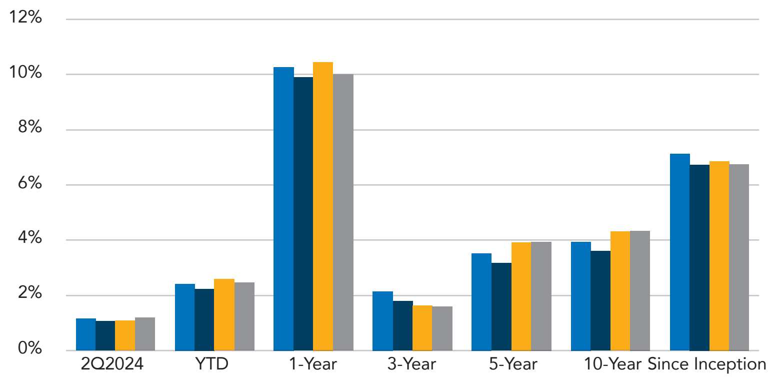
Fort Washington Investment Advisors, Inc.
A member of Western & Southern Financial Group
Uncompromised Focus®

FORT WASHINGTON HIGH YIELD FIXED INCOME — 2Q2024

HIGHLIGHTS

- The first half of 2024 closed with a firm tone as inflation concerns moderated throughout the second quarter. A strong April inflation print was followed by two light readings. Market sentiment shifted in May as Federal Reserve Chair Jerome Powell stated that the next policy move is unlikely to be a hike, calming concerns over further restrictive policy. This commentary powered the S&P 500 (+4.3%) and NASDAQ (+8.4%) to all-time highs with the Magnificent 7 (+16.9%) providing material support.
- Our core strategy returned (+1.14%/+1.06%) on a gross/net basis or +5bps gross to the index return. Sector allocation (+13bps) drove outperformance. Materially positive allocation was driven by a lack of exposure to Wirelines, the worst sector performer in the quarter. Limited exposure to leading sector Pharmaceuticals, dominated by CC/CCC-rated Bausch Health (+18.3%), was a notable offset. Security selection hampered performance, particularly due to a lack of exposure to the aforementioned Bausch Health. In addition, holdings affected by cord-cutting including Altice USA and EW Scripps negatively impacted results. Positive selection contributors included unowned issuers such as iHeartMedia and several in Wirelines as well as two long duration holdings, Algonquin Power & Utilities and Textron, a diversified industrial.
- Risk asset returns were largely positive, but higher risk asset classes (small caps and CCCs) performed poorly. Equity market breadth is poor and economic surprises trended to the negative. Nevertheless, AI-related equities powered higher and higher quality High Yield overcame historically tight spreads, as nominal yields remain attractive.

Annualized Total Returns as of June 30, 2024



	2Q2024	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
High Yield (Gross)	1.14	2.42	10.28	2.14	3.52	3.94	7.12
High Yield (Net)	1.06	2.24	9.90	1.79	3.17	3.61	6.72
Bloomberg U.S. Corporate High Yield	1.09	2.58	10.44	1.64	3.92	4.31	6.86
Bloomberg U.S. HY BA/B 2% Issuer Cap	1.19	2.46	10.01	1.60	3.93	4.34	6.75

Inception Date: 07/01/1994. Past performance is not indicative of future results. This supplemental information complements the High Yield GIPS Report.

Top Issuer Attribution

	Attr	Rel Wgt
Brightspeed	0.05	-0.07
iHeart Communications	0.04	-0.15
Level 3 Communications	0.04	-0.47
Uniti Group	0.03	-0.36
MultiPlan	0.03	-0.11

Bottom Issuer Attribution

	Attr	Rel Wgt
Bausch Health	-0.11	-0.73
Altice USA	-0.09	0.23
E.W. Scripps	-0.04	0.12
Carvana Co	-0.04	-0.35
QVC	-0.03	0.34

INVESTMENT PROFESSIONALS

Garrick T. Bauer, CFA
Portfolio Manager
27 Years Experience

Timothy J. Jossart, CFA
Portfolio Manager
31 Years Experience

Casey A. Basil
Senior Credit Analyst
22 Years Experience

Patrick L. Burleson, CFA
Assistant Portfolio Manager
Senior Credit Analyst
17 Years Experience

