BNY Mellon Equity Income Booster Fund

INVESTMENT MANAGER

Insight INVESTMENT

Insight Investment Management (Global) Limited: Insight are leaders in absolute return investing , multi-asset, specialist equity solutions, fixed income and liability driven investment.

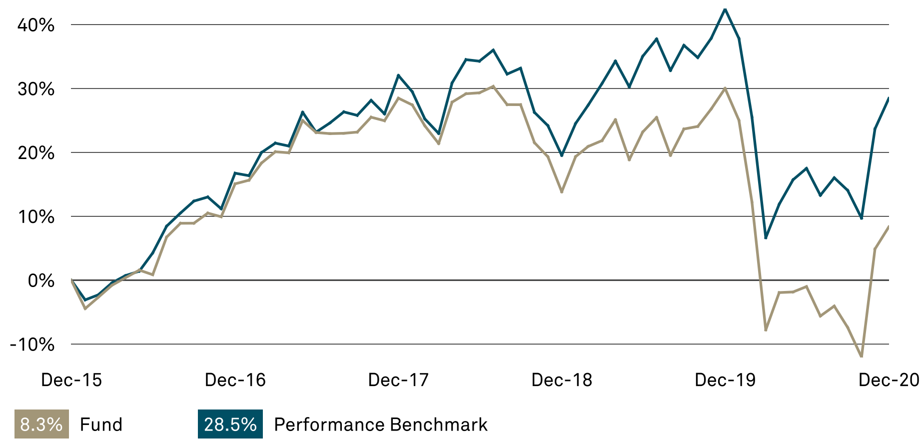
PERFORMANCE DISCLOSURE

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.

QUARTERLY HIGHLIGHTS

- Performance: The Fund made a positive return over the quarter, net of fees, and outperformed its benchmark.
- Activity: There were a number of purchases and sales over the quarter.
- Outlook & Strategy: We maintain our focus on international earners which have been supported by the relative weakness of sterling.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

						Annualised	
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	3.31	17.00	-16.67	-16.67	-2.44	-5.52	1.62
Performance Benchmark	3.86	12.62	-9.82	-9.82	3.66	-0.91	5.13
Sector	3.67	15.62	-10.80	-10.80	3.41	-1.45	3.01
No. of funds in sector	93	93	92	92	92	89	82
Quartile	3	2	4	4	4	4	3

	2016	2017	2018	2019	2020
Fund	15.08	11.65	-11.40	14.21	-16.67
Performance Benchmark	16.75	13.10	-9.47	19.17	-9.82

Source for all performance: Lipper as at 31 December 2020. Fund Performance for the Institutional Shares W (Accumulation) calculated as total return, including reinvested income net of UK tax and charges, based on net asset value. All figures are in GBP terms. The impact of an initial charge (currently not applied) can be material on the performance of your investment. Further information is available upon request.

As of 9 February 2013, the Insight Investment UK Equity Income Booster Fund and the Insight Investment MonthlyIncome Fund were merged into the Insight Equity Income Booster Fund. All performance data shown for periodsprior to this date is that of the Insight UK Equity Income Booster Fund.

Effective 10 June 2019, the Fund name changed from Insight Equity Income Booster Fund to BNY Mellon Equity Income Booster Fund.

The Fund will measure its performance against the FTSE All-Share TR Index as a comparator benchmark (the "Benchmark"). The Fund will use the Benchmark as an appropriate comparator because it is representative of the UK equity market.

The Fund is actively managed, which means the Investment Manager has discretion over the selection of investments subject to the investment objective and policies disclosed in the Prospectus. While the Fund's holdings may include constituents of the Benchmark, the selection of investments and their weightings in the portfolio are not influenced by the Benchmark. The investment strategy does not restrict the extent to which the Investment Manager may deviate from the Benchmark.

BNY MELLON INVESTMENT MANAGEMENT EMEA LIMITED - CLIENT SERVICES

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PERFORMANCE COMMENTARY

Bond yields were range-bound over the quarter as positive news about several new vaccines was offset by fears about an escalating number of Covid-19 cases, along with various political risks. However, Democrat candidate Joe Biden decisively won the US presidential elections (with sizeable fiscal stimulus now likely) while the UK finally reached a Brexit trade agreement with the EU close to year-end. The FTSE All-Share Index rose steadily over the period despite concerns about rising Covid-19 cases (which led to further lockdowns) and a potential hard Brexit.

CYCLICAL SECTORS — SUCH AS OIL AND GAS, FINANCIALS AND BASIC MATERIALS —OUTPERFORMED WHILE DEFENSIVES AND TECHNOLOGY LAGGED

Despite an increasing number of Covid-19 cases, hopes of an economic recovery once vaccinations allow a return to normality (with the expectation of a sizeable fiscal boost from the new Democrat administration) caused the 10-year US Treasury yield to rise above 0.9% over the quarter. Since the pandemic began, the Federal Reserve (Fed) has used various monetary policy tools, including 150 basis points (bps) of emergency rate cuts (taking them to 0-0.25%) and unlimited quantitative easing, to support the economy. The US government has also announced a US$2.2 trillion stimulus package and is considering further fiscal measures. While trade relations between the US and China have improved since January, the two countries remain in dispute over a number of issues.

