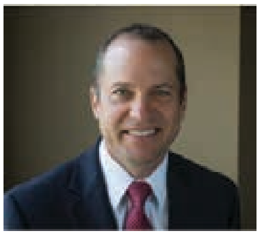
JOHNSON INVESTMENT COUNSEL

QUARTERLY INSIGHT

LETTER FROM THE PRESIDENT

2021: FOURTH QUARTER



We entered last year with the possibility of a return to normalcy, but 2021 was anything but normal. Our job is to navigate all of this on your behalf and provide a long-term plan to meet your goals and objectives, while instilling financial peace of mind. Our people are committed to delivering on this mission throughout your life's journey and we work diligently each and every day to serve you and your family.

As we enter a new year, Johnson Investment Counsel is doing well and thriving. We continue to hire additional talent to add depth and expertise to our staff. Our focus remains developing talent from within, and we promoted many of our people to increased positions of responsibility and leadership during the year. This focus on developing from within provides cultural consistency, seamless succession and a strong next generation of leadership for the future. Our full team of portfolio managers, research analysts, attorneys, trust officers, planners, and support personnel are here for you and your family. Each team member is an integral part of providing comprehensive wealth management and delivering on your goals and objectives. Our people truly make the difference and that is one reason Barron's once again named our firm one of "America's Best RIA Firms".

We continue to invest in our capabilities in other ways as well. In the first half of the year we will roll out a new client portal that works across all web browsers and mobile devices. The number of people we serve continues to grow, as you have been gracious and refer your family and friends. We now manage more than $18 billion on behalf of our clients. Growth is coming from every corner of the firm – every division and every location. We've witnessed meaningful growth in our Wealth Management, Family Office, Trust Company, and Asset Management divisions. We've seen growth across the country and now have clients in 49 states. And we continue to see the difference our people and our clients are making in the communities in which we operate. Through the service of our people, corporate philanthropy and the generosity of our clients, Johnson is having an impact in the communities we serve.

As we enter the new year, I'm certain 2022 will bring its own round of unique challenges and concerns. We will navigate these together and know that high-quality, diversified investments, as part of a comprehensive wealth management plan, will stand the test of time and anything this new year brings.

Thank you for your confidence and loyalty. We consider it a privilege to serve our clients, and it is a responsibility we do not take lightly. We wish you a healthy, joyous, and prosperous 2022.

Jason O. Jackman, CFA, President

FEATURING

TOTAL RETURNS

	4Q 2021	2021
S&P 500	11.0%	28.7%
Dow Jones Industrial Average	7.9%	21.0%
NASDAQ	8.5%	22.2%
Russell 2000	2.1%	14.8%
MSCI EAFE (International)	2.7%	11.9%
Barclays Aggregate Bond Index	0.0%	-1.5%

› WEALTH MANAGEMENT

› FAMILY OFFICE SERVICES

› TRUST COMPANY

› ASSET MANAGEMENT

MARKET UPDATE

Q4 SURGE CAPS ANOTHER GREAT YEAR FOR STOCKS

The 29% gain for the S&P 500 Index in 2021 proves yet again how unpredictable stock markets are in the short-term. The rebound that began in March 2020 continued unabated through 2021, despite multiple headwinds. The index has more than doubled since the lows last spring. Once again international stocks lagged U.S. stocks, but still made headway. As interest rates generally rose with fits and starts, bond indices fell slightly. Commodity prices increased dramatically, especially energy-related ones like crude oil and natural gas.

Stock market gains occurred despite high levels of fear and uncertainty, amid a global pandemic, government lockdowns, recession, severe disruptions in the labor market and supply chain, a contentious election, rising inflation, and historic amounts of government spending (not to mention lots of political wrangling along the way).

Amazingly, the gains came with little volatility for the overall index. Normally such a list of catalysts would lead to at least one 10% correction, but only once did the market even fall as much as 5% from the peak. Each time the market began to drop, optimism prevailed and more money flowed in. However, the gains for the overall index hide the fact that there was a wide disparity throughout the year between the best and worst performers, so in this case a rising tide did not lift all boats. Energy, real estate, financials, and technology outperformed the index while telecom, utilities, health care, and consumer staples lagged.

