Fund will not:

- . borrow money or pledge securities except, under certain circumstances, the Fund may borrow up to one-third of the value of its total assets and pledge up to 15% of the value of those assets to secure such borrowings; or
- . with respect to 75% of the value of its total assets, invest more than 5% of its total assets in securities of one issuer (except cash, cash items, repurchase agreements collateralized by U.S. government securities and U.S. government obligations). The remaining 25% of its total assets may be invested in a single issuer if the investment adviser believes such a strategy is prudent. (For purposes of this limitation, the Fund considers instruments issued by a U.S. branch of a domestic bank having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment to be "cash items.")

Treasury Fund will not:

- . borrow money directly or through reverse repurchase agreements or pledge securities except, under certain circumstances, the Fund may borrow money and engage in reverse repurchase agreements in amounts up to one-third of the value of its total assets and pledge up to 10% of the value of its total assets to secure such borrowings.

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

Prime Obligations Fund will not:

- . commit more than 10% of its net assets to illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice and non-negotiable fixed time deposits with maturities over seven days and certain securities subject to restrictions on resale under federal securities law.

Tax-Free Money Market Fund will not:

- . invest more than 5% of the value of its total assets in industrial revenue bonds where the payment of principal and interest is the responsibility of companies (or guarantors, if applicable) that have records of less than three years of continuous operations, including the operation of any predecessor; or
- . invest more than 10% of its net assets in illiquid securities, including restricted securities which the adviser believes cannot be sold within seven days, municipal leases not determined by the Trustees to be liquid, and repurchase agreements providing for settlement more than seven days after notice.

Treasury Fund will not:

- . commit more than 10% of its net assets to illiquid obligations, including repurchase agreements providing for settlement in more than seven days after notice.

STAR FUNDS INFORMATION

MANAGEMENT OF THE TRUST

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

INVESTMENT ADVISER. Investment decisions for the Funds are made by Star Bank, N.A., the Funds' investment adviser (the "Adviser" or "Star Bank"), subject to direction by the Trustees. The Adviser continually conducts investment research and supervision for the Funds and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from each Fund.

ADVISORY FEES. The Adviser receives an annual investment advisory fee equal to 0.55 of 1% of Prime Obligations Fund's average daily net assets, 0.50 of 1% of Treasury Fund's average daily net assets, and 0.55 of 1% of Tax-Free Money Market Fund's average daily net assets. The Adviser has undertaken to reimburse each Fund, up to the amount of its advisory fee, for operating expenses in excess of limitations established by certain

states. The Adviser may voluntarily choose to waive a portion of its fee or reimburse one or all of the Funds for certain operating expenses.

ADVISER'S BACKGROUND. Star Bank, a national bank, was founded in 1863 and is the largest bank and trust organization of StarBanc Corporation. As of December 31, 1993, Star Bank had an asset base of \$7.6 billion.

Star Bank's expertise in trust administration, investments, and estate planning ranks it among the most predominant trust institutions in Ohio, with assets of \$12.5 billion as of December 31, 1993.

Star Bank has managed commingled funds since 1957. As of December 31, 1993, it manages 12 common trust funds and collective investment funds having a market value in excess of \$394 million. Additionally, Star Bank has advised the portfolios of the Trust since 1989.

DISTRIBUTION OF FUND SHARES

Federated Securities Corp. is the distributor for shares of the Funds. It is a Pennsylvania corporation organized on November 14, 1969, and is the distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors.

DISTRIBUTION PLAN. Pursuant to the provisions of a distribution plan adopted in accordance with the Investment Company Act Rule 12b-1 (the "Plan"), each Fund will pay to Federated Securities Corp. an amount computed at an annual rate of 0.25 of 1% of the average daily net asset value of its shares to finance any activity which is principally intended to result in the sale of its shares subject to the Plan.

Federated Securities Corp. may from time to time, and for such periods as it deems appropriate, voluntarily reduce its compensation under the Plan to the extent the expenses attributable to the shares exceed such lower expense limitation as the distributor may, by notice to the Trust, voluntarily declare to be effective.

The distributor may select financial institutions such as banks, fiduciaries, custodians for public funds, investment advisers, and broker/dealers to provide sales and/or administrative services as agents for their clients or customers who beneficially own shares. Administrative services may include, but are not limited to, the following functions: providing office space, equipment, telephone facilities, and various personnel (including clerical, supervisory, and computer) 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 regarding each Fund; assisting clients in changing dividend options, account designations, and addresses; and providing such other services as the Funds reasonably request.

Financial institutions will receive fees from the distributor 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 distributor.

The Fund's 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.

The Glass-Steagall Act prohibits a depository institution (such as a commercial bank or a savings and loan association) from being an underwriter or distributor of most securities. In the event the Glass-Steagall Act is deemed to prohibit depository institutions from acting in the administrative capacities described above or should Congress relax current restrictions on depository institutions, the Trustees will consider appropriate changes in the services.

State securities laws governing the ability of depository institutions to act as underwriters or distributors of securities may differ from interpretations given to the Glass-Steagall Act and, therefore, banks and financial institutions may be required to register as dealers pursuant to state law.

ADMINISTRATIVE ARRANGEMENTS. The distributor may select brokers and dealers to provide distribution and administrative services. The distributor may also select administrators (including depository institutions such as commercial banks and savings and loan associations) to provide administrative services. These administrative services include distributing prospectuses and other

information, providing accounting assistance, and communicating or facilitating purchases and redemptions of the Funds' shares.

Brokers, dealers, and administrators will receive fees from the distributor based upon shares of each Fund owned by their clients or customers. The fees are calculated as a percentage of the average aggregate net asset value of shareholder accounts during the period for which the brokers, dealers, and administrators provide services. The current annual rate of such fees is up to 0.30 of 1% for each Fund. Any fees paid for these services by the distributor will be reimbursed by the Adviser. Payments made here are in addition to any payments made under the Funds' Rule 12b-1 Distribution Plan.

ADMINISTRATION OF THE FUNDS

ADMINISTRATIVE SERVICES. Federated Administrative Services, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, provides the Funds with certain administrative personnel and services necessary to operate the Funds, such as legal and accounting services. Federated Administrative Services provides these at an annual rate as specified below:

<TABLE>

<CAPTION>

MAXIMUM ADMINISTRATIVE FEE ----- <S>	AVERAGE AGGREGATE DAILY NET ASSETS OF THE TRUST ----- <C>
.150 of 1%	on the first \$250 million
.125 of 1%	on the next \$250 million
.100 of 1%	on the next \$250 million
.075 of 1%	on assets in excess of \$750 million

</TABLE>

The administrative fee received during any fiscal year shall be at least \$50,000 per Fund. Federated Administrative Services may voluntarily waive a portion of its fee.

CUSTODIAN. Star Bank, N.A., Cincinnati, Ohio, is custodian for the securities and cash of each Fund.

TRANSFER AGENT, DIVIDEND DISBURSING AGENT, AND PORTFOLIO ACCOUNTING SERVICES. Federated Services Company, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, is transfer agent and dividend disbursing agent for the Funds. It also provides certain accounting and recordkeeping services with respect to each Fund's portfolio investments.

LEGAL COUNSEL. Legal counsel for the Funds is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania, and Dickstein, Shapiro & Morin, Washington, D.C.

INDEPENDENT PUBLIC ACCOUNTANTS. The independent public accountants for the Funds are Arthur Andersen & Co., Pittsburgh, Pennsylvania.

NET ASSET VALUE

The Funds attempt to stabilize the net asset value of their shares at \$1.00 by valuing the portfolio securities using the amortized cost method. The net asset value per share is determined by subtracting total liabilities of a Fund from that Fund's total assets and dividing the remainder by the number of that Fund's shares outstanding. A Fund cannot guarantee that its net asset value will always remain at \$1.00 per share.

INVESTING IN THE FUNDS

MINIMUM INVESTMENT REQUIRED

The minimum initial investment in any of the Funds by an investor is \$1,000 (\$25 for Star Bank Connections Group Banking customers and Star Bank employees and members of their immediate family). Subsequent investments may be in any amounts. For customers of Star Bank, an institutional investor's minimum investment will be calculated by combining all mutual fund accounts it maintains with Star Bank and invests with a Fund. Accounts established through a Shareholder Service Organization may be subject to a smaller minimum investment. (See "Shareholder Service Organizations.") Shareholders purchasing through sweep accounts should refer to their sweep agreement or other account agreement for required investment minimums.

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 any of the Funds.

The net asset value is determined at 12:00 noon and 4:00 p.m. (Eastern time), 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.

SHARE PURCHASES

Shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business. A customer of Star Bank may purchase shares of a Fund through Star Bank. Texas residents should purchase shares through Federated Securities Corp. at 1-800-356-2805. In connection with the sale of Fund shares, the distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Funds reserve the right to reject any purchase request.

THROUGH STAR BANK. To place an order to purchase shares of a Fund, a customer of Star Bank may telephone Star Bank at (513) 632-5547 or place the order in person.

Payment may be made to Star Bank either by check or federal funds. Orders are considered received after payment by check is converted into federal funds and received by Star Bank. When payment is made with federal funds, the order is considered received when federal funds are received by Star Bank. Purchase orders must be telephoned to Star Bank by 10:30 a.m. (Eastern time) and payment by federal funds must be received by Star Bank before 3:00 p.m. (Eastern time) on the same day as the order to earn dividends for that day. Shares cannot be purchased on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers.

THROUGH SHAREHOLDER SERVICE ORGANIZATIONS. To purchase shares of the Funds for an investor, the relevant Shareholder Service Organization, as defined below, must open an account by calling Star Bank at (513) 632-5547. Information needed to establish the account will be taken over the telephone. The Funds reserve the right to reject any purchase request.

VIA A SWEEP ACCOUNT. If you are investing in any of the Funds as part of a sweep program, automatic purchases and redemptions will be made by Star Bank or by the relevant Shareholder Service Organization on your behalf pursuant to your sweep or other account agreement. You should refer to your sweep or other account agreement for information on the frequency of automatic purchases and redemptions and statement and confirmation schedules.

SHAREHOLDER SERVICE ORGANIZATIONS

"Shareholder Service Organizations" are non-affiliated banks and broker/dealers who provide certain support and/or distribution services to their customers who are the beneficial owners of the Funds' shares. The services provided by Shareholder Service Organizations are fully discussed in the account agreement between the Shareholder Service Organization and its customers but generally include assisting customers in processing purchase, exchange, and redemption requests.

Shareholder Service Organizations are responsible for prompt transmission of orders. These Service Organizations are the record owners of the shares of the Funds. Shareholder Service Organizations may charge their customers for services relating to their investment in the Funds. This prospectus should, therefore, be read together with any account agreement between the customer and the Shareholder Service Organization with regard to the services provided, the fees charged for those services, and any restrictions and limitations imposed.

EXCHANGING SECURITIES FOR FUND SHARES

The Funds may accept securities in exchange for Fund shares. Each Fund will allow such exchanges only upon the prior approval of the Fund and a determination by the Fund and its Adviser that the securities to be exchanged are acceptable.

Any securities exchanged must meet the investment objective and policies of the Fund, must have a readily ascertainable market value, must be liquid, and must not be subject to restrictions on resale. The market value of any securities exchanged in an initial investment, plus any cash, must be at least \$25,000.

Securities accepted by a Fund will be valued 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 or other rights attached to the securities become the property of the Fund, along with the securities.

CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Funds, Federated Services Company maintains a share account for each shareholder of record. Share certificates are not issued.

Monthly confirmations are sent to report transactions such as purchases and redemptions, as well as dividends, paid during the month.

Since any Shareholder Service Organization will maintain a master account with the Funds, investors purchasing through those institutions will not receive confirmations from Federated Services Company. Confirmations will be mailed by the relevant Shareholder Service Organization.

DIVIDENDS

Dividends are declared daily and paid monthly. Dividends will be reinvested in additional shares of the Fund on payment dates unless cash payments are requested by writing to the Fund or Star Bank, as appropriate. Share purchase settlements received by Star Bank before 3:00 p.m. (Eastern time) earn dividends that day.

Shareholders investing in any of the Funds through a Shareholder Service Organization should consult their account agreement with their Shareholder Service Organization concerning any applicable dividend payment options.

CAPITAL GAINS

If any of the Funds experience capital gains, it could result in an increase in dividends for that Fund. Capital losses could result in a decrease in dividends for that Fund. If for some extraordinary reason any of the Funds realize net long-term capital gains, that Fund will distribute them at least once every 12 months.

EXCHANGE PRIVILEGE

All shareholders of the Funds are shareholders of the Star Funds. Star Funds currently consists of Star Prime Obligations Fund, Star Relative Value Fund, Star Tax-Free Money Market Fund, Star Treasury Fund, Star U.S. Government Income Fund, and The Stellar Fund. Until further notice, through a telephone exchange program, shareholders invested in the Money Market Funds (hereinafter individually referred to as a "Fund" or collectively as the "Funds") can exchange only among the other Money Market Funds of the Trust, and shareholders invested in the non-money market funds can exchange only among the other non-money market funds of the Trust. Each portfolio in the Star Funds is advised by Star Bank and distributed by Federated Securities Corp.

EXCHANGING SHARES

Shareholders of one Fund may exchange shares of that Fund for shares of the other Money Market Funds in the Trust at net asset value. In addition, shares of the Fund may also be exchanged for certain other funds distributed by Federated Securities Corp. that are not advised by Star Bank, N.A. ("Federated Funds"). For further information on the availability of Federated Funds for exchanges, please call Star Bank, N.A. at the telephone number listed on the front cover. Shareholders investing through a sweep account may not exercise this privilege.

Shareholders who exercise this exchange privilege must exchange shares having a net asset value of at least \$1,000. Accounts established through a Shareholder Service Organization may be subject to a smaller minimum exchange investment, and shareholders should consult their account agreement with their Shareholder Service Organization for information and procedures on effecting exchanges. Prior to any exchange, the shareholder must receive a copy of the current prospectus of the Fund into which an exchange is to be effected.

Shares may be exchanged at net asset value, plus the difference between the Fund's sales charge (if any) already paid and any sales charge of the fund into which shares are to be exchanged, if higher.

When an exchange is made from a fund with a sales charge to a fund with no

sales charge, the shares exchanged and additional shares which have been purchased by reinvesting dividends on such shares retain the character of the exchanged shares for purposes of exercising further exchange privileges; thus, an exchange of such shares for shares of a fund with a sales charge would be at net asset value.

The exchange privilege is available to shareholders residing in any state in which the Fund shares being acquired may legally be sold. Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value.

Written exchange instructions may require a signature guarantee. Exercise of this privilege is treated as a sale for federal income tax purposes, and, depending on the circumstances, a short or long-term capital gain or loss may be realized. The exchange privilege may be terminated at any time. Shareholders will be notified of the termination of the exchange privilege. A shareholder may obtain further information on the exchange privilege by calling Star Bank at (513) 632-5547.

EXCHANGE-BY-TELEPHONE

Instructions for exchange between funds which are part of the Star Funds may be given by telephone to Star Bank at (513) 632-5547 or to the distributor. Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations. Exchange instructions given by telephone may be electronically recorded.

Telephone exchange instructions must be received before 3:00 p.m. (Eastern time) for shares to be exchanged the same day. The telephone exchange privilege may be modified or terminated at any time. Shareholders will be notified of such modification or termination. Shareholders of the Funds may have difficulty in making exchanges by telephone through brokers, banks, or other financial institutions during times of drastic economic or market changes. If a shareholder cannot contact his broker, bank, or financial institution by telephone, it is recommended that an exchange request be made in writing and sent by overnight mail.

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

REDEEMING SHARES

The Funds redeem shares at their net asset value next determined after Star Bank receives the redemption request. Redemptions will be made on days on which the Funds compute their net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. Requests for redemption can be made in person or by telephone through Star Bank.

Shareholders establishing accounts through a Shareholder Service Organization should consult their account agreement for information on redeeming shares.

BY TELEPHONE. A shareholder who is a customer of Star Bank may redeem shares of a Fund by telephoning Star Bank at (513) 632-5547. Redemption requests given by telephone may be electronically recorded. For calls received by Star Bank before 10:30 a.m. (Eastern time), proceeds will normally be wired the same day to the shareholder's account at Star Bank or a check will be sent to the address of record. Those shares will not be entitled to the dividend declared that day. For calls received by Star Bank after 10:30 a.m. (Eastern time), proceeds will normally be wired or a check mailed the following business day. Those shares will be entitled to the dividend declared on the day the redemption request was received. In no event will proceeds be wired or a check mailed more than seven days after a proper request for redemption has been received. If at any time any or all of the Funds shall determine it necessary to terminate or modify this method of redemption, shareholders would be promptly notified.

An authorization form permitting any of the Funds to accept telephone requests must first be completed. Authorization forms and information on this service are available from Star Bank.

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.

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

AUTOMATIC REDEMPTIONS. Shareholders investing through a sweep account may be subject to automatic redemptions when their relevant deposit account falls below the required minimum. Shareholders should refer to their sweep agreement for details.

ACCOUNTS WITH LOW BALANCES

Due to the high cost of maintaining accounts with low balances, a Fund may redeem shares in any account and pay the proceeds to the shareholder if the account balance falls below the required minimum value of \$1,000 due to shareholder redemptions. Shareholders establishing accounts through a Shareholder Service Organization should consult their account agreement for information regarding accounts with low balances. Shareholders who purchase shares via a sweep account are not subject to an investment minimum.

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.

REDEMPTION IN KIND

The Trust is obligated to redeem shares solely in cash up to \$250,000 or 1% of the respective Fund's net asset value, whichever is less, for any one shareholder within a 90-day period.

Any redemption beyond this amount will also be in cash unless the Trustees determine that payments should be in kind. In such a case, the Trust will pay all or a portion of the remainder of the redemption in portfolio instruments, valued in the same way that net asset value is determined. The portfolio instruments will be selected in a manner that the Trustees deem fair and equitable.

Redemption in kind is not as liquid as a cash redemption. If redemption is made in kind, shareholders receiving their securities and selling them before their maturity could receive less than the redemption value of their securities and could incur transaction costs.

SHAREHOLDER INFORMATION

VOTING RIGHTS

Each share of a 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 or a Fund's operation and for the election of Trustees under certain circumstances. With respect to Star Tax-Free Money Market Fund, Star Bank, Cincinnati, Ohio, acting in various capacities for numerous accounts, was the owner of record of 144,432,889 shares (99.97%) of the Fund, and therefore, may, for certain purposes, be deemed to control the Fund and be able to affect the outcome of certain matters presented for a vote of shareholders. With respect to Star Treasury Fund, Star Bank, Cincinnati, Ohio, acting in various capacities for numerous accounts, was the owner of record of 393,125,021 shares (95.98%) of the Fund, and therefore, may, for certain purposes, be deemed to control the Fund and be able to affect the outcome of certain matters presented for a vote of shareholders. With respect to Star Prime Obligations Fund, Star Bank, Cincinnati, Ohio, acting in various capacities for numerous accounts, was the owner of record of 73,637,787 shares (89.47%) of the Fund, and therefore, may, for certain purposes, be deemed to control the Fund and be able to affect the outcome of certain matters presented for a vote of shareholders.

Trustees may be removed by a two-thirds vote of the number of Trustees prior to such removal or by a two-thirds vote of the shareholders of the Trust at a special meeting. A special meeting of shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the Trust's outstanding shares of all series entitled to vote.

MASSACHUSETTS PARTNERSHIP LAW

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

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required, by the Declaration of Trust, to use its property 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. Therefore, financial loss resulting from liability as a shareholder will occur only if the Trust cannot meet its obligations to indemnify shareholders and pay judgments against them from its assets.

EFFECT OF BANKING LAWS

The Glass-Steagall Act and other banking laws and regulations presently prohibit a bank holding company registered under the Bank Holding Company Act of 1956 or any affiliate thereof from sponsoring, organizing, or controlling a registered, open-end investment company continuously engaged in the issuance of its shares, and from issuing, underwriting, selling, or distributing securities in general. Such laws and regulations do not prohibit such a holding company or affiliate from acting as investment adviser, transfer agent, or custodian to such an investment company or from purchasing shares of such a company as agent for and upon the order of their customer. The Funds' investment adviser, Star Bank, is subject to such banking laws and regulations.

Star Bank believes that it may perform the investment advisory services for the Funds contemplated by its advisory agreements with the Trust without violating the Glass-Steagall Act or other applicable banking laws or regulations. Changes in either federal or state statutes and regulations relating to the permissible activities of banks and their subsidiaries or affiliates, as well as further judicial or administrative decisions or interpretations of present or future statutes and regulations, could prevent Star Bank from continuing to perform all or a part of the above services for its customers and/or the Funds. In such event, changes in the operation of one or more of the Funds may occur, including the possible alteration or termination of any automatic or other Fund share investment and redemption services then being provided by Star Bank, and the Trustees would consider alternative investment advisers and other means of continuing available investment services. It is not expected that the Funds' shareholders would suffer any adverse financial consequences (if another adviser with equivalent abilities to Star Bank is found) as a result of any of these occurrences.

TAX INFORMATION

FEDERAL INCOME TAX

The Funds will pay no federal income tax because they expect 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 Funds will each be treated as a single, separate entity for federal income tax purposes so that income (including capital gains, if any) and losses realized by one Fund will not be combined for tax purposes with those realized by the other Funds.

Unless otherwise exempt, shareholders of Prime Obligations Fund and Treasury Fund are required to pay federal income tax on any dividends and other distributions, including capital gains distributions (if any), received. This applies whether dividends and distributions are received in cash or as additional shares. The Funds will provide detailed tax information for reporting purposes.

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

TAX-FREE MONEY MARKET FUND--ADDITIONAL TAX INFORMATION

Shareholders of Tax-Free Money Market Fund are not required to pay the federal regular income tax on any dividends received from the Fund that represent net interest on tax-exempt municipal bonds. However, under the Tax Reform Act of 1986, dividends representing net interest earned on some municipal bonds are included in calculating the federal individual alternative minimum tax or the federal alternative minimum tax for corporations.

The alternative minimum tax, equal to up to 28% of alternative minimum taxable income for individuals and 20% for corporations, applies when it exceeds the regular tax for the taxable year. Alternative minimum taxable income is equal to the adjusted gross income of the taxpayer increased by certain "tax preference" items not included in regular taxable income and reduced by only a portion of the deductions allowed in the calculation of the regular tax.

The Tax Reform Act of 1986 treats interest on certain "private activity" bonds issued after August 7, 1986, as a tax preference item for both individuals and corporations. Unlike traditional governmental purpose municipal bonds, which finance roads, schools, libraries, prisons and other public facilities, private activity bonds provide benefits to private parties. Tax-Free Money Market Fund

may purchase all types of municipal bonds, including "private activity" bonds. Thus, while the Fund has no present intention of purchasing any private activity bonds, should it purchase any such bonds, a portion of the Fund's dividends may be treated as a tax preference item.

In addition, in the case of a corporate shareholder, all dividends of the Fund which represent interest on municipal bonds will become subject to the 20% corporate alternative minimum tax because the dividends are included in corporation's "adjusted current earnings." The corporate alternative minimum tax treats 75% of the excess of a taxpayer's pre-tax "adjusted current earnings" over the taxpayer's alternative minimum taxable income as a tax preference item. "Adjusted current earnings" is based upon the concept of a corporation's "earnings and profits." Since "earnings and profits" generally include the full amount of any Fund dividend and alternative minimum taxable income does not include the portion of the Fund's dividend attributable to municipal bonds which are not private activity bonds, the difference will be included in the calculation of the corporation's alternative minimum tax.

Dividends of Tax-Free Money Market Fund representing net interest income earned on some temporary investments and any realized net short-term gains are taxed as ordinary income.

These tax consequences apply whether dividends are received in cash or as additional shares. Information on the tax status of dividends and distributions is provided annually.

STATE AND LOCAL TAXES. Distributions representing net interest received on tax-exempt municipal securities are not necessarily free from income taxes of any state or local taxing authority. State laws differ on this issue and shareholders are urged to consult their own tax advisers.

PERFORMANCE INFORMATION

From time to time the Money Market Funds advertise yield and effective yield. In addition, Tax-Free Money Market Fund may advertise tax-equivalent yield.

The yield of the Fund represents the annualized rate of income earned on an investment in the Fund over a seven-day period. It is the annualized dividends earned during the period on the investment, shown as a percentage of the investment. The effective yield is calculated similarly to the yield, but, when annualized, the income earned by an investment in the Fund is assumed to be reinvested daily. The effective yield will be slightly higher than the yield because of the compounding effect of this assumed reinvestment.

For the Tax-Free Money Market Fund, the tax-equivalent yield of the Fund is calculated similarly to the yield, but is adjusted to reflect the taxable yield that the Fund would have had to earn to equal its actual yield, assuming a specific tax rate.

Advertisements and other sales literature may also refer to total return. Total return represents the change, over a specified period of time, in the value of an investment in the Fund after reinvesting all income distributions. It is calculated by dividing that change by the initial investment and is expressed as a percentage.

From time to time, a Fund may advertise its performance using certain financial publications and/or compare its performance to certain indices.

STAR PRIME OBLIGATIONS FUND
 PORTFOLIO OF INVESTMENTS
 NOVEMBER 30, 1993

<TABLE>
 <CAPTION>

PRINCIPAL AMOUNT		VALUE
<C>	<S>	<C>
*COMMERCIAL PAPER--8.6%		
	FINANCE--COMMERCIAL--4.3%	
\$ 4,000,000	General Electric Capital Corp., 3.24%, 1/25/94	\$ 3,980,200
	SERVICES--MISCELLANEOUS--4.3%	

4,000,000	Waste Management, Inc., 3.20%, 2/8/94	3,975,467
	TOTAL COMMERCIAL PAPER	7,955,667
U.S. GOVERNMENT OBLIGATIONS--42.8%		
12,000,000	Federal Farm Credit Bank, 3.14%-3.56%, 1/3/94-6/1/94	11,992,985
9,825,000	Federal Home Loan Bank, 3.19%-8.60%, 1/14/94-6/27/94	9,906,729
4,000,000	Federal Home Loan Mortgage Assoc., 3.13%, 1/24/94	3,981,220
6,650,000	Federal National Mortgage Assoc., 7.55%-9.45%, 1/10/94	6,683,579
1,950,000	Student Loan Marketing Assoc., 7.54%, 10/11/94	2,015,821
4,000,000	Student Loan Marketing Assoc., Variable Rate Notes, 2/15/94-11/10/94	4,001,118
1,000,000	U.S. Treasury Notes, 6.00%, 11/15/94	1,022,079
	TOTAL U.S. GOVERNMENT OBLIGATIONS	39,603,531
SHORT-TERM CORPORATE BONDS--7.0%		
1,000,000	American Express Co., 8.625%, 7/15/94	1,031,682
500,000	Associates Corp. North America, 9.00%, 11/15/94	523,194
100,000	Ford Motor Credit Co., 7.50%, 3/1/94	100,850
3,200,000	International Leasing Finance, 7.20%-8.14%, 5/2/94-10/1/94	3,279,493
1,500,000	Pepsico, Inc., 5.875%, 12/15/94	1,531,818
	TOTAL SHORT-TERM CORPORATE BONDS	6,467,037
**REPURCHASE AGREEMENTS--41.2%		
4,400,000	Carroll, McEntee & McGinley, Inc., 3.20%, dated 11/30/93, due 12/1/93	4,400,000
21,144,000	Donaldson, Lufkin & Jenrette Securities Corp., 3.22%, dated 11/30/93, due 12/1/93	21,144,000
4,500,000	Kidder, Peabody & Co., Inc., 3.17%, dated 11/30/93, due 12/1/93	4,500,000
4,000,000	Morgan Stanley & Co., Inc., 3.20%, dated 11/30/93, due 12/1/93	4,000,000
4,000,000	Salomon Brothers, Inc, 3.15%, dated 11/30/93, due 12/1/93	4,000,000
	TOTAL REPURCHASE AGREEMENTS (NOTE 2B)	38,044,000
	TOTAL INVESTMENTS, AT AMORTIZED COST	\$92,070,235+

</TABLE>

+ Also represents cost for federal tax purposes.

* Each issue shows the rate of discount at time of purchase.

** Repurchase agreements are fully collateralized by U.S. government and/or agency obligations based on market prices at the date of the portfolio.

Note: The categories of investments are shown as a percentage of net assets (\$92,451,734) at November 30, 1993.

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

STAR PRIME OBLIGATIONS FUND
STATEMENT OF ASSETS AND LIABILITIES
NOVEMBER 30, 1993

<S>	<C>	<C>
ASSETS:		
Investments in securities	\$54,026,235	
Investments in repurchase agreements (Note 2B)	38,044,000	
Total investments, at amortized cost (Note 2A)		\$92,070,235
Cash		560
Interest receivable		595,008
Deferred expenses (Note 2F)		4,147
Total assets		92,669,950
LIABILITIES:		
Dividends payable	185,566	
Accrued expenses	32,650	
Total liabilities		218,216
NET ASSETS for 92,451,734 shares of beneficial interest outstanding		\$92,451,734
NET ASSET VALUE, Offering Price, and Redemption Price Per Share (\$92,451,734 / 92,451,734 shares of beneficial interest outstanding)		\$1.00

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

STAR PRIME OBLIGATIONS FUND
STATEMENT OF OPERATIONS
YEAR ENDED NOVEMBER 30, 1993

<S>	<C>	<C>
INVESTMENT INCOME:		
Interest income (Note 2C)	\$3,352,222	
EXPENSES:		
Investment advisory fee (Note 5)	\$ 564,771	
Trustees' fees	2,949	
Administrative personnel and services (Note 5)	130,739	
Custodian fees (Note 5)	25,747	
Recordkeeping, transfer and dividend disbursing agent fees (Note 5)	41,342	
Fund share registration costs	18,694	
Auditing fees	18,523	

Distribution fees (Note 5)	256,694
Legal fees	4,819
Printing and postage	15,975
Insurance premiums	4,963
Miscellaneous	8,346
Total expenses	1,093,562
Deduct--Waiver of distribution fees (Note 5)	256,694
Net expenses	836,868
Net investment income	\$2,515,354

</TABLE>

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

STAR PRIME OBLIGATIONS FUND
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,	
	1993	1992
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS--		
Net investment income	\$ 2,515,354	\$ 3,711,502
DISTRIBUTIONS TO SHAREHOLDERS (NOTE 3)--		
Dividends to shareholders from net investment income	(2,515,354)	(3,711,502)
FUND SHARE (PRINCIPAL) TRANSACTIONS (NOTE 4)--		
Proceeds from sale of shares	483,797,019	434,725,327
Net asset value of shares issued to shareholders in payment of dividends declared	50,696	--
Cost of shares redeemed	(504,033,551)	(429,251,661)
Change in net assets from Fund share transactions	(20,185,836)	5,473,666
Change in net assets	(20,185,836)	5,473,666
NET ASSETS:		
Beginning of period	112,637,570	107,163,904
End of period	\$ 92,451,734	\$ 112,637,570

</TABLE>

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

<TABLE>
 <CAPTION>

PRINCIPAL AMOUNT <C>	<S>	CREDIT RATING: MOODY'S OR S&P* (NOTE 6) <C>	VALUE <C>
SHORT-TERM MUNICIPAL SECURITIES--99.5%			
ALABAMA--.9%			
\$1,200,000	BMC Special Care Facilities Financing Authority of Montgomery, AL, Weekly VRDNs (VHA of Alabama, Inc. Capital Asset Financing Program)/(AMBAC Insured)	A-1	\$ 1,200,000
CALIFORNIA--5.2%			
3,000,000	California Higher Education Loan Authority, Inc., 2.70% (Series 87B)/(SLMA LOC), 7/1/94	VMIG1	3,000,000
2,000,000	Los Angeles County, CA, 3.00% TRANS, 6/30/94	MIG1/SP-1+	2,005,066
2,000,000	Placer County, CA, 3.25% TRANS, 8/10/94	MIG1/NR	2,001,330
	Total		7,006,396
FLORIDA--2.6%			
2,000,000	Escambia County, FL, IDA Weekly VRDNs (Series 1991)/(Pacer Industries, Inc.)/(Trust Company Bank LOC)	AA-3	2,000,000
1,500,000	Florida University Athletic Association Inc., Capital Improvement Weekly VRDNs (University of Florida Stadium Refunding Project)/(Sun Bank LOC)	VMIG1	1,500,000
	Total		3,500,000
GEORGIA--1.5%			
2,000,000	Municipal Electric Authority, GA, 2.55% (Series 1985B)/ (General Resolution Project), Optional Tender 6/1/94	VMIG1	2,000,000
ILLINOIS--20.3%			
2,000,000	Cook County, IL, Adjustable Demand Revenue Bonds Weekly VRDNs (Series 1988A-1)/(Catholic Charities Development Corporation)/(National Westminster LOC)	NR/VMIG1	2,000,000
1,000,000	Cook County, IL, 3.20% TANS, 4/1/94	SP1/MIG1	1,002,273
1,500,000	Illinois Development Finance Authority, 2.65% (Illinois Power Company)/(Canadian Imperial Bank LOC), Mandatory Tender 1/19/94	A-1+/P1	1,500,000
2,200,000	Illinois Educational Facilities Authority Weekly VRDNs (Newberry Library)/(Northern Trust LOC)	VMIG1	2,200,000
2,000,000	Illinois Educational Facilities Authority Weekly VRDNs (Series 1992)/(DePaul University)/(Sanwa Bank, Ltd. LOC)	VMIG1	2,000,000
4,000,000	Illinois Health Facilities Authority Weekly VRDNs (Gottlieb Health Resources, Inc.)/(First National Bank of Chicago LOC)	VMIG1	4,000,000

</TABLE>

STAR TAX-FREE MONEY MARKET FUND

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT <C>	<S>	CREDIT RATING: MOODY'S OR S&P* (NOTE 6) <C>	VALUE <C>

SHORT-TERM MUNICIPAL SECURITIES--CONTINUED			

ILLINOIS--CONTINUED			

\$2,600,000	Illinois Health Facilities Authority Weekly VRDNs (Revolving Fund Pooled Financing Program)/(Swiss Bank LOC)	VMIG1	\$ 2,600,000
4,000,000	Illinois Health Facilities Authority Weekly VRDNs (West Suburban Hospital Medical Center)/(First National Bank of Chicago LOC)	VMIG1	4,000,000
2,000,000	Illinois Health Facilities Authority, 2.60% (Victory Health Services Project)/(First National Bank of Chicago LOC), Mandatory Tender 1/18/94	VMIG1	2,000,000
2,000,000	Illinois Health Facilities Authority, 2.65% (Victory Health Services Project)/(First National Bank of Chicago LOC), Mandatory Tender 1/18/94	VMIG1	2,000,000
1,500,000	Rockford, IL, EDR 3.25% (Independence Village of Rockford, Ltd.)/(Banque Paribas LOC), Optional Tender 12/1/93	A	1,500,000
2,000,000	Schamburg, IL, IDR Weekly VRDNs (NationsBank, NC, LOC)	AA-3	2,000,000
650,000	Springfield, IL, Community Improvement Weekly VRDNs (Kent Family Inc.)/(PNC LOC)	AA-1	650,000
	Total		27,452,273

INDIANA--9.0%			

3,195,000	City of Logansport, IN, Weekly VRDNs (MMs Investment Project)/(Bank One, Indianapolis LOC)	NR(B)	3,195,000
1,500,000	Evansville, IN, EDR Weekly VRDNs (Ball Corporation)/(Wachovia Bank LOC)	AA+	1,500,000
1,500,000	Indiana Bond Bank, 3.15% (Series 1993A- 2), 1/18/94	SP-1+/MIG1	1,500,768
4,000,000	Indianapolis, IN, EDR Weekly VRDNs (First Union National Bank LOC)/(Rand McNally Project)	A-1	4,000,000
2,000,000	Purdue University Student Fee, Weekly VRDNs (Series H)	VMIG1	2,000,000
	Total		12,195,768

IOWA--3.0%			

2,000,000	State of Iowa, 3.25% TRANS, 6/30/94	MIG1/SP-1+	2,004,159
2,000,000	Polk County, Iowa, Hospital Development Revenue Bonds Weekly VRDNs (Polk County Iowa Hospital Equipment)/(MBIA Insured)	VMIG1	2,000,000
	Total		4,004,159

KENTUCKY--4.1%

2,000,000	City of Fulton, KY, IDA Weekly VRDNs (United Health Care of Kentucky, Inc.)/(First Union National Bank, Charlotte LOC)	VMIG1	2,000,000
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</TABLE>

STAR TAX-FREE MONEY MARKET FUND

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT <C>	<S>	CREDIT RATING: MOODY'S OR S&P* (NOTE 6) <C>	VALUE <C>

SHORT-TERM MUNICIPAL SECURITIES--CONTINUED			

KENTUCKY--CONTINUED			
\$1,800,000	City of Louisville, KY, IDA Weekly VRDNs (222 Project)/(Citizens Fidelity Bank LOC)	A-1	\$ 1,800,000
1,685,000	Kenton County, KY Airport Board, 2.50% (Cincinnati/KY International Airport)/(Series A) (FSA Insured), 3/1/94	AAA	1,685,000
	Total		5,485,000

LOUISIANA--.4%			
600,000	Louisiana Recovery District Sales Tax Bonds Daily VRDNs (FGIC Insured)	VMIG1	600,000

MARYLAND--.7%			
1,000,000	Maryland IDA EDR, Weekly VRDNs (NationsBank, NC, LOC) (Maryland Acedemy of Sciences Project)	VMIG1	1,000,000

MICHIGAN--.8%			
1,010,000	Economic Development Corp. of Lenawee, MI, Weekly VRDNs (Series 1989)/ (Hardwoods of Michigan, Inc.)/(National City Bank, Cleveland LOC)	VMIG1	1,010,000

MISSOURI--4.4%			
900,000	Independence, MO, IDA Weekly VRDNs (Shoney's Inn of Independence)/ (Wachovia Bank of Co. LOC)	NR(B)	900,000
2,100,000	Independence, MO, 2.60% Water Utility Revenue Bonds (National Westminster LOC), Mandatory Tender 2/10/94	VMIG1	2,100,000
3,000,000	State of Missouri, Environmental Improvement and Energy Resources Authority, Weekly VRDNs (Kansas City Power & Light Co.)	VMIG1	3,000,000
	Total		6,000,000

NEW MEXICO--1.7%			
2,300,000	City of Belen, NM, IDA Weekly VRDNs (United Desiccaills, Inc.)/(National City Bank, KY)	NR(B)	2,300,000

OHIO--13.1%			
980,000	Clermont County, OH, 2.60% Sewer System Revenue Bonds (AMBAC Insured), 12/1/93	AAA	980,000
2,400,000	Clermont County, OH, 2.60%, Waterworks		

	System Revenue Bonds (AMBAC Insured), 12/1/93	AAA	2,400,000
3,000,000	Columbus, OH, 2.85%, 9/15/94	AA+/AA1	3,002,296
3,235,000	Marion County, OH, Hospital Revenue Bonds Weekly VRDNs (Pooled Lease Program)/(Bank One, Columbus, N.A. LOC)	A-1+	3,235,000
2,035,000	Ohio State, IDR Weekly VRDNs (Cincinnati Riverfront Coliseum)/(PNC LOC)	NR/AA3	2,035,000

</TABLE>

STAR TAX-FREE MONEY MARKET FUND

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT <C>	<S>	CREDIT RATING: MOODY'S OR S&P* (NOTE 6) <C>	VALUE <C>
SHORT-TERM MUNICIPAL SECURITIES--CONTINUED			
OHIO--CONTINUED			
\$1,500,000	Ohio State University, Weekly VRDNs (Series 1992B)/ (General Receipts)	VMIG1/A-1+	\$ 1,500,000
500,000	Talawanda, OH, City School District, 3.20%, 4/7/94	SP-1	501,103
2,000,000	University of Cincinnati, OH, 2.81%, BANs, 3/23/94	MIG1/SP-1+	2,001,555
2,000,000	University of Cincinnati, OH, 3.02%, BANs, 9/01/94	MIG1/SP-1+	2,003,213
	Total		17,658,167
PENNSYLVANIA--5.3%			
4,000,000	Allegheny County, PA, IDR, 2.70% (Duquesne Light Company)/(Canadian Imperial Bank LOC), Mandatory Tender 7/12/94	P1/AA-	4,000,000
280,000	Allegheny County, PA, Hospital Development Revenue Bonds Daily VRDNs (Series B-3)/(Presbyterian University Hospital)/(PNC Bank LOC)	VMIG1	280,000
390,000	Allegheny County, PA, Hospital Development Revenue Bonds Daily VRDNs (Series B)/(Presbyterian University Hospital)/(SPA--Credit Suisse)/(MBIA Insured)	VMIG1	390,000
2,500,000	Allegheny County, PA, Hospital Development Revenue Bonds Daily VRDNs (Series D)/(Presbyterian University Hospital)/(SPA--Credit Suisse)/(MBIA Insured)	VMIG1	2,500,000
	Total		7,170,000
RHODE ISLAND--.4%			
515,000	Providence, RI, 6.60%, Mandatory Tender 3/15/94 (Secured by U.S. Treasury securities)	AAA	536,015
TENNESSEE--7.0%			
1,000,000	Greenville, Tennessee, IDR Weekly VRDNs (Ball Corporation)/(Wachovia Bank LOC)	AA+	1,000,000

1,800,000	Chattanooga, Hamilton County, TN, Hospital Authority Revenue Daily VRDNs (Erlanger Medical Center)	A-1	1,800,000
2,600,000	State of Tennessee, BANS Weekly VRDNs	VMIG1	2,600,000
4,050,000	Sullivan, TN, HEFA Weekly VRDNs (Asbury Center)/(NationsBank, NC, LOC)	NR(C)	4,050,000
	Total		9,450,000

TEXAS--13.4%			
2,580,000	Bexar County, TX, HFDC Retirement Community Weekly VRDNs (Army Retirement- Residence Foundation)/(Banque Parabis LOC)	A-1	2,580,000

</TABLE>

STAR TAX-FREE MONEY MARKET FUND

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT <C>	<S>	CREDIT RATING: MOODY'S OR S&P* (NOTE 6) <C>	VALUE <C>
SHORT-TERM MUNICIPAL SECURITIES--CONTINUED			

TEXAS--CONTINUED			
\$1,000,000	Greater East, TX, Higher Education Authority, 2.55% Student Loan Revenue Bonds (Series 1992A)/(Student Loan Marketing Association LOC), Mandatory Tender 5/1/94	VMIG1	\$ 1,000,000
3,200,000	Gulf Coast, TX, IDA Weekly VRDNs (Bay Tank, Inc.)/(Morgan Guaranty Trust Co. LOC)	NR(A)	3,200,000
3,300,000	Houston, TX, HFDC Daily VRDNs (Houston Texas Methodist Hospital)	A1+	3,300,000
1,100,000	Lone Star, TX, Airport Improvement Authority 2.70% Multi-Mode Demand Bonds (Series B-4)/(American Airlines)/(Bank of New York LOC), Mandatory Tender 1/13/94	VMIG1	1,100,000
2,200,000	Lone Star, TX, Airport Improvement Authority 2.60% Multi-Mode Demand Bonds (Series B-3)/(American Airlines)/(Bank of New York LOC), Mandatory Tender 1/7/94	VMIG1	2,200,000
1,500,000	State of Texas, 3.50%, 10/1/94	AA	1,509,159
1,925,000	State of Texas, 3.25% TRANS, 8/31/94	MIG1/SP-1+	1,932,644
1,250,000	Texas Hospital Equipment Financing Council Weekly VRDNs (Series 1985A)/(SPA- Morgan Guaranty Trust Co.)/(MBIA Insured)	VMIG1	1,250,000
	Total		18,071,803

UTAH--.3%			
450,000	Castle Dale, UT, 2.80% IDR Bonds (Safeway, Inc.)/(Bankers Trust Co. LOC), Mandatory Tender 2/1/94	A-1+	450,000

VIRGINIA--3.5%			
1,990,000	Charlottesville, VA, 2.75% IDA (Safeway Inc.)/(Bankers Trust Co. LOC) Optional		

	Tender 6/01/94	A-1+	1,990,000
1,990,000	Charlottesville, VA, 2.70%, IDR Bonds (Safeway, Inc.)/(Bankers Trust Co. LOC), Mandatory Tender 12/1/93	A-1+	1,990,000
800,000	Virginia HDA, A.H.C. Service Center Weekly VRDNs (Series 1987A)/(Mitsubishi Bank, Ltd. LOC)	P-1	800,000
	Total		4,780,000

	WISCONSIN--1.9%		
500,000	Milwaukee, WI, 5.10%, 2/15/94	AA/AA+	502,464
2,000,000	School District of Waukesha, WI, 3.25% TRANS, 10/28/94	NR(B)	2,007,919
	Total		2,510,383

	TOTAL SHORT-TERM MUNICIPAL SECURITIES (AT AMORTIZED COST)		\$134,379,964

</TABLE>

STAR TAX-FREE MONEY MARKET FUND

<TABLE>
<CAPTION>

PRINCIPAL AMOUNT		CREDIT RATING: MOODY'S OR S&P*	VALUE
<C>	<S>	(NOTE 6)	<C>

	OTHER--1.6%		
\$2,006,274	Dreyfus Tax Exempt Money Market Fund		\$ 2,006,274
155,488	Vanguard Municipal Bond Fund, Inc.		155,488
	TOTAL OTHER (AT NET ASSET VALUE)		2,161,762
	TOTAL INVESTMENTS (AT VALUE)		\$136,541,726+

</TABLE>

+Also represents cost for federal tax purposes.

*See Notes to Portfolio of Investments.

Note: The categories of investments are shown as a percentage of net assets (\$135,022,346) at November 30, 1993.

The following abbreviations are used in this portfolio:

AMBAC--American Municipal Bond Assurance Corp.	LOC(s)--Letter(s) Of Credit
BANs--Bond Anticipation Notes	MBIA--Municipal Bond Investors Assurance
EDR--Economic Development Revenue	
FGIC--Financial Guaranty Insurance Company	MMs--Money Market Municipals
FSA--Financial Security Assurance	SLMA--Student Loan Marketing Association
HDA--Housing Development Authority	SPA--Standby Purchase Agreement
HEFA--Health and Education Facility Authority	TANs--Tax Anticipation Notes
HFDC--Health Facilities Development Corporation	TRANS--Tax Revenue Anticipation Notes
IDA--Industrial Development Authority	VHA--Veterans Housing Administration

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

STAR TAX-FREE MONEY MARKET FUND

NOTES TO PORTFOLIO OF INVESTMENTS

Moody's Investors Service, Inc.'s ("Moody's"), highest rating for state and municipal and other short-term notes is MIG1/VMIG1. Short-term municipal securities rated MIG1/VMIG1 are of the best quality. They have strong protection from established cash flows of funds for their servicing or from established and broad-based access to the market for refinancing or both. The VMIG1 rating denotes that the security has a demand feature. Moody's rating of MIG2/VMIG2 denotes high-quality margins of protection which are ample although not so large as in the preceding group.

The two highest ratings of Moody's for municipal bonds are Aaa and Aa. Bonds rated Aaa are judged to be of the "best quality." The rating Aa is assigned to bonds which are of "high quality by all standards," but as to which margins of protection or other elements make long-term risks appear somewhat larger than Aaa-rated bonds. The Aaa and Aa-rated bonds comprise what are generally known as "high-grade bonds."

Standard & Poor's Corporation's ("Standard & Poor's") highest rating for municipal commercial paper is A-1. Short-term municipal commercial paper rated A-1 is of the best quality. The capacity for timely payment on issues with an A-2 designation is strong. The rating Prime-1 (P-1) is the highest municipal commercial paper rating assigned by Moody's. Issues rated Prime-2 (P-2) have a strong capacity for repayment of short-term promissory obligations.

The two highest ratings of Standard & Poor's for municipal bonds are AAA (Prime) and AA (High Grade). Bonds rated AAA have the highest rating assigned by Standard & Poor's to a debt obligation. Capacity to pay interest and repay principal is extremely strong. Bonds rated AA have a very strong capacity to pay interest and repay principal and differ from the highest rated issues only by a small degree. The AA rating may be modified by the addition of a plus or minus sign to show relative standing within the major rating category.

Standard and Poor's rating SP-1 is assigned to short-term municipal obligations with a very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation. The SP-2 rating denotes a satisfactory capacity to pay principal and interest.

NR indicates the notes or bonds in the portfolio that are not rated by Moody's or Standard & Poor's.

- (A) The underlying issuer/obligor/guarantor has other outstanding debt rated "AAA" by Standard & Poor's or "Aaa" by Moody's.
- (B) The underlying issuer/obligor/guarantor has other outstanding debt rated "AA" by Standard & Poor's or "Aa" by Moody's.
- (C) The underlying issuer/obligor/guarantor has other outstanding debt rated "A" by Standard & Poor's or Moody's. However, the short-term instrument has been determined by the adviser to be comparable to a security rated "SP-1" or "SP-2" by Standard & Poor's or "MIG1" or "MIG2" by Moody's.

STAR TAX-FREE MONEY MARKET FUND
STATEMENT OF ASSETS AND LIABILITIES
NOVEMBER 30, 1993

<S>	<C>	<C>
ASSETS:		
Investments, at value (Note 2A)		\$136,541,726
Interest receivable		691,292
Deferred expenses (Note 2F)		17,547
Total assets		137,250,565

LIABILITIES:

Payable for investments purchased	\$1,990,000
Dividends payable	196,745
Accrued expenses	41,474
Total liabilities	2,228,219
NET ASSETS for 135,022,346 shares of beneficial interest outstanding	\$135,022,346
NET ASSET VALUE, Offering Price, and Redemption Price Per Share (135,022,346 / 135,022,346 shares of beneficial interest outstanding)	\$1.00

</TABLE>

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

STAR TAX-FREE MONEY MARKET FUND
STATEMENT OF OPERATIONS
YEAR ENDED NOVEMBER 30, 1993

<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest income (Note 2C)			\$3,384,302
EXPENSES:			
Investment advisory fee (Note 5)	\$	730,826	
Trustees' fees		2,857	
Administrative personnel and services (Note 5)		169,055	
Custodian fees (Note 5)		30,132	
Recordkeeping, transfer and dividend disbursing agent fees (Note 5)		50,323	
Fund share registration costs		23,202	
Auditing fees		18,530	
Distribution fees (Note 5)		332,193	
Legal fees		5,245	
Printing and postage		18,508	
Insurance premiums		7,284	
Miscellaneous		8,930	
Total expenses		1,397,085	
Deduct--Waiver of investment advisory fee (Note 5)	\$198,276		
--Waiver of distribution fees (Note 5)	332,193	530,469	
Net expenses			866,616
Net investment income			\$2,517,686

</TABLE>

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

STAR TAX-FREE MONEY MARKET FUND
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,	
	1993	1992
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS--		
Net investment income	\$ 2,517,686	\$ 3,636,209
DISTRIBUTIONS TO SHAREHOLDERS (NOTE 3)--		
Dividends to shareholders from net investment income	(2,517,686)	(3,636,209)
FUND SHARE (PRINCIPAL) TRANSACTIONS (NOTE 4)--		
Proceeds from sale of shares	361,101,526	356,307,127
Cost of shares redeemed	(370,566,359)	(325,550,482)
Change in net assets from Fund share transactions	(9,464,833)	30,756,645
Change in net assets	(9,464,833)	30,756,645
NET ASSETS:		
Beginning of period	144,487,179	113,730,534
End of period	\$ 135,022,346	\$ 144,487,179

</TABLE>

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

STAR TREASURY FUND
PORTFOLIO OF INVESTMENTS
NOVEMBER 30, 1993

<TABLE>
<CAPTION>
PRINCIPAL
AMOUNT

		VALUE
<C>	<S>	<C>
SHORT-TERM OBLIGATIONS--26.7%		
\$10,000,000	U.S. Treasury Bills, 2/24/94	\$ 9,926,569
92,000,000	U.S. Treasury Notes, 4.00%-8.875%, 12/31/93-12/31/94	93,066,416
	TOTAL SHORT--TERM OBLIGATIONS	102,992,985
*REPURCHASE AGREEMENTS--74.5%		
19,200,000	Carroll, McEntee & McGinley, Inc., 3.15%, dated 11/30/93, due 12/1/93	19,200,000
96,075,000	Donaldson, Lufkin & Jenrette Securities Corp., 3.20%, dated 11/30/93, due 12/1/93	96,075,000
96,000,000	Kidder Peabody & Co., Inc., 3.17%, dated 11/30/93, due 12/1/93	96,000,000
19,000,000	Merrill Lynch, Pierce, Fenner, & Smith, Inc., 3.05%, dated 11/30/93, due 12/1/93	19,000,000

1,000,000	Morgan Stanley & Co., Inc., 3.15%, dated 11/30/93, due 12/1/93	1,000,000
18,000,000	Morgan Stanley & Co., Inc., 3.18%, dated 11/30/93, due 12/1/93	18,000,000
19,200,000	Salomon Brothers, Inc., 3.15%, dated 11/30/93, due 12/1/93	19,200,000
19,200,000	Sanwa Bank, 3.15%, dated 11/30/93, due 12/1/93	19,200,000
	TOTAL REPURCHASE AGREEMENTS (NOTE 2B)	287,675,000
	TOTAL INVESTMENTS, AT AMORTIZED COST	\$390,667,985+

</TABLE>

+ Also represents cost for federal tax purposes.

