Market Conditions

Similar to other risk assets, the rapid spread of the coronavirus and steep plunge in oil prices affected the global sub-investment grade corporate credit markets negatively during the first quarter. With most of the United States and developed Europe on lockdown, these economies have suffered significant shocks to demand. Global High Yield Bonds were down 14.0% while U.S. and European loans lost 13.2% and 13.5%, respectively. In March, spreads in the Loan and high yield markets reached their widest levels since the Global Financial Crisis faced with four straight weeks of outflows from U.S. mutual funds. The collateralized loan obligation (CLO) market was also not immune as CLO BBs fell 33.3% during March according to the J.P. Morgan CLO index.

Since then, central banks and national governments across the world have responded with extraordinary monetary and fiscal stimulus. As of March 31, more than 20 global central banks have cut rates over the last month in response to the impact from Covid-19. The Federal Reserve Bank, European Central Bank and Bank of England have each implemented new asset purchase programs as well.

Describe the performance of the fund and the market during the last three months.

The Fund’s NAV decreased to $6.61 from $9.23 at the end of 2019 as the global sub-investment grade corporate credit markets all experienced downward pressure. While High yield and loans were down sharply in March, the CLO mezzanine positions came under intense mark-to-market pressure, which contributed heavily in the Fund’s NAV decline. Though these structures consist of a well-diversified pool of first lien loans, they are less liquid instruments, exacerbating the volatility. At this time, we are not anticipating defaults or loss of capital but acknowledge that the pricing recovery will likely be more gradual for the more liquid asset classes.

Average Annual Total Returns (as of 3/31/20)

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<th>YTD</th>
<th>1Yr</th>
<th>Inception (10/27/17)</th>
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<tbody>
<tr>
<td>Fund at NAV⁠¹</td>
<td>-25.48%</td>
<td>-21.39%</td>
<td>-7.98%</td>
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<tr>
<td>Fund at Market Price⁠²</td>
<td>-30.06%</td>
<td>-22.20%</td>
<td>-10.93%</td>
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The performance data quoted represents past performance, which is no guarantee of future results. Share price and investment return fluctuate and an investor’s shares may be worth more or less than original cost upon redemption. Current performance may be lower or higher than the performance quoted. Returns are net of fund expenses, and assume reinvestment of distributions. Investors who purchase shares of the fund through an investment adviser or other financial professional may separately pay a fee to that service provider. The returns do not reflect broker sales charges or commissions. Performance for periods less than 1 year is not annualized. Performance figures may reflect reimbursements or fee waivers, without which the performance would have been lower.

¹ Fund’s NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. ² Market price is the current price at which an asset or service can be bought or sold.
Can you detail the fund’s current outlook?

While there is investor concern surrounding the health of the leveraged credit markets, we believe that this market environment was healthier than that of past down cycles. For instance in 2008, which was driven by a liquidity squeeze and excess leverage in the system, we are experiencing a demand shock, driven by a health crisis and a cessation of normal day activities. Underlying fundamentals for the high yield and loan space were in much better shape going into this crisis than they were in 2007/2008 as well. That said, we acknowledge that current market dynamics will likely put pressure on credit fundamentals going forward.

We remain focused on delivering optimal risk-adjusted performance to investors. Given the uncertainty, we continue to focus on defensive sectors and higher quality credits. In the High yield space, we are seeing exceptional opportunities for alpha development from Fallen Angels. The Fund’s global nature and ability to be tactical across the sub-investment grade credit spectrum remain some of its greatest strengths as we are also seeing attractive opportunities in CLO mezzanine tranches and European Loans, which we believe is relatively better insulated than other asset classes given its more defensive nature, lower global trade exposure and longer term investor base.

The fund’s investment objective to return at least at least $9.835 per common share is not an express or implied guarantee obligation of the fund, BNY Mellon Investment Adviser, Inc., Alcentra NY, LLC or any other entity, and an investor may receive less than that amount per share upon termination of the fund. There is no assurance the fund will achieve either of its investment objectives. As the assets of the fund will be liquidated in connection with its termination, the fund may be required to sell portfolio securities when it otherwise would not, including at times when market conditions are not favorable, which may cause the fund to lose money. The fund should not be confused with a so-called “target date” or “life cycle” fund whose asset allocation becomes more conservative over time as the fund’s target date (often associated with retirement) approaches and does not typically terminate upon the target date.

The fund may invest all of its assets in below-investment-grade instruments. Below-investment-grade instruments are commonly referred to as “junk” or “high yield” instruments and are regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal.

Closed-end funds are traded on the secondary market through one of the stock exchanges. Shares of closed-end funds frequently trade at a market price that is below their net asset value. This is commonly referred to as “trading at a discount.” This characteristic of shares of closed-end funds is a risk separate and distinct from the risk that the fund’s net asset value may decrease. An investment in the fund is subject to investment risk, including the possible loss of the entire amount that you invest.

Credit risk is the risk that one or more credit instruments in the fund’s portfolio will decline in price or fail to pay interest or principal when due because the issuer of the instrument experiences a decline in its financial status. The market value of credit instruments may decline for a number of reasons that directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer’s goods and services. The fund’s primary portfolio managers will make all determinations regarding allocations and reallocations of the fund’s managed assets to the fund’s different credit strategies. The percentage allocations among credit strategies may, from time to time, be out of balance with the target allocations set by the fund’s primary portfolio managers due to various factors, such as varying investment performance among credit strategies, illiquidity of certain portfolio investments or a change in the target allocations. Any rebalancing of the Fund’s portfolio, whether pursuant to a fixed percentage allocation or otherwise, may have an adverse effect on the performance of the fund and may be subject to certain additional limits and constraints.

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.

An investment in the fund's common shares may be speculative and it involves a high degree of risk. The fund should not constitute a complete investment program.

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. A fallen angel is a bond that was initially given an investment-grade rating but has since been reduced to junk bond status. The downgrade is caused by a deterioration in the financial condition of the issuer.

Views expressed are those of the author(s) and do not reflect views of other managers or the firm overall. Views are current as of the date of this publication and subject to change. Additional information regarding the fund can be found in the fund's most recent shareholder report.

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