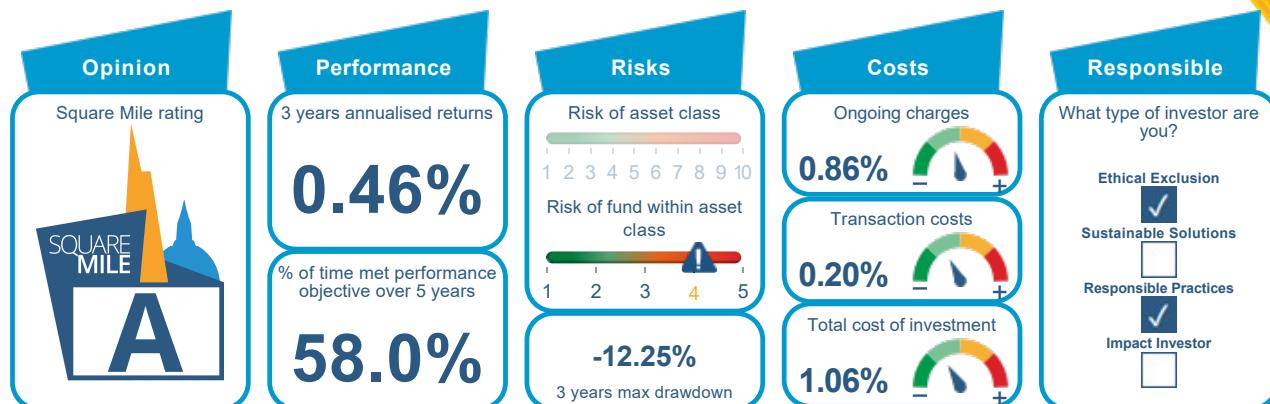


BNY Mellon Real Return Inst W Acc

September 2024



Source: Square Mile and Refinitiv, Data as at: 31st July 2024.

Overview

The managers' aim to return cash (SONIA 30-day compounded) plus at least 3.25% net of fees over five years. They also aim to achieve a positive absolute return on a rolling three-year basis, however neither are guaranteed. The managers have a focus on long-term growth and the fund is exposed to equities and other risk assets, therefore it is likely to experience periods of drawdown, which in certain scenarios could be meaningful.

Square Mile's Expected Outcome

We believe that this fund should be able to achieve a return of cash (SONIA 30-day compounded) plus at least 3.25% p.a. net of fees over a five year period.

Square Mile's Opinion

This unconstrained multi-asset fund may have appeal for investors looking for capital growth but who are also looking to preserve the real value of their capital over the long term. The fund benefits from an experienced team who understand the dual objectives of this fund and work together in a collegiate way while making full use of the wider resources across the broader Newton team. Management of the team has changed over the last few years, with strategist Iain Stewart retiring in December 2019 and the tragic passing of co-manager Suzanne Hutchins in 2022. Whilst these changes are a loss in terms of experience and influence, we think the remaining team here are experienced and capable investors.

Day to day management remains the responsibility of Andy Warwick and Aron Pataki. Andy Warwick joined the firm from BlackRock in 2018 and he is an experienced multi-asset manager recruited to give the team further depth and capability as part of the transition to Mr Stewart's retirement. From a global strategy perspective, Brendan Mulhern now has a key role in providing macroeconomic and strategic input and helping to inform the team in their asset allocation decisions.

The fund has a broad investment universe and is structured around a return seeking core with offsetting stabilising assets and hedges, including derivatives to help reduce and manage risk. However, over the last few years, the managers have shown a willingness to be more dynamic in the way they manage this portfolio, to take advantage of opportunities, and we have seen more volatility in the profile of the fund, something we expect to continue going forward. While the fund maintains a focus on preserving investors capital on a medium-term view over shorter periods it has experienced some significant drawdowns and this profile is something investors need to be willing to endure.

This is an established and successful strategy with a solid long-term record and we think the fund continues to be in capable hands.

Fund Manager's Formal Objective

To achieve a rate of return in sterling terms that is equal to or above a minimum return from cash (SONIA (30-day compounded)) + 4% per annum over five years before fees. In doing so, it aims to achieve a positive return on a rolling three-year basis. However, capital is in fact at risk and there is no guarantee that this will be achieved over that, or any, time period.

