BNY Mellon Global Real Return Fund

CLASS A **DRRAX** CLASS I **DRRIX**

We stand ready to shift our asset allocation, while also being very clear in terms of the security-level opportunities that we are looking to seize hold of, over the course of 2023.

Performance Summary

BNY Mellon Global Real Return Fund (Class I shares) participated in the rebound of risk assets, delivering a positive return for the fourth quarter of 2022. Against this backdrop the portfolio's performance was driven by its return-seeking core.

Within the core, exposure to global equities was especially beneficial, with returns augmented by security selection and additional tactical exposure. The broad recovery in risk appetite also saw certain alternatives and credit contribute positively. By contrast, the portfolio's stabilizing layer detracted, largely as the cost of equity protection weighed amid the rally in stock markets. Gold, however, exerted a beneficial influence.

Quarterly Performance

BNY Mellon Global Real Return Fund produced a positive return for the fourth quarter of 2022. It is not measured against a benchmark index[1].

Average Annual Total Returns (12/31/22)

Share Class/Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Class A (NAV) 05/12/10	2.13%	-8.62%	-8.62%	2.22%	3.75%	3.54%
Class A (5.75% max. load)	-3.75%	-13.87%	-13.87%	0.23%	2.53%	2.93%
Class I (NAV) 05/12/10	2.14%	-8.47%	-8.47%	2.43%	3.96%	3.81%
[1]FTSE One-Month U.S. Treasury Bill Index	0.88%	1.48%	1.48%	0.66%	1.20%	0.71%

The performance data quoted represents past performance, which is no guarantee of future results. 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. Performance for periods of less than 1 year are not annualized. Go to im.bnymellon.com for the fund's most recent month-end returns. Total Expense Ratios: Class A 1.21%, Class I 1.00%. Net Expense Ratios: A 1.16%, Class I 0.95%. The net expense ratios reflect a contractual expense reduction agreement through 3/1/2023, without which the performance would have been lower. Not all classes of shares may be available to all investors or through all broker-dealer platforms. Other share classes are subject to different fees and expenses and would have achieved different returns.

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

Performance Contribution Overview – Q4 2022

During the quarter equities recovered some of the ground lost earlier in the year. However, in spite of this final flourish, global equity indices typically experienced a double-digit decline for the year as a whole. The outlook for inflation, and the trajectory of monetary policy, continued to dominate the narrative within financial markets. In early October, evidence of decelerating price growth in the US ISM (Institute for Supply Management) Manufacturing report raised hopes that inflation had peaked, ensuring risk assets got off to a flying start. Further positive momentum was injected a month later, when it was the turn of US consumer price inflation to come in lower than expected, a development that also drove government bond yields lower. However, in spite of this encouraging news flow, central bankers steadfastly maintained a hawkish tone, both in terms of their rhetoric and their actions. At the end of the quarter, even the Bank of Japan, hitherto an outlier in the process of monetary tightening, surprised investors by moderating its policy of yield-curve control as it raised the cap on the country's long-term interest rates. This development contributed to the broader trend of profit-taking into year end, both in equities and government bonds, drawing to a close a year in which a traditional 60/40 equity/bond portfolio reaped losses on a hitherto unprecedented scale.

In this environment the portfolio delivered a positive return for the quarter. Given the broad-based rally in risk assets, it was, unsurprisingly, the portfolio's return-seeking core that powered its performance. Exposure to global equities was attributable for the lion's share of returns, which were bolstered by favorable stock selection, and the use of additional tactical exposure to the US, European and Hong Kong equity markets, through the use of index derivatives. Following a difficult prior quarter, corporate debt delivered a satisfactory outcome as increased risk appetite saw credit spreads compress. Alternatives also regained their poise. A portion of the performance generated from return-seeking assets was, however, ceded within the stabilizing layer. Due to the upward trajectory in equity markets, portfolio protection naturally detracted, although it did add value and helped dampen volatility in the tricky final month of the quarter when stock market indices succumbed to profit-taking. On a more encouraging note, the exposure to gold was accretive.

