Fort Washington Investment Advisors, Inc.

A member of Western & Southern Financial Group

Uncompromised Focus®

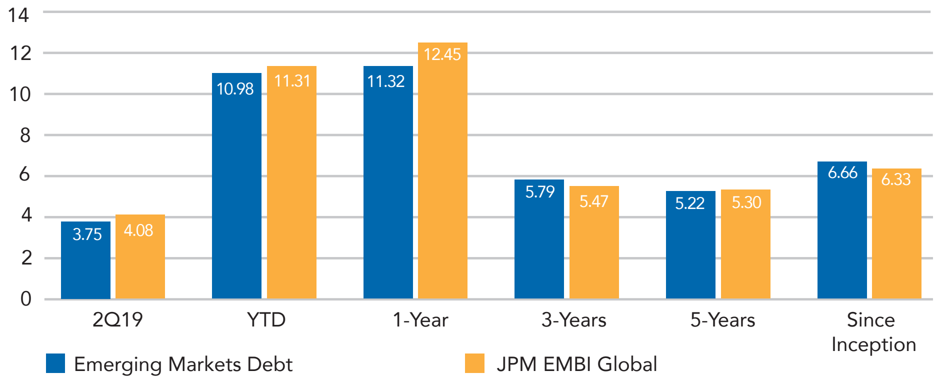
FORT WASHINGTON EMERGING MARKETS DEBT — 2Q19

HIGHLIGHTS

- Hard currency emerging markets debt assets built on a strong 1Q with the JPM EMBIG-Div ("benchmark") posting a gross return of 4.1% during the second quarter, bringing YTD total return to 11.3%. Second quarter benchmark performance was largely driven by the rally in U.S. Treasury yields as spreads were relatively unchanged, compressing only 5bps to finish the quarter at 346bps.
- The quarter was characterized by a risk-off move in May stemming from a perceived deterioration in U.S.-China trade talks as well as global growth concerns. Spreads quickly retraced their May losses in June due to dovish signaling from the ECB and Fed, and following positive news from the G20 meeting in Japan where President Trump and President Xi declared a "trade truce".
- We posted a 3.9% gross return in the second quarter, trailing the benchmark by 18bps. Our underperformance is largely attributable to our approximately half a year short duration stance relative to the benchmark as U.S. Treasuries rallied during the quarter.
- Broken down by country, top contributors to performance for the quarter stem from our overweights to credits in the CIS region. Of note is Ukraine where newly elect President Zelensky is winning over international investors much the same way he won the hearts of the electorate to easily defeat the incumbent in the April runoff. Zelensky has signaled his intention to work with international partners to implement much needed reforms that could unleash Ukraine's vast economic potential. As his newly formed Servant of the People party is poised to capitalize on his popularity in the upcoming Parliamentary elections, investors have taken note and didn't skip a beat soaking up over one billion USD worth of local currency denominated Ukrainian government debt securities in recent months. Our overweight to USD denominated government debt also fared well, making Ukraine our top contributor to performance both this quarter and year-to-date. Another top contributor to performance was Kazakhstan, an investment grade oil exporter with a strong balance sheet. Here we benefitted on a QTD and YTD basis both from being positioned long duration and from spread tightening relative to the benchmark.
- Top detractors to performance for the quarter came from the Latin America region where we were negatively impacted by idiosyncratic events. In Mexico, our exposure to a petroleum company detracted from performance following a downgrade to high yield status by one of the major rating agencies. Additionally, one of our Caribbean corporate holdings performed poorly due to volatile market conditions.

Historical Performance

Annualized Net Return as of June 30, 2019



Source: Fort Washington Investment Advisors. Past performance is not indicative of future results.

