

BNY Mellon Global Emerging Markets Fund

INVESTMENT MANAGER



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

FUND RATINGS



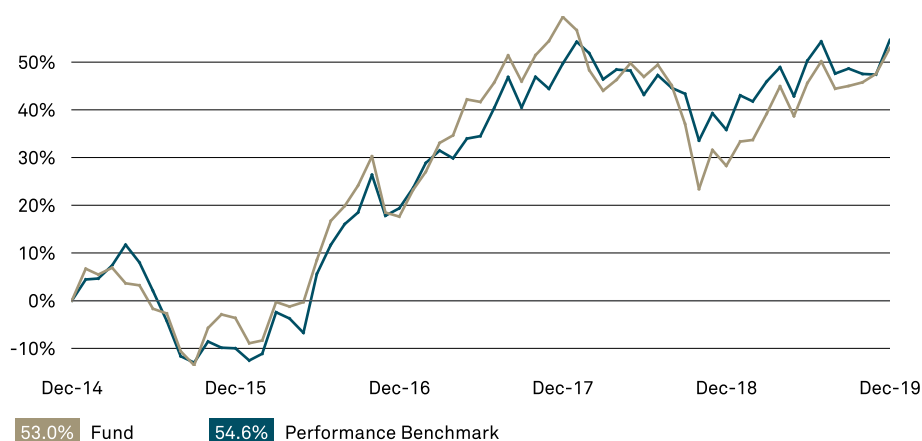
PERFORMANCE DISCLOSURE

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 positive return, net of fees and outperformed its performance benchmark.
- **Activity:** We initiated positions in technology companies EPAM and ASML, and in Ping An Insurance, China's leading life insurer.
- **Outlook & Strategy:** Lower US growth and more accommodative US policy suggest a weaker US dollar and more supportive conditions for emerging-market assets.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

	Annualised						
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	3.67	5.49	19.25	19.25	-2.06	9.15	8.87
Performance Benchmark	4.93	4.03	13.86	13.86	1.64	9.01	9.11
Sector	4.35	3.74	16.99	16.99	2.03	9.04	9.23
No. of funds in sector	64	63	60	60	57	55	52
Quartile	4	1	2	2	4	2	3
	2015	2016	2017	2018	2019		
Fund	-3.63	22.05	35.58	-19.56	19.25		
Performance Benchmark	-9.99	32.63	25.40	-9.27	13.86		

Performance data covering periods prior to share class launch include synthetic returns. Synthetic results do not represent actual investment returns nor costs and are not a reliable indicator of future performance. Performance data covering the period since share class launch is a record of actual returns achieved. Performance data for Institutional Shares W (Acc.) is derived from Newton X Shares (Income) before 27/07/2015, adjusted to reflect the annual management charge of the Institutional Shares W (Acc.) share class.

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 Emerging Markets Fund to the BNY Mellon Global Emerging Markets Fund.

The Sub-Fund is managed without benchmark-related constraints. The Sub-Fund uses the MSCI Emerging Markets NR Index as a point of reference (comparator) against which the ACD (Authorised Corporate Director) invites Shareholders to compare the Sub-Fund's performance. The ACD considers this index to be an appropriate comparator because it includes a broad representation of the asset class, sectors and geographical areas in which the Sub-Fund predominantly invests.

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PERFORMANCE COMMENTARY

Emerging markets rose in the final quarter of 2019. The global economic environment remained sluggish, but sentiment improved as China and the US reached a 'phase one' trade agreement. In China, GDP growth slowed slightly to 6%, which partly reflected the impact of the trade war with the US. However, the services sector has remained quite resilient.

AMONG KEY CONTRIBUTORS TO RETURNS WERE DELIVERY HERO, HOUSING DEVELOPMENT FINANCE AND RETAIL PHARMACY, CLICKS

The People's Bank of China cut its bank-funding rate but has not aggressively stimulated, in stark contrast to the US, where a slowdown has led to rapid loosening of policy and a consequent spike in the growth of the money supply.

