BNY Mellon Dynamic Value Fund

CLASS A **DAGVX** CLASS C **DCGVX** CLASS I **DRGVX**

Describe the performance of the fund relative to its benchmark during the last three months.

BNY Mellon Dynamic Value Fund underperformed its benchmark, the Russell 1000 Value Index, during the first quarter of 2023. On a sector basis, Health Care and Consumer Discretionary were the largest relative contributors, while Information Technology and Materials were the largest relative detractors.

Equity markets returned to risk-on mode and registered gains in the first quarter despite the collapse of several high-profile banks. Central banks continued to hike rates, although both the U.S. Federal Reserve (the "Fed") and the Bank of England (BOE) slowed the pace of their respective rate hikes. Returns were diverse, with growth stocks regaining favor—the technology-heavy Nasdaq Composite posted its best quarter since 2020—and financials lagging most as investors rotated back into higher-risk assets. For the quarter, the Standard & Poor's (S&P) 500® Index rallied 7.50%, the MSCI EAFE Index, a measure of non-US developed markets, jumped 8.47% and the MSCI Emerging Markets Index added 4.02%.

In the US, equities posted gains on optimism that the easing of pricing pressures would allow the Fed to decelerate or pause interest rate hikes later this year, even as the collapse of several high-profile banks briefly sent markets lower. The Fed's preferred inflation measure, the personal-consumption-expenditures (PCE) index, continued to trend downward during the quarter, further lifting hopes that monetary policy was achieving its desired effect. In total, the Fed has raised the benchmark federal-funds rate twice in 2023, bringing the target range to between 4.75% and 5%. Banking stocks suffered amid liquidity concerns after regulators dissolved both Silicon Valley Bank and Signature Bank. While employment numbers moderated in February, following robust January data, Fed Chairman Jerome Powell again noted that "labor markets continue to be out of balance." Reversing the upward trend of most of 2022, the yield on the 10-year Treasury note dropped, ending the quarter at 3.47%. The US dollar weakened against an index of its peers.

Developed markets advanced even as bank contagion fears spread across the Atlantic. Faced with rapidly deteriorating conditions, Switzerland's 167-year-old bank, Credit Suisse, was taken over by rival UBS in a deal orchestrated by the Swiss National Bank. Inflationary pressures eased in the eurozone in February but rose again in March. Most notably, core inflation—which excludes volatile items such as food and energy and is used to gauge future price increases—hit a record high during the quarter. The European Central Bank and the BOE raised rates in both February and March. In Japan, the central bank intervened after the yield on its 10-year government bond breached the top end of its band. The Bank of Japan (BOJ) continued to leave rates unchanged as BOJ Governor Haruhiko Kuroda, the main advocate for Japan's loose monetary policy, retired. However, new Deputy Governor Shinichi Uchida stated that changes to the central bank's bond yield control policy would be possible if economic and price conditions justified the phasing out stimulus.

Emerging markets rose during the quarter as China officially lifted its zero-Covid restrictions. China's official manufacturing purchasing managers' index and measure of the private sector surprised markets with its fastest growth in a decade during February. However, the Caixin PMI slipped back to 50 in March, the level between a contraction and an expansion. Following two devastating earthquakes, the Turkish government buoyed the stock market with a $1 billion injection into the country's main stock exchange via exchange-traded funds. Following a jump in inflation, Mexico's central bank stunned investors by raising interest rates by 50 basis points in February and again in March.

Commodities lagged during the quarter, with the Dow Jones Commodity Index easing by 3.55%. Oil prices fluctuated, dropping in January and February amid supply constraints but recovering in March after imports hit a two-year low. Natural-gas prices fell as winter ended in the Northern Hemisphere. Meanwhile, gold prices rallied amid a weakening dollar and a flight to safety.

Sector Review

Positive Impacts

Health Care: Stock selection in the Health Care sector contributed to relative returns for the quarter, particularly not owning several underperforming pharmaceutical names.

Consumer Discretionary: Stock selection in the sector benefited returns, especially in the hotels restaurants and leisure space.

Negative Impacts

Information Technology: As technology stocks rallied late in the quarter, the strategy's positioning and stock selection dragged on returns. This included not owning Salesforce, Inc.

Materials: Stock selection and positioning detracted, particularly not owning a number of outperforming chemical names.

Stock Selection Review

Positive Impacts

Pfizer Inc.: Not owning Pfizer contributed to returns as the drugmaker issued guidance that was below consensus expectations, due to revenue declines for the firm's Covid-19 products.

Johnson & Johnson: Not owning Johnson & Johnson also contributed, as the firm lost an appeal to shift lawsuits over its talcum powder to bankruptcy court.

CME Group Inc. Class A: CME is a derivative exchange with over 90% market share in most of their main product lines. CME performed positively in the first quarter as it increased pricing by 5% in 2023, higher than what the market expected, while volumes are holding up well.

