

A QUARTER REVIEW:

It was a quiet finish to an otherwise solid year in the bond market. The Federal Reserve delivered its third and final interest rate cut of the year in December, despite growing disagreement among FOMC members. As a result, short-term rates fell modestly, while long-term interest rates edged slightly higher. Corporate bond spreads widened 4 basis points but have remained tightly rangebound following the market volatility around April's "Liberation Day." Meanwhile, High Yield bond spreads were also relatively steady, tightening just 1 basis point during the quarter. Economic data has started to be released following the prolonged government shutdown, though the reliability of some data points may have been impacted. Notably, the unemployment rate for October will not be reported. November's employment report highlighted a weaker job market, with the unemployment rate rising to a cycle high of 4.6%, but the market mostly shrugged it off. Similarly, the November CPI report showed lower-than-expected inflation, which was dismissed as an anomaly due to missing October inflation data. Despite the noisy fall data, we continue to believe that inflation is slowly moderating, while the labor market is gradually softening.

CONTRIBUTORS		DETRACTORS
DURATION		
HIGH YIELD SECURITY SELECTION		

ATTRIBUTION			
	JOHNSON	BLOOMBERG US AGGREGATE	DIFFERENCE
DURATION	-0.03%	-0.21%	0.18%
NON-PARALLEL	-0.04%	-0.06%	0.02%
OTHER RATES	0.08%	0.08%	0.00%
SECTOR/QUALITY	0.11%	0.11%	0.00%
SELECTION	0.09%	-0.01%	0.10%
INCOME	1.15%	1.08%	0.07%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	1.31%	8.59%	5.49%	0.18%	2.79%	N/A
JOHNSON (NET)	1.19%	8.11%	5.02%	-0.27%	2.33%	N/A
BLOOMBERG US AGGREGATE	1.10%	7.30%	4.65%	-0.36%	1.99%	N/A

PERFORMANCE SUMMARY:

The Johnson Core Plus Fixed Income Strategy returned 1.19% net of fees in the fourth quarter, outperforming the Bloomberg Aggregate Index, which rose 1.10%. The primary driver of the Strategy's positive excess return during the quarter was its longer-than-benchmark duration positioning. In addition, the Strategy's income advantage, driven by its allocation to select High Yield securities, was also additive to relative returns. Yield curve positioning was an additional tailwind. The Strategy's underweight to 30-year key rate duration proved beneficial as the yield curve steepened during the quarter.

The fourth quarter capped off a strong year for the Johnson Core Plus Fixed Income Strategy. For the full year, the Strategy returned 8.11% net of fees, outperforming the Bloomberg Aggregate by 82 basis points. The drivers of full-year relative performance were consistent with those of the fourth quarter, with yield curve positioning as well as the Strategy's income advantage and overweight allocation to the corporate bond sector as primary contributors. The Strategy's allocation to Agency MBS also contributed positively. Agency MBS generated excess returns of 171 basis points in 2025, marking their best performance since 2010.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

As we turn our attention to the year ahead, we believe our high-quality investment approach is well positioned for the current environment. While late-year economic data was disrupted by the government shutdown, most indicators of labor market activity continue to point to a subdued pace of hiring. This backdrop should allow the Federal Reserve to continue lowering interest rates toward its estimate of neutral, around 3%.

Although credit spreads remain tight, our high-quality security selection discipline positions the Strategy well for potential volatility. Beyond macroeconomic factors, one potential catalyst for wider spreads could be increased supply in the investment-grade market. As hyperscalers increasingly turn to the bond market to finance capital expenditures, credit investors may start to demand a higher spread premium to Treasuries. Should that dynamic play out, the Strategy's underweight to technology names with very tight spreads should be beneficial.

As always, we remain committed to delivering high-quality fixed income portfolios designed to provide consistency and stability across a wide range of market environments.

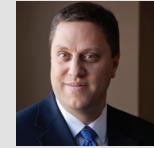
PORTFOLIO SUMMARY

	JOHNSON	BLOOMBERG US AGGREGATE
COUPON	3.67%	3.67%
YIELD TO MATURITY	4.50%	4.35%
WEIGHTED AVG. MATURITY (IN YEARS)	7.24	8.11
WEIGHTED AVG. DURATION (IN YEARS)	6.27	5.98
CONVEXITY	0.40	0.47

OUR FIXED INCOME STRATEGY TEAM:



Jason Jackman, CFA
Chief Executive Officer, Principal



Michael Leisring, CFA
Chief Investment Officer - Fixed Income, Portfolio Manager, Principal



Brandon Zureick, CFA
Senior Managing Director, Principal



David Theobald, CFA
Senior Portfolio Manager, Principal



Ryan Martin, CFA
Senior 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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