VICTORY SOPHUS EMERGING MARKETS FUND QUARTERLY COMMENTARY

Sophus CAPITAL
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of December 31, 2023

EXECUTIVE SUMMARY

Sophus Capital employs a disciplined, bottom-up approach utilizing both quantitative and fundamental processes to invest in companies that we believe have the potential for strong and sustainable earnings growth at attractive valuations, with revisions as the catalyst. By investing in companies with these characteristics, coupled with our risk-managed approach, we seek to provide consistent excess returns over time.

- The Victory Sophus Emerging Markets Fund (A-Share, without sales charge) advanced by 5.4% for the quarter, underperforming its benchmark by 250 basis points. The Fund outperformed by 120 basis points for the year.
- Global markets advanced in the fourth quarter, as the US Federal Reserve's signals for the easing of monetary conditions superseded greater global geopolitical uncertainty and worsening sentiment in China.
- As we look ahead to 2024, a confluence of geopolitical conflicts and tensions pose further risks to what is already a complicated global economic picture, in a record-setting year of elections in more than 70 nations. The outcomes of these elections will inevitably impact each country's respective fiscal outlook, but many will also bring implications beyond their borders to trade protectionism, climate control, immigration policy, and certainly geopolitics.
- Despite this backdrop, the setup for EM appears promising, thanks to a fading USD, lower rates, superior relative macro dynamics, and an earnings growth outlook with appealing valuation, all made more compelling by investor capitulation at the end of 2023, which allows room for incremental exposure.

PERFORMANCE RECAP

The Victory Sophus Emerging Markets Fund (A-Share, without sales charge) advanced by 5.4% for the quarter, compared to the MSCI Emerging Markets Index benchmark, up 7.9%. For the full year, the strategy advanced 11.0%, compared to the benchmark, up 9.8%.

Stock selection in Health Care served as the largest detractor to performance in the quarter, primarily driven by two holdings, Wuxi Biologics (Ticker: 2269 HK) and Wuxi AppTec (Ticker: 603259 CH). Wuxi Biologics is the third largest biological contract research organization (CRO) and contract development & manufacturing organization (CDMO) company globally, as well as one of only two fully integrated CDMO firms with operations spanning the very early stage of drug discovery to the final commercialization stage. Wuxi AppTec is the leading chemical and small molecule drug CDMO company in China. Underperformance was caused by a disappointing business update on current fundamentals, which impacted sentiment and caused broad-based price pressure on Chinese healthcare stocks.

Wuxi Biologics sold off sharply after the company cut earnings guidance for 2H23 and projected 1H24 to be the most challenging yet, before setting expectations of a turnaround in 2H24. Following this negative reaction, Wuxi Biologics announced plans to repurchase shares of up to US$600mn in the open market (~3.6% of their total outstanding shares), which is a positive development in support of the share price as well as investor confidence. We have spoken with management following the event and exited the position due to deteriorating outlook.

Industrials was another detractor to performance, driven by negative stock selection due to overweight positions relative to the benchmark in China Railway Group (Ticker: 390 HK), which offers transportation facility construction services, building railways, roads, tunnels, and bridges; Mexican airport operator Grupo Aeroportuario del Pacifico (Ticker: GAPB MM); and Turkey's leading low-cost airline Pegasus Hava Tasimaciligi Anonim Sirketi (Ticker: PGSUS TI). Each of these holdings came under pressure predominantly in response to unexpected country-level risk unfolding throughout the quarter.

We worry that the structural repricing of China risk persists despite policy measures that have ensured near-term stabilization, suggesting China's de-rating to be just that, structural, rather than a cyclical phenomenon, and consequently economic stabilization measures alone will not be enough to restore investor confidence in this market. While Turkey continued to move in the right direction in terms of macroeconomic policy, with higher interest rates and lower credit growth, restoring confidence in this marketplace will take time, for which a key risk remains whether the commitment to the tight policy mix can be maintained through the local elections in March 2024. On October 4, after the market close, the three Mexican airports (GAP, OMA, and ASUR) informed the market that they had received a notification by Mexico's Civil Aviation regulator (AFAC) about a change in tariff base regulation with immediate effect. This news came as a complete shock to the market and the companies, indicative of now elevated risk around regulatory uncertainty in Mexico.

