Quarterly Update
FOURTH QUARTER 2020

JOHNSON ASSET MANAGEMENT

QUARTER END MARKET STATISTICS

December 31, 2020	Q4	1 Year	3 Year	5 Year	7 Year	10 Year
Core Fixed Income (Gross)	0.38%	9.27%	6.19%	5.29%	4.95%	4.63%
Core Fixed Income (Net)	0.32%	8.99%	5.93%	5.03%	4.69%	4.37%
Barclays Aggregate Index	0.67%	7.51%	5.34%	4.43%	4.09%	3.84%
Intermediate Fixed (Gross)	0.49%	7.39%	5.24%	4.50%	4.00%	3.90%
Intermediate Fixed (Net)	0.43%	7.13%	4.98%	4.24%	3.74%	3.64%
Barclays Intermediate G/C Index	0.48%	6.43%	4.67%	3.64%	3.19%	3.11%
Short Duration (Gross)	0.37%	3.79%	3.23%	2.73%	2.33%	2.26%
Short Duration (Net)	0.31%	3.53%	3.06%	2.48%	2.08%	2.00%
ICE BofAML U.S. Corp & Gov't 1-3 Year Index	0.23%	3.34%	3.01%	2.23%	1.80%	1.63%
Enhanced Index (Gross)	12.27%	19.91%	14.94%	15.89%	13.55%	14.64%
Enhanced Index (Net)	12.19%	19.54%	14.58%	15.53%	13.22%	14.32%
S&P 500 Index	12.15%	18.40%	14.18%	15.21%	12.91%	13.88%
SMID Cap Core Equity (Gross)	21.65%	9.20%	7.14%	11.63%	8.71%	
SMID Cap Core Equity (Net)	21.36%	8.12%	6.08%	10.52%	7.63%	
Russell 2500 Index	27.41%	19.99%	11.32%	13.63%	10.17%	

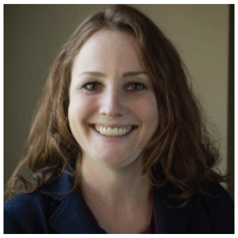
Dear Friends & Investors:

As we reflect upon 2020, we can say with certainty it was a year unlike any other. The world collectively braced for the impact of the COVID-19 pandemic as it rippled through the globe last spring, sending shockwaves through financial markets. In just 33 days, the S&P 500 tumbled 34%, marking the quickest trip to bear market territory in history. In response, policy makers unleashed a tsunami of stimulus to patch the ailing economy and restore order to financial markets. As quickly as markets fell, sentiment reversed, and the market recovered its losses in just four short months. Again, this was the quickest bear market reversal on record.

While market sentiment seemed to change on a dime, one thing remained constant – an unwavering commitment to our high-quality investment discipline. In a year fraught with fear and uncertainty, we once again delivered consistent and reliable investment results despite great market turbulence. While 2020 certainly brought its fair share of challenges, we also have a lot to be grateful for. We are truly humbled by the confidence that our clients place in us and are looking forward to the days where we may once again collaborate face to face.

Sincerely,

Emily M. Fox, CAIA
Director of Institutional
Business Development



FOURTH QUARTER MARKET COMMENTARY

FIXED INCOME

Despite market uncertainty, 2020 was yet another surprisingly strong year for fixed income returns. The Bloomberg Barclays Aggregate Bond Index returned just over 7.5%, driven primarily by falling interest rates. The 10-Year Treasury fell to record-low levels after starting the year at 1.92%, as COVID-19 related lockdowns were implemented. After bottoming at just 0.50% in mid-summer, the 10-Year Treasury has remained within a relatively tight range, drifting slowly higher during the final months of the year. On the other hand, corporate bond spreads have been far more volatile. Spreads on the Bloomberg Barclays Investment Grade Corporate Bond Index started the year at just 93 basis points. By late March, spreads peaked at 373 basis points, making March the single worst month for Investment Grade Corporate excess returns in history. As quickly as spreads widened, the fiscal and monetary policy support helped restore order and liquidity to credit markets and led to rapid spread tightening. Corporate Bond spreads ended the year just 3 basis points wider for the full year – a remarkable feat given the severity of March's selloff.

