VICTORY RS INVESTORS FUND QUARTERLY COMMENTARY

As of March 31, 2025

Market Commentary

Nothing good lasts forever, and the incredible winning streak that domestic equities were enjoying came to an abrupt end during the first quarter of 2025. Truth be told, stocks began souring in the final month of last year after a brief spell of post-election euphoria. At first, expectations for fewer regulations and pro-business policies were largely embraced by the market. But then questions regarding the outlook for economic growth—along with the uncertainty surrounding President Trump's commitment to install and enforce a wide range of tariffs—were more than enough to undermine investor sentiment. After two consecutive years of 20%-plus returns for the broad market (as measured by the S&P 500® Index[1]), investors were content to take some profits and reduce exposure to equities. As a result, the S&P 500® Index finished the first quarter deep in the red, shedding approximately 4.3%. This made it the worst-performing quarter since mid-2022.

It's no surprise that volatility jumped during the first quarter. Again, uncertainty seems to be the theme of the moment. Are tariffs a mere negotiating ploy given the steep trade imbalance that the U.S. has with most other countries? Are they simply a means to level the playing field, encourage the repatriation of supply chains, and boost domestic manufacturing? Or will this type of intervention slow global trade, put the brakes on GDP, and act as a headwind for corporate profits? Nobody knows for certain.

And then, of course, there is the question of inflation and interest rates. Tariffs are, in effect, a form of taxation, and the additional costs are unlikely to be absorbed entirely by companies. To the extent possible, higher costs will be passed on to consumers, and the ripple effects could be significant in terms of inflation. The Federal Reserve has already signaled intentions to slow-roll future interest rate cuts, and if future CPI readings suggest the re-emergence of inflation, the Fed may be inclined to take an even less accommodative path with regard to monetary policy.

Our particular area of focus—domestic value-oriented equities—was not immune from the volatility and declining investor sentiment. But on a relative basis, the value style box shined. The Russell 3000® Value Index[2] managed to end the quarter with a 1.6% gain, which was a significant outperformance compared to the 10% decline in the Russell 3000® Growth Index.[3] The typical higher valuations carried by many growth stocks, which often tend to be traded on optimism and future earnings potential, may not be the best place to allocate in a risk-off environment. This is punctuated by the uncertain economic backdrop and interest rate outlook. By comparison, the setup for value-oriented strategies that embrace businesses with attractive cash flows and strong balance sheets appears more favorable, in our opinion.

Within the universe of value strategies, it's notable that large-cap value stocks represented by the Russell 1000® Value Index[4] clocked in with a respectable 2.1% gain during the first quarter. But as you travel further down the cap spectrum, the results worsened for value stocks. The Russell Midcap® Value Index[5] declined 2.1% for the quarter, while small-cap value stocks represented by the Russell 2000® Value Index[6] declined 7.7% during the same period. Again, this is not surprising, as risk-averse investors tend to gravitate to more stable large-caps when times get bumpy.

Although we acknowledge that most investors dislike volatility, it's important to reiterate that it's an aspect to be embraced by patient, long-term investors. In this new era of elevated volatility where stock prices and fundamentals often dislocate, we continue to believe that actively managed, value-oriented strategies are well positioned going forward. Our team will continue to search for companies with a combination of improving ROIC (return on invested capital) and stock prices trading at what we perceive as a deep discount to intrinsic value. We believe that allocating to these types of businesses is a means to generate attractive risk-adjusted returns over longer time periods, and this continues to be our focus as we forge deeper into 2025 and navigate the uncertainties ahead. Ironically, it actually becomes easier to find compelling opportunities during times of tumult.

Performance Review

For the three months ended March 31, 2025, the Victory RS Investors Fund (A shares without sales charge) underperformed its benchmark Russell 3000® Value Index (the "Index") and returned 0.00% versus a return of 1.64% for the Index.

In the first quarter, strong performance from stock selection in Financials and Consumer Discretionary aided relative performance, while stock selection in Communication Services and Heath Care detracted.

Investment Strategy

The RS Value Team seeks to invest in good companies, led by strong management teams, that are attractively valued. Our decision to invest in any company starts with business analysis and an understanding of the company's unit-level economics. Our work on unit-level economics helps us determine the quality and key drivers of the business. We are ROIC-focused investors and seek to invest in companies that we believe have the potential to create shareholder value due to an improvement in the returns of the existing assets or through attractive reinvestment opportunities. We are long-term investors who use our investment time horizon as a competitive advantage and are attracted to out-of-favor and/or misunderstood companies in the market.

