Fixed income. Not fixed thinking.

Engine CARAVAN Surveys on behalf of BNY Mellon Investment Management
“Fixed income. Not fixed thinking” National Research Study

BNY Mellon Investment Management commissioned a national research study of more than 2,000 Americans to gain a better understanding of their knowledge, attitudes and behaviors regarding fixed income. Engine CARAVAN Surveys, on behalf of BNY Mellon Investment Management, fielded the “Fixed income. Not fixed thinking” national survey from July 8-14, 2019.

The following pages are the results of this survey.

All information contained herein is sourced by Engine CARAVAN Surveys.

Please see important disclosures at the end of this presentation.
What do you think is the definition of a fixed income investment?

- **42%** An investment that provides a fixed amount of income per month or quarter.
- **9%** An investment that locks up your capital for a fixed period of time.
- **8%** An investment in corporate and/or government bonds that pays investors periodic interest payments until their maturity dates.
- **5%** Investments that include equities, futures, alternatives, and thematic products.
- **36%** I don't know.

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
Fixed income investing is intended only for retirement planning.

[Base = (Total Respondents) Total: N = 2007]

28% True
72% False
TRUE OR FALSE?
The best way to maximize the value of fixed income in your investment portfolio is to own individual bonds rather than purchase a mutual fund investing in bonds.

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
All bonds provide the same level of risk.

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
All bonds provide the same level of income.

[Base = (Total Respondents) Total: N = 2007]

[Diagram showing 13% for True and 87% for False]
TRUE OR FALSE?
Passive management is always the most transparent, tax-efficient, highest return, and/or simplest way to allocate toward fixed income in an individual’s portfolio.

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
Actively managed bond investing can research the quality and income potential of every bond in a fund in ways passively managed bond investing cannot.

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
During periods of increased volatility — defined here as big market swings in either direction — it is preferable to have invested in an inexpensive bond index fund than an actively managed bond index fund.

50% True
50% False

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
Investing in equities (stocks) requires more knowledge and skill than fixed income investing.

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
Fixed income fund returns cannot approach equity fund returns.

[Base = (Total Respondents) Total: N = 2007]

43% True
57% False
TRUE OR FALSE?
Municipal bonds — defined here as loans investors make to local governments — are primarily intended only for high-net-worth or ultra-high-net-worth individuals.

[Base = (Total Respondents) Total: N = 2007]

44% True

56% False
TRUE OR FALSE?
Taxes should never be a consideration in deciding the types of bonds an individual adds to his/her investment portfolio.

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
The US market provides the best return potential for investors who want to have some exposure to bonds vs. other countries.

59% True
41% False

(Base = (Total Respondents) Total: N = 2007)
What is your understanding of high-yield bonds, aka “junk bonds”?

- 20% They are the worst bonds to own (due to lower credit ratings than investment-grade corporate bonds)
- 18% They can have a balancing influence in a diversified portfolio
- 7% They are the best bonds to own (due to their high returns)
- 54% I don’t know

[Base = (Total Respondents) Total: N = 2007]
Rising interest rates are:

- **14%** Always positive for bond holders
- **10%** Always negative for bond holders
- **45%** Can be positive or negative depending on the bond
- **31%** I don't know

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
Fixed income securities are less liquid than equities (with liquidity referring to how easily assets can be converted into cash).

[Base = (Total Respondents) Total: N = 2007]

61% True
39% False
TRUE OR FALSE?
Investors must always hold bonds to maturity.

[Base = (Total Respondents) Total: N = 2007]
TRUE OR FALSE?
Fixed income investing is always safer than investing in equities or alternatives (with alternatives defined as a financial asset that does not fall into one of the conventional investment categories of stocks, bonds, and cash).
At what point in time should the average investor consider adding fixed income to their investment portfolios?

[Base = (Total Respondents) Total: N = 2007]
What percentage of your investment portfolio has an allocation toward fixed income?

[Base = (Total Respondents) Total: N = 2007]

[I don't have an investment portfolio] 35%
[I don't know] 19%
[100%] 1%
[76–99%] 2%
[51–75%] 5%
[26–50%] 8%
[11–25%] 12%
[1–10%] 11%
[0%] 7%
What is your rationale for having no allocation toward fixed income?

- I've been burned by fixed income in the past: 3%
- Fixed income won't provide as strong returns as equities: 8%
- Concerns about interest rates: 11%
- I don't understand different fixed income classes: 44%
- I'm too young to invest in fixed income: 12%
- Other: 30%

[Base = (Don't have an investment portfolio, or have one but don't have anything allocated toward fixed income) Total: N = 849]
How difficult do you find it to understand each of the following fixed income securities? Treasury bond

<table>
<thead>
<tr>
<th>Understanding Level</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>I understand it a lot</td>
<td>11%</td>
</tr>
<tr>
<td>I understand it somewhat</td>
<td>22%</td>
</tr>
<tr>
<td>I understand it only a little bit</td>
<td>28%</td>
</tr>
<tr>
<td>I do not understand it at all</td>
<td>39%</td>
</tr>
</tbody>
</table>

[Base = (Total Respondents) Total: N = 2007]
How difficult do you find it to understand each of the following fixed income securities?

