BNY Mellon Floating Rate Income Fund

CLASS A **DFLAX** CLASS C **DFLCX** CLASS I **DFLIX**

Describe the performance of the fund relative to its benchmark during the last three months.

BNY Mellon Floating Rate Income Fund (Class A shares at NAV) outperformed its benchmark, the Credit Suisse Leveraged Loan Index (the "Index"), during the fourth quarter of 2022.

Quality selection was mixed due to an underweight to high quality BBs, mitigated by an underweight to low quality CCCs. Performance benefitted from our efforts to add quality and reduce the BB underweight throughout the year. Sector selection was slightly positive due to an underweight in Entertainment/Leisure and overweights in Energy and Gaming. This was largely offset by underweight positions in Retail, Builders/Materials, Cable, and Consumer.

Credit selection was generally strong with outperformance within Technology, Telecom, and Services. Meanwhile, credit selection within Healthcare and, to a lesser degree, Chemicals was a detractor. European loans, high yield bonds and CLO bonds were accretive while cash was a drag on performance.

US loans posted positive returns in the fourth quarter of 2022, despite negative market sentiment amidst softer economic data and ongoing Fed restrictive policy. US loans also outperformed other fixed income asset classes as many posted negative returns during the quarter. While rising rates buoyed retail inflows in the first half of the year, the loan market saw sizeable retail outflows during Q4, lowering the 2022 net outflows to ~$11 bn. Meanwhile net CLO creation remained resilient and totaled $127 bn for the calendar year.

US Loan prices slightly rose to $91.89 during the quarter from $91.60 at the end of September. US loans, as represented by the Credit Suisse Leveraged Loan Index, returned +2.33% during the quarter with three months of positive performance. The BB and Single-B cohorts outperformed the market while the lower rated credits lagged during the quarter. Specifically, BBs returned +3.49%, followed by Single- Bs at +2.82% and CCCs at -3.92%. Sector performance for the quarter was positive across the board while the largest outperforming sectors included Retail, Energy, Utility, Chemicals and Finance.

US loan funds saw large outflows in the fourth quarter despite investors continuing to favor floating-rate assets. Loan funds experienced $11.4bn of net outflows during the quarter, the third consecutive quarter of net outflows. Net CLO creation of $23 bn came in below Q3 and December marked the lightest issuance month since August 2020.

At year-end, new issuance totaled $252.5bn ($163.1net), a year-over-year decrease of 70% (-60%). Market volatility continues to damper new issuance, helping to maintain a balanced technical.

Per JP Morgan, the trailing 12-month par-weighted default rate for US loans ended the fourth quarter at 1.59%, an increase from the previous quarter. With approximately 9.2% of the market priced at $80 or below, the highest level since May 2020, the market is telegraphing a likely increase in defaults over the next year.

How is the fund currently positioned and what is your current strategy?

Given higher than expected inflation and the Federal Reserve's aggressive reaction, we have become more cautious regarding economic growth into 2023 and beyond. We have positioned the fund more defensively by reducing CCCs, increasing BBs and migrating from cyclical to more defensive sectors and credits. At current prices well below par and yields exceeding 10%, we believe leveraged loan valuations compensate investors for heightened economic uncertainty and volatility and offer attractive relative and absolute value.

Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. To obtain a prospectus, or a summary prospectus, if available, that contains this and other information about a fund, investors should contact their financial professional or visit im.bnymellon.com. Investors should read the prospectus carefully before investing. Not all classes of shares may be available to all investors or through all broker-dealer platforms.

Bonds are subject to interest-rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines. **Floating rate bank loans** are often less liquid than other types of debt instruments. There is no assurance that the liquidation of any collateral from a secured bank loan would satisfy the borrower's obligation, or that such collateral could be liquidated. **High yield bonds** involve increased credit and liquidity risk than higher-rated bonds and are considered speculative in terms of the issuer's ability to pay interest and repay principal on a timely basis. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries. The use of **derivatives** involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid, and difficult to value and there is the risk that changes in the value of a derivative held by the portfolio will not correlate with the underlying instruments or the portfolio's other investments.

*Recent market risks include pandemic risks related to **COVID-19**. The effects of COVID-19 have contributed to increased volatility in global markets and will likely affect certain countries, companies, industries and market sectors more dramatically than others. To the extent the fund may overweight its investments in certain countries, companies, industries or market sectors, such positions will increase the fund's exposure to risk of loss from adverse developments affecting those countries, companies, industries or sectors.*

Bond ratings reflect the rating entity's evaluation of the issuer's ability to pay interest and repay principal on the bond on a timely basis. Bonds rated BBB/Baa or higher are considered investment grade, while bonds rated BB/Ba or lower are considered speculative as to the timely

The **Credit Suisse Leveraged Loan Index** is a monthly rebalanced index. It is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. Investors cannot invest directly in any index. A **collateralized loan obligation (CLO**) is a single security backed by a pool of debt. Often these are corporate loans that have a low credit rating or leveraged buyouts made by a private equity firm to take a controlling interest in an existing company.

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