

A QUARTER REVIEW:

Is anyone surprised that the first quarter was dominated by policy headlines? While markets were convinced President Trump would run his 2016 playbook, the first quarter was a stark reminder that this is a whole new ballgame. Instead of focusing on kickstarting growth through deregulation and easier fiscal policy, the White House has instead directed its attention to trade policy as an early priority. While the details seemed to change by the day, if not hour, the market was convinced that the overall framework could jeopardize the outlook for economic growth and corporate earnings. As a result, bond yields fell across the yield curve, and the bond market once again priced in hope for the Fed to resume its rate cut campaign. Corporate bond spreads took their cues from equity market jitters and widened 14 basis points during the quarter.

PERFORMANCE SUMMARY:

The Johnson Enhanced Index Strategy fell -3.96% net of fees during the first quarter, outperforming the S&P500 Index which closed the quarter down -4.27%. The primary driver of the Strategy's relative outperformance was returns in the bond portion of the portfolio that exceeded the embedded cost-of-carry within its equity futures contract positions. Cost-of-carry remains somewhat elevated but declined throughout the quarter as equity investor sentiment deteriorated.

Within the bond portfolio, interest rates fell across the front end of the yield curve, which contributed positively to performance. The Strategy's focus on higher-yielding investment grade corporate bonds was additive to performance but was slightly offset by widening short duration bond spreads. The Strategy's allocation to mortgage-backed securities was also a modest boost to performance as mortgage-backed security spreads tightened during the quarter.

PERFORMANCE CONTRIBUTION

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INCOME	1.08%
DURATION	0.66%
NON-PARALLEL	0.00%
OTHER RATES	0.02%
SECTOR/QUALITY	-0.07%
SELECTION	0.06%
FIXED INCOME RETURN	-3.87%
S&P 500 FUTURES	-5.62%

PERFORMANCE

	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-3.87%	7.95%	7.06%	16.77%	12.13%	11.71%
JOHNSON (NET)	-3.96%	7.57%	6.72%	16.40%	11.78%	11.36%
S&P 500	-4.27%	8.25%	9.06%	18.59%	13.25%	12.50%

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

Looking forward, we believe that policy induced volatility is likely to persist. While we remain defensive in our overall credit allocation, we view spread widening as an opportunity to add incremental credit weight at more attractive valuations. Throughout the first quarter, the Enhanced Index Strategy gradually shifted its credit contribution to duration upwards to take advantage of improving valuations in credit. Interest rates ended the quarter toward the lower end of the recent range. While we still prefer to maintain some duration in government securities as a hedge to risk asset volatility, we have modestly reduced the Strategy's overall rate sensitivity as interest rates have fallen. Should interest rates retrace their recent move downward, we may look to add duration to further balance credit spread volatility. Overall, the Strategy remains well positioned to withstand market volatility, and we are prepared to take advantage of valuation opportunities in credit should they arise.

OUR ENHANCED INDEX STRATEGY TEAM:



Jason Jackman, CFA
Chief Executive Officer, Principal



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



Brandon Zureick, CFA
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Ryan Martin, CFA
Senior Portfolio Manager,
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Our primary objective is to outperform the S&P 500 Index with low tracking error and comparable volatility by replicating the Large Cap Equity market using Index Futures, combined with short duration investment grade Fixed Income securities.

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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