

Federated Enhanced Treasury Income Fund
Form N-CSR
February 06, 2013

United States

Securities and Exchange Commission

Washington, D.C. 20549

Form N-CSR

Certified Shareholder Report of Registered Management Investment Companies

811-22098

(Investment Company Act File Number)

Federated Enhanced Treasury Income Fund

(Exact Name of Registrant as Specified in Charter)

Federated Investors Funds

4000 Ericsson Drive

Warrendale, Pennsylvania 15086-7561

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(Address of Principal Executive Offices)

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Federated Investors Tower

1001 Liberty Avenue

Pittsburgh, Pennsylvania 15222-3779

(Name and Address of Agent for Service)

(412) 288-1900

(Registrant's Telephone Number)

Date of Fiscal Year End: 11/30

Date of Reporting Period: 11/30/2012

Item 1. Reports to Stockholders

Annual Shareholder Report
November 30, 2012
Federated Enhanced Treasury Income Fund
Fund Established 2010

Not FDIC Insured • May Lose Value • No Bank Guarantee

Information Regarding Sources of Fund Distributions

Federated Enhanced Treasury Income Fund (the “Fund”), acting pursuant to a Securities and Exchange Commission (“SEC”) exemptive order and with the approval of the Fund's Board of Trustees (the “Board”), has adopted a plan, consistent with its investment objectives and policies to support a level distribution of income, capital gains and/or return of capital (the “Plan”). In accordance with the Plan, the Fund will make monthly cash distributions approximating 5.5% of the Fund's net asset value on an annualized basis.

The amounts distributed per share are subject to change at the discretion of the Fund's Board. Under its Plan, the Fund will distribute all available investment income to its shareholders, consistent with its primary investment objectives and as required by the Internal Revenue Code of 1986, as amended (the “Code”). If sufficient investment income is not available on a monthly basis, the Fund will distribute long-term capital gains and/or return of capital to shareholders in order to maintain a level distribution. Each monthly distribution to shareholders is expected to be at the amount established by the Board, except for extraordinary distributions and potential distribution rate increases to enable the Fund to comply with the distribution requirements imposed by the Code.

Shareholders should not draw any conclusions about the Fund's investment performance from the amount of these distributions or from the terms of the Plan. The Fund's total return performance at net asset value is presented in its financial highlights table.

The Board may amend, suspend or terminate the Fund's Plan without prior notice if it deems such actions to be in the best interests of the Fund or its shareholders. The suspension or termination of the Plan could have the effect of creating a trading discount (if the Fund's stock is trading at or above net asset value) or widening an existing trading discount. The Fund is subject to risks that could have an adverse impact on its ability to maintain level distributions. Please refer to the Fund's prospectus for a more complete description of its risks.

Under the federal securities laws, the Fund is required to provide a notice to shareholders regarding the source of distributions made by the Fund if such distributions are from sources other than ordinary investment income. In addition, important information regarding the Fund's distributions, if applicable, is available in the “Products” section of Federated's website at FederatedInvestors.com. To access this information from the home page, select “All” next to “Asset Classes.” Scroll to “Closed-End Funds” and select a Fund name and share class, if applicable, to go to the “Fund Overview” page. On the “Fund Overview” page, select the “Distributions and Tax Info” tab, then select a year.

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Portfolio of Investments Summary Table (unaudited)

At November 30, 2012, the Fund's portfolio composition¹ was as follows:

Security Type	Percentage of Total Net Assets
U.S. Treasury Securities	98.0%
Repurchase Agreement	1.7%
Derivative Contracts for U.S. Treasury Securities ^{2,3}	(0.0)%
Other Assets and Liabilities— Net	0.3%
TOTAL	100.0%

1 See the Fund's Prospectus for a description of the principal types of securities in which the Fund invests.

Based upon net unrealized appreciation (depreciation) or value of the derivative contracts as applicable. Derivative contracts may consist of futures, forwards, options and swaps. The impact of a derivative contract on the Fund's performance may be larger than its unrealized appreciation (depreciation) or value may indicate. In many cases, the

2 notional value or amount of a derivative contract may provide a better indication of the contract's significance to the portfolio. More complete information regarding the Fund's direct investments in derivative contracts, including unrealized appreciation (depreciation), value and notional values or amounts of such contracts, can be found in the table at the end of the Portfolio of Investments included in this Report.

