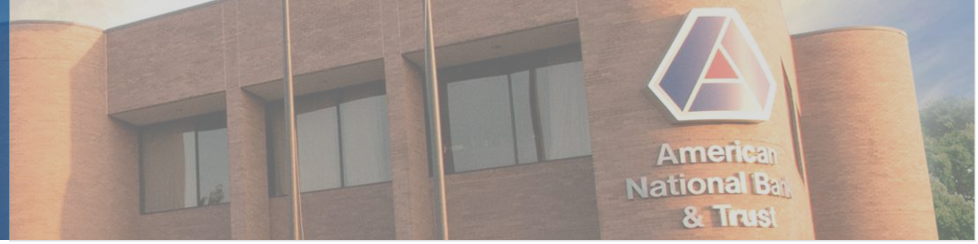


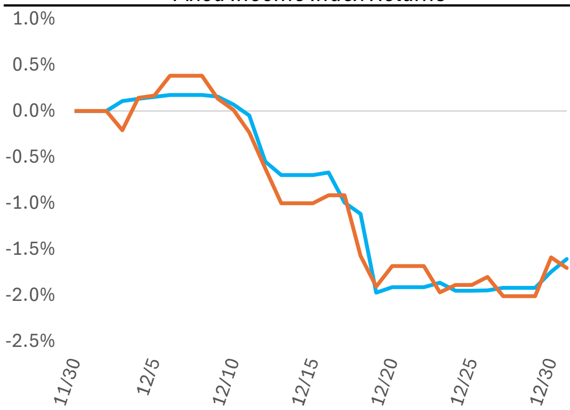
December Market Update

As of 12/31/24 | amnat.com

Macro & Market View: Santa Claus Rally?

Interest rate policy uncertainty, domestic and international growth, the U.S. consumer, and inflation have contributed to recent negative returns in broad fixed income benchmarks as well as negative returns in broad equity benchmarks shown below. For the month, equity markets have declined for the broad US stock indices, while stock and bond market correlations have been 77% and 75% for the aggregate corporate and municipal bond markets, respectively. Historically, December has generated a positive equity market return as measured by the S&P 500 of 1.47% on average; however, the market had a below average return of -2.64% for the month. Equity returns so far this year are positive at 25.71% for the S&P 500 index, while the US Aggregate bond index returned 1.77%.

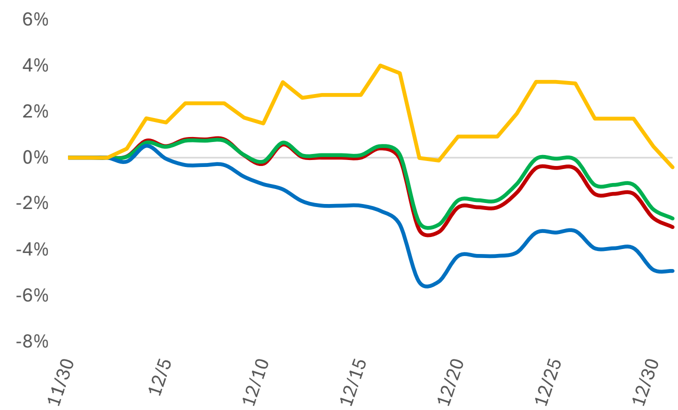
Fixed Income Index Returns



December Returns

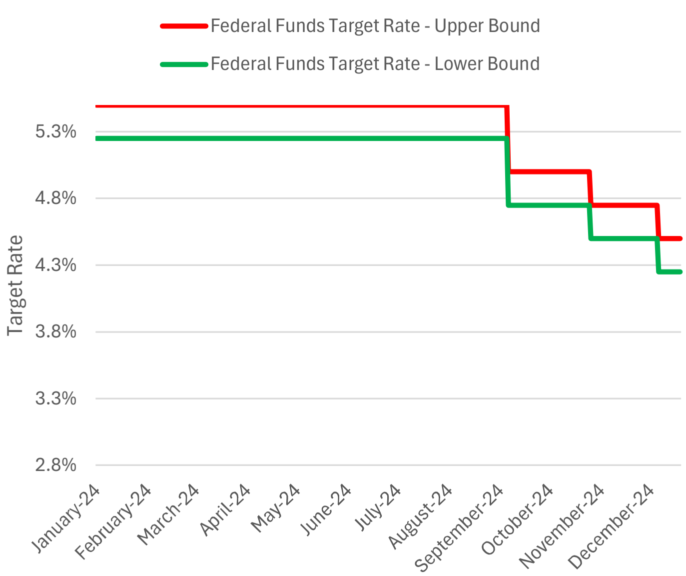
US Aggregate	-1.70%
US Municipal	-1.61%
Russell 1000	-3.01%
S&P 500	-2.64%
Dow Jones	-4.93%
Nasdaq	-0.41%

