

# BONDS WITHOUT

# BORDERS

The Case for  
Going Global



## BNY Mellon Global Fixed Income Fund

CLASS A **DHGAX** | CLASS I **SDGIX**

A long-held bias toward domestic bonds may naturally give way to a new, irreversible reality:

The bond market, in our opinion, is at an inflection point, and we believe a US-based, traditional, “one-size-fits-all” approach to fixed income investing isn’t likely to provide the benefits that many investors have come to expect. With US interest rates poised to rise, the best fixed income opportunities may be available beyond our borders.

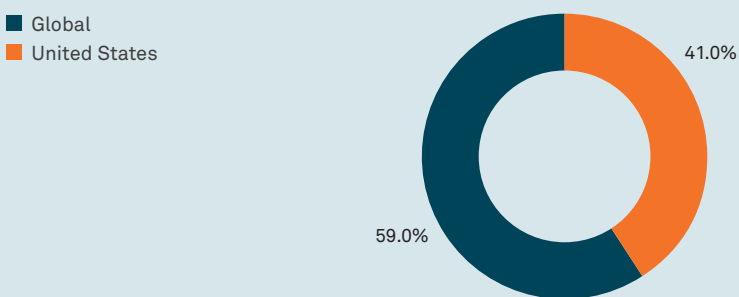
## BORDERLESS OPPORTUNITY

Outside the US, we believe there is plenty of investment opportunity and an array of interest-rate exposures. With around 60% of bond opportunities coming from outside the United States, investors should be mindful of this growing source of investment opportunity.

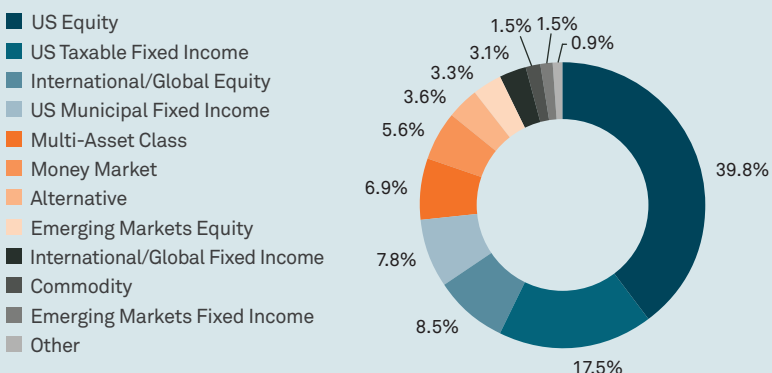
### APPROXIMATELY 60% OF BOND OPPORTUNITIES COME FROM OUTSIDE THE US

The fixed income universe is broader than you might think.

#### PERCENT TOTAL BONDS ISSUED BY REGION



#### DISTRIBUTION OF US INVESTOR CLIENT ASSET ALLOCATION



Sources: FactSet as of March 31, 2024 (top chart), The Cerulli Report, US Intermediary Distribution 2024 (bottom chart), as of March 31, 2024. Totals may not add up due to rounding.

The idea of “going global” is not a new investment strategy. In fact, investors have largely embraced the idea within their equity allocations. According to Cerulli’s most recent survey of mutual fund allocations, US investors allocate roughly 9% of their portfolio to international equities. This suggests that home-country bias is much stronger with fixed income allocations, where investors only allocate about 3% to international fixed income. Given the changing dynamics of fixed income markets globally, we think US investors are potentially missing a source of investment returns, capital mitigation and interest-rate exposures.

SOME OF THE BEST-PERFORMING FIXED INCOME MARKETS HAVE HISTORICALLY BEEN FOUND OUTSIDE THE US

US fixed income performance relative to the top- and bottom-performing countries within each year.



Source: Bloomberg as of December 31, 2023. Best- and worst-performing bond markets in US dollars, based on largest 20 countries in the Bloomberg Global Aggregate Index. **Past performance is no guarantee of future results.** This example is for illustrative purposes only and is not indicative of the past or future performance of any BNY Mellon Investment Adviser, Inc. product. It is intended to illustrate the divergence in performance from year to year, and the potential benefits of a diversified investment approach. It is not intended to promote investment in any single country or market. Returns from emerging market countries have been historically more volatile than those of the US and other developed countries. Investors cannot invest directly in a country's bond market.

In addition to a larger universe of investment opportunities, non-US markets may also offer better relative returns. Over the past 16 calendar years, the US has not been among the top-performing fixed income markets and has finished the past eight years, according to Bloomberg, either in the middle or the bottom end of the range of returns across all regions.

