

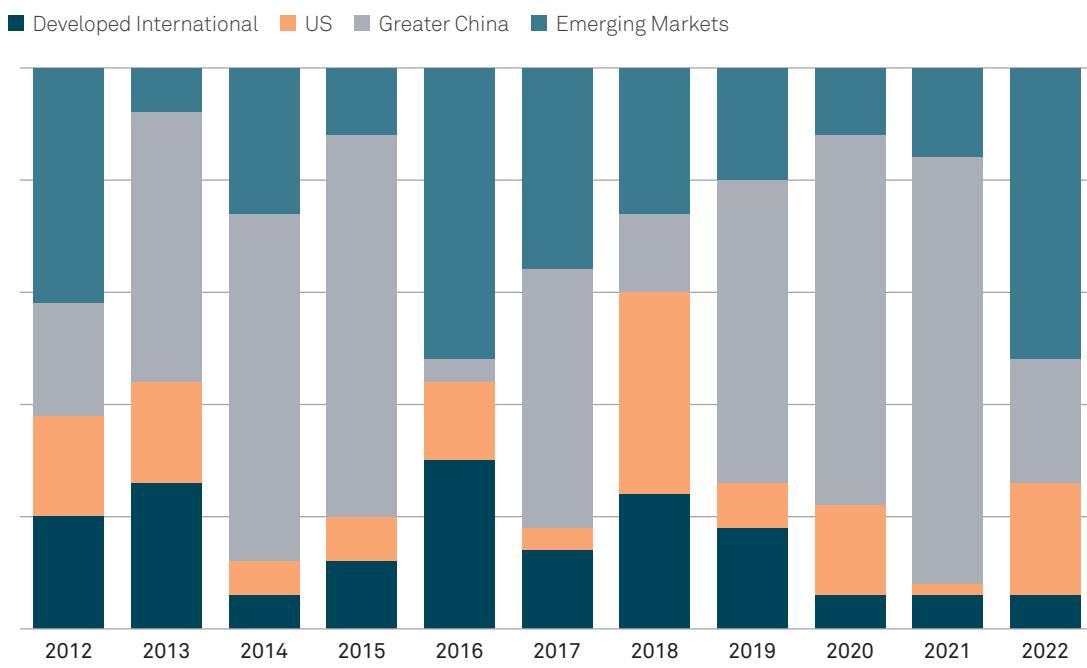
INVESTMENT OPPORTUNITIES ABROAD



Equity markets outside of the US, such as Japan and Brazil, have posted strong double-digit performance over the 1-year period, returning over 15% and 16%, respectively.¹ While domestic investors have benefited from US outperformance over the last decade, select international and emerging markets came roaring back in 2022.

Historically, these markets have traded multi-year periods of outperformance with the US. However, in the US, an impending recession and a weaker dollar potentially support a favorable outlook for investing in international markets. With multiple catalysts intact, we believe we are at an inflection point for investing abroad. In our view exposure to non-US companies not only offers valuable and strategic portfolio diversification, but more importantly, an opportunity to broaden equity exposure and invest in high-quality, attractive, global companies with long-term growth potential. In fact, a majority of the best-performing 50 stocks in the MSCI AC World Index (MSCI ACWI) are consistently from companies outside of the US.

MSCI ACWI: Top 50 Stocks Each Year by Region/Country



Source: Bloomberg. As of 12/31/22. MSCI ACWI total returns in USD. Greater China includes Taiwan, Hong Kong and Mainland China.

¹ MSCI, as of July 31, 2023. Japan is represented by the MSCI Japan Index and Brazil is represented by the MSCI Brazil Index.

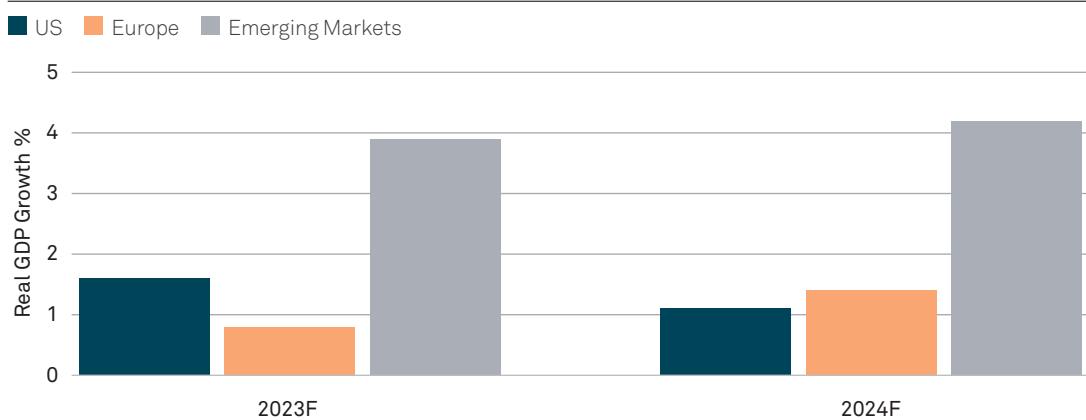
Past performance is no guarantee of future results.

