

BNY Mellon Concentrated International ETF

MANAGER COMMENTARY | Q2 2025

BKCI

MARKET REVIEW

It was a volatile start to the quarter for international markets, triggered by the announcement of US reciprocal tariffs. However, the subsequent postponement of these levies led to a strong rebound, as investors interpreted the move as a negotiating tactic. Despite this optimism, elevated tariff levels and ongoing uncertainty have begun to impact economic indicators.

“Despite slower consumer spending and a challenging manufacturing backdrop, the outlook for growth looks subdued, but not desperate.”

In Europe, the European Commission downgraded its 2025 growth forecast from 1.3% to 0.9%. Nonetheless, investor sentiment remained positive, supported by hopes of avoiding tariffs, potential European Central Bank rate cuts, and Germany's pivot toward fiscal stimulus. Rising defense budgets also attracted investor interest. In Japan, the economic narrative is one of rising wages but also higher inflation, which has limited real wage growth and is constraining consumer spending to some extent. Despite a negative gross domestic product (GDP) print in the first quarter, consumption remained resilient. The Bank of Japan's Tankan survey showed some strength among large manufacturers, although the auto sector remained weak.

From a market perspective, information technology stocks led the way, particularly those with exposure to artificial intelligence (AI). Industrial stocks also performed well, supported by defense-related demand and signs of economic stabilization. In contrast, consumer-facing sectors, especially luxury goods, were more subdued.

PERFORMANCE SUMMARY

The BNY Mellon Concentrated International ETF underperformed the MSCI EAFE Index for the second quarter of 2025.

Average Annual Total Returns

Ticker	QTR	YTD	1 Year	3 Year	Inception (12/6/21)
BKCI Market Price	7.43%	7.97%	1.96%	9.64%	1.29%
BKCI NAV	8.13%	7.28%	1.90%	9.75%	1.29%
MSCI EAFE Index	11.78%	19.45%	17.73%	15.97%	--

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 of less than one year are not annualized. Data assumes the reinvestment of dividends and capital gains, if any. Go to [bny.com/investments/etf](https://www.bny.com/investments/etf) for the fund's most recent month-end returns. A fund's NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. Market Price performance is calculated using the most recent NYSE Arca Official Closing Price. Market Price returns do not represent investors' returns had they traded shares at other times.

Total Expenses (6/30/25)

Ticker	Gross ¹	Net ²
BKCI	0.75%	0.65%

¹Gross expenses is the total annual operating expense ratio for the fund, before any fee waivers or expense reimbursements. ²Net Expenses is the total annual operating expense ratio for the fund, after any applicable fee waivers or expense reimbursements. The net expense ratio(s) reflect a contractual expense reduction agreement through 3/1/2026, without which, the returns would have been lower. The Net Expenses is the actual fund expense ratio applicable to investors.

PERFORMANCE REVIEW

The Fund underperformed the Index in the quarter. The relative lag can be attribute across three sectors: industrials, healthcare and consumer discretionary.

Industrials holdings trailed their benchmark counterparts over the quarter. The aerospace and defense industry, which the Fund does not have exposure to, was a key driver of the sector’s strong return within the Index and held names did not keep pace. Healthcare stocks endured a lackluster quarter and the Fund’s greater exposure to the sector was a key detractor in relative terms. Held names lagged their benchmark counterparts and detracted further. Softer demand for luxury goods led to a subdued consumer discretionary sector.

TOP CONTRIBUTORS

The top contributors to relative performance include **Taiwan Semiconductor, SAP, ASML, AIA Group, and Universal Music**.

TOP DETRACTORS

The top detractors from relative performance **LVMH, Coloplast, TotalEnergies, Merck, and Roche**.

PORTFOLIO IN DETAIL

Research

Our primary task remains unchanged: understanding the companies that we invest in. That work doesn’t stop once an investment is made. We continue to test our analysis and challenge our thinking. This year, we have also deliberately increased our focus on ‘top-down’ research. By dialing up the number of weekly research meetings, we’ve assessed emerging risks and potential opportunities.

Tariffs and other protectionist measures have remained a key topic in our conversations with companies. We’ve questioned them on likely impacts and contingency plans, and we have combined those insights with sector-wide research to understand how our held companies are positioned relative to peers.

