



FORT WASHINGTON CORE PLUS FIXED INCOME — 4Q2023

MARKET OVERVIEW

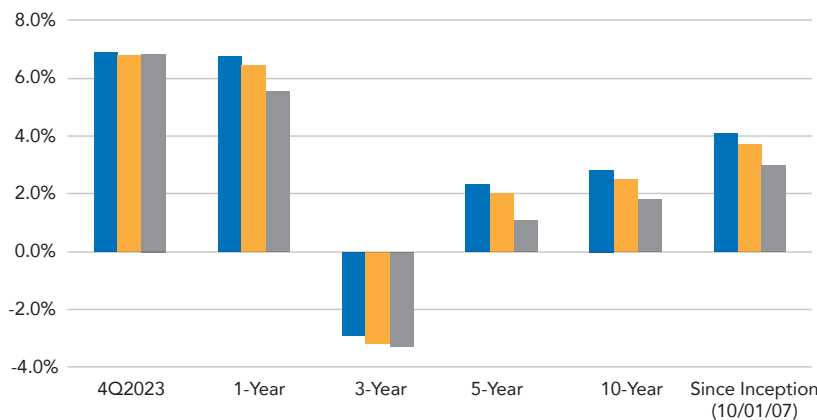
The fourth quarter was a stark contrast to the previous three quarters of 2023 and welcomed by fixed income investors. Despite volatility in the beginning of the quarter, rates ended meaningfully lower as the market shifted its focus from rate hikes to cuts. The combination of lower inflation and positive economic growth has also paved the way for increasing momentum around a ‘soft landing’. This outlook led to a rally in risk assets over November and December, with credit spreads tightening well below their historical averages. While a meaningful economic slowdown doesn’t appear to be on the immediate horizon, risks to growth are still elevated as many Americans have pulled forward personal consumption and, at the same time, corporate spending and government outlays are not anticipated to be tailwinds into 2024.

October began how most of 2023 had evolved with rates increasing as we reached 5% on the 10-year treasury and credit spreads experiencing volatility. However, in November we observed a shift in expectations which was prompted by lower inflation data. While the market had previously been fixated on the potential for more rate hikes, inflation and labor market figures prompted investors to recognize the probable end of the hiking cycle. The change in view was confirmed by economic data over the remaining quarter which also showed resilient growth, supporting a ‘soft landing’ view.

By the end of December market consensus was to avert a recession and for multiple rate cuts next year as inflation declines further. As a result, the longer part of the curve (10-30 year) rallied about 70bps in Q4 and the 10-year ended below 4%, at 3.9%. Investment grade spreads (10yr BBB Industrials) rallied 32bps since the end of September to their 26th percentile and high yield (single B corporates) tightened 89bps and ended at their 10th percentile. These moves drove significant performance for the Bloomberg U.S. Aggregate Bond Index which had its strongest quarterly return since the 1980s.

The focus over the next few months will continue to be inflation as the market gauges the timing and magnitude of potential Fed rate cuts. While core inflation (PCE) is 3.2% on a year over year basis, more recent data (6 month annualized) shows core inflation already below the target at 1.9%. It is worthwhile to also keep in mind that year over year core inflation has been held up due to shelter, which is calculated on a lag and expected to continue normalizing toward 2%. This would signal the economy is certainly within striking distance of the Fed’s target, if not already there.

Annualized Total Returns as of December 31, 2023



	4Q2023	1-Year	3-Year	5-Year	10-Year	Since Inception (10/01/07)
Core Plus (Gross)	6.87	6.74	-2.89	2.33	2.82	4.09
Core Plus (Net)	6.79	6.42	-3.19	2.02	2.48	3.73
Bloomberg U.S. Aggregate Index	6.82	5.53	-3.31	1.10	1.81	2.98

Source: Fort Washington. Past performance is not indicative of future results. This supplemental information complements the Core Plus GIPS Report.

