

Executive Summary

The fourth quarter embodied market contradictions: GDP surged to 4.3%, while inflation remained stubbornly above the Federal Reserve's 2% target and unemployment was slightly elevated at 4.4%. Two 25-basis-point rate cuts sparked multiple FOMC dissents, revealing deep divisions over mandate prioritization. The government shutdown disrupted critical data collection, obscuring an already murky economic picture. Fixed income markets mirrored this complexity with positive performance for the quarter and compressed credit spreads that signaled risk appetite despite continued uncertainty. Against this backdrop, the VictoryShares Core Plus Bond ETF outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended December 31, 2025.

Market Update & Commentary

Markets saw a continuation of contradictory themes in Q4. Inflation declined throughout the quarter, though it remained above the Fed's 2% target. Year-over-year the Consumer Price Index (CPI) declined from 3.0% at the end of Q3 to 2.7%. Year-over-year Core CPI, which excludes food and energy, declined from 3.0% to 2.6%. The unemployment rate was unchanged quarter-over-quarter, concluding the year at 4.4%, though it did peak mid-quarter at 4.5%. Yet GDP defied the slowdown narrative entirely, with growth surging to 4.3% annualized quarter-over-quarter and surpassing forecasts. This economic picture became murkier mid-quarter when the longest government shutdown in history disrupted data collection, resulting in a missing CPI report and clouding investors' view of an already uncertain economy.

The Fed's two 25-bps cuts in Q4 – ostensibly responding to labor market softening – revealed deeper fault lines. Multiple dissents at both Federal Open Market Committee (FOMC) meetings highlighted internal division over whether inflation or employment should drive policy. This internal discord was compounded by external pressure to reduce rates from the executive branch. We saw investor sensitivity to perceived threats to central bank independence in Q4 and questions about institutional credibility that will likely intensify as Powell's time as chair of the FOMC comes to an end.

Fixed income markets embodied the quarter's contradictions: while returns were positive, the story beneath was complex. The Treasury curve steepened as short-term yields declined in response to the two reductions in the federal funds rate, yet long-term yields rose. This move reflected persistent investor concerns about fiscal spending and inflation. Meanwhile, corporate credit spreads remained meaningfully below long-term averages for both investment grade and high yield rated debt in Q4, signaling the same risk-on sentiment driving equities to record highs even as economic uncertainty mounted.

	Yield (%)	Spreads (bps*)			Returns (%)	
		12/31/2025	9/30/2025	Δ (+/-)	3M	1YR
Investment Grade (Moody's Ratings)						
U.S. Treasury	3.9	0	0	0	0.9	6.3
U.S. Aggregate	4.3	27	28	-1	1.1	7.3
U.S. Credit	4.8	73	69	+4	0.9	7.8
Corporate	4.8	77	73	+4	0.8	7.8
Aa	4.6	48	41	+7	0.4	6.7
A	4.7	64	61	+3	0.9	7.8
Baa	5.0	97	91	+6	0.8	7.9
Crossover	5.7	155	156	-2	1.0	8.0
High Yield (Moody's Ratings)						
U.S. Corporate High Yield	7.1	268	270	-2	1.3	8.6
Ba	5.9	163	167	-4	1.5	9.0
B	7.1	268	264	+4	1.6	8.4
Caa	11.0	626	616	+10	0.2	8.3
Ca-D	30.5	2744	1917	+826	-6.8	-2.9
Structured Product						
U.S. MBS	4.6	22	31	-9	2	9
ABS	4.1	52	47	+5	1	6
CMBS	4.4	75	76	-1	1	8

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 corporates and agency mortgages, and decreased cash and Treasuries.

Contributors

- > Best performers relative to the index were building materials, consumer products, brokerage and asset managers, other financial, and banking.
- > From a credit perspective, relative to the index, high yield, BBB, and single-A bonds provided the best performance.
- > Allocation and selection added 14 bps to performance.

