

BNY MELLON

MUNICIPAL FIXED INCOME

Why Municipals Are More
Than Just Tax Benefits



TAXABLE AND NON-TAXABLE INVESTORS ALIKE MAY BENEFIT FROM MUNICIPAL BONDS

Here's Why

Investors have historically looked to municipal bonds for tax-exempt income and for relative safety given their lower volatility profile when compared to other fixed-income asset classes. More recently, taxable and non-taxable investors alike are finding that municipal bonds have the potential to offer a greater benefit to their overall portfolio, such as a differentiated source of total return and greater diversification given the sector's relatively low correlations to other fixed-income sectors and to equities.

INCOME

Municipal bonds have the potential to offer attractive tax-equivalent yields relative to other fixed-income sectors.

TOTAL RETURN

U.S. municipal bonds have provided attractive absolute and relative performance over the past several years.

DIVERSIFICATION*

U.S. municipal bonds have the potential to offset volatility from other higher-risk areas* of a portfolio given their lower correlations.

BNY Investments, through its investment firm Insight, provides investors with access to an institutional pedigree in seeking best risk-adjusted return opportunities for municipal investing.

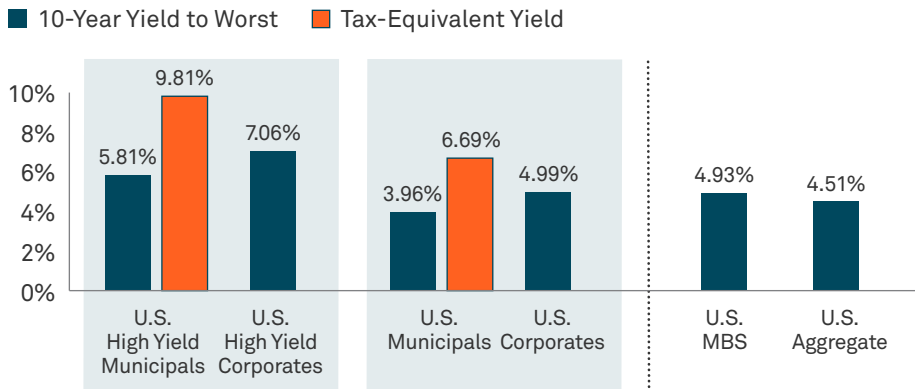
Our strategies draw on more than 80 years of municipal investing history in seeking to deliver attractive after-tax returns to our investors.

* All investments involve risk, including the possible loss of principal. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Asset allocation and diversification cannot assure a profit or protect against loss.

INCOME

Municipal bonds have the potential to offer attractive tax-equivalent yields relative to other fixed-income sectors.

TAX-EQUIVALENT YIELDS FOR MUNICIPAL BONDS LOOK RELATIVELY ATTRACTIVE TO INVESTORS SEEKING INCOME



The consistency of yield is almost as important as the size of yield when building financial plans and setting investment goals.

Over the past ten years, U.S. municipals, including the high yield subsector, have historically offered attractive yields relative to both their U.S. corporate and high yield corporate peers.

Sources: BNY Investments and Morningstar, as of 6/30/25. The **yield to worst** (YTW) is the lowest potential **yield** that can be received on a bond without the issuer actually defaulting. This metric is used to evaluate the **worst-case** scenario for **yield** to help investors manage risks and that specific income requirements will still be met even in the **worst** scenarios.

An attractive feature is that investors may not have to take on higher levels of default risk to potentially participate in these higher levels of take-home income.

For over 40 years, municipal bonds have historically had a materially lower default rate relative to corporate bonds. **Past performance is not indicative of future results.**

U.S. MUNICIPALS AND CORPORATE ISSUER DEFAULT HISTORY*

	Municipals ¹	Global Corporates ²
Aaa	0.00%	0.34%
Aa	0.02%	0.75%
A	0.10%	1.90%
Baa	1.05%	3.64%
Investment Grade	0.09%	2.23%
Speculative Grade	6.94%	29.81%

Source: Moody's Investors Service as of December 2022, Average Corporate Debt Recovery Rates for senior-unsecured bonds 1970–2022.

¹ The category shows the average performance of muni cohorts over a 10-year period. ² Global Corporates refers to all non-financial and financial corporates globally as tracked by Moody's.

