While the close of 2019 saw a pro-cyclical rally, the majority of 2020 has been a defensive trade in natural resources, especially as COVID-19 has led the entire equity market into bear territory. Initially we saw very solid performance from our defensive positioning in utilities, packaging, and waste industries. Through the end of February, this lead to a notable relative return versus the benchmark, albeit negative. March has been far more volatile with even defensive names selling off sharply as investors shun all equities, not just cyclical ones.

In this environment, BNY Mellon Natural Resources Fund (Class I) outperformed its benchmark, the S&P Global Natural Resources Index for the year-to-date period ended 2/29/20. Among segments, next gen energy and forest products were the fund’s strongest relative performers, while agriculture and energy services were the largest relative detractors. Positioning in next gen energy contributed most to relative performance while effective stock selection among forest products also buoyed results. On the downside, challenging stock selection among agriculture names was the primary driver of underperformance. An overweight allocation to energy services also weighed on relative results.

Key Contributors

- Shares of an aluminum can producer benefited from a robust defensive trade in the market as this stock can often trade similar to the risk profile of the consumer staples sector (i.e., canned food).

- Despite fourth-quarter results that fell slightly below expectations, shares of a clean energy producer climbed higher as investor sentiment increased on a solid 2019 earnings report and 2020 earnings-per-share (EPS) guidance. Merger and acquisition activity remains a potential growth driver for the energy company along with investment plans for its Florida utility and renewables subsidiary.

- A waste collection, recycling and disposal company benefited from a more cyclically defensive business model and exposure relative to most equities in our universe. The industry has low cyclicality in addition to tight fundamentals for waste due to a lack of new supply emerging in key markets. Additionally, export options are declining with less appetite for imported waste in emerging economies, particularly Asia.

Key Detractors

- A copper and coal producer remains under pressure amidst trade and economic concerns, further exacerbated by the higher beta characteristics of this name and industry relative to a broader equity market selloff.

- Energy services are particularly hard hit as OPEC and COVID-19 fears have sent oil prices spiraling lower. This energy company’s customers re-invest oil cash flows into additional projects and production. As the commodity price suffered, they slashed spending plans and significantly dimmed the near-term outlook for the industry. We believe this energy company remains a best-in-class operator and remains our only exposure in this market segment.
Portfoli0 Positioning

Our current exposure can be described as a “gas and brakes” approach with allocation split between cyclically exposed names and defensive ones. We see opportunities in fundamentally tight areas like energy, longer cycles playing out to favor agriculture in addition to its economic resilience, and lastly metals for the pent-up stimulus accumulating in the system. Once we move beyond the economic impact of COVID-19, we are likely to see a burst of activity and growth, which is why we have the cyclical exposure. We also have defensive exposure in gold and waste names as the uncertainty remains over duration of demand outages in addition to the precariousness of fiscal and monetary management. In the last few weeks, we have made trades to cut exposure to energy services whose earnings are tied to collapsing spending from upstream energy. Those funds have been redeployed evenly between cyclical energy and metals for the reasons discussed earlier. We anticipate this “gas and brakes” approach to likely continue into the summer at which point it will be more likely to move in one direction over the other. Given the amount of stimulus being discussed, we are leaning toward more offense.

Outlook

Energy

Visibility on the outlook for the U.S. economy has become even more challenging as the impact from the coronavirus continues to grow. We have seen a large hit to distillates (diesel, air fuel) demand since the year started, with potentially greater impact on the horizon. Initially demand weakness was most prevalent in China, but it has quickly spread to other countries globally despite Chinese activity showing signs of improvement. Our outlook for restrained supply remains constructive and in some ways we have even more conviction now with constrained capital budgets, potentially some fatigue in U.S. shale, and low oil prices due to demand fears, thus preventing additional capital. When demand resumes, we expect a fairly immediate response in higher energy prices, particularly as central banks add stimulus to the system. However, we believe prices may remain low if the pandemic expands drastically or remains at present scale but persists beyond the summer.

Our positioning remains largely at the top and bottom of the oil supply chain, looking toward larger, higher quality exploration and production (E&P) companies for oil exposure and maintaining downstream investments in U.S. refining. Positioning in refining continues to be part of a secular thesis; however, it appears we are nearing the end of that trade cyclically.

