Market Review

Equity markets plummeted as economic activity was halted by the global impact of the COVID-19 pandemic. Among major benchmarks, the Standard & Poor’s (S&P) 500® Index, the MSCI EAFE Index, and the MSCI Emerging Markets Index all achieved negative returns.

In the U.S., President Trump declared a national emergency to increase funding to combat COVID-19. Subsequently, Congress passed a $2 trillion stimulus package. The Federal Reserve (the “Fed”) cut the federal funds target rate in March and announced that it would purchase an unlimited amount of Treasury bonds and mortgage-backed securities to support the economy. Meanwhile, inflation rose slightly but remained below the Fed’s 2% goal, while fourth-quarter GDP was 2.1%. Early in the quarter, the U.S. and China signed phase one of a trade deal, which calmed ongoing trade tensions. However, consumer confidence fell by the end of the quarter due to the economic impact of the coronavirus. The U.S. dollar consistently rose during the period.

Among developed markets, Britain officially left the European Union and entered into a post-Brexit transitional period expected to last until the end of 2020. Meanwhile, the coronavirus continued to spread to countries in Europe. Specifically, Italy battled the largest outbreak outside of China. The European Central Bank (ECB) held interest rates steady and introduced a bond-buying program to pacify fears surrounding the pandemic. The Bank of Japan kept rates steady for most of the period, but eventually, they followed the lead of the U.S. and other central banks and expanded its purchases of stocks and bonds to boost its economy. UK inflation fell at the end of the quarter.

Emerging markets fell sharply in the first quarter as COVID-19 continued to hinder global economic growth. China’s Caixin/Markit manufacturing PMI fell to 40.3 in February and rebounded by the end of the quarter to 50.1. In Iran, conservatives won a landslide victory in the country's parliamentary election after record-low voter turnout. Finally, Venezuelan President Nicolas Maduro was indicted by the U.S. Department of Justice on drug trafficking charges.

Commodities declined 34.45% during the quarter as measured by the Thomson Reuters Core Commodity CRB Index. As the coronavirus outbreak worsened, the petroleum industry experienced a tumultuous quarter. Oil producers faced a glut of crude, waning global demand and a price war between Russia and Saudi Arabia. Finally, US oil prices fell to record lows.

Performance Summary

Global technology indices declined during the first quarter of 2020 with the NYSE Technology Index produced a negative return. In this environment, BNY Mellon Technology Growth Fund outperformed the S&P 500 Index but underperformed the NYSE Technology Index for the quarter. At the sub-sector level, we saw an improvement in the performance of the application software group while the broader semiconductor group reversed course from the prior quarter and underperformed relative to application software. During the quarter, favorable stock selection in the portfolio was offset by our allocation, primarily driven by a lack of exposure to Netflix, Inc., which outperformed the benchmark. We saw benefits from companies in the work-from-home (WFH) category that took hold as a result
of the COVID-19 crisis. Companies such as Everbridge, Inc., DocuSign, Inc., and Slack Technologies, which Class A contributed on an absolute basis. Tesla, Inc. also outperformed on an absolute basis. However, we experienced weakness in some cyclical areas through holdings such as Cognex Corporation and Western Digital Corporation, primarily due to uncertainty around the demand environment.

Key Contributors

- Everbridge, Inc. performed well during the quarter as a result of its strategic positioning in providing early public warning systems that are applicable to the COVID-19 pandemic. The company held a favorable analyst day and also added Norway’s three mobile networks as strategic customers of their technology.

- Slack Technologies, Inc. Class A contributed positively as a result of the WFH phenomenon. As the number of remote workers surged, the need for collaboration software increased significantly, which benefited the company as they witnessed significant increases in their paid customer count. While there will be some temporary benefits to the number of users, we believe the current trends will extend well beyond the next 12 months.

- Tesla, Inc. was a meaningful contributor on an absolute basis to the fund’s performance. There were many favorable developments that occurred during the quarter for the company, including continued ramp of domestic deliveries combined with further progress in China. From a competitive perspective, it appears that the company’s leadership position is strengthening relative to its peer group.

