



## FORT WASHINGTON FOCUSED EQUITY — 3Q2023

### HIGHLIGHTS

- ▶ U.S. equities were modestly lower in the third quarter, paring some of the strong gains from the first half of 2023.
- ▶ While earnings releases and corporate guidance generally exceeded expectations during the period, the significant rate move during the quarter provided a challenging backdrop for equities.

### INVESTMENT PROFESSIONALS

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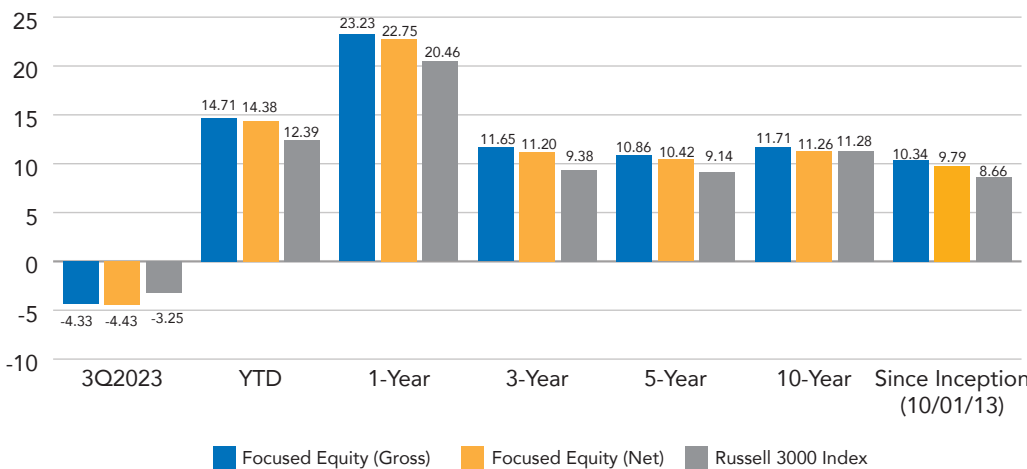
**Jonathan V. Strickland**  
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14 Years Experience

Source: Fort Washington Investment Advisors. Past performance is not indicative of future results. Quality and sector distribution as well as portfolio attribution and allocation is subject to change at any time.

### Historical Performance

Annualized Net Return as of September 30, 2023



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### MARKET OVERVIEW

U.S. equities were modestly lower in the third quarter, paring some of the strong gains from the first half of 2023. While earnings releases and corporate guidance generally exceeded expectations during the period, the significant rate move during the quarter provided a challenging backdrop for equities. The best performing benchmark sectors were Energy, Communication Services, and Financials. The worst performing sectors for the index were Real Estate, Consumer Staples, and Information Technology. The Focused Equity strategy underperformed the Russell 3000 Index during the quarter.

### STRATEGY ACTIVITY

During the quarter, International Flavors & Fragrances (Materials) was added to the portfolio, and Fox Corp (Communication Services) and Deere & Co. (Industrials) were removed from the portfolio.

As the quarter came to a close, the strategy had an overweight in the Communication Services, Health Care, and Financials sectors and an underweight in the Information Technology, Energy, Industrials, Materials, Real Estate, and Consumer Discretionary sectors. The weight in the Consumer Staples sector was roughly in line with that of the index. The strategy held no positions in the Utilities sector.

From a market cap perspective, the strategy ended the period with a 1.6% weight in smaller cap stocks (companies with a market cap below \$2 billion). The index weight for this segment is 2.4%. The strategy had an underweight in mid-cap businesses, which now comprise 5.8% of assets, compared to an index weight of 8.8%. Lastly, the strategy is overweight in larger cap businesses (companies with a market cap above \$10 billion). The weight in that segment is currently 86.9%, which is lower than the index weight of 88.7%. This allocation decision had an insignificant impact to

performance during the quarter. Cash holdings ended the quarter at 5.7%.

The sectors where strategy holdings outperformed the most relative to the benchmark were Communication Services, Materials, and Consumer Discretionary. Sectors that lagged the most relative to the benchmark were Industrials, Information Technology, and Energy. Stock selection detracted 148 basis points from performance for the period. Sector allocation contributed 40 basis points during the quarter primarily due to cash holdings, the overweight to Communication Services, and the lack of weight in Utilities.

