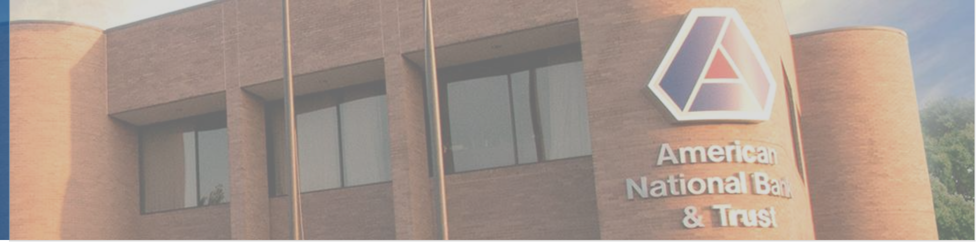
March Market Update

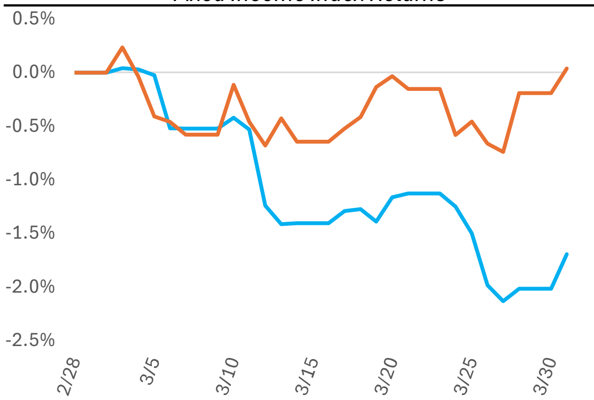
As of 3/31/2025 | amnat.com



Macro & Market View: Springtime Volatility

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 negative returns in broad fixed income benchmarks and equity benchmarks, shown below. Over the past month, equity markets have declined for the broad US stock indices, while stock and bond market correlations have been 23% and 56% forthe aggregate corporate and municipal bond markets, respectively. Historically, March averaged a 1.2% positive equity market return, as measured by the S&P500; however, the market underperformed with a return of -5.63% for the month. Equity returns this year are negative at -4.28% for the S&P500 index, while the US Aggregate bond index returned 2.78%.

