

# Focusing on Future Growth Opportunities in Emerging Markets

DREYFUS  
GLOBAL  
EMERGING  
MARKETS  
FUND

FUND POSITIONING GUIDE | Q3 2018

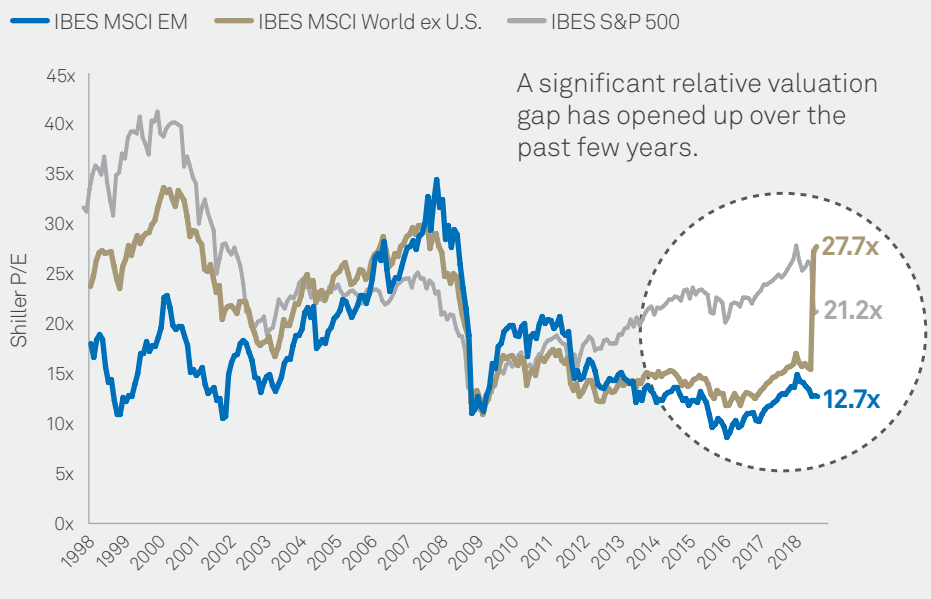
As their name implies, **emerging markets provide exposure to untapped growth opportunity.** In addition to capital appreciation potential, emerging market investments offer the opportunity for differentiated performance that may make them an attractive complement to developed market portfolios.

## Why Invest in Emerging Markets Now?

A significant valuation gap has appeared in recent years between the U.S. and emerging markets, making them attractively priced compared to developed economies.

- Valuations in emerging markets remain more attractive than those of developed economies.
- The changing landscape of global trade and tariffs may have an uncertain effect on emerging markets; strategies that take a bottom-up approach can focus on companies with a greater domestic plan for growth.
- Currently, emerging markets exhibit stronger growth than the U.S. or other developed market economies.
- Long-term secular trends show that developing markets have strong population growth that can help support their markets and economies.

### CURRENT LOW VALUATIONS IN EMERGING MARKETS OFFER AN INVESTMENT OPPORTUNITY



	REAL GDP AVG.	CURRENT
Advanced Economies	1.3%	2.4%
U.S.	1.5%	2.9%
Emerging Markets	5.1%	4.7%

Sources: Source for graph is from Newton, Thomson Reuters Datastream, August 31, 2018; source for table is from the International Monetary Fund World Economic Outlook, as of October 1, 2018. Charts are provided for illustrative purposes only and are not indicative of the past or future performance of any Dreyfus product. See page 8 for definitions.

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

# Pursue the next generation of growth prospects with Dreyfus Global Emerging Markets Fund

1

High-conviction, fundamentally driven, benchmark-agnostic approach

The fund has a limited number of holdings and will typically have very different weights than the benchmark.

2

Long-term themes seek to target future growth in emerging markets

Looking to invest in areas with strong growth potential, not "old" profit pools. This typically guides fundamental stock selection.

