

Annual Report & Accounts

BNY Mellon Managed Funds II

31 December 2021



BNY MELLON

BNY Mellon Managed Funds II - Annual Report & Accounts

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BNY Mellon Managed Funds II - Annual Report & Accounts

Report of the Authorised Corporate Director ("ACD")

This is the annual report for BNY Mellon Managed Funds II ("the Company"), comprising its Sub-fund – Absolute Insight Fund ("the Sub-fund") for the 12-month period to 31 December 2021.

The 12 months to the end of December 2021 provided *equity* investors with notably strong gains but *bond* investors with disappointing ones. Recovering economic growth and rising *inflation* levels were the main factors behind the divergent returns. Equity markets were boosted by the gradual recovery in economic activity following the severe impact of the pandemic, although the recovery remained uneven and was compromised by Covid-19's Delta and Omicron variants. Bond markets were rocked by rising long-term inflation expectations resulting from the economic recovery, and consequently, a rise in bond *yields*.

Equity markets rose throughout 2021 as Covid vaccines were rolled out. Further waves of the virus were felt in many countries in the summer and autumn months as the Delta strain of Covid-19 materialised, which delayed the unlocking of restrictions. The arrival of Omicron late in the year caused further lockdowns and tighter restrictions in many places although markets remained relatively buoyant as hopes grew that the Omicron variant was milder than Delta.

Worries about rising inflation caused *volatility* in equity markets but ultimately failed to derail them, as central banks, by and large, continued to provide strong *monetary policy* support. Inflation soared to levels not seen for decades in most economies as a combination of factors came together: rising energy prices, supply chain bottlenecks, recovering economic demand and record levels of *fiscal* spending, among others. The debate among central bankers was whether these factors would drive inflation higher over the long term or whether higher levels of inflation were temporary. While central banks had initially favoured the latter scenario, the persistence of reported inflation through the period caused many to have misgivings. While monetary policy remained accommodative in most countries, certain central banks, notably those of South Korea, Brazil and New Zealand, moved relatively quickly to raise interest rates. By the summer months of 2021, the market increasingly expected gradual changes in monetary policy. The US Federal Reserve (Fed) materially adjusted its inflation expectations and began to taper its bond-purchasing scheme. After much speculation, the Bank of England (BoE) raised interest rates for the first time in over three years in December. Government bond yields remained elevated compared with levels seen at the beginning of the year.

Gross domestic product (GDP) recovered in 2021, although there was some levelling off in growth rates later in the year as new waves of the pandemic rolled through the world. Many markets touched new all-time highs during the period.

Subsequent to the year-end, financial markets fell, primarily due to the *geopolitical* tensions arising from the Russia-Ukraine conflict and the ramifications of sanctions being imposed. At the time of writing this, there was no direct exposure to Russia within the Sub-fund. As always, the ACD and the Investment Manager will continue to monitor investment performance in line with the Sub-fund's investment objectives.

After careful consideration, it is our intention that the Company will close on or around 5 August 2022 due to its small size making it increasingly difficult to manage the portfolio construction in a way we deem satisfactory. We have submitted an application to the FCA to wind-up the Company. As a result, the financial statements of the Company have been prepared on a break-up basis.

Value Assessment and Report

In July 2021, BNY Mellon Fund Managers Limited published a consolidated assessment of value report for the period ended March 2021, which included this Sub-fund. This report is available to view on www.bnymellonim.com. The report will be published annually.

C Judd

Director

For and on behalf of

BNY Mellon Fund Managers Limited

Authorised Corporate Director

7 June 2022

For a definition of italicised terms, please refer to the Glossary on page 28.

BNY Mellon Managed Funds II - Annual Report & Accounts

Statement of the Authorised Corporate Director's Responsibilities

Statement of the Authorised Corporate Director's Responsibilities

The rules of the Financial Conduct Authority's ("FCA") Collective Investment Schemes Sourcebook ("COLL") requires the Authorised Corporate Director ("ACD") to prepare financial statements for each annual accounting period, which give a true and fair view of the financial position of the Company as at the end of the year, and of the net revenue and expenses and the net gains or losses on the property of the Company for the year then ended.

In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the disclosure requirements of the Collective Investment Schemes Sourcebook issued by the Financial Conduct Authority and the Prospectus;
- comply with applicable accounting standards;
- keep proper accounting records that enable it to demonstrate that the financial statements as prepared comply with the above requirements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future. For reasons stated in the Report of the ACD and in Note 1, the financial statements of the Company have been prepared on a break-up basis as the Company is not a going concern.

The ACD is responsible for the management of the Company in accordance with its Instrument of Incorporation, Prospectus and the Regulations.

The ACD is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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Statement of the Depositary's Responsibilities and Report of the Depositary

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.

National Westminster Bank Plc
Trustee & Depositary Services
Edinburgh

7 June 2022

BNY Mellon Managed Funds II - Annual Report & Accounts

Certification of annual report and financial statements by the Authorised Corporate Director

We hereby certify the Annual Report and Accounts in accordance with the requirements of the FCA's COLL and the Investment Funds Sourcebook ("FUND") and are approved for publication on behalf of BNY Mellon Fund Managers Limited and the ACD.

C Judd

Director
For and on behalf of
BNY Mellon Fund Managers Limited

7 June 2022

S Cox

Director
For and on behalf of
BNY Mellon Fund Managers Limited

7 June 2022

BNY Mellon Managed Funds II - Annual Report & Accounts

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 ("the Company") comprising its Sub-fund for the year ended 31 December 2021, which comprise the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Statements, and the accounting policies of the Company, which include a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable to the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2021 and of the net revenue 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.

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 Financial Reporting Council's (the "FRC") 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.