3 Represents less than 0.1%.

4 Assets, other than investments in securities and derivative contracts, less liabilities. See Statement of Assets and Liabilities.

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Portfolio of Investments

November 30, 2012

Principal

Amount

Value

	U.S. TREASURY—98.0%	
\$5,000,000	U.S. Treasury Inflation-Protected Note, 0.500%, 4/15/2015	\$5,564,834
7,500,000	U.S. Treasury Inflation-Protected Note, 0.625%, 7/15/2021	8,815,755
5,000,000	United States Treasury Bond, 4.375%, 11/15/2039	6,641,172
4,500,000	United States Treasury Bond, 4.375%, 5/15/2041	5,988,024
10,000,000	United States Treasury Bond, 5.250%, 11/15/2028	14,081,250
5,200,000	United States Treasury Bond, 7.500%, 11/15/2024	8,395,562
15,000,000	United States Treasury Note, 0.375%, 3/15/2015	15,031,172
4,000,000	United States Treasury Note, 0.750%, 10/31/2017	4,027,109
6,000,000	United States Treasury Note, 1.500%, 7/31/2016	6,235,640
5,000,000	United States Treasury Note, 2.000%, 2/15/2022	5,224,453
20,000,000	United States Treasury Note, 2.125%, 11/30/2014	20,736,388
7,500,000	United States Treasury Note, 2.625%, 8/15/2020	8,302,383
13,500,000	United States Treasury Note, 2.750%, 10/31/2013	13,811,762
3,500,000	United States Treasury Note, 2.750%, 2/15/2019	3,897,688
11,675,000	United States Treasury Note, 3.500%, 5/15/2020	13,672,246
4,000,000	United States Treasury Note, 4.000%, 2/15/2015	4,325,662
	TOTAL U.S. TREASURY (IDENTIFIED COST \$134,699,182)	144,751,100
	REPURCHASE AGREEMENT—1.7%	
2,499,000	Interest in \$750,000,000, joint repurchase agreement 0.24%, dated 11/30/2012 under which Citigroup Global Markets, Inc. will repurchase the securities provided as collateral for \$750,015,000 on 12/3/2012. The securities provided as collateral at the end of the period held with The Bank of New York Mellon, tri-party agent, were U.S. Government Agency securities with various maturities to 12/25/2042 and the market value of those underlying securities was \$772,515,450. (AT COST)	2,499,000
	TOTAL INVESTMENTS—99.7% (IDENTIFIED COST \$137,198,182) ²	147,250,100
	OTHER ASSETS AND LIABILITIES - NET—0.3%	425,636
	TOTAL NET ASSETS—100%	\$147,675,736

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At November 30, 2012, the Fund had the following open futures contracts:

Description	Number of Contracts	Notional Value	Expiration Date	Unrealized Appreciation/ (Depreciation)
⁴ U.S. Treasury Bonds, 30-Year Short Futures	70	\$10,504,375	March 2013	\$(95,314)
⁴ U.S. Treasury Notes, 10-Year Long Futures	453	\$60,539,203	March 2013	\$363,612
⁴ U.S. Treasury Notes, 2-Year Long Futures	200	\$44,090,625	March 2013	\$15,625
⁴ U.S. Treasury Notes, 5-Year Short Futures	75	\$9,353,906	March 2013	\$(32,395)
NET UNREALIZED APPRECIATION ON FUTURES CONTRACTS				\$251,528

At November 30, 2012, the Fund had the following outstanding written option contracts:

Security	Expiration Date	Exercise Price	Contracts	Value
⁴ U.S. Treasury Notes 5-Year Short Calls on Futures, 12/21/2012	December 2012	\$125	500	\$(78,125)
⁴ U.S. Treasury Notes 10-Year Short Calls on Futures, 12/21/2012	December 2012	\$134	171	\$(53,437)
⁴ U.S. Treasury 30-Year Bonds Short Calls on Futures, 12/21/2012	December 2012	\$151	249	\$(178,969)
(PREMIUMS RECEIVED \$261,883)				\$(310,531)

Net Unrealized Appreciation on Futures Contracts and Value of Written Call Option Contracts are included in "Other Assets and Liabilities—Net."

