

Fallen Angels Beta Fund*

AUGUST 2024

IMPORTANT INFORMATION FOR HONG KONG INVESTORS

- The Fund invests primarily in Fallen Angels, which are sub-investment grade Debt and Debt-Related Securities that were previously rated as investment grade.
- The Fund investment portfolio may fall in value and there is no guarantee of the repayment of principal.
- The Fund's investments are concentrated in the United States. The value of the Fund may also be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the United States.
- The Fund invests primarily in debt securities rated below investment grade or unrated. Such securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than high-rated debt securities.
- In general, the prices of debt securities fall when interest rates rise. The value of the Fund may be affected by substantial adverse movements in interest rates and inflation.
- The Fund may invest in Rule 144A bonds and Reg S bonds and may be subject to a higher price volatility and lower asset liquidity. It may be relatively more difficult to dispose of such investments within the desired time limit.
- The Fund may invest in financial derivative instrument (FDI) and may use FDI for investment, hedging and efficient portfolio management (EPM) purpose. Risks associated with FDI include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a derivative can result in a loss significantly greater than the amount invested in the derivative by the Fund.
- The fund may invest in debt instruments with loss absorption features (LAP) which are subject to greater risk on liquidity, valuation and sector concentration compared to traditional debt instruments.
- The Fund may pay dividend effectively out of capital which amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment. Any such distributions may result in an immediate reduction of Net Asset Value per share.
- Investor should not rely solely on this document to make investment decision. Please read the offering documents carefully for further details including risk factors.

The Fund is one of the dedicated Fallen Angels investment vehicle in the market. It aims to generate a return in excess of the Bloomberg US High Yield Fallen Angel 3% Cap Total Return Index Value Unhedged (Benchmark) 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.

What is Fallen Angel?

When a company that has been rated investment grade by credit ratings agencies is downgraded below Baa3/BBB-, then it is commonly known as a "Fallen Angel". The high yield market contains issues that are BB-rated, B-rated and CCC-rated.

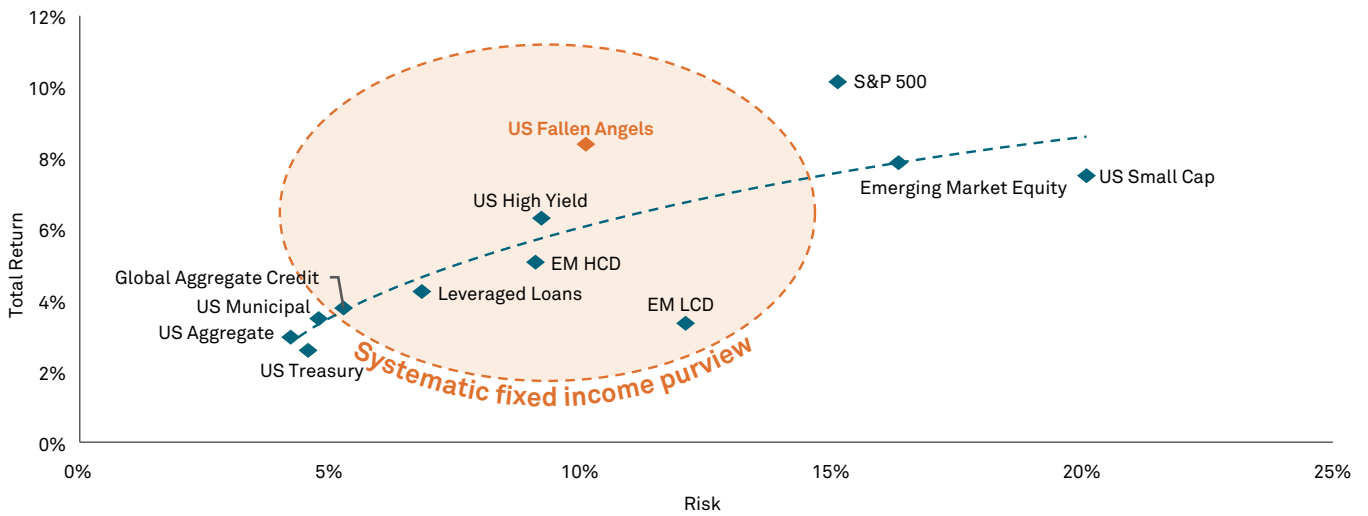
Why invest in Fallen Angels?

