RS SMALL/MID CAP GROWTH STRATEGY QUARTERLY COMMENTARY

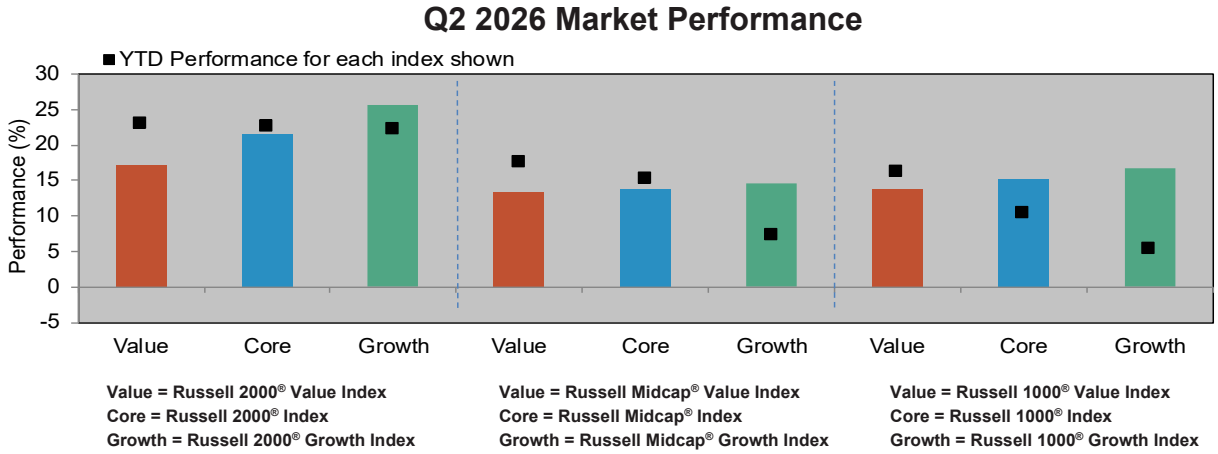
RS Investments®
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of June 30, 2026

Quarterly Highlights

- The RS Small/Mid Cap Growth Strategy returned 23.96% gross (23.71% net) for the three months ended June 30, 2026, underperforming the Russell 2500™ Growth Index, which returned 24.02%.
- Strategy performance relative to the benchmark was negatively impacted by weaker stock selection in the Energy and Consumer Discretionary sectors; underperformance was positively offset by stock selection in the Technology and Producer Durables sectors.
- This period's absolute performance was aided in part by the relative performance of secular growth stocks in the mid-cap segment of the Small-Mid Universe, as the Russell Midcap® Growth Index[2] outperformed mid value, as defined by the Russell Midcap® Value Index, 24.02% versus 14.55%.
- We believe the multi-year underperformance of innovative smaller-cap growth stocks has created an outsized opportunity for smaller-cap growth stocks.

Market Performance / Fundamentals Snapshot



Index returns are for illustrative purposes only and do not represent actual Strategy 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

The second quarter was characterized by strong economic growth and robust equity market gains. The S&P 500®, the most popular proxy for our domestic stock market, delivered an impressive quarterly return of approximately 15%. Investors looked beyond the conflict in Iran, elevated inflation readings, questions about global growth, and a regime change at the Federal Reserve that appears ready to keep interest rates higher for longer.

As fundamental growth investors, we were pleased to see a broadening of the market action beyond the headline gains and new all-time highs. Specifically, it was important to note that the Magnificent Seven have largely sat out this latest rally, and market leadership has migrated to a wider group of companies. The AI-market theme continues to be a catalyst, but leadership has now shifted from the hyperscalers to a second tier related to the AI infrastructure build, including semiconductors, memory, power generators and other ancillary players. This broadening trend was evident in performance of Industrials, among other groups, during the second quarter. A continuing rotation into Healthcare, Financials and Consumer Staples during the quarter also reflects a healthy broadening of market action.

Another encouraging development, in our view, is the continued willingness of investors to migrate down the cap spectrum. Small cap stocks, as measured by the Russell 2000®, returned approximately 21.5% during the second quarter, outpacing the gains logged by large- and mid-cap stocks.

In terms of investment styles, growth stocks bested value stocks during the second quarter. The Russell 3000® Growth Index returned 17.1% during the second, compared to the 14.0% gain of the Russell 3000® Value Index. Small-cap growth was the top style-box performer as the Russell 2000® Growth Index clocked in with a gain of 25.7% during the quarter. The Russell Midcap® Growth Index rose 14.6% during the same period. Even considering a lagging Magnificent Seven, the Russell 1000® Growth Index still delivered robust gains of 15.1% for the second quarter.

