



JOHNSON EQUITY INCOME FUND

FIRST QUARTER 2020



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EQUITY INCOME INVESTMENT TEAM

Charles Rinehart, CFA, CAIA

Portfolio Strategy Team
Portfolio Manager, Principal
10 years

Bret Parrish, CFA

Portfolio Strategy Team
CIO Equities, Principal
27 years

Research Analysts**Joe Edelstein, CFA**

Research Analyst: Consumer
Discretionary, Consumer
Staples
14 years

Chris Godby, CFA

Research Analyst:
Technology, Communication
Services
12 years

Bryan Andress, CFA

Research Analyst: Industrials
6 years

Aaron Taylor, CFA

Research Analyst:
Energy, Healthcare,
Materials, Utilities
25 years

William Jung, CFA

Portfolio Strategy Team
Research Analyst:
Financials
19 years

Research Associates**Brad Morrissey**

Research Associate
REITs
2 years

Joe Abbott

Research Associate
1 year

Eric Bachus

Portfolio Strategy Team
Portfolio Manager Assistant
1 year



INVESTMENT OBJECTIVE

Objective

The Johnson Equity Income strategy seeks to consistently outperform the S&P 500 Index over a full market cycle. We seek to protect and enhance the spending power of capital over time through a focused discipline on quality and yield.

We build structural advantage into portfolios by:

- » Eliminating low quality securities from our investment universe
- » Focusing on providing lasting and growing investment income
- » Reducing volatility to maximize the power of compounding returns

Portfolio

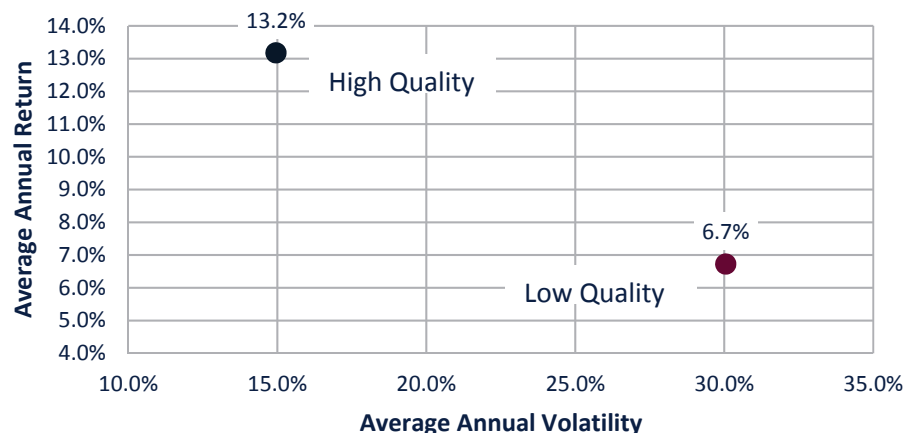
- » U.S. large cap equity universe
- » Bottoms-up security selection
- » Market cap over \$1 billion
- » Diversified portfolio of 40-60 securities
- » Historically lower volatility than the S&P 500
- » Expected annual turnover between 20 - 40%
- » Emphasis on quality companies with reliable income

WHAT IS “QUALITY” AND WHY IS IT IMPORTANT?

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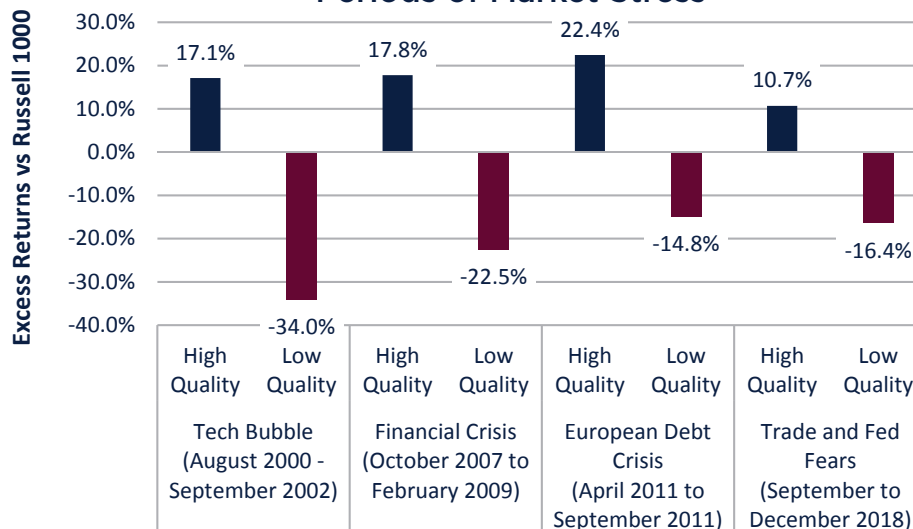
High Quality Stocks vs. Low Quality Stocks (1999 to 2018)



Note: “High Quality” is defined as top quintile and “Low Quality” is defined as bottom quintile of Russell 1000 Universe based on the average of the following 7 quality factors: 3 year average CFROIC, CFROIC – WACC, 3 year standard deviation of sales growth, 3 year standard deviation of gross margins, 3 year standard deviation of EBIT margins, net debt/CFFO, and pretax interest coverage.

