First National Wealth Management
Located at The First National Bank in Sioux Falls®

2025 YEAR IN REVIEW

IN THIS ISSUE

On behalf of First National Wealth Management, thank you for the confidence you place in us. This year marked our 108th in business providing trust and wealth management services in Sioux Falls.

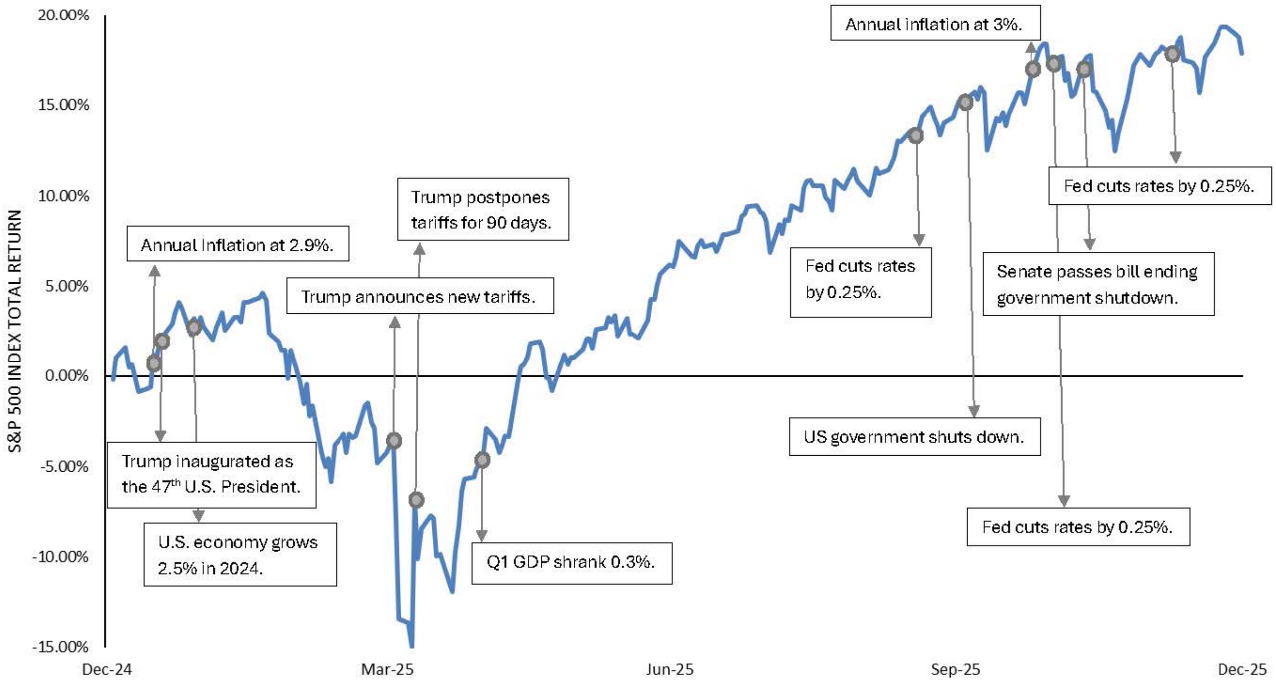
CLIENT-CENTERED FOCUS

In 2025, we continued providing in-depth financial and tax planning services to our wealth management clients, building on our reputation as a premier provider of services under the fiduciary standard.

We also increased our delivery of original personal finance content, including our award-winning Common Cents on the Prairie™ podcast that recently surpassed 75,000 downloads. Thank you for listening! If you need to catch up on recent episodes, you can find them on our website or wherever you listen to podcasts.

As it has been for more than 100 years, our goal is to be your most trusted financial partner and make your life easier and better.

2025 MARKET REVIEW



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Equity Market Highlights

Entering 2025, the S&P 500 was following back-to-back +20% annual gains, which had only happened 10 times since 1871. Market expectations and uncertainty were both high, and the uncertainty quickly materialized on "Liberation Day" (April 2, 2025) when broad tariffs were set on nearly all trading partners and markets were sent into a sharp sell-off. The S&P 500 and Nasdaq both fell more than 10%, with the latter entering a correction (20% selloff from high). On April 9, a 90-day pause was announced on the tariffs, and markets soared in reaction. The S&P 500 gained 9.5%, its third best day since WWII. Tariffs remained in the headlines throughout the year. The other major storyline was the exuberance of artificial intelligence (AI) and the market potential it could create.

International markets propelled past U.S. markets for the year, driven by a weakening dollar and booming markets. Stocks in the U.K., Europe, Japan, and emerging markets all beat the S&P 500 and the Nasdaq composite. Pushed upward by German stimulus plans, European stocks soared 36% in dollar terms including dividends, almost double the S&P's 18%. Many international markets started the year with lower valuations, making them an attractive alternative to U.S. markets — especially during the tariff turbulence that resulted in the "Anywhere But the USA" trades, reversing a long span of U.S. market outperformance.

