Investment Management
RIA Investment Spotlight

Q3 2021

Q3 2021 Outlook Remains Optimistic

Moving into the second half of the year, the outlook remains optimistic by many asset managers in the industry.[1] The PGIM Investment Manager Pulse, polls over 70 asset management firms and provides their collective views on the economy, financial markets and other relevant issues affecting the investment community. We've highlighted various thematics below which were extracted from the survey and aligned them with potential opportunities offered within the MyRock Advisor Variable Annuity.

ECONOMY[1]

- Growth expectations remain strong as economies continue to reopen; however, the level of optimism seems to have peaked
- The recent surge in inflation is expected to be temporary
- Concern about upward pressure on bond yields remains

EQUITIES[1]

- Still some upside for U.S. equity but more bullish on non-US stocks as International developed and Emerging Markets look undervalued
- Sentiment is positive on cyclical sectors such as Financials, Industrials, Consumer Discretionary and Energy
- Value and Small-Caps still favored but sentiment is starting to shift

TOP OF MIND CONCERNS[1]

- Inflation rising higher/lasting longer than expected
- An overly hawkish Fed policy
- Additional COVID variant disruption concerns

FIXED INCOME[1]

- Expectation for bond yields to rise over the next 12 months
- Continued preference for Emerging Markets Debt and Bank Loans
- Bearish on Treasuries and Non U.S. Bonds

There is no guarantee that any of the economic forecasts discussed will be accurate, all positioning subject to change.

MyRock Advisor Variable Annuity - Investment Opportunities

For investors looking to capitalize on current market trends MyRock Advisor offers a broad array of investment options. While we are not providing investment advice, below are a few investment ideas that align with market trends from the PGIM Investment Manager Pulse as a starting point for conversations.

Cyclical Sector Expansion[1]

As the global economic expansion continues strategies that have greater exposure to sectors such as Financials, Consumer Discretionary or Industrials may participate more in the expansion.

Rising Interest Rates for Fixed Income[1]

In periods where rates are increasing investors may want to think about strategies that are shorter in duration, offer floating rates or international fixed income exposure to diversify their duration and interest rate risk.

Potential for Future Inflation[1,2]

Real Estate and Commodities may help provide a hedge for inflation. Additionally, as the economy expands Smaller Cap companies historically tend to fair better.

Global Diversification[1]

As equity valuations are near all time highs in the U.S. it may make sense for investors to seek out opportunities abroad in both developed and emerging market economies.

1.PGIM Investments Investment Manger Pulse by Strategic Investment Research Group as of July 2021.
2. https://wealthmanagement.bnpparibas/vow/en/macroeconomics/how_to_profit_from_rising_inflation_concerns.html

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The value of a particular stock or equity-related security held by a Portfolio could fluctuate, perhaps greatly, in response to a number of factors, such as changes in the issuer's financial condition or the value of the equity markets or a sector of those markets. Such events may result in losses to the Portfolio.

Fixed income investments are subject to risk, including credit and interest rate risk. Because of these risks, a subaccount's share value may fluctuate. If interest rates rise, bond prices usually decline. If interest rates decline, bond prices usually increase. The prices of longer-term bonds are generally more sensitive to changes in interest rates than those of shorter-term bonds.

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International Equity/Debt Risk– International equity and debt securities may be adversely affected by: changes in currency exchange rates; differing regulatory and taxation requirements; alternative financial reporting standards, including less publicly available information; and political, social and economic changes. International markets, and in particular Emerging Markets (EM), are generally more volatile than U.S. markets.

High-yield bonds, commonly known as junk bonds, are subject to a high level of credit and market risk. High-risk, high-yield securities are considered to be speculative with respect to the payment of interest and the return of principal, and involve greater risks than high-grade issues.

Investments in real estate investment trusts (REITs) and real estate-linked derivative instruments are subject to risks similar to those associated with direct ownership of real estate. Poor performance by the manager of the REIT and adverse changes to or inability to qualify with favorable tax laws will adversely affect the Portfolio. In addition, some REITs have limited diversification because they invest in a limited number of properties, a narrow geographic area, or a single type of property.

Investments in foreign securities generally involve more risk than investments in securities of US issuers, including: changes in currency exchange rates may affect the value of foreign securities held by the Portfolio; foreign markets generally are more volatile than, and generally are not subject to regulatory requirements comparable to, US markets; foreign financial reporting standards usually differ from those in the US; foreign exchanges are often less liquid than US markets; political or social developments may adversely affect the value of foreign securities; and foreign holdings may be subject to special taxation and limitations on repatriating investment proceeds.

Commodities Risk – Commodities may experience more volatility than investments in traditional securities due to changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, livestock disease, embargoes, tariffs, acts of terrorism, and international economic, political and regulatory developments.

The risks of non-US investments are greater for investments in or exposed to emerging markets. Emerging market countries typically have economic, political and social systems that are less developed, and can be expected to be less stable, than those of more developed countries. For example, the economies of such countries can be subject to currency devaluations and rapid and unpredictable (and in some cases, extremely high) rates of inflation or deflation. Low trading volumes may result in a lack of liquidity, price volatility and valuation difficulties. Emerging market countries may have policies that restrict investments by foreign investors, or that prevent foreign investors from withdrawing their money at will, which may make it difficult for a Portfolio to invest in such countries or increase the administrative costs of such investments. Countries with emerging markets can be found in regions such as Asia, Latin America, Eastern Europe and Africa. A Portfolio may invest in some emerging markets through trading structures or protocols that subject it to risks such as those associated with decreased liquidity, custody of assets, different settlement and clearance procedures and asserting legal title under a developing legal and regulatory regime to a greater degree than in developed markets or even in other emerging markets.

Sector Risk- Certain portfolios may invest in certain economic sectors, thereby increasing their vulnerability to any single economic, political, or regulatory development. A portfolio concentrated in one economic sector increases its vulnerability to any single economic, political, or regulatory development.

The shares of small sized companies tend to be less liquid than those of larger, more established companies, which can have an adverse effect on the price of these securities and on the Portfolio's ability to sell these securities. The market price of such investments also may rise more in response to buying demand and fall more in response to selling pressure and be more volatile than investments in larger companies.