

Manager Commentary Q2 2026

BNY MELLON STRATEGIC MUNICIPALS, INC.

Ticker: LEO CUSIP 05588W108

Market Review

Municipal bonds generated positive results in the second quarter, supported by generally tax-exempt income, resilient credit fundamentals and strong demand despite elevated new issue supply. The Bloomberg U.S. Municipal Bond Index returned 2.50% for the quarter and 2.32% year to date through June, while the Bloomberg Municipal Bond High Yield Index returned 3.35% for the quarter and 4.09% year to date. Performance was strongest in longer maturities as the tax-exempt curve steepened and long-end yields declined, while lower-rated municipals continued to benefit from supportive credit conditions and investor demand for income.

Quarterly Performance

Average Annual Total Returns (06/30/2026)

Share Class /Inception Date	3 Month (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Fund at NAV 09/23/87*	4.60	4.13	11.36	4.52	-0.49	2.06
Fund at Market Price 09/23/87**	4.03	4.09	14.36	5.55	-2.14	1.06
Bloomberg U.S. Municipal Bond Index	2.50	2.32	7.03	3.76	1.05	2.15

The performance data quoted represents past performance, which is no guarantee of future results. Share price, yield 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. Returns are net of fund expenses, and assume reinvestment of distributions. Investors who purchase shares of the fund through a financial professional may separately pay a fee to that service provider. The returns do not reflect broker sales charges or commissions. Performance for periods less than 1 year is not annualized.

A fund's **NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. ****Market Price** performance is determined using the bid/ask midpoint at 4:00 p.m. Eastern time, when the NAV is typically calculated. Market performance does not represent the returns you would receive if you traded shares at other times.*

Total Expenses (06/30/2026)

Share Class	LEO
Gross ¹	2.85%
Net ²	2.73%

¹Gross expenses is the total annual operating expense ratio for the fund before any fee waivers or expense reimbursements. ²Net Expenses is the total annual operating expense ratio for the fund, after any applicable fee waivers or expense reimbursements. The net expense ratio(s) reflect a contractual expense reduction agreement through 11/30/2026, without which, the returns would have been lower. The Net Expenses is the actual fund expense ratio applicable to investors.

Market Review (continued)

The Federal Reserve (the Fed) held the federal funds target range at 3.50%–3.75% in June, noting that economic activity continued to expand at a solid pace while inflation remained above its 2% objective. Treasury yields rose across much of the curve during the quarter and the curve flattened, reflecting the competing forces of resilient growth, sticky inflation and uncertainty tied partly to the Middle East conflict. Against this backdrop, municipals continued to offer compelling taxable-equivalent income for high-tax investors, although rich ratios suggest that future returns may depend more on income, roll-down and security selection than on broad-based valuation improvement.

Market technicals were constructive over the quarter despite heavy issuance. June supply totalled approximately \$61 billion, above the recent five-year average for the month, and year-to-date issuance has remained elevated versus historical norms. However, demand has also been strong, with sustained inflows into municipal mutual funds and ETFs, while reinvestment demand from coupons and maturities remains an important offset to the primary calendar.

The Iran conflict disrupted traffic through the Strait of Hormuz earlier in the quarter and contributed to a sharp increase in oil-price volatility. Shipping restrictions, insurance costs and the possibility of renewed disruption remain relevant risks.

Performance Review

The BNY Mellon Strategic Municipals Fund outperformed its index during the second quarter of 2026. Positive performance was primarily driven by the Fund's long duration stance, and overweight in 30-year maturities as municipal yields compressed during the quarter. Sector allocation was additive, with strong contributions from health care, housing, industrial revenue, and tobacco securities. Security selection was positive with standouts from healthcare, power, transportation and water/sewer securities.

Market Outlook

We remain positive on the municipal market. The balance between supply and healthy reinvestment demand will likely remain an important driver of near-term performance.

