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MONEY MATTERS

The biannual magazine for our investors

SUMMER 2026

PERSPECTIVES FOR THE SEASON AHEAD

IN THIS ISSUE

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WELCOME

To the summer edition of Money Matters

As we enter a new season…

- On pages 4-6, our experts share their views on investing in a changing and increasingly volatile world.
- On pages 7-8, are you prepared for future retirement spending? This year's Retirement Advice in the UK report tackles the retirement reality gap.
- On page 9, find a step-by-step guide to accessing your investments. Click, explore, and engage with your money confidently.
- On page 10, BNY Investments Newton's Head of Multi-Asset and Charities Paul Flood answers questions on natural income. What is it? Why use it? And why is it suitable for retirement portfolios?

At BNY Investments, our aim is to keep you informed and confident about your financial wellbeing. In this issue, we tackle questions on many readers' minds – from inflation to market volatility – and what it all means for everyday life in retirement.

Gerald Rehn
Head of EMEA Intermediary Distribution

The value of investments can fall. Investors may not get back the amount invested.
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ASK THE EXPERTS:
INVESTING IN A CHANGING WORLD

Raman Srivastava
Chief Executive Officer, Insight Investment, and Global Head of Active Management, BNY Investments

Ella (Hoxha) Gude
Head of Fixed Income & Co-Head of Real Return, BNY Investments Newton

Brendan Kelly
Head of Geopolitics and Geoeconomics, BNY Investments Newton

Headlines are driving a lot of noise in the market today, from inflation to energy supply and the Middle East conflict. What is your outlook for the health of the overall macro economy?

Raman: There are short-term and long-term forces at work. In the near term, heavy spending on artificial intelligence (AI) infrastructure and US government support for the economy are helping to offset the impact of higher energy costs stemming from the conflict in the Middle East. We expect this to result in modest to moderate **headline growth** in 2026. That said, this expansion still looks fragile over the longer term. The global economy has shifted into unfamiliar territory, shaped by a combination of persistently high public debt, deglobalisation and ageing populations. After years of government support and low **interest rates**, policymakers have less room to respond when problems arise. One key risk is that **inflation** remains persistently high, with the possibility of more frequent periods of economic uncertainty.

Since the beginning of the year, UK interest rates have stayed firm at 3.75% versus expectations for rates to fall. Inflation in the UK has remained elevated. What's driving inflation to remain higher, and can we expect that trend to persist?

Raman: **Inflation** dynamics in the UK reflect two overlapping forces. First, the conflict in the Middle East is pushing up wholesale gas prices through higher energy costs. The main effects from this impact should subside over time; however, the more persistent issue is services inflation. Inflation may ease gradually but it is likely to remain somewhat elevated unless wage growth cools materially and energy price pressures recede.

Ella: Governments are spending at levels that create significant demand in the economy, and that kind of spending isn't easily tamed by a few interest rate rises. At the same time, the world is rebuilding its supply chains, moving from lean, global 'just-in-time' to more resilient, local 'just-in-case' models. That transition is costly and inflationary, and it will take years to fully work through. In addition, many governments see spending on energy security and defence as essential. We think that persistently higher inflation is more likely to be a feature of the next few years than a temporary blip.

As a retiree who depends on steady cash flows and predictable income, what investment themes should they be paying attention to?

Ella: Retirees naturally prioritise income and stability, but traditional investment strategies may need to adapt. In a world of persistent inflation, cash and bonds alone may struggle to protect your spending power.

Assets that can keep pace with rising prices deserve a closer look – things like **real assets** such as **infrastructure** or property, **commodity-linked investments**, and shares in companies with genuine pricing power: businesses that can raise their prices without losing customers. Many of these **stocks** also offer a decent income that has the potential to do better than cash. Sectors like banks, healthcare and European defence look well positioned in this environment. The goal is a portfolio that delivers reliable returns while keeping pace with the rising cost of living.

Which asset classes might protect against big drops in the market with such a volatile backdrop?

Raman: Successful portfolios will increasingly use dynamic strategies which combine public and **private markets**, **alternative assets** and **derivatives** to help manage risk and reduce the impact of market swings. The recent rise in interest rates offers compelling opportunities in **medium-term corporate bonds** (company debt) and investments backed by assets such as **loans** or **mortgages**. Favouring **bonds** that mature in the medium rather than the longer term reduces their sensitivity to changes in interest rates.

