

BNY Mellon Oriental Fund

INVESTMENT MANAGER



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

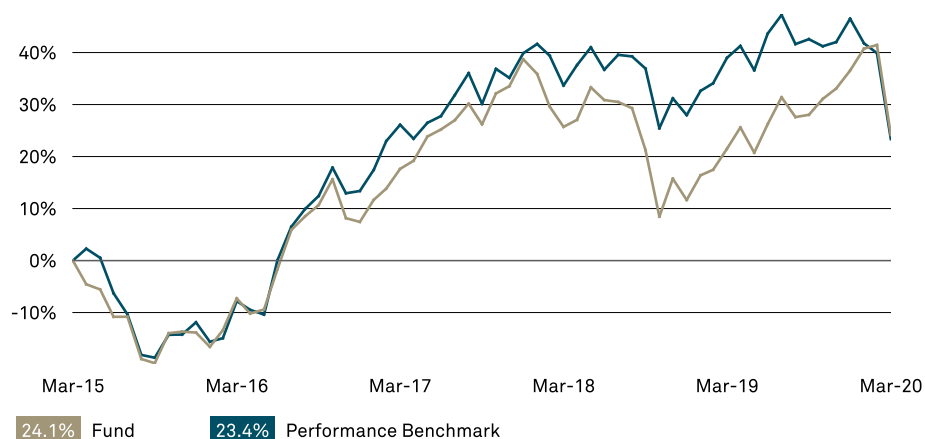
PERFORMANCE DISCLOSURE

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 generated a negative return, net of fees, but outperformed its benchmark.
- **Activity:** We added three new holdings including the supplier of high-end copper clad laminates Elite Material, toll-road operator IRB Invit and nickel miner Vale Indonesia.
- **Outlook & Strategy:** We have been very careful to ensure that all the Fund's holdings have robust balance sheets.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

	Annualised						
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	-12.23	-9.07	-9.07	2.19	-0.62	1.81	4.42
Performance Benchmark	-11.82	-15.80	-15.80	-11.24	-3.92	-0.73	4.28
Sector	-11.40	-16.41	-16.41	-11.10	-3.90	-0.55	4.26
No. of funds in sector	69	69	69	67	66	65	61
Quartile	3	1	1	1	1	2	2
	2015	2016	2017	2018	2019		
Fund	-5.99	24.70	29.12	-19.51	22.29		
Performance Benchmark	-3.48	28.66	23.37	-8.51	14.48		

Source for all performance: Lipper as at 31 March 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 Oriental Fund to BNY Mellon Oriental Fund.

The Sub-Fund is managed without benchmark-related constraints. The Sub-Fund uses the FTSE Asia Pacific ex Japan Index as a point of reference (comparator) against which the ACD (Authorised Corporate Director) invites Shareholders to compare the Sub-Fund's performance. The ACD considers this index to be an appropriate comparator because it includes a broad representation of the asset class, sectors and geographical areas in which the Sub-Fund predominantly invests.

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PERFORMANCE COMMENTARY

The strong Asian equity market gains that had accumulated by mid-January started to reverse as optimism about the phase one US-China trade agreement was replaced by escalating tensions between the US and Iran, following a drone attack by the US that killed a senior Iranian general, and as fears grew over the potential impact of the outbreak of the Covid-19 coronavirus in China. By the end of the quarter, Asian markets, along with all global equity markets, had suffered substantial falls, as coronavirus spread across the world and many countries went into lockdown, essentially mothballing large parts of the global economy.

GSX TECHEDU AND FOOD DELIVERY COMPANY MEITUAN-DIANPING WERE AMONG THE TOP CONTRIBUTORS

The situation was exacerbated by a breakdown in the OPEC alliance, led by Russia seeing an opportunity to disrupt higher-cost competition in the US.

In response to the worsening economic conditions resulting from the global pandemic, many global authorities – including the central People's Bank of China – intervened, with an unprecedented level of stimulus being directed at markets, ultimately followed by very significant measures from the US Federal Reserve (Fed) and European Central Bank (ECB) to underpin markets and economies.

The Fund generated a negative return, net of fees, but outperformed its benchmark. Some of the Fund's high conviction positions, such as the lithium battery-maker Samsung SDI, performed strongly after previously being a drag on performance. Our confidence in the growth thesis has been in place for a number of years, shaped by our 'Earth matters' theme and the high visibility provided by European and Chinese emissions targets that carry high penalties for non-compliance from 2020 onwards. The market has deserted stocks that have done well and those that demonstrate the most uncertainty. This meant that some of the Fund's other holdings in the electric vehicle supply chain – which had been performing well – detracted in the latter part of the quarter. However, if these companies continue to operate, we believe the risk-reward profile looks attractive.

