Second Quarter 2015

Investing for the Changing Face of Risk

Dynamic Total Return
Today, Risk Moves at a Faster Pace

Risk is nothing new for investors. The difference is that it now outpaces opportunity.

Market volatility spikes sharply with negative events, affecting investor sentiment and market performance.

Technological advancements have accelerated the rate at which we receive information (on-demand communications) and act on it (high-frequency trading).

Geopolitical and geosocial events in one part of the globe can instantly affect markets worldwide.

Source: Bloomberg, Chicago Board Option Exchange, based on the VIX, a popular measure representing the implied volatility of S&P 500 index options.
Today’s Low Volatility May Be Short-Lived

Volatility has been low in recent months, but there’s enough turmoil in the world to expect a change.

– At any time, volatility could reverse course and return to historical averages.

– Volatility itself is not the risk; the risk is not doing anything.

– Complacency may be the biggest threat to your clients’ portfolios.

Source: FactSet. Past performance is no guarantee of future results. Please refer to the appendix for additional information on the indexes used above.
Your Role: Help Clients Manage Volatility

You can’t afford to stop seeking growth for your clients, regardless of the risk environment.

**Traditional blended** portfolios still remain exposed to risk, particularly downside tail risk that may occur as a result of unforeseen events.

**Traditional asset** allocation doesn’t effectively offset the greatest risk factor: equity market risk.

### Top Maximum Drawdowns Over 20-Year Period

<p>| | | |</p>
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>World Stocks</td>
<td>-54.03%</td>
<td></td>
</tr>
<tr>
<td>Traditional Blended</td>
<td>-33.14%</td>
<td></td>
</tr>
</tbody>
</table>

Source: FactSet as of June 30, 2015. Past performance is no guarantee of future results. Please refer to the appendix for additional information on the indexes used above. World Stock = MSCI World Index, and World Bonds = Citi World Bond Index. Traditional Blended Portfolio = 60/40 MSCI/Citi indexes.
Managing Volatility Takes Time and Expertise

Challenge
Find the conviction to continue pursuing growth in the face of increased volatility and potential market corrections

Solution
A growth-oriented, unconstrained strategy with the firepower to potentially manage volatility despite short-term market dispersions

How will you accomplish this and still have the time and resources to remain responsive to clients’ immediate needs and long-term goals?

Point clients to a fund that actively pursues growth while controlling downside exposure.
## The Solution: Dynamic Total Return Fund

### Class A
**AVGAX**

### Class C
**AVGCX**

### Class I
**AVGRX**

### Constantly pursuing volatility-managed growth

<table>
<thead>
<tr>
<th>Unconstrained Asset Allocation</th>
<th>Effective Tail Risk Management Tools</th>
<th>Multi-Asset Pioneers</th>
</tr>
</thead>
<tbody>
<tr>
<td>The fund uses a <strong>flexible and systematic approach</strong> to investing, actively and efficiently shifting capital and risk exposures among equity, bond, currency and commodity holdings. This allows the fund to pursue targeted total return within a measured volatility band over a given market cycle.</td>
<td>Tail events (unexpected, extreme market-moving events) can have a devastating impact on portfolio returns. The fund's managers seek to <strong>combat tail risk using a variety of liquid alternative techniques</strong>. As a result, this strategy may be an effective complement to a growth-oriented portfolio.</td>
<td>Mellon Capital has a <strong>25-year history in tactical asset allocation</strong> and continuously refines its dynamic set of analyses and investment models to shape both institutional and retail solutions. The investment team has an average 18 years of investment experience, spanning multiple market cycles and conditions.</td>
</tr>
</tbody>
</table>
Dynamic Asset Allocation Based on Market Risk Environment

Proactively shifts among growth and defensive assets based on expectations. Flexibility to invest in real asset and adjust currency exposure for tactical purposes or for additional alpha.

<table>
<thead>
<tr>
<th>OBJECTIVE</th>
<th>CHARACTERISTICS</th>
<th>ASSETS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>High historical return and volatility characteristics</td>
<td>Global equities, emerging markets assets and options</td>
</tr>
<tr>
<td>Defensive</td>
<td>Low historical return and volatility characteristics; low or negative correlation with growth assets; used to manage downside tail risks</td>
<td>High-quality investment-grade bonds, developed-market government bonds and cash</td>
</tr>
<tr>
<td>Real Asset</td>
<td>Traditionally performs well relative to other asset classes during periods of higher inflation; low correlation to traditional stocks and bonds</td>
<td>Commodities and inflation-linked securities</td>
</tr>
<tr>
<td>Diversifying Strategies</td>
<td>Serves as a complement to growth and/or defensive exposures</td>
<td>Underlying hard-currency exposure, futures</td>
</tr>
</tbody>
</table>
Regime-Sensitive Approach: Growth and Managed Volatility

