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DON'T SLEEP ON VALUE: POTENTIAL OPPORTUNITIES AMID STICKY INFLATION

September 2026

Value equities have historically shown resiliency during higher inflationary periods versus their growth counterparts. With inflation remaining elevated, we believe that value opportunities continue to be a compelling option for portfolio diversification and potential stability.

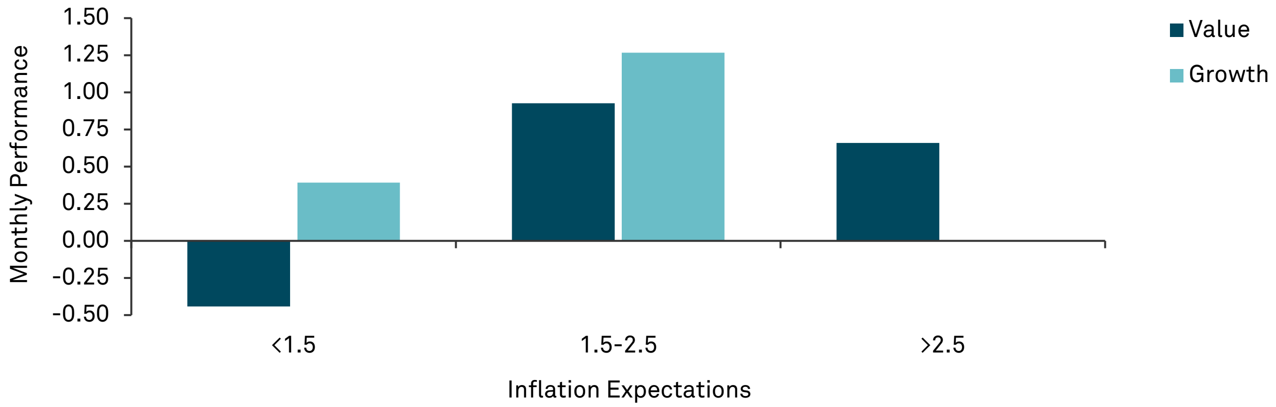
"Sticky" Core Services Persist

Although inflation has eased a bit this year, it is still lingering above the Federal Reserve's (Fed's) 2% target and remains sticky within certain core sectors. As indicated by the latest headline Consumer Price Index (CPI), which reached 3.4% in July, these sticky core services continue to drive price pressures and resist the broader cooling trend.

In our view, these price pressures could persist and keep the Fed from easing in the near term. Given this backdrop, we believe higher inflation and real yields should remain relatively supportive for value.

US Equity During Different Inflation Regimes

Trailing 25-Years (%)



Source: BNY Investment Strategy and Research Group, Macrobond as of July 31, 2026.

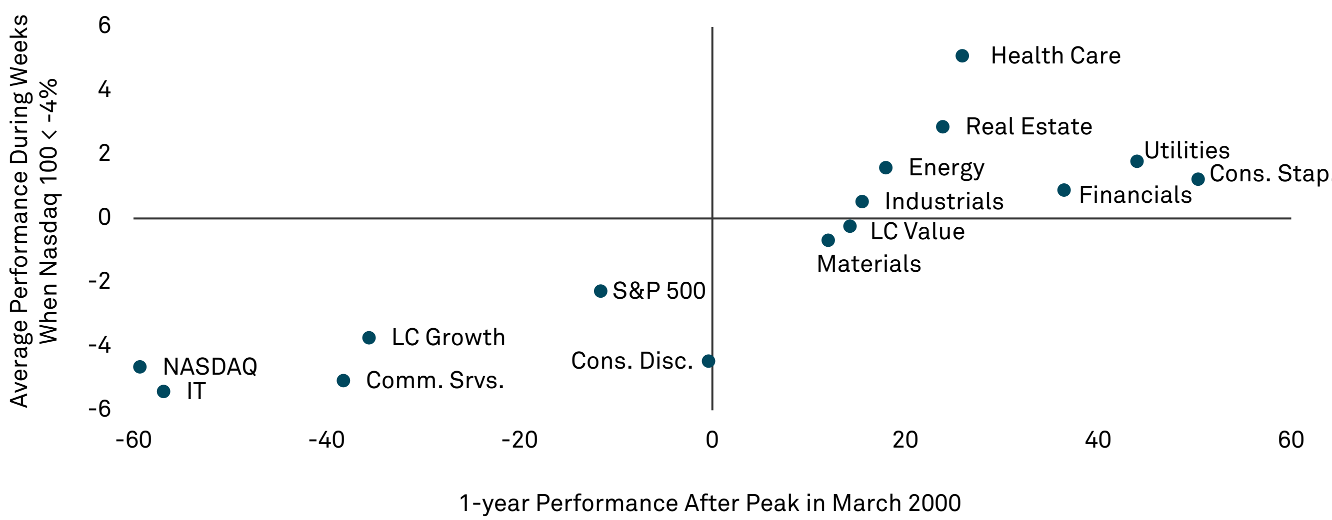
Value Beyond Tech

As equity markets remain highly concentrated in more technology-driven, growth-oriented companies, recent AI-related pullbacks, mostly driven by overinvestment concerns, have led to a rotation away from growth toward value, resembling the post-dot-com period of the early 2000s. These trends underscore the benefits of combining growth and value within a diversified portfolio.

In financials, we believe large banks can offer opportunities through diversified lines of business where deregulation and buybacks or dividends are tailwinds for the sector. In energy, we see attractive supply-demand dynamics in oil, gas and refineries, although ongoing geopolitical conflicts have had a major impact on oil price volatility.

Style and Sector Performance

Latest AI fears resemble the post-dot-com bubble playbook



Source: BNY Investment Strategy and Research Group, Macrobond as of July 31, 2026.

With inflation remaining above the Fed's target and market leadership broadening beyond technology, value equities may continue to offer diversification benefits and potential resilience in a changing market environment.

Glossary

The Consumer Price Index (CPI) tracks inflation by measuring how much the cost of everyday goods and services changes over time.

Sticky Inflation is inflation that remains higher than desired and is slow to ease, particularly in areas such as services and housing where prices tend to change gradually.

Risks

All investments involve risk, including the possible loss of principal. Certain investments have specific or unique risks that should be considered along with the objectives, fees, and expenses before investing.

Equities are subject to market, market sector, market liquidity, issuer, and investment style risks to varying degrees.

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