

A QUARTER REVIEW:

SMID Cap equities corrected in the first quarter, marking their worst start to a year since 2020. The downturn began in January, triggered by a correction in AI-related technology stocks amid rising competition from Chinese firms. Markets were further unsettled by a dramatic shift in global trade policy under President Trump, who announced a series of escalating tariffs levied on most U.S. trading partners.

Inflation concerns were reflected in rising commodity prices, and as tariff uncertainty increased, so did the odds of recession. The best performing sectors were those that typically exhibit defensive characteristics, such as Utilities, Consumer Staples, and Real Estate. Global growth beneficiaries that are especially impacted by tariffs, such as Technology and Consumer Discretionary, were repriced much lower with a more uncertain economic outlook.

PERFORMANCE SUMMARY:

The SMID Cap Core Strategy delivered a net return of -4.75% in the first quarter, outperforming the Russell 2500 Index's -7.50% return.

The relative outperformance can be attributed to an emphasis on high-quality investing. The Strategy's multi-factor emphasis on quality, valuation, and momentum helped limit exposure to the sharp drawdowns in expensive growth stocks. An overweight to Mid Cap stocks was advantageous, limiting exposure to the weaker Small Cap area. Security selection was the primary driver of excess return with notable contributions from positioning in the Health Care, Industrials, and Consumer sectors.

TOP 5 PERFORMERS¹

	WEIGHT	RETURN CONTRIBUTION
OPTION CARE HEALTH INC	1.41%	0.52%
BJS WHSL CLUB HOLDINGS INC	1.29%	0.31%
GENPACT LIMITED	1.56%	0.27%
CHEMED CORP	1.64%	0.25%
AXIS CAP HOLDINGS LTD	1.54%	0.20%

TOP 5 DETRACTORS¹

	WEIGHT	RETURN CONTRIBUTION
GLOBANT SA	1.17%	-0.65%
MADDEN STEVEN LTD	0.86%	-0.37%
FULLER H B CO	1.49%	-0.27%
BENTLEY SYSTEMS INC	1.70%	-0.27%
NVENT ELECTRIC PLC	1.15%	-0.27%

TOP TEN HOLDINGS²

NAME	% OF PORTFOLIO
UNITIL CORP	2.09%
CHEMED CORP	1.85%
EVEREST GROUP LTD	1.76%
AVERY DENNISON CORP	1.75%
AXIS CAP HOLDINGS LTD	1.73%
WORLD KINECT CORPORATION	1.68%
AMERICAN FINANCIAL GROUP INC OHIO	1.68%
RELIANCE INC COM	1.67%
OPTION CARE HEALTH INC	1.66%
JONES LANG LASALLE INC	1.66%

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.

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MARKET OUTLOOK AND PORTFOLIO POSITIONING:

Trade-related uncertainty and market volatility have intensified so far in the second quarter. The outlook remains clouded by unpredictable tariff negotiations and heightened global policy risks—fiscal, monetary, and geopolitical.

Economic stress seems unavoidable as tariffs pressure profit margins and customer confidence wanes. SMID Cap earnings growth has been lackluster since 2021, but the mid-teens recovery currently expected in 2025 is getting harder to endorse. Analyst estimates continue to decline, and the first quarter results are likely to show negative growth.

This lack of earnings visibility complicates the valuation puzzle. Smaller companies are facing more earnings pressure than large companies, but SMID Cap stocks continue to trade at a steep historical discount to Large Cap. The team is actively seeking selective opportunities in attractively valued Small Caps and quality cyclicals—but only where earnings projections appear durable and achievable.

Markets are struggling to digest the implications of tariff levels not seen since the 1930s. Against this backdrop, risk management remains a priority. The Strategy's emphasis on quality and downside protection is well-suited to navigate this period of elevated uncertainty.

PERFORMANCE

	QTD	1YR	3YR	5YR	7YR	10YR
JOHNSON (GROSS)	-4.50%	-1.86%	6.24%	16.88%	8.90%	9.13%
JOHNSON (NET)	-4.75%	-2.84%	5.19%	15.73%	7.82%	8.05%
RUSSELL 2500	-7.50%	3.11%	1.78%	14.91%	7.16%	7.46%

OUR SMID CAP CORE STRATEGY TEAM:

Brian Kute, CFA
Managing Director of
Research, Senior Portfolio
Manager, Principal



Bryan Andress, CFA
Senior Research Analyst,
Principal



Chris Godby, CFA
Senior Research Analyst

The Johnson SMID Cap Core Equity Strategy seeks to consistently outperform the Russell 2500 Index over a full market cycle with less volatility. The Strategy seeks to identify stocks that are making smart allocation decisions, with a favorable combination of quality, valuation, and momentum characteristics.

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.



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