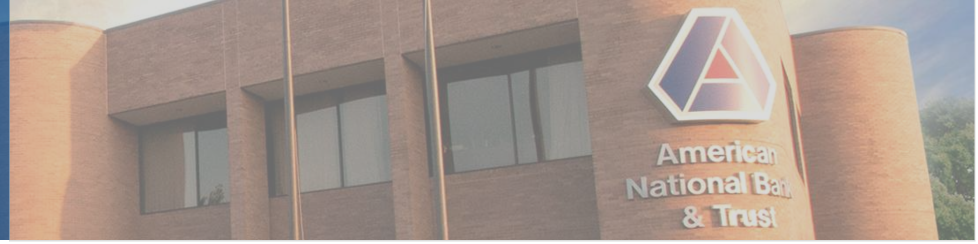
July Market Update

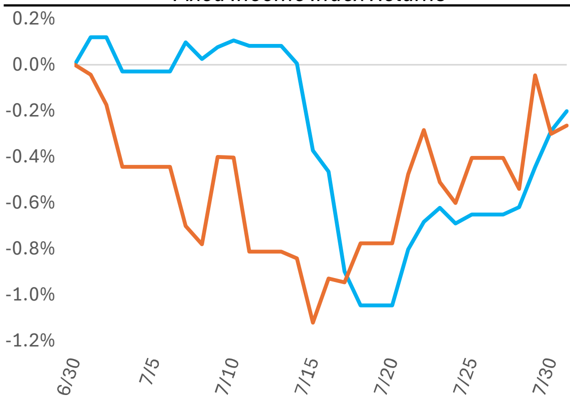
As of 7/31/2025 | amnat.com



Macro & Market View: Mid-Year Assessments

We remain focused and assess how policy decisions affect the outlook for economic growth for the rest of the year. Steady sentiment and a watchful stance reflected interest rate and growth uncertainty. Over the past month, equity markets have risen for the broad US stock indices, while stock and bond market correlations have been 9% and -63% for the aggregate corporate and municipal bond markets, respectively. Historically, July has generated a positive equity market return as measured by the S&P 500 index of 1.43% on average; however, the market outperformed with a return of 2.24% for the month. Equity returns this year are positive at 8.58% for the S&P 500 index, while the US Aggregate bond index returned 3.75%.