Outcome: Capital Accumulation	Domicile: UK
Active/Passive: Active	Benchmark: Cash (SONIA 30-day compounded)
Asset Class: Multi Asset	IA Sector: IA Targeted Absolute Return
Yield: 2.77%	Fund size: £2,749 M
Fund Manager: Andy Warwick, Aron Pataki	Distribution Pay Date: February, September
Fund Price: 1.5 Pounds	Dividend Frequency: Semi-annual
Currency of Share Class: GBP	Share Class Launch Date: 05/09/2012

Source: Square Mile and Refinitiv, Data as at: 31st July 2024

Asset Manager Overview

BNY Mellon is a global investment company providing investment management and investment services to both individuals and institutions. Within its investment management business, it owns 7 boutique companies managing a total of around \$2.0trillion (as at December 2023). This includes Newton Investment Management which manages c.£84bn (as at December 2023) across active equity and bonds, multi-asset, real return and income mandates. All the BNY Mellon boutiques function as autonomous businesses, operating with their own investment culture and approach.

Fund Manager/Team Overview

The fund is managed by Newton Investment Management's Real Return team. Andy Warwick and Aaron Pataki are co-managers and are supported by the wider Real Return team as well as the broader investment management and risk resources at Newton. Aaron Pataki has been at Newton since 2006 and Andy Warwick, an experienced multi-asset investor, joined from Blackrock in July 2018. The wider Real Return team includes a dedicated global strategist Brendan Mulhern, as well as equity, fixed income and alternatives analysts.

Investment Philosophy & Process Overview

The fund has a formal performance objective to achieve a return of cash plus at least 4% p.a. before fees (3.25% p.a. net of fees) over five years. It also aims to achieve a positive return on a rolling three-year basis although neither of these outcomes are guaranteed. The managers believe the main risk to any investment is the permanent loss of capital and therefore short-term volatility is a secondary consideration. They focus their attention on determining what would represent long-term fair value for various asset classes and securities, building the portfolio to generate their return target.

This is an unconstrained multi-asset fund that is managed with an absolute return approach to deliver long-term real returns. The Real Return team, and the wider Newton business, manage the fund using a framework based on a global thematic approach to investment decision making. This focuses on identifying long-term structural changes impacting the global economy such as demographic shifts, growing demand for healthcare, climate change and the impact of China (amongst others). This analysis provides the basis for the views taken on asset classes, sector positioning, stock selection and risk analysis.

The fund is built with a core of return-seeking assets including equities, corporate bonds, alternative assets and emerging market debt. The core is complemented with stabilising assets and hedging positions to dampen volatility and provide downside protection. Derivatives and hedging strategies are employed for efficient portfolio management and downside protection. While the managers' have wide discretion on where to invest there are some portfolio construction limits designed to help control risk. Individual corporate issuers are limited to 5% at the time of purchase and no more than 20% will be invested in any one sector. Position sizes are considered after an evaluation of liquidity, themes, conviction, valuation and risk profile. The managers may take active currency positions around their default stance which is to hedge 100% back to sterling. Although the managers have a dynamic and active approach to running the portfolio, the fund is not immune from short-term drawdowns or periods of volatility, despite the managers' capital preservation mindset.

ESG Integration

Fund ESG Integration

The fund does not have a formal responsible or sustainable investment mandate however considerations of such factors are built into the firm's research process. Within the firm's global research team, there are a number of sub-teams, one of which is the responsible investment team (RIT). The RIT work with Newton's industry and credit analysts to ensure that material environmental, social and governance (ESG) issues are integrated into valuation expectations. The RIT carries out proprietary ESG research to ensure that a company or issuer's ESG practices are taken into account in assessing the investment case. Before an analyst recommends any new security for investment, the RIT carries out an ESG quality review, which allows the investment team to understand the key ESG risks and opportunities for any potential investment.

Risk Summary

The fund invests in global equities (shares), global fixed income and alternative assets & strategies. Equities are a volatile asset class and a proportion of the fund may be open to exchange rate risk. The fixed interest section of the fund has interest rate risk and credit risk. The fund will also invest actively in derivatives to support the fund's objectives. We believe that the fund's asset mix and approach can provide some element of capital protection for investors over the longer term, however, this is an objective of the fund and not guaranteed and capital is at risk. The fund can also experience significant shorter-term falls in the value of capital.

