

QUARTERLY INVESTMENT REPORT

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BNY Mellon Efficient U.S. Fallen Angels Beta Fund

INVESTMENT MANAGER



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

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

FUND RATINGS



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PERFORMANCE BENCHMARK

The Fund will measure its performance against Bloomberg Barclays US HY Fallen Angel 3% Cap Total Return Index Value Unhedged (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 where the relevant security meets the requirements of and is expected to be included in the Benchmark in the future. 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, duration as well as sector exposures and credit quality profile, subject to investment constraints. However the Investment Manager will not seek to reflect the Benchmark's maturity profile. The investment strategy provides similar volatility to the Benchmark over the medium to long-term.

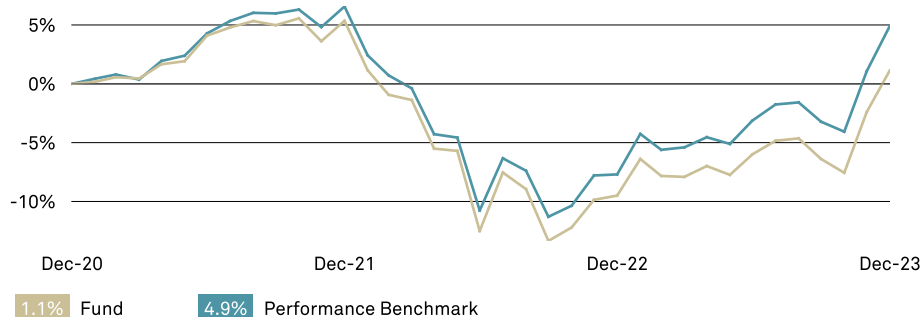
PERFORMANCE NOTE

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 lagged its benchmark.
- **Activity:** There were no significant changes to the Fund.
- **Outlook & Strategy:** Yields remain attractive and defaults have mostly been contained, although lower-rated fallen angels could see further downgrades.

3 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

					Annualised			
	1M	3M	YTD	1YR	2YR	3YR	5YR	
USD W (Acc.)	3.64	8.05	11.76	11.76	-2.02	0.38	-	
Performance Benchmark	3.83	8.41	13.68	13.68	-0.78	1.61	7.41	
Sector	3.26	6.22	11.00	11.00	-0.68	0.75	3.62	
No. of funds in sector	85	83	81	81	79	74	-	
Quartile	-	-	-	2	4	3	-	

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	-	-	-	-	-	-	-	5.35	-14.10	11.76
Performance Benchmark	7.57	-2.37	26.74	9.86	-4.11	16.86	16.64	6.57	-13.40	13.68

Source: Lipper as at 31 December 2023. Fund performance USD W (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

The Bloomberg US Fallen Angel 3% Capped Index regained momentum in the final quarter to end the year significantly ahead amid renewed market confidence.

ESG EXCLUSIONS DETRACTED AS EXCLUDED NAMES IN FINANCE AND CYCLICALS OUTPERFORMED

The last two months of the calendar year, proved particularly strong as investors took advantage of higher yields. Easing inflation and the end of the rate-hiking cycle by the US Federal Reserve (Fed) also boosted investor confidence.

For the month, quarter and year, both spread and rate components contributed to strong total returns. For the month and quarter, the contribution from rates was stronger, while for the year, the contribution from spreads was notably higher.

The five-year US Treasury yield began 2023 at 4% and reached a high of 4.8% at the end of October. It then retreated sharply to close the year at 3.8%. Investors benefitted from both spread tightening and attractive carry for much of 2023. The Fallen Angels Index option-adjusted spread started 2023 at 387 basis points, reaching a high of 461 basis points near the end of the first quarter. It then tightened considerably to close the year at 318 basis points.

From the Fund's perspective, our model-driven component had a positive effect on performance during the fourth quarter. Our credit model's value, and, to a lesser extent, quality factors contributed positively. Meanwhile, our structural overweight to newer fallen angel bonds also contributed to returns, partly recouping losses from earlier in the year. The Fund's overweight to new fallen angels in cyclical and communications was particularly beneficial.

However, ESG exclusions detracted as excluded names in finance and in cyclical sectors outperformed the market. Also, security selection detracted, most notably due to positions in the transport sector. Our communication positions fared better, partly offsetting losses in transport.

ACTIVITY REVIEW

The Fund remained structurally overweight to new fallen angels.

