

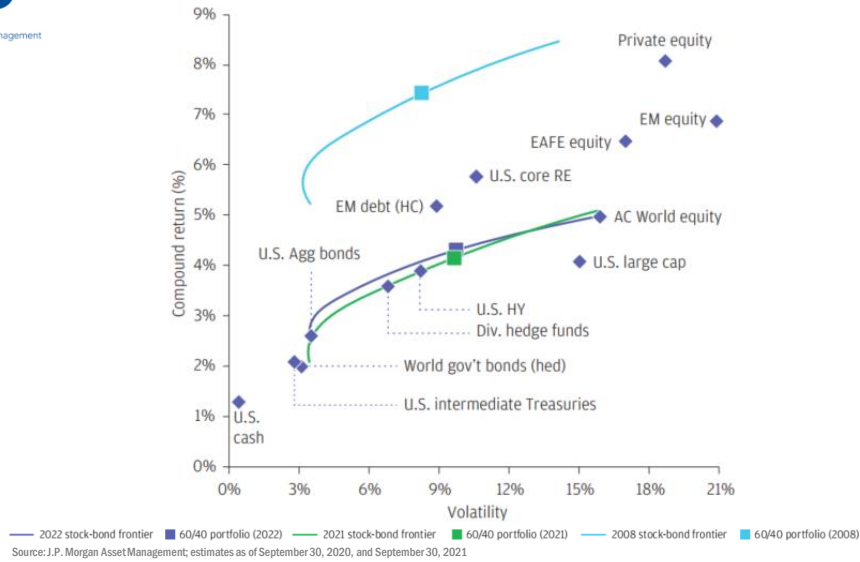


Institutional Investing Best Practices

Steve Backus – SVP Johnson Financial Group



Future Market Expectations





Asset Segmentation

1. Operating Cash

- 180 days + operating needs
- Held in bank account

2. Short/Intermediate-Term Portfolio

- Covers 12-36 month strategic plans
- Invested primarily in individual fixed income securities with fixed income mutual funds or exchange traded funds added for diversification
 - Ensures cash is available for any planned or unexpected liquidity needs

3. Investment Portfolio

- Invested for the long-term
- Portfolio with a focus on fixed income to increase annual investment income and reduce volatility
- Can be all fixed income or include equity and alternative asset classes
- Invested in mutual funds, exchange traded funds, and individual fixed income securities
 - Cash and fixed income holdings would be sold to accommodate cash needs that exceed short/intermediate-term portfolio balance



Holistic Approach

A holistic approach to identifying an appropriate asset allocation integrates aspects of your assets, liabilities, strategic plans, and operations into the decision-making process. This analysis provides the framework for investment policy creation, portfolio construction and investment manager selection.

Liabilities & Debt Structure

- Cost of capital
- Debt Structure
 - Fixed vs variable
- Debt Covenants
 - DSCR
 - DCOH
- Future capital plans
- Interest rate environment



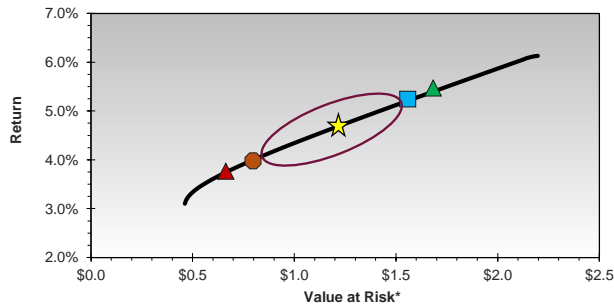
Investment Assets

Operations & Strategic Plans

- Operating environment
- Strategic plans
- Financial strength
- Competitive landscape
- Regulatory environment
- Peer Comparisons
- Rating Agencies



Sample Asset Allocation Analysis



| | | Annual Return | Standard Deviation | Value at Risk |
|-----------------------|---|------------------|-----------------------|------------------|
| Cost of Capital | ● | 4.08% | 5.12% | \$ 841,525 |
| Debt Covenant | ■ | 5.26% | 9.65% | \$ 1,587,010 |
| Current Portfolio | ▲ | 5.50% | 10.66% | \$ 1,753,195 |
| Current Portfolio | ▲ | 3.76% | 4.06% | \$ 668,469 |
| Recommended Portfolio | ★ | 4.75% | 7.64% | \$ 1,256,243 |



Investment Policy Framework

An analysis of your financial strength, strategic plans and operating environment, as well as other factors, helps form the foundation for the following topics related to an integrated investment policy statement:

- Objectives of the investment plan
- Duties and responsibilities
- Return expectations (minimum/required)
- Asset allocation target and ranges
- Investment guidelines and restrictions
- Liquidity/cash flow
- Identify covenant restrictions
- Spending policy



Investment Management in Today's Environment

- Consider all aspects of your organization
- Incorporate portfolio modeling
- Adapt and evolve your investment plan as your organization grows
- Ensure your policy statement outlines the methodology
- Include your investment advisor in more than you think



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