From a country perspective, India detracted the most from performance due to a combination of allocation effect (being underweight) and negative stock selection, as evidenced by holdings like textile and men's branded apparel manufacturer Raymond (Ticker: RW IN) and ICICI Bank (Ticker: IBN US), one of the country's largest private banks. From a positioning standpoint this country represented our second largest active underweight, expanding over the course of the period as a result of profit-taking and valuation concerns.

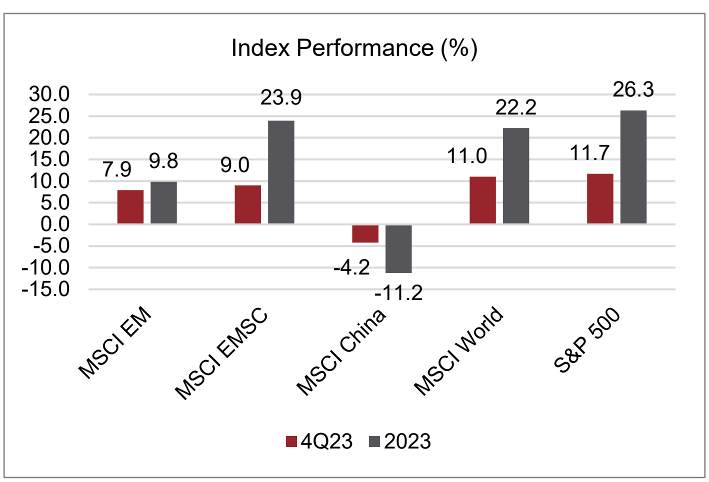
In mid-October, we received a tender offer directly from Magnit Investor Relations (Ticker: MGNT RM) detailing their desire to buy back up to 7.9% of outstanding shares. This correspondence came after successfully completing an original tender announced on June 16, 2023, to buy out local shares from international holders (intended to provide liquidity to shareholders who would like to monetize their investments in Magnit's securities).

We participated in this opportunity, tendering the Magnit shares in accordance with this offer, receiving USD at the end of the transaction. As we assigned a discounted fair value to Russian holdings since the start of the Russia-Ukraine war, the country contributed most positively to performance in the quarter. Stock selection in Consumer Discretionary was also a contributor to performance this quarter, driven by investments in Chinese e-commerce platform operator PDD (Ticker: PDD US) and Korean automobile manufacturer Kia (Ticker: 000270 KS). Underweight allocation in poor performers, like Chinese e-commerce platform Meituan (Ticker: 3690 HK) and fast-food restaurant operator Yum China (Ticker: YUMC US), was also beneficial.

The two largest contributors to performance were Meituan (which we did not own in the period) and PDD (which we held). While both companies are major players in the Chinese e-commerce market, they operate in different niches with very different business models. This fact became even more clear over the course of 2023. PDD is a fast-growing e-commerce platform focused on social commerce and group buying, offering a wide range of merchandise online including groceries, fashion, beauty, and electronics. PDD delivered the strongest earnings results among internet peers, the only company seeing both accelerating top-line growth and expanding margins. It also remains the only one making a real breakthrough in overseas initiatives (most notably, Temu in the US). The share price has rallied following strong earnings results, supported by the strong beat from Temu (which so far has been given zero value by the market), leaving room for positive revisions and significant multiple expansion ahead. For Meituan, the share price has floundered all year on a combination of slowing revenue growth, declining order value, and increasing competition pressures in an already challenging macroeconomic environment with regulatory pressure on both operations and margins.