Top 10 Holdings (12/31/22)

Holding	Weight
USA Treasury Notes, 2.5%, 04/30/2024	7.73%
GRR Commodity Fund	4.54%
USA Treasury Notes, FRN, 10/31/2023	2.92%
IShares 1-5 Year Investment Grade Corporate Bond ETF	2.71%
USA Treasury Notes, 3.25%, 05/15/2042	2.65%
Shell	2.58%
ConocoPhillips	2.35%
USA Treasury Notes, FRN, 04/30/2024	2.26%
Exelon	1.97%
AstraZeneca	1.62%

The holdings listed should not be considered recommendations to buy or sell a security. Large concentrations can increase share price volatility.

Return-Seeking Assets – Q4 2022

Risk assets staged a recovery in the final quarter of what has been a brutal year. Performance within the return-seeking core was driven by exposure to global equities, which was augmented by additional synthetic exposure to US, European and Hong Kong indices. Security selection also added significant value, with pleasing gains delivered by a combination of defensive names (**Exelon** and **AstraZeneca**) in tandem with several stocks exposed to more cyclical end-markets where momentum is positive **– Lockheed Martin** in defense, **ConocoPhillips** in energy, and **AIA** and **Prudential** in Asian life insurance. Negative contributors included Alibaba and Ecolab, which were sold early in the quarter, and **Diageo** and **Lonza**, affected by a further derating of their valuation multiples. Overall, the largest detractor was **Dominion Energy**, where investors were unnerved by the company's decision to initiate a strategic review. Beyond equities, other risk-seeking asset classes contributed positively. Credit generated a positive return,

and here the highlight was contingent-convertible bank debt, where spreads narrowed sharply as sentiment towards Continental European assets improved markedly over the quarter. Alternatives were also accretive to performance.

Stabilizing Assets – Q4 2022

Against a backdrop of rising equity markets, the cost of portfolio protection weighed, although it did add value and help dampen volatility in the challenging final month of the quarter when equity indices went into reverse. By contrast, exposure to gold was beneficial, while government bonds were broadly neutral. Finally, the active long US dollar currency position, which we have recently pared back, detracted in the fourth quarter. This has been used as a key risk management tool in 2022, and for the year as a whole has added significant value, being one of the few stabilizing positions that displayed strong persistent negative correlation with risk assets.

Activity Review – Q4 2022

In terms of asset allocation, we made a number of changes over the course of the quarter. Amid a volatile and rapidly evolving environment, our overriding objective continues to be to balance upside capture through opportunities where we see risk/reward as being skewed firmly in our favor, with a continuing emphasis on capital preservation.

The major development, specifically in regard to the latter aspiration, was our decision to reduce net equity exposure. This shift in positioning took place in early December, following the respectable rally experienced by indices during the two prior months, and was facilitated largely through an increase in short index futures on US and European indices, allied to a corresponding reduction in synthetic long exposure. Our motivation, as discussed in more detail below, was that we continue to see a number of risks on the horizon that threaten further drawdowns as we enter 2023, not least in terms of a deteriorating outlook for corporate earnings, and, more broadly, the risk of a recession unfolding as policy action already undertaken by central banks gains full traction.

Within the equity portfolio, a number of security-level changes were also enacted. Sales included Ecolab and Accenture. Despite some derating during the course of this year, Ecolab continued to sport a relatively full valuation, and we felt we could secure similar returns on capital and growth rates from other favored names that offer more compelling valuation support. The long-standing holding in Accenture was also exited, partly on valuation grounds, but also as we envisage a deceleration in corporate spending on technology. On a more positive note, we do, however, continue to see value in the commodity complex, both in terms of energy, where the supply/demand dynamic remains compelling, and within metals, specifically copper, which is well placed to benefit from surging investment in decarbonization initiatives. Such was the rationale for adding to the existing positions in **Shell** and **Anglo American**.

In contrast to our actions within equities, we adopted a more constructive view of corporate debt, where the risk/reward profile has become more alluring, as the increase in underlying bond yields and spreads has positioned this asset class to be a credible alternative to equities. In this vein we made an allocation to a short-dated corporate bond ETF (exchange-traded fund). Secondly, UK investment-grade credit exposure was added as we took advantage of the dislocation in this market following former Prime Minister Liz Truss's disastrous 'mini-budget'. Elsewhere, we continued to add selectively to pan-European contingent-convertible bank debt, an orphan asset class where we were able to secure high-single-digit yields. The key tail risk for these securities is enforced conversion to equity; however, given the strength of capital ratios following stringent post-global financial crisis regulation, we attribute a low probability to this scenario.

