

## A QUARTER REVIEW:

The S&P 500 increased 4.28% during the second quarter, marking an all-time high for the Index. Despite this strength, the Russell 2000 and Russell Mid Cap indices declined during the quarter as economic data weakened and expectations of rate cuts moved outward. Index concentration remained the key theme among large-caps, with the 10 largest stocks in the S&P 500 accounting for greater than a third of the Index at quarter end, the highest over the last 25 years.

The concentration of returns could also be seen in sector performance, as the only sectors in the S&P 500 to outperform were Technology (13.81%), Communication Services (9.37%), and Utilities (4.66%). Although the Utilities sector was a new addition to the top performers this quarter, the sector benefited from the same Artificial Intelligence-driven sentiment that has propelled the Technology and Communication sectors since the start of 2023. The worst performing sectors were more cyclical, which included Materials (-4.50%), Industrials (-2.90%), and Energy (-2.42%).

## PERFORMANCE SUMMARY:

The Johnson Equity Income Composite posted a return of -0.30%, net of fees, trailing the aforementioned 4.28% return of the S&P 500 index. Both sector allocation and security selection negatively impacted the composite's relative performance during the quarter. The composite was meaningfully underweight both Technology and Communication Services, which were among the top performing sectors as mentioned above. Overweight positions in Financials and Energy were also a drag to relative performance. This was partially offset by underweight positions in Materials and Consumer Discretionary.

The impact from security selection was most pronounced in the Technology sector, with NVIDIA and Apple representing the largest drags to relative performance. Estee Lauder was also a notable detractor within Consumer Staples following a lowered guidance and weakness in China. Zimmer and Nordson negatively contributed to their sectors as well following skepticism around management's long-term earnings target and light revenue guidance, respectively.

### TOP 5 PERFORMERS<sup>1</sup>

|                                     | WEIGHT | RETURN CONTRIBUTION |
|-------------------------------------|--------|---------------------|
| ALPHABET INC                        | 3.66%  | 1.00%               |
| TAIWAN SEMICONDUCTOR MFG LTD SP ADS | 1.37%  | 0.73%               |
| AMPHENOL CORP                       | 2.06%  | 0.72%               |
| WILLIAMS COS INC                    | 3.08%  | 0.72%               |
| MICROSOFT CORP                      | 3.95%  | 0.71%               |

### TOP 5 DETRACTORS<sup>1</sup>

|                            | WEIGHT | RETURN CONTRIBUTION |
|----------------------------|--------|---------------------|
| LAUDER ESTEE COS INC       | 1.73%  | -0.51%              |
| MCDONALDS CORP             | 1.87%  | -0.26%              |
| NORDSON CORP               | 1.88%  | -0.23%              |
| ZIMMER BIOMET HOLDINGS INC | 2.00%  | -0.22%              |
| ACCENTURE PLC IRELAND      | 1.92%  | -0.20%              |

### TOP TEN HOLDINGS<sup>2</sup>

| NAME                           | % OF PORTFOLIO |
|--------------------------------|----------------|
| MICROSOFT CORP                 | 4.20%          |
| WILLIAMS COS INC               | 3.41%          |
| ALPHABET INC                   | 3.35%          |
| NASDAQ INC                     | 3.28%          |
| AMERICAN ELECTRIC POWER CO INC | 3.12%          |
| CHEVRON CORP                   | 3.07%          |
| UNITEDHEALTH GROUP INC         | 3.06%          |
| DANAHER CORPORATION            | 2.94%          |
| ALLIANT ENERGY CORP            | 2.80%          |
| CENCORA INC                    | 2.78%          |

1) Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The above does not represent all holdings in the Strategy. Holdings listed might not have been held for the full period. To obtain a copy of Johnson Asset Management's calculation methodology and a list of all holdings with contribution analysis, please contact your service team. The data provided is supplemental. Please see important disclosures at the end of this document.

2) Holdings are subject to change. Past performance is not indicative of future results, and there is risk of loss of all or part of your investment. The data provided is supplemental. Please see disclosures at the end of this document.

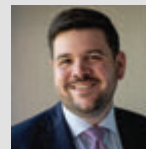
Concurrently, the composite benefitted from standout performers. Technology holdings Taiwan Semiconductor and Analog Devices were positive contributors following a strong start for the semiconductor industry in the first half of the year. Amphenol also performed strongly on expectations of a robust ramp in the IT and Datacom business from increased datacenter connections. Alphabet was also a top contributor for the composite on better-than-expected advertising and Google Cloud results, in addition to a surprise dividend. Finally, bullish commentary from Williams' management team regarding both the near-term and long-term opportunities for increased natural gas volume demand helped the stock outperform the Energy sector during the quarter.

#### MARKET OUTLOOK AND PORTFOLIO POSITIONING:

As the S&P500 experiences historical levels of concentration, risks of disappointment are heightened at the Index level. Any disappointment among the largest stocks is likely to have a significant impact on Index returns. Diversification is critical in these periods. While the jury is still out, economic data has been weakening as the economy digests the lagged effects of the Fed's tightening cycle. Our discipline is well positioned if the market's current optimism proves overly exuberant. We will maintain our bottom-up, diversified, quality discipline with the goal of providing positive shareholder value over the entire market cycle.

| PERFORMANCE     |        |        |        |        |        |        |
|-----------------|--------|--------|--------|--------|--------|--------|
|                 | QTD    | 1YR    | 3YR    | 5YR    | 7YR    | 10YR   |
| JOHNSON (GROSS) | -0.05% | 12.12% | 7.12%  | 12.27% | 13.41% | 11.37% |
| JOHNSON (NET)   | -0.30% | 11.01% | 6.06%  | 11.16% | 12.29% | 10.27% |
| S&P 500         | 4.28%  | 24.56% | 10.01% | 15.05% | 14.28% | 12.86% |

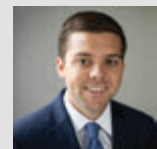
#### OUR EQUITY INCOME STRATEGY TEAM:



**Charles Rinehart, CFA, CAIA**  
Chief Investment Officer,  
Principal



**William Jung, CFA**  
Senior Research Analyst,  
Principal



**Eric Bachus, CFA**  
Associate Portfolio  
Manager

The Johnson Equity Income Strategy seeks to outperform the S&P 500 over a full market cycle with a disciplined quality framework that provides investors with long-term capital growth, above average shareholder yield and reduced volatility through downside protection.

For more information on our products and services, please contact a member of our Sales & Client Service Team at 513.389.2770 or [info@johnsonasset.com](mailto:info@johnsonasset.com).



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