

Executive Summary

- Investment grade convertibles performed very well during the first quarter, providing positive results during a down stock market. For the quarter, the ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (the "Constrained Convertible Index") (VX5C) rose 2.18%, while the ICE BofA Investment Grade U.S. Convertible Index (the "Unconstrained Convertible Index") (VXA1) gained 2.38%.
- The Victory Investment Grade Convertible Fund (Class A shares without sales charge) underperformed the Constrained Convertible Index (VX5C) and the Unconstrained Convertible Index (VXA1) in the first quarter.
- Historically, convertible returns have closely matched or even exceeded equity returns over the long term, with lower volatility.
- We believe that investment grade convertibles are well positioned in a period of economic uncertainty. With stock valuations at elevated levels, the yield and defensive characteristics of convertibles have increased in importance.

Market Review

Markets began the new year building on the previous year's stock market gains, but stock momentum worsened as the quarter progressed, eventually turning into losses. Encouraged by favorable inflation news and strong bank earnings, stocks rose nearly 3% in January as measured by the S&P 500® Index. In February, stocks gave back about half of January's gains after spending much of the month in the black. The threat of imminent tariffs caused early February volatility before some apparent backtracking on the subject, as well as hopes for a resolution to the Ukraine war, spurred a mid-month rally. Stocks hit a peak on February 19, after which they began to retreat due to weaker economic data which was accentuated by gloomy sales guidance out of Walmart. Further tariff threats and a tech sell-off pushed stocks sharply lower later in the month. Fear and uncertainty regarding sweeping tariff implementation as well as new signs of a weakening economy battered stocks in March, leading to a 5.63% drop in the S&P 500® Index. Stocks dropped right out of the gate as the U.S. imposed 25% tariffs on Canadian and Mexican goods. This action on tariffs was later granted a one-month reprieve, but the damage was already done. Stocks dropped further after President Trump declined to rule out a recession, which contributed to both the S&P 500® Index and the Nasdaq 100® Index falling into correction territory. Stocks reached their low point on March 13 before beginning a two-week rally driven by a budget resolution to avoid a potential government shutdown, and later by Federal Reserve post-meeting comments that comforted investors. Stocks again sold off late in the month as tariff talk intensified. For the quarter, stocks as measured by the S&P 500® Index declined 4.27%, while lower interest rates led to a 2.78% gain in bonds as measured by the Bloomberg U.S. Aggregate Total Return Index.

First Quarter Convertibles

Investment grade convertibles performed very well during the first quarter, providing positive results during a down stock market. For the quarter, the ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (the "Constrained Convertible Index") (VX5C) rose 2.18%, while the ICE BofA Investment Grade U.S. Convertible Index (the "Unconstrained Convertible Index") (VXA1) gained 2.38%. The Utilities and Real Estate sectors contributed the most to returns, followed by Industrials. The Financials and Consumer Discretionary sectors subtracted from returns. Top individual index performers included Welltower, Inc., WEC Energy Group, and Uber Technologies. Bottom performers included Apollo Global Management, Ares Management, and Booking Holdings.

Portfolio Performance

The Victory Investment Grade Convertible Fund (Class A shares without sales charge) underperformed the Constrained Convertible Index (VX5C) and the Unconstrained Convertible Index (VXA1) in the first quarter. Absolute performance was led by the Utilities and Real Estate sectors. The Financials and Industrials sectors subtracted the

most from returns, followed by the Consumer Discretionary and Information Technology sectors. Relative performance was hurt by underweights in Utilities and Real Estate and by negative security selection in Industrials. Relative performance was helped by positive security selection in Financials. Top performing individual convertibles included Welltower, Inc., Uber Technologies, Ventas Realty, and PPL Corp. Bottom performers included Parsons Corp., Apollo Global Management, Ares Management, and Booking Holdings.

Portfolio Characteristics

We strive to invest in high-quality convertibles with attractive underlying common stocks. We structure our portfolios by spreading our holdings across the three types of convertibles: 1) equity-sensitive, high-delta convertibles; 2) total return, middle-of-the-road convertibles; and 3) fixed income-oriented convertibles. This structure provides a balance between upside participation during good markets and downside protection during bad markets.

The holdings in the Strategy portfolio have an average current yield of 2.9%, a delta (sensitivity to common stock) of 46%, and an average credit rating of BBB. The Constrained Convertible Index (VX5C) yields 3.5% and has a delta of 54% and an average credit rating of BBB. The holdings are diversified across all economic sectors. Compared to the Constrained Convertible Index (VX5C), we maintain an overweight in the Consumer Discretionary, Health Care, Information Technology, and Industrials sectors. We maintain an underweight in the Financials, Utilities, and Real Estate sectors. We maintain approximately neutral exposure to other sectors.

Buy & Sells

During the first quarter, we initiated a position in a new issue mandatory convertible preferred by alternative asset management company KKR & Co. We added to recent new issues from Capital Southwest, Digital Realty, and Ares Management. Capital Southwest is a Texas-based business development company (BDC) providing debt and equity capital to a variety of companies. Digital Realty is a REIT specializing in technology-related properties. Like KKR & Co., Ares Management is an alternative asset management company. We also continued to add homebuilder Meritage Homes Corp. We swapped portions of both NextEra Energy and Akamai Technologies for similar issues with longer maturities. We trimmed positions in Booking Holdings and Southwest Airlines. Finally, we eliminated positions in Euronet Worldwide and Flagstar Financial.

Outlook

We believe that investment grade convertibles are well positioned in the current period of economic uncertainty. With stock valuations at elevated levels, the yield and defensive characteristics of convertibles have increased in importance.

