

A QUARTER REVIEW:

Bond investors received no relief during the second quarter as the Bloomberg U.S. Aggregate Index endured the second worst quarterly decline since 1980, surpassed only by the first quarter of this year. Bond yields began the quarter anticipating that the Fed would quickly act to raise interest rates toward its estimate of the long-term neutral rate by the end of the year. Persistently high inflation and increasingly hawkish communication, however, led investors to price in additional rate hikes above and beyond the neutral rate. As a result, interest rates rose across the curve and signs of tighter financial conditions began to appear in economic data - raising investors' concerns of a potential policy-induced recession. Credit spreads reacted to growing recession fears and widened 62 basis points during the quarter, closing at their highest levels since the COVID-induced sell off in early 2020.

CONTRIBUTORS		DETRACTORS	
CORPORATE SECURITY SELECTION		CORPORATE ALLOCATION	
MBS UNDERWEIGHT		DURATION	
CORPORATE DURATION		GOVERNMENT BARBELLED POSITION	

ATTRIBUTION			
	JOHNSON	BLOOMBERG US AGGREGATE	DIFFERENCE
DURATION	-4.89%	-4.80%	-0.09%
NON-PARALLEL	0.41%	0.27%	0.14%
OTHER RATES	0.16%	0.06%	0.10%
SECTOR/QUALITY	-1.49%	-0.82%	-0.67%
SELECTION	-0.01%	-0.06%	0.05%
INCOME	0.84%	0.82%	0.03%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-4.90%	-10.74%	-0.61%	1.31%	1.95%	2.15%
JOHNSON (NET)	-4.96%	-10.97%	-0.85%	1.05%	1.69%	1.90%
BLOOMBERG US AGGREGATE	-4.69%	-10.29%	-0.93%	0.88%	1.42%	1.54%

PERFORMANCE SUMMARY:

Continued volatility in the bond market once again weighed on total returns, resulting in a second straight quarter of negative returns. The Johnson Core Fixed Income strategy fell -4.96% net of fees versus the Bloomberg Aggregate Index which closed the quarter down -4.69%. Interest rates moved higher across the entire curve, resulting in a slight headwind to performance from our modestly long duration relative to the benchmark. Although overall portfolio duration was a modest headwind, our contribution to duration by sector was more mixed. The shorter duration positioning of our corporate bond allocation was beneficial but was more than offset by the more "barbelled," longer duration positioning of our government bond allocation. Furthermore, concerns over slowing economic growth pushed credit spreads wider. Although partially offset by our security selection within corporates, our overweight to corporates was the primary detractor to performance during the quarter. Mortgage spreads also widened in anticipation of Quantitative Tightening and MBS underperformed duration-matched treasuries. Our underweight to MBS, as well as our emphasis on stable cash flow bonds were additive to performance during the quarter and helped further soften the impact of widening spreads.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

Going forward, investors will continue to pay close attention to the economy for signs that tighter financial conditions have begun to weigh on economic activity. Stubbornly persistent inflation has led investors to price in a historically aggressive pace of Fed tightening through the end of 2022. The 10-Year Treasury finished the quarter at 3.02%, pricing in up to seven additional rate hikes this year. Interest rates are now largely within our estimate of fair value, and as a result we have reaffirmed our slightly long benchmark duration positioning. Corporate bond yields are approaching their most attractive levels since the Great Financial Crisis and offer investors an attractive long-term valuation opportunity. Should the economy continue to slow, however, corporate spreads could widen in the near term. As a result, we remain cautious on further boosting to our corporate allocation. While the economic outlook remains uncertain, we believe our emphasis on high-quality, low-beta corporates and our disciplined approach to portfolio construction are well positioned to withstand further volatility.

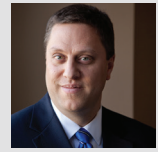
PORTFOLIO SUMMARY		
	JOHNSON	BLOOMBERG US AGGREGATE
COUPON	3.11%	2.50%
YIELD TO MATURITY	3.96%	3.66%
WEIGHTED AVG. MATURITY (IN YEARS)	8.55	8.92
WEIGHTED AVG. DURATION (IN YEARS)	6.83	6.44
CONVEXITY	0.37	0.25

OUR FIXED INCOME STRATEGY TEAM:

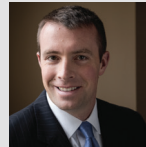
Jason Jackman, CFA
President, Principal



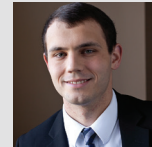
Brandon Zureick, CFA
Director & Portfolio Manager,
Principal



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



David Theobald, CFA
Senior Portfolio Manager,
Principal



Ryan Martin, CFA
Portfolio Manager

1965
ESTABLISHED

\$4.9B
INSTITUTIONAL
ASSETS UNDER
MANAGEMENT
(As of 06.30.22)

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 our Sales & Client Service Team at 513.389.2770 or info@johnsonasset.com.



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