

**A QUARTER REVIEW:**

The third quarter was largely a continuation of the themes that dominated the first half of the year. Interest rates rose and spreads widened, though quarterly changes conceal the true amplitude of intra-quarter volatility. Markets staged a choreographed rally early in the quarter on hopes of a potential Fed “pivot” but made a sharp reversal following August’s hotter-than-expected CPI report. In fact, the 10-year Treasury started the quarter at roughly 3.0%, rallied briefly toward 2.5%, but ultimately ended the quarter at 3.8% - its highest level since 2008. Credit spreads followed a similar pattern but closed the quarter just 4 basis points wider.

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-3.36%	-11.32%	-1.78%	0.58%	1.26%	1.48%
JOHNSON (NET)	-3.42%	-11.55%	-2.02%	0.32%	1.01%	1.22%
BLOOMBERG INTERMEDIATE G/C	-3.06%	-10.14%	-1.64%	0.38%	0.80%	1.00%

**PERFORMANCE SUMMARY:**

The combination of sharply higher interest rates and wider credit spreads once again weighed on fixed income returns. The Bloomberg Intermediate G/C Index fell 3.06% - its third consecutive quarterly decline. The Johnson Intermediate Fixed Income Strategy modestly trailed its benchmark, falling 3.42% net of fees. Once again, the positive correlation between interest rates and credit spreads was the primary drag on relative performance. Duration was also a modest headwind this quarter. The duration of the index shortened as interest rates fell, while the Intermediate Strategy’s duration was more stable, which was a slight performance drag as rates quickly reversed course higher. The strategy’s emphasis on corporate bonds was neutral to performance as spreads were virtually unchanged point-to-point. However, as volatility in risk assets re-emerged, high-quality names outperformed lower-quality and cyclical peers, leading to positive contribution from security selection. Additionally, the strategy’s modest non-benchmark allocation to Agency MBS was a detractor as MBS underperformed duration matched Treasuries by 191 basis points – the worst quarterly excess returns since the data became available in 1988.

CONTRIBUTORS	DETRACTORS
CORPORATE SECURITY SELECTION	DURATION
	MBS ALLOCATION

ATTRIBUTION			
	JOHNSON	BLOOMBERG INTERMEDIATE G/C	DIFFERENCE
DURATION	-3.57%	-3.31%	-0.26%
NON-PARALLEL	-0.81%	-0.80%	-0.01%
OTHER RATES	0.08%	0.08%	0.00%
SECTOR/QUALITY	-0.13%	-0.03%	-0.10%
SELECTION	0.10%	0.03%	0.07%
INCOME	0.94%	0.87%	0.07%

**MARKET OUTLOOK AND PORTFOLIO POSITIONING:**

Without question, 2022 has been a tough year for fixed income. Looking forward, many investors are now wondering how close we may be to a cyclical peak in rates. While we never advocate rate speculation, some empirical signs are emerging that may offer hope for a more benign interest rate outlook. The yield curve has gained a reputation as a reliable predictor of economic turning points but may also offer investors valuable clues about the outlook for rates. During the third quarter, the 2-year and 10-year Treasury rates inverted. In each cycle since the late 1980's, this has indicated a peak in yields within the next six months. As a result, we continue to reiterate our modestly long duration positioning versus the benchmark. As credit spreads have widened this year, we are finding no shortage of opportunities to own high quality issuers at increasingly attractive valuations. We are, however, being patient with adding credit weight as an economic hard landing looks increasingly likely. With spreads widening and interest rates rising, yields on the portfolio have reached their highest levels since mid-2009. Regardless of the direction of interest rates in the near term, the elevated level of yields helps offer investors more consistent income and a more reliable hedge against risk assets going forward.

PORTFOLIO SUMMARY		
	JOHNSON	BLOOMBERG US INTERMEDIATE G/C
COUPON	2.84%	2.17%
YIELD TO MATURITY	4.84%	4.59%
WEIGHTED AVG. MATURITY (IN YEARS)	4.68	4.27
WEIGHTED AVG. DURATION (IN YEARS)	4.14	3.86
CONVEXITY	0.10	0.11

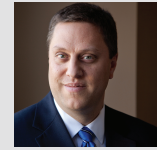
**OUR FIXED INCOME STRATEGY TEAM:**



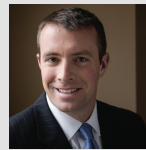
**Jason Jackman, CFA**  
Chief Executive Officer, Principal



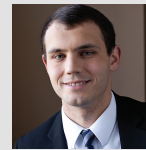
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Director & Portfolio Manager, Principal



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Chief Investment Officer - Fixed Income, Portfolio Manager, Principal



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Senior Portfolio Manager, Principal



**Ryan Martin, CFA**  
Portfolio Manager

**1965**  
ESTABLISHED

**\$4.6B**  
INSTITUTIONAL  
ASSETS UNDER  
MANAGEMENT  
(As of 09.30.22)

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 the our Sales & Client Service Team at 513.389.2770 or [info@johnsonasset.com](mailto:info@johnsonasset.com).



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