The conflict in the Middle East is the latest of many conflicts around the world. Can we expect countries to continue gearing up their defences?

Brendan: Conflicts often accelerate major trends, and the Middle East conflict is no different, underscoring the breakdown of the rules-based international system that is increasing global security risks and defence spending. US defence spending is set to exceed US$1 trillion[1] this year (well above the scale of **capital** expenditure on AI, for comparison). Gulf states are set to boost spending significantly to harden defences, and Europe is still in the early stages of a long-term rearmament, while also increasingly pursuing self-reliance through “buy European” policies.

Much of this defence buildup is being funded through debt issuance, adding pressures on government budgets and **bonds**, though providing investment opportunities in defence and related areas globally.

Geopolitical tensions are affecting markets and household expenses from the cost of heating to travel. In your view, how long are oil prices likely to stay high?

Brendan: Oil prices could stay elevated well into next year, as lingering supply disruptions from the Iran conflict continue to keep some upward pressure on the market. While some shipping flows through the Strait of Hormuz have resumed, there remains significant uncertainty on how commercial shipping in the Strait will operate following any peace deal. With significant work required to rebuild damaged energy infrastructure, and ongoing risks of conflict in the Middle East, these factors will constrain a rapid recovery in oil supply. This suggests that energy investments may continue to help diversify a portfolio and could offer some protection during periods of geopolitical uncertainty and inflation.

Do you anticipate more frequent episodes of political turmoil and market volatility?

Ella: We are in a period of deep structural change – in government financing, supply chains and relations between major powers. These shifts are naturally disruptive and often lead to greater market volatility. That doesn’t have to mean moving into cash; it can mean building a portfolio that can withstand **shocks**. Investors tend to fare better in volatile periods when they are genuinely diversified across asset classes, regions and sectors, rather than concentrated in what worked in the last decade.

The US has long dominated the global political and economic stage. Do you see this shifting and, if so, what does this mean for investors?

Brendan: This is more complicated. The US retains many advantages and attractions for investors as the world’s dominant power. However, it is also true that we are moving to a more divided world, with some key implications for portfolio diversification.

There is no alternative that will challenge the pre-eminence of the dollar, and there is still no real equal to the US tech sector. But, as other countries seek to fund defence buildups, energy resilience and industrial policies at home, there may be gradual diversification away from the US, with some benefits to select regions and investments, such as the European Union, Japan and some emerging markets.

[1] Source: President Trump’s FY2026 defence budget: continuing priorities, new missions, International Institute for Strategic Studies (IISS), 23 May 2025.

Perspective is key to long-term investing. Here are a few changes to the macro economic landscape that may persist in the medium term.

FREE TRADE	PROTECTIONISM
JUST-IN-TIME	JUST IN CASE
PEACE DIVIDEND	REARMAMENT
SMOOTH CYCLES	VOLATILITY SHOCKS
DISINFLATION	INFLATION?

THE RETIREMENT REALITY GAP

Retirement expectations are rarely accurate. In this year's Retirement Advice in the UK report, BNY Investments and NextWealth found that most advisers' clients struggle to accurately estimate future spending needs.

46% underestimate

29% overestimate

25% only around 25% are on the mark

Why the gap exists

Planning for retirement involves imagining a life we haven't lived yet. And, our research shows, clients often arrive at a plan that doesn't quite match reality. There are a few key reasons this gap exists.

