



European Equities at Newton

Paul Markham

19 January 2023

NEWTON

Investment
Management

For Professional Clients only

 BNY MELLON | INVESTMENT MANAGEMENT

BNY Mellon Sustainable European Opportunities Fund

Highly experienced team: 47 years combined investing for Newton

Paul Markham leads on c.£4.5bn of client assets and heads Newton's Global Opportunities team

Duncan Bulgin is a European specialist and an equity analyst for more than 20 years

Strategy ideally placed to benefit from Newton's thematic approach, global perspective and acknowledged RI credentials

Highly focussed portfolio with 35 conviction-led positions and AUM of £128m

At the end of 2021, the Fund was relaunched as a sustainable product– but only minimal restructuring required

Source: Newton, December 2022

Sustainable European Opportunities Fund



Paul Markham
Portfolio manager, Head of Global Opportunities team

Paul is one of Newton's most experienced equity investors, managing a selection of global and regional equity mandates. In addition to portfolio management responsibilities, Paul has continued to pursue research interests in Japan; and is a member of the Newton Investment Executive and the Senior Leadership Team. He has been a constant member of the team responsible for managing Newton global equity portfolios since June 2001. Prior to joining the firm in 1998, Paul worked in capital markets for Morgan Stanley.

Paul holds a BA (Hons) in French and Spanish from the University of Sheffield. In his spare time, Paul enjoys travelling, cooking (with more enthusiasm than skill) and collecting wine.

Joined Newton: 1998
Joined industry: 1998



Duncan Bulgin
Portfolio manager, Global Opportunities team

Duncan is a senior portfolio manager within the global opportunities team, specialising in European equities. Previously, Duncan was head of global research at Newton until February 2022. In this role, he provided broad leadership and managerial oversight of the research team and research process, and worked closely with investment team leaders to ensure research output was relevant to portfolio managers and supported the meeting of portfolio investment objectives. Prior to April 2017, Duncan was co-head of research, and before that had specific responsibility for the industrial/cyclical hub. He was an analyst for the oil and gas sector, and previously analysed the property, transport, construction and mining sectors at Newton. Before joining Newton in 2000, Duncan worked for four years in the Deloitte & Touche Financial Services practice. He holds a degree in Economics and an MSc in Finance.

Duncan has been awarded the ACA (chartered accountant) and ASIP (Investment) qualifications. Outside of work, Duncan enjoys dog walking, playing a range of sports and learning the saxophone.

Joined Newton: 2000
Joined industry: 1996

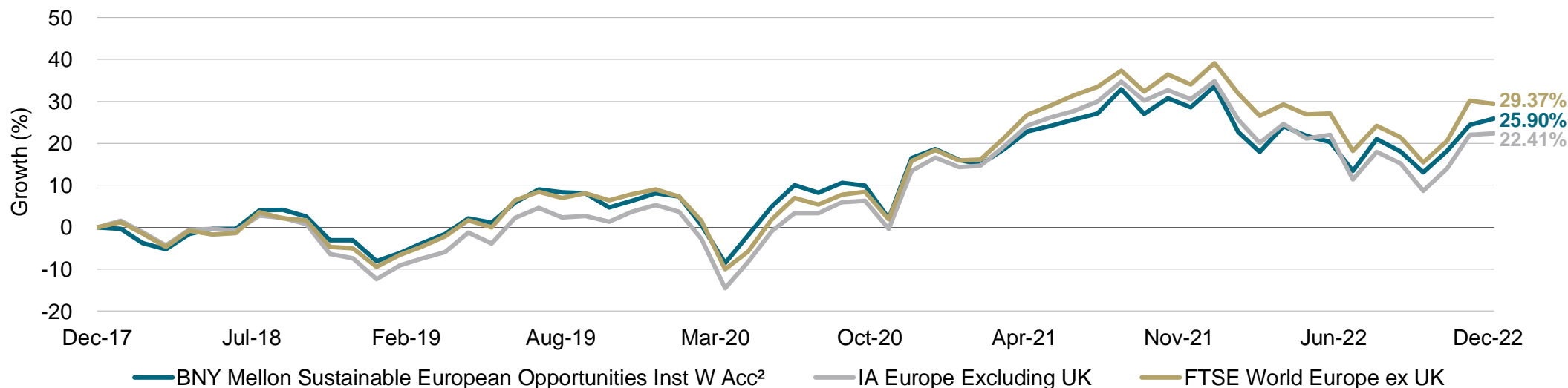
Combining long-term experience with complimentary skillsets