Looking beyond the US market also opens up the investment opportunities across different fixed income asset types. For example, emerging market strategies or sovereign investment-grade strategies have the potential to offer higher returns or more portfolio diversification but with additional volatility.

EXPAND THE NUMBER OF TOOLS IN YOUR INVESTING TOOLBOX

Active strategies that have the flexibility to invest across regions and asset types can potentially yield better results.

| 2013                      | 2014                      | 2015                        | 2016                       | 2017                       | 2018                        | 2019                       | 2020                       | 2021                        | 2022                        | 2023                       |
|---------------------------|---------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|
| Global Corp - HY<br>7.33% | Sovereign - IG<br>12.28%  | EMD - Non-USD<br>6.65%      | EMD - Non-USD<br>15.76%    | Global Corp - HY<br>10.43% | Cash<br>1.94%               | Sovereign - IG<br>16.55%   | Sovereign - IG<br>10.32%   | Global Corp - HY<br>0.99%   | Cash<br>2.01%               | Global Corp - HY<br>14.04% |
| Global Corp - IG<br>1.83% | EMD - USD<br>4.76%        | EMD - USD<br>1.29%          | Global Corp - HY<br>14.27% | EMD - Non-USD<br>9.41%     | Agencies<br>1.34%           | EMD - USD<br>13.11%        | Global Corp - IG<br>10.06% | Cash<br>0.04%               | Agencies<br>-7.87%          | EMD - Non-USD<br>13.06%    |
| Securitized<br>0.36%      | Agencies<br>3.58%         | Agencies<br>1.01%           | EMD - USD<br>9.88%         | Global Corp - IG<br>9.31%  | Securitized<br>(0.01)%      | Global Corp - HY<br>12.56% | Global Corp - HY<br>7.03%  | Agencies<br>(1.32)%         | EMD - Non-USD<br>-11.99%    | Global Corp - IG<br>10.15% |
| Cash<br>0.06%             | Securitized<br>3.29%      | Cash<br>0.05%               | Global Corp - IG<br>5.97%  | Sovereign - IG<br>9.14%    | Sovereign - IG<br>(2.13)%   | Global Corp - IG<br>11.81% | EMD - USD<br>6.52%         | EMD - USD<br>(1.65)%        | Securitized<br>-12.55%      | EMD - USD<br>9.09%         |
| EMD - Non-USD<br>(1.30)%  | Global Corp - IG<br>2.55% | Securitized<br>(0.51)%      | Sovereign - IG<br>4.39%    | EMD - USD<br>8.17%         | EMD - USD<br>(2.46)%        | EMD - Non-USD<br>10.93%    | Agencies<br>5.48%          | Global Corp - IG<br>(2.12)% | Global Corp - HY<br>-12.71% | Sovereign - IG<br>7.03%    |
| Agencies<br>(1.38)%       | Cash<br>0.03%             | Sovereign - IG<br>(2.66)%   | Agencies<br>1.39%          | Securitized<br>4.34%       | Global Corp - IG<br>(3.52)% | Agencies<br>5.89%          | Securitized<br>5.34%       | Securitized<br>(2.20)%      | EMD - USD<br>-15.26%        | Securitized<br>5.85%       |
| EMD - USD<br>(4.12)%      | Global Corp - HY<br>0.01% | Global Corp - HY<br>(2.72)% | Securitized<br>1.12%       | Agencies<br>2.06%          | Global Corp - HY<br>(4.06)% | Securitized<br>5.49%       | EMD - Non-USD<br>4.31%     | Sovereign - IG<br>(2.98)%   | Global Corp - IG<br>-16.09% | Agencies<br>5.13%          |
| Sovereign - IG<br>(8.26)% | EMD - Non-USD<br>(1.33)%  | Global Corp - IG<br>(3.78)% | Cash<br>0.32%              | Cash<br>0.93%              | EMD - Non-USD<br>(4.37)%    | Cash<br>2.06%              | Cash<br>0.36%              | EMD - Non-USD<br>(3.03)%    | Sovereign - IG<br>-16.49%   | Cash<br>5.07%              |

