

SECURITIES AND EXCHANGE COMMISSION

FORM 497

Definitive materials filed under paragraph (a), (b), (c), (d), (e) or (f) of Securities Act Rule 497

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FILER

FIXED INCOME SECURITIES INC

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Business Address
*FEDERATED INVESTORS
TOWER
PITTSBURGH PA 15222
4122881900*

STRATEGIC
INCOME
FUND

CLASS A SHARES

SUPPLEMENT TO PROSPECTUS
DATED APRIL 5, 1994

September 22, 1994

[LOGO] FEDERATED SECURITIES CORP.

Distributor

A subsidiary of FEDERATED INVESTORS

FEDERATED INVESTORS TOWER
PITTSBURGH, PA 15222-3779

338319700
G00531-01 (9/94)

STRATEGIC INCOME FUND
(A PORTFOLIO OF FIXED INCOME SECURITIES, INC.)
CLASS A SHARES

SUPPLEMENT TO PROSPECTUS DATED APRIL 5, 1994

- A. Please insert the following "Financial Highlights--Class A Shares" table as page 2 of the prospectus following the "Summary of Fund Expenses" and before the section entitled "General Information." In addition, please add the heading "Financial Highlights--Class A Shares" to the Table of Contents page after the heading "Summary of Fund Expenses."

STRATEGIC INCOME FUND
FINANCIAL HIGHLIGHTS--CLASS A SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30, 1994*
<S>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS	
Net investment income	0.17
Net realized and unrealized gain (loss) on investments	(0.16)
Total from investment operations	0.01
LESS DISTRIBUTIONS	
Dividends to shareholders from net investment income	(0.17)
NET ASSET VALUE, END OF PERIOD	\$ 9.84
TOTAL RETURN+	0.07%
RATIOS TO AVERAGE NET ASSETS	

Expenses	0.25% (b)
Net investment income	7.19% (b)
Expense waiver/reimbursement (a)	9.12% (b)
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$940
Portfolio turnover rate	13%

</TABLE>

* For the period from May 3, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

+ Based on net asset value, which does not reflect sales load or contingent deferred sales charge, if applicable.

(a) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(b) Computed on an annualized basis.

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

B. Please delete the first two sentences of the section entitled "Liberty Family of Funds", including the list of funds included in the Liberty Family of Funds which begins on page 2 of the prospectus and replace them with the following:

"This Fund is a member of a family of mutual funds, collectively known as the Liberty Family of Funds. The other funds in the Liberty Family of Funds are:

- . American Leaders Fund, Inc., providing growth of capital and income through high-quality stocks;
- . Capital Growth Fund, providing appreciation of capital primarily through equity securities;
- . Fund for U.S. Government Securities, Inc., providing current income through long-term U.S. government securities;
- . International Equity Fund, providing long-term capital growth and income through international securities;
- . International Income Fund, providing a high level of current income consistent with prudent investment risk through high-quality debt securities denominated primarily in foreign currencies;
- . Liberty Equity Income Fund, Inc., providing above-average income and capital appreciation through income producing equity securities;
- . Liberty High Income Bond Fund, Inc., providing high current income through high-yielding, lower-rated, corporate bonds;
- . Liberty Municipal Securities Fund, Inc., providing a high level of current income exempt from federal regular income tax through municipal bonds;
- . Liberty U.S. Government Money Market Trust, providing current income consistent with stability of principal through high-quality U.S. government securities;
- . Liberty Utility Fund, Inc., providing current income and long-term growth of income, primarily through electric, gas, and communications utilities;
- . Limited Term Fund, providing a high level of current income consistent with minimum fluctuation in principal value through investment grade securities;
- . Limited Term Municipal Fund, providing a high level of current income

exempt from federal regular income tax consistent with the preservation of principal, primarily limited to municipal securities;

- . Michigan Intermediate Municipal Trust, providing current income exempt from federal regular income tax and the personal income taxes imposed by the state of Michigan and Michigan municipalities, primarily through Michigan municipal securities;
- . Pennsylvania Municipal Income Fund, providing current income exempt from federal regular income tax and the personal income taxes imposed by the Commonwealth of Pennsylvania, primarily through Pennsylvania municipal securities;
- . Tax-Free Instruments Trust, providing current income consistent with stability of principal and exempt from federal income tax, through high-quality, short-term municipal securities; and
- . World Utility Fund, providing total return primarily through securities issued by domestic and foreign companies in the utilities industries."

- C. Please insert the following as the second sentence of the final paragraph in the section entitled "Acceptable Investments" on page 4 of the prospectus: "The prices of fixed income securities fluctuate inversely to the direction of interest rates."
- D. Please delete the section entitled "When-Issued and Delayed Delivery Transactions" on page 14 of the prospectus and replace it with the following:

"WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Fund may purchase securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices. Accordingly, the Fund may pay more/ less than the market value of the securities on the settlement date.

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

- E. Please delete the table under the heading "What Shares Cost" on page 17 of the prospectus and replace it with the following:

<TABLE>
<CAPTION>

"AMOUNT OF TRANSACTION <S>	SALES LOAD AS A PERCENTAGE OF PUBLIC OFFERING PRICE <C>	SALES LOAD AS A PERCENTAGE OF NET AMOUNT INVESTED <C>	DEALER CONCESSION AS A PERCENTAGE OF PUBLIC OFFERING PRICE <C>
Less than \$100,000	4.50%	4.71%	4.00%
\$100,000 but less than \$250,000	3.75%	3.90%	3.25%
\$250,000 but less than \$500,000	2.50%	2.56%	2.25%
\$500,000 but less than \$1 million	2.00%	2.04%	1.80%
\$1 million or more	0.00%	0.00%	0.25%*

</TABLE>

*See subsection entitled "Dealer Concession" below."

- F. Please delete the first paragraph in the subsection entitled "Dealer Concession" on page 18 of the prospectus and replace it with the following:

"DEALER CONCESSION. In addition to the dealer concession as noted in the table above, the distributor will, from time to time, offer to pay dealers up to 100% of the sales load retained by it. Such payments may take the form of cash or promotional incentives, such as reimbursement of certain expenses of qualified

employees and their spouses to attend informational meetings about the Fund or other special events at recreational-type facilities, or items of material value. In some instances, these incentives will be made available only to dealers whose employees have sold or may sell a significant amount of Shares. On purchases of \$1 million or more, the investor pays no sales load; however, the distributor will make twelve monthly payments to the dealer totalling 0.25% of the public offering price over the first year following the purchase. Such payments are based on the original purchase price of Shares outstanding at each month end."

G. Please delete the section entitled "Retirement Plans" on page 20 of the prospectus and replace it with the following:

"RETIREMENT PLANS

Shares can be purchased as an investment for retirement plans or for IRA accounts. For further details, contact the Fund and consult a tax adviser."

H. Please delete the section entitled " Other Payments to Financial Institutions" on page 25 of the prospectus and replace it with the following:

"OTHER PAYMENTS TO FINANCIAL INSTITUTIONS. In addition to periodic payments to financial institutions under the Shareholder Services Plan, the distributor may offer to pay a fee from its own assets to financial institutions as financial assistance for providing substantial marketing and sales support. The support may include sponsoring sales, educational and training seminars for their employees, providing sales literature, and engineering computer software programs that emphasize the attributes of the Fund. Such assistance will be predicated upon the amount of Shares the financial institution sells or may sell, and/or upon the type and nature of sales or marketing support furnished by the financial institution. Any payments made by the distributor may be reimbursed by the Fund's investment adviser or its affiliates."

I. Please delete the second and third paragraphs included in the section entitled "Shareholder Services Plan" on page 25 of the prospectus.

J. Please insert the following "Financial Highlights--Class C Shares" and "Financial Highlights--Fortress Shares" tables immediately following the section entitled "Other Classes of Shares" but preceding the section entitled "Appendix." In addition, please add the headings "Financial Highlights--Class C Shares" and "Financial Highlights--Fortress Shares" to the Table of Contents page after the heading "Other Classes of Shares."

STRATEGIC INCOME FUND
FINANCIAL HIGHLIGHTS--CLASS C SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30, 1994*	
<S>	<C>	
NET ASSET VALUE, BEGINNING OF PERIOD	\$	10.00
INCOME FROM INVESTMENT OPERATIONS		
Net investment income		0.14
Net realized and unrealized gain (loss) on investments		(0.14)
Total from investment operations		0.00
LESS DISTRIBUTIONS		
Dividends to shareholders from net investment income		(0.14)
Distributions in excess of net investment income		(0.01) (a)
Total distributions		(0.15)

NET ASSET VALUE, END OF PERIOD	\$	9.85
TOTAL RETURN+		(0.01%)
RATIOS TO AVERAGE NET ASSETS		
Expenses		1.00% (c)
Net investment income		7.01% (c)
Expense waiver/reimbursement (b)		9.12% (c)
SUPPLEMENTAL DATA		
Net assets, end of period (000 omitted)		\$419
Portfolio turnover rate		13%

</TABLE>

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

+ Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These distributions do not represent a return of capital for federal income tax purposes.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(c) Computed on an annualized basis.

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

STRATEGIC INCOME FUND
FINANCIAL HIGHLIGHTS--FORTRESS SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

		YEAR ENDED NOVEMBER 30, 1994*
NET ASSET VALUE, BEGINNING OF PERIOD	\$	10.00
INCOME FROM INVESTMENT OPERATIONS		
Net investment income		0.14
Net realized and unrealized gain (loss) on investments		(0.14)
Total from investment operations		0.00
LESS DISTRIBUTIONS		
Dividends to shareholders from net investment income		(0.14)
Distributions in excess of net investment income		(0.02) (a)
Total distributions		(0.16)
NET ASSET VALUE, END OF PERIOD	\$	9.84
TOTAL RETURN+		(0.05%)

RATIOS TO AVERAGE NET ASSETS

Expenses	0.75% (c)
Net investment income	7.35% (c)
Expense waiver/reimbursement (b)	9.12% (c)

SUPPLEMENTAL DATA

Net assets, end of period (000 omitted)	\$591
Portfolio turnover rate	13%

</TABLE>

* For the period from May 9, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

+ Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These distributions do not represent a return of capital for federal income tax purposes.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(c) Computed on an annualized basis.

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

K. Please insert the following financial statements immediately following the "Financial Highlights" tables previously added but preceding the section entitled "Appendix." In addition, please add the heading "Financial Statements" to the Table of Contents page immediately before the heading "Appendix."

