

Quarterly Insight



Market update

FROM THE DESK OF CIO CHARLES RINEHART, CFA, CAIA

We entered this year with a sense of economic optimism we have not experienced in some time. After years of digesting tighter monetary policy and COVID-related imbalances, the economy appeared to be on the precipice of a turning point. Following last year's passage of the "One Big Beautiful Bill Act," tax refund season promised to be a boon for our most pressured consumers. At the same time, we were entering the window in which past interest rate cuts from the Federal Reserve could begin to benefit both corporate and retail borrowers.

Things were looking up—and the markets reacted accordingly. The S&P 500 started the year up a modest 0.5% through February but under the surface the signals were stronger. The average stock in the index was up even more (6.3%), signaling that broader earnings growth may be on the horizon. Small-cap stocks echoed this message, with the Russell 2000 rising 6.1%. The market was broadly confirming the signs of economic strength we were seeing.

And then March arrived.

With it came the United States' and Israel's jointly launched strikes on Iran, eliminating senior Iranian leadership and severely crippling the country's military capability. In retaliation, Iran launched attacks against a broad range of targets, including neighbors across the Persian Gulf. Importantly for global markets, energy infrastructure was included in these strikes, damaging critical assets involved in the production of oil, natural gas, and related commodities. Even more significantly, Iran effectively blockaded the Strait of Hormuz.

The Strait of Hormuz is a narrow passage—roughly 21 miles at its narrowest point—that connects the Persian Gulf to the Arabian Sea. The northern coast of the strait is controlled by Iran, while the southern coast is shared by Oman and the United Arab Emirates. Mile for mile, this stretch of water is among the most economically significant real estate on earth—not because of what it produces, but because of what flows through it.

According to the Energy Information Administration (EIA), roughly 20% of global liquid petroleum products pass through the Strait of Hormuz. The implications of a closure are far-reaching, affecting not only oil and gas prices but also electricity (via liquefied natural gas), agriculture (through fertilizer), and advanced semiconductor production (through helium). A prolonged disruption to the Strait sits high on most economists' lists of potential shocks that could trigger a global recession.

Unsurprisingly, the disruption to global supply chains has been reflected in market prices. Oil rose more than 50% from the start of the conflict through quarter-end. Over that same period, the S&P 500 fell 5%, and the broadening trends we saw earlier in the year reversed. In short, it is difficult to pivot to a broader economic expansion while energy supply chains are in turmoil.

So, as with most topics in investing, the important question is: What comes next?

Here, it may be helpful to borrow a comparison from a situation we have all experienced. Think about the last time you took an unexpected hit—whether in a sporting event or simply from a fall. In the moment, it can be difficult to distinguish between a bad bruise and

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Total returns

	2026
S&P 500	-4.3%
DOW JONES INDUSTRIAL AVERAGE	-3.2%
NASDAQ	-7.0%
RUSSELL 2000	0.9%
MSCI EAFE (INTERNATIONAL)	-1.2%
BLOOMBERG U.S. AGGREGATE BOND INDEX	0.0%

Our divisions

WEALTH MANAGEMENT

FAMILY OFFICE SERVICES

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ASSET MANAGEMENT

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Market update

a break. Both come with pain, inflammation, and sometimes a temporary loss of function.

The difference lies in what happens next.

Most bruises heal on their own. With time and rest, the body absorbs the damage and returns to its prior state. Breaks, on the other hand, require structural correction. As they heal, new bone replaces what was there before—sometimes stronger, sometimes not—but rarely identical. Either way, a new structure emerges to serve the same purpose.

It is difficult to say today whether this is a bruise or a break—there is certainly enough pain and uncertainty to suggest either is possible. But for those able to take a longer-term view, it likely pays to remain optimistic.

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History offers only limited guidance when it comes to the magnitude and duration of geopolitical shocks. In most cases, equity markets more than recover within 12 months of a conflict's onset. Those that take longer do tend to feature significant disruptions to global energy markets, such as the Suez Crisis or the 1973 Arab-Israeli War. Even in those cases, however, structural adjustments ultimately healed the damage and paved the way for renewed growth.

Recent developments have been more encouraging. The announcement of a two-week ceasefire on April 7 echoes a similar moment almost exactly one year earlier, when the administration's pause on planned tariffs sparked a sharp market rally—one that left many on the sidelines wishing they had stayed focused on the long term.

