



FORT WASHINGTON STRUCTURED OPPORTUNITIES — 1Q2024

HIGHLIGHTS

- ▶ The Fort Washington Structured Opportunities strategy focuses on moderate to high risk/return opportunities in securitized products with an emphasis on providing higher-quality, lower-volatility replacement for High Yield Corporate bonds.
- ▶ The Fort Washington Structured Opportunities Composite finished the quarter at 1.73% (net), outperforming the Bloomberg U.S. MBS Index by 277 basis points. For the trailing 12 months, the Composite returned 4.76% (net) versus the index return of 1.38%.
- ▶ Solid job growth and spending, as well as stubbornly high inflation, appear ready to test the Fed on their expectations for rate cuts this year. The Fed maintained the funds rate of 5.25-5.50% during the quarter. However, markets are increasingly anticipating a prolonged period of higher rates. Interest rates across the yield curve rose 30-40bps against this backdrop.
- ▶ Spreads across all securitized products moved sharply tighter during the quarter, with Agency MBS spreads flat. Distressed CMBS prices began to firm up during the quarter.
- ▶ Compensation for risk is fair at current levels but still offers upside due to supportive fundamentals. Elevated carry persists given the current Securitized Overnight Financing and Treasury rates, along with spreads that are near long-term median levels across securitized products.

INVESTMENT PROFESSIONALS

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Senior Portfolio Manager
32 Years Experience

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Vice President
Senior Portfolio Manager
26 Years Experience

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25 Years Experience

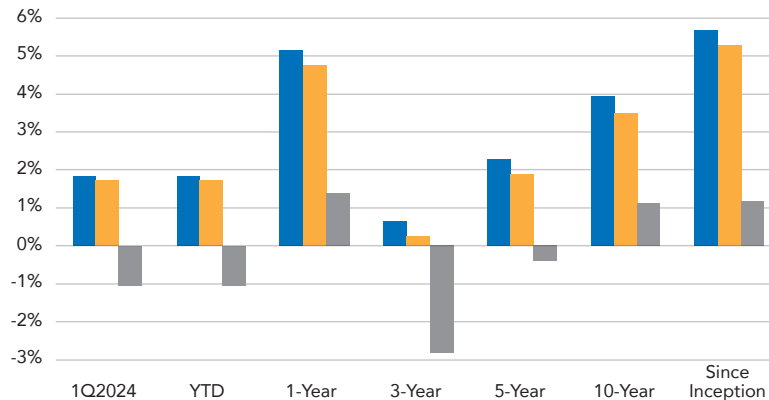
Laura L. Mayfield

Assistant Vice President
Senior Portfolio Manager
19 Years Experience

Dimitar T. Kamacharov, CFA

Assistant Portfolio Manager
10 Years Experience

Annualized Total Returns as of March 31, 2024



	1Q2024	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception
Structured Opportunities (Gross) (%)	1.83	1.83	5.17	0.66	2.30	3.93	5.69
Structured Opportunities (Net) (%)	1.73	1.73	4.76	0.26	1.88	3.51	5.28
Bloomberg U.S. MBS (%)	-1.04	-1.04	1.39	-2.83	-0.38	1.12	1.18

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 Structured Opportunities 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	3.2	5.0	49	6.1	5.6	3.2	3.2	AA+
Structured Opportunities Comp	100	4.8	8.4	347	2.5	3.2	10.2	10.2	A-
ABS	31	4.5	7.7	295	2.3	2.3	6.5	2.0	BBB
CLO	20	7.6	7.9	236	0.3	3.8	9.3	1.8	A+
CMBS	27	4.2	11.5	654	2.1	2.6	16.7	4.5	BBB+
RMBS	16	4.0	6.2	184	5.8	6.3	11.0	1.8	A
US Government	2	3.9	4.4	-	9.4	-	2.7	0.1	AA+
HY Corp	1	6.6	9.6	414	(0.1)	2.4	9.8	0.1	BB+
Cash	3	-	5.3	-	-	-	-	-	AAA

Source: Fort Washington. Data as of 03/31/2024. 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 Structured Opportunities GIPS Report.

