



# JOHNSON EQUITY INCOME FUND

SECOND QUARTER 2021



**REFINITIV LIPPER  
FUND AWARDS**

2021 WINNER  
UNITED STATES



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## 2021 WINNER - REFINITIV LIPPER FUND AWARD

**The Johnson Equity Income Fund is a 2021 winner of the Refinitiv Lipper Fund Award for “Best Fund over 5 Years” for Equity Income Funds.**

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.



*The Refinitiv Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Refinitiv Lipper Fund Awards are based on the Refinitiv Lipper Fund Awards Methodology. Classification averages are calculated with all eligible share classes for each eligible classification. The calculation periods extend over 36, 60 and 120 months. The highest Lipper Leader® for Consistent Return (Effective Return) value within each eligible classification determines the fund classification winner over three, five or 10 years. The Upper leader for Consistent Return rating is a risk-adjusted performance measure based on the Effective Return computation. Upper Ratings for Consistent Return are computed for all Upper classifications with five or more distinct portfolios and span both equity and fixed-income funds (e.g., large cap core, General U.S. Treasury, etc.). The ratings are subject to change every month and are calculated for the following periods: three-year, five-year, 10-year, and overall. The overall calculation is based on an equal-weighted average of percentile rankings of the Consistent Return metrics over three-, five- and 10-year periods (if applicable). The highest 20% of funds in each classification are named Lipper Leaders for Consistent Return, the next 20% receive a rating of 4, the middle 20% are rated 3, the next 20% are rated 2 and the lowest 20% are rated 1. For more information, see [lipperfundawards.com](http://lipperfundawards.com). Although Refinitiv Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Refinitiv Lipper. The award may not be representative of every client's experience. Johnson Investment Counsel has confirmed that the Johnson Equity Income Fund is a 2021 winner of the Refinitiv Lipper Award for "Best Fund over 5 Years" for Equity Income Funds. However, Johnson Investment Counsel does not review or confirm the information provided to Refinitiv Lipper Awards, nor does Johnson confirm or review the accuracy of the Refinitiv Lipper Fund Awards' rankings of the Johnson Equity Index Fund. The award is not indicative of future performance and there is no guarantee of future investment success.*

*Before you invest, you may want to review the Fund's Prospectus and Statement of Additional Information, which contains more information about the Fund and its risks. You can find the Fund's Prospectus and other information about the fund online at [www.johnsonmutualfunds.com](http://www.johnsonmutualfunds.com). You can also get this information at no additional cost by calling (800) 541-0170 or by sending an email request to [prospectus@johnsonmutualfunds.com](mailto:prospectus@johnsonmutualfunds.com).*



## EQUITY INCOME INVESTMENT TEAM

### Charles Rinehart, CFA, CAIA

Portfolio Manager; Principal  
*11 years*

#### Sector Analysts

#### Portfolio Strategy Team

#### William Jung, CFA

Sector Coverage:  
Financials  
*21 years*

#### Joe Edelstein, CFA

Sector Coverage:  
Consumer Discretionary, Consumer  
Staples  
*16 years*

#### Chris Godby, CFA

Sector Coverage:  
Technology, Communication Services  
*13 years*

#### William Jung, CFA

Research Analyst, Principal  
*21 years*

#### Bryan Andress, CFA

Sector Coverage:  
Industrials, Energy, Materials,  
Utilities  
*7 years*

#### Brad Morrissey, CFA

Sector Coverage:  
REITs  
*4 years*

#### Joe Abbott

Sector Coverage:  
Health Care  
*3 years*

#### Bret Parrish, CFA

CIO of Equities, Principal  
*28 years*

#### Treven Mitchell

Research Associate  
*3 years*

#### Previn Pandey

Research Associate  
*1 year*

#### Eric Bachus, CFA

Portfolio Manager Assistant  
*3 years*

*Team and years of experience as of 6/30/2021.*



## MANAGEMENT TEAM



**Charles Rinehart, CFA,  
CAIA**

**PRINCIPAL | PORTFOLIO MANAGER**  
Charles has been on the management team of the Fund since 2010 and took over as Lead Portfolio Manager in 2018.

