BNY Mellon Global Dynamic Bond Fund

INVESTMENT MANAGER

Newton Investment Management: Newton aims to deliver outcomes for its clients across active equities, income, absolute return, multi-asset solutions, thematic and sustainable strategies. Its capabilities are driven by its global investment research platform which harnesses a breadth of both fundamental and quantitative research.

FUND RATINGS

PERFORMANCE BENCHMARK

The Fund will measure its performance against SOFR (30-day compounded) + 2% per annum (the "Cash Benchmark"). The Cash Benchmark is used as a target against which to measure its performance over 5 years before fees. SOFR (the Secured Overnight Financing Rate) is a broad measure of the cost of borrowing cash overnight collateralised by U.S. Treasuries and is administered by the New York Federal Reserve. The Fund is actively managed, which means the Investment Manager has discretion over the selection of investments, subject to the investment objective and policies disclosed in the Prospectus.

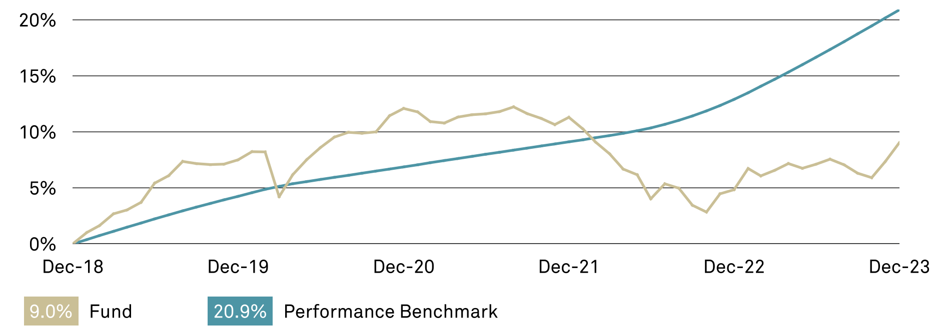
PERFORMANCE DISCLOSURE

Past performance is not a guide to future performance. The value of investments can fall. Investors may not get back the amount invested. Income from investments may vary and is not guaranteed. Please refer to the prospectus and the KID/KIID before making any investment decisions. Documents are available in English and an official language of the jurisdictions in which the Fund is registered for public sale. Go to www.bnymellonim.com. For a full list of risks applicable to this fund, please refer to the Prospectus or other offering documents.

QUARTERLY HIGHLIGHTS

- Performance: The Fund generated a positive return, net of fees, during the quarter.
- Activity: Over the quarter, the largest change in government bond and futures exposure was a reduction in North American duration and an increase in Asia Pacific exposure.
- Outlook & Strategy: The next move in interest rates across G10 economies seems more likely to be down than up, but the extent and pace of any decline remains uncertain.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

	1M	3M	YTD	1YR	2YR	3YR	5YR
					Annualised		
USD W (Acc.)	1.57	2.57	4.00	4.00	-1.02	-0.92	1.74
Performance Benchmark	0.60	1.80	7.08	7.08	5.26	4.19	3.86

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	-	-0.61	3.99	2.91	0.77	7.50	4.27	-0.71	-5.80	4.00
Performance Benchmark	2.15	2.22	2.50	3.12	4.04	4.24	2.52	2.09	3.48	7.08

Source: Lipper as at 31 December 2023. Fund performance USD W (Acc.) calculated as total return, based on net asset value, including charges, but excluding initial charge, income reinvested gross of tax, expressed in share class currency. The impact of the initial charge, which may be up to 5%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request. **Returns may increase or decrease as a result of currency fluctuations.**

The benchmark was updated on 01/11/2021, performance prior to the change is shown using the previous benchmark. The share class can be different to that of the base currency of the fund. For CHF it is SARON CHF, For EUR it is EURIBOR, For GBP it is GBP SONIA, For USD it is USD SOFR, For SGD it is SIBOR SGD.

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PERFORMANCE COMMENTARY

With growth slowing and inflation falling back towards the 2% target, the US Federal Reserve (Fed) pivoted from a hawkish stance in the autumn, initially moving to a more neutral stance, and then at its December meeting bolstering the market's view that interest rate cuts are likely in 2024.

INVESTMENT GRADE CREDIT AND EMERGING MARKET GOVERNMENT BONDS CONTRIBUTED TO THE FUND'S PERFORMANCE

While the European Central Bank and the Bank of England did not go as far as the Fed, they too became more dovish, allowing yields to fall in Europe.

Benchmark ten-year government bond yields nudged higher in October but fell sharply during November and December. Real yields also declined sharply. Corporate bond spreads showed a similar turnaround, widening gently in October before tightening aggressively in the subsequent two months, finishing at lows for the year.

