VICTORY SOPHUS EMERGING MARKETS FUND QUARTERLY COMMENTARY

Sophus CAPITAL
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of June 30, 2023

EXECUTIVE SUMMARY

Sophus Capital employs a disciplined, bottom-up approach utilizing both quantitative and fundamental processes to invest in companies that we believe have the potential for strong and sustainable earnings growth at attractive valuations, with revisions as the catalyst. By investing in companies with these characteristics, coupled with our risk-managed approach, we seek to provide consistent excess returns over time.

- The Victory Sophus Emerging Markets Fund (A-Share, without sales charge) advanced 2.8% for the quarter, outperforming its benchmark by 190 basis points.
- The broad-based easing of global financial conditions during the second quarter has reduced what seemed a severe threat to the banking sector mere months ago. The delta between EM and DM in terms of valuation, monetary policy outlook, and earnings growth grew even more pronounced throughout the course of the second quarter.
- Geopolitical risk remains a major headwind for global investors with respect to the investment thesis in China, while war rages on in Ukraine, a fact that came to the fore in a very unexpected manner with Prigozhin's mutiny in the final days of June. However, El Niño's anticipated arrival in 2023 presents perhaps a greater overhang for EM, as climate change is likely to intensify the phenomenon in coming cycles.

PERFORMANCE RECAP

The Victory Sophus Emerging Markets Fund (A-Share, without sales charge) advanced 2.8% for the quarter, compared to the MSCI Emerging Markets Index benchmark, up 0.9%. Stock selection in Taiwan served as the largest contributor to performance in the quarter. Two highlights among our holdings were Gold Circuit Electronics (Ticker: 2368-TT), the world's largest server printed circuit board (PCB) maker, and Wiwynn Corp. (Ticker: 6669-TT), a leading designer and manufacturer of servers for cloud service providers (CSPs). Indeed, IT overall remained strong throughout the quarter – with falling long-term rates cushioning multiples, improving macro data providing better base effects, and AI serving as an incremental catalyst. Markets continued to digest weak earnings with the expectation that they mark a trough ahead of 2H23 recovery.

Consumer Discretionary was also a positive contributor to performance this quarter, driven by positive stock selection, thanks to overweight positions relative to the benchmark in Mahindra & Mahindra (Ticker: MM-IN), which manufactures autos and tractors; Alsea (Ticker: ALSEA-MM), one of the largest operators of quick-service restaurants (QSR), casual-dining restaurants, and coffee shops in Latin America as well as Europe; and Raymond (Ticker: RW-IN), which manufactures men's branded apparel and textiles, engineering tools, hardware and auto components in India.

Performance also benefited from selective weakness in Chinese e-commerce companies like JD.com (Ticker: 9618-HK) and Meituan (Ticker: 3690-HK), both of which represent material weightings in the benchmark; JD.com was not held in the portfolio, and Meituan was exited early in the period. Data shows that more consumption activities will shift offline, with e-commerce growth potentially missing high expectations. Increasing competition remains another risk more broadly for this space. As such, our preference has shifted to areas that benefit from offline/real-world consumption recovery.

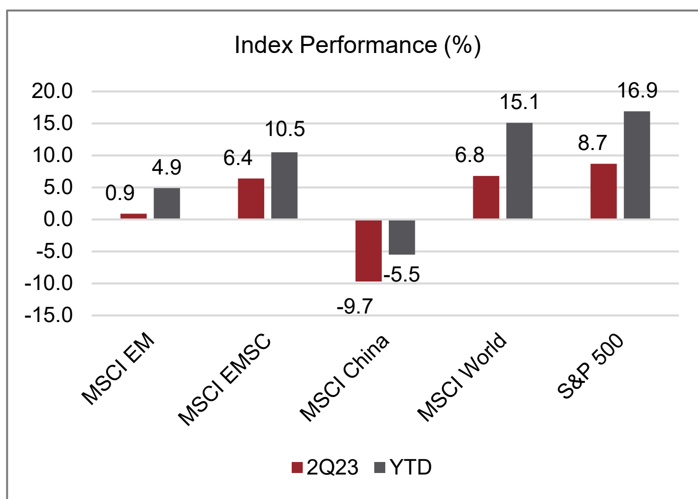
While the process proved incredibly effective overall during the period, negative allocation effect in Poland and stock selection in the Materials sector represented the main detractors from performance in the second quarter. Poland surged as the country's inflation outlook has improved, driving expectations for interest rate cuts this summer, and corporates proved more resilient amidst the challenging demand and geopolitical environment. In the Materials sector, the main detractors were South African diversified miner Anglo American (Ticker: AAL-LN), leading integrated aluminum processor Shandong Nanshan Aluminum (Ticker: 600219-C1), and the India-based producer of paper and packaging boards JK Paper (Ticker: JKPAPER-IN). Together, these three securities accounted for 30 basis points of negative attribution.

