

▶ BNY MELLON | INVESTMENT MANAGEMENT

# Going the Distance with Core Plus

**BNY MELLON CORE PLUS FUND**

Class A **DCPAX** | Class I **DCPIX** | Class Y **DCPYX**



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

# The Case for Intermediate Fixed Income

Providing portfolio ballast and downside protection are key attributes of a core fixed income portfolio. However, ultrashort and intermediate duration fixed income do not provide the same level of benefits from these attributes. Over time, having a duration that's too short can potentially have adverse effects on a portfolio.

## Correlations Versus Domestic Equities Over the Past 15 Years



### CORRELATION

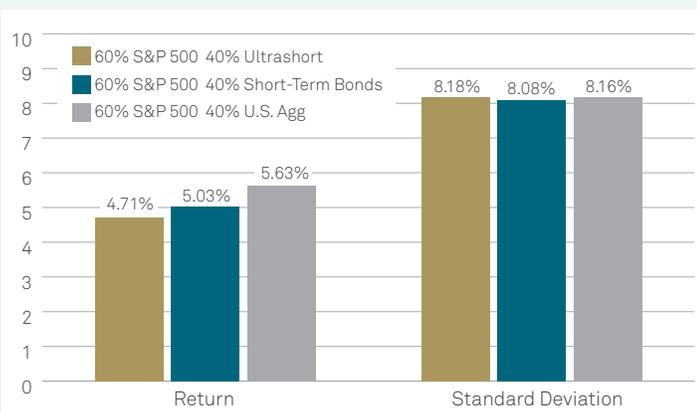
A statistic that measures the degree to which two variables move in relation to each other. A negative number shows two assets have historically moved in the opposite direction, while a positive number shows they have historically moved in the same direction at the same time.

Source: Bloomberg as of 3/31/2020. Ultrashort is represented by the ICE BoAML 1-3 Month Treasury Index. U.S. Core FI (fixed income) is represented by the Bloomberg Barclays U.S. Aggregate Index. U.S. HY is represented by the Bloomberg Barclays U.S. High Yield 2% Issuer Cap Index. Bank Loans are represented by the Credit Suisse Leveraged Loan Index. Index returns are shown for illustrative purposes only and do not reflect the past or current performance of any BNY Mellon Investment Management product. It is not possible to invest directly in an index. **Past performance is not indicative of future results.**

The chart below represents that over the past five years, a blended portfolio of the S&P 500 and the U.S. Aggregate Bond Index outperformed ones that consisted of the S&P 500 and short-term/ultrashort bonds. More importantly, it did this with the same level of volatility, as defined by standard deviation. Similarly—when looking at upside and downside capture ratios—the blended portfolio using the U.S. Aggregate Bond Index and the S&P 500 captured more upside and less downside than ones composed of the S&P 500 and short-term/ultrashort bonds.

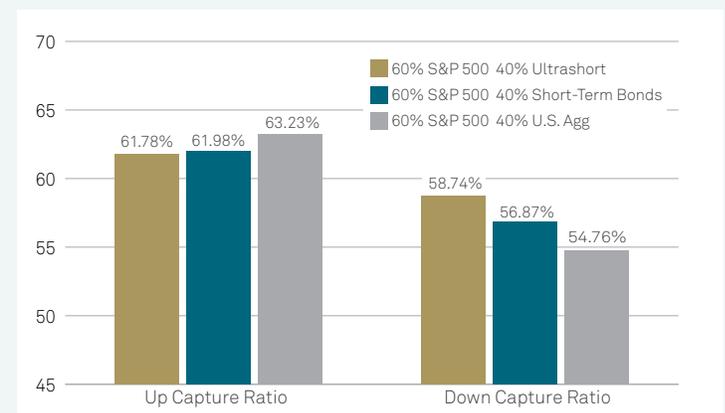
## Return and Risk of 60/40

(5 years ending 3/31/2020)



## Up and Down Market Capture Return Relative to the S&P 500

(5 years ending 3/31/2020)



For illustrative purposes only and does not represent the results of any investment. Past performance is not indicative of future results. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Asset allocation and diversification cannot ensure a profit or protect against loss in declining markets. All investments involve some level of risk, including loss of principal. Certain investments have specific or unique risks.