Performance as at 31 December 2022

BNY Mellon Sustainable European Opportunities Fund

%	YTD	3 months	1 year (annualised)	3 years (annualised)	5 years (annualised)	Since inception ¹ (annualised)
BNY Mellon Sustainable European Opportunities Inst W Acc²	-5.76	11.36	-5.76	5.19	4.71	5.17
FTSE World Europe ex UK	-6.98	12.05	-6.98	5.85	5.28	5.39
IA Europe Excluding UK	-9.23	12.61	-9.23	5.15	4.12	5.11
Sector quartile ranking	2	3	2	3	2	3

Cumulative return over 5 years



Notes:

¹ Performance inception (launch of institutional share class): 1 September 2000; ² Source: Lipper, midday prices, total return, income reinvested, net of 0.75% annual management charges, in GBP, 31 December 2022.

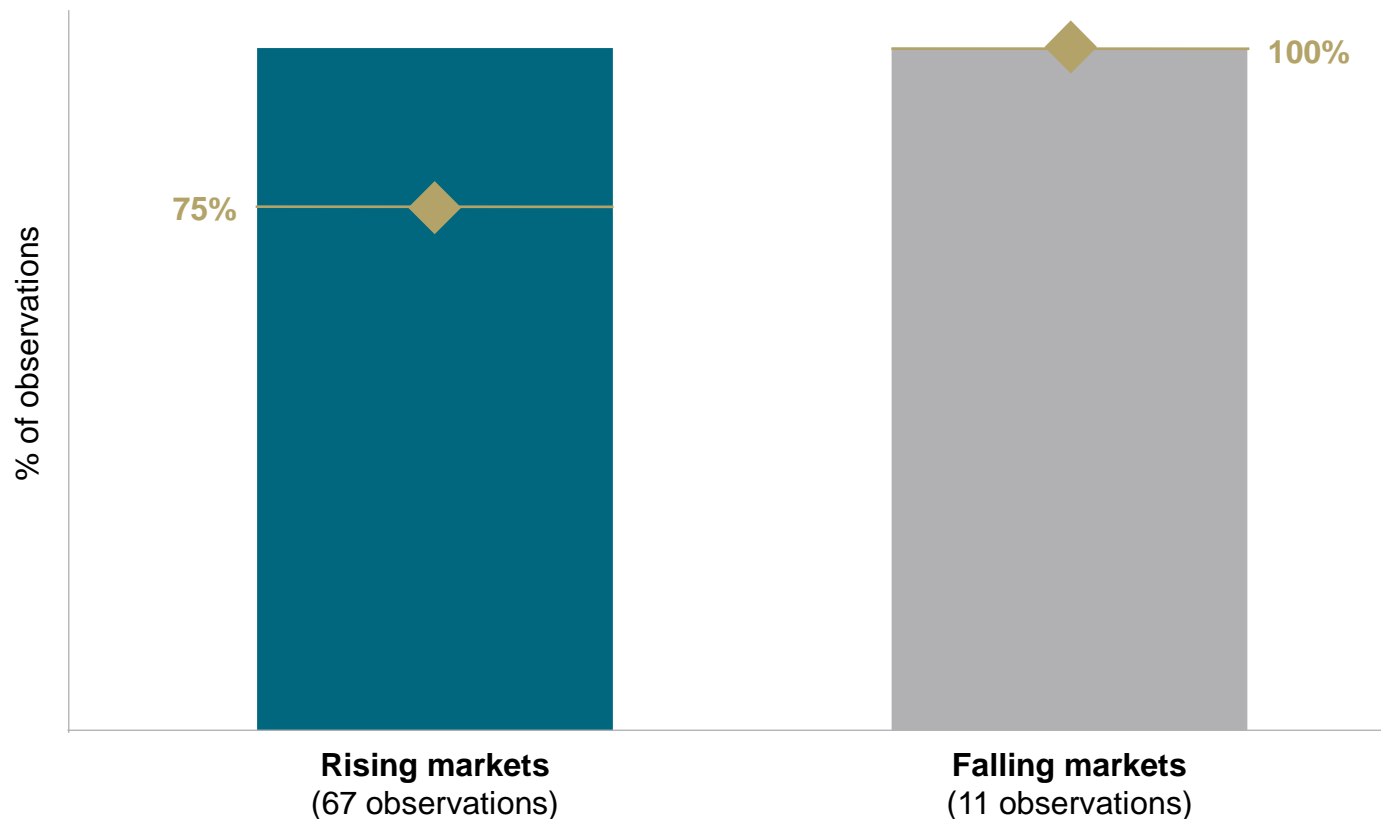
The FTSE World Europe ex UK performance benchmark is used as a comparator for this fund. The fund does not aim to replicate either the composition or the performance of the performance benchmark.

