

BNY Mellon AMT-Free Municipal Bond Fund

MANAGER COMMENTARY | Q1 2026

Class A **DMUAX** Class I **DMBIX**

MARKET REVIEW

The bond markets including U.S. Treasuries and municipals turned markedly bearish during March, as the US-Israel/Iran conflict drove macro rate volatility and uncertainty. Negative price pressures pushed yields higher in March as concerns over labor market weakness were replaced by concerns on inflation due to war-induced higher energy prices. The March selloff largely erased solid gains from the asset class during the first two months of 2026 as municipal yields tracked the broader Treasury market as well as reflected typical seasonal weakness. March has historically been a challenging period for municipals due to less favorable technicals. On the supply front, total municipal issuance reached a record \$128 billion in 1Q26, representing a 6% increase year-over-year, according to *The Bond Buyer*.

"We believe bond market volatility amid the ongoing Iran conflict is likely to continue as the market digests competing themes of a slowing economy and higher energy prices."

PERFORMANCE SUMMARY

For the quarter ended March 31, 2026, the Fund's Class I shares returned -0.03%, excluding sales charges. In comparison, the Fund's unmanaged benchmark, the Bloomberg U.S. Municipal Bond Index, returned -0.18% for the same period.

Average Annual Total Returns (3/31/26)

Share Class / Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Class A (NAV) 03/31/03	-0.10%	-0.10%	3.85%	2.96%	0.56%	1.83%
Class A (4.50% max. load)	-4.61%	-4.61%	-0.83%	1.40%	-0.36%	1.36%
Class I (NAV) 12/15/08	-0.03%	-0.03%	4.12%	3.22%	0.83%	2.09%
Bloomberg U.S. Municipal Bond Index	-0.18%	-0.18%	4.29%	2.87%	0.84%	2.16%

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. Data assumes reinvestment of dividends and capital gains, if any. Performance for periods less than 1 year is not annualized. Go to bny.com/investments for the fund's most recent month-end returns.

Total Expenses (3/31/26)

Share Class	Gross ¹	Net ²
Class A	0.69%	0.69%
Class I	0.44%	0.44%

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. The net expense ratios reflect a contractual expense reduction agreement through 12/31/2026, without which the performance would have been lower. Not all classes of shares may be available to all investors or through all broker-dealer platforms.

MARKET REVIEW (continued)

In contrast, taxable municipal issuance remained subdued at \$6 billion, down 15% from 1Q25. Limited taxable municipal supply supported relative performance in the taxable municipal sector, contributing to its outperformance during the quarter.

Investor demand remained strong overall, with municipal funds experiencing solid inflows. According to Investment Company Institute (ICI) data, open-end municipal mutual funds recorded net inflows of \$16 billion during the quarter, while municipal ETFs attracted \$13 billion.

Over the quarter, the municipal yield curve steepened, while the Treasury curve bear-flattened. Municipal yields in the one- to two-year range declined by 3 to 9 basis points (bps), whereas 5- to 30-year yields rose by 20 to 35 bps. In contrast, Treasury yields increased by 19 to 32 bps in the one- to five-year part of the curve and by a more modest 4 to 17 bps in the 7- to 30-year part. As a result, municipal-to-Treasury ratios richened at the very front end of the curve while cheapening meaningfully in intermediate and long maturities. The two-year AAA municipal-to-Treasury ratio declined to 63% from 70%, while the 10-year ratio increased to 71% from 65% and the 30-year ratio rose to 91% from 85%, highlighting long maturities as the most attractive area of the curve. Performance reflected these curve dynamics. Shorter-duration municipals outperformed intermediate and long maturities, with the Bloomberg Municipal 3-Year Index returning +0.47%, compared with returns of -0.79% and -0.22% for the Bloomberg Municipal 10-Year and Long 22+ Year Indices, respectively.

From a fundamental credit perspective, lower-rated segments delivered relatively stronger performance in 1Q26. The Bloomberg Municipal BBB and A Indices returned -0.08% and -0.03%, respectively, outperforming the AAA and AA Indices, which returned -0.34% and -0.20%. Within sectors, general obligation bonds underperformed revenue bonds. Tobacco and transportation were among the strongest-performing subsectors, posting positive total returns, while education, electric, hospital, and special tax sectors lagged. Municipal credit spreads narrowed early in the year and remain near the tight end of post-2021 ranges, supported by strong state and local government fundamentals and sustained investor demand. The Bloomberg Municipal High-yield Index returned +0.71% during 1Q26, outperforming the investment-grade Bloomberg Municipal index, which returned -0.18%. The Bloomberg Taxable Municipal Index returned +0.43% during the first quarter, outperforming the Bloomberg US Treasury Index return of -0.04% and the Bloomberg U.S. Corporate Index return of -0.54%.

PERFORMANCE REVIEW

The Fund's relative outperformance was driven by strong security selection, particularly within special tax, transportation, and education issues. The Fund's long duration posture and overweight exposure to 30-year maturities partially offset these gains as yields moved higher. Sector allocation decisions had a muted impact on overall performance during the period.

MARKET OUTLOOK

Bond market volatility amid the ongoing Iran conflict is likely to continue as the market digests competing themes of a slowing economy and higher energy prices. We remain constructive on the municipal market following the March rate selloff and passing of the typical tax filing season weakness as new issue supply should remain steady but manageable, supported by continued solid demand from retail investors via flows into mutual funds and ETFs. For top tax rate investors, taxable equivalent (TEY) municipal yields remain compelling; the Bloomberg Municipal Index's TEY ended March at 6.37%. Muni/Treasury ratios increased, improving relative value. Ten-year AAA municipals are near 71% of Treasuries, while 30-year municipals ratios rose to near 91%.

