

A QUARTER REVIEW:

The year 2023 began plagued by fear and uncertainty as the Fed aggressively tightened policy and economists were all but certain this would be the year the economy would buckle under the Fed's pressure. To make matters worse, the abrupt failure of Silicon Valley Bank rattled investors and sent markets tumbling. By summer, optimism emerged as investors grew confident that the banking crisis was contained, and overall market sentiment began to improve. Throughout the second half of the year the combination of steady economic data and convincing progress on inflation propelled risk assets higher.

Short duration bonds delivered modestly positive returns throughout the initial three quarters of the year, benefiting from elevated portfolio income levels that helped offset the price impact of increasing expectations of Fed rate hikes. By mid-October, the two-year yield had climbed over 140 basis points from its March low as the market embraced the Fed's commitment to keeping rates "higher for longer." This trend shifted abruptly after the October payrolls report revealed a slower pace of job gains.

The Fed further supported the fourth-quarter bond market rally at its December meeting, when it disclosed plans to cut rates several times in the coming year. Subsequently, bond yields experienced a swift decline, leading to the ICE BofA 1-3 year Corporate & Government index posting its most substantial quarterly return since 2008. This marked a notable reversal in market dynamics and underscored the impact of shifting economic indicators on short duration bond performance.

CONTRIBUTORS	DETRACTORS
CORPORATE ALLOCATION	-
DURATION	-
MBS ALLOCATION	-

ATTRIBUTION

	JOHNSON	ICE BofA Merrill Lynch US Corp & Govt, 1-3 Year Index	DIFFERENCE
DURATION	1.38%	1.26%	0.12%
NON-PARALLEL	0.01%	0.10%	0.00%
OTHER RATES	-0.06%	-0.12%	0.05%
SECTOR/QUALITY	0.25%	0.11%	0.14%
SELECTION	0.02%	-0.04%	0.05%
INCOME	1.38%	1.31%	0.06%

PERFORMANCE

	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	3.04%	4.93%	-0.04%	1.72%	1.68%	1.64%
JOHNSON (NET)	2.98%	4.67%	-0.29%	1.47%	1.43%	1.39%
ICE BofA Merrill Lynch US Corp & Govt, 1-3 Years	2.64%	4.61%	0.08%	1.51%	1.44%	1.28%

PERFORMANCE SUMMARY:

The Johnson Short Duration Fixed Income strategy returned 2.98% net of fees during the fourth quarter, outperforming the ICE BofA 1-3 Year Corporate & Government Index which rose by 2.64%. The story of the quarter was the massive reversal in rates during the final two months of the year. After briefly touching 5% in October, a lackluster non-farm payrolls report sent rates sharply lower. The Federal Reserve added fuel to the bond market rally at its December meeting, revealing plans to cut rates a few times as soon as this year.

The primary driver of the Johnson Short Duration relative outperformance during the fourth quarter was its corporate bond overweight relative to the index, which benefited as corporate bond spreads narrowed as investors grew increasingly optimistic that easier Fed policy could help "soften" the economy's landing. Additionally, the strategy's modest duration overweight, as well as its security selection within the corporate sector were additive to relative performance. Finally, the Strategy benefited from the out of index allocation to Agency Backed MBS, as MBS spreads tightened over the final two months of the year.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

The Johnson forward looking outlook on the market remains mixed. Despite the Fed's proactive measures to ease policy restrictions, a full cyclical upswing in the economy seems distant. Credit spreads are at the tighter end of recent ranges, indicating expectations of a more tranquil 2024 than we believe is likely.

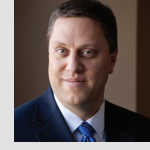
Consequently, we are maintaining a somewhat defensive posture in the portfolio with a lower allocation to corporate credit as well as shorter duration within our corporate credit holdings, which should mitigate the impact from widening spreads should the economy soften in 2024. We also maintain a slightly longer overall portfolio duration driven by our allocation to government securities. Finally, we continue to maintain an allocation to the Agency MBS sector, considering it an appealing alternative to high-quality corporate credit. This strategic approach is designed to navigate potential market uncertainties and aligns with our risk-mitigation strategy in the current economic landscape.

PORTFOLIO SUMMARY

	JOHNSON	ICE BofA Merrill Lynch US Corp & Govt, 1-3 Year Index
COUPON	3.07%	2.65%
YIELD TO MATURITY	4.89%	4.56%
WEIGHTED AVG. MATURITY (IN YEARS)	2.23	1.93
WEIGHTED AVG. DURATION (IN YEARS)	2.05	1.81

OUR FIXED INCOME STRATEGY TEAM:

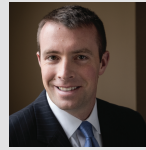
Jason Jackman, CFA
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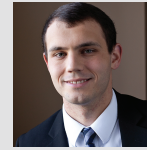
Michael Leising, CFA
Chief Investment Officer - Fixed Income,
Portfolio Manager, Principal



Brandon Zureick, CFA
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.



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