Agriculture and Forest Products

We remain constructive on agriculture as part of our multi-year improvement thesis as oversupply in grains has passed and volatility remains elevated due to trade disputes and virus fears. As the pandemic eases, we believe any progress with trade negotiations will begin with food and agriculture. The difference between these soft commodities and most others is that they do not store well and demand is high, providing a comparatively shorter and more resilient cycle. We continue to invest in lumber companies as we expect housing strength to accelerate as pent-up housing formation is released into a market that has been correcting supply for several years, leading to a sharp reversal in profitability for those in the supply chain.

Metals & Mining

We expect metals & mining to respond favorably to easing virus concerns; however, delayed demand can have the largest impact on this area. Channel inventory such as massive car lots in China that are not moving, could push back on the supply chain for steel and other metals. Central bank stimulus should help capital spending, but a lack of clarity on the economy and the coronavirus is likely to keep purse strings tight. Given the challenges that metals face with intermediate term demand uncertainty, this group will likely carry a higher beta relative to the rest of the universe – it represents real opportunity, as well as risk if we do not closely monitor this industry. We are also
rounding out our portfolio with a sizable gold position, which we have had in place for quite some time. We remain in this position due to concerns over uncertainty and volatility and will continue to do so until there is more clarity on economic growth.

**Average Annual Total Returns (12/30/19)**

<table>
<thead>
<tr>
<th>Share Class/Inception Date</th>
<th>3 Month (2/29/20)</th>
<th>YTD (2/29/20)</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>10 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A (NAV) 10/31/03</td>
<td>-9.82%</td>
<td>-15.10%</td>
<td>16.36%</td>
<td>2.83%</td>
<td>1.38%</td>
<td>3.37%</td>
</tr>
<tr>
<td>Class A (5.75% max. load)</td>
<td>-15.01%</td>
<td>-19.99%</td>
<td>9.68%</td>
<td>0.82%</td>
<td>0.19%</td>
<td>2.77%</td>
</tr>
<tr>
<td>Class I (NAV) 10/31/03</td>
<td>-9.76%</td>
<td>-15.06%</td>
<td>16.67%</td>
<td>3.12%</td>
<td>1.66%</td>
<td>3.66%</td>
</tr>
<tr>
<td>S&amp;P Global Natural Resources Index</td>
<td>-13.12%</td>
<td>-18.02%</td>
<td>17.20%</td>
<td>7.92%</td>
<td>4.79%</td>
<td>1.61%</td>
</tr>
</tbody>
</table>

**DUE TO HIGH MARKET VOLATILITY IN MARCH 2020, CURRENT PERFORMANCE IS LOWER THAN THE FIGURES SHOWN.** Please visit im.bnymellon.com for current performance information.

The performance data quoted represents past performance, which is no guarantee of future results. Share price and investment return fluctuate and an investor’s shares may be worth more or less than original cost upon redemption. Current performance may be lower or higher than the performance quoted. Performance for periods of less than 1 year are not annualized. Go to im.bnymellon.com for the fund’s most recent month-end returns. Total Expense Ratios: Class A 1.28%, Class I 1.00%. Not all classes of shares may be available to all investors or through all broker-dealer platforms. Other share classes are subject to different fees and expenses and would have achieved different returns.

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 read the prospectus carefully before investing.

**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.

**Commodities** contain heightened risk including market, political, regulatory, and natural conditions, and may not be suitable for all investors. The natural resources sector can be affected by events occurring in nature, inflation, and domestic and international politics. Interest rates, commodity prices, economic, tax, and energy developments, and government regulations may affects the natural resources sector and the share prices of the companies in the sector. 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. **Currencies** are subject to the risk that those currencies will decline in value relative to a local currency, or, in the case of hedged positions, that the local currency will decline relative to the currency being hedged. Each of these risks could increase the fund’s volatility.

The S&P Global Natural Resources Index includes 90 of the largest publicly traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across three primary commodity-related sectors: agribusiness, energy, and metals & mining. An investor cannot invest directly in any index.

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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