



Tom Johnson Investment Management, LLC

## Firm Overview

Tom Johnson Investment Management, LLC was founded in 1983 and is based in Oklahoma City, Oklahoma. TJIM's investment team averages over 20 years of experience. All of TJIM's investment committee members are CFA Charterholders who collectively hold 5 MBA's, 1 Ph.D., and one Financial Risk Manager (FRM) designation. TJIM's team draws on the diverse knowledge and experience of each underlying member to provide the best investment decisions for client portfolios. TJIM manages all accounts as separate accounts with individual securities.

## TJIM DSI Equity Process

The primary goal of TJIM's Diversified Stock Income (DSI) portfolio is to generate a stable and growing income stream by buying and managing a diversified portfolio of common stocks that pay or are expected to initiate above-market dividend yields with prospects for future dividend growth. The portfolio has a secondary goal of appreciation. Under normal circumstances, portfolios are managed with the following guidelines:

### Diversification

- 5% max position size
- Own at least 8 of 10 sectors
- Max sector allocation of 2x the S&P or 10%, whichever is larger

### Valuation

- Aggregate PE less than the market
- Low price-to-cash flow
- Sustainable and growing dividend
- Sum-of-parts analysis

### Security Selection

- Focus on dividend payers & growers
- Rigorous fundamental analysis
- Primarily large/mid companies
- Tactical macro-economic opportunities

### Risk Management

- Favorable up/down capture
- Unsystematic risk review
- Historically lower standard deviation than the S&P 500

## Why Diversified Stock Income?

There are multiple benefits to dividend focused investing – increased income, reduced volatility, an income stream that grows over time, and better downside protection. While the portfolio was developed to generate a growing income stream and not necessarily to exploit any specific market inefficiency, by its nature it exploits the intersection of several related market inefficiencies—value anomaly, low volatility, dividends and dividend growth.

## TJIM General Information

Investment Style  
Investment Approach

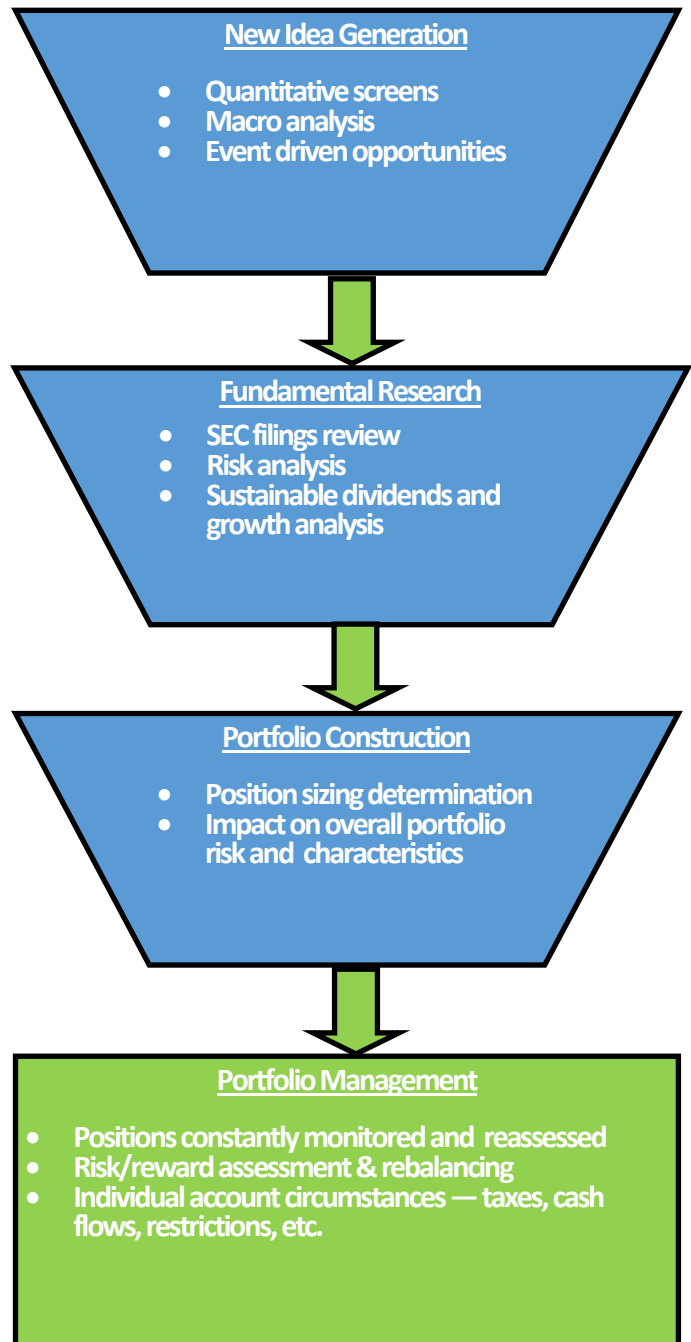
Dividend focused  
Combination of top-down macro analysis coupled with bottom-up fundamental research —focus on growing income stream

Inception date  
Portfolio Managers

7/1/2003  
Richard Parry, CFA, Doug Haws, CFA, Cory Robinson, CFA, FRM, Nick Pointer, CFA, Steve Schenk, CFA, Ned Schrems, CFA, Ph.D.

