

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

Whilst you are not required to take any action, if there is anything in this document that you do not understand, or if you are in any doubt as to what action to take, you should consult a professional financial adviser who is appropriately authorised under the Financial Services and Markets Act 2000 and who specialises in advising on investments in regulated collective investment schemes.

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## **INFORMATION TO SHAREHOLDERS**

**Proposal for a merger of  
BNY MELLON EQUITY INCOME FUND**

**(a sub-fund of BNY Mellon Investment Funds) (the “Merging Fund”)**

**with**

**BNY MELLON UK INCOME FUND**

**(a sub-fund of BNY Mellon Investment Funds) (the “Receiving Fund”)**

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**Dated: Friday 25 August 2023**

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## Key dates and times

All references in this document to times refer to UK British Summer Time (BST), unless specifically stated otherwise. The dates set out below may be amended as determined by the ACD and the Depositary.

Friday 25 August 2023	Date of this circular
1:00 pm on Friday 29 September 2023	Shareholder meeting of the Merging Fund

Then, if the merger is approved at the shareholder meeting of the Merging Fund:

11:59 am on Thursday 5 October 2023	Deadline for shareholders in the Merging Fund to redeem or transfer their holding if they do not wish to receive shares in the Receiving Fund; dealing in the Merging Fund will be suspended after this point
11:59 am on Friday 6 October 2023	Deadline for you to redeem or transfer your holding in the Receiving Fund prior to the effective date of the Merger
12 noon on Friday 6 October 2023	Final valuation point on which to base the value of shares in the Merging Fund and in the Receiving Fund for the purposes of the Merger
11:59 pm on Friday 6 October 2023	End of accounting period of the Merging Fund
12:01 am on Saturday 7 October 2023	Effective date and time of the Merger
Monday 9 October 2023	First day of dealing in new shares issued to Merging Fund investors pursuant to the Merger

# Glossary

The following terms, which are used throughout this document, have the following meanings:

ACD	BNY Mellon Fund Managers Limited, the authorised corporate director of BNY Mellon Investment Funds
Depository	NatWest Trustee and Depository Services Limited, the depository of BNY Mellon Investment Funds
Effective Date	the effective date of the Merger, being on Saturday 7 October 2023 or such other date as may be agreed in accordance with the terms of the Scheme
Extraordinary Resolution	the resolution proposed at the shareholder meeting of the Merging Fund which, to be passed, requires a majority of at least 75% of the total number of votes validly cast at the meeting
FCA	the Financial Conduct Authority
FCA Rules	the Collective Investment Schemes Sourcebook (COLL) that forms part of the FCA Handbook of Rules and Guidance, as amended from time to time
HMRC	HM Revenue & Customs
Instrument of Incorporation	the instrument of incorporation of BNY Mellon Investment Funds
Merger	the merger of the Merging Fund with the Receiving Fund
Merging Fund	BNY Mellon Equity Income Fund, a UK UCITS structured as a sub-fund of BNY Mellon Investment Funds (an investment company with variable capital)
Receiving Fund	BNY Mellon UK Income Fund, a UK UCITS structured as a sub-fund of BNY Mellon Investment Funds (an investment company with variable capital)
Retained Amount	an amount estimated by the ACD (after consultation with the Depository) as being necessary to meet the actual and contingent liabilities of the Merging Fund, and which is to be retained by the Depository for the purpose of discharging those liabilities
Scheme	the scheme of arrangement for the Merger, the common draft terms for which are set out on pages 7 to 11
Prospectus	the current prospectus of BNY Mellon Investment Funds
Transferred Property	the scheme property of the Merging Fund, less the Retained Amount

# Information about the proposed Merger

## Background to and reasons for the Merger

The current investment manager of the Merging Fund will be resigning from their role with effect from 14 November 2023. This has prompted a strategic review of the Merging Fund following which we have concluded that it would be in the best interests of shareholders of the Merging Fund to merge with the Receiving Fund (the “**Merger**”). It is expected that the Merger will not have any material effect on investors in the Receiving Fund.

As well as simplifying and consolidating the equity income funds in our range, we believe that the proposed Merger will benefit shareholders of the Merging Fund in the following ways:

- Better performance.

The Receiving Fund has consistently outperformed the Merging Fund. The Receiving fund has outperformed the Merging Fund in each of the last five calendar years by between 1.9% and 8.2%. As at 30 June 2023, the Receiving Fund is in the top performance quartile of the IA UK Equity Income sector over five years, while the Merging Fund is in the third performance quartile. We believe that investors will benefit from the better performance of the Receiving Fund.

