LOOKING TO THE LONG TERM

Fayez Sarofim & Co.

BNY | INVESTMENTS

Fayez Sarofim & Co. (Sarofim) keeps their eyes on the horizon.

They are not concerned with short-term market movements; indeed, they believe that a narrow, near-term focus can be seriously detrimental to sustainable investment returns. Instead, the firm takes the long view. They consider themselves business owners, not traders of stocks.

By taking this long view, they align themselves with their clients, who typically take a multi-generational approach to their investments. Many of Sarofim's clients have been with the firm for decades. These relationships are built on trust and experience — and on a common conviction that investing is an inherently long-term business.

Year founded: **1958**	Assets under management: **$38.0B***
Number of investment professionals: **22***	Average investment tenure at firm: **20 Years***

Purpose and philosophy

The firm seeks to achieve a rate of return for their clients that exceeds those of mainstream market indices over a full market cycle while trying to take less risk than investing in those indices would entail. They aim to achieve this result by applying their consistent long-term philosophy.**

The core tenet of this philosophy is that enduring growth is predicated on industry dominance. Dominant businesses are usually to be found in large companies, with the potential to produce above-average earnings growth and market leadership over sustained time periods. Sarofim believes that stock price appreciation is based on earnings growth over the long term.

Sarofim considers themselves business owners, not traders of stocks.

* As of December 31, 2024.

** There can be no assurance these investment objectives can or will be met.

Investment approach

Sarofim believes that strong risk-adjusted returns are best achieved through lower volatility and greater downside protection. Patience is paramount here. They do not try to chase eye-catching short-term returns by following market fads — which often prove unsustainable. Instead, the firm focuses on companies that they believe are resilient, well-positioned, and enduring, whose earnings may deliver solid growth year after year.

They are helped by the fact that much of the market is inherently short-term in its approach — which creates opportunities for active long-term investors like Sarofim. Companies capable of delivering steady and predictable growth are, in their view, often underappreciated and undervalued. Short-term uncertainties, irrational exuberance, and a herd mentality often prevent the broader investment community from identifying the most enduring opportunities in the market.

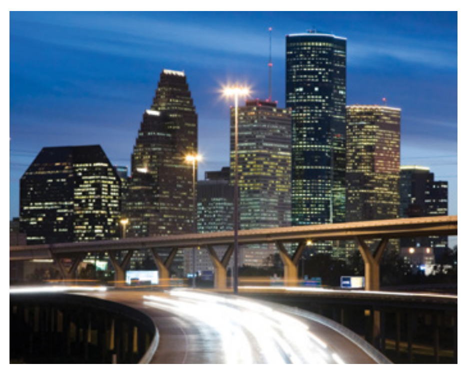
For those reasons, the firm focuses their research efforts on companies that they believe have dominant global positions in structurally attractive industries. They look for clear competitive advantages and revenue and earnings growth that have the potential for both above-average and sustainable returns. For them to consider an investment, companies must demonstrate solid balance sheets and resilient cash flows. And they must have strong management teams that have a record of using those cash flows productively.

Steadfast conviction

The firm offers two core strategies for BNY: their US Large Capitalization Equity Strategy and their Global Equity Strategy. These consist of Sarofim's highest-conviction ideas from the domestic and global equity markets, respectively, and they both fully reflect the company's underlying investment philosophy.

By keeping all their attention and research efforts focused on a single investment philosophy, the firm ensures that their ideas are not diluted. Instead, they keep a tight focus, with the differences between the two strategies reflecting only the differences in the opportunity sets.

Because they place such a premium on conviction, every investment decision they make is a weighty one. So they ensure that they subject any potential holding to rigorous scrutiny. When Sarofim does decide to invest in a company, they are acting on the highest conviction that their research can generate. It's this degree of conviction that allows them to look consistently to the long term and seek to ignore short-lived periods of "noise" and volatility.