Key Detractors

- Broadcom Inc., along with other cyclical areas of technology, lagged technology performance and detracted from the fund’s performance. Broadcom posted underwhelming first-quarter results, and management withdrew their guidance for the year as uncertainties around COVID-19 heightened. There were also concerns about the company’s debt load despite favorable historical cash flow performance.

- Microchip Technology Inc. was a notable laggard during the quarter, detracting from the fund’s absolute performance. Similar to other cyclical areas of technology, the company experienced a sharp decline in demand, which forced a negative preannouncement. Also, the company noted very weak demand in China and other areas in Asia, as well as disruptions in its supply chain.

- A lack of exposure to Netflix, Inc. hurt performance relative to the benchmark. The company has benefited significantly from the WFH phenomenon as more consumers pass time at home by watching content available on the Netflix platform. The surge in demand far outweighed any competitive concerns that were relevant prior to the pandemic as the absolute number of consumers using streaming services exceeded any expectations for the short term.

How is the fund currently positioned and what is your current strategy?

The global pandemic has created near-term uncertainties for most technology companies. As a result, we expect to see global IT spending growth down in the mid-single digits compared to our initial expectations of 3 to 4% growth. The bulk of the spending declines will be driven by a pullback in discretionary IT spending along with fewer employees in the global workforce for a period of time. Fortunately, the vast majority of adjustments that have been implemented to enable a high level of remote workers stem from technological capabilities. This bodes well for future IT spending as most enterprises, whether large or small, have identified pain points in their current infrastructure that can be solved by increasing the use of technology. As a result, we remain highly optimistic about the longer-term future of the technology sector. In the shorter term, we expect to see an increase in spending as a result of pent-up demand. From a longer-term perspective, we are evaluating how companies will utilize technology
going forward as they aim to create efficiencies within their businesses, which extend beyond the short-term work-from-home (WFH) trend.

We are undergoing one of the largest and most significant transformations in the history of technology as the world quickly shifts toward a digitally-oriented business model. In the near-term, areas such as collaboration software, video conferencing and mobile devices will benefit as the global workforce rapidly adjusts to enable productivity while out of the office. These areas tie into a number of broader themes we have identified and invested in around areas such as Internet of Things (IoT) and connected devices, artificial intelligence and data analytics, and hyperscale data center growth. With the amount of traffic increasing significantly in the absence of human interaction, enhanced security capabilities are necessary to protect technological infrastructure. This also includes areas such as Blockchain, which incorporates security protocols and provides those who utilize the technology with efficiencies. The longer-term outlook for social media commerce is increasingly optimistic as more users embrace online transactions and move toward to a more digital environment. There are many other themes that appeal to us in the long term such as quantum computing. We remain optimistic about the prospects for the technology sector as we see ample opportunities emerging over time.

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. Not all classes of shares may be available to all investors or through all broker-dealer platforms.

**Past performance is no guarantee of future results.**

**Risks**

**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. 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. The **technology sector** involves special risks, such as the faster rate of change and obsolescence of technological advances, and has been among the most volatile sectors of the stock market.

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.

The NYSE® Technology Index is an equal-dollar-weighted index designed to objectively represent the technology sector by holding 35 U.S. technology-related companies. Investors cannot invest directly in any index.
As of 3/31/20, the fund’s top ten holdings were: Amazon.com 5.59%, NVIDIA 4.97%, Advanced Micro Devices 4.76%, Salesforce.com 4.62%, Alphabet 4.61%, ServiceNow 4.54%, Microsoft 4.51%, Apple 4.32%, Applied Materials 4.22%, Alibaba Group Holding 4.16%.

As of 3/31/20, the companies mentioned represented 10.04% of the fund’s portfolio in the aggregate. Netflix, Inc., DocuSign, Inc., Microchip Technology Inc., and Broadcom Inc. were not fund holdings as of 3/31/20. 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.

BNY Mellon Investment Adviser, Inc. serves as the fund’s investment adviser. Mellon Investments Corporation serves as the fund’s sub-investment adviser.

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