3

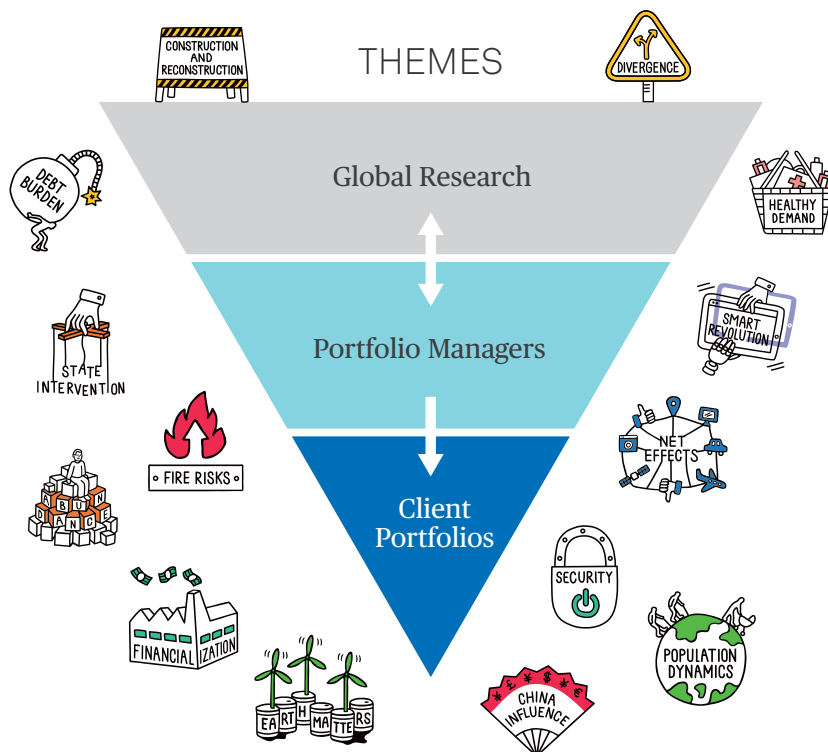
Emphasis on quality and governance

The aim is to capture long-term value creation in total return by focusing on return on capital and companies reinvesting profitably in future growth.

## 1 High-conviction, fundamentally driven, benchmark-agnostic approach

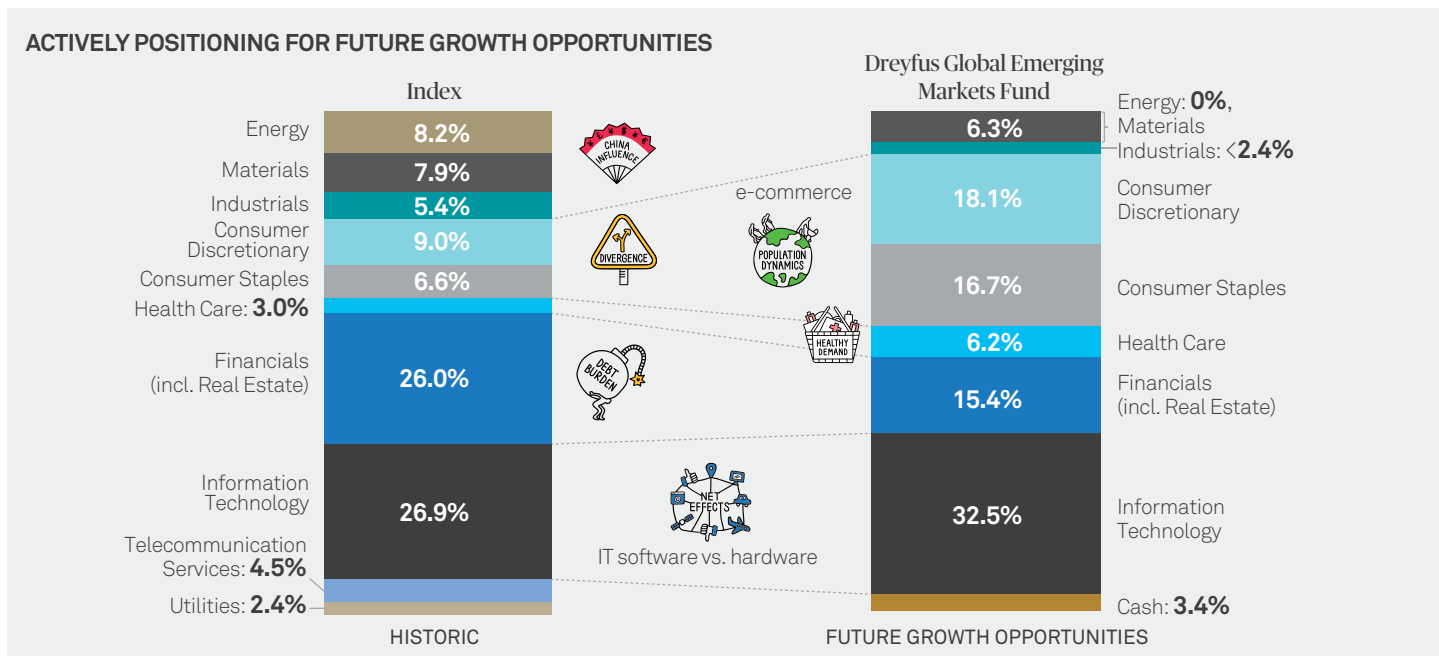
The process is built on identifying long-term themes that we believe are shaping long-term changes in the world.