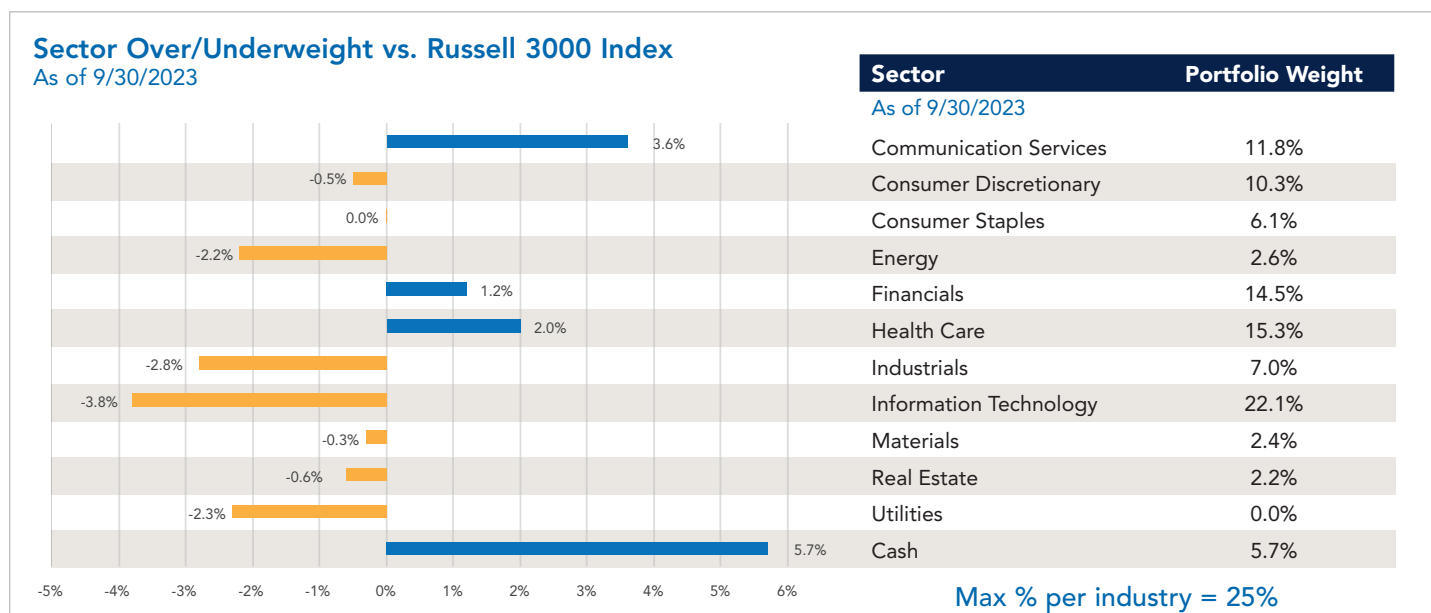
Three stocks that contributed the most to performance included an American multinational conglomerate holding company, a leading international oil and gas company, and an American multinational computer technology corporation. Stocks that detracted the most from performance were a leading leisure airline company, an American aerospace and defense company, and an operator of health care facilities.

Investments made in international companies, which comprised 2.9% of assets, underperformed the benchmark.

## TOP TEN HOLDINGS

Name	Sector	% of Portfolio
Microsoft	Information Technology	7.8%
Apple	Information Technology	6.9%
Alphabet	Communication Services	5.1%
Berkshire Hathaway	Financials	4.9%
Meta Platforms	Communication Services	3.9%
Amazon.com	Consumer Discretionary	3.7%
UnitedHealth Group	Health Care	3.1%
Johnson & Johnson	Health Care	2.7%
Exxon Mobil	Energy	2.6%
Coca-Cola FEMSA	Consumer Staples	2.3%
<b>Total</b>		<b>43.2%</b>

Source: Fort Washington. This supplemental information complements the Focused Equity GIPS Report. For a complete listing of securities held, sold, or purchased over the last year please contact us. The securities identified do not represent all of the securities purchased, sold, or recommended; reader should not assume that investments in securities identified and discussed were or will be profitable. This is not a recommendation with respect to the purchase or sale of any of these securities. See Focused Equity GIPS Report for complete disclosure. The above data is rounded for informational purposes. Holdings subject to change at any time without notice.



