BNY Mellon Equity Income Booster Fund

INVESTMENT MANAGER

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

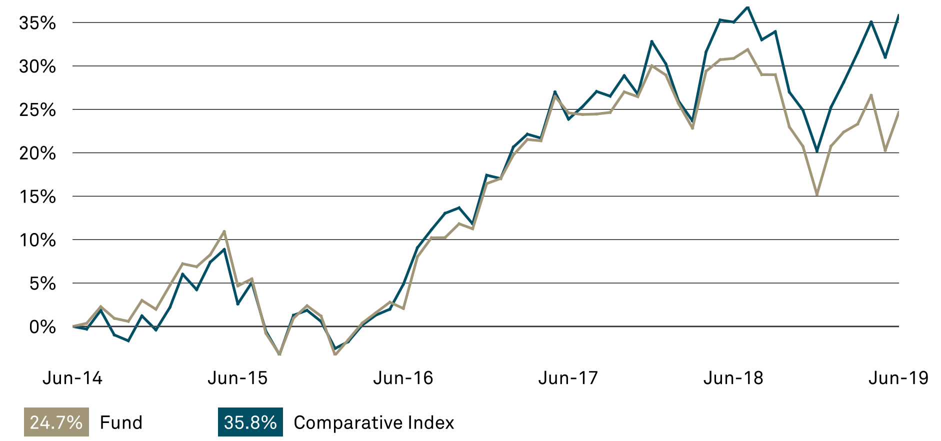
PERFORMANCE DISCLOSURE

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, but underperformed its comparative index.
- Activity: Activity centred on sales with no purchases during the period.
- Outlook & Strategy: We maintain our focus on international earners which have been supported by the continued depreciation of sterling.

5 YEAR CUMULATIVE PERFORMANCE (%)



PERFORMANCE SUMMARY (%)

						Annualised	
	1M	3M	YTD	1YR	2YR	3YR	5YR
Institutional Shares W (Acc.)	3.64	1.10	8.21	-4.75	0.03	6.89	4.50
Comparative Index	3.67	3.26	12.97	0.57	4.71	9.00	6.31
Sector	2.52	1.89	10.63	-2.72	1.63	7.23	5.25
No. of funds in sector	86	85	85	84	82	77	73
Quartile	2	3	4	3	4	3	4

	2014	2015	2016	2017	2018
Fund	2.49	-0.77	15.08	11.65	-11.40
Comparative Index	1.18	0.98	16.75	13.10	-9.47

Source for all performance: Lipper as at 30 June 2019. 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.

PERFORMANCE COMMENTARY

Bond yields fell steadily over the quarter as many central banks turned increasingly dovish, with the outlook for both growth and inflation subdued. Bond prices were supported by continuing economic uncertainty related to the UK's protracted exit from the EU. Demand for percieved 'safe haven' assets stayed high given fears that ongoing protectionism by the US and China could prolong the global trade war and further weigh on the world economy. However, there were signs of improved relations between the two countries at the G20 summit in Japan, with further tariff increases postponed and the decision to blacklist Chinese telecommunications equipment manufacturer Huawei reversed. The FTSE All-Share Index ended a rather volatile quarter higher.

CONTINUING THE YEAR'S 'RISK ON' ENVIRONMENT, THE STRONGEST PERFORMING SECTORS WERE TECHNOLOGY AND INDUSTRIALS, BASIC MATERIALS AND FINANCIALS

While there were signs of progress in trade talks, with the US and China agreeing to postpone further tariff increases, there are still concerns that there could be a prolonged global trade war. The implications of recent tariff increases for slower global and US economic growth, coupled with contained core inflation, led to the US 10-year Treasury yield falling steadily over the quarter. As a result, the Federal Reserve (Fed) left interest rates on hold and is contemplating at least one cut later this year; it will also stabilise the size of its balance sheet by September, after letting its recently acquired assets run off. Given this backdrop, bonds rallied steadily over the quarter.

