

# BNY Mellon Core Plus Fund

## MANAGER COMMENTARY | Q1 2025

Class A **DCPAX**    Class I **DCPIX**    Class Y **DCPYX**

### MARKET REVIEW

Risk assets struggled given uncertainty as President Trump's administration spurred uncertainty and risk market volatility relating to its tariff policies.

The administration implemented additional 25% tariffs on Canada and Mexico (with Canadian energy an exception at 10%). However, policymakers quickly put the tariffs on a 30-day pause. After the pause, the administration implemented the tariffs but subsequently amended them to exempt imports satisfying United States–Mexico–Canada Agreement (USMCA) rules of origin requirements. The administration also enforced additional 10% tariffs on China and 25% blanket tariffs on steel and aluminum imports from most countries (amending tariffs implemented in 2018). This prompted retaliations from Canada, China and the European Union (EU). The administration also announced 25% tariffs on autos and 25% tariffs on those buying oil from Venezuela, to take effect in April.

"Politics will remain uncertain, but most economists believe tariffs will result in higher near-term inflation and cause a drag on growth."

### PERFORMANCE SUMMARY

For the quarter ended March 31, 2025, the Fund's Class I shares returned 2.40%, excluding sales charges. In comparison, the Fund's unmanaged benchmark, the Bloomberg U.S. Aggregate Bond Index, returned 2.78% for the same period.

#### Average Annual Total Returns (3/31/25) \*

Share Class / Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Class A (NAV) 2/18/18	2.45%	2.45%	4.81%	0.84%	1.23%	2.18%
Class A (4.50% max. load)	-2.18%	-2.18%	0.11%	-0.69%	0.31%	1.71%
Class I (NAV) 2/18/18	2.40%	2.40%	4.95%	1.06%	1.46%	2.35%
Class Y (NAV) 12/2/10	2.52%	2.52%	5.13%	1.11%	1.53%	2.39%
Bloomberg U.S. Aggregate Bond Index	2.78%	2.78%	4.88%	0.52%	-0.40%	1.46%

Returns are net of fund expenses and assume reinvestment of distributions. 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 less than 1 year is not annualized. Go to [bny.com/investments](https://bny.com/investments) for the fund's most recent month-end returns. Returns assume the reinvestment of dividends and capital gains, if any.

#### Total Expenses (3/31/25)

Share Class	Gross <sup>1</sup>	Net <sup>2</sup>
Class A	0.72%	0.70%
Class I	0.47%	0.45%
Class Y	0.40%	0.40%

<sup>1</sup>Gross expenses is the total annual operating expense ratio for the fund, before any fee waivers or expense reimbursements. <sup>2</sup>Net 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 12/31/2025, without which, the returns 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.

## MARKET REVIEW (continued)

The Federal Open Market Committee (FOMC) announced a slowdown in “quantitative tightening” (QT). From April it will allow a limit of \$5bn of Treasuries per month to “roll off” its balance sheet, down from \$25bn. It left its cap on agency Mortgage-backed securities (MBS) unchanged at \$35bn. The central bank’s quarterly summary of economic projections reflected higher inflation and lower growth forecasts for 2025, with tariffs a major factor. It forecast headline and core inflation at 2.7% and 2.8%, respectively at the end of this year, both up from its 2.5% forecast in December. It also projected Gross Domestic Product (GDP) at 1.7% this year, down from its previous 2.1% forecast. However, the committee made no changes to its median “dot plot” Fed funds rate projections.

Inflation was relatively stable over the period. Headline Consumer price index (CPI) rose slightly from 2.7% to 2.8% and core CPI fell from 3.3% to 3.1%. PCE remained at 2.5% while Core Personal consumption expenditures (PCE) remained at 2.8%. The data did, however, show some encouraging progress in stubborn core services sectors, indicating continued disinflationary momentum ahead of tariff impacts. Consumer confidence deteriorated, however, with the University of Michigan and Conference Board’s consumer survey reporting consumer 1-year and 5-year inflation expectations at 5% and 4.1% per annum (pa) respectively.

The labor market was also relatively stable, with the 6-month rolling average of monthly payroll gains trending at ~180,000. The household survey was weaker, however, with employment falling 588,000. The unemployment rate fell from 4.2% to 4.1%. Notably, however, the U6 underemployment rate (a broader measure that includes those that have stopped looking for work and involuntary part-time workers) rose from 7.7% to 8%, the highest since October 2021.

Equity markets fell sharply, with the S&P 500 and Magnificent 7 indices delivering 4.3% and -16% total returns respectively. Treasury yields fell by up to 43bp across the curve in a flight to quality move. The Bloomberg US Corporate Investment Grade index and the Bloomberg US Corporate High Yield index delivered excess returns of -0.85% and -1.13% respective. However, on a total return basis both indices still ended the quarter in positive territory, at 2.31% and 1% respective, driven by contributions from duration exposure and coupon income.

