In Focus

HIGH YIELD BETA

Fourth Quarter 2016

LIQUID. COST-EFFECTIVE. BUILT FOR TODAY'S MARKET.

Mellon Capital's High Yield Beta Strategy is designed to offer an efficient way to access the high-yield bond market.

The strategy provides:
- Competitive and consistent, index-like performance
- Attractive liquidity characteristics
- Cost-effective, core exposure to high yield

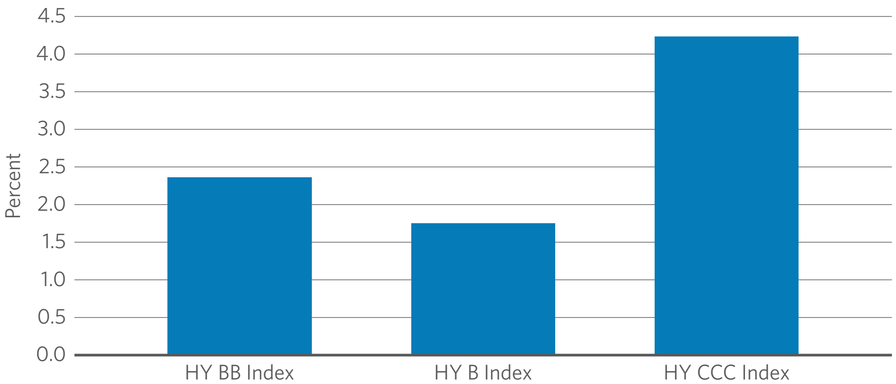
As such, it can serve as an ideal core high-yield investment in a core/satellite approach, in combination with one or more active managers.

1. Competitive performance.

Over time, the performance of the broad market high-yield index, which our strategy targets, has proven to be highly competitive against active managers in this space. Why?

- Historically, investors with broad-based exposure to the entire high-yield credit spectrum have earned a higher risk premium for their exposure than investors holding only higher-quality credit .
- Investors have been rewarded over time for their exposure not only to higher-quality high-yield bonds (HY BB – B range), but also to the lower-quality spectrum (HY CCC range) [see Figure 1].

Figure 1: U.S. High Yield Estimated Earned Credit Risk Premium (CRP) by Quality Segment



Estimated earned CRP by quality is the average annualized excess return over the index by credit quality segments.

Source: BAML Index Data; Period: 1/1999 to 10/2015

Mellon Capital

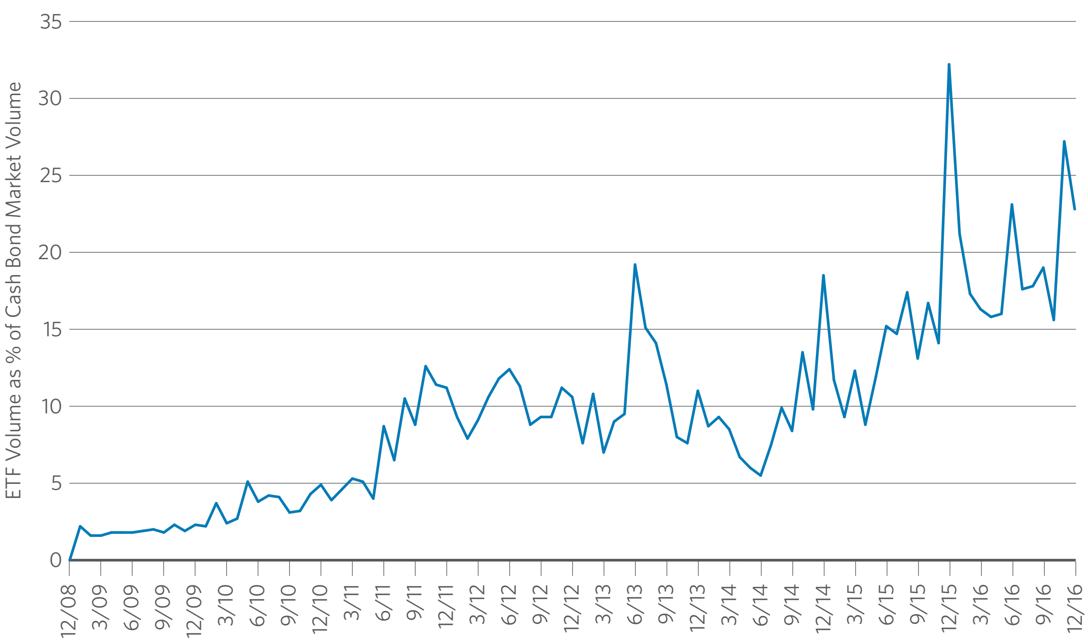
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

2. Attractive liquidity characteristics.

Many investors seek to tactically allocate to their high-yield exposure, but high transaction costs and illiquidity in these bonds make that difficult. Our High-Yield Beta Strategy taps into the liquidity of the ETF markets to enhance its liquidity profile.

