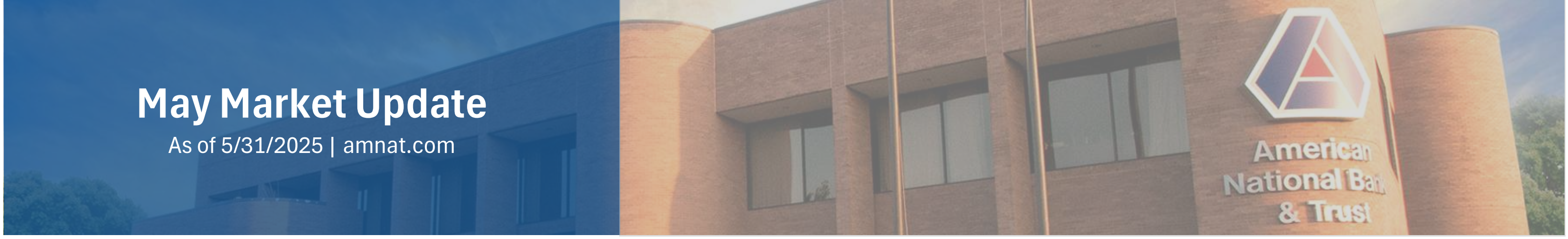


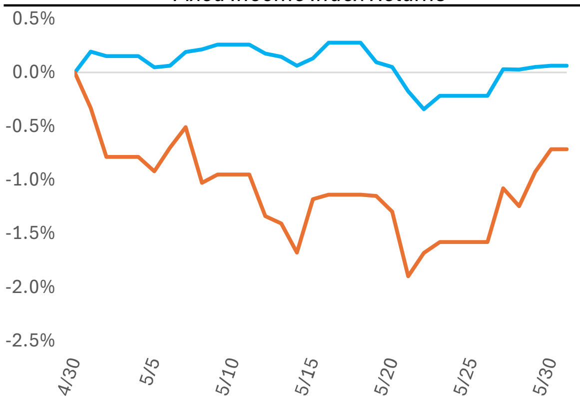
May Market Update

As of 5/31/2025 | amnat.com

Macro & Market View: "Sell In May..."

With "Sell In May..." being a historical tag for May, our focus remains on how policy decisions affect the outlook for economic growth. Interest rate policy uncertainty, domestic and international growth, the U.S. consumer, inflation, investor sentiment and presidential policy changes have all contributed in one way or another to recent mixed returns in broad fixed income benchmarks as well as in broad equity benchmarks, shown below. Over the past month, equity markets have risen for the broad US stock indices, while stock and bond market correlations have been -64% and -15% for the aggregate corporate and municipal bond markets, respectively. Historically, May has generated a positive equity market return as measured by the S&P 500 index of 1.12% on average; however, the market outperformed with a return of 6.29% for the month. Equity returns this year are positive at 1.06% for the S&P 500 index, while the US Aggregate bond index returned 2.45%.