Bernard M. Casey, CFA
Portfolio Manager
32 Years Experience

Amy W. Eddy
Senior Credit Analyst
24 Years Experience

Breen T. Murphy, CFA
Portfolio Manager
16 Years Experience

Nicholas G. Trivett, CFA
Senior Credit Analyst
15 Years Experience

Jon P. Westerman, CFA
Portfolio Manager
19 Years Experience

Matthew J. Jackson, CFA
Assistant Portfolio Manager
Senior Leveraged Credit Trader
15 Years Experience

Brooks K. Wilhelm, CFA
Assistant Portfolio Manager
Senior Credit Analyst
14 Years Experience

Satya N. Ghanta
Credit Analyst
10 Years Experience

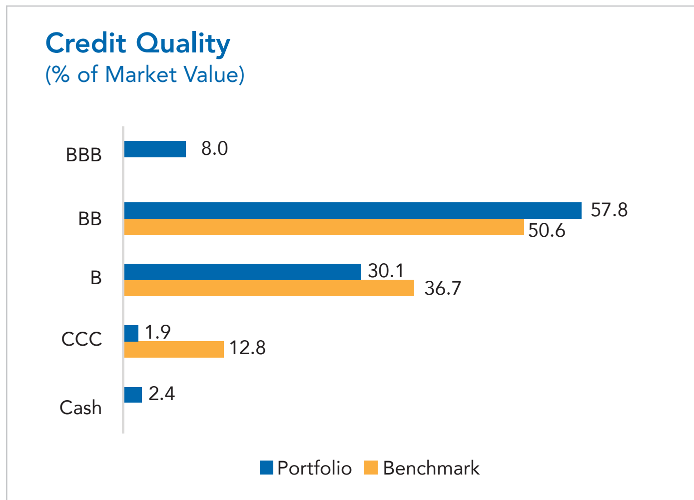
Source: Fort Washington Investment Advisors, an investment advisor registered with the U.S. Securities and Exchange Commission. Past performance is not indicative of future results. Quality and sector distribution as well as portfolio attribution and allocation is subject to change at any time.

MARKET OVERVIEW

- The powerful risk asset rally that began in 4Q23 marched onward, though on narrowing strength as investors showed increasing discretion. Since late March, the S&P 500 has generated robust returns, but the equal weighted S&P 500 is down as are small caps. Similarly, in High Yield, lower quality issuers lagged in spite of a significant carry advantage. In fits and starts, disinflation remains the trend likely nudging the Federal Reserve closer to the first rate cut. Large cap earnings estimates (rate hike and AI beneficiaries) are stable to rising while small cap estimates have consistently been downgraded since mid-2022. High Yield issuers, akin to small caps, are seeing stable to weakening fundamentals. GDP growth in 1Q24 was disappointing for the first time since mid-2022 and was then revised down on lower consumer spending.
- Attractive nominal yields and a second half Treasury rally led higher quality High Yield to outperform. BBs (+1.3%) and Bs (+1.0%) set the pace while CCCs and below finished at +0.45%. Lower quality was impacted by weak fundamentals and a waning investor risk appetite. Strong technicals, little net supply and supportive yields, produced a slight spread tightening for the Ba/B index from already historically rich levels. Sector returns were broadly positive, but moderately so with the sole outlier being Pharmaceuticals (+9.4%) which is dominated by Bausch Health. In a recurring theme, secular headwinds and looming distressed debt exchanges characterized laggards including Wirelines, Office REITs, Media Entertainment and Cable Satellite.
- Issuers continued to take advantage of a supportive backdrop, raising over $75bn during the quarter and $160bn YTD, a 74% increase YoY. An emphasis on refinancing activity has resulted in net supply being only slightly positive YTD (+$35bn) after two consecutive years of negative net supply. Gross supply is expected to remain robust as high-quality issuers proactively address upcoming maturities. Bank of America notes that 2024-2026 maturities now total $152bn, a 26% reduction since May 2024. Default activity is elevated for a non-recessionary period. Little improvement is expected over the next 12 months as creditor groups have formed at no less than 10 issuers constituting approximately 2.6% of the asset class. In addition, CCC-rated borrowers are rarely being granted access to the new issue market.