* Repurchase agreements are fully collateralized by U.S. Treasury obligations based on market prices at the date of the portfolio.

Note: The categories of investments are shown as a percentage of net assets (\$386,020,113) at November 30, 1993.

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

STAR TREASURY FUND
STATEMENT OF ASSETS AND LIABILITIES
NOVEMBER 30, 1993

<S>	<C>	<C>
ASSETS:		
Investments in repurchase agreements (Note 2B)	\$287,675,000	
Investments in securities	102,992,985	
Total investments, at amortized cost (Note 2A)		\$390,667,985
Cash		949
Interest receivable		1,234,970
Receivable for Fund shares sold		45,000
Deferred expenses (Note 2F)		3,360
Total assets		391,952,264
LIABILITIES:		
Payable for investments purchased	5,145,992	
Dividends payable	715,415	
Accrued expenses	70,744	
Total liabilities		5,932,151
NET ASSETS for 386,020,113 shares of beneficial interest outstanding		\$386,020,113
NET ASSET VALUE, Offering Price, and Redemption Price Per Share (\$386,020,113 / 386,020,113 shares of beneficial interest outstanding)		\$1.00

</TABLE>

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

STAR TREASURY FUND
STATEMENT OF OPERATIONS
YEAR ENDED NOVEMBER 30, 1993

<S>	<C>	<C>
INVESTMENT INCOME:		
Interest income (Note 2C)		\$11,133,645
EXPENSES:		
Investment advisory fee (Note 5)	\$1,721,236	
Trustees' fees	3,365	
Administrative personnel and services (Note 5)	442,239	
Custodian fees (Note 5)	85,622	
Recordkeeping, transfer and dividend disbursing agent fees (Note 5)	63,057	
Fund share registration costs	45,843	
Auditing fees	18,563	
Distribution fees (Note 5)	860,623	
Legal fees	6,461	
Printing and postage	12,403	
Insurance premiums	11,234	
Miscellaneous	5,613	
Total expenses	3,276,259	
Deduct--Waiver of distribution fees (Note 5)	860,623	
Net expenses	2,415,636	
Net investment income	\$ 8,718,009	

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

STAR TREASURY FUND
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

YEAR ENDED NOVEMBER 30,

1993 1992

<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		

OPERATIONS--		

Net investment income	\$ 8,718,009	\$ 10,351,188

DISTRIBUTIONS TO SHAREHOLDERS (NOTE 3)--		

Dividends to shareholders from net investment income	(8,718,009)	(10,351,188)

FUND SHARE (PRINCIPAL) TRANSACTIONS (NOTE 4)--		

Proceeds from sale of shares	6,480,157,946	4,541,853,883

Cost of shares redeemed	(6,440,645,468)	(4,502,623,752)

Change in net assets from Fund share transactions	39,512,478	39,230,131

Change in net assets	39,512,478	39,230,131

NET ASSETS:		

Beginning of period	346,507,635	307,277,504

End of period	\$ 386,020,113	\$ 346,507,635

</TABLE>

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

STAR FUNDS
COMBINED NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 1993

(1) ORGANIZATION

Star Funds (the "Trust") is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein present only those of Star Prime Obligations Fund ("Prime Obligations"), Star Tax-Free Money Market Fund ("Tax-Free"), and Star Treasury Fund ("Treasury") (hereinafter each individually referred to as a "Fund" or collectively as the "Funds"). The assets of each Fund are segregated and a shareholder's interest is limited to the Fund in which shares are held. The financial statements of the other portfolios of the Trust are presented separately.

(2) SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements. The policies are in conformity with generally accepted accounting principles.

- A. INVESTMENT VALUATIONS--The Board of Trustees ("Trustees") has determined that the best method currently available for valuing portfolio securities is amortized cost. Each Fund's use of the amortized cost method to value its securities is conditioned on its compliance with Rule 2a-7 under the Investment Company Act of 1940, as amended. Investments in other regulated investment companies are valued at net asset value.

Since Tax-Free may invest a substantial portion of its assets in issuers located in one state, it will be more susceptible to factors adversely affecting issuers of that state. In order to reduce the risk associated with such factors, at November 30, 1993, 69.8% of the securities in the portfolio of investments are backed by letters of credit of various financial institutions or by bank insurance policies issued by assurance agencies. The aggregate percentages by financial institutions ranged from 0.43% to 8.78% of total investments.

- B. REPURCHASE AGREEMENTS--It is the policy of the Funds 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 in support of repurchase agreement investments. Additionally, procedures have been established by the Funds to monitor, on a daily basis, the market value of each repurchase agreement's

underlying securities to ensure the existence of a proper level of collateral.

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

- C. INCOME--Interest income is recorded on the accrual basis. Interest income for Prime Obligations and Treasury includes interest, and discount earned (net of premium), including original issue discount as required by the Internal Revenue Code, plus realized net gains, if any, on portfolio securities.

Interest income for Tax-Free includes interest earned net of premium, and original issue discount as required by the Internal Revenue Code.

- D. FEDERAL TAXES--It is each Fund's policy to comply with the provisions of the Internal Revenue Code, as amended, applicable to investment companies and to distribute to shareholders each year all of its net taxable income, including any net realized gains on investments. Accordingly, no provision for federal tax is necessary.

- E. WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Funds may engage in when-issued or delayed delivery transactions. To the extent a Fund engages in such transactions, it will do so for the purpose of acquiring portfolio securities consistent with its investment objective and policies and not for the purpose of investment leverage. The Fund will record a when-issued security and the related liability on the trade date. Until the securities are received and paid for, the Fund will maintain 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.

- F. DEFERRED EXPENSES--The costs incurred by each Fund with respect to registration of its shares in its first fiscal year, excluding the initial expense of registering the shares, have been deferred and are being amortized using the straight-line method over a period of five years from each Fund's commencement date. These costs for Prime Obligations, Tax-Free, and Treasury will continue to be amortized through December 1994, February 1996, and April 1994, respectively.

- G. EXPENSES--Expenses incurred by the Trust which do not specifically relate to an individual Fund are allocated among all Funds based on a Fund's relative average daily net assets, or as deemed appropriate by the administrator.

- H. OTHER--Investment transactions are accounted for on the date of the transaction.

(3) DIVIDENDS

Each Fund computes its net income daily, and immediately prior to the calculation of its net asset value at the close of business, declares and records dividends to shareholders of record at the time of the previous computation of each Fund's net asset value. Payment of dividends is made monthly in cash or in additional shares at the net asset value on the payable date.

(4) 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). At November 30, 1993, capital paid-in for Prime Obligations, Tax-Free, and Treasury aggregated \$92,451,734, \$135,022,346, and \$386,020,113 respectively. Transactions in Fund shares were as follows:

<TABLE>
<CAPTION>

	PRIME OBLIGATIONS	
	YEAR ENDED NOVEMBER 30,	
	1993	1992
<S>	<C>	<C>
Shares outstanding, beginning of period	112,637,570	107,163,904
Shares sold	483,797,019	434,725,327

Shares issued to shareholders in payment of dividends declared	50,696	--
Shares redeemed	(504,033,551)	(429,251,661)
Shares outstanding, end of period	92,451,734	112,637,570

<CAPTION>

TAX-FREE		
YEAR ENDED NOVEMBER 30,		
	1993	1992
<S>	<C>	<C>
Shares outstanding, beginning of period	144,487,179	113,730,534
Shares sold	361,101,526	356,307,127
Shares redeemed	(370,566,359)	(325,550,482)
Shares outstanding, end of period	135,022,346	144,487,179

<CAPTION>

TREASURY		
YEAR ENDED NOVEMBER 30,		
	1993	1992
<S>	<C>	<C>
Shares outstanding, beginning of period	346,507,635	307,277,504
Shares sold	6,480,157,946	4,541,853,883
Shares redeemed	(6,440,645,468)	(4,502,623,752)
Shares outstanding, end of period	386,020,113	346,507,635

</TABLE>

(5) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Star Bank, N.A., the investment adviser ("Adviser") for the Funds, receives for its services an annual investment advisory fee equal to .55 of 1% of each of Prime Obligations' and Tax-Free's average daily net assets and .50 of 1% of Treasury's average daily net assets. The Adviser may voluntarily waive all or a portion of its fee or reimburse each Fund for operating expenses in excess of limitations imposed by certain states. The Adviser can terminate this voluntary waiver at any time. For the year ended November 30, 1993, the investment adviser earned and voluntarily waived the following investment advisory fees from each Fund:

<TABLE>

<CAPTION>

	INVESTMENT ADVISORY FEE EARNED	INVESTMENT ADVISORY FEE WAIVER
<S>	<C>	<C>
Prime Obligations	\$564,771	--
Tax-Free	730,826	\$198,276
Treasury	1,721,236	--

</TABLE>

Federated Administrative Services ("FAS") provides for each Fund certain administrative personnel and services at an annual rate of .15 of 1% on the first \$250 million average aggregate daily net assets of the Trust; .125 of 1% on the next \$250 million; .10 of 1% on the next \$250 million; and .075 of 1% on the average aggregate daily net assets in excess of \$750 million. FAS may voluntarily waive a portion of its fee. For the year ended November 30, 1993, FAS earned the following from each Fund, none of which was waived:

<TABLE>
<CAPTION>

	FAS FEE EARNED
<S>	<C>
Prime Obligations	\$130,739
Tax-Free	169,055
Treasury	442,239

</TABLE>

Expenses of organizing the Funds (\$15,129 for Prime Obligations, \$17,739 for Tax-Free, and \$35,260 for Treasury) were borne initially by FAS. The Funds have agreed to pay FAS, at an annual rate of .005 of 1% of each Fund's average daily net assets until the organization expenses are reimbursed, or five years from the date the Trust's portfolio became effective, whichever occurs earlier. For Prime Obligations and Tax-Free, the portfolios' effective dates are January 12, 1990 and March 14, 1991, respectively. Prime Obligations and Tax-Free reimbursed \$4,412 and \$6,692, respectively, for the year ended November 30, 1993, pursuant to this agreement.

The Trust has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended. The Funds will compensate Federated Securities Corp. ("FSC"), the principal distributor, from the assets of the Funds for fees it paid which relate to the distribution and administration of the Funds' shares. The Plan provides that the Funds will incur distribution expenses up to .25 of 1% of the average daily net assets of the Funds, annually, to pay commissions, maintenance fees, and to compensate the distributor. FSC may voluntarily waive all or a portion of its fee.

For the year ended November 30, 1993, FSC earned distribution fees from each Fund as follows, all of which were voluntarily waived:

<TABLE>
<CAPTION>

	DISTRIBUTION FEE EARNED
<S>	<C>
Prime Obligations	\$256,694
Tax-Free	332,193
Treasury	860,623

</TABLE>

Star Bank, N.A., is the Funds' custodian. Federated Services Company ("FSC"), is the Funds' transfer agent and dividend disbursing agent. It also provides certain accounting and recordkeeping services with respect to each Fund's portfolio of investments.

Certain Officers and Trustees of the Trust are also Officers and Directors of the above corporations.

(6) CURRENT CREDIT RATINGS

Current credit ratings are unaudited.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Trustees of STAR FUNDS (Star Prime Obligations Fund, Star Tax-Free Money Market Fund, and Star Treasury Fund):

We have audited the accompanying statements of assets and liabilities of Star Prime Obligations Fund, Star Tax-Free Money Market Fund, and Star Treasury Fund (investment portfolios of Star Funds, a Massachusetts business trust), including the schedules of portfolio investments, as of November 30, 1993, the related statements of operations for the years then ended and the statements of changes in net assets, and financial highlights (see pages 5, 6, and 7 of the prospectus) for 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 November 30, 1993 by correspondence with the custodians 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 Star Prime Obligations Fund, Star Tax-Free Money Market Fund, and Star Treasury Fund, as of November 30, 1993, and the results of their operations for the years then ended and the changes in their net assets and financial highlights for the periods presented, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Pittsburgh, Pennsylvania
January 14, 1994

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ADDRESSES

<S>	<C>	<C>	<C>
	Star Prime Obligations Fund	Federated Investors Tower	
	Star Tax-Free Money Market Fund	Pittsburgh, Pennsylvania 15222-3779	
	Star Treasury Fund		

Distributor	Federated Securities Corp.	Federated Investors Tower	
		Pittsburgh, Pennsylvania 15222-3779	

Investment Adviser	Star Bank, N.A.	425 Walnut Street	
		Cincinnati, Ohio 45202	

Custodian	Star Bank, N.A.	425 Walnut Street	
		Cincinnati, Ohio 45202	

Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services	Federated Services Company	Federated Investors Tower	
		Pittsburgh, Pennsylvania 15222-3779	

Legal Counsel	Houston, Houston & Donnelly	2510 Centre City Tower	
		Pittsburgh, Pennsylvania 15222	

Legal Counsel	Dickstein, Shapiro & Morin	2101 L Street, N.W.	
		Washington, D.C. 20037	

Independent Public Accountants	Arthur Andersen & Co.	2100 One PPG Place	
		Pittsburgh, Pennsylvania 15222	

</TABLE>

STAR FUNDS MONEY MARKET FUNDS
Prospectus

January 31, 1994

[LOGO] FEDERATED SECURITIES CORP. STAR BANK, N.A. Investment Adviser
DISTRIBUTOR
A SUBSIDIARY OF FEDERATED INVESTORS FEDERATED SECURITIES CORP.
Distributor
FEDERATED INVESTORS TOWER
PITTSBURGH, PA 15222-3779

2010907A (1/94) 4289TR

STAR PRIME OBLIGATIONS FUND
(A PORTFOLIO OF THE STAR FUNDS)

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus of the Money Market Funds of the Star Funds dated January 31, 1994. This Statement is not a prospectus itself. To receive a copy of the prospectus, write to Star Prime Obligations Fund or call (513) 632-5547.

FEDERATED INVESTORS TOWER
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated January 31, 1994

STAR BANK, N.A.
INVESTMENT ADVISER

FEDERATED SECURITIES CORP.
Distributor

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GENERAL INFORMATION ABOUT THE FUND

Star Prime Obligations Fund (the "Fund") is a portfolio of the Star Funds (the "Trust"). The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. On May 1, 1993, the Board of Trustees (the "Trustees") approved changing the name of the Trust, effective May 1, 1993, from Losantiville Funds to Star Funds and changing the names of the Money Market Funds from Losantiville Prime Obligations Fund, Losantiville Tax-Free Money Market Fund, and Losantiville Treasury Fund to Star Prime Obligations Fund, Star Tax-Free Money Market Fund, and Star Treasury Fund, respectively.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to provide current income consistent with stability of principal. The investment objective cannot be changed without approval of shareholders.

TYPES OF INVESTMENTS

The Fund invests in money market instruments which mature in 397 days or less, and which include, but are not limited to, commercial paper and variable amount demand master notes, bank instruments, U.S. government obligations, and repurchase agreements.

The instruments of banks that are members of the Federal Deposit Insurance Corporation ("FDIC"), such as certificates of deposit, demand and time deposits, and bankers' acceptances, are not necessarily guaranteed by that organization.

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:

- . Federal Farm Credit Banks;
- . Federal Home Loan Banks;
- . Federal National Mortgage Association;
- . Student Loan Marketing Association; and
- . Federal Home Loan Mortgage Corporation.

BANK INSTRUMENTS

In addition to domestic bank obligations, such as certificates of deposit, demand and time deposits, and bankers' acceptances, the Fund may invest in:

- . Eurodollar Certificates of Deposit issued by foreign branches of U.S. or foreign banks;
- . Eurodollar Time Deposits, which are U.S. dollar-denominated deposits in foreign branches of U.S. or foreign banks;
- . Canadian Time Deposits, which are U.S. dollar-denominated deposits issued by branches of major Canadian banks located in the United States; and
- . Yankee Certificates of Deposit, which are u.S. dollar-denominated certificates of deposit issued by U.S. branches of foreign banks and held in the United States.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are made to secure what is considered to be an advantageous price and yield for the Fund. 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.

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 at the trade date. These securities are marked to market daily and are maintained until the transaction is settled. The Fund may engage in these transactions to an extent that would cause the segregation of an amount up to 20% of the total value of its assets.

INVESTMENT LIMITATIONS

SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any securities short or purchase any securities on margin but may obtain such short-term credits as may be necessary for clearance of transactions.

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 net 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, 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, but only to the extent necessary to assure completion of the reverse repurchase agreements.

PLEDGING ASSETS

The Fund will not mortgage, pledge, or hypothecate any assets except to secure permitted borrowings. In these cases, it may pledge assets having a market value not exceeding the lesser of the dollar amounts borrowed or 15% of the value of total assets at the time of the pledge.

CONCENTRATION OF INVESTMENTS

The Fund will not invest 25% or more of the value of its total assets in any one industry.

However, the Fund may invest more than 25% of the value of its total assets in cash or cash items (including instruments issued by a U.S.

branch of a domestic bank or savings and loan having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment), securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or instruments secured by these money market instruments, such as repurchase agreements. (As an operating policy, the Fund will consider "instruments secured by these money market instruments" to be only repurchase agreements.)

INVESTING IN COMMODITIES, COMMODITY CONTRACTS, OR COMMODITY FUTURES CONTRACTS

The Fund will not purchase or sell commodities, commodity contracts, or commodity futures contracts.

INVESTING IN REAL ESTATE

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

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 securities in accordance with its investment objective, policies, and limitations.

LENDING CASH OR SECURITIES

The Fund will not lend any of its assets, except that it may purchase or hold money market instruments, including repurchase agreements and variable amount demand master notes, in accordance with its investment objective, policies, and limitations.

DIVERSIFICATION OF INVESTMENTS

With respect to 75% of the value of its assets, the Fund will not purchase securities of any one issuer (other than securities issued or guaranteed by the government of the United States or its agencies or instrumentalities) if as a result more than 5% of the value of its total assets would be invested in the securities of that issuer. To comply with certain state restrictions, the Fund will not purchase securities of any issuer if as a result more than 5% of its total assets would be invested in securities of that issuer. (If state restrictions change, this latter restriction may be revised without shareholder approval or notification.)

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 limitations become effective.

INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 10% of the value of its net assets in illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice, non-negotiable fixed time deposits with maturities over seven days, and certain restricted securities.

INVESTING IN NEW ISSUERS

The Fund will not invest more than 5% of the value of its total assets in securities of issuers which have records of less than three years of continuous operations, including the operation of any predecessor.

INVESTING IN MINERALS

The Fund will not purchase interests in oil, gas, or other mineral exploration or development programs or leases, although it may purchase the securities of issuers which invest in or sponsor such programs.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES

The Fund will not purchase securities of other investment companies. However, this limitation will not apply if the securities are acquired in a merger, consolidation, or acquisition of assets.

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 if the officers and Trustees of the Trust or the Fund's investment adviser owning individually more than .5 of 1% of the issuer's securities together own more than 5% of the issuer's securities.

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, except as a temporary, extraordinary, or emergency measure, in excess of 5% of the value of its net assets during the last fiscal year and has no present intent to do so in the coming fiscal year.

TRUST MANAGEMENT

OFFICERS AND TRUSTEES

Officers and Trustees of the Trust are listed with their addresses, principal occupations, and present positions. Except as listed below, none of the Trustees or officers are affiliated with Star Bank, N.A., Federated Investors, Federated Securities Corp., Federated Services Company, Federated Administrative Services, or the Funds (as defined below).

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITIONS WITH PRINCIPAL OCCUPATIONS	
	THE TRUST	DURING PAST FIVE YEARS
<C> John F. Donahue** Federated Investors Tower Pittsburgh, PA	<C> Chairman and Trustee	<S> Chairman and Trustee, Federated Investors; Chairman and Trustee, Federated Advisers, Federated Management, and Federated Research; Director, Aetna Life and Casualty Company; Chief Executive Officer and Director, Trustee, or Managing General Partner of the Funds; formerly, Director, The Standard Fire Insurance Company.
John T. Conroy, Jr. Wood/IPC Commerical Department John R. Wood and Associates, Inc., Realtors 3255 Tamiami Trail North Naples, FL	Trustee	President, Investment Properties President, John R. Wood and Associates, Inc., Realtors; President, Northgate Village Development Corporation; General Partner or Trustee in private real estate ventures in Southwest Florida; Director, Trustee, or Managing General Partner of the Funds; formerly, President, Naples Property Management, Inc.
William J. Copeland One PNC Plaza-- 23rd Floor Pittsburgh, PA	Trustee	Director and Member of the Executive Committee, Michael Baker, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman and Director, PNC Bank N.A., and PNC Bank Corp. and Director, Ryan Homes, Inc.
James E. Dowd 571 Hayward Mill Road Concord, MA	Trustee	Attorney-at-law; Director, The Emerging Germany Fund, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Director, Blue Cross of Massachusetts, Inc.
Lawrence D. Ellis, M.D. 3471 Fifth Avenue Suite 1111 Pittsburgh, PA	Trustee	Hematologist, Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Clinical Professor of Medicine and Trustee, University of Pittsburgh; Director, Trustee, or Managing General Partner of the Funds.
Edward L. Flaherty, Jr.+ 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Director, Eat'N Park Restaurants, Inc., and Statewide Settlement Agency, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Counsel, Horizon Financial, F.A., Western Region.
Edward C. Gonzales* Federated Investors Tower	President, Treasurer, and Trustee	Vice President, Treasurer, and Trustee, Federated Investors; Vice President and Treasurer, Federated

Pittsburgh, PA

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

Peter E. Madden
225 Franklin Street
Boston, MA

Trustee

Consultant; State Representative, Commonwealth of Massachusetts; Director, Trustee, or Managing General Partner of the Funds; formerly, President, State Street Bank and Trust Company and State Street Boston Corporation and Trustee, Lahey Clinic Foundation, Inc.

Gregor F. Meyer
5916 Penn Mall
Pittsburgh, PA

Trustee

Attorney-at-law; Partner, Meyer and Flaherty; Chairman, Meritcare, Inc.; Director, Eat 'N Park Restaurants, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman, Horizon Financial, F.A.

Wesley W. Posvar
1202 Cathedral of Learning
University of Pittsburgh
Pittsburgh, PA

Trustee

Professor, Foreign Policy and Management Consultant, Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc., and U.S. Space Foundation; Chairman, Czecho Slovak Management Center; Director, Trustee, or Managing General Partner of the Funds; President Emeritus, University of Pittsburgh; formerly, Chairman, National Advisory Council for Environmental Policy and Technology.

Marjorie P. Smuts
4905 Bayard Street
Pittsburgh, PA

Trustee

Public relations/marketing consultant; Director, Trustee, or Managing General Partner of the Funds.

Richard B. Fisher
Federated Investors
Tower
Pittsburgh, PA

Vice President

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

Joseph S. Machi
Federated Investors
Tower
Pittsburgh, PA

Vice President
and Assistant
Treasurer

Vice President, Federated Administrative Services; Vice President and Assistant Treasurer of some of the Funds.

John W. McGonigle
Federated Investors
Tower
Pittsburgh, PA

Vice President
and Secretary

Vice President, Secretary, General Counsel, and Trustee, Federated Investors; Vice President, Secretary, and Trustee, Federated Advisers, Federated Management, and Federated Research; Trustee, Federated Services Company; Executive Vice President, Director, and Secretary, Federated Administrative Services; Director and Executive Vice President, Federated Securities Corp.; Vice President and Secretary of the

Funds.

John A. Staley, IV Vice President Vice President and Trustee,
Federated Investors Federated Investors; Executive
Tower Vice President, Federated
Pittsburgh, PA Securities Corp.; President and
Trustee, Federated Advisers,
Federated Management, and
Federated Research; Vice President
of the Funds; Director, Trustee,
or Managing General Partner of
some of the Funds; formerly, Vice
President, The Standard Fire
Insurance Company and President of
its Federated Research Division.

</TABLE>

*This Trustee is deemed to be an "interested person" of the Trust as defined in the Investment Company Act of 1940.

+Member of the Trust's Executive Committee. The Executive Committee of the Board of Trustees handles the responsibilities of the Board of Trustees between meetings of the Board.

THE FUNDS

"The Funds" and "Funds" mean the following investment companies: A.T. Ohio Tax-Free Money Fund; American Leaders Fund, Inc.; Annuity Management Series; Automated Cash Management Trust; Automated Government Money Trust; BankSouth Select Funds; The Boulevard Funds; California Municipal Cash Trust; Cash Trust Series II; Cash Trust Series, Inc.; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; FT Series, Inc.; Federated ARMs Fund; Federated Exchange Fund, Ltd.; Federated GNMA Trust; Federated Government Trust; Federated Growth Trust; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Intermediate Government Trust; Federated Master Trust; Federated Municipal Trust; Federated Short-Intermediate Government Trust; Federated Short-Term U.S. Government Trust; Federated Stock Trust; Federated Tax-Free Trust; Federated U.S. Government Bond Fund; First Priority Funds; Fixed Income Securities, Inc.; Fortress Adjustable Rate U.S. Government Fund, Inc.; Fortress Municipal Income Fund, Inc.; Fortress Utility Fund, Inc.; Fund for U.S. Government Securities, Inc.; Government Income Securities, Inc.; High Yield Cash Trust; Insurance Management Series; Intermediate Municipal Trust; Investment Series Funds, Inc.; Investment Series Trust; Liberty Equity Income Fund, Inc.; Liberty High Income Bond Fund, Inc.; Liberty Municipal Securities Fund, Inc.; Liberty Term Trust, Inc.-1999; Liberty U.S. Government Money Market Trust; Liberty Utility Fund, Inc.; Liquid Cash Trust; Mark Twain Funds; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; New York Municipal Cash Trust; 111 Corcoran Funds; The Planters Funds; Portage Funds; RIMCO Monument Funds; The Shawmut Funds; Short-Term Municipal Trust; Signet Select Funds; Star Funds; The Starburst Funds; The Starburst Funds II; Stock and Bond Fund, Inc.; Sunburst Funds; Targeted Duration Trust; Tax-Free Instruments Trust; Trademark Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; and Trust for U.S. Treasury Obligations.

FUND OWNERSHIP

Officers and Trustees own less than 1% of the Fund's outstanding shares.

As of January 6, 1994, the following shareholder of record owned 5% or more of the outstanding shares of the Fund:

Star Bank, N.A., Cincinnati, Ohio, owned approximately 73,637,787 shares (89.47%).

TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees are not 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.

INVESTMENT ADVISORY SERVICES

ADVISER TO THE FUND

The Fund's investment adviser is Star Bank, N.A. ("Star Bank" or "Adviser").

Star Bank is a wholly-owned subsidiary of StarBanc Corporation. Star Bank shall not 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 it, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon it by its contract with the Trust.

ADVISORY FEES

For its advisory services, Star Bank receives an annual investment advisory fee as described in the prospectus. For the fiscal years ended November 30, 1993, 1992, and 1991, the Fund's Adviser earned \$564,771, \$612,397, and \$532,245, respectively, none of which was voluntarily waived.

STATE EXPENSE LIMITATIONS

The Fund has undertaken to comply with the expense limitations established by certain states for investment companies whose shares are registered for sale in those states. If the Fund's normal operating expenses (including the investment advisory fee, but not including brokerage commissions, interest, taxes, and extraordinary expenses) exceed 2 1/2% per year of the first \$30 million of average net assets, 2% per year of the next \$70 million of average net assets, and 1.5% per year of the remaining average net assets, the Adviser has agreed to reimburse the Fund for its expenses over the limitation.

If the Fund's monthly projected operating expenses exceed this limitation, the investment advisory fee paid will be reduced by the amount of the excess, subject to an annual adjustment. If the expense limitation is exceeded, the amount to be reimbursed by the Adviser will be limited, in any single fiscal year, by the amount of the investment advisory fee.

This arrangement is not part of the advisory contract and may be amended or rescinded in the future.

ADMINISTRATIVE SERVICES

Federated Administrative Services, a subsidiary of Federated Investors, provides administrative personnel and services to the Fund for the fees set forth in the prospectus. For the fiscal years ended November 30, 1993, 1992, and 1991, the Fund incurred administrative service fees of \$130,739, \$144,932, and \$131,322, respectively.

In addition, John A. Staley, IV, an officer of the Trust, holds approximately 15% of the outstanding common stock and serves as a director of Commercial Data Services, Inc., a company which provides computer processing services to Federated Administrative Services. For the fiscal years ended November 30, 1993, 1992, and 1991, Federated Administrative Services paid approximately \$164,324, \$186,144, and \$193,178, respectively, for services provided by Commercial Data Services, Inc.

CUSTODIAN

Star Bank is custodian for the securities and cash of the Fund. Under the Custodian Agreement, Star Bank holds the Fund's portfolio securities in safekeeping and keeps all necessary records and documents relating to its duties. The custodian receives an annual fee equal to 0.025 of 1% of the Fund's average daily net assets.

BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Adviser looks for prompt execution of the order at a favorable price. In working with dealers, the Adviser 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. The Adviser makes decisions on portfolio transactions and selects brokers and dealers subject to review by the Trustees.

The Adviser may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the Adviser 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.

The Adviser exercises reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. The Adviser determines in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided.

Research services provided by brokers and dealers may be used by the Adviser in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the Adviser might otherwise have paid, it would tend to reduce its expenses. As of November 30, 1993, the Fund owned \$1,031 of securities of Lehman Brothers, one of its regular brokers/dealers that derives more than 15% of gross revenues from securities-related activities.

PURCHASING SHARES

Shares are sold at their net asset value without a sales charge on days the New York Stock Exchange and the Federal Reserve Wire System are open for business. The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Bank Connections Group Banking customers and Star Bank employees and members of their immediate family). The minimum initial investment may be waived from time to time for employees and retired employees of Star Bank, N.A., and for members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees. The procedure for purchasing shares of the Fund is explained in the Prospectus under "Investing in the Fund."

ADMINISTRATIVE ARRANGEMENTS

The administrative services include, but are not limited to, providing office space, equipment, telephone facilities, and various personnel, including clerical, supervisory, and computer, as is necessary or beneficial to establish and maintain shareholders' accounts and records, process purchase and redemption transactions, process automatic investments of client account cash balances, answer routine client inquiries regarding the Fund, assist clients in changing dividend options, account designations, and addresses, and providing such other services as the Fund may reasonably request.

DISTRIBUTION PLAN

With respect to the Fund, the Trust has adopted a Plan pursuant to Rule 12b-1 which was promulgated by the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (the "Plan"). The Plan provides for payment of fees to Federated Securities Corp. to finance any activity which is principally intended to result in the sale of the Fund's shares subject to the Plan. Such activities may include the advertising and marketing of shares; preparing, printing, and distributing prospectuses and sales literature to prospective shareholders, brokers, or administrators; and implementing and operating the Plan. Pursuant to the Plan, Federated Securities Corp. may pay fees to brokers for distribution and administrative services and to administrators for administrative services as to shares. The administrative services are provided by a representative who has knowledge of the shareholder's particular circumstances and goals, and include, but are not limited to: communicating account openings; communicating account closings; entering purchase transactions; entering redemption transactions; providing or arranging to provide accounting support for all transactions, wiring funds and receiving funds for share purchases and redemptions, confirming and reconciling all transactions, reviewing the activity in Fund accounts, and providing training and supervision of broker personnel; posting and reinvesting dividends to Fund accounts or arranging for this service to be performed by the Fund's transfer agent; and maintaining and distributing current copies of prospectuses and shareholder reports to the beneficial owners of shares and prospective shareholders.

The Trustees expect that the adoption of the Plan will result in the sale of sufficient number of shares so as to allow the Fund to achieve economic viability. It is also anticipated that an increase in the size of the Fund will facilitate more efficient portfolio management and assist the Fund in seeking to achieve its investment objective.

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. Star Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

DETERMINING NET ASSET VALUE

The Fund attempts to stabilize the value of a share at \$1.00. The days on which net asset value is calculated by the Fund are described in the prospectus.

USE OF THE AMORTIZED COST METHOD

The Trustees have decided that the best method for determining the value of portfolio instruments is amortized cost. Under this method, portfolio instruments are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value.

The Fund's use of the amortized cost method of valuing portfolio instruments depends on its compliance with certain conditions of Rule 2a-7 (the "Rule") promulgated by the Securities and Exchange Commission under the Investment Company Act of 1940. Under the Rule, the Trustees must establish procedures reasonably designed to stabilize the net asset value per share, as computed for purposes of distribution and redemption, at \$1.00 per share, taking into account current market conditions and the Fund's investment objective.

Under the Rule, the Fund is permitted to purchase instruments which are subject to demand features or standby commitments. As defined by the Rule, a demand feature entitles the Fund to receive the principal amount of the instrument from the issuer or a third party (1) on no more than 30 days' notice or (2) at specified intervals not exceeding one year on no more than 30 days' notice. A standby commitment entitles the Fund to achieve same day settlement and to receive an exercise price equal to the amortized cost of the underlying instrument plus accrued interest at the time of exercise.

MONITORING PROCEDURES

The Trustees' procedures include monitoring the relationship between the amortized cost value per share and the net asset value per share based upon available indications of market value. The Trustees will decide what, if any, steps should be taken if there is a difference of more than .5 of 1% between the two values. The Trustees will take any steps they consider appropriate (such as redemption in kind or shortening the average portfolio maturity) to minimize any material dilution or other unfair results arising from differences between the two methods of determining net asset value.

INVESTMENT RESTRICTIONS

The Rule requires that the Fund limit its investments to instruments that, in the opinion of the Trustees, present minimal credit risks and have received the requisite rating from one or more nationally recognized statistical rating organizations. If the instruments are not rated, the Trustees must determine that they are of comparable quality. The Rule also requires the Fund to maintain a dollar-weighted average portfolio maturity (not more than 90 days) appropriate to the objective of maintaining a stable net asset value of \$1.00 per share. In addition, no instruments with a remaining maturity of more than 397 days can be purchased by the Fund.

Should the disposition of a portfolio security result in a dollar-weighted average portfolio maturity of more than 90 days, the Fund will invest its available cash to reduce the average maturity to 90 days or less as soon as possible.

The Fund may attempt to increase yield by trading portfolio securities to take advantage of short-term market variations. This policy may, from time to time, result in high portfolio turnover. Under the amortized cost method of valuation, neither the amount of daily income nor the net asset value is affected by any unrealized appreciation or depreciation of the portfolio.

In periods of declining interest rates, the indicated daily yield on shares of the Fund computed by dividing the annualized daily income on the Fund's portfolio by the net asset value computed as above may tend to be higher than a similar computation made by using a method of valuation based upon market prices and estimates.

In periods of rising interest rates, the indicated daily yield on shares of the Fund computed the same way may tend to be lower than a similar computation made by using a method of calculation based upon market prices and estimates.

EXCHANGE PRIVILEGE

REQUIREMENTS FOR EXCHANGE

Shareholders using the exchange privilege must exchange shares having a net asset value of at least \$1,000. Before the exchange, the shareholder must receive a prospectus of the fund for which the exchange is being made.

This privilege is available to shareholders resident in any state in which the fund shares being acquired may be sold. Upon receipt of proper instructions and required supporting documents, shares submitted for exchange are redeemed and the proceeds invested in shares of the other fund. Further information on the exchange privilege and prospectuses may be obtained by calling Star Bank at the number on the cover of this Statement.

MAKING AN EXCHANGE

Instructions for exchanges may be given in writing. Written instructions may require a signature guarantee.

REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after Star Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. 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, by a distribution of securities from the Fund's portfolio. To satisfy registration requirements in a particular state, redemption in kind will be made in readily marketable securities to the extent that such securities are available. If this state's policy changes, the Fund reserves the right to redeem in kind by delivering those securities it deems appropriate.

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 Trust has elected to be governed by Rule 18f-1 under 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.

TAX STATUS

THE FUND'S TAX STATUS

The Fund will pay no federal income tax because it 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

Capital gains experienced by the Fund could result in an increase in dividends. Capital losses could result in a decrease in dividends. If, for some extraordinary reason, the Fund realizes net long-term capital

gains, it will distribute them at least once every 12 months.

YIELD

The Fund's yield for the seven-day period ended November 30, 1993, was 2.57%.

The Fund calculates its yield daily based upon the seven days ending on the day of the calculation, called the "base period." This yield is computed by:

- . determining the net change in the value of a hypothetical account with a balance of one share at the beginning of the base period, with the net change excluding capital changes but including the value of any additional shares purchased with dividends earned from the original one share and all dividends declared on the original and any purchased shares;
- . dividing the net change in the account's value by the value of the account at the beginning of the base period to determine the base period return; and
- . multiplying the base period return by (365/7).

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

EFFECTIVE YIELD

The Fund's effective yield for the seven-day period ended November 30, 1993, was 2.60%.

The Fund's effective yield is computed by compounding the unannualized base period return by:

- . adding 1 to the base period return;
- . raising the sum of the 365/7th power; and
- . subtracting 1 from the result.

PERFORMANCE COMPARISONS

The Fund's performance depends upon such variables as:

- . portfolio quality;
- . average portfolio maturity;
- . type of instruments in which the portfolio is invested;
- . changes in interest rates on money market instruments;
- . changes in Fund expenses; and
- . the relative amount of Fund cash flow.

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 net asset value. The financial publications and/or indices which the Fund uses in advertising may include:

- . LIPPER ANALYTICAL SERVICES, INC., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all income dividends and capital gains distributions, if any. From time to time, the Fund will quote its Lipper ranking in the "money market instrument funds" category in advertising and sales literature.
- . MONEY, a monthly magazine, regularly ranks money market funds in various categories based on the latest available seven-day compound (effective) yield. From time to time, the Fund will quote its Money ranking in advertising and sales literature.

Advertisements and other sales literature for the Fund may refer to total return. Total return is the historic change in the value of an investment in the Fund based on the monthly reinvestment of dividends over a specified period of time.

APPENDIX

STANDARD & POOR'S CORPORATION CORPORATE BOND RATING DEFINITIONS

AAA--Debt rated AAA has the highest rating assigned by Standard & Poor's Corporation. Capacity to pay interest and repay principal is extremely strong.

AA--Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A--Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effect of changes in circumstances and economic conditions than debt in higher rated categories.

MOODY'S INVESTORS SERVICE, INC., CORPORATE BOND RATING DEFINITIONS

Aaa--bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa--bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group, they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A--Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

STANDARD & POOR'S CORPORATION COMMERCIAL PAPER RATING DEFINITIONS

A-1--This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign designation.

A-2--Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as high as for issues designated A-1.

MOODY'S INVESTORS SERVICE, INC., COMMERCIAL PAPER RATING DEFINITIONS

P-1--Issuers rated PRIME-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. Prime-1 repayment capacity will normally be evidenced by the following characteristics: conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earning coverage of fixed financial charges and high internal cash generation; well-established access to a range of financial markets and assured sources of alternate liquidity.

P-2--Issuers rated PRIME-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

FITCH INVESTORS SERVICE, INC., SHORT-TERM DEBT RATING DEFINITIONS

F-1+--Exceptionally Strong Credit Quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

F-1--Very Strong Credit Quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated F-1+.

F-2--Good Credit Quality. Issues carrying this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as the F-1+ and F-1 categories.

STAR TAX-FREE MONEY MARKET FUND
(A PORTFOLIO OF THE STAR FUNDS)

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus of the Money Market Funds of the Star Funds dated January 31, 1994. This Statement is not a prospectus itself. To receive a copy of the prospectus, write to Star Tax-Free Money Market Fund or call (513) 632-5547.

FEDERATED INVESTORS TOWER
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated January 31, 1994

STAR BANK, N.A.
Investment Adviser

FEDERATED SECURITIES CORP.
Distributor

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GENERAL INFORMATION ABOUT THE FUND

Star Tax-Free Money Market Fund (the "Fund") is an investment portfolio of the Star Funds (the "Trust"). The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. On May 1, 1993, the Board of Trustees (the "Trustees") approved changing the name of the Trust, effective May 1, 1993, from Losantiville Funds to Star Funds and changing the names of the Money Market Funds from Losantiville Prime Obligations Fund, Losantiville Tax-Free Money Market Fund, and Losantiville Treasury Fund to Star Prime Obligations Fund, Star Tax-Free Money Market Fund, and Star Treasury Fund, respectively.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to provide current income exempt from federal regular income tax consistent with stability of principal. The investment objective cannot be changed without the approval of shareholders.

ACCEPTABLE INVESTMENTS

The Fund invests primarily in debt obligations issued by or on behalf of states, territories, and possessions of the United States, including the District of Columbia, and any political subdivisions or financing authority of any of these, the income from which is, in the opinion of qualified legal counsel, exempt from federal regular income tax ("Municipal Securities"). The Fund invests in Municipal Securities with remaining maturities of 397 days or less at the time of purchase by the Fund.

CHARACTERISTICS

When determining whether a Municipal Security presents minimal credit risks, the investment adviser considers the creditworthiness of the issuer of a Municipal Security, the issuer of a demand feature if the Fund has the unconditional right to demand payment from the issuer of the interest, or the credit enhancer of payment by either of those issuers.

The Fund is not required to sell a Municipal Security if the security's rating is reduced below the required minimum subsequent to the Fund's purchase of the security. The Trustees and the investment adviser consider this event, however, in the determination of whether the Fund should continue to hold the security in its portfolio. If ratings made by Moody's Investors Service, Inc., Standard & Poor's Corporation, or Fitch Investors Service, Inc., change because of changes in those organizations or in their rating systems, the Fund will try to use comparable ratings as standards in accordance with the investment policies described in the Fund's prospectus.

MUNICIPAL LEASES

The Fund may purchase Municipal Securities in the form of participation interests that represent an undivided proportional interest in lease payments by a governmental or nonprofit entity. The lease payments and other rights under the lease provide for and secure payments on the certificates. Lease obligations may be limited by municipal charter or the nature of the appropriation for the lease. In particular, lease obligations may be subject to periodic appropriation. If the entity does not appropriate funds for future lease payments, the entity cannot be compelled to make such payments. Furthermore, a lease may provide that the participants cannot accelerate lease obligations upon default. The

participants would only be able to enforce lease payments as they became due. In the event of a default or failure of appropriation, unless the participation interests are credit enhanced, it is unlikely that the participants would be able to obtain an acceptable substitute source of payment.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are made to secure what is considered to be an advantageous price and yield for the Fund. 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 also sell Municipal Securities on a delayed delivery basis with settlement taking place more than five days after the sale as a normal form of portfolio transaction. It is the investment adviser's experience that it is not unusual in the Municipal Securities market for settlement periods to be slightly longer than this period.

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 at the trade date. These securities are marked to market daily and are maintained until the transaction is settled. The Fund may engage in these transactions to an extent that would cause the segregation of an amount up to 20% of the total value of its assets.

TEMPORARY INVESTMENTS

The Fund may also invest in high-quality temporary investments from time to time for temporary defensive purposes.

From time to time, such as when suitable Municipal Securities are not available, the Fund may invest a portion of its assets in cash. Any portion of the Fund's assets maintained in cash will reduce the amount of assets in Municipal Securities and thereby reduce the Fund's yield.

This policy may, from time to time, result in high portfolio turnover. Since the cost of these transactions is small, high turnover is not expected to adversely affect net asset value or yield. The adviser does not anticipate that portfolio turnover will result in adverse tax consequences to the Fund.

INVESTMENT LIMITATIONS

SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any securities short or purchase any securities on margin but may obtain such short-term credits as may be necessary for clearance of transactions.

ISSUING SENIOR SECURITIES AND BORROWING MONEY

The Fund will not issue senior securities except that the Fund may borrow money directly in amounts up to one-third of the value of its total assets including the amount borrowed. The Fund will not borrow money 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.

RESTRICTED SECURITIES

The Fund will not invest more than 10% of the value of its net assets in securities subject to restrictions on resale under the Securities Act of 1933 except for certain restricted securities which meet criteria for liquidity as established by the Trustees.

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 15% of the value of total assets of the Fund at the time of the pledge.

INVESTING IN COMMODITIES

The Fund will not buy or sell commodities, commodity contracts, or commodities futures contracts.

INVESTING IN REAL ESTATE

The Fund will not purchase or sell real estate including limited partnership interests, although it may invest in securities secured by real estate or interests in real estate.

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 securities in accordance with its investment objective, policies, and limitations or Declaration of Trust.

LENDING CASH OR SECURITIES

The Fund will not lend any of its assets, except portfolio securities. This shall not prevent the Fund from purchasing or holding bonds, debentures, notes, certificates of indebtedness or other debt securities, entering into repurchase agreements or engaging in other transactions where permitted by its investment objective, policies, and limitations.

DIVERSIFICATION OF INVESTMENTS

With respect to 75% of the value of its assets, the Fund will not purchase securities of any one issuer (other than securities issued or guaranteed by the government of the United States or its agencies or instrumentalities) if as a result more than 5% of the value of its total assets would be invested in the securities of that issuer. To comply with certain state restrictions, the Fund will not purchase securities of any issuer if as a result more than 5% of its total assets would be invested in securities of that issuer. (If state restrictions change, this latter restriction may be revised without shareholder approval or notification.)

The above 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.

INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 10% of the value of its net assets in illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice and certain restricted securities and municipal leases not determined by the Trustees to be liquid.

INVESTING IN NEW ISSUERS

The Fund will not invest more than 5% of the value of its total assets in industrial development bonds where payment of principal and interest is the responsibility of companies (or, in the alternative, guarantors, where applicable) which have records of less than three years of continuous operations, including the operation of any predecessor.

INVESTING IN MINERALS

The Fund will not purchase or sell oil, gas, or other mineral exploration or development programs or leases.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES

The Fund will limit its investment in other investment companies to no more than 3% of the total outstanding voting stock of any investment company, invest more than 5% of its total assets in any one investment company, or invest more than 10% of its total assets in investment companies in general. The Fund will limit its investments in the securities of other investment companies to those of money market funds having investment objectives and policies similar to its own. The Fund will not purchase or acquire any security issued by a registered closed-end investment company if, immediately after the purchase or acquisition, 10% or more of the voting securities of the closed-end investment company would be owned by the Fund and other investment companies having the same adviser and companies controlled by these investment companies. The Fund will purchase securities of closed-end investment companies only in open-market transactions involving only customary broker's commissions.

However, these limitations are not applicable if the securities are acquired in a merger, consolidation, reorganization, or acquisition of assets. It should be noted that investment companies may incur certain expenses which may be duplicative of certain fees incurred by the Fund. The adviser will waive its investment advisory fee on assets invested in securities of open-end investment companies.

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 if the officers and Trustees of the Trust or the Fund's investment adviser owning individually more than .5 of 1% of the issuer's securities together own more than 5% of the issuer's securities.

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 (except as a temporary, extraordinary, or emergency measure) in excess of 5% of the value of its net assets and did not invest in securities of closed-end investment companies during the last fiscal year and has no present intent to do so in the coming fiscal year.

CONCENTRATION OF INVESTMENTS

The Fund will not purchase securities if, as a result of such purchase, more than 25% of the value of the Fund's assets would be invested in any one industry.

However, the Fund may invest more than 25% of the value of its assets in cash or cash items (including time and demand deposits of U.S. branches of domestic banks, such as certificates of deposit), securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or instruments secured by these money market instruments, such as repurchase agreements.

The Fund does not intend to purchase securities that would increase the percentage of its assets invested in the securities of governmental subdivisions located in any one state, territory, or U.S. possession to more than 25%. However, the Fund may invest more than 25% of the value of its assets in tax-exempt project notes guaranteed by the U.S. government, regardless of the location of the issuing municipality.

If the value of Fund assets invested in the securities of a governmental subdivision changes because of changing values, the Fund will not be required to make any reduction in its holdings.

TRUST MANAGEMENT

OFFICERS AND TRUSTEES

Officers and Trustees of the Trust are listed with their addresses, principal occupations, and present positions. Except as listed below, none of the Trustees or officers are affiliated with Star Bank, N.A., Federated Investors, Federated Securities Corp., Federated Services Company, Federated Administrative Services, or the Funds (as defined below).

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITIONS WITH THE TRUST	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<C>	<C>	<S>
John F. Donahue*+ Federated Investors Tower Pittsburgh, PA	Chairman and Trustee	Chairman and Trustee, Federated Investors; Chairman and Trustee, Federated Advisers, Federated Management, and Federated Research; Director, Aetna Life and Casualty Company; Chief Executive Officer and Director, Trustee, or Managing General Partner of the Funds; formerly, Director, The Standard Fire Insurance Company.
John T. Conroy, Jr. Wood/IPC Commercial Department John R. Wood and Associates, Inc., Realtors 3255 Tamiami Trail North Naples, FL	Trustee	President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; President, Northgate Village Development Corporation; General Partner or Trustee in private real estate ventures in Southwest Florida; Director, Trustee, or Managing General Partner of the Funds; formerly, President, Naples Property Management, Inc.
William J. Copeland One PNC Plaza-- 23rd Floor Pittsburgh, PA	Trustee	Director and Member of the Executive Committee, Michael Baker, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman and Director, PNC Bank N.A., and PNC Bank Corp. and Director, Ryan Homes, Inc.
James E. Dowd 571 Hayward Mill Road Concord, MA	Trustee	Attorney-at-law; Director, The Emerging Germany Fund, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Director, Blue Cross of Massachusetts, Inc.
Lawrence D. Ellis, M.D. 3471 Fifth Avenue Suite 1111 Pittsburgh, PA	Trustee	Hematologist, Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Clinical Professor of Medicine and Trustee, University of Pittsburgh; Director, Trustee, or Managing General Partner of the Funds.
Edward L. Flaherty, Jr.+ 5916 Penn Mall	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Director, Eat'N Park Restaurants, Inc., and Statewide Settlement

Pittsburgh, PA		Agency, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Counsel, Horizon Financial, F.A., Western Region.
Edward C. Gonzales* Federated Investors Tower Pittsburgh, PA	President, Treasurer, and Trustee	Vice President, Treasurer, and Trustee, Federated Investors; Vice President and Treasurer, Federated Advisers, Federated Management, and Federated Research; Executive Vice President, Treasurer, and Director, Federated Securities Corp.; Trustee, Federated Services Company; Chairman, Treasurer, and Director, Federated Administrative Services; Trustee or Director of some of the Funds; Vice President and Treasurer of the Funds.
Peter E. Madden 225 Franklin Street Boston, MA	Trustee	Consultant; State Representative, Commonwealth of Massachusetts; Director, Trustee, or Managing General Partner of the Funds; formerly, President, State Street Bank and Trust Company and State Street Boston Corporation and Trustee, Lahey Clinic Foundation, Inc.
Gregor F. Meyer 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Chairman, Meritcare, Inc.; Director, Eat 'N Park Restaurants, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman, Horizon Financial, F.A.
Wesley W. Posvar 1202 Cathedral of Learning University of Pittsburgh Pittsburgh, PA	Trustee	Professor, Foreign Policy and Management Consultant, Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc., and U.S. Space Foundation; Chairman, Czecho Slovak Management Center; Director, Trustee, or Managing General Partner of the Funds; President Emeritus, University of Pittsburgh formerly, Chairman, National Advisory Council for Environmental Policy and Technology.
Marjorie P. Smuts 4905 Bayard Street Pittsburgh, PA	Trustee	Public relations/marketing consultant; Director, Trustee, or Managing General Partner of the Funds.
Richard B. Fisher Federated Investors Tower Pittsburgh, PA	Vice President	Executive Vice President and Trustee, Federated Investors; Chairman and Director, Federated Securities Corp.; President or Vice President of the Funds; Director or Trustee of some of the Funds.
Joseph S. Machi Federated Investors Tower Pittsburgh, PA	Vice President and Assistant Treasurer	Vice President, Federated Administrative Services; Vice President and Assistant Treasurer of some of the Funds.
John W. McGonigle Federated Investors Tower Pittsburgh, PA	Vice President and Secretary	Vice President, Secretary, General Counsel, and Trustee, Federated Investors; Vice President, Secretary, and Trustee, Federated Advisers, Federated Management, and Federated Research; Trustee, Federated Services Company; Executive Vice President, Director, and Secretary, Federated Administrative Services; Director and Executive Vice President, Federated Securities Corp.; Vice President and Secretary of the Funds.
John A. Staley, IV Federated Investors Tower Pittsburgh, PA	Vice President	Vice President and Trustee, Federated Investors; Executive Vice President, Federated Securities Corp.; President and Trustee, Federated Advisers, Federated Management, and Federated Research; Vice President of the Funds; Director, Trustee, or Managing General Partner of some of the Funds; formerly, Vice President, The Standard Fire Insurance Company and President of its Federated Research Division.

