

## A QUARTER REVIEW:

Geopolitical headlines dominated markets throughout the second quarter. Early efforts to de-escalate the conflict with Iran proved fragile, contributing to bouts of volatility across asset classes during April and May. By late June, however, prospects for a more durable resolution helped push oil prices back toward levels last seen before the conflict began in late February. While equity investors welcomed the improvement in geopolitical conditions, the bond market's response was more measured.

Interest rates finished the quarter higher across the yield curve as investors weighed the deflationary impact of lower energy prices against solid economic data and a resilient corporate earnings backdrop. Additional uncertainty surrounding the future direction of Federal Reserve policy under Chairman Kevin Warsh also contributed to persistently elevated yields. While the Fed ultimately left policy unchanged, its streamlined post-meeting statement reinforced that inflation and price stability remain key priorities for policymakers. As a result, the bond market continues to price high odds of at least one rate hike during the remainder of the year.

Despite somewhat volatile interest rates, credit markets remained remarkably stable. Investment-grade corporate spreads finished the quarter near historically tight levels, supported by strong economic fundamentals and healthy corporate balance sheets. As a result, investment-grade corporate bonds outperformed duration-matched Treasuries by 117 basis points during the quarter. Performance was relatively consistent across sectors, with industrials, utilities, and financials all generating solid excess returns.

## PERFORMANCE SUMMARY

The Johnson Intermediate Fixed Income Strategy returned

| CONTRIBUTORS         | DETRACTORS                   |
|----------------------|------------------------------|
| YIELD CURVE          | CORPORATE SECURITY SELECTION |
| CORPORATE OVERWEIGHT | MBS ALLOCATION               |

| ATTRIBUTION    |         |                            |            |
|----------------|---------|----------------------------|------------|
|                | JOHNSON | BLOOMBERG INTERMEDIATE G/C | DIFFERENCE |
| DURATION       | -0.39%  | -0.42%                     | 0.03%      |
| NON-PARALLEL   | -0.46%  | -0.46%                     | 0.00%      |
| OTHER RATES    | 0.06%   | 0.06%                      | 0.00%      |
| SECTOR/QUALITY | 0.24%   | 0.19%                      | 0.05%      |
| SELECTION      | -0.02%  | 0.00%                      | -0.02%     |
| INCOME         | 1.06%   | 1.05%                      | 0.01%      |

| PERFORMANCE                |       |       |       |       |       |       |
|----------------------------|-------|-------|-------|-------|-------|-------|
|                            | QTD   | 1YR   | 3YR   | 5YR   | 7YR   | 10YR  |
| JOHNSON (GROSS)            | 0.45% | 3.44% | 5.15% | 1.32% | 2.14% | 2.35% |
| JOHNSON (NET)              | 0.39% | 3.18% | 4.89% | 1.07% | 1.88% | 2.10% |
| BLOOMBERG INTERMEDIATE G/C | 0.43% | 3.14% | 4.68% | 1.22% | 1.89% | 1.92% |

0.39% net of fees during the quarter, underperforming the Bloomberg Intermediate Government/Credit return of 0.43%.

The Strategy's emphasis on corporate bonds provided a modest tailwind to relative performance as corporate spreads tightened during the quarter. That benefit was largely offset by security selection within corporates, where lower-quality issuers outperformed higher-quality peers. Duration positioning was a modest headwind as interest rates moved higher but was partially offset by the Strategy's key-rate positioning and overweight to the 7-year part of the curve. In addition, the Strategy's out-of-benchmark position in MBS was a slight drag on the quarter. As a result, the Strategy slightly underperformed the benchmark during the second quarter.

## MARKET OUTLOOK AND PORTFOLIO POSITIONING:

We continue to maintain a relatively conservative portfolio posture. While economic and corporate fundamentals remain supportive, credit spreads are near cycle lows and offer limited compensation for taking additional credit risk. As a result, the Strategy's allocation to corporate bonds remains near the lower

end of its historical range. The Strategy will continue to maintain an out-of-benchmark position to stable-paying, low-coupon, seasoned MBS as a high-quality corporate alternative in a tight corporate spread environment.

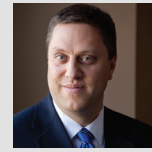
The recent backup in interest rates has created a more attractive opportunity set within fixed income more broadly, and we continue to position portfolios with a modest duration overweight. Although energy prices have retreated from their recent highs, the bond market continues to price at least one additional rate increase over the remainder of the year. We believe the deflationary impulse from lower oil and gas prices, coupled with moderating inflation pressures, should ultimately provide the Federal Reserve with justification to leave policy rates unchanged for the foreseeable future.

As always, we remain disciplined in our approach to constructing high-quality fixed income portfolios designed to deliver consistent long-term results. Should you have any questions, please reach out to a member of the Johnson team.

#### OUR FIXED INCOME STRATEGY TEAM:



**Jason Jackman, CFA**  
Chief Executive Officer, Principal



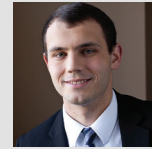
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**Ryan Martin, CFA**  
Senior Portfolio Manager,  
Principal

**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 our Business Development Team at 513.389.2770 or [info@johnsonasset.com](mailto:info@johnsonasset.com).

#### PORTFOLIO SUMMARY

|                                   | JOHNSON | BLOOMBERG US<br>INTERMEDIATE G/C |
|-----------------------------------|---------|----------------------------------|
| COUPON                            | 3.78%   | 3.74%                            |
| YIELD TO MATURITY                 | 4.48%   | 4.44%                            |
| WEIGHTED AVG. MATURITY (IN YEARS) | 4.54    | 4.29                             |
| WEIGHTED AVG. DURATION (IN YEARS) | 3.99    | 3.73                             |
| CONVEXITY                         | 0.18    | 0.20                             |



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