

## QUARTERLY INVESTMENT REPORT

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# BNY Mellon Asian Income 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



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Ratings are collected on the first business day of the month.

## PERFORMANCE BENCHMARK

The Fund will measure its performance against the FTSE Asia Pacific ex Japan 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.

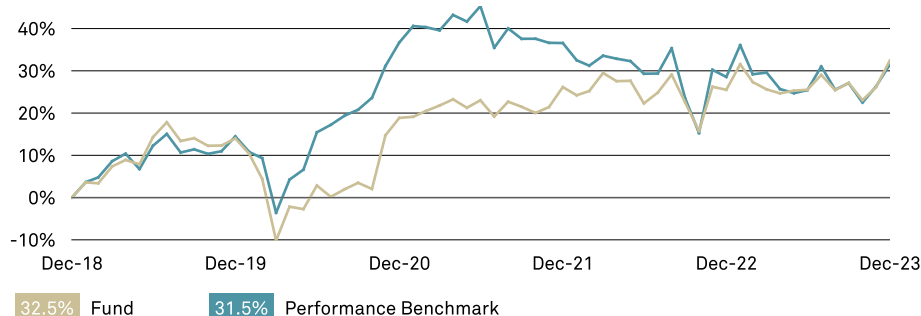
## PERFORMANCE NOTE

**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 was ahead of its benchmark.
- **Activity:** We bought Sonic Healthcare and sold Jiangsu Expressway, among other transactions.
- **Outlook & Strategy:** We believe the outlook for income investing in Asia remains solid.

## 5 YEAR CUMULATIVE PERFORMANCE (%)



## PERFORMANCE SUMMARY (%)

Annualised										
	1M	3M	YTD	1YR	Annualised					
					2YR	3YR	5YR			
GBP W (Inc.)	5.05	4.18	5.53	5.53	2.47	3.68	5.78			
Performance Benchmark	4.13	3.46	2.29	2.29	-1.88	-1.29	5.62			
Sector	3.14	1.05	-3.18	-3.18	-6.04	-4.07	3.54			
No. of funds in sector	173	171	167	167	159	148	134			
Quartile	-	-	-	1	1	1	1			
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	-	-7.90	30.78	11.40	0.01	14.00	4.26	6.14	-0.50	5.53
Performance Benchmark	10.05	-3.48	28.66	23.37	-8.51	14.48	19.42	-0.10	-5.88	2.29

Source: Lipper as at 31 December 2023. Fund performance GBP W (Inc.) 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 Fund was formerly a "feeder Fund" and its investment objective and policy was changed on 28th August 2019.

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## PERFORMANCE COMMENTARY

The final quarter of 2023 played out in two distinct phases, with the market shifting its interest rate outlook.

### THE FUND'S LOW EXPOSURE TO CHINA CONTRIBUTED TO ITS RELATIVE RETURNS

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 further monetary tightening was required to cool down the US economy. This pushed yields on US Treasury bonds markedly higher.

However, with lower inflation in October and November, and a dovish shift in tone from the US Federal Reserve (Fed), bond yields fell drastically in subsequent months, and equities rallied, as investors shifted their belief in 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 and Asian equity markets over the quarter.

South Korea and Taiwan led outperformance in the region following the Fed's dovish pivot. Australia closely followed, with iron ore prices reaching a year-to-date high. India also witnessed strong performance, with investors encouraged by the favourable state election results. China experienced a loss during the quarter, owing to continued market scepticism regarding its economic recovery. Further regulatory uncertainty on gaming companies was also unhelpful.

The Fund's low exposure to China was beneficial to its relative returns. Stock selection added value, as the Fund's interest-rate-sensitive stocks all outperformed.

Taiwanese fabless semiconductor design company, MediaTek, was the top contributor after announcing progress in potential opportunities on edge artificial intelligence (AI) and revealing a double-digit quarter-on-quarter increase in revenues and profits, with smartphone demand starting to recover. Samsung Electronics also outperformed, with the company delivering an upbeat outlook for the memory chip market.

