

QUARTERLY INVESTMENT REPORT

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BNY Mellon European Credit Fund

INVESTMENT MANAGER



Insight are leaders in absolute return investing, multi-asset, specialist equity solutions, fixed income and liability driven investment.

FUND RATINGS



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PERFORMANCE BENCHMARK

The Fund will measure its performance against the Markit iBoxx Euro Corporates TR Index (the "Benchmark").

The Fund is actively managed, which means the Investment Manager has discretion to invest outside the Benchmark subject to the investment objective and policies disclosed in the Prospectus. However, as the Benchmark covers a significant proportion of the investable universe, the majority of the Sub-Fund's holdings will be constituents of the Benchmark and the weightings in the portfolio may be similar to those of the Benchmark. The investment strategy will restrict the extent to which the portfolio holdings may deviate from the Benchmark and consequently the extent to which the Sub-Fund can outperform the Benchmark.

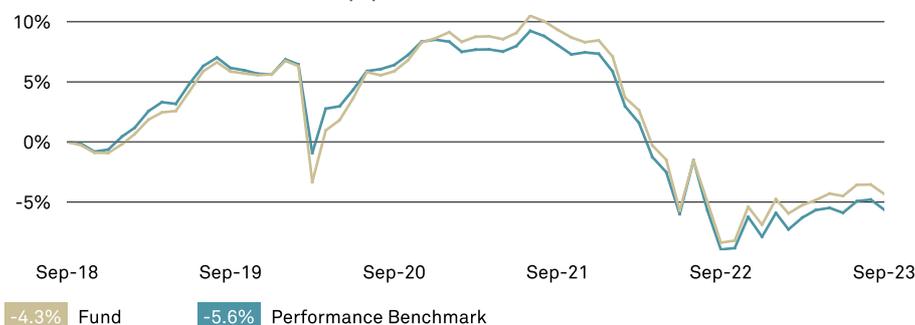
PERFORMANCE NOTE

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 lagged its benchmark.
- **Activity:** We added issues within both primary and secondary markets across a range of sectors.
- **Outlook & Strategy:** We are taking an active approach to credit selection to exploit distortions within credit markets.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

						Annualised				
	1M	3M	YTD	1YR	2YR	3YR	5YR			
Euro C (Acc.)	-0.80	0.18	2.75	4.42	-6.45	-3.32	-0.88			
Performance Benchmark	-0.88	0.27	2.44	3.64	-6.55	-3.92	-1.15			
Sector	-0.83	0.20	2.22	3.90	-6.43	-3.60	-1.23			
No. of funds in sector	165	165	164	163	149	133	115			
Quartile	-	-	-	1	2	1	1			
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fund	-	8.24	0.39	4.42	3.31	-1.85	6.60	2.84	-0.16	-14.14
Performance Benchmark	2.24	8.24	-0.66	4.72	2.37	-1.29	6.29	2.73	-1.08	-14.17

Source: Lipper as at 30 September 2023. Fund performance Euro C (Acc.) 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.

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PERFORMANCE COMMENTARY

Government bond markets lost value in the third quarter on ‘higher-for-longer’ interest rate expectations, while credit markets generally tightened but not enough to counteract underlying government bond weakness.

SECURITY SELECTION DETRACTED FROM THE FUND’S PERFORMANCE

Government bond market yields moved significantly higher in major markets over the third quarter, mostly in September, despite positive news on inflation and few indications of economic growth. Market sentiment soured over concerns about higher interest rates for longer as the US Federal Reserve (Fed) signalled a further rate hike. The US 10-year Treasury yield rose by 73 basis points, finishing the quarter at 4.57%.

Unlike the Fed, the European Central Bank (ECB) continued its tightening cycle in September, raising rates (by 0.25%) for a tenth consecutive time. The move took the benchmark refinancing rate to 4.5%, its highest for 22 years, and the deposit facility rate to 4%, a record high since the euro was launched in 1999. The 10-year German government bond yield ended the quarter 45 basis points higher at 2.84%, exceeding 2.75% for the first time since 2011’s European government debt crisis.