INVESTMENT PROFESSIONALS

Daniel J. Carter, CFA
Managing Director
Senior Portfolio Manager
27 Years Experience

Austin R. Kummer, CFA
Vice President
Senior Portfolio Manager
11 Years Experience

Garrick T. Bauer, CFA
Managing Director, Sr. PM
Leveraged Credit

Paul A. Tomich, CFA
Vice President
Senior Portfolio Manager
Investment Grade Credit

Scott D. Weston
Managing Director
Senior Portfolio Manager
Structured Products

Brendan M. White, CFA
Senior Vice President
Co-Chief Investment Officer

Investment Grade Credit
10 Portfolio Managers & Analysts
Average Industry experience / 2000

Securitized Products
5 Portfolio Managers & Analysts
Average Industry experience / 2002

Emerging Markets
4 Portfolio Managers & Analysts
Average Industry experience / 2003

Leveraged Credit
12 Portfolio Managers & Analysts
Average Industry experience / 2002

At the December press conference, Chair Powell indicated the Fed would need to begin cutting rates before we get to 2% inflation which implies the first cut could be soon. Currently the market anticipates 150 basis points of cuts, starting in March, while Fed officials averaged 75 basis points of cuts in their most recent dot plot. This is a meaningful divergence, and we should remain cognizant that the Fed's biggest fear is that inflation creeps back into the economy. There are risks to the market's expected path of rates which includes an increase in sentiment, brought by easing financial conditions, which could spur spending and investment thus slowing progress on inflation.

Ongoing strength of the U.S. consumer is still an unknown as excess savings decline, student loan payments resume, and lending standards remain tight. Credit usage has risen and is now in line with the pre-covid trend while delinquencies on consumer loans are above 2019 levels. The labor market continues to exhibit strength, as shown by the low unemployment rate, but continuing jobless claims have risen. Additionally, wage growth remains strong but has slowed over the year. This data paints a mixed picture of the consumer and leads us to a higher level of uncertainty than current asset valuations would indicate.

Beyond the consumer, U.S. growth is likely to encounter challenges as businesses invest less in capex due to profits getting squeezed from higher employment costs. Separately, federal spending is expected to be a slight detractor from GDP in 2024 as the government, similar to consumers, deals with higher borrowing costs. Outside of the U.S. there are also uncertainties such as developments surrounding the Israel/Hamas conflict, Europe teetering on a recession, and China working to contain their real estate crisis. Each of these has the potential to impact the global economy.

Overall, U.S. inflation is largely anticipated to continue declining. The path of rate cuts will likely not progress exactly as the market currently anticipates, however, which we expect will lead to periods of volatility. There are also risks to the 'soft landing' expectations as consumer demand is likely to moderate and corporate spending remains in question. Considering this backdrop, in addition to global uncertainties and current valuations, we believe it is appropriate to maintain only modest levels of risk in portfolios

Sector Analysis (Portfolio Exposure Versus Benchmark)

	Portfolio		Index		Relative	
	MV %	Spread Risk	MV %	Spread Risk	MV %	Spread Risk
US Government	27.3	0.0	42.6	0.0	-15.3	-0.0
<i>TIPS</i>	-	-	-	-	-	-
Investment Grade Credit	36.3	3.0	27.4	1.6	+8.9	+1.4
<i>Basic Industry</i>	0.9	0.1	0.6	0.0	+0.3	+0.0
<i>Capital Goods</i>	2.3	0.1	1.3	0.1	+1.0	+0.1
<i>Communications</i>	3.0	0.3	2.1	0.2	+0.9	+0.1
<i>Consumer Cyclical</i>	2.5	0.1	1.8	0.1	+0.7	+0.0
<i>Consumer Non-Cyclical</i>	5.8	0.5	3.8	0.2	+2.0	+0.2
<i>Energy</i>	2.6	0.3	1.7	0.1	+0.8	+0.2
<i>Financials</i>	11.5	0.9	8.2	0.4	+3.3	+0.4
<i>Other Industrial</i>	-	-	0.1	0.0	-0.1	-0.0
<i>Technology</i>	3.3	0.2	2.3	0.1	+1.0	+0.0
<i>Transportation</i>	1.1	0.1	0.5	0.0	+0.6	+0.1
<i>Utility</i>	3.0	0.5	2.2	0.2	+0.8	+0.3
<i>Other</i>	0.4	0.1	2.8	0.1	-2.4	-0.0
Securitized	29.4	1.6	28.7	0.5	+0.7	+1.1
<i>RMBS</i>	17.0	0.8	26.6	0.4	-9.6	+0.4
<i>ABS</i>	3.0	0.2	0.5	0.0	+2.5	+0.2
<i>CLO</i>	1.4	0.1	-	-	+1.4	+0.1
<i>CMBS</i>	8.1	0.5	1.6	0.1	+6.4	+0.4
High Yield	-0.2	-0.4	-	-	-0.2	-0.4
Emerging Markets Debt	4.8	1.0	1.3	0.1	+3.5	+0.9
Preferred Stock	-	-	-	-	-	-
Other	-	-	-	-	-	-
Cash	2.3	-	-	-	+2.3	-

