



We hope you had a great 4th of July weekend.

Summer temperatures are heating up and hopefully the markets will too. The second quarter saw volatility return as global banking concerns combined with growing domestic uncertainty weighed down the equity markets and drove Treasury yields to even lower levels.

Our fixed income strategies continued their impressive, consistent run with Core returning 3.72% versus 3.49% for the Barclays Aggregate Index. It remains well ahead of the benchmark through all time periods including a 5 year number 139 bps ahead of the index. Intermediate matched the Barclays Intermediate G/C for the quarter and boasts a 5 year return that is now 120 bps ahead of the benchmark. Our “no surprises” approach with no high yield or derivatives continues to reward investors seeking a reliable fixed income allocation.

Enhanced Index continues to add value over the S&P 500 Index. For the quarter it added 90 basis points with a return of -10.52% compared to -11.42% for the benchmark. It too, is leading across all time periods and has an impressive 5 year number that is now 124 bps better than the S&P 500. We believe this will continue to do well with a favorable yield curve and a forecast measured economic growth.

The three quant strategies gave a little back during the quarter, though both Large and Mid Cap still have very impressive YTD numbers.

We are grateful for the wonderful opportunities and referrals in the first half of 2010 and look forward to a promising second half. If you have any questions or desire additional information, please don't hesitate to contact me.

Yours truly,

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Fixed Income Composites

The spreading European debt crisis and evidence of a U.S. economic “soft patch” sent Treasury yields lower and caused corporate spreads to widen during the second quarter. Treasury yields are now down 50 to 100 basis points this year with much of the move occurring in the quarter. Credit has underperformed duration neutral Treasuries by 109 basis points this year, but the yield spread widening has not been uniform across issuers or sectors. High quality industrials remain quite tight, for instance, while some lower quality financial issuers look quite wide historically. As further evidence of yield spread differentiation and investor flight to safety, agency mortgage-backed securities continue to tighten to historically tight levels. Mortgages have now outpaced duration neutral Treasuries by 72 basis points this year. During the second quarter, we implemented several strategic shifts in the portfolio. First, we added to our barbelled maturity structure by reducing 5-10 year holdings and increasing 30 year Treasury holdings. Second, we added taxable municipal bonds to the portfolio that were issued through the Build America Bond program. We find that taxable municipal bonds offer a compelling combination of quality and yield in the current market environment. Our longer-than-benchmark duration, barbelled maturity structure and quality orientation drove the incremental amount of outperformance for the quarter, which added to our long-term advantage over the benchmark.

Strategy - as of 6/30/2010	Qtr	YTD	1 Year	2 Year	3 Year	5 Year
Intermediate Composite	2.97	5.16	10.06	9.03	8.69	6.46
Net-of-fees	2.91	5.04	9.81	8.78	8.44	6.21
<i>BC Intermediate Govt / Credit Index</i>	2.97	4.55	8.28	6.77	6.98	5.26
Core Composite	3.72	5.93	10.96	10.44	9.67	6.93
Net-of-fees	3.66	5.81	10.71	10.19	9.42	6.68
<i>BC Aggregate Index</i>	3.49	5.33	9.50	7.76	7.55	5.54

Domestic Equity Composites

Volatility returned to the equity market during the second quarter with all major indices declining in price. Concerns continue to mount that the economic expansion will disappoint investors and that European sovereign risk could spread globally. Not surprisingly, growth oriented inputs to stock selection continued to slip in effectiveness and traditional valuation factors were additive. Momentum was also a drag, replaced by price reversal measures as the market turned lower. Questions about the economic environment also pushed down interest rates in the quarter and pushed out the fear of Fed tightening. The yield curve remains steep and the cost of carry on equity futures contracts in the Enhanced Index strategy remains minimal. Our approach continues to benefit from the structure of the curve and the relatively attractive yields available on short duration corporate bonds. Though credit spreads widened somewhat during the quarter, it was not nearly enough to offset the positive carry of the yield curve or the total return available from falling rates in the bond portfolio that enhances these contracts. We expect recent trends in the front-end of the yield curve to continue until greater conviction regarding the economic expansion materializes. This is not expected to occur until 2011 or later. As a result, we remain focused on quality corporate bonds with an average duration of roughly two years and a portfolio yield substantially higher than the cost of funds. Historically, a steep yield curve and above average credit spreads have been good environments to synthetically enhance the equity market.

Strategy - as of 6/30/2010	Qtr	YTD	1 Year	2 Year	3 Year	5 Year
Enhanced Index Composite	-10.52	-4.81	18.56	-5.18	-7.68	0.45
Net-of-fees	-10.58	-4.94	18.25	-5.43	-7.96	0.13
S&P 500	-11.42	-6.66	14.42	-8.12	-9.81	-0.79
Smallcap Quantitative Composite	-14.35	-10.29	6.60	-15.96	-19.02	-5.84
Net-of-fees	-14.50	-10.59	6.00	-16.56	-19.62	-6.44
Russell 2000	-9.92	-1.95	21.48	-4.55	-8.60	0.37
Midcap Quantitative Composite	-10.74	-0.01	28.44	-11.17	-8.86	0.99
Net-of-fees	-10.89	-0.31	27.84	-11.77	-9.46	0.39
Russell MidCap Index	-9.88	-2.06	25.13	-6.65	-8.19	1.22
Largecap Quantitative Composite	-11.67	-2.69	24.63	-12.19	-10.37	0.55
Net-of-fees	-11.80	-2.94	24.13	-12.69	-10.87	0.05
S&P 500	-11.42	-6.66	14.42	-8.12	-9.81	-0.79

*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.***