

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.

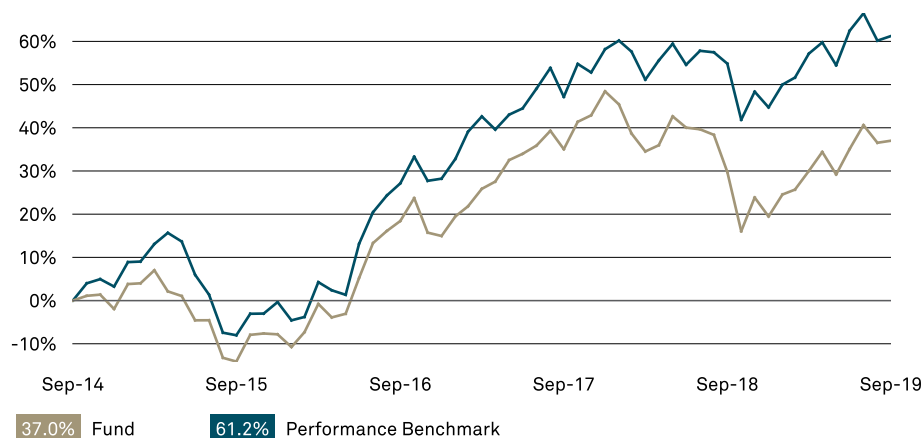
PERFORMANCE DISCLOSURE

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 produced a positive return and was ahead of its comparative index over the quarter, net of fees.
- **Activity:** New additions included Hong Kong-listed food delivery company Meituan Dianping and Iljin Materials, which produces copper foil, a key and high value-added component of lithium-ion batteries.
- **Outlook & Strategy:** While softer economic data is evident in some areas, our long-term investment process, aided by our investment themes, helps us to identify significant areas of resilient growth, particularly in consumer-centric sectors.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

		Annualised					
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	0.35	1.42	14.68	5.57	0.73	4.98	6.50
Performance Benchmark	0.67	-0.75	11.41	4.12	4.67	8.24	10.02
Sector	0.73	-0.17	13.42	6.09	5.06	8.41	10.24
No. of funds in sector	68	68	68	68	66	66	61
Quartile	3	1	2	3	4	4	4

	2014	2015	2016	2017	2018
Fund	4.18	-5.99	24.70	29.12	-19.51
Performance Benchmark	10.05	-3.48	28.66	23.37	-8.51

Source for all performance: Lipper as at 30 September 2019. 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.

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PERFORMANCE COMMENTARY

Asia Pacific equities were down slightly in sterling terms. Concerns about global economic growth and the trade dispute between the US and China were largely offset by the dovish approach of major central banks, which ultimately boosted investor sentiment.

NEW ORIENTAL EDUCATION WAS AMONG THE TOP CONTRIBUTORS TO PERFORMANCE. STOCK SELECTION IN FINANCIALS DETRACTED

In China, GDP growth for the second quarter, released during the third quarter, fell to a 27-year low, down slightly from the first quarter, as both the domestic and export sides of the economy remained under pressure. The Chinese central bank cut large banks' reserve requirement ratios, the first cut since February.

GDP growth in Korea rebounded in the second quarter, rising at the fastest pace for over a year, with increased government spending offsetting weakness in trade. Meanwhile, Singapore came close to a technical recession as GDP in the second quarter fell in its steepest quarter-on-quarter decline since 2012.

In India, the central bank cut interest rates in August – for the fourth consecutive month – by 35 basis points to 5.40%, as the economic downturn continued. The annual GDP growth rate fell from 8.0% in the second quarter of 2018 to 5.0% in the second quarter of 2019.

The Reserve Bank of Australia cut interest rates to a new low level of 1.0%, down by 0.25%. This was the second consecutive meeting at which it had cut rates. The central bank made the decision in light of the slowing economy. Meanwhile, unemployment rose to its highest level in a year. This caused the currency to tumble amid expectations that the central bank would continue to cut interest rates.

