

American State Bank & Trust

Trust Department Quarterly Update

July 2025



Online Account Access and E-Statements

Did you know that 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 arrive in the mail to know how your account is doing. We also highly recommend that you elect to receive e-statements in your online account instead of receiving paper statements. You will receive them much faster compared to when they get mailed to you, and online access is very secure, much more so than a paper envelope. Beginning with the third quarter statements, we will send e-statements to all clients who have previously elected to receive e-statements, as well as to clients that elect e-statements at this time.

To get set up for online access, please see the brochures enclosed with statements mailed to you in the month of July. Instructions regarding how to log in are also provided in the brochure.

Want To Visit?

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.

Stock Markets

The 2nd quarter was a bit of a roller coaster that was filled with headlines regarding tariffs. The first week of April was a rough week, but after that the second quarter was excellent. As usual, patience and a long-term mindset produce great results with the S&P 500 returning to all-time highs at the end of June. Technology stocks and international stocks led the way in the second quarter, after technology stocks were the worst performing sector in the first quarter.

News regarding tariffs could certainly cause more turbulence going forward, for the better or the worse. If the tariffs situation improves, interest rates come down, inflation eases, or a combination of those things occur, it is likely that we see the U.S. stock market perform quite well.

It has long been forecasted that international stock markets may have a period of time where they outperform U.S. stock markets due to stock valuations. We have seen that occur so far in 2025. 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. See the next page of this newsletter for information regarding our investment portfolios, which have a portion invested in international stocks.

Interest Rates

The Federal Reserve has been holding the Fed Funds rate steady at approximately 4.25%, down from its peak of 5.50% a year ago. The Fed has kept rates at current levels since December, emphasizing its cautious approach as inflation pressures may persist due, in part, to ongoing tariff discussions. Market predictions currently point to a potential cut to 4.00% as early as September and the possibility of two cuts to 3.75% by the end of 2025 with additional cuts in 2026.

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 June 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.

American State Bank & Trust Model Portfolios	3 Yr	5 Yr	10 Yr
Very Conservative Model (20% Equity/80% Fixed)	6.07%	2.85%	3.92%
Conservative Model (40% Equity/60% Fixed)	8.84%	5.53%	5.96%
Moderate Model (60% Equity/40% Fixed)	11.51%	8.09%	7.65%
Aggressive Model (80% Equity/20% Fixed)	14.42%	10.82%	9.40%
Very Aggressive Model (95% Equity/5% Fixed)	16.47%	12.84%	10.58%

Morningstar Target Risk Indexes	3 Yr	5 Yr	10 Yr
Morningstar Conservative Target Risk (20% Equity/80% Fixed)	5.25%	2.27%	3.45%
Morningstar Moderately Conservative Target Risk (40% Equity/60% Fixed)	8.13%	5.13%	5.36%
Morningstar Moderate Target Risk (60% Equity/40% Fixed)	10.53%	7.64%	6.82%
Morningstar Moderately Aggressive Target Risk (80% Equity/20% Fixed)	13.12%	10.30%	8.28%
Morningstar Aggressive Target Risk (95% Equity/5% Fixed)	15.28%	12.51%	9.40%

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.

Muni Bonds

The interest rates that CDs and money market products have been paying in the recent past have been great, but it 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.

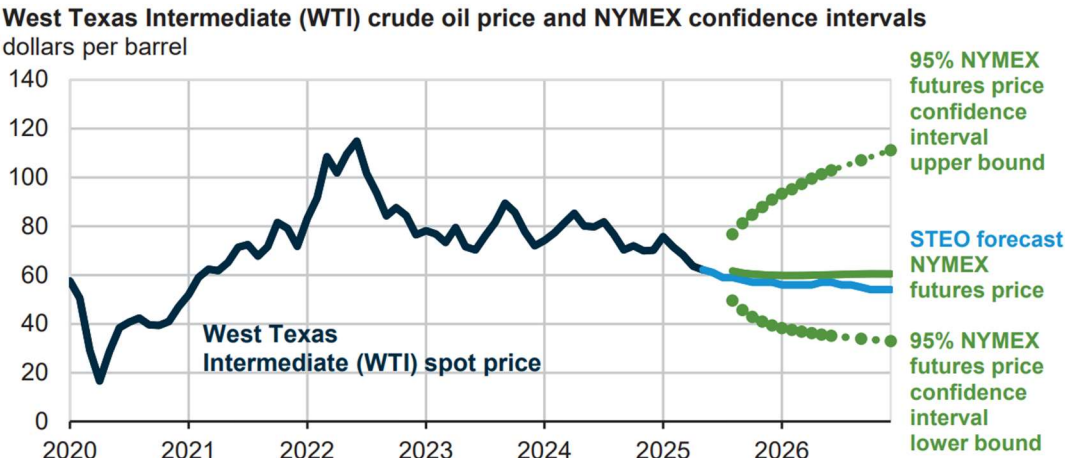
As of 6/30/2025, a 1 year CD would pay 4.40% and, using a round number, let's say you pay 40% in taxes. The net return after taxes on that 1 year CD would be approximately 2.64% after taxes. If your tax rate is 35% your net return is 2.86%, and if your tax rate is 30% your net return is 3.08%. Our muni bond fund portfolio pays 4.06% as of 6/30/2025, 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 \$65 per barrel as of the end of June. For the first half of 2025 it has had a range of \$58 - \$80 and averaged \$68.10. In 2024 it averaged \$76.50, 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 \$62 in 2025. Oil prices at these levels should continue to foster additional drilling in the area, but likely not as much as if it were over \$70.00.

There are 32 drilling rigs in North Dakota as of the end of June, compared to an average of 38 drilling rigs in 2024, 40 in 2023, 40 in 2022, and 22 in 2021.

The North Dakota Department of Mineral Resources (DMR) forecasts that the amount of oil wells in North Dakota may double over the next 15 years. This is due to drilling activity expected to expand into northern Williams County, Divide County, and into Montana. It is also likely that operators will 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, June 2025, CME Group, Bloomberg, L.P., and Refinitiv an LSEG Business

Note: Confidence interval derived from options market information for the five trading days ending June 5, 2025. Intervals not calculated for months with sparse trading in near-the-money options contracts.



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

	2024				2025				2026				Year		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026
Crude Oil (dollars per barrel)															
West Texas Intermediate Spot Average	77.50	81.77	76.43	70.74	71.85	62.24	58.67	57.00	56.00	56.67	55.68	54.00	76.60	62.33	55.58

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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