

A QUARTER REVIEW:

While the overly concentrated large cap indexes rode the AI wave to another all-time high in the second quarter, most small and midcap stocks slipped, as rate cut hopes were delayed and economic data worsened. Declines were broad, with ten of the eleven sectors slipping in the SMID Cap market --only the Utilities sector was able to muster gains. While Utilities stocks typically decline less than the market in down periods due to the sector's defensive characteristics, the group received an AI sentiment boost as investors noticed the business growth opportunity to meet the massive power needs of data centers as technology booms. During the quarter, the worst performing sectors were the more cyclical ones --Consumer Discretionary, Materials, and Industrials.

Size and style factors, which often are headwinds or tailwinds that sort winners from losers, were fairly calm in the quarter. Within the Russell indices, Mid Cap stocks fell 3.4%; Small Cap stocks fell 3.3%. Growth stocks fell 4.2%; Value stocks fell 4.3%.

PERFORMANCE SUMMARY:

The SMID Cap Core Strategy delivered a net return of -4.75%, underperforming the Russell 2500 Index's 4.27% decline.

There were several stocks in the portfolio that declined 20% or more, mostly due to a mix of economic cycle concerns and missed growth expectations. Four of the ten worst contributors were in Health Care, a sector that continues to work through a bumpy growth path following the COVID pandemic disruption.

Mostly offsetting the disappointments were stocks that continued to execute ahead of earnings expectations. Market valuation is higher than average, which means that expectations are higher than normal. Therefore, to sustain valuation levels, companies must maintain their fundamental momentum against the headwind of a gradually slowing economy. Consumer Staples, less impacted by sluggish economic growth, was the top sector for security selection effect in the portfolio.

TOP 5 PERFORMERS ¹		
	WEIGHT	RETURN CONTRIBUTION
WILLIAMS SONOMA INC	1.44%	0.65%
LEMAITRE VASCULAR INC	1.50%	0.59%
LEIDOS HOLDINGS INC	1.74%	0.53%
HAWKINS INC	1.76%	0.46%
AXIS CAP HOLDINGS LTD	1.75%	0.44%

TOP 5 DETRACTORS ¹		
	WEIGHT	RETURN CONTRIBUTION
DOUBLEVERIFY HOLDINGS INC	0.29%	-0.45%
REPLIGEN CORP	1.17%	-0.34%
AMN HEALTHCARE SERVICES INC	0.82%	-0.31%
DYNATRACE INC	1.48%	-0.29%
OPTION CARE HEALTH INC	1.39%	-0.27%

TOP TEN HOLDINGS ²	
NAME	% OF PORTFOLIO
HAWKINS INC	2.02%
AXIS CAP HOLDINGS LTD	1.99%
WINTRUST FINANCIAL CORP	1.93%
LEIDOS HOLDINGS INC	1.87%
APPLIED INDUSTRIAL TECHNOLOGIES INC	1.87%
FULLER H B CO	1.81%
TYLER TECHNOLOGIES INC	1.74%
UNITIL CORP	1.71%
AMERICAN FINANCIAL GROUP INC OHIO	1.70%
EVEREST GROUP LTD	1.69%

1) Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The above does not represent all holdings in the Strategy. Holdings listed might not have been held for the full period. To obtain a copy of Johnson Asset Management's calculation methodology and a list of all holdings with contribution analysis, please contact your service team. The data provided is supplemental. Please see important disclosures at the end of this document.

2) Holdings are subject to change. Past performance is not indicative of future results, and there is risk of loss of all or part of your investment. The data provided is supplemental. Please see disclosures at the end of this document.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

The SMID Cap Core Strategy, focused on quality investing, continues to outperform its Russell 2500 benchmark, net of fees, over longer periods, including year-to-date, one-year, three-year, five-year, and ten-year. Over its history, the team has found more appealing quality stocks in the mid cap area. However, a valuation cheapness has built up in small cap relative to larger cohorts that could be advantageous if the market’s risk appetite increases in a pro-cyclical rally. Confidence that the economy will bend without breaking and the Federal Reserve will imminently begin easing policy could stoke speculative enthusiasm for small cap or lower-quality stocks. While this type of early cycle rally is not our base case, the team has been focused on identifying attractively valued small cap companies that would benefit from an environment where relative growth and valuation improve. Of course, these opportunities will only be pursued if such companies also meet our high-quality evaluation criteria.

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-4.51%	13.13%	6.21%	11.06%	10.04%	9.38%
JOHNSON (NET)	-4.75%	12.01%	5.16%	9.96%	8.95%	8.30%
RUSSELL 2500	-4.27%	10.47%	-0.29%	8.31%	8.44%	7.99%

OUR SMID CAP CORE STRATEGY TEAM:



Brian Kute, CFA
 Managing Director of Research, Senior Portfolio Manager, Principal



Bryan Andress, CFA
 Senior Research Analyst, Principal



Chris Godby, CFA
 Senior Research Analyst

The Johnson SMID Cap Core Equity Strategy seeks to consistently outperform the Russell 2500 Index over a full market cycle with less volatility. The Strategy seeks to identify stocks that are making smart allocation decisions, with a favorable combination of quality, valuation, and momentum characteristics.

For more information on our products and services, please contact a member of our Sales & Client Service Team at **513.389.2770** or info@johnsonasset.com.



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 June 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 (GIPS). A complete list of firm composites and performance results and the policies for valuing portfolios, calculating performance, and preparing GIPS compliant presentations are available upon request by calling 513-389-2770. Composite: The Johnson SMID Cap Core Equity Composite was created on January 1, 2013, and includes all of JIC's fee paying, fully discretionary institutional equity portfolios with a minimum of \$1,000,000 and an investment objective of small and mid-cap equities. The benchmark for this composite is the Russell 2500, a broadly diversified mid and small cap equity universe of U.S. companies. Eligible new portfolios are included in the composite the first full month after being deemed fully invested. The returns from terminated portfolios are included prior to the date of termination. Effective January 2010, a portfolio will be temporarily removed from this composite if it experiences a net inflow or outflow of cash of 30% or more during a one-month period. Other than the futures contracts that are utilized to replicate the S&P 500, no leverage is used in the Composite portfolios. Portfolios in this composite include cash, cash equivalents, investment securities, interest and dividends. The U.S. dollar is the base currency. 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. The highest investment management fee schedule for this strategy is 1.00%. Actual client returns could also be reduced by brokerage commissions, custodial fees, and other client paid expenses detailed in JIC's Form ADV Part 2A.