

Executive Summary

- Investment grade convertibles performed very well during the first quarter, providing positive results during a down stock market. For the quarter, the ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (the “Constrained Convertible Index”) (VX5C) rose 2.18%, while the ICE BofA Investment Grade U.S. Convertible Index (the “Unconstrained Convertible Index”) (VXA1) gained 2.38%.
- The Victory Investment Grade Convertible Securities Strategy (the “Strategy”) underperformed both the Constrained Convertible Index (VX5C) and the Unconstrained Convertible Index (VXA1) in the first quarter.
- Historically, convertible returns have closely matched or even exceeded equity returns over the long term, with lower volatility.
- We believe that investment grade convertibles are well positioned in a period of economic uncertainty. With stock valuations at elevated levels, the yield and defensive characteristics of convertibles have increased in importance.

Market Review

Markets began the new year building on the previous year's stock market gains, but stock momentum worsened as the quarter progressed, eventually turning into losses. Encouraged by favorable inflation news and strong bank earnings, stocks rose nearly 3% in January as measured by the S&P 500® Index. In February, stocks gave back about half of January's gains after spending much of the month in the black. The threat of imminent tariffs caused early February volatility before some apparent backtracking on the subject, as well as hopes for a resolution to the Ukraine war, spurred a mid-month rally. Stocks hit a peak on February 19, after which they began to retreat due to weaker economic data which was accentuated by gloomy sales guidance out of Walmart. Further tariff threats and a tech sell-off pushed stocks sharply lower later in the month. Fear and uncertainty regarding sweeping tariff implementation as well as new signs of a weakening economy battered stocks in March, leading to a 5.63% drop in the S&P 500® Index. Stocks dropped right out of the gate as the U.S. imposed 25% tariffs on Canadian and Mexican goods. This action on tariffs was later granted a one-month reprieve, but the damage was already done. Stocks dropped further after President Trump declined to rule out a recession, which contributed to both the S&P 500® Index and the Nasdaq 100® Index falling into correction territory. Stocks reached their low point on March 13 before beginning a two-week rally driven by a budget resolution to avoid a potential government shutdown, and later by Federal Reserve post-meeting comments that comforted investors. Stocks again sold off late in the month as tariff talk intensified. For the quarter, stocks as measured by the S&P 500® Index declined 4.27%, while lower interest rates led to a 2.78% gain in bonds as measured by the Bloomberg U.S. Aggregate Total Return Index.

First Quarter Convertibles

Investment grade convertibles performed very well during the first quarter, providing positive results during a down stock market. For the quarter, the ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (the “Constrained Convertible Index”) (VX5C) rose 2.18%, while the ICE BofA Investment Grade U.S. Convertible Index (the “Unconstrained Convertible Index”) (VXA1) gained 2.38%. The Utilities and Real Estate sectors contributed the most to returns, followed by Industrials. The Financials and Consumer Discretionary sectors subtracted from returns. Top individual index performers included Welltower, Inc., WEC Energy Group, and Uber Technologies. Bottom performers included Apollo Global Management, Ares Management, and Booking Holdings.

Portfolio Performance

The Victory Investment Grade Convertible Securities Strategy (the “Strategy”) underperformed both the Constrained Convertible Index (VX5C) and the Unconstrained Convertible Index (VXA1) in the first quarter. Absolute performance was led by the Utilities and Real Estate sectors. The Financials and Industrials sectors subtracted the most from returns, followed by the Consumer Discretionary and Information Technology sectors. Relative performance was hurt by underweights in Utilities and Real Estate and by negative security

selection in Industrials. Relative performance was helped by positive security selection in Financials. Top performing individual convertibles included Welltower, Inc., Uber Technologies, Ventas Realty, and PPL Corp. Bottom performers included Parsons Corp., Apollo Global Management, Ares Management, and Booking Holdings.

