

QUARTERLY INVESTMENT REPORT

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BNY Mellon Efficient U.S. High Yield Beta Fund

INVESTMENT MANAGER



Insight are leaders in risk management, fixed income and multi-asset investment solutions.

The Fund transitioned investment manager on the 1st September 2021. Prior to this date it was managed by Mellon Investments Corporation, LLC.

PERFORMANCE BENCHMARK

The Fund will measure its performance against the Bloomberg US Corporate High Yield TR Index (the "Benchmark"). The Investment Manager will use the Benchmark to construct the investment universe. The Fund is actively managed and does not seek to replicate the full constituents of the Benchmark. The Investment Manager has limited discretion to invest outside the Benchmark subject to the investment objective and policies disclosed in the Prospectus. The majority of the Fund's holdings will be constituents of the Benchmark and as a result the Fund will be similar in its currency and sector exposures as well as the maturity and credit quality profile. The investment strategy restricts the extent to which the portfolio holdings may deviate from the Benchmark and consequently the extent to which it can outperform the Benchmark. The investment strategy provides similar volatility to the benchmark over the medium to long term.

PERFORMANCE NOTE

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. Please refer to the prospectus and the KID/KIID before making any investment decisions. Documents are available in English and an official language of the jurisdictions in which the Fund is registered for public sale. Go to www.bnymellonim.com. For a full list of risks applicable to this fund, please refer to the Prospectus or other offering documents.

QUARTERLY HIGHLIGHTS

- **Performance:** The Fund generated a positive return, net of fees, during the quarter. It was ahead of its benchmark.
- **Activity:** There were no significant changes to the Fund.
- **Outlook & Strategy:** We expect only a moderate upturn in defaults among the lower-rated segment of the market.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

	1M	3M	YTD	1YR	Annualised					
					2YR	3YR	5YR			
Sterling E (Acc.) (hedged)	1.37	1.60	1.60	10.37	2.34	1.27	2.47			
Performance Benchmark	1.18	1.47	1.47	11.15	3.53	2.12	4.06			
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	-	-	-	-	-	-	3.11	4.98	-12.06	11.67
Performance Benchmark	2.45	-4.47	17.13	7.50	-2.08	14.32	7.11	5.28	-11.19	13.45

Source: Lipper as at 31 March 2024. Fund performance Sterling E (Acc.) (hedged) calculated as total return, based on net asset value, including charges, but excluding initial charge, income reinvested gross of tax, expressed in share class currency. The impact of the initial charge, which may be up to 5%, can be material on the performance of your investment. Performance figures including the initial charge are available upon request. Returns may increase or decrease as a result of currency fluctuations.

Effective 23 December 2019, the Fund name changed from BNY Mellon U.S. High Yield Beta Fund to BNY Mellon Efficient U.S. High Yield Beta Fund.

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PERFORMANCE COMMENTARY

The Bloomberg US Corporate High Yield Index continued to make gains in the first quarter, outperforming investment grade as investor sentiment rose on stronger-than-expected economic data.

CREDIT SPREADS PUSHED TOTAL RETURNS HIGHER, WHILE RATES DETRACTED

The Bloomberg US Corporate High Yield Index continued last year's upward trajectory. It ended the first quarter with a total return of 1.47%, most of which came in March (1.18%). However, this was significantly less than the previous quarter (November and December alone returned 7.73%). Resilient economic data and a strong labour market contributed to positive investor sentiment.

Credit spreads were responsible for all the quarterly total returns, as rates detracted. In the first quarter, spread returns were particularly strong (+1.58%) with the Broad High Yield option-adjusted spread tightening 24 basis points to 299 basis points by quarter-end. This continued last year's significant spread compression. Meanwhile, US Treasury yields moved modestly higher, with the five-year yield going from 3.85% at the start of the year to 4.21% by quarter-end.

Corporate bonds outperformed government bonds and high yield surpassed investment grade over the quarter. In February and March, lower rated CCC bonds outperformed B and BB-rated bonds, though all ratings categories were in positive territory, reversing January's negative returns. Credit recovered as investors took cheer from stronger-than-expected economic data and a potential soft landing despite the threat of interest rates staying higher for longer.

In March, consumer non-cyclicals and energy were among the best-performing sectors, while communications trailed.

Against this backdrop, US high yield issuance picked up, with US\$27bn issued in March, and with most deals oversubscribed.

From the Fund's perspective, its model-driven components were modestly positive for the quarter, with the value factor within the credit model adding most value and, to a lesser extent, quality. Other components of the model were neutral.

By contrast, security selection detracted slightly. Our positions within the communications sector negatively impacted performance, although this was offset partly by capital goods and cyclical holdings.