**EDUCATION / CERTIFICATIONS**

University of Cincinnati, B.B.A. Finance & Business Economics

Chartered Financial Analyst

Chartered Alternative Investment Analyst

**PROFESSIONAL BACKGROUND**

2007 – Present: Portfolio Manager,  
Johnson Investment Counsel



**William Jung, CFA**

**PRINCIPAL | RESEARCH ANALYST |  
PORTFOLIO STRATEGIST**

Bill has been on the management team of the Fund since it's inception.

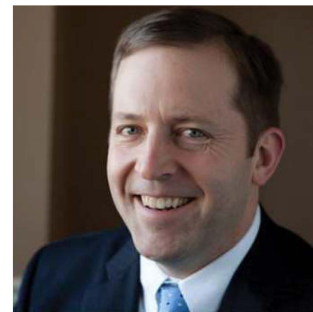
**EDUCATION / CERTIFICATIONS**

University of Cincinnati, B.B.A. Finance

Chartered Financial Analyst

**PROFESSIONAL BACKGROUND**

2000 – Present: Research Analyst,  
Johnson Investment Counsel



**Bret Parrish, CFA**

**PRINCIPAL | CIO OF EQUITIES**

Bret has been on the management team of the Fund since it's inception. Bret previously served as Lead Portfolio Manager of the Fund until 2018. He currently serves in an advisory role as the Chief Investment Officer of Equities.

**EDUCATION / CERTIFICATIONS**

Miami University, M.B.A. Finance

Denison University, B.A. Economics

Chartered Financial Analyst

**PROFESSIONAL BACKGROUND**

1994 – 2000: Portfolio Manager, Ohio Casualty Group

2000 – 2001: Portfolio Manager, Ohio National Financial Services

2001 – Present: Portfolio Manager,  
Johnson Investment Counsel



## 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

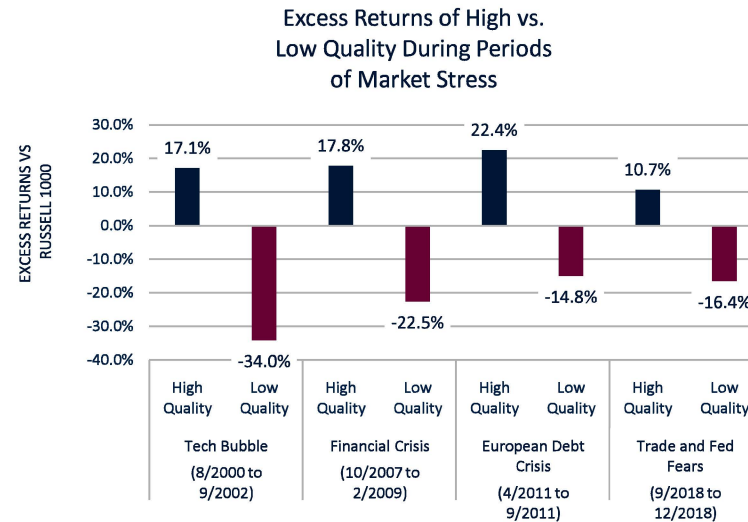
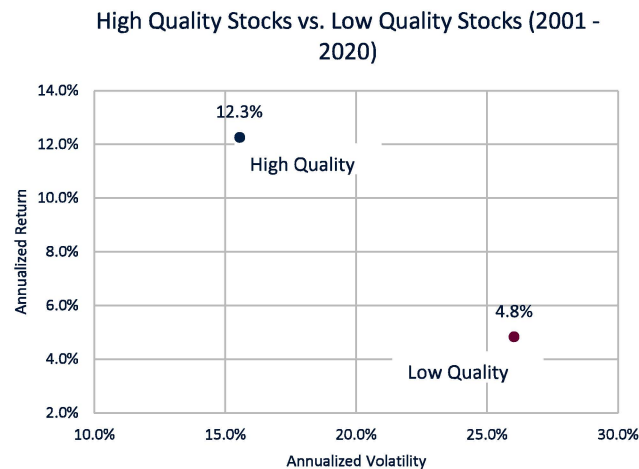
### Portfolio

- » 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?

