Itasca Bank & Trust Co.

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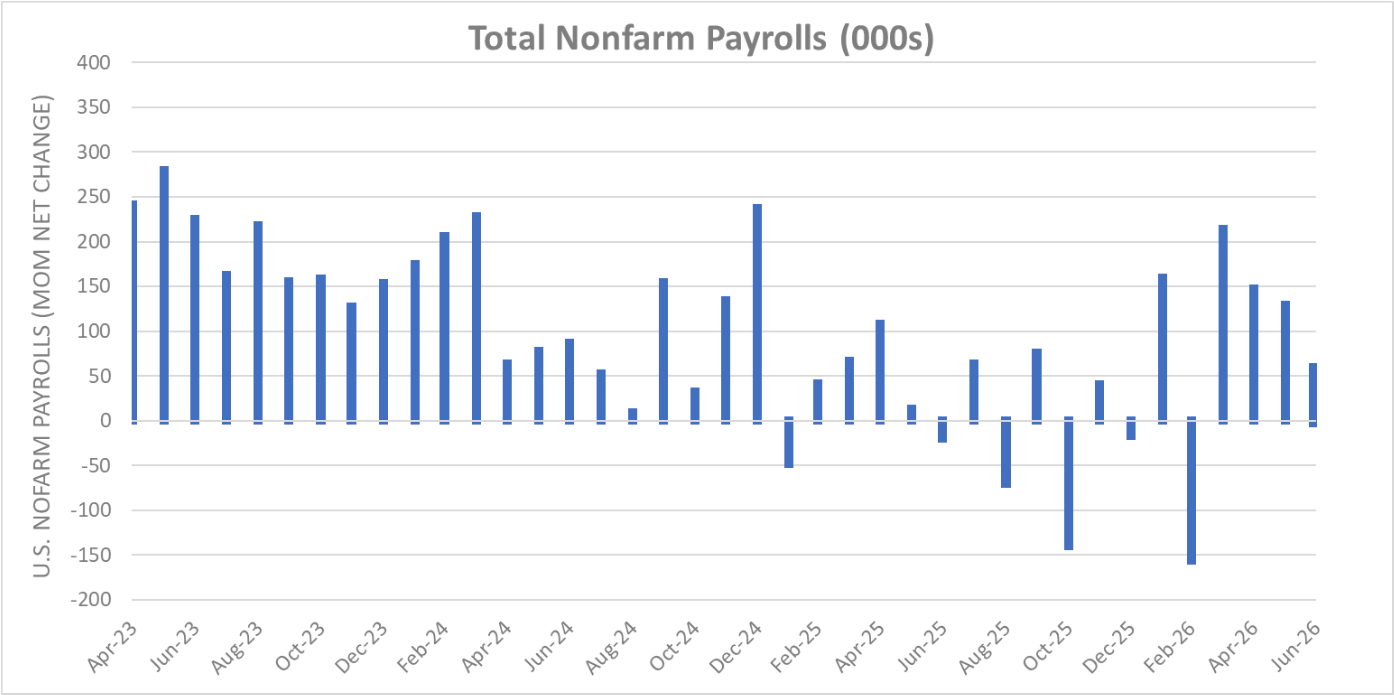
TRUST & ESTATE

