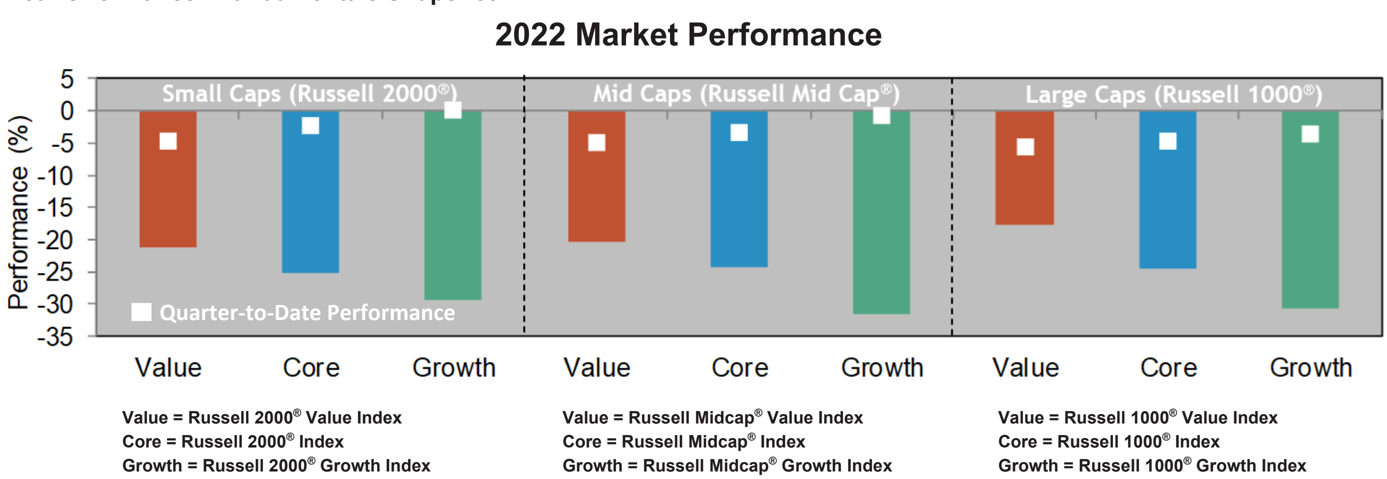
VICTORY RS SMALL CAP EQUITY FUND QUARTERLY COMMENTARY

As of September 30, 2022

Quarterly Highlights

- The Victory RS Small Cap Equity Fund (Class A Shares, without sales charge) returned 3.30% for the three months ended September 30, 2022, outperforming the Russell 2000® Growth Index,[1] which returned 0.24%.
- Fund performance was positively impacted during the quarter by stock selection in the Technology, Producer Durables, Materials & Processing, and Energy sectors; stock selection within the Financial Services sector offset a portion of the outperformance.
- This period's performance was aided in part by the rebound in secular growth stocks as small growth, as defined by the Russell 2000® Growth Index, outperformed small value, as defined by the Russell 2000® Value Index,[2] for the first time since Q2 2021, returning 0.24% vs. -4.61%, while large value, as defined by the Russell 1000® Value Index,[3] was the worst performing style within U.S. equity markets, returning -5.62%.
- We believe the multi-year underperformance of innovative smaller-cap growth stocks has created an outsized opportunity for smaller-cap growth stocks, as current valuations (defined as the forward price-to-earnings ratio, excluding non-earners) of the Russell 2000® Growth Index are the cheapest since the 1979 inception of the index relative to the Russell 1000® Growth Index[4] (per FactSet).

Market Performance / Fundamentals Snapshot



Index returns are for illustrative purposes only and do not represent actual Fund performance. Index performance does not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Market Commentary

Markets bounced back sharply in July from what had been a challenging first six months of the year as corporations reported better than expected earnings and signs emerged that inflation may have peaked. Growth stocks led the way, with the Russell 1000® Growth Index up 12.00% and the Russell 2000® Growth Index up 11.20% in July. But the euphoria was short lived. Concerns re-emerged in August as investors began to digest how hawkish the Federal Reserve really was given its repeated statements confirming that it would not stop hiking until inflation was well in check, irrespective of the 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 has increased and added to the general negative sentiment.

These concerns turned into a full-fledged market sell-off in September, with the Russell 1000® Value Index down 9.72% and the Russell 2000® Value Index down 10.19% in September, as investors mulled some poor earnings guidance by corporations, a housing market that ground to a halt as mortgage rates soared past 7%, and the most aggressive comments to date 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 begin to 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 can "slow down housing construction." This added some uncertainty to the interest rate backdrop, which the market never likes, and seemed at odds with the Federal Reserve's monetary policy goals. All this illustrates the challenge of taming inflation without wrecking the economy.

