JOHNSON ASSET MANAGEMENT

STRATEGY COMMENTARY
Johnson Intermediate Fixed Income

AS OF 12.31.2024

A QUARTER REVIEW:

The fourth quarter was a reversal of many of the themes that drove bond yields lower throughout the first nine months of the year. While it feels like a distant memory, there was genuine nervousness about the health of the labor market. Through July, the unemployment rate edged up nearly a full 1% from its cycle lows. While far from a recessionary panic, the softness in labor market data was enough evidence for the Fed to lower rates a full 50 basis points in September, followed by two 25 basis points cuts in each of the final two months of the year. While the Fed's gaze shifted toward the labor market, the bond market had other concerns. As election odds shifted in favor of President Trump, the prospect of a pro-growth and somewhat inflationary policy slate pushed long-term yields higher. In fact, from the day of the first rate cut (9/18/2024) the Fed Funds rate is 100 basis points lower, while the 10-year Treasury rate is 87 basis points higher. Suffice to say, it's been a historically unusual reaction to Fed rate cuts. Credit markets, on the other hand, were nearly as uneventful as equities. Spreads also adopted an optimistic view of election results and tightened 9 basis points during the quarter. Sector performance was relatively homogenous, however, with industrials, utilities, and finance all performing roughly in line with one another.

CONTRIBUTORS	DETRACTORS
CORPORATE OVERWEIGHT	DURATION
	YIELD CURVE POSITION

ATTRIBUTION

	JOHNSON	BLOOMBERG INTERMEDIATE G/C	DIFFERENCE
DURATION	-3.27%	-2.99%	-0.28%
NON-PARALLEL	0.10%	0.18%	-0.08%
OTHER RATES	0.07%	0.04%	0.03%
SECTOR/QUALITY	0.19%	0.15%	0.04%
SELECTION	-0.05%	-0.01%	-0.04%
INCOME	1.09%	1.05%	0.04%

PERFORMANCE

	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-1.85%	3.15%	-0.24%	0.98%	1.88%	2.12%
JOHNSON (NET)	-1.91%	2.89%	-0.49%	0.73%	1.63%	1.86%
BLOOMBERG INTERMEDIATE G/C	-1.60%	3.00%	-0.18%	0.86%	1.69%	1.71%

PERFORMANCE SUMMARY

The Johnson Intermediate Fixed Income Strategy fell -1.91% net of fees during the fourth quarter, underperforming the Bloomberg Intermediate Government/Credit Index which closed the quarter down -1.60%. The primary driver of the strategy's relative underperformance was its duration, which was approximately 0.5 years longer than its benchmark. Yield curve structure was an additional drag on relative performance, as the strategy's key rate duration was disproportionately impacted as the belly of the yield curve underperformed. The impact of rising interest rates was somewhat offset by the strategy's overweight to corporate bonds, as the strategy maintains a modest yield advantage relative to the index and spreads tightened by 9 basis points during the quarter.

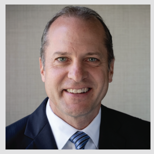
MARKET OUTLOOK AND PORTFOLIO POSITIONING:

Looking forward, we continue to position portfolios defensively. Corporate bond spreads closed the year near their lowest levels in over two decades. As a result, we believe that the total return opportunity from spread tightening has greatly diminished going forward. We continue to maintain an over-weight to corporates to maximize income but have lowered the corporate spread duration of portfolios further in order to insulate portfolios from the impact of rising spreads. In addition to our corporate bond overweight, we continue to maintain a modest out of index allocation to MBS as the valuation remains attractive relative to high quality corporates and we view the sector as a way to enhance overall portfolio yield from a government quality alternative. The strategy's duration target remains roughly 40-50 basis points above its benchmark. While the economy has been more resilient than leading indicators would have implied, we believe the current level of interest rates has approached the upper end of a range of fair values, even in a scenario where the economy remains steady. While markets have reacted positively to the news of President Trump's re-election, meaningful tariffs and hawkish immigration policies may be headwinds for the economy and markets. With risk asset market valuations stretched across equities and credit, we continue to believe a more conservative approach is warranted. As always, please reach out to a member of the Johnson Team if you have any questions.

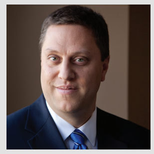
PORTFOLIO SUMMARY

	JOHNSON	BLOOMBERG US INTERMEDIATE G/C
COUPON	3.45%	3.34%
YIELD TO MATURITY	4.75%	4.58%
WEIGHTED AVG. MATURITY (IN YEARS)	4.76	4.24
WEIGHTED AVG. DURATION (IN YEARS)	4.16	3.72
CONVEXITY	0.11	0.10

OUR FIXED INCOME STRATEGY TEAM:



Jason Jackman, CFA
Chief Executive Officer, Principal



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Managing Director & Portfolio Manager, Principal

David Theobald, CFA
Senior Portfolio Manager, Principal

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**.