When times are tough, investments in the best companies can provide a safe port in the storm. It is for this reason we invest solely in high quality companies.

Most investors claim they invest in high quality companies, but fewer can succinctly describe what that means. For us, high quality investments are those in companies with high returns on investment, stable earnings, and low leverage. Over time, investing in companies with these characteristics has reduced risk and increased returns.



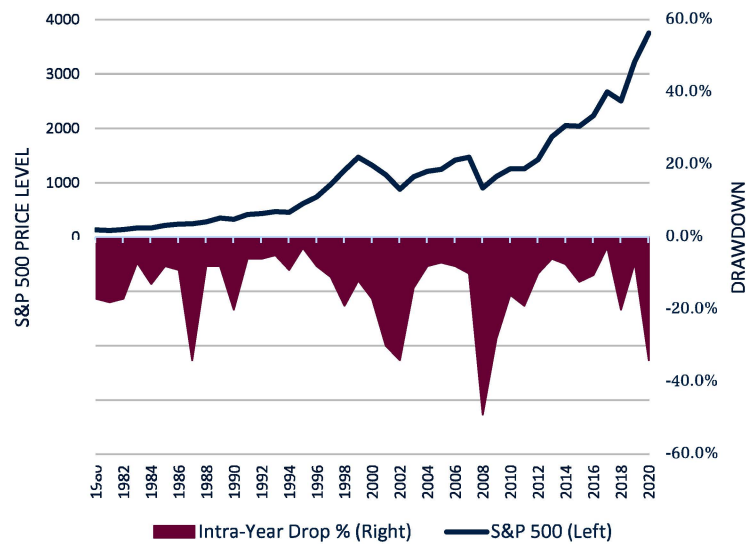
*Note: “High Quality” is defined as top quintile and “Low Quality” is defined as bottom quintile of Russell 1000 Universe based on the average of the following 7 quality factors: 3 year average CFROIC, CFROIC – WACC, 3 year standard deviation of sales growth, 3 year standard deviation of gross margins,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

» SOURCE: FACTSET

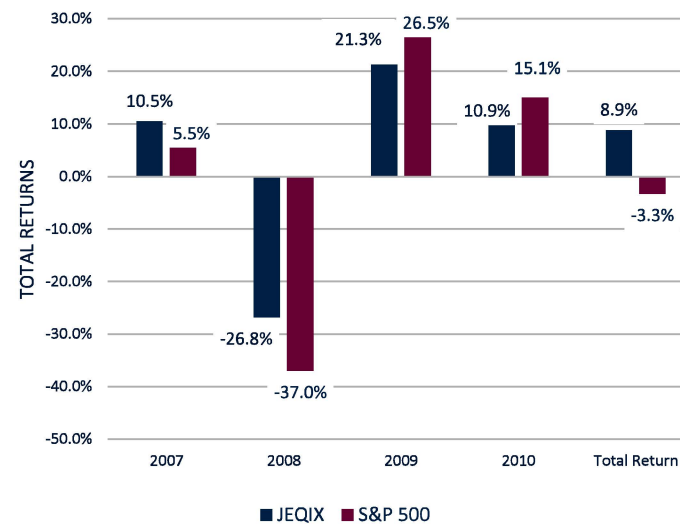
## OUR QUALITY FOCUS HELPS REDUCE VOLATILITY

While the stock market is a proven wealth compounder over time, periods of significant volatility are normal and expected. Simply reducing portfolio volatility is an effective return enhancer over time even if it means not getting 100% of the market's upside.

