# BNY Mellon Variable Investment Fund Appreciation Portfolio

**MANAGER COMMENTARY | Q2 2025**

## Describe the performance of the fund relative to its benchmark during the last three months.

The BNY Mellon Variable Investment Fund trailed the S&P 500 Index in the period, driven by an overall negative stock selection effect. The Fund benefited from a positive selection effect within the industrials sector, resulting in positive relative performance in the quarter. Within the health care sector, a positive selection effect outweighed a negative allocation effect, which contributed positively to relative results in the period. The Fund's underweight allocation within the utilities sector also boosted relative performance in the quarter. The top contributors to relative performance include Microsoft, NVIDIA, Amazon.com, Meta Platforms, and Intuit. The top detractors from relative performance include UnitedHealth Group, Apple, Chevron, LVMH Moet Hennessy Louis Vuitton, and Exxon Mobil.

At the beginning of April, President Trump announced sweeping tariffs on America's trade partners, stating a goal to lower America's trade imbalances and achieve bilateral trade deficits of zero. Specifically, these policies would include tariffs on China (34%), the European Union (20%), and Asian trade partners, such as Vietnam, Japan, Taiwan, and South Korea (with tariffs ranging from 20-46%). For countries where the U.S. runs a trade surplus, a baseline 10% tariff was announced. Investors were shocked and rattled; stocks sold off as the magnitude of these tariffs were far more pervasive than initially anticipated. A week later, a 90-day pause was instituted, and a universal 10% baseline tariff was enacted to allow for further negotiations.

The only country excluded from the 90-day pause was China, which saw a 145% tariff applied (a level reached through a series of escalations); China responded by levying a 125% tariff on American-made goods. After trade representatives from the U.S. and China met in May, the U.S. trimmed Chinese tariffs from 145% to 30% and China cut its tariffs on American-made goods from 125% to 10%. This de-escalation between the world's two largest economies set the stage for further negotiations and drove a rebound in global equity performance. As similar patterns emerged in trade negotiations with countries across Asia, the E.U., Canada, and elsewhere, equity markets rallied, and market participants expected that trade deals with the U.S. were ultimately achievable, despite the Trump administration's tough initial stance.

The U.S. Federal Reserve chose to hold rates steady in the quarter, as the agency anticipated an uptick in inflation with businesses potentially passing on higher tariff costs to consumers via price increases. In contrast, America's tariff announcements would likely challenge growth prospects for an already stagnant Europe and export-dependent Asia. In response to trade tensions, major central banks across Europe and Asia cut their respective interest rates to ease credit conditions in a shift of their collective focus from fighting inflation to supporting economic growth.

During the first quarter earnings season, corporations reported better-than-expected earnings growth and addressed key investor themes, including the consumer outlook, continued artificial intelligence (AI) investments, and strategies to navigate a dynamic tariff environment. Overall, consumer spending remained strong and undeterred by the myriad of tariff threats, which drove earnings growth. However, companies have issued more cautious outlooks and have paused investment plans. The large technology companies within the S&P 500 reported strong earnings and issued better-than-expected guidance and higher capital expenditure plans to expand AI computing capacity in the year ahead, which drove equity gains and positive sentiment.

The S&P 500 recovered from the tariff shocks, but uncertainty related to global trade policies continues to weigh on investor sentiment. Geopolitical risk re-entered the conversation as conflict between Israel and Iran erupted, but the two nations quickly agreed to a ceasefire. This caused volatility in the price of crude oil globally but didn't derail the stock gains that were driven by tariff de-escalation and strong earnings.

## How is the fund currently positioned and what is your current strategy?

The Fund's investment philosophy remains steadfast during periods of heightened uncertainty. While we expect volatility to continue as markets await further clarity on the potential impacts of tariffs and the direction of monetary and fiscal policies, we have conviction in the long-term strength of the capital markets. We believe that the companies held in the Fund, which are comprised of global industry leaders, are well-equipped to navigate near-term market challenges.

We will continue to stay vigilant and invest in accordance with our long-standing investment philosophy, as we have done during previous periods of uncertainty. We believe long-term value is driven by companies in dominant global market-leading businesses in structurally attractive industries operating in multiple geographies, led by skilled management teams capable of achieving resilient, sustainable earnings growth.

**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 a financial professional or visit im.bnymellon.com. Read the prospectus carefully before investing. Not all classes of shares may be available to all investors or through all broker-dealer platforms. For more information, call 1-800-373-9387 or visit bny.com/investments.**

**The portfolio is only available as a funding vehicle for variable annuity contracts and variable life insurance policies. Individuals may not directly purchase shares of the portfolio. A variable annuity is an insurance contract issued by an insurance company that enables investors to accumulate assets on a tax-deferred basis for retirement or other long-term goals. Variable insurance products pose investment risks, including the possible loss of principal.**

**Past performance is no guarantee of future results.**

**Risks**

**Equities** are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. 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.

**Index Definitions**

The **Standard & Poor's 500® Composite Stock Price Index** is a widely accepted, unmanaged index of overall U.S. stock market performance. An investor cannot invest directly in any index.

**Definitions**

**NAV** is Net Asset Value. **YTD** is Year to Date. **FDIC** is Federal Deposit Insurance Corp.

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

As of 6/30/25, the Top 10 holdings were Microsoft 8.50%, Apple 6.41%, Amazon 6.28%, Nvidia 5.62%, Alphabet 4.19%, Visa 3.39%, Meta Platforms 3.28%, Intuit 3.20%, Texas Instruments 2.89%, and BlackRock 2.57%. As of 6/30/25 the companies mentioned represented 46.33% of the fund's portfolio in the aggregate. 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.

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BNY Mellon Investment Adviser, Inc. serves as the fund's investment adviser. Fayez Sarofim & Co. (Sarofim & Co.) is the fund's sub-investment adviser. Fayez Sarofim & Co. is not affiliated with BNY.

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