

Market Review

The Federal Reserve's shift from ambiguity to clear hawkishness shaped fixed income performance in the third quarter. Inflation stayed elevated alongside resilient consumer spending, strong corporate earnings and well-above-trend business investment. At the July FOMC meeting, three of twelve voting members dissented in favor of a hike. Chair Warsh's press conference then left investors questioning his commitment to lowering inflation, but at Jackson Hole in August he committed to the 2% PCE target and said he would be "hard pressed to describe broad financial conditions as restrictive." After an above-expectations August CPI made a hike a near-certainty, the Fed raised rates 25 basis points in September in a unanimous vote. Sixteen of 18 participants projected at least one more increase before year-end, and the median funds rate projections for 2027 and 2028 each rose 50 basis points, well above the longer-run neutral estimate. Treasury yields rose in a roughly parallel shift: two-year yields climbed 72 basis points to 4.87% and 30-year yields 70 basis points to 5.63%. The move came almost entirely from real yields. The 10-year TIPS yield accounted for 69 of the 84 basis-point rise in the 10-year Treasury yield, reaching 2.91%, its highest level since 2008. Ten-year breakevens rose just 14 basis points to 2.37%, even as University of Michigan year-ahead inflation expectations jumped to 4.6% from 4.0%, which suggests investors still trusted the Fed to contain inflation. In our view, three forces drove real yields higher. First, markets raised the expected path of real policy rates. Second, the equilibrium real rate moved up as AI-related capital spending and record corporate issuance competed with heavy government borrowing for limited savings. Third, investors demanded more term premium. The repricing was global, helped by rate hikes from the ECB and Bank of Japan. Ten-year yields rose 59 basis points in the UK, 73 in Germany and 62 in both Canada and Australia, and Japan's 10-year yield broke above 3% for the first time since 1996. The 10-year Treasury yield still rose more than its peers, reflecting optimism about US growth relative to other developed economies, though in our view the sell-off overshot what fundamentals alone justified.

The rise in yields drove a -3.04% return for the US Treasury index. The Bloomberg U.S. Aggregate Bond Index returned -3.51%, 0.31% below comparable-duration Treasuries. Agency MBS accounted for nearly all of that shortfall. Slower expected prepayments lengthened pool durations, spreads widened 19 basis points, and the sector trailed duration-matched Treasuries by 1.16%. Mortgage hedgers also cut duration elsewhere, which added selling pressure on Treasuries. Investment-grade corporates were largely insulated from this pressure: their -3.94% return reflected longer duration and was just 14 basis points behind comparable Treasuries. Securitized credit was again more stable, with ABS and non-agency MBS outperforming Treasuries and CMBS roughly flat. The "plus" sectors generally posted losses: US high yield, represented by the Bloomberg US Corporate High Yield Total Return Index, returned -1.8%, emerging markets (EM) sovereign debt (Bloomberg EM USD Aggregate Total Return Index) -3.9% and EM corporates (Bloomberg EM USD Aggregate Total Return Index) -1.8%. Floating-rate leveraged loans, represented by Morningstar LSTA US Leveraged Loan Index, were the lone bright spot, gaining 1.9%, because their resetting coupons left them with little duration. Outside fixed income, WTI crude rose from \$70 to \$90 as the US-Iran ceasefire collapsed. The US dollar index weakened early in the quarter when the US and Japan intervened to support the yen, then ended slightly higher as markets priced in further Fed tightening and the gap between US and foreign yields widened. The S&P 500 returned 2.3%, driven by an 11% gain in mega-cap technology, while the equal-weighted S&P index returned -1.9%.

Performance Review

The VictoryShares Pioneer Asset-Based Income ETF underperformed cash benchmarks during the quarter but outperformed most core fixed income indices due to its lower interest rate sensitivity given the rise in rates.

The primary detractor on an absolute basis can still be attributed to duration. While the portfolio's approximately 1.5 years of duration is considerably less than most broad-based fixed income indices, it detracted performance during the quarter as rates moved up across the curve due to a more hawkish Fed outlook. The 1% allocation to Agency MBS TBA pools was also a modest relative detractor as continued rate volatility caused spreads to widen.

Overall, the portfolio's allocations in securitized credit remained additive as securitized spreads withstood volatility better than corporate counterparts. The 32% allocation to RMBS, 15% to CMBS and 45% to ABS were the strongest contributors to relative performance due to high levels of carry and, at times, some spread compression.

