



TOM JOHNSON INVESTMENT MANAGEMENT, LLC

Product Profile | **Balanced**

Period Ending 12/31/22

## 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. Five of TJIM's six investment committee members are CFA charterholders who collectively hold three MBA's, one Financial Risk Manager (FRM) designation and one CFP® Professional. 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 Balanced Process

All of TJIM's investment expertise comes together in our balanced strategy. A blend of equities and fixed income in the same portfolio provides significant diversification benefits while easily allowing rebalancing between stocks and bonds over time. The objective of TJIM's balanced strategy is to provide attractive returns while reducing the risk of a pure equity portfolio and generating a stable and growing income stream. TJIM's default portfolio is 60% Core equity and 40% fixed income. However, the portfolio can be tailored to meet individual needs by adjusting the asset allocation or using the more income-oriented Diversified Stock Income (DSI) or either fixed portfolio.

## Why Balanced?

- Captures the majority of diversification benefits
- Low or negative correlation between stocks and bonds.
- Simplicity reduces the risk of "blowing up" (A simple balanced portfolio is less likely to have some unanticipated outcome due to avoiding the added complexity of leverage, derivatives, and more complicated investment strategies.)

## Why a 60/40 Mix?

- It "tilts" the portfolio toward the generally higher returning asset class
- Best risk/reward for a 20 year horizon
- Never had a losing 10 year period
- For a 10 year horizon it has provided 82% of return and only 69% of risk of 100% equity portfolio
- Historically has reduced severity and duration of portfolio declines by 50% or more

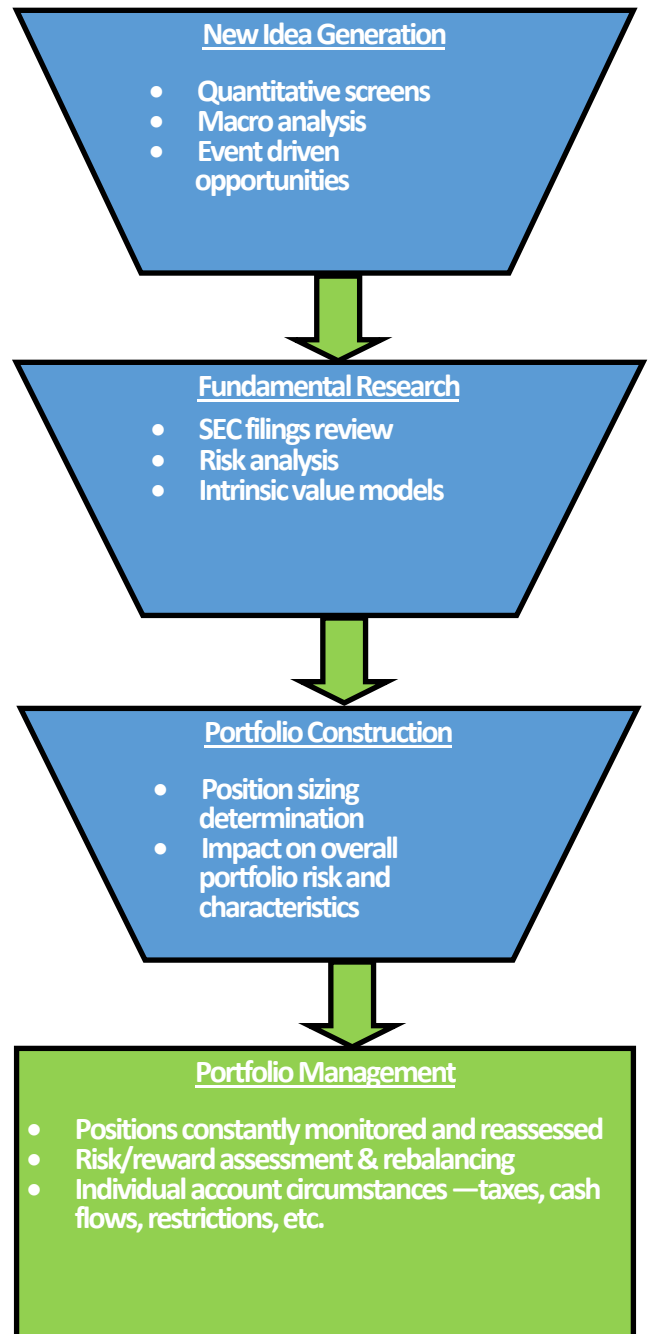
The performance statistics of a 60/40 balanced account are based on monthly data provided by Robert Shiller in "Irrational Exuberance" with corresponding updates from his website covering the time periods from 1871 to 9/30/2011. Risk/Reward statistics are based on monthly rolling 10 and 20 year periods for the entire period i.e. the first rolling 10 year period would be from Jan 1871 to Dec 1880, the second rolling period would be from Feb 1871 to Jan 1881, etc.

## Avoiding Loss

Why is avoiding loss important? Psychology has shown that losing money is twice as painful as gaining a similar amount of money is pleasurable, so avoiding or minimizing loss makes it easier to stay the course. Significant losses require a more significant positive return to get back to even. For example, a 50% loss requires a 100% return just to get back to even, so reducing the downside is key to maximizing the upside. Adding fixed income to an equity portfolio can significantly reduce the risk, frequency, and duration of portfolio declines, due to a low or negative correlation with equities.