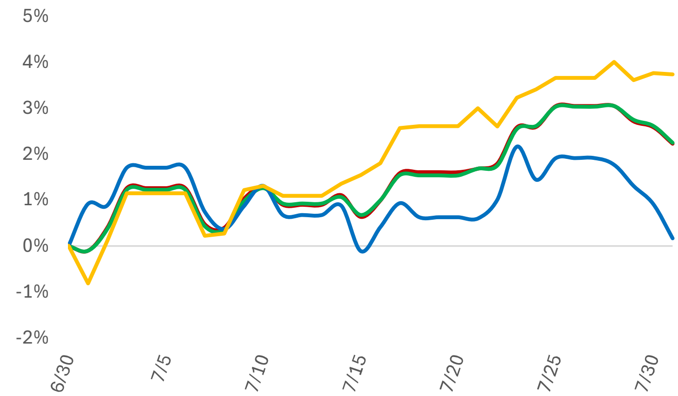
Fixed Income Index Returns



July Returns

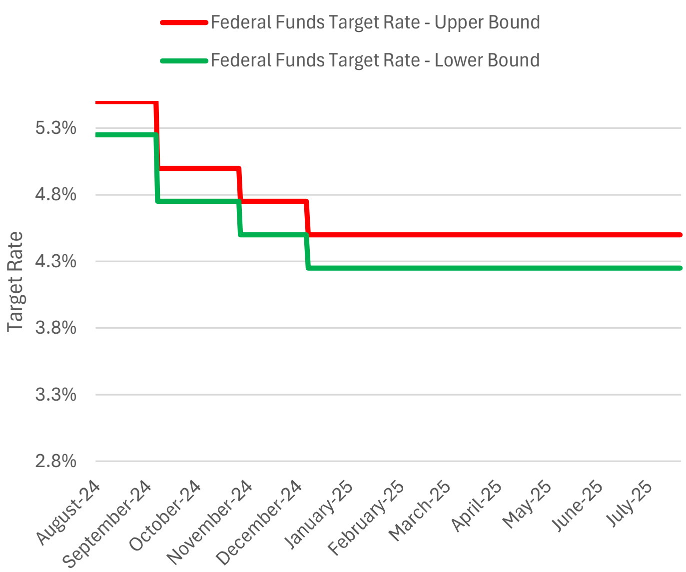
US Aggregate	-0.26%
US Municipal	-0.20%
Russell 1000	2.22%
S&P 500	2.24%
Dow Jones	0.16%
Nasdaq	3.73%

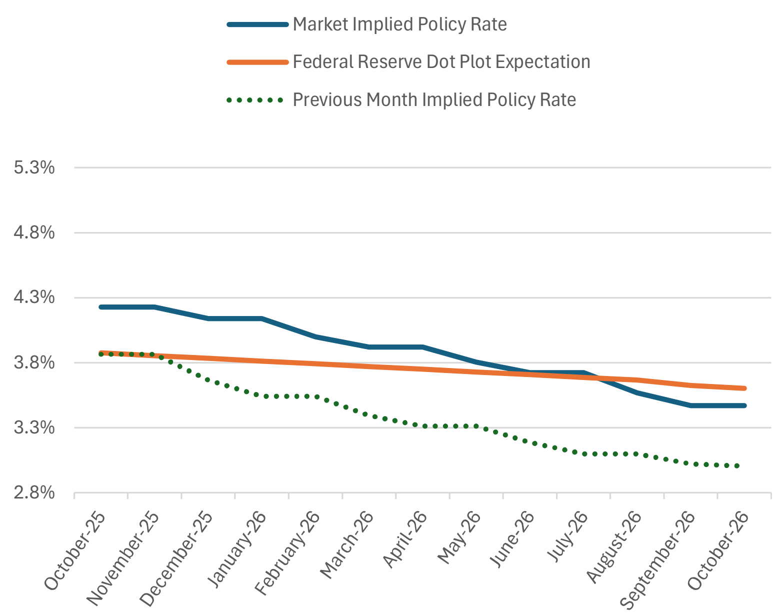
Equity Index Returns



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

Market participants are forecasting the Fed policy rate to be lowered over the next twelve months, although that is far from a certainty. An important note is that market participants expect rates to be lower than the Fed's reported expectation for the next twelve months. The next Federal Reserve meeting to discuss monetary policy is scheduled for September 17th. The overall expectation is for the policy rate to be lowered by 76 basis points (actual estimate of -0.8%) to 3.47% by September 2026. The change in market participants' view of what the Federal Reserve should do can be understood in the context of the inflation data measured by Consumer Price Index ('CPI'), the Personal Consumption Expenditures ('PCE'), and expected unemployment.