STRATEGIC INCOME FUND
PORTFOLIO OF INVESTMENTS
JULY 31, 1994
(UNAUDITED)

<TABLE>
<CAPTION>
PRINCIPAL AMOUNT
<C> <S> VALUE <C>

U.S. CORPORATE BONDS--31.5%		
	BUSINESS EQUIPMENT & SERVICES--2.6%	
\$50,000	Bell & Howell Co., Sr. Sub. Note, 10.75%, 10/1/2002	\$ 50,000
	CABLE TV--2.3%	
50,000	Continental Cablevision, Sr. Deb., 9.50%, 8/1/2013	44,937
	CHEMICALS & PLASTICS--2.6%	
50,000	Arcadian Partners L.P., Sr. Note (Series B), 10.75%, 5/1/2005	50,250
	CLOTHING & TEXTILES--2.3%	
50,000	WestPoint Stevens, Inc., Sr. Sub. Deb., 9.375%, 12/15/2005	45,563
	CONTAINERS & GLASS PRODUCTS--2.6%	

50,000	Owens Illinois, Inc., Sr. Sub. Note, 10.50%, 6/15/2002	50,875
	ECOLOGICAL SERVICES & EQUIPMENT--2.5%	
49,000	Mid-American Waste Systems, Inc., Sr. Sub. Note, 12.25%, 2/15/2003	49,000
	FOOD & DRUG RETAILERS--4.6%	
50,000	Grand Union Co., Sr. Sub. Note, 12.25%, 7/15/2002	43,625
45,750	Pathmark Stores, Inc., Sr. Sub. Note, 9.625%, 5/1/2003	45,750
	Total	89,375
	FOOD SERVICE--2.4%	
50,000	Flagstar Corp., Sr. Note, 10.875%, 12/1/2002	46,750
	FOREST PRODUCTS--2.4%	
50,000	Stone Container Corp., Sr. Note, 9.875%, 2/1/2001	46,500

</TABLE>

STRATEGIC INCOME FUND

<TABLE>

<CAPTION>

PRINCIPAL
AMOUNT
OR FOREIGN
CURRENCY
PAR AMOUNT

U.S.
DOLLAR
VALUE

<C> <S>

<C>

U.S. CORPORATE BONDS--CONTINUED

	HOME PRODUCTS & FURNISHINGS--1.6%	
\$50,000	American Standard, Inc., Sr. Sub. Disc. Deb., 0/10.50%, 6/1/2005	\$ 31,750
	STEEL--2.4%	
50,000	Northwestern Steel & Wire Co., Sr. Note, 9.50%, 6/15/2001	47,250
	TELECOMMUNICATIONS & CELLULAR--3.2%	
100,000	NEXTEL Communications, Inc., Sr. Disc. Note, 0/11.50%, 9/1/2003	61,750
	TOTAL U.S. CORPORATE BONDS (IDENTIFIED COST \$627,437)	614,000

U.S. GOVERNMENT AGENCY--32.7%

637,895	Federal National Mortgage Association, TBA, 8.00%, 4/1/2024 (identified cost \$634,634)	637,895
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INTERNATIONAL BONDS--34.0%

	AUSTRALIAN DOLLAR--2.1%	
	STATE/PROVINCIAL--2.1%	
50,000	State Bank of New South Wales, 12.25%, 2/26/2001	41,312
	BRITISH POUND--3.6%	
	CORPORATE--3.6%	
50,000	Abbey National Treasury, 8.00%, 4/2/2003	71,192

	CANADIAN DOLLAR--3.6%	

	AGENCY--3.6%	

100,000	Ontario Hydro, 9.00%, 6/24/2002	69,184

	DANISH KRONE--2.5%	

	SOVEREIGN--2.5%	

300,000	Kingdom of Denmark, 8.00%, 5/15/2003	48,198

</TABLE>

STRATEGIC INCOME FUND

<TABLE>		
<CAPTION>		
FOREIGN		U.S.
CURRENCY		DOLLAR
PAR AMOUNT		VALUE
<C>	<S>	<C>

INTERNATIONAL BONDS--CONTINUED		

	DEUTSCHE MARK--3.4%	

	SOVEREIGN--3.4%	

\$100,000	Federal Republic of Germany, 8.00%, 7/22/2002	\$ 66,591

	FRENCH FRANC--3.8%	

	AGENCY--3.8%	

400,000	KFW International Finance, Inc., 7.00%, 5/12/2000	73,439

	JAPANESE YEN--6.1%	

	CORPORATE--6.1%	

10,000,000	Bank of Tokyo Cayman Finance, Sub. Note, 4.25%, 12/31/99	119,196

	NEW ZEALAND DOLLAR--3.3%	

	AGENCY--3.3%	

100,000	Electricity Corp. of New Zealand, 10.00%, 10/15/2001	64,548

	U.S. DOLLAR--5.6%	

	AGENCY--2.2%	

50,000	Banco Nacional de Comercio Exterior Mexico, 8.00%, 8/5/2003	42,797

	SOVEREIGN--3.4%	

100,000	Argentina Bonos de Consolidacion (Pre 4), 4.375%, 9/1/2002	67,200

	Total U.S. Dollar	109,997

	TOTAL INTERNATIONAL BONDS	
	(IDENTIFIED COST \$677,808)	663,657

</TABLE>

STRATEGIC INCOME FUND

<TABLE>
<CAPTION>
PRINCIPAL

AMOUNT		VALUE
<C>	<S>	<C>
*REPURCHASE AGREEMENT--15.9%		
\$310,000	J.P. Morgan Securities, Inc., 4.25%, dated 7/29/94, due 8/1/94 (at amortized cost) (Note 2B)	\$ 310,000
TOTAL INVESTMENTS (IDENTIFIED COST \$2,249,879)		\$ 2,225,552+

</TABLE>

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

+ The cost for federal tax purposes amounts to \$2,249,879. The net unrealized depreciation of investments on a federal tax basis amounts to \$24,327, which is comprised of \$7,768 appreciation and \$32,095 depreciation at July 31, 1994.

The following abbreviation is used in this portfolio:

TBA-- To be announced.

Note: The categories of investments are shown as a percentage of net assets (\$1,951,232) at July 31, 1994.

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

STRATEGIC INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
JULY 31, 1994
(UNAUDITED)

<S>	<C>	<C>
ASSETS:		
Investments in other securities, at value (Note 2A)	\$ 1,915,552	
Investments in repurchase agreements, at amortized cost (Note 2B)	310,000	
Total investments (identified & tax cost \$2,249,879)		\$ 2,225,552
Cash		3,733
Receivable for foreign currency sold		75,341
Interest receivable		28,788
Receivable for capital stock sold		15,683
Total assets		2,349,097
LIABILITIES:		
Payable for investments purchased	290,828	
Payable for currency purchased	76,140	
Dividends payable	7,054	
Accrued expenses	23,843	
Total liabilities		397,865
NET ASSETS for 198,212 shares of capital stock outstanding		\$ 1,951,232
NET ASSETS CONSIST OF:		

Paid-in capital	\$ 1,980,067
Unrealized depreciation of investments	(24,327)
Accumulated distributions in excess of net investment income	(526)
Accumulated net realized loss on investments	(3,982)
Total Net Assets	\$ 1,951,232
NET ASSET VALUE:	
Class C Shares (net assets of \$419,352 / 42,590 SHARES OF CAPITAL STOCK OUTSTANDING)	\$9.85
CLASS A SHARES (NET ASSETS OF \$940,437 / 95,546 SHARES OF CAPITAL STOCK OUTSTANDING)	\$9.84
Fortress Shares (net assets of \$591,443 / 60,076 SHARES OF CAPITAL STOCK OUTSTANDING)	\$9.84
COMPUTATION OF OFFERING PRICE:	
Class C Shares Offering Price Per Share	\$9.85
Class A Shares Offering Price Per Share (100/95.5 of \$9.84)*	\$10.30
Fortress Shares Offering Price Per Share (100/99 of \$9.84)*	\$9.94
COMPUTATION OF REDEMPTION PROCEEDS:	
Class C Shares Redemption Proceeds Per Share (99/100 of \$9.85)**	\$9.75
Class A Shares Redemption Proceeds Per Share	\$9.84
Fortress Shares Redemption Proceeds Per Share (99/100 of \$9.84)**	\$9.74

</TABLE>

* See "What Shares Cost" in the prospectus.

** See "Contingent Deferred Sales Charge" in the prospectus.

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

STRATEGIC INCOME FUND
STATEMENT OF OPERATIONS
PERIOD ENDED JULY 31, 1994*
(UNAUDITED)

<TABLE>			
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest income (Note 2C)			\$ 27,745
EXPENSES:			
Investment advisory fee (Note 4)		\$	3,084
Custodian and portfolio accounting fees			27,650
Transfer and dividend disbursing agent fees and expenses (Note 4)			1,700
Printing and postage			100
Legal			350
Shareholder services fee--Class A Shares (Note 4)			606
Shareholder services fee--Class C Shares (Note 4)			125
Shareholder services fee--Fortress Shares (Note 4)			176
Distribution fees--Class C Shares (Note 4)			375
Distribution fees--Fortress Shares (Note 4)			352

Miscellaneous		200
Total expenses		34,718
Deduct--Waiver of investment advisory fee (Note 4)	\$ 3,084	
--Reimbursement of other operating expenses (Note 4)	30,000	33,084
Net expenses		1,634
Net investment income		26,111
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain (loss) on investments (identified cost basis)		(3,982)
Net change in unrealized appreciation (depreciation) on investments		(24,327)
Net realized and unrealized gain (loss) on investments		(28,309)
Change in net assets resulting from operations	\$	(2,198)

</TABLE>

*For the period from April 29, 1994 (date of initial public investment) to July 31, 1994.

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

STRATEGIC INCOME FUND
STATEMENT OF CHANGES IN NET ASSETS

		PERIOD ENDED NOVEMBER 30, 1994*
<TABLE>		
<CAPTION>		
<S>		
INCREASE (DECREASE) IN NET ASSETS:		
OPERATIONS--		
Net investment income	\$	26,111
Net realized gain (loss) on investments (Note 2D)		(3,982)
Net change in unrealized appreciation (depreciation) on investments		(24,327)
Change in net assets resulting from operations		(2,198)
DISTRIBUTIONS TO SHAREHOLDERS (NOTE 2C)--		
Dividends to shareholders from net investment income:		
Class A Shares		(16,721)
Fortress Shares		(5,176)
Class C Shares		(3,504)
Distributions in excess of net investment income (Note 2C):		
Fortress Shares		(844)
Class C Shares		(391)
Change in net assets resulting from distributions to shareholders		(26,636)
CAPITAL STOCK TRANSACTIONS (NOTE 3)--		
Proceeds from sale of shares		3,487,420

Net asset value of shares issued to shareholders in payment of dividends declared	10,486
Cost of shares redeemed	(1,486,475)
Change in net assets from capital stock transactions	2,011,431
Change in net assets	1,982,597
NET ASSETS:	
Beginning of period	--
End of period	\$ 1,982,597

</TABLE>

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

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

STRATEGIC INCOME FUND
NOTES TO FINANCIAL STATEMENTS
JULY 31, 1994
(UNAUDITED)

(1) ORGANIZATION

Fixed Income Securities, Inc. (the "Corporation") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end, management investment company. The Corporation consists of five diversified portfolios. The financial statements included herein are only those of Strategic 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. The Fund offers three classes of shares (Class A Shares, Class C Shares and Fortress Shares).

(2) SIGNIFICANT ACCOUNTING POLICIES

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

- A. INVESTMENT VALUATIONS--Listed corporate bonds (and other fixed-income and asset backed securities) are valued at last sale price reported on national securities exchanges. Unlisted bonds and securities and short-term obligations are valued at the prices provided by an independent pricing service. Short-term securities with remaining maturities of sixty days or less may be stated 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 collateral to ensure that the value at least equals the principal amount of the repurchase agreement, including accrued interest.

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 Directors. 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. INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS--Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized

as required by the Internal Revenue Code, as amended (the "Code"). Distributions to shareholders are recorded on the ex-dividend date. Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These distributions do not represent a return of capital for federal income tax purposes.