MARKET OVERVIEW

Emerging Markets (EM) underperformed Developed Markets (DM) during the fourth quarter. The MSCI Emerging Markets Index advanced 7.9% vs. returns of +11.0% and +11.7% for the MSCI World Index and the S&P 500® Index, respectively. For the full year, the MSCI EM Index advanced 9.8%, versus the MSCI World Index (+22.2%) and the S&P 500® Index (+26.3%).



Source: MSCI, Sophus Capital

All regions ended the period in positive territory, as the US Federal Reserve paused its aggressive interest rate hiking campaign to bring inflation back to target. At the Federal Open Markets Committee (FOMC) meeting in December, Fed Chairman Jerome Powell signaled a sustained pause with expectations for interest rate cuts in 2024. As such, global markets have reflected a significant sentiment shift away from their previous positioning in anticipation of "higher-for-longer" monetary policy, recalibrating expectations to when central bankers will begin cutting rates again.

Latin America was the best performing region in the period, up 17.6%, with Peru (+23.5%), Mexico (+18.6%), and Brazil (+17.8%) up the most. Peru surged on easing monetary policy, a strong currency, and improving fundamentals reinforced by a package of stimulus measures aimed at boosting investments, particularly in the country's critical mining sector. The MXN gained 2.7% vs. the USD in the fourth quarter, accentuating what has proven to be a resilient investment boom driven by nearshoring in the North and public infrastructure investment in the South. Mexico has been gaining market share in US imports, recently surpassing China and Canada. A soft landing scenario in the US, coupled with the ongoing nearshoring theme, offers upside risk to an intensification of political noise and/or any large fiscal impulse ahead of elections next year.

Brazilian markets continued to benefit from improving discussions concerning government revenue measures and the positive signal that the fiscal target for the following year would be preserved, all further buoyed by the current interest rate easing cycle. For Brazil, 2023 was marked by the approval of a new fiscal framework. As we turn to 2024, the country remains attractive as it offers ample room for interest rate cuts, discounted valuation, and a stabilization of the political environment since Lula took office.

Eastern Europe, Middle East, and Africa (EEMEA) remained strong in the fourth quarter, up 8.3%. Poland (+38.0%) was the top performer in the region due to a strong market-friendly outcome for the parliamentary elections in mid-October, which ended with the opposition parties (KO, TD and Lewica) winning enough seats to swing the balance of power. Polish Prime Minister Donald Tusk and his coalition partners won Poland's national election, pledging to restore rule of law and democratic values, effectively reestablishing ties with the EU and unlocking subsequent funding once more. Equity markets reacted strongly to this result, with the Zloty (PLN) appreciating 11.1% on the quarter, as EU funding remains an essential component for Poland to resume strong economic growth in the year ahead.

Turkey (-12.2%), on the other hand, faced profit-taking during the period as investors weighed a big structural shift (based on a credible mix of monetary and fiscal policies) against concerns around the execution of the policy mix, whether tightening will be sufficient to make TRY assets attractive to nonresidents, and (most importantly) if politics can inevitably reverse all the progress that has been achieved so far.

20240118-3324497

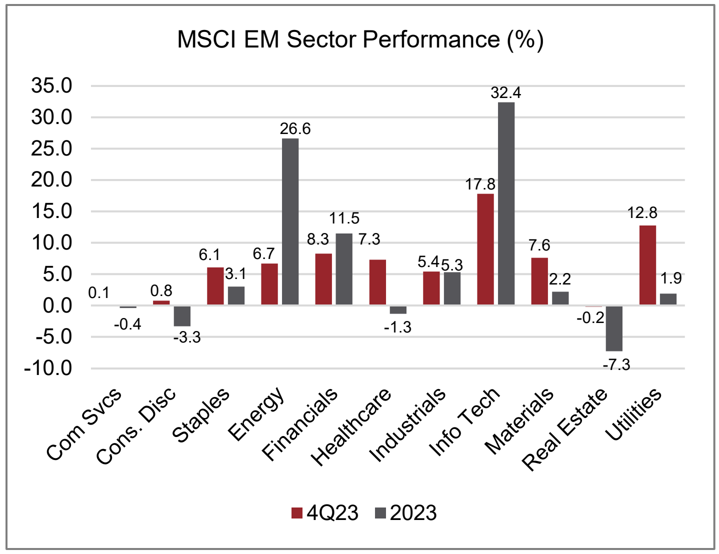
Other notable performers across EEMEA include South Africa (+12.4%) and Saudi Arabia (+8.5%). The latter traded on expectations for structural improvement given energy reforms and firm investment growth underpinning Vision 2030. A move to higher inflation, rapid and extensive rate hikes, and a low output profile were mainstays of the South African macroeconomic backdrop in 2023. Whereas for Saudi Arabia, strong growth in private consumption and government spending only partially offset the large negative contribution coming from net exports that stemmed from voluntary oil production cuts.