And so, as we wrap up the full quarter, the market results actually paint a relatively complete and succinct picture of the year so far. Oil prices are up almost 80%, the S&P 500 is down 4.3%, and bonds have provided the relative stability we'd hope for, with the Bloomberg Aggregate Bond index essentially flat. As always, the future remains uncertain—perhaps more so than usual. And yet, for now you will find us standing with the optimists, confident that even the most severe breaks can heal if you can afford to give them enough time.



Chief Investment Officer, Charles Rinehart, CFA, CAIA, leads our dedicated team of research analysts and portfolio managers as they manage our investment strategies to deliver financial peace of mind to our clients.

JIC BLOG: BEYOND THE NUMBERS

The five numbers you need to know for *uncertain times*

If you turn on financial news on any given day, there's no shortage of reasons to be worried: war, tariffs, deficits, political wrangling, and election uncertainty. The headlines arrive faster than the last ones have been processed, and they are universally designed to alarm and capture your attention. The anxiety is understandable.

Predictions of the future about how a situation might play out is nothing but a best guess, which is not reassuring. What's more important? Perspective. Specifically, five numbers that, taken together, tell a more complete and honest story about long-term investing than anything running across screens.

These numbers do not predict what will happen next week or next quarter. No one knows that. What they do is something more valuable: they describe what happened across every environment the modern economy has ever thrown at investors—wars, recessions, pandemics, political upheaval, and financial crises—and what that history means for your portfolio's capacity to support your lifestyle and legacy. So, when the crises de jour generate blaring headlines, there is no need to "adjust the strategy" because we already assumed a headline-driven market pullback in our projections and structured the portfolio accordingly. We intend for your portfolio to handle such scenarios and, inevitably, recover.

To keep it straightforward, we focus on the S&P 500 as the primary investment vehicle to consider, but the same principles apply to a personally tailored and diversified portfolio.



NUMBER ONE: 88.8%

This is the percentage of all rolling 5-year periods since 1926, in which the S&P 500 produced a positive return. (Source: Robert Shiller Online Data)

Consider this: Since 1926 — through the Great Depression, World War II, the stagflation of the 1970s, the dot-com collapse, the 2008

The five numbers you need to know for *uncertain times*

financial crisis, a global pandemic, and everything in between, a patient investor who simply owned a diversified portfolio of American equities, and held on for five years, came out ahead nearly nine times out of ten. The remaining 11.2% of the time? Those periods cluster around the most historically severe market dislocations: the Depression era, the aftermath of the dot-com bubble, and the immediate post-2008 window, which are all extraordinary circumstances. Even in those cases, the portfolios that survived - the ones that didn't panic and sell at the bottom, recovered.

The lesson is not that markets always go up in the short run. They most certainly do not. The lesson is that the longer your time horizon, the more the odds shift decisively in your favor. Five years is not a long time. For most clients, retirement spans thirty years or more. Time and patience are the most powerful forces in the portfolio.

NUMBER TWO: 10X

This is the cumulative increase in the Consumer Price Index, better known as inflation, since 1964. What cost \$1.00 in 1964 costs approximately \$10.00 today (technically \$10.38) (Source: U.S. Bureau of Labor Statistics). This is no doubt the silent scourge to retirees' lifestyle spending over multiple decades.

That is not a rounding error or a statistical artifact. That is the quiet, relentless, compounding reality of inflation across six decades. We raise this number not to alarm but to frame the true risk of retirement. Most people think of risk as losing money in a market decline. That risk is real, but it is almost always temporary and recoverable. The risk of inflation is invisible, gradual, and—if your portfolio is positioned incorrectly—permanent.

A retiree who places all their savings into "safe" cash and short-term bonds because they are frightened of market volatility is not eliminating risk. They are trading one risk for another. The risk they are avoiding is a temporary paper loss. The risk they are accepting is the permanent erosion of their purchasing power over thirty years. Ironically, the riskiest thing a long-term investor can do is refuse to take any "risk" at all.

This is why equities, despite their short-term discomfiting volatility, are not optional for a retirement portfolio that needs to last decades. They are the only asset class with a long-term track record of outpacing inflation with any reliability. Number two leads directly to number three.

NUMBER THREE: 80X

This is the cumulative increase in the S&P 500 since 1964. To end 1964, the S&P 500 closed at 84. The S&P 500 finished 2025 at 6,853 (Source: Robert Shiller Online Data). In the same sixty-year period that inflation increased tenfold, the S&P 500 increased approximately eightyfold. Not ten times. Eighty times. The stock market did not merely keep pace with inflation, it lapped it eight times over.