</TABLE>

*This Trustee is deemed to be an "interested person" of the Trust as defined in the Investment Company Act of 1940.

+Member of the Trust's Executive Committee. The Executive Committee of the Board of Trustees handles the responsibilities of the Board of Trustees between meetings of the Board.

THE FUNDS

"The Funds" and "Funds" mean the following investment companies: A.T. Ohio Tax-Free Money Fund; American Leaders Fund, Inc.; Annuity Management Series; Automated Cash Management Trust; Automated Government Money Trust; BankSouth Select Funds; The Boulevard Funds; California Municipal Cash Trust; Cash Trust Series II; Cash Trust Series, Inc.; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; FT Series, Inc.; Federated ARMs Fund; Federated Exchange Fund, Ltd.; Federated GNMA Trust; Federated Government Trust; Federated Growth Trust; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Intermediate Government Trust; Federated Master Trust; Federated Municipal Trust; Federated Short-Intermediate Government Trust; Federated Short-Term U.S. Government Trust; Federated Stock Trust; Federated Tax-Free Trust; Federated U.S. Government Bond Fund; First Priority Funds; Fixed Income Securities, Inc.; Fortress Adjustable Rate U.S. Government Fund, Inc.; Fortress Municipal Income Fund, Inc.; Fortress Utility Fund, Inc.; Fund for U.S. Government Securities, Inc.; Government Income Securities, Inc.; High Yield Cash Trust; Insurance Management Series; Intermediate Municipal Trust; Investment Series Funds, Inc.; Investment Series Trust; Liberty Equity Income Fund, Inc.; Liberty High Income Bond Fund, Inc.; Liberty Municipal Securities Fund, Inc.; Liberty Term Trust, Inc.-1999; Liberty U.S. Government Money Market Trust; Liberty Utility Fund, Inc.; Liquid Cash Trust; Mark Twain Funds; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; New York Municipal Cash Trust; 111 Corcoran Funds; The Planters Funds; Portage Funds; RIMCO Monument Funds; The Shawmut Funds; Short-Term Municipal Trust; Signet Select Funds; Star Funds; The Starburst Funds; The Starburst Funds II; Stock and Bond Fund, Inc.; Sunburst Funds; Targeted Duration Trust; Tax-Free Instruments Trust; Trademark Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; and Trust for U.S. Treasury Obligations.

FUND OWNERSHIP

Officers and Trustees own less than 1% of the Fund's outstanding shares.

As of January 6, 1994, the following shareholder of record owned 5% or more of the outstanding shares of the Fund: Star Bank, N.A., Cincinnati, Ohio, owned approximately 144,432,889 shares (99.97%).

TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees are not 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.

INVESTMENT ADVISORY SERVICES

ADVISER TO THE FUND

The Fund's investment adviser is Star Bank, N.A. ("Star Bank" or "Adviser"). Star Bank is a wholly-owned subsidiary of StarBanc Corporation. Star Bank shall not 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 it, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon it by its contract with the Trust.

ADVISORY FEES

For its advisory services, Star Bank receives an annual investment advisory fee as described in the prospectus. For the fiscal year ended November 30, 1993, the Fund's adviser earned \$730,826, of which \$198,276 was voluntarily waived. From April 27, 1992, to the year ended November 30, 1992, the Fund's Adviser earned \$485,180. For the periods from December 1, 1991, to April 26, 1992, and from March 15, 1991 (date of initial public investment), to November 30, 1991, the Fund's former adviser, Federated Management, earned \$151,090 and \$394,825, respectively, of which \$41,197 and \$97,680, respectively, were voluntarily waived because of undertakings to limit the Fund's expenses.

Also for the period from December 1, 1991, to April 26, 1992, and from March 15, 1991 (date of initial public investment), to November 30, 1991, Star Bank, as the Fund's former sub-adviser, earned \$151,090 and \$197,412, respectively,

for sub-advisory services and voluntarily agreed to accept \$109,893 and \$148,572, respectively, as compensation for these services from the former adviser, Federated Management.

STATE EXPENSE LIMITATIONS

The Fund has undertaken to comply with the expense limitations established by certain states for investment companies whose shares are registered for sale in those states. If the Fund's normal operating expenses (including the investment advisory fee, but not including brokerage commissions, interest, taxes, and extraordinary expenses) exceed 2 1/2% per year of the first \$30 million of average net assets, 2% per year of the next \$70 million of average net assets, and 1.5% per year of the remaining average net assets, the Adviser has agreed to reimburse the Fund for its expenses over the limitation.

If the Fund's monthly projected operating expenses exceed this limitation, the investment advisory fee paid will be reduced by the amount of the excess, subject to an annual adjustment. If the expense limitation is exceeded, the amount to be reimbursed by the Adviser will be limited, in any single fiscal year, by the amount of the investment advisory fee.

This arrangement is not part of the advisory contract and may be amended or rescinded in the future.

ADMINISTRATIVE SERVICES

Federated Administrative Services, a subsidiary of Federated Investors, provides administrative personnel and services to the Fund for the fees set forth in the prospectus. For the fiscal years ended November 30, 1993 and 1992, and for the period from March 15, 1991 (date of initial public investment), to November 30, 1991, the Fund incurred administrative service fees of \$169,055, \$186,171 and \$95,699, respectively.

John A. Staley, IV, an officer of the Trust, holds approximately 15% of the outstanding common stock and serves as a director of Commercial Data Services, Inc., a company which provides computer processing services to Federated Administrative Services. For the years ended November 30, 1993, 1992, and 1991, Federated Administrative Services paid approximately \$164,324, \$186,144, and \$193,178, respectively, for services provided by Commercial Data Services, Inc.

CUSTODIAN

Star Bank is custodian for the securities and cash of the Fund. Under the Custodian Agreement, Star Bank holds the Fund's portfolio securities in safekeeping and keeps all necessary records and documents relating to its duties. The custodian receives an annual fee equal to 0.025 of 1% of the Fund's average daily net assets.

BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Adviser looks for prompt execution of the order at a favorable price. In working with dealers, the Adviser 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. The Adviser makes decisions on portfolio transactions and selects brokers and dealers subject to review by the Trustees.

The Adviser may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the Adviser 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.

The Adviser exercises reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. The

Adviser determines in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided.

Research services provided by brokers and dealers may be used by the Adviser in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the Adviser might otherwise have paid, it would tend to reduce its expenses.

PURCHASING SHARES

Shares are sold at their net asset value without a sales charge on days the New York Stock Exchange and the Federal Reserve Wire System are open for business. The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Bank Connections Group Banking customers and Star Bank employees and members of their immediate family). The minimum initial investment may be waived from time to time for employees and retired employees of Star Bank, N.A., and for members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees. The procedure for purchasing shares of the Fund is explained in the Prospectus under "Investing in the Fund."

ADMINISTRATIVE ARRANGEMENTS

The administrative services include, but are not limited to, providing office space, equipment, telephone facilities, and various personnel, including clerical, supervisory, and computer, as is necessary or beneficial to establish and maintain shareholders' accounts and records, process purchase and redemption transactions, process automatic investments of client account cash balances, answer routine client inquiries regarding the Fund, assist clients in changing dividend options, account designations, and addresses, and providing such other services as the Fund may reasonably request.

DISTRIBUTION PLAN

With respect to the Fund, the Trust has adopted a Plan pursuant to Rule 12b-1 which was promulgated by the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (the "Plan"). The Plan provides for shares payment of fees to Federated Securities Corp. to finance any activity which is principally intended to result in the sale of the Fund's shares subject to the Plan. Such activities may include the advertising and marketing of shares; preparing, printing, and distributing prospectuses and sales literature to prospective shareholders, brokers, or administrators; and implementing and operating the Plan. Pursuant to the Plan, Federated Securities Corp. may pay fees to brokers for distribution and administrative services and to administrators for administrative services as to shares. The administrative services are provided by a representative who has knowledge of the shareholder's particular circumstances and goals, and include, but are not limited to: communicating account openings; communicating account closings; entering purchase transactions; entering redemption transactions; providing or arranging to provide accounting support for all transactions, wiring funds and receiving funds for share purchases and redemptions, confirming and reconciling all transactions, reviewing the activity in Fund accounts, and providing training and supervision of broker personnel; posting and reinvesting dividends to Fund accounts or arranging for this service to be performed by the Fund's transfer agent; and maintaining and distributing current copies of prospectuses and shareholder reports to the beneficial owners of shares and prospective shareholders.

The Trustees expect that the adoption of the Plan will result in the sale of sufficient number of shares so as to allow the Fund to achieve economic viability. It is also anticipated that an increase in the size of the Fund will facilitate more efficient portfolio management and assist the Fund in seeking to achieve its investment objective.

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. Star Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

DETERMINING NET ASSET VALUE

The Fund attempts to stabilize the value of a share at \$1.00. The days on which net asset value is calculated by the Fund are described in the prospectus.

USE OF THE AMORTIZED COST METHOD

The Trustees have decided that the best method for determining the value of portfolio instruments is amortized cost. Under this method, portfolio instruments are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value.

The Fund's use of the amortized cost method of valuing portfolio instruments depends on its compliance with certain conditions of Rule 2a-7 (the "Rule") promulgated by the Securities and Exchange Commission under the Investment Company Act of 1940. Under the Rule, the Trustees must establish procedures reasonably designed to stabilize the net asset value per share, as computed for purposes of distribution and redemption, at \$1.00 per share, taking into account current market conditions and the Fund's investment objective.

Under the Rule, the Fund is permitted to purchase instruments which are subject to demand features or standby commitments. As defined by the Rule, a demand feature entitles the Fund to receive the principal amount of the instrument from the issuer or a third party (1) on no more than 30 days' notice or (2) at specified intervals not exceeding one year on no more than 30 days' notice. A standby commitment entitles the Fund to achieve same day settlement and to receive an exercise price equal to the amortized cost of the underlying instrument plus accrued interest at the time of exercise.

MONITORING PROCEDURES

The Trustees' procedures include monitoring the relationship between the amortized cost value per share and the net asset value per share based upon available indications of market value. The Trustees will decide what, if any, steps should be taken if there is a difference of more than .5 of 1% between the two values. The Trustees will take any steps they consider appropriate (such as redemption in kind or shortening the average portfolio maturity) to minimize any material dilution or other unfair results arising from differences between the two methods of determining net asset value.

INVESTMENT RESTRICTIONS

The Rule requires that the Fund limit its investments to instruments that, in the opinion of the Trustees, present minimal credit risks and have received the requisite rating from one or more nationally recognized statistical rating organization. If the instruments are not rated, the Trustees must determine that they are of comparable quality. The Rule also requires the Fund to maintain a dollar-weighted average portfolio maturity (not more than 90 days) appropriate to the objective of maintaining a stable net asset value of \$1.00 per share. In addition, no instruments with a remaining maturity of more than 397 days can be purchased by the Fund.

Should the disposition of a portfolio security result in a dollar-weighted average portfolio maturity of more than 90 days, the Fund will invest its available cash to reduce the average maturity to 90 days or less as soon as possible. Shares of investment companies purchased by the Fund will meet these same criteria and will have investment policies consistent with Rule 2a-7.

The Fund may attempt to increase yield by trading portfolio securities to take advantage of short-term market variations. This policy may, from time to time, result in high portfolio turnover. Under the amortized cost method of valuation, neither the amount of daily income nor the net asset value is affected by any unrealized appreciation or depreciation of the portfolio. In periods of declining interest rates, the indicated daily yield on shares of the Fund computed by dividing the annualized daily income on the Fund's portfolio by the net asset value computed as above may tend to be higher than a similar computation made by using a method of valuation based upon market prices and estimates.

In periods of rising interest rates, the indicated daily yield on shares of the Fund computed the same way may tend to be lower than a similar computation made by using a method of calculation based upon market prices and estimates.

EXCHANGE PRIVILEGE

REQUIREMENTS FOR EXCHANGE

Shareholders using the exchange privilege must exchange shares having a net asset value of at least \$1,000. Before the exchange, the shareholder must receive a prospectus of the fund for which the exchange is being made.

This privilege is available to shareholders resident in any state in which the fund shares being acquired may be sold. Upon receipt of proper instructions and required supporting documents, shares submitted for exchange are redeemed and the proceeds invested in shares of the other fund. Further information on the exchange privilege and prospectuses may be obtained by calling Star Bank at the number on the cover of this Statement.

MAKING AN EXCHANGE

Instructions for exchanges may be given in writing. Written instructions may require a signature guarantee.

REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after Star Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. 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, by a distribution of securities from the Fund's portfolio. To satisfy registration requirements in a particular state, redemption in kind will be made in readily marketable securities to the extent that such securities are available. If this state's policy changes, the Fund reserves the right to redeem in kind by delivering those securities it deems appropriate.

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 Trust has elected to be governed by Rule 18f-1 under 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.

TAX STATUS

THE FUND'S TAX STATUS

The Fund will pay no federal income tax because it 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.

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, for some extraordinary reason, the Fund realizes net long-term capital gains, it will distribute them at least once every 12 months.

YIELD

The Fund's yield for the seven-day period ended November 30, 1993, was 1.63%.

The Fund calculates its yield daily based upon the seven days ending on the day of the calculation, called the "base period." This yield is computed by:

- . determining the net change in the value of a hypothetical account with a balance of one share at the beginning of the base period, with the net change excluding capital changes but including the value of any additional shares purchased with dividends earned from the original one share and all dividends declared on the original and any purchased shares;
- . dividing the net change in the account's value by the value of the account at the beginning of the base period to determine the base period return; and

. multiplying the base period return by (365/7).

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

TAX-EQUIVALENT YIELD

The Fund's tax-equivalent yield for the seven-day period ended November 30, 1993, was 2.36%.

The tax-equivalent yield of the Fund is calculated similarly to the yield, but is adjusted to reflect the taxable yield that the Fund would have had to earn to equal its actual yield, assuming a 31% tax rate (the maximum effective federal rate for individuals) and assuming that income is 100% tax-exempt.

TAX-EQUIVALENCY TABLE

The Fund may also use a tax-equivalency table in advertising and sales literature. The interest earned by the municipal bonds in the Fund's portfolio generally remains free from federal regular income tax* and is often free from state and local taxes as well. As the table below indicates, a "tax-free" investment is an attractive choice for investors, particularly in times of narrow spreads between tax-free and taxable yields.

TAXABLE YIELD EQUIVALENT FOR 1994 MULTISTATE MUNICIPAL FUND

<TABLE>

<CAPTION>

Federal Income Tax Bracket:

<S>	<C> 15.00%	<C> 28.00%	<C> 31.00%	<C> 36.00%	<C> 39.60%
JOINT RETURN:	\$1-38,000	\$38,001-91,850	\$91,851-140,000	\$140,001-250,000	Over \$250,000
SINGLE RETURN:	\$1-22,750	\$22,751-55,100	\$55,101-115,000	\$115,001-250,000	Over \$250,000

<CAPTION>

<S>	Tax-Exempt Yield		Taxable Yield Equivalent			
	<C>	<C>	<C>	<C>	<C>	<C>
1.00%	1.18%	1.39%	1.45%	1.56%	1.66%	
1.50	1.76	2.08	2.17	2.34	2.48	
2.00	2.35	2.78	2.90	3.13	3.31	
2.50	2.94	3.47	3.62	3.91	4.14	
3.00	3.53	4.17	4.35	4.69	4.97	
3.50	4.12	4.86	5.07	5.47	5.79	
4.00	4.71	5.56	5.80	6.25	6.62	
4.50	5.29	6.25	6.52	7.03	7.45	
5.00	5.88	6.94	7.25	7.81	8.28	
5.50	6.47	7.64	7.97	8.59	9.11	
6.00	7.06	8.33	8.70	9.38	9.93	
6.50	7.65	9.03	9.42	10.16	10.76	
7.00	8.24	9.72	10.14	10.94	11.59	
7.50	8.82	10.42	10.87	11.72	12.42	
8.00	9.41	11.11	11.59	12.50	13.25	

</TABLE>

Note: The maximum marginal tax rate for each bracket was used in calculating the taxable yield equivalent.

The chart above is for illustrative purposes only. It is not an indicator of past or future performance of the Fund.

* Some portion of the Fund's income may be subject to the federal alternative minimum tax and state and local taxes.

EFFECTIVE YIELD

The Fund's effective yield for the seven-day period ended November 30, 1993, was 1.64%.

The Fund's effective yield is computed by compounding the unannualized base

period return by:

- . adding 1 to the base period return;
- . raising the sum to the 365/7th power; and
- . subtracting 1 from the result.

PERFORMANCE COMPARISONS

The Fund's performance depends upon such variables as:

- . portfolio quality;
- . average portfolio maturity;
- . type of instruments in which the portfolio is invested;
- . changes in interest rates on money market instruments;
- . changes in Fund expenses; and
- . the relative amount of Fund cash flow.

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 net asset value. The financial publications and/or indices which the Fund uses in advertising may include:

LIPPER ANALYTICAL SERVICES, INC., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all income dividends and capital gains distributions, if any. From time to time, the Fund will quote its Lipper ranking in the "tax-free money market funds" category in advertising and sales literature.

SALOMON BROTHERS SIX-MONTH PRIME MUNI NOTES is an index of selected municipal notes, maturing in six months, whose yields are chosen as representative of this market. Calculations are made weekly and monthly.

SALOMON BROTHERS ONE-MONTH TAX-EXEMPT COMMERCIAL PAPER is an index of selected tax-exempt commercial paper issues, maturing in one month, whose yields are chosen as representative of this particular market. Calculations are made weekly and monthly. Ehrlich-Bober & Co., Inc., also tracks this Salomon Brothers index.

MONEY, a monthly magazine, regularly ranks money market funds in various categories based on the latest available seven-day compound (effective) yield. From time to time, the Fund will quote its Money ranking in advertising and sales literature.

Advertisements and other sales literature for the Fund may refer to total return. Total return is the historic change in the value of an investment in the Fund based on the monthly reinvestment of dividends over a specified period of time.

APPENDIX

----- STANDARD & POOR'S CORPORATION MUNICIPAL BOND RATINGS

AAA--Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA--Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

NR--Indicates that no public rating has been requested, that there is insufficient information on which to base a rating, or that Standard & Poor's does not rate a particular type of obligation as a matter of policy.

PLUS (+) OR MINUS (-): The rating AA may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

MOODY'S INVESTORS SERVICE, INC., MUNICIPAL BOND RATINGS

Aaa--bonds which are rated AAA are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are

likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa--bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group, they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

NR--Not rated by Moody's.

Moody's applies numerical modifiers 1, 2 and 3 in the generic rating classification of Aa in its corporate or municipal bond rating system. The modifier 1 indicates that the security ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks in the lower end of its generic rating category.

FITCH INVESTORS SERVICE, INC., LONG-TERM DEBT RATINGS

AAA--Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA--Bonds considered to be investment grade and of very high quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Because bonds rated in the AAA and AA categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated F-1+.

NR--NR indicates that Fitch does not rate the specific issue.

PLUS (+) OR MINUS (-): Plus and minus signs are used with a rating symbol to indicate the relative position of a credit within the rating category. Plus and minus signs, however, are not used in the AAA category.

STANDARD & POOR'S CORPORATION MUNICIPAL NOTE RATINGS

SP-1--Very strong or strong capacity to pay principal and interest. Those issues determined to possess overwhelming safety characteristics will be given a plus (+) designation.

SP-2--Satisfactory capacity to pay principal and interest.

MOODY'S INVESTORS SERVICE, INC., SHORT-TERM LOAN RATINGS

MIG1/VMIG1--This designation denotes best quality. There is a present strong protection by established cash flows, superior liquidity support or demonstrated broadbased access to the market for refinancing.

MIG2/VMIG2--This designation denotes high quality. Margins of protection are ample although not so large as in the preceding group.

STANDARD & POOR'S CORPORATION COMMERCIAL PAPER RATINGS

A-1--This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign designation.

A-2--Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as high as for issues designated A-1.

MOODY'S INVESTORS SERVICE, INC., COMMERCIAL PAPER RATINGS

P-1--Issuers rated PRIME-1 (or related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. PRIME-1 repayment capacity will normally be evidenced by the following characteristics:

conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earning coverage of fixed financial charges and high internal cash generation; well-established access to a range of financial markets and assured sources of alternate liquidity.

P-2--Issuers rated PRIME-2 (or related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree.

Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more

affected by external conditions. Ample alternate liquidity is maintained.

FITCH INVESTORS SERVICE, INC., SHORT-TERM DEBT RATINGS

F-1+--Exceptionally Strong Credit Quality. Issues assigned this rating are regarded as having the strongest degree of assurance for timely payment.

F-1--Very Strong Credit Quality. Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than issues rated F-1+.

F-2--Good Credit Quality. Issues carrying this rating have a satisfactory degree of assurance for timely payment, but the margin of safety is not as great as the F-1+ AND F-1 categories.

1010901B (1/94)

STAR TREASURY FUND
(A PORTFOLIO OF THE STAR FUNDS)

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus of the Money Market Funds of the Star Funds dated January 31, 1994. This Statement is not a prospectus itself. To receive a copy of the prospectus, write to Star Treasury Fund or call (513) 632-5547.

FEDERATED INVESTORS TOWER
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated January 31, 1994

STAR BANK, N.A.
INVESTMENT ADVISER

FEDERATED SECURITIES CORP.
Distributor

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GENERAL INFORMATION ABOUT THE FUND

Star Treasury Fund (the "Fund") is a portfolio of the Star Funds (the "Trust"). The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. On May 1, 1993, the Board of Trustees (the "Trustees"), approved changing the name of the Trust, effective May 1, 1993, from Losantiville Funds to Star Funds and changing the names of the Money Market Funds from Losantiville Prime Obligations Fund, Losantiville Tax-Free Money Market Fund, and Losantiville Treasury Fund to Star Prime Obligations Fund, Star Tax-Free Money Market Fund, and Star Treasury Fund, respectively.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to provide stability of principal and current income consistent with stability of principal. The investment objective and policies cannot be changed without approval of shareholders.

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. 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.

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 at the trade date. These securities are marked to market daily and are maintained until the transaction is settled. The Fund may engage in these transactions to an extent that would cause the segregation of an amount up to 20% of the total value of its assets.

INVESTMENT LIMITATIONS

SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any portfolio instruments short or purchase any portfolio instruments on margin but may obtain such short-term credits as may be necessary for clearance of purchases and sales of portfolio instruments.

ISSUING SENIOR SECURITIES AND BORROWING MONEY

The Fund will not issue senior securities except that the Fund may borrow money directly or through reverse repurchase agreements as a temporary measure for extraordinary or emergency purposes and then only in amounts not in excess of 5% of the value of its total assets or in an amount up to one-third of the value of its total assets, including the amount borrowed, in order to meet redemption requests without immediately selling portfolio instruments. Any such borrowings need not be collateralized.

The Fund will not borrow money or engage in reverse repurchase agreements for investment leverage purposes.

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.

LENDING CASH OR SECURITIES

The Fund will not lend any of its assets, except that it may purchase or hold U.S. Treasury obligations, including repurchase agreements.

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

INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 10% of the value of its net assets in illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES

The Fund will not purchase securities of other investment companies. However, this limitation will not apply if the securities are acquired in a merger, consolidation, or acquisition of assets.

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, except as a temporary, extraordinary, or emergency measure, in excess of 5% of the value of its net assets during the last fiscal year and has no present intent to do so in the coming fiscal year.

TRUST MANAGEMENT

OFFICERS AND TRUSTEES

Officers and Trustees of the Trust are listed with their addresses, principal occupations, and present positions. Except as listed below, none of the Trustees or officers are affiliated with Star Bank, N.A., Federated Investors, Federated Securities Corp., Federated Services Company, Federated Administrative Services, or the Funds (as defined below).

<TABLE>
<CAPTION>

Table with 3 columns: NAME AND ADDRESS, POSITIONS WITH THE TRUST, and PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS. It lists three individuals: John F. Donahue, John T. Conroy, Jr., and William J. Copeland, detailing their roles and previous professional experiences.

James E. Dowd 571 Hayward Mill Road Concord, MA	Trustee	Attorney-at-law; Director, The Emerging Germany Fund, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Director, Blue Cross of Massachusetts, Inc.
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Lawrence D. Ellis, M.D. 3471 Fifth Avenue Suite 1111 Pittsburgh, PA	Trustee	Hematologist, Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Clinical Professor of Medicine and Trustee, University of Pittsburgh; Director, Trustee, or Managing General Partner of the Funds.
--	---------	--

Edward L. Flaherty, Jr. 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Director, Eat'N Park Restaurants, Inc., and Statewide Settlement Agency, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Counsel, Horizon Financial, F.A., Western Region.
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Edward C. Gonzales* Federated Investors Tower Pittsburgh, PA	President, Treasurer, and Trustee	Vice President, Treasurer, and Trustee, Federated Investors; Vice President and Treasurer, Federated Advisers, Federated Management, and Federated Research; Executive Vice President, Treasurer, and Director, Federated Securities Corp.; Trustee, Federated Services Company; Chairman, Treasurer, and Director, Federated Administrative Services; Trustee or Director of some of the Funds; Vice President and Treasurer of the Funds.
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Peter E. Madden 225 Franklin Street Boston, MA	Trustee	Consultant; State Representative, Commonwealth of Massachusetts; Director, Trustee, or Managing General Partner of the Funds; formerly, President, State Street Bank and Trust Company and State Street Boston Corporation and Trustee, Lahey Clinic Foundation, Inc.
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Gregor F. Meyer 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Chairman, Meritcare, Inc.; Director, Eat'N Park Restaurants, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman, Horizon Financial, F.A.
---	---------	--

Wesley W. Posvar 1202 Cathedral of Learning University of Pittsburgh Pittsburgh, PA	Trustee	Professor, Foreign Policy and Management Consultant, Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc., and U.S. Space Foundation; Chairman, Czecho Slovak Management Center; Director, Trustee, or Managing General Partner of the Funds; President Emeritus, University of Pittsburgh; formerly, Chairman, National Advisory Council for Environmental Policy and Technology.
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Marjorie P. Smuts 4905 Bayard Street Pittsburgh, PA	Trustee	Public relations/marketing consultant; Director, Trustee, or Managing General Partner of the Funds.
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Richard B. Fisher	Vice President	Executive Vice President and
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Federated Investors Tower Pittsburgh, PA	Trustee, Federated Investors; President and Director, Federated Securities Corp.; President or Vice President of the Funds; Director or Trustee of some of the Funds.
--	--

Joseph S. Machi Federated Investors Tower Pittsburgh, PA	Vice President and Assistant Treasurer	Vice President, Federated Administrative Services; Vice President and Assistant Treasurer of some of the Funds.
---	--	--

John W. McGonigle Federated Investors Tower Pittsburgh, PA	Vice President and Secretary	Vice President, Secretary, General Counsel, and Trustee, Federated Investors; Vice President, Secretary, and Trustee, Federated Advisers, Federated Management, and Federated Research; Trustee, Federated Services Company; Executive Vice President, Director, and Secretary, Federated Administrative Services; Director and Executive Vice President, Federated Securities Corp.; Vice President and Secretary of the Funds.
---	---------------------------------	---

John A. Staley, IV Federated Investors Tower Pittsburgh, PA	Vice President	Vice President and Trustee, Federated Investors; Executive Vice President, Federated Securities Corp.; President and Trustee, Federated Advisers, Federated Management, and Federated Research; Vice President of the Funds; Director, Trustee, or Managing General Partner of some of the Funds; formerly, Vice President, The Standard Fire Insurance Company and President of its Federated Research Division.
--	----------------	---

</TABLE>

*This Trustee is deemed to be an "interested person" of the Trust as defined in the Investment Company Act of 1940.

+Member of the Trust's Executive Committee. The Executive Committee of the Board of Trustees handles the responsibilities of the Board of Trustees between meetings of the Board.

THE FUNDS

"The Funds" and "Funds" mean the following investment companies: A.T. Ohio Tax-Free Money Fund; American Leaders Fund, Inc.; Annuity Management Series; Automated Cash Management Trust; Automated Government Money Trust; BankSouth Select Funds; The Boulevard Funds; California Municipal Cash Trust; Cash Trust Series II; Cash Trust Series, Inc.; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; FT Series, Inc.; Federated ARMs Fund; Federated Exchange Fund, Ltd.; Federated GNMA Trust; Federated Government Trust; Federated Growth Trust; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Intermediate Government Trust; Federated Master Trust; Federated Municipal Trust; Federated Short-Intermediate Government Trust; Federated Short-Term U.S. Government Trust; Federated Stock Trust; Federated Tax-Free Trust; Federated U.S. Government Bond Fund; First Priority Funds; Fixed Income Securities, Inc.; Fortress Adjustable Rate U.S. Government Fund, Inc.; Fortress Municipal Income Fund, Inc.; Fortress Utility Fund, Inc.; Fund for U.S. Government Securities, Inc.; Government Income Securities, Inc.; High Yield Cash Trust; Insurance Management Series; Intermediate Municipal Trust; Investment Series Funds, Inc.; Investment Series Trust; Liberty Equity Income Fund, Inc.; Liberty High Income Bond Fund, Inc.; Liberty Municipal Securities Fund, Inc.; Liberty Term Trust, Inc.-1999; Liberty U.S. Government Money Market Trust; Liberty Utility Fund, Inc.; Liquid Cash Trust; Mark Twain Funds; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; New York Municipal Cash Trust; 111 Corcoran Funds; The Planters Funds; Portage Funds; RIMCO Monument Funds; The Shawmut Funds; Short-Term Municipal Trust; Signet Select Funds; Star Funds; The Starburst Funds; The Starburst Funds II; Stock and Bond Fund, Inc.; Sunburst Funds; Targeted Duration Trust; Tax-Free Instruments Trust; Trademark Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government

Securities; and Trust for U.S. Treasury Obligations.

FUND OWNERSHIP

Officers and Trustees own less than 1% of the Fund's outstanding shares.

As of January 6, 1994, the following shareholder of record owned 5% or more of the outstanding shares of the Fund: Star Bank, N.A., Cincinnati, Ohio, owned approximately 393,125,021 shares (95.98%).

TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees are not 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.

INVESTMENT ADVISORY SERVICES

ADVISER TO THE FUND

The Fund's investment adviser is Star Bank, N.A. ("Star Bank" or "Adviser"). Star Bank is a wholly-owned subsidiary of StarBanc Corporation. Star Bank shall not 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 it, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon it by its contract with the Trust.

ADVISORY FEES

For its advisory services, Star Bank receives an annual investment advisory fee as described in the prospectus. For the fiscal years ended November 30, 1993, 1992, and 1991, the Fund's Adviser earned \$1,721,236, \$1,550,260, and \$1,497,155, respectively, none of which was voluntarily waived.

STATE EXPENSE LIMITATIONS

The Fund has undertaken to comply with the expense limitations established by certain states for investment companies whose shares are registered for sale in those states. If the Fund's normal operating expenses (including the investment advisory fee, but not including brokerage commissions, interest, taxes, and extraordinary expenses) exceed 2 1/2% per year of the first \$30 million of average net assets, 2% per year of the next \$70 million of average net assets, and 1 1/2% per year of the remaining average net assets, the Adviser has agreed to reimburse the Fund for its expenses over the limitation.

If the Fund's monthly projected operating expenses exceed this limitation, the investment advisory fee paid will be reduced by the amount of the excess, subject to an annual adjustment. If the expense limitation is exceeded, the amount to be reimbursed by the Adviser will be limited, in any single fiscal year, by the amount of the investment advisory fee.

This arrangement is not part of the advisory contract and may be amended or rescinded in the future.

ADMINISTRATIVE SERVICES

Federated Administrative Services, a subsidiary of Federated Investors, provides administrative personnel and services to the Fund for the fees set forth in the prospectus. For the fiscal years ended November 30, 1993, 1992, and 1991, the Fund incurred administrative service fees of \$442,239, \$402,900, and \$408,206, respectively.

In addition, John A. Staley, IV, an officer of the Trust, holds approximately 15% of the outstanding common stock and serves as a director of Commercial Data Services, Inc., a company which provides computer processing services to Federated Administrative Services. For the fiscal years ended November 30, 1993, 1992, and 1991, Federated Administrative Services paid approximately

\$164,324, \$186,144, and \$193,178, respectively, for services provided by Commercial Data Services, Inc.

CUSTODIAN

Star Bank is custodian for the securities and cash of the Fund. Under the Custodian Agreement, Star Bank holds the Fund's portfolio securities in safekeeping and keeps all necessary records and documents relating to its duties. The custodian receives an annual fee equal to 0.025 of 1% of the Fund's average daily net assets.

BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Adviser looks for prompt execution of the order at a favorable price. In working with dealers, the Adviser 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. The Adviser makes decisions on portfolio transactions and selects brokers and dealers subject to review by the Trustees.

The Adviser may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the Adviser 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.

The Adviser exercises reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. The Adviser determines in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided.

Research services provided by brokers and dealers may be used by the Adviser in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the Adviser might otherwise have paid, it would tend to reduce its expenses.

PURCHASING SHARES

Shares are sold at their net asset value without a sales charge on days the New York Stock Exchange and the Federal Reserve Wire System are open for business. The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Bank Connections Group Banking customers and Star Bank employees and members of their immediate family). The minimum initial investment may be waived from time to time for employees and retired employees of Star Bank, N.A., and for members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees. The procedure for purchasing shares of the Fund is explained in the prospectus under "Investing in the Fund."

ADMINISTRATIVE ARRANGEMENTS

The administrative services include, but are not limited to, providing office space, equipment, telephone facilities, and various personnel, including clerical, supervisory, and computer, as is necessary or beneficial to establish and maintain shareholders' accounts and records, process purchase and redemption transactions, process automatic investments of client account cash balances, answer routine client inquiries regarding the Fund, assist clients in changing dividend options, account designations, and addresses, and providing such other services as the Fund may reasonably request.

DISTRIBUTION PLAN

With respect to the Fund, the Trust has adopted a Plan pursuant to Rule 12b-1

which was promulgated by the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (the "Plan"). The Plan provides for payment of fees to Federated Securities Corp. to finance any activity which is principally intended to result in the sale of the Fund's shares subject to the Plan. Such activities may include the advertising and marketing of shares; preparing, printing, and distributing prospectuses and sales literature to prospective shareholders, brokers, or administrators; and implementing and operating the Plan. Pursuant to the Plan, Federated Securities Corp. may pay fees to brokers for distribution and administrative services and to administrators for administrative services as to shares. The administrative services are provided by a representative who has knowledge of the shareholder's particular circumstances and goals, and include, but are not limited to: communicating account openings; communicating account closings; entering purchase transactions; entering redemption transactions; providing or arranging to provide accounting support for all transactions, wiring funds and receiving funds for share purchases and redemptions, confirming and reconciling all transactions, reviewing the activity in Fund accounts, and providing training and supervision of broker personnel; posting and reinvesting dividends to Fund accounts or arranging for this service to be performed by the Fund's transfer agent; and maintaining and distributing current copies of prospectuses and shareholder reports to the beneficial owners of shares and prospective shareholders.

The Trustees expect that the adoption of the Plan will result in the sale of sufficient number of shares so as to allow the Fund to achieve economic viability. It is also anticipated that an increase in the size of the Fund will facilitate more efficient portfolio management and assist the Fund in seeking to achieve its investment objective.

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. Star Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

DETERMINING NET ASSET VALUE

The Fund attempts to stabilize the value of a share at \$1.00. The days on which net asset value is calculated by the Fund are described in the prospectus.

USE OF THE AMORTIZED COST METHOD

The Trustees have decided that the best method for determining the value of portfolio instruments is amortized cost. Under this method, portfolio instruments are valued at the acquisition cost as adjusted for amortization of premium or accumulation of discount rather than at current market value.

The Fund's use of the amortized cost method of valuing portfolio instruments depends on its compliance with certain conditions of Rule 2a-7 (the "Rule") promulgated by the Securities and Exchange Commission under the Investment Company Act of 1940. Under the Rule, the Trustees must establish procedures reasonably designed to stabilize the net asset value per share, as computed for purposes of distribution and redemption, at \$1.00 per share, taking into account current market conditions and the Fund's investment objective.

Under the Rule, the Fund is permitted to purchase instruments which are subject to demand features or standby commitments. As defined by the Rule, a demand feature entitles the Fund to receive the principal amount of the instrument from the issuer or a third party (1) on no more than 30 days' notice or (2) at specified intervals not exceeding one year on no more than 30 days' notice. A standby commitment entitles the Fund to achieve same day settlement and to receive an exercise price equal to the amortized cost of the underlying instrument plus accrued interest at the time of exercise.

MONITORING PROCEDURES

The Trustees' procedures include monitoring the relationship between the amortized cost value per share and the net asset value per share based upon available indications of market value. The Trustees will decide what, if any, steps should be taken if there is a difference of more than .5 of 1% between the two values. The Trustees will take any steps they consider appropriate (such as redemption in kind or shortening the average portfolio maturity) to minimize any material dilution or other unfair results arising from differences between the two methods of determining net asset value.

INVESTMENT RESTRICTIONS

The Rule requires that the Fund limit its investments to instruments that, in the opinion of the Trustees, present minimal credit risks and have received the requisite rating from one or more nationally recognized

statistical rating organizations. If the instruments are not rated, the Trustees must determine that they are of comparable quality. The Rule also requires the Fund to maintain a dollar-weighted average portfolio maturity (not more than 90 days) appropriate to the objective of maintaining a stable net asset value of \$1.00 per share. In addition, no instruments with a remaining maturity of more than 397 days can be purchased by the Fund.

Should the disposition of a portfolio security result in a dollar-weighted average portfolio maturity of more than 90 days, the Fund will invest its available cash to reduce the average maturity to 90 days or less as soon as possible.

The Fund may attempt to increase yield by trading portfolio securities to take advantage of short-term market variations. This policy may, from time to time, result in high portfolio turnover. Under the amortized cost method of valuation, neither the amount of daily income nor the net asset value is affected by any unrealized appreciation or depreciation of the portfolio.

In periods of declining interest rates, the indicated daily yield on shares of the Fund computed by dividing the annualized daily income on the Fund's portfolio by the net asset value computed as above may tend to be higher than a similar computation made by using a method of valuation based upon market prices and estimates.

In periods of rising interest rates, the indicated daily yield on shares of the Fund computed the same way may tend to be lower than a similar computation made by using a method of calculation based upon market prices and estimates.

EXCHANGE PRIVILEGE

REQUIREMENTS FOR EXCHANGE

Shareholders using the exchange privilege must exchange shares having a net asset value of at least \$1,000. Before the exchange, the shareholder must receive a prospectus of the fund for which the exchange is being made.

This privilege is available to shareholders resident in any state in which shares being acquired may be sold. Upon receipt of proper instructions and required supporting documents, shares submitted for exchange are redeemed and the proceeds invested in shares of the other fund. Further information on the exchange privilege and prospectuses may be obtained by calling Star Bank at the number on the cover of this Statement.

MAKING AN EXCHANGE

Instructions for exchanges may be given in writing. Written instructions may require a signature guarantee.

REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after Star Bank receives the redemption request. Redemption will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. 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, by a distribution of securities from the Fund's portfolio. To satisfy registration requirements in a particular state, redemption in kind will be made in readily marketable securities to the extent that such securities are available. If this state's policy changes, the Fund reserves the right to redeem in kind by delivering those securities it deems appropriate.

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 Trust has elected to be governed by Rule 18f-1 under 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.

TAX STATUS

THE FUND'S TAX STATUS

The Fund will pay no federal income tax because it 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

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

YIELD

The Fund's yield for the seven-day period ended November 30, 1993, was 2.51%.

The Fund calculates its yield daily based upon the seven days ending on the day of the calculation, called the "base period." This yield is computed by:

- . determining the net change in the value of a hypothetical account with a balance of one share at the beginning of the base period, with the net change excluding capital changes but including the value of any additional shares purchased with dividends earned from the original one share and all dividends declared on the original and any purchased shares;
- . dividing the net change in the account's value by the value of the account at the beginning of the base period to determine the base period return; and
- . multiplying the base period return by (365/7).

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

EFFECTIVE YIELD

The Fund's effective yield for the seven-day period ended November 30, 1993, was 2.54%.

The Fund's effective yield is computed by compounding the unannualized base period return by:

- . adding 1 to the base period return;
- . raising the sum of the 365/7th power; and
- . subtracting 1 from the result.

PERFORMANCE COMPARISONS

The Fund's performance depends upon such variables as:

- . portfolio quality;

- . average portfolio maturity;
- . type of instruments in which the portfolio is invested;
- . changes in interest rates on money market instruments;
- . changes in Fund expenses; and
- . the relative amount of Fund cash flow.

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 net asset value. The financial publications and/or indices which the Fund uses in advertising may include:

- . LIPPER ANALYTICAL SERVICES, INC., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all income dividends and capital gains distributions, if any. From time to time, the Fund will quote its Lipper ranking in the "short-term U.S. government funds" category in advertising and sales literature.
- . MONEY, a monthly magazine, regularly ranks money market funds in various categories based on the latest available seven-day compound (effective) yield. From time to time, the Fund will quote its Money ranking in advertising and sales literature.
- . SALOMON 30-DAY TREASURY BILL INDEX is a weekly quote of the most representative yields for selected securities, issued by the U.S. Treasury, maturing in 30 days.

Advertisements and other sales literature for the Fund may refer to total return. Total return is the historic change in the value of an investment in the Fund based on the monthly reinvestment of dividends over a specified period of time.

9022104 (1/94)

STAR RELATIVE VALUE FUND

(A PORTFOLIO OF THE STAR FUNDS)

PROSPECTUS

The shares offered by this prospectus represent interests in the Star Relative Value Fund (the "Fund"), which is a diversified investment portfolio in the Star Funds (the "Trust"), an open-end management investment company (a mutual fund).

The investment objective of the Fund is to obtain the highest total return, a combination of income and capital appreciation, as is consistent with reasonable risk. The Fund pursues this investment objective by investing primarily in equity securities. The equity securities ("stocks") in which the Fund may invest include, but are not limited to, stocks which the adviser believe represent characteristics consistent with low volatility, above-average yields, and are, in the opinion of the adviser, undervalued relative to the stocks comprising the S&P 500. The Fund will also invest a portion of its assets in fixed income securities.

THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF STAR BANK, N.A., OR ITS AFFILIATES, ARE NOT ENDORSED OR GUARANTEED BY STAR BANK, N.A., OR ITS AFFILIATES, 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 January 31, 1994, with the Securities and Exchange Commission. 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 free of charge, obtain other information or make inquiries about the Fund by writing or calling the Fund. If you are a trust customer of Star Bank, N.A., or its affiliates (i.e., you have an account held by such entity in a fiduciary, agency, custodial or similar capacity), please call 1-513-867-5134. If you are purchasing shares other than as a trust customer, please call 1-800-677-FUND.

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

Prospectus dated January 31, 1994

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SUMMARY OF FUND EXPENSES

SHAREHOLDER TRANSACTION EXPENSES

<TABLE>	
<S>	<C>
Maximum Sales Load Imposed on Purchases	
(as a percentage of offering price).....	4.50%
Maximum Sales Load Imposed on Reinvested Dividends	
(as a percentage of offering price).....	None
Deferred Sales Load (as a percentage of original	
purchase price or redemption proceeds, as applicable).....	None
Redemption Fees (as a percentage of amount	
redeemed, if applicable).....	None
Exchange Fee.....	None

ANNUAL FUND OPERATING EXPENSES
(As a percentage of average net assets)

<S>	<C>
Management Fees.....	0.75%
12b-1 Fees (after waiver) (1).....	0.00%
Total Other Expenses.....	0.50%
Total Fund Operating Expenses (after waiver) (2).....	1.25%
</TABLE>	

(1) Under the Fund's Rule 12b-1 distribution plan, the Fund can pay the distributor up to 0.25% as a 12b-1 fee. The 12b-1 fee was reduced to reflect

the voluntary waiver of compensation by the distributor. The distributor can terminate this voluntary waiver at any time at its sole discretion. The distributor has no present intention of collecting a 12b-1 fee.

(2) The Annual Fund Operating Expenses were 1.19% for the fiscal year ended November 30, 1993. The Annual Fund Operating Expenses in the table above are based on expenses expected during the fiscal year ended November 30, 1994. The Total Fund Operating Expenses are anticipated to be 1.50% absent the voluntary waiver by the distributor.

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 "STAR FUNDS INFORMATION."

<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. As noted in the table above, the Fund charges no redemption fees.....	\$57	\$83	\$111	\$189

</TABLE>

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

STAR RELATIVE VALUE FUND
FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

Reference is made to the Report of Independent Public Accountants on page 23.

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,		
	1993	1992	1991*
<S>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.52	\$ 9.43	\$10.00
INCOME FROM INVESTMENT OPERATIONS			
Net investment income	0.20	0.30	0.22
Net realized and unrealized gain/(loss) on investments	1.30	1.12	(0.66)
Total from investment operations	1.50	1.42	(0.44)
LESS DISTRIBUTIONS			
Dividends to shareholders from net investment income	(0.22)	(0.33)	(0.13)
NET ASSET VALUE, END OF PERIOD	\$11.80	\$10.52	\$ 9.43
TOTAL RETURN**	14.47%	15.39%	(4.31%)
RATIOS TO AVERAGE NET ASSETS			
Expenses	1.19%	0.47%	0.40% (a)
Net investment income	1.79%	3.01%	4.75% (a)
Expense waiver/reimbursement (b)	0.31%	1.00%	0.93% (a)
SUPPLEMENTAL DATA			

Net assets, end of period (000 omitted)	\$49,701	\$38,154	\$33,015
Portfolio turnover rate	59%	45%	38%

</TABLE>

* Reflects operations for the period from June 5, 1991 (date of initial public investment), to November 30, 1991.

** Based on net asset value which does not reflect the sales load or redemption fee, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 5).

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

Further information about the Fund's performance is contained in the Fund's annual report dated January 31, 1994, which can be obtained free of charge.

GENERAL INFORMATION

Star Funds was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. 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 equity portfolio of the Trust, known as Star Relative Value Fund.

The Fund is designed primarily for customers of StarBanc Corporation and its subsidiaries as a convenient means of accumulating an interest in a professionally managed, diversified portfolio of common stock of high-quality companies. A minimum initial investment of \$1,000 (\$25 for Star Connections Group Banking customers and Star Bank employees and members of their immediate family) is required.

INVESTMENT INFORMATION

INVESTMENT OBJECTIVE

The investment objective of the Fund is to obtain the highest total return, a combination of income and capital appreciation, as is consistent with reasonable risk. The investment objective cannot be changed without 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 Fund pursues its investment objective by investing primarily in equity securities. The equity securities ("stocks") in which the Fund may invest include, but are not limited to, stocks which, in the opinion of the Fund's adviser, represent characteristics consistent with low volatility, above-average yields, and are undervalued relative to the stocks comprising the Standard & Poor's 500 Composite Stock Price Index ("S&P 500"). The Fund will also invest a portion of its assets in fixed income securities. Unless indicated otherwise, the investment policies of the Fund may be changed by the Board of Trustees (the "Trustees") without the approval of shareholders. Shareholders will be notified before any material change in these policies becomes effective.

ACCEPTABLE INVESTMENTS. Consistent with the above, the Fund expects to invest primarily in common stocks and fixed income securities (i.e., notes and bonds) of companies selected by the Fund's investment adviser on the basis of traditional research techniques, including assessment of earnings and dividend growth prospects and of the risk and volatility of the company's industry. These securities will include:

- . COMMON STOCKS. Ordinarily, these companies will be in the top 25% of their industries with regard to revenues. However, other factors, such as product position or market share, will be considered by the Fund's investment adviser and may outweigh revenues;

. CONVERTIBLE SECURITIES. Convertible securities are fixed income securities which may be exchanged or converted into a predetermined number of the issuer's underlying common stock at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, units consisting of "usable" bonds and warrants or a combination of the features of several of these securities. The investment characteristics of each convertible security vary widely, which allows convertible securities to be employed for different investment objectives;

. domestic issues of corporate debt obligations (rated Aaa, Aa, or A by Moody's Investors Service, Inc.; AAA, AA, or A by Standard & Poor's Corporation; or AAA, AA, or A by Fitch Investors Service, Inc.). Downgrades will be evaluated on a case-by-case basis by the adviser. The adviser will determine whether or not the security continues to be an acceptable investment. If not, the security will be sold.;

. obligations of the United States; and

. notes, bonds, and discount notes of the following U.S. government agencies or instrumentalities: Federal Home Loan Banks, Federal National Mortgage Association, Government National Mortgage Association, Bank for Cooperatives (including Central Bank for Cooperatives), Federal Land Banks, Federal Intermediate Credit Banks, Tennessee Valley Authority, Export-Import Bank of the United States, Commodity Credit Corporation, Federal Financing Bank, The Student Loan Marketing Association, Federal Home Loan Mortgage Corporation, or National Credit Union Administration.

SECURITIES OF FOREIGN ISSUERS. The Fund may invest in the securities of foreign issuers which are freely traded on United States securities exchanges or in the over-the-counter market in the form of depository receipts. Securities of a foreign issuer may present greater risks in the form of nationalization, confiscation, domestic marketability, or other national or international restrictions. As a matter of practice, the Fund will not invest in the securities of a foreign issuer if any such risk appears to the investment adviser to be substantial.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Fund may purchase securities on a when-issued or delayed delivery basis. In when-issued and delayed delivery transactions, the Fund relies on the seller to complete the transaction. The seller's failure to complete the transaction may cause the Fund to miss a price or yield considered to be advantageous.

RESTRICTED AND ILLIQUID SECURITIES. The Fund intends to invest in restricted securities. Restricted securities are any securities in which the Fund may invest pursuant to its investment objective and policies but which are subject to restriction on resale under federal securities law. However, the Fund will limit investments in illiquid securities, including certain restricted securities not determined by the Trustees to be liquid, non-negotiable time deposits, and repurchase agreements providing for settlement in more than seven days after notice, to 15% of its net assets.