Emphasis of matter – Financial statements prepared on a break-up basis

We draw attention to Note 1 of the financial statements which explains that the ACD intends to close the Company to investors on 5 August 2022 and therefore does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly, the financial statements of the Company have been prepared on a break-up basis. Our opinion is not modified in respect of this matter.

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 contained within the Annual Report.

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.

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 this gives rise to a material misstatement in the financial statements themselves. 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.

Opinions on other matters prescribed by the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority (the "FCA")

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 FCA and the Instrument of Incorporation; and
- there is nothing to indicate that adequate accounting records have not been kept or that the financial statements are not in agreement with those records; and
- 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.

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 FCA 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 4, 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 wind up or terminate 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

BNY Mellon Managed Funds II - Annual Report & Accounts
Independent Auditor's Report to the Members of BNY Mellon Managed Funds II
(continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are United Kingdom Generally Accepted Accounting Practice (UK GAAP), Investment Management Association's Statement of Recommended Practice (IMA SORP), the FCA Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies (OEIC) Regulations, the Instrument of Incorporation and the Prospectus.
- We understood how the Company is complying with those frameworks through discussions with the ACD and a review of the Company's documented policies and procedures.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override, specifically management's propensity to influence revenue and amounts available for distribution.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the ACD with respect to the application of the documented policies and procedures and review of the financial statements to test compliance with the reporting requirements of the Company.
- Due to the regulated nature of the Company, the Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify non-compliance with the applicable laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the FRC'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 shareholders, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the FCA. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP
Statutory Auditor
Edinburgh

7 June 2022

BNY Mellon Managed Funds II

Absolute Insight Fund

Annual Report

for the year ended 31 December 2021

Annual Report & Accounts - Absolute Insight Fund

Fund Report

for the year ended 31 December 2021

General Information

Investment Adviser:	Insight Investment Management (Global) Limited
Fund Size:	£25.99m
Comparative Index:	SONIA 3 Month Compounded*
Sector:	Targeted Absolute Return

Yield as at 31 December 2021

A (Accumulation)	3.39%
Ap (Accumulation)	3.38%
Fp (Accumulation)	3.39%
W (Accumulation)	3.45%

Key Dates: Fund Launch 28 February 2007

Investment Objective

The Sub-fund seeks to deliver a positive absolute return in all market conditions on a rolling 12 month basis (meaning a period of 12 months, no matter which day you start on).

In addition, the Sub-fund aims to match or exceed SONIA (90 day compounded) on a rolling 12 month basis after fees and to deliver cash (SONIA (90 day compounded)) +4% p.a. (before fees) on a rolling annualised five year basis (meaning a period of five years, no matter which day you start on). However, a positive return is not guaranteed and a capital loss may occur.

Investment Policy

To achieve its investment objective, the Sub-fund will invest primarily, meaning at least 75%, in shares of the range of sub-funds within Absolute Insight Funds p.l.c. ("AIF"), an Irish umbrella UCITS investment company, the assets of which are also managed by the Investment Manager and/or in shares or units of other collective investment schemes operated by the ACD or an associate of the ACD and managed by the Investment Manager. The sub-funds of AIF and these other collective investment schemes will be absolute return funds which follow a number of different strategies.

The Investment Manager will typically conduct a monthly review and rebalance of the allocation of capital to each strategy.

The Sub-fund may also invest, to the extent permitted by the Regulations, in ancillary liquid assets (including units in collective investment schemes or another Sub-fund of the Company), permitted money market instruments and, from time to time, cash or near cash may be held.

The Sub-fund uses SONIA (90 day compounded) as a target set for the Sub-fund's performance to match or exceed on a rolling 12 month basis after fees. The ACD considers SONIA (90 day compounded) to be an appropriate target over a 12 month period as it is representative of cash.

The Sub-fund uses cash (SONIA (90 day compounded)) +4% as a target set for the Sub-fund's performance to match on a rolling annualised five year basis before fees. The ACD considers cash (SONIA (90 day compounded)) +4% to be an appropriate target over a rolling annualised five year basis as it is consistent with the risk taken in the Sub-fund.

Statutory Performance Data

From To	31/12/2020 31/12/2021	31/12/2019 31/12/2020	31/12/2018 31/12/2019
A (Accumulation)	-0.30%	-1.82%	1.70%
Ap (Accumulation)	-0.32%	-1.81%	1.69%
Fp (Accumulation)	-0.30%	-1.32%	2.20%
Sp (Accumulation)^	n/a	-0.26%	3.30%
W (Accumulation)	-0.16%	-1.01%	2.52%
SONIA 3 Month Compounded*	-0.03%	0.17%	0.69%
SONIA 3 Month Compounded + 4% p.a.**	3.97%	4.17%	4.69%

Source: Lipper as at 31 December 2021 Total return, including reinvested income net of UK tax and charges, based on net asset value. All figures are in GBP terms. The impact of an initial charge (currently not applied) can be material on the performance of your investment. Further information is available on request.

^Full 3 year performance data is not available. For share class launch and closure dates, please refer to the Statistics section on pages 13 to 15.

*Effective 1 October 2021, the benchmarks changed from the London Interbank Offered Rate (LIBOR) to the Sterling Overnight Index Average (SONIA). All benchmark past performance prior to this date was calculated against LIBOR. Performance prior to 1 October 2021 pertains to LIBOR GBP 3 Month - 0.125% p.a.

**Performance prior to 1 October 2021 pertains to LIBOR GBP 3 Month - 0.125% + 4%.

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.

Annual Report & Accounts - Absolute Insight Fund

Fund Report

(continued)

Portfolio Summary

Over the 12-month period under review, the Absolute Insight Fund Class Fp (Accumulation) share class returned -0.30%, net of fees, compared with 0.07% for the 12 month Benchmark¹ and 4.07% for the 5 year Benchmark², in sterling terms.

