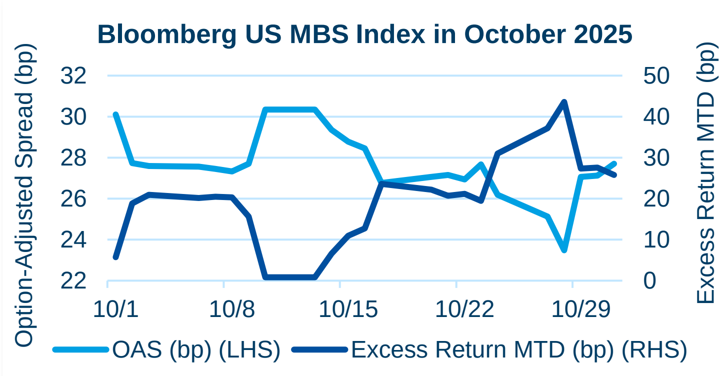
Agency Mortgage-Backed Securities (MBS) Market

Market Commentary and Outlook | October 31, 2025

MBS Market Endured Hakwish Fed, Finished October Positively

The US government shutdown that spanned most of October created a relative data vacuum that forced investors to rely on alternative economic indicators. September's inflation came in softer than anticipated, while labor and economic activity data painted a picture of steady, trend-like growth. Labor market signals from state unemployment insurance claims and ADP payroll data suggested labor market stabilization, though hiring activity remained subdued. Consumer spending data from credit and debit card transactions indicated continued overall strength, despite pockets of weakness. The month's defining moment came with the October 29 Federal Open Market Committee (FOMC) meeting, which delivered what markets interpreted as a hawkish interest rate cut. While the FOMC reduced the Fed Funds target rate by 0.25% as expected, Treasury yields rose 10 basis points across the curve following Chair Powell's emphasis on the uncertainty surrounding a December interest rate cut and dissent within the committee. He stated, "a further reduction in the policy rate at the December meeting is not a forgone conclusion. Far from it. Policy is not on a preset course."

Consistent with its correlation with monetary policy expectations, the agency MBS market's October outperformance was dampened by Powell's testimony, widening spreads by 4bp from the local tights. The FOMC also announced, as widely expected, that it would end quantitative tightening on December 1, reinvesting effectively all agency MBS as well as Treasuries back into Treasuries. The performance headwind, however, came from the uncertainty in forward guidance, as the Fed has not purchased MBS since March 2022, and investors did not expect a different outcome in regards to the balance sheet.

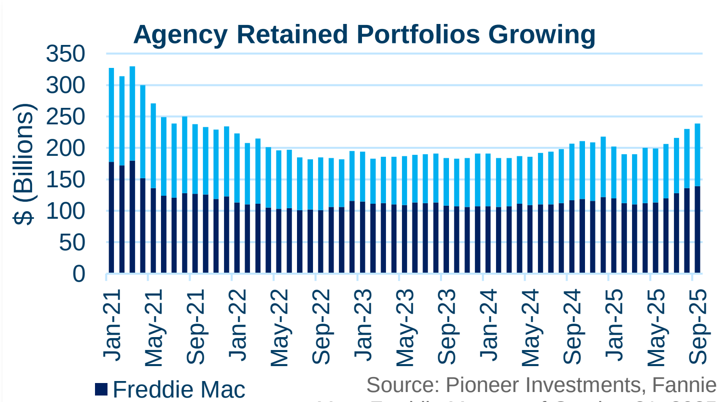


Source: Pioneer Investments, Bloomberg, as of October 31, 2025

Despite spread retracement, the MBS sector managed to post another solid month. The Bloomberg US MBS Index gained 0.86% on the month, reflecting a 0.26% excess return to Treasuries. Sector option-adjusted spread (OAS) tightened by 3bp to +28bp. Lower coupons performed best in October, as Fed hawkishness more weighed primarily on investors' expectations of demand for current coupon.

Fannie and Freddie Added MBS, Set Up for More?