INVESTMENT PROFESSIONALS

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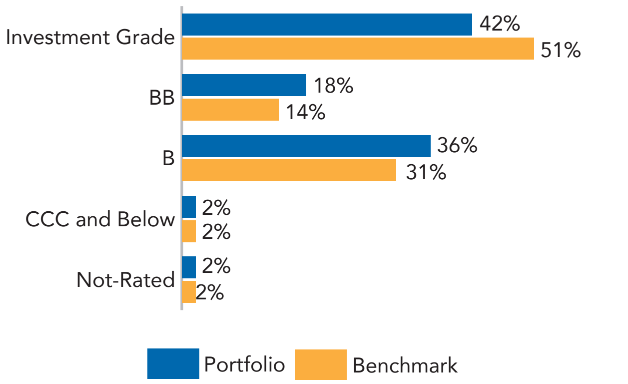
MARKET OVERVIEW

- After a strong start to 2019 through the month of April, sentiment across financial markets soured in May on the back of trade-war escalation and generally poor economic data. EMBIG-Div spreads widened 34bps during the month following other risk assets such as the S&P500 which sold off more than 6% and Brent which fell by more than 11%.
- Sentiment reversed in June with EMBIG-Div spreads compressing 32bps, largely retracing the widening from May. Major drivers for the reversal were dovish signals from global central banks and a U.S.-China "trade truce".
- On the central bank front, the Fed set the stage for possible rate cuts in case trade talks deteriorated with the market now pricing in a July cut as an almost certainty. A dovish Fed stance is a clearly positive development for EMD and risk assets in general. The story is similar over in Europe where growth and trade concerns have the ECB mulling interest rate cuts and/or the resumption of bond buying.
- Global trade fears are abated for the time being following the G20 meeting in Japan. President Trump agreed to hold off on raising tariffs on $200bn of Chinese imports for 90 days while negotiations continue. This cease fire is a constructive development; however, a comprehensive agreement remains elusive for the time being.
- In energy markets, OPEC+ committed to longer-term production curtailment by extending cuts to March 2020. This, along with reduced Iranian supplies and declining Venezuela output, should help offset softening demand, keeping markets balanced and prices range bound.
- Overall EMBIG-Div valuations remain attractive. Benchmark spreads finished the quarter at 346bps placing them in the 64th percentile going back to 12/31/07 (meaning spreads traded tighter 64% of the time). The market remains bifurcated, however, with the IG portion of the index trading rather rich in the 11th percentile and the HY portion looking more appealing in the 64th percentile. The spread between the HY and IG portions of the index remains wide at 388bps, or the 88th percentile.
- Our outlook for EMD remains constructive on valuations, central bank stimulus, and our base case expectation of the U.S. and China reaching an agreement on trade. Record setting amounts of negative yielding debt around the world also creates a favorable technical backdrop for EMD. This can be seen in the Euro denominated government bond market where given favorable funding costs, EM governments have issued more Euro denominated debt so far through the first half of 2019 than in any entire year previously. We continue to target portfolio spread risk of 30% to 40% of our maximum budget. Key risks to our outlook include central bank missteps, worse than anticipated growth data, and a deterioration in trade negotiations.

Top 10 Countries by Market Value

Country	% of Portfolio	Country	% of Portfolio
Brazil	8.21%	Argentina	3.57%
Mexico	5.90%	Kazakhstan	3.12%
Indonesia	4.52%	Egypt	3.02%
Turkey	4.42%	Romania	2.83%
Ukraine	3.69%	Dominican Republic	2.82%

Credit Quality



Source: Fort Washington. This supplemental information complements the Emerging Market Debt Composite Presentation. Quality distribution is subject to change at any time. The above data is rounded for informational purposes. Benchmark: J.P. Morgan Emerging Market Bond Index Global Diversified. Portfolio characteristics are subject to change at any time.

