



Tom Johnson Investment Management, LLC

## Product Profile | Intermediate Fixed Income

Period Ending 09/30/18

### 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 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.

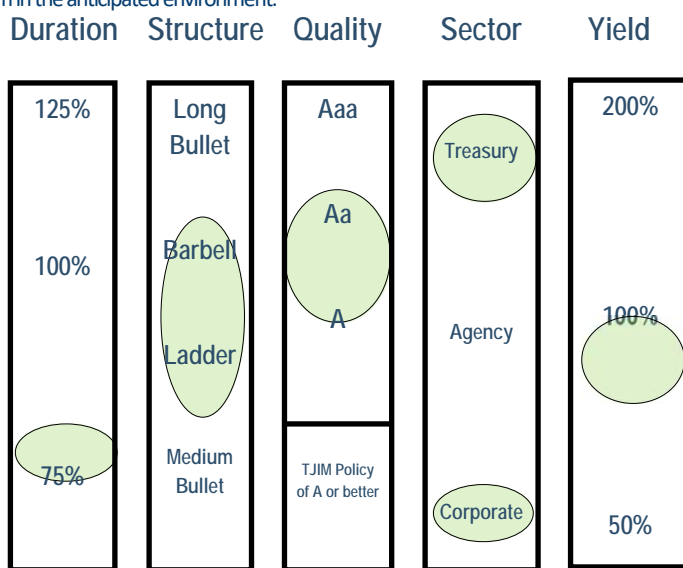
### TJIM Fixed Income Process

TJIM’s fixed income strategies seek to tactically balance total return, income generation, liquidity and capital preservation. TJIM’s conservative investment approach invests in liquid, high-quality bonds with an A or better rating at purchase. A combination of quantitative and qualitative analyses of fixed income markets identifies the most attractive sectors, maturities, and securities within TJIM’s fixed universe. These securities are then put through a rigorous fundamental review to determine credit worthiness. Attractive issues are combined into a portfolio that is optimized to perform in the anticipated environment.

TJIM’s fixed income process is best thought of as a series of five levers. We adjust these levers based on the relative attractiveness of different risk factors in the bond market.

- Duration Lever - Dynamically manage interest rate risk by varying duration from 75% to 125% of index level
- Sector Lever - Strategically vary sector weights between treasuries, agencies, and corporate bonds based on spread levels.
- Structure Lever - Tactically position along the yield curve based on best risk/reward
- Quality Lever - Opportunistically invest in attractive credit instruments
- Yield Lever - Maximize yield at the optimal position of the other four levers.

The resultant portfolio is then continuously monitored and adjusted over time to exploit market overreactions and mispriced risk.



### TJIM Intermediate Fixed Information

Investment Style	Total return—utilizing high-quality individual bonds
Investment Approach	Combination of top-down macro analysis coupled with bottom-up fundamental research
Benchmark	Barclays Government Credit Intermediate
Sectors	Treasuries, agencies, investment grade corporate bonds
Duration range	Approximately 2.5 to 5 years
Restrictive policies	10 year max maturity, A or better quality at purchase
Inception date	1/1/1988
Portfolio Managers	Richard Parry, CFA, Doug Haws, CFA, Cory Robinson, CFA, FRM, Nick Pointer, CFA Steve Schenck, CFA, Ned Schrems, CFA, Ph.D.

### Does Liquidity Matter?

Liquidity risk is an often overlooked risk until it is too late and a client is stuck with unmarketable securities. TJIM seeks to minimize liquidity risk by limiting investment to the most liquid sectors of the fixed income markets, and avoiding less liquid issue types. TJIM doesn’t invest in MBS or ABS securities due to their impaired liquidity as they pay down. TJIM also limits their corporate universe to 500MM or larger issue size to ensure deep and liquid markets.

### Why A or better?

Investment grade corporate bonds typically take the largest price hit when down-graded below investment grade. A or better gives a three notch cushion to evaluate whether to sell a deteriorating credit. Additionally, it typically takes over 30 Baa/BBB rated bonds to properly naively diversify which can create liquidity issues for individual separately managed accounts.



