



MARKET PERFORMANCE — THIRD QUARTER 2009

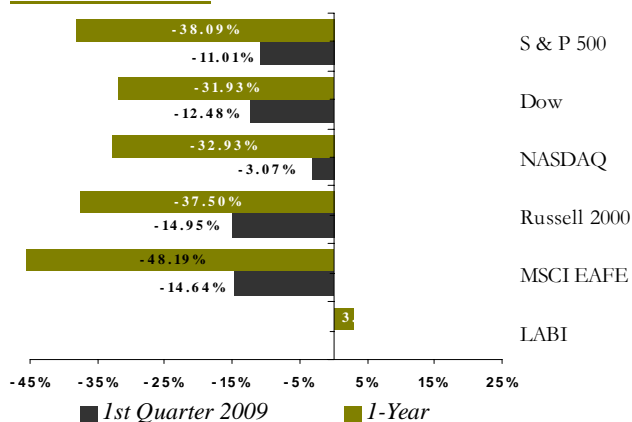
The quarter in brief. The third quarter of 2009 was spectacular for stocks, and it may have included the end of what history will apparently remember as the Great Recession. The S&P 500 gained 14.98% in 3Q 2009 after a 15.22% gain in the second quarter. The Dow just had its best quarter since 4Q 1998.^{1,2} Federal rebates and credits helped to stimulate home and auto sales. The data stream from the housing sector was mostly positive. Watching the nightly news, the average American may have assumed we were still in the midst of the recession; economists, however, saw increasing signals that it was done.

Domestic economic health. As the quarter drew to a close, evidence hinted that the economy was growing. The Institute for Supply Management's September service-sector index came in at 50.9 for September – indicating expansion. The ISM's manufacturing index was above 52 in both August and September, another growth signal.³ Consumer spending increased in August by 1.3% after a 0.3% gain in July. In fact, retail sales jumped 2.7% in August (+1.1% excluding autos) after going -0.2% for July.⁶ As for inflation, the big news was negative news – in September, we learned consumer prices had dropped 1.5% from August 2008 to August 2009. (However, core CPI advanced 1.4% during that same period.)⁷

The Conference Board's index of leading economic indicators (indicators that are generally 6-9 months ahead) rose 0.6% in August, the fifth straight monthly increase.⁸ The Fed held interest rates steady during the quarter, as expected.

Major indexes. The Dow and S&P 500 posted coincidental 14.98% quarterly gains and the NASDAQ beat them both. The DJIA, S&P 500, NASDAQ and Russell 2000 all gained for the second consecutive quarter, and that hadn't happened in two years.²

Market Scorecard



Global economic health. In the Eurozone, the benchmark PMI was climbing – edging toward expansion after 16 months of contraction. Industrial output increased for the second consecutive month in September, as business inventories decreased for the second month. The EU administered a stress test to 22 major banks; all passed. The EU jobless rate was 9.6% in August, .1% below the U.S. rate.^{12,13,14}

The International Monetary Fund is predicting 2009 growth of 7.5% and 5.4% for China and India, respectively. It also raised its 2010 forecast for those nations, foreseeing growth of 9.0% in China and 6.4% for India. Data showed that the economies of Singapore and China respectively grew 20.7% and 7.9% in 2Q 2009. The economies of Brazil and Japan had started growing again – GDP was +0.6% for 2Q 2009 in Japan, and it was +1.9% for 2Q 2009 in Brazil.^{15,16,17,18}

Commodities markets. Oil prices - which had risen more than 40% during the second quarter – only increased by 1.03% in 3Q 2009. They settled at \$70.61 per barrel at quarter's end.

Gold, copper and silver all had another strong quarter. Gold was up +8.73% across 3Q 2009, settling at \$1,008.00 per ounce at the quarter's close. Silver prices rose 22%, the best quarter for that precious metal since 1Q 2006. As for the dollar, it suffered, sliding 4.14% versus the euro and 6.80% versus the yen in 3Q 2009.^{23,24,25,26}

The Dow Jones-UBS Commodity Index rose 4% last quarter, which put it up 9% for 2009.²⁴

Housing & interest rates. Existing home sales increased for the fourth straight month in July but then fell 2.7% in August. About 30% of the purchases in July were made by first-time buyers, leaving some analysts to wonder what would happen in fall when the federal first-time homebuyer credit expired.²⁷ New home sales rose by an underwhelming 0.7% in August after a revised 6.5% jump north in July.²⁸ However, pending home sales were up all quarter – in fact, when the August data (+6.4%) came out, they had increased for seven straight months to a level unseen since March 2007. Residential construction spending rose 0.8% for August to its highest level since August 1993.²⁹

Mortgage rates went even lower. The September 24 Freddie Mac nationwide survey had the average interest rate on a 30-year FRM at 5.04% (and rates would subsequently fall below 5% in early October). Compare that to 5.42% on June 25.