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Municipal credit conditions remain strong, but the Iran conflict has become a meaningful new risk factor. The disruption of traffic through the Strait of Hormuz has pushed energy prices higher, raising operating costs for transit systems and utilities, and pressuring household budgets—effects that can soften broad based tax collections. Cybersecurity risk has also increased, with US public finance issuers facing elevated vulnerability to retaliatory attacks tied to the conflict. States with oil linked revenues may experience temporary fiscal gains (e.g. Texas, Louisiana, New Mexico), but long-term credit benefit depends on channelling those windfalls into reserves rather than recurring spending.

Our municipal bond portfolios remain positioned to seek compelling tax-exempt income while maintaining disciplined credit diversification and a focus on durable revenue-backed structures including high-quality essential-service bonds like water and sewer and public power, which offer resilient cash flows and attractive relative value. More yield-oriented sectors such as prepay gas and healthcare are also a focus and additive to the overall yield profile of the portfolio. Portfolio liquidity is maintained to ensure flexibility to reinvest, meet potential redemptions, and take advantage of market buying opportunities.

The Iran conflict is amplifying geopolitical, energy cost, and cyber security risks across the municipal landscape, contributing to negative sentiment that could widen spreads in select sectors, including Airports, Toll Roads, Seaports, and Utilities. Any conflict-driven dislocation may create opportunities to purchase high-quality credits at more attractive levels. In evaluating these opportunities, we continue to prioritize issuers with strong balance sheets, robust liquidity, and meaningful operating flexibility. Climate risks also remain central to our process, as both physical and carbon transition exposures increasingly shape long-term credit resilience.

Our duration stance is neutral to modestly long versus our benchmarks amid a backdrop of a slowing economy and prospect for further easing from the Federal Reserve. Expectations for heightened rate volatility warrants keeping duration within a relatively tight band around the index. The municipal intermediate maturity segment (10–20 years) which is steep, remains attractive. We believe, this portion of the yield curve may capture the largest roll down benefit, may provide meaningful tax-exempt income, and can be defensive versus the long end with a lower price volatility profile.

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. Read the prospectus carefully before investing. 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. **Municipal income** may be subject to state and local taxes. Some income may be subject to the federal alternative minimum tax for certain investors. **U.S. Treasuries** while the U.S. Government guarantees the timely payment of principal and interest on its securities, portfolios that invest in such securities are not guaranteed and will fluctuate in value. Capital gains, if any, are taxable. Portfolio composition is subject to change at any time.

Asset allocation and diversification cannot ensure a profit or protect against loss in declining markets.

The **Bloomberg US Municipal Bond Index** is a widely accepted, unmanaged total return performance benchmark for the long-term, investment-grade, tax-exempt bond market. Reflects investments of dividends and, where applicable, capital gain distributions. The **Bloomberg US Treasury Index** measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. The **Bloomberg U.S. Corporate Index** measures the performance of the investment-grade, fixed-rate, taxable corporate bond market within the United States. The **Bloomberg Municipal Managed Money Long Index** is a rules-based, market-value-weighted index that measures the performance

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of publicly traded, USD-denominated, long-term, tax-exempt municipal bonds, including general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The **Bloomberg 3-Year Municipal Bond Index** is a benchmark that tracks the performance of a specific segment of the municipal bond market. It includes fixed-rate, investment-grade, tax-exempt bonds with remaining maturities between two and four years. The **Bloomberg 1-10 Year Municipal Bond Index** tracks the performance of investment-grade municipal bonds with maturities between 1 and 10 years. **Bloomberg Municipal Bond AAA, AA, A and BBB** Indices are subsets of the Bloomberg Barclays Municipal Bond Index. The **Bloomberg Municipal High Yield Index** is a benchmark that tracks the performance of the non-investment grade, tax-exempt municipal bond market in the United States. It includes bonds that are rated below investment grade (Ba1 or lower) or are unrated and are U.S. dollar-denominated and fixed-rate. The **Bloomberg Municipal Taxable Bonds Index** measures the performance of the U.S. municipal taxable investment-grade bond market. The **Bloomberg Municipal Long 22 Index** is a benchmark for the municipal bond market, specifically focusing on long-dated maturities. It includes bonds issued by state and local governments that are subject to federal income tax. Investors cannot invest directly in any index.

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A **yield curve** is a line that plots the yields or interest rates of bonds that have equal credit quality but different maturity dates. The slope of the yield curve predicts the direction of interest rates and the economic expansion or contraction that could result.

Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates. A bond's duration is easily confused with its term or time to maturity because they are both measured in years. However, a bond's term is a linear measure of the years until repayment of principal is due; it does not change with the interest rate environment. Duration, on the other hand is non-linear and accelerates as time to maturity lessens. **Dovish** describes a monetary policy stance that favors lower interest rates to stimulate economic growth and potentially increase employment, even if it means accepting a higher level of inflation. The **Muni/Treasury ratio** is a measure that compares the yield of municipal bonds to that of U.S. Treasury bonds. It's a key metric for assessing the relative value of municipal bonds, particularly for investors considering the tax benefits of munis.

Definitions

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

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