The Market Has Risen Steadily Over Time Despite Frequent Setbacks (1980 – 2020)\*



Reduced Volatility Leads to Superior Compounding



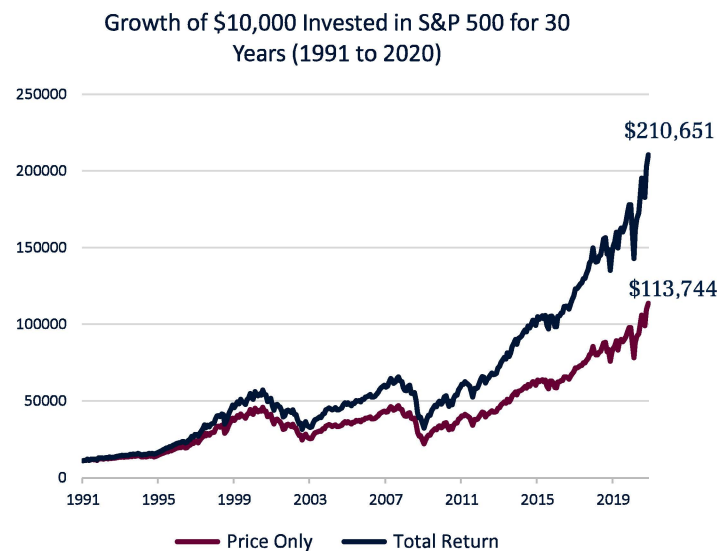
\*Data is based on price returns and does not include dividends

» SOURCE: FACTSET, BLOOMBERG

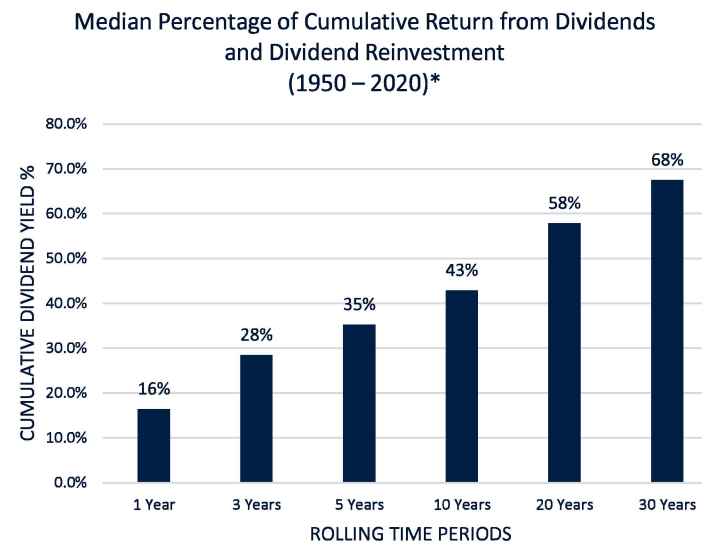
## DIVIDENDS MATTER – ESPECIALLY FOR THE LONG RUN

Dividends may seem like a small component of total return but the longer your time horizon, the more important they become. That is why we are devoted to providing above average dividend yields and dividend growth to our investors.

Unlike other accounting-based measures of corporate profitability, dividend yield and dividend growth are easily measured and difficult to manipulate. A healthy and growing dividend is often a sign of a healthy and growing business.