➤ Source: FactSet

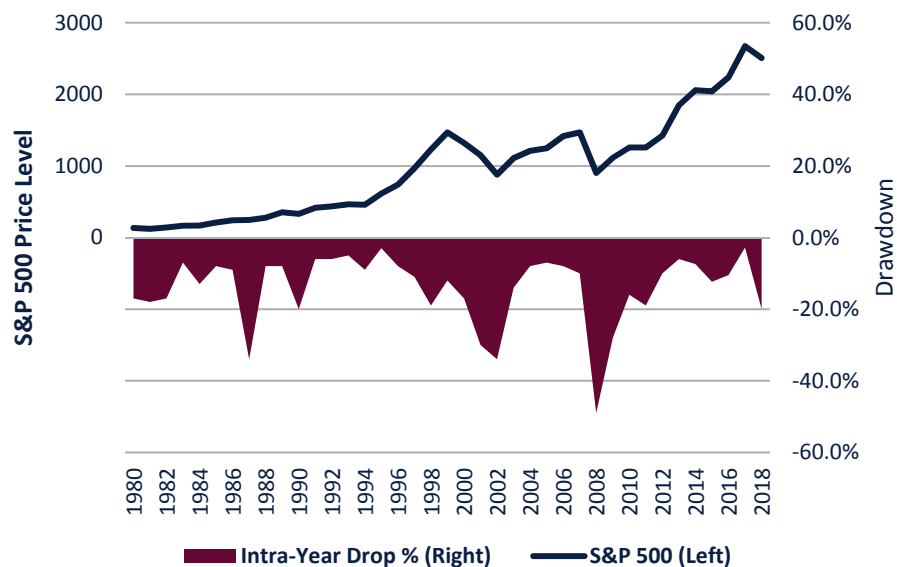
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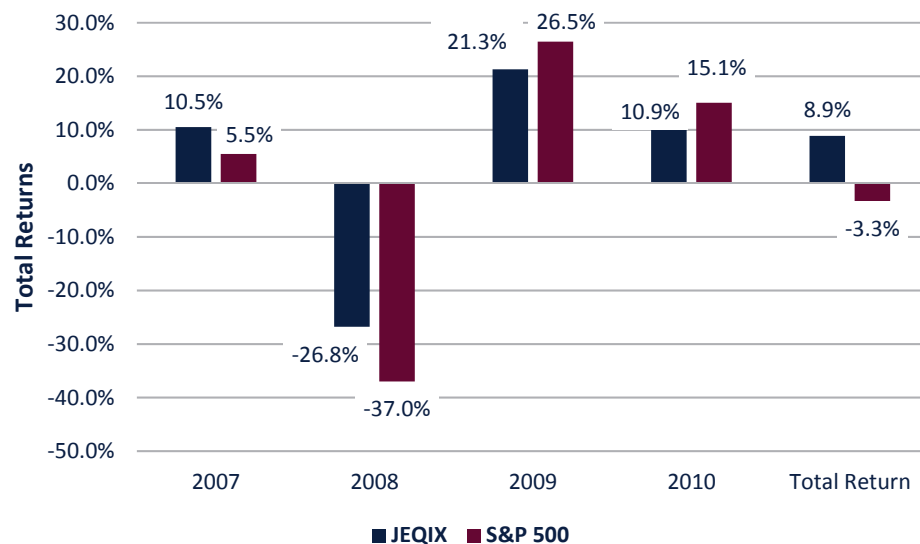
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Reduced Volatility Leads to Superior Compounding



*Data is based on price returns and does not include dividends

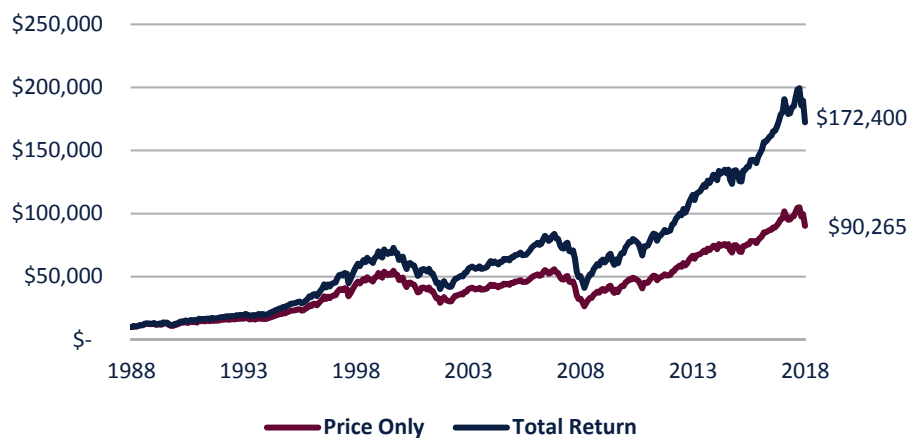
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DIVIDENDS MATTER – ESPECIALLY FOR THE LONG RUN

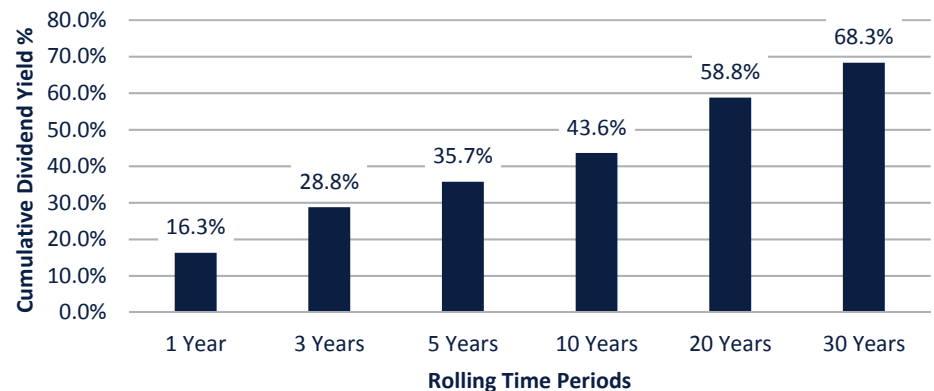
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Growth of \$10,000 Invested in S&P 500 for 30 Years (1988 to 2018)



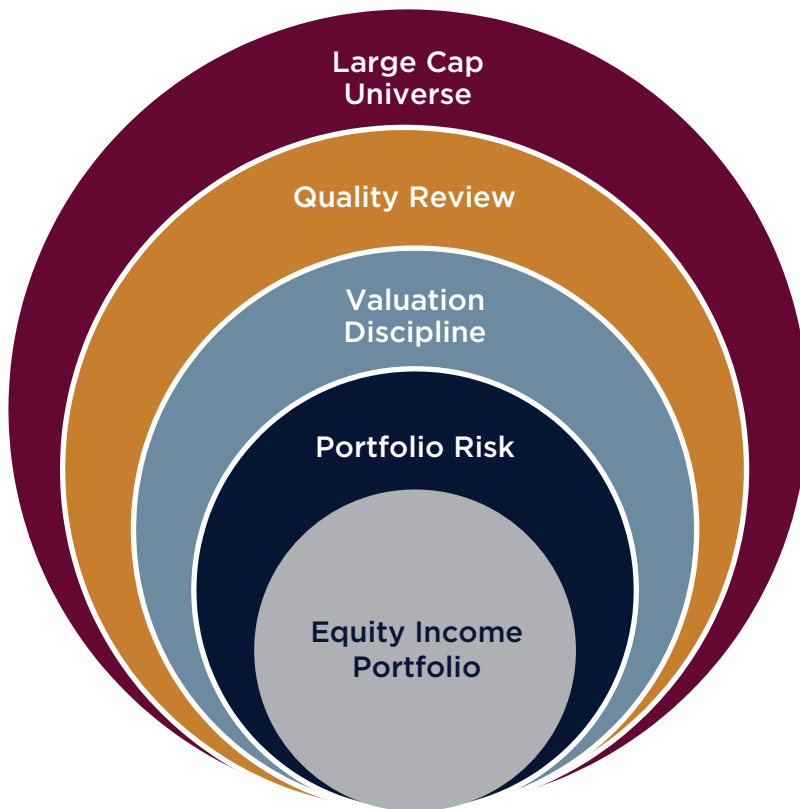
Median Percentage of Cumulative Return from Dividends and Dividend Reinvestment (1950 - 2018)*



