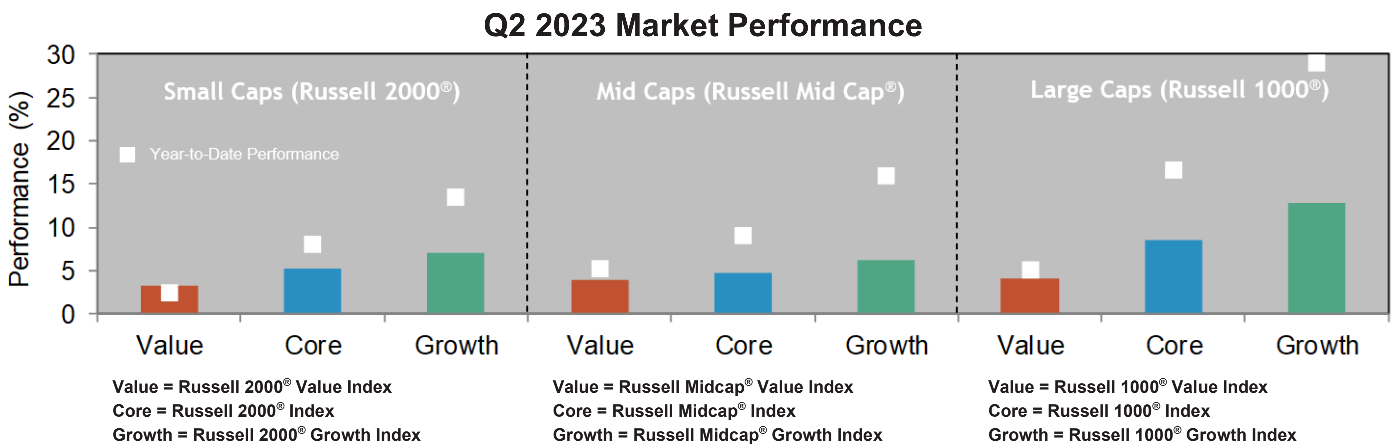
VICTORY RS SMALL CAP GROWTH FUND QUARTERLY COMMENTARY

As of June 30, 2023

Quarterly Highlights

- The Victory RS Small Cap Growth Fund (Class A Shares, without sales charge) returned 4.98% for the three months ended June 30, 2023, underperforming the Russell 2000® Growth Index,[1] which returned 7.05%.
- Fund performance relative to the benchmark was negatively impacted during the quarter by stock selection in the Technology and Financial Services sectors; stock selection within the Consumer Staples and Materials & Processing sectors offset a portion of the underperformance.
- This period's performance was hindered in part by the relative performance of secular small-cap growth stocks as small growth, as defined by the Russell 2000® Growth Index, underperformed large growth, as defined by the Russell 1000® Growth Index,[2] 7.05% vs. 12.81%.
- 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).

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

During the second quarter of 2023 domestic stocks exhibited continued strength across investment styles, with the broader U.S. equity market up in each of the three months of the quarter. Corporate earnings and employment trends continued to defy skeptics, and there were ongoing signs suggesting that inflation has already peaked. That was welcome news for growth stocks, which have continued to lead the way in this year's market rebound, with the Russell 3000® Growth Index[3] up 12.47% in the quarter and 28.05% year-to-date through June. Meanwhile, the Russell 3000® Value Index[4] was up a more modest 4.03% and 4.98% in the respective quarter and year-to-date periods. Despite the robust rebound for stocks during the first half of this year, there are some potential headwinds ahead. More bearish investors point to concerns over the lagging impact of higher interest rates, the continued slowdown in housing, earnings expectations that have recently moved lower, and geopolitical concerns surrounding the ongoing war between Russia and Ukraine, as well as diplomatic tension between the U.S. and China.

Still, markets continued their rebound from what had been a challenging 2022 in both equity and fixed income markets. The quarter saw strong absolute performance for growth stocks, led by the technology sector, which continued its torrid 2023 performance. Growth styles also benefited from their lower exposure to the energy sector, which has been lagging in recent periods after leading the way since the reopening of the post-pandemic economy. The Russell 1000® Growth Index was the top performer of all major domestic indices during the second quarter, up 12.81%, while the Russell 2000® Growth Index gained 7.05%. This compares favorably to the more modest gains posted by the Russell 1000® Value Index[5] (up 4.07%) and Russell 2000® Value Index[6] (up 3.18%) during the quarter. Corporate operations and earnings among growth-oriented companies have done better than expected, which meant that the much-reduced valuations heading into the new year (and the commensurate more favorable risk-reward tradeoff) rewarded growth-oriented investors that were willing to take the plunge when growth stocks were so out of favor.

Small-cap investing (and small growth in particular) currently stands out as an investment style that continues to look attractive compared to other segments of the market, particularly when comparing relative valuations to large growth stocks. Despite the challenging performance over the past few years, it's important to remember that growth-oriented stocks have continued to shine across market caps over 3, 5, 10, and 15 years, and the current price-to-earnings discount of small growth has set a new record low compared to large growth.

Our team remains focused on potentially exciting opportunities for secular growth companies. We believe the multi-year underperformance of small growth companies that appear materially better off over the secular horizon will allow them to outperform their value counterparts. In our opinion, we remain 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, while new technologies such as artificial intelligence are likely to make a material impact in coming years.

