



FORT WASHINGTON SECURITIZED TOTAL RETURN — 2Q2024

HIGHLIGHTS

- ▶ The Fort Washington Securitized Total Return strategy focuses on low to moderate risk/return opportunities in securitized products with an emphasis on providing a higher-quality, lower-volatility replacement for Investment Grade Corporate bonds.
- ▶ The Fort Washington Securitized Total Return Composite returned 0.72% (net) during the first quarter, compared to 0.07% for the Bloomberg U.S. MBS Index.
- ▶ Growth expectations for 2024 and 2025 remain strong. Overall, the consumer and businesses are healthy, but lower income area cohorts are enduring more stress and small business sentiment is low.
- ▶ Agency MBS spreads were flat during the second quarter, but spreads across private-label securitized products continued the tightening trend that began in Q4 2023. This led to solid outperformance for our composite, which focuses on high quality private-label (non-index-eligible) securities. 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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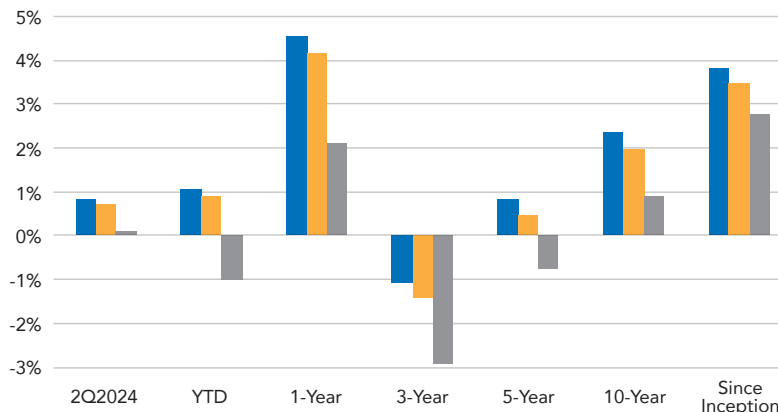
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10 Years Experience

Annualized Total Returns as of June 30, 2024



	2Q2024	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception*
■ Securitized Total Return (Gross) (%)	0.81	1.06	4.53	-1.06	0.81	2.36	3.82
■ Securitized Total Return (Net) (%)	0.72	0.88	4.17	-1.40	0.47	1.98	3.45
■ Bloomberg U.S. MBS (%)	0.07	-0.98	2.12	-2.92	-0.76	0.89	2.77

Source: Fort Washington Investment Advisors, an investment advisor registered with the U.S. Securities and Exchange Commission. *Inception date 01/01/2005. Past performance is not indicative of future results. This supplemental information complements the Securitized Total Return GPS 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	5.2	48	6.1	5.6	3.5	3.5	AA+
Securitized Total Return Comp	100	2.7	6.0	133	5.8	5.2	6.4	6.4	AA
ABS	9	3.2	6.6	202	3.2	3.3	6.1	0.6	BBB
CLO	5	6.7	7.4	205	0.9	4.0	8.0	0.4	A-
CMBS	13	1.5	8.4	332	1.7	2.1	5.9	0.8	A+
RMBS	67	3.3	5.4	90	6.9	6.6	6.4	4.3	AA+
US Government	4	2.5	4.5	-	15.4	-	7.3	0.3	AA+
IG Credit	0	3.5	4.6	24	10.2	10.3	3.7	-	AAA
Cash	1	-	5.3	-	-	-	-	-	AAA

Source: Fort Washington. Data as of 06/30/2024. 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 Securitized Total Return GIPS Report.

MARKET OVERVIEW

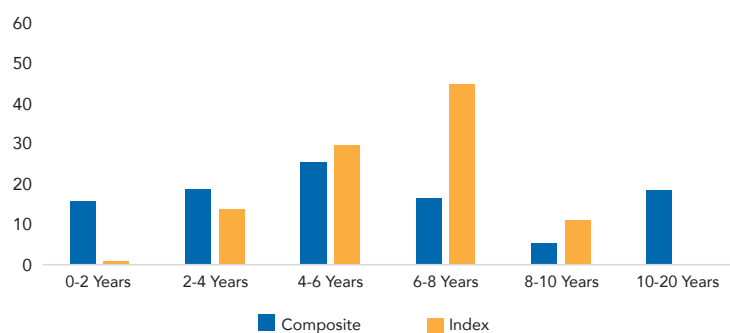
The economy has continued to grow at a robust pace this year, driven by the consumer. Healthy job and wage gains coupled with significant increases in net worth have propelled recent spending, as excess savings from pandemic era programs are now largely exhausted. While a balanced labor market should support economic growth, some indicators are beginning to exhibit mixed signals, such as elevated jobless claims and a shortening workweek. Although this slowing should put downward pressure on inflation, it could also lead to a larger decline in consumption.

Amid these mixed signals and expectations for disinflation, investors have maintained focus on the Federal Reserve and expectations for rate cuts. Forecasts for the path of the Fed funds rate have experienced volatility this year, which is likely to continue as new economic data is released. Inflation came into the year near the Fed's 2% target on a 6-month rolling basis, but upside surprises for the first few months of 2024 sparked concerns around elevated inflation. While inflation worries are still present, recent data has renewed faith that inflation will move lower and the larger trend remains intact. The Fed's preferred gauge of inflation, Core PCE, is at a yearly rate of 2.6%, down from 4.7% last May. Further progression should increase the Fed's confidence to cut, but they have emphasized the desire to move slowly and stay data dependent.

