

# BNY Mellon Small/Mid Cap Growth Fund

## MANAGER COMMENTARY | Q2 2025

Class A **DBMAX**    Class I **SDSCX**

### MARKET REVIEW

Equity markets were generally higher across developed and emerging markets as the US retreated on its harshest tariff threats and signs the Federal Reserve (Fed) may begin cutting rates as inflation stabilized. Markets largely looked past geopolitical uncertainty in June as Israel launched surprise airstrikes on Iran's nuclear sites, prompting retaliatory attacks and US strikes in support of Israel before a fragile ceasefire contained further escalation. The S&P 500® Index increased 10.94% for the quarter. Within the index, 8 of 11 Global Industry Classification Standard (GICS) equity sectors finished in positive territory. The strongest performers were information technology and communication services.

In 2025, the US and global equity markets are navigating a complex landscape shaped by shifting monetary policies, trade uncertainties and technological disruption.

### QUARTERLY PERFORMANCE

The BNY Mellon Small/Mid Cap Growth Fund (Class A at NAV) returned 16.39% during the second quarter of 2025. In comparison, the fund's benchmark, the Russell 2500 Growth Index (the "Index"), returned 11.31% for the same time period.

#### Average Annual Total Returns (6/30/25)

Share Class / Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Class A (NAV) / 03/31/09	16.39%	5.79%	17.02%	11.41%	2.89%	9.32%
Class A (5.75% max. load)	9.71%	-0.28%	10.28%	9.23%	1.68%	8.67%
Class I (NAV) / 01/01/88	16.50%	5.94%	17.31%	11.66%	3.13%	9.58%
Russell 2500® Growth Index	11.31%	-0.71%	8.81%	12.05%	7.50%	8.53%

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 one 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 (6/30/25)

Share Class	Gross <sup>†</sup>	Net <sup>††</sup>
Class A	1.02%	0.97%
Class I	0.77%	0.72%

<sup>†</sup>Gross expenses is the total annual operating expense ratio for the fund, before any fee waivers or expense reimbursements. <sup>††</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 1/31/26, without which, the returns would have been lower. The Net Expenses is the actual fund expense ratio applicable to investors. Other share classes are subject to different fees and expenses and would have achieved different returns. 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

## MARKET REVIEW (continued)

Growth stocks outperformed value stocks, while large-cap outperformed small-cap. Among other major equity benchmarks, the MSCI EAFE Index, a measure of developed markets excluding the US and Canada, was higher by 11.78%. The MSCI Emerging Markets Index was higher by 11.99%. Developed fixed income market performance was positive in the quarter. The Bloomberg® US Aggregate Index returned 1.21%. The Bloomberg Global Aggregate Hedged Index returned 1.61% and the Bloomberg Global Aggregate Unhedged Index returned 4.52%.

In the US, equity market performance was higher in the second quarter of 2025 with the Dow Jones Industrial Average advancing by 5.46% and the Nasdaq 100 advancing by 17.86%. US fixed income markets were also higher for the quarter. First quarter gross domestic product (GDP) contracted by 0.3%, the first decline since 2022, due to a surge in pre-tariff imports. Despite this, the labor market remained resilient, with job growth moderating but consistently above expectations. Inflation appeared contained, with core Personal Consumption Expenditures (PCE), the Fed's preferred measure, easing from 2.7% to 2.5% in May before rising slightly to 2.8% in June, still below forecasts. The Fed took no further rate actions in the quarter, although Vice Chair Michelle Bowman signaled openness to rate cuts as early as July amid softening job data and subdued inflationary impact from tariffs. Consumer sentiment rebounded from historic lows, while political developments—most notably President Trump's evolving tariff strategy and the advancement of the "One Big Beautiful Bill"—added fiscal and policy uncertainty heading into the second half of the year.

