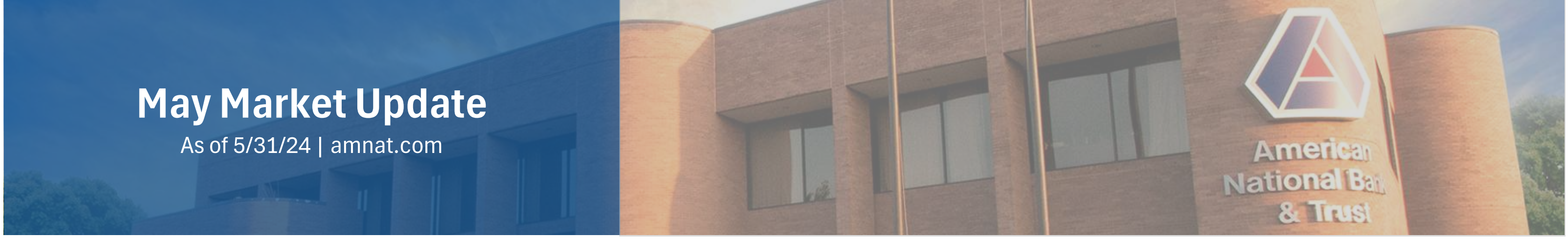


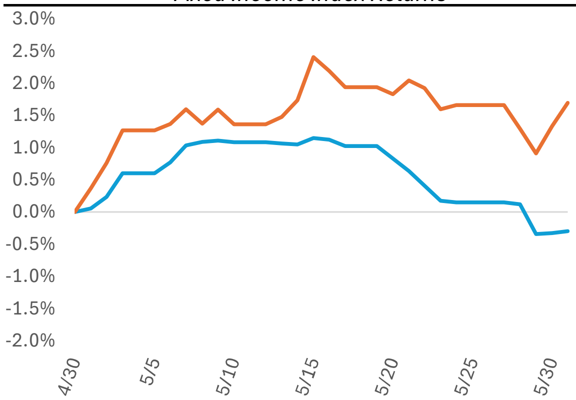
May Market Update

As of 5/31/24 | amnat.com

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

Interest rate policy uncertainty, domestic and international growth, the U.S. consumer, and inflation have contributed to recent positive returns in broad fixed income benchmarks as well as positive returns in broad equity benchmarks shown below. For this month, we have seen equity markets increase for the three broad US indices, while correlations have been 84% and 17% for the aggregate and municipal bond markets, respectively. Historically, May has generated a positive equity market return of 1.13% on average; however, the market had an above average return of 4.96% for the month.

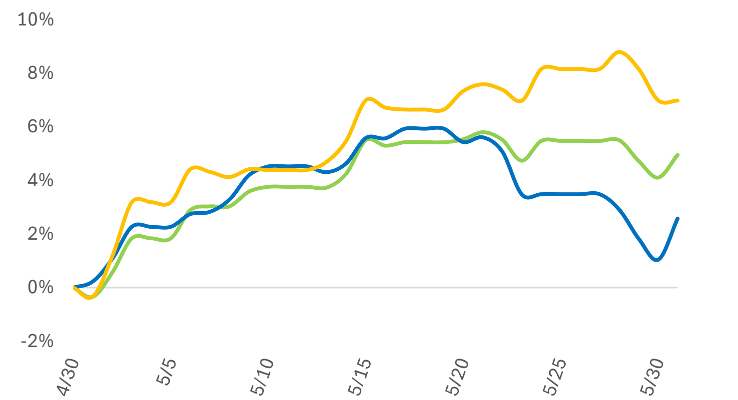
Fixed Income Index Returns



May Returns

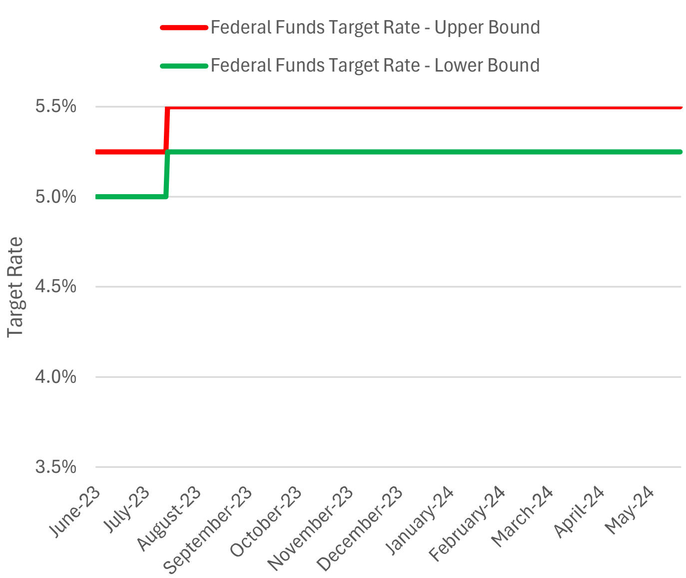
US Aggregate	1.70%
US Municipal	-0.29%
S&P 500	4.96%
Dow Jones 30	2.58%
Nasdaq Comp	6.98%

