

## Commentary

For the quarter ended June 30, 2025, the Victory Short Government strategy had a total return of 1.33%. The Strategy's benchmark index, the Bloomberg U.S. 1-5 Year Government Bond Index, had a total return of 1.38%.

Equity markets all ended in the black for the second quarter, with the Dow Jones Industrial Average up 5.5% , the S&P 500® Index up 10.9% , and the Nasdaq up 18.0 % . The U.S. Federal Reserve remained on hold. The U.S. yield curve steepened as rates fell at the short end and rose at the long end. Two-year and five-year U.S. Treasury bond yields were down roughly 4% each, while tens held steady and 30-year U.S. Treasury bond yields rose 4.5%. Bond prices move opposite yields.

With lower short-end rates, all fixed income sectors enjoyed positive total and excess returns versus duration-neutral U.S. Treasury bonds for the second quarter. Corporate bonds had the most positive returns versus U.S. Treasury bonds. CMBS (commercial mortgage-backed securities) had the next most positive return relative to duration-neutral U.S. Treasury bonds. ABS (asset-backed securities), agency debt, and MBS (mortgage-backed securities) all had positive returns relative to U.S. Treasury bonds. Within the mortgage market, Freddie Mac (FHLMC) led Fannie Mae (FNMA), which led Ginnie Mae (GNMA). All had positive total returns and excess returns versus duration-neutral U.S. Treasury bonds.

Our largest allocation, to GNMA pass-throughs, was our largest contributor to positive total return this quarter. Our 22.5% allocation to U.S. Treasury bonds was our second-largest contributor to total return, and our smallest allocation (3.1% to GNMA structure) contributed the smallest amount to our positive total return. We continue to selectively buy or create high-coupon GNMA platinum pools as opportunities arise.

The U.S. labor market remains in a position of strength, and inflation continues to moderate. Yet, normal economic activity and the resulting Federal Open Market Committee (FOMC) decisions that typically drive headlines are likely to continue to take a back seat to changes in government policy. The ongoing uncertainty may tend to encourage some consumers to spend less, cause some corporations to limit new hires, and may also limit certain new investments. However, with corporate and consumer balance sheets remaining in good order, the rally may continue. The bond market seems none too disturbed by the passage of the One Big Beautiful Bill Act. With inflation still slightly above target, the Fed should be patient, as we believe monetary policy remains well-positioned to respond to changes in the data. Come what may, 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 June 30, 2025

Victory Short Government Strategy	Q2 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*
Victory Short Government Strategy (gross of fees)	1.33	3.36	6.39	3.90	1.48	2.05	5.53
Victory Short Government Strategy (net of fees)	1.24	3.18	6.02	3.54	1.12	1.70	5.03

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

1.38

3.45

6.11

3.25

0.86

1.59

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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 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.

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Victory Capital claims compliance with the Global Investment Performance Standards (GIPS®).

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