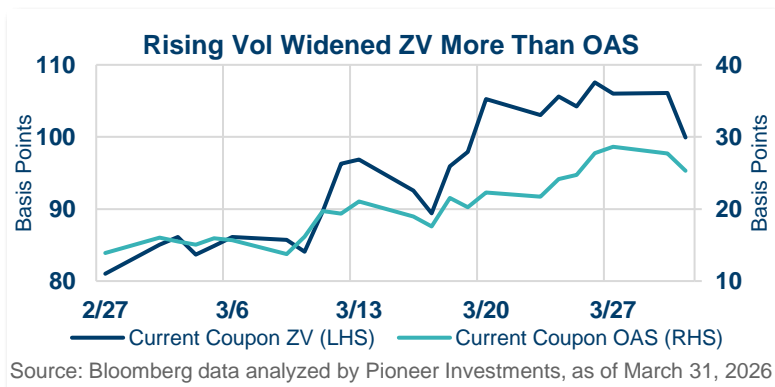


## Agency MBS Lagged in March's Broader Geopolitical Selloff

Propelled by a significant increase in inflationary implications of the Middle East conflict and real yields, the 10-year US Treasury yield climbed 38bp in March, from 3.94% to 4.32%. The upward shift in the US Treasury yield curve weighed heavily on virtually every sector of the US bond market, and agency MBS was no exception. The geopolitical fault lines that emerged in late February deepened throughout March, as the US-Israeli military campaign against Iran escalated beyond initial investor expectations in both scale and duration, leading to the conflict's most consequential macroeconomic development: the effective closure of the Strait of Hormuz. With approximately 20% of the world's seaborne oil supply transiting this narrow waterway, the resulting disruption drove crude oil prices up 50% and reignited the inflationary concerns that investors had only recently begun to view as manageable. As investors contemplated slower global growth and higher inflation outcomes, the shift catalyzed a swift deterioration in risk appetite, triggering a synchronized retreat across equities, bonds, credit spreads, and even traditional safe havens. The 33bp increase in real yields was driven by a hawkish repricing of the Federal Reserve's long-term policy trajectory based on expectations they may need to combat near-term energy-led inflation and a surging term premium, reflecting the heightened risk compensation demanded by global investors.

As geopolitical headlines flowed through to oil prices, inflation expectations, Fed expectations, and interest rate volatility, agency MBS widened over most of March before partially recovering on late-month ceasefire optimism. Consistent with their behavior in recent years, mortgage prices exhibited greater sensitivity to heightened interest rate volatility and yield-curve flattening than traditional cash flow models would imply. The Bloomberg US MBS Index returned -1.65% on the month, reflecting a -0.28% excess return to Treasuries. Sector option-adjusted spread (OAS) widened by 3bp to +24bp. Negative excess returns were driven by a mix of OAS widening and a rise in interest rate volatility, as illustrated by the graph to the right, comparing current coupon OAS to current coupon zero-volatility (ZV) spread, which showed larger moves as volatility expanded. Unlike prior months, the choppy performance only slightly outperformed corporate debt in OAS terms, and underperformed in nominal spread and excess return terms.



## Finally, a Basel III Endgame Re-Proposal

The Basel III Endgame saga has been one of the most contentious regulatory debates in US banking over the past several years. The original 2023 proposals, issued jointly by the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation, were met with fierce industry opposition for dramatically raising capital requirements beyond international standards. After three years of waiting, the banking industry received an updated joint proposal from the three offices on March 19.

The shift from the 2023 proposals is stark, with capital requirements going down, in contrast with the Biden administration's proposals that would have increased capital requirements by 16%. Instead, total capital requirements are falling by about 5% for banks with over \$100 billion in assets, while the drop is nearly 8% for smaller banking organizations. The new proposals purport to align more closely with the 2017 Basel Committee standards, while compliance is aimed to be simplified by moving from a dual-calculation system (standardized and advanced approaches) to a single "Expanded Risk-Based Approach" for the nine largest US banks. Meanwhile, the Globally Systemically Important Banks (GSIB) Surcharge Re-Proposal revised capital surcharges lower by about 40bp.

The potential benefits to the mortgage market are both direct and indirect. Directly, the updated proposals would convert the capital deductions for mortgage servicing assets into a less onerous 250% risk weight. This is designed to incentivize banks to remain active in mortgage origination and servicing, reversing a trend of migration to non-bank lenders. Also, some risk weightings for mortgage loans with lower loan-to-value ratios would be reduced, which could influence banks to retain more loans and reduce MBS market supply. Indirectly, long-awaited clarity that avoids a potentially increased capital burden of owning mortgage loans and MBS may spur bank portfolios to increase their pace of investing deposit growth into MBS,