ACTIVITY REVIEW

There was no significant activity over the quarter.

THE STRUCTURE OF THE FUND REMAINED RELATIVELY UNCHANGED OVER THE PERIOD

We did not make any major changes to the Fund during the quarter.

INVESTMENT STRATEGY AND OUTLOOK

Despite a potential pick-up in defaults at the lower end of the market, the overall backdrop continues to be positive as the US economy and corporate balance sheets remain resilient and investors continue to look for yield.

WITH THE LOW LIKELIHOOD OF SEVERE RECESSION, CREDIT COULD CONTINUE TO PERFORM WELL

Surprisingly, not only has a recession been avoided in the US, but the economy has been stronger than expected. But, with inflation proving sticky, the US Federal Reserve appears to have delayed interest rate cuts until later in 2024. Three 25 basis point rate cuts have now been priced in (six cuts were priced in back in January).

However, credit fundamentals remain steady. Balance sheets are still relatively strong after pandemic-related fiscal stimulus. There are, however, signs of deteriorating balance sheets due to higher interest rates, with increasing leverage and weakening interest rate coverage.

Meanwhile, new issuance has picked up and been well absorbed by the market.

Against this backdrop, we expect a reversion to a more normal pace of downgrades so that the upgrade/downgrade ratio becomes more balanced. While defaults remain below long-term averages, we believe they could gradually rise. However, the impact should be contained since much of the potential loss is already priced into CCC spreads, where defaults would most likely occur.

In conclusion, we remain positive toward high yield as spreads are tight and reflect strong fundamentals and low default levels, while attractive carry can be an excellent buffer against short-term volatility, in our view.

CREDIT QUALITY BREAKDOWN (%)

Years	Fund	Perf. B'mark
IG	0.6	0.3
BB	48.4	47.6
B	37.1	38.7
CCC	12.2	12.2
CC	1.2	1.1
C and below	0.1	0.1
Cash	0.5	0.0
Others	0.0	0.0

REGIONAL BOND ALLOCATION (%)

	Fund	Perf. B'mark
United States	85.8	87.1
Canada	3.8	3.7
United Kingdom	2.6	2.3
Italy	1.0	0.9
Luxembourg	0.8	0.8
Germany	0.7	0.6
France	0.7	0.8
Australia	0.7	0.7
Cash & Others	3.9	3.1

SECTOR ALLOCATION (%)

	Fund	Perf. B'mark
Cyclical Consumer Goods	21.2	21.1
Communications	14.1	14.3
Energy	12.2	11.8
Consumer Non-cyclical	10.8	11.2
Capital Goods	10.6	10.9
Technology	7.5	7.3
Others	23.5	23.4

Source: BNY Mellon Investment Management EMEA Limited

DURATION DISTRIBUTION (%)

Years	Fund	Perf. B'mark
0-1 Year	6.7	6.9
1-3 Years	42.7	40.5
3 - 5 Years	40.8	42.3
5 - 7 Years	7.9	8.2
7 - 10 Years	1.0	1.3
10 - 15 Years	0.8	0.8
> 15 Years	0.0	0.0

MATURITY DISTRIBUTION (%)

Years	Fund	Perf. B'mark
0-1 Year	8.3	7.7
1-3 Years	25.6	25.2
3 - 5 Years	36.7	37.5
5 - 7 Years	22.2	22.0
7 - 10 Years	5.5	5.6
10 - 15 Years	0.6	0.9
15-25 Years	0.8	0.8
> 25 Years	0.2	0.2

CURRENCY BREAKDOWN (%)

	Fund
USD	100.0
EUR	0.0

ISSUER (%)

	Fund
CCO Holdings LLC / CCO Holdings Capital Corp	2.10
TransDigm Inc	1.38
Venture Global LNG Inc	1.13
CSC Holdings LLC	0.90
CHS/Community Health Systems Inc	0.71
Royal Caribbean Cruises Ltd	0.70
Iron Mountain Inc	0.69
Carnival Corp	0.68
1011778 BC ULC / New Red Finance Inc	0.65
Cloud Software Group Inc	0.65

HOLDINGS (%)

	Fund
Davita Inc 4.625% 01jun2030 (callable 01jun25) 144a	0.37
Cloud Software Grp Inc 6.5% 31mar2029 (callable 30sep25) 144a	0.36
Medline Borrower Lp 3.875% 01apr2029 (callable 01oct24) 144a	0.35
Neptune Bidco US Inc 9.29% 15apr2029 (callable 15oct25) 144a	0.35
Venture Global Lng Inc 9.875% 01feb2032 (callable 01feb27) 144a	0.34
Venture Global Lng Inc 9.5% 01feb2029 (callable 01nov28) 144a	0.34
Dish Network Corp 11.75% 15nov2027 (callable 15may25) 144a	0.34
Vmed O2 UK Financing I 7.75% 15apr2032 (callable 15apr27) 144a	0.31
Directv Fin Llc/coinc 5.875% 15aug2027 (callable 29apr24) 144a	0.31
Transdigm Inc 5.5% 15nov2027 (callable 29apr24)	0.31

