# ECONOMIC & CAPITAL MARKETS OUTLOOK

## BNY MELLON INVESTMENT STRATEGY & SOLUTIONS GROUP

**FIRST QUARTER 2013**

Prepared for institutional investors, professional clients, or other qualified, sophisticated individuals only.

**INVESTMENT MANAGEMENT**

BNY MELLON

# EXECUTIVE SUMMARY

### About ISSG

The BNY Mellon Investment Strategy and Solutions Group (ISSG) partners with clients to develop thoughtful and actionable solutions to broad investment policy issues. We engage in an ongoing dialogue with our institutional clients to achieve a deep understanding of their concerns and needs. Harnessing the full depth and breadth of our global network of specialized investment boutiques across all asset classes and return/risk objectives, we help craft comprehensive strategies relevant for our clients' specific investment objectives and policies.

### About ISSG CMC

The ISSG Capital Markets Committee (CMC) governs asset allocation policy and assesses the market outlook for the global multi-asset strategies and solutions managed by ISSG.

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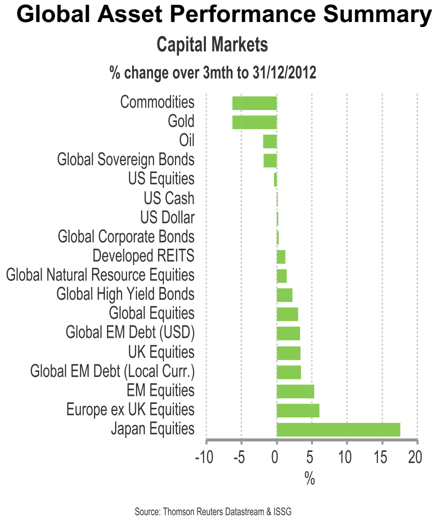
### ISSG CMC Summary Asset Allocation

| | Current | Benchmark |
|---|---|---|
| **Global Equities** | 57.5% | 50% |
| **Global Bonds** | 40% | 50% |
| **Cash** | 2.5% | 0% |

- Risk assets remain attractively valued
- Sovereign bonds expensive; offer uncompensated duration risk
- Look through U.S. fiscal challenges as global growth expectations are turning

### Global Asset Performance Summary




## What we are watching…

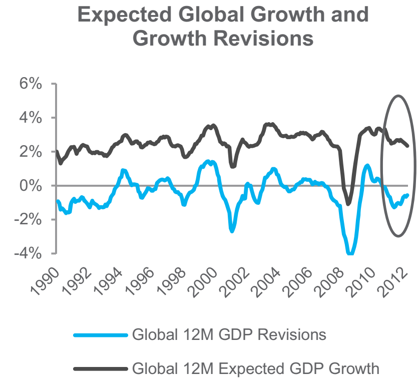
| Theme | ISSG View | Asset Class Impact | Risks to View | Recent Considerations for ISSG View |
|---|---|---|---|---|
| **Global Growth** | Developed growth expectations improving; signs that emerging world is stabilizing. | Could provide a tailwind for risky assets including equities and commodities. | Re-emergence of fiscal concerns in the U.S. and Europe stifles rebound; continuing weakness in China. | U.K. and Eurozone growth revisions momentum ticking up, emerging world seems to have bottomed. |
| **Global Inflation** | Global inflation expectations have normalized but show few signs of acceleration. | Neutral to risky assets, long term negative for nominal fixed income assets. | Double-dip global recession or premature tightening of monetary policy. | Global inflation expectations near long-term average; revisions index basically flat. |
| **Monetary Policy** | Global monetary policy accommodative across the world; competitive devaluation on-going. | Low yields to persist, driving investors into HY and out of Gov'ts, Agencies and MBS. Remains to be seen if new Fed targeting strategy will have desired effects. | Failure of new strategy could erode Fed credibility and entrench economic malaise. Timing of liquidity withdrawal raises inflation risk. | Fed announces first explicit targets for U.S. inflation and employment. Recent Fed minutes hint at end to bond purchases in 2013. |
| **Fiscal Policy** | Initial fiscal cliff hurdles were cleared…or maybe just moved down the track. More brinksmanship to come. Austerity in Europe continues. | Creates near-term volatility in asset markets. Longer term, unsustainable fiscal policies likely to create tighter financial conditions and higher interest rates. | Prolonged fiscal uncertainty, major impact on U.S. and global growth, further headline risk over U.S. credit rating and solvency. | Administration digging in heels on debt ceiling, pairing spending cuts with tax increases. Was too much political capital spent on Fiscal Cliff Round 1, making debt ceiling debate more difficult? |
| **Emerging Markets** | Have lagged developed markets but recent signs of an improving Chinese economy. | EM equities positioned to do well in a renewed global growth environment. | Chinese policy remains too tight for recovery; continued commodity price weakness. | Deceleration of negative growth revisions for China, Russia, Brazil. |
| **"Tail Risk Monitor"** | Low probability, but: Resurgent Eurozone debt crisis, China hard landing, Middle East turmoil, Currency/Trade war. | Negative for risky assets; continued pressure on low quality sovereigns vs. investment grade countries | Deepening of Eurozone recession increases pressure on fragile Eurozone, global trade. | Eurozone, Chinese growth expectations moving higher. Middle East tensions stabilizing |

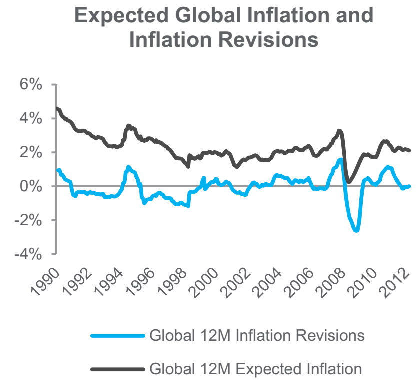
# ECONOMIC OUTLOOK

Forward 12-month growth expectations were revised downward during the three months ended in December for every country in our global composite (G8 plus Spain, China, Brazil, and India) except Italy. Expected global growth decreased by 0.26% cumulatively over the quarter. The outlook for expected inflation was more mixed. Globally, expected inflation was essentially flat, revised down by 4 basis points. This data, however, masks an exciting global trend that is developing. While global growth expectations have drifted down fairly steadily since March 2011, our GDP revisions index bottomed in February 2012.