* This study evaluates the performance of Moody's municipal ratings and their consistency with global corporate ratings. It covers public underlying ratings for all public finance issuers, including U.S. state and local governments, municipal utilities, not-for-profit hospitals, housing agencies, colleges and universities, as well as other municipal issuers with long-term debt ratings. It also includes certain infrastructure and project finance credits that are tracked in parallel in our infrastructure default study. Insured, enhanced, and letter of credit-backed ratings are excluded.

Moody's definition of default includes the following events: A missed or delayed disbursement of a contractually obligated interest or principal payment (excluding missed payments cured within a contractually allowed grace period), as defined in credit agreements and indentures. A bankruptcy filing or legal receivership by the debt issuer or obligation that will likely cause a miss or delay in future contractually obligated debt service payments. A distressed exchange whereby: (i) the issuer offers creditors a new or restructured debt, or a new package of securities, cash or assets, that amount to a diminished financial obligation relative to the original obligation; and (ii) the exchange has the effect of allowing the issuer to avoid a bankruptcy or payment default. A change in the payment terms of a credit agreement or indenture imposed by the sovereign that results in a diminished financial obligation, such as a forced currency re-denomination (imposed by the debtor, himself, or his sovereign) or a forced change in some other aspect of the original promise.

Average cumulative default rates (CDRs) show the historically observed incidence of default for a credit that would have otherwise remained outstanding over a fixed time horizon. CDRs are calculated by grouping credits by their rating on a particular date into cohorts and then tracking their performance over time. Cohorts are formed at monthly frequencies and then averaged over a year. For example, if a credit is rated Aaa on January 1, 2014, it would be grouped into a cohort of other credits rated Aaa on that date, regardless of its original rating.

TOTAL RETURN

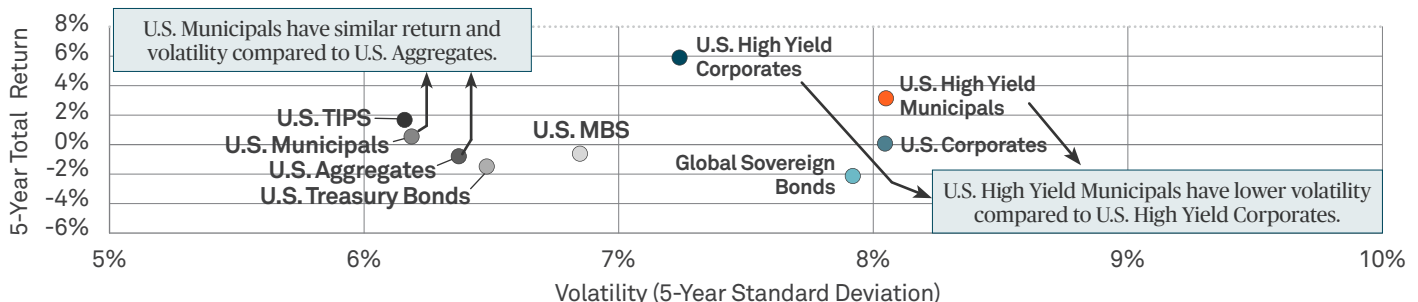
U.S. municipal bonds have provided attractive absolute and relative performance over the past several years.

U.S. MUNICIPAL BONDS AND HIGH YIELD MUNICIPAL BONDS HAVE HISTORICALLY PERFORMED RELATIVELY WELL WITHIN THE FIXED-INCOME SECTOR

