

Victory Cornerstone Equity Fund // Victory Cornerstone Aggressive Fund // Victory Cornerstone Moderately Aggressive Fund // Victory Cornerstone Moderate Fund // Victory Cornerstone Moderately Conservative Fund // Victory Cornerstone Conservative Fund

Market Commentary

What, me worry? That seems to have been the mantra for investors during the third quarter, despite plenty of feasible headwinds. For starters, the economic data and, particularly, the jobs numbers have been a little unsettling. New job creation has not only been trending lower, but there were downward revisions to prior monthly jobs data that alarmed many economists. The unemployment rate also trended up to 4.3% over the summer and reached its highest level in quite some time, according to data from the U.S. Bureau of Labor Statistics.

Not to be forgotten, shifting trade policies continue to periodically rattle markets even though tariffs now appear less severe than originally feared. Still, the situation is dynamic, and the impact of tariffs could still affect future inflation readings. On top of that, continued geopolitical turmoil and a looming government shutdown (which kicked off in the fourth quarter) were also wildcards for the economy.

Yet despite all these unknowns, investors continued to embrace stocks throughout the third quarter. Sentiment has been downright cheery, and markets raced to new all-time highs. The S&P 500® Index, the most popular proxy for our domestic stock market, returned 8.1% for the third quarter. The growth-oriented and tech-heavy Nasdaq Composite fared even better, rising by 11.4%.

The key catalyst for this performance was, of course, the interest rate backdrop. The Federal Reserve finally cut the federal funds rate by 25 basis points in September, and most market participants are acting as if more rate cuts are definitely coming later this year. All this provided fuel for stocks and helped investors ignore—for the moment—all the potential challenges and unanswered questions.

Looking at market internals, large-cap growth stocks once again outperformed their value counterparts during the third quarter, even as both investment styles delivered solid gains. The Russell 3000® Growth Index, the key benchmark for the growth style, increased by 10.4% during the third quarter, while the Russell 3000® Value Index increased by a more modest 5.6% during the same period. Information Technology and Communication Services were market leaders once again thanks to the ongoing excitement surrounding the AI infrastructure build-out. Consumer Discretionary, Utilities and Energy were also strong performing sectors during the quarter.

Importantly, this rally has not been just a U.S.-based phenomenon. International stocks, which actually have outperformed their U.S. counterparts through the first three quarters of 2025, also continued moving higher despite the tariff backdrop. The MSCI ACWI ex-USA Index rose by 6.9% for the third quarter, bringing its year-to-date returns to 26.0%.

Fixed income markets also delivered solid returns, which is a reflection of the more accommodative monetary policy. Not surprisingly, the yield curve steepened slightly during the quarter as shorter-term rates declined more than longer-term rates. Yields on the 10-year Treasury ended the quarter below 4.2%, while the 2-year Treasury yield ended the quarter at roughly 3.6%. Credit spreads for corporate bonds remained tight during the third quarter, but both investment-grade and high-yield bonds managed to deliver positive returns.

Fund Performance and Positioning

The abrupt turnaround that began early in the second quarter continued unabated throughout the summer and early fall, and the Cornerstone Series Funds delivered positive absolute returns during the third quarter. Our portfolio positioning that favored equities, along with a corresponding slight underweight to fixed income, helped drive our third quarter performance. Our security selection in large-cap U.S. equities was a positive contributor, as was our allocation to gold and gold mining stocks, which benefited from strong inflows and record gold prices.

Partially offsetting the positive contributions was our security selection in U.S. small-caps, emerging market equities, and investment-grade fixed income during the quarter.

Looking Ahead

As we discussed above, sentiment has been positive, and the specter of lower interest rates has more than offset any concerns about a slowing economy and lackluster job growth—so far. Thus, while the difficult days from early in the year are but a distant memory, we don't think investors should get too exuberant. There are many things that could derail the market rally. We also like to remind investors that if inflation creeps back into the picture, the Federal Reserve may take a more cautious approach to future rate cuts. That could halt the momentum and make the highest valuation stocks vulnerable to a steep pullback.

Rather than chasing stock indexes as they are printing new all-time highs, we think it is important to stick to an unemotional approach and maintain a long-term perspective. Remember, volatility comes and goes, so keeping on track with your investment plan is far better than trying to jump in and out of the market.

Although we cannot predict with certainty how markets will deal with future headwinds, we will stay committed to our risk-managed approach that maintains broad diversification and slightly favors quality- and value-oriented stocks. And if volatility returns, we will try to take advantage of any prices that dislocate from fundamentals. We are always trying to balance risk while allocating opportunistically across the Cornerstone Series portfolios.

Past performance does not guarantee future results. For current performance of the Cornerstone Funds visit www.vcm.com.

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 the potential loss of principal. Neither asset allocation nor diversification guarantee any level of performance or protect against loss. The Funds will reflect the risks and incur the expenses of the underlying funds in which they invest. The Adviser may be subject to conflicts of interest in allocating the Fund's assets among affiliated Underlying Funds or ETFs (Affiliated Funds), unaffiliated Underlying Funds, or a combination of both. The Adviser may have an incentive to allocate the Fund's assets to those Affiliated Funds for which the net advisory fees payable to the Adviser are higher than the fees payable by other Affiliated Funds, or unaffiliated Underlying Funds. The Adviser or its affiliates receive fees for managing and administering the Affiliated Funds, which also creates a conflict of interest. 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. Investments in smaller companies typically exhibit higher volatility. 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 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 are particularly vulnerable to rapid changes in technological product cycles, severe competition and government regulation. Precious metals and minerals industries can be significantly affected by global economic, financial, and political developments. Investments in companies related to precious metals and minerals may fluctuate in price substantially over short periods of time, so the Fund's share price may be more volatile than other types of investments. The value of your investment is also subject to geopolitical risks such as wars, terrorism, trade disputes, 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.

Discussion based on the Fund share class.

Holdings, if any, are subject to change without notice and should not be considered purchase recommendations.

Index performance includes reinvestment of dividends and other income but does not reflect management fees, transaction costs or expenses. One cannot invest directly in an index. Past performance does not guarantee future results.

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