

A QUARTER REVIEW:

The third quarter was dominated by relentless upward pressure on interest rates. Economic data was mostly unimpressive, yet a far cry from the recession that many had been bracing for earlier in the year. This underlying economic momentum paved the way for a hawkish revision of the Fed’s forecasts at the September FOMC meeting, which added additional upward pressure to rates to end the quarter. While the Fed’s dot plot revealed agreement amongst the majority of committee members that further meaningful rate hikes would likely be unnecessary, it also erased a combined 50 basis points of planned rate cuts through 2025. To steal a phrase coined by mainstream financial news media, the Fed told investors it plans to keep interest rates “higher for longer.” The result was a rapid repricing in the bond market, especially at the long end of the yield curve. In fact, the 2 Year Treasury yield rose just 15 basis points, while the 30 Year Treasury yield finished the quarter up 84 basis points. Despite consistent spread widening throughout August and September, Investment Grade Corporate spreads finished the quarter nearly unchanged. Performance, however, was uneven – particularly across the duration spectrum. Long duration corporate bond spreads tightened 16 basis points, outperforming short duration corporate spreads which widened 12 basis points. Agency MBS spreads were also volatile, underperforming investment grade corporate spreads and widened 14 basis points – closing near the widest levels since the COVID recession.

CONTRIBUTORS	DETRACTORS
CORPORATE SECURITY SELECTION	DURATION
	GOVERNMENT YIELD CURVE POSITIONING
	MBS ALLOCATION

ATTRIBUTION			
	JOHNSON	ICE BofA Merrill Lynch US Corp & Govt, 1-3 Year Index	DIFFERENCE
DURATION	-1.63%	-1.40%	-0.23%
NON-PARALLEL	1.00%	1.11%	-0.11%
OTHER RATES	-0.12%	-0.19%	0.07%
SECTOR/QUALITY	0.01%	-0.02%	0.03%
SELECTION	0.01%	0.00%	0.02%
INCOME	1.34%	1.29%	0.05%

PERFORMANCE						
	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	0.66%	3.12%	-0.91%	1.29%	1.20%	1.36%
JOHNSON (NET)	0.60%	2.87%	-1.16%	1.04%	0.95%	1.11%
ICE BofA Merrill Lynch US Corp & Govt, 1-3 Years	0.78%	2.85%	-0.71%	1.23%	1.01%	1.04%

PERFORMANCE SUMMARY:

The Johnson Short Duration Fixed Income Strategy returned 0.60% net of fees versus the ICE BofA 1-3 Year Corporate & Government Index return of 0.78%. The Strategy’s somewhat longer duration relative to its benchmark was the primary headwind to relative performance during the quarter as interest rates rose sharply. Furthermore, the Strategy seeks to offset its emphasis on corporate bonds by employing a longer-duration government bond allocation. This was an added headwind as the Fed’s “higher for longer” message caused the yield curve to re-steepen. Somewhat offsetting the impact of interest rates, was the Strategy’s high-quality corporate bond selection, which performed well as volatility in spreads resurfaced. This was partially negated by the Strategy’s mortgage-backed bond allocation, which underperformed duration matched treasuries over the quarter. On a more positive note, the Strategy’s positive absolute return during a quarter in which interest rates rose sharply is a good illustration of the improved return outlook in fixed income, driven by the higher levels of yield present in the market today which offer an increasing cushion against negative returns going forward.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

As we turn our attention to the final quarter of the year, it’s difficult not to feel optimism around the opportunity in high quality fixed income. While the bear market in fixed income during the past few years has been unprecedented, yields are now at or near multi-decade highs. As a result, forward return expectations for high-quality bonds have improved meaningfully. Additionally, elevated yields also position Short Duration Fixed Income to provide a more consistent and reliable “hedge” to risk assets. As the economy continues to feel the pressure of historically aggressive monetary policy, we believe that Short Duration Fixed Income is well positioned to offer attractive levels of income with limited sensitivity to interest rate movements. As a result, we continue to position the portfolio with a defensive tilt including a modest duration overweight and modest overall corporate bond exposure

PORTFOLIO SUMMARY		
	JOHNSON	ICE BofA Merrill Lynch US Corp & Govt, 1-3 Year Index
COUPON	3.10%	2.56%
YIELD TO MATURITY	5.66%	5.37%
WEIGHTED AVG. MATURITY (IN YEARS)	2.28	1.94
WEIGHTED AVG. DURATION (IN YEARS)	2.08	1.83

OUR FIXED INCOME STRATEGY TEAM:



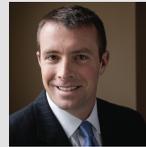
Jason Jackman, CFA
Chief Executive Officer, Principal



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.



Johnson Asset Management (JAM) is a division of Johnson Investment Counsel, Inc. (“JIC”), an independent and privately owned Midwestern based investment advisory firm registered with the Securities and Exchange Commission. Johnson Asset Management manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds. JIC’s fees are available upon request and may be found in our Form ADV Part 2A. Performance data quoted herein represents past performance. Past performance does not guarantee or indicate future results. All data is current as of September 30, 2023 unless otherwise noted. Returns and net asset value will fluctuate. To determine if this strategy is appropriate for you, carefully consider the investment objectives, risk factors, and expenses before investing. Individual account management and construction will vary depending on each client’s investment needs and objectives. Investments employing JIC’s strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by any Bank or any Bank affiliate, and MAY lose value, including possible loss of principal. Johnson Asset Management claims compliance with the Global Investment Performance Standards. The Short Duration Fixed Income composite includes all fee paying, fully discretionary, actively managed institutional fixed income portfolios with a minimum value of \$500,000 and an investment objective of short duration, investment grade taxable fixed income. The benchmark for this composite is the ICE BofA Merrill Lynch 1-3 Year G/C Index. The ICE BofA Merrill Lynch 1-3 Year Corporate/Government Bond Index includes publicly issued U.S. Treasury debt, U.S. government agency debt, taxable debt issued by U.S. states and territories and their political subdivisions, debt issued by U.S. and non-U.S. corporations, non-U.S. government debt and supranational debt. JAM’s policies for valuing portfolios, calculating performance and preparing compliant presentations, as well as a complete list of composite descriptions are available upon request. Please contact our office at 513.389.2770 or 3777 West Fork Road, Cincinnati, OH 45247. All returns reflect the reinvestment of investment income (dividends and/or interest) and capital gains. Valuations and returns are stated in U.S. dollars. Trade date accounting is used. Portfolio returns are calculated using time weighted return methodology on a monthly basis. Net returns shown reflect gross performance less the highest fee schedule for this strategy. Actual client returns would also be reduced by brokerage commissions, custodial fees, and other client paid expenses detailed in JIC’s Form ADV Part 2A.