

A QUARTER REVIEW:

While the bond market was essentially unchanged point-to-point during the second quarter, there was meaningful intra-quarter volatility. Rates rose in early April as the market continued to reassess the odds of rate cuts this year. By May, however, a string of weaker-than-expected economic data pushed rates lower and brought potential Fed easing back into focus. Most notably, the labor market has shown more convincing signs of normalization, with the unemployment rate cresting above 4% for the first time since November 2021. As a result, short duration investment grade credit spreads closed the quarter modestly wider. By all accounts, the economy is far from a free fall, but perhaps high rates are starting to leave their mark.

CONTRIBUTORS	DETRACTORS
INCOME	MBS
	YIELD CURVE POSITIONING

ATTRIBUTION			
	JOHNSON	ICE BofA Merrill Lynch US Corp & Govt, 1-3 Year Index	DIFFERENCE
DURATION	-0.33%	-0.30%	-0.03%
NON-PARALLEL	0.11%	0.15%	-0.04%
OTHER RATES	-0.06%	-0.10%	0.04%
SECTOR/QUALITY	-0.03%	-0.02%	-0.01%
SELECTION	0.00%	0.01%	0.00%
INCOME	1.28%	1.25%	0.03%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	0.98%	5.36%	0.56%	1.41%	1.75%	1.65%
JOHNSON (NET)	0.92%	5.09%	0.31%	1.16%	1.50%	1.40%
ICE BofA Merrill Lynch US Corp & Govt, 1-3 Years	1.00%	4.97%	0.58%	1.28%	1.56%	1.37%

PERFORMANCE SUMMARY:

The Johnson Short Duration Fixed Income Strategy returned 0.92% net of fees during the second quarter, underperforming the ICE BofA 1-3 Year Corporate & Government Index, which returned 1.00%. The primary drivers of the Strategy's relative underperformance were its slightly long-versus-benchmark duration, as well as its exposure to three-to-five-year maturities, both of which contributed negatively to performance as rates rose and the front end of the yield curve steepened. The Strategy's positive total returns were largely driven by its income generation, which was also additive to performance relative to the Index, albeit not by quite enough to overcome the headwinds of rising rates and a steepening curve. Other factors were mixed, with sector allocation and security selection having a limited impact on relative performance during the quarter.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

We continue to adopt a more defensive outlook on the market and the economy. For several quarters, leading economic indicators such as the yield curve and the Conference Board's LEI's have been sending warning signs about a potential slowdown. Recently, labor market data has also shown signs of moderation, suggesting perhaps the Fed's restrictive policy stance is finally starting to cool economic growth. At the same time, credit spreads remain historically tight – further reinforcing more defensive portfolio positioning. As such, we believe a more defensive position is warranted. We continue to emphasize pockets of relative value, such as high-quality regional banks, and select short duration BBBs. Additionally, we will continue to maintain our out-of-index Agency MBS positioning, considering it an attractive high-quality corporate alternative

OUR FIXED INCOME STRATEGY TEAM:

Jason Jackman, CFA
Chief Executive Officer, Principal



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



Brandon Zureick, CFA
Managing Director & Portfolio
Manager, Principal



David Theobald, CFA
Senior Portfolio Manager,
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Ryan Martin, CFA
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.

PORTFOLIO SUMMARY

	JOHNSON	ICE BofA Merrill Lynch US Corp & Govt, 1-3 Year Index
COUPON	3.21%	2.88%
YIELD TO MATURITY	5.14%	4.97%
WEIGHTED AVG. MATURITY (IN YEARS)	2.29	1.95
WEIGHTED AVG. DURATION (IN YEARS)	2.03	1.83



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