The pharmaceutical sector is one example. With uncertainty around which products may fall under tariff regimes, we examined how companies such as **Roche** and **Novo Nordisk** - both of which have historically invested in US manufacturing - might be shown some leniency when it comes to the terms of any tariffs. Other companies in the sector are now weighing the cost of future investment as they try to navigate this uncertainty. For biotherapeutics firm **CSL**, the US is a key market for sourcing plasma, the raw material used in many of its therapies that treat rare and often chronic conditions including immune deficiencies and blood clotting disorders. While CSL has some US manufacturing capacity, the value-added stages occur in Switzerland and Australia. Management must weigh the risk that the current exemption for human blood products and vaccines is dropped against the spend that would be required to achieve self-sufficiency in the US.

Top 10 Holdings (6/30/25)	
Amadeus IT Group	5.85%
SAP	5.44%
Taiwan Semiconductor - ADR	5.43%
Compass Group	4.88%
AIA Group	4.50%
Air Liquide	4.16%
ASML	4.09%
Alimentation Couche-Tard	4.04%
Experian	3.90%
Universal Music	3.61%
The holdings listed should not be considered recommendations to buy or sell a security. Large concentrations can increase share price volatility.	

The defense sector has also been a focus, prompted by widening international conflict and increased defense spending, particularly in Europe. We reviewed technological advances across the industry and assessed which companies we believe are best placed to navigate the complex politics and protectionism that accompany large-scale state spending.

MARKET OUTLOOK

With the trade deal clock ticking, investors will likely be focused on the next steps of the tariff saga. So far, markets have reflected a relatively sanguine view of economic prospects, and a belief that not-too-disruptive agreements founded on economic pragmatism will prevail. At the moment, despite slower consumer spending and a challenging manufacturing backdrop, the outlook for growth looks subdued, but not desperate. A ratcheting up of tariffs could change that dynamic, testing the 'muddling through' narrative. Monetary policy should continue to be benign, and the Bank of Japan is likely to tone down its normalization of interest rates policy in the face of economic fragility. There has been little sign of bond market vigilantism over the extent of budget deficits, but higher yields may follow countries exhibiting fiscal exuberance. Middle East tensions and war in Ukraine have barely dented market sentiment but remain a potential source of equity market volatility.

We remain resolutely optimistic regarding the long-term prospects for the holdings in our portfolio. Many of the world's leading businesses are well versed in navigating their way through economic and political cycles. They may experience share price and earnings volatility, but over time their fundamental strengths come to the fore. Our conviction is based on the rigor of our process, testing and debating the validity of investment theses, but we are also seeking out new opportunities. We believe that market leadership, financial strength and the ability to innovate and leverage on durable growth trends are the hallmarks of the companies we hold.

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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. For more information, call 1-800-373-9387 or visit bny.com/investments/etf. Read the prospectus carefully before investing.

Past performance is no guarantee of future results.

Diversification cannot assure a profit or protect against loss.

ETF shares are listed on an exchange, and shares are generally purchased and sold in the secondary market at market price. At times, the market price may be at a premium or discount to the ETF's per share NAV. In addition, ETFs are subject to the risk that an active trading market for an ETF's shares may not develop or be maintained. Buying or selling ETF shares on an exchange may require the payment of brokerage commissions.

Risks: ETFs trade like stocks, are subject to investment risk, including possible loss of principal. The risks of investing in ETFs typically reflect the risks associated with the types of instruments in which the ETF invests. Equities are subject to market, market sector, market liquidity, issuer, and investment style risks, among other factors, 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. **Small and midsize 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. The fund is non-diversified, which means the fund may invest in a relatively high percentage of its assets in a limited number of issuers. Performance may be more vulnerable to changes in the market of a single issuer.

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. **Gross domestic product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Index Definition

The **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. Reflects reinvestment of net dividends and, where applicable, capital gain distributions. Investors cannot invest directly in any index.

As of 6/30/25 the companies mentioned represented 43.85% 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.

The fund will issue (or redeem) fund shares to certain institutional investors known as "Authorized Participants" (typically market makers or other broker-dealers) only in large blocks of fund shares known as "Creation Units." BNY Mellon Securities Corporation ("BNYMSC"), a subsidiary of BNY, serves as distributor of the fund. BNYMSC does not distribute fund shares in less than Creation Units, nor does it maintain a secondary market in fund shares. BNYMSC may enter into selected dealer agreements with Authorized Participants for the sale of Creation Units of fund shares.

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The investment adviser for the fund is BNY Mellon ETF Investment Adviser, LLC (BNYETF). BNYETF has engaged its affiliate, Walter Scott & Partners Limited (Walter Scott), to serve as the fund's sub-adviser. All are subsidiaries of The Bank of New York Mellon Corporation. BNY is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally.

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