Comparisons are made to demonstrate correlation only and are for illustrative purposes only.

The name of the Fund was changed on 8 December 2021 from BNY Mellon Continental European Fund to BNY Mellon Sustainable European Opportunities Fund. The investment policy for the Fund also changed at the same time to adopt Newton's sustainable investment criteria and pursue an opportunities style investment approach, resulting in a concentrated portfolio of holdings.

Have delivered downside protection over rolling 3-year periods

BNY Mellon Sustainable European Opportunities Fund



On a quarterly basis, since launch, there have been 78 rolling 3-year observations¹:

- In rising markets, the fund has outperformed the market 75% of the time.
- In falling markets, the fund has outperformed the market 100% of the time.

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Note: ¹ Performance inception (launch of institutional share class): 1 September 2000, BNY Mellon Sustainable European Opportunities Fund, three-year returns on rolling quarterly basis.

Source: Newton, close of business prices, total return, income reinvested, gross of fees, in GBP, 31 December 2022.

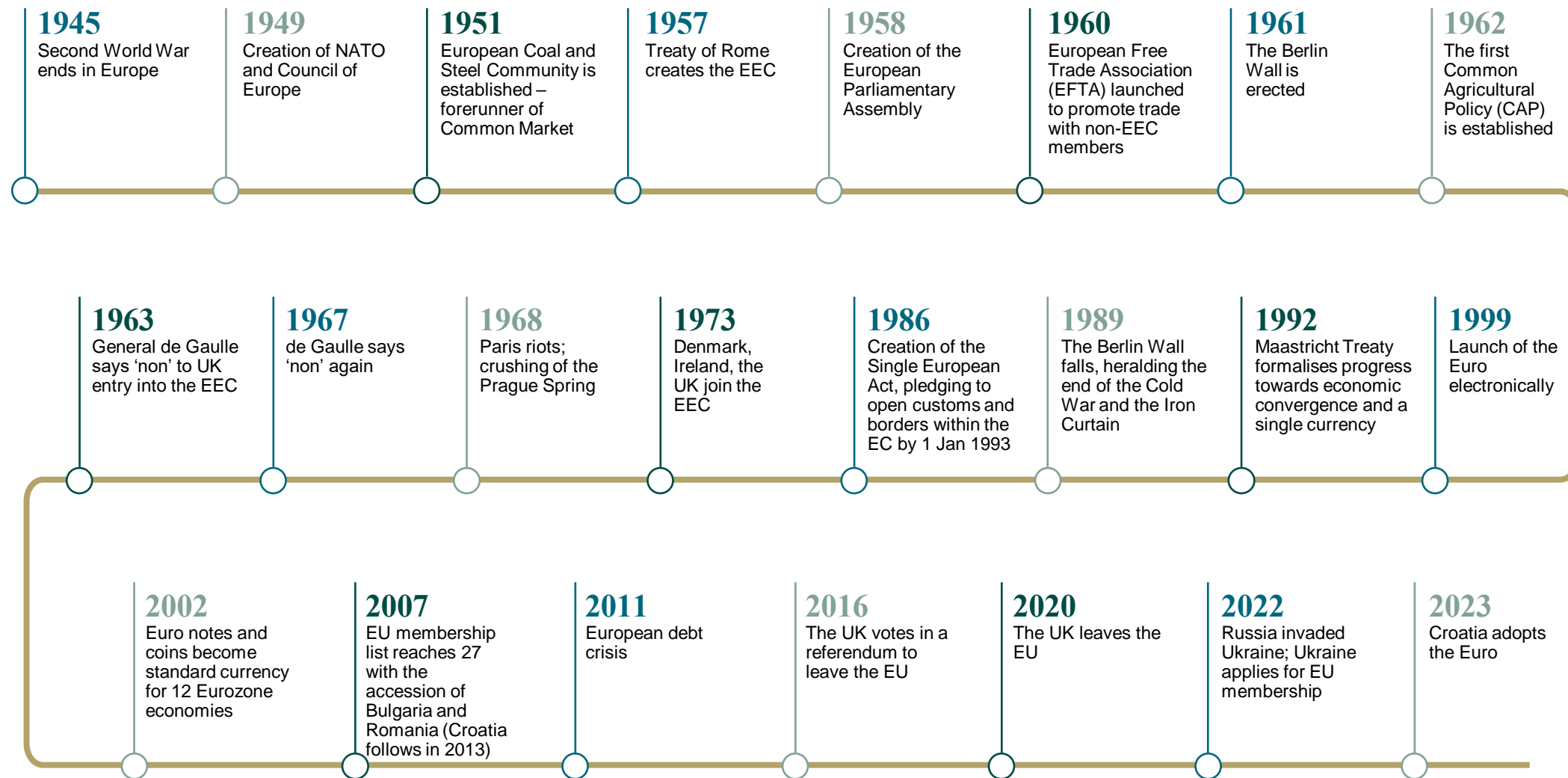
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Outperformance in both rising and falling equity markets

