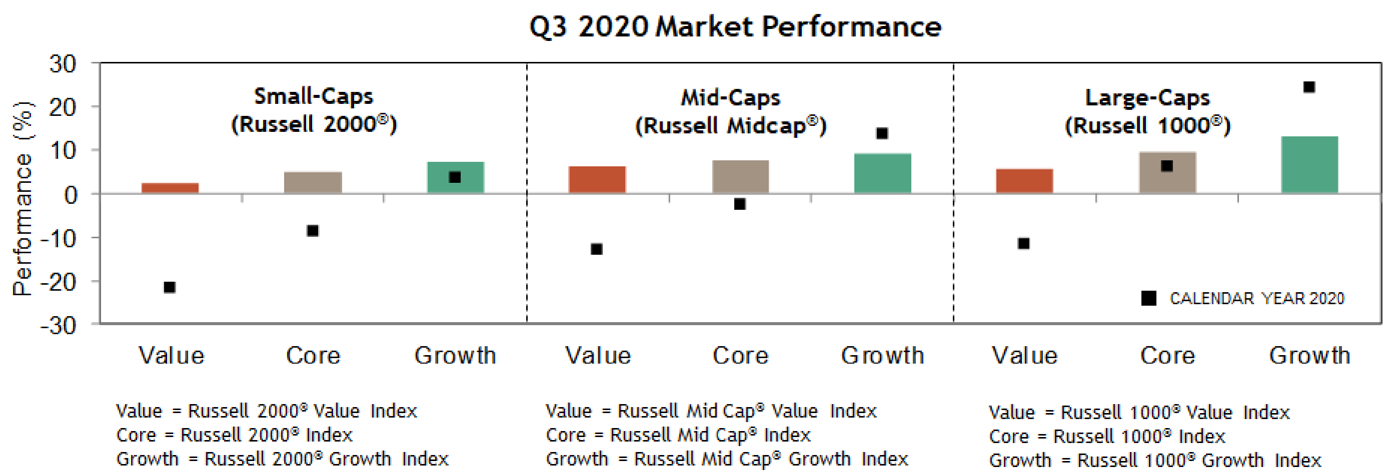
RS LARGE CAP GROWTH STRATEGY
QUARTERLY COMMENTARY

As of September 30, 2020

Quarterly Highlights

- The RS Large Cap Growth Strategy returned 12.69% gross (12.55% net) for the three months ended September 30, 2020, underperforming the Russell 1000® Growth Index,[1] which returned 13.22%.
- Strategy performance relative to the benchmark was negatively impacted by stock selection in the Health Care, Technology, and Producer Durables sectors; underperformance was partially offset by stock selection within the Consumer Discretionary and Consumer Staples sectors.
- This period's strong absolute performance reflects a continued rebound from the depressed market levels experienced in the first quarter and the expectation that the numerous challenges faced by consumers and businesses (given the spread and reaction to the COVID-19 virus) are improving.
- We believe the massive "test run" of technology-aided solutions as people attempt to work, shop, and communicate from home will speed up the adoption of a number of new technologies at the expense of legacy products and services.
- Large-cap growth stocks have outperformed their large-cap value counterparts over 1, 3, 5, 10, 15, 30, and even 40 years, per Russell.

Market Performance / Fundamentals Snapshot



Market Commentary

Following a sharp market rebound in the second quarter after being pummeled during the first quarter by SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2, the virus responsible for COVID-19), U.S. equity markets continued to move sharply higher to start the third quarter before taking a breather in September. The $2 trillion of fiscal stimulus helped keep businesses open, people in their homes, and important services funded during the severe downtown, while the Federal Reserve helped stabilize markets by implementing the largest scale monetary stimulus on record. This appears to have helped bridge the pre-pandemic economy to what is slowly becoming a new "normal" economic environment, highlighted by markedly improved employment data and retail sales hitting an all-time high in August. Stocks have been further supported by the expectation of additional fiscal stimulus, with expectations that a second round would include more direct payments, unemployment insurance, additional small business loans, and aid to airlines. Similar measures convinced investors who had fled risk assets in March *en masse* to re-enter markets in the spring and summer, and appeared to spur segments of the U.S. equity market to new highs in August before taking a pause in September. Contrary to some skeptical pundits, we view the strong performance, especially within technology companies, as being justified by their relative fundamentals, as the economic and business impact of the coronavirus has clearly not impacted all companies similarly. It's a bifurcated market whereby the "haves" are likely to continue taking market share as the "have-nots" struggle in the aftermath.

