VICTORY RS PARTNERS FUND QUARTERLY COMMENTARY

As of September 30, 2022

Market Commentary

After a challenging first half of the year, the third quarter was off to a good start as financial markets were bouncing back sharply in July, thanks to some better-than-expected earnings and inflation news. Unfortunately, that early summer euphoria was short lived. Concerns re-emerged in August as investors began to digest the fact that the Federal Reserve intended to remain vigilant and not stop hiking rates until inflation was well in check, irrespective of the ultimate impact to the economy. On top of that, the likelihood of a global energy shortage this winter in both Europe and across many emerging markets added fuel to the general negative sentiment.

These concerns turned into a full-fledged market sell-off in September as investors mulled some poor earnings guidance by corporations, a housing market that slowed considerably as mortgage rates soared past 7%, and even more aggressive comments on monetary policy by Federal Reserve Chairman Jerome Powell. Following an unprecedented third consecutive 75-basis-point hike, Chairman Powell told market participants they should expect higher interest rates for some time even if we see inflation begin to moderate. Specifically, the message was that we should expect these higher rates to "bring some pain to households and businesses," while also expecting a housing correction. Meanwhile other comments followed, with Boston Fed President Susan Collins stating that higher interest rates, even in the face of declining home prices, may make housing less affordable and were likely to "slow down housing construction." If anything, these two statements illustrate the challenge of taming inflation without wrecking the economy.

Even as sentiment soured, it's important to acknowledge that it was not all bad news during the quarter. There have been some signs that the Fed's aggressive policy is beginning to moderate inflation numbers, as evidenced by cooling demand and higher inventories among some retailers. If this trend continues, it may provide some relief for battered markets. Plus, there are a number of other reasons to be optimistic with regard to the economy and investment opportunity domestically. An uptick in COVID-19 cases in the United States this spring was not met with higher hospitalizations or deaths, meaning we've likely seen the transition of the coronavirus from pandemic to endemic. Corporate operations (and earnings) have come in better than expected, meaning the decline in the markets year-to-date has resulted in much-reduced valuations for investors that are willing to take the plunge. Nevertheless, the overall tenor to the markets remains challenging at best, and the uncertainty and extreme bouts of volatility are likely to persist. The array of lingering concerns—most notably inflation and monetary policy—have pummeled both stocks (as defined by the S&P 500® Index[1]) and bonds (as defined by the Bloomberg U.S. Aggregate Bond Index[2]) to their combined worst first three quarters in history. In terms of our particular focus, value-oriented equity styles, the numbers in the third quarter reflect the general overall market sentiment, with the Russell 3000® Value Index[3] declining approximately 5.6%. In terms of market cap performance, small-caps outpaced large-caps, though that was little consolation as both segments of the market declined. The Russell 1000® Value Index[4] and the Russell 2000® Value Index[5] declined 5.6% and 4.6%, respectively.

Despite all this turmoil, we believe the current market environment is creating potential pockets of opportunity for astute, long-term investors. Our team remains focused on some potentially exciting opportunities for businesses that may be positioned to excel despite the current macro backdrop. Specifically, our research is identifying more companies that share two vital traits: a trend of improving their 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 companies is a means to generate attractive risk-adjusted returns over longer time periods.

Performance Review

For the three months ended September 30, 2022, the Victory RS Partners Fund (A shares without sales charge) underperformed its benchmark Russell 2000® Value Index (the "Index") and returned -6.37% versus -4.61% for the Index.

In the third quarter, strong performance from stock selection in Financials and Industrials aided relative performance, while stock selection in Health Care and Informational Technology 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 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 are 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

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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 higher 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 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.

Spectrum Brands (SPB), a manufacturer of Home, Garden, and Pet supplies, underperformed in the quarter as a result of the company receiving news from the U.S. Antitrust Division that the government is attempting to block the pending divestiture of their door locks division. Instead of simply walking away with the agreed-upon break-up fee, the company has decided to challenge the case in court, an event that will take at least a year to litigate. Meanwhile, the core business is facing some pressure this year due to inventory destocking decisions made by major U.S. retailers. Instead of waiting a year for the ultimate outcome, and in keeping with our "down 25%" rule, we made the decision to sell our position in SPB and reallocate capital elsewhere in the portfolio.

