JOHNSON
INVESTMENT COUNSEL

QUARTERLY INSIGHT

2024
FOURTH
QUARTER

LETTER FROM THE CEO

2025 will be our 60th year of serving clients. What an honor it is to walk alongside individuals and families, providing peace of mind amid the complexities of life and the markets. We have been privileged to offer counsel to thousands through the significant stages of life with all its changes and milestones. It is a humbling responsibility to be there with you during these critical moments.

In 2024 we surpassed the $20 billion milestone in assets under management. Our growth has positioned us as one of the nation's largest independent wealth management firms, but we view it as an opportunity to help more people. Growth has never been the goal for us, but rather an inevitable outcome of serving our clients well. As we grow, we are determined to leverage our scale to provide additional depth and breadth of expertise, while ensuring the personalized service of your advisory team remains unparalleled.

In conjunction with Johnson Trust Company, our Family Office Services division has driven much of this growth. We have been able to assist clients with a variety of complex scenarios, such as selling businesses, multi-generational wealth transfer, estate tax mitigation and more. We have built a truly outstanding team, and we are well positioned to offer these sophisticated solutions to higher net worth clients in the future.

Our academic heritage has always been supported by credentialed professionals who value continuing education. Last year several of our employees joined this already-deep roster by earning their designations in the areas of investments and financial planning. Others have obtained specialized designations to serve clients in a variety of circumstances including divorce, special needs planning, and philanthropic planning. Our highly-credentialed investment managers and research analysts continue to be sought after within the industry to share their expertise. We have been featured in local, regional, and national publications this year such as The Wall Street Journal, CNBC, Forbes, and US News & World Report.

We continue to receive regional and national recognition for our service model. These external accolades are affirming, but it was the tremendously positive response we received directly from you in this year's client survey that meant the most. Thank you for taking the time to complete the survey and provide your input.

Thank you for the privilege and honor of serving you. Our team remains dedicated and determined to provide you with comprehensive wealth management solutions that deliver financial peace of mind in the year ahead and beyond.

Jason Jackman, CFA
Chief Executive Officer

FEATURING

TOTAL RETURNS

	4Q 2024	2024
S&P 500	2.4%	25.0%
Dow Jones Industrial Average	0.9%	15.0%
NASDAQ	6.3%	29.6%
Russell 2000	0.3%	11.5%
MSCI EAFE (International)	-8.1%	3.8%
Bloomberg U.S. Aggregate Bond Index	-3.1%	1.3%

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

MARKET UPDATE

FROM THE DESK OF CIO

CHARLES RINEHART, CFA, CAIA

"IT'S TOUGH TO MAKE PREDICTIONS, ESPECIALLY ABOUT THE FUTURE." — YOGI BERRA

It's forecast season on Wall Street, which means our inboxes are full of reports confidently projecting market returns for 2025, even as they explain what they got wrong last year. One of the biggest surprises has been what an amazing market we experienced in 2024. With a total return of 25%, the S&P 500 provided back-to-back years of returns greater than 20% - something that has not happened since 1997-1998. As in 2023, the best returns were concentrated in a handful of large tech and AI companies, boosting the index's return well above that of the average stock in the index. Nevertheless, the average company in the index was up 13% for the year — a very solid showing.

Another surprise was the increase in long- and intermediate-term bond yields, despite Federal Reserve rate cuts. After holding the federal funds rate at cycle highs for 14 months, the Fed cut rates by 0.50% in September, citing emerging weakness in the job market. They cut another 0.25% in November and December, but December's cut included a reversal in their view on the labor market, pivoting back to inflation as their central concern. Despite the cuts, the ten-year treasury rate rose 0.69% for the year, resulting in a modest 1.25% total return for the Bloomberg U.S. Aggregate Bond Index. With the 10-year treasury yield ending 2024 near 4.6%, bond investors can now look forward to more meaningful yields on their investments than at virtually any time in the last 20 years.

Elections bring their own prognosticators, many of whom were surprised by November's results. Despite having clarity on who will occupy the Oval Office, predictions about policy changes remain uncertain as the political "sausage making" machine whirs into high gear.

