VICTORY RS LARGE CAP ALPHA FUND QUARTERLY COMMENTARY

As of June 30, 2023

Market Commentary

During the second quarter of 2023, domestic stocks exhibited continued strength across investment styles, and any fears of recession or banking contagion have taken a back seat for the moment. The broader U.S. equity market moved higher in each of the three months of the second quarter as corporate earnings and relatively strong employment trends continued to defy the skeptics. There were also signs suggesting that inflation has peaked, which gave the Federal Reserve the wiggle room to pause its aggressive rate hikes. All this was welcome news for stocks, which have rebounded smartly during the first half of 2023 after a dreadful 2022.

In terms of investment styles, growth stocks had their second consecutive quarter of outperformance, perhaps reflecting market exuberance regarding artificial intelligence (AI), following challenging performance in 2022. The Russell 3000® Growth Index[1] was up 12.47% in the quarter and 28.05% year-to-date through the first half of the year, with more than two-thirds of that performance coming from seven stocks. The Russell 3000® Value Index[2] was up a more modest 4.03% during the quarter and 4.98% through June 30, 2023, after two consecutive years of outperforming its growth peer.

Despite the robust rebound for stocks during the first half of this year and the generally improving sentiment, there are some potential headwinds ahead. For starters, there are concerns over the typically lagging impact of higher interest rates, and many investors may be overly optimistic given today's tighter lending conditions. Although the Federal Reserve paused its rate hikes in May, there are rumblings that the inflation fight is not over, and more hikes could be ahead. If rate hikes continue, will bank instability reappear, and/or will economic growth grind to a halt? The slowdown in housing and lower earnings expectations also bear watching, as does the inverted yield curve. And there are ample geopolitical concerns as well, including the ongoing war in Eastern Europe and diplomatic tensions between the U.S. and China.

Still, one cannot deny the improved market sentiment and impressive rebound for stocks during the first half of the year. The technology sector, and especially large-cap tech, has been on a torrid pace this year. That has certainly contributed to the outperformance of growth styles. Meanwhile, Energy, Utilities, Health Care and Financials have been among the relative underperformers which, in turn, have hampered value-oriented indices. Nevertheless, our team continues to see the current environment as ripe for picking stocks within the universe of value-oriented investment styles. We don't believe that we are on the cusp of a return to an environment of sub-2.0% inflation and very low interest rates that supported more speculative growth-oriented companies with the promise of future earnings. Rather, today's environment with its higher cost of capital should favor companies that have strong balance sheets and improving cash flows. Specifically, our team seeks to identify companies with a combination of improving ROIC (return on invested capital) and stock prices trading at what we perceive as a deep discount to intrinsic value. We believe that allocating to these types of businesses is a means to generate attractive risk-adjusted returns over longer time periods, and this continues to be a primary focus for us as we look to the second half of 2023.

Performance Review

For the three months ended June 30, 2023, the Victory RS Large Cap Alpha Fund (A shares without sales charge) outperformed its benchmark Russell 1000® Value Index[3] (the "Index") and returned 4.30% versus a return of 4.07% for the Index. However, with the maximum sales charge considered, the Fund underperformed its benchmark.

In the second quarter, strong performance from stock selection in Utilities and Financials aided relative performance, while stock selection in Industrials and Communication Services detracted.

Investment Strategy

The RS Value Team seeks to invest in good companies, led by strong management teams, that are attractively valued. Our decision to invest in any company starts with business analysis and an understanding of the company's unit-level economics. Our work on unit-level economics helps us determine the quality and key drivers of the business. We are ROIC-focused investors and seek to invest in companies that we believe have the potential to create shareholder value due to an improvement in the returns of the existing assets or through attractive reinvestment opportunities. We are long-term investors who use our investment time horizon as a competitive advantage and are attracted to out-of-favor and/or misunderstood companies in the market.

The next step in our process is to assess the management team. Our evaluation of a company's management team is critical to our investment decision. We regularly meet with management to gauge how they think about their business: Are they focused on (and compensated for) growing earnings at any cost, or do they understand ROIC and how value is created? Additionally, we perform detailed historical analyses of management's capital decisions—looking at acquisitions, asset sales, and measures of capital stewardship. This analysis provides us with the conviction to invest with strong management teams that we expect will be able to navigate through short-term market volatility and appear to be poised to deliver long-term shareholder value.

The final step in our analysis is valuation. To the RS Value Team, value investing is buying a business at a discount to what we believe it is actually worth. We determine what a company is worth by assessing a company's current share price versus its expected cash flow streams or long-term net asset value based upon the management team's plan for value creation. ROIC is the lens through which we analyze that value creation. Our research has shown that, over time, stock price performance has a strong correlation to improving ROIC as opposed to traditional valuation measurements like price to earnings (P/E). We seek to invest in companies that we believe can create shareholder value due to an improvement in the returns of the existing assets or through attractive reinvestment opportunities. We pay close attention to a company's financial strength, scrutinizing financial statements, and we run various financial models to understand our downside. This

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quantitative analysis gives us confidence in our investment thesis and helps us determine at what stock price we are comfortable investing.

Select Position Review

Below, we review two businesses in an effort to use tangible examples to highlight our investment process.

Sealed Air Corporation (SEE) is a global specialty packaging company with leading market positions in food safety and product protection. The company's extensive value-added product lineup offers food processing and food service industries extended shelf life and operational excellence by reducing waste generation, water and energy consumption, and greenhouse gas emissions. SEE also offers industrial, e-commerce, and consumer goods companies a broad selection of premium protective packaging solutions used throughout the supply chain to improve efficiencies and enhance customer reach.

