

Manager Commentary Q3 2026

BNY MELLON STRATEGIC MUNICIPALS, INC.

Ticker: LEO CUSIP 05588W108

Market Review

Municipal bonds faced a sharp reversal in the third quarter as September's historic sell-off overwhelmed earlier-period income. The Bloomberg U.S. Municipal Bond Index returned -6.35% for the quarter and -4.18% year to date through September, while the Bloomberg Municipal Bond High Yield Index returned -5.55% for the quarter and -1.68% year to date. Losses were concentrated in longer maturities as the municipal curve sold off and modestly bear-steepened; however, the repricing lifted the broad index yield to 4.78% and materially improved tax-exempt income and relative value.

Quarterly Performance

Average Annual Total Returns (09/30/2026)

Share Class /Inception Date	3 Month (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
Fund at NAV 09/23/87*	-10.63	-6.94	-5.23	3.41	-2.53	0.95
Fund at Market Price 09/23/87**	-12.62	-9.05	-6.43	5.86	-4.39	-0.28
Bloomberg U.S. Municipal Bond Index	-6.35	-4.18	-2.68	2.89	-0.21	1.51

The performance data quoted represents past performance, which is no guarantee of future results. Share price, yield 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. Returns are net of fund expenses, and assume reinvestment of distributions. Investors who purchase shares of the fund through a financial professional may separately pay a fee to that service provider. The returns do not reflect broker sales charges or commissions. Performance for periods less than 1 year is not annualized.

A fund's **NAV is the sum of all its assets less any liabilities, divided by the number of shares outstanding. ****Market Price** performance is determined using the bid/ask midpoint at 4:00 p.m. Eastern time, when the NAV is typically calculated. Market performance does not represent the returns you would receive if you traded shares at other times.*

Total Expenses (09/30/2026)

Share Class	LEO
Gross ¹	2.85%
Net ²	2.73%

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 expense ratio(s) reflect a contractual expense reduction agreement through 11/30/2026, without which, the returns would have been lower. The Net Expenses is the actual fund expense ratio applicable to investors.

Market Review (continued)

The macroeconomic backdrop remains challenging but mixed. In September, the Federal Reserve (Fed) raised its target range by 25 basis points (bp) to 3.75%–4.00%, citing solid economic activity, resilient domestic spending, strong productivity and robust capital investment, while emphasizing that inflation remains elevated. The Fed's median projections call for 2.3% real GDP growth and 3.4% Core Personal Consumption Expenditures (PCE) inflation in 2026, with an unemployment rate of 4.1%. At the same time, September payroll growth slowed and unemployment edged higher, reinforcing uncertainty around the timing of any additional tightening. Treasury rate volatility and fiscal concerns therefore remain important near-term drivers, but the municipal sell-off has restored more compelling taxable-equivalent income.

Market technicals were difficult during the quarter as record issuance, tax loss harvesting and softer demand converged. Third quarter issuance reached about \$160B and year-to-date supply rose to approximately \$463B. Year-to-date flows remained positive at \$56.6B, including \$39.5B into ETFs. Elevated supply and weaker flows may prolong volatility, but higher yields, redemptions and coupon income should ultimately help attract capital and create more favorable entry points.

Municipal credit fundamentals remain generally sound in our view, but geopolitical, energy and political risks warrant close monitoring. Crude shipments through the Strait of Hormuz recovered toward prewar levels by quarter end, although refined product flows remained constrained and elevated fuel, shipping and insurance costs continued to pressure transportation-sensitive issuers. Airports, toll roads, seaports, utilities and transit systems remain most exposed, while oil-producing states may benefit selectively if temporary revenue gains strengthen reserves. The November midterms also place greater focus on state ballot measures affecting property, income and wealth taxes, which could have more direct implications for local revenues and fiscal flexibility than the federal election outcome itself.

Performance Review

The Fund's long-duration position detracted in the rising-rate environment. Municipal yield-curve positioning provided a partial offset, led by exposure to the 10-year maturity segment. Security selection detracted from relative performance, with weakness in water and sewer, transportation, health care, and power securities. Positive contributions from education and tobacco provided a partial offset. Sector allocation detracted modestly, led by positioning in health care and housing. Positive effects from general obligation and industrial development and pollution control revenue (IDR/PCR) exposures partly offset the impact.

Market Outlook

While the sell-off in September was challenging for municipal bond investors, it materially improved nominal yields and relative value, particularly in the intermediate and long portions of the curve, creating what we believe is a compelling opportunity for income-oriented investors.

In our view, the dislocation reflected a combination of the broader global bond market sell-off, elevated interest rate volatility, inflation and fiscal concerns, persistent new issuance, softer demand, and stretched starting valuations. Tax-loss harvesting and month and quarter-end positioning may keep conditions unsettled until rate volatility eases. However, the relative weakness has, in our view, created more attractive entry points for municipal duration, and early signs of renewed ETF demand may signal an eventual improvement in investor sentiment.

Municipal yields are now near their highest levels since 2008 and are potentially compelling on a tax-equivalent basis for investors in the highest tax brackets. In some longer maturities, tax-equivalent AAA municipal yields compare favorably with lower-rated corporate bonds, highlighting the extent of the recent repricing. Municipals also offer potentially attractive coupon income and a steeper yield curve than Treasuries and corporates, which may enhance the potential for the "roll down" effect to enhance potential returns if rates stabilize and credit conditions remain resilient.

The macro backdrop remains uncertain. Elevated supply and weaker flows may also sustain near-term pressure but could also create opportunities to add high-quality municipal credits at more attractive levels.

DISCLOSURES

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. The fund is **non-diversified**, which means the fund may invest a relatively high percentage of its assets in a limited number of issuers. Performance may be more vulnerable to changes in the market of a single issuer. **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.

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

The **Bloomberg Municipal Bond High Yield Index** is a flagship measure of the U.S. municipal tax-exempt non-investment grade bond market. The **Bloomberg U.S. Municipal Bond Index** covers the U.S. dollar-denominated long-term tax-exempt bond market. Investors cannot invest directly in any index.

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Definitions

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

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. A **basis point (bp)** is 1/100th of 1% and is commonly used to indicate interest rates or changes in rates in bonds and other financial instruments. **Bond ratings** are an evaluation of a bond's credit quality and the issuer's ability to meet scheduled interest and principal payments, assigned by NRSROs on a scale from AAA (highest) to D (default). Ratings of BBB- and above are investment grade; BB+ and below are non-investment grade (speculative/high-yield), with BB, B, and CCC representing progressively higher credit risk. **Duration** is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates. **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. **Core Personal Consumption Expenditures (PCE)** is a measure of inflation that excludes food and energy prices.

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