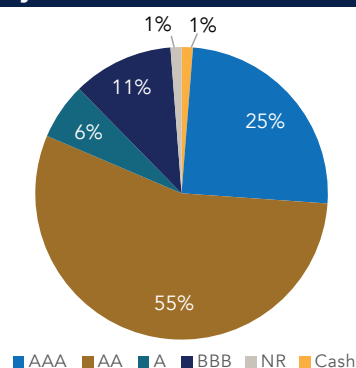
Nevertheless, the market is anticipating 50bps of cuts in the second half of the year with consensus forecasts pointing toward continued growth, leading to a 'soft landing.' As a result, risk assets moved higher while interest rates appear to have stabilized following recent inflation reports. The 10-year Treasury initially rose 50bps in Q2 due to inflation fears, but subsequently reversed that move and found an anchor around 4.3%, which is just above where it began the quarter. Corporate bond spreads widened modestly but remained near historically tight levels. Securitized spreads have also tightened notably this year, led by CMBS. While corporate spreads are now close to historical tights, 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. The Bloomberg U.S. Aggregate Index was up about 0.1% for the quarter, holding in positive territory due to carry.

Fundamentals in 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. Totals may not equal 100 due to rounding. This supplemental information complements the Securitized Total Return GIPS Report.

PERFORMANCE

The Fort Washington Securitized Total Return Composite returned 0.81% (gross) and 0.72% (net) during the second quarter, compared to 0.07% for the Bloomberg U.S. MBS Index. Outperformance was largely due to a 55% overweight to private-label securitized products compared to the index. The Bloomberg U.S. MBS Index, which is 100% Agency MBS, saw flat excess returns in Q2. Our composite has a strategic overweight to private-label sectors (Non-Agency RMBS, CMBS, ABS, and CLOs) which saw spreads tighten 10-20bps. That spread tightening, along with a carry advantage versus the index, drove outperformance of 65bps (net) for the quarter.

The strategy was interest rate risk-neutral during the quarter, and with the smaller rate changes, curve effects were not a major factor in performance relative to the benchmark.

PORTFOLIO ACTIVITY

The largest change in positioning during Q2 was an increased allocation to AAA/AA-rated Non-Agency RMBS, backed by prime jumbo mortgages, and a decrease in Agency Pass-Throughs. The shift towards Non-Agency RMBS was based on relative value—high quality RMBS trading at \$70-\$85 stands out as one of the least expensive asset classes in securitized products with spreads in the 60th-70th percentile historically, while Agency MBS spreads are fair to slightly rich. Non-Agency RMBS exposure increased 4%.

Overall credit quality improved due to the addition of AAA RMBS and remained roughly neutral. Credit quality is high at an average rating of AA. After the end of Q2, duration stood at 5.8 years, which was 0.3 years shorter than the Index.

OUTLOOK

The macroeconomic environment has held up well despite 525 basis points of cumulative rate hikes, with only modest near-term rate cuts expected. The fundamentals in each of the strategy's broad sectors—ABS, CMBS, RMBS, and CLOs—remain supportive of valuations. Consumer fundamentals have weakened in lower income cohorts due to inflation and high borrowing costs, but remain sound overall as evidenced by delinquency trends in both ABS and RMBS. CLOs have been tested by rising interest rates, but default trends appear to be stabilizing at relatively low levels. CMBS is the most challenged sector with winners and losers emerging, while 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 higher interest rates, which could continue to strain the CRE markets. The market's "higher for longer" mindset will be a test for CRE and CMBS.

Spreads have rallied in all credit markets with IG and high yield spreads near historical tights. 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 10th to 50th percentile range. CMBS is more bifurcated with distressed segments such as office trading at wider spreads. We are still finding pockets of value in certain RMBS and ABS sub-sectors including seasoned prime jumbo RMBS 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

	2Q2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Securitized Total Return (Gross)	0.81%	5.85%	-9.28%	0.40%	4.83%	6.71%	2.06%	3.43%	3.24%	3.66%	6.88%
Securitized Total Return (Net)	0.72%	5.49%	-9.58%	0.06%	4.49%	6.34%	1.65%	3.02%	2.82%	3.23%	6.42%
Bloomberg Mortgage	0.07%	5.05%	-11.81%	-1.04%	3.87%	6.35%	0.99%	2.47%	1.67%	1.51%	6.08%
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%
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%
Dispersion ²	--	--	--	--	--	--	--	--	--	--	--
Number of Accounts	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5	≤5
Composite Assets (\$ millions)	\$326.3	\$347.7	\$328.4	\$380.0	\$367.9	\$398.3	\$234.7	\$230.0	\$149.5	\$105.8	\$102.1
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 date: 12/31/2004. Composite creation date: 01/01/2005. 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's 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 \$10 million under our management, are included in this composite. Effective 01/22/2014, 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 - 12/31/22. 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. 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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