



**Fort Washington  
Investment Advisors, Inc.**

A member of Western & Southern Financial Group

▼ *Uncompromised Focus®*

## FORT WASHINGTON STRATEGIC INCOME – 2Q2025

- Flexible investment approach with diversified sources of return
- Premium yield with high quality bias
- High conviction security selection with rigorous bottom-up research
- Lead managers in place since inception

### PORTFOLIO COMMENTARY

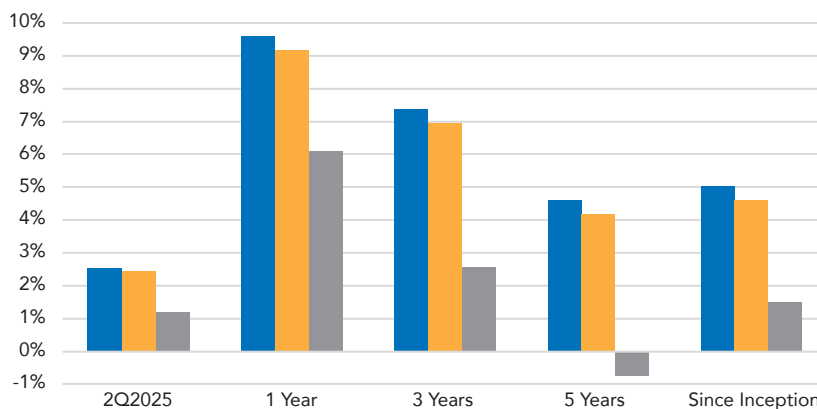
The Strategic Income strategy returned 2.53% gross and 2.43% net for the quarter, compared to 1.21% for the Bloomberg US Aggregate Index.

Sector allocation was the largest contributor to relative outperformance due primarily to the allocation to High Yield Corporates. The strategy added to the high yield sector in April following attractive relative value as spreads widened amid tariff announcements. In addition, overweight allocations to Investment Grade Corporates, Emerging Market Debt, and non-credit sectors also contributed to outperformance as markets recovered since the April trade disruptions.

Interest rate positioning contributed to relative performance versus the benchmark. Interest rates experienced volatility during the quarter as investors adjusted their expectations for future rate cuts, growth, and inflation. As a result, the strategy utilized tactical duration management which contributed to outperformance as the yield curve steepened over the quarter while the 10-year Treasury was unchanged.

Security selection was a modest detractor from relative outperformance due to underperformance in securitized assets. Within securitized, non-agency CMBS was the primary cause of underperformance as the sector continues to experience bifurcated outcomes.

### Trailing Total Returns (as of June 30, 2025)



|                          | 2Q2025 | 1 Year | 3 Years | 5 Years | Since Inception |
|--------------------------|--------|--------|---------|---------|-----------------|
| Strategic Income (Gross) | 2.53   | 9.60   | 7.37    | 4.61    | 5.03            |
| Strategic Income (Net)   | 2.43   | 9.17   | 6.95    | 4.20    | 4.61            |
| Bloomberg US Aggregate   | 1.21   | 6.08   | 2.55    | -0.73   | 1.50            |

Inception date: 07/01/2017. Source: Fort Washington. Past performance is not indicative of future results. This supplemental information complements the Strategic Income GIPS Report.

Inception Date: 07/01/2017

Total Strategy Assets: \$1.3 billion

Total Fixed Income Assets: \$63.2 billion

Style: Multi-Sector Bond, Income

### Flexibility

Max 50% Non-Investment Grade

### Premium Yield

5.8% Yield

A3/Baa1 Average Credit Quality

### Diversified Returns

0.74 correlation to the Bloomberg US Aggregate Bond Index since inception\*

### High Conviction

125 - 175 issuers

### Experienced Team

34 Investment Professionals

Lead PMs Average:

27 Years Industry Experience

21 Years With the Firm

\*Source: Fort Washington, Nasdaq eVestment. Strategy Inception date is 07/01/2017.

### PEER GROUP PERFORMANCE

|                 | Percentile Rank <sup>1</sup> |
|-----------------|------------------------------|
| 2Q2025          | 41                           |
| 1 Year          | 22                           |
| 3 Years         | 31                           |
| 5 Years         | 15                           |
| Since Inception | 14                           |

Source: Nasdaq eVestment

<sup>1</sup>Peer ranks are percentile rankings versus the eVestment US Multi-Sector Fixed Income Universe based on net performance relative to peer group. Past performance is not indicative of future results.