Source: Morningstar using month end performance from 4/1/2015 through 3/31/2020 rebalanced monthly.

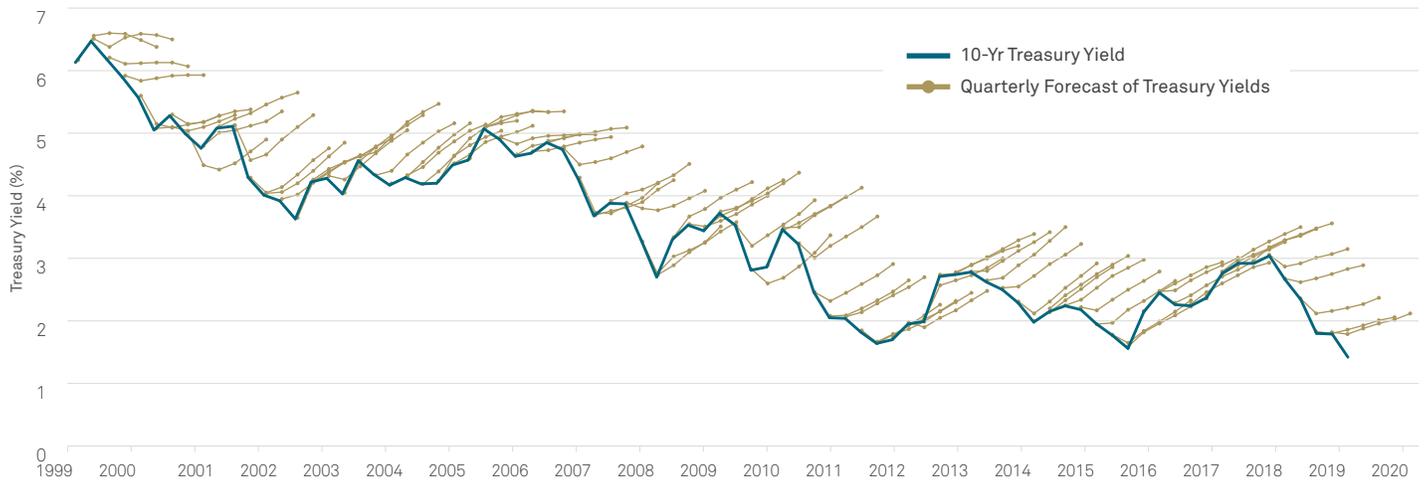
The Ultrashort index is defined as the ICE BoAML 1-3 Month Treasury Index, Short Term Bonds is defined as the Bloomberg Barclays U.S. Aggregate 1-3 Years Index and the US Agg is defined as Bloomberg Barclays U.S. Aggregate Bond Index.

# Why Tactical Moves to Short May Not Work

Investors may allocate to ultrashort and short duration because of the fear surrounding rising rates and the possible negative impact to their fixed income portfolios. If there is one thing we have learned over time, it's that markets (and investors) are NOT good at guessing where interest rates will go next. The chart below shows 60 times over the last 20 years when investors expected rates to rise and markets moved against expectations.

