

## A QUARTER REVIEW:

The S&P 500 increased 10.94% during the second quarter following the April 9th announcement of a 90-day pause on U.S. reciprocal tariffs. This marked a turning point for markets, leading the S&P 500 to rally approximately 25% from its April 8th low. As a result, the worst underperformers of the first quarter – expensive mega cap growth and AI-exposed stocks – outperformed meaningfully in the second quarter.

The top performing sectors were Information Technology (23.7%), Communication Services (18.5%), and Industrials (12.9%). The worst performing sectors were Energy (-8.6%), Health Care (-7.2%), and Real Estate (-0.4%).

## PERFORMANCE SUMMARY:

The Johnson Equity Income Composite posted a return of 2.96%, net of fees, underperforming the aforementioned 10.94% return of the S&P 500 in the second quarter. This followed strong relative performance in the first quarter, when the Composite returned +1.0% compared to the S&P 500's -4.27% return. As a result of the shift in the market compared to earlier in the year, both sector allocation and stock selection were a drag on relative performance in the quarter. The Composite was notably underweight in Communication Services and Technology, two sectors that significantly outperformed the broader index year-to-date and especially surged after the tariff pause announcement. Our overweight in Health Care and cash also detracted from relative performance during this period. As a partial offset, we benefited from an overweight position in Industrials, which has emerged as the top-performing sector year-to-date, and from an underweight position in Real Estate, which had negative returns during the quarter.

With the rebound of the largest stocks in the index, the S&P 500 remains extraordinarily concentrated. As such, given our more diversified portfolio construction discipline, our relative returns continue to be impacted significantly by structural underweights to the largest names in the index. NVIDIA and Broadcom, which we did not own, represented meaningful detractors. In contrast, Apple and Berkshire Hathaway were among the top positive contributors to relative performance

### TOP 5 PERFORMERS<sup>1</sup>

	WEIGHT	RETURN CONTRIBUTION
MICROSOFT CORP	4.34%	1.25%
NVENT ELECTRIC PLC	2.30%	0.81%
NASDAQ INC	3.00%	0.52%
AMPHENOL CORP	1.16%	0.49%
AMAZON.COM INC	3.04%	0.46%

### TOP 5 DETRACTORS<sup>1</sup>

	WEIGHT	RETURN CONTRIBUTION
UNITEDHEALTH GROUP	1.15%	-0.97%
CHEVRON CORP	2.89%	-0.48%
MARSH & MCLENNAN COS	2.11%	-0.24%
WILLIS TOWERS WATSON PLC LTD	2.11%	-0.22%
PEPSICO INC	1.64%	-0.21%

### TOP TEN HOLDINGS<sup>2</sup>

NAME	% OF PORTFOLIO
MICROSOFT CORP	4.92%
WILLIAMS COS INC	3.42%
AMAZON.COM INC	3.33%
NASDAQ INC	3.33%
AMERICAN ELECTRIC POWER CO INC	3.23%
ALLIANT ENERGY CORP	3.19%
CHEVRON CORP	3.02%
DANAHER CORPORATION	2.78%
AXIS CAP HOLDINGS LTD	2.74%
NVENT ELECTRIC PLC	2.72%

1) Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The above does not represent all holdings in the Strategy. Holdings listed might not have been held for the full period. To obtain a copy of Johnson Asset Management's calculation methodology and a list of all holdings with contribution analysis, please contact your service team. The data provided is supplemental. Please see important disclosures at the end of this document.

2) Holdings are subject to change. Past performance is not indicative of future results, and there is risk of loss of all or part of your investment. The data provided is supplemental. Please see disclosures at the end of this document.

as both stocks posted negative returns year-to-date. Other notable positive contributors included nVent, Amphenol, and Taiwan Semiconductor, all of which benefited from the previously mentioned rebound in AI-exposed stocks during the quarter.

## MARKET OUTLOOK AND PORTFOLIO POSITIONING:

Current market pricing reflects a very low perceived risk, as P/E multiples are nearing highs, credit spreads have tightened significantly, and the VIX, a measure of market volatility, has returned to calm levels. Simply put, investors are currently receiving limited compensation for taking on risk. Meanwhile, the tariff issue remains unresolved, now delayed to August 1, leaving future impacts uncertain. Looking ahead, we'll continue to closely monitor market developments and make strategic adjustments to align with our long-term objectives. Those objectives are a focus on capital protection and preservation, as well as enhancing the spending power of capital over time. We view the combination of a consistent valuation discipline and quality focus as the best means to reach those aims, regardless of the prevailing market environment.

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	3.22%	10.48%	12.47%	13.80%	12.91%	12.54%
JOHNSON (NET)	2.96%	9.39%	11.36%	12.68%	11.79%	11.43%
S&P 500	10.94%	15.16%	19.71%	16.64%	14.39%	13.65%

## OUR EQUITY INCOME STRATEGY TEAM:



**Charles Rinehart, CFA, CAIA**  
Chief Investment Officer,  
Principal



**William Jung, CFA**  
Senior Research Analyst,  
Principal



**Eric Bachus, CFA**  
Associate Portfolio  
Manager

The Johnson Equity Income Strategy seeks to outperform the S&P 500 over a full market cycle with a disciplined quality framework that provides investors with long-term capital growth, above average shareholder yield and reduced volatility through downside protection.

For more information on our products and services, please contact a member of our Sales & Client Service Team at 513.389.2770 or [info@johnsonasset.com](mailto:info@johnsonasset.com).



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