Europe: a timeline

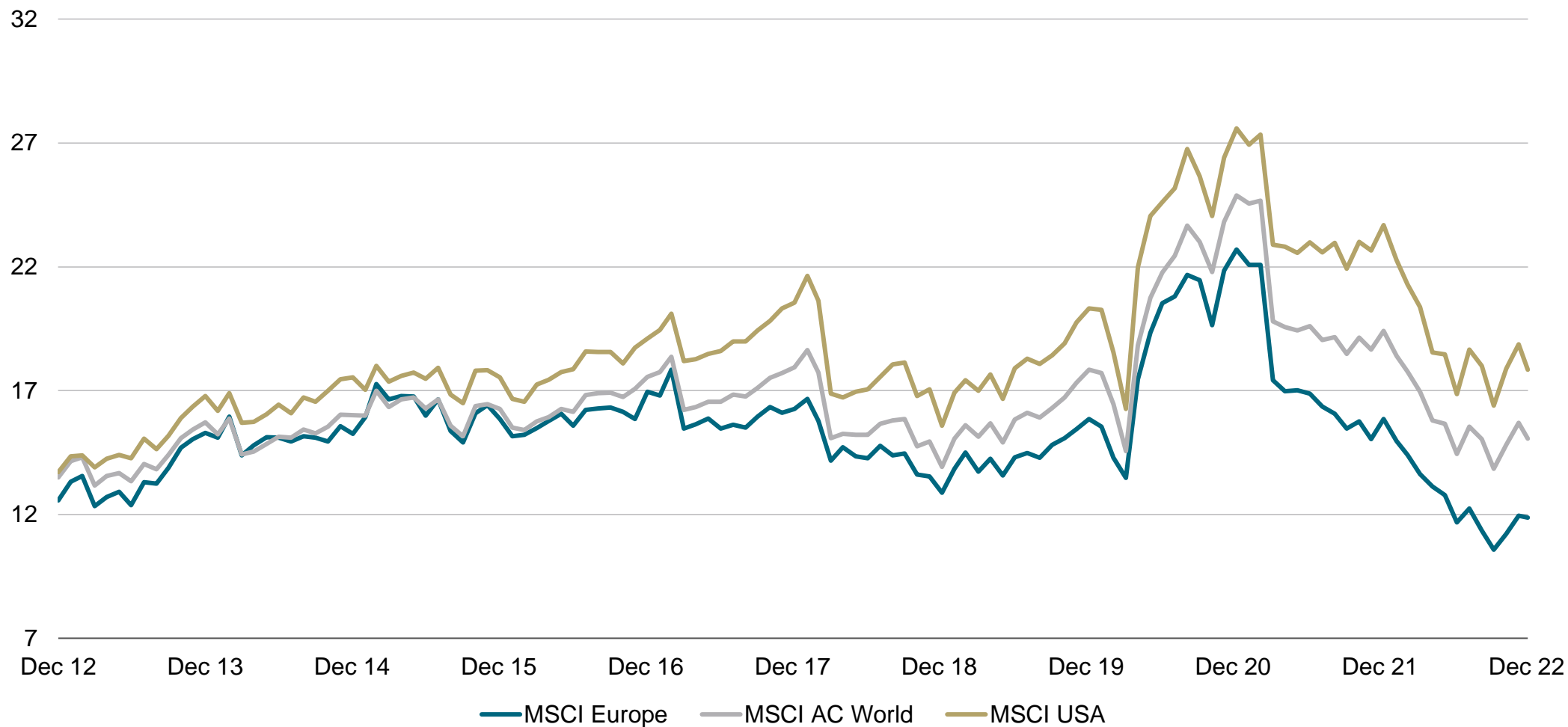
An eventful 75 years



Europe: the investment opportunity

Despite value rally, P/E discount persists

P/E FY1