POSITIVE CATALYSTS

The International Monetary Fund expects countries in Europe and emerging markets to experience higher economic growth than the US in 2024.² The expansion in these markets will likely be driven by long-term trends such as a large and fast-growing consuming middle-class in emerging markets, technology advances and innovation in Asia, and the transition to clean and renewable energy in Europe.

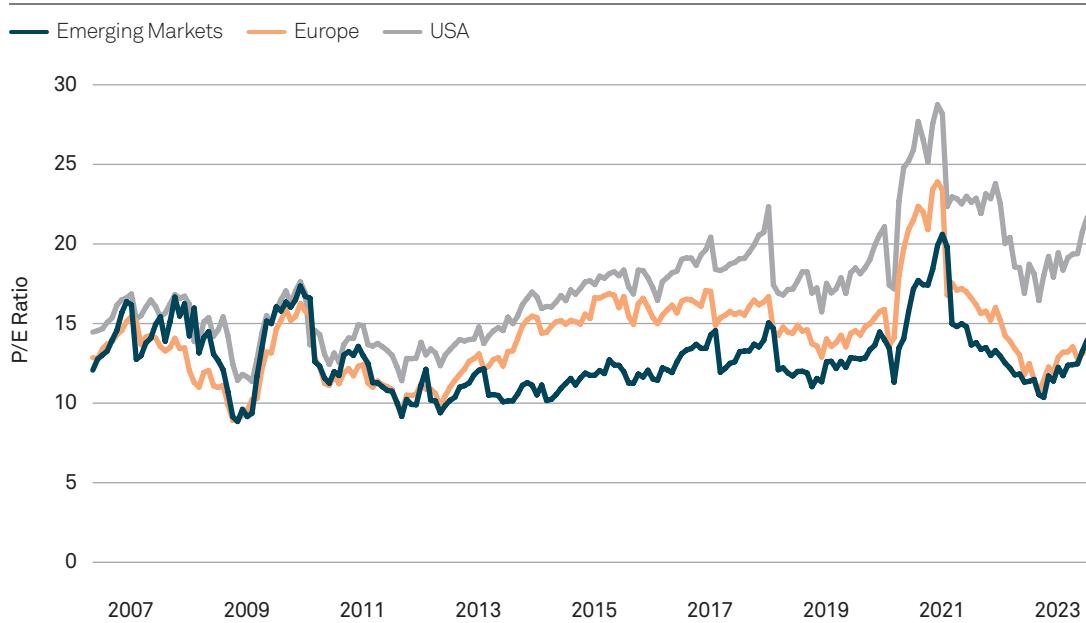
In addition, positive catalysts such as a China re-opening, US dollar weakness and attractive valuations may be a tailwind for international and emerging market companies. China's re-opening pivot may be bumpy, but should lead to an economic recovery as well as a rebound in consumption, travel, and tourism. China is also a strong trading partner and export market for Asia and Europe. Also, the US dollar has weakened against global currencies over the past year,³ which tends to be supportive for foreign companies, especially those in the emerging markets. Lastly, despite international equities delivering strong performance year-to-date, valuations remain at an attractive discount, indicating that there may still be room for further upside.

Higher Growth Expected in Europe and Emerging Markets in 2024



Source: IMF. Data as of April 2023.

Attractive Valuations in Europe and Emerging Markets



² As of April 2023.

³ Bloomberg, as of 8/30/23.

Sources: Macrobond, BNY Mellon Investment Management. Data as of July 31, 2023.

