

BNY Mellon Multi-Asset Diversified Return Fund

INVESTMENT MANAGER



Newton Investment Management: Newton pursues a distinctive global thematic investment approach and provides added value from extensive proprietary research.

FUND RATINGS



Ratings should not be used for making an investment decision and do not constitute a recommendation or advice in the selection of a specific investment or class of investments.

INVESTMENT OBJECTIVE AND PERFORMANCE BENCHMARK

To achieve long-term capital growth over a period of at least 5 years from a portfolio diversified across a range of assets. The Fund is managed to seek a return in excess of cash (1 Month GBP LIBOR) +3% per annum over five years before fees. In doing so, it aims to achieve a positive return on a rolling three year basis (meaning a period of three years, no matter which day you start on). However, a positive return is not guaranteed and a capital loss may occur.

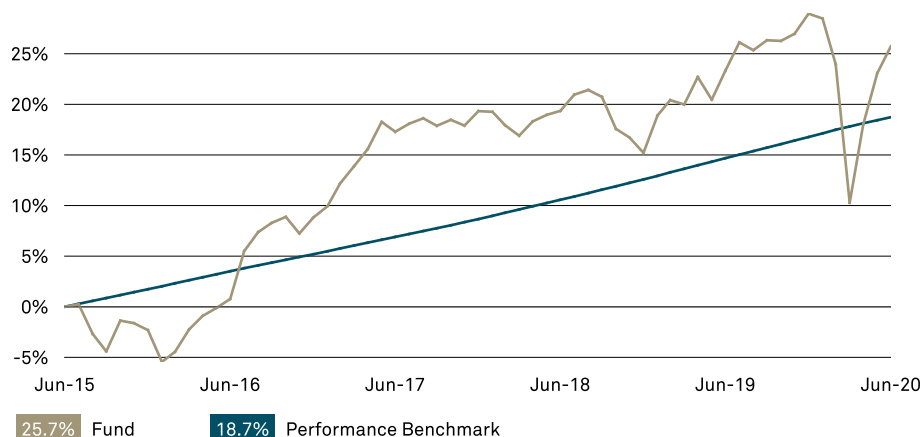
PERFORMANCE DISCLOSURE

Past performance is not a guide to future performance. The value of investments can fall. Investors may not get back the amount invested. Income from investments may vary and is not guaranteed.

QUARTERLY HIGHLIGHTS

- **Performance:** The Fund posted a positive return, net of fees, recovering from the sharp drawdown experienced in the first quarter.
- **Activity:** We continued to reduce the Fund's cash allocation as we aimed to take advantage of market dislocations and participate in rights issues.
- **Outlook & Strategy:** We remain cautious and believe investors should position themselves in those business models with the strength to survive the crisis, while being mindful of valuations.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

	Annualised						
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	2.17	14.03	-2.50	1.97	2.64	2.34	4.68
Performance Benchmark	0.01	0.04	0.18	0.54	0.63	0.56	0.46

	2015	2016	2017	2018	2019
Fund	0.63	11.40	9.65	-3.45	11.93
Performance Benchmark	3.51	3.41	3.30	3.60	3.72

Source for all performance: Lipper as at 30 June 2020. Fund Performance for the Institutional Shares W (Accumulation) calculated as total return, including reinvested income net of UK tax and charges, based on net asset value. All figures are in GBP terms. The impact of an initial charge (currently not applied) can be material on the performance of your investment. Further information is available upon request.

Effective 10 June 2019, the Fund name changed from Newton Multi-Asset Diversified Return Fund to BNY Mellon Multi-Asset Diversified Return Fund.

The Fund will measure its performance before fees against 1 month GBP LIBOR +3% per annum over five years as a target benchmark (the "Benchmark").

LIBOR is the average interbank interest rate at which a large number of banks on the London money market are prepared to lend one another unsecured funds denominated in British pounds sterling. The Fund will use the Benchmark as a target for the Fund's performance to match or exceed because it is representative of sterling cash and the Fund's investment objective is to seek a return in excess of sterling cash +3% per annum.