Investment process

FUNDAMENTAL ANALYSIS

Begin with a broad sector view

- Develop an in-depth understanding of the forces shaping that sector and driving the profits to be made in it.
- Examine the major trends in the industry over the past decade and assess the opportunities for growth in the future.
- Identify the key competitors within the industry and what share of the potential growth they are likely to take.
- Look at margins, bargaining power, capital requirements, and competitive advantages.

Identify potential companies

- Ensure that the considered company is in a structurally attractive industry and that it has the potential to increase its profits at a steady and attractive rate.
- Confirm that the company is in a dominant position within its industry and is capable of capturing the lion's share of potential profits.
- Consider the strength of a company's brand, the expertise of its management, and the various aspects of its financial strength.

Consider valuations

- Question if the company's shares are trading at an attractive level.
- Taking a multi-dimensional view, the firm considers absolute and relative price/earnings ratios, historical ranges, discounted cash flow analyses, and industry-specific valuation measures, among other factors.

> Sarofim's process is designed to identify opportunities for sustainable growth.

MACROECONOMIC OUTLOOK

Ongoing research

Subject the considered company to ongoing research to validate — or overturn — the firm's thesis. This part of the process makes up the majority of Sarofim's research work. In a typical year, they meet with over 150 companies so that their professionals can scrutinize management teams firsthand.

Synthesize analysis results

The firm's investment committee synthesizes the results of the preceding steps and then decides whether the stock should enter the portfolio. This is a painstaking process, but it helps to ensure that their conviction in every portfolio holding is as high as it possibly could be — and that every investment case has been tested to the fullest.