## POSITIONING

**Risk budget:** The strategy is targeting a modest overweight to risk representing 40% of the risk budget.

Despite modestly cheaper valuations since the beginning of the year, current levels are still expensive relative to history. Incorporating our macroeconomic outlook and elevated uncertainty, portfolios are positioned with a modest overweight risk posture and an ability to add risk as opportunities arise.

**Sectors:** Sector positioning reflects current valuations, relative value, and opportunities within each sector. The strategy's notable change to sector allocations was the increase to High Yield Corporates in April, and subsequent reduction in Treasuries. Other sector allocations were mostly unchanged during the quarter and primary risk exposures include:

- ▶ Exposure to Investment Grade Credit was maintained over the quarter. The sector continues to favor positions lower in the capital structure within high quality financials and is selectively adding to bottom-up opportunities on attractive relative value, including targeting investments at the front and intermediate part of the curve.
- ▶ The allocation to Securitized Products was largely unchanged over the quarter. The team continues to favor non-agency exposure and is overweight risk within ABS, CLO, and CMBS.
- ▶ The portfolio maintained its exposure to Emerging Markets Debt which is toward the lower end of the strategy's historical range. The sector is primarily invested in where we see attractive bottom-up narratives within the below-investment grade segment. Latin America is the largest exposure within the sector.
- ▶ High Yield exposure was increased in April due to attractive relative value as spreads widened following tariff announcements. The High Yield allocation is broadly diversified by sector, favoring quality, and is positioned for an opportunity to add more risk at more attractive spreads.

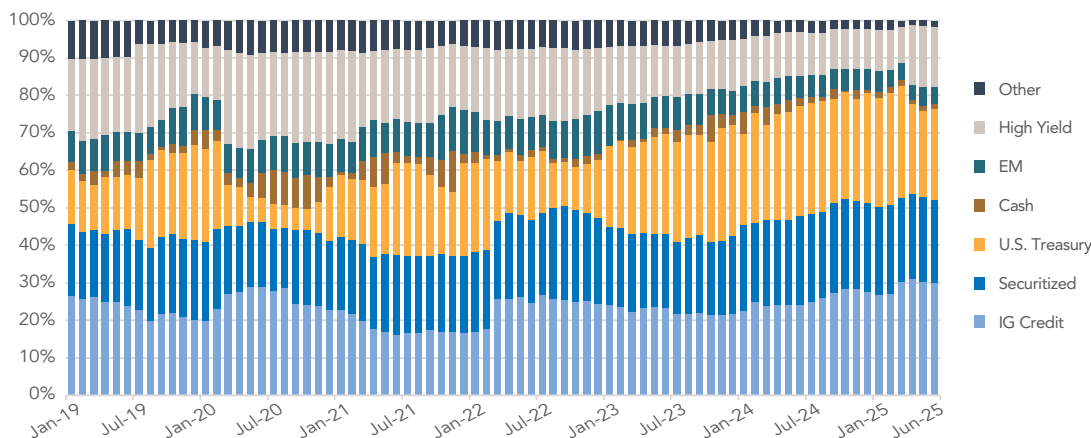
**Rates:** Duration was tactically adjusted during the quarter as rates fluctuated. The strategy began the quarter around a 5.4-year duration and ended at 4.8 years, averaging 5.4 years for the period. We are positioning portfolios within the current range of 4.75 to 5.25 years. The yield curve steepened marginally over the quarter and the strategy continues to target a generally neutral curve positioning. However, we expect further opportunities for tactical adjustments as volatility remains elevated and investors adjust their expectations for future rate cuts amid new economic data.

| Portfolio Characteristics          |         |
|------------------------------------|---------|
| Weighted Average Yield to Worst    | 5.8%    |
| Effective Duration (years)         | 4.9     |
| Total Strategy Assets              | \$1.3 B |
| Credit Quality (% of Fixed Income) |         |
| AAA                                | 5%      |
| AA                                 | 30%     |
| A                                  | 5%      |
| BBB                                | 35%     |
| BB                                 | 10%     |
| B                                  | 9%      |
| CCC and Below                      | 2%      |
| NR/Other                           | 2%      |
| Cash                               | 1%      |

| Sector Allocation     | Current | 3 Year Average | 3 Year High | 3 Year Low |
|-----------------------|---------|----------------|-------------|------------|
| Investment Grade Corp | 30%     | 25%            | 31%         | 21%        |
| High Yield Corp       | 16%     | 14%            | 19%         | 10%        |
| U.S. Treasuries       | 24%     | 25%            | 30%         | 11%        |
| Securitized           | 23%     | 22%            | 25%         | 19%        |
| ABS                   | 6%      | 6%             | 8%          | 3%         |
| CLO                   | 5%      | 6%             | 8%          | 2%         |
| CMBS                  | 7%      | 6%             | 8%          | 4%         |
| RMBS                  | 5%      | 4%             | 5%          | 2%         |
| Emerging Markets Debt | 5%      | 7%             | 12%         | 4%         |
| Other                 | 2%      | 5%             | 8%          | 1%         |
| Cash                  | 1%      | 2%             | 7%          | 0%         |

Source: Fort Washington and Bloomberg PORT. Past performance is not indicative of future results. Portfolio characteristics subject to change at any time without notice. This supplemental information complements the Strategic Income GIPS Report.