The Fund is actively managed, which means the Investment Manager has discretion over the selection of investments, subject to the investment objective and policies as disclosed in the Prospectus.

BNY MELLON INVESTMENT MANAGEMENT EMEA LIMITED - CLIENT SERVICES

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PERFORMANCE COMMENTARY

Financial markets staged a strong recovery in the second quarter following the precipitous declines endured during the first three months of the year. Market participants largely shrugged off stark economic data that included US unemployment reaching a post-war high and predictions that some countries would have their deepest recessions in generations.

WE BENEFITED FROM POSITIONING IN THE TECHNOLOGY, CONSUMER GOODS AND INDUSTRIALS SECTORS

Monetary authorities continued to provide exceptional support to markets, with the US Federal Reserve (Fed) purchasing corporate debt directly and assisting small and medium-sized companies via lending programmes. Europe and the UK extended their bond purchases and offered financial assistance to eligible companies. These actions, combined with continued support for employment costs, underpinned investor confidence and ensured an exceptionally low cost of capital, with bond yields scarcely positive across the maturity curve in most developed markets.

Sentiment was also boosted as lockdown restrictions were gradually lifted (albeit at differing rates regionally) and businesses were allowed to reopen for trading. While the resumption of trading is a necessary and welcome stage of the recovery, much uncertainty still exists around consumer confidence and the potential for second waves of the virus, such as those that were experienced in some US states as the quarter drew to a close.

The extraordinary rise in global equity markets is all the more remarkable in light of the reigniting of US-China tensions. This began with US President Donald Trump's inflammatory claims that Covid-19 originated in a laboratory in Wuhan, and raised the prospect of the US using tariffs against China. It was followed by President Trump ordering the main federal government pension fund not to invest in Chinese companies, and there were reports of an initiative to try to prevent Chinese components being used in the US semiconductor supply chain. Relations came under further pressure following the Chinese government's move to tighten restrictions on Hong Kong residents via a national security law, which led to the return of pro-democracy protesters to the streets.

The short-term volatility in markets caused by the pandemic resulted in the Fund experiencing a drawdown in the first quarter which was larger than we were comfortable with. It is important to emphasise that we are investing on a five-year investment horizon and are not able to control short-term dislocations in markets. We believe, however, that the Fund's fundamental approach to diversification, its flexibility and its ability to react quickly has allowed it to recover that performance in a reasonable timeframe, with many of its holdings bouncing back quickly after the initial dislocation.

The Fund posted a positive return over the quarter, net of fees. We benefited from positioning in the technology, consumer goods and industrials sectors within equities, and strong performance within alternatives after a rebound in economic infrastructure and renewables. Music royalties also contributed to returns. Our holding in Hipgnosis Songs Fund benefited from news that paid subscriptions of music-streaming services continued to grow even during the Covid-19 lockdowns. Within bonds, emerging market and sub-investment-grade bonds performed best as they bounced back from the previous quarter's sell-off on the back of the Fed's substantial policy measures.

This performance was helped by the significant changes we made to the Fund coming through the downturn as we allocated a large portion of the significant cash position back into the market.

Individual contributors to performance included online retailer ASOS, a recent purchase, which benefited from the demand for online shopping during the crisis. Pershing Square was the largest contributor to performance after the activist investment company made a sizeable bet against markets at the onset of the pandemic, resulting in significant gains. The company still trades on a significant discount to net asset value.

Notable among the best performers were some cyclically exposed companies that had lagged in the first quarter, such as casino operator Star Entertainment and US housebuilders Toll Brothers and Lennar, which all climbed on investors' hopes of an economic recovery.

Electric-vehicle battery manufacturer Samsung SDI was one of the top contributors over the quarter. This reflected South Korean President Moon Jae-in's intention to pursue green initiatives in a bid to revive the country's economy, while the European Commission also confirmed a stimulus plan aimed at prioritising sustainable investments. In addition, positive news emerged on the company's Gen 5 battery.

