

**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.

**PERFORMANCE SUMMARY:**

The Johnson Enhanced Index Strategy returned 8.18% net of fees during the third quarter, outperforming the S&P500 Index which closed the quarter up 8.12%. The primary driver of the Strategy's relative outperformance were returns in the bond portion of the portfolio that exceeded the embedded cost-of-carry within its equity futures contract positions. Cost-of-carry remains somewhat elevated, but has moderated since the Federal Reserve began reducing its Fed Funds rate in late 2024.

Within the bond portfolio, interest rates fell across the front end of the yield curve which contributed positively to performance. The Strategy's focus on higher-yielding investment grade corporate bonds was also additive to performance as short duration credit spreads tightened during the quarter. The Strategy's allocation to mortgage-backed securities was also a modest boost to performance as short duration MBS posted positive excess returns during the quarter. Overall, the absence of significant interest rate or credit spread volatility contributed to relatively muted relative performance.

**PERFORMANCE CONTRIBUTION**

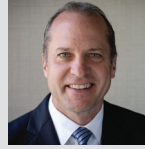
INCOME	1.08%
DURATION	0.16%
NON-PARALLEL	0.07%
OTHER RATES	0.01%
SECTOR/QUALITY	0.09%
SELECTION	-0.04%
<b>FIXED INCOME RETURN</b>	<b>1.36%</b>
<b>S&amp;P 500 FUTURES</b>	<b>6.91%</b>

**PERFORMANCE**

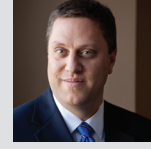
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	8.27%	16.65%	24.28%	14.31%	13.44%	14.52%
JOHNSON (NET)	8.18%	16.25%	23.87%	13.95%	13.08%	14.17%
S&P 500	8.12%	17.60%	24.94%	16.47%	14.45%	15.30%

**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.

**OUR ENHANCED INDEX STRATEGY TEAM:**

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



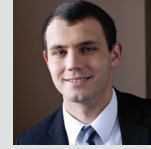
**Michael Leisring, CFA**  
Chief Investment Officer -Fixed Income,  
Portfolio Manager, Principal



**Brandon Zureick, CFA**  
Senior Managing Director,  
Principal



**David Theobald, CFA**  
Senior Portfolio Manager,  
Principal



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

Our primary objective is to outperform the S&P 500 Index with low tracking error and comparable volatility by replicating the Large Cap Equity market using Index Futures, combined with short duration investment grade Fixed Income securities.

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](mailto:info@johnsonasset.com).



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