BNYM Newton Dynamic Value 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.

> As the year of "known unknowns" continues, we believe in maintaining a balanced approach to the financial markets and value investing.

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%. Developed fixed income market performance was positive in the quarter. The Bloomberg® US Aggregate Index returned 1.21%. The Bloomberg Global Aggregate Hedged Index returned 1.61% and the Bloomberg Global Aggregate Unhedged Index returned 4.52%.

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.

SECTOR REVIEW[1]

Positive Impacts

Consumer Discretionary: Stock selection among hotels, restaurants and leisure names was a primary driver of performance for the quarter. This included the position in cruise operator, Royal Caribbean Group, which was the leading individual contributor.

Industrials: Stock selection in the industrials sector benefited performance during the quarter, notably our position in electrical products manufacturer, Hubbell Incorporated.

Utilities: Stock selection and an underweight to the utilities sector aided returns in the quarter.

Negative Impacts

Health Care: Both an overweight and stock selection in the health care sector again detracted for the second quarter, predominantly within the health care equipment and supplies and health care providers and services subsectors, including the position in UnitedHealth Group Incorporated. Bristol-Meyers Squibb Company also detracted.

Information Technology: Stock selection in the technology sector detracted from returns.

Financials: Stock selection within the financials sector pressured performance, particularly among insurance names. Aon Plc Class A was a top detractor in the space.

Top 10 Holdings (6/30/25)	%
JPMORGAN CHASE	4.28
BERKSHIRE HATHAWAY CLASS B	3.65
CISCO SYSTEMS	3.06
JOHNSON & JOHNSON	3.00
AT&T	2.68
BANK OF AMERICA	2.51
CAPITAL ONE FINANCIAL	2.44
MEDTRONIC PLC	2.33
DANAHER	2.28
GOLDMAN SACHS GROUP	2.21

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

STOCK REVIEW[1]

Positive Impacts

Royal Caribbean Group: Shares of the cruise line operator were solid over the quarter as investors tempered their fears over a slowdown in both US economic growth and discretionary spending. Royal Caribbean raised its earnings outlook, given strong pricing and demand outlook. We believe the company may continue to benefit from strong bookings over the next few years as there is limited cruise line supply coming online leading to limited availability.

Goldman Sachs Group: Following an early sell-off, shares of the capital markets company moved higher over the quarter on a recovery in financial markets and capital markets activity. Shares also moved higher in anticipation of capital requirements being relaxed.

Hubbell Incorporated: Shares of the electrical component maker rebounded over the quarter as investor sentiment improved. Shares have been weak since the start of the year when investors took profits in both direct and indirect beneficiaries of artificial intelligence (AI) spending.

Negative Impacts

UnitedHealth Group: Shares of the largest managed care provider in the United States sold off over the quarter after reporting disappointing earnings driven by higher-than-expected medical costs and concerns over a potential Department of Justice criminal investigation.

Aon Plc Class A: Shares of the insurance broker were weak over the period as investors grew concerned about the industry's pricing power and a deceleration in property policy writing.

Bristol-Myers Squibb Company: Shares of the pharmaceutical maker were weak over the quarter on concerns over the impact of potential tariffs and the company’s drug pipeline given upcoming patent expirations.

[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

Royal Caribbean Group
JPMorgan Chase & Co.
Goldman Sachs Group
GE Vernova
Bank of America

5 DETRACTORS

UnitedHealth Group
Bristol-Myers Squibb Company
Berkshire Hathaway Class B
Hess Corporation
Aon Plc Class A

MARKET OUTLOOK

As we start the second half of 2025, investors might be feeling that the current environment is looking relatively similar to start of the year: uncertainty around fiscal policy and tariffs, hesitation around economic growth, inflation, and interest rates, and angst about the health and sustainability of corporate earnings in the face of all these factors. Meanwhile, the financial markets are looking familiar too, with the S&P 500 Index, led by technology and AI-growth companies, pushing up against historical highs and trading at the higher end of its historical valuation range.

There are a few differences, though. On the fiscal policy side, it appears investors have started to better understand the Trump administrations' negotiating tactics, especially around tariffs and foreign policy – although there is little doubt that both will continue to be sources of volatility, in our view. Also, the "Big Beautiful Bill" was passed, but the debate over the short- and long-term benefits continues.

As the year of "known unknowns" continues, we believe in maintaining a balanced approach to the financial markets and value investing. With volatility and macro uncertainty likely to remain elevated going forward, we strive to position ourselves to participate when markets rise but be flexible to mitigate on the downside should we see another abrupt sell-off in risk assets.

We continue to believe experienced active managers with long-tenured teams that employ a consistent and repeatable process are best suited for this type of environment, given a widening dispersion of potential macro outcomes and investment returns. We continue to believe that investing in companies that sit at the nexus of strong and improving fundamentals, attractive valuation and catalyst-driven business momentum can deliver attractive outcomes for our clients.

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. 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 10.60% 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.

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. This is not a benchmark for the fund. 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 Commodity Index** is a broad measure of the commodity futures market that emphasizes diversification and liquidity through a simple, straightforward, equal-weighted approach. The index tracks 28 different commodities, from agricultural to precious metals to energy products. An investor cannot invest directly in any index. The **Bloomberg U.S. Aggregate 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 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. The Bloomberg Global Aggregate Hedged Index tracks the performance of global investment-grade bonds, while hedging the currency risk back to a specific base currency, such as the Euro (EUR) or US Dollar (USD). 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 **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. 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. An investor cannot invest directly in any index.

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