



# Pioneer US Bank Loans Strategy

Performance Update and Market Commentary | June 30, 2025

## Investment Philosophy

Pioneer US Bank Loan Strategy employs a higher quality, value-oriented approach as compared to its benchmark, the Morningstar LSTA US Performing Loans Index. The Strategy seeks to reduce the volatility of returns over time, offer increased downside risk management and shields against rising interest rates. Our ability to be selective and opportunistic in changing market environments can allow us to quickly modify our exposure to single credits or industries.

## Performance Review

	1-Month	3-Month	Year-to-Date	1-Year	3-Year	5-Year	10-Year	Since Inception <sup>1</sup>
<b>Pioneer US Bank Loans Strategy (Gross USD Composite)</b>	0.82%	1.95%	2.86%	8.20%	9.73%	7.31%	5.10%	5.09%
<b>Pioneer US Bank Loans Strategy (Net USD Composite)</b>	0.78%	1.83%	2.61%	7.66%	9.18%	6.78%	4.57%	4.52%
<b>Morningstar LSTA US Performing Loans Index</b>	0.85%	2.36%	2.83%	7.44%	9.93%	7.69%	5.38%	5.10%

<sup>1</sup>Performance inception is March 1, 2007

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 Review

- Financial markets experienced significant volatility in the second quarter of 2025, following the April 2, 2025 announcement of Liberation Day tariffs, which were substantially higher than anticipated. Investors initially responded by pricing in higher US recession risk through lower bond yields, lower equity prices, wider credit spreads and a weaker US dollar. In response to discomfort across both equity assets and the US bond market, the Trump administration stepped back and announced a 90-day pause on reciprocal tariffs for all countries except China. This decision triggered a broad recovery across asset markets throughout the remainder of the second quarter of 2025. The recovery in both US equity and credit markets gained momentum in early May 2025, when the US and China agreed to postpone existing retaliatory tariffs, while negotiating a longer-term trade agreement. The surprise agreement lowered the US tariff rate on Chinese goods from 145% to 30% and the effective global tariff rate (the average across all US imports) from a historic 24% to only 14%.
- Overall, we believe the more recent hard data indicate surprisingly stable economic activity and inflation, as tariffs are taking longer than many expected to work through supply chains. On the fiscal front, ongoing deficit spending and elevated debt balances were both cited in the overdue Moody's credit rating downgrade of the US from Aaa to Aa1 in May 2025. In terms of monetary policy, the Federal Reserve kept its policy rate unchanged in both May 2025 and June 2025, as it continued to monitor how tariffs might affect US economic activity and inflation expectations.
- Having fallen to a post-2008 crisis low of \$76 in March 2020, average loan prices closed 2024 at \$97.33, and finished June 2025 slightly lower, at \$97.07. The yield-to-maturity of the Morningstar LSTA US Performing Loan Index fell from 8.55%, as of December 31, 2024, to 8.42%, as of June 30, 2025.
- By rating category, the higher-quality BB-rated loans slightly lagged lower-quality B-rated loans, as the loan market posted strong positive returns across ratings categories. BB-rated loans returned 2.13%, while single Bs returned 2.46% and CCC-rated loans returned 2.13%.
- Loan default rates edged down slightly, while remaining well below their historical average, increasing slightly to 1.11% by principal amount, compared with 0.94%, as of December 31, 2024.

## Marketing Communication

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## Performance Attribution

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- On the positive side, the largest contributors to benchmark-relative results included the Portfolio's security selection in the automotive, industrial and oil field services sectors. The overweight allocation in the wireless sector was also a strong relative contributor.
- Security selection results within the lodging and midstream sectors aided relative performance.
- The underweight to the single-B credit-quality tier was a detractor to benchmark-relative returns, as the issuers within this segment modestly outperformed.
- The modest underweight exposure to both the retailing and building materials sectors was a relative detractor to performance.

## Market Outlook and Positioning

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- We believe that markets are underestimating the risks of another tariff surprise. We see significant risk of tariffs on many countries moving higher after the 90-day Liberation Day tariff pause expires on July 9, 2025. In particular, the administration may decide to punish a few less-cooperative countries in order to maintain negotiating leverage. A substantial increase in tariffs (and tariff uncertainty) could boost market volatility and increase downside risks to economic activity. We also suspect that many market participants are too hopeful about the Federal Reserve cutting rates preemptively to mitigate growth risks. Most Federal Open Market Committee members remain primarily concerned about inflation risks, and that inflation could pick up over the summer, as tariffs work their way through distribution channels to consumer prices. On the positive side, business tax changes in the One Big Beautiful Bill will likely stimulate investment spending once enacted. We expect slightly below-trend economic growth in the second half of 2025, with slowing consumption, offset by increased business investment. The labor market requires close monitoring, as low hiring rates mean any material increase in layoffs could trigger a sharp rise in unemployment.
- With an intermediate-term backdrop of slowly decreasing inflation, before the potential effects of tariffs, and reasonable economic growth, we believe the Federal Reserve will likely implement additional rate cuts at a cautious pace. Policy uncertainty over tariffs, government spending and immigration will potentially reduce growth in the US, but our expectation remains that the US economy will continue expanding, at a slower rate than in 2024.
- Loans, as they feature floating rates, have very short durations. However, they may have the potential to take advantage of higher front-end yields on the Treasury curve.
- We believe the Federal Reserve is likely to continue closely monitoring inflation and growth data, which will set the trajectory for additional rate cuts, in coming months. Considering the prospects for short-term rates to remain higher for longer than the futures market projects, we continue to be positive on the leveraged loan market.
- Collateralized loan obligation issuance has been active, creating steady demand for loans rated B or higher. We believe the loan market's lack of new borrowers, due to limited mergers-and-acquisition activity, provides a supportive bid for loans, except for weaker B- and CCC borrowers, which can be problematic for collateralized loan obligations. Private credit portfolios have refinanced many of these higher risk borrowers.
- If the economy slides into recession, we would expect defaults to increase and for defaults to be concentrated in the lower part of B and the CCC ratings buckets.
- We expect technical factors within the loan market to remain favorable, as collateralized loan obligations are the largest owners of loans. We believe the loan market is likely to continue to see active issuance in 2025 with an emphasis on refinancings.

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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Composite Name: US Bank Loans
Benchmark: MORNINGSTAR LSTA U.S. PERFORMING LOANS

Table with 2 rows and 4 columns: Reporting Period, Reporting Currency, Composite Creation Date, Composite Inception Date.

Table with 11 columns: Period, Composite Gross Return (%), Composite Net Actual Fee 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).

\*\* Composite Net Model Fee Returns are presented as supplemental information, effective 1 January 2020 on a prospective basis. See the Performance Calculation disclosure for more information.

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.

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.

Composite Description: The Strategy seeks to outperform its index through actively managing a portfolio consisting primarily of US bank loans. The Strategy allocates less than 20% of net assets to other asset classes with the objective of enhancing liquidity.

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.

Fee Schedule: The current standard annual investment management fee schedule for institutional separate accounts is 0.50% on the first 50 million; 0.45% on the next 50 million; 0.40% on the next 100 million; 0.35% 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 MORNINGSTAR LSTA U.S. PERFORMING LOANS.

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