*Data as of 1/31/1950 - 12/31/2018; based on S&P 500 returns



INVESTMENT PROCESS: IDEA GENERATION



Equity Income Universe

- » Market cap over \$1 billion
- » Increasing shareholder yield through dividend increases, buybacks and/or debt reduction
- » Socially responsibility criteria

Quality Review

- » Strong management team
- » Sustainable competitive advantage
- » Strong balance sheet
- » High quality earnings stream

Valuation Discipline

- » Securities will not be purchased unless there is a compelling valuation opportunity
- » Primary tool is discounted cash flow

Portfolio Risk

- » Every name is evaluated in the context of portfolio volatility and bear market sensitivity

Equity Income Portfolio

- » Diversified portfolio of 40-60 securities



INVESTMENT PROCESS: FUNDAMENTAL ANALYSIS

Dedicated sector analysts leverage their depth of company and industry knowledge to further analyze and assess companies based on quality and valuation.

QUALITY

- Reliability and experience of management team
- Superior industry fundamentals
- Sustainable competitive advantage
- Balance sheet strength
- High quality of earnings

VALUATION

- Detailed financial modeling
- Discounted cash flow analysis
- Relative valuation versus sector, industry and peers
- Industry specific measures

Portfolio Candidate

Analyst
Recommendation

Team Discussion

Investment
Decision



RISK MANAGEMENT & SELL DISCIPLINE

RISK MANAGEMENT

SECURITY LEVEL

- Quality companies with solid fundamentals
- Strong cash flows to support balance sheet
- Experienced management teams
- Avoid aggressive accounting methods
- Avoid major legal/regulatory issues

PORTFOLIO LEVEL

- Diversification by company, sector and industry
- Diversified portfolio of 40-60 securities
- Lower volatility than the index
- Deliver dividend yield greater than the S&P 500 Index
- Maintain a lower valuation than the market

SELL DISCIPLINE

- Price of a security has surpassed our fair value estimate
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- Security fails out of the investment universe
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PORTFOLIO CHARACTERISTICS

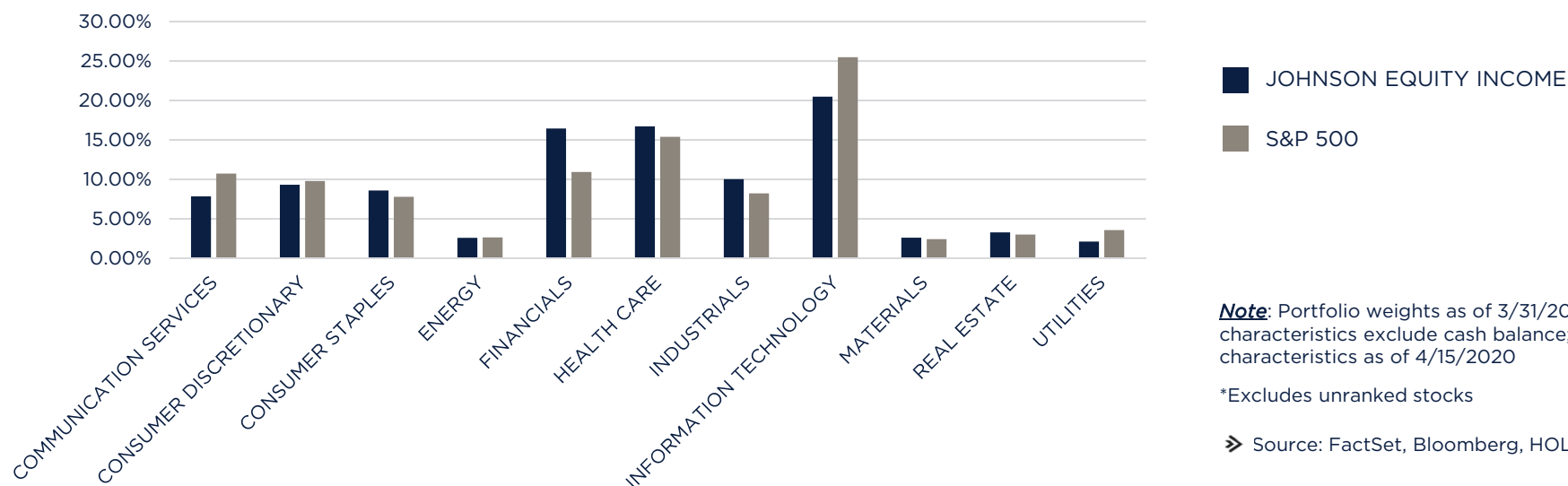
PORTFOLIO CHARACTERISTICS

	PORTFOLIO	S&P 500
BETA	0.96	1.00
YIELD	2.16%	2.10%
FORWARD EV/EBITDA	15.27	15.77
MEDIAN 3 YEAR CFROI	17.66%	12.79%
MARKET CAPITALIZATION (BILLIONS)	\$176.63	\$310.67
% OF PORTFOLIO HOLDINGS WITH S&P EARNINGS QUALITY OF A- OR HIGHER*	61.4%	33.3%
% OF PORTFOLIO HOLDINGS WITH S&P CREDIT RATING OF A- OR HIGHER*	55.6%	34.0%

COMMENTARY

- » Quality bias is evident in both the higher return profile of portfolio companies (CFROI) and relative overweighting in more highly rated securities (both earnings and balance sheet quality)
- » Higher quality historically leads to lower volatility (Beta)

