

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.

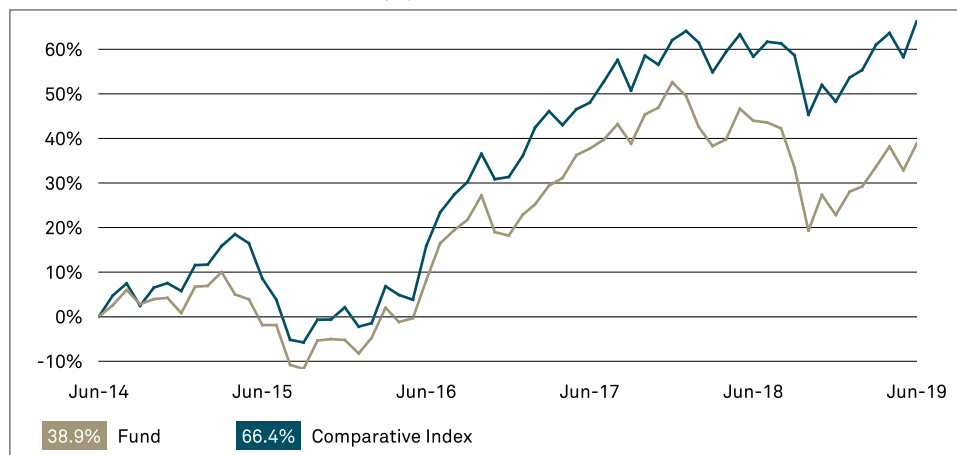
PERFORMANCE DISCLOSURE

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:** The Fund was partly restructured to gain more exposure to companies that we believe are well placed to benefit from the favourable demographics and growing discretionary incomes in India.
- **Outlook & Strategy:** The Fund is invested in companies that continue to demonstrate robust growth in cash flows and that we believe have attractive opportunities in which to invest these at high returns on capital.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

	Annualised						
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	4.55	3.90	13.07	-3.54	0.42	8.68	6.79
Comparative Index	5.17	3.36	12.25	5.09	6.03	12.81	10.72
Sector	5.39	4.93	14.14	5.47	6.42	13.36	10.94
No. of funds in sector	69	69	69	69	67	67	61
Quartile	4	3	3	4	4	4	4

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

Source for all performance: Lipper as at 30 June 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 markets were mixed during the quarter but ended up higher, with investors encouraged by the expectation of looser monetary policy from the US Federal Reserve – and possibly other global central banks. The trade dispute between China and the US was a negative factor.

APOLLO HOSPITALS AND SAMSUNG SDI CONTRIBUTED TO RETURNS. CHINESE HOLDINGS 3SBIO AND AUTOHOME WERE NOTABLE DETRACTORS

Chinese equities were relatively weak. First-quarter GDP growth in China was recorded at an annualised pace of 6.4%, marginally ahead of forecasts. Industrial production growth slowed to its weakest level for 17 years, rising by 5% in May.

Manufacturing production in Singapore weakened, falling 2.4% year on year in May, further than analysts' estimates.

Korea suffered a downturn in growth. The annualised GDP growth rate declined to 1.7% year on year in the first quarter of 2019, as the manufacturing and construction sectors slowed. Korean exports fell significantly in May, as the trade dispute between China and the US continued to take its toll.

In Taiwan, GDP also slowed in the first quarter of 2019 to 1.71% annual growth, the weakest figure for almost three years. This reflected a marked slowdown in net trade.

In India, incumbent Prime Minister Narendra Modi won the general election, as expected. However, India's GDP growth softened in the first quarter. Passenger car sales for April fell by 17.1% year on year, the worst figure for almost eight years.

Australasian markets were firm, with New Zealand's S&P/NZX 50 Index hitting new all-time highs during the period. Meanwhile, in Australia, the S&P/ASX 200 Index touched its highest levels in more than 10 years.

The Bank of New Zealand cut its base interest rate a quarter percentage point to 1.5%, responding to a weakening in the domestic economy. This was the first time that the central bank had cut interest rates since late 2016.