During those sixty years, investors endured multiple recessions, an oil embargo, double-digit interest rates, the savings and loan crisis, the dot-com collapse, the worst financial crisis since the Depression, a global pandemic that shut down the world economy, and the most rapid interest rate tightening cycle in modern history. The market

fell sharply in each of those episodes. In each of those episodes, patient investors who did not sell were eventually rewarded.

This is not an argument that the next sixty years will look exactly like the last sixty. No one can promise that. It is an argument that the long-term direction of well-run American companies (in aggregate), compounding their earnings and returning capital to shareholders, has historically been up. There is no compelling alternative for a portfolio that needs to fund three decades of retirement spending.

NUMBER FOUR: 30X

This is the cumulative increase in cash dividends paid by S&P 500 companies since 1964. For 1964, the cash dividend of the S&P 500 was \$2.58. In 2025, it was \$78.51 (source: NYU Stern data). This is the number that most surprises people, and it is the one we find most instructive about the nature of equity investing.

Dividends are not a market prediction. They are not sentiment or momentum or the sum of everyone's hopes and fears about next quarter's earnings. Dividends are real cash, generated by real businesses, paid to real shareholders from real profits. They are the most tangible evidence that the companies underlying the stock market are, in the aggregate, genuinely growing more productive and more profitable over time. When dividends rise thirtyfold over sixty years while inflation rises tenfold, we reach an important conclusion: the productive capacity of American business has dramatically outpaced the general rise in prices. That gap between what businesses earn and what things cost is where long-term investment returns come from. It is not magic. It is not a prediction. It is historical record.

For a retiree, this matters in a very practical way. A portfolio of dividend-paying equities held over time does not merely maintain purchasing power; it grows purchasing power. That is the difference between a retirement lifestyle that feels increasingly comfortable and one that feels increasingly constrained.

NUMBER FIVE: YOUR NET NUMBER

The number of years of net spending your portfolio holds in fixed income and cash.

The first four numbers are historical. This one is personal, and it is the most operationally important of them all.

The math is quite simple: how many years of net living expenses—after Social Security, pensions, and any other stable income—does your portfolio hold in high-quality fixed income and cash? If the equity markets declined 30% tomorrow and stayed down for three years, could your portfolio fund your lifestyle without selling a single share of stock?

If the answer is yes, you have something invaluable: time. Time for the market to recover. Time to avoid selling at the bottom. Time to let the 88.8% statistic work in your favor instead of against you.

This is why we build the foundation of client portfolios in high quality fixed income as some multiple of this net number, anywhere from three years to 10 years of net spending. Not because fixed income is exciting—it is not. Not because bonds will outperform equities over

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The five numbers...

the long run—they will not. It is because having between three to 10 years of expenses anchored in stable, predictable, non-volatile assets is what allows a retiree to hold equities through the inevitable storms without making the permanent mistake of selling at the worst possible moment, turning a temporary decline into permanent capital losses.

Fixed income is not the growth engine. It is the shock absorber that keeps the growth engine running.

The greatest threat to a retirement portfolio is not a bear market. Bear markets are temporary. The greatest threat is the knee-jerk behavioral response to a bear market: the panic, the “this time is different” mentality, and the permanent lock-in of temporary losses that almost always follows. A properly structured portfolio, with enough stable assets to fund near-term spending without touching equities, is the most practical defense against that threat.

When the headlines are loud and the screens are red, we do not ask clients to ignore what they see. We ask them to *remember these numbers.*

BOTTOM LINE: FIVE NUMBERS. ONE CONCLUSION.

88.8%. 10x. 80x. 30x. And your Number.

The first four tell you what patient, disciplined investing has historically delivered across every kind of uncertainty the modern world has produced. The fifth tells you whether your portfolio is structured to let you be a patient, disciplined investor when uncertainty arrives, as it always does, and tempts you to be otherwise.

When the headlines are loud and the screens are red, we do not ask clients to ignore what they see. We ask them to remember these numbers. We know investors who came out ahead were almost never the ones who acted decisively in response to short-term fear. It's investors who did not. That is not passive nor naive. That is the most sophisticated investment strategy available to a pre-retiree or retiree who wants to retire with confidence and stay retired with dignity.