The momentum of growth revisions has clearly turned, even as growth expectations have decreased. We believe that this provides a supportive backdrop for risky assets. Italy had the largest positive change over the past quarter at 0.98%. Many of the other Eurozone countries that we monitor also experienced positive momentum, as did the U.K. This change in revisions momentum is very welcome news! The commitment of Mario Draghi to do whatever necessary to maintain the euro as a currency and monetary union appears to have given markets in the region, and globally, reason to believe that Europe will not fall into chaotic oblivion.

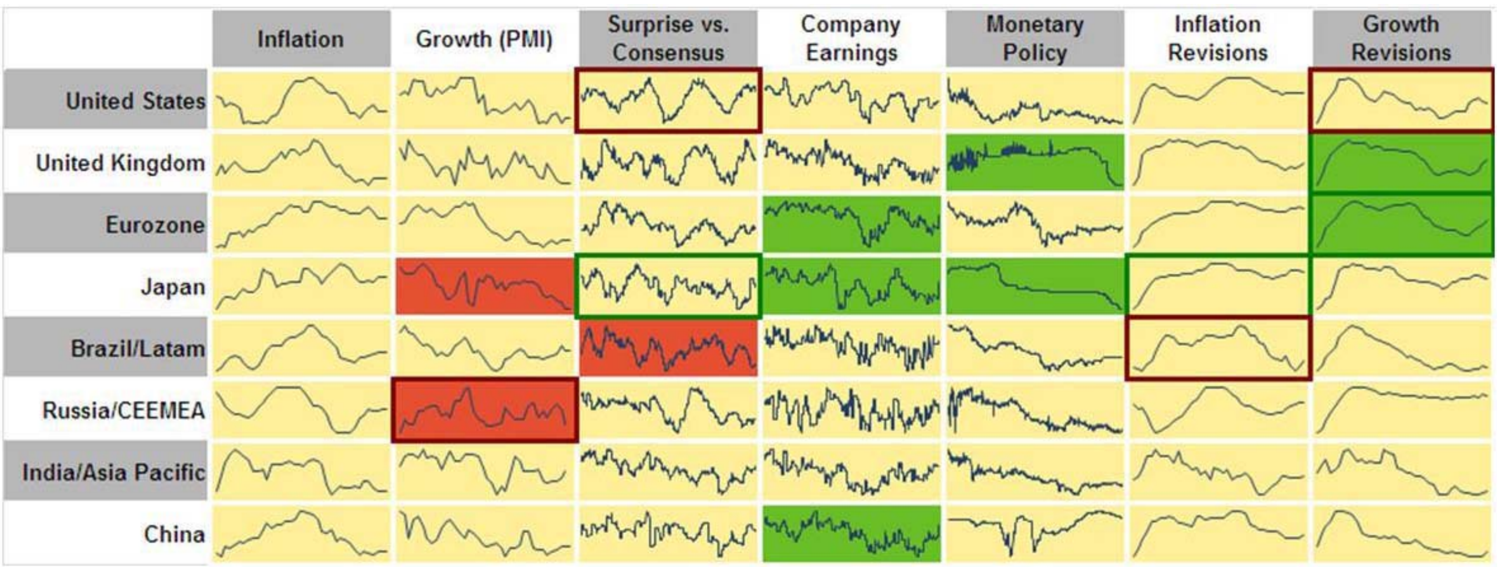
The U.S. is near the bottom of the developed countries that we monitor in terms of GDP revisions momentum over the quarter. Although the markets cheered the resolution of Fiscal Cliff, Round 1, policy uncertainty over the quarter may have pushed out some potential growth into 2013. There remain significant hurdles to a fiscal resolution in the U.S. (budget ceiling, tax rates, spending cuts, etc.) Our expectation is that future rounds may be messy and volatile, as the political capital cost of round 1 was high (especially for the House Republican leadership). India and China were notable for their slower pace of negative GDP revisions over the quarter, and we see signs that the negative pressure is lessening. It seems likely that we are in the midst of a major momentum shift towards positive economic trends as evidenced by the emergence of green indicators on the heat map below:




