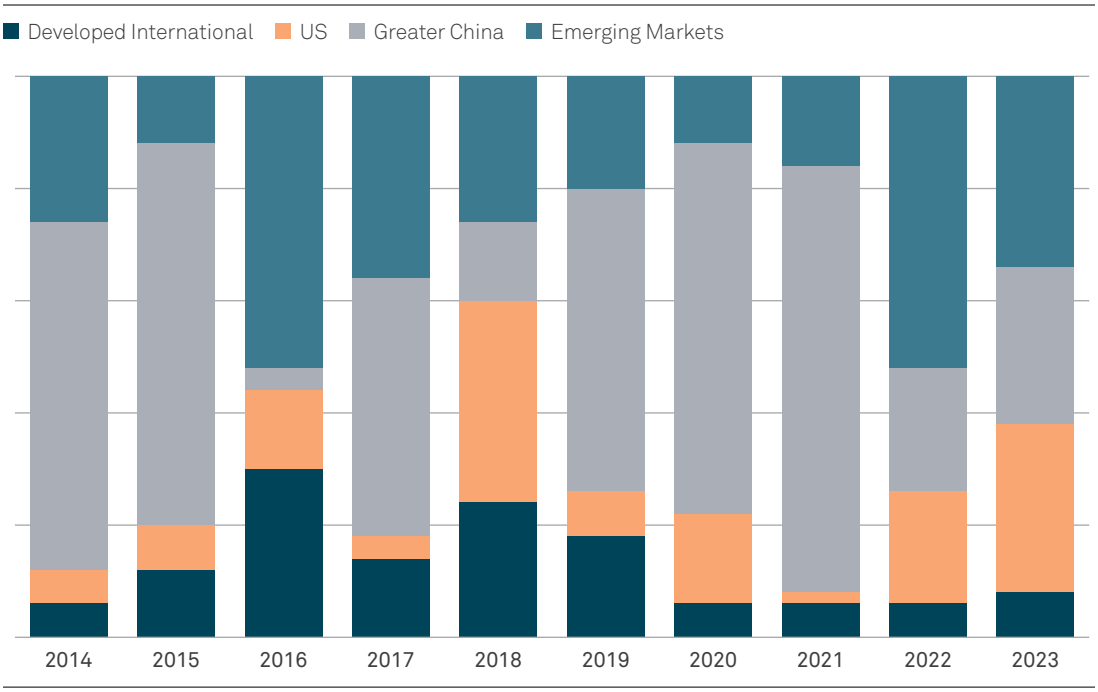
# INVESTMENT OPPORTUNITIES ABROAD

BNY MELLON
INVESTMENT MANAGEMENT

Equity markets outside of the US, such as Japan and Brazil, have posted strong double-digit performance over the 1-year period, returning over 17.8% and 23.4%, respectively.[1] While domestic investors have benefited from US outperformance over the last decade, select international and emerging markets have shown strong growth momentum.

Historically, these non-US markets have traded multi-year periods of outperformance with the US. However, in the US, the Federal Reserve is at or near the end of its rate hiking cycle which should help moderate US dollar strength and potentially support a favorable outlook for investing in international markets. With multiple catalysts intact, we believe we are at an inflection point for investing abroad. In our view, exposure to non-US companies not only offers valuable and strategic portfolio diversification, but more importantly, an opportunity to broaden equity exposure and invest in high-quality, attractive, global companies with long-term growth potential. In fact, a majority of the best-performing 50 stocks in the MSCI AC World Index (MSCI ACWI) are consistently from companies outside of the US.

**MSCI ACWI: Top 50 Stocks Each Year by Region/Country**




Source: Bloomberg. As of 12/31/23. MSCI ACWI total returns in USD. Greater China includes Taiwan, Hong Kong and Mainland China.

[1] MSCI, as of December 29, 2023. Japan is represented by the MSCI Japan Index and Brazil is represented by the MSCI Brazil Index.

