

A QUARTER REVIEW:

SMID Cap stocks closed at a record quarterly high, completing a third consecutive year of double-digit gains, something that has not happened since 1995-1997 in heart of the 90's Tech stock boom. More speculative areas of the market did weaken during the quarter as investors grew anxious ahead of the expected tightening of monetary policy, but the consensus earnings growth outlook held steady after a long year of rapidly rising estimates.

The Growth vs. Value style dynamic remains very interesting. In large-cap stocks, Growth beat Value again in the fourth quarter, but the opposite occurred in the SMID Cap realm with the Russell 2500 Value Index outperforming Growth by over 600 basis points. Real Estate, Utilities, and Materials were the top performing sectors in the market, reflecting the value stock preference of investors in the quarter. SMID Cap Growth's underperformance can be attributed to higher exposure to unprofitable, speculative stocks, which experienced meaningful valuation bleed during the quarter. Health Care was the worst performing sector, with SMID Cap biotechnology stocks dropping 12%. Many other high-expectation Technology and Communication Services stocks also corrected. Even with some pockets of weakness, growth stocks remain more highly priced than they have historically been and trade at a significant premium to value stocks. But given that business fundamentals remain healthy and/or improving across most sectors, the overall SMID Cap market continued its post-recession rally.

1) Past performance is not indicative of future results, and there is a risk of loss of all or part of your investment. The above does not represent all holdings in the Strategy. Holdings listed might not have been held for the full period. To obtain a copy of Johnson Asset Management's calculation methodology and a list of all holdings with contribution analysis, please contact your service team. The data provided is supplemental. Please see important disclosures at the end of this document.

2) Holdings are subject to change. Past performance is not indicative of future results, and there is risk of loss of all or part of your investment. The data provided is supplemental. Please see disclosures at the end of this document.

TOP 5 PERFORMERS¹

	WEIGHT	RETURN CONTRIBUTION
ON SEMICONDUCTOR CO.	1.47%	0.61%
SMITH CORP. A.O.	1.65%	0.52%
COMFORT SYSTEMS USA	1.63%	0.50%
GORMAN RUPP CO.	1.78%	0.45%
FIRST INDUSTRIAL REALTY	1.63%	0.38%

TOP 5 DETRACTORS¹

	WEIGHT	RETURN CONTRIBUTION
WORLD FUEL SERVICES	1.02%	-0.29%
SLEEP NUMBER CORP.	1.07%	-0.25%
U.S. PHYSICAL THERAPY INC.	1.18%	-0.19%
HIBBETT SPORTS INC.	1.11%	-0.18%
CHARLES RIVER LABS	1.64%	-0.16%

TOP TEN HOLDINGS²

NAME	% OF PORTFOLIO
AMN HEALTHCARE SERVICES, INC.	1.93%
NVENT ELECTRIC PLC F	1.92%
FARMERS NATIONAL BANC CORP	1.91%
APPLIED INDUSTRIAL TECHNOLOGIES, INC.	1.91%
WINTRUST FIN'L	1.87%
EVEREST RE GROUP, LTD.	1.80%
GORMAN RUPP CO.	1.78%
CARLISLE COS INC COM	1.74%
FULLER (H.B.) COMPANY	1.72%
LITTELFUSE	1.72%

PERFORMANCE SUMMARY:

For the quarter, our SMID Cap Core strategy outperformed the Russell 2500 Index in the fourth quarter with a net return of +9.98% vs. +3.82% for the index.

Quality stocks, a key attribute of our investment philosophy, were broadly in favor during the quarter, and an intentional tilt toward midcap stocks vs. smallcap was additive to relative performance. The strategy underweighted the bottom four performing sectors – Health Care, Communication Services, Consumer Discretionary, and Energy. While sector weighting decisions were a positive, the bulk of the quarter’s outperformance came from stock decisions. Several of the top performers included quality cyclical stocks that have been able to capitalize on economic improvement in many end markets. Other top contributors were holdings of companies that agreed to premium takeover bids. Security selection was positive in nine of the eleven sectors, reflecting broad contribution to the fourth quarter’s top quartile performance.

MARKET OUTLOOK AND PORTFOLIO POSITIONING:

With a tightening monetary policy and fiscal stimulus waning into 2022 we are focusing on risk management, especially given the historically high valuations. However, we are not overly cautious, and our disciplined approach is still finding opportunities to invest in high quality companies. As interest rates remain low, investors may continue to prefer the risk of stocks and the opportunities for higher returns they offer.

PERFORMANCE

	QTD	1YR	3YR	5YR	SINCE INCEPTION 1/1/2013
JOHNSON (GROSS)	10.25%	32.05%	23.24%	13.98%	12.26%
JOHNSON (NET)	9.98%	30.76%	22.03%	12.86%	11.15%
RUSSELL 2500	3.82%	18.18%	21.91%	13.75%	11.74%

OUR SMID CAP CORE STRATEGY TEAM:

Brian Kute, CFA
Portfolio Manager,
Principal



Bryan Andress, CFA
Research Analyst



Joe Edelstein, CFA
Research Analyst



Chris Godby, CFA
Research Analyst

1965
ESTABLISHED

\$5.9B
INSTITUTIONAL
ASSETS UNDER
MANAGEMENT
(As of 12.31.21)

The Johnson SMID Cap Core Equity strategy seeks to consistently outperform the Russell 2500 Index over a full market cycle with less volatility. The strategy seeks to identify stocks that are making smart allocation decisions, with a favorable combination of quality, valuation, and momentum characteristics.

For more information on our products and services, please contact a member of the our Sales & Client Service Team at **513.389.2770** or **info@johnsonasset.com**.



Johnson Asset Management (JAM) 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 Asset 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 December 31, 2021 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 (GIPS). A complete list of firm composites and performance results and the policies for valuing portfolios, calculating performance, and preparing GIPS compliant presentations are available upon request by calling 513-389-2770. Composite: The Johnson SMID Cap Core Equity Composite was created on January 1, 2013, and includes all of JIC’s fee paying, fully discretionary institutional equity portfolios with a minimum of \$1,000,000 and an investment objective of small and mid-cap equities. The benchmark for this composite is the Russell 2500, a broadly diversified mid and small cap equity universe of U.S. companies. Eligible new portfolios are included in the composite the first full month after being deemed fully invested. The returns from terminated portfolios are included prior to the date of termination. Effective January 2010, a portfolio will be temporarily removed from this composite if it experiences a net inflow or outflow of cash of 30% or more during a one-month period. Other than the futures contracts that are utilized to replicate the S&P 500, no leverage is used in the Composite portfolios. Portfolios in this composite include cash, cash equivalents, investment securities, interest and dividends. The U.S. dollar is the base currency. 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 weighted return methodology on a monthly basis. Net returns shown reflect gross performance less the highest fee schedule for this strategy. The highest investment management fee schedule for this strategy is 1.00%. Actual client returns could also be reduced by brokerage commissions, custodial fees, and other client paid expenses detailed in JIC’s Form ADV Part 2A.