Looking Ahead

After a robust rally thus far this year, there are still uncertainties and cross currents in the macro environment. There are questions surrounding inflation and its corresponding impact on interest

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rates, even as energy markets have stabilized. New leadership at the Federal Reserve has indicated a preference to focus more on price stability (i.e., inflation) versus employment, and Treasury yields have risen this year in response. At the same time, this economic cycle appears to be rolling onwards, and corporate profits continue to meet or exceed expectations, on the whole. With multiples more stretched for the overall market, fundamental strength and valuations at the company level and will be larger drivers of our performance as bottom-up stockpickers.

Importantly, from our perspective, we see the market once again rewarding a wider swath of growth-oriented companies. In this environment that will undoubtedly include bouts of elevated volatility, we think there will be opportunities to acquire exciting innovative, growth-oriented companies at attractive valuations across various sectors of the economy. Our investment team continues to focus on identifying potential opportunities within secular growth—both related to the AI investment thesis and beyond—and we think it's an exciting time for fundamental, growth-oriented managers.

Investment Strategy

The RS Small/Mid 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, we believe, can grow from a small- or mid-cap company to a mid- or 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 be appreciated regardless of the underlying market environment. The Strategy is led by the team's Chief Investment Officer, Scott Tracy, along with Deputy CIO Paul Leung and portfolio managers Steve Bishop and Melissa Chadwick-Dunn. Together, the four co-portfolio managers—supported by three research analysts and one associate—serve as sector specialists, leveraging 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/Mid Cap Growth Strategy returned 23.96% gross (23.71% net) for the three months ended June 30, 2026, underperforming the Russell 2500™ Growth Index, which returned 24.02%. Strategy performance relative to the benchmark was negatively impacted by weaker stock selection in the Energy and Consumer Discretionary sectors; underperformance was positively offset by stock selection in the Technology and Producer Durables sectors. This period's absolute performance was aided in part by the relative performance of secular growth stocks in the mid-cap segment of the Small-Mid Universe, as the Russell Midcap® Growth Index2 outperformed mid value, as defined by the Russell Midcap® Value Index, 24.02% versus 14.55%. We believe the multi-year underperformance of innovative smaller-cap growth stocks has created an outsized opportunity for smaller-cap growth stocks.

Top Detracting Sector: Consumer Discretionary

Within the Consumer Discretionary sector, the largest driver of relative underperformance was specialty value retailer Five Below, Inc. (0.80% ending weight). Five Below is a fast-growing retail chain serving a value-conscious buyer of a range of household goods, toys, accessories and sundries. The segment of the population that Five Blow serves has suffered mightily amid rising fuel prices, labor volatility and broader inflation. Moderating same store sales reflects this consumer spending uncertainty and as such, Five Below has suffered meaningful multiple compression. We like the diversification benefits of owning a value-based retailer to complement our other discretionary holdings. Additionally, we believe that the earnings prospects over the next several years are solid and intact, despite moderation, and as such have maintained a meaningful position.

Top Contributing Sector: Technology

Within the Technology sector, the largest driver of relative outperformance was Nebius Group N.V. Class A (2.03% ending weight). Nebius Group N.V. is a technology company that provides infrastructure and services to AI builders worldwide. It offers Nebius AI, an AI-centric cloud platform that provides full-stack infrastructure, including large-scale GPU clusters, cloud services, and developer tools. Nebius benefitted in the second quarter from strong fundamental results and future demand via long-term contracts with hyperscalers such as Meta and Microsoft. Additionally, Nebius received a sizable direct equity investment and strategic partnership from NVIDIA. These events solidify the long-term outlook for Nebius and give us confidence in holding a large position.

Market and Strategy Outlook

The outlook for robust earnings growth in the second half of 2026 appears to be intact, and the U.S. economy is on stable footing; however, the ongoing conflict in Iran that began in late February does still pose a threat to that stability. Volatile oil prices have ignited inflation fears and a potential change in the Federal Reserve's interest rate path. While the long-lasting effects on commodity prices are unclear, in the short run, higher costs will likely somewhat temper a steady pattern of consumer spending. As we await the stimulative effects of lower taxes, improved confidence and business spending, we are hopeful that we are entering a market environment that is more fundamentally driven, as opposed to the choppiness we have seen from geopolitical stress. Many of the themes of the past few years remain intact and should continue. The potential for more robust domestic spending in the areas of onshoring and reshoring could also make the U.S. a relative safe haven. Many segments of the growth economy appear well positioned to continue to meaningfully outgrow overall GDP, while company valuations are compelling for long-term investors.