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

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2732 Midwestern Pkwy	1500 W 7th	190 T C Jester Blvd., Suite 410	120 S. Carroll Blvd	205 W. Louisiana St, Suite 103	5310 Forest Ln
Wichita Falls, TX 76308	Fort Worth, TX 76102	Houston, TX 77007	Denton, TX 76201	McKinney, TX 75069	Dallas, TX 75224
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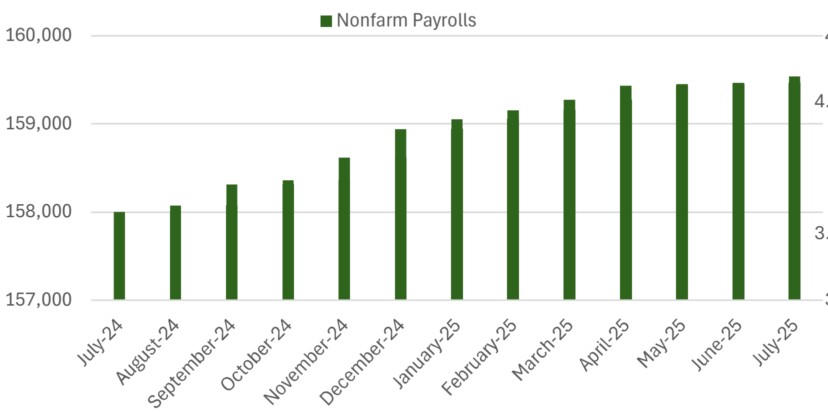
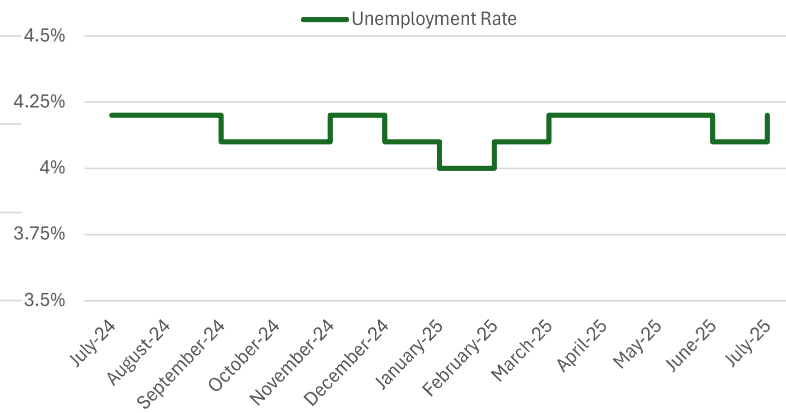
Nonfarm payrolls continue to trend upward, which influences, in part, whether the Federal Reserve will continue lowering interest rates. In isolation, an upward trend in payrolls tends to influence the Federal Reserve to raise interest rates to manage growth. The chart below on the right shows the unemployment rate sitting at 4.20%, which is unchanged from 4.20% one year ago. The data informs the perspective that growth has been strong with market expectations and sentiment indicating some macroeconomic weakness. This situation highlights the Federal Reserve's complex 'dual mandate' of achieving maximum employment and price stability. The continued upward trend in nonfarm payrolls points towards robust employment. However, if this strength is perceived as potentially inflationary, or if the rise in unemployment (despite payroll gains) signals a turning point that could lead to a sharper slowdown later, the Fed faces a delicate balancing act.