From an individual stock perspective, the two largest contributors to performance were Cholamandalam Investment & Finance (Ticker: CIFC-IN) and JYP Entertainment Corp. (Ticker: 035900-KS). Cholamandalam had strong AUM growth, accelerating from mid-high single digits to 20%, as repayments post-moratoriums continued to subside and asset quality improved. JYP Entertainment has benefited from explosive consumer demand upon reopening from Covid lockdowns, supported by savvy management with 35% net cash and experience in making smart investments in small businesses, which have yielded consistently strong financial results and positive earnings revisions.

The main detractor from performance was Glodon (Ticker: 002410-C2), the largest construction cost software provider in China, with over 70% market share. The share price came under pressure in the second quarter after an extended period of outperformance to start the year, mostly driven by margin compression in the construction engineering segment. Glodon has the most successful SaaS business in the industry, as the operating leverage has been realized, which will yield highly visible recurring income in the construction cost business for years to come. The company has also mentioned plenty of opportunities to implement AI technology within their appliances, which could in turn provide incremental growth drivers, further boosting sentiment on the stock. We remain positive on the fundamentals around Glodon and continue to hold the name.

MARKET OVERVIEW

Emerging Markets (EM) underperformed Developed Markets (DM) during the second quarter. The MSCI Emerging Markets Index advanced 0.9% vs. returns of 6.8% and 8.7% for the MSCI World Index and the S&P 500® Index, respectively.



Source: MSCI, Sophus Capital

Latin America (+14.0%) was the best performing region in the second quarter of 2023, driven primarily by Brazil (+20.7%). The country surged as its new fiscal anchor (a mechanism to limit overspending) passed Congress, removing a major headwind for equities given the high degree of uncertainty attributed by the market to the Lula administration's intentions. In addition, favorable opportunities created by a stronger Brazil-China trade relationship were highlighted by Lula's diplomatic trip to the mainland in April. Strong economic data during the quarter was also supportive of performance, with Brazil's GDP surprising positively and driving upward revisions for the year (now 2.1% vs. 0.8% at the start of the year), an improving inflation outlook (with expectations for 2023 now at 5.0% and 4.2% for 2024), and stronger-than-expected first quarter earnings results. But even after the strong performance, valuations in Brazil remain attractive at just 8x Next-Twelve-Months (NTM) PE.

Both Mexico and Brazil have emerged as bright spots for EM in 2023, up 27.1% and 16.8% YTD respectively, due to insulation from geopolitical tensions, sturdy external accounts, and macro context that offers interesting thematics. For Mexico, this comes in the form of nearshoring but also defensive market characteristics. In Brazil, the beta on cyclicality and value-oriented nature of the market, plus incremental upside potential from a China stimulus near-term, continue to draw foreign investment, as concerns around the fiscal anchor subside and inflation expectations improve. Another key catalyst for these markets will be the Federal Reserve and its future decisions around the current hiking cycle, as an indefinite pause would create a pathway for better global growth in conjunction with EM central banks easing.

