

Victory California Bond Fund // Victory New York Bond Fund // Victory Virginia Bond Fund

Performance Summary

Throughout the fourth quarter of 2025, fixed income performance was positive given the slight decline in yields across the Treasury curve and tightening in taxable credit spreads. Inflation declined in Q4, but the labor market showed signs of weakening. The unemployment rate held steady at around 4.1%–4.3% for most of the year, but peaked at 4.5% in November before concluding Q4 at 4.4%. However, other parts of the economy showed surprising strength. Strong consumer spending and corporate earnings supported a resilient quarter-over-quarter annualized GDP reading of 4.3%. The Federal Reserve reduced rates by 25 basis points twice in Q4 due to potential downside risks to the labor market and indicated a deceleration for future rate reductions in 2026 and 2027. Municipal yields moved inversely to taxable yields in Q4, with short-term yields rising as longer-term yields fell. Declining muni yields and steady demand despite substantial supply resulted in outperformance in municipal debt for the quarter, with the Bloomberg Municipal Bond Index returning 1.56%, beating the Bloomberg U.S. Aggregate Bond Index, which returned 1.10%. While yields have come off their early 2025 highs, they remain elevated, offering tax-conscious investors a very attractive entry point, and not just those in the highest tax brackets. The yield of the Bloomberg Municipal Bond Index declined to 3.60% in Q4, slightly down from 3.66% at the end of Q3, offering a taxable-equivalent yield of 6.07% (in the highest tax bracket).

Market Review & Outlook

The Bloomberg Municipal Bond Index returned 1.56% for the fourth quarter of 2025. The fixed income sector saw a broadly positive performance. The fourth quarter return for the Bloomberg U.S. Aggregate Bond Index was 1.10%; for the Bloomberg U.S. Universal Index, 1.20%; and for the Bloomberg U.S. Treasury Index, 0.90%.

See below for an update on some of the key metrics in the muni market that we continue to monitor.

- Overall, the muni yield curve has steepened since this time last year. However, during the quarter, AAA muni yields (the benchmark rate of the safest municipal securities) rose on the short end and declined on the long end of the yield curve. As a reminder, an increase in bond yields means that bond prices decrease and vice versa. See below for yield changes from 9/30/25 to 12/31/25 at several key maturities.
 - 3-year: 2.25% to 2.38%
 - 10-year: 2.92% to 2.73%
 - 30-year: 4.30% to 4.19%

- Fund flows for municipal bond mutual funds are positive for the year at approximately \$51.1 billion year-to-date (according to Lipper).
- Credit spreads (the difference between riskier bonds and AAA bonds) remained relatively unchanged from last quarter, but widened a bit compared to the end of last year. The BBB credit spread widened from 0.89% at the end of 4Q2024 to 1.05% at the end of 4Q2025.

We believe that the creditworthiness of muni borrowers will remain strong in the near term, as many borrowers have maintained improved financial positions post-pandemic, and rainy day funds remain at or near record highs.

We remain committed to our core competency of evaluating, taking, and managing credit risk in the municipal market. We continue to build our portfolios bond-by-bond, relying on our assessment of fundamental credit risk and attempting to capture and distribute incremental yield in an effort to drive higher long-term income to our investors. While there might be some volatility in the muni market in the short term, we remain confident that the right approach is to focus on what matters in the long term.

We believe municipal bonds continue to represent an attractive investment opportunity on a relative basis. At the end of the fourth quarter, the yield on the Bloomberg Municipal Bond Index was 3.60%, which is a taxable-equivalent yield of 6.07% (in the highest tax bracket 40.8%). After factoring in the benefit of the tax exemption, we believe munis look attractive vs. the (taxable) Bloomberg U.S. Aggregate Bond Index, which yielded 4.32% at quarter-end.

Fund Performance and Positioning

During the fourth quarter, the Victory California Bond Fund (Fund Shares), the Victory New York Bond Fund (Fund Shares), and the Victory Virginia Bond Fund (Fund Shares) all outperformed their benchmarks. See page 3 for other share classes.

Victory California Bond Fund

With 39 million people, California has the largest economy in the United States. Its economy is vast, broad, and diverse and continues to recover from the economic and fiscal impact from the peak of the pandemic. The preliminary November seasonally adjusted unemployment rate for California was 5.5% (versus 4.5% for the U.S.), which ranked 50th among the states.