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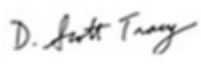
In the current environment, there exists a unique opportunity for secular growth companies. Despite their relative under-performance since November 2020, smaller-cap secular growth companies have displayed continued strength in their underlying fundamentals, and they have begun to be rewarded with price appreciation. Second quarter was an inflection point of that shift in sentiment. We are optimistic that the valuation gap of smaller companies will continue to narrow substantially with that of their larger-cap peers in the coming years.

Overall, we believe that investors are currently looking through the short-term volatility caused by the Iran conflict and are focused on the long duration of growth that is evident in current fundamentals. We are looking at the labor market for signs of improved business spending and hiring, which has been mixed in recent months. As we navigate the market making new highs, we are excited to take advantage of any potential dislocations in company valuations. As such, we are patient and believe that opportunities will emerge in sectors and industries that demonstrate secular resilience through the cycle and sustained growth. We feel that secular growth companies within the growth universe are especially attractive relative to cyclicals due to their strong and consistent fundamentals and potential for outperformance.

Thank you for your continued investment.



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Sector Allocation (Representative Account)

As of June 30, 2026

Sector	% of Portfolio
Technology	27.73%
Health Care	22.81%
Producer Durables	20.24%
Consumer Discretionary	8.28%
Financial Services	8.17%
Materials & Processing	6.23%
Energy	3.92%
[Cash & Cash Equivalents]	1.07%
Consumer Staples	1.04%
[Other]	0.5%

Top 10 Holdings (Representative Account)

As of June 30, 2026

Holding	% of Portfolio
Guardant Health, Inc.	3.66%
MACOM Technology Solutions Holdings, Inc.	3.46%
Woodward, Inc.	3.01%
Mercury Systems, Inc.	2.92%
Comfort Systems USA, Inc.	2.52%
Revolution Medicines, Inc.	2.51%
FirstCash Holdings, Inc.	2.48%
Sterling Infrastructure, Inc.	2.35%
Onto Innovation, Inc.	2.33%
Semtech Corporation	2.29%

Composite Performance

Average Annual Returns as of June 30, 2026

RS Small/Mid Cap Growth Composite	Second Quarter 2026	1-Year	3-Year	5-Year	10-Year	Since Inception (04/30/07)
Gross of fees	23.96%	35.50%	19.16%	6.50%	12.54%	10.92%
Net of fees	23.71%	34.42%	18.21%	5.65%	11.59%	9.74%
Russell 2500™ Growth Index	24.02%	32.94%	16.40%	4.98%	12.56%	9.91%

Returns include reinvestment of dividends and capital gains. Performance returns for periods of less than one year are not annualized.

Past performance does not guarantee future results.

Composite and benchmark returns are net of non-reclaimable withholding taxes, if any. Gross-of-fees returns are presented before management and custodial fees but after all transaction costs. Net-of-fees returns reflect gross performance less investment management fees. Net-of-fees returns are calculated by deducting 1/12 of the highest tier of the standard fee schedule in effect for the period noted (the model fee). Net returns prior to 1/1/2017 were calculated using actual fees. Prior to 1/1/2013, net-of-fees performance for some accounts in the composite reflect the deduction of administrative and other fees in addition to management fees and transaction costs. 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 2A of its Form ADV.

Performance prior to January 1, 2017, occurred while members of the portfolio management team were affiliated with a prior firm. The investment management team has managed the composite strategy since inception, and the investment decision-making process has remained intact.

Index returns are provided to represent the investment environment during the periods shown. Index returns reflect the reinvestment of dividends and capital gains but do not include advisory fees, transaction costs, or other expenses that would be incurred with an investment. One cannot invest directly in an index.

1 The Russell 2500™ Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2500™ Index with higher price-to-book ratios and higher forecasted growth values.

2 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.

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

4 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.

5 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.

6 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.

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7 The Russell 3000® Value Index is an unmanaged 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 Russell 3000® Growth Index is an unmanaged 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.

9 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.

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

All investing involves risk, including the possible loss of principal. An investment should be made with an understanding of the risks involved with owning a particular security or asset class.

The views expressed are as of the date noted and are subject to change at any time based on market or other conditions. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any portfolio. The RS Small/Mid Cap Growth Composite invests principally in equity securities of small- and mid-capitalization growth companies. The benchmark is the Russell 2500™ Growth Index. The composite was created in May 2007.

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.

This information should not be relied upon as research or investment advice regarding any security in particular.

Victory Capital claims compliance with the Global Investment Performance Standards (GIPS®). Request a GIPS® Report from your Institutional Relationship Manager or visit www.vcm.com.

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