RELATIVE SECTOR ALLOCATION



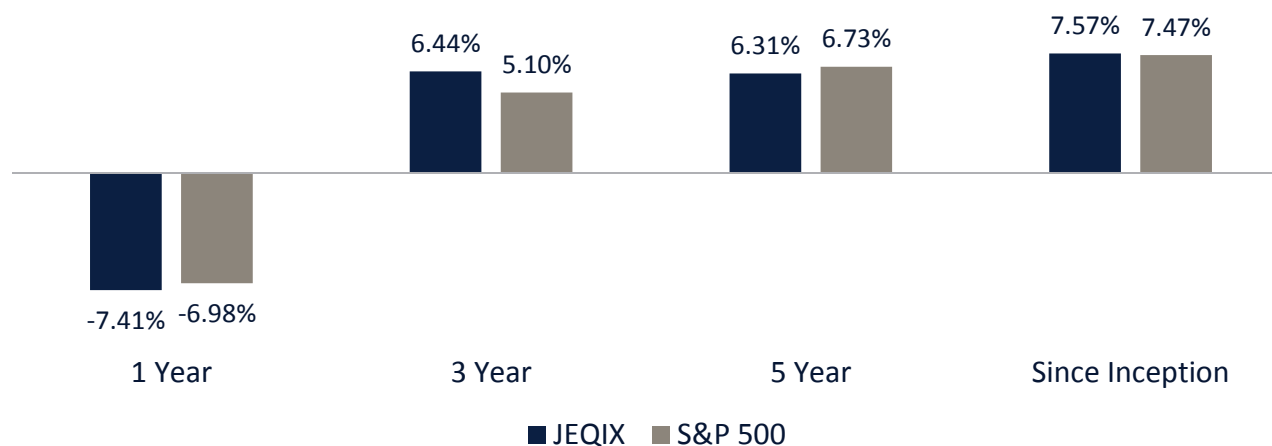
Note: Portfolio weights as of 3/31/2020; characteristics exclude cash balance; portfolio characteristics as of 4/15/2020

*Excludes unranked stocks

» Source: FactSet, Bloomberg, HOLT

JOHNSON EQUITY INCOME FUND

Performance Analysis – March 31, 2020

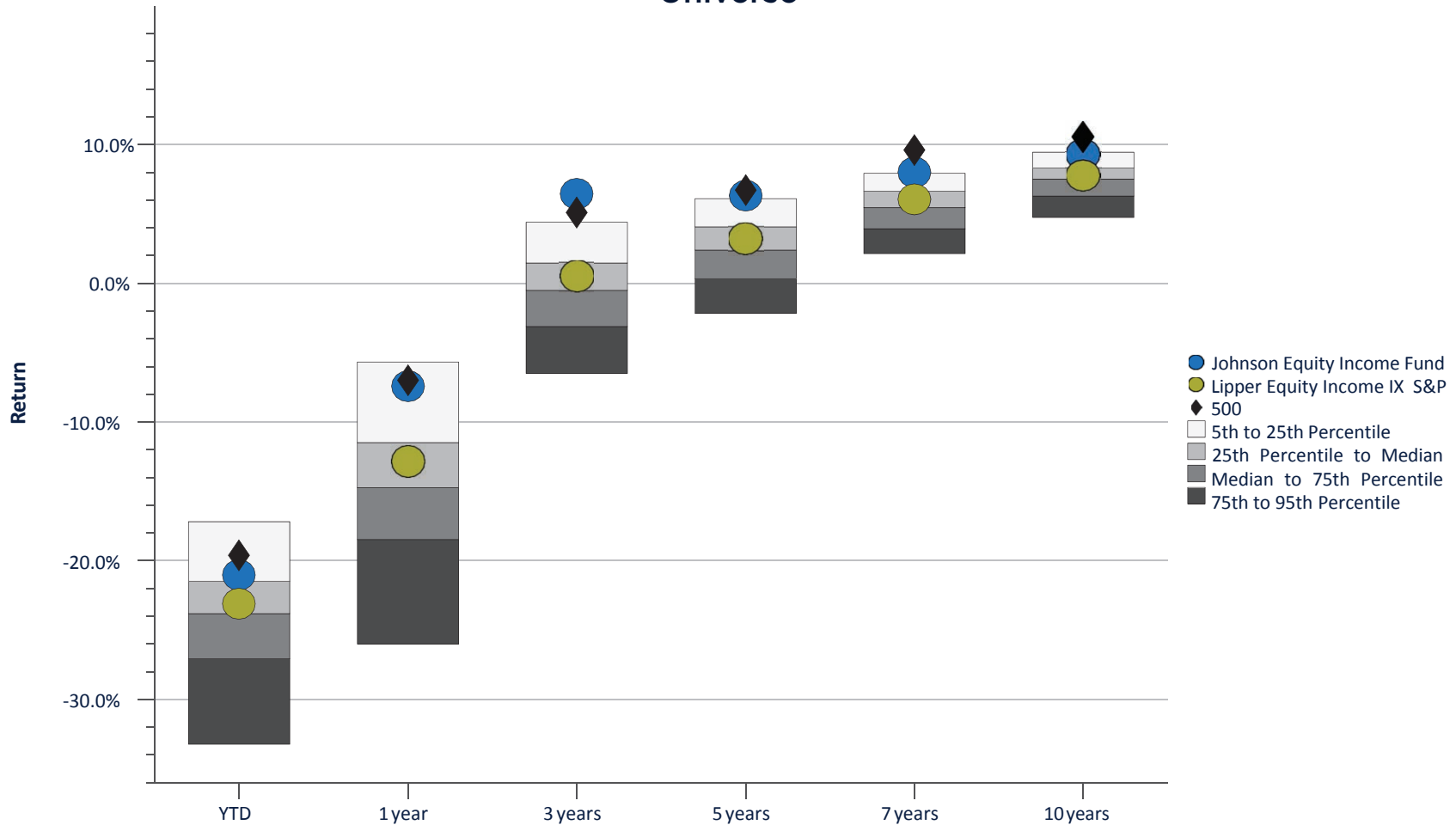


	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Johnson Equity Income Fund	-21.02%	34.07%	-2.68%	25.03%	12.16%	-6.56%	7.73%	31.09%	15.48%	2.59%
S&P 500	-19.60%	31.49%	-4.38%	21.83%	11.96%	1.38%	13.69%	32.39%	16.00%	2.11%

Note: Past performance is not indicative of future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original costs. This presentation is supplemental information to the Johnson Investment Counsel performance disclosures. Johnson Equity Income Fund returns shown reflect gross performance less a 1% fee for this strategy. The inception date for the fund is January 1, 2006.

