

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.

CONTRIBUTORS	DETRACTORS
MATURITY STRUCTURE	CORPORATE OVERWEIGHT
CORPORATE SECURITY SELECTION	
DURATION	

ATTRIBUTION			
	JOHNSON	BLOOMBERG INTERMEDIATE G/C	DIFFERENCE
DURATION	1.37%	1.38%	-0.01%
NON-PARALLEL	0.14%	0.07%	0.08%
OTHER RATES	0.05%	0.04%	0.01%
SECTOR/QUALITY	-0.14%	-0.17%	0.03%
SELECTION	0.00%	0.00%	0.00%
INCOME	1.14%	1.11%	0.03%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	2.57%	5.85%	2.27%	0.94%	2.40%	2.21%
JOHNSON (NET)	2.50%	5.59%	2.01%	0.69%	2.14%	1.96%
BLOOMBERG INTERMEDIATE G/C	2.42%	5.65%	2.18%	0.86%	2.18%	1.81%

PERFORMANCE SUMMARY

The Johnson Asset Management Intermediate Fixed Income Strategy returned 2.50% net of fees in the first quarter, outperforming the Bloomberg Intermediate Government/Credit Index which rose 2.42%. The primary driver of the Strategy's relative outperformance was its longer duration positioning relative to the Index. Interest rates fell across the yield curve as nervousness about the impact of hawkish trade policy spread through the market. The Strategy's security selection within corporate bonds was an added tailwind, as our low-beta, high-quality credits widened less than the intermediate corporate bond Index, which closed the quarter 12 basis points wider. While the Strategy's overweight in corporate bonds was a modest drag on performance, credit weight started the year near the lower end of our historical range – helping to soften the impact of overall spread widening. The Strategy's allocation to out of index mortgage-backed securities was also a modest boost to performance as mortgage-backed security spreads tightened during the quarter.

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. Interest rates ended the quarter toward the lower end of the recent range. While we still prefer to maintain a somewhat longer duration than the benchmark, we have allowed the duration of portfolios to drift lower 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 FIXED INCOME STRATEGY TEAM:

Jason Jackman, CFA
Chief Executive Officer, Principal



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Portfolio Manager, Principal



Brandon Zureick, CFA
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Ryan Martin, CFA
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PORTFOLIO SUMMARY		
	JOHNSON	BLOOMBERG US INTERMEDIATE G/C
COUPON	3.50%	3.45%
YIELD TO MATURITY	4.44%	4.26%
WEIGHTED AVG. MATURITY (IN YEARS)	4.66	4.29
WEIGHTED AVG. DURATION (IN YEARS)	4.09	3.76
CONVEXITY	0.10	0.10

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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