

A QUARTER REVIEW:

The first quarter of 2026 was marked by a shifting macroeconomic landscape and a return of market volatility. Early in the quarter, bond investors saw continued relief from the prior year’s trend of declining inflation and the tailwind of past Federal Reserve rate cuts. However, late in the quarter a sharp escalation of geopolitical tensions in the Middle East – including a temporary disruption in oil exports through the Strait of Hormuz – drove a surge in oil prices of roughly 40% in March, rekindling inflation concerns. In response to the renewed inflationary uncertainty, the Federal Reserve opted to hold its policy rate steady at 3.50%–3.75% during its March meeting, pausing after last year’s easing measures and signaling that only one additional rate cut was likely later in 2026. Nearly all FOMC voters supported this more patient stance.

Interest rates, which had rallied earlier in the quarter on expectations of further Fed easing, reversed course as the Fed struck a more “wait-and-see” approach. By quarter-end, Treasury yields were higher across the curve, led by shorter maturities. The 2-year Treasury yield jumped 32 basis points during the quarter, while longer-term yields rose more modestly. This dynamic resulted in a partial re-flattening of the yield curve after the steepening seen last year. On the credit front, investment-grade corporate bond spreads, which had begun the year at historically tight levels, were pushed modestly wider by a combination of robust supply and geopolitical turmoil. Meanwhile, U.S. economic data remain mixed: core inflation readings remained on a gradual downtrend despite the oil shock, and the labor continued to show cracks as payroll growth continued to slow. In all, the crosscurrents of elevated yields, mixed economic signals, and a more patient Fed left the broad bond market essentially flat for the quarter.

CONTRIBUTORS	DETRACTORS
CREDIT SECURITY SELECTION	DURATION
	YIELD CURVE

ATTRIBUTION

	JOHNSON	BLOOMBERG US AGGREGATE	DIFFERENCE
DURATION	-1.08%	-0.93%	-0.15%
NON-PARALLEL	-0.11%	-0.02%	-0.09%
OTHER RATES	0.15%	0.11%	0.04%
SECTOR/QUALITY	-0.10%	-0.17%	0.07%
SELECTION	0.07%	0.06%	0.01%
INCOME	1.06%	1.00%	0.06%

PERFORMANCE

	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	0.00%	5.02%	4.00%	0.53%	1.88%	2.14%
JOHNSON (NET)	-0.07%	4.76%	3.74%	0.28%	1.62%	1.88%
BLOOMBERG US AGGREGATE	-0.05%	4.35%	3.63%	0.31%	1.56%	1.70%

PERFORMANCE SUMMARY:

The Johnson Core Fixed Income Strategy returned -0.07% (net of fees) for the first quarter of 2026, essentially matching the Bloomberg U.S. Aggregate Bond Index’s -0.05% return. This slight 2 basis point underperformance was driven by a few offsetting factors. The Strategy’s somewhat longer duration was the primary detractor to relative performance and interest rates rose on fear of energy price inflation. The Strategy’s yield curve positioning was also a drag as the yield curve flattened modestly. Finally, the Strategy’s overweight position to corporate bonds was an additional headwind as spreads widened throughout the quarter. These combined factors were almost entirely offset by positive security selection, particularly within the corporate sectors. High-quality outperformed low-quality, and our avoidance of AI related software names also helped relative performance.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

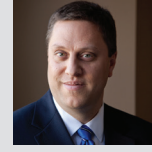
Looking forward, we continue to position portfolios conservatively. Despite the brief, modest widening in credit spreads, they remain well below historical averages. As a result, the Strategy's allocation to corporate bonds remains at the lower end of our normal range. The recent conflict in Iran has also raised questions about the durability of the U.S. consumer in the face of dramatically higher energy prices. Taken in conjunction with further recent evidence of moderation in the domestic labor market, we believe a more cautious position within credit remains warranted.

While we acknowledge that the spike in oil prices may put temporary upward pressure on headline inflation, higher energy prices have traditionally acted to slow the consumer, thereby pressuring economic growth. As a result, we view the recent back up in rates as an attractive entry point for long-term allocators. The market has now essentially priced out any remaining rate cuts this year, which we view as overly hawkish. Despite recent flattening, we continue to focus the Strategy's key rate duration away from the long-end of the yield curve in favor of intermediate maturities.

As always, we remain committed to delivering a high-quality, consistent approach to building fixed income portfolios. Should you have any questions, please reach out to a member of the Johnson team.

OUR FIXED INCOME STRATEGY TEAM:

Jason Jackman, CFA
Chief Executive Officer, Principal



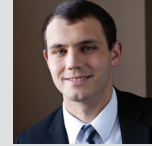
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Principal



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Our primary objective across all duration mandates is to outperform the market with comparable volatility by utilizing our proprietary and unique 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 Sales & Client Service Team at 513.389.2770 or info@johnsonasset.com.

PORTFOLIO SUMMARY

	JOHNSON	BLOOMBERG US AGGREGATE
COUPON	3.59%	3.71%
YIELD TO MATURITY	4.59%	4.57%
WEIGHTED AVG. MATURITY (IN YEARS)	7.98	8.27
WEIGHTED AVG. DURATION (IN YEARS)	6.30	5.88
CONVEXITY	0.60	0.45



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