Investment Strategy

The Victory RS Small Cap Growth 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, along with portfolio managers Steve Bishop, Melissa Chadwick-Dunn, Chris Clark, and Paul Leung. The five co-portfolio managers, as well as three research analysts, serve as sector specialists and are supported by two associates, 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 Growth Fund (Class A Shares, without sales charge) returned 4.98% for the three months ended June 30, 2023, underperforming the Russell 2000® Growth Index, which returned 7.05%. Fund performance relative to the benchmark was negatively impacted during the quarter by stock selection in the Technology and Financial Services sectors; stock selection within the Consumer Staples and Materials & Processing sectors offset a portion of the underperformance. This period’s performance was hindered in part by the relative performance of secular small-cap growth stocks as small growth, as defined by the Russell 2000® Growth Index, underperformed large growth, as defined by the Russell 1000® Growth Index, 7.05% vs. 12.81%. 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: Consumer Staples

The largest driver of relative outperformance within the Consumer Staples sector was Celsius Holdings, Inc. (0.53% ending weight), a developer, processer, marketer, and distributer of various energy drinks. We own the stock given its attractive category that is growing fast and differentiation within the category given its proprietary, clinically proven products. In the latest quarter, Celsius Holdings achieved record sales of $260 million, a 95% increase from the previous year, driven by strong performance in North America and the strategic partnership with PepsiCo. The company gained market share and became the number one dollar growth brand in the Energy category, contributing significantly to category growth. Celsius experienced growth across all channels, including a 77% increase in sales in the club channel, and became the second largest energy drink brand on Amazon. Celsius reported a record non-GAAP adjusted EBITDA of $48.7 million, representing over 18% of sales, driven by sales growth and by efficient marketing and sales programs.

Top Detracting Sector: Technology

Within the Technology sector, the largest driver of relative underperformance was Sprout Social, Inc. (1.85% ending weight), a designer, developer, and operator of a web-based social media management platform. We own Sprout Social given its leadership in social media management software and shift upmarket, creating a significant annual recurring revenue. The company’s core customers have shown strong growth, and new business has increased due to market expansion and price adjustments. In the most recent period, the stock was challenged due to higher churn in the “non-core” segment, distracting investors from the overall positive trajectory. However, key metrics and projections suggest potential upside and a strong growth outlook for the company.

Market and Strategy Outlook

Reduced concerns regarding inflation, logistical issues resulting from the Ukraine-Russia war, and the impact of higher interest rates have eased investor uncertainty in recent months. We expect the recent decrease in market volatility and improved stability in economic data to continue in the coming quarters. As the economy and markets recover, we see abundant opportunity across sectors, industries, and market caps. Certain areas of the economy appear better positioned to adapt and grow, while company valuations vary significantly. We are optimistic about the productivity of workers and consumers, as well as business and residential investment, as we approach year-end.

In the current investment landscape, there is a notable opportunity for secular growth companies within the small-cap growth universe. Despite their relative underperformance since November 2020, smaller-cap secular growth companies have displayed continued strength in their underlying fundamentals. We anticipate this strength to persist, especially given the bounce back in the most recent quarter with better-than-expected execution and performance. Conversely, more cyclical companies may face headwinds as valuations have caught up to fundamentals after a strong run since late 2020.

Overall, while some uncertainty remains, the market environment in the second quarter of 2023 is expected to be more stable. We believe lower inflation, resolved logistical issues, and the anticipation of reaching peak investment rates sooner rather than later will influence investment decisions and that opportunities will emerge in sectors and industries that demonstrate resilience and sustained growth. We feel that secular growth companies within the growth universe are particularly attractive due to their strong fundamentals and potential for continued outperformance.

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[7]

As of June 30, 2023

Sector	% of Portfolio
Health Care	25.2%
Technology	20.1%
Producer Durables	16.2%
Consumer Discretionary	10.3%
Financial Services	8.6%
Materials & Processing	5.7%
Energy	5.6%
Consumer Staples	4.7%
[Cash]	1.5%
Utilities	0.0%

Top 10 Holdings[8]

As of June 30, 2023

Holding	% of Portfolio
MACOM Technology Solutions Holdings, Inc.	2.84%
BellRing Brands, Inc.	2.09%
Inspire Medical Systems, Inc.	1.90%
Advanced Energy Industries, Inc.	1.86%
Clean Harbors, Inc.	1.86%
Sprout Social, Inc. Class A	1.85%
Permian Resources Corporation Class A	1.77%
Ralph Lauren Corporation Class A	1.76%
Matador Resources Company	1.62%
FirstCash Holdings, Inc.	1.61%

Performance

Returns as of June 30, 2023

Victory RS Small Cap Growth Fund (Class A – RSEGX)	Second Quarter 2023	1-Year	3-Year	5-Year	10-Year	Since Inception (11/30/87)
without sales charge	4.98%	12.65%	-5.47%	-0.62%	7.30%	11.62%
with maximum sales charge (5.75%)	-1.06%	6.17%	-7.32%	-1.79%	6.67%	11.43%
Russell 2000® Growth Index[1]	7.05%	18.53%	6.10%	4.22%	8.83%	8.69%

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 1.44%/1.40%. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through April 30, 2024.

Carefully consider the 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. 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. 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. 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 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.

3 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.

4 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.

5 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.

6 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.

7 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.

8 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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