About the Fund

BNY Mellon Alcentra Global Multi-Strategy Credit Fund, Inc. is a non-diversified, closed-end management investment company that has a limited term of approximately six years from the closing of its initial public offering on August 30, 2019. The fund’s investment objective is to seek to provide total return consisting of high current income and capital appreciation.

The fund normally invests at least 80% of its managed assets in credit instruments and other investments with similar economic characteristics. Such credit instruments include: first and second lien senior secured loans, as well as investments in participations and assignments of such loans; senior unsecured, mezzanine and other collateralized and uncollateralized subordinated loans; unitranche loans; corporate debt obligations other than loans; and structured products, including collateralized bond, loan and other debt obligations, structured notes and credit-linked notes.

Principal credit strategies include:

- Senior Secured Loans
- Direct Lending and Subordinated Loans
- Special Situations
- Structured Credit
- Corporate Debt

Market Update

An unprecedented time of down -- and up -- markets. In the third week of March, liquid credit was down by more than 20%. But like equities, credit has been rebounding and now nearly half of what had been lost has been recovered. The market rebound is being driven by the combined fiscal and monetary stimulus provided by the federal government. This stimulus is greater than that applied during the Great Recession not just in dollar terms, but also as a percentage of gross domestic product (GDP). It has also been relatively well coordinated thus far, which is a positive sign.

From a credit perspective, there are important “unknowns”. How long will the impact of the coronavirus be felt? What will the recovery look like – V-shaped, U-shaped, W-shaped? Will the impact on the consumer be permanent? Given that consumer spending is the biggest driver of our economy, how will shifts in their purchasing activity be felt going forward? When will investor appetite for risk return? While we don’t know if the stimulus will be enough to stabilize the markets and economy, we do know that this Administration is ready to do anything to
help. Despite all this, one important thing that we can control is to whom we lend, and how we lend to each company.

**Some positive “knowns.”** We entered this crisis from a stronger place than before the previous financial crisis. Banks are in better financial shape. Corporate borrowers and U.S. consumers are less levered. The financial structures used to augment returns are much less aggressive than they were before. Lower leverage in the system means less velocity of money and more orderly financial activity. We know that some sectors, such as travel and leisure, may never return to their previous valuations, but the forced selling this may create interesting purchasing opportunities. Finally, through this process, we believe global credit will take on a more permanent role in investors’ allocations due to the ongoing need for income and liquidity for individuals and companies alike.

**Fund positioning/performance.** Coming into the 1st quarter, the fund was well diversified with 340 unique positions. The largest allocation was to structured credit. Loans, both U.S. and European, accounted for 26.4% of assets, followed by high yield at 25%, special situations (stressed/distressed credit) at 6%, and direct lending at 4%. Alternative assets made up 48% of the fund, with traditional assets at 51% and cash at 1%. In terms of quality, the largest allocation was to single Bs at 45%, BBs and higher at 32%, CCCs at 9%, and unrateds, predominantly European privately rated loans (B/BBs) at 13%. Geographically, 50% of the fund was invested in the United States. The largest non-US exposure was Ireland at 21%, Luxembourg and France at 6% each, and the United Kingdom at 5%.

Large-cap stocks declined 20% in the 1st quarter. Small-cap stocks, which have the highest correlation to credit, were down 36%. U.S. high yield and U.S. loans dipped 13% each. European high yield and European loans were down 14% on a U.S. dollar hedged basis. CLO BB/B were the laggards within our credit markets at -32 to -33%.

We exited the 1st quarter with U.S. high yield at an average U.S. dollar price of $86 yielding 9.3%, U.S. loans were at $83 yielding 9.1%, European high yield and loans were at $87/$83 respectively yielding just under 9%/9.5% on a hedged basis. CLO BBs were yielding 16% and Bs were in excess of 20%.

When taking into consideration current spreads within the context of historical average recovery rates on high yield bonds and loans, we think loans and bonds are pricing in default rates of about 9%. To put that in historical context, the highest default rates at the end of the Great Recession were 12% to 14%. While we aren’t approaching that level of downside risk, we believe we will see a significant uptick in defaults from the very low levels we were experiencing prior to the emergence of the virus.

**Where we see opportunity.** It’s important to keep volatility in perspective. In 2008 for example, high yield was down 26%, but in 2009 it returned 57%. So even when the asset class does have a negative year, it typically snaps back sharply. What will happen this time? It is too early to say. We are in unprecedented times that are pandemic driven. But history shows that when people start feeling confident again, everyone goes back to needing yield. Today that need for yield is amplified, if anything.

We currently favor high yield over the loan market. High yield tends to have a more retail focus, and therefore may see greater momentum in terms of performance as the recovery takes shape. Geographically, we favor U.S. loans for GIC rates and European loans for floating rates. We have room to grow our allocation to special situations, which can be beneficial in this type of market. Structured credit may offer opportunities in BBB/BB/A
rated bonds, some of which are at spread levels we haven’t seen in some time. Lastly, for sectors, we currently favor telecom, parts of healthcare, and cable. We have been cautious on gaming, leisure, transportation, and energy (energy in particular, as it has had both a demand shock as well as a supply shock). In March, we had our global team do an analysis on the liquidity of every position the fund holds. This allowed us to reassess our exposure to troubled areas.

We are expecting to see a fairly large number of downgrades of “fallen angels,” or names that are downgraded from investment grade status into high yield. Over the past six-weeks, we have already seen an uptick, with $130 billion worth of downgrades from companies such as Ford and Kraft Foods. These are names that we think could become a very attractive source of total return for the high-yield market over the next couple of months.

