

**SHINING A LIGHT ON THE.....
BNY Mellon Sustainable Real Return Fund**

AT A GLANCE

Investment Objective
The Fund seeks to achieve a rate of return in sterling terms that is equal to or above the return from cash (SONIA (30 day compounded)) +4% per annum over five years before fees. In doing so, it aims to achieve a positive return on a rolling three-year basis (meaning a period of three years, no matter which day you start on). However, capital is in fact at risk and there is no guarantee that this will be achieved over that, or any, time period. To achieve its investment objective, the Fund will invest predominantly, meaning at least 75%, in a portfolio of UK and international securities across a broad diversified range of asset classes.

Fund Factsheet Link
https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F000013TD3

Management	
Manager Name	Start Date
Matthew Brown	2 July 2018
Phil Shucksmith	2 July 2018

FUND PERFORMANCE

Performance from 1st January 2019 to 28th February 2022:

	2019	2020	2021	2022
BNY Mellon Sustainable Real Return Fund	12.12%	9.78%	7.89%	-6.01%
SONIA	0.71%	0.19%	0.05%	0.02%

Performance over 12 months, 3 years, and since launch:

	1 year	3 years	Since Launch
BNY Mellon Sustainable Real Return Fund	1.53%	6.62% p.a.	6.56% p.a.
SONIA	0.10%	0.30% p.a.	0.37% p.a.

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

Tracking Error	Information Ratio	Active Share	Upside Capture Ratio	Downside Capture Ratio	Batting Average	Beta	Alpha	Equity Style
4.97	1.27	-	79.32	57.29	52.78	0.87	1.02	Blend /Large

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Volatility Measurements	
3-Yr Std Dev (volatility)	6.62%
3-Yr Mean Return (average)	8.13%

Investment Style Details	
Giant	22.78%
Large	22.26%
Medium	11.44%
Small	2.03%
Micro	0.00%

Top 5 Holdings – 90 Equity Holdings		
ILF GBP Liquidity 5	-	8.96%
BNP Paribas Issuance B.V.	-	2.18%
Barclays Bank plc	-	1.96%
Barclays Bank plc	-	1.94%
Linde PLC	Basic Materials	1.89%

Top 5 Sectors	
Technology	19.39%
Industrials	16.29%
Financial Services	15.05%
Consumer Cyclical	13.46%
Healthcare	12.34%

Top 5 Regions	
North America	38.61%
United Kingdom	20.34%
Europe Developed	20.08%
Asia Emerging	8.82%
Asia Developed	5.34%

UPDATE....

This was a direct face to face meeting with the managers. We started the discussion about the wider group and how sustainability flows across the company. They explained that BNY has a corporate view, but the individual boutiques have autonomy as to how they approach this. Within their part of the business this is a key strategy, although it remains relatively small in terms of assets compared to non-sustainable strategy.

The aim is to deliver an absolute return of cash plus 4%. This is effectively 4% more than a risk-free return and although they can't guarantee positive returns the aim is to deliver an upward trajectory over time. They look to invested in listed and transparent assets, building the portfolio from the bottom up.

They believe the mix of absolute return and bottom up is a very appealing proposition. We talked about the current environment and they explained that they can be flexible with asset allocation, and this enables them to move depending on the economic backdrop.

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The environment has changed. In the US there are still growth drivers, but inflation could remain higher for longer due to the supply disruption caused by Russia / Ukraine across different commodities. The environment isn't as good as it was for equities but there are few alternatives. They are using this period to purchase distressed pricing of assets as they appear. When they are looking at buying they always look at the downside risk against the opportunities.

With the crisis unfolding, energy security has come to the forefront and this has benefited the strategy especially in renewables. China is an area they are adding to. With the focus on energy transition there are opportunities within profitable and high return businesses.

One of the relatively new themes for the strategy was Earth Matters. This was a recognition that natural resources matter and this wasn't being recognised. The themes evolve and develop. Some other themes include smart revolution, health demand, population dynamics and consumer power.

We talked about risk and being positioned in one direction. They explained that this is looked at in two ways. Firstly, they have a risk team who are independent and deconstruct the portfolio to identify any risks. Secondly, due to the simplistic structure they can look at each holding and see where things cross over and where potential risk lies.

In summary, as a strategy that protects on the downside and provides ballast within portfolios, we think this does well. The sustainable is smaller than the main strategy and therefore it feels it provides more opportunities. We continue to hold this on watch list of funds.

The source of information in this note has been provided by BNY and is correct as of March 2022. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this, and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.