Source: ISSG, Datastream, and Consensus Economics

**ISSG Global Macroeconomic Heat Map**

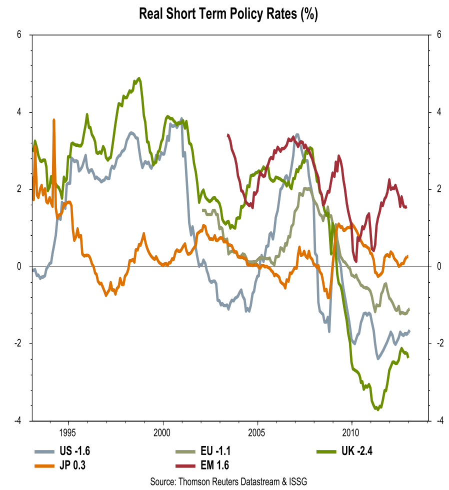


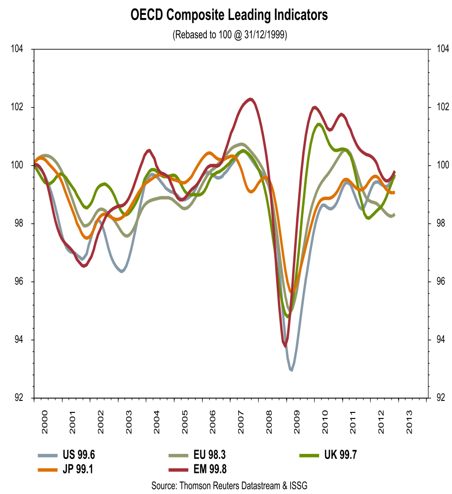

This heat map is designed to display a wide spectrum of macroeconomic trends across the major global regions over the past three years (31/12/09-31/12/12). Green and red shading indicate what we believe to be positive and negative levels, respectively, of the indicated variables, while green and red borders indicate positive and negative changes over the last quarter. Yellow shading indicates neutral readings. The time series lines are shown merely for ease of comparing trends, and are not meant to convey any particular values or levels. See appendix for series definitions and sources.

# ECONOMIC OUTLOOK

### 5 Things to Watch in Q1 2013

i. Fiscal Cliff Round 2: The debt ceiling debate
ii. Corporate profitability & expectations - Q1 pre-announcement season
iii. News flow on Eurozone banking integration & Italian elections
iv. Evidence of Eurozone recession ending as periphery follows German lead
v. Underlying improvement in Chinese economic indicators – turning point or temporary?




The macroeconomic picture for the U.S. is essentially neutral, with negative quarterly changes in the Citigroup Economic Surprise Index and our Growth Revisions Index. As reflected in these measures, we believe that fiscal cliff uncertainty has had a near term impact on U.S. economic activity. This is consistent with the signals from our Regime-Based Asset Allocation* work, which assigns a high probability to a "Cooling" regime in the U.S., with mildly falling growth and inflation expectations. Amidst this uncertainty, U.S. monetary policy continues to be supportive. The recently announced dual Fed targets for inflation and unemployment indicate that policy should continue to be accommodative for longer than market participants had previously discounted. An additional bright spot has been the apparent stabilization in the U.S. housing market. There is an upward trajectory in everything from existing home sales to building permits. It may still feel too early to call the housing market recovered, but this is great news incrementally.

The remainder of the developed world is beginning to flash green. Monetary policy is stimulative in both the U.K. and Japan, and neutral in the Eurozone. While policy rates are slightly higher in the Eurozone relative to other developed economies, the non-traditional OMT (Outright Monetary Transactions) policy announced by the European Central Bank has precipitated a sharp tightening in rates for both Spain and Italy. More importantly, the momentum of growth expectations for both the U.K. and Eurozone has turned in the right direction, potentially a positive harbinger for 2013 performance. Earnings revisions in Japan have moved to a very positive level. The recent electoral victory of the Liberal Democratic Party is likely to bring renewed vigor to both fiscal and monetary efforts to stem deflation and stimulate growth.

There are signs of green shoots in our emerging market macro heat map. China, for one, has moved into positive territory on company earnings revisions. However, there are still several large obstacles to a successfully engineered soft landing in China, including an acceleration of non-performing loans at the municipal level. Given that the revisions to Chinese inflation expectations are moving in the right direction, we are hopeful that a loosening of tight monetary policy will soon be a viable policy option. While growth revisions in India and China are still in negative territory, the momentum seems to be turning.

ISSG research shows that global inflation and growth revisions are an important determinant of risky asset returns across countries. Our view is that global growth revisions are turning positive and the global inflation picture is benign. There are signs of a clear turn in the developed world and reasons to be optimistic that emerging countries will follow. We maintain our overweight equity positioning within the context of a global balanced portfolio.

*Regime Based Asset Allocation (RBAA) is a proprietary asset allocation model created by the ISSG which considers asset returns in the context of regimes created by underlying changes in growth and inflation expectations. Contact the ISSG for detailed information on this research. Please see appendix for information regarding regime categories.

# ASSET CLASS OUTLOOK

## Global Equity Markets:

| | ISSG View | Valuation Model | Momentum Model | RBAA Model |
|---|---|---|---|---|
| U.S. Equity | Overweight | Favorable | Neutral | Favorable |
| Europe Ex U.K. Equity | Underweight | Neutral | Favorable | Favorable |
| Pacific Ex Japan Equity | Neutral | Favorable | Favorable | Favorable |
| Japan Equity | Neutral | Neutral | Neutral | Unfavorable |
| U.K. Equity | Neutral | Neutral | Favorable | Favorable |
| EM Equity | Overweight | Favorable | Favorable | Favorable |
| REIT Equity | Underweight | Unfavorable | Favorable | Favorable |
| Global Natural Resource Equity | Overweight | Neutral | Favorable | Favorable |

**U.S. Equity:** Investor uncertainty in the sustainability of recovery and political process leaves U.S. markets attractively valued. As corporations begin to invest their record cash balances, the U.S. economy has potential to lead global growth.

**Europe Ex U.K. Equity:** Structural challenges remain. More definitive steps towards fiscal union could cause a change in outlook. Headlines may create tactical opportunities for risk-tolerant investors. Is the bad news fully priced in?

**Pacific Ex Japan Equity:** Neutral due to both commodity price risk and China slowdown risk, but with positive signals from both momentum and valuation models. Export-driven economic model is vulnerable longer-term. Low beta play on economic acceleration in China.

**Japan Equity:** End of post-tsunami economic surge and poor demographic profile vie with recent stimulus in the form of "Abenomics" and race to depreciate the yen; winner to be determined. Valuations are attractive, but have been since 1989.

**U.K. Equity:** Recent inventory restocking has led to positive economic momentum. Yet, inflation concerns keep the Monetary Policy Committee cautious about more monetary stimulus. Fiscal austerity and exposure to Europe present longer-term structural headwinds.

