THE PACIFIC FINANCIAL GROUP

MANAGER'S PULSE

DATE: July 31, 2023

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

Market News

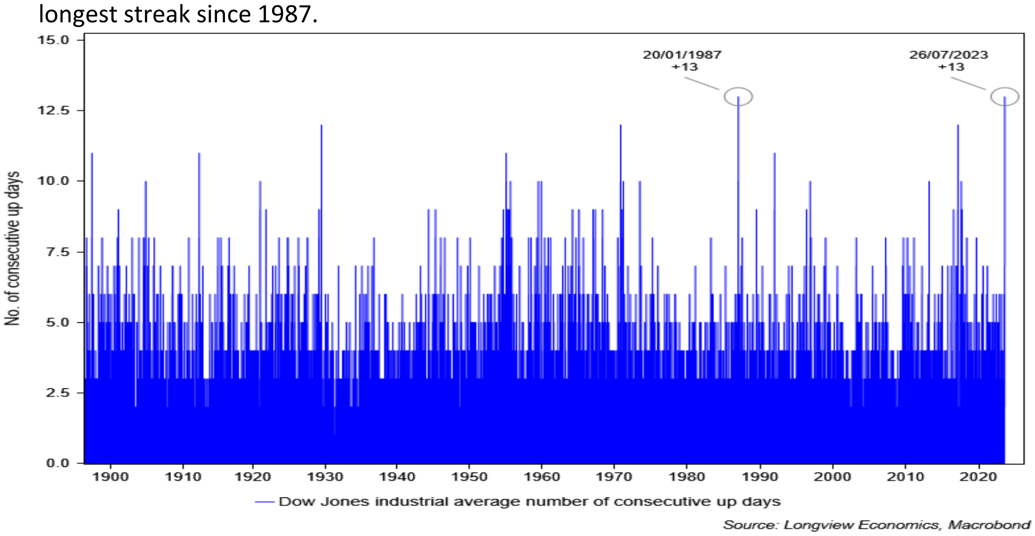
- Continued gains in equity markets last week were supported by favorable economic data: better-than-expected earnings, initial positive Q2 GDP estimate exceeding expectations, rising consumer confidence, and a falling Personal Consumption Expenditure (PCE).
- The Nasdaq (+2.03%) led domestic indexes, followed by the Russell 2000 (+1.09%), and S&P 500 (+1.03%). Communication Services (+6.9%) was the top performer, supported by favorable earnings from Meta Platforms and Alphabet.
- The Federal Reserve raised the benchmark Fed Funds Rate by +25 bps to a target range of 5.25-5.5%. The Fed reiterated its 'data dependence' policy approach and noted that they are no longer forecasting a recession. The European Central Bank (ECB) also raised its three benchmark interest rates by +25 bps each, citing elevated but declining inflation.
- Personal Consumption Expenditures (the Federal Reserve's preferred inflation benchmark) rose by +3% year-over-year in June (slowest pace in over two years), down from +3.8% year-over in May. Another sign that inflation pressures are trending lower.

PFG Strategy News

- The PFG American Funds Growth Strategy continues to be the top performer among PFG Strategies YTD, in synchrony with the resurgence in technology and growth-centric sectors.
- The PFG Fidelity Institutional AM Equity Index Strategy has also been a top performer, driven by its overweight position to US Large Caps which tracks the S&P 500 Index.
- Increased probability of a "soft-landing" was a tailwind for equities, which resulted in a positive week for the equity-heavier PFG strategies such as PFG American Funds Growth Strategy, PFG BR Target Allocation Equity Strategy, PFG Fidelity Institutional AM Equity Index Strategy, and PFG Invesco Equity Factor Rotation Strategy.
  - For those looking to increase large cap growth exposure given the momentum of large-cap growth, PFG American Funds Growth Strategy and PFG MFS Aggressive Growth Strategy generally tilt heavy towards the growth style.

CHART OF THE WEEK:

The Dow Jones Industrial Average rose for 13 consecutive trading days ended 7/27, the longest streak since 1987.