This year, as we strive to make our own forecasts, a healthy sense of humility seems wise. Rather than offering an artificially precise year-end price target for the S&P 500, I'd like to share some of the biggest questions we have for 2025. History is full of coin flips that could have landed differently — here's our list of the "jump balls" for 2025:

HOW WILL THE D.C. POLICY LANDSCAPE CHANGE THE STATUS QUO?

Following the Republican sweep in November, a host of new and returning politicians will be striving to keep their campaign promises this year. Notably, the headlines will be dominated by tariffs, taxes, immigration, and deregulation. Each policy lever carries risks and benefits that must be carefully balanced.

- **Tariffs** can raise revenue and create a more level competitive playing field, but they also risk higher prices and reduced end-consumer demand.
- **Tax cut extensions** may boost consumer and business spending, but they risk extending or expanding the deficit.
- **Immigration reform** can reduce strain on housing and public services, but could also reintroduce labor market tightness, pressuring wages and inflation.
- **Deregulation** can clear the way for innovation, lower costs, and spur merger and acquisition activity, but it could also lead to dysfunction down the road if not structured carefully.

Balancing these scales is difficult in the best of times, and it will be particularly challenging when the federal government is running a 6%+ deficit at a time of full employment. Efforts to stimulate the economy through fiscal policy will have to navigate the risks of increasing the deficit and amplifying inflation concerns.

THE FED'S DUAL MANDATE: STABLE PRICES AND (OR?) FULL EMPLOYMENT

Over the last year, there has been an unusually high degree of uncertainty in the bond market regarding the Fed's next move. While most people would have to be generously compensated to watch a Federal Reserve press conference, investors across asset classes have been hanging on every word from the Fed Chair. Federal Reserve policy impacts the entire investment landscape, from mortgage rates to stock valuations.

> The central question remains: If inflation stays stubbornly high, can the Fed successfully combat it while simultaneously supporting full employment?

Since early 2022, the Federal Reserve's primary focus has been fighting inflation — meaning restrictive policy. That policy showed signs of weakening the labor market this summer, prompting the Fed to start easing rates in September. Unemployment data have since stabilized, as has above-target inflation, leading the Fed back toward a more cautious stance. The central question remains: If inflation stays stubbornly high, can the Fed successfully combat it while simultaneously supporting full employment?

STUCK IN THE MUD OR OFF TO THE RACES? THE RESOLUTION OF ECONOMIC PURGATORY

For the better part of two years, the best historical indicators for an economic slowdown have been flashing warning signs. Nevertheless, the overall economy has held firm, with rolling pockets of strength and weakness largely neutralizing each other over time. Consumer strength has carried the day so far, thanks in part to excess savings accumulated during COVID. However, a gap is widening between wealthier consumers, who benefit from higher asset prices, and those dealing with slowing wage growth and persistently higher prices.

At the same time, the market has benefitted from strong mega-cap tech earnings, even as smaller companies have faced falling earnings projections for the last two years. Easier monetary policy could bring more favorable conditions, and a broader market rebound — if employers and consumers can maintain spending long enough to bridge the gap.

AI: CAN REALITY DELIVER ON THE MARKET'S UTOPIAN EXPECTATIONS?

Since ChatGPT burst onto the scene in December 2022, big tech has been in an arms race to build the infrastructure to support innovation that some are comparing to the dawn of the internet. Investors have eagerly extrapolated current growth rates well into the future, sending stock prices soaring. Because of these companies' size, their outsized weight in market cap weighted indices like the S&P 500 has driven a disproportionate impact on overall market performance.

Yet, despite early signs of adoption and promise, profits have a long way to go to catch up to the build out costs. How long will Wall Street credit big tech for these investments before demanding commensurate profits? While the excitement is justified, history shows that unbounded optimism can lead to both great opportunities and great risks. Dario Amodei, co-founder of Anthropic, an Artificial Intelligence company founded in 2021 with a $60 billion valuation recently wrote: if all goes well, in the next 5-10 years, AI could lead to "the defeat of most diseases, the growth in biological and cognitive freedom, the lifting of billions of people out of poverty to share in the new technologies, a renaissance of liberal democracy and human rights." May it be so – but it's hard to imagine a higher hurdle to clear.

WHAT TO DO?