On January 9, Governor Newsom sent the State's 2026–2027 balanced budget plan to the Legislature. Even after a tough couple of years resulting in the Legislature having to take significant actions (withdrawing reserves, delaying spending, reducing spending, effecting reversions, and shifting costs to other funds), California's budgetary reserves and liquidity are strong.

Under Governor Newsom's proposed 2026–2027 budget, the State's reserves are expected to be \$23 billion at the end of fiscal 2027 (\$14.4 billion in the Budget Stabilization Account/Rainy Day Fund, \$4.5 billion in the Special Fund for Economic Uncertainties, and \$4.1 billion in the Proposition 98 Reserve). The Legislative Analyst's Office (LAO) estimate is lower than the Governor's, as the LAO anticipates a stock market downturn that is not being budgeted by the Governor's office. During the second quarter of 2025, California's GDP grew by an annual rate of 4.3%, which led the U.S. GDP growth rate of 3.8%. The third quarter GDP data has been delayed due to the government shutdown. California's fiscal outlook remains vulnerable to economic performance.

We will continue to monitor the overall performance of the state; however, we continue to view the state as AA- with a stable outlook. The state currently maintains strong ratings of Aa2 with a stable outlook by Moody's, AA- with a stable outlook by S&P, and AA with stable outlook by Fitch Ratings.

Victory New York Bond Fund

New York is the fourth largest state in the nation, with an estimated population of 19.9 million. Wealth levels are sound, as indicated by the state's per-capita personal income exceeding the national norm. A substantial and diverse economic base enhanced by the presence of New York City remains an important credit strength. Economic performance has trended in a positive manner recently, with real GDP growth occurring. A steady increase in employment is also noted, with the unemployment rate being slightly below the U.S. mark in November.

An institutionalized budgetary process consisting of a multi-year financial plan combined with quarterly adjustments has been a fundamental factor ensuring balanced fiscal performance. Mid-year data indicates fiscal 2026 is tracking better than planned as revenues are above initial estimates. Sizable reserves are additionally maintained, providing robust financial flexibility. Longer-term uncertainty is due to potential Medicaid reductions on the federal level and the possibility that further funding for the Metropolitan Transportation Authority may be required. However, concern is mitigated as state officials have a long history of taking appropriate actions as needed to ensure budgetary balance.

General obligation bonds are rated a strong Aa1 (stable) by Moody's, AA+ (stable) by Standard & Poor's, and AA+ (stable) by Fitch.

Victory Virginia Bond Fund

The Commonwealth of Virginia stabilized after the economic and fiscal impact felt from the COVID-19 pandemic. According to the November 2025 preliminary data, unemployment in Virginia is at 3.5%, slightly lower than last quarter's rate of 3.6%. Labor force participation in the Commonwealth is lower than it was pre-pandemic (February 2020). The unemployment in the U.S. is relatively higher at 4.4% , slightly higher than last quarter.

The "Gross Domestic Product by State and Personal Income by State, 3rd Quarter 2025" release by the Bureau of Economic Analysis is delayed until late January 2026 due to the government shutdown.

Fiscal 2026 year-to-date results affirm the Commonwealth's solid financial position. Virginia's general fund revenue collections were \$11.8 billion for the period July–November 2025, a 5.2% increase over prior year revenue collections for the same period. Net individual income tax collections, the largest component of general fund revenue collections, were 7.1% higher year over year. Virginia has \$14.1 billion in cash and investments available as of November 2025 (42% of the 2026 general fund budget). In addition, Virginia's pension burden is one of the lowest in the nation in terms of state GDP. Moody's Investors Service determined that Virginia has a low pension risk based on FY 2023 data.

We continue to view the underlying credit quality of Virginia as exceptionally strong. Presently Virginia remains rated AAA by Fitch, Moody's, and Standard & Poor's.