Negative Impacts

Allstate Corporation: Allstate has been a weak performer as the market zeroed-in on balance sheet risk and a lower capital ratio than peers. We had pre-empted these concerns, and we believe our numbers indicate a clear path to rebuild balance sheet strength once margins and capital generation turn, which we expect in the second quarter. As margin inflects, we believe the stock should re-rate.

Charles Schwab Corp: The failure of regional banks SVB Financial and Signature bank cast a pall over the entire financials sector and caused increased uncertainty and multiple deratings across almost all companies, including Charles Schwab.

Salesforce, Inc.: Not owning Salesforce detracted as the cloud software firm announced a sharp increase in operating profits and an issued upbeat guidance.

How is the fund currently positioned and what is your current strategy?

In 2022, markets declined as persistently high inflation, aggressive rate hikes and a reduction of liquidity put increasing pressure on the global economy. We anticipate 2023 will share key similarities with 2022, providing further evidence that we are in a new multi-year regime, characterized by rates and inflation that are higher than we have seen in the last decade.

The Fed largely spent the second half of 2022 reiterating the importance of reining in inflation to more appropriate levels. In 2023, we expect the Fed to continue this steadfast commitment to raising interest rates and sustaining quantitative tightening until data shows a material deceleration in pricing pressures. Even when these inflationary pressures moderate, we believe they will remain above the trend of the last decade. More positively, the US is experiencing continued robust employment trends and consumer savings appear strong, thanks to the fiscal stimulus measures of 2020 and 2021. However, the overall economic growth outlook looks increasingly challenged owing to the Fed's aggressive tightening stance.

These near-term economic pressures are likely to usher in a phase of reduced earnings expectations. However, value stocks widely protected investors in the challenged environment of 2022, and we think value-oriented companies with better relative earnings trends are well positioned to outperform the broader market as we navigate onward to 2023.

Volatile macroeconomic and market dynamics can make it difficult for investors to find returns. We believe companies with strong balance sheets and cash-flow generation, trading at attractive prices compared to their future cash flow-generating power, provide compelling investment opportunities. It is also important to be effectively positioned for when this period of stifled economic growth eventually abates, and cyclical companies can take advantage of a potential upswing in the market. Such cyclical companies are well represented in the value space and have historically led in market upcycles following downturns.

Looking ahead, we expect segments of the market will continue to digest the pull forward of demand brought on by the pandemic. Furthermore, we anticipate 'old economy' investment strength, supported by several drivers including onshoring, automation, electrical infrastructure and efforts that alleviate supply constraints. This new market regime should place a greater emphasis on profitable and sound business models as investors hunt for returns. Finally, we expect 2023 to be a market conducive to our long-standing US large-cap value and income philosophy of focusing on opportunities at the intersection of valuation, fundamentals and business momentum.

As always, we are actively using pockets of near-term volatility to try to identify attractive relative opportunities. We continue to be constructive on cyclical areas of the market that provide strong relative value and robust balance sheets through uncertain times. We are selectively finding cash-flow stability at attractive valuations and catalyst-driven business improvement.

Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. To obtain a prospectus, or a summary prospectus, if available, that contains this and other information about a fund, contact your financial professional or visit im.bnymellon.com. Investors should read the prospectus carefully before investing. Not all classes of shares may be available to all investors or through all broker-dealer platforms.

Past performance is no guarantee of future results.

Risks

Equities are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries.

As of 3/31/23, the fund's top ten holdings were: JPMorgan Chase & Co. 4.49%, Berkshire Hathaway 4.11%, Exxon Mobil 3.71%, CME Group 2.87%, Cisco Systems 2.69%, Meta Platforms 2.55%, Goldman Sachs Group 2.44%, Medtronic 2.33%, Becton, Dickinson And Company 2.32%, Freeport-McMoRan 2.29%.

As of 3/31/23, the companies mentioned represented 5.21% of the fund's portfolio in the aggregate. The holdings listed should not be considered recommendations to buy or sell a particular security. Other holdings may not have performed as well as some of those listed herein. Portfolio composition is subject to change at any time.

The Russell 1000® Value Index is an unmanaged index which measures the performance of those Russell 1000 ® companies with lower price-to-book ratios and lower forecasted growth values. The MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market performance of emerging markets. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The S&P 500® Index is widely regarded as the best single gauge of large -cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. The Dow Jones Commodity Index is a broad measure of the commodity futures market that emphasizes diversification and liquidity through a simple, straightforward, equal-weighted approach. The index tracks 28 different commodities, from agricultural to precious metals to energy products. The Caixin China Manufacturing Purchasing Managers Index is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. When the PMI is below 50.0 this indicates that the manufacturing economy is declining and a value above 50.0 indicates an expansion of the manufacturing economy. An investor cannot invest directly in any index.

Views expressed are those of the author stated and do not reflect views of other managers or the firm overall. Views are current as of the date of this publication and subject to change.

All market statistics are sourced from NIMNA unless otherwise noted.

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