

A QUARTER REVIEW:

It was a fairly quiet quarter in the bond market, despite the Fed's decision to lower rates by 25 basis points at its September meeting. While interest rates moved very modestly during the quarter, the strong year-to-date rally is proof that the Fed's move was highly anticipated and mostly priced in. Investment grade credit spreads tightened 10 basis points – a somewhat impressive rally given how tight spreads were to start the quarter. As we look toward the final quarter of the year, the bond market is likely to remain focused on the pace and magnitude of Fed easing from here.

CONTRIBUTORS	DETRACTORS
CORPORATE OVERWEIGHT	SECURITY SELECTION
SECTOR ALLOCATION	

ATTRIBUTION			
	JOHNSON	BLOOMBERG US AGGREGATE	DIFFERENCE
DURATION	0.50%	0.50%	0.00%
NON-PARALLEL	0.00%	-0.03%	0.03%
OTHER RATES	0.13%	0.13%	0.00%
SECTOR/QUALITY	0.30%	0.30%	0.00%
SELECTION	0.01%	0.01%	0.00%
INCOME	1.13%	1.13%	0.00%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	2.07%	3.16%	5.35%	-0.42%	2.40%	2.30%
JOHNSON (NET)	2.00%	2.90%	5.09%	-0.67%	2.14%	2.05%
BLOOMBERG US AGGREGATE	2.03%	2.88%	4.93%	-0.45%	2.06%	1.84%

PERFORMANCE SUMMARY:

The Johnson Core Fixed Income Strategy returned 2.00% net of fees in the third quarter, in line with the Bloomberg U.S. Aggregate Bond Index, which gained 2.03%. Relative results benefited primarily from the portfolio's credit emphasis, as spreads tightened by 10 basis points. Sector allocation was also additive, with utilities outperforming both industrials and financials. These positives were partially offset by security selection, as lower-quality and more cyclical issuers outperformed. Yield curve structure provided an additional modest tailwind, as the curve flattened modestly over the quarter. Overall, the absence of significant interest rate or credit spread volatility contributed to relatively muted relative performance.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

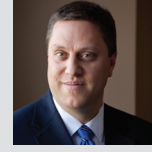
As we enter the final quarter of the year, the Federal Reserve is likely to remain a key driver of markets. Bond market pricing currently implies a year-end Fed Funds rate of 3.63%, reflecting two 25-basis-point cuts—precisely in line with the Fed’s median “dot” forecast. Such alignment between the market and the Fed is somewhat unusual, underscoring the clarity of expectations for monetary policy over the near term. Looking beyond the next quarter, we will be closely monitoring the interaction of inflation and employment data. Further softening in the labor market could justify more rapid or aggressive easing than currently expected, while persistent inflation might constrain the Fed’s ability to deliver even modest rate cuts. Amid these uncertainties, we remain attentive to the signals from a softening labor market. With credit and equity valuations already elevated, we believe our disciplined, high-quality investment approach positions portfolios to capture upside while providing protection against potential volatility.

PORTFOLIO SUMMARY

	JOHNSON	BLOOMBERG US AGGREGATE
COUPON	3.53%	3.64%
YIELD TO MATURITY	4.42%	4.39%
WEIGHTED AVG. MATURITY (IN YEARS)	7.79	8.23
WEIGHTED AVG. DURATION (IN YEARS)	6.40	6.04
CONVEXITY	0.28	0.24

OUR FIXED INCOME STRATEGY TEAM:

Jason Jackman, CFA
Chief Executive Officer, Principal



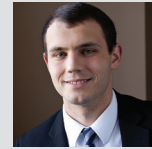
Michael Leising, CFA
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Portfolio Manager, Principal



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Senior Managing Director,
Principal



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Principal



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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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