

# BNY Mellon Global Fixed Income Fund

## MANAGER COMMENTARY | Q1 2025

Class A **DHGAX**    Class I **SDGIX**

### MARKET REVIEW

The first quarter of 2025 was centered around the effects and intentions of the new US administration, as Donald Trump resumed the presidency, with announcements having the effect of introducing material economic and market uncertainty. The on/off imposition of import tariffs on US trade partners became a focus for many market participants as they attempted to identify the way ahead for global economies, central bank actions and markets generally. The ongoing US policy pivots have continued to heavily influence policy pronouncements in many other countries, not least in Europe, where greater government commitments to spending on defense have been pushed up within domestic agendas. The US Federal Reserve was alone among the major central banks in not changing interest rates, with the European Central Bank, the Banks of England and Canada, the Swiss Central Bank, and the Reserve Bank of Australia all cutting rates, while the Bank of Japan raised rates during the quarter.

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### PERFORMANCE SUMMARY

For the quarter ended March 31, 2025, the Fund's Class I shares returned 1.24%, excluding sales charges. In comparison, the Fund's unmanaged benchmark, the Bloomberg Global Aggregate USD Hedged Index, returned -1.17% for the same period.

#### Average Annual Total Returns (3/31/25)

Share Class / Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Class A (NAV) 12/2/09	1.22%	1.22%	4.88%	2.32%	2.20%	1.81%
Class A (4.50% max. load)	-3.35%	-3.35%	0.18%	0.76%	1.26%	1.34%
Class I (NAV) 1/1/94	1.24%	1.24%	5.16%	2.63%	2.49%	2.11%
Bloomberg Global Aggregate USD Index (Hedged)	1.17%	1.17%	4.59%	1.55%	0.42%	1.94%

Returns are net of fund expenses and assume reinvestment of distributions. The performance data quoted represents past performance, which is no guarantee of future results. Share price and investment return fluctuate, and an investor's shares may be worth more or less than original cost upon redemption. Current performance may be lower or higher than the performance quoted. Performance for periods less than 1 year is not annualized. Go to [bny.com/investments](https://bny.com/investments) for the fund's most recent month-end returns. Returns assume the reinvestment of dividends and capital gains, if any.

#### Total Expenses (3/31/25)

Share Class	Gross <sup>1</sup>	Net <sup>2</sup>
Class A	0.85%	0.85%
Class I	0.54%	0.54%

<sup>1</sup>Gross expenses is the total annual operating expense ratio for the fund, before any fee waivers or expense reimbursements. <sup>2</sup>Net Expenses is the total annual operating expense ratio for the fund, after any applicable fee waivers or expense reimbursements. The Net Expenses is the actual fund expense ratio applicable to investors. Not all classes of shares may be available to all investors or through all broker-dealer platforms.

Not FDIC-Insured. Not Bank-Guaranteed. May Lose Value

 **BNY** | INVESTMENTS

## MARKET REVIEW (continued)

Government bond markets were mixed across the first quarter. News, events and reactions were largely centered on the announcements and policies of the incoming US presidential administration. The threat of tariffs led to concerns that the US might be more exposed to recession, pushing 10-year US Treasury yields lower by 36 basis points (bp). In Germany, plans to expand government spending on infrastructure and defense through extra borrowing helped drive 10-year yields up by 37bp. Meanwhile, 10-year UK gilt yields rose by 11bp as concerns remained that inflation may not yet be beaten. In Japan, expectations that the Bank of Japan will continue to raise interest rates while inflation continued to rise sent 10-year government bond yields up 39bp, briefly moving above 1.5% for the first time since the global financial crisis late in the quarter. Yield levels in the emerging markets declined slightly, with the JP Morgan Emerging Market Bond Index yield falling 9bp to 6.30%.

