



STRATEGIST HIGHLIGHT



BNY MELLON

PFG BNY Mellon Diversifier Strategy:

- The PFG BNY Mellon Diversifier Strategy utilizes a blend of alternative asset classes alongside traditional fixed income in an effort to outperform bonds during periods of both rising and falling interest rates. The Fund's primary objective is income with a secondary objective of capital appreciation.

BNY Allocation Changes:

- The PFG BNY Mellon Diversifier Strategy did not have any allocation changes.

BNY Mellon Market Commentary:

- Equity markets rallied strong through the latter half of the quarter as the market's dovish hopes for a policy pivot via the Federal reserve to cut rates was confirmed by Chairman Powell.
- The market repricing of a soft landing was supported by further falls in yields across the curve, helping to make up lost ground in assets that had largely been left behind by the Magnificent seven earlier in the year such as REITs.
- While high level growth expectations remain positive, but trending downward, the abatement in policy left markets more bullish on maintaining margins amidst higher financing costs.
- Inflation continued to moderate as the lagged effects of higher rates and slowing commodity demand continue to be felt despite a robust labor market.
- Energy prices were a significant contributor to top line inflation coming down despite additional measures by OPEC to maintain control.
- The goods to services demand swap continued to be supported by the strong consumer.
- Fixed income markets continued to rally with further compression in US 10Y treasury yields that was accompanied by tightening in spreads, whilst also leading to a move in real rate differentials away from the US, weighing further on the US dollar and providing further support for gold.
- Geopolitical risks continue to revolve around middle east conflicts as traffic flow through the Suez canal required NATO aligned forces to protect global shipping via missile intercepts and strikes of Houthi rebel vessels. This alongside continued attacks on US forces in the Red Sea, Syria and escalating clashes in Southern Lebanon increases the probability of a broadening conflict in the coming months.

BNY Portfolio Changes, Positioning & Rationale Commentary:

- Inflation
 - The portfolio has increased the Liquid Real Asset Position to a smaller underweight and re-introduced a position in Global REITs funding it from Global Real Return. Real estate is expected to benefit from continued pressure on rates as the economy slows and the underlying real estate market has repriced a significant amount leading to more attractive valuations.
- Deflation
 - The portfolio maintained its weight in Core Fixed Income at a large overweight as real yields appear attractive, and duration should provide a balance against market volatility as credit conditions tighten economic activity further.
- Real Return
 - The portfolio lowered its weight in Real Return to a larger underweight to fund an addition to REITS.

MODEL HIGHLIGHT



- The PFG BNY Mellon Diversifier Strategy finished off the year with a strong 4Q23 performance, helping the Strategy get back into positive territory to close out the year.
- Some of the biggest contributors to the Strategy's performance was the BNY Mellon Core Plus Bond fund and the iShares Global Infrastructure ETF. Both of these underlying funds helped the Strategy stay diversified throughout the year, giving it the ability to navigate the markets and provide positive returns.

TALKING POINTS: *This weeks' conversation starters for advisors to educate and inform your clients*

Market News

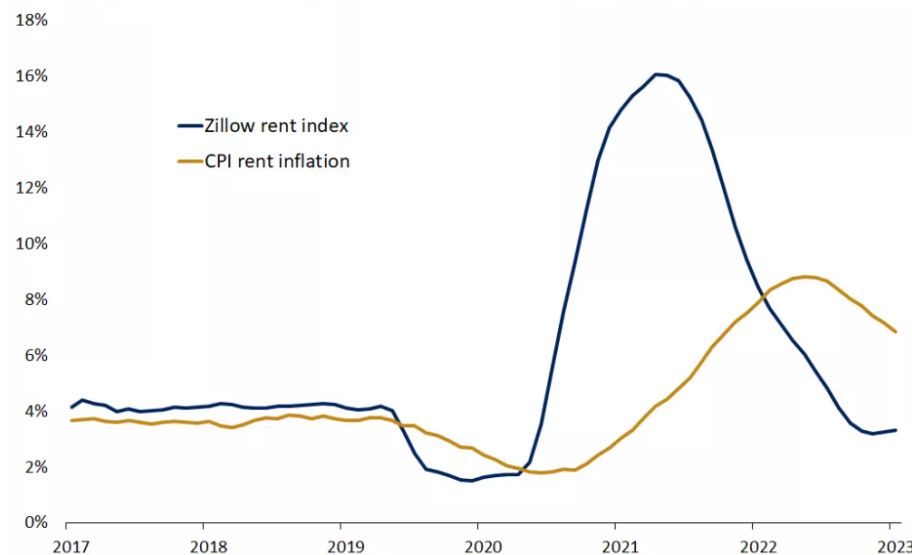
- Domestic equities picked up again and moved higher last week, with growth-oriented investments handily outperforming both blend and value, and large caps outperforming both mid and small-caps. The tech-heavy NASDAQ (+3.09%) performed best for the week, while the S&P 500 (+1.87%) and DJIA (+0.35%) also gained ground.
- Consumer Price Index data showed that headline inflation had risen 0.3% month-over-month in December, which was slightly higher than expected. Excluding food and energy, core inflation also rose 0.3%, although this was inline with expectations. On a year-over-year basis, headline and core inflation have risen 3.4% and 3.9%, respectively.
- The Producer Price Index came in slightly better than expected, falling 0.1%. Over the course of 2023, headline PPI rose 1.0%, +1.8% when excluding food and energy, which is below the Fed's target of 2.0%.