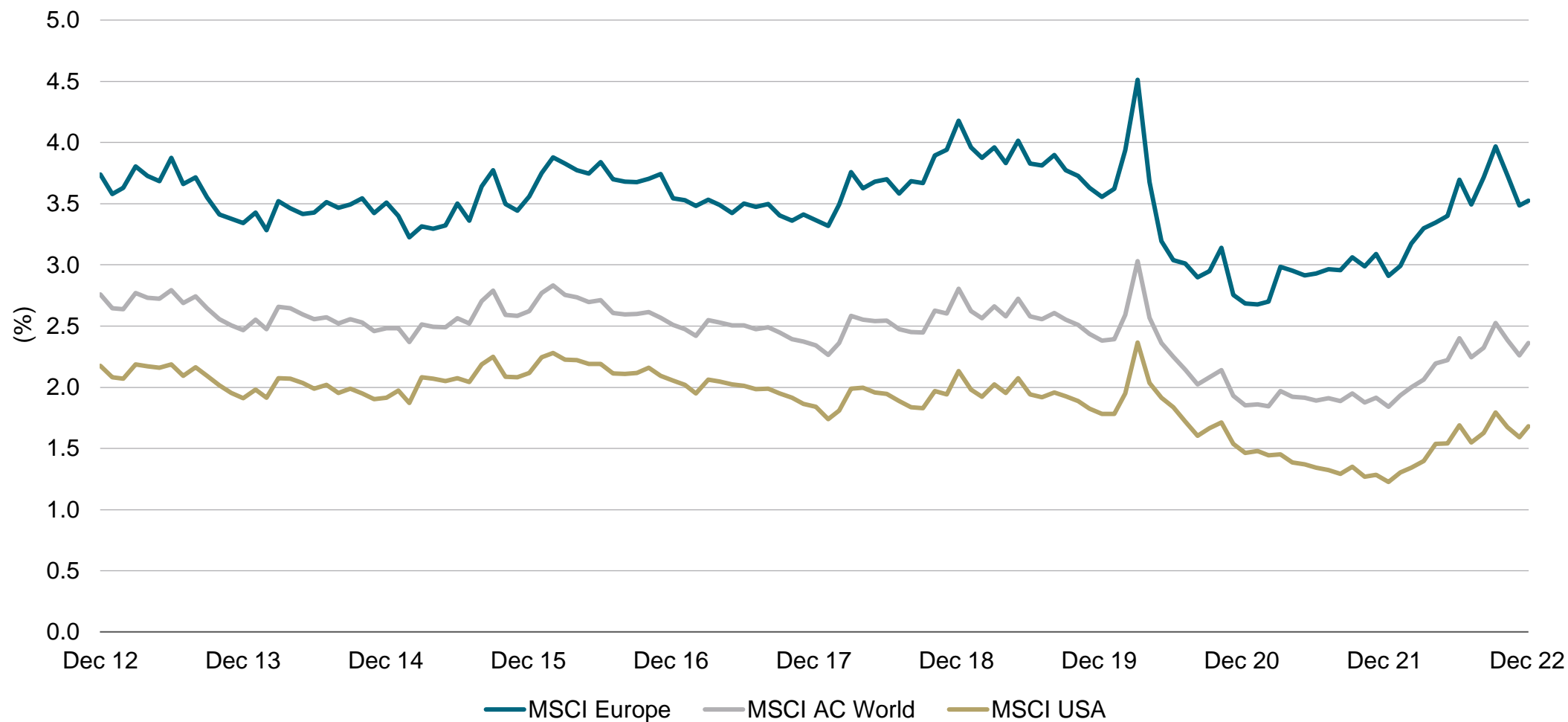


Source: FactSet, 23 December 2022.

Europe: the investment opportunity

Attractive dividend yields remain

Dividend yield FY1



Source: FactSet, 23 December 2022.