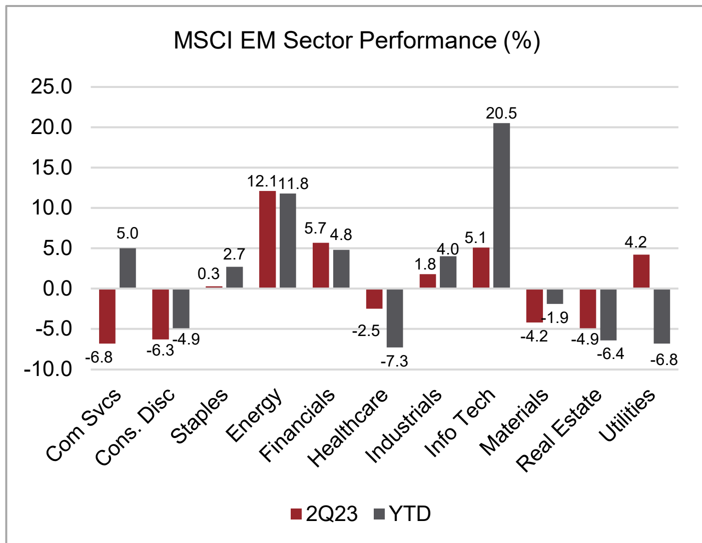
Eastern Europe, Middle East, and Africa (EEMEA) was also strong in the period, up 2.7%, with Hungary (+24.8%), Poland (+24.5%), and Greece (+23.9%) leading the way for the region.

Both Hungary and Poland benefited from stabilized financial conditions, albeit weaker GDP growth, and expectations for the gradual normalization of monetary policy this summer. Greece surged on positive election results delivering victory to the New Democracy party with 40.8% of the votes, consolidating power for the stable, pro-market regime. On the other hand, Turkey (-10.7%) was the region's worst performing country. At the end of May, Turkish incumbent President Recep Tayyip Erdoğan won reelection in a runoff that had presented the greatest threat to his administration since coming to power in 2003. Critics of Erdoğan's tenure have accused him of undermining Turkey's democratic institutions, damaging its economy, and botching earthquake rescue efforts earlier this year. However, his religious-nationalistic rhetoric, handouts to key constituencies, and the legacy of the explosive economic growth Turkey achieved during the early years of his rule have maintained his popularity amongst citizens. While he was not the preferred candidate of foreign investors, Erdoğan sought common ground with the appointment of new Finance Minister Simsek. Over the past two years, Turkey has been lowering interest rates to combat inflation (counterintuitive to most economic theories), but on June 22 the central bank announced an interest rate increase by 6.5% to 15%, albeit falling short of expectations. Both the rates decision at the end of June and initial changes in regulation give hope for potential normalization of policy in Turkey.

Asia (-0.8%) was the worst performing region in the second quarter, driven mostly by broad-based weakness in China (-9.7%). China's reopening has underwhelmed global market expectations with the recent loss in growth momentum. Concerns remain over the near-term pace of China's recovery, with questions on how best to position within that market now that the initial phase of reopening has passed. As such, expectations of policy support are the biggest near-term catalyst, in the form of reserve requirement ratio (RRR) cuts, an acceleration in infrastructure spending, consumer stimulus and/or more relaxation in property policy. The biggest obstacle to any meaningful measures on this front remains the Chinese Communist Party's (CCP) inherent focus on deleveraging and common prosperity. While US-China tensions remain elevated, and geopolitics continue to be the primary deterrent to foreign investment returning to the mainland, both sides have taken steps in recent weeks to mend ties.

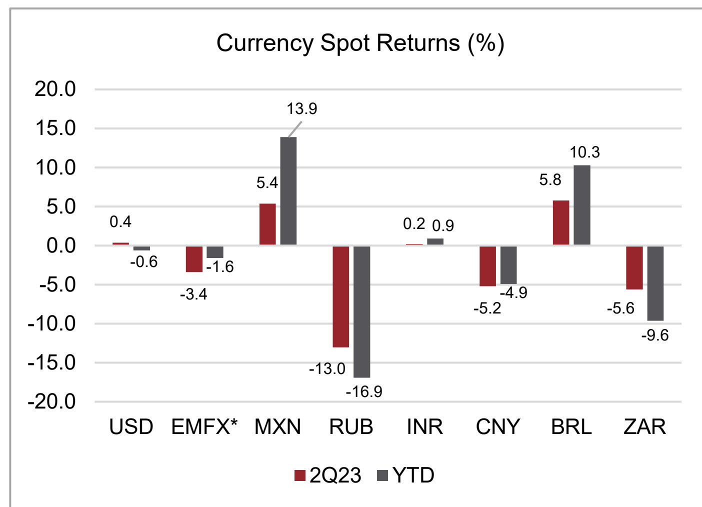
India stood apart from the region in the second quarter, advancing 12.3% on strong economic data supportive of fiscal sustainability, a multiplier effect from the country's digital integration initiative, and expectations for the Reserve Bank of India (RBI) to cut interest rates toward the end of 2023. The biggest medium-term headwind for India is presidential elections next year, as a change in power could trigger a regression from the advancements made by the current Modi administration. Continuity of power is crucial to the investment thesis in India, but perhaps just as essential to the geopolitical order shaping up in Asia, which seems to be reflected by President Modi's state visit to the US (only the third Indian leader to be extended this gesture).

