



FORT WASHINGTON ACTIVE CORPORATE FIXED INCOME — 2Q2022

HIGHLIGHTS

- ▶ The Investment Grade Credit market, as represented by the Bloomberg U.S. Credit Index, returned -6.90% and in the second quarter, capping off one of the worst 6 month periods on record, as interest rates rose and credit spreads widened 35 basis points to close at +143 basis points.
- ▶ The quarter saw spreads move wider April, followed by a modest rally in May. June saw spreads move sharply wider as the Federal Reserve surprised with a 75 basis points rate hike. Risk assets, including both equities and credit, priced in increased chances of a recession and further rate hikes while secondary liquidity condition deteriorated.
- ▶ Negative returns drove continued steady outflows from mutual funds and ETFs throughout the quarter. All-in-yields rose to their highest levels since the financial crisis, briefly topping 4.75% in mid-June.
- ▶ The quarter saw lower than expected new issue supply, coming in at \$286B, as borrowers were deterred by higher treasury rates and wider spreads. Supply is expected to be light for the remainder of the year as bank issuance will be lower and the M&A pipeline is small outside of two large deals in Technology, Oracle, and Microsoft.
- ▶ The Fort Washington Active Corporate Fixed Income strategy returned -8.19% (gross)/-8.24% (net) in the second quarter, underperforming the Bloomberg U.S. Credit Index by -129 basis points.
- ▶ Sector allocation effects were negative for the quarter as underweights to defensive sectors detracted from performance.
- ▶ Security selection was negative as spread widening in hybrid bonds and BBBs, particularly smaller, less liquid BBBs, detracted from performance. (See chart below for list of top issuer attribution and bottom issuer attribution.)

INVESTMENT PROFESSIONALS

Paul A. Tomich, CFA
Senior Portfolio Manager
17 Years Experience

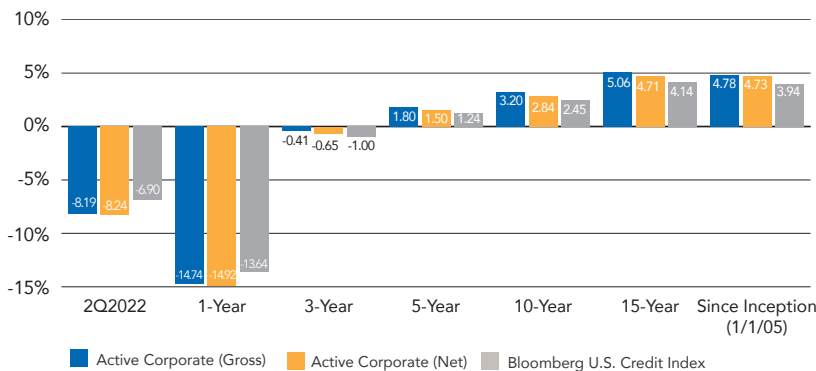
Jon P. Westerman, CFA
AVP, Portfolio Manager
16 Years Experience

Jay M. Devine
Fixed Income Trader
24 Years Experience

The portfolio management team is supported by the dedicated research teams of Global Investment Grade Credit, Securitized Assets, Leveraged Credit, and Emerging Markets, as well as the Chief Economist and Chief Investment Officers.

Historical Performance

Annualized Return as of June 30, 2022



Source: Fort Washington Investment Advisors. Past Performance is not indicative of future results. This supplemental information complements the Active Corporate GIPS Report.

Top Issuer Attribution			Bottom Issuer Attribution		
	Rel Wgt	Attr		Rel Wgt	Attr
PNC Financial	0.9%	0.02	Wisconsin Energy	1.4%	-0.13
Hyundai Motor	0.9%	0.02	Bank of Nova Scotia	0.6%	-0.09
Microchip Technology	1.0%	0.02	Netflix	1.4%	-0.07
NXP Semiconductors	0.7%	0.02	EDF	0.8%	-0.05
Credit Suisse	0.6%	0.01	Toll Brothers	0.9%	-0.05