Fund dividend yield: 2.7%

Europe: the sustainable opportunity

Headroom for ESG-driven re-rating



LISTED
EUROPEAN
COMPANIES

- 1 Robust, developed market ESG credentials
- 2 Benefitting from interventionist governments
- 3 Under-owned
- 4 Diversified; home to world-leading companies
- 5 Europe 4x lower P/E multiple and 3x lower EV/EBITDA multiple to the US over the last 15-20yrs¹

¹Source: Bloomberg, 16 August 2022. Indices: Euro Stoxx 50 / S&P 500

Europe: the sustainable opportunity

Government regulations and incentives to renovate buildings to raise energy efficiency and use of renewables



Building renovations **mandatory by 2025** for least efficient French homes¹



Germany approves **€178bn funding** to accelerate energy shift³



Homeowners in Italy offered a **tax deduction of up to 110%** of the cost of renovation work **related to energy-efficiency upgrades**⁵



Denmark commits to **at least 50% renewable energy by 2030** (as a stepping stone towards 100% by 2050)²



UK **ban** on renting homes with **EPC under “E” in 2020**; consulting to raise standard to EPC “C” by 2028⁴



Fastned wins tender for **fast charging stations** along key French motorways⁶



Sources: ¹ French Ministry of Energy Transition & AFP, July 2021. ² IEA, December 2021. ³ Clean Energy Wire, July 2022. ⁴ Saint Gobain, Feb 2022. ⁵ Italian Government, Presidency of the Council of Ministers; May 2022. ⁶ Fastned, November 2020.

The securities mentioned are only for illustrating the investment process of Newton Investment Management. These opinions should not be construed as investment or any other advice and are subject to change. This slide is for information purposes only and does not constitute an offer or solicitation to invest.

Investment process in practice: stock selection

VINCI



Notes: ¹ Environmental, Social and Governance; ² ESG quality review score = 1 (lowest) to 10 (highest). ³ Source: Bloomberg, August 2022.

Source: Newton, August 2022.

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Scores are only produced where sufficient data is available to generate a score and may not be available for all equity investments. Where this is the case, the quality review will rely predominantly on qualitative research completed by Newton's responsible investment team.

Investment process in practice: stock selection

SCOR

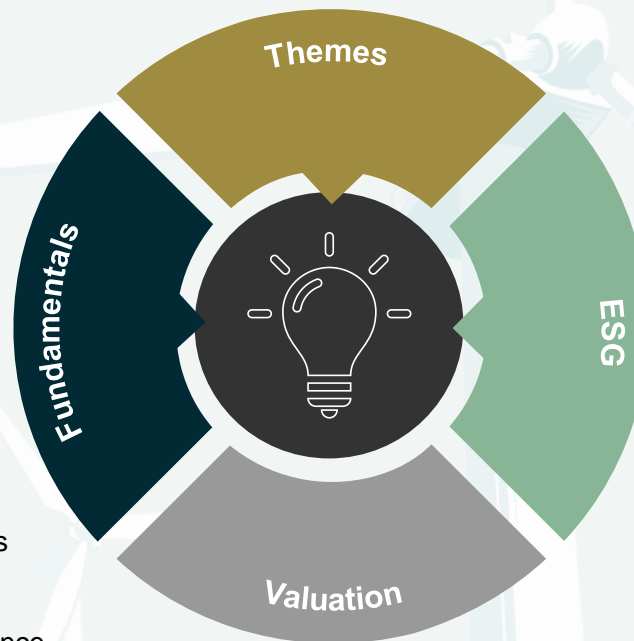


THEMES



FUNDAMENTALS

- Reinsurance market dynamics improving materially (property catastrophe prices +40% at recent renewal) which should translate to meaningful improvement in profitability
- Stock still trading at material discount vs. peers implying either balance sheet issue and / or dividend cut. Believe dividend is sustainable; management actions have reduced tail risks since we bought stock in late 2022 (hence 60% rally)
- Capital position remains strong, with solvency capital ratio at top end of target range
- We expect current strong pricing backdrop to drive margin expansion, which should restore confidence in dividend sustainability and drive continued re-rating



ESG¹

- Middle of the pack when it comes to ESG, with a QR score of 6.6². Climate is the main risk, where SCOR is taking action to mitigate
- Strong progress on corporate governance in recent years, splitting the Chair / CEO role. Supportive of the direction taken by the new CEO
- Considered suitable for sustainable strategies as a solutions provider



VALUATION³

- PE – 9.1x 2021
- P/TNAV – 0.8x 2021 TNAV for an 11% normalised RoTNAV
- 7.6% 2021 dividend yield
- If earnings improve as we expect, and volatility starts to come down, pay-out ratio arguably too low.

Notes: ¹ Environmental, Social and Governance; ² ESG quality review score = 1 (lowest) to 10 (highest). ³ Source: Bloomberg, priced as of 9 January 2023.

Source: Newton, January 2023.

