

BNY Mellon Global Dynamic Bond Institutional W Inc GBP

November 2021
Investment Research



Overview

We believe that this fund meets both the capital preservation and income outcomes. The manager has a strong focus on downside risk, aiming to produce positive absolute returns in all market environments over rolling three year periods. Over shorter time periods there could be some volatility in the capital value of the fund, and capital preservation is not guaranteed over any time period. In addition the fund will produce an income through the nature of its investments into fixed income instruments. The manager does not explicitly target the income of the fund and it will fluctuate depending on the yields available in the market. At present it is relatively low reflecting the low interest rate environment.

Capital Accumulation	Capital Preservation	Income	Inflation Protection
	●	●	

Square Mile Expected Outcome

We believe a return of cash (as measured by 1 month Sonia) plus 2% p.a., net of fees, over rolling three year periods is a reasonable expectation for this fund.

Active/Passive: Active	Domicile: United Kingdom
Asset Class: Fixed Income	IA Sector: IA Targeted Absolute Return
Launch Date: 28/04/2006	Fund Size (as at 29 Oct 2021): £2296.6m
Yield: 2.29%	Distribution Pay Date: Jan 01, Apr 01, Jul 01 (Final), Oct 01
Fund Manager: Carl Shepherd, Howard Cunningham, Jon Day, Parmeshwar Chadha, Paul Brain	Ongoing Charge Figure: 0.55%
	Transaction Cost ex Ante: 0.23%



Fund Opinion

We believe that this is a solid fixed income fund run by an experienced and competent management team. The focus on risk, and in particular on downside risk, makes this fund an attractive proposition for investors who wish to gain access to various parts of global fixed income markets but who are mindful of the capital volatility of their investments. However, investors should be aware that the managers invest with a three year time horizon and that over shorter time periods there could be a degree of capital volatility. In reality, there have only been three sizeable drawdowns on the fund, which occurred in 2008, 2009 and 2020, respectively. Each of these were subsequently recovered within twelve months.

The allocations to four distinct parts of the fixed income markets (developed market government bonds, investment grade credit, sub-investment grade credit and emerging market sovereign bonds) can be varied, but the combination of these assets over time should provide a good risk/return trade off as, historically, they have been affected by different economic and market factors and tend not to all move in tandem with each other.

The focus on downside risk means that we believe this fund should be a suitable capital preservation vehicle over longer time periods. Income generation is a secondary consideration but we believe the fund's investments into fixed income instruments should generate a decent level of income on the fund, although the exact level of this income will vary over time.

Fund Description

The fund is managed by Paul Brain, who heads up the Fixed Income team at Newton. Mr Brain joined Newton in 2004 and is chairman of the bond and foreign exchange strategy group, as well as being a member of both the global strategy group and the investment committee. Mr Brain works closely with the wider fixed income team which includes government, corporate and emerging market specialists, as well as a dedicated dealing desk. Newton is a London-based global investment management company investing across geographies and asset classes and is a subsidiary of BNY Mellon.

Newton's philosophy looks at investments on a global basis, and starts from the thesis that no company, market or economy should be considered in isolation. Their assumption is that financial markets are interconnected and that an event occurring on one side of the world can impact markets on the other side. It is therefore vital that investors have an understanding of global market forces and what is changing in the world. Newton use a thematic investment process across all their funds. This process focuses on the major forces of change across the globe and uses them to form long term investment themes. The fixed income process begins by identifying those themes which the team believe will influence interest rate, currency and credit trends over long time periods. They then use these themes to model selected economic variables, as well as supply/demand dynamics and returns over both long and short time periods. These models can be manipulated to see what would happen under a number of different scenarios. The models are not adhered to slavishly, but are used as a guide and a starting point for discussions as to the possible future path of returns. The output from the first two parts of the process is then used to shape the asset allocation for the fund, including decisions on interest rate risk, yield curve positioning, corporate credit risk, country exposures and currency positioning.

