JOHNSON
ASSET MANAGEMENT

STRATEGY COMMENTARY
Johnson SMID Cap Core Equity
AS OF 06.30.2023

A QUARTER REVIEW:

Mega-cap growth stocks continued to drive the frenzy in the large cap NASDAQ and S&P 500 indices, but small- and-mid cap stocks also have clawed back some of last year's bear market losses with the Russell 2500 Index returning +5.22%, a third consecutive quarter of positive returns. Growth stock success has not been just a mega-cap phenomenon either. SMID cap growth also outperformed value in the quarter, with the Russell 2500 growth index returning +6.4%, compared to a +4.4% return for the value index.

Equities have been the standout asset class this year, and risk-taking continued to be rewarded. Stocks with a low volatility profile underperformed and growth stock valuation multiples increased. This can be attributed to both high optimism about an emerging growth theme in artificial intelligence (AI) as well as signs of easing inflation pressures. Hope for an end to tight monetary policy and growing optimism for a "soft landing" economic scenario could be seen in sector performance trends, with the cyclical Industrials sector being the top performer and the low-beta Utilities sector having a negative return.

PERFORMANCE SUMMARY:

The SMID Cap Core strategy trailed the Russell 2500 in the second quarter with a net total return of +4.31%. Only three of the eleven sectors had a positive attribution effect. The underperformance can be attributed to security selection, which was influenced by the strategy's lower risk approach. Sector positioning was favorable, mostly due to an overweight position in Industrials. That sector is the largest in the SMID Cap universe and the largest overweight in the portfolio.

As you might expect given the market's style preferences, most of the top contributing stocks in the quarter were within growth-oriented areas, including Health Care, Industrials, and Technology. The bottom performers typically were those with negative earnings revisions in the second quarter. The outlook for a pickup in second half earnings growth is an important pillar in the market's current valuation equation, and investors have been keen to allocate to those stocks with positive fundamental momentum.

TOP 5 PERFORMERS[1]

	WEIGHT	RETURN CONTRIBUTION
AMN HEALTHCARE SERVICES INC	1.91%	0.54%
NVENT ELECTRIC PLC	2.04%	0.42%
HUBBELL INC	1.12%	0.37%
LEMAITRE VASCULAR INC	1.16%	0.36%
TYLER TECHNOLOGIES INC	2.12%	0.35%

TOP 5 DETRACTORS[1]

	WEIGHT	RETURN CONTRIBUTION
CATALENT INC	0.26%	-0.35%
BJS WHSL CLUB HOLDINGS INC	1.70%	-0.33%
CASH ACCOUNT	2.05%	-0.23%
REPLIGEN CORP	1.36%	-0.23%
WORLD FUEL SVCS CORP	1.16%	-0.22%

TOP TEN HOLDINGS[2]

NAME	% OF PORTFOLIO
NVENT ELECTRIC PLC	2.33%
TYLER TECHNOLOGIES INC	2.25%
AMN HEALTHCARE SERVICES INC	2.16%
APPLIED INDUSTRIAL TECHNOLOGIES INC	2.04%
LKQ CORP	1.94%
NORDSON CORP	1.92%
CHEMED CORP	1.89%
SMITH A O CORP	1.87%
EVEREST REINSURANCE GROUP LTD	1.84%
WINTRUST FINANCIAL CORP	1.83%

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:

It seems unlikely that such a wide disparity between high growth and low beta stocks will continue. The team's base case is that an economic slowdown is in the early stages of development and is likely to bring disappointment in corporate earnings in the second half of the year. Under such a scenario, leadership would likely shift to a group of higher quality, more defensive stocks. The strategy looks to provide downside protection in this scenario. Even if the Federal Reserve stops raising interest rates, a soft landing is still a tough needle to thread because there is a lag effect to policy. But, if the growth themes persist and drive the economy higher, such innovative growth would bring the benefit of productivity improvements to a broader group of industries.

Aside from some position size management, portfolio characteristics did not change meaningfully in the quarter. The strategy continues to take a more diversified approach and maintain its core style rather than tilt toward growth. Index concentration has become a significant issue for active large cap managers, but the SMID Cap market is much more diversified with the largest stock in the Russell 2500 having only a 0.3% weight. This is an asset class that offers broader exposure and trades at a two standard deviation valuation discount to large cap stocks, making for a compelling opportunity.

PERFORMANCE

	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	4.56%	15.75%	16.57%	8.56%	11.10%	10.61%
JOHNSON (NET)	4.31%	14.61%	15.42%	7.48%	10.00%	9.52%
RUSSELL 2500	5.23%	13.58%	12.29%	6.55%	9.71%	9.38%

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

1965
ESTABLISHED

$4.8B
INSTITUTIONAL ASSETS UNDER MANAGEMENT
(As of 06.30.23)

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

JOHNSON ASSET MANAGEMENT

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, 2023 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 weighed 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.