

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.

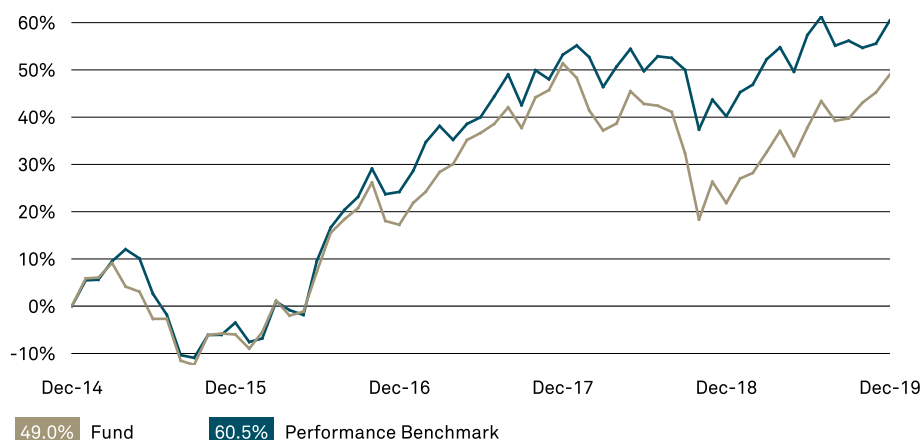
PERFORMANCE DISCLOSURE

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 positive return, net of fees, ahead of its performance benchmark.
- Activity: We bought ASML, a supplier to the semiconductor industry, and Tencent Music. Within financials, we initiated a position in Ping An Insurance.
- Outlook & Strategy: Lower US growth and more accommodative US policy suggest a weaker US dollar and more supportive conditions for Asian equities.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

	Annualised						
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	2.59	6.64	22.29	22.29	-0.79	8.32	8.30
Performance Benchmark	3.16	2.76	14.48	14.48	2.34	8.92	9.92
Sector	2.62	1.96	15.64	15.64	2.61	9.48	10.01
No. of funds in sector	69	69	68	68	67	66	62
Quartile	3	1	1	1	4	3	4
		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 December 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.

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

Asian markets rose in the fourth quarter of 2019. The global macroeconomic environment remained largely sluggish, but sentiment improved with clear signs of an improvement in the trade outlook between China and the US, as the two sides reached a ‘phase one’ agreement, which limits the extension of further tariffs.

GSX TECHEDU, XERO AND TAIWAN SEMICONDUCTORS WERE ALL CONTRIBUTORS TO PERFORMANCE

In China, GDP growth slowed slightly to 6% year-on-year in the third quarter of 2019. The slowdown partly reflected the impact of the trade war with the US. The services sector remained quite resilient.

The People’s Bank of China cut its bank funding rate but has not aggressively stimulated, in stark contrast to the US, where a slowdown has led to rapid loosening of policy and a consequent spike in money supply growth.

In India, the economy has been weaker than expected in the aftermath of the 2018 liquidity crunch, but the long-term structural growth outlook is positive.

The Fund outperformed its performance benchmark during the quarter, and in calendar year 2019.

Among the top contributors, Chinese education stock GSX Tchedu reported stellar third quarter results despite a very tough competitive environment. Accounting software provider Xero also did well, with its half-year results revealing a 30% increase in operating and recurring revenue. Housing Development Finance reported strong results, while fellow Indian financial company Reliance Nippon Asset Management’s latest results showcased a 21% jump in profits. The Fund also benefited from not holding Australian banks, as the country’s second largest lender, Westpac, was implicated in a money laundering scandal.

Chinese e-commerce group Alibaba issued solid second quarter results and then rose sharply after it made its secondary listing debut on the Hong Kong Stock Exchange. Within the technology sector, Taiwan Semiconductor (TSMC) and Applied Materials also added value on a more optimistic outlook for semiconductor demand. However, the Fund’s underweight in Samsung Electronics proved a headwind.

It was a mixed picture for the Fund’s Indian consumer holdings. Internet company Info Edge performed well, with investors encouraged by the growth of food-delivery business Zomato in which it owns a 26% stake, although it is actually the online recruitment and real-estate platforms that excite us more. Domino’s Pizza franchise operator Jubilant Foodworks performed well with strong sales growth sustaining its strong multi-year run. Conversely, jeweller Titan’s share price fell sharply after the company lowered its sales guidance, although we expect this correction to be a short-term setback as we believe its longer-term growth prospects are excellent. Fast-moving consumer goods company Godrej and Asian Paints also detracted from relative performance. We retain a favourable long-term view of the investment opportunities in India, particularly in the very lightly penetrated consumer discretionary segments.

ACTIVITY REVIEW

In the information technology sector we bought ASML, which derives the majority of its revenue and profits from emerging markets via its leadership position in extreme ultraviolet lithography (EUV), through which it has a dominant position in the semiconductor supply chain, with strong pricing power and high growth.

WE BOUGHT ASML, TENCENT MUSIC AND LEADING CHINESE LIFE INSURER, PING AN INSURANCE

We also initiated a position in Tencent Music, which is the largest online music entertainment platform in China. We invested in the stock while it was out of favour, given our confidence that the company can leverage its massive audience reach and its position as a partner of choice for content producers, and benefit from the established culture for social interaction online.

Within financials, we initiated a position in Ping An Insurance, China's leading life insurer. The growth opportunity for protection products in China is the largest in the world, and margins are the highest in Asia. Recent weak share price performance in the Thai banking sector provided us with an attractive entry point to invest in Kasikornbank (KBank). We sold Philippine conglomerate GT Capital owing to the country's general macroeconomic weakness, with recent data showing the economy is growing at its lowest rate for more than four years.