Global *stocks* continued to rally following the rollout of Covid-19 vaccination programmes and sizeable *monetary* and *fiscal policy* support from central banks and governments, which resulted in strong corporate *earnings* growth. However, there were periods of increased market *volatility*. This was largely due to continued concerns about Covid-19 and *inflation*. Rising cases of Covid, triggered by the spread of the Delta and Omicron variants, led to the periodic reimposition of lockdowns and other restrictions. Meanwhile, investors upgraded their growth and inflation expectations (given higher energy prices and ongoing supply chain disruptions) as the global economy recovered. Central banks, led by the US Federal Reserve (Fed), became more *hawkish* and began to taper asset purchases ahead of raising interest rates in 2022. Government bonds sold off, with the 10-year US *Treasury yield* rising from 0.92% to 1.51%. Although the European Central Bank (ECB) was relatively *dovish*, the 10-year German government bond yield still rose over the course of the year. *Investment grade* corporate bonds weakened but *high yield* bonds performed well given buoyant demand for *risk assets* as the *spreads* on both instruments tightened further. The US dollar appreciated over the period on higher growth and interest rate assumptions, while *commodity* prices, led by oil, extended their rally.

The BNY Mellon Absolute Return Equity Fund significantly contributed to Sub-fund performance over the review period. There were smaller positive contributions from the BNY Mellon Absolute Return Global Convertible Bond Fund and the Absolute Insight Credit Fund. However, the Absolute Insight Emerging Market Debt Fund and the Absolute Insight Currency Fund detracted from performance. The Absolute Insight Dynamic Opportunities Fund and the BNY Mellon Absolute Return Bond Fund also made small negative contributions.

In April 2021, the Sub-fund changed its strategic asset allocation following a review of the underlying strategies. The move was intended to strengthen overall performance. The Sub-fund now holds a target allocation of 30% in each of the BNY Mellon Absolute Return Equity Fund (an existing position), BNY Mellon Absolute Return Global Convertible Bond Fund and BNY Mellon Absolute Return Bond Fund. The manager continues to allocate 10% to the Absolute Insight Currency Fund. Exiting the *portfolio* were the Absolute Insight Dynamic Opportunities Fund, Absolute Insight Emerging Market Debt Fund and Absolute Insight Credit Fund.

Each of the underlying funds was actively managed within the scope of their mandates over the period.

In the BNY Mellon Absolute Return Equity Fund, the strategic refinements to the investment process over the last 18 months gave the manager the confidence to push *gross exposure* materially higher in the first half of the review period, which coincided with a positive period for performance. As the 2021 third-quarter results season approached, the manager was unsure how supply chain issues and rising inflation would affect corporates, and therefore lowered the level of gross exposure. This remained low into year-end as uncertainty surrounding the Omicron variant swept through the market.

In the Absolute Insight Currency Fund, there were two key detractors. The quantitative scorecard component of the Fund was the main drag on performance in 2021. This was driven by long positions on low-*volatility emerging market* currencies versus the US dollar. The discretionary part of the portfolio also proved a small drag on performance, driven in part by long positions in certain developed market currencies against the US dollar during the summer, when the *hawkish* pivot in Fed policy caused a sharp repricing of the US currency.

In the first half of the review period, the manager closed out a *long* position in the Korean won versus the US dollar. Selective *short* positions were added in emerging market currencies versus the US dollar; these included positioning in the Polish zloty, Chilean peso, Brazilian real and South African rand. The latter two positions were closed, as was the Fund's exposure to the Mexican peso. The manager also added to the Russian rouble exposure before subsequently closing it. Over the first half of the year, partial profits were taken on the Fund's long sterling position versus the euro. The short euro position was also increased and both the exposure to sterling and the short Norwegian krone position were closed. In the second half of the year, the manager shifted the short US dollar position to a long position.

In the BNY Mellon Absolute Return Bond Fund, gains from the Fund's *credit* strategies were offset by losses from its interest rate strategies, as well as emerging market and foreign currency exposures. The investment grade and high yield bond gains were supported by positions in *asset-backed securities* and, to a lesser extent, loans. Of the interest rate strategies, the main detractors were the Fund's *yield curve* positions, particularly in October and December. The largest positive effect came from the Fund's country allocation positions, particularly in *long-dated* Japanese and German government bonds, as well as in US Treasuries and Australian government bonds. Emerging market exposures were a drag on returns as a result of both *duration* and currency positioning.

In the BNY Mellon Absolute Return Global Convertible Bond Fund, duration decreased over the period as the manager increased *hedges* to protect against higher interest rates as inflation gained momentum. Geographical allocation remained relatively static while overall composition remained well *diversified*, with no single sector dominating. However, the manager selectively added in technology, artificial lending, enterprise software and industrial materials. Gross *leverage* moved slightly higher (now being 160%) as the manager strategically reshaped the portfolio. *Equity* hedges were also tightened, with the Fund's positioning skewed away from risk.

After careful consideration, it is our intention that the Company will close on or around 5 August 2022 due to its small size making it increasingly difficult to manage the portfolio construction in a way we deem satisfactory.

¹SONIA (3 Month compounded) on a rolling 12 month basis after fees.

²SONIA (3 Month compounded) + 4% p.a. on a rolling annualised five year basis before fees.

For a definition of italicised terms, please refer to the Glossary on page 28.