## TJIM Philosophy

TJIM has a conservative philosophy for investing client assets. TJIM believes that attractive risk-adjusted performance is best achieved by building a prudent, well-diversified, high-quality portfolio that addresses capital preservation and risk. TJIM's over-riding goal is to provide good returns in up markets while protecting wealth when down markets inevitably occur, which should lead to outperformance over a full market cycle.





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## Product Profile | Diversified Stock Income (DSI)

Period Ending 09/30/18

### Portfolio Characteristics

	TJIM DSI Equity	S&P 500 Index	BIGC
P.E Forecast 1-year	14.9	21.4	N/M
Dividend Yield (%)	3.04%	1.80%	3.21%
Wtd. Avg. Market Cap (\$B)	181.2	246.0	N/M
Avg. Market Cap (\$B)	123.7	53.5	N/M
% EPS Growth Next 5 Yrs.	7.9%	13.2%	N/M
Number of Holdings	45	506	N/M

### Top 10 Holdings

Apple Inc.	4.52%
Pfizer Inc.	4.52%
Cisco Systems Inc.	4.11%
Aflac Inc.	3.74%
JPMorgan Chase & Co.	3.74%
CVS Health Corporation	3.58%
ConocoPhillips	3.48%
Intel Corp.	3.20%
Merck & Co. Inc.	3.10%
Verizon Communications Inc.	2.66%

\*N/M = Not Meaningful

### Performance Statistics

#### Diversified Stock Income (DSI) Composite

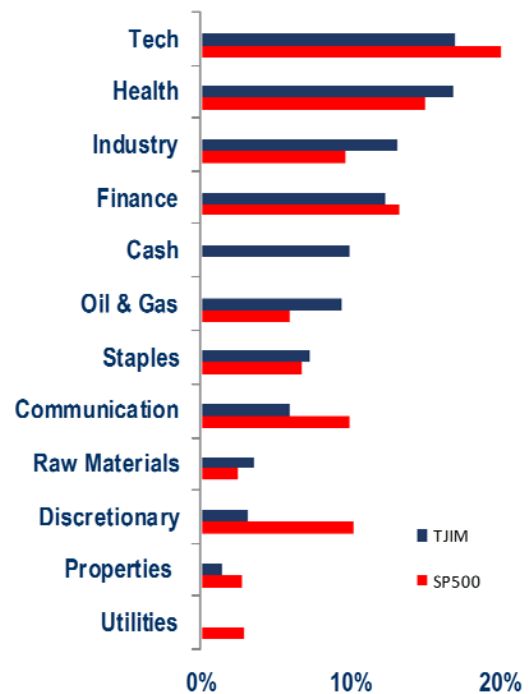
Since Inception (6/2003)	TJIM Gross	S&P 500
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Upside Capture	86.3%	100.0%
Downside Capture	72.5%	100.0%
Annual Std. Deviation	11.9%	14.0%
Sharpe Ratio	0.54	0.47

Annualized As of 09/30/18	TJIM Gross	TJIM Net	S&P 500
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1 Year	12.63%	12.08%	17.90%
3 Year	12.83%	12.26%	17.31%
5 Year	9.71%	9.16%	13.95%
7 Year	13.00%	12.43%	16.91%
10 Year	10.82%	10.25%	11.97%
Inception (6/2003)	9.43%	8.83%	9.68%

### Sector Weightings



Tom Johnson Investment Management is an independent investment management firm specializing in the management of equity and fixed income securities. The firm is a registered investment advisor with the SEC. The TJIM Diversified Stock Income Portfolio composite was created July 1, 2003 and contains all fully discretionary equity portfolios managed in a style that emphasizes a conservative investment philosophy to obtain income with adequate diversification with a secondary consideration toward total return. Portfolios are concentrated in issues paying, increasing, or likely to initiate a dividend. Convertible securities may also be used for yield. Covered option writing may also be periodically used to enhance yield and reduce risk. Tom Johnson Investment Management claims compliance with the Global Investment Performance Standards (GIPS®). The above information is presented as “supplemental information” included as part of our GIPS compliant performance presentation. Clients in a wrap program will have a net return reduced by the advisory fee and any other expense client may incur in connection with the management of client’s investment advisory account.