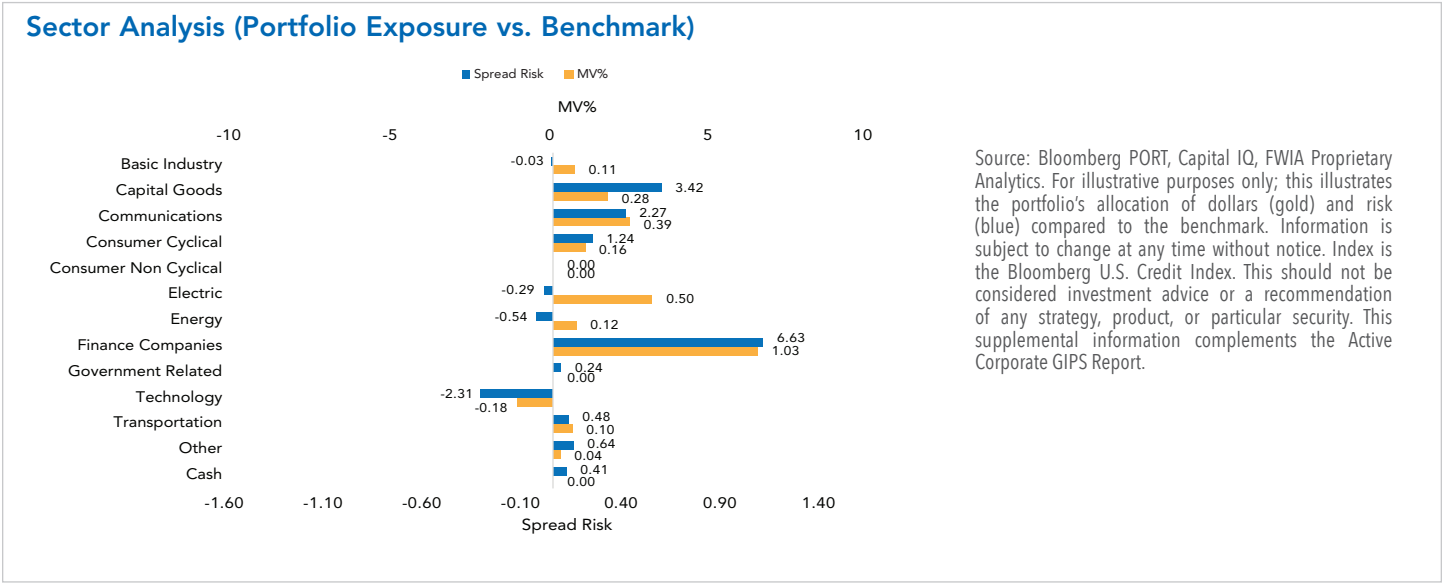
Source: Eagle PACE. Past performance is not indicative of future results. The securities identified do not represent all of the securities purchased, sold, or recommended. This is not a recommendation with respect to the purchase or sale of any of these securities. For a complete list of all securities purchased or sold during the previous year, please contact Fort Washington.

MARKET OVERVIEW

The second quarter saw negative returns for all risk asset classes and investment grade credit was not spared despite fundamentals remaining strong for the vast majority of issuers. BBBs and smaller issuers underperformed larger, higher quality issuers. Uncertainty around the path and magnitude of rate hikes as well as forecasts of a potential recession are having the greatest impact on spreads. Spread levels are now above the 70th percentile after spending most of 2021 in the bottom quartile. The combination of cheaper spread valuations, higher yields, and lower dollar prices should eventually drive support for credit markets but volatility is expected to remain high in the near term, limiting the ability for a sustained spread rally.

Corporate bonds yields increased materially for the second straight quarter as treasury yields rose across the curve, particularly in the 10 year and shorter portion. Average dollar prices for the index are now below \$94. Yield sensitive buyers have remained engaged but they have not offset steady outflows from funds and ETFs.

Near-term performance of spreads will be dependent on the market fully pricing in Fed tightening, signs inflation has stabilized or is declining, de-escalation of conflict in Ukraine, and credit fundamentals holding up in the face of a macroeconomic slowdown. While valuations are at levels that offer strong upside return potential, heightened attention to credit fundamentals and valuations should be paramount to future performance relative to the benchmark given spread risk could skew further to the downside on adverse macro events.