PERFORMANCE VS PEER UNIVERSE

Johnson Equity Income Fund vs Lipper Equity Income Funds Universe



Note: Johnson Equity Income Fund returns shown reflect gross performance less a 1% fee for this strategy. Returns as of 3/31/2020. Lipper Equity Income Funds Universe is composed of funds that, by prospectus language and portfolio practice, seek relatively high current income and growth of income by investing at least 65% of their portfolio in dividend-paying equity securities.

➤ Source: Zephyr

THANK YOU

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- » CLEVELAND | AKRON
- » COLUMBUS
- » DAYTON
- » METRO DETROIT

Disclosure: One of our most responsibilities to client and prospective clients is to communicate in an open and direct manner. Some of our comments in this presentation are based on current management expectations and are considered “forward-looking statements”. Actual future results, however, may prove to be different from our expectations. We cannot promise future results. Any performance expectations presented here should not be taken as any guarantee or other assurance as to future results. Our opinions are a reflection of our best judgement at the time this presentation was created, and we disclaim any obligation to update or alter forward-looking statements as a result of new information, future events or otherwise. The material contained herein is based upon proprietary information and is provided purely for reference and as such is confidential and intended solely for those to whom it was provided by JIC.





IMPORTANT DISCLOSURES

Investors should carefully consider the investment objectives, risks, charges, and expenses of the Fund before investing. The prospectus, which contains more complete information about these and other matters, should be read carefully before investing. To obtain a prospectus, please call (513) 661-3100.



JOHNSON EQUITY INCOME

FIRST QUARTER 2020

Company Name

Date



PRESENTERS AND FIRM OVERVIEW

Charles Rinehart, CFA, CAIA

MANAGING DIRECTOR, PORTFOLIO MANAGER

Brandon Zureick, CFA

DIRECTOR, PORTFOLIO MANAGER

Johnson Asset Management is a national investment management firm based in Cincinnati, Ohio. We are an independent, 100% employee-owned firm with over \$3.8 billion in institutional assets under management and over \$12.9 billion* in total firm wide assets under management.

Quality is the foundation of the Johnson approach, and we seek to invest with companies making smart capital allocation decisions. The Johnson Equity Income Fund consists of large cap stocks with attractive valuations, shareholder yields, and quality characteristics. The portfolio management team implements a fundamental bottom-up process to build a portfolio designed for consistent outperformance over the benchmark with less volatility.

*Assets as of 12/31/2019



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A STABLE FIRM BUILT FOR OUR CLIENT'S NEEDS

- » Founded in 1965
- » Based in Cincinnati, Ohio with a satellite office in Chicago, IL
- » Division of Johnson Investment Counsel
- » Independent and 100% employee-owned
- » Over \$3.8 billion in institutional assets under management—over \$12.9 billion in total firm assets under management*

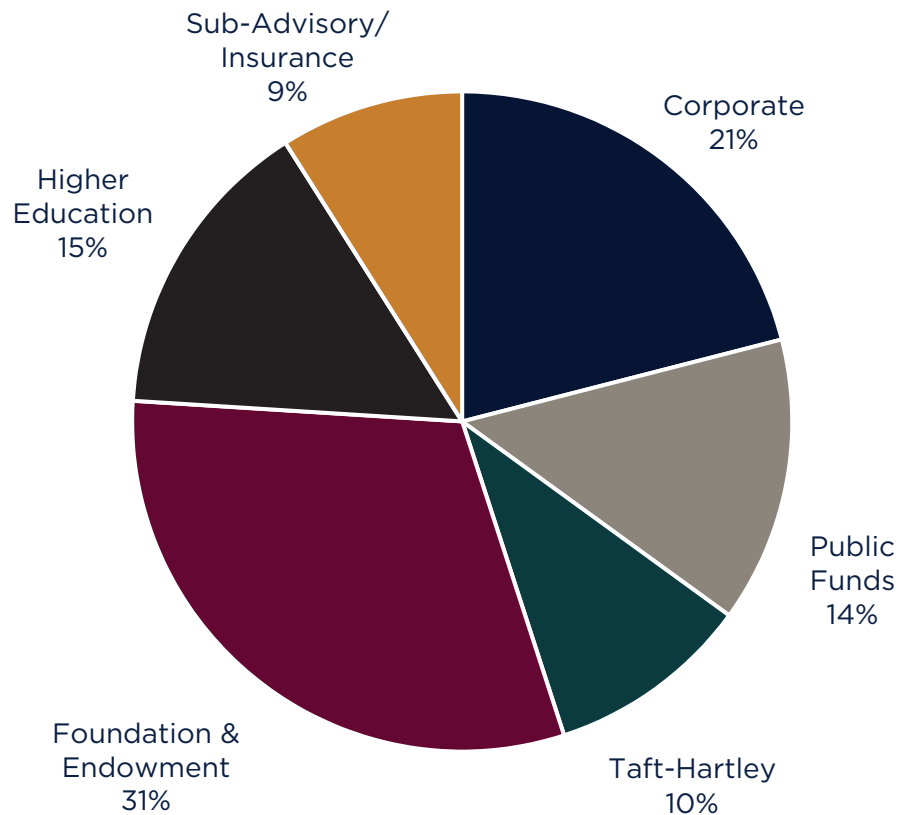
“Tim Johnson founded the firm on the idea of merging proven portfolio management with his genuine interest in helping people and institutions.”

