Fort Washington
Investment Advisors, Inc.

A member of Western & Southern Financial Group

Uncompromised Focus®

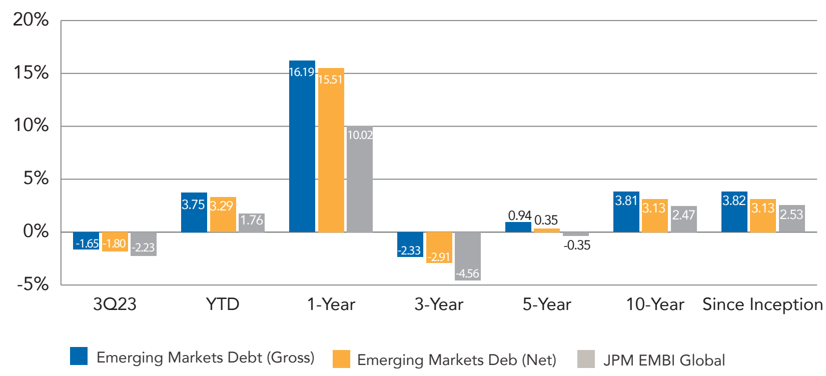
FORT WASHINGTON EMERGING MARKETS DEBT — 3Q2023

HIGHLIGHTS

- Most major financial asset classes performed poorly during the third quarter, in part driven by expectations that central banks intend to keep interest rates higher for longer, which led to a selloff in global government bonds. Additionally, the inflation outlook was complicated by a 25%+ rise in the price of crude oil supported by production cuts out of Saudi Arabia and Russia.
- EM hard currency sovereign debt, as measured by the JP Morgan EMBI Global Diversified ("EMBIGD") benchmark, recorded a -2.23% total return during the quarter. The negative return was driven by the rise in rates while EMBIGD spreads remained resilient compressing by 2bps during the quarter to finish September at 431bps.
- During the third quarter our emerging markets debt ("EMD") strategy returned -1.65% on a gross basis (-1.80% net of fees), outperforming the EMBIG-D benchmark by 58bps gross (44 bps net). While absolute performance was negative due to the impact of rates, relative outperformance was supported by strong security selection. The best performing region was Latin America, followed by modest performance from both Asia and Europe. The top three contributors by country were Ukraine, El Salvador, and Brazil. The top detractors were Argentina, Turkey, and Nigeria.
- During the quarter we decreased our spread risk exposure from approximately 45% of budget to roughly 35%. The risk reduction was driven by a more cautious macro view and tighter valuations within HY. Going into the fourth quarter, we continue to favor a modest overweight to spread risk targeting 30% to 40% of our maximum budget. This is supported by valuations given the still wide divergence between HY and IG spreads with IG trading near cycle tights, as well as the availability of bottom-up opportunities within the HY space.

Historical Performance

Annualized Returns as of September 30, 2023



Source: Fort Washington Investment Advisors. Past performance is not indicative of future results. This supplemental information complements the Emerging Markets Debt GIPS Report. Inception date: 07/01/2013.

INVESTMENT PROFESSIONALS

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

Bojan Vidosevic, CFA
Portfolio Manager
Senior Credit Analyst
11 Years Experience

Brian D. Cloutier, CFA
Portfolio Manager
Senior Credit Analyst
17 Years Experience

Brian M. Nunes, CFA, CPA
Senior Credit Analyst
23 Years Experience

PEER GROUP PERFORMANCE

	Percentile Rank[1] (Net)
3Q2023	35
1 Year	9
3 Years	28
5 Years	35
10 Years	4
Since Inception	5

Source: eVestment
[1]Peer ranks are percentile rankings versus the eVestment Global Markets Fixed Income - Hard Currency Universe based on net performance relative to peer group. Past performance is not indicative of future results.