SEE is transforming its business to become a world-class business in the packaging sector by significantly enhancing its automation product offerings to customers across all end-market verticals. As customers increasingly focus on supply-chain improvements within their own business, we see the increased use of automation as a key tool for increased worker safety, workforce efficiency, and waste reduction. As a result, we see a multi-year cycle of increased demand for SEE's automation offerings and the associated consumables and services that are attached.

SEE's stock underperformed during Q2 2023 as volumes declined in their more cyclical end markets due to inventory destocking and more cautious ordering patterns by their customers. We view these declines as temporary and will be looking to add to our position in the coming quarters as shares are now closer to fully discounting continued economic weakness.

During the quarter our holding in **Brown & Brown, Inc. (BRO)** positively impacted performance as the company reported improving margins and accelerating organic revenue growth. The company is the world's sixth largest insurance broker. BRO acts as an intermediary, marketing and selling insurance products and services across a broad spectrum of commercial customers of various sizes.

We were attracted to the company's highly recurring revenue model, significant free cash flow generation, and un-levered balance sheet. In addition, BRO is benefiting from increased pricing power in the property and casualty industry. After meaningful catastrophe losses, increasing physical and social inflation, the price to insure risk is increasing, as should the demand for BRO's services.

We continue to maintain our position in BRO and remain comfortable with our investment thesis.

Outlook

Since early 2022, the Federal Reserve has aggressively raised interest rates in an effort to lower inflation, and both equity and bond markets are likely to remain volatile until investors better understand the impact of monetary tightening. Inflation in the U.S. and the rest of the world has fallen but remains elevated. The recent turmoil in the banking sector is a wild card, as fundamentals remain stressed and lending standards have tightened. In our assessment, the markets are pricing in a reasonably high probability of a mild recession.

While aspects of the macro picture remain murky, it's important to acknowledge some of the positives as well. Employment remains strong. Supply/demand imbalances in the labor market continue to bode well for the health of the consumer given full employment and the prospect for further wage gains, which partially mitigates the impact of inflation on the consumer. Home prices have remained stable despite higher interest rates and affordability concerns, as over a decade of underinvestment following the global financial crisis of 2007–2009 has limited supply. Lower-income consumers have been most impacted by the current inflationary environment, but consumer balance sheets remain generally healthy for the majority of Americans, and consumer credit quality remains strong at the moment. These are a few of the reasons to believe that even if a recession takes hold, it could be less significant than the previous two recessionary periods here in the U.S.

Following years of lower interest rates helping to drive ever-higher growth stock valuations, we feel value investing is ripe for a period of outperformance. This already occurred in 2022, and we see that trend continuing. Further, given the volatility, we are finding opportunities to invest in businesses undergoing significant positive structural change, with solid balance sheets and cash flows, whose share prices have detached from our assessment of the fundamentals. The apparent bargains inherent in our portfolios should attract acquirers and other investors over time. That bodes well for the longer term, in our opinion. So, while there remain challenges and lingering questions ahead, we can also find reasons for optimism, particularly for value as an investment style.

We thank you, as always, for your support.

Sincerely,

RS Value Team

Sector Allocation[4]

As of June 30, 2023

Sector	% of Portfolio
Communication Services	2.98%
Consumer Discretionary	4.21%
Consumer Staples	8.20%
Energy	7.50%
Financials	24.06%
Health Care	18.12%
Industrials	12.73%
Information Technology	5.31%
Materials	3.33%
Real Estate	3.63%
Utilities	7.09%

Top 10 Holdings[5]

As of June 30, 2023

Holding	% of Portfolio
Fairfax Financial Holdings Limited	5.95%
Markel Group Inc.	4.74%
Progressive Corporation	3.95%
Vistra Corp.	3.83%
Merck & Co., Inc.	3.27%
Brown & Brown, Inc.	3.09%
Cboe Global Markets Inc.	2.99%
Alphabet Inc. Class A	2.98%
Keurig Dr Pepper Inc.	2.75%
Cigna Group	2.43%

Performance

Average Annual Total Returns as of June 30, 2023

Victory RS Large Cap Alpha Fund (Class A – GPAFX)	Second Quarter 2023	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception (6/1/72)
without sales charge	4.30%	4.78%	7.54%	14.62%	7.40%	9.17%	11.28%
with maximum sales charge (5.75%)	-1.70%	-1.24%	1.35%	12.38%	6.13%	8.52%	11.15%
Russell 1000® Value Index[3]	4.07%	5.12%	11.54%	14.30%	8.11%	9.22%	---

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns 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 returns for periods of less than one year are not annualized. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which Fund performance would have been lower.

The Fund's total gross/net annual operating expense ratio as of the most current prospectus for the Class A Shares is 0.92%/0.89%. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through April 30, 2024. Other share classes are available, but not all share classes are available to all investors.

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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. In addition to the normal risks associated with investing, 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. Investments in smaller companies typically exhibit higher volatility. The Fund is non-diversified, which means that it may invest a large portion of its assets in a small number of issuers. Non-diversified funds may be more susceptible to economic or credit risks than diversified funds. 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. The financial services industry is subject to extensive government regulation that affects the scope of their activities, the prices they can charge and capital maintenance. The industry is subject to severe competition and can be significantly affected by market conditions and activity. 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. Any discussions of specific securities should not be considered a recommendation to buy or sell those securities.

Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index.

1 The Russell 3000® Growth Index is a 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.

2 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.

3 The Russell 1000® Value 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 lower price-to-book ratios and lower forecasted growth values.

4 The Fund's holdings are allocated to each sector based on their GICS classification. If a holding is not classified by GICS, it is assigned a GICS designation by RS Investments. Cash includes short-term investments and net other assets and liabilities.

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

The Funds are distributed by Victory Capital Services, Inc., an affiliate of Victory Capital Management Inc., the Fund's investment adviser.

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