



**Fort Washington
Investment Advisors, Inc.**

A member of Western & Southern Financial Group

▼ *Uncompromised Focus®*

FORT WASHINGTON SECURITIZED TOTAL RETURN — 4Q2023

HIGHLIGHTS

- ▶ The Securitized Total Return strategy focuses on moderate risk/return opportunities in securitized products with a focus on providing a higher quality, lower volatility replacement for Investment Grade bonds.
- ▶ The Fort Washington Securitized Total Return Composite returned 6.28% (net) during the fourth quarter, compared to 7.48% for the Bloomberg US MBS Index. For the year, the Composite returned 5.85% (net) versus the Index at 5.05%.
- ▶ The resilience of the U.S. economy persisted during the fourth quarter and the Fed pivoted to a softer stance on monetary policy, increasing the possibility of a soft landing. The Fed remained on hold during the quarter at a funds rate of 5.25-5.50% and signaled potential cuts in 2024. Treasury rates fell by 25-75 basis points across the curve as markets began pricing in rate cuts as soon as March.
- ▶ Spreads across all securitized products moved sharply tighter into year end, with Agency MBS leading the way. Distressed CMBS prices began to firm during the quarter.
- ▶ Compensation for risk is attractive at current levels but not without doing upfront credit work. Strong carry persists given where Securitized Overnight Financing Rate and Treasury rates are currently, along with spreads that are still wider than normal across securitized products.

INVESTMENT PROFESSIONALS

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Senior Portfolio Manager
31 Years Experience

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25 Years Experience

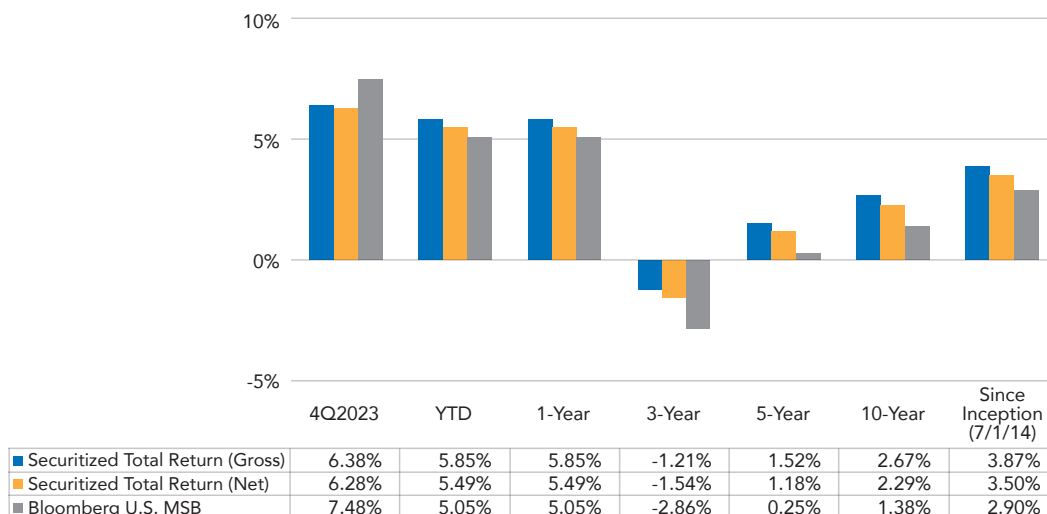
Laura L. Mayfield

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18 Years Experience

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7 Years Experience

Annualized Total Returns as of December 31, 2023



Source: Fort Washington Investment Advisors, an investment advisor registered with the U.S. Securities and Exchange Commission. Past performance is not indicative of future results. This supplemental information complements the Securitized Total Return GIPS Report.

Portfolio Characteristics and Sector Allocation

	MV %	Cpn	YTW	OAS	OAD	OASD	DTS	Contr. to DTS	Avg. Rating
Bloomberg US MBS Index Statistics Index	100	3.1	4.7	47	5.9	5.6	3.2	3.2	AA+
Securitized Total Return Comp	100	3.4	5.9	163	5.9	5.1	7.3	7.3	AA
ABS	9	3.3	6.5	247	3.6	3.7	8.7	0.8	BBB
CLO	4	6.8	7.5	221	1.1	4.3	9.5	0.4	AA-
CMBS	16	3.9	8.9	415	2.1	2.4	8.0	1.3	AA-
RMBS	64	3.2	5.1	103	6.9	6.6	7.1	4.5	AA+
US Government	5	2.7	4.0	-	14.3	-	5.3	0.3	AA+
IG Credit	0	3.5	4.1	29	10.6	10.7	3.7	-	AAA
Cash	2	-	5.3	-	-	-	-	-	AAA

Source: Fort Washington. Data as of 12/31/2023. Portfolio characteristics are as of the reported date and are subject to change without notice. Past performance is not indicative of future results. This supplemental information complements the Securitized Total Return GIPS Report.