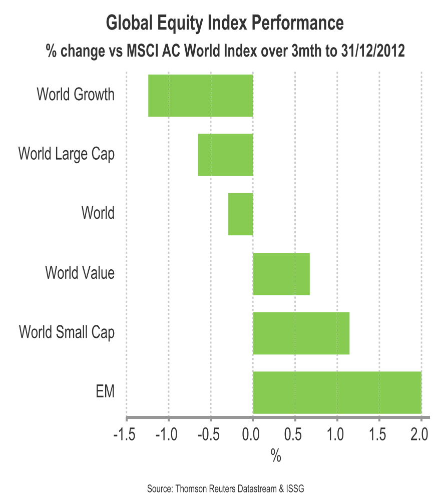
**EM Equity:** Valuations are attractive as is growth potential. Economic momentum has accelerated in recent months, led by China. Policy has room to combat growth headwinds.

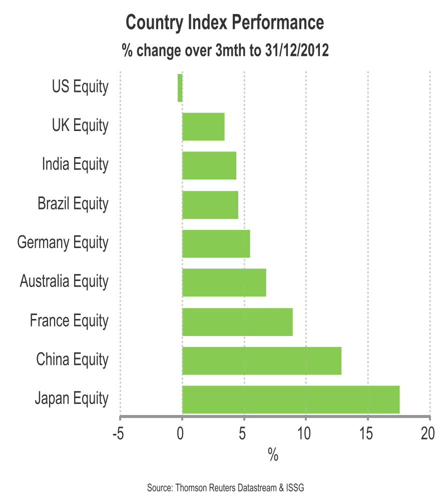
**REIT Equity:** Yields have become too compressed. Spreads to Treasuries are misleading given effects of QE on interest rates. The global hunger for income has made these securities quite expensive.

**Global Natural Resource Equity:** Attractive if recent commodity price weakness reverses. These equities tend to be sensitive to accelerating growth in emerging markets. They may also be a good hedge against geopolitical headline risk and inflation.

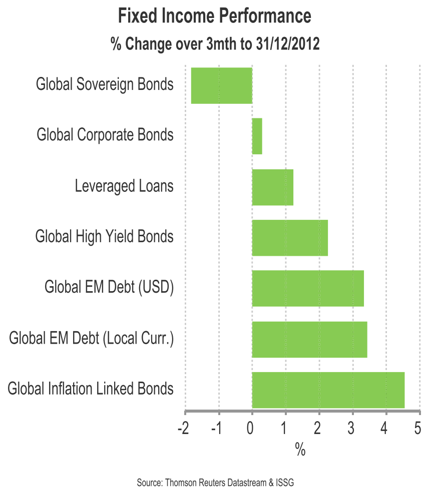
Please see appendix for further information.

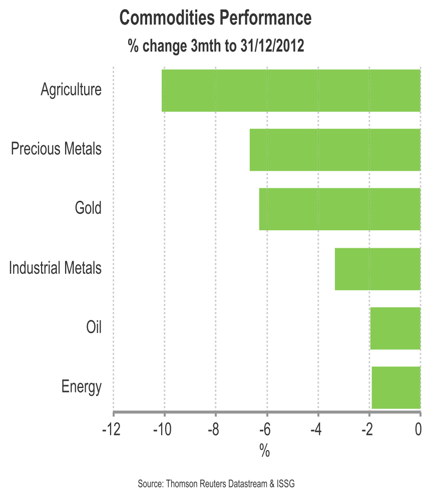
| ASSET CLASS | ISSG VIEW |
|---|---|
| **Global Equities** | +7.5% |
| U.S. | O/W |
| Europe Ex U.K. | U/W |
| Pacific Ex-Japan | Neutral |
| Japan | Neutral |
| U.K. | Neutral |
| EM | O/W |
| REITS | U/W |
| Global Natural Res. | O/W |
| **Global Bonds** | -10% |
| U.S. Sovereign Debt | U/W |
| U.K. Sovereign Debt | U/W |
| Japanese Sovereign Debt | U/W |
| German Sovereign Debt | U/W |
| High Yield | Neutral |
| U.S. IG Corp. Bonds | U/W |
| EM Local Cur. Debt | O/W |
| EM USD Sovereign Debt | O/W |
| **Cash** | +2.5% |

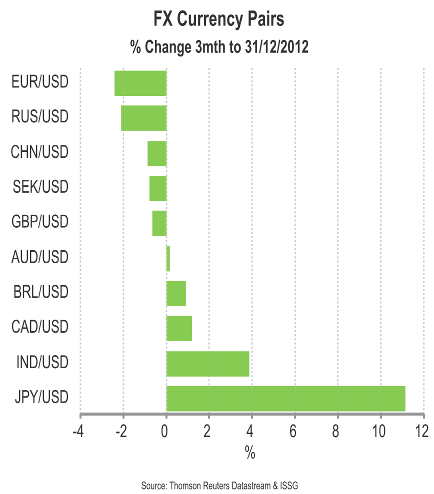


# ASSET CLASS OUTLOOK




## Global Bond Markets:

| | ISSG View | Valuation Model | Momentum Model | RBAA Model |
|---|---|---|---|---|
| **Developed Sovereigns** | Underweight | Unfavorable | Neutral | Neutral/ Favorable |

Investors in developed sovereigns (U.S., U.K., Japan, and Germany) are not being adequately compensated to take duration risk. Unprecedented global policy intervention is likely to set a negative environment for long-term returns in these assets.

| | | | | |
|---|---|---|---|---|
| **High Yield** | Neutral | Unfavorable | Favorable | Favorable |

Spreads for high yield bonds are near long term averages while low level of global interest rates creates risk. We do prefer credit risk to duration risk within fixed income.