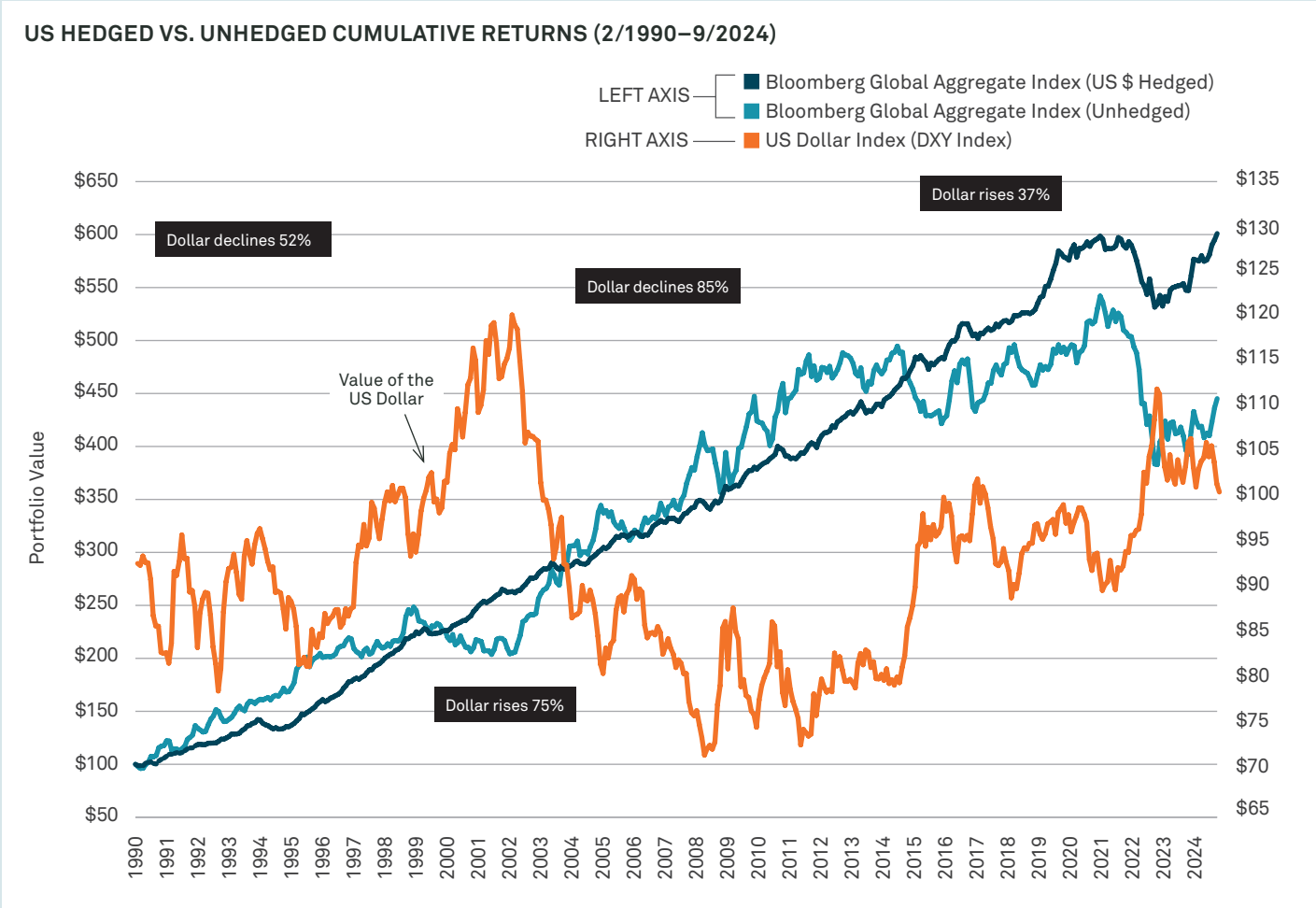
Source: Morningstar. Annualized returns 2013–2023. Please see the back cover for a description of the indices used as proxies for the asset classes shown. An investor cannot invest directly in any of these indices. **Past performance is no guarantee of future results.**

# ACTIVE RISK MANAGEMENT

In an increasingly volatile and complex economic and geopolitical setting, we believe a core fixed income alternative that combines a global opportunity set with an active currency hedging strategy may help reduce correlations and mitigate portfolio volatility over time. Actively hedging most foreign currency exposure may help protect the US dollar value of the fund’s investments from fluctuations.

## HEDGED GLOBAL BONDS HAVE PROVIDED A “SMOOTHER RIDE”

Active currency hedging may mitigate portfolio volatility.



Source: FactSet as of September 30, 2024. February 1990–September 2024.

