

BNY Mellon High Yield Strategies Fund

MANAGER COMMENTARY | Q2 2025

Ticker: **DHF** CUSIP: 09660L105

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

BNY Mellon High Yield Strategies Fund outperformed the ICE BofA U.S. High Yield Constrained Index. Performance benefited from the Fund's overweight in US High Yield (HY) versus European HY. During June, the Fund sharply increased its allocation to European HY given valuations and maintained a modest overweight (OW) by quarter end. Performance was also 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 Financials 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. Cash was a modest drag during the quarter.

Despite numerous headwinds, the US HY market posted a strong 4.55% return in the first half of 2025. The HY market experienced elevated volatility during the quarter owing to the "Liberation Day" announcements and subsequent refinements. US HY outperformed during the quarter, including a 3.57% return versus 2.66% for European HY. Spreads were volatile in 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, outperforming loans, IG, Munis and the EMBI.

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.

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 cyclical 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 im.bnymellon.com. 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. 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 **use of leverage** magnifies the fund's investment, market and certain other risks. For derivatives with a leverage component, adverse changes in the value or level of the underlying asset, reference rate or index can result in a loss substantially greater than the amount invested in the derivative itself. **The Fund is subject to investment risk, including the possible loss of the entire amount you invest.**

Closed-end fund shares (CEFs) are not deposits or obligations of, or guaranteed by, any bank and are not insured by the FDIC or any other agency. CEFs are subject to investment risk, including possible loss of principal amount invested. An investment in the fund may be speculative and it involves a high degree of risk. No assurance can be given that a fund will achieve its investment objective. 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.

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.

The ICE BofA U.S. High Yield Constrained Index is a market-value-weighted index of all domestic and Yankee high-yield bonds, including deferred interest bonds and payment-in-kind securities. **The ICE BofA 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.

Spread generally refers to the difference between two prices or rates. This can be seen in various contexts, including bid-ask spreads in trading, yield spreads on bonds, and credit spreads. The letters or numbers used to express a **credit rating** or credit score express the creditworthiness of the individual, business, or government being assessed. A typical credit rating scale uses the following letter ratings: AAA, AA, A, BBB, BB, B, CCC, CC, C, and D. **Basis points (bps)** basis point (bps) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001.

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