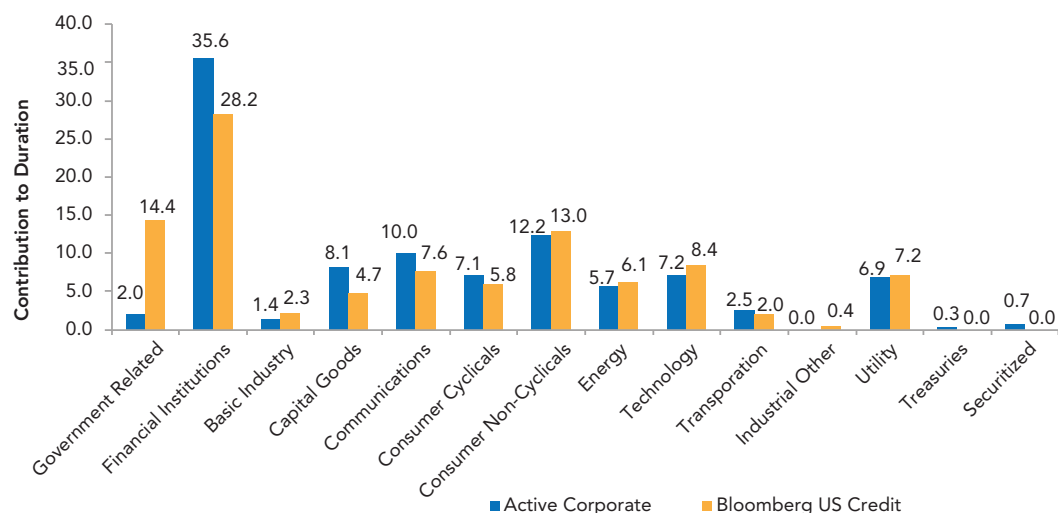


Portfolio Statistics

Characteristics	Active Corporate Composite	Bloomberg U.S. Credit
Effective Duration	7.23 yrs	6.44 yrs
Yield to Worst	5.18%	3.72%
Effective Maturity	13.02	8.63
Average Quality	BAA1/BAA2	AA1/AA2

Source: Bloomberg PORT. Sector and duration allocation are subject to change at any time. Quality distribution subject to change. See the appendix for important information about derivatives. Totals may not equal 100 due to rounding. This supplemental information complements the Active Corporate GIPS Report.

Contribution to Duration



Source: Bloomberg PORT. Sector and duration allocation are subject to change at any time. Quality distribution subject to change. See the appendix for important information about derivatives. Totals may not equal 100 due to rounding. This supplemental information complements the Active Corporate GIPS Report.

STRATEGY ACTIVITY

Risk levels were maintained the quarter and overall portfolio turnover decreased compared to the first quarter. The strategy added risk in BBB cyclicals and healthcare, while reducing exposure to defensive sectors such as telecomm and staples which had outperformed. Spread risk ended the quarter at +2.8, approximately 75% of risk budget. In general, the strategy remains comfortable going down in credit in defensive, less cyclical sectors such as staples, utilities, and healthcare while also adding to select opportunities in cyclicals and financials on weakness. Excess yield to the benchmark remains an important component of expected returns with the portfolio exceeding the benchmark yield over 60 bps at quarter-end. The overall composition of the strategy has shifted to more offensively positioned, targeting additional return versus the benchmark from relative spread movements compared to the index.

OUTLOOK

Factor	Outlook	Comments
Economic	Neutral	<ul style="list-style-type: none"> US economy is slowing amid tighter financial conditions. Consumer spending supported by labor market, but high inflation and declining savings add uncertainty Outlook for business spending somewhat softer in recent data. Recent Inflation data showed broad price pressures remain broad-based, but inflation has likely peaked. Recent decline in commodity prices will help to moderate headline inflation in 2H2022 Fed focused on compelling evidence that inflation is on downward path before changing hawkish stance
		<ul style="list-style-type: none"> Financial conditions have tightened amid rising interest rates and weaker risk markets Volatility in risk assets driven by implications of aggressive Fed tightening. Treasury yields have risen to reflect new policy path
Valuations	Credit: Positive	<ul style="list-style-type: none"> Credit valuations are compelling as they have widened to reflect new uncertainties. Resilience of US economy provides support
	Equities: Neutral	<ul style="list-style-type: none"> Equities are compelling based on relative valuations and fair on an absolute basis, but risks to earnings downside remain
	Rates: Neutral	<ul style="list-style-type: none"> Risk/reward has become more balanced. Risks to lower interest rates from increased concerns over slowing global growth or a slowing in inflation and Fed tightening. Risks to higher interest rates include sustained higher inflation and a further acceleration in Fed policy
Risk Budget		
50%		<p>Summary: We remain comfortable with a modest allocation to risk assets. Growth is slowing as financial conditions tighten. Inflation and tightening monetary policy, as well as risks from a slowdown in Europe and slower China growth represent uncertainties, but the foundation of US economy is solid and can sustain somewhat tighter policy. Valuations have adjusted and to more compelling levels and support current risk levels.</p>

Source: Fort Washington. This is for informational purposes only and should not be construed as investment advice. Outlook reflects subjective judgments and assumptions subject to change without notice. Unexpected events may occur, there can be no assurance that developments will transpire as forecast. Past performance not indicative of future results.