The Fund may invest in commercial paper issued in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933. Section 4(2) commercial paper is restricted as to disposition under federal securities law and is generally sold to institutional investors, such as the Fund, who agree that they are purchasing the paper for investment purposes and not with a view to public distribution. Any resale by the purchaser must be in an exempt transaction. Section 4(2) commercial paper is normally resold to other institutional investors like the Fund through or with the assistance of the issuer or investment dealers who make a market in Section 4(2) commercial paper, thus providing liquidity. The Fund believes that Section 4(2) commercial paper and possibly certain other restricted securities which meet the criteria for liquidity established by the Trustees are quite liquid. The Fund intends, therefore, to treat the restricted securities which meet the criteria for liquidity established by the Trustees, including Section 4(2) commercial paper, as determined by the Fund's investment adviser, as liquid and not subject to the investment limitation applicable to illiquid securities. In addition, because Section 4(2) commercial paper and restricted securities which meet the criteria for liquidity established by the Trustees, are liquid, the Fund intends to not subject such paper to the limitation otherwise applicable to restricted securities.

TEMPORARY INVESTMENTS. In such proportions as, in the judgment of its investment adviser, prevailing market conditions warrant, the Fund may, for temporary defensive purposes, invest in:

. short-term money market instruments;

. securities issued and/or guaranteed as to payment of principal and interest by the U.S. government, its agencies or instrumentalities; and

. repurchase agreements.

REPURCHASE AGREEMENTS. Repurchase agreements are arrangements 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.

INVESTMENT LIMITATIONS

The Fund will not:

- . borrow money, or pledge securities 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 its total assets to secure such borrowings;
- . invest more than 5% of its net assets in the securities of one issuer except cash and cash items and U.S. government securities. (For the purpose of this limitation, the Fund considers instruments issued by a U.S. branch of a domestic bank having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment to be "cash items.");
- . invest more than 5% of its total assets in securities of issuers that have records of less than three years of continuous operations; or
- . acquire more than 10% of the voting securities of any one issuer.

The above investment limitations cannot be changed without shareholder approval.

At least 70% of the Fund's portfolio will be invested in common stocks, unless it is in a defensive position.

STAR FUNDS INFORMATION

MANAGEMENT OF THE TRUST

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

INVESTMENT ADVISER. Investment decisions for the Fund are made by Star Bank, N.A., the Fund's investment adviser (the "Adviser" or "Star Bank"), subject to direction by the Trustees. The Adviser continually conducts investment research and supervision for the Fund and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the Fund.

ADVISORY FEES. The Adviser receives an annual investment advisory fee equal to 0.75 of 1% of the Fund's average daily net assets. The Adviser has undertaken to reimburse the Fund, up to the amount of the advisory fee, for operating expenses in excess of limitations established by certain states. The Adviser may voluntarily choose to waive a portion of its fee or reimburse the Fund for certain operating expenses.

ADVISER'S BACKGROUND. Star Bank, a national bank, was founded in 1863 and is the largest bank and trust organization of StarBanc Corporation. As of December 31, 1993, Star Bank had an asset base of \$7.6 billion.

Star Bank's expertise in trust administration, investments, and estate planning ranks it among the most predominant trust institutions in Ohio, with assets of \$12.5 billion as of December 31, 1993.

Star Bank has managed commingled funds since 1957. As of December 31, 1993, it manages 12 common trust funds and collective investment funds having a market value in excess of \$394 million. Additionally, Star Bank has advised the portfolios of the Trust since 1989.

Joseph P. Belew has served as Senior Trust Officer of Star Bank since December 1993. He has been the Fund's portfolio manager since its inception in June 1991. From 1986 through December 1993, Mr. Belew was employed by Star Bank as a Trust Officer.

DISTRIBUTION OF FUND SHARES

Federated Securities Corp. is the distributor for shares of the Fund. It is a Pennsylvania corporation organized on November 14, 1969, and is the distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors.

DISTRIBUTION PLAN. Pursuant to the provisions of a distribution plan adopted in accordance with the Investment Company Act Rule 12b-1 (the "Plan"), the Fund will pay to Federated Securities Corp. an amount computed at an annual rate of 0.25 of 1% of the average daily net asset value of the shares to finance any activity which is principally intended to result in the sale of shares subject to the Plan.

Federated Securities Corp. may from time to time, and for such periods as it deems appropriate, voluntarily reduce its compensation under the Plan to the extent the expenses attributable to the shares exceed such lower expense limitation as the distributor may, by notice to the Trust, voluntarily declare to be effective.

The distributor may select financial institutions such as banks, fiduciaries, custodians for public funds, investment advisers, and broker/dealers to provide sales and/or administrative services as agents for their clients or customers who beneficially own shares. Administrative services may include, but are not limited to, the following functions: providing office space, equipment, telephone facilities, and various personnel (including clerical, supervisory, and computer) 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 regarding the Fund; assisting clients in changing dividend options; account designations, and addresses; and providing such other services as the Fund reasonably requests.

Financial institutions will receive fees from the distributor 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 distributor.

The Fund's 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.

The Glass-Steagall Act prohibits a depository institution (such as a commercial bank or a savings and loan association) from being an underwriter or distributor of securities. In the event the Glass-Steagall Act is deemed to prohibit depository institutions from acting in the administrative capacities described above or should Congress relax current restrictions on depository institutions, the Trustees will consider appropriate changes in the services.

State securities laws governing the ability of depository institutions to act as underwriters or distributors of securities may differ from interpretations given to the Glass-Steagall Act and, therefore, banks and financial institutions may be required to register as dealers pursuant to state law.

ADMINISTRATIVE ARRANGEMENTS. The distributor may select brokers and dealers to provide distribution and administrative services. The distributor may also select administrators (including depository institutions such as commercial banks and savings and loan associations) to provide administrative services. These administrative services include distributing prospectuses and other information, providing accounting assistance, and communicating or facilitating purchases and redemptions of the Fund's shares.

Brokers, dealers, and administrators will receive fees from the distributor based upon shares of the Fund owned by their clients or customers. The fees are calculated as a percentage of the average aggregate net asset value of shareholder accounts during the period for which the brokers, dealers, and administrators provide services. The current annual rate of such fees is up to 0.30 of 1% for the Fund. Any fees paid for these services by the distributor will be reimbursed by the Adviser.

ADMINISTRATION OF THE FUND

ADMINISTRATIVE SERVICES. Federated Administrative Services, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, provides the Fund with certain administrative personnel and services necessary to operate the Fund, such as legal and accounting services. Federated Administrative Services provides these at an annual rate as specified below:

<TABLE>
<CAPTION>

	MAXIMUM ADMINISTRATIVE FEE	AVERAGE AGGREGATE DAILY NET ASSETS OF THE TRUST
<C>		<S>
	.150 of 1%	on the first \$250 million
	.125 of 1%	on the next \$250 million
	.100 of 1%	on the next \$250 million
	.075 of 1%	on assets in excess of \$750 million

</TABLE>

The administrative fee received during any fiscal year shall be at least \$50,000 per Fund. Federated Administrative Services may voluntarily waive a portion of its fee.

CUSTODIAN. Star Bank, N.A., Cincinnati, Ohio, is custodian for the securities and cash of the Fund.

TRANSFER AGENT, DIVIDEND DISBURSING AGENT, AND PORTFOLIO ACCOUNTING SERVICES. Federated Services Company, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, is transfer agent and dividend disbursing agent for the Fund. It also provides certain accounting and recordkeeping services with respect to the Fund's portfolio investments.

LEGAL COUNSEL. Legal counsel for the Fund is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania, and Dickstein, Shapiro & Morin, Washington, D.C.

INDEPENDENT PUBLIC ACCOUNTANTS. The independent public accountants for the Fund are Arthur Andersen & Co., Pittsburgh, Pennsylvania.

BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Adviser looks for prompt execution of the order at a favorable price. In working with dealers, the Adviser 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 Adviser 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 Adviser makes decisions on portfolio transactions and selects 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

MINIMUM INVESTMENT REQUIRED

The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Connections Group Banking customers and Star Bank employees and members of their immediate family). Subsequent investments may be in any amounts. For customers of Star Bank, an institutional investor's minimum investment will be calculated by combining all mutual fund accounts it maintains with Star Bank and invests with the Fund.

WHAT SHARES COST

Fund shares are sold at their net asset value next determined after an order is received, plus a sales charge, as follows:

<TABLE>
<CAPTION>

AMOUNT OF TRANSACTION	SALES CHARGE	SALES CHARGE
	AS A PERCENTAGE OF PUBLIC OFFERING PRICE	AS A PERCENTAGE OF NET AMOUNT INVESTED
<S>	<C>	<C>
Less than \$100,000	4.50%	4.71%
\$100,000 but less than \$250,000	3.75%	3.90%
\$250,000 but less than \$500,000	2.50%	3.56%
\$500,000 but less than \$750,000	2.00%	2.04%

\$750,000 but less than \$1 million	1.00%	1.01%
\$1 million or more	0.25%	0.25%

</TABLE>

The net asset value is determined at 4:00 p.m. (Eastern time), 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; or (iii) the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

PURCHASES AT NET ASSET VALUE. Shareholders who are trust or private banking customers of StarBanc Corporation and its subsidiaries are exempt from sales charges. In addition, the following persons may also purchase shares of the Fund at net asset value, without a sales charge: employees and retired employees of Star Bank, Federated Securities Corp., or their affiliates, or any bank or investment dealer who has a sales agreement with Federated Securities Corp. with regard to the Fund, and members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees.

SALES CHARGE REALLOWANCE. For sales of shares of the Fund, Star Bank or any authorized dealer will normally receive up to 89% of the applicable sales charge. Any portion of the sales charge which is not paid to Star Bank or a dealer will be retained by the distributor. However, the distributor, in its sole discretion, may uniformly offer to pay all dealers selling shares of the Fund additional amounts, all or a portion of which may be paid from the sales charge it normally retains or any other source available to it. Such additional payments, if accepted by the dealer, may be in the form of cash or promotional incentives and will be predicated upon the amount of shares of the Fund sold by the dealer.

The sales charge for shares sold other than through Star Bank or registered broker/dealers will be retained by the distributor. The distributor may pay fees to banks out of the sales charge in exchange for sales and/or administrative services performed on behalf of the bank's customers in connection with the initiation of customer accounts and purchases of Fund shares.

REDUCING THE SALES CHARGE

The sales charge can be reduced on the purchase of Fund shares through:

- . quantity discounts and accumulated purchases;
- . signing a 13-month letter of intent;
- . using the reinvestment privilege; or
- . concurrent purchases.

QUANTITY DISCOUNTS AND ACCUMULATED PURCHASES. As shown in the previous table, larger purchases reduce the sales charge paid. The Fund will combine purchases made on the same day by the investor, his spouse, and his children under age 21 when it calculates the sales charge.

If an additional purchase of Fund shares is made, the Fund will consider the previous purchases still invested in the Fund. For example, if a shareholder already owns shares having a current value at the net asset value of \$90,000 and he purchases \$10,000 more at the current net asset value, the sales charge on the additional purchase according to the schedule now in effect would be 3.75%, not 4.50%.

To receive the sales charge reduction, Star Bank or the distributor must be notified by the shareholder in writing at the time the purchase is made that Fund shares are already owned or that purchases are being combined. The Fund will reduce the sales charge after it confirms the purchases.

LETTER OF INTENT. If a shareholder intends to purchase at least \$100,000 of Fund shares over the next 13 months, the sales charge may be reduced by signing a letter of intent to that effect. This letter of intent includes a provision for a sales charge adjustment depending on the amount actually purchased within the 13-month period and a provision for the Fund's custodian to hold 4.50% of the total amount intended to be purchased in escrow (in shares of the Fund) until such purchase is completed.

The 4.50% held in escrow will be applied to the shareholder's account at the end of the 13-month period unless the amount specified in the letter of intent is not purchased. In such event, an appropriate number of escrowed shares may be redeemed in order to realize the difference in the sales charge.

This letter of intent will not obligate the shareholder to purchase shares, but

if the shareholder does, each purchase during the period will be at the sales charge applicable to the total amount intended to be purchased. This letter may be dated as of a prior date to include any purchases made within the past 90 days.

REINVESTMENT PRIVILEGE. If shares in the Fund have been redeemed, the shareholder has a one-time right, within 30 days, to reinvest the redemption proceeds at the next-determined net asset value without any sales charge. Star Bank or the distributor must be notified by the shareholder in writing or by his financial institution of the reinvestment in order to eliminate a sales charge. If the shareholder redeems his shares in the Fund, there may be tax consequences. Shareholders contemplating such transactions should consult their own tax advisers.

CONCURRENT PURCHASES. For purposes of qualifying for a sales charge reduction, a shareholder has the privilege of combining concurrent purchases of two or more funds in the Trust, the purchase price of which includes a sales charge. For example, if a shareholder concurrently invested \$30,000 in one of the other funds in the Trust with a sales charge and \$70,000 in this Fund, the sales charge would be reduced.

To receive this sales charge reduction, Star Bank or the distributor must be notified by the shareholder in writing at the time the concurrent purchases are made. The Fund will reduce the sales charge after it confirms the purchases.

SYSTEMATIC INVESTMENT PLAN

Once a Fund account has been opened, shareholders may add to their investment on a regular basis in a minimum amount of \$100. Under this plan, funds may be withdrawn periodically from the shareholder's checking account and invested in Fund shares at the net asset value next determined after an order is received by Star Bank, plus the applicable sales charge. A shareholder may apply for participation in this plan through Star Bank.

SHARE PURCHASES

Fund shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business.

A customer of Star Bank may purchase shares of the Fund through Star Bank. Texas residents must purchase shares through Federated Securities Corp. at 1-800-356-2805. In connection with the sale of Fund shares, the distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Fund reserves the right to reject any purchase request.

THROUGH STAR BANK. To place an order to purchase shares of the Fund, a customer of Star Bank may telephone Star Bank at the appropriate telephone number listed on the front cover, or place the order in person. Purchase orders given by telephone may be electronically recorded.

Payment may be made to Star Bank either by check or federal funds. When payment is made with federal funds, the order is considered received when federal funds are received by Star Bank. Purchase orders must be telephoned to Star Bank by 4:00 p.m. (Eastern time) and payment by federal funds must be received by Star Bank before 3:00 p.m. (Eastern time) on the following day. Orders are considered received after payment by check is converted into federal funds and received by Star Bank.

For purchases by employees, individual investors, or through registered broker/dealers, requests must be received by Star Bank by 4:00 p.m. (Eastern time) and payment is normally required in five business days.

Shares cannot be purchased on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers.

BY MAIL. To purchase shares of the Fund by mail, individual investors may send a check made payable to Star Relative Value Fund to Star Shareholder Services, Star Bank, N.A., 425 Walnut Street, ML 7135, Cincinnati, Ohio 45202. Orders by mail are considered received after payment by check is converted by Star Bank into federal funds. This is normally five business days after Star Bank receives the check.

EXCHANGING SECURITIES FOR FUND SHARES

The Fund may accept securities in exchange for Fund shares. The Fund will allow such exchanges only upon the prior approval of the Fund and a determination by the Fund and the Adviser that the securities to be exchanged are acceptable.

Any securities exchanged must meet the investment objective and policies of the Fund, must have a readily ascertainable market value, must be liquid, and

must not be subject to restrictions on resale. The market value of any securities exchanged in an initial investment, plus any cash, must be at least \$25,000.

Securities accepted by the Fund will be valued 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, or other rights attached to the securities become the property of the Fund, along with the securities.

CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Fund, Federated Services Company maintains a share account for each shareholder of record. Share certificates are not issued.

Detailed confirmations of each purchase or redemption are sent to each shareholder and dividend confirmations are sent to each shareholder to report dividends paid.

DIVIDENDS AND CAPITAL GAINS

Dividends are declared and paid quarterly. Capital gains realized by the Fund, if any, will be distributed at least once every 12 months. Dividends will be automatically reinvested in additional shares of the Fund on payment dates at the ex-dividend date net asset value, unless cash payments are requested by writing to the Fund or Star Bank.

EXCHANGE PRIVILEGE

All shareholders of the Fund are shareholders of the Star Funds. Star Funds currently consists of the Fund, Star Prime Obligations Fund, Star Tax-Free Money Market Fund, Star Treasury Fund, Star U.S. Government Income Fund, and The Stellar Fund. Until further notice, through a telephone exchange program, shareholders invested in the money market funds can exchange only among the other money market funds of the Trust, and shareholders invested in the non-money market funds can exchange only among the other non-money market funds of the Trust. Each portfolio in the Star Funds is advised by Star Bank and distributed by Federated Securities Corp.

EXCHANGING SHARES

Shareholders of the Fund may exchange shares of the Fund for shares of the other funds in the Star Funds. In addition, shares of the Fund may also be exchanged for certain other funds distributed by Federated Securities Corp. that are not advised by Star Bank, N.A. ("Federated Funds"). For further information on the availability of Federated Funds for exchanges, please call Star Bank, N.A. at the appropriate telephone number listed on the front cover. Shareholders who exercise this exchange privilege must exchange shares having a net asset value of at least \$1,000. Prior to any exchange, the shareholder must receive a copy of the current prospectus of the fund into which an exchange is to be effected.

Shares may be exchanged at net asset value, plus the difference between the Fund's sales charge (if any) already paid and any sales charge of the fund into which shares are to be exchanged, if higher.

When an exchange is made from a fund with a sales charge to a fund with no sales charge, the shares exchanged and additional shares which have been purchased by reinvesting dividends on such shares retain the character of the exchanged shares for purposes of exercising further exchange privileges; thus, an exchange of such shares for shares of a fund with a sales charge would be at net asset value.

The exchange privilege is available to shareholders residing in any state in which the fund shares being acquired may legally be sold. Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value.

Written exchange instructions may require a signature guarantee. Exercise of this privilege is treated as a sale for federal income tax purposes and, depending on the circumstances, a short or long-term capital gain or loss may be realized. The exchange privilege may be terminated at any time. Shareholders will be notified of the termination of the exchange privilege. A shareholder may obtain further information on the exchange privilege by

calling Star Bank at the appropriate telephone number listed on the front cover.

EXCHANGE-BY-TELEPHONE

Instructions for exchanges between funds which are part of the Star Funds may be given by telephone to Star Bank at the appropriate telephone number listed on the front cover or to the distributor. Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations. Exchange instructions given by telephone may be electronically recorded.

Telephone exchange instructions must be received before 3:00 p.m. (Eastern time) for shares to be exchanged the same day. The telephone exchange privilege may be modified or terminated at any time. Shareholders will be notified of such modification or termination. Shareholders of the Fund may have difficulty in making exchanges by telephone through brokers, banks, or other financial institutions during times of drastic economic or market changes. If a shareholder cannot contact his broker, bank, or financial institution by telephone, it is recommended that an exchange request be made in writing and sent by overnight mail.

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

REDEEMING SHARES

The Fund redeems shares at their net asset value next determined after Star Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. Requests for redemption can be made in person or by telephone through Star Bank.

BY TELEPHONE. A shareholder who is a customer of Star Bank may redeem shares of the Fund by telephoning Star Bank at the appropriate telephone number listed on the front cover. Redemption requests given by telephone may be electronically recorded. For calls received by Star Bank before 4:00 p.m. (Eastern time), proceeds will normally be wired the following day to the shareholder's account at Star Bank or a check will be sent to the address of record. In no event will proceeds be wired or a check mailed more than seven days after a proper request for redemption has been received. 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 the Fund to accept telephone requests must first be completed. Authorization forms and information on this service are available from Star Bank.

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.

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

REDEMPTION BEFORE PURCHASE INSTRUMENTS CLEAR

When shares are purchased by check, the proceeds from the redemption of those shares are not available, and the shares may not be exchanged, until Federated Services Company is reasonably certain that the purchase check has cleared, which could take up to 10 calendar days.

SYSTEMATIC WITHDRAWAL PLAN

Under the Systematic Withdrawal Plan, accounts may arrange for regular monthly or quarterly fixed withdrawal payments. Each payment must be at least \$100 and may be as much as 1.50% per month or 4.50% per quarter of the total net asset value of the shares in the account when the Systematic Withdrawal Plan is opened. Depending upon the amount of the withdrawal payments and the amount of dividends paid with respect to Fund shares, redemptions may reduce, and eventually deplete, the shareholder's investment in the Fund. For this reason, payments under this plan should not be considered as yield or income on the shareholder's investment in the Fund. Due to the fact that shares are sold with a sales charge, it is not advisable for shareholders to be purchasing shares of the Fund while participating in this plan.

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 the required minimum value of \$1,000 due to shareholder redemptions.

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.

REDEMPTION IN KIND

The Trust is obligated to redeem shares solely in cash up to \$250,000 or 1% of the respective Fund's net asset value, whichever is less, for any one shareholder within a 90-day period.

Any redemption beyond this amount will also be in cash unless the Trustees determine that payments should be in kind. In such a case, the Fund will pay all or a portion of the remainder of the redemption in portfolio instruments, valued in the same way that net asset value is determined. The portfolio instruments will be selected in a manner that the Trustees deem fair and equitable.

Redemption in kind is not as liquid as a cash redemption. If redemption is made in kind, shareholders receiving their securities and selling them before their maturity could receive less than the redemption value of their securities and could incur transaction costs.

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 or the Fund's operation and for the election of Trustees under certain circumstances. As of January 6, 1994, Firstcinco, Cincinnati, Ohio, owned 85.32% of the voting securities of the Fund, and therefore, may for certain purposes, be deemed to control the Fund and be able to affect the outcome of certain matters presented for a vote of shareholders.

Trustees may be removed by a two-thirds vote of the number of Trustees prior to such removal or by a two-thirds vote of the shareholders of the Trust at a special meeting. A special meeting of shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the Trust's outstanding shares of all series entitled to vote.

MASSACHUSETTS PARTNERSHIP LAW

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

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required, by the Declaration of Trust, to use its property 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. Therefore, financial loss resulting from liability as a shareholder will occur only if the Trust cannot meet its obligations to indemnify shareholders and pay judgments against them from its assets.

EFFECT OF BANKING LAWS

The Glass-Steagall Act and other banking laws and regulations presently prohibit a bank holding company registered under the Bank Holding Company Act of 1956 or any affiliate thereof from sponsoring, organizing, or controlling a registered, open-end investment company continuously engaged in the issuance of its shares, and from issuing, underwriting, selling, or distributing securities in general. Such laws and regulations do not prohibit such a holding company or affiliate from acting as investment adviser, transfer agent, or custodian to such an investment company or from purchasing shares of such a company as agent for and upon the order of their customer. The Fund's investment adviser, Star Bank, is subject to such banking laws and regulations.

Star Bank believes that it may perform the investment advisory services for the Fund contemplated by its advisory agreement with the Trust without violating the Glass-Steagall Act or other applicable banking laws or regulations. Changes in either federal or state statutes and regulations relating to the permissible activities of banks and their subsidiaries or affiliates, as well as further judicial or administrative decisions or interpretations of present or future statutes and regulations, could prevent Star Bank from continuing to perform all or a part of the above services for its customers and/or the Fund. In such event, changes in the operation of the Fund may occur, including the possible alteration or termination of any automatic or other Fund share investment and redemption services then being provided by Star Bank, and the Trustees would consider alternative investment advisers and other means of continuing available investment services. It is not expected that Fund shareholders would suffer any adverse financial consequences (if another adviser with equivalent abilities to Star Bank is found) as a result of any of these occurrences.

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 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. The Fund will provide detailed tax information for reporting purposes.

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 maximum 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 performance information normally reflects the effect of the maximum sales load which, if excluded, would increase the total return and yield. Occasionally, performance information which does not reflect the effect of the sales load may be quoted in advertising.

From time to time the Fund may advertise its performance using certain financial publications and/or compare its performance to certain indices.

STAR RELATIVE VALUE FUND
PORTFOLIO OF INVESTMENTS
NOVEMBER 30, 1993

<TABLE>
<CAPTION>

SHARES VALUE

<C>	<S>	<C>
COMMON STOCKS--95.8%		

BASIC INDUSTRY--5.8%		
12,000	Aluminum Co. of America	\$ 831,000
16,000	Dow Chemical Co.	930,000
35,000	Lubrizol Corp.	1,120,000
	Total	2,881,000

CAPITAL GOODS--17.4%		
23,000	General Electric Company	2,259,750
35,000	Intel Corp.	2,152,500
50,000	Martin Marietta Corp.	2,050,000
36,000	Raytheon Co.	2,205,000
	Total	8,667,250

CONSUMER CYCLICAL--13.9%		
15,000	Eastman Kodak Co.	913,125
40,000	Goodyear Tire and Rubber Co.	1,780,000
85,000	K Mart	1,997,500
42,000	Penney (J.C.), Inc.	2,241,750
	Total	6,932,375

CONSUMER STAPLES--8.6%		
25,000	Gillette Co.	1,562,500
7,500	Phillip Morris Cos. Inc.	419,063
40,000	Procter & Gamble Co.	2,270,000
	Total	4,251,563

ENERGY--15.7%		
60,000	Ashland Oil, Inc.	1,987,500
66,000	Nicor Inc.	1,815,000
21,000	Royal Dutch Petroleum	2,121,000
29,000	Texaco, Inc.	1,863,250
	Total	7,786,750

FINANCE--11.4%		
22,000	Banc One Corp.	822,250
15,000	Cincinnati Financial Corp.	780,000
30,000	Mellon Bank Corp.	1,665,000
17,000	Morgan (J.P.) & Co., Inc.	1,204,875
25,000	Nationsbank Corp.	1,178,125
	Total	5,650,250

</TABLE>

STAR RELATIVE VALUE FUND

<TABLE>

<CAPTION>

SHARES

VALUE

<C>	<S>	<C>
COMMON STOCKS--CONTINUED		
HEALTH CARE--6.2%		
39,000	Bristol Myers Squibb Co.	\$ 2,335,125
22,000	Merck & Co., Inc.	753,500
	Total	3,088,625
MISCELLANEOUS--4.1%		
23,000	ITT Corp.	2,047,000
TRANSPORTATION--2.8%		
22,000	Conrail, Inc.	1,372,250
UTILITIES--9.9%		
20,000	A T & T Co.	1,092,500
47,000	Pacific Gas and Electric Co.	1,615,625
40,000	Telefonos de Mexico SA	2,230,000
	Total	4,938,125
	TOTAL COMMON STOCKS (IDENTIFIED COST, \$41,399,665)	47,615,188

<CAPTION>
PRINCIPAL
AMOUNT

<C>	<S>	<C>
*REPURCHASE AGREEMENT--3.4%		
\$1,699,000	Donaldson, Lufkin & Jenrette Securities Corp., 3.22%, dated 11/30/93, due 12/1/93 (at amortized cost) (Note 2B)	1,699,000
	TOTAL INVESTMENTS (IDENTIFIED COST, \$43,098,665)	\$49,314,188+

</TABLE>

* Repurchase agreement is fully collateralized by U.S. government and/or agency obligations based on market prices as of the date of the portfolio.

+ The cost of investments for federal tax purposes amounts to \$43,098,665. The net unrealized appreciation on a federal tax cost basis amounts to \$6,215,523, which is comprised of \$6,308,007 appreciation and \$92,484 depreciation at November 30, 1993.

Note: The categories of investments are shown as a percentage of net assets (\$49,700,686) at November 30, 1993.

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

STAR RELATIVE VALUE FUND
STATEMENT OF ASSETS AND LIABILITIES
NOVEMBER 30, 1993

<TABLE>	<S>	<C>	<C>
ASSETS:			
	Investments in securities, at value (Notes 2A and 2B) (identified and tax cost, \$43,098,665)		\$49,314,188
	Cash		464
	Receivable for investments sold		1,071,700

Dividends and interest receivable	124,671
Receivable for Fund shares sold	77,767
Deferred expenses (Note 2F)	9,195
Total assets	50,597,985
LIABILITIES:	
Payable for investments purchased	\$766,393
Payable for Fund shares redeemed	89,443
Accrued expenses	41,463
Total liabilities	897,299
NET ASSETS for 4,212,851 shares of beneficial interest outstanding	\$49,700,686
NET ASSETS CONSIST OF:	
Paid-in capital	\$43,192,440
Unrealized appreciation of investments	6,215,523
Accumulated net realized gain on investments	158,261
Undistributed net investment income	134,462
Total	\$49,700,686
NET ASSET VALUE and Redemption Price Per Share: (\$49,700,686 / 4,212,851 shares of beneficial interest outstanding)	\$11.80
Computation of Offering Price: Offering Price Per Share (100/95.5) of 11.80*	\$12.36

</TABLE>

* See "What Shares Cost" on page 8 of the prospectus.

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

STAR RELATIVE VALUE FUND
STATEMENT OF OPERATIONS
YEAR ENDED NOVEMBER 30, 1993

<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Dividend income (Note 2C)			\$1,159,371
Interest income (Note 2C)			68,053
Total investment income			1,227,424
EXPENSES--			
Investment advisory fee (Note 5)		\$308,723	
Trustees' fees		1,105	
Administrative personnel and services (Note 5)		52,377	
Custodian fees (Note 5)		10,602	
Recordkeeping, transfer and dividend disbursing agent fees (Note 5)		51,418	
Fund share registration costs		24,756	
Legal fees		7,442	

Printing and postage		27,209	
Distribution fees (Note 5)		102,908	
Insurance premiums		8,500	
Auditing fees		18,508	
Miscellaneous		3,762	
Total expenses		617,310	
Deduct--			
Waiver of investment advisory fee (Note 5)	\$ 24,401		
Waiver of distribution fees (Note 5)	102,908	127,309	
Net expenses			490,001
Net investment income			737,423
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain on investment transactions (identified cost basis)--			686,144
Net change in unrealized appreciation (depreciation) of investments--			4,000,888
Net realized and unrealized gain on investments			4,687,032
Change in net assets resulting from operations			\$5,424,455

</TABLE>

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

STAR RELATIVE VALUE FUND
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,	
	1993	1992
<S>	<C>	<C>
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS--		
Net investment income	\$ 737,423	\$ 1,060,673
Net realized gain (loss) on investment transactions (\$686,144 net gain and \$256,346 net loss, respectively, as computed for federal income tax purposes) (Note 2D)	686,144	(256,346)
Change in unrealized appreciation (depreciation) of investments	4,000,888	4,194,203
Change in net assets resulting from operations	5,424,455	4,998,530
DISTRIBUTIONS TO SHAREHOLDERS (NOTE 3)--		
Dividends to shareholders from net investment income	(816,026)	(1,173,675)
FUND SHARE (PRINCIPAL) TRANSACTIONS (NOTE 4)--		
Proceeds from sale of shares	15,216,931	7,228,580
Net asset value of shares issued to shareholders electing to receive payment of distribution in Fund shares	26,210	--

Cost of shares redeemed	(8,304,775)	(5,913,681)
Change in net assets from Fund share transactions	6,938,366	1,314,899
Change in net assets	11,546,795	5,139,754
NET ASSETS:		
Beginning of period	38,153,891	33,014,137
End of period (including undistributed net investment income of \$134,462 and \$213,065, respectively)	\$49,700,686	\$38,153,891

</TABLE>

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

STAR RELATIVE VALUE FUND
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 1993

(1) ORGANIZATION

Star Funds (the "Trust") is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein present only those of Star Relative Value Fund (the "Fund"). 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.

(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. The policies are in conformity with generally accepted accounting principles.

A. INVESTMENT VALUATIONS--Equity portfolio securities listed on the New York Stock Exchange or any other national securities exchange are valued at the last sale price or, if there has been no sale on that day, at the mean between the bid and asked prices. Unlisted equity securities are valued at the latest bid prices. Bonds and other fixed income portfolio securities (which may trade on a national securities exchange and/or over-the-counter) are valued at the last sale price on a national securities exchange on that day, if available; otherwise, they shall be valued on the basis of prices provided by an independent pricing service, when such prices are believed to reflect the fair market value of such securities. Short-term obligations shall ordinarily be valued at the mean between the bid and asked prices as furnished by an independent pricing service. However, short-term obligations with maturities of 60 days or less are valued at amortized cost, which approximates value.

B. 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 in support of repurchase agreement investments. Additionally, procedures have been established by the Fund to monitor, on a daily basis, the market value of each repurchase agreement's underlying securities to ensure the existence of a proper level of collateral.

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 established by the Board of 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.

C. INCOME--Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Interest income includes interest, and discount earned (net of premium) on short-term obligations, and interest earned on all other debt securities including original issue discount as required by the Internal Revenue Code. Dividends to shareholders and capital gain distributions, if any, are recorded on the ex-dividend date.

D. FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the

Internal Revenue Code, as amended, applicable to investment companies and to distribute to shareholders each year all of its net taxable income, including any net realized gains on investments. Accordingly, no provision for federal tax is necessary.

- E. WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Fund may engage in when-issued or delayed delivery transactions. To the extent the Fund engages in such transactions, it will do so for the purpose of acquiring portfolio securities consistent with its investment objectives and policies and not for the purpose of investment leverage. The Fund will record a when-issued security and the related liability on the trade date. Until the securities are received and paid for, the Fund will maintain 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.
- F. 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 the shares, have been deferred and are being amortized using the straight-line method over a period of five years from the Fund's commencement date.
- G. EXPENSES--Expenses incurred by the Trust which do not specifically relate to an individual Fund are allocated among all Funds based on a Fund's relative daily average net assets or as deemed appropriate by the administrator.
- H. OTHER--Investment transactions are accounted for on the date of the transaction.

(3) DIVIDENDS AND DISTRIBUTIONS

Dividends are declared and paid quarterly to all shareholders invested in the Fund on the record date. Dividends are paid from the net investment income of the Fund. Net investment income consists of all dividends or interest received by the Fund less its expenses. Capital gains realized by the Fund, if any, are distributed at least once every twelve months.

(4) 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 Fund shares were as follows:

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,	
	1993	1992
<S>	<C>	<C>
Shares outstanding, beginning of period	3,626,003	3,499,134
Shares sold	1,350,233	717,249
Shares issued to shareholders electing to receive payment of distribution in Fund shares	2,318	--
Shares redeemed	(765,703)	(590,380)
Shares outstanding, end of period	4,212,851	3,626,003

</TABLE>

(5) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Star Bank, N.A., the Fund's investment adviser ("Adviser"), receives for its services an annual investment advisory fee equal to .75 of 1% of the Fund's average daily net assets. Adviser has voluntarily agreed to waive a portion of its fee. Adviser can modify or terminate this voluntary waiver of expense at any time at its sole discretion. For the year ended November 30, 1993, the advisory fee amounted to \$308,723, of which \$24,401 was voluntarily waived in accordance with such undertaking.

Federated Administrative Services ("FAS") provides the Fund with certain administrative personnel and services at an annual rate of .15 of 1% on the first \$250 million of average aggregate daily net assets of the Trust; .125 of 1% on the next \$250 million; .10 of 1% on the next \$250 million; and .075 of 1% on average aggregate daily net assets in excess of \$750 million. FAS may voluntarily waive a portion of its fee. For the year ended November 30, 1993,

FAS earned \$52,377, none of which was waived.

Expenses of organizing the Fund (\$33,500) were borne initially by FAS. The Fund has agreed to pay FAS, at an annual rate of .005 of 1% of average daily net assets, until the organization expenses are reimbursed or five years from December 5, 1990, the date the Trust's portfolio became effective, whichever occurs earlier. Pursuant to this agreement, the Fund reimbursed \$2,006 in organization expenses for the year ended November 30, 1993.

The Trust has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended. The Fund will compensate Federated Securities Corp. ("FSC"), the principal distributor, from the assets of the Fund, for fees it paid which relate to the distribution and administration of the Fund's shares. The Plan provides that the Fund will incur distribution expenses up to .25 of 1% of the average daily net assets of the Fund, annually, to pay commissions, maintenance fees and to compensate the distributor. FSC may voluntarily waive all or a portion of its fee. For the year ended November 30, 1993, FSC earned \$102,908 in distribution fees, all of which were voluntarily waived.

Star Bank, N.A., is the Fund's custodian. Federated Services Company is the Fund's transfer and dividend disbursing agent. It also provides certain accounting and recordkeeping services with respect to the Fund's portfolio of investments.

Certain Officers and Trustees of the Trust are also Officers and Directors of the above corporations.

(6) INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short-term obligations) for the year ended November 30, 1993 were as follows:

<TABLE>
<S> <C>

PURCHASES \$29,615,468

SALES \$23,245,375

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Trustees of STAR FUNDS (Star Relative Value Fund):

We have audited the accompanying statement of assets and liabilities of Star Relative Value Fund (an investment portfolio of STAR Funds, a Massachusetts business trust), including the schedule of portfolio investments, as of November 30, 1993, the related statement of operations, for the year then ended and the statement of changes in net assets, and financial highlights (see page 2 of the prospectus) for 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 November 30, 1993 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 Star Relative Value Fund, an investment portfolio of STAR Funds, as of November 30, 1993, and the results of its operations for the year then ended and the changes in its net assets, and financial highlights for the periods presented, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Pittsburgh, Pennsylvania

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ADDRESSES

<TABLE>

<S>	Star Relative Value Fund	<C> Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
-----	--------------------------	---

Distributor	Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
-------------	----------------------------	--

Investment Adviser	Star Bank, N.A.	425 Walnut Street Cincinnati, Ohio 45202
--------------------	-----------------	---

Custodian	Star Bank, N.A.	425 Walnut Street Cincinnati, Ohio 45202
-----------	-----------------	---

Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services	Federated Services Company	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
---	----------------------------	--

Legal Counsel	Houston, Houston & Donnelly	2510 Centre City Tower Pittsburgh, Pennsylvania 15222
---------------	-----------------------------	--

Legal Counsel	Dickstein, Shapiro & Morin	2101 L Street, N.W. Washington, D.C. 20037
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Independent Public Accountants	Arthur Andersen & Co.	2100 One PPG Place Pittsburgh, Pennsylvania 15222
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</TABLE>

STAR RELATIVE VALUE FUND
Prospectus

January 31, 1994

[LOGO] FEDERATED SECURITIES CORP.

DISTRIBUTOR

A SUBSIDIARY OF FEDERATED INVESTORS

FEDERATED INVESTORS TOWER
PITTSBURGH, PA 15222-3779

STAR BANK, N.A.
Investment Adviser

FEDERATED SECURITIES CORP.
Distributor

0110907A (1/94)

STAR RELATIVE VALUE FUND
(A PORTFOLIO OF THE STAR FUNDS)

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus of the Star Relative Value Fund (the "Fund") dated January 31, 1994. This Statement is not a prospectus itself. To receive a copy of the prospectus, write or call the Fund. If you are a trust customer of Star Bank, N.A., or its affiliates (i.e., you have an account held by such entity in a fiduciary, agency, custodial or similar capacity), please call 1-513-867-5134. If you are purchasing shares other than as a trust customer, please call 1-800-677-FUND.

FEDERATED INVESTORS TOWER
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated January 31, 1994

STAR BANK, N.A.
INVESTMENT ADVISER

FEDERATED SECURITIES CORP.
Distributor

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GENERAL INFORMATION ABOUT THE FUND

The Fund is a portfolio of Star Funds (the "Trust"). The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. On May 1, 1993, the Board of Trustees (the "Trustees") approved changing the name of the Trust, effective May 1, 1993, from Losantiville Funds to Star Funds and changing the Fund's name from Losantiville Relative Value Fund to Star Relative Value Fund.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to obtain the highest total return, a combination of income and capital appreciation, as is consistent with reasonable risk. The investment objective cannot be changed without the approval of shareholders. The policies described below may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

TYPES OF INVESTMENTS

Although the Fund may invest in other securities of these companies and in short-term money market instruments, it is the Fund's policy to invest at least 70% of its portfolio in common stocks of high-quality companies. Below are other securities in which the Fund may invest from time to time.

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 the U.S. government, its 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:

- . Federal Farm Credit Banks;
- . Federal Home Loan Banks;
- . Federal National Mortgage Association;
- . Student Loan Marketing Association; and
- . Federal Home Loan Mortgage Corporation.

BANK INSTRUMENTS

In addition to domestic bank obligations such as certificates of deposit, demand and time deposits, and bankers' acceptances, the Fund may invest in:

- . Eurodollar Certificates of Deposit issued by foreign branches of U.S. or foreign banks;
- . Eurodollar Time Deposits, which are U.S. dollar-denominated deposits in foreign branches of U.S. or foreign banks;
- . Canadian Time Deposits, which are U.S. dollar-denominated deposits issued by branches of major Canadian banks located in the United States; and
- . Yankee Certificates of Deposit, which are U.S. dollar-denominated certificates of deposit issued by U.S. branches of foreign banks and held in the United States.

CONVERTIBLE SECURITIES

Convertible bonds and convertible preferred stocks are fixed income securities that generally retain the investment characteristics of fixed income securities until they have been converted but also react to movements in the underlying equity securities. The holder is entitled to receive the fixed income of a bond or the dividend preference of a preferred stock until the holder elects to exercise the conversion privilege. Usable bonds are corporate bonds that can be used in whole or in part, customarily at full face value, in lieu of cash to purchase the issuer's common stock. When owned as part of a unit along with warrants, which are options to buy the common stock, they function as convertible bonds, except that the warrants generally will expire before the bond's maturity. Convertible securities are senior to equity securities, and, therefore, have a claim to assets of the corporation prior to the holders of common stock in the case of liquidation. However, convertible securities are generally subordinated to similar nonconvertible securities of the same company. The interest income and dividends from convertible bonds and preferred stocks provide a stable stream of income with generally higher yields than common stocks, but lower than non-convertible securities of similar quality.

The Fund will exchange or convert the convertible securities held in its portfolio into shares of the underlying common stock in instances in which, in the adviser's opinion, the investment characteristics of the underlying common shares will assist the Fund in achieving its investment objective. Otherwise, the Fund will hold or trade the convertible securities. In selecting convertible securities for the Fund, the adviser evaluates the investment characteristics of the convertible security as a fixed income instrument, and the investments potential of the underlying equity security for capital appreciation. In evaluating these matters with respect to a particular convertible security, the adviser considers numerous factors, including the economic and political outlook, the value of the security relative to other investment alternatives, trends in the determinants of the issuer's profits, and the issuer's management capability and practices.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. These transactions are made to secure what is considered to be an advantageous price and yield for the Fund. 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.

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 at the trade date. These securities are marked to market daily and maintained until the transaction is settled. The Fund may engage in these transactions to an extent that would cause the segregation of an amount up to 20% of the total value of its assets.

TEMPORARY INVESTMENTS

The Fund may also invest in temporary investments from time to time for defensive purposes.

The Fund may invest in money market instruments such as:

.instruments of domestic and foreign banks and savings and loans if they have capital, surplus, and undivided profits of over \$100,000,000, or if the principal amount of the instrument is federally insured; or

.commercial paper rated A-1 by Standard and Poor's Corporation, Prime-1 by Moody's Investors Service, Inc., or F-1 by Fitch Investors Service, Inc.

REPURCHASE AGREEMENTS

The Fund or its custodian will take possession of the securities subject to repurchase agreements, and these securities will be marked to market daily. In the event that such a defaulting seller 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 adviser to be creditworthy pursuant to guidelines established by the Trustees.

REVERSE REPURCHASE AGREEMENTS

The Fund may also enter into reverse repurchase agreements. These transactions are 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 maintained until the transaction is settled.

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 agreement.

PORTFOLIO TURNOVER

Although the Fund does not intend to invest for the purpose of seeking short-term profits, securities in its portfolio will be sold whenever the Fund's adviser believes it is appropriate to do so in light of the Fund's investment objective, without regard to the length of time a particular security may have been held. For the fiscal years ended November 30, 1993 and 1992, the Fund's portfolio turnover rates were 59% and 45%, respectively.

INVESTMENT LIMITATIONS

The Fund will not change any of the investment limitations described below without approval of shareholders.

SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any securities short or purchase any securities on margin, but may obtain such short-term credits as may be necessary for clearance of purchases and sales of portfolio securities.

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 net 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, 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, but only to the extent necessary to assure 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 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 its total assets in the securities of any one issuer, except in cash or cash investments, securities guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements collateralized by such securities. (For the purpose of this limitation, the Fund considers instruments issued by a U.S. branch of a domestic bank having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment to be "cash items.")

ACQUIRING SECURITIES

The Fund will not purchase more than 10% of the outstanding voting securities of any one issuer.

PURCHASING SECURITIES TO EXERCISE CONTROL

The Fund will not purchase securities of a company for the purpose of exercising control or management. However, the Fund may acquire up to 10% of the voting securities of an issuer and may exercise its voting power in the Fund's best interest. From time to time, the Fund, together with other investment companies advised by affiliates or subsidiaries of Star Bank, N.A., may together buy and hold substantial amounts of a company's voting stock. All such stock may be voted together. In some cases, the Fund and the other investment companies might collectively be considered to be in control of the company in which they have invested. Officers or affiliates of the Fund might possibly become directors of companies in which the Fund holds stock.

PURCHASING SECURITIES OF OTHER ISSUERS

The Fund will not purchase securities of other investment companies, except:

- . by purchase in the open market involving only customary brokerage commissions; or
- . as part of a merger, consolidation, reorganization, or other acquisition.

INVESTING IN NEW ISSUERS

The Fund will not invest more than 5% of the value of its total assets in securities of issuers with records of less than three years of continuous operations, including the operation of any predecessor.

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 if the officers and Trustees of the Trust or the Fund's investment adviser owning individually more than 1/2 of 1% of the issuer's securities together own more than 5% of the issuer's securities.

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 securities in accordance with its investment objective, policies and limitations.

INVESTING IN REAL ESTATE

The Fund will not invest in real estate, although it may invest in securities secured by real estate or interests in real estate.

INVESTING IN COMMODITIES OR MINERALS

The Fund will not purchase or sell commodities or commodity contracts or oil, gas, or other mineral development programs.

LENDING CASH OR SECURITIES

The Fund will not lend any of its assets, except that it may purchase or hold corporate or government bonds, debentures, notes, certificates of indebtedness or other debt securities permitted by its investment objective and policies.

CONCENTRATION OF INVESTMENTS IN ONE INDUSTRY

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

DEALING IN PUTS AND CALLS

The Fund will not write, purchase or sell puts, calls, straddles or spreads or any combination of them.

RESTRICTED SECURITIES

The Fund will not invest more than 10% of the value of its net assets in securities subject to restrictions on resale under the Securities Act of 1933 except for commercial paper issued under Section 4(2) of the Securities Act of 1933 and certain other restricted securities which meet the criteria for liquidity as established by the Trustees.

The following limitations may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these limitations becomes effective.

INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 15% of the value of its net assets in illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice, non-negotiable fixed time deposits with maturities over seven days, and certain restricted securities not determined by the Trustees to be liquid.

INVESTING IN WARRANTS

The Fund will not invest more than 5% of the value of its net assets in warrants. No more than 2% of this 5% may be in warrants which are not listed on the New York Stock Exchange or American Stock Exchange.

FOREIGN SECURITIES

The Fund will not invest more than 10% of its total assets in securities of foreign issuers.

In order to permit the sale of the Fund's shares in certain states, the Fund may make commitments more restrictive than the investment limitations described above. Accordingly, the Fund has undertaken not to invest in oil, gas, or other mineral leases, or real estate limited partnerships. Should the Fund determine that any such commitment is no longer in the best interests of the Fund and its shareholders, it will revoke the commitment by terminating sales of its shares in the states involved.

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, pledge securities, or purchase restricted securities in excess of 5% of the value of its net assets during the last fiscal year and has no present intent to do so in the coming fiscal year. In connection with investing in shares of other investment companies, it should be noted that investment companies incur certain expenses such as management fees, and, therefore, any investment by the Fund in such shares would be subject to duplicate expenses.

TRUST MANAGEMENT

OFFICERS AND TRUSTEES

Officers and Trustees of the Trust are listed with their addresses, principal occupations, and present positions. Except as listed below, none of the Trustees or officers are affiliated with Star Bank, N.A., Federated Investors, Federated Securities Corp., Federated Services Company, Federated Administrative Services, or the Funds (as defined below).

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITIONS WITH THE TRUST	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<S>	<C>	<C>
John F. Donahue** Federated Investors Tower Pittsburgh, PA	Chairman and Trustee	Chairman and Trustee, Federated Investors; Chairman and Trustee, Federated Advisers, Federated Management, and Federated Research; Director, AETna Life and Casualty Company; Chief Executive Officer and Director, Trustee, or Managing General Partner of the Funds; formerly, Director, The Standard Fire Insurance Company.
John T. Conroy, Jr. Wood/IPC Commercial Department John R. Wood and Associates, Inc., Realtors 3255 Tamiami Trail North Naples, FL	Trustee	President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; President, Northgate Village Development Corporation; General Partner or Trustee in private real estate ventures in Southwest Florida; Director, Trustee, or Managing General Partner of the Funds; formerly, President, Naples Property Management, Inc.
William J. Copeland One PNC Plaza-23rd Floor Pittsburgh, PA	Trustee	Director and Member of the Executive Committee, Michael Baker, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman and Director, PNC Bank, N.A., and PNC Bank Corp. and Director, Ryan Homes, Inc.
James E. Dowd 571 Hayward Mill Road Concord, MA	Trustee	Attorney-at-Law; Director, The Emerging Germany Fund, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Director, Blue Cross of Massachusetts, Inc.
Lawrence D. Ellis, M.D. 3471 Fifth Avenue Suite 1111 Pittsburgh, PA	Trustee	Hematologist, Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Clinical Professor of Medicine and Trustee, University of Pittsburgh; Director, Trustee, or Managing General Partner of the Funds.
Edward L. Flaherty, Jr.+ 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Director, Eat 'N Park Restaurants, Inc., and Statewide Settlement Agency, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Counsel, Horizon Financial, F.A., Western Region.
Edward C. Gonzales* Federated Investors Tower Pittsburgh, PA	President, Treasurer, and Trustee	Vice President, Treasurer, and Trustee, Federated Investors; Vice President and Treasurer, Federated Advisers, Federated Management, and Federated Research; Executive Vice President, Treasurer, and Director, Federated Securities Corp.; Trustee, Federated Services Company; Chairman, Treasurer, and Director, Federated Administrative Services; Trustee or Director of some of the Funds; Vice President and Treasurer of the Funds.
Peter E. Madden 225 Franklin Street Boston, MA	Trustee	Consultant; State Representative, Commonwealth of Massachusetts; Director, Trustee, or Managing General Partner of the Funds; formerly, President, State Street Bank and Trust Company and State Street Boston Corporation and Trustee, Lahey Clinic Foundation, Inc.
Gregor F. Meyer 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Chairman, Meritcare, Inc.; Director, Eat 'N Park Restaurants, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman, Horizon Financial, F.A.
Wesley W. Posvar 1202 Cathedral of Learning University of Pittsburgh	Trustee	Professor, Foreign Policy and Management Consultant; Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc.,

Pittsburgh, PA

and U.S. Space Foundation; Chairman, Czecho Slovak Management Center; Director, Trustee, or Managing General Partner of the Funds; President Emeritus, University of Pittsburgh; formerly, Chairman, National Advisory Council for Environmental Policy and Technology.

Marjorie P. Smuts
4905 Bayard Street
Pittsburgh, PA

Trustee

Public relations/marketing consultant; Director, Trustee, or Managing General Partner of the Funds.

Richard B. Fisher
Federated Investors Tower
Pittsburgh, PA

Vice President

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

Joseph S. Machi
Federated Investors Tower
Pittsburgh, PA

Vice President
and Assistant
Treasurer

Vice President, Federated Administrative Services; Vice President and Assistant Treasurer of some of the Funds.

John W. McGonigle
Federated Investors Tower
Pittsburgh, PA

Vice President
and Secretary

Vice President, Secretary, General Counsel and Trustee, Federated Investors; Vice President, Secretary, and Trustee, Federated Advisers, Federated Management, and Federated Research; Trustee, Federated Services Company; Executive Vice President, Secretary and Director, Federated Administrative Services; Director and Executive Vice President, Federated Securities Corp.; Vice President and Secretary of the Funds.

John A. Staley, IV
Federated Investors Tower
Pittsburgh, PA

Vice President

Vice President and Trustee, Federated Investors; Executive Vice President, Federated Securities Corp.; President and Trustee, Federated Advisers, Federated Management, and Federated Research; Vice President of the Funds; Director, Trustee, or Managing General Partner of some of the Funds; formerly, Vice President, The Standard Fire Insurance Company and President of its Federated Research Division.

</TABLE>

*This Trustee is deemed to be an "interested person" of the Trust as defined in the Investment Company Act of 1940.

