Executive Summary

- First of all, our thoughts are with you and with your families, and we certainly hope everybody is safe and healthy in this time. And that brings us right into talking about COVID-19 and the recent market volatility, which is centered around two main concerns. One is keeping safe and avoiding the virus on a personal level, and two is, in accomplishing number one, that this social distancing, while imperative, is bringing a tremendous amount of disruption to daily life and to the economy on a worldwide basis.

- In the short run, we are seeing a pretty significant impact on the economy, on employment and corporate profits. In the longer-term, we do not believe that earnings power is going to be reduced by this virus for the companies in which we are invested, and we remain a stalwart believer in the resilience of the people, our companies and the American economy, which have all demonstrated their resourcefulness, creativity, and adaptability and will overcome this crisis like many others throughout history.

- At Fayez Sarofim & Co, since 1958 we have focused on industry-leading companies that have superior financial strength and very resilient cash flows. In our view, that kind of profile can withstand periods of stress like we’re in today. In this current crisis, there’s an even greater premium being placed on companies with low levels of debt and the ability to sustain revenue and free cash flow. The BNY Mellon Appreciation Fund remains invested in companies that we believe can outgrow the market over the long term but also have the financial characteristics that mitigates risk in times of stress.

- We have always maintained a perspective of being an owner of a business rather than a trader of a stock. In a time when volatility is creating forced selling, margin calls and liquidations, it is especially important to remember that, as a shareholder, what we own is a portfolio of companies; rather than an abstract price flashing on a computer screen. When we take that perspective, it gives us the wherewithal to look to the future and to await the emergence of better times, whether that comes from a new treatment or a new vaccine, or enhanced stimulus from the monetary and fiscal side and just the resilience of these businesses over time.

About Fayez Sarofim & Co.

Fayez Sarofim & Co. has a 50+ year history of investing in companies with strong fundamentals, including consistent earnings and dividend growth, lower leverage and attractive returns on equity. In addition, FS&Co. analysis adds an assessment of company management, culture and reputation to develop a more robust and informed opinion of any one company that goes beyond quantitative statistics. We believe high quality companies are most appropriate for ownership over a longer-term time horizon to allow the benefits of a stable and growing earnings and dividend stream to unfold and compound over a full market cycle. Our investment
philosophy's emphasis on industry leaders, financial strength and a long-term time horizon naturally includes the ownership of quality companies.

William Gentry Lee, Jr., CFA
Chief Executive Officer
Co-Chief Investment Officer
Portfolio Management & Research
Investment Committee Member

William ("Gentry") Lee, Jr. is the Chief Executive Officer and Co-Chief Investment Officer of Fayez Sarofim & Co., a Director of The Sarofim Group and a member of Fayez Sarofim & Co.’s Executive and Investment Committees. In addition to overseeing the Firm’s investment, client service and business operations, he is a co-manager of the mutual funds that Fayez Sarofim & Co. sub-advises for BNY Mellon. Mr. Lee joined the Firm in 1998 as an Associate. Over the years, areas of research responsibility have included beverages, technology and transportation.

Mr. Lee received a M.B.A. with High Distinction from Harvard Business School in 1998, where he was a Baker Scholar, and a B.A. with High Honors in Economics from Vanderbilt University in 1994, where he graduated summa cum laude. He was also elected to Phi Beta Kappa. Prior to attending business school and joining Fayez Sarofim & Co., he was employed as a Financial Analyst with Enron Capital & Trade Resources.

Mr. Lee serves on the board of directors of Wood Partners and St. John’s School. Previously, he was a board member of the Carruth Foundation and Memorial Park Conservancy and Co-President of the Houston Vanderbilt University Alumni Chapter.

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Past performance is no guarantee of future results. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.
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.

The Standard & Poor’s 500® Composite Stock Price Index is a widely accepted, unmanaged index of overall U.S. stock market performance. An investor cannot invest directly in any index.

BNY Mellon Investment Adviser, Inc., the fund’s investment adviser, has engaged Fayez Sarofim & Co. ("Sarofim & Co."), to serve as the fund’s sub-investment adviser. Sarofim & Co., subject to BNY Mellon Investment Adviser, Inc.’s supervision and approval, provides investment advisory assistance, research and the day-to-day management of the fund’s investments. The fund is managed by a team of portfolio managers employed by Sarofim & Co., consisting of Fayez Sarofim, Catherine Crain, Gentry Lee, Christopher Sarofim and Charles Sheedy. The team is supported by Sarofim & Co.’s Investment Committee, all the members of which are senior investment professionals at Sarofim & Co. Mr. Fayez Sarofim, Co-Chief Investment Officer and Chairman of the Board, founded Sarofim & Co. in 1958 and has been a portfolio manager of the fund since 1990.

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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MARK-111040-2020-04-02