Those themes are then used to help analysts in their fundamental research. Companies are selected from the bottom up, without reliance on benchmark weights. The fund typically holds 50–80 stocks, whereas the Morningstar category average is currently 259 holdings.



## 2 Long-term themes seek to target future growth in emerging markets

While a passive investor can be compelled to buy more of those areas which have performed well (and which therefore would have a higher index weighting), much of the growth may already have happened there. As active investors, Newton seeks to identify areas of future strong performance and growth, and take high-conviction positions in these.



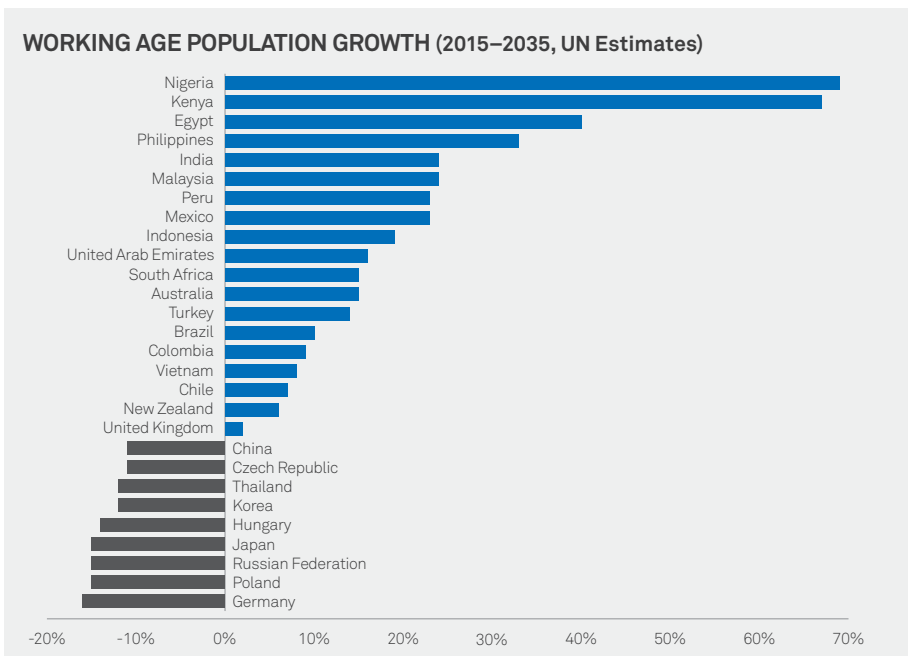
Source for index data: Newton, as of 9/30/18. The MSCI Emerging Market index (NDR) is used as a comparative index for this fund. The fund does not aim to replicate either the composition or the performance of the comparative index. Any reference to a specific country or sector should not be construed as a recommendation to buy or sell this country or sector. Please note that fund holdings and positioning are as of 9/30/18 and subject to change without notice.

### An Emergent Middle Class as an Engine of Growth

Growing working age populations are key drivers of GDP growth and asset prices, but vary hugely between emerging markets.

Such dynamics may create favorable investment opportunities, for example, where they are associated with strong working-age population growth, but they may also entail risks, which reduce the appeal of some markets.

We believe there is expected growth from an emergent middle class with aspirational expenditures in the consumer sector, broadly defined.