Typically the fund will be composed of a core of return-seeking assets, with an overlay of stabilising assets and hedging positions which are designed to dampen volatility and provide downside protection to the fund. The core is made up of four main assets: developed market government bonds, investment grade corporate bonds, sub-investment grade corporate bonds and emerging market debt. In theory each of these 4 sub assets classes can make up a maximum of 50% of the fund, but in reality the fund usually tends to be more balanced. The higher quality assets (developed market government bonds and investment grade corporate bonds) have been used fairly extensively at times when the manager believes that they could protect the portfolio. The more volatile parts of the asset class, and particularly the emerging market debt, are likely to be used less extensively, as they would increase the volatility of the portfolio. The stabilising assets include things like index-linked bonds, floating rate notes, credit derivatives, government bond futures, options and cash. These assets should help to provide some ballast to the fund, particularly during periods where bonds are performing poorly.

Risk Summary

This fund's managers invest across global bond markets in both government and corporate debt within developed and emerging markets. The risks are thus likely to vary over time but will include interest rate risk, credit risk, emerging market risk and currency risk. Over the course of a market cycle, these risks are all likely to be significant, although it is unlikely that they will all be significant at the same time. In fact, the varied nature of these risks may mean that at times they offset each other to some extent, leading to lower risk on the fund as a whole.

BNY Mellon has an experienced and able team of credit analysts who look to ensure that the bonds in the fund will be able to meet their obligations, but, nevertheless there remains a possibility that a bond in the fund could default on its debt. Though, as the fund is well diversified, the impact of any individual bond defaulting should be small.

Derivatives are used both for risk management purposes and to gain exposure to specific markets or securities where the managers believe it is appropriate to do so. Derivatives can often be the most efficient way to establish specific positions, both in terms of costs and liquidity, but investors should be aware that there may be times when the derivatives markets do not reflect what is happening in the physical markets upon which they are based, especially during times of market stress.

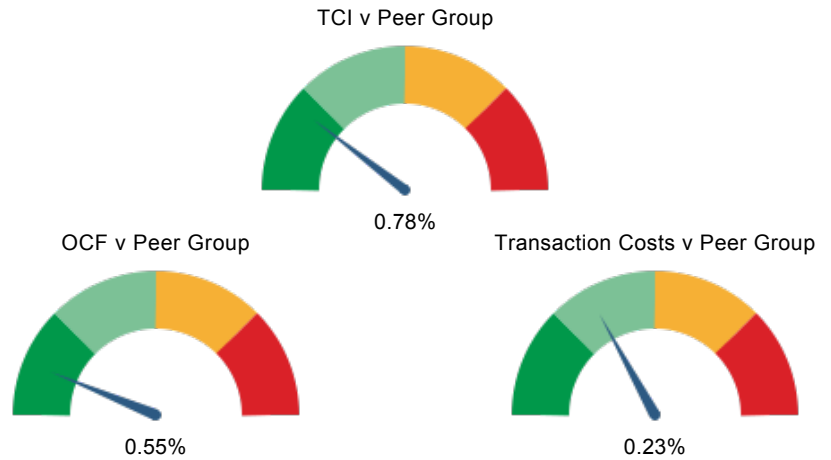
Although the manager is very mindful of the capital stability of the fund, and manages it in such a way so as to aim never to lose money over any three-year period, investors should be aware that this is only an aim and that there is no guarantee that the fund will not lose money over this, or any other, period.

Overall we believe that this is a very well balanced fund, as whilst there will be a number of different sources of risk present at any given time, we believe that the manager is more than capable of balancing these in such a way as to achieve a good outcome for investors.

Value for Money

The total cost of investment (TCI) for the fund is well below the median for the peer group. This is, however, a diverse sector and the charges applied will thus vary considerably. We believe that this fund represents good value for money considering the quality of the management team and their impressive fixed income resources, which are difficult to replicate. We also have a high regard for the managers' investment approach, which they have applied consistently over their tenure.

Following the introduction of MiFID II regulations, asset management firms are required to disclose all costs and charges related to the running and administration of funds. This can include items outside of the OCF, such as research costs. BNY Mellon absorbs the costs associated with its research, this slightly reduce the overall fee paid by investors.



ESG Integration

Company Assessment	0	1	2+	3
Demonstrable steps are being taken to fully integrate ESG factors into all of the company's investment processes.				
UN PRI Strategy & Governance Rating	A+			
Fund Assessment	0	1	2	3
ESG factors are actively considered by the fund's manager as an important part of the investment process, but do not drive the final investment decision.				

