



## FORT WASHINGTON SMALL COMPANY EQUITY — 4Q2023

### HIGHLIGHTS

- ▶ We believe earnings growth is the long-term driver of equity returns. We only invest in profitable companies that generate growth with quality fundamental characteristics that are critical to risk management and reduce downside volatility.
- ▶ The Fort Washington Small Company Equity strategy has outperformed the Russell 2000 Index by 5.48% (net) annualized over the last three years with an up market capture of 90% and down market capture of 78%. This demonstrates our ability to participate in strong up markets while protecting on the downside in more challenging market conditions.
- ▶ The Small Company Equity strategy has outperformed the Russell 2000 Index and eVestment Small Cap Core peer groups in 90% of rolling three-year periods since inception.

### INVESTMENT PROFESSIONALS

**Jason V. Ronovech, CFA**  
VP, Senior Portfolio Manager  
23 Years Experience

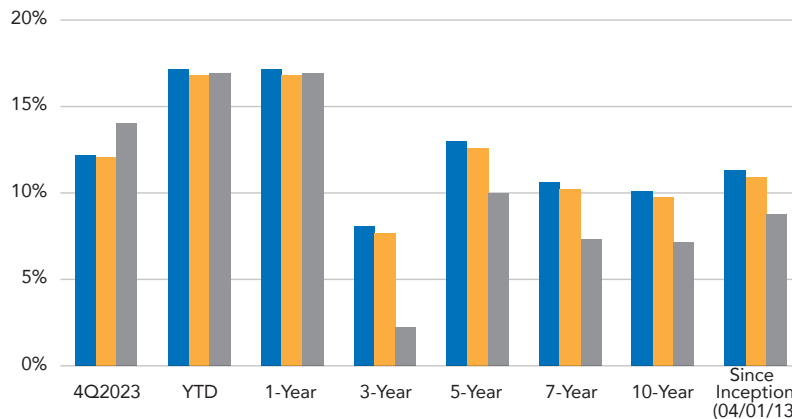
**Sri Gullapalli, CFA**  
VP, Senior Equity Research Manager  
18 Years Experience

**John T. Stewart**  
AVP, Senior Equity Research Analyst  
14 Years Experience

**Lenny A. Valvano, CFA**  
Equity Research Analyst  
8 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.

### Annualized Total Returns as of December 31, 2023



	4Q2023	YTD	1-Year	3-Year	5-Year	7-Year	10-Year	Since Inception (04/01/13)
■ Small Company Equity (Gross)	12.17%	17.20%	17.20%	8.07%	12.99%	10.60%	10.11%	11.29%
■ Small Company Equity (Net)	12.07%	16.81%	16.81%	7.71%	12.61%	10.23%	9.74%	10.91%
■ Russell 2000	14.03%	16.93%	16.93%	2.22%	9.97%	7.33%	7.16%	8.76%

Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. This supplemental information complements the Small Company Equity strategy GIPS Report.

### MARKET COMMENTARY

The Russell 2000 Index returned 14.03% for the quarter. The Index hit a calendar year low in late October before rallying 24% over November and December to finish 2023 with a 16.93% return. The fourth quarter rally was a classic valuation expansion rally from oversold levels and was driven by companies with higher betas, lower market capitalization, lower ROE profiles, and non-earners. Small cap valuations expanded from 11 times to 14 times earnings. We believe the rally was in reaction to the market pricing in the end of the rising inflation and interest rate cycle, and market expectations that will translate into better growth and earnings prospects in the future.

### PORTFOLIO ACTIVITY

The Small Company Equity strategy gained 12.07% (net) for the quarter compared to the 14.03% return for the Russell 2000 Index. The top three performing sectors based on security selection were Consumer Discretionary, Financials, and Communication Services. The strategy underweight allocation to the Energy sector also positively impacted relative returns. The bottom three performing sectors based on security selection were Health Care, Information Technology, and Industrials. The Health Care and Information Technology sectors in the Russell

2000 Index include relatively higher exposure to companies with higher beta, lower market capitalizations, lower ROE profiles, and non-earners. As a result, our lack of exposure to those style factors negatively impacted security selection.

