

**INCOME AS
AN OUTCOME**
VISUALIZE YOUR
VOYAGE



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As important as the destination is the path you take to get there. Our income investment solutions are built with a single goal:

To arrive at the targeted yield with the least amount of risk possible.

INCOME AS AN OUTCOME

As secular demand for steady inflation-protected income accelerates, the sources of this income are increasingly elusive. Demographic trends will continue to fuel higher income demand, requiring a thoughtful set of solutions designed to meet the needs of these investors.

At Mellon, we have a multi-decade history of offering solutions designed to deliver income as an outcome. Our approach seeks to deliver a consistent income stream by targeting a desired yield with the least amount of risk.



ENVIRONMENT

As sources of income become increasingly elusive, demographic trends will continue to fuel a higher demand for income.



A decade into global quantitative easing, demographics are pushing the demand for income higher while the yield on global assets continues to decline.

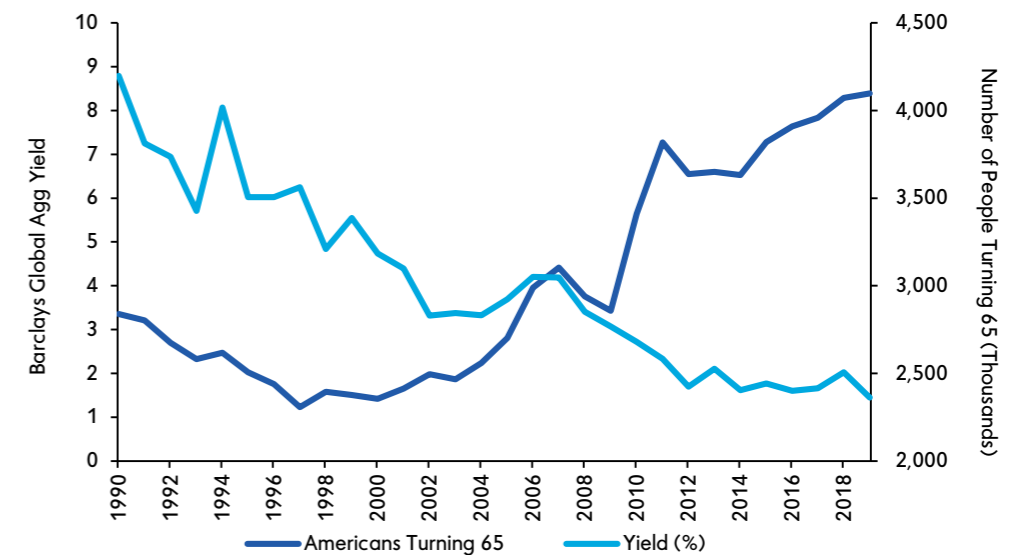
This dwindling supply of predictable yield combined with rising demand poses a very real problem for income-focused consumers.

S&P 500® Dividend Yield v. US 10-year Treasury Yield



Source: Bloomberg. As of June 30, 2020.

While we have witnessed very little global inflation over the last 20 years, any change in this trend will leave investors in search of an income stream that can keep pace with any inflationary pressures.



Source: CDC and Bloomberg. As of December 31, 2019.



PHILOSOPHY

We use two guiding principles to help us achieve our income goals:

Visibility & Voyage



VISIBILITY

Income investors need visibility of their income stream; we set explicit income objectives, and then strive to meet them

Investors know their asset base. They know their spending needs. With most equity products, however, they don't always know their expected income. This lack of visibility makes it nearly impossible to plan spending.

We believe if we are able to produce a steady and predictable income stream, we may provide investors with the visibility of income to plan their spending, and their lives, with the least amount of risk possible.



VOYAGE

It is not only the destination that is important; the path you take matters. We aim to deliver on the yield outcome, with the least amount of risk possible by integrating our risk management process upstream in our portfolio construction process. Fundamental research is woven into our process early in portfolio construction.

It seems so simple. Target the yield, minimize the risk. There is a lot of work that goes into these two things, but these two things are all that we do.