These five numbers have been teaching immutable lessons for decades. Our job is to simply apply these lessons with confidence.

Disclaimer: Any expectations presented should not be taken as a guarantee or other assurance as to future results. Our opinions are a reflection of our best judgment 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 Johnson Investment Counsel. Johnson Investment Counsel does not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

Retirements *from the firm*

Johnson Investment Counsel congratulates client support assistant Lesa Bishop on her retirement. Lesa became a part of the Johnson team in 2009 when we acquired Mead Adam.

Dan Gusty, Managing Director of our Central Ohio Market shared, "After almost 40 years of greeting every day with a smile and serving our clients with genuine care, she leaves a legacy that will be deeply missed by our clients and our team alike."

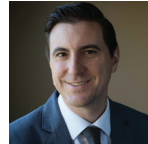


BISHOP

Employee *promotions*

We are pleased to announce that these individuals have been promoted to new positions:

- **JOE CARLO, CFP®**
Portfolio Manager
- **DONALD ENNIS, CFP®**
Associate Portfolio Manager
- **JAKE FARWICK, CFA**
Associate Portfolio Manager
- **EVETTE MADDOX, SHRM-CP®**
Director of Human Resources
- **NATHAN NICHOLS, CFA**
Associate Portfolio Manager
- **LIA REECE, CFP®**
Associate Portfolio Manager
- **KRISTEN RETTIG, CFA**
Portfolio Manager
- **ANITA RIDENER**
Compliance Associate



CARLO



ENNIS



FARWICK



MADDOX



NICHOLS



REECE



RETTIG



RIDENER

New *designations*

We are committed to continuing education to provide personal development for our employees and better service to our clients. We are pleased to announce that Cooper Crawford has earned a new designation. Congratulations to Cooper Crawford, CFP® who has earned the CERTIFIED FINANCIAL PLANNER™ designation.



CRAWFORD

New additions to *the team*

We are pleased to announce that these individuals have joined our team over the last several months:

- **ABIGAIL FONOW | COLUMBUS**
Client Support Assistant
- **ERICA GROMAN, ESQ. | CINCINNATI**
Trust Counsel



FONOW



GROMAN



About *us*

Johnson Investment Counsel is one of the nation's largest independent wealth management firms, managing more than \$22 billion in assets for clients in 50 states. Johnson Investment Counsel is an employee-owned firm, offering a full range of fee-only, integrated wealth management services, including: investment portfolios, education and retirement planning, cash management, estate planning, trust services, charitable giving, mutual funds, 401(k) plans, IRAs, and more. Johnson Investment Counsel has built strong, long-term relationships with individuals, families, charitable organizations, foundations, and corporations through four integrated divisions.

Our *divisions*

WEALTH MANAGEMENT

FAMILY OFFICE SERVICES

TRUST COMPANY

ASSET MANAGEMENT

If you are a client of Johnson Investment Counsel, you should receive account statements on at least a quarterly basis directly from the qualified custodian that holds and maintains your assets. You are urged to carefully review all custodial statements for accuracy. If you are not receiving custodial statements, please contact our Chief Compliance Officer, Scott Bischoff at (513) 661-3100.

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Upcoming *webinars*

Are you a current or former Procter & Gamble employee? This webinar, led by Michael Stanis, CFA, CFP®, MBA, a former P&G employee, is designed to help owners of the P&G Profit Sharing Trust (PST) understand how the proceeds may be distributed and invested, and how taxes are impacted. Johnson Investment Counsel has helped hundreds of P&G employees navigate PST distribution options. We want to share what we know so that you can make the best decisions for your family.



SCAN TO REGISTER

Retiring from P&G?

Explore your PST Distribution Options



Michael Stanis, CFA, CFP®, MBA
Portfolio Manager
P&G Retirement Plans Director

- 17+ years at P&G in Finance & Brand Management
- 13+ years as a portfolio manager at Johnson Investment Counsel



Apr 21, 12-1PM | May 12 | June 18

In the *news*



The expertise of our Johnson team members is often sought after by local and national media sources. Scan the QR code to see recent articles and videos featuring our employees.

Recent highlights include:

- **BRANDON ZUREICK, CFA** in Kiplinger
- **CHARLES RINEHART, CFA, CAIA** in Wall Street Journal
- **TONY KURE, CFP®** in GOBankingRates
- **JOE ABBOTT, CFA** in Cincinnati Business Courier