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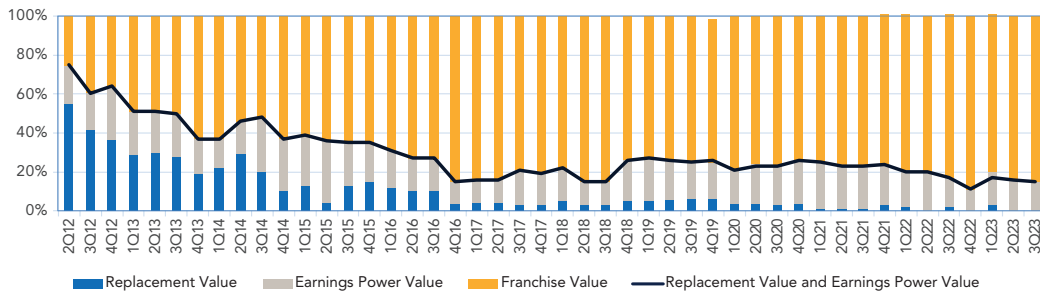
## Portfolio Characteristics

Replacement Value, Earnings Power Value, Franchise Value <sup>1</sup>	0%	15%	85%
Weighted average excess return <sup>2</sup>	~1,236 bps above the cost of capital		
Barriers to entry (none, moderate, high) <sup>1</sup>	0%	54%	46%
Price to intrinsic value (weighted average)		\$0.87	
Small, mid, large cap % <sup>1</sup>	1.7%	8.7%	89.7%
International %		2.9%	
Number of holdings		47	
Cash position		5.7%	

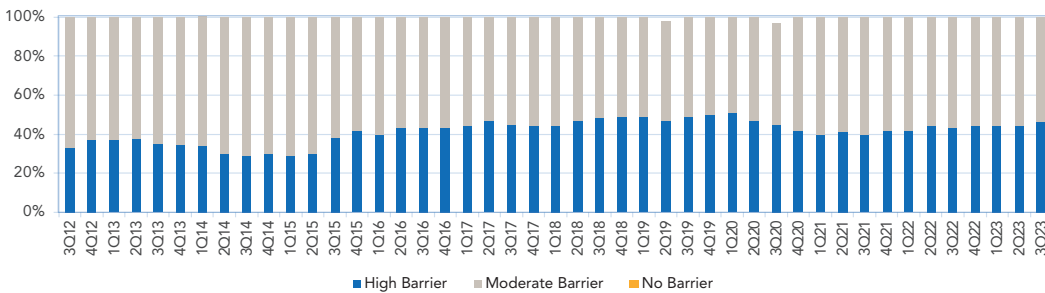
<sup>1</sup>Excludes cash. <sup>2</sup>Returns on capital vs. cost of capital (ex financials). Source: Fort Washington. This supplemental information complements the Focused Equity GIPS Report. Portfolio characteristics are as of the reported date and are subject to change at any time without notice. See Focused Equity GIPS Report for complete disclosure.

## Composite Portfolio Characteristics Over Time

### Layers of Value % of Portfolio



### Barriers to Entry % of Portfolio



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## OUTLOOK

After a strong first half of 2023, the U.S. equity market ended the third quarter with a modest loss. In July, the markets initially received a lift from second quarter earnings that were better than expected. However, concerning developments including the U.S. downgrade by Fitch, lingering recession risk, and increasing global yields caused a pullback in August and September. The Russell 3000 Index ended the quarter with a -3.3% return, resulting in a year-to-date return of 12.4%. Looking ahead, we continue to question whether a hard landing may still be to come. While third quarter U.S. economic data remained strong, weak market breadth, tight financial conditions, and declining excess savings from government stimulus all point to a potentially challenging path forward. Soft landings are typically preceded by the easing of lending standards while hard landings are preceded by the tightening of lending standards. We continue to believe bank lending standards become tighter in the coming quarters. As a result, we see additional downside risk to growth and believe the path for a soft landing remains narrow mainly due to the lag effects of higher interest rates and higher prices.