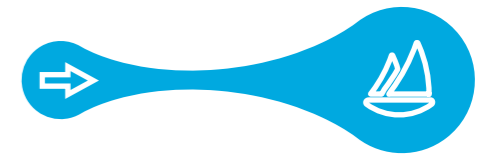
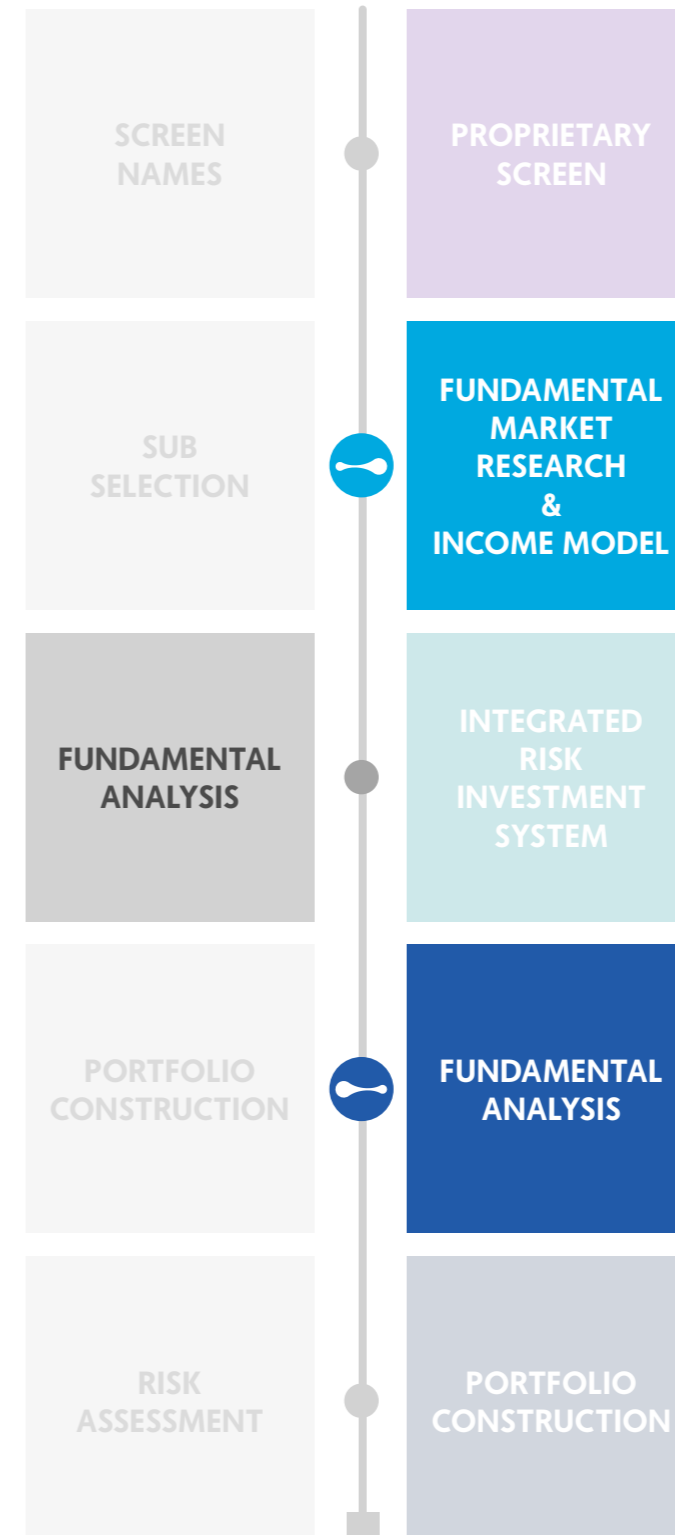


A FUNDAMENTAL APPROACH

Our fundamental approach to research incorporates both upstream and downstream characteristics into our investment process. First, deep fundamental insights are brought upstream into our process through developed quantitative models. We then use the resulting insights in combination with characteristics analyzed by our research analysts to determine whether to invest in a business. This process allows us to focus resources on the most idiosyncratic areas that we think add the most value.