Asia also performed well in the fourth quarter, up 6.7%, as broader-based strength from Taiwan (+17.4%), South Korea (+15.3%), and India (+11.9%) proved enough to offset weakness from China (-4.2%). Taiwan was one of the best performing markets in 2023 (+30.4%), rallying in January on expectations of an earnings recovery, then again in May/June due to the artificial intelligence (AI) theme, and then in November thanks to a combination of positive macroeconomics, AI, and geopolitics. While Taiwan heads into presidential and parliamentary elections on January 13, many anticipate the market will remain resilient after this election overhang is removed. Korea benefited from indications of the memory sector's turnaround following supply cuts by producers, leading to faster inventory digestion and price recovery, as well as from strong AI-related demand. Positive opportunities remain in the new year for both countries, such as growing AI demand, improving US data, stabilizing exports, and the peaking of rate-hike cycles.

India remains a clear beneficiary of continued sentiment around shifting supply chains away from China amid geopolitical tensions thanks to its large domestic market, low trade dependency, relatively high monetary sovereignty, and domestic structural reforms. The biggest headwind on the horizon for India is the presidential election next year, as a change in power could trigger a regression from the advancements made by the current Modi administration. Political continuity will be crucial to the investment thesis. Valuations are also expensive, which remains a concern.

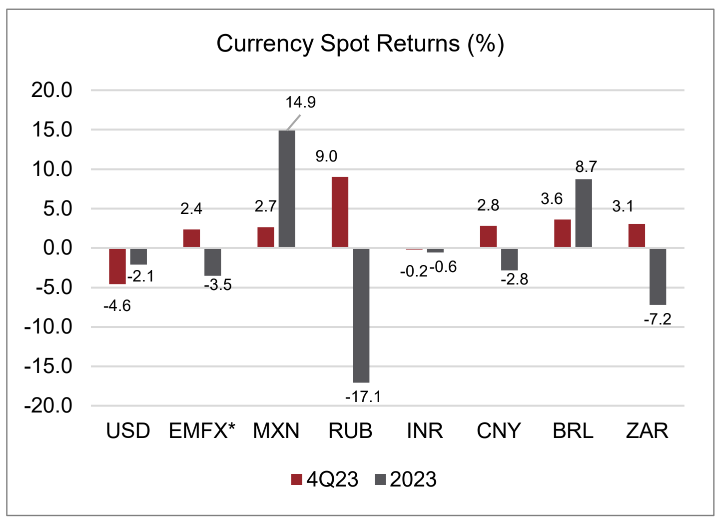
China's economy remains stuck in a rut, with a weak property market, muted consumption, low private sector capital expenditure, net negative foreign direct investment (FDI), and low confidence. Indeed, business sentiment in China is at an all-time low due to a series of regulatory decisions taken by the Chinese government starting in the summer of 2018, which had been uncharacteristic of the predictable regulatory framework under which the Chinese private sector flourished over the prior 15 years. Ultimately, the key issue facing China is its high national saving rate (45%) and inability to stimulate consumption.