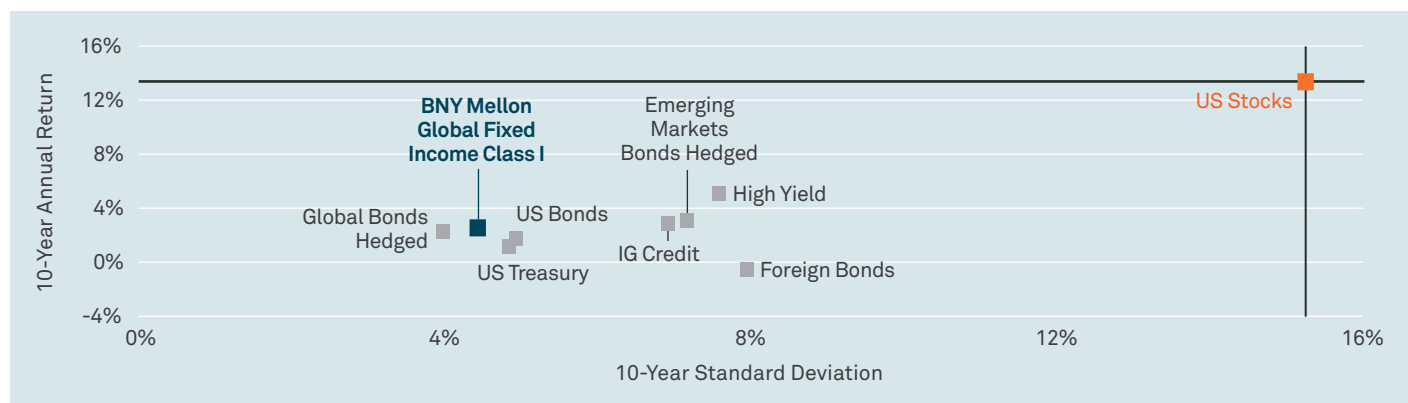
This example assumes a \$100 investment in the Bloomberg Global Aggregate Index from 12/31/89 to 9/30/24. The Bloomberg Global Aggregate Index is a measure of global investment-grade debt from 24 local currency markets. The hedged index reflects performance where currency has been hedged to the US dollar. The performance of the US dollar is based on the difference in cumulative returns between the hedged and unhedged versions of the Bloomberg Global Aggregate ex USD Index. The US Dollar Index (USD, DXY) is a measure of the value of the US dollar relative to a basket of foreign currencies from its most significant trading partners. The chart is provided for illustrative purposes only and is not indicative of the past or future performance of any BNY Mellon Investment Adviser, Inc. product. **Past performance is no guarantee of future results.** An investor cannot invest directly in any index.

# THE RESULTS SPEAK FOR THEMSELVES

Global hedged bonds have historically demonstrated a more attractive risk/reward balance than broad, US-only benchmarks. One reason is that in a hedged portfolio, currency volatility may be reduced or eliminated by the use of derivative contracts that seek to negate the effects of currency fluctuations. The fund seeks to benefit from managers who are able to employ an appropriate level of currency hedging versus the dollar, and can also pivot the fund's foreign currency exposure as market conditions dictate.

## CONSIDER GLOBAL BONDS AS A NEW CORE FIXED INCOME ALLOCATION 7/1/2014–9/30/2024

Attractive risk/reward balance relative to traditional US fixed income.

