

A QUARTER REVIEW:

While second-quarter market moves appear modest on the surface—10-year Treasury yields rose just 2 basis points, and investment-grade credit spreads tightened by 11 basis points—the intra-quarter volatility was anything but. The Liberation Day tariffs in early April shocked markets, driving a sharp equity selloff that briefly brought the S&P 500 near bear market territory. The bond market response was more nuanced: with short-term yields falling on growth concerns and long-end yields rising with inflation fears. Corporate credit also reacted strongly, with spreads widening sharply to just under 120 basis points, the highest level since 2023, before retreating later in the quarter as economic data showed stable growth and slower than expected inflation.

CONTRIBUTORS	DETRACTORS
CORPORATE OVERWEIGHT	
YIELD CURVE POSITIONING	

ATTRIBUTION			
	JOHNSON	BLOOMBERG US AGGREGATE	DIFFERENCE
DURATION	0.07%	-0.15%	0.22%
NON-PARALLEL	0.05%	-0.05%	0.10%
OTHER RATES	-0.01%	-0.09%	0.08%
SECTOR/QUALITY	0.36%	0.35%	0.01%
SELECTION	-0.04%	0.00%	-0.04%
INCOME	1.16%	1.13%	0.02%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	1.59%	6.58%	2.85%	-0.67%	2.12%	2.21%
JOHNSON (NET)	1.53%	6.32%	2.59%	-0.92%	1.87%	1.96%
BLOOMBERG US AGGREGATE	1.21%	6.08%	2.55%	-0.73%	1.77%	1.76%

PERFORMANCE SUMMARY:

The Johnson Core Fixed Income Strategy returned 1.53% net of fees in the second quarter, outperforming the Bloomberg U.S. Aggregate Bond Index, which rose 1.21%. The Strategy's overweight to corporate bonds was the primary driver of outperformance. This was further enhanced by our tactical addition to credit during April's market dislocation. While investment-grade spreads tightened 11 basis points over the full quarter, they finished 36 basis points tighter from their April peak. Sector allocation within corporates also added value. Our overweight to banks and financials outperformed the broader corporate universe, particularly compared to industrial and utility names. Duration had a negligible impact on relative performance, as the 10-year yield ended the quarter essentially unchanged. However, our underweight to the long end of the curve proved beneficial amid continued steepening.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

Looking ahead, the Strategy remains positioned for a balanced environment. While credit valuations have been compressed, the likelihood of a tariff-driven recession has diminished. As a result, we continue to maintain the additional credit exposure initiated in April. Interest rates remain rangebound but elevated by historical standards. We continue to hold a modest duration overweight versus the benchmark, expressed through a more bulleted yield curve structure, which we believe better balances interest rate risk. We believe the yield curve is likely to remain steep and continue to hold less exposure to the long-end of the yield curve as a result. Although trade policy briefly receded from the headlines, it remains a key risk factor that could re-emerge in the second half. As always, we remain committed to preserving capital, providing consistent income, and maintaining stability, especially in periods of heightened uncertainty.

PORTFOLIO SUMMARY

	JOHNSON	BLOOMBERG US AGGREGATE
COUPON	3.47%	3.58%
YIELD TO MATURITY	4.57%	4.53%
WEIGHTED AVG. MATURITY (IN YEARS)	7.92	8.34
WEIGHTED AVG. DURATION (IN YEARS)	6.46	6.06
CONVEXITY	0.29	0.25

OUR FIXED INCOME STRATEGY TEAM:

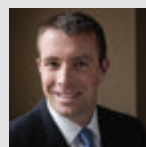
Jason Jackman, CFA
Chief Executive Officer, Principal



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 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.



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