APRIL MARKET UPDATE

SPRINGING BACK:
APRIL BRINGS PORTFOLIO FLOWERS



As of
April 30th, 2026

Springing Back: April Brings Portfolio Flowers

April delivered a sharp rebound across risk assets as markets moved past March's volatility and reassessed the outlook for growth, inflation, and Federal Reserve policy. Broad U.S. equity indices posted strong gains during the month, with the S&P 500 up 10.49%, the Russell 1000 up 10.10%, the Dow Jones Industrial Average up 7.24%, and the Nasdaq higher by 15.32%.

Fixed income markets also generated positive total returns. The U.S. Aggregate Bond Index gained 0.11% during the month, while U.S. municipal bonds returned 1.15%, reflecting solid demand for high-quality income and favorable relative value in tax-free sectors.

Investor sentiment remained steady but watchful. April has historically delivered positive returns for equities, but this year's move was unusually strong, especially following the broad first-quarter reset. The rebound suggests investors remain willing to look through near-term uncertainty when earnings, liquidity, and rate expectations provide support.

The Big Picture

Policy Expectations Shift Toward Higher-for-Longer

Market participants moved toward a more restrained view of Federal Reserve easing. By month end, market pricing implied that the policy rate could be modestly higher over the next twelve months, reaching roughly 3.69% by June 2027. That view remained above the Federal Reserve's own reported expectation for the same period.

This shift reflects the tension between strong equity performance, persistent inflation pressure, and an unemployment rate that has risen from one year ago. Investors continue to expect the Fed to remain data dependent, with policy decisions shaped by inflation, labor conditions, and the durability of economic growth.

What the Economic Data is Telling Us

Inflation Reaccelerated in April

April inflation data moved in the wrong direction, with CPI ending the month at 3.26% year over year. That level remains above the Federal Reserve's target and helps explain why markets began to price a less accommodative policy path. PCE readings also remained above target, reinforcing the idea that inflation progress has become uneven rather than linear. ***(See Chart Book)***

Employment Remains Resilient, with Signs of Cooling Beneath the Surface

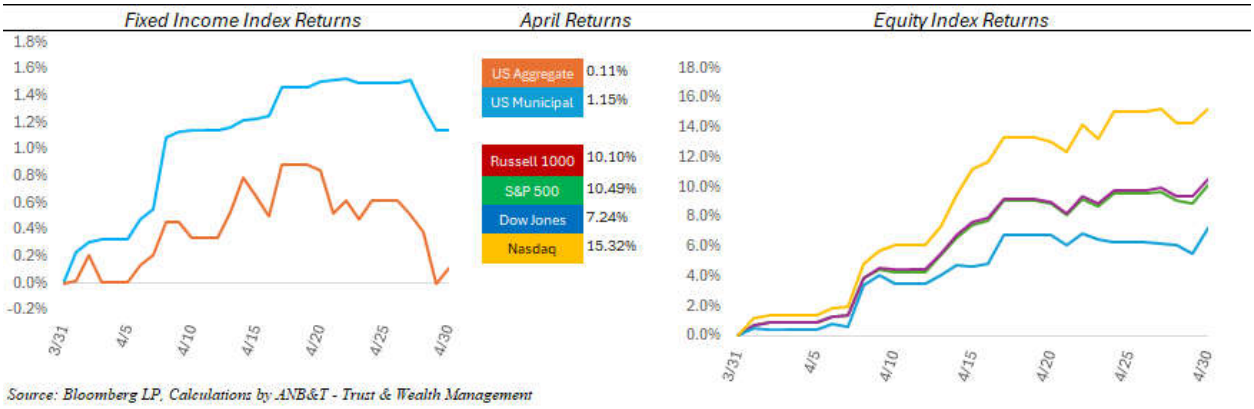
Nonfarm payrolls continued to trend in a moderating pattern through April, while the unemployment rate stood at 4.30%, up from 4.20% one year ago. This combination reinforces the complexity of the Federal Reserve's dual mandate. Payroll stability points to ongoing economic resilience, while higher unemployment suggests that some softness may be building beneath the surface. **(*See Chart Book*)**

That balance helps explain the market's cautious tone beneath the headline rally. Strong employment data can reduce the urgency for rate cuts, but a gradual rise in unemployment keeps investors alert to the possibility that growth could slow more meaningfully later in the year.