## PERFORMANCE REVIEW

Underperformance was primarily due to the fund’s overweight allocation to risk assets, specifically high yield and investment grade credit. The main positioning change involved adding modest yield and optimizing security selection.

Duration and yield curve positioning was a slight positive during the period. The fund entered the period with a curve steepening bias, which contributed negatively versus the benchmark as the US Treasury curve flattened, albeit we achieved alpha from the overall long duration bias within the fund. There were relative value trades within certain non-US rates which were a modest detractor from performance. However, we took profits on other rates trades, including our euro inflation overweight, short positions in Japanese government bonds, and short positions in Canada and Sweden versus Australia. We maintained the fund’s overweight position in US 5-year duration and UK 30-year duration.

From a sector perspective, the fund’s energy overweight underperformed, as did the auto, and utility overweights. Security selection had a minor negative impact, mainly owing to Agency MBS coupon positioning. We adjusted the fund’s agency MBS allocation to focus on higher coupon exposure, a more defensive posture with respect to interest rate volatility. During January and February, the fund increased its exposure to corporate credit by approximately 2%, focusing on high yield and US domestic tickers. This included a modest but selective increase in exposure to domestic energy and cyclical sectors, such as autos, while decreasing exposure to transportation, financial, and non-cyclical sectors.

## MARKET OUTLOOK

Politics will remain uncertain, but most economists believe tariffs will result in higher near-term inflation and cause a drag on growth. Overall, however, we remain cautiously positive on investment grade credit. Spread repricing, relatively high absolute yields and the contractual nature of may continue to draw investors towards credit markets given equity volatility and valuations.

We expect issuance to remain elevated through the first half of 2025 as corporate treasurers seek to take advantage of demand. This could create attractive opportunities to add exposure cheaply. A significant driver of returns might be the extent the headwind to growth from tariffs could be offset by interest rates. We expect politically induced volatility to offer significant opportunities for active managers, particularly those focused on security and sector selection as well as those able to take a global approach.

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**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](https://bny.com/investments). Read the prospectus carefully before investing. Past performance is no guarantee of future results.**

\* The BNY Mellon Core Plus Fund ("Fund") commenced operations after the assets of a predecessor mutual fund reorganized into the fund on 2/2/18. Performance for Class Y is the performance from the predecessor fund. The predecessor fund was the Cutwater Investment Grade Bond Fund, Institutional Class, inception on 12/2/2010, and was renamed to the Insight Investment Grade Bond Fund following BNY's purchase of Cutwater Asset Management on 1/2/2015. The total return performance figures for Class A and I shares of the Fund represent the performance of the Funds Class Y shares for periods prior to 2/2/18, the inception date for Class A and I shares, and the performance of Class A and I shares, from that inception date. Performance reflects the applicable class distribution/servicing fees since the inception date. Investors should consider, when deciding whether to purchase a particular class of shares, the investment amount, class restrictions, anticipated holding period and other relevant factors. Additionally, on 10/19/2018 the Fund received the merged assets of Dreyfus Intermediate Term Income Fund, the performance of which is not reflected above.

### 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. 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. 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. **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. **Mortgage-backed securities:** Ginnie Maes and other securities backed by the full faith and credit of the United States government are guaranteed only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate. Privately issued mortgage-related securities also are subject to credit risks associated with the underlying mortgage properties. These securities may be more volatile and less liquid than more traditional, government-backed debt securities.

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). The **Bloomberg US Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers. The **Bloomberg 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 Bloomberg's EM country definition, are excluded. Investors cannot invest directly in any index.

**Mortgage-Backed Security (MBS)** is an investment similar to a bond that is made up of a bundle of home loans bought from the banks that issued them. Investors in MBS receive periodic payments similar to bond coupon payments. **Asset-Backed Security (ABS)** is a financial security such as a bond or note which is collateralized by a pool of assets such as loans, leases, credit card debt, royalties, or receivables. The **Consumer Price Index (CPI)** is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. A **yield curve** is a line that plots yields, or interest rates, of bonds that have equal credit quality but differing maturity dates. **Gross Domestic Product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. **Personal Consumption Expenditures (PCE)** also known as consumer spending, is a measure of the spending on goods and services by people of the United States. A **yield curve** is a line that plots the yields or interest rates of bonds that have equal credit quality but different maturity dates. **Investment grade** refers to the quality of a company's credit. To be considered an investment grade issue, the company must be rated at 'BBB' or higher by Standard and Poor's or 'Baa' or higher by Moody's. **The Federal Open Market Committee (FOMC)**, is the Federal Reserve's policymaking body responsible for setting and implementing monetary policy in the United States, primarily through open market operations to influence interest rates and the money supply. **Quantitative tightening (QT)** is a contractionary monetary policy used by central banks to reduce liquidity and the money supply in the economy, typically after a period of quantitative easing (QE), by selling assets or allowing them to mature without reinvesting the proceeds.

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