

INCORE Short Government Quarterly Commentary

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As of June 30, 2023

Commentary

For the quarter ended June 30, 2023, the Victory INCORE Short Government strategy had a total return of -0.14% (gross) and -0.23% (net). The Strategy's benchmark index, the Bloomberg U.S. 1-5 Year Government Bond Index, had a total return of -0.88%.

Risk markets rallied and rates rose in the second quarter of 2023, with the Dow up 3.5%, the S&P 500 up at 8.7%, and the Nasdaq up 13.1% amid continued signs of gradually moderating inflation and a stronger-than-anticipated labor market. The U.S. Federal Reserve increased rates by a quarter point in May and held firm in June. The U.S. Treasury yield curve inverted further, with the 2s/10s at -1.06%. U.S. Treasury bond yields maturing in two years' time rose 0.87%, fives rose 0.58%, tens rose 0.37%, and the long bond rose 0.21%. Bond prices move opposite yields.

All fixed income sectors had negative total returns, but positive excess returns versus duration-neutral U.S. Treasury bonds. Corporate bonds had the most positive returns relative to U.S. Treasury bonds, with CMBS (commercial mortgage-backed securities), MBS (mortgage-backed securities) and ABS (asset-backed securities) all clumped together in second place, while agency debentures had the least positive performance. Within the mortgage market, Ginnie Mae (GNMA) led Fannie Mae (FNMA), which led Freddie Mac (FHLMC). All had negative total returns, yet positive returns versus duration-neutral U.S. Treasury bonds.

Our smallest allocation, GNMA structure (5.0%), had a slightly positive total return contribution. Our largest allocation, to GNMA single-family pass-through bonds (78.1%), had a slightly negative total return contribution, while our U.S. Treasury bond allocation (16.9%) had a mildly negative total return contribution. We continue to selectively buy or create high-coupon GNMA platinum pools as opportunities arise.

Ongoing strength in the U.S. labor market has breathed new life into an additional rate hike or two this year. We think the total impact of the Fed's previous large rate increases in 2022 has yet to be fully felt by the economy and as such is not priced into the market. Hopefully, the banking sector issues of the first quarter are now behind us. Yet regulatory changes in response to the previous bouts of banking instability loom large. Consumer resiliency is likely to be tested in the latter half of the year. No matter the weather, the goal of our strategy remains consistent as we seek to deliver high, reliable income and preservation of capital.

Investment Performance (%)

Average Annual Returns as of June 30, 2023

INCORE Short Government	Q2 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Expense Ratio Gross	Net
INCORE Short Government (gross of fees)	-0.14	1.55	0.25	-1.29	1.20	1.46	5.51	0.94	0.91
INCORE Short Government (net of fees)	-0.23	1.37	-0.10	-1.64	0.85	1.11	5.01	0.94	0.91
Bloomberg U.S. 1-5 Year Government Bond Index	-0.88	0.97	-0.38	-1.88	0.87	0.83	-	-	-

*Since inception results are as of October 1, 1987

Past performance does not guarantee future results. Returns for periods greater than one year are annualized. Returns are expressed in U.S. dollars and reflect the reinvestment of dividends and other earnings. Composite and benchmark returns are presented net of non-reclaimable withholding taxes, if any. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns reflect gross performance less investment management fees. Net-of-fees returns are calculated by deducting 1/12 of the highest tier of the

standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part 2A of its Form ADV.

All investments carry a certain degree of risk, including the possible loss of principal, and an investment should be made with an understanding of the risks involved with owning a particular security or asset class.

The INCORE Short Government Composite includes all accounts, except wrap fee paying accounts, primarily invested in 2-10 year weighted average maturity mortgage-backed obligations and collateralized mortgage obligations issued by the Government National Mortgage Association and normally less than 5 year weighted average maturity obligations issued or guaranteed by the U.S. government, its agencies, or instrumentalities. The composite creation date is April 2011 and the composite inception date is October 1987.

The benchmark of the composite is the Bloomberg U.S. 1-5 Year Government Bond Index. The Bloomberg U.S. 1-5 Year Government Bond Index is an index that measures the performance of all public U.S. government obligations with remaining maturities of 1-5 years. Prior to 8/24/2021, this benchmark was named the Bloomberg Barclays Capital 1-5 Year Government Bond Index.

Index returns are provided to represent the investment environment during the periods shown. Index performance does not reflect management fees, transaction costs or expenses that would be incurred with an investment. One cannot invest directly in an index. The opinions are as of the date indicated and are

subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Victory Capital Management Inc. (VCM) is a diversified global investment advisor registered under the Investment Advisers Act of 1940 and comprises multiple investment franchises: INCORE Capital Management, Integrity Asset Management, Munder Capital Management, New Energy Capital, NewBridge Asset Management, RS Investments, Sophus Capital, Sycamore Capital, THB Asset Management, Trivalent Investments, Victory Income Investors (formerly USAA Investments, a Victory Capital Investment Franchise), and the VictoryShares & Solutions Platform. Munder Capital Management and Integrity Asset Management became part of the Victory Capital GIPS firm effective November 1, 2014; RS Investments and Sophus Capital, effective January 1, 2017; Victory Income Investors, effective July 1, 2019; THB Asset Management, effective March 1, 2021; and New Energy Capital, effective November 1, 2021.

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Victory Capital claims compliance with the Global Investment Performance Standards (GIPS®).

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