

## QUARTERLY INVESTMENT REPORT

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# BNY Mellon Global Equity Income Fund

## INVESTMENT MANAGER



Newton Investment Management: Newton aims to deliver outcomes for its clients across active equities, income, absolute return, multi-asset, 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



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## PERFORMANCE BENCHMARK

The Fund will measure its performance against the FTSE World TR Index (the "Benchmark"). The Fund is actively managed, which means the Investment Manager has absolute discretion to invest outside the Benchmark subject to the investment objective and policies disclosed in the Prospectus. While the Fund's holdings may include constituents of the Benchmark, the selection of investments and their weightings in the portfolio are not influenced by the Benchmark. The investment strategy does not restrict the extent to which the Investment Manager may deviate from the Benchmark.

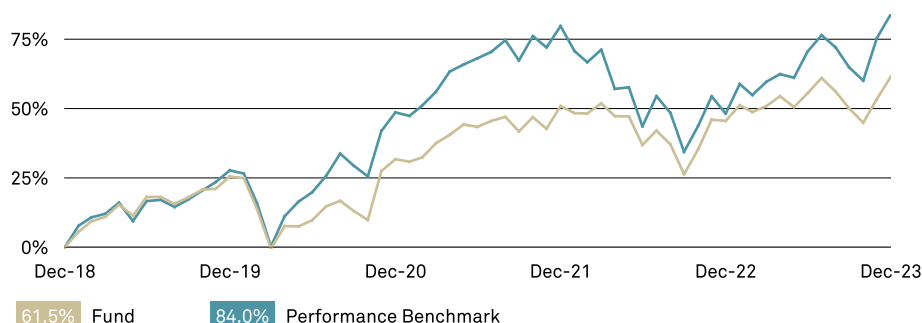
## PERFORMANCE NOTE

**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](http://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. It lagged its benchmark.
- **Activity:** We bought Chroma ATE and made changes to several existing holdings.
- **Outlook & Strategy:** Core inflation is still sticky, and we believe it will remain so as a result of long-term trends such as deglobalisation and decarbonisation.

## 5 YEAR CUMULATIVE PERFORMANCE (%)



## PERFORMANCE SUMMARY (%)

Performance Summary (10)										
							Annualised			
	1M		3M	YTD	1YR		2YR	3YR	5YR	
USD W (Acc.)	5.28		7.63	10.96	10.96		3.46	7.03	10.06	
Performance Benchmark	4.96		11.64	24.18	24.18		1.19	7.39	12.97	
Sector	4.59		9.11	13.97	13.97		0.16	5.61	8.20	
No. of funds in sector	104		102	94	94		87	85	72	
Quartile	-		-	-	4		1	2	1	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	2.45	4.00	7.18	17.70	-6.25	25.53	4.95	14.55	-3.54	10.96
Performance Benchmark	4.77	-1.37	8.65	24.09	-8.77	27.74	16.33	20.95	-17.54	24.18

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.

**BNY MELLON INVESTMENT MANAGEMENT  
EMEA LIMITED - CLIENT SERVICES**

Tel: +44 20 7163 2367

Fax: +44 20 7163 2039

Email: [internationalsales@bnymellon.com](mailto:internationalsales@bnymellon.com)Web: [www.bnymellonim.com](http://www.bnymellonim.com)

## PERFORMANCE COMMENTARY

The final quarter of 2023 played out in two distinct phases. The first phase, comprising the majority of October, witnessed a continuation of the prior month's equity market weakness, as stronger-than-expected US employment and growth data, coupled with persistent inflation, suggested that the US economy was running too hot. This pushed yields on US Treasury bonds markedly higher.

### THE HEALTHCARE SECTOR WAS THE FUND'S PRINCIPAL AREA OF WEAKNESS

By contrast, the second phase witnessed a dramatic rebound in equities on the back of sharply falling government bond yields. Lower inflation prints for October and November undoubtedly played a role in pushing yields down, as did the US Treasury's decision to focus issuance on short-dated maturities.

However, a marked change in tone from the US Federal Reserve (Fed) steered investors away from prior expectations of interest rates staying 'higher for longer' to anticipating rate cuts in the first half of 2024. This became the chief catalyst for the equity market's rally in the final few weeks of 2023, and heralded the prospect of achieving the fabled 'soft landing'.

In aggregate, these gains far outweighed the losses experienced in October, and thus resulted in robust returns from global equity markets over the quarter.

