



REFINITIV LIPPER FUND AWARDS

2021 WINNER
UNITED STATES

Fund Performance Summary

In the third quarter of 2021, the Victory Floating Rate Fund (the “Fund”) returned 0.8% (Class A shares without sales charge), underperforming its benchmark, the S&P/LSTA Leveraged Loan Index1 (the “Index”), which returned 1.1%.

Asset allocation and security selection both detracted from the Fund’s performance compared with the Index.

Security selection in media was the largest detractor from relative performance. Leveraged loans outperformed high yield bonds in the third quarter, and the Fund’s out-of-Index allocation to high yield bonds detracted from relative performance. Security selection in B-rated loans also detracted.

Contributors included underweights and security selection in leisure and pharmaceuticals, and security selection in healthcare.

Market and Portfolio Overview

Extremely strong corporate earnings and falling default rates set the positive tone for leveraged loans and high yield bonds during the third quarter despite growing inflation fears, dislocated job growth, and COVID-19 concerns.

Corporations are emerging from the COVID-19 correction with increasing free cash flow, accretive M&A activity, and a desire to refinance debt to take advantage of low interest rates. In this environment, credit-rating upgrades outpaced downgrades by 2.5 to 1 during the period.

The default rate outlook continues to improve, and we expect a rate below 1% at year end and in the low 1.0% area for 2022. This is well below historical averages, below similar points in past economic recoveries, and the biggest driver of returns in the below investment grade sphere.

By the end of the quarter, the volatility around the COVID-19 Delta variant subsided and investors gained confidence that the US Federal Reserve would handle its much-anticipated taper of support in a very cautious and well-telegraphed manner. While job growth remains tepid, we expect improvement in the near term.

Our portfolio is always constructed using a bottom-up approach. We are positive not just on the reopening of the economy but also on more durable secular trends. We have sought investments that we believe can capitalize on these themes, while striving to keep the portfolio flexible as macro factors change.

We have favored sectors such as media and consumer products, while also maintaining a positive outlook on sectors with longer secular tailwinds such as healthcare.

Leveraged Loan Market Outlook

We expect ample new issuance as companies continue to make acquisitions and refinance debt. Fortunately, this is happening along with declining debt levels and higher free cash flows.

We expect inflation concerns to persist, along with the debate about whether it stems from temporary or longer-term factors. Treasury rates are poised to rise, but the leveraged loan market is one of the few asset classes that can benefit from a period of rising interest rates. It is already benefiting from improved corporate earnings and low default expectations.

Investor demand for below investment grade debt remains strong given attractive yields with markedly less interest rate risk. The economy is emerging from lockdown, and there will be fits and starts. But we are orienting the portfolio toward companies and sectors that have improved their cost structures and balance sheets, which manifests itself in above-market free cash flow growth.

Investment Performance (%)

Average Annual Returns as of September 30, 2021

| Victory Floating Rate Fund (Class A – RSFLX) | Q3 2021 | YTD | 1 Year | 3 Year | 5 Year | 10 Year | Since Inception (12/31/09) | Expense Ratio | |
|---|---------|------|--------|--------|--------|---------|----------------------------------|---------------|------|
| | | | | | | | | Gross | Net |
| A Shares, without sales charge | 0.83 | 3.72 | 8.66 | 4.73 | 4.77 | 4.79 | 4.57 | 1.17 | 1.00 |
| A Shares, with sales charge (max. 2.25%) | -1.47 | 1.33 | 6.19 | 3.94 | 4.30 | 4.55 | 4.37 | 1.17 | 1.00 |
| S&P/LSTA US Leveraged Loan Index | 1.11 | 4.42 | 8.40 | 4.14 | 4.58 | 4.91 | – | – | – |

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, 2022.

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 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. Securities with floating interest rates are less sensitive to interest rate changes but may decline in value if their interest rates do not rise as much as interest rates in general. Floating rate investments issued in connection with leveraged transactions are subject to greater credit risk than many other investments. In certain circumstances, a lack of a ready market may make it difficult for the Fund to purchase or sell particular investments within a reasonable time and/or at a fair price. 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.

Derivatives may not work as intended and may result in losses. 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.

¹**The S&P/LSTA (Loan Syndications and Trading Association) 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 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.

Park Avenue Institutional Advisers LLC is the sub-adviser to the Fund. The Fund is distributed by Victory Capital Services, Inc. ("VCS"). Victory Capital Management Inc. ("VCM"), an affiliate of VCS, is the investment adviser to the Funds. Neither VCS nor VCM are affiliated with Park Avenue Institutional Advisers LLC. The Refinitiv Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers.

The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Refinitiv Lipper Fund Award. Victory Floating Rate Fund Class Y was selected from among 55 funds and 222 share classes in the loan participation fund category over three years and among 51 funds and 195 share classes in the loan participation fund category over five years for the period ending November 30, 2020. For more information, see lipperfundawards.com. Although Refinitiv Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Refinitiv Lipper. Y shares are not available to all investors. Refinitiv Lipper Fund Awards, ©2021 Refinitiv. All rights reserved. Used under license.

Not all share classes are available to all investors.

For more information about separate accounts and mutual funds, contact Victory Capital Management at 800.991.8191 or visit vcm.com.

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