

Absolute Insight Fund

INVESTMENT MANAGER



Insight Investment Management (Global) Limited: Insight are leaders in absolute return investing, multi-asset, specialist equity solutions, fixed income and liability driven investment.

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.

PERFORMANCE AIM

The Fund aims to achieve its objective on a rolling 12 month basis. In addition the Fund aims to deliver cash 3 month GBP LIBOR -0.125% +4% on a rolling annualised 5 year basis before fees. However, a positive return is not guaranteed and a capital loss may occur.

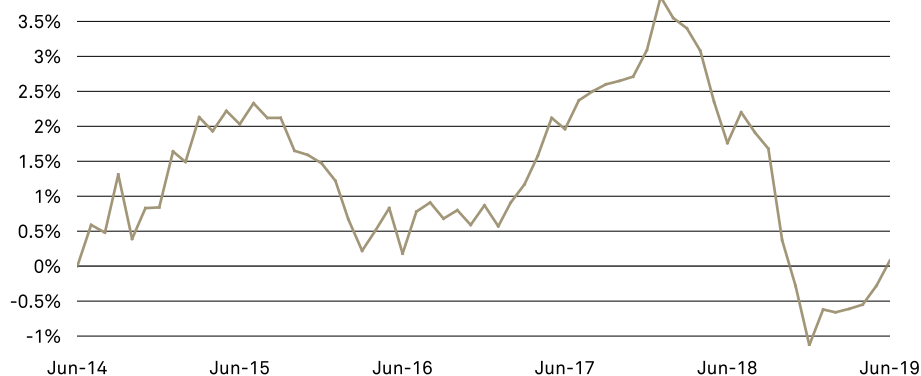
PERFORMANCE DISCLOSURE

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: Over the quarter, the Fund generated a positive return, net of fees.

5 YEAR CUMULATIVE PERFORMANCE (%)



0.1% Fund

PERFORMANCE SUMMARY (%)

	Annualised						
	1M	3M	YTD	1YR	2YR	3YR	5YR
W (Acc.)	0.36	0.69	1.22	-1.65	-0.93	-0.04	0.02
	2014	2015	2016	2017	2018		
Fund	1.69	0.63	-0.58	2.20	-4.09		

Source for all performance: Lipper as at 30 June 2019. Fund Performance for the 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.

As of 9 February 2013, The Fund's name changed from Absolute Insight to Absolute Insight Fund.

BNY MELLON INVESTMENT MANAGEMENT EMEA LIMITED - CLIENT SERVICES

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PERFORMANCE REVIEW

The second quarter continued a broader ‘risk on’ trend; however, May saw markets pull back as volatile rhetoric on trade compounded global growth concerns. Trade tensions between the US and China showed no signs of de-escalation, with talks reaching an impasse and the US imposing tariffs at 25% on \$200bn of Chinese goods. Elsewhere, President Trump shook markets with the surprise announcement of a new tariff program on \$350bn of Mexican goods; however, Mexico was able to quickly de-escalate the standoff.

PERFORMANCE WAS DRIVEN BY THE ABSOLUTE INSIGHT EMERGING MARKET DEBT FUND AND THE ABSOLUTE INSIGHT DYNAMIC OPPORTUNITIES FUND

Central banks globally turned more dovish. In June, the Federal Reserve (Fed) committee’s ‘dot plot’ projected a median expectation for no policy rate cuts this year, but seven members (up from zero last quarter) now expect two rate cuts in 2019. Meanwhile, the European Central Bank committed to keeping rates unchanged “at least through the first half of 2020” and stated that it stands “ready to act and use... all the instruments that are in the toolbox”. In the UK, Prime Minister Theresa May stepped down as leader of the Conservative party, but will continue in her role as Prime Minister until the leadership contest concludes.

Against this backdrop, the Absolute Insight Fund generated a positive return over the quarter, with performance driven by the Absolute Insight Emerging Market Debt Fund and Absolute Insight Dynamic Opportunities Fund.

Absolute Insight Emerging Market Debt Fund

Emerging market (EM) debt sectors generated positive returns over the quarter. Latterly, the asset class has been supported by a return to a more dovish policy stance by developed market (DM) central banks, which has led to increased investor inflows. In terms of Fund performance over the quarter, local currency rates, sovereign and corporate credit all contributed positively, with currency exposures detracting. Idiosyncratically, our long Brazil rates position has benefited from the subdued inflation backdrop and increased expectations of a policy rate cut. The position also benefited from a reduction in the credit risk premium that occurred as momentum around pension reforms has gathered pace. Looking ahead, we believe the key risks to monitor include US-China trade tension, which has led to a more uncertain macroeconomic outlook, and is now starting to weigh on growth forecasts. The technical picture has also weakened. Overweight investor positioning and large inflows year-to-date point towards weaker demand technicals; any change in sentiment could see an unwinding of these exposures, pressuring valuations in the process.

Absolute Insight Dynamic Opportunities Fund

The second quarter was a constructive period for risk assets, dominated by synchronised central bank support in light of further moderation in the growth and inflation outlook. Positions designed to capture certain markets rising and breaking out of recent ranges generated a significant positive return, particularly in European and US equity markets. Strategies designed to capture downside in a number of equity markets made a negative contribution, but were not sufficient to prevent the Absolute Insight Dynamic Opportunities Fund generating a positive return over the quarter. Despite the strong market backdrop, our positions designed to benefit from more volatile but range-bound environments were also a positive, led by a position on the UK equity market.

Infrastructure holdings also generated a positive return, with a strong performance in April. We anticipate that a number of assets will remain volatile but range-bound in the near term, and to potentially capture this we added positions on a number of European equity markets, and US equity and credit markets. We also added positions that we believe could benefit if we see any material pull back in equity markets.