Seeks growth in all markets but ramps up the defensive hedge in adverse markets

Adverse market conditions

- Weak economic growth
- High volatility

De-risk the portfolio with defensive assets

Normal market conditions

- Stronger economic activity
- Moderate volatility

Minimize defensive assets and focus on bottom-up fundamentals

Flexibility to adapt to market conditions by adjusting the fund's growth and defensive assets

Values are as of month-end. Real asset and net currency exposures were excluded from the illustration above for effect. Real asset exposures ranged between 1.7% and 10.6% during the period. Values shown may reflect the use of leverage. Portfolio composition is subject to change over time.
A Multialternative Fund With a Strong Track Record

Consistently ranked in the top 5% in total return among all Multialternative funds (as of 6/30/15):

Morningstar Overall Rating™ among 216 funds in the Multialternative category as of 6/30/15. Rating reflects risk-adjusted performance and is derived from a weighted average of the funds’ three-, five- and 10-year (as applicable) ratings.

Class I Average Annual Returns (as of 6/30/15)

<table>
<thead>
<tr>
<th></th>
<th>1 YR.</th>
<th>3 YR.</th>
<th>5 YR.</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.67%</td>
<td>10.92%</td>
<td>10.68%</td>
<td>4.22%</td>
</tr>
</tbody>
</table>

Source: Morningstar. Please refer to appendix for methodology and additional information. Other share classes may have achieved different results.

Ratings and ranking shown above reflect 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. Year-to-date performance is not annualized. Go to dreyfus.com for the fund’s most recent month-end returns. Dreyfus has contractually agreed, until March 1, 2016, to waive receipt of its fees or assume the expenses of the fund so that the direct expenses of none of the classes (excluding rule 12b-1 fees, shareholder services fees, tax, interest, brokerage commissions, commitment fee on borrowings and extraordinary expenses) exceed 1.25%. Total expense ratio: Class I, 1.21%. (Net expense ratio: Class I, 1.21%).
Why Invest in Dynamic Total Return Today?

1. **You need greater investment flexibility to manage changing market conditions.**
   Funds tied to benchmarks offer little recourse as volatility rises, and they remain significantly exposed to tail risk. Dynamic Total Return is designed to protect against the effects of sharp, unexpected downward moves in the market.

2. **Downside tail risk is a real threat in today’s market.**
   Negative events are likely to have an oversize impact on unprotected portfolios.

3. **A return to heightened levels of volatility is possible** given global political and economic conditions.
Help Protect Portfolios From a Rise in Volatility

Volatility has settled recently but is unlikely to remain low.

Historically, heightened volatility has signaled an increased probability of downside tail risk.

Mellon Capital believes that spikes in short-term volatility can serve as early indicators of increased market risk. Managing volatility can therefore enhance downside protection.

Dynamic Total Return’s underlying strategy is designed to seek to maintain a 7–10% standard deviation range over a market cycle.

There can be no guarantee that the fund’s approach will be successful or that any particular level of return will be achieved for the fund.
How Dynamic Total Return May Fit in Your Clients’ Portfolios

Three potential roles:

1. **As the balanced growth and managed volatility component** within a diversified, dedicated liquid alternatives allocation

2. **To manage or reduce volatility** within a world allocation strategy, offering a profile similar to a world allocation strategy with less expected volatility

3. **As a diversifying component** within a global equity allocation that decreases the portfolio’s equity beta while still attempting to capture upside equity exposure

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**Dynamic Total Return Fund**

- **Class A:** AVGAX
- **Class C:** AVGCX
- **Class I:** AVGRX
The Right Partners: BNY Mellon and Mellon Capital
# BNY Mellon: A Leader in Investment Management and Investment Services

## Expertise Across Our Efforts

| Design and deliver innovative solutions for managing and servicing investments | Combine a wide range of financial services into a comprehensive, client-centered approach | Provide access and opportunities in markets around the world |
BNY Mellon: A Leader in Investment Management and Investment Services

7th Largest Global Asset Manager\textsuperscript{3,4} \hspace{2cm} $28.6\ T$
\text{Assets under custody and administration}

7th Largest U.S. Asset Manager\textsuperscript{2,3} \\
7th Largest U.S. Wealth Manager\textsuperscript{3,5} \hspace{2cm} $1.7T$
\text{Assets Under Management}\textsuperscript{1}

\begin{itemize}
  \item \textsuperscript{1} As of 6/30/2015.
  \item \textsuperscript{2} \textit{Institutional Investor}, July 2014.
  \item \textsuperscript{3} Rankings based on 2013 year-end data.
  \item \textsuperscript{4} \textit{Pensions & Investments}, November 2014.
  \item \textsuperscript{5} \textit{Barron’s}, September 2014.
\end{itemize}
The BNY Mellon Organization

**BNY MELLON**

BNY Mellon is a premier global investments company dedicated to helping clients manage and service their financial assets throughout the investment life cycle. BNY Mellon provides financial services for institutions, corporations and individual investors, delivering informed investment management and investment services in 35 countries and more than 100 markets.