+Member of the Trust's Executive Committee. The Executive Committee of the Board of Trustees handles the responsibilities of the Board of Trustees between meetings of the Board.

THE FUNDS

"The Funds" and "Funds" mean the following investment companies: A.T. Ohio Tax-Free Money Fund; American Leaders Fund, Inc.; Annuity Management Series; Automated Cash Management Trust; Automated Government Money Trust; BankSouth Select Funds; The Boulevard Funds; California Municipal Cash Trust; Cash Trust Series II; Cash Trust Series, Inc.; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; FT Series, Inc.; Federated ARMs Fund; Federated Exchange Fund, Ltd.; Federated GNMA Trust; Federated Government Trust; Federated Growth Trust; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Intermediate Government Trust; Federated Master Trust; Federated Municipal Trust; Federated Short-Intermediate Government Trust; Federated Short-Term U.S. Government Trust; Federated Stock Trust; Federated Tax-Free Trust; Federated U.S. Government Bond Fund; First Priority Funds; Fixed Income Securities, Inc.; Fortress Adjustable Rate U.S. Government Fund, Inc.; Fortress Municipal Income Fund, Inc.; Fortress Utility Fund, Inc.; Fund for U.S. Government Securities, Inc.; Government Income Securities, Inc.; High Yield Cash Trust; Insurance Management Series; Intermediate Municipal Trust; Investment Series Funds, Inc.; Investment Series Trust; Liberty Equity Income Fund, Inc.; Liberty High Income Bond Fund, Inc.; Liberty Municipal Securities Fund, Inc.; Liberty Term Trust, Inc.-1999; Liberty U.S. Government Money Market Trust; Liberty Utility Fund, Inc.; Liquid Cash Trust; Mark Twain Funds; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; New York Municipal Cash Trust; 111 Corcoran Funds; The Planters Funds; Portage Funds; RIMCO Monument Funds; The Shawmut Funds; Short-Term Municipal Trust; Signet Select Funds; Star Funds; The Starburst Funds; The Starburst Funds II; Stock and Bond Fund, Inc.; Sunburst Funds; Targeted Duration Trust; Tax-Free Instruments Trust; Trademark Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; and Trust for U.S. Treasury Obligations.

FUND OWNERSHIP

Officers and Trustees own less than 1% of the Fund's outstanding shares.

As of January 6, 1994, the following shareholder of record owned 5% or more of the outstanding shares of the Fund: Firstcinco, Cincinnati, Ohio, owned approximately 3,706,002 shares (85.32%).

TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees are not 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.

INVESTMENT ADVISORY SERVICES

ADVISER TO THE FUND

The Fund's investment adviser is Star Bank, N.A. ("Star Bank" or "Adviser"). Star Bank is a wholly-owned subsidiary of StarBanc Corporation. Star Bank shall not 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 it, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon it by its contract with the Trust.

ADVISORY FEES

For the fiscal years ended November 30, 1993 and 1992, and for the period from June 5, 1991 (date of initial public investment), to November 30, 1991, the Fund paid the Adviser or its predecessors (Star Bank, Butler County and Star Bank, Cincinnati) \$308,723, \$264,728, and \$123,318, respectively, of which \$24,401, \$264,728, and \$123,318, respectively, were voluntarily waived.

STATE EXPENSE LIMITATIONS

The Fund has undertaken to comply with the expense limitations established by certain states for investment companies whose shares are registered for sale in those states. If the Fund's normal operating expenses (including the investment advisory fee, but not including brokerage commissions, interest, taxes, and extraordinary expenses) exceed 2 1/2% per year of the first \$30 million of average net assets, 2% per year of the next \$70 million of average net assets, and 1 1/2% per year of the remaining average net assets, the Adviser has agreed to reimburse the Fund for its expenses over the limitation.

If the Fund's monthly projected operating expenses exceed this limitation, the investment advisory fee paid will be reduced by the amount of the excess, subject to an annual adjustment. If the expense limitation is exceeded, the amount to be reimbursed by the Adviser will be limited, in any single fiscal year, by the amount of the investment advisory fee.

This arrangement is not part of the advisory contract and may be amended or rescinded in the future.

ADMINISTRATIVE SERVICES

Federated Administrative Services, a subsidiary of Federated Investors, provides administrative personnel and services to the Fund for a fee as described in the prospectus. For the fiscal years ended November 30, 1993 and 1992, and for the period from June 5, 1991 (date of initial public investment), to November 30, 1991, the Fund incurred administrative service fees of \$52,377, \$45,917 and \$21,746, respectively.

In addition, John A. Staley, IV, an officer of the Trust, holds approximately 15% of the outstanding common stock and serves as a director of Commercial Data Services, Inc., a company which provides computer processing services to Federated Administrative Services. For the fiscal years ended November 30, 1993, 1992, and 1991, Federated Administrative Services paid approximately \$164,324, \$186,144, and \$193,178, respectively, for services provided by Commercial Data Services, Inc.

CUSTODIAN

Star Bank is custodian for the securities and cash of the Fund. Under the Custodian Agreement, Star Bank holds the Fund's portfolio securities in safekeeping and keeps all necessary records and documents relating to its duties. The custodian receives an annual fee equal to 0.025 of 1% of the Fund's average daily net assets.

BROKERAGE TRANSACTIONS

The Adviser may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the Adviser 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.

The Adviser exercises reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. It determines in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided.

Research services provided by brokers and dealers may be used by the Adviser in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the Adviser might otherwise have paid, it would tend to reduce its expenses.

For the fiscal years ended November 30, 1993 and 1992, and for the period ended November 30, 1991, the Fund paid total brokerage commissions of \$108,605, \$64,220, and \$58,970, respectively.

As of November 30, 1993, the Fund owned \$1,205 of securities of Morgan, J.P. & Co., Inc. one of its regular brokers/dealers that derives more than 15% of gross revenues from securities-related activities.

PURCHASING SHARES

Except under certain circumstances described in the prospectus, shares are sold at their net asset value plus a sales charge on days the New York Stock Exchange and the Federal Reserve Wire System are open for business. The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Connections Group Banking customers and Star Bank employees and members of their immediate family). The minimum initial investment may be waived from time to time for employees and retired employees of Star Bank, N.A., and for members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees. The procedure for purchasing shares of the Fund is explained in the prospectus under "Investing in the Fund."

DISTRIBUTION PLAN

With respect to the Fund, the Trust has adopted a Plan pursuant to Rule 12b-1 which was promulgated by the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (the "Plan"). The Plan provides for payment of fees to Federated Securities Corp. to finance any activity which is principally intended to result in the sale of the Fund's shares subject to the Plan. Such activities may include the advertising and marketing of shares of the Fund; preparing, printing, and distributing prospectuses and sales literature to prospective shareholders, brokers, or administrators; and implementing and operating the Plan. Pursuant to the Plan, Federated Securities Corp. may pay fees to brokers for distribution and administrative services and to administrators for administrative services as to shares. The administrative services are provided by a representative who has knowledge of the shareholder's particular circumstances and goals, and include, but are not limited to: communicating account openings; communicating account closings; entering purchase transactions; entering redemption transactions; providing or

arranging to provide accounting support for all transactions; wiring funds and receiving funds for share purchases and redemptions; confirming and reconciling all transactions; reviewing the activity in Fund accounts; providing training and supervision of broker personnel; posting and reinvesting dividends to Fund accounts or arranging for this service to be performed by the Fund's transfer agent; and maintaining and distributing current copies of prospectuses and shareholder reports to the beneficial owners of shares and prospective shareholders.

The Trustees expect that the adoption of the Plan will result in the sale of a sufficient number of shares so as to allow the Fund to achieve economic liability. It is also anticipated that an increase in the size of the Fund will facilitate more efficient portfolio management and assist the Fund in seeking to achieve its investment objective.

ADMINISTRATIVE ARRANGEMENTS

The administrative services include, but are not limited to, providing office space, equipment, telephone facilities, and various personnel, including clerical, supervisory, and computer, as is necessary or beneficial to establish and maintain shareholders' accounts and records, process purchase and redemption transactions, process automatic investments of client account cash balances, answer routine client inquiries regarding the Fund, assist clients in changing dividend options, account designations, and addresses, and providing such other services as the Fund may reasonably request.

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. Star Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

DETERMINING NET ASSET VALUE

The net asset value generally changes each day. The days on which the net asset value is calculated by the Fund are described in the prospectus.

DETERMINING MARKET VALUE OF SECURITIES

Market or fair values of the Fund's portfolio securities are determined as follows:

- . for equity securities and bonds and other fixed income securities, according to the last sale price on a national securities exchange, if available;
- . in the absence of recorded sales of equity securities, according to the mean between the last closing bid and asked prices and for bonds and other fixed income securities as determined by an independent pricing services;
- . for unlisted equity securities, the latest bid prices; or
- . for all other securities, at fair value as determined in good faith by the Trustees.

EXCHANGE PRIVILEGE

REQUIREMENTS FOR EXCHANGE

Shareholders using the exchange privilege must exchange shares having a net asset value of at least \$1,000. Before the exchange, the shareholder must receive a prospectus of the fund for which the exchange is being made. This privilege is available to shareholders resident in any state in which the fund shares being acquired may be sold. Upon receipt of proper instructions and required supporting documents, shares submitted for exchange are redeemed and the proceeds invested in shares of the other fund.

Further information on the exchange privilege and prospectuses may be obtained by calling Star Bank at the number on the cover of this Statement.

MAKING AN EXCHANGE

Instructions for exchanges may be given in writing. Written instructions may require a signature guarantee.

REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after Star Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. Redemption procedures are explained in the prospectus under "Redeeming Shares."

REDEMPTION IN KIND

Although the Trust 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 respective Fund's portfolio. To satisfy registration requirements in a particular state, redemption in kind will be made in readily marketable securities to the extent that such securities are available. If this state's policy changes, the Fund reserves the right to redeem in kind by delivering those securities it deems appropriate.

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

TAX STATUS

THE FUND'S TAX STATUS

The Fund will pay no federal income tax because it 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. The dividends received deduction for corporations will apply to ordinary income distributions to the extent the distribution represents amounts that would qualify for the dividends received deduction to the Fund if the Fund were a regular corporation, and to the extent designated by the Fund as so qualifying. Otherwise, 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 Fund shares.

TOTAL RETURN

The Fund's average annual total return for the fiscal year ended November 30, 1993, and for the period from June 5, 1991 (date of initial public investment), to November 30, 1993, were 9.27% and 7.86%, respectively.

The average annual total return for 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 maximum 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, less any applicable sales load, adjusted over the period by any additional shares, assuming the quarterly

reinvestment of all dividends and distributions.

YIELD

The Fund's yield for the thirty-day period ended November 30, 1993, was 1.68%.

The yield for 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 maximum offering price per share of the Fund on the last day of the period. This value is then 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 12-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, the performance will be reduced for those shareholders paying those fees.

PERFORMANCE COMPARISONS

The Fund's performance depends upon such variables as:

- . portfolio quality;
- . average portfolio maturity;
- . type of instruments in which the portfolio is invested;
- . changes in interest rates and market value of portfolio securities;
- . changes in Fund expenses; and
- . various other factors.

The Fund's performance fluctuates on a daily basis largely because net earnings and the maximum offering price per share fluctuate daily. Both net earnings and the maximum 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 net asset value. The financial publications and/or indices which the Fund uses in advertising may include:

- . LIPPER ANALYTICAL SERVICES, INC., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all income dividends and capital gains distributions, if any. From time to time, the Fund will quote its Lipper ranking in the "equity, growth and income" category in advertising and sale literature.
- . DOW 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.

Advertisements and other sales literature for the Fund may quote total returns which are calculated on non-standardized 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.

Advertisements may quote performance information which does not reflect the effect of the sales load.

APPENDIX

STANDARD AND POOR'S CORPORATION CORPORATE BOND RATINGS

AAA--Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA--Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A--Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

MOODY'S INVESTORS SERVICE, INC., CORPORATE BOND RATINGS

Aaa--Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa--Bonds which are rated Aa are judged to be of high quality by all standards. Together with the AAA group, they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in AAA securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in AAA securities.

A--Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

FITCH INVESTORS SERVICE, INC., LONG-TERM DEBT RATINGS

AAA--Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA--Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Because bonds rated in the AAA and AA categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated F-1+.

A--Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

0110906B (1/94)

STAR RELATIVE VALUE FUND

ANNUAL REPORT FOR FISCAL YEAR ENDED NOVEMBER 30, 1993

MANAGEMENT DISCUSSION & ANALYSIS:

STAR RELATIVE VALUE FUND (the "Fund") was established in 1990 to provide the opportunity for investment in a diversified portfolio of stocks which seek to maximize total return through capital appreciation combined with dividend and interest income. The stock selection process for the Fund utilizes investment disciplines which the Star Capital Management Division

has used successfully for several years. The investment emphasis is placed on stocks that have favorable value and earnings momentum characteristics as well as quality analyst and credit scores.

During the 12 months ending November 30, 1993, U.S. stocks have registered excellent results. Stimulated by recovering corporate profits, falling interest rates, and large flows of money into mutual funds, the Standard & Poor's 500 Index recorded a total return of +9.99% for the year ended November 30, 1993.* The Fund had a total return of +14.47% on a no-load, net asset value basis (+9.27% on a load basis) for the same period of time.**

The outlook for 1994 calls for moderate economic growth and upward pressure on inflation causing the Federal Reserve to tighten monetary policy during the first half of 1994. The continued improving profit picture allows us to remain optimistic on stocks. Stock selection will probably be a key in determining performance returns in 1994 as various sectors of the market rotate in and out of favor. Capital goods and energy stocks remain our favorite place to invest.

The Fund's stock selection approach is designed to allow the Fund to invest in stocks which are undervalued relative to the stocks comprising the Standard & Poor's 500. These stocks tend to be medium to high capitalization companies spread amongst ten different sectors of the market. When stocks offer more potential total return than bonds or cash, the Fund will attempt to remain fully invested in stocks to take advantage of the opportunity to participate in up markets, thus seeking to generate capital appreciation.

* This index is unmanaged.

** Past performance is not indicative of future results. Investment return and principal value will fluctuate, so when shares are redeemed, they may be worth more or less than the original cost.

PERFORMANCE COMPARISON

COMPARISON OF CHANGE IN VALUE OF A HYPOTHETICAL \$10,000 PURCHASE IN STAR RELATIVE VALUE FUND AND THE STANDARD & POOR'S 500 INDEX

Graphic representation "A1" omitted. See Appendix.

Past performance is not indicative 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 annual report incorporates by reference and accompanies the prospectus dated January 31, 1994.

*Reflects operations of the Star Relative Value Fund from the start of business, June 5, 1991, through November 30, 1993.

**Represents a hypothetical investment of \$10,000 in the Star Relative Value Fund, after deducting the maximum sales charge of 4.50% (\$10,000 investment minus \$450 sales charge = \$9,550). The Fund's performance assumes the reinvestment of all dividends and distributions.

The Standard & Poor's 500 Index IS adjusted to reflect reinvestment of dividends on securities in the index.

FEDERATED SECURITIES CORP.

Distributor
0110907ARS (1/94)

STAR U.S. GOVERNMENT INCOME FUND
(A PORTFOLIO OF THE STAR FUNDS)

PROSPECTUS

The shares offered by this prospectus represent interests in the Star U.S. Government Income Fund (the "Fund"), which is a diversified investment portfolio in the Star Funds (the "Trust"), an open-end management investment company (a mutual fund).

The primary investment objective of the Fund is current income. Capital appreciation is a secondary objective. The Fund pursues its investment objectives by investing primarily in securities issued or guaranteed as to payment of principal and interest by the U.S. government, its agencies or

instrumentalities.

THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF STAR BANK, N.A., OR ITS AFFILIATES, ARE NOT ENDORSED OR GUARANTEED BY STAR BANK, N.A., OR ITS AFFILIATES, 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 January 31, 1994, with the Securities and Exchange Commission. 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 free of charge, obtain other information, or make inquiries about the Fund by writing to the Fund or calling 1-800-677-FUND.

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

Prospectus dated January 31, 1994

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SUMMARY OF FUND EXPENSES	
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<TABLE>		
<S>		<C>
	SHAREHOLDER TRANSACTION EXPENSES	
Maximum Sales Load Imposed on Purchases		
(as a percentage of offering price).....		3.50%
Maximum Sales Load Imposed on Reinvested Dividends		
(as a percentage of offering price).....		None

Deferred Sales Load (as a percentage of original purchase price or redemption proceeds, as applicable).....	None
Redemption Fees (as a percentage of amount redeemed, if applicable).....	None
Exchange Fee.....	None
ANNUAL FUND OPERATING EXPENSES (As a percentage of average net assets)	
Management Fee (after waiver) (1).....	0.55%
12b-1 Fees (after waiver) (2).....	0.00%
Total Other Expenses.....	0.57%
Total Fund Operating Expenses (3).....	1.12%

</TABLE>

- (1) The management fee has been reduced to reflect the voluntary waiver by the investment adviser. The adviser may terminate this voluntary waiver at any time at its sole discretion. The maximum management fee is 0.60%.
- (2) Under the Fund's Rule 12b-1 Distribution Plan, the Fund can pay the distributor up to 0.25% as a 12b-1 fee. The 12b-1 fee has been reduced to reflect the voluntary waiver of compensation by the distributor. The distributor can terminate this voluntary waiver at any time at its sole discretion. The distributor has no present intention of collecting 12b-1 fees.
- (3) The Total Fund Operating Expenses are estimated to be 1.42% absent the anticipated voluntary waivers described in Notes 1 and 2.

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 "STAR FUNDS INFORMATION" AND "INVESTING IN THE FUND."

<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. The Fund charges no redemption fees.....				
	\$46	\$69	\$95	\$167
</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.

STAR U.S. GOVERNMENT INCOME FUND
FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

Reference is made to the Report of Independent Public Accountants on page 23.

<TABLE>	
<CAPTION>	
<S>	<C>
	PERIOD ENDED NOVEMBER 30, 1993*
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS	
Net investment income	0.51
Net realized and unrealized gain on investments	0.25
Total from investment operations	0.76
LESS DISTRIBUTIONS	
Dividends to shareholders from net investment income	(0.51)
NET ASSET VALUE, END OF PERIOD	\$ 10.25
TOTAL RETURN**	7.63%
RATIOS TO AVERAGE NET ASSETS	

Expenses	1.12% (a)
Net investment income	5.55% (a)
Expense waiver/reimbursement (b)	0.30% (a)
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$44,187
Portfolio turnover rate	105%

</TABLE>

* Reflects operations for the period from January 5, 1993 (date of initial public investment), to November 30, 1993.

** Based on net asset value which does not reflect the sales load or redemption fee, if applicable.

(a) Computed on an annualized basis.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 5).

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

Further information about the Fund's performance is contained in the Fund's annual report dated January 31, 1994, which can be obtained free of charge.

GENERAL INFORMATION

Star Funds was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. 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 that portfolio of the Trust known as the Star U.S. Government Income Fund.

The Fund is designed primarily for customers of StarBanc Corporation and its subsidiaries as a convenient means of accumulating an interest in a professionally managed, diversified portfolio investing at least 65% of the value of its total assets in securities issued or guaranteed as to payment of principal and interest by the U.S. government, its agencies or instrumentalities. A minimum initial investment of \$1,000 (\$25 for Star Connections Group Banking customers and Star Bank employees and members of their immediate family) is required.

INVESTMENT INFORMATION

INVESTMENT OBJECTIVES

The primary investment objective of the Fund is current income. Capital appreciation is a secondary objective. The investment objectives cannot be changed without approval of shareholders. While there is no assurance that the Fund will achieve its investment objectives, it endeavors to do so by following the investment policies described in this prospectus.

INVESTMENT POLICIES

Under normal circumstances, the Fund pursues its investment objectives by investing at least 65% of the value of its total assets in securities issued or guaranteed as to payment of principal and interest by the U.S. government, its agencies or instrumentalities. For purposes of this 65% statement, the Fund will consider collateralized mortgage obligations issued by U.S. government agencies or instrumentalities to be U.S. government securities. Additionally, up to 35% of the value of the Fund's total assets may be invested in investment-grade corporate debt obligations, commercial paper, time and savings deposits, and securities of foreign issuers.

Unless indicated otherwise, the investment policies of the Fund may be changed by the Board of Trustees (the "Trustees") without the approval of shareholders. Shareholders will be notified before any material change in these investment policies becomes effective.

ACCEPTABLE INVESTMENTS. The U.S. government securities in which the Fund will

invest include:

direct obligations of the U.S. Treasury, such as bills, notes, and bonds;
and

obligations of U.S. government agencies or instrumentalities such as Federal Home Loan Banks, Federal National Mortgage Association, Government National Mortgage Association, Banks for Cooperatives, Federal Farm Credit Banks, Tennessee Valley Authority, Export-Import Bank of the United States, Commodity Credit Corporation, Federal Financing Bank, Student Loan Marketing Association, Federal Home Loan Mortgage Corporation, or National Credit Union Administration.

Some obligations issued or guaranteed by agencies or instrumentalities of the U.S. government, such as Government National Mortgage Association participation certificates, are backed by the full faith and credit of the U.S. Treasury. No assurance can be given that the U.S. government will provide financial support to other agencies or instrumentalities since it is not obligated to do so. These instrumentalities are supported by:

the issuer's right to borrow an amount limited to a specific line of credit from the U.S. Treasury;

discretionary authority of the U.S. government to purchase certain obligations of an agency or instrumentality; or

the credit of the agency or instrumentality.

MORTGAGE-BACKED SECURITIES. Mortgage-backed securities are securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. There are currently three basic types of mortgage-backed securities: (i) those issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, such as the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA"), and the Federal Home Loan Mortgage Corporation ("FHLMC"); (ii) those issued by private issuers that represent an interest in or are collateralized by mortgage-backed securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities; and (iii) those issued by private issuers that represent an interest in or are collateralized by whole loans or mortgage-backed securities without a government guarantee but usually having some form of private credit enhancement.

Mortgage-backed securities generally pay back principal and interest over the life of the security. At the time the Fund reinvests the payments and any unscheduled prepayments of principal received, the Fund may receive a rate of interest which is actually lower than the rate of interest paid on these securities ("prepayment risks"). Mortgage-backed securities are subject to higher prepayment risks than most other types of debt instruments with prepayment risks because the underlying mortgage loans may be prepaid without penalty or premium. Prepayment risks on mortgage-backed securities tend to increase during periods of declining mortgage interest rates because many borrowers refinance their mortgages to take advantage of the more favorable rates. Prepayments on mortgage-backed securities are also affected by other factors, such as the frequency with which people sell their homes or elect to make unscheduled payments on their mortgages.

ADJUSTABLE RATE MORTGAGE SECURITIES ("ARMS"). ARMS are pass-through mortgage securities with adjustable rather than fixed interest rates. The ARMS in which the Fund invests are issued by the GNMA, FNMA, and FHLMC and are actively traded. The underlying mortgages which collateralize ARMS issued by GNMA are fully guaranteed by the Federal Housing Administration or Veterans Administration, while those collateralizing ARMS issued by FHLMC or FNMA are typically conventional residential mortgages conforming to strict underwriting size and maturity constraints.

COLLATERALIZED MORTGAGE OBLIGATIONS ("CMOS"). CMOS are debt obligations by mortgage loans or mortgage pass-through securities. Typically, CMOS are collateralized by GNMA, FNMA, or FHLMC certificates, but may be collateralized by whole loans or private pass-through securities.

The Fund will invest only in CMOS which are rated AAA by a nationally recognized statistical rating organization and which may be: (a) collateralized by pools of mortgages in which each mortgage is guaranteed as to payment of principal and interest by an agency or instrumentality of the U.S. government; (b) collateralized by pools of mortgages in which payment of principal and interest is guaranteed by the issuer and such guarantee is collateralized by U.S. government securities; or (c) securities in which the proceeds of the issuance are invested in mortgage securities and payment of the principal and interest are supported by the credit of an agency or instrumentality of the U.S. government. Privately issued CMOS are not considered U.S. government securities.

REPURCHASE AGREEMENTS. The U.S. government securities in which the Fund invests may be purchased pursuant to repurchase agreements. Repurchase agreements are arrangements in which banks, broker/dealers, and other recognized financial institutions sell U.S. government 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 seller does not repurchase the securities from the Fund, the Fund could receive less than the repurchase price on any sale of such securities.

OTHER ACCEPTABLE INVESTMENTS. Up to 35% of the value of the Fund's total assets may be invested in the following investments:

domestic issues of corporate debt obligations having floating or fixed rates of interest and rated at the time of purchase in one of the four highest categories by a nationally recognized statistical rating organization rated Baa or better by Moody's Investors Service, Inc. ("Moody's"), or BBB or better by Standard & Poor's Corporation ("S&P") or Fitch Investors Service, Inc. ("Fitch") or which, if unrated, are of comparable quality in the judgment of the Fund's investment adviser. (Bonds rated BBB by S&P or Fitch or Baa by Moody's have speculative characteristics. Changes in economic conditions or other circumstances are more likely to lead to weakened capacity to make principal and interest payments than higher rated bonds.) Downgrades will be evaluated on a case-by-case basis by the adviser. The adviser will determine

whether

or not the security continues to be an acceptable investment. If not, the security will be sold;

commercial paper which matures in 270 days or less and is rated Prime-1 or Prime-2 by Moody's, A-1 or A-2 by S&P, or F-1 or F-2 by Fitch;

time and savings deposits (including certificates of deposit) in commercial or savings banks whose accounts are insured by the Bank Insurance Fund or the Savings Association Insurance Fund, both of which are administered by the Federal Deposit Insurance Corporation ("FDIC"), including certificates of deposit and other time deposits issued by foreign branches of FDIC insured banks, and banker's acceptances; and

securities of foreign issuers which are freely traded on United States securities exchanges or in the over-the-counter market in the form of depository receipts. (Securities of a foreign issuer may present greater risks in the form of nationalization, confiscation, domestic marketability, or other national or international restrictions. As a matter of practice, the Fund will not invest in the securities of a foreign issuer if any such risk appears to the investment adviser to be substantial.)

RESTRICTED AND ILLIQUID SECURITIES. The Fund may invest up to 15% of its total assets in restricted securities. This restriction is not applicable to commercial paper issued under Section 4(2) of the Securities Act of 1933. Restricted securities are any securities in which the Fund may otherwise invest pursuant to its investment objectives and policies, but which are subject to restriction on resale under federal securities law. The Fund will limit investments in illiquid securities, including certain restricted securities not determined by the Trustees to be liquid, non-negotiable time deposits, over-the-counter options, and repurchase agreements providing for settlement in more than seven days after notice, to 15% of its net assets.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Fund may purchase portfolio 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. In when-issued and delayed delivery transactions, the Fund relies on the seller to complete the transaction. The seller's failure to complete the transaction may cause the Fund to miss a price or yield considered to be advantageous.

OTHER INVESTMENT TECHNIQUES. The Fund may purchase put options on its portfolio securities. These options will be used as a hedge to attempt to protect securities which the Fund holds against decreases in value. The Fund may also write covered call options on all or any portion of its portfolio to generate income for the Fund. The Fund will write call options on securities either held in its portfolio or which it has the right to obtain without payment of further consideration or for which it has segregated cash or U.S. government securities in the amount of any additional consideration.

The Fund may purchase and sell futures contracts and purchase and sell options on futures contracts on its portfolio securities in order to hedge all or a portion of its investments.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES. The Fund may invest in the securities of other investment companies, but it will not own more than 3%

of the total outstanding voting stock of any investment company, invest more than 5% of its total assets in any one investment company, or invest more than 10% of its total assets in investment companies in general. The Fund will invest in other investment companies primarily for the purpose of investing short-term cash which has not yet been invested in other portfolio instruments. It should be noted that investment companies incur certain expenses such as management fees and, therefore, any investment by a fund in shares of another investment company would be subject to such duplicate expenses. The investment adviser will waive its investment advisory fee on assets invested in securities of open-end investment companies.

LENDING OF PORTFOLIO SECURITIES. In order to generate additional income, the Fund may lend portfolio securities up to one-third of the value of its total assets on a short-term or long-term basis 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 investment adviser has determined are creditworthy under guidelines established by the Trustees and 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 at all times.

INVESTMENT LIMITATIONS

The Fund will not:

borrow money or pledge securities 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 limitation cannot be changed without shareholder approval.

STAR FUNDS INFORMATION

MANAGEMENT OF THE TRUST

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

INVESTMENT ADVISER. Investment decisions for the Fund are made by Star Bank, N.A., the Fund's investment adviser (the "Adviser" or "Star Bank"), subject to direction by the Trustees. The Adviser continually conducts investment research and supervision for the Fund and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the Fund.

ADVISORY FEES. The Adviser receives an annual investment advisory fee equal to 0.60 of 1% of the Fund's average daily net assets. The Adviser has undertaken to reimburse the Fund, up to the amount of the advisory fee, for operating expenses in excess of limitations established by certain states. The Adviser may voluntarily choose to waive a portion of its fee or reimburse the Fund for certain operating expenses.

ADVISER'S BACKGROUND. Star Bank, a national bank, was founded in 1863 and is the largest bank and trust organization of StarBanc Corporation. As of December 31, 1993, Star Bank had an asset base of \$7.6 billion.

Star Bank's expertise in trust administration, investments, and estate planning ranks it among the most predominant trust institutions in Ohio, with assets of \$12.5 billion as of December 31, 1993.

Star Bank has managed commingled funds since 1957. As of December 31, 1993, it manages 12 common trust funds and collective investment funds having a market value in excess of \$394 million. Additionally, Star Bank has advised the portfolios of the Trust since 1989.

Kirk F. Mentzer is a Fixed Income Manager for the Capital Management Division of Star Bank. He has been the Fund's portfolio manager since its inception in January 1993. Mr. Mentzer joined Star Bank in May 1989 as a micro systems analyst, and has served as an investment analyst since June 1990. From 1989 through June 1990, Mr. Mentzer was employed by Star Bank as a systems analyst. From May 1988 through 1989, Mr. Mentzer was employed by Great American Insurance as a management trainee.

DISTRIBUTION OF FUND SHARES

Federated Securities Corp. is the distributor for shares of the Fund. It is a Pennsylvania corporation organized on November 14, 1969, and is the distributor for a number of investment companies. Federated Securities Corp. is a subsidiary

of Federated Investors.

DISTRIBUTION PLAN. Pursuant to the provisions of a distribution plan adopted in accordance with the Investment Company Act Rule 12b-1 (the "Plan"), the Fund will pay to Federated Securities Corp. an amount computed at an annual rate of 0.25 of 1% of the average daily net asset value of the shares to finance any activity which is principally intended to result in the sale of shares subject to the Plan.

Federated Securities Corp. may from time to time, and for such periods as it deems appropriate, voluntarily reduce its compensation under the Plan to the extent the expenses attributable to the shares exceed such lower expense limitation as the distributor may, by notice to the Trust, voluntarily declare to be effective.

The distributor may select financial institutions such as banks, fiduciaries, custodians for public funds, investment advisers, and broker/dealers to provide sales and/or administrative services as agents for their clients or customers who beneficially own shares. Administrative services may include, but are not limited to, the following functions: providing office space, equipment, telephone facilities, and various personnel (including clerical, supervisory, and computer) 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 regarding the Fund; assisting clients in changing dividend options, account designations, and addresses; and providing such other services as the Fund reasonably requests.

Financial institutions will receive fees from the distributor 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 distributor.

The Fund's 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.

The Glass-Steagall Act limits the ability of a depository institution (such as a commercial bank or a savings and loan association) from being an underwriter or distributor of most securities. In the event the Glass-Steagall Act is deemed to prohibit depository institutions from acting in the capacities described above or should Congress relax current restrictions on depository institutions, the Trustees will consider appropriate changes in the services.

State securities laws governing the ability of depository institutions to act as underwriters or distributors of securities may differ from interpretations given to the Glass-Steagall Act and, therefore, banks and financial institutions may be required to register as dealers pursuant to state law.

ADMINISTRATIVE ARRANGEMENTS. The distributor may select brokers and dealers to provide distribution and administrative services. The distributor may also select administrators (including depository institutions such as commercial banks and savings and loan associations) to provide administrative services. These administrative services include distributing prospectuses and other information, providing accounting assistance, and communicating or facilitating purchases and redemptions of the Fund's shares.

Brokers, dealers, and administrators will receive fees from the distributor based upon shares of the Fund owned by their clients or customers. The fees are calculated as a percentage of the average aggregate net asset value of shareholder accounts during the period for which the brokers, dealers, and administrators provide services. The current annual rate of such fees is up to 0.30 of 1% for the Fund. Any fees paid for these services by the distributor will be reimbursed by the Adviser. Payments made here are in addition to any payments made under the Fund's Rule 12b-1 Distribution Plan.

ADMINISTRATION OF THE FUND

ADMINISTRATIVE SERVICES. Federated Administrative Services, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, provides the Fund with certain administrative personnel and services necessary to operate the Fund, such as legal and accounting services. Federated Administrative Services provides these at an annual rate as specified below:

<TABLE>

<CAPTION>

MAXIMUM ADMINISTRATIVE FEE	AVERAGE AGGREGATE DAILY NET ASSETS OF THE TRUST
-------------------------------	--

<S>	<C>
.150 of 1%	on the first \$250 million
.125 of 1%	on the next \$250 million
.100 of 1%	on the next \$250 million
.075 of 1%	on assets in excess of \$750 million

</TABLE>

The administrative fee received during any fiscal year shall be at least \$50,000 per Fund. Federated Administrative Services may voluntarily waive a portion of its fee.

CUSTODIAN. Star Bank, N.A., Cincinnati, Ohio, is custodian for the securities and cash of the Fund.

TRANSFER AGENT, DIVIDEND DISBURSING AGENT, AND PORTFOLIO ACCOUNTING SERVICES. Federated Services Company, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, is transfer agent and dividend disbursing agent for the Fund. It also provides certain accounting and recordkeeping services with respect to the Fund's portfolio investments.

LEGAL COUNSEL. Legal counsel for the Fund is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania, and Dickstein, Shapiro & Morin, Washington, D.C.

INDEPENDENT PUBLIC ACCOUNTANTS. The independent public accountants for the Fund are Arthur Andersen & Co., Pittsburgh, Pennsylvania.

BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Adviser looks for prompt execution of the order at a favorable price. In working with dealers, the Adviser 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 Adviser 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 Adviser makes decisions on portfolio transactions and selects 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

MINIMUM INVESTMENT REQUIRED

The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Connections Group Banking customers and Star Bank employees and members of their immediate family). Subsequent investments may be in any amounts. For customers of Star Bank, an institutional investor's minimum investment will be calculated by combining all mutual fund accounts it maintains with Star Bank and invests with the Fund.

WHAT SHARES COST

Fund shares are sold at their net asset value next determined after an order is received, plus a sales charge as follows:

<TABLE>	<C>	<C>
<S>	SALES CHARGE AS A	SALES CHARGE AS A
	PERCENTAGE OF PUBLIC	PERCENTAGE OF NET
AMOUNT OF TRANSACTION	OFFERING PRICE	AMOUNT INVESTED
Less than \$100,000	3.50%	3.62%
\$100,000 but less than \$250,000	3.00%	3.09%
\$250,000 but less than \$500,000	2.00%	2.04%
\$500,000 but less than \$1,000,000	1.50%	1.52%
\$1,000,000 or more	0.00%	0.00%

The net asset value is determined at 4:00 p.m. (Eastern time), 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; or (iii) the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

PURCHASES AT NET ASSET VALUE. Shareholders who are trust or private banking customers of StarBanc Corporation and its subsidiaries are exempt from sales charges. In addition, the following persons may also purchase shares of the Fund at net asset value, without a sales charge: employees and retired employees of Star Bank, Federated Securities Corp., or their affiliates, or any bank or investment dealer who has a sales agreement with Federated Securities Corp. with regard to the Fund, and members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees.

SALES CHARGE REALLOWANCE. For sales of shares of the Fund, Star Bank or any authorized dealer will normally receive up to 89% of the applicable sales charge. Any portion of the sales charge which is not paid to Star Bank or a dealer will be retained by the distributor. However, the distributor, in its sole discretion, may uniformly offer to pay all dealers selling shares of the Fund additional amounts, all or a portion of which may be paid from the sales charge it normally retains or any other source available to it. Such additional payments, if accepted by the dealer, may be in the form of cash or promotional incentives and will be predicated upon the amount of shares of the Fund sold by the dealer.

The sales charge for shares sold other than through Star Bank or registered broker/dealers will be retained by the distributor. The distributor may pay fees to banks out of the sales charge in exchange for sales and/or administrative services performed on behalf of the bank's customers in connection with the initiation of customer accounts and purchases of Fund shares.

REDUCING THE SALES CHARGE

The sales charge can be reduced on the purchase of Fund shares through:

- quantity discounts and accumulated purchases;
- signing a 13-month letter of intent;
- using the reinvestment privilege; or
- concurrent purchases.

QUANTITY DISCOUNTS AND ACCUMULATED PURCHASES. As shown in the previous table, larger purchases reduce the sales charge paid. The Fund will combine purchases made on the same day by the investor, his spouse, and his children under age 21 when it calculates the sales charge.

If an additional purchase of Fund shares is made, the Fund will consider the previous purchases still invested in the Fund. For example, if a shareholder already owns shares having a current value at the net asset value of \$90,000 and he purchases \$10,000 more at the current net asset value, the sales charge on the additional purchase according to the schedule now in effect would be 3.00%, not 3.50%.

To receive the sales charge reduction, Star Bank or the distributor must be notified by the shareholder in writing at the time the purchase is made that Fund shares are already owned or that purchases are being combined. The Fund will reduce the sales charge after it confirms the purchases.

LETTER OF INTENT. If a shareholder intends to purchase at least \$100,000 of Fund shares over the next 13 months, the sales charge may be reduced by signing a letter of intent to that effect. This letter of intent includes a provision for a sales charge adjustment depending on the amount actually purchased within the 13-month period and a provision for the Fund's custodian to hold 3.50% of the total amount intended to be purchased in escrow (in shares of the Fund) until such purchase is completed.

The 3.50% held in escrow will be applied to the shareholder's account at the end of the 13-month period unless the amount specified in the letter of intent is not purchased. In this event, an appropriate number of escrowed shares may be redeemed in order to realize the difference in the sales charge.

This letter of intent will not obligate the shareholder to purchase shares, but if the shareholder does, each purchase during the period will be at the sales charge applicable to the total amount intended to be purchased. This letter may be dated as of a prior date to include any purchases made within the past 90 days.

REINVESTMENT PRIVILEGE. If shares in the Fund have been redeemed, the shareholder has a one-time right, within 30 days, to reinvest the redemption proceeds at the next-determined net asset value without any sales charge. Star

Bank or the distributor must be notified by the shareholder in writing or by his financial institution of the reinvestment in order to eliminate a sales charge. If the shareholder redeems his shares in the Fund, there may be tax consequences. Shareholders contemplating such transactions should consult their own tax advisers.

CONCURRENT PURCHASES. For purposes of qualifying for a sales charge reduction, a shareholder has the privilege of combining concurrent purchases of two or more funds in the Trust, the purchase price of which includes a sales charge. For example, if a shareholder concurrently invested \$30,000 in one of the other funds in the Trust with a sales charge and \$70,000 in this Fund, the sales charge would be reduced.

To receive this sales charge reduction, Star Bank or the distributor must be notified by the shareholder in writing at the time the concurrent purchases are made. The Fund will reduce the sales charge after it confirms the purchases.

SYSTEMATIC INVESTMENT PLAN

Once a Fund account has been opened, shareholders may add to their investment on a regular basis in a minimum amount of \$100. Under this plan, funds may be withdrawn periodically from the shareholder's checking account and invested in Fund shares at the net asset value next determined after an order is received by Star Bank, plus the applicable sales charge. A shareholder may apply for participation in this plan through Star Bank.

SHARE PURCHASES

Fund shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business.

A customer of Star Bank may purchase shares of the Fund through Star Bank. Texas residents must purchase shares through Federated Securities Corp. at 1-800-356-2805. In connection with the sale of Fund shares, the distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Fund reserves the right to reject any purchase request.

THROUGH STAR BANK. To place an order to purchase shares of the Fund, a customer of Star Bank may telephone Star Bank at 1-800-677-FUND or place the order in person. Purchase orders given by telephone may be electronically recorded.

Payment may be made to Star Bank either by check or federal funds. When payment is made with federal funds, the order is considered received when federal funds are received by Star Bank. Purchase orders must be telephoned to Star Bank by 4:00 p.m. (Eastern time) and payment by federal funds must be received by Star Bank before 3:00 p.m. (Eastern time) on the following day. Orders are considered received after payment by check is converted into federal funds and received by Star Bank.

For purchases by employees, individual investors, or through registered broker/dealers, requests must be received by Star Bank by 4:00 p.m. (Eastern time) and payment is normally required in five business days.

Shares cannot be purchased on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers.

BY MAIL. To purchase shares of the Fund by mail, individual investors may send a check made payable to Star U.S. Government Income Fund to Star Shareholder Services, Star Bank, N.A., 425 Walnut Street, ML 7135, Cincinnati, Ohio 45202. Orders by mail are considered received after payment by check is converted by Star Bank into federal funds. This is normally five business days after Star Bank receives the check.

EXCHANGING SECURITIES FOR FUND SHARES

The Fund may accept securities in exchange for Fund shares. The Fund will allow such exchanges only upon the prior approval of the Fund and a determination by the Fund and its Adviser that the securities to be exchanged are acceptable.

Any securities exchanged must meet the investment objectives and policies of the Fund, must have a readily ascertainable market value, must be liquid, and must not be subject to restrictions on resale. The Fund acquires the exchanged securities for investment and not for resale. The market value of any securities exchanged in an initial investment, plus any cash, must be at least \$25,000.

Securities accepted by the Fund will be valued 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, or other rights attached to the securities become the property of the Fund, along with the securities.

CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Fund, Federated Services Company maintains a share account for each shareholder of record. Share certificates are not issued.

Detailed confirmations of each purchase or redemption are sent to each shareholder and dividend confirmations are sent to each shareholder to report dividends paid.

DIVIDENDS AND CAPITAL GAINS

Dividends are declared daily and paid monthly. Capital gains realized by the Fund, if any, will be distributed at least once every 12 months. Dividends and capital gains will be automatically reinvested in additional shares of the Fund on payment dates at net asset value, unless cash payments are requested by writing to the Fund or Star Bank.

EXCHANGE PRIVILEGE

All shareholders of the Fund are shareholders of the Star Funds. Star Funds currently consists of the Fund, Star Prime Obligations Fund, Star Relative Value Fund, Star Tax-Free Money Market Fund, Star Treasury Fund, and The Stellar Fund. Until further notice, through a telephone exchange program, shareholders invested in the money market funds can exchange only among the other money market funds of the Trust, and shareholders invested in the non-money market funds can exchange only among the other non-money market funds of the Trust. Each portfolio in the Star Funds is advised by Star Bank and distributed by Federated Securities Corp.

EXCHANGING SHARES

Shareholders of the Fund may exchange shares of the Fund for shares of the other funds in the Star Funds. In addition, shares of the Fund may also be exchanged for certain other funds distributed by Federated Securities Corp. that are not advised by Star Bank, N.A. ("Federated Funds"). For further information on the availability of Federated Funds for exchanges, please call Star Bank, N.A. at the telephone number listed on the front cover. Shareholders who exercise this exchange privilege must exchange shares having a total net asset value of at least \$1,000. Prior to any exchange, the shareholder must receive a copy of the current prospectus of the fund into which an exchange is to be effected.

Shares may be exchanged at net asset value, plus the difference between the Fund's sales charge (if any) already paid and any sales charge of the fund into which shares are to be exchanged, if higher.

When an exchange is made from a fund with a sales charge to a fund with no sales charge, the shares exchanged and additional shares which have been purchased by reinvesting dividends on such shares retain the character of the exchanged shares for purposes of exercising further exchange privileges; thus, an exchange of such shares for shares of a fund with a sales charge would be at net asset value.

The exchange privilege is available to shareholders residing in any state in which the fund shares being acquired may legally be sold. Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value.

Written exchange instructions may require a signature guarantee. Exercise of this privilege is treated as a sale for federal income tax purposes and, depending on the circumstances, a short or long-term capital gain or loss may be realized. The exchange privilege may be terminated at any time. Shareholders will be notified of the termination of the exchange privilege. A shareholder may obtain further information on the exchange privilege by calling Star Bank at 1-800-677-FUND.

EXCHANGE-BY-TELEPHONE

Instructions for exchanges between funds which are part of the Star Funds may be given by telephone to Star Bank at 1-800-677-FUND or to the distributor. Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations. Exchange instructions given by telephone may be electronically recorded.

Telephone exchange instructions must be received before 3:00 p.m. (Eastern time)

for shares to be exchanged the same day. The telephone exchange privilege may be modified or terminated at any time. Shareholders will be notified of such modification or termination. Shareholders of the Fund may have difficulty in making exchanges by telephone through brokers, banks, or other financial institutions during times of drastic economic or market changes. If a shareholder cannot contact his broker, bank, or financial institution by telephone, it is recommended that an exchange request be made in writing and sent by overnight mail.

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

REDEEMING SHARES

The Fund redeems shares at their net asset value next determined after Star Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. Requests for redemption can be made in person or by telephone through Star Bank.

BY TELEPHONE. A shareholder who is a customer of Star Bank may redeem shares of the Fund by telephoning Star Bank at 1-800-677-FUND. Redemption requests given by telephone may be electronically recorded. For calls received by Star Bank before 4:00 p.m. (Eastern time), proceeds will normally be wired the following day to the shareholder's account at Star Bank or a check will be sent to the address of record. In no event will proceeds be wired or a check mailed more than seven days after a proper request for redemption has been received. 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 the Fund to accept telephone requests must first be completed. Authorization forms and information on this service are available from Star Bank.

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.

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

REDEMPTION BEFORE PURCHASE INSTRUMENTS CLEAR

When shares are purchased by check, those shares are not available, and the shares may not be exchanged, until Federated Services Company is reasonably certain that the purchase check has cleared, which could take up to 10 calendar days.

SYSTEMATIC WITHDRAWAL PLAN

Under a Systematic Withdrawal Plan, accounts may arrange for regular monthly or quarterly fixed withdrawal payments. Each payment must be at least \$100 and may be as much as 1.50% per month or 4.50% per quarter of the total net asset value of the shares in the account when the Systematic Withdrawal Plan is opened. Depending upon the amount of the withdrawal payments and the amount of dividends paid with respect to Fund shares, redemptions may reduce, and eventually deplete, the shareholder's investment in the Fund. For this reason, payments under this plan should not be considered as yield or income on the shareholder's investment in the Fund. Due to the fact that shares are sold with a sales charge, it is not advisable for shareholders to be purchasing shares of the Fund while participating in this plan.

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 the required minimum value of \$1,000 due to shareholder redemptions.

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.

REDEMPTION IN KIND

The Trust is obligated to redeem shares solely in cash up to \$250,000 or 1% of the respective Fund's net asset value, whichever is less, for any one shareholder within a 90-day period.

Any redemption beyond this amount will also be in cash unless the Trustees determine that payments should be in kind. In such a case, the Fund will pay all

or a portion of the remainder of the redemption in portfolio instruments, valued in the same way that net asset value is determined. The portfolio instruments will be selected in a manner that the Trustees deem fair and equitable.

Redemption in kind is not as liquid as a cash redemption. If redemption is made in kind, shareholders receiving their securities and selling them before their maturity could receive less than the redemption value of their securities and could incur transaction costs.

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 or the Fund's operation and for the election of Trustees under certain circumstances. As of January 6, 1994, Firstcinc, Cincinnati, Ohio, owned 64.63% of the voting securities of the Fund, and therefore, may for certain purposes, be deemed to control the Fund and be able to affect the outcome of certain matters presented for a vote of shareholders.

Trustees may be removed by a two-thirds vote of the number of Trustees prior to such removal or by a two-thirds vote of the shareholders of the Trust at a special meeting. A special meeting of shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the Trust's outstanding shares of all series entitled to vote.

MASSACHUSETTS PARTNERSHIP LAW

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

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required, by the Declaration of Trust, to use its property 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. Therefore, financial loss resulting from liability as a shareholder will occur only if the Trust cannot meet its obligations to indemnify shareholders and pay judgments against them from its assets.

EFFECT OF BANKING LAWS

The Glass-Steagall Act and other banking laws and regulations presently prohibit a bank holding company registered under the Bank Holding Company Act of 1956 or any affiliate thereof from sponsoring, organizing, or controlling a registered, open-end investment company continuously engaged in the issuance of its shares, and from issuing, underwriting, selling, or distributing securities in general. Such laws and regulations do not prohibit such a holding company or affiliate from acting as investment adviser, transfer agent, or custodian to such an investment company or from purchasing shares of such a company as agent for and upon the order of their customer. The Fund's investment adviser, Star Bank, is subject to such banking laws and regulations.

Star Bank believes that it may perform the investment advisory services for the Fund contemplated by its advisory agreements with the Trust without violating the Glass-Steagall Act or other applicable banking laws or regulations. Changes in either federal or state statutes and regulations relating to the permissible activities of banks and their subsidiaries or affiliates, as well as further judicial or administrative decisions or interpretations of present or future statutes and regulations, could prevent Star Bank from continuing to perform all or a part of the above services for its customers and/or the Fund. In such event, changes in the operation of the Fund may occur, including the possible alteration or termination of any automatic or other Fund share investment and redemption services then being provided by Star Bank, and the Trustees would consider alternative investment advisers and other means of continuing available investment services. It is not expected that Fund shareholders would suffer any adverse financial consequences (if another adviser with equivalent abilities to Star Bank is found) as a result of any of these occurrences.

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 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. The Fund will provide detailed tax information for reporting purposes.

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 maximum 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 performance information normally reflects the effect of the maximum sales load which, if excluded, would increase the total return and yield. Occasionally, performance information which does not reflect the effect of the sales load may be quoted in advertising.

From time to time, the Fund may advertise its performance using certain financial publications and/or compare its performance to certain indices.

