Fort Washington Investment Advisors, Inc.

Emerging Market Debt Quarterly Commentary

Fort Washington Emerging Market Debt

2Q17

Highlights

- The JP Morgan Emerging Market Bond Index Global Diversified ("EMBIG-D") benchmark returned 2.24% in Q2, bringing YTD return to 6.19%. EM spreads finished the quarter flat at +310 basis points (bps) versus U.S. Treasuries. The quarter was characterized by improving developed world sentiment driven by the Fed's positive outlook on the U.S. economy and improving prospects in continental Europe post the Macron electoral victory. However, oil weakness, the renewed corruption scandal in Brazil, and geopolitical tensions in the Persian Gulf region weighed on sentiment.
- Our composite posted a 2.62% total return in Q2 (gross), outperforming the benchmark by 38bps. This brought our YTD return to 7.22% compared to 6.19% for the benchmark (gross). Top contributors to performance during the quarter were Argentina, Venezuela, and Oman. In Argentina we benefitted from our allocation to the local government sector. In Venezuela and Oman, outperformance was driven by security selection effects. Top detractors to performance during Q2 were our overweight position in the underperforming quasi-sovereign sector in Kazakhstan as well as our underweight in Uruguay.
- We remain constructive on the outlook for EM debt given attractive debt fundamentals relative to developed peers, receding fears of U.S. protectionism, and ebbing European political risk. Fund inflows into EM debt, strong during most of the quarter, reversed towards the end of the quarter with the rise in developed market interest rates and weakness in energy prices. However, we expect fund flows to remain resilient into the foreseeable future as financial conditions stabilize. Major near-term risks for EM debt remain largely external in our view, namely global interest rate policy and geopolitics.

Investment Professionals

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23 Years Experience

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20 Years Experience
Investment Grade Quasi Sovereign

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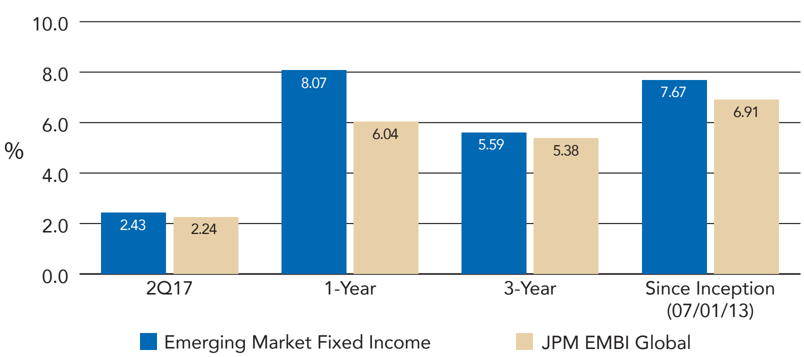
11 Years Experience
Quasi Sovereign/Corporate

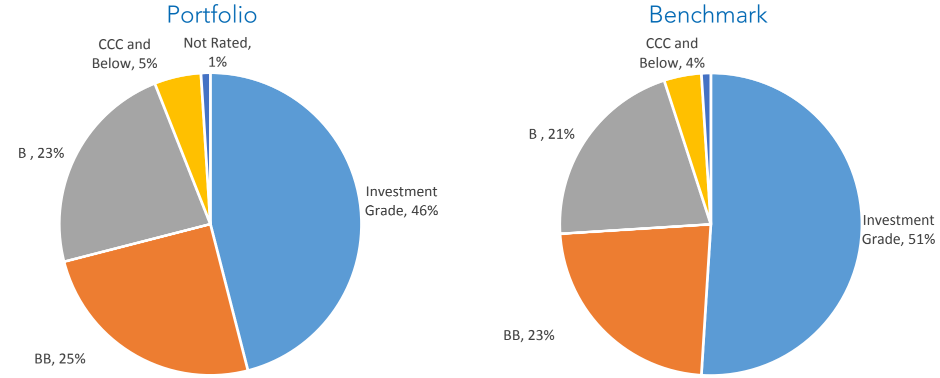
Historical Performance

Annualized Net Return as of June 30, 2017



Source: Fort Washington Investment Advisors. Past performance is not indicative of future results.

Credit Quality



Source: Fort Washington. This supplemental information complements the Emerging Market Debt Composite Presentation. Quality distribution is subject to change at any time. The above data is rounded for informational purposes. Benchmark: J.P. Morgan Emerging Market Bond Index Global Diversified. Portfolio characteristics are subject to change at any time.

