

Commentary

For the quarter ended September 30, 2024, the Victory Short Government strategy had a total return of 3.01%. The Strategy's benchmark index, the Bloomberg U.S. 1-5 Year Government Bond Index, had a total return of 3.41%.

Equity markets continued to rally and rates fell in the third quarter of 2024, with the Dow Jones Industrial Average up 8.7%, the S&P 500® Index up 5.9%, and the Nasdaq Composite up 2.8%. The U.S. Federal Reserve Bank implemented a well-telegraphed interest rate cut at their meeting on September 18. The cut was 0.50%, a size usually reserved for times of market stress. Chair Powell reassured the market that the economy was on the right path and that this “recalibration” was meant to keep it there. The U.S. Treasury yield curve ended the quarter positively sloped for the first time since July 2022 with the difference between the 10-year yield and the 2-year yield at +0.14%, while yields on fives fell more than the rest of the curve. U.S. Treasury bond yields maturing in two years fell 1.11%, fives fell 1.47%, tens fell 0.62%, and the long bond yield fell 0.44%. Bond prices move opposite yields.

All fixed income sectors had strongly positive total and excess returns in the third quarter (excess versus duration-neutral U.S. Treasury bonds). Corporate bonds had the most positive returns relative to U.S. Treasury bonds. MBS (mortgage-backed securities) and CMBS (commercial mortgage-backed securities) had the next most positive returns relative to duration-neutral U.S.

Treasury bonds. Agency debentures and ABS (asset-backed securities) also had strong positive returns relative to duration-neutral U.S. Treasury bonds. Within the mortgage market, Freddie Mac (FHLMC) led Fannie Mae (FNMA), which led Ginny Mae (GNMA). All had positive total returns and positive returns versus duration-neutral U.S. Treasury bonds.

All our sector returns were strongly positive in the third quarter and our largest allocation, GNMA single-family pass-through bonds (81.7%), contributed the most total return. Our U.S. Treasury bond allocation (14.7%) contributed strongly, yet had the least positive total return contribution. GNMA structure, our smallest allocation (3.6%), also had a strong positive total return contribution. We continue to selectively buy or create high-coupon GNMA platinum pools as opportunities arise.

As inflation has moderated and the labor market has moved into better balance, the Fed has shifted focus from inflation alone to the twin goals of price stability and maximum employment. Despite some weakness in manufacturing, the labor market (and corresponding wages) remains resilient. The FOMC Chairman recently gave guidance (unusually plain) that there would likely be two more smaller rate cuts this year. The market and the Dot Plot agree. Absent any exogenous shocks, we think economic strength may persist. 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 September 30, 2024

Victory Short Government Strategy	Q3 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*
Victory Short Government Strategy (gross of fees)	3.01	5.04	8.29	1.33	1.62	2.05	5.55
Victory Short Government Strategy (net of fees)	2.92	4.76	7.91	0.98	1.26	1.69	5.05

Bloomberg U.S. 1-5 Year Government Bond Index

3.41 4.16 7.49 0.67 1.24 1.47 –

*Since inception results are as of October 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 Victory Short Government Fixed Income 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. Prior to September 2023, the name of this composite was the INCORE Short Government Fixed Income Composite.

The benchmark of the composite is the Bloomberg 1-5 Year Government Bond Index. The Bloomberg 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. 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 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.

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.

Victory Capital Management Inc. (VCM) is a diversified global investment adviser registered under the Investment Advisers Act of 1940 and comprises of multiple investment franchises: 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. Effective September 1, 2023, INCORE Capital Management is no longer part of the firm definition.

Request a GIPS® Report from your Institutional Relationship Manager or visit www.vcm.com.

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

V17.042 // 3Q 2024 Victory Short Government Strategy COM

For more information about separate accounts and mutual funds, contact Victory Capital Management at 800.991.8191 or visit vcm.com.

WWW.VCM.COM