Consistent with our approach over the past couple of years, we have been gradually de-risking the portfolio in light of our outlook. We continue to carry higher than typical cash positions in portfolios. Our activity over the past couple of years has focused on moving into higher return on capital and higher barrier to entry businesses with pricing power and increasing our defensive exposure. We continue to be alert for signals that would warrant a risk-on shift, but we continue to believe, at this point, our conservative risk posture will benefit the portfolio going forward.

## COMPOSITE PERFORMANCE DISCLOSURES

	3Q2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Focused Equity (Gross)	-4.33%	-17.53%	27.91%	25.76%	28.77%	-6.71%	15.20%	13.01%	4.21%	7.65%	39.96%
Focused Equity (Net)	-4.43%	-17.85%	27.39%	25.25%	28.25%	-7.08%	14.75%	12.58%	3.80%	7.22%	39.36%
Russell 3000 Index	-3.25%	-19.21%	25.66%	20.89%	31.01%	-5.24%	21.13%	12.74%	0.48%	12.56%	33.55%
Focused Equity 3-Year Annual Standard Deviation <sup>1</sup>	--	20.97%	18.73%	20.23%	13.29%	10.99%	10.07%	10.87%	11.40%	10.65%	15.51%
Russell 3000 Index 3-Year Annual Standard Deviation <sup>1</sup>	--	21.48%	17.94%	19.41%	12.21%	11.18%	10.09%	10.88%	10.58%	9.29%	12.53%
Dispersion <sup>2</sup>	0.20%	0.22%	0.21%	0.25%	0.31%	0.21%	0.36%	0.55%	0.42%	0.49%	0.93%
Number of Accounts	6	6	7	6	6	8	10	9	8	7	6
Composite Assets (\$ millions)	\$1,299.2	\$1,167.0	\$1,605.1	\$1,330.1	\$1,187.6	\$1,258.8	\$1,572.9	\$1,774.3	\$1,538.1	\$1,341.6	\$1,172.4
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: 10/01/07. <sup>1</sup>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. <sup>2</sup>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 Russell 3000 Index. Past performance is not indicative of future results.

The Fort Washington Focused Equity strategy is an all-cap concentrated, value oriented strategy that invests in businesses with strong barriers to entry that have the capability of generating excess returns on capital. The strategy looks to take advantage of irrational human behavior by buying securities that have been mispriced by the market. We will invest in companies that have limited absolute downside and large margin of safety on the upside. The objective of the Focused Equity strategy is to outperform the Russell 3000 Index over a full market cycle. All fee-paying, fully discretionary portfolios managed in the Focused Equity style, with a minimum of \$1 million under our management, are included in this composite. Effective 01/22/14, the Focused Equity strategy fee schedule is as follows: 0.75% on the first \$25 million, 0.70% on the next \$25 million, and 0.65% on additional amounts over \$50 million. The benchmark for this composite is the Russell 3000 Index. Frank Russell Company (FRC) is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The presentation may contain confidential information pertaining to FRC and unauthorized use, disclosure, copying, dissemination, or redistribution is strictly prohibited. This is a Fort Washington Investment Advisors, Inc. presentation of the Russell Index data. Frank Russell Company is not responsible for the formatting or configuration of this material or for any inaccuracy in Fort Washington's presentation thereof. Portfolios in this composite include cash, cash equivalents, investment securities, interest, and dividends. The composite may invest in ADRs, which the Russell 3000 Index does not use. 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

Fort Washington's Focused Equity strategy invests in equities, which are subject to market volatility and loss. The strategy invests in stocks of large-cap companies which may be unable to respond quickly to new competitive challenges. The strategy invests in preferred stocks, which are relegated below bonds for payment should the issuer be liquidated. If interest rates rise, the fixed dividend on preferred stocks may be less attractive, causing their price to decline. The strategy invests in emerging markets securities, which are more likely to experience turmoil or rapid changes in market or economic conditions than developed countries. The strategy is non-diversified, which means that it may invest a greater percentage of its assets in the securities of a limited number of issuers and may be subject to greater risks.

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