During 2020, the Johnson Core composite outperformed the Bloomberg Barclays US Aggregate index by 148 bps net of fees, and Johnson Intermediate composite outperformed the Bloomberg Barclays US Intermediate G/C by 70 bps net of fees– a testament to our ability to provide stability in times of market uncertainty. While we began the year with a more defensive posture, ample portfolio liquidity allowed us to quickly take advantage of the spread market dislocations. Throughout late spring, we strategically added several high-quality credits at historically attractive valuations. This shift was beneficial as spreads tightened throughout the remainder of the year.

As we turn our attention to the coming year, we still believe that high-quality fixed income plays an important role within asset allocations. While returns are likely to be more modest going forward, we believe that interest rates are likely to remain low for quite some time. The medium-term economic outlook has brightened due to positive vaccine developments. However, the longer-term outlook remains clouded by elevated debt levels, bloated government deficits, and demographic headwinds. As such, we believe the Fed will remain committed to keeping interest rates low for a prolonged period of time, and any short term back up in rates this year could provide a welcome buying opportunity for investors. While credit overall remains historically tight, we do continue to find opportunities in select high quality, non-cyclical BBB's as well as Financials.

ENHANCED EQUITY

US large cap equities had a strong finish to the year, as the S&P 500 posted a gain of over 12% in the fourth quarter, bringing the 2020 total return for the index up to +18.4%. From the stock market's low point on March 23rd, the S&P 500 staged an incredible rally of over +47% thanks to fiscal and monetary policy support, and later, optimism surrounding the development of effective vaccines for COVID-19.

The Enhanced Index strategy outperformed the S&P 500 benchmark in the fourth quarter by about 0.04% net of fees, bringing its 2020 total outperformance to 1.14% net of fees. While 2020 was an unusual year in most respects, the primary driver of strategy relative performance remained the same: returns on the bond portion of the portfolio exceeded futures contacts' cost of carry in the fourth quarter and for the year of 2020 overall. Our commitment to investing in high-quality, liquid fixed income assets allowed the portfolio to weather the turmoil of March, and our allocation to corporate credit helped us to outperform during the rally that followed later in the year.

Looking ahead to 2021, our portfolio composition will likely remain similar to our current positioning, with slightly reduced exposure to corporate credit. Conversely, government bonds have become more attractive as interest rates have risen modestly and the front end of the curve has steepened. We remain selective with Mortgage Backed Securities, allocating only to the agency sector and focusing primarily on securities that exhibit stable characteristics in a variety of interest rate scenarios. Futures contracts' cost of carry remain low with the Fed Funds Rate anchored near 0% for the foreseeable future. Outperformance is driven by the ability of the bond portfolio to outperform this relatively low cost of carry hurdle.

SMID CAP CORE EQUITY

The fourth quarter was the best-performing quarter in history of SMID cap stocks, breaking a record that had been set just six months prior! In fact, 2020 was the year with the two *best* quarters in SMID cap market history, and the *worst* quarter ever, exemplifying the extreme volatility of the market.

SMID CAP CORE EQUITY *(continued)*

Our strategy outperformed the Russell 2500 index net of fees by 315 bps from peak to trough during the first quarter down market, as expected due to the high-quality emphasis of our approach. However, as speculative forces drove stocks back to near all-time highs in the fourth quarter, our fundamental approach dragged on performance.

The divergences in market cap and style have been significant, and managers are being tested to maintain their discipline and avoid style drift. The positive COVID-19 vaccine news in November led investors to look across the valley to a resumption of normal activity, helping spark a small cap rally that led to the biggest outperformance over large cap on record. Value edged growth stocks in the fourth quarter, but not by a margin large enough to close an unprecedented gap of outperformance by Growth in 2020.

