

As of December 31, 2025

Executive Summary

The fourth quarter embodied market contradictions: GDP surged to 4.3%, while inflation remained stubbornly above the Federal Reserve's 2% target and unemployment was slightly elevated at 4.4%. Two 25-basis-point rate cuts sparked multiple FOMC dissents, revealing deep divisions over mandate prioritization. The government shutdown disrupted critical data collection, obscuring an already murky economic picture. Fixed income markets mirrored this complexity with positive performance for the quarter and compressed credit spreads that signaled risk appetite despite continued uncertainty. Against this backdrop, the Victory Core Plus Fixed Income Strategy outperformed its benchmark, the Bloomberg U.S. Aggregate Bond Index, for the quarter ended December 31, 2025, on a gross basis and underperformed on a net basis.

Market Update & Commentary

Markets saw a continuation of contradictory themes in Q4. Inflation declined throughout the quarter, though it remained above the Fed's 2% target. Year-over-year the Consumer Price Index (CPI) declined from 3.0% at the end of Q3 to 2.7%. Year-over-year Core CPI, which excludes food and energy, declined from 3.0% to 2.6%. The unemployment rate was unchanged quarter-over-quarter, concluding the year at 4.4%, though it did peak mid-quarter at 4.5%. Yet GDP defied the slowdown narrative entirely, with growth surging to 4.3% annualized quarter-over-quarter and surpassing forecasts. This economic picture became murkier mid-quarter when the longest government shutdown in history disrupted data collection, resulting in a missing CPI report and clouding investors' view of an already uncertain economy.

The Fed's two 25-bps cuts in Q4 – ostensibly responding to labor market softening – revealed deeper fault lines. Multiple dissents at both Federal Open Market Committee (FOMC) meetings highlighted internal division over whether inflation or employment should drive policy. This internal discord was compounded by external pressure to reduce rates from the executive branch. We saw investor sensitivity to perceived threats to central bank independence in Q4 and questions about institutional credibility that will likely intensify as Powell's time as chair of the FOMC comes to an end.

Fixed income markets embodied the quarter's contradictions: while returns were positive, the story beneath was complex. The Treasury curve steepened as short-term yields declined in response to the two reductions in the federal funds rate, yet long-term yields rose. This move reflected persistent investor concerns about fiscal spending and inflation. Meanwhile, corporate credit spreads remained meaningfully below long-term averages for both investment grade and high yield rated debt in Q4, signaling the same risk-on sentiment driving equities to record highs even as economic uncertainty mounted.

	Yield (%)	Spreads (bps)			Returns (%)	
		12/31/2025	9/30/2025	Δ (+/-)	3M	1YR
Investment Grade (Moody's Ratings)						
U.S. Treasury	3.9	0	0	0	0.9	6.3
U.S. Aggregate	4.3	27	28	-1	1.1	7.3
U.S. Credit	4.8	73	69	+4	0.9	7.8
Corporate	4.8	77	73	+4	0.8	7.8
Aa	4.6	48	41	+7	0.4	6.7
A	4.7	64	61	+3	0.9	7.8
Baa	5.0	97	91	+6	0.8	7.9
Crossover	5.7	155	156	-2	1.0	8.0
High Yield (Moody's Ratings)						
U.S. Corporate High Yield	7.1	268	270	-2	1.3	8.6
Ba	5.9	163	167	-4	1.5	9.0
B	7.1	268	264	+4	1.6	8.4
Caa	11.0	626	616	+10	0.2	8.3
Ca-D	30.5	2744	1917	+826	-6.8	-2.9
Structured Product						
U.S. MBS	4.6	22	31	-9	2	9
ABS	4.1	52	47	+5	1	6
CMBS	4.4	75	76	-1	1	8

Source: Bloomberg

Portfolio Performance & Positioning

During the quarter, we continued to sell down the credit securities we bought during the tariff-induced sell-off in Q2 and replaced them with agency mortgage-backed securities (MBS). Spreads continued to tighten over the course of the quarter, ending close to 10-year tights.

Contributors

- Our overweight allocations to agency fixed and non-agency commercial mortgage-backed securities (CMBS) and underweight allocation to technology and communications contributed to performance.
- Security selection also contributed to performance, specifically security selection within consumer cyclical. Electric and finance companies were the best-performing sectors. From a credit perspective, our security selection in AA, A, and BBB rated credits

and our allocation to B and BBB rated credits most aided performance.

- Duration added to performance, as the Strategy is overweight the belly of the curve (7- and 10-year key rate portions) versus the index, which has more exposure to the long end, which outperformed during the quarter. Our allocation to cash contributed to performance.

Detractors

- Our underweight to banking, consumer non-cyclical, and energy detracted from performance for the quarter.
- Security selection within communications and consumer non-cyclical detracted from performance.
- From a credit perspective, our overweight to AAA, AA & BB rated credits also detracted from performance.

Performance

Average Annual Returns (%) as of December 31, 2025

Victory Core Plus Fixed Income Strategy	QTD	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception (September 1999)
Gross of Fees	1.20	8.09	8.09	6.41	1.44	4.17	5.52
Net of Fees	1.07	7.52	7.52	5.82	0.87	3.56	4.87
Bloomberg U.S. Aggregate Bond Index	1.10	7.30	7.30	4.66	-0.36	2.01	–

Past performance cannot 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. Performance prior to July 1, 2019, occurred while the team was affiliated with a prior firm. The investment management team has managed the composite strategy since inception and the investment process has not changed. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. The composite net-of-fees returns shown reflect actual investment management 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 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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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 Victory Core Plus Fixed Income Composite includes all institutional and retail portfolios invested primarily in a broad range of debt securities that have a dollar-weighted average portfolio maturity between three to ten years. The debt securities in which the composite portfolios may invest include, among others, obligations of U.S., state, and local governments, their agencies and instrumentalities; mortgage- and asset-backed securities; corporate debt securities; repurchase agreements; and other securities believed to have debt-like characteristics. The strategy aims to deliver high current income without undue risk to principal. Portfolios in the composite will invest primarily in investment-grade securities, but also may invest in below investment-grade securities, which are sometimes referred to as high-yield or “junk” bonds. High yield bonds carry increased levels of credit and default risk and are less liquid than government and investment grade bonds. Beginning September 1st, 2023, the minimum account size for the composite is \$25 Million. Prior to 4/24/2023, the name of this composite was the Core Plus Fixed Income Composite. The composite creation date is July 2019, and the composite inception date is September 1999.

The benchmark of the composite is the Bloomberg U.S. Aggregate Bond Index. The Bloomberg U.S. Aggregate Bond Index measures the performance of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate and hybrid adjustable-rate mortgage (ARM) pass-throughs), asset-backed securities, and commercial mortgage-backed securities. 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.

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. **Past performance does not guarantee future results.**

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