

The portfolio managers of the Victory Growth and Tax Strategy Fund invest the Fund's assets in municipal bonds and blue-chip stocks. The Victory Income Investors team manages the Fund's fixed income portfolio with a goal of producing a high level of tax-exempt income, and Victory Solutions, which uses active tax management and stock selection aiming to provide aggregate investment characteristics similar to those of the S&P 500® Index without sacrificing performance, manages the equity portfolio.

During the second quarter, the Victory Growth and Tax Strategy Fund (fund shares) outperformed its composite benchmark, which is composed of 50% stocks and 50% bonds.

The Municipal Portfolio

The Bloomberg Municipal Bond Index returned -0.10% for the second quarter of 2023, which brought the YTD performance to 2.67%. The fixed income sector as a whole experienced some volatility this quarter but maintained positive returns for the year overall. Second quarter and YTD returns for the Bloomberg U.S. Aggregate Bond Index were -0.84% and 2.09%, respectively; for the Bloomberg U.S. Universal Index, -0.59% and 2.32%; and for the Bloomberg U.S. Treasury Index, -1.38% and 1.59%.

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

- AAA muni yields (the benchmark rate of the safest municipal securities) are now higher than they were at the end of the first quarter and the close of 2022. Bloomberg AAA muni yields increased across the yield curve last year to, in many cases, levels not seen in decades. While yields have come down slightly from peaks seen in the fall of 2022, they remain high. As a reminder, an increase in bond yields means that bond prices decrease. See below for yield changes from 6/30/2022 to 6/30/2023 at several key maturities.
 - 3-year: 2.08% to 2.77%
 - 10-year: 2.75% to 2.54%
 - 30-year: 3.25% to 3.56%
- Fund flows for municipal bond mutual funds are slightly negative for the year so far at approximately -\$8.1 billion (according to Lipper), but remarkably improved compared to last year's record-setting outflows of roughly -\$120 billion.

- Credit spreads (the difference between riskier bonds and AAA bonds) remain somewhat unchanged over the past few months, although wider over this time last year, providing some good opportunities, particularly for investors willing to buy lower-rated investment grade bonds. The BBB credit spread increased to 1.27% from 1.15% at the end of the second quarter of 2022.

The municipal portion of the Fund continued to benefit from our efforts to generate income. As always, we worked with our in-house team of credit analysts, selecting investments on a bond-by-bond basis. Our team carefully analyzes and continually monitors every bond in the municipal portfolio, selectively choosing issues with coupons and structures that can contribute to dividend yield. We employ fundamental analysis that emphasizes an issuer's ability and willingness to repay its debt. The municipal portion of the Fund remains well diversified across positions, states, and sectors.

The Equity Portfolio

The S&P 500® Index returned 8.74% in the second quarter.

Building on the momentum of an impressive first quarter rebound, equities continued to rally in each of the three months of the second quarter. Many of the market leaders and underlying investing themes have remained in place. The tech sector and other growth-oriented stocks—especially large-cap tech—moved sharply higher.

Investors cheered the notion that the Federal Reserve would finally pause its long streak of consecutive rate hikes. After raising the federal funds rate by yet another 25 basis points in May, the Fed has taken a breather, thanks largely to signs that inflation is cooling.

During the reporting period, nine of eleven market sectors were positive, led by Information Technology and Industrials. Real Estate and Utilities posted negative returns.

Standardized Performance: June 30, 2023

Average Annual Returns (%)

Victory Growth and Tax Strategy Fund	Ticker	Inception Date	Q2 2023	1 Year	5 Year	10 Year	Since Inception	Expense Ratio	
								Gross	Net
Fund Shares	USBLX	01/11/89	4.28	10.10	6.19	7.10	6.74	0.54	0.54
A Shares, without sales charge	UGTAX	06/29/20	4.18	9.73	–	–	6.05	1.06	0.85
A Shares, with sales charge (max. 2.25%)	UGTAX	06/29/20	1.84	7.27	–	–	5.25	1.06	0.85
C Shares, without sales charge	UGTCX	06/29/20	4.04	8.99	–	–	5.28	1.88	1.59
C Shares, with sales charge	UGTCX	06/29/20	3.04	7.99	–	–	–	1.88	1.59
Institutional Shares	UGTIX	06/29/20	4.28	10.10	–	–	6.37	0.57	0.55
S&P 500® Index	–	–	8.74	19.59	12.31	12.86	–	–	–
Bloomberg Municipal Bond Index	–	–	-0.10	3.19	1.84	2.68	–	–	–
Composite Index	–	–	4.27	11.42	7.34	7.93	–	–	–

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 greater than one year is annualized. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which Fund performance would have been lower. Class C Shares are subject to a deferred sales charge of 1.00% on shares redeemed within the first year. Performance would have been lower if it reflected this charge for the applicable period(s). Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through June 30, 2024.

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. Asset allocation and diversification do not promise any level of performance or guarantee against 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. The 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 the Fund. 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 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 S&P 500® Index is a market-capitalization-weighted index that measures the performance of the common stocks of 500 leading U.S. companies.

The Bloomberg Municipal Bond Index is considered to be generally representative of investment-grade municipal issues having remaining maturities greater than 1 year and a national scope.

The Composite Index is comprised of 50% of the S&P 500 Index and 50% of the Bloomberg Municipal Bond Index.

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 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.

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