STAR U.S. GOVERNMENT INCOME FUND
PORTFOLIO OF INVESTMENTS

NOVEMBER 30, 1993

<TABLE>

<CAPTION>

PRINCIPAL AMOUNT		VALUE
<S>	<C>	<C>
CORPORATE BONDS--23.5%		
\$ 500,000	Boeing Co., 7.95%, 8/15/2024	\$ 545,340
1,000,000	Cincinnati Gas & Electric Co., 8.95%, 12/15/2021	1,138,860
150,000	Ford Motor Credit Corp., 3.625%, 7/19/96	150,000
105,000	General Electric Capital Corp., 8.52%, 12/15/2007	109,539
1,000,000	Georgia Power Co., 6.625%, 4/1/2003	1,010,650
500,000	International Lease Finance Corp., 5.75%, 3/15/98	502,595
1,000,000	K-Mart Corp., 8.375%, 7/1/2022	1,100,850

350,000	Morgan (J.P.) & Co. Inc., 7.25%, 1/15/2002	378,889
750,000	NationsBank Corp., 6.875%, 2/15/2005	764,910
300,000	Pacific Telephone & Telegraph Co., 7.25%, 2/1/2008	298,095
1,000,000	Philip Morris Cos, Inc., 9.75%, 5/1/97	1,132,520
500,000	Procter & Gamble Co., 7.375%, 3/1/2023	509,780
500,000	Republic New York Corp., 7.25%, 7/15/2002	532,490
62,000	Southern California Edison Co., 8.375%, 12/1/2017	63,563
150,000	Southern California Edison Co., 9.25%, 6/15/2021	165,866
1,000,000	Union Pacific Corp., 6.00%, 9/1/2003	973,220
500,000	Wal-Mart Stores, Inc., 6.375%, 3/1/2003	506,685
500,000	Waste Management, Inc., 4.625%, 4/14/96	495,370
	TOTAL CORPORATE BONDS (IDENTIFIED COST, \$10,378,945)	10,379,222
U.S. GOVERNMENT OBLIGATIONS--15.5%		
400,000	Federal Home Loan Bank, 7.26%, 5/26/99	420,460
500,000	Federal Home Loan Mortgage Association, 7.50%, 8/15/2016	509,070
1,000,000	Federal Home Loan Mortgage Association, 9.00%, 6/21/2001	1,029,380
500,000	Federal National Mortgage Association, 5.00%, 12/25/2018	488,960
600,000	Federal National Mortgage Association, 5.50%, 8/25/2001	602,538
1,530,000	Federal National Mortgage Association, 6.50%, 11/1/2008	1,541,475
1,500,000	Federal National Mortgage Association, 7.25%, 1/25/2019	1,533,735
700,000	Federal National Mortgage Association, 7.50%, 8/25/2018	723,275
	TOTAL U.S. GOVERNMENT OBLIGATIONS (IDENTIFIED COST, \$6,930,686)	6,848,893
U.S. TREASURY OBLIGATIONS--55.4%		
U.S. TREASURY BONDS--14.1%		
\$ 5,200,000	8.125%, 8/15/2019	\$ 6,215,612
U.S. TREASURY NOTES--41.3%		
2,250,000	3.875%, 2/28/95	2,250,697
3,600,000	4.25%, 7/31/95	3,610,116
1,500,000	4.625%, 8/15/95	1,513,110
3,250,000	5.875%, 5/15/95	3,336,320
1,000,000	7.875%, 2/15/96	1,074,060
2,250,000	7.875%, 8/15/2001	2,563,583
3,000,000	8.25%, 7/15/98	3,384,360
500,000	8.625%, 8/15/94	517,810
	Total	18,250,056
	TOTAL U.S. TREASURY OBLIGATIONS (IDENTIFIED COST, \$24,755,418)	24,465,668
*REPURCHASE AGREEMENT--4.1%		
1,826,000	Donaldson, Lufkin & Jenrette Securities Corp., 3.22%, dated 11/30/93, due 12/1/93 (at amortized cost) (Note 2B)	1,826,000
	TOTAL INVESTMENTS (IDENTIFIED COST, \$43,891,049)	\$ 43,519,783

</TABLE>

* Repurchase agreement is fully collateralized by U.S. government and/or agency obligations based on market prices at the date of the portfolio.

\ The cost of investments for federal tax purposes amounts to \$43,891,049. The net unrealized depreciation of investments on a federal tax cost basis amounts to \$371,266, which is comprised of \$102,074 appreciation and \$473,340 depreciation at November 30, 1993.

Note: The categories of investments are shown as a percentage of net assets (\$44,187,458) at November 30, 1993.

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

STAR U.S. GOVERNMENT INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES

NOVEMBER 30, 1993

	<C>	<C>
ASSETS:		
Investments in securities, at value (Notes 2A and 2B) (identified cost and tax cost, \$43,891,049)		\$ 43,519,783
Cash		96
Receivable for investments sold		1,272,674
Interest receivable		731,629
Receivable for Fund shares sold		341,295
Total assets		45,865,477
LIABILITIES:		
Payable for investments purchased	\$ 1,524,995	
Dividends payable	39,412	
Payable for Fund shares redeemed	7,048	
Accrued expenses	106,564	
Total liabilities		1,678,019
NET ASSETS for 4,312,239 shares of beneficial interest outstanding)		\$ 44,187,458
NET ASSETS CONSIST OF:		
Paid-in capital		\$ 44,096,089
Unrealized depreciation of investments		(371,266)
Accumulated net realized gain on investments		462,635
Total		\$ 44,187,458
NET ASSET VALUE and Redemption Price Per Share: (\$44,187,458 / 4,312,239 SHARES OF BENEFICIAL INTEREST OUTSTANDING)		\$10.25
COMPUTATION OF OFFERING PRICE:		
Offering Price Per Share (100/96.5) of \$10.25*		\$10.62

*See "What Shares Cost" on page 8 of the prospectus.

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

STAR U.S. GOVERNMENT INCOME FUND

STATEMENT OF OPERATIONS
 FOR THE PERIOD FROM THE DATE OF INITIAL PUBLIC INVESTMENT, JANUARY 5, 1993,
 TO NOVEMBER 30, 1993

	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest income (Note 2C)			\$ 1,605,024
EXPENSES:			
Investment advisory fee (Note 5)		\$ 144,364	
Trustees' fees			405
Administrative personnel and services (Note 5)			30,974
Custodian fees (Note 5)			6,824
Recordkeeping, transfer and dividend disbursing agent fees (Note 5)			56,809
Legal fees			7,964
Printing and postage			20,290
Distribution fees (Note 5)			60,152
Insurance premiums			8,000
Miscellaneous			6,271
Total expenses		342,053	
Deduct--			
Waiver of investment advisory fee (Note 5)	\$ 12,030		
Waiver of distribution fees (Note 5)	60,152	72,182	
Net expenses			269,871
Net investment income			1,335,153
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain on investment transactions (identified cost basis)			462,635
Net change in unrealized appreciation (depreciation) of investments			(371,266)
Net realized and unrealized gain on investments			91,369
Change in net assets resulting from operations			\$ 1,426,522

</TABLE>

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

STAR U.S. GOVERNMENT INCOME FUND
 STATEMENT OF CHANGES IN NET ASSETS

	PERIOD ENDED NOVEMBER 30, <C> 1993*
INCREASE (DECREASE) IN NET ASSETS:	
OPERATIONS--	

Net investment income	\$ 1,335,153
Net realized gain on investment transactions (\$461,719 net gain, as computed for federal income tax purposes) (Note 2D)	462,635
Change in unrealized appreciation (depreciation) of investments	(371,266)
Change in net assets resulting from operations	1,426,522
DISTRIBUTIONS TO SHAREHOLDERS (NOTE 3)--	
Dividends to shareholders from net investment income	(1,335,153)
FUND SHARE (PRINCIPAL) TRANSACTIONS (NOTE 4)--	
Proceeds from sale of shares	47,885,941
Net asset value of shares issued to shareholders electing to receive payment of dividends in Fund shares	133,549
Cost of shares redeemed	(3,923,401)
Change in net assets from Fund share transactions	44,096,089
Change in net assets	44,187,458
NET ASSETS:	
Beginning of period	--
End of period	\$ 44,187,458

</TABLE>

*The period from the date of initial public investment, January 5, 1993, to November 30, 1993.

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

STAR U.S. GOVERNMENT INCOME FUND
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 1993

(1) ORGANIZATION

Star Funds (the "Trust") is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein present only those of Star U.S. Government Income Fund (the "Fund"). 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.

(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. The policies are in conformity with generally accepted accounting principles.

- A. INVESTMENT VALUATIONS--Listed securities are valued at the last sale price reported on national security exchanges. Unlisted securities, or securities in which there are no sales, and private placement securities are valued on the basis of prices provided by independent pricing services. Short-term obligations are valued at the mean between the bid and asked prices as furnished by an independent pricing service; however, such issues with maturities of sixty days or less are valued at amortized cost, which approximates market value.

U.S. government obligations are valued at the mean between the over-the-counter bid and asked prices as furnished by an independent pricing service. U.S. government obligations maturing in sixty days or less are valued at amortized cost, which approximates value.

- B. 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 in support of repurchase agreement investments. Additionally, procedures have been established by the Fund to monitor, on a daily basis, the market value of

each repurchase agreement's underlying securities to ensure the existence of a proper level of collateral.

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 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.

- C. INCOME--Interest income is recorded on the accrual basis. Interest income includes interest and discount earned (net of premium) on short-term obligations, and interest earned on all other debt securities including original issue discount as required by the Internal Revenue Code.
- D. FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the Internal Revenue Code, as amended, applicable to investment companies and to distribute to shareholders each year all of its taxable income, including any net realized gains on investments. Accordingly, no provision for federal tax is necessary.
- E. WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Fund may engage in when-issued or delayed delivery transactions. To the extent the Fund engages in such transactions, it will do so for the purpose of acquiring portfolio securities consistent with its investment objectives and policies and not for the purpose of investment leverage. The Fund will record a when-issued security and the related liability on the trade date. Until the securities are received and paid for, the Fund will maintain 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.
- F. EXPENSES--Expenses incurred by the Trust which do not specifically relate to an individual fund are allocated among all funds based on a fund's relative daily average net assets or as deemed appropriate by the administrator.
- G. OTHER--Investment transactions are accounted for on the date of the transaction.

(3) DIVIDENDS AND DISTRIBUTIONS

The Fund computes its net income daily and, immediately prior to the calculation of its net asset value at the close of business, declares and records dividends, excluding capital gains, to shareholders of record at the time of the previous computation of the Fund's net asset value. Payment of dividends is made monthly in cash, or in additional shares at the net asset value on the payable date. Capital gains realized by the Fund, if any, are distributed at least once every twelve months.

(4) 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 Fund shares were as follows:

<TABLE> <CAPTION>	PERIOD ENDED 11/30/93* <C>
<S>	
-----	-----
Shares outstanding, beginning of period	--
-----	-----
Shares sold	4,681,976
-----	-----
Shares issued to shareholders electing to receive payments of dividends in Fund shares	12,892
-----	-----
Shares redeemed	(382,629)
-----	-----
Shares outstanding, end of period	4,312,239
-----	-----
</TABLE>	

* The period from date of initial public investment, January 5, 1993, to November 30, 1993.

(5) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Star Bank, N.A., the Fund's investment adviser ("Adviser"), receives for its services an annual investment advisory fee equal to .60 of 1% of the Fund's average daily net assets. Adviser has voluntarily agreed to waive a portion of its fee. Adviser can modify or terminate this voluntary waiver of expense at any time at its sole discretion. For the period from January 5, 1993 (date of initial public investment) to November 30, 1993, the investment advisory fee amounted to \$144,364, of which \$12,030 was voluntarily waived in accordance with such understanding.

Federated Administrative Services ("FAS") provides the Fund with certain administrative personnel and services at an annual rate of .15 of 1% on the first \$250 million of average aggregate daily net assets of the Trust; .125 of 1% on the next \$250 million; .10 of 1% on the next \$250 million; and .075 of 1% on average aggregate daily net assets in excess of \$750 million. FAS may voluntarily waive a portion of its fee. For the period ended November 30, 1993, FAS earned \$30,974, none of which was waived.

Expenses of organizing the Fund (\$25,000) were borne initially by FAS. The Fund has agreed to reimburse FAS for the organization expenses borne by FAS during the five year period following November 23, 1992, the date the Trust's portfolio became effective.

The Fund has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended. The Fund will compensate Federated Securities Corp. ("FSC"), the principal distributor, from the assets of the Fund, for fees it paid which relate to the distribution and administration of the Fund's shares. The Plan provides that the Fund will incur distribution expenses up to .25 of 1% of the average daily net assets of the Fund annually to pay commissions, maintenance fees and to compensate the distributor. FSC may voluntarily waive all or a portion of its fee. For the period ended November 30, 1993, FSC earned \$60,152 in distribution fees, all of which were voluntarily waived.

Star Bank, N.A., is the Fund's custodian. Federated Services Company is the Fund's transfer and dividend disbursing agent. It also provides certain accounting and recordkeeping services with respect to the Fund's portfolio of investments.

Certain Officers and Trustees of the Trust are also Officers and Directors of the above corporations.

(6) INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short-term obligations) for the period ended November 30, 1993 were as follows:

<TABLE>	
<S>	<C>

PURCHASES	\$ 67,800,635

SALES	\$ 26,198,221

</TABLE>	

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Trustees of
STAR FUNDS (Star U.S. Government Income Fund):

We have audited the accompanying statement of assets and liabilities of Star U.S. Government Income Fund (an investment portfolio of STAR Funds, a Massachusetts business trust), including the schedule of portfolio investments, as of November 30, 1993, the related statement of operations, for the year then ended, and the statement of changes in net assets, and financial highlights (see page 2 of the prospectus) for 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

2102102A (1/94)

STAR U.S. GOVERNMENT INCOME FUND

(A PORTFOLIO OF THE STAR FUNDS)

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus of the Star U.S. Government Income Fund (the "Fund") dated January 31, 1994. This Statement is not a prospectus itself. To receive a copy of the prospectus, write to the Fund or call 1-800-677-FUND.

FEDERATED INVESTORS TOWER
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated January 31, 1994

STAR BANK, N.A.
INVESTMENT ADVISER

FEDERATED SECURITIES CORP.
Distributor

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GENERAL INFORMATION ABOUT THE FUND

The Fund is a portfolio of the Star Funds (the "Trust"). The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. On May 1, 1993, the Board of Trustees (the "Trustees") approved changing the name of the Trust, effective May 1, 1993, from Losantiville Funds to Star Funds and changing the Fund's name from Losantiville U.S. Government Income Fund to Star U.S. Government Income Fund.

INVESTMENT OBJECTIVES AND POLICIES

The primary investment objective of the Fund is current income. Capital appreciation is a secondary objective. The investment objectives cannot be changed without the approval of shareholders. The policies described below may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

TYPES OF INVESTMENTS

Under normal circumstances, the Fund pursues its investment objectives by investing at least 65% of the value of its total assets in securities issued or guaranteed as to payment of principal and interest by the U.S. government, its agencies or instrumentalities. For purposes of this 65% statement, the Fund will consider collateralized mortgage obligations issued by U.S. government agencies or instrumentalities to be U.S. government securities. Additionally, up to 35% of the value of the Fund's total assets may be invested in investment-grade corporate debt obligations, commercial paper, time and savings deposits, and securities of foreign issuers.

MORTGAGE-BACKED SECURITIES

Mortgage-backed securities generally pay back principal and interest over the life of the security. At the time the Fund reinvests the payments and any unscheduled prepayments of principal received, the Fund may receive a rate of interest which is actually lower than the rate of interest paid on these securities ("prepayments risks"). Mortgage-backed securities are

subject to higher prepayments risks than most other types of debt instruments with prepayment risks because the underlying mortgage loans may be prepaid without penalty or premium. Prepayment risk on mortgage-backed securities tends to increase during periods of declining mortgage interest rates because many borrowers refinance their mortgages to take advantage of the more favorable rates. Prepayments on mortgage-backed securities are also affected by other factors, such as the frequency with which people sell their homes or elect to make unscheduled payments on their mortgages.

ADJUSTABLE RATE MORTGAGE SECURITIES ("ARMS")

Unlike conventional bonds, ARMS pay back principal over the life of the ARMS rather than at maturity. Thus, a holder of the ARMS, such as the Fund, would receive monthly scheduled payments of principal and interest and may receive unscheduled principal payments representing prepayments on the underlying mortgages. At the time that a holder of the ARMS reinvests the payments and any unscheduled prepayments of principal that it receives, the holder may receive a rate of interest which is actually lower than the rate of interest paid on the existing ARMS. As a consequence, ARMS may be a less effective means of "locking in" long-term interest rates than other types of U.S. government securities.

Like other U.S. government securities, the market value of ARMS will generally vary inversely with changes in market interest rates. Thus, the market value of ARMS generally declines when interest rates rise and generally rises when interest rates decline.

While ARMS generally entail less risk of a decline during periods of rapidly rising rates, ARMS may also have less potential for capital appreciation than other similar investments (e.g., investments with comparable maturities) because as interest rates decline, the likelihood increases that mortgages will be prepaid. Furthermore, if ARMS are purchased at a premium, mortgage foreclosures and unscheduled principal payments may result in some loss of a holder's principal investment to the extent of the premium paid. Conversely, if ARMS are purchased at a discount, both a scheduled payment of principal and an unscheduled prepayment of principal would increase current and total returns and would accelerate the recognition of income, which would be taxed as ordinary income when distributed to shareholders.

COLLATERALIZED MORTGAGE OBLIGATIONS ("CMOS")

The following example illustrates how mortgage cash flows are prioritized in the case of CMOS--most of the CMOS in which the Fund invests use the same basic structure:

- (1) Several classes of securities are issued against a pool of mortgage collateral. The most common structure contains four classes of securities: The first three (A, B, and C bonds) pay interest at their stated rates beginning with the issue date; the final class (Z bond) typically receives any excess income from the underlying investments after payments are made to the other classes and receives no principal or interest payments until the shorter maturity classes have been retired, but then receives all remaining principal and interest payments.
- (2) The cash flows from the underlying mortgages are applied first to pay interest and then to retire securities.
- (3) The classes of securities are retired sequentially. All principal payments are directed first to the shortest-maturity class (or A bond). When those securities are completely retired, all principal payments are then directed to the next-shortest-maturity security (or B bond). This process continues until all of the classes have been paid off.

Because the cash flow is distributed sequentially instead of pro-rata, as with pass-through securities, the cash flows and average lives of CMOS are more predictable, and there is a period of time during which the investors in the longer-maturity classes receive no principal paydowns.

REPURCHASE AGREEMENTS

The Fund or its custodian will take possession of the securities subject to repurchase agreements, and these securities will be 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 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 adviser to be creditworthy pursuant to guidelines established by the Trustees.

RESTRICTED AND ILLIQUID SECURITIES

The Fund may invest in commercial paper issued in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933. Section 4(2) commercial paper is restricted as to disposition under federal securities law and is generally sold to institutional investors, such as the Fund, who agree that they are purchasing the paper for investment purposes and not with a view to public distribution. Any resale by the purchaser must be in an exempt transaction. Section 4(2) commercial paper is normally resold to other institutional investors like the Fund through or with the assistance of the issuer or investment dealers who make a market in Section 4(2) commercial paper, thus providing liquidity.

The ability of the Trustees to determine the liquidity of certain restricted securities is permitted under a Securities and Exchange Commission ("SEC") Staff position set forth in the adopting release for Rule 144A under the Securities Act of 1933 (the "Rule"). The Rule is a non-exclusive safe-harbor for certain secondary market transactions involving securities subject to restrictions on resale under federal securities laws. The Rule provides an exemption from registration for resales of otherwise restricted securities to qualified institutional buyers. The Rule was expected to further enhance the liquidity of the secondary market for securities eligible for resale under Rule 144A. The Fund believes that the Staff of the SEC has left the question of determining the liquidity of all restricted securities (eligible for resale under Rule 144A) to the Trustees. The Trustees consider the following criteria in determining the liquidity of certain restricted securities:

the frequency of trades and quotes for the security;

the number of dealers willing to purchase or sell the security and the number of other potential buyers;

dealer undertakings to make a market in the security; and

the nature of the security and the nature of the marketplace trades.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The Fund engages in when-issued and delayed delivery transactions only for the purpose of acquiring portfolio securities consistent with the Fund's investment objectives and policies and not for investment leverage.

These transactions are made to secure what is considered to be an advantageous price and yield for the Fund. 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.

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 at the trade date. These securities are marked to market daily and are maintained until the transaction is settled.

As a matter of policy, 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.

FUTURES AND OPTIONS TRANSACTIONS

The Fund may attempt to hedge all or a portion of its portfolio by buying and selling futures contracts, buying put options on portfolio securities and listed put options on futures contracts, and writing call options on futures contracts. The Fund may also write covered call options on portfolio securities to attempt to increase its current income.

FUTURES CONTRACTS

A futures contract is a firm commitment by two parties: the seller who agrees to make delivery of the specific type of security called for in the contract ("going short") and the buyer who agrees to take delivery of the security ("going long") at a certain time in the future.

In the fixed income securities market, price moves inversely to interest rates. A rise in rates means a drop in price. Conversely, a drop in rates means a rise in price. In order to hedge its holdings of fixed income securities against a

rise in market interest rates, the Fund could enter into contracts to deliver securities at a predetermined price (i.e., "go short") to protect itself against the possibility that the prices of its fixed income securities may decline during the Fund's anticipated holding period. The Fund would "go long" (agree to purchase securities in the future at a predetermined price) to hedge against a decline in market interest rates.

PUT OPTIONS ON FUTURES CONTRACTS

The Fund may purchase listed put options on futures contracts. Unlike entering directly into a futures contract, which requires the purchaser to buy a financial instrument on a set date at a specified price, the purchase of a put option on a futures contract entitles (but does not obligate) its purchaser to decide on or before a future date whether to assume a short position at the specified price.

Generally, if the hedged portfolio securities decrease in value during the term of an option, the related futures contracts will also decrease in value and the option will increase in value. In such an event, the Fund will normally close out its option by selling an identical option. If the hedge is successful, the proceeds received by the Fund upon the sale of the second option will be large enough to offset both the premium paid by the Fund for the original option plus the decrease in value of the hedged securities.

Alternatively, the Fund may exercise its put option to close out the position. To do so, it would simultaneously enter into a futures contract of the type underlying the option (for a price less than the strike price of the option) and exercise the option. The Fund would then deliver the futures contract in return for payment of the strike price. If the Fund neither closes out nor exercises an option, the option will expire on the date provided in the option contract, and only the premium paid for the contract will be lost.

CALL OPTIONS ON FUTURES CONTRACTS

In addition to purchasing put options on futures, the Fund may write listed call options on futures contracts to hedge its portfolio. When the Fund writes a call option on a futures contract, it is undertaking the obligation of assuming a short futures position (selling a futures contract) at the fixed strike price at any time during the life of the option if the option is exercised. As market interest rates rise, causing the prices of futures to go down, the Fund's obligation under a call option on a future (to sell a futures contract) costs less to fulfill, causing the value of the Fund's call option position to increase.

In other words, as the underlying futures price goes down below the strike price, the buyer of the option has no reason to exercise the call, so that the Fund keeps the premium received for the option. This premium can substantially offset the drop in value of the Fund's fixed income or indexed portfolio which is occurring as interest rates rise.

Prior to the expiration of a call written by the Fund, or exercise of it by the buyer, the Fund may close out the option by buying an identical option. If the hedge is successful, the cost of the second option will be less than the premium received by the Fund for the initial option. The net premium income of the Fund will then substantially offset the decrease in value of the hedged securities.

The Fund will not maintain open positions in futures contracts it has sold or call options it has written on futures contracts if, in the aggregate, the value of the open positions (marked to market) exceeds the current market value of its securities portfolio, plus or minus the unrealized gain or loss on those open positions, adjusted for the correlation of volatility between the hedged securities and the futures contracts. If this limitation is exceeded at any time, the Fund will take prompt action to close out a sufficient number of open contracts to bring its open futures and options positions within this limitation.

"MARGIN" IN FUTURES TRANSACTIONS

Unlike the purchase or sale of a security, the Fund does not pay or receive money upon the purchase or sale of a futures contract. Rather, the Fund is required to deposit an amount of "initial margin" in cash or U.S. Treasury bills with its custodian (or the broker, if legally permitted). The nature of initial margin in futures transactions is different from that of margin in securities transactions in that initial margin in futures transactions does not involve the borrowing of funds by the Fund to finance the transactions. Initial margin is in the nature of a performance bond or good-faith deposit on the contract which is returned to the Fund upon termination of the futures contract, assuming all contractual obligations have been satisfied.

A futures contract held by the Fund is valued daily at the official settlement price of the exchange on which it is traded. Each day the Fund pays or receives cash, called "variation margin," equal to the daily change in value of the futures contract. This process is known as "marking to market." Variation margin

does not represent a borrowing or loan by the Fund but is instead settlement between the Fund and the broker of the amount one would owe the other if the futures contract expired. In computing its daily net asset value, the Fund will mark to market its open futures positions.

The Fund is also required to deposit and maintain margin when it writes call options on futures contracts.

PURCHASING PUT OPTIONS ON PORTFOLIO SECURITIES

The Fund may purchase put options on portfolio securities to protect against price movements in particular securities in its portfolio. 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.

WRITING COVERED CALL OPTIONS ON PORTFOLIO SECURITIES

The Fund may also write covered call options to generate income. As 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 sell 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 additional consideration).

LENDING OF PORTFOLIO SECURITIES

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 would 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.

PORTFOLIO TURNOVER

Securities in the Fund's portfolio will be sold whenever the investment adviser believes it is appropriate to do so in light of the Fund's investment objectives without regard to the length of time a particular security may have been held. From January 5, 1993 (date of initial public investment), to November 30, 1993, the Fund's portfolio turnover rate was 105%.

INVESTMENT LIMITATIONS

SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any securities short or purchase any securities on margin, but may obtain such short-term credits as may be necessary for clearance of purchases and sales of portfolio securities. The deposit or payment by the Fund of initial or variation margin in connection with financial futures contracts or related options transactions is not considered the purchase of a security on margin.

ISSUING SENIOR SECURITIES AND BORROWING MONEY

The Fund will not issue senior securities, except that the Fund may borrow money in amounts up to one-third of the value of its total assets, including the amount borrowed. The Fund will not borrow money for investment leverage, but rather as a temporary, extraordinary, or emergency measure to facilitate management of the portfolio by enabling the Fund to, for example, 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 the value of its total assets are outstanding.

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 10% of the value of total assets at the time of the borrowing. For purposes of this limitation, the following are not deemed to be pledges: margin deposits for the purchase and sale of futures contracts and related options and

segregation or collateral arrangements made in connection with options activities or the purchase of securities on a when-issued basis.

DIVERSIFICATION OF INVESTMENTS

With respect to securities comprising 75% of the value of its total assets, the Fund will not purchase securities issued by any one issuer (other than cash, cash items, or securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, and repurchase agreements collateralized by such securities) if, as a result, more than 5% of the value of its total assets would be invested in the securities of that issuer. (For purposes of this limitation, the Fund considers instruments issued by a U.S. branch of a domestic bank having capital, surplus, and undivided profits in excess of \$100,000,000 at the time of investment to be "cash items.") Also, the Fund will not purchase more than 10% of the outstanding voting securities of any one issuer.

INVESTING IN REAL ESTATE

The Fund will not purchase or sell real estate, including limited partnership interests, although it may invest in the 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 COMMODITIES

The Fund will not purchase or sell commodities, commodity contracts, or commodity futures contracts, except that the Fund may purchase and sell futures contracts and related options.

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 securities which the Fund may purchase pursuant to its investment objectives, policies, and limitations.

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, variable rate demand notes, 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 objectives, policies, and limitations or the Trust's Declaration of Trust.

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

INVESTING IN RESTRICTED SECURITIES

The Fund will not invest more than 15% of the value of its total assets in securities subject to restrictions on resale under the Securities Act of 1933, except for commercial paper issued under Section 4(2) of the Securities Act of 1933 and certain other restricted securities which meet the criteria for liquidity as established by the Board of Trustees. To comply with certain state restrictions, the Fund will limit these transactions to 10% of its total assets. (If state restrictions change, this latter restriction may be revised without shareholder approval or notification.)

INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 15% of the value of its net assets in illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice, non-negotiable fixed time deposits with maturities over seven days, over-the-counter options, and certain restricted securities not determined by the Trustees to be liquid. To comply with certain state restrictions, the Fund will limit these transactions to 10% of its net assets. (If state restrictions change, this latter restriction may be revised without shareholder approval or notification.)

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 if the

officers and Trustees of the Trust or the Fund's investment adviser owning individually more than 1/2 of 1% of the issuer's securities together own more than 5% of the issuer's securities.

INVESTING IN NEW ISSUERS

The Fund will not invest more than 5% of the value of its total assets in securities of issuers which have records of less than three years of continuous operations, including the operation of any predecessor.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES

The Fund will limit its investment in other investment companies to no more than 3% of the total outstanding voting stock of any investment company, will not invest more than 5% of its total assets in any one investment company, or invest more than 10% of its total assets in investment companies in general. The Fund will purchase securities of investment companies only in open-market transactions involving only customary broker's commissions. However, these limitations are not applicable if the securities are acquired in a merger, consolidation, or acquisition of assets. It should be noted that investment companies incur certain expenses such as management fees, and, therefore, any investment by a fund in shares of another investment company would be subject to such duplicate expenses. The Fund will invest in other investment companies primarily for the purpose of investing its short-term cash on a temporary basis. The adviser will waive its investment advisory fee on assets invested in securities of open-end investment companies.

INVESTING IN MINERALS

The Fund will not purchase interests in oil, gas, or other mineral exploration or development programs or leases, except it may purchase the securities of issuers which invest in or sponsor such programs.

INVESTING IN FOREIGN SECURITIES

The Fund will not invest more than 5% of its total assets in securities of foreign issuers.

INVESTING IN PUT OPTIONS

The Fund will not purchase put options on securities 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.

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.

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.

To comply with registration requirements in certain states, the Fund (1) will limit the aggregate value of the assets underlying covered call options or put options written by the Fund to not more than 25% of its net assets, (2) will limit the premiums paid for options purchased by the Fund to 20% of its net assets, and (3) will limit the margin deposits on futures contracts entered into by the Fund to 5% of its net assets. (If state requirements change, these restrictions may be revised without shareholder notification.)

The Fund has no present intent to borrow money in excess of 5% of the value of its net assets during the coming fiscal year.

TRUST MANAGEMENT

OFFICERS AND TRUSTEES

Officers and Trustees of the Trust are listed with their addresses, principal occupations, and present positions. Except as listed below, none of the Trustees or officers are affiliated with Star Bank, N.A., Federated Investors, Federated Securities Corp., Federated Services Company, Federated Administrative Services, or the Funds (as defined below).

<TABLE>
<CAPTION>

NAME AND ADDRESS <S>	POSITIONS WITH THE TRUST <C>	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS <C>
John F. Donahue*\ Federated Investors Tower Pittsburgh, PA	Chairman and Trustee	Chairman and Trustee, Federated Investors; Chairman and Trustee, Federated Advisers, Federated Management, and Federated Research; Director, Aetna Life and Casualty Company; Chief Executive Officer and Director, Trustee, or Managing General Partner of the Funds; formerly, Director, The Standard Fire Insurance Company.
John T. Conroy, Jr. Wood/IPC Commercial Department John R. Wood and Associates, Inc., Realtors 3255 Tamiami Trail North Naples, FL	Trustee	President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; President, Northgate Village Development Corporation; General Partner or Trustee in private real estate ventures in Southwest Florida; Director, Trustee, or Managing General Partner of the Funds; formerly, President, Naples Property Management, Inc.
William J. Copeland One PNC Plaza-- 23rd Floor Pittsburgh, PA	Trustee	Director and Member of the Executive Committee, Michael Baker, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman and Director, PNC Bank, N.A., and PNC Bank Corp. and Director, Ryan Homes, Inc.
James E. Dowd 571 Hayward Mill Road Concord, MA	Trustee	Attorney-at-law; Director, The Emerging Germany Fund, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Director, Blue Cross of Massachusetts, Inc.
Lawrence D. Ellis, M.D. 3471 Fifth Avenue Suite 1111 Pittsburgh, PA	Trustee	Hematologist, Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Clinical Professor of Medicine and Trustee, University of Pittsburgh; Director, Trustee, or Managing General Partner of the Funds.
Edward L. Flaherty, Jr.\ 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Director, Eat'N Park Restaurants, Inc., and Statewide Settlement Agency, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Counsel, Horizon Financial, F.A., Western Region.
Edward C. Gonzales* Federated Investors Tower Pittsburgh, PA	President, Treasurer, and Trustee	Vice President, Treasurer, and Trustee, Federated Investors; Vice President and Treasurer, Federated Advisers, Federated Management, and Federated Research; Executive Vice President, Treasurer, and Director, Federated Securities Corp.; Trustee, Federated Services Company; Chairman, Treasurer, and Director, Federated Administrative Services; Trustee or Director of some of the Funds; Vice President and Treasurer of the Funds.
Peter E. Madden 225 Franklin Street Boston, MA	Trustee	Consultant; State Representative, Commonwealth of Massachusetts; Director, Trustee, or Managing General Partner of the Funds; formerly, President, State Street Bank and Trust Company and State Street Boston Corporation and Trustee, Lahey Clinic Foundation, Inc.
Gregor F. Meyer 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Chairman, Meritcare, Inc.; Director, Eat'N Park Restaurants, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman, Horizon Financial, F.A.
Wesley W. Posvar 1202 Cathedral of Learning University of Pittsburgh Pittsburgh, PA	Trustee	Professor, Foreign Policy and Management Consultant; Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc., and U.S. Space Foundation; Chairman, Czecho Slovak Management Center; Director, Trustee, or Managing General Partner of the Funds; President Emeritus, University of Pittsburgh; formerly, Chairman, National Advisory Council for Environmental Policy and Technology.
Marjorie P. Smuts 4905 Bayard Street Pittsburgh, PA	Trustee	Public relations/marketing consultant; Director, Trustee, or Managing General Partner of the Funds.
Richard B. Fisher Federated Investors Tower Pittsburgh, PA	Vice President	Executive Vice President and Trustee, Federated Investors; Chairman and Director, Federated Securities Corp.; President or Vice President of the Funds; Director or Trustee of some of the Funds.
Joseph S. Machi Federated Investors Tower Pittsburgh, PA	Vice President and Assistant Treasurer	Vice President, Federated Administrative Services; Vice President and Assistant Treasurer of some of the Funds.
John W. McGonigle Federated Investors Tower Pittsburgh, PA	Vice President and Secretary	Vice President, Secretary, General Counsel, and Trustee, Federated Investors; Vice President, Secretary, and Trustee, Federated Advisers, Federated Management, and Federated Research; Trustee, Federated Services Company; Executive Vice President, Secretary, and Director, Federated Administrative Services; Director and Executive Vice President, Federated Securities Corp.; Vice President and Secretary of the Funds.
John A. Staley, IV Federated Investors Tower	Vice President	Vice President and Trustee, Federated Investors; Executive Vice President, Federated Securities Corp.; President and Trustee, Federated

</TABLE>

*This Trustee is deemed to be an "interested person" of the Trust as defined in the Investment Company Act of 1940.

\Member of the Trust's Executive Committee. The Executive Committee of the Board of Trustees handles the responsibilities of the Board of Trustees between meetings of the Board.

THE FUNDS

"The Funds" and "Funds" mean the following investment companies: A.T. Ohio Tax-Free Money Fund; American Leaders Fund, Inc.; Annuity Management Series; Automated Cash Management Trust; Automated Government Money Trust; BankSouth Select Funds; The Boulevard Funds; California Municipal Cash Trust; Cash Trust Series II; Cash Trust Series, Inc.; DG Investor Series; Edward D. Jones & Co. Daily Passport Cash Trust; FT Series, Inc.; Federated ARMs Fund; Federated Exchange Fund, Ltd.; Federated GNMA Trust; Federated Government Trust; Federated Growth Trust; Federated High Yield Trust; Federated Income Securities Trust; Federated Income Trust; Federated Index Trust; Federated Intermediate Government Trust; Federated Master Trust; Federated Municipal Trust; Federated Short-Intermediate Government Trust; Federated Short-Term U.S. Government Trust; Federated Stock Trust; Federated Tax-Free Trust; Federated U.S. Government Bond Fund; First Priority Funds; Fixed Income Securities, Inc.; Fortress Adjustable Rate U.S. Government Fund, Inc.; Fortress Municipal Income Fund, Inc.; Fortress Utility Fund, Inc.; Fund for U.S. Government Securities, Inc.; Government Income Securities, Inc.; High Yield Cash Trust; Insurance Management Series; Intermediate Municipal Trust; Investments Series Funds, Inc.; Investment Series Trust; Liberty Equity Income Fund, Inc.; Liberty High Income Bond Fund, Inc.; Liberty Municipal Securities Fund, Inc.; Liberty Term Trust, Inc. - 1999; Liberty U.S. Government Money Market Trust; Liberty Utility Fund, Inc.; Liquid Cash Trust; Mark Twain Funds; Money Market Management, Inc.; Money Market Obligations Trust; Money Market Trust; Municipal Securities Income Trust; New York Municipal Cash Trust; 111 Corcoran Funds; The Planters Funds; Portage Funds; RIMCO Monument Funds; The Shawmut Funds; Short-Term Municipal Trust; Signet Select Funds; Star Funds; The Starburst Funds; The Starburst Funds II; Stock and Bond Fund, Inc.; Sunburst Funds; Targeted Duration Trust; Tax-Free Instruments Trust; Trademark Funds; Trust for Financial Institutions; Trust for Government Cash Reserves; Trust for Short-Term U.S. Government Securities; and Trust for U.S. Treasury Obligations.

FUND OWNERSHIP

Officers and Trustees own less than 1% of the Fund's outstanding shares.

As of January 6, 1994, the following shareholders of record owned 5% or more of the outstanding shares of the Fund: Firstcinco, Cincinnati, Ohio, owned approximately 2,822,355 shares (64.63%); and Bud C. Hatfield, Columbus, Ohio, owned approximately 251,755 shares (5.76%).

TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees are not 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.

INVESTMENT ADVISORY SERVICES

ADVISER TO THE FUND

The Fund's investment adviser is Star Bank, N.A. ("Star Bank" or "Adviser"). Star Bank is a wholly-owned subsidiary of StarBanc Corporation. Star Bank shall not 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 it, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon it by its contract with the Trust.

ADVISORY FEES

For its advisory services, Star Bank receives an annual investment advisory fee as described in the prospectus. From January 5, 1993 (date of initial public investment) to November 30, 1993, the Fund's Adviser earned \$144,364, of which \$12,030 was voluntarily waived.

STATE EXPENSE LIMITATIONS

The Fund has undertaken to comply with the expense limitations established by certain states for investment companies whose shares are registered for sale in those states. If the Fund's normal operating expenses (including the investment advisory fee, but not including brokerage commissions, interest, taxes, and extraordinary expenses) exceed 2-1/2% per year of the first \$30 million of average net assets, 2% per year of the next \$70 million of average net assets, and 1-1/2% per year of the remaining average net assets, the Adviser has agreed to reimburse the Fund for its expenses over the limitation.

If the Fund's monthly projected operating expenses exceed this limitation, the investment advisory fee paid will be reduced by the amount of the excess, subject to an annual adjustment. If the expense limitation is exceeded, the amount to be reimbursed by the Adviser will be limited, in any single fiscal year, by the amount of the investment advisory fee.

This arrangement is not part of the advisory contract and may be amended or rescinded in the future.

ADMINISTRATIVE SERVICES

Federated Administrative Services, a subsidiary of Federated Investors, provides administrative personnel and services to the Fund for a fee as described in the prospectus. From January 5, 1993 (date of initial public investment) to November 30, 1993, the Fund incurred costs for administrative services of \$30,974.

In addition, John A. Staley, IV, an officer of the Trust, holds approximately 15% of the outstanding common stock and serves as a director of Commercial Data Services, Inc., a company which provides computer processing services to Federated Administrative Services. For the fiscal years ended November 30, 1993, 1992, and 1991, Federated Administrative Services paid approximately \$164,324, \$186,144, and \$193,178, respectively, for services provided by Commercial Data Services, Inc.

CUSTODIAN

Star Bank is custodian for the securities and cash of the Fund. Under the Custodian Agreement, Star Bank holds the Fund's portfolio securities in safekeeping and keeps all necessary records and documents relating to its duties. The custodian receives an annual fee equal to 0.025 of 1% of the Fund's average daily net assets.

BROKERAGE TRANSACTIONS

The Adviser may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the Adviser 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.

The Adviser and its 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.

Research services provided by brokers and dealers may be used by the Adviser in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the Adviser or its affiliates might

otherwise have paid, it would tend to reduce their expenses.

For the period from January 5, 1993 (date of initial public investment), to November 30, 1993, the Fund paid no fees for brokerage transactions.

PURCHASING SHARES

Except under certain circumstances described in the prospectus, shares are sold at their net asset value plus a sales charge on days the New York Stock Exchange and the Federal Reserve Wire System are open for business. The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Bank Connections Group Banking customers and Star Bank employees and members of their immediate family). The minimum initial investment may be waived from time to time for employees and retired employees of Star Bank, N.A., and for members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees. The procedure for purchasing shares of the Fund is explained in the prospectus under "Investing in the Fund."

DISTRIBUTION PLAN

With respect to the Fund, the Trust has adopted a Plan pursuant to Rule 12b-1 which was promulgated by the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (the "Plan"). The Plan provides for payment of fees to Federated Securities Corp. to finance any activity which is principally intended to result in the sale of the Fund's shares subject to the Plan. Such activities may include the advertising and marketing of shares of the Fund; preparing, printing, and distributing prospectuses and sales literature to prospective shareholders, brokers, or administrators; and implementing and operating the Plan. Pursuant to the Plan, Federated Securities Corp. may pay fees to brokers for distribution and administrative services and to administrators for administrative services as to shares. The administrative services are provided by a representative who has knowledge of the shareholder's particular circumstances and goals, and include, but are not limited to: communicating account openings; communicating account closings; entering purchase transactions; entering redemption transactions; providing or arranging to provide accounting support for all transactions, wiring funds and receiving funds for share purchases and redemptions, confirming and reconciling all transactions, reviewing the activity in Fund accounts, and providing training and supervision of broker personnel; posting and reinvesting dividends to Fund accounts or arranging for this service to be performed by the Fund's transfer agent; and maintaining and distributing current copies of prospectuses and shareholder reports to the beneficial owners of shares and prospective shareholders.

The Trustees expect that the adoption of the Plan will result in the sale of a sufficient number of shares so as to allow the Fund to achieve economic viability. It is also anticipated that an increase in the size of the Fund will facilitate more efficient portfolio management and assist the Fund in seeking to achieve its investment objectives.

ADMINISTRATIVE ARRANGEMENTS

The administrative services include, but are not limited to, providing office space, equipment, telephone facilities, and various personnel, including clerical, supervisory, and computer, as is necessary or beneficial to establish and maintain shareholders' accounts and records, process purchase and redemption transactions, process automatic investments of client account cash balances, answer routine client inquiries regarding the Fund, assist clients in changing dividend options, account designations, and addresses, and providing such other services as the Fund may reasonably request.

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. Star Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

DETERMINING NET ASSET VALUE

The net asset value generally changes each day. The days on which the net asset value is calculated by the Fund are described in the prospectus.

DETERMINING MARKET VALUE OF SECURITIES

Market or fair values of the Fund's securities are determined as follows:

as provided by an independent pricing service; or

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. Pricing services may consider:

yield;

quality;

coupon rate;

maturity;

type of issue;

trading characteristics; and

other market data.

The Fund will value futures contracts, options, put options on 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.

EXCHANGE PRIVILEGE

REQUIREMENTS FOR EXCHANGE

Shareholders using the exchange privilege must exchange shares having a net asset value of at least \$1,000. Before the exchange, the shareholder must receive a prospectus of the fund for which the exchange is being made.

This privilege is available to shareholders resident in any state in which the fund shares being acquired may be sold. Upon receipt of proper instructions and required supporting documents, shares submitted for exchange are redeemed and the proceeds invested in shares of the other fund. Further information on the exchange privilege and prospectuses may be obtained by calling Star Bank at the number on the cover of this Statement.

MAKING AN EXCHANGE

Instructions for exchanges may be given in writing. Written instructions may require a signature guarantee.

REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after Star Bank receives the redemption request. Redemption will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays when wire transfers are restricted. 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 by a distribution of securities from the Fund's portfolio. To satisfy registration requirements in a particular state, redemption in kind will be made in readily marketable securities to the extent that such securities are available. If this state's policy changes, the Fund reserves the right to redeem in kind by delivering those securities it deems appropriate.

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 Trust has elected to be governed by Rule 18f-1 under 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.

TAX STATUS

THE FUND'S TAX STATUS

The Fund will pay no federal income tax because it 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 or exclusion available to corporations and individuals. 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 Fund shares.

TOTAL RETURN

The Fund's cumulative total return from January 5, 1993 (date of initial public investment), to November 30, 1993, was 3.90%.

Cumulative total return reflects the Fund's total performance over a specific period of time. This total return assumes and is reduced by the payment of the maximum sales load. The Fund's total return is representative of only eleven months of fund activity since the Fund's effective date. Any applicable redemption fee is deducted from the ending value of the investment based on the lesser of the original purchase price or the net asset value of shares redeemed.

YIELD

The Fund's SEC yield for the thirty-day period ended November 30, 1993, was 4.59%.

The yield for 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 maximum offering price per share of the Fund on the last day of the period. This value is then 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, the performance will be reduced for those shareholders paying those fees.

PERFORMANCE COMPARISONS

The Fund's performance depends upon such variables as:

portfolio quality;

average portfolio maturity;

type of instruments in which the portfolio is invested;

changes in interest rates and market value of portfolio securities;

changes in Fund expenses; and

various other factors.

The Fund's performance fluctuates on a daily basis largely because net earnings and maximum offering price per share fluctuate daily. Both net earnings and maximum 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 net asset value. The financial publications and/or indices which the Fund uses in advertising may include:

LIPPER ANALYTICAL SERVICES, INC., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all income dividends and capital gains distributions, if any. From time to time, the Fund will quote its Lipper ranking in the "U.S. government fund" category in advertising and sale literature.

MERRILL LYNCH 1-10 YEAR GOVERNMENT INDEX is an unmanaged index comprised of U.S. government securities with maturities between 1 and 10 years. Index returns are calculated as total returns for periods of one, three, six, and twelve months as well as year-to-date. The index is produced by Merrill Lynch, Pierce, Fenner & Smith, Inc.

SHEARSON LEHMAN GOVERNMENT (LT) INDEX, for example, is an index composed of bonds issued by the U.S. government or its agencies which have at least \$1 million outstanding in principal and which have maturities of ten years or longer. Index figures are total return figures calculated monthly.

Advertisements and other sales literature for the Fund may quote total returns which are calculated on non-standardized base periods. These total returns also represent the historic change in the value of an investment in the Fund based on monthly reinvestment of dividends over a specified period of time.

Advertisements may quote performance information which does not reflect the effect of the sales load.

APPENDIX

STANDARD AND POOR'S CORPORATION CORPORATE BOND RATINGS

AAA--Debt rated AAA has the highest rating assigned by Standard & Poor's Corporation. Capacity to pay interest and repay principal is extremely strong.

AA--Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A--Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB--Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

MOODY'S INVESTORS SERVICE, INC., CORPORATE BOND RATINGS

Aaa--Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa--Bonds which are rated Aa are judged to be of high quality by all standards. Together with the Aaa group, they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in Aaa securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long-term risks appear somewhat larger than in Aaa securities.

A--Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium-grade obligations. Factors giving security to principal and interest are considered adequate, but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa--Bonds which are rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present, but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and, in fact, have speculative characteristics as well.

FITCH INVESTORS SERVICE, INC., LONG-TERM DEBT RATINGS

AAA--Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay principal, which is unlikely to be affected by reasonably foreseeable events.

AA--Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Because bonds rated in the AAA and AA categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated F-1+.

A--Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

BBB--Bonds considered to be investment grade and of satisfactory credit quality. The obligor's ability to pay interest and repay principal is considered to be adequate. Adverse changes in economic conditions and circumstances, however, are more likely to have adverse impact on these bonds and, therefore, impair timely payment.

STANDARD AND POOR'S CORPORATION COMMERCIAL PAPER RATINGS

A-1--This designation indicates that the degree of safety regarding timely payment is either overwhelming or very strong. Those issues determined to possess overwhelming safety characteristics are denoted with a plus (+) sign designation.

A-2--Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as high as for issues designated A-1.

MOODY'S INVESTORS SERVICE, INC., COMMERCIAL PAPER RATINGS

P-1--Issuers rated PRIME-1 (for related supporting institutions) have a superior capacity for repayment of short-term promissory obligations. PRIME-1 repayment capacity will normally be evidenced by the following characteristics: conservative capitalization structures with moderate reliance on debt and ample asset protection; broad margins in earning coverage of fixed financial charges and high internal cash generation; well-established access to a range of financial markets and assured sources of alternative liquidity.

P-2--Issuers rated PRIME-2 (for related supporting institutions) have a strong capacity for repayment of short-term promissory obligations. This will normally be evidenced by many of the characteristics cited above but to a lesser degree. Earnings trends and coverage ratios, while sound, will be more subject to variation. Capitalization characteristics, while still appropriate, may be more affected by external conditions. Ample alternate liquidity is maintained.

FITCH INVESTORS SERVICE, INC., COMMERCIAL PAPER RATINGS

FITCH-1--(Highest Grade) Commercial paper assigned this rating is regarded as having the strongest degree of assurance for timely payment.

FITCH-2--(Very Good Grade) Issues assigned this rating reflect an assurance of timely payment only slightly less in degree than the strongest issues.

ANNUAL REPORT FOR FISCAL YEAR ENDED NOVEMBER 30, 1993MANAGEMENT DISCUSSION & ANALYSIS:

STAR U.S. GOVERNMENT INCOME FUND (the "Fund") was established in 1992 to provide its customers with a portfolio of high-grade fixed income securities emphasizing current income as its primary objective. Investments are broadly diversified among fixed income sectors and maturity ranges. Sector allocations include Treasury, U.S. government agency, mortgage-backed, corporate, and cash equivalent securities. Maturity allocations span from very short overnight repurchase agreements to longer term bonds. Investment emphasis is directed through a "top-down" investment process that ensures continuity. We believe this process results in a disciplined determination of maturity and sector allocations as market conditions change.

During the 12 months ended November 30, 1993, U.S. fixed income markets have enjoyed a nearly unprecedented rally. The combination of subdued economic activity, stable inflation indicators, and large flows of money into mutual funds pushed fixed income yields sharply lower. For example, Treasury 30-year bond yields declined from 7.50% to 6.25% and 2-year note yields declined from 4.75% to 4.20%. As a result, fixed income securities generated substantial capital gains along with their usual coupon income.

Looking ahead in 1994, we suspect that competing forces will result in slightly higher interest rates, but continued positive returns to patient investors. Above trend-line economic growth and upward pressure on inflation will become the market's primary focus. However, world-wide competition and structural changes within the U.S. economy should keep yields from rising dramatically. The key trends to watch are stronger economic growth, inflation indicators, continuation of Treasury supply mix changes, a Federal Reserve induced increase in short-term yields, and a flatter yield curve. In this environment, the Fund is being positioned with a "barbelled" portfolio structure to take advantage of rising short-term interest rates. Hedging strategies have also been employed to help protect the Fund in market downturns. In addition, we believe overweighting defensive securities such as callable corporate bonds and mortgage securities helps improve current income while reducing overall portfolio sensitivity to rising yields.

PERFORMANCE COMPARISON
-----COMPARISON OF CHANGE IN VALUE OF A HYPOTHETICAL \$10,000 PURCHASE IN
STAR U.S. GOVERNMENT INCOME FUND AND
THE LEHMAN GOVERNMENT/CORPORATE TOTAL RETURN INDEX

Graphic Representation "A2" omitted. See Appendix.

Past performance is not indicative 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 annual report incorporates by reference and accompanies the prospectus dated January 31, 1994.

*Reflects operations of the Star U.S. Government Income Fund from the start of business, January 5, 1993, through, November 30, 1993, on a cumulative basis.

**Represents a hypothetical investment of \$10,000 in the Star U.S. Government Income Fund, after deducting the maximum sales charge of 3.50% (\$10,000 investment minus \$350 sales charge = \$9,650). The Fund's performance assumes the reinvestment of all dividends and distributions.

The Lehman Government/Corporate Total Return Index is adjusted to reflect reinvestment of dividends on securities in the index.

FEDERATED SECURITIES CORP.
-----Distributor
2102102ARS (1/94)

THE STELLAR FUND

(A PORTFOLIO OF THE STAR FUNDS)

PROSPECTUS

The shares offered by this prospectus represent interests in The Stellar Fund (the "Fund"), which is a diversified investment portfolio in the Star Funds (the "Trust"), an open-end management investment company (a mutual fund).

The investment objective of the Fund is to maximize total return, a combination of dividend income and capital appreciation. The Fund pursues this investment objective by investing in the following security categories: domestic equity securities, domestic fixed income securities, international securities (equity and fixed income), real estate securities, precious metal securities, and money market securities.

THE SHARES OFFERED BY THIS PROSPECTUS ARE NOT DEPOSITS OR OBLIGATIONS OF STAR BANK, N.A., OR ITS AFFILIATES, ARE NOT ENDORSED OR GUARANTEED BY STAR BANK, N.A., OR ITS AFFILIATES, 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 January 31, 1994, with the Securities and Exchange Commission. The information contained in the Statement of Additional Information is incorporated by reference in this prospectus. You may request a copy of the Statement of Additional Information free of charge, obtain other information or make inquiries about the Fund by writing to the Fund or calling 1-800-677-FUND.

