

# Johnston Investment Counsel

## Research • Analysis • Results

The recent market correction, as well as certain high-profile corporate bankruptcies, has highlighted the fact that defined contribution trustees are also plan fiduciaries, regardless of company or plan size.

As fiduciaries, there is a duty and responsibility that, on an ongoing basis, they monitor and evaluate all aspects of the defined contribution plan including: diversification of investment options, performance results, fees, and plan service providers.

Many companies reduce this fiduciary responsibility by retaining outside counsel to advise them on diversification, investment option selection, and ongoing performance monitoring.

Johnston Investment Counsel (JIC) is a 100% independent, fee-based investment advisory and consulting firm. Since JIC has no relationships with banks, brokerages, insurance companies, or mutual fund firms, JIC's advice and recommendations is always unbiased. JIC simply has no conflicts of interest.

In addition to our independence, JIC's experience, analysis, and approach make us uniquely qualified to provide investment consulting services to the defined contribution plan market.

JIC provides the following services to defined contribution plans:

- Investment policy development,
- Diversification analysis,
- Evaluation and ongoing monitoring of existing investment options,
- Employee education, and
- Cost analysis.

Depending on client needs, JIC provides these services either individually or combined into a retainer relationship.

### Investment Policy Development

A well-developed investment policy statement will serve as the "roadmap" to guide the investment activities of the fund. It serves as an important fiduciary document.

The investment policy statement will:

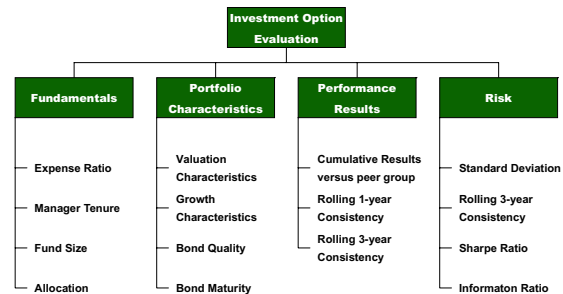
- Define responsibilities,
- Describe the investment program,
- Establish performance objectives, investment guidelines, and restrictions, and
- Describe review procedures.

### Performance Evaluation

To determine if each investment option is meeting its performance objectives, JIC analyzes a fund based on several different style-specific metrics. The analysis includes the following:

- Operational characteristics,
- Portfolio characteristics,
- Performance results, and
- Risk characteristics

In analyzing fund performance, JIC's goal is to determine whether the investment option is expected to meet future performance objectives or whether the plan sponsor should consider replacing the fund.



### **Diversification Analysis**

One of the most important analyses JIC conducts is to determine whether existing investment options offer participants the ability to diversify their assets not only to several asset classes but to different investment styles within each asset class.

JIC's diversification analysis examines:

- Historical return characteristics,
- Portfolio characteristics,
- The degree of security holding overlap with other investment options, and
- Sector allocation

Based on the results of our analysis, JIC will recommend either no change, add fund(s) to improve diversification, or eliminate fund(s) due to the overlap with existing options.

### **Employee Education**

JIC has formal training sessions but also provides ongoing educational newsletters to assist employees in meeting their retirement objectives. JIC's educational sessions includes topics such as the importance of pretax savings, historical capital market returns, developing an appropriate asset mix, and diversifying assets across different investment styles and approaches.

### **Cost Analysis**

In today's competitive business landscape, employers are seeking ways to lower costs. As a result, many firms have selected "no-cost" defined contribution plans.

While the actual cost to the employer may be minimal, the prudent plan sponsor understands that costs are simply being shifted to the employee. The plan sponsor has a fiduciary responsibility to ensure that all costs (whether paid by the plan or by the employee) are justifiable and reasonable. JIC's cost

analysis will segment a plan's cost into its various components so a plan sponsor can make an informed cost analysis and comparison.

### **About Johnston Investment Counsel**

JIC is a privately-owned firm formed in 1997 by Gregory A. Johnston, CFA. JIC provides investment consulting and advisory services to corporations, defined benefit and contribution plans, endowment and foundations, Taft-Hartley funds and high net worth individuals.

JIC is a 100% independent firm whose sole source of compensation is from its client-based fees. JIC conducts its own internal research and evaluation prior to making investment decisions.

JIC has no affiliations and receives no compensation from brokerage, insurance, bank, mutual fund, or other financial-related firms. JIC has no incentive to recommend a specific financial product.

Since JIC has no financial conflicts, our clients can be assured that JIC's advice is always in their best interest. JIC's sole interest is, and always will be, providing our clients with the best possible investment returns consistent with their risk-taking ability.

Gregory A. Johnston, CFA, JIC's President and Chief Investment Officer, has over 15 years of investment consulting and advisory experience. He has earned the prestigious Chartered Financial Analyst (CFA) designation, has a B.A. from the University of Illinois, and a MBA from DePaul University.

To learn more about JIC's defined contribution services please call Greg Johnston, CFA at (309) 674-3330 or go to the JIC website at [www.jicinvest.com](http://www.jicinvest.com).