



Dear Friends and Investors:

I hope your Fall is off to a great start. Schools are in session, football games are on and baseball playoffs have begun. While the leaves are changing colors, the markets have not, with green arrows continuing to be in season. Both the stock and bond markets had a great third quarter and we're excited to say we did even better across all strategies.

Our "no surprises" fixed income approach continued its consistent winning streak with Core Fixed returning 4.27% compared to the quarterly return for the Barclays Aggregate of 3.74%. Core now has a 5 year return advantage of 1.25% compared to the benchmark. Intermediate Fixed did even better for the quarter, returning 3.92% versus 3.25% for the Barclays Intermediate G/C. Intermediate is now ahead of the benchmark on the five year number by 1.11%.

Piggybacking on the strong fixed income performance, Enhanced Index continues to shine. It beat the S&P 500 by 135 basis points for the quarter with a return of 16.95% versus 15.60% for the index. This strategy is now ahead of the S&P 500 by an astounding 3.74% YTD. Please recall this is done without bond derivatives, junk bonds or foreign currency. High quality, short duration, domestic fixed income is all we use to enhance.

With volatility down from its never-before-seen levels, our quantitative equity approach is back to performing as expected. All three strategies had great quarters. Large Cap beat by 5.47%; MidCap beat by 1.18% and SmallCap bested the benchmark by 0.20%. This makes gross YTD performance an impressive 27.53% for Large Cap versus 19.26% for the S&P 500; 48.65% for Mid Cap versus 32.63% for the Russell MidCap and 28.75% for SmallCap versus 22.43% for the Russell 2000.

Thanks for your continued interest in Johnson Institutional Management. We are grateful for the numerous searches and successes we've seen this year and look forward to a busy fourth quarter. 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

Better than expected economic data and an increase in the appetite for risk continued to compress yield spreads. Credit outpaced Treasuries by an additional 490 basis points during the quarter bringing the year-to-date advantage to 1712 basis points. The rally has been led by low quality with BBB-rated credit outperforming Treasuries by 2695 basis points through the first nine months of the year. A-rated credit has outpaced Treasuries by an impressive, though much lower, 1652 basis points. We believe the degree of relative outperformance we are seeing in BBB-rated credit, ABS and CMBS is premature. Our expectation is that the reality of a slower, more subdued recovery will cause a risk flare at some point in the coming quarters. During this time, we expect BBB-rated credit, ABS and CMBS to underperform higher quality alternatives. Our portfolios are positioned accordingly, with an emphasis on high quality corporate bonds. While yield spreads are in from levels experienced last year, they are still attractive relative to history.

<b>Strategy</b>	<b>Qtr</b>	<b>YTD</b>	<b>1 Year</b>	<b>2 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Intermediate Composite	3.92	6.53	13.83	8.56	7.51	5.79
Net-of-fees	3.86	6.34	13.58	8.31	7.26	5.54
<i>BC Intermediate Govt / Credit Index</i>	3.25	4.93	10.01	6.52	6.16	4.68
Core Composite	4.27	7.04	16.00	9.73	8.21	6.38
Net-of-fees	4.21	6.85	15.75	9.48	7.96	6.13
<i>BC Aggregate Index</i>	3.74	5.72	10.56	7.06	6.41	5.13

### Domestic Equity Composites

The broad stock rally that began in early March continued at a strong pace during the third quarter. Further signs of economic stability and improving expectations for corporate earnings are driving stocks higher, with all styles and capitalization benefitting. In this environment, fundamental company outlooks and valuation are driving investors, with momentum and other technical factors less relevant. This more rational investment behavior emerged late last year and is an important element of our disciplined decision making process. The fundamental quantitative model we utilize has focused primarily on various growth inputs and traditional valuation metrics this year and is contributing to positive performance. Our portfolios exhibit an “economic recovery” theme with overweighted positions in materials and discretionary stocks. We are roughly market weighted in the volatile financial sector, but this is a significant increase from our underweight posture a year ago. We anticipate recent trends to remain in place throughout the remainder of this year, though the pace of the market’s climb will likely slow dramatically. Meanwhile, excellent fixed income management within the Enhanced Index strategy continues to propel alpha. We remain committed to corporate spread products as the primary generator of excess return in this enhanced indexing approach.

<b>Strategy</b>	<b>Qtr</b>	<b>YTD</b>	<b>1 Year</b>	<b>2 Year</b>	<b>3 Year</b>	<b>5 Year</b>
Smallcap Quantitative Composite	19.48	28.75	-13.75	-21.05	-11.63	-0.24
Net-of-fees	19.33	28.30	-14.35	-21.65	-12.23	-0.84
<i>Russell 2000</i>	19.28	22.43	-9.55	-12.05	-4.57	2.41
Midcap Quantitative Composite	21.80	48.65	-2.64	-15.24	-4.11	3.48
Net-of-fees	21.65	48.20	-3.24	-15.84	-4.71	2.88
<i>Russell MidCap Index</i>	20.62	32.63	-3.55	-13.46	-4.07	3.89

Largecap Quantitative Composite	21.07	27.53	-9.13	-16.70	-6.67	3.64
Net-of-fees	20.95	27.15	-9.63	-17.20	-7.17	3.14
S&P 500	15.60	19.26	-6.91	-14.77	-5.43	1.02
Enhanced Index Composite	16.95	23.00	-2.53	-13.02	-4.20	n/a
Net-of-fees	16.87	22.75	-2.79	-13.29	-4.50	n/a
S&P 500	15.60	19.26	-6.91	-14.77	-5.43	1.02

*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](mailto: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.***