## Forecasters have not predicted interest rate movement with accuracy

Survey of Professional Forecasters vs Actual 10 Year Treasury Yield  
 Quarterly forecasts – 1Q2000 – 1Q2020



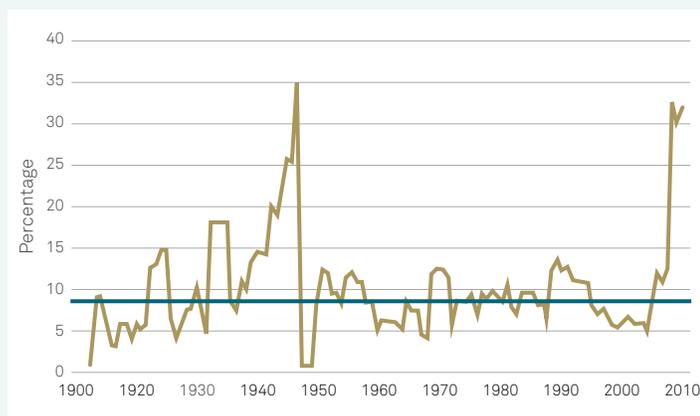
For illustrative purposes only and does not represent the results of any investment. Source: St. Louis FRED, Federal Reserve Bank of Philadelphia Survey of Professional Forecasters.

Today, it is possible rates may remain low for an extended period of time. The last time yields hit a secular low was in the 1930s and they remained range bound for the following 20 years. This is something that could transpire today.

This is partially due to a parallel between the Great Depression and the Great Financial Crisis of 2008. It was the last time support for populist parties was so high—and also, the last time treasury yields reached a long-term low.

## Populism is having its best period since the 1930s<sup>1</sup>

Populism index (% vote share)    Average



## Will treasury yields become range-bound again?<sup>2</sup>



For illustrative purposes only. Does not represent any BNY Mellon product. Past performance is not indicative of future results.

1. Deutsche Bank, 2019 Countries included are US, UK, France, Italy, Germany, Japan and Spain. 2. Datastream and Insight, December 2018.

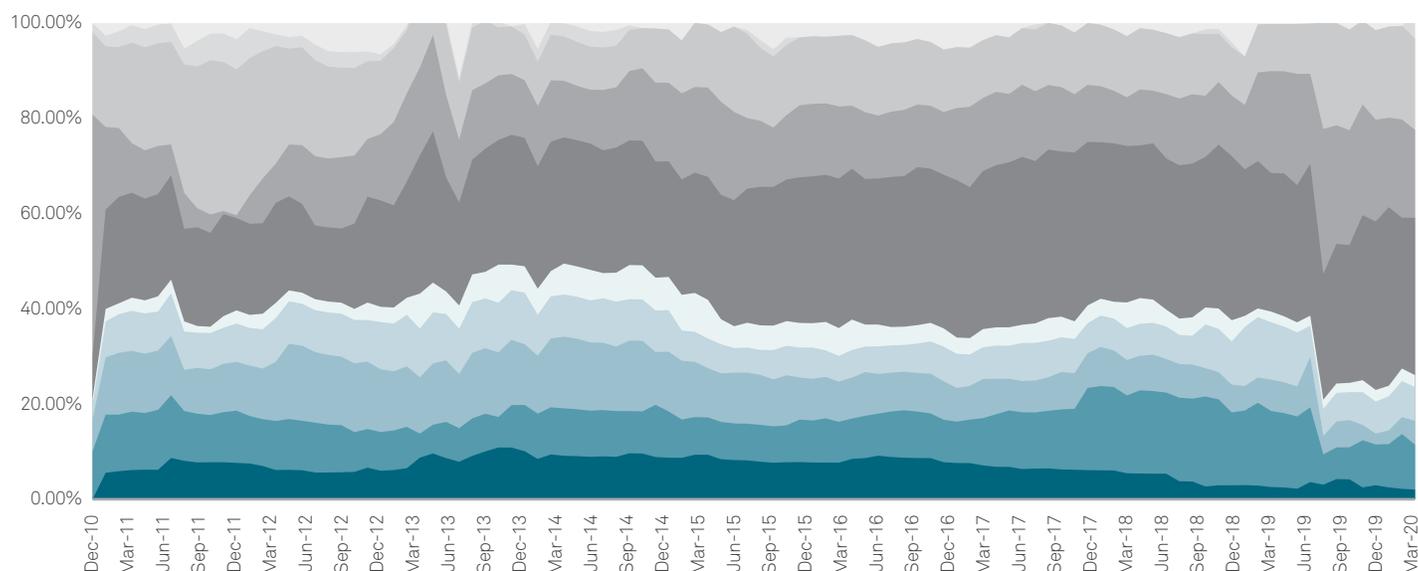
# Why BNY Mellon Core Plus?

