

International Equity

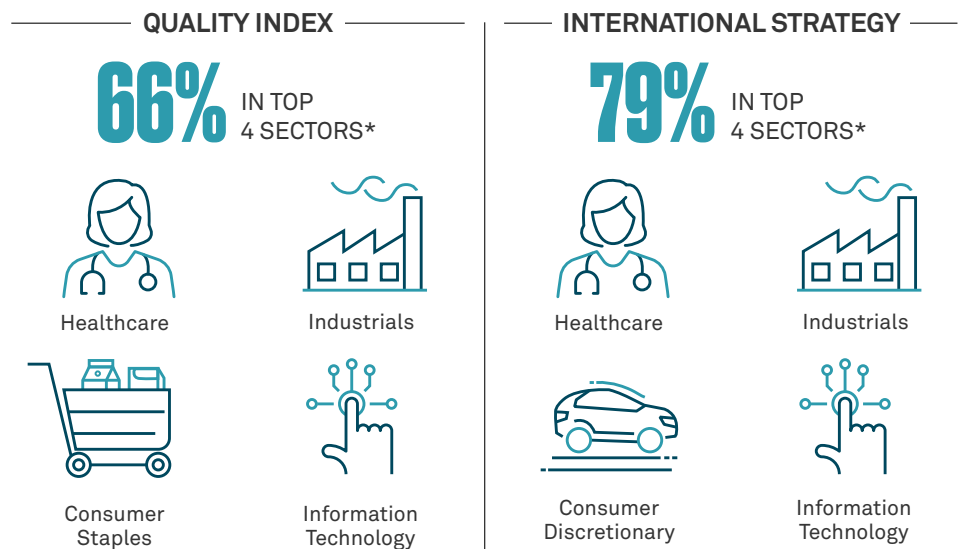
THE “QUALITY” FACTOR

June 2025

Walter Scott believes their strict focus on company fundamentals may result in a portfolio of their highest conviction, quality names. Quality investing is often synonymous with companies that have durable business models, sound financials, and consistent profitability. Walter Scott looks for all these attributes — for companies that can endure different market and economic cycles — but always aims to purchase them at reasonable valuations.

Not all sectors are created equal

Quality companies can be found in all sectors and industries, but certain sectors tend to have a higher concentration of quality companies than others. Typically, these include the healthcare, industrials, and information technology sectors, as depicted by the weightings in the international quality index. Though Walter Scott’s international strategy is benchmark and sector agnostic, their bottom-up analysis and focus on quality characteristics naturally tilt towards these sectors.



* Source: as of April 30, 2025. MSCI EAFE Quality Index, Walter Scott international strategy is represented by the BNY Mellon International Stock Fund, a mutual fund managed in the same strategy. Information provided is for illustrative purposes only and is not an offer or recommendation of any security.

Does quality help drive performance?

We looked at how quality, compared to other factors such as value and low volatility, has impacted the performance of international equities over the last 10 years and extrapolated the following: 1) quality has been a strong driver of long-term performance, and 2) Walter Scott’s international strategy performs well when quality performs well.

DRIVERS OF INTERNATIONAL EQUITY PERFORMANCE**

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Quality	8.0%	5.0%	28.9%	-5.7%	31.1%	19.2%	14.8%	-2.7%	20.2%	5.7%
High Dividend Yield	4.1%	3.1%	25.7%	-10.4%	27.9%	18.3%	11.3%	-5.6%	19.0%	5.4%
Growth	2.4%	-1.8%	21.6%	-11.8%	24.5%	0.1%	10.9%	-15.0%	18.6%	3.0%
Value	-5.7%	-3.0%	21.4%	-12.8%	16.7%	-1.9%	7.1%	-19.9%	17.6%	2.1%
Minimum Volatility	-6.7%	-3.1%	18.9%	-14.8%	16.1%	-2.6%	6.9%	-23.0%	11.8%	-2.5%

INTERNATIONAL STRATEGY OVER/UNDER PERFORMANCE TO THE MSCI EAFE**	+	+	+	+	+	+	+	-	+	-
<div>+</div> Outperformed MSCI EAFE <div>-</div> Underperformed MSCI EAFE										

* Source: MSCI, based on net performance of the MSCI EAFE factor indices. ** Walter Scott’s international strategy is represented by the BNY Mellon International Stock Fund Class I, a mutual fund managed in the same strategy. Information provided is for illustrative purposes only and is not an offer or recommendation of any security. The MSCI EAFE is the benchmark for the strategy. **Past performance is no guarantee of future results.**

Not FDIC-Insured. Not Bank-Guaranteed. May Lose Value.

A marathon, not a sprint

Quality investing is inherently a long-term strategy — it may not deliver quick gains but have the potential to provide steady growth and compound returns over time. Walter Scott's international strategy is closely aligned with the principles of quality investing, focusing on companies with strong balance sheets, consistent

earnings while maintaining a long-term mindset. We believe staying invested with Walter Scott means staying the course with a disciplined and time-tested investment approach to international equities that aims to mitigate risk while striving to deliver meaningful results over time.

About Walter Scott

Walter Scott is the global equities-focused investment firm within BNY Investments.

IMPORTANT INFORMATION

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

Risks: 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. A **concentration of companies** in a narrow sector could cause performance to be more volatile than funds invested in a broader range of industries.

MSCI EAFE Index is an equity index which captures large and mid cap representation across Developed Markets countries around the world, excluding the US and Canada. **MSCI EAFE Growth Index** captures large and mid cap securities exhibiting overall growth style characteristics across 21 Developed Markets countries around the world, excluding the US and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend. **MSCI EAFE High Dividend Yield Index** is designed to reflect the performance of equities in the MSCI EAFE parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent. **MSCI EAFE Quality Index** aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity, stable year-over-year earnings growth and low financial leverage. **MSCI EAFE Minimum Volatility (USD) Index** aims to reflect the performance characteristics of a minimum variance strategy applied to the large and mid cap equity universe across Developed Markets countries around the world excluding the US and Canada. The index is calculated by optimizing the MSCI EAFE Index, its parent index, in USD for the lowest absolute risk (within a given set of constraints). **MSCI EAFE Value Index** captures large and mid cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

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