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

Prospectus dated January 31, 1994

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THE STELLAR FUND
SUMMARY OF FUND EXPENSES

<TABLE>

<CAPTION>

SHAREHOLDER TRANSACTION EXPENSES

<S>	<C>
Maximum Sales Load Imposed on Purchases (as a percentage of offering price).....	4.50%
Maximum Sales Load Imposed on Reinvested Dividends (as a percentage of offering price).....	None
Deferred Sales Load (as a percentage of original purchase price or redemption proceeds as applicable).....	None
Redemption Fees (as a percentage of amount redeemed, if applicable).....	None
Exchange Fee.....	None

<CAPTION>

ANNUAL FUND OPERATING EXPENSES
(As a percentage of average net assets)

<S>	<C>
Management Fees (after waiver) (1).....	0.95%
12b-1 Fees (after waiver) (2).....	0.00%
Total Other Expenses.....	0.50%
Total Fund Operating Expenses (after waivers) (3).....	1.45%

</TABLE>

- (1) The management fee was reduced to reflect the voluntary waiver by the investment adviser. The adviser can terminate this voluntary waiver at any time at its sole discretion. The maximum management fee is 0.95%.
- (2) Under the Fund's Rule 12b-1 distribution plan, the Fund can pay the distributor up to 0.25% as a 12b-1 fee. The 12b-1 fee was reduced to reflect the waiver of compensation by the distributor. The distributor can terminate this voluntary waiver at any time at its sole discretion. The distributor has no present intention of collecting a 12b-1 fee.
- (3) The total Fund operating expenses would have been 1.70% absent the voluntary waivers described above in Notes 1 and 2.

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 "STAR FUNDS INFORMATION."

<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. As noted in the table above, the Fund charges no redemption fees.....	\$59	\$89	\$121	\$211

</TABLE>

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

THE STELLAR FUND
FINANCIAL HIGHLIGHTS

(FOR A SHARE OUTSTANDING THROUGHOUT EACH PERIOD)

REFERENCE IS MADE TO THE REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON PAGE 29.

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,		
	1993	1992	1991*
<S>	<C>	<C>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$10.52	\$ 9.80	\$10.00
INCOME FROM INVESTMENT OPERATIONS			
Net investment income	0.24	0.2955	0.05
Net realized and unrealized gain (loss) on investments	0.99	0.7387	(0.25)
Total from investment operations	1.23	1.0342	(0.20)
LESS DISTRIBUTIONS			
Dividends to shareholders from net investment income	(0.28)	(0.3120)	--
Distributions to shareholders from net realized gain on investment transactions	(0.10)	(0.0022)	--
Distributions in excess of net investment income	(0.03) (a)	--	--
Total distributions	(0.41)	(0.3142)	--
NET ASSET VALUE, END OF PERIOD	\$11.34	\$10.52	\$ 9.80
TOTAL RETURN**	11.99%	10.68%	(2.00%)
RATIOS TO AVERAGE NET ASSETS			
Expenses	1.45%	1.53%	1.44% (b)
Net investment income	1.87%	3.03%	5.32% (b)
Expense waiver/reimbursement (c)	0.25%	0.33%	0.29% (b)
SUPPLEMENTAL DATA			
Net Assets, end of period (000 omitted)	\$73,197	\$35,544	\$13,942
Portfolio turnover rate	87%	98%	18%

</TABLE>

* Reflects operations for the period from October 18, 1991 (date of initial public investment) to November 30, 1991.

** Based on net asset value which does not reflect the sales load or redemption fee, if applicable.

(a) Distributions in excess of net investment income for the year ended November 30, 1993 were a result of certain book and tax differences. These distributions did not represent a return of capital for federal income tax purposes for the year ended November 30, 1993.

(b) Computed on an annualized basis.

(c) The voluntary expense decrease is reflected in both the expense and net investment income ratios shown above. (Note 5)

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

Further information about the Fund's performance is contained in the Fund's annual report dated January 31, 1994, which can be obtained free of charge.

GENERAL INFORMATION

Star Funds was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. 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 that portfolio of the Trust known as The Stellar Fund.

The Fund is designed primarily for customers of StarBanc Corporation and its subsidiaries as a convenient means of accumulating an interest in a professionally managed, diversified portfolio of preferred and common stock, bonds, notes, and short-term obligations. A minimum initial investment of \$1,000 (\$25 for Star Bank Connections Group Banking customers and Star Bank employees and members of their immediate family) is required.

INVESTMENT INFORMATION

INVESTMENT OBJECTIVE

The investment objective of the Fund is to maximize total return, a combination of dividend income and capital appreciation. The Fund pursues this investment objective by investing in the following securities categories: domestic equity securities, domestic fixed income securities, international securities (equity and fixed income), real estate securities, precious metal securities, and money market securities. As a non-fundamental policy, the Fund will attempt to minimize overall portfolio risk by limiting investments in any one securities category (as defined in this prospectus) to not more than 25% of net assets. The Fund's adviser also believes that by spreading the investment portfolio across multiple securities categories, the Fund can reduce the impact of drastic market movements affecting any one securities type. The Fund's adviser further attempts to reduce risk within each securities category through careful investment analysis including, but not limited to the following: the employment of disciplined value measures (such as price/earnings ratios) when selecting equity securities; use of ratings assigned by nationally recognized statistical rating organizations (where applicable); credit research; review of issuer's historical performance; examination of issuer's dividend growth record; and consideration of market trends. The investment objective cannot be changed without 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 Fund pursues its investment objective by investing approximately 20% of its assets, in roughly equal weightings in each of the following securities categories: domestic equity securities, domestic fixed income securities, international securities, and real estate securities. The remaining 20% of its assets will be invested in cash equivalent securities and/or precious metal securities. Positions in these categories of securities may vary from as high as 25% of its assets to as low as 15% of its assets depending on market factors. Unless indicated otherwise, the investment policies of the Fund may be changed by the Trust's Board of Trustees ("Trustees") without the approval of shareholders. Shareholders will be notified before any material change in these policies becomes effective.

ACCEPTABLE INVESTMENTS. Consistent with the above, the Fund expects to invest primarily in domestic equity securities, domestic fixed income securities, international securities, real estate securities, precious metal securities and money market securities. Each category allocation will be made based on the definitions described below.

- . Domestic Equity Securities. The equity portion of the Fund will consist of U.S. common and preferred stocks. The stocks chosen will, in the opinion of the Fund's investment adviser, be undervalued relative to stocks contained in the Standard & Poor's 500 Composite Stock Price Index. Real estate and precious metal securities of domestic issuers will not be considered domestic equity securities for purposes of the asset allocation policy described above.
- . Domestic Fixed Income Securities. The fixed income portion of the Fund will include domestic corporate debt obligations, obligations of the United States, and notes, bonds, and discount notes of U.S. government agencies or instrumentalities. Bonds are selected based on the outlook for interest rates and their yield in relation to other bonds of similar quality and maturity. The Fund will only invest in bonds, including convertible bonds, which are rated Baa or higher by Moody's Investors Service, Inc. ("Moody's") or BBB or higher by Standard & Poor's Corporation ("Standard & Poor's"), or which, if unrated, are deemed to be of comparable quality by the investment adviser. In the event that a bond which had an eligible rating when purchased is downgraded below BBB or Baa, the Fund's adviser will promptly reassess whether continued holding of the security is consistent with the Fund's

objective.

. International Securities. The international portion of the Fund will include equity securities of non-U.S. companies and corporate and government fixed income securities denominated in currencies other than U.S. dollars. The international equity securities in which the Fund invests include international stocks traded domestically or abroad through various stock exchanges, American Depositary Receipts, or International Depositary Receipts ("ADRs" and "IDRs," respectively). The international fixed income securities will include ADRs, IDRs, and government securities of other nations. No ratings for international fixed income securities are available from Moody's or Standard & Poor's; however, the Fund will invest in international fixed income securities which are deemed by the investment adviser to be of a quality comparable to domestic bonds rated at least Baa or BBB by Moody's or Standard & Poor's, respectively. The Fund may also invest in shares of open-end and closed-end management investment companies which invest primarily in international equity securities described above.

. Real Estate Securities. The real estate portion of the Fund will include equity securities, including convertible debt securities, of real estate related companies, and real estate investment trusts. All real estate securities will be publicly traded, primarily on an exchange. Real estate securities are not considered domestic equity securities for purposes of the Fund's asset allocation limitation.

. Precious Metal Securities. The precious metal securities in which the Fund invests include domestic and international equity securities of companies that explore for, extract, process, or deal in precious metals, such as gold, silver, palladium, and platinum. The Fund may also invest up to 5% of its net assets in domestic and international asset-based securities, including debt securities, preferred stock, or convertible securities for which the principal amount, redemption terms, or conversion terms are related to the market price of some precious metals such as gold bullion. The Fund may purchase only asset-based securities that are rated Baa or better by Moody's or BBB or better by Standard & Poor's, or if unrated, are of equal quality in the determination of the investment adviser. Precious metal securities of foreign issuers will not be aggregated with other international securities for purposes of calculating the Fund's investment in international securities under the allocation policy described above.

. Money Market Securities. The Fund may invest in U.S. and foreign short-term money market instruments, including:

--commercial paper rated A-1 or A-2 by Standard & Poor's, Prime-1 or Prime-2 by Moody's, or F-1 or F-2 by Fitch Investors Service, Inc., and Europaper (dollar-denominated commercial paper issued outside the United States) rated A-1, A-2, Prime-1, or Prime-2. In the case where commercial paper or Europaper has received different ratings from different rating services, such commercial paper or Europaper is an acceptable temporary investment so long as at least one rating is in the two highest rating categories of the rating agencies described above;

--instruments of domestic and foreign banks and savings and loans (such as certificates of deposit, demand and time deposits, savings shares, and bankers' acceptances) if they have capital, surplus, and undivided profits of over \$100,000,000, or if the principal amount of the instrument is insured by the Bank Insurance Fund ("BIF"), which is administered by the Federal Deposit Insurance Corporation ("FDIC"), or the Savings Association Insurance Fund ("SAIF"), which is administered by the FDIC. These instruments may include Eurodollar Certificates of Deposit ("ECDs"), Yankee Certificates of Deposit ("Yankee CDs"), and Eurodollar Time Deposits ("ETDs");

--obligations of the U.S. government or its agencies or instrumentalities;

--repurchase agreements; and

--other short-term instruments which are not rated but are determined by the investment adviser to be of comparable quality to the other temporary obligations in which the Fund may invest.

REPURCHASE AGREEMENTS. Repurchase agreements are arrangements in which banks, broker/dealers, and other recognized financial institutions sell 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.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Fund may purchase securities on a when-issued or delayed delivery basis. In when-issued and delayed delivery transactions, the Fund relies on the seller to complete the transaction. The seller's failure to complete the transaction may cause the Fund to miss a price or yield considered to be advantageous.

OPTIONS TRANSACTIONS

WRITING COVERED OPTIONS. The Fund may write (i.e., sell) covered call and put options. By writing a call option, the Fund becomes obligated during the term of the option to deliver the securities underlying the option upon payment of the exercise price. By writing a put option, the Fund becomes obligated during the term of the option to purchase the securities underlying the option at the exercise price if the option is exercised. The Fund also may write straddles (combinations of covered puts and calls on the same underlying security).

THE FUND MAY ONLY WRITE "COVERED" OPTIONS. This means that so long as the Fund is obligated as the writer of a call option, it will own the underlying securities subject to the option or, in the case of call options on U.S. Treasury bills, the Fund might own substantially similar U.S. Treasury bills.

The Fund will be considered "covered" with respect to a put option it writes if, so long as it is obligated as the writer of the put option, it deposits and maintains with its custodian in a segregated account liquid assets having a value equal to or greater than the exercise price of the option. The aggregate value of the obligations underlying the puts will not exceed 50% of the Fund's net assets.

The principal reason for writing call or put options is to obtain, through a receipt of premiums, a greater current return than would be realized on the underlying securities alone. The Fund receives a premium from writing a call or put option which it retains whether or not the option is exercised. By writing a call option, the Fund might lose the potential for gain on the underlying security while the option is open, and by writing a put option, the Fund might become obligated to purchase the underlying security for more than its current market price upon exercise.

PURCHASING OPTIONS. The Fund may purchase call and put options for the purpose of offsetting previously written call and put options of the same series. If the Fund is unable to effect a closing purchase transaction with respect to covered options it has written, the Fund will not be able to sell the underlying securities or dispose of assets held in a segregated account until the options expire or are exercised.

The Fund currently does not intend to invest more than 5% of its net assets in options transactions.

Options on some securities are relatively new and it is impossible to predict the amount of trading interest that will exist in such options. There can be no assurance that viable markets will develop or continue. The failure of such markets to develop or continue could significantly impair the Fund's ability to use such options to achieve its investment objectives.

OPTIONS TRADING MARKETS. Options which the Fund will trade must be listed on national securities exchanges. Exchanges on which such options currently are traded are the Chicago Board Options Exchange and the New York, American, Pacific and Philadelphia Stock Exchanges.

RESTRICTED AND ILLIQUID SECURITIES

The Fund intends to invest in restricted securities. Restricted securities are any securities in which the Fund may otherwise invest pursuant to its investment objective and policies but which are subject to restrictions on resale under federal securities law. However, the Fund will limit investments in illiquid securities, including restricted securities not determined by the Trustees to be liquid, non-negotiable time deposits, and repurchase agreements providing for settlement in more than seven days after notice, to 15% of its net assets.

The Fund may invest in commercial paper issued in reliance on the exemption from registration afforded by Section 4(2) of the Securities Act of 1933. Section 4(2) commercial paper is restricted as to disposition under federal securities law and is generally sold to institutional investors, such as the Fund, who agree that they are purchasing the paper for investment purposes and not with a view to public distribution. Any resale by the purchaser must be in an exempt transaction. Section 4(2) commercial paper is normally resold to other institutional investors like the Fund through or with the assistance of the issuer or investment dealers who make a market in Section 4(2) commercial paper, thus providing liquidity. The Fund believes that Section 4(2) commercial paper and possibly certain other restricted securities which meet the criteria for liquidity established by the Trustees are quite liquid. The Fund intends, therefore, to treat the restricted securities which meet the

criteria for liquidity established by the Trustees, including Section 4(2) commercial paper, as determined by the Fund's investment adviser, as liquid and not subject to the investment limitations applicable to illiquid securities. In addition, because Section 4(2) commercial paper is liquid, the Fund intends to not subject such paper to the limitation applicable to restricted securities.

RISK CONSIDERATIONS

FOREIGN SECURITIES. Investing in foreign securities carries substantial risks in addition to those associated with domestic investments. Foreign securities may be denominated in foreign currencies. Therefore, the value in U.S. dollars of the Fund's assets and income may be affected by changes in exchange rates and regulations. Although considered separate securities categories for purposes of the Fund's investment policies, the Fund's investment in money market securities issued by foreign banks and international securities could result in up to 50% of the Fund's net assets being invested in securities of foreign issuers. In addition, the Fund's investment in precious metal securities of foreign issuers (when aggregated with the above) could result in greater than 50% of the Fund's net assets being invested in securities of foreign issuers.

Although the Fund values its assets daily in U.S. dollars, it will not convert its holding of foreign currencies to U.S. dollars daily.

When the Fund converts its holdings to another currency, it may incur currency conversion costs. Foreign exchange dealers realize a profit on the difference between the prices at which they buy and sell currencies.

FOREIGN COMPANIES. Other differences between investing in foreign and U.S. companies include:

- . less publicly available information about foreign companies;
- . the lack of uniform financial accounting standards applicable to foreign companies;
- . less readily available market quotations on foreign companies;
- . differences in government regulation and supervision of foreign stock exchanges, brokers, listed companies, and banks;
- . generally lower foreign stock market volume;
- . the likelihood that foreign securities may be less liquid or more volatile;
- . generally higher foreign brokerage commissions;

- . unreliable mail service between countries; and

- . political or financial changes which adversely affect investments in some countries.

U.S. GOVERNMENT POLICIES. In the past, U.S. government policies have discouraged or restricted certain investments abroad by investors such as the Fund. Although the Fund is unaware of any current restrictions which would materially adversely affect its ability to meet its investment objective and policies, investors are advised that these U.S. government policies could be reinstated.

REAL ESTATE SECURITIES. Although the Fund's investments in real estate will be limited to publicly traded securities secured by real estate or interests therein or issued by companies which invest in real estate or interests therein, the Fund may be subject to risks associated with direct ownership of real estate. These include declines in the value of real estate, risks related to general and local economic conditions and increases in interest rates.

Other risks associated with real estate investments include the fact that equity and mortgage real estate investment trusts are dependent upon management skill, are not diversified, and are, therefore, subject to the risk of financing single projects or a limited number of projects. They are also subject to heavy cash flow dependency, defaults by borrowers and self-liquidation.

Additionally, equity real estate investment trusts may be affected by any changes in the value of the underlying property owned by the trusts, and mortgage real estate investment trusts may be affected by the quality of any credit extended.

PRECIOUS METAL SECURITIES AND PRECIOUS METALS. The prices of precious metal

securities and precious metals have historically been subject to high volatility. The earnings and financial condition of precious metal companies may be adversely affected by volatile precious metal prices.

FIXED INCOME SECURITIES. Bonds rated BBB by Standard & Poor's or Baa by Moody's have speculative characteristics. Changes in economic conditions or other circumstances are more likely to lead to weakened capacity to make principal and interest payments than higher rated bonds.

INVESTMENT LIMITATIONS

The Fund will not:

- . borrow money, or pledge securities 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 its total assets to secure such borrowings;
- . invest more than 5% of its total assets in the securities of one issuer (except cash and cash items, repurchase agreements, and U.S. government securities);
- . invest more than 5% of its total assets in securities of issuers that have records of less than three years of continuous operations;
- . acquire more than 10% of the voting securities of any one issuer; or
- . invest more than 10% of its assets in securities of other investment companies. (It should be noted that investment companies incur certain expenses, such as management fees, and, therefore, any investment in these securities would be subject to duplicate expenses.)

The above investment limitations cannot be changed without shareholder approval.

STAR FUNDS INFORMATION

MANAGEMENT OF THE TRUST

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

INVESTMENT ADVISER. Investment decisions for the Fund are made by Star Bank, N.A., the Fund's investment adviser (the "Adviser" or "Star Bank"), subject to direction by the Trustees. The Adviser continually conducts investment research and supervision for the Fund and is responsible for the purchase or sale of portfolio instruments, for which it receives an annual fee from the Fund.

ADVISORY FEES. The Adviser receives an annual investment advisory fee equal to 0.95 of 1% of the Fund's average daily net assets. The Adviser has undertaken to reimburse the Fund, up to the amount of the advisory fee, for operating expenses in excess of limitations established by certain states. The Adviser may voluntarily choose to waive a portion of its fee or reimburse the Fund for certain operating expenses.

ADVISER'S BACKGROUND. Star Bank, a national bank, was founded in 1863 and is the largest bank and trust organization of StarBanc Corporation. As of December 31, 1993, Star Bank had an asset base of \$7.6 billion.

Star Bank's expertise in trust administration, investments, and estate planning ranks it among the most predominant trust institutions in Ohio, with assets of \$12.5 billion as of December 31, 1993.

Star Bank has managed commingled funds since 1957. As of December 31, 1993, it manages 12 common trust funds and collective investment funds having a market value in excess of \$394 million. Additionally, Star Bank has advised the portfolios of the Trust since 1989.

Peter P. Baden has been employed by Star Bank as an Equity Analyst since March 1992, and has been responsible for managing the real estate securities component of the Fund since that date. From 1987 through March 1992, Mr. Baden was a vice president of Pacholder Associates, an investment adviser located in Cincinnati, Ohio.

B. Randolph Bateman is Senior Vice President and Chief Investment Officer of Star Bank's Trust Financial Services Group and manager of its Capital Asset Management Division. Mr. Bateman has managed the international securities component of the Fund since May 1993. Mr. Bateman joined Star Bank in 1988.

Fred A. Brink has been a Fund Manager for the Capital Management Division of Star Bank since July 1991 and has managed the cash equivalent securities component of the Fund since that date. Prior to July 1991, Mr. Brink was in college.

Donald A. Keller has served as a Vice President and the Director of Research of the Capital Management Division of Star Bank since October 1993, and has managed the domestic equity securities component of the Fund since that date. From February 1989 through October 1993, Mr. Keller served as Director of Portfolio Management of Star Bank.

Kirk F. Mentzer is a Fixed Income Manager for the Capital Management Division of Star Bank. He has managed the domestic fixed income component of the Fund since its inception in October 1991. Mr. Mentzer joined Star Bank in May 1989 as a micro systems analyst, and has served as an investment analyst since June 1990. From 1989 through June 1990, Mr. Mentzer was employed by Star Bank as a systems analyst. From May 1988 through 1989, Mr. Mentzer was employed by Great American Insurance as a management trainee.

DISTRIBUTION OF FUND SHARES

Federated Securities Corp. is the distributor for shares of the Fund. It is a Pennsylvania corporation organized on November 14, 1969, and is the distributor for a number of investment companies. Federated Securities Corp. is a subsidiary of Federated Investors.

DISTRIBUTION PLAN. Pursuant to the provisions of a distribution plan adopted in accordance with the Investment Company Act Rule 12b-1 (the "Plan"), the Fund will pay to Federated Securities Corp. an amount computed at an annual rate of 0.25% of 1% of the average daily net assets to finance any activity which is principally intended to result in the sale of shares subject to the Plan.

Federated Securities Corp. may from time to time, and for such periods as it deems appropriate, voluntarily reduce its compensation under the Plan to the extent the expenses attributable to the shares exceed such lower expense limitation as the distributor may, by notice to the Trust, voluntarily declare to be effective.

The distributor may select financial institutions such as banks, fiduciaries, custodians for public funds, investment advisers, and broker/dealers to provide sales and/or administrative services as agents for their clients or customers who beneficially own shares. Administrative services may include, but are not limited to, the following functions: providing office space, equipment, telephone facilities, and various personnel (including clerical, supervisory, and computer) 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 regarding the Fund; assisting clients in changing dividend options; account designations, and addresses; and providing such other services as the Fund reasonably requests.

Financial institutions will receive fees from the distributor 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 distributor.

The Fund's 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.

The Glass-Steagall Act limits the ability of a depository institution (such as a commercial bank or a savings and loan association) to become an underwriter or distributor of securities. In the event the Glass-Steagall Act is deemed to prohibit depository institutions from acting in the capacities described above or should Congress relax current restrictions on depository institutions, the Trustees will consider appropriate changes in the services.

State securities laws governing the ability of depository institutions to act

as underwriters or distributors of securities may differ from interpretations given to the Glass-Steagall Act and, therefore, banks and financial institutions may be required to register as dealers pursuant to state law.

ADMINISTRATIVE ARRANGEMENTS. The distributor may select brokers and dealers to provide distribution and administrative services. The distributor may also select administrators (including depository institutions such as commercial banks and savings and loan associations) to provide administrative services. These administrative services include distributing prospectuses and other information, providing accounting assistance, and communicating or facilitating purchases and redemptions of the Fund's shares.

Brokers, dealers, and administrators will receive fees from the distributor based upon shares of the Fund owned by their clients or customers. The fees are calculated as a percentage of the average aggregate net asset value of shareholder accounts during the period for which the brokers, dealers, and administrators provide services. The current annual rate of such fees is up to 0.30 of 1% for the Fund. Any fees paid for these services by the distributor will be reimbursed by the Adviser. Payments made here are in addition to any payments made under the Fund's Rule 12b-1 Distribution Plan.

ADMINISTRATION OF THE FUND

ADMINISTRATIVE SERVICES. Federated Administrative Services, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, provides the Fund with certain administrative personnel and services necessary to operate the Fund, such as legal and accounting services. Federated Administrative Services provides these at an annual rate as specified below:

<TABLE>

<CAPTION>

MAXIMUM ADMINISTRATIVE FEE	AVERAGE AGGREGATE DAILY NET ASSETS OF THE TRUST
<S>	<C>
.150 of 1%	on the first \$250 million
.125 of 1%	on the next \$250 million
.100 of 1%	on the next \$250 million
.075 of 1%	on assets in excess of \$750 million

</TABLE>

The administrative fee received during any fiscal year shall be at least \$50,000 per Fund. Federated Administrative Services may voluntarily waive a portion of its fee.

CUSTODIAN. Star Bank, N.A., Cincinnati, Ohio, is custodian for the securities and cash of the Fund.

TRANSFER AGENT, DIVIDEND DISBURSING AGENT, AND PORTFOLIO ACCOUNTING SERVICES. Federated Services Company, Pittsburgh, Pennsylvania, a subsidiary of Federated Investors, is transfer agent and dividend disbursing agent for the Fund. It also provides certain accounting and recordkeeping services with respect to the Fund's portfolio investments.

LEGAL COUNSEL. Legal counsel for the Fund is provided by Houston, Houston & Donnelly, Pittsburgh, Pennsylvania, and Dickstein, Shapiro & Morin, Washington, D.C.

INDEPENDENT PUBLIC ACCOUNTANTS. The independent public accountants for the Fund are Arthur Andersen & Co., Pittsburgh, Pennsylvania.

BROKERAGE TRANSACTIONS

When selecting brokers and dealers to handle the purchase and sale of portfolio instruments, the Adviser looks for prompt execution of the order at a favorable price. In working with dealers, the Adviser 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 Adviser 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 Adviser makes decisions on portfolio transactions and selects 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

MINIMUM INVESTMENT REQUIRED

The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Connections Group Banking customers and Star Bank employees and members of their immediate family). Subsequent investments may be in any amounts. For customers of Star Bank, an institutional investor's minimum investment will be calculated by combining all mutual fund accounts it maintains with Star Bank and invests with the Fund.

WHAT SHARES COST

Fund shares are sold at their net asset value next determined after an order is received, plus a sales charge as follows:

<TABLE>

<CAPTION>

AMOUNT OF TRANSACTION	SALES CHARGE	SALES CHARGE
	AS A	AS A
	PERCENTAGE OF	PERCENTAGE
	PUBLIC OFFERING	OF NET AMOUNT
	PRICE	INVESTED
<S>	<C>	<C>
Less than \$100,000	4.50%	4.71%
\$100,000 but less than \$250,000	3.75%	3.90%
\$250,000 but less than \$500,000	2.50%	2.56%
\$500,000 but less than \$750,000	2.00%	2.04%
\$750,000 but less than \$1 million	1.00%	1.01%
\$1 million or more	0.25%	0.25%

</TABLE>

The net asset value is determined at 4:00 p.m. (Eastern time), 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; or (iii) the following holidays: New Year's Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas Day.

PURCHASES AT NET ASSET VALUE. Shareholders who are trust or private banking customers of StarBanc Corporation and its subsidiaries are exempt from sales charges. In addition, the following persons may also purchase shares of the Fund at net asset value, without a sales charge: employees and retired employees of Star Bank, Federated Securities Corp., or their affiliates, or any bank or investment dealer who has a sales agreement with Federated Securities Corp. with regard to the Fund, and members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees.

SALES CHARGE REALLOWANCE. For sales of shares of the Fund, Star Bank or any authorized dealer will normally receive up to 89% of the applicable sales charge. Any portion of the sales charge which is not paid to Star Bank or a dealer will be retained by the distributor. However, the distributor, in its sole discretion, may uniformly offer to pay all dealers selling shares of the Fund additional amounts, all or a portion of which may be paid from the sales charge it normally retains or any other source available to it. Such additional payments, if accepted by the dealer, may be in the form of cash or promotional incentives and will be predicated upon the amount of shares of the Fund sold by the dealer.

The sales charge for shares sold other than through Star Bank or registered broker/dealers will be retained by the distributor. The distributor may pay fees to banks out of the sales charge in exchange for sales and/or administrative services performed on behalf of the bank's customers in connection with the initiation of customer accounts and purchases of Fund shares.

REDUCING THE SALES CHARGE

The sales charge can be reduced on the purchase of Fund shares through:

- . quantity discounts and accumulated purchases;
- . signing a 13-month letter of intent;

- . using the reinvestment privilege; or
- . concurrent purchases.

QUANTITY DISCOUNTS AND ACCUMULATED PURCHASES. As shown in the previous table, larger purchases reduce the sales charge paid. The Fund will combine purchases made on the same day by the investor, his spouse, and his children under age 21 when it calculates the sales charge.

If an additional purchase of Fund shares is made, the Fund will consider the previous purchases still invested in the Fund. For example, if a shareholder already owns shares having a current value at the net asset value of \$90,000 and he purchases \$10,000 more at the current net asset value, the sales charge on the additional purchase according to the schedule now in effect would be 3.75%, not 4.50%.

To receive the sales charge reduction, Star Bank or the distributor must be notified by the shareholder in writing at the time the purchase is made that Fund shares are already owned or that purchases are being combined. The Fund will reduce the sales charge after it confirms the purchases.

LETTER OF INTENT. If a shareholder intends to purchase at least \$100,000 of Fund shares over the next 13 months, the sales charge may be reduced by signing a letter of intent to that effect. This letter of intent includes a provision for a sales charge adjustment depending on the amount actually purchased within the 13-month period and a provision for the Fund's custodian to hold 4.50% of the total amount intended to be purchased in escrow (in shares of the Fund) until such purchase is completed.

The 4.50% held in escrow will be applied to the shareholder's account at the end of the 13-month period unless the amount specified in the letter of intent is not purchased. In this event, an appropriate number of escrowed shares may be redeemed in order to realize the difference in the sales charge.

This letter of intent will not obligate the shareholder to purchase shares, but if the shareholder does, each purchase during the period will be at the sales charge applicable to the total amount intended to be purchased. This letter may be dated as of a prior date to include any purchases made within the past 90 days.

REINVESTMENT PRIVILEGE. If shares in the Fund have been redeemed, the shareholder has a one-time right, within 30 days, to reinvest the redemption proceeds at the next-determined net asset value without any sales charge. Star Bank or the distributor must be notified by the shareholder in writing or by his financial institution of the reinvestment in order to eliminate a sales charge. If the shareholder redeems his shares in the Fund, there may be tax consequences. Shareholders contemplating such transactions should consult their own tax advisers.

CONCURRENT PURCHASES. For purposes of qualifying for a sales charge reduction, a shareholder has the privilege of combining concurrent purchases of two or more funds in the Trust, the purchase price of which includes a sales charge. For example, if a shareholder concurrently invested \$30,000 in one of the other funds in the Trust with a sales charge and \$70,000 in this Fund, the sales charge would be reduced.

To receive this sales charge reduction, Star Bank or the distributor must be notified by the shareholder in writing at the time the concurrent purchases are made. The Fund will reduce the sales charge after it confirms the purchases.

SYSTEMATIC INVESTMENT PLAN

Once a Fund account has been opened, shareholders may add to their investment on a regular basis in a minimum amount of \$100. Under this plan, funds may be withdrawn periodically from the shareholder's checking account and invested in Fund shares at the net asset value next determined after an order is received by Star Bank, plus the applicable sales charge. A shareholder may apply for participation in this plan through Star Bank.

SHARE PURCHASES

Fund shares are sold on days on which the New York Stock Exchange and the Federal Reserve Wire System are open for business.

A customer of Star Bank may purchase shares of the Fund through Star Bank. Texas residents must purchase shares through Federated Securities Corp. at 1-800-356-2805. In connection with the sale of Fund shares, the distributor may from time to time offer certain items of nominal value to any shareholder or investor. The Fund reserves the right to reject any purchase request.

THROUGH STAR BANK. To place an order to purchase shares of the Fund, a customer of Star Bank may telephone Star Bank at 1-800-677-FUND or place the order in person. Purchase orders given by telephone may be electronically recorded.

Payment may be made to Star Bank either by check or federal funds. When payment is made with federal funds, the order is considered received when federal funds are received by Star Bank. Purchase orders must be telephoned to Star Bank by 4:00 p.m. (Eastern time) and payment by federal funds must be received by Star Bank before 3:00 p.m. (Eastern time) on the following day. Orders are considered received after payment by check is converted into federal funds and received by Star Bank.

For purchases by employees, individual investors, or through registered broker/dealers, requests must be received by Star Bank by 4:00 p.m. (Eastern time) and payment is normally required in five business days.

Shares cannot be purchased on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers.

BY MAIL. To purchase shares of the Fund by mail, individual investors may send a check made payable to The Stellar Fund to Star Shareholder Services, Star Bank, N.A., 425 Walnut Street, ML 7135, Cincinnati, Ohio 45202.

Orders by mail are considered received after payment by check is converted by Star Bank into federal funds. This is normally five business days after Star Bank receives the check.

EXCHANGING SECURITIES FOR FUND SHARES

The Fund may accept securities in exchange for Fund shares. The Fund will allow such exchanges only upon the prior approval of the Fund and a determination by the Fund and the Adviser that the securities to be exchanged are acceptable.

Any securities exchanged must meet the investment objective and policies of the Fund, must have a readily ascertainable market value, must be liquid, and must not be subject to restrictions on resale. The Fund acquires the exchanged securities for investment and not for resale. The market value of any securities exchanged in an initial investment, plus any cash, must be at least \$25,000.

Securities accepted by the Fund will be valued 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, or other rights attached to the securities become the property of the Fund, along with the securities.

CERTIFICATES AND CONFIRMATIONS

As transfer agent for the Fund, Federated Services Company maintains a share account for each shareholder of record. Share certificates are not issued.

Detailed confirmations of each purchase or redemption are sent to each shareholder and dividend confirmations are sent to each shareholder to report dividends paid.

DIVIDENDS AND CAPITAL GAINS

Dividends are declared and paid quarterly. Capital gains realized by the Fund, if any, will be distributed at least once every 12 months. Dividends and capital gains will be automatically reinvested in additional shares of the Fund on payment dates at the ex-dividend date net asset value, unless cash payments are requested by writing to the Fund or Star Bank.

EXCHANGE PRIVILEGE

All shareholders of the Fund are shareholders of the Star Funds. Star Funds currently consists of the Fund, Star Prime Obligations Fund, Star Treasury Fund, Star Relative Value Fund, Star Tax-Free Money Market Fund, and Star U.S. Government Income Fund. Until further notice, through a telephone exchange program, shareholders invested in the money market funds can exchange only

among the other money market funds of the Trust, and shareholders invested in the non-money market funds can exchange only among the other non-money market funds of the Trust. Each portfolio in the Star Funds is advised by Star Bank and distributed by Federated Securities Corp.

EXCHANGING SHARES

Shareholders of the Fund may exchange shares of the Fund for shares of the other Funds in the Star Funds. In addition, shares of the Fund may also be exchanged for certain other funds distributed by Federated Securities Corp. that are not advised by Star Bank, N.A. ("Federated Funds"). For further information on the availability of Federated Funds for exchanges, please call Star Bank, N.A. at the telephone number listed on the front cover. Shareholders who exercise this exchange privilege must exchange shares having a total net asset value of at least \$1,000. Prior to any exchange, the shareholder must receive a copy of the current prospectus of the fund into which an exchange is to be effected.

Shares may be exchanged at net asset value, plus the difference between the Fund's sales charge (if any) already paid and any sales charge of the fund into which shares are to be exchanged, if higher.

When an exchange is made from a fund with a sales charge to a fund with no sales charge, the shares exchanged and additional shares which have been purchased by reinvesting dividends on such shares retain the character of the exchanged shares for purposes of exercising further exchange privileges; thus, an exchange of such shares for shares of a fund with a sales charge would be at net asset value.

The exchange privilege is available to shareholders residing in any state in which the fund shares being acquired may legally be sold. Upon receipt of proper instructions and all necessary supporting documents, shares submitted for exchange will be redeemed at the next-determined net asset value.

Written exchange instructions may require a signature guarantee. Exercise of this privilege is treated as a sale for federal income tax purposes and, depending on the circumstances, a short or long-term capital gain or loss may be realized. The exchange privilege may be terminated at any time. Shareholders will be notified of the termination of the exchange privilege. A shareholder may obtain further information on the exchange privilege by calling Star Bank at 1-800-677-FUND.

EXCHANGE-BY-TELEPHONE

Instructions for exchanges between funds which are part of the Star Funds may be given by telephone to Star Bank at 1-800-677-FUND or to the distributor. Shares may be exchanged by telephone only between fund accounts having identical shareholder registrations. Exchange instructions given by telephone may be electronically recorded.

Telephone exchange instructions must be received before 3:00 p.m. (Eastern time) for shares to be exchanged the same day. The telephone exchange privilege may be modified or terminated at any time. Shareholders will be notified of such modification or termination. Shareholders of the Fund may have difficulty in making exchanges by telephone through brokers, banks, or other financial institutions during times of drastic economic or market changes. If a shareholder cannot contact his broker, bank, or financial institution by telephone, it is recommended that an exchange request be made in writing and sent by overnight mail.

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

REDEEMING SHARES

The Fund redeems shares at their net asset value next determined after Star Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. Requests for redemption can be made in person or by telephone through Star Bank.

BY TELEPHONE. A shareholder who is a customer of Star Bank may redeem shares of the Fund by telephoning Star Bank at 1-800-677-FUND. Redemption requests given by telephone may be electronically recorded. For calls received by Star Bank before 4:00 p.m. (Eastern time), proceeds will normally be wired the following day to the shareholder's account at Star Bank or a check will be sent to the

address of record. In no event will proceeds be wired or a check mailed more than seven days after a proper request for redemption has been received. 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 the Fund to accept telephone requests must first be completed. Authorization forms and information on this service are available from Star Bank.

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.

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

REDEMPTION BEFORE PURCHASE INSTRUMENTS CLEAR

When shares are purchased by check, those shares are not available, and the shares may not be exchanged, until Federated Services Company is reasonably certain that the purchase check has cleared, which could take up to 10 calendar days.

SYSTEMATIC WITHDRAWAL PLAN

Under a Systematic Withdrawal Plan, accounts may arrange for regular monthly or quarterly fixed withdrawal payments. Each payment must be at least \$100 and may be as much as 1.50% per month or 4.50% per quarter of the total net asset value of the shares in the account when the Systematic Withdrawal Plan is opened. Depending upon the amount of the withdrawal payments and the amount of dividends paid with respect to Fund shares, redemptions may reduce, and eventually deplete, the shareholder's investment in the Fund. For this reason, payments under this plan should not be considered as yield or income on the shareholder's investment in the Fund. Due to the fact that shares are sold with a sales charge, it is not advisable for shareholders to be purchasing shares of the Fund while participating in this plan.

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 the required minimum value of \$1,000 due to shareholder redemptions.

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.

REDEMPTION IN KIND

The Trust is obligated to redeem shares solely in cash up to \$250,000 or 1% of the respective Fund's net asset value, whichever is less, for any one shareholder within a 90-day period.

Any redemption beyond this amount will also be in cash unless the Trustees determine that payments should be in kind. In such a case, the Fund will pay all or a portion of the remainder of the redemption in portfolio instruments, valued in the same way that net asset value is determined. The portfolio instruments will be selected in a manner that the Trustees deem fair and equitable.

Redemption in kind is not as liquid as a cash redemption. If redemption is made in kind, shareholders receiving their securities and selling them before their maturity could receive less than the redemption value of their securities and could incur transaction costs.

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 or the Fund's operation and for the election of Trustees under certain circumstances. As of January 6, 1994, Firstcinco, Cincinnati, Ohio, owned 36.59% of the voting securities of the Fund, and therefore, may, for certain

purposes, be deemed to control the Fund and be able to affect the outcome of certain matters presented to a vote of shareholders.

Trustees may be removed by a two-thirds vote of the number of Trustees prior to such removal or by a two-thirds vote of the shareholders of the Trust at a special meeting. A special meeting of shareholders shall be called by the Trustees upon the written request of shareholders owning at least 10% of the Trust's outstanding shares of all series entitled to vote.

MASSACHUSETTS PARTNERSHIP LAW

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

In the unlikely event a shareholder is held personally liable for the Trust's obligations, the Trust is required, by the Declaration of Trust, to use its property 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. Therefore, financial loss resulting from liability as a shareholder will occur only if the Trust cannot meet its obligations to indemnify shareholders and pay judgments against them from its assets.

EFFECT OF BANKING LAWS

The Glass-Steagall Act and other banking laws and regulations presently prohibit a bank holding company registered under the Bank Holding Company Act of 1956 or any affiliate thereof from sponsoring, organizing, or controlling a registered, open-end investment company continuously engaged in the issuance of its shares, and from issuing, underwriting, selling, or distributing securities in general. Such laws and regulations do not prohibit such a holding company or affiliate from acting as investment adviser, transfer agent, or custodian to such an investment company or from purchasing shares of such a company as agent for and upon the order of their customer. The Fund's investment adviser, Star Bank, is subject to such banking laws and regulations.

Star Bank believes that it may perform the investment advisory services for the Fund contemplated by its advisory agreements with the Trust without violating the Glass-Steagall Act or other applicable banking laws or regulations. Changes in either federal or state statutes and regulations relating to the permissible activities of banks and their subsidiaries or affiliates, as well as further judicial or administrative decisions or interpretations of present or future statutes and regulations, could prevent Star Bank from continuing to perform all or a part of the above services for its customers and/or the Fund. In such event, changes in the operation of the Fund may occur, including the possible alteration or termination of any automatic or other Fund share investment and redemption services then being provided by Star Bank, and the Trustees would consider alternative investment advisers and other means of continuing available investment services. It is not expected that Fund shareholders would suffer any adverse financial consequences (if another adviser with equivalent abilities to Star Bank is found) as a result of any of these occurrences.

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 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. The Fund will provide detailed tax information for reporting purposes.

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 maximum 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 performance information normally reflects the effect of the maximum sales load which, if excluded, would increase the total return and yield. Occasionally, performance information which does not reflect the effect of the sales load may be quoted in advertising.

From time to time the Fund may advertise its performance using certain financial publications and/or compare its performance to certain indices.

THE STELLAR FUND
 PORTFOLIO OF INVESTMENTS
 NOVEMBER 30, 1993

<TABLE>
 <CAPTION>

SHARES		VALUE
<C>	<S>	<C>
	U.S. EQUITIES--17.9%	
	BASIC INDUSTRY--3.6%	
	BUILDING--0.8%	
30,700	Elcor Corp. (a)	\$ 575,625
	CHEMICALS & FERTILIZERS--0.6%	
8,500	duPont (E.I) de Nemours	404,813
	METALS--0.6%	
26,600	Worthington Industries Inc.	458,850
	MINING--1.2%	
14,000	Newmont Mining Corp.	890,750
	TIMBER--0.4%	
6,400	Weyerhaeuser Co.	280,000
	TOTAL BASIC INDUSTRY	2,610,038
	CAPITAL GOODS--3.9%	
	APPLIANCES--0.7%	
9,000	Whirlpool Corp.	534,375
	ELECTRONICS--1.9%	
12,300	Honeywell, Inc.	401,287
9,000	Intel Corp.	553,500
7,500	Raytheon Co.	459,375
	Total	1,414,162

OFFICE & BUSINESS EQUIPMENT--1.3%		
7,100	Hewlett Packard Co.	523,625
18,000	Novell Inc. (a)	423,000
	Total	946,625
TOTAL CAPITAL GOODS 2,895,162		
CONSUMER CYCLICAL--3.0%		
AUTOMOTIVE & RELATED--1.9%		
10,400	Cummins Engine Inc.	491,400
10,000	Goodyear Tire & Rubber	445,000
9,000	Johnson Controls Inc.	479,250
	Total	1,415,650
RETAILING & APPAREL--1.1%		
5,000	Best Buy Co. Inc. (a)	248,750
10,600	Penney (J.C.), Inc.	565,775
	Total	814,525
TOTAL CONSUMER CYCLICAL 2,230,175		

</TABLE>

THE STELLAR FUND

<TABLE>		
<CAPTION>		
SHARES		VALUE
<C>	<S>	<C>
U.S. EQUITIES--CONTINUED		
CONSUMER STAPLES--0.7%		
HOUSEHOLD--0.7%		
9,900	Clorox Co.	\$ 514,800
	TOTAL CONSUMER STAPLES	514,800
ENERGY--1.6%		
OIL--1.6%		
4,500	Atlantic Richfield Co.	466,875
17,400	Horsham Corp.	237,075
5,700	Mobil Corp.	434,625
	TOTAL ENERGY	1,138,575
FINANCE--1.7%		
BANKS--1.2%		
15,000	First Tenn National Corp.	558,750
5,000	Morgan (J.P.) & Co., Inc.	354,375
	Total	913,125
INSURANCE--0.5%		
7,400	Aon Corp.	366,300
	TOTAL FINANCE	1,279,425
HEALTH CARE--1.1%		

	HOSPITAL SUPPLY--0.4%	

12,500	Allergan, Inc.	278,125

	DRUGS--0.7%	

8,100	Schering Plough Corp.	541,688

	TOTAL HEALTH CARE	819,813

	UTILITIES--2.3%	

	ELECTRIC--0.8%	

13,000	Southern Co.	562,250

	MISCELLANEOUS--0.6%	

13,500	Pentair Inc.	475,875

	TELECOMMUNICATIONS--0.9%	

11,600	American Telephone & Telegraph Co.	633,650

	TOTAL UTILITIES	1,671,775

	TOTAL U.S. EQUITIES (IDENTIFIED COST \$13,376,298)	13,159,763

INTERNATIONAL SECURITIES--20.3%		

	BASIC INDUSTRY--0.5%	

17,000	Alcan Aluminum Ltd.	352,750

	TOTAL BASIC INDUSTRY	352,750

	CONSUMER CYCLICAL--2.1%	

	ENTERTAINMENT & LEISURE--0.4%	

8,400	PolyGram N.V.	324,450

</TABLE>

THE STELLAR FUND

<TABLE>		
<CAPTION>		
SHARES		VALUE
<C>	<S>	<C>
INTERNATIONAL SECURITIES--CONTINUED		

	PUBLISHING--1.3%	

11,000	News Corp. Ltd.	\$ 565,125

4,700	Reuters Holdings PLC	356,025

	Total	921,150

	RETAILING & APPAREL--0.4%	

10,000	Luxottica Group SPA	255,000

	TOTAL CONSUMER CYCLICAL	1,500,600

	CONSUMER STAPLES--1.8%	

	FOOD & BEVERAGE--1.4%	

25,000	Sara Lee Corp.	650,000

12,500	Seagram, Ltd.	345,313

	Total	995,313

	HOUSEHOLD PRODUCTS--0.4%	

2,800	Unilever N.V.	313,950

	TOTAL CONSUMER STAPLES	1,309,263
	ENERGY--3.4%	
	ENERGY SERVICE & EQUIPMENT--0.3%	
3,600	Schlumberger, Ltd.	207,000
	INTERNATIONAL OIL--1.4%	
5,000	Chevron Corp.	434,375
11,700	Repsol SA	334,912
2,800	Royal Dutch Petroleum	282,800
	Total	1,052,087
	NATURAL GAS--1.7%	
7,300	Burlington Northern Inc.	418,838
17,000	Enron Corp.	529,125
22,000	TransCanada Pipelines Ltd.	327,250
	Total	1,275,213
	TOTAL ENERGY	2,534,300
	HEALTHCARE--1.5%	
	DRUGS--1.5%	
18,500	Rhone-Poulenc Rorer, Inc.	703,000
15,600	SmithKline Beecham PLC	413,400
	TOTAL HEALTH CARE	1,116,400
	UTILITIES--2.0%	
	TELECOMMUNICATIONS--2.0%	
20,000	*Cable & Wireless Ltd.	437,500
10,000	Hong Kong Telecommunications	556,250
9,000	*Telefonos de Mexico	501,750
	TOTAL UTILITIES	1,495,500

</TABLE>

THE STELLAR FUND

<TABLE>		<CAPTION>	
SHARES		VALUE	
<C>	<S>	<C>	
INTERNATIONAL SECURITIES--CONTINUED			
	MISCELLANEOUS--9.0%		
	DIVERSIFIED--6.0%		
16,250	Asia Pacific Fund, Inc.	\$	296,563
21,000	Canadian Pacific, Ltd.		341,250
8,000	Chile Fund, Inc.		283,000
5,333	Emerging Mexico Fund, Inc.		118,659
15,000	First Philippine Fund, Inc.		251,250
33,000	France Growth Fund, Inc.		363,000
10,000	Future Germany Fund, Inc.		143,750

12,000	Greater China Fund, Inc. (a)	237,000
26,000	Japan Equity Fund, Inc. (a)	315,250
15,000	Latin America Equity Fund, Inc.	313,125
13,424	Mexico Fund, Inc.	411,110
15,000	New Germany Fund, Inc.	180,000
26,600	Philips Electronics (a)	518,700
24,000	Swiss Helvetia Fund, Inc.	450,000
10,000	Thai Capital Fund, Inc.	160,000
	Total Diversified	4,382,657
	OTHER--3.0%	
3,800	British Airways	239,875
4,300	British Petroleum	254,775
5,000	Fuji Photo Film Co., Ltd.	210,000
3,500	Hitachi Ltd.	245,437
10,400	National Australia Bank Ltd.	412,100
9,000	Pioneer Electric Corp.	191,250
10,000	Thomson CSF	263,750
5,000	Vodafone Group PLC	405,000
	Total Other	2,222,187
	TOTAL MISCELLANEOUS	6,604,844
	TOTAL INTERNATIONAL SECURITIES (IDENTIFIED COST \$13,187,447)	14,913,657
	REAL ESTATE--18.7%	
	INVESTMENT TRUST--16.9%	
20,100	American Health Properties, Inc.	515,063
21,500	Avalon Property, Inc.	419,250
14,000	BRE Properties Inc.	491,750
15,900	Burnham Pacific Properties, Inc.	282,225
18,500	Camden Property, Inc.	444,000
14,000	Chateau Property, Inc.	269,500
18,000	Developers Diversified	486,000
29,000	Federal Realty Investment Trust	764,875

</TABLE>

THE STELLAR FUND

<TABLE>

<CAPTION>

PRINCIPAL
AMOUNT

VALUE

<C>	<S>	<C>
	REAL ESTATE SECURITIES--CONTINUED	
22,000	Health Care Property Investment, Inc.	\$ 610,500
23,500	Kimco Realty Corp.	749,062
47,000	LTC Properties	599,250

10,000	Manufactured Home Communities Inc.	398,750
20,000	Meditrust	652,500
23,000	Merry Land & Investment Co.	428,375
16,000	Nationwide Health Properties Inc.	604,000
9,100	Omega Healthcare investors	222,950
19,000	Pennsylvania Real Estate Inc.	465,500
29,800	Santa Anita Realty Enterprises	536,400
53,500	Sizeler Property Investments Inc.	688,812
60,000	Southwestern Properties	765,000
48,300	Taubman Centers, Inc.	609,788
47,200	United Dominion Realty Trust Inc.	649,000
11,000	Webb Del Corp.	143,000
16,000	Weingarten Realty Investment	610,000
	Total	12,405,550
	HOMEBUILDERS--1.8%	
33,350	Kaufman & Broad Home Corp.	671,169
17,500	Pulte Corp.	647,500
	Total	1,318,669
	TOTAL REAL ESTATE (IDENTIFIED COST \$11,837,787)	13,724,219
	FIXED INCOME OBLIGATIONS--20.0%	
	U.S. GOVERNMENT--11.5%	
\$5,900,000	U.S. Treasury Notes, 3.88%-8.63%, 8/15/94-08/15/2001	6,254,664
1,850,000	U.S. Treasury Bonds, 7.88%-8.13%, 08/15/2019-02/15/2021	2,190,067
	Total U.S. Government	8,444,731
	U.S. AGENCY--3.9%	
250,000	Federal Home Loan Mortgage Corp.	254,535
1,300,000	Federal National Mortgage Association	1,323,335
255,000	FNMA Pool	256,912
1,000,000	Student Loan Marketing Association	998,140
	Total U.S. Agency	2,832,922
	AUTOMOTIVE & RELATED--0.8%	
500,000	Cincinnati Gas & Electric Co.	569,430
	TOBACCO--0.6%	
400,000	Phillip Morris Cos., Inc.	453,008
	INDUSTRIAL--0.4%	
250,000	Motorola, Inc.	297,755

</TABLE>

THE STELLAR FUND

<TABLE>
<CAPTION>
PRINCIPAL

AMOUNT		VALUE
<C>	<S>	<C>
FIXED INCOME OBLIGATIONS--CONTINUED		
OIL--0.7%		
500,000	Union Pacific Corp.	\$ 486,610
ELECTRIC--0.7%		
500,000	Georgia Power Co.	505,325
FINANCE--1.0%		
250,000	General Electric Capital Corp.	276,325
250,000	International Lease Finance Co.	258,758
150,000	Morgan JP & Co. Inc.	162,381
	Total	697,464
RETAIL--0.6%		
250,000	Kmart Corp.	275,212
130,000	Wal Mart Stores Inc.	146,212
	Total	421,424
TOTAL FIXED INCOME OBLIGATIONS (IDENTIFIED COST \$14,625,355)		14,708,669
**CASH EQUIVALENT & REPURCHASE AGREEMENT--23.3%		
17,088,000	Donaldson, Lufkin & Jenrette Securities Corp., 3.22%, dated 11/30/93, due 12/01/93 (at amortized cost)	17,088,000
TOTAL INVESTMENTS (IDENTIFIED COST, \$70,114,887)		\$73,594,308+

</TABLE>

(a) Non-income producing.

