Victory Fund For Income Quarterly Commentary

LSEG Lipper Fund Awards 2024 Winner United States

VICTORY income investors

As of March 31, 2024

Commentary

For the quarter ended March 31, 2024, the Victory Fund for Income (Class A shares, net asset value) had a total return of 0.64%. The Fund's benchmark index, the Bloomberg U.S. 1-5 Year Government Bond Index, had a total return of -0.04%.

Risk markets continued to rally and rates rose in the first quarter of 2024, with the Dow Jones Industrial Average up 5.6%, the S&P 500® Index up 10.6 %, and the Nasdaq Composite up 9.1%, as inflation data bumped higher than anticipated amid a strong labor market. The U.S. Federal Reserve has continued to hold rates steady since July 27, 2023. The U.S. Treasury yield curve flattened, with the 2s/10s spread (the difference between the 10-year yield and the 2-year yield) at -0.42%. U.S. Treasury bond yields maturing in two years' time rose 0.37%, fives rose 0.37%, tens rose 0.32%, and the long bond rose 0.32%. Bond prices move opposite yields.

Not all fixed income sectors had positive total and excess returns in the first quarter (excess versus duration-neutral U.S. Treasury bonds). Commercial mortgage-backed securities (CMBS) had the most positive returns relative to U.S. Treasury bonds. Mortgage-backed securities (MBS) had the only negative return relative to duration-neutral U.S. Treasury bonds. Corporate bonds and asset-backed securities (ABS) both had moderate positive returns relative to duration-neutral U.S. Treasury bonds. Agency debentures eked out a modest positive return versus duration-neutral Treasuries. Within the mortgage market, Freddie Mac (FHLMC) led Fannie Mae (FNMA), which led Ginny Mae (GNMA). All had negative total returns and negative returns versus duration-neutral U.S. Treasury bonds.

All our sector returns were strongly positive in the first quarter, with our smallest allocation, GNMA structure (3.9%), having contributed the most total return. GNMA single-family pass-through bonds, our largest allocation (82.5%), had a strong positive total return contribution, as did our U.S. Treasury bond allocation (13.7%). We continue to selectively buy or create high-coupon GNMA platinum pools as opportunities arise.

Inflation data has come in stronger than expected; yet going forward, it is not likely to move in a straight line. The Federal Reserve Board's Summary of Economic Projections, affectionately known as the Dot Plot, on average shows three 25-basis-point interest rate cuts by the end of 2024. As of this writing, the market is mirroring the Fed by anticipating just about three rate cuts by the end of 2024. Absent any exogenous shocks, we think economic strength may persist and that the market will be lucky to have any interest rate cuts at all this year, as one Fed president recently stated that it may be necessary to raise rates one more time this year to combat still-elevated inflation driven by consistently strong consumer spending. No matter the macroeconomic environment, 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 March 31, 2024

Victory Fund for Income (Class A – IPFIX)	Q1 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*	Expense Ratio Gross	Expense Ratio Net
A Shares, without sales charge	0.64	0.64	3.12	-0.82	0.48	0.91	2.90	0.96	0.91
A Shares, with sales charge (max. 2.25%)	-1.65	-1.65	0.82	-1.57	0.02	0.68	2.81	0.96	0.91
Bloomberg U.S. 1-5 Year Government Bond Index	-0.04	-0.04	2.44	-0.66	0.93	1.10	–	–	–

*Since inception results are as of September 16, 1987.

Source: Victory Capital data analyzed through Zephyr

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. Other share classes are available. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which Fund performance would have been lower. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through October 31, 2024.

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. Fixed income securities are subject to interest rate, inflation, credit 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. 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. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The market value of a security issued on a when-issued, to-be-announced (TBA) or delayed-delivery basis may change before the delivery date, which may adversely impact the Fund's net asset value. There is also the risk that a party fails to deliver the security on time or at all. The fund 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 Fund. The value of your investment is also subject to geopolitical risks such as wars, terrorism, 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.

The opinions are as of the date noted 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.

The Bloomberg U.S. 1-5 Year Government Bond Index seeks to measure the performance of U.S. Treasuries and Agencies with less than five years to maturity. Index returns reflect the reinvestment of dividends and capital gains but do not include advisory fees, transaction costs, or other expenses. One cannot invest directly in an index.

Distributed by Victory Capital Services, Inc., an affiliate of Victory Capital Management Inc., the Fund's investment adviser.

The LSEG Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers.

The LSEG Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible category wins the LSEG Lipper Fund Award.

Victory Fund for Income, R6 was selected from among 13 funds and 52 share classes in the GNMA fund category over three years for the period ending November 30, 2023.

Victory Fund for Income, R6 was selected from among 13 funds and 49 share classes in the GNMA fund category over five years for the period ending November 30, 2023.

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