

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 |
|------------------------------|----------------------|
| CORPORATE SECURITY SELECTION | CORPORATE OVERWEIGHT |
| DURATION | |
| MBS | |

| ATTRIBUTION | | | |
|----------------|---------|--|------------|
| | JOHNSON | ICE BofA Merrill Lynch US Corp & Govt, 1-3 Year Index | DIFFERENCE |
| DURATION | 0.67% | 0.66% | 0.02% |
| NON-PARALLEL | -0.01% | -0.10% | 0.09% |
| OTHER RATES | 0.02% | -0.01% | 0.02% |
| SECTOR/QUALITY | -0.07% | -0.03% | -0.04% |
| SELECTION | 0.07% | 0.03% | 0.04% |
| INCOME | 1.13% | 1.07% | 0.07% |

| PERFORMANCE | | | | | | |
|---|-------|-------|-------|-------|-------|-------|
| | QTD | 1YR | 3YR | 5YR | 7YR | 10YR |
| JOHNSON (GROSS) | 1.84% | 5.90% | 3.33% | 1.92% | 2.40% | 2.04% |
| JOHNSON (NET) | 1.78% | 5.63% | 3.07% | 1.67% | 2.14% | 1.79% |
| ICE BofA Merrill Lynch US Corp & Govt, 1-3 Years | 1.62% | 5.67% | 3.15% | 1.61% | 2.22% | 1.75% |

PERFORMANCE SUMMARY:

The Johnson Asset Management Short Duration Fixed Income Strategy returned 1.78% net of fees in the first quarter, outperforming the ICE BofAML US Corporate and Government 1-3 Year Index which rose 1.62%. The Strategy's relative outperformance was driven by several factors, each of which added modestly to relative performance. The Strategy was positioned slightly long versus the benchmark, which aided performance as 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 short duration corporate bond Index, which closed the quarter 6 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. Throughout the first quarter, the Short Duration Strategy shifted its credit contribution to duration upwards by approximately 15 basis points. 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 actively reduced the duration of portfolios 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.

PORTFOLIO SUMMARY

| | JOHNSON | ICE BofA Merrill Lynch US Corp & Govt, 1-3 Year Index |
|-----------------------------------|---------|--|
| COUPON | 3.21% | 3.11% |
| YIELD TO MATURITY | 4.46% | 4.12% |
| WEIGHTED AVG. MATURITY (IN YEARS) | 2.18 | 1.95 |
| WEIGHTED AVG. DURATION (IN YEARS) | 1.97 | 1.83 |

OUR FIXED INCOME STRATEGY TEAM:

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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 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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