

Quarterly Commentary

*To everything (turn, turn, turn)
There is a season (turn, turn, turn)
And a time to every purpose under heaven*

– Written by Pete Seeger, performed by The Byrds

Every year at Integrity, we discuss ways to improve. This year, we are focusing on information management, flow, and processing. As a result, we have made incremental changes to some of our team members' roles. Additionally, we are implementing a new research management system.

Konner Reed has taken over coverage of commercial services from Mike Wayton. This change reduces Mike's workload and allows him to concentrate more on his role as lead risk analyst and his sector work in the technology and consumer sectors. Furthermore, it acknowledges Konner's continued growth and advancement within the team.

Similarly, Frankie Carson has assumed responsibility for financial services and consumer finance within the financials sector. This reflects Frankie's ongoing development and our confidence in his abilities.

Within our value universe, industrials represent a broad and diverse space. Currently, four team members work in this sector. We identified an opportunity for better coordination of research and idea generation. To address this, Joe Gilbert will no longer focus solely on autos and transports—a legacy industry from our days at the bank using BARRA classifications. Instead, Joe will now cover the entire industrials sector. Additionally, he has been appointed as the coordinator for the industrials sector. In this role, Joe will organize industrials sector meetings, coordinate research efforts to avoid duplication, monitor our idea pipeline, and analyze portfolio exposures relative to benchmarks. These changes aim to enhance efficiency throughout the investment process in this sector.

Given Joe's expanded responsibilities, his coverage of insurance will transition to the financial team. This adjustment not only balances Joe's workload but also creates synergy by consolidating responsibility for the entire financials sector within one team.

We believe these changes will optimize the use of our team's time and talents while providing a more comprehensive view of risks and opportunities.

We are particularly excited about implementing a new research management system. While still in its early stages, we aim to complete implementation by year-end. This system will centralize all internal research—management notes, stock write-ups, valuations, etc.—and make it accessible from a single dashboard on everyone's desktop. Although significant effort goes into producing this research, we believe we can derive greater value from it. With streamlined access to this information at the touch of a button, we expect to maximize its impact on our research efforts. This is an exciting project led by Dan DeMonica, who deserves significant recognition for his efforts and progress thus far. We also appreciate the support provided by Victory Capital corporate. Stay tuned for further updates.

The best performing sectors of the benchmark were utilities and consumer staples. Technology, consumer discretionary, and health care were the worst performing sectors in the benchmark. Small/mid cap value outperformed small/mid cap growth.

The Victory Integrity Small/Mid Cap Value Fund (A shares without sales charge) underperformed the Russell 2500™ Value Index benchmark for the period. Stock selection in consumer discretionary, energy, and industrials led to underperformance. Selection in financials, health care, and utilities aided performance. Sector weights were neutral. Higher volume and a larger market capitalization were positive style attributes.

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Security selection in consumer discretionary was the largest source of underperformance. Retail shares such as Victoria's Secret & Company (VSCO), Steven Madden, Ltd. (SHOO), American Eagle Outfitters, Inc. (AEO), and PVH Corp. (PVH) lagged on concerns about the strength of the consumer, tariff impact, and conservative/cautious company guidance. Softer-than-expected first quarter sales guidance resulting from FX and category exits sent Newell Brands Inc. (NWL) shares lower. Marriott Vacations Worldwide Corp. (VAC) guided EBITDA to decline this year whereas their timeshare peers guided for growth, sparking a sell-off. Norwegian Cruise Line Holdings Ltd. (NCLH) delivered a solid quarter but issued guidance that missed expectations. Despite positive commentary regarding the potential for monetization of their digital assets as well as news of an activist involvement, shares of Caesars Entertainment Inc. (CZR) lagged on consumer concerns.

Uranium Energy Corp. (UEC) and Cactus, Inc. Class A (WHD) were the largest detractors within energy. Shares of Uranium Energy Corp. (UEC) fell as U308 (triuranium octoxide) prices remain weak, further affected by the potential for peace in Ukraine. Cactus, Inc. Class A (WHD) slipped after a slight quarterly miss followed by lower guidance. Further uncertainty due to tariffs also hurt. Antero Resources Corp. (AR) was a positive highlight. Strong quarterly results and guidance driven by continued strength in natural gas and liquids pricing due to increasing LNG exports drove shares higher.

