

# ANNUAL REPORT & FINANCIAL STATEMENTS

---

BNY MELLON MANAGED FUNDS II

31 DECEMBER 2018



BNY MELLON

# CONTENTS

	Page
<b>Report of the Authorised Corporate Director</b>	<b>2</b>
<b>Statement of Authorised Corporate Director's responsibilities</b>	<b>3</b>
<b>Authorised status</b>	<b>3</b>
<b>Statement of Depositary's responsibilities</b>	<b>4</b>
<b>Certification of annual report and financial statements by the Authorised Corporate Director</b>	<b>5</b>
<b>Independent Auditor's report to the members of BNY Mellon Managed Funds II</b>	<b>6</b>
<b>Sub-Fund report</b>	<b>8</b>
<b>Statistics</b>	<b>10</b>
<b>Portfolio statement</b>	<b>15</b>
<b>Financial statements</b>	<b>16</b>
<b>Notes to the Financial statements</b>	<b>18</b>
<b>Distribution statements</b>	<b>31</b>
<b>Investor information</b>	<b>33</b>
<b>Glossary</b>	<b>35</b>
<b>Investment funds information</b>	<b>36</b>

## REPORT OF THE AUTHORISED CORPORATE DIRECTOR

---

**This is the annual report for the BNY Mellon Managed Funds II (“the Company”), comprising its Sub-Fund – Absolute Insight Fund (“the Sub-Fund”) – for the year ended 31 December 2018.**

2018 proved to be an ultimately frustrating year for investors with aggregate returns in global equities decidedly negative. Upward movement through most of the year was undone in the final quarter by heavy selling pressure, eliminating earlier gains. It was a period of records – some welcome, others not so welcome. New all-time highs were set in the US, UK and Indian markets while Japan’s Nikkei Index climbed to its highest level in a generation. The S&P 500 Index surpassed its longest-ever bull market run in August. On the other hand, the performance of the US market in December produced the worst returns for that month since 1931, during the Great Depression. Developed markets outperformed emerging markets which suffered from US dollar strength and bore much of the fall-out from the trade dispute. The US market outperformed those of Europe, the UK and Japan.

Trade friction and *quantitative tightening* were the dominant background themes. President Donald Trump pushed an agenda of punitive tariffs against the US’s major trading partners, with China, the key target, reciprocating.

The US Federal Reserve (“Fed”) raised interest rates four times, taking the benchmark to 2.5% by year’s end. Fed chairman Jerome Powell softened his *hawkish* tone late in the year, however, indicating a more measured approach in 2019. The European Central Bank (“ECB”) signalled an end to its bond-purchasing scheme by year end, while the Bank of England (“BoE”) raised interest rates. Despite this dialling back on easy *monetary policy*, *inflation* remained largely subdued across developed economies. However, higher wage inflation in the US and rising oil prices did help spark bouts of *volatility* through the course of the year.

Economic growth remained robust in the US, fuelled by the tax cuts implemented by Donald Trump at the end of 2017. Unemployment fell to generational lows, a trend experienced in the UK as well. However, outside of the US, *Gross Domestic Product* (“GDP”) growth was relatively subdued.

Rising interest rates in the US underpinned the US dollar. This in turn caused problems for emerging market economies, especially those weighed down with US dollar-denominated debt. A collapse in the Turkish lira and Argentine peso in the late summer underlined the pain that US dollar strength could inflict upon exposed countries.

Brexit dominated sentiment in the UK and created marked gyrations in Sterling. The weakness in Sterling underpinned the FTSE 100 Index given the large percentage of overseas earners amidst its stocks. By the end of the year, the EU and the UK had agreed a draft withdrawal agreement but with parliament looking almost certain to reject it, the UK government postponed the vote. The possibility of either a no deal or no Brexit had substantially risen by year end.

Political drama was rife on the European Continent too. An unlikely coalition won power in Italy where the coalition led by the Five Star Movement rolled out plans to boost public spending. This brought it into very public conflict with an EU concerned by Italy’s rising budget *deficit* – and this in turn drove Italian bond *yields* higher. In Germany, Angela Merkel announced her resignation as party leader of the Christian Democratic Union and her plans to step down as chancellor in 2021 after falling personal ratings and defeats in key regional elections.

One of the more welcome developments during the year was the seeming political ‘volte-face’ from North Korean leader Kim Jong-un, away from confrontation towards appeasement. This resulted in historic meetings between Kim Jong-un and the South Korean leader Moon Jae-in at the Korean border, and between Kim Jong-un and Donald Trump in Singapore, with hopes for lasting peace on the Korean peninsula.

It feels as though markets are at a cross roads. The relentless upward movement in equity markets, dating back to the global financial crisis, has since been checked. The impact of quantitative tightening appears to have taken its toll and there are doubts over the on-going robustness of global economic growth for the year ahead. However, not everything is dire. Earnings, while slowing, are still growing and our managers believe opportunities still remain.

*For a definition of italicised terms, please refer to the Glossary on page 35.*

### **Greg Brisk**

Director  
For and on behalf of  
BNY Mellon Fund Managers Limited  
Authorised Corporate Director

**6 March 2019**

## STATEMENT OF AUTHORISED CORPORATE DIRECTOR'S RESPONSIBILITIES

---

The Open-Ended Investment Companies ("OEIC") Regulations 2001 and the Rules of the Financial Conduct Authority ("FCA") contained in the FCA's Collective Investment Schemes Sourcebook ("COLL") and the Investment Funds Sourcebook ("FUND"), require the Authorised Corporate Director ("ACD") to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company and of its net revenue or expenses and the net gains or losses on the property of the Company for the year. In preparing the financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association (now known as the Investment Association) in May 2014;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- take such steps as are reasonably open to it to prevent and detect fraud and other irregularities;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

## AUTHORISED STATUS

---

BNY Mellon Managed Funds II is an investment company with variable capital ("ICVC") for the purposes of the FCA's COLL. The Company was incorporated in England and Wales on 27 February 2007 and is authorised and regulated by the FCA. It is a Non-UCITS Retail Scheme ("NURS") as defined by the FCA's COLL.

## STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

---

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Scheme Sourcebook, the Investments Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) ("the OEIC Regulations"), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Company.

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

NatWest Trustee and Depositary Services Limited  
Depositary

6 March 2019

## CERTIFICATION OF ANNUAL REPORT AND FINANCIAL STATEMENTS BY THE AUTHORISED CORPORATE DIRECTOR

---

We hereby certify the Annual Report and Financial Statements in accordance with the requirements of the FCA's COLL and the FUND and are approved for publication on behalf of BNY Mellon Fund Managers Limited and the ACD.

Greg Brisk  
Director

Hilary Lopez  
Director

06 March 2019

06 March 2019

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BNY MELLON MANAGED FUNDS II

---

## Opinion

We have audited the financial statements of BNY Mellon Managed Funds II for the year ended 31 December 2018 which comprise the Statement of total return and the Statement of changes in net assets attributable to shareholders together with the Balance sheet of its Sub-Fund, the accounting and distribution policies of the Company and the related notes and the Distribution Statements of its Sub-Fund. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland'.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company comprising its Sub-Fund as at 31 December 2018 and of the net revenue and the net capital losses on the scheme property of the Company comprising its Sub-Fund for the year then ended; and
  - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting standard applicable in the UK and Republic of Ireland'.
- 

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

---

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the ACD's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
  - the ACD has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
- 

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The ACD is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

---

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BNY MELLON MANAGED FUNDS II

continued

---

## **Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority**

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records.

