

Commentary

For the quarter ended March 31, 2024, the Victory Short Government strategy had a total return of 0.87% (gross) and 0.79% (net). The Strategy'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 Short Government Strategy	Q1 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*
Victory Short Government Strategy (gross of fees)	0.87	0.87	3.89	-0.01	1.37	1.80	5.51
Victory Short Government Strategy (net of fees)	0.79	0.79	3.52	-0.36	1.02	1.44	5.01
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 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 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.

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

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

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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.

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