The European Central Bank kept its benchmark interest rate at zero. It has also promised up to €1.85 trillion of asset purchases by March 2022 under its pandemic relief programme. The €750 billion eurozone recovery fund, funded by centrally backed bonds, will also be supportive once the funds are disbursed.

The Bank of England kept its base rate at 0.1% but is contemplating negative interest rates. It has also increased its quantitative easing programme to £875bn. The UK government has announced six fiscal support packages since the onset of the pandemic. The UK 10-year government bond yield remained around 0.2% over the quarter, as concerns about Covid-19 and a potential hard Brexit mounted and inflation remained well below the BoE's 2% target. The British government finally reached a Brexit trade agreement with the EU towards the end of 2020. With companies now slowly increasing their dividends, the robust UK Gilt market continues to support demand for higher yielding equities (sometimes referred to as 'bond proxies').

The FTSE All-Share Index rose over the quarter, buoyed by both hopes of vaccines ending the pandemic and recent fiscal and monetary policy stimulus. Given a healthier demand/supply balance, the Brent crude oil price rebounded by 25% over the quarter, finishing back above 50 US dollars.

Higher beta sectors, such as oil and gas, financials and basic materials, outperformed given increasing optimism over a global economic recovery. Telecoms also outpaced the market given the rollout of 5G networks.

More defensive sectors — such as healthcare, consumer goods, and utilities — underperformed given their relatively predictable, low risk earnings steams. Technology also lagged the index as investors foresaw an end to the pandemic and less demand for the sector's stay-at-home products and services.

The Fund made a positive return over the quarter, net of fees, and outperformed its benchmark. In aggregate, the top contributors were financials, consumer goods and consumer services; the main detractors were healthcare, basic materials and utilities. The Fund's cash position was also a drag as the index rose. The Fund's outperformance was mainly due to stock selection, but there was also a small positive effect from asset allocation. In terms of stock selection, the main positives were financials, consumer services, and industrials; the main negatives were healthcare, utilities, and oil and gas.

In terms of asset allocation, the main positives were our underweight in consumer goods, overweight in oil and gas, and lack of holdings in technology; the main negatives were our overweight in healthcare and underweights in basic materials and financials. The Fund's focus on companies with sustainable dividend yields means that, given the low yield on most technology stocks, it will typically be underweight the technology sector.

Positive individual contributors to performance included Unilever, Reckitt Benckiser, ITV, Barclays, and Rolls Royce Holdings. The Fund benefited from having underweight positions in consumer staples companies Unilever and Reckitt Benckiser; both firms have benefited from strong sales of cleaning products during the pandemic so their shares underperformed given hopes of an end to the crisis. Broadcaster ITV's shares rose as the company said that the advertising market was picking up, while the firm is also often seen as a takeover candidate. Barclays is geared to higher growth and interest rates over time as activity resumes while aero-engine manufacturer Rolls Royce Holdings is a beneficiary of an eventual resumption of a rebound in air travel should restrictions ease following vaccinations.

Among the detractors to performance were AstraZeneca, GlaxoSmithKline, Glencore, Serco Group, and Anglo American. The Fund's overweight positions in pharmaceutical companies AstraZeneca and GlaxoSmithKline were detrimental given their relatively defensive attributes as investors favoured higher-beta sectors more geared to a global economic recovery. Not holding either Glencore or Anglo American detracted given the strong rebound in commodity prices (particularly iron ore) over the quarter. An overweight position in outsourcer Serco Group was a negative as its shares underperformed following the company's loss of its UK nuclear warheads contract.

ACTIVITY REVIEW

There were a number of purchases and sales over the quarter.

ACTIVITY DURING THE QUARTER INCLUDED BOTH PURCHASES AND SALES

During the quarter, we used share price weakness in Unilever and Reckitt Benckiser to start new positions. Both have a large number of extremely strong brands, generate attractive margins and cashflow and so can pay sustainable and growing dividends. We also started a position in the advertising agency WPP, which we hope will benefit from both an economic recovery and also management's actions to rationalise the cost base. We also used share price weakness to add to our position in Whitbread, the owner of Premier Inn, which we believe will benefit from its strong brand as leisure activity recovers. All these companies have strong businesses and franchises, run by very good management teams, and robust balance sheets, allowing them to invest in their operations through the current tough times and ultimately come out stronger, in our view.

We funded these purchases by selling a number of stocks where we have reappraised the long-term prospects for the business and also where this has coincided with share price strength. Two good examples would be Rolls Royce and International Consolidated Airlines, where we feel that travel will take a lot longer to recover than in previous slowdowns and balance sheet strength is still questionable. We also reduced holdings in some of the banks, such as Lloyds and Natwest Group, where we believe that structural threats to the business cast clouds over the future earnings potential of the sector.