#### Top Contributions

TopBuild Corp (BLD) is the leading specialty distributor and installer of insulation in the United States. The stock outperformed due to 2023 earnings materially outperforming market expectations. The single-family home new construction market has been much more resilient than anticipated in a rising interest rate environment as a supply shortage of existing homes drove a shift in demand to new construction in 2023. Additionally, multi-family home new construction surged in response to the pandemic, creating record profits for TopBuild as these projects were completed.

Steven Madden (SHOO) is a global designer of footwear, apparel, and accessories sold in department stores, mass merchants, and retailers, as well as directly to the consumer through owned ecommerce and retail store operations. The stock outperformed due to the company's fashion acumen and the consumer proving more resilient than feared in 2023. This has allowed the company to remain on track for their 2023 earnings targets through the first three quarters of the year. Additionally, there is hope that since their wholesale customers cautiously ordered product below actual retail demand in 2023 that growth could accelerate in 2024 as their wholesale customers return to a more normalized buying pattern.

Webster Financial Corp (WBS) and F.N.B. Corp (FNB) are two regional banks operating in the Northeast and Mid-Atlantic. The stocks outperformed due to a combination of contagion fears receding related to the banking crisis of March 2023 and then the Federal Reserve communicating the rising interest rate cycle was ending and forecasting potential interest rate reductions in 2024. These two dynamics drove material valuation expansion across the banking industry. We retained conviction in the quality of our banking holdings through the uncertainty of the 2023 banking crisis and were pleased with the fourth quarter contributions.

CarGurus Inc (CARG) operates an online automotive platform for dealers to buy and sell vehicles led by their industry-leading listings marketplace. The stock outperformed due to a significant improvement in their 2023 earnings outlook. The company has been successful increasing quarterly revenue per average paying dealer, and the market is optimistic a return to more normalized auto industry buying and selling activity will drive continued earnings momentum in 2024.

#### Bottom Detractors

CCC Intelligent Solutions (CCCS) operates a cloud platform utilized by property and casualty insurance companies, automotive manufacturers, automotive repair shops, and parts suppliers. The stock materially outperformed in the third quarter due to operational execution and speculation that a major private equity shareholder was exploring a sale of their position. However, in the fourth quarter, the speculated sale did not come to fruition and the private equity holder completed two secondary offerings in public markets, which pressured the stock price. We remain confident in the fundamental outlook and continue to hold the position.

ChampionX Corp (CHX) is a global leader providing production chemicals and technologies to the oil and gas industry. The stock underperformed due to declining oil and gas prices negatively impacting demand for their products and services and future earnings expectations. We believe that the decline in demand is cyclical and continue to hold the position.

WNS Ltd (WNS) is a global provider of business process management solutions. The stock underperformed after lowering their annual revenue and earnings guidance due to a slowdown in demand and a delay in implementing a major new contract. We believe these issues are transitory, the company continues to have above average growth prospects, and we continue to hold the position.

R1 RCM (RCM) is a provider of information technology solutions to healthcare providers. We exited the position due to concerns that corporate strategy changes created elevated risk at the same time the quality of the company's earnings and free cash flow generation were deteriorating.

KBR Inc (KBR) is a global provider of sustainable technology, engineering, and logistics solutions to governments and corporations worldwide. As was the case with WNS, the stock underperformed due to delays in implementing a major new contract, which creates uncertainty around their 2024 and 2025 earnings outlook. We believe the underlying strength of their existing government and sustainable technology contracts warrant continuing to hold the position.

Top Absolute Contributors		
Name	Sector	Impact
TopBuild Corp (BLD)	Consumer Discretionary	0.7
Steven Madden Ltd (SHOO)	Consumer Discretionary	0.7
Webster Bank (WBS)	Financials	0.6
F.N.B. Corp (FNB)	Financials	0.6
CarGurus Inc (CARG)	Communication Services	0.5

Top Absolute Detractors		
Name	Sector	Impact
CCC Intelligent Solutions (CCCS)	Information Technology	-0.4
ChampionX Corp (CHX)	Energy	-0.3
WNS Holdings Ltd (WNS)	Industrials	-0.3
R1 RCM Inc (RCM)	Health Care	-0.2
KBR Inc (KBR)	Industrials	-0.2

Source: Fort Washington. Past performance is not indicative of future results. Holdings are subject to change at any time without notice. The securities identified do not represent all of the securities purchased, sold, or recommended. It should not be assumed investments in securities identified were or will be profitable. This is not a recommendation with respect to the purchase or sale of any securities disclosed. This supplemental information complements the Small Company Equity GIPS Report.