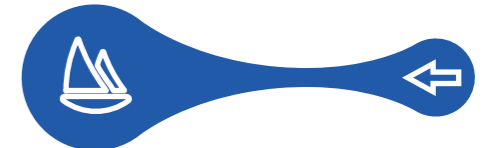
Typical Equity
Managers

 MELLON



UPSTREAM

Deep fundamental insights are brought upstream into our investment process through the use of Mellon's proprietary income models that are specific to each managed strategy. These models help narrow our focus on the most fundamentally attractive parts of the equity income universe and identify businesses with characteristics that lead to outperformance.



DOWNSTREAM

Businesses that pass our quantitative screen exhibit characteristics we believe are important to income investors, while also creating risk diversification relative to other holdings in the portfolio. We then leverage the depth of the Mellon Global Equity Research Platform to conduct a comprehensive review of these businesses.



DURABILITY OF DIVIDENDS

Once we have identified the companies to analyze, where do we focus? No part of the fundamental research process should ever be arbitrary. By focusing on predictable cash flows, capital preservation and downside protection, we identify businesses with stable cash flows and management teams that we believe most effectively allocate these cash flows.

PILLARS OF DIVIDEND VALUE CREATION

PREDICTABLE CASH FLOWS

We believe the best way to generate a consistent yield is by investing in businesses that generate consistent cash flows. We focus on the stability and sustainability of these cash flows, which only comes from a thorough understanding of the businesses in which we invest.

CAPITAL PRESERVATION

Income investors want to generate yield and maintain their capital. We maintain close contact with company management teams, the stewards of this capital, to help ensure that they are making decisions aligned with this goal.

DOWNSIDE PROTECTION

The secret to robust compound returns is the fierce protection of capital on the downside. Look down before you look up. Avoiding risks and preventing unforced errors is, in our view, the best way to ensure consistent long-term returns.



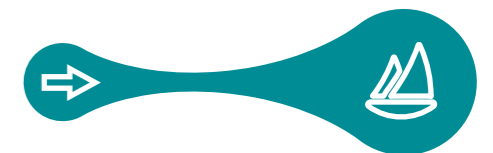
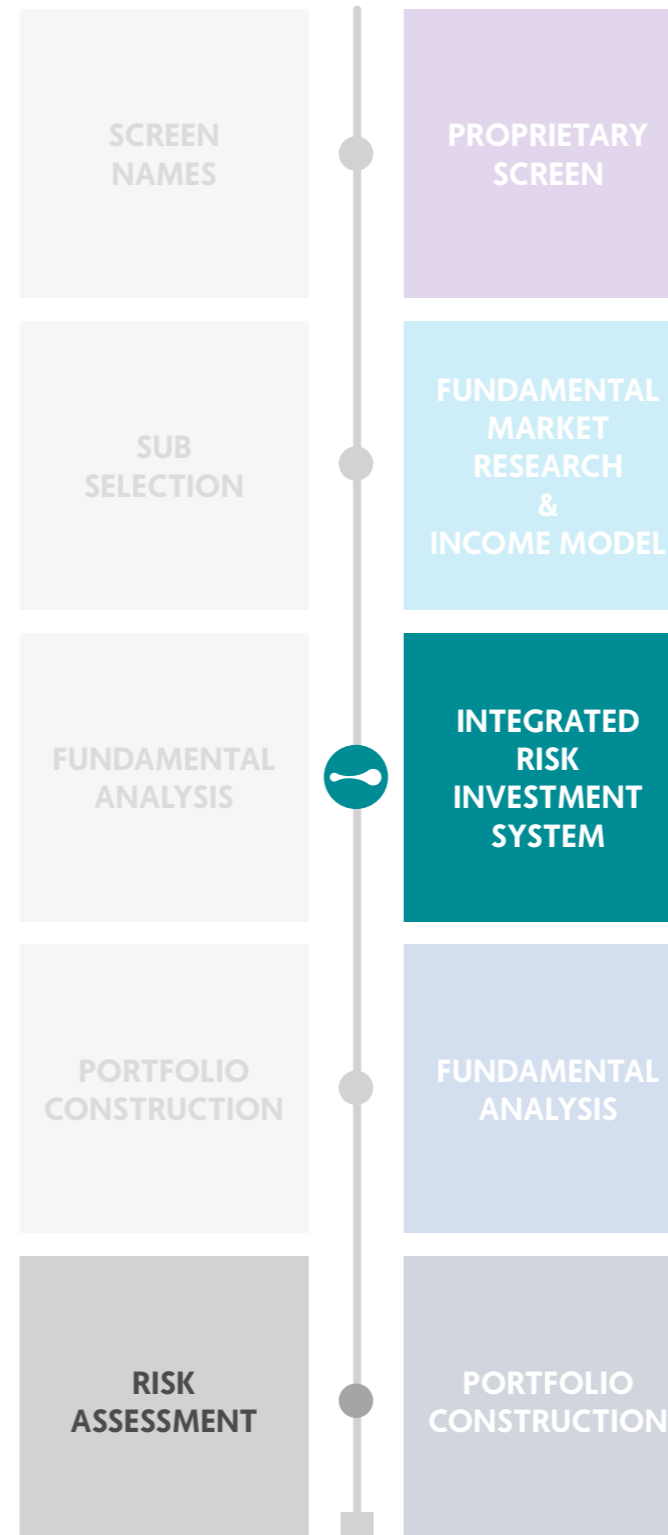