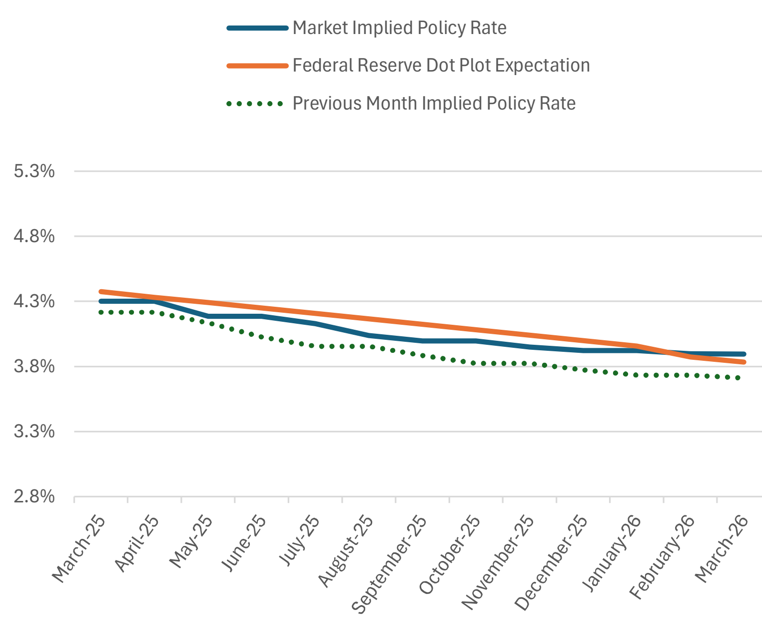
Equity Index Returns



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. An important note is that market participants anticipate rates to be higher than the Fed's expectation for this year. The next Federal Reserve meeting to discuss monetary policy is scheduled for January 29th. The overall expectation is for the policy rate to be lowered by around 41bps or basis points (actual estimate of -0.4%) to 3.9% in the next twelve months. 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 CPI (Consumer Price Index), the PCE (Personal Consumption Expenditures), and expected unemployment.