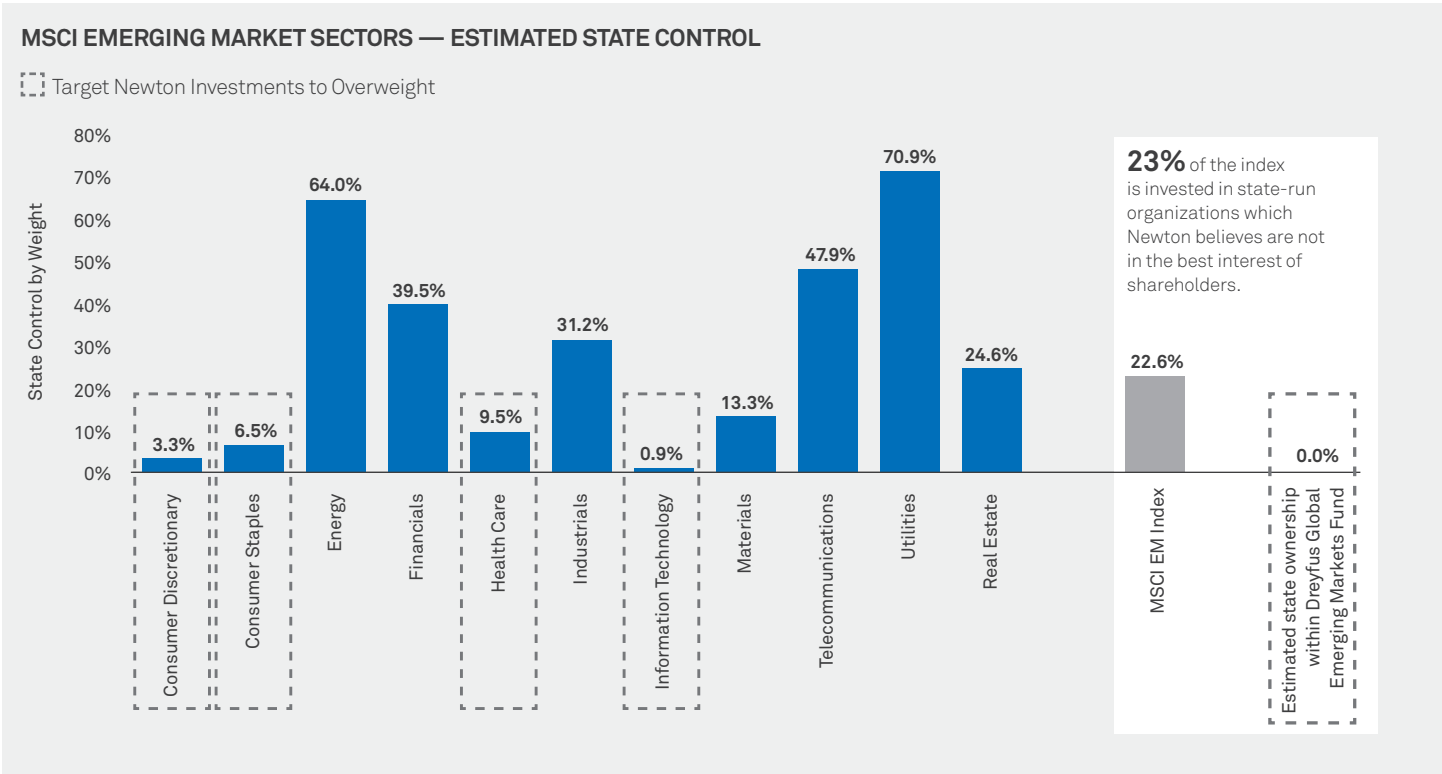


Sources: Newton, UN Population Information Network—World Population Prospects: The 2015 Revision, April 2016.

# 3 Emphasis on quality and governance

The fund is most overweight in the sectors with the lowest proportion of state-owned enterprises and the fund currently does not own any stocks that are state-owned.<sup>1</sup>

Some emerging markets have a high level of state control, which can distort the investment outlook and reduce returns. Sectors with higher state ownership include the utilities, energy, telecommunications and financials sectors. Conversely, IT, consumer and health care sectors are relatively free from state control. **Dreyfus Global Emerging Markets Fund** seeks to avoid the state-owned enterprises. Instead, the fund seeks to invest in the sustainable growth sectors of the economy driven by the emerging and growing middle class in particular countries.