Standardized Performance: December 31, 2025

Average Annual Returns (%)

Victory California Bond Fund	Ticker	Inception Date	Q4 2025	1 Year	5 Year	10 Year	Since Inception	Expense Ratio	
								Gross	Net
Fund Shares	USCBX	08/01/89	1.77	2.63	0.49	2.11	4.84	0.56	0.55
A Shares, without sales charge	UXABX	08/02/10	1.71	2.38	0.24	1.86	3.25	1.52	0.78
A Shares, with sales charge (max. 2.25%)	UXABX	08/02/10	-0.55	0.05	-0.22	1.63	3.11	1.52	0.78
Institutional Shares	UCBIX	06/29/20	1.78	2.65	0.54	–	1.13	0.64	0.50
Bloomberg Municipal Bond Index	–	–	1.56	4.25	0.80	2.34	–	–	–
Bloomberg Municipal Bond - California Exempt Index	–	–	1.55	4.10	0.75	2.28	–	–	–

Victory New York Bond Fund	Ticker	Inception Date	Q4 2025	1 Year	5 Year	10 Year	Since Inception	Expense Ratio	
								Gross	Net
Fund Shares	USNYX	10/10/90	1.74	2.53	0.65	1.94	4.80	0.77	0.66
Institutional Shares	UNYIX	06/29/20	1.65	2.50	0.64	–	1.19	0.82	0.63
Bloomberg Municipal Bond Index	–	–	1.56	4.25	0.80	2.34	–	–	–
Bloomberg Municipal Bond - New York Exempt Index	–	–	1.53	3.69	0.80	2.19	–	–	–

Victory Virginia Bond Fund	Ticker	Inception Date	Q4 2025	1 Year	5 Year	10 Year	Since Inception	Expense Ratio	
								Gross	Net
Fund Shares	USVAX	10/10/90	1.79	2.58	0.50	1.91	4.59	0.59	0.58
A Shares, without sales charge	UVABX	08/02/10	1.83	2.44	0.27	1.67	2.67	0.91	0.80
A Shares, with sales charge (max. 2.25%)	UVABX	08/02/10	-0.49	0.14	-0.18	1.45	2.52	0.91	0.80
Institutional Shares	UVAIX	06/29/20	1.89	2.71	0.56	–	1.08	0.61	0.53
Bloomberg Municipal Bond Index	–	–	1.56	4.25	0.80	2.34	–	–	–
Bloomberg Municipal Bond - Virginia Index	–	–	1.50	4.14	0.64	2.11	–	–	–

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. Fee waivers and/or expense reimbursements may have been in place for some or all periods shown, without which fund performance would have been lower. Returns include reinvestment of dividends and capital gains. Performance for periods greater than one year is annualized. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through June 30, 2026.

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.

Not all share classes are available to all investors.

All investing involves risk, including the potential loss of principal. Fixed income securities are subject to interest rate, inflation, credit, prepayment, 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. Because the Funds each invest primarily in tax-exempt securities of the states in each of their names, they are more vulnerable to unfavorable economic, political and regulatory changes affecting issuers in each of those respective states. Some income may be subject to local taxes and could be declared taxable and/or subject to the federal alternative minimum tax (AMT) if federal or state tax laws change. Each Fund is also subject to liquidity risk, which is the risk that the Adviser may not be able to sell a security at an advantageous time or price, which may adversely affect each Fund. The value of your investment is also subject to geopolitical risks such as wars, terrorism, trade disputes, 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 opinions are as of the date noted 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.

The Bloomberg Municipal Bond Index is considered to be generally representative of investment-grade municipal issues having remaining maturities greater than one year and a national scope.

The Bloomberg U.S. Aggregate Bond Index measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

The Bloomberg Municipal Bond – California Exempt Index is an unmanaged index considered representative of California investment-grade municipal bonds.

The Bloomberg Municipal Bond – New York Exempt Index is an unmanaged index considered representative of New York investment-grade municipal bonds.

The Bloomberg Municipal Bond – Virginia Index is an unmanaged index considered representative of Virginia investment-grade municipal bonds.

The Bloomberg U.S. Universal Index is an index that represents the union of the U.S. Aggregate Index, U.S. Corporate High-Yield Index, Investment Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index and the non-ERISA eligible portion of the CMBS Index. The index covers USD-denominated, taxable bonds that are rated either investment-grade or below-investment-grade.

The Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills and STRIPS are not included.

Index returns are for illustrative purposes only and do not represent actual Fund performance. Index performance does not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. **Past performance does not guarantee future results.**

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