It is true that the US needs India more than ever, given the challenges with Russia and increasing dominance of China. But India, too, needs to align with the US if it is to achieve its aspirations of becoming a global manufacturing base. This is especially the case as the China Plus One narrative has proven to be anything but an "India-only" event, making the backing of the US critical for India to obtain access to technology vital to achieving this goal.



Source: MSCI, Sophus Capital

The US Dollar (USD) remained volatile in the second quarter: it was roughly flat in April, before recovering slightly from mid-May through early June, and ending the period on a choppy trajectory, though admittedly at a slightly higher level than where it began (+0.4%). Resilient US data, increased Fed hawkishness, and a fading China reopening boost contributed to renewed USD strength. As the Fed continues to juggle bringing inflation back to its 2% target while also navigating the ideal "soft landing" for the US economy (without causing a significant drop in economic activity or a jump in unemployment), it is unclear how the USD will react. While the USD typically strengthens when a recession is looming, history suggests a wide range of performance scenarios when it occurs. The USD remains overvalued, trading on the phenomenon that has been referred to as US exceptionalism, but also consistently inversely correlated with EM equity valuation. What goes up, must come down.



Source: Bloomberg, Sophus Capital
*EMFX: J.P. Morgan Emerging Market Currency Index (EMCI) Live Spot

Commodities continued to struggle in the second quarter of 2023, as illustrated by the Bloomberg Commodity Index declining by 2.6%. Brent oil finished the quarter down 6.1% due to concerns around the Chinese economic outlook, global demand more broadly, and oversupply in the market from Russian volumes despite OPEC+ cuts intra-period. Other commodities faced similar pressure, like industrial metals (-10.5%), precious metals (-3.1%), and agricultural commodities (-1.0%).

According to the International Energy Agency's World Energy Investment 2023 report, the price volatility driven by the Russian war in Ukraine is another unforeseen outcome, one which has accelerated clean energy investment sharply: of the US$2.8tn to be invested in 2023, the IEA estimates $1.7tn will be into clean energy (i.e., renewables, nuclear, grids, storage, low-emission fuels, efficiency improvements, and electrification). Put another way, "for every USD 1 spent on fossil fuels, USD 1.7 is now spent on clean energy." Five years ago, this ratio was 1:1.

Focusing on raw factor returns within the global Axioma risk model, Size, Earnings Yield and Value were the best-performing risk styles in the second quarter, while Profitability and Exchange Rate Sensitivity lagged. Risk style factors overall were a negative contributor to the MSCI EM Index, as was Currency (CNY, TWD, ZAR, and KRW), whereas the Global Market and Country factors had a positive impact.

OUTLOOK

Edge of the Unknown

As the first half of 2023 concludes, the global economy remains in a transitory state in terms of growth, inflation, and central bank policy. The recent crisis in the developed market regional banks was largely limited to March, but revealed lingering scars these institutions still bear from the previous policy approach to combat the global financial crisis (GFC) of 2007–2009. First, the ultra-easy monetary policies introduced by former Fed Chair Ben Bernanke, and second, the behavior of the banks themselves when armed with the *confidence* that the Fed will always be there to provide "liquidity" when required. Time will tell if current chairman Jerome Powell's conviction to bring inflation back to the 2% target better resembles that of Paul Volcker or Bernanke. For now, the Fed has taken on a hawkish tone post-pause, with Powell citing the need for more compelling evidence that inflation is under control, as well as expressing preliminary expectations for additional hikes still to come this year.