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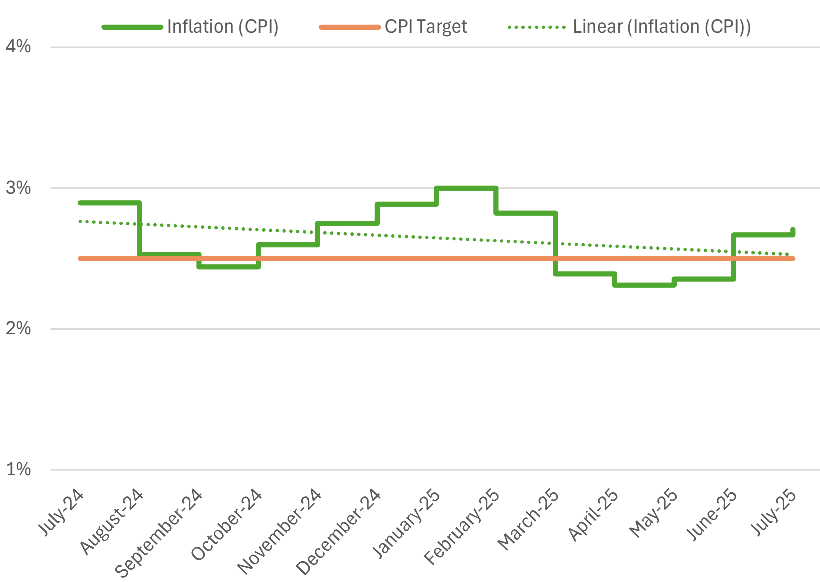
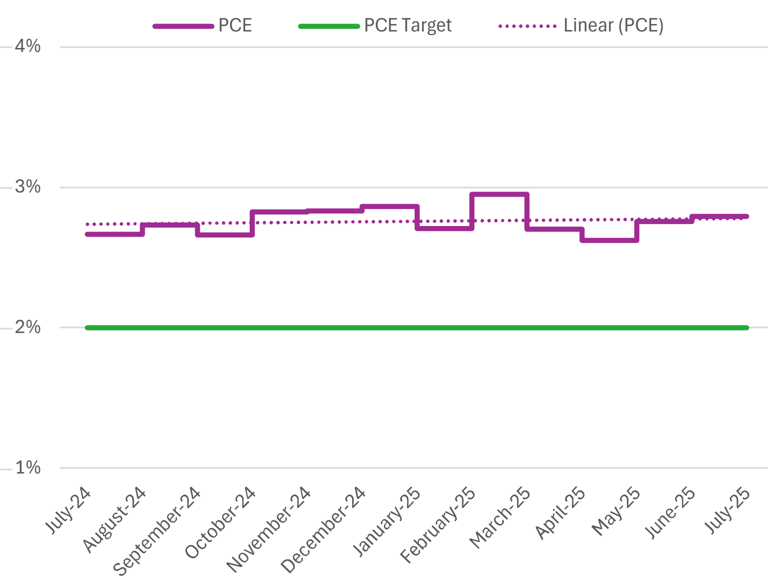
As shown in the US CPI year-over-year chart on the left below, July saw the past year's downward trending inflation continue and, since May, an upward trend above the target ending at 2.70%. As the data shows, the downward inflation improvements toward the Fed target of 2.5% gives market participants hope that interest rates will continue to be lower. We also include the year-over-year change in the PCE and note the increases in March before receding to the May lows. The Federal Reserve closely monitors inflation measured by the CPI and the PCE as part of their dual mandate of maximum employment and price stability. The progress on inflation has been welcomed as it reflects moderation in price increases, but comparing PCE to the target suggests that the current downtrend in inflation may stay above the Fed's target level as economic data adjustments are released.





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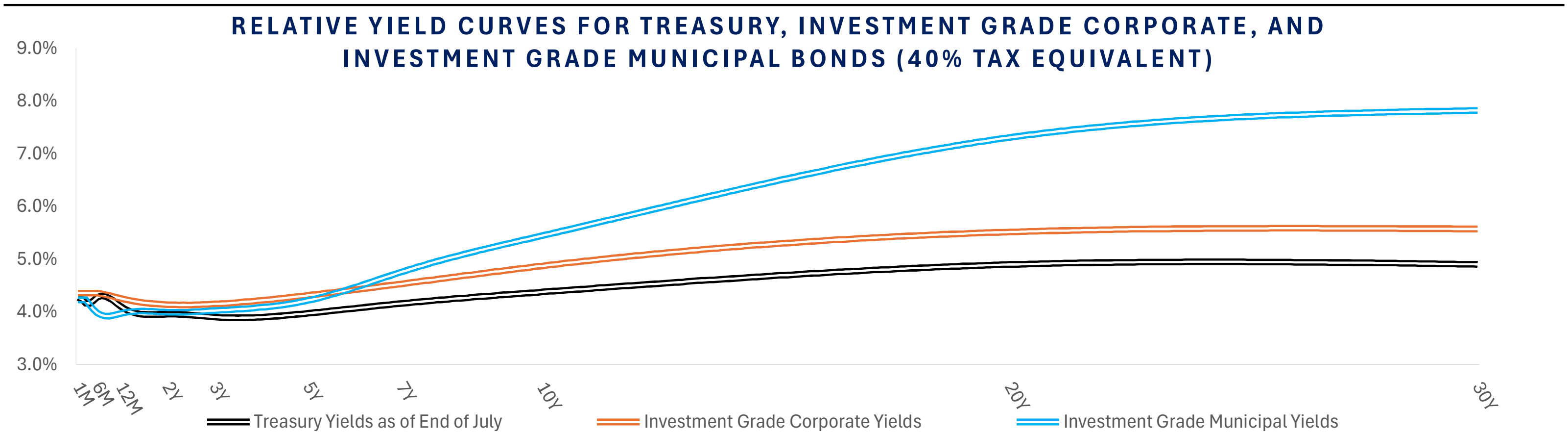
July's reported sales and earnings were broadly a positive surprise, with the Materials and Consumer Staples sectors being in-line. Of the 542 companies that reported in the Russell 1000 index for July, 373 had positive sales surprise and 435 had positive earnings surprise; we consider this positive surprise to be a tailwind for equity valuations for the next quarter. For the month, the overall sales and earnings surprise is positive at 2.63% and 10.46%, respectively, with companies being more resilient than consensus analyst estimates.