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

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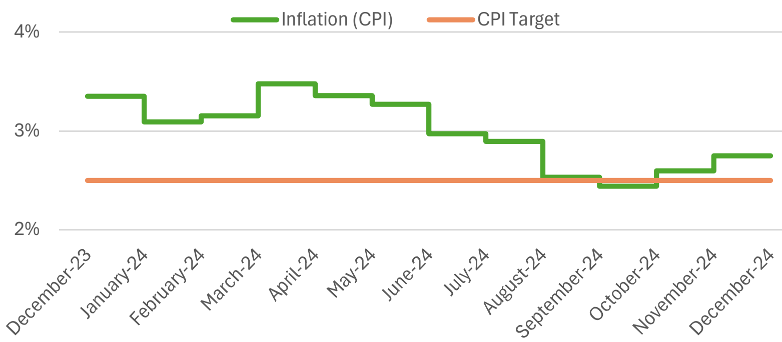
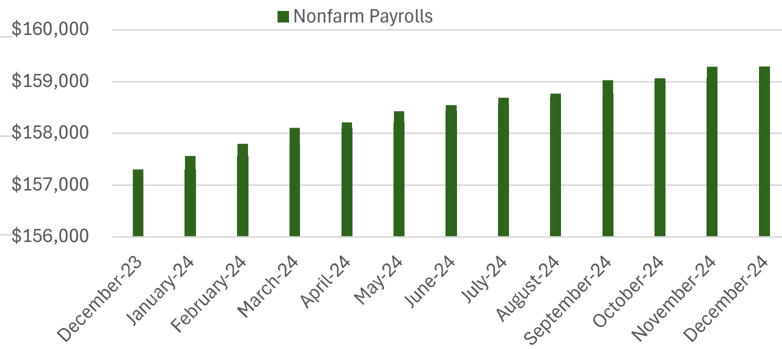
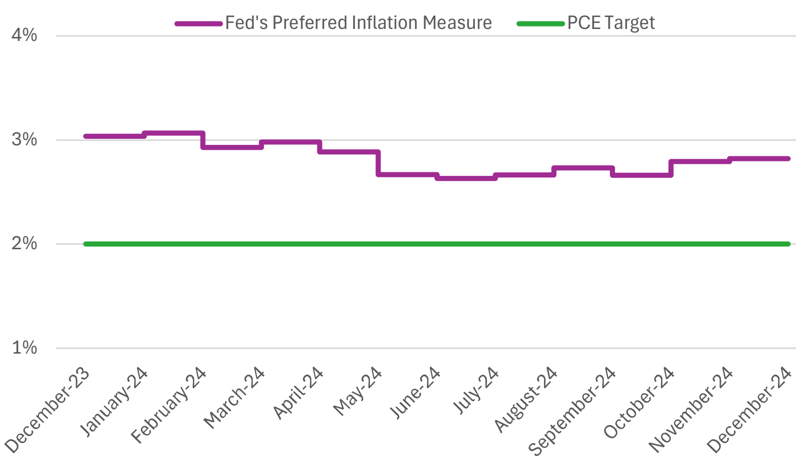


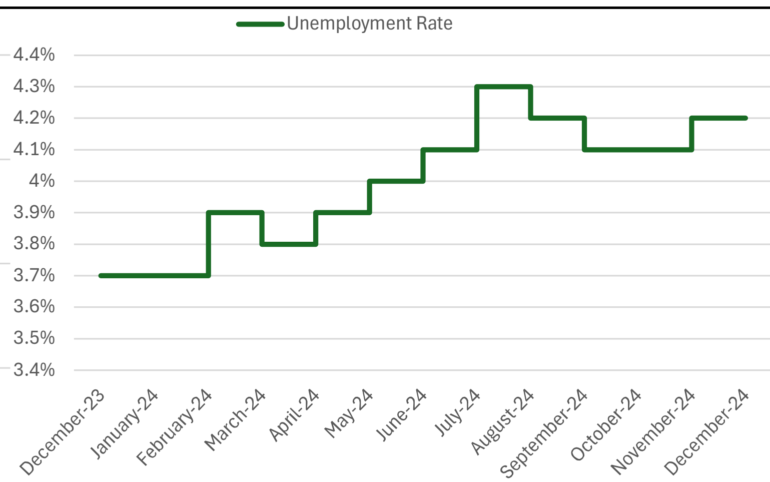


Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

As shown in the US CPI Consumers year-over-year chart above, December saw downward trending inflation over the last year and, since October, an upward trend above the target at 2.60%. Additionally, nonfarm payrolls continue to trend upward, which influences, in part, whether or not the Federal Reserve will continue lowering interest rates in regard to overall employment. However, as the data shows, the downward inflation improvements toward the Fed target of 2.5% gives market participants hope that the period of climbing interest rates are ending in the next twelve months. Historically, the inversion, and more importantly, the reversion of the treasury yield curve signalled the economy was near a recession, but as noted in previous updates this year, broad consumption has continued to bolster the economy. Historical indicators have seemingly lost their predictive character in this economic cycle.

The chart below on the right shows the unemployment rate sitting at 4.2%, an increase from 3.7% one year ago. We also include the year-over-year change in the PCE (Personal Consumption Expenditure) in positive territory over the last year, but bottoming from the low in July 2024. 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 positive progress on inflation has been welcomed as it reflects moderation in price increases, but comparing the levels to their target suggests that the current downtrend in inflation may stay above the Fed's target level as economic data adjustments are released.