The next step in our process is to assess the management team. Our evaluation of a company's management team is critical to our investment decision. We regularly meet with management to gauge how they think about their business: Are they focused on (and compensated for) growing earnings at any cost, or do they understand ROIC and how value is created? Additionally, we perform detailed historical analyses of management's capital decisions—looking at acquisitions, asset sales, and measures of capital stewardship. This analysis provides us with the conviction to invest with strong management teams that we expect will be able to navigate through short-term market volatility and appear to be poised to deliver long-term shareholder value.

The final step in our analysis is valuation. To the RS Value Team, value investing is buying a business at a discount to what we believe it is actually worth. We determine what a company is worth by assessing a company's current share price versus its expected cash flow streams or long-term net asset value based upon the

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management team's plan for value creation. ROIC is the lens through which we analyze that value creation. Our research has shown that, over time, stock price performance has a strong correlation to improving ROIC as opposed to traditional valuation measurements like price to earnings (P/E). We seek to invest in companies that we believe can create shareholder value due to an improvement in the returns of the company's existing assets or through attractive reinvestment opportunities. We pay close attention to a company's financial strength, scrutinizing financial statements, and we run various financial models to understand our downside risk. This quantitative analysis gives us confidence in our investment thesis and helps us determine at what stock price we are comfortable investing.

Select Position Review

Below, we review two businesses in an effort to use tangible examples to highlight our investment process.

Nomad Foods (NOMD) is a branded European frozen food manufacturer (frozen vegetables, fish sticks, pizza, and ice cream) operating under the Iglo, Findus, Birds Eye, and various other banners. It's the second largest frozen food company in Europe behind Unilever and maintains a #1 or #2 market share position in most of the categories in which it competes. As a Consumer Staple, the business displays consistent cash flows and attractive ROICs. Following the onset of the Ukraine war in 2022, most input costs (commodities, energy) rose dramatically for Nomad across its portfolio. In response to these rising costs, the company meaningfully increased prices and reduced advertising and promotions across its branded portfolio in order to preserve margins and profitability. As expected, volumes declined and the company lost modest market share to the typically slower-to-price private label players in its categories. We initially started purchasing NOMD shares in 2023 following these market share losses, underwriting the thesis that as the hyperinflationary period of 2022 subsided the company would be able to realign price disparities with private label to historical norms, reinvest in advertising and promotion, and regain the volume and market share declines that they experienced in 2022. We periodically added to the position throughout last year.

NOMD shares were up 18% in Q1 2025, as the market began to reward tangible signs of a volume recovery in NOMD's business. This fact, combined with an overly discounted valuation as well as a risk-off rotation into the Consumer Staples sector, resulted in strong equity performance for NOMD in Q1. Despite the recent share price appreciation, the company's valuation remains quite attractive at a 10% FCF yield, less than 10x P/E, and less than 8x EV/EBITDA, and a considerable discount to the Consumer Staples sector. In addition, with the company's recent dividend rise, the yield remains attractive at 3.5%. In addition to the continued volume recovery, we see a meaningful opportunity on the cost side over the next few years as the company optimizes its manufacturing footprint. These efforts should continue to push ROICs higher for the business and allow cash flow to grow at a reasonable pace for the foreseeable future.

Fluor Corporation (FLR) provides engineering, procurement and construction services (EPC) in energy, infrastructure, mining, technology and government verticals. We have owned Fluor as the company has improved returns on invested capital (ROIC) over the past few years by changing its bidding practices to focus on more reimbursable projects with less chance for value-destructive cost overruns. As it has worked through most of its loss-making projects, margins and cash flow have improved at the company. There also is an opportunity for further value enhancement through the potential sale of a portion of FLR's investment in NuScale, a small modular nuclear reactor developer. The stock underperformed in the first quarter of this year, however, as projected earnings were lower than expected. Particularly, the company had slower-than-expected awards in its energy division, which made earnings and growth more limited in 2025 as the company is not able to replace large projects that are closing out this year until 2026. The sale of a portion of NuScale also was delayed, which was disappointing to the market. Overall, we still own FLR as we continue to see the company improving ROIC over the next few years with solid demand for its EPC services given infrastructure spend in a variety of industries.

Outlook

The beginning of 2025 has been characterized by significant uncertainties. A new administration has assumed office with ambitions for an "economic renaissance." Concurrently, the Federal Reserve faces the complex challenge of balancing rate cuts amidst potential stimulative fiscal measures, while inflation remains above its target. In this environment, the risk of policy missteps by the Fed is elevated. Additionally, systemic shocks remain an ever-present concern. As always, we maintain our focus on quality investments to mitigate downside risks while capturing upside opportunities.

