

Fayez Sarofim & Co. Global Equity ADR

SEPARATELY MANAGED ACCOUNTS

MARKET SUMMARY

The theme of economic recovery propelled the MSCI World Index ahead by 7.7% in the second quarter of 2021. The strong performance is attributable to the synchronized growth across the globe as economies reopen to eager consumers. As the recovery made headway, American and European consumers returned to restaurants, shopped in stores, and traveled on vacations. Pent up demand from the lockdown helped consumers and businesses return to a semblance of normalcy, as evidenced by rising prices at the pump and positive spending and retail sales data. The boost in spending coupled with supply chain disruptions raised inflation concerns in the US, EU and China as inflation rippled across the major economies. During the 1Q21 earnings season, these key themes were echoed by companies reporting better than expected earnings results. The consumer drove sales and earnings beats while companies noted pressure from rising input costs and supply chain disruptions. Focusing on policy developments, the G7 nations agreed on a global corporate minimum tax framework and to coordinated engagement with China on economic and political issues. Citing inflation as transitory, the Fed's Powell and ECB's Lagarde both committed to allowing inflation to run over 2% for some time to avoid the risk of raising interest rates too early and derailing the recovery. The ECB reported strong recovery progress and expects the economy to return to pre-Covid levels in 1Q22. The discovery of the Delta variant of the virus caused worry as Japan banned spectators at the Summer Olympics due to resurgent infections. China continued the regulatory scrutiny of its technology sector over market power and data privacy. Within the index, the relative outperformers include the technology, real estate, and communication services sectors while laggards include the utilities, industrials, and materials sectors. Regionally, nearly every country delivered positive gains in the quarter to reflect broad strength in the market, but Japan was a notable laggard in the period.

PORTFOLIO REVIEW

Fayez Sarofim & Co.'s strategy outperformed the MSCI World index in the quarter, driven by the dual positive impacts of asset allocation and stock selection. Within the consumer discretionary sector, holdings in the internet retail and apparel & luxury goods subsectors was additive to results. Stock selection within the consumer staples sector was a positive contributor to results as holdings in the food and personal products subsectors delivered positive results in the period. Stock selection in the communication services sector contributed positively to results, driven by holdings Facebook and Alphabet which reported stronger than forecasted 1Q21 earnings results. Within the financials sector, the strategy's selectively focused holdings in the capital markets subsector benefited overall results. Conversely, stock selection combined with an underweight allocation to the rebounding energy sector held back gains for the period. The strategy's strategic underweight of the relatively stronger real estate sector also tempered the positive results for the quarter. Regionally, the strategy's holdings in the US, France, and Switzerland had a positive impact while Chinese and Hong Kong based holdings were negative contributors in the period as they were adversely impacted by China's regulatory policies. .

TOP CONTRIBUTORS

The top contributors to relative returns include Microsoft, Apple, Facebook, Alphabet, and Louis Vuitton Moët Hennessy.

TOP DETRACTORS

The top detractors from relative performance include Abbott Laboratories, Disney, Altria, Tencent, and Alibaba.

INVESTMENT OUTLOOK

As we enter a period of economic recovery and growth, Fayeze Sarofim & Co.'s investment approach remains focused on the long-term with an emphasis on companies that we believe possess resilient cash flows, solid balance sheets, and geographically diverse revenue streams. We believe those characteristics offer protection against uncertainty associated with additional waves of infections while positioning the strategy to benefit from economic growth. We continue to monitor important issues including inflation, trade negotiations, geopolitics, and regulatory developments. We believe that the strategy's focus on what we view as quality businesses operating in attractive, growing industries, and led by management teams we consider excellent allocators of capital, positions the strategy to consistently deliver revenue and earnings growth over the long-term.

LEARN MORE

For more information about **Fayeze Sarofim & Co. Global Equity ADR** separately managed accounts, please call BNY Mellon Securities Corporation at **1-877-334-6899**.

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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.

Recent market risks include pandemic risks related to COVID-19. The effects of COVID-19 have contributed to increased volatility in global markets and will likely affect certain countries, companies, industries and market sectors more dramatically than others. To the extent the Strategy may overweight its investments in certain countries, companies, industries or market sectors, such positions will increase a client's exposure to risk of loss from adverse developments affecting those countries, companies, industries or sectors.

The MSCI World Index is a free-float adjusted, market capitalization-weighted index that is designed to measure the equity market performance of developed markets. Investors cannot invest directly in any index.

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