The Fund produced a positive return over the quarter, net of fees. Apollo Hospitals in India was a notable contributor. Investors were impressed by its strong results, with sales and earnings before interest, tax, depreciation and amortisation both up ahead of expectations. Existing hospitals showed strong growth and margin improvement, which we view positively. The company has guided for continued margin expansion.

One of the Fund's largest holdings, Korean battery manufacturer Samsung SDI, was once again a key driver of performance, as the company was buoyed by news that it had been included in China's preliminary battery supplier list in China. The company is guiding for a strong second half as new electric vehicles are launched in Europe.

Australian lithium miner Kidman Resources was a strong contributor following a takeover bid from Wesfarmers at a 45% premium. Although we felt the bid undervalued the company, Kidman Resources is a junior miner with a long way to develop, hence we decided to sell the position.

The biggest detractor was 3SBio. Shares in the Chinese biologics drug manufacturer fell amid growing concern about the company's ability to launch new drugs and achieve scale on existing products.

Autohome, the Chinese online auto-sales platform was another notable detractor. Autohome's shares tumbled in an indiscriminate sell-off as investors punished auto-related shares. Autohome, however, in our view has a high-growth business model, is very profitable.

The Fund's positions in lithium miners, particularly Galaxy and Orocobre, also detracted. The shares have been hit by falling lithium prices, owing to increased supply and lower-than-expected demand. However, we envisage a rapid growth in demand from 2020 onwards, as Chinese and European vehicle emission targets necessitate a large increase in electric vehicle sales.

ACTIVITY REVIEW

Over the quarter, the Fund was partly restructured to increase its exposure to companies that we believe are well placed to benefit from the favourable demographics and growing discretionary incomes in India, where we added five new stocks. We also reduced the Fund's weighting in healthcare.

NEW INDIAN HOLDINGS INCLUDE TITAN, GODREJ CONSUMER PRODUCTS, JUBILAND FOODWORKS AND INDIA PAINT. WE SOLD SAMSUNG BIOLOGICS AND VAKRANGEE

We bought jeweller Titan as it is a high-quality consumer discretionary company with ambitious growth plans in terms of geographic expansion, led by store openings, which we expect to help drive very strong revenue growth. We initiated a position in Godrej Consumer Products, which is a leading fast moving consumer goods company with market leadership in home insecticides, hair colour and personal wash. We believe it is a quality company with strong local brands and product innovation and has recently underperformed the Indian market.

We also bought internet company Info Edge as the company boasts leading positions in some of the potentially most lucrative online segments in the Indian market. We believed that the company's relatively small market capitalisation and valuation did not reflect the substantial profit and growth potential of its businesses. We took advantage of a share-price derating to initiate a position in Jubilant Foodworks, which owns the Domino's Pizza and Dunkin' Donuts franchises in India. The company has been through a turnaround exercise in the last two years, with the signs of recovery now visible. We also bought Asian Paints as India's paint consumption per capita is still very low, potentially leaving a multi-year runway for growth, especially given the size of the overall population.

Elsewhere, we initiated a position in 51job which is one of two leading online recruitment directories in China. We initiated a small position in Australian-listed IDP Education, as we believe it is well positioned to benefit from the trends of growing English language proficiency and demand for international higher education in English speaking countries. Finally, we bought high-end Chinese property management business Greentown Service Group, as we believe it to be a well-run company and a good opportunity to own a market leader in a nascent industry.

Disposals included Chinese analogue integrated circuit design company Silergy as we felt that near-term demand would remain weak given the ongoing US-China trade war. We sold the holding in Philippine financial Security Bank on signs of weakening revenue and higher operational expenditure. We sold South Korea's Samsung Biologics as we felt that the accounting issue discovered last year – which caused the shares to be temporarily suspended – would remain an overhang at least until the criminal investigation is completed. We completed the sale of Indian tobacco company ITC, reflecting the greater

risk of increased regulation. Finally, we sold the remaining small position in Indian software and retail service company Vakrangee, following a year-to-date rally.

Elsewhere, concerns around 3SBio's ability to launch new drugs, and whether it is able to achieve scale on new products, led us to materially reduce the holding. We also halved the weighting in Apollo Hospitals.

