VICTORY RS SMALL CAP EQUITY FUND
QUARTERLY COMMENTARY

RS Investments® A VICTORY CAPITAL® INVESTMENT FRANCHISE

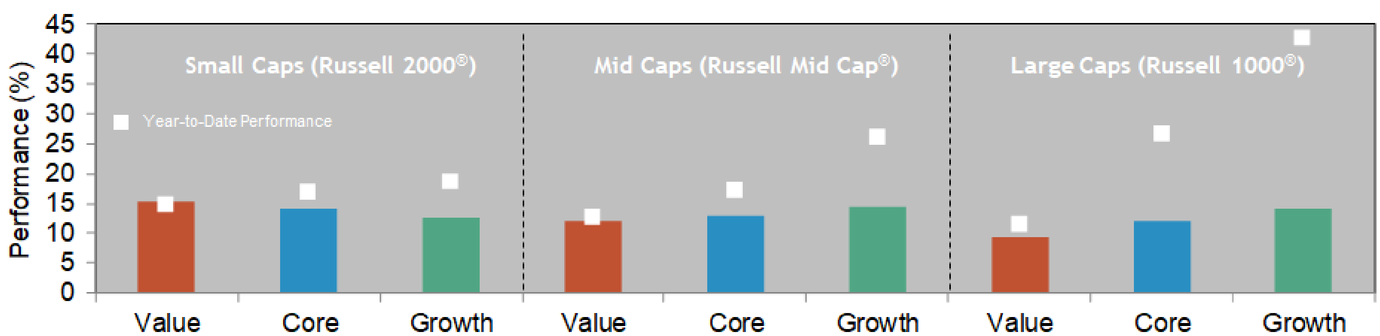
As of December 31, 2023

Quarterly Highlights

- The Victory RS Small Cap Equity Fund (Class A Shares, without sales charge) returned 7.69% for the three months ended December 31, 2023, underperforming the Russell 2000® Growth Index,[1] which returned 12.75%.
- Fund performance was negatively impacted during the quarter by stock selection in the Health Care, Producer Durables, and Financial Services sectors; stock selection within the Consumer Discretionary and Technology sectors offset a portion of the underperformance.
- This period's absolute performance was hindered in part by the relative performance of secular small-cap growth stocks as small growth, as defined by the Russell 2000® Growth Index, underperformed large growth, as defined by the Russell 1000® Growth Index,[2] 12.75% vs. 14.16%.
- We believe the multi-year 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 ratio, 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).

Market Performance / Fundamentals Snapshot

Q4 2023 Market Performance



Value = Russell 2000® Value Index
Core = Russell 2000® Index
Growth = Russell 2000® Growth Index

Value = Russell Midcap® Value Index
Core = Russell Midcap® Index
Growth = Russell Midcap® Growth Index

Value = Russell 1000® Value Index
Core = Russell 1000® Index
Growth = Russell 1000® Growth Index

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

After a rocky start to the fourth quarter in October, investors came to the conclusion that the rate-hike cycle was drawing to a close. With that prospect, equity markets rallied strongly and ended the year on a positive note. Corporate earnings and economic growth continued to surpass expectations, while many measures of inflation moderated. With inflation fears in the rearview mirror, equities rallied and delivered strong absolute returns in November and December. Interestingly, we did see a shift in market internals as cyclical and defensive areas gave way to longer-duration growth stocks. We believe this may be the beginning of a true change in leadership and a harbinger of things to come.

The general sense of optimism was clearly evident in the broader market as the S&P 500® Index[3] rallied 11.69% during the fourth quarter, bringing the full-year gains to 26.29%. This is quite the rebound from a disappointing 2022. Importantly, growth stocks across capitalizations rebounded sharply this past year as well. Large-cap growth was the story for much of the year with the proverbial Magnificent Seven garnering much media attention, though other growth sectors also participated even as they received less fanfare. Large-cap growth stocks, as measured by the Russell 1000® Growth Index, rose 14.16% during the fourth quarter and 42.68% for the full year, the strongest in many years.