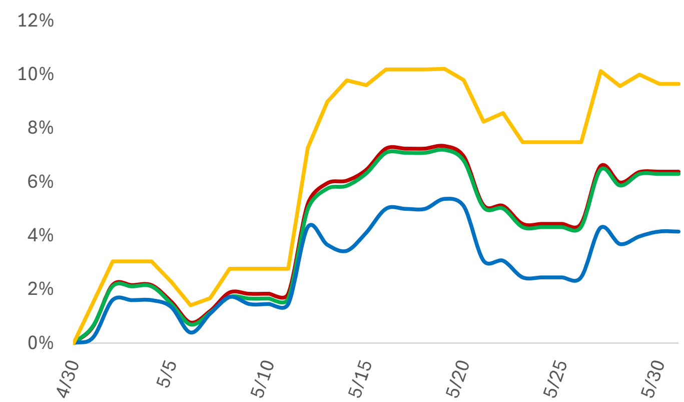
Fixed Income Index Returns



May Returns

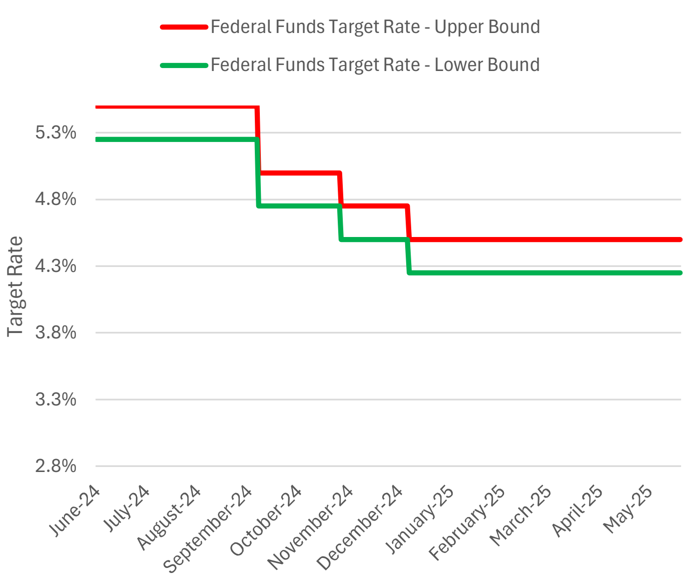
US Aggregate	-0.72%
US Municipal	0.06%
Russell 1000	6.38%
S&P 500	6.29%
Dow Jones	4.16%
Nasdaq	9.65%

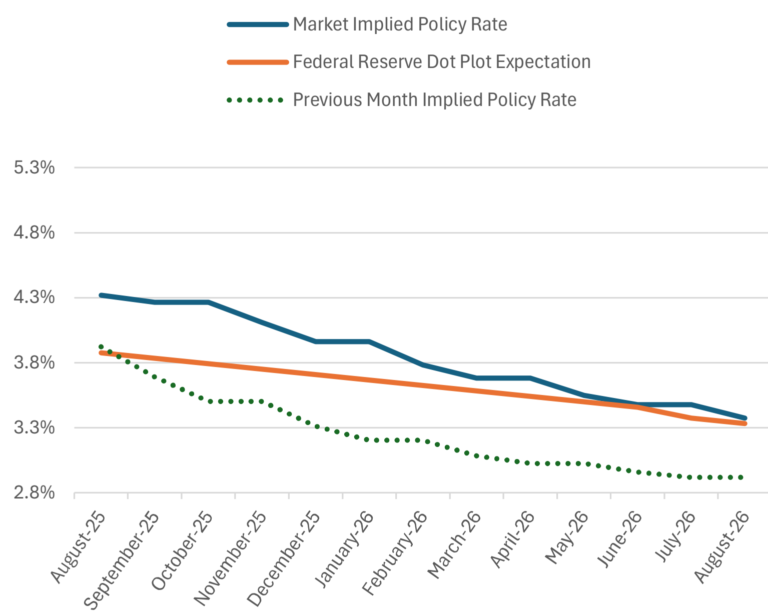
Equity Index Returns



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

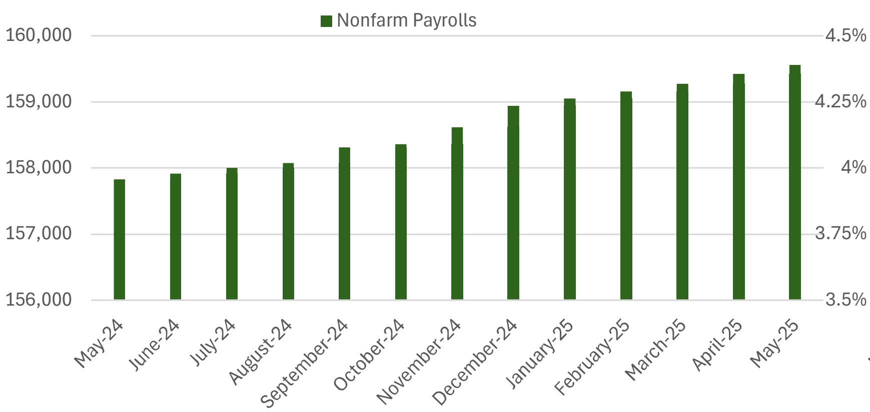
Market participants are forecasting the Fed policy rate to be lowered over the next twelve months, although that is far from a certainty. An important note is that market participants anticipate rates to be higher than the Fed's reported expectation for this year. The next Federal Reserve meeting to discuss monetary policy is scheduled for June 18th. The overall expectation is for the policy rate to be lowered by 95 basis points (actual estimate of -0.9%) to 3.37% by July 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.