Elsewhere, the share price of Chinese online education stock GSX Techedu soared, with investors expecting the company to maintain its success of 2019, which saw a 250% rise in enrolments on its online courses with commensurate revenue growth. GSX's offline peer New Oriental Education was also relatively strong, with investors similarly confident in its business model. The Fund further benefited from online food delivery company Meituan-Dianping, which proved resilient at a time when footfall-dependent businesses have suffered. The defensive characteristics of biotechnology company CSL meant it performed relatively well in a falling market, while its healthcare peer Fisher & Paykel, as a maker of ventilators, managed to perform well in absolute terms.

At a country level, India was the largest detractor. As a densely populated country, it was hit hard by heightened coronavirus fears. This is despite the oil price fall aiding its terms of trade, which have been considered less important than the virus demand hit in the short run. We are happy to maintain an approximately 20% weighting in the country and are confident that holdings caught in the sell-off – including vehicle manufacturer Maruti Suzuki, mortgage lender HDFC and cinema operator PVR – boast robust balance sheets and remain solid companies with great growth prospects for the long-term.

The Fund benefited most from its positioning in Australia, through holding the aforementioned CSL, but also from having no exposure to the country's bank stocks or to mining giant BHP.

ACTIVITY REVIEW

We added three new stocks during the quarter. Elite Material is a supplier of high-end copper clad laminates. These materials are purchased by the printed circuit-board manufacturers and are part of a variety of products, namely smartphones, PCs, data servers, cars and 5G infrastructure. The company is winning market share, owing to its exposure to high-end products, and is supported by strong trends such as 5G, cloud computing and electric vehicles. It also enjoys strong relationships with technology heavyweights Apple, Samsung, Applied Materials and Tesla.

NEW HOLDINGS IN ELITE MATERIAL, IRB INVIT AND VALE INDONESIA WERE ADDED TO THE FUND

A dip in the share price, prompted by a possible change to taxation rules in India, provided what we believed to be an attractive entry point, at a very high free-cash-flow yield, to purchase an initial position in toll-road operator IRB Invit. The level of return looks positive, with the company set to benefit as greater consumer incomes and the urbanisation of India lead to traffic growth over time. We bought nickel miner Vale Indonesia as we expect the nickel price to rise, driven by growing demand from electric vehicle chemistry changes.

In addition, we added to Meituan Dianping, as online food delivery is becoming increasingly popular. This was funded by trimming positions in top performers such as New Oriental and Alibaba. As a beneficiary of the collapse in the oil price leading to lower input costs, we also took the opportunity to add to the holding in Asian Paints, which we believe has strong growth prospects and a formidable franchise.

We disposed of Indian financial services business Edelweiss, which was caught in the Indian liquidity crunch owing to its reliance on wholesale funding. Following strong performance that made Chinese healthcare stock 3SBio one of the Fund's top contributors in 2019, we decided to sell the remaining position. Our lower conviction was attributable in part to recent management changes. We also disposed of the remaining small position in Philippines power generation utility First Gen, owing to the lack of visibility on returns for its huge investment in the construction of a liquefied natural gas terminal in its Batangas City complex.

Within the information technology sector, after strong relative performance we took profits in Samsung Electronics and Applied Materials to fund better ideas during the current volatility.

Despite the already significant market correction, with large parts of the world still affected by restrictions on movement, travel and a general business inertia, we felt it prudent to sell the remaining small position in employment and education business Seek. We also sold Godrej Consumer Products because we have a higher conviction in other Indian consumer stocks.

The Covid-19 outbreak has provided us with an opportunity to adjust positions to ensure that the Fund is positioned in the stocks that we have most confidence in on a five-year view. Increased volatility in share prices provides level headed stock pickers with numerous opportunities to seek to benefit from less rational and price insensitive market behaviour.

INVESTMENT STRATEGY AND OUTLOOK

We are optimistic on Asian equity market growth opportunities. We believe US and other developed market policy will be biased to loosening, which is supportive of a yield pickup in Asian markets. This could be good for currencies, but even better for lowering the discount rate for equities, particularly those with the best structural growth opportunities.

WE HAVE TAKEN PROFITS ON THE OUTPERFORMERS AND ADDED TO MORE CYCLICAL STOCKS

In our opinion, China is best positioned for recovery over the next 12 months and India over the next five years. Commodities will probably struggle, even if the oil price rebounds somewhat from extreme lows, as production has not halted, so the demand interruption from the coronavirus outbreak could have a more prolonged effect. This differs from service industries, which can rebound more quickly and have better multi-year growth prospects. Through the volatility, we have taken some profits on some of the Fund's strongest performing holdings and added to more cyclical stocks with thematic growth supports. We have been very careful to ensure that all the Fund's holdings have robust balance sheets, even if we assume that they had zero revenues for as long as six months, which we believe to be an extreme scenario analysis for any of our holdings. We currently have no significant concerns of permanent value impairment.