Late in the year, the rally broadened out further to include more small- and mid-cap names. Small-cap growth stocks, as measured by the Russell 2000® Growth Index, returned 12.75% during the fourth quarter, pushing the index to a solid 18.66% return for the full year. Meanwhile, the Russell Midcap® Growth Index[4] delivered returns of 14.55% during the fourth quarter and 25.87% for the full year.

Although we definitely appreciate the improved sentiment and interest-rate outlook, we also acknowledge that valuations of many large-cap growth stocks may have gotten ahead of themselves. As a result, smaller-cap stocks, especially within the small-cap growth style box, may appear especially attractive when compared to other market segments, in our opinion. Despite the recent challenges of the rising rate-hike cycle, many well-funded and well-run smaller-cap growth stocks have been resilient in the face of rising rates when analyzed by their underlying fundamentals. Our team is intensely focused on identifying potential opportunities within the secular growth investment universe, and we believe many of these are priced attractively compared to the broader market.

Moreover, we believe that the multi-year underperformance of some smaller and mid-sized growth companies positions them favorably over the long term from a valuation standpoint, thus creating a setup to potentially outperform many other segments of the market. We are convinced that we are still in the early stages of a secular shift that is transforming how consumers, businesses, and employees interact, especially after witnessing extensive technological advancements and acceptance during the initial stages of the pandemic. What once were upstart innovative products and services have become mainstream and standard operating procedure for many companies. Furthermore, new emerging technologies such as artificial intelligence are poised to have a significant impact in the years ahead, particularly among growth-oriented investment styles.

Investment Strategy

The Victory RS Small Cap Equity Fund (the "Fund") 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, we believe, 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 Fund is led by the team's chief investment officer, Scott Tracy, supported by portfolio managers Steve Bishop, Melissa Chadwick-Dunn, Chris Clark, and Paul Leung. Scott Tracy is responsible for capital allocation decisions within the Fund, supported by the five co-portfolio managers as well as three research analysts, serving as sector specialists and 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 Victory RS Small Cap Equity Fund (Class A Shares, without sales charge) returned 7.69% for the three months ended December 31, 2023, underperforming the Russell 2000® Growth Index, which returned 12.75%.

Fund performance was negatively impacted during the quarter by stock selection in the Health Care, Producer Durables, and Financial Services sectors; stock selection within the Consumer Discretionary and Technology sectors offset a portion of the underperformance.

This period's absolute performance was hindered in part by the relative performance of secular small-cap growth stocks as small growth, as defined by the Russell 2000® Growth Index, underperformed large growth, as defined by the Russell 1000® Growth Index, 12.75% vs. 14.16%.

We believe the multi-year 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 ratio, 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).

Top Detracting Sector: Financial Services

One of the larger areas of underperformance within the Financials sector was driven by Flywire Corporation (5.07% ending weight), a provider of payment solutions and software to the education, travel, and health care verticals. We like Flywire because of its dominant market position in education and think that they have a lot of market share to gain in travel and health care to create a massive revenue opportunity for the company. Flywire has been executing well and beating analysts' estimates handily since their IPO, but fell a little short of lofty expectations in Q3 on the revenue side, while still beating EBITDA estimates. Revenue growth for the year was left intact and 2024 looks bright, and as such we have held the position. We believe that the company will continue to grow rapidly for many years in the three verticals, while expanding margins, cash flow, and earnings at a greater pace.

Top Contributing Sector: Consumer Discretionary

Within the Consumer Discretionary sector, the largest driver of outperformance was apparel company Abercrombie & Fitch (0.47% ending weight). Abercrombie & Fitch is experiencing a renaissance in their brand and as such has been appealing to a younger demographic in a post-Covid, more casual, less flashy apparel environment. Younger consumers are resonating with Abercrombie's subtle fashion style, affordable price points, and durability. After years of lagging metrics, the company has been executing well across multiple fronts: sales growth, margin improvement, inventory management, and return on capital, and investors are taking notice of the turnaround at Abercrombie & Fitch. The stock performed extremely well in Q4 as investors applauded these efforts with multiple expansion on top of increased earnings.