The Opportunity for EM in 2023

Global inflation has continued to edge lower since its peak last September. But some emerging central banks, which were among the first to respond to rising inflation back in 2021, are

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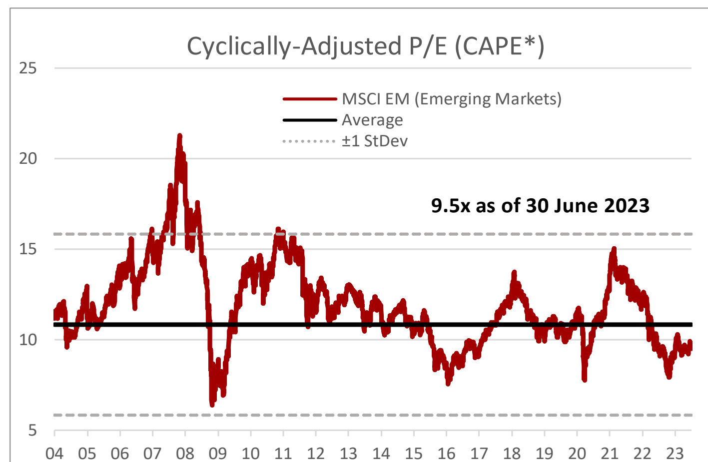
now confident their work is done, even as every G10 central bank (excluding Japan) has surprised in a hawkish direction, either in action or in communication. This is a major example of one structural difference benefiting emerging economies within the current market environment, as evidenced by both Brazil and Mexico, where inflation data continues to come in below expectations, boosting sentiment broadly alongside expectations for rate cuts to commence by year-end (and in Brazil's case, potentially as early as August). Indonesia and India are also well positioned on this front in Asia, given moderating inflation, paused central bank positions on interest rates, and strong current accounts thanks to a strong trade balance.

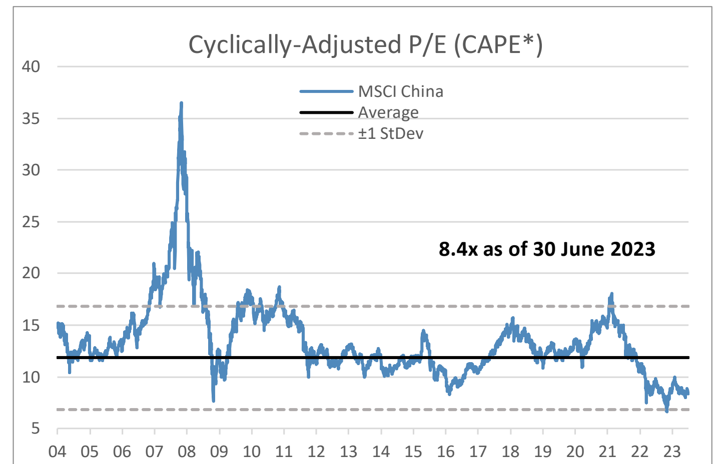
As of now, emerging market currencies have weathered what has proven to be one of the most aggressive monetary tightening cycles in history and stand to strengthen as the Fed nears the peak policy rate, removing what has been a challenging headwind for EM over the last 15 months. The end of global rate hikes will help reduce volatility, while potentially supporting a carry trade, a key catalyst for LatAm and EEMEA currencies, which tends to translate well into equity performance for those markets respectively.

Valuation presents another compelling setup for emerging markets, with metrics highlighting pockets of value across the emerging market landscape, as illustrated by both cyclically-adjusted price-to-earnings (CAPE) charts below.



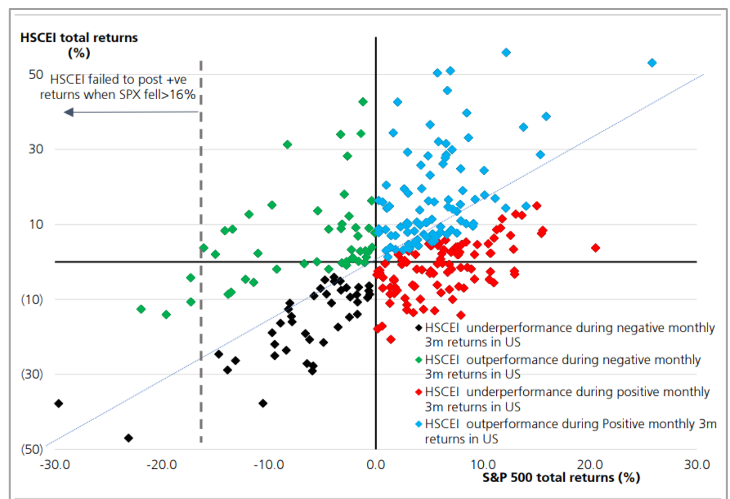
Source: FactSet, Sophus Capital

China exhibits the extreme burden of negative sentiment weighing on valuations, which are now calling into question the underlying economic fundamentals. China's exit from Covid lockdowns failed to meet the high market expectations of broad-based economic strength into the first half of 2023. Instead, boosted spending on services such as travel and eating out led to weak credit growth, contracting exports, and a slowdown in housing sales. But current valuations – with forward PE of MSCI China in absolute terms 1.5 standard deviations below average, and forward PE relative to MSCI World more than 2 standard deviations below average – appear to be heavily pricing in these shortcomings. So, what could be the next near-term catalyst for China? Put simply: *earnings*.