Statistics

	Composite	Benchmark
Quality	BB-	B+
Coupon	5.77	6.29
Price	95.91	94.91
Duration	2.96	3.14
Current Yield	6.08	6.76
Yield to Worst	7.06	7.94
OAS	223	314
Number of Issues	282	1,935
Number of Issuers	181	899



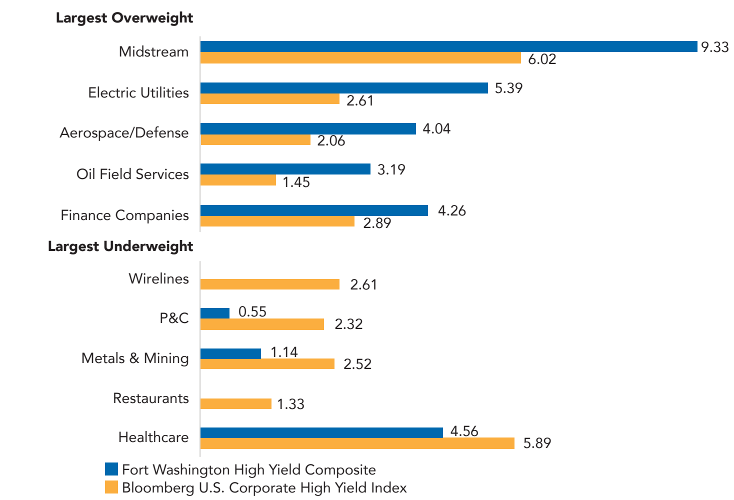
Source: Fort Washington Investment Advisors. Past performance is not indicative of future results. Quality and sector distribution as well as portfolio attribution and allocation is subject to change at any time. This supplemental information complements the High Yield GIPS Report.

PORTFOLIO ACTIVITY

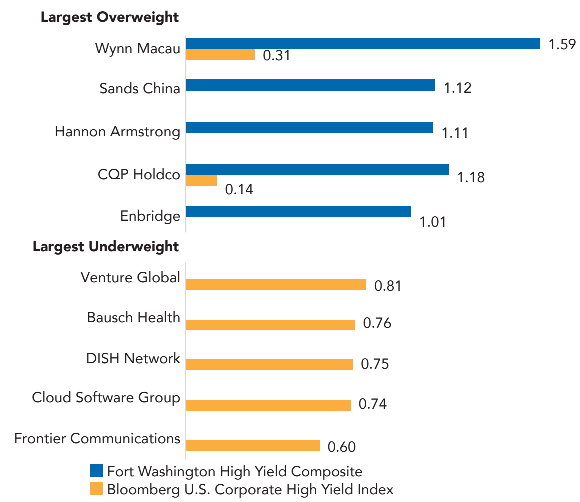
The word of the moment used to describe the consumer landscape is bifurcation. Lower income and subprime consumers are struggling economically in the face of elevated prices while upper income constituents are far better off financially than pre-COVID. An analogous condition exists between large and small companies. Profits at the largest firms are growing while smaller firms are seeing earnings estimates cut. The latter trend was likely a factor behind the poor performance generated by small caps (Russell 2000, -3.28%) and CCC and below issuers last quarter. As with consumers, the economy is fraying at the edges. GDP growth for the first quarter disappointed before being revised lower, and a wide variety of employment metrics showed weakness with temporary employment being particularly concerning. Admittedly, the glide path downward has been gradual. In addition, weaker employment and disinflation are opening the door to an initial rate cut. With spreads at historically tight levels and consumers weakening (70% of GDP), we believe it prudent to remain conservatively positioned and cautious. Purchase activity mirrored and, therefore, maintained current positioning. We have been active in the robust new issue market while proactively reducing riskier positions.