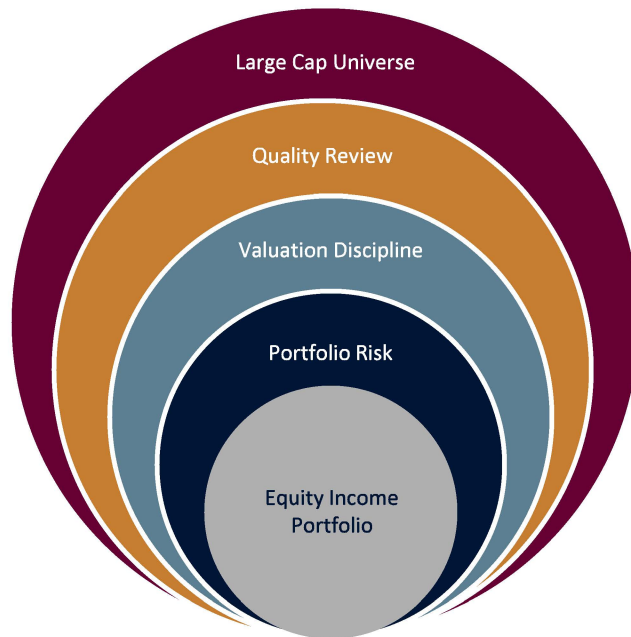


» SOURCE: BLOOMBERG



\*Data as of 1/31/1950 – 12/31/2020; 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
- » Social 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

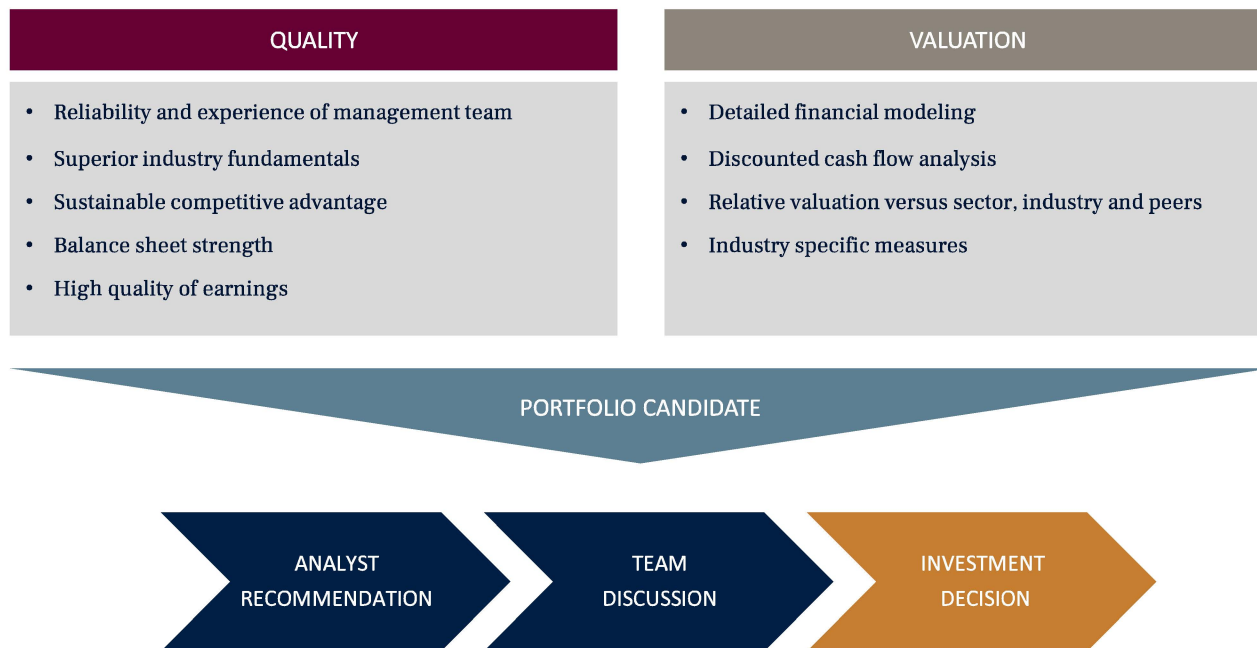
- » Every name is evaluated in the context of portfolio volatility and bear market sensitivity

### 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.





## 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
- Maximum initiation size of 4%

#### 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
- Maximum sector weight of 30%
- Maximum weight within foreign securities of 30%

### SELL DISCIPLINE

- Price of a security has surpassed our fair value estimate
- We find a more compelling opportunity
- Security falls out of the investment universe
- Original fundamental thesis is no longer valid or has materially changed



