

THREE MISCONCEPTIONS AROUND GLOBAL BONDS AND HEDGING

November 2025

Many investors believe the global bond market is inherently more volatile than the US bond market. But a strategy like the BNY Mellon Global Fixed Income Fund (SDGIX), which is hedged back to the US dollar (USD), can enable investors to potentially benefit from opportunities around the world, including developed and emerging economies, and potentially incorporate risk mitigation. Here are three common misconceptions concerning hedging and the global bond market.

MISCONCEPTION 1:

Global Bonds Introduce Greater Risk to a Portfolio

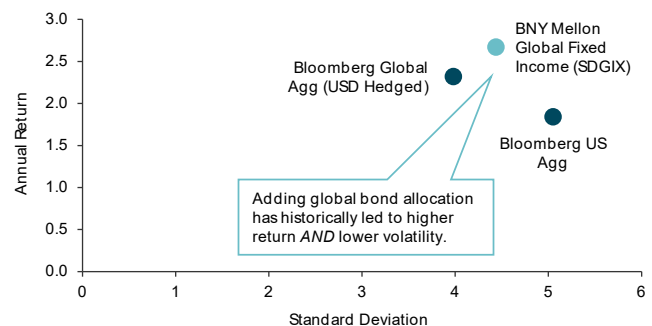
Hedged global bonds offer diversification benefits to a traditional core US fixed income portfolio. This diversification offers access to a more varied landscape of yield curves, credit markets and central bank policy regimes that can potentially allow investors to seek returns across differing economic cycles.

Over the past 10 years, adding a USD-hedged global bond allocation historically improved the risk-adjusted returns and lowered the volatility (see chart at right).

The performance data quotes represent past performance, which is no guarantee of future results. Yield, 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. Returns shown are annualized. Go to bny.com/investments for the fund's most recent month-end returns.

The Bloomberg Global Aggregate Index (Hedged) is a flagship measure of global investment-grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers. Currency exposure is hedged to the U.S. dollar. Investors cannot invest directly in any index. The total return performance figures presented for Class A shares of the fund represent the performance of the fund's Class I for periods prior to December 02, 2009, the inception date for Class A shares, and the performance of Class A, respectively, from that inception date. Performance reflects the applicable class's distribution/servicing fees since the inception date. Had these fees and expenses been reflected for periods prior, performance would have been different. Investors should consider, when deciding whether to purchase a particular class of shares, the investment amount, anticipated holding period and other relevant factors. Asset allocation and diversification cannot assure a profit or protect against loss. **No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.**

Annualized 10-Year Standard Deviation and Total Return



Source: Morningstar as of September 30, 2025. Standard deviation is a measure of the dispersion of a set of data from its mean. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any product. See full definition of indexes in the back labeled Appendix. An investor cannot invest directly in any index.

BNY Mellon Global Fixed Income (SDGIX): Total Returns—Third Quarter End 2025

Name	1 YR	3 YRS	5 YRS	10 YRS	Since Inception
BNY Mellon Global Fixed Income Fund (SDGIX)	2.83	5.97	1.14	2.36	4.92
Bloomberg Global Aggregate Index (Hedged)	3.06	5.20	0.36	2.32	-

MISCONCEPTION 2:

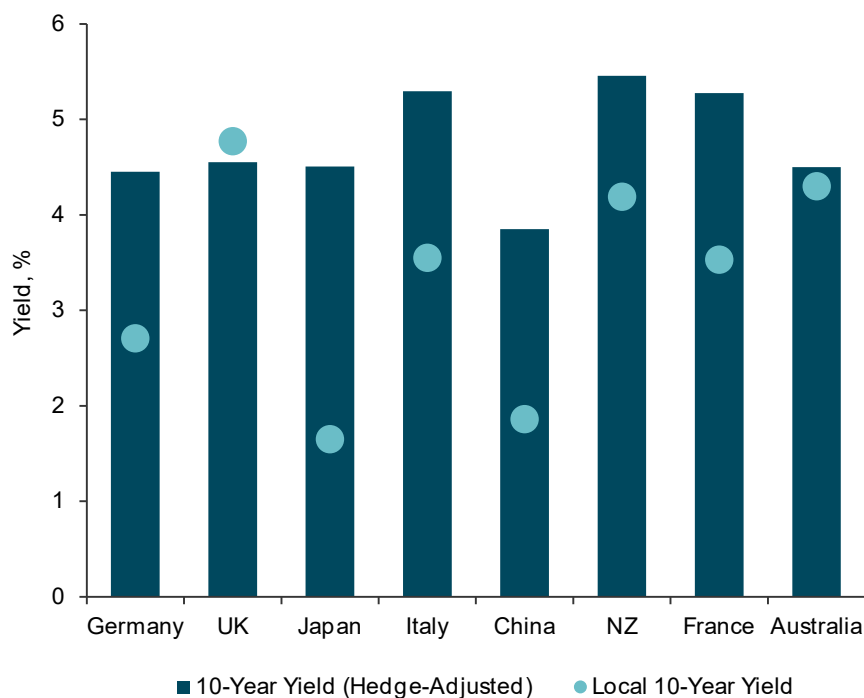
Hedging a Portfolio in a High-Rate Environment Reduces Yield, All Else Being Equal

This is sometimes true...*but is not true for the scenarios we seek to capitalize on.* Hedging costs depend on the difference between the US short-term interest rate and that of the issuer's country. The US has a higher short-term rate than most of the developed world (the federal funds rate, which range is 3.75% to 4.00% at the time of publication). This usually means the difference is positive and accrues to the portfolio.