Market Outlook and Positioning

The sharp repricing in Q3 has left bond investors expecting far more from the Fed than policymakers themselves have signaled. Interest rate futures ended September pointing to roughly 90 basis points of additional hikes over the next year. In our view, that is more tightening than the Fed is likely to deliver, and more than it should, unless the US economy accelerates sharply. Yes, the economy remains on solid footing, supported by resilient household consumption and robust AI-related capital spending. But we see headwinds forming that argue against a sharp acceleration. Wage growth is trailing inflation, squeezing household purchasing power and potentially weighing on consumption, while growing political opposition to data center construction may temper the AI-driven investment boom. Both could limit the kind of growth surprise needed to validate the bond market's hawkish pricing. At current Treasury yields, we find duration exposure attractive, particularly in short and intermediate maturities. In our view, recent underperformance has also made Agency MBS more attractive, both against Treasuries and against investment-grade corporates. The sector's option-adjusted spread, a measure of its yield advantage over Treasuries after accounting for prepayment risk, ended September at its widest since the April 2025 tariff announcements, while investment-grade corporate spreads widened just two basis points. We continue to find selective value in securitized credit, particularly in senior tranches. These sit at the top of the capital structure, cushioned by the layers beneath them, and offer the most protection if the underlying loans begin to deteriorate. The third quarter showed how far technical forces can push markets beyond what fundamentals justify, and we remain vigilant on both valuations and macroeconomic dynamics as we position portfolios for the months ahead.

We remain relatively defensively positioned through an up-in-quality tilt and diversification across sectors. We will be looking for opportunities to selectively reposition the portfolio after rapidly changing relative market valuations.

VictoryShares Pioneer Asset-Based Income ETF (ABI)

Annualized Rate of Return (%)	Quarter	YTD	1 year	3 year	5 year	10 year	S.I.
Net Asset Value (NAV)	0.07	3.02	4.31	—	—	—	4.13
Closing Market Price	0.20	3.21	4.42	—	—	—	4.35
Index for Comparison (%)	Quarter	YTD	1 year	3 year	5 year	10 year	S.I.
Bloomberg U.S. Treasury Bellwethers 3-Month Index	0.92	2.70	3.72	—	—	—	—

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. Market price returns are based on price of the last reported trade on the fund's primary

Not FDIC Insured • May Lose Value • No Bank Guarantee

Expense Ratio

Gross	Net
0.87	0.65

Since Inception (S.I.):
June 25, 2025

exchange. If you trade your shares at another time, your return may differ. ETF redemptions are limited and commissions are often charged on each trade. ETFs may trade at a premium or discount to their net asset value. 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 ratios reflect the contractual waiver and/or reimbursement of management fees through October 31, 2026.



VictoryShares Pioneer Asset-Based Income ETF



Quarterly Commentary Q3 2026 | As of September 30, 2026

SECTOR WEIGHTING (%)		
Sector	ABI	BM
ABS	22.16	–
CMBS	19.91	–
CMO	29.02	–
Treasury	–	100.00
Cash	17.23	–

Benchmark (BM): Bloomberg U.S. Treasury Bellwethers 3-Month Index
Sector weightings are subject to change.

Fund Top 10 Holdings	Weighting (%)
US-TBILL DN 10/27/26	9.44
US T-BILL DN 11/3/2026	9.43
FN MA6207# 5.50% 10/1/56	2.31
FR RQ0166 5.5% 10/01/56	2.30
FN MA6176# 5.50% 9/1/56	2.29
FR RQ0155 5.5% 09/01/56	2.28
FR RQ0146# 5.50% 8/1/56	2.25
CLCRE 2026 VRN 04/19/2044	1.48
BDS 2026-F VRN 02/19/2044	1.32
PAID 2025- 5.44% 03/15/33	1.31

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

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. **Privately issued loans** involve greater risk than those of traditional lenders due to higher levels of credit risk and, because they are not traded on established markets, difficult to value and potentially less liquid. **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. **The Fund is new with a limited operating history.** As a result, it does not have a record of performance or other dealings for prospective investors to evaluate when making investment decisions. 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.

One **basis point (bp)** equals 0.01% (1/100th of a percent). **Credit Spread** is the difference in yield between two bonds of the same maturity but different credit quality, typically measured as the yield difference between a corporate bond and a US Treasury bond of identical maturity. **Duration** measures how sensitive a fixed income investment's

price is to interest rate changes, expressed as a number of years. **Net asset value** or **NAV** is a fund's total assets minus its total liabilities, divided by the number of outstanding shares. **Market price** is the price of the last reported trade on a fund's primary exchange. **CMO (collateralized mortgage obligation)** is a mortgage-backed bond that splits a pool's cash flows into classes with different maturities and risk.

The Bloomberg US Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. **The Bloomberg U.S. Aggregate Bond Index** measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS. **The S&P 500® Index** is a market-capitalization-weighted index that measures the performance of the common stocks of 500 leading U.S. companies. **Bloomberg U.S. Treasury Bellwethers 3-Month Index** represents the total return received by investors of 3-month U.S. Treasury securities.

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