

# BACK TO THE FUTURE?

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For Professional Clients only



# LEARNING OBJECTIVES

By the end of this presentation, you will be able to:

- 01** Understand the rise of fiscal dominance and its implications for today's market environment.
- 02** Identify why markets may be underestimating inflation – and what could keep it sticky and elevated.
- 03** Determine how multi-asset investors can capitalise on fiscal dominance and higher than average inflation.

# All change

... Perspective is key for long-term investing



FREE TRADE

PROTECTIONISM



JUST-IN-TIME

JUST IN CASE



PEACE DIVIDEND

REARMAMENT



SMOOTH CYCLES

VOLATILITY SHOCKS



DISINFLATION

INFLATION?



Source: Newton, 2026. For illustrative purposes only.

# Key observations for a multi-asset investor

In a fiscal dominance regime

**1** **Active** > Passive

**2** Return **of** Capital > Return **on** Capital

**3** **Real Assets:** Commodities; Precious Metals; Real Estate; Infrastructure

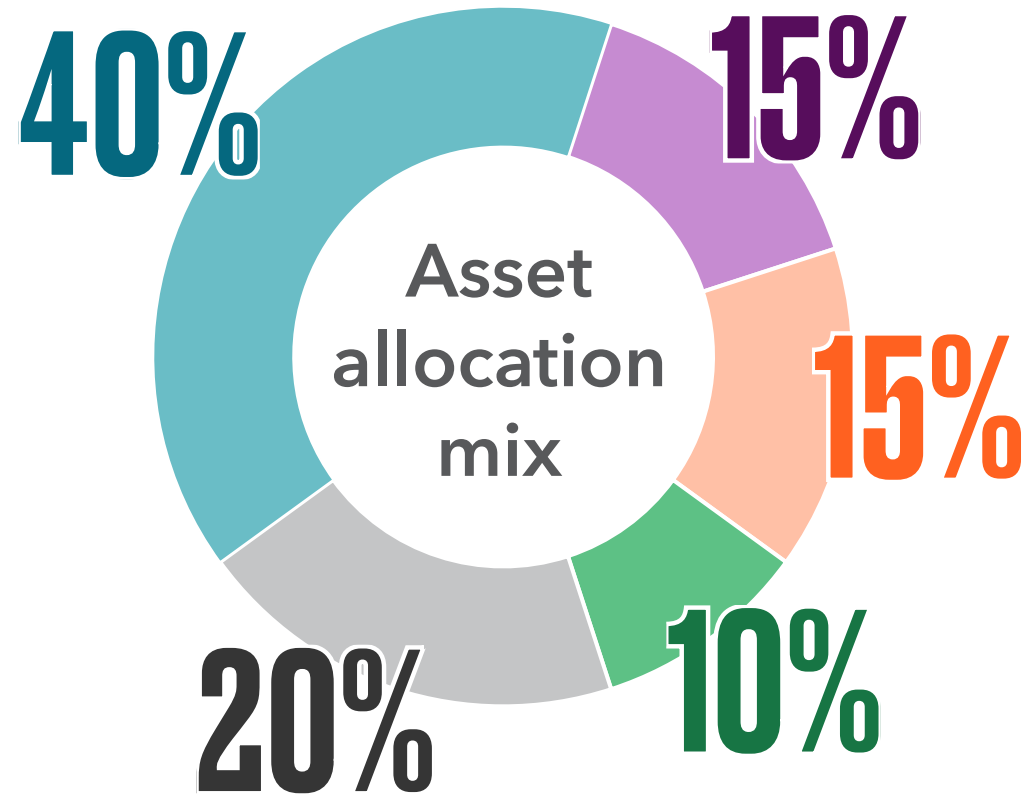
**4** Equities: look for companies with **pricing power**, international exports and resource producers, plus short business cycles