Detractors

- > Sectors that detracted from performance relative to the index included technology, Treasuries, life insurers, retailers, and diversified manufacturing.
- > From a credit perspective, relative to the index, AAA and AA bonds contributed the least to performance.
- > Duration subtracted 2 bps from performance.



VictoryShares Core Plus Bond ETF



Quarterly Commentary Q4 2025 | As of December 31, 2025

SECTOR WEIGHTING (%)		
Sector	UBND	BM
MBS	29.07	24.22
ABS	16.56	0.45
Treasury	15.95	45.65
Industrial	13.84	13.76
Financial Institutions	6.30	7.87
CMBS	6.18	1.44
Derivative	4.90	0.00
Government Related	3.72	4.24
Bank Loan	1.64	0.00
Utility	1.01	2.35

Benchmark (BM): Bloomberg U.S. Aggregate Bond Index
Sector weightings are subject to change.

VictoryShares Core Plus Bond ETF (UBND)

Annualized Rate of Return (%)	Quarter	YTD	1 year	3 year	5 year	10 year	S.I.
Net Asset Value (NAV)	1.17	7.75	7.75	6.05	–	–	0.96
Closing Market Price	1.23	7.69	7.69	6.02	–	–	1.00

Index for Comparison (%)	Quarter	YTD	1 year	3 year	5 year	10 year	S.I.
Bloomberg U.S. Aggregate Bond Index	1.10	7.30	7.30	4.66	–	–	–

Past performance does not guarantee future results. The performance data 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.victoryshares.com. ETF shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.

Fund Top 10 Holdings	Weighting (%)
U.S. Government	48.40
Frontier Communications	0.60
Scfet 2025-1	0.59
Axis 2023-1	0.55
Worldpay	0.47
Calpine Corp.	0.42
Aesop	0.40
Omw 2020-1Mw	0.38
Dentsply Sirona Inc.	0.37
Boeing Company	0.34

Holdings are subject to change and should not be construed as investment advice or a recommendation to buy, sell, or hold any security.

Expense Ratio

Gross	Net
0.45	0.40

Since Inception (S.I.):
October 4, 2021

Market price returns are based on the price of the last reported trade on the Fund's primary exchange. If you trade your shares at another time, your return may differ. Returns include reinvestment of dividends and capital gains. Performance for periods greater than one year is annualized. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through October 31, 2026. Performance may reflect certain past fee waivers and/or expense reimbursements, without which performance would have been lower.

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.

All investing involves risk, including the potential loss of principal. The Fund has the same risks as the underlying securities traded on the exchange throughout the day. ETFs may trade at a premium or discount to their net asset value. **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") and asset-backed securities ("ABS") 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 and ABS. **International investments** can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from U.S. investments. **Emerging markets** involve heightened risks related to the same factors as well as greater volatility, reduced liquidity, different governmental controls and taxation, and less diversified economies. **Derivatives** may not work as intended and may result in losses. **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 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. 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.

Diversification does not assure a profit or protect against loss. **Duration** measures how sensitive a fixed income investment's price is to interest rate changes, expressed as a number of years. **Average Effective Duration** is the weighted average duration of a portfolio of bonds including embedded options. **Market capitalization** is the total dollar value of all outstanding shares computed as number of shares times current market price. **Market price** is the price of the last reported trade on a fund's primary exchange. **Net asset value or NAV** is a fund's total assets minus its total liabilities, divided by the number of outstanding shares. The **30-Day SEC Yield** is a standard yield calculation developed by the SEC for bond funds. The yield is calculated by dividing the net investment income per share earned during the 30-day period by the maximum offering price per share on the last day of the period. The 30-day SEC yield is designed to show the annualized earning power of the Fund's portfolio securities during the period indicated, assuming the same net investment income each month. **30-Day SEC Yield Unsubsidized** does not reflect any fee waivers/reimbursements/limits in effect. **The Bloomberg U.S. Aggregate Bond Index (BBG US Aggregate)** measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

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