Corporate bond

- I understand it a lot: 8%
- I understand it somewhat: 17%
- I understand it only a little bit: 25%
- I do not understand it at all: 51%

[Base = (Total Respondents) Total: N = 2007]
How difficult do you find it to understand each of the following fixed income securities?

Global bond

I understand it a lot: 6%
I understand it somewhat: 13%
I understand it only a little bit: 18%
I do not understand it at all: 63%

[Base = (Total Respondents) Total: N = 2007]
How difficult do you find it to understand each of the following fixed income securities? High-yield bond

[Base = (Total Respondents) Total: N = 2007]

- I understand it a lot: 8%
- I understand it somewhat: 19%
- I understand it only a little bit: 26%
- I do not understand it at all: 46%

[Base = (Total Respondents) Total: N = 2007]
How difficult do you find it to understand each of the following fixed income securities?

Municipal bond

[I understand it a lot] 8%
[I understand it somewhat] 20%
[I understand it only a little bit] 27%
[I do not understand it at all] 45%

[Base = (Total Respondents) Total: N = 2007]
How difficult do you find it to understand each of the following fixed income securities? Treasury Inflation-Protected Securities (TIPs)

I understand it a lot: 5%
I understand it somewhat: 13%
I understand it only a little bit: 19%
I do not understand it at all: 63%

[Base = (Total Respondents) Total: N = 2007]
How difficult do you find it to understand each of the following fixed income securities? Structured products (e.g., mortgage-backed securities, collateralized loan obligations [CLOs])

- I understand it a lot: 7%
- I understand it somewhat: 15%
- I understand it only a little bit: 25%
- I do not understand it at all: 53%

[Base = (Total Respondents) Total: N = 2007]
In general, how would you describe your level of risk when it comes to investing for your retirement?

I have no appetite for risk: 32%
I have little appetite for risk: 36%
I have some appetite for risk: 26%
I have a strong appetite for risk: 6%

[Base = (Total Respondents) Total: N = 2007]
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, contact your financial advisor or visit im.bnymellon.com. Read the prospectus carefully before investing.

BNY Mellon Investment Management “Fixed income. Not fixed thinking” National Research Study Methodology

Engine CARAVAN Surveys, on behalf of BNY Mellon Investment Management, fielded the “Fixed income. Not fixed thinking” national survey from July 8-14, 2019. This online omnibus study was conducted among a sample of 2,007 adults comprised of 1,003 men and 1,004 women 18 years of age and older. The sample captured a broad range of respondents by age, gender, geographic location, education level, ethnicity, and household wealth. The survey sample of 2,007 has ±2.19% Margin of Error (MoE) at 95% confidence at the “All Respondent” level and ±3.09% to 4.4% MoE at 95% confidence for demographic, behavioral, attitudinal and other subgroups. BNY Mellon and Engine CARAVAN Surveys have not affiliated companies.

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

All investments involve risk including loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing. Asset allocation and diversification cannot assure a profit or protect against loss. 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. Floating rate loan securities may include irregular trading activity, wide bid/ask spreads and extended trade settlement periods. The value of any collateral, if any, securing a floating rate loan can decline, and may be insufficient to meet an issuer’s obligations in the event of non-payment of schedule interest or principal or may be difficult to readily liquidate. Although generally less sensitive to interest rate changes than fixed-rate instruments, the value of floating rate loans securities may decline if their interest rates do not rise as quickly, or as much, as general interest rates. Currencies are can decline in value relative to a local currency, or, in the case of hedged positions, the local currency will decline relative to the currency being hedged. These risks may increase fund volatility. Diversification cannot assure a profit or protect against loss. 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. The amount of public information available about municipal securities is generally less than that for corporate equities or bonds. Legislative changes, state and local economic and business developments, may adversely affect the yield and/or value of municipal securities. Other factors include the general conditions of the municipal securities market, the size of the particular offering, maturity of the obligation, and the rating of the issue. Income for national municipal funds may be subject to state and local taxes. Income may be subject to state and local taxes for out-of-state residents. Some income may be subject to the federal alternative minimum tax for certain investors. Capital gains, if any, are taxable. Bond ratings reflect the rating entity’s evaluation of the issuer’s ability to pay interest and repay principal on the bond on a timely basis. Bonds rated BBB/Baa or higher are considered investment grade, while bonds rated BB/Ba or lower are considered speculative as to the timely payment of interest and principal. Credit ratings reflect only those assigned by Nationally Recognized Statistical Rating Organizations (NRSRO) that have rated fund holdings. Split-rated bonds, if any, are reported in the higher rating category.

Charts are provided for illustrative purposes and are not indicative of the past or future performance of any BNY Mellon Investment Management product.

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