“Profitable and cheap” has been a losing idea in the past year. The market’s winners were unprofitable companies, which make up more than one-third of the SMID cap universe. History suggests that this outperformance will prove to be temporary as the market refocuses on fundamentals. We expect our strategy to outperform as fundamentals come back into favor.
There has been a growing disconnect between earnings and price. We believe it is unlikely that earnings can return to 2018’s peak levels as soon as this year, as the Wall Street consensus expects. Even if pent-up demand does drive that growth, much of those prospects have likely already been captured by the market. SMID cap stocks are up more than 50% over the past two years, whereas SMID cap earnings per share are down almost 40%, resulting in valuations at record high levels. One bit of solace is that SMID cap stocks still look reasonably priced compared to large cap.

No one would agree that 2020 was a normal year. We have seen incredible volatility and are taking care to not be reactive to trends that are likely not sustainable. We are sticking to our discipline and waiting patiently for what we expect will be a significant benefit as the cycle progresses and quality and value return to favor.

†Beginning January 1. 2010, the firm was redefined as Johnson Institutional Management which only includes institutional client assets with a single asset mandate. In 2019, Johnson Institutional Management was renamed Johnson Asset Management (JAM).

Johnson Asset Management is a division of Johnson Investment Counsel, Inc. (“JIC”), an independent and privately owned Midwestern based investment advisory firm registered with the Securities and Exchange Commission. Johnson Institutional Management manages institutional separate account portfolios for a wide variety of for-profit and nonprofit organizations, public agencies, public and private retirement plans, and personal trusts of all sizes. It may also serve as sub-adviser for mutual funds. JIC’s fees are available upon request and may be found in our Form ADV Part 2A. Performance data quoted herein represents past performance. Past performance does not guarantee or indicate future results. All data is current as of June 30, 2019 unless otherwise noted. Returns and net asset value will fluctuate. To determine if this strategy is appropriate for you, carefully consider the investment objectives, risk factors, and expenses before investing. Individual account management and construction will vary depending on each client's investment needs and objectives. Investments employing JIC’s strategies are NOT insured by the FDIC or by any other Federal Government Agency, are NOT Bank deposits, are NOT guaranteed by any Bank or any Bank affiliate, and MAY lose value, including possible loss of principal.

Johnson Asset Management claims compliance with the Global Investment Performance Standards.

The Institutional Core composite includes all fee paying, fully discretionary, actively managed institutional fixed income portfolios with a minimum value of $500,000 and an investment objective of broad investment grade, taxable fixed income, benchmarked against the Barclay’s Capital Aggregate Index. The Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The Institutional Intermediate Fixed Income composite includes all fee paying, fully discretionary, actively managed institutional fixed income portfolios with a minimum value of $500,000 and an investment objective of broad investment grade, taxable fixed income securities with an intermediate average duration, benchmarked against the Barclay's Capital Intermediate G/C Index. The Barclays Capital U.S. Intermediate Government/Credit Index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The Short Duration Fixed Income composite includes all fee paying, fully discretionary, actively managed institutional fixed income portfolios with a minimum value of $500,000 and an investment objective of short duration, investment grade taxable fixed income. The benchmark for this composite is the Merrill Lynch 1-3 Year G/C Index. The Merrill Lynch 1-3 Year Corporate/Government Bond Index includes publicly issued U.S. Treasury debt, U.S. government agency debt, taxable debt issued by U.S. states and territories and their political subdivisions, debt issued by U.S. and non-U.S. corporations, non-U.S. government debt and supranational debt.

The Enhanced Index Composite is comprised of all discretionary equity portfolios with a portfolio value greater than $1 million and an investment objective of replicating the S&P 500 Index utilizing equity futures contracts and short duration fixed income securities. The benchmark for this composite is the S&P 500 Index, a broadly diversified large cap equity universe of U.S. companies.

JAM’s policies for valuing portfolios, calculating performance and preparing compliant presentations, as well as a complete list of composite descriptions are available upon request. Please contact our office at 513.389.2770 or 3777 West Fork Road, Cincinnati, OH 45247.

All returns reflect the reinvestment of investment income (dividends and/or interest) and capital gains. Valuations and returns are stated in U.S. dollars. Trade date accounting is used. Portfolio returns are calculated using time weighed return methodology on a monthly basis. Net returns shown reflect gross performance less the highest fee schedule for this strategy.

Actual client returns would also be reduced by brokerage commissions, custodial fees, and other client paid expenses detailed in JIC’s Form ADV Part 2A..