Portfolio Characteristics

We strive to invest in high-quality convertibles with attractive underlying common stocks. We structure our portfolios by spreading our holdings across the three types of convertibles: 1) equity-sensitive, high-delta convertibles; 2) total return, middle-of-the-road convertibles; and 3) fixed income-oriented convertibles. This structure provides a balance between upside participation during good markets and downside protection during bad markets.

The holdings in the Strategy portfolio have an average current yield of 2.9%, a delta (sensitivity to common stock) of 46%, and an average credit rating of BBB. The Constrained Convertible Index (VX5C) yields 3.5% and has a delta of 54% and an average credit rating of BBB. The holdings are diversified across all economic sectors. Compared to the Constrained Convertible Index (VX5C), we maintain an overweight in the Consumer Discretionary, Health Care, Information Technology, and Industrials sectors. We maintain an underweight in the Financials, Utilities, and Real Estate sectors. We maintain approximately neutral exposure to other sectors.

Buy & Sells

During the first quarter, we initiated a position in a new issue mandatory convertible preferred by alternative asset management company KKR & Co. We added to recent new issues from Capital Southwest, Digital Realty, and Ares Management. Capital Southwest is a Texas-based business development company (BDC) providing debt and equity capital to a variety of companies. Digital Realty is a REIT specializing in technology-related properties. Like KKR & Co., Ares Management is an alternative asset management company. We also continued to add homebuilder Meritage Homes Corp. We swapped portions of both NextEra Energy and Akamai Technologies for similar issues with longer maturities. We trimmed positions in Booking Holdings and Southwest Airlines. Finally, we eliminated positions in Euronet Worldwide and Flagstar Financial.

Outlook

We believe that investment grade convertibles are well positioned in the current period of economic uncertainty. With stock valuations at elevated levels, the yield and defensive characteristics of convertibles have increased in importance.

Real GDP grew at an above-expectation 2.8% rate in 2024, but we believe growth may slow in 2025. A dichotomy is developing between recent soft economic data, such as consumer confidence, that has deteriorated since year-end and hard economic data, such as durable goods orders, that has remained more robust. Economists, including officials at the Federal Reserve, have been lowering their GDP expectations since year-end.

The latest Bloomberg survey of economists shows a forecast of 2.0% GDP growth in 2025. Furthermore, we believe the likelihood of recession has increased since year-end partially due to the uncertainty brought about by the implementation and timing of tariffs.

The Fed held rates steady at their March meeting but indicated one to two rates cuts were likely during the remainder of the year. Inflation has been trending lower over the past several months but remains a concern. Many believe that the addition of tariffs introduces the potential for higher and more uncertain inflation numbers.

Last year's economic growth and robust tech results continue to push up S&P 500® Index earnings. Forecasts of slower economic growth have had little effect on earnings at least so far. Bloomberg's survey of strategists indicates a median S&P 500® Index EPS forecast of \$270 in 2025, putting the index at close to 21 times earnings based on its quarter-end closing level of 5612. Healthy earnings growth could drive returns in 2025; however, elevated valuation levels may limit upside potential. A repeat of the stellar stock returns experienced over the past two years appears unlikely.

Historically, convertible returns have closely matched or even exceeded equity returns over long periods, with lower volatility. In general, convertibles have tended to underperform stocks in bull markets, outperform stocks in bear markets, and provide competitive returns in normal markets. In addition, their lack of perfect correlation to either the stock or the bond market makes them a worthy addition to balanced portfolios.

Investment Performance (%)

Average Annual Returns as of March 31, 2025

Victory Investment Grade Convertible Securities Strategy	Inception Date	Q1 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Victory Investment Grade Convertible Securities Strategy (Gross)	1/1/87	0.18	0.18	8.10	3.41	10.11	8.04	8.32
Victory Investment Grade Convertible Securities Strategy (Net)	1/1/87	0.04	0.04	7.51	2.84	9.53	7.46	7.68
ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (VX5C)	–	2.18	2.18	11.53	4.53	10.18	8.42	–
ICE BofA Investment Grade U.S. Convertible Index (VXA1)	–	2.38	2.38	9.95	3.94	8.68	8.58	–

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. The composite net-of-fees returns shown reflect gross performance less actual investment management 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.