China has continued to avoid material stimulus measures, with Beijing's focus remaining on incremental easing even though nominal GDP growth has been running below real GDP growth. Effectively, this forces China into a perpetual cycle of investment and exports, distorting real estate while creating global overcapacities. Despite geopolitical tensions, deteriorating US-China relations, and the diversification of supply chains away from China, trade surplus has risen, reflecting its increased exports to the Global South even as FDI into China has turned negative.



Source: MSCI, Sophus Capital

The spike in global inflation in 2023 resulted from three factors: supply chain issues, geopolitics/commodity shocks, and fiscal spending, which also had the unintended consequence of improving labor's bargaining power. In aggregate, these three forces significantly dissipated over the course of the fourth quarter, a trend which many expect to continue into 2024 on a global basis. The USD weakened steadily over the fourth quarter as a result of cooling inflation in the US, which has only increased expectations for a Fed policy pivot. Increased Fed easing expectations should be bearish for the USD and therefore positive for Asia and other EM equities. Central banks will have more room to cut rates in these countries due to earlier and faster rate hikes early in the pandemic crisis, and in many cases less overt fiscal stimulus packages. Any recoveries in global manufacturing and/or China's economy would also support global growth expectations, presenting further near-term USD headwinds.



Source: Bloomberg, Sophus Capital
*EMFX: J.P. Morgan Emerging Market Currency Index (EMCI) Live Spot

20240118-3324497

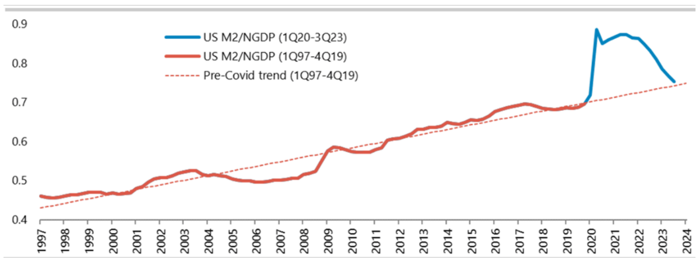
Commodities retreated in the fourth quarter of 2023, as illustrated by the Bloomberg Commodity Index falling by 4.6%. Brent oil finished the quarter down 19.2%, as concerns over rising global supplies persist, with the wider focus turning to a weaker demand outlook supported by recent macro data. While there remains significant value in energy, economic weakness may interfere with geopolitical and structural tailwinds, as was the case in much of the fourth quarter. Other commodities proved more muted/mixed performance-wise, with industrial metals up 0.2%, precious metals up 10.4%, and agricultural commodities down 0.3%.

Focusing on raw factor returns within the global Axioma risk model, Market Sensitivity and Profitability were the best-performing risk style factors in the fourth quarter, while Growth lagged. Risk style factors overall were a marginally negative detractor to the MSCI EM Index due to negative factor exposure to Market Sensitivity, as was Country (China and Korea most notably), whereas Currency (CNY, TWD, KRW, and BRL) factors had a positive impact.

OUTLOOK

In 2023, the US economy defied consensus expectations and averted a recession. One key explanation for this resilience is the base effect from the historic expansion in the monetary base in 2020, as reflected in the chart below of the US M2 to nominal GDP ratio, which remains 1.4% above pre-Covid trend. Indeed, the recent contraction in US M2 is the third-greatest contraction in broad money in the last 103 years. While it is low relative to the 1929-1933 period, it is very rare in postwar history for the US M2 to decline outright and something we note of importance and will continue to monitor.

US M2 to nominal GDP ratio



Source: Federal Reserve, Bureau of Economic Analysis, Jefferies

A Promising Setup for EM in 2024

Global headline inflation as reported by National Statistical Score and aggregated by Bloomberg and Citigroup has reduced considerably from the mid-2022 peak of around 7% to 2.5% in November 2023. This improvement has been driven by reduced pressures on goods sectors, in line with the rotation in consumer demand toward services and the healing in global supply chains. The US Federal Reserve has given a clear signal that it is done with its aggressive hiking campaign, even supporting expectations of a pivot to cutting rates in 2024.