- Jason Jackman, CFA, President & Chief Investment Officer



INSTITUTIONAL ASSETS & CAPABILITIES

Institutional Accounts by Client Type:



Equity Investment Strategies

- Equity Income
- SMID Cap Core Equity
- Enhanced Index

Fixed Income Investment Strategies

- Short Duration Fixed Income
- Intermediate Fixed Income
- Core Fixed Income
- Long Duration Fixed Income
- Custom Liability-Driven Investment

Available Investment Vehicles

- Separate Accounts
- Mutual Funds



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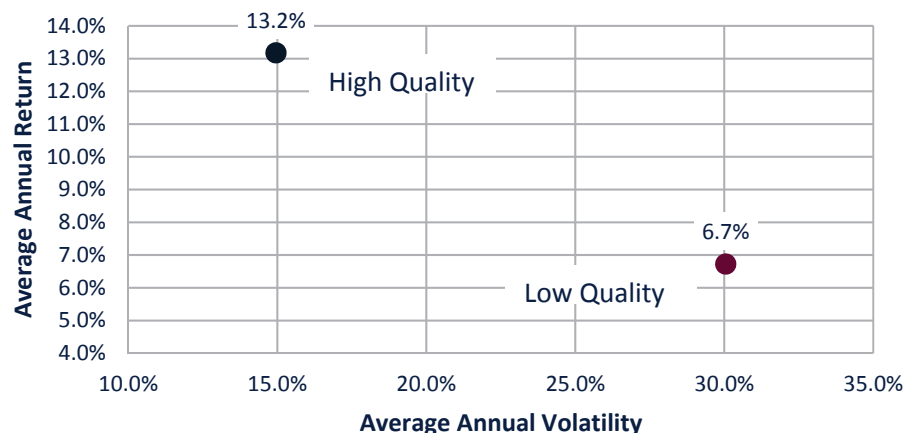