In last month's issue, we laid out our belief that among the avenues the federal government could take to generate demand for agency MBS in an effort lower mortgage rates, facilitating and encouraging Fannie Mae and Freddie Mac to grow their retained portfolios was the most likely. In October, we found additional data points in support of this theory. In October's reports, Fannie Mae purchased $5.2 billion agency MBS in September, bringing its additions over the previous three months to $11.5 billion. Freddie Mac added $2.6 billion loans in September, generating $15.8 billion in additions over the prior three months. These purchases bring the portfolios to their highest levels in multiple years ($99 billion for Fannie Mae, $116 billion for Freddie Mac), but leaves $235 billion in cumulative room below their respective $225 billion asset caps.



Source: Pioneer Investments, Fannie Mae, Freddie Mac, as of October 31, 2025

Freddie Mac was additionally under a cap of $20 billion in single-family MBS, which the Federal Housing Finance Agency (FHFA) doubled in October to $40 billion, allowing both agencies to potentially add a mix of securitized MBS and loans in the coming months. We continue to believe that the agencies will be opportunistic buyers, rather than programmatic buyers, providing a potential backstop for spreads rather than an impetus to drive them increasingly tighter.

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Outlook: Improving Technicals Reflected in Valuations

In July's commentary, we highlighted that our outlook for agency MBS was constructive, but dependent on macro factors and monetary policy. As these factors have broadly shifted dovishly over the past three months, agency MBS performance has excelled, both relative to Treasuries and other spread assets. While spreads are now close to the tights of the past couple of years, this move rationally reflects a change in technical and fundamental outlook. While we no longer find spreads compelling on a standalone basis and have been content to take profits on recent outperformance, a constructive outlook for demand from a wide range of investors motivates us to maintain a benchmark weight.

In MBS's favor:

— **An improving supply-demand dynamic:** If the Federal Reserve continues its rate cuts, MBS will become an increasingly attractive asset class for some of its larger investor bases. Banks expect to get clarity on the Basel III Endgame soon, and the carry on MBS relative to interest on excess reserves (IOER) and other short-term alternatives has expanded as the Fed has lowered interest rates. Mortgage Real Estate Investment Trusts (mREITs) have been able to raise capital to fund purchases. Meanwhile, the currency hedging costs for overseas investors has decreased.

— **Stronger relative value to investment-grade alternatives:** Despite recent outperformance, agency MBS has remained historically attractive versus corporate bonds, which are significantly tighter than agency MBS when compared to their respective long-term averages by most metrics. As a result, we are more bullish on agency MBS beta as a positive contributor to an aggregate, multi-sector, or multi-asset portfolio than we are versus Treasury or cash benchmarks.

— **Potential administrative action or regulatory change:** As discussed above, multiple signs point to Fannie Mae and Freddie Mac becoming more active in managing their retained portfolios, supported by regulatory changes. Additionally, we cannot ignore the possibility of action from the Trump administration that introduces a large buyer in an indirect attempt to tighten the mortgage spreads and lower mortgage rates. We do not advocate owning the sector in anticipation of an uneconomic actor moving the market, but it is a risk worth considering for the asset class's potential outcome distribution.

The argument against:

— **Nominal spreads are relatively tight:** Many metrics, like Bloomberg MBS Index OAS and current coupon nominal spread, put the asset class around the tightest it has been over the past 3 years. We believe a longer-term perspective, a comparison to alternative spread assets, and the improved technical outlook justify these valuations. However, it would be reasonable for investors to consider selling agency MBS in a risk-off scenario, particularly for investors whose alternative is US Treasuries and for asset managers sitting at historic overweights to the sector.

— **Hearty demand is not guaranteed:** Despite a constructive backdrop, aggregate agency MBS demand could still disappoint. Active allocators could opportunistically reduce, and we are also wary of continued de-dollarization from overseas investors in response to geopolitics, trade wars, threats to central bank independence, and public trust in federally published economic statistics.

— **Potential increased prepayment risk a rally:** Temporary spikes in refinanceability over the past couple of years have given some investors pause if extrapolated over a larger, sustained rally from a weakening economy. While our data analysis assuages some of our fears on this front, consolidation and innovation among several aggressive mortgage originators could yield increased technologically-driven operating efficiencies in the next refi wave. Such a trend could decrease sector performance, but increase the potential value of security selection.