**5** Bonds: tips; some credit; Emerging Markets; **Avoid long duration**



# Asset allocation mix for the fiscal dominance regime

## GLOBAL EQUITIES



## BONDS & CASH



## REAL ASSETS



## COMMODITIES



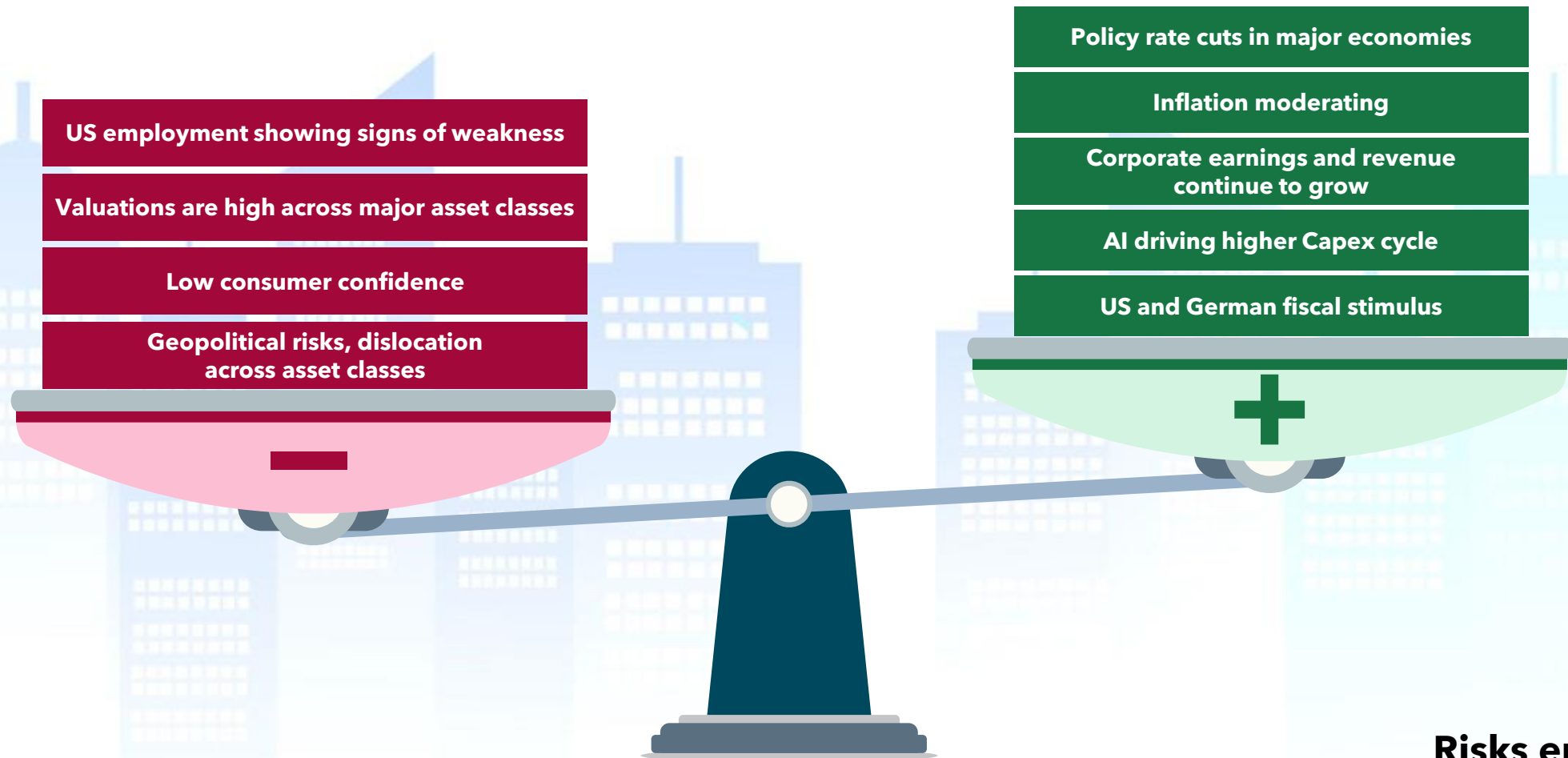
## ALTERNATIVES



Example asset allocation for illustrative purposes only.

