

February 5, 2026

**Happy New Year!**

Issue # 353

### **FEATURED INVESTMENTS: INCOME & GROWTH**

Here are two mutual funds that have vastly different goals yet work well together:

- **FRFZX, PGIM Floating Rate Fund:** Yields about 7.6% annually in dividends from corporate bonds. It has averaged 5.7% Total Return over the last 5 years and 5.7% over 10 years.
- **PMFYX, Victory Pioneer Multi Asset Inc.:** A balanced fund that yields 6.3% in dividends annually. It has averaged 10.8% over 5 years and 9.7% over the last 10 years. This fund is invested in a mix of investment quality U.S. bonds & stocks. Their bonds are high quality, corporate investment grade and some government bonds. The objective is to provide income & long-term growth.

For some, we also use the following, which is a **little** bit more aggressive but increases diversity and income:

- **JEPAX, JPMorgan Equity Premium Income:** An equity fund that yields about 7.75% annually in dividends. It has averaged 9.3% Total Return over the last 5 years. It “seeks current income while maintaining prospects for capital appreciation”<sup>1</sup> by using equity and selling call options.

### **OPPORTUNITY CORNER**

“The S&P 500 has stayed level year to date, with a 13% increase over the last year. We believe this is a result of a few things: 1.) The markets had expected interest rates to decrease. 2.) Corporations are cutting costs and managing supplies/inventories. Corporations are reporting double-digit operating margins. This supports the case of an economic recovery, and a higher S&P 500, although we do expect some competition from high-interest rate bonds. Consumer spending is up 5% over the last year and employment is good, although a recent report shows a larger number of layoffs. Oil prices increased 9.5% YTD to \$63.3/barrel, while natural gas prices decreased 4.2% to \$3.55/gal. The markets are showing resiliency after having competition from high interest rates from investments like T-bills and CDs the last few years. We are encouraged by an increase in capital spending, up 2.7% last year, although slowing over the last quarter.”<sup>2</sup>

**Please give us a call with questions or to schedule a review. PLEASE WRITE ABOUT US at BBB.org**

Steve Hyman



President / Owner

Ric Dostie



Investment Advisor



This report has been prepared from original sources and data. The CFC indicators rely primarily on data reported by the Federal Reserve and other selected data. We make no representations of guarantees or completeness. Reliance should not be placed on any recommendations herein contained without further investigation and consultation. <sup>1</sup>Charles Schwab, <sup>2</sup>Data as of December 2025, <sup>3</sup>morganstanley.com

## WHAT'S NEW?

"Our economy is in good shape. The average return of S&P 500 since Dec. 1987 is about 9% (7% growth + 2% dividends). The Dividends paid out from the S&P 500 have had a 5.5% year-over-year increase."<sup>2</sup>

The federal reserve has made their initial downward move on interest rates. This policy change caused a positive reaction in the markets.

Inflation rate estimate is 2.6% (for 12 months ending in December 2025). Both bond and equity investments can perform well in this environment. It remains to be seen how tariffs will affect U.S. and worldwide trade.

"Consumer spending remains resilient, especially among higher-income households, despite tariff-related price pressures and a cooling labor market."<sup>2,3</sup>

GDP (gross domestic product) was up 5.4% over the last year, showing the resilience of the economy.

The S&P 500 "Earnings" yield of 3.73% is just a bit more than our "interest rate composite of 3.72%.

## MARKET TRENDS

The **10-year Treasury note increased to 4.25%**, the **5-year note is at 3.8%**, and the **3-month T-Bill is at 3.67%**. We do believe that stocks and preferred stocks (especially those with solid dividends) are also appealing, as well as Balanced and Quality Growth funds.

It will be important to monitor the future earnings of companies and to compare interest rates to equity investment earnings and dividends. Now is a suitable time to evaluate investment holdings as interest rates decline; div. yields are valuable.

**"Sector Highlights** (year 2025 & 2026 estimates):

- **Industrials & Materials** - Strong performance with widespread positive earnings.
- **Financials** - Major contributor to the overall earnings of the S&P 500 index.
- **Health Care** – Forecast to deliver above-average earning next quarter, 2026.
- **Information Technology** - Continued strong growth, with estimated 2025 earnings growth of among the highest of all sectors. Rotation of gains into other sectors.
- **Consumer Discretionary** - Helped lift the index's earnings growth in 2025.
- **Energy**: Earnings estimate to decline **2%** over the next year.
- **Utilities**: Earnings estimated to rise 11% year-over-year in small, mid & large cos.

## Other Notes:

- If you are considering a change in financial situation (i.e.: retirement, changing job, relocating, etc.) **please contact us to review**. Also, if you have not reviewed the last year, call us. We are here to help.

This report has been prepared from original sources and data. The CFC indicators rely primarily on data reported by the Federal Reserve and other selected data. We make no representations of guarantees or completeness. Reliance should not be placed on any recommendations herein contained without further investigation and consultation. <sup>1</sup>Charles Schwab, <sup>2</sup>Data as of December 2025, <sup>3</sup>morganstanley.com, <sup>4</sup>YCharts