| | | | | |
|---|---|---|---|---|
| **Investment Grade Corp.** | Underweight | Unfavorable | Neutral | Neutral |

While we prefer spread risk to duration risk, the total return potential in investment grade corporate bonds remains unattractive.

| | | | | |
|---|---|---|---|---|
| **Emerging Markets – Local** | Overweight | Favorable | Favorable | Favorable |
| **Emerging Markets- USD** | Overweight | Unfavorable | Favorable | Favorable |

We like the risk/return characteristics of emerging market bonds within the sovereign opportunity set. We prefer local currency bonds as we believe that emerging market currencies are likely to strengthen vs. developed currencies and U.S. dollar-denominated bonds are susceptible to duration risk from the Treasury curve.

| | |
|---|---|
| **Cash** | Overweight |

We remain overweight cash as a way to de-risk the portfolio as opposed to increasing our allocation to developed market sovereign bonds. We have recently reduced the size of our cash overweight in favor of U.S. and emerging market equities given improving economic outlooks and valuations in those regions.

## Commodities

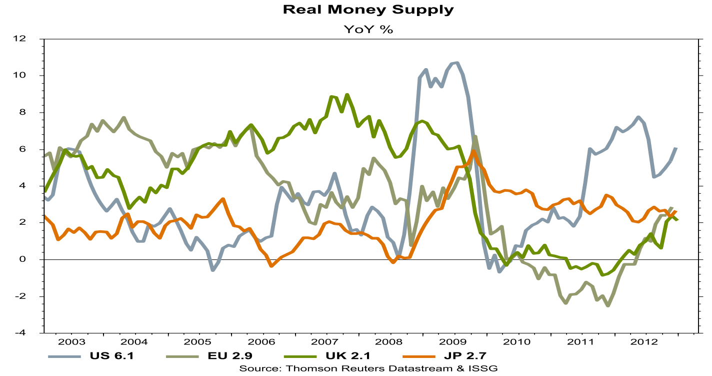
While energy remains a solid hedge to inflation surprises and accelerating emerging market growth, it also serves as a hedge to geopolitical risk. Precious metals most likely continue to be driven by policy expectations in the next quarter. Base metals may remain flat lined despite accelerating emerging market growth, given high Chinese inventories. Finally, agricultural commodities most likely will remain tied more to weather related risk than economic growth. Concern over food prices may provoke policy responses in a continued high unemployment environment.

## Currencies

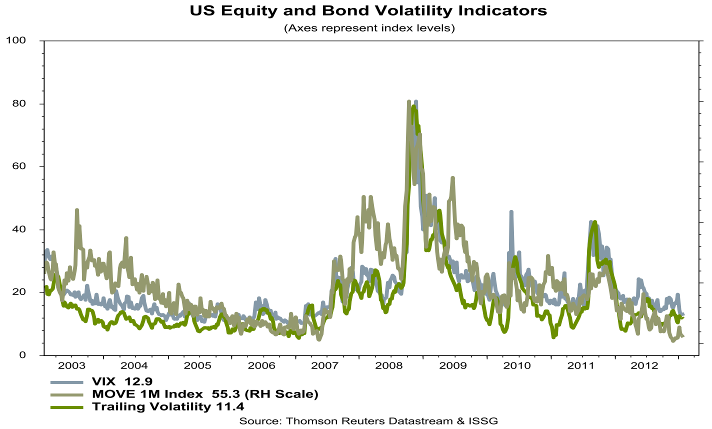
Structural bias towards barbell approach using dollar and sterling as anchors, combined with emerging market currencies further out on the risk spectrum. “Abenomics” may accelerate return of the carry trade with the yen as the funding source.

Please see appendix for further information.

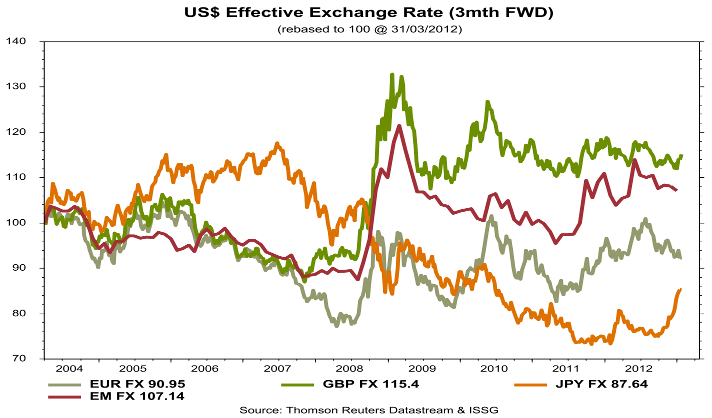
# KEY CHARTS: ECONOMICS AND MARKETS



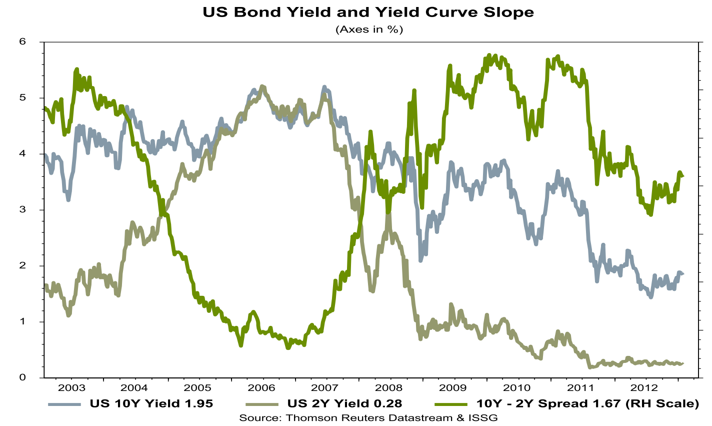

Real money supply growth is higher than expected real GDP growth throughout the developed world, but is it high enough to fuel increasing global strength? Recent actions by the ECB seem to have stabilized things and put EU money growth back on track.




