BNY Mellon Dynamic Total Return produced a negative total return (Class I) in the first quarter as growth assets, diversifying strategies, and real assets detracted.

**Growth assets** were the largest driver of negative returns after global equities had their worst quarter since 2008. Long positions in Japan, the Eurozone, and UK were the largest detractors. Japanese markets experienced heightened volatility during the period, first falling significantly in late February and early March before rebounding slightly in the latter half of March. Eurozone equities witnessed a severe selloff during the period due to the continued spread of COVID-19 throughout Europe, with Italy and Spain hit hardest. In line with global markets, UK equities weakened as the virus spread and concerns over the country’s financial stability drove a major selloff.

**Defensive assets** had long positions in U.S. bonds which were the largest contributors to the gain from defensive assets. Government bond yields declined over the quarter as investors piled into safe havens due to the growing likelihood of a deep global recession, while the announcement of large-scale asset purchase programs by a number of global central banks also added to downward pressure on yields.

**Real assets** were negative due to a decline from the long-biased commodity strategy. Commodity prices were sharply lower over the quarter, though the long-biased strategy significantly outperformed the Bloomberg Commodity Index Total Return. Long positions in gasoline and Brent crude were the largest detractors as energy prices were significantly lower. Long positions in sugar and cocoa also detracted.

**Diversifying strategies** saw a sharp rise in volatility during the quarter which caused a loss for the volatility risk premium strategy. Currency allocations reduced the loss. Short positions in the Australian dollar and Canadian dollar drove the positive return from currency allocations. The U.S. dollar rose over the quarter as it was a beneficiary of safe-haven demand. Commodity and growth currencies were sharply lower over the quarter as commodity prices, and specifically energy, were sharply lower.

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

As uncertainty grew and fundamentals underwent substantial changes, we significantly de-risked the portfolio. A key element to the risk reduction was the change in the equity risk premium. Higher nominal yields across all credit sectors reduced the expected risk premium of stocks relative to bonds. In conjunction, equity analysts had been writing down future earnings expectations, with our models signaling that more write-downs were likely as
the growth shock becomes more evident. Further, the strategy's risk modeling factored in a more sustained level of uncertainty for future fundamental expectations.

The outbreak of COVID-19 has drastically impacted global markets. As the virus expanded globally, countries reacted with different approaches from complete lockdowns to suggested social distancing. These inconsistent measures created incongruous results, making analysis of the growth of the curve that much more difficult. Because of these factors, the outlook for the global economy is uncertain and will be constrained by the disparate outcomes from the disease across borders.

In the US, we are expecting somewhat of a “V-shaped” recovery, albeit with the upside leg of the V having a much lower slope, indicating a slower return to pre-crisis economic conditions. Despite these stimulus efforts, we forecast a substantial slowdown in the second quarter, with further shocks to the downside in output and employment, ultimately seeing mid-to-high teens unemployment levels before rebounding in the third quarter. If we do not see the expected pattern, the slowdown will persist and the downturn will be deeper. The recovery will be slower than the drop as, despite the best efforts of government stimulus packages, many businesses will not make it, fewer employees will be hired back, and supply chains will change.

The virus has severely impacted Europe, and our expectations for growth have come down dramatically. Our outlook for Europe is less sanguine than the US, as the fiscal stimulus has been more muted and this downturn started from a much lower level of output. Therefore, we expect a deeper downturn and slower recovery.

**Growth Assets** – Our exposure decreased from 57% to 28% at the end of the quarter. Our allocation is tilted toward U.S., Eurozone, and UK equities, where we see the most opportunity. The emerging market equity and high yield bond allocations were unchanged.

**Defensive Assets** - We increased the allocation to defensive assets from 36% to 69%. Cash is the largest holding. The sharp drop in interest rates during the quarter made cash more attractive than bonds, even with policy rates at or near zero. At quarter end, the largest long bond positions are in the U.S. and Japan, with short positions in Germany and the UK.

**Real Assets** - Within the long-biased commodity strategy, the largest allocation to the risk budget is in the grains sector via long positions in soybean meal and soybeans relative to corn. Cotton is our largest contributor to risk in the non-beverage softs sector. Weak demand has filtered into the model as curve, momentum, and spreads have all become less attractive. In the energy sector, risk is concentrated in our short position in natural gas.

**Diversifying Strategies** - Our currency positioning remains more balanced, with relative value opportunities more muted. The U.S. dollar and Swedish krona are the most attractive currencies in our view. Momentum in leading economic indicators make the USD and SEK relatively attractive. We hold short positions in the euro and Australian dollar as leading economic indicators suggest headwinds.
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, investors should contact their financial advisor or visit im.bnymellon.com. Investors should be advised to read the prospectus carefully before investing. Not all classes of shares may be available to all investors or through all broker-dealer platforms.

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. **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. **Currencies** can decline in value relative to a local currency, or, in the case of hedged positions, the local currency will decline relative to the currency being hedged. These risks may increase fund volatility. **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. **Commodities** contain heightened risk, including market, political, regulatory, and natural conditions, and may not be suitable for all investors. **Derivatives and commodity-linked derivatives** involve 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. Commodity-linked derivative instruments may involve additional costs and risks, including commodity index volatility or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. The use of **derivatives** involves risk 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 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.
The fund's investment adviser is BNY Mellon Investment Adviser, Inc. Mellon Investments Corporation ("Mellon") serves as the fund's sub-investment adviser.

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.

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