Source: Bloomberg PORT. Sector Analysis chart is for illustrative purposes only; this illustrates the portfolio's allocation of dollars and risk compared to the benchmark. Information is subject to change at any time without notice. Index is the Bloomberg U.S. Aggregate Bond Index. This should not be considered investment advice or a recommendation of any strategy, product, or particular security. See disclosures for important information about derivatives. This supplemental information complements the Core Plus GIPS Report.

Characteristics

	Core Plus Composite	Bloomberg U.S. Aggregate
Yield to Worst	5.34	4.53
Option Adjusted Spread	110	42
Option Adjusted Duration	5.87	6.24
BBB Equiv Spread Risk	5.22	2.23
Average Quality	Aa3/A1	Aa2/Aa3
Number Issuers	278	1,377

Source: Fort Washington. Portfolio characteristics and credit quality are as of the reported date and subject to change at any time without notice. Past performance is not indicative of future results. This supplemental information complements the Core Plus GIPS Report.

Credit Quality

	Core Plus Composite	Bloomberg U.S. Aggregate
AAA	10%	4%
AA	44%	72%
A	12%	12%
BBB	29%	12%
BB	1%	0%
B	1%	0%
CCC and Below	1%	0%
Not Rated / Other	0%	0%
Cash	2%	0%

PORTFOLIO COMMENTARY

The Fort Washington Core Plus strategy returned 6.87% (gross) and 6.79% (net) for the quarter, while the Bloomberg Aggregate Index returned 6.82%.

Over the quarter, the risk budget target remained at 40% and there were no material changes to sector allocations. The strategy's overweight to risk sectors was the largest positive contributor to return in the quarter. Specifically, allocations to emerging market debt and investment grade credit (IG) were the largest sector contributors. Spreads across most asset classes were tighter over the quarter as expectations for a soft landing became more widely accepted.

The strategy's interest rate exposure had a neutral impact over the quarter while the curve positioning was a modest positive contributor. The duration effect began positive as the strategy was positioned long duration relative to the benchmark. However, duration positioning was adjusted during the quarter and rates continued to move lower through year end. This short relative duration detracted from performance and offset the positive effects. The curve steepened as the market's expectations for rate hikes became rate cuts, driving the yield curve lower with short/intermediate yields down more than long-term yields. As the strategy was underweight the longest part of the curve, this provided some positive performance.

Security selection was a detractor for the quarter, driven by securitized sectors and partially offset by positive selection within investment grade credit. Within securitized, the strategy was under-allocated to agency passthroughs which performed well given the sharp decline in rates. In IG credit, market beta was the major driver of positive contribution.

POSITIONING

Risk budget: The strategy is targeting a modest overweight to spread risk representing 40% of the risk budget. Credit spreads rallied in Q4 from around historical averages and ended the year at the 26th and 10th percentiles, for IG and HY respectively. While recent economic data provides support for these levels, further upside is limited which is the basis for our modest risk overweight.

Looking ahead, risks to strategy positioning are focused on the lagged effects of Fed tightening, tight credit conditions in bank lending, and the time horizon of how long rates will remain restrictive. Although recent data has been in line with expectations, overall growth is likely to continue at below-trend pace over coming quarters, with downside risk from the above factors. Inflation has declined from peak levels and is nearing the Fed's target range. However, the Fed does not believe the battle with inflation is over and they will likely lean hawkish until they are more confident on the lower trajectory. At current levels, the biggest risk to markets is a sharper slowing in economic growth that would challenge the expectation of a soft landing. As our view of the economy and monetary policy changes, we will adjust positioning accordingly.