Market Overview

EM spreads finished the quarter flat at +310bps with weakness towards the end of the quarter given political events in Brazil and Qatar, along with the decline in oil prices and uptick in developed market rates. Just as Brazil appeared to have turned the corner, President Temer became entangled in a new corruption scandal in mid-May after an incriminating tape surfaced. Brazilian sovereign spreads widened approximately 35bps in the following days as the events cast a shadow of uncertainty on the fragile recovery of South America's largest economy. The tape eventually led to a formal corruption charge and the status of much needed fiscal reforms remains up in the air. We were able to dampen the effects of the scandal and add to performance in Brazil through our allocation to corporates that are more insulated from political noise and potential currency weakness.

In the Persian Gulf, tensions between Qatar and other countries have been simmering since the Arab Spring uprisings. These tensions reached a pivotal point soon after President Trump visited the region when Saudi Arabia, Egypt, the UAE and several other countries announced sanctions against Qatar on June 5th alleging Qatari support of terror networks. The uncertainty of the situation and potential for further escalation caused risk premiums to rise across the region, but there was little fallout or contagion to other markets.

We expect investors will continue to gravitate towards EM debt due to its relative attractiveness on spread and quality versus developed markets. EM sovereigns generally exhibit lower debt burdens and higher growth than their developed sovereign counterparts and this is coupled with a positive global growth backdrop, benefiting EM countries. As far as value is concerned, spreads for U.S. domestic fixed income asset classes are approaching cycle tights. EM spreads, though, have comparatively more room for compression. For example, BBB rated U.S. Credit Industrial spreads are in the 6th percentile (meaning spreads have been tighter only 6% of the time) going back 10 years while BBB rated EM spreads are at the 20th percentile for the same period. Similarly, U.S. HY BB spreads are at their 10 year tights while BB rated EM spreads are in the 16th percentile (see table 1).

Table One

	10 Year Spread Percentile by Rating	
Rating	**US***	**EM****
BBB	6th	20th
BB	1st	16th
B	7th	10th

Sources: Barclays Point, JPMorgan. Date range: month end from 6/30/2017 to 7/31/2007.

**BBB = Bloomberg Barclays US Credit Index, Industrials. BB & B = Bloomberg Barclays US High Yield Index.*

***JPMorgan EMBI Global Diversified Index.*

Portfolio Statistics

	Portfolio	Benchmark
Yield to Maturity	5.66%	5.06%
Average Coupon	5.57%	6.01%
Current Yield	6.01%	5.75%
Average Life	10.67	10.05
Total # of countries	66	65
Number of Issuers	93	159
Number of Issues	186	604

Top 10 Countries by Market Value

Country	% of Portfolio
Argentina	7.88%
Mexico	7.47%
Turkey	4.75%
Indonesia	4.36%
Ukraine	4.03%
Hungary	4.00%
Brazil	3.39%
Colombia	3.39%
South Africa	3.35%
Russia	2.79%

Portfolio Activity

During the second quarter portfolio yield stayed largely unchanged and we kept interest rate duration roughly half a year short relative to the benchmark given the health of the U.S. economy and inflation expectations. We reallocated exposure across several countries based on our bottom-up country and regional views, and slightly reduced our corporate exposure.

In Asia and the Middle East we reduced overall exposure. In Asia we decreased exposure by reducing our long-dated Pakistan position as signs of weakness are starting to emerge in the economy and on the political front. We also reduced exposure in the Indonesian quasi-sovereign energy sector by swapping into a similar state-owned enterprise in Peru on better relative value. In the Middle East, we exited our Bahrain and Qatar positions on weakness in the energy market and rising geopolitical risk in the region. This decision proved timely as we were able to act before sanctions on Qatar were imposed.

We increased exposure in Europe, Latin America, and Africa. In Europe we increased exposure in the CIS area by participating in the new Belarus sovereign issuance and adding exposure in the Kazakh quasi-sovereign space. In Latin America, in addition to the Peru exposure, we also added in long dated Mexican quasi-sovereign bonds where we see good relative value. In Africa our slight increase in exposure is largely driven by Egypt where we added to our overweight position given the improving fundamental story anchored by the IMF program, and attractive valuation.