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
U.S. Municipals 3.3%	U.S. High Yield Corporates 17.1%	U.S. High Yield Municipals 9.7%	U.S. High Yield Municipals 4.8%	U.S. Corporates 14.5%	U.S. TIPS 11.0%	U.S. High Yield Municipals 7.8%	U.S. Municipals -8.5%	U.S. High Yield Corporates 13.4%	U.S. High Yield Corporates 8.2%
U.S. Treasury 1.8%	U.S. Corporates 6.1%	U.S. High Yield Corporates 7.5%	U.S. Municipals 1.3%	U.S. High Yield Corporates 14.3%	U.S. Corporates 9.9%	U.S. TIPS 6.0%	U.S. High Yield Corporates -11.2%	U.S. High Yield Municipals 9.2%	U.S. High Yield Municipals 6.3
U.S. High Yield Municipals 1.8%	U.S. TIPS 4.7%	Global Sovereign Bonds 7.2%	U.S. Treasury 1.2%	U.S. High Yield Municipals 10.7%	U.S. Treasury 9.1%	U.S. High Yield Corporates 5.3%	U.S. TIPS -11.8%	U.S. Corporates 8.5%	U.S. TIPS 6.0%
U.S. MBS 1.5%	U.S. High Yield Municipals 3.0%	U.S. Corporates 6.4%	U.S. MBS 1.0%	U.S. Aggregates 8.7%	Global Sovereign Bonds 9.1%	U.S. Municipals 1.5%	U.S. MBS -11.8%	U.S. Municipals 6.4%	U.S. Corporates 2.1%
U.S. Aggregates 0.5%	U.S. Aggregates 2.6%	U.S. Municipals 5.4%	U.S. Aggregates 0.0%	U.S. TIPS 8.4%	U.S. Aggregates 7.5%	U.S. MBS -1.0%	U.S. Treasury -12.6%	U.S. Aggregates 5.5%	U.S. Aggregates 1.8%
U.S. Corporates -0.7%	Global Sovereign Bonds 1.7%	U.S. Aggregates 3.5%	Global Sovereign Bonds -0.4%	U.S. Municipals 7.5%	U.S. High Yield Corporates 7.1%	U.S. Corporates -1.0%	U.S. Aggregates -13.0%	U.S. MBS 5.1%	U.S. MBS 1.2%
U.S. TIPS -1.4%	U.S. MBS 1.7%	U.S. TIPS 3.0%	U.S. TIPS -1.3%	U.S. Treasury 7.5%	U.S. Municipals 5.2%	U.S. Aggregates -1.5%	U.S. High Yield Municipals -13.1%	U.S. Treasury 4.1%	U.S. Municipals 1.1%
Global Sovereign Bonds -2.7%	U.S. Treasury 1.1%	U.S. MBS 2.5%	U.S. High Yield Corporates -2.1%	U.S. MBS 6.4%	U.S. High Yield Municipals 4.9%	U.S. Treasury -3.0%	U.S. Corporates -15.8%	Global Sovereign Bonds 4.1%	U.S. Treasury 0.2%
U.S. High Yield Corporates -4.5%	U.S. Municipals 0.2%	U.S. Treasury 2.2%	U.S. Corporates -2.5%	Global Sovereign Bonds 5.9%	U.S. MBS 3.9%	Global Sovereign Bonds -6.0%	Global Sovereign Bonds -16.6%	U.S. TIPS 3.9%	Global Sovereign Bonds -3.0%

Source: Morningstar, as of 12/31/24.

Over the past five years, U.S. municipal bonds have offered a similar return to U.S. aggregate bonds, while the risk profile of high yield municipals compared with high yield corporates has been attractive. **Past performance is not indicative of future results.**



Sources: BNY Investments and Morningstar, as of 6/30/25. **High yield bonds** involve increased credit and liquidity risk than higher-rated bonds and are considered speculative in terms of the issuer's ability to pay interest and repay principal on a timely basis. Please see important definitions at back.

DIVERSIFICATION

U.S. municipal bonds have the potential to offset volatility from other higher-risk areas of a portfolio, such as high yield corporate bonds and equities, given their lower correlations to those fixed-income sectors and asset classes.

Beyond sector and asset class correlations, U.S. municipals also have a lower correlation to the federal funds rate, which should provide some peace of mind in an uncertain policy-rate environment.

FIVE-YEAR CORRELATIONS AMONG ASSET CLASSES

	U.S. Municipals	U.S. HY Municipals	U.S. Treasury Bonds	U.S. TIPS	U.S. Agg	U.S. Corporates	U.S. HY Corporates	U.S. MBS	Global Sovereign Bonds	U.S. Equities
U.S. Municipals	1.00									
U.S. High Yield Municipals	0.97	1.00								
U.S. Treasury Bonds	0.83	0.79	1.00							
U.S. TIPS	0.77	0.79	0.85	1.00						
U.S. Aggregates	0.89	0.87	0.97	0.85	1.00					
U.S. Corporates	0.90	0.89	0.92	0.84	0.98	1.00				
U.S. High Yield Corporates	0.75	0.79	0.65	0.79	0.75	0.82	1.00			
U.S. MBS	0.88	0.87	0.95	0.83	0.97	0.93	0.72	1.00		
Global Sovereign Bonds	0.83	0.80	0.92	0.83	0.94	0.92	0.74	0.89	1.00	
U.S. Equities	0.65	0.68	0.49	0.68	0.60	0.68	0.83	0.58	0.57	1.00