FIDUCIARY SERVICES

FIVE IN FIVE

July 2026

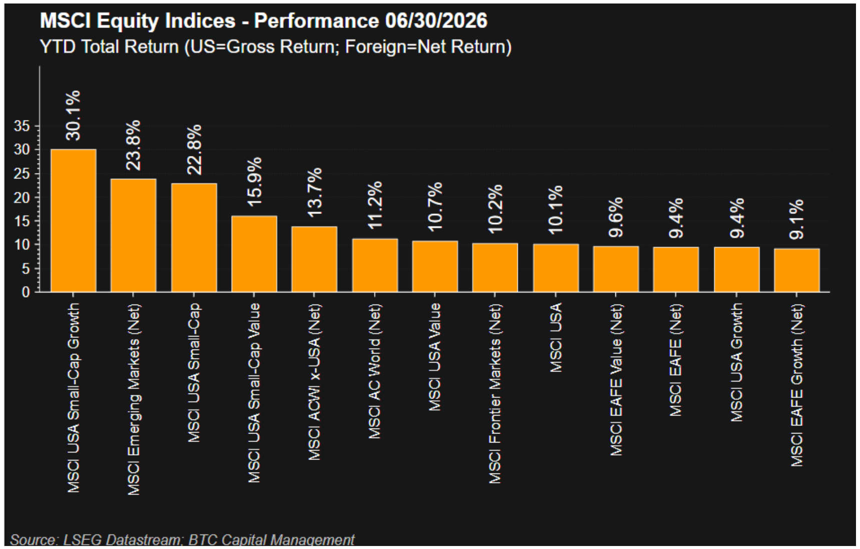
June Payrolls

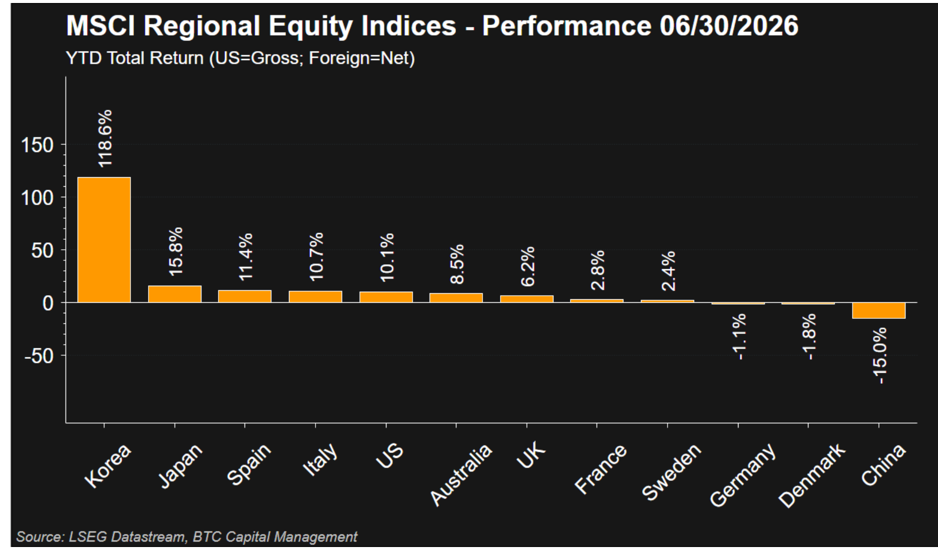


Source: Bureau of Labor Statistics

- June payroll numbers rose 57K in June, seasonally adjusted versus a 129K prior.
- These figures were softer than expected and prior months' figures were revised downward.
- The household survey showed the unemployment rate declined to 4.2% from 4.3%.
- The decline of the unemployment rate primarily reflected people leaving the labor force than finding work.
- Despite the weaker job figures they are still strong enough for the Fed to consider raising rates in 2026.

Equity Benchmark Performance as of 6/30/2026





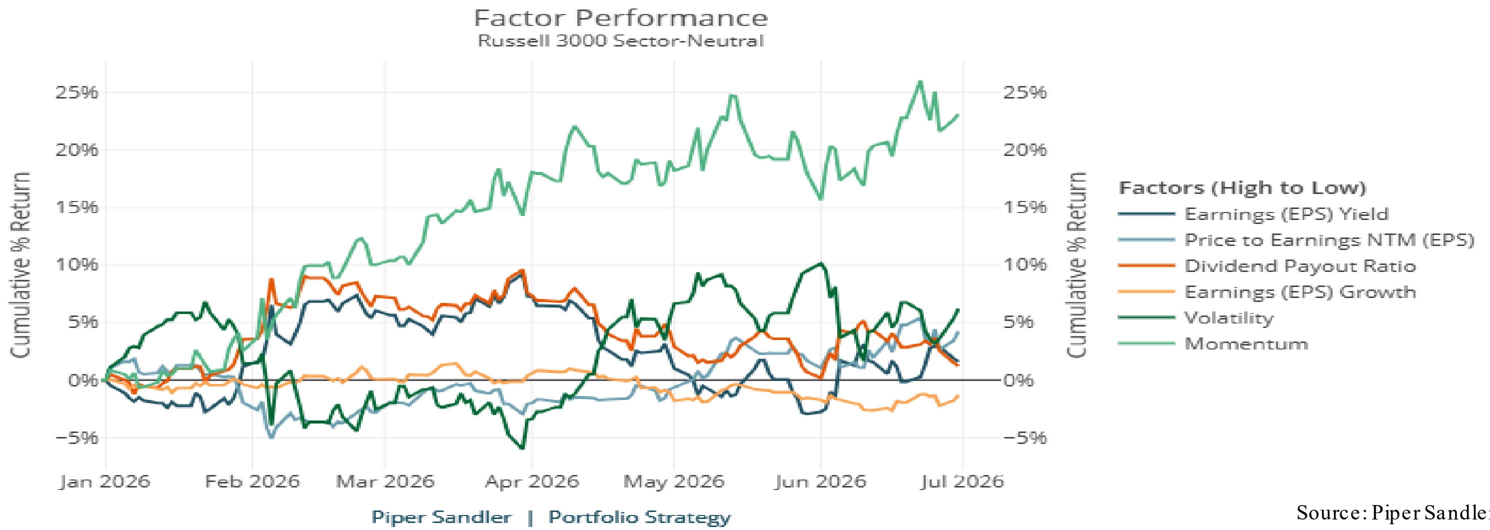
MSCI indices (left-chart) YTD:

- USA Small Cap measures surged during second quarter 2026, occupying three of the top four year-to-date (YTD) performance series.
- USA Small Cap Growth +30.1% now outpaces Emerging Markets +23.8%.
- USA Small Cap +22.8 %
- USA Small Cap Value: +15.9%
- Emerging Markets +23.8 % continues to be driven by Korea +118.6%.
- ACWI x-USA +13.7% skewed higher by emerging markets.