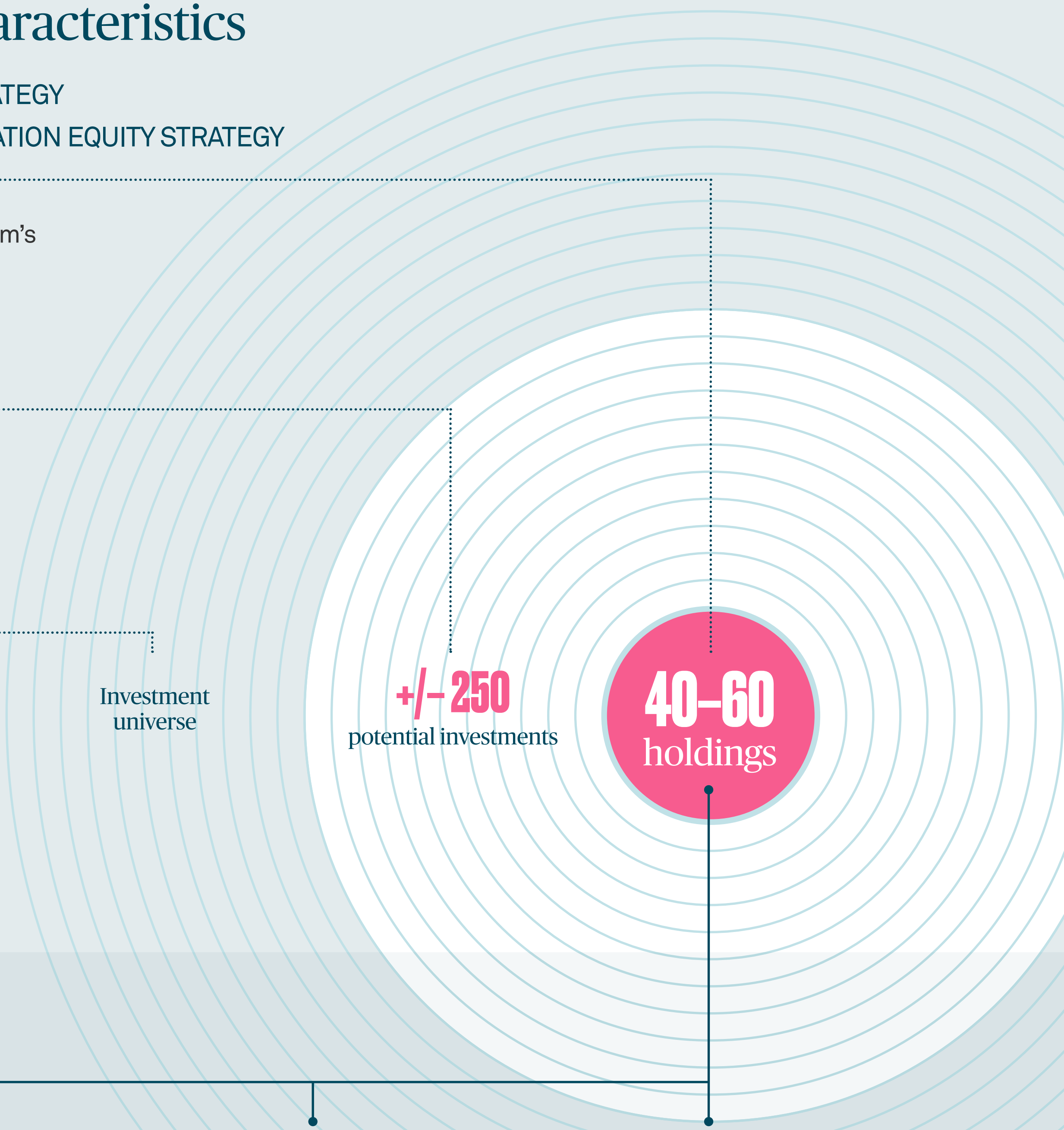
Portfolio characteristics

GLOBAL EQUITY STRATEGY
US LARGE CAPITALIZATION EQUITY STRATEGY

The net result of the firm's process is a portfolio with an average of 40–60 holdings.

This is distilled from a closely monitored group of around 250 companies...

...which in turn is derived from the broader investment universe.



Overall, each portfolio has...

...individual holdings with a market capitalization of

MORE THAN $5 BILLION

...a median market capitalization well

IN EXCESS OF $100 BILLION

...a low portfolio turnover per annum, typically

LESS THAN 20%

Sarofim's culture

The company has a team of 22 investment professionals with an average of 26 years' experience in financial markets.* Sarofim values this experience highly and believes that it should be focused and not widely spread. Accordingly, their analysts typically cover only around 20 stocks each — so they know their particular areas of the market inside and out.

The firm is able to achieve this focus because all their research efforts are concentrated on a single investment philosophy which centers on large-cap industry leaders. This concentration gives the firm a depth of research that, in their view, few investment managers can match.

Throughout the firm's 67-year history, they have always valued and supported their staff. Sarofim's investment professionals benefit from a highly competitive deferred compensation scheme, and the bulk of their net worth is invested in portfolios managed in line with their strategies — ensuring that staff interests are aligned with those of their clients. The company's strong and supportive culture has resulted in very low rates of staff turnover — indeed, most members of the investment team have been with the company for almost two decades.

Sarofim's place in your portfolio

The firm's strategies are designed to be core holdings, the mainstays of equity allocations. They believe that their long-term focus and patient approach make their strategies ideally suited to this role.

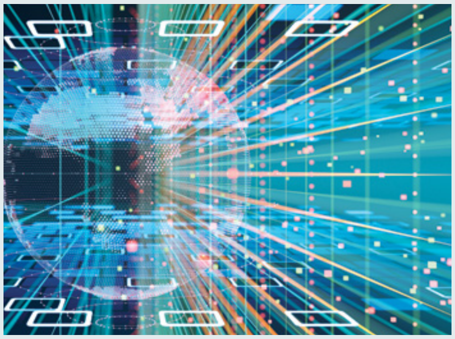
* As of December 31, 2024.

The firm's process in practice

GLOBAL EQUITY STRATEGY

US LARGE CAPITALIZATION EQUITY STRATEGY

CASE STUDY 1: Software company



One of Sarofim's largest holdings, this major US software company offers compelling opportunities through activities such as cloud computing and subscription models for its software packages. The company also has considerable potential to create shareholder value outside of its main operations through new businesses and acquisitions.

