The year started out strong with a positive risk sentiment benefitting the Fund through January and into February. Since then, the dual shocks of COVID-19 and the oil price war significantly changed the market psychology, and performance has trailed the benchmark as a result. However, the Fed has demonstrated that they are unwilling to allow a liquidity crunch to occur in fixed income markets, announcing on March 12 that they would conduct $500 billion in 1-month loans and $500 billion in 3-months loans on a weekly basis through April 13th, in addition to expanding their bond purchases to longer maturities. Historical performance has demonstrated that the stronger and calmer hand in the market wins in the long term, and sell-off is no different.

- The primary driver of relative performance has been an underweight allocation to US Treasury and agency securities (approximately 40% allocation for the Fund vs 72% for the benchmark). During a sharp, risk-off move, the lowest risk securities are the clear outperformers in the market.
- The Fund also has about 7% allocation to high yield. This creates a potential income advantage and a cushion against rising rates over longer periods. However high yield spreads widened considerably year-to-date and this has been a clear drag on performance.
- All credit positions are trading with a high beta to the market regardless of the quality or stability of the underlying issuer. High quality corporate credit is more liquid and is pressured as we believe the better quality bonds can more easily be sold in a less liquid environment. This is particularly notable on the long-end of the credit curve.
- From a sector perspective, the portfolio has an overweight to midstream energy (pipelines). Despite being one step removed from the underlying commodity, the market has punished anything energy-related. Additionally, even modest allocations to securities related to airline and leisure sectors have performed poorly, including high-quality enhanced equipment trust certificate (EETC) securitizations.

We continue to resist giving away good credits at bad prices, and we have made some prudent risk management decisions in light of the current market environment. Most notably:

- Added to our Treasury exposure and maintained duration at or modestly above benchmark duration, helping to maintain a balance of risks in the portfolio
- Remain underweight MBS given continued interest rate volatility
- Reduced high yield / emerging market names with potential for significant downside from a demand shock
- Moved up in quality where possible in investment grade and selectively added to names related to safe havens
- Managed risk around names disproportionately affected by exogenous shocks. Our combined exposure to independent E&P and quasi sovereign E&P Companies is about 50bp
- Carefully scrutinized all pipeline and refining names to ensure their balance sheets can withstand lower commodity prices and have liquidity to weather a period of heightened volatility.
- Managed risk around airline exposure. We do not hold cruise line exposure.

The last few weeks have proven that over short-term periods, anything can happen in markets. While market volatility can be uncomfortable, it is important to remember the long-term role BNY Mellon Core Plus plays in a portfolio. Core Fixed income remains an essential part of investors’ overall asset allocations and we believe the events of the last few weeks, as well as the Fed’s most recent announcement, further highlight the importance of the asset class.
All investments involve risk, including the possible loss of principal. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

**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. 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. **High yield bonds** involve increased credit and liquidity risk than higher-rated bonds and are considered speculative in terms of the issuer’s ability to pay interest and repay principal on a timely basis.

**Mortgage backed securities:** Ginnie Maes and other securities backed by the full faith and credit of the United States government are guaranteed only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate. Privately issued mortgage-related securities also are subject to credit risks associated with the underlying mortgage properties. These securities may be more volatile and less liquid than more traditional, government-backed debt securities. The use of derivatives involves 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.

1Portfolio composition is subject to change.

Insight Investment advisory services in North America are provided through two different investment advisers registered with the Securities and Exchange Commission (SEC), using the brand Insight Investment: Insight North America LLC (INA) and Insight Investment International Limited (IIIL). The North American investment advisers are associated with other global investment managers that also (individually and collectively) use the corporate brand Insight Investment and may be referred to as “Insight” or “Insight Investment.”

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS (agency and nonagency).

BNY Mellon Investment Management is one of the world’s leading investment management organizations and one of the top U.S. wealth managers, encompassing BNY Mellon’s affiliated investment management firms, wealth management organization and global distribution companies. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally.

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. This information contains projections or other forward-looking statements regarding future events, targets or expectations, and is only current as of the date indicated. There is no assurance that such events or expectations will be achieved, and actual results may be significantly different from that shown here. The information is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. Forecasts, estimates and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product.

This material has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular investment, strategy, investment manager or account arrangement. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Please consult a legal, tax or investment advisor in order to determine whether an investment product or service is appropriate for a particular situation. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission. BNY Mellon Investment Adviser, Inc., Insight and BNY Mellon Securities Corporation are companies of BNY Mellon. © 2020 BNY Mellon Securities Corporation, distributor, 240 Greenwich Street, 9th Floor, New York, NY 10286.