

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. High yield bond spreads remain tight to fair value in our view, although they did rise by 10 basis points during the quarter. 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 | -1.13% | -1.13% | 0.00% |
| NON-PARALLEL | 0.15% | 0.16% | -0.01% |
| OTHER RATES | 0.03% | 0.03% | 0.00% |
| SECTOR/QUALITY | -0.03% | -0.11% | 0.07% |
| SELECTION | 0.06% | -0.02% | 0.07% |
| INCOME | 1.39% | 1.24% | 0.14% |

| PERFORMANCE | | | | | | |
|------------------------|-------|-------|--------|--------|-------|------|
| | QTD | 1YR | 3YR | 5YR | 7YR | 10YR |
| JOHNSON (GROSS) | 0.34% | 3.38% | -2.74% | 0.46% | 1.51% | N/A |
| JOHNSON (NET) | 0.23% | 2.92% | -3.18% | 0.01% | 1.05% | N/A |
| BLOOMBERG US AGGREGATE | 0.07% | 2.63% | -3.02% | -0.23% | 0.86% | N/A |

PERFORMANCE SUMMARY:

The Johnson Core Plus Fixed Income Strategy returned 0.23% net of fees during the second quarter, outperforming the Bloomberg Aggregate Index, which rose just 0.07%. Performance drivers were similar to our Core Fixed Income Strategy. Relative outperformance was driven by our underweight to long duration corporate bonds, which underperformed duration-matched Treasuries by 57 basis points. Our emphasis on intermediate-maturity corporates, which outperformed their duration-matched government peers by 23 basis points during the quarter, was an added benefit. In addition, the Core Plus Strategy benefited from its income advantage over the Index, due in large part to its allocation to select high-quality high yield offerings. 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. While the Core Plus Strategy remains invested in certain high yield credits, our allocation to the sector remains below our long-term target given our defensive posture, and we continue to favor BBB-rated investment grade credits as a better combination of yield spread and credit quality.

PORTFOLIO SUMMARY

| | JOHNSON | BLOOMBERG US AGGREGATE |
|-----------------------------------|---------|------------------------|
| COUPON | 3.65% | 3.30% |
| YIELD TO MATURITY | 5.35% | 5.00% |
| WEIGHTED AVG. MATURITY (IN YEARS) | 6.97 | 8.45 |
| WEIGHTED AVG. DURATION (IN YEARS) | 6.44 | 6.13 |
| CONVEXITY | 0.22 | 0.27 |

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
Managing Director & Portfolio
Manager, Principal



David Theobald, CFA
Senior Portfolio Manager,
Principal



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.



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