* American Depository Receipts.

** 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 cost for federal tax purposes amounts to \$70,137,736. The net unrealized appreciation of investments on a federal tax basis amounts to \$3,456,572 which is comprised of \$4,504,327 appreciation and \$1,047,755 depreciation at November 30, 1993.

Note: The categories of investments are shown as a percentage of total net assets (\$73,196,884) at November 30, 1993.

(See Notes which are an integral part of the financial statements)

THE STELLAR FUND
STATEMENT OF ASSETS AND LIABILITIES
NOVEMBER 30, 1993

<S>	<C>	<C>
ASSETS:		
Investments in securities	\$56,506,308	
Investments in repurchase agreements (Note 2B)	17,088,000	
Total investments, at amortized cost and value (identified cost, \$70,114,887 and tax cost, \$70,137,736) (Note 2A)		\$73,594,308

Cash		732

Receivable for Fund shares sold		1,859,636

Receivable for investment sold		879,551

Dividends and interest receivable		323,385

Receivable from administrator		7,985

Deferred expenses (Note 2F)		2,653

Total assets		76,668,250

LIABILITIES:		

Payable for investments purchased	3,381,003	

Options written, at value (premium received, \$50,978) (Note 2H)	36,189	

Payable for Fund shares repurchased	4,530	

Accrued expenses	49,644	

Total liabilities		3,471,366

NET ASSETS for 6,457,063 shares of beneficial interest outstanding		\$73,196,884

NET ASSETS CONSIST OF:		

Paid-in capital		\$69,202,605

Unrealized appreciation of investments and options (in- cludes \$14,789 on options)		3,494,210

Accumulated net realized gain on investments		714,412

Accumulated distributions in excess of net investment in- come		(214,343)

Total		\$73,196,884

NET ASSET VALUE and Redemption Price Per Share: (\$73,196,884 / 6,457,063 shares of beneficial interest outstanding)		\$11.34

Computation of Offering Price: Offering Price Per Share (100/95.5) of \$11.34*		\$11.87

</TABLE>

* On sales of \$100,000 or more, the offering price is reduced as stated under "What Shares Cost" in the prospectus.

(See Notes which are an integral part of the financial statements)

THE STELLAR FUND
STATEMENT OF OPERATIONS
YEAR ENDED NOVEMBER 30, 1993

<TABLE>			
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			

Interest income (Note 2C)			\$1,009,091

Dividend income (Note 2C)			615,646

Total investment income			1,624,737

EXPENSES:			

Investment advisory fee (Note 5)		\$465,417	

Trustees' fees		1,729	

Administrative personnel and services (Note 5)	62,298	
Custodian fees (Note 5)	12,248	
Recordkeeping, transfer and dividend disbursing agent fees (Note 5)	66,937	
Fund share registration costs	22,881	
Legal fees	7,164	
Printing and postage	42,581	
Distribution fees (Note 5)	122,478	
Insurance premiums	5,413	
Auditing fees	18,505	
Miscellaneous	3,840	
Total expenses	831,491	
Deduct--		
Waiver of investment advisory fee (Note 5)	\$ 1,248	
Waiver of distribution fees (Note 5)	122,478	123,726
Net expenses		707,765
Net investment income		916,972
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain on investment transactions (identified cost basis)--		722,961
Net change in unrealized appreciation/(depreciation) of investments and options		2,975,694
Net realized and unrealized gain on investments		3,698,655
Change in net assets resulting from operations		\$4,615,627

</TABLE>

(See Notes which are an integral part of the financial statements)

THE STELLAR FUND
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,	
	1993	1992
INCREASE (DECREASE) IN NET ASSETS:	<C>	<C>
OPERATIONS--		
Net investment income	\$ 916,972	\$ 749,915
Net realized gain on investment transactions (\$737,312 and \$366,379 net gain, respectively, as computed for federal income tax purposes) (Note 2D)	722,961	357,882
Change in unrealized appreciation of investments & options	2,975,694	884,031
Change in net assets resulting from operations	4,615,627	1,991,828
DISTRIBUTIONS TO SHAREHOLDERS (NOTE 3)--		

Dividends to shareholders from net investment income	(1,062,322)	(689,243)
Distributions to shareholders from net realized gain on investment transactions	(366,287)	(3,361)
Distributions in excess of net investment income	(214,343)	--
Change in net assets resulting from distributions to shareholders	(1,642,952)	(692,604)
FUND SHARE (PRINCIPAL) TRANSACTIONS (NOTE 4)--		
Proceeds from sale of shares	45,217,754	23,246,223
Net asset value of shares issued to shareholders electing to receive payment of distribution in Fund shares	1,594,012	691,507
Cost of shares redeemed	(12,132,012)	(3,634,928)
Change in net assets from Fund share transactions	34,679,754	20,302,802
Change in net assets	37,652,429	21,602,026
NET ASSETS:		
Beginning of period	35,544,455	13,942,429
End of period (including undistributed net investment income of \$0 and \$145,350, respectively)	\$73,196,884	\$35,544,455

</TABLE>

(See Notes which are an integral part of the financial statements)

THE STELLAR FUND
NOTES TO FINANCIAL STATEMENTS
NOVEMBER 30, 1993

(1) ORGANIZATION

Star Funds (the "Trust") is registered under the Investment Company Act of 1940, as amended, as an open-end management investment company. The Trust consists of six portfolios. The financial statements included herein present only those of The Stellar Fund (the "Fund"). 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.

(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. The policies are in conformity with generally accepted accounting principles.

- A. INVESTMENT VALUATIONS--Listed securities are valued at the last sale price reported on national security exchanges. Unlisted securities, or securities in which there are no sales, and private placement securities are valued on the basis of prices provided by independent pricing services. Short-term obligations are valued at the mean between the bid and asked prices as furnished by an independent pricing service; however, such issues with maturities of sixty days or less are valued at amortized cost, which approximates market value.

Although the Fund has invested 20.3% of its securities internationally, the Fund's management believes that there is no significant concentration of investments in any one country.

- B. 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 in support of repurchase agreement investments. Additionally, procedures have been established by the Fund to monitor, on a daily basis, the market value of each repurchase agreement's underlying securities to ensure the existence of a proper level of

collateral.

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 established by the Board of 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.

- C. INCOME--Dividend income is recorded on the ex-dividend date. Interest income is recorded on the accrual basis. Interest income includes interest, and discount earned (net of premium) on short-term obligations, and interest earned on all other debt securities including original issue discount as required by the Internal Revenue Code. Dividends to shareholders and capital gain distributions, if any, are recorded on the ex-dividend date.
- D. FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the Internal Revenue Code, as amended, applicable to investment companies and to distribute to shareholders each year all of its net taxable income, including any net realized gains on investments. Accordingly, no provision for federal tax is necessary.
- E. WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Fund may engage in when-issued or delayed delivery transactions. To the extent the Fund engages in such transactions, it will do so for the purpose of acquiring portfolio securities consistent with its investment objective and policies and not for the purpose of investment leverage. The Fund will record a when-issued security and the related liability on the trade date. Until the securities are received and paid for, the Fund will maintain 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.
- F. 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 the shares, have been deferred and are being amortized using the straight-line method over a period of five years from the Fund's commencement date.
- G. EXPENSES--Expenses incurred by the Trust which do not specifically relate to an individual Fund are allocated among all Funds based on a Fund's relative daily average net assets or as deemed appropriate by the administrator.
- H. OPTION CONTRACTS--The Fund may write or purchase option contracts. Purchased options are accounted for as investment securities. A written option obligates the Fund to deliver (a call), or to receive (a put), the contract amount upon exercise by the holder of the option. The value of the option contract is recorded as a liability and unrealized gain or loss is measured by the difference between the current value and the premium received.

The following covered call options were written and outstanding as of November 30, 1993:

<TABLE>

<S>	<C>	<C>	<C>	<C>
	SHARE	VALUE	STRIKE PRICE	EXPIRATION DATE
Best Buy Co. Inc.	5000	\$14,064	60	3-19-94
Telefonos de Mexico	9000	9,000	60	1-22-94
J.P. Morgan & Co.	5000	13,125	70	1-22-94

</TABLE>

- J. OTHER--Investment transactions are accounted for on the date of the transaction.

(3) DIVIDENDS AND DISTRIBUTIONS

Dividends are declared and paid quarterly to all shareholders invested in the Fund on the record date. Dividends are paid from the net investment income of the Fund. Net investment income consists of all dividends or interest received by the Fund less its expenses. Capital gains realized by the Fund, if any, are distributed at least once every twelve months. The amounts shown in the financial statements for net investment income for the year ended November 30, 1993 differ from those determined for tax purposes because of certain book and tax differences. This resulted in distributions to shareholders in excess of net investment income. These distributions did not represent a return of capital for federal income tax purposes for the year ended November 30, 1993.

(4) 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 Fund shares were as follows:

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30,	
	1993	1992
<S>	<C>	<C>
Shares outstanding, beginning of period	3,377,871	1,423,154
Shares sold	4,030,527	2,236,543
Shares issued to shareholders electing to receive payments of distribution in Fund shares	147,387	67,376
Shares redeemed	(1,098,722)	(349,202)
Shares outstanding, end of period	6,457,063	3,377,871

</TABLE>

(5) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Star Bank, N.A., the Fund's investment adviser ("Adviser"), receives for its services an annual investment advisory fee equal to .95 of 1% of the Fund's average daily net assets. The Adviser may voluntarily choose to waive a portion of its fee or reimburse certain operating expenses of the Fund. For the year ended November 30, 1993, the Adviser earned an investment advisory fee of \$465,417, of which \$1,248 was voluntarily waived.

Federated Administrative Services ("FAS") provides the Fund with certain administrative personnel and services at an annual rate of .15 of 1% on the first \$250 million of average aggregate daily net assets of the Trust; .125 of 1% on the next \$250 million; .10 of 1% on the next \$250 million; and .075 of 1% on average aggregate daily net assets in excess of \$750 million. FAS may voluntarily waive a portion of its fee. For the year ended November 30, 1993, FAS earned \$62,298, none of which was voluntarily waived.

Expenses of organizing the Fund (\$23,641) were borne initially by FAS. The Fund has agreed to pay FAS, at an annual rate of .005 of 1% of average daily net assets, until the organization expenses are reimbursed, or five years from July 31, 1991, the date the Trust's portfolio became effective, whichever occurs earlier. Pursuant to this agreement, the Fund reimbursed \$2,306 in organization expenses for the year ended November 30, 1993.

The Trust has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Investment Company Act of 1940, as amended. The Fund will compensate Federated Securities Corp. ("FSC"), the principal distributor, from the assets of the Fund, for fees it paid which relate to the distribution and administration of the Fund's shares. The Plan provides that the Fund will incur distribution expenses up to .25 of 1% of the average daily net assets of the Fund annually to pay commissions, maintenance fees and to compensate the distributor. FSC may voluntarily waive all or a portion of its fee. For the year ended November 30, 1993, FSC earned \$122,478 in distribution fees, all of which were voluntarily waived.

Star Bank, N.A., is the Fund's custodian. Federated Services Company, is the Fund's transfer and dividend disbursing agent. It also provides certain accounting and recordkeeping services with respect to the Fund's portfolio of investments.

Certain Officers and Trustees of the Trust are also Officers and Directors of the above corporations.

(6) INVESTMENT TRANSACTIONS

Purchases, and sales excluding securities subject to repurchase agreements, of investments for the year ended November 30, 1993, were as follows:

<TABLE>	
<S>	<C>
PURCHASES:	\$60,342,773
SALES	\$33,125,046

</TABLE>

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and Board of Trustees of STAR FUNDS (The Stellar Fund):

We have audited the accompanying statement of assets and liabilities of The Stellar Fund (an investment portfolio of STAR Funds, a Massachusetts business trust), including the schedule of portfolio investments, as of November 30, 1993, the related statement of operations for the year then ended, and the statement of changes in net assets and financial highlights (see page 2 of the prospectus) for 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 November 30, 1993 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 The Stellar Fund, an investment portfolio of STAR Funds, as of November 30, 1993 and the results of its operations for the year then ended, and the changes in its net assets, and financial highlights for the periods presented, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN & CO.

Pittsburgh, Pennsylvania
January 14, 1994

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ADDRESSES

<TABLE>

<S>	<C>	<C>
	The Stellar Fund	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779

Distributor

Federated Securities Corp.	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
----------------------------	--

Investment Adviser	Star Bank, N.A.	425 Walnut Street Cincinnati, Ohio 45202
Custodian	Star Bank, N.A.	425 Walnut Street Cincinnati, Ohio 45202
Transfer Agent, Dividend Disbursing Agent, and Portfolio Accounting Services	Federated Services Company	Federated Investors Tower Pittsburgh, Pennsylvania 15222-3779
Legal Counsel	Houston, Houston & Donnelly	2510 Centre City Tower Pittsburgh, Pennsylvania 15222
Legal Counsel	Dickstein, Shapiro & Morin	2101 L Street, N.W. Washington, D.C. 20037
Independent Public Accountants	Arthur Andersen & Co.	2100 One PPG Place Pittsburgh, Pennsylvania 15222

</TABLE>

THE STELLAR FUND
Prospectus

January 31, 1994

 STAR BANK, N.A.
 Investment Adviser

 FEDERATED SECURITIES CORP.
 Distributor

ART

1072404A (1/94)

THE STELLAR FUND
(A PORTFOLIO OF THE STAR FUNDS)

STATEMENT OF ADDITIONAL INFORMATION

This Statement of Additional Information should be read with the prospectus of The Stellar Fund (the "Fund") dated January 31, 1994. This Statement is not a prospectus itself. To receive a copy of the prospectus, write to the Fund or call 1-800-677-FUND.

FEDERATED INVESTORS TOWER
PITTSBURGH, PENNSYLVANIA 15222-3779

Statement dated January 31, 1994

 STAR BANK, N.A.
 Investment Adviser

 FEDERATED SECURITIES CORP.
 Distributor

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GENERAL INFORMATION ABOUT THE FUND

The Fund is a portfolio of the Star Funds (the "Trust"). The Trust was established as a Massachusetts business trust under a Declaration of Trust dated January 23, 1989. On May 1, 1993, the Board of Trustees (the "Trustees") approved changing the name of the Trust, effective May 1, 1993, from Losantiville Funds to Star Funds.

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is to maximize total return, a combination of dividend income and capital appreciation. The investment objective cannot be changed without the approval of shareholders. The policies described below may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these policies becomes effective.

TYPES OF INVESTMENTS

Below are securities in which the Fund may invest from time to time.

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 the U.S. government, its 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:

- . Federal Farm Credit Banks;
- . Federal Home Loan Banks;
- . Federal National Mortgage Association;
- . Student Loan Marketing Association; and
- . Federal Home Loan Mortgage Corporation.

CONVERTIBLE SECURITIES

Convertible bonds and convertible preferred stocks are fixed income securities that generally retain the investment characteristics of fixed income securities until they have been converted but also react to movements in the underlying equity securities. The holder is entitled to receive the fixed income of a bond or the dividend preference of a preferred stock until the holder elects to exercise the conversion privilege. Usable bonds are corporate bonds that can be used in whole or in part, customarily at full face value, in lieu of cash to purchase the issuer's common stock. When owned as part of a unit along with warrants, which are options to buy the common stock, they function as convertible bonds, except that the warrants generally will expire before the bond's maturity. Convertible securities are senior to equity securities, and therefore, have a claim to assets of the corporation prior to the holders of common stock in the case of liquidation. However, convertible securities are generally subordinated to similar nonconvertible securities of the same company. The interest income and dividends from convertible bonds and preferred stocks provide a stable stream of income with generally higher yields than common stocks, but lower than non-convertible securities of similar quality.

The Fund will exchange or convert the convertible securities held in its portfolio into shares of the underlying common stock in instances in which, in the adviser's opinion, the investment characteristics of the underlying common shares will assist the Fund in achieving its investment objective. Otherwise, the Fund will hold or trade the convertible securities. In selecting convertible securities for the Fund, the adviser evaluates the investment characteristics of the convertible security as a fixed income instrument, and the investments potential of the underlying equity security for capital

appreciation. In evaluating these matters with respect to a particular convertible security, the adviser considers numerous factors, including the economic and political outlook, the value of the security relative to other investment alternatives, trends in the determinants of the issuer's profits, and the issuer's management capability and practices.

WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS

These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. These transactions are made to secure what is considered to be an advantageous price and yield for the Fund. 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.

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 at the trade date. These securities are marked to market daily and maintained until the transaction is settled. The Fund may engage in these transactions to an extent that would cause the segregation of an amount up to 20% of the total value of its assets.

REPURCHASE AGREEMENTS

The Fund or its custodian will take possession of the securities subject to repurchase agreements, and these securities will be marked to market daily. In the event that such a defaulting seller 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 adviser to be creditworthy pursuant to guidelines established by the Trustees.

REVERSE REPURCHASE AGREEMENTS

The Fund may also enter into reverse repurchase agreements. These transactions are 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 maintained until the transaction is settled.

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 agreement.

PORTFOLIO TURNOVER

Although the Fund does not intend to invest for the purpose of seeking short-term profits, securities in its portfolio will be sold whenever the Fund's adviser believes it is appropriate to do so in light of the Fund's investment objective, without regard to the length of time a particular security may have been held. For the fiscal years ended November 30, 1993 and 1992, the Fund's portfolio turnover rates were 87% and 98%, respectively.

INVESTMENT LIMITATIONS

The Fund will not change any of the investment limitations described below without approval of shareholders.

SELLING SHORT AND BUYING ON MARGIN

The Fund will not sell any securities short or purchase any securities on margin, but may obtain such short-term credits as may be necessary for clearance of purchases and sales of portfolio securities.

BORROWING MONEY

The Fund will not borrow money except as a temporary measure for extraordinary or emergency purposes and then only in amounts not in excess of 5% of the value of its total assets or in an amount up to one-third of the value of its total assets, including the amount borrowed, in order to meet redemption requests without immediately selling portfolio securities. This borrowing provision is not for investment leverage but solely to facilitate management of the portfolio by enabling the Fund to meet redemption requests when the liquidation of portfolio securities would be inconvenient or disadvantageous. Interest paid on borrowed funds will not be available for investment. The Fund will liquidate any such borrowings as soon as possible and may not purchase any portfolio securities while any borrowings are outstanding.

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 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 its total assets in the securities of any one issuer, except in cash or cash investments, securities guaranteed by the U.S. government, its agencies or instrumentalities and repurchase agreements collateralized by such securities nor will it purchase more than 10% of any class of voting securities of any one issuer.

PURCHASING SECURITIES TO EXERCISE CONTROL

The Fund will not purchase securities of a company for the purpose of exercising control or management. However, the Fund will acquire no more than 10% of the voting securities of an issuer and may exercise its voting power in the Fund's best interest. From time to time, the Fund, together with other investment companies advised by affiliates or subsidiaries of Star Bank may together buy and hold substantial amounts of a company's voting stock. All such stock may be voted together. In some cases, the Fund and the other investment companies might collectively be considered to be in control of the company in which they have invested. Officers or affiliates of the Fund might possibly become directors of companies in which the Fund holds stock.

INVESTING IN NEW ISSUERS

The Fund will not invest more than 5% of the value of its total assets in securities of issuers with records of less than three years of continuous operations, including the operation of any predecessor.

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 if the officers and Trustees of the Trust or the Fund's investment adviser owning individually more than 1/2 of 1% of the issuer's securities together own more than 5% of the issuer's securities.

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 securities in accordance with its investment objective, policies and limitations.

INVESTING IN REAL ESTATE

The Fund will not invest in real estate, although it may invest in securities secured by real estate or interests in real estate.

INVESTING IN COMMODITIES OR MINERALS

The Fund will not purchase or sell commodities or commodity contracts. The Fund will not purchase or sell oil, gas, or other mineral development programs, except for precious metal securities as described in the prospectus.

LENDING CASH OR SECURITIES

The Fund will not lend any of its assets, except that it may purchase or hold corporate or government bonds, debentures, notes, certificates of

indebtedness or other debt securities permitted by its investment objective and policies.

CONCENTRATION OF INVESTMENTS IN ONE INDUSTRY

The Fund will not invest 25% or more of the value of its total assets in any one industry.

ISSUING SENIOR SECURITIES

The Fund will not issue senior securities except as permitted by its investment objective and policies.

DEALING IN PUTS AND CALLS

The Fund will not sell puts, calls, straddles or spreads or any combination of them, except as permitted by its investment policies as described in the prospectus.

RESTRICTED SECURITIES

The Fund will not invest more than 10% of the value of its net assets in securities subject to restrictions on resale under the Securities Act of 1933 except for commercial paper issued under Section 4(2) of the Securities Act of 1933 and certain other restricted securities which meet the criteria for liquidity as established by the Trustees.

INVESTING IN SECURITIES OF OTHER INVESTMENT COMPANIES

The Fund will limit its investment in other investment companies to no more than 3% of the total outstanding voting stock of any investment company, invest no more than 5% of its total assets in any one investment company, or invest more than 10% of its total assets in investment companies in general. The Fund will not purchase or acquire any security issued by a registered closed-end investment company if immediately after the purchase or acquisition 10% or more of the voting securities of the closed-end investment company would be owned by the Fund and other investment companies having the same adviser and companies controlled by these investment companies. The Fund will purchase securities of closed-end investment companies only in open market transactions involving only customary broker's commissions. However, these limitations are not applicable if the securities are acquired in a merger, consolidation, reorganization, or acquisition of assets. It should be noted that investment companies incur certain expenses, such as management fees, and, therefore, any investment by the Fund in these securities would be subject to duplicate expenses.

The following limitations may be changed by the Trustees without shareholder approval. Shareholders will be notified before any material change in these limitations becomes effective.

INVESTING IN ILLIQUID SECURITIES

The Fund will not invest more than 15% of the value of its net assets in illiquid securities, including repurchase agreements providing for settlement in more than seven days after notice, non-negotiable fixed time deposits with maturities over seven days, and certain restricted securities not determined by the Trustees to be liquid.

INVESTING IN MINERALS

The Fund will not purchase interests in oil, gas, or other mineral exploration or development programs or leases, except it may purchase the securities of issuers which invest in or sponsor such programs.

INVESTING IN WARRANTS

The Fund will not invest more than 5% of the value of its net assets in warrants. No more than 2% of this 5% may be warrants which are not listed on the New York Stock Exchange or the American Stock Exchange.

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, pledge securities, or purchase restricted securities in excess of 5% of the value of its total assets in the coming fiscal year.

In connection with investing in shares of other investment companies, it should be noted that investment companies incur certain expenses such as management fees, and, therefore, any investment by the Fund in such shares would be

subject to customary expenses.

In addition, to comply with requirements of a particular state, the Fund will not invest in real estate limited partnerships.

TRUST MANAGEMENT

OFFICERS AND TRUSTEES

Officers and Trustees are listed with their addresses, principal occupations, and present positions. Except as listed below, none of the Trustees or officers are affiliated with Star Bank, N.A., Federated Investors, Federated Securities Corp., Federated Services Company, Federated Administrative Services, or the Funds (as defined below).

<TABLE>
<CAPTION>

NAME AND ADDRESS	POSITIONS WITH THE TRUST	PRINCIPAL OCCUPATIONS DURING PAST FIVE YEARS
<C>	<C>	<S>
John F. Donahue +* Federated Investors Tower Pittsburgh, PA	Chairman and Trustee	Chairman and Trustee, Federated Investors; Chairman and Trustee, Federated Advisers, Federated Management, and Federated Research; Director, Aetna Life and Casualty Company; Chief Executive Officer and Director, Trustee, or Managing General Partner of the Funds; formerly, Director, The Standard Fire Insurance Company.
John T. Conroy, Jr. Wood/IPC Commercial Department John R. Wood and Associates, Inc., Realtors 3255 Tamiami Trail North Naples, FL	Trustee	President, Investment Properties Corporation; Senior Vice-President, John R. Wood and Associates, Inc., Realtors; President, Northgate Village Development Corporation; General Partner or Trustee in private real estate ventures in Southwest Florida; Director, Trustee, or Managing General Partner of the Funds; formerly, President, Naples Property Management, Inc.
William J. Copeland One PNC Plaza-23rd Floor Pittsburgh, PA	Trustee	Director and Member of the Executive Committee, Michael Baker, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman and Director, PNC Bank, N.A., and PNC Bank Corp. and Director, Ryan Homes, Inc.
James E. Dowd 571 Hayward Mill Road Concord, MA	Trustee	Attorney-at-law; Director, The Emerging Germany Fund, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Director, Blue Cross of Massachusetts, Inc.
Lawrence D. Ellis, M.D. 3471 Fifth Avenue Suite 1111 Pittsburgh, PA	Trustee	Hematologist, Oncologist, and Internist, Presbyterian and Montefiore Hospitals; Clinical Professor of Medicine and Trustee, University of Pittsburgh; Director, Trustee, or Managing General Partner of the Funds.
Edward L. Flaherty, Jr.+ 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Director, Eat'N Park Restaurants, Inc., and Statewide Settlement Agency, Inc.; Director, Trustee, or Managing General Partner of the

Funds; formerly, Counsel,
Horizon Financial, F.A.,
Western Region.

Edward C. Gonzales* Federated Investors Tower Pittsburgh, PA	President, Treasurer, and Trustee	Vice President, Treasurer, and Trustee, Federated Investors; Vice President and Treasurer, Federated Advisers, Federated Management, and Federated Research; Executive Vice President, Treasurer, and Director, Federated Securities Corp.; Trustee, Federated Services Company; Chairman, Treasurer, and Director, Federated Administrative Services; Trustee or Director of some of the Funds; Vice President and Treasurer of the Funds.
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Peter E. Madden 225 Franklin Street Boston, MA	Trustee	Consultant; State Representative, Commonwealth of Massachusetts; Director, Trustee, or Managing General Partner of the Funds; formerly, President, State Street Bank and Trust Company and State Street Boston Corporation and Trustee, Lahey Clinic Foundation, Inc.
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Gregor F. Meyer 5916 Penn Mall Pittsburgh, PA	Trustee	Attorney-at-law; Partner, Meyer and Flaherty; Chairman, Meritcare, Inc.; Director, Eat'N Park Restaurants, Inc.; Director, Trustee, or Managing General Partner of the Funds; formerly, Vice Chairman, Horizon Financial, F.A.
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Wesley W. Posvar 1202 Cathedral of Learning University of Pittsburgh Pittsburgh, PA	Trustee	Professor, Foreign Policy and Management Consultant; Trustee, Carnegie Endowment for International Peace, RAND Corporation, Online Computer Library Center, Inc., and U.S. Space Foundation; Chairman, Czecho Slovak Management Center; Director, Trustee, or Managing General Partner of the Funds; President Emeritus, University of Pittsburgh; formerly, Chairman, National Advisory Council for Environmental Policy and Technology.
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Marjorie P. Smuts 4905 Bayard Street Pittsburgh, PA	Trustee	Public relations/marketing consultant; Director, Trustee, or Managing General Partner of the Funds.
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Richard B. Fisher Federated Investors Tower Pittsburgh, PA	Vice President	Executive Vice President and Trustee, Federated Investors; Chairman and Director, Federated Securities Corp.; President or Vice President of the Funds; Director or Trustee of some of the Funds.
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Joseph S. Machi Federated Investors Tower Pittsburgh, PA	Vice President and Assistant Treasurer	Vice President, Federated Administrative Services; Vice President and Assistant Treasurer of some of the Funds.
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John W. McGonigle	Vice President	Vice President, Secretary,
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Federated Investors Tower and Secretary
Pittsburgh, PA

General Counsel, and Trustee,
Federated Investors; Vice
President, Secretary, and
Trustee, Federated Advisers,
Federated Management, and
Federated Research; Trustee,
Federated Services Company;
Executive Vice President,
Secretary, and Director,
Federated Administrative
Services; Director and
Executive Vice President,
Federated Securities Corp.;
Vice President and Secretary of
the Funds.

John A. Staley, IV Vice President
Federated Investors Tower
Pittsburgh, PA

Vice President and Trustee,
Federated Investors; Executive
Vice President, Federated
Securities Corp.; President and
Trustee, Federated Advisers,
Federated Management, and
Federated Research; Vice
President of the Funds;
Director, Trustee, or Managing
General Partner of some of the
Funds; formerly, Vice
President, The Standard Fire
Insurance Company and President
of its Federated Research
Division.

</TABLE>

*This Trustee is deemed to be an "interested person" of the Trust as defined in
the Investment Company Act of 1940.

+Member of the Trust's Executive Committee. The Executive Committee of the
Board of Trustees handles the responsibilities of the Board of Trustees between
meetings of the Board.

THE FUNDS

"The Funds" and "Funds" mean the following investment companies: A.T. Ohio Tax-
Free Money Fund; American Leaders Fund, Inc.; Annuity Management Series;
Automated Cash Management Trust; Automated Government Money Trust; BankSouth
Select Funds; The Boulevard Funds; California Municipal Cash Trust; Cash Trust
Series II; Cash Trust Series Inc.; DG Investor Series; Edward D. Jones & Co.
Daily Passport Cash Trust; FT Series, Inc.; Federated ARMs Fund; Federated
Exchange Fund, Ltd.; Federated GNMA Trust; Federated Government Trust; Federated
Growth Trust; Federated High Yield Trust; Federated Income Securities Trust;
Federated Income Trust; Federated Index Trust; Federated Intermediate Government
Trust; Federated Master Trust; Federated Municipal Trust; Federated
Short-Intermediate Government Trust; Federated Short-Term U.S. Government Trust;
Federated Stock Trust; Federated Tax-Free Trust; Federated U.S. Government Bond
Fund; First Priority Funds; Fixed Income Securities, Inc.; Fortress Adjustable
Rate U.S. Government Fund, Inc.; Fortress Municipal Income Fund, Inc.; Fortress
Utility Fund, Inc.; Fund for U.S. Government Securities, Inc.; Government Income
Securities, Inc.; High Yield Cash Trust; Insurance Management Series;
Intermediate Municipal Trust; Investment Series Funds, Inc.; Investment Series
Trust; Liberty Equity Income Fund, Inc.; Liberty High Income Bond Fund, Inc.;
Liberty Municipal Securities Fund, Inc.; Liberty Term Trust, Inc.-1999; Liberty
U.S. Government Money Market Trust; Liberty Utility Fund, Inc.; Liquid Cash
Trust; Mark Twain Funds; Money Market Management, Inc.; Money Market Obligations
Trust; Money Market Trust; Municipal Securities Income Trust; New York Municipal
Cash Trust; 111 Corcoran Funds; The Planters Funds; Portage Funds; RIMCO
Monument Funds; The Shawmut Funds; Short-Term Municipal Trust; Signet Select
Funds; Star Funds; The Starburst Funds; The Starburst Funds II; Stock and Bond
Fund, Inc.; Sunburst Funds; Targeted Duration Trust; Tax-Free Instruments Trust;
Trademark Funds; Trust for Financial Institutions; Trust for Government Cash
Reserves; Trust for Short-Term U.S. Government Securities; and Trust for U.S.
Treasury Obligations.

FUND OWNERSHIP

Officers and Trustees own less than 1% of the Fund's outstanding shares.

As of January 6, 1994, the following shareholder of record owned 5% or more of
the outstanding shares of the Fund: Firstcinco, Cincinnati, Ohio, owned
approximately 2,512,039 shares (36.59%).

TRUSTEE LIABILITY

The Trust's Declaration of Trust provides that the Trustees are not 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.

INVESTMENT ADVISORY SERVICES

ADVISER TO THE FUND

The Fund's investment adviser is Star Bank, N.A. ("Star Bank" or "Adviser"). Star Bank is a wholly-owned subsidiary of StarBanc Corporation. Star Bank shall not 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 it, except acts or omissions involving willful misfeasance, bad faith, gross negligence, or reckless disregard of the duties imposed upon it by its contract with the Trust.

ADVISORY FEES

For its advisory services, Star Bank receives an annual investment advisory fee as described in the prospectus. For the fiscal years ended November 30, 1993 and 1992, and for the period from the Fund's date of initial public investment (October 18, 1991) to November 30, 1991, the Adviser earned \$465,417, \$235,165, and \$15,126, respectively, of which \$1,248, \$18,156, and \$2,485, respectively were voluntarily waived.

STATE EXPENSE LIMITATIONS

The Fund has undertaken to comply with the expense limitations established by certain states for investment companies whose shares are registered for sale in those states. If the Fund's normal operating expenses (including the investment advisory fee, but not including brokerage commissions, interest, taxes, and extraordinary expenses) exceed 2 1/2% per year of the first \$30 million of average net assets, 2% per year of the next \$70 million of average net assets, and 1 1/2% per year of the remaining average net assets, the Adviser has agreed to reimburse the Fund for its expenses over the limitation.

If the Fund's monthly projected operating expenses exceed this limitation, the investment advisory fee paid will be reduced by the amount of the excess, subject to an annual adjustment. If the expense limitation is exceeded, the amount to be reimbursed by the Adviser will be limited, in any single fiscal year, by the amount of the investment advisory fee.

This arrangement is not part of the advisory contract and may be amended or rescinded in the future.

ADMINISTRATIVE SERVICES

Federated Administrative Services, a subsidiary of Federated Investors, provides administrative personnel and services to the Fund for a fee as described in the prospectus. For the fiscal years ended November 30, 1993 and 1992, and for the period from October 18, 1991 (date of initial public investment) to November 30, 1991, the Fund incurred administrative service fees of \$62,298, \$32,167, and \$2,103, respectively, of which \$0, \$787, and \$2,103, respectively, were voluntarily waived.

In addition, John A. Staley, IV, an officer of the Trust, holds approximately 15% of the outstanding common stock and serves as a director of Commercial Data Services, Inc., a company which provides computer processing services to Federated Administrative Services. For the fiscal years ended November 30, 1993, 1992, and 1991, Federated Administrative Services paid approximately \$164,324, \$186,144, and \$193,178, respectively, for services provided by Commercial Data Services, Inc.

CUSTODIAN

Star Bank is custodian for the securities and cash of the Fund. Under the Custodian Agreement, Star Bank holds the Fund's portfolio securities in

safekeeping and keeps all necessary records and documents relating to its duties. The custodian receives an annual fee equal to 0.025 of 1% of the Fund's average daily net assets.

BROKERAGE TRANSACTIONS

The Adviser may select brokers and dealers who offer brokerage and research services. These services may be furnished directly to the Fund or to the Adviser 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.

The Adviser exercises reasonable business judgment in selecting brokers who offer brokerage and research services to execute securities transactions. It determines in good faith that commissions charged by such persons are reasonable in relationship to the value of the brokerage and research services provided.

Research services provided by brokers and dealers may be used by the Adviser in advising the Fund and other accounts. To the extent that receipt of these services may supplant services for which the Adviser might otherwise have paid, it would tend to reduce its expenses.

For the fiscal years ended November 30, 1993 and 1992, and for the period ended November 30, 1991, the Fund paid total brokerage commissions of \$195,196, \$212,801, and \$37,018, respectively.

PURCHASING SHARES

Except under certain circumstances described in the prospectus, shares are sold at their net asset value plus a sales charge on days the New York Stock Exchange and the Federal Reserve Wire System are open for business. The minimum initial investment in the Fund by an investor is \$1,000 (\$25 for Star Bank Connections Group Banking customers and Star Bank employees and members of their immediate family). The minimum initial investment may be waived from time to time for employees and retired employees of Star Bank, N.A., and for members of the families (including parents, grandparents, siblings, spouses, children, aunts, uncles, and in-laws) of such employees or retired employees. The procedure for purchasing shares of the Fund is explained in the prospectus under "Investing in the Fund."

DISTRIBUTION PLAN

With respect to the Fund, the Trust has adopted a Plan pursuant to Rule 12b-1 which was promulgated by the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (the "Plan"). The Plan provides for payment of fees to Federated Securities Corp. to finance any activity which is principally intended to result in the sale of the Fund's shares subject to the Plan. Such activities may include the advertising and marketing of shares of the Fund; preparing, printing, and distributing prospectuses and sales literature to prospective shareholders, brokers, or administrators; and implementing and operating the Plan. Pursuant to the Plan, Federated Securities Corp. may pay fees to brokers for distribution and administrative services and to administrators for administrative services as to shares. The administrative services are provided by a representative who has knowledge of the shareholder's particular circumstances and goals, and include, but are not limited to: communicating account openings; communicating account closings; entering purchase transactions; entering redemption transactions; providing or arranging to provide accounting support for all transactions, wiring funds and receiving funds for share purchases and redemptions, confirming and reconciling all transactions, reviewing the activity in Fund accounts, and providing training and supervision of broker personnel; posting and reinvesting dividends to Fund accounts or arranging for this service to be performed by the Fund's transfer agent; and maintaining and distributing current copies of prospectuses

and shareholder reports to the beneficial owners of shares and prospective shareholders.

The Trustees expect that the adoption of the Plan will result in the sale of a sufficient number of shares so as to allow the Fund to achieve economic viability. It is also anticipated that an increase in the size of the Fund will facilitate more efficient portfolio management and assist the Fund in seeking to achieve its investment objectives.

ADMINISTRATIVE ARRANGEMENTS

The administrative services include, but are not limited to, providing office space, equipment, telephone facilities, and various personnel, including clerical, supervisory, and computer, as is necessary or beneficial to establish and maintain shareholders' accounts and records, process purchase and redemption transactions, process automatic investments of client account cash balances, answer routine client inquiries regarding the Fund, assist clients in changing dividend options, account designations, and addresses, and providing such other services as the Fund may reasonably request.

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. Star Bank acts as the shareholder's agent in depositing checks and converting them to federal funds.

DETERMINING NET ASSET VALUE

The net asset value generally changes each day. The days on which the net asset value is calculated by the Fund are described in the prospectus.

DETERMINING MARKET VALUE OF SECURITIES

Market or fair values of the Fund's portfolio securities are determined as follows:

- . for equity securities and bonds and other fixed income securities, according to the last sale price on a national securities exchange, if available;
- . in the absence of recorded sales of equity securities, according to the mean between the last closing bid and asked prices and for bonds and other fixed income securities as determined by an independent pricing services;
- . for unlisted equity securities, the latest bid prices; or
- . for all other securities, at fair value as determined in good faith by the Trustees.

TRADING IN FOREIGN SECURITIES

Trading in foreign securities may be completed at times which vary from the closing of the New York Stock Exchange. In computing the net asset value, the Trust values foreign securities at the latest closing price on the exchange on which they are traded immediately prior to the closing of the New York Stock Exchange. Certain foreign currency exchange rates may also be determined at the latest rate prior to the closing of the New York Stock Exchange. Foreign securities quoted in foreign currencies are translated into U.S. dollars at current rates. Occasionally, events that affect these values and exchange rates may occur between the times at which they are determined and the closing of the New York Stock Exchange. If such events materially affect the value of portfolio securities, these securities may be valued at their fair value as determined in good faith by the Trustees, although the actual calculation may be done by others.

EXCHANGE PRIVILEGE

REQUIREMENTS FOR EXCHANGE

Shareholders using the exchange privilege must exchange shares having a net asset value of at least \$1,000. Before the exchange, the shareholder must receive a prospectus of the fund for which the exchange is being made.

This privilege is available to shareholders resident in any state in which the fund shares being acquired may be sold. Upon receipt of proper instructions and required supporting documents, shares submitted for exchange are redeemed and the proceeds invested in shares of the other fund. Further information on the exchange privilege and prospectuses may be obtained by calling Star Bank at the

number on the cover of this Statement.

MAKING AN EXCHANGE

Instructions for exchanges may be given in writing. Written instructions may require a signature guarantee.

REDEEMING SHARES

The Fund redeems shares at the next computed net asset value after Star Bank receives the redemption request. Redemptions will be made on days on which the Fund computes its net asset value. Redemption requests cannot be executed on days on which the New York Stock Exchange is closed or on federal holidays restricting wire transfers. Redemption procedures are explained in the prospectus under "Redeeming Shares."

REDEMPTION IN KIND

Although the Trust 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 respective Fund's portfolio. To satisfy registration requirements in a particular state, redemption in kind will be made in readily marketable securities to the extent that such securities are available. If this state's policy changes, the Fund reserves the right to redeem in kind by delivering those securities it deems appropriate.

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

TAX STATUS

THE FUND'S TAX STATUS

The Fund will pay no federal income tax because it 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. The dividends received deduction for corporations will apply to ordinary income distributions to the extent the distribution represents amounts that would qualify for the dividends received deduction to the Fund if the Fund were a regular corporation, and to the extent designated by the Fund as so qualifying. 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 Fund shares.

TOTAL RETURN

The Fund's average annual total returns for the fiscal year ended November 30, 1993, and for the period from October 18, 1991 (date of initial public investment), to November 30, 1993, were 6.90%, and 7.07%, respectively.

The average annual total return for 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 maximum 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, less any applicable sales load, adjusted over the period by any additional shares, assuming the quarterly reinvestment of all dividends and distributions.

YIELD

The Fund's yield for the thirty-day period ended November 30, 1993, was 2.03%.

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 maximum offering price per share of the Fund on the last day of the period. This value is then 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 12-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, the performance will be reduced for those shareholders paying those fees.

PERFORMANCE COMPARISONS

The Fund's performance depends upon such variables as:

- . portfolio quality;
- . average portfolio maturity;
- . type of instruments in which the portfolio is invested;
- . changes in interest rates and market value of portfolio securities;
- . changes in Fund expenses; and
- . various other factors.

The Fund's performance fluctuates on a daily basis largely because net earnings and the maximum offering price per share fluctuate daily. Both net earnings and the maximum 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 net asset value. The financial publications and/or indices which the Fund uses in advertising may include:

- . LIPPER ANALYTICAL SERVICES, INC., ranks funds in various fund categories by making comparative calculations using total return. Total return assumes the reinvestment of all income dividends and capital gains distributions, if any. From time to time, the Fund will quote its Lipper ranking in the "balanced" category in advertising and sale literature.
- . DOW 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.
- . SHEARSON LEHMAN GOVERNMENT/CORPORATE TOTAL INDEX is comprised of

approximately 5,000 issues which include non-convertible bonds publicly issued by the U.S. government or its agencies; corporate bonds guaranteed by the U.S. government and quasi-federal corporations; and publicly issued, fixed-rate, non-convertible domestic bonds of companies in industry, public utilities, and finance. Tracked by Shearson Lehman, the index has an average maturity of nine years. It calculates total return for one month, three months, twelve months, and ten year periods, and year-to-date.

- . 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.

Advertisements and other sales literature for the Fund may quote total returns which are calculated on non-standardized 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.

Advertisements may quote performance information which does not reflect the effect of the sales load.

APPENDIX

STANDARD AND POOR'S CORPORATION CORPORATE BOND RATINGS

AAA--Debt rated AAA has the highest rating assigned by Standard & Poor's. Capacity to pay interest and repay principal is extremely strong.

AA--Debt rated AA has a very strong capacity to pay interest and repay principal and differs from the higher rated issues only in small degree.

A--Debt rated A has a strong capacity to pay interest and repay principal although it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than debt in higher rated categories.

BBB--Debt rated BBB is regarded as having an adequate capacity to pay interest and repay principal. Whereas it normally exhibits adequate protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal for debt in this category than in higher rated categories.

MOODY'S INVESTORS SERVICE, INC., CORPORATE BOND RATINGS

Aaa--Bonds which are rated Aaa are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa--Bonds which are rated Aa are judged to be of high quality by all standards. Together with the AAA group, they comprise what are generally known as high-grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in AAA securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in AAA securities.

A--Bonds which are rated A possess many favorable investment attributes and are to be considered as upper medium-grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa--Bonds which are rated Baa are considered as medium-grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characteristically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and, in fact, have speculative characteristics as well.

FITCH INVESTORS SERVICE, INC., LONG-TERM DEBT RATINGS

AAA--Bonds considered to be investment grade and of the highest credit quality. The obligor has an exceptionally strong ability to pay interest and repay

principal, which is unlikely to be affected by reasonably foreseeable events.

AA--Bonds considered to be investment grade and of very high credit quality. The obligor's ability to pay interest and repay principal is very strong, although not quite as strong as bonds rated AAA. Because bonds rated in the AAA and AA categories are not significantly vulnerable to foreseeable future developments, short-term debt of these issuers is generally rated F-1+.

A--Bonds considered to be investment grade and of high credit quality. The obligor's ability to pay interest and repay principal is considered to be strong, but may be more vulnerable to adverse changes in economic conditions and circumstances than bonds with higher ratings.

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THE STELLAR FUND

ANNUAL REPORT FOR FISCAL YEAR ENDED NOVEMBER 30, 1993
MANAGEMENT DISCUSSION & ANALYSIS:

The Stellar Fund (the "Fund") was established in 1991 to provide its customers with a unique portfolio comprised of five equally weighted asset classes: U.S. equities, U.S. bonds, international securities, real estate securities, and cash equivalents or precious metal securities. This Fund seeks to produce annual returns near that of common stocks with reduced price volatility. This phenomenon can occur because the covariance of the portfolio's five components is sufficiently unrelated to allow an overall reduction in volatility.

During the 12 months ended November 30, 1993, domestic and international capital markets have enjoyed phenomenal investment returns and asset inflows. The combination of sluggish economic growth, low inflation, declining global interest rates, and large flows of money into mutual funds have been the driving force behind strong investment performance gains. From inception through December 31, 1993, the Fund generated a total annualized rate of return of 10.40%, on a no-load basis. Total return based on a load basis was 8.13% during the same period. For the most recent calendar year (1993), the Fund had a total return of 13.08% on a no-load basis and 7.95% on a load basis.* These figures compare with the S&P 500** returns of 8.36% and 10.13%, respectively. Perhaps even more important than the performance was the volatility of the Fund versus the market. The standard deviation of the Fund since its inception was 4.53, while the stock market's (S&P 500) degree of fluctuation was measured at 5.81. This was during a period of generally rising U.S. markets; a falling market would widen this standard deviation differential. This combination of excellent absolute and relative returns together with a lower volatility, provided Star's sales organization with an impressive history for their potential customers. With that evidence, they generated an admirable sales record, growing the fund's assets by over 85% during 1993.

Looking ahead to 1994, we suspect that above trend-line economic growth and upward pressure on inflation will become the market's primary focus. However, world-wide competition and structural changes within the U.S. economy should keep yields from rising dramatically. Corporate profits should continue improving which will help support common stocks going forward. We perceive an investment environment in the 1990's that would be volatile yet would be the beneficiary of increased savings by the baby boom generation's emergence into middle age. The vacuum of power in the former Iron Curtain nations, environmental spending, the heavy development of debt during the 1980's and the expectation of worldwide economic sluggishness could add to the investment market's volatility in the coming years. We believe the Fund is well-suited in this environment to pursue the dual goals of strong performance while reducing price volatility.

*Past performance is not indicative of future results. Investment return and principal value will fluctuate, so when shares are redeemed, they may be worth more or less than the original cost.

**This index is unmanaged.

PERFORMANCE COMPARISON

COMPARISON OF CHANGE IN VALUE OF A HYPOTHETICAL \$10,000 PURCHASE IN
THE STELLAR FUND, THE S&P 500/THE LEHMAN GOVERNMENT/CORPORATE
(50/50 SPLIT).

Graphic Representation "A3" omitted. See Appendix.

Past performance is not indicative 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 annual report incorporates by reference and accompanies the prospectus dated January 31, 1994.

*Reflects operations of The Stellar Fund from the start of business, October 18, 1991, through November 30, 1993.

**Represents a hypothetical investment of \$10,000 in the Stellar Fund, after deducting the maximum sales charge of 4.5% (\$10,000 investment minus \$450 sales charge = \$9,550). The Fund's performance assumes the reinvestment of all dividends and distributions.

The Standard & Poor's 500/Lehman Government/Corporate (50/50 Split) are adjusted to reflect reinvestment of dividends on securities in the index. The Standard & Poor's 500/Lehman Government/Corporate (50/50 Split) are not adjusted to reflect sales loads, expenses, or other fees that the SEC requires to be reflected in the Fund's performance.

FEDERATED SECURITIES CORP.

Distributor
1072404ARS (1/94)

A1. The graphic presentation here displayed consists of a boxed legend in the bottom center indicating the components of the corresponding line graph. Star Relative Value Fund is represented by a solid line. The Standard & Poor's 500 Index is represented by a broken line. The line graph is a visual representation of a comparison of change in value of a hypothetical \$10,000 purchase in the Fund and Standard & Poor's 500 Index. The "y" axis reflects the cost of the investment. The "x" axis reflects computation periods from the Fund's start of business, June 5, 1991, through November 30, 1993. The right margin reflects the ending value of the hypothetical investment in the Fund as compared to Standard & Poor's 500 Index; the ending values are \$12,070 and \$12,760, respectively. There is also a legend in the upper left quadrant of the graphic presentation which indicates the Average Annual Total Return for the period ended November 30, 1993, beginning with June 5, 1991, the date from the start of business, and the one year period; the Average Annual Total Returns are 9.27% and 7.86%, respectively.

A2. The graphic presentation here displayed consists of a boxed legend in the bottom center indicating the components of the corresponding line graph. Star U.S. Government Income Fund is represented by a solid line. The Lehman Government/Corporate Total Return Index is represented by a broken line. The line graph is a visual representation of a comparison of change in value of a hypothetical \$10,000 purchase in the Fund and the Lehman Government/Corporate Total Return Index. The "y" axis reflects the cost of the investment. The "x" axis reflects computation periods from the Fund's start of business, January 5, 1993, through November 30, 1993. The right margin reflects the ending value of the hypothetical investment in the Fund as compared to The Lehman Government/Corporate Total Return Index; the ending values are \$10,390 and \$11,057, respectively. There is also a legend in the upper left quadrant of the graphic presentation which indicates the Average Annual Total Return for the period ended November 30, 1993, beginning with January 5, 1993, the date from the start of business, the Average Annual Total Return is 3.90%.

A3. The graphic presentation here displayed consists of a boxed legend in the bottom center indicating the components of the corresponding line graph. The Stellar Fund is represented by a solid line. The Standard & Poor's 500/Lehman Government/Corporate 50/50 Split is represented by a broken line. The line graph is a visual representation of a comparison of change in value of a hypothetical \$10,000 purchase in the Fund and Standard & Poor's 500/Lehman Government/Corporate 50/50 Split indices. The "y" axis reflects the cost of the investment. The "x" axis reflects computation periods from the Fund's start of business, October 18, 1991, through November 30, 1993. The right margin reflects the ending value of the hypothetical investment in the Fund as compared to Standard & Poor's 500/Lehman Government/Corporate 50/50 Split; the ending values are \$11,555 and \$12,634, respectively. There is also

a legend in the upper left quadrant of the graphic presentation which indicates the Average Annual Total Return for the period ended November 30, 1993, beginning with October 18, 1991, the date from the start of business, and the one year period; the Average Annual Total Returns are 7.07% and 6.90%, respectively.