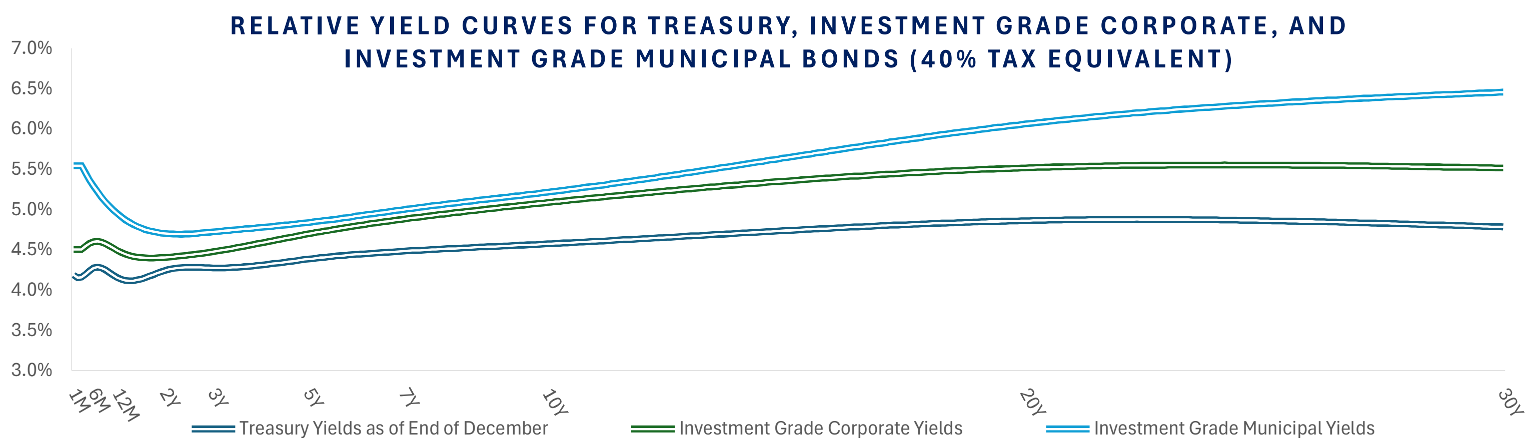


Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

Across the sectors, company reporting has shown a positive surprise across the spectrum to sales and earnings for December with the exceptions of negative surprise in the Consumer Staples and sectors. Of the 66 companies that reported in the Russell 1000 index for December, 40 of the companies had positive sales surprise and 49 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 0.53% and 3.94%, respectively, with companies being more resilient than consensus analyst estimates.

Our portfolios blend 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 ended 2024 in positive territory. The 10-year US Treasury started the month at 4.19%, reached a high of 4.62%, and then finished the year at 4.57%. The FOMC cut short-term interest rates by 25 basis points at their December 18th meeting, bringing the Fed Funds to a target range of 4.25%-4.50%. Month over month, the US Treasury curve steepened by 31 basis points, with the 10 to 20-year part of the curve moving the most, higher by 40 basis points. Tax-free municipal rates moved in a similar fashion, with longer-term rates moving higher by 35-40 basis points . With the rate-cutting cycle in motion, our focus turns to incoming economic data to gauge the FOMC rate trajectory for 2025.



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

The equity market experienced significant gains in 2024, driven by mega-cap stocks. The S&P 500 reached 57 record highs, achieving back-to-back 20% gains for the fifth time since 1927. The top 10 stocks in the S&P 500 held a record 39% of the index's market capitalization, highlighting the concentrated nature of these gains. The bond market also showed strength in 2024, with credit spreads tightening near record lows. As we have stated, monetary policy will be dictated by inflation, the underlying economy, and the consumer (referred to as the group of all U.S. consumers). The consumer is core to economic strength and we have seen the consumer adjust their spending habits. Looking ahead to 2025, uncertainty surrounds the equity and fixed income markets. 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. We evaluate the investment landscape based on how policy is and adjust our expectations as markets and their expectations change. As the perception is that interest rates will continue to decline, corporate and municipal bonds can provide a real rate of total return that includes current income and price appreciation. While technology innovation is strong and continues, most industries will see productivity enhancements across their business due to enterprise adoption of tailored AI services. These factors lead us to blend value and growth investments across stocks and seek relative value bonds that complement your financial goals and risk appetite. Overall, the outlook for 2025 is cautiously optimistic. While risks exist, there is also potential for upside. Thank you for your continued trust in allowing us to manage your financial assets.

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