

BNYM Newton Small Mid Cap Growth Strategy

SEPARATELY MANAGED ACCOUNTS | MANAGER COMMENTARY | Q3 2025

MARKET REVIEW

Equity performance was positive across both developed and emerging markets during the third quarter. Despite ongoing geopolitical concerns, global markets advanced, supported by accommodative central banks and generally favorable corporate earnings. Gains were further bolstered by progress on tariff-related issues through key US trade agreements with the EU and Japan, along with an increasingly dovish stance from the Federal Reserve (Fed). The S&P 500® Index increased by 8.12% during the quarter.

Within the index, ten of the 11 Global Industry Classification Standard (GICS) equity sectors finished in positive territory, with information technology and communication services being the strongest performers. Small-cap stocks outperformed large-cap stocks, while growth stocks outperformed value stocks. Among other major equity benchmarks, the MSCI EAFE Index, a measure of developed markets excluding the US and Canada, increased by 4.77%, while the MSCI Emerging Markets Index increased by 10.64%.

In the US, equity market performance was more robust in the third quarter of 2025. The Dow Jones Industrial Average® increased 5.51% while the NASDAQ 100 Index® increased 9.01%. US fixed-income markets were also higher for the quarter, based on the Bloomberg US Aggregate Total Return Index. Corporate earnings — particularly from mega-cap technology firms — and better-than-expected US gross domestic product (GDP) growth supported positive performance. Inflation pressures remained a key theme, as headline personal consumption expenditures (PCE) climbed from 2.6% in July to 2.7% in August and core PCE (which excludes the most volatile food and energy prices) held steady 2.9%, keeping price stability in focus. The labor market showed increasing signs of strain as job growth slowed from 147,000 in June to just 22,000 in August, while unemployment drifted up from 4.1% to 4.3%. Against this backdrop, the Fed shifted toward a more accommodative monetary policy stance. After holding rates steady through July, policymakers signaled a dovish tilt at the Fed's annual Economic Policy Symposium in Jackson Hole, WY, and ultimately delivered a 25-basis-point (bp) cut in September, lowering the target range to 4.00% to 4.25%.

Equity markets in developed economies generally rose during the quarter. In the eurozone, headline inflation hovered around the European Central Bank's (ECB's) 2% target, edging up to 2.1% in August, while core inflation stayed at 2.3%. GDP growth was modest and uneven across countries, though business activity improved with the composite purchasing managers' index (PMI) reaching its highest level in over a year. The ECB kept rates unchanged throughout the quarter, citing persistent trade and geopolitical risks. In the UK, the Bank of England cut rates to 4.0% in August but held them steady in September, as the Organisation for Economic Co-operation and Development (OECD) projected the UK would face the highest inflation among Group of Seven (G7) economies in 2025. Meanwhile, Japan posted its fifth straight quarter of GDP growth, though inflation moderated slightly, with the headline consumer price index (CPI) easing from 3.1% in July to 2.7% in August and Tokyo's core inflation holding at 2.5%. The Bank of Japan maintained its 0.50% policy rate while revising forecasts upward, underscoring a cautious approach amid ongoing global trade uncertainty.

Heading into year-end, equity markets face a delicate balance between easing financial conditions and mounting macro headwinds.

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Emerging-market equities posted positive returns, supported by improving global trade sentiment and a weakening US dollar. In China, first-half GDP growth of 5.3% year-over-year surpassed the full-year target of 5%, driven primarily by robust industrial output and exports, while domestic consumption and private investment lagged. Manufacturing activity remained weak until a September rebound pushed the Caixin PMI back into expansion territory. The People's Bank of China held rates steady throughout the quarter, while officials emphasized a cautious, data-driven approach amid ongoing US trade tensions. India posted better-than-expected third quarter GDP growth of 7.8%, driven by government spending and manufacturing. In Brazil, inflation remained above target but eased modestly to around 5.1%, as Brazil's central bank left the Selic rate unchanged at 15%. Meanwhile, Mexico saw inflation continue to cool, enabling the central bank to lower its policy rate twice during the quarter to 7.50%, while an OECD upgrade to growth forecasts and a \$2.3 billion investment in Banamex underscored confidence in the country's financial sector.

Commodities were higher in the third quarter, with the Refinitiv/CoreCommodity CRB Index rising 2.19%. Precious metals climbed during the quarter, driven by falling real yields and a softer US dollar following a dovish Fed shift. These gains were partially offset by weaker oil prices, as summer demand tapered off and higher output from the Organization of the Petroleum Exporting Countries (OPEC) was expected to boost inventories. Natural-gas prices also fell as summer power-sector demand eased, and storage inventories rose.

SECTOR REVIEW¹

Positive Impacts

Financials: Financials led relative contributors over the period. An underweight to the financial services segment and beneficial stock selection both contributed.

Communication Services: A lack of exposure to the communication services segment buoyed results over the period.

Negative Impacts

Industrials: Stock selection within industrials weighed on results, particularly within the electrical equipment segment.

Information Technology: Information technology was a key laggard over the period. Stock selection among the software space weighed on results, including the holdings in Confluent Class A and monday.com Ltd.

STOCK REVIEW¹

Key Contributors – Q3 25

Karman Holdings: Karman designs and manufactures subsystems for missile and launch applications including rocket motors, connectors and payload protection equipment. The company's share price rose over the period, as investors believed rising government spending would support Karman's earnings.

Top 10 Holdings (9/30/25)	%
AeroVironment	3.37
Curtiss-Wright	3.09
Karman Holdings	2.99
Repligen	2.86
Timken	2.78
Rambus	2.73
Warby Parker, Cl. A	2.61
SiTime	2.53
Regal Rexnord	2.38
Baldwin Insurance Group	2.27

The holdings listed should not be considered recommendations to buy or sell a security. Excludes cash. Large concentrations can increase share price volatility.