BNY Mellon Core Plus Fund is genuinely active and allocates accordingly along multiple fixed income sectors. Since inception, the team has allocated strategically during multiple market cycles, disruptions and opportunities.

## BNY Mellon Core Plus Fund Sector History

12/31/2010 – 3/31/2020

■ Cash 
 ■ U.S. Municipal 
 ■ Agency MBS 
 ■ Government Rel. 
 ■ U.S. Corp. 
 ■ EMD 
 ■ Non-U.S. Corp. 
 ■ High Yield Corp. 
 ■ Secured Finance 
 ■ CMBS

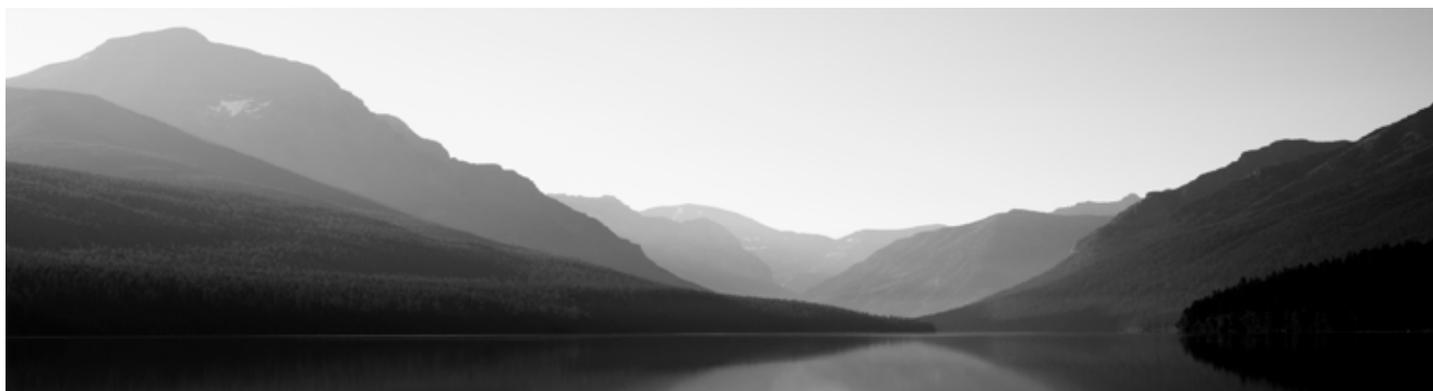


Source: Insight, as of 3/31/2020.

## Sector Allocations of Plus Sectors in BNY Mellon Core Plus Fund

	MIN (%)	MAX (%)	LATEST (3/31/2020)
<span style="color: #333333;">■</span> Secured Finance	5.05	18.90	9.43
<span style="color: #555555;">■</span> HY Corp.	2.29	15.80	4.99
<span style="color: #777777;">■</span> Non-U.S. Corp.	3.14	12.67	7.12
<span style="color: #333333;">■</span> CMBS	0.00	10.88	2.04
<span style="color: #999999;">■</span> EMD	1.21	8.17	2.49

Asset allocation and diversification cannot assure a profit or protect against loss. Portfolio allocation is subject to change at any time. The sectors listed should not be considered recommendations to buy or sell a security. Large concentrations can increase share price volatility.



## FOCUSING ON BOTTOM-UP SECURITY SELECTION

Since inception, the majority of the fund's excess return over the Bloomberg Barclays U.S. Aggregate Bond Index has come from security selection and sector allocation. Insight's value comes from knowing its investment universe inside and out as well as making informed allocation decisions driven by intense research.