The Merging Fund has experienced a decline in size over a number of years. We therefore consider that investors will benefit from moving to shares in the Receiving Fund which has not experienced the same decline in size.

- Economies of scale.

By bringing the two funds together, we believe that the overall fixed costs to investors will reduce due to the economies of scale and efficiencies that can be obtained from the management of a larger, combined fund which has greater prospects for continuing to grow assets under management. As at 30 June 2023, the Merging Fund has approximately £112.71 million of assets under management, compared to £1,293.25 million of assets under management for the Receiving Fund

- Better value.

In our 2022 annual assessments of value, the Receiving Fund has rated ‘green’ across all criteria (meaning it has provided good value to investors over the assessment period). The Merging Fund rated “red” on the performance criteria, though amber overall (meaning it provided some value to investors over the assessment period). As such, the Receiving Fund is expected to provide better value to investors than the Merging Fund. **How the Merger will work**

We propose that the Merger be implemented by way of a process known as a scheme of arrangement (referred to in this document as the “**Scheme**”). The Scheme (and, therefore, the Merger) can only proceed if it is first approved by an Extraordinary Resolution of shareholders of the Merging Fund passed at a shareholder meeting. For the avoidance of doubt, the proposed Merger does not require the approval of shareholders in the Receiving Fund.

Under the Scheme, the assets of the Merging Fund will be transferred to, and become assets of, the Receiving Fund.

There is a degree of commonality between the equity holdings of the Merging Fund and Receiving Fund of approximately 31%. As such, if the Merger is approved, it is intended that these investments will be transferred in specie to the Receiving Fund. The remaining assets of the Merging Fund will be liquidated before the Merger and the Merging Fund will transfer that cash or other liquid assets to the Receiving Fund pursuant to the Merger. In exchange, shareholders of the Merging Fund will receive new shares in, and become shareholders of, the Receiving Fund, and will then have their shares in the Merging Fund cancelled. No initial charge will be applied on the issue of the new shares in the Receiving Fund, and no redemption charge will be applied on the cancellation of shares in the Merging Fund.

The value of each Merging Fund shareholder's shareholding in the Receiving Fund, immediately after the Merger, will be the same as the value of that shareholder's shareholding in the Merging Fund immediately before the Merger and will (if necessary) be rounded up to the nearest thousandth at the expense of the ACD. However, the number of shares held in the Receiving Fund may be different to the number of shares currently held by the shareholder in the Merging Fund. Once the Merger has completed, shareholders may deal the shares they receive in the Receiving Fund pursuant to the Merger and the Merging Fund will be wound up.

For full details of the Merger, please read the common draft terms of merger which are set out on pages 7 to 11 and will govern the Merger.

**If the Merger is approved**

If the Extraordinary Resolution is passed, the Scheme (and, therefore, the Merger) will be binding on all shareholders in the Merging Fund, even those that voted against it or did not vote at all.

**If the Merger is not approved**

If the Extraordinary Resolution is not passed, the Scheme (and, therefore, the Merger) will not proceed.

**Tax consequences**

It is our understanding that no stamp duty reserve tax (SDRT) or foreign transfer taxes should be payable with respect to the transfer of the assets from the Merging Fund to the Receiving Fund under the Scheme. However, if any SDRT or foreign transfer tax should be payable, it will be borne by the ACD.

Details of the tax clearances obtained from HMRC are provided on page 12.

**Costs**

All costs and expenses incurred in connection with the Scheme will be borne by the ACD. This includes the costs and expenses of convening and holding the shareholder meeting (and any adjourned meeting), the fees and expenses of legal and other professional advisers and the costs associated with the subsequent termination of the Merging Fund, including associated dealing costs.

**Action to be taken**

You are not required to take any action. As outlined above, it is expected that the Merger will not have any material effect on investors in the Receiving Fund. However, if you wish to redeem or switch your shares in the Receiving Fund prior to the Merger without charge, you may do so until 11:59 am on Friday 6 October 2023.

# Scheme of arrangement

## Common draft terms of merger

These terms will apply to, and govern, the Merger. The Merger will be implemented by way of a process known as a scheme of arrangement (referred to in this document as the “**Scheme**”). In broad terms, the effect of the Scheme will be to transfer the assets of the Merging Fund to the Receiving Fund. In exchange, shareholders of the Merging Fund will receive new shares in, and become shareholders of, the Receiving Fund, and will then have their shares in the Merging Fund cancelled. These terms set out the details of how the Scheme will work; please read them carefully.