# Macroeconomic health card

Balanced outlook shifting less constructive as the cycle matures



**Risks emerging**

# Fiscal and inflation risks driving rates performance

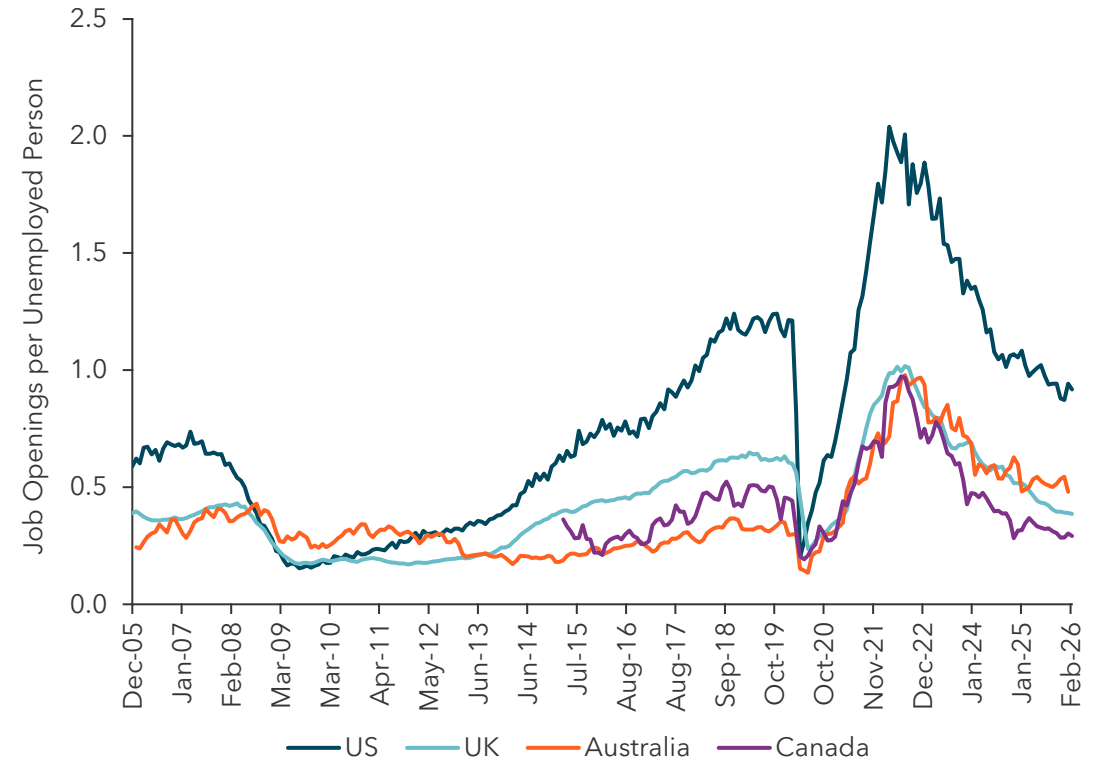
## Focus on sovereigns where yields reflect external risks

External Position versus 10 Year Real Yield



## Labour markets significantly looser than in 2022

Job Openings per Unemployed Person



Source: Bloomberg, 28 February 2026.

# Global equity outlook

US valuations high, upside limited to earnings growth

## S&P 500 Index - Trailing 12-Month P/E Ratio



Source: Bloomberg, 25 March 2026.

## Themes



**Banks:** Backdrop continues to be favourable for banks, regulations are loosening, capital positions are strong and valuations are low.



**AI CAPEX:** Will remain dominant theme in markets with c.50% stocks linked to AI.



**HEALTHCARE:** Uncertainty in the rear-view mirror following US elections and stocks continue to re-rate in more favourable environment.



**EUROPEAN DEFENCE:** Valuations not reflecting significant increase in capex over multiple years.



**ENERGY:** As rates fall and tariff disruption eases there is potential for cyclical industrial recovery.

# Asset class scorecard

		Scorecard	
Asset class	Assessment	Tactical	Strategic
 Equities	<ul style="list-style-type: none"> <li>Short-term: Sentiment is very bullish, valuations high, upside low, higher input costs</li> <li>Long-term: Premium is low on historic basis, with risk of lower returns longer term</li> </ul>	●	●
 Bonds	<ul style="list-style-type: none"> <li>Short-term: Roll-down, carry</li> <li>Long-term: Ballooning government deficits</li> </ul>	●	●
 Dollar	<ul style="list-style-type: none"> <li>Short-term: Potential for capital flight</li> <li>Long-term: US administration favours a weak dollar</li> </ul>	●	●
 Gold	<ul style="list-style-type: none"> <li>Short-term: Portfolio hedge</li> <li>Long-term: Effective stagflation hedge</li> </ul>	●	●
 Credit	<ul style="list-style-type: none"> <li>Short-term: Spreads at all-time lows</li> <li>Long-term: Effective diversifier</li> </ul>	●	●
 Commodities	<ul style="list-style-type: none"> <li>Hedge against inflation</li> <li>Supportive structural and cyclical backdrop</li> </ul>	●	●
 EM Debt	<ul style="list-style-type: none"> <li>Short-term: Attractive policy and valuations</li> <li>Long-term: Positive real rates and country specific opportunities</li> </ul>	●	●

● = unattractive   ● = moderately attractive   ● = attractive

Source: Newton, 2026. These opinions should not be construed as investment or any other advice and are subject to change. This slide is for information purposes only and does not constitute an offer or solicitation to invest.

