RS SMALL CAP GROWTH STRATEGY
QUARTERLY COMMENTARY

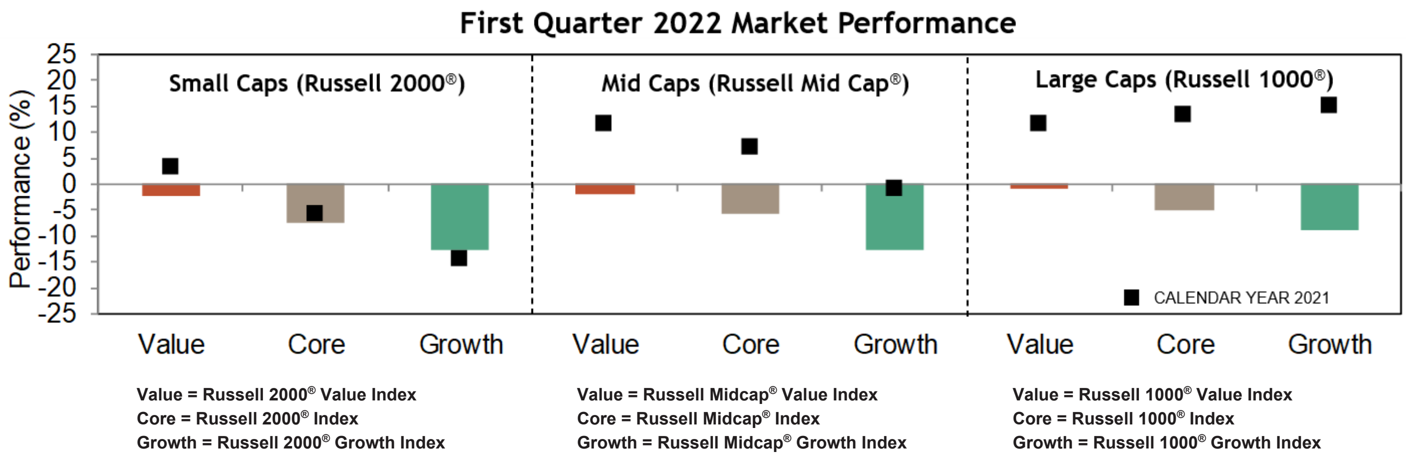
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of March 31, 2022

Quarterly Highlights

- The RS Small Cap Growth Strategy returned -16.64% gross (-16.83% net) for the three months ended March 31, 2022, underperforming the Russell 2000® Growth Index,[1] which returned -12.63%.
- Strategy performance relative to the benchmark was negatively impacted during the quarter by stock selection in the Technology, Consumer Discretionary, Materials & Processing, and Financial Services sectors; stock selection within the Health Care and Consumer Staples sectors offset a portion of the underperformance.
- This period's relative performance in part reflects the continued underperformance of secular growth stocks as small growth, as defined by the Russell 2000® Growth Index, was the worst performing style within U.S. equity markets for the fourth consecutive quarter, returning -12.63%, while large value, as defined by the Russell 1000® Value Index,[2] was the best performing style within U.S. equity markets, returning -0.74%.
- We believe the continued 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, 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[3] (per FactSet).
- While small-cap growth stocks continued to underperform small-cap value stocks during this period, with the Russell 2000® Growth Index returning -12.63% vs. -2.40% for the Russell 2000® Value Index,[4] small-cap growth stocks have outperformed their small-cap value counterparts over 5, 10, and 15 years as of March 31, 2022, per Russell.

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

Is inflation permanent or temporary? Is the recent spike in interest rates going to cause economic pain, or are real rates (which after consideration of inflation are approaching record lows) going to prolong the economic cycle? Does the near-record unemployment reflect the strength of the economy, or is it an ominous challenge for corporations? Is Russia's invasion of Ukraine the beginning stage of a global war, or does it reflect developed nations truly coming together for the first time to protect freedom? These are intriguing questions and interesting times for investors.

The current global landscape is as polarizing as we have experienced in years, and global markets have reflected that uncertainty. Although we continue to see a normalization of economic activity following the rollout of COVID-19 vaccinations, inflation concerns and the unclear long-term impact of the Russian invasion of Ukraine are now front and center, weighing on all areas of the global equity and bond markets. The conflict has also helped push consumer sentiment to a decade low. In fact, investors' lingering concerns over elevated inflation—evidenced by some of the highest year-over-year Consumer Price Index readings in decades—pushed the Bloomberg U.S. Aggregate Bond Index[5] to its worst performing quarter since the first quarter of 1980, while growth indices also materially underperformed other areas of the equity market during the quarter.