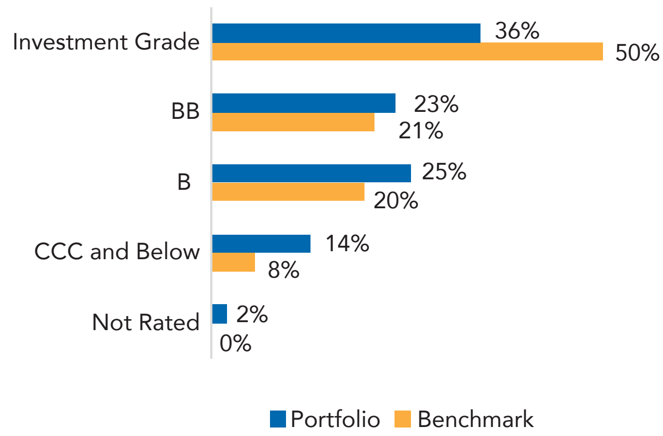
MARKET OVERVIEW

- The third quarter marked another challenging period for fixed income with markets pricing in a "higher for longer" Fed policy path. Indicators in the U.S. pointed to a resilient economy which provides the FOMC a longer leash to keep rates elevated. The 10-year U.S. treasury yield rose from just over 3.8% at the end of June to over 4.5% by the end of September.
- In our opinion, growth risks are tilted towards the downside. While the U.S. economy has so far been a relative bright spot globally, there are several headwinds emerging in addition to restrictive financial conditions taking their toll. These include the resumption of student loan payments, a vacant House speaker role as of the time of writing, labor disputes, and geopolitical escalations particularly following the attack on Israel by Hamas.
- Other regions don't provide much reprieve. Economic activity indicators have remained subdued across the Eurozone highlighted by weak manufacturing, and retail sales dropping off considerably in August. In China, while we could see a firmer than expected third quarter GDP print, we think the longer-term outlook is likely to be subdued by a number of challenges including a weak property sector and high debt levels. The World Bank recently lowered its 2024 growth forecast for China to 4.4% from 4.8% previously.
- A resilient U.S. economy and higher treasury yields led the U.S. dollar to strengthen during the quarter. The impact on EM markets was considerable with capital flowing out of developing countries which led to negative returns for emerging currencies, local bonds, and equities. Despite net fund outflows, spreads on the JPM EMBIG-D were relatively unchanged, tightening by 2bps during the quarter. EMBIG-D spreads are supported by a strong technical with amortizations and lower primary issuance helping offset outflows which in part helps explain the resilience of spreads. This is broadly in line with other fixed-income asset classes where spreads remained generally range-bound during the quarter, which in our view reflects a market expectation for a "soft landing."
- EMBIG-D spreads finished the third quarter at 431bps which lies above the 75th percentile since 2007 (meaning spreads have been tighter 75% of the time since then); however, a wide divergence persists between IG and HY. The IG portion of the index is trading near the tightest levels since 2007, while the HY portion is trading above the 80th percentile. A closer look at the HY portion by rating category reveals wide dispersion with BBs trading inside the 20th percentile, single-Bs inside the median, and CCCs and lower trading above the 75th percentile. This implies that most of the value in HY currently lies within the most stressed segment.
- Given the large spread differential between HY and IG, and the fact that IG is trading near cycle tights, we favor an overweight to HY on valuation grounds. Within the HY segment, we are cognizant of the fact that most of the value lies at the lowest levels of the quality spectrum; but, we believe that a select number of valuable opportunities with idiosyncratic drivers exist that warrant an overweight. We pair this overweight to HY with CDX protection to manage our overall spread risk into an appropriate range given our cautious macro-outlook, and further pair it with a long-duration position to help protect against a potential exogenous shock as we believe rates should rally in such a scenario. The excess carry from the overweight to HY helps offset the cost of protection and the long-duration position. If a "soft landing" is indeed achieved, then we believe our modest overweight to HY should still perform well relative to the index.
- On the technical front, support for the EMBIG-D could start to fade in 2024 if primary activity remains subdued. Per JP Morgan, EM sovereign amortizations are set to increase in 2024 by roughly 80% overall and over 2x for HY issuers. This could provide a difficult backdrop if borrowers are unable to access markets and aren't able to obtain alternative sources of funding. In our view, this provides another reason to maintain a relatively modest overweight to risk, and also to increasingly rely on our thorough bottom-up security selection process.

