BNY Mellon Global Fixed Income Fund

MANAGER COMMENTARY | Q3 2024

Class A **DHGAX** Class I **SDGIX**

MARKET REVIEW

> "Monetary policy easing is expected to continue through the final quarter of the year and into 2025. While recession is a clear risk, it is not our central case, although central banks have plenty of scope to cut rates if it appears that growth rates are stagnating too much."

The main central banks were active in the third quarter, as the Federal Reserve (the "Fed), European Central Bank (ECB) and Bank of England (BoE) all cut rates, with economies softening and inflation pressure continuing to ease. The Bank of Japan meanwhile, tightened policy again, as it sought to stem the rise in inflation. In general, the global economic backdrop appeared to get less robust, but few envisage the beginnings of recession anywhere. Chinese authorities acted late in the period, introducing a range of stimulus measures designed to support the ailing property sector. Political developments saw US President Biden drop out of the race for the White House, endorsing Vice President Kamala Harris for the Democratic nomination. The UK general election delivered the anticipated change of government, with the Labour Party gaining a sizable majority. However, the snap election in France produced an inconclusive outcome that created substantial uncertainty for President Macron and has led to him appointing the European Union's former head Brexit negotiator, Michel Barnier as prime minister.

PERFORMANCE SUMMARY

For the quarter ended September 30, 2024, the Fund's Class I shares returned 4.45%, excluding sales charges. In comparison, the Fund's unmanaged benchmark, the Bloomberg Global Aggregate USD Hedged Index, returned 4.24% for the same period.

Average Annual Total Returns (9/30/24)

Share Class / Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Class A (NAV) 12/2/09	4.31%	5.37%	12.49%	0.60%	1.54%	2.24%
Class A (4.50% max. load)	-0.36%	-0.62%	7.45%	-0.93%	0.61%	1.77%
Class I (NAV) 1/1/94	4.45%	5.60%	12.87%	0.92%	1.85%	2.54%
Bloomberg Global Aggregate USD Index (Hedged)	4.24%	4.38%	10.63%	-0.22%	0.57%	2.33%

Returns are net of fund expenses and assume reinvestment of distributions. 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. Performance for periods less than 1 year is not annualized. Go to bny.com/investments for the fund's most recent month-end returns. Returns assume the reinvestment of dividends and capital gains, if any.

Total Expenses (9/30/24)

Share Class	Gross[1]	Net[2]
Class A	0.85%	0.85%
Class I	0.54%	0.54%

[1]Gross expenses is the total annual operating expense ratio for the fund, before any fee waivers or expense reimbursements. [2]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.

Not FDIC-Insured. Not Bank-Guaranteed. May Lose Value

MARKET REVIEW (continued)

The outlook for the US economy deteriorated in Q3, as the labour market appeared to begin softening and headline inflation continued to decline. The Federal Reserve reduced interest rates for the first time late in this cycle, cutting the fed funds rate by 50bp to 4.75%-5.0%. The Institute of Supply Management (ISM) Manufacturing Purchasing Managers Index (PMI) fell further below 50 in July and remained there, while number of jobs created in the non-farm payrolls report has declined notably from earlier in the year. The growth in average hourly earnings fell below 4%, though consumer confidence as shown by the University of Michigan Consumer Sentiment indicator, has improved slightly. The modest improvement in confidence has not prevented retail sales growth remaining soft relative to historical levels. Inflation fell sharply at the headline level, reaching 2.5%, its lowest level since February 2021, as energy costs have been declining. The core measure did not fall by as much, reaching 3.2%, but that remains on a gentle downward trend. The Fed's preferred measure of inflation, the Personal Consumption Expenditure measure (PCE), has closely reflected headline inflation and fell to 2.2% in August, which may help explain the reason for the relatively large Fed rate cut.

The European Central Bank reduced interest rates for a second time this year in September, taking the deposit facility rate 25bp lower to 3.5%. Policymakers will be pleased that the inflation rate continued to decline, reaching 2.2% in August, close to the 2% target rate. The core rate remained largely unchanged throughout, ending at 2.8%, but has fallen significantly in the previous 12 months, having been 5.3% in August 2023. Economic growth expanded by 0.2% in Q2, marking a third successive quarter of modest expansion. Among forward-looking indicators, the ZEW Economic Sentiment indicator fell back noticeably over the summer, to 9.3 in September, its lowest level in almost a year, having exceeded 50 as recently as June. The HCOB Composite PMI was also lower, falling back below 50 in its most recent report. The PMI for manufacturing declined to 44.8, while the services equivalent barely maintained a level above 50. After a protracted delay, President Macron appointed Michel Barnier as prime minster rather than ask representatives of the left- or right-wing groups attempt to form a new government, as neither were considered likely to be able to form a stable coalition.

In emerging markets, China's housing market continued to deteriorate throughout the period, as the pace of decline in the house price index has reached -5.3% year-on-year. Shanghai currently stands out among the few major cities where prices are increasing. Unemployment has moved from 5.0% to 5.3%, inflation has edged further above zero to 0.6%. In response, the People's Bank of China cut the one-year medium-term lending facility as part of a wide-ranging package of substantial stimulus that included reducing the amounts of reserves banks must hold, thus freeing up funds that can be used for lending. Elsewhere in emerging markets, the strength of the Brazilian economy was demonstrated by an acceleration in gross domestic product (GDP) growth to 1.4% in Q2. The positive news was met with a notable increase in the Industrial Entrepreneur Confidence Index, which rose to 53.3. In contrast to Brazil, the Mexican central bank reduced interest rates twice in the quarter by 25bp each time, to 10.5%. Elsewhere, India's inflation rate eased substantially to 3.65%, the lowest reading since 2019, and the first time below the Reserve Bank of India's (RBI) target rate of 4% in almost five years. Despite the improvement, the RBI retained interest rates at 6.5%, where it has been pegged since early 2023. The HSBC PMIs for both manufacturing and services fell back slightly at the end of the period. Turkey's inflation fell back sharply in Q3 to 52%, having peaked above 75%, while the central bank kept interest rates unchanged at 50% throughout. In Venezuela, President Maduro extended his 11-year hold on power, claiming victory in what was a disputed election result.