### 1 Definitions and interpretation

- 1.1 The definitions in the Glossary apply in these terms.
- 1.2 References to paragraphs are to paragraphs of these terms. References to “shares issued under the Scheme”, “shares to be issued under the Scheme” or similar expressions are to shares issued (or to be issued, as the case may be) under paragraph 8.1.2.
- 1.3 If there is any conflict between these terms and the Merging Fund’s Instrument of Incorporation and/or Prospectus, these terms prevail. If there is any conflict between these terms and the FCA Rules, the FCA Rules prevail.

### 2 General

- 2.1 The Merger is a domestic UCITS merger.
- 2.2 The background and rationale for the Merger is set out in the section above: “*Information about the proposed Merger*”. That section also contains information on the expected impact of the proposed Merger on investors of the Merging Fund alongside the section “*Comparison of the main features of the two funds*”. It is expected that the proposed Merger will not have a material effect on investors in the Receiving Fund.
- 2.3 The planned effective date for the Merger is Saturday 7 October 2023 (the “**Effective Date**”).

### 3 Shareholder approval required

For the Scheme (and, therefore, the Merger) to proceed, shareholders of the Merging Fund must first pass an Extraordinary Resolution to approve the Scheme and to authorise the ACD and the Depositary to implement the Scheme.

### 4 Scheme to be binding on all shareholders

If the Extraordinary Resolution referred to in paragraph 3 is passed, the Scheme will be binding on all shareholders of the Merging Fund – whether or not they voted in favour of it, or voted at all – and the Scheme will be implemented as set out in these terms.

### 5 End of dealing in the Merging Fund

To facilitate the implementation of the Scheme, dealings in shares of the Merging Fund will cease at 11:59 am on Thursday 5 October 2023.

### 6 Treatment of income allocated to shares in the Merging Fund

- 6.1 In order to simplify the process for the Merger, an additional interim accounting date ending at 11.59pm on the day before the Effective Date will be introduced in respect of the Merging Fund.
- 6.2 For accumulation shares of the Merging Fund, any income available for allocation from the end of the previous accounting period to 11:59 pm on the day before the Effective Date will

be transferred to the capital account of the Merging Fund, as appropriate and will be reflected in the value of new shares in the Receiving Fund issued to holders of accumulation shares in the Merging Fund.

6.3 For income shares of the Merging Fund, any income available for distribution from the end of the previous accounting period to 11:59 pm on the day before the Effective Date will be transferred to the distribution account of the Merging Fund as appropriate and will be distributed to holders of income shares of the Merging Fund within two months. Where the reinvestment option applies to such income, the income will be reinvested through the purchase of further new shares in the Receiving Fund.

6.4 The first distribution by the Receiving Fund after the Effective Date will be in respect of the period from the Effective Date to 31 December 2023 (with the distribution paid in accordance with the prospectus of the Receiving Fund) and it will include an amount of income equalisation for any additional shares issued (other than under the Scheme) during this period which will be treated as a return of capital for tax purposes.

## **7 Valuations for the purposes of the Merger**

7.1 The ACD shall determine the value of the Merging Fund based on the value as at 12 noon on Friday 6 October 2023, in accordance with the Instrument of Incorporation and the FCA Rules, and shall then deduct the Retained Amount.

7.2 The ACD shall determine the value of the Receiving Fund based on the value as at 12 noon on Friday 6 October 2023, in accordance with the Receiving Fund's Instrument of Incorporation and the FCA Rules.

7.3 The valuations determined under this paragraph 7.3 shall then be used to calculate the number of shares to be issued under the Scheme.

## **8 Merger: transfer of assets and issue of new shares**

8.1 On and from 12:01 am on the Effective Date:

8.1.1 the Transferred Property will cease to be scheme property of the Merging Fund and will become scheme property of the Receiving Fund, in accordance with paragraph 8.2;

8.1.2 the ACD will issue new shares in the Receiving Fund to shareholders of the Merging Fund) on the basis set out in paragraph 9; and

8.1.3 all shares in the Merging Fund will be cancelled and will cease to be of any value.

8.2 The transfer of ownership of the Transferred Property will be effected by the Depositary ceasing to hold the Transferred Property as Depositary of the Merging Fund, and instead holding the Transferred Property as Depositary of the Receiving Fund, free and discharged from the terms of the Instrument of Incorporation. The Depositary will make (or ensure the making of) such transfers and re-designations as may be necessary to reflect this transfer of ownership from the Merging Fund to the Receiving Fund.