- D. FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of its taxable income. Accordingly, no provisions for federal tax are necessary. However, federal taxes may be imposed on the Fund upon the disposition of certain investments in Passive Foreign Investment Companies. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.
- E. WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Fund may engage in when-issued or delayed delivery transactions. The Fund records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date.
- F. OTHER--Investment transactions are accounted for on the trade date.

(3) CAPITAL STOCK

At July 31, 1994, there were 4,000,000,000 shares of \$0.001 par value capital stock authorized. Of these shares, 1,000,000,000 have been designated as Class C Shares, 1,000,000,000 as Class A Shares, and 1,000,000,000 as Fortress Shares. Transactions in capital stock were as follows:

<TABLE>
<CAPTION>

CLASS C SHARES <S>	YEAR ENDED NOVEMBER 30, 1994*	
	SHARES <C>	DOLLARS <C>
Shares sold	45,588	\$ 451,902
Shares issued to shareholders in payment of dividends declared	196	1,943
Shares redeemed	--	--
Net change resulting from Class C Shares transactions	45,784	\$ 453,845

</TABLE>

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994.

<TABLE>
<CAPTION>

CLASS A SHARES <S>	YEAR ENDED NOVEMBER 30, 1994*	
	SHARES <C>	DOLLARS <C>
Shares sold	245,374	\$ 2,442,038
Shares issued to shareholders in payment of dividends declared	471	4,658
Shares redeemed	(150,299)	(1,486,416)
Net change resulting from Class A Shares transactions	95,546	\$ 960,280

<CAPTION>

YEAR ENDED
NOVEMBER 30, 1994**

FORTRESS SHARES <S>	YEAR ENDED NOVEMBER 30, 1994**	
	SHARES <C>	DOLLARS <C>
Shares sold	59,690	\$ 593,480
Shares issued to shareholders in payment of dividends declared	392	3,885
Shares redeemed	(6)	(59)
Net change resulting from Fortress Shares transactions	60,076	\$ 597,306
Total net change resulting from Fund Shares transactions	201,406	\$ 2,011,431

</TABLE>

* For the period from May 3, 1994 (date of initial public investment) to July 31, 1994.

** For the period from May 9, 1994 (date of initial public investment) to July 31, 1994.

(4) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISORY FEE--Federated Advisers, the Fund's investment adviser (the "Adviser"), receives for its services an annual investment advisory fee equal to .85 of 1% of the Fund's average daily net assets. The Adviser may voluntarily choose to waive a portion of its fee and reimburse certain operating expenses of the Fund. The Adviser can modify or terminate this voluntary waiver and reimbursement at any time at its sole discretion.

DISTRIBUTION AND SHAREHOLDER SERVICES FEE--The Fund has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Act. Under the terms of the Plan, the Fund will compensate Federated Securities Corp. ("FSC"), the principal distributor, from the net assets of the Fund to finance activities intended to result in the sale of the Fund's Class C Shares and Fortress Shares. The Plan provides that the Fund may incur distribution expenses up to .75 of 1% and .50 of 1% of the average daily net assets to the Class C Shares and Fortress Shares, respectively, annually, to compensate FSC.

Under the terms of a Shareholder Services Agreement with Federated Shareholder Services ("FSS"), the Fund will pay FSS up to .25 of 1% of average net assets of each class of Shares for the period. This fee is to obtain certain personal services for shareholders and to maintain the shareholder accounts.

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

ORGANIZATIONAL EXPENSES--Organizational expenses and start-up administrative service expenses will be borne initially by the Adviser and are estimated at \$44,600 and \$46,630, respectively. The Fund has agreed to reimburse the Adviser for the organizational expenses and start-up administrative expenses during the five year period following April 5, 1994 (date the Fund first became effective).

Certain of the Officers and Directors of the Corporation are Officers and Directors or Trustees of the above companies.

(5) INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the period ended July 31, 1994, were as follows:

<TABLE> <S>
<C>

PURCHASES	\$ 2,173,720
SALES	\$ 220,918

</TABLE>

September 22, 1994

STRATEGIC
INCOME
FUND

CLASS C SHARES

SUPPLEMENT TO PROSPECTUS
DATED APRIL 5, 1994

September 22, 1994

[LOGO] FEDERATED SECURITIES CORP.

Distributor

A subsidiary of FEDERATED INVESTORS

FEDERATED INVESTORS TOWER
PITTSBURGH, PA 15222-3779

338319809
G00531-02 (9/94)

STRATEGIC INCOME FUND
(A PORTFOLIO OF FIXED INCOME SECURITIES, INC.)
CLASS C SHARES

SUPPLEMENT TO PROSPECTUS DATED APRIL 5, 1994

- A. Please insert the following "Financial Highlights--Class C Shares" table as page 2 of the prospectus following the "Summary of Fund Expenses" and before the section entitled "General Information." In addition, please add the heading "Financial Highlights--Class C Shares" to the Table of Contents page after the heading "Summary of Fund Expenses."

STRATEGIC INCOME FUND
FINANCIAL HIGHLIGHTS--CLASS C SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

<S>

YEAR ENDED
NOVEMBER 30, 1994*
<C>

NET ASSET VALUE, BEGINNING OF PERIOD	\$ 10.00

INCOME FROM INVESTMENT OPERATIONS	

Net investment income	0.14

Net realized and unrealized gain (loss) on investments	(0.14)

Total from investment operations	0.00

LESS DISTRIBUTIONS	

Dividends to shareholders from net investment income	(0.14)

Distributions in excess of net investment income	(0.01) (a)
Total distributions	(0.15)
NET ASSET VALUE, END OF PERIOD	\$ 9.85
TOTAL RETURN+	(0.01%)
RATIOS TO AVERAGE NET ASSETS	
Expenses	1.00% (c)
Net investment income	7.01% (c)
Expense waiver/reimbursement (b)	9.12% (c)
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$419
Portfolio turnover rate	13%

</TABLE>

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

+ Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These distributions do not represent a return of capital for federal income tax purposes.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(c) Computed on an annualized basis.

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

B. Please delete the first two sentences of the section entitled "Liberty Family of Funds", including the list of funds included in the Liberty Family of Funds which begins on page 2 of the prospectus and replace them with the following:

"This Fund is a member of a family of mutual funds, collectively known as the Liberty Family of Funds. The other funds in the Liberty Family of Funds are:

- . American Leaders Fund, Inc., providing growth of capital and income through high-quality stocks;
- . Capital Growth Fund, providing appreciation of capital primarily through equity securities;
- . Fund for U.S. Government Securities, Inc., providing current income through long-term U.S. government securities;
- . International Equity Fund, providing long-term capital growth and income through international securities;
- . International Income Fund, providing a high level of current income consistent with prudent investment risk through high-quality debt securities denominated primarily in foreign currencies;
- . Liberty Equity Income Fund, Inc., providing above-average income and capital appreciation through income producing equity securities;
- . Liberty High Income Bond Fund, Inc., providing high current income through high-yielding, lower-rated, corporate bonds;
- . Liberty Municipal Securities Fund, Inc., providing a high level of

current income exempt from federal regular income tax through municipal bonds;

- . Liberty U.S. Government Money Market Trust, providing current income consistent with stability of principal through high-quality U.S. government securities;
- . Liberty Utility Fund, Inc., providing current income and long-term growth of income, primarily through electric, gas, and communications utilities;
- . Limited Term Fund, providing a high level of current income consistent with minimum fluctuation in principal value through investment grade securities;
- . Limited Term Municipal Fund, providing a high level of current income exempt from federal regular income tax consistent with the preservation of principal, primarily limited to municipal securities;
- . Michigan Intermediate Municipal Trust, providing current income exempt from federal regular income tax and the personal income taxes imposed by the state of Michigan and Michigan municipalities, primarily through Michigan municipal securities;
- . Pennsylvania Municipal Income Fund, providing current income exempt from federal regular income tax and the personal income taxes imposed by the Commonwealth of Pennsylvania, primarily through Pennsylvania municipal securities;
- . Tax-Free Instruments Trust, providing current income consistent with stability of principal and exempt from federal income tax, through high-quality, short-term municipal securities; and
- . World Utility Fund, providing total return primarily through securities issued by domestic and foreign companies in the utilities industries."

- C. Please insert the following as the second sentence of the final paragraph in the section entitled "Acceptable Investments" on page 4 of the prospectus: "The prices of fixed income securities fluctuate inversely to the direction of interest rates."
- D. Please delete the section entitled "When-Issued and Delayed Delivery Transactions" on page 14 of the prospectus and replace it with the following:

"WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Fund may purchase securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices. Accordingly, the Fund may pay more/ less than the market value of the securities on the settlement date.

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

- E. Please delete the section entitled "Retirement Plans" on page 18 of the prospectus and replace it with the following:

"RETIREMENT PLANS

Shares can be purchased as an investment for retirement plans or for IRA accounts. For further details, contact the Fund and consult a tax adviser."

- F. Please delete the section entitled "Other Payments to Financial Institutions" on page 24 of the prospectus and replace it with the following:

"OTHER PAYMENTS TO FINANCIAL INSTITUTIONS. Federated Securities Corp. will pay

financial institutions an amount equal to 1% of the net asset value of Shares purchased by their clients or customers at the time of purchase (except for participants in the Liberty Family Retirement Program). Financial institutions may elect to waive the initial payments described above; such waiver will result in the waiver by the Fund of the otherwise applicable contingent deferred sales charge.

Furthermore, the distributor may offer to pay a fee from its own assets to financial institutions as financial assistance for providing substantial marketing and sales support. The support may include participating in sales, educational and training seminars at recreational-type facilities, providing sales literature, and engineering computer software programs that emphasize the attributes of the Fund. Such assistance will be predicated upon the amount of Shares the financial institution sells or may sell, and/or upon the type and nature of sales or marketing support furnished by the financial institution. Any payments made by the distributor may be reimbursed by the Fund's investment adviser or its affiliates."

- G. Please insert the following "Financial Highlights--Class A Shares" and "Financial Highlights--Fortress Shares" tables immediately following the section entitled "Other Classes of Shares" but preceding the section entitled "Appendix." In addition, please add the headings "Financial Highlights--Class A Shares" and "Financial Highlights--Fortress Shares" to the Table of Contents page after the heading "Other Classes of Shares."

STRATEGIC INCOME FUND
FINANCIAL HIGHLIGHTS--CLASS A SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30, 1994*
	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS	
Net investment income	0.17
Net realized and unrealized gain (loss) on investments	(0.16)
Total from investment operations	0.01
LESS DISTRIBUTIONS	
Dividends to shareholders from net investment income	(0.17)
NET ASSET VALUE, END OF PERIOD	\$ 9.84
TOTAL RETURN+	0.07%
RATIOS TO AVERAGE NET ASSETS	
Expenses	0.25% (b)
Net investment income	7.19% (b)
Expense waiver/reimbursement (a)	9.12% (b)
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$940
Portfolio turnover rate	13%

</TABLE>

* For the period from May 3, 1994 (date of initial public investment) to July

31, 1994 (unaudited).

+ Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(b) Computed on an annualized basis.