The European Central Bank also turned more dovish and will leave interest rates on hold until at least the second half of 2020 given increasing risks to both the eurozone and global economies. Growth is relatively strong in Spain, and has picked up in Germany, but remains lacklustre in France while Italy has only just emerged from a recession.

The UK 10-year government bond yield also fell steadily over the quarter, similar to those of other advanced economies. This was triggered by mounting signs of a global economic slowdown. The Bank of England (BoE) remains concerned about the UK's protracted negotiations to leave the European Union; we believe the risk of a hard Brexit – or even a no deal scenario – has markedly increased of late. UK inflation is now back around the BoE's target rate of 2%; leading to reduced expectations of more rate rises in the near future. The robustness of the UK Gilt market continues to support demand for higher yielding equities and any further strength in bond markets could continue that trend.

The FTSE-All Share Index ended up, over a rather volatile quarter, in line with other global markets. The oil price fell over much of the quarter, given concern about the impact of the current US-China trade war on world economic growth. However, it regained some of its losses over June as escalating tensions between the US and Iran led to the imposition of sanctions on the latter country.

In terms of cyclical sectors, the technology sector performed strongly after dovish Fed rhetoric on interest rates, supporting growth stocks. Basic materials also rallied on hopes of progress in talks between the US and China, with stimulus measures and higher commodity prices helping, too. Industrials and financials fared well, despite heightened concerns about both the UK and global economy; investors hope that more accommodating central banks can help prevent a sharp economic slowdown. The oil & gas sector also rose more than the market: the oil price fell over much of the quarter, with the price of Brent crude approaching US$60, given concern about the impact of the current

US-China trade war on world economic growth. However, it spiked above US$65 near the end of the period, as tensions rose between the US and Iran in the Middle East. In contrast, more defensive sectors - such as telecommunications, utilities, and consumer goods - generally lagged the overall market in the second quarter; despite, their relatively predictable earnings streams, the more dovish stance of central banks has meant that higher beta sectors have been favoured in what was a less volatile environment.

The Fund made a positive return over the quarter but underperformed the FTSE All-Share Index. In aggregate, the only positive contributors were financials, and oil & gas, while the main detractors were consumer services, consumer goods, telecommunications, and utilities. The call option strategy also had a negative effect. The Fund's underperformance was mainly due to stock selection, with asset allocation also slightly negative. In terms of asset allocation, the main positives were our underweight in consumer goods and our overweights in oil & gas and financials; the main negatives were our overweights in telecommunications and utilities and our lack of exposure to technology. In terms of stock selection, the only notable positive was financials; the main negatives were consumer goods, consumer services, and basic materials. 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 British American Tobacco, Intermediate Capital, Ferguson, Rio Tinto, and Schroders. Being underweight British American Tobacco was helpful as investor concern grew about slowing sales of e-cigarettes in the US: where the industry regulatory, the Food and Drug Administration, has stepped up its scrutiny of next generation products. Intermediate Capital, the private debt manager, exceeded its annual fundraising target with record inflows. Ferguson saw its shares climb as activist investor Trian Fund Management bought a 6% stake in the company. Rio Tinto has been lifted by hopes of progress in the US-China trade talks, fresh stimulus measures in China, and higher commodity prices. Asset management group Schroders benefited from the continued rally in global equity markets with renowned fund manager Nick Train also doubling his stake in the company to 8%.

Among the detractors to performance were Imperial Brands, Dixons Carphone, Royal Bank of Scotland, ITV, and Centrica. Tobacco company Imperial Brands underperformed as investor concern grew about slowing sales of e-cigarettes in the US, following increased regulatory scrutiny. Dixons Carphone's shares plummeted on the back of a profit warning linked to its loss-making mobile phone division. Royal Bank of Scotland fell after it reported disappointing first-quarter revenues at its UK retail banking division due to increased competition in mortgage lending and business uncertainty, while the company's chief executive, Ross McEwan, also resigned. Broadcaster ITV was weak after its first-quarter results revealed a 7% fall in advertising revenues due to economic and political uncertainty. Centrica, which owns British Gas, underperformed after it released a disappointing trading update due to the new cap on household energy bills and warmer-than-expected weather; there are also fears of another dividend cut in future, while the utilities sector in general also lagged the UK equity market.