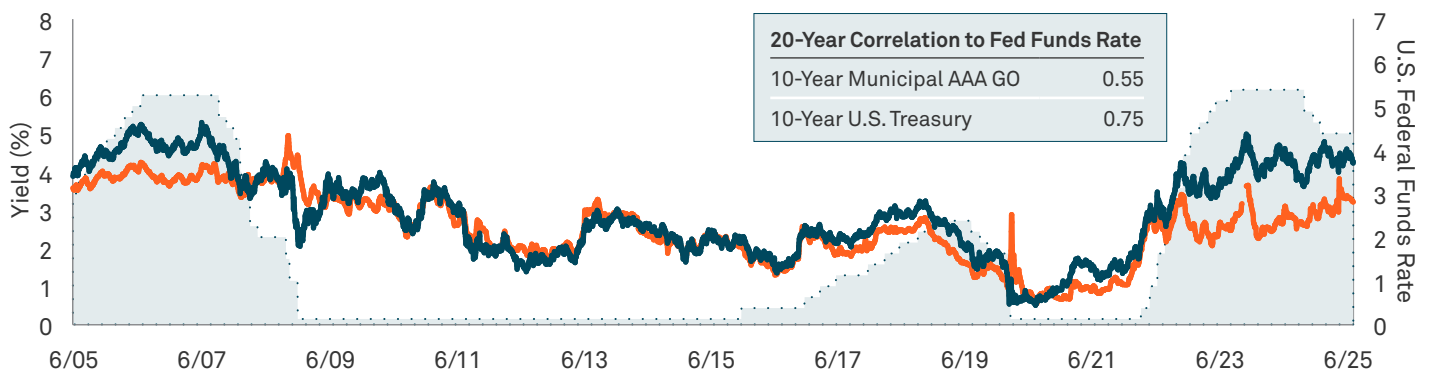
Historically, the correlation of U.S. Municipals to U.S. Equities has been closer to 0.

Sources: BNY Investments and Morningstar, as of 6/30/25.

Regardless of interest-rate direction, municipal yields have historically exhibited a lower correlation to Federal Reserve policy than their sovereign (U.S. Treasury) counterparts.

10-YEAR U.S. TREASURY AND MUNICIPAL YIELDS DURING 20 YEARS OF FEDERAL RESERVE POLICY

— 10-Year U.S. Treasury (left axis) — 10-Year Muni AAA General Obligation (GO) (left axis) ... U.S. Federal Funds Target Rate (right axis)



Sources: BNY Investments and Morningstar, as of 6/30/25.

BNY MELLON MUNICIPAL BOND FUNDS

Municipal bonds have the potential to offer attractive tax-equivalent yields relative to other fixed-income sectors.

TOTAL RETURNS AS OF JUNE 30, 2025

					Average Annual Returns (%)				
	Ticker	Expense Ratio (%) Total/Net	Unsubsidized 30-Day SEC Yield (%)	Subsidized 30-Day SEC Yield (%)	QTR (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Muni National/Intermediate									
BNY Mellon AMT-Free Municipal Bond Fund – Class I	DMBIX	0.43/0.43	4.15	4.15	-0.77	0.15	2.45	0.52	2.15
BNY Mellon AMT-Free Municipal Bond Fund – Class A (NAV)	DMUAX	0.68/0.68	3.73	3.73	-0.75	-0.03	2.22	0.26	1.90
BNY Mellon AMT-Free Municipal Bond Fund – Class A (4.50% max load)	DMUAX	0.68/0.68	3.73	3.73	-5.23	-4.54	0.66	-0.65	1.43
BNY Mellon Opportunistic Municipal Securities Fund – Class Z	DMBZX	0.72/0.72	4.01	4.01	-1.08	-0.39	2.29	0.56	2.09
BNY Mellon Opportunistic Municipal Securities Fund – Class A (NAV)	PTEBX	0.76/0.76	3.79	3.79	-1.09	-0.43	2.25	0.52	2.04
BNY Mellon Opportunistic Municipal Securities Fund – Class A (4.50% max load)	PTEBX	0.76/0.76	3.79	3.79	-5.52	-4.89	0.68	-0.40	1.57
Bloomberg Municipal TR USD					-0.12	1.11	2.50	0.51	2.20
High Yield Muni									
BNY Mellon High Yield Municipal Bond Fund – Class I	DYBIX	0.83/0.83	4.71	4.71	-2.17	-2.12	1.87	0.59	2.82
BNY Mellon High Yield Municipal Bond Fund – Class A (NAV)	DHYAX	1.06/1.06	4.25	4.25	-2.22	-2.35	1.64	0.36	2.58
BNY Mellon High Yield Municipal Bond Fund – (4.50% max load)	DHYAX	1.06/1.06	4.25	4.25	6.60	-6.75	0.09	-0.56	2.11
Bloomberg Municipal TR USD					-0.12	1.11	2.50	0.51	2.20
Muni National Short									
BNY Mellon Short Term Municipal Bond Fund – Class I	DIMIX	0.46/0.39	2.16	2.25	0.95	3.63	2.45	0.95	1.21
BNY Mellon Short Term Municipal Bond Fund – Class A (NAV)	DMBAX	0.71/0.64	1.81	1.93	0.89	3.37	2.20	0.70	0.96
BNY Mellon Short Term Municipal Bond Fund – (4.50% max load)	DMBAX	0.71/0.64	1.81	1.93	-1.65	0.82	1.34	0.18	0.71
Bloomberg Municipal 3 Yr 2–4 TR USD					0.97	3.94	2.60	1.24	1.50