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

STRATEGIC INCOME FUND
FINANCIAL HIGHLIGHTS--FORTRESS SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30, 1994*
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS	
Net investment income	0.14
Net realized and unrealized gain (loss) on investments	(0.14)
Total from investment operations	0.00
LESS DISTRIBUTIONS	
Dividends to shareholders from net investment income	(0.14)
Distributions in excess of net investment income	(0.02) (a)
Total distributions	(0.16)
NET ASSET VALUE, END OF PERIOD	\$ 9.84
TOTAL RETURN+	(0.05%)
RATIOS TO AVERAGE NET ASSETS	
Expenses	0.75% (c)
Net investment income	7.35% (c)
Expense waiver/reimbursement (b)	9.12% (c)
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$591
Portfolio turnover rate	13%

* For the period from May 9, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

+ Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These distributions do not represent a return of capital for federal income tax purposes.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(c) Computed on an annualized basis.

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

H. Please insert the following financial statements immediately following the "Financial Highlights" tables previously added but preceding the section entitled "Appendix." In addition, please add the heading "Financial Statements" to the Table of Contents immediately before the heading "Appendix."

STRATEGIC INCOME FUND
 PORTFOLIO OF INVESTMENTS
 JULY 31, 1994
 (UNAUDITED)

<C>	<S>	<C>
PRINCIPAL AMOUNT		VALUE
U.S. CORPORATE BONDS--31.5%		
	BUSINESS EQUIPMENT & SERVICES--2.6%	
\$50,000	Bell & Howell Co., Sr. Sub. Note, 10.75%, 10/1/2002	\$ 50,000
	CABLE TV--2.3%	
50,000	Continental Cablevision, Sr. Deb., 9.50%, 8/1/2013	44,937
	CHEMICALS & PLASTICS--2.6%	
50,000	Arcadian Partners L.P., Sr. Note (Series B), 10.75%, 5/1/2005	50,250
	CLOTHING & TEXTILES--2.3%	
50,000	WestPoint Stevens, Inc., Sr. Sub. Deb., 9.375%, 12/15/2005	45,563
	CONTAINERS & GLASS PRODUCTS--2.6%	
50,000	Owens Illinois, Inc., Sr. Sub. Note, 10.50%, 6/15/2002	50,875
	ECOLOGICAL SERVICES & EQUIPMENT--2.5%	
49,000	Mid-American Waste Systems, Inc., Sr. Sub. Note, 12.25%, 2/15/2003	49,000
	FOOD & DRUG RETAILERS--4.6%	
50,000	Grand Union Co., Sr. Sub. Note, 12.25%, 7/15/2002	43,625
45,750	Pathmark Stores, Inc., Sr. Sub. Note, 9.625%, 5/1/2003	45,750
	Total	89,375
	FOOD SERVICE--2.4%	
50,000	Flagstar Corp., Sr. Note, 10.875%, 12/1/2002	46,750
	FOREST PRODUCTS--2.4%	
50,000	Stone Container Corp., Sr. Note, 9.875%, 2/1/2001	46,500

STRATEGIC INCOME FUND

<TABLE> <CAPTION> PRINCIPAL AMOUNT OR FOREIGN CURRENCY PAR AMOUNT <C>	<S>	U.S. DOLLAR VALUE <C>
U.S. CORPORATE BONDS--CONTINUED		
	HOME PRODUCTS & FURNISHINGS--1.6%	
\$50,000	American Standard, Inc., Sr. Sub. Disc. Deb., 0/10.50%, 6/1/2005	\$ 31,750
	STEEL--2.4%	
50,000	Northwestern Steel & Wire Co., Sr. Note, 9.50%, 6/15/2001	47,250
	TELECOMMUNICATIONS & CELLULAR--3.2%	
100,000	NEXTEL Communications, Inc., Sr. Disc. Note, 0/11.50%, 9/1/2003	61,750
	TOTAL U.S. CORPORATE BONDS (IDENTIFIED COST \$627,437)	614,000
U.S. GOVERNMENT AGENCY--32.7%		
637,895	Federal National Mortgage Association, TBA, 8.00%, 4/1/2024 (identified cost \$634,634)	637,895
INTERNATIONAL BONDS--34.0%		
	AUSTRALIAN DOLLAR--2.1%	
	STATE/PROVINCIAL--2.1%	
50,000	State Bank of New South Wales, 12.25%, 2/26/2001	41,312
	BRITISH POUND--3.6%	
	CORPORATE--3.6%	
50,000	Abbey National Treasury, 8.00%, 4/2/2003	71,192
	CANADIAN DOLLAR--3.6%	
	AGENCY--3.6%	
100,000	Ontario Hydro, 9.00%, 6/24/2002	69,184
	DANISH KRONE--2.5%	
	SOVEREIGN--2.5%	
300,000	Kingdom of Denmark, 8.00%, 5/15/2003	48,198

</TABLE>

STRATEGIC INCOME FUND

<TABLE> <CAPTION> FOREIGN CURRENCY PAR AMOUNT <C>	<S>	U.S. DOLLAR VALUE <C>
INTERNATIONAL BONDS--CONTINUED		
	DEUTSCHE MARK--3.4%	

	SOVEREIGN--3.4%	
\$100,000	Federal Republic of Germany, 8.00%, 7/22/2002	\$ 66,591
	FRENCH FRANC--3.8%	
	AGENCY--3.8%	
400,000	KFW International Finance, Inc., 7.00%, 5/12/2000	73,439
	JAPANESE YEN--6.1%	
	CORPORATE--6.1%	
10,000,000	Bank of Tokyo Cayman Finance, Sub. Note, 4.25%, 12/31/99	119,196
	NEW ZEALAND DOLLAR--3.3%	
	AGENCY--3.3%	
100,000	Electricity Corp. of New Zealand, 10.00%, 10/15/2001	64,548
	U.S. DOLLAR--5.6%	
	AGENCY--2.2%	
50,000	Banco Nacional de Comercio Exterior Mexico, 8.00%, 8/5/2003	42,797
	SOVEREIGN--3.4%	
100,000	Argentina Bonos de Consolidacion (Pre 4), 4.375%, 9/1/2002	67,200
	Total U.S. Dollar	109,997
	TOTAL INTERNATIONAL BONDS (IDENTIFIED COST \$677,808)	663,657

</TABLE>

STRATEGIC INCOME FUND

<TABLE>		
<CAPTION>		
PRINCIPAL		VALUE
AMOUNT		
<C>	<S>	<C>
	*REPURCHASE AGREEMENT--15.9%	
\$310,000	J.P. Morgan Securities, Inc., 4.25%, dated 7/29/94, due 8/1/94 (at amortized cost) (Note 2B)	\$ 310,000
	TOTAL INVESTMENTS (IDENTIFIED COST \$2,249,879)	\$ 2,225,552+

</TABLE>

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

+ The cost for federal tax purposes amounts to \$2,249,879. The net unrealized depreciation of investments on a federal tax basis amounts to \$24,327, which is comprised of \$7,768 appreciation and \$32,095 depreciation at July 31, 1994.

The following abbreviation is used in this portfolio:

TBA-- To be announced.

Note: The categories of investments are shown as a percentage of net assets (\$1,951,232) at July 31, 1994.

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

STRATEGIC INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
JULY 31, 1994
(UNAUDITED)

	<C>	<C>
ASSETS:		
Investments in other securities, at value (Note 2A)	\$ 1,915,552	
Investments in repurchase agreements, at amortized cost (Note 2B)	310,000	
Total investments (identified & tax cost \$2,249,879)		\$ 2,225,552
Cash		3,733
Receivable for foreign currency sold		75,341
Interest receivable		28,788
Receivable for capital stock sold		15,683
Total assets		2,349,097
LIABILITIES:		
Payable for investments purchased	290,828	
Payable for currency purchased	76,140	
Dividends payable	7,054	
Accrued expenses	23,843	
Total liabilities		397,865
NET ASSETS for 198,212 shares of capital stock outstanding		\$ 1,951,232
NET ASSETS CONSIST OF:		
Paid-in capital		\$ 1,980,067
Unrealized depreciation of investments		(24,327)
Accumulated distributions in excess of net investment income		(526)
Accumulated net realized loss on investments		(3,982)
Total Net Assets		\$ 1,951,232
NET ASSET VALUE:		
Class C Shares (net assets of \$419,352 / 42,590 SHARES OF CAPITAL STOCK OUTSTANDING)		\$9.85
CLASS A SHARES (NET ASSETS OF \$940,437 / 95,546 SHARES OF CAPITAL STOCK OUTSTANDING)		\$9.84
Fortress Shares (net assets of \$591,443 / 60,076 SHARES OF CAPITAL STOCK OUTSTANDING)		\$9.84
COMPUTATION OF OFFERING PRICE:		
Class C Shares Offering Price Per Share		\$9.85
Class A Shares Offering Price Per Share (100/95.5 of \$9.84) *		\$10.30
Fortress Shares Offering Price Per Share (100/99 of \$9.84) *		\$9.94
COMPUTATION OF REDEMPTION PROCEEDS:		
Class C Shares Redemption Proceeds Per Share (99/100 of \$9.85) **		\$9.75
Class A Shares Redemption Proceeds Per Share		\$9.84

</TABLE>

* See "What Shares Cost" in the prospectus.

** See "Contingent Deferred Sales Charge" in the prospectus.

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

STRATEGIC INCOME FUND
STATEMENT OF OPERATIONS
PERIOD ENDED JULY 31, 1994*
(UNAUDITED)

	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest income (Note 2C)			\$ 27,745
EXPENSES:			
Investment advisory fee (Note 4)		\$ 3,084	
Custodian and portfolio accounting fees		27,650	
Transfer and dividend disbursing agent fees and expenses (Note 4)		1,700	
Printing and postage		100	
Legal		350	
Shareholder services fee--Class A Shares (Note 4)		606	
Shareholder services fee--Class C Shares (Note 4)		125	
Shareholder services fee--Fortress Shares (Note 4)		176	
Distribution fees--Class C Shares (Note 4)		375	
Distribution fees--Fortress Shares (Note 4)		352	
Miscellaneous		200	
Total expenses		34,718	
Deduct--Waiver of investment advisory fee (Note 4)	\$ 3,084		
--Reimbursement of other operating expenses (Note 4)	30,000	33,084	
Net expenses			1,634
Net investment income			26,111
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:			
Net realized gain (loss) on investments (identified cost basis)			(3,982)
Net change in unrealized appreciation (depreciation) on investments			(24,327)
Net realized and unrealized gain (loss) on investments			(28,309)
Change in net assets resulting from operations			\$ (2,198)

</TABLE>

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994.

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

STRATEGIC INCOME FUND
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	PERIOD ENDED NOVEMBER 30, 1994*
<S>	<C>
INCREASE (DECREASE) IN NET ASSETS:	
OPERATIONS--	
Net investment income	\$ 26,111
Net realized gain (loss) on investments (Note 2D)	(3,982)
Net change in unrealized appreciation (depreciation) on investments	(24,327)
Change in net assets resulting from operations	(2,198)
DISTRIBUTIONS TO SHAREHOLDERS (NOTE 2C)--	
Dividends to shareholders from net investment income:	
Class A Shares	(16,721)
Fortress Shares	(5,176)
Class C Shares	(3,504)
Distributions in excess of net investment income (Note 2C):	
Fortress Shares	(844)
Class C Shares	(391)
Change in net assets resulting from distributions to shareholders	(26,636)
CAPITAL STOCK TRANSACTIONS (NOTE 3)--	
Proceeds from sale of shares	3,487,420
Net asset value of shares issued to shareholders in payment of dividends declared	10,486
Cost of shares redeemed	(1,486,475)
Change in net assets from capital stock transactions	2,011,431
Change in net assets	1,982,597
NET ASSETS:	
Beginning of period	--
End of period	\$ 1,982,597

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

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

STRATEGIC INCOME FUND
NOTES TO FINANCIAL STATEMENTS
JULY 31, 1994
(UNAUDITED)

(1) ORGANIZATION

Fixed Income Securities, Inc. (the "Corporation") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end, management investment company. The Corporation consists of five diversified portfolios. The financial statements included herein are only those of Strategic 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. The Fund offers three classes of shares (Class A Shares, Class C Shares and Fortress Shares).

