BNYM Newton Dynamic Value Strategy

SEPARATELY MANAGED ACCOUNTS | MANAGER COMMENTARY | Q1 2026

MARKET REVIEW

In our view, headline risk will remain elevated for the foreseeable future and will lead to more dramatic risk on/risk off days for the market.

Equity performance was broadly negative across developed and emerging markets. Heightened geopolitical tensions involving Iran and the subsequent spike in oil prices weighed on risk sentiment despite resilient, albeit slowing, global growth and moderating inflation. The S&P 500® Index declined 4.33% for the quarter. Within the index, six of the 11 Global Industry Classification Standard (GICS®) equity sectors finished in positive territory, led by energy and materials. Value stocks outperformed growth stocks. Among other major equity benchmarks, the MSCI EAFE Index, a measure of developed markets excluding the U.S. and Canada, decreased by 1.24%, while the MSCI Emerging Markets Index decreased by 0.17%.

In the U.S., equity markets delivered negative returns during the quarter, with the Dow Jones Industrial Average® declining 3.19% and the NASDAQ 100 Index® falling 5.82%. U.S. fixed-income markets were broadly flat over the period. Geopolitical developments in the Middle East, including the effective closure of the Strait of Hormuz, contributed to elevated market volatility and increased downside risks later in the quarter. Against this backdrop, the U.S. economy remained relatively resilient. The Federal Reserve held rates steady as inflation eased from 2.7% year over year in December to 2.2% in February. Labor markets remained solid, with payroll growth rebounding following a weaker December reading and unemployment edging down to 4.2%. Consumer data were mixed: sentiment fell to a multiyear low in January before improving through March, while retail spending softened and then stabilized. Meanwhile, manufacturing remained in contraction, highlighting persistent weakness in the industrial sector. The U.S. dollar declined against a basket of major currencies.

Equity markets in developed economies were broadly lower, with the UK and Japan among the primary exceptions. The eurozone continued to expand gradually, with gross domestic product (GDP) growth of 1.4% (annualized) in the fourth quarter of 2025, slightly above expectations. Purchasing Managers' Indices (PMIs) edged higher through March, while inflation eased from 1.7% in January to 1.6% in February. The European Central Bank (ECB) held rates steady, signaling patience amid ongoing structural and geopolitical headwinds. In the UK, inflation also trended lower, falling from 3.4% in December to 2.8% in February, although the Bank of England kept rates unchanged at 3.75% amid continued uncertainty. Japan's economy remained stable, with inflation holding around 1.5% and the Bank of Japan maintaining an accommodative stance while monitoring wage dynamics. Initial fourth-quarter 2025 GDP growth was weak at approximately 0.2% (annualized) and below expectations, weighing on sentiment and the yen, before being revised higher to 1.3% (annualized) later in the quarter.

Emerging-market equities posted negative returns for the quarter, although they outperformed their developed-market peers. In China, full-year growth met the government's 5% target for 2025, though activity slowed to 4.5% year over year in the fourth quarter. At the start of the year, PMIs slipped back into contraction in January, and inflation eased from 0.8% to 0.2%, before activity showed modest improvement in March, with manufacturing returning to expansion. India remained a relative bright spot, with PMI data indicating solid, though slightly moderating, expansion amid rising input costs. In Latin America, Brazil's central bank initially held rates steady as inflation hovered near 4.5%, but began easing in March, lowering the policy rate to 14.75% as price pressures leveled off. Mexico's central bank kept rates on hold at 7.00% amid persistent inflation concerns and a delayed path back to target. Geopolitical developments and changes in U.S. policy toward Venezuela, including adjustments to oil export licenses, added uncertainty during the quarter but supported a modest recovery in Venezuelan crude output.

Commodities moved higher during the period, with the Refinitiv/CoreCommodity CRB Index rising 25.78%. Commodity markets were influenced by shifting supply dynamics and heightened geopolitical risk. Oil prices trended upward throughout the quarter—ending January and February near multi-month highs and rising sharply in March—supported by supply discipline from the Organization of the Petroleum Exporting Countries and its allies (OPEC+), resilient demand, and increased geopolitical tensions involving Iran and the Strait of Hormuz. Natural-gas prices rose early in the quarter amid cold-weather demand before reversing in February and March as ample U.S. supply weighed on the market. Precious metals generally advanced early in the quarter, supported by safe-haven demand and a weaker U.S. dollar, before pulling back in March, while copper declined in February amid concerns about softer demand.

