



Dear Friends & Investors:

Happy New Year! We hope 2011 is your best year yet. 2010 was a great year for Johnson Institutional Management. We were fortunate to experience record growth in assets and our investment strategies continued to outpace the markets.

Despite another volatile period for fixed income, our Core and Intermediate strategies finished the year well ahead of their benchmarks. Core finished with a gross return of 7.10% compared to 6.56% for the Barclays Aggregate Index. Intermediate did equally well with a gross return for the year of 6.45% versus 5.89% for the Barclays Intermediate Government/Credit Index. This marks the 6th year in a row our Core strategy has beat the Agg and the 9th consecutive year Intermediate has beat the Intermediate G/C. If you check your manager database, you will see these are very rare accomplishments.

Enhanced Index continues to do very well. It finished the year 293 basis points ahead of the S&P 500 Index with a return of 17.99% compared to 15.06% for the benchmark. The five year annualized number is now 148 basis points ahead of the S&P. We are confident this will continue to perform well as the yield curve should remain steep in 2011.

We are grateful for all the referrals and search opportunities you gave us in 2010 and look forward to working with you in this New Year. As always, if you have any questions or desire additional information, please don't hesitate to contact me.

Kurt Terrien

Composite Performance as of December 31, 2010

	4 th Qtr	YTD	1 Year	3 Year	5 Year
Core Fixed	-1.70%	7.10%	7.10%	7.81%	7.09%
Net-of-Fees	-1.76%	6.85%	6.85%	7.56%	6.84%
Barclays Aggregate	-1.29%	6.56%	6.56%	5.91%	5.80%
Intermediate Fixed	-1.50%	6.45%	6.45%	7.03%	6.61%
Net-of-Fees	-1.56%	6.20%	6.20%	6.78%	6.36%
Barclays Intermediate G/C	-1.44%	5.89%	5.89%	5.40%	5.53%
Enhanced Index	10.37%	17.99%	17.99%	-0.73%	3.77%
Net-of-Fees	10.28%	17.64%	17.64%	-1.08%	3.42%
S&P 500 Index	10.76%	15.06%	15.06%	-2.85%	2.29%

Market Commentary

Fixed Income

Improving economic expectations pushed interest rates higher during the fourth quarter, resulting in the first quarterly negative return in bonds in more than two years. Yield spreads tightened, but the curve steepened during the period, back to near record levels and roughly where it began the year. We believe the yield curve will flatten going forward and are posturing the portfolio to capitalize on this. During the quarter our underweight in mortgages detracted from results. We continue to believe this segment is expensive (spreads are 50 bp inside long-term average) and will underperform credit. Corporate securities also performed well during the quarter, as well as the full year. Although corporates have tightened from record levels the past two years, yields remain attractive compared to history and further improvement economically should lead to outperformance again in 2011. Our overweight in this segment is a key reason for our outperformance for the year. We have recently targeted a 10% commitment to quality taxable municipals. Yields widened in these securities as supply rushed to the market ahead of the expiration of the BABs program. Some investors are concerned about the depth of the financial strains on many municipalities, but this is a highly differentiated market and many quality securities have been mispriced, providing an opportunity to investors. Our focus is on better demographic regions with relatively stable budgets, public higher education, and essential purpose bonds.

Equity

During the fourth quarter, the stock market continued the positive run that began in September to finish the year higher by double digits for the second consecutive year. Fueled by optimism that economic growth was improving and that the outcome of the election would lead to a more balanced government, investors added to growth assets. Small and midcap stocks outpaced largecap for the year and growth outperformed value. As we enter 2011, economic risks remain

elevated, but growth prospects are improving. We expect the Fed to remain stimulative throughout much of the year until a solid economic foundation is built and job growth resumes. As a result, the yield curve will remain steep, especially at the front-end, and credit spreads will continue to tighten relative to treasuries. This should keep the cost of carry on futures low and the returns available from short duration bonds relatively attractive. As we progress through 2011 we may shorten duration on the bond portfolio within the Enhanced Index strategy in order to protect alpha prior to a shift in the interest rate cycle. We will remain committed to quality spread sectors until their yield spreads normalize.

*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 assumes the highest institutional fee schedule for each composite (0.35% for Enhanced and 0.25% for Fixed Income). 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.***