Real GDP grew at an above-expectation 2.8% rate in 2024, but we believe growth may slow in 2025. A dichotomy is developing between recent soft economic data, such as consumer confidence, that has deteriorated since year-end and hard economic data, such as durable goods orders, that has remained more robust. Economists, including officials at the Federal Reserve, have been lowering their GDP expectations since year-end.

The latest Bloomberg survey of economists shows a forecast of 2.0% GDP growth in 2025. Furthermore, we believe the likelihood of recession has increased since year-end partially due to the uncertainty brought about by the implementation and timing of tariffs.

The Fed held rates steady at their March meeting but indicated one to two rates cuts were likely during the remainder of the year. Inflation has been trending lower over the past several months but remains a concern. Many believe that the addition of tariffs introduces the potential for higher and more uncertain inflation numbers.

Last year's economic growth and robust tech results continue to push up S&P 500® Index earnings. Forecasts of slower economic growth have had little effect on earnings at least so far. Bloomberg's survey of strategists indicates a median S&P 500® Index EPS forecast of \$270 in 2025, putting the index at close to 21 times earnings based on its quarter-end closing level of 5612. Healthy earnings growth could drive returns in 2025; however, elevated valuation levels may limit upside potential. A repeat of the stellar stock returns experienced over the past two years appears unlikely.

Historically, convertible returns have closely matched or even exceeded equity returns over long periods, with lower volatility. In general, convertibles have tended to underperform stocks in bull markets, outperform stocks in bear markets, and provide competitive returns in normal markets. In addition, their lack of perfect correlation to either the stock or the bond market makes them a worthy addition to balanced portfolios.

Investment Performance (%)

Average Annual Returns as of March 31, 2025

Victory Investment Grade Convertible Fund	Ticker	Inception Date	Q1 2025	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Expense Ratio Gross	Expense Ratio Net
A Shares, without sales charge	SBFCX	4/14/88	-0.77	-0.77	5.49	1.66	8.47	6.47	7.35	1.25	1.25
A Shares, with sales charge (max. 2.25%)	SBFCX	4/14/88	-2.98	-2.98	3.15	0.89	7.98	6.23	7.29	1.25	1.25
I Shares	VICIX	8/31/07	-0.71	-0.71	5.83	1.94	8.84	6.88	5.92	0.94	0.94
ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (VX5C)	–	–	2.18	2.18	11.53	4.54	10.18	–	–	–	–
ICE BofA Investment Grade U.S. Convertible Index (VXA1)	–	–	2.38	2.38	9.95	3.94	8.68	8.58	–	–	–

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. Other share classes are available. 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 October 31, 2025.

Top 5 Contributors (%)	Contribution to Absolute Return	Top Ten Holdings	% Rep. Account
Welltower Inc. 2.75% 15-may-2028	0.5	Bank of America Corp 7.25 % Non Cum Perp Conv Pfd Registered Shs Series L	5.6
Uber Technologies, Inc. 0.875% 01-dec-2028	0.3	Wells Fargo & Company 7.5 % Non Cum Perp Conv Pfd Registered Shs A Series L	5.1
Ventas Realty Limited Partnership 3.75% 01-jun-2026	0.3	Ford Motor Company 0.0% 15-mar-2026	4.7
Ppl Capital Funding, Inc. 2.875% 15-mar-2028	0.2	Apollo Global Management Inc Mandatory Conv Pfd Registered Shs Series A	4.4
Southern Company 3.875% 15-dec-2025	0.2	Expedia Group, Inc. 0.0% 15-feb-2026	4.2
		Booking Holdings Inc. 0.75% 01-may-2025	4.1
		Uber Technologies, Inc. 0.875% 01-dec-2028	3.9
		Envista Holdings Corporation 1.75% 15-aug-2028	3.8
		Barclays Bank Plc 1.0% 16-feb-2029	3.3
		Kite Realty Group, L.p. 0.75% 01-apr-2027	3.2
		Total	42.3
Top 5 Detractors (%)	Contribution to Absolute Return		
Parsons Corporation 0.25% 15-aug-2025	-0.9		
Apollo Global Management Inc Mandatory Conv Pfd Registered Shs Series A	-0.7		
Ares Management Corporation Pfd Registered shs Series B	-0.4		
Booking Holdings Inc. 0.75% 01-may-2025	-0.4		
Kite Realty Group, L.p. 0.75% 01-apr-2027	-0.2		

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.

Convertible securities rank senior to the issuer's common stock, but may be subordinate to senior debt obligations. In part, the total return for a convertible security may depend upon the performance of the underlying stock into which it can be converted. Synthetic convertibles may respond differently to market fluctuations than traditional convertible securities. They are also subject to counterparty risk. 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. 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. 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. 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 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 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 ICE BofA Investment Grade U.S. Convertible 5% Constrained Index (VX5C) is a market-capitalization-weighted index of domestic corporate convertible securities. Bonds and preferred stocks must be convertible only to common stock, ADRs or cash equivalent and have a market value of at least \$50 million. It includes Coupon, OID, or zero coupon convertible bonds rated by Moody's and/or S&P with an average rating of Baa3/BBB- or higher. All positions are capped at 5% of market value. **The ICE BofA Investment Grade U.S. Convertible Index (VXA1)** is a market-capitalization-weighted index of domestic corporate convertible securities. Bonds and preferred stocks must be convertible only to common stock, ADRs or cash equivalent and have a market value of at least \$50 million. Composed of Coupon, OID, or zero coupon convertible bonds rated by Moody's and/or S&P with an average rating of Baa3/BBB- or higher.

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