

A QUARTER REVIEW:

The year 2023 began plagued by fear and uncertainty as the Fed aggressively tightened policy and economists were all but certain this would be the year the economy would buckle under the Fed's pressure. To make matters worse, the abrupt failure of Silicon Valley Bank rattled investors and sent markets tumbling. By summer, optimism emerged as investors grew confident that the banking crisis was contained, and overall market sentiment began to improve. Throughout the second half of the year the combination of steady economic data and convincing progress on inflation propelled risk assets higher.

For a moment, the Bloomberg Aggregate Index ("AGG") seemed destined to post its third straight year of negative returns as the market embraced the Fed's promise to keep rates "higher for longer." That changed abruptly after a slowing pace of hiring was revealed in the October payrolls report. The Fed added fuel to the fourth-quarter bond market rally at its December meeting, when it disclosed plans to cut rates a few times in the coming year. From its October lows, the AGG climbed nearly 10% and erased its entire YTD deficit, closing the year up 5.53%.

CONTRIBUTORS	DETRACTORS
DURATION	UNDERWEIGHT LONG CREDIT
CORPORATE ALLOCATION	

ATTRIBUTION			
	JOHNSON	BLOOMBERG US AGGREGATE	DIFFERENCE
DURATION	4.77%	4.33%	0.44%
NON-PARALLEL	0.16%	0.11%	0.05%
OTHER RATES	0.18%	0.16%	0.01%
SECTOR/QUALITY	0.94%	0.85%	0.10%
SELECTION	0.08%	0.00%	0.08%
INCOME	1.33%	1.31%	0.02%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	7.41%	5.65%	-3.43%	1.45%	1.65%	2.35%
JOHNSON (NET)	7.34%	5.38%	-3.67%	1.20%	1.40%	2.09%
BLOOMBERG US AGGREGATE	6.82%	5.53%	-3.31%	1.10%	1.29%	1.81%

PERFORMANCE SUMMARY:

The Johnson Core Fixed Income strategy returned 7.34% net of fees during the fourth quarter, outperforming the Bloomberg Aggregate Bond Index ("AGG") which rose by 6.82%. The story of the quarter was the massive reversal in rates during the final two months of the year. After briefly touching 5% in October, the combination of a lackluster non-farm payrolls report and dovish Fed commentary sent rates sharply lower to finish the year.

The primary driver of the strategy's relative outperformance during the fourth quarter was its longer duration stance versus the index, which benefited as rates fell sharply. Additionally, corporate bond spreads narrowed 22 basis points as investors grew increasingly optimistic that easier Fed policy could help "soften" the economy's landing. This was an added tailwind for relative performance throughout the quarter but was somewhat offset by the Strategy's higher quality bias and lack of exposure to long-duration credit, which outperformed.

Throughout the year, the team gradually increased exposure to Agency MBS as valuations got more attractive. This was also beneficial as MBS spread tightening during the final two months nearly kept pace with Investment Grade Corporates.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

The Johnson forward looking outlook on the market remains mixed. Despite the Fed's proactive measures to ease policy restrictions, a full cyclical upswing in the economy seems distant. Credit spreads are at the tighter end of recent ranges, indicating expectations of a more tranquil 2024 than we believe is likely. Consequently, we are maintaining a somewhat defensive posture in the portfolio, paired with a modestly longer duration than the benchmark.

PORTFOLIO SUMMARY		
	JOHNSON	BLOOMBERG US AGGREGATE
COUPON	3.33%	3.09%
YIELD TO MATURITY	4.51%	4.54%
WEIGHTED AVG. MATURITY (IN YEARS)	8.48	8.46
WEIGHTED AVG. DURATION (IN YEARS)	6.77	6.24
CONVEXITY	0.31	0.28

OUR FIXED INCOME STRATEGY TEAM:



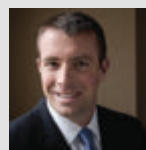
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Senior Portfolio Manager,
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Our primary objective across all duration mandates is to outperform the market with comparable volatility by utilizing our proprietary and unique Quality Yield approach and the deep experience and continuity of our investment team.

For more information on our products and services, please contact a member of the our Sales & Client Service Team at 513.389.2770 or info@johnsonasset.com.



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