Top 10 Countries by Market Value

Country	% of Portfolio
Mexico	6.27%
Indonesia	6.05%
U.A.E.	4.68%
Brazil	4.04%
Oman	3.54%
Dominican Republic	3.49%
Romania	3.45%
Saudi Arabia	3.34%
Turkey	3.01%
Colombia	2.95%

Credit Quality



Source: Fort Washington. This supplemental information complements the Emerging Market Debt GIPS Report. 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	12.21%	9.24%
Average Coupon	5.69%	5.31%
Duration	6.91	6.39
Average Life	11.26	11.20
Total # of countries	62	68
Number of Issuers	111	188
Number of Issues	230	919

Source: Fort Washington and Bloomberg. This supplemental information complements the Emerging Markets Debt GIPS Report. Portfolio characteristics are subject to change at any time. You cannot invest directly in an index. Past performance is not indicative of future results.

PORTFOLIO ACTIVITY

- We lowered our spread risk budget from roughly 45% of maximum to approximately 35% through the third quarter as valuations within the HY segment of the EMBIG-D tightened, and we turned more cautious in our macro-outlook. We continue to maintain an overweight, albeit more modest, to HY given still favorable valuations and availability of bottom-up opportunities. We pair our overweight to HY with CDX protection to manage spread risk to an appropriate level, as well as a long-duration stance as potential protection against exogenous shocks.
- Portfolio activity in the third quarter gravitated towards a gradual rotation into higher-quality credits when opportunities arose. The top countries where exposure was added are Romania, India, and Saudi Arabia. Notable areas where risk was reduced include Puerto Rico, Argentina, and Ecuador.

COMPOSITE PERFORMANCE DISCLOSURES

	3Q2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013[1]
Emerging Market Debt (Gross)	-1.65%	-17.13%	-0.24%	7.48%	15.33%	-4.18%	11.65%	12.33%	1.55%	8.87%	3.92%
Emerging Market Debt (Net)	-1.79%	-17.61%	-0.83%	6.84%	14.65%	-4.82%	10.83%	11.50%	0.80%	8.07%	3.53%
JPM EMBI Global Diversified	-2.23%	-17.78%	-1.80%	5.26%	15.04%	-4.26%	10.26%	10.15%	1.18%	7.43%	2.73%
Emerging Market Debt 3-Year Annual Standard Deviation[2]	--	16.55%	13.20%	13.17%	5.05%	5.59%	5.43%	6.32%	--	--	--
JPM EMBI 3-Year Annual Standard Deviation[2]	--	13.36%	10.67%	10.73%	4.85%	5.46%	5.04%	5.78%	--	--	--
Dispersion[3]	--	--	--	--	--	--	--	--	--	--	--
Number of Accounts	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5
Composite Assets ($ Millions)	$241.3	$231.8	$280.2	$282.0	$262.8	$227.9	$237.8	$213.0	$110.2	$108.4	$99.6
Total Firm Assets ($ Millions)	$68,759	$66,365	$73,804	$65,086	$59,174	$49,225	$52,774	$45,656	$42,959	$45,002	$43,671

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 gross-of-fee 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 gross-of-fee returns for those portfolios held in the composite during the entire period. The benchmark for this composite is the JPM EMBI Global Diversified. You cannot invest directly in an index. Past performance is not indicative of future results.

Fort Washington's Emerging Markets Fixed Income strategy seeks to outperform the JP Morgan Emerging Markets Bond Index Global Diversified (JPM EMBI Global Diversified) on a total return basis. The strategy recognizes emerging markets 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 additional amounts over $100 million for separate accounts, and 0.60% for the commingled vehicle. The benchmark for this composite is the JP Morgan Emerging Markets Bond Index Global Diversified. 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. 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. 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. 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 Emerging Markets Debt strategy invests in fixed-income securities of both domestic and foreign issuers 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. Investing in foreign denominated and/or domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk.

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