



MARKET PERFORMANCE — SECOND QUARTER 2009



The quarter in brief.

We just saw the best quarter for stocks since 1998- the S&P 500 gained 15.2% from April to June.¹ The global rebound in equi-

ties was simply phenomenal this spring. All of it happened while two major automakers went through bankruptcy, major banks weathered the drama of stress tests, and oil prices took off. The Obama administration proposed more reform, and indicators offered hope and hints of economic recovery.

Domestic economic health. Some key indicators moved into the plus column this spring. Consumer spending was up 0.3% in May after a flat April; personal income was up 1.4% in May after rising 0.7% for April.² Retail sales? Up 0.5% in May, following a 0.2% contraction in April.³ Durable goods orders rose 1.8% in both April and May.⁴ Perhaps we were taking advantage of lower prices. The Consumer Price Index (CPI) dropped 1.3% between May 2008 and May 2009, the biggest year-to-year decrease since 1950. CPI was flat in April and only rose 0.1% in May.⁵

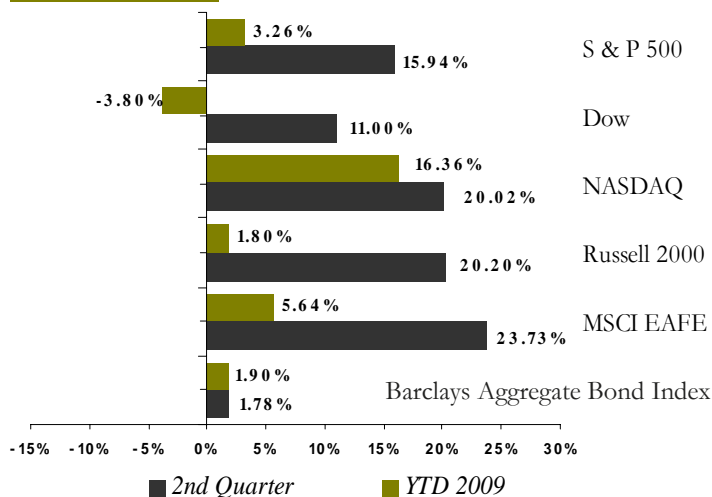
Turning from individuals to institutions, it was another trying quarter for banks and automakers. Once-invincible Chrysler and General Motors each filed for Chapter 11 bankruptcy; with the help of the federal government, Chrysler found a buyer in Fiat. The government simply took a 60% stake in GM as it fostered its reorganization.⁶ High anxiety preceded the Federal Reserve-administered stress tests of 19 major U.S. banks, and 10 of 19 banks were directed to raise additional capital - most notably Bank of America, which was told to raise another \$34 billion. Other big institutions (among them Goldman Sachs, American Express, MetLife, Capital One, and JPMorgan Chase) were judged adequately capitalized.⁷

In Washington, **reform was in the air.** In May, Congress passed new rules forcing credit card issuers to notify cardholders of rate hikes 45

days in advance, restrict credit limits for teens and collegians, and curb retroactive rate increases.⁸ June saw the Obama administration and Congressional leaders working hard to revamp financial industry regulations and the American health care system. The President proposed making the Federal Reserve the great watchdog over major banks, insurers and other financial industry firms. Proposed legislation would give the Fed, Federal Deposit Insurance Corporation and Treasury more power and set up a Consumer Financial Protection Agency to police mortgages, derivatives and credit cards.⁹ Now, should the government get into the health care business? In the vision of the President, such a move could make health care and health insurance more affordable and accessible to 45 million more Americans. Two versions of a bill to do so meandered through Congress in spring. The House version included a government-sponsored health care option, and the Senate version jettisoned that idea.¹⁰

Major indexes. Look at the turnaround. At the end of June, the S&P 500 was an astounding 35.89% above its March 9 low. History will record 2Q 2009 as the best quarter for the S&P since 4Q 1998, the hottest quarter for the NASDAQ since 2Q 2003, and the best quarter for the Dow since 4Q 2003.¹

Market Scorecard



3RD QUARTER OUTLOOK

Third quarter outlook. Second quarter earnings and forecasts for the second half of the year should shed some light on the strength of the economic recovery. We are somewhat cautious entering the third quarter as some of the technical indicators we follow have begun to suggest that supply is in control with respect to stocks. We are looking for a pullback, but not a falling out in stocks. We see a trading range between 900 and 1000 on the S&P 500; however, positive economic news could result in higher levels. The S&P 500 closed at 919 on June 30, which means we are holding firm.