PERFORMANCE REVIEW

The Fund outperformed the Index in the period. Active rates positioning was the largest contributor to outperformance with an overweight position to the short end of the US and German curves generating significant positive alpha, while there were negative returns from an underweight position in Japan. Across the yield curve, the strategy generated positive returns from the German steepener trade and the Japan flattener trade. Meanwhile, cross market trades were slightly negative for the month with overweights to Korea, Australia, and New Zealand against the US underperforming. Overweights to the US against Canada also underperformed, while overweights to Germany against Sweden using swaps and overweights to emerging markets against the US and Germany gained. Within Europe, overweights to Italy and Spain against France and Germany outperformed. Further, the strategy's positioning for higher 30-year US inflation, lower 30-year EU inflation, and lower 10-year UK inflation strongly outperformed. In credit, the strategy underperformed due to a small overweight beta position as well as due to asset allocation from an overweight to European investment grade against US investment grade. Finally, in foreign exchange, the strategy's positioning in the yen, New Zealand dollar, and Swiss franc underperformed, while the Australian dollar and euro outperformed. In credit, the strategy underperformed due to a small overweight beta position as well as due to asset allocation from an overweight to European investment grade against US investment grade. Finally, in foreign exchange, the strategy's positioning in the yen, New Zealand dollar, and Swiss franc underperformed, while the Australian dollar and euro outperformed.

MARKET OUTLOOK

Looking ahead, politics will increasingly take center stage. In the US, the final weeks of what appears to be an uncertain presidential election will be the highlight, and a snap general election in Japan expected for later in October may also add uncertainty. We see a backdrop in which economic growth in most developed economies moderates to sub-trend levels, while inflation gradually eases back to the respective target levels set for central banks. Monetary policy easing is expected to continue through the final quarter of the year and into 2025. While recession is a clear risk, it is not our central case, although central banks have plenty of scope to cut rates if it appears that growth rates are stagnating too much. Equally, they will avoid easing too quickly in case inflation begins to rise more meaningfully in the months ahead.

We see the gradual decline in US leading indicators as presaging a general slowdown in the world's largest economy, falling below trend in 2024 and softer still in 2025. While the labor market has remained robust for some time, the pace of job growth has slowed slightly, so a more meaningful cooling in the pace of job creation could represent an increased risk to the downside. We believe that though the headline rate may continue to oscillate, it should gradually moderate down toward the 2% target rate, though it may take some time to reach that level. The Fed is expected to cut rates further, ultimately heading towards around 3%, though potentially not until 2026. Treasury yields at shorter maturities are expected to reflect the reduction in official rates but yields at the long end may not do so and could rise slightly from prevailing levels.

Europe's recovery continues to be led by the periphery, although the manufacturing sector has been under pressure for some time and remains very weak. While the European economy is not particularly resilient, real wage growth is expected to remain positive, which could support consumption. Overall growth in 2024 is likely to be well below the US as well as below trend, but, in contrast to the US, we expect it to improve in 2025, though remain below trend. Headline inflation is expected to achieve and sustain its fall to the 2% target level, while the ECB is likely to cut rates further, taking the benchmark deposit rate to around 2.5%, or even lower in a year's time. Government bonds may decline at shorter maturities as the ECB cuts rates, but at the longer maturities, they might actually rise slightly.

In the emerging markets, China's external sector has remained resilient for now but would appear to be softening in the second half of the year. Domestic demand continues to run below trend, though weakening household and business confidence remain key issues. We believe policymakers would like to avoid too much re-leveraging but are attempting to make things easier for lending and borrowing. We expect the economy to slightly undershoot this year's 5% growth target, with a deceleration to around 3.6% in 2025. Inflation is edging its way up toward our expected 1% forecast for this year, and we think it is likely to move slightly higher to around 1.5% in 2025. Across other emerging markets, many countries continue to experience elevated inflation, making substantial interest rate cuts challenging to implement. Central banks will have to navigate the fine line between preventing a resurgence in inflation and driving economies into a potentially damaging downward spiral.

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. Read the prospectus carefully before investing. Past performance is no guarantee of future results.

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.

The **Bloomberg Global Aggregate Index (Hedged)** is a broad measure of the global investment-grade fixed-income markets The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and nonagency). The U.S. dollar index (USDX) is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners. This index is similar to other trade-weighted indexes, which also use the exchange rates from the same major currencies. Investors cannot invest directly in an index.

Inflation is 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. **Gross domestic product** (GDP) is a monetary measure of the market value of all goods and services produced in a given period of time. The **Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. The **Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. **Personal Consumption Expenditures (PCE**) also known as consumer spending, is a measure of the spending on goods and services by people of the United States. The **ZEW Economic Sentiment Index** is a leading indicator of the economic outlook for the euro zone. It measures the confidence of financial experts on the economy over the next six months.

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