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TRANSCRIPTION: The Importance of High-Quality Bonds: A Message from Brandon Zureick, CFA, Director and Portfolio Manager, Johnson Asset Management
Monday, April 13, 2020

Hello, everyone. My name is Brandon Zureick, I'm a Director and Portfolio Manager on Johnson's Fixed Income Asset Management team. Together we bring over 20 years of experience managing bond portfolios through all sorts of different market environments, including challenging ones like the past few months. Today I am certain that many of you remain anxious or concerned over the ongoing fight to slow the spread of Coronavirus and the possible implications this fight might have on your individual investment portfolios. A lot of attention has been paid recently to the stock market, just given the amount of volatility that we've seen. But I'm here to discuss an important, but somewhat underappreciated element of well-diversified portfolios, and that's high quality bonds.

At Johnson our core belief is that bonds should provide investors with stability and protection, especially during periods of economic and market volatility. So far, this year is no exception to that. Through the end of March, the S&P 500 fell nearly 20 percent. Yet the Bloomberg Barclay's Aggregate Bond Index was up over 3. I'm also pleased to report that many of the portfolios that we manage on behalf of our clients are faring even better than their respective benchmarks. And that's thanks in part to our quality investment discipline.

Perhaps the most common question that we get from our clients is how they might maximize current income and yield, especially during this period of low interest rates. While we certainly understand and sympathize with the desire to maximize current income, we're never going to allow the search for yield to supersede our focus on quality. And here's why - while high quality bond portfolios delivered the reliable stock market hedge so far this year that our clients have come to expect, low quality bonds have fared far worse. In fact, bonds issued by riskier or low quality companies otherwise known as high yield or junk bonds have fallen more in line with stocks. In fact, through the end of March, the Bloomberg Barclay's High yield bond index was down nearly 13 percent, proving once again that not all bonds are created equally.

As we turn our attention to the coming weeks and months, we still believe that high quality bonds play an important role in your portfolio. Despite having staged a fairly strong rebound over the past week or so, the stock market is likely to continue facing challenging headlines. While there are encouraging signs that the number of new cases may be close to peaking in some areas, the economic fallout from widespread stay at home orders is still relatively unknown. Economists estimate that second quarter GDP is likely to fall by 20 percent or more, which would be the worst quarter for economic growth in our nation's history.

So as we wade through these uncharted waters, we continue to rely on high quality bonds to provide clients stability, portfolio liquidity, and most importantly, peace of mind.

As always, we remain committed to delivering you, our clients, financial peace of mind through these challenging and unprecedented times. Should you have any questions, please feel free to reach out to a member of the Johnson team. We continue to wish you all health and well-being. Thank you.