We continue to expect the market to move in a sideways fashion as it digests its recent gains. Our portfolios are positioned for this type of market and we continue to overweight bonds and cash with reduced exposure to stocks. As the markets move toward either end of the trading band, we are prepared to take action.

When the market closes in on 1000, the upper-end of the trading band, we are prepared to take more conservative positions in an effort to protect gains. We may also lighten overall equity exposure.

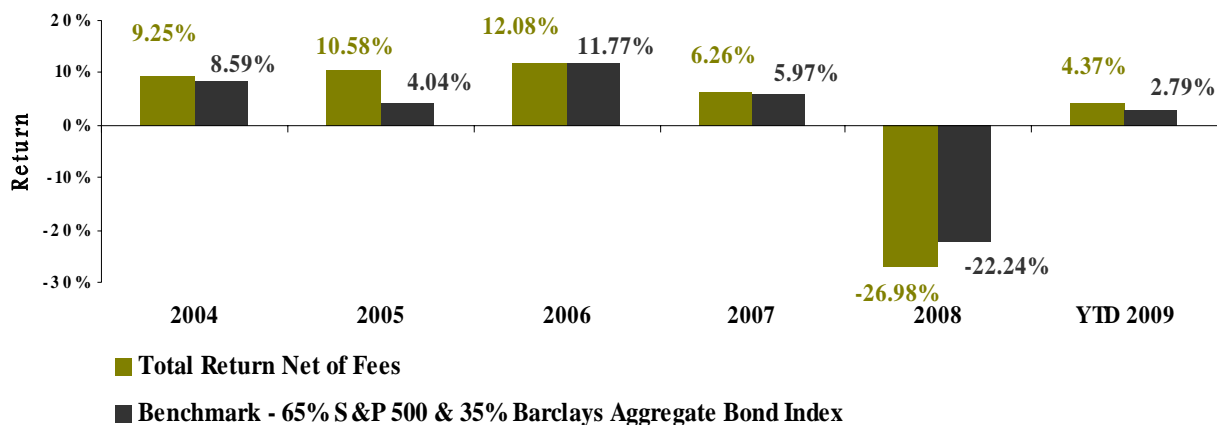
On the opposite end of the spectrum, we are prepared to become more aggressive at 900, the bottom-end of the trading band, by increasing

equities in stronger sectors with the hope of participating in the upside of the market.

Specific strategies under consideration:

- ◆ We are interested in international bonds on a rally in the US dollar as we feel the dollar is still in a secular bear market.
- ◆ We are looking to add energy holdings on any material weakness in the price of oil.
- ◆ We are interested in Exchange Traded Funds that potentially benefit from a rise in longer-dated Treasury yields.
- ◆ We seek to increase positions in higher risk fixed income instruments on any pullback in these securities; we feel that businesses are battenning down the hatches with respect to cash flows and they are more likely to pay off debt than to increase capital expenditures. Once demand for goods and services returns to the market, we will reduce bonds and increase equity exposure.
- ◆ We will possibly increase international equities at the lower-end of the trading band as returns should benefit from weakness in the dollar.

Johnson Bender & Co. Growth & Income Portfolio vs. Benchmark



Past performance cannot guarantee comparable future results. The JBC Growth & Income Composite was created on Dec. 31, 2003. The composite is defined to include all fully discretionary accounts over \$250,000 that are managed according to our growth and income strategy (65% equities/ 35% fixed income investments). Periodically, the portfolios may deviate from these allocations based on market conditions. The equity holdings may vary between growth & value stocks depending on market trends and will generally resemble those equities that comprise the S&P 500. However, if market conditions warrant, the portfolio may include considerable weightings in small cap and international holdings. The fixed income holdings will generally resemble the Barclays Aggregate Bond Index. However, if market conditions warrant, the portfolio may include investments in floating rate loan funds, high yield bonds, international bonds, preferred stock, CDs and money market funds. Lastly, the portfolio may include commodity holdings depending on market trends. All performance figures for the composite and the benchmark are net of management fees and expenses unless otherwise noted, include the reinvestment of dividends, are reported in U.S. Dollars and reflect the changes in net asset value. All performance figures are as of Dec. 31 of the year noted with the exception of YTD 2009 which is as of June 30, 2009.

Lessons Learned from Bernard Madoff...

How Johnson, Bender & Company is Different

Across the country we have heard tales from victims of the \$50 billion Bernard Madoff scandal. This loss is a tragedy of epic proportions. However, the real tragedy is that if investors had asked a few questions to ensure prudent investing, these investments may never have been made. Many investors are now left wondering, “How can I be certain I am working with an ethical advisor?”