### BNY Mellon Core Plus Fund Calendar Year Source of Return (gross of fees)\*

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2011–2019 Annualized
Duration and Yield Curve	-0.08%	0.52%	-0.05%	-0.04%	0.07%	-0.13%	0.05%	-0.23%	-0.16%	-0.01%
Sector Allocation	-0.91%	1.72%	1.57%	0.96%	-0.08%	1.89%	1.26%	-0.83%	1.78%	0.81%
Security Selection	-0.31%	2.95%	0.02%	1.31%	-0.11%	1.29%	1.17%	0.72%	1.31%	0.92%
Total Excess Return	-1.30%	5.20%	1.53%	2.22%	-0.12%	3.06%	2.48%	-0.35%	2.93%	1.73%

Source: Insight Investment. Totals may not add up due to rounding. Excess return is relative to the benchmark, Bloomberg Barclays U.S. Aggregate Bond Index. **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. Go to [im.bnymellon.com](http://im.bnymellon.com) for the fund's most recent month-end returns.** Performance does not reflect the deduction of fees or expenses, and would be lower if it did, and should not be relied upon for investment decisions. The attribution analysis is calculated by Insight and is intended to provide an estimate as to which elements of a strategy contributed (positively or negatively) to a portfolio's performance.

### DIVERSE SOURCE OF EXCESS

#### ● 2011

- Overweight to the 10-year part of the curve outperformed
- Allocations to high yield and subordinated financials detracted

#### ● 2012

- Positive selection from high yield
- Allocation to non-U.S. developed was positive

#### ● 2013

- Allocation and security selection in high yield performed positively
- Positive performance was realized from subordinated financials
- Securitized sectors were underperformers

#### ● 2014

- Positive selection from EMD, primarily India
- Commercial mortgage-backed securities (CMBS) allocation was a positive

#### ● 2015

- High yield security selection was additive while allocation detracted
- Pipeline and commodity sectors detracted

#### ● 2016

- Strong security selection in the metals and mining and pipeline subsectors
- Subordinate financials were strong performers

#### ● 2017

- Allocation to high yield, emerging market debt (EMD) and asset-backed securities (ABS) contributed to performance
- Selection in subordinated financials contributed positively

#### ● 2018

- Underperformance from overweight allocation to investment grade corporate bonds
- Security selection was a positive contributor, offsetting a portion of the drag from sector allocation

#### ● 2019

- Underweight allocation to both U.S. Treasuries and agencies contributed strongly
- Security selection within communication, banking and insurance industries also contributed positively
- Duration and yield curve was a modest detractor