- Liquidity begets liquidity. Trading volume of high yield ETFs has been steadily on the rise. Dollar volume flowing through the ETF market now represents more than 25% of the total dollar volume in the cash bond market. [see Figure 2]
- The rise of a secondary trading market for high-yield ETFs has begun to alter the liquidity dynamics of the high-yield market, such that there is greater liquidity in trading a broad high-yield beta instrument than in trading individual high-yield bonds.
- Significant trading volume and large creation and redemption sizes in the high yield ETF market make it a useful instrument for institutional managers who fully understand ETFs. [see Figure 3]

Figure 2: Total % Dollar Volume of Two Largest High-Yield ETFs



Source: FINRA TRACE; Bloomberg (as of 12/31/16).

Figure 3: Trading Statistics for Two Largest ETFs Based on AUM[1]

HY ETF Trading Statistics	Amount ($)	Notes
Peak Trading Volume (12/11/2015)	$5.5 billion	Total ETF volume equivalent to **88%** of the average cash bond volume, representing a significant portion of the traded cash bond market
Largest Creation Size (11/09/2016)	$699 million	Size of ETF creation/redemption provides a good indication of the potential flow in/out of the HY ETF market in a day
Largest Redemption Size (10/27/2016)	$997 million	Size of ETF creation/redemption provides a good indication of the potential flow in/out of the HY ETF market in a day

Source: FINRA TRACE; Bloomberg (as of 11/30/16).

[1] High yield ETFs shown contain the highest AUM as of 11/30/16 and are shown for illustrative purposes. We have not reviewed the performance of all high yield ETFs, and Mellon Capital's High Yield Beta has materially less AUM than the ETFs shown above as of 11/30/16.

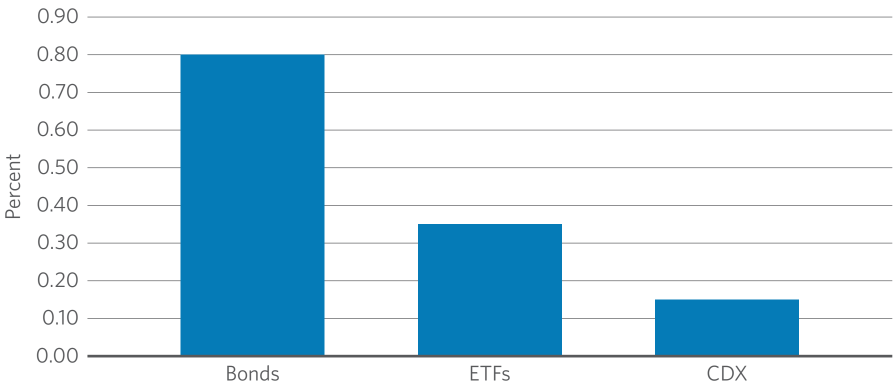
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

3. Cost-effective, core high-yield market exposure.

Our set of market completion tools allows us to find cheaper ways to access this high cost market.

- The use of ETFs and CDX in the implementation process has the potential to lower transaction costs, mitigating one of the biggest drags on performance. [see Figure 4]

Figure 4: Estimated Trading Costs of High-Yield Market Instruments



Note: Estimated trading costs measure the cost of immediately executing a roundtrip transaction for a standard institutional trade.

Source: Mellon Capital Trading Desk, estimates as of 11/30/2016

Our unique approach maximizes impact to the high cost, high yield market by providing an attractive liquidity profile, cost-effective exposure and competitive performance.

Are you getting the full benefit of the high yield market?

TAKE THE NEXT STEP

To learn more about the High Yield Beta Strategy, please contact your Mellon Capital representative.

DISCLOSURES

Period	Gross Return[1]	Benchmark[2]	Value-Added[3]	Composite 3yr. Ann. Std. Dev.[4]	Benchmark 3yr. Ann. Std. Dev[4]	# of Portfolios	Composite Dispersion	Composite Assets ($MM)	Firm Assets (Including Overlay) ($MM)	Firm Assets (Excluding Overlay) ($MM)
2015	–3.61	–4.47	0.86	5.53	5.34	<5	N/A	73	352,356	349,089
2014	1.98	2.45	–0.47	N/A	N/A	<5	N/A	64	383,529	379,698
2013	7.87	7.44	0.43	N/A	N/A	<5	N/A	55	354,741	348,634
2012	3.00	3.29	–0.29	N/A	N/A	<5	N/A	57	259,123	252,696

Inception Date: September 30, 2012

1. Asset-weighted total return calculation
2. Bloomberg Barclays U.S. Corporate High Yield Index
3. Value-added is provided as supplemental information.
4. The 3-year annualized standard deviation measures the variability of the composite and benchmark returns over the preceding 36-month period. The 3-year annualized standard deviation is presented beginning 2010 for composites that have 36 months of composite returns available as of the reported year.