Within the stabilizing layer of the portfolio, we increased duration via purchases of long US and German government bond futures. We expect to continue this direction of travel in 2023, and while we do not envisage bond yields returning to the lows plumbed during the initial phases of the Covid-19 pandemic, we do see attractive return potential amid a cyclical slowdown.

Market Outlook

As outlined above, we see merit in a relatively cautious approach at the present juncture. While the considerable declines endured by equities in 2022 have clearly enhanced prospective returns, we believe we are still some way off from being able to sound the 'all clear'. The chief cause of equity-market weakness over the last 12 months has been the derating of valuation multiples in response to higher inflation and the resultant rise in bond yields, and therefore discount rates. While this derating has been material, and indeed inflation is now starting to moderate, multiples in many areas still look vulnerable. Furthermore, as we enter 2023, the prospect of policy error is very real, and a US recession may well be the price that the U.S. Federal Reserve has to pay in order to finally vanquish inflation. Although this scenario is widely discussed, we believe many investors are not positioned for this outcome. In a similar vein, corporate earnings expectations for 2023 currently look too sanguine, in our view. The combination of tightening liquidity, rising costs and the normalization of demand in many areas is now starting to slow revenue growth and squeeze the engorged profit margins of many of the prior Covid-19 beneficiaries, some of which are starting to initiate major cost-cutting programs in response.

In conclusion, our emphasis is on capital preservation at the present time, with very low net equity exposure. This positioning can, of course, change rapidly. As ever, we stand ready to shift our asset allocation, while also being very clear in terms of the security-level opportunities that we are looking to seize hold of, over the course of 2023. That said, we have enriched the return-seeking core with greater exposure to corporate and emerging-market debt, as well as alternatives, so the weighting in return-seeking assets in aggregate is not as low as the current equity posture might suggest. In addition, the rise in bond yields over the last 18 months, while painful for multi-asset portfolios, has undoubtedly increased the attractions of government debt, which we believe now offers a decent risk/reward proposition, particularly if we were to see the cyclical slowdown we think is probable.

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Past performance is no guarantee of future results.

Equities are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. **Small and midsized company stocks** tend to be more volatile and less liquid than larger company stocks as these companies are less established and have more volatile earnings histories. **Bonds** are subject 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. 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. **Short sales** involve selling a security the portfolio does not own in anticipation that the security's price will decline. Short sales may involve risk and leverage and expose the portfolio to the risk that it will be required to buy the security sold short at a time when the security has appreciated in value, thus resulting in a loss. 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.

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 fund may overweight its investments in certain countries, companies, industries or market sectors, such positions will increase the fund's exposure to risk of loss from adverse developments affecting those countries, companies, industries or sectors.

Please note: any security highlighted in bold was held by the fund on 12/31/22.

As of 12/31/22, the companies mentioned represented 16.06% of the fund's portfolio in the aggregate. The holdings listed should not be considered recommendations to buy or sell a particular security. Other holdings may not have performed as well as some of those listed herein. Portfolio composition is subject to change at any time.

The FTSE One-Month U.S. Treasury Bill Index consists of the last one-month Treasury bill month-end rates. The FTSE One-Month U.S. Treasury Bill Index measures return equivalents of yield averages. The instruments are not marked to market. Provided for illustrative purposes only. It is not the benchmark for the fund. The S&P 500® Index is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Investors cannot invest directly in any index.

Upside capture measures the percentage of market gains captured by a manager in positive markets. Downside capture measures the percentage of market losses endured by a manager in negative markets. An upside capture ratio over 100 indicates a fund has generally outperformed its benchmark during periods of positive benchmark performance. A downside capture ratio of less than 100 indicates that a fund has lost less than its benchmark during periods of negative benchmark performance.

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MARK-335250-2023-01-10