ACTIVITY REVIEW

We continued to reduce the Fund's cash allocation during the quarter as we aimed to take advantage of market dislocations and participate in rights issues as companies sought to shore up their finances against an uncertain backdrop. Several companies which are well managed and strongly positioned for the long-term have found themselves uniquely vulnerable to the current crisis.

WE BOUGHT A NEW HOLDING IN INFINEON TECHNOLOGIES AND ADDED TO PING AN INSURANCE

Events organiser Informa has suffered through the Covid-19 crisis as conferences were cancelled when travel restrictions took hold. Over the long-term, however, we believe that the company is well positioned with a resilient business model and significant variable costs that can be cut. We participated in the company's £1 bn share placing, which came at a discount to the market price, and removes a degree of uncertainty around the risks to the company's capital structure.

We took advantage of some weak performance to purchase Infineon Technologies, the leading provider of semiconductors to the automotive and industrial markets. The company boasts a strong competitive position given substantial barriers to entry. It is well situated to benefit from electric-vehicle adoption, automation, alternative energy, and regulatory pressures on the auto industry to reduce CO2 emissions.

We added to the position in Ping An Insurance, China's leading life insurer. The growth opportunity for protection products in China is one of the largest in the world, while profitability remains high owing to favourable industry dynamics. This adds to the Fund's existing exposure to this area through the AIA Group.

Hikma Pharmaceuticals performed well after an increase in Covid-19 hospitalisations in the US drove a surge in sales for its injectable products. As sales began to normalise, however, attention reverted to concerns about greater pricing pressure in the US and greater competitive threats to its pipeline products. We therefore decided to sell the holding. We also used the strong performance of online retailer ASOS to reduce exposure, as the stock had performed well since we bought the position in March.

INVESTMENT STRATEGY AND OUTLOOK

The continuing Covid-19 pandemic will significantly affect the short-term earnings outlook for the global economy. A balance between the health risk of easing lockdown restrictions prior to the development of a successful vaccine and the risk to the health of the global economy with continued closures will need to be found. Second wave outbreaks and localised lockdowns seem likely, preventing a return to 'normal' over the short-term.

WE AIM TO TAKE ADVANTAGE OF SHORT-TERM MARKET VOLATILITY

Many challenges have been overcome in the crisis and these are likely to lead to long-term changes in business conduct as digitalisation progress accelerates. Already stretched fiscal positions will be tested further, and monetary support in the form of low interest rates will probably be required for a prolonged period.

Our outlook remains cautious and we believe investors should position themselves in those business models with the strength to survive the crisis and emerge structurally intact or stronger, while being mindful of valuations. At Newton, our investment themes help us to navigate these trends and inform Fund positioning, as we seek to take advantage of short-term market volatility to initiate and increase positions in companies we believe are well positioned for the long term.

TOP 10 HOLDINGS (%)

	Fund
Pershing Square Holdings Ltd	3.8
Hipgnosis Songs Fund Ltd	3.1
WisdomTree Metal Securities	2.8
GCP Infrastructure Investments	2.6
The Renewables Infra Group Ltd	2.2
Intl Public Partnership Ltd	2.0
Jlen Environmental Assets Grp	1.9
Gresham House Energy Storage	1.6
Greencoat Renewables PLC	1.5
Mexico (United Mexican States) 8.5% Bds 31/05/2029	1.4

EQUITY INDUSTRIAL ALLOCATION (%)

	Fund
Consumer Goods	7.46
Consumer Services	6.87
Industrials	5.70
Financials	5.15
Technology	4.24
Basic Materials	2.57
Health Care	1.97
Oil & Gas	0.54
Telecommunications	0.22

Source: BNY Mellon Investment Management EMEA Limited

SECTOR ALLOCATION (%)

	Fund
Equities	34.71
Renewables	8.54
Infrastructure	5.71
Corporate Bonds	5.37
Commodities	5.25
Hedge Funds	4.28
Emerging Market Bonds	4.20
Royalties	3.05
Sub Investment Grade Bonds	2.88
Energy Storage	2.72
Asset Financing	2.29
Property	1.65
Convertible Bonds	1.25
Government Bonds	1.17
Economic Infrastructure	1.16
CLO Equity	1.03
Direct Lending	0.97
Index Linked	0.85
Investment Grade Bonds	0.75
Private Equity	0.50
Currency Hedging	-0.62
Cash	12.27