MARKET COMMENTARY

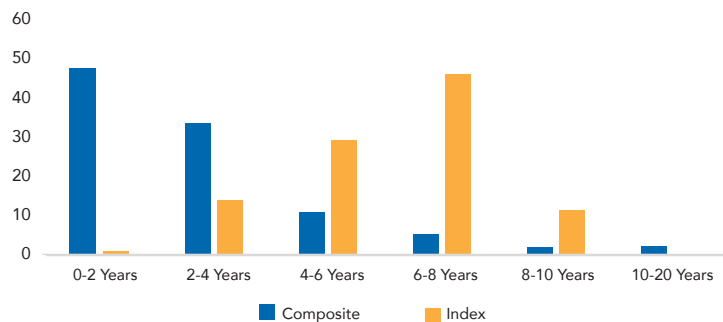
At the start of 2024, the Fed seemed pleased with their progress in crafting a soft landing. The unemployment rate had risen from a cycle low of 3.4% while headline inflation moderated into the 3% range from 6.5% at the start of 2023. The market, believing inflation was on its way to the Fed's 2% target, anticipated six rate cuts, effectively lowering the fed funds rate 1.5% (from 5.5% to 4%) during 2024.

Fast forward to April and expectations for rate cuts are fading. The market is now pricing in just 2.5 rate cuts, or about 0.63%. It is clear the Fed would like to cut rates—at the March FOMC meeting, Chairman Powell confirmed the Fed would likely begin cutting rates "at some point this year," but the economy is not cooperating. Job growth continues to be strong, wages are firm, consumers are more confident and spending, and the positive inflation trends appear to have stalled. Treasury rates have adjusted with 2-year notes to 10-year Treasury bonds about 50bps higher since year-end.

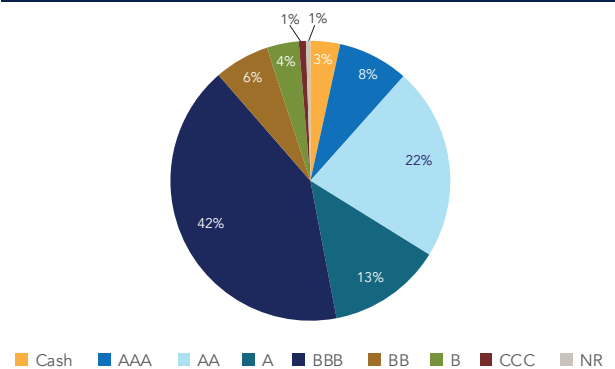
Against this backdrop, interest rate volatility has been declining, spurred by a Fed committed to cutting rates in 2024. This lower volatility environment has helped foster a substantive reduction in risk premiums (corporate and securitized bond spreads). The option adjusted spread (OAS) on the investment grade corporate bond index has declined 40bp since early November (and about 15bps YTD). Securitized spreads have also tightened notably, with CMBS leading the trend by tightening 50bps since November and 33bps YTD. While corporate spreads are now close to historical tight, securitized spreads are generally trading in the 20th-50th percentile relative to history—the tighter side of fair value, but not fully valued like many corporate bonds.

Fundamentals in the securitized sectors have been mixed with CMBS lagging, driven by weak office fundamentals, higher cap rates and a generally challenged CRE market. ABS and RMBS fundamentals are on solid footing after a period of normalization; consumer delinquencies were historically low, driven by COVID stimulus, and have been reverting to pre-COVID levels. There are some age and income cohorts which have been more challenged in the post-stimulus economy and that trend bears watching. CLO fundamentals weakened moderately driven by higher interest rates (bank loans, the collateral in a CLO, are floating rate and debt costs have surged alongside short-term rates). Defaults in the loan market are peaking and overall loan performance has held up well.

Duration Distribution



Credit Quality



Source: Fort Washington. Characteristics are subject to change without notice. This supplemental information complements the Structured Opportunities GIPS Report.

PORTFOLIO REVIEW

The Fort Washington Structured Opportunities Composite returned 1.83% (gross) and 1.73% (net) during the first quarter, compared to -1.04% for the Bloomberg U.S. MBS Index. For the one year, the Composite returned 5.17% (gross) and 4.77% (net) versus the Index at 1.38%. Interest rates in the short to intermediate tenors where the strategy invests were up 35-40 bps during the quarter, creating a performance headwind. Spread tightening across all the strategy's sub-sectors largely neutralized the higher rate environment leaving carry, or quarterly income, as the primary contributor to return.

Given the move higher in interest rates, the 24% position in floaters was the best performing cohort in the strategy—this segment includes CLOs which returned 3.08%. CMBS was the laggard due to individual security selection at 0.55% for the quarter. Longer Duration Treasuries also underperformed at -2.85% for the quarter.

