

BNY Mellon Appreciation Fund, Inc.

MANAGER COMMENTARY | Q2 2025

Investor Shares **DGAGX** Class I **DGIGX**

MARKET REVIEW

The S&P 500 Index gained 10.94% in the second quarter to reach new record highs; however, these strong gains mask the heightened volatility throughout the period due to tariff policy uncertainties. Announced U.S. trade policies triggered a global equity sell-off in April, driven by concerns of potential trade wars, rising consumer prices, and the heightened risks of a broader economic slowdown. However, markets recovered in the second half of the quarter as investors welcomed a de-escalation in trade tensions, along with strong corporate earnings reports, resilient consumer spending data, and accommodative central bank policies.

“We expect volatility to continue as markets await further clarity on the potential impacts of tariffs and the direction of monetary and fiscal policies.”

At the beginning of April, President Trump announced sweeping tariffs on America's trade partners, stating a goal to lower America's trade imbalances and achieve bilateral trade deficits of zero. Specifically, these policies would include tariffs on China at 34%, the European Union (E.U.) at 20%, and Asian trade partners, such as Vietnam, Japan, Taiwan, and South Korea (with tariffs ranging from 20-46%). For countries where the U.S. runs a trade surplus, a baseline 10% tariff was announced. Investors were shocked and rattled; stocks sold off as the magnitude of these tariffs were far more pervasive than initially anticipated. A week later, a 90-day pause was instituted, and a universal 10% baseline tariff was enacted to allow for further negotiations.

The only country excluded from the 90-day pause was China, which saw a 145% tariff applied (a level reached through a series of escalations); China responded by levying a 125% tariff on American-made goods. After trade representatives from the U.S. and China met in May, the U.S. trimmed Chinese tariffs from 145% to 30% and China cut its tariffs on American-made goods from 125% to 10%. This de-escalation between the world's two largest economies set the stage for further negotiations and drove a rebound in global equity performance. As similar patterns emerged in trade negotiations with countries across Asia, the E.U., Canada, and elsewhere, equity markets rallied, and market participants expected that trade deals with the U.S. were ultimately achievable, despite the Trump administration's tough initial stance.

PERFORMANCE SUMMARY

The BNY Mellon Appreciation Fund underperformed the S&P 500 Index in the second quarter of 2025.

Average Annual Total Returns (6/30/25)

Share Class / Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Investor Shares (NAV) / 01/18/84	8.80%	5.22%	6.86%	14.69%	12.87%	12.05%
Class I (NAV) / 08/31/16	8.84%	5.34%	7.11%	14.94%	13.14%	12.28%
S&P 500 Index	10.94%	6.20%	15.16%	19.71%	16.64%	13.65%

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 for the fund's most recent month-end returns. Returns assume the reinvestment of dividends and capital gains, if any.

Total Expenses (6/30/25)

Share Class	Gross ¹	Net ²
Investor Shares	0.88%	0.88%
Class I	0.65%	0.65%

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 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.

Not FDIC-Insured. Not Bank-Guaranteed. May Lose Value

 **BNY** | INVESTMENTS

The U.S. Federal Reserve chose to hold rates steady in the quarter, as the agency anticipated an uptick in inflation with businesses potentially passing on higher tariff costs to consumers via price increases. In contrast, America's tariff announcements would likely challenge growth prospects for an already stagnant Europe and export-dependent Asia. In response to trade tensions, major central banks across Europe and Asia cut their respective interest rates to ease credit conditions in a shift of their collective focus from fighting inflation to supporting economic growth.

During the first quarter earnings season, corporations reported better-than-expected earnings growth and addressed key investor themes, including the consumer outlook, continued artificial intelligence (AI) investments, and strategies to navigate a dynamic tariff environment. Overall, consumer spending remained strong and undeterred by the myriad of tariff threats, which drove earnings growth. However, companies have issued more cautious outlooks and have paused investment plans. The large technology companies within the S&P 500 reported strong earnings and issued better-than-expected guidance and higher capital expenditure plans to expand AI computing capacity in the year ahead, which drove equity gains and positive sentiment.

The S&P 500 recovered from the tariff shocks, but uncertainty related to global trade policies continues to weigh on investor sentiment. Geopolitical risk re-entered the conversation as conflict between Israel and Iran erupted, but the two nations quickly agreed to a ceasefire. This caused volatility in the price of crude oil globally, but didn't derail the stock gains that were driven by tariff de-escalation and strong earnings.

PERFORMANCE REVIEW

The Fund trailed the Index driven by an overall negative stock selection effect. The Fund benefited from a positive selection effect within the industrials and health care sectors, which both contributed positive relative performance. The Fund's underweight allocation within the utilities sector also boosted relative performance.

Conversely, the dual impact of negative allocation and selection effects across the financials sector detracted from relative performance. Negative stock selection effects across the information technology and consumer discretionary sectors resulted in relative underperformance.

TOP CONTRIBUTORS

The top contributors to relative performance include **Microsoft, NVIDIA, Amazon.com, Meta Platforms, and BAE Systems.**

TOP DETRACTORS

The top detractors from relative performance include **UnitedHealth Group, Apple, Chevron, LVMH Moet Hennessy Louis Vuitton, and Berkshire Hathaway.**

MARKET OUTLOOK

The Fund's investment philosophy remains steadfast during periods of heightened uncertainty. While we expect volatility to continue as markets await further clarity on the potential impacts of tariffs and the direction of monetary and fiscal policies, we have conviction in the long-term strength of the capital markets. We believe that the companies held in the Fund, which are comprised of global industry leaders, are well-equipped to navigate near-term market challenges.

We will continue to stay vigilant and invest in accordance with our long-standing investment philosophy, as we have done during previous periods of uncertainty. We believe long-term value is driven by companies in dominant global market-leading businesses in structurally attractive industries operating in multiple geographies, led by skilled management teams capable of achieving resilient, sustainable earnings growth.

Top 10 Holdings (6/30/25)	
Microsoft Corporation	8.32%
Apple	6.44%
Amazon.com	6.17%
NVIDIA Corporation	5.71%
Alphabet	4.20%
Meta Platforms	3.80%
Visa	3.43%
Intuit	3.00%
ASML Holding	2.88%
Texas Instruments	2.82%
The holdings listed should not be considered recommendations to buy or sell a security. Large concentrations can increase share price volatility.	

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. For more information, call 1-800-373-9387 or visit bny.com/investments. Read the prospectus carefully before investing. Investors should discuss with their financial professional the eligibility requirements for Class I shares, which are available only to certain eligible investors, and the historical results achieved by the fund's respective share classes.

Past performance is no guarantee of future results.

Risks

Equities are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. 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.

Index Definitions

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. An investor cannot invest directly in any index.

Definitions

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

Artificial intelligence (AI) refers to computer systems that can perform tasks typically requiring human intelligence, such as visual perception, speech recognition, decision-making, and language translation. **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.

As of 6/30/25 the companies mentioned represented 38.29% of the fund's portfolio in the aggregate. The holdings listed should not be considered recommendations to buy or sell a particular security. Other holdings may not have performed as well as some of those listed herein. Portfolio composition is subject to change at any time.

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