(2) SIGNIFICANT ACCOUNTING POLICIES

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

- A. INVESTMENT VALUATIONS--Listed corporate bonds (and other fixed-income and asset backed securities) are valued at last sale price reported on national securities exchanges. Unlisted bonds and securities and short-term obligations are valued at the prices provided by an independent pricing service. Short-term securities with remaining maturities of sixty days or less may be stated 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 collateral to ensure that the value at least equals the principal amount of the repurchase agreement, including accrued interest.

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 Directors. 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. INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS--Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue Code, as amended (the "Code"). Distributions to shareholders are recorded on the ex-dividend date. Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These distributions do not represent a return of capital for federal income tax purposes.
- D. FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of its taxable income. Accordingly, no provisions for federal tax are necessary. However, federal taxes may be imposed on the Fund upon the disposition of certain investments in Passive Foreign Investment Companies. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.
- E. WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Fund may engage in when-issued or delayed delivery transactions. The Fund records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date.
- F. OTHER--Investment transactions are accounted for on the trade date.

(3) CAPITAL STOCK

At July 31, 1994, there were 4,000,000,000 shares of \$0.001 par value capital

stock authorized. Of these shares, 1,000,000,000 have been designated as Class C Shares, 1,000,000,000 as Class A Shares, and 1,000,000,000 as Fortress Shares. Transactions in capital stock were as follows:

<TABLE>
<CAPTION>

CLASS C SHARES <S>	YEAR ENDED NOVEMBER 30, 1994*	
	SHARES <C>	DOLLARS <C>
Shares sold	45,588	\$ 451,902
Shares issued to shareholders in payment of dividends declared	196	1,943
Shares redeemed	--	--
Net change resulting from Class C Shares transactions	45,784	\$ 453,845

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994.

<TABLE>
<CAPTION>

CLASS A SHARES <S>	YEAR ENDED NOVEMBER 30, 1994*	
	SHARES <C>	DOLLARS <C>
Shares sold	245,374	\$ 2,442,038
Shares issued to shareholders in payment of dividends declared	471	4,658
Shares redeemed	(150,299)	(1,486,416)
Net change resulting from Class A Shares transactions	95,546	\$ 960,280

<CAPTION>

FORTRESS SHARES <S>	YEAR ENDED NOVEMBER 30, 1994**	
	SHARES <C>	DOLLARS <C>
Shares sold	59,690	\$ 593,480
Shares issued to shareholders in payment of dividends declared	392	3,885
Shares redeemed	(6)	(59)
Net change resulting from Fortress Shares transactions	60,076	\$ 597,306
Total net change resulting from Fund Shares transactions	201,406	\$ 2,011,431

</TABLE>

* For the period from May 3, 1994 (date of initial public investment) to July 31, 1994.

** For the period from May 9, 1994 (date of initial public investment) to July 31, 1994.

(4) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISORY FEE--Federated Advisers, the Fund's investment adviser (the "Adviser"), receives for its services an annual investment advisory fee equal to

.85 of 1% of the Fund's average daily net assets. The Adviser may voluntarily choose to waive a portion of its fee and reimburse certain operating expenses of the Fund. The Adviser can modify or terminate this voluntary waiver and reimbursement at any time at its sole discretion.

DISTRIBUTION AND SHAREHOLDER SERVICES FEE--The Fund has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Act. Under the terms of the Plan, the Fund will compensate Federated Securities Corp. ("FSC"), the principal distributor, from the net assets of the Fund to finance activities intended to result in the sale of the Fund's Class C Shares and Fortress Shares. The Plan provides that the Fund may incur distribution expenses up to .75 of 1% and .50 of 1% of the average daily net assets to the Class C Shares and Fortress Shares, respectively, annually, to compensate FSC.

Under the terms of a Shareholder Services Agreement with Federated Shareholder Services ("FSS"), the Fund will pay FSS up to .25 of 1% of average net assets of each class of shares for the period. This fee is to obtain certain personal services for shareholders and to maintain the shareholder accounts.

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

ORGANIZATIONAL EXPENSES--Organizational expenses and start-up administrative service expenses will be borne initially by the Adviser and are estimated at \$44,600 and \$46,630, respectively. The Fund has agreed to reimburse the Adviser for the organizational expenses and start-up administrative expenses during the five year period following April 5, 1994 (date the Fund first became effective).

Certain of the Officers and Directors of the Corporation are Officers and Directors or Trustees of the above companies.

(5) INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the period ended July 31, 1994, were as follows:

<TABLE>		<C>
<S>		

PURCHASES	\$	2,173,720

SALES	\$	220,918

</TABLE>

September 22, 1994

STRATEGIC
INCOME
FUND

FORTRESS SHARES

SUPPLEMENT TO PROSPECTUS
DATED APRIL 5, 1994

September 22, 1994

[LOGO] FEDERATED SECURITIES CORP.

Distributor

A subsidiary of FEDERATED INVESTORS

FEDERATED INVESTORS TOWER
PITTSBURGH, PA 15222-3779

338319882
G00531-03 (9/94)

STRATEGIC INCOME FUND
 (A PORTFOLIO OF FIXED INCOME SECURITIES, INC.)
 FORTRESS SHARES

SUPPLEMENT TO PROSPECTUS DATED APRIL 5, 1994

- A. Please insert the following "Financial Highlights--Fortress Shares" table as page 2 of the prospectus following the "Summary of Fund Expenses" and before the section entitled "General Information." In addition, please add the heading "Financial Highlights--Fortress Shares" to the Table of Contents page after the heading "Summary of Fund Expenses."

STRATEGIC INCOME FUND
 FINANCIAL HIGHLIGHTS--FORTRESS SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
 <CAPTION>

	YEAR ENDED NOVEMBER 30, 1994*
<S>	<C>
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS	
Net investment income	0.14
Net realized and unrealized gain (loss) on investments	(0.14)
Total from investment operations	0.00
LESS DISTRIBUTIONS	
Dividends to shareholders from net investment income	(0.14)
Distributions in excess of net investment income	(0.02) (a)
Total distributions	(0.16)
NET ASSET VALUE, END OF PERIOD	\$ 9.84
TOTAL RETURN+	(0.05%)
RATIOS TO AVERAGE NET ASSETS	
Expenses	0.75% (c)
Net investment income	7.35% (c)
Expense waiver/reimbursement (b)	9.12% (c)
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$591
Portfolio turnover rate	13%

* For the period from May 9, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

+ Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Distributions are determined in accordance with income tax regulations

which may differ from generally accepted accounting principles. These distributions do not represent a return of capital for federal income tax purposes.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(c) Computed on an annualized basis.

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

B. Please delete the first two sentences of the section entitled "Fortress Investment Program", including the list of funds included in the Fortress Investment Program which begins on page 2 of the prospectus and replace them with the following:

"Fortress Shares is a member of a family of funds, collectively known as the Fortress Investment Program. The other funds in the Program are:

- . American Leaders Fund, Inc., providing growth of capital and income through high-quality stocks;
- . California Municipal Income Fund, providing current income exempt from federal regular income tax and California personal income taxes;
- . Fortress Adjustable Rate U.S. Government Fund, Inc., providing current income consistent with lower volatility of principal through a diversified portfolio of adjustable and floating rate mortgage securities which are issued or guaranteed by the U.S. government, its agencies or instrumentalities;
- . Fortress Bond Fund, providing current income primarily through high-quality corporate debt;
- . Fortress Municipal Income Fund, Inc., providing a high level of current income generally exempt from the federal regular income tax by investing primarily in a diversified portfolio of municipal bonds;
- . Fortress Utility Fund, Inc., providing high current income and moderate capital appreciation primarily through equity and debt securities of utility companies;
- . Government Income Securities, Inc., providing current income through long-term U.S. government securities;
- . Liberty Equity Income Fund, Inc., providing above-average income and capital appreciation through income producing equity securities;
- . Limited Term Fund, providing a high level of current income consistent with minimum fluctuation in principal value;
- . Limited Term Municipal Fund, providing a high level of current income which is exempt from federal regular income tax consistent with the preservation of capital;
- . Money Market Management, Inc., providing current income consistent with stability of principal through high-quality money market instruments;
- . New York Municipal Income Fund, providing current income exempt from federal regular income tax, New York personal income taxes, and New York City income taxes;
- . Ohio Municipal Income Fund, providing current income exempt from federal regular income tax and Ohio personal income taxes; and
- . World Utility Fund, providing total return by investing primarily in securities issued by domestic and foreign companies in the utilities industry."

C. Please insert the following as the second sentence of the final paragraph in the section entitled "Acceptable Investments" on page 4 of the prospectus: "The prices of fixed income securities fluctuate inversely to the direction of interest rates."

D. Please delete the section entitled "When-Issued and Delayed Delivery Transactions" on page 14 of the prospectus and replace it with the following:

"WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS. The Fund may purchase securities on a when-issued or delayed delivery basis. These transactions are arrangements in which the Fund purchases securities with payment and delivery scheduled for a future time. The seller's failure to complete these transactions may cause the Fund to miss a price or yield considered to be advantageous. Settlement dates may be a month or more after entering into these transactions, and the market values of the securities purchased may vary from the purchase prices. Accordingly, the Fund may pay more/ less than the market value of the securities on the settlement date.

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

E. Please delete the section entitled "Retirement Plans" on page 19 of the prospectus and replace it with the following:

"RETIREMENT PLANS

Shares can be purchased as an investment for retirement plans or for IRA accounts. For further details, contact the Fund and consult a tax adviser."

F. Please delete the section entitled "Other Payments to Financial Institutions" on page 25 of the prospectus and replace it with the following:

"OTHER PAYMENTS TO FINANCIAL INSTITUTIONS. Federated Securities Corp. will pay financial institutions an amount equal to 1% of the net asset value of Shares purchased by their clients or customers at the time of purchase. Financial institutions may elect to waive the initial payments described above; such waiver will result in the waiver by the Fund of the otherwise applicable contingent deferred sales charge.

Furthermore, the distributor may offer to pay a fee from its own assets to financial institutions as financial assistance for providing substantial marketing and sales support. The support may include participating in sales, educational and training seminars at recreational-type facilities, providing sales literature, and engineering computer software programs that emphasize the attributes of the Fund. Such assistance will be predicated upon the amount of Shares the financial institution sells or may sell, and/or upon the type and nature of sales or marketing support furnished by the financial institution. Any payments made by the distributor may be reimbursed by the Fund's investment adviser or its affiliates."

G. Please insert the following "Financial Highlights--Class A Shares" and "Financial Highlights--Class C Shares" tables immediately following the section entitled "Other Classes of Shares" but preceding the section entitled "Appendix." In addition, please add the headings "Financial Highlights--Class A Shares" and "Financial Highlights--Class C Shares" to the Table of Contents page after the heading "Other Classes of Shares."

