

BNYM Newton Large Cap Growth Strategy

SEPARATELY MANAGED ACCOUNTS | MANAGER COMMENTARY | Q2 2025

MARKET REVIEW

Equity markets were generally higher across developed and emerging markets as the US retreated on its harshest tariff threats and signs the Federal Reserve (Fed) may begin cutting rates as inflation stabilized. Markets largely looked past geopolitical uncertainty in June as Israel launched surprise airstrikes on Iran's nuclear sites, prompting retaliatory attacks and US strikes in support of Israel before a fragile ceasefire contained further escalation. The S&P 500® Index increased 10.94% for the quarter. Within the index, 8 of 11 Global Industry Classification Standard (GICS) equity sectors finished in positive territory. The strongest performers were information technology and communication services.

In 2025, the US and global equity markets are navigating a complex landscape shaped by shifting monetary policies, trade uncertainties and technological disruption.

Growth stocks outperformed value stocks, while large-cap outperformed small-cap. Among other major equity benchmarks, the MSCI EAFE Index, a measure of developed markets excluding the US and Canada, was higher by 11.78%. The MSCI Emerging Markets Index was higher by 11.99%.

In the US, equity market performance was higher in the second quarter of 2025 with the Dow Jones Industrial Average advancing by 5.46% and the Nasdaq 100 advancing by 17.86%. US fixed income markets were also higher for the quarter. First quarter gross domestic product (GDP) contracted by 0.3%, the first decline since 2022, due to a surge in pre-tariff imports. Despite this, the labor market remained resilient, with job growth moderating but consistently above expectations. Inflation appeared contained, with core Personal Consumption Expenditures (PCE), the Fed's preferred measure, easing from 2.7% to 2.5% in May before rising slightly to 2.8% in June, still below forecasts. The Fed took no further rate actions in the quarter, although Vice Chair Michelle Bowman signaled openness to rate cuts as early as July amid softening job data and subdued inflationary impact from tariffs. Consumer sentiment rebounded from historic lows, while political developments—most notably President Trump's evolving tariff strategy and the advancement of the "One Big Beautiful Bill" -- added fiscal and policy uncertainty heading into the second half of the year.

In developed international markets, equities were broadly higher. In the Eurozone, the European Central Bank (ECB) cut rates by 25 basis points (bps) twice as inflation continued to moderate. The most recent inflation reading (May) came in at 1.9% relative to 2.2% in April and below the ECB's long-term target of 2%. First quarter GDP grew at an annualized rate of 1.2%, effectively flat relative to the prior quarter. Despite growth resilience, the European Commission lowered its full-year forecast due to US-EU trade tensions. The UK had a first quarter GDP surge of 0.7%, the fastest in the Group of Seven (G7), which was partly driven by front-loaded activity ahead of new tariffs and tax changes. The Bank of England (BOE) cut rates by 25 bps in May before pausing in June amid lingering inflation concerns. In Japan, inflation spiked early in the quarter due to food and tariff-driven import costs but later moderated to 1.9%. The Bank of Japan (BOJ) left policy unchanged across both its meetings and announced a slower pace of bond purchase tapering beginning in 2026, aiming to stabilize bond market volatility.

Emerging market equities rose during the quarter following a 90-day suspension of the most punitive US tariffs on China and a weaker US dollar. In China, first quarter GDP growth exceeded expectations at 5.4%, though partly driven by front-loaded activity ahead of new US tariffs. The Caixin Manufacturing PMI rebounded into expansion territory in June, supported by improving domestic demand. The People's Bank of China maintained rates but injected liquidity to support the economy. Brazil posted strong first quarter GDP growth of 2.9% year-over-year, fueled by agriculture, though inflation remained elevated. The central bank raised rates twice, by 50 bps and then 25 bps, before signaling a pause. In Mexico, the economy narrowly avoided recession in quarter one, but the Bank of Mexico cut its growth forecast and continued a dovish stance, reducing rates to 8.0% by quarter-end to counter slowing domestic activity. Meanwhile, India launched a sizable easing cycle, cutting both its repo rate and cash reserve ratio, despite relatively strong growth, to buffer against external trade risks and maintain momentum.

Commodities were lower in the second quarter, with the Refinitiv/CoreCommodity CRB Index returning -2.85%. Crude oil prices were volatile, initially retreating in April and May due to rising Organization of the Petroleum Exporting Countries (OPEC+) output and global oversupply concerns but ending the quarter higher after spiking in June following the Israel-Iran conflict. Conversely natural gas ended the quarter lower due to milder-than-expected weather cooling demand and steady production. Although gold prices remained resilient in April on safe-haven demand, they declined in May and June as geopolitical risks moderated.

The US dollar declined against a basket of major currencies.

SECTOR REVIEW¹

Positive Impacts

Industrials: Stock selection within the industrials sector was the main driver of returns during the quarter, helped by aerospace and defense holdings, as well as positioning within the electrical equipment segment.

Financials: An underweight and stock selection in the financials sector contributed to performance, particularly not owning several underperforming financial services stocks, which benefited returns.

Negative Impacts

Communication Services: Stock selection in the communication services sector was the lead detractor over the period, particularly within the interactive media & services subsector.

Real Estate: An overweight to the real estate sector also detracted from relative returns during the quarter.