---

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matter in relation to which the Collective Investment Schemes Sourcebook of the Financial Conduct Authority rules requires us to report to you if, in our opinion:

- we have not received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

---

## **Responsibilities of ACD**

As explained more fully in the ACD's responsibilities statement set out on page 3, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the ACD determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the ACD is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the ACD either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

---

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

---

## **Use of our report**

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP  
Statutory Auditor  
Edinburgh

06 March 2019

# ABSOLUTE INSIGHT FUND

## General information

Fund management team:	Insight Investment Management (Global) Limited
Fund size:	£454.87m
Sector:	Targeted Absolute Return
Comparative Index:	LIBID GBP 3 Month

### Yield as at 31 December 2018:

A (Accumulation)	1.62%
Ap (Accumulation)	1.62%
Fp (Accumulation)	2.08%
Sp (Accumulation)	3.17%
W (Accumulation)	2.41%

Key dates: Fund launch 28 February 2007

## Investment objective

The investment objective of the Sub-Fund is to deliver attractive, positive absolute returns in all market conditions.

The Sub-Fund aims to achieve its objective on a rolling 12 month basis. In addition the Sub-Fund aims to deliver cash (3 month GBP LIBOR -0.125%) +4% on a rolling annualised 5 year basis before fees. However, a positive return is not guaranteed and a capital loss may occur.

## Statutory performance data

From To	31/12/2017 31/12/2018	31/12/2016 31/12/2017	31/12/2015 31/12/2016
A (Accumulation)	-4.87%	1.59%	-1.27%
Ap (Accumulation)	-4.87%	1.51%	-1.25%
Fp (Accumulation)	-4.40%	1.91%	-0.83%
Sp (Accumulation)	-3.36%	2.83%	0.01%
W (Accumulation)	-4.09%	2.20%	-0.58%
LIBID GBP 3 Month	0.72%	0.36%	0.50%

Source: Lipper as at 31 December 2018 - total return including revenue net of UK tax and annual charges, but excluding initial charge. All figures are in sterling terms. Performance figures including the initial charge are available upon request.

Past performance is not a guide to future performance. The value of investments and the revenue 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.

# ABSOLUTE INSIGHT FUND

continued

## Portfolio summary

### Performance review

Over the 12-month review period, the Fp (Accumulation) share class of the Absolute Insight Fund returned -4.40% compared with 0.72% for LIBID GBP 3 Month. Following extreme movements in the fourth quarter, the year proved to be a challenging and *volatile* investment environment: many equity indices fell double digits; the US dollar strengthened, particularly against emerging market currencies; oil fell over 20%; and US bond *yields* ended the year slightly higher.

The Absolute Insight Emerging Market Debt Fund was the largest detractor from Sub-Fund performance, with losses driven by moves in emerging market currency positions, and by long holdings in external debt. Emerging market indices were also down on the year and although there were some *hedges* in place, timing and market volatility meant that they were not effectively offsetting losses from elsewhere. The other main detractor was the BNY Mellon Absolute Return Equity Fund, which is also the Sub-Fund's largest allocation. Through the year – and particularly the fourth quarter – a number of the Sub-Fund's equity positions suffered due to sharp movements and distortions in equity prices, without necessarily any negative fundamental developments.

### Activity review

In the first quarter, the strategic target allocation to the Absolute Insight Currency Fund was reduced from 19% to 10%. The majority of this capital was used to increase the target allocation to the BNY Mellon Absolute Return Equity Fund, on the basis that both Funds are expected to be good diversifiers as they have tended to display low correlation with the other three strategies. Each of the underlying funds was actively managed within the scope of their mandates over the year. In the Absolute Insight Emerging Market Debt Fund, the managers sought to capitalize on periods of extreme volatility; however, the extent of price volatility meant position management became difficult and resulted in disappointing losses. The BNY Mellon Absolute Return Equity Fund continued to run tight hedges and reduced gross exposure to try to insulate it from the risk of market fluctuations resulting from political or policy news flow. Most notable in the Absolute Insight Credit Fund was a reduction in a modestly *long credit* risk position over the second half of the year, while the managers also varied allocation to *asset-backed securities* and *high yield* credit. Both the Absolute Insight Currency Fund and Absolute Insight Dynamic Opportunities Fund were actively managed over the year in response to economic and market developments, with a range of positions opened and closed.

### Investment outlook

The global *macroeconomic* outlook suggests growth is now softening, which will potentially limit the policy of major developed market central banks. The transition from *quantitative easing* to *quantitative tightening*, trends of protectionism and trade conflict, as well as the rise of political risk from nationalism and populism remain key thematic risks to monitor. That being said, the portfolio managers believe that this has been priced into markets to a certain extent. Although the current environment is challenging, the managers believe the anticipated increase in volatility should present attractive opportunities for flexible strategies like the Absolute Insight Fund.

*For a definition of italicised terms, please refer to the Glossary on page 35.*

The table below shows all the purchases and sales (excluding any derivative and short term cash transactions) for the year.

Purchases	Sales
BNY Mellon Absolute Return Equity Fund - X Accumulation GBP shares	Absolute Insight Currency Fund S GBP Accumulation Class
Absolute Insight Dynamic Opportunities Fund S GBP Accumulation Class	BNY Mellon Absolute Return Equity Fund - X Accumulation GBP shares
Absolute Insight Emerging Market Debt Fund S GBP Accumulation Class	Absolute Insight Credit Fund S GBP Accumulation Class
Absolute Insight Credit Fund S GBP Accumulation Class	Absolute Insight Dynamic Opportunities Fund S GBP Accumulation Class
Absolute Insight Currency Fund S GBP Accumulation Class	Absolute Insight Emerging Market Debt Fund S GBP Accumulation Class

## STATISTICS

## Comparative tables

A (Accumulation)	31/12/2018 (pence per share)	31/12/2017 (pence per share)	31/12/2016 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	132.07	129.89	131.69
Return before operating charges*	(3.98)	4.50	0.56
Operating charges	(2.30)	(2.32)	(2.30)
Return after operating charges	(6.28)	2.18	(1.74)
Distributions	(2.04)	(0.31)	(0.30)#
Retained distributions on accumulation shares	2.04	0.31	0.24#
<b>Closing net asset value per share</b>	<b>125.79</b>	<b>132.07</b>	<b>129.89</b>
*After direct transaction costs of	0.00	0.00	0.00
<b>Performance</b>			
Return after charges	(4.76)%	1.68%	(1.32)%
<b>Other information</b>			
Closing net asset value (£)	360,051	421,401	643,109
Closing number of shares	286,228	319,064	495,119
Operating charges**	1.77%	1.77%	1.77%
Direct transaction costs*	0.00%	0.00%	0.00%
<b>Prices</b>			
Highest share price	133.11	132.02	131.87
Lowest share price	125.58	129.49	129.34

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme ("CIS") holdings which will also have reduced the Sub-Fund and share class returns before operating charges.

