

INCORE SMA Investment Grade Convertible Securities

INCORE | CAPITAL MANAGEMENT®

INDEPENDENT • COMPREHENSIVE • REPEATABLE

Quarterly Fact Sheet

As of June 30, 2021

INVESTMENT OBJECTIVE

A high level of current income together with long-term capital appreciation

INVESTMENT STYLE

Investment Grade Convertible Securities

BENCHMARK

Primary: ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (VX5C)

Secondary: ICE BofA Investment Grade Convertibles ex 144A Index (VXN1)

INCEPTION DATE

01/1995

At a Glance:

TARGET HOLDINGS

30 to 40

EXPECTED TRACKING ERROR

2% to 4%

EXPECTED TURNOVER

30% to 50%

Actual results may vary, and the expectations should not be considered or relied upon as a performance guarantee.

Q2 Results

SMA STRATEGY ASSETS

\$618.7 million

TOTAL NUMBER OF HOLDINGS

32

PORTFOLIO TEAM

James K. Kaesberg, CFA
Lead Portfolio Manager

Mark Vucenovic
Senior Portfolio Manager

ANNUALIZED RETURNS

Composite Performance (%)	QTD	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception
INCORE SMA Investment Grade Convertible Securities (pure gross)	4.04	8.70	24.22	13.91	13.65	10.33	8.47
INCORE SMA Investment Grade Convertible Securities (net of fees)	3.27	7.10	20.60	10.57	10.33	7.11	4.97
ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (VX5C)	1.33	7.08	22.36	11.59	12.46	—	—
ICE BofA Investment Grade Convertibles ex 144A Index (VXN1)	1.56	4.41	20.72	11.21	13.95	11.56	—

Past performance is no guarantee of future results. Returns greater than one year are annualized. Returns are expressed in U.S. dollars. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

Pure gross returns are gross of the wrap fee and do not reflect the deduction of any trading costs, fees, or expenses and are presented for comparison purposes only. Net returns are net of the total wrap fee. The wrap fee will normally include all charges for trading costs, portfolio management fee, custody and other administrative fees. Composite net returns are calculated by subtracting 1/12th of the highest applicable wrap fee (3.00%) from the pure gross return. Actual fees may vary depending on the individual sponsor's wrap fee.

Strategy Summary

We screen all US convertible securities including bonds and preferred securities. The strategy invests primarily in securities convertible into common stocks and up to 20% in below investment grade securities. It seeks convertibles which possess strong upside potential from the equity element and solid total return potential from the bond element. The convertible valuation process focuses on the intrinsic value of the underlying common stock as well as the convertible security itself. Additional risk management is provided by focusing on credit quality and by constructing portfolios that focus on providing balance between the 3 broad categories of convertibles – equity sensitive, total return and defensive.

Sector Diversification (%)	Rep. Account	Index	Top Ten Holdings (%)	Rep. Account
Consumer Services	4.1	0.0	Western Digital Corporation 1.5% 01-feb-2024	5.0
Consumer Discretionary	4.0	9.8	Stanley Black & Decker Inc Units Cons of 1 PC + 1/10 0% CCRPP Rg-D	5.0
Consumer Staples	0.0	0.0	Anthem, Inc. 2.75% 15-oct-2042	4.8
Energy	4.8	5.0	Illumina, Inc. 0.0% 15-aug-2023	4.8
Financials	24.4	25.5	Wells Fargo & Company 7.5 % Non Cum Perp Conv Pfd Registered Shs A Series L	4.7
Health Care	13.4	8.2	Fortive Corporation 0.875% 15-feb-2022	4.6
Industrials	13.7	14.0	KKR & Co. Inc. 6 % Conv Cum Red Pfd Registered Shs 2020-15.09.23 Series C	4.5
Information Technology	18.0	7.7	Pioneer Natural Resources Company 0.25% 15-may-2025	4.3
Materials	0.0	0.0	Southwest Airlines Co. 1.25% 01-may-2025	4.1
Real Estate	0.0	0.8	Bank of America Corp 7.25 % Non Cum Perp Conv Pfd Registered Shs Series L	4.1
Utilities	15.2	29.0		
Cash	2.6	0.0		
Risk Measures (5-Years)			Characteristics	
Alpha	2.16%		Average Credit Quality	BBB BBB
Beta	0.90		Current Yield	2.8% 3.4%
Sharpe Ratio	1.45		Delta	52% 47%
Standard Deviation	8.64		Conversion Premium %	26% 29%

Risk Statistics source: Zephyr StyleADVISOR.
Characteristics, Top Ten Holdings and Sector Diversification source: FactSet.