STRATEGIC INCOME FUND
FINANCIAL HIGHLIGHTS--CLASS A SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

<S>

YEAR ENDED
NOVEMBER 30, 1994*
<C>

NET ASSET VALUE, BEGINNING OF PERIOD

\$ 10.00

INCOME FROM INVESTMENT OPERATIONS	
Net investment income	0.17
Net realized and unrealized gain (loss) on investments	(0.16)
Total from investment operations	0.01
LESS DISTRIBUTIONS	
Dividends to shareholders from net investment income	(0.17)
NET ASSET VALUE, END OF PERIOD	\$ 9.84
TOTAL RETURN+	0.07%
RATIOS TO AVERAGE NET ASSETS	
Expenses	0.25% (b)
Net investment income	7.19% (b)
Expense waiver/reimbursement (a)	9.12% (b)
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$940
Portfolio turnover rate	13%

</TABLE>

* For the period from May 3, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

+ Based on net asset value, which does not reflect sales load or contingent deferred sales charge, if applicable.

(a) This voluntary expense decrease is reflected in both the expense and net income ratios shown above (Note 4).

(b) Computed on an annualized basis.

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

STRATEGIC INCOME FUND
FINANCIAL HIGHLIGHTS--CLASS C SHARES

(FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD)

<TABLE>
<CAPTION>

	YEAR ENDED NOVEMBER 30, 1994*
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 10.00
INCOME FROM INVESTMENT OPERATIONS	
Net investment income	0.14
Net realized and unrealized gain (loss) on investments	(0.14)
Total from investment operations	0.00
LESS DISTRIBUTIONS	
Dividends to shareholders from net investment income	(0.14)
Distributions in excess of net investment income	(0.01) (a)

Total distributions	(0.15)
NET ASSET VALUE, END OF PERIOD	\$ 9.85
TOTAL RETURN+	(0.01%)
RATIOS TO AVERAGE NET ASSETS	
Expenses	1.00% (c)
Net investment income	7.01% (c)
Expense waiver/reimbursement (b)	9.12% (c)
SUPPLEMENTAL DATA	
Net assets, end of period (000 omitted)	\$419
Portfolio turnover rate	13%

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

+ Based on net asset value, which does not reflect the sales load or contingent deferred sales charge, if applicable.

(a) Distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These distributions do not represent a return of capital for federal income tax purposes.

(b) This voluntary expense decrease is reflected in both the expense and net investment income ratios shown above (Note 4).

(c) Computed on an annualized basis.

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

H. Please insert the following financial statements immediately following the "Financial Highlights" tables previously added but preceding the section entitled "Appendix." In addition, please add the heading "Financial Statements" to the Table of Contents immediately before the heading "Appendix."

STRATEGIC INCOME FUND
PORTFOLIO OF INVESTMENTS
JULY 31, 1994
(UNAUDITED)

<TABLE> <CAPTION> PRINCIPAL AMOUNT		VALUE
<C>	<S>	<C>
U.S. CORPORATE BONDS--31.5%		
BUSINESS EQUIPMENT & SERVICES--2.6%		
\$50,000	Bell & Howell Co., Sr. Sub. Note, 10.75%, 10/1/2002	\$ 50,000
CABLE TV--2.3%		
50,000	Continental Cablevision, Sr. Deb., 9.50%, 8/1/2013	44,937
CHEMICALS & PLASTICS--2.6%		
50,000	Arcadian Partners L.P., Sr. Note (Series B), 10.75%, 5/1/2005	50,250

CLOTHING & TEXTILES--2.3%		
50,000	WestPoint Stevens, Inc., Sr. Sub. Deb., 9.375%, 12/15/2005	45,563
CONTAINERS & GLASS PRODUCTS--2.6%		
50,000	Owens Illinois, Inc., Sr. Sub. Note, 10.50%, 6/15/2002	50,875
ECOLOGICAL SERVICES & EQUIPMENT--2.5%		
49,000	Mid-American Waste Systems, Inc., Sr. Sub. Note, 12.25%, 2/15/2003	49,000
FOOD & DRUG RETAILERS--4.6%		
50,000	Grand Union Co., Sr. Sub. Note, 12.25%, 7/15/2002	43,625
45,750	Pathmark Stores, Inc., Sr. Sub. Note, 9.625%, 5/1/2003	45,750
Total		89,375
FOOD SERVICE--2.4%		
50,000	Flagstar Corp., Sr. Note, 10.875%, 12/1/2002	46,750
FOREST PRODUCTS--2.4%		
50,000	Stone Container Corp., Sr. Note, 9.875%, 2/1/2001	46,500

</TABLE>

STRATEGIC INCOME FUND

<TABLE>		
<CAPTION>		
PRINCIPAL AMOUNT OR FOREIGN CURRENCY PAR AMOUNT		U.S. DOLLAR VALUE
<C>	<S>	<C>
U.S. CORPORATE BONDS--CONTINUED		
HOME PRODUCTS & FURNISHINGS--1.6%		
\$50,000	American Standard, Inc., Sr. Sub. Disc. Deb., 0/10.50%, 6/1/2005	\$ 31,750
STEEL--2.4%		
50,000	Northwestern Steel & Wire Co., Sr. Note, 9.50%, 6/15/2001	47,250
TELECOMMUNICATIONS & CELLULAR--3.2%		
100,000	NEXTEL Communications, Inc., Sr. Disc. Note, 0/11.50%, 9/1/2003	61,750
TOTAL U.S. CORPORATE BONDS (IDENTIFIED COST \$627,437)		614,000
U.S. GOVERNMENT AGENCY--32.7%		
637,895	Federal National Mortgage Association, TBA, 8.00%, 4/1/2024 (identified cost \$634,634)	637,895
INTERNATIONAL BONDS--34.0%		
AUSTRALIAN DOLLAR--2.1%		
STATE/PROVINCIAL--2.1%		
50,000	State Bank of New South Wales, 12.25%, 2/26/2001	41,312

	BRITISH POUND--3.6%	
	CORPORATE--3.6%	
50,000	Abbey National Treasury, 8.00%, 4/2/2003	71,192
	CANADIAN DOLLAR--3.6%	
	AGENCY--3.6%	
100,000	Ontario Hydro, 9.00%, 6/24/2002	69,184
	DANISH KRONE--2.5%	
	SOVEREIGN--2.5%	
300,000	Kingdom of Denmark, 8.00%, 5/15/2003	48,198

</TABLE>

STRATEGIC INCOME FUND

<TABLE>		
<CAPTION>		
FOREIGN CURRENCY PAR AMOUNT		U.S. DOLLAR VALUE
<C>	<S>	<C>
INTERNATIONAL BONDS--CONTINUED		
	DEUTSCHE MARK--3.4%	
	SOVEREIGN--3.4%	
\$100,000	Federal Republic of Germany, 8.00%, 7/22/2002	\$ 66,591
	FRENCH FRANC--3.8%	
	AGENCY--3.8%	
400,000	KFW International Finance, Inc., 7.00%, 5/12/2000	73,439
	JAPANESE YEN--6.1%	
	CORPORATE--6.1%	
10,000,000	Bank of Tokyo Cayman Finance, Sub. Note, 4.25%, 12/31/99	119,196
	NEW ZEALAND DOLLAR--3.3%	
	AGENCY--3.3%	
100,000	Electricity Corp. of New Zealand, 10.00%, 10/15/2001	64,548
	U.S. DOLLAR--5.6%	
	AGENCY--2.2%	
50,000	Banco Nacional de Comercio Exterior Mexico, 8.00%, 8/5/2003	42,797
	SOVEREIGN--3.4%	
100,000	Argentina Bonos de Consolidacion (Pre 4), 4.375%, 9/1/2002	67,200
	Total U.S. Dollar	109,997
	TOTAL INTERNATIONAL BONDS (IDENTIFIED COST \$677,808)	663,657

</TABLE>

STRATEGIC INCOME FUND

<TABLE> <CAPTION> PRINCIPAL AMOUNT			VALUE
<C>	<S>		<C>
*REPURCHASE AGREEMENT--15.9%			
\$310,000	J.P. Morgan Securities, Inc., 4.25%, dated 7/29/94, due 8/1/94 (at amortized cost) (Note 2B)		\$ 310,000
TOTAL INVESTMENTS (IDENTIFIED COST \$2,249,879)			\$ 2,225,552+

</TABLE>

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

+ The cost for federal tax purposes amounts to \$2,249,879. The net unrealized depreciation of investments on a federal tax basis amounts to \$24,327, which is comprised of \$7,768 appreciation and \$32,095 depreciation at July 31, 1994.

The following abbreviation is used in this portfolio:

TBA-- To be announced.

Note: The categories of investments are shown as a percentage of net assets (\$1,951,232) at July 31, 1994.

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

STRATEGIC INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
JULY 31, 1994
(UNAUDITED)

<TABLE> <S>	<C>	<C>
ASSETS:		
Investments in other securities, at value (Note 2A)	\$ 1,915,552	
Investments in repurchase agreements, at amortized cost (Note 2B)	310,000	
Total investments (identified & tax cost \$2,249,879)		\$ 2,225,552
Cash		3,733
Receivable for foreign currency sold		75,341
Interest receivable		28,788
Receivable for capital stock sold		15,683
Total assets		2,349,097
LIABILITIES:		
Payable for investments purchased	290,828	
Payable for currency purchased	76,140	
Dividends payable	7,054	
Accrued expenses	23,843	
Total liabilities		397,865

NET ASSETS for 198,212 shares of capital stock outstanding	\$ 1,951,232
NET ASSETS CONSIST OF:	
Paid-in capital	\$ 1,980,067
Unrealized depreciation of investments	(24,327)
Accumulated distributions in excess of net investment income	(526)
Accumulated net realized loss on investments	(3,982)
Total Net Assets	\$ 1,951,232
NET ASSET VALUE:	
Class C Shares (net assets of \$419,352 / 42,590 SHARES OF CAPITAL STOCK OUTSTANDING)	\$9.85
CLASS A SHARES (NET ASSETS OF \$940,437 / 95,546 SHARES OF CAPITAL STOCK OUTSTANDING)	\$9.84
Fortress Shares (net assets of \$591,443 / 60,076 SHARES OF CAPITAL STOCK OUTSTANDING)	\$9.84
COMPUTATION OF OFFERING PRICE:	
Class C Shares Offering Price Per Share	\$9.85
Class A Shares Offering Price Per Share (100/95.5 of \$9.84)*	\$10.30
Fortress Shares Offering Price Per Share (100/99 of \$9.84)*	\$9.94
COMPUTATION OF REDEMPTION PROCEEDS:	
Class C Shares Redemption Proceeds Per Share (99/100 of \$9.85)**	\$9.75
Class A Shares Redemption Proceeds Per Share	\$9.84
Fortress Shares Redemption Proceeds Per Share (99/100 of \$9.84)**	\$9.74

</TABLE>

* See "What Shares Cost" in the prospectus.