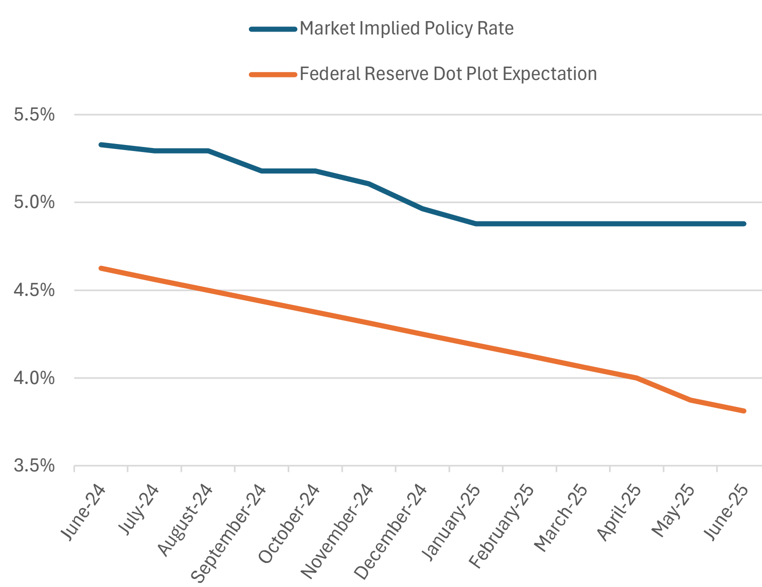
Equity Index Returns



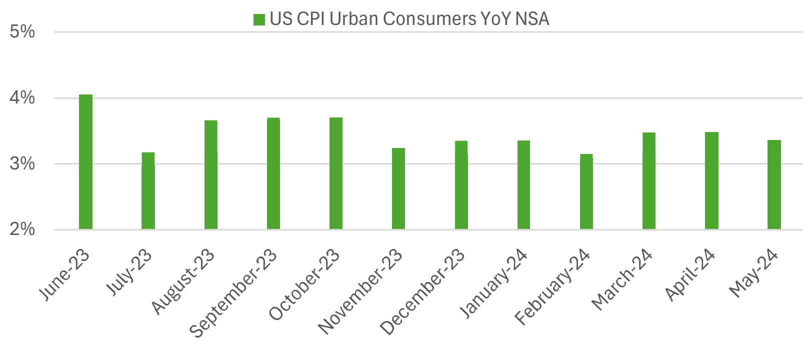
Source: Bloomberg LP

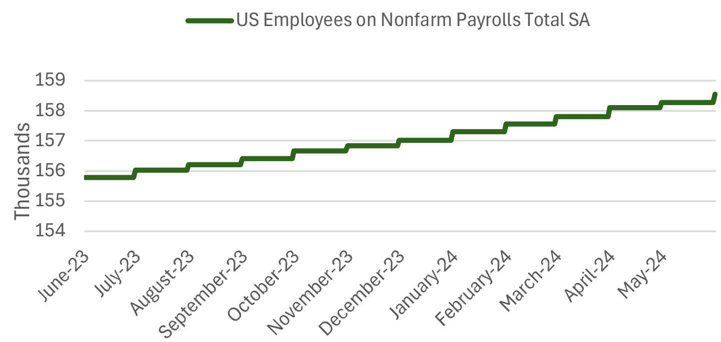
Market participants are forecasting the Fed policy rate that sets interest rates for the economy to be lowered over the next twelve months. An important note is that market participants expect rates to be higher than the Fed's expectation for this year. The next Federal Reserve meeting to discuss monetary policy is scheduled for July. The overall expectation is for the policy rate to be lowered by around 45 basis points (actual estimate of -0.5%) to 4.88% in the next twelve months. The change in market participants' view of what the Federal Reserve should do can be explained by the inflation data measured by CPI (Consumer Price Index).