In India, the economy has been weaker than expected in the aftermath of the 2018 liquidity crunch, but the long-term structural growth outlook is positive.

The Fund outperformed its performance benchmark during the quarter, net of fees. The Fund also outperformed by a wide margin in 2019.

Among the largest contributors was online food delivery business Delivery Hero. Its share price leapt on the announcement of a partnership deal with the market leader in Korea. Housing Development Finance reported strong results, while fellow Indian financial company Reliance Nippon Asset Management's results revealed a 21% jump in profits. The Fund's avoidance of non-Indian banking stocks was another positive. South African retail pharmacy Clicks reported strong growth in both its retail and distribution businesses, while luxury car dealership China Harmony New Energy also benefited from an improving outlook.

It was a mixed picture for the Fund's Indian consumer holdings. Internet company Info Edge performed well with investors enthused by the growth of food delivery business Zomato in which it owns a 26% stake, although it is actually the online recruitment and real estate platforms that excite us far more. Domino's Pizza franchise operator Jubilant Foodworks performed well with strong sales growth, sustaining its strong multi-year run. Conversely, jeweller Titan's share price fell sharply after the company lowered its sales guidance, although we expect this correction to be a short-term setback as we believe its longer term growth prospects are excellent. Fast-moving consumer goods company Godrej and cinema company PVR also detracted from relative performance. We retain a favourable long term view of the investment opportunities in India, particularly in the very lightly penetrated consumer discretionary segments.

Brazilian travel company CVC was weak, after its results were affected by unexpected further provisioning related to airline Avianca's bankruptcy. The departure of the CFO (chief financial officer) did not help the market's reaction to the results. CVC is likely to benefit from rising demand for travel, but increased competition has made us wary. Autohome, the Chinese online auto-sales platform, fell sharply in November with a change in pricing strategy (to a cost-per-lead approach), which could suggest reduced pricing power and less predictability in revenues. However, the stock recovered some of its losses in December and we believe its long term prospects are excellent.

ACTIVITY REVIEW

Within IT (information technology) services we invested in EPAM, which has a strong focus on digitalisation – such as mobile, e-commerce, cloud and artificial intelligence. We bought ASML, which derives the majority of its revenue and profits from emerging markets via its leadership position in extreme ultraviolet lithography (EUV), through which it has a dominant position in the semiconductor supply chain, with strong pricing power and high growth.

WE INVESTED IN EPAM AND ASML AND BEGAN A NEW HOLDING IN TENCENT MUSIC, WHILE REDUCING HINDUSTAN UNILEVER

We also initiated a position in Tencent Music, which is the largest online music entertainment platform in China. We invested in the stock while it was out of favour, given our confidence that the company can leverage its massive audience reach and its position as a partner of choice for content producers, and benefit from the established culture for social interaction online.

We initiated a position in Ping An Insurance, China's leading life insurer. The growth opportunity for protection products in China is the largest in the world, and margins are the highest in Asia. Recent weak share price performance in the Thai banking sector provided us with an attractive entry point to invest in Kasikornbank (KBank).

In India, we reduced the holding in Hindustan Unilever as the shares had performed strongly, making the balance of reward versus risk less attractive. We used some of the proceeds to buy Asian Paints. India's paint consumption per capita is still very low, leaving a multi-year 'runway' for growth, especially given the size of the overall population, rising urbanisation and changing consumer trends. Asian Paints is the largest player so could have a significant advantage versus its competitors.

We sold the small holding in Mexican beverage company FEMSA owing to the poor performance of its Coca-Cola bottling subsidiary, which is diluting the growth of the wider group, despite the success of its OXXO convenience store chain. We also had concerns relating to capital allocation. We used strong share price performance to take some profits in Taiwan Semiconductor (TSMC), though this remains a large holding, and moderated the weighting in British American Tobacco as the shares rebounded.