The Fund produced a positive return and was ahead of its comparative index, net of fees. The biggest contribution came from stock selection within the consumer sectors, led by China's New Oriental Education which has appreciated sharply over the quarter and year to date, thanks to strong growth in its core after-school tutoring business. We initiated a position in New Oriental Education when it was out of favour in late 2018 as we were attracted by its thematic support, its strong cash generation and its robust balance sheet. Other positive contributors in the consumer area included consumer goods manufacturer Hindustan Unilever, pizza company Jubilant Foodworks and car manufacturer Maruti Suzuki, which rose strongly following the cut in corporate tax rates in India.

Stock selection in the technology sector was also beneficial. Applied Materials did well on a more optimistic outlook for demand. Applied Materials is the leader in semiconductor equipment and is intricately linked with our positive view on Taiwan Semiconductor's long-term growth potential, given rising technology challenges faced by semiconductor companies.

Stock selection in financials was unhelpful. Indian finance companies Edelweiss and Housing Development Finance detracted, having been caught in a more challenging environment, with lower growth and potentially higher risk. Life insurer AIA also detracted, with political unrest in Hong Kong causing concern about the outlook for new business. Conversely, the Fund's holdings in India's financial services company Reliance Nippon and Chinese property management business Greentown Service both contributed positively.

Elsewhere, battery manufacturer Samsung SDI fell on investor concerns about the impact a fire at an energy storage system owned by the firm could have on the short-term earnings outlook. The rollback of electric vehicle subsidies in China also caused concern. New addition Iljin Materials, which manufactures parts for batteries, was affected by similar near-term issues.

ACTIVITY REVIEW

New holdings included Hong Kong-listed Meituan Dianping, a fast growing e-commerce company focused on food delivery, which we believe is well positioned, increasing its service offerings and with the potential to reach attractive profitability levels.

WE BOUGHT HOLDINGS IN MEITUAN DIANPING, ILJIN MATERIALS AND GSX TECHEDU. WE SOLD OUT OF MAN WAH AND HOLLYSYS

Iljin Materials, which produces copper foil, a key and high value-added component of lithium-ion batteries, was another new addition. Iljin enjoys a large market share, the demand visibility for the next 18 months is good, the balance sheet is strong, and we believe there is potential for sustained profit growth over the next five years.

We supplemented the Fund's already notable exposure to the education sector with an initial weighting in GSX Techedu. GSX is a fast growing technology driven company that primarily offers online large-class after-school tutoring courses in China designed for primary and secondary-grade students. We expect GSX to be able to maintain its competitive position, continue to gain market share, and generate operating leverage. We believe that revenue growth could remain at high levels given the huge untapped market opportunity.

Chinese sofa manufacturer Man Wah derives a high proportion of its sales from the US. Persistent uncertainty surrounding trade between the China and the US, given ongoing trade war rhetoric, led us to believe further upside in the stock is probably limited, at least in the short term. As a result, we sold the holding. We also sold Chinese industrial automation and rail company Hollysys, with the growth outlook uncertain and our confidence in the management shaken following its misguided rights issue announcement earlier in the year, even though it later backtracked on the decision.

INVESTMENT STRATEGY AND OUTLOOK

The US-China trade dispute is likely to linger on, and the nature of the negotiations means that the investment backdrop could remain unstable. Renewed US-dollar strength has been a headwind, but the more dovish approach of central banks, not least the US Federal Reserve, could provide some support for emerging markets.

OUR STRATEGY REMAINS TO INVEST IN COMPANIES WITH SUSTAINABLE COMPETITIVE ADVANTAGES, STRONG BALANCE SHEETS AND GOOD GOVERNANCE

While softer economic data is evident in some areas, our long-term investment process, aided by our investment themes, helps us to identify significant areas of resilient growth, particularly in consumer-centric sectors. For example, US and European cosmetics companies are seeing almost all their growth in emerging markets, particularly China.