Conversely, UK Gilts performed strongly at quarter-end, helped by surprisingly positive news on inflation. And UK 10-year Gilt yields rose by just 5 basis points to end the quarter at 4.44%. Despite the Bank of England’s decision not to raise rates in September, they remain cautious and could possibly introduce a further rate increase to 5.5% in this cycle.

Credit spreads generally tightened over the third quarter, but not enough to overcome weakness in underlying government bonds. The US investment grade bond market was almost unchanged over the quarter as the Bloomberg US Aggregate Corporate Index spread tightened by just 2 basis points. The Bloomberg Euro Aggregate Corporate Index also contracted modestly by 10 basis points. High yield markets performed similarly, although the Bloomberg US Aggregate High Yield Index widened by 4 basis points, while the Pan-European High Yield Index tightened by 12 basis points during the quarter.

Security selection detracted from the Fund’s performance in July and August, specifically from exposure to Volkswagen, Raiffeisen Bank and Veolia. From a sector perspective, the Fund ended the quarter overweight utilities and underweight senior banks.

Conversely, the Fund’s overweight credit risk positioning was the main contributor to performance over the third quarter, mostly in July, and which outweighed a negative impact in August. Our duration positioning (a measure of interest rate sensitivity) was also a slight positive for returns in August and September.

ACTIVITY REVIEW

We continued to be highly active in both primary and secondary markets and ended the quarter overweight credit risk.

THE FUND’S RELATIVE DURATION INCREASED OVER THE QUARTER BUT REMAINED SLIGHTLY SHORT

Within primary markets, we added new issues from Fresenius (German healthcare company), Engie (French utility) and British American Tobacco. In the secondary market, we bought Sartorius Finance (German pharmaceutical and laboratory equipment), Cellnex

Telecom (Spanish telecom infrastructure), Unilever Finance (UK goods), Carlsberg (Danish brewer) and Hammerson (UK property).

We trimmed positions in Svenska Handelsbanken, CaixaBank, Westlake, Diageo Finance, Anheuser-Busch, InBev and Credit Agricole.

The relative duration of the Fund moved from -0.19 to -0.03.

INVESTMENT STRATEGY AND OUTLOOK

With slower growth and lower margins ahead, we are biased towards better quality names and defensive business models and sectors.

WE ARE CONSTRUCTIVE ON INVESTMENT GRADE CREDIT IN THE SHORT TERM

In our view, the backdrop of declining growth does not appear to be supportive of risk assets. Resilient economic growth in the US in the face of higher interest rates stands in stark contrast to ailing economic health across China, Europe and the UK.

We have slightly increased our expectations for US GDP growth and believe a recession will likely be avoided. However, our outlook for the eurozone remains clouded. We believe the ECB has reached its peak in interest rates and expect inflation to continue subsiding into next year.

Also, we anticipate very modest growth in the UK, although we acknowledge the risk of consecutive quarters of contraction remains. Despite the recent pause in interest rate rises, we still envisage an additional rate hike from the Bank of England, which we believe could be followed by a prolonged pause in rate increases.

Meanwhile, demand for investment grade credit has risen as investors become more confident that interest rates have peaked globally and seek to lock in yields. This has led to a tightening in credit spreads from historically attractive levels. We believe this momentum could have further to run in the short term.

However, we take a more cautious view over the medium term as we expect the lagged impact of central bank tightening to slow growth further in 2024, with negative implications for corporate profit margins. That said, the absolute level of yields remains attractive from an income perspective and provides a significant buffer against losses should yields rise further.