1. Assessing risk-adjusted return

Figure 1 below demonstrates that from 2004 (when Fallen Angels were first measured) to the end of 2023, Fallen Angels could have better total and risk-adjusted returns relative to the broad high yield universe. Investors who want to exploit the potential of a company to recover from a temporary decline might consider fallen angels.

* Please note that each SFC-authorized subfund of BNY Mellon Global Funds, plc is not aiming to incorporate ESG factors as its key investment focus and, as such, does not constitute an ESG fund pursuant to the Circular to management companies of SFC-authorized unit trusts and mutual funds – ESG funds issued by the SFC on 29 June 2021. Other funds which are not authorized for offering to retail investors may or may not constitute ESG funds (where defined in the relevant local jurisdiction).

FIGURE 1: RISK AND RETURN FOR MAJOR ASSET CLASSES (DECEMBER 2004 to JUNE 2024)



Source: Bloomberg and Insight, as of 30 June 2024. Performance calculated in USD. Indices: **US Fallen Angels**: Bloomberg Fallen Angel 3% Cap Index, **US Aggregate**: Bloomberg US Aggregate Total Return Index, **US Municipal**: Bloomberg Municipal Bond Index, **US High Yield**: Bloomberg US Corporate High Yield Index, **Global Aggregate Credit**: Bloomberg Global Aggregate Bond Index, **Emerging Market Equity**: MSCI Emerging Markets Index, **US Large Cap**: S&P 500 index, **US Small Cap**: Russell 2000 Index. Past performance is not indicative of future performance.

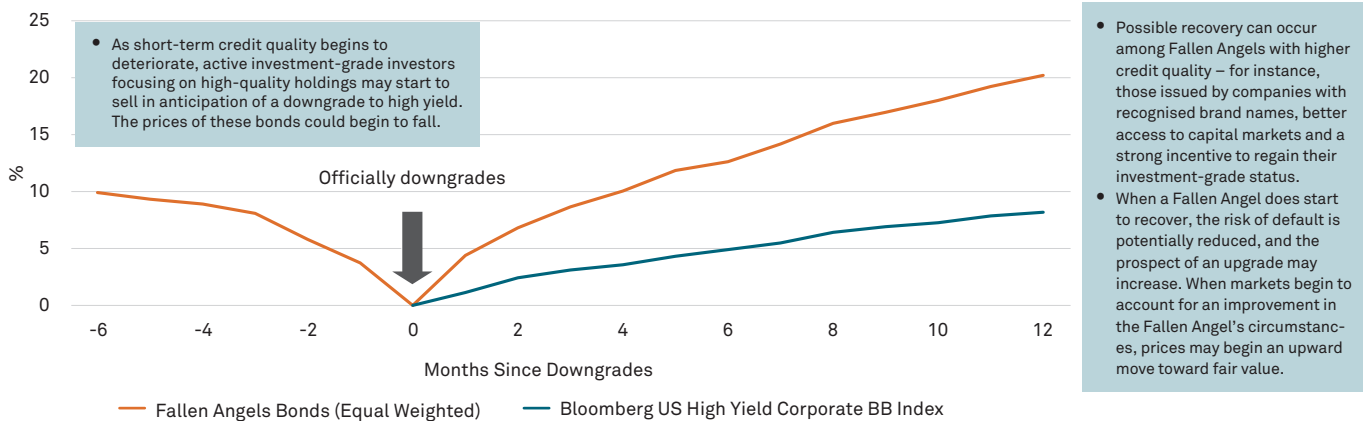
2. The unique opportunity of Fallen Angels

When a bond is downgraded to the high-yield universe, its price may decline. For instance, certain investment funds, such as index trackers that focus on investment-grade holdings, may be forced to exclude it from their portfolios. In the period following the demotion, if there are more sellers than buyers in the market, the principles of supply and demand mean that the bond’s price could be pushed below its true value.

Figure 2 shows that, between October 2004 and June 2023, US Fallen Angels that lost their investment-grade status achieved, in aggregate, relatively better performance during the 12 calendar months following their respective demotions to the high-yield market.