# Diversified Stock Income (DSI) Equity Portfolio

## Performance Disclosure

Tom Johnson Investment Management, LLC

Year	TJIM Gross Return	TJIM Net Return	S&P 500 Index %	BIGC Index %	Number of Portfolios	Internal Dispersion	% of Carve-out Assets	Composite 3-Yr St Dev	S&P 500 3-Yr St Dev	Composite Assets (\$MM)	% of Total Firm Assets	Total Firm Assets (\$MM)
2017	11.20%	10.64%	21.83%	2.14%	32	0.40%	--	10.46%	10.06%	\$39.1	4.6%	\$844.1
2016	16.74%	16.14%	11.96%	2.08%	20	1.20%	--	10.64%	10.74%	\$32.1	4.2%	\$765.6
2015	-5.61%	-6.07%	1.38%	1.07%	25	0.61%	--	10.43%	10.62%	\$30.4	4.7%	\$647.5
2014	9.52%	8.95%	13.69%	3.12%	25	0.39%	--	8.06%	9.10%	\$32.9	5.2%	\$630.4
2013	34.28%	33.64%	32.39%	-0.86%	17	1.07%	--	9.50%	12.11%	\$15.0	2.5%	\$595.4
2012	10.23%	9.65%	16.00%	3.89%	11	0.27%	--	12.01%	15.30%	\$12.3	2.3%	\$540.9
2011	7.46%	6.86%	2.11%	5.81%	9	0.88%	--	15.69%	18.97%	\$5.3	1.1%	\$497.1
2010	14.62%	14.02%	15.06%	5.89%	6	0.99%	--	18.26%	22.16%	\$4.6	0.9%	\$496.3
2009	26.56%	25.89%	-26.47%	5.25%	13	3.71%	59.0%	16.64%	19.91%	\$6.8	1.6%	\$429.1
2008	-26.94%	-27.33%	-37.00%	5.07%	13	2.39%	67.8%	12.69%	15.29%	\$4.9	1.6%	\$299.8

Tom Johnson Investment Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Tom Johnson Investment Management has been independently verified for the period January 1, 2003 to December 31, 2011. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

### Firm Information

Tom Johnson Investment Management is an independent investment management firm specializing in the management of equity and fixed income securities. The firm is a registered investment advisor with the SEC. Total Firm Assets above are presented per GIPS definition.

### Composite Information

The TJIM Diversified Stock Income Equity Portfolio composite was created July 1, 2003 and contains all fully discretionary equity portfolios managed in a style that emphasizes a conservative investment philosophy to obtain income with adequate diversification with a secondary consideration toward total return. Portfolios are concentrated in issues paying, increasing, or likely to initiate a dividend. Convertible securities may also be used for yield. Covered option writing may also be periodically used to enhance yield and reduce risk. This composite does not include wrap or model portfolios. TJIM provides model strategies to various sponsoring firms and does not manage those models on a discretionary basis. A complete list and description of firm composites is available upon request.

### Benchmarks

The S&P 500 Total Return Index and the Bloomberg Barclays Intermediate U.S. Government/Credit Index (BIGC). The BIGC index is the Intermediate component of the Bloomberg Barclays U.S. Government/Credit index. This index is an unmanaged index generally considered to be representative of fixed income market activity. This index does not take into account any fees or expenses associated with the management, purchase, and sale of the components of the index. Individuals cannot invest directly in this index.

### Performance Calculations

Returns prior to January 1, 2010 represent both equity only portfolios and equity carved out portfolios. Cash was allocated to carved out returns based on the account's multiple asset mix. For example, when the account was fully invested in equities at 60%, it had no cash to allocate to the carved out return. When equity was invested less than 60%, the percent needed to equal 60% was allocated to cash. A cash return was calculated and combined with the equity return. The weighted average return of all combined returns represents the total composite return.

Valuations and returns reflect the reinvestment of dividend and interest income and are computed and stated in U.S. dollars. Performance figures are presented gross of management fees and custodial fees but net of all trading expenses. Net-of-fees returns are calculated using actual management fees that were paid.

TJIM's standard fee schedule is 1% on the first \$1,000,000, 0.75% on the next \$4,000,000, 0.60% on the next \$5,000,000, 0.50% on the next \$15,000,000, 0.45% of the next \$25,000,000, 0.40% of the next \$50,000,000, over \$100,000,000 is quoted upon request. Fees may be negotiated depending upon a variety of variables.

Composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 30% or greater of portfolio assets. The temporary removal of such an account occurs at the beginning of the quarter in which the significant cash flow occurs and the account re-enters the composite at the beginning of the quarter after the cash flow or the beginning of the quarter after the account has achieved representativeness to the style portfolio. Prior to 10/01/08, while TJIM utilized Sungard, Modified Dietz was used without revaluation.

Internal dispersion is calculated using the asset-weighted standard deviation of the annual gross returns of those portfolios that were included in the composite for the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

### Performance presented herein represents past performance and does not guarantee future results.

There is no guarantee any investment or TJIM's portfolios will meet their objectives. All investments involve the risk of loss as well as the potential for gains. Individual clients may realize different results due to differing circumstances. This information is not intended to constitute legal, tax, accounting or investment advice. No bank guarantee. Not FDIC insured. May lose value.