Regional equity indices (right-chart) YTD:

- Korea continues its leadership, +118.6% YTD.
- Japan, the largest regional constituent of EAFE, returned +15.8% YTD versus +9.4% YTD for EAFE.
- China, given its -15.0% YTD drawdown, is now the 3rd largest constituent region within the EM index, having been the top constituent region as of 12/31/2025.

Index Performance Attribution – Factor Performance

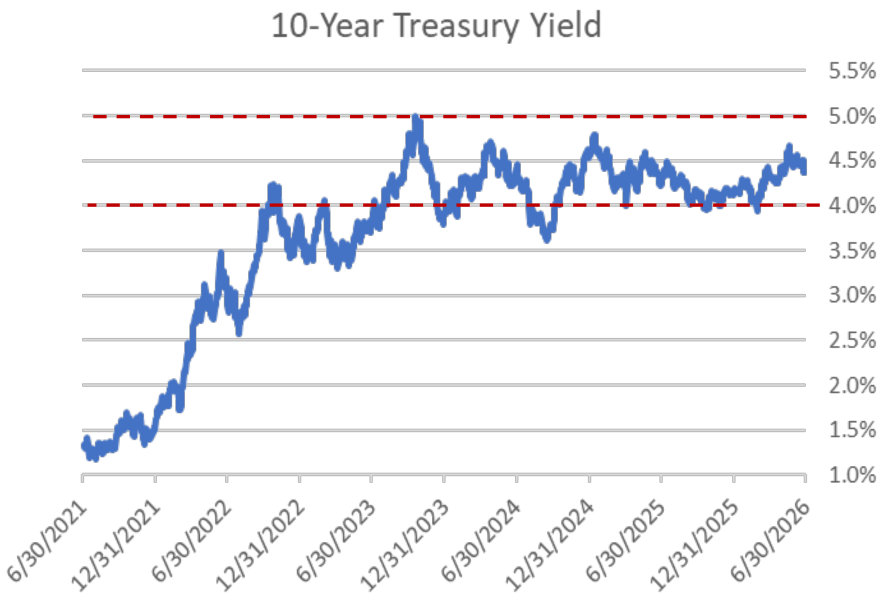


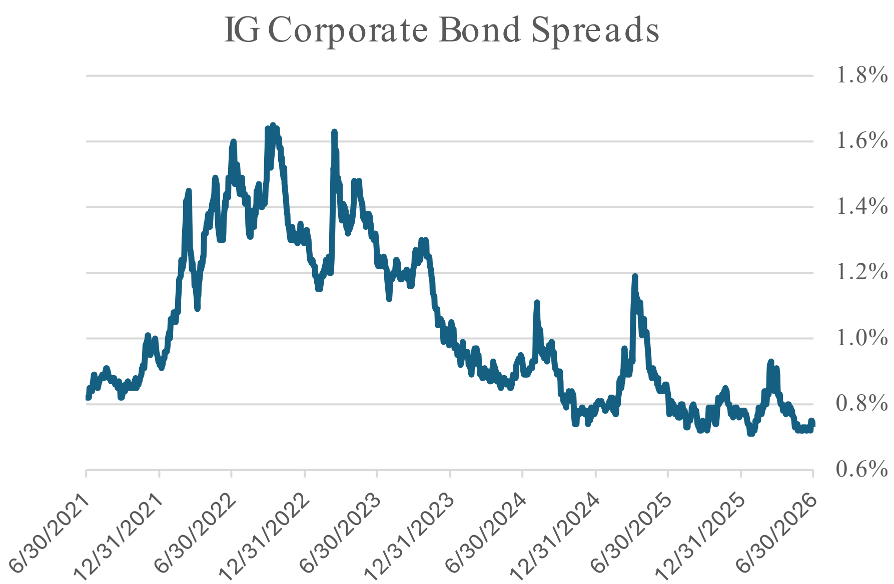
Source: Piper Sandler

Factors are one facet of equity-index performance attribution, explaining both risk and return over the measured period. The chart above exhibits the YTD factor returns for the Russell 3000 Index.