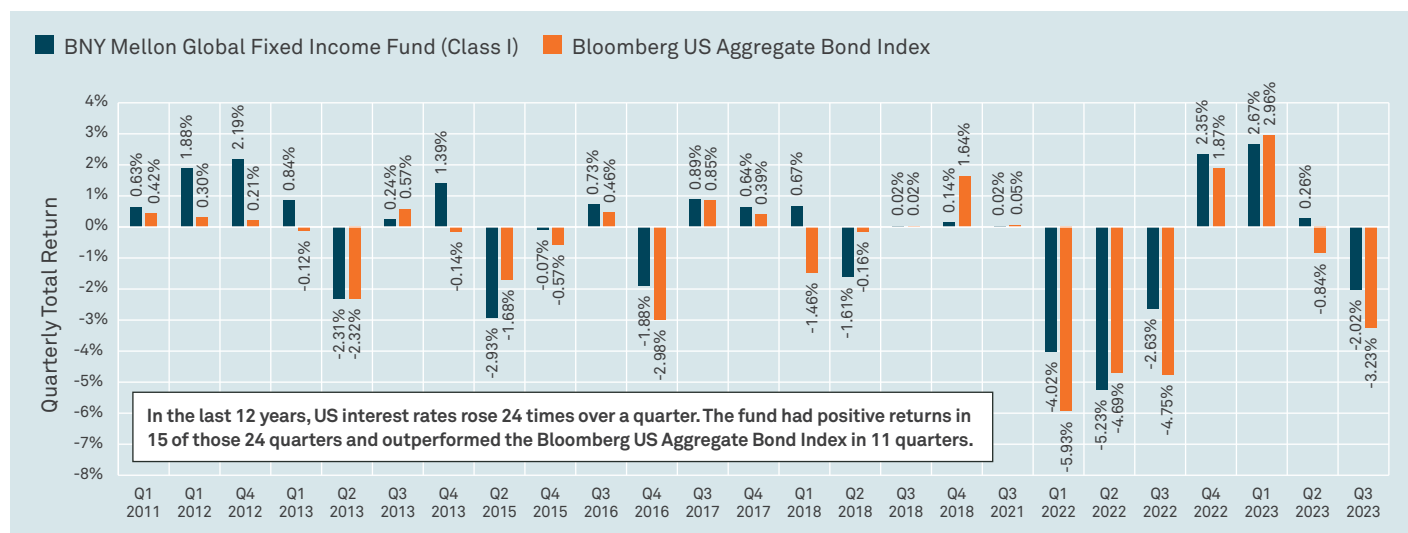


Source: Morningstar as of September 30, 2024. Please see the back cover for a description of the indices used as proxies for the asset classes shown. Standard deviation is a measure of the dispersion of a set of data from its mean.

Asset class comparisons such as comparing bonds to equities and treasuries have limitations because different asset classes may have characteristics that materially differ from each other. Because of these differences, comparisons should not be relied upon solely as a measure when evaluating an investment for any particular portfolio. Comparisons are provided for illustrative purposes only. Although stocks have greater potential for growth than bonds, they also have much higher levels of risk. With stocks, the prices can rise and fall for a variety of reasons, including factors outside of the company's control. Bonds may be considered relatively safer as compared to equities. Because they are a debt security, they function as an IOU. The company pays interest to the bondholder, and once the bond matures, the bondholder receives the principal back. Bonds are not completely risk-free; there is the possibility of the issuer defaulting on its bonds, and if sold prior to maturity the market value may be higher or lower than the purchase value. Treasuries are considered the least risky of these asset classes as they are backed by the full faith and credit of the US government. However, returns from Treasuries have historically had lower long-term returns than bonds or equities. There also may be tax considerations among the different asset classes. Investors should consult a legal, tax or financial professional in order to determine whether an investment product or service is appropriate for a particular situation.

## HISTORICALLY LOW CORRELATION WITH US INTEREST RATES

The fund outperformed the Bloomberg US Aggregate Bond Index in 16 of the past 24 quarters when US rates rose.