Source: FactSet, Sophus Capital

Coming off of strong 1Q23 earnings (+10% Earnings Per Share Year-over-Year), 2Q23 and indeed 2H23 should provide a low bar with easy comparisons given lockdowns and the commodity price spike last year. Further, GDP continues to lift (albeit below expectations) and corporate revenues should continue to track it, while gross margins are set to expand sharply as inflation has faded. But perhaps even more notably, China has proven in the past that it can still deliver positive returns *even* when the S&P 500 falls.



Source: Bloomberg, UBS.
*Data for HSCEI Index and S&P 500 are used from January 2000.

The green dots in the above chart from UBS illustrate time periods in which China outperformed US stocks when the S&P 500 was down. This occurred 53% of the time when the S&P 500 delivered negative 3-month returns. With US-China cycles currently out of sync, market dynamics would suggest it is poised to do so again.

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A Multipolar World: Trade and Politics

Some claim that international trade is deglobalizing. In fact, when measured in USD, global trade growth slowed after the GFC in 2008-09, recovered and then declined sharply at the onset of the Covid-19 pandemic in 2020. But since then, trade has *rebounded*, reaching a record high in 2022. US and Chinese tariffs introduced in 2018 did not reduce trade. Activity slowed between the two superpowers, but trade in the products most affected by tariffs *grew* across the rest of the world. In other words, trade was merely *reallocated*, not *reduced*. The tariff clash has escalated protectionist rhetoric and bans on technology exports citing "national security," as much as it has elevated growth prospects for beneficiary emerging markets of "near-shoring" themes like Mexico and Brazil and "China Plus One" narratives like India and Vietnam. We caution against relying on the assumption that trade exclusively with "friendly" countries implies greater resilience to geopolitical risk. The concept of friendship is itself subject to constant change. Less nefariously, it inherently leads to less resilience to other types of shocks, like for instance…*health shocks.*

The events unfolding in Russia over the final days of the quarter remind us that when considered alongside other authoritarian contemporaries, the Chinese Communist Party stands remarkably stable. This cannot be overlooked. The goal for authoritarian leaders – Vladimir Putin, Xi Jinping, Kim Jong Un – is simply put: *to stay in power*. They accomplish this by keeping their populations, and not shareholders, happy. Indeed, Xi Jinping is known best for two initiatives: 1) his brutal anti-corruption campaign, and more recently 2) his efforts to achieve common prosperity. Both of which were and have been popular with the mass population, given they are attacks on the societal elites, and therefore create a sense of collective rule, behind one strongman. Most recently, the state-owned enterprise (SOE) reform – which emphasizes improving the quality of listed SOEs and value realization as a result – has resurfaced as a favored defensive theme for markets, particularly in April.

In its last meeting (April), the Chinese Politburo seemingly acknowledged that the current improvement in economic activity is mainly driven by pandemic recovery, while demand alone remains insufficient for sustainable growth. China still faces challenges in promoting economic transformation and upgrades as well as high-quality development. Ultimately, the Politburo meeting concluded with a "pro-growth" policy stance and reiterated a healthy understanding of the current predicament as well as the importance of its support of the economy. Again, China surged from the beginning of June through mid-month on expectations of a broad package of stimulus measures, as pressure builds on President Xi Jinping's government to boost the world's second-largest economy. These rumored stimulus proposals, drafted by multiple government agencies, included over a dozen measures designed to support areas such as real estate and domestic demand, as well as further interest-rate reductions. On June 13, the PBOC lowered its short-term policy rate by 10 bps. This marked the first policy rate cut since August 2022. However, Chinese equities faced pressure on this news, as reports covering the country's State Council proved light on details about further stimulus, unnerving investors who expected a more comprehensive package.