In developed international markets, equities were broadly higher. In the Eurozone, the European Central Bank (ECB) cut rates by 25 basis points (bps) twice as inflation continued to moderate. The most recent inflation reading (May) came in at 1.9% relative to 2.2% in April and below the ECB's long-term target of 2%. First quarter GDP grew at an annualized rate of 1.2%, effectively flat relative to the prior quarter. Despite growth resilience, the European Commission lowered its full-year forecast due to US-EU trade tensions. The UK had a first quarter GDP surge of 0.7%, the fastest in the Group of Seven (G7), which was partly driven by front-loaded activity ahead of new tariffs and tax changes. The Bank of England (BOE) cut rates by 25 bps in May before pausing in June amid lingering inflation concerns. In Japan, inflation spiked early in the quarter due to food and tariff-driven import costs but later moderated to 1.9%. The Bank of Japan (BOJ) left policy unchanged across both its meetings and announced a slower pace of bond purchase tapering beginning in 2026, aiming to stabilize bond market volatility.

Emerging market equities rose during the quarter following a 90-day suspension of the most punitive US tariffs on China and a weaker US dollar. In China, first quarter GDP growth exceeded expectations at 5.4%, though partly driven by front-loaded activity ahead of new US tariffs. The Caixin Manufacturing PMI rebounded into expansion territory in June, supported by improving domestic demand. The People's Bank of China maintained rates but injected liquidity to support the economy. Brazil posted strong first quarter GDP growth of 2.9% year-over-year, fueled by agriculture, though inflation remained elevated. The central bank raised rates twice, by 50 bps and then 25 bps, before signaling a pause. In Mexico, the economy narrowly avoided recession in quarter one, but the Bank of Mexico cut its growth forecast and continued a dovish stance, reducing rates to 8.0% by quarter-end to counter slowing domestic activity. Meanwhile, India launched a sizable easing cycle, cutting both its repo rate and cash reserve ratio, despite relatively strong growth, to buffer against external trade risks and maintain momentum.

Commodities were lower in the second quarter, with the Refinitiv/CoreCommodity CRB Index returning -2.85%. Crude oil prices were volatile, initially retreating in April and May due to rising Organization of the Petroleum Exporting Countries (OPEC+) output and global oversupply concerns but ending the quarter higher after spiking in June following the Israel-Iran conflict. Conversely natural gas ended the quarter lower due to milder-than-expected weather cooling demand and steady production. Although gold prices remained resilient in April on safe-haven demand, they declined in May and June as geopolitical risks moderated.

PERFORMANCE REVIEW

The fund (Class A shares at NAV) outperformed its benchmark, the Russell 2500 Growth Index, during the second quarter of 2025. From a sector perspective, industrials led relative contributors over the period, followed by health care. Conversely, financials and consumer staples were the most significant laggards.

SECTOR REVIEW

Positive Impacts

**Industrials:** Industrials led relative contributors over the period. An overweight to the aerospace & defense space particularly benefited returns as Curtiss-Wright Corporation and Karman Holdings were top contributors as both companies reported solid first quarter results.

**Health Care:** Stock selection among health care also contributed to relative returns, particularly among the biotechnology segment.

Negative Impacts

**Financials:** Financials led relative detractors by sector over the period. An underweight to the financial services space weighed on results.

**Consumer Staples:** Consumer staples also detracted from relative returns over the period, primarily due to stock selection among the food products segment. Shares of Freshpet were a top detractor over the period amid a recent deceleration in growth as a result of broader consumer weakness.

STOCK REVIEW<sup>1</sup>

Key Contributors – Q2 25

**Curtiss-Wright Corporation:** Curtiss-Wright is an aerospace and naval supplier who has critical technology in nuclear equipment. The stock benefited from positive news flow on nuclear power adoption. Additionally, the company announced strong first-quarter 2025 earnings and a dividend increase.

**Vertiv Holdings Co. Class A:** Vertiv is a global leader in power and thermal equipment with approximately 80% sales exposure to artificial intelligence (AI) infrastructure investment. Shares rose over the period after the company reported solid first quarter results with reaccelerated order growth and boosted fiscal year 2025 revenue growth guidance.