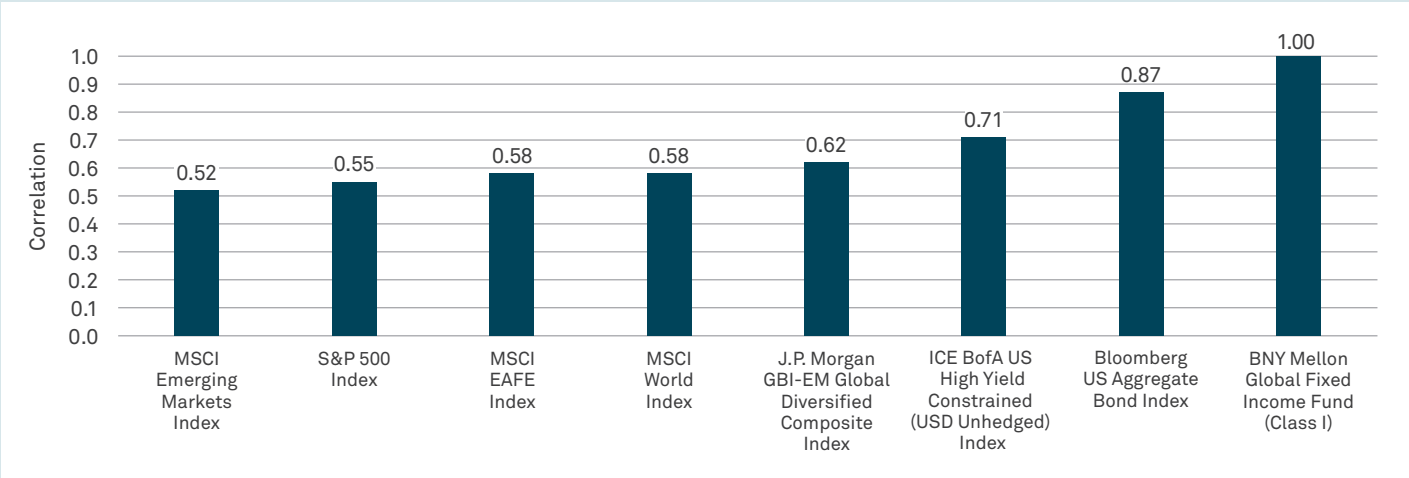


The performance data quoted represents past performance, which is no guarantee of future results. Share price and investment return fluctuate and an investor's shares may be worth more or less than original cost upon redemption. Current performance may be lower or higher than the performance quoted. Go to [bny.com/investments](https://bny.com/investments) for the fund's most recent month-end returns. Total expense ratio: 0.54% (Class I).

Source: Morningstar as of September 30, 2024. Interest changes refer to US 10-year Treasury rate.

**BNY MELLON GLOBAL FIXED INCOME FUND (CLASS I)**  
**HISTORICALLY LOW CORRELATION WITH SOME MAJOR INDICES**

Select domestic and international indices from October 2014–September 2024



Source: FactSet. **Past performance is no guarantee of future results.** Please see the bottom of this page for definitions of indices shown.

Correlation measures the degree to which the performance of a given asset class moves in relation to another, on a scale of -1 to 1. Negative 1 indicates a perfectly inverse relationship, 0 indicates no relationship, and 1 indicates a perfectly positive relationship.

Along with the potential benefits of low correlations, investors may expect a bond fund to pursue income with moderate overall volatility. To these ends, the fund’s managers selectively build the portfolio bond by bond, using derivatives primarily for hedging and risk management, without relying on them for significant sources of alpha.

Another tool in pursuit of income comes in the form of potentially mitigating risks, including liquidity risk. For this, we believe a bond fund’s size matters, absolutely, and smaller

funds have the advantage. For extremely large bond funds to access opportunities in smaller, more lightly traded sectors of the fixed income markets, they must assume substantial ownership positions — including all attendant risks. These positions can prove difficult to unwind quickly, especially in a selloff. We believe a right-sized fund can invest with high conviction in smaller bond markets, where US investors are not yet active. Unlike mega-sized funds, smaller funds can take positions in countries that may be undervalued without owning the entire market.