Investors Expect a Limited Easing Cycle

Following the April data, market pricing pointed to limited policy easing and the possibility that rates could remain higher than previously expected. The market's view remains dependent on whether inflation resumes its downward trend and whether labor-market softness becomes more pronounced. ***(See Chart Book)***

Market Performance in April



Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

What Drove Markets in March

Stock market indexes were influenced by:

- A sharp rebound in risk appetite after the March pullback reset valuations and sentiment.
- Broad equity strength, led by technology-oriented and growth-sensitive areas of the market.
- A constructive earnings backdrop, with April reporting broadly exceeding analyst expectations.
- Investor willingness to re-engage with AI, infrastructure, utilities, and real estate themes despite persistent inflation uncertainty.

April earnings data provided a constructive fundamental signal. Of the 492 companies reporting within the Russell 1000 during the month, 68% posted positive sales surprises and 79% exceeded earnings expectations. Overall sales and earnings surprises came in at 1.84% and 20.02%, respectively, suggesting that corporate fundamentals remained more resilient than consensus estimates.

Bond market indexes were influenced by:

- A modest move higher in Treasury yields, with the 10-year Treasury rising roughly 5 basis points to 4.37%.
- A flatter Treasury curve as the 2-year yield rose more than longer maturities.
- A flatter municipal curve, with longer-term municipal yields falling more sharply than short-term yields.

- Continued opportunities to capture attractive yields relative to recent history.

Although Treasury yields moved modestly higher, fixed income returns were positive overall, and municipal bonds were a clear relative bright spot. The combination of attractive tax-equivalent yields and ongoing demand for high-quality income continues to support the municipal opportunity set for appropriate investors.

What We Are Watching and How We Are Positioning

Key Themes Guiding Market Behavior:

- Inflation and PCE trends relative to Federal Reserve targets.
- Labor market strength alongside a gradually elevated unemployment rate.
- Whether markets continue to price higher policy rates than the Fed dot plot.
- Earnings durability as equity returns become more dependent on fundamentals.
- Relative value opportunities created by bond yields, equity volatility, and sector dispersion.
- The relationship between AI investment, power demand, infrastructure buildout, and profitability.

How We Continue to Allocate Across Portfolios

Our investment process continues to blend dynamic long-only equity with active fixed income strategies. Within equities, the Legacy portfolio balances growth and value on a discretionary basis, while the Dividend portfolio emphasizes lower volatility and higher current income. We also maintain factor-aware exposure through Momentum and Quality strategies, which seek to pair disciplined diversification with favorable market characteristics.

For investment themes with more international exposure, Benjamin Builder solutions complement the other equity strategies and offer an efficient method to invest broadly across geography, style, and sector using an institutional, active process. Across portfolios, we remain focused on quality businesses, dependable cash flow, and durable competitive advantages rather than chasing narrow pockets of short-term momentum.

In fixed income, we continue to emphasize government and investment-grade credit for stability and dependable income, while also evaluating municipal bonds where tax-equivalent yields remain compelling for appropriate investors.

We Continue to Emphasize:

- **Quality U.S. equities** as the core of long-term appreciation, with a focus on AI infrastructure and power companies.
- **Government and investment-grade credit** for stability and dependable income.
- **Strategic global allocations** to diversify macro and policy risk.
- **Liquid alternatives**, including selective exposure to assets such as gold, to enhance portfolio responsiveness.
- **Digital asset research** as institutional adoption continues to develop within the broader global macro environment.