Partial initial year return

The High Yield Beta Composite (the "Composite") seeks to provide diversified exposure to U.S. high yield corporate bond securities with similar credit, duration, and maturity characteristics as found in the Bloomberg Barclays U.S. Corporate High Yield Index by utilizing our proprietary credit assessment and valuation model. Financial futures may be used to obtain exposure, to provide liquidity for cash flows, to hedge accruals or for other purposes that facilitate meeting the Composite's objective. Financial futures may be used up to 5% of the value of the Composite. The Composite was created in September 2012. The number of portfolios within the Composite and dispersion calculations are not shown for periods during which the Composite contained five or fewer portfolios. The Composite consists of five or fewer portfolios since its inception on September 30, 2012. The annual performance dispersion is measured by an asset-weighted standard deviation of all the portfolios that were included in the Composite for the entire year. The benchmark is the Bloomberg Barclays U.S. Corporate High Yield Index.

Mellon Capital claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Mellon Capital has been independently verified for the periods January 1, 2007 through December 31, 2015. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. A complete list and description of Mellon Capital's composites, as well as additional information regarding policies for valuing portfolios, calculating performance and preparing compliant presentations, are available upon request.

Mellon Capital Management Corporation ("Mellon Capital") is an indirect, wholly owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon"). Mellon Capital claims compliance with the Global Investment Performance Standards (GIPS®). BNY Mellon does not claim compliance with GIPS. Mellon Capital portfolio managers may manage Mellon Capital strategies for affiliates pursuant to dual employee arrangements with such affiliates, and the performance presented may reflect performance achieved while acting in such capacity.

Performance is calculated gross of the clients' negotiated investment management fee unless noted otherwise. The highest fee schedule for the Composite is 0.25% on assets under management. Actual fee schedules may vary depending on account size and other factors. Performance results reflect income and capital appreciation. Performance results for collective investment funds held in the Composite have been reduced by fund audit costs and other applicable expenses. Collective funds presented are maintained by The Bank of New York Mellon. Employees of Mellon Capital manage the assets of any collective investment funds in their capacity as dual officers of The Bank of New York Mellon. In accordance with bank regulatory guidance and the Schedule A for each collective investment fund, excluding EB DL and EB DO, please note that transaction costs, if any, associated with client-specific contributions to and/or withdrawals from certain index and model driven collective investment funds held within the Composite will not be deducted from the collective investment fund's returns, but rather will reduce those clients' returns. The treatment of these trading expenses differs from the GIPS requirements; and if such expenses, if any, had been reflected, performance would be lower or higher. Performance is expressed in U.S. dollars unless noted otherwise.

PUBLICATION DISCLOSURES

Mellon Capital Management and its abbreviated form Mellon Capital are service marks of Mellon Capital Management Corporation.

The views discussed here reflect the opinion of the authors as of approximately December 31, 2016, and subject to change without notice. This publication discusses Mellon Capital's model outlook, and comments are provided as a general market overview and should not be considered investment advice. Portfolio positions may vary significantly from those recommended by our models.

The information in this publication has been developed internally and/or obtained from sources we believe to be reliable; however, Mellon Capital does not guarantee the accuracy or completeness of such information. This publication is provided for informational purposes only and is not provided as a sales or advertising communication nor does it constitute investment advice or a recommendation for any particular investment product or strategy for any particular investor. Economic forecasts and estimated data reflect subjective judgments and assumptions and unexplained events may occur. Therefore, there can be no assurance that developments will transpire as forecasted in this publication. Past performance is not an indication of future performance.

Charts and graphs herein are provided as illustrations only and are not meant to be guarantees of any return. The illustrations are based upon certain assumptions that may or may not turn out to be true.

No part of this article may be reproduced in any form, or referred to in any other publication without express written permission of Mellon Capital Management Corporation.

Mellon Capital Management Corporation ("Mellon Capital") is an investment adviser registered with the Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940. Mellon Capital is a wholly-owned subsidiary of The Bank of New York Mellon Corporation ("BNY Mellon").

