

# American State Bank & Trust

## Trust Department Quarterly Update

### January 2026



### Stock and Bond Markets

Stocks and bonds both delivered strong results in 2025, providing a solid year for diversified investors. Communication services, technology, and industrials led the way for U.S. stocks. International stocks had a great year, outperforming U.S. stocks in 2025. It had long been forecasted that international stock markets may have a period where they outperform U.S. stock markets due to stock valuations. Whether that continues or not, it is recommended for investors to have a portion of their portfolio invested in international stocks to improve diversification and long-term performance. Information regarding our investment portfolios is provided at the bottom of this page, which have a portion invested in international stocks.

Bonds also performed well in 2025, which is common in a decreasing interest rate environment. Bonds may continue that trend in 2026 and it is important to have a portion invested in bonds in a diversified portfolio. Our investment portfolios described below have their fixed portion invested in bonds.

### Investment Portfolios

Did you know that we provide you with the ability to invest in diversified investment portfolios that we monitor and manage based on your risk tolerance? Not only does it take the picking and choosing off your shoulders, but it is also professionally managed and designed to outperform benchmarks over the long term. Below is how they have performed as of the end of November compared to the corresponding benchmark provided by Morningstar, which is a highly regarded third party company that provides investment research. Contact your account officer to begin utilizing our investment portfolios if you are not currently.

<b>American State Bank &amp; Trust Model Portfolios</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>
Very Conservative Model (20% Equity/80% Fixed)	7.54%	2.53%	4.27%
Conservative Model (40% Equity/60% Fixed)	9.86%	4.73%	6.34%
Moderate Model (60% Equity/40% Fixed)	12.11%	6.77%	8.24%
Aggressive Model (80% Equity/20% Fixed)	14.71%	9.01%	10.23%
Very Aggressive Model (95% Equity/5% Fixed)	16.43%	10.68%	11.55%

<b>Morningstar Target Risk Indexes</b>	<b>3 Yr</b>	<b>5 Yr</b>	<b>10 Yr</b>
Morningstar Conservative Target Risk (20% Equity/80% Fixed)	6.81%	2.05%	3.91%
Morningstar Moderately Conservative Target Risk (40% Equity/60% Fixed)	9.28%	4.43%	5.96%
Morningstar Moderate Target Risk (60% Equity/40% Fixed)	11.38%	6.44%	7.61%
Morningstar Moderately Aggressive Target Risk (80% Equity/20% Fixed)	13.57%	8.56%	9.28%
Morningstar Aggressive Target Risk (95% Equity/5% Fixed)	15.33%	10.32%	10.52%

*The American State Bank & Trust Investment Portfolios based on risk tolerance were established in 2014. These returns take the portfolio inception and subsequent allocation changes into consideration.*

*Past performance does not guarantee future results.*

*Returns for periods greater than one year are annualized, which means on average the portfolio had a return of the figure presented each year over that span of time.*

## Interest Rates

The Federal Reserve lowered the Fed Funds rate from approximately 3.75% to 3.50% at its December meeting, down from its peak of 5.25% in 2024. Market predictions currently point to rates continuing to decrease with it being forecasted that the Fed may make two additional cuts in 2026. We do not anticipate getting back to 0% to 1% interest rates in the foreseeable future, but it could come down to somewhere around 2.75% to 3.25% in the next year. Decreasing interest rates are typically good for stocks and bonds. If you have CD or money market balances and are looking to make more of a return, we can discuss other investment options with you.

## Want To Visit?

With the new year, let us know if there is anything we can do to help you with tax planning, gifting, contributions to retirement accounts, or estate planning. If you have any questions or would like to discuss anything regarding your account, please do not hesitate to reach out. Your account Officer's contact information is listed on your statement. We can meet with you in person, by phone or email, or we can set up virtual meetings with you. We appreciate your business and hope you and your family have a happy, healthy, and prosperous 2026.

## Online Account Access and E-Statements

Did you know online access is available to you for your accounts in the Trust Department? It is updated daily so there is no need to wait for your next statement to find out how your account is doing. We also recommend that you elect to receive e-statements in your online account. You will receive them much quicker compared to the mail and online access is very secure, much more so than a paper envelope. To get set up for online access please see the brochure sent to you in July 2024 and January 2025. If you don't have that information, contact us and we will gladly provide you with it.