Overall, while we continue to find agency MBS to be an attractive alternative to credit, we feel a neutral allocation to most benchmarks is prudent at this time. A more supportive technical dynamic has already moved MBS tighter, but the sector could struggle to find support in a reflation-induced, bear flattening curve environment. In the interim, our strongest conviction is in specified pools with characteristics we find underappreciated by the market, particularly for higher coupons with the most model risk premium, as well as in floating-rate collateralized mortgage obligations. We remain nimble to reduce on short-term outperformance and are willing to add more if spreads widen due to technical factors or exogenous event risk.

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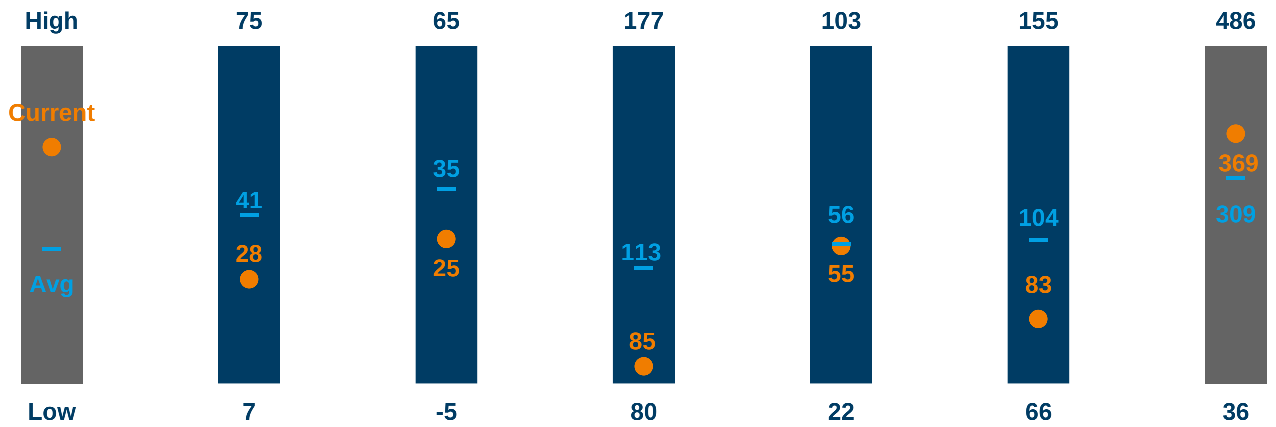
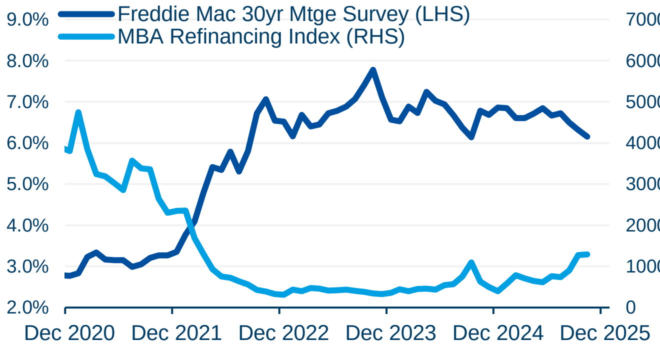
Securitized Market Dashboard

Spread Levels vs. 5 Year Averages[2]

Legend	Broad MBS	GNMA	Corp IG	ABS	CMBS	Base Yield (5Y TSY)



Prepayment Factors[3]