KEY RISKS ASSOCIATED WITH THIS FUND

- There is no guarantee that the Fund will achieve its objectives.
- This Fund invests in international markets which means it is exposed to changes in currency rates which could affect the value of the Fund.
- Derivatives are highly sensitive to changes in the value of the asset from which their value is derived. A small movement in the value of the underlying asset can cause a large movement in the value of the derivative. This can increase the sizes of losses and gains, causing the value of your investment to fluctuate. When using derivatives, the Fund can lose significantly more than the amount it has invested in derivatives.
- Investments in bonds/money market securities are affected by interest rates and inflation trends which may negatively affect the value of the Fund.
- Bonds with a low credit rating or unrated bonds have a greater risk of default. These investments may negatively affect the value of the Fund.
- The issuer of a security held by the Fund may not pay income or repay capital to the Fund when due.
- Emerging Markets have additional risks due to less-developed market practices.
- The Fund may invest in China A shares through Stock Connect programmes. These may be subject to regulatory changes and quota limitations. An operational constraint such as a suspension in trading could negatively affect the Fund's ability to achieve its investment objective.
- The insolvency of any institutions providing services such as custody of assets or acting as a counterparty to derivatives or other contractual arrangements, may expose the Fund to financial loss.
- A complete description of risk factors is set out in the Prospectus in the section entitled "Risk Factors".

GENERAL INFORMATION

Total net assets (million)	£ 316.01
Historic yield (%)	1.88
IA Sector	Targeted Absolute Return
Performance Benchmark	Cash (1mth GBP LIBOR) +3%
Fund type	ICVC
Fund domicile	UK
Fund manager	Paul Flood
Alternate	Bhavin Shah
Base currency	GBP
Fund launch	27 Nov 2006
Distribution dates	28 Feb, 31 Aug

DEALING

09:00 to 17:00 each business day
Valuation point: 12:00 London time

INSTITUTIONAL SHARES W (ACC.) SHARE CLASS DETAILS

Inception date	05 Sep 2012
Min. initial investment	£ 10,000,000
ISIN	GB00B81C8395
Bloomberg	NPMUAWA
Sedol	B81C839
Registered for sale in:	GB

INSTITUTIONAL SHARES W (ACC.) COSTS AND CHARGES (%)

Ongoing Costs	0.71
Management fee	0.63
Other costs & charges	0.09
Transaction costs ex ante	0.00

Source: BNY Mellon Investment Management EMEA Limited

Any views and opinions are those of the investment manager, unless otherwise noted.

The fund can invest more than 35% of net assets in different Transferable Securities and Money Market Instruments issued or guaranteed by any EEA State, its local authorities, a third country or public international bodies of which one or more EEA States are members.

IMPORTANT INFORMATION

For Professional Clients only. This is a financial promotion and is not investment advice. For a full list of risks applicable to this fund, please refer to the Prospectus. Before subscribing, investors should read the most recent Prospectus and KIID for each fund in which they want to invest. Go to www.bnymellonim.com. The Prospectus and KIID are available in English and in an official language of the jurisdictions in which the Fund is registered for public sale. Portfolio holdings are subject to change, for information only and are not investment recommendations. Calls may be recorded. For more information visit our Privacy Policy at www.bnymellonim.com. BNY Mellon is the corporate brand of The Bank of New York Mellon Corporation and its subsidiaries. The Fund is a sub-fund of BNY Mellon Investment Funds, an open-ended investment company with variable capital (ICVC) with limited liability between sub-funds. Incorporated in England and Wales: registered number IC27. The Authorised Corporate Director (ACD) is BNY Mellon Fund Managers Limited (BNY MFM), incorporated in England and Wales: No. 1998251. Registered address: BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Authorised and regulated by the Financial Conduct Authority. Issued in the UK by BNY Mellon Investment Management EMEA Limited, BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorised and regulated by the Financial Conduct Authority.