Source: Bloomberg LP

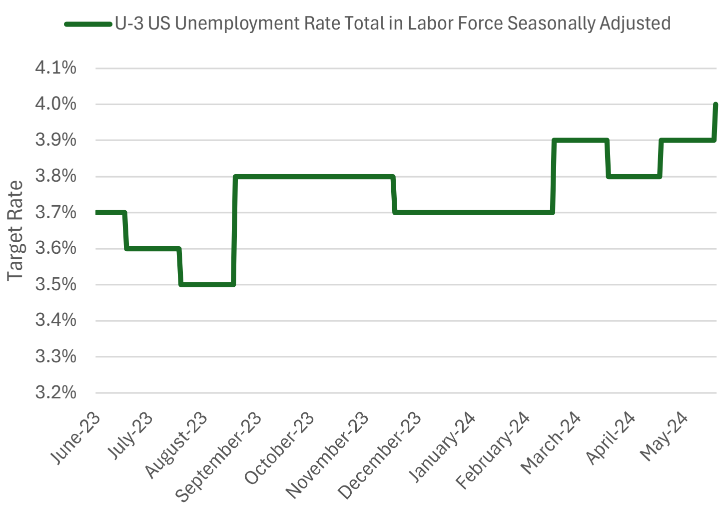


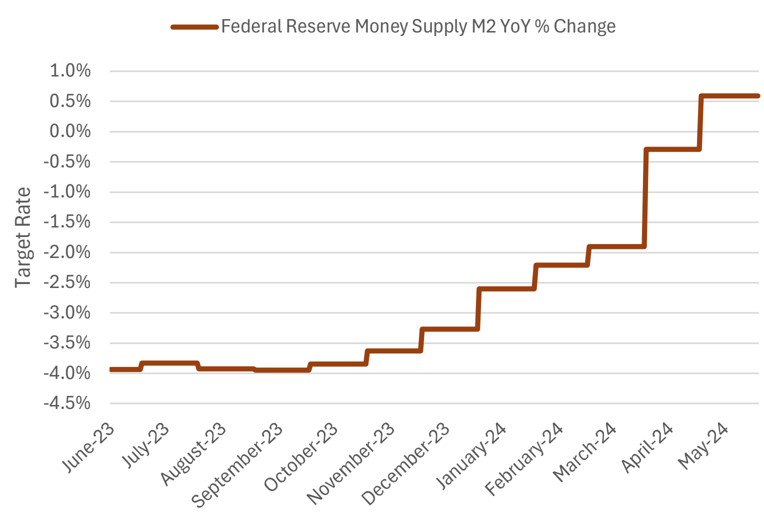


Source: Bloomberg LP

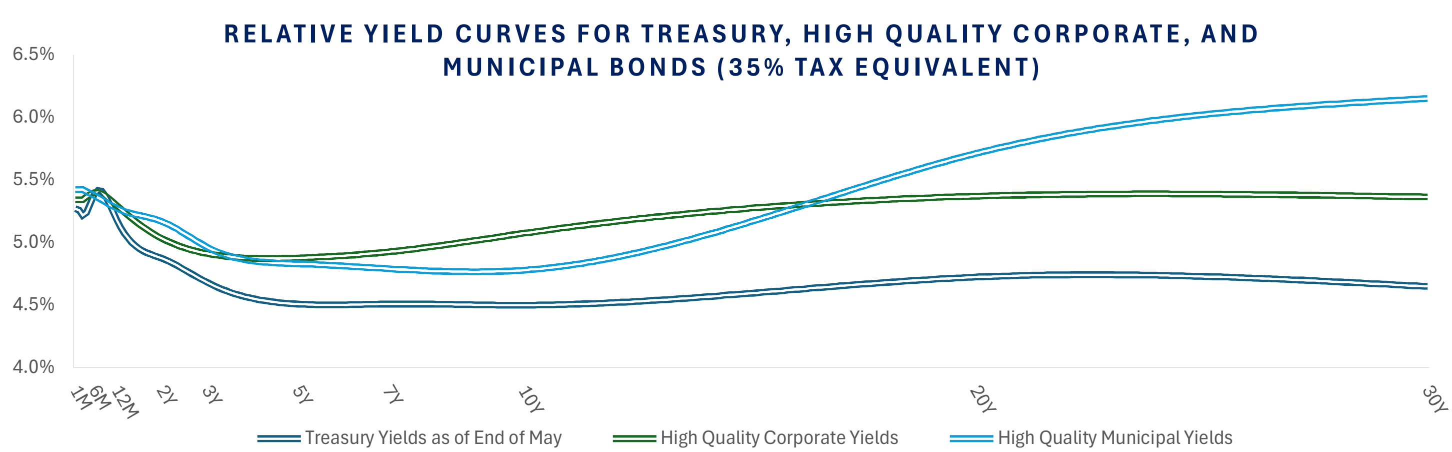
As shown in the US CPI Consumers year-over-year chart above, May experienced downward trending inflation over the last year and, since March, an upward trend above the target at 3.33%. Additionally, nonfarm payrolls continue to trend upward, which influences whether or not the Federal Reserve will continue raising interest rates. However, as the data shows, the downward inflation improvements in CPI to the Fed target of 2.5% has given market participants hope that the period of climbing interest rates is nearing the end. Historically, the inverted treasury yield curve signalled the economy was near a recession, but as noted in our April Market Update, broad consumption has continued to strengthen and has bolstered the economy.