To broaden growth within the economy and reverse the financial trajectory of lower income consumers, powerful stimulus is needed. Rate cuts appear to be the most likely candidate as the budget deficit is now at what used to be a recessionary level and the consumer savings rate is already historically low. Whether rate cuts will be sufficient or not, High Yield investors priced in a Goldilocks scenario months ago. The only change to our outlook factors is an upgrade of rates to positive as weakening employment and inflation progress are highly likely to cause the initiation of a rate cutting cycle. Our overall outlook is unchanged at "slightly negative" and positioning is anchored at the lower end of our risk range.

Largest Sector Exposures
(% of Market Value)



Largest Issuer Exposures
(% of Market Value)



Source: Fort Washington and PORT. Holding allocations are subject to change. Weights shown are subject to rounding. This supplemental information complements the High Yield GIPS Report. This should not be construed as investment advice or a recommendation of any particular security, strategy, or investment product.

OUTLOOK

Factor	Outlook	Comments
Economy	Neutral ◀▶	• GDP grew 1.4% in 1Q24; down from 3.4% growth in 4Q23 and down from 2.2% in the year ago period; expectations for 2Q are for growth of 2.9%. GDP growth expectations have been revised higher for 2024 at 2.3%; up from 1.3% at the start of the year . • Employment remains healthy with good payroll numbers, low unemployment (4.0%) and wage growth (4-5%); albeit at a slower pace. • Consumer confidence and sentiment are stable on labor market strength; core inflation is slowly improving; headline remains above target with service components elevated. Business confidence shows caution with most ISM numbers around 50; service components had been above 50 but recently broke below.
Financial Conditions	Neutral ◀▶	• Financial conditions stayed essentially flat in the quarter with the Senior Loan Officer Survey showing 15.6% tightening (slightly up from 14.5% but down from 51% and then 34%). Aggregate conditions remain restrictive; however, conditions have materially improved over the last several quarters. • The Fed has held rates steady since last summer and awaits more data on inflation before making any moves. Market expectations have shifted from pricing in 5-6 cuts in 2024 to now pricing in 2 cuts; beginning as early as September. • Credit spreads for BBB Industrials and High Yield were slightly wider in the quarter; all-in High Yield yield was 7.91%.
Rates	Positive ▲	• The U.S. 10 year Treasury widened overall in 2Q as April inflation came in above expectations, pushing yields to 4.7%. However, in May, the Fed signaled their next policy move is unlikely to be a hike, and coupled with disinflationary prints in May and June, helped calm market fears of further restrictive policy. UST10 ended a volatile 2Q at 4.39%; +19bps on the quarter. • Ten year TIPS breakevens are trading near 2.29%; real yields are +208bps. • U.S. rates remain in line to higher than many other developed market levels; making them attractive in a global context and leading to significant strength in the dollar.
Fundamentals	Slightly Negative ◀▶	• Revenue growth has stalled with top line results showing -0.7% qoq and -0.4% yoy; EBITDA was -2.6% qoq but up slightly +0.2% yoy. • HY Issuer gross leverage was down qoq to 4.3x and interest coverage declined slightly to 4.4x; the 5th quarter in a row of declining interest coverage. In the Leveraged Loan market, Issuers have gross leverage of 5.5x and interest coverage of 2.1x. Bond issuance for the quarter was $77.6B in 2Q24 vs $82.6B in 1Q24 and $52.2B in 2Q23. • Defaults ended May at 3.56%; down from 3.84% at December end and up meaningfully from 2.22% one year ago. We expect default rates to modestly increase over the next several quarters as higher rates and lower growth become meaningful headwinds to leveraged balance sheets. Liability management exercises and distressed exchanges are becoming pervasive in lieu of traditional defaults.
Valuation/ Spreads	Slightly Negative ◀▶	• High Yield spreads widened +10bps and ended the quarter at +309bps (13th percentile). BBs tightened -7bps (5th), Bs widened +13bps (6th), and CCCs widened +91bps (53rd). • Aggregate yields at June end were 7.91%; wider 25bps in the quarter with both spreads and Treasury yields widening out in the quarter. Dollar price was $94.91. • Unlike in Q1 where CCCs outperformed, Q2 saw CCC rated bonds underperform BB/B rated peers as spread widening in lower quality issuers more than offset the additional carry and lower duration.
Outlook & Positioning	Slightly Negative ◀▶	• We are holding our opinion on High Yield at Slightly Negative due to financial conditions, declining company fundamentals, and tight spreads; partially offset by attractive all-in yields. • We expect defaults to modestly increase over current levels; however, we also anticipate bond defaults to be lower than previous cycles as the quality of High Yield is higher than historic periods. We expect spreads to widen as the economy slows and unemployment increases while recognizing that overall yields at current levels are attractive in a longer-term context. • Portfolio activity is being focused towards maintaining a higher quality bias while maximizing income and a preference for less cyclical exposure. We will look to maintain risk near current levels; relying on credit selection in this uncertain risk environment.