**Need to be selective**

# BNY Mellon Real Return Fund

## 1-YEAR

	Return	Risk	Sharpe	Return - Cash
BNY Mellon Real Return Fund (Inst W Acc)	13.4%	7.1%	1.3	9.3%
Cash (SONIA)	4.1%	0.2%		
MSCI World (unhedged in GBP)	16.4%	14.5%	0.8	
Bloomberg Global Aggregate (hedged in GBP)	3.3%	2.7%	-0.3	
60/40 Benchmark (unhedged/hedged in GBP) <sup>1</sup>	11.9%	8.1%	1.0	

## 2-YEAR

	Return	Risk	Sharpe	Return - Cash
BNY Mellon Real Return (Inst W Acc)	8.0%	6.3%	0.5	3.4%
Cash (SONIA)	4.6%	0.2%		
MSCI World (unhedged in GBP)	10.4%	13.2%	0.4	
Bloomberg Global Aggregate (hedged in GBP)	3.8%	3.1%	-0.2	
60/40 Benchmark (unhedged/hedged in GBP) <sup>1</sup>	8.3%	7.5%	0.5	

## 3-YEAR

	Return	Risk	Sharpe	Return - Cash
BNY Mellon Real Return (Inst W Acc)	7.9%	6.0%	0.5	3.2%
Cash (SONIA)	4.7%	0.2%		
MSCI World (unhedged in GBP)	14.3%	12.2%	0.8	
Bloomberg Global Aggregate (hedged in GBP)	3.7%	3.5%	-0.3	
60/40 Benchmark (unhedged/hedged in GBP) <sup>1</sup>	10.0%	7.1%	0.8	



**UPSIDE**

Capturing upside



**RISK**

With superior risk-adjusted returns



**DEFENCE**

With downside protection

H = hedged to GBP. UH = unhedged but quoted in GBP. Class W TER = 0.82%, Minimum Risk = 1 Year.

Note: <sup>1</sup> A composite benchmark comprised of 60% MSCI World Unhedged in GBP and 40% Bloomberg Global Aggregate Hedged in GBP.

Source: Newton, Bloomberg, 31 March 2026. Fund performance for Institutional W (Accumulation) share class is calculated as total return, including reinvested income net of applicable UK tax and charges, based on net asset value. All figures are in GBP terms. Institutional W (Accumulation) share class annual management charge: 0.75%. Comparisons are made to highlight capital preservation and are for illustrative purposes only.

# A robust portfolio for a new market regime



Flexible, nimble approach with **dynamic decision-making** process



Carefully-calibrated **risk management**, drawing on multiple levers



Utilises broad palette of investments including **inflation protection**



Inbuilt **risk hedges** to cushion against downside shocks

Source: Newton, 2026.

# LEARNING OUTCOMES

By now, attendees should be able to:

- 01** Understand the rise of fiscal dominance and its implications for today's market environment.
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- 03** Determine how multi-asset investors can capitalise on fiscal dominance and higher than average inflation.

# REFERENCES

# BNY Mellon Real Return Fund

## Investment objective, annual performance and key risks

### Investment objective

The Fund seeks to deliver positive returns on a rolling 3 year basis after fees.

The Fund aims to deliver positive returns before fees within a range cash (SONIA (30-day compounded)) on a rolling 3 year basis and cash (SONIA (30-day compounded)) + 4% per annum on a rolling 5 year basis (meaning a period of three years or five years respectively, no matter which day you start on).

However, positive returns are not guaranteed and a capital loss may occur.

### Performance Benchmark

The Fund will measure its performance before fees against two benchmarks:

– 3-year Benchmark: Over 3-year periods the Fund measures its performance against the Sterling Overnight Index Average (SONIA), compounded over 30 days.

– 5-year Benchmark: Over 5-year periods the Fund measures its performance against SONIA, compounded over 30 days, plus 4% per year. SONIA is the average interest rate banks pay to borrow pounds sterling overnight and is used as a proxy for the return on cash deposits. The 30-day rate is calculated by compounding the daily SONIA rates throughout the previous 30-day period.

The Fund will use the 3-year Benchmark as a lower threshold for the Fund's performance to match or exceed as it is representative of the return on cash deposits. The Fund will use the 5-year Benchmark as an upper threshold for its performance to match or exceed over any 5-year period as it is consistent with the level of risk the Fund takes.

The Fund is actively managed, which means the Investment Manager has discretion over the selection of investments, subject to the investment objective and policies as disclosed in the Prospectus.

