

**A QUARTER REVIEW:**

The first quarter of 2026 was marked by a shifting macroeconomic landscape and a return of market volatility. Early in the quarter, bond investors saw continued relief from the prior year's trend of declining inflation and the tailwind of past Federal Reserve rate cuts. However, late in the quarter a sharp escalation of geopolitical tensions in the Middle East – including a temporary disruption in oil exports through the Strait of Hormuz – drove a surge in oil prices of roughly 40% in March, rekindling inflation concerns. In response to the renewed inflationary uncertainty, the Federal Reserve opted to hold its policy rate steady at 3.50%–3.75% during its March meeting, pausing after last year's easing measures and signaling that only one additional rate cut was likely later in 2026. Nearly all FOMC voters supported this more patient stance.

Interest rates, which had rallied earlier in the quarter on expectations of further Fed easing, reversed course as the Fed struck a more “wait-and-see” approach. By quarter-end, Treasury yields were higher across the curve, led by shorter maturities. The 2-year Treasury yield jumped 32 basis points during the quarter, while longer-term yields rose more modestly. This dynamic resulted in a partial re-flattening of the yield curve after the steepening seen last year. On the credit front, investment-grade corporate bond spreads, which had begun the year at historically tight levels, were pushed modestly wider by a combination of robust supply and geopolitical turmoil. Meanwhile, U.S. economic data remain mixed: core inflation readings remained on a gradual downtrend despite the oil shock, and the labor market continued to show cracks as payroll growth continued to slow. In all, the crosscurrents of elevated yields, mixed economic signals, and a more patient Fed left the broad bond market essentially flat for the quarter, while short duration bonds generated modestly positive returns.

**PERFORMANCE SUMMARY:**

The Johnson Enhanced Index Strategy returned –5.00% (net of fees) for the first quarter of 2026, lagging the S&P 500's –4.33% return. The primary driver of the Strategy's underperformance were returns in the bond portion of the portfolio that trailed the embedded cost-of-carry within its

equity futures contract positions. Cost-of-carry remains somewhat elevated, but has moderated since the Federal Reserve began reducing its Fed Funds rate in late 2024 and eased further during 2025 as the Fed enacted additional rate cuts. Within the bond portion of the portfolio, the Strategy's allocation to corporate bonds was an additional headwind as spreads widened throughout the quarter. This however was almost entirely offset by positive security selection within the sector. High-quality outperformed low-quality, and our avoidance of AI related software names also helped relative performance.

**PERFORMANCE CONTRIBUTION**

PERFORMANCE CONTRIBUTION	
INCOME	0.99%
DURATION	-0.30%
NON-PARALLEL	-0.24%
OTHER RATES	0.02%
SECTOR/QUALITY	-0.08%
SELECTION	0.04%
<b>FIXED INCOME RETURN</b>	<b>0.44%</b>
<b>S&amp;P 500 FUTURES</b>	<b>-5.36%</b>

**PERFORMANCE**

	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-4.92%	17.54%	17.40%	9.95%	13.15%	13.24%
JOHNSON (NET)	-5.00%	17.13%	17.01%	9.60%	12.80%	12.88%
S&P 500	-4.33%	17.80%	18.32%	12.06%	14.44%	14.16%

**MARKET OUTLOOK AND PORTFOLIO POSITIONING:**

Looking forward, we continue to position portfolios conservatively. Despite the brief, modest widening in credit spreads, they remain below historical averages, particularly in intermediate and long maturities. As a result, the Strategy’s allocation to corporate bonds remains near the lower end of our normal range and concentrated in shorter duration maturities. The recent conflict in Iran has also raised questions about the durability of the U.S. consumer in the face of dramatically higher energy prices. Taken in conjunction with further recent evidence of moderation in the domestic labor market, we believe a more cautious position within credit remains warranted.

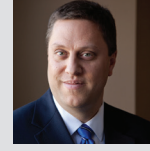
While we acknowledge that the spike in oil prices may put temporary upward pressure on headline inflation, higher energy prices have traditionally acted to slow the consumer, thereby pressuring economic growth. As a result, we view the recent back up in rates as an attractive entry point for long-term allocators. The market has now essentially priced out any remaining rate cuts this year, which we view as overly hawkish. Despite recent flattening, we continue to focus the Strategy’s key rate duration away from the long-end of the yield curve in favor of intermediate maturities.

As always, we remain committed to delivering a high-quality, consistent approach to building fixed income portfolios. Should you have any questions, please reach out to a member of the Johnson team.

**OUR ENHANCED INDEX STRATEGY TEAM:**



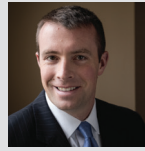
**Jason Jackman, CFA**  
Chief Executive Officer, Principal



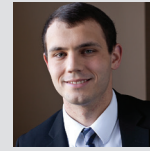
**Michael Leisring, CFA**  
Chief Investment Officer -Fixed Income,  
Portfolio Manager, Principal



**Brandon Zureick, CFA**  
Senior Managing Director,  
Principal



**David Theobald, CFA**  
Senior Portfolio Manager,  
Principal



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

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](mailto:info@johnsonasset.com).



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