The bottom left chart below shows the unemployment rate sitting at 4%, an increase from 3.7% one year ago. We also include the year-over-year change in the money supply remaining in negative territory over the last year, but bottoming from the low in September 2023. Money supply leads inflation, loosely following the general trend in past economic cycles. This relationship suggests that the current downtrend in inflation may stay above the Fed's target level until we see an adjustment in economic data.





Source: Bloomberg LP



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
1235 North Loop West, Suite 907
Houston, TX 77008
(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

Across the sectors, company reporting has shown a positive surprise across the spectrum to sales and earnings for May with the exception of negative surprise in the Utilities and Materials sectors. For May, of the 204 companies that reported in the S&P 500, 110 of the companies had positive sales surprise and 164 of them had positive earnings surprise; we consider this positive surprise to be a tailwind for equity valuations for the next quarter. For the 204 companies, the overall sales and earnings surprise is positive at 0.42% and 6.17%, respectively for May with companies being more resilient than consensus analyst estimates.

For our portfolios we blend fixed income with dynamic equity strategies. Below are the top and bottom three performers per strategy. Our Legacy portfolio focuses on blending 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 factor-driven, smart beta portfolios. The Momentum portfolio dynamically adjusts positions to benefit from positive momentum while remaining diversified. The Quality portfolio blends low volatility with the momentum factor to produce a portfolio focused on high quality equity income and positive momentum. Benjamin Builder solutions complement the other equity strategies and offer an efficient method to invest broadly across geography, style, and sector using a dynamic fund screening process. Sentiment in the fixed income markets reversed during May compared to the previous month. Rates moved lower on renewed expectations of possible Federal Reserve rate cuts. The May interest rate rally (rates moving lower) was largely led by economic data showing continued slowing of inflation. PPI, CPI, and PCE readings all came in at or below expectations for May and there were many revisions downward for the prior month. The markets received this data as a positive with the belief the Federal Reserve can remain on their path of cutting rates later this year. Our strategy remains to take advantage of rate volatility by purchasing high quality bonds during times when rates are moving higher. We remain disciplined in our approach of moving up the credit scale by reducing risk to lower rated credits to mitigate spread volatility.

The Three Best and Worst Investments during the Month

	Legacy Portfolio		Dividend Portfolio		Momentum Portfolio		Quality Portfolio	
Best	NEE	19.49%	UI	33.07%	FSLR	54.15%	FSLR	54.15%
	AAPL	12.87%	HPQ	29.94%	TER	21.17%	HPQ	29.94%
	APD	12.85%	QCOM	23.03%	ENPH	17.60%	TER	21.17%
Worst	AZO	-6.31%	ACN	-6.19%	SBUX	-9.35%	GPC	-8.31%
	DIS	-6.47%	NOC	-7.06%	VEEV	-12.24%	PCTY	-8.37%
	INTU	-7.86%	LECO	-10.55%	SEDG	-16.47%	VEEV	-12.24%

	Benjamin Builder Solutions	
Best	FUTY	8.65%
	FTEC	7.94%
	FCOM	6.41%
Worst	BNDX	0.10%
	TFLO	0.04%
	VTEB	-0.24%

Market participants reviewed economic data and the futures market continued to convey higher interest rates even with the Federal Reserve continuing their rate cut narrative. The Federal Reserve has discussed the possibility that inflation may stay above target, which could lead to further rate hikes if economic data continues to be strong. With unprecendented political news in an election year, market turbulence may be expected. Monetary policy will be dictated by inflation, the underlying economy, and the consumer. Finally, when we compare historical monthly returns for stocks and bonds over the last 5 decades, we can see the impact of diversification on portfolio volatility and income. As the perception is that interest rates will come down, corporate and municipal bonds provide a real rate of total return that includes current income and price appreciation. AI services have begun permeating through technology industries and into other industries as a productivity enhancement and we will likely see the trend continue; these factors lead us to blend value and growth investments across stocks and bonds that complement your financial goals and risk appetite. Thank you for your continued trust in allowing us to manage your financial assets. Please reach out to your administrator if you have any questions.

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