## PORTFOLIO CHARACTERISTICS

### COMMENTARY

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

### PORTFOLIO CHARACTERISTICS

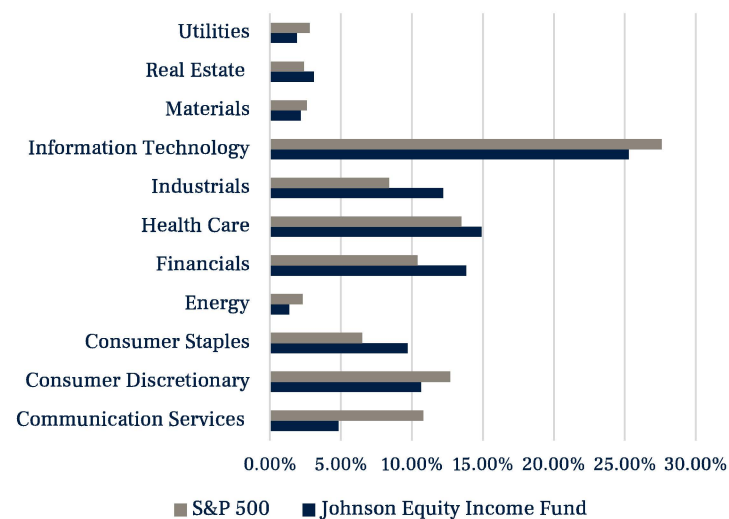
	PORTFOLIO	S&P 500
BETA	0.94	1.00
YIELD	1.47%	1.35%
FORWARD EV/EBITDA	18.65	20.97
MEDIAN 3 YEAR CFROI	21.12%	16.93%
MARKET CAPITALIZATION (BILLIONS)	\$277.86	\$568.67
% OF PORTFOLIO HOLDINGS WITH S&P CREDIT RATING OF A- OR HIGHER*	61.7%	31.4%

*Note: Portfolio weights as of 6/30/2021; characteristics as of 7/23/2021 and exclude cash balance. Beta based on last 5 years vs S&P 500. Characteristics are based on a weighted average calculation unless otherwise stated.*

*\*Excludes unranked stocks*

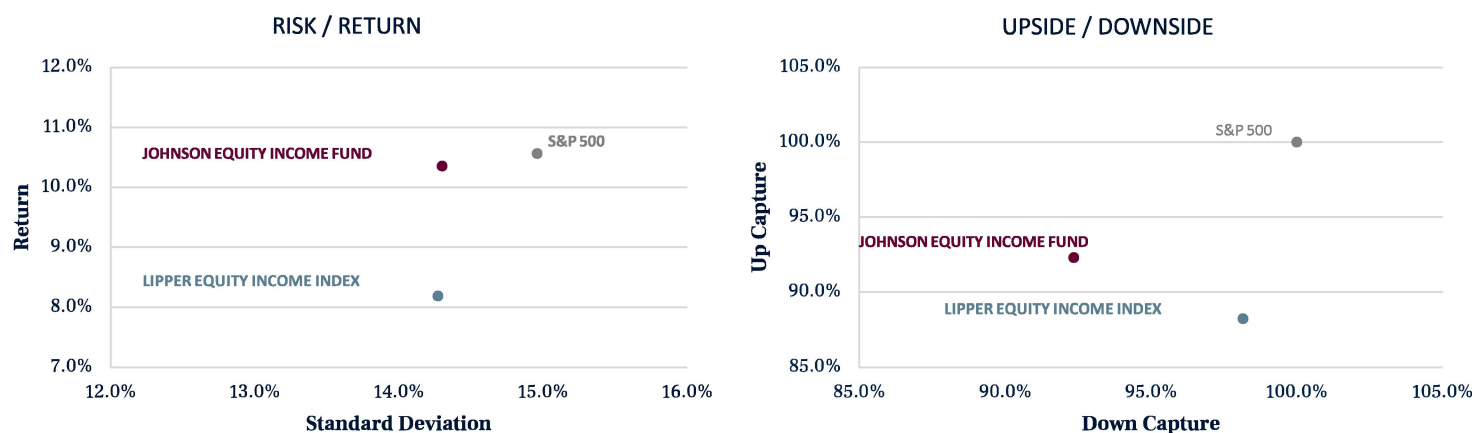
*\*\*S&P 500 Sector Weights as of 6/30/2021*