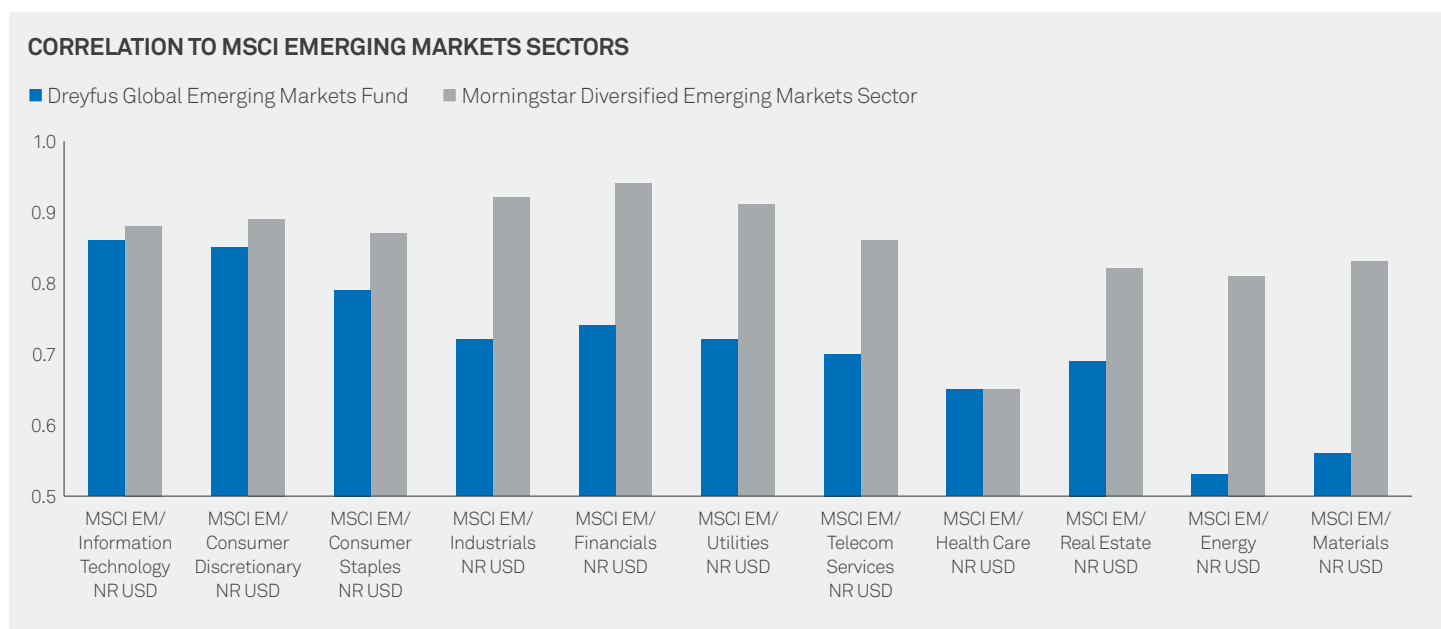
Charts are provided for illustrative purposes only and are not indicative of the past or future performance of any Dreyfus product. Sources: Newton, CLSA, as of 5/31/18. Estimate for the proportion of state-controlled companies in the whole MSCI EM Index is calculated by defining each constituent in the index as state- or privately controlled (a very small proportion as "unclassified" or "majority foreign ownership") — then summing the index weights for all of the constituents considered to be state-controlled. Total Dreyfus Global Emerging Markets Fund position is a weighted average.

<sup>1</sup> As of 5/31/18.

# How might the fund perform in different markets?

The fund has historically provided less downside than EM markets with almost all the upside.

Its active, high-conviction approach results in a portfolio that looks different from the index, so one would expect it to perform differently than the benchmark. Almost all the outperformance the fund has had versus the MSCI EM Index since inception has been a result of stock selection effect. However, with the large divergence the fund has to sector/country weights, it has been more highly correlated to certain areas.



Source: Morningstar, from the fund's inception (2/3/14) – 9/30/18. **Past performance is no guarantee of future results.** Correlation measures the degree to which the performance of a given asset class moves in relation to another, on a scale of -1 to 1. Negative 1 indicates a perfectly inverse relationship, 0 indicates no relationship and 1 indicates a perfectly positive relationship.