UPSTREAM RISK MANAGEMENT

Our differentiated approach to income investing incorporates risk management upstream in our investment process. Unlike other equity managers who typically assess risk following portfolio construction, we consider the risk impact of each investment far upstream in our process.

Typical Equity Managers

MELLON



UPSTREAM

Evaluating risk early on in the portfolio construction process is crucial to risk management. Combining our systematic research focus with fundamental insights and assembling the final portfolio with a view toward minimizing risk *as the portfolio is being built* helps us target yield with the least amount of risk possible.



WHERE WE FIT IN

Stable, predictable yield is a critical component of every asset allocation.

Depending on the need, we believe we are best positioned as either a core income allocation or as a satellite allocation to enhance the overall yield of your portfolio.



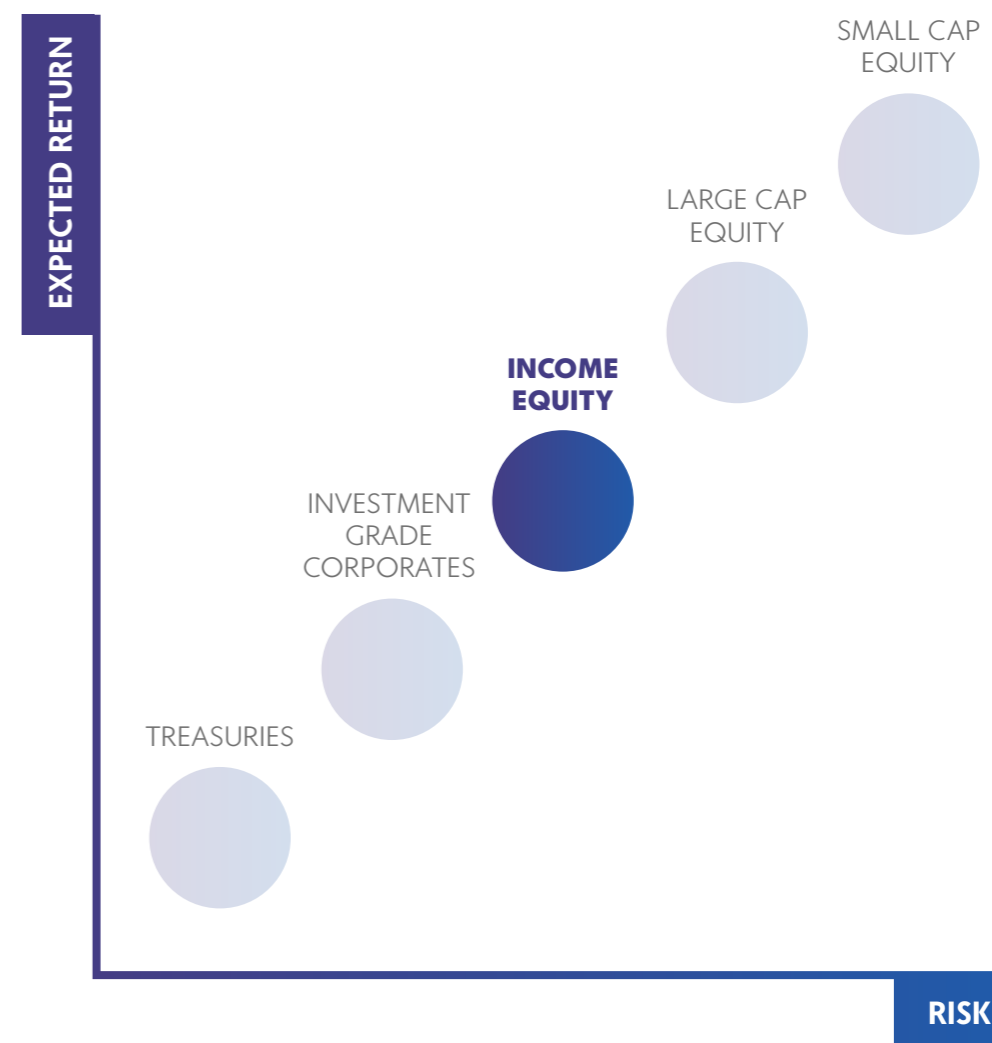
Income-specific, fundamentally informed custom models evaluate the market.



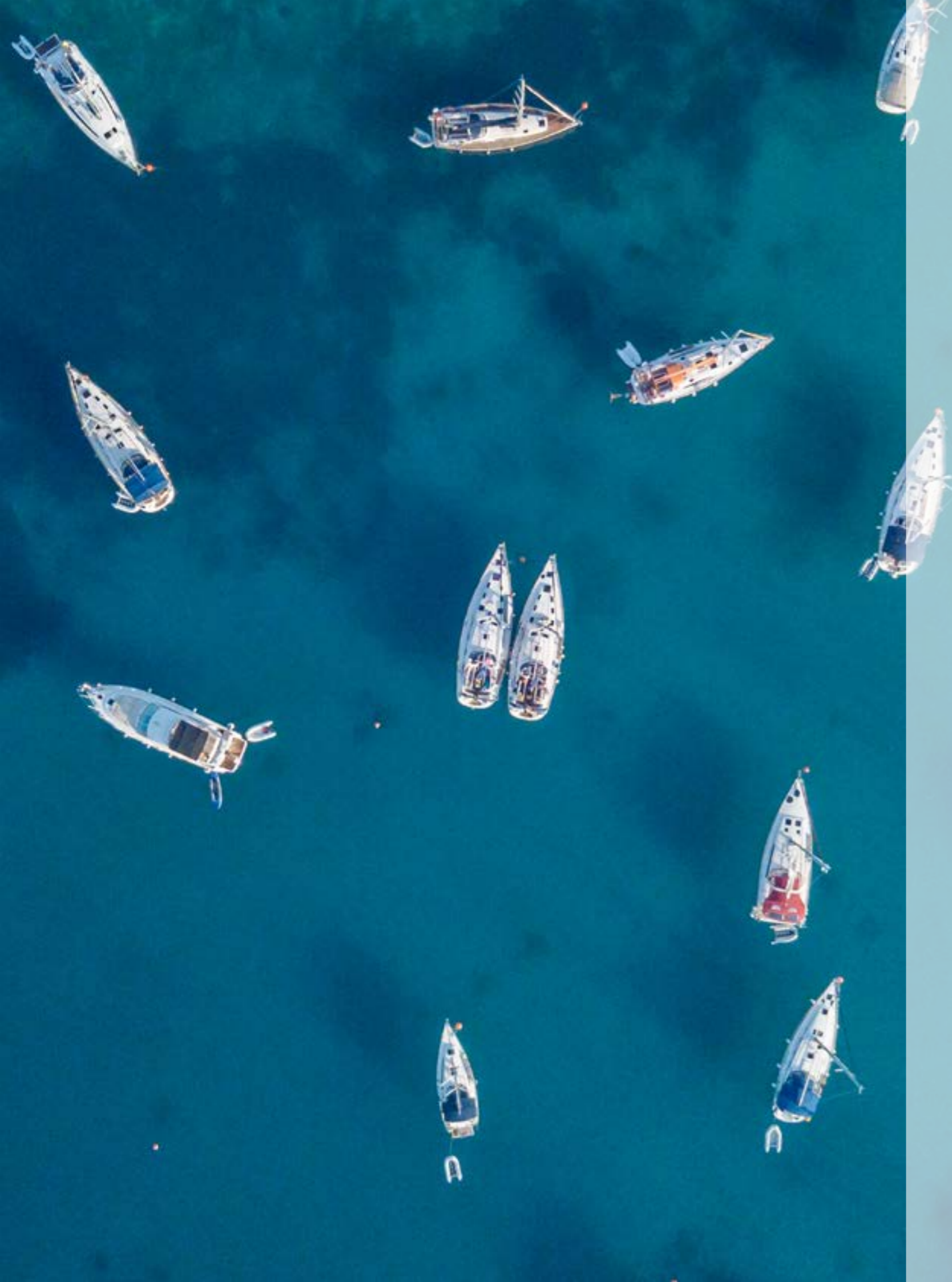
Deep, sector-level fundamental company research.