Source: https://twitter.com/Lvieweconomics/status/1684476017660887040

THIS WEEK AHEAD

Monday, July 31:
- Chicago PMI
- Dallas Fed Mfg. Activity

Tuesday, August 1:
- JOLTS Report
- ISM Manufacturing

Wednesday, August 2:
- ADP Employment Report

Thursday, August 3:
- Initial Jobless Claims
- Factory Orders
- ISM Services

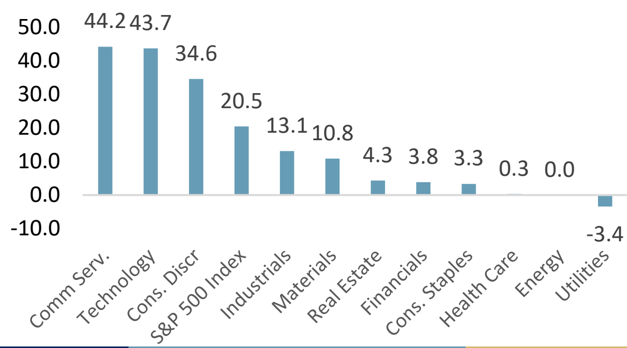
Friday, August 4:
- Nonfarm Payrolls (July)
- Personal Spending

	Weekly	YTD
Equities		
S&P 500 Index	1.03%	20.47%
Dow Jones Industrial Average	0.66%	8.24%
NASDAQ Composite Index	2.03%	37.43%
MSCI EAFE	0.92%	15.12%
MSCI EM	2.85%	11.02%
Fixed Income		
Bloomberg US Aggregate	-0.40%	1.89%
Bloomberg US Croporate	-0.23%	3.33%
Bloomberg US High Yield	0.08%	6.61%

Style Performance YTD

	Value	Blend	Growth
Large	0.27%	1.03%	1.65%
Mid	0.22%	0.15%	-0.01%
Small	1.64%	1.09%	0.53%

Sector Performance YTD



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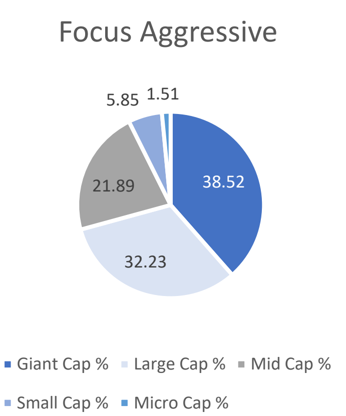
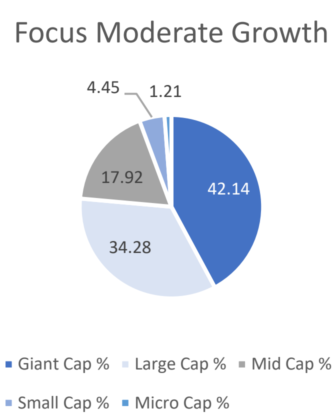
STRATEGIST HIGHLIGHT

BNY MELLON

- BNY Mellon's July portfolio update highlighted the global equities rally in June. BNY's Global Real Return fund, currently around a quarter of the strategy's allocation provides exposure to ex-US equities.
- On asset classes and positioning, the Strategy maintains a 5% underweight in Liquid Real Assets. Further, a position in Global Infrastructure was initiated after the allocation to Global Natural Resources was reduced. The position in Global Infrastructure is expected to provide a stable source of return and benefit from ongoing transitions to clean energy.
- The PFG BNY Mellon Diversifier Strategy has a large overweight in Core Fixed Income given the attractiveness of real yields. The purpose of core fixed income should provide ballast against potential market volatility in equity/fixed income portfolios.
- The Strategy shifted into Core Fixed Income from the underlying Real Return allocation given the downward trajectory of inflation.
- Underperformance of BNY's Global Real Return Fund stems from its overweight in its stabilizing layer which consists of government bonds, gold. These asset classes lagged equities throughout the last quarter, which resulted in underperformance.
- The current positioning of the strategy is as follows: Liquid Real Assets 5% (5% underweight policy weight), Fixed Income 68% (8% overweight policy weight), and Real Return 27% (3% underweight policy weight).

FOCUS PLUS





MODEL HIGHLIGHT

- The PFG JP Morgan Tactical Aggressive Strategy is one of the largest weighted fund in the Focus PLUS Moderate Growth and Focus PLUS Aggressive Models.
  - The PFG JP Morgan Tactical Aggressive Strategy continues to reduce exposure in defensive U.S. large cap equities in favor of small cap equities and risk-on U.S. large cap equities in response to strengthening economy, price action, and lower risk of recession in the near term.
- One of the common theme across our Strategists is the probable broadening out of the markets from large caps to small and mid caps
- Highlighting PFG's Focus PLUS Moderate Growth and Aggressive Models, both models provides 20-30% exposure to small and mid caps

Important Disclosures

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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

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.

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-marketweekly-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