**Karman Holdings:** Karman designs and manufactures subsystems for missile and launch applications including rocket motors, connectors and payload protection equipment. Shares of Karman rose over the period as a result of clean first quarter financial results, showcasing their growth potential and industry-leading profitability, instilling early investor confidence.

Top 10 Holdings (6/30/25)	%
Curtiss-Wright	4.00
Karman Holdings	3.43
Casey's General Stores	2.89
Formfactor	2.50
Axon Enterprise	2.45
Warby Parker, Cl. A	2.36
AeroVironment	2.31
Rambus	2.27
Repligen	2.19
Ollie's Bargain Outlet Holdings	2.17
The holdings listed should not be considered recommendations to buy or sell a security. Large concentrations can increase share price volatility.	

## Key Detractors – Q2 25

**Freshpet:** Freshpet is an American pet company that manufactures and markets natural fresh meals and treats for dogs and cats. Freshpet underperformed due to soft scanner data and muted revenue expectations, despite signs of stabilization. Looking ahead, the positive thesis centers on a raised 2027 EBITDA (earnings before interest, taxes, depreciation and amortization) margin target, renewed confidence in 25% top-line growth, and Freshpet's dominant 96% share of the US fresh pet food market. If execution improves and sales reaccelerate, we believe the stock could re-rate meaningfully, especially with valuation support from recent mergers and acquisition comps and expanded retail placement.

**Bio-Techne Corporation:** Bio-Techne underperformed in the second quarter of 2025 due to macro policy headwinds, including US executive orders targeting drug pricing that pressured sentiment across the healthcare sector. The company also faced valuation compression amid a market rotation into large-cap AI beneficiaries, leaving more specialized growth names behind. With limited near-term growth visibility, investors grew cautious despite Bio-Techne's long-term positioning.

**Builders FirstSource:** Builders FirstSource is a leading value-add distributor of building materials to the homebuilder market. Shares fell amid weakness in the US residential construction market.

1. Performance of individual stock evaluated is based on total effect. Total effect represents the opportunity cost of an investment manager's investment decisions relative to an overall benchmark, which can include holdings that are not held by the portfolio but contribute to relative portfolio performance.

## MARKET OUTLOOK

In 2025, the US and global equity markets are navigating a complex landscape shaped by shifting monetary policies, trade uncertainties and technological disruption. Interest rates are expected to decline gradually, with the Federal Reserve projected to cut rates by 25 basis points per quarter starting in the third quarter of 2025, potentially lowering the federal funds rate to around 3% by year-end. This easing could support equity valuations by reducing borrowing costs, particularly for small-cap stocks, which are more sensitive to interest rate changes. However, persistent trade policy volatility, driven by tariff negotiations, could elevate inflation risks, potentially tempering the pace of rate cuts. Despite these headwinds, global economic growth is expected to remain resilient, with the US economy growing at 0-1% and avoiding recession, while Europe and emerging markets like India benefit from accommodative policies and domestic growth drivers.

Corporate earnings were poised to be a key driver of equity performance, as US S&P 500 earnings growth had come in at 12.7% in the first quarter, but are now projected to fall to approximately 5% for 2025 according to FactSet. Earnings revisions for US companies have recently trended downward, reflecting caution due to trade uncertainties, while non-US developed markets show more stable earnings outlooks. Despite the "Magnificent Seven" mega-cap tech stocks seeing their earnings growth decelerate, they are still outpacing the broader market of the "remaining" S&P 493 stocks, currently. Internationally, Europe's forward 12-month earnings growth of over 7% and earnings per share nearing new highs is encouraging, but it appears it may be peaking and turning lower.

Large-cap stocks, particularly in the US, remain favored due to their earnings resilience and exposure to AI-related growth, but small-cap stocks may present compelling opportunities as valuations trade at a sizable discount to fair value. We believe small caps are likely to benefit from lower interest rates and potential deregulation, which could catalyze a rebound, especially in cyclical sectors like industrials and financials. However, their performance hinges on economic stability and tariff resolutions, as they are more exposed to domestic economic fluctuations.