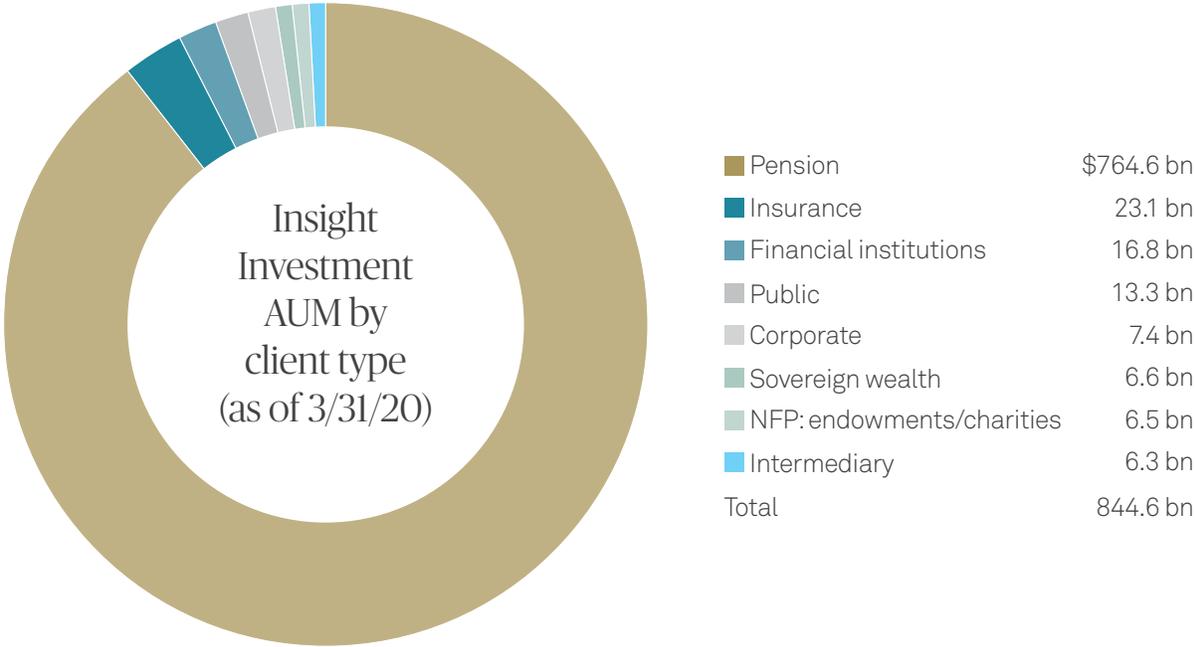
\* The attribution analysis contained herein is calculated by Insight Investment and is intended to provide on a sector basis an estimate as to which elements of a strategy contributed (positively or negatively) to a portfolio's performance as compared to the fund's primary benchmark as disclosed in the fund's prospectus. The attribution results and categorization of such results into specific sectors contain certain assumptions that require elements of subjective judgment and analysis. In addition, since the attribution is being provided on a sector basis, such results may not identify specific trading strategies or performance results that are attributable to other sources (e.g., class-action settlements, execution-related performance and investments in securities with limited availability, such as initial public offerings and odd lots). Attribution analysis is not a precise measure and should not be relied upon for investment decisions and should be considered in conjunction with the other forms of narrative fund disclosure, such as the shareholder reports and monthly commentaries. Further, a portfolio's attribution statistics are expected to vary over time, perhaps substantially, and the data above is not intended and should not be relied upon as an estimate of what a portfolio's attribution characteristics will be in future periods.

**Total Excess Return** represents the before-fee performance of a fund as compared to the performance of an index. For this report, the Total Excess Return row represents estimates of the differences in gross performance of the fund as compared to its primary benchmark over the prior quarter-to-date period. Positive Total Excess Return is relative to the benchmark performance and does not indicate that the fund had positive absolute performance over the applicable period. **Duration and Yield Curve** represents the excess return generated by decisions the investment team has made over time regarding duration and yield curve positioning within the fund. **Sector Allocation** represents the excess returns generated by decisions the investment team has made around under- or over-allocating to a given sector versus the benchmark. **Security Selection** represents the excess returns generated by decisions the investment team has made around individual issuers or security names relative to a given name versus the benchmark.



# Why Insight Investment Makes a Difference

Quite simply because it is the largest liability-driven investing (LDI) manager\* in the world. Insight Investment (Insight) is the BNY Mellon company overseeing the fund and is selected by large institutions around the world to manage pensions and address pension distribution challenges.



\* *Pensions & Investments'* (P&I) annual issue of "The Largest Money Managers," May 2019. Insight was ranked the largest manager of LDI assets (based on total worldwide assets as of year-end 2018). Ranking based on a survey of 79 wealth management firms that provided information in response to an online survey conducted by P&I. In order to qualify for inclusion, firms must manage LDI assets and provide total worldwide assets under management as of 12/31/2018.

Rankings are not representative of any one client's experience and are not indicative of Insight's future performance. The specific LDI investment techniques applicable to the institutional clients mentioned are not applied to any BNY Mellon fund products.