The tragic events in the Middle East have so far caused little contagion, but risks to global trade routes and of a wider confrontation remain.

At the index level, emerging market government bonds delivered the most impressive returns, helped by positive real yields and upward-sloping yield curves. Each of the other three asset classes in which the Fund invests (developed market government bonds, high yield corporate bonds and investment grade corporate bonds) also delivered strong returns.

As an increasingly dovish Fed eroded the interest rate differential advantage for the US currency, the dollar weakened against all other G10 currencies, and against most emerging market currencies, with the notable exception of the Turkish lira and the Argentinian peso, with the latter devalued massively by the new administration in late December.

A combination of falling underlying government bond yields and tightening credit spreads generated strong returns from investment grade holdings. US dollar bonds issued by US chipmaker Nvidia and technology company Trimble, and hybrid bonds from automaker VW and Italian banking group Intesa Sanpaolo, led the way.

The largest contribution from emerging market government bond holdings derived from local currency bonds, specifically Mexico, Brazil and Colombia. Hard currency emerging market bond holdings languished early in the quarter but rallied in November and December.

Long positions in government bonds contributed positively, notably two-and-three-year US Treasuries and 20-year Australian bonds, and Australian ten-year futures, as well as long-dated EU and Spanish government bonds. However, these returns were largely negated by losses on short futures positions, notably US and Canadian ten-year, German Bund and Italian bond futures, as well as the long Gilt future.

High yield corporate bond holdings also contributed positively, led by the holding in the BNY Mellon Global High Yield Bond Fund, followed by strong contributions from bank additional tier one (AT1) bonds, while holdings in emerging markets telecommunications company VTR and a couple of real estate bonds detracted slightly.

Active currency exposure produced a small drag on performance, with long positions in Latin American currencies, specifically the Mexican peso, Uruguayan peso, Brazilian real and Peruvian sol, and a short position in the Swedish krona, detracting most. This was partly offset by profits on the Australian dollar long position, and a trading profit on the Chilean peso.

ACTIVITY REVIEW

Over the quarter, the largest change in government bond and futures exposure was a reduction in North American duration, including the US and Canada, and an increase in Asia Pacific exposure, adding to Australian government bond holdings and increasing 30-to-40-year Japanese government bond exposure. We then netted off the Japanese duration exposure by selling an equivalent amount of ten-year futures.

WE ADDED A HOLDING IN A US DOLLAR EMERGING MARKET EXCHANGE-TRADED FUND, AMONG OTHER TRANSACTIONS

Having reduced hard currency emerging markets exposure in the first few weeks of the quarter, we subsequently added both local and hard currency exposure, including Indonesia and Malaysia local currency and Morocco and Romania US dollar-denominated bonds.

After the Fed pivoted to a more dovish policy in December, we added a holding in a US dollar emerging market exchange-traded fund (ETF). We also added high yield corporate bond exposure via direct bond holdings and an ETF in December.

INVESTMENT STRATEGY AND OUTLOOK

The next move in interest rates across G10 economies seems more likely to be down than up, but the extent and pace of any decline remains uncertain.

WE WILL BE WATCHING FOR SIGNS OF A HARDER LANDING OR A RESURGENCE OF INFLATION FEARS

However, more clarity on the direction of interest rates is helping confidence which, in turn, is helping credit to perform. Nonetheless, we are wary of becoming over-exuberant. There is still hefty government and corporate bond supply ahead, and the last few percentage points back to target inflation will probably be slower to achieve than the first few. Nor should the potential for geopolitical risk to upset the status quo be forgotten.

Having tactically increased credit risk in response to easier financial conditions, we will be watching for signs of a harder landing or a resurgence of inflation fears, mindful that correlations between ‘safe haven’ and risk assets remain very positive.

CREDIT QUALITY BREAKDOWN (%)

	Fund
AAA	26.9
AA	18.0
A	8.3
BBB	24.8
BB	15.2
B	1.1
CCC	0.1
CC	0.1
C	0.1
Derivatives	-7.4
Currency Hedging	-2.8
Notional Cash Offset	7.5
Cash	5.2
Others	3.0

CURRENCY BREAKDOWN (%)

	Fund
(after hedging)	
USD	94.1
JPY	2.9
BRL	2.6
MXN	2.0
AUD	2.0
COP	1.1
KRW	1.0
IDR	0.9
UYU	0.7
NOK	0.0
Others	-7.4

DURATION DISTRIBUTION (%)

0-1 yr	20.0
1-3 yrs	30.7
3-5 yrs	17.0
5-7 yrs	10.3
7-10 yrs	10.6
10-15 yrs	3.6
15-20 yrs	2.0
20-30 yrs	2.2
30+ yrs	1.2
Currency Hedging	-2.8
Derivatives	-7.4
Notional Cash Offset	7.5
Cash	5.2