With the exception of euro investment grade corporates, credit markets were generally weaker than government markets in the quarter, as spread levels typically widened. The option-adjusted spread (OAS) over governments for the Bloomberg US Corporate Index ended the quarter 14bp wider at 94bp, with the related Bloomberg US Credit Index 12bp wider. By contrast, the spread on the Bloomberg Euro Corporate Index tightened by 4bp, but that should be viewed in combination with the increase in German government yields during the period. The Bloomberg Sterling Agg Corporate Index was 15bp wider. In high-yield markets, the Bloomberg US Corporate High Yield Index spread was 60bp wider, reflecting the deterioration in risk markets over the quarter. Meanwhile, the Bloomberg Pan-European High Yield Index spread widened by 25bp.

## PERFORMANCE REVIEW

The Fund outperformed the benchmark in the period. Active rates positioning outperformed on the quarter, driven by an underweight in 10-year Japanese government bonds and an overweight to 10-year US Treasuries. Curve positioning provided outperformance driven by steepening in the US. Cross-market trades underperformed on the quarter, with an underweight Canada versus the US, an overweight New Zealand versus the US, and an underweight Sweden versus the euro were the primary performance headwinds. Inflation positioning provided material outperformance driven by falling UK inflation expectations. This was partially countered by underperformance associated with relative value positioning between US and euro break evens.

Credit faced headwinds this quarter as a small overweight to credit beta drove slight underperformance. Mortgage-backed securities (MBS) also saw marginal underperformance during the quarter, countered by security selection, where outperformance was driven by an overweight to ROMANI and European banks. Finally, foreign currency positioning slightly underperformed driven by an underweight Swedish krona IRS and euro. The performance impact of these positions was partially countered by overweights to the US dollar and yen.

There were several changes to the active risk profile of the strategy during the quarter. The strategy increased topline duration by +1 years to +.5 years. The strategy net bought duration on the long end of the curve in Japan, 10yr Canada and 5yr Swedish krona IRS. These buys were against sales of euro, Australian dollar, and Chinese yuan denominated duration. In curve positioning the strategy reduced the steepener in US dollars. In credit beta, the strategy added 0.375 units of risk in the quarter, primarily in euro-denominated investment-grade credit. The strategy sold cash investment exposure and moved overweight synthetic risk. Finally, from an asset allocation standpoint, changes during the quarter were to increase euro Investment Grade Risk versus US dollar. In foreign exchange, the strategy bought Swiss franc, euro, Australian dollar, Canadian dollar, and New Zealand dollar while selling US dollar, Swedish krona, Norwegian krona, Chinese yuan, and yen.

## MARKET OUTLOOK

It seems likely that the actions of the US administration will be a guiding impulse on growth and inflation. As US import tariffs take hold, economic theory suggests they are likely to create higher US inflation and dampen growth outside the US. Retaliatory tariffs elsewhere could put upward pressure on inflation in the other countries and squeeze US exports. Overall effects may be difficult to quantify, and the timeframes for those effects will be equally challenging to predict. Higher inflation generally may make monetary policymakers reticent to ease interest rates further, which could have an additional stifling effect on activity. Additionally, geopolitical events and uncertainty remain key concerns for many investors, with the conflict in Ukraine still showing no definitive signs of ending.

While the imposition of import tariffs could see some switch in demand to domestically produced goods or relocating of production into the US, any reciprocal tariffs could have detrimental effects on US exports. Inflation is expected to remain around current levels and struggle to reach the target level, remaining at or just above 2.5%, while tariffs will not help the slow descent of inflation towards the 2% target level. We believe growth will be around 2.0% this year, decelerating slightly to around 1.7% in 2026. The Federal Reserve is likely to ease policy only slowly, with two rate cuts of 25bp in 2025 and two more in 2026, in our view. Policymakers could halt easing completely if inflation rises, even with a weaker economy, until they believe price pressures are back under control. Despite the risks of higher inflation, we believe the prospect of softer growth will see 10-year US Treasury yields fall back in the next year to around 3.90%.

