BNY Mellon High Yield Fund

MANAGER COMMENTARY | Q2 2025

Class A **DPLTX** Class C **PTHIX** Class I **DLHRX**

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

BNY Mellon High Yield Fund outperformed the ICE BofA U.S. High Yield Constrained Index during the first quarter of 2025.

The high yield (HY) market experienced elevated volatility during the quarter owing to the "Liberation Day" announcements and subsequent refinements. During this time, yields on the 10-yr US Treasury went from 4.20% on 3/31 to 4.23% on June 30 and HY spreads declined from 355 to 296 basis points (bps), respectively. During the quarter, CCCs outperformed with a 4.28% return versus 3.46% for BBs.

Despite numerous headwinds, the US HY market posted a strong 4.55% return in the first half of 2025. Spreads were volatile in the first half (1H), swinging over 200bps from peak-to-trough, and finished 4bps wider to 296bps. US HY ranked as one of the stronger performers within fixed income.

Dispersion was more pronounced in 1H25. Quality outperformed with BBs posting a 4.97% gain, comfortably ahead of CCCs 3.58%. Spreads for BBs compressed 15bps YTD but CCCs widened 140bps. Major sector winners included Telecom, Broadcasting, and Healthcare, while Retail, Airlines and Packaging lagged.

Capital market activity gained momentum in June, but overall volumes remain below last yr to the tune of 9%. CCC issuance has been muted, accounting for less than 1.5% of total issuance. Mutual fund flows totaled $7.1B in 1H. Default activity remains subdued at 1.4% and should remain low over next 6 months; distressed HY remains modest at 2.7% of the HY index. Maturities over next 2 years are elevated at 9.4% of the index, ranking in the 97th percentile since 2006.

Performance was driven by strong security selection. This included by selection in Energy, including distressed names that were not owned, and companies that were targets of mergers and acquisitions (M&A). Additionally, selection in Building Products and Utilities were accretive. Selection was partly offset by Cable/Satellites and Media. The Fund's weighting in credit quality was modestly accretive, including its slight overweight in CCCs. Worth noting that the Fund came into 2Q underweight lower quality and tactically added amidst the volatility of the tariff announcements. Sector allocation was mildly positive, benefiting from an underweight in Retail, offset in part by an underweight in Broadcasting. Allocations to bank loans and structured credit was modestly negative given their underperformance to HY and cash was a drag.

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

In terms of positioning, we remain decently skewed in single B risk and have steadily taken profits from CCC-risk positions acquired during volatility of Liberation Day. Overall yields are consistent with the index despite higher quality positioning, helped in part by exposures in bank loans, structured credit and European HY, and overall portfolio duration below. We continue to favor Healthcare, Telecom, and Financials and underweight cyclicals and discretionary spend sectors.

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. **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 ICE BofA Merrill Lynch U.S. High Yield Master II Constrained Index contains all securities in the ICE BofA Merrill Lynch U.S. High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%. Issuers that exceed the limit are reduced to 2% and the face value of each of their bonds is adjusted on a pro-rata basis. Similarly, the face values of bonds of all other issuers that fall below the 2% cap are increased on a pro-rata basis. In the event there are fewer than 50 issuers in the index, each is equally weighted, and the face values of their respective bonds are increased or decreased on a pro-rata basis. This index is the benchmark of the fund. Investors cannot invest directly in any index. **Distressed assets** are assets that a company or individual has been forced to place for sale at a significant discount to the acquired or actual value.

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 Investments is the brand name for the investment management business of BNY and its investment firm affiliates worldwide. 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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