# BNY Mellon Core Plus Fund



Class A **DCPAX**  
(Extended Rating)



Class I **DCPIX**  
(Extended Rating)



Class Y **DCPYX**

Morningstar Extended Rating™ based on risk-adjusted returns as of 3/31/2020 for the fund's Class A (extended rating), I (extended rating) and Y shares; other classes may have different performance characteristics. Overall rating for the Intermediate Core-Plus Bond category. Fund ratings are out of 5 stars: Overall 4 stars Class A (extended rating), I (extended rating) and Y (530 funds rated); 3 Yrs. 4 stars Class A (extended rating), I (extended rating) and Y (530 funds rated); 5 Yrs. 4 stars Class A (extended rating), I (extended rating) and Y (442 funds rated). **Past performance is no guarantee of future results.\***

## Total Returns and Rankings

Average Annual Total Returns (as of 3/31/20)<sup>1</sup>

	1 YR	3 YR	5 YR	Since Inception
Class A (NAV) (inception 2/2/18)	4.74%	3.85%	3.13%	3.84%
Class A (4.50% max. load) (Inception 2/2/18)	0.06%	2.27%	2.19%	3.33%
Class I (Inception 2/2/18)	5.00%	4.04%	3.25%	3.91%
Class Y (Inception 12/2/10)	5.03%	4.04%	3.24%	3.91%
Morningstar Intermediate Core-Plus Bond Category Percentile Rank (Class Y)	47	22	12	—
Morningstar Category Rank/Number of Funds in Category (Class Y)	246/606	106/530	44/442	—
Bloomberg Barclays U.S. Aggregate Bond Index	8.93%	4.82%	3.36%	—

**The fund's class A, I and Y 30-day SEC yields as of 3/31/20 are 2.30%, 2.66% and 2.75%, respectively.**

**The performance data quoted represent 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. Go to [im.bnymellon.com](http://im.bnymellon.com) for the fund's most recent month-end returns. The net expense ratio(s) reflect a contractual expense reduction agreement through 8/30/2020. Total expense ratios: Class A 0.78%, Class I 0.47%, Class Y 0.63%. Net expense ratios: Class A 0.70%, Class I 0.45%, Class Y 0.45%. Not all classes of shares may be available to all investors or through all broker-dealer platforms.**

<sup>1</sup> BNY Mellon Core Plus Fund commenced operations after the assets of a predecessor mutual fund reorganized into the fund on 2/2/18. Performance for Class Y is the performance from the predecessor fund. The total return performance figures for Class A and I shares of the fund represent the performance of the fund's Class Y shares for periods prior to 2/2/18, the inception date for Class A and I shares, and the performance of Class A and I shares, respectively, from that inception date. Performance reflects the applicable class's distribution/servicing fees since the inception date. Investors should consider, when deciding whether to purchase a particular class of shares, the investment amount, class restrictions, anticipated holding period and other relevant factors. Class I and Y shares are available only to certain eligible investors. Additionally, on 10/19/2018, the fund received the merged assets of Dreyfus Intermediate Term Income Fund, the performance of which is not reflected above.

\* Source: Morningstar. The Morningstar Rating™ for funds, or "star rating," is calculated for managed products with at least a 3-year history. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance (not including the effects of sales charges, loads and redemption fees if applicable), placing more emphasis on downward variations and rewarding consistent performance. Managed products, including open-end mutual funds, closed-end funds and exchange-traded funds, are considered a single population for comparative purposes. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Rating metrics. © 2020 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. **Rankings:** Rankings are based on total return performance, with capital gains and dividends reinvested, with annual operating expenses deducted, but without including front or back-end sales charges. Rankings are relative to a peer group and do not necessarily mean that the fund had high total returns. Percentile rankings is a standardized way of ranking items within a peer group, in this case, funds within the same Morningstar Category. The observation with the largest numerical value is ranked zero; the observation with the smallest numerical value is ranked 100. The remaining observations are placed equal distance from one another on the rating scale. Note that lower percentile ranks are generally more favorable for returns (high returns), while higher percentile ranks are generally more favorable for risk measures (low risk). **Past performance is no guarantee of future results.** The fund represents a single portfolio with multiple share classes that have different expense structures. Other share classes may have achieved different results. Ratings do not reduce investment risk and are subject to change.