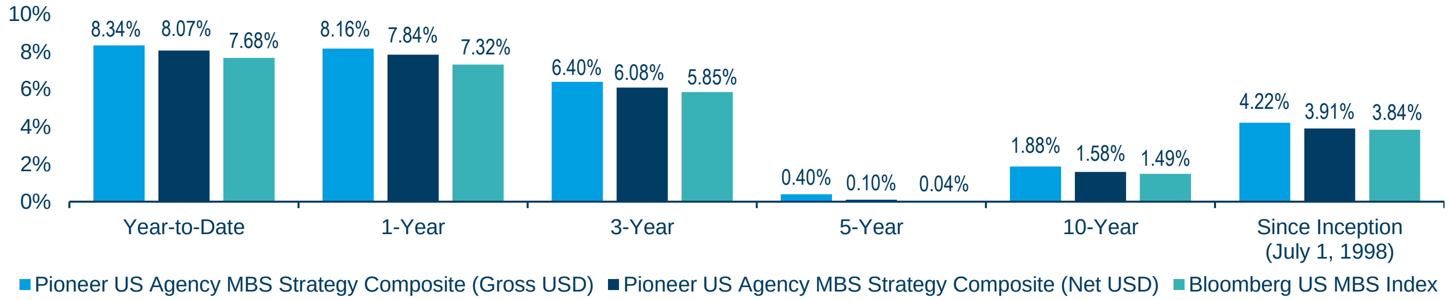


Index Data[2]

Index Data	Duration (OAD)	Yield (YTW)	Spread (OAS)
Bloomberg US MBS Index	5.65	4.66%	28
Bloomberg GNMA Index	5.57	4.72%	25
Pioneer US Agency MBS Strategy[4]	5.72	4.95%	49

Source: Bloomberg, as of October 31, 2025
[2]Index Data: Bloomberg US MBS Index, Bloomberg GNMA Index, Bloomberg US Aggregate Corporate Average OAS, Bloomberg US Investment Grade ABS Index, Bloomberg US Investment Grade CMBS Index.
[3]S&P/Experian First Mortgage Default Index, MBA Refinance Index.
[4]The characteristics are of the representative account (gross, USD) in the US Agency MBS composite. Gross-of-fees returns are presented before management and custodial fees but after any transaction costs.

Pioneer US Agency MBS Strategy Performance (as of October 31, 2025)



Source: Pioneer Investments, as of October 31, 2025
Performance prior to April 1, 2025 occurred while the portfolio management team was affiliated with a prior firm. Such members of the portfolio management team were responsible for investment decisions at the prior firm and the decision-making process has remained intact. Gross-of-fees returns are presented before management and custodial fees but after any transaction costs. The composite net-of-fees returns reflect net of model fees and are calculated in the same manner as gross of fee returns using the Time Weighted Rate of Return method. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size.

Please refer to the GIPS® Report for additional information. **Past performance is no guarantee of future results.**
The views expressed are as of the date noted, and are subject to change at any time based on market or other conditions. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any of portfolio. Future results may differ significantly than those stated.

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Each portfolio is actively managed. Sector allocations will vary over other periods and do not reflect a commitment to an investment policy or sector. Holdings are subject to change due to active management. This should not be construed as a recommendation to buy or sell the securities listed.

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Advisory Services offered by Victory Capital Management Inc.

Composite Name: US Agency MBS

Benchmark: BLOOMBERG US MORTGAGE BACKED SECURITIES

Reporting Period:	*1 January 2015 to 31 December 2024*	**Composite Creation Date:**	*30 June 1998*
Reporting Currency:	*USD*	**Composite Inception Date:**	*1 July 1998*

Period	Composite Gross Return (%)	Composite Net Model Fee Return (%)	Benchmark Return (%)	Composite 3-Yr Standard Deviation (%)	Benchmark 3-Yr Standard Deviation (%)	Number of Portfolios	Internal Dispersion (%)	Composite Assets (Millions)	Firm Assets (Millions)
2024	1.82	1.52	1.20	8.60	8.63	≤ 5	N/A	937	N/A
2023	5.42	5.11	5.05	7.70	7.76	≤ 5	N/A	921	N/A
2022	-11.45	-11.72	-11.81	5.69	5.70	≤ 5	N/A	873	N/A
2021	-1.01	-1.31	-1.04	1.76	1.73	≤ 5	N/A	523	N/A
2020	5.29	4.97	3.87	2.14	2.20	≤ 5	N/A	528	N/A
2019	6.69	6.37	6.35	2.06	2.18	≤ 5	N/A	1,581	N/A
2018	0.77	0.47	0.99	2.12	2.29	≤ 5	N/A	1,013	N/A
2017	2.48	2.17	2.47	1.67	1.78	≤ 5	N/A	1,830	N/A
2016	2.09	1.78	1.67	2.06	2.14	≤ 5	N/A	1,389	N/A
2015	1.77	1.46	1.51	2.21	2.34	≤ 5	N/A	1,446	N/A

