

A QUARTER REVIEW:

While the bond market was essentially unchanged point-to-point during the second quarter, there was meaningful intra-quarter volatility. Rates rose in early April as the market continued to reassess the odds of rate cuts this year. By May, however, a string of weaker-than-expected economic data pushed rates lower and brought potential Fed easing back into focus. Most notably, the labor market has shown more convincing signs of normalization, with the unemployment rate cresting above 4% for the first time since November 2021. As a result, investment grade credit spreads closed the quarter up 9 basis points from their lows – the first quarterly increase in spreads since Q1 2023. By all accounts, the economy is far from a free fall, but perhaps high rates are starting to leave their mark.

CONTRIBUTORS	DETRACTORS
CORPORATE SECTOR ALLOCATION	NON-PARALLEL
OVERWEIGHT FINANCIALS	
UNDERWEIGHT MBS	

ATTRIBUTION			
	JOHNSON	BLOOMBERG US AGGREGATE	DIFFERENCE
DURATION	-1.11%	-1.13%	0.02%
NON-PARALLEL	0.12%	0.16%	-0.04%
OTHER RATES	0.06%	0.03%	0.03%
SECTOR/QUALITY	-0.02%	-0.11%	0.10%
SELECTION	0.07%	-0.02%	0.09%
INCOME	1.24%	1.24%	0.00%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	0.38%	3.24%	-3.07%	0.04%	1.22%	1.83%
JOHNSON (NET)	0.32%	2.98%	-3.31%	-0.21%	0.97%	1.58%
BLOOMBERG US AGGREGATE	0.07%	2.63%	-3.02%	-0.23%	0.86%	1.35%

PERFORMANCE SUMMARY:

The Johnson Core Fixed Income Strategy returned 0.32% net of fees during the second quarter, outperforming the Bloomberg Aggregate Index, which rose just 0.07%. The relative outperformance of the Strategy this quarter was driven by three primary factors. First, the portfolio has no exposure to long duration corporate bonds, which underperformed duration-matched Treasuries by 57 basis points. Instead, the Strategy emphasizes intermediate maturity corporates, which outperformed their duration-matched government peers by 23 basis points during the quarter. Second, the Strategy remains overweight high-quality financials, which outperformed industrials and utilities. Finally, we remain underweight Agency MBS, which continued to underperform during the quarter. Additionally, selection amongst the MBS sector added further benefit as the Strategy's emphasis on more positively convex structure outperformed. Duration was mostly neutral to portfolio performance during the second quarter as interest rates remained in a tight range point to point.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

We continue to adopt a more defensive outlook on the market and the economy. For several quarters, leading economic indicators such as the yield curve and the Conference Board's LEI's have been sending warning signs about a potential slowdown. Recently, labor market data has also shown signs of moderation, suggesting perhaps the Fed's restrictive policy stance is finally starting to cool economic growth. At the same time, credit spreads remain historically tight – further reinforcing more defensive portfolio positioning. As such, we remain below average in exposure to spread product and modestly longer portfolio duration than the benchmark.

OUR FIXED INCOME STRATEGY TEAM:

Jason Jackman, CFA
Chief Executive Officer, Principal



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



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Managing Director & Portfolio
Manager, Principal



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Senior Portfolio Manager,
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Ryan Martin, CFA
Portfolio Manager, Principal

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 the our Sales & Client Service Team at 513.389.2770 or info@johnsonasset.com.

PORTFOLIO SUMMARY

	JOHNSON	BLOOMBERG US AGGREGATE
COUPON	3.37%	3.30%
YIELD TO MATURITY	4.98%	5.00%
WEIGHTED AVG. MATURITY (IN YEARS)	8.42	8.45
WEIGHTED AVG. DURATION (IN YEARS)	6.66	6.13
CONVEXITY	0.29	0.27



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