INVESTMENT STRATEGY AND OUTLOOK

Our belief is that trade disputes are not a panacea for any country, including the US, which in our view is extremely unlikely to see a large manufacturing resurgence, despite President Donald Trump's efforts. China, though far from immune, is well placed to adapt to an altered trade regime, given its vast domestic market.

WE BELIEVE THAT THERE ARE GOOD OPPORTUNITIES TO INVEST IN CHINA DESPITE THE US-CHINA TRADE DISPUTE, PARTICULARLY IN THE SERVICES SECTOR

Many fast-growing Chinese service sector companies have a long growth runway ahead of them and tend to trade at very low valuations relative to their cash-generation opportunity. We continue to find good opportunities to invest in this area, as well as in other high structural growth economies, such as India, and specific sectors and companies elsewhere.

The Fund is invested in companies that continue to demonstrate robust growth in cash flows and we believe 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
AIA Group Ltd	6.2
Samsung SDI Co Ltd	5.7
New Oriental Education & Tech	5.7
Taiwan Semiconductor Manufacturing	5.5
Alibaba Group Holding Ltd	5.1
Housing Development Finance	4.4
Samsung Electronics Co Ltd	4.3
Autohome Inc	3.6
CSL Ltd	3.6

INDUSTRIAL ALLOCATION (%)

	Fund	Comp. Index
Utilities	0.5	3.0
Oil & Gas	0.0	4.7
Industrials	9.6	9.8
Health Care	6.7	4.0
Consumer Services	20.1	10.4
Telecommunications	0.0	3.3
Financials	15.0	33.0
Technology	25.9	17.4
Consumer Goods	16.6	8.0
Basic Materials	2.1	6.5
Cash	3.5	0.0

GEOGRAPHICAL ALLOCATION (%)

	Fund	Comp. Index
China	26.53	27.81
India	26.38	9.40
South Korea	14.41	11.49
Australia	10.42	18.22
Hong Kong	8.71	10.27
Taiwan	5.54	10.04
Cash	3.53	0.00
United States	2.13	0.00
Philippines	1.33	1.14
New Zealand	1.02	0.75
Indonesia	0.00	1.89
Malaysia	0.00	2.43
Pakistan	0.00	0.03
Singapore	0.00	3.42
Thailand	0.00	3.11

QUARTERLY ATTRIBUTION BY INDUSTRY

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Utilities	30.62	3.84	0.29	0.01	0.30
Oil & Gas	0.00	-1.03	0.00	0.21	0.21
Industrials	6.30	4.37	0.18	0.01	0.19
Health Care	3.81	1.94	0.10	0.01	0.11
Consumer Services	1.46	0.96	0.05	-0.06	-0.01
Telecommunications	0.00	4.43	0.00	-0.04	-0.04
Financials	8.23	6.03	0.38	-0.47	-0.09
Technology	0.28	0.97	-0.16	-0.27	-0.42
Consumer Goods	0.00	2.42	-0.40	-0.08	-0.48
Basic Materials	-15.83	3.60	-0.47	-0.03	-0.50
Cash	-	0.00	-0.11	-0.10	-0.21

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 CONTRIBUTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
India	5.83	2.28	0.81	-0.40	0.40
Philippines	15.39	7.30	0.16	0.17	0.33
United States	16.43	0.00	0.31	-0.05	0.26
Hong Kong	5.57	2.99	0.21	0.01	0.22
South Korea	3.45	1.32	0.32	-0.12	0.20

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 DETRACTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Australia	4.45	9.92	-0.52	-0.45	-0.96
China	-3.63	-1.47	-0.55	-0.06	-0.61
Thailand	0.00	12.18	0.00	-0.25	-0.25
Cash	-	0.00	-0.11	-0.10	-0.21
Singapore	0.00	9.35	0.00	-0.19	-0.19

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)	£ 83.35
Historic yield (%)	0
Active Share (%)	77.4
Comparative Index	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	Caroline Keen
Alternate	Zoe Kan
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	0.93
Management fee	0.75
Other costs & charges	0.18
Transaction costs ex ante	0.22

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.