Saia, Inc. (SAIA) and Chart Industries, Inc. (GTLS) hurt performance within industrials. Saia, Inc. (SAIA) sold off on concerns of Amazon entering the less-than-truckload (LTL) freight business along with slower pricing gains. After a strong fourth quarter run, Chart Industries, Inc. (GTLS) sold off as fears around tariffs and the possible return of Europe purchasing Russian natural gas impacted sentiment on its LNG equipment business.

Flagstar Financial, Inc. (FLG), Brighthouse Financial, Inc. (BHF), and Annaly Capital Management, Inc. (NLY) were top performers in financials. Flagstar Financial, Inc. (FLG) rebounded as its turnaround continues to progress. It completed a thorough loan review, has de-risked its loan portfolio, and is on track for profitability by year-end. Brighthouse Financial, Inc. (BHF) is exploring a potential sale of the company. Increased macro uncertainty and lower interest rates helped mortgage REITs like Annaly Capital Management, Inc. (NLY) outperform.

Our average health care holding outperformed the benchmark (-2.4% vs. -10.5%). Within pharmaceuticals, Prestige Consumer Healthcare, Inc. (PBH) was our top performer as the company reported quarterly results that exceeded sales and earnings estimates while also raising guidance. Our underweights to life sciences tools & services companies as well as biotechnology companies also helped, as they were down 19.7% and 17.4%, respectively.

Solid performance in utilities was headlined by National Fuel Gas Co. (NFG), which was up 31%. A bullish macro environment for natural gas demand, tailwinds from a New York rate case, and proximity to a potential data center buildout in their service territory drove shares higher. UGI Corp. (UGI) and Evergy, Inc. (EVRG) both benefitted from recent macro uncertainty around tariffs resulting in a flight to safety.

Stock selection in real estate was essentially break-even. Increased macro uncertainty and lower interest rates helped REITs such as W. P. Carey Inc. (WPC), First Industrial Realty Trust, Inc. (FR), and Gaming and Leisure Properties, Inc. (GLPI) outperform. Cushman & Wakefield Plc (CWK) limited performance due to increased investment spending which will hinder margin improvement.

Technology generated a small positive. Not owning Astera Labs, Inc. (ALAB), down 55%, helped. MKS Instruments, Inc. (MKS) detracted as disappointing guidance due to industrial market softness and Lunar New Year impacts sent shares lower.

Stock selection in consumer staples was a minor positive, led by BJ's Wholesale Club Holdings, Inc. (BJ). A strong earnings report with guidance that reflects the company is gaining traction with its customers with increased traffic and basket size lifted shares by 28%.

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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. Investments in small- and mid-cap companies typically exhibit higher volatility. Investments concentrated in an industry or group of industries may face more risks and exhibit higher volatility than investments that are more broadly diversified over industries or sectors. Investments in companies in the industrials sector may be adversely affected by changes in supply and demand for products and services, governmental regulation and changes spending policies, world events and economic conditions. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. 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 Russell 2500™ Value Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2500™ Index with higher composite value scores.

Fund holdings mentioned in the Quarterly Commentary are as of 3/31/2025 and the percentages shown are based on net assets as of that date. Fund holdings are subject to change and should not be considered purchase recommendations. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. The Fund's top ten holdings as of 3/31/2025 were Gaming and Leisure Properties, Inc (1.5%), First Horizon Corp (1.4%), Camden Property Trust (1.4%), W.P. Carey Inc (1.3%), National Fuel Gas Company (1.3%), First Industrial Realty Trust, Inc (1.3%), Amdocs Limited (1.3%), UGI Corp (1.3%), Federal Realty Investment Trust (1.2%), and Evergy, Inc (1.2%). Top holdings do not reflect cash, money market instruments, or options/futures contracts holdings. The most currently available data regarding portfolio holdings can be found on our website, www.vcm.com.

Contributors and Detractors Source: FactSet. The contributors and detractors mentioned are presented to illustrate examples of the Fund's investments and may not be representative of the Fund's current or future investments.

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