

## QUARTERLY INVESTMENT REPORT

This is a marketing communication. For Professional Clients only and, in Switzerland, for Qualified Investors only.

BNY Mellon Investments Switzerland GmbH is a financial services provider in Switzerland and is required to categorise clients, excluding financial intermediaries, in accordance with the Financial Services Act (FinSA). For the purposes of this communication, we have categorised you as a professional client. Professional clients are entitled to provide notification in writing if they wish to be re-categorised.

# BNY Mellon Absolute Return Equity Fund

## INVESTMENT MANAGER



Insight are leaders in absolute return investing, multi-asset, specialist equity solutions, fixed income and liability driven investment.

## PERFORMANCE BENCHMARK

The Fund will measure its performance against SONIA 30-day compounded (the "Cash Benchmark"). SONIA (Sterling Over Night Index Average) is a measure of the rate at which interest is paid on sterling short-term wholesale funds in circumstances where credit, liquidity and other risks are minimal. On each London business day, SONIA is measured as the trimmed mean, rounded to four decimal places, of interest rates paid on eligible sterling denominated deposit transactions. SONIA is a nearly risk-free rate meaning no bank credit risk is included, the rate can rise or fall as a result of central bank policy decisions or changing economic conditions.

The Cash Benchmark is used as a target against which to measure its performance on a rolling 12 month basis after fees.

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.

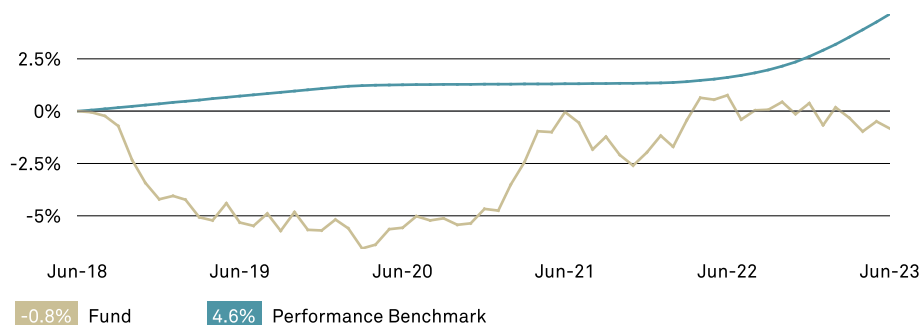
## PERFORMANCE DISCLOSURE

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](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 negative return, net of fees, during the quarter.
- Activity: We reduced the Fund's gross equity exposure.
- Outlook & Strategy: We believe a market-neutral equity strategy, focused on idiosyncratic risks and with a pairs-based approach, can generate uncorrelated returns and portfolio diversification.

## 5 YEAR CUMULATIVE PERFORMANCE (%)



## PERFORMANCE SUMMARY (%)

						Annualised				
	1M		3M	YTD	1YR		2YR	3YR	5YR	
Sterling U (Acc.)	-0.34		-0.51	-1.20	-1.58		-0.40	1.65	-0.17	
Performance Benchmark	0.36		1.06	1.97	2.98		1.63	1.10	0.91	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fund	6.79	1.65	3.42	-0.03	2.24	-3.92	-1.55	1.09	2.83	2.40
Performance Benchmark	0.49	0.50	0.51	0.41	0.30	0.60	0.72	0.21	0.05	1.26

Source: Lipper as at 30 June 2023. Fund performance Sterling U (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

Global equities continued to climb higher in the second quarter despite persistently high inflation, rising rates and macroeconomic concerns.

### US POLICY RATE EXPECTATIONS MOVED NOTABLY HIGHER IN JUNE

Risk assets generally performed well in the second quarter. And equity markets, overall, were stronger, though by differing degrees. Japan's Nikkei 225 Index was one of the leading indices, gaining 18.4% over the quarter. The technology-oriented Nasdaq Composite Index in the US gained 12.8%, as it benefitted from a surge in the share prices of artificial intelligence companies. The S&P 500 Index rose 8.3%, but in Europe the Euro Stoxx 50 Index added only 1.9%, while the UK's FTSE 100 Index declined by 1.3%. The Hang Seng Index lagged, falling 7.3%.

June saw more mixed signals coming from economic data. Services data remained strong, upheld by resilient consumer spending. Excess savings built up during the pandemic appear to be mostly spent and it remains to be seen how this will play out going forward. Furthermore, consumers appear to be building up increasing levels of debt at a time when financing costs are at a 15-year high.

By contrast, the manufacturing sector exhibited more signs of a slowdown on the back of continued destocking headwinds. New orders continued to be positive, but headwinds appear to be building up in the sector, reflected by contractionary PMIs in Europe and the US. China's economy also continued to slow, with industrial output and retail sales both disappointing.

In the US, with the economy remaining in growth mode, inflation still persistent and labour markets tight, rate expectations moved notably higher in June. And the odds of a July policy rate hike moved from 40% to 80%.

