

VICTORY RS SMALL CAP GROWTH FUND QUARTERLY COMMENTARY

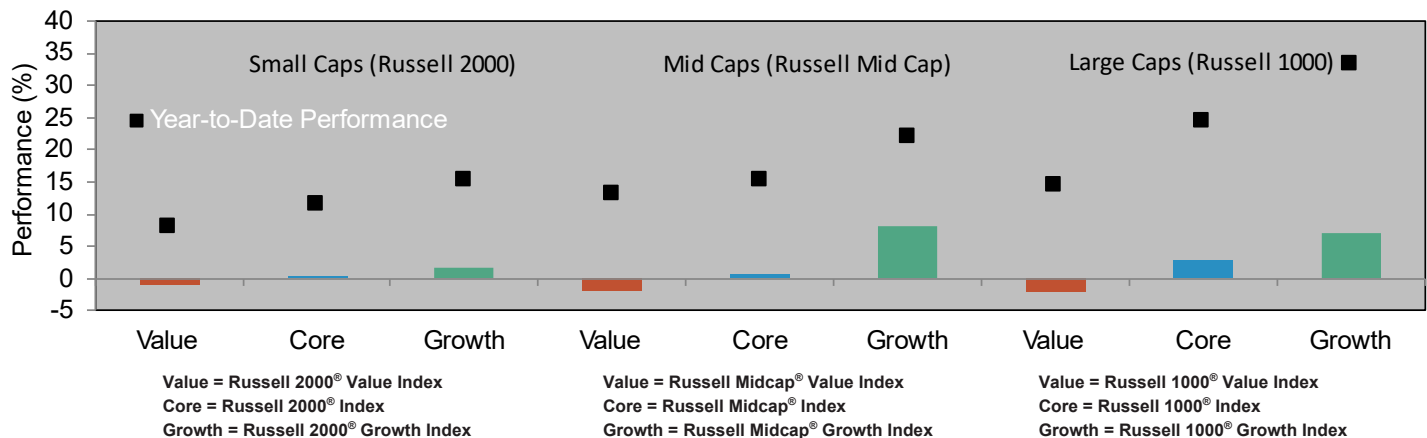
As of December 31, 2024

Quarterly Highlights

- The Victory RS Small Cap Growth Fund (Class A Shares, without sales charge) returned 0.26% for the three months ended December 31, 2024, underperforming the Russell 2000® Growth Index,¹ which returned 1.70%.
- Fund performance relative to the benchmark was negatively impacted during the quarter by stock selection in the Consumer Discretionary sector. Stock selection within the Technology sector offset a portion of the underperformance.
- This period's absolute performance was hindered in part by the relative performance of secular small-cap growth stocks as small growth, as defined by the Russell 2000® Growth Index, underperformed large growth, as defined by the Russell 1000® Growth Index,² 1.70% vs. 7.07%.
- We believe the multi-year underperformance of innovative smaller-cap growth stocks has created an outsized opportunity for smaller-cap growth stocks, as current valuations (defined as the forward price-to-earnings ratio, excluding non-earners) of the Russell 2000® Growth Index are the cheapest since the 1979 inception of the index relative to the Russell 1000® Growth Index (per FactSet).

Market Performance / Fundamentals Snapshot

Q4 2024 Market Performance



Index returns are for illustrative purposes only and do not represent actual Fund 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 broad market, as measured by the S&P 500® Index,³ finished the year up 25%, and that comes on the heels of a 23% gain in 2023. Consecutive years of stellar 20%-plus returns have happened only a handful of times throughout history, and thus we believe it's important to maintain perspective despite the lackluster performance of stocks in December. Looking back over the course of the year, domestic stocks demonstrated their resilience despite a few bouts of volatility and steep drawdowns. In the spring, investors were disappointed by the Federal Reserve deferring (but ultimately not canceling) the much-anticipated start of a new rate-cut cycle. Later in the year, market pundits worried that the Fed had waited too long, and the economy was heading for recession. But time and again, stocks showed their resilience and found their footing. Of course, it helped that economic growth has proven to be relatively durable thus far. And perhaps most importantly, the Fed finally began cutting interest rates in September, and by more than many initially expected.