### Marketing Communication

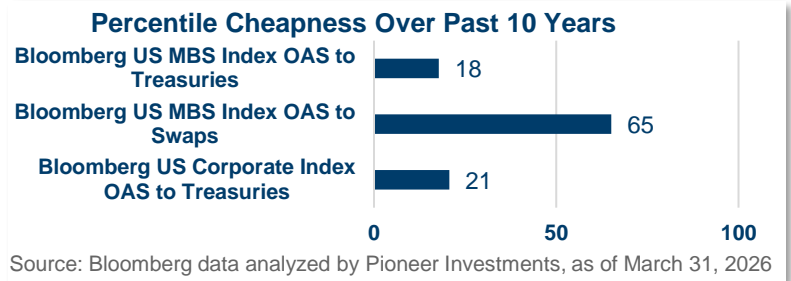
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## Market Commentary and Outlook

which had been suppressed since the 2023 proposal. Notably, no specific effective date has been proposed for the core Basel III Endgame re-proposal. The agencies are explicitly soliciting public comment on timing and transition arrangements. The GSIB Surcharge Re-Proposal, however, would take effect two quarters after adoption of a final rule, which is expected shortly after the end of the 90-day comment period.

### Outlook: Range-Bound Dynamics, Driven by Exogenous Factors

We believe agency MBS spreads are likely to remain range-bound, with movement within the range influenced by exogenous headlines and short-term dynamics. This regime held in March, as agency MBS spreads traded with high correlation to broader risk sentiment, implied rate volatility, and Fed expectations, all of which were driven by the Iranian conflict and the ensuring oil price shock. The passthrough to MBS spreads with implicit guardrails is a function of balanced valuations, technicals, and fundamentals:



Factor	Opposing Factors	Supportive Factors
Valuations	<ul style="list-style-type: none"> <li>Mortgage OASs to Treasuries remained toward the tight end of their 5-year and 10-year ranges.</li> </ul>	<ul style="list-style-type: none"> <li>The Bloomberg US Corporate Index looks similarly tight compared to its respective spread history, with significant geopolitical and supply-chain risks that could impact the sector more than MBS.</li> <li>Thanks to negative swap spreads, OAS to swaps is at 65bp, representing the 65th percentile over the past decade, and many potential marginal buyers tend to hedge with swaps.</li> </ul>
Technicals	<ul style="list-style-type: none"> <li>Asset managers, sitting at significant overweights, could continue to reduce allocations to MBS at tighter spreads.</li> <li>Fed Chair Nominee Kevin Warsh favors a smaller balance sheet and is more likely to recommend ending MBS runoff than other nominees may have been.</li> </ul>	<ul style="list-style-type: none"> <li>With the updated Basel III Endgame proposal described in this issue, banks could soon become more confident to make up for a lack of purchases in recent years.</li> <li>Fannie Mae and Freddie Mac have been adding MBS as directed by the Trump administration, which could also attempt to tighten mortgage spreads via additional buy programs or policy changes.</li> <li>Mortgage real estate investment trusts (mREITs) have traded above book value and are positioned with relatively low leverage, both of which can facilitate additional MBS purchases.</li> </ul>
Fundamentals	<ul style="list-style-type: none"> <li>AI advancements and isolated prepayment data suggest more efficient refinancing the next time mortgage rates fall.</li> <li>The agencies could be directed to lower guarantee fees and mortgage insurance premiums to lower primary mortgage rates.</li> </ul>	<ul style="list-style-type: none"> <li>Concluding recent prepayment data as “fast” could be a misinterpretation of quicker loan closing timelines and shorter lags, rather than more reactive borrowers, and outstanding borrowers could be excluded from affordability-based fee reductions.</li> <li>Faster prepayments increase the potential for security selection opportunities, as do potential dislocations from changing government policies.</li> </ul>

The balanced nature of this table and price-sensitivity of marginal investors has influenced us to trade around in modest size as headlines moved markets. Broadly, the willingness of asset managers to sell at tighter spreads, with banks, overseas investors, mREITs, and Fannie and Freddie willing to buy at wider spreads, can provide both the resistance and support to maintain the range as macro factors oscillate. Our dedicated MBS portfolios are positioned conservatively, but we are more constructive on agency MBS as a positive contributor to an aggregate, multi-sector, or multi-asset portfolio. Additionally, we prefer MBS relative to swaps than to Treasuries, particularly because current marginal sources of demand hedge this way. Broader spread compression reduces relative value overall, but we are optimistic that prepayment uncertainty and headline-induced dislocations can provide dynamic allocation and security selection opportunities.