8.3 The Transferred Property will constitute full payment for the shares issued under the Scheme, and the shareholders of the Merging Fund will be treated as exchanging their shares in the Merging Fund for shares in the Receiving Fund.

## **9 Basis on which new shares will be issued**

9.1 The class of shares to be issued under the Scheme to shareholders of the Merging Fund will be determined in accordance with the following table:

Class of shares held in the Merging Fund		Class of new shares to be issued in the Receiving Fund
Sterling Income Shares	►	Sterling Income Shares
Sterling Accumulation Shares	►	Sterling Accumulation Shares
Institutional Shares W (Accumulation)	►	Institutional Shares W (Accumulation)
Institutional Shares W (Income)	►	Institutional Shares W (Income)
B Shares (Accumulation)	►	B Shares (Accumulation)
B Shares (Income)	►	B Shares (Income)

9.2 The number of shares to be issued under the Scheme to each shareholder will be determined by the price of shares in the Receiving Fund on the Effective Date.

9.3 The formula used to calculate the number of new shares to be issued under the Scheme to each shareholder is available on request from the ACD.

9.4 The number of new shares to be issued under the Scheme to each shareholder will (if necessary) be rounded up to the nearest thousandth at the expense of the ACD.

The value of each Merging Fund shareholder's shareholding in the Receiving Fund, immediately after the Merger, will be the same as the value of that shareholder's shareholding in the Merging Fund immediately before the Merger. However, the number of shares held in the Receiving Fund may be different to the number of shares currently held by the shareholder in the Merging Fund.

## 10 Notification of new shares issued under the Scheme

10.1 The ACD shall notify each shareholder in the Merging Fund (or shall cause each shareholder in the Merging Fund to be notified) of the number and class of shares issued under the Scheme to that shareholder. This information is available immediately from the client service team after the Effective Date but the notification is expected to be despatched within ten days of the Effective Date and shall be sent by post to the address listed for that shareholder in the Merging Fund's register of shareholders (or, in the case of joint shareholders, to the address of the first-named shareholder).

10.2 Certificates will not be issued in respect of shares issued under the Scheme.

10.3 Transfers or redemptions of shares issued under the Scheme may be effected from the business day immediately following the Effective Date, in accordance with the current Prospectus.

## 11 Mandates and other instructions

Any mandates and other instructions to the ACD in force on the Effective Date in respect of shares in the Merging Fund will be deemed to be effective mandates and instructions in respect of shares issued under the Scheme.

## 12 Termination of the Merging Fund

12.1 Following the Effective Date and the implementation of the Merger, the ACD will proceed to terminate the Merging Fund in accordance with the FCA Rules.

12.2 The Retained Amount (plus any income arising thereon) shall continue to be held by the Depositary as scheme property of the Merging Fund, and may be used by the Depositary to pay any outstanding liabilities of the Merging Fund in accordance with the FCA Rules, the Instrument of Incorporation, the Prospectus and these terms.

- 12.3 Any surplus monies remaining in the Merging Fund on completion of termination (plus any income arising thereon), shall be transferred to the Receiving Fund. No further issue of shares in the Receiving Fund shall be made as a result. The Depositary shall at that point cease to hold the Retained Amount in its capacity as Depositary of the Merging Fund and shall instead hold it in its capacity as Depositary of the Receiving Fund. The Depositary shall make such transfers and re-designations as may be necessary as a result.
- 12.4 If the Retained Amount (plus any income arising thereon) is insufficient to discharge all the liabilities of the Merging Fund, the Depositary shall, where permitted under the FCA Rules, pay the amount of the shortfall out of the scheme property of the Receiving Fund, but only if the ACD is of the opinion that proper provision was made for meeting such liabilities as were known or could reasonably have been anticipated at the Effective Date. Otherwise any such shortfall shall be discharged by the ACD.
- 12.5 On completion of termination, the ACD and the Depositary shall be discharged from all their obligations and liabilities in respect of the Merging Fund, except those arising from a breach of duty before that time.
- 13 Charges and expenses**
- 13.1 The ACD and the Depositary will continue to be paid their usual fees and expenses out of the scheme property of the Merging Fund for acting as ACD and Depositary, respectively, of the Merging Fund until the Effective Date and, in the case of expenses properly incurred in connection with the termination of the Merging Fund in accordance with the Scheme, after the Effective Date.
- 13.2 Subject to paragraph 13.3, all costs and expenses relating to the Scheme and the subsequent termination of the Merging Fund will be borne by the ACD. These include legal and printing costs, and the costs of preparing and implementing the Merger on the terms of the Scheme.
- 13.3 If the Extraordinary Resolution referred to in paragraph 3 is passed, the ACD will seek to liquidate the portfolio of the Merging Fund and the cash proceeds will be invested by the Receiving Fund. The dealing costs associated with the Scheme will be borne by the ACD.
- 13.4 The ACD shall not be entitled to receive any preliminary charge in respect of any shares issued under the Scheme, nor shall it be entitled to levy any redemption charge on the cancellation of shares in the Merging Fund under paragraph 8.1.3.
- 14 Reliance on register and certificates**
- 14.1 The ACD and the Depositary shall each be entitled to assume that all information contained in the register of shareholders in the Merging Fund on and immediately prior to the Effective Date is correct, and to use the same in calculating the number of shares to be issued under the Scheme.
- 14.2 The ACD and Depositary may each act and rely upon any certificate, opinion, evidence or information furnished to it by the other or by its respective professional advisers or by the auditors of the Merging Fund in connection with the Scheme and shall not be liable or responsible for any resulting loss.
- 15 Alterations to the Scheme**
- 15.1 The ACD and the Depositary may decide to change the Effective Date of the Scheme. If they do so decide, they may agree to make such further consequential adjustments to the Scheme timetable as they consider appropriate.
- 15.2 The ACD and the Depositary may agree to amend these terms at any time before the Effective Date.

