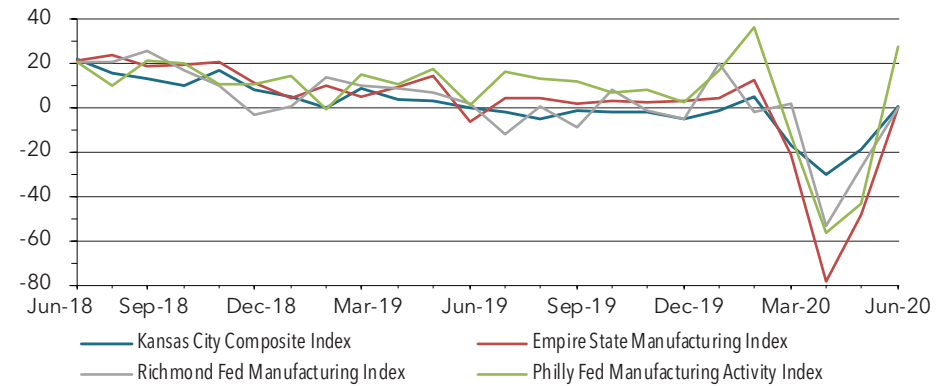


It's going to be a long hot summer

Looking back on the 1st half of 2020, we saw stocks hit all-time highs in February, drop 30% in early spring, and then bounce back to within 5% of those previous highs. The economy has shed millions of jobs and is struggling to reopen after the COVID shutdowns. This all sounds pretty bad, but there are reasons to be optimistic about the future. Economic data is improving as the country slowly reopens. Businesses are hiring back workers that were previously furloughed and the consumer is starting to spend again. Interest rates are at historic lows and the support from the Federal Reserve and Congress is likely to continue.

The second half of 2020 might see markets trade sideways for a while as investors figure out how to balance the improving economic data with worsening COVID data. In addition, election season kicks into high gear with the party conventions next month. We'll start to see what policy might develop over the next few years that could impact portfolios. In the meantime, we're holding steady, making changes at the margin and keeping focused on the longer-term outlook.

Regional Fed Manufacturing Indexes



Market Returns

Source: Morningstar Direct data as of June 30, 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* | 2.74 | -5.82 | 3.18 | 7.72 | 8.11 |
| Domestic Equities: | S&P 500 (Large Cap) | 1.99 | -3.08 | 7.51 | 10.73 | 10.73 |
| | Russell 2000 (Small Cap) | 3.53 | -12.98 | -6.63 | 2.01 | 4.29 |
| International Equities: | MSCI EAFE (Developed) | 3.40 | -11.34 | -5.13 | 0.81 | 2.05 |
| | MSCI Emerging Market | 7.35 | -9.78 | -3.39 | 1.90 | 2.86 |
| Fixed income: | Barclays Intermediate U.S. Gov't/Credit | 0.62 | 5.28 | 7.12 | 4.43 | 3.46 |
| | Barclays Muni Short-Interm 1-10 Years | 0.39 | 2.06 | 3.65 | 3.07 | 2.73 |
| | Barclays Global Intermediate | 0.56 | 2.24 | 2.34 | 2.35 | 2.28 |

We're Committed to Building Strong Communities

FNBO envisions a future where all of our communities are strong and successful. In order to achieve that vision, we understand that every individual must have access to the tools, resources and opportunities that help them reach their goals and improve their overall financial well-being. That's why we deliver community investments, loans and other solutions that address these six interconnected elements of successful communities:

- Entrepreneurship & Small Business Development
- Affordable Housing & Neighborhood Stability
- Education & Workforce Development
- Community Cohesion & Access to Culture
- Community Health & Wellbeing
- Environmental Sustainability

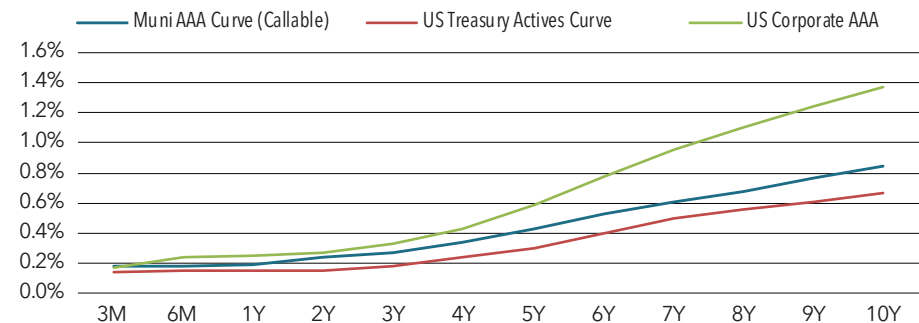
[Click here](#) to view our 2019 Community Impact Report.

Muni Outlook

While much of the municipal bond market has recovered from the lows of March, we are still a little concerned with the overall health. The market is already pricing in more money coming to states and municipalities to plug the budget gaps they will have. California recently passed a budget that relies on billions of fiscal relief from the federal government that may or may not come. If the faucet out of Washington is turned off we will likely see more disruption in the muni market in the near term.

While this could cause negative returns in the short-run, we like the outlook for the bonds we hold in our portfolios over the longer-run. We will continue to do the credit work on the front-end and try to uncover value in the current market and keep an eye on names that might pose greater risks to ensure we preserve capital. Our preference for higher quality general obligation and essential revenue bonds remains unchanged.

Yield Curves



Source: Bloomberg Data as of 7/2/2020

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.