Weakness in the healthcare sector was attributable to the Fund's holdings in Germany's Bayer and France's Sanofi. Procter & Gamble and PepsiCo were the biggest detractors within the consumer staples sector. The underweight in technology, most notably Microsoft, outweighed a positive contribution from the holding in Taiwan's MediaTek.

Cisco Systems' quarterly results exceeded forecasts, but its share price fell sharply on downbeat full-year guidance. Utility Exelon declined following a disappointing regulatory update from the Illinois Commerce Commission.

It was a mixed picture in the financials sector. The Fund enjoyed positive contributions from US insurer Allstate and Brazilian exchange B3, but this was offset by positioning elsewhere, with Chinese insurer Ping An a large detractor. Advertising and communication services business Publicis and GPS technology company Garmin were the top contributors in the consumer discretionary sector.

## ACTIVITY REVIEW

In the industrials sector, we added a new position in Taiwan's Chroma ATE. The company provides customised automated testing equipment and has a leading market position in electric vehicle power testing globally, as well as in system-level testing, a niche area of semiconductor testing that has shown increasing importance in artificial intelligence-related areas.

## WE ADDED TO OUR POSITIONS IN KRAFT HEINZ AND NESTLÉ, AMONG OTHER TRANSACTIONS

We added to Johnson Controls, with demand for its energy efficient commercial heating, ventilation and air conditioning solutions remaining strong. Recent results disappointed the market but, in our view, the issues are short term in nature.

In the consumer sectors, we added to food company Kraft Heinz. We have been encouraged by management's investment to improve the quality of the business while maintaining stability. We also added to food and beverage manufacturer Nestlé, which has had a relative derating in line with other premium defensive stocks. An easing of bond yields and/or greater macroeconomic concerns could reverse recent trends.

We reduced housebuilder Taylor Wimpey, following the rise in mortgage rates.

With the stock rerating since our initial purchase, we reduced the holding in Taiwanese semiconductor business MediaTek to reflect some uncertainties around the positive impact of artificial intelligence (AI), which the market is beginning to price in, and intensifying competition. We added to the holding in semiconductor manufacturer Texas Instruments, which is a high-quality business that was reduced when the share price was at higher levels. With its dividend yield now well above the Fund's buy discipline, we took it back to a more appropriate weighting.

We reduced the position size of Insurance Australia given its strong year-to-date performance, and to reflect some risk that margin trends might deteriorate. We also reduced Zurich Insurance, acknowledging that it may prove more vulnerable than peers to commentary around reserving risk amid inflation in longer-tail insurance liabilities.

With the Fund converting to Article 8 status, which is a type of fund that promotes environmental and social objectives, we sold the holdings in UK defence business BAE Systems, British American Tobacco, and German automobile manufacturer Volkswagen.

## INVESTMENT STRATEGY AND OUTLOOK

While headline inflation has been falling and we may have reached a peak in global interest rates, core inflation is still sticky, and we believe it will remain so as a result of long-term trends such as deglobalisation and decarbonisation.

## THE FUND IS POSITIONED FOR SLOWER ECONOMIC GROWTH

Our view is that, to combat inflation, interest rates will have to remain higher for longer, leading to lower growth and, quite possibly, recession.

Surprisingly, against this backdrop, we have seen a reassertion in leadership from growth stocks, especially those associated with AI. Typically, these companies would struggle to perform in an environment of higher discount rates. Nevertheless, we continue to believe

that an environment of slower growth, higher rates and higher inflation represents a relatively favourable backdrop for income stocks.

Taking a long-term view, it is noteworthy that income stocks which have the ability to raise their dividends to help protect investors from the impact of inflation have proved an attractive proposition during previous inflationary periods.

We believe another supportive factor is the attractive valuation of income stocks. At the time of writing, stocks offering income at above-average rates continue to trade at a substantial discount to low-income stocks.

The Fund is positioned for slower economic growth, with the key overweight sector positions being consumer staples, healthcare and utilities, balanced with an overweight in defensive financials, which could benefit from higher interest rates. Stocks from these sectors dominate the top ten overweight positions in the Fund.

By contrast, the Fund's underweight sector exposures are commodities, real estate, consumer discretionary and industrials, which are the more cyclical parts of the market and the areas in which dividends are most at risk from slowing growth.

In addition, the Fund is significantly underweight in the information technology sector, with the largest underweights being the zero weightings in the 'magnificent seven' (Apple, Alphabet, Meta, Amazon, Microsoft, Nvidia and Tesla). Between them, these stocks make up close to 18% of the FTSE World Index. The Fund is not a global growth portfolio and is positioned differently from the global equity market.