### Performance -12 month returns (%)

	Mar 2021	Mar 2022	Mar 2023	Mar 2024	Mar 2025
	Mar 2022	Mar 2023	Mar 2024	Mar 2025	Mar 2026
Fund	1.23	-4.34	7.72	2.85	13.39
Performance Benchmark 1	0.11	2.09	5.05	5.07	4.14
Performance Benchmark 2	4.14	6.12	9.07	9.06	8.13

### Calendar Performance (%)

	2021	2022	2023	2024	2025
Fund	7.11	-7.26	2.02	6.62	12.19
Performance Benchmark 1	0.05	1.26	4.63	5.23	4.36
Performance Benchmark 2	4.05	5.26	8.70	9.23	8.35

Source: Lipper as at 31 March 2026. Fund performance Institutional Shares W (Accumulation) calculated as total return, including reinvested income net of applicable UK tax and charges, based on net asset value. All figures are in GBP terms.

Past performance is not a guide to future performance.

The value of investments and the income received can fall as well as rise and investors may not get back the original amount invested.

The Fund can invest more than 35% of net assets in different transferable securities and money market instruments issued or guaranteed by the UK or an EEA State, its local authorities, a third country or public international bodies of which the UK or one or more EEA States are members.

### Key Risks associated with this Fund

- **Objective/Performance Risk:** There is no guarantee that the Fund will achieve its objectives.
- **Performance Aim Risk:** The performance aim is not a guarantee, may not be achieved and a capital loss may occur. Funds which have a higher performance aim generally take more risk to achieve this and so have a greater potential for returns to vary significantly.
- **Currency Risk:** This Fund invests in international markets which means it is exposed to changes in currency rates which could affect the value of the Fund.
- **Derivatives Risk:** Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the Fund can lose significantly more than the amount it has invested in derivatives.
- **Changes in Interest Rates & Inflation Risk:** Investments in bonds/money market securities are affected by interest rates and inflation trends which may negatively affect the value of the Fund.
- **Credit Ratings and Unrated Securities Risk:** Bonds with a low credit rating or unrated bonds have a greater risk of default. These investments may negatively affect the value of the Fund.
- **Credit Risk:** The issuer of a security held by the Fund may not pay income or repay capital to the Fund when due.
- **Emerging Markets Risk:** Emerging Markets have additional risks due to less-developed market practices.
- **Liquidity Risk:** The Fund may not always find another party willing to purchase an asset that the Fund wants to sell which could impact the Fund's ability to sell the asset or to sell the asset at its current value.
- **Charges to Capital Risk:** The Fund takes its charges from the capital of the Fund. Investors should be aware that this has the effect of lowering the capital value of your investment and limiting the potential for future capital growth. On redemption, you may not receive back the full amount you initially invested.
- **Shanghai-Hong Kong Stock Connect and/or the Shenzhen-Hong Kong Stock Connect ("Stock Connect") Risk:** The Fund may invest in China A shares through Stock Connect programmes. These may be subject to regulatory changes and quota limitations. An operational constraint such as a suspension in trading could negatively affect the Fund's ability to achieve its investment objective.
- **China Interbank Bond Market and Bond Connect Risk:** The Fund may invest in China interbank bond market through connection between the related Mainland and Hong Kong financial infrastructure institutions. These may be subject to regulatory changes, settlement risk and quota limitations. An operational constraint such as a suspension in trading could negatively affect the Fund's ability to achieve its investment objective.
- **CoCo's Risk:** Contingent Convertible Securities (CoCo's) convert from debt to equity when the issuer's capital drops below a pre-defined level. This may result in the security converting into equities at a discounted share price, the value of the security being written down, temporarily or permanently, and/or coupon payments ceasing or being deferred.
- **Counterparty Risk:** The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the Fund to financial loss.
- **Investment in Infrastructure Companies Risk:** The value of investments in Infrastructure Companies may be negatively impacted by changes in the regulatory, economic or political environment in which they operate.

### General information

Performance Benchmark 1 SONIA (30-day compounded)  
Performance Benchmark 2 SONIA (30-day compounded) + 4%

**PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE. THE VALUE OF INVESTMENTS AND THE INCOME RECEIVED CAN FALL AS WELL AS RISE AND INVESTORS MAY NOT GET BACK THE ORIGINAL AMOUNT INVESTED.**

## Important Information

**For Professional Clients only. This is a financial promotion. Please refer to the prospectus, KIID where applicable and other fund documents for a full list of risks and before making any investment decisions. Go to [bny.com/investments](https://bny.com/investments).**

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