**BNY MELLON INVESTMENT MANAGEMENT**

- Diversity of styles and risk profiles
- No “house view” or centralized CIO
- Composed of 12 autonomous investment subsidiaries with distinct philosophies and processes

**MELLON CAPITAL**

Offering extensive investment capabilities in index, strategic beta, and alternative and active solutions offered globally through fundamentally based and systematically implemented strategies.
Mellon Capital: A Pioneer in Index and Factor-Based Strategies

**Founded in 1983** and headquartered in San Francisco, Mellon Capital founders are recognized as the originators of value-based tactical asset allocation and index fund management.

- $392 billion in AUM (as of 6/30/15)
- Providing client solutions in a range of strategies including, but not limited to:
  - Domestic and global asset allocation
  - Currency and overlay strategies
  - Active commodities
  - Active equity
  - Traditional indexing and strategic beta

— William Fouse
Chairman Emeritus and Cofounder

**Our Research**
Our research and expertise—spanning four decades—provides a unique perspective that is the cornerstone of our multi-asset solutions.

- **Research**
  - Global Macro
  - Economic Forecasting
  - Fixed Income
  - Equity

- **107 investment professionals**
  - Strategists
  - Portfolio management
  - Trading

- **25 research professionals**
  - Average of 14 years’ experience
A Reliance on Both Quantitative and Fundamental Factors to Seek to Create an Efficient, Risk-Managed Total Return Solution

1. Careful selection of the right asset class exposure to meet client objectives

2. A dynamic construction process aimed at managing multifactor market drivers

3. Constant monitoring of market conditions with the primary objective of de-risking the solution during adverse conditions

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**Top-Down Global Macro Assessment**
- Economic indicators (GDP forecast, inflation, etc.)
- Financial/market signals (volatility, market stress, etc.)

**Bottom-Up Asset Class Assessment**
- Forward-looking returns/risk
- Fundamentals-focused: earnings, rates, etc.
- Blend of long term and short term
- Systematic framework

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**Growth Assets**

**Defensive Assets**

**Liquid Real Assets**

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**Focus on Weak Macro Environment—De-risk Portfolio**

**Adverse Market Conditions**
- Weak economic growth
- High volatility
- Significant market stress

**Regime Sensitivity**
Risk and capital allocations adapt dynamically to evolving market environments.

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**Focus on Bottom-Up Fundamentals and Asset Class Valuations**

**Normal Market Conditions**
- Stronger economic environment
- Moderate volatility
Mellon Capital Adheres to a Distinctive Multidimensional Risk Management Process

**Multilayered Risk Management**

### 1. Structural Design

<table>
<thead>
<tr>
<th>Diverse Foundation</th>
<th>Dynamic Allocation</th>
<th>Regime Sensitive</th>
</tr>
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<tbody>
<tr>
<td>Growth assets</td>
<td>Not anchored to static mix</td>
<td>Volatility function</td>
</tr>
<tr>
<td>Hedging assets</td>
<td>Disciplined rebalancing</td>
<td>Surprise inflation</td>
</tr>
<tr>
<td>Liquid real assets</td>
<td>Opportunistic</td>
<td>Macro shocks</td>
</tr>
</tbody>
</table>

### 2. Risk Factors

<table>
<thead>
<tr>
<th>Macro Risks</th>
<th>Market Risks</th>
<th>Implementation Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic risk</td>
<td>Volatility (standard deviation)</td>
<td>Liquidity risk</td>
</tr>
<tr>
<td>Left-tail events (drawdown)</td>
<td>Value at risk (VaR)</td>
<td>Counterparty risk</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regulatory risk</td>
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</table>

### 3. Risk Management Tools

<table>
<thead>
<tr>
<th></th>
<th>Risk, return and correlation forecasts</th>
<th>Mostly liquid, exchange-traded instruments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset class forecasts</td>
<td>Predefined risk threshold</td>
<td>Rigorous counterparty selection and monitoring</td>
</tr>
<tr>
<td>Stress testing</td>
<td>RiskMetrics VaR</td>
<td></td>
</tr>
<tr>
<td>Volatility control</td>
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</table>
Important Information

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 Dreyfus fund, contact your financial advisor or visit dreyfus.com. Read the prospectus carefully before investing. Investors should be advised of the eligibility requirements for Class I shares, which are available only to certain eligible investors, and the historical results achieved by the fund’s respective share classes.