## FLEXIBLE APPROACH TO SECTOR ALLOCATIONS INCREASES ALPHA AND REDUCES RISK



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## MARKET OVERVIEW

Uncertainty that unsettled investors in Q1 extended into the second quarter. Escalating tariff policies peaked on April 2nd—dubbed “Liberation Day”—with the announcement of reciprocal tariffs on all trading partners. A reprieve followed a week later, which provided relief to markets and lowered the chances of an immediate growth shock. However, it did little to clarify the outlook for consumers and businesses regarding spending, capital expenditures, or hiring plans.

Despite softening sentiment, economic fundamentals remained resilient. Retail sales continued to grow, albeit with volatility driven by tariff-related front-running. The labor market remains largely balanced with the U.S. adding jobs and consumers experiencing real wage growth. However, a rising personal savings rate suggests consumers are preparing for potential policy shocks. Meanwhile, housing remains a persistent drag due to extremely challenging affordability as mortgage rates and home prices stay high.

Looking ahead, growth expectations for 2025 and 2026 have been revised downward due to continued uncertainty. Should this uncertainty persist, it may begin to reflect in weaker economic data. However, the recent passage of the reconciliation package—“One Big, Beautiful Bill”—is likely to provide a modest boost to economic activity in the short term, via extended tax cuts and incentives for capital expenditures through accelerated depreciation.

## WHAT DIFFERENTIATES STRATEGIC INCOME?

**Premium Yield.** Strategic Income has a yield well above the Bloomberg US Aggregate Bond Index as well as traditional fixed income strategies.<sup>2</sup>

**High Conviction Security Selection.** Bottom-up security selection in fixed income has proven to be a reliable source of alpha. Strategic Income is a portfolio of 125 – 175 issuers, focusing on the best ideas of our investment teams.

**Sector Diversification.** Non-traditional fixed income strategies often have large concentrations in a single sector, such as high yield or preferred securities. Strategic Income is broadly diversified by sector, resulting in multiple sources of return potential.

**Duration Management.** Unconstrained fixed income strategies take large, and sometimes negative, duration positions. Strategic Income uses duration as a risk mitigation tool, and seeks to avoid taking large duration positions due to the difficulty in predicting interest rates.

**Quality Bias.** Strategic Income has a top-quintile yield without taking excessive risks. The average credit quality of the holdings in the strategy is Investment Grade rated, while the average credit quality of most portfolios in the peer group is rated as High Yield.

## WHY INVEST IN THE STRATEGY?

**Flexibility.** Having the flexibility to react to market dislocations in a timely manner can be a benefit of non-traditional fixed income approaches such as Strategic Income.

**Enhanced Return.** Multi-Sector bond strategies have outperformed traditional strategies over the past 1, 3, 5, and 10 year periods<sup>2</sup> with only a moderate increase in risk.

**Higher Yield.** For investors looking for increased yield, Strategic Income, on average, is likely to provide a yield in excess of the Bloomberg US Aggregate Bond Index by 2%,<sup>3</sup> higher than most traditional strategies.

**Expanded Opportunity Set.** Traditional strategies are largely invested in sectors and securities that are represented in common market indices. Strategic Income goes beyond common market indices into areas that may be less trafficked, providing more opportunities for alpha.

**Portfolio Diversification.** Traditional strategies are often invested in the major index sectors of Investment Grade Corporates, Securitized, and Government Securities. Strategic Income provides dedicated exposure to diversifying fixed income asset classes with low correlation to traditional fixed income strategies.

<sup>2</sup> Source: eVestment US Multi-Sector Fixed Income Universe and eVestment US Core Plus Fixed Income Universe as of 06/30/2025.

<sup>3</sup> Source: Bloomberg, Fort Washington.

