VICTORY FLOATING RATE FUND QUARTERLY COMMENTARY

As of December 31, 2024

Fund Performance Summary

In the fourth quarter of 2024, the Victory Floating Rate Fund (the "Fund") returned 2.30% (A shares without sales charge), outperforming its benchmark, the Morningstar LSTA US Leveraged Loan Index (the "Index"), which returned 2.27%. During 2024, the Fund returned 8.34%, underperforming its benchmark.

Our 6.2% allocation to high yield bonds detracted from performance, as did the Fund's cash holdings.

Market and Portfolio Overview

Floating rate loan performance during the fourth quarter demonstrated the usefulness of floating rate assets in investors' fixed income portfolios, as loans notably outperformed other fixed income categories. Although investment grade and high yield bond spreads tightened during the quarter, investment grade returns were negative and high yield returns barely positive. Loans' short durations and position on the front end of the yield curve protected against the Treasury-driven price declines which impacted other fixed income asset classes; additionally, spread tightening further boosted loan returns.

Market discussions during the fourth quarter were dominated by concerns regarding stubborn inflation and the economic implications of the November election. Inflation, as measured by the Consumer Price Index, reached its lowest point for the year in September, only to reverse and climb higher during the fourth quarter. Regarding the election, although neither party had been promising fiscal discipline, the market assessed the single-party sweep as likely to lead to greater borrowing although possibly tempered by stronger growth. The bond market reacted negatively to the revival in inflation and potential deficit expansion, with the 10-year US Treasury yield increasing almost 70 basis points to 4.57%. Not surprisingly, the S&P 500® Index backed off from its early December record highs yet managed to close the quarter in the black.

Leveraged Loan Market Outlook

Floating rate bank loans and high yield bonds generated strong performance compared to other fixed income categories during 2024. Even with the year's strong performance, we believe floating rate bank loans are well positioned for performance during 2025. Floating rate bank loans float over interest rates largely determined by Federal Reserve monetary policy decisions. As the US economy has been expanding above expectations and inflation (particularly in the service sectors) has been persistent, we believe the Fed will be slow to reduce rates, which could support floating rate loan fund dividends.

Further, we believe the expanding economy provides a beneficial environment for loan borrowers. We also see credit stress, including defaults and distressed exchanges, as likely to decline as weaker borrowers default or have their debt refinanced by the private credit market. We believe the private credit market has become a useful home for the lower-quality (weaker B- and CCC) loans that are problematic for the ratings-driven Collateralized Loan Obligations which dominate the syndicated loan market. In effect, private credit's hunger for yield could improve the floating rate loan market's credit quality, possibly reducing loan defaults over time.

Floating rate loan market technicals will also play a role in 2025 performance. Loan fund flows have started the year on a positive note, with over $3.5 billion in inflows in the first two weeks of January chasing limited net new issuance. We believe investors are likely reacting to the higher-for-longer federal funds rate expectations based on the recent economic and inflation data. Additionally, we expect Collateralized Loan Obligations to be robust, which should provide stability to demand. With the high level of recent refinancings, we expect spreads to decline over time; we note that loan yields remain higher than high yield bond yields. As loan prices rallied substantially during 2024, we believe interest income is likely to provide a higher share of loan returns in 2025.

20250129-4196750

Investment Performance (%)

Average Annual Returns as of December 31, 2024

Victory Floating Rate Fund (Class A – RSFLX)	Q4 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (12/31/09)	Expense Ratio Gross	Expense Ratio Net
A Shares, without sales charge	2.30	8.34	8.34	3.18	3.65	4.04	4.22	1.12	1.00
A Shares, with sales charge (max. 2.25%)	-0.06	5.86	5.86	2.42	3.17	3.80	4.07	1.12	1.00
Morningstar LSTA US Leveraged Loan Index	2.27	8.96	8.96	7.00	5.86	5.15	–	–	–

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, 2025.

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.

Other share classes are available, but not all share classes are available to all investors.

All investing involves risk, including the potential loss of principal. Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. Bonds and bond funds will decrease in value as interest rates rise and vice versa. Credit risk refers to the possibility that debt issuers may not be able to make principal and interest payments or may have their debt downgraded by ratings agencies. High yield securities may be more volatile, be subject to greater levels of credit or default risk, and may be less liquid and more difficult to sell at an advantageous time or price than higher-rated securities of similar maturity. There may be limited public information available regarding the floating rate loans in which the Fund invests; they may be difficult to value and may be illiquid, meaning that the Adviser may not be able to sell them at an advantageous time or price, which may adversely affect the Fund. In unusual or adverse markets, floating rate loans may have higher than normal default rates. In periods of recession, the Fund's investments in floating rate loans are more likely to decline. 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, disposable 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.

The Fund is also subject to liquidity risk, which is the risk that the Adviser may not be able to sell a security at an advantageous time or price, which may adversely affect the Fund. Derivatives may not work as intended and may result in losses. 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 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.

The Morningstar LSTA (Loan Syndications and Trading Association) US Leveraged Loan Index covers more than 1,100 loan facilities and reflects the market-value-weighted performance of U.S. dollar denominated institutional leveraged loans.

The Fund is distributed by Victory Capital Services, Inc. ("VCS"). Effective as of the close of business on October 3, 2024, Park Avenue Institutional Advisers LLC is no longer serving as the Fund's sub-adviser. VCM will continue to serve as the Fund's adviser. Amundi Asset Management US, Inc. ("Amundi US") is responsible for the day-to-day portfolio management of the Fund pursuant to an Interim Investment Sub-Advisory Agreement between VCM and Amundi US. Please see the prospectus for more information. VCS is not affiliated with Amundi US.

V17.111 // 4Q 2024 VC Floating Rate Fund COM