### RELATIVE SECTOR ALLOCATION



» SOURCE: FACTSET, BLOOMBERG, HOLT

## PORTFOLIO STATISTICS



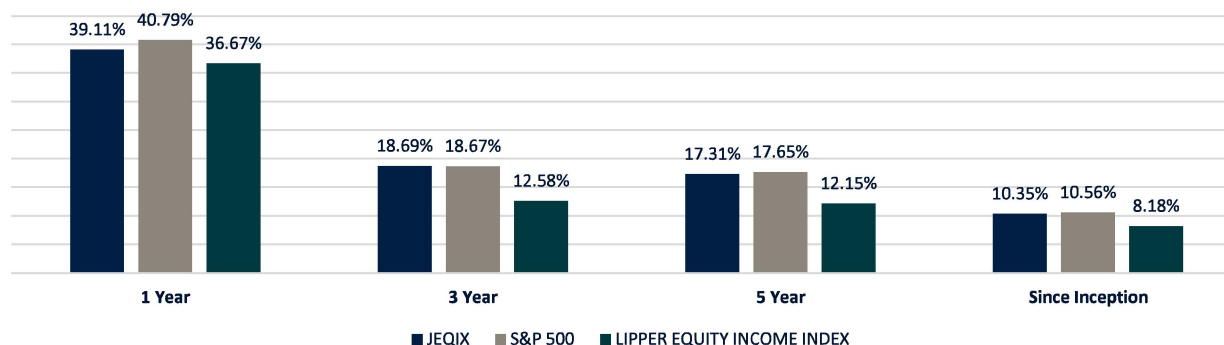
	RETURN	STANDARD DEVIATION	UPSIDE CAPTURE	DOWNSIDE CAPTURE	MAXIMUM DRAWDOWN LOSS VALUE	SHARPE RATIO	ALPHA	BETA
JOHNSON EQUITY INCOME FUND	10.35%	14.30%	92.29%	92.36%	-43.92%	0.64	0.52	0.93
S&P 500 INDEX	10.56%	14.96%	100.00%	100.00%	-50.95%	0.63	0.00	1.00
LIPPER EQUITY INCOME INDEX	8.18%	14.27%	88.23%	98.16%	-50.73%	0.49	-1.59	0.94

***Note:** Statistics shown are relative to the S&P 500 Index based on performance from 1/1/2006 through 6/30/2021. 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 Fund (as of the Fund's most recent prospectus dated May 1, 2020.) The table does not reflect the deduction of taxes that a shareholder would have to pay on Fund distributions or on redemptions of Fund shares. The inception date for the fund is January 1, 2006. The S&P 500 is the Fund's primary benchmark and the Lipper Equity Income Index is a supplemental index. The Lipper Equity Income Funds Index is an unmanaged index that tracks funds seeking relatively high current income and growth of income by investing at least 65% of their portfolio in dividend-paying equity securities.*