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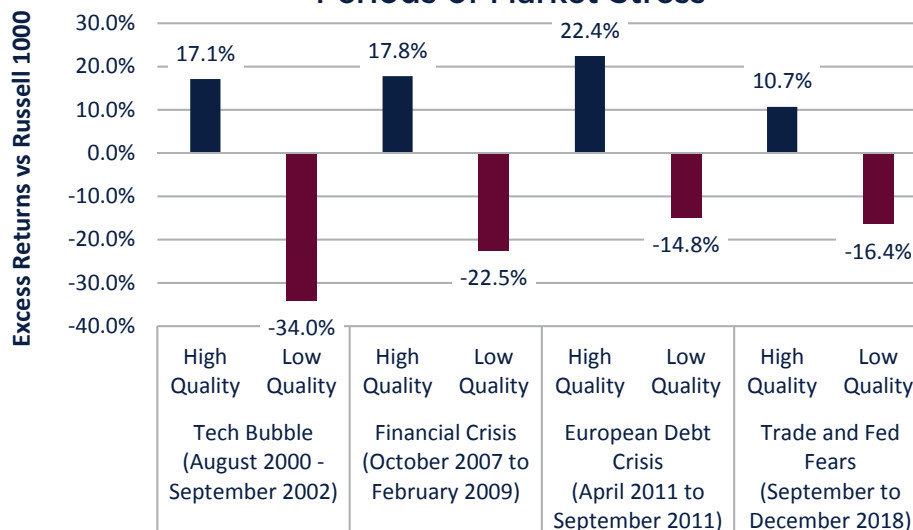
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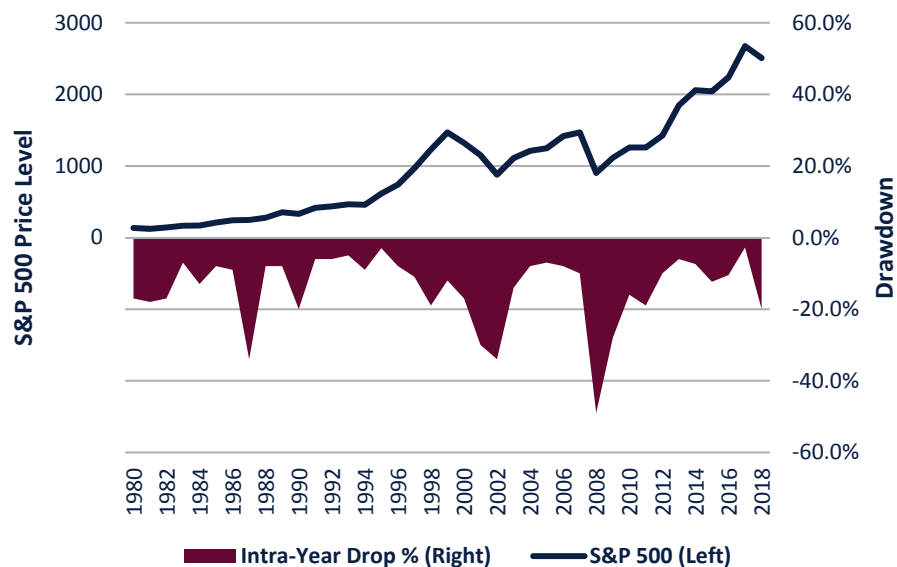
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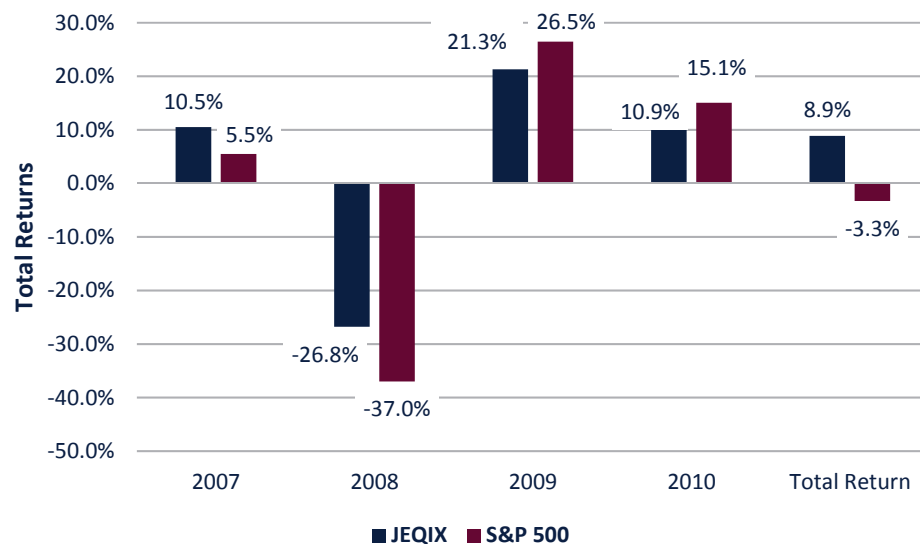
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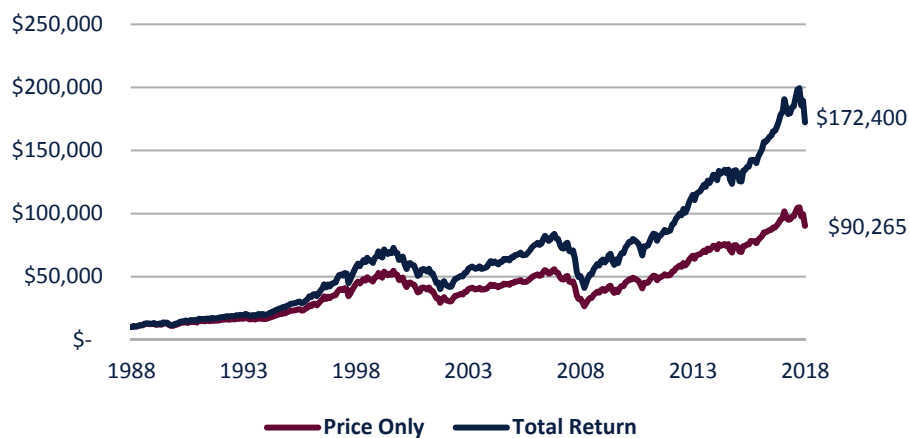
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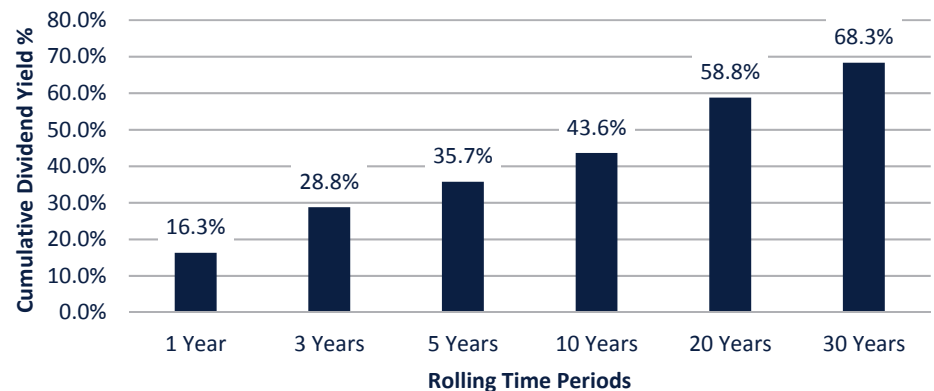
