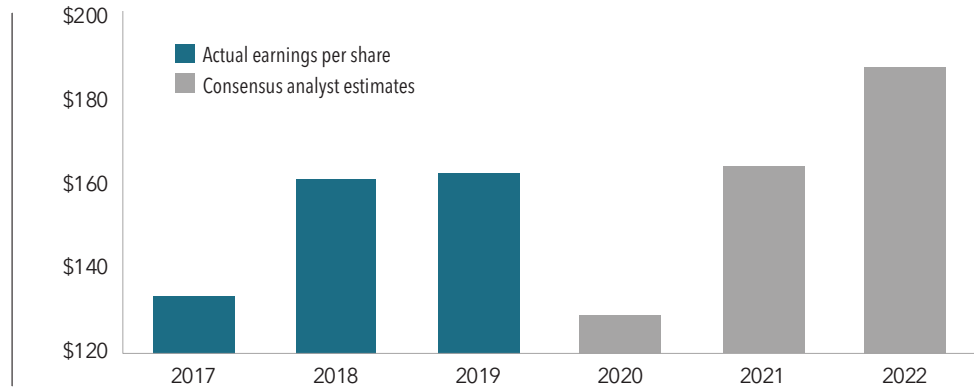


### Market Continues Upward Trajectory

Stocks continued on their upwards trajectory in July, with the S&P 500 closing the month at roughly the same levels as where it started 2020. At the same time we received a report that U.S. GDP in the April-June quarter contracted 32.9% on an annualized basis. These two data points seem disjointed, but the reality is that the market anticipated the GDP number back in March when stocks sold off 35%. The rebound in the market has been based on the economy moving past the virus lockdown and growing back towards longer-term trends in the next couple years. A few trillion dollars in government spending has also helped market sentiment.

Stocks are also moving higher as a result of better earnings on the horizon. As the economy reopens, market analysts currently expect to see significant growth in earnings in 2021 and 2022. We agree earnings should improve, but perhaps not as much as expected. As a result, we are maintaining a somewhat more conservative approach to risk in portfolios.

### S&P 500 Earnings Per Share



### Market Returns

Source: Morningstar Direct data as of July 31, 2020

Asset Class	Index	Total Return 1 Month	Total Return YTD	Total Return 1 Year	Annualized 3 Year	Annualized 5 Year
Global Equities:	Diversified Equity Benchmark*	5.34	-0.79	7.70	8.81	8.93
Domestic Equities:	S&P 500 (Large Cap)	5.64	2.38	11.96	12.01	11.49
	Russell 2000 (Small Cap)	2.77	-10.57	-4.59	2.69	5.10
International Equities:	MSCI EAFE (Developed)	2.33	-9.28	-1.67	0.63	2.10
	MSCI Emerging Market	8.94	-1.72	6.55	2.84	6.15
Fixed income:	Barclays Intermediate U.S. Gov't/Credit	0.75	6.06	7.95	4.53	3.54
	Barclays Muni Short-Interm 1-10 Years	1.08	3.16	4.02	3.22	2.85
	Barclays Global Intermediate	2.66	4.96	5.87	2.63	2.88

### FNBO Mid-Year Economic & Investment Review

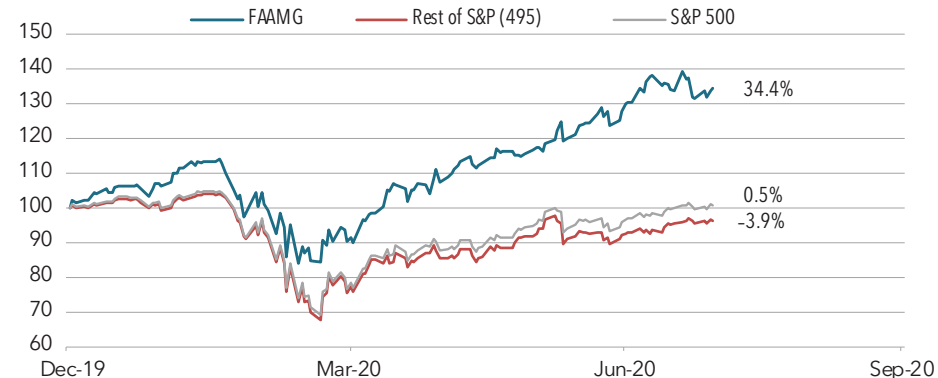
FNBO's Chief Investment Officer Kurt Spieler recently provided an economic and market update. You can tune in and listen to the recording of it [here](#).

### Portfolio Positioning

Even though earnings for the broad market are expected to grow, it is primarily concentrated in a handful of stocks. Growth stocks, highlighted by Facebook, Amazon, Apple, Microsoft, and Google account for 80% of the expected earnings growth this year for the S&P 500. As seen in the chart, these stocks have returned 35% YTD, compared with -5% for the remaining 495 S&P 500 stocks, and each of the five set new record highs during July.

Due to this growth outperformance, our portfolios were overweight equities, particularly in our growth holdings. Given our outlook for the economy and the subsequent impact on company earnings, we took advantage of the market rise to trim our equity positions back to our long-term targets. The transactions led to reducing our growth investments and rebalancing into value and fixed income. For additional commentary, check out the FNBO Mid-Year review highlighted above in the green box.

### Indexed YTD Returns



**Commentary Team:**

Rick Frevert, Scott Summers CFA, Matt Veenker CFA, Dave Young

**Sources:**

Bloomberg, Morningstar, FactSet, Crandall Pierce

\*Benchmark consists of Russell 3000 (76%), MSCI ACWI ex US (20%) and FTSE EPRA/NAREIT Global (4%)

**Index Definitions:**

Barclays Global Intermediate: Index that measures global investment grade debt from 24 local currency markets, including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Barclays Intermediate US Government/Credit Index: a broad-based flagship benchmark that includes investment grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities, within a 2-10 year maturity range.

Barclays Municipal Short-Intermediate 1-10 Years: Index that measures the performance of US municipal bonds with time to maturity of between one and ten years.

FTSE EPRA/NAREIT Global: an index used to track the performance of listed real estate companies and REITS in both developed and emerging markets.

MSCI ACWI ex US: an index that captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 2,136 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

MSCI EAFE - Developed International: created to reflect the performance of small- to large-cap stocks across the developed regions of Europe, Australasia, and the Far East (EAFE). The index was developed by Morgan Stanley Capital International (MSCI) in 1969 and lists 926 stocks from 21 countries in the EAFE.

MSCI EM - Emerging Markets: an index used to measure equity market performance in global emerging markets, consisting of 23 economies including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

Russell Indices: The Russell 3000 is a market-capitalization-weighted equity index maintained by the FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S. traded stocks which represent about 98% of all U.S. incorporated equity securities. The Russell 2000 index measures the performance of approximately 2,000 of the smallest companies in the Russell 3000 index.

S&P Indices: The S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. Other popular indices include the S&P MidCap 400, which represents the mid-cap range of companies and the S&P SmallCap 600, which represents small-cap companies. The S&P 1000 is a combination of the S&P 400 and 600, representing the small and mid-cap market. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 combine to create a U.S. all-capitalization index known as the S&P Composite 1500.

**The performance data quoted represents past performance and does not guarantee future results. Not FDIC Insured. May Go Down in Value. Not a Deposit. Not Guaranteed by the Bank. Not Insured by any Federal Government Agency. First National Bank - Investment Management is a division of First National Bank of Omaha.**

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Indexes shown are market indicators and are for comparative purposes only. They are not meant to represent any actual investment. Indexes are unmanaged and cannot be invested in directly.