ACTIVITY REVIEW

The focus of activity was on selling various stocks across a variety of sectors.

ACTIVITY CENTRED ON SALES; THERE WERE NO PURCHASES DURING THE QUARTER

During the quarter, we sold stocks across a variety of sectors. These sales included private equity companies Intermediate Capital and 3i, US-based stock exchange operator CME, and property company Segro in the financials sector, as well as telecommunications company Vodafone, miner Rio Tinto, oil & gas company Royal Dutch Shell ('A' shares), and contract caterer Compass.

INVESTMENT STRATEGY AND OUTLOOK

Uncertainties that stem from the UK's decision to leave the EU remain, with fears growing of a hard Brexit or even a no deal scenario. In the meantime, negotiations with the EU will be closely watched as the UK government seeks to achieve a smooth exit while maintaining access to the single market. Global economic growth is now starting to slow, and there are persistent tensions surrounding increased protectionism and the possibility of damaging trade wars; this has led to central banks becoming more dovish. Continued concerns about a slowing Chinese economy (with its huge debt overhang), the political landscape in Europe (particularly the Italian debt situation) and rising Middle East tensions are also likely to subdue investors' appetite for risk.

GLOBAL DEMAND IS SLOWING AND, DESPITE SOME EASING OF TENSIONS BETWEEN THE US AND CHINA, CONTINUES TO BE THREATENED BY PROTECTIONISM AND THE RISK OF A GLOBAL TRADE WAR

With inflation hovering around the BoE's 2% target, UK government bond yields have trended back. This interest rate environment is positive for the relative attractiveness of equity valuations in terms of yield. The twin influences of US tax reform and higher infrastructure spending have underpinned US economic growth to a degree, proving especially beneficial to those UK-listed companies that are exposed to the country. However, the influence of these fiscal measures is dwindling. Similarly, signs of a slowdown in the US economy have led to the Fed flagging up the possibility of at least one rate cut later this year; the recent flattening of the US yield curve has historically portended a recession so needs to be closely monitored.

With a reasonably robust – but slowing - global economy, we believe the outlook for the UK economy remains uncertain given the risks attached to the Brexit negotiations and the ongoing US-China trade war (despite signs of recent progress in talks between the two sides). Consumer confidence has been supported by higher employment, but continued Brexit uncertainty weighed on consumer spending; leading to lower business investment. However, the recent depreciation in sterling against both the US dollar and the euro could support UK-based exporters.

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, the strategy had a negative effect on performance but 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
Royal Dutch Shell Plc	9.8
BP Plc	6.2
Rio Tinto Plc	5.1
Astrazeneca Plc	4.7
HSBC Holdings Plc	4.3
Glaxosmith Plc	4.1
Prudential Plc	3.5
Compass Group Plc	2.4
Relx Plc	2.4
Barclays Plc	2.3

INDUSTRIAL ALLOCATION (%)

	Fund
Financials	27.9
Consumer Services	16.5
Oil & Gas	16.0
Industrials	10.9
Health Care	8.8
Basic Materials	7.3
Utilities	5.0
Consumer Goods	3.2
Telecommunications	3.2
Cash & Short Term Deriv.	1.4

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

To provide an enhanced level of income with potential for capital growth. The policy of the Fund is to invest primarily in UK listed equity and equity related securities.

GENERAL INFORMATION

Total net assets (million)	£ 108.64
Historic yield (%)	8.02
Comparative Index	FTSE All-Share TR
IA Sector	UK Equity Income
Lipper sector	Equity UK Income
Fund type	ICVC
Fund domicile	UK
Fund manager	Tim Rees
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	0.84
Management fee	0.75
Other costs & charges	0.09
Transaction costs ex ante	0.10

Source: BNY Mellon Investment Management EMEA Limited

Any views and opinions are those of the investment manager, unless otherwise noted.

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