Top 5 Contributors (%)	Contribution to Absolute Return	Top Ten Holdings	% Rep. Account
Welltower Inc. 2.75% 15-may-2028	0.5	Bank of America Corp 7.25 % Non Cum Perp Conv Pfd Registered Shs Series L	5.6
Uber Technologies, Inc. 0.875% 01-dec-2028	0.3	Wells Fargo & Company 7.5 % Non Cum Perp Conv Pfd Registered Shs A Series L	5.1
Ventas Realty Limited Partnership 3.75% 01-jun-2026	0.3	Ford Motor Company 0.0% 15-mar-2026	4.7
Ppl Capital Funding, Inc. 2.875% 15-mar-2028	0.2	Apollo Global Management Inc Mandatory Conv Pfd Registered Shs Series A	4.4
Southern Company 3.875% 15-dec-2025	0.2	Expedia Group, Inc. 0.0% 15-feb-2026	4.2
		Booking Holdings Inc. 0.75% 01-may-2025	4.1
		Uber Technologies, Inc. 0.875% 01-dec-2028	3.9
		Envista Holdings Corporation 1.75% 15-aug-2028	3.8
		Barclays Bank Plc 1.0% 16-feb-2029	3.3
		Kite Realty Group, L.p. 0.75% 01-apr-2027	3.2
		Total	42.3
Top 5 Detractors (%)	Contribution to Absolute Return		
Parsons Corporation 0.25% 15-aug-2025	-0.9		
Apollo Global Management Inc Mandatory Conv Pfd Registered Shs Series A	-0.7		
Ares Management Corporation Pfd Registered shs Series B	-0.4		
Booking Holdings Inc. 0.75% 01-may-2025	-0.4		
Kite Realty Group, L.p. 0.75% 01-apr-2027	-0.2		

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 Victory Investment Grade Convertible Securities Composite includes all accounts, except wrap fee paying accounts, invested in investment grade convertible securities with a minimum convertible commitment goal of 70%-90%. The composite creation date is 1Q93 and the composite inception date is January 1987.

The benchmark of the composite is the ICE BofAML Investment Grade US Convertible 5% Constrained Index (VX5C). Prior to 12/1/2017, the benchmark was the ICE BofAML U.S. Convertible - Investment Grade Index (VXA1). The ICE BofAML Investment Grade US Convertible 5% Constrained Index (VX5C) is a market-capitalization weighted index of domestic corporate convertible securities, with all positions capped at 5% of market value. Bonds and preferred stocks must be convertible only to common stock, ADR's or cash equivalent and have a market value of at least \$50 million. Composed of Coupon, OID, or zero-coupon convertible bonds rated by Moody's and/or S&P with an average rating of Baa3/BBB- or higher. The ICE BofAML U.S. Convertible - Investment Grade Index (VXA1) is a market capitalization-weighted index of domestic corporate convertible securities. Bonds and preferred stocks must be convertible only to common stock, ADR's or cash equivalent and have a market value of at least \$50 million. Composed of Coupon, OID, or zero-coupon convertible bonds rated by Moody's and/or S&P with an average rating of Baa3/BBB- or higher. The benchmark returns are provided to represent the investment environment existing during the time periods shown and are not covered by the report of independent verifiers. For comparison purposes, the index is fully invested, which includes the reinvestment of income. The returns have been taken from a published source and do not include any transaction fees, management fees, or other costs. Prior to September 2023, the name of this composite was the INCORE Investment Grade Convertible Securities.

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.

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were not intended as individual investment advice. A complete list of all holdings for the previous 12 months, each holding's contribution to the strategy's performance, and the calculation methodology used to determine the holdings' contribution to performance is available on request. Victory Capital Management Inc., and its affiliates, as agents for their clients, and any of its officers or employees, may have a beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

The top contributors and detractors are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments.

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