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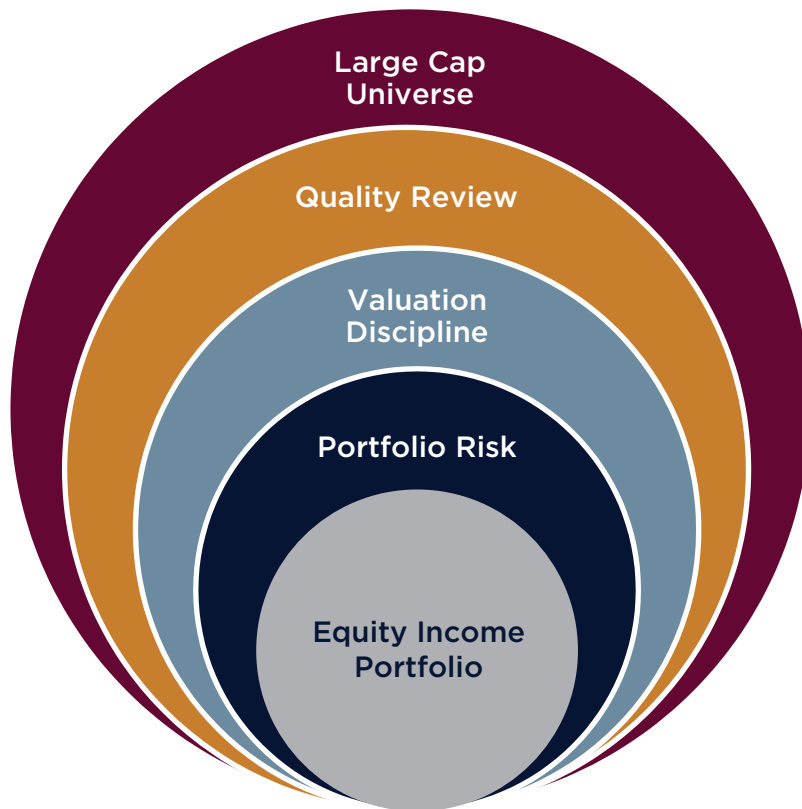
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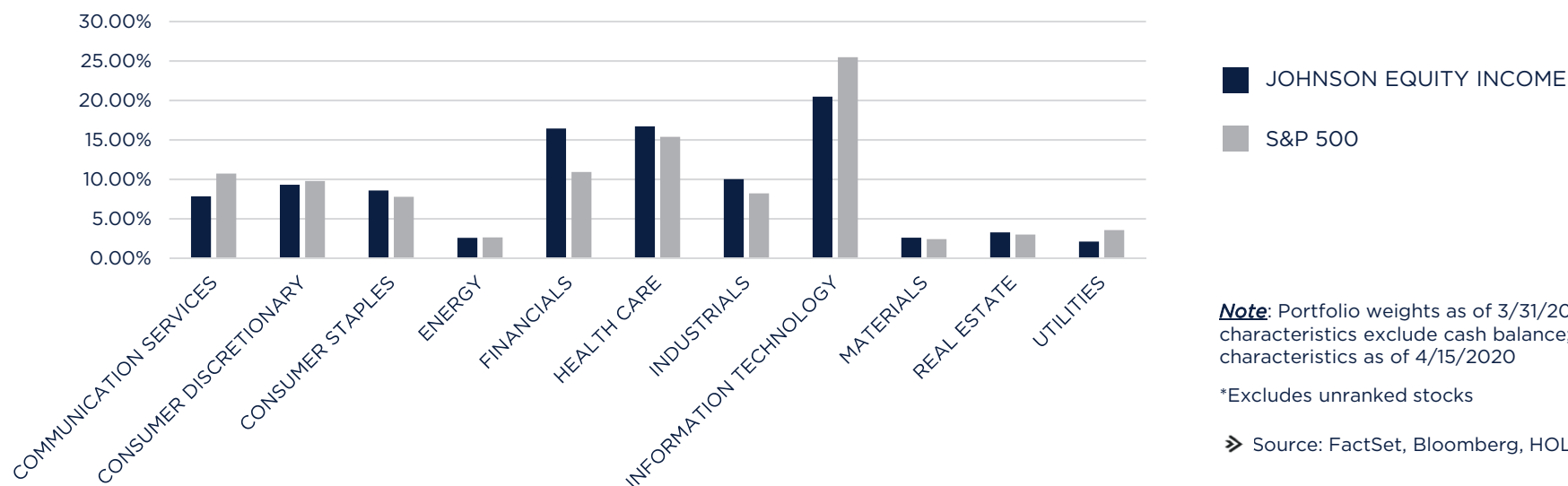
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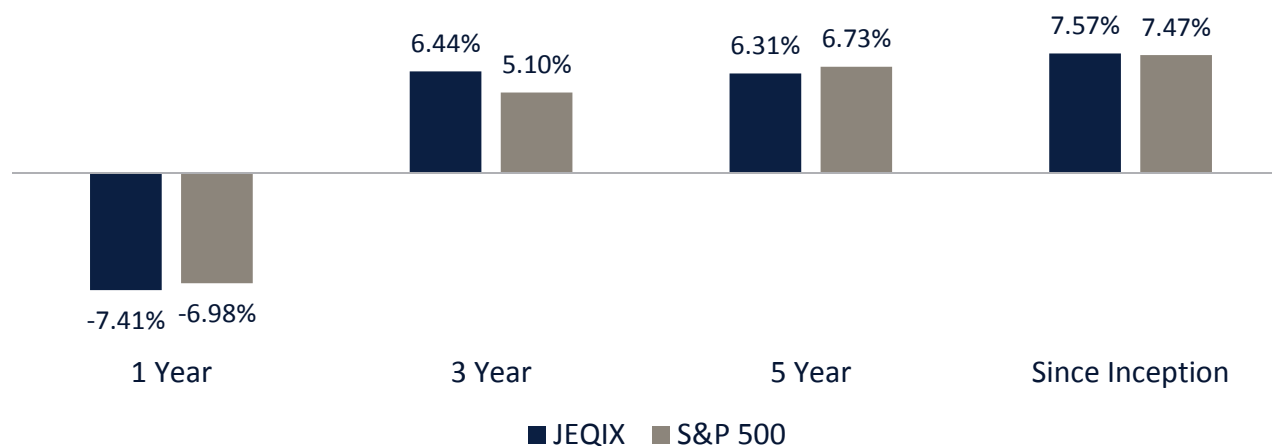
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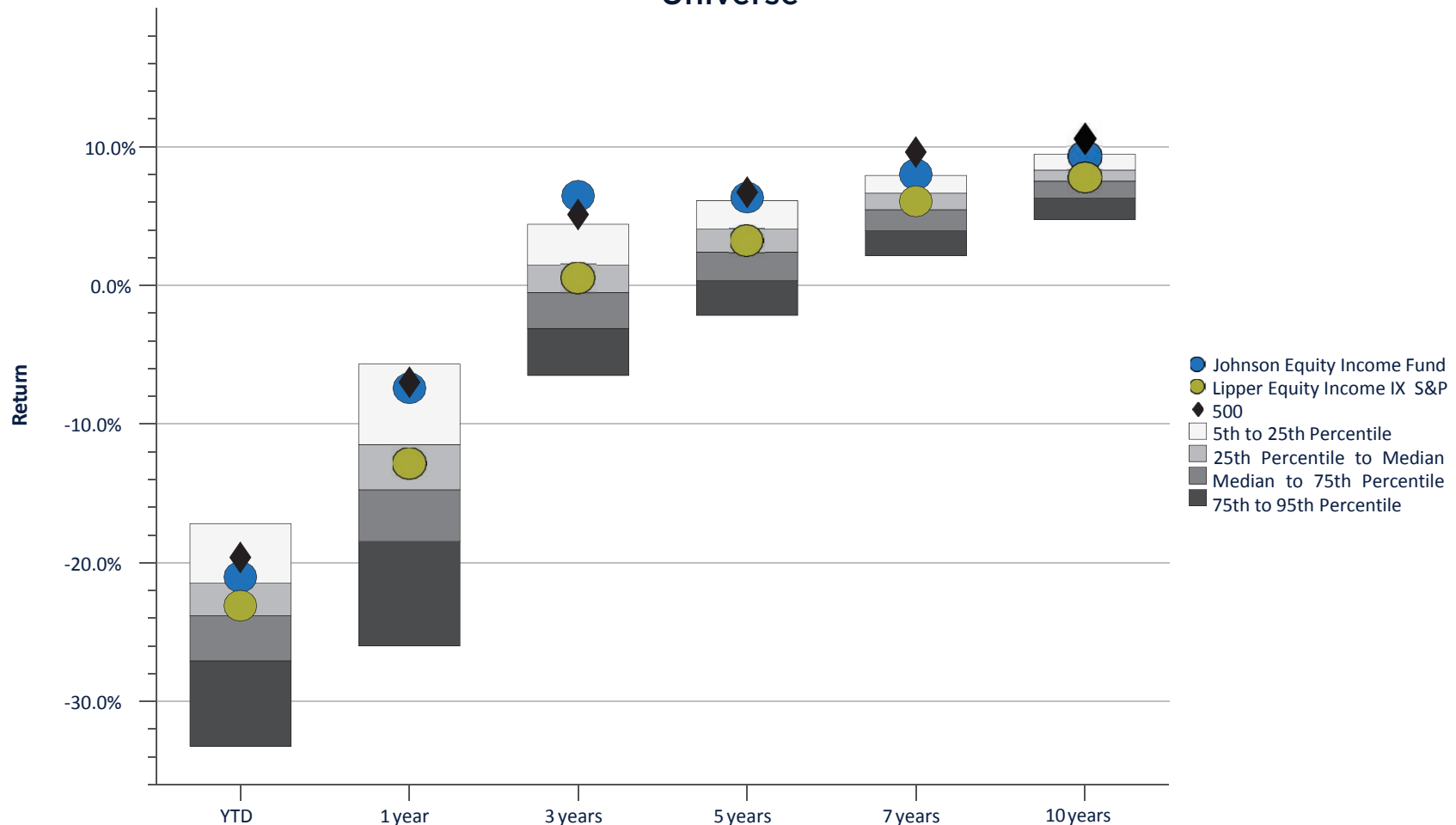


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➤ Source: Zephyr



QUESTIONS? PLEASE CONTACT

Brandon Zureick, CFA

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