There are several reasons the market did so well amid the turmoil. High corporate earnings growth was a major contributor. Earnings growth was extraordinarily high this year, admittedly off a low base. Some of the market's largest contributors experienced revenue and profit gains despite the economic upheaval, and in some cases because of it. For example, tech and consumer companies, as well as those tied to residential real estate, have benefited from the changes brought about over the last year and a half. The market also benefited from increased appetite from investors willing to pay a higher multiple for those earnings.

On a broader level, monetary stimulus from the Fed and other central banks has supported risk taking. While the Fed has indicated its plans to reduce stimulus, it is clear it intends to make the process slow and tolerable to the market. Low interest rates have decreased the appeal of conservative investments and allowed businesses and consumers to borrow more easily. At the same time, government stimulus (extended unemployment compensation, advance child tax credits, student loan forbearance, eviction moratoriums, etc.) has kept consumers flush with cash.

In addition, there are numerous encouraging signs in the labor market and economy at large. There are plenty of remaining dislocations that resulted from the pandemic, but economic data provide evidence that people are returning to normal activity as the novelty of the virus and its mutations fades. While the Omicron variant was a headline late in the year, increasing adoption and confidence in vaccination efficacy overwhelmed those concerns.

INFLATION UPDATE

The hot topic of the year other than the pandemic was inflation. Inflation and interest rates are infamous in terms of their lack of predictability. Indeed, inflation itself is a number that very few agree how to measure. There are numerous inflation statistics, none of which are perfect. However, most consumers didn't have to look far to realize it was upon us. For many this was evident at the grocery store and especially in the used car market. But prices of all kinds of items were notably higher throughout the year. The housing market was no exception, and higher energy prices also hit consumer pockets. On the bright side, Social Security recipients will receive a significant cost of living adjustment to their benefit in 2022.

Initially it was clear the shutdowns were generating shortages and price increases. What's more difficult to determine is which of these will stick even after the unwinding of the shortages is complete. In some cases, supply chains and market dynamics could cause these shortages and higher prices to persist for many years to come. The housing market is one such case. Building houses takes time, and there are far more buyers lined up to build or buy homes than there are existing or new houses to be had.

The U.S. Bureau of Labor Statistics (BLS), which compiles one of the primary indexes of inflation called the Consumer Price Index (CPI), saw prices increase by 6.8% in the 12-month period ended November 2021. This is the highest rate since the early 1980s.

HAWKISH SHIFT AT THE FED

The rise of inflation and its continued presence has cast doubt upon the initial label of "transitory." This term was used repeatedly by the Fed to characterize what it believed to be the short-term nature of higher prices. As the year wore on and inflation showed no signs of slowing, the Fed began to change its tune somewhat. It began to signal to the market that the wide-open spigot would begin to slowly shut off.

First, it announced plans to taper bond purchases. These purchases provide liquidity to the financial system while helping reduce interest rates. Then, it took the next step to begin to taper those bond purchases. Finally it decided to double the pace of tapering, and went even further by signaling potential rate hikes in the coming year. Expectations have increased for "liftoff" to come as early as the first quarter of 2022.

Despite the Fed's cautious tone, it remains likely the most acute price pressure is coming from a narrow list of industries, especially in consumer goods and durable goods. These industries experienced significant pull-forward in demand during COVID. These tend to be industries that rely on global supply chains, which were also highly disrupted which only added to the strain. Ultimately, demand for those items should normalize or even fall below pre-pandemic trends, while supply chains also clear up and return to normal. Increasing global vaccination rates, especially in export-dependent emerging market countries, should aid in this normalization.

LEGISLATION OUTLOOK

In the wake of the 2020 elections the Democratic majority laid out ambitious plans, including tax hikes and other initiatives that are typically bearish for stocks. This agenda was only partially implemented in 2021, mostly because of the 50-50 spilt in the Senate. The Infrastructure Bill was passed and signed into law late in the year, but the so called "Reconciliation" bill, larger and more controversial, was held up by the Senate. The Democrats were unable to convince any Republicans or moderate Democrat Joe Manchin that the bill was good enough.

