

**A QUARTER REVIEW:**

The fourth quarter was dominated by many of the themes that persisted throughout 2021. Interest rates rose in the short and intermediate parts of the yield curve in anticipation of possible Fed tightening, while long end rates declined as the market's estimate of the terminal rate moderated. This yield curve flattening is a sign that the market believes the sooner the Fed acts to tighten monetary policy, the less tightening they will ultimately need to enact. Despite investors focusing on the move in rates, corporate bond spreads widened quietly – finishing the quarter up 8 basis points. While the fundamental macroeconomic backdrop still remains quite supportive, the transition away from ultra-easy Fed policy may have been responsible for heightened year-end risk-asset volatility. Though the overall magnitude of spread widening was modest, we did find several opportunities to purchase additional high-quality corporates at attractive valuations throughout the quarter.

CONTRIBUTORS	DETRACTORS
CORPORATE SECURITY SELECTION	CORPORATE OVERWEIGHT
YIELD CURVE STRUCTURE	CORPORATE 5 YEAR KEY RATE DURATION
FINANCIALS OVERWEIGHT	

ATTRIBUTION			
	JOHNSON	BLOOMBERG INTERMEDIATE G/C	DIFFERENCE
DURATION	0.33%	0.31%	0.02%
NON-PARALLEL	-1.16%	-1.16%	0.00%
OTHER RATES	0.10%	0.14%	-0.04%
SECTOR/QUALITY	-0.20%	-0.10%	-0.10%
SELECTION	0.05%	-0.02%	0.07%
INCOME	0.33%	0.28%	0.05%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-0.63%	-1.54%	4.48%	3.46%	3.14%	3.11%
JOHNSON (NET)	-0.69%	-1.78%	4.22%	3.21%	2.89%	2.85%
BLOOMBERG INTERMEDIATE G/C	-0.57%	-1.44%	3.86%	2.91%	2.53%	2.38%

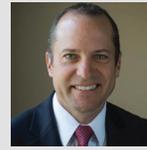
**PERFORMANCE SUMMARY:**

The Johnson Intermediate Fixed Income strategy returned -0.69% after fees during the fourth quarter versus the Bloomberg Intermediate Govt/Credit Index, which returned -0.57%. While our neutral duration positioning helped to minimize the overall impact of rising interest rates, the flattening of the yield curve had a more mixed impact. Within the strategy's Government bond allocation, our underweight to the short end of the yield curve was beneficial as short-end rates rose the most. On the other hand, our discipline of focusing the credit portfolio within intermediate maturities was a modest headwind as intermediate-maturity rates rose more than rates on the longer end of the yield curve. Often, corporate bond spread tightening can help soften the impact of rising interest rates. However, spreads on the Bloomberg Corporate Bond Index widened modestly during the fourth quarter. As a result, the overweight to corporate bonds was an additional headwind to the strategy, that was mostly offset by our high-quality security selection. Sector allocation within credit further helped offset the impact of spread widening, as the strategy remains overweight to financials, which outperformed their industrial and utility peers. The strategy's allocation to Agency MBS as a credit alternative was beneficial as MBS outperformed corporate bonds. Security selection within MBS was also advantageous as the Fed's plan to begin tapering asset purchases negatively impacted on-the-run, current coupon MBS the most, which the strategy seeks to avoid.

**MARKET OUTLOOK AND PORTFOLIO POSITIONING:**

The Federal Reserve is likely to dominate market headlines throughout the coming year. Within just a few months, the Fed has embarked upon tapering asset purchases, doubled the pace of tapering, and is now hinting at the possibility of near-term interest rate hikes and even outright balance sheet contraction. There has been a clear shift in the Fed’s mindset, abandoning its more patient approach for an increasingly hawkish tilt aimed at slowing inflation. While recent economic performance and inflation have both been quite robust, we ultimately believe that as the impact of fiscal stimulus wanes, the macroeconomic environment should moderate throughout the coming year. As a result, we continue to position duration roughly neutral versus the benchmark with a more defensive yield curve structure to take advantage of possible yield curve flattening. We also continue to reiterate our discipline to remain overweight high-quality, low-beta corporates. As the Fed embarks upon its policy tightening, we continue to believe that our disciplined approach remains well positioned to weather possible bouts of market volatility.

**OUR FIXED INCOME STRATEGY TEAM:**



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President,  
Chief Investment Officer,  
Principal



**Brandon Zureick, CFA**  
Director & Portfolio  
Manager,  
Principal



**Michael Leising, CFA**  
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Senior Portfolio Manager,  
Principal

**1965**  
ESTABLISHED

**\$5.9B**  
INSTITUTIONAL  
ASSETS UNDER  
MANAGEMENT  
(As of 12.31.21)

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 Sales & Client Service Team at **513.389.2770** or **info@johnsonasset.com**.

PORTFOLIO SUMMARY		
	JOHNSON	BLOOMBERG US INTERMEDIATE G/C
COUPON	2.91%	1.92%
YIELD TO MATURITY	1.55%	1.31%
WEIGHTED AVG. MATURITY (IN YEARS)	5.01	4.42
WEIGHTED AVG. DURATION (IN YEARS)	4.45	4.13
CONVEXITY	0.09	0.11



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