How We Are Positioning Across the AI Stack:
Rather than concentrating exposure in a narrow group of high-valuation companies, we seek diversified participation across multiple layers of the AI ecosystem.

We think about the AI opportunity in three primary layers:

Infrastructure and Compute

- This includes semiconductor designers, equipment manufacturers, data center operators, and networking providers that enable the computational backbone of AI systems. These businesses benefit from sustained capital investment cycles tied to AI buildout.

Platforms and Cloud Providers

- Large cloud and hyperscale providers are integrating AI tools directly into enterprise workflows. These companies are positioned to monetize AI through subscription pricing, productivity enhancements, and enterprise adoption.

Applications and Productivity Beneficiaries

- Beyond the infrastructure buildout, we see opportunities in companies leveraging AI to improve margins, automate processes, enhance customer targeting, and increase operational efficiency across industries.

In addition, we maintain selective exposure to power and energy infrastructure companies, as the electrical demand required to support AI data centers continues to grow. Reliable energy generation and grid modernization are becoming increasingly important components of the AI expansion cycle.

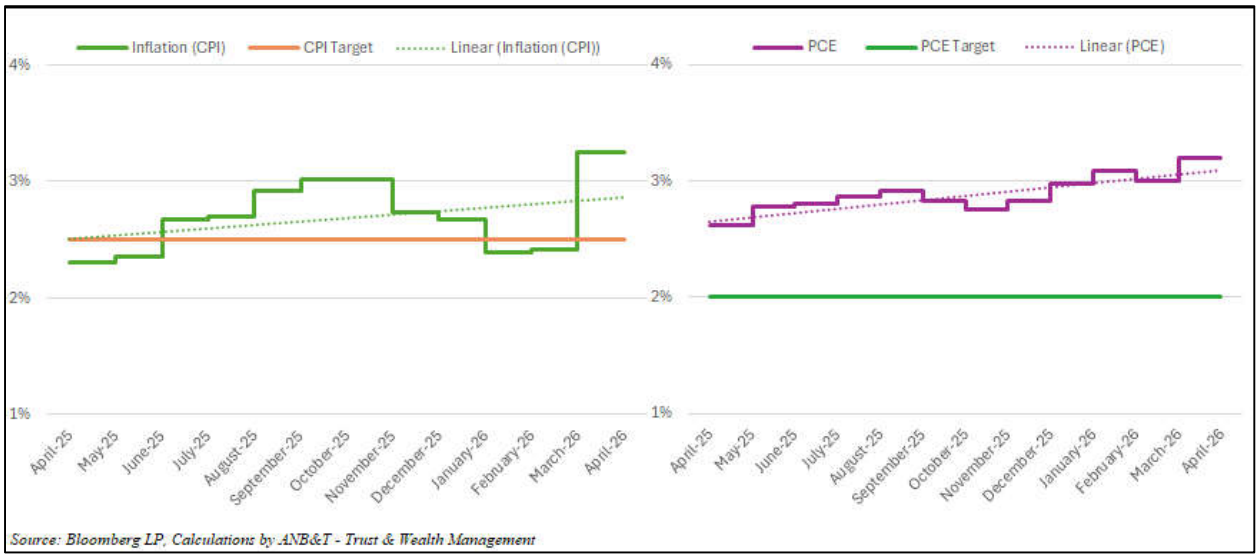
Final Thoughts

April reversed much of the caution that defined March. Equity markets rallied sharply, municipal bonds delivered solid positive returns, and corporate earnings generally exceeded expectations. At the same time, inflation reaccelerated, unemployment remained above year-ago levels, and markets began pricing a higher policy-rate path than the Federal Reserve's prior projections.