\*\* The Operating Charges figure is made up of the Annual Management Charge ("AMC") and other operating costs. Other operating costs include the costs for other services paid for by the Sub-Fund, such as the fees paid to the Fund Accountant, Fund Administrator, Depositary, Custodian, Auditor and Regulator. The Operating Charges figure shown is calculated on an ex-post basis over the year, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two.

# Difference relates to 20% income tax withheld on interest distribution made prior to 6th April 2017.

## STATISTICS

continued

**Comparative tables**

continued

<b>Ap (Accumulation)</b>	<b>31/12/2018 (pence per share)</b>	<b>31/12/2017 (pence per share)</b>	<b>31/12/2016 (pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	115.75	113.90	115.47
Return before operating charges*	(3.49)	3.88	0.49
Operating charges	(2.02)	(2.03)	(2.01)
Return after operating charges	(5.51)	1.85	(1.52)
Distributions	(1.79)	(0.25)	(0.26)#
Retained distributions on accumulation shares	1.79	0.25	0.21#
<b>Closing net asset value per share</b>	<b>110.24</b>	<b>115.75</b>	<b>113.90</b>
*After direct transaction costs of	0.00	0.00	0.00
<b>Performance</b>			
Return after charges	(4.76)%	1.62%	(1.31)%
<b>Other information</b>			
Closing net asset value (£)	8,018,072	11,102,660	20,164,841
Closing number of shares	7,273,120	9,591,910	17,703,247
Operating charges**	1.77%	1.77%	1.76%
Direct transaction costs*	0.00%	0.00%	0.00%
Performance fee	0.00%	0.07%	0.00%
<b>Prices</b>			
Highest share price	116.57	115.71	115.63
Lowest share price	110.06	113.56	113.44

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to CIS holdings which will also have reduced the Sub-Fund and share class returns before operating charges.

\*\* The Operating Charges figure is made up of the AMC and other operating costs. Other operating costs include the costs for other services paid for by the Sub-Fund, such as the fees paid to the Fund Accountant, Fund Administrator, Depositary, Custodian, Auditor and Regulator. The Operating Charges figure shown is calculated on an ex-post basis over the year, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two.

# Difference relates to 20% income tax withheld on interest distribution made prior to 6th April 2017.

## STATISTICS

continued

**Comparative tables**

continued

<b>Fp (Accumulation)</b>	<b>31/12/2018 (pence per share)</b>	<b>31/12/2017 (pence per share)</b>	<b>31/12/2016 (pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	139.67	136.84	138.21
Return before operating charges*	(4.22)	4.59	0.52
Operating charges	(1.75)	(1.76)	(1.72)
Return after operating charges	(5.97)	2.83	(1.20)
Distributions	(2.79)	(0.82)	(0.84)#
Retained distributions on accumulation shares	2.79	0.82	0.67#
<b>Closing net asset value per share</b>	<b>133.70</b>	<b>139.67</b>	<b>136.84</b>
*After direct transaction costs of	0.00	0.00	0.00
<b>Performance</b>			
Return after charges	(4.27)%	2.07%	(0.87)%
<b>Other information</b>			
Closing net asset value (£)	3,046,162	4,575,521	9,039,820
Closing number of shares	2,278,426	3,275,853	6,605,938
Operating charges**	1.27%	1.27%	1.26%
Direct transaction costs*	0.00%	0.00%	0.00%
Performance fee	0.00%	0.10%	0.00%
<b>Prices</b>			
Highest share price	140.72	139.61	138.42
Lowest share price	133.47	136.46	136.20

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to CIS holdings which will also have reduced the Sub-Fund and share class returns before operating charges.

\*\* The Operating Charges figure is made up of the AMC and other operating costs. Other operating costs include the costs for other services paid for by the Sub-Fund, such as the fees paid to the Fund Accountant, Fund Administrator, Depositary, Custodian, Auditor and Regulator. The Operating Charges figure shown is calculated on an ex-post basis over the year, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two.

# Difference relates to 20% income tax withheld on interest distribution made prior to 6th April 2017.

## STATISTICS

continued

**Comparative tables**

continued

<b>Sp (Accumulation)</b>	<b>31/12/2018 (pence per share)</b>	<b>31/12/2017 (pence per share)</b>	<b>31/12/2016 (pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	109.68	106.48	106.63
Return before operating charges*	(3.34)	3.42	0.36
Operating charges	(0.22)	(0.22)	(0.20)
Return after operating charges	(3.56)	3.20	0.16
Distributions	(3.36)	(1.62)	(1.55)#
Retained distributions on accumulation shares	3.36	1.62	1.24#
<b>Closing net asset value per share</b>	<b>106.12</b>	<b>109.68</b>	<b>106.48</b>
*After direct transaction costs of	0.00	0.00	0.00
<b>Performance</b>			
Return after charges	(3.25)%	3.01%	0.15%
<b>Other information</b>			
Closing net asset value (£)	334,905,327	346,149,773	336,076,945
Closing number of shares	315,605,972	315,605,972	315,610,972
Operating charges**	0.20%	0.20%	0.19%
Direct transaction costs*	0.00%	0.00%	0.00%
Performance fee	0.00%	0.29%	0.00%
<b>Prices</b>			
Highest share price	110.59	109.62	106.82
Lowest share price	105.93	106.24	105.29

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to CIS holdings which will also have reduced the Sub-Fund and share class returns before operating charges.

\*\* The Operating Charges figure is made up of the AMC and other operating costs. Other operating costs include the costs for other services paid for by the Sub-Fund, such as the fees paid to the Fund Accountant, Fund Administrator, Depositary, Custodian, Auditor and Regulator. The Operating Charges figure shown is calculated on an ex-post basis over the year, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two.

# Difference relates to 20% income tax withheld on interest distribution made prior to 6th April 2017.

## STATISTICS

continued

**Comparative tables**

continued

<b>W (Accumulation)</b>	<b>31/12/2018</b> <b>(pence per share)</b>	<b>31/12/2017</b> <b>(pence per share)</b>	<b>31/12/2016</b> <b>(pence per share)</b>
<b>Change in net assets per share</b>			
Opening net asset value per share	106.09	103.65	104.42
Return before operating charges*	(3.21)	3.44	0.38
Operating charges	(1.00)	(1.00)	(0.97)
Return after operating charges	(4.21)	2.44	(0.59)
Distributions	(2.45)	(0.92)	(0.89)#
Retained distributions on accumulation shares	2.45	0.92	0.71#
<b>Closing net asset value per share</b>	<b>101.88</b>	<b>106.09</b>	<b>103.65</b>
*After direct transaction costs of	0.00	0.00	0.00
<b>Performance</b>			
Return after charges	(3.97)%	2.35%	(0.56)%
<b>Other information</b>			
Closing net asset value (£)	108,537,036	202,573,002	332,264,115
Closing number of shares	106,538,477	190,938,888	320,571,333
Operating charges**	0.95%	0.95%	0.94%
Direct transaction costs*	0.00%	0.00%	0.00%
Performance fee	0.01%	0.19%	0.00%
<b>Prices</b>			
Highest share price	106.91	106.04	104.59
Lowest share price	101.70	103.37	102.97

\*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there are other transaction costs such as dealing spread and underlying costs with regard to CIS holdings which will also have reduced the Sub-Fund and share class returns before operating charges.

