

RS INTERNATIONAL STRATEGY QUARTERLY COMMENTARY



As of December 31, 2020

Market Review

International equities (as measured by the MSCI EAFE Index¹) rose for a third consecutive quarter, advancing 16.05% despite weak economic news and surging COVID-19 caseloads. Positive vaccine news and the conclusion of the U.S. elections in early November further strengthened the stimulus-driven rally, bolstering value-oriented market segments and shifting leadership away from a narrow group of U.S. large-caps. Value stocks outperformed growth stocks for the period, while small-caps outperformed large-caps and commodity prices ticked upward. Emerging Markets outperformed Developed Markets, with both benefiting from the prospect of economic recovery and increased trade activity. Governments in the EU and the United States reached compromise on relief and recovery packages with commitments of additional monetary stimulus in the new year.

QVS Factor Performance

The RS Global team's proprietary QVS (Quality, Value and Sentiment) Model evaluates over 10,000 global companies in search of the best investment opportunities. It is designed to identify companies that have the potential to consistently create shareholder value, are reasonably valued, and exhibit favorable market sentiment. The model helps us focus our resources, as we conduct additional research only on companies with the strongest model recommendations.

Value was a positive signal across most regions in the fourth quarter, while our Quality factor broadly underperformed. Within MSCI EAFE regions, the model worked best in Asia/Pac x Japan and Japan in the period, driven by the strong returns of the Sentiment factor. Weak Quality and Sentiment factors in the United Kingdom and Europe led the model to lag in those regions despite strong Value factor performance.

Performance and Positioning

The Victory RS International Strategy returned +14.20% (net) while its benchmark, the MSCI EAFE Index (net) (the "Index"), advanced +16.05%.

Negative stock selection in the Industrials and Information Technology sectors detracted from relative performance, as did negative selection in the Consumer Discretionary sector and the Strategy's cash allocation. Positive stock selection in Health Care, Communication Services and Financials aided relative results. From a regional perspective, Strategy's investments in Europe and Japan detracted from relative performance, while stock selection was positive in the United Kingdom. Country-level detractors included Switzerland and Germany, while positive contributors included Norway and Finland.

Individual detractors from relative performance included German software provider SAP SE, Swiss food and drink multinational Nestle SA, and Japanese industrial machinery manufacturer Hitachi Construction Machinery Co., Ltd.

Positive contributors for the period included multi-line insurance provider Legal & General Group PLC and financial services firm Close Brothers Group PLC, both based in the United Kingdom. The Strategy also benefited from not owning UK-based pharmaceutical multinational AstraZeneca PLC, a large Index holding that registered a negative return for the period.

Outlook

We expect the trajectory of the COVID-19 pandemic to weigh heavily on market prospects in 2021. While positive vaccine news provided a boost to market returns in the fourth quarter, the twin tasks of distributing vaccines efficiently and containing virus spread in the meantime pose an ongoing risk to economic activity. Stimulus, however well received in the near term, must eventually give way to a recovery in economic growth and corporate earnings. Some believe that such a recovery is already priced into equity shares, as capital has shifted toward sectors that would benefit from economic growth. In any event, for us, what is most important is to stay the course and be true to our quality-oriented investment process. We anticipate a prolonged period of elevated market volatility and will stay vigilant when constructing our portfolios, remaining sector- and region-neutral, as we believe that strong risk management should stand at the forefront. Making correct macro allocation calls can be immensely challenging; therefore, we do not forecast regional performance. In our view, stock selection can be far more impactful to strategy performance than allocation. As always, we thank you for your strong interest and continued investment, and please stay safe!

We thank you for your continued support.

Sincerely,

The Victory RS Global Markets Team

Top 10 Holdings

as of December 31, 2020

Holding	% of Portfolio
Nestle S.A.	4.06
Roche Holding Ltd.	3.27
Toyota Motor Corp.	2.91
Novartis AG	2.79
Rio Tinto plc	2.40
Enel SpA	2.16
Hoya Corporation	2.06
Diageo plc	1.98
BHP Group Ltd.	1.95
LVMH Moët Hennessy Louis Vuitton SE	1.88

Regional Allocation

as of December 31, 2020

Region	% of Portfolio
Europe	44.60
Japan	21.88
United Kingdom	17.86
Asia/Pac ex Japan	11.63
Cash & Other Assets and Liabilities	2.58
ETF & Other	1.46

Performance

Average Annual Returns (%) as of December 31, 2020

RS International Strategy	QTR	1-YR	3-YR	5-YR	10-YR	Since Inception (07/31/2013)
Gross of fees	14.34	7.10	6.01	9.07	—	7.46
Net of fees	14.20	6.60	5.56	8.45	—	6.77
MSCI EAFE Index (Net)	16.05	7.82	4.28	7.45	—	—

Performance returns for periods of less than one year are not annualized.

Past performance is no guarantee of future results. Returns include reinvestment of dividends and capital gains. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns are expressed in U.S. dollars.

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 information in this article is based on data obtained from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations in this report are subject to change without notice and are not intended as individual investment advice. The securities highlighted, if any, were not intended as individual investment advice. A complete list of all recommendations of security selection is available by request for the previous 12 months. Furthermore, Victory Capital Management Inc., and its affiliates, as agents for their clients, and any of its officers or employees, may have a beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report.

The RS International Composite combines data-driven discipline with fundamental analysis in seeking to capture information inefficiencies in non-U.S. companies across the market capitalization spectrum in order to provide a consistent, diversified return stream over market cycles. The benchmark is the MSCI EAFE Index (Net). The composite was created per inception date in Performance Table above.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. 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 equity 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 II of its Form ADV.

1 The MSCI EAFE Index (Net) measures the performance of large- and mid-cap stocks in the developed markets, excluding the U.S. and Canada. The index covers approximately 85% of the free-float-adjusted market capitalization in each country.

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