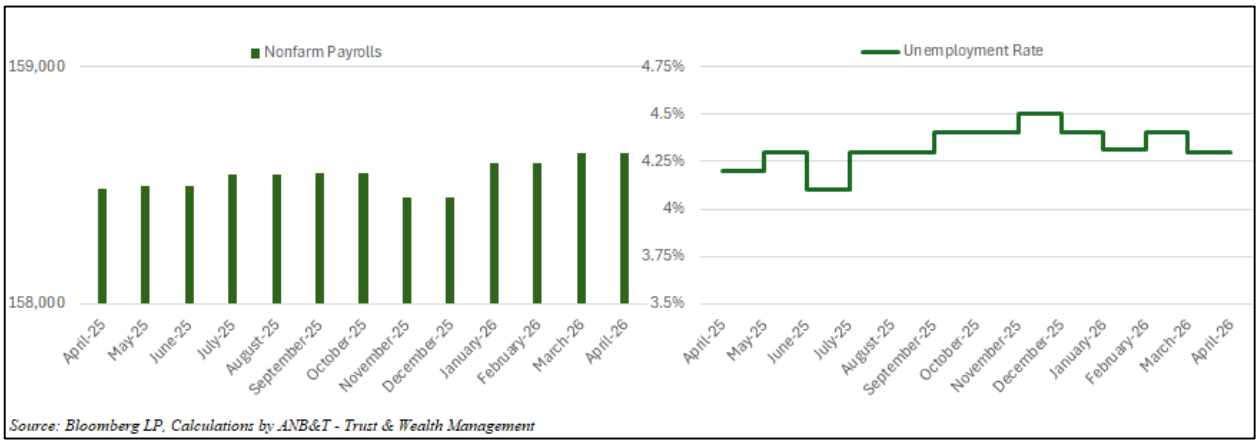
That combination argues for balance rather than complacency. Our approach continues to pair growth opportunities with defensive positioning, so portfolios remain aligned with long-term objectives while staying responsive to changing market conditions.

Thank you for your continued trust in American National Bank & Trust for your financial needs.

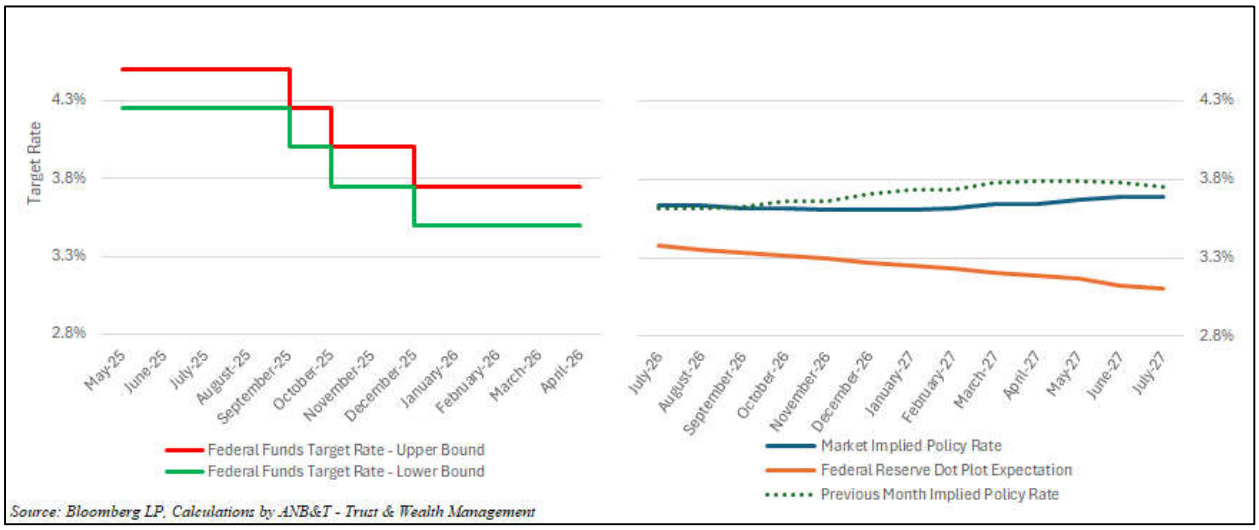
Chart Book



Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management



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