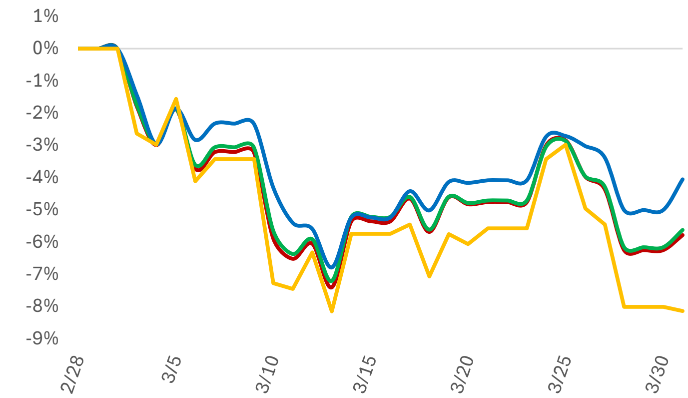
Fixed Income Index Returns



March Returns

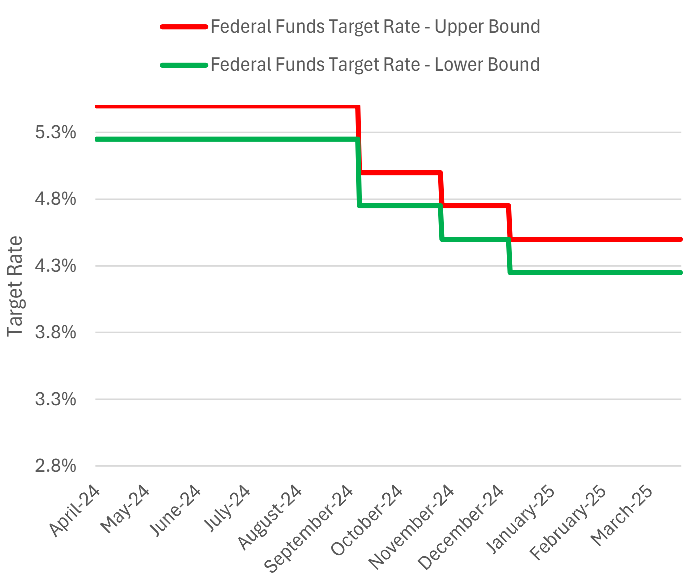
US Aggregate	0.04%
US Municipal	-1.69%
Russell 1000	-5.79%
S&P 500	-5.63%
Dow Jones	-4.06%
Nasdaq	-8.14%

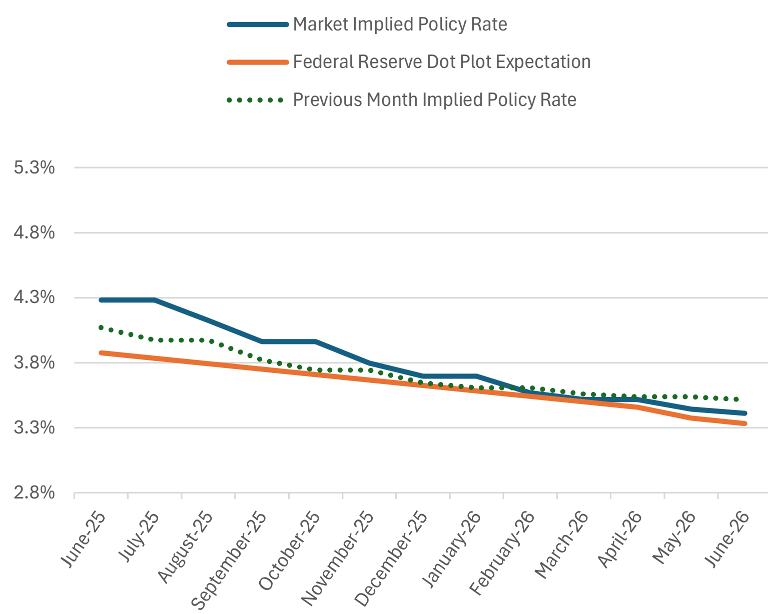
Equity Index Returns



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 May 7th. The overall expectation is for the policy rate to be lowered by around 87bps or basis points (actual estimate of -0.9%) to 3.41% 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 Consumer Price Index ('CPI'), the Personal Consumption Expenditures ('PCE'), expected unemployment and economic growth.





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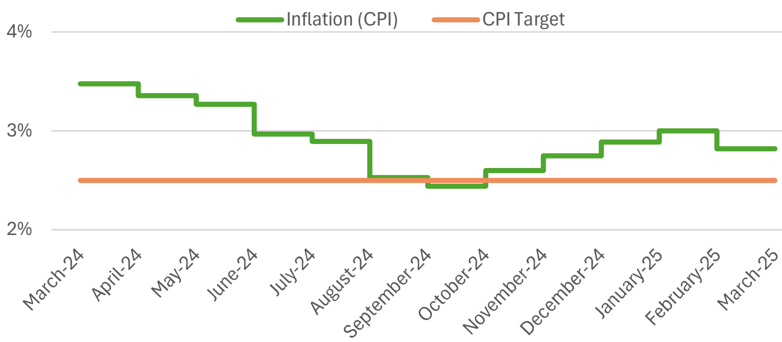