Substantial fiscal stimulus from prior legislation targeting defense, infrastructure, semiconductors, and energy investment continues to flow through the economy and is expected to peak later in the decade. However, initiatives such as tariffs and government efficiency reforms have introduced near-term uncertainties, while restrictive immigration policies may further tighten labor markets. The housing market faces pressures from higher interest rates and affordability challenges, but a decade-long underinvestment in housing supply should limit declines in home prices. Lower-income consumers are bearing the brunt of inflationary pressures, yet overall consumer balance sheets remain healthy, and credit quality remains strong at the moment.

While these dynamics suggest a cautionary outlook with slowing growth and persistent inflationary pressures, they do not necessarily indicate an imminent recession. Should a recession occur, it may be less severe than recent downturns due to mitigating factors highlighted above. Optimism surrounds the new administration's potential to reduce regulation and foster a favorable environment for mergers and acquisitions.

Following years of low interest rates driving elevated growth stock valuations, we believe value investing is poised for outperformance. Our strategy remains focused on identifying high-quality businesses with strong balance sheets, improving returns on invested capital (ROIC), and share prices that are misaligned with fundamental assessments.

We thank you, as always, for your support.

Sincerely,

RS Value Team

Sector Allocation[7]

As of March 31, 2025

Sector	% of Portfolio
Communication Services	2.04%
Consumer Discretionary	3.28%
Consumer Staples	10.50%
Energy	6.68%
Financials	34.20%
Health Care	8.21%
Industrials	10.57%
Information Technology	8.69%
Materials	3.37%
Real Estate	3.95%
Utilities	3.77%

Top 10 Holdings[8]

As of March 31, 2025

Holding	% of Portfolio
Globe Life Inc.	5.13%
White Mountains Insurance Group Ltd.	4.76%
Cboe Global Markets Inc.	4.74%
Nomad Foods Ltd.	4.43%
Everest Group, Ltd.	4.08%
Howard Hughes Holdings Inc.	3.95%
Prosperity Bancshares, Inc.(R)	3.86%
FirstEnergy Corp.	3.77%
SS&C Technologies Holdings, Inc.	3.54%
Euronet Worldwide, Inc.	3.53%

Performance

Average Annual Total Returns as of March 31, 2025

Victory RS Investors Fund (Class A – RSINX)	First Quarter 2025	1-Year	3-Year	5-Year	10-Year	Since Inception (11/15/05)
without sales charge	0.00%	6.15%	9.87%	19.10%	8.94%	8.45%
with maximum sales charge (5.75%)	-5.77%	0.06%	7.71%	17.70%	8.30%	8.12%
Russell 3000® Value Index[2]	1.64%	6.66%	6.28%	16.13%	8.63%	7.94%

Past performance does not guarantee future results. The performance data quoted represents past performance and current returns 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 returns for periods of less than one year are not annualized. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which Fund performance would have been lower. High, double-digit returns are highly unusual and cannot be sustained. Investors should be aware that these returns were primarily achieved during favorable market conditions.

The Fund's total gross/net annual operating expense ratio as of the most current prospectus for the Class A Shares is 1.63%/1.33%. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through April 30, 2025. Other share classes are available, but not all share classes are available to all investors.

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. In addition to the normal risks associated with investing, investments in small- and mid-sized 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. 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 government 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. The Fund is non-diversified, which means that it may invest a large portion of its assets in a small number of issuers. Non-diversified funds may be more susceptible to economic or credit risks than diversified funds. 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. Any discussions of specific securities should not be considered a recommendation to buy or sell those securities.

Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index.

1 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.

2 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.

3 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.

4 The Russell 1000® Value Index is an unmanaged 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 lower price-to-book ratios and lower forecasted growth values.

5 The Russell Midcap® Value Index is an unmanaged 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. (The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000® Index, which consists of the 1,000 largest U.S. companies based on total market capitalization.)

6 The Russell 2000® Value 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 lower price-to-book ratios and lower forecasted growth values.

7 The Fund's holdings are allocated to each sector based on their GICS classification. If a holding is not classified by GICS, it is assigned a GICS designation by RS Investments. Cash includes short-term investments and net other assets and liabilities.

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

The Funds are distributed by Victory Capital Services, Inc., an affiliate of Victory Capital Management Inc., the Fund's investment adviser.

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