The Fund's performance was negatively impacted by our long position in German life science company Bayer, which is hedged against the German stock market and a German healthcare provider. Disappointing first-quarter financial results were announced due to shrinking margins in its pharmaceutical business and lower glyphosate prices impacting the crop science division.

We had reduced our position in Bayer before the release of its results. Although the new Bayer CEO could prompt a strategic business review, higher litigation costs still pose a risk for the company. And, given the range of probabilities, we have been reviewing our position.

A further detractor was our long position in Siemens Energy. The stock fell sharply after the company announced it needed over €1bn to cover expected losses in its wind turbines division due to defective components. This came shortly after management had guided to better profitability as operational improvements start taking effect. Investors are now concerned of more bad news to come. We have since exited the position as our investment thesis is no longer valid.

In contrast, our long position in Covestro, which is hedged against another German chemical company, was among the largest contributors to performance. Covestro, a leading manufacturer of polyurethanes and plastics, was subject to bid speculation. There has been no official response from the company.

An acquisition of Covestro by an industrial player has a lot of merit in our view, given the quality of Covestro's assets. We have taken some profits, maintaining our initial-sized holding. The stock will likely be volatile depending on whether an actual bid is made.

Our position in London Stock Exchange Group, which is hedged with other defensive growth businesses and the broader UK index, also added value. We believe the growth of the company's data and analytics and post-trade services businesses are not yet fully appreciated. Moreover, in our view, the successful integration of Refinitiv, a transition to cloud-based solutions, and the recently announced Microsoft partnership constitute strong tailwinds that are not yet adequately reflected in market forecasts.

## ACTIVITY REVIEW

**Uncertainty about the economic outlook prompted us to reduce the Fund's gross equity exposure.**

### WE MADE A NUMBER OF CHANGES TO THE FUND DURING THE QUARTER

We added new positions to the Fund, including Informa, which was hedged with the European media sector and the broader UK market, while we exited others. Among those was Siemens Energy. We also trimmed positions in Jet2, Smith & Nephew and Bayer.

## INVESTMENT STRATEGY AND OUTLOOK

**Broadening equity index leadership suggests widespread support for the recent market rally.**

### WE CONTINUE TO BE CAUTIOUS IN OUR POSITIONING

Macroeconomic signals have been mixed, with many indicating a continuing slowdown in the wider economy. The labour market remains the most resilient, and any deterioration here will be important to look out for. Broadening equity market leadership indicates potential support for the rally we have seen recently.

Regardless, we retain caution in our positioning and have continued to reduce our gross equity exposure due to ongoing uncertainty.

**INDUSTRY SECTOR EQUITY EXPOSURE (% OF NAV)**

	Net	Gross	Long	Short
Consumer Discretionary	1.3	31.0	16.1	-14.8
Consumer Staples	2.7	10.1	6.4	-3.7
Energy	0.3	5.3	2.8	-2.5
Financials	-0.1	45.8	22.8	-23.0
Health Care	2.5	10.6	6.6	-4.1
Industrials	-2.9	24.2	10.6	-13.6
Information Technology	1.1	8.1	4.6	-3.5
Materials	-2.2	8.5	3.2	-5.4
Telecoms	-0.3	0.3	0.0	-0.3
Utilities	-0.2	10.7	5.3	-5.4

**EQUITY EXPOSURE BY CURRENCY (% OF NAV)**

	Net	Gross	Long	Short
GBP	0.0	0.6	0.3	-0.3
EUR	0.0	0.7	0.4	-0.3
Others	0.0	0.2	0.1	-0.1

**FUND EXPOSURE SUMMARY (% OF NAV)**

	Fund
Gross equity	154.7
Net equity	2.2

Source: BNY Mellon Investment Management EMEA Limited

**KEY RISKS ASSOCIATED WITH THIS FUND**

- There is no guarantee that the Fund will achieve its objectives.
- The performance aim is not a guarantee, may not be achieved and a capital loss may occur. Funds which have a higher performance aim generally take more risk to achieve this and so have a greater potential for returns to vary significantly.
- 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.
- 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.
- Due to the management style of this fund, the SRRI figure may at times be disproportionately low and may not accurately represent the true risk of the fund under certain market conditions.
- 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 the risk factors is set out in the Prospectus in the section entitled "Risk Factors".

**INVESTMENT OBJECTIVE**

To provide a positive absolute return in all market conditions. However, a positive return is not guaranteed and a capital loss may occur.