\*\* The Operating Charges figure is made up of the AMC and other operating costs. Other operating costs include the costs for other services paid for by the Sub-Fund, such as the fees paid to the Fund Accountant, Fund Administrator, Depositary, Custodian, Auditor and Regulator. The Operating Charges figure shown is calculated on an ex-post basis over the period, whereas the Ongoing Charges figure shown in the KIID is a calculation as at a point in time, and therefore there could be immaterial differences between the two.

# Difference relates to 20% income tax withheld on interest distribution made prior to 6th April 2017.

## PORTFOLIO STATEMENT

as at 31 December 2018

Investment	Holding	Market Value (£)	Total Net Assets (%)
<b>Absolute Return Funds 98.46% (99.48%)</b>			
Absolute Insight Credit Fund S GBP Accumulation Class*	35,999,964	90,727,110	19.94
Absolute Insight Currency Fund S GBP Accumulation Class*	32,601,064	44,738,439	9.83
Absolute Insight Dynamic Opportunities Fund S GBP Accumulation Class*	83,596,878	92,416,349	20.32
Absolute Insight Emerging Market Debt Fund S GBP Accumulation Class*	56,793,395	86,916,612	19.11
BNY Mellon Absolute Return Equity Fund - X Accumulation GBP shares*	100,898,922	133,085,678	29.26
<b>Portfolio of investments</b>		<b>447,884,188</b>	<b>98.46</b>
<b>Net current assets</b>		<b>6,982,460</b>	<b>1.54</b>
<b>Total Net Assets</b>		<b>454,866,648</b>	<b>100.00</b>

\*Considered a related party of the ACD.

Comparative figures in brackets refer to 31 December 2017.

All securities are authorised CIS unless otherwise stated.

## FINANCIAL STATEMENTS

**Statement of total return**

for the year ended 31 December 2018

	Notes	£	31/12/2018 £	£	31/12/2017 £
Income					
Net capital (losses)/gains	3		(33,162,306)		8,773,737
Revenue	4	16,730,064		11,179,616	
Expenses	5	(1,735,899)		(3,865,208)	
Interest payable and similar charges	7	(23,456)		(1,569)	
Net revenue before taxation		14,970,709		7,312,839	
Taxation	6	—		—	
Net revenue after taxation			14,970,709		7,312,839
<b>Total return before distributions</b>			<b>(18,191,597)</b>		<b>16,086,576</b>
Distributions	8		(14,975,921)		(7,319,599)
<b>Change in net assets attributable to shareholders from investment activities</b>			<b>(33,167,518)</b>		<b>8,766,977</b>

**Statement of change in net assets attributable to shareholders**

for the year ended 31 December 2018

	£	31/12/2018 £	£	31/12/2017 £
<b>Opening net assets attributable to shareholders</b>		<b>564,822,357</b>		<b>698,188,830</b>
Amounts receivable on issue of shares	9,745,489		24,542,912	
Amounts payable on cancellation of shares	(101,192,772)		(173,802,892)	
		(91,447,283)		(149,259,980)
Change in net assets attributable to shareholders from investment activities		(33,167,518)		8,766,977
Retained distribution on accumulation shares		14,659,092		7,126,530
<b>Closing net assets attributable to shareholders</b>		<b>454,866,648</b>		<b>564,822,357</b>

## FINANCIAL STATEMENTS

continued

**Balance sheet**

as at 31 December 2018

	Notes	£	31/12/2018 £	£	31/12/2017 £
<b>Assets</b>					
Fixed Assets					
Investment assets			447,884,188		561,880,617
Current assets					
Debtors	9	103,914		1,718,157	
Cash and bank balances	10	1,074,568		30,288	
Cash equivalents	10	6,000,000		2,934,120	
Total other assets			<u>7,178,482</u>	<u>4,682,565</u>	
Total assets			<u>455,062,670</u>	<u>566,563,182</u>	
<b>Liabilities</b>					
Creditors					
Other creditors	11	(196,022)		(1,740,825)	
Total other liabilities			<u>(196,022)</u>	<u>(1,740,825)</u>	
Total liabilities			<u>(196,022)</u>	<u>(1,740,825)</u>	
<b>Net assets attributable to shareholders</b>			<u><b>454,866,648</b></u>	<u><b>564,822,357</b></u>	

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2018

---

## 1 Accounting policies

### Basis of accounting

The financial statements have been prepared on a going concern basis in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Management Association (now known as The Investment Association) in May 2014 (the "SORP"), amended June 2017.

In applying UK GAAP, the financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102). These amendments improve the consistency of fair value disclosures for financial instruments with those required by EU-adopted IFRS.

### Valuation of investments

The valuation of the Sub-Fund's investments is based on the bid-market prices at the close of business on the last day of the accounting year.

Investments in other CIS, managed by the ACD or associate of the ACD are valued at the cancellation price for dual priced Funds and at the single price for single priced Funds. Valuations should take into account any agreed rate of redemption charge.

### Revenue

Interest on bank deposits is recognised on an accrual basis.

Dividends and withholding tax recoverable from overseas authorities are treated as receivable on the date on which the security is quoted ex-dividend where the amounts can be reasonably determined. Foreign dividends are grossed up at the appropriate rate of tax.

Distributions on accumulation shares from overseas CIS are treated as revenue and an appropriate transfer from capital to revenue is made including any withholding taxes but excluding tax credits.

Equalisation received by the Sub-Fund on distributions made by its investments is offset against the cost of the relevant investment.

Any reported revenue from an offshore fund with reporting status from HMRC, in excess of any distribution received in the reporting period, is recognised as revenue no later than the date on which the reporting fund makes this information available.

### Expenses

Expenses are recognised on an accruals basis and are charged against revenue except costs associated with the purchase and sale of investments, which are allocated to the capital of the Sub-Fund.

### Allocation of income and expenses to multiple share classes

The allocation of income and expenses to each share class is based on the proportion of the Sub-Fund's assets attributable to each share class on the day the income is earned or the expense is incurred. The ACD's periodic charge and general administration charge are allocated on a share class specific basis.

### Taxation

Corporation tax is charged at 20% of the income liable to corporation tax less expense. Deferred tax is provided for at the rate at which taxation is likely to become payable in respect of all timing differences between the accounting and taxation treatment of items.

### Exchange rates

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling on the date of the transaction. Investments and other assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates applicable at the close of business on the last day of the accounting year.

---

## 2 Distribution policies

The net revenue available for distribution at the end of each distribution period will be paid as an interest distribution. Should the expenses of the Sub-Fund (including taxation) exceed the revenue of the Sub-Fund, there will be no distribution and the shortfall will be set against the capital of the Sub-Fund. All distributions received from holdings in CIS, including those from accumulation holdings, are treated as revenue and form part of the distribution of the Sub-Fund. Amounts received in respect of equalisation are retained in capital. Any revenue attributable to accumulation shareholders is retained within the Sub-Fund at the end of the distribution period and represents a reinvestment of income on behalf of the accumulation shareholders.

