BNY Mellon Global Dynamic Bond Fund

INVESTMENT MANAGER

NEWTON Investment Management

Newton Investment Management: Newton pursues a distinctive global thematic investment approach and provides added value from extensive proprietary research.

FUND RATINGS

RSMR RATED FUND

DYNAMIC PLANNER PROFILED 3

SQUARE MILE AA

SYNAPTIC RISK RATING 2.6

Ratings should not be used for making an investment decision and do not constitute a recommendation or advice in the selection of a specific investment or class of investments.

INVESTMENT OBJECTIVE AND PERFORMANCE BENCHMARK

To maximise the total return, comprising income and capital growth. The Fund is managed to seek a minimum return of cash (1 month GBP LIBOR)+2%per annum over five years before fees. In doing so, it aims to achieve a positive return on a rolling three year basis (meaning a period of three years, no matter which day you start on). However, a positive return is not guaranteed and a capital loss may occur.

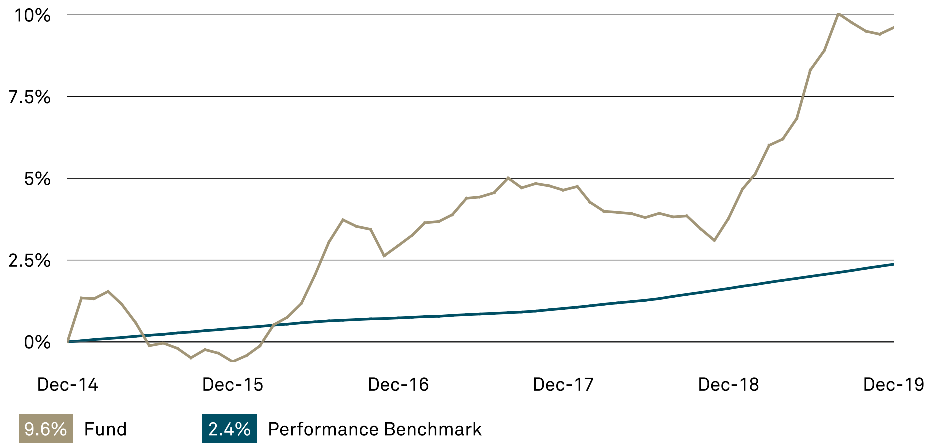
PERFORMANCE DISCLOSURE

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.

QUARTERLY HIGHLIGHTS

- Performance: The Fund generated a negative return, net of fees.
- Activity: The Fund's overall duration fell, aided by the sale of US Treasuries (2029 and 2045) and Australian government bonds (2033).
- Outlook & Strategy: We believe the local-currency debt of selective emerging market sovereigns offers attractive real yields and scope for capital appreciation.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

						Annualised	
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	0.18	-0.14	5.63	5.63	2.35	2.11	1.85
Performance Benchmark	0.06	0.18	0.72	0.72	0.66	0.54	0.47

	2015	2016	2017	2018	2019
Fund	-0.61	3.58	1.65	-0.83	5.63
Performance Benchmark	2.51	2.41	2.30	2.60	2.72

Source for all performance: Lipper as at 31 December 2019. Fund Performance for the Institutional Shares W (Accumulation) calculated as total return, including reinvested income net of UK tax and charges, based on net asset value. All figures are in GBP terms. The impact of an initial charge (currently not applied) can be material on the performance of your investment. Further information is available upon request.

Effective 10 June 2019, the Fund name changed from Newton Global Dynamic Bond Fund to the BNY Mellon Global Dynamic Bond Fund.

The Sub-Fund uses sterling cash (1 month GBP LIBOR) +2% per annum over five years before fees as a target set for the Sub-Fund's performance to match or exceed. The ACD (Authorised Corporate Director) considers 1 month GBP LIBOR +2% per annum over five years before fees to be an appropriate target because 1 month GBP LIBOR is representative of cash and the Sub-Fund's investment objective is to seek a minimum return of sterling cash +2% per annum.