## Top Ten Holdings

Name	Sector	% of Portfolio
Globus Medical	Health Care	2.2%
Steven Madden Ltd.	Consumer Discretionary	2.1%
F.N.B. Corp.	Financials	2.1%
Progyny Inc.	Health Care	2.1%
COPT Defense Properties	Real Estate	2.1%
CCC Intelligent Solutions	Information Technology	2.1%
Maximus	Industrials	2.0%
ITT Inc.	Industrials	2.0%
Onto Innovation Inc.	Information Technology	2.0%
Ensign Group Inc.	Health Care	2.0%
<b>Total</b>		<b>20.7%</b>

Source: Fort Washington. Data as of 12/31/2023. The above data is rounded for informational purposes. Totals reflect actual value and may not match the sum based on rounded values. Holdings subject to change at any time without notice. The securities identified do not represent all of the securities purchased, sold, or recommended. It should not be assumed investments in securities identified were or will be profitable. This is not a recommendation with respect to the purchase or sale of any securities disclosed. This supplemental information complements the Small Company Equity strategy GIPS Report.

## Portfolio Characteristics

	Small Company Equity	Russell 2000
Number of holdings	69	1,966
Price/Prospective Earnings	22X	28X
Long-Term Earnings Growth	12%	17%
Average Market Capitalization	\$5.5	\$3.2
% Non-Earners	0%	30%
Net Margin	12%	7%
Active Share	95%	-

Source: Fort Washington. Data as of 12/31/2023. Characteristics above are subject to change at any time without notice. Peer group data source is eVestment Alliance, LLC eASE Analytics US Small Cap Core Equity Universe. Past performance is not indicative of future results. Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. This supplemental information complements the Small Company Equity strategy GIPS Report.

## Custom GICS Sector Groups

Sector	Portfolio Weight	Russell 2000 Weight
Industrials	29.1%	31.0%
Technology	21.3%	16.0%
Financials	17.9%	23.1%
Health Care	15.9%	15.4%
Consumer	13.8%	14.5%
Cash	2.0%	-

Source: Fort Washington. Data as of 12/31/2023. Data above includes cash. Portfolio characteristics are estimates as of the reported date and are subject to change at any time without notice. Due to rounding, numbers may not total 100%. Russell Investment Group is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. This supplemental information complements the Small Company Equity strategy GIPS Report.

## OUTLOOK

Economic growth in 2023 was resilient with real GDP accelerating from 1.7% in the first quarter to 2.9% in the third quarter and nominal GDP growing 6%. We expect economic growth to decelerate but remain positive over the intermediate term.

Despite resilient economic growth, small cap earnings expectations have been under pressure for 18 months. In fact, small caps experienced an earnings recession in 2023 with earnings down 15% from inflated 2022 levels. Earnings had been elevated due to excessive fiscal and monetary stimulus driving demand and spending well above long-term trends. We believe 2024 small cap earnings expectations for 9% growth is optimistic, but we are closer to earnings expectations normalizing than we were 18 months ago. Inflationary pressures and interest rates are moderating, but the absolute level of prices and rates appear restrictive to growth and corporate earnings.

Small cap valuations have expanded from a trough of 11 times to 14 times, but these levels are still a discount to the 16 times average over the last 25 years. Small cap valuations relative to large caps are currently at 0.7 times and remain near 25-year lows. Additionally, small caps as a total of U.S. market capitalization are near a record low of 4% compared to the 7% long-term average. We believe the low relative valuation and percentage of market capitalization creates a favorable risk/return dynamic for small caps for investors with a long-term investment horizon.

As we look forward, we believe modest economic growth, stabilizing earnings expectations, and undemanding relative valuations are constructive to support positive small cap returns in 2024.