Growth-oriented stocks, as measured by the Russell 3000® Growth Index,[2] were up 12.86% during the quarter, significantly outperforming value-oriented stocks, as measured by the Russell 3000® Value Index,[3] which was up just 5.42% during the quarter. The relative outperformance of growth stocks was supported by what appear to be much stronger underlying fundamentals, as technology-oriented growth companies have not only been insulated from the slowdown relative to more traditional value companies in the industrial, financial, and material sectors, but have excelled. In effect, consumers and businesses are conducting a massive “test run” on technology-aided solutions as people attempt to work, shop, and communicate from home, which may speed up the adoption of a number of new technologies and other software solutions at the expense of legacy products and services.

Small-cap, mid-cap, and large-cap stocks all performed well during the quarter, as measured by the Russell family of indices, with the Russell 2000® Index[4] returning 4.93%, the Russell Midcap® Index[5] returning 7.46%, and the Russell 1000® Index[6] returning 9.47%. Meanwhile, the Russell 1000® Growth Index was the best performing U.S. equity style, up 13.22% during the third quarter, reflecting the view that large-cap technology companies are well positioned in this environment. From here, we believe the market will further differentiate between pockets of the economy that are materially better off than others given the ability of workers to remain productive remotely. Demand for the products and services of these companies that facilitate this productivity looks to remain strong. In fact, going forward we believe technology-oriented companies are better positioned to endure, while those dependent on global growth or focused on the consumer in places where individuals would need to congregate will be slower to recover.

Investment Strategy

The RS Large Cap Growth Strategy (the “Strategy”) is guided by our philosophy that sustainable earnings growth drives long-term share price appreciation. Our investment process is focused on finding innovative companies whose core business can continue to grow over time.

The team seeks companies with products and services that are growing organically, creating new markets or taking market share from existing companies. We are focused on finding companies whose business values can appreciate regardless of the underlying market environment. The Strategy is led by the team’s chief investment officer, Scott Tracy, along with portfolio managers Steve Bishop, Melissa Chadwick-Dunn, Chris Clark, and Paul Leung. The five co-portfolio managers, as well as three research analysts, serve as sector specialists and are supported by three associates, drawing on strong relationships with industry experts and company management teams.

Together, we conduct over 2,000 company meetings each year through in-person meetings, conference calls, and trade shows. We then back up our findings through discussions with industry leaders and third-party sources. We are long-term investors and seek to establish definable “anchor points,” which are quantifiable metrics that help determine a company’s potential long-term growth trajectory. Anchor points arise from our analysis of a company’s long-term capabilities and performance goals over three to five years. These long-term anchor points serve as guideposts to help us measure a company’s progress as it executes its business strategy, regardless of what is taking place in the overall market, and help prevent distraction caused by short-term stock price movements and inevitable market volatility.

Performance Review

The RS Large Cap Growth Strategy returned 12.69% gross (12.55% net) for the three months ended September 30, 2020, underperforming the Russell 1000® Growth Index,[1] which returned 13.22%. Strategy performance relative to the benchmark was negatively impacted by stock selection in the Health Care, Technology, and Producer Durables sectors; underperformance was partially offset by stock selection within the Consumer Discretionary and Consumer Staples sectors.