Our investment process blends active fixed income with dynamic long-only equity strategies. Our Legacy portfolio blends long-term growth and value on a discretionary basis, while our Dividend portfolio seeks lower volatility and higher current income. We also have Momentum and Quality strategies that are data-driven, factor tilt portfolios. The Momentum portfolio benefits from positive momentum while remaining well-diversified. The Quality portfolio blends low volatility with momentum to produce a portfolio of high quality equity income and positive momentum. For investment themes with more international exposure, our 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.

Fixed income markets delivered mixed total returns in July, with taxable markets posting slightly negative returns and tax-free markets posting slight positive returns. Interest rates in the U.S. Treasury market rose across the curve, contributing to a decline in market value. Conversely, interest rates in the tax-free market moved lower on the front end of the curve, contributing to an increase in market value. In the taxable market, the 10-year U.S. Treasury yield rose by 14 basis points over the month, ending at 4.37%. The Federal Open Market Committee (FOMC) met on July 30 and held short-term interest rates steady, maintaining the effective federal funds rate at 4.33%. The Treasury yield curve shifted upward in a flattening move, with the 2-year rising 24 basis points and the 20-year increasing by only 12 basis points. In the municipal market, the tax-free yield curve steepened. Short-term yields declined by 10 basis points, while longer-term yields increased by 10 to 20 basis points. Volatility subsided in the Treasury market, with the 10-year yield trading in a range between 4.23% and 4.37%. Municipal market volatility was more pronounced, with the spread between the 2-year and 20-year tenors widening by 42 basis points. Periods of heightened volatility often present opportunities, and we remain focused on capturing higher yields to enhance return potential going forward. While the inverted Treasury curve has historically signaled recession risk, resilient consumer spending continues to support economic growth. Traditional indicators remain valuable, but their relevance must be reassessed in the context of today's evolving economic landscape.



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Overall, July saw continued resilience in large-cap equities, mixed results for smaller stocks, and persistent caution in the bond markets, all set against the backdrop of elevated rates and a "wait and see" approach from policymakers.Our long-term approach allowed us to take advantage of reasonable valuations as market sentiment changed. We expect market volatility to continue this year for equity markets and use the opportunity to add strong companies at reasonable valuations. The Federal Reserve held its target rate steady at 5.25%–5.50% for a fifth consecutive meeting in July, reiterating its commitment to returning inflation to its 2% target. Inflation itself ticked higher, with a 2.7% annualized rate and a notable 1.3% month-over-month increase. Meanwhile, the economy created 73,000 new jobs in July—a solid performance, though below forecasts—which, alongside a still-low unemployment rate, supports the Fed's patient approach. We evaluate the investment landscape based on the shape of that policy and adjust our expectations as markets and their expectations change. As the perception is that interest rates will continue to decline in the second half of this year, corporate and municipal bonds can provide a real rate of total return that includes current income and price appreciation. Technology innovation continues to strengthen and transform business processes. We expect productivity enhancements to be long-term due to enterprise education and adoption of tailored AI services. These factors lead us to blend value and growth investments across equities and seek relative value fixed income that complement your financial goals and risk appetite. Thank you for continuing to trust us to manage your financial assets.

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