

A QUARTER REVIEW:

Bond investors finally found relief in the fourth quarter as major bond indices broke their streak of negative quarterly returns to finish the year on a positive note. After months of inflation surprising to the upside, the fourth quarter finally brought softer than expected inflation readings. As inflation softened, investors' focus shifted from how high interest rates will go to how long they may remain elevated. Expectations have coalesced around the Fed's projection of a terminal rate near 5 percent. The market, however, is now pricing rate cuts as early as this year, resulting in a deeply inverted yield curve. While the rapid increase in rates drove much of the discussion during 2022, the more surprising story was the positive correlation between treasuries and risk assets. Credit spreads widened significantly throughout the first nine months of the year on fears of inflation and the impacts of monetary policy. As interest rates began to normalize, credit spreads tightened 29 basis points during the final quarter to finish the year at their lowest level since August - despite continued deterioration of economic data.

CONTRIBUTORS		DETRACTORS	
CORPORATE SECTOR ALLOCATION		CORPORATE SECURITY SELECTION	
DURATION			

ATTRIBUTION			
	JOHNSON	BLOOMBERG INTERMEDIATE G/C	DIFFERENCE
DURATION	0.23%	0.12%	0.11%
NON-PARALLEL	-0.05%	-0.13%	0.08%
OTHER RATES	-0.03%	-0.04%	0.02%
SECTOR/QUALITY	0.80%	0.43%	0.36%
SELECTION	-0.06%	-0.01%	-0.05%
INCOME	1.22%	1.16%	0.06%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	2.05%	-8.94%	-1.25%	0.89%	1.60%	1.63%
JOHNSON (NET)	1.98%	-9.17%	-1.49%	0.64%	1.34%	1.37%
BLOOMBERG INTERMEDIATE G/C	1.54%	-8.23%	-1.26%	0.73%	1.12%	1.12%

PERFORMANCE SUMMARY:

During the fourth quarter, the Johnson Intermediate Fixed Income Strategy returned 1.98% net of fees, outperforming the Bloomberg Intermediate Govt/Credit return of 1.54%. Once again, interest rates and credit spreads remained correlated but reversed directionally - which was a tailwind to both absolute and relative performance. As a result, the strategy's emphasis on corporate bonds relative to its benchmark was the primary contributor to relative outperformance. However, this was partially offset by security selection within the corporate allocation as long duration, lower-quality, and more cyclical issuers outperformed high quality peers - despite deteriorating economic fundamentals. As interest rates fell, the portfolio's somewhat longer duration was an additional tailwind for performance, both on an absolute and relative basis. Finally, Agency MBS ended the year on a high note, despite posting their worst annual excess returns since the financial crisis. Like credit, MBS spreads tightened during the final quarter of the year. As a result, our modest non-benchmark position was a tailwind to performance, with our security selection within the sector further boosting returns.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

Despite the worst year on record for the Bloomberg Intermediate Govt/Credit Index, investors have plenty to be optimistic about as we begin 2023. Yields on most bond indices finished the year at or near their highest levels since before the financial crisis. As a result, the return outlook for high-quality fixed income has improved substantially. While higher interest rates have improved the outlook for fixed income returns, 2023 will likely lead to a renewed focus on credit risk as the lagged impacts of tighter monetary policy take hold on the economy. As credit spreads tightened throughout the fourth quarter, we sought to actively reduce weight in tighter trading corporate bonds in order to position the portfolio with a more defensive stance. 2022 was a year of transition as markets digested policy makers rapid change from the pandemics ultra-easy monetary policy to tightening policy in the face of persistent inflation. As we enter a new phase of the cycle in 2023, we continue to position portfolios modestly long duration relative to the benchmark to serve as an additional hedge to the possibility credit spreads may widen further. We believe bonds are well positioned to regain their position as a reliable hedge to risk assets and once again provide investors with meaningful current income. As always, our quality -focused investment discipline should be well positioned to withstand ongoing uncertainty.

PORTFOLIO SUMMARY

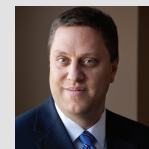
	JOHNSON	BLOOMBERG US INTERMEDIATE G/C
COUPON	2.90%	2.32%
YIELD TO MATURITY	4.65%	4.56%
WEIGHTED AVG. MATURITY (IN YEARS)	4.77	4.26
WEIGHTED AVG. DURATION (IN YEARS)	4.23	3.83
CONVEXITY	0.10	0.11

OUR FIXED INCOME STRATEGY TEAM:

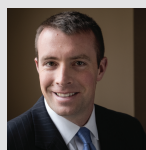
Jason Jackman, CFA
Chief Executive Officer, Principal



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

\$4.6B
INSTITUTIONAL
ASSETS UNDER
MANAGEMENT
(As of 12.31.22)

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.



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