

A QUARTER REVIEW:

While last year ended on a positive note for the bond market, expectations for meaningful rate cuts which fueled the late year bond market rally may have been somewhat premature. Steady economic data and slightly hotter than expected inflation numbers called into question the necessity of meaningful policy easing in the near future. As a result, bond yields rose across the curve, retracing nearly half of their Q4 2023 decline. For the first time in several months, the bond market is now predicting slightly fewer rate cuts than the Fed's dot plot, which may provide a nice valuation opportunity for investors looking to boost fixed income allocations or lengthen duration.

The combination of steady economic growth and a Fed that remains committed to less restrictive policy has been supportive for credit spreads. During the first quarter, investment grade credit spreads continued to tighten and closed the quarter at just 90 basis points – their tightest level since 2021.

CONTRIBUTORS		DETRACTORS	
CORPORATE OVERWEIGHT		DURATION	
CORPORATE SECTOR SELECTION			

ATTRIBUTION

	JOHNSON	BLOOMBERG INTERMEDIATE G/C	DIFFERENCE
DURATION	-1.34%	-1.24%	-0.10%
NON-PARALLEL	-0.14%	-0.14%	0.00%
OTHER RATES	-0.06%	-0.08%	0.02%
SECTOR/QUALITY	0.26%	0.14%	0.12%
SELECTION	0.04%	0.04%	0.00%
INCOME	1.15%	1.11%	0.04%

PERFORMANCE

	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-0.05%	3.31%	-1.03%	1.27%	1.76%	2.07%
JOHNSON (NET)	-0.11%	3.05%	-1.28%	1.02%	1.51%	1.81%
BLOOMBERG INTERMEDIATE G/C	-0.15%	2.69%	-1.06%	1.09%	1.43%	1.61%

PERFORMANCE SUMMARY

The Johnson Intermediate Fixed Income Strategy returned -0.11% net of fees during the first quarter, modestly outperforming the Bloomberg Intermediate U.S. Government/Credit Bond Index which declined -0.15%. The main driver of outperformance was the strategy's overweight allocation to corporate bonds which benefited from spread tightening over the quarter. The strategy's overweight to the financials sector was particularly beneficial as the intermediate financials index outperformed the intermediate industrials index by 60 bps on an excess return basis. The benefit from the overweight to corporate bonds was partially offset due to the strategy's modestly longer than benchmark duration positioning, which detracted from performance as rates rose during the quarter. With the inverted yield curve and historically tight credit valuations, our focus continues to be primarily on shorter, high-quality credits that out-yield the benchmark and provide reduced spread volatility risk.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

The outlook for the economy and markets remains quite mixed. Far leading indicators such as the yield curve and the Conference Board’s LEI’s continue to point to a high likelihood of economic recession sometime in the next year, while lagging indicators like non-farm payrolls have remained remarkably steady. While headline labor market measures have been quite impressive, trends underneath the surface are questionable. Metrics like total hours worked, JOLTS job openings, and even continuing jobless claims paint a less rosy picture of the labor market. While it’s always quite difficult to predict where the economy and markets may head, historically tight valuation within the credit market further reinforces a more defensive posture, regardless of the soft-landing / hard-landing debate. To mitigate potential impacts from widening spreads at current levels, we will continue to concentrate on shorter-than-benchmark corporate exposure. Additionally, we will continue to maintain our out-of-index Agency MBS positioning, considering it an attractive high-quality corporate alternative. We continue to maintain a yield advantage against the benchmark, with an overweight to high-quality corporates and moderately longer duration than the index. This strategy is aligned with our cautious stance amid uncertainties in the market landscape.

PORTFOLIO SUMMARY		
	JOHNSON	BLOOMBERG US INTERMEDIATE G/C
COUPON	3.28%	3.04%
YIELD TO MATURITY	4.81%	4.70%
WEIGHTED AVG. MATURITY (IN YEARS)	4.76	4.30
WEIGHTED AVG. DURATION (IN YEARS)	4.18	3.77
CONVEXITY	0.11	0.10

OUR FIXED INCOME STRATEGY TEAM:



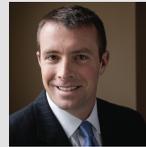
Jason Jackman, CFA
Chief Executive Officer, Principal



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



Brandon Zureick, CFA
Managing Director & Portfolio Manager, Principal



David Theobald, CFA
Senior Portfolio Manager, Principal



Ryan Martin, CFA
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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