MARKET COMMENTARY

The U.S. economy continues to remain resilient, despite withstanding higher interest rates for a longer period. Unemployment remains low at 3.7%, with nonfarm payrolls still seeing increases of 175-200k per month. However, the labor market has started to see better balance with slower growth and increased layoffs. Consumer spending is still well supported by lower unemployment and elevated wages, but we are starting to see more cracks in the lowest income cohorts. Business spending has been on the sluggish side as companies look to reduce costs to preserve margins. Lending on both the business and consumer side remains toward the tighter end, but there are signs of loosening as we are possibly at the high end of Fed Funds.

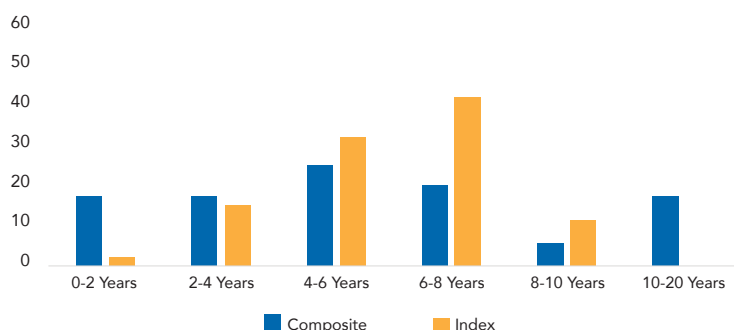
After a prolonged tightening period, the Federal Reserve did not raise rates this quarter. Fed Funds held at the 5.25-5.50% level as inflation has come down closer to the Fed's 2% target. Shelter inflation still remains high but is trending towards pre-COVID levels. The Fed dot plots from the December meeting have changed from the end of Q3 with the Fed seeing the funds rate at 4.625% by the end of 2024. The biggest question will be the timing of those cuts over the course of the year.

Given the change in tone from the Fed and improving inflation data, interest rates dropped 25-75bps across the curve during the quarter but with extreme volatility. The month of October saw the 10-year U.S. Treasury rise to over 5.00%, but November was a complete about face as rates rallied across the curve with 6 month to 2-year U.S. Treasuries down 20-40bps and longer-end Treasuries down 60bps. December continued to see rates rally with the 2-year to 10-year Treasuries down 40bps on average.

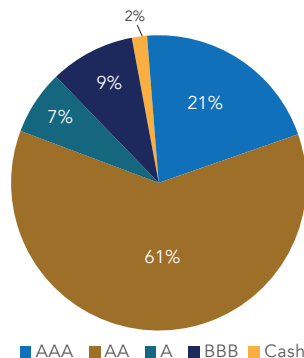
Given the move and stabilization in interest rates, both equity markets and credit spreads rallied. The S&P 500 finished 2023 with more than a 24% return and a gain of over 11% for the 4th quarter alone. The strong rally in Agency MBS started in November and continued alongside all securitized products. Corporate credit continued its tightening as the 4th quarter proved to be one of the better quarters for risk across all asset classes.

Higher rates caused a drag for securitized products spreads in October with stress across most sectors, but as economic and inflation data turned in early November, spreads took a dramatic turn tighter. By the end of the quarter, there was strong demand across all subsectors of the securitized world. Even commercial real estate saw interest across the capital stack with improving bids and anticipation that we have possibly reached stabilization, although there are still many issues out there.

Duration Distribution



Credit Quality



Source: Fort Washington. Characteristics are subject to change without notice. This supplemental information complements the Securitized Total Return GIPS Report.

PORTFOLIO REVIEW

The Fort Washington Securitized Total Return Composite returned 6.28% (net) during the fourth quarter, compared to 7.48% for the Bloomberg US MBS Index. For the year, the Composite returned 5.85% (net) versus the Index at 5.05%. The composite underperformed during the quarter largely due to a 60% underweight to Agency MBS compared to the Index. The Bloomberg U.S. MBS Index, which is 100% Agency MBS, saw the third best quarter relative to U.S. Treasuries since its inception in 1988. Our composite strategically overweights private-label sectors (Non-Agency RMBS, CMBS, ABS, and CLO's); while those sectors also had strong quarters and a carry advantage versus the Index, they could not keep pace with Agency MBS.

In addition to the underperformance in private-label securities, interest rate risk positioning was also a negative. The composite was modestly short duration versus the Index, but suffered negative curve effects due to the outsized rally in U.S. Treasury rates.

PORTFOLIO ACTIVITY

Sector allocations remained roughly unchanged during the quarter. Trading activity consisted of purchases of discount dollar price AAA-rated Non-Agency RMBS and 12-year duration Agency CMOs to reduce the duration gap between the portfolio and Index early in the quarter, before the large rally in rates.

Overall credit quality improved due to the additions of government securities and AAA RMBS, which remained roughly neutral. Credit quality is high at an average rating of AA. After the rally, duration stood at 5.9 years, neutral compared to the Index.