¹ All or portion of this security is pledged as collateral to ensure the Fund is able to satisfy the obligations of its outstanding futures and written call option contracts.

² Also represents cost for federal tax purposes.

³ Assets, other than investments in securities, less liabilities. See Statement of Assets and Liabilities.

⁴ Non-income producing security.

Note: The categories of investments are shown as a percentage of total net assets at November 30, 2012.

Various inputs are used in determining the value of the Fund's investments. These inputs are summarized in the three broad levels listed below:

Level 1— quoted prices in active markets for identical securities, including investment companies with daily net asset values, if applicable.

Level 2— other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.). Also includes securities valued at amortized cost.

Level 3— significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

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The following is a summary of the inputs used, as of November 30, 2012, in valuing the Fund's assets carried at fair value:

Valuation Inputs

	Level 1— Quoted Prices and Investments in Mutual Funds	Level 2— Other Significant Observable Inputs	Level 3— Significant Unobservable Inputs	Total
Debt Securities:				
U.S. Treasury	\$—	\$144,751,100	\$—	\$144,751,100
Repurchase Agreement	—	2,499,000	—	2,499,000
TOTAL SECURITIES	\$—	\$147,250,100	\$—	\$147,250,100
OTHER FINANCIAL INSTRUMENTS*	\$(59,003)	\$—	\$—	\$(59,003)

*Other financial instruments include written call option contracts and futures contracts.

See Notes which are an integral part of the Financial Statements

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Financial Highlights

(For a Share Outstanding Throughout Each Period)

	Year Ended		Period
	November 30, 2012	2011	Ended 11/30/2010 ¹
Net Asset Value, Beginning of Period	\$16.54	\$18.03	\$19.10
Income From Investment Operations:			
Net investment income ²	0.15	0.21	0.15
Net realized and unrealized gain (loss) on investments, futures contracts and written options	0.10	(0.68)	(0.10)
TOTAL FROM INVESTMENT OPERATIONS	0.25	(0.47)	0.05
Offering Costs	—	—	(0.04)
Less Distributions:			
Distributions from net investment income	(0.17)	(0.21)	(0.15)
Return of capital ^{2,3}	(0.71)	(0.81)	(0.93)
TOTAL DISTRIBUTIONS TO SHAREHOLDERS	(0.88)	(1.02)	(1.08)
Repurchase of Common Shares	0.05	—	—
Net Asset Value, End of Period	\$15.96	\$16.54	\$18.03
Market Price, End of Period	\$14.37	\$14.03	\$16.67
Total Return at Net Asset Value ⁴	1.91%	(2.66)%	0.10%
Total Return at Market Price ⁵	8.82%	(10.12)%	(11.72)%
Ratios to Average Net Assets:			
Net expenses	1.03%	1.00%	1.03% ⁶
Net investment income	0.93%	1.20%	0.95% ⁶
Expense waiver/reimbursement ⁷	—	—	0.00% ^{6,8}
Supplemental Data:			
Net assets, end of period (000 omitted)	\$147,676	\$158,245	\$172,558
Portfolio turnover	31%	67%	156%

1 Reflects operations for the period from January 29, 2010 (date of initial investment) to November 30, 2010.

2 Per share numbers have been calculated using the average shares method.

3 Represents a return of capital for federal income tax purposes.

Total Return at Net Asset Value is the combination of changes in the Common Share net asset value, reinvested dividend income and reinvested capital gains distributions at net asset value, if any, and does not reflect the sales charge, if applicable. Total returns for periods of less than one year are not annualized.

Total Return at Market Price is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of the reinvestment.