**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 advisor or visit im.bnymellon.com. Read the prospectus carefully before investing.**

## RISKS

**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. **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. **Mortgage-backed securities:** Ginnie Maes and other securities backed by the full faith and credit of the United States government are guaranteed only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate. Privately issued mortgage-related securities also are subject to credit risks associated with the underlying mortgage properties. These securities may be more volatile and less liquid than more traditional, government-backed debt securities. 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. **All investments involve risk, including the possible loss of principal. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.**

**Duration** is a measure of volatility expressed in years; the higher the number, the greater the potential for volatility as interest rates change. **Total Return** expressed in percentage terms, Morningstar's calculation of total return is determined each month by taking the change in monthly net asset value, reinvesting all income and capital-gains distributions during that month, and dividing by the starting NAV. **Standard Deviation** A statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. **Upside/Downside Capture Ratio** show you whether a given fund has outperformed — gained more or lost less than — a broad market benchmark during periods of market strength and weakness, and if so, by how much. An upside capture ratio over 100 indicates a fund has generally outperformed the benchmark during periods of positive returns for the benchmark. Meanwhile, a downside capture ratio of less than 100 indicates that a fund has lost less than its benchmark in periods when the benchmark has been in the red.

*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.*

Insight Investment advisory services in North America are provided through two different investment advisers registered with the Securities and Exchange Commission (SEC), using the brand Insight Investment: Insight North America LLC (INA) and Insight Investment International Limited (IIL). The North American investment advisers are associated with other global investment managers that also (individually and collectively) use the corporate brand Insight Investment and may be referred to as "Insight" or "Insight Investment." Insight's assets under management (AUM) are represented by the value of cash securities and other economic exposures, and are calculated on a gross notional basis. Figures shown in USD.

The **Bloomberg Barclays U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and nonagency). The **S&P 500 Index** is an unmanaged capitalization-weighted index of 500 stocks designated to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The **ICE BofAML 3-Month T-Bill Index** is an unmanaged index that measures returns of three-month Treasury Bills. The **Bloomberg Barclays U.S. Aggregate 1-3 Years Index** is an unmanaged index of publicly issued investment grade corporate, US Treasury and government agency securities with remaining maturities of one to three years. The **Bloomberg Barclays U.S. High Yield 2% Issuer Capped Index** is an issuer-constrained version of the Bloomberg Barclays US Corporate High-Yield Index that measures the market of USD denominated, noninvestment-grade, fixed-rate, taxable corporate bonds. The index follows the same rules as the uncapped index but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index-wide on a pro-rata basis. The **Credit Suisse Leveraged Loan Index** is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. Average values are computed over the Index for coupon, current yield, initial spread and price. The average coupon, current yield and initial spread are weighted by market value (amount outstanding multiplied by the price) at the end of the measurement period for each loan currently paying interest in the Index. Total return is computed for each loan, which is the percent change in the value of each loan during the measurement period. Total return is the sum of three components: principal, interest and reinvestment return. Investors cannot invest directly in any index.

BNY Mellon Investment Management is one of the world's leading investment management organizations and one of the top U.S. wealth managers, encompassing BNY Mellon's affiliated investment management firms, wealth management organization and global distribution companies. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally.

This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular investment, strategy, investment manager or account arrangement. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Please consult a legal, tax or investment advisor in order to determine whether an investment product or service is appropriate for a particular situation. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. BNY Mellon Investment Adviser, Inc., Insight and BNY Mellon Securities Corporation are companies of BNY Mellon. © 2020 **BNY Mellon Securities Corporation**, distributor, 240 Greenwich Street, 9th Floor, New York, NY 10286.