Market and Strategy Outlook

We are cautiously optimistic about the health of the domestic economy in 2024 and are excited about the prospect that the Federal Reserve is done hiking interest rates. While the full impact on the economy is as yet unclear, a healthy pullback in economic activity, if coupled with solid employment statistics, could augur a very favorable backdrop for growth stocks. We remain optimistic about the productivity of workers and consumers as well as the capital investment environment for businesses as we finish the year. Certain areas of the economy appear better positioned to adapt and grow, while company valuations vary significantly across styles.

In the current investment landscape, there is a notable opportunity for secular growth companies outside of the mega-cap growth category. Despite their relative underperformance since November 2020, smaller-cap secular growth companies have displayed continued strength in their underlying fundamentals. We expect this strength to persist, despite investors taking a pause on what

20240131-3355054

had been a steady bounce back through the second half of the year given better-than-expected execution and performance. Conversely, more cyclical companies may face headwinds as valuations have caught up to fundamentals after a strong run since late 2020.

Overall, while uncertainty remains, we believe that opportunities will emerge in sectors and industries that demonstrate resilience and sustained growth. We feel that secular growth companies within the growth universe are particularly attractive due to their strong fundamentals and potential for continued outperformance.

Thank you for your continued investment.

D. Scott Tracy, CFA	Steve Bishop	Melissa Chadwick-Dunn	Chris Clark, CFA	Paul Leung, CFA
CIO, Co-Portfolio Manager	Co-Portfolio Manager	Co-Portfolio Manager	Co-Portfolio Manager	Co-Portfolio Manager

---

Sector Allocation[5]

As of December 31, 2023

Sector	% of Portfolio
Producer Durables	21.61%
Technology	21.34%
Financial Services	18.37%
Health Care	13.24%
Consumer Discretionary	12.26%
Materials & Processing	5.00%
Energy	4.38%
Consumer Staples	0.93%
Utilities	0.00%
Cash / Other Assets and Liabilities	2.87%

Top 10 Holdings[6]

As of December 31, 2023

Holding	% of Portfolio
Chart Industries, Inc.	6.28%
Payoneer Global Inc.	5.76%
Skyline Champion Corp.	5.14%
Flywire Corp.	5.07%
MACOM Technology Solutions Holdings, Inc.	4.70%
Semtech Corporation	4.27%
Tecnoglass Inc.	3.57%
Q2 Holdings, Inc.	3.43%
Under Armour, Inc. Class C	3.40%
Shift4 Payments, Inc. Class A	3.27%

Performance

Annualized Returns as of December 31, 2023

Victory RS Small Cap Equity Fund (Class A – GPSCX)	Fourth Quarter 2023	1-Year	3-Year	5-Year	10-Year	Since Inception (5/1/97)
without sales charge	7.69%	7.27%	-14.55%	3.58%	5.34%	8.35%
with maximum sales charge (5.75%)	1.50%	1.12%	-16.22%	2.36%	4.72%	8.11%
Russell 2000® Growth Index[1]	12.75%	18.66%	-3.50%	9.22%	7.16%	7.29%

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns 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 returns for periods of less than one year are not annualized. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which Fund performance would have been lower. Other share classes are available.

The Fund's total gross/net annual operating expense ratio as of the most current prospectus for the Class A Shares is 1.31%/1.31%. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through April 30, 2024.

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 potential loss of principal. In addition to the normal risks associated with investing, investments in smaller 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. Technology companies may be adversely affected by economic downturns, short product cycles, aggressive pricing, market competition, and government regulation. 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. The Fund is also subject to liquidity risk, which is the risk that the Adviser may not be able to sell certain securities at an advantageous time or price, which may adversely affect the Fund. 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.

Performance may have been meaningfully impacted by investments in initial public offerings (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® 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.

3 The S&P 500® Index is a market-capitalization-weighted index designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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

5 The Fund's 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.

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

Index returns reflect the reinvestment of dividends and capital gains but do not include advisory fees, transaction costs, or other expenses. One cannot invest directly in an index.

Distributed by Victory Capital Services, Inc., an affiliate of Victory Capital Management Inc., the Fund's investment adviser.

V20.124 // 4Q 2023 Victory RS Small Cap Equity Fund COM

VictoryFunds®

Not FDIC Insured • May Lose Value • No Bank Guarantee