Portfolio Statistics

	Portfolio	Benchmark
Yield to Maturity	6.53%	6.23%
Average Coupon	6.09%	5.89%
Duration	6.68 years	7.04 years
Average Life	11.04	11.27
Total # of countries	65	75
Number of Issuers	102	198
Number of Issues	209	749

PORTFOLIO ACTIVITY

- We finished the quarter within our target spread risk range of 30% to 40% of our maximum budget. We are outspreading the benchmark by 71bps and are positioned -0.4 years short duration relative to the benchmark. While we added long dated exposure during the quarter, benchmark duration continued to lengthen during the quarter as a result of GCC inclusion.
- In Asia we reduced our underweight to China by adding exposure to the intermediate part of the curve of a technology company finding good relative value in those bonds. We also re-established our Papua New Guinea position as those bonds underperformed on market volatility and the credit story remains intact in our view. Across CEEMEA we increased our overweight to Ukraine on attractive valuations and positive policy signals from President Zelensky. We trimmed our long dated Angola holdings as bond spreads tightened and swapped the proceeds into the belly of Nigeria on relative value grounds.
- In Latin America we trimmed exposure to Argentina. Weakening paper pulp pricing globally coupled with positive momentum on pension reform legislation compelled us to swap exposure from Brazilian pulp companies into a Brazilian quasi-sovereign oil company. We added duration to the portfolio overall by participating in 30 year new issuance in both Chile and Guatemala sovereign bonds.

COMPOSITE PERFORMANCE DISCLOSURES

	2Q19	YTD	2018	2017	2016	2015	2014	2013
Emerging Market Debt (Gross)	3.90%	11.30%	-4.18%	11.65%	12.33%	1.55%	8.87%	3.95%
Emerging Market Debt (Net)	3.75%	10.98%	-4.82%	10.83%	11.50%	0.80%	8.07%	3.56%
JPM EMBI Global Diversified	4.08%	11.31%	-4.26%	10.26%	10.15%	1.18%	7.43%	2.73%
Emerging Market Debt 3-Year Annual Standard Deviation[2]	–	–	5.59%	5.43%	6.32%	–	–	–
JPM EMBI 3-Year Annual Standard Deviation[2]	–	–	5.46%	5.04%	5.78%	–	–	–
Dispersion[3]	–	–	–	–	–	–	–	–
Number of Accounts	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5
Composite Assets ($ Millions)	$253.6	$253.6	$227.9	$238.0	$212.9	$110.2	$108.5	$99.6
% of Firm Assets	0.45%	0.45%	0.46%	0.45%	0.47%	0.26%	0.24%	0.23%

Composite inception and creation date: 07/01/13. [1]2013 returns are partial-year returns, reflecting the composite inception date of 07/01/13. [2]The 3-Year annualized ex-post standard deviation is calculated using monthly returns to measure the average deviations of returns from its mean. [3]Dispersion is not calculated for years in which the composite contains five portfolios or less. Dispersion is calculated as the equal weighted standard deviation of the returns for those portfolios held in the composite during the entire period. The benchmark for this composite is the JP Morgan Emerging Market Bond Index Global Diversified. Past performance is not indicative of future results. The Fort Washington Emerging Market Fixed Income strategy seeks to outperform the JP Morgan Emerging Market Bond Index Global Diversified on a total return basis. The strategy recognizes emerging Market fixed income as a continually evolving asset class as witnessed by the migration and dispersion of credit quality of the benchmark as well as by consistent addition of countries over the years. Therefore, the strategy first employs a forward looking top-down approach drawing on the four analytical pillars of policy, economics, politics, and markets to identify relative value among a truly global opportunity set. Once these opportunities are identified, the fund employs its bottom-up analytical framework to identify the most appropriate securities. All fee-paying, fully discretionary portfolios with at least $25 million managed in the Emerging Markets style are included in this composite. The fee is 0.55% for the first $100 million, and 0.50% on the next $100 million and over for separate accounts, and 0.50% for the commingled vehicle. Portfolios in this composite include cash, cash equivalents, investment securities, interests 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 under management 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 7/1/94–12/31/16. A copy of the verification reports are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. Policies for valuing portfolios, calculating performance, and preparing compliant presentations 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.

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