Victory Ultra Short-Term Bond Fund

QUARTERLY COMMENTARY

VICTORY income investors®
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of September 30, 2026

Executive Summary

Fixed income markets endured a challenging quarter as inflation's stubborn plateau and a decisive hawkish pivot from the Federal Reserve drove yields to levels not seen in roughly two decades. Q3 began with the Fed holding rates amid rising internal dissent, moved through a hawkish recalibration at the Jackson Hole Symposium under Chair Warsh, and culminated in a 25-basis-point rate hike in September, a notable reversal from the easing cycle markets had anticipated at the start of the year. The 10-year Treasury yield surged 82 basis points over the quarter, ending September at 5.29%, up from 4.47% at the close of Q2. Against this backdrop, the Victory Ultra Short-Term Bond Fund (Institutional Shares) underperformed its benchmark, the Bloomberg U.S. Treasury Bellwethers 3-Month Index, for the quarter ended September 30, 2026.

Market Update & Commentary

Inflation's trajectory through the third quarter told a story of stalled progress rather than renewed acceleration. After peaking near 3.8% year-over-year in the second quarter, headline CPI cooled through the summer to 3.4% by August, with Core CPI plateauing near 2.5%. That stabilization proved insufficient to ease policymakers' concerns, as inflation remained firmly above the Fed's 2% target with limited evidence of a clear path back to goal.

The quarter's defining narrative was the Federal Reserve's hawkish turn under Chair Warsh. The Fed held rates steady in July despite three dissents favoring a hike. The Fed did not meet in August, but Chair Warsh used the Jackson Hole Symposium to reset expectations, reiterating that policy remained "not very restrictive" and that the Fed must address elevated inflation. That messaging proved prescient: by month-end, markets priced a 68% probability of a September hike, and the Fed delivered, raising rates 25 basis points with a hawkish dot plot signaling two to three additional increases through 2027 — a dramatic reversal from the rate-cut narrative that dominated expectations entering 2026. We view this less as a "higher for longer" anomaly and more as markets recalibrating toward a historical norm that predates the near-zero rate era following the 2008 financial crisis.

This repricing left a clear mark on performance. The 10-year Treasury yield rose 82 basis points over the quarter, ending September at 5.29%, with similarly sharp moves across the curve. Price pressure outweighed income for most asset classes: the Bloomberg U.S. Aggregate Index returned -3.51% for the quarter, with investment grade corporates and Treasuries posting comparable declines, while high yield corporates proved more resilient given shorter duration. Municipal bonds lagged materially. Credit markets stayed well-behaved for much of the quarter, investment grade spreads held near multi-decade lows even as AI-related technology issuance accelerated, before widening slightly in September.

Rising yields, while a headwind for near-term returns, have left investors with starting yields among the most attractive seen in roughly two decades. We view this as a mechanical function of higher rates rather than asset-class impairment; historically, starting yields have been a driver of long-term returns. We remain attentive to the risk that further hawkish surprises could pressure spreads further, but believe the current environment — higher real yields, resilient fundamentals, and disciplined credit selection — continues to offer a compelling income opportunity for investors able to look past near-term volatility.

	Yield (%)	Spreads (bps*)			Returns (%)	
		9/30/ 2026	6/30/ 2026	Δ (+/-)	3M	1YR
Investment Grade (Moody's Ratings)						
U.S. Treasury	5.1	0	0	0	(3.0)	(1.9)
U.S. Aggregate	5.6	31	26	+5	(3.5)	(1.8)
U.S. Credit	6.0	75	69	+6	(3.8)	(2.2)
Corporate	6.0	80	74	+6	(3.9)	(2.3)
Aa	5.9	59	52	+7	(4.8)	(4.2)
A	5.9	68	62	+6	(3.9)	(2.3)
Baa	6.2	97	91	+7	(3.7)	(1.8)
Crossover	6.9	168	144	+24	(2.7)	0.2
High Yield (Moody's Ratings)						
U.S. Corporate High Yield	8.5	313	264	+48	(1.8)	1.4
Ba	7.2	186	155	+32	(1.9)	1.5
B	8.5	303	280	+24	(1.2)	2.6
Caa	15.4	992	745	+247	(3.4)	(1.6)
Ca-D	37.9	3,256	3357	-101	(3.1)	(18.3)
Structured Product						
U.S. MBS	5.9	43	24	+19	(4.3)	(1.7)
ABS	5.3	40	44	-3	(0.8)	1.5
CMBS	5.7	67	65	+2	(1.8)	0.3

Source: Bloomberg
* A basis point is one-hundredth of a percentage point (0.01%) and is abbreviated as "bp" (singular) or "bps" (plural).