Sectors: Sector positioning reflects generally expensive valuations, relative value, and opportunities within each sector. Allocations were generally unchanged in the quarter and primary risk exposures include:

- ▶ An overweight to Investment Grade Credit (IG). Within the IG allocation, the strategy is maintaining a risk overweight in sectors where attractive bottom-up opportunities exist such as utilities, REITs, banks, healthcare, and media. Incremental changes will continue to be adding high quality, defensive positions as lower rated cyclicals are sold into strength.
- ▶ Securitized Products remain an overweight exposure relative to the benchmark. We continue to favor non-agency exposure and are positioned appropriately with overweight exposure to non-agency RMBS, ABS, and CMBS. Deep discount AAA-rated non-agency RMBS offers attractive value as does high-quality CMBS that has widened in concert with broader CMBS disruptions from distressed office properties across the sector.
- ▶ The overweight allocation to Emerging Markets Debt (EMD) was maintained during the quarter. As in prior quarters, the HY portion of the market offers better relative value while the IG portion remains expensive. EMD HY spreads tightened over the quarter but ended above median levels relative to history driven by continued cheapness in the lowest rated segments. Latin America remains the largest regional exposure and relative risk overweight.

Rates: We are currently positioning the strategy slightly short duration relative to the benchmark with an overweight to the intermediate part of the yield curve. Positioning is also generally underweight long maturities relative to the index to benefit as the yield curve steepens. Following the significant rally in rates over the quarter we believe longer yields are now more fairly priced. However, the market's current expectations for rate cuts will likely shift with new economic data in 2024 which we expect will lead to volatility and present opportunities for tactical adjustments.

MACRO OUTLOOK (AS OF 12/31/2023)

Factor	Outlook	Comments
Economic Growth	Neutral	<ul style="list-style-type: none"> 3Q growth above expectations, but expected to slow in 4Q and into 2024 Consumer spending supported by job/wage growth but lower income cohorts experiencing more stress Business spending sluggish as companies reduce costs to preserve margins Recent inflation data continues to decelerate toward 2% – 6m Core PCE at target Restrictive monetary policy still poses significant downside risks
Financial Conditions	Neutral	<ul style="list-style-type: none"> Market financial conditions have eased – bank lending standards remain historically tight Volatility in risk assets driven by uncertainty over how long rates will remain high Short-term treasury yields reflect increasing expectations of mid-2024 cuts. Long-term yields decreased to reflect expected cuts and lower inflation expectations.
Valuations	Credit: Neutral	<ul style="list-style-type: none"> In our view, there is limited upside in credit valuations from current levels as risk/reward is skewed to the downside. Resilience of US consumer has provided support for overall economy, but cumulative effects of rate increases are likely continue weighing on growth.
	Equities: Neutral	<ul style="list-style-type: none"> Equity valuations have become stretched following strong performance. 2024 earnings expectations may be difficult to achieve with slowing economy. Although breadth has improved recently, index performance is narrow and driven by a small number of names.
	Rates: Neutral	<ul style="list-style-type: none"> Interest rates are likely to remain range-bound until future Fed actions become more certain. Interest rates reflect expectation of slowing growth and potential cuts in 2024. The risk for lower rates is a sharper slowing in growth and inflation. Risks for higher rates are stubborn inflation and higher path of Fed rates
Risk Budget		
40%		<p>Summary: We remain comfortable with a modest allocation to risk assets. Credit valuations are stretched and reflect a high probability of a soft landing. Even if recession is avoided, upside is limited from current levels. The primary risk to markets is the economic impacts of the cumulative effects of tight Fed policy and bank credit standards. Inflation continues to decelerate but remains somewhat above target. The market is expecting additional easing in 2024 than recent Fed projections which will likely lead to volatility as the market reacts to incoming economic data. Although the US economy has shown resilience and consumer fundamentals remain generally healthy, a soft landing is not ensured as consumer strength remains uncertain going forward. In our view, current valuations amid continued uncertainty supports a modest overweight to risk.</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 is not indicative of future results.