Source: BNY Mellon Investment Management EMEA Limited

MATURITY DISTRIBUTION (%)

Years	Fund
< 0yrs	0.0
0-3 yrs	41.1
3-5 yrs	13.6
5-10 yrs	16.0
10-15 yrs	1.3
15-20 yrs	4.2
20-30 yrs	3.8
30+ yrs	8.7
Derivatives	-7.4
ETF	6.1
Unitised Vehicles - Overseas Bonds	2.8
Currency Hedging	-2.8
Notional Cash Offset	7.5
Cash	5.2

GEOGRAPHIC BREAKDOWN (%)

	Fund
United States	22.2
New Zealand	7.7
United Kingdom	6.9
Supranational	5.8
Australia	4.8
Canada	4.4
Mexico	4.1
Germany	3.3
Emerging Markets	3.0
Japan	2.8
Indonesia	2.6
Others	32.3

ASSET ALLOCATION (%)

	Fund
Government	41.1
EM Sovereign	23.1
Investment Grade Credit	22.1
High Yield Corp	11.3
Currency Hedging	-2.8
Derivative Instruments	-7.4
Notional Cash Offset	7.5
Cash	5.2

PORTFOLIO CHARACTERISTICS

	Fund
Duration (in years)	2.5
No. of issuers	117.0
Average maturity (in years)	10.1
Yield to maturity (%)	6.0
Average Rating	A

KEY RISKS ASSOCIATED WITH THIS FUND

- There is no guarantee that the Fund will achieve its objectives.
- This Fund invests in international markets which means it is exposed to changes in currency rates which could affect the value of the Fund.
- Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the Fund can lose significantly more than the amount it has invested in derivatives.
- Investments in bonds/money market securities are affected by interest rates and inflation trends which may negatively affect the value of the Fund.
- Bonds with a low credit rating or unrated bonds have a greater risk of default. These investments may negatively affect the value of the Fund.
- The issuer of a security held by the Fund may not pay income or repay capital to the Fund when due.
- Emerging Markets have additional risks due to less-developed market practices.
- If this share class is denominated in a different currency from the base currency of the Fund. Changes in the exchange rate between the share class currency and the base currency may affect the value of your investment.
- For hedged share classes the hedging strategy is used to reduce the impact of exchange rate movements between the share class currency and the base currency. It may not completely achieve this due to factors such as interest rate differentials.
- Contingent Convertible Securities (CoCo's) convert from debt to equity when the issuer's capital drops below a pre-defined level. This may result in the security converting into equities at a discounted share price, the value of the security being written down, temporarily or permanently, and/or coupon payments ceasing or being deferred.
- The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the Fund to financial loss.
- A complete description of risk factors is set out in the Prospectus in the section entitled "Risk Factors".

INVESTMENT OBJECTIVE

To maximize the total return from income and capital growth by investment primarily (meaning at least three-quarters of the Fund's total assets) in a globally diversified portfolio of predominantly corporate and government fixed interest securities. However, a positive return is not guaranteed and a capital loss may occur.

GENERAL INFORMATION

Total net assets (million)	$ 182.58
Performance Benchmark	SOFR (30-day compounded) + 2%
Lipper sector	Lipper Global - Bond Global
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Ella Hoxha
Alternate	Howard Cunningham & Parmeshwar Chadha
Base currency	USD
Currencies available	EUR, USD, GBP, CHF, JPY
Fund launch	05 Aug 2010

USD W (ACC.) SHARE CLASS DETAILS

Inception date	25 Jun 2014
Min. initial investment	$ 15,000,000
Max. initial charge	5.00%
Annual mgmt charge	0.50%
ISIN	IE00B8FCYG03
Registered for sale in:	AT, BE, CH, CL, CO, DE, DK, ES, FI, FR, GB, GG, IE, IT, JE, LU, NL, NO, PE, PT, SE, SG, UY

DEALING

09:00 to 17:00 each business day
Valuation point: 12:00 Dublin time
Costs incurred when purchasing, holding, converting or selling any investment, will impact returns. Costs may increase or decrease as a result of currency and exchange rate fluctuations.
For more details please read the KID document.

RISK AND REWARD PROFILE - USD W (ACC.)

Lower risk — Higher risk

Potentially lower reward — Potentially higher reward

1	**2**	3	4	5	6	7

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.
We have classified this product as 2 out of 7, which is a low risk class.This rates the potential losses from future performance at a low level,and poor market conditions are very unlikely to impact the capacity of BNY Mellon Fund Management (Luxembourg) S.A. to pay you.

Source: BNY Mellon Investment Management EMEA Limited
Any views and opinions are those of the investment manager, unless otherwise noted.

IMPORTANT INFORMATION

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