

A QUARTER REVIEW:

The S&P 500 increased 8.1% during the third quarter as artificial intelligence (AI) sentiment surged on the back of strong demand commentary and raised capital spending guidance from the largest players at the top of the index. This coincided with a 0.25% rate cut from the Federal Reserve that contributed to robust outperformance in risk-on factors akin to an early cycle rally.

The top performing sectors were Information Technology (13.2%), Communications Services (12.0%), and Consumer Discretionary (9.5%). The worst performing sectors were Consumer Staples (-2.4%), Real Estate (2.1%), and Materials (3.1%).

PERFORMANCE SUMMARY:

The Johnson Equity Income Strategy posted a return of 4.9%, net of fees, underperforming the aforementioned 8.1% return of the S&P 500 in the third quarter. Both sector allocation and stock selection were a drag on relative performance in the quarter due to the style headwinds mentioned above. The Strategy was notably underweight in Communication Services and Technology, two sectors that significantly outperformed the broader index during the quarter and year-to-date thus far. An overweight in Financials, which lagged the market, also weighed on relative results. As a partial offset, we did benefit from underweight positions in Real Estate and Consumer Staples, with the latter as the only sector with negative returns during the quarter, likely reflective of the early cycle rotation seen during the quarter.

With the rebound of the largest stocks in the index post the April bottom, the S&P 500 continues to be extraordinarily concentrated. As such, given our more diversified portfolio construction discipline, our relative returns continue to be impacted significantly by structural underweights to the largest names in the index. Notable positive contributors for the quarter included stocks within the Industrials, Energy, and Technology sectors that were exposed to AI-related capital spending and power demand themes, all of which returned more than 20% for the quarter.

TOP 5 PERFORMERS¹

	WEIGHT	RETURN CONTRIBUTION
ALPHABET INC	2.75%	1.00%
NVENT ELECTRIC PLC	3.10%	0.94%
APPLE INC	2.00%	0.45%
ASML HOLDING NV NY REGISTRY	2.09%	0.45%
BAKER HUGHES COMPANY	1.86%	0.44%

TOP 5 DETRACTORS¹

	WEIGHT	RETURN CONTRIBUTION
ACCENTURE PLC IRELAND	1.99%	-0.40%
ROPER TECHNOLOGIES INC	2.00%	-0.26%
AXIS CAP HOLDINGS LTD	2.46%	-0.20%
HONEYWELL INTL INC	1.95%	-0.19%
ADOBE INC	1.60%	-0.16%

TOP TEN HOLDINGS²

NAME	% OF PORTFOLIO
MICROSOFT CORP	4.80%
NVENT ELECTRIC PLC	3.44%
WILLIAMS COS INC	3.23%
ALLIANT ENERGY CORP	3.04%
AMERICAN ELECTRIC POWER CO INC	2.97%
VISA INC	2.97%
AMAZON.COM INC	2.82%
DANAHER CORPORATION	2.61%
ASML HOLDING NV NY REGISTRY	2.52%
AXIS CAP HOLDINGS LTD	2.37%

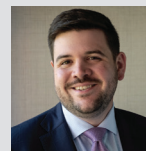
1) Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The above does not represent all holdings in the Strategy. Holdings listed might not have been held for the full period. To obtain a copy of Johnson Asset Management's calculation methodology 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.

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MARKET OUTLOOK AND PORTFOLIO POSITIONING:

Despite a peak-to-trough drawdown of nearly 20% at the start of the year, current market pricing reflects very low perceived risk - P/E multiples are near all-time highs and credit spreads have tightened significantly. Simply put, investors are currently receiving limited compensation for taking on risk. Looking ahead, we will continue to monitor market developments closely and adjust strategically to align with our long-term objectives. Those objectives are a focus on capital protection and preservation as well as enhancing the spending power of capital over time. We view the combination of a consistent valuation discipline and quality focus as the best means to reach those aims, regardless of the prevailing market environment.

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	5.13%	8.64%	16.01%	13.15%	12.27%	13.89%
JOHNSON (NET)	4.87%	7.57%	14.87%	12.04%	11.16%	12.77%
S&P 500	8.12%	17.60%	24.94%	16.47%	14.45%	15.30%

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 the our Sales & Client Service Team at **513.389.2770** or **info@johnsonasset.com**.



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