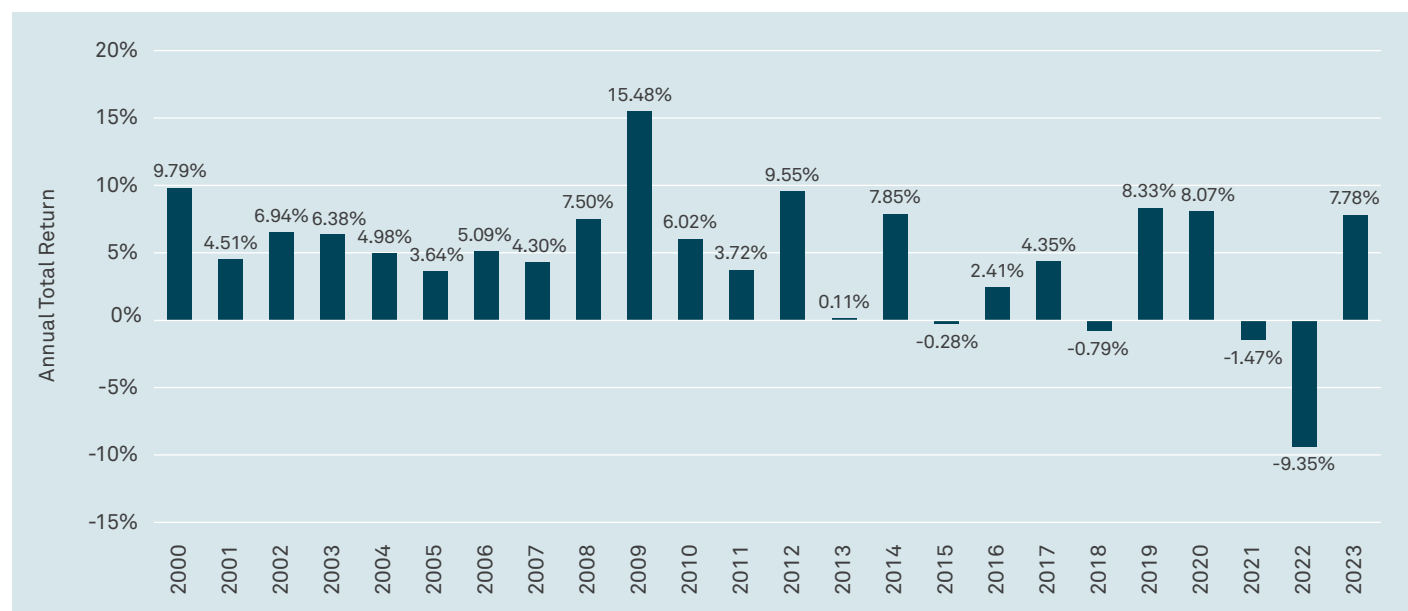
Index definitions: **Standard & Poor’s 500 (S&P 500) Composite Stock Price Index** is a widely accepted, unmanaged index of US stock market performance. **Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) Index** is a free float-adjusted, market capitalization-weighted index that is designed to measure equity performance in developed markets, excluding the US and Canada. The index consists of select designated MSCI national developed market indices. **Morgan Stanley Capital International World Index** is designed to measure global equity performance of developed markets. The index includes select designated MSCI national developed market indices. **Morgan Stanley Capital International Emerging Markets Index** is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity performance in global emerging markets. The index consists of select designated MSCI emerging market national indices. MSCI Indices reflect investable opportunities for global investors by taking into account local market restrictions on share ownership by foreigners. **Bloomberg US Aggregate Bond Index (US Agg)** is a widely accepted, unmanaged total return index of US dollar-denominated corporate, government and government-agency debt instruments, mortgage-backed securities, and asset-backed securities with an average maturity of 1–10 years. **J.P. Morgan GBI-EM Global Diversified Composite Index** tracks regularly traded, liquid, fixed-rate, local currency debt issued by emerging market governments. **BofA Merrill Lynch US High Yield Master II Constrained (USD Unhedged) Index** is an unmanaged performance benchmark composed of US dollar-denominated domestic and Yankee bonds rated below investment grade with at least \$100 million par amount outstanding and at least one year remaining to maturity. Bonds are capitalization-weighted. Total allocations to an issuer are capped at 2%. Currency exposure is hedged to the US dollar. An investor cannot invest directly in any index.

# THE COMPLEX GLOBAL BOND MARKETPLACE

Navigating the decision-making process, in our opinion, calls for an experienced team. The fund's historical year-by-year performance (gross of fees) serves to illustrate the team's track record.

## BNY MELLON GLOBAL FIXED INCOME FUND (CLASS I)

Average Annual Total Returns (2000 to 2023)



The performance data quoted represents past performance, which is no guarantee of future results. Share price and investment return fluctuate, and an investor's shares may be worth more or less than original cost upon redemption. Current performance may be lower or higher than the performance quoted. Go to [bny.com/investments](https://bny.com/investments) for the fund's most recent month-end returns. Total expense ratio: 0.54% (Class I).

Source: BNY Mellon Investment Adviser, Inc. Performance is based on Class I shares, which are available only to certain eligible investors. Other share classes may have achieved different returns. Positive calendar-year returns do not equate with no principal decline, due to the offsetting potential of reinvested dividend income.

## TOTAL RETURNS, YIELDS AND EXPENSE RATIO

| Share Class/Inception Date              | 30-Day SEC Yields       |                            | QTR<br>(9/30/24) | YTD<br>(9/30/24) | Average Annual (9/30/24) |        |        |         | Total Expenses     |                  |
|-----------------------------------------|-------------------------|----------------------------|------------------|------------------|--------------------------|--------|--------|---------|--------------------|------------------|
|                                         | Subsidized <sup>†</sup> | Unsubsidized <sup>††</sup> |                  |                  | 1 Year                   | 3 Year | 5 Year | 10 Year | Gross <sup>†</sup> | Net <sup>‡</sup> |
| Class I (NAV) 1/1/94                    | 3.52%                   | 3.52%                      | 4.45%            | 5.60%            | 12.87%                   | 0.92%  | 1.85%  | 2.54%   | 0.54%              | 0.54%            |
| Class A (NAV) 12/2/09                   | 3.02%                   | 3.02%                      | 4.31%            | 5.37%            | 12.49%                   | 0.60%  | 1.54%  | 2.24%   | 0.85%              | 0.85%            |
| Class A (4.50% max. load)               | 3.02%                   | 3.02%                      | -0.36%           | 0.62%            | 7.45%                    | -0.93% | 0.61%  | 1.77%   | 0.85%              | 0.85%            |
| Bloomberg Global Aggregate (USD Hedged) | —                       | —                          | 4.24%            | 4.38%            | 10.63%                   | -0.22% | 0.57%  | 2.33%   | —                  | —                |

The performance data quoted represents past performance, which is no guarantee of future results. Share price and investment return fluctuate, and an investor's shares may be worth more or less than original cost upon redemption. Current performance may be lower or higher than the performance quoted. Data assumes the reinvestment of dividends and capital gains, if any. Performance for periods less than 1 year is not annualized. Go to [bny.com/investments](https://bny.com/investments) for the fund's most recent month-end returns.

