

# BNY Mellon Appreciation Fund, Inc.

## MANAGER COMMENTARY | Q4 2025

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

### MARKET REVIEW

The S&P 500 Index gained 2.66% in a volatile quarter, as better-than-expected corporate earnings propelled the benchmark to record highs despite several growing risks. The quarter's strong earnings season painted a picture of a resilient economy, but concerns of a potential artificial intelligence (AI) bubble and a more cautious consumer dampened the outlook. Central bank policy continues to be accommodative while trade tensions cooled in the quarter, but both themes face uncertainty in the year ahead.

"Governments across the world are rewriting economic and foreign policies and transforming trade relationships that have anchored stability in the preceding decades. These changes have resulted in unprecedented uncertainty and volatility."

Volatility was heightened in the quarter with investors scrutinizing key performance themes, including AI investments and consumer resiliency. Many large technology companies reported strong revenue and earnings growth during the period and pledged to increase capital expenditures, as tremendous computing demand outstrips current supply. As a corollary to earnings results, a series of partnerships between OpenAI and public technology companies were announced throughout the quarter that totaled over \$1 trillion in future spending on AI chips, datacenters, and cloud computing. Investor concerns arose around the circular nature of funding deals, which seemed reminiscent of vendor financing, increased debt burdens, and the uncertain return profile of these investments. Notably, strong earnings from bellwether NVIDIA resulted in a muted market response, suggesting that investors became more discerning of AI-related investments this quarter.

Outside of information technology, the industrials sector also benefited from continued data center construction and investments made to modernize the electric grid. Within the financials sector, major banks saw earnings growth driven by strong loan and advisory activity, while some information services providers came under pressure from perceived AI threats to their business. Retail-facing companies reported higher levels of consumer uncertainty as high interest rates delay large purchase decisions, such as home renovation projects. Consumer reports highlighted an increasingly pronounced bifurcation, with higher-income consumers continuing to spend broadly and lower-income consumers seeking out value and trading down. Companies have largely been able to absorb tariff costs to-date, but management teams warned that they will have to raise prices eventually to make up for increased expenses.

### PERFORMANCE SUMMARY

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

#### Average Annual Total Returns (12/31/25)

Share Class / Inception Date	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Investor Shares (NAV) / 01/18/84	1.33%	10.17%	10.17%	14.56%	9.40%	12.81%
Class I (NAV) / 08/31/16	1.41%	10.43%	10.43%	14.83%	9.66%	13.06%
S&P 500 Index	2.66%	17.88%	17.88%	23.01%	14.42%	14.82%

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](https://www.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 (12/31/25)

Share Class	Gross <sup>1</sup>	Net <sup>2</sup>
Investor Shares	0.88%	0.88%
Class I	0.65%	0.65%

<sup>1</sup>Gross expenses is the total annual operating expense ratio for the fund, before any fee waivers or expense reimbursements. <sup>2</sup>Net 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

**MARKET REVIEW (continued)**

The U.S. Federal Reserve (Fed) must navigate the tension between its dual mandate of taming inflation and supporting full employment with only one policy tool, which remains a challenge given stubborn inflation and rising unemployment. In the quarter, U.S. inflation remained above 2%; however, the low-hiring job market and unemployment rate uptick to 4.6% prompted the Fed to cut the Federal Funds rate by 25 basis points both in October and December. The Fed believes the current Federal Funds rate range of 3.50-3.75% is relatively neutral and neither supportive nor a hindrance to growth, signaling a potential pause before further easing is warranted. Investors anticipate that a new Fed Chairman may replace Chairman Powell at the end of his term in May, which could amplify the dissenting views within the Fed.

On trade policy, President Trump and Chinese Leader Xi met for their long-awaited meeting in South Korea and agreed on a series of de-escalatory moves that reversed trade restrictions previously imposed in a tit-for-tat manner leading up to the meeting. In a further thawing of relations, the U.S. government approved the sale of scaled-down AI chips to China. The oscillating nature of tariff negotiations and a looming U.S. Supreme Court decision remain a risk.

Investors paid greater attention to the multitude of risks this quarter, including a potential AI bubble, deteriorating employment data, and prolonged uncertainty over tariffs. Despite these challenges, strong corporate earnings drove gains during the period

**PERFORMANCE REVIEW**

The Fund trailed the Index in the period, driven by an overall negative stock selection effect. The Fund benefited from a positive selection effect within the consumer discretionary and communication services sectors, resulting in positive relative results. Within the consumer staples sector, a favorable underweight allocation and positive stock selection effect combined to support relative results.

Conversely, the Fund’s disadvantageous stock selection across the industrials, information technology, and financials sectors detracted from relative performance.

**TOP CONTRIBUTORS**

The top contributors to relative performance include **Alphabet, Intuitive Surgical, LVMH Moet Hennessy Louis Vuitton, Apple, and Eli Lilly.**

**TOP DETRACTORS**

The top detractors from relative performance include **Microsoft, Meta Platforms, ServiceNow, BAE Systems, and Eaton.**

**MARKET OUTLOOK**

The Fund’s investment philosophy remains consistent during periods of political and economic transformation. Governments across the world are rewriting economic and foreign policies and transforming trade relationships that have anchored stability in the preceding decades. These changes have resulted in unprecedented uncertainty and volatility. Harking back on our decades of investment experience, especially during uncertain or volatile markets, we remain confident in the industry-leading businesses that comprise our portfolio. We believe long-term value is driven by companies that can consistently grow earnings through various business cycles. We will continue to stay vigilant and invest in accordance with our investment philosophy, as we have done during previous periods of transformation.

Top 10 Holdings (12/31/25)	
NVIDIA	8.61%
Microsoft	8.16%
Alphabet	7.50%
Amazon.com	6.34%
Apple	6.29%
Meta Platforms	4.37%
ASML	3.34%
Taiwan Semiconductor	3.27%
Visa	3.07%
Intuit	2.77%
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](https://www.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.

As of 12/31/25 the companies mentioned represented 36.31% 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.

This material has been provided for informational purposes only and should not be construed as investment advice or a recommendation of any particular investment product, strategy, investment manager or account arrangement, and should not serve as a primary basis for investment decisions. Prospective investors should consult a legal, tax or financial professional in order to determine whether any investment product, strategy or service is appropriate for their particular circumstances. Views expressed are those of the author stated and do not reflect views of other managers or the firm overall. Views are current as of the date of this publication and subject to change. This information contains projections or other forward-looking statements regarding future events, targets or expectations, and is only current as of the date indicated. There is no assurance that such events or expectations will be achieved, and actual results may be significantly different from that shown here. The information is based on current market conditions, which will fluctuate and may be superseded by subsequent market events or for other reasons. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be and should not be interpreted as recommendations. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. No part of this material may be reproduced in any form, or referred to in any other publication, without express written permission.

BNY Mellon Investment Adviser, Inc. serves as the fund's investment adviser. Fayez Sarofim & Co. (Sarofim & Co.) is the fund's sub-investment adviser. Fayez Sarofim & Co. is not affiliated with BNY Mellon Investment Adviser, Inc. or any BNY Company.

BNY Mellon Investment Adviser, Inc. and BNY Mellon Securities Corporation are subsidiaries of BNY. BNY is the corporate brand of The Bank of New York Mellon Corporation and may also be used as a generic term to reference the Corporation as a whole or its various subsidiaries generally.

© 2025 **BNY Mellon Securities Corporation**, distributor, 240 Greenwich Street, 9th Floor, New York, NY 10286.

MARK-859336-2026-01-05