Portfolio optimization seeks to establish the most efficient portfolio with the least amount of risk.



For illustrative purposes only. Does not represent actual results.



PRODUCTS

LARGE CAP CORE EQUITY INCOME

The Large Cap Core Equity Income Strategy focuses on building a benchmark-driven, risk-controlled portfolio with an emphasis on fundamentally attractive dividend-paying stocks. We apply a systematic process to evaluating securities based on their fundamentals and valuation. Our disciplined approach to portfolio construction is designed to maximize dividend yield while minimizing unwanted risks relative to the S&P 500® Index. We target a dividend yield 50% greater than the S&P 500 Index.

GLOBAL INFRASTRUCTURE DIVIDEND FOCUS EQUITY

The Global Infrastructure Dividend Focus strategy seeks to capture the defensive characteristics of regulated, cash generative businesses, while generating top-tier equity income globally.

INCOME STOCK

The Income Stock strategy focuses on identifying stocks that offer sustainable, high-dividend yields, compelling dividend growth, solid fundamentals and attractive valuations by employing a forward-looking, bottom-up investment process. We seek to outperform the US large cap equity market while offering a dividend yield more than 50% above that of the S&P 500 Index.

GLOBAL HEALTHCARE REIT

The Global Healthcare REIT strategy is a globally diversified strategy benefiting from the demographic trends driving increased demand for healthcare-related real estate. The strategy seeks to balance exposure between senior housing, skilled nursing and medical office buildings.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

OUR TEAM

20+
AVERAGE
YEARS IN
INDUSTRY

15+
AVERAGE
YEARS AT
FIRM

23
COUNTRIES
VISITED

ABOUT MELLON

Mellon Investments Corporation (Mellon) is a global investment manager offering a full spectrum of client solutions across fixed income, equity, multi-asset and index. With roots dating back to the 1800s, Mellon has been innovating across asset classes for generations and has the combined scale and capabilities to offer clients a broad range of investment solutions. Mellon's mission is to create investment solutions that harness the power of capital markets.

www.mellon.com

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