4TH QUARTER OUTLOOK

At the end of the second quarter, a key question was whether the consumer and the business owner would start spending again and back up the rally on Wall Street. At the end of the third quarter, that question still lingers. Some analysts see a shallow U-shaped recovery ahead, others see a W. Ten percent of the country is unemployed, and then you have the underemployed; foreclosure rates have stabilized but are still high. However, the indicators of oncoming growth or at least stability seem to outnumber the negatives lately. While another amazing quarter for stocks might be too much to hope for, we have seen the market do amazing things in its recent history – so let's hope that the quarter ahead will prove nicely positive and add to Wall Street's huge 2009 rebound.

Areas of Relative Strength:

Equities:

- Energy
- Emerging Markets
- Financials
- Technology

Fixed Income:

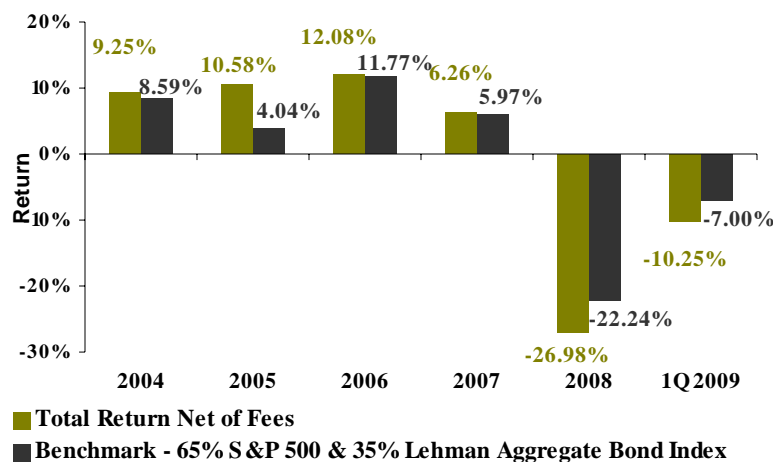
- Senior Floating Rate Funds

Preferred Stocks

Areas where we expect a temporary pullback in the market, which may provide new opportunities for growth:

- Gold
- Commodities

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 Lehman 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 1Q2009 which is as of March 31, 2009.

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 Lehman 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



WHAT DO YOUR CHILDREN KNOW ABOUT BUILDING WEALTH?

What would you like to have known at 18, 25, or 35?

When you were 20 or 25, what was your level of financial literacy? What did you think of when the nightly news mentioned Wall Street or the Federal Reserve? Did you even care about those things at that time?

Few young adults fully understand how wealth can be built. That's a shame. Decades from now, many will wish they had started planning to amass wealth earlier in life. How can you encourage your children to start that process?

Help them start before they turn 18. If your child is a minor, there are still several ways she or he can get a head start on growing wealth. Besides the basic move of opening a savings account, it is possible for your child to open a Roth IRA. The I.R.S. sets no minimum age limit for IRA contributions; if your son or daughter has earned income from a job and filed taxes, he or she can open a Roth or traditional IRA with your assistance and contribute to it. Your child may buy equity shares or make a direct stock purchase via a guardian account or custodial account.^{1,2,3}

Encourage them to set life and financial goals. Why not? It is not far-fetched if your teen wants to become a millionaire; given inflation over time, we may need to be millionaires down the road. Even if your son or daughter simply sets a life goal – for example, to start a business someday or to graduate from a prestigious university – he or she will start to think about what that will take financially.

Wean them off plastic. As your children become young adults, the great lesson is a simple one – spend less than what you make. If they have to go into big debt, it better be for education's sake and not for comparatively frivolous reasons. Remind them that it is possible to pay off debt and plan to build wealth at the same time.

Look back over your life for a moment. What shaped you more – the material things you bought when you were 18 or 21, or the experiences you had when you were 18 or 21? It is wiser for your son or daughter to spend money on an experience that may “pay off” in life skills and character development, rather than on a material item that will inevitably depreciate.