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Rambus: Shares of the memory chip company gained, fueled by optimism about the critical role of memory technology in powering AI applications.

Life360: Shares of the technology platform rose owing to strong second-quarterly earnings and all-time highs in monthly active users. The company also announced a partnership with AccuWeather, which would combine the company's real-time location technology with weather alerts.

Key Detractors – Q3 25

Confluent Class A: Shares of Confluent, Inc. fell after the company reported disappointing earnings and outlook. We exited the name over the period.

monday.com Ltd.: Shares of Monday.com pulled back in July, alongside the broader software sector, as well as concerns about sentiment surrounding seat-based models.

Baldwin Insurance Group Class A: Baldwin Insurance Group is an insurance brokerage company. Shares declined owing to ongoing investor concerns despite the company's 11% organic revenue growth as announced in its second quarter 2025 earnings presentation in August.

¹ Performance of individual stock evaluated is based on total effect. Total effect represents the opportunity cost of an investment manager's investment decisions relative to an overall benchmark, which can include holdings that are not held by the portfolio but contribute to relative portfolio performance.

TOP 5 CONTRIBUTORS

Rambus

Karman Holdings

Life360

Modine Manufacturing

Warby Parker, Cl. A

TOP 5 DETRACTORS

Confluent, Cl. A

monday.com

Baldwin Insurance Group, Cl. A

Freshpet

Inspire Medical Systems

MARKET OUTLOOK

Heading into year-end, equity markets face a delicate balance between easing financial conditions and mounting macro headwinds. We believe the Federal Reserve's (Fed) cautious pivot toward rate cuts should support valuations and sentiment, but lingering inflation pressures and elevated real yields will likely keep volatility high. Employment is softening at the margin, and the combination of slowing job growth, rising input costs from expanded U.S. tariffs and uncertain consumer strength suggests that profit growth may remain uneven across sectors. In our view, large-cap companies with pricing power and balance-sheet resilience are positioned to weather this environment. Meanwhile, small caps may need clearer evidence of sustained rate relief or economic re-acceleration to outperform, however, lower rates should be a material tailwind. Global growth remains modest, and trade friction continues to cap momentum. A prolonged government shutdown would add near-term noise

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and erode confidence at a time when investors are already recalibrating earnings expectations. Overall, we think equities can move higher into year-end, but leadership will likely narrow further, favoring quality, cash-generative companies and select cyclical recovery names leveraged to eventual Fed easing.

One bright spot continues to be the ongoing buildout of artificial intelligence (AI) infrastructure. The AI investment cycle—spanning data centers, semiconductors, networking and power generation—is driving a powerful capital expenditure wave that is offsetting weakness in more traditional industrial activity. This ecosystem effect is creating secondary and tertiary growth opportunities across utilities, cloud platforms, software and component suppliers, with many firms benefiting from sustained demand visibility well into 2026. While valuations in AI leaders remain elevated, we think the productivity potential and multiplier impact of these investments offer a credible medium-term growth buffer for the broader economy, helping to stabilize corporate earnings and potentially extending the equity cycle even as other areas of demand moderate.

For more information, please call BNY Mellon Securities Corporation at 1-877-334-6899. Past performance is no guarantee of future results. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

Risks

Equities are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. **Small and midsized company stocks** tend to be more volatile and less liquid than larger company stocks as these companies are less established and have more volatile earnings histories.

As of 9/30/25 the companies mentioned represented 11.25% of the portfolio in the aggregate. Confluent was not a portfolio holding as of 9/30/25. The holdings listed should not be considered recommendations to buy or sell a particular security. Other holdings may not have performed as well as some of those listed herein. Portfolio composition is subject to change at any time.

Artificial intelligence refers to computer systems that can perform tasks typically requiring human intelligence, such as visual perception, speech recognition, decision making and language translation.

The **S&P 500® Index** is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. This is not a benchmark for the fund. The **Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE®) Index** is a free float-adjusted, market capitalization-weighted index that is designed to measure equity performance in developed markets, excluding the United States and Canada. The index consists of select designated MSCI national developed market indices. The **MSCI Emerging Markets Index** is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity performance in global emerging markets. The index consists of 22 MSCI emerging-market national indices. This is not a benchmark for the fund. The **Dow Jones Industrial Average**, Dow Jones, or simply the Dow, is a stock market index of 30 prominent companies listed on stock exchanges in the United States. The **Nasdaq-100 Index** is a stock market index made up of equity securities issued by 100 of the largest non-financial companies listed on the Nasdaq stock exchange. The Personal Consumption Expenditures (PCE) price index measures the prices consumers pay for goods and services and changes in those prices. It is considered a gauge of inflation in the U.S. economy. The **Refinitiv/CoreCommodity CRB Index** is a benchmark index that tracks the price movements of a basket of 19 globally traded commodities. It is designed to provide a broad representation of the commodity market, and is used as a benchmark for commodity-related investments. The **Bloomberg U.S. Aggregate Total Return Index** is designed to measure the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed pass-through economy securities (agency fixed-rate), commercial mortgage-backed securities (agency and non-agency) and other asset-backed securities having at least one year until final maturity. To be included in the index, securities must be rated investment grade (Baa3/BBB-/BBB- or higher) using the middle rating of Moody's, S&P and Fitch. An investor cannot invest directly in any index. GICS stands for the **Global Industry Classification Standard**, a system developed by S&P Dow Jones Indices and MSCI to categorize companies into sectors and industries based on their principal business activities. The Core PCE Index, or **Core Personal Consumption Expenditures Index**, is a price index that measures inflation for goods and services purchased by consumers, excluding the most volatile food and energy prices.

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