There are many questions about what happens from here. Global logistics that were already challenged have been further pressured by the disruption caused by Russia's invasion of Ukraine that will likely impact global energy and food supply chains for years, and the future path of inflation is anyone's guess. Yet despite the uncertainty, there are a number of reasons to be optimistic with regard to the economy and investment opportunity in the U.S. The quick decline of the worrisome Omicron variant in the United States has allowed consumption to bounce back sharply, while corporate operations (and earnings) appear poised to do the same. So while periods of elevated volatility may continue, we see pockets of opportunity in areas with underlying economic strength that are being overlooked by investors.

The underlying theme for U.S. equity markets to start the year has been that value-oriented stocks with pricing power, such as those within the energy, utilities, or consumer staples sectors, have been the place to allocate and have materially outperformed growth-oriented secular stocks (defined as stocks that are taking market share from legacy companies, and thus are less sensitive to short-term economic output). In fact, the most recent quarter marks the fourth consecutive quarter small growth has been the worst performing style within U.S. equity markets. We have rarely experienced a similar period of sustained large-cap versus small-cap or small-value vs. small-growth outperformance, which appears to have been driven by sentiment and multiple expansion and contraction to a large extent rather than by fundamentals. In our opinion, this makes small growth very attractive relative to other segments of the market. It's also good to remember that over the longer term, growth-oriented stocks have continued to shine across market caps, with the Russell 3000® Growth Index[6] outperforming the Russell 3000® Value Index[7] over 3, 5, 10, and 15 years.

Although we expect this cyclical versus secular and large-cap versus small-cap tug-of-war to continue, we believe the longer-term outperformance of growth versus value, which has been supported by stronger underlying fundamentals, will come back. Technology-oriented growth companies have excelled and were largely insulated from the economic slowdown that took place in 2020 relative to more traditional value companies within the industrial, financial, and materials sectors. Although it appeared that growth stocks were perhaps a bit ahead of themselves from a relative valuation standpoint at the depths of the economic slowdown, this is no longer the case.

We believe the current underperformance of companies that are materially better off over the secular horizon, given their potential to take market share, will allow small growth stocks to catch up to their small value and large growth brethren. It appears that we are 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. This may have forever changed how people work, shop, and communicate from home—things people now take for granted even as we (hopefully) exit the strange economic environment caused by the pandemic.

Investment Strategy

The RS Small Cap Growth Strategy (the "Strategy") 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 Strategy 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 two research analysts, serve as sector specialists and are supported by three 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 RS Small Cap Growth Strategy returned -16.64% gross (-16.83% net) for the three months ended March 31, 2022, underperforming the Russell 2000® Growth Index,[1] which returned -12.63%. Strategy performance relative to the benchmark was negatively impacted during the quarter by stock selection in the Technology, Consumer Discretionary, Materials & Processing, and Financial Services sectors; stock selection within the Health Care and Consumer Staples sectors offset a portion of the underperformance. This period's relative performance in part reflects the continued underperformance of secular growth stocks as small growth, as defined by the Russell 2000® Growth Index, was the worst performing style within U.S. equity markets for the fourth consecutive quarter, returning -12.63%, while large value, as defined by the Russell 1000® Value Index, was the best performing style within U.S. equity markets, returning -0.74%. We believe the continued 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, 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). While small-cap growth stocks continued to underperform small-cap value stocks during this period, with the Russell 2000® Growth Index returning -12.63% vs. -2.40% for the Russell 2000® Value Index, small-cap growth stocks have outperformed their small-cap value counterparts over 5, 10, and 15 years as of March 31, 2022, per Russell.

Top Detracting Sector: Technology

Within the Technology sector, the largest driver of underperformance was Information Technology holding Avaya Holdings Corp. (2.47% ending weight). Avaya is a global business communications company that we initially allocated to following their partnership with RingCentral that provided them with a strong position in the Unified Communications as a Service (UCaaS) space. Avaya collects royalties from their partnership with RingCentral in return for providing RingCentral with access to their large existing client base, resulting in higher margin revenue and long-term growth prospects. Unfortunately, Avaya reported a disappointing quarter with revenues slightly below guidance and EBITDA that was materially less than expected. The revenue miss was attributed to $10 million worth of deals that were pushed out past year-end due to Omicron and $20 million of point-in-time revenue from a very large deal that will now be recognized over the next few years, as the customer elected to go with a cloud solution. We remain upbeat on demand and future sales, and thus continue to hold the position.

Top Contributing Sector: Health Care

The largest driver of relative outperformance within the Health Care sector was Health Care Services holding HealthEquity Inc. (1.98% ending weight). HealthEquity provides a range of solutions for managing healthcare accounts for health plans, insurance companies and third-party administrators. The stock was acquired given the need to manage rising costs within healthcare, strong secular demand for Health Savings Accounts, the company's strong technology platform, and first mover advantage within this space. The stock performed exceptionally well after the company reported the latest quarter's results, an improvement in industry trends that point to margin expansion and visible upside on the cash held if the Fed continues to hike rates.