COMPOSITE PERFORMANCE DISCLOSURES

	4Q2023	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Core Plus Fixed Income (Gross)	6.87%	6.74%	-13.56%	-0.75%	10.31%	11.09%	-0.73%	4.51%	6.62%	1.11%	5.26%	-0.93%
Core Plus Fixed Income (Net)	6.79%	6.42%	-13.83%	-1.07%	9.97%	10.75%	-1.03%	4.14%	6.21%	0.71%	4.85%	-1.38%
Bloomberg U.S. Aggregate	6.82%	5.53%	-13.01%	-1.54%	7.51%	8.72%	0.01%	3.54%	2.65%	0.55%	5.97%	-2.03%
Core Plus Fixed Income 3-Year Annual Standard Deviation ¹	--	7.60%	6.96%	4.59%	4.59%	2.76%	2.80%	2.76%	3.03%	3.06%	2.99%	3.06%
Bloomberg Aggregate 3-Year Annual Standard Deviation ¹	--	7.14%	5.77%	3.35%	3.36%	2.87%	2.84%	2.78%	2.98%	2.88%	2.63%	2.71%
Dispersion ²	--	--	--	--	--	--	--	--	--	--	--	--
Number of Accounts	5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5
Composite Assets (\$ millions)	\$1,635.3	\$1,635.3	\$1,570.3	\$1,918.5	\$1,643.3	\$1,335.7	\$1,163.6	\$1,101.6	\$607.0	\$310.4	\$308.9	\$293.4
Total Firm Assets (\$ millions)	\$74,613	\$74,613	\$66,365	\$73,804	\$65,086	\$59,174	\$49,225	\$52,774	\$45,656	\$42,959	\$45,002	\$43,671

Composite inception date: 10/01/07 and Composite creation date: 07/01/15. ¹The 3-Year annualized ex-post standard deviation is calculated using monthly gross-of-fee 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 gross-of-fee returns for those portfolios held in the composite during the entire period. Past performance is not indicative of future results.

Fort Washington's Core Plus Fixed Income strategy uses explicit measures of value and risk as a guide to investment decisions. Combined with intensive fundamental research, the portfolio management team believes this provides the best opportunity for excess return. The Core Plus Composite includes all fixed income accounts above \$50MM with the ability to invest in High Yield (at least 30%) and have the unrestricted ability to invest in Investment Grade Securities across all durations relative to the Bloomberg U.S. Aggregate. Accounts within this composite may also have the ability to hold derivatives. These investments, whether or not traded on an established market, include but are not limited to options, notional principal contracts, futures or forward contracts, VIX futures; and options on futures, forward contracts, or debt obligations. Investments made in derivatives are used in line with the portfolio's risk exposure, allowing for the portfolio to reduce its exposure to an existing position or increase exposure within the portfolio's guidelines. Derivatives involve risks in addition to the risks of underlying securities, including liquidity, interest rate, market, credit, and management. Investing in derivatives could lose more than the amount invested. Effective 10/26/18, the Core Plus Fixed Income fee is 0.35% for the first \$50 million, 0.25% on the next \$50 million, and 0.20% for amounts in excess of \$100 million for separate accounts. The benchmark for this composite is the Bloomberg U.S. Aggregate Bond Index. This benchmark covers the USD-denominated, investment grade, fixed-rate, and taxable areas of the bond market. 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. 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 - 12/31/21. 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. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. 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 fortwashington.com.

RISK DISCLOSURES

The Fort Washington Core Plus Fixed Income strategy invests in fixed-income securities which can experience reduced liquidity during certain market events, lose their value as interest rates rise and are subject to credit risk which is the risk of deterioration in the financial condition of an issuer and/or general economic conditions that can cause the issuer to not make timely payments of principal and interest also causing the securities to decline in value and an investor can lose principal. The strategy invests in non-investment grade debt securities which are considered speculative with respect to the issuers' ability to make timely payments of interest and principal, may lack liquidity and has had more frequent and larger price changes than other debt securities. The strategy invests in derivatives and securities such as forward foreign currency exchange contracts, futures contracts, options and swap agreements. Derivatives can be highly volatile, illiquid and difficult to value, subject to counterparty and leverage risks and there is risk that changes in the value of a derivative held by the strategy will not correlate with the strategy's other investments. The strategy invests in sovereign debt securities which are issued by foreign governments whose respective economies could have an important effect on their ability or willingness to service their debt which could affect the value of the securities.

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