BNY MELLON MUNICIPAL BOND FUNDS (continued)

TOTAL RETURNS AS OF JUNE 30, 2025

	Ticker	Expense Ratio (%) Total/Net	Unsubsidized 30-Day SEC Yield (%)	Subsidized 30-Day SEC Yield (%)	Average Annual Returns (%)				
					QTR (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
State Municipals									
BNY Mellon California AMT-Free Municipal Bond Fund Class I	DCMIX	0.66/0.66	3.91	3.91	-0.83	0.09	2.32	0.13	1.73
BNY Mellon California AMT-Free Municipal Bond Fund – (NAV)	DCAAX	0.89/0.89	3.51	3.51	-0.97	-0.22	2.04	-0.12	1.48
BNY Mellon California AMT-Free Municipal Bond Fund – (4.50% max load)	DCAAX	0.89/0.89	3.51	3.51	-5.44	-4.74	0.48	-1.03	1.02
BNY Mellon New York AMT-Free Municipal Bond Fund Class I	DNYIX	0.53/0.53	3.92	3.92	-0.80	1.14	1.05	0.86	1.83
BNY Mellon New York AMT-Free Municipal Bond Fund – (NAV)	PSNYX	0.77/0.77	3.51	3.51	-0.92	-0.48	1.99	0.10	1.60
BNY Mellon New York AMT-Free Municipal Bond Fund – (4.50% max load)	PSNYX	0.77/0.77	3.51	3.51	-5.38	-4.95	0.45	-0.83	1.14
Bloomberg Municipal TR USD					-0.12	1.11	2.50	0.51	2.20

The performance data quoted represents past performance, which is no guarantee of future results. Share price and investment return fluctuate and an investor's shares may be worth more or less than original cost upon redemption. Current performance may be lower or higher than the performance quoted. Performance for periods of less than 1 year are not annualized. *The funds offer multiple share classes, which are subject to different sales charges and distribution and servicing fees. Go to bny.com/investments for the fund's most recent month-end returns. The net expense ratios reflect a contractual expense reduction agreement through 12/31/2025 for BNY Mellon AMT Free Municipal Bond Fund, through 8/1/2025 for the BNY Mellon Short Term Municipal Bond Fund without which the performance would have been lower. The Net Expenses is the actual fund expense ratio applicable to investors. Not all classes of shares may be available to all investors or through all broker-dealer platforms.*

The total return performance figures are presented for a fund's Class I shares, unless otherwise noted. However, if the inception of a fund's listed share class is less than the time period of some returns reflected above, its performance history includes an older share class's performance adjusted for the applicable class's sales load and distribution/servicing fees. Had these fees and expenses been reflected for periods prior, performance would have been lower. Class I shares are available only to certain eligible investors.

LEARN MORE

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Mutual Fund Investors: Contact your financial professional or visit bny.com/investments

Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. To obtain a prospectus, or a summary prospectus, if available, that contains this and other information about a fund, contact your financial professional or visit bny.com/investments. Read the prospectus carefully before investing.

DEFINITIONS

ABS is Asset-Backed Securities. **AGG** is Aggregates. **ARM** is Adjustable rate mortgage. **CMBS** is Commercial Mortgage-Backed Securities. **EM** is Emerging Markets. **FDIC** is Federal Deposit Insurance Corp. **LLC** is Limited Liability Company. **MBS** is Mortgage-backed securities. **NAV** is Net Asset Value. **QTR** is Quarter. **SEC** is Securities and Exchange Commission. **TIPS** is Treasury Inflation-Protected Securities. **U.S.** is United States. **USD** is United States Dollar.