WE MADE NO MAJOR CHANGES TO THE FUND

There was no significant activity over the quarter.

INVESTMENT STRATEGY AND OUTLOOK

Despite a potential pick-up in downgrades, yields remain high and interest rates are likely to have peaked in the US.

WE BELIEVE THE YIELD FROM FALLEN ANGELS COMPARES FAVOURABLY TO EXPECTED RETURNS FROM OTHER ASSET CLASSES

The years following a drawdown have historically produced positive total returns for the Bloomberg US Fallen Angel 3% Capped Index, attributable partly to the pull-to-par effect that high yield experiences after drawdowns. And 2023's returns did not disappoint.

Market sentiment continues to improve. With the end of quantitative easing and the Fed likely moving to a rate-easing cycle in 2024, the market has now priced in up to six 25 basis point rate cuts through 2024. This, in turn, has led to a sharp reduction in the five-year US Treasury rate over the past quarter. The five-year US Treasury rate stood at 3.8% at the end of 2023, a full percentage point lower than at the end of October.

In 2023, defaults were mostly contained and below most estimates: at 1.46% on a par-weighted basis, according to our calculations. Given that the index is largely a BB universe, we expect defaults to remain contained, likely in line with or below the 1.75% long-term average. We envision defaults coming largely from higher-spread bonds rated CCC or below, which is about 6% of the index, and where much of the potential loss has already been priced in.

However, we have noted a marked uptick in both the number of issuers and the amount outstanding with downgrade potential. For example, in October there were 30 BBB- issuers with approximately US\$45bn in amount outstanding where the option-adjusted spread was wider than that of their BB peers. By the end of December, the number of issuers had increased by almost 200% to 87 and the amount outstanding by 300% to US\$181bn.

That said, yields from fallen angel bonds remain very attractive. After reaching 9.05% in October, the index's yield to worst has come down to a still very strong 7.56%. For comparison, the average yield to worst over the past five years has been 6.05%. Given the high-quality nature of fallen angel bonds, yield has historically been a strong indicator of long-term returns.

CREDIT QUALITY BREAKDOWN (%)

Years	Fund	Perf. B'mark
IG	3.0	0.0
BB	76.5	78.2
B	14.5	15.3
CCC	5.3	6.0
C and below	0.6	0.5
Cash	0.1	0.0

SECTOR ALLOCATION (%)

	Fund	Perf. B'mark
Cyclical Consumer Goods	22.5	24.5
Communications	14.9	13.3
Energy	12.7	12.8
REITs	9.4	7.8
Technology	9.2	7.1
Capital Goods	8.8	5.8
Consumer Non-cyclical	5.6	7.0
Banking	5.4	6.5
Electric	4.1	4.3
Insurance	2.7	2.9
Basic Industries	1.9	2.5
Transportation	1.3	2.6
Finance Companies	0.6	0.7
Brokerage, asset managers, exchanges	0.4	0.4
Other Industrial	0.3	1.8
Treasury	0.0	0.0
Cash and others	0.1	0.0

REGIONAL BOND ALLOCATION (%)

	Fund	Perf. B'mark
United States	82.6	84.4
Italy	6.1	6.0
United Kingdom	5.4	4.4
Canada	4.3	3.4
Germany	1.1	1.4
Australia	0.4	0.4
Cash & Others	0.1	0.0

Source: BNY Mellon Investment Management EMEA Limited

DURATION DISTRIBUTION (%)

Years	Fund	Perf. B'mark
0-1 Year	3.2	2.7
1-3 Years	34.5	32.3
3 - 5 Years	25.7	26.8
5 - 7 Years	12.2	14.3
7 - 10 Years	14.5	13.8
10 - 15 Years	9.1	9.6
> 15 Years	0.7	0.4

MATURITY DISTRIBUTION (%)

Years	Fund	Perf. B'mark
0-1 Year	0.5	0.0
1-3 Years	27.6	28.0
3 - 5 Years	20.1	19.5
5 - 7 Years	18.7	18.5
7 - 10 Years	8.8	8.7
10 - 15 Years	11.8	11.9
15-25 Years	11.8	12.5
> 25 Years	0.7	0.8

CURRENCY BREAKDOWN (%)

	Fund
USD	100.0
EUR	0.0

ISSUER (%)