Annual Report & Accounts - Absolute Insight Fund

Fund Report

(continued)

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

Purchases

BNY Mellon Absolute Return Bond Fund
BNY Mellon Absolute Return Global Convertible Bond Fund
BNY Mellon Absolute Return Equity Fund

Sales

BNY Mellon Absolute Return Equity Fund
Absolute Insight Funds - Absolute Insight Dynamic Opportunities Fund
Absolute Insight Funds - Absolute Insight Credit Fund
Absolute Insight Funds - Absolute Insight Emerging Market Debt Fund
Absolute Insight Funds - Absolute Insight Currency Fund
BNY Mellon Absolute Return Global Convertible Bond Fund
BNY Mellon Absolute Return Bond Fund

Annual Report & Accounts - Absolute Insight Fund

Statistics

for the year ended 31 December 2021

Comparative tables

	31/12/2021 (pence)	31/12/2020 (pence)	31/12/2019 (pence)
A (Accumulation)			
Change in net assets per share			
Opening net asset value per share	125.43	127.76	125.79
Return before operating charges*	0.91	(0.12)	4.21
Operating charges	(1.37)	(2.21)	(2.24)
Return after operating charges	(0.46)	(2.33)	1.97
Distributions	(4.24)	(0.32)	(1.01)
Retained distributions on accumulation shares	4.24	0.32	1.01
Closing net asset value per share	124.97	125.43	127.76
* after direct transaction costs of:	0.00	0.00	0.00
Performance			
Return after charges	(0.37%)	(1.83%)	1.57%
Other information			
Closing net asset value (£)	187,068	204,500	277,925
Closing number of shares	149,691	163,043	217,530
Operating charges**	1.09%	1.78%	1.77%
Direct transaction costs*	0.00%	0.00%	0.00%
Performance fee	0.00%	0.00%	0.00%
Prices			
Highest share price	125.90	128.68	127.41
Lowest share price	124.58	117.97	125.74

	31/12/2021 (pence)	31/12/2020 (pence)	31/12/2019 (pence)
Ap (Accumulation)			
Change in net assets per share			
Opening net asset value per share	109.92	111.97	110.24
Return before operating charges*	0.80	(0.11)	3.69
Operating charges	(1.22)	(1.94)	(1.96)
Return after operating charges	(0.42)	(2.05)	1.73
Distributions	(3.70)	(0.28)	(0.88)
Retained distributions on accumulation shares	3.70	0.28	0.88
Closing net asset value per share	109.50	109.92	111.97
* after direct transaction costs of:	0.00	0.00	0.00
Performance			
Return after charges	(0.38%)	(1.83%)	1.57%
Other information			
Closing net asset value (£)	3,448,932	4,278,965	5,180,433
Closing number of shares	3,149,765	3,892,832	4,626,706
Operating charges**	1.11%	1.79%	1.77%
Direct transaction costs*	0.00%	0.00%	0.00%
Performance fee	0.00%	0.00%	0.00%
Prices			
Highest share price	110.34	112.77	111.92
Lowest share price	109.16	103.38	110.20

*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there may be other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which may 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 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.

Annual Report & Accounts - Absolute Insight Fund

Statistics

(continued)

Comparative tables (continued)

	31/12/2021 (pence)	31/12/2020 (pence)	31/12/2019 (pence)
Fp (Accumulation)			
Change in net assets per share			
Opening net asset value per share	134.64	136.47	133.70
Return before operating charges*	0.98	(0.12)	4.48
Operating charges	(1.47)	(1.71)	(1.71)
Return after operating charges	(0.49)	(1.83)	2.77
Distributions	(4.55)	(0.67)	(1.41)
Retained distributions on accumulation shares	4.55	0.67	1.41
Closing net asset value per share	134.15	134.64	136.47
* after direct transaction costs of:	0.00	0.00	0.00
Performance			
Return after charges	(0.36%)	(1.34%)	2.07%
Other information			
Closing net asset value (£)	1,398,006	1,661,405	1,980,564
Closing number of shares	1,042,119	1,233,929	1,451,311
Operating charges**	1.09%	1.29%	1.27%
Direct transaction costs*	0.00%	0.00%	0.00%
Performance fee	0.00%	0.00%	0.00%
Prices			
Highest share price	135.16	137.54	136.41
Lowest share price	133.74	126.15	133.69

	09/04/2021*** (pence)	31/12/2020 (pence)	31/12/2019 (pence)
Sp (Accumulation)			
Change in net assets per share			
Opening net asset value per share	109.19	109.49	106.12
Return before operating charges*	0.47	(0.08)	3.59
Operating charges	(0.23)	(0.22)	(0.22)
Return after operating charges	0.24	(0.30)	3.37
Distributions	—	(1.11)	(1.91)
Retained distributions on accumulation shares	—	1.11	1.91
Closing net asset value per share	109.43	109.19	109.49
* after direct transaction costs of:	0.00	0.00	0.00
Performance			
Return after charges	0.22%	(0.28%)	3.18%
Other information			
Closing net asset value (£)	—	190,181,294	345,542,427
Closing number of shares	—	174,181,726	315,605,972
Operating charges**	—	0.21%	0.20%
Direct transaction costs*	0.00%	0.00%	0.00%
Performance fee	0.00%	0.00%	0.00%
Prices			
Highest share price	109.72	110.46	109.44
Lowest share price	109.05	101.45	106.11

*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there may be other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which may 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 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.