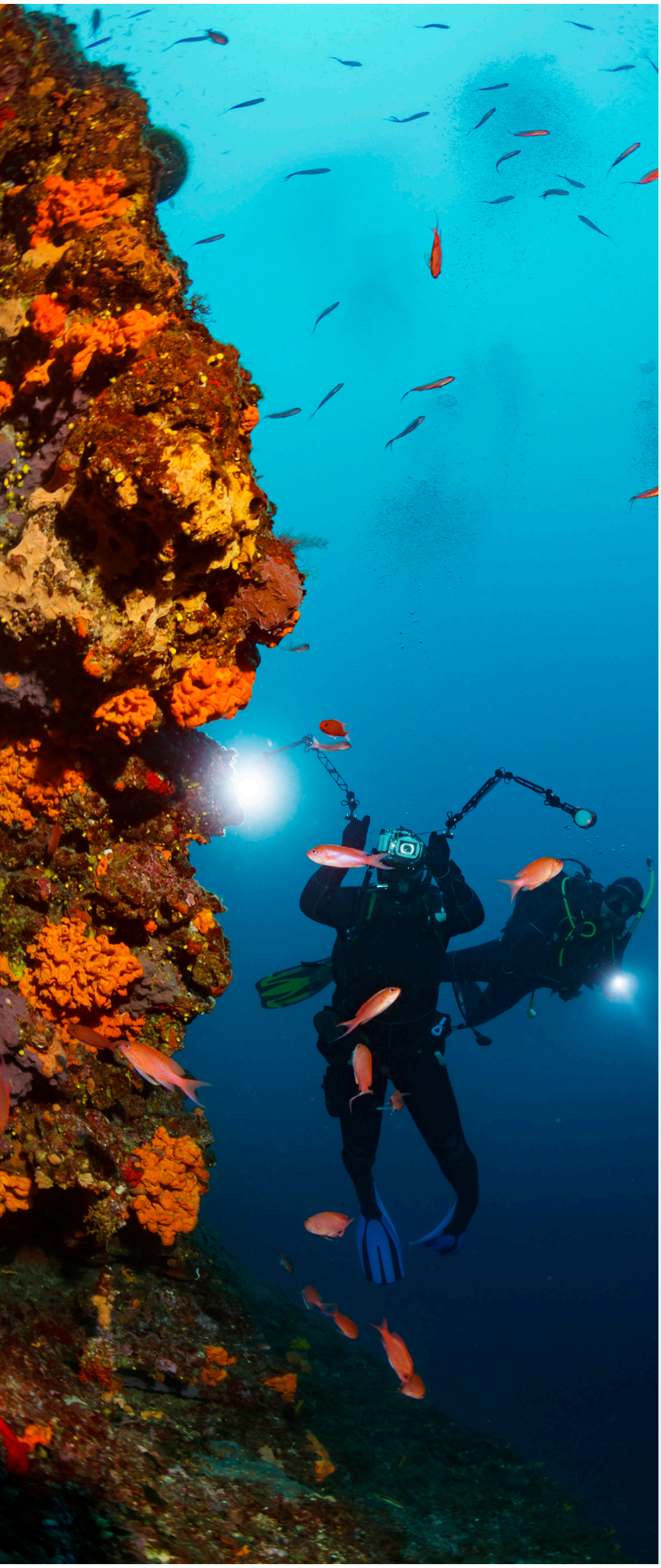
1. We default to current spending patterns.
2. To be a "good client" we tell advisers what sounds reasonable, not what's true.
3. We're most confident about retirement before experiencing it and most uncertain when it's real.

Retirement is a multi-year transition, not a single point in time. It's important to consider the gravity of the psychological shift away from work defining our routines, identities, and confidence.

Before retiring, confidence in an imagined future is high. Once that future starts to become reality, that confidence dips during what's referred to as the "messy middle" before finally rebounding when those decisions are lived during retirement. In other words, we are most confident about something we haven't experienced yet and least confident when it becomes concrete.

How do you bridge the gap?

We found that conversations between clients and advisers around retirement planning need to be continuous to be successful. Retirement is a journey that should be revisited often, and it should reflect your values and goals. To more effectively close the gap between expectations and reality, look to do these three things differently.



1. Reframe the conversation from balance sheets to bucket lists.

We found that the way advisers frame questions is key to having honest conversations about retirement goals. Rather than “What do you spend each month?”, questions like “What does a happy retirement look like?” can reveal information that a spreadsheet never would. For instance, money for a grandchild’s education or building onto the family home may be a top priority.

2. Turn abstract anxiety into concrete insights.

Top of mind for many retirees is running out of money. “What if markets fall 30% and I live to 95?” A good conversation will not only reveal that it’s safe to spend, but why it’s safe. **Cash flow modelling** is key to calming deep-seated fears so we can move beyond the questions of “Can I afford this?” to “Here’s why you can afford this in various scenarios.” When your financial life is modelled over multiple scenarios, it can make the anxiety more navigable.