## STRATEGIC INCOME COMPOSITE GIPS REPORT

|                                                                                 | 2Q2025    | 2024      | 2023     | 2022     | 2021      | 2020     | 2019     | 2018     | 2017 <sup>1</sup> |
|---------------------------------------------------------------------------------|-----------|-----------|----------|----------|-----------|----------|----------|----------|-------------------|
| Strategic Income (Gross)                                                        | 2.53%     | 7.28%     | 8.64%    | -9.86%   | 3.24%     | 10.72%   | 12.84%   | 0.49%    | 3.10%             |
| Strategic Income (Net)                                                          | 2.43%     | 6.85%     | 8.21%    | -10.22%  | 2.83%     | 10.28%   | 12.39%   | 0.09%    | 2.90%             |
| Bloomberg US Aggregate Bond Index                                               | 1.21%     | 1.25%     | 5.53%    | -13.01%  | -1.54%    | 7.51%    | 8.72%    | 0.01%    | 1.24%             |
| Strategic Income 3-Year Annual Standard Deviation <sup>2</sup>                  | -         | 7.48%     | 6.96%    | 8.41%    | 6.68%     | 6.87%    | -        | -        | -                 |
| Bloomberg US Aggregate Bond Index 3-Year Annual Standard Deviation <sup>2</sup> | -         | 7.72%     | 7.14%    | 5.77%    | 3.35%     | 3.36%    | -        | -        | -                 |
| Dispersion <sup>3</sup>                                                         | 0.11%     | 1.05%     | -        | -        | -         | -        | -        | -        | -                 |
| Number of Accounts                                                              | 6         | 6         | ≤5       | ≤5       | ≤5        | ≤5       | ≤5       | ≤5       | ≤5                |
| Composite Assets (\$ Millions) <sup>4</sup>                                     | \$1,325.8 | \$1,211.6 | \$879.5  | \$604.8  | \$1,060.4 | \$385.6  | \$285.5  | \$57.5   | \$51.1            |
| Total Firm Assets (\$ Millions)                                                 | \$84,969  | \$81,286  | \$74,613 | \$66,365 | \$73,804  | \$65,086 | \$59,174 | \$49,225 | \$52,774          |

Composite inception and creation date: 07/01/2017. <sup>1</sup>2017 returns are partial-year returns, reflecting the composite inception date of 07/01/2017. <sup>2</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>3</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 quarterly gross-of-fee returns for those portfolios held in the composite during the full measurement period. Past performance is not indicative of future results. <sup>4</sup>The change in composite assets from 2021 to 2022 was the result of two accounts dropping below the \$100 million strategy minimum. The accounts continued to be managed in the style of the Strategic Income strategy and were returned to the composite in 2023 when their asset values once again exceeded the minimum threshold. The benchmark for this composite is the Bloomberg US Aggregate Bond Index. The Bloomberg US Aggregate Bond Index is a market capitalization-weighted index that measures the performance of the U.S. dollar-denominated, fixed-rate, taxable bond market. The index includes investment grade securities such as U.S. Treasuries, government-related and corporate bonds, mortgage-backed securities, asset-backed securities, and commercial mortgage-backed securities. The index accounts for interest payments by incorporating them into the total return calculation. The Strategic Income strategy employs a high conviction, yield oriented investment approach coupled with sector diversification and diligent risk management resulting in attractive risk adjusted returns via high levels of income. The primary objective of Strategic Income is to produce a high level of current income with a secondary objective of capital appreciation. The strategy will invest in public fixed income, private fixed income, common stock and derivatives. The strategy will incorporate the best investment ideas available to Fort Washington, exploiting Fort Washington's core competencies of bottom-up credit and structure analysis. Risk monitoring, performance measurement, and active management is a key component to achieving attractive risk adjusted returns. All fee-paying, fully discretionary portfolios managed in the Strategic Income style, with a minimum of \$100 million under our management, are included in this composite. The strategy's fee schedule is 0.40% for separate accounts. 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 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 returns reflect the portfolio's gross returns with the deduction of expenses and other costs associated with the management of the investments in the portfolio as well as the deduction of the highest advertised fee rate for the applicable strategy shown. Individual portfolio returns are calculated on a daily valuation basis. Fort Washington Investment Advisors, Inc. 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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 DISCLOSURE

The Strategic 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 mortgage-backed securities and asset-backed securities which are subject to the risks of prepayment, defaults, changing interest rates and at times, the financial condition of the issuer. The strategy invests in equities which are subject to market volatility and loss. The strategy invests in preferred stocks which are relegated below bonds for payment should the issuer be liquidated. 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 invests in derivatives such as futures contracts. 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 mortgage dollar rolls which involve increased risk and volatility, as the securities the strategy is required to repurchase may be worth less than the securities that the strategy originally held.

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