This legislation will be picked up again in 2022, and it remains to be seen what the final details will be. However, some of the initial provisions had been removed from the bill given the stiff opposition from the likes of Senator Manchin.

LOOKING AHEAD

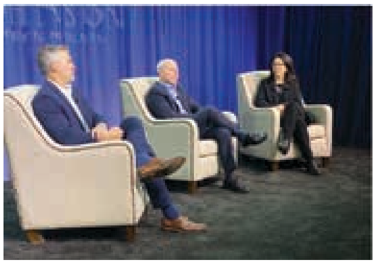
Once again, we enter a new year on the heels of a fantastic run, with the Dow Jones Industrial Average and S&P 500 at or above record highs. It's tempting at these times to assume the market is due for a pullback soon. This is a reasonable assumption that is often wrong, and thus should be held lightly. A few reminders are in order.

First, valuation is not a good market-timing tool. The market can continue to rise despite the current level of various valuation metrics. It's better to view such measures as an indicator of return potential in the coming 3-5 years as opposed to a buy or sell signal. Higher valuations signal lower returns are likely, but there could be significant periods of strength within those coming years. The market can often generate meaningful gains in the later stages of bull markets.

Second, it's important to remember the stock market rises more than it falls. It has a long track record of experiencing positive returns more often than negative (roughly 3 out of every 4 years). Long-term investors have been much better off as optimists than pessimists. This is also true of the economy. It has proved to be a bad bet for a long time to underestimate innovation, free enterprise, and the desire of consumers to spend around the world.

Finally, diversified investors with a long-term focus have little to fear. Investing in quality stocks and bonds, with proper asset allocation customized to each situation allows them to sleep at night knowing their cash flow is not in jeopardy. Even when the inevitable corrections and bear markets occur, there is no cause for panic for such investors, who can continue to live as before and even take advantage of those selloffs to buy stocks on sale.

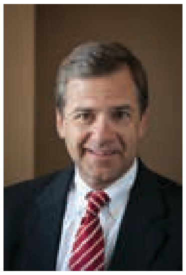
2022 VIRTUAL WEALTH MANAGEMENT FORUM



Join us for our annual Wealth Management Forum on Thursday, February 3, presented via Zoom. President Jason Jackman will deliver a brief firm update and our panels of speakers will share econmic and market updates and discuss wealth and estate planning topics in light of recent legislative developments. "Virtual doors" open at 3:45, presentation begins at 4 pm.

SCAN THE QR CODE TO REGISTER NOW or visit JOHNSONINV.COM!

2021 RETIREMENT



Coates

Johnson Investment Counsel is honored to wish Dale Coates a happy retirement. Dale served clients at Johnson for nearly 33 years. He joined the Johnson team on February 13, 1989 and was an important part of developing key investment disciplines. Dale concluded his time at Johnson serving as a Portfolio Manager and the Vice President of Johnson Asset Management.

Founder Tim Johnson said, "Dale has been a wonderful employee focused solely on what is best for the client and company and never about himself."

Dale looks forward to spending time with his wife and grandkids, serving in the community, and traveling.

NEW DESIGNATION

White

Johnson Investment Counsel is committed to continuing education to provide personal development for our employees and better service to our clients. Congratulations to Portfolio Manager Assistant Joe White CFA, CFP®, on earning his Certified Financial Planner designation.

NEW ADDITION TO THE TEAM

> **Alethea Teh Busken, Esq.**
> Trust Counsel

Busken

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.

JOHNSON INVESTMENT COUNSEL

ABOUT US

Johnson Investment Counsel, Inc. is one of the nation's largest independent wealth management firms, managing more than $18 billion in assets for clients in 49 states. Johnson Investment Counsel is an employee-owned firm, offering a full range of fee-based, 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.

- WEALTH MANAGEMENT
- FAMILY OFFICE SERVICES
- TRUST COMPANY
- ASSET MANAGEMENT

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