Under its current management team, the company has demonstrated a steady hand. Sarofim is particularly impressed by how the company manages its free cash flow, which is consistently returned to shareholders in the form of dividends and share buybacks.

Sarofim had a holding in the company in the early 2000s but became disillusioned with its management during a period of transition. After disposing of their position, they repurchased the stock some years later, thus benefiting from its very strong run since 2014.

Sarofim's history with this company showcases the benefits of their long-term approach and close scrutiny of existing and potential holdings. Although they sold out in the 2000s, their ongoing analysis of the company allowed them to benefit from a change in management and the new growth opportunities that arose in its wake.

CASE STUDY 2: Healthcare company

This global pharmaceutical holding exemplifies the type of dominant company that Sarofim favors. The company is the market leader in offering innovative therapeutic solutions for chronic diseases associated with diabetes and obesity. Rare diseases such as hemophilia and endocrine disorders are other areas where the company has also been making strides.

Diabetes and obesity are epidemics that are becoming more prevalent in both the developed and developing world due to increasingly sedentary lifestyles and changing diets. These epidemics have significant human and economic consequences, and the company is committed to providing highly efficacious and safe treatments to patients impacted by these diseases. The company's Glucagon-like peptide-1 (GLP-1) products are a game-changer for these markets. Further, the firm is constantly investing in research and development and has an impressive pipeline of treatments at various stages of development. The company is also expanding into other serious chronic and progressive illnesses such as Alzheimer's disease.

Sarofim initiated a position in the company back in 2008 due to its strong management and leadership position in diabetes care. The stock has performed well since then, and Sarofim believes that the company is poised to benefit even more from its label expansion into the obesity and chronic weight management patient areas.

The company recently celebrated 100 years in 2023, and remains focused on its social responsibilities of prevention, access and innovation. Sarofim believes the company's market share footprint will continue to grow, especially in the diabetic and obesity area, while offering new and impactful treatments to help with the world's most pressing health challenges.

The case study described has been provided for illustrative purposes only and was based solely for the purpose of describing the investment processes and analyses used by the Firm to evaluate such investments. It was selected using objective, non-performance based criteria. There can be no assurance that the investments described will become available to Fund investors. It should not be assumed that any investments described would be profitable if implemented. Nothing contained herein should be construed as a recommendation to buy or sell any security.

Strategy summary

	Global Equity Strategy	US Large Capitalization Equity Strategy
OBJECTIVE	Seeks to outperform the MSCI World Index over market cycles with less risk.	Seeks to outperform the S&P 500 Index over market cycles with less risk.
BENCHMARK	MSCI World Index	S&P 500 Index
STRATEGY	Focuses on "blue chip" multinational companies with total market values of more than $5 billion. These are large, established, globally managed companies that manufacture and distribute their products and services throughout the world.	Focuses on "blue-chip" companies with total market capitalizations of more than $5 billion at the time of purchase, including multinational companies.
PORTFOLIO MANAGEMENT	Active, team approach	Active, team approach
NUMBER OF STOCKS*	40–60	40–60
KEY EXPOSURES	Quality growth, dividend growth, mega-cap growth, emerging markets growth	Quality growth, dividend growth, mega-cap growth, emerging markets growth
INVESTMENT PRODUCTS	Separate accounts, mutual funds, unified management account	Separate accounts, mutual funds, unified management account

There can be no assurance that these investment objectives can or will be met.

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FDIC is Federal Deposit Insurance Corp.

RISKS

All investments involve risk including loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing.

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.

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The **S&P 500® Index** is widely regarded as the best single gauge of large-cap US equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Investors cannot invest directly in any index.

The **MSCI World Index** is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets. Reflects reinvestment of net dividends and, where applicable, capital gain distributions.

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