PORTFOLIO CHARACTERISTICS

	Fund	Perf. B'mark
Yield to Worst (%)	8	8
Yield to Maturity (%)	8	8
Current yield (%)	6.63	6.54
Effective duration (years)	3.15	3.15
Modified duration (years)	3.15	3.15
Average Coupon (%)	6.27	6.28
Average life / maturity	4.33	4.33
Average rating (average)	B+	B+
Convexity	-0.10	-0.11
Spread to Government (bp)	310.45	299.06
Number of holdings	1,833.00	1,957.00
Number of issuers	809.00	830.00
Spread to swaps (bp)	486.05	486.17
Option Adjusted Spread	310.45	299.06
Effective spread duration (years)	3.15	3.20
Maturity (years)	4.11	4.11
Beta	1.01	

KEY RISKS ASSOCIATED WITH THIS FUND

- There is no guarantee that the Fund will achieve its objectives.
- Where the Fund invests significantly in a single market, this may have a material 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.
- Investments in bonds/money market securities are affected by interest rates and inflation trends which may negatively affect the value of the Fund.
- Bonds with a low credit rating or unrated bonds have a greater risk of default. These investments may negatively affect the value of the Fund.
- The issuer of a security held by the Fund may not pay income or repay capital to the Fund when due.
- The Fund takes its charges from the capital of the Fund. Investors should be aware that this has the effect of lowering the capital value of your investment and limiting the potential for future capital growth. On redemption, you may not receive back the full amount you initially invested.
- Contingent Convertible Securities (CoCo's) convert from debt to equity when the issuer's capital drops below a pre-defined level. This may result in the security converting into equities at a discounted share price, the value of the security being written down, temporarily or permanently, and/or coupon payments ceasing or being deferred.
- 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.
- If this share class is denominated in a different currency from the base currency of the Fund. Changes in the exchange rate between the share class currency and the base currency may affect the value of your investment.
- For hedged share classes the hedging strategy is used to reduce the impact of exchange rate movements between the share class currency and the base currency. It may not completely achieve this due to factors such as interest rate differentials.
- A complete description of risk factors is set out in the Prospectus in the section entitled "Risk Factors".

INVESTMENT OBJECTIVE

To provide similar performance and levels of volatility as the Benchmark (detailed below) over the medium to long-term before fees and expenses.

GENERAL INFORMATION

Total net assets (million)	\$ 1,581.62
Performance Benchmark	Bloomberg US Corporate High Yield TR Index
Lipper sector	Lipper Global - Bond USD High Yield
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Team approach
Base currency	USD
Currencies available	USD, EUR, GBP, CHF
Fund launch	26 Sep 2017

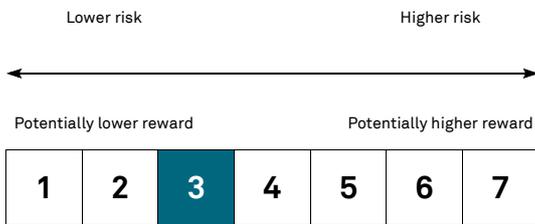
STERLING E (ACC.) (HEDGED) SHARE CLASS DETAILS

Inception date	11 Jan 2019
Max. initial charge	5.00%
Annual mgmt charge	0.10%
ISIN	IE00BDZ7VD67
Registered for sale in:	AT, BE, CH, DE, DK, ES, FI, FR, GB, GG, IE, IT, JE, LU, NL, NO, PT, SE, SG

DEALING

09:00 to 12:00 each business day
 Valuation point: 22:00 Dublin time
 Costs incurred when purchasing, holding, converting or selling any investment, will impact returns. Costs may increase or decrease as a result of currency and exchange rate fluctuations.
 For more details please read the KID document.

RISK AND REWARD PROFILE - STERLING E (ACC.) (HEDGED)



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. We have classified this product as 3 out of 7, which is a medium-low risk class. This rates the potential losses from future performance at a medium low level, and poor market conditions are unlikely to impact the capacity of BNY Mellon Fund Management (Luxembourg) S.A. to pay you.

Source: BNY Mellon Investment Management EMEA Limited
 Any views and opinions are those of the investment manager, unless otherwise noted.

IMPORTANT INFORMATION

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