STOCK REVIEW¹

Key Contributors

NVIDIA Corporation: Nvidia is a leading developer and processor of graphics processing units used for artificial intelligence (AI). Recent commentary points to the acceleration of demand, supported by usage and

Top 10 Holdings (6/30/25)	%
NVIDIA CORP	14.41
MICROSOFT CORP	9.11
AMAZON COM INC	8.02
APPLE INC	7.52
ALPHABET INC CLASS C	4.68
MASTERCARD INC CLASS A	2.71
BROADCOM INC	2.64
NETFLIX INC	2.44
ALPHABET INC CLASS A	2.26
GOLDMAN SACHS GROUP INC	1.55
The holdings listed should not be considered recommendations to buy or sell a security. Large concentrations can increase share price volatility.	

longer run time inference. The firm is seeing increased demand through diverse applications, including software development, content creation, and enterprises adopting generative AI.

Microsoft Corporation: Shares of the software maker performed well after reporting better-than-expected earnings during the quarter. Most notable was the firm's cloud computing platform, Azure, which saw accelerating growth ahead of investor expectations.

Broadcom: Broadcom is a fabless company benefiting from customer network upgrades to enable larger clusters of inferencing and training of generative artificial intelligence (GenAI) models. Broadcom also benefits from the design of in-house custom chips. Shares rose following the company's announcement of a \$10 billion share repurchase authorization.

Key Detractors

Apple: Apple continues to execute on iPhones (AI upgrades, premiumization), wearables, and Services (AI, bigger install base, paid subscriptions). Apple's recent results have flagged concerns about tariff impact on the bottom line. Management believes there is still more downside ahead but did not quantify it, putting the stock in an uncertain light. The tariffs present a challenging macro backdrop but present upside risk if trade deals are finalized. 2026 also sees potential new form factors introduced in iPhones and wearables.

Pinterest Class A: Shares saw weakness amid small-medium size business ad checks, which uncovered marginally negative indicators from end-consumer standpoints, with consumer softness and tentativeness among advertisers.

Bio-Techne Corporation: The life sciences tools company has been under pressure due to macro pressures, including administration funding cuts, tariff exposure, and competition from China.

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

NVIDIA

Microsoft

Broadcom

Amazon.com

Alphabet, Cl. A

TOP 5 DETRACTORS

Apple

Pinterest, Cl. A

Bio-Techne

Ingersoll Rand

Freshpet

MARKET OUTLOOK

In 2025, the US and global equity markets are navigating a complex landscape shaped by shifting monetary policies, trade uncertainties and technological disruption. Interest rates are expected to decline gradually, with the Federal Reserve projected to cut rates by 25 basis points per quarter starting in the third quarter of 2025, potentially lowering the federal funds rate to around 3% by year-end. This easing should support equity valuations by reducing borrowing costs, particularly for small-cap stocks, which are more sensitive to interest rate changes. However, persistent trade policy volatility, driven by tariff negotiations, could elevate inflation risks, potentially tempering the pace of rate cuts. Despite these headwinds, global economic growth is expected to remain resilient, with the US economy growing at 0-1% and avoiding recession, while Europe and emerging markets like India benefit from accommodative policies and domestic growth drivers.

Corporate earnings were poised to be a key driver of equity performance, as US S&P 500 earnings growth had come in at 12.7% in the first quarter, but are now projected to fall to approximately 5% for 2025 according to FactSet. Earnings revisions for US companies have recently trended downward, reflecting caution due to trade uncertainties, while non-US developed markets show more stable earnings outlooks. Despite the “Magnificent Seven” mega-cap tech stocks seeing their earnings growth decelerate, they are still outpacing the broader market of the “remaining” S&P 493 stocks, currently. Internationally, Europe’s forward 12-month earnings growth of over 7% and EPS Index nearing new highs is encouraging, but it appears it may be peaking and turning lower.

We believe large-cap stocks, particularly in the US, remain favored due to their earnings resilience and exposure to AI-related growth, but small-cap stocks present compelling opportunities as valuations trade at a sizable discount to fair value. We think small caps may benefit from lower interest rates and potential deregulation, which could catalyze a rebound, especially in cyclical sectors like industrials and financials. However, their performance hinges on economic stability and tariff resolutions, as they are more exposed to domestic economic fluctuations. Conversely, large caps, especially tech-heavy names, face risks from elevated valuations and potential AI sector corrections, as seen in early 2025 with the sell-off following DeepSeek’s disruptive AI model announcement. A balanced approach favoring both growth and value stocks across regions has the potential to mitigate risks while capturing upside.

Artificial intelligence continues to be a transformative force, driving productivity gains and reshaping equity market dynamics. The AI sector, while still concentrated in US mega-caps, is broadening as adoption spreads across industries like healthcare and industrials, with Asia (notably Taiwan and India) emerging as diversification opportunities. However, we believe concerns about overinvestment in AI infrastructure, highlighted by the market’s reaction to DeepSeek’s cost-effective model, underscore risks of a potential bubble. For 2025, AI’s productivity benefits are expected to bolster corporate margins, but we think we should remain selective, focusing on companies with strong fundamentals and reasonable valuations to navigate volatility. Overall, in our view, a cautiously optimistic outlook prevails, with US equities and selective international markets offering opportunities amidst a volatile macro environment, along with actively managing risks tied to policy uncertainty and AI-driven disruptions.

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. 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.

As of 6/30/25 the companies mentioned represented 44.89% of the fund's portfolio in the aggregate. Pinterest and Ingersoll Rand were not portfolio holdings as of 6/30/25. 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.

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. 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. 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. This is not a benchmark for the fund. 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 **Caixin China Manufacturing Purchasing Managers Index** is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. When the PMI is below 50.0 this indicates that the manufacturing economy is declining and a value above 50.0 indicates an expansion of the manufacturing economy. This is not a benchmark for the fund. 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. This is not a benchmark for the fund. Investors cannot invest directly in any index.

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