EM resilience this year in the face of numerous global shocks and 500 bps of rate hikes has been remarkable. Low debt, high savings and a rapid pivot into the hiking cycle helped blunt the impact of the tightening. This in turn has allowed EM central banks to start cutting ahead of the US (Latin America first, followed by parts of Eastern Europe, with expectations that Asia will follow next). Together, the balance of leverage and savings suggests that risks to 2024 growth from subsequent easing are to the upside.

The US Dollar (USD) has broadly weakened over the past 12-month period, bottoming in July before rallying into September, and broadly declining since. The dollar remains overvalued, trading on the phenomenon that has been referred to as US exceptionalism, but also consistently inversely correlated with EM equity valuation. What goes up, must come down, and a Fed pause typically signals dollar weakness to follow.

EM boasts a superior EPS growth outlook, with the strongest lead indicators in 14 years and GDP growth at a 3-percentage-point positive differential over DM in 2024 forecasts. EM outperformed DM by 26% in 2016 through 2018 in very similar circumstances when the relative earnings growth profiles shot up for EM. EM equities are trading on 10.2x cyclically adjusted earnings, which is below the 10-year average of 10.7x. In contrast, US equities on a CAPE of 23.7x trade on over two times the valuation of EM, slightly less than one standard deviation above the 10-year average of 21.6x. This valuation discrepancy presents an appealing tailwind when paired with strong relative growth expectations.

Unprecedented Elections

A record proportion of the global population will go to the polls in 2024. Elections will span countries representing 73% of the global equity universe (MSCI ACWI weighting) and 54% of the MSCI EM (although 32% of EM weight is not democratic). Voting will occur in countries with differing democratic standards, governance, political rights, and civil liberties. For instance, Russian president Vladimir Putin recently announced the expected news that he would be running for reelection. This is largely viewed as a formality, as Putin's political opponents have been imprisoned, exiled, or poisoned.

While there are clear front-runners in most markets based on recent opinion polls, the closest calls in sensitive influential elections are anticipated in South Africa, Korea and Taiwan (although recent polls show Taiwan's DPP widening its lead). Irrespective of the outcome, history suggests market movements pick up most around election dates in each market as follows: India (1m after results announcements), Taiwan (-3m to +1m), Korea (-2m to +2m), Indonesia (4-5m before voting, and then 2-3m post first round coinciding with the second round). For some, like Mexico and South Africa in particular, the outcome of the US presidential election has historically affected their equity markets even more than domestic national elections. Both countries will face the additional pressure of their own presidential elections next year, potentially elevating volatility on domestic and geopolitical news flow.

VictoryCapital®

20240118-3324497

Diverging Economic Conditions:

Emerging and Developing Asia is expected to outperform the global economy in terms of growth, with the IMF projecting 5.5% growth from the region in 2024, compared to 3.2% globally. Within Asia, estimates range materially between the world's two most populous countries, with India expected to grow at 7.7% and China only 4.7% in the year ahead. This divergence in growth forecasts is the sum of several overarching factors.

Demographics: China and India remain on different trajectories in terms of their demographic outlooks, with major impacts expected on their markets. In terms of their working-age population (ages 15-64), India has a favorable demographic trend – rising and set to see a long plateau at a high level over the next two decades – while China has suffered a decline in its working-age population since the early part of the last decade.

Domestic Consumer Trends: Domestic consumption in China remains under pressure, falling well short of market expectations of a strong recovery in 2023 post Covid lockdown. This overhang has been exacerbated by ongoing weakness in the property market and Beijing's unwillingness to stimulate the economy more aggressively and incite consumer confidence and therefore broader market recovery. Quite the opposite by comparison, the Indian consumer is expected to remain buoyant at both the upper and middle class thanks to healthy income growth levels and benign inflation.

Economic Trajectory: India will be the third-largest economy in the world by 2027, with its share of global growth projected to rise to 18% by 2024E, up from 11% in 2019. From a regional comparison of debt to GDP, India has substantial room to run, and China is highly leveraged (mainly through LGFV and SOE debt).