Market volatility measures aren't flashing any warning signs. Contrarians call this a warning sign.



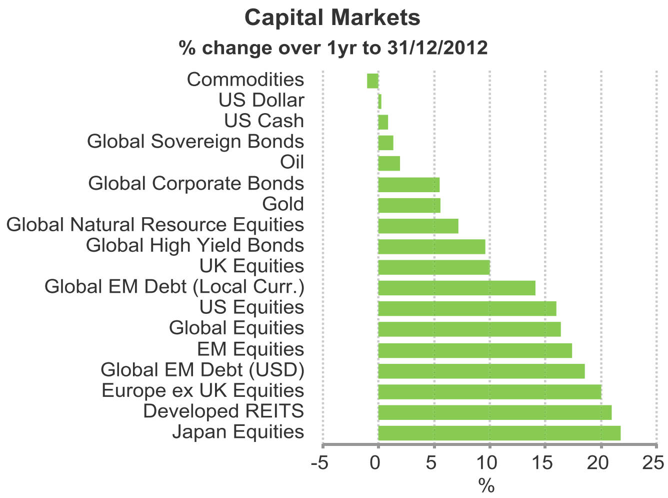

The U.S. dollar has been stable or strengthening versus the world's currencies over the last few years. The euro has been remarkable in light of the pressure and negative news faced by its member countries.



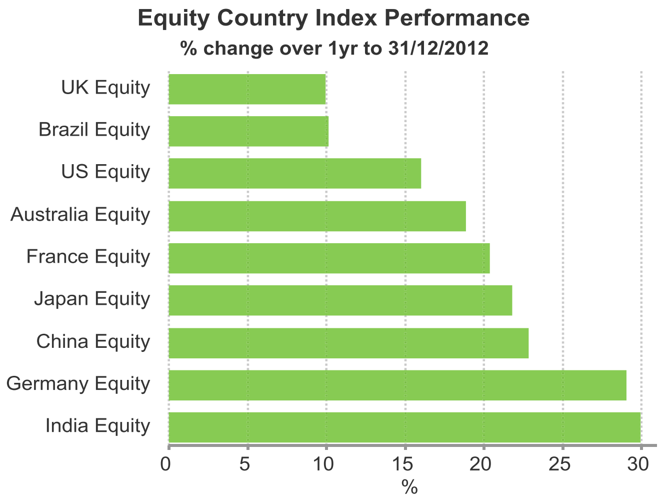

Policy and fear have kept rates low across the U.S. government yield curve. The curve is flattening, but the 10Y-2Y spread is surprisingly normal. This may suggest the quantitative easing has further scope for meaningful impact than is commonly believed.

# KEY CHARTS: ECONOMICS AND MARKETS

## Performance Monitor:




Source: Thomson Reuters Datastream & ISSG

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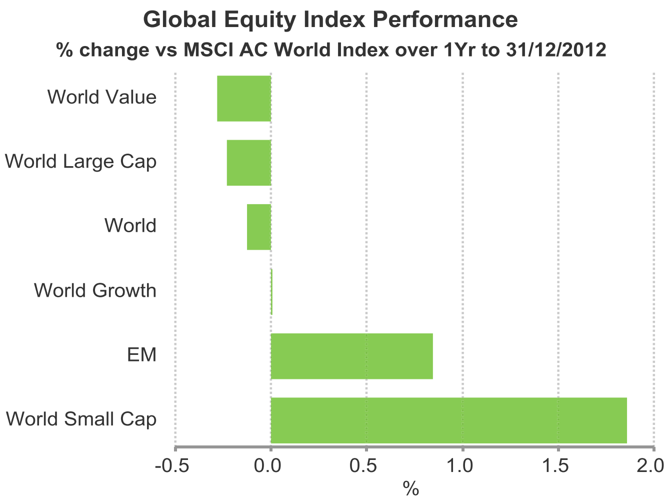


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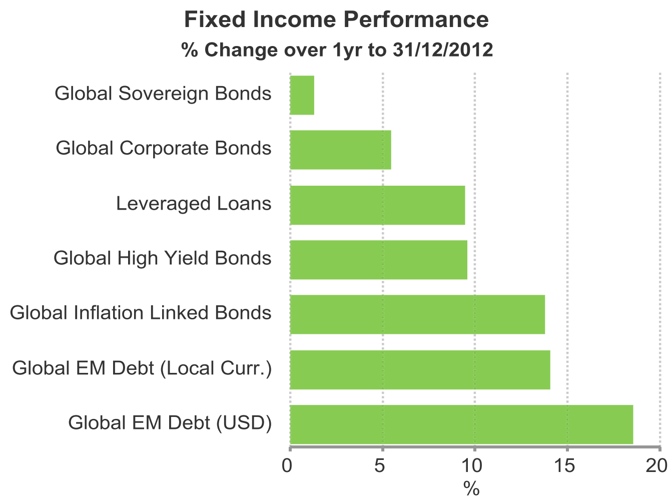


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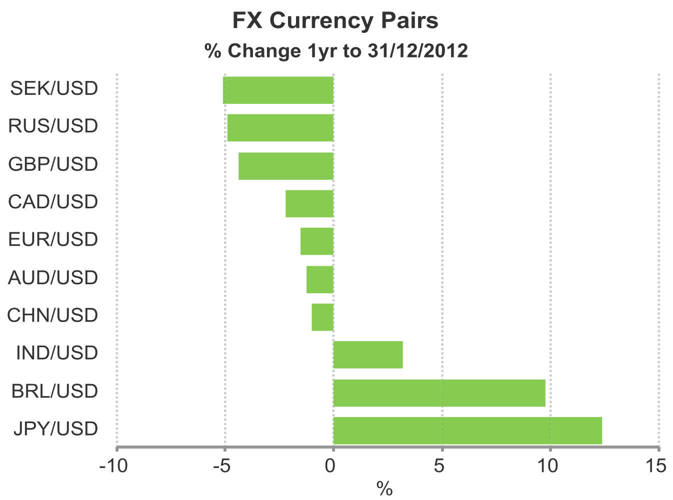