Yet it was not all bad news during the quarter. Countering these concerns, there have been encouraging inflation numbers as demand for goods has decreased, as evidenced by higher inventory among retailers. This 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 true 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.

So where do markets go from here, and how healthy is the economy? Although nobody can answer these questions with absolute certainty, we can definitively say that the current investment landscape is as polarizing as we have experienced in years, and global markets have reflected this uncertainty with extreme bouts of volatility. Although we continue to see a normalization of economic activity as we leave the COVID-19 pandemic behind, persistent inflation worries and the Federal Reserve's new monetary policy shift (i.e., their willingness to aggressively raise rates to combat inflation irrespective of potential consequences impacting the underlying economy) have weighed on all areas of the global equity and bond markets. We believe this is creating potential pockets of opportunity. In fact, investors' lingering concerns over elevated inflation—evidenced by some of the highest year-over-year Consumer Price Index readings in decades—have pushed stocks (as defined by the S&P 500® Index[5]) and bonds (as defined by the Bloomberg U.S. Aggregate Bond Index[6]) to their combined worst first three quarters in history.

Also notable was that the third quarter did represent a reversal of the multi-year underperformance of growth, especially among smaller-cap companies. We had rarely ever experienced a similar period of sustained large-cap versus small-cap or small value versus small growth outperformance taking place in public markets since the third quarter of 2020, when the economy emerged from its pandemic hibernation and appeared to have been driven more by sentiment and multiple contraction of small growth stocks rather than by fundamentals. In our opinion, small growth as an investment style looks very attractive compared to other segments of the market given the relative valuations, especially if the past few months mark a shift in investor sentiment. Despite the challenging performance over the past few years for growth, it's also good to remember that over the longer term, growth-oriented stocks have continued to shine across market caps, with the Russell 3000® Growth Index[7] outperforming the Russell 3000® Value Index[8] over 3, 5, 10, and 15 years.

Our team remains focused on some potentially exciting opportunity for secular growth companies. In fact, we believe the multi-year underperformance of companies that are materially better off over the secular horizon, given their potential to take market share, will allow them to catch up to their value counterparts. Taking a longer-term view, we still think that we are in the early stages of a secular shift that is altering how consumers, businesses, and employees will interact following the massive "test run" of technology-aided solutions we witnessed during the earlier days of the pandemic. This may have forever changed how people work, shop, and communicate from home—things people now take for granted even as we now exit the strange economic environment caused by the pandemic.

Investment Strategy

The Victory RS Small Cap Equity Fund (the "Fund") 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 grow from a small-cap company to a mid- or even large-cap company 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 Fund is led by the team's chief investment officer, Scott Tracy, supported by portfolio managers Steve Bishop, Melissa Chadwick-Dunn, Chris Clark, and Paul Leung. Scott Tracy is responsible for capital allocation decisions within the Fund, supported by the five co-portfolio managers as well as two research analysts, serving as sector specialists and 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 distractions caused by short-term stock price movements and inevitable market volatility.

Performance Review

The Victory RS Small Cap Equity Fund (Class A Shares, without sales charge) returned 3.30% for the three months ended September 30, 2022, outperforming the Russell 2000® Growth Index, which returned 0.24%. Fund performance was positively impacted during the quarter by stock selection in the Technology, Producer Durables, Materials & Processing, and Energy sectors; stock selection within the Financial Services sector offset a portion of the outperformance. This period's performance was aided in part by the rebound in secular growth stocks as small growth, as defined by the Russell 2000® Growth Index, outperformed small value, as defined by the Russell 2000® Value Index, for the first time since Q2 2021, returning 0.24% vs. -4.61%, while large value, as defined by the Russell 1000® Value Index, was the worst performing style within U.S. equity markets, returning -5.62%. We believe the multi-year underperformance of innovative smaller-cap growth stocks has created an outsized opportunity for smaller-cap growth stocks, as current valuations (defined as the forward price-to-earnings ratio, excluding non-earners) of the Russell 2000® Growth Index are the cheapest since the 1979 inception of the index relative to the Russell 1000® Growth Index (per FactSet).

Top Contributing Sector: Technology

Within the Technology sector, the largest driver of sector outperformance was Semiconductors and Components holding Impinj, Inc. (3.16% ending weight). Impinj operates a cloud connectivity platform, which comprises multiple product families, wirelessly connects individual items, and delivers data about the connected items to business and consumer applications. We initially purchased the stock as an Internet-of-Things (IoT) pure-play given their leadership in IoT applications with their RAIN sensor, which is an advanced version of an RFID sensor and offers a range of 30 feet and the ability to check 1,000 items at once, while harvesting its own energy. The stock performed well in the latest quarter with earnings that materially beat expectations on higher revenues and wider margins, while forecasting higher earnings given demand for their products that exceeded expectations.