***Share class closed on 9 April 2021.

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Statistics

(continued)

Comparative tables (continued)

	31/12/2021 (pence)	31/12/2020 (pence)	31/12/2019 (pence)
W (Accumulation)			
Change in net assets per share			
Opening net asset value per share	103.24	104.31	101.88
Return before operating charges*	0.75	(0.09)	3.41
Operating charges	(0.99)	(0.98)	(0.98)
Return after operating charges	(0.24)	(1.07)	2.43
Distributions	(3.56)	(0.67)	(1.23)
Retained distributions on accumulation shares	3.56	0.67	1.23
Closing net asset value per share	103.00	103.24	104.31
* after direct transaction costs of:	0.00	0.00	0.00
Performance			
Return after charges	(0.23%)	(1.02%)	2.39%
Other information			
Closing net asset value (£)	20,956,339	30,026,390	55,953,066
Closing number of shares	20,345,929	29,083,584	53,641,979
Operating charges**	0.96%	0.96%	0.95%
Direct transaction costs*	0.00%	0.00%	0.00%
Performance fee	0.00%	0.00%	0.01%
Prices			
Highest share price	103.64	105.16	104.26
Lowest share price	102.67	96.49	101.87

*Direct transaction costs comprise commission and taxes, principally applicable to equity investment purchases and sales. Shareholders should note that additionally there may be other transaction costs such as dealing spread and underlying costs with regard to Collective Investment Scheme holdings which may 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 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.

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Portfolio Statement (Unaudited)

as at 31 December 2021

Investments	Holding	Market Value (£)	Total Net Assets (%)
Collective Investment Schemes 97.75% (99.86%)			
Absolute Insight Funds - Absolute Insight Currency Fund†	1,851,768	2,530,627	9.74
BNY Mellon Absolute Return Bond Fund†	63,775	7,643,774	29.41
BNY Mellon Absolute Return Equity Fund†	5,491,938	7,619,514	29.31
BNY Mellon Absolute Return Global Convertible Bond Fund†	7,586,663	7,612,457	29.29
Portfolio of investments		25,406,372	97.75
Net other current assets		583,973	2.25
Total Net Assets		25,990,345	100.00
Total unapproved and unquoted securities			0.00%

Comparative figures in brackets refer to 31 December 2020.

All securities are authorised CIS unless otherwise stated.

†Considered a related party of the ACD.

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Statement of Total Return

for the year ended 31 December 2021

	Notes	£	31/12/2021 £	£	31/12/2020 £
Income					
Net capital losses	3		(1,106,446)		(11,889,781)
Revenue	4	1,474,326		3,700,097	
Expenses	5	(241,801)		(519,105)	
Interest payable and similar charges	7	(6)		(3,847)	
Net revenue before taxation		1,232,519		3,177,145	
Taxation	6	—		—	
Net revenue after taxation			1,232,519		3,177,145
Total return before distributions			126,073		(8,712,636)
Distributions	8		(1,275,571)		(3,387,587)
Change in net assets attributable to Shareholders from investment activities			(1,149,498)		(12,100,223)

Statement of Change in Net Assets Attributable to Shareholders

for the year ended 31 December 2021

	£	31/12/2021 £	£	31/12/2020 £
Opening net assets attributable to Shareholders		226,352,554		408,934,415
Amounts receivable on issue of shares	584,083		44,486	
Amounts payable on cancellation of shares	(200,806,050)		(172,724,977)	
		(200,221,967)		(172,680,491)
Dilution adjustment		(769)		6,017
Change in net assets attributable to Shareholders from investment activities		(1,149,498)		(12,100,223)
Retained distributions on accumulation shares		1,010,025		2,192,836
Closing net assets attributable to Shareholders		25,990,345		226,352,554

Balance Sheet

as at 31 December 2021

	Notes	£	31/12/2021 £	£	31/12/2020 £
ASSETS					
Fixed assets					
Investment assets			—		226,038,072
Current assets					
Investment assets			25,406,372		—
Debtors	10	18,666		—	
Cash and bank balances	11	21,738		32,252	
Cash equivalents	11	605,042		586,058	
Total other assets			645,446		618,310
Total assets			26,051,818		226,656,382
LIABILITIES					
Investment liabilities			—		—
Creditors					
Other creditors	12	(61,473)		(303,828)	
Total other liabilities			(61,473)		(303,828)
Total liabilities			(61,473)		(303,828)
Net assets attributable to Shareholders			25,990,345		226,352,554

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Notes to the Financial Statements

for the year ended 31 December 2021

1 Accounting policies

Basis of accounting

The financial statements have been prepared using the historical cost convention 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 Association (formerly known as The Investment Management Association) in May 2014 (the "SORP"), as amended in June 2017. In applying UK GAAP, the financial statements have been prepared in compliance with Financial Reporting Standard 102 (FRS 102).

The financial statements have been prepared on a break-up basis as the Company is due to close to investors on 5 August 2022 due to the significant drop in net asset value during the year. Under this basis, assets are recorded at their recoverable value and liabilities are recorded at their expected settlement value. Any additional costs in respect of the closure of the Company will be borne by the ACD.

Valuation of investments

Investments in Collective Investment Schemes ("CIS") managed by the ACD have been valued at the cancellation price for dual priced funds and at the single price for single priced funds as at close of business on the last business day of the accounting year.

Revenue

Interest on bank deposits is recognised on an accrual basis.

Distributions from CIS are recognised as revenue when the units are priced ex-distribution.

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 underlying CIS investments is treated as capital.

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.

A performance fee may be payable to the ACD in relation to the Ap (Accumulation), Fp (Accumulation) and W(Accumulation) share classes and is charged against revenue, please refer to the Prospectus for more details.

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 (Due to the underlying CIS investments predominantly holdings bonds). 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.

Annual Report & Accounts - Absolute Insight Fund

Notes to the Financial Statements

(continued)

3 Net capital losses

	31/12/2021	31/12/2020
	£	£
The net capital losses on investments during the year comprise:		
Losses on non-derivative securities	(1,055,230)	(11,835,089)
Activity charges	(51,216)	(54,692)
Net capital losses	(1,106,446)	(11,889,781)

Net capital losses listed above of £(1,106,446) comprise net realised losses of £(6,390,306) and net unrealised losses of £(36,421) (31/12/2020: Net capital losses listed above of £(11,889,781) comprise net realised losses of £(10,966,007) and net unrealised gains of £5,298,655). Where realised gains/(losses) include gains/(losses) arising in previous periods, a corresponding (loss)/gain is included in unrealised gains/(losses).