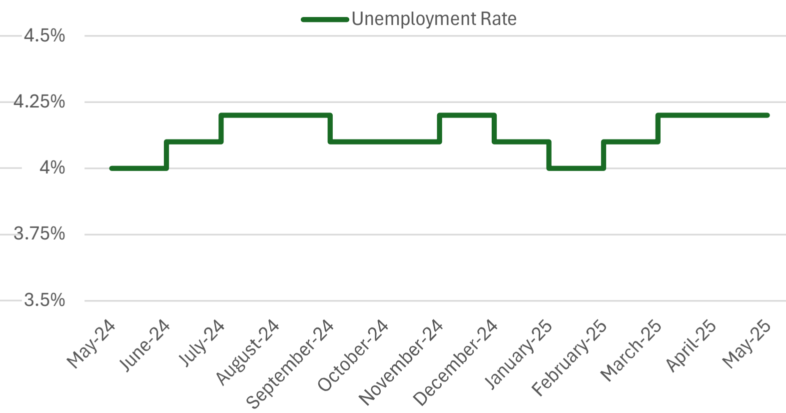




Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

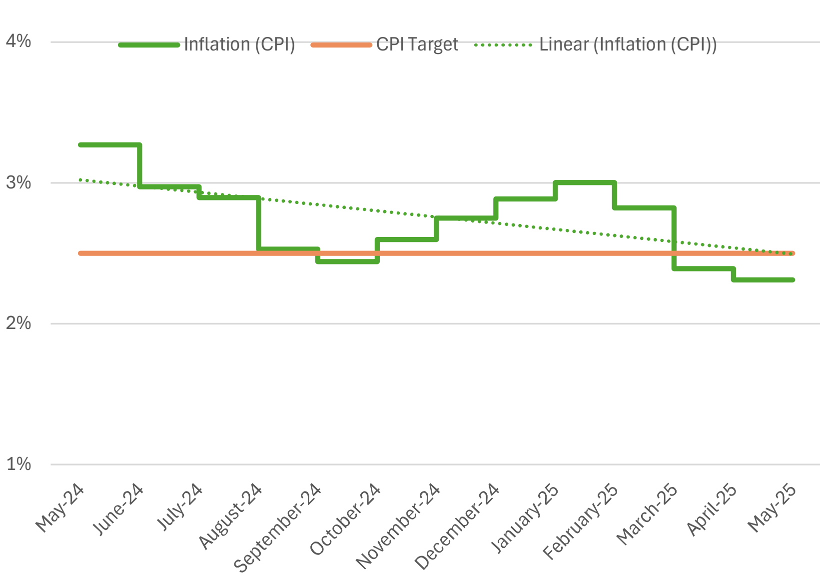
Nonfarm payrolls continue to trend upward, which influences, in part, whether the Federal Reserve will continue lowering interest rates. In isolation, an upward trend in payrolls tends to influence the Federal Reserve to raise interest rates to manage growth. The chart below on the right shows the unemployment rate sitting at 4.2%, an increase from 4% 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.

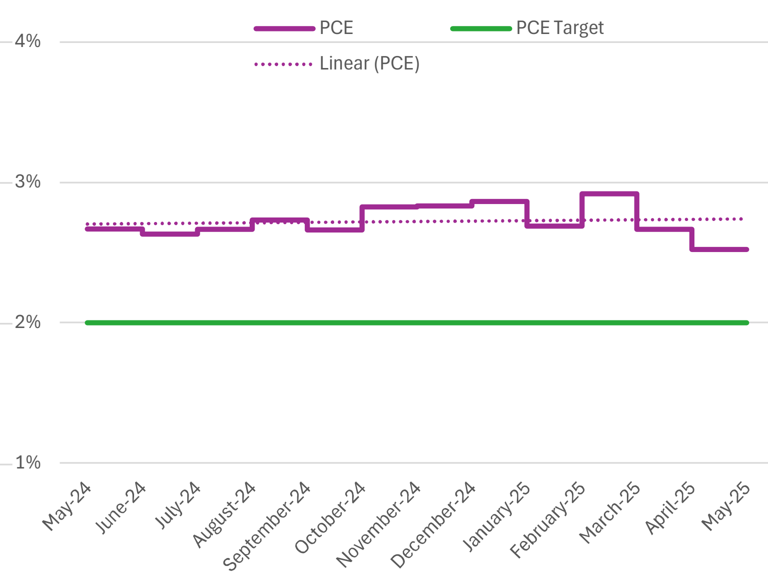




Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

As shown in the US CPI year-over-year chart on the left below, May saw the past year's downward trending inflation continue and, since March, in a downward trend below the target ending at 2.31%. 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 2025 before before receding to the May 2025 lows. The Federal Reserve closely monitors inflation measured by the PCE and the CPI 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.