## NOTES TO THE FINANCIAL STATEMENTS

continued

**3 Net capital (losses)/gains**

	31/12/2018 £	31/12/2017 £
(Losses)/gains on non-derivative securities	(33,101,175)	8,794,206
Custodial transaction charges	(61,131)	(20,469)
<b>Net capital (losses)/gains</b>	<b>(33,162,306)</b>	<b>8,773,737</b>

Net losses listed above of £(33,101,175) comprise net realised gains of £1,295,826 and net unrealised losses of £(34,397,001) (2017: £8,794,206 comprise net realised gains of £7,987,446 and net unrealised gains of £806,760). Where realised gains/(losses) include gains/(losses) arising in previous periods, a corresponding (loss)/gain is included in unrealised gains/(losses).

**4 Revenue**

	31/12/2018 £	31/12/2017 £
Bank interest	25,311	13,050
Distributions from offshore CIS	16,704,753	11,166,566
<b>Total revenue</b>	<b>16,730,064</b>	<b>11,179,616</b>

## NOTES TO THE FINANCIAL STATEMENTS

continued

**5 Expenses**

	31/12/2018 £	31/12/2017 £
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	1,491,234	2,147,623
General administration charges	169,172	199,188
Safe custody fees	11,542	11,918
Performance fee	11,080	1,452,288
	<b>1,683,028</b>	<b>3,811,017</b>
<b>Other expenses</b>		
Audit fees*	7,620	7,599
Depository's fee	45,046	46,995
FCA's fee	(30)	(403)
Professional service fees	235	—
	<b>52,871</b>	<b>54,191</b>
<b>Total expenses</b>	<b>1,735,899</b>	<b>3,865,208</b>

\*The audit fee for the year, excluding VAT, was £6,700 (2017: £6,350).

## NOTES TO THE FINANCIAL STATEMENTS

continued

**6 Taxation**

	31/12/2018 £	31/12/2017 £
<b>a Analysis of charge in year</b>		
Corporation tax	—	—
<b>Total tax charge for the year (see note 6(b))</b>	<b>—</b>	<b>—</b>

Corporation tax has been provided at a rate of 20% (2017: 20%).

**b Factors affecting total tax charge for the year**

Net revenue before taxation	14,970,709	7,312,839
Corporation tax at 20%	2,994,142	1,462,568
Effects of:		
Tax deductible interest distributions	(2,994,142)	(1,462,568)
<b>Total tax charge for the year (see note 6(a))</b>	<b>—</b>	<b>—</b>

**7 Interest payable and similar charges**

	31/12/2018 £	31/12/2017 £
Interest	23,456	1,569
	<b>23,456</b>	<b>1,569</b>

## NOTES TO THE FINANCIAL STATEMENTS

continued

**8 Distributions**

	31/12/2018 £	31/12/2017 £
Interim distribution	11,711,209	4,656,869
Final distribution	2,947,883	2,477,463
<b>Distributions for the year</b>	<b>14,659,092</b>	<b>7,134,332</b>
Amounts deducted on cancellation of shares	352,292	217,398
Amounts added on issue of shares	(35,463)	(32,131)
<b>Net distribution for the year</b>	<b>14,975,921</b>	<b>7,319,599</b>
<b>Net revenue after taxation for the year</b>	<b>14,970,709</b>	<b>7,312,839</b>
Add: Transfer from capital for share class distribution deficits	4,233	6,691
Add: Equalisation on conversions	979	69
<b>Distributions for the year</b>	<b>14,975,921</b>	<b>7,319,599</b>

**9 Debtors**

	31/12/2018 £	31/12/2017 £
Amounts receivable for creation of shares	100,444	65,471
Accrued revenue	3,449	2,686
Sales awaiting settlement	—	1,650,000
Prepaid expenses	21	—
<b>Total debtors</b>	<b>103,914</b>	<b>1,718,157</b>

**10 Cash, Bank Balances & Cash Equivalents**

	31/12/2018 £	31/12/2017 £
Cash held at bank	1,074,568	30,288
<b>Cash Equivalents</b>		
Cash held in Insight Investment Liquidity Fund	6,000,000	2,934,120
<b>Total</b>	<b>7,074,568</b>	<b>2,964,408</b>

## NOTES TO THE FINANCIAL STATEMENTS

continued

**11 Creditors**

	31/12/2018 £	31/12/2017 £
<b>Other creditors</b>		
Accrued expenses	129,530	1,622,433
Amounts payable for cancellation of shares	66,492	118,392
	<b>196,022</b>	<b>1,740,825</b>

**12 Contingent liabilities**

There were no contingent liabilities at the Balance Sheet date (2017: £Nil).

**13 Related party transactions**

The ACD is a related party and is regarded as a controlling party by virtue of having the ability to act in respect of the operation of the Sub-Fund.

The ACD acts as principal in respect of all transactions of the shares in the Sub-Fund. The aggregate monies received through issues and paid on cancellations are disclosed in the Statement of Change in Net Assets Attributable to Shareholders and Note 8. Any amounts due to or from the ACD at the year end are disclosed within debtors and creditors.

Amounts paid to the ACD in respect of periodic charge and performance fee is disclosed within expenses and amounts due at the year end are disclosed within creditors. Amounts payable to the ACD as at 31 December 2018 for periodic charges are £69,553 (2017: £150,123) and performance fees £Nil (2017: £1,437,304).

Details of related party investments are disclosed within the portfolio statement.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 14 Financial instruments

In pursuing its investment objective and investment policy, the Sub-Fund holds a number of financial instruments.

These may comprise:

- Shares or units in United Kingdom or offshore CIS. These are held in accordance with the Sub-Fund's investment policies;
- Cash, liquid resources and short term debtors and creditors that arise directly from its operations; and
- Short term borrowings used to finance operational cash flows.

The main risks arising from the financial instruments are market price (including "emerging markets price risk"), foreign currency, interest rate, liquidity and counterparty credit risk. The ACD reviews the policies for managing each of these risks and they are summarised below.

These policies have remained unchanged since the beginning of the year to which these financial statements relate.

### Market price risk

Market price risk is the risk that the Sub-Fund might suffer potential loss through holding market positions in the face of price movements. It arises mainly due to uncertainty about future prices of financial instruments held.

It represents the potential loss a Sub-Fund may suffer through holding market positions in the face of market movements and changes in exchange rates. Market risk is the risk that changes in interest rates, foreign exchange rates or equity and commodity prices will make an instrument less valuable or more onerous.

The Sub-Fund's investment portfolio is monitored by the ACD in pursuance of its investment objective and policy as set out in the prospectus.

The Sub-Fund's market risk is managed by the Investment Manager within a rigorous risk management framework. The Sub-Fund invests in a wide range of securities uses a mixture of qualitative and quantitative techniques to achieve the objective of the Sub-Fund.

There is, however, no assurance that this objective will be achieved as the value of investments may fall as well as rise and investors may not recoup the original amount invested.

The difference at any one time between the cost of subscribing for shares and the amount received on redeeming shares means that any investment in any Sub-Fund should be viewed as a medium to long-term investment.

Market risk is controlled and monitored through the application of pre-agreed portfolio control ranges which cover asset allocation, duration, yield curve and liquidity. The Investment Manager will use historic data to measure market risk, which is controlled relative to the benchmark.