4 Revenue

	31/12/2021	31/12/2020
	£	£
Bank interest	232	8,489
Collective investment scheme distributions	1,474,094	3,691,608
Total revenue	1,474,326	3,700,097

5 Expenses

	31/12/2021	31/12/2020
	£	£
Payable to the ACD or Associate of the ACD		
ACD's periodic charge	229,824	382,437
Administration fees	26,246	90,396
Expense cap*	(40,988)	—
Performance fee	144	1,064
Safe custody fees	1,409	5,507
	216,635	479,404
Other expenses		
Audit fee**	10,511	8,062
Depositary's fee	13,588	31,555
Financial Conduct Authority fee	84	84
Professional fees	983	—
	25,166	39,701
Total expenses	241,801	519,105

*Effective from 10/03/2021, there is a discretionary cap of 5 basis points (bps) of net asset value, excluding ACD's periodic charge, on expenses charged to all share classes.

**Fee is initially paid by the ACD and then reimbursed by the Sub-fund.

6 Taxation

	31/12/2021	31/12/2020
	£	£
a) Analysis of the tax charge		
Total tax charge (see Note 6b)	—	—
b) Factors affecting the tax charge		
The tax assessed for the year is lower (31/12/2020: lower) than the standard rate of corporation tax in the UK for an ICVC (20%) (31/12/2020: 20%).		
The differences are explained below:		
Net revenue before taxation	1,232,519	3,177,145
Corporation tax @ 20%	246,504	635,429
Effects of:		
Tax deductible interest distributions	(246,504)	(635,429)
Total tax charge (see Note 6a)	—	—

Annual Report & Accounts - Absolute Insight Fund

Notes to the Financial Statements

(continued)

7 Interest payable and similar charges

	31/12/2021	31/12/2020
	£	£
Interest	6	3,847
Total interest	6	3,847

8 Distributions

The distributions take account of amounts added on the issue of shares and amounts deducted on the cancellation of shares. They comprise:

	31/12/2021	31/12/2020
	£	£
Interim Interest Distribution 30 June	1,010,025	2,192,836
Final Interest Distribution 31 December	—	—
	1,010,025	2,192,836
Amounts added on issue of shares	(89)	181
Amounts deducted on cancellation of shares	265,635	1,194,570
Net distributions for the year	1,275,571	3,387,587

9 Net movement between revenue after taxation and distributions

	31/12/2021	31/12/2020
	£	£
Net revenue after taxation	1,232,519	3,177,145
Equalisation on conversions	1	5
Transfers from capital for distribution deficits	43,051	210,437
Net distributions for the year	1,275,571	3,387,587

10 Debtors

	31/12/2021	31/12/2020
	£	£
Accrued expenses refundable by the ACD	17,240	—
Amounts receivable for issue of shares	1,426	—
Total debtors	18,666	—

11 Cash, bank balances & cash equivalents

	31/12/2021	31/12/2020
	£	£
Cash held at bank	21,738	32,252
Cash Equivalents		
Cash held in Liquidity Funds	605,042	586,058
Total cash, bank balances & cash equivalents	626,780	618,310

12 Other creditors

	31/12/2021	31/12/2020
	£	£
Accrued expenses	41,468	61,304
Amounts payable for cancellation of shares	20,005	242,524
Total other creditors	61,473	303,828

13 Contingent asset/liabilities

There were no contingent assets or liabilities at the balance sheet date (31/12/2020: nil).

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Notes to the Financial Statements

(continued)

14 Related parties

ACD's periodic charge, administration fees, safe custody charges and activity charges paid to the ACD, BNY Mellon Fund Managers Limited, or its associates, are shown in Notes 3 and 5, and details of shares issued and cancelled by the ACD are shown in the Statement of Change in Net Assets Attributable to Shareholders and Note 8.

The balance due to the ACD at 31 December 2021 in respect of these transactions was £33,159 (31/12/2020: The balance due to the ACD was £284,143) and performance fees £144 (31/12/2020: £1,064).

Any investments in or transactions with other BNYM related party entities are individually identified in the portfolio statement.

15 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 policy;
- 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, 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 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.

	31/12/2021 £	31/12/2020 £
Investments held at the balance sheet date	25,406,372	226,038,072

Market Price Sensitivity

The following table illustrates the sensitivity of the return and the net assets to an increase or decrease of 5% (31/12/2020: 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.

	31/12/2021		31/12/2020	
	5% Increase in fair value £	5% Decrease in fair value £	5% Increase in fair value £	5% Decrease in fair value £
Non-derivative securities	1,270,319	(1,270,319)	11,301,904	(11,301,904)
Net capital impact	1,270,319	(1,270,319)	11,301,904	(11,301,904)

Foreign currency risk

Foreign currency risk is the risk that the net asset value of the Sub-fund will fluctuate as a result of changes in foreign currency exchange rates. The Sub-fund is not exposed to currency risk.

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Notes to the Financial Statements

(continued)

15 Financial Instruments (continued)

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 (after netting/hedging) 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 at 31 December 2021:

Gross Exposure Max. Limit	Exposure as at 31/12/2021	Commitment Exposure Max. Limit	Exposure as at 31/12/2021
1.10	1.00	1.10	1.00

Disclosed in the table below is the level of leverage employed by the Sub-fund at 31 December 2020:

Gross Exposure Max. Limit	Exposure as at 31/12/2020	Commitment Exposure Max. Limit	Exposure as at 31/12/2020
1.10	1.00	1.10	1.00

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 the majority 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 2021 is as follows:

	Floating Rate £	Fixed Rate £	Not Carrying Interest £	Total £
Investment assets	—	—	25,406,372	25,406,372
Investment liabilities	—	—	—	—
Total	—	—	25,406,372	25,406,372

The interest rate risk profile of the Sub-fund's financial assets and liabilities at 31 December 2020 is as follows:

	Floating Rate £	Fixed Rate £	Not Carrying interest £	Total £
Investment assets	—	—	226,038,072	226,038,072
Investment liabilities	—	—	—	—
Total	—	—	226,038,072	226,038,072

15 Financial Instruments (continued)

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.