## Muni Bonds

The interest that CDs and money market products pay is great, but the income is taxable and when you file your tax return you may be surprised at how much you need to pay in. Are you interested in reducing the amount of federal income taxes that you have to pay? We are continuously looking for innovative ways to help our clients, and for many of our clients we utilize a blend of municipal bond funds, also known as munis, which provide you with a safer alternative to traditional stock and bond investments. The best part is that the income it generates is exempt from federal income tax. Muni bonds are basically loans to states, cities, counties, and other governmental entities to fund day-to-day obligations and to finance projects such as building schools, highways, or sewer systems. It involves slightly more risk than CDs with fluctuations in market value and therefore provides you with more income.

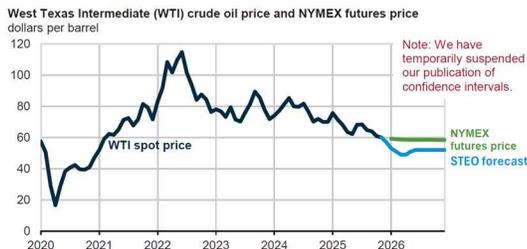
As of 12/26/2025, the 1 year CD rate is 4.10% and, using a round number, let's say you pay 40% in federal and state income taxes. The net return after taxes on that 1 year CD would be approximately 2.46% after taxes. If your tax rate is 35% your net return is 2.67%, if your tax rate is 30% your net return is 2.87%, and if your tax rate is 25% your net return is 3.08%. Our muni bond fund portfolio pays 3.70% as of 12/26/2025, and that is exempt from federal taxes, which means you would have a higher net yield with muni bonds than you would with CDs or money market.

## Oil Update

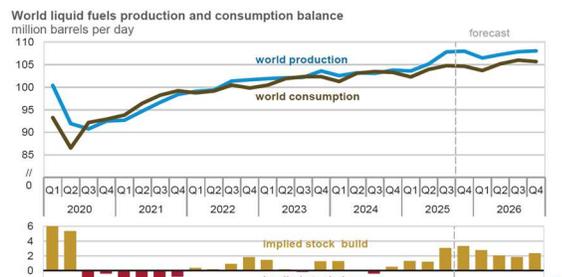
West Texas Intermediate (WTI) is at approximately \$58 per barrel as of the end of December. In 2025 it had a range of \$55 - \$80 and averaged \$65.48. In 2024 it averaged \$76.60, 2023 it was \$77.50, and in 2022 it was \$94.90. The U.S. Energy Information Administration (EIA), which is the statistical agency of the Department of Energy, forecasts WTI to be around \$51 in 2026. The North Dakota legislative budget projects oil at \$62 in FY 2026 and \$60 in FY 2027. These projections are largely due to predictions that supply will be higher than demand. These forecasts are good to be aware of, but they are speculative and can change on a dime. Oil prices at these levels should continue to foster oil activity in the area.

There are 28 drilling rigs in North Dakota as of the end of December, compared to an average of 38 drilling rigs in 2024, 40 in 2023, 40 in 2022, and 22 in 2021.

Leasing and drilling activity has been expanding into northern Williams County, Divide County, and into Montana. In addition, well operators may drill additional wells within spacing units that already have a well. The future remains very bright for mineral interests in the area.



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, December 2025, Bloomberg, L.P., and Refinitiv an LSEG Business  
Note: Futures curve is the average settlement price for five trading days ending December 4, 2025.



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, December 2025



### U.S. Energy Information Administration | Short-Term Energy Outlook - December 2025

	2024				2025				2026				Year		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026
<b>Crude Oil (dollars per barrel)</b>															
West Texas Intermediate Spot Average .....	77.50	81.77	76.43	70.74	71.85	64.63	65.78	59.31	50.93	50.68	52.00	52.00	76.60	65.32	51.42

## New Addition

We are excited to announce that Morgan Jager began her Trust Department career with us as an Assistant Trust Officer in October. She has property management experience and is a great addition to our team.

## Trust Department Services

### Trusts

- Living Trusts
- Testamentary Trusts (Through Last Will & Testament)
- Mineral Trusts
- Farm Trusts
- Life Insurance Trusts
- Foundations
- Charitable Trusts
- Special Needs Trusts

### Investment Accounts

- Managed Investment Account
- Custody Investment Account
- Mineral Management
- Farm Management
- Real Estate Management
- Cash Management

### Estate Settlement and Administration

### Individual Retirement Accounts (IRA)

- Traditional IRA
- Roth IRA
- Rollover IRA
- Inherited IRA

### Retirement Plans

- 401(k) Plan
- Profit Sharing Plan
- Solo 401(k) Plan
- Simple IRA Plan
- Simplified Employee Pension Plan (SEP)

### Conservatorships

### College Education Savings

- Coverdell Education Savings Account (ESA)
- Education Trust



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