Top Contributing Sector: Consumer Discretionary

Within the Consumer Discretionary sector, the largest driver of relative outperformance was holding Tesla, Inc. (1.89% ending weight), which designs, develops, manufactures, leases, and sells electric vehicles and energy generation and storage systems. We own the stock given the company’s undisputed lead in the electric vehicle market, with advantages over legacy manufacturers including battery technology, mileage, and cost. As a result, we see limited competition in the near future that will challenge the company’s 80% market share in the U.S. The stock performed extremely well in the quarter as the company reported another very strong quarter in terms of top-line revenue and profitability, driven by wider than expected margins and by strong forward guidance in which the company reiterated their outlook for 500,000 deliveries this year, implying a strong back-half of 2020.

Top Detracting Sector: Technology

Within the Technology sector, one of the largest drivers of relative underperformance was mid-cap holding RingCentral, Inc. (2.15% ending weight), a communications technology industry holding. The company is a provider of software-as-a-service cloud-based business communications solutions, offering a single user identity across multiple locations and devices. The company has been a top longer-term contributor as it has executed exceptionally well given its industry-leading technology driven by a large research and development budget, which combined with aggressive marketing has allowed the company to take market share. In the most recent quarter, RingCentral’s stock took a pause from its strong first-half performance as investors weighed both the company’s valuation and whether competitive dynamics from other players, such as Zoom and Microsoft, are changing the company’s growth trajectory. We believe RingCentral is largely immune to these concerns given that the market remains gigantic with large tailwinds and the company is well positioned with partnerships and access to customers who will be migrating to the cloud. Given that the outlook for the company remains robust, we continue to believe the stock has a lot of room to move higher.

Market and Strategy Outlook

Given the outsized impact of the virus globally, we believe investors should expect all companies to feel some level of direct and secondary economic effects. Thus, we expect there to be continued volatility in equity markets, which we feel will create an abundance of opportunities across sectors. We do not have a clear view or projection as to how large or prolonged the impact from the coronavirus (both direct and indirect) will be given the uncertainty regarding its spread, economic impact, increased politicization, and the potential scale of incremental fiscal and monetary stimulus not yet announced, but we believe there are clear pockets of the economy that have been better positioned and will continue to be better positioned than others given the ability of their workers to remain productive (remotely or on-site) and end-customer demand that is likely to remain relatively strong for their products and services.

In this challenging period, we continue to prefer companies with strong balance sheets, healthy cash flows, and/or what we view to be long-term growth candidates supported by unique competitive advantages and attractive market positioning. We remain as committed as ever to disciplined risk management and spend extensive time speaking with companies and look forward to once again visiting companies in person and seeing their operations from the ground up. We stress-test every investment we own, even as we maintain close contact with company managers, suppliers, and customers in our efforts to closely monitor each company's progress relative to our anchor points. We combine these efforts with our own financial modeling and risk-management tools designed to capture market upside while attempting to minimize downside risks. Working cohesively as a team helps us identify visionary and disciplined companies that we believe will be able to tap new markets and grow their revenues at a healthy pace, regardless of the environment.

In this specific environment, we will focus further on companies with flexible business models that offer innovative products and services that will take market share from legacy companies that will be more strained by the challenging economic conditions. Now is when an active approach should shine. Specifically, our "farm team" approach identifies and monitors premier companies within each relative index, but then waits for a favorable price. This should allow us to upgrade the portfolio to our very best ideas given the current attractive valuations. It is rare that we can own our full "wish list" roster of companies that we have already analyzed thoroughly and for which we have weighed the asymmetric upside-to-downside risk. We are confident that our process will allow us to take advantage of the current environment and will pay off handsomely when markets eventually begin to normalize.

Thank you for your continued investment.