16 **Governing law and jurisdiction**

The Scheme and these terms shall in all respects be governed by and construed in accordance with the laws of England and shall be subject to the exclusive jurisdiction of the English courts.

## Consents, clearances and documents for inspection

ACD	BNY Mellon Fund Managers Limited, as ACD of BNY Mellon Investment Funds, confirms that, in its opinion, the receipt of property under the Scheme by the Receiving Fund is not likely to result in any material prejudice to the interests of shareholders in the Receiving Fund, is consistent with the objectives of the Receiving Fund and can be effected without any breach of a rule in COLL 5 ( <i>Investment and borrowing powers</i> ) of the FCA Rules.
Depository	The Depository has informed the ACD by letter that, while expressing no opinion as to the merits of the Scheme and not having been responsible for the preparation of this document and not offering any opinion on the fairness or merits of the Scheme, which are matters for the judgement of shareholders of the Merging Fund, it consents to the references made to it in this document in the form and context in which those references appear.
FCA	The FCA has been informed of the proposal contained in this document and has confirmed by letter to the ACD that the Scheme, if adopted, will not affect the ongoing authorisation of the Receiving Fund.
Auditor	As independent auditor to BNY Mellon Investment Funds, Ernst & Young LLP has informed the ACD that, while expressing no opinion as to the merits of the Scheme and not having been responsible for the preparation of this document and not offering any opinion on the fairness or merits of the Scheme, which are matters for the judgement of shareholders of the Merging Fund, it consents to the references made to it in this document in the form and context in which those references appear and that in their opinion the method of calculation of the number of shares in the Receiving Fund to be issued to shareholders in the Merging Fund will produce the correct arithmetical result as regards shareholders in the Merging Fund and shareholders in the Receiving Fund.
UK tax clearances	<p>HMRC has given clearance by letter that the capital gains 'no disposal' rule will not be prevented from applying to the Scheme by virtue of the anti-avoidance restrictions. Accordingly, we expect the Scheme will not involve a disposal of shares in the Merging Fund for the purposes of tax on capital gains, and new shares in the Receiving Fund will have the same acquisition cost and acquisition date for capital gains tax purposes as the shares currently held by shareholders in the Merging Fund which they will replace.</p> <p>HMRC has given clearance by letter that it will not serve a counteraction notice in respect of the Scheme pursuant to the transactions in securities rules.</p>
Documents for inspection	<p>Copies of the documents listed below are available for inspection during normal business hours, Monday to Friday (excluding bank holidays), at the offices of BNY Mellon Fund Managers Limited, BNY Mellon Centre, 160 Queen Victoria Street, London, EC4V 4LA until the date of the shareholder meeting (or the date of any adjourned meeting). They are also available on request; please call our client services centre to request copies:</p> <ul style="list-style-type: none"> <li>the Instrument of Incorporation and Prospectus for BNY Mellon Investment Funds;</li> <li>the key investor information documents for both funds; and</li> <li>the letters from the Depository, the FCA and HMRC referred to above.</li> </ul> <p>Please contact the ACD if you require any additional information. You are also entitled to obtain a copy of the report of the independent auditor free of charge on request from the ACD.</p>