## DREYFUS GLOBAL EMERGING MARKETS FUND

Class A **DGEAX**    Class C **DGECX**    Class I **DGIEX**

Average Annual Total Returns (as of 9/30/18)

	1YR	3YR	Since Inception (2/3/14)
Class I	-8.97%	9.98%	5.59%
Class A (5.75% max. load)	-14.38%	7.56%	4.07%
MSCI Emerging Markets Index	-0.81%	12.36%	—

**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 dreyfus.com for the fund's most recent month-end returns. Gross/net expense ratios: Class A 1.46%/1.25%, Class I 1.20%/1.00%. Net expense ratios reflect a contractual expense reduction agreement through 3/1/19.**

Investors should discuss with their advisor the eligibility requirements for Class I shares, which are available only to certain eligible investors, and the historical results achieved by the fund's respective share classes.

# How could the fund be used in your portfolio?

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## Growth

Emerging markets, by their very nature, provide exposure to high growth potential, but are occasionally characterized by short-term volatility and diverging performances at regional, industrial and company levels. In such an environment, seeking to ensure that you are invested in high-quality stocks with the most growth potential is essential. We aim to invest in companies that generate real value from their growth.

## Complement to Emerging Markets Index Exposure

Since this fund's portfolio weights on a sector and country level may vary dramatically from the existing benchmark weights, this fund may be a good companion fund for an investor that passively invests in emerging markets or has an "active" fund that closely tracks the index weights.

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### Funding Ideas

#### 1 Reallocate Your Equities

Although emerging market countries represent about 10% of world market capitalization, newer investors typically have a much lower allocation in their portfolio. A diversified equity allocation may be appropriate for long-term investors seeking portfolio growth.

#### 2 Blend With a Passive Approach

Possibly pair a passive emerging market strategy with this active fund which may act as a complement.

# What differentiates Newton?

## Thematic Investing

Since its 1978 origin, Newton has managed investments through a global lens utilizing an overarching thematic framework to help:

- Identify key forces of observable, structural change across all markets
- Identify potential areas of investment opportunity
- Identify potential areas of investment risk
- Maintain a global and long-term perspective
- Provide ideas for debate and research focus

## Fundamental, Bottom-Up Research

Newton is a bottom-up asset manager that uses these global investment themes and the thorough fundamental global security analysis conducted by its robust, experienced research team as it aims to build high-conviction, long-term performance-oriented investment portfolios. The global research team is comprised of:

- Career global sector analysts
- Experts in credit, foreign currency, asset allocation and strategy, economics and region-specific knowledge
- Responsible Environmental, Social and Governance (ESG) investment specialists

## Experience

Newton, with assets under management of \$67.5 billion (as of 9/30/18), has been managing global investment portfolios since its inception in 1978 and has over 20 years of experience researching and investing in emerging markets.

The Emerging and Asian Equity investment team manages Dreyfus Global Emerging Markets Fund, which had \$345 million in AUM as of 9/30/18, and manages roughly \$3.0 billion in aggregate AUM (as of 9/30/18) invested in EM and Asian equities for Newton's clients. The investment team consists of seven investment professionals with an average of 13 years' investment experience.

## Learn More

Advisors: Call 1-877-334-6899 or visit [dreyfus.com](http://dreyfus.com)

Mutual fund investors: Contact your financial advisor or visit [dreyfus.com](http://dreyfus.com)

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**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 Dreyfus fund, contact your financial advisor or visit [dreyfus.com](http://dreyfus.com). Read the prospectus carefully before investing.**

### RISKS

**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.

Shiller P/E = "A cyclically adjusted price/earnings ratio, otherwise known as the CAPE, or Shiller P/E, measures the real price of a company's stock relative to real average earnings over the past 10 years. The Shiller P/E aims to smooth out the economic and profit cycles to give a more informed view of a company's price than the traditional price/earnings ratio, which uses only one year of profits." IBES is the Institutional Brokers' Estimate System which gathers and compiles the different estimates made by stock analysts on future earnings.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 23 emerging-market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates. The MSCI World Index (ex. U.S.) is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets (excluding the U.S.). 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. An investor cannot invest directly in any index.

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