<sup>†</sup> Gross expenses is the total annual operating expense ratio for the fund, before any fee waivers or expense reimbursements. <sup>‡</sup> Net Expenses is the total annual operating expense ratio for the fund, after any applicable fee waivers or expense reimbursements. The Net Expenses is the actual fund expense ratio applicable to investors. Not all classes of shares may be available to all investors or through all broker-dealer platforms.

<sup>†</sup> Subsidized yield is a yield of a fund that reflects any fee waivers or reimbursements that may be in effect. <sup>††</sup> Unsubsidized yield refers to the yield of a fund if no fee waivers or expense reimbursements had been in place over the period.

**Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. To obtain a prospectus, or a summary prospectus, if available, that contains this and other information about a fund, contact your financial professional or visit [bny.com/investments](http://bny.com/investments). Read the prospectus carefully before investing.**

All investments involve risk, including the possible loss of principal. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. **Asset allocation and diversification** cannot assure a profit or protect against loss.

## RISKS

**Bonds** are subject to interest-rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines. 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. **High yield bonds** involve increased credit and liquidity risk than higher-rated bonds and are considered speculative in terms of the issuer's ability to pay interest and repay principal on a timely basis. The use of **derivatives** involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid, and difficult to value and there is the risk that changes in the value of a derivative held by the portfolio will not correlate with the underlying instruments or the portfolio's other investments.

For Page 3 Chart: Bloomberg Global Credit Corporate Index (Global Corporate – IG) represents the investment-grade corporate credit component of the Bloomberg Global Aggregate Index. Bloomberg Global High Yield Index (Global Corporate – HY) is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Bloomberg Global Securitized Index (Securitized) represents the securitized section of the Bloomberg Global Aggregate Index. Bloomberg Emerging Markets Aggregate Excluding US Index (EMD – Non-USD) includes non-USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. Bloomberg Emerging Markets USD Aggregate Index (EMD – USD) is a flagship hard-currency emerging market debt benchmark that includes fixed- and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. Bloomberg Investment Grade Sovereign Index (Sovereign – IG) represents the investment-grade sovereign component of the Bloomberg Global Aggregate Index. Bloomberg US Agency Index (Agencies) measures the performance of the agency sector of the US government bond market. US Treasury US T-Bill 90-Day Index (Cash) is a broad, comprehensive, market-value-weighted index that seeks to measure the performance of the US Treasury Bill market and is widely used to represent a “Cash” position.

For Page 5 Chart: S&P 500 Index (US Stocks) is widely regarded as the best single gauge of large-cap US equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Bloomberg US Aggregate Bond Index (US Bonds) is a widely accepted, unmanaged total return index of US dollar-denominated corporate, government and government-agency debt instruments, mortgage-backed securities, and asset-backed securities with an average maturity of 1–10 years. Bloomberg Global Aggregate Index Excluding US (Foreign Bonds) provides a broad-based measure of the global investment-grade, fixed-income markets excluding the US. Bloomberg Global Aggregate Index Hedged (Global Bonds Hedged) provides a broad-based measure of the global investment-grade, fixed-income markets. Currency exposure is hedged to the US dollar. Bloomberg US Treasury Index (US Treasury) measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Bloomberg US Corporate High Yield 2% Issuer Capped Bond Index (High Yield) is an issuer-constrained version of the flagship US Corporate High Yield Index, which measures the USD-denominated, high-yield, fixed-rate corporate bond market. Bloomberg US Aggregate Corporate Index (IG Credit) is an unmanaged index considered representative of the US investment-grade, fixed-rate bond market. Bloomberg Emerging Markets USD Aggregate Index (Emerging Markets Bonds Hedged) is a flagship hard-currency emerging market debt benchmark that includes fixed- and floating-rate US dollar-denominated debt issued from sovereign, quasi-sovereign, and corporate EM issuers. An investor cannot invest directly in any index.

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