Vassilis Dagioglu came to the U.S. in 1997 at the age of 25 to earn an M.B.A. at the University of California, Berkeley. Born and raised in Greece, he had trained as a computer scientist, designing financial systems for banks. Dagioglu brought a mathematician’s mind-set to finance, but reality soon gave him another perspective.

A year later, he was an intern on an emerging-market trading desk in the summer of 1998, when Russia devalued the ruble and suspended payments on sovereign debt. Volatility surged, liquidity dried up, and emerging-market traders couldn’t sell positions for days. “In school, you spend a lot of time thinking about financial theory,” says Dagioglu, 42. “But there are a lot of other risks you have to think about.”

Based in San Francisco, Dagioglu now oversees $15 billion in asset-allocation strategies for Mellon Capital Management. He has managed the nine-year-old Dynamic Total Return Fund (ticker: AVGAX) since 2010. It invests in stocks, bonds, currencies, and commodities, either individually or through exchange-traded funds and derivatives, including futures contracts, forward currency contracts, and stock options. He can also short stocks and bonds. The $1 billion fund

Vassilis Dagioglu’s Dynamic Total Return Fund can go anywhere—and it’s heading out of the U.S.
his stock allocation in advance of some stage. Earlier this year, he trimmed portfolio; risk evaluation takes center conditions. “You have to look at the road and weather conditions, compared with bonds, he’ll tilt toward bonds; if emerging markets look attractive, he’ll invest more there (though he now sees scant upside). Commodities and currencies aren’t highly correlated to stocks or bonds and add to the fund’s total return. Its ever-changing mix of assets means that the fund will trail the Standard & Poor’s 500 when stocks are on a tear, as they have been in the past five years. In that time, the fund has returned 10% annually, on average, versus the S&P’s 16%. However, the fund has been only about 63% as volatile as the global stock market.

Dagioglu still thinks like a computer scientist, building portfolios with quantitative precision, and he tries to protect against black swan events — the unexpected financial or geopolitical crises that can derail even the most sophisticated portfolios. The investment models he uses are like the prototypes for a race car, he says. Though they’ve been tested on a track and built with solid components, they’re prone to failure under extreme conditions. “You don’t want to drive a car just by reading the manual,” he says. “You have to look at the road and weather conditions.”

Quantitative models frame the portfolio; risk evaluation takes center stage. Earlier this year, he trimmed his stock allocation in advance of some potentially market-shaking events, including the Greek elections, European Central Bank stimulus, and a new policy statement by the Federal Reserve. “Those events all had binary outcomes, so we decided to take risk off the table,” he says. The result: 32% in cash at the end of the first quarter, 50% in stocks, and just 11% in bonds.

In the past few months, Dagioglu has shifted the mix yet again. With bond yields rising, he hiked the fund’s bond allocation to 40% by the end of May; stocks make up 56% of the portfolio. Stocks should offer better returns than government bonds, he says, but U.S. shares are pricey, despite overall slowing profit growth. The crude-oil glut has decimated energy companies, and the stronger dollar is crimping profits on exports.

More attractive than the U.S., he says, are stocks in Germany and Japan, which offer cheaper valuations and higher profit growth. Germany’s DAX Index is up 16% this year, but still trades at a reasonable 14 times estimated earnings, versus 17 times for the S&P 500. A weak euro is boosting exports, and German manufacturers and consumers are benefiting from low energy prices. Full-year profit estimates hover around 10% and have not been trimmed, in contrast to the U.S.’s.

Dagioglu likes Japan for similar reasons. Auto makers such as Toyota Motor (TM) and financial companies such as Mitsubishi UFJ Financial Group (MTU) dominate the Topix index. Car makers are benefiting from strong exports to the U.S., while banks are using low funding costs to expand lending abroad. Japan’s central bank also has indicated that it will boost stimulus measures if economic growth slows.

On the flip side, he’s shorting the United Kingdom stock market by selling futures on the FTSE 100 index. The U.K. economy looks weak compared with others in Europe, and its stocks trade at 16 times estimated earnings — too high, given the obstacles — and earnings have fallen at energy companies, including BP (BP), and banks with dealings in Asia, such as HSBC Holdings (HSBC).

While U.S. Treasury bonds don’t offer much yield, Dagioglu likes them for their downside protection. The fund now has a 48% position in U.S. Treasuries. He’s much less optimistic about German Bunds, maintaining a 26% short position. So far, he says, the fund has benefited from the underperformance of Bunds versus Treasuries.

