



Happy New Year Friends and Investors:

What a difference a year makes. Sustainable or not, the mood in the markets are decidedly more positive and the 2009 results reflect it. All of the investment strategies we manage easily outpaced their respective benchmarks.

Our flagship fixed income products had another solid year demonstrating our ability to outperform in a variety of risk environments. Core returned 7.52% compared to 5.93% for the Barclays Aggregate Index. Intermediate returned 207 bps more than the Barclays Intermediate Government/Credit Index totaling 7.31% versus 5.24% for the benchmark. This is the fifth straight year Core has beat the Agg and the sixth straight for the Intermediate beating the Intermediate Gov / Credit.

The Enhanced Index strategy continued its strong performance returning an astounding 454 bps more than the S&P 500 Index with 31.00% for the year compared to 26.46% for the index. Our enhancing approach uses the futures market to closely align with the risk characteristics of the S&P 500 while building on our skills managing fixed income portfolios to add alpha.

2009 was a strong year for our quantitative equity strategies as volatility stabilized and forced selling in the market slowed. Large cap had a great year returning 34.91% compared to 26.46% for the S&P 500. Midcap soared. It beat the benchmark by over 16% with a return of 56.77% versus 40.48% for the Russell Midcap Index. Smallcap continued to gain ground with a return of 28.04% compared to 27.17% for the Russell 2000 Index.

We are grateful for the many referrals and inquiries we received last year. As you assess your portfolios and contemplate changes for 2010, please let us know how we can help. If you have any questions or desire additional information, don't hesitate to contact me.

Yours truly,

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Fixed Income Composites

Yield spread compression drove strong outperformance of the spread sectors during the fourth quarter. Our emphasis on corporate bonds allowed us to outpace the benchmark again in the fourth quarter and has been a strong contributor to performance since the first quarter. We feel that corporate bonds have additional room to tighten in 2010, though the pace of this tightening should diminish somewhat. We have recently begun to accelerate our underweight of agency mortgage-backed securities as we believe the end of the Fed's \$1.25 trillion buying program, which is expected to wind down in March, will present a headwind for the sector. The yield curve steepened further during the quarter and the 30 year to 2 year curve differential now stands at a record. We have begun to barbell the maturity structure of the portfolio - reducing exposure in 6 to 10 year maturities and increasing exposure in the 2 to 5 year and the 20 to 30 year portions of the yield curve. Our expectation is that further yield spread compression and the beginning of yield curve flattening will drive relative outperformance in 2010.

<u>Strategy</u>	<u>Qtr</u>	<u>YTD</u>	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Intermediate Composite	0.71	7.31	7.31	7.32	7.36	5.83
Net-of-fees	0.65	7.06	7.06	7.07	7.11	5.58
<i>BC Intermediate Govt / Credit Index</i>	0.30	5.24	5.24	5.16	5.90	4.66
Core Composite	0.46	7.52	7.52	8.17	7.92	6.30
Net-of-fees	0.40	7.27	7.27	7.92	7.67	6.05
<i>BC Aggregate Index</i>	0.20	5.93	5.93	5.59	6.04	4.97

Domestic Equity Composites

Stocks continued their strong rally during the fourth quarter as investors remain focused on the potential for economic and earnings recovery in 2010. The past year was a transitional one that resulted in investors taking on greater risk within portfolios as the market's liquidity environment improved. Low expectations and very attractive long-term valuation made such a shift profitable to investors. As a result, momentum oriented factors to stock selection were relatively ineffective, while value and reversal factors in our quantitative model added great value. In addition, many of our growth factors were positive throughout the year as investors favored stocks with high or improving outlooks within an earnings environment that remained problematic. "Cheap growth" has been an overriding theme of our quantitative model and it was highly effective during the year. This resulted in an increase in materials, discretionary and financial names which added value. We now anticipate the market will transition in the coming year toward more consistency of growth as the economy recovers and overall earnings begin to grow again. The factors that were most effective in the final quarter suggest such a shift is coming and will be sustainable. Our Enhanced Index strategy also added great value during the year as a result of the steep yield curve and a reduction in the risk environment. Alpha once again was generated from the short duration fixed income securities that enhance the futures contracts in this portfolio. The yield advantage of this bond portfolio and effective portfolio structure provided significant return advantage over the cost of the futures contracts. We are positioned for the short end of the yield curve to remain steep and for credit spreads to continue to improve in 2010 as we seek to enhance the S&P 500 index.

<u>Strategy</u>	<u>Qtr</u>	<u>YTD</u>	<u>1 Year</u>	<u>2 Year</u>	<u>3 Year</u>	<u>5 Year</u>
Smallcap Quantitative Composite	-0.60	28.04	28.04	-17.15	-14.22	-3.62
Net-of-fees	-0.75	27.44	27.44	-17.75	-14.82	-4.22
<i>Russell 2000</i>	3.87	27.17	27.17	-8.24	-6.07	0.51

Midcap Quantitative Composite	5.46	56.77	56.77	-10.94	-5.18	1.71
Net-of-fees	5.31	56.17	56.17	-11.54	-5.78	1.11
<i>Russell MidCap Index</i>	5.92	40.48	40.48	-9.32	-4.59	2.43
Largecap Quantitative Composite	5.78	34.91	34.91	-12.14	-6.67	2.05
Net-of-fees	5.66	34.41	34.41	-12.64	-7.17	1.55
S&P 500	6.04	26.46	26.46	-10.74	-5.63	0.42
Enhanced Index Composite	6.50	31.00	31.00	-8.95	-4.20	1.22
Net-of-fees	6.44	30.65	60.65	-9.22	-4.50	0.89
S&P 500	6.04	26.46	26.46	-10.74	-5.63	0.42

*Johnson Institutional Management is a division of Johnson Investment Counsel Inc., an independent and privately owned Cincinnati based investment advisory firm specializing in wealth management for families, endowments and foundations, corporations and retirement plans. Johnson Institutional Management, claims compliance with the Global Investment Performance Standards (GIPS). The CFA Institute has not been involved with or reviewed Johnson Institutional Management's claim of compliance. Each composite return is derived from all discretionary fee paying accounts managed in that style and includes the reinvestment of dividends, interest and other earnings. These composites do not include any non-fee paying accounts. No leverage was used in any of the composite portfolios and the U.S. dollar is used to express performance. Net of fee performance for the Enhanced Index composite is the actual return after applicable advisory expenses. For all other composites, the net of fee performance calculation assumes the highest institutional fee schedule (Largecap = 0.50%, Midcap/Smallcap = 0.60%, Fixed Income = 0.25%). A complete list and description of all firm composites and a complete performance presentation can be obtained by emailing Kurt Terrien at kterrien@johnsoninstl.com. **This performance presentation represents composites of individually managed portfolios and is intended for the recipient only. It is also intended only for those interested in individually managed portfolio services. The performance data presented here should not be taken as any guarantee or other assurance as to future results.***