While a cut in the policy rate is small in the broader context of what is needed, directionally it could signal more stimulus. Under China's top-down decision-making system, monetary/fiscal/property policies are not independent. In other words, various policies tend to move in the same direction at the same time, which suggests the July Politburo meeting will be a key event. Xi said it best in the final days of the quarter: "Development is the top priority of the Communist Party of China in governing and rejuvenating the country. We will continue to vigorously promote high-level opening up and better protect the rights and interests of foreign investors per the law." Perhaps a signal that common prosperity and shareholder returns are not as mutually exclusive as one might have thought after all.

Russia's *Bad Blood* Moment

On Friday, June 23, the businessman who leads the Wagner Private Military Company (PMC), Yevgeny Prigozhin, dramatically escalated his long-simmering feud with the country's military leadership, posting messages on Telegram that accused Russia's defense minister of bombing his troops. He announced a "march for justice" against the Russian defense system. As Prigozhin and his Wagner army marched toward Moscow, Russia charged him with mounting an open rebellion. Bizarre scenes of everyday life commingling with an armed revolt of mercenaries in the major Russian city of Rostov-on-Don spread across social media. On the cusp of a potential civil war on Saturday, the two sides agreed to a truce that would send Prigozhin to Belarus in exchange for amnesty, and Wagner troops to stand-down from their march on Moscow, after coming within approximately 120 miles of the city's borders.

The attempted coup signals an important shift internally for the Kremlin, and more specifically Putin, as it suggests his preferred system of rule – "divide and conquer" – has yielded chaos, if not a loss of control. Importantly, while Prigozhin was very candid in his remarks against Shoigu (defense minister) and Gerasimov (general in charge of the Ukraine campaign), he stopped short of criticizing Putin directly. The response to this virtually unimpeded march that ended barely over a hundred miles from Moscow will be swift and severe, as Putin seeks to reassert control of the situation. The speed of the "coup" showed just how 1) vulnerable Russia has become to the deep fractures designed by Putin and 2) low morale is within Russia, but especially as it pertains to the war effort in Ukraine.

A revolution or civil war in Russia appears to have been avoided at the time of this writing, though such a scenario would most likely have far-reaching implications for neighboring regions:

For the European Union, energy supply would become an immediate question, in addition to other commodities. Support for Ukraine would continue, and the focus would shift almost entirely toward extraordinarily expensive reconstruction efforts, with what is expected to be the fastest inclusion into the EU. It would almost certainly yield instability for NATO borders in the form of migrants fleeing, possible battles spilling over, etc.

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For the international community, the control of Russia's nuclear arsenal is the vital issue. For Putin, there is no path forward but to stay in power. This very limited option makes him just as dangerous as it does vulnerable. Not many dictators enjoy a death of old age in bed.

For Ukraine, momentum is on its side in the aftermath of this recent development. Russian military morale is low, distracted from the war front in Ukraine. Prigozhin's statements about the war/invasion are glaring, and now Russia could be without the 50,000 Wagner Group mercenaries which have done a majority of the recent successful fighting in Ukraine.

For China, this is not good for President Xi, especially given his remarks at the Beijing Olympics of a "friendship without limits" with Russia. First, Putin invades his neighbor, next he escapes a coup attempt. While Russia emerged from that weekend even more dependent on China, the logical next question for the mainland is how weak can Russia grow before it becomes an unacceptable liability. More importantly, Russia has inadvertently become a striking example of just how unstable "non-Western" ideals – alternatives to capitalism and democracy, like those China has been pushing actively – are over time.

The Arrival of El Niño

After nearly four years, El Niño is on the horizon once more with an expected arrival in 2023. This drastic shift to a warming phase from the cooler La Niña can generate chaos, especially for fast-growing emerging economies, as power grid strain and blackouts become more frequent. Extreme heat creates public health emergencies, the risk of droughts, water shortages, and trade disruptions. Combined with more extreme weather and hotter temperatures due to accelerated climate change, the stage is now set for the world's costliest El Niño cycle since meteorologists started keeping track. It also adds to the risk of stagflation, in which inflation stays high even as the economy contracts.

While policy interventions tend to manipulate demand, El Niños typically affect supply, meaning central banks are more limited in what they can do.