Bank of N.T. Butterfield & Son Limited (NTB) was a strong performer in the quarter as well as year-to-date. NTB is a $16B-in-assets bank with over $105B in trust and custody assets under administration. The bank has a nearly 40% deposit market share in its footprint compared to typical U.S. regional banks which operate in fragmented markets. The bank also generates more than 40% of its revenues from fee income, providing a highly consistent and recurring cashflow stream. The bank's business model is highly conservative, as it focuses on the high net worth and the ultrahigh net worth market. This has been a positive for the bank in that credit underwriting is very strong, but the balance sheet has been under pressure as a result of the low interest rate environment. The ratio of loans to deposits at the bank is only 42% (compared to a U.S. regional bank at 96%), and cash held on NTB's balance sheet is nearly 11%. As interest rates have moved off of the zero bound, the bank has been able to improve its margin on its loan book, but also begin to better manage its balance sheet to improve the return profile of the business. Although the shares have been a strong relative outperformer, we believe the improvement in returns for the business remains in the early innings and continue to hold the shares.

Outlook

Equity and bond market declines have been pronounced in the first nine months of 2022. The Federal Reserve has started its aggressive campaign to lower inflation, and equity and bond markets are likely to remain volatile until investors can adequately discount the degree and duration of interest rate increases. The U.S. and the rest of the world continue to manage the impacts of high inflation, Russia's invasion of Ukraine, and China's "zero-COVID" policy. In our assessment, markets reflect a reasonably high probability of recession.

Employment remains a bright spot in this economy. Supply/demand imbalances in the labor market 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. Lower-income consumers have been most impacted by the current inflationary environment, but consumer balance sheets remain generally healthy for the majority of Americans. Housing activity is being impacted by the rapid rise in mortgage rates after multiple years of above-trend price appreciation. COVID mortality has improved, and related pent-up demand has impacted many areas of the economy.

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. Further, given the recent market correction, we are finding opportunities to invest in quality businesses with solid balance sheets, improving returns and favorable cash flows, whose share prices have detached from our assessment of the fundamentals. The bargains inherent in the Fund's portfolio should attract acquirers and other investors over time.

We thank you, as always, for your support.

Sincerely,

RS Value Team

Sector Allocation[6]

As of September 30, 2022

Sector	% of Portfolio
Communication Services	2.87%
Consumer Discretionary	7.04%
Consumer Staples	2.03%
Energy	4.91%
Financials	34.19%
Health Care	5.91%
Industrials	12.29
Information Technology	5.58%
Materials	7.93%
Real Estate	9.18%
Utilities	3.20%

Top 10 Holdings[7]

As of September 30, 2022

Holding	% of Portfolio
Federated Hermes, Inc. Class B	3.34%
Globe Life Inc.	3.33%
Bank of N.T. Butterfield & Son Limited	3.23%
Primerica, Inc.	3.20%
White Mountains Insurance Group Ltd.	3.16%
Eastern Bankshares, Inc.	3.15%
Kemper Corp.	3.04%
Graphic Packaging Holding Company	2.90%
First Bancorp	2.89%
Four Corners Property Trust, Inc.	2.71%

Performance

Average Annual Total Returns as of September 30, 2022

Victory RS Partners Fund (Class A – RSPFX)	Third Quarter 2022	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception (7/12/95)
without sales charge	-6.37%	-15.62%	-11.53%	5.43%	5.45%	8.72%	10.35%
with maximum sales charge (5.75%)	-11.74%	-20.48%	-16.63%	3.37%	4.21%	8.08%	10.11%
Russell 2000® Value Index[5]	-4.61%	-21.12%	-17.69%	4.72%	2.87%	7.94%	8.91%

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 1.49%/1.45%. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through April 30, 2023. Other share classes are available, but not all share classes are available to all investors.

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. 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.

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 S&P 500® Index is a market-capitalization-weighted index designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

2 The Bloomberg U.S. Aggregate Bond Index is generally considered to be representative of U.S. investment grade bond market activity.

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 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.

5 The Russell 2000® Value Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 2000® Index (which consists of the 2,000 smallest companies in the Russell 3000® Index) with lower price-to-book ratios and lower forecasted growth values.

6 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.

7 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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