SECTOR REVIEW[1]

Positive Impacts

Energy: An overweight in the sector was the leading contributor to relative returns during the quarter, supported by soaring crude prices due to the war in Iran. Leading contributors included Marathon Petroleum Corporation, Permian Resources Corporation Class A, and Exxon Mobil Corporation.

Industrials: Stock selection in the industrials sector also contributed, most notably among aerospace and defense holdings.

Negative Impacts

Consumer Staples: Stock selection and an underweight to consumer staples sector detracted as market volatility increased demand for defensive sectors. Additionally, the position in Estee Lauder Companies Class A was a leading detractor.

Utilities: An underweight and stock selection in the utilities sector detracted.

Top 10 Holdings (3/31/26)	%
Exxon Mobil	3.25
JPMorgan Chase & Co.	3.05
Berkshire Hathaway, Cl. B	2.88
Cisco Systems	2.69
Johnson & Johnson	2.63
Assurant	2.61
Applied Materials	2.49
Texas Instruments	2.23
Colgate-Palmolive	2.08
Amazon.com	2.02

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

Applied Materials: Applied Materials manufactures semiconductor and display equipment and is viewed as a major beneficiary of artificial intelligence (AI) data center expansion. In its earnings report, the firm forecasted better-than-expected quarterly results, helped by increased chipmaking tool orders driven by AI demand.

Marathon Petroleum Corporation: This leading independent downstream and midstream energy company gained due to the sharp rally in crude prices, sparked by the war in Iran and threats to energy flows coming through the Strait of Hormuz.

Permian Resources Corporation Class A: This leading independent oil and natural gas company gained due to the sharp rally in energy prices.

Negative Impacts

Assurant: Assurant provides risk management and specialty insurance solutions. While revenue rose, helped by higher premiums and investment income, shares faced short-term selling pressure along with the rest of the insurance space on fears that AI could accelerate disruption in the industry. The firm used the share price drop as an opportunity to boost its share repurchase program for the year.

Chevron: Not owning Chevron weighed on performance as the firm benefited from the sharp rally in crude prices.

Estee Lauder Companies Class A: Shares of the leading manufacturer and marketer of prestigious beauty products detracted after the company announced a potential merger with Spanish fragrance company Puig.

[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

Exxon Mobil
Applied Materials
Johnson & Johnson
Marathon Petroleum
L3Harris Technologies

5 DETRACTORS

UnitedHealth Group
Estee Lauder, Cl. A
Assurant
Capital One Financial
JPMorgan Chase & Co.

MARKET OUTLOOK

Equity market volatility in the first quarter started with concerns about how AI would disrupt and/or completely displace existing industries and companies; this was quickly overshadowed by the start of the war in Iran. In both cases, there is a high level of uncertainty and skepticism around the potential outcomes and investors have largely responded by taking a more defensive posture. In our view, headline risk will remain elevated for the foreseeable future and will lead to more dramatic risk on/risk off days for the market.

We are the first to acknowledge that we do not have an edge on the macro environment, nor do we forecast potential geopolitical outcomes. What does give us confidence in these highly uncertain markets is our experienced portfolio management team, the depth and breadth of our resources as we make investment decisions, and a time-tested investment process designed to uncover opportunities in periods of uncertainty and elevated skepticism. One of the key pillars of our investment process is identifying companies with strong and improving fundamentals. In our view, companies with robust balance sheets, sustainable earnings and cash flow growth, and solid management teams should be able to withstand these types of environments better than their lower-quality peers.

We would also argue that the current environment calls for an active management approach. Equity markets are forward looking and can move quickly to price in, or price out, these types of risks. Investors who adopt too defensive a posture risk missing a potential quick recovery. We believe active managers with extensive resources at their disposal are best suited to identifying the winners and losers, regardless of the market driver. Above all, it is our view that investing in companies that sit at the nexus of strong and improving fundamentals, attractive valuations, and catalyst-driven business momentum has the potential to deliver the most attractive investment 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 3/31/26 the companies mentioned represented 7.34% of the portfolio in the aggregate. Chevron was not a portfolio holding as of 3/31/26. 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. The **Nasdaq-100 Index** is a stock market index made up of equity securities issued by 100 of the largest non-financial companies listed on the Nasdaq stock exchange. 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. GICS stands for the **Global Industry Classification Standard**, a system developed by S&P Dow Jones Indices and MSCI to categorize companies into sectors and industries based on their principal business activities. The **Purchasing Managers Index** is a monthly economic indicator that measures the health of the manufacturing or services sector based on surveys of purchasing managers. A reading above 50 indicates economic expansion, while below 50 signals contraction. An investor cannot invest directly in any index.

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