Foreign Direct Investment: China FDI turned negative in 2023 for the first time in over 20 years. The contrast could not be starker, with India recording its third year of stock market outperformance in a regional and emerging market context, and total FDI inflow of $70.9bn last year.

India's momentum is accelerating following recent state elections, which came in better than expected for the BJP (Modi administration). China, on the other hand, is suffering from negative investor scrutiny of the centralized approach under Xi Jinping which inflicted multiple unexpected regulatory adjustments, the latest one being a surprise move to tighten restrictions on the videogame industry.

Key Areas to Monitor

US recessions usually predict a rally for EM equities. While the US escaped a predicted recession in 2023, a slowdown is inevitable. The type of landing achieved will make all the difference. Soft Landing – If the US achieves a soft landing, EM's strong base should provide plenty of policy space to support a stronger recovery without fearing a resurgence in inflation. Capital flows could surge. Broadly speaking, all regions should benefit, but EM Asia could offer the most compelling upside given its strong position vis-à-vis monetary policy as well as sound fundamentals given exposure to rewarding thematics like China plus One (the strategic initiative to diversify supply chains beyond China), Renewable Energy (EVs, Batteries, Solar, Lithium, etc.), and expectations of a tech cycle recovery aided by Artificial Intelligence. Hard Landing – Should the US fall into a recession, EM's resilience should buffer some of the shock to external demand and the rise in risk premium. Latin America (with its ample rate cushion) stands best positioned on this basis, while EM Asia would be most vulnerable in this scenario given its shallow rate protection. Capital flows would likely weaken but are unlikely to turn into large outflows (particularly given muted sentiment informing the relatively low base for positioning to end 2023).

The US has suffered two major crises in the last 20 years which impacted global capital markets. In the early 2000s, the crisis was driven by corporate debt, while the GFC began with mortgage debt and household leverage. US government spending is now equivalent to an unsustainable 44% of GDP. The interest expense on federal debt is a drag to GDP. Rising debt loads could cause: 1) higher trend inflation, with major consequences for asset allocation; 2) lower productivity growth as public debt crowds out private investment; and 3) a weaker US dollar as foreign and domestic investors opt for the stability of real assets.

Geopolitical risk was the most cited macroeconomic concern by 500 international institutional investors who were asked about their 2024 outlook by financial firm Natixis. The survey took place upon the onset of the Israel-Hamas conflict as well as the ongoing conflict in Ukraine, both of which have dampened investor optimism. In addition to these active conflicts are other concerning undertones simmering in the background: a chaotic US election; rising tensions with China, especially over Taiwan and trade; the fragmentation of the world economy; and growing cooperation between Russia, Iran, and North Korea.

Following the latest rout of regulatory oversight in China, this round centering on the videogame industry, we see two fundamental concepts as central to the investment case in China. First is the literal investability of China as a country, from a purely technical standpoint – liquidity, foreign exchange, tax implications, ownership rights, etc. Put simply, can we allocate capital in relatively short order, and can we repatriate said capital in a similarly reasonable amount of time? To this extent, the Chinese economy became only more investible in 2023, in keeping with the past 30 years of development, and the transition away from a heavily controlled economy, mostly in government hands, to the command economy that stands today.

Secondly, is the rule of law in China, as it pertains to financial markets, extending to both domestic and foreign participants? In order to responsibly invest in any country, we have to have confidence not only in the rules themselves governing participation, but also in the authorities enforcing said regulations – that their methods will be consistent and predictable, standardized rather than subjective. Herein lies China's biggest obstacle for foreign investment appetite: restoring investor confidence and fixing policy distortions to maximize sustainable growth. Yes, opportunities in this market remain. But so too does the country risk in China, which is high and continues to rise, as one could argue it has done for the past 5-6 years, when we started to see the first round of regulatory pressure aimed at gaming, drugmakers, and education technology players; expanding since then to encapsulate platform/internet names, other areas of education, health care more broadly, and gaming most recently. Trust on both fronts must be restored if FDI is to return to the mainland.