**Past performance is no guarantee of future results.**

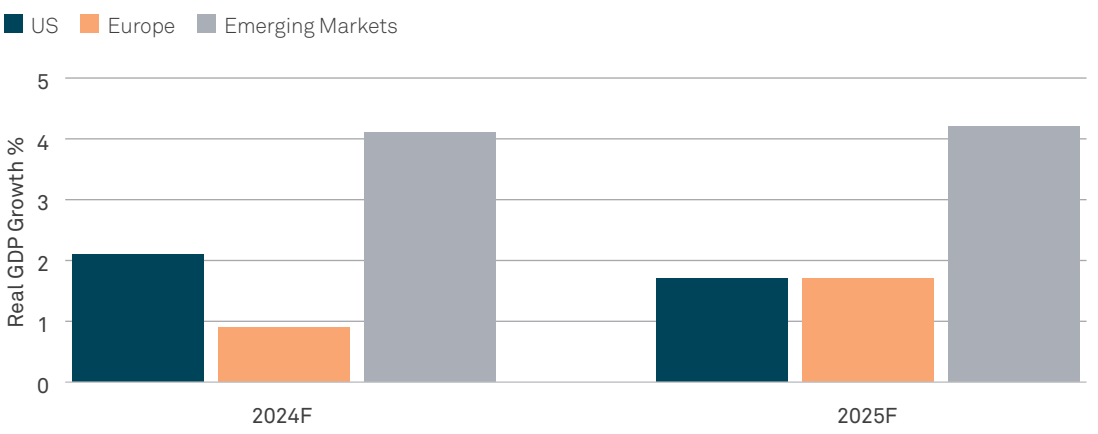
**Not FDIC-Insured. Not Bank-Guaranteed. May Lose Value.**

## POSITIVE CATALYSTS

The International Monetary Fund expects emerging markets to experience higher economic growth than the US and Europe to expand at the same pace as the US in 2025.[2] The expansion in these markets will likely be driven by long-term trends such as a large and fast-growing consuming middle-class in emerging markets, technology advances and innovation in Asia, the transition to clean and renewable energy in Europe, and the economic revival of the Japanese market. In China, there are still opportunities to be found despite a disappointing reopening thus far.

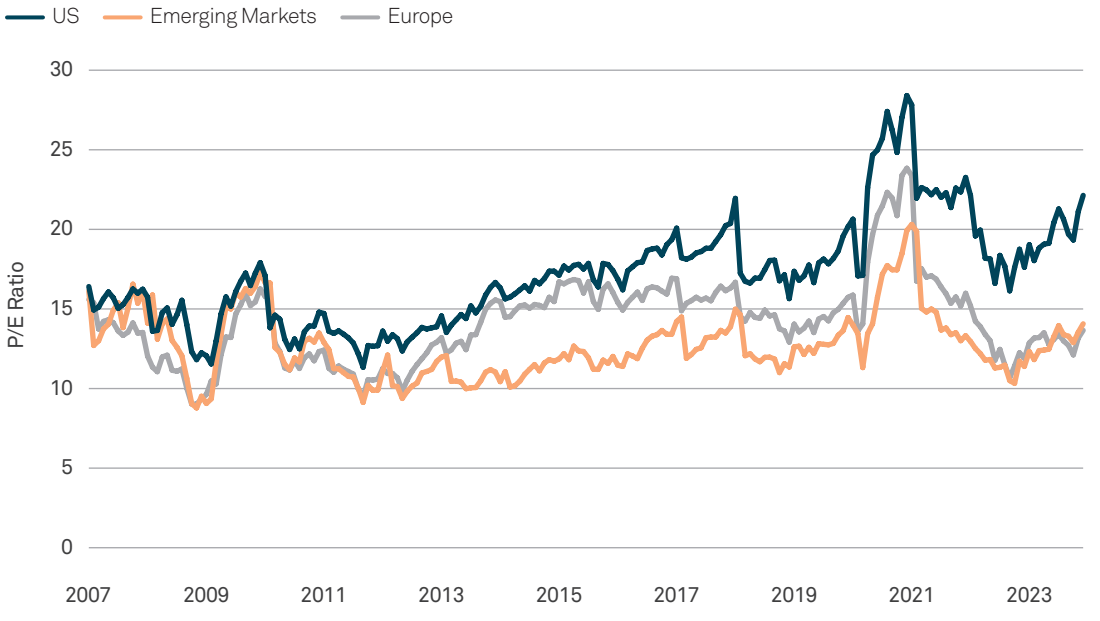
Sentiment around markets outside of the US are showing signs of improvement and a potentially weaker US dollar, along with attractive valuations, should be a tailwind for international and emerging market companies. Despite international equities delivering more than 18% in 2023,[3] valuations remain at an attractive discount, indicating that there may still be room for further upside.