MAJOR WORLD INDICES

As of December 31, 2025

Index	One Year	Five Years*	Ten Years*
Equity Returns (%)			
S&P 500 (US Stocks)	17.88%	14.42%	14.82%
Russell 2000 (US Small Cap Stocks)	12.81%	6.09%	9.62%
MSCI ACWI ex USA (International Stocks)	33.19%	8.54%	9.05%
MSCI Emerging Markets (EM Stocks)	33.57%	4.20%	8.42%
Fixed Income Returns (%)			
Bloomberg Barclays Global Aggregate Bond (Total Bond Market)	8.17%	-2.14%	1.26%
Bloomberg Barclays US Aggregate Bond (US Bond Market)	7.30%	-0.36%	2.01%
FTSE Three-Month US Treasury Bill (Short-Dated Bond Index)	4.40%	3.31%	2.23%
REIT and Commodity Returns (%)			
S&P North American Natural Resources Sector TR (Commoditites)	21.11%	20.56%	9.76%
Dow Jones US Real Estate Index	3.77%	4.90%	5.80%

**Annualized*

Fixed Income Highlights

The Federal Reserve implemented a series of interest rate cuts in 2025, bringing the target range to 3.5%–3.75%. Cuts were driven by a cooling labor market and signs of slowing economic growth to support employment. While inflation remained above the Fed's long-term target (2%), economic conditions proved resilient. Both Bloomberg Barclays Global +8.17% and Bloomberg Barclays U.S. +7.3% fixed income indexes had healthy returns for the year.

THE "ARTIFICIAL" INVESTMENT BOOM

2025 was a year of transition. Investors swung from cautious optimism at the start of the year, to frenzied pessimism after tariff announcements in April, to euphoria around AI as the year progressed. Add in some monetary easing, and you have a fantastic year for both stocks and bonds but a path that would leave even seasoned investors with a bit of whiplash.

However, the story of the year must be AI. Goldman Sachs now expects more than $500 billion of AI-related spending from U.S. tech firms in 2026, building on an astounding $400 billion spent in 2025. Massive data centers continue to pop up around the country. Demand for electricity is so high that many companies expect to build on-site power plants to bypass the grid. Stocks supporting this build-out have thrived: chip makers, big tech, and even small nuclear reactor companies have rallied on the news. Expectations and stock prices are high as ever.

Investors are left with a puzzle. Is all this investment spending intelligent or just artificial? Only time will tell. Much like last year, we want to remind our clients that opportunities abound outside of the hype. Unbeknownst to many, European financial stocks nearly tripled the return of the U.S. tech sector in 2025. In fact, our best-performing strategy was a fund of mostly U.K. and Japanese small caps. As we enter the new year, know that our team will continue to pursue profitable opportunities wherever they present themselves.

TAX UPDATE

The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025, and made permanent many provisions of the 2017 Tax Cuts and Jobs Act (TCJA) that were set to expire on December 31,2025, as well as introduced several new tax deductions.

Standard deductions for 2026 increased due to inflation. Married couples can deduct $32,200 (up $700 over 2025), plus $1,650 each if 65 or older. Singles get $16,100 (up $350 over 2025), plus $2,050 if 65 or older. The OBBBA created a new senior deduction that allows those 65 and older to take an additional $6,000 deduction per person ($12,000 for joint filers), subject to income phase-outs starting at $75,000 (single) or $150,000 (joint).

The lifetime estate and gift tax exemption increases to $15 million in 2026 (up from $13.99 million in 2025), for a total of $30 million (up from $27.98 million in 2025) available to couples. For 2026, the annual gift tax exclusion remains $19,000 per recipient, with $38,000 available to couples.

Retirement plan contribution limits are higher in 2026. The max 401(k), 457, and 403(b) contribution is $24,500. Those age 50 and older can contribute an additional $8,000 ($32,500 total). Under a change made in SECURE 2.0, a higher catch-up contribution limit applies for employees aged 60, 61, 62, and 63 who participate in these plans. For 2026, this higher catch-up contribution limit is $11,250 ($35,750 in total). The max contribution for traditional and Roth IRAs increased to $7,500 (up from $7,000 in 2025), plus $1,100 catch up for those age 50 and older ($8,600 in total).

The OBBBA created a $1,000 tax credit for opening a Trump account for a child born between January 1, 2025, and December 31, 2028. Trump accounts will be required to be designated as such when they are set up. Contributions are not allowed until 12 months after the date of enactment of the OBBBA and can only be made in calendar years before the beneficiary turns 18. Additionally, they will be capped at $5,000 a year, indexed for inflation after 2027. Distributions can only be made starting in the calendar year the beneficiary turns 18.

The OBBBA created a permanent charitable contribution deduction that begins in 2026 for taxpayers who do not itemize their deductions and allows nonitemizers to claim a deduction of up to $1,000 for single filers or $2,000 for married taxpayers filing jointly for certain charitable contributions. For itemizers, a 0.5% floor on the charitable contribution deduction will be imposed.

Since many of the new provisions are subject to income phase-out thresholds, tax planning with a qualified tax professional will be useful to optimize tax.

THANK YOU

As we look ahead to 2026 and beyond, we recognize that markets will bring both rewarding and challenging periods. While we cannot predict the exact timing, we can prepare for whatever lies ahead.

From the very beginning of our relationship, we have personalized your portfolio to align with your goals, priorities, and comfort with risk. This helps ensure that your investment strategy is thoughtfully aligned with your time horizon and long-term objectives. At the same time, we closely monitor market trends, valuations, and fundamentals so that we can identify and act on meaningful opportunities when they arise.

Ultimately, the best portfolio is one you can stay committed to through all market environments. That consistency allows you to remain confident, knowing that the power of compounding continues to work quietly on your behalf.

If you'd like to revisit your portfolio or discuss other ways we can serve your financial needs, please contact your administrator to schedule a conversation. Thank you for your continuing confidence in us.

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*Measured by the Dow Jones Total Stock Market Index