Victory INCORE Fund for Income Quarterly Commentary

As of September 30, 2022

Commentary

For the quarter ended September 30, 2022, the Victory INCORE Fund for Income (Class A, without load) had a total return of -2.19%. The Fund's benchmark index, the Bloomberg Capital U.S. 1-5 Year Government Index, had a total return of -2.24%.

Risk markets fell again in the third quarter of 2022 (Dow -6.7%, S&P -4.88%, Nasdaq -4.1%), as inflation proved persistent and broad-based. The U.S. Federal Reserve continued to raise rates at a torrid pace. Prices continued to fall in the bond market, as well. The U.S. Treasury yield curve flattened, with 2-year and 10-year Treasury yields inverted once again by 0.45%. U.S. Treasury bonds maturing in two years' time rose 1.33%, fives +1.05%, tens +0.82%, and the long bond rose 0.59%. Bond prices move opposite yields.

All fixed income sectors had negative total return and all but one sector had negative excess returns versus duration-neutral U.S. Treasury bonds. Agency mortgage-backed bonds underperformed the most. Commercial mortgage-backed securities, corporate bonds, and agency debentures all underperformed modestly. Asset-backed bonds were the only sector to outperform duration-neutral U.S. Treasury bonds. Within the mortgage market, Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC) all underperformed (i.e. Ginnie led Freddie which led Frannie), with only slight differences between them.

Our performance was led by GNMA structure (4.6%), which underperformed the benchmark; U.S. Treasury bonds (24.2%) underperformed slightly more. Our largest allocation, GNMA single-family pass-through bonds (71.2%), underperformed the most, yet not nearly as much as the mortgage index.

We continue to selectively buy or create high-coupon GNMA platinum pools as opportunities arise.

We think the Fed is closer to the end of their hiking cycle than the beginning. We also think the Fed may consider a more gradual pace of tightening in the first quarter, should the data support such a move, as the torrid pace of hikes year-to-date has a lagged impact on the economy. No matter the weather, the goal of our strategy remains consistent as we seek to deliver high, reliable income and preservation of capital.

Investment Performance (%)	QTR	YTD	1-YR	ANNUALIZED RETURNS 3-YR	5-YR	10-YR	Since Inception	Expense Ratio Gross	Net
Class A, without load	-2.19	-5.99	-6.99	-1.67	-0.19	0.28	2.87	0.92	0.91
Class A, with max. sales load (2.25%)	-4.41	-8.12	-9.04	-2.43	-0.64	0.06	2.77	0.92	0.91
Bloomberg Capital U.S. 1-5 Year Government Bond Index	-2.24	-6.33	-7.03	-1.04	0.36	0.59	—		

Since inception results are as of the Fund's inception date, March 26, 1999.

Past performance does not guarantee future results. The performance quoted represents past performance and current performance may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, visit www.vcm.com.

Returns include reinvestment of dividends and capital gains. Performance for periods of greater than one year are annualized. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which, fund performance would have been lower. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through February 28, 2023.

Carefully consider a fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus or summary prospectus containing this and other important information, visit www.vcm.com/prospectus. Read it carefully before investing.

All investing involves risk, including the potential loss of principal. Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. Bonds and bond funds will decrease in value as interest rates rise and vice versa. Credit risk refers to the possibility that debt issuers may not be able to make principal and interest payments or may have their debt downgraded by ratings agencies. Mortgage-backed securities ("MBS") and asset-backed securities ("ABS") are subject to credit, prepayment and extension risk and may react differently to changes in interest rates than other bonds. Small movements in interest rates may quickly and significantly reduce the value of certain MBS and ABS. The market value of a security issued on a when-issued, to-be-announced ("TBA") or delayed-delivery basis may change before the delivery date, which may adversely impact the Fund's net asset value. There is also the risk that a party fails to deliver the security on time or at all. An investment in the Fund(s) is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. 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 Bloomberg U.S. 1-5 Year Government Bond Index seeks to measure the performance of U.S. Treasurys and Agencies with less than five years to maturity.

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.

Distributed by Victory Capital Services, Inc., an affiliate of Victory Capital Management Inc., the Fund's investment adviser.

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