The Fund is invested in companies that continue to demonstrate robust growth in cash flows and that have attractive opportunities in which to invest these at high returns on capital. Our strategy remains to invest in companies with sustainable competitive advantages, strong balance sheets and good governance.

TOP 10 HOLDINGS (%)

	Fund
Tencent Holdings Ltd	6.8
Taiwan Semiconductor Manufacturing	6.6
New Oriental Education & Tech	6.4
Alibaba Group Holding Ltd	5.8
AIA Group Ltd	5.7
Samsung SDI Co Ltd	5.5
Samsung Electronics Co Ltd	4.5
Housing Development Finance	4.1
Maruti Suzuki India Ltd	4.0
Hindustan Unilever Ltd	3.9

INDUSTRIAL ALLOCATION (%)

	Fund	Perf. B'mark
Consumer Services	23.2	11.1
Technology	26.6	18.1
Consumer Goods	17.0	8.4
Health Care	6.8	4.1
Industrials	8.9	9.6
Basic Materials	3.1	5.9
Telecommunications	0.0	3.1
Utilities	0.5	2.9
Oil & Gas	0.0	4.7
Financials	13.1	32.0
Cash	0.8	0.0

GEOGRAPHICAL ALLOCATION (%)

	Fund	Perf. B'mark
China	28.69	29.60
India	27.10	9.15
South Korea	14.58	11.10
Australia	10.42	18.24
Hong Kong	7.49	9.16
Taiwan	6.55	10.49
United States	2.52	0.00
New Zealand	1.09	0.74
Philippines	0.79	1.10
Cash	0.77	0.00
Indonesia	0.00	1.83
Malaysia	0.00	2.27
Pakistan	0.00	0.03
Singapore	0.00	3.25
Thailand	0.00	3.03

QUARTERLY ATTRIBUTION BY INDUSTRY

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Consumer Services	6.64	1.43	1.07	0.20	1.27
Technology	6.10	4.93	0.30	0.46	0.77
Consumer Goods	4.04	1.76	0.37	0.16	0.53
Health Care	6.42	0.55	0.40	0.04	0.44
Industrials	-1.60	-2.02	0.08	0.00	0.08
Basic Materials	-12.26	-7.10	-0.20	0.27	0.06
Telecommunications	0.00	-1.87	0.00	0.04	0.04
Utilities	-6.29	-1.11	-0.03	0.01	-0.02
Oil & Gas	0.00	0.13	0.00	-0.04	-0.04
Financials	-9.13	-3.53	-0.81	0.50	-0.31
Cash	3.01	0.00	0.05	-0.03	0.03

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 CONTRIBUTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
China	4.42	-1.64	1.66	-0.02	1.64
India	0.21	-2.01	0.60	-0.21	0.39
United States	15.16	0.00	0.32	0.03	0.34
Hong Kong	-6.44	-8.20	0.17	0.13	0.31
Taiwan	18.77	8.78	0.54	-0.41	0.13

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 DETRACTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Australia	1.22	1.71	-0.04	-0.19	-0.24
Pakistan	0.00	5.00	0.00	0.00	0.00
Philippines	-3.52	-1.23	-0.01	0.02	0.01
Indonesia	0.00	-1.44	0.00	0.01	0.01
South Korea	-0.95	-1.29	0.00	0.02	0.02

Source: BNY Mellon Investment Management EMEA Limited

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

To achieve capital growth by investing in securities predominantly Asian and in Pacific markets including Australia and New Zealand but excluding Japan.

GENERAL INFORMATION

Total net assets (million)	£ 79.38
Historic yield (%)	0
Active Share (%)	79.0
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	0.94
Management fee	0.75
Other costs & charges	0.19
Transaction costs ex ante	0.24

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. Investments should not be regarded as short-term and should normally be held for at least five years. 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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