Victory Trivalent International Fund – Core Equity Quarterly Commentary

Trivalent® INVESTMENTS
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of March 31, 2024

Market Environment

International equities advanced in the first quarter as markets rallied on signals of potential interest rate cuts this year as global inflation rates have trended lower. For the quarter, the MSCI ACWI (All Country World) ex USA Index was up 4.7%, while the Victory Trivalent International Fund – Core Equity (Class A, without load) outperformed the benchmark. Most countries in the Index had a positive return, with Europe and Japan outperforming the emerging markets. Denmark and the Netherlands were up over 15.0% and 15.4%, respectively, leading European markets higher. The Danish market was driven higher by continued positive trends for index heavyweight pharmaceutical company Novo Nordisk. The Dutch market was led by dominant semi cap equipment manufacturer ASML backed by continued AI enthusiasm. Japan rose 11.0% with broad-based returns as the BOJ signaled an end to their negative interest rate policy as inflation is reaching more normal levels. Taiwan gained 12.4%, with companies exposed to the AI supply chain leading the market. On the downside, Hong Kong declined 11.7% as exposure to a persistently weak Chinese property market weighed on the outlook. Brazil declined 7.4%, led down by iron ore miner Vale, also seeing an impact from lower expectations for demand from new Chinese building.

Portfolio Review

Overall security selection was positive and accounted for the majority of the Fund's performance. Excess returns were generated in five of six regions and ten of eleven economic sectors. From a style perspective, the Fund's overall exposure to business momentum and quality was positive, while value was slightly negative. At the sector level, notable outperformance was found in the Industrials sector. Japanese diversified industrial company Mitsubishi Heavy Industries rose with improving prospects for their energy systems, defense and aerospace businesses. Electric power equipment company Fuji Electric gained on improving guidance for its power semiconductors in electric vehicles and power management products used in relation to growth in renewable energy and data centers. Selection was also positive in Consumer Staples and Financials. Lawson, the Japanese food retailer, rallied during the period as the company received a takeover offer from KDDI and Mitsubishi Corp. U.K. investment company 3i Group advanced following solid full-year results at key portfolio holding Action. Canadian property & casualty insurance company Fairfax Financial Holdings advanced following solid 2023 results. The company is benefiting from rising investment income and lower claims losses.

Security selection was weakest in the Consumer Discretionary sector. Athleisure retailer JD Sports and fashion brand Hugo Boss both declined after reporting a more challenging competitive environment over the year-end holiday trading period. PDD Holdings declined despite reporting strong results in both their domestic Pinduoduo and international Temu retail platforms due to a weak overall Chinese consumer environment. Within Information Technology, Paris-listed semiconductor company STMicroelectronics fell as results confirmed that weakness persists in its industrial chip segment.

Market Outlook

Investors have grown more optimistic that the global economy can achieve a soft landing amid easing inflation, resilient growth, and corporate profits holding up. While recession risks have receded, slowing growth challenges will linger as the lagged impacts of the tightening cycle are still playing out. Hawkish signals from data-dependent policymakers tempered investors' enthusiasm for earlier interest rate cuts, but the European Central Bank is still expected to commence easing during the second half of the year. The prospect of rate cuts has already improved the mergers and acquisitions landscape after a lull in dealmaking activity last year. In the Eurozone, manufacturing activity is picking up and confidence has strengthened to its highest level since the start of the Ukraine war in February 2022. Confidence also continues to grow in Japan with increased foreign investment spurred by governance reforms, robust corporate earnings, and healthy inflation. Japanese unions recently negotiated their largest wage increases in over three decades, which should stimulate consumer spending. Within emerging markets, the Chinese property markets continue to weigh on consumer sentiment; however, policymakers have utilized monetary stimulus and green shoots are emerging in the manufacturing sector, where the March Purchasing Managers' Index (PMI) reached the highest level in a year. On the commodities front, heightened geopolitical risks have pushed oil prices to a six-month high and may reignite inflation concerns. Risk of escalation in the ongoing Ukraine and Israel-Hamas wars as well as increased political polarization ahead of upcoming elections may contribute to bouts of market volatility. We continue to be guided by our bottom-up analysis and will digest upcoming earnings and outlook statements to evaluate our positioning. We believe opportunities for relative outperformance remain, particularly among the diverse and broad segment of international equities.

Top 5 Contributors (%)	Return	Contribution to Absolute Return
Novo Nordisk A/S Class B	24.0	0.57
Taiwan Semiconductor Manufacturing Co., Ltd.	26.4	0.47
Mitsubishi Heavy Industries, Ltd.	64.5	0.29
Disco Corporation	52.7	0.27
Stellantis N.V.	21.8	0.26

Top 5 Detractors (%)	Return	Contribution to Absolute Return
JD Sports Fashion Plc	-33.72	-0.24
PDD Holdings Inc. Sponsored ADR Class A	-20.5	-0.18
HUGO BOSS AG	-20.8	-0.09
JYP Entertainment Corp	-26.6	-0.09
STMicroelectronics NV	-13.6	-0.09

Top Ten Holdings	% Fund
Novo Nordisk A/S Class B	2.53
Taiwan Semiconductor Manufacturing Co., Ltd.	2.12
Novartis AG	1.52
Stellantis N.V.	1.35
Siemens Aktiengesellschaft	1.27
Samsung Electronics Co., Ltd.	1.24
Fairfax Financial Holdings Limited	0.93
Holcim Ltd.	0.93
Sumitomo Mitsui Financial Group, Inc.	0.93
3i Group plc	0.92
Total	**13.74**

Investment Performance (%)

Average Annual Returns as of March 31, 2024

Victory Trivalent International Fund - Core Equity	Ticker	Inception Date	Q1 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Expense Ratio Gross	Expense Ratio Net
A Shares, without sales charge	MAICX	8/16/07	7.16	7.16	18.02	3.30	6.07	4.40	2.09	1.79	0.95
A Shares, with sales charge (max. 5.75%)	MAICX	8/16/07	1.00	1.00	11.27	1.28	4.83	3.78	1.72	1.79	0.95
I Shares	MICIX	8/16/07	7.25	7.25	18.42	3.68	6.45	4.81	2.53	1.37	0.60
MSCI ACWI ex USA Index (Net)	–	–	4.69	4.69	13.26	1.94	5.97	4.25	–	–	–

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, 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.

Other share classes are available. 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. Investments in smaller companies typically exhibit higher volatility. 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. Fund holdings are subject to change and should not be considered purchase recommendations.

There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. Top holdings do not reflect cash, money market instruments or options/futures contracts holdings. The most currently available data regarding portfolio holdings can be found on our website, www.vcm.com.

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 All Country World exUSA Index (ACWI ex-USA) is a free-float-adjusted, market-capitalization-weighted index designed to measure the performance of large- and mid-cap stocks across developed markets (excluding the United States) and emerging markets.

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