Convey that is not what you own, but what you do that counts. Hopefully, your son or daughter will start investing early – and sensibly. Some young investors like the thrill of day trading – of looking for the next hot stock that will be the talk of Wall Street. It is better for your son or daughter to learn principles of diversification from the start (and not retrospectively). Building wealth slowly is not a bad idea. Investing seriously means staying invested through market cycles.

Remind them of the power of compounding. If your child opens an IRA or 401(k) before age 30, that does so much in terms of retirement savings potential. Yet few young adults focus on these retirement savings tools. The tax information service CCH took a poll in 2007 and found that just 4% of employees aged 25 and younger were maxing out retirement plans. That same year, Charles Schwab conducted a survey and learned that only 40% of adults aged 26-40 were contributing to an IRA.⁴

Looking back, what did you wish you had known? Today is as good as any day to let your son or daughter know about some investment and asset-building principles. At first glance, it may seem boring to them – but making money sure isn't. The more they know now, the more years they have on their side to grow wealth.

FIRM NEWS

Willis Johnson and Dan Bender have been named to Texas Monthly Magazine's list of Houston Financial Advisors with exceptional client satisfaction. There will be a special section in the September issue of the magazine featuring a profile of Willis and Dan. The pictures on the right are from the "photo shoot" for the magazine. More details coming soon.

Sources and Disclosures:

- 1 cnbc.com/id/31670314 [6/30/09]
- 2 money.cnn.com/2009/06/26/news/economy/personal_income/?postversion=2009062609 [6/26/09]
- 3 census.gov/retail/marts/www/retail.html [6/11/09]
- 4 money.cnn.com/2009/06/24/markets/markets_newyork/?postversion=2009062417 [6/24/09]
- 5 bloomberg.com/apps/news?pid=20601068&sid=ah5hyV.4zUcQ [6/17/09]
- 6 usatoday.com/money/autos/2009-06-01-gm-bankruptcy_N.htm?loc=interstitialskip [6/1/09]
- 7 federalreserve.gov/newsevents/press/bcreg/bcreg20090507a1.pdf [5/7/09]
- 8 smartmoney.com/personal-finance/debt/tighter-credit-card-rules-pass-senate-milestone/ [5/22/09]
- 9 topics.nytimes.com/topics/reference/timestopics/subjects/c/credit_crisis/financial_regulatory_reform/index.html [6/17/09]
- 10 bloomberg.com/apps/news?pid=20601103&sid=aki1sLcOe4GM [6/26/09]

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. Senior floating rate funds are not money market funds; their NAVs will fluctuate and may lose value. Investment in these loans involves certain risks, including among others: risks of nonpayment of principal and interest, collateral impairment, non-diversification and borrower industry concentration, and lack of full liquidity. •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 Lehman Brothers Aggregate Bond Index is an unmanaged index considered representative of U.S. fixed-income securities. •International investing involves special risks not present with U.S. investments due to factors such as increased volatility, currency fluctuations, and differences in auditing and other financial standards. •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.

GIPS® Disclosures

•Johnson, Bender & Company is an independent investment advisory firm founded in 1996 and registered with the SEC. •JB&Co provides fee-based investment management services to their clients via equity portfolios, balanced portfolios, fixed income portfolios and associated financial planning services. •Johnson, Bender & Company claims compliance with the Global Investment Performance Standards (GIPS®). •The GIPS® Standards are ethical standards to be used primarily by investment managers in the United States and Canada for creating performance presentations that ensure fair representation and full disclosure. •The Standards allow investors to directly compare the performance of different investment managers and help to build an environment of credibility and trust in the investment industry. •Composite performance results are expressed in US dollars. •To receive a presentation that complies with the REQUIREMENTS of GIPS standards and/or a list and description of all FIRM COMPOSITES contact Bob Lowerre at(713) 439-1200, or write Johnson, Bender & Company, 5555 San Felipe, Suite 1100, Houston, TX 77056, or by email at: info@johnsonbender.com. Please refer to the official GIPS® Verification Report for further disclosure.

Material discussed herewith is meant for general illustration and/or informational purposes only. Please note that individual situations can vary. Therefore, the information should be relied upon when coordinated with individual professional advice. Views expressed may not reflect the views of FSC Securities Corporation. Securities offered through FSC Securities Corporation. Member FINRA/SIPC A registered broker-dealer not affiliated with Johnson, Bender & Company.

Advisory services offered through Johnson, Bender & Company