Prospects for growth in the eurozone continue to be soft given the impacts of US tariffs, although the anticipated fiscal expansion in Germany and potentially elsewhere could help offset that drag. The eurozone is well ahead of other regions on the path toward sustainably achieving target inflation, and the ECB is likely to continue its easing policy. We now expect rates to be brought down to 2% by the end of 2025, remaining there for some time thereafter. Given the recently approved changes permitting Germany to expand its borrowing on both infrastructure and defense spending we have raised our expectations for German government bond yields. In 12 months, we now see 10-year German yields at 2.55% and longer-dated yields closer to 3%.

In the emerging markets, China's domestic demand remains soft due to the ongoing drag from the property sector and weak household and business confidence. We do, however, expect improvements in 2025. The external sector will likely move from a tailwind to a headwind as US tariffs dampen exports. China's 5% growth target appears unlikely to be achieved, and downsides remain. The picture across other emerging markets is mixed, with individual nations facing differences in the levels and extent of US tariffs. As a key provider to the US, Mexico may be one of the harder-hit countries, affecting its growth prospects more than others. The path of inflation is otherwise still generally downward, which, in the absence of pressure on currencies, could provide individual central banks with the capacity to continue easing policy or, as in the case of Brazil, to begin reversing recent rate increases.

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**Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. To obtain a prospectus, or a summary prospectus, if available, that contains this and other information about a fund, contact your financial professional or visit [bny.com/investments](https://bny.com/investments). Read the prospectus carefully before investing. Past performance is no guarantee of future results.**

## Risks

**Bonds** are subject to interest-rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries. **High yield bonds** involve increased credit and

liquidity risk than higher-rated bonds and are considered speculative in terms of the issuer's ability to pay interest and repay principal on a timely basis. The use of **derivatives** involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid, and difficult to value and there is the risk that changes in the value of a derivative held by the portfolio will not correlate with the underlying instruments or the portfolio's other investments.

The **Bloomberg Global Aggregate Index (Unhedged)** is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. **J.P. Morgan Market Bond indices** are a family of benchmarks designed to track the performance of various bond markets, including those in the US, emerging markets, and global markets. These indices cover a range of asset classes and currencies, providing investors with a way to track and compare the performance of different bond sectors. The **Bloomberg US Corporate Index** is a benchmark for the investment-grade, fixed-rate, taxable US corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility, and financial issuers. The **Bloomberg Euro Corporate Bond Index** is a broad-based benchmark that tracks the performance of the investment-grade, euro-denominated, fixed-rate corporate bond market. It includes securities from industrial, utility, and financial issuers publicly issued in Eurobond and eurozone domestic markets. The **Bloomberg US Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. The **Bloomberg Sterling Aggregate Corporate Bond Index** is a fixed-rate, investment-grade Sterling-denominated corporate bond index that tracks the performance of the fixed-rate, investment-grade Sterling-denominated corporate bond market. It's part of a broader family of fixed income indices offered by Bloomberg. The index includes bonds from industrial, utility, and financial issuers. The **Bloomberg Pan-European High Yield Index** tracks the performance of fixed-rate, high-yield corporate bonds issued in Europe, denominated in EUR, GBP, CHF, DKK, NOK, and SEK. It specifically focuses on non-investment grade debt, excluding emerging market debt and certain other debt types. Investors cannot invest directly in any index.

**Inflation** is the rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier. **Relative Value**, which is a measure of a stock's long-term price appreciation potential compared to a risk-free investment like AAA corporate bonds. The **option-adjusted spread (OAS)** is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. A **basis point (BP)** is a unit of measure used to indicate percentage changes in financial instruments. Basis points are typically expressed with the abbreviations "bp," "bps," or "bips." One basis point is equal to 1/100th of 1%, or 0.01%. In decimal form, one basis point appears as 0.0001 (0.01/100). **ROMANI** refers to Return on Market Value of Equity (ROME). ROME is a metric used to assess a company's ability to generate profits relative to its market value. It's a useful tool for value investors, helping them identify potentially undervalued stocks.

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