COMPOSITE PERFORMANCE DISCLOSURES

	2Q2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Active Corporate Fixed Income (Gross)	-8.19%	-0.55%	11.70%	15.90%	-2.36%	7.38%	8.15%	-0.24%	8.44%	-2.69%	9.92%	9.63%
Active Corporate Fixed Income (Net)	-8.24%	-0.76%	11.44%	15.58%	-2.74%	6.95%	7.71%	-0.63%	8.01%	-3.12%	9.46%	9.14%
Bloomberg US Credit Index	-6.90%	-1.08%	9.35%	13.80%	-2.11%	6.18%	5.63%	-0.77%	7.53%	-2.01%	9.39%	8.35%
Active Corporate Fixed Income 3-Year Annual Standard Deviation ¹	--	7.72%	7.64%	3.56%	4.01%	4.13%	4.46%	4.32%	4.33%	4.60%	3.78%	4.57%
Bloomberg US Credit Index 3-Year Annual Standard Deviation ¹	--	6.49%	6.41%	3.48%	3.52%	3.72%	4.40%	4.06%	3.94%	4.23%	3.64%	4.66%
Dispersion ²	0.27%	0.15%	--	--	--	--	--	--	--	--	--	--
Number of Accounts	7	7	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5
Composite Assets (\$ millions)	\$821.3	\$966.3	\$886.3	\$344.4	\$188.1	\$192.0	\$126.6	\$80.8	\$81.1	\$78.5	\$54.9	\$66.3
Total Firm Assets (\$ millions)	\$67,112	\$73,804	\$65,086	\$59,174	\$49,224	\$52,774	\$45,655	\$42,959	\$45,002	\$43,671	\$42,465	\$37,854

Composite inception and creation date: 01/01/05. Benchmark returns include interest income, but as an unmanaged fixed income index, it does not include transaction fees (brokerage commissions), and no direct comparison is possible. The index includes domestic, taxable, and dollar-denominated securities and covers the U.S. investment-grade fixed rate corporate bond market. ¹The 3-Year annualized ex-post standard deviation is calculated using monthly returns to measure the average deviations of returns from its mean. ²Dispersion is not calculated for years in which the composite contains five portfolios or less. Dispersion is calculated as the equal weighted standard deviation of returns for those portfolios held in the composite during the entire period. Past performance is not indicative of future results. In Fort Washington's Active Corporate strategy, our investment grade credit analysis process is centered on a relative value analysis. This is combined with solid fundamental credit analysis and efficient execution to build long-term value. Sector specialists and credit analysts evaluate the sector to determine the optimal mix of securities within that sector. The process is not ratings driven, but focuses on risk premiums, potential for downgrade, and the most effective combination on the risk free rate and credit risk premium. The portfolio is actively traded with the goal of outperforming a credit index. All fee-paying, fully discretionary portfolios, managed in the Active Corporate Fixed Income style with a minimum of \$3 million under our management, are included in this composite. Effective 01/22/14, the Active Corporate Fixed Income strategy fee schedule is 0.30% on the first \$25 million and 0.25% on the next \$25 million and over. The benchmark for this strategy is the Bloomberg US Credit Index. Portfolios in this composite include cash, cash equivalents, investment securities, interest and dividends. Cash is maintained, within each separately managed account segment, in accordance with our asset allocation ratio. The U.S. dollar is the base currency. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the actual management fees charged. Individual portfolio returns are calculated on a daily valuation basis. Prior to 01/01/97, individual portfolio returns were calculated on a monthly basis using a time-weighted return method. Past performance is not indicative of future results. Fort Washington Investment Advisors, Inc. (Fort Washington), a wholly owned subsidiary of The Western and Southern Life Insurance Company, is a registered investment advisor and provides discretionary money management to a broad range of investors, including both institutional and individual investors. Assets under management include all portfolios managed by Fort Washington and exclude assets managed by and marketed as its Private Equity business unit. Fort Washington claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Fort Washington has been independently verified for the periods 7/1/94 - 12/31/20. The verification reports are available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. To receive a complete list and description of composites, contact Fort Washington by phone at 888.244.8167, in writing at 303 Broadway, Suite 1200, Cincinnati, Ohio 45202, or online at fortwashingt.com.

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