

# 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

Every year at Integrity, we discuss ways to improve. This year, we are focusing on information management, flow, and processing. As a result, we have made incremental changes to some of our team members' roles. Additionally, we are implementing a new research management system.

Konner Reed has taken over coverage of commercial services from Mike Wayton. This change reduces Mike's workload and allows him to concentrate more on his role as lead risk analyst and his sector work in the technology and consumer sectors. Furthermore, it acknowledges Konner's continued growth and advancement within the team.

Similarly, Frankie Carson has assumed responsibility for financial services and consumer finance within the financials sector. This reflects Frankie's ongoing development and our confidence in his abilities.

Within our value universe, industrials represent a broad and diverse space. Currently, four team members work in this sector. We identified an opportunity for better coordination of research and idea generation. To address this, Joe Gilbert will no longer focus solely on autos and transports—a legacy industry from our days at the bank using BARRA classifications. Instead, Joe will now cover the entire industrials sector. Additionally, he has been appointed as the coordinator for the industrials sector. In this role, Joe will organize industrials sector meetings, coordinate research efforts to avoid duplication, monitor our idea pipeline, and analyze portfolio exposures relative to benchmarks. These changes aim to enhance efficiency throughout the investment process in this sector.

Given Joe's expanded responsibilities, his coverage of insurance will transition to the financial team. This adjustment not only balances Joe's workload but also creates synergy by consolidating responsibility for the entire financials sector within one team.

We believe these changes will optimize the use of our team's time and talents while providing a more comprehensive view of risks and opportunities.

We are particularly excited about implementing a new research management system. While still in its early stages, we aim to complete implementation by year-end. This system will centralize all internal research—management notes, stock write-ups, valuations, etc.—and make it accessible from a single dashboard on everyone's desktop. Although significant effort goes into producing this research, we believe we can derive greater value from it. With streamlined access to this information at the touch of a button, we expect to maximize its impact on our research efforts. This is an exciting project led by Dan DeMonica, who deserves significant recognition for his efforts and progress thus far. We also appreciate the support provided by Victory Capital corporate. Stay tuned for further updates.

The best performing sectors of the benchmark were utilities and energy. Technology and consumer discretionary were the worst performing sectors in the benchmark. Mid cap value outperformed mid cap growth.

The Victory Integrity Mid-Cap Value Fund (A shares without sales charge) slightly underperformed the Russell Midcap<sup>®</sup> Value Index for the quarter. Security selection in industrials and consumer discretionary hurt performance. Stock selection in financials, health care, utilities, and consumer staples helped performance. Sector weights were neutral. A smaller market capitalization and higher volatility were style factor headwinds.

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Flagstar Financial, Inc. (FLG) and Axis Capital Holdings Limited (AXS) were top performers in financials. Flagstar Financial, Inc. (FLG) rebounded as its turnaround continues to progress. The company completed a thorough loan review, has de-risked its loan portfolio, and is on track for profitability by year-end. Axis Capital Holdings Limited (AXS) posted its highest return-on-equity quarter, demonstrating the efficacy of the new management's strategy.

Our average health care holding outperformed the benchmark (+0.2% vs. -5.0%). Avoiding most of the life sciences, tools & service companies was the largest source of contribution. Solid performance within pharmaceutical companies also helped.

Solid performance in utilities was headlined by National Fuel Gas Co. (NFG), which was up 31%. A bullish macro environment for natural gas demand, tailwinds from a New York rate case, and proximity to a potential data center buildout in their service territory drove shares higher. UGI Corp. (UGI), Evergy, Inc. (EVRG), and Pinnacle West Capital Corp. (PNW) all benefitted from recent macro uncertainty around tariffs resulting in a flight to safety.