Real estate investment trusts Link REIT and Dexus both performed well amid declining bond yields. The share price of National Australia Bank (NAB) climbed as it, and its domestic banking peers, posted strong profits. NAB's share price performance was further boosted by the announcement of a dividend hike.

The Fund benefitted from a zero weighting in Alibaba, which fell as it was announced that plans to spin off its cloud computing unit had been cancelled. Not holding Chinese food delivery platform Meituan contributed positively, with the market increasingly concerned about the macroeconomic and competitive environment. The zero weighting in Tencent was a further positive, with its share price, along with other gaming peers, hit by news of draft regulations drawn up by Chinese regulators to implement tighter controls on in-game monetisation.

However, not owning Chinese online retailer PDD, the owner of discount retailing app Temu, was a detractor to relative performance, after its quarterly results exceeded market expectations. These companies form large parts of the benchmark; however, the Fund is precluded from owning them owing to its dividend yield criteria.

Elsewhere in China, the Fund's holding in Ping An Insurance continued to be affected by macroeconomic headwinds. Automated testing equipment provider Chroma ATE and copper-clad laminate maker Elite Material suffered from some profit taking following strong year-to-date performance among other AI beneficiaries.

Shares in ITC detracted from performance owing to share price consolidation within Indian consumer names. Woodside Energy was a further detractor owing to weakness in oil prices.

## ACTIVITY REVIEW

We initiated a position in Sonic Healthcare, which is one of the world's largest healthcare diagnostics service providers. The ageing global population and surging demand for chronic illness support have been driving the growth of the global pathology and radiology market. Cost advantages from economies of scale and balance sheet strength should provide a favourable competitive edge.

## WE SOLD JIANGSU EXPRESSWAY AND MADE CHANGES TO SEVERAL EXISTING HOLDINGS

Early in the quarter, we took the opportunity to add to the position in Link Real Estate Investment Trust following share price weakness caused by rising bond yields and general market concerns of the spillover effects from China's macroeconomic situation. We also used share price weakness to add to the existing holding in AIA. It is an Asian life insurer, with favourable exposure to the growth opportunity in the region that arises from structural wealth creation.

Concerns around China's macroeconomic outlook and elevated local government debt levels led us to complete the sale of toll road operator Jiangsu Expressway.

We continued to reduce the position size of Insurance Australia given its strong year-to-date performance, and to reflect our concerns on margin trends. We also reduced the high weighting in Taiwan Semiconductor Manufacturing (TSMC) following year-to-date outperformance.

## INVESTMENT STRATEGY AND OUTLOOK

We believe the outlook for income investing in Asia remains solid. A weaker US dollar, with anticipated interest rate cuts, should provide a supportive backdrop for Asian equities. Meanwhile, economic growth in most parts of the world remains resilient, despite the adjustment to higher interest rates.

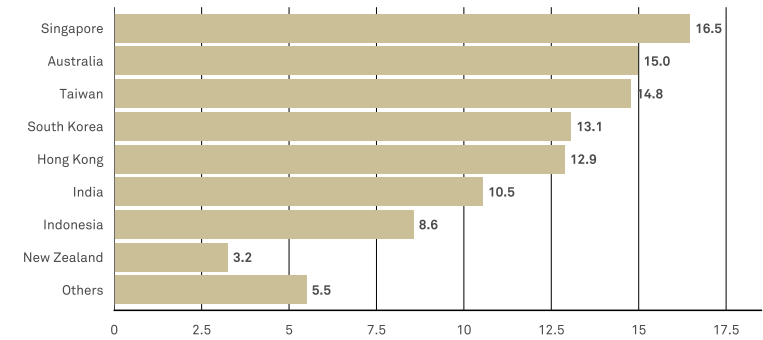
## VOLATILITY IS LIKELY TO REMAIN ELEVATED

China's economic recovery continues to be the key focus of debate on the outlook for regional equity markets, although longer-term challenges in debt and demographics remain.