INVESTMENT STRATEGY AND OUTLOOK

With the discovery of recent vaccines leading to mass vaccination programmes, and the proactive policy action by many central banks and governments, hopes of a global economic recovery have risen. Moreover, the UK government finally reached a Brexit trading arrangement with the EU shortly before year-end, avoiding the need to follow World Trade Organisation rules. In the longer term, closer economic ties with the US could help support the UK economy.

VACCINES HAVE BOOSTED HOPES OF A GLOBAL ECONOMIC RECOVERY BUT RISKS REMAIN

Although mass vaccination programmes have given hopes of an economic recovery later in 2021, rising virus cases (with renewed lockdowns) have dulled the short-term outlook. Also, consumer price inflation is now back at 0.3% (and 1.1% on a core basis), compared with the BoE's 2% target. As a result, the central bank has become notably more dovish. Therefore, UK government bond yields have continued to stay at a low level. However, this interest rate environment is positive for the relative attractiveness of equity valuations in terms of yield.

US economic growth had been relatively robust, proving beneficial to those UK-listed companies exposed to the country. However, the US has been highly exposed to the pandemic and growth there is also slowing. This has led to the Fed aggressively easing monetary policy and the US government announcing sizeable fiscal stimulus measures; although it has now steepened somewhat, a flatter US yield curve has historically portended a recession so needs to be closely monitored.

On the plus side, a conclusive outcome to the US presidential election (which could lead to improved US-China trade relations) and the UK finally leaving the EU have reduced geopolitical uncertainty. Also, the relative weakness of sterling could support UK-based exporters. However, other risks to global growth include volatility in oil prices, rising sovereign debt levels worldwide, and higher inflation (leading to a spike in bond yields) given the sizeable amount of policy stimulus.

We remain positive regarding the depth, diversity and largely international nature of the companies that represent the UK equity market, especially with regard to the companies that constitute our Fund's portfolio. The Insight Equity Income Booster Fund is designed to appeal to those investors who want an equity investment with the potential to enhance the level of income generated beyond that available from a typical equity income fund. It does so by combining a traditional equity portfolio approach with an income generating call-option strategy to enhance the overall yield.

Over this quarter, we did not deploy the strategy; however, over the longer term, the strategy has proved instrumental in boosting yield and reducing portfolio volatility. While the strategy can enhance income generation, it can nevertheless reduce the Fund's capital growth potential in strongly rising markets. The manager's investment style will typically demonstrate a bias towards large-cap stocks when compared with most equity income funds.

Our focus remains on owning stocks that offer the potential for sustainable long-term dividend increases. In the current environment, we are finding most such opportunities among large-cap stocks with internationally diversified earnings.

TOP 10 HOLDINGS (%)

	Fund
Astrazeneca Plc	6.2
Rio Tinto Plc	5.7
Unilever Plc	4.8
Glaxo Smithkline Plc	4.4
Royal Dutch Shell Plc	4.3
Reckitt Benck Plc	3.8
BP Plc	3.7
WPP Plc	3.0
Ferguson Plc	2.8
Imperial Brands Plc	2.7

INDUSTRIAL ALLOCATION (%)

	Fund
Financials	16.8
Consumer Services	16.0
Consumer Goods	14.9
Industrials	11.6
Health Care	10.7
Oil & Gas	9.8
Utilities	8.0
Basic Materials	7.7
Telecommunications	3.7
Pending Cash	-0.3
Cash & Short Term Deriv.	1.2

Source: BNY Mellon Investment Management EMEA Limited
Portfolio holdings are subject to change, for information only and are not investment recommendations.

KEY RISKS ASSOCIATED WITH THIS FUND

- There is no guarantee that the Fund will achieve its objectives.
- The Fund primarily invests in a single market which may have a significant 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.
- 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.
- 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.
- The Fund undertakes investment activities that are designed to maximise the generation of income. This may result in a reduction of capital.
- A complete description of risk factors is set out in the Prospectus in the section entitled "Risk Factors".

INVESTMENT OBJECTIVE

The Fund aims to provide income together with the potential for capital growth over the long term (5 years or more).

GENERAL INFORMATION

Total net assets (million)	£ 66.01
Historic yield (%)	6.86
Performance Benchmark	FTSE All-Share TR
IA Sector	UK Equity Income
Lipper sector	Equity UK Income
Fund type	ICVC
Fund domicile	UK
Fund manager	Tim Rees, Tom Wilson
Alternate	Takis Anastassopoulos
Base currency	GBP
Currencies available	GBP
Fund launch	09 Feb 2013
Distribution dates	The second last business day of each month

DEALING

09:00 to 17:00 each business day
Valuation point: 12:00 London time

INSTITUTIONAL SHARES W (ACC.) SHARE CLASS DETAILS

Inception date	09 Feb 2013
Min. initial investment	£ 10,000,000
ISIN	GB00B8SFP070
Bloomberg	IEIBOWA
Sedol	B8SFP07
Registered for sale in:	GB

INSTITUTIONAL SHARES W (ACC.) COSTS AND CHARGES (%)

Ongoing Costs	0.85
Management fee	0.75
Other costs & charges	0.10
Transaction costs ex ante	0.20

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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