VICTORY CORE PLUS FIXED INCOME STRATEGY QUARTERLY COMMENTARY



As of September 30, 2025

Executive Summary

Risk assets performed well during the third quarter despite a slight uptick in inflation and increased concerns surrounding employment. The dominant theme of discussion during the quarter was if and by how much the Federal Reserve (the "Fed") might reduce the federal funds rate at its September meeting and through the remainder of 2025. Headlines about the application or revocation of tariffs also roiled the market periodically. Against this backdrop, the Victory Core Plus Fixed Income Strategy outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended September 30, 2025, on a gross and net basis.

Market Update & Commentary

Inflation picked up in Q3, lending support to those who argued that the impact of tariffs would increase prices. The unemployment rate steadily weakened, too, from 4.1% to 4.3% by the quarter's end. Yet, and to widespread surprise, annualized quarter-on-quarter GDP improved to 3.8% by the September reading, up from 3% in July. These seemingly conflicting readings of a worsening economic situation but with the economy picking up kept market watchers guessing as to how the Fed would act at its September meeting and what the press conference afterward would hold. In the end, the Fed cut rates by 25 bps and left open the possibility for further cuts in its meetings across the rest of 2025.

Fixed income performance was positive during the quarter on the overall decline in yields and further tightening in credit spreads. The Treasury yield curve steepened as shorter-term yields fell following the Fed's 25-bps cut; longer-term yields remained elevated on persistent fears of inflation and an ever-widening federal budget deficit. There were also those who speculated that the Fed was being pressured to cut interest rates more aggressively, which led some to fear the loss of Fed independence and credibility.

The unemployment rate rose across Q3, nonfarm payrolls trended downward, and the year-on-year Consumer Price Index (CPI) rose from June's 2.7% to August's 2.9% (latest available); revised June labor data showed net job losses for the first time since 2020. Federal Open Market Committee Chair Powell cited downside risks to employment despite broader economic resilience as a significant reason why the Committee cut rates in September. Relative to historical standards, monetary policy at the end of Q3 was only mildly overall financial restrictive. and conditions accommodative. However, the market appears to have priced in rate cuts in October and December, as well as more for 2026, on expectations that four unemployment will rise further.

	Yield		Returns (%)										
(%		9/30/2025	6/30/2025	Δ (+/-)	ЗМ	1YR							
Investment Grade (Moody's Ratings)													
U.S. Treasury	3.9	0.0	0.0	0.0	1.5	2.1							
U.S. Aggregate	4.4	27.8	32.7	-4.8	2.0	2.9							
U.S. Credit	4.8	69.1 79.6		-10.5	2.6	3.6							
Corporate	4.8	73.1	84.0	-10.9	2.6	3.6							
Aa	4.6	40.9	46.7	-5.8	2.4	2.1							
А	4.7	61.0	70.2	-9.2	2.5	3.3							
Baa	5.0	91.0	104.5	-13.5	2.7	4.3							
Crossover	5.7	156.2	171.1	-14.9	2.5	6.0							
High Yield (Moody's Ratings)													
U.S. Corporate High Yield	7.1	270.4	291.5	-21.1	2.5	7.4							
Ва	5.9	167.0	167.9	-0.9	2.3	6.9							
В	7.1	263.8	278.8	-15.0	2.3	7.1							
Саа	10.8	616.5	678.1	-61.6	4.4	10.5							
Ca-D	21.5	1917.3	1927.6	-10.3	2.0	6.6							
Structured Product													
U.S. MBS	4.7	31	37	-6	2.4	3.4							
ABS	4.2	47	57	-10	1.6	4.6							
CMBS	4.5	76	85	-9	1.8	4.8							

Source: Bloombera

We believe fixed income continues to offer compelling opportunities. In our view, positive real yields, still-reasonable valuations, and diversification benefits keep fixed income attractive on a relative and absolute basis.

Portfolio Performance & Positioning

During the quarter, we sold down the credit that we bought during the tariff sell off in Q2 and replaced it with agency mortgage. Spreads continued to tighten over the course of the quarter ending close to ten-year tights.

Contributors

- Security selection was the largest driver of out performance, specifically security selection within Corporate credit, and non-Agency CMBS securities. Within Corporate credit Consumer Cyclical, and Cable Satellite were the best performing sectors.
- From a credit perspective, our security selection in AA rated credits and our allocation to AA, BBB and below investment grade rated BB credits most-aided performance.
- Duration slightly added to performance, as the Strategy is overweight the belly of the curve (7- and 10-year key rate portions) versus the index, which has more exposure to the long end, which outperformed during the quarter. Our allocation to cash contributed to performance

Detractors

- Our overweight to futures, auto loans, and ABS, as well as our underweight to Agency and Sovereign detracted from performance for the quarter.
- From a credit perspective, our underweight to A rated credits also detracted from performance.
- Our overweight allocation to ABS, and an underweight to Non- US Sovereign debt also detracted from performance..

Performance

Average Annual Returns (%) as of September 30, 2025

Victory Core Plus Fixed Income Strategy	QTD	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception (September 1999)
Gross of Fees	2.19	6.81	4.14	6.71	1.76	3.91	5.53
Net of Fees	2.06	6.38	3.58	6.11	1.18	3.30	4.87
Bloomberg U.S. Aggregate Bond Index	2.03	6.13	2.88	4.93	-0.45	1.84	4.05

Past performance cannot 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. Performance prior to July 1, 2019, occurred while the team was affiliated with a prior firm. The investment management team has managed the composite strategy since inception and the investment process has not changed. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. The composite net-of-fees returns shown reflect 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.



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.

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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 Victory Core Plus Fixed Income Composite includes all institutional and retail portfolios invested primarily in a broad range of debt securities that have a dollar-weighted average portfolio maturity between three to ten years. The debt securities in which the composite portfolios may invest include, among others, obligations of U.S., state, and local governments, their agencies and instrumentalities; mortgage- and asset-backed securities; corporate debt securities; repurchase agreements; and other securities believed to have debt-like characteristics. The strategy aims to deliver high current income without undue risk to principal. Portfolios in the composite will invest primarily in investment-grade securities, but also may invest in below investment-grade securities, which are sometimes referred to as high-yield or "junk" bonds. High yield bonds carry increased levels of credit and default risk and are less liquid than government and investment grade bonds. Beginning September 1st, 2023, the minimum account size for the composite is \$25 Million. Prior to 4/24/2023, the name of this composite was the Core Plus Fixed Income Composite. The composite creation date is July 2019, and the composite inception date is September 1999

The benchmark of the composite is the Bloomberg U.S. Aggregate Bond Index. The Bloomberg U.S. Aggregate Bond Index measures the performance of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and

corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage (ARM) pass-throughs), asset-backed securities, and commercial mortgage-backed securities. 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.

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. Past performance does not guarantee future results.

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V20.140 // 3Q 2025 Victory Core Plus Fixed Income Strategy COM