**GENERAL INFORMATION**

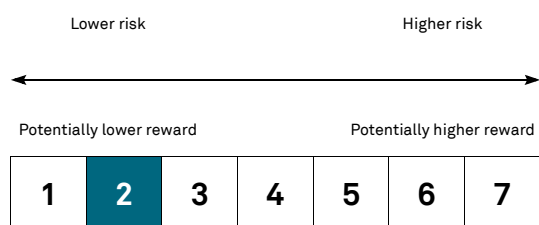
Total net assets (million)	£ 110.80
IA Sector	Targeted Absolute Return
Performance Benchmark	SONIA (30-day compounded)
Lipper sector	Lipper Global - Absolute Return GBP Low
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Team approach
Base currency	GBP
Currencies available	GBP, EUR, USD, CHF
Fund launch	31 Jan 2011

**STERLING U (ACC.) SHARE CLASS DETAILS**

Inception date	03 Mar 2011
Min. initial investment	£ 15,000,000
Max. initial charge	5.00%
Annual mgmt charge	0.85%
ISIN	IE00B4557518
Registered for sale in:	AT, BE, CH, CO, DE, DK, ES, FI, FR, GB, GG, GI, 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 - STERLING U (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 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**

**For Professional Clients and, in Switzerland, for Qualified Investors only. Investment Managers are appointed by BNY Mellon Investment Management EMEA Limited (BNYMIM EMEA), BNY Mellon Funds Limited (BNYMFML), BNY Mellon Fund Management (Luxembourg) S.A. (BNY MFML) or affiliated fund operating companies to undertake portfolio management activities in relation to contracts for products and services entered into by clients with BNYMIM EMEA, BNY MFML or the BNY Mellon funds.** 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 [www.bnymellonim.com](http://www.bnymellonim.com). BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and its subsidiaries. The fund is a sub-fund of BNY Mellon Global Funds, plc, an open-ended investment company with variable capital (ICVC), with segregated liability between sub-funds. Incorporated with limited liability under the laws of Ireland and authorised by the Central Bank of Ireland as a UCITS Fund. The Management Company is BNY Mellon Fund Management (Luxembourg) S.A. (BNY MFML), regulated by the Commission de Surveillance du Secteur Financier (CSSF). Registered address: 2-4 Rue Eugène Ruppert L-2453 Luxembourg. Information on investor rights including the complaints handling policy and investor redress mechanisms is available at [www.bnymellonim.com](http://www.bnymellonim.com). The Manager may terminate the arrangements made for the marketing of one or more sub-funds of BNYMGF in one or more EU Member States and shareholders will receive prior notification in this event. In **Austria**, the current Prospectus and the Key Investor Information Document are available free of charge from Raiffeisen Zentralbank Österreich Aktiengesellschaft, Am Stadtpark 9, A-1030 Vienna. In **Belgium**, the KIID, Prospectus, articles of association and latest annual report are freely available upon request to the paying agent: JP Morgan Chase Bank, 1 Boulevard du Roi Albert II, B-1210 Bruxelles, Belgium. The Prospectus, KIIDs, articles of association, annual and half-yearly financial reports are available in French. In **France**, the KIID, Prospectus, articles and latest annual report are freely available upon request to the centralising agent: BNP Paribas Securities Services, 3 rue d'Antin, 75002 Paris, tél: 00 33 1 42 98 10 00. In **Germany**, the prospectus is available from BNY Mellon Fund Management (Luxembourg) S.A. (BNY MFML), German branch, MesseTurm Friedrich-Ebert-Anlage 49, 60308 Frankfurt am Main, Germany. In **Spain**, BNY Mellon Global Funds is registered with the CNMV, Registration No. 267. In **Switzerland**, the Company is established as an open-ended umbrella type investment company under Irish law and the Sub-funds are authorised by FINMA for distribution to non-qualified investors in or from Switzerland. The Swiss representative is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The Swiss paying agent is Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva. Investors in Switzerland can obtain the documents of the Company, such as the Prospectus, the KIIDs, the Memorandum and Articles of Association, the semi-annual and annual reports, each in their latest version as approved by FINMA, in German, and further information free of charge from the Swiss representative. 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. Issued in **Europe** (ex-Switzerland) by BNY Mellon Fund Management (Luxembourg) S.A. (BNY MFML), a public limited company (société anonyme) incorporated and existing under Luxembourg law under registration number B28166 and having its registered address at 2-4 Rue Eugène Ruppert L-2453 Luxembourg. BNY MFML is regulated by the Commission de Surveillance du Secteur Financier (CSSF). Issued in **Switzerland** by BNY Mellon Investments Switzerland GmbH, Bärengasse 29, CH-8001 Zürich, Switzerland. In the **Middle East** the Bank of New York Mellon, DIFC Branch (the "Authorised Firm") is communicating these materials on behalf of The Bank of New York Mellon, Investment Management EMEA Limited ("BNYMIM EMEA"). BNYMIM EMEA is a wholly owned subsidiary of The Bank of New York Mellon Corporation. This material is intended for Professional Clients only and no other person should act upon it. The Authorised Firm is regulated by the Dubai Financial Services Authority and is located at Dubai International Financial Centre, Gate Precinct Building 5 North, Level 6, Room 601, P.O. Box 506723, Dubai, UAE.

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