PORTFOLIO ACTIVITY

The primary change in positioning for the strategy during the first quarter was an increased allocation to CMBS to take advantage of the historically-wide spreads and lagging recovery. The CMBS allocation increased about 5% to 30% of portfolio assets, with most of this increase in higher quality assets (AAA through single-A rated securities). Other notable trades include a BBB-rated Fannie Mae credit risk transfer security that was sold due to full valuation. And, in the CLO sector, single-A rated CLOs were swapped into AA-rated due to compelling relative valuations—single-A's had become historically rich to AA's.

OUTLOOK

The macroeconomic environment has held up remarkably well despite 525 basis points of rate hikes in 2022 and 2023. The fundamentals in each of the strategy's broad sectors—ABS, CMBS, RMBS and CLO—remain supportive of valuations. Consumer fundamentals have weakened in the lower income cohorts but remain sound overall as evidenced by delinquency trends in both ABS and RMBS securitizations. CLOs have been tested by rising interest rates as noted earlier, but default trends appear to be stabilizing at relatively low levels. CMBS is the most challenged sector—there will be winners and losers and tens of billions of dollars have been raised to buy dislocated assets. We are beginning to see deployment of this capital, but it remains slow as investors wait for deeper discounts. Cap rates are still adjusting to the higher interest rate environment and could continue to further stress the CRE markets—the "higher for longer" mentality being embraced by the market will be a test for CRE and CMBS.

Spreads have rallied strongly in all credit markets with IG and high yield spreads near historical tight. Securitized spreads started the year in fair-value-to-slightly-cheap territory but are now on the tighter side of fair with most spreads in the 20th to 50th percentile range. CMBS is more bifurcated with distressed segments like office trading at wider spreads. We are still finding pockets of value in certain RMBS and ABS sub-sectors including reperforming loans (RPL), non-qualified mortgages (Non-QM) and tier 2 whole business securitizations. We are also selectively taking advantage of opportunities in the CMBS space. Additionally, we still like the floating rate trade due to the inverted yield curve and the "higher for longer" outlook.

COMPOSITE PERFORMANCE DISCLOSURES

	1Q2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Structured Opportunities (Gross)	1.83%	5.07%	-6.28%	4.47%	2.19%	6.83%	4.72%	6.10%	5.87%	4.46%	6.43%
Structured Opportunities (Net)	1.73%	4.65%	-6.65%	4.05%	1.78%	6.36%	4.30%	5.68%	5.44%	4.04%	6.00%
Bloomberg U.S. Mortgage Backed Securities Index	-1.04%	5.05%	-11.81%	-1.04%	3.87%	6.35%	0.99%	2.47%	1.67%	1.51%	6.08%
Structured Opportunities 3-Year Annual Standard Deviation ¹	--	3.25%	6.27%	6.07%	6.01%	1.31%	1.19%	1.03%	0.91%	1.45%	3.09%
Bloomberg U.S. Mortgage Backed Securities Index 3-Year Annual Standard Deviation ²	--	7.66%	5.62%	1.71%	2.17%	2.15%	2.26%	1.75%	2.11%	2.31%	2.22%
Dispersion ³	0.38%	--	--	--	--	--	--	--	--	--	--
Number of Accounts	8	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5
Composite Assets (\$ millions)	\$588.9	\$356.9	\$336.4	\$358.9	\$287.2	\$280.9	\$258.9	\$179.9	\$92.7	\$68.0	\$65.1
Total Firm Assets (\$ millions)	\$75,762	\$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: 10/01/11. 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 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.

Fort Washington's Structured Opportunities strategy focuses on non-index, structured securities with higher return potential relative to a blended benchmark. Typical securities utilized include private label mortgage-backed securities, agency mortgage-backed securities, asset backed securities, commercial mortgage-backed securities, agency debentures, Treasuries, and cash securities. The portfolio duration target is between 2 and 8 years and there are no quality constraints. All fee-paying, fully discretionary, non-restricted portfolios managed in the Structured Opportunities style, with a minimum of \$25 million under our management, are included in this composite. Effective 03/22/22, the Structured Opportunities Fixed Income fee schedule is 0.40% on the first \$75 million and 0.35% on additional amounts over \$75 million. The benchmark for this composite a blend consisting of 50% HY Ba/B and 50% U.S. Securitized. Previously the benchmark was the Bloomberg Mortgage Index. Benchmark returns include interest income, but as an unmanaged fixed income index, transaction fees (brokerage commissions) are not included and no direct comparison is possible. 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 Fort Washington Structured Opportunities 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 and 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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