** See "Contingent Deferred Sales Charge" in the prospectus.

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

STRATEGIC INCOME FUND
STATEMENT OF OPERATIONS
PERIOD ENDED JULY 31, 1994*
(UNAUDITED)

<TABLE>			
<S>	<C>	<C>	<C>
INVESTMENT INCOME:			
Interest income (Note 2C)			\$ 27,745
EXPENSES:			
Investment advisory fee (Note 4)		\$	3,084
Custodian and portfolio accounting fees			27,650
Transfer and dividend disbursing agent fees and expenses (Note 4)			1,700
Printing and postage			100
Legal			350
Shareholder services fee--Class A Shares (Note 4)			606
Shareholder services fee--Class C Shares (Note 4)			125

Shareholder services fee--Fortress Shares (Note 4)		176
Distribution fees--Class C Shares (Note 4)		375
Distribution fees--Fortress Shares (Note 4)		352
Miscellaneous		200
Total expenses		34,718
Deduct--Waiver of investment advisory fee (Note 4)	\$ 3,084	
--Reimbursement of other operating expenses (Note 4)	30,000	33,084
Net expenses		1,634
Net investment income		26,111
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:		
Net realized gain (loss) on investments (identified cost basis)		(3,982)
Net change in unrealized appreciation (depreciation) on investments		(24,327)
Net realized and unrealized gain (loss) on investments		(28,309)
Change in net assets resulting from operations		\$ (2,198)

</TABLE>

*For the period from April 29, 1994 (date of initial public investment) to July 31, 1994.

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

STRATEGIC INCOME FUND
STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	PERIOD ENDED NOVEMBER 30, 1994*
<S>	<C>
INCREASE (DECREASE) IN NET ASSETS:	
OPERATIONS--	
Net investment income	\$ 26,111
Net realized gain (loss) on investments (Note 2D)	(3,982)
Net change in unrealized appreciation (depreciation) on investments	(24,327)
Change in net assets resulting from operations	(2,198)
DISTRIBUTIONS TO SHAREHOLDERS (NOTE 2C)--	
Dividends to shareholders from net investment income:	
Class A Shares	(16,721)
Fortress Shares	(5,176)
Class C Shares	(3,504)
Distributions in excess of net investment income (Note 2C):	
Fortress Shares	(844)
Class C Shares	(391)

Change in net assets resulting from distributions to shareholders	(26,636)

CAPITAL STOCK TRANSACTIONS (NOTE 3)--	

Proceeds from sale of shares	3,487,420

Net asset value of shares issued to shareholders in payment of dividends declared	10,486

Cost of shares redeemed	(1,486,475)

Change in net assets from capital stock transactions	2,011,431

Change in net assets	1,982,597

NET ASSETS:	

Beginning of period	--

End of period	\$ 1,982,597

</TABLE>

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994 (unaudited).

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

STRATEGIC INCOME FUND
NOTES TO FINANCIAL STATEMENTS
JULY 31, 1994
(UNAUDITED)

(1) ORGANIZATION

Fixed Income Securities, Inc. (the "Corporation") is registered under the Investment Company Act of 1940, as amended (the "Act"), as an open-end, management investment company. The Corporation consists of five diversified portfolios. The financial statements included herein are only those of Strategic 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. The Fund offers three classes of shares (Class A Shares, Class C Shares and Fortress Shares).

(2) SIGNIFICANT ACCOUNTING POLICIES

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

- A. INVESTMENT VALUATIONS--Listed corporate bonds (and other fixed-income and asset backed securities) are valued at last sale price reported on national securities exchanges. Unlisted bonds and securities and short-term obligations are valued at the prices provided by an independent pricing service. Short-term securities with remaining maturities of sixty days or less may be stated 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 collateral to ensure that the value at least equals the principal amount of the repurchase agreement, including accrued interest.

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 Directors. 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. INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS--Interest income and expenses are accrued daily. Bond premium and discount, if applicable, are amortized as required by the Internal Revenue Code, as amended (the "Code"). Distributions to shareholders are recorded on the ex-dividend date. Distributions are determined in accordance with income tax regulations which may

STRATEGIC INCOME FUND

differ from generally accepted accounting principles. These distributions do not represent a return of capital for federal income tax purposes.

- D. FEDERAL TAXES--It is the Fund's policy to comply with the provisions of the Code applicable to regulated investment companies and to distribute to shareholders each year substantially all of its taxable income. Accordingly, no provisions for federal tax are necessary. However, federal taxes may be imposed on the Fund upon the disposition of certain investments in Passive Foreign Investment Companies. Withholding taxes on foreign dividends have been provided for in accordance with the Fund's understanding of the applicable country's tax rules and rates.
- E. WHEN-ISSUED AND DELAYED DELIVERY TRANSACTIONS--The Fund may engage in when-issued or delayed delivery transactions. The Fund records when-issued securities on the trade date and maintains security positions such that sufficient liquid assets will be available to make payment for the securities purchased. Securities purchased on a when-issued or delayed delivery basis are marked to market daily and begin earning interest on the settlement date.
- F. OTHER--Investment transactions are accounted for on the trade date.

(3) CAPITAL STOCK

At July 31, 1994, there were 4,000,000,000 shares of \$0.001 par value capital stock authorized. Of these shares, 1,000,000,000 have been designated as Class C Shares, 1,000,000,000 as Class A Shares, and 1,000,000,000 as Fortress Shares. Transactions in capital stock were as follows:

<TABLE>
<CAPTION>

CLASS C SHARES <S>	YEAR ENDED NOVEMBER 30, 1994*	
	SHARES <C>	DOLLARS <C>
Shares sold	45,588	\$ 451,902
Shares issued to shareholders in payment of dividends declared	196	1,943
Shares redeemed	--	--
Net change resulting from Class C Shares transactions	45,784	\$ 453,845

</TABLE>

* For the period from April 29, 1994 (date of initial public investment) to July 31, 1994.

<TABLE>
<CAPTION>

CLASS A SHARES <S>	YEAR ENDED NOVEMBER 30, 1994*	
	SHARES <C>	DOLLARS <C>
Shares sold	245,374	\$ 2,442,038

Shares issued to shareholders in payment of dividends declared	471	4,658
-----	-----	-----
Shares redeemed	(150,299)	(1,486,416)
-----	-----	-----
Net change resulting from Class A Shares transactions	95,546	\$ 960,280
-----	-----	-----

<CAPTION>

FORTRESS SHARES <S>	YEAR ENDED NOVEMBER 30, 1994**	
	SHARES <C>	DOLLARS <C>
-----	-----	-----
Shares sold	59,690	\$ 593,480
-----	-----	-----
Shares issued to shareholders in payment of dividends declared	392	3,885
-----	-----	-----
Shares redeemed	(6)	(59)
-----	-----	-----
Net change resulting from Fortress Shares transactions	60,076	\$ 597,306
-----	-----	-----
Total net change resulting from Fund Shares transactions	201,406	\$ 2,011,431
-----	-----	-----

</TABLE>

* For the period from May 3, 1994 (date of initial public investment) to July 31, 1994.

** For the period from May 9, 1994 (date of initial public investment) to July 31, 1994.

(4) INVESTMENT ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

INVESTMENT ADVISORY FEE--Federated Advisers, the Fund's investment adviser (the "Adviser"), receives for its services an annual investment advisory fee equal to .85 of 1% of the Fund's average daily net assets. The Adviser may voluntarily choose to waive a portion of its fee and reimburse certain operating expenses of the Fund. The Adviser can modify or terminate this voluntary waiver and reimbursement at any time at its sole discretion.

DISTRIBUTION AND SHAREHOLDER SERVICES FEE--The Fund has adopted a Distribution Plan (the "Plan") pursuant to Rule 12b-1 under the Act. Under the terms of the Plan, the Fund will compensate Federated Securities Corp. ("FSC"), the principal distributor, from the net assets of the Fund to finance activities intended to result in the sale of the Fund's Class C Shares and Fortress Shares. The Plan provides that the Fund may incur distribution expenses up to .75 of 1% and .50 of 1% of the average daily net assets to the Class C Shares and Fortress Shares, respectively, annually, to compensate FSC.

Under the terms of a Shareholder Services Agreement with Federated Shareholder Services ("FSS"), the Fund will pay FSS up to .25 of 1% of average net assets of each class of shares for the period. This fee is to obtain certain personal services for shareholders and to maintain the shareholder accounts.

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

ORGANIZATIONAL EXPENSES--Organizational expenses and start-up administrative service expenses will be borne initially by the Adviser and are estimated at \$44,600 and \$46,630, respectively. The Fund has agreed to reimburse the Adviser for the organizational expenses and start-up administrative expenses during the five year period following April 5, 1994 (date the Fund first became effective).

Certain of the Officers and Directors of the Corporation are Officers and Directors or Trustees of the above companies.

(5) INVESTMENT TRANSACTIONS

Purchases and sales of investments, excluding short-term securities, for the period ended July 31, 1994, were as follows:

<S>	<C>
PURCHASES	\$ 2,173,720
SALES	\$ 220,918

September 22, 1994

STRATEGIC INCOME FUND
(A PORTFOLIO OF FIXED INCOME SECURITIES, INC.)
CLASS A SHARES
Supplement to Statement of Additional Information dated
April 5, 1994

A. Please delete the section entitled "When-Issued and Delayed Delivery Transactions" on page 6 and replace it with the following:

"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 on the Fund's records at the trade date. These assets are marked to market daily and are maintained until the transaction has been settled. The Fund does not intend to engage in when-issued and delayed delivery transactions to an extent that would cause the segregation of more than 20% of the total value of its assets."

B. Please insert the following as the final sentence under the section entitled "Portfolio Turnover" on page 7:

"During the period from April 29, 1994 (date of initial public investment), through July 31, 1994, the Fund's portfolio turnover rate was 13%."

C. Please delete J. Christopher Donahue's name and biographical information from the list of Officers and Directors which begins on page 10 and replace it with the following:

"J. Christopher Donahue
Federated Investors Tower
Pittsburgh, PA

Vice President

President and Trustee, Federated Investors;
Trustee and President, Federated Advisers,
Federated Management, and Federated Research;
Director and President, Federated Research Corp.; President, Passport Research, Ltd.;
Trustee, Federated Administrative Services,
Federated Services Company, and Federated Shareholder Services; President or Vice President of the Funds; Director, Trustee, or Managing General Partner of some of the Funds. Mr. Donahue is the son of John F. Donahue, Chairman and Director of the Fund."

D. In the Officers and Directors table which begins on page 10, please add a "***" after the name of John A. Staley, IV, which appears on page 12. Accordingly,

please add the following as a third footnote following the table, immediately before the subsection entitled "The Funds:"

*** Effective July 1, 1994, John A. Staley, IV, has resigned his position with the Fund."

- E. Please delete the section entitled "Fund Ownership" on page 12 and replace it with the following:

"As of September 6, 1994, Officers and Directors as a group owned approximately 9,798 shares (2.7%) of the outstanding shares of the Fund.

As of September 6, 1994, the following shareholders of record owned 5% or more of the outstanding Class A Shares of the Fund: Merrill Lynch Pierce Fenner & Smith (as record owner holding Class A Shares for its clients), Jacksonville, Florida, owned approximately 22,097 shares (14.0%); Richard B. Fisher Revocable Trust, Richard B. Fisher, Trustee, Pittsburgh, Pennsylvania, owned approximately 9,798 shares (6.3%); Sara F. Little, Kenova, West Virginia, owned approximately 9,944 shares (6.5%); and Edward D. Jones and Co., for the account of Kenneth R. Lineberg, Maryland Heights, Missouri, owned approximately 7,709 shares (5.0%).