An investment in the fund’s common shares may be speculative and it involves a high degree of risk. There is no assurance that the fund will achieve its investment objective. The fund should not constitute a complete investment program. Asset allocation and diversification cannot assure a profit or protect against loss.

The fund does not list its common shares on any securities exchange, and the fund does not expect any secondary market to develop for its common shares in the foreseeable future. The fund is appropriate only for long-term investors who are prepared to hold their common shares through the term of the fund, or until the fund accepts an investor’s common shares for repurchase in a tender offer, if any. It is appropriate only for investors who are seeking an investment in less liquid portfolio investments in an illiquid fund. Investors should not expect to be able to sell their shares regardless of how the fund performs and, as a result, investors may be unable to reduce their exposure during any market downturn.

The fund intends, but is not obligated, to conduct quarterly tender offers for up to 2.5% of the common shares then outstanding, beginning in the fall of 2020. There may be periods during which no tender offer is made, and it is possible that no tender offers will be conducted during the term of the fund. The fund’s term also may be extended by its board of directors, without shareholder approval, by up to one year. 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. Although it is anticipated that the fund will have distributed substantially all of its net assets to shareholders as soon as practicable after the fund is terminated, securities for which no market exists, or securities trading at depressed prices, may be placed in a liquidating trust. Securities placed in a liquidating trust may be held for an indefinite period of time, potentially several years or longer, until they can be sold or pay out all of their cash flows.

The fund’s primary portfolio managers will make all determinations regarding allocations and reallocations of the fund’s managed assets1 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 may have an adverse effect on the performance of the fund and may be subject to certain additional limits and constraints. There can be no assurance that the decisions of the fund’s primary portfolio managers with respect to the allocation and reallocation of the fund’s managed assets among the credit strategies, or that an investment within a particular credit strategy, will be successful.
1. “Managed assets” of the fund means the total assets of the fund, including any assets attributable to leverage (i.e., any borrowings, preferred stock or other similar preference securities (“Preferred Shares”), or the use of derivative instruments that have the economic effect of leverage), minus the fund’s accrued liabilities, other than any liabilities or obligations attributable to leverage obtained through (i) indebtedness of any type (including, without limitation, borrowings), (ii) the issuance of Preferred Shares, and/or (iii) any other means, all as determined in accordance with generally accepted accounting principles.

Risks

Risks of Investing in Credit Instruments. Credit instruments in which the fund invests are particularly susceptible to risks such as: Issuer Risk. 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. Credit Risk. 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. Losses may occur because the market value of a credit instrument is affected by the creditworthiness or perceived creditworthiness of the issuer and by general economic and specific industry conditions and certain of the fund’s investments will be subordinate to other debt in the issuer’s capital structure. Interest-Rate Risk. Prices of fixed-rate credit instruments tend to move inversely with changes in interest rates. Typically, a rise in rates will adversely affect these instruments and, accordingly, the fund’s net asset value. During periods of very low interest rates, the fund may be subject to a greater risk of principal decline from rising interest rates. Below Investment Grade Instruments Risk. 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. Limited Term Risk. The fund will terminate in accordance with its charter. The fund is not a target term fund and thus does not seek to return its initial public offering price of $100.00 per common share upon termination. As the fund approaches the end of its term, all or a portion of its portfolio may be liquidated through opportunistic sales. During this time, the portfolio composition of the fund may change and the fund may not achieve its investment objective, comply with the investment policies and restrictions described in this prospectus or be able to sustain its historical distribution levels. Liquidity Risk. In addition to the various other risks associated with investing in credit instruments, to the extent those instruments are determined to be illiquid or restricted securities, they may be difficult to dispose of at a fair price at the times when the fund believes it is desirable to do so. The market price of illiquid and restricted securities generally is more volatile than that of more liquid securities, which may adversely affect the price that the fund pays for or recovers upon the sale of such securities. Illiquid and restricted securities are also more difficult to value, especially in challenging markets. Investment of the fund’s assets in illiquid and restricted securities may restrict the fund’s ability to take advantage of market opportunities. The fund may invest all of its assets in below investment grade instruments, which are regarded as predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal. Below investment grade instruments, though generally higher yielding, are characterized by higher risk. These instruments are especially sensitive to adverse changes in general economic conditions, to changes in the financial condition of their issuers and to price fluctuation in response to changes in interest rates. Valuation Risk. Unlike publicly traded common stock which trades on national exchanges, there is no central place or exchange for loans or other credit instruments in which the fund may invest. Due to the lack of centralized information and trading, the valuation of credit instruments may carry more risk than that of common stock. Other market participants may value instruments differently than the fund. As a result, the fund may be subject to the risk that when a credit instrument is sold in the market, the amount received by the fund is less than the value that such credit instrument is carried at on the fund’s books. In addition, certain of the fund’s investments will need to be fairly valued by the fund’s board of directors in accordance with valuation procedures approved by the board. The fund expects that inputs into the determination of fair value of those investments will require significant management
judgment or estimation. The fund’s net asset value could be adversely affected if the fund’s determinations regarding the fair value of those investments were materially higher or lower than the values that it ultimately realizes upon the disposal of such investments. **Leverage Risk.** The fund incurs leverage as part of its investment strategy. All costs and expenses related to any form of leverage used by the fund will be borne entirely by common shareholders. If the income and gains earned on the securities and investments purchased with leverage proceeds are greater than the cost of the leverage, the return on the common shares will be greater than if leverage had not been used. Conversely, if the income and gains from the securities and investments purchased with such proceeds do not cover the cost of leverage, the return on the common shares will be less than if leverage had not been used. There is no assurance that a leveraging strategy will be successful.

**An investment in this fund presents a number of risks and is not suitable for all investors. Investors should carefully review and consider all potential risks.**

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 (when available).

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