We supplemented our favourable long-term view of the investment opportunities in India, adding the country's leading multiplex cinema company PVR to the Fund. The growth opportunity is supported by rising cinema penetration per capita, increasing discretionary expenditure in India, and the trend towards prioritisation of expenditure on aspirational experiences, as opposed to consumer goods. In addition, the benefits of its acquisition of SPI Cinemas should now start to flow through with additional improvement in advertising.

With Macau gaming concessions set for renewal in mid-2022, we felt that there was a danger that US-owned casino operator Sands China could be ensnared by continuing US-China trade tensions. An additional concern was that a slowing Chinese economy could affect the gambling hub. With these factors in mind, we decided to sell the holding. Elsewhere, we used strong share price performance to realise some profits in Samsung Electronics. We also reduced the holding in India's Hindustan Unilever as the shares had performed extremely strongly, making the balance of reward versus risk less attractive than it was.

INVESTMENT STRATEGY AND OUTLOOK

Over the last 18 months, we have witnessed a significant derating of Asian equities on trade fears, affecting even those stocks with good growth prospects and quite robust underlying growth in operating cash flows. This contrasts with the US equity market, which has rerated. We believe this bodes well for future performance as Asian equities appear relatively cheap, especially in view of the high sustainable growth rates of a number of companies.

WE BELIEVE LOWER US GROWTH AND MORE ACCOMMODATIVE US POLICY SUGGEST A WEAKER US DOLLAR AND MORE SUPPORTIVE CONDITIONS FOR ASIAN EQUITY MARKETS

Lower US growth and more accommodative US policy suggest a weaker US dollar and more supportive conditions for Asian equity markets, while recovering trade conditions bode well for a reacceleration in revenue and profit growth.

The Fund's major thematic exposures are in the Chinese service sector and include internet platforms for recruitment and car sales as well as education. The Fund also has exposure to consumer growth companies and companies exposed to the electric-vehicle supply chain.

The Fund focuses on structural growth opportunities that can compound cash flows at a higher rate than the broader market through the cycle, in preference to relying on cyclical growth. The strong focus on governance and return on capital are key differentiators, while the significant skew away from banks and oil companies, in favour of large positions in India and small and mid-cap growth stocks, is quite contrarian, but is guided by our long-term investment horizon, our thematic research and thorough sector and stock analysis.

TOP 10 HOLDINGS (%)

	Fund
Alibaba Group Holding Ltd	7.4
Taiwan Semiconductor Manufacturing	7.0
Tencent Holdings Ltd	6.5
Samsung SDI Co Ltd	6.4
New Oriental Education & Tech	6.4
AIA Group Ltd	5.2
Housing Development Finance	4.8
CSL Ltd	4.1
Autohome Inc	4.0
Maruti Suzuki India Ltd	3.5

INDUSTRIAL ALLOCATION (%)

	Fund	Perf. B'mark
Financials	14.3	30.7
Consumer Services	26.3	12.8
Health Care	6.3	4.4
Technology	25.7	18.8
Telecommunications	0.0	2.8
Utilities	0.1	2.7
Oil & Gas	0.0	4.5
Basic Materials	4.1	5.8
Industrials	9.3	9.4
Consumer Goods	12.3	8.0
Cash	1.6	0.0

QUARTERLY ATTRIBUTION BY INDUSTRY

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Financials	9.18	-0.32	1.21	0.54	1.76
Consumer Services	12.10	9.45	0.54	0.91	1.46
Health Care	10.48	8.23	0.15	0.13	0.28
Technology	8.39	8.89	-0.11	0.39	0.27
Telecommunications	0.00	-4.92	0.00	0.23	0.23
Utilities	-7.59	-3.33	0.00	0.17	0.16
Oil & Gas	0.00	-0.69	0.00	0.16	0.16
Basic Materials	-0.29	1.15	-0.04	0.04	0.01
Industrials	1.28	1.48	-0.02	0.01	-0.01
Consumer Goods	-3.54	-0.70	-0.34	-0.16	-0.50
Cash	-	0.00	0.00	-0.05	-0.05

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 CONTRIBUTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
Australia	10.29	-2.58	1.25	0.40	1.65
India	2.93	-2.16	1.40	-0.82	0.57
Thailand	8.24	-7.30	0.04	0.27	0.31
United States	14.18	0.00	0.34	-0.07	0.27
Hong Kong	3.72	0.60	0.18	0.08	0.26

QUARTERLY ATTRIBUTION BY GEOGRAPHY - TOP 5 DETRACTORS

	Total Fund Return	Total Index Return	Stock Selection	Asset Allocation	Net Effect
South Korea	2.75	5.72	-0.34	0.02	-0.33
Cash	-	0.00	0.00	-0.05	-0.05
Pakistan	0.00	15.39	0.00	0.00	0.00
Indonesia	0.00	0.08	0.00	0.05	0.05
Netherlands	9.17	0.00	0.09	-0.03	0.06

Source: BNY Mellon Investment Management EMEA Limited

GEOGRAPHICAL ALLOCATION (%)

	Fund	Perf. B'mark
China	33.73	31.63
India	24.92	8.74
South Korea	12.18	11.13
Australia	10.17	17.04
Taiwan	7.02	11.04
Hong Kong	5.22	8.91
United States	2.64	0.00
Cash	1.59	0.00
Netherlands	1.01	0.00
New Zealand	0.91	0.74
Thailand	0.53	2.72
Philippines	0.09	1.01
Indonesia	0.00	1.76
Malaysia	0.00	2.09
Pakistan	0.00	0.04
Singapore	0.00	3.14

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)	£ 82.81
Historic yield (%)	0
Active Share (%)	77.6
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	0.96
Management fee	0.75
Other costs & charges	0.21
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. 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.