FIGURE 2: FALLEN ANGEL REPRICING; FAIR VALUE RECOVERY

Cumulative excess return over US Treasuries:
Fallen Angel Equal Weighted Average vs. Bloomberg US High Yield Corporate BB Index
(October 2004 - June 2024)



As short-term credit quality begins to deteriorate, active investment-grade investors focusing on high-quality holdings may start to sell in anticipation of a downgrade to high yield. The prices of these bonds could begin to fall.

Possible recovery can occur among Fallen Angels with higher credit quality – for instance, those issued by companies with recognised brand names, better access to capital markets and a strong incentive to regain their investment-grade status.
When a Fallen Angel does start to recover, the risk of default is potentially reduced, and the prospect of an upgrade may increase. When markets begin to account for an improvement in the Fallen Angel’s circumstances, prices may begin an upward move toward fair value.

Source: Bloomberg and Insight, as of 30 June 2024. Information shown represents all bonds that were downgraded from investment grade (as measured by Bloomberg US Corporate Index) to high yield (as measured by Bloomberg US Corporate High Yield Index) from the period October 2004 – June 2023. The average return of those bonds’ subsequent 12 month return is compared to the Bloomberg US High Yield Corporate BB Index. Returns shown in US dollars. Past performance is not indicative of future performance.

3. Fallen Angel default rates versus broader high-yield universe

Over the period December 2004 to June 2024, the average annual default rate of Fallen Angles was 1.71% compared to 2.47% for other high-yield bonds. The Fallen Angels average annual default rate has been lower than the broader high-yield market. What's more, as shown in Figure 4, the gaps² indicated the periods when there were no Fallen Angel defaults.

FIGURE 3: HIGH YIELD DEFAULT AND LGD (LOSS GIVEN DEFAULT) ROLLING 1-YEAR: DEC 2004-JUN 2024

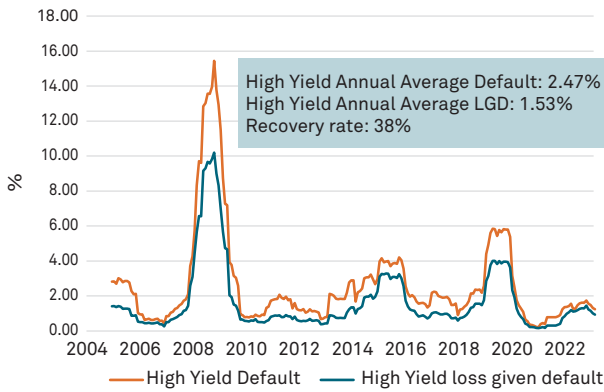
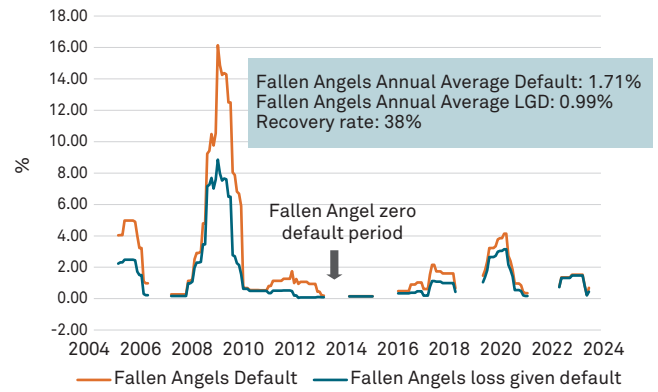


