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

BNY Mellon Global Real Estate Securities Fund outperformed its benchmark, the FTSE EPRA/NAREIT Developed Net Index, for the first quarter of 2020.

Stock selection contributed to alpha, while regional allocation was mainly flat. CenterSquare’s stock selection in the United States and Europe were the main drivers of performance from a regional perspective. The portfolio outperformed its benchmark during the quarter, solely the result of stock selection. Stock selection was strongest in the hotel and specialty sectors, where overweight positions in Host Hotels and Iron Mountain served the portfolio particularly well. Elsewhere, the portfolio benefited from our overweight to apartment name UDR. The main detractors from portfolio performance included overweight positions in health care and shopping center names Ventas and Retail Properties of America.

From a positioning perspective, we reduced our overweight in the alternative housing sector by selling out of our position in American Homes 4-Rent. Elsewhere in the portfolio, we shifted from underweight to overweight in the apartment sector by adding a new position in Essex Property Trust and shifted from underweight to neutral in the self-storage sector by adding a new position in Cubesmart.

Listed real estate stocks in both the UK and Europe crashed with global markets on fears of a global recession, as Covid-19 became a global pandemic. Both the UK and Europe significantly outperformed their benchmarks on a relative attribution basis. In the UK, the bulk of the economy shut down mid-March to try to combat the spread of the virus and interest rates were cut twice to 10bps the lowest in history and QE resumed. There was a lot of fiscal stimulus to try and support the economy but with all but essential retailers shut and most people working from home job losses are still expected.

Retail real estate investment trusts ("REITS") were hit the hard, as many of their tenants refused to pay rent forcing further dividend cuts. The requirement for even more economic activity to be shifted online benefitted the industrial REITS on a relative basis. Stock-wise, the biggest source of alpha was our overweight to industrial though Segro and our underweight to the retail sector. The largest detractor was an underweight to health care. In Europe the main contributors were overweights to German residential and industrial and our underweight to retail. The main detractors were our overweight to German office name Aroundtown and underweight to Switzerland.

Asia added to relative performance in the first quarter, with every market contributing positively to alpha generation. Japan contributed with overweights in defensive sectors like residential, logistics and A-grade office contributing the lion share of alpha. Hong Kong and Singapore also added while Australia contribute the majority of alpha in the first quarter. Overweights to industrial and office and an underweight to retail contributed positively to Australia’s performance.

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

The strong absolute performance of the REIT market year-to-date has been encouraging. Recent performance has benefited from the decline in interest rates and forward interest rate expectations and heightened concern about a global economic slowdown. The risk-on appetite for investors has given way to strong performance in global equities, but we believe the durability of the yield provided by REITs will continue to be attractive, especially compared to the fragility of the earnings produced by global equity markets. In our estimation, long-term expectations for REIT total returns remain in the high single-digit range.
The UK economy and stocks are now a preferred overweight following the decisive Conservative general election victory, though future Brexit negotiations will remain a driver. We still prefer industrial and small-niche sectors with better growth prospects such as PRS, self-storage and student accommodation. In Europe economic growth expectations continue to be revised downwards and European Central Bank monetary policy is likely to loosen further. In an environment of slowing economic growth real estate should remain relatively attractive. Our key overweights are German residential, outside of Berlin, Health Care, and Industrial. Retail remains a key underweight.

Asia Pacific will continue to be affected by further talk of the US-China trade war. Coupled with the tepid global growth outlook and trade war concerns, Hong Kong faces multiple geopolitical challenges. In Singapore, while the economic outlook, both globally and domestically continues to be weak, the increasingly more accommodative monetary policy outlook lent a helping hand to Singapore’s stock market. Australian equities have benefited from the Reserve Bank of Australia’s second rate cut this year, helping to mitigate an otherwise weak domestic economic environment.

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.

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. 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. Risks of investing in real estate securities are similar to those associated with direct investments in real estate, including falling property values due to increasing vacancies or declining rents resulting from economic, legal, political or technological developments, lack of liquidity, limited diversification and sensitivity to certain economic factors, such as interest-rate changes and market recessions. Real estate investment trusts are subject to risk, such as poor performance by the manager, adverse changes to tax laws or failure to qualify for tax-free pass-through of income.

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 FTSE European Public Real Estate Association (EPRA) National Association of Real Estate Investment Trusts (NAREIT) Developed Index is an unmanaged, market capitalization-weighted index designed to measure the performance of exchange-listed real estate companies and REITs worldwide. Investors cannot invest directly in any Index.

The MSCI ACWI Index captures large- and mid-cap representation across Developed Market (DM) countries and Emerging Market (EM) countries. Investors cannot invest directly in any index.

As of 3/31/20, the fund’s top ten holdings were: Prologis 5.00%, Equity Residential 3.54%, Vonovia 3.35%, Invitation Homes 2.71%, HCP 2.70%, Realty Income 2.62%, Equinix 2.27%, Mitsui Fudosan 2.26%, LEG Immobilien 2.22%, and Extra Space Storage 2.12%.
As of 3/31/20, the companies mentioned represented 11.59% of the fund’s portfolio in the aggregate. 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.

Views expressed are those of the advisor 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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