Absolute Insight Credit Fund

Credit markets were up on the quarter, showing continued strength in April, weakness in May due to trade tensions and a strong June. Over the quarter, the Fund benefited from our long cash credit positions in high yield and our secured finance allocation. Our single name and index credit default swap (CDS) positions were the main detractor over the period, as trading pricing differentials between cash and CDS (known as 'the basis') did not tighten as much as we expected. During the quarter, we generally increased our risk exposure across secured finance. Within asset-backed securities (ABS), we added high quality assets to take advantage of flat spreads while also selectively adding mezzanine risk. Looking ahead, we remain concerned about the growth environment but also acknowledge the dovish tilt in global monetary policy. We believe cash markets are well-positioned to perform strongly, once the path for monetary policy becomes more certain and supply abates. We also remain cautious on the UK with regard to Brexit. We continue to find attractive idiosyncratic opportunities in targeted markets such as subordinated financial debt and short-dated high yield, while the liquidity profile of synthetic credit markets and the diversification potential of the secured finance complex add to the spectrum of opportunities the Fund can access.

BNY Mellon Absolute Return Equity Fund

Central bank rhetoric helped risk assets and government bonds to perform well over the quarter. Style-based flows continued to dominate share-price movements, leading to incredibly stretched valuations in high quality and defensive growth companies. On some measures, the valuation differential between these companies and more economically sensitive/value stocks is now at levels last seen around the tech bubble. We believe this is providing attractive opportunities to short selected companies, where record high valuations fail to recognise more challenging fundamentals, and we have some lead long ideas in companies on very low ratings, where we foresee specific performance catalysts. While this positioning against the broader market trend has been a headwind to performance, the upcoming reporting season could act as a near-term catalyst for a 'mark-to-fundamentals' event. We retain tightly hedged positions, to keep style-factor exposure relatively low. While gross exposure is relatively modest, we will look to increase it, if we see signs that the style momentum which has been working against us begins to fade or reverses. We have a preference for modest net exposure.

Absolute Insight Currency Fund

Currency volatility over the quarter remained largely subdued due to highly synchronised global monetary policy. The Fund maintained a long position in the Japanese yen over the quarter, based on a view that the yen was likely to outperform due to its 'safe haven' status amid trade tension escalations. Weak economic data in Europe and a dovish tilt from the European Central Bank (ECB) led us to run a short position in the euro versus the yen and US dollar, which contributed positively mid-way through the quarter. However, dovish language from the Fed in May caused the US dollar to weaken, and we subsequently cut the short euro/US dollar position for a loss during the month. Looking ahead, in an environment of global growth concerns, trade disputes and easing central bank policy, low-yielding, interest rate-sensitive currencies like the yen should benefit.

In contrast, we believe the euro could remain under pressure as weak economic performance weighs on the currency. Sterling could also remain weak as the unknown outcome of the leadership contest may result in increased Brexit uncertainty.

TOP HOLDINGS (%)

	Fund
BNY Mellon Absolute Return Equity Fund	28.9
Absolute Insight Dynamic Opportunities Fund	21.0
Absolute Insight Credit Fund	20.1
Absolute Insight Emerging Market Debt Fund	19.9
Absolute Insight Currency Fund	9.7
Insight Liquidity Fund	0.6
Other	-0.3

CONTRIBUTION TO FUND RETURN - GROSS (%)

	1 mth	3 mths
BNY Mellon Absolute Return Equity Fund	-0.26	-0.16
Absolute Insight Currency Fund	-0.01	-0.02
Absolute Insight Emerging Market Debt Fund	0.44	0.47
Absolute Insight Credit Fund	0.02	0.17
Absolute Insight Dynamic Opportunities Fund	0.24	0.41
Residual	-0.02	-0.02
Total	0.42	0.86

CORRELATION MATRIX - FROM INCEPTION DATE OF EACH COMPONENT FUND

	BNY Mellon Absolute Return Equity Fund	Absolute Insight Currency Fund	Absolute Insight Emerging Market Debt Fund	Absolute Insight Credit Fund	Absolute Insight Dynamic Opportunities Fund*
BNY Mellon Absolute Return Equity Fund	1.00				
Absolute Insight Currency Fund	0.39	1.00			
Absolute Insight Emerging Market Debt Fund	-0.15	-0.17	1.00		
Absolute Insight Credit Fund	0.10	-0.10	0.04	1.00	
Absolute Insight Dynamic Opportunities Fund*	0.11	0.19	0.32	0.04	1.00

*Launch date: 6 November 2013.

Source: BNY Mellon Investment Management EMEA Limited

Portfolio holdings are subject to change, for information only and are not investment recommendations.

KEY RISKS ASSOCIATED WITH THIS FUND

- There is no guarantee that the Fund will achieve its objectives.
- Investing significantly in collective investment schemes will subject the Fund to risks of these other funds.
- 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 deliver attractive, positive absolute returns in all market conditions.

GENERAL INFORMATION

Total net assets (million)	£ 424.08
Historic yield (%)	2.06
IA Sector	Targeted Absolute Return
Fund type	Non-UCITS Retail Scheme (NURS)
Fund domicile	UK
Fund manager	Sonja Lami
Base currency	GBP
Currencies available	GBP
Fund launch	28 Feb 2007

DEALING

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

W (ACC.) SHARE CLASS DETAILS

Inception date	11 Feb 2013
Min. initial investment	£ 10,000,000
Performance fee	10.00%
ISIN	GB00B89QJK70
Bloomberg	ABSINIW
Sedol	B89QJK7
Registered for sale in:	GB

W (ACC.) COSTS AND CHARGES (%)

Ongoing Costs	0.95
Management fee	0.75
Other costs & charges	0.20
Transaction costs ex ante	0.38

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.