Portfolio Performance & Positioning

During the quarter, we increased our allocation to CLOs, technology, consumer cyclical, insurance, communications, energy, and healthcare, while reducing exposure to cash, banking, auto loans, other ABS, electric utilities, consumer non-cyclical, and CMOs.

Contributors

- Best performers were government owned, other ABS, hospitals, CLOs, other financial, brokerage and asset managers, and auto loans.
- Asset allocation and security selection added to performance.

Detractors

- Sectors that detracted from performance included communications, agency fixed rate, healthcare, energy, CMOs, school district, and appropriation debt.
- Yield curve positioning on two- and three-year key rate durations was a significant performance detractor.

Standardized Performance: September 30, 2026

Average Annual Returns (%)

Victory Ultra Short-Term Bond Fund	Ticker	Inception Date	Q3 2026	1 Year	5 Year	10 Year	Since Inception	Expense Ratio	
								Gross	Net
Fund Shares	UUSTX	10/18/10	0.50	3.53	3.84	3.03	2.43	0.61	0.61
A Shares, without sales charge	USBAX	06/29/20	0.44	3.28	3.58	–	3.48	1.98	0.85
A Shares, with sales charge (max. 0.00%)	USBAX	06/29/20	–	–	–	–	–	–	–
Institutional Shares	UUSIX	07/12/13	0.51	3.55	3.88	3.06	2.59	0.60	0.60
R6 Shares	URUSX	03/01/17	0.54	3.70	4.01	–	3.32	0.58	0.43
Bloomberg U.S. Treasury Bellwethers 3-Month Index	–	–	0.92	3.72	3.77	2.46			
FTSE 3-month T-bill Index	–	–	0.97	3.91	3.88	2.50	–	–	–

Past performance does not guarantee future results. The performance quoted represents past performance and current performance may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, visit www.vcm.com. Returns include reinvestment of dividends and capital gains. Performance for periods greater than one year is annualized. Performance may reflect certain past fee waivers and/or expense reimbursements, without which performance would have been lower. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through August 31, 2027.

Carefully consider a fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus or summary prospectus containing this and other important information, visit www.vcm.com/prospectus. Read it carefully before investing.

Not all share classes are available to all investors.

All investing involves risk, including the potential loss of principal.

Fixed income securities are subject to interest rate, inflation, credit, prepayment, and default risk. The bond market is volatile. **Bonds and bond funds** will decrease in value as interest rates rise and vice versa. **Credit risk** refers to the possibility that debt issuers may not be able to make principal and interest payments or may have their debt downgraded by ratings agencies.

High yield securities may be more volatile, be subject to greater levels of credit or default risk, and may be less liquid and more difficult to sell at an advantageous time or price than higher-rated securities of similar maturity.

Mortgage-backed securities ("MBS") are subject to credit, prepayment and extension risk and may react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain MBS.

The portfolio is also subject to **liquidity risk**, which is the risk that the Adviser may not be able to sell a security at an advantageous time or price, which may adversely affect the portfolio.

Large shareholders, including other funds advised by the Adviser, may own a substantial amount of the Fund's shares. The actions of large shareholders, including large inflows or outflows of cash, may adversely affect other shareholders, including potentially increasing capital gains.

The value of your investment is also subject to geopolitical risks such as wars, terrorism, trade disputes, environmental disasters, and public health crises; the risk of technology malfunctions or disruptions; and the responses to such events by governments and/or individual companies.

Consumer Price Index (CPI), a popular measure of inflation and deflation calculated by the Bureau of Labor Statistics, measures the monthly change in prices paid by U.S. consumers.

The Bloomberg U.S. Treasury Bellwethers 3-Month Index represents the total return received by investors from 3-month U.S. Treasury securities. **The FTSE 3-Month US T-Bill Index** measures monthly return equivalents of yield averages that are not marked to market, consisting of the last three 3-month Treasury bill issues. Index returns are for illustrative purposes only and do not represent actual Fund performance. Index performance does not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. **Past performance does not guarantee future results.**

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