3. Acknowledge the psychological shift from saving to spending.

For many retirees, the most difficult thing to navigate isn’t market volatility, it’s the reluctance to spend after decades of saving. It’s common to hesitate over very reasonable expenses because the pot getting smaller feels like failure even though it’s exactly what was planned for. Working through a planned spending model with an adviser can help give you permission to spend. For those who find it difficult to touch their capital at all, there are strategies that provide natural income, a powerful middle ground where dividends, coupons and interest help ensure that the pot stays intact.

“The Bottom Line”

Importantly, our research revealed what many of us know intuitively, the gap between retirement planning and reality requires honest and frequent communication and the understanding that financial decisions are human ones.

About the survey[2]:

BNY Investments and NextWealth are dedicated to understanding how retirement advice needs to evolve to meet the needs of UK retirees. 2025 marked our eighth adviser survey, which we designed to uncover adviser practices and client concerns to benchmark where retirement advice stands today and how it needs to evolve: turning insight into outcomes.

[2]A digital survey of 207 financial advisers conducted over November 2025.

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STEP 4

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Once your bank details have been verified you will have full access to your investment account.

NATURAL INCOME: WHAT RETIREES NEED TO KNOW

BNY Investments Newton Head of Multi-Asset and Charities, Paul Flood answers questions on natural income. What is it? Why use it? And why is it suitable for retirement portfolios?

What does the term "natural income" refer to with respect to investments?

When entering retirement and starting to take money from a savings pot, it becomes important to generate a stable and, ideally, growing income to support your lifestyle. This income is often generated by the portfolio's **capital gains**, or by selling a set amount of the portfolio at regular intervals.

Another way is by taking natural income. Simply put, this is income generated by a savings pot's investments. These can include company **dividends**, bond **coupons**, or **interest** on savings.

Natural income relies less on selling investments. Selling can be harmful to the portfolio at times of market uncertainty; if market prices are depressed, more of a portfolio's investments need to be sold to generate their required income. Because taking a natural income does not involve selling investments, in theory, the retirement pot's **capital** is maintained to support future income into perpetuity.

Which types of investments naturally pay income and how do they work together in a portfolio?

Natural income investing focuses on selecting investments that produce reliable and sustainable income streams. These include:

- **Equities** through dividends.
- **Bonds** through interest.
- **Property/infrastructure** through contractual cash flows backing dividends.

When delivered through an investment fund, the combination of dividends and interest is paid in one of two ways:

1. Regular income distributions for those holding income shares.
2. Reinvestment within the fund for those holding accumulation shares.

Where can natural income strategies work well and where can they fall short?

Natural income works well when the aim is to achieve a regular and growing income. By contrast, a **total return** approach uses both the income your investments pay and the growth in their value to meet your goals. However, capital values can fluctuate significantly and income tends to be more reliable as companies are reluctant to cut their dividend due to the message it can send about their business.

Natural income strategies can also work well where the portfolio relies less on cash. A smaller cash allocation means more of the investors' capital is being invested in growth assets to generate income and grow their capital.

But natural income is not guaranteed. While it tends to be stable, firms can cut or even suspend dividends, as seen during the Covid pandemic. **Interest rates** can fluctuate, influencing the level of income. Investments like property and infrastructure can be affected by sector-specific economic cycles.

Also, focusing on income can sometimes mean sacrificing other investments that might grow the portfolio's capital at a higher rate.

How do portfolio managers balance income needs with long-term growth?

A **multi-asset** approach, which utilises a mix of equities, bonds, and other investments allows us flexibility to actively balance income generation with capital growth in different market conditions. Our expertise allows us to move between investments as market conditions change, with the aim of adding value to income generation and total return.

How can portfolios be tailored to provide stability and resilience against inflation?

Inflation can have a profound impact on income needs. When income is taken from the dividend **yield** on equities, it is not necessary to sell assets to meet income payments and so a portfolio is better able to withstand **volatility**. This can allow portfolios to hold a greater weight in equities to produce growth and so provide greater inflation protection or invest in real assets that have contractual, inflation-linked revenues.