It's impossible for any of us to have all the answers to the questions above. President-elect Trump himself does not know exactly how the federal policy landscape will take shape this year. Fed Chairman Powell does not know where the federal funds rate will end up in December. OpenAI Founder Sam Altman does not know the ultimate boundaries of AI. Recognizing these limits, we remain appropriately humble in our own ability to predict.

Therefore, I offer just one modest prediction in this year's "outlook": **2025 will be full of surprises.** This is not an abdication of our responsibility to form a view on these questions. Every day we gather data, conduct analysis, and stress test our perspectives. For now, however, we think the best answers to these questions are ranges of potential outcomes vs. definitive point estimates.

Given that, we will do what we do best: customize portfolios to meet our clients' needs, temper optimism with discipline, and pay close attention as events unfold. We are continually analyzing these issues and stand ready to adjust as speculation subsides and action comes into focus. Thank you for partnering with us on this journey. We look forward to facing the challenges and opportunities of 2025 together — whatever they may be.

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.

WEALTH MANAGEMENT FORUM

Our annual Wealth Management Forum will be available to view on Wednesday, February 5th at 4:00 pm EST. You do not need to register ahead of time to view the forum. Once recorded, the presentation will be immediately available online for you to watch at your convenience. We will send an email once the recording is available and you will also be able to access the recording on our website, JOHNSONINV.COM.

In this year's Wealth Management Forum, CEO Jason Jackman will provide firm highlights from 2024, and CIO Charles Rinehart and Managing Director Brandon Zureick will share insights on the market and economy.

SCAN TO LEARN MORE!

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!

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.

2024 RETIREMENTS


Figgins

Johnson Investment Counsel congratulates Marc Figgins on his retirement. Marc became a part of the Johnson team in 2001. In his role as Director of Fund Services, he was invaluable, lending his one-of-a-kind mutual funds industry knowledge that helped shape Johnson Mutual Funds.

Scott Bischoff, Chief Compliance Officer shared: "The depth and breadth of Marc's mutual fund knowledge is unsurpassed. He played a vital role in supporting the funds as they grew in number and assets under management over his twenty three years at the firm. He could lead, support and explore in a way that always kept the funds moving forward. We will miss his expertise and seeing him daily but wish him well as he moves into the next season of life."


Tallman

Johnson Investment Counsel congratulates Senior Portfolio Manager Sharon G. Tallman, CFP® on her retirement. Sharon joined the Johnson team in 2007. Throughout her career Sharon was deeply dedicated to serving her clients and their families with excellence.

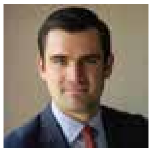
Jarett Levitsky, Senior Managing Director of Wealth Management Services shared: "I've had the privilege of working with Sharon for the past 17 years and seeing her consistently deliver peace of mind to her clients through their life's journey. She's been an example of wise counsel, exemplary service, and what it looks like to love and care for clients. Congratulations to Sharon for a wonderful career and many blessings in her exciting next chapter of life."


Vincent

Johnson Investment Counsel congratulates Melissa Vincent on her retirement. Melissa became a part of the Johnson team in 2011. In her role as Technical Support Project Assistant, she was outstanding, lending her expertise and dedication to various Johnson departments.

Rick Bryant, IT Infrastructure and Services Manager shared: "In 2016, we were given the opportunity to transition Melissa to the IT team. Little did we know how much of a blessing this would be. Her strong work ethic, willingness to adapt, ability to learn, and genuine love for her job – really glued the department together. Over the past years, she has been instrumental to the success of several major projects. While we will miss her immensely, we wish Melissa fulfillment in her retirement with her husband Jerry."

NEW DESIGNATION


Peterson

Johnson Investment Counsel is committed to continuing education to provide personal development for our employees and better service to our clients. Congratulations to Portfolio Analyst Landon J. Peterson, CFA, on earning his Chartered Financial Analyst® designation.

JOHNSON
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ABOUT US

Johnson Investment Counsel is one of the nation's largest independent wealth management firms, managing more than $20 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.

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

LOCATIONS

CINCINNATI - KENWOOD
CINCINNATI - WEST
CLEVELAND - AKRON
COLUMBUS
DAYTON
METRO DETROIT

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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