BNY MELLON
INVESTMENT MANAGEMENT

ABSOLUTE INSIGHT FUND

INVESTMENT MANAGER

Insight INVESTMENT

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

RSMR RATED FUND · DYNAMIC PLANNER PROFILED 3

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.

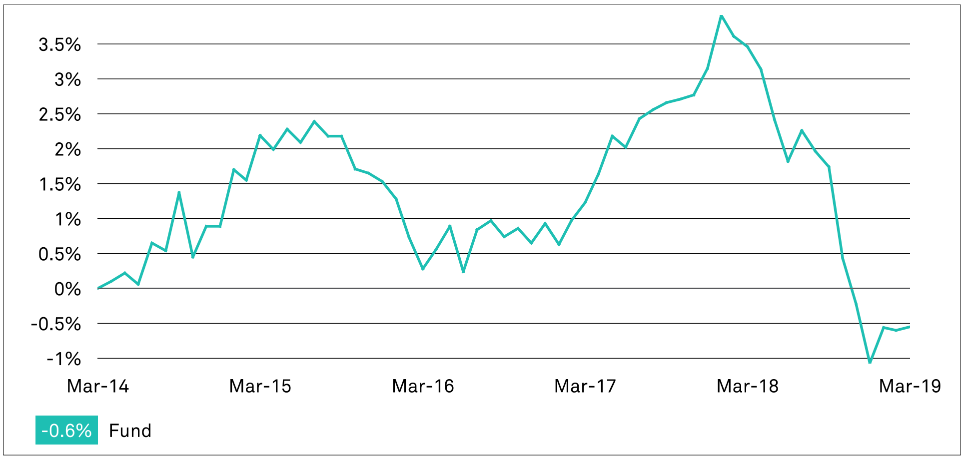
PERFORMANCE DISCLOSURE

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

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

	1M	3M	YTD	1YR	Annualised 2YR	3YR	5YR
W (Acc.)	0.05	0.52	0.52	-3.88	-0.88	-0.28	-0.11

	2014	2015	2016	2017	2018
Fund	1.69	0.63	-0.58	2.20	-4.09

Source for all performance: Lipper as at 31 March 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.

PERFORMANCE REVIEW

Following the significant market volatility experienced at the end of 2018, and with increasing concern at the trajectory of global growth, the Federal Reserve (Fed) pivoted to a neutral policy stance over the quarter, with other global central banks becoming more dovish. This led to a broad-based rally in global bond markets, with longer-dated developed market sovereign yields declining over the quarter. The Fed no longer expects any additional rate hikes over 2019 and signalled that it would slow the balance sheet reduction programme in May, before stopping it entirely in September. In Europe, growth decelerated markedly, raising concerns that the European Central Bank (ECB) would need to restart its quantitative easing programme. The ECB reduced its growth forecasts and announced additional liquidity provision through new targeted longer-term refinancing operations (TLTROs) due to start in September. Brexit uncertainty continued to weigh on sentiment in the UK, as Prime Minister Theresa May's deal faced rejection from the House of Commons on three occasions, resulting in a short extension of the Article 50 deadline to 12 April being signed off by the European Union. The Bank of England opted to leave interest rates unchanged, as expected.

PERFORMANCE WAS DRIVEN MAINLY BY THE ABSOLUTE INSIGHT DYNAMIC OPPORTUNITIES FUND AND THE EMERGING MARKET DEBT FUND, WHILE THE CURRENCY FUND AND BNY ABSOLUTE RETURN EQUITY FUND DETRACTED FROM RETURNS

Against this backdrop, the Fund generated a positive return over the quarter, net of fees. Performance was driven mainly by the Absolute Insight Dynamic Opportunities Fund and the Absolute Insight Emerging Market Debt Fund. The Absolute Insight Currency Fund and BNY Absolute Return Equity Fund detracted marginally from returns.

Absolute Insight Dynamic Opportunities Fund

Risk assets rallied over the quarter, while 'safe haven' assets, including US Treasuries, also made strong gains. Against this backdrop, the Fund generated a strong positive contribution to performance over the quarter. The Fund's derivative positions were the largest positive contributor to returns, led by upside-breakout equity strategies. Dividend futures and long duration across a number of countries also made a decent contribution to returns. There were no material detractors this quarter although two aerospace infrastructure companies offset gains from our other infrastructure holdings. We added a curve flattener on German yields to benefit from moderating economic fundamentals in Europe, which worked well over the quarter. Although the backdrop has improved since the start of the year, including a more patient Fed and improving efficacy of Chinese policies, we expect certain risk assets to remain range-bound in the near term. To this effect, we added a number of positions to benefit from such an environment, including range-bound positions in US and French equities, as well as diversifying currency option positions with a long view on the Australian dollar (AUD) and Japanese yen (JPY).

