

Quarterly Commentary

*To everything (turn, turn, turn)
There is a season (turn, turn, turn)
And a time to every purpose under heaven*

– Written by Pete Seeger, performed by The Byrds

We are strong believers in reversion to the mean. Small-cap value stocks have looked “cheap” relative to large-caps and, in particular, growth. Relative to the Russell 1000[®] Index, the Russell 2000[®] Value Index has been cheaper only 10% of the time. In past analyses, we had discussed the significant boost to large-cap companies’ bottom lines from falling interest rates and falling tax rates. Perhaps this recent era of higher rates and no new tax cuts is winnowing the large-cap field. 2024 was a momentum-driven market. Earnings momentum seems to be slowing, and earnings growth is concentrated in fewer companies. At the same time, small cap stocks are generally expected to provide earnings growth at a historic discount.

Utilities was the top performing sector in the benchmark. Technology, health care, and consumer discretionary were the worst performing sectors in the benchmark. Micro cap value outperformed micro cap growth.

The Victory Integrity Discovery Fund (A shares without sales charge) outperformed its benchmark, the Russell Microcap[®] Value Index. Health care was the most significant contributor to performance. Stock selection in industrials was a major positive. Selection in materials, consumer discretionary, and technology also contributed. Sector allocations were positive due to an underweight in health care (mostly biotech, which underperformed). Consumer staples and communication services were modest drags. A lower beta was a positive style attribute.

A large underweight to biotechs, which underperformed, was the largest positive in health care. It added 121 basis points. Brookdale Senior Living Inc. (BKD) advanced 24%. It reported strong quarterly results and 2025 guidance ahead of consensus combined with favorable occupancy trends.

Strong selection in industrials was due to IBEX Ltd. (IBEX), Titan Machinery Inc. (TITN), and Willdan Group, Inc. (WLDN). IBEX Ltd. (IBEX) produced a beat-and-raise quarter, driven by new client wins and increased market share within existing customers. Titan Machinery Inc. (TITN) rebounded as it cleared out significant inventory. Willdan Group, Inc. (WLDN) reported a beat-and-raise quarter as growth benefited from rising electricity demand and costs. Columbus McKinnon Corporation (CMCO) was a notable detractor. They announced a large acquisition that takes leverage to five times and dilutes shareholders’ ownership, while greatly increasing risk to the company.

Robust performance in materials was entirely due to Radius Recycling Inc. Class A (RDUS). It accepted a significant premium to be acquired.

Positive performance in consumer discretionary was led by Portillo’s, Inc. Class A (PTLO) and Motorcar Parts of America (MPAA). Early in the quarter, Portillo’s, Inc. Class A (PTLO) preannounced Q4 results and 2025 guidance that exceeded expectations, boosting shares. Strong results, a positive outlook, and reduced debt led to the advance at Motorcar Parts of America (MPAA). National Vision Holdings, Inc. helped as it rebounded after a better-than-feared quarter. The largest detractors were Universal Electronics Inc. (UEIC), European Wax Center, Inc. Class A (EWCZ), and Wolverine World Wide, Inc. (WWW). An order pull forward resulted in weaker-than-expected guidance at Universal Electronics Inc. (UEIC). Disappointing guidance and a slowing of new unit growth sent shares of European Wax Center, Inc. Class A (EWCZ) lower. Retail shares, such as Wolverine World Wide, Inc. (WWW), lagged on concerns about the strength of the consumer, tariff impact, and conservative/cautious company guidance.

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Overall performance in technology was positive as we avoided some of the worst performing stocks. However, Cohu, Inc. (COHU) and SkyWater Technology Inc. (SKYT) were disappointments. Soft end-market demand led to disappointing results and outlook at Cohu, Inc. (COHU). SkyWater Technology Inc. (SKYT) sold off on conservative guidance.

Stock selection in real estate helped as our average holding outperformed (+3.5% vs. -2.7%). Increased macro uncertainty and lower interest rates helped REITs such as Global Medical REIT, Inc. (GMRE) and NETSTREIT Corp. to advance 16% and 14%, respectively.

Financials were a minor positive. Strength in our insurance holdings offset some minor weakness in banks and mortgage REITs. HCI Group (HCI), up 28%, and Heritage Insurance Holdings, Inc. (HRTG), up 19%, reported stronger profitability despite catastrophe losses. EZCORP, Inc. Class A (EZPW) rose 20% as strong pawn demand and a bond offering to repay a convertible note were well received by investors.

We missed owning some of the better-performing consumer staples. Honest Company, Inc. (HNST) posted solid earnings, but conservative guidance and tariff concerns pressured shares.

We had weak selection in energy, with Vital Energy, Inc. (VTLE) the biggest negative. It declined due to softer 2025 oil production guidance and underperforming well results which could negatively impact inventory levels.

PubMatic, Inc. Class A (PUBM) was a headwind in communication services. The company posted mixed results and soft guidance as a customer transition continues to impact near-term results.

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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. Micro-cap companies may have narrower markets and be difficult to buy and sell. Micro-cap companies may have limited products or resources and may experience higher failure rates than larger, more seasoned companies. 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 governmental 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. Investments in companies in the industrials sector may be adversely affected by changes in supply and demand for products and services, governmental regulation and changes in spending policies, world events and economic conditions. 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. 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 Russell Microcap® Value Index is a market- capitalization-weighted index that measures the performance of Russell Microcap® Index companies (1,000 smallest stocks in the Russell 2000® Index plus 1,000 smaller U.S.-based listed stocks) with relatively lower price-to-book ratios and lower forecasted growth values. It represents the value-oriented micro-cap segment of the U.S. equity market.

Fund holdings mentioned in the Quarterly Commentary are as of 3/31/2025 and the percentages shown are based on net assets as of that date. 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. The Fund's top ten holdings as of 3/31/2025 were NETSTREIT Corp (1.4%), Brookdale Senior Living Inc (1.4%), Origin Bancorp, Inc (1.2%), Dynex Capital Inc (1.3%), Ribbon Communications, Inc (1.3%), ConnectOne Bancorp, Inc (1.2%), Interface, Inc (1.2%), Artivion, Inc (1.2%), Peoples Bancorp Inc (1.2%), and Marcus Corp (1.2%). 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 contributors and detractors mentioned are presented to illustrate examples of the Fund's investments and may not be representative of the Fund's current or future investments.

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