	Fund
Western Digital Corp	5.65
Las Vegas Sands Corp	4.42
Vodafone Group PLC	3.84
FirstEnergy Corp	3.47
Service Properties Trust	3.17
Brandywine Operating Partnership LP	3.13
UniCredit SpA	3.06
Telecom Italia Capital SA	3.06
Howmet Aerospace Inc	2.97
EnLink Midstream Partners LP	2.88

HOLDINGS (%)

	Fund
Western Digital Corp 4.75% 15feb2026 (callable 15nov25)	5.65
Vodafone Group Plc 7% 04apr2079 (callable 04jan29)	3.84
Rogers Communications In 5.25% 15mar2082 (callable 15mar27) 144a	2.10
Las Vegas Sands Corp 3.5% 18aug2026 (callable 18jun26)	1.94
United Rentals North Am 3.875% 15nov2027 (callable 08jan24)	1.77
Unicredit Spa 7.296% 02apr2034 (callable 02apr29) 144a	1.71
Dresdner Fndg Trust I 8.151% 30jun2031 (callable 30jun29) 144a	1.43
Las Vegas Sands Corp 3.9% 08aug2029 (callable 08may29)	1.37
Unicredit Spa 5.861% 19jun2032 (callable 19jun27) 144a	1.36
Kohl's Corporation 4.625% 01may2031 (callable 01feb31)	1.25

PORTFOLIO CHARACTERISTICS

	Fund	Perf. B'mark
Yield to Worst (%)	7	7
Yield to Maturity (%)	7	7
Current yield (%)	5.87	5.80
Effective duration yrs	4.91	4.93
Modified duration yrs	4.91	4.93
Average Coupon (%)	5.39	5.31
Average life / maturity	7.21	7.22
Average Rating	BB	BB
Convexity	0.44	0.45
Spread to Government (bp)	314.35	317.40
Number of holdings	180.00	188.00
Number of issuers	81.00	87.00
Spread to swaps (bp)	292.57	297.77
Option Adjusted Spread	310.79	314.97
Effective spread duration yrs	4.88	4.99
Maturity yrs	7.22	7.30
Beta	1.03	-

KEY RISKS ASSOCIATED WITH THIS FUND

- There is no guarantee that the Fund will achieve its objectives.
- 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.
- 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.
- Subordinated Debt carries a greater level of risk compared to unsubordinated debt because it receives a lower priority level in terms of its claims on a company's assets in the case of the borrower's default.
- 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 Fund follows an ESG investment approach. This means factors other than financial performance are considered as part of the investment process. This carries the risk that the Fund's performance may be negatively impacted due to restrictions placed on its exposure to certain sectors or types of investments. The approach taken may not reflect the opinions of any particular investor. In addition, in following an ESG investment approach, the Fund is dependent upon information and data from third parties (which may include providers for research reports, screenings, ratings and/or analysis such as index providers and consultants). Such information or data may be incomplete, inaccurate or inconsistent.
- 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".

GENERAL INFORMATION

Total net assets (million)	\$ 808.94
Performance Benchmark	Bloomberg Barclays US HY Fallen Angel 3% Cap Total Return Index Value Unhedged
Lipper sector	Lipper Global - Bond Global High Yield USD
Fund type	ICVC
Fund domicile	Ireland
Fund manager	Team approach
Base currency	USD
Currencies available	USD, EUR, GBP
Fund launch	21 Sep 2020

INVESTMENT OBJECTIVE

To generate a return in excess of the benchmark (detailed below) with similar levels of volatility over the medium to long-term before fees and expenses, whilst taking environmental, social and governance ("ESG") factors into account.

USD W (ACC.) SHARE CLASS DETAILS

Inception date	21 Sep 2020
Min. initial investment	\$ 15,000,000
Max. initial charge	5.00%
Annual mgmt charge	0.30%
ISIN	IE00BM94ZR83
Registered for sale in:	AT, BE, CH, CL, DE, DK, ES, FI, FR, GB, GG, IE, IT, JE, LU, NL, NO, PE, PT, SE, SG

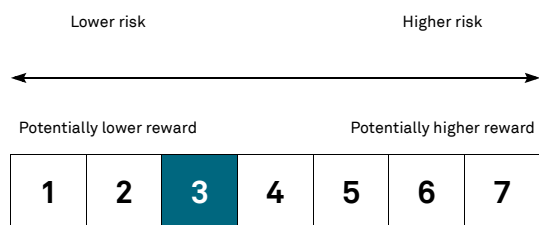
DEALING

09:00 to 17:00 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 - USD W (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 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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