Responsible Investing Approach

Exclusion	Responsible Practices	Sustainability	Impact
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Additional Information

Annualised Return	2.70%
Annualised Volatility	3.25%
Max Drawdown	-6.18%
Max Gain	3.08%
Max Loss	-6.18%
Sharpe Ratio	0.69
Sortino Ratio	0.50

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

Currency of Share Class

GBP

Fund Price (as at 12 Nov 2021)

96.0 pence

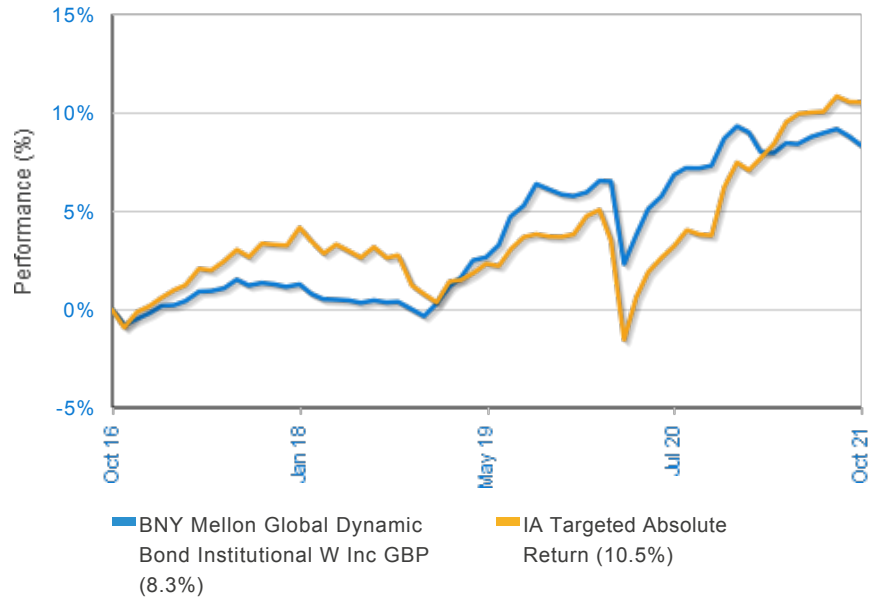
Benchmark

1 month GBP LIBOR

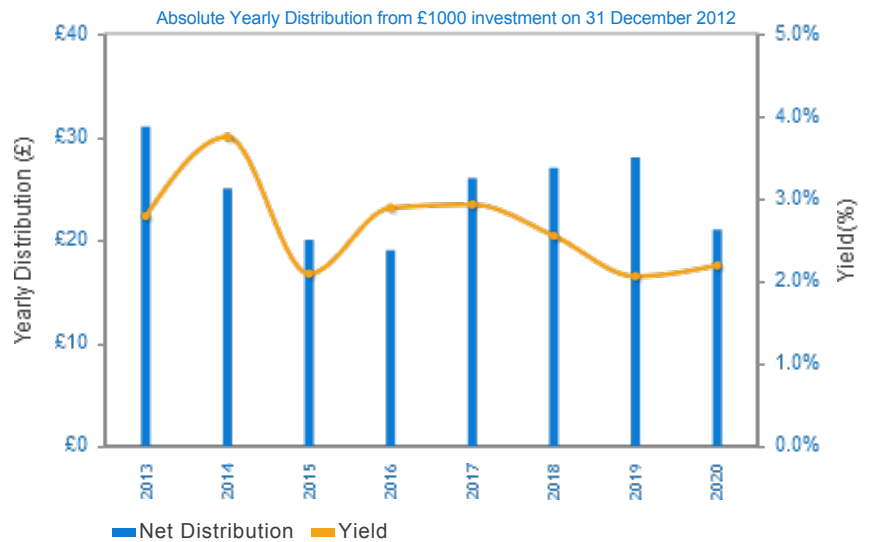
Discrete Annual Performance to Last Quarter End

Period	Fund (%)	Sector (%)	Quartile Ranking
0-12m	1.5	6.5	4
12-24m	1.0	0.1	3
24-36m	5.7	0.9	1
36-48m	-0.8	0.1	4
48-60m	1.1	3.2	4