BJ's Wholesale Club Holdings, Inc. (BJ), Sprouts Farmers Market, Inc. (SFM), and Pilgrim's Pride Corp. (PPC) led the way within consumer staples. A strong earnings report with guidance that reflects the company is gaining traction with its customers with increased traffic and basket size lifted shares of BJ's Wholesale Club Holdings, Inc. (BJ) by 28%. Sprouts Farmers Market, Inc. (SFM) posted another beat-and-raise quarter as it continues its geographic expansion. Avian flu leading to higher chicken prices coupled with strong demand for protein elevated Pilgrim's Pride Corp. (PPC).

Saia, Inc. (SAIA), Regal Rexnord Corp. (RRX), and Delta Air Lines, Inc. (DAL) hurt performance within industrials. Saia, Inc. (SAIA) sold off on concerns of Amazon entering the LTL business along with slower pricing gains. Regal Rexnord Corp. (RRX) underperformed as it gave a weaker-than-expected 2025 guide and sank further on tariff risks to its Mexican operations. Delta Air Lines, Inc. (DAL) preannounced a slowing in leisure traffic and an impact from DOGE on travel.

Security selection in consumer discretionary hampered performance. Norwegian Cruise Line Holdings Ltd. (NCLH) delivered a solid quarter but issued guidance that missed high expectations. Marriott Vacations Worldwide Corp. (VAC) guided EBITDA to decline this year whereas their timeshare peers guided for growth, sparking a sell-off. Retail shares such as American Eagle Outfitters, Inc. (AEO) and PVH Corp. (PVH) lagged on concerns about the strength of the consumer, tariff impact, and conservative/cautious company 2025 guidance. Despite positive commentary regarding the potential for monetization of their digital assets as well as news of an activist involvement, shares of Caesars Entertainment Inc. (CZR) lagged on consumer concerns. Yum! Brands, Inc. (YUM) was a positive contributor as the company rallied on better-than-expected earnings and guidance, driven by results at Taco Bell US and KFC International.

Stock selection in real estate was a positive. Increased macro uncertainty and lower interest rates helped REITs such as W. P. Carey Inc. (WPC). Welltower Inc. (WELL) also helped as accretive acquisitions along with strong fundamentals led to a 22% advance. Office REITs such as Kilroy Realty Corp. (KRC) suffered from some profit taking and increased worries about a weakening economy.

Selection in technology was a small source of underperformance. ON Semiconductor Corp. (ON) was down 35% as they reported solid 2024 fourth quarter results but gave very conservative guidance for 2025. MKS Instruments, Inc. (MKS) detracted as disappointing guidance due to industrial market softness and Lunar New Year impacts sent shares lower. Akamai Technologies, Inc. (AKAM) issued disappointing guidance driven by slower-than-expected growth in security sales as well as a transition by their largest customer to a DIY solution in their most profitable segment. We exited the position.

Stock selection in energy was a slight negative as our average holding underperformed (+4.5% vs. +6.1%). Antero Resources Corp. (AR) was a positive highlight. Strong quarterly results and guidance driven by continued strength in natural gas and liquids pricing due to increasing LNG exports drove shares higher.

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**Past performance does not guarantee future results.** For standardized performance, please visit [www.vcm.com](http://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](http://www.vcm.com/prospectus). Read it carefully before investing.**

**All investing involves risk, including the potential loss of principal.** Investments in mid-cap companies typically exhibit higher volatility. 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. 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 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. 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 Midcap® Value Index** is a market-capitalization-weighted index that measures the performance of Russell Midcap® Index companies with relatively lower price-to-book ratios and lower forecasted growth.

Fund holdings mentioned in the Quarterly Commentary are as of 3/31/25 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 3/31/25 were: Realty Income Corp (1.7%), Xcel Energy Inc (1.4%), VICI Properties Inc (1.3%), M&T Bank Corp (1.3%), Evergy, Inc (1.3%), UGI Corp (1.3%), W.P. Carey Inc (1.3%), CenterPoint Energy, Inc (1.2%), Arthur J. Gallagher & Co (1.2%), and Pinnacle West Capital 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](http://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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