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Historical Composite Performance (%)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
INCORE SMA Investment Grade Convertible Securities (pure gross)	-4.93	10.67	17.73	12.03	1.67	7.38	18.94	2.16	22.32	12.45
INCORE SMA Investment Grade Convertible Securities (net of fees)	-7.72	7.45	14.23	8.79	-1.29	4.26	15.52	-0.85	18.76	9.15
ICE BofAML Investment Grade U.S. Convertible 5% Constrained Index (VX5C)	—	10.82	18.13	13.93	1.58	10.12	18.58	2.10	21.98	7.05
ICE BofAML Investment Grade Convertibles ex 144A Index (VXN1)	-3.97	11.61	21.80	15.86	1.93	14.33	21.88	4.13	22.20	8.06

Past performance is no guarantee of future results.

Investing involves risk, including loss of principal. Convertible securities rank senior to the issuer's common stock, but may be subordinate to senior debt obligations. In part, the total return for a convertible security may depend upon the performance of the underlying stock into which it can be converted. Synthetic convertibles may respond differently to market fluctuations than traditional convertible securities. They are also subject to counterparty risk. The value of the Fund's direct or indirect investments in fixed income securities may be negatively affected by changes in interest rates and/or changes in the actual or perceived ability of an issuer to meet its (or their) obligations. High yield securities may be more volatile, be subject to greater levels of credit or default risk, and may be less liquid and more difficult to sell at an advantageous time or price than higher-rated securities of similar maturity. Technology companies may be adversely affected by economic downturns, short product cycles, aggressive pricing, market competition and government regulation. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. The value of your investment is also subject to geopolitical risks such as wars, terrorism, environmental disasters, and public health crises; the risk of technology malfunctions or disruptions; and the responses to such events by governments and/or individual companies.

The INCORE SMA Investment Grade Convertible Securities Composite includes separately managed wrap accounts invested in investment grade convertible securities with a minimum convertible commitment goal of 70%-90%. The composite creation date is July 2003. Wrap accounts that pay a bundled fee represent 100% of the composite assets. The benchmark of the composite is the ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (VX5C). Prior to 12/1/2017, the benchmark was the ICE BofA Investment Grade Convertibles ex 144A Index (VXN1).

The top ten holdings and sector diversification are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments.

Holdings are as of the date shown and are subject to change. Portfolio holdings should not be construed as a recommendation to buy, sell, or hold any security.

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.

The ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (VX5C) is a market-capitalization-weighted index of domestic corporate convertible securities. Bonds and preferred stocks must be convertible only to common stock, ADRs or cash

equivalent and have a market value of at least \$50 million. It includes Coupon, OID, or zero coupon convertible bonds rated by Moody's and/or S&P with an average rating of Baa3/BBB- or higher. All positions are capped at 5% of market value.

The ICE BofA Investment Grade Convertibles ex 144A Index (VXN1) measures the performance of convertible securities of all corporate sectors with a par amount of \$25 million or more and a maturity of at least one year and excludes the preferred equity redemption stocks, converted and 144A securities.

Index returns reflect the reinvestment of dividends and capital gains but do not include advisory fees, transaction costs, or other expenses. One cannot invest directly in an index.

Credit Quality Ratings are obtained using Bloomberg Barclays methodology using ratings derived from Moody's Investors Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch). When ratings from all three agencies are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used. Victory Capital Management does not evaluate these ratings, but simply assigns them to the appropriate credit quality category as determined by the rating agency.

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