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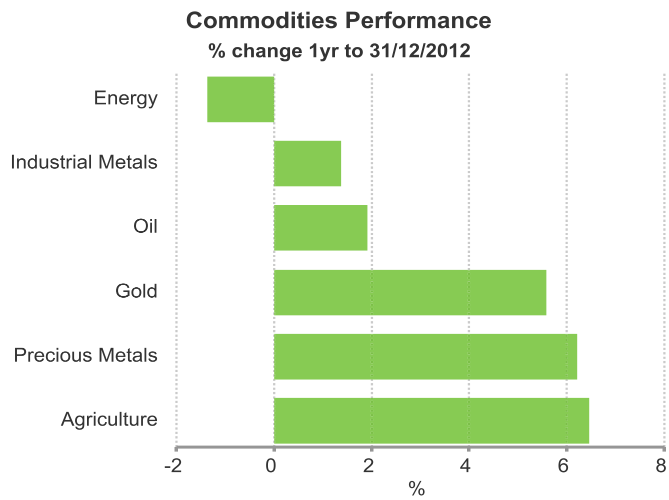


Source: Thomson Reuters Datastream & ISSG

# APPENDIX & DISCLOSURES

| Asset | Index | Definition |
|---|---|---|
| Commodities | Dow Jones UBS Commodities Index Total Return (USD Index) | The Dow Jones UBS Commodities index is an index that tracks the performance of broad based commodities. |
| Gold | Gold Bullion LBM USD/ozt | Tracks the performance of gold bullion spot prices. |
| Oil | Brent Crude Month FOB USD/BBL | Tracks the performance of Brent Crude Oil spot prices. |
| Global Sovereign Bonds | JPM Global GBI (USD Index) | Tracks the performance of global sovereign bonds. |
| Developed Sovereigns | | US, UK, Japan, and German Sovereign Debt securities |
| US Equity | S&P 500 (USD Index) | Tracks the performance of 500 of the largest market capitalization equities in the United States. |
| US Cash | JPM US Cash Index (3M) (USD Index) | Tracks the performance of US 3 month treasury bills. |
| US Dollar | JPM USD Index Real Broad | Tracks the performance of the US Dollar against a basket of broad currencies. |
| Global Corporate Bonds | Barclays Global Agg Corp (USD Index) | Tracks the performance of aggregate corporate bonds. |
| Developed REITS | FTSE E/N Dev REITS (Local Currency) | Tracks the performance of global real estate investment trusts in developed markets. |
| Global Natural Resource Equities | S&P Gbl Nat Resource Equities (USD Index) | Tracks the performance of global equities linked to natural resources. |
| Global Investment Grade Bonds | Barclays Inv Grade Corporates (USD Index) | Tracks the performance of aggregate investment grade corporate bonds. |
| Global Inflation Linked Bonds | Barclays Global Agg Infl-Lkd (USD Index) | Tracks the performance of global inflation linked bonds. |
| Global High Yield Bonds | Barclays Global High Yield (USD Index) | Tracks the performance of global high yield bonds rates below investment grade. |
| Global Equities | MSCI World (LC Index) | Tracks the performance of global equities. |
| Global EM Debt (USD) | JPM EMBI Global Composite (USD Index) | Tracks the performance of dollar based emerging market sovereign bonds. |
| EM Equities | MSCI Emerging Markets (LC Index) | Tracks the performance of emerging market equities. |
| UK Equities | FTSE 100 (LC Index) | Tracks the performance of equities domiciled within the United Kingdom. |
| Europe Ex UK Equities | MSCI Europe ex UK (LC Index) | Tracks the performance of equities domiciled in Europe and not including the United Kingdom. |
| Japan Equity | MSCI Japan (LC Index) | Tracks the performance of equities domiciled in Japan. |
| Pacific Ex Japan Equity | MSCI Pacific ex Japan (LC Index) | Tracks the performance of equities domiciled in the Asia - Pacific region but not including Japan. |
| Germany Equity | DAX 30 (LC Index) | Tracks the performance of 30 of the largest equity market capitalization companies in Germany. |
| Eurozone Equity | EuroStoxx 50 (LC Index) | Tracks the performance of 50 of the largest equity market capitalizations in the Eurozone. |
| France Equity | CAC 40 (LC Index) | Tracks the performance of 40 of the largest equity market capitalizations of France. |
| Australia Equity | ASX All Ordinaries (LC Index) | Tracks the performance of the largest equity market capitalizations of Australia. |
| Brazil Equity | MSCI Brazil (LC Index) | Tracks the performance of the equities domiciled in Brazil. |
| India Equity | MSCI India (LC Index) | Tracks the performance of equities domiciled in India. |
| China Equity | MSCI China (LC Index) | Tracks the performance of equities domiciled in China. |
| World Growth | MSCI World Growth (LC Index) | Tracks the performance of growth oriented equities as defined by MSCI. |
| World Large Cap | MSCI World Large Cap (LC Index) | Tracks the performance of large equity market capitalization companies. |
| World Value | MSCI World Value (LC Index) | Tracks the performance of value oriented equities as defined by MSCI. |
| World Small Cap | MSCI World Small Cap (LC Index) | Tracks the performance of small equity market capitalization companies. |
| Leveraged Loans | S&P Leveraged Loan Index (USD Index) | Tracks the performance of leveraged loans. |
| Global EM Debt (Local Curr.) | JPM GBI Emerging Markets (USD Index) | Tracks the performance of local currency denominated emerging market bonds. |
| Agriculture | S&P GSCI Agriculture Total Return (USD Index) | Tracks the total return performance of agricultural commodity futures. |
| Precious Metals | S&P GSCI Precious Metals Total Retn (USD Index) | Tracks the total return performance of futures for precious metals related futures. |
| Industrial Metals | S&P GSCI Industrial Metals Total Retn (USD Index) | Tracks the total return performance of futures for industrial metals related commodities. |
| Energy | S&P GSCI Energy Total Return (USD Index) | Tracks the total return performance of futures for energy related commodities. |
| EUR/USD | EUR/USD | Tracks the performance of the Euro / US Dollar exchange rate. |
| RUS/USD | RUS/USD | Tracks the performance of the Russian Ruble / US Dollar exchange rate. |
| CHN/USD | CHN/USD | Tracks the performance of the Chinese Renminbi / US Dollar exchange rate. |
| SEK/USD | SEK/USD | Tracks the performance of the Swedich Krona / US Dollar exchange rate. |
| GBP/USD | GBP/USD | Tracks the performance of the British Pound / US Dollar exchange rate. |
| AUD/USD | AUD/USD | Tracks the performance of the Australian Dollar / US Dollar exchange rate. |
| BRL/USD | BRL/USD | Tracks the performance of the Brazilian Real / US Dollar exchange rate. |
| CAD/USD | CAD/USD | Tracks the performance of the Canadian Dollar / US Dollar exchange rate. |
| IND/USD | IND/USD | Tracks the performance of the Indian Rupee / US Dollar exchange rate. |
| JPY/USD | JPY/USD | Tracks the performance of the Japanese Yen / US Dollar exchange rate. |
| EUR FX | | Tracks the performance of the Euro / US Dollar exchange rate. |
| GBP FX | | Tracks the performance of the British Pound / US Dollar exchange rate. |
| JPY FX | | Tracks the performance of Japanese Yen / US Dollar exchange rate. |
| EM FX | | Tracks the performance of a basket of Emerging Markets currencies versus the US Dollar. |
| US 10Y Yield | | Tracks the performance of the yield on the 10 year US treasury note. |
| US 2Y Yield | | Tracks the performance of the yield on the 2 year US treasury note. |
| 10Y-2Y Spread | | Tracks the performance spread between the yield of the 10 year and 2 year US treasuries. |
| Inflation | Headline Consumer Price Index | Tracks the performance of inflation as reported by respective national economic statistics bureaus. |
| Growth (PMI) | | Tracks the performance of purchasing managers indices in each country to proxy gdp growth |
| Surprise vs. Consensus | Citigroup Economic Surprise Index | A measure of economic data reported versus expectations created by Citigroup. |
| Company Earnings | | A proprietary diffusion index of positive and negative analyst earnings estimate revisions. |
| Monetary Policy | | Derived from the futures curve for short term interest rates as indicative of central bank policy. |
| Inflation Revisions | | A proprietary measure of cumulative economist revisions for future levels of inflation in a country. |
| Growth Revisions | | A proprietary measure of cumulative economist revisions for future real economic growth in a country. |
| Real Short Term Policy Rates | | Central Bank monetary policy rates less measured inflation. |
| OECD Composite Leading Indicators | | Tracks the performance of leading economic indicators as measured by the OECD. |
| VIX | CBOE VIX | A measure of implied volatility over the next 30 days extracted from various S&P 500 index options. |
| MOVE 1M Index | MOVE 1M Index | Reflects a market estimate of future Treasury bond yield volatility. |
| Trailing Volatility | S&P 500 Ann30DVol | Realized volatility of the S&P 500 over the previous 30 days on an annualized basis. |
| Real Money Supply | | Level of monetary aggregates as reported by respective national economic bureaus. |