INVESTMENT STRATEGY AND OUTLOOK

Over the last 18 months, we have witnessed a significant derating in emerging market equities on trade fears, even for stocks with good growth prospects and quite robust underlying growth in operating cash flows. This contrasts with the US equity market which has rerated. We believe this bodes well for future emerging market equity performance as emerging market equities appear cheap, not least for the high sustainable growth rates of a number of companies.

THE FUND FOCUSES ON STRUCTURAL GROWTH OPPORTUNITIES THAT WE BELIEVE CAN COMPOUND CASH FLOWS AT A HIGHER RATE THAN THE BROADER MARKET THROUGH THE CYCLE

Lower US growth and more accommodative US policy suggest a weaker US dollar and more supportive conditions for emerging market assets, while recovering trade conditions bode well for a reacceleration in revenue and profit growth.

The Fund's major thematic exposures include the Chinese service sector – for example, internet platforms for recruitment and car sales, as well as education. We also seek exposure to emerging market consumer growth, not least in consumer discretionary companies in India (jewellery, pizza, cinemas, etc.) and the electric vehicle supply chain (batteries, battery components and lithium, which has been very out of favour), as well as food delivery, travel and entertainment.

The Fund focuses on structural growth opportunities that can compound cash flows at a higher rate than the broader market through the cycle, in preference to relying on cyclical growth opportunities. The strong focus on governance and return on capital remain key differentiators, while the significant skew away from banks and oil companies, in favour of large positions in India and small and mid-cap growth stocks is quite contrarian, but it is guided by our long term investment horizon and thorough stock analysis.

TOP 10 HOLDINGS (%)

	Fund
Samsung SDI Co Ltd	5.9
Alibaba Group Holding Ltd	5.9
Taiwan Semiconductor Manufacturing	5.7
New Oriental Education & Tech	5.4
Housing Development Finance	4.8
AIA Group Ltd	4.4
Tencent Holdings Ltd	3.8
Maruti Suzuki India Ltd	3.6
Autohome Inc	3.4
Naspers Ltd	3.0

INDUSTRIAL ALLOCATION (%)

	Fund	Perf. B'mark
Financials	14.1	24.2
Industrials	1.8	5.3
Information Technology	21.9	15.7
Utilities	0.0	2.6
Energy	0.0	7.4
Consumer Staples	8.4	6.3
Materials	3.6	7.4
Consumer Discretionary	36.8	14.2
Real Estate	0.0	3.0
Health Care	1.2	2.8
Communication Services	10.7	11.0
Cash	1.5	0.0

QUARTERLY ATTRIBUTION BY INDUSTRY

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Financials	8.78	2.12	0.79	0.20	1.00
Industrials	18.71	0.26	0.64	0.09	0.73
Information Technology	10.17	10.62	-0.11	0.35	0.24
Utilities	0.00	-3.01	0.00	0.19	0.19
Energy	0.00	2.14	0.00	0.14	0.14
Consumer Staples	-2.46	-4.61	0.27	-0.27	0.00
Materials	2.56	4.49	-0.06	-0.01	-0.08
Consumer Discretionary	5.40	8.59	-1.17	1.10	-0.08
Real Estate	0.00	9.42	0.00	-0.15	-0.15
Health Care	-9.66	6.68	-0.22	-0.02	-0.25
Communication Services	-7.18	2.10	-0.93	0.14	-0.79
Cash	4.37	0.00	0.07	-0.06	0.01

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 CONTRIBUTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Germany	66.93	0.00	1.02	-0.07	0.95
Thailand	8.27	-7.77	0.04	0.29	0.33
United States	9.36	0.00	0.54	-0.24	0.30
India	2.39	-2.03	1.16	-0.91	0.24
Saudi Arabia	0.00	-4.43	0.00	0.21	0.21

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 DETRACTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Brazil	-22.45	6.24	-0.81	-0.11	-0.92
South Korea	2.69	5.49	-0.33	0.02	-0.31
China	6.27	6.71	-0.12	-0.17	-0.29
Netherlands	-3.82	0.00	-0.13	-0.13	-0.26
Russia	0.00	8.60	0.00	-0.17	-0.17

