

A QUARTER REVIEW:

It's official! On September 18th, the Fed cut rates for the first time since the onset of the pandemic. Citing progress on inflation and concern over the outlook for the labor market, the Fed elected to lower rates by 50 basis points. As a result, bond yields rallied meaningfully throughout the quarter and the yield curve steepened. In fact, the two-year Treasury yield fell 111 basis points, compared to just 44 basis points on the long end. Despite the Fed's concerns about recent labor market softness, credit spreads tightened by 5 basis points during the quarter—an indication that the market remains confident in the Fed's ability to act swiftly and effectively to engineer a soft landing.

CONTRIBUTORS	DETRACTORS
DURATION	MATURITY STRUCTURE
CORPORATE OVERWEIGHT	
SECURITY SELECTION	

ATTRIBUTION			
	JOHNSON	BLOOMBERG INTERMEDIATE G/C	DIFFERENCE
DURATION	2.26%	2.20%	0.06%
NON-PARALLEL	0.81%	0.82%	-0.01%
OTHER RATES	-0.01%	-0.03%	0.03%
SECTOR/QUALITY	0.12%	0.08%	0.05%
SELECTION	0.07%	-0.01%	0.08%
INCOME	1.16%	1.12%	0.03%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	4.42%	10.55%	0.17%	1.44%	2.22%	2.40%
JOHNSON (NET)	4.36%	10.27%	-0.08%	1.19%	1.97%	2.14%
BLOOMBERG INTERMEDIATE G/C	4.17%	9.45%	0.17%	1.26%	1.89%	1.96%

PERFORMANCE SUMMARY

The Johnson Intermediate Fixed Income Strategy delivered a net return of 4.36% during the third quarter, outperforming the Bloomberg Intermediate Government/Credit Index, which gained 4.17%. This relative outperformance was primarily driven by the strategy's longer duration compared to the benchmark, which proved advantageous as interest rates declined. Furthermore, the strategy's credit overweight and selection provided an added boost, with spreads tightening modestly during the period.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

We maintain a more cautious outlook on the economy than what is currently reflected in risk asset markets. While it's not immediately clear that a recession is imminent, current credit spread valuations appear disconnected from macroeconomic fundamentals. For instance, the latest ISM Manufacturing reading of 47.2, while not at recessionary lows, signals continued contraction. Historically, investment-grade spreads tend to exceed 150 basis points during periods when ISM Manufacturing consistently falls below 50. For context, there has only been one reading above 50 since October 2022.

In light of this, we continue to take a conservative stance in portfolios. While still maintaining a minimal credit overweight to capture a yield advantage, we are shortening spread duration to limit the strategy's sensitivity to potential spread widening. At the same time, we remain longer duration in the government portion of the portfolio, where we perceive greater total return potential. Even in a soft-landing scenario, we expect the Fed to lower rates to a less restrictive level, benefiting the short and intermediate segments of the yield curve. Looking ahead, we believe high-quality fixed income is unlikely to deliver another year of double-digit returns unless a more severe recession unfolds. Instead, returns are likely to moderate, aligning with starting yield levels, which currently hover around 4.3%.

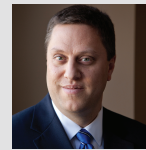
PORTFOLIO SUMMARY		
	JOHNSON	BLOOMBERG US INTERMEDIATE G/C
COUPON	3.35%	3.27%
YIELD TO MATURITY	4.11%	3.92%
WEIGHTED AVG. MATURITY (IN YEARS)	4.76	4.31
WEIGHTED AVG. DURATION (IN YEARS)	4.18	3.80
CONVEXITY	0.11	0.10

Johnson Asset Management (JAM) is a division of Johnson Investment Counsel, Inc. ("JIC"), an independent and privately owned Midwestern based investment advisory firm registered with the Securities and Exchange Commission. Johnson Asset Management manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds. JIC's fees are available upon request and may be found in our Form ADV Part 2A. Performance data quoted herein represents past performance. Past performance does not guarantee or indicate future results. All data is current as of September 30, 2024 unless otherwise noted. Returns and net asset value will fluctuate. To determine if this strategy is appropriate for you, carefully consider the investment objectives, risk factors, and expenses before investing. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing JIC's strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by any Bank or any Bank affiliate, and MAY lose value, including possible loss of principal. Johnson Asset Management claims compliance with the Global Investment Performance Standards. The Institutional Intermediate Fixed Income composite includes all fee paying, fully discretionary, actively managed institutional fixed income portfolios with a minimum value of \$500,000 and an investment objective of broad investment grade, taxable fixed income securities with an intermediate average duration, benchmarked against the Bloomberg U.S. Intermediate G/C Index. The Bloomberg U.S. Intermediate G/C Index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years. JAM's policies for valuing portfolios, calculating performance and preparing compliant presentations, as well as a complete list of composite descriptions are available upon request. Please contact our office at 513.389.2770 or 3777 West Fork Road, Cincinnati, OH 45247. All returns reflect the reinvestment of investment income (dividends and/or interest) and capital gains. Valuations and returns are stated in U.S. dollars. Trade date accounting is used. Portfolio returns are calculated using time weighted return methodology on a monthly basis. Net returns shown reflect gross performance less the highest fee schedule for this strategy. Actual client returns would also be reduced by brokerage commissions, custodial fees, and other client paid expenses detailed in JIC's Form ADV Part 2A.

OUR FIXED INCOME STRATEGY TEAM:



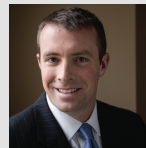
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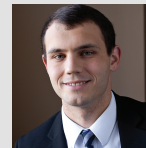
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Ryan Martin, CFA
Portfolio Manager, Principal

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.

