BNY Mellon Floating Rate Income Fund

MANAGER COMMENTARY | Q3 2025

Class A **DFLAX** Class C **DFLCX** Class I **DFLIX**

Describe the performance of the fund relation to its benchmark during the last three months.

BNY Mellon Floating Rate Income Fund (Class A shares at NAV) underperformed its benchmark, the Credit Suisse Leveraged Loan Index (the "Index"), during the third quarter of 2025.

Mid-quality single-B loans outperformed in Q3 while lower quality CCCs and, to a lesser degree, high quality BBs underperformed. Quality selection was positive due to our overweight to Bs and underweight BBs. Sector allocation was modestly negative with underweights in Broadcasting, Technology, and Building Materials along with an overweight in Packaging weighing on performance. This was partially offset by a more favorable underweight in Automotive and overweight in Other Media. Credit selection was positive with outperformance in Chemicals, Other Media, and Retail. This was somewhat mitigated by weak selection primarily within Automotive and, to a lesser extent, Technology. High yield bonds and collateralized loan obligations (CLO) bonds added to performance while cash was a drag on returns.

US bank loans generated a 4.69% return through the third quarter of 2025 in an environment marked by economic uncertainty and market volatility. Loan market technicals started the year firm and rebounded following the tariff induced April sell-off. CLO demand for loans remained solid with net creation totaling $95bn. Retail funds saw inflows of 3.1bn. Net new issuance of $102bn struggled to keep pace with demand, especially towards the end of the period. At an average price 3 points below par and yields just below 8% (including a forward rate curve that builds in 4-5 rate cuts over the next year), we see loans offering attractive absolute and relative value.

Fortunately, we believe the fund is well positioned as we enter this period of uncertainty and turbulence. We are underweight most tariff vulnerable credits and sectors as well as most cyclical industries. We have reduced overall portfolio risk and have ample liquidity to take advantage of market dislocations.

How is the fund currently positioned and what is your current strategy?

We continue to prefer mid-quality Bs and select CCCs while remaining underweight high-quality BB and BBB loans, most of which trade at or above par. While we avoid credits that are vulnerable to Liability management exercises (LME) activity, we are finding opportunities in the most senior tranches of credits that have exited LME restructurings and offer above market yields with risk mitigation. We see attractive value in European loans which are generally more defensive, and tariff insulated. We hedge all currency risk and benefit from attractive hedging economics. Finally, we are maintaining our modest position in CLO BBs due to their attractive carry and will seek to add exposure if spreads widen.

BNY Mellon Floating Rate Income Fund

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, investors should contact their financial professional or visit bny.com/investments. Investors should read the prospectus carefully before investing. Not all classes of shares may be available to all investors or through all broker-dealer platforms. 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. **Floating rate bank loans** are often less liquid than other types of debt instruments. There is no assurance that the liquidation of any collateral from a secured bank loan would satisfy the borrower's obligation, or that such collateral could be liquidated. **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. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries. The use of derivatives involves risks different from, or possibly greater than, the risks associated with investing directly in the underlying assets. Derivatives can be highly volatile, illiquid, and difficult to value and there is the risk that changes in the value of a derivative held by the portfolio will not correlate with the underlying instruments or the portfolio's other investments.

The **Credit Suisse Leveraged Loan Index** is a monthly rebalanced index. It is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. Investors 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. **Liability management exercises (LME)** is the practice by banks of maintaining a balance between the maturities of their assets and their liabilities in order to maintain liquidity and to facilitate lending while also maintaining healthy balance sheets. In this context, liabilities include depositors' money as well as funds borrowed from other financial institutions. Mergers and Acquisitions (M&A), which is the process of combining companies through a variety of transactions. Leveraged Buyout (LBO), a financial transaction where a company is acquired using a large amount of borrowed money.Bond ratings reflect the rating entity's evaluation of the issuer's ability to pay interest and repay principal on the bond on a timely basis. Bonds rated BBB/Baa or higher are considered investment grade, while bonds rated BB/Ba or lower are considered speculative as to the timely payment of interest and principal. Credit ratings reflect only those assigned by Nationally Recognized Statistical Rating Organizations (NRSRO) that have rated fund holdings. Split rated bonds, if any, are reported in the higher rating category.

Definitions

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

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The fund's investment adviser is BNY Mellon Investment Adviser, Inc., and the fund's sub-adviser is Alcentra NY, LLC ("Alcentra NY"). 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 BNY. Alcentra NY is not affiliated with BNY Mellon Securities Corporation or The Bank of New York Mellon Corporation. BNY is the corporate brand 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.

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