CREDIT QUALITY BREAKDOWN (%)

	Fund	Perf. B'mark
AAA	1.0	0.6
AA	5.8	12.8
A	37.4	48.1
BBB	52.9	38.5
BB & below	0.7	0.0
BNY EM Corporate Fund	1.7	0.0
BNY Short Dated HY Fund	1.3	0.0
Credit indices	-8.5	0.0
Cash*	2.6	0.0
Others	5.3	0.0

Breakdown includes Futures

*includes unsettled trades, Forward FX & derivatives off-set

TOP 10 ISSUERS (%)

	Fund
Volkswagen	3.4
UBS	2.5
BNP Paribas	2.1
BPCE	2.0
Jde Peet's Nv	1.4
Tesco	1.3
Banco de Valencia	1.3
Credit Agricole	1.3
Totalenergies Se	1.2
Banco de Sabadell	1.2

Source: BNY Mellon Investment Management EMEA Limited

MATURITY DISTRIBUTION (%)

Years	Fund	Perf. B'mark
0-1 yr	1.3	1.5
1-3 yrs	23.8	30.3
3-5 yrs	35.8	29.4
5-7 yrs	15.6	17.6
7-10 yrs	14.7	14.5
10-15 yrs	6.3	4.4
15-25 yrs	2.3	1.8
25+ yrs	0.2	0.3

Breakdown includes Futures

SECTOR BREAKDOWN (%)

	Fund	Perf. B'mark
Corporate Cyclicals	33.2	29.5
Corporate Non-Cyclicals	30.6	32.5
Financials	30.2	37.3
Total Return Swaps	7.0	0.0
BNY EM Corporate Fund	1.7	0.0
BNY Short Dated HY Fund	1.3	0.0
Supranationals	1.0	0.7
Government	1.0	0.0
Credit Indices	-8.5	0.0
Cash and other*	2.6	0.0

Breakdown includes Futures

*includes unsettled trades, Forward FX & derivatives off-set

PORTFOLIO CHARACTERISTICS

	Fund	Perf. B'mark
Spread duration (years)	5.64	4.50
Duration (years)	4.55	4.48
Yield to Maturity (%)	5.19	4.41
Number of Issuers	172	708
Average maturity (years)	5.3	5.0
Average quality	A-	A-
Average Coupon (%)	3.2	2.0

COUNTRY BREAKDOWN (%)

	Fund	Perf. B'mark
France	18.8	20.6
Germany	15.9	14.3
United Kingdom	14.1	7.7
United States	13.0	19.7
Spain	7.1	5.6
Netherlands	5.0	6.3
Italy	3.5	5.5
BNY EM Corporate Fund	1.7	0.0
Ireland	1.6	0.9
BNY Short Dated HY Fund	1.3	0.0
Credit Indices	-8.5	0.0
Cash & Other*	26.6	19.4

Breakdown includes Futures

*includes unsettled trades, Forward FX & derivatives off-set

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.
- Emerging Markets have additional risks due to less-developed market practices.
- 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.
- 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.
- 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 generate a total return comprised of income and capital growth by investing primarily in a broad range of Euro-denominated debt and debt-related investments and in financial derivative instruments relating to such investments.

GENERAL INFORMATION

Total net assets (million)	€ 55.00
Performance Benchmark	Markit iBoxx Euro Corporates TR
Lipper sector	Lipper Global - Bond EUR Corporates
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Lucy Speake / Bonnie Abdul-Aziz
Base currency	EUR
Currencies available	EUR
Fund launch	12 Feb 2013

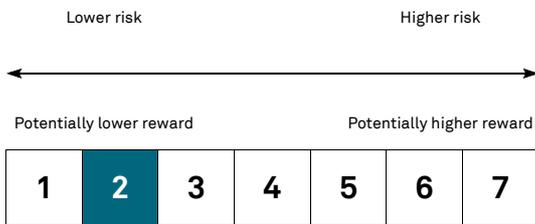
EURO C (ACC.) SHARE CLASS DETAILS

Inception date	12 Feb 2013
Min. initial investment	€ 5,000,000
Max. initial charge	5.00%
Annual mgmt charge	0.50%
ISIN	IE00B5SGRP88
Registered for sale in:	AT, BE, CH, CO, DE, DK, ES, FI, FR, GB, GG, IE, IL, IT, JE, LU, NL, NO, PE, PT, SE, SG, UY

DEALING

09:00 to 17:00 each business day
 Valuation point: 12:00 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 - EURO C (ACC.)



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 2 out of 7, which is a low risk class. This rates the potential losses from future performance at a low level, and poor market conditions are very 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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