As of September 6, 1994, the following shareholders of record owned 5% or more of the outstanding Class C Shares of the Fund: Mary A. Secrest and Marian L. Hightower, Joint Tennants, Arvada, Colorado, owned approximately 5,062 shares (6.8%); William Terrell, Shawna Terrell, Carolyn Roy, Michael Terrell, Cynthia Shroer and Judith Terrell-Huffman, Denver, Colorado, owned approximately 5,107 shares (6.8%); James E. and Elsie M. Meeker, Joint Tennants, Denver, Colorado, owned approximately 4,499 shares (6.0%); Joseph T. Henshaw and Josephine E. Krieger, Joint Tennants, Denver, Colorado, owned approximately 5,889 shares (7.8%); NFSC, for the exclusive benefit of Winifred M. Briggs, Birmingham, Alabama, owned approximately 5,000 shares (6.7%); Painewebber for the Benefit of Clayton D. and Virginia R. Beattie, Joint Tennants, Edwardsville, Illinois, owned approximately 4,239 shares (5.7%); and Donaldson Lufkin Jenrette Securities Corporation, Inc., Jersey City, New Jersey, owned approximately 4,097 shares (5.5%).

As of September 6, 1994, the following shareholders of record owned 5% or more of the outstanding Fortress Shares of the Fund: Ella M. and Fredric E. Clark, Joint Tennants, Topeka, Kansas, owned approximately 7,518 shares (5.6%); and Merrill Lynch Pierce Fenner & Smith (as record owner holding Fortress Shares for its clients), Jacksonville, Florida, owned approximately 72,003 shares (53.5%)."

- F. Please delete the section entitled "Adviser to the Fund" on page 13 and replace it with the following:

"Adviser to the Fund
The Fund's investment adviser is Federated Advisers (the "Adviser"). It is a subsidiary of Federated Investors. All of the voting securities of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, his wife and his son, J. Christopher Donahue."

- G. Please insert the following as the second paragraph in the section entitled "Advisory Fees" on page 13:

"During the period from April 29, 1994 (date of initial public investment), through July

31, 1994, the Adviser earned \$3,084, all of which was voluntarily waived."

- H. Please delete the section entitled "Shareholder Servicing" from page 13 and delete its reference from the Table of Contents.
- I. Please delete the section entitled "Administrative Services" on page 13 and replace it with the following:
"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. During the period from April 29, 1994 (date of initial public investment), through July 31, 1994, no fees were paid to Federated Administrative Services. Dr. Henry J. Gailliot, an officer of Federated Advisers, the adviser to the Fund, holds approximately 20% 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."
- J. Please insert the following as the second paragraph of the section entitled "Shareholder Services Plan" on page 14:
"During the period from May 3, 1994 (date of initial public investment) through July 31, 1994, payment in the amount of \$606 was made pursuant to the Shareholder Services Plan for Class A Shares. During the period from April 29, 1994 (date of initial public investment), through July 31, 1994, payment in the amount of \$125 was made pursuant to the Shareholder Services Plan for Class C Shares. During the period from May 9, 1994 (date of initial public investment), through July 31, 1994, payment in the amount of \$176 was made pursuant to the Shareholder Services Plan for Fortress Shares."
- K. Please insert the following information as the first paragraph under the section entitled "Total Return" on page 16:
"The Class A Shares' cumulative total return from May 3, 1994 (date of initial public investment), through July 31, 1994, was (4.42%). The Class C Shares' cumulative total return from April 29, 1994 (date of initial public investment), through July 31, 1994, was (1.03%). The Fortress Shares' cumulative total return from May 9, 1994 (date of initial public investment), through July 31, 1994, was (2.05%). Cumulative total return reflects the Shares' total performance over a specific period of time. This total return assumes and is reduced by the payment of the maximum sales load and any contingent deferred sales charge. The Shares' cumulative total return is representative of approximately three months of Fund activity since the Shares' date of initial public investment."
- L. Please insert the following information as the first paragraph under the section entitled "Yield" on page 16:
"The yields for Class A Shares, Class C Shares and Fortress Shares for the thirty-day period ended July 31, 1994, were 7.91%, 7.52% and 7.70%, respectively."

September 22, 1994

FEDERATED SECURITIES CORP.

Distributor
A subsidiary of Federated
Investors

STRATEGIC INCOME FUND
(A PORTFOLIO OF FIXED INCOME SECURITIES, INC.)
CLASS C SHARES

Supplement to the Statement of Additional Information dated
April 5, 1994

- A. Please delete the section entitled "When-Issued and Delayed Delivery Transactions" on page 6 and replace it with the following:
- "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 on the Fund's records at the trade date. These assets are marked to market daily and are maintained until the transaction has been settled. The Fund does not intend to engage in when-issued and delayed delivery transactions to an extent that would cause the segregation of more than 20% of the total value of its assets."
- B. Please insert the following as the final sentence under the section entitled "Portfolio Turnover" on page 7:
- "During the period from April 29, 1994 (date of initial public investment), through July 31, 1994, the Fund's portfolio turnover rate was 13%."
- C. Please delete J. Christopher Donahue's name and biographical information from the list of Officers and Directors which begins on page 10 and replace it with the following:
- "J. Christopher Donahue
Federated Investors Tower
Pittsburgh, PA

Vice President

President and Trustee, Federated Investors;
Trustee and President, Federated Advisers,
Federated Management, and Federated Research;
Director and President, Federated Research
Corp.; President, Passport Research, Ltd.;
Trustee, Federated Administrative Services,
Federated Services Company, and Federated
Shareholder Services; President or Vice
President of the Funds; Director, Trustee, or
Managing General Partner of some of the
Funds. Mr. Donahue is the son of John F.
Donahue, Chairman and Director of the Fund."
- D. In the Officers and Directors table which begins on page 10, please add a "***" after the name of John A. Staley, IV, which appears on page 12. Accordingly, please add the following as a third footnote following the table, immediately before the subsection entitled "The Funds:"
- "** Effective July 1, 1994, John A. Staley, IV, has resigned his position with the Fund."
- E. Please delete the section entitled "Fund Ownership" on page 13 and replace it with the following:
- "As of September 6, 1994, Officers and

Directors as a group owned approximately 9,798 shares (2.7%) of the outstanding shares of the Fund.

As of September 6, 1994, the following shareholders of record owned 5% or more of the outstanding Class A Shares of the Fund: Merrill Lynch Pierce Fenner & Smith (as record owner holding Class A Shares for its clients), Jacksonville, Florida, owned approximately 22,097 shares (14.0%); Richard B. Fisher Revocable Trust, Richard B. Fisher, Trustee, Pittsburgh, Pennsylvania, owned approximately 9,798 shares (6.3%); Sara F. Little, Kenova, West Virginia, owned approximately 9,944 shares (6.5%); and Edward D. Jones and Co., for the account of Kenneth R. Lineberg, Maryland Heights, Missouri, owned approximately 7,709 shares (5.0%).

As of September 6, 1994, the following shareholders of record owned 5% or more of the outstanding Class C Shares of the Fund: Mary A. Secrest and Marian L. Hightower, Joint Tennants, Arvada, Colorado, owned approximately 5,062 shares (6.8%); William Terrell, Shawna Terrell, Carolyn Roy, Michael Terrell, Cynthia Shroer and Judith Terrell-Huffman, Denver, Colorado, owned approximately 5,107 shares (6.8%); James E. and Elsie M. Meeker, Joint Tennants, Denver, Colorado, owned approximately 4,499 shares (6.0%); Joseph T. Henshaw and Josephine E. Krieger, Joint Tennants, Denver, Colorado, owned approximately 5,889 shares (7.8%); NFSC, for the exclusive benefit of Winifred M. Briggs, Birmingham, Alabama, owned approximately 5,000 shares (6.7%); Painewebber for the Benefit of Clayton D. and Virginia R. Beattie, Joint Tennants, Edwardsville, Illinois, owned approximately 4,239 shares (5.7%); and Donaldson Lufkin Jenrette Securities Corporation, Inc., Jersey City, New Jersey, owned approximately 4,097 shares (5.5%).

As of September 6, 1994, the following shareholders of record owned 5% or more of the outstanding Fortress Shares of the Fund: Ella M. and Fredric E. Clark, Joint Tennants, Topeka, Kansas, owned approximately 7,518 shares (5.6%); and Merrill Lynch Pierce Fenner & Smith (as record owner holding Fortress Shares for its clients), Jacksonville, Florida, owned approximately 72,003 shares (53.5%)."

- F. Please delete the section entitled "Adviser to the Fund" on page 13 and replace it with the following:

"Adviser to the Fund
The Fund's investment adviser is Federated Advisers (the "Adviser"). It is a subsidiary of Federated Investors. All of the voting securities of Federated Investors are owned by a trust, the trustees of which are John F. Donahue, his wife and his son, J. Christopher Donahue."

- G. Please insert the following as the second paragraph in the section entitled "Advisory Fees" on page 13:

"During the period from April 29, 1994 (date of initial public investment), through July 31, 1994, the Adviser earned \$3,084, all of which was voluntarily waived."

- H. Please delete the section entitled "Shareholder Servicing" from page 13 and delete its

reference from the Table of Contents.

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with the following:

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- J. Please insert the following as the fourth paragraph of the section entitled "Distribution and Shareholder Services Plans" which begins on page 14:

"During the period from April 29, 1994 (date of initial public investment), through July 31, 1994, payment in the amount of \$375 was made pursuant to the Distribution Plan, for Class C Shares. During the period from May 9, 1994 (date of initial public investment), through July 31, 1994, payment in the amount of \$352 was made pursuant to the Distribution Plan, for Fortress Shares. In addition, for these periods, payments in the amount of \$125 and \$176 were made pursuant to the Shareholder Services Plan for Class C Shares and Fortress Shares, respectively. During the period from May 3, 1994 (date of initial public investment), through July 31, 1994, payment in the amount of \$606 was made pursuant to the Shareholder Services Plan for Class A Shares."

- K. Please insert the following information as the first paragraph under the section entitled "Total Return" on page 16:

"The Class A Shares' cumulative total return from May 3, 1994 (date of initial public investment), through July 31, 1994, was (4.42%). The Class C Shares' cumulative total return from April 29, 1994 (date of initial public investment), through July 31, 1994, was (1.03%). The Fortress Shares' cumulative total return from May 9, 1994 (date of initial public investment), through July 31, 1994, was (2.05%). Cumulative total return reflects the Shares' total performance over a specific period of time. This total return assumes and is reduced by the payment of the maximum sales load and any contingent deferred sales charge. The Shares' cumulative total return is representative of approximately three months of Fund activity since the Shares' date of initial public investment."

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"The yields for Class A Shares, Class C Shares and Fortress Shares for the thirty-day period ended July 31, 1994, were 7.91%, 7.52% and 7.70%, respectively."

September 22, 1994

FEDERATED SECURITIES CORP.

Distributor
A subsidiary of Federated
Investors
Federated Investors Tower
Pittsburgh, PA 15222-3779
338319809

STRATEGIC INCOME FUND
(A PORTFOLIO OF FIXED INCOME SECURITIES, INC.)
FORTRESS SHARES

Supplement to Statement of Additional Information dated
April 5, 1994

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Trustee, Federated Administrative Services,
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September 22, 1994

FEDERATED SECURITIES CORP.

Distributor
A subsidiary of Federated
Investors
Federated Investors Tower
Pittsburgh, PA 15222-3779
338319882
G00531-06-FS (9/94)