The ACD monitors the liquidity profile of the Sub-fund on a monthly basis to ensure a high degree of confidence that the Sub-fund liquidity will meet its expected liquidity requirements. Where a risk is identified, a more in depth review is undertaken to establish its significance and this is analysed by the Risk Management Team and discussed at the Investment Management Oversight Committee. Based on this analysis, the ACD believes that the liquidity profile of the Sub-fund is appropriate.

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.

Valuation of financial instruments

The categorisation of financial instruments in the tables below reflect the methodology used to measure their fair value.

	31/12/2021 Assets £	31/12/2021 Liabilities £
Level 1: Quoted prices	—	—
Level 2: Observable market data	25,406,372	—
Level 3: Unobservable data	—	—
	25,406,372	—
	31/12/2020 Assets £	31/12/2020 Liabilities £
Level 1: Quoted prices	—	—
Level 2: Observable market data	226,038,072	—
Level 3: Unobservable data	—	—
	226,038,072	—

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.

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Notes to the Financial Statements

(continued)

16 Portfolio transaction costs

for the year ended 31 December 2021

	Transaction Value £000's	Commissions £000's	%	Taxes £000's	%
Purchases (excluding derivatives)					
Collective investment schemes	18,867	—	—	—	—
Total purchases	18,867	—		—	
Total purchases including transaction costs	18,867				
	Transaction Value £000's	Commissions £000's	%	Taxes £000's	%
Sales (excluding derivatives)					
Collective investment schemes	219,918	—	—	—	—
Total sales	219,918	—		—	
Total sales net of transaction costs	219,918				

Total transaction costs

—

—

Total transaction costs

as a % of average net assets

0.00%

0.00%

for the year ended 31 December 2020

	Transaction Value £000's	Commissions £000's	%	Taxes £000's	%
Purchases (excluding derivatives)					
Total purchases	—	—		—	
Total purchases including transaction costs	—				
	Transaction Value £000's	Commissions £000's	%	Taxes £000's	%
Sales (excluding derivatives)					
Collective investment schemes	170,891	—	—	—	—
Total sales	170,891	—		—	
Total sales net of transaction costs	170,891				

Total transaction costs

—

—

Total transaction costs

as a % of average net assets

0.00%

0.00%

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 & 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 in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales. However additionally there are indirect transaction costs suffered in those underlying funds, 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% (31/12/2020: 0.09%).

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Notes to the Financial Statements

(continued)

17 Share movement

for the year ended 31 December 2021

	Opening shares	Shares issued	Shares cancelled	Shares converted	Closing shares
A (Accumulation)	163,043	—	(13,352)	—	149,691
Ap (Accumulation)	3,892,834	59,074	(800,080)	(2,063)	3,149,765
Fp (Accumulation)	1,233,929	86	(191,896)	—	1,042,119
Sp (Accumulation)	174,181,726	—	(174,181,726)	—	—
W (Accumulation)	29,083,584	504,583	(9,244,433)	2,195	20,345,929

18 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	Annual Management Charge	Minimum Initial Investment
A (Accumulation)	0.00%	0.85%	£5,000
Ap (Accumulation)	0.00%	0.85%	£5,000
Fp (Accumulation)	0.00%	0.85%	£5,000
W (Accumulation)	0.00%	0.75%	£500,000

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) and W (Accumulation) share classes. For further details on how the performance fee is calculated please refer to the Prospectus.

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 13 to 15. All share classes have the same rights on winding up.

19 Post balance sheet events

On 6 April 2022, the Directors of the ACD approved the closure of the Company due to the significant drop in net asset value during the year. The Company is expected to close on 5 August 2022 and as such, the financial statements for the year ended 31 December 2021 have been prepared on a break-up basis.

Annual Report & Accounts - Absolute Insight Fund

Distribution Statements

for the year ended 31 December 2021

Interim Interest distribution in pence per share

Period

Group 1: Shares purchased prior to 1 January 2021

Group 2: Shares purchased 1 January 2021 to 30 June 2021

	Net Revenue	Equalisation	Amount Paid	Prior Period 30/06/2020
A (Accumulation)				
Group 1	4.2386	—	4.2386	0.3164
Group 2	4.2386	0.0000	4.2386	0.3164
Ap (Accumulation)				
Group 1	3.7002	—	3.7002	0.2774
Group 2	2.1479	1.5523	3.7002	0.2774
Fp (Accumulation)				
Group 1	4.5494	—	4.5494	0.6691
Group 2	3.0786	1.4708	4.5494	0.6691
Sp (Accumulation)				
Group 1	0.0000	—	0.0000	1.1064
Group 2	0.0000	0.0000	0.0000	1.1064
W (Accumulation)				
Group 1	3.5556	—	3.5556	0.6730
Group 2	2.6775	0.8781	3.5556	0.6730

Final Interest distribution in pence per share

Period

Group 1: Shares purchased prior to 1 July 2021

Group 2: Shares purchased 1 July 2021 to 31 December 2021

	Net Revenue	Equalisation	Amount Paid	Prior Period 31/12/2020
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	0.0000	—	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
Sp (Accumulation)				
Group 1	0.0000	—	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000
W (Accumulation)				
Group 1	0.0000	—	0.0000	0.0000
Group 2	0.0000	0.0000	0.0000	0.0000

	Franked (%)	Unfranked (%)
Final distributions for 31 December 2021	0.00	100.00
Interim distributions for 30 June 2021	0.00	100.00

BNY Mellon Managed Funds II - Annual Report & Accounts

Investor Information (Unaudited)

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

Directors remuneration of BNY Mellon Fund Managers Ltd for the financial year ending 31 December 2021.