Top Detracting Sector: Financial Services

Within the Financial Services sector, the largest driver of underperformance was Financial Data and Systems holding Green Dot Corporation (2.03% ending weight). Green Dot is a financial technology company with roots as the dominant provider of general-purpose debit cards and cash reload processing services that has transitioned from a mono-line product company to a “FinTech” Banking-as-a-Service (BaaS) platform. We purchased the stock given the company’s dominant market position in prepaid debt cards that has been a cash cow to fund investments into new products and focus on the underbanked and millennial population in the U.S. Their BaaS business has taken off in recent years with strong customer acquisition and a strong pipeline of new products and technology. The stock was challenged in the most recent quarter as the company became embroiled in a dispute with Uber over the obligations owed to Green Dot, and it was announced that “several” of its BaaS customers declined to renew their contracts. Despite these concerns, we believe the outlook for the company’s products and ability to fund these products with cash flow remains strong.

Market and Strategy Outlook

Given the global impact of the virus and the Russian invasion of Ukraine on corporate fundamentals, fiscal/monetary response, global logistics, inflation, consumer behavior, and societal norms, we believe investors should expect all companies to feel some level of direct and indirect effects over the next few quarters and years. As a result, global equity markets are likely to experience higher levels of volatility (both to the upside and downside) and divergence as new companies emerge, while others struggle to retain their previous leadership. We feel this will create an abundance of opportunities across sectors, industries, and markets in coming quarters and years as the economy and markets transition and recover.

We do not have a clear view or projection as to how large or prolonged any impact from the coronavirus or Ukraine invasion will be given the uncertainty regarding the continued unfoldment of events abroad and the resulting economic impact, politicization, and potential scale of incremental or contractionary fiscal and monetary stimulus, but we do believe there are clear pockets of the economy that remain better positioned than others to adjust to any future state given the ability of their workers to remain productive and end-customer demand to remain steady irrespective of the forward economic environment.

Within the growth universe, the current opportunity set appears especially pronounced for secular growth companies, rather than those more cyclical in nature, given the continued strength in underlying fundamentals and relative underperformance by secular growth companies since early November of 2020, when market leadership abruptly shifted from companies with better long-term sustainable growth opportunities to areas that had been more challenged by COVID-19 or that could benefit from inflationary pressures experienced over the past year. As a result, we believe we can now allocate to companies with clear paths of outsized growth with much improved relative valuations as compared to fall of 2020.

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[9]
As of September 30, 2022

Sector	% of Portfolio
Financial Services	25.3%
Technology	20.7%
Producer Durables	13.9%
Health Care	11.5%
Energy	10.5%
Utilities	6.6%
Consumer Discretionary	5.3%
Materials & Processing	3.4%
Consumer Staples	0.0%
[Other / Cash]	2.8%

Top 10 Holdings[10]
As of September 30, 2022

Holding	% of Portfolio
Evoqua Water Technologies Corp.	6.58%
Chart Industries, Inc.	6.51%
Trupanion, Inc.	3.94%
Flywire Corp.	3.75%
Axon Enterprise Inc.	3.73%
MACOM Technology Solutions Holdings, Inc.	3.61%
PRA Group, Inc.	3.57%
Denbury Inc.	3.37%
Shift4 Payments, Inc. Class A	3.29%
CBIZ, Inc.	3.21%

Performance
Annualized Returns as of September 30, 2022

Victory RS Small Cap Equity Fund (Class A – GPSCX)	Third Quarter 2022	1-Year	3-Year	5-Year	10-Year	Since Inception (5/1/97)
without sales charge	3.30%	-37.41%	-2.70%	1.90%	8.70%	8.53%
with maximum sales charge (5.75%)	-2.65%	-41.00%	-4.61%	0.70%	8.06%	8.27%
Russell 2000® Growth Index[1]	0.24%	-29.27%	2.94%	3.60%	8.81%	6.78%

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 1.25%/1.25%. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through April 30, 2023.

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 potential loss of principal. In addition to the normal risks associated with investing, 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. Technology companies may be adversely affected by economic downturns, short product cycles, aggressive pricing, market competition, and government regulation. 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 Fund may frequently change its holdings, resulting in higher fees, lower returns, and more capital gains. The Fund is also subject to liquidity risk, which is the risk that the Adviser may not be able to sell certain securities 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.

Performance may have been meaningfully impacted by investments in initial public offerings (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 2000® Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2000® Index (which consists of the 2,000 smallest-cap companies in the Russell 3000® Index) with higher price-to-book ratios and higher forecasted growth values.

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

3 The Russell 1000® Value Index is a 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 Russell 1000® Growth Index is a 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.

5 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.

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

7 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.

8 The Russell 3000® Value 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 lower price-to-book ratios and lower forecasted growth values.

9 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.

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

Index returns reflect the reinvestment of dividends and capital gains but do not include advisory fees, transaction costs, or other expenses. One cannot invest directly in an index.

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