JOHNSON
ASSET MANAGEMENT

STRATEGY COMMENTARY
Johnson Core Fixed Income
AS OF 09.30.2026

A QUARTER REVIEW:

Fixed income markets faced a challenging third quarter as rising geopolitical tensions, including the conflict with Iran, contributed to higher oil prices and renewed inflation concerns. Against this backdrop, the Federal Reserve delivered its first rate hike in several years and signaled its intention to raise rates at least one more time this year. Treasury yields moved higher across the curve, pushing rates to multi-decade highs and weighing on bond returns.

Credit fundamentals remained generally solid, but modest spread widening added to market pressure. Investment-grade corporate spreads widened 6 basis points and outperformed mortgage-backed securities, where spreads widened 19 basis points and excess returns lagged.

CONTRIBUTORS	DETRACTORS
UNDERWEIGHT MBS	DURATION
CORPORATE SECURITY SELECTION	YIELD CURVE POSITIONING

ATTRIBUTION

	JOHNSON	BLOOMBERG US AGGREGATE	DIFFERENCE
DURATION	-5.25%	-4.82%	-0.43%
NON-PARALLEL	0.23%	0.30%	-0.07%
OTHER RATES	0.14%	0.03%	0.11%
SECTOR/QUALITY	-0.19%	-0.18%	-0.02%
SELECTION	0.03%	-0.05%	0.08%
INCOME	1.23%	1.22%	0.01%
RESIDUAL	-0.09%	-0.02%	-0.07%

PERFORMANCE

	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-3.90%	-1.95%	4.48%	-0.58%	0.60%	1.49%
JOHNSON (NET)	-3.96%	-2.19%	4.22%	-0.83%	0.35%	1.23%
BLOOMBERG US AGGREGATE	-3.51%	-1.84%	4.06%	-0.64%	0.38%	1.14%

PERFORMANCE SUMMARY:

The Johnson Core Fixed Income Strategy returned -3.96% net of fees during the third quarter, compared to -3.51% for the Bloomberg U.S. Aggregate Bond Index. The primary driver of relative underperformance was the Strategy's longer duration positioning as interest rates moved sharply higher across the yield curve. Yield curve structure also detracted from results, as the Strategy's overweight exposure to 7-year and 10-year key rate duration segments was challenged by a flattening yield curve.

While the duration detracted from relative performance during the third quarter, several positioning decisions helped offset a portion of these headwinds. Our underweight allocation to agency mortgage-backed securities (MBS) was beneficial, as the sector experienced one of its weakest quarters on record from both a total return and excess return perspective. Security selection within MBS also added value, while corporate credit selection provided a modest positive contribution against investment-grade spread widening during the quarter.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

Bond yields remain near their highest levels in nearly two decades, creating an attractive starting point for long-term investors. While inflation, economic growth, Federal Reserve policy, geopolitical tensions, and fiscal concerns continue to create uncertainty, current yields provide a meaningful cushion against a range of potential outcomes.

We continue to maintain a modest duration overweight, primarily as a counterbalance to somewhat higher credit weight. While spreads remain tight, improving economic fundamentals support a modestly higher weight within portfolios. Throughout the quarter, the Strategy's credit contribution to duration moved from +0.30 versus the AGG to +0.50. We still view portfolios as conservatively positioned, but no longer remain at the very lower end of our target range. The team also added to our Agency MBS allocation throughout the quarter as recent underperformance provided an attractive entry point to bring portfolios in line with the benchmark.

Looking ahead, the path for monetary policy remains uncertain. Inflation has become increasingly influenced by supply-side factors, particularly energy prices, while labor market data has softened but remains uneven. The good news for investors is that today's higher yields provide a much stronger income cushion than has been available in years. While volatility may persist in the near term, the bond market now offers some of the most attractive long-term return potential seen in over a decade.

PORTFOLIO SUMMARY

	JOHNSON	BLOOMBERG US AGGREGATE
COUPON	3.70%	3.83%
YIELD TO MATURITY	5.66%	5.55%
WEIGHTED AVG. MATURITY (IN YEARS)	8.01	8.32
WEIGHTED AVG. DURATION (IN YEARS)	6.07	5.77
CONVEXITY	0.56	0.49

OUR FIXED INCOME STRATEGY TEAM:



Jason Jackman, CFA
Chief Executive Officer, Principal



Michael Leisring, CFA
Chief Investment Officer -Fixed Income, Portfolio Manager, Principal



Brandon Zureick, CFA
Senior Managing Director, Principal



David Theobald, CFA
Senior Portfolio Manager, Principal



Ryan Martin, CFA
Senior Portfolio Manager, Principal

Our primary objective across all duration mandates is to seek to outperform the market with comparable volatility by utilizing our disciplined Quality Yield approach and the deep experience and continuity of our investment team.

For more information on our products and services, please contact a member of our Business Development Team at 513.389.2770 or info@johnsonasset.com.

JOHNSON ASSET MANAGEMENT

The Bloomberg U.S. Aggregate Bond Index is unmanaged, does not reflect the deduction of fees, transaction costs, or other expenses, and cannot be invested in directly. Index returns assume reinvestment of income. The index is shown for comparison only; the Strategy's holdings, sector weights, duration, and credit quality differ from the index, so its performance and volatility may differ materially. The commentary contains the opinions of Johnson Asset Management's investment team as of September 30, 2026. These opinions may change without notice and should not be read as investment advice or a recommendation to buy or sell any security or sector. Statements about the market outlook, interest rates, inflation, monetary policy, yields, or future return potential are forward-looking. They are based on current expectations and assumptions that may prove wrong, and actual results may differ materially. Higher current yields do not guarantee future returns. Bond prices generally fall when interest rates rise, and fixed income investments are subject to interest rate, credit, prepayment, and liquidity risk. Portfolio characteristics and positioning shown are as of the date noted and may change without notice.

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