APPENDIX

The **Bloomberg Municipal 7 Yr TR USD** is the 7-year (6–8) component of the Bloomberg Barclays U.S. Municipal Bond Index. The **Bloomberg Municipal 1-3 Blend TR USD** is the 3-year (1-3) component of the Bloomberg Barclays Municipal Bond Index. The **Bloomberg U.S. Treasury Index** measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. The **Bloomberg U.S. Treasury Inflation-Linked Bond Index** (Series-L) measures the performance of the U.S. Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of U.S. TIPS are not index eligible and are excluded from the face amount outstanding of each bond in the index. The **Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and nonagency). Investors cannot invest directly in any index. The **Bloomberg U.S. Corporate Bond Index** measures the investment-grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers. The **Bloomberg U.S. Corporate High Yield Bond Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded. The **Bloomberg U.S. Mortgage Backed Securities (MBS) Index** tracks agency mortgage pass-through securities (no longer incorporates hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage. The **Bloomberg U.S. Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds. The **Bloomberg U.S. High Yield Municipal Bond Index** is an unmanaged index made up of bonds that are non-investment grade, unrated, or rated below Ba1 by Moody's Investors Service with a remaining maturity of at least one year. The **BofA Merrill Lynch Global Government Index** tracks the performance of investment-grade sovereign debt publicly issued and denominated in the issuer's own domestic market and currency. The **S&P 500® Index** is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. Investors cannot invest directly in any index.

RISKS

All investments involve risk, including the possible loss of principal. No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment. Asset allocation and diversification cannot assure a profit or protect against loss.

Bonds are subject to interest-rate, credit, liquidity, call and market risks, to varying degrees. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes and rate increases can cause price declines. **High yield bonds** involve increased credit and liquidity risk than higher-rated bonds and are considered speculative in terms of the issuer's ability to pay interest and repay principal on a timely basis. **Municipal income** may be subject to state and local taxes. Some income may be subject to the federal alternative minimum tax for certain investors. Capital gains, if any, are taxable.

The amount of public information available about municipal securities is generally less than that for corporate equities or bonds. Legislative changes, state and local economic and business developments, may adversely affect the yield and/or value of municipal securities. Other factors include the general conditions of the municipal securities market, the size of the particular offering, maturity of the obligation, and the rating of the issue. Income for national municipal funds may be subject to state and local taxes. Income may be subject to state and local taxes for out-of-state residents. Some income may be subject to the federal alternative minimum tax for certain investors. Capital gains, if any, are taxable.

DEFINITIONS

Beta is a measure of the volatility, or systematic risk, of a security or a portfolio in comparison to the market as a whole. The **Yield to Worst (YTW)** is the lowest potential yield that can be received on a bond without the issuer actually defaulting. **Duration** is a measure of volatility expressed in years; the higher the number, the greater the potential for volatility as interest rates change. **Total Return** Expressed in percentage terms, Morningstar's calculation of total return is determined each month by taking the change in monthly net asset value, reinvesting all income and capital-gains distributions during that month, and dividing by the starting NAV. **Standard Deviation** A statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. **Sharpe Ratio** A risk-adjusted measure developed by Nobel laureate William Sharpe. It is calculated by using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance. **Correlation** This indicates the strength and direction of a linear relationship between two random variables. The value will range between -1 and 1. A value of 1 indicates a perfect positive dependency and -1 indicates a perfect negative dependency between the two investments. A correlation value of 0 indicates that no relationship between the two investments exist, and they are said to be independent of each other. The correlation between two investments can be determined based on the returns of the investments or the excess returns of the investments over a risk-free rate. **Tax-Equivalent Yield** The tax-equivalent yield is the pretax yield that a taxable bond needs to possess for its yield to be equal to that of a tax-free municipal bond. **12-Month Yield** 12-Month Yield is the sum of a fund's total trailing 12-month interest and dividend payments divided by the last month's ending share price (NAV) plus any capital gains distributed over the same period. 12-Month Yield gives you a good idea of the yield (interest and dividend payments) your fund is currently paying. Mellon Investments Corporation assets include discretionary and non-discretionary assets, the notional value of overlay strategies, and assets managed by investment personnel acting in their capacity as officers of affiliated entities.

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