The macro backdrop remains mixed. While softer payroll data reduced the likelihood of an immediate Fed hike, it did not eliminate policy uncertainty given inflation remains above target. The front end of the Treasury curve remains particularly sensitive to incoming inflation and labor-market data, while municipals continue to benefit from attractive tax-exempt income and strong demand from mutual fund and ETF buyers.

Municipal credit conditions remain generally strong, but geopolitical and energy-related risks continue to warrant close monitoring. For municipal issuers, this environment keeps the focus on sectors most exposed to energy costs, trade flows, travel demand and operating flexibility, including airports, toll roads, seaports, utilities and transit systems.

Market technicals will endure some slight pressure but should remain supportive. At the same time, redemptions, coupon payments and continued fund inflows should help absorb supply. We believe periods of heavier issuance or geopolitical risk-related volatility may create opportunities to add high-quality credits at more attractive levels, particularly where spreads compensate for liquidity or structural complexity.

Our municipal bond portfolios seek to deliver tax-exempt income while maintaining disciplined credit diversification and liquidity. We continue to prefer durable revenue-backed structures, including essential-service credits such as water and sewer and public power, while selectively using sectors such as healthcare, prepay gas and housing where we believe credit fundamentals and structure are attractive. Our duration stance is neutral to modestly long versus benchmarks, with a preference for maintaining flexibility amid elevated rate volatility. The intermediate portion of the curve remains attractive, in our view, as it offers meaningful, generally tax-exempt income, potential roll-down benefit, and a more defensive profile than the longest maturities.

DISCLOSURES

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. Past performance is no guarantee of future results.

Risks

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. **Municipal income** may be subject to state and local taxes. Some income may be subject to the federal alternative minimum tax for certain investors. **U.S. Treasuries** while the U.S. Government guarantees the timely payment of principal and interest on its securities, portfolios that invest in such securities are not guaranteed and will fluctuate in value. Capital gains, if any, are taxable. Portfolio composition is subject to change at any time. The fund is **non-diversified**, which means the fund may invest a relatively high percentage of its assets in a limited number of issuers. Performance may be more vulnerable to changes in the market of a single issuer. **Shares of closed-end funds (CEF)** are sold in the open market through a stock exchange. Shares may only be purchased or sold through registered broker/dealers. Closed-end funds, unlike open-end funds, are typically not continuously offered. An investment in CEFs presents a number of risks and is not appropriate for all investors. Investors should carefully review and consider potential risks before investing. Closed End Funds (CEFs) are exposed to much of the same risk as other exchange traded products, including liquidity risk on the secondary market, credit risk, concentration risk and discount risk. Shares of closed-end funds frequently trade at a market price that is below their net asset value. This is commonly referred to as "trading at a discount". This characteristic of shares of closed-end funds is a risk separate and distinct from the risk that the fund's net asset value may decrease.

Asset allocation and diversification cannot ensure a profit or protect against loss in declining markets.

The **Bloomberg U.S. Municipal Bond Index** is an unmanaged total return performance benchmark for the long-term, investment-grade, tax-exempt bond market. Reflects investments of dividends and, where applicable, capital gain distributions. The **Bloomberg Municipal High Yield Index** tracks the performance of the non-investment grade, tax-exempt municipal bond market in the US. Investors cannot invest directly in any index.

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Definitions

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

A **yield curve** is a line that plots the yields or interest rates of bonds that have equal credit quality but different maturity dates. The slope of the yield curve predicts the direction of interest rates and the economic expansion or contraction that could result. **Duration** is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates. A bond's duration is easily confused with its term or time to maturity because they are both measured in years. However, a bond's term is a linear measure of the years until repayment of principal is due; it does not change with the interest rate environment. Duration, on the other hand is non-linear and accelerates as time to maturity lessens. **Sticky inflation** refers to a persistent economic scenario where prices for goods and services do not adjust quickly to changes in supply and demand dynamics.

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