During the fourth quarter, stocks surged again as investors embraced the outcome of U.S. elections in what is generally expected to be a pro-business, lower-tax, lower-regulatory era. But once again as we approached year-end, the debate surrounding monetary policy resurfaced. In the December FOMC meeting, the Fed cut interest rates as anticipated, but Chairman Jerome Powell disappointed the market by suggesting that there may be fewer rate cuts ahead. As a result, December was a rough month for performance.

In terms of our particular area of focus—domestic growth-oriented equities—it was an interesting end to the year. As we pointed out previously, market leadership began to shift markedly during the second half of this year as investors finally began rotating out of large-cap tech stocks and into smaller, less-recognized names. Investors seem to be recognizing the long-term potential among the laggards with more attractive relative valuations. Encouragingly, market breadth has improved, with greater participation across industries and further down the cap spectrum.

In terms of investment styles, growth stocks bested value stocks during the fourth quarter, with positive performance across the cap

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spectrum despite a challenging December. The Russell 3000® Growth Index⁴ returned 6.8% during the fourth quarter, bringing its annual gains to an impressive 32.5%. Large-cap and mid-cap growth stocks led the way during the fourth quarter as the Russell 1000® Growth Index rose almost 7.1%, while the Russell Midcap® Growth Index⁵ rose 8.1% during the same period. The Russell 2000® Growth Index (representing small-cap growth) clocked in with gains of 1.7% during the fourth quarter.

Looking ahead, there are many lingering questions. The path of future Fed rate cuts is uncertain, as are the impacts on inflation and growth from the policies of the new administration, which are widely considered to be pro-business and regulation-lite. Geopolitical risks are also more abundant in 2025 and are prone to cause volatility. We continually monitor these and other issues to determine how they may impact various sectors of the economy and, more specifically, individual businesses within each industry. However, in a dynamic environment with so many uncertainties, we continue to champion an actively managed style to growth investing. Our focus on fundamentals, valuations, and risk management should be able to identify intriguing opportunities among the cohort of exciting growth companies (especially within the small- and mid-cap arena), in our view. We remain excited about the future and believe there are many smaller innovative companies that are priced attractively compared to the broader market as we move into 2025.

Investment Strategy

The Victory RS Small Cap Growth Fund (the “Fund”) 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-cap company to a mid- or even 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 appreciate regardless of the underlying market environment. The Strategy is led by the team’s chief investment officer, Scott Tracy, along with portfolio managers Steve Bishop, Melissa Chadwick-Dunn, Chris Clark, Paul Leung, and Trevor Martin. The six co-portfolio managers, as well as two research analysts, serve as sector specialists and are supported by two associates, drawing on 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 Victory RS Small Cap Growth Fund (Class A Shares, without sales charge) returned 0.26% for the three months ended December 31, 2024, underperforming the Russell 2000® Growth Index, which returned 1.70%. Fund performance relative to the benchmark was negatively impacted during the quarter by stock selection in the Consumer Discretionary sector. Stock selection within the Technology sector offset a portion of the underperformance. This period’s absolute performance was hindered in part by the relative performance of secular small-cap growth stocks as small growth, as defined by the Russell 2000® Growth Index, underperformed large growth, as defined by the Russell 1000® Growth Index, 1.70% vs. 7.07%. We believe the multi-year underperformance of innovative smaller-cap growth stocks has created an outsized opportunity for smaller-cap growth stocks, as current valuations (defined as the forward price-to-earnings ratio, excluding non-earners) of the Russell 2000® Growth Index are the cheapest since the 1979 inception of the index relative to the Russell 1000® Growth Index (per FactSet).

Top Detracting Sector: Consumer Discretionary

One of the larger areas of underperformance within the Consumer Discretionary sector was driven by apparel manufacturer American Eagle Outfitters (1.50% ending weight). American Eagle had solid third quarter results but lowered their projections for fourth quarter revenues. The company is still on track to meet their original