BNY Mellon Alcentra Global Multi-Strategy Credit Fund, Inc.

MANAGER COMMENTARY | Q3 2024

Ticker: **XALCX** CUSIP: 05588N108

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 Review

Bond markets experienced a solid third quarter reflecting supportive economic data and anticipation of less restrictive monetary policy. US macroeconomic data exhibited slowing, albeit positive, employment and consumer confidence data and continued success at stabilizing inflation. This prompted the Federal Reserve to deliver a 50bps rate cut in September, the first cut since 2020. Similarly, the European Central Bank (ECB) and Bank of England (BOE) also cut rates over the quarter in response to inflation cooling down closer to longer-term targets. Market expectations for subsequent rate cuts also increased. For these reasons, fixed rate high yield outperformed across investment grade, sub-investment grade and government bonds.

Fundamentals for Sub-Investment Grade (IG) issuers have entered this market environment in firm shape, evidenced by improved earnings, stable leverage, and strong liquidity. Capital market activity across sub-IG markets has improved sharply this year, enabling many issuers to extend near term maturities, alongside an improvement in new capital raises for Mergers & Acquisitions / Leveraged Buyouts (M&A/LBO). At the same time, mutual fund flows and collateralized loan obligations (CLO) creation remains strong, contributing to a very supportive technical for liquid sub investment grade markets, especially for loans. Default activity has slowed in 2024 from 2023, especially in the European Leveraged Loans market. While the default rate is slightly higher in US Loans by comparison, the market has also seen a modest reduction quarter on quarter. We do not anticipate a material pick up in defaults across high yield (HY) and Loan markets over the remainder of 2024.

Sub-IG issuers across the developed markets have remained in robust fundamental health, posting solidly positive returns across US and European fixed and floating instruments YTD 2024.

Performance Summary

For the three-month period ended September 30, 2024, XALCX posted a gain of 3.42% (net return). This compares to a 4.96% return for the ICE BofA Global HY Index (USD Unhedged).

Market Outlook

Though US and European central banks have initiated a rate reduction cycle, base rates across US and Europe remain elevated. In our view, valuations remain more favorable for floating over fixed and, therefore, we remain biased toward global floating rate, including within our alternative positioning. We continue to favor structured credit CLO paper, offering incremental yield over liquid credit amidst a lower default outlook and strong market technicals. Exposure in special situations remain more muted owing to compressed spreads and reduced opportunities.

Our sector positioning remains favorable on sectors with stable environments and cash generative metrics, including positioning in Services, Healthcare and Defensive Industrials. We have a less favorable outlook on sectors with highly competitive environments and secular risk, such as broadcasters, cable and telecom.

We believe that sub-IG offers some highly attractive income opportunities. This has been reflected by strong performance YTD, helped by active credit selection and asset allocation, and we believe these asset classes should continue to generate solid returns.

1 ICE BofA US High Yield Constrained Index
2 Credit Suisse Leveraged Loan Index
3 Credit Suisse Western European Leveraged Loan Index (USD Hedged)

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 fair 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.

Definitions

Q is quarter. **NAV** is Net Asset Value. **YTD** is Year to Date. **FDIC** is Federal Deposit Insurance Corp.

The **ICE BofA Global High Yield Index** is a measure of the global high yield debt market. The index represents the union of the US high yield, the pan-European high yield, and emerging markets hard currency high yield indices. **Credit Suisse Leveraged Loan Index** tracks the investable market of the U.S. dollar denominated leveraged loan market. It consists of issues rated "5B" or lower, meaning that the highest rated issues included in this index are Moody's/S&P ratings of Baa1/BB+ or Ba1/BBB+. All loans are funded term loans with a tenor of at least one year and are made by issuers domiciled in developed countries. The **Credit Suisse Western European Leveraged Loan Index** is designed to mirror the investable universe of the Western European leveraged loan market. Loans denominated in US$ or Western European currencies are eligible for inclusion in the index. An investor cannot invest directly in any index.

A **collateralized loan obligation (CLO**) is a single security backed by a pool of debt. Often these are corporate loans that have a low credit rating or leveraged buyouts made by a private equity firm to take a controlling interest in an existing company. The letters or numbers used to express a **credit rating** or credit score express the creditworthiness of the individual, business, or government being assessed. A typical credit rating scale uses the following letter ratings: AAA, AA, A, BBB, BB, B, CCC, CC, C, and D. **Basis points (bps)** basis point (bps) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001.
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.

This material has been provided for informational purposes only and should not be construed as investment advice or a recommendation of any particular investment product, strategy, investment manager or account arrangement, and should not serve as a primary basis for investment decisions. Prospective investors should consult a legal, tax or financial professional in order to determine whether any investment product, strategy or service is appropriate for their particular circumstances. Views expressed are those of the author stated 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. This information contains projections or other forward-looking statements regarding future events, targets or expectations, and is only current as of the date indicated. Additional information regarding the fund can be found in the fund's most recent shareholder report. There is no assurance that such events or expectations will be achieved, and actual results may be significantly different from that shown here. The information is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be and should not be interpreted as recommendations. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

BNY Mellon Investment Adviser, Inc. is the fund's investment adviser, and has engaged Alcentra NY, LLC ("Alcentra NY"), to serve as the fund's sub-adviser. Alcentra NY is a global asset management firm focused on sub-investment grade corporate credit. BNY Mellon Investment Adviser, Inc. and BNY Mellon Securities Corporation are affiliated with The Bank of New York Mellon Corporation. Alcentra NY is not affiliated with BNY Mellon Securities Corporation or The Bank of New York Mellon Corporation. BNY, BNY Mellon and Bank of New York Mellon are the corporate brands of The Bank of New York Mellon Corporation and may be used to reference the corporation as a whole and/or its various subsidiaries generally.

MARK-635273-2024-11-01