

## Market Environment

International equities rose moderately during the second quarter amid concerns of slowing global growth, although macroeconomic data continues to show signs of resilience in the face of higher interest rates. For the quarter, the MSCI ACWI (All Country World) ex USA Index advanced 2.44%, while the Victory Trivalent International Fund – Core Equity (Class A, without load) outperformed the benchmark. Country returns were mixed, with Japanese equities outperforming all other regions by a large margin. During the quarter Japan was up 6.4%. The country's returns have been boosted by strong consumer spending and increasing inbound tourism. Also, the Bank of Japan remains committed to accommodative monetary policy to support economic growth, holding its short-term interest rate target at -0.1% since 2016. Hungary, Poland, and Greece all rose over 23%. All three countries have benefitted from continued positive performance in their banking industries. Brazil was up 20.7%, recovering from a weak first quarter and improving April and May inflation figures. On the downside, Turkey fell 10.7% after a close election in late May resulted in the re-election of the country's current president. China retreated 9.7% as sluggish manufacturing activity continues to suggest an uneven economic recovery.

Seven of 11 economic sectors advanced during the quarter. Information Technology rallied the most, advancing 6.2% in response to heightened global enthusiasm for companies with artificial intelligence (AI) exposure. Industrials followed, up 5.5% as Japanese trading companies and distributors benefitted from local currency weakness and increased interest attributed to Warren Buffett's investment in several Japanese trading companies. Financials was up 4.9% on easing concerns of contagion across the global banking sector. Communication Services was the weakest sector, down 4.6% largely due to weakness among interactive media and services stocks.

## Portfolio Review

Overall security selection was positive and accounted for the majority of the Fund's relative outperformance. Excess returns were generated in five of six regions and eight of the 11 economic sectors. From a style perspective, the Fund's overall exposure to quality and value had a positive impact but exposure to business momentum was not helpful. At the sector level, notable outperformance was found in Communication Services. Korean music promoter JYP Entertainment gained 67.0% following record album sales from its core artists Stray Kids and Twice. A return to concerts has further supported growth, and the company expects to have four new groups debut across the world over the next year. Outperformance was also found in Financials. Banco do Brasil advanced 35.6% on strong growth in net interest income and equity income. The bank continues to see solid loan demand with its consumer lending and credit card

divisions. On the other end of the spectrum, underperformance was greatest in Information Technology. Hua Hong Semiconductor, the Chinese wafer processor, fell 26.2% as evidence of high customer inventories is leading to pricing pressure and in turn will negatively impact margins. In Consumer Discretionary, British athleisure retailer JD Sports declined 15.5% after a very strong start to the year as poor trends from U.S. competitor Foot Locker and a weaker consumer environment raised some concerns.

## Market Outlook

International equities had muted performance in the second quarter, and the market faces a variety of ongoing headwinds including continued inflation, high interest rates, oil price uncertainty, and the prospect of recession during the second half of the year. All eyes are on the Tech sector after semiconductor stocks rallied on the back of Nvidia's blowout earnings report in May and following reports of surging demand for AI chips. Conversation is centered around how the incorporation and use of AI will affect different industries, and which companies will be able to best capitalize on and benefit from the new opportunities. In Japan, consumer spending will continue to increase as the country's delayed reopening gains momentum and inbound tourism continues to pick up speed. The Japanese Yen has weakened significantly against the U.S. Dollar, and the Bank of Japan continues to indicate a strong commitment to quantitative easing. While it's difficult to predict if the Japanese markets have overextended in the short term, these positive changes have been decades in the making. China's post-lockdown recovery has been unsteady, and geopolitical tension remains with regard to chip exports. Conversation around the Energy sector has shifted to focus on the upcoming fall and winter. Weather conditions and predictions as the summer draws to a close will make a significant impact on many countries' economic outlook going into the fall and winter months. The discussion around an upcoming recession has persisted, and while it is still a possibility, it will likely be a gradual slowdown as opposed to a sudden change. We remain cautiously optimistic for the asset class and believe opportunities for relative outperformance remain, particularly among the diverse and broad segment of international equities. We continue to be guided by our bottom-up analysis and remain focused on stock selection while adhering to our disciplined country and sector risk exposures.

Top 5 Contributors (%)	Return	Contribution to Absolute Return
JYP Entertainment Corp.	67.0	0.38
Advantest Corp.	45.0	0.23
3i Group plc	20.8	0.21
Banco do Brasil S.A.	35.6	0.20
Stella-Jones Inc.	35.1	0.18
Top 5 Detractors (%)	Return	Contribution to Absolute Return
Alibaba Group Holding Limited	-19.0	-0.23
Tencent Holdings Ltd.	-13.3	-0.13
Boliden AB	-22.8	-0.13
JD Sports Fashion Plc	-15.5	-0.12
iQIYI, Inc. Sponsored ADR Class A	-26.7	-0.11

Top Ten Holdings	% Fund
Novo Nordisk A/S Class B	1.82
LVMH Moet Hennessy Louis Vuitton SE	1.73
Novartis AG	1.57
AstraZeneca PLC	1.49
Taiwan Semiconductor Manufacturing Co., Ltd.	1.27
3i Group plc	1.10
Compagnie Financiere Richemont SA	1.08
Stellantis N.V.	1.05
Deutsche Telekom AG	0.92
Itochu Corporation	0.92
<b>Total</b>	<b>12.95</b>

### Investment Performance (%)

Average Annual Returns as of June 30, 2023

Victory Trivalent International Fund - Core Equity	Ticker	Inception Date	Q2 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Expense Ratio	
										Gross	Net
A Shares, without sales charge	MAICX	8/16/07	3.24	11.76	15.09	6.55	2.53	4.73	1.33	0.95	0.95
A Shares, with sales charge (max. 5.75%)	MAICX	8/16/07	-2.66	5.32	8.42	4.44	1.33	4.12	0.95	0.95	0.95
I Shares	MICIX	8/16/07	3.22	11.84	15.40	6.87	2.90	5.15	1.77	0.60	0.60
MSCI ACWI ex USA Index (Net)	-	-	2.44	9.47	12.72	7.22	3.52	4.75	-	-	-

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](http://www.vcm.com).** Returns include reinvestment of dividends and capital gains. Performance for periods greater than one year is annualized. Other share classes are available. 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 October 31, 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](http://www.vcm.com/prospectus). Read it carefully before investing.**

Other share classes are available. Not all share classes are available to all investors.

**All investing involves risk, including the potential loss of principal.** 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 concentrated in a single country, a small number of countries or a specific region typically exhibit higher volatility. Investments in small- and mid-cap companies typically exhibit higher volatility. 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. Fund holdings are

subject to change and should not be considered purchase recommendations. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. Top holdings do not reflect cash, money market instruments or options/futures contracts holdings. The most currently available data regarding portfolio holdings can be found on our website, [www.vcm.com](http://www.vcm.com).

**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 All Country World ex USA Index (ACWI ex USA)** is a free-float-adjusted, market-capitalization-weighted index designed to measure the performance of large- and mid-cap stocks across developed markets (excluding the United States) and emerging markets.

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