The providers of the indices referred to herein are not affiliated with Mellon Capital, do not endorse, sponsor, sell or promote the investment strategies or products mentioned herein and they make no representation regarding the advisability of investing in the products and strategies described herein.

Standard & Poor's,® S&P,® S&P 500® Index, Standard & Poor's 500,® S&P 500 Low Volatility High Dividend Index,® S&P Small Cap 600® Index, S&P Mid Cap 400® Index, and S&P MLP Index are registered trademarks of Standard & Poor's Financial Services LLC ("S&P") and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones") and have been licensed for use by S&P Dow Jones Indices LLC and its affiliates and sublicensed for certain purposes by The Bank of New York Mellon (together with its affiliates and subsidiaries). The S&P 500® Index, S&P 500 Low Volatility High Dividend Index,® S&P Small Cap 600® Index, S&P Mid Cap 400® Index, and S&P MLP Index are products of S&P Dow Jones Indices LLC or its affiliates, and have been licensed for use by The Bank of New York Mellon (together with its affiliates and subsidiaries). The Bank of New York Mellon's and/or Mellon Capital Management's products are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P, their respective affiliates and neither S&P Dow Jones Indices LLC, Dow Jones, S&P, their respective affiliates make any representation regarding the advisability of investing in such product(s).

Source Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofAML"), used with permission. BofAML PERMITS USE OF THE BofAML INDICES AND RELATED DATA ON AN "AS IS" BASIS, MAKES NO WARRANTIES REGARDING SAME, DOES NOT GUARANTEE THE SUITABILITY, QUALITY, ACCURACY, TIMELINESS, AND/OR COMPLETENESS OF THE BofAML INDICES OR ANY DATA INCLUDED IN, RELATED TO, OR DERIVED THEREFROM, ASSUMES NO LIABILITY IN CONNECTION WITH THE USE OF THE FOREGOING, AND DOES NOT SPONSOR, ENDORSE, OR RECOMMEND MELLON CAPITAL MANAGEMENT CORPORATION, OR ANY OF ITS PRODUCTS OR SERVICES.

The Dow Jones, Dow Jones U.S. Total Stock Market Index,SM Dow Jones U.S. Completion Total Stock Market Index,SM Dow Jones Industrial AverageSM, and Dow Jones U.S. Select REIT IndexSM are products of S&P Dow Jones Indices LLC ("SPDJI"), and have been licensed for use by Mellon Capital Management Corporation and The Bank of New York Mellon. Standard & Poor's® and S&P® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Mellon Capital Management Corporation and/or The Bank of New York Mellon. The Bank of New York Mellon's and/or Mellon Capital Management's products are not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the above-mentioned indexes. "Bloomberg®" and the Bloomberg Commodity Indexes are service marks of Bloomberg Finance L.P. and its affiliates (collectively, "Bloomberg") and have been licensed for use for certain purposes by The Bank of New York Mellon Corporation. Neither Bloomberg nor UBS Securities LLC and its affiliates (collectively, "UBS") are affiliated with The Bank of New York Mellon Corporation, and Bloomberg and UBS do not approve, endorse, review, or recommend The Bank of New York Mellon Corporation and or Mellon Capital's products. Neither Bloomberg nor UBS guarantees the timeliness, accurateness, or completeness of any data or information relating to Bloomberg Commodity Indexes.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

Russell Investments is the owner of the trademarks and copyrights relating to the Russell 1000® Index, the Russell 1000® Growth Index, the Russell 1000® Value Index, the Russell 2000® Index, the Russell 2000® Growth Index, the Russell 2000® Value Index, the Russell 2500TM Index, the Russell 3000® Index, the Russell Midcap® Growth Index, Russell Top 200 ® Value Index, and the Russell Midcap® Value Index. Citigroup index data and information (collectively, "Index Data") ©2016, Citigroup Index LLC ("Citi Index"). All rights reserved. CITI and CITIGROUP are registered trademarks and service marks of Citigroup Inc. or its affiliates, are used and registered throughout the world, and are licensed for use by The Bank of New York Mellon. The funds or securities shown or mentioned herein are not sponsored, endorsed, sold or promoted by Citi Index. Citi Index makes no representation regarding the advisability of investing in such funds or securities. Index Data is the property of Citi Index or its licensors, and reproduction in any form is prohibited except with the prior written permission of Citi Index. Citi Index does not guarantee the accuracy, adequacy, timeliness, completeness or availability of any Index Data and is not responsible for any errors or omissions or for the results obtained from the use of such data. CITI INDEX GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall Citi Index be liable for damages of any kind in connection with any use of, or reliance on, the Index Data.

Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by, Mellon Capital Management Corporation. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. Data provided is for informational purposes only and may not be used for any other purpose including as the basis for any other fund, derivative or financial product. The funds or securities referred to herein are not sponsored, endorsed or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities or any index on which such funds or securities are based.

Nasdaq®, OMX®, Nasdaq-100®, and Nasdaq-100 Index®, are registered trademarks of The NASDAQ OMX Group, Inc. (which with its affiliates is referred to as the "Corporations") and are licensed for use by Mellon Capital. The Product(s) have not been passed on by the Corporations as to their legality or suitability. The Product(s) are not issued, endorsed, sold, or promoted by the Corporations. THE CORPORATIONS MAKE NO WARRANTIES AND BEAR NO LIABILITY WITH RESPECT TO THE PRODUCT(S).

The Manager believes the targets set forth in this document are reasonable based on a combination of factors, including the Strategy's investment team's general experience and assessment of prevailing market conditions and investment opportunities. There are, however, numerous investment-specific assumptions that factor into these targets that may not be consistent with future market conditions and that may significantly affect actual investment results. Such assumptions include, but are not limited to (i) various measurements and parameters relating to the Manager's expected outlook for certain global and local economies and markets; (ii) the ability to meet certain return/yield targets in liquid asset classes such as equities (developed, emerging), government bonds, investment grade corporate bonds, high yield bonds, emerging market debt and real assets; (iii) the Manager's ability to effectively generate potential excess returns through tactical asset allocation decisions, and (iv) the Manager's ability to use options. The targets set forth in this document are not a prediction or projection of actual investment results and there can be no assurance that any target for an investment or, in the aggregate, for the Strategy, will be achieved, or that losses, lower yields, or higher risk levels, will be avoided. Investors should also be aware that a relatively high targeted return/yield, such as that set forth in this document, entails concomitantly greater risks of adverse investment results. These risks may include changes in market conditions and interest rates and in response to other economic, political, or financial developments. This is not an inclusive list of all risk factors. The targeted return/yield set forth in this document is an aggregate target and is based on the targeted returns/yields that the Manager intends to use as selection criteria in connection with the evaluation of individual investments for the Strategy. The target return/yield of any individual investment is intended to be commensurate with the assessed degree of risk and can be lower or higher, depending on the nature of any individual investment. The Manager's evaluation of a proposed investment for the Strategy will be, in turn, based on the Manager's internal analysis and evaluation of the investment and on numerous investment-specific assumptions that may not be consistent with future market conditions and that may significantly affect actual investment results. No representation or warranty is made as to the reasonableness of the assumptions made or that all assumptions used in calculating the target return/yield/risk have been stated or fully considered. The Strategy's ability to achieve investment results consistent, in the aggregate, with the targets set forth in this document depends significantly on a number of factors in addition to the accuracy of such assumptions. These factors include the Strategy's ability to identify a sufficient number and mix of suitable investments to achieve full investment consistent with the Strategy's asset allocation criteria and investment strategy, and the Strategy's overall ability to execute its investment strategy successfully. There can be no assurance that the Manager will succeed in identifying a sufficient number and mix of investments consistent with the targets set forth in this document or the Strategy's investment philosophy, investment strategy and current investment allocation targets. Such targets may be adjusted in light of available opportunities or changing market conditions. The targets stated are long-term targets and are not meant to be expected in the short term.

THE PAST PERFORMANCE OF INVESTMENTS MADE BY THE MANAGER IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE RESULTS.

ABOUT US

Mellon Capital – Global. Insightful. Engaged. Mellon Capital has provided investors with distinct insights into complex capital markets since 1983. Our unique approach to fundamentals-based systematic investing drives our capabilities, which include multi-asset, active, smart beta, and indexing strategies. We're committed to helping our clients reach their investment goals. That's why we've been an innovative pioneer of dynamic multi-asset allocation for more than 30 years. Our intellectual curiosity, sophisticated research platform, global reach, and flexibility to transact in all liquid asset classes help us deliver powerful and unique investment solutions.

PRIMARY LOCATIONS

Headquarters
San Francisco
50 Fremont Street
Suite 3900
San Francisco, CA 94105
415.546.6056

Pittsburgh
BNY Mellon Center
500 Grant Street
Pittsburgh, PA 15258

Boston
BNY Mellon Center
201 Washington Street
Boston, MA 02108

www.mcm.com

BNY メロン・アセット・マネジメント・ジャパン株式会社
BNY Mellon Asset Management Japan Limited

金融商品取引業者：関東財務局長（金商）第 406 号
〔加入協会〕一般社団法人　投資信託協会
一般社団法人　日本投資顧問業協会
一般社団法人　第二種金融商品取引業協会