OUTLOOK

While the U.S. economy has remained resilient to the Fed's rate hikes so far, we are cautious about the potential downside recession risk stemming from the Fed's hawkish determination to bring inflation down to its 2% target rate. In the rising rate environment of the past year and a half, we have outperformed the benchmark significantly. We are actively monitoring rates and look to maintain a neutral interest rate risk position. The portfolio currently contains some exposure to commercial real estate. While we like our current exposure, we are closely monitoring it due to the risks associated with the sector.

With the Fed signaling an end to rate hikes and a possible pivot, securitized products markets will remain very competitive as investors look to lock in both attractive rates and spreads. Although we do not see a significant reallocation across the portfolio, we do think there will be opportunities that continue to present themselves in the securitized space. These opportunities will require stringent credit work and ongoing monitoring.

COMPOSITE PERFORMANCE DISCLOSURES

	4Q2023	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Securitized Total Return (Gross)	6.38%	5.85%	-9.28%	0.40%	4.83%	6.71%	2.06%	3.43%	3.24%	3.66%	6.88%	-0.28%
Securitized Total Return (Net)	6.29%	5.49%	-9.58%	0.06%	4.49%	6.34%	1.65%	3.02%	2.82%	3.23%	6.42%	-0.73%
Bloomberg Mortgage	7.48%	5.05%	-11.81%	-1.04%	3.87%	6.35%	0.99%	2.47%	1.67%	1.51%	6.08%	-1.41%
Securitized Total Return 3-Year Annual Standard Deviation ¹	--	5.97%	4.81%	3.10%	3.28%	1.94%	1.83%	1.54%	1.90%	2.15%	2.15%	1.94%
Bloomberg Mortgage 3-Year Annual Standard Deviation ¹	--	7.66%	5.62%	1.71%	2.17%	2.15%	2.26%	1.75%	2.11%	2.31%	2.22%	2.05%
Dispersion ²	--	--	--	--	--	--	--	--	--	--	--	--
Number of Accounts	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5
Composite Assets (\$ millions)	\$347.7	\$347.7	\$328.4	\$380.0	\$367.9	\$398.3	\$234.7	\$230.0	\$149.5	\$105.8	\$102.1	\$95.6
Total Firm Assets (\$ millions)	\$74,613	\$74,613	\$66,365	\$73,804	\$65,086	\$59,174	\$49,225	\$52,774	\$45,656	\$42,959	\$45,002	\$43,671

Composite inception date: 12/31/04. Composite creation date: 01/01/05. ¹The 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. ²Dispersion 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. Past performance is not indicative of future results.

Fort Washington's Securitized Total Return (formerly known as Mortgage Total Return) strategy seeks to achieve superior return on mortgage-related investments by investing in both index and non-index securities and employing an active intra-sector relative value framework. Typical securities utilized include agency mortgage-backed securities, private label mortgage-backed securities, asset backed securities, commercial mortgage-backed securities, agency debentures, Treasuries and cash securities. Portfolio duration will target +/- 1 year relative to the duration of the Bloomberg Barclays Mortgage Index. Average quality to be investment grade. All fee-paying, fully discretionary, non-restricted portfolios managed in the Securitized Total Return style, with a minimum of \$15 million under our management, are included in this composite. Effective 01/22/14, the Securitized Total Return fee is 0.30% on the first \$25 million and 0.25% on additional amounts over \$25 million. The benchmark for this composite is the Bloomberg Mortgage Index. This benchmark return includes interest income, but as an unmanaged fixed income index, it does not include transaction fees (brokerage commissions), and no direct comparison is possible. This benchmark is a broad-based measure of the performance of the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA) and Freddie Mac (FHLMC) within the Bloomberg Aggregate. Portfolios in this composite include agency mortgage-backed securities, private label mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, agency debentures, Treasuries and cash securities. 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. Prior to 01/01/97, individual portfolio returns were calculated on a monthly basis using a time-weighted return method. 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 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

The Fort Washington Securitized Total Return strategy invests primarily in securitized asset instruments, including mortgage-backed securities, asset-backed securities and other securities. The market prices of securities may go up or down, sometimes rapidly or unpredictably, due to general market conditions, such as real or perceived adverse economic, political, or regulatory conditions, recessions, inflation, changes in interest or currency rates, lack of liquidity in the bond markets, or adverse investor sentiment. Investments in the strategy are subject to possible loss due to the financial failure of issuers of underlying securities and their inability to meet their debt obligations. When interest rates rise, the prices of fixed-income securities in the strategy will generally fall. Conversely, when interest rates fall, the prices of fixed-income securities in the strategy will generally rise. The value of mortgage-related and asset backed securities will be influenced by factors affecting the real estate market and the assets underlying those securities. These securities are also subject to prepayment and extension risks and risk of default.

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