Additional Information

Annualised Return:	0.46%
Annualised Volatility:	6.28%
Max Drawdown:	-12.25%
Max Gain:	5.58%
Max Loss:	-4.73%
Sharpe Ratio:	-
Sortino Ratio:	-0.07

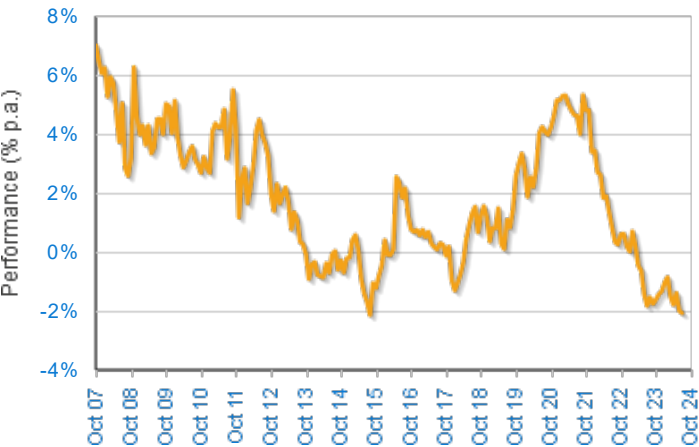
(3 years data to last month end unless otherwise stated)

Qualitative Risk Assessment

	Significant	Potentially Significant	Not Significant
Equity Risk			
Interest Rate Risk			
Credit Risk			
Exchange Rate Risk			
Liquidity Risk			
Emerging Markets Risk			
Derivative Risk			
Manager Risk			

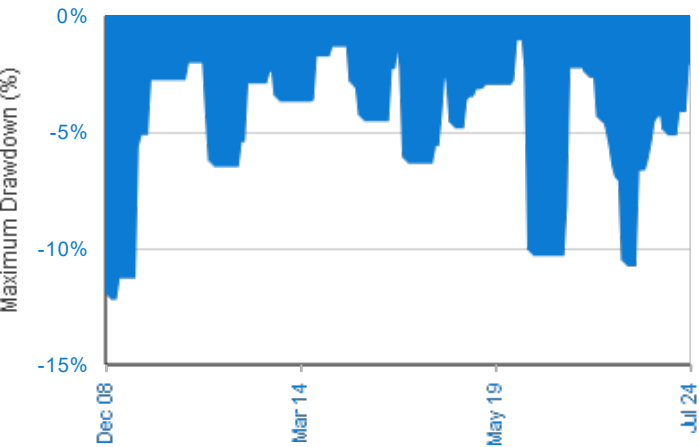
For the full summary of the risks, [click here](#)

3 Year Rolling Sector Outperformance



Source: Square Mile and Refinitiv, Data as at: 6th September 2024. Share price total return.

Maximum Drawdown (Rolling 12 Months)



Source: Square Mile and Refinitiv, Data as at: 6th September 2024

Calendar Year Performance To Quarter End

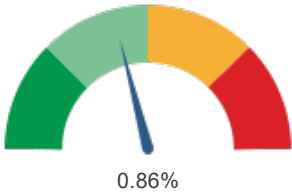
Period	Fund (%)	Sector (%)
2023	2.0	4.4
2022	-7.3	-2.3
2021	7.1	3.8
2020	6.9	2.9
2019	12.4	4.7

Source: Square Mile and Refinitiv, Data as at: 14th September 2024

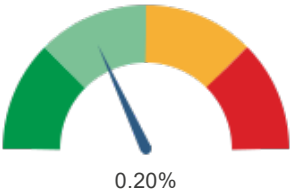
Value for Money

The ongoing charge figure (OCF) of this fund is around the median for its peer group. When we consider the total cost of investment (TCI), which includes the transaction charges, the fund is also around the median compared to peers. Whilst the fund hasn't always met its challenging performance target it has done so more often than not. Overall, when considering its longer term track record, the experience of the team and its costs we see the fund as offering value for money.

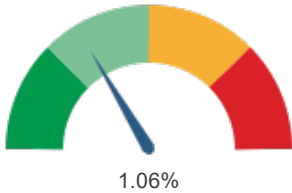
OCF v Peer Group



Transaction Costs v Peer Group



TCI v Peer Group



Source: Square Mile and Refinitiv, Data as at: 31st July 2024.

The Square Mile ratings are reviewed every 6 months. For full details on the methodologies, [click here](#).

For a full list of all Square Mile rated funds, [click here](#).

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