- Momentum +23.1% YTD, continued its leadership from 2025.
- Volatility, the 30-day variance in daily price change, +6.2% YTD.
- Price to Earnings NTM (EPS), defined as Current Share Price / NTM EPS, advanced +4.2% YTD.
- Earnings (EPS) Yield, measuring LTM EPS / Current Share Price, rose +1.6% YTD.
- Dividend Payout Ratio, defined as LTM Dividends Per Share / LTM EPS, returned 1.2%.
- Earnings (EPS) Growth, which measures the 5-Year Median of the year-over-year (YOY) change in LTM Net Income, was the only factor exhibiting a negative return having declined 1.3% YTD.

Fixed Income – Stuck in the Mud

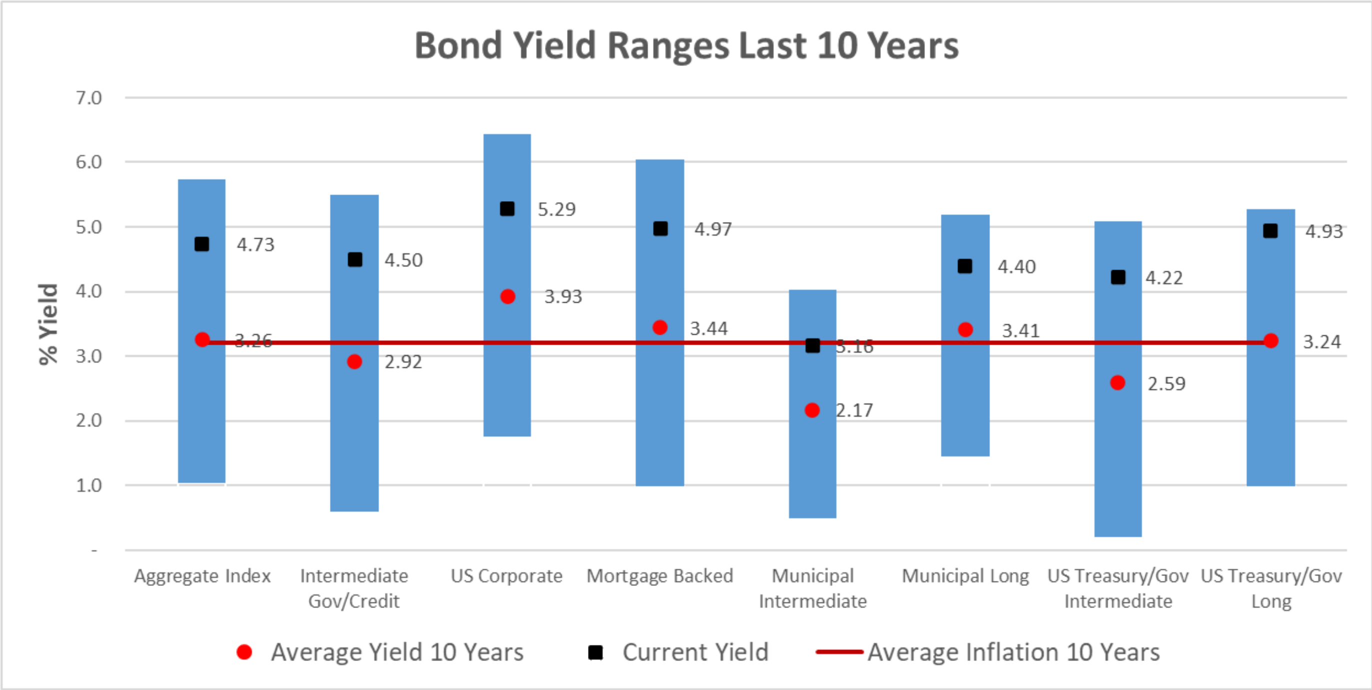




Source: Bloomberg

- The 10-year Treasury yield remains within well defined multi-year range.
- Corporate bond spreads are near all-time lows.
- Citi Economic Index current high reading => easier for yields to move lower in the near-term.
- Waiting on a catalyst that materially changes predominant consensus outlooks.
- Return expectations appear more centered around starting yield levels.

Bond Yields Remain Above Long-term Inflation



Source: Bank of America

- A bond market's yield is an indicator of the return an investor will earn for years to come.
- Yields earned today on bond portfolios remain at the upper level of the 10-year range.
- Investors into a Core/Aggregate Bond strategy could expect to earn 4.73% today from that investment.
- This compares to the average inflation rate over the last 10 years of 3.2%. So, today bonds can be a stable source of real income (returns above inflation).
- With mid-year reached, it's a good time to look at rebalancing portfolio risk.

Disclosures

Sources: BTC Capital Management, Bloomberg, PSC Portfolio Strategy, FactSet

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