### Market Price Sensitivity

The value of the Sub-Fund's investments which were exposed to market price risk as at 31 December is as follows:

	2018 £	2017 £
Investments held at the balance sheet date	447,884,188	561,880,617

The following illustrates the sensitivity of the net capital gains and the net assets to an increase or decrease of 5% (2017: 5%) in the fair values of the Sub-Fund's investments. This level of change is considered to be reasonably possible based on observation of market conditions in the year. The sensitivity analysis is based on the impact of a change to the value of the Sub-Fund's investments at each balance sheet date.

	2018 5% Increase in fair value £	2018 5% Decrease in fair value £	2017 5% Increase in fair value £	2017 5% Decrease in fair value £
Non-derivative securities	22,394,209	(22,394,209)	28,094,031	(28,094,031)
<b>Net capital impact</b>	<b>22,394,209</b>	<b>(22,394,209)</b>	<b>28,094,031</b>	<b>(28,094,031)</b>

## NOTES TO THE FINANCIAL STATEMENTS

continued

**14 Financial instruments** continued**Currency risk**

Currency risk is the risk that the revenue and net asset value of the Sub-Fund may be adversely affected by movements in foreign exchange rates. The revenue and capital value of the Sub-Fund's investments can be significantly affected by currency risk movements as some of the assets and income are denominated in currencies other than sterling, which is the Company's functional currency.

Currency exposure is monitored closely and is considered to be part of the overall investment process. Currency hedges via forward currency contracts will only be used in the event of a specific currency risk being identified.

The Sub-Fund may receive income in currencies other than sterling, and the sterling value of this income can be affected by movements in exchange rates.

All assets and liabilities are in Sterling, hence there is no foreign currency exposure at 31 December 2018 (2017: nil).

The Sub-Fund does not have significant exposure to currency risk and hence no sensitivity analysis has been presented.

**Leverage**

Leverage is any method by which the Sub-Fund's exposure is increased beyond its holding of securities and cash. Where consistent with its investment objectives and policy, the Sub-Fund may utilise, directly or indirectly (for example through investment in another fund) a variety of exchange traded and over-the-counter ("OTC") derivative instruments as part of its investment policy or for hedging purposes.

The use of derivatives may expose the Sub-Fund to a higher degree of risk. In particular, derivative contracts can be highly volatile, and the amount of initial margin is generally small relative to the size of the contract so that transactions may be leveraged in terms of market exposure. A relatively small market movement may have a potentially larger impact on derivatives than on standard underlying corporate or government fixed coupon securities or equities. Leveraged derivative positions can therefore increase fund volatility.

Leverage on a gross exposure basis is calculated by taking the sum of the absolute notional values of the derivatives used by the Sub-Fund, without netting, the value of direct investments less cash plus borrowings and leverage from the reinvestment of collateral and is expressed as a ratio of the Sub-Fund's net asset value.

Leverage on a commitment basis is calculated by taking the sum of the net market value of the derivatives and direct investments as permitted plus borrowings and leverage from the reinvestment of collateral and expressing it as a ratio of the Sub-Fund's net asset value.

Disclosed in the table below is the level of leverage employed by the Sub-Fund.

<b>Gross Exposure Max. Limit</b>	<b>Exposure as at 31/12/2018</b>	<b>Commitment Exposure Max. Limit</b>	<b>Exposure as at 31/12/2018</b>
1.10	1.00	1.10	1.01

The above has been disclosed to meet the requirements of AIFMD as the Sub-Fund does not currently employ leverage.

Disclosed in the table below is the level of leverage employed by the Sub-Fund.

<b>Gross Exposure Max. Limit</b>	<b>Exposure as at 31/12/2017</b>	<b>Commitment Exposure Max. Limit</b>	<b>Exposure as at 31/12/2017</b>
1.10	1.00	1.10	1.01

The above has been disclosed to meet the requirements of AIFMD as the Sub-Fund does not currently employ leverage.

## NOTES TO THE FINANCIAL STATEMENTS

continued

**14 Financial instruments** continued**Interest rate risk**

Interest rate risk is the risk that the revenue cashflow or the fair value of investments may be adversely affected by movements in market interest rates.

The Sub-Fund invests in CIS, which, in themselves, invest in fixed rate securities and any change in interest rates may result in the Investment Manager being unable to secure similar returns in the future. As a result of the Sub-Fund only investing into CIS, which in themselves invest in fixed rate securities, the Sub-fund makes an interest distribution.

The Investment Manager manages interest rate risk to deliver the Sub-Fund's required out performance, whilst maintaining capital preservation. The Investment Manager's analysis is concentrated on evaluating current Sub-Fund expectations, comparing this with analysis and exploiting the difference by taking appropriate positions.

The interest rate risk profile of the Sub-Fund's financial assets and liabilities at 31 December 2018 is as follows:

	<b>Floating rate Financial assets £</b>	<b>Fixed Rate Financial assets £</b>	<b>Financial assets not carrying interest £</b>	<b>Total £</b>
Investments	—	—	447,884,188	447,884,188
<b>Total</b>	<b>—</b>	<b>—</b>	<b>447,884,188</b>	<b>447,884,188</b>

The interest rate risk profile of the Sub-Fund's financial assets and liabilities at 31 December 2017 is as follows:

	<b>Floating rate Financial assets £</b>	<b>Fixed Rate Financial assets £</b>	<b>Financial assets not carrying interest £</b>	<b>Total £</b>
Investments	—	—	561,880,617	561,880,617
<b>Total</b>	<b>—</b>	<b>—</b>	<b>561,880,617</b>	<b>561,880,617</b>

The Sub-Fund does not have direct significant exposure to interest rate risk and hence no sensitivity analysis has been presented.

**Liquidity risk**

Liquidity risk is the risk that the Sub-Fund will not be able to meet its obligations as they fall due. The Sub-Fund's assets comprise mainly of readily realisable securities which can be sold to meet liquidity requirements. The main liquidity risk of the Sub-Fund is the redemption of any shares that investors wish to sell, which are redeemable on demand under the Prospectus.

Assets from the Sub-Fund may need to be sold if insufficient cash is available to finance such redemptions. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. The ability to sell on demand ensures that the Sub-Fund can efficiently alter the investment strategy as required. The ability to sell also permits the financing of any unexpected withdrawals from a portfolio. It is important that these assets are readily tradable and the Sub-Fund will ensure that assets are only held where an efficient secondary market is operating.

**Counterparty credit risk**

Counterparty credit risk is the risk of suffering loss due to another party not meeting its financial obligation.

Investments may be adversely affected by counterparty credit risk if any of the institutions with which money is deposited suffers insolvency or other financial difficulties.

The Sub-Fund's maximum exposure to credit risk is reflected by the carrying value of the related assets in the balance sheet and portfolio statement.

## NOTES TO THE FINANCIAL STATEMENTS

continued

**14 Financial instruments** continued**Fair value hierarchy**

	Assets £	Liabilities £
<b>31/12/2018</b>		
Level 1: Quoted	—	—
Level 2: Observable	447,884,188	—
Level 3: Unobservable	—	—
<b>31/12/2017</b>		
Level 1: Quoted	—	—
Level 2: Observable	561,880,617	—
Level 3: Unobservable	—	—

Level 1: Unadjusted quoted price in an active market for an identical instrument.