D. Scott Tracy, CFA
CIO, Co-Portfolio Manager

Steve Bishop
Co-Portfolio Manager

Melissa Chadwick-Dunn
Co-Portfolio Manager

Chris Clark, CFA
Co-Portfolio Manager

Paul Leung, CFA
Co-Portfolio Manager

Sector

Allocation[7] - Representative Account

As of September 30, 2020

Sector	% of Portfolio
Technology	45.2%
Consumer Discretionary	20.5%
Health Care	13.9%
Financial Services	10.2%
Producer Durables	6.0%
Consumer Staples	2.2%
Materials & Processing	1.6%
Utilities	0.0%
Energy	0.0%
[Cash]	0.6%

Top 10 Holdings[8] - Representative Account

As of September 30, 2020

Holding	% of Portfolio
Microsoft Corporation	9.05%
Apple Inc.	7.59%
Amazon.com, Inc.	7.26%
Visa Inc. Class A	3.67%
Alphabet Inc. Class C	3.57%
Twilio, Inc. Class A	3.00%
NIKE, Inc. Class B	2.80%
QUALCOMM Incorporated	2.28%
RingCentral, Inc. Class A	2.15%
Twitter, Inc.	2.14%

Composite Performance

Average Annual Returns as of September 30, 2020

RS Large Cap Growth Composite	Third Quarter 2020	1-Year	3-Year	5-Year	10-Year	Since Inception (5/31/09)
Gross of fees	12.69%	33.20%	17.17%	17.56%	16.66%	16.92%
Net of fees	12.55%	32.54%	16.53%	16.82%	15.74%	15.97%
Russell 1000® Growth Index[1]	13.22%	37.53%	21.67%	20.10%	17.25%	17.74%

Returns include reinvestment of dividends and capital gains. Performance returns for periods of less than one year are not annualized.
Please keep in mind that any high double-digit returns are highly unusual and cannot be sustained.

Performance quoted represents past performance and does not guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. There is no assurance the investment process will lead to successful investing.

Returns are expressed in U.S. dollars. Composite returns are net of transaction costs and net of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns are calculated by deducting one-twelfth 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 equal 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.

Index returns are provided to represent the investment environment during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains. Index returns do not include transaction costs, management fees or other costs. Non-US indices are net of withholding taxes, if any.

Performance may have been meaningfully impacted by investments in initial public offerings (IPOs). There is no guarantee that any positive impact on performance will be repeated or that the Strategy will participate in any future IPOs. The prices of IPO securities may fluctuate more than prices of equity securities of companies with longer trading histories. Investing in IPOs entails special risks, including limited operating history of companies, limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, and high portfolio turnover.

1 The Russell 1000® Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 1000® Index (which consists of the 1,000 largest U.S. companies based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values. Index results assume the reinvestment of dividends paid on the stocks constituting the index. You may not invest in the index, and, unlike the Fund, the index does not incur fees and expenses.

2 The Russell 3000® Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 3000® Index (which consists of the 3,000 largest U.S. companies based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

3 The Russell 3000® Value Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 3000® Index (which consists of the 3,000 largest U.S. companies based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

4 The Russell 2000® Index is an unmanaged market-capitalization-weighted index that measures the performance of the 2,000 smallest-cap companies in the Russell 3000® Index, which is made up of 3,000 of the largest U.S. stocks.

5 The Russell Midcap® Index is an unmanaged market-capitalization-weighted index that measures the performance of the 800 smallest companies in the Russell 1000® Index, which consists of the 1,000 largest U.S. companies based on total market capitalization.

6 The Russell 1000® Index is an unmanaged market-capitalization-weighted index that measures the performance of the 1,000 largest U.S.-traded stocks.

7 The Fund's holdings are allocated to each sector based on the Russell Global Sectors Standard (RGS). If a holding is not classified by Russell, it is assigned a Russell designation by RS Investments. Cash includes short-term investments and net other assets and liabilities.

8 Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

The opinions are those of the authors as of 2020 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 RS Large Cap Growth Composite invests principally in equity securities of large-capitalization growth companies. The benchmark is the Russell 1000 Growth Index. The composite was created in June 2009.

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.

Victory Capital claims compliance with the Global Investment Performance Standards (GIPS®). To receive a presentation that complies with the requirements of GIPS® standards, please go to www.vcm.com.

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