He expects the U.S. dollar to strengthen, especially if interest rates inch up later this year; making dollar-based income investments more attractive. About 5% of the fund is short foreign-currency positions against the greenback. He’s even less optimistic about currencies that are linked to energy and metals exporters, such as those of Canada and Australia, which he’s shorting with forward contracts. “Changes in commodity prices will have long-lasting and profound effects in those economies,” he says, keeping their currencies under pressure.

As for Greece, he figures that it’s likely to work out a debt-repayment plan and stay in the euro zone, if only because a “Grexit” would be so messy and unprecedented. While his homeland is nice to visit, Dagioglu is keeping his fund invested elsewhere.
Average Annual Total Returns as of 6/30/15

<table>
<thead>
<tr>
<th>Dynamic Total Return Fund</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>Since Inception (5/2/06)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A (NAV)</td>
<td>7.46%</td>
<td>10.63%</td>
<td>10.33%</td>
<td>3.88%</td>
</tr>
<tr>
<td>Class A (5.75% max. load)</td>
<td>1.25%</td>
<td>8.47%</td>
<td>9.04%</td>
<td>3.21%</td>
</tr>
<tr>
<td>Class I</td>
<td>7.67%</td>
<td>10.92%</td>
<td>10.68%</td>
<td>4.22%</td>
</tr>
</tbody>
</table>

The performance data quoted represent 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. 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 direct expenses of the fund so that the expenses of none of the classes (excluding Rule 12b-1 fees, shareholder services fees, taxes, interest, brokerage commissions, commitment fees on borrowings and extraordinary expenses) exceed 1.25%. Total Expense Ratios: Class A 1.54%; Class I 1.21%. (Net Expense Ratios: Class A 1.50%; Class I 1.21%).

The fund’s Morningstar category is Multialternative. As of 6/30/15 the fund’s Class I shares were ranked 18/388 and 1/143 and Class A shares were ranked 20/388 and 2/143 for the one- and five-year periods, respectively. Other share classes would have achieved different rankings. Reference to the Morningstar Moderate Target Risk Category is in error. Rather, the Morningstar Target Risk Index is one of five proprietary asset allocation benchmark indexes used by Morningstar to benchmark fund performance. The fund represents a single portfolio with multiple share classes that have different expense structures.

Dynamic Total Return’s investment objective is total return. The fund pursues its goal by normally investing in instruments that provide investment exposure to global equity, bond, currency and commodity markets, and in fixed income securities. The fund may invest in instruments that provide economic exposure to developed and, to a limited extent, emerging market issuers. The fund may invest up to 30% of its net assets in emerging market issuers and considers emerging market countries to be those included in the Morgan Stanley Capital International Emerging Markets Index.

**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. Volatility is measured by **standard deviation**, which 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.

The S&P 500 Index is a widely accepted, unmanaged index of overall U.S. market performance. An investor cannot invest directly in any index. The DAX Index is a stock index that represents 30 of the largest and most liquid German companies that trade on the Frankfurt Exchange. The TOPIX, also known as the Tokyo Stock Price Index, is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. The Financial Times Stock Exchange (FTSE) 100 Index is an average of share prices in the 100 largest, most actively traded companies on the London Stock Exchange.

The portfolio strategies discussed should not be considered recommendations to purchase or sell a particular security. It should not be assumed that securities bought or sold in the future will be profitable or will equal the performance of the securities in this list. Large concentrations can increase share price volatility. Investment views are current as of the date of this article. Portfolio composition is subject to change at any time.
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 the fund, investors should contact their financial advisor or visit dreyfus.com. Investors should be advised to read the prospectus carefully before investing. Class I shares are available only to certain eligible investors.

Main Risks

**Equity Risk** Equity funds are subject generally to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees. **Bond Risk** 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. **Foreign and Currency Risk** The fund’s performance will be influenced by political, social and economic factors affecting investments in foreign companies. Special risks associated with investments in foreign companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability and differing auditing and legal standards. These risks are enhanced in emerging markets countries. Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged. Each of these risks could increase the fund’s volatility. **Short Sale Risk** 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 to the fund. **Derivatives Risk** The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets, and could involve leverage. 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 fund will not correlate with the underlying instruments or the fund's other investments. **Commodities Risk** 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. Yields fluctuate.

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

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.