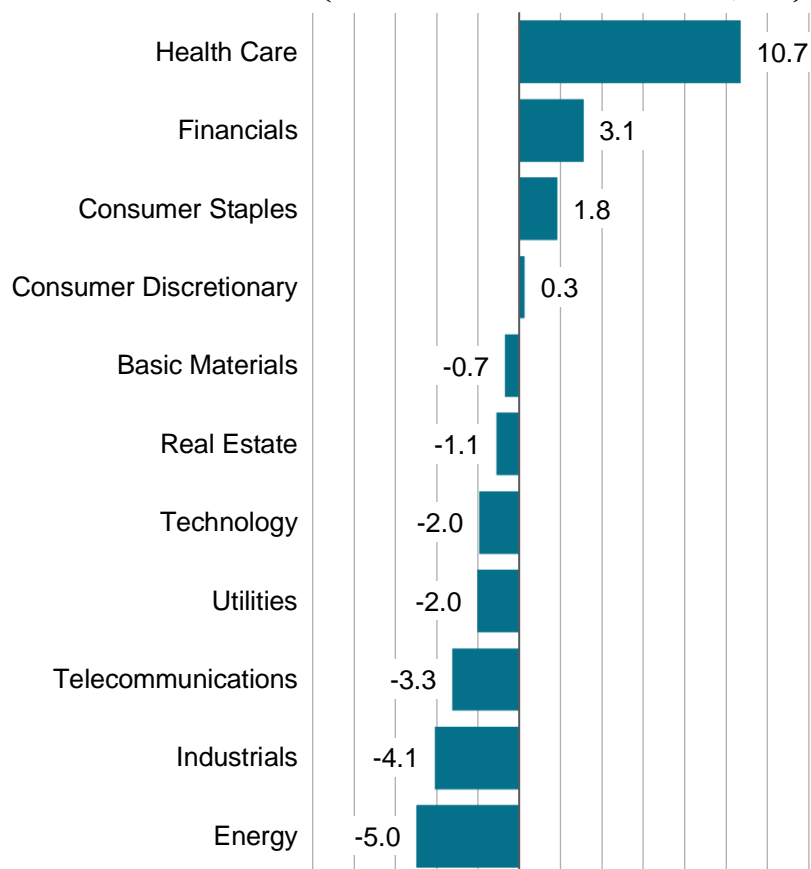
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Portfolio positioning

BNY Mellon Sustainable European Opportunities Fund

Sector allocation (relative to benchmark¹, %)



Fund holdings (absolute weightings, %)

	Fund		Fund		Fund
Health Care (%)	27.31	Industrials (%)	12.99	Utilities (%)	2.40
Novo Nordisk	6.16	VINCI	3.57	Orsted	2.40
Roche	5.18	Compagnie de Saint-Gobain	2.45		
Sanofi	4.73	TOMRA Systems	2.06	Energy (%)	0.00
Genmab	2.77	Worldline	1.69		
Alcon	2.51	Bureau Veritas	1.61	Telecommunications (%)	0.00
Lonza	2.32	Deutsche Post	1.60		
Chr. Hansen	2.02				
Novozymes	1.62				
		Consumer Staples (%)	11.31	Real Estate (%)	0.00
Financials (%)	20.01	Nestlé	5.68		
Zurich Insurance	3.96	Unilever	2.86	Cash (%)	2.27
AIB	3.75	Ahold Delhaize	2.76		
Swedbank	3.44				
AXA	2.75	Technology (%)	6.51	Currency forward (%)	0.01
BNP Paribas	2.54	SAP	3.06	Norwegian Krone	2.75
SCOR	2.22	ASML	1.89	British Pound	-2.74
Munich Reinsurance	1.35	Infineon Technologies	1.57		
Consumer Discretionary (%)	13.09	Basic Materials (%)	4.09		
Universal Music	3.60	Air Liquide	2.42		
RELX	2.68	Brenntag	1.67		
Wolters Kluwer	2.51				
Industria de Diseno Textil	2.31				
L'Oréal	1.99				

Number of stocks:
35

Note: ¹ Relative to the FTSE World Europe ex UK performance benchmark is used as a comparator for this fund. The fund does not aim to replicate either the composition or the performance of the performance benchmark.

Source: Newton, 31 December 2022.

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A concentrated opportunities portfolio

Sustainable European Opportunities Fund

Long history, track record and heritage managing European assets

Distinctive investment approach and process: themes and fundamentals

Experienced and dedicated team supported by 28 fundamental equity analysts

Sustainable approach a further source of discernment

Nine-year allocation low to Europe for surveyed Investment Association firms in the UK¹

Undervalued assets and market conditions in Europe's favour

Note: 1 Investment Association Survey September 2022, data as of December 2021.