Total amount of fixed and variable remuneration proportionate to the Absolute Insight Fund for the year ending 31 December 2021 of the 6 directors and 1 senior manager 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 - £219

Variable - £287

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

Effective 1 October 2021, the benchmark changed from the LIBOR GBP 3 Month to SONIA 3 Month Compounded.

Effective 1 January 2021, the AMC of the share classes in the Absolute Insight Fund were reduced, as detailed below. In addition, a cap on additional operating expenses was added at 5 basis points (a basis point (bps) is one hundredth of a percent, 5bps is 0.05%). This was to protect existing shareholders from paying more following a recent drop in the Sub-fund's assets under management. (Typically the larger the fund, the better able it is to spread costs among shareholders.) Copies of the revised Prospectus and Key Investor Information Documents incorporating the changes to the AMC are available on request and from our website, www.bnymellonim.com.

Share class	Previous AMC	AMC from 1 January 2021
A (Accumulation)	1.50%	0.85%
Ap (Accumulation)	1.50%	0.85%
Fp (Accumulation)	1.00%	0.85%

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.

Value Assessment and Report

In July 2021, BNY Mellon Fund Managers Limited published a consolidated assessment of value report for the period ended March 2021, which included this Sub-fund. This report is available to view on www.bnymellonim.com. The report will be published annually.

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.

BNY Mellon Managed Funds II - Annual Report & Accounts

Glossary

Term	Definition
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.
Bond(s)	A loan of money by an investor to a company or government for a stated period of time in exchange for a fixed interest rate payment and the repayment of the initial amount at its conclusion.
Commodity/Commodities	An asset in the form of a raw material that can be bought and sold such as gold, oil, coffee, wheat.
Credit(s)	In this context it is synonymous with corporate bonds, debt issued by companies.
Diversified/Diversification/Diversifiers	Investing in a variety of companies or financial instruments, which typically perform differently from one another. For example, investing in different regions or sectors, with the aim of offsetting poor performance in one, with positive performance in another.
Dove(s)/dovish	A dove is an economic policy advisor who promotes monetary policies that involve low interest rates, based on the belief that low interest rates increase employment. Statements that suggest that inflation has few negative effects are called dovish.
Duration	A measure of the sensitivity of a fixed income security or bond fund to change in interest rates. The longer a bonds duration, the more sensitive it is to interest rate movements.
Earnings	Money obtained in return for labour or services.
Emerging market(s)	Countries in the process of becoming industrialized economies; the economy of a developing nation or emerging market becomes more engaged with global markets as it grows. Countries such as India and Brazil are considered to be “emerging”.
Equity/Equities	Shares issued by a company, representing an ownership interest.
Fiscal stimulus	Government policy on taxation, spending and borrowing designed to stimulate the economy.
Fiscal/fiscal policy	Government policy on taxation, spending and borrowing.
Geopolitics/Geopolitical	Geographic influences on power relationships in international relations.
Gross domestic product (GDP)	A monetary measure of the market value of all goods and services produced in a given period of time.
Gross exposure	A measure that indicates total exposure to financial markets; refers to the absolute level of a fund's investments.
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 favors 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.
Investment grade	Fixed income securities with a medium or high credit rating that are considered to be at lower risk from default than those issued with lower credit ratings.
Leverage(d)	When referring to a company, leverage is the level of a company's debt in relation to its assets. A company with significantly more debt than capital is considered to be leveraged. It can also refer to a fund that borrows money or uses derivatives to magnify an investment position.
Long	Refers to ownership of a security held in the expectation that the security will rise in value.
Long-dated	A description added to certain income-producing assets to highlight the fact the maturity date is well in the future.
Monetary policy	A central bank's regulation of money in circulation and interest rates.
Monetary stimulus	An attempt by a government to make the economy grow faster by increasing the money supply (the amount of money in the economy) or lowering interest rates.
Portfolio	A collection of investments.
Risk asset(s)	Risk asset generally refers to assets that have a significant degree of price volatility, such as equities, commodities, high yield bonds and currencies.

BNY Mellon Managed Funds II - Annual Report & Accounts

Glossary

(continued)

Term	Definition
Short	A way for a fund manager to express his or her view that the market or security might fall in value.
Spread(s)	The difference between the yield of a corporate bond, and a government bond with the same maturity. Yield refers to the income received from an investment and is expressed as a percentage of the investment's current market value.
Stock(s)	Also known as equity, is a security representing the ownership of a fraction of a company listed on the stock market.
Treasury/Treasuries	U.S. government debt security with a maturity of more than 10 years. Treasury bonds make interest payments semi-annually.
Volatile/volatility	Large and/or frequent moves up or down in the price or value of an investment or market.
Yield curve(s)	A yield curve is a line that plots the interest rates, at a set point in time, of bonds having equal credit quality but differing maturity dates.
Yield(s)	Income received from investments, either expressed as a percentage of the investment's current market value, or dividends received by the holder.

BNY Mellon Managed Funds II - Annual Report & Accounts

Investment Fund Information

Company

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ACD & AIFM

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London
EC4V 4LA
United Kingdom

Directors of BNY Mellon Fund Managers Limited

G A Brisk
S Cox (appointed as director 21 September 2021)
AM Islam
C Judd (Chairperson)
H Lopez (resigned 24 March 2021)
G Rehn
M Saluzzi

Investment Manager

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Authorisation

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