	Bernard Madoff	Johnson, Bender & Company
Client Statements	Generated Internally	Issued directly by third-party custodian (Fidelity or Pershing)
On-Line Access to Accounts	Not available	Available daily through Fidelity or Pershing websites
Custodian	Used affiliated entity	Uses unaffiliated entity
Trades	Affiliated broker/dealer	Outside custodian, other unaffiliated broker/dealers
Fees	No fees to investment advisor clients, all fees generated by broker/dealer	Fees are charged to investment advisory clients
Exclusivity	Madoff “accepted” clients, used exclusivity as a selling point	Doesn’t use exclusivity as a selling point
“Feeder” Organizations	Feeder entities could not mention Madoff	Solicitors provide a Johnson, Bender & Co. ADV to all prospects
“Secret Sauce”	Investment strategy was complicated and difficult to understand	At Johnson, Bender & Company, we openly discuss our investment strategy, which is straightforward
Locked Floor	Madoff firm had a floor which was accessible by only three people	Our office is available to clients at any time during business hours
Employees	Many were family members, or people who had no experience in the securities industry apart from their employment by a Madoff entity	Staff has varied experience across financial service companies
Performance	Bernard Madoff’s clients saw consistent, positive returns year after year, no matter what the market was doing	At Johnson, Bender & Company, we won’t promise you a pot of gold at the end of every rainbow. While we cannot predict or control how the market will perform, we have a commitment to our clients to carefully analyze the markets, looking for opportunities when they arise.

FIRM NEWS

Texas Monthly magazine and Crescendo Services have selected Willis Johnson and Dan Bender to the FIVE STAR Best in Client Satisfaction Wealth Manager list for 2009. There will be a special section in the September issue of Texas Monthly featuring a profile of Willis and Dan. The pictures on the right are from the “photo shoot” for the feature. More details coming soon.

Sources and Disclosures:

- 1 cnbc.com/id/31670314 [6/30/09]
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Past performance is no guarantee of future results. No investment strategy can guarantee a profit or entirely protect against loss. ●High yield bonds involve additional risk due to lower credit ratings. Investors should be aware of the possible higher levels of volatility and increased risk of default. ●Investors should understand the relationship between bonds and interest rates. If interest rates rise the value of bonds will subsequently fall. ●Investors should note that rebalancing a portfolio may be a taxable event. Additionally, an investor may incur fees or charges as a result of rebalancing certain investments held within their portfolio. ●An investment cannot be made directly in an index. ●The Dow is an unmanaged, price-weighted index of 30 of the largest, most widely-held stocks. ●The S&P 500 is an unmanaged index considered to be representative of the U.S stock market in general. ●The NASDAQ Composite Index is an unmanaged, market-weighted index considered representative of over-the-counter stocks. ●The Russell 2000 is an unmanaged index considered to be representative of small stocks. ●The MSCI EAFE Index is an unmanaged index considered representative of stock markets in Europe, Australasia and the Far East. ●The Barclays Aggregate Bond Index is an unmanaged index considered representative of U.S. fixed-income securities. ●Small cap stocks are subject to more risk and may be less liquid and subject to greater price volatility than large cap stocks. ●Investments concentrated in a specific industry or sector may be subject to a higher degree of market risk than funds whose investments are diversified. ●International investing involve special risks including greater economic, political, and currency fluctuation risks. ●The price of commodities is subject to substantial price fluctuations of short periods of time and may be affected by unpredictable international monetary and political policies. The market for commodities is widely unregulated. ●ETF products, like all investments, are subject to market risk, which may result in the loss of principal. Risks vary depending upon the strategy used by the fund as well as the sectors in which the fund invests. *For more information on ETFs, or to request a prospectus for a specific product, please contact me at (713)439-1200. Investment objectives, risks, charges, expenses, and other important information about an ETF are contained in these documents; read and consider them carefully before investing.* ●Third-party rankings and recognitions are no guarantee of future investment success and do not ensure that a client or prospective client will experience a higher level of performance or results. These ratings should not be construed as an endorsement of the advisor of any client nor are they representative of any one client's evaluation. ●Five Star Wealth Manager award is presented to 7% of wealth managers with five years of experience in the financial services industry. The final list identifies the wealth managers, of those evaluated, in the local market that score highest in client satisfaction. Each wealth manager was reviewed for regulatory actions, civil judicial actions and customer complaints. Details of the award can be viewed at www.fivestarprofessional.com/wmresearch

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