PFG Strategy News

- The strong rebound/ performance of growth and tech in equities last week was captured in both the PFG Fidelity Institutional AM Equity Index and Sector Strategies.
 - The Fidelity 500 Index Fund, found in the PFG Fidelity Institutional AM Equity Index Strategy, was positioned to mimic the returns of the S&P 500 last week, helping regain some lost ground from the previous week.
- The PFG Fidelity Institutional AM Equity Sector Strategy's exposure to specific sectors that have performed well, such as technology, communication services, and consumer discretionary, has continuously helped it record strong returns.

CHART OF THE WEEK:

Timely data suggest that rent inflation will continue to moderate through 2024



The chart to the left shows the Zillow Rent Index and the year-over-year change in U.S. CPI rent inflation. The chart paints a picture that, with the ongoing slowdown in the Zillow Rent Index, lower CPI rent inflation could be expected to come.

Source:
https://www.gsam.com/content/gsam/us/en/advisors/market-insights/market-strategy/global-market-monitor/2024/market-monitor_010524.html

THIS WEEK AHEAD

Tuesday, January 16:

- Empire State Manufacturing Survey

Wednesday, January 17:

- Import Price Index
- U.S. Retail
- Industrial Production
- Capacity Utilization
- Business Inventories
- Home Builder Confidence Index

Thursday, January 18:

- Initial Jobless Claims
- Philadelphia Fed Manufacturing Survey
- Housing Starts
- Building Permits

Friday, January 19::

- Consumer Sentiment (Prelim)
- Existing Home Sales

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The indices are presented as broad-based measures of the equity, fixed income and consumer markets. The indices are provided for comparative and illustrative purpose to provide a comparison of the model against the broader based equity, fixed income and consumer market. The indices are not intended to reflect the investment objectives of the model as the securities held within the model will differ in market volatility, concentration, investment objectives and diversification among others from those of the indices. The indices are not managed, and returns do not reflect the deduction of fees, expenses, transaction costs or taxes that actual client accounts are subject to. Investors cannot invest directly in an index. Returns are not annualized for periods less than 1 year.

Net of Fees Performance returns for each model are net of fees which assume the maximum annual management fee of 2.0. Actual fees charged are negotiable and may vary based on a variety of factors, including the size of a client's account, services rendered, or investments within the model. Actual fees charged are disclosed and agreed to by the client at the time of entering into an investment management agreement or in the fund's prospectus as applicable. TPFG's fees do not include the internal expenses which may be assessed by a fund or investment vehicle held within the model.

Trailing Major Index Returns and YTD S&P Sector Returns are sourced from Morningstar Direct.

All other economic and market data sources may include, and is not limited to:

- JPMorgan Asset Management, publicly available at <https://am.jpmorgan.com/us/en/asset-management/adv/>
- insights/market-insights/market-updates/weekly-market-recap/
- Edward Jones, publicly available at <https://www.edwardjones.com/us-en/market-news-insights/stock-market-news/stock-market-weekly-update>
- Goldman Sachs, publicly available at <https://www.gsam.com/content/gsam/us/en/advisors/market-insights.html>
- T. Rowe Price, publicly available at <https://www.troweprice.com/personal-investing/resources/insights/global-markets-weeklyupdate.html>