**Expected Growth in Europe and Emerging Markets in 2025**




Source: IMF. Data as of January 2024.

**Attractive Valuations in Europe and Emerging Markets**




Source: Bloomberg. Emerging Markets = MSCI Emerging Markets Index, Europe = MSCI Europe Index, and US = S&P 500 Index. Data as of December 31, 2023.

[2] Source: IMF. Data as of January 2024.

[3] Source: MSCI.

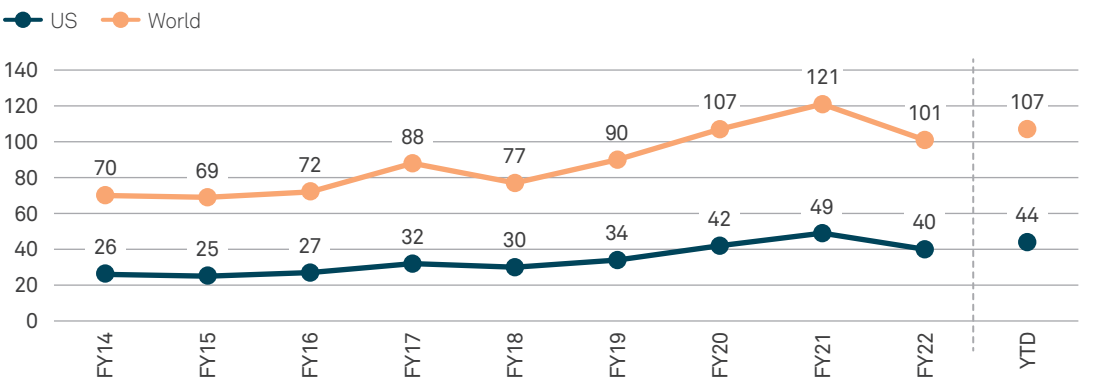
**Past performance is no guarantee of future results.**

## PRACTICAL STANDPOINT

In assessing whether a country's economic activity has been fully reflected in its stock market, markets outside of the US have the potential for further capital markets development. For example, emerging markets and frontier countries account for two-thirds of the world's population, and a higher proportion of the world's younger population. The 20 biggest emerging markets account for 34% of world nominal GDP.[4] Yet, they encompass well under 10% of global capital allocations.[5]

In addition, the US equity market represents 41.1% of the $107 trillion global equity market cap as of 2023.[6] A portfolio invested solely within a single country excludes a large portion of the global opportunity set. There are many leading global companies (e.g., Louis Vuitton and Taiwan Semiconductor Manufacturing Company) that are domiciled overseas. We believe adopting a global approach provides exposure to an unconstrained opportunity set and an expanding universe of companies across both high-growth and mature economies.

**US Share of Global Equity Markets ($ trillion)**




Source: Securities Industry and Financial Markets Association (SIFMA), as of 3/31/23. FY = fiscal year.

## QUALITY MATTERS

As the non-US market may be perceived to be more inefficient in nature, this potentially translates into higher dispersion in returns and ample alpha opportunities. Investors may forget there are many high-quality companies even in challenged overseas regions. We believe international markets are a fertile hunting ground for high-quality global companies that have a durable competitive advantage, world-class management teams and robust financials.