Ratings reflect risk-adjusted performance, and are derived from a weighted average of the fund’s three-, five-, and 10-year (as applicable) ratings. Class A shares received a five star rating among 216 Multialternative funds. As of 6/30/15, the fund’s Class I received five stars for both the three- and five-year periods out of 216 and 143 funds, respectively, in the category. Past performance is no guarantee of future results. Other share classes may have different ratings. The Morningstar Ratings formula measures the amount of variation in a fund’s performance and gives more emphasis to downward variations. The top 10% of the funds in the category receive five stars; the next 22.5% four stars; the next 35% three stars; the next 22.5% two stars; and the last 10% one star. Ratings reflect sales loads. The fund represents a single portfolio with multiple share classes that have different expense structures. Other share classes may have achieved different results. Class I shares are available only to certain eligible investors.

Diversification and asset allocation cannot ensure a profit or protect against loss of principal. There can be no guarantee that the fund’s approach will be successful or that any particular level of return will be achieved for the fund.

Main risks:

**Equity funds** are generally subject to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees.

**Bonds** are generally 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 **internationally** involves special risks, including changes in currency exchange rates, political, economic and social instability, a lack of comprehensive company information, differing auditing and legal standards, and less market liquidity. These risks are generally greater with emerging market countries. The use of **derivative instruments**, such as options, futures and options on futures, forward contracts, swaps, options on swaps, and other credit derivatives, involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. A small investment in derivatives could have a potentially large impact on the fund’s performance.

**Short sales** may involve substantial risk and “leverage.” Short sales expose the fund 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. Exposure to the commodities markets may subject the fund to greater volatility than investments in traditional securities. The values of **commodities** and commodity-linked investments are affected by events that might have less impact on the values of stocks and bonds. Investments linked to the prices of commodities are considered speculative. Prices of commodities and related contracts may fluctuate significantly over short periods for a variety of factors. The ability of the fund to achieve its investment goal depends, in part, on the ability of the fund’s portfolio manager to allocate effectively the fund’s assets among equities, bonds and currencies. There can be no assurance that the actual allocations will be effective in achieving the fund’s investment goal.
Beta is a measure of a security's or portfolio's volatility, or systematic risk. The beta coefficient measures a security’s or portfolio’s volatility relative to an index. A beta of 1 indicates that the security’s price will move with the market. A beta less than 1 means that the security will be less volatile than the market. A beta greater than 1 indicates that the security’s price will be more volatile than the market.

Correlation measures the degree to which the performance of a given asset class moves in relation to another, on a scale of -1 to 1. Negative 1 indicates a perfectly inverse relationship, 0 indicates no relationship, and 1 indicates a perfectly positive relationship.

Drawdown refers to the peak-to-trough decline during a specific record period and is quoted as the percentage between the peak and the trough.

Standard deviation is a statistical measure of the degree to which an individual portfolio return tends to vary from the mean, based on the entire population. The greater the degree of dispersion, the greater the degree of risk. In mutual funds, standard deviation tells us how much the return on the fund is deviating from the expected normal returns.

The Barclays U.S. Aggregate Index is a widely accepted, unmanaged total return index of corporate, government and government-agency debt instruments, mortgage-backed securities, and asset-backed securities with an average maturity of one to 10 years. The Dow Jones/Credit Suisse Long/Short Liquid Index reflects the return of a dynamic basket of liquid, investable market factors selected and weighted in accordance with an algorithm that aims to track the performance of the Dow Jones Credit Suisse Long/Short Equity Hedge Fund Index (the "DJCS L/S Index") by allocating weights to non–hedge fund, transparent market factors. The FTSE World Index is an unmanaged, free-float market-capitalization-weighted index designed to measure the performance of 90% of the world’s investable stocks issued by large and midcap companies in developed and advanced emerging markets. The Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE) Index is a widely accepted, unmanaged total return index of foreign stock market performance.

The MSCI Emerging Markets Index is a free float-adjusted market-capitalization index designed to measure equity market performance of emerging markets. The MSCI World Index is an unmanaged total return index of global stock market performance consisting solely of equity securities. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000® Index. The Russell Midcap Index measures the performance of the midcap segment of the U.S. equity universe and is a subset of the Russell 1000® Index. The Standard & Poor’s 500 Composite Stock Price Index is a widely accepted, unmanaged total return index of U.S. stock market performance.

The Dreyfus Corporation is the fund’s investment adviser. Mellon Capital is the fund’s sub-adviser. Each is a subsidiary of The Bank of New York Mellon Corporation. 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 services and global distribution companies.