Victory Capital Management Inc. acquired Amundi Asset Management US, Inc. on 4/1/2025 (renamed to "Pioneer Investments"). Firm assets from 2015 - 2024 are shown as "N/A" above as the composite was not part of the firm.

Compliance Statement: Victory Capital Management Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Victory Capital Management Inc. has been independently verified for the period from January 1, 2001, through December 31, 2023. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Firm: Victory Capital Management Inc. (VCM) is a diversified global investment adviser registered under the Investment Advisers Act of 1940 and comprises multiple investment franchises: Integrity Asset Management, Munder Capital Management, New Energy Capital Partners, NewBridge Asset Management, Pioneer Investments, RS Investments, Sophus Capital, Sycamore Capital, THB Asset Management, Trivalent Investments, Victory Income Investors, and the Victory Capital Solutions Platform. RS Investments and Sophus Capital became a part of the VCM GIPS firm effective January 1, 2017; Victory Income Investors, effective July 1, 2019; THB Asset Management, effective March 1, 2021; New Energy Capital effective November 1, 2021; and Amundi Asset Management US, Inc. (renamed to Pioneer Investments), effective April 1, 2025.

Composite Description: The Strategy seeks to produce returns in excess of the index by actively managing a portfolio consisting primarily of agency mortgage-backed securities. Important risks materially relevant to strategy include Market risk: risk of price fluctuation in the investment portfolios due to variations in market parameters: interest rates, exchange rates, securities prices, credit spreads, etc. Liquidity risk: in case of low trading volume on financial markets, any buy or sell trade on these markets may lead to important market variations/fluctuations that may impact your portfolio valuation. Counterparty risk: risk of default of a market participant to fulfil its contractual obligations vis-à-vis your portfolio. Operational risk: risk of default or error within the different service providers involved in managing and valuing your portfolio.
On 4/1/2025, Victory Capital Management Inc. acquired Amundi Asset Management US, Inc. ("the Prior Firm") and renamed it Pioneer Investments. Performance prior to April 2025 occurred while members of the portfolio management team were affiliated with the Prior Firm. Such members of the portfolio management team were responsible for investment decisions at the Prior Firm and the decision making process has remained intact within the Firm. Performance results presented from 2015 to 2024 occurred while these assets were not part of the Firm. In the Firm's opinion, such performance track record conforms to the GIPS standards with respect to the portability of investment performance results. Performance records of the Prior Firm are available upon request.

Minimum Account Size: There is no minimum asset level for inclusion in this composite.

Performance Calculation: Gross-of-fees returns are presented before management and custodial fees but after all transaction costs. Composite net returns are net of model fees and are calculated, starting from composite gross returns, by geometrically subtracting the highest tier model fee for institutional segregated accounts. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request.

Fee Schedule: The current standard annual investment management fee schedule for institutional separate accounts is 0.30% on the first 50 million; 0.25% on the next 50 million; 0.20% on the next 100 million; 0.15% thereafter.

Internal Dispersion: Dispersion is defined as the standard deviation of the annual gross returns of all portfolios that were included in the composite for the entire year. For those years when five or fewer portfolios were included in the composite for the full year, no dispersion measure is presented.

Three-Year Annualized Standard Deviation: The Three-year Annualized Ex-Post Standard Deviation measures the volatility of gross returns for the composite and benchmark over the preceding 36-month period, and is not applicable for performance periods with less than 36 months of returns based on the composite's performance inception date.

Benchmark Description: The benchmark of the composite is BLOOMBERG US MORTGAGE BACKED SECURITIES.

Past performance is not indicative of future results.

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