**The Quality Factor Generally Performs Well Over the Long-Term**

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|
| **9.0%** | 4.5% | 10.3% | 32.6% | -2.4% | **36.7%** | 28.7% | **26.1%** | -3.9% | **33.0%** |
| 7.0% | **4.2%** | 8.9% | **26.6%** | **-5.1%** | 28.4% | **22.7%** | 22.3% | -9.2% | 24.4% |
| 5.5% | 1.2% | 8.9% | 26.6% | -6.7% | 28.3% | 18.1% | 20.8% | -17.3% | 24.4% |
| 4.6% | -3.0% | 8.2% | 23.1% | -8.2% | 27.4% | 16.5% | 18.2% | -17.7% | 20.3% |
| 4.6% | -2.4% | **5.1%** | 22.9% | -8.5% | 24.3% | 1.0% | 16.8% | -17.8% | 12.2% |
| 3.3% | -2.7% | 4.7% | 19.2% | -13.4% | 19.8% | -3.3% | 15.0% | **-21.9%** | 10.1% |

World | World Quality | World Enhanced Value | World Momentum | World Growth Target | World High Dividend Yield

Source: MSCI Factor Indexes, 2014–2023.

**Past performance is no guarantee of future results.**

[4] Newton Investment Management North America.

[5] Ibid.

[6] SIFMA.

## ACTIVE MANAGEMENT IN AN UNCERTAIN MARKET

Slower global growth, elevated prices and higher post pandemic interest rates, along with geopolitical tensions, will likely continue to create a volatile market environment. During times of uncertainty and lower global growth, when a rising tide no longer lifts all boats, stock selection is critical. As risks create opportunity, active managers, utilizing strong fundamental research, could navigate through the noise and find attractive, best-in-class companies with competitive advantages and long-term growth potential.

BNY Mellon offers a wide range of highly experienced, active investment managers for investors looking to access high-quality international and/or emerging market investments.

### Walter Scott

International equity strategy invests in leading companies that they believe are capable of long-term growth, without reference to sector or benchmark weights.

**MUTUAL FUND**
BNY Mellon International Stock Fund

**ETF**
BNY Mellon Concentrated International ETF

**SEPARATELY MANAGED ACCOUNT**
Walter Scott International Stock ADR Strategy

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**Investors should consider the investment objectives, risks, charges, and expenses of a mutual fund, ETF or SMA strategy carefully before investing. Contact a financial professional or visit im.bnymellon.com to obtain a prospectus, summary prospectus, or SMA offering materials, if available, that contain this and other information about the fund or SMA, and read them carefully before investing.**

No investment strategy or financial risk management technique can guarantee returns or eliminate risk in any market environment.

**Past performance is no guarantee of future results. All investments involve risk, including potential loss of principal.**

### Risks

**Equities** are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. 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.
**Forward price-to-earnings (P/E) ratio** is a valuation metric that compares a stock's share price to its forecasted earnings per share. **Gross domestic product (GDP)** is the total market value of the goods and services produced by a country's economy during a specified period of time. **MSCI ACWI Index** captures large and mid cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. ETF shares are listed on an exchange, and shares are generally purchased and sold in the secondary market at market price. At times, the market price may be at a premium or discount to the ETF's per share NAV. In addition, ETFs are subject to the risk that an active trading market for an ETF's shares may not develop or be maintained. Buying or selling ETF shares on an exchange may require the payment of brokerage commissions. The risks of investing in this ETF, typically reflect the risks associated with the types of instruments in which the ETFs invest. ETFs trade like stocks, are subject to investment risk, including possible loss of principal. The fund will issue (or redeem) fund shares to certain institutional investors known as "Authorized Participants" (typically market makers or other broker-dealers) only in large blocks of fund shares known as "Creation Units." BNY Mellon Securities Corporation ("BNYMSC"), a subsidiary of the BNY Mellon, serves as distributor of the fund. BNYMSC does not distribute fund shares in less than Creation Units, nor does it maintain a secondary market in fund shares. BNYMSC may enter into selected dealer agreements with Authorized Participants for the sale of Creation Units of fund shares.
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6916-6243-invstabwp-0224

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