In our view, annualised return potential for the Fund from current levels is attractive, with underlying growth in companies typically close to 20%, derated multiples, low cycle earnings and cheap currencies but still robust businesses and outlooks. The Fed also seems determined to lower the value of the US dollar, in contrast to recent years. Sustained downside risk is very low, in our view, unless there is a sustained global recession, which we do not expect. Robust emerging markets such as China and India could outperform developed markets in this context, though there will be losers to avoid, hence a highly active approach is advocated.

TOP 10 HOLDINGS (%)

	Fund
Alibaba Group Holding Ltd	7.4
Tencent Holdings Ltd	7.2
Samsung SDI Co Ltd	6.7
Taiwan Semiconductor Manufacturing	6.2
New Oriental Education & Tech	6.2
AIA Group Ltd	4.9
GSX Techedu Inc	4.8
Meituan Dianping	4.8
Housing Development Finance	4.1
CSL Ltd	4.0

INDUSTRIAL ALLOCATION (%)

	Fund	Perf. B'mark
Consumer Services	32.3	14.0
Industrials	10.5	8.7
Financials	13.8	28.8
Oil & Gas	0.0	3.6
Basic Materials	2.0	5.1
Health Care	6.0	5.1
Technology	25.7	21.0
Utilities	0.0	2.7
Telecommunications	0.0	2.9
Consumer Goods	6.8	8.1
Cash	2.8	0.0

QUARTERLY ATTRIBUTION BY INDUSTRY

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Consumer Services	-0.49	-9.15	2.45	1.39	3.88
Industrials	-2.18	-21.62	2.06	-0.09	1.97
Financials	-20.88	-20.94	0.02	1.03	1.05
Oil & Gas	0.00	-30.30	0.00	0.77	0.77
Basic Materials	-24.31	-24.84	-0.01	0.39	0.38
Health Care	1.33	-1.34	0.19	0.18	0.38
Technology	-8.80	-6.39	-0.69	0.80	0.10
Utilities	-17.22	-16.68	-0.01	0.03	0.02
Telecommunications	0.00	-11.98	0.00	-0.13	-0.13
Consumer Goods	-25.31	-16.48	-0.78	-0.05	-0.83
Cash	16.25	0.00	0.00	0.48	0.48

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 CONTRIBUTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
China	4.53	-3.53	2.86	0.80	3.68
Australia	-14.07	-28.71	1.45	1.38	2.85
Korea	-6.86	-17.26	1.61	-0.09	1.52
Cash	16.25	0.00	0.00	0.48	0.48
Indonesia	-41.56	-35.53	-0.05	0.35	0.31

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 DETRACTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
India	-26.45	-26.50	0.17	-1.77	-1.61
United States	-24.37	12.18	-0.63	0.47	-0.16
Malaysia	0.00	-14.10	0.00	-0.04	-0.04
Taiwan	-12.01	-13.64	0.14	-0.13	0.01
Pakistan	0.00	-35.56	0.00	0.01	0.01

Source: BNY Mellon Investment Management EMEA Limited

GEOGRAPHICAL ALLOCATION (%)

	Fund	Perf. B'mark
China	41.36	34.50
India	19.58	7.67
Korea	11.96	10.83
Taiwan	6.98	11.34
Australia	6.82	14.16
Hong Kong	4.92	10.79
New Zealand	3.28	0.81
Cash	2.77	0.00
Netherlands	1.05	0.00
Thailand	0.88	2.24
Indonesia	0.39	1.32
Malaysia	0.00	2.08
Pakistan	0.00	0.03
Philippines	0.00	0.87
Singapore	0.00	2.92
United States	0.00	0.44

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.
- The Fund primarily invests in a single market which may have a significant impact on 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.
- 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".

INVESTMENT OBJECTIVE

The Fund aims to achieve capital growth over the long term (5 years or more).

GENERAL INFORMATION

Total net assets (million)	£ 75.25
Historic yield (%)	0
Active Share (%)	77.0
Performance Benchmark	FTSE AW Asia Pacific ex Japan TR
IA Sector	Asia Pacific Ex Japan
Lipper sector	Lipper Global - Equity Asia Pac Ex Jap
Fund type	ICVC
Fund domicile	UK
Fund manager	Robert Marshall-Lee
Alternate	Sophia Whitbread / Naomi Waistell
Base currency	GBP
Currencies available	GBP, EUR
Fund launch	30 Nov 1990
Distribution dates	31 Oct

DEALING

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

INSTITUTIONAL SHARES W (ACC.) SHARE CLASS DETAILS

Inception date	04 Sep 2012
Min. initial investment	£ 10,000,000
ISIN	GB00B8GJF672
Bloomberg	NEWORWA
Sedol	B8GJF67
Registered for sale in:	CL, GB

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

Ongoing Costs	0.92
Management fee	0.75
Other costs & charges	0.17
Transaction costs ex ante	0.21

Source: BNY Mellon Investment Management EMEA Limited

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

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.

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