## TOP 10 HOLDINGS (%)

	Fund
Sanofi	3.3
Roche Holding Ltd	3.0
Medtronic Plc	3.0
Samsung Electronics Ltd.	2.8
CME Group Inc. Class A	2.7
AbbVie, Inc.	2.6
PepsiCo, Inc.	2.6
Publicis Groupe SA	2.5
Gilead Sciences, Inc.	2.4
Cisco Systems, Inc.	2.4

## INDUSTRIAL ALLOCATION (%)

	Fund	Perf. B'mark
Consumer Discretionary	13.1	13.8
Energy	4.3	4.5
Financials	17.5	13.7
Real Estate	0.7	2.5
Industrials	8.3	13.4
Telecommunications	5.2	2.9
Basic Materials	2.6	3.6
Utilities	9.3	2.8
Consumer Staples	15.1	5.7
Technology	5.2	25.6
Health Care	15.8	11.3
Cash	2.8	0.0

## QUARTERLY ATTRIBUTION BY INDUSTRY

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Consumer Discretionary	15.93	11.93	0.45	-0.01	0.45
Energy	-2.61	-2.63	0.02	0.03	0.06
Financials	12.05	12.73	-0.12	0.05	-0.06
Real Estate	17.93	17.37	0.01	-0.09	-0.08
Industrials	13.04	13.68	-0.06	-0.08	-0.15
Telecommunications	6.59	8.83	-0.11	-0.06	-0.17
Basic Materials	0.63	11.66	-0.23	0.00	-0.24
Utilities	6.84	10.95	-0.36	-0.05	-0.41
Consumer Staples	5.20	4.46	0.12	-0.62	-0.51
Technology	23.44	17.22	0.23	-0.99	-0.77
Health Care	-0.06	6.04	-0.94	-0.23	-1.16
Cash	2.09	0.00	0.00	-0.07	-0.07

Source: BNY Mellon Investment Management EMEA Limited

## GEOGRAPHICAL ALLOCATION (%)

	Fund	Perf. B'mark
North America	53.84	67.56
Developed Europe	30.09	16.96
Emerging	9.19	3.97
Asia Pacific ex Jap.	4.03	4.68
Cash	2.85	0.00
Japan	0.00	6.66
Middle East	0.00	0.16

**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.
- Investments in the securities of small to medium-sized companies (by market capitalisation) may be riskier and less liquid (i.e. harder to sell) than large companies. This means that their share prices may have greater fluctuations.
- 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.
- 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.
- The Fund follows an ESG investment approach. This means factors other than financial performance are considered as part of the investment process. This carries the risk that the Fund's performance may be negatively impacted due to restrictions placed on its exposure to certain sectors or types of investments. The approach taken may not reflect the opinions of any particular investor. In addition, in following an ESG investment approach, the Fund is dependent upon information and data from third parties (which may include providers for research reports, screenings, ratings and/or analysis such as index providers and consultants). Such information or data may be incomplete, inaccurate or inconsistent.
- 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 generate annual distributions and to achieve long-term capital growth by investing predominantly in equity and equity-related global securities.

GENERAL INFORMATION

Total net assets (million)	\$ 444.35
Active Share (%)	92.8
Performance Benchmark	FTSE World TR
Lipper sector	Lipper Global - Equity Global Income
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Jim Lydotes
Alternate	Jon Bell / Robert Hay
Base currency	USD
Currencies available	EUR, USD, GBP
Fund launch	29 Jul 2010

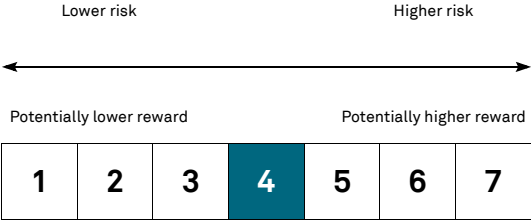
USD W (ACC.) SHARE CLASS DETAILS

Inception date	05 Dec 2012
Min. initial investment	\$ 15,000,000
Max. initial charge	5.00%
Annual mgmt charge	0.75%
ISIN	IE00B90MJZ61
Registered for sale in:	AT, BE, CH, CL, CO, DE, DK, ES, FI, FR, GB, GG, IE, IT, JE, KR, 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.)



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 4 out of 7, which is a medium risk class. This rates the potential losses from future performance at a medium level, and poor market conditions could 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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