Absolute Insight Emerging Market Debt Fund

Emerging market debt indices generated a positive return over the first quarter, with sovereign and corporate credit outperforming local currency debt. While the current soft patch in global growth has weighed on the asset class, these headwinds have been countered by a broad-based shift toward easier monetary policy – either in the form of delayed normalisation or outright rate cuts. In terms of Fund performance, long allocations to local and external debt were the key drivers, benefiting from the strong rally in the underlying asset class. Unsurprisingly, in what was a strong market environment, the Fund's hedges detracted slightly. Our long exposure in Egyptian rates, foreign exchange and sovereign credit were the top contributors over the quarter. This position continues to benefit from positive credit dynamics and attractive valuations in the local currency and hard currency markets. Indonesia was also a notable contributor in rates and sovereign credit. We still see value in Indonesia's high real interest rates in the local debt market, while hard currency debt continues to perform, given perceptions of credit strength, irrespective of growth fears. In terms of current positioning, we believe that the macro environment remains supportive for emerging market assets, but we remain wary of risk coming from the US and China, a potential overshoot in developed market rates on negative growth concerns, and continued US dollar (USD) strength. We continue to favour a barbell of investment grade and high yield in external debt, but have increased our term structure trades in local markets, as real yields are attractive.

Absolute Insight Credit Fund

Credit markets experienced a broad-based rebound in January, after the indiscriminate sell-off in the fourth quarter of 2018 that was largely in response to increased dovishness from central banks, and the Fed, in particular. The credit rally continued over the remainder of the first quarter, when the Fund benefited from long cash credit holdings in investment grade and high yield. Our single name and index credit default swap (CDS) positions were the main detractors over the period, although we benefited from trading pricing differentials between cash and CDS (known as 'the basis') towards the end of the quarter. Within secured finance, we generally rotated into higher quality assets and sold out of our exposure to collateralised loan obligations. We added to our defensive positioning during the period, purchasing further CDS index shorts as well as credit and equity index put options – ending the quarter with a net short credit spread duration. Looking ahead, global growth is a concern, particularly as the ECB has limited firepower to fight a downturn. In our view, this will come into focus once markets are able to move past Brexit and the ongoing US-China trade talks. In our opinion, Italy has challenges ahead, so we retain a short in Italian sovereign bonds. 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.

Absolute Insight Currency Fund

The Fund maintained a long position in the Japanese yen over the quarter, as a falling global yields environment is typically supportive for the yen. Despite the Fed turning more dovish and opting to maintain its neutral stance, the US dollar ended the quarter around 1% firmer on a trade weighted basis, as market focus was on weak data and dovish central banks elsewhere. In Europe, the ECB also pushed back its rate rise guidance, and no rises are forecast until the end of 2019. It also cut growth forecasts and announced additional liquidity provision through new TLTROs due to start in September. The combination of weak data and a dovish ECB meant the euro was weaker over the quarter, declining by around 2.2% versus the US dollar. The Fund's negative return this quarter came from a number of positions, mainly due to being short the US dollar over a period where it rallied - despite a reduction in US rate hike expectations. The positions that detracted included both long and short views on the South African Rand and long views on the Japanese yen, Norwegian krone and the Swiss franc. In the absence of clear currency trends, we are running relatively low risk with the main view a long in Japanese yen and a smaller long in the Australian dollar. Looking ahead, we think euro weakness will continue, but we prefer to express this view versus the yen, due to the opposing forces facing the US dollar.

BNY Mellon Absolute Return Equity Fund

Equity markets recovered after the aggressive sell-off in late 2018, driven by a more dovish Fed and encouraging signals on US-China trade, but we observed several underlying trends which weighed on Fund performance. Many share prices appeared to be driven by index- and basket-buying, reflecting the sharp turn in risk appetite, which took some already expensive shares, in which we were short, to more extended levels. In other cases, some stocks seemed to lag sector peers for no apparent reason – their smaller size may have excluded them from some index baskets. We also continued to observe some outsized price movements around company results, reflecting the influence of algorithmic strategies against a background of fragile liquidity. In response to this latter trend, we have become more active in managing positions around results. We raised the Fund's overall gross exposure and kept net exposure near zero. Looking ahead, we believe markets are still extremely sensitive to central bank activity and the risk of policy error. Identifying single-stock and idiosyncratic alpha generation opportunities, and therefore accepting a certain degree of single-stock volatility, remains core to our approach in delivering sustainable returns.

TOP HOLDINGS (%)

	Fund
BNY Mellon Absolute Return Equity Fund	29.2
Absolute Insight Dynamic Opportunities Fund	20.7
Absolute Insight Credit Fund	20.0
Absolute Insight Emerging Market Debt Fund	19.5
Absolute Insight Currency Fund	9.8
Insight Liquidity Fund	0.5
Other	0.4

CONTRIBUTION TO FUND RETURN - GROSS (%)

	1 mth	3 mths
BNY Mellon Absolute Return Equity Fund	-0.10	-0.09
Absolute Insight Currency Fund	0.00	-0.06
Absolute Insight Emerging Market Debt Fund	0.03	0.35
Absolute Insight Credit Fund	0.13	0.13
Absolute Insight Dynamic Opportunities Fund	0.07	0.39
Residual	-0.01	-0.04
Total	0.11	0.69

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	-0.18	1.00		
Absolute Insight Credit Fund	0.04	-0.12	0.07	1.00	
Absolute Insight Dynamic Opportunities Fund*	0.12	0.19	0.31	0.07	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)	£ 437.79
Historic yield (%)	2.08
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	0.81
Management fee	0.75
Other costs & charges	0.06
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

MIS0067-300619
MIC034-300619
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