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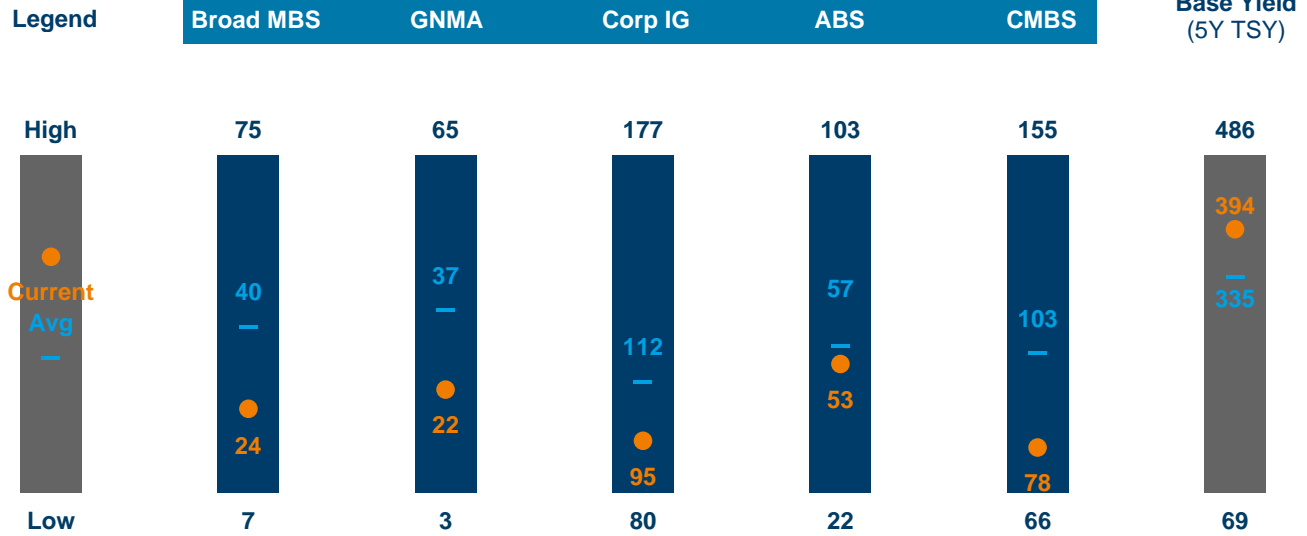
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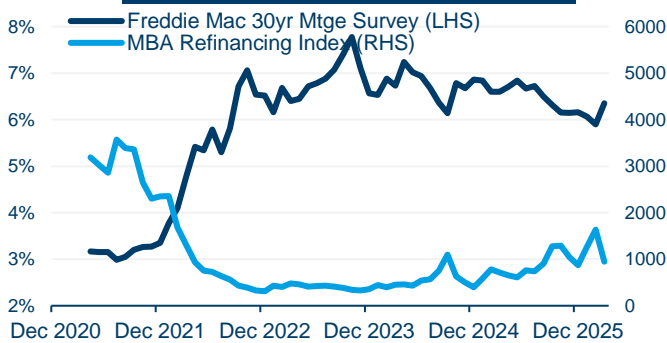


# Securitized Market Dashboard

## Spread Levels vs. 5 Year Averages<sup>1</sup>



## Prepayment Factors<sup>2</sup>



## Index Data<sup>1</sup>

Index Data	Duration (OAD)	Yield (YTW)	Spread (OAS)
Bloomberg US MBS Index	5.36	4.83%	24
Bloomberg GNMA Index	5.02	4.89%	22
Pioneer US Agency MBS Strategy <sup>3</sup>	5.54	5.00%	35

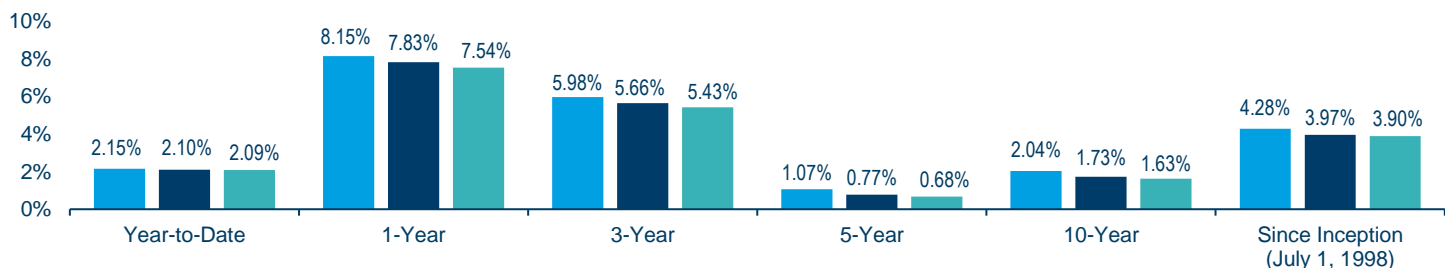
Source: Bloomberg, as of March 31, 2026

<sup>1</sup>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.

<sup>2</sup>S&P/Experian First Mortgage Default Index, MBA Refinance Index.

<sup>3</sup>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 February 28, 2026)



Source: Pioneer Investments, as of February 28, 2026

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.**

## Market Commentary and Outlook

**All investing involves risk, including the possible loss of principal.** An investment should be made with an understanding of the risks involved with owning a particular security or asset class.

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## Market Commentary and Outlook

### 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.

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