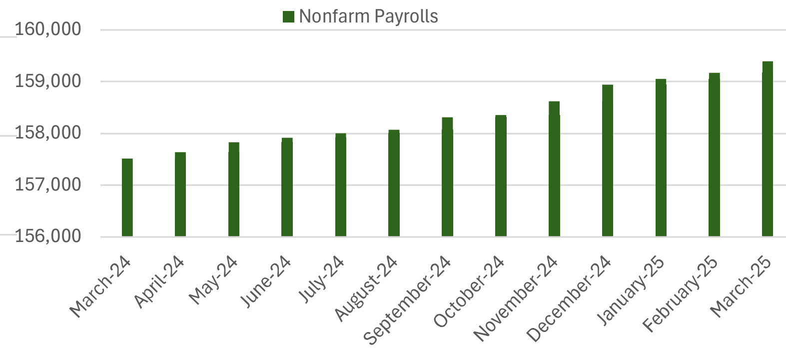

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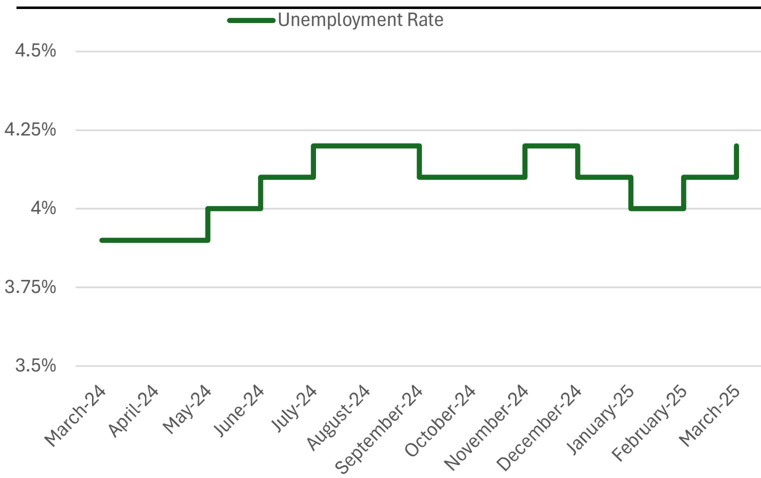
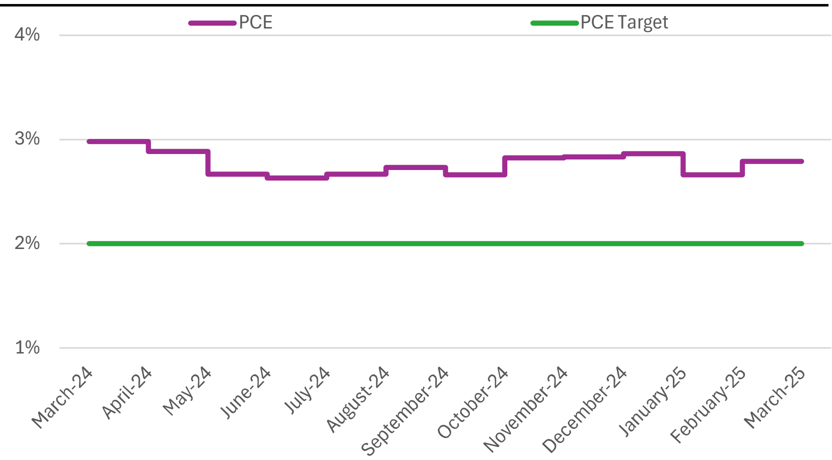
As shown in the US CPI Consumers year-over-year chart above, March saw downward trending inflation over the last year and, since January, in a downward trend above the target at 2.90%. Additionally, nonfarm payrolls continue to trend upward in regard to overall employment, which influences, in part, whether or not the Federal Reserve will continue lowering interest rates. However, as the data shows, the downward inflation improvements toward the Fed target of2.5% gives market participants hope that the period of climbing interest rates will end 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 discussed in previous updates, 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 left shows the unemployment rate sitting at 4.2%, an increase from 3.9% one year ago. We also include the year-over-year change in the PCE and note the moves into positive territory last year before reaching the July 2024 lows as we have headed into 2025. 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 current data to to their target suggests that the downtrend in inflation may stay above the Fed's target level as economic data adjustments are released.



