Describe the performance of the fund relative to its benchmark during the last three months.

BNY Mellon International Small Cap Fund underperformed its benchmark, the S&P Developed ex-US Small Cap Index, during the first quarter of 2020. From a country perspective, Switzerland led relative returns. On the downside, Japan weighed on performance. The Consumer Staples sector contributed positively to performance, while Real Estate detracted.

The Consumer Staples sector outperformed the broader index, falling 17% versus the benchmark’s decline of 29%. The portfolio added value through stock selection. Japan was the standout performer within the portfolio, as both Matsumotokiyoshi Holdings Co., Ltd. and Nichirei Corporation delivered the majority of the contribution. Switzerland was the portfolio’s top relative contributor in the first quarter, driven by stock selection in Financials and Utilities. Online trading group Swissquote Group Holding Ltd., which rose 16%, outperformed as the broader Financials sector fell 27%. The company, which is a Swiss-based online trading group, which provides brokerage services to self-directed investors and asset managers, contributed to returns as shares rose 16% in the first quarter. The spike in volatility translated into a surge of account openings. Management reiterated its full-year guidance of 10% revenue growth despite the COVID-19 driven collapse in the global economy. Nichirei Corporation in Japan makes frozen food products and also processes and trades seafood products as well as chicken and poultry. Shares rallied 21% as sales trends rose on the back of increased in-home dining as a result of COVID-19 social distancing requirements. The convenience store and pharmacy operator Matsumotokiyoshi Holdings Co., Ltd. In Japan has proven rather defensive during the period, as shares fell just 6% versus the sector which fell 17%.

Historically, Real Estate tends to perform well in lower interest rate environments. This historic norm broke down in the first quarter as global rates collapsed due to the unexpected COVID-19 pandemic and subsequent pause in the global economy. Social distancing and quarantine measures materially impacted REITs where underlying tenants are in discretionary businesses. This was the case for both Invincible Investment Corp. in Japan and NewRiver REIT plc in the United Kingdom (UK) – our two key laggards during the quarter. The Japanese market outperformed the S&P Developed ex-US Small-Cap index, and declined approximately 20%. The portfolio faced headwinds to relative performance during the period with Real Estate and Industrials lagging most. Online staffing group En-Japan Inc., which was a solid performer in 2019, declined sharply as employment trends faltered due to the sudden pause in global economic activity associated with COVID-19. In Real Estate, Invincible Investment Corp. detracted due to its exposure to hotel assets. The Swiss semiconductor group ams AG declined sharply after issuing a deeply discounted rights issue amid the global economic meltdown associated with COVID-19. While management reiterated full-year guidance in early March and remained confident in the acquisition of lighting products manufacturer Osram, including the company’s synergy targets and a well-positioned product
portfolio, particularly within 3D sensing and BOLED, investors marked down the shares significantly. Japanese hotel and residential property REIT Invincible Investment Corp. fell 60% as investors weighed the financial impact from widespread hotel closures due to COVID-19 social distancing measures. Management indicated revenue per available room fell 28% year-on-year, and anticipated a 60% drop in March. NewRiver REIT plc specializes in retail and leisure assets including pubs, shopping centers and high street retail stores. The company’s shares underperformed the sector meaningfully during the period, as the effective lockdown of London and strict social distancing measures resulted in its tenants’ businesses temporarily shutting down.

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

International markets underperformed US markets during a very challenging quarter globally. International developed markets tend to be a more cyclical asset class compared to the US. Technology and Health Care make up a large part of the US market and are more defensive, while the Financials, Energy and Industrials sectors are larger representations in international markets and are less defensive. This played out during the first quarter downturn, but, in our view, should serve the asset class well in an eventual recovery scenario. Leadership in the market also narrowed considerably, with cyclical value industries under severe pressure and even certain pockets of growth underperforming. Defensive quality was the top performing factor during the period, but typically these periods of narrow leadership are brief.

In Europe, negative interest rate policy, which existed before the coronavirus spread began, remains firmly in place post the collapse in sovereign interest rates. This backdrop continues to pose challenges for the banking sector. The dramatic impact of the virus experienced in Italy and Spain has negatively affected European business, though positive news has recently emerged as the number of new cases levels.

The silver lining of the pandemic is the globally-coordinated fiscal and monetary policy response, which has been swift and massive. When markets and economies normalize, we believe these stimulus measures will provide a material tailwind to growth. As we have already seen in China and Japan, manufacturing capacity should resume at a measured pace as we pass peak virus cases in Europe, the UK and the US. This will mark the beginning of a new global economic upcycle after the worst of this recession fades. Looking out over the next 12 months, we believe the large cap developed non-US asset class should perform well in a global recovery as valuations and investor expectations are depressed. Our balanced portfolio approach, which incorporates value and growth/momentum, historically outperforms in early-cycle recovery environments as the market broadens and rotates away from defensive characteristics.

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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. 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 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.

As of 3/31/20, the fund's top ten holdings were: Severn Trent 1.93%, Matsumotokiyoshi Holdings 1.91%, Teleperformance 1.79%, Mapletree Logistics Trust 1.70%, Britvic 1.65%, Italgas SpA 1.62%, Eiffage SA 1.52%, Anritsu 1.51%, Stroeer SE & Co 1.46%, ASM International NV 1.45%.

As of 3/31/20, the companies mentioned represented 7.27% of the fund’s portfolio in the aggregate. Osram was not a fund holding 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.

The fund’s investment adviser is BNY Mellon Investment Adviser, Inc. and the fund’s sub-adviser is Mellon Investments Corporation ("Mellon"), an affiliate of BNY Mellon Investment Adviser, Inc.

Views expressed are those of the adviser stated and do not reflect views of other managers or the firm overall. Views are current as of the date of this publication and subject to change.

The S&P Developed Ex-U.S. Small Cap Index is a market capitalization-weighted index designed to define and measure the investable universe of publicly traded small-cap companies domiciled in developed countries outside the United States. An investor cannot invest directly in any index.

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