If we are hedging a bond with a yield less than the current federal funds rate, we can potentially realize a net benefit to the underlying portfolio as opposed to a net cost. For example, the hedged yield on a 30-year Japanese government bond is approximately 6.7%, while its unhedged yield is about 3.18%.*

Capturing Differences in Interest Rates

Global Sovereigns Hedged & Unhedged
Chart 1



Source: Bloomberg, Insight Investment, as of October 2, 2025. The calculations above are simplified to explain the concept. Other factors or costs may be incurred in the portfolio.

*Since we use 30–90-day instruments to hedge, we can use the federal funds rate and compare it to the policy rate in the foreign country. In this case a 30-year Japanese Government Bond (JGB) yields 3.18%. To approximate the hedged yield, we add the difference between the federal funds rate and the Bank of Japan's policy rate ($4.00 - 0.5 = 3.50\%$). So, the hedged yield on 30-year JGB is approximately $3.18\% + 3.50\% = 6.68\%$.

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Diversification offers access to a more varied landscape of yield curves, credit markets and central bank policy regimes that can potentially allow investors to seek returns across differing economic cycles.”

MISCONCEPTION 3:

Hedged and Unhedged Portfolios Experience the Same Amount of Volatility and Drawdown

With a portfolio hedged to the US dollar, investors can potentially mitigate the impact of currency risk and achieve a similar risk level as domestic fixed income.

Concerning volatility, an unhedged portfolio experiences nearly double the volatility of a hedged portfolio.

Performance and Risk Metrics

September 2015 – August 2025

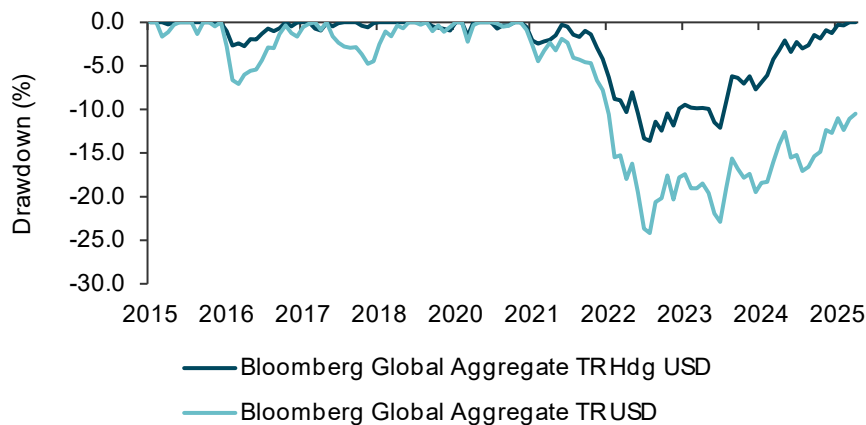
	Bloomberg Global Agg - Hedged	Bloomberg Global Agg - Unhedged
Performance	2.31%	1.13%
Annualized Standard Deviation	3.97%	6.48%
Sharpe Ratio	0.04%	-0.16%

Source: Firm analysis. September 30, 2025. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any BNY Mellon product. **Returns shown are annualized.**

Regarding drawdown, an analysis of data from the past 10-year performance of the hedged Bloomberg Global Aggregate Total Return Index versus unhedged reveals drawdowns -13.6% to -24.2%, respectively. During the past 10 years, the hedged index has historically experienced lower drawdowns, potentially mitigating downside risk.

Drawdown Analysis

September 2015 – August 2025



Source: Firm analysis. September 30, 2025. Charts are provided for illustrative purposes and are not indicative of the past or future performance of any BNY Mellon product.

APPENDIX

Bloomberg Aggregate Bond Indexes. Wide-ranging fixed-income indexes used as benchmarks to measure an investment fund's relative performance. The Bloomberg Global Aggregate Index covers 24 local currency markets. The Bloomberg US Aggregate Bond Index represents the US dollar-denominated investment grade fixed-rate taxable bond market.

Derivative. A financial contract in which the value is dependent upon an underlying asset or benchmark.

Drawdown. The loss an investment experiences from a high point to a low point.

Hedging. An investment strategy aiming to reduce risk of negative price movement in an underlying asset.

Sharpe ratio. Calculation comparing an investment's return against that of a risk-free asset to measure the investment's risk-adjusted performance.

Volatility. The degree to which an asset's value varies from its mean price.

EXPLORE THE STRATEGY

Contact your BNY Investments representative to explore how a hedged global fixed-income strategy may align with your investment goals.

Important information

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

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. For more information, call 1-800-373-9387 or visit bny.com/investments. Read the prospectus carefully before investing.

Risks

Bonds are subject generally 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. 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. **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.

Asset allocation and diversification cannot assure a profit or protect against loss.

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

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