Source: BNY Mellon Investment Management EMEA Limited

GEOGRAPHICAL ALLOCATION (%)

	Fund	Perf. B'mark
China	27.08	34.28
India	23.30	8.63
South Korea	12.22	11.72
South Africa	7.21	4.74
United States	5.77	0.00
Taiwan	5.66	11.70
Hong Kong	4.38	0.00
Netherlands	3.29	0.00
Argentina	2.50	0.16
Germany	2.41	0.00
Brazil	2.01	7.47
Cash	1.49	0.00
Australia	1.48	0.00
Chile	0.68	0.74
Thailand	0.54	2.58
United Arab Emirates	0.00	0.60
Czech Republic	0.00	0.13
Greece	0.00	0.30
Indonesia	0.00	1.93
Mexico	0.00	2.28
Malaysia	0.00	1.81
Peru	0.00	0.34
Philippines	0.00	0.95
Pakistan	0.00	0.03
Poland	0.00	0.88
Russia	0.00	3.92
Turkey	0.00	0.49
Hungary	0.00	0.30
Colombia	0.00	0.37
Egypt	0.00	0.14
Qatar	0.00	0.92
Saudi Arabia	0.00	2.59

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.
- Emerging Markets have additional risks due to less-developed market practices.
- The Fund may invest in China A shares through Stock Connect programmes. These may be subject to regulatory changes and quota limitations. An operational constraint such as a suspension in trading could negatively affect the Fund's ability to achieve its investment objective.
- 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

The Fund aims to achieve capital growth over the long term (5 years or more).

GENERAL INFORMATION

Total net assets (million)	£ 188.70
Historic yield (%)	0.26
Active Share (%)	81.2
Performance Benchmark	MSCI Emerging Markets Index NR
IA Sector	Global Emerging Markets
Lipper sector	Equity Emerging Markets Global
Fund type	ICVC
Fund domicile	UK
Fund manager	Rob Marshall-Lee
Alternate	Sophia Whitbread
Base currency	GBP
Currencies available	GBP
Fund launch	25 Jul 2015
Distribution dates	31 Aug

DEALING

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

INSTITUTIONAL SHARES W (ACC.) SHARE CLASS DETAILS

Inception date	27 Jul 2015
Min. initial investment	£ 10,000,000
ISIN	GB00BVRZK937
Bloomberg	NEGEMWA
Sedol	BVRZK93
Registered for sale in:	CL, GB

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

Ongoing Costs	0.90
Management fee	0.75
Other costs & charges	0.15
Transaction costs ex ante	0.26

Source: BNY Mellon Investment Management EMEA Limited

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

IMPORTANT INFORMATION

For Professional Clients only. This is a financial promotion and is not investment advice. For a full list of risks applicable to this fund, please refer to the Prospectus. Before subscribing, investors should read the most recent Prospectus and KIID for each fund in which they want to invest. Go to www.bnymellonim.com. The Prospectus and KIID are available in English and in an official language of the jurisdictions in which the Fund is registered for public sale. Portfolio holdings are subject to change, for information only and are not investment recommendations. Calls may be recorded. For more information visit our Privacy Policy at www.bnymellonim.com. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and its subsidiaries. Investments should not be regarded as short-term and should normally be held for at least five years. The Fund is a sub-fund of BNY Mellon Investment Funds, an open-ended investment company with variable capital (ICVC) with limited liability between sub-funds. Incorporated in England and Wales: registered number IC27. The Authorised Corporate Director (ACD) is BNY Mellon Fund Managers Limited (BNY MFM), incorporated in England and Wales: No. 1998251. Registered address: BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Authorised and regulated by the Financial Conduct Authority. Issued in the UK by BNY Mellon Investment Management EMEA Limited, BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorised and regulated by the Financial Conduct Authority.

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