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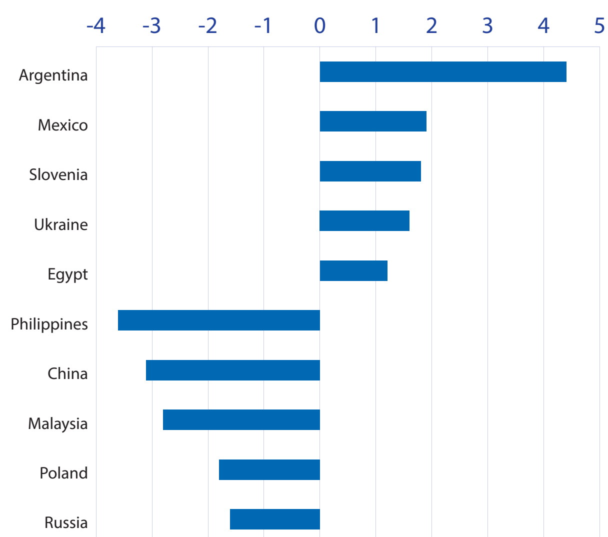
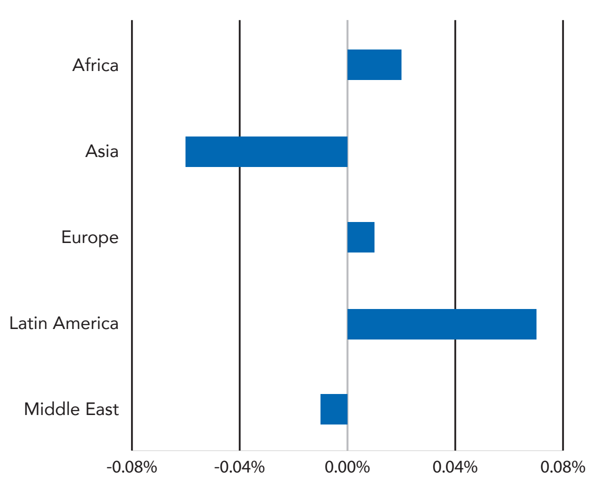
Top 5 Over and Underweights vs. Benchmark



Source: Fort Washington. This supplemental information complements the Emerging Market Debt Composite Presentation. Benchmark: J.P. Morgan Emerging Market Bond Index Global Diversified This is not a recommendation with respect to the purchase or sale of any securities. Portfolio characteristics are subject to change at any time without notice. See Emerging Market Composite for complete disclosure. The above data is rounded for informational purposes.

Composite Region Weights vs. Benchmark



Composite Performance Disclosures

	2Q17	YTD	2016	2015	2014	2013
Emerging Market Debt (Gross)	2.62%	7.24%	12.33%	1.55%	8.87%	3.95%
Emerging Market Debt (Net)	2.43%	6.85%	11.50%	0.80%	8.07%	3.56%
JPM EMBI Global Diversified	2.24%	6.19%	10.15%	1.18%	7.43%	2.73%
Emerging Market Debt 3-Year Annual Standard Deviation[2]	—	—	6.32%	—	—	—
JPM EMBIG 3-Year Annual Standard Deviation[2]	—	—	5.78%	—	—	—
Dispersion[3]	—	—	—	—	—	—
Number of Accounts	≤5	≤5	≤5	≤5	≤5	≤5
Composite Assets ($ Millions)	$228.4	$228.4	$212.9	$110.2	$108.5	$99.6
Composite % of Firm Assets	0.48%	0.48%	0.47%	0.26%	0.24%	0.23%

Composite inception and creation date: 07/01/13.

[1]2013 returns are partial-year returns, reflecting the composite inception date of 07/01/13. [2]The 3-Year annualized ex-post standard deviation is calculated using monthly 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 the quarterly returns for those portfolios held in the composite during the full measurement period. The benchmark for this composite is the JP Morgan Emerging Market Bond Index Global Diversified.

Past performance is not indicative of future results. Please see performance disclosures on the next slide.

The Fort Washington Emerging Market Fixed Income strategy seeks to outperform the JP Morgan Emerging Market Bond Index Global Diversified on a total return basis. The strategy recognizes emerging Market fixed income as a continually evolving asset class as witnessed by the migration and dispersion of credit quality of the benchmark as well as by consistent addition of countries over the years. Therefore, the strategy first employs a forward looking top-down approach drawing on the four analytical pillars of policy, economics, politics, and markets to identify relative value among a truly global opportunity set. Once these opportunities are identified, the fund employs its bottom-up analytical framework to identify the most appropriate securities.

All fee-paying, fully discretionary portfolios with at least $25 million managed in the Emerging Market style are included in this composite. The Emerging Market fee is 0.65% for the first $100 million, and 0.60% on the next $100 million and over for separate accounts, and 0.75% for the commingled vehicle. The benchmark for this composite is the JP Morgan Emerging Market Bond Index Global Diversified.

Portfolios in this composite include cash, cash equivalents, investment securities, interests 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. Past performance is not indicative of future results.

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