## COMPOSITE PERFORMANCE DISCLOSURES

	4Q2023	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013*
Small Company Equity (Gross)	12.17%	17.20%	-13.62%	24.68%	19.01%	22.59%	-7.44%	18.75%	20.71%	-0.41%	7.71%	20.52%
Small Company Equity (Net)	12.07%	16.81%	-13.92%	24.27%	18.61%	22.19%	-7.73%	18.34%	20.29%	-0.76%	7.33%	20.21%
Russell 2000 Index	14.03%	16.93%	-20.44%	14.82%	19.96%	25.52%	-11.01%	14.65%	21.31%	-4.41%	4.89%	23.52%
Small Company Equity 3-Year Annual Standard Deviation <sup>1</sup>	--	17.98%	25.10%	23.47%	25.44%	15.30%	15.79%	13.91%	15.76%	--	--	--
Russell 2000 Index 3-Year Annual Standard Deviation <sup>1</sup>	--	21.11%	26.02%	23.35%	25.27%	15.71%	14.99%	13.90%	15.86%	--	--	--
Dispersion <sup>2</sup>	0.09%	0.23%	0.06%	--	--	--	--	--	--	--	--	--
Number of Accounts	9	9	8	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5
Composite Assets (\$ Millions)	\$1,206.4	\$1,206.4	\$1,006.3	\$1,104.0	\$939.0	\$1,072.5	\$1,114.9	\$1,295.3	\$1,147.8	\$907.5	\$1,073.1	\$1,374.4
Total Firm Assets (\$ Millions)	\$74,613	\$74,613	\$66,365	\$73,804	\$65,086	\$59,174	\$49,225	\$52,774	n/a	n/a	n/a	n/a

\*2013 returns are a partial period from 4/1/13-12/31/13. Small Company Equity Composite inception date is 4/1/13 and the creation date is 1/1/18. <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. 2013-2015 figures are not presented because 36 monthly returns are not available. <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 2000 Index. Past performance is not indicative of future results.

The Small Company Equity strategy seeks to invest primarily in common stocks of small-capitalization companies that Fort Washington believes are high quality, have superior business models, solid management teams, and are attractively valued. The strategy normally invests at least 80% of its assets in small-capitalization companies. For this purpose, small capitalization companies are companies that have market capitalizations within the range represented in the Russell 2000 Index (between approximately \$257.1 million and \$5.2 billion as of May 7, 2021). The market cap range of the Russell 2000 Index will change with market conditions. The strategy may invest without limitation in foreign securities, although only where the securities are trading in the U.S. or Canada and only where trading is denominated in U.S. or Canadian dollars. All fee-paying, fully discretionary portfolios managed in the Small Company Equity style, with a minimum of \$3 million under our management, are included in this composite. The Small Company Equity strategy fee schedule is as follows: 0.80% on the first \$25 million, 0.75% on the next \$25 million, and 0.70% on additional amounts over \$50 million. The 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. (Fort Washington) presentation of the data and FRC is not responsible for the formatting or configuration of this material or any inaccuracy in the presentation thereof. This benchmark is comprised of the smallest 2,000 companies in the Russell 3000 Index. Portfolios in this composite include cash, cash equivalents, investment securities, 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. Performance from 4/1/2013 through 10/31/2017 was attained by an investment team employed by Sentinel Asset Management and led by the current Senior Portfolio Manager. As a result of the Sentinel Small Company Fund acquisition by Fort Washington's affiliate Touchstone Investments, Inc., the Senior Portfolio Manager and Small Company investment team are also responsible for the performance results shown from 11/1/2017 to current for Fort Washington. Fort Washington Investment Advisors, Inc., 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. 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 Small Company Equity strategy invests in stocks of small-cap companies, which may be subject to more erratic market movements than stocks of larger, more established companies. The strategy invests in foreign securities, which carry the associated risks of economic and political instability, market liquidity, currency volatility, and accounting standards that differ from those of U.S. markets and may offer less protection to investors. The strategy may focus its investments in a particular industry and/or market sector which may increase the strategy's volatility and magnify its effects on total return. Events in the U.S. and global financial markets, including actions taken to stimulate or stabilize economic growth may at times result in unusually high market volatility, which could negatively impact the strategy's performance and cause it to experience illiquidity, shareholder redemptions, or other potentially adverse effects.

This publication has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. The securities identified do not represent a complete list of all securities purchased, sold, or recommended; please contact Fort Washington for a complete listing of securities held, sold, or purchased over the last year. Opinions expressed in this commentary reflect subjective judgments of the author based on the current market conditions at the time of writing and are subject to change without notice. Information and statistics contained herein have been obtained from sources believed to be reliable but are not guaranteed to be accurate or complete. Past performance is not indicative of future results.

©2024 Fort Washington Investment Advisors, Inc.



**Fort Washington**  
Investment Advisors, Inc.

A member of Western & Southern Financial Group

▼ **Uncompromised Focus**®