Level 2: Valuation techniques using observable inputs other than quoted prices within Level 1.

Level 3: Valuation techniques using unobservable inputs.

## NOTES TO THE FINANCIAL STATEMENTS

continued

**15 Portfolio transaction costs**

For the year 1 January 2018 to 31 December 2018

<b>Purchases</b>	<b>Transaction Value £</b>	<b>Commissions £</b>	<b>%</b>	<b>Taxes £</b>	<b>%</b>
Collective investment schemes	41,125,000	—	—	—	—
<b>Total purchases</b>	<b>41,125,000</b>	<b>—</b>		<b>—</b>	
<b>Total purchases including transaction costs</b>	<b>41,125,000</b>				
<b>Sales</b>	<b>Transaction Value £</b>	<b>Commissions £</b>	<b>%</b>	<b>Taxes £</b>	<b>%</b>
Collective investment schemes	138,723,811	—	—	—	—
<b>Total sales</b>	<b>138,723,811</b>	<b>—</b>		<b>—</b>	
<b>Total sales net of transaction costs</b>	<b>138,723,811</b>				
<b>Total transaction costs</b>		<b>—</b>		<b>—</b>	
<b>Total transaction costs as a % of average net assets</b>		<b>0.00%</b>		<b>0.00%</b>	

## NOTES TO THE FINANCIAL STATEMENTS

continued

**15 Portfolio transaction costs**

For the year 1 January 2017 to 31 December 2017

<b>Purchases</b>	<b>Transaction Value £</b>	<b>Commissions £</b>	<b>%</b>	<b>Taxes £</b>	<b>%</b>
Collective investment schemes	15,000,000	—	—	—	—
<b>Total purchases</b>	<b>15,000,000</b>	<b>—</b>		<b>—</b>	
<b>Total purchases including transaction costs</b>	<b>15,000,000</b>				

  

<b>Sales</b>	<b>Transaction Value £</b>	<b>Commissions £</b>	<b>%</b>	<b>Taxes £</b>	<b>%</b>
Collective investment schemes	170,556,000	—	—	—	—
<b>Total sales</b>	<b>170,556,000</b>	<b>—</b>		<b>—</b>	
<b>Total sales net of transaction costs</b>	<b>170,556,000</b>				
<b>Total transaction costs</b>		<b>—</b>		<b>—</b>	
<b>Total transaction costs as a % of average net assets</b>		<b>—</b>		<b>—</b>	

The above analysis covers any direct transaction costs suffered by the Sub-Fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions and taxes etc.) are attributable to the Sub-Fund's purchase and sale of equity shares. Additionally for equity shares there is a dealing spread cost (the difference between the buying and selling prices) which will be suffered on purchase and sale transactions.

For the Sub-Fund's investment transactions in money market instruments any applicable transaction charges form part of the dealing spread for these instruments. Transactions in money market instruments to manage the Sub-Fund's daily liquidity position are excluded from the analysis.

For the Sub-Fund's investment in CIS holdings there will potentially be dealing spread costs applicable to purchases and sales. However additionally there are indirect transaction costs suffered in those underlying Sub-Fund's, throughout the holding period for the instruments, which are not separately identifiable and do not form part of the analysis above.

Dealing spread costs suffered by the Sub-Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.00% (2017: 0.00%).

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 16 Share movement

For the year 1 January 2018 to 31 December 2018

	A (Accumulation)	Ap (Accumulation)	Fp (Accumulation)	Sp (Accumulation)	W (Accumulation)
Opening shares	319,064	9,591,910	3,275,853	315,605,972	190,938,888
Shares issued	—	351,496	145,516	—	8,736,406
Shares redeemed	(32,836)	(2,267,967)	(1,110,443)	—	(93,617,229)
Shares converted	—	(402,319)	(32,500)	—	480,412
<b>Closing shares</b>	<b>286,228</b>	<b>7,273,120</b>	<b>2,278,426</b>	<b>315,605,972</b>	<b>106,538,477</b>

## 17 Share classes

The Sub-Fund has the following share classes in issue, with the following charges and minimum initial investment levels:

Share class	Preliminary Charge	ACD's Periodic Charge	Minimum initial Investment
A (Accumulation)	0.00%	1.50%	£5,000
Ap (Accumulation)	0.00%	1.50%	£5,000
Fp (Accumulation)	0.00%	1.00%	£5,000
Sp (Accumulation)	n/a	n/a	n/a
W (Accumulation)	0.00%	0.75%	£10,000,000

Because of these varying expenses, the level of net income attributable to each share class may differ.

In addition to the AMC payable, the ACD may also be entitled to a performance fee (the "Performance Fee") in respect of the Ap (Accumulation), Fp (Accumulation), Sp (Accumulation) and W (Accumulation) share classes.

The Net Asset Value of each share class, the Net Asset Value per share, and the number of shares in each class are given in the comparative tables on pages 10 to 14. All share classes have the same rights on winding up.

## 18 Post balance sheet events

There are no post balance sheet events for the year ended 31 December 2018.

## DISTRIBUTION STATEMENTS

for the year ended 31 December 2018

**Interim interest distribution in pence per share****Period**

Group 1: Shares purchased prior to 1 January 2018

Group 2: Shares purchased 1 January 2018 to 30 June 2018

	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Distribution Paid 31/08/2018</b>	<b>Distribution Paid 31/08/2017</b>
A (Accumulation)				
Group 1	2.0432	—	2.0432	0.3122
Group 2	2.0432	0.0000	2.0432	0.3122
Ap (Accumulation)				
Group 1	1.7895	—	1.7895	0.2515
Group 2	0.5790	1.2105	1.7895	0.2515
Fp (Accumulation)				
Group 1	2.5080	—	2.5080	0.6770
Group 2	0.7547	1.7533	2.5080	0.6770
Sp (Accumulation)				
Group 1	2.5576	—	2.5576	0.9929
Group 2	2.5576	0.0000	2.5576	0.9929
W (Accumulation)				
Group 1	2.0728	—	2.0728	0.6691
Group 2	0.8868	1.1860	2.0728	0.6691

## DISTRIBUTION STATEMENTS

continued

**Final interest distribution in pence per share****Period**

Group 1: Shares purchased prior to 1 July 2018

Group 2: Shares purchased 1 July 2018 to 31 December 2018

	<b>Net Revenue</b>	<b>Equalisation</b>	<b>Distribution Payable 28/02/2019</b>	<b>Distribution Paid 28/02/2018</b>
A (Accumulation)				
Group 1	0.0000	—	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
Ap (Accumulation)				
Group 1	0.0000	—	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
Fp (Accumulation)				
Group 1	0.2771	—	0.2771	0.1443
Group 2	0.2771	0.0000	0.2771	0.1443
Sp (Accumulation)				
Group 1	0.8042	—	0.8042	0.6314
Group 2	0.8042	0.0000	0.8042	0.6314
W (Accumulation)				
Group 1	0.3789	—	0.3789	0.2513
Group 2	0.3789	0.0000	0.3789	0.2513

## INVESTOR INFORMATION

---

BNY Mellon Managed Funds II, previously named Insight Investment Funds-of-Funds II was authorised by the FCA on 27 February 2007 as an umbrella company and currently has one Sub-Fund – Absolute Insight Fund - which is classified as an interest fund. It is a NURS as defined by the FCA's COLL. The Company is incorporated in England and Wales as an ICVC under registration number IC000509.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make further payments to the Company after the purchase price of their shares is paid for.