**LC = Local Currency**

These benchmarks are broad-based indices which are used for comparative purposes only and have been selected as they are well known and are easily recognizable by investors. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the portfolio. For example, investments made for the portfolio may differ significantly in terms of security holdings, industry weightings and asset allocation from those of the benchmark. Accordingly, investment results and volatility of the portfolio may differ from those of the benchmark. Also, the indices noted in this presentation are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that the portfolio may incur. In addition, the performance of the indices reflects reinvestment of dividends and, where applicable, capital gain distributions. Therefore, investors should carefully consider these limitations and differences when evaluating the comparative benchmark data performance. The foregoing index licensers are not affiliated with The Bank of New York Mellon Corporation, do not endorse, sponsor, sell or promote the investment strategies or products mentioned in this presentation and they make no representation regarding advisability of investing in the products and strategies described herein.

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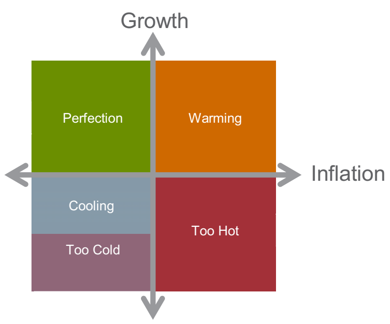
Valuation Model – The ISSG Valuation Model considers relative valuations across the asset classes that we rank. We consider the current values placed on future cash flows of the securities against their historical longer-term trend levels.

Momentum Model – The ISSG Momentum Model considers relative price momentum across the asset classes that we rank. Our research shows that this can be an indicator of continued appreciation potential in the future.

RBAA Model – The ISSG Regime Based Asset Allocation Model defines five macroeconomic regimes based on the interaction of growth and inflation expectations. We believe changes to these expectations drive regime shifts and influence asset returns.

**BNY Mellon ISSG RBAA Regimes:**

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