Market and Strategy Outlook

Given the global impact of the virus and the Russian invasion of Ukraine on corporate fundamentals, fiscal/monetary response, global logistics, inflation, consumer behavior, and societal norms, we believe investors should expect all companies to feel some level of direct and indirect effects over the next few quarters and years. As a result, global equity markets are likely to experience higher levels of volatility (both to the upside and downside) and divergence as new companies emerge, and others struggle to retain their previous leadership. We feel this will create an abundance of opportunities across sectors, industries, and markets in coming quarters and years as the economy and markets transition and recover.

We do not have a clear view or projection as to how large or prolonged any impact from the coronavirus or Ukraine invasion will be given the uncertainty regarding the continued unfoldment of events abroad and the resulting economic impact, politicization, and the potential scale of incremental or contractionary fiscal and monetary stimulus, but we do believe there are clear pockets of the economy that remain better positioned than others to adjust to any future state given the ability of their workers to remain productive and end-customer demand to remain steady irrespective of the forward economic environment.

Within the growth universe, the current opportunity set appears especially pronounced for secular growth companies, rather than those more cyclical in nature, given the continued strength in underlying fundamentals and relative underperformance by secular growth companies since early November of 2020, when market leadership abruptly shifted from companies with better long-term sustainable growth opportunities to areas that had been more challenged by COVID-19 or that could benefit from inflationary pressures experienced over the past year. As a result, we believe we can now allocate to companies with clear paths of outsized growth with much improved relative valuations as compared to fall of 2020.

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

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Sector Allocation (Representative Account)[8]
As of March 31, 2022

Sector	% of Portfolio
Health Care	25.5%
Technology	22.4%
Consumer Discretionary	17.7%
Financial Services	9.3%
Producer Durables	8.4%
Materials & Processing	4.6%
Energy	3.0%
Utilities	2.8%
Consumer Staples	2.7%
[Other / Cash]	3.6%

Top 10 Holdings (Representative Account)[9]
As of March 31, 2022

Holding	% of Portfolio
Varonis Systems, Inc.	3.09%
MACOM Technology Solutions Holdings, Inc.	2.88%
Advanced Energy Industries, Inc.	2.78%
Evoqua Water Technologies Corp.	2.76%
Avaya Holdings Corp.	2.47%
WNS (Holdings) Limited Sponsored ADR	2.31%
Inspire Medical Systems, Inc.	2.23%
Surgery Partners, Inc.	2.06%
HealthEquity Inc.	1.98%
e.l.f. Beauty, Inc.	1.93%

Composite Performance
Average Annual Returns as of March 31, 2022

RS Small Cap Growth Composite	First Quarter 2022	1-Year	3-Year	5-Year	10-Year	Since Inception (11/30/87)
Gross of fees	-16.64%	-23.03%	5.99%	11.12%	12.61%	14.26%
Net of fees	-16.83%	-23.72%	5.04%	10.09%	11.63%	12.78%
Russell 2000® Growth Index[1]	-12.63%	-14.33%	9.88%	10.33%	11.21%	9.16%

Returns include reinvestment of dividends and capital gains. Performance returns for periods of less than one year are not annualized. Please keep in mind that any high double-digit returns are highly unusual and cannot be sustained.

Performance quoted represents past performance and does not guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value.

Returns are expressed in U.S. dollars. Composite returns are net of transaction costs and net of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns are calculated by deducting one-twelfth of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part II of its Form ADV.

Index returns are provided to represent the investment environment during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains. Index returns do not include transaction costs, management fees or other costs. Non-US indices are net of withholding taxes, if any.

Performance may have been meaningfully impacted by investments in initial public offerings (IPOs). There is no guarantee that any positive impact on performance will be repeated or that the strategy will participate in any future 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® 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 higher price-to-book ratios and higher forecasted growth values.

3 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.

4 The Russell 2000® Value Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2000® Index with lower price-to-book ratios and lower forecasted growth values.

5 The Bloomberg U.S. Aggregate Bond Index is generally considered to be representative of U.S. investment grade bond market activity.

6 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.

7 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.

8 The Representative Account 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.

9 Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

The opinions are those of the authors as of the date indicated 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 RS Small Cap Growth Composite invests principally in equity securities of small-capitalization growth companies. The benchmark is the Russell 2000® Growth Index. The composite was created in November 1987.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines, and other factors. The representative account is believed to most closely reflect the current portfolio management style.

Victory Capital claims compliance with the Global Investment Performance Standards (GIPS®). To receive a presentation that complies with the requirements of GIPS® standards, please go to www.vcm.com.

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