Source: Fort Washington. The above outlook reflects subjective judgments and assumptions; subject to change at any time. Unexpected events may occur and there can be no assurance that developments will transpire as forecast. This is for informational purposes only and should not be construed as investment advice or a recommendation of any particular security, strategy, or investment product. Past performance is not indicative of future results. Fort Washington rankings of Bloomberg Barclays U.S. Corporate HY Index statistics for quarter, against Index history.

COMPOSITE PERFORMANCE DISCLOSURES

	2Q2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
High Yield Fixed Income (Gross)	1.14%	13.36%	-10.02%	4.97%	4.55%	15.30%	-1.94%	7.75%	12.84%	-3.82%	2.50%
High Yield Fixed Income (Net)	1.06%	12.97%	-10.33%	4.60%	4.19%	14.93%	-2.24%	7.44%	12.52%	-4.09%	2.23%
ML-Bloomberg Linked Benchmark[1]	1.09%	13.44%	-11.19%	5.28%	7.11%	14.32%	-2.08%	7.50%	17.13%	-4.55%	2.45%
High Yield Fixed Income 3-Year Annual Standard Deviation[2]	--	8.73%	11.24%	8.96%	9.11%	4.02%	4.01%	5.32%	5.82%	5.59%	4.53%
ML-Bloomberg Linked 3-Year Annual Standard Deviation[2]	--	8.24%	10.97%	9.00%	9.24%	4.02%	4.62%	5.59%	6.01%	5.27%	4.42%
Dispersion[3]	0.05%	0.12%	0.23%	0.19%	0.62%	0.13%	0.07%	0.24%	0.40%	0.75%	0.15%
Number of Accounts	8	8	9	9	9	10	11	15	18	20	21
Composite Assets ($ Millions)	$1,601.7	$1,603.6	$1,532.8	$1,746.8	$1,791.3	$1,897.5	$2,085.3	$2,916.2	$3,287.2	$3,474.8	$3,868.0
Total Firm Assets ($ millions)	$76,856	$74,613	$66,365	$73,804	$65,086	$59,174	$49,225	$52,774	$45,656	$42,959	$45,002

Composite inception and creation date: 07/01/1994. [1]Effective 01/01/2016, the benchmark for this composite is the Bloomberg US Corporate High Yield Index. Prior to 01/01/2016, the benchmark for this composite was the Merrill Lynch U.S. Cash Pay High Yield. Given the strong similarity between the benchmarks, the change was made to enhance portfolio analysis capabilities. [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. Past performance is not indicative of future results.

Fort Washington's High Yield strategy seeks to outperform over a full market cycle (typically 3-5 years) by protecting principal in periods of market decline while providing a stable base of income across all periods. The focus is on the higher-quality credits exhibiting lower default risk and mature sectors that can be expected to weather a full market cycle. All fee-paying fully discretionary portfolios managed in the High Yield Fixed Income style, with a minimum of $20 million under our management, are included in this composite. Effective 01/22/2014, the High Yield Fixed Income fee is 0.50% for the first $100 million and 0.45% on additional amounts over for separate accounts. The benchmark for this composite is the Bloomberg US Corporate High Yield Index. 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 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. Fort Washington has been independently verified for the periods 7/1/94 - 12/31/22. 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. 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 DISCLOSURES

The High Yield Fixed 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 High Yield Fixed Income 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 High Yield Fixed Income 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.

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