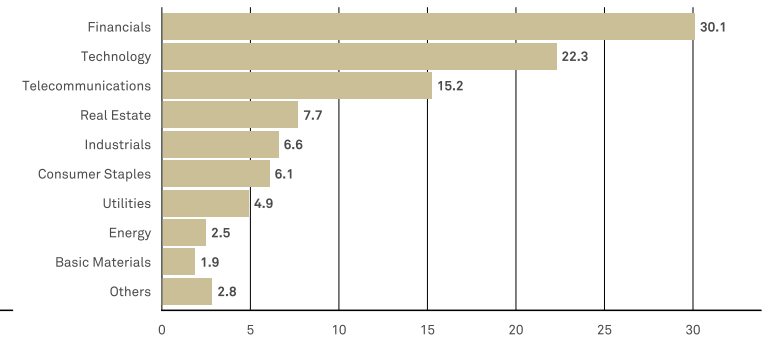
After a strong end to the year in 2023, volatility is likely to remain elevated. We believe our dividend yield-focused approach should serve the Fund well, particularly given the uncertain global economic backdrop.

We continue to select companies backed by solid cash flows and strong business models that have a sustainable competitive advantage and high-quality earnings. We believe a continued focus on quality companies with strong balance sheets and pricing power that meet our yield discipline should help the Fund mitigate volatile times ahead.

GEOGRAPHICAL ALLOCATION (%)



INDUSTRIAL ALLOCATION (%)



TOP 10 HOLDINGS (%)

	Fund
Samsung Electronics	7.2
Taiwan Semiconductor Manufacturing	7.1
ITC	5.5
DBS	4.1
Link Real Estate Investment Trust	3.8
MediaTek	3.5
National Australia Bank	3.4
Singapore Technologies Engineering	3.3
AIA	3.3
Bank Mandiri	3.0

Source: BNY Mellon Investment Management EMEA Limited

ACTIVE MONEY (%)

Top overweight	Fund	Perf. B'mark
Telecommunications	15.2	6.7
Financials	30.1	21.9
Real Estate	7.7	3.8
Utilities	4.9	2.9
Consumer Staples	6.1	4.8

ACTIVE MONEY (%)

Top underweight	Fund	Perf. B'mark
Consumer Discretionary	0.0	12.1
Basic Materials	1.9	7.5
Health Care	1.1	5.2
Industrials	6.6	9.5
Energy	2.5	4.7

**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.
- Where the Fund invests significantly in a single market, this may have a material impact on 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 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 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 provide income with the potential for capital growth over the longer term.

GENERAL INFORMATION

Total net assets (million)	\$ 29.90
Performance Benchmark	FTSE Asia Pacific ex Japan TR
Lipper sector	Lipper Global - Equity Asia Pacific Ex Japan
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Zoe Kan
Alternate	Alex Khosla
Base currency	USD
Currencies available	EUR, GBP, USD
Fund launch	09 May 2014

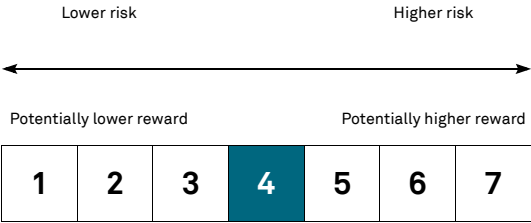
GBP W (INC.) SHARE CLASS DETAILS

Inception date	09 May 2014
Min. initial investment	£ 15,000,000
Max. initial charge	5.00%
Annual mgmt charge	0.75%
ISIN	IE00BLORDJ74
Registered for sale in:	AT, BE, CH, CO, DE, DK, ES, FI, FR, GB, GG, IE, IL, 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 - GBP W (INC.)



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.

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