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**Portfolio Characteristics**

	TJIM Int. Fixed	BIGC
Modified Duration	3.18	3.90
Yield to Worst	3.10%	3.21%
Current Yield	2.46%	2.67%
Wtd. Avg. Maturity	3.55	4.31
Wtd. Avg. Price	97.82	97.79
Avg. Quality	A/AA	Aa2/Aa1

**Top 10 Holdings**

US Treasury 5/31/2019	10.59%
US Treasury 8/31/2019	9.60%
US Treasury 1/31/2023	7.84%
US Treasury 11/30/2019	7.13%
US Treasury 5/15/2020	6.86%
US Treasury 2/15/2025	5.47%
Citigroup 6/10/2025	4.84%
AT&T Inc. 2/17/2023	4.81%
Wells Fargo 6/3/2026	4.79%
US Treasury 10/31/2020	4.74%

**Performance Statistics**

Intermediate Fixed Income Composite

5 Year Statistics	TJIM Gross	Barclays Government Credit Intermediate Index (BIGC)
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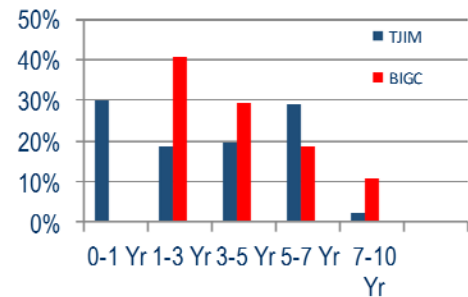
Upside Capture	115.7%	100.0%
Downside Capture	47.1%	100.0%
Annual Std. Deviation	2.0%	2.1%
Sharpe Ratio	-0.33	-0.75

Annualized As of 09/30/18	TJIM Gross	TJIM Net	Barclays Government Credit Intermediate Index (BIGC)
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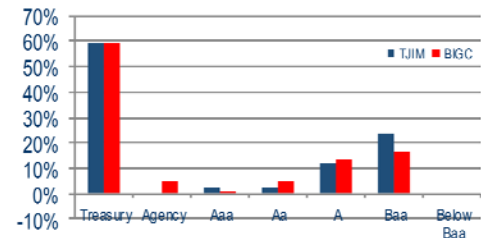
1 Year	0.03%	-0.42%	-0.96%
3 Year	2.01%	1.50%	0.91%
5 Year	2.41%	1.88%	1.52%
7 Year	3.03%	2.52%	1.63%
10 Year	4.58%	4.07%	3.22%
Inception (12/1987)	5.99%	5.47%	5.61%

**Portfolio Positioning**

Duration Distribution



Moody's Quality Distribution



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 Intermediate Fixed Income Portfolio composite was created January 1, 2003, and contains all fully discretionary fixed income portfolios managed in a style that stresses a conservative, high-quality investment philosophy with the maximum maturity of the portfolio not to exceed 10 years. 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.

# Intermediate Fixed Income Portfolio

## Performance Disclosure

Tom Johnson Investment Management, LLC

Year	TJIM Gross Return	TJIM Net Return	Bloomberg Intmd G/C Index	Number of Portfolios	% of Internal Dispersion	% of Carve-out Assets	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Composite Assets (\$MM)	% of Total Firm Assets	Total Firm Assets (\$MM)
2017	3.05%	2.51%	2.14%	<5	n/a	--	1.95%	2.14%	\$3.1	0.4%	\$844.1
2016	3.60%	3.04%	2.08%	5	0.70%	--	2.05%	2.26%	\$3.5	0.5%	\$765.6
2015	1.50%	0.95%	1.07%	5	0.30%	--	1.95%	2.13%	\$3.1	0.5%	\$647.5
2014	3.24%	2.70%	3.12%	<5	n/a	--	2.16%	1.97%	\$1.6	0.2%	\$630.4
2013	1.31%	0.78%	-0.86%	<5	n/a	--	2.80%	2.14%	\$1.6	0.3%	\$595.4
2012	7.36%	6.92%	3.89%	<5	n/a	--	2.81%	2.19%	\$5.7	1.1%	\$540.9
2011	4.52%	4.10%	5.81%	<5	n/a	--	3.52%	2.59%	\$6.1	1.2%	\$497.1
2010	6.54%	6.13%	5.89%	<5	n/a	--	6.05%	3.96%	\$7.3	1.5%	\$496.3
2009	8.98%	8.36%	5.25%	8	0.53%	35.2%	6.00%	3.87%	\$4.4	1.0%	\$429.1
2008	5.06%	4.52%	5.07%	8	0.50%	44.7%	5.56%	3.69%	\$3.8	1.3%	\$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 Intermediate Fixed Income Portfolio composite was created January 1, 2003, and contains all fully discretionary fixed income portfolios managed in a style that stresses a conservative, high-quality investment philosophy with the maximum maturity of the portfolio not to exceed 10 years. 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.

### Benchmark

The Bloomberg Barclays Intermediate U.S. Government/Credit (BIGC) Index is the Intermediate component of the 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 fixed income only portfolios and fixed income 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 fixed income at 40%, it had no cash to allocate to the carved out return. When fixed income was invested less than 40%, the percent needed to equal 40% was allocated to cash. A cash return was calculated and combined with the fixed income 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 50% 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. For those years when less than five portfolios were included in the composite for the full year, no dispersion measure is presented.

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.

