

Commentary

For the quarter ended December 31, 2024, the Victory Short Government strategy had a total return of -0.07%. The Strategy's benchmark index, the Bloomberg U.S. 1-5 Year Government Bond Index, had a total return of -0.81%.

Equity markets were slightly to strongly positive, depending on the index, despite rising rates in the fourth quarter, with the Dow Jones Industrial Average up 0.5%, the S&P 500® Index up 2.4%, and the Nasdaq Composite up 6.2%. The U.S. Federal Reserve implemented two well-telegraphed interest rate cuts of 0.25% each. The U.S. Treasury yield curve continued to steepen nearly two-tenths of a percent, with the 2s/10s spread (the difference between the 10-year yield and the 2-year yield) at +0.33%. Yields for U.S. Treasury bonds maturing in two years rose 0.60%, fives rose 0.82%, tens rose 0.79%, and the long bond yield rose 0.66%. Bond prices move opposite yields.

With higher rates, fixed income suffered. All sectors had negative total returns for the fourth quarter. Nearly all fixed income sectors had strongly positive excess returns in the fourth quarter (excess versus duration-neutral U.S. Treasury bonds) except for mortgage-backed securities. Corporate bonds had the most positive returns relative to U.S. Treasury bonds. CMBS (commercial mortgage-backed securities) had the next most positive returns relative to duration-neutral U.S. Treasury bonds. ABS (asset-backed securities) and agency debentures also had strong positive returns relative to duration-neutral U.S. Treasury

bonds. Within the mortgage market, Ginnie Mae (GNMA) led Freddie Mac (FHLMC), which led Fannie Mae (FNMA). All had negative total returns, and yet only GNMA had positive excess returns versus duration-neutral U.S. Treasury bonds.

Like most bond sectors in a rising rate environment, GNMA had negative total return in the fourth quarter. Despite GNMA's negative total return and our large allocation to GNMA pass-through bonds (76.9%), we managed to significantly outperform our short government benchmark by owning securities that deliver high reliable income, including our U.S. Treasury (20.6%) and GNMA structured bonds (2.5%), both of which had strong positive total return contribution. We continue to selectively buy or create high-coupon GNMA platinum pools as opportunities arise.

Ongoing strength in the labor market and inflation above the Fed's 2% target means the Fed should remain vigilant. 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 December 31, 2024

Victory Short Government Strategy	Q4 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*
Victory Short Government Strategy (gross of fees)	-0.07	4.96	4.96	1.55	1.52	1.96	5.51
Victory Short Government Strategy (net of fees)	-0.16	4.59	4.59	1.19	1.17	1.60	5.01

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

-0.81

3.32

3.32

0.65

1.01

1.34

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*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 // 4Q 2024 Victory Short Government Strategy COM

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