The implications are far reaching, but the most direct threat is to agriculture. Parts of West and South Africa could be hit by drought, affecting cocoa and corn production. Reduced monsoon could impact rice, cotton, corn and soybeans in India. Australia could see severe drought and forest fires, which would damage production of wheat and other crops. The US would see a resurgence in deadly winter storms (although there is generally a drop in the number of hurricanes). Drought could hit Brazil and Colombia, pressuring coffee output, while Peru may see widespread flooding and a reduced anchovy catch.

The risks on this front are most acute in the tropics and the Southern Hemisphere, where El Niños have accounted for almost half a percentage point reduction to annual GDP growth in India and Argentina, knocking off 0.3% for Peru, Australia and the Philippines. While many emerging markets have improved food management in an effort to reduce the worst side effects, they also stand on notably better footing vis-à-vis inflation risk management. While no two El Niños are alike, the effects of this cycle will depend on the duration, intensity, and timing of this event. But even if the world dodges a major El Niño this year…climate-induced stresses will continuously grow with the increasing amount of greenhouse gasses blanketing the planet.

As always, we continue our search for sustainable, attractive earnings growth, while monitoring geopolitical risk. We continue to note the higher need to factor in sovereign risk to investment opportunities at the country and sector levels of our selection process.

We thank you for your continued support.

Sincerely,

The Sophus Emerging Markets Team

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Region Allocation	% Fund
Asia	74.80
Latin America	14.30
EEMEA	9.27

Top Ten Holdings	% Fund
Taiwan Semiconductor Manufacturing Co., Ltd.	7.90
Samsung Electronics Co., Ltd.	5.43
Tencent Holdings Ltd.	4.59
Alibaba Group Holding Limited	2.97
ICICI Bank Limited Sponsored ADR	2.77
Industrial and Commercial Bank of China Limited	1.67
Cholamandalam Investment and Finance Co. Ltd.	1.62
Mahindra & Mahindra Ltd.	1.52
Grupo Financiero Banorte SAB de CV Class O	1.51
PT Bank Mandiri (Persero) Tbk	1.39

Top 5 Contributors (%)	Contribution to Relative Return
Cholamandalam Investment & Finance Co. Ltd.	0.53
JYP Entertainment Corp.	0.48
Gold Circuit Electronics Ltd.	0.42
Mahindra & Mahindra Ltd.	0.26
PetroChina Co., Ltd.	0.26

Top 5 Detractors (%)	Contribution to Relative Return
Glodon Company Limited Class A	-0.35
CJ Corporation	-0.20
Bosideng International Holdings Limited	-0.18
Alibaba Group Holding Limited	-0.17
Infosys Limited Sponsored ADR	-0.13

Investment Performance (%)
Average Annual Returns as of June 30, 2023

Victory Sophus Emerging Markets Fund (Class A – GBEMX)	Q2 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (5/1/97)	Expense Ratio	
								Gross	Net
A Shares, without sales charge	2.83	8.25	3.58	1.85	-0.43	3.24	5.92	1.63	1.34
A Shares, with sales charge (max. 5.75%)	-3.09	2.04	-2.37	-0.15	-1.60	2.62	5.68	1.63	1.34
MSCI Emerging Markets Index (Net)	0.90	4.89	1.75	2.32	0.93	2.95	–	–	–

Source: Victory Capital data analyzed through Zephyr

Past performance does not guarantee future results. The performance quoted represents past performance and current performance 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 for periods greater than one year is annualized. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which, fund performance would have been lower. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through April 30, 2024.

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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.

Not all share classes are available to all investors.

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. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. 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. Companies in the consumer discretionary sector are subject to the performance of the overall international economy, interest rates, competition and consumer confidence. Success depends heavily on disposable household income and spending. Companies in the consumer discretionary sector are also subject to the risks of product obsolescence, resource depletion and labor relations. Companies in the financial services sector are subject to extensive government regulation that may affect 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, including interest rate changes. Information technology companies are particularly vulnerable to rapid changes in technological product cycles, severe competition and government regulation. The Fund may frequently change its holdings, resulting in higher fees, lower returns, and more capital gains. 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.

Contributors and Detractors Source: FactSet. The top contributors and detractors are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments. The percent displayed is contribution to return. Holdings are as of quarter end and may change at any time.

The MSCI Emerging Markets Index is a free-float-adjusted market-capitalization-weighted index designed to measure equity market performance in the global emerging markets.

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