FIGURE 4: FALLEN ANGELS DEFAULT AND LGD (LOSS GIVEN DEFAULT) ROLLING 1-YEAR: DEC 2004-JUN 2024



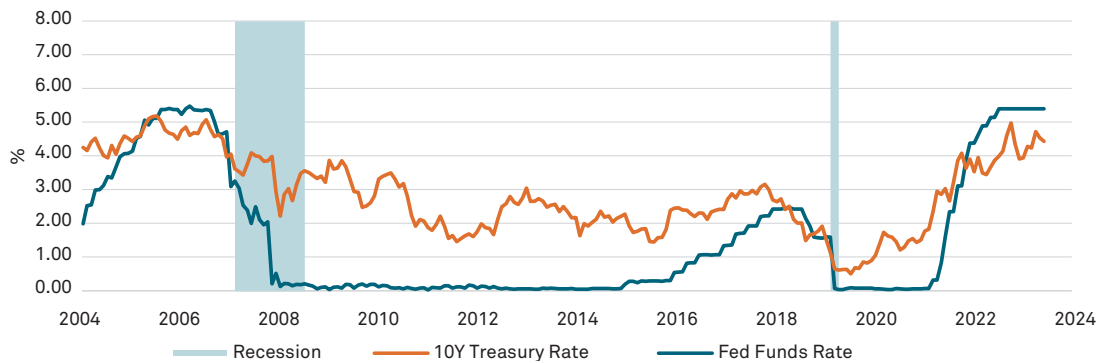
Source: Bloomberg and Insight, as of June 2024. Corporate Finance Institute (CFI): Loss Given Default (LGD) is the lender's projected loss in the event that a borrower defaults on a loan.² Fallen Angel zero default periods from March-December 2007; February - November 2014; January - November 2016; April 2019- March 2020; February 2022-March 2023. **Past performance is not indicative of future performance.**

Why now?

The time to invest could be before actual rate cuts

From the chart below, we can see that from December 2004 to June 2024, US Treasury yields started to fall shortly before the US Federal Reserve reduced interest rates. Given this historic pattern of rising bond prices, investors could potentially consider holding US Treasuries rather than cash in the lead-up to actual US Federal Reserve rate cuts.

FIGURE 5: FED FUNDS RATE VS. 10-YEAR TREASURY YIELDS DEC 2004-JUN 2024



Source: Bloomberg Federal Reserve Bank of St. Louis. Recession period: December 2007 to June 2009; 2019. 10-year treasury rate refers to market yield on U.S. Treasury securities at 10-year constant maturity. The federal funds rate (FFR) refers to the interest rate that banks charge on overnight loans to other banks. **Past performance is not indicative of future performance.**

The table below shows that in periods when interest rates fell, excluding the 2006–2008 global financial crisis (GFC), the Fallen Angels index delivered positive returns. Looking forward, if the US Federal Reserve starts to cut interest rates in 2024, now is perhaps an opportune time to consider Fallen Angels.

Falling Rate Period			Treasury Yield Change			Fallen Angels Index Performance		
Fallen Angels Index Performance in Falling Rate Periods		Months	Start Yield 10Y Tr.	End Yield 10Y Tr.	Change	Spread Return	Rate Return	Total Return
Jun-06	Dec-08	30	5.14%	2.06%	-3.09%	-16.47%	9.08%	-7.39%
Dec-09	Aug-10	8	3.83%	2.48%	-1.35%	2.33%	8.98%	11.31%
Mar-11	Jul-12	16	3.45%	1.47%	-1.99%	-1.29%	9.41%	8.12%
Dec-13	Jul-16	31	2.97%	1.45%	-1.52%	4.24%	5.21%	9.45%
Oct-18	Jul-20	21	3.15%	0.54%	-2.61%	-0.46%	11.26%	10.80%
Simple Average		21	3.71%	1.60%	-2.11%	-2.33%	8.79%	6.46%
ex GFC period (2006-2008)		19	3.35%	1.48%	-1.87%	1.21%	8.71%	9.92%

Source: Bloomberg and Insights, as of 31 December 2023. Periods greater than 12 months are annualised. Simple Average derived from sum of total months of Fallen Angels Index falling rate periods over number of falling rate periods. Number of months derived under ex GFC period (2006-2008) is sum of total months of Fallen Angels Index falling rate periods over number of falling rate periods, excluding the number of months and period from June 2006 - December 2008. Past performance is not indicative of future performance.

Why BNY Mellon Efficient U.S. Fallen Angels Beta Fund?



Monthly income stream

Aims to pay monthly dividend of ~8%* on gross basis.

* Based on shareclass USD N (Inc.) (M), average annualised dividend yield from January 2023-August 2024. Dividend amount or dividend rate is **not guaranteed**. The dividends (if any) may fluctuate from time to time. Distributions may be **paid out of capital**.



Access to non-traditional asset class

Offers investors access to an asset class with fewer dedicated investment options than more well-established financial categories.