Capital Growth

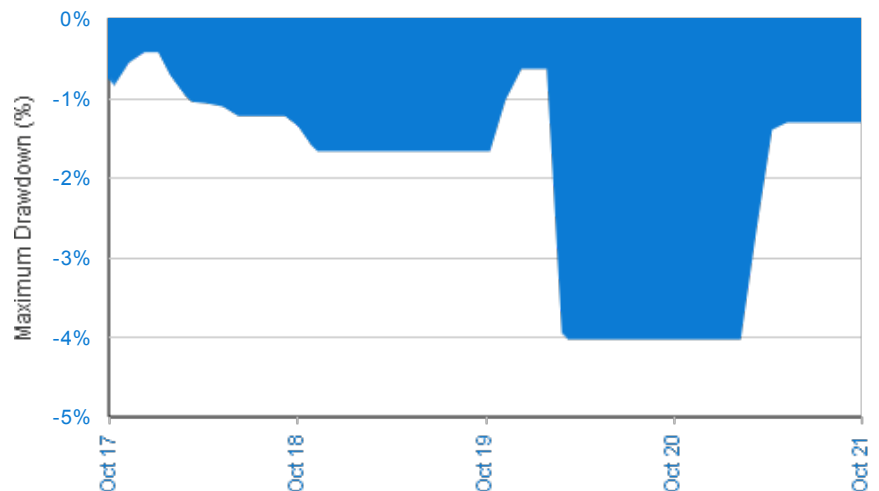


Income



This graph assumes that income is distributed to shareholders and not reinvested. Yield represents share price fluctuations.

Maximum Drawdown (Rolling 12 Months)



Credit Rating (Data as at 30 Sep 2021)

Name	%
AAA	29.2
AA	12.4
A	8.9
BBB	13.6
BB	20.6
B	11.5
Cash	11.6
Non-Rated / Others	-8.1

Bond Maturity

(Data as at 30 Sep 2021)

Name	%
Cash & Floating Rate Notes	11.6
1-3 Years	0.0
3-5 Years	60.1
5-15 Years	18.8
15+ Years	14.9

Asset Allocation Positioning

Name	%
Global Government Fixed Interest	33.9
Global High Yield Fixed Interest	30.8
Global Investment Grade Fixed Interest	18.6
Global Emerging Market Government Fixed Interest	14.8
Money Market	7.9
Global Fixed Interest	2.3
Money Market	1.6
Others	-10.1

(Data as at 30 Sep 2021)

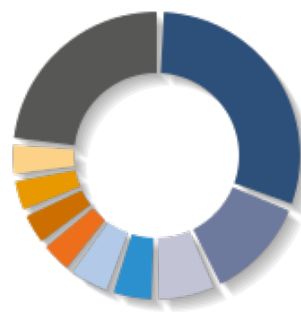
Top Ten Holdings

(Data as at 30 Sep 2021)

Company Name	%
UNITED STATES OF AMER TREAS NOTES 0.5% BDS 15/03/23 USD100	54
CANADA HOUSING TRUST 2.35% BDS 15/09/23 CAD1000	42
FRANCE(GOVT OF) 0.1% IDX LKD NTS 01/03/25 EUR1	28
UNITED STATES OF AMER TREAS NOTES 0.625% NTS 15/04/23 USD100	21
BNY GLOBAL HIGH YIELD BD X NET ACC IHYB	17
CANADA(GOVT OF) 4% INDEX-LINKED BDS 1/12/2031(VAR)	17
INSIGHT LIQUIDITY FUNDS PLC GBP LI ICH	16
ISHARES CHINA CNY BOND UCITS ETF U ETF-F	15
AUSTRALIA(COMMONWEALTH OF) 5.5% TB 21/04/23 AUD100 (CDI)	15
TREASURY CORP OF VICTORIA 1% BDS 20/11/23 AUD1000	14

Sector Breakdown

(Data as at 30 Sep 2021)



- Government Bonds (30%)
- Banks (12%)
- Fixed Interest (7%)
- Government Guaranteed (5%)
- Real Estate (5%)
- Telecommunications (4%)
- Others (4%)
- Financial Services (4%)
- Money Market (4%)
- Other (23.5%)