## 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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## Balanced options

TJIM's Balanced Portfolio is flexible giving clients or their advisors the ability to set their desired asset allocation and underlying portfolio strategies. The asset allocation can be adjusted and the underlying portfolios changed to meet the diverse needs of individual clients. The equity portion can be managed to TJIM's Core Equity strategy or to TJIM's Diversified Stock Income (DSI) strategy. The fixed income portion of the portfolio can be managed to TJIM's Fixed Income portfolio or to TJIM's Intermediate Fixed Income portfolio.

### TJIM Core Equity

Primary return focus – Total return  
 Dividend yield – similar to S&P 500  
 Historic upside capture – 92%  
 Historic downside capture – 87%  
 Sector limits – 2x S&P weighting or 10%, whichever is larger

### TJIM DSI Equity

Primary return focus – Growing income stream  
 Dividend yield – 150% to 200% of S&P 500  
 Historic upside capture – 86%  
 Historic downside capture – 78%  
 Sector limits – 2x S&P weighting or 10%, whichever is larger

### TJIM Fixed Income

Duration range – 5.5 to 9.5 years  
 Benchmark – Bloomberg Government Credit  
 Maximum maturity – None

### TJIM Intermediate Fixed Income

Duration range – 3 to 5.25 years  
 Benchmark – Bloomberg Government Credit Intermediate  
 Maximum maturity – 10 years

## Balanced Equity Core Relative Value Aggressive Composite Performance Statistics

Since Inception (12/1987)	TJIM Gross	TJIM Net	60% S&P/ 40% BGC
Upside Capture	97.7%	94.8%	100.0%
Downside Capture	95.0%	97.8%	100.0%
Annual Std. Deviation	10.4%	10.4%	10.1%
Sharpe Ratio	0.43	0.37	0.49
Annualized As of 12/31/22	TJIM Gross	TJIM Net	60% S&P/40% BGC
1 Year	-6.23%	-6.78%	-16.01%
3 Year	5.49%	4.89%	3.88%
5 Year	5.84%	5.24%	6.03%
7 Year	6.78%	6.17%	7.54%
10 Year	7.45%	6.83%	8.13%
Inception (12/1987)	8.33%	7.73%	8.82%

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 Balanced Portfolio composite was created January 1, 1988 and contains all aggressive/fully discretionary accounts that combine TJIM Core Equity and either one of TJIM's taxable fixed income styles. The accounts included in this composite must have an equity target weighting of 60% or greater. 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 Report. 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.

Asset allocation is flexible, so risk will be determined by the underlying model selection and mix of equities and fixed income. Generally speaking, balanced accounts will have equity risk, market risk, manager risk, liquidity risk, interest rate risk, purchasing power risk, credit risk, asset allocation risk. There will also be secondary risk exposure to non-US investment risk, call risk, and investment grade downgrade risk. Diversification does not protect against losses. There is a risk of loss inherent in any investment. Past performance does not guarantee future results.

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# Balanced Core/Relative Value Equity Aggressive Portfolio

## GIPS Report

Tom Johnson Investment Management, LLC

Year	TJIM Gross Return	TJIM Net Return	Index 60% S&P 500 40% BGC	Number of Portfolios	Internal Dispersion	Composite 3-Yr St Dev	Benchmark 3-Yr St Dev	Composite Assets (\$MM)	Total Firm Assets (\$MM)
2021	18.24%	17.55%	15.76%	28	2.08%	11.99%	10.76%	\$25.8	\$778.8
2020	5.87%	5.30%	15.30%	26	0.75%	12.38%	11.55%	\$21.3	\$749.9
2019	18.25%	17.59%	22.64%	22	1.60%	8.52%	7.20%	\$20.9	\$764.2
2018	-4.46%	-5.01%	-2.52%	21	0.87%	7.77%	6.53%	\$17.1	\$747.3
2017	9.60%	8.95%	14.41%	26	0.98%	7.50%	5.96%	\$23.7	\$839.6
2016	8.76%	8.11%	8.48%	20	0.88%	7.78%	6.45%	\$19.1	\$761.6
2015	-4.11%	-4.67%	1.15%	19	0.66%	7.80%	6.48%	\$17.7	\$645.2
2014	10.02%	9.40%	10.62%	19	0.80%	6.34%	5.55%	\$22.1	\$629.5
2013	22.89%	22.11%	17.44%	20	2.71%	8.40%	7.05%	\$26.5	\$594.2
2012	10.13%	9.47%	11.60%	8	0.44%	11.36%	8.66%	\$12.8	\$540.1

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, 2020. The verification report is available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

### 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 Balanced Core/Relative Value Equity Aggressive Portfolio composite contains all discretionary accounts that combine TJIM Core Equity and either one of TJIM's taxable fixed income styles. The accounts included in this composite must have an equity target weighting of 60% or greater and less than 85%. The composite creation date and inception date is January 1, 1988. This composite does not include wrap or model portfolios.

A list of composite descriptions is available upon request.

### Benchmark

The benchmark used is a customized blend of two indices: 60% of the Standard & Poor's 500 Index and 40% of the Bloomberg Government/Credit Index. This benchmark is rebalanced monthly.

### Performance Calculations

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 month in which the significant cash flow occurs and the account re-enters the composite at the beginning of the month after the cash flow or the beginning of the month after the account has achieved representativeness to the style portfolio. Prior to 01/01/2020 accounts were removed and re-entered the composite on a quarterly basis.

Internal dispersion is calculated using the asset-weighted standard deviation of the annual gross-of-fees returns of those portfolios that were included in the composite for the entire year. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. It is calculated based on the 36 monthly gross-of-fees returns of the composite and the benchmark.

Policies for valuing investments, calculating performance, and preparing GIPS Reports 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.

TJIM