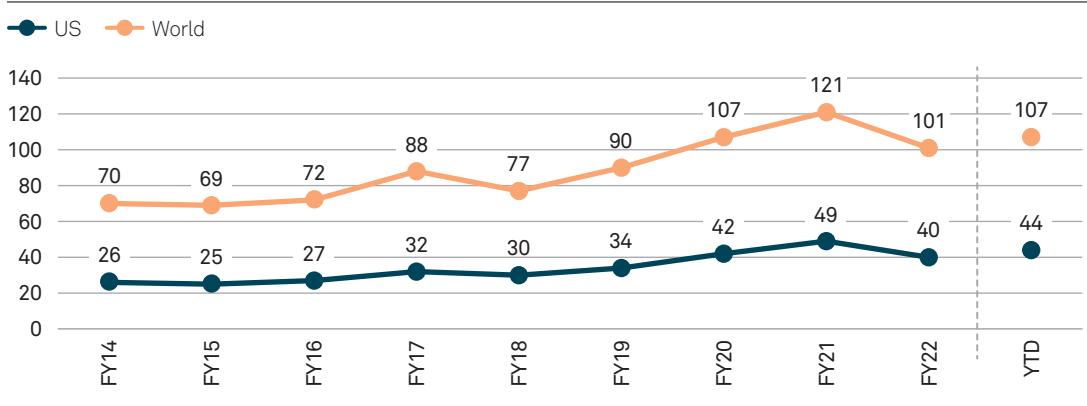
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PRACTICAL STANDPOINT

In assessing whether a country's economic activity has been fully reflected in its stock market, markets outside of the US have the potential for further capital markets development. For example, emerging markets and frontier countries account for two-thirds of the world's population, and a higher proportion of the world's younger population. The 20 biggest emerging markets account for 34% of world nominal GDP.⁴ Yet, they encompass well under 10% of global capital allocations.⁵

In addition, the US equity market represents 41.1% of the \$107 trillion global equity market cap as of 2023.⁶ A portfolio invested solely within a single country excludes a large portion of the global opportunity. There are many leading global companies (e.g., Louis Vuitton and Taiwan Semiconductor Manufacturing Company) that are domiciled overseas. We believe adopting a global approach provides exposure to an unconstrained opportunity set and an expanding universe of companies across both high-growth and mature economies.

US Share of Global Equity Markets (\$ trillion)



Source: Securities Industry and Financial Markets Association (SIFMA), as of 3/31/23. FY = fiscal year.

QUALITY MATTERS

As the non-US market may be perceived to be more inefficient in nature, this potentially translates into higher dispersion in returns and ample alpha opportunities. Investors may forget there are many high-quality companies even in challenged overseas regions. We believe international markets are a fertile hunting ground for high-quality global companies that have a durable competitive advantage, world-class management teams and robust financials.

The Quality Factor Generally Performs Well Over the Long-Term

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
32.7%	9.0%	4.5%	10.3%	32.6%	-2.4%	36.7%	28.7%	26.1%	-3.9%
30.7%	7.0%	4.2%	8.9%	26.6%	-5.1%	28.4%	22.7%	22.3%	-9.2%
30.3%	5.5%	1.2%	8.9%	26.6%	-6.7%	28.3%	18.1%	20.8%	-17.3%
27.7%	4.6%	-3.0%	8.2%	23.1%	-8.2%	27.4%	16.5%	18.2%	-17.7%
27.4%	4.6%	-2.4%	5.1%	22.9%	-8.5%	24.3%	1.0%	16.8%	-17.8%
22.9%	3.3%	-2.7%	4.7%	19.2%	-13.4%	19.8%	-3.3%	15.0%	-21.9%

■ World ■ World Quality ■ World Enhanced Value ■ World Momentum
 ■ World Growth Target ■ World High Dividend Yield

Source: MSCI Factor Focus: Quality, 2013–2022.

Past performance is no guarantee of future results.

⁴ Newton Investment Management North America.

⁵ Ibid.

⁶ SIFMA.

ACTIVE MANAGEMENT IN AN UNCERTAIN MARKET

Persistent inflation, tighter monetary policies, geopolitical tensions and slower global growth will likely continue to create a volatile market environment. During times of uncertainty and lower global growth, when a rising tide no longer lifts all boats, stock selection is critical. As risks create opportunity, active managers, utilizing strong fundamental research, could navigate through the noise and find attractive, best-in-class companies with competitive advantages and long-term growth potential.

BNY Mellon offers a wide range of highly experienced, active investment managers for investors looking to access high-quality international and/or emerging market investments.

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

Past performance is no guarantee of future results. All investments involve risk, including potential loss of principal.

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.

Forward price-to-earnings (P/E) ratio is a valuation metric that compares a stock's share price to its forecasted earnings per share. **Gross domestic product (GDP)** is the total market value of the goods and services produced by a country's economy during a specified period of time. **MSCI ACWI Index** captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries.

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