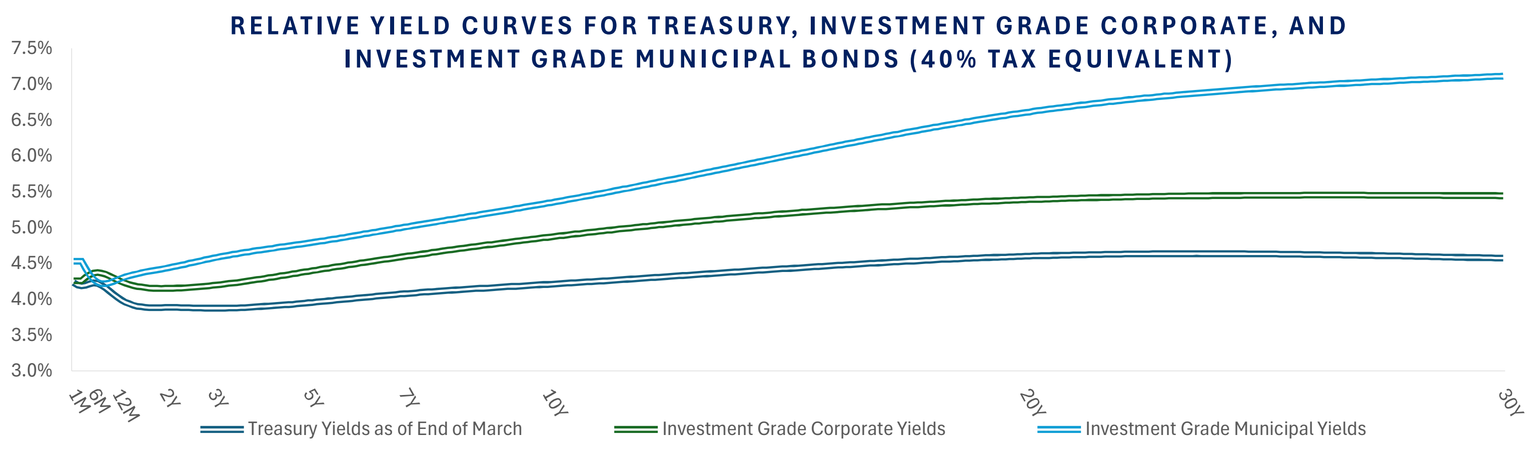


Source: Bloomberg LP, Calculations by ANB&T - Trust & Wealth Management

March's reported sales and earnings were broadly a mixed surprise, with the Financials and Consumer Staples sectors being the only negatives. Of the 73 companies that reported in the Russell 1000 index for March, 42 of the companies had positive sales surprise and 54 had positive earnings surprise; we consider this negative surprise to be a headwind for equity valuations for the next quarter. For the month, the overall sales and earnings surprise is mixed at -0.24% and 5.94%, 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 March. Interest rates in the taxable market moved lower, while those in the tax-free market moved higher. The 10-year US Treasury yield remained unchanged month-over-month at 4.21%. The Federal Open Market Committee (FOMC) met on March 19th and left short-term interest rates unchanged, with the effective rate at 4.33%. Month-over-month, the US Treasury curve steepened as the 2-year US Treasury yield decreased by 10 basis points, and the 20-year US Treasury yield increased by 7 basis points. The tax-free municipal curve also steepened, with intermediate to longer-term rates rising by 25 to 35 basis points. Discussions around tariffs have complicated the Federal Reserve's position. Tariffs could potentially slow US economic growth while keeping inflation elevated. This slowdown might prompt the Federal Reserve to cut short-term interest rates sooner than expected, even without further efforts to combat inflation. April will be a telling month as questions around tariff policy are expected to be answered.



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-backed mega-cap companies. In March, we look to reasonable valuations as market sentiment has changed based on expected trade negotiations through U.S. tariffs. As we expected market volatility to continue this year for equity markets, we are focusing on market opportunities in equities. For fixed income markets, we expect the data-informed Federal Reserve to adjust their outlook on the economy as new data is available. 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, 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 your continued trust in allowing us to manage your financial assets.