## PERFORMANCE



### JOHNSON EQUITY INCOME FUND (periods ending 6/30/2021)



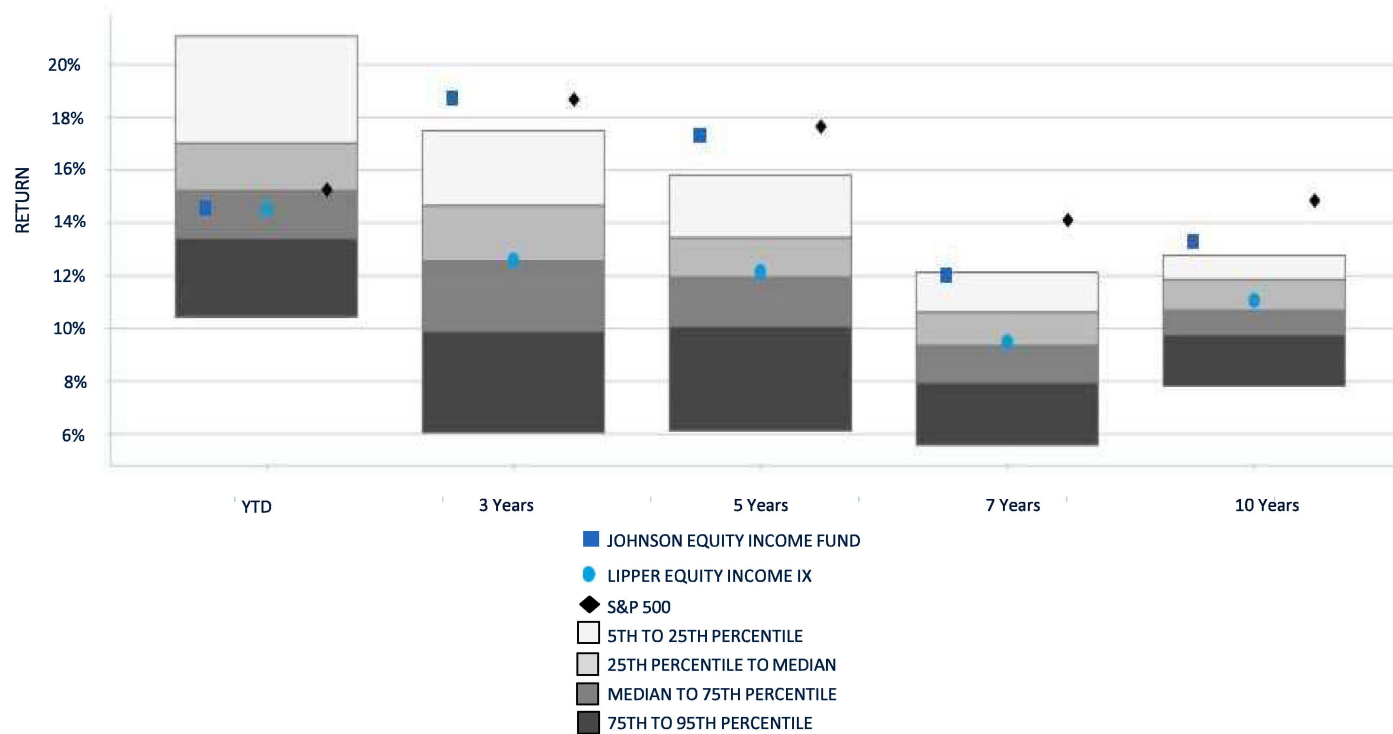
### ANNUAL RETURNS

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
JOHNSON EQUITY INCOME FUND	14.55%	12.24%	34.07%	-2.68%	25.03%	12.16%	-6.56%	7.73%	31.09%	15.48%
S&P 500	15.25%	18.40%	31.49%	-4.38%	21.83%	11.96%	1.38%	13.69%	32.39%	16.00%
LIPPER EQUITY INCOME INDEX	14.51%	4.72%	26.38%	-6.61%	16.43%	14.34%	-2.96%	10.69%	28.70%	13.70%

*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 Fund (as of the Fund's most recent prospectus dated May 1, 2020.) The table does not reflect the deduction of taxes that a shareholder would have to pay on Fund distributions or on redemptions of Fund shares. The inception date for the fund is January 1, 2006. The S&P 500 is the Fund's primary benchmark and the Lipper Equity Income Index is a supplemental index. The Lipper Equity Income Funds Index is an unmanaged index that tracks funds seeking relatively high current income and growth of income by investing at least 65% of their portfolio in dividend-paying equity securities.

## 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 6/30/2021. 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. The S&P 500 is the Fund's primary benchmark and the Lipper Equity Income Index is a supplemental index. Past performance is not indicative of future returns.

» SOURCE: ZEPHYR



THANK YOU

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» CHICAGO  
» NEW YORK





## IMPORTANT DISCLOSURES

*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.*

*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.*