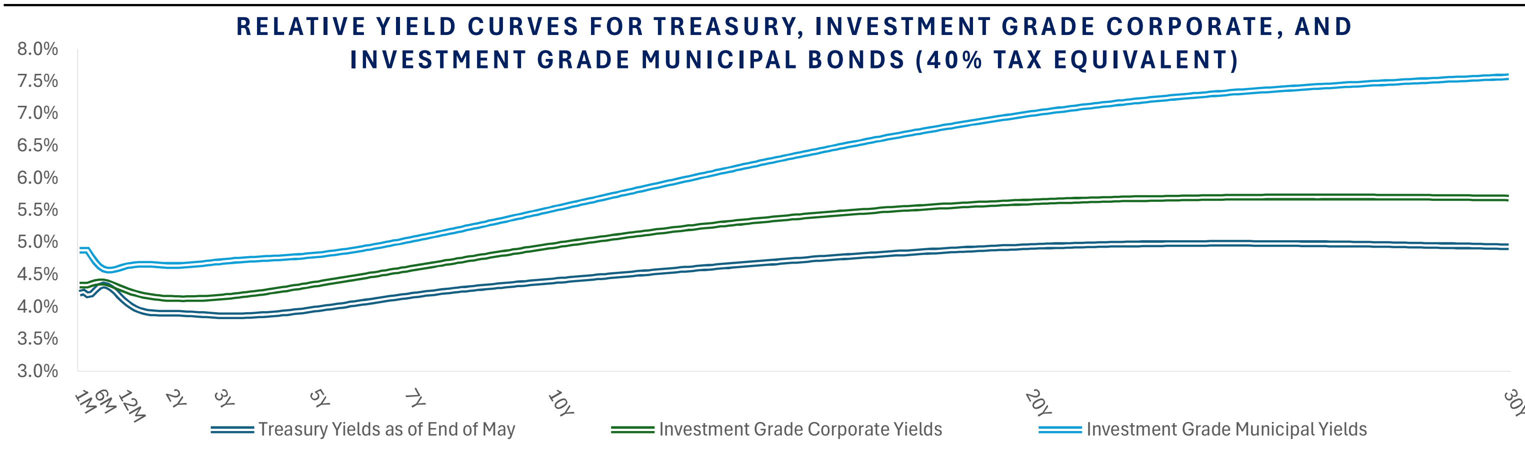


Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

May's reported sales and earnings were broadly a positive surprise, with the Financials and Consumer Staples sectors being the only negatives. Of the 504 companies that reported in the Russell 1000 index for May, 293 had positive sales surprise and 374 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 0.74% and 2.40%, 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.

Total returns in the fixed income markets were mixed for May. Interest rates in the taxable market moved higher, while those in the tax-free market moved lower. The 10-year US Treasury yield increased by 23 basis points month-over-month, ending at 4.40%. The Federal Open Market Committee (FOMC) last met on May 7th and left short-term interest rates unchanged, with the effective rate at 4.33%. Month-over-month, the US Treasury curve flattened as the 2-year US Treasury yield increased by 29 basis points, and the 20-year US Treasury yield increased by 24 basis points. The tax-free municipal curve steepened, with short-term rates lowering by 15 to 17 basis points and longer-term rates only rising by about 7 basis points. Volatility remained elevated during May, with the 10-year US Treasury yield trading in a range from 4.17% to 4.59% during the month. In tax-free municipals, volatility was lower with the 10-year AAA base yield trading in the range from 3.30% to 3.38%. When volatility increases, so does opportunity, and we look to take advantage of higher yields to unlock the potential for higher returns moving forward. Historically, the treasury yield curve signaled the economy was near a recession, but broad consumption has continued to bolster the economy. Historical indicators are useful for understanding past events but need validation in this economic cycle.



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

The equity market, measured by the S&P 500 Index has experienced robust returns in recent years, driven by technology innovation. In May, technology innovation broadened as trade restrictions seemed to abate. 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. For fixed income markets, we expect the data-informed Federal Reserve to adjust their outlook on the economy as new data is available. The U.S. economy faced a contraction in GDP at an annual rate of 0.3% in the first quarter with the revisions coming in at 0.2%. While the U.S. economy is projected to grow at a healthy pace, concerns linger about the potential impact of the new administration's policies on trade and employment. 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. While technology innovation continues to strengthen for businesses, 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.

Wichita Falls
2732 Midwestern Pkwy
Wichita Falls, TX 76308
(940) 397-2420

Fort Worth
1500 W 7th
Fort Worth, TX 76102
(817) 505-1534

Flower Mound
1201 Cross Timbers Rd
Flower Mound, TX 75028
(469) 322-6202

Houston
190 T C Jester Blvd., Suite 410
Houston, TX 77007
(713) 913-0972

Denton
120 S. Carroll Blvd
Denton, TX 76201
(469) 322-6202

McKinney
205 W. Louisiana St, Suite 103
McKinney, TX 75069
(214) 307-1664

Dallas
10000 N. Central Expressway, Suite 800
Dallas, TX 75231
(214) 534-1766