---

### Remuneration Disclosure of the AIFM

Employee remuneration of BNY Mellon Fund Managers Ltd for the financial year ending 31 December 2018.

Total amount of fixed and variable remuneration proportionate to the Absolute Insight Fund for the year ending 2018 of the 5 staff of the AIFM is disclosed below. This has been calculated on the basis of the Absolute Insight Fund's AUM in respect of the total AUM (including AIFs and non-AIFs) under the control of the AIFM.

Fixed - £11,450

Variable - £22,610

The amount for senior managers and material risk takers does not differ to the total amount already disclosed, as all the staff of the AIFM are considered senior managers.

As market or regulatory practice develops, BNY Mellon Fund Managers may consider it appropriate to make changes to the way in which quantitative remuneration disclosures are calculated. This may result in disclosures in relation to an AIF not being comparable to disclosures made in the prior year, or in relation to other BNY Mellon fund disclosures in that same year.

---

### Significant events

As part of an internal re-structuring in 2018, National Westminster Bank plc made some changes to its trustee and depositary services. Consequently the depositary of the fund was changed from National Westminster Bank plc to NatWest Trustee and Depositary Services Limited with effect from 15 October 2018. This is not expected to result in any change to how the depositary provides its services and fulfils its obligations to the fund.

---

### Securities Financing Transactions

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions ("SFTs") will be required on all report & accounts published after 13 January 2017. During the year and as at the balance sheet date, the Sub-Fund did not engage in SFTs.

---

### Dilution adjustment

As set out in the Prospectus, the ACD may make a dilution adjustment when calculating the price of a share. In deciding whether to make a dilution adjustment at any valuation point, the ACD will take into account the number of shares to be created or cancelled. Where the number of shares to be created exceeds the number of shares to be cancelled, the dilution adjustment to the share price will be upwards. Where the number of shares to be cancelled exceeds the number of shares to be created, the dilution adjustment to the share price will be downwards.

---

### Equalisation

Equalisation applies only to shares purchased during the distribution period (Group 2 shares). It is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to holders of these shares as a return of capital.

---

## INVESTOR INFORMATION

continued

---

### **Help the environment - access the reports online**

You can log on to our website and access a copy of the Annual and Interim Report and Financial Statements. A hard copy of the Annual and Interim Reports is also available upon written request from BNY Mellon Fund Managers Limited, Client Service Centre, PO Box 366, Darlington, DL1 9RF. The annual accounting period is to 31 December and the interim accounting period is to 30 June.

The cost of producing the BNY Mellon Managed Funds II Reports may be charged to the Company in accordance with the provisions of the Regulations and the Prospectus.

## GLOSSARY

<b>Term</b>	<b>Definition</b>
Asset-Backed Securities (ABS)	Pools of loans packaged and sold as securities – a process known as “securitisation”. Typically the assets backing these are home mortgages or credit card receivables.
Credit	In this context it is synonymous with corporate bonds, debt issued by companies.
Deficit(s)	The amount by which a resource falls short of a mark. Most often used to describe a difference between cash inflows and outflows.
Gross Domestic Product (GDP)	Gross domestic product is a monetary measure of the market value of all goods and services produced in a given period of time.
Hawk(s)/hawkish	A hawk, also known as an inflation hawk, is a policymaker or advisor who is predominantly concerned with interest rates as they relate to fiscal policy. A hawk generally favours relatively high interest rates in order to keep inflation in check. In other words, hawks are less concerned with economic growth than they are with recessionary pressure brought to bear by high inflation rates.
Hedge(s)/hedged/hedging	A method of reducing unnecessary or unintended risk.
High yield	Fixed income securities with a low credit rating that is considered to be at higher risk of default than better quality securities but have the potential for higher rewards.
Inflation/Inflationary	The rate of increase in the cost of living. Inflation is usually quoted as an annual percentage, comparing the average price this month with the same month a year earlier.
Long	Refers to ownership of a security held in the expectation that the security will rise in value.
Macroeconomic	The performance and behaviour of an economy, including factors such as economic output, unemployment, inflation and investment.
Monetary policy	A central bank's regulation of money in circulation and interest rates.
Quantitative easing	A monetary policy whereby a central bank buys predetermined amounts of government bonds or other financial assets in order to stimulate the economy and increase liquidity.
Quantitative tightening	When central banks raise interest rates or sell securities on the open market to decrease the money in circulation.
Volatile/volatility	Large and/or frequent moves up or down in the price or value of an investment or market.
Yield(s)	The interest received from a bond or the dividends received from a share. It is usually expressed as a percentage based on the investment's costs, its current market value or its face value.

## INVESTMENT FUNDS INFORMATION

---

### Company

BNY Mellon Managed Funds II  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA  
United Kingdom

### ACD & AIFM

BNY Mellon Fund Managers Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA  
United Kingdom

### Directors of BNY Mellon Fund Managers Limited

G A Brisk (Chairman)  
H Lopez  
J F Lubran  
G Rehn (appointed 11 February 2019)  
D M Turnbull (resigned 18 February 2019)

### Investment Manager

Insight Investment Management  
(Global) Limited  
BNY Mellon Centre  
160 Queen Victoria Street  
London EC4V 4LA  
United Kingdom

### Client Enquiries

(i) Call, free, on 0800 614 330  
(ii) Call, +44 (0) 203 528 4002

### Authorisation

BNY Mellon Fund Managers Limited is authorised and regulated by the FCA.

BNY Mellon Fund Managers Limited is registered in England No. 1998251. A subsidiary of BNY Mellon Investment Management EMEA Limited.

The information has been prepared by BNY Mellon Investment Management EMEA Limited (BNYM IM EMEA) and is solely for use by the intended recipient.

BNYM IM EMEA and its affiliates are not responsible for any subsequent investment advice given based on the information supplied. Past performance is not a guide to 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. Portfolio holdings are subject to change at any time without notice, are for information purposes only and should not be construed as investment recommendations. This document may not be used for the purpose of an offer or solicitation in any jurisdiction or in any circumstances in which such offer or solicitation is unlawful or not authorised. This document should not be published in hard copy, electronic form, via the web or in any other medium accessible to the public, unless authorised by BNYM IM EMEA to do so. No warranty is given as to the accuracy or completeness of this information and no liability is accepted for errors or omissions in such information.

BNY Mellon Investment Management EMEA Limited, BNY Mellon Centre, 160 Queen Victoria Street, London EC4V 4LA. Registered in England No. 1118580. Authorised and regulated by the FCA.

### Administration

#### (Address for Correspondence)

BNY Mellon Fund Managers Limited  
Client Service Centre  
PO Box 366  
Darlington  
DL1 9RF  
United Kingdom

### Depository

NatWest Trustee and Depository Services Limited  
Floor 2 South  
Drummond House  
1 Redheughs Avenue  
Edinburgh EH12 9RH  
United Kingdom

Authorised by the Prudential Regulation Authority ("PRA") and regulated by the FCA and PRA

### Auditors

Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh EH3 8EX  
United Kingdom