VictoryCapital®

20240118-3324497

For India, historic valuations present challenges for all investors at the current levels, which are made only more difficult by the threat of internal political risk. We view both as key risks to monitor, with long-standing ethnic and religious undertones potentially exacerbated by socioeconomics due to depressed rural income as agricultural output/recovery has been delayed by poor crop yields because of the current El Niño effect. Ultimately, when considered against the backdrop of China, India stands as a beacon of possibility with attractive demographics, strong investment inflows, and a solid macroeconomic cycle. But just as democracy invites debate, so too does it unavoidably incite delay, and early progress reports on Modi's administration suggest his great plans and powerful rhetoric have yet to translate into real change on the ground, a hard truth the market tends to overlook, but certainly a risk not currently reflected in valuations in India.

In the end, the most fundamental reasons to maintain dedicated exposure to emerging markets are the most obvious ones: EMs account for 86% of the world's population and generated 62% of the world's nominal GDP growth in purchasing power parity (PPP) terms over the past ten years.

As always, we continue our search for sustainable, attractive earnings growth, while monitoring geopolitical risk. We continue to note the higher need to factor in sovereign risk to investment opportunities at the country and sector levels of our selection process.

We thank you for your continued support.

Sincerely,
The Sophus Emerging Markets Team

Region Allocation	% Fund
Asia	73.66
Latin America	14.56
EEMEA	10.39

Top Ten Holdings	% Fund
Taiwan Semiconductor Manufacturing Co., Ltd.	8.38
Samsung Electronics Co., Ltd.	5.89
Tencent Holdings Ltd.	4.60
Alibaba Group Holding Limited	3.43
ICICI Bank Limited Sponsored ADR	2.89
PDD Holdings Inc. Sponsored ADR Class A	2.31
Grupo Financiero Banorte SAB de CV Class O	1.76
Petroleo Brasileiro SA Sponsored ADR	1.64
Industrial and Commercial Bank of China	1.56
PT Bank Mandiri (Persero) Tbk	1.51

Top 5 Contributors (%)	Contribution to Relative Return
Meituan	0.41
PDD Holdings, Inc.	0.32
Magnit PJSC	0.29
Grupo Financiero Banorte SAB de CV	0.20
Itaú Unibanco Holding SA	0.17

Top 5 Detractors (%)	Contribution to Relative Return
Wuxi Biologics (Cayman) Inc.	-0.27
Baidu, Inc. Class A	-0.25
MINISO Group Holding Ltd.	-0.23
Alibaba Group Holding Limited	-0.23
MediaTek Inc	-0.20

Investment Performance (%)

Average Annual Returns as of December 31, 2023

Victory Sophus Emerging Markets Fund (Class A – GBEMX)	Q4 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (5/1/97)	Expense Ratio Gross	Expense Ratio Net
A Shares, without sales charge	5.42	10.97	10.97	-6.26	3.40	2.35	5.90	1.63	1.34
A Shares, with sales charge (max. 5.75%)	-0.65	4.61	4.61	-8.10	2.19	1.74	5.67	1.63	1.34
MSCI Emerging Markets Index (Net)	7.86	9.83	9.83	-5.08	3.68	2.66	–	–	–

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, 2024.

VictoryCapital®

20240118-3324497

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.

Not all share classes are available to all investors.

All investing involves risk, including the potential loss of principal. In addition to the normal risks associated with investing, 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 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. Companies in the consumer discretionary sector are subject to the performance of the overall international economy, interest rates, competition and consumer confidence. Success depends heavily on disposable household 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. Information technology companies are particularly vulnerable to rapid changes in technological product cycles, severe competition and government regulation. The Fund may frequently change its holdings, resulting in higher fees, lower returns, and more capital gains. 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.

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 Emerging Markets Index is a free-float-adjusted market-capitalization-weighted index designed to measure equity market performance in the global emerging markets.

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

V17.095 // 4Q 2023 SOP EM Fund COM