Conversely, large caps, especially tech-heavy names, face risks from elevated valuations and potential AI sector corrections, as seen in early 2025 with the sell-off following DeepSeek's disruptive AI model announcement. We

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think a balanced approach favoring both growth and value stocks across regions could help mitigate risks while capturing upside.

Artificial intelligence continues to be a transformative force, driving productivity gains and reshaping equity market dynamics. The AI sector, while still concentrated in US mega-caps, is broadening as adoption spreads across industries like healthcare and industrials, with Asia (notably Taiwan and India) emerging as potential diversification opportunities. However, concerns about overinvestment in AI infrastructure, highlighted by the market's reaction to DeepSeek's cost-effective model, underscore risks of a potential bubble. For 2025, AI's productivity benefits are expected to bolster corporate margins, but we think we should remain selective, focusing on companies with strong fundamentals and reasonable valuations to navigate volatility. Overall, in our view, a cautiously optimistic outlook prevails, with US equities and selective international markets offering opportunities amidst a volatile macro environment, along with actively managing risks tied to policy uncertainty and AI-driven disruptions.

**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](https://bny.com/investments). 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

**Equities** are subject to market, market sector, market liquidity, issuer, and investment style risks, to varying degrees. **Small and midsized company stocks** tend to be more volatile and less liquid than larger company stocks as these companies are less established and have more volatile earnings histories.

## Definitions

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

As of 6/30/25, the companies mentioned represented 13.71% 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.

**Artificial intelligence** refers to computer systems that can perform tasks typically requiring human intelligence, such as visual perception, speech recognition, decision making and language translation. The **Magnificent 7** comprises seven of the largest technology-centered growth stocks: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.

The **Russell 2500™ Growth Index** is a widely accepted, unmanaged index that measures the performance of those Russell 2500 companies — the 2,500 smallest companies in the Russell 3000 Index (which is composed of the 3,000 largest U.S. companies based on total market capitalization) — with higher price-to-book ratios and higher forecasted growth values. 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. This is not a benchmark for the fund. The **Morgan Stanley Capital International Europe, Australasia, Far East (MSCI EAFE®) Index** is a free float-adjusted, market capitalization-weighted index that is designed to measure equity performance in developed markets, excluding the United States and Canada. The index consists of select designated MSCI national developed market indices. This is not a benchmark for the fund. The **MSCI Emerging Markets Index** is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity performance in global emerging markets. The index consists of 22 MSCI emerging-market national indices. This is not a benchmark for the fund. The **Dow Jones Industrial Average**, Dow Jones, or simply the Dow, is a stock market index of 30 prominent companies listed on stock exchanges in the United States. This is not a benchmark for the fund. The **personal consumption expenditures (PCE)** price index measures the prices consumers pay for goods and services and changes in those prices. It is considered a gauge of inflation in the U.S. economy. The **Caixin China Manufacturing Purchasing Managers Index** is a composite indicator designed to provide an overall view of activity in the manufacturing sector and acts as a leading indicator for the whole economy. When the PMI is below 50.0 this indicates that the manufacturing economy is declining and a value above 50.0 indicates an expansion of the manufacturing economy. This is not a benchmark for the fund. The **Refinitiv/CoreCommodity CRB Index** is a benchmark index that tracks the price movements of a basket of 19 globally traded commodities. It is designed to provide a broad representation of

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the commodity market, and is used as a benchmark for commodity-related investments. This is not a benchmark for the fund. Investors cannot invest directly in any index.

The fund's investment adviser is BNY Mellon Investment Adviser, Inc. (BNYIA). BNYIA has engaged its affiliate, Newton Investment Management North America, LLC (NIMNA), to serve as the fund's sub-adviser. NIMNA has entered into a sub-sub-investment advisory agreement with its affiliate, Newton Investment Management Limited (NIM), to enable NIM to provide certain advisory services to NIMNA for the benefit of the fund.

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