Source: Newton group of companies, 31 December 2022. From 1 September 2021, The Newton group consists of affiliated companies that individually or collectively provide investment advisory services under the brand 'Newton' or 'Newton Investment Management' ('Newton'). Newton currently includes Newton Investment Management North America LLC ('NIMNA') and Newton Investment Management Limited ('NIM').



Appendix

BNY Mellon Sustainable European Opportunities Fund

Objective	The Fund aims to achieve capital growth over the long term (5 years or more)
Performance benchmark¹	FTSE World Europe ex UK (NDR)
Launch date	1 June 1987
Domicile	UK
Currency	GBP
Size (AUM)	£128m (as at 31 December 2022)
Portfolio managers	Paul Markham, Duncan Bulgin
Number of equity holdings	35 (as at 31 December 2022)

- Actively managed with a long-term investment horizon
- Bottom-up stock picking with themes a key consideration
- Concentrated portfolios of typically 30–50 high conviction stocks
- Portfolio constructed with input from Newton Global Equity process and Global Research Team

Note:

¹ The FTSE World Europe ex UK performance benchmark is used as a comparator for this fund. The fund does not aim to replicate either the composition or the performance of the performance benchmark.

Source: Newton, 31 December 2022

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Integrated stewardship

How engagement and voting activities can be mutually reinforcing

Engagement for information

- To inform investment decisions
- To inform voting decisions



Engagement for change

- Voting as a tool for escalation
- Shareholder proposals
- Give investors a voice

Key risks

BNY Mellon Sustainable European Opportunities Fund

Investment objective

- To achieve capital growth over the long term (5 years or more).

Benchmark

- The Fund will measure its performance against the FTSE World Europe ex UK TR Index as a comparator benchmark (the 'Benchmark'). The Fund will use the Benchmark as an appropriate comparator because it includes a broad representation of the asset class, sectors and geographical areas in which the Fund predominantly invests.
- The Fund is actively managed, which means the Investment Manager has discretion over the selection of investments subject to the investment objective and policies disclosed in the Prospectus. While the Fund's holdings may include constituents of the Benchmark, the selection of investments and their weightings in the portfolio are not influenced by the Benchmark. The investment strategy does not restrict the extent to which the Investment Manager may deviate from the Benchmark.

Investment performance

Calendar year returns, %	2022	2021	2020	2019	2018
Fund	-5.76	14.08	10.29	17.81	-7.14
Benchmark	-6.98	17.40	8.62	20.45	-9.45

Performance is stated gross of management fees. The impact of management fees can be material. A fee schedule providing further detail is available on request.

Source: Newton, close of business prices, total return, income reinvested, gross of fees, in GBP, 31 December 2022

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Key investment risks

- **Past performance is not a guide to future performance. Your capital may be at risk. The value of investments and the income from them can fall as well as rise and investors may not get back the original amount invested. You should read the Prospectus and the Key Investor Information Document (KIID) for each fund in which you want to invest. The Prospectus and KIID can be found at www.bnymellonim.com.**
- **Objective/Performance Risk:** There is no guarantee that the Fund will achieve its objectives.
- **Currency Risk:** This Fund invests in international markets which means it is exposed to changes in currency rates which could affect the value of the Fund.
- **Geographic Concentration Risk:** The Fund primarily invests in a single market which may have a significant impact on the value of the Fund.
- **Derivatives Risk:** Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the Fund can lose significantly more than the amount it has invested in derivatives.
- **Emerging Markets Risk:** Emerging Markets have additional risks due to less-developed market practices.
- **Concentration Risk:** A fall in the value of a single investment may have a significant impact on the value of the Fund because it typically invests in a limited number of investments.
- **Sustainable Funds Risk:** The Fund follows a sustainable investment approach, which may cause it to perform differently than funds that have a similar objective but which do not integrate sustainable investment criteria when selecting securities. The Fund will not engage in stock lending activities and, therefore, may forego any additional returns that may be produced through such activities.
- **Counterparty Risk:** The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the Fund to financial loss.
- A complete description of risk factors is set out in the Prospectus in the section entitled 'Risk Factors'.

Past performance is not a guide to future performance.

The value of investments can fall. Investors may not get back the amount invested.

Important information

For Professional Clients only.

This is a financial promotion and is not investment advice.

Please refer to the prospectus and the KIID/KID before making any investment decisions. Go to www.bnymellonim.com

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Portfolio holdings are subject to change, for information only and are not investment recommendations.

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