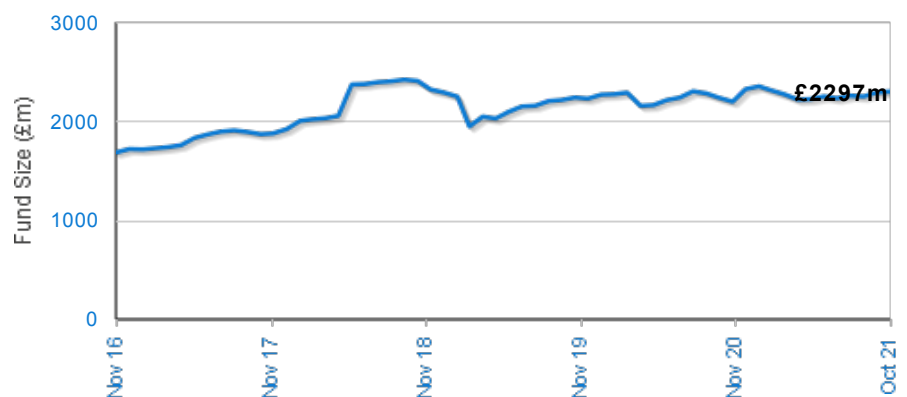
Geographic Breakdown

(Data as at 30 Sep 2021)











- USA (19%)
- UK (13%)
- Canada (9%)
- International (7%)
- France (6%)
- Australia (4%)
- Not Specified (3%)
- Sweden (3%)
- New Zealand (3%)
- Other (32.7%)

Assets Under Management



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			

Equity Risk

The fund has no material direct exposure to shares.

Interest Rate Risk

The fund is predominately invested in fixed interest markets. The fund price may fall if interest rates climb more rapidly than expected.

Credit Risk

The fund can take exposure to both investment grade and sub-investment grade credit. Credit defaults and downgrades may adversely impact the fund price, typically this occurs at times of economic weakness.

Exchange Rate Risk

The fund has some exposure to assets denominated in foreign currencies. At times this may be significant. Changes to exchange rates may impact the fund price.

Liquidity Risk

The fund invests in assets which could be difficult to sell at certain times. In extreme circumstances the fund may have to resort to selling assets at below fair value. The risks of this happening are most acute at times of financial distress.

Emerging Markets Risk

The fund has the ability to invest in securities issued by governments or companies in emerging markets.

Derivative Risk

The fund employs derivative strategies. These derivative instruments are used by the manager to mitigate and more accurately manage the risks within the fund. Derivatives are complex instruments and investors should be aware that there is a chance that they may not behave in a manner that the manager intends.

Manager Risk

The manager is seen as a critical element in Square Mile's rating of the fund. Square Mile is likely to downgrade the fund if the manager were to leave.

FE Risk Rating: 16.00

SRRI: 3

Disclaimer

This factsheet is aimed at professional advisers only and should only be relied upon by such persons. It is published by, and remains the copyright of, Square Mile Investment Consulting and Research Ltd ("SM"). Unless agreed by SM, this commentary may only be used by the permitted recipients and shall not be provided to any third parties. SM makes no warranties or representations regarding the accuracy or completeness of the information contained herein. This information represents the views of SM at the date of publication but may be subject to change without reference or notification to you.

The value of investment in funds can fall as well as rise, as can any income payment received from an investment. Any information relating to past performance is not a guide to future performance. If you are unsure of an investment decision you should seek professional financial advice.

SM does not offer investment advice or make recommendations regarding investments and nothing in this factsheet shall be deemed to constitute financial or investment advice in any way and shall not constitute a regulated activity for the purposes of the Financial Services and Markets Act 2000.

This factsheet shall not constitute or be deemed to constitute an invitation or inducement to any person to engage in investment activity. Should you undertake any investment activity based on information contained herein, you do so entirely at your own risk and SM shall have no liability whatsoever for any loss, damage, costs or expenses incurred or suffered by you as a result. The fund's prospectus provides a complete description of the risk factors. Unless indicated, all figures are sourced from FE fundinfo. The information in this factsheet is believed to be reliable but its completeness and accuracy is not guaranteed. SM does not accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.