Access to diversified basket of bonds

Levies a management fee similar to passive approaches; mitigating barriers to entry through innovative and cost effective bond trading.

About the Fund

Performance summary (%)

Calendar performance (%)

	1M	3M	YTD	1YR	3YR Annualised	5YR Annualised	2023	2022	2021	2020	2019
USD A (Acc.)	1.32	3.40	3.29	9.44	-0.51	-	11.43	-14.36	5.03	-	-
Benchmark	1.78	4.42	5.54	12.52	1.46	6.03	13.68	-13.40	6.57	16.64	16.86

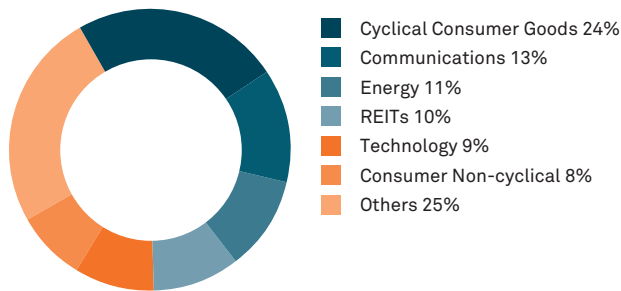
Source: Lipper as at 31 August 2024. Performance is shown for USD A (Acc.) unless otherwise stated. Total Return, including ongoing charge, but excluding initial charge, net of performance fees (if applicable), income reinvested gross of tax, expressed in share class currency. The impact of the initial 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. The computation basis of the performance is based on NAV-To-NAV, with dividend reinvested. Past performance presented is not indicative of future performance.

Performance Benchmark

The Fund will measure its performance against Bloomberg US High Yield 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.

SECTOR ALLOCATION (%)



TOP 10 HOLDINGS (%)

	Fund
Western Digital Corp	4.8
Walgreens Boots Alliance Inc	3.9
Vodafone Group PLC	3.8
Advance Auto Parts Inc	3.3
Service Properties Trust	3.2
UniCredit SpA	3.1
Alcoa Nederland Holding BV	3.1
EQM Midstream Partners LP	2.9
Telecom Italia Capital SA	2.9
Buckeye Partners LP	2.8

Source: BNY Mellon Investment Management EMEA Limited, data as of 31 August 2024. Portfolio holdings are subject to change, for information only and are not investment recommendations.

AVAILABLE SHARE CLASSES

Share class	Minimum initial investment	Distribution Yield	ISIN	Bloomberg code	Benchmark	Launch date
HKD N (ACC.)	HKD 50,000	N/A	IE000ERI9SY7	BEUFANH ID	Bloomberg US High Yield Fallen Angel 3% Cap Total Return Index Value Unhedged	22 January 2024
HKD N (Inc.)	HKD 50,000	7.53% ¹	IE000RIGD9Y9	BEUFNHI ID	Bloomberg US High Yield Fallen Angel 3% Cap Total Return Index Value Unhedged	22 January 2024
USD A (Acc.)	USD5,000	N/A	IE00BM94ZD48	BUSFAAU	Bloomberg US High Yield Fallen Angel 3% Cap Total Return Index Value Unhedged	21 September 2020
USD N (Acc.)	USD5,000	N/A	IE00061KXGP8	BNFANUA	Bloomberg US High Yield Fallen Angel 3% Cap Total Return Index Value Unhedged	13 August 2021
USD N (Inc.) (M)	USD5,000	7.05% ²	IE000BJM58Z9	BNFANUI	Bloomberg US High Yield Fallen Angel 3% Cap Total Return Index Value Unhedged	13 August 2021

¹ Ex-dividend date of 1 July 2024. ² Ex-dividend date of 3 September 2024.

Past performance is not indicative of future performance. The value of investments and the income from them is not guaranteed and can fall as well as rise due to stock market and currency movements. When you sell your investment you may get back less than you originally invested. The value of investments may go down or up.

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

WARNING

This material is for retail investors and is not intended as investment advice. Investment involves risk. Past performance is not a guide to future performance. The offering document of the fund(s) and the Key Facts Statements (KFS) should be read for further details including the risk factors, in particular (where relevant) those associated with investments in emerging markets or using financial derivative instruments for investment purposes. Past performance information presented is not indicative of future performance.

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