GLOSSARY

Asset class: A grouping of investments that exhibit similar characteristics and are subject to the same laws and regulations.

Assets: In this context, investments held in a portfolio, for example stocks, bonds, property and cash.

Balance sheets: A financial statement that shows what a company owns, what it owes, and the amount invested by shareholders at a specific point in time.

Bonds: A loan of money by an investor to a company or government for a stated period of time in exchange for a fixed interest rate payment and the repayment of the initial amount at its conclusion.

Capital expenditure: Money a company spends on long-term assets such as buildings, machinery, or technology.

Cash flow modelling: A way of mapping expected income and expenditures over time.

Commodity/commodities: An asset in the form of a raw material that can be bought and sold such as gold, oil, coffee, wheat, etc.

Corporate bonds: A loan made to a company for a fixed period by an investor, for which they receive a defined return.

Coupons: The interest paid on a bond by its issuer for the term of the security.

Diversification: Spreading investments across different assets to reduce risk.

Dividend: A sum paid regularly by a company to its investors as a reward for holding their shares.

Economic growth: An increase in the production of economic goods and services in an economy over time.

Economic cycles: The natural pattern of growth, slowdown, and recovery that economies move through over time.

Equity/equities: Shares issued by a company, representing an ownership interest.

Fixed income: Broadly refers to those types of investment security that pay investors fixed interest or dividend payments until their maturity date.

Geopolitical/geopolitics: Geographic influences on power relationships in international relations.

Government bonds: A loan of money by an investor to a government for a stated period of time in exchange for a (generally) fixed rate of interest and the repayment of the initial amount at its conclusion.

Headline growth: The total rate of growth reported before any adjustments are made.

Infrastructure: Essential systems such as roads, railways, power, and waterworks.

Inflation: The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.

Inflation-linked assets: Fixed income securities where both the value of the loan and the interest payments are adjusted in line with inflation over the life of the security. Also referred to as Index-linked bonds.

Interest rate: The cost of borrowing money or the return earned on savings.

Loans: Money borrowed from a lender and repaid over time, with interest.

Long-dated bonds: Long bonds offer a maturity date far out on the investment horizon.

Macroeconomic: The performance and behaviour of an economy, including factors such as economic output, unemployment, inflation and investment.

Maturity/maturities: The length of time until the initial investment amount of a fixed income security is due to be repaid to the holder of the security.

Mortgages: A loan used to buy property, secured against the property itself.

Peace dividend: The economic benefit of reduced defence spending when tensions ease or conflicts end.

Private markets: Investments in companies or assets not listed on a public stock exchange, such as private businesses, property, or infrastructure projects.

Protectionism: When a country restricts imports to protect its own businesses from foreign competition.

Real assets: Assets include precious metals, commodities, infrastructure, real estate, agricultural land, machinery, and oil.

Sectors: An area of the economy in which businesses share the same or related business activity, product, or service.

Shocks: Sudden, unexpected events that disrupt the economy or financial markets.

Total return: An investment approach that aims to grow the overall value of a portfolio by combining income and capital growth.

Treasury/Treasuries: US government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semi-annually.

Volatility: Large and/or frequent moves up or down in the price or value of an investment or market.

Yield: Income received from investments, either expressed as a percentage of the investment's current market value, or dividends received by the holder.

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That's why it's up to us and the organisations we interact with to not only practice vigilance but to proactively implement best practices. That's why we want to empower you, the investor with the safeguarding practices you need to protect your investments with us and foster trust.

Be wary of:	Consider safeguard behaviours:
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Last-minute changes to payment details	Pause and reflect for high-value decisions (e.g., revalidate information). Contact a member of your relationship team if you are unsure.
Email communication only; refusal to verify	Remember, if in doubt, contact a member of your relationship team. A second factor of authentication is always welcome to verify the identity for financial transactions.
Misspellings of domain, sender variation or unusual sender	Always check the sender's email address and domain name or phone number. If they don't match the name, number or organisation of the sender, or if they contain spelling errors or unusual characters, be suspicious.
Bypass requests for normal procedures or controls	BNY has standards and procedures to keep you and your account safe. Treat any messages directing staff to ignore standard payment protocols or skip approvals as suspicious.
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