BNY MELLON INVESTMENT MANAGEMENT EMEA LIMITED - CLIENT SERVICES

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PERFORMANCE COMMENTARY

Financial market volatility moderated and expectations of further monetary easing declined, amid 'gradualist' central bank rhetoric and an absence of any further deterioration in key global economic data (aided by easing US-China trade tensions). Long-dated government bond yields rose and high yield credit and emerging market bonds and currencies rallied, as demand for assets seen as 'safe-havens' diminished.

REDUCED GOVERNMENT BOND DURATION AND DIVERSIFIED SOVEREIGN EXPOSURE HELPED TO MITIGATE LOSSES

The Fund generated a small negative return over the period (protecting positive calendar-year returns), as reduced government bond duration (sensitivity to interest rates), aided by US Treasury put options, and diversified corporate and emerging market sovereign exposure, helped to mitigate losses on 'safe haven' bonds. Short-duration hedges on US Treasuries, German Bunds and UK Gilts produced positive returns, but holdings of US Treasuries and Australian, Italian and Spanish government bonds incurred losses.

Positive returns and a tightening of spreads (yield premiums over developed market government bonds) on European high yield holdings (such as Summer BC Holdco and Santander) and tactical high yield ETF (exchange-traded fund) exposure more than negated the continued underperformance of US energy sector names such as Chesapeake and Whiting, where position sizes were reduced.

Local emerging market bond holdings such as Mexico and Hungary benefited from expectations of monetary easing, as did selective risk-currency exposure (the Norwegian krone and the South Korean won, for example).

ACTIVITY REVIEW

The Fund's overall duration fell, aided by the sale of US Treasuries (2029 and 2045) and Australian government bonds (2033) on expectations of stabilising interest rate expectations and reduced demand for 'safe havens'. We also switched out of US TIPS (Treasury Inflation-Protected Securities) into straight Treasuries based on relative valuations, and took profits on December US Treasury put options, rolling out to February.

EMERGING MARKET SOVEREIGN AND FOREIGN EXCHANGE EXPOSURE WAS INCREASED WITH THE PURCHASE OF UNHEDGED 7-YEAR MALAYSIA LOCAL CURRENCY BONDS

Meanwhile, the perceived vulnerability of sterling investment grade credit to higher underlying government bond yields and tight spreads, in the context of weak UK economic data, saw us reduce exposure by selling NIE Finance, Cadent Finance, Skipton Building Society, and TC ICAP.

A new high yield issue was added (Summer BC Holdco 2026) alongside sub-investment grade ETF exposure, to benefit from stable risk sentiment and attractive yields into year end. Emerging market sovereign and foreign exchange exposure was increased with the purchase of unhedged 7-year Malaysia local currency bonds, while we took profits on selective hard currency holdings (selling KSA 2029 and Ghana 2023 bonds).

With respect to currency positioning, US-dollar exposure moved underweight in favour of increased euro and emerging market currency exposure (Malaysian ringgit, South Korean won and Indonesian rupiah). We introduced a short position on the Philippine peso (versus the US dollar) amid strong year-to-date performance as well as technical (overbought) and fundamental (deteriorating balance of payments) downside risks.

INVESTMENT STRATEGY AND OUTLOOK

Headwinds to global growth persist, with the US economy, a relatively strong performer, showing signs of slowing while, in the absence of meaningful policy stimulus, the global manufacturing recession continues to weigh on growth prospects, not least in Europe and North East Asia. Meanwhile, forward-looking indicators point to stabilisation rather than a meaningful recovery in economic momentum from subdued levels.

WE BELIEVE LOCAL CURRENCY DEBT OF EMERGING MARKET SOVEREIGNS COULD OFFER ATTRACTIVE REAL YIELDS AND SCOPE FOR CAPITAL APPRECIATION

Monetary and (increasingly) fiscal policy settings could therefore remain accommodative. However, given diminished monetary-policy ammunition, major central banks are likely to err towards ‘no change’ in the absence of a further downturn. Modest inflation, low cash rates and positive yield curves remains a supportive backdrop for bonds, particularly in those markets with relatively attractive yields and scope for orthodox interest-rate cuts (the US, Australia and New Zealand, for example), albeit arguably without the capital-appreciation potential witnessed last year.

While the Fund retains significant headline exposure to emerging markets, high yield and investment grade bonds, these are generally shorter dated and higher rated than a typical index, and so could exhibit greater resilience and lower volatility. However, with many developing markets witnessing a similar low inflation, monetary-easing bias, we believe the local currency debt of selective emerging market sovereigns (such as Mexico) offers attractive real yields and scope for capital appreciation.

CREDIT QUALITY BREAKDOWN (%)

	Fund
AAA	35.8
AA	13.3
A	16.2
BBB	15.5
BB	11.9
B	6.6
CCC & below	0.5
NA	0.1

ASSET ALLOCATION (%)

	Fund
GOVT	47.3
IGC	17.8
HYC	14.9
EM SOVEREIGN	11.8
FX	0.0
Cash	8.2

Source: BNY Mellon Investment Management EMEA Limited

MATURITY DISTRIBUTION (%)

Years	Fund
0-3 yrs	65.0
3-5 yrs	11.0
5-10 yrs	23.2
10-15 yrs	2.0
15-20 yrs	-4.7
20-30 yrs	3.5

GEOGRAPHIC BREAKDOWN (%)

	Fund
United States	19.5
United Kingdom	15.1
Japan	10.0
Australia	5.3
Italy	4.5
Canada	4.5
Supranational	3.8
Others	37.3

DURATION DISTRIBUTION (%)

	Fund
Australia	0.5
United Kingdom	0.3
New Zealand	0.3
Supranational	0.2
United States	0.2
Canada	0.2
Norway	0.2
Japan	0.2
Italy	0.2
Others	0.5

CURRENCY BREAKDOWN (%)

	Fund
(after hedging)	
Sterling	97.9
Emerging Markets	4.4
Euro	1.4
Dev Asia	0.0
Dollar Bloc	-3.7

PORTFOLIO CHARACTERISTICS

	Fund
Duration (in years)	2.7
No. of issuers	117
Average maturity (in years)	3.1
Yield to maturity (%)	1.6

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.
- The Fund takes its charges from the capital of the Fund. Investors should be aware that this has the effect of lowering the capital value of your investment and limiting the potential for future capital growth. On redemption, you may not receive back the full amount you initially invested.
- 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"

GENERAL INFORMATION

Total net assets (million)	£ 2,265.93
Distribution yield (%)	1.99
IA Sector	Targeted Absolute Return
Performance Benchmark	Cash (1mth GBP LIBOR) + 2%
Lipper sector	Lipper Global - Bond Global
Fund type	ICVC
Fund domicile	UK
Fund manager	Paul Brain, Howard Cunningham, Carl Shepherd, Jon Day & Parmeshwar Chadha
Base currency	GBP
Currencies available	GBP
Fund launch	28 Apr 2006
Distribution dates	28 Feb, 31 May, 31 Aug, 30 Nov

DEALING

09:00 to 17:00 each business day
Valuation point: 12:00 London time

INSTITUTIONAL SHARES W (ACC.) SHARE CLASS DETAILS

Inception date	03 Sep 2012
Min. initial investment	£ 10,000,000
ISIN	GB00B8H50V47
Bloomberg	NEWGDWA
Sedol	B8H50V4
Registered for sale in:	GB

INSTITUTIONAL SHARES W (ACC.) COSTS AND CHARGES (%)

Ongoing Costs	0.68
Management fee	0.63
Other costs & charges	0.06
Transaction costs ex ante	0.20

Source: BNY Mellon Investment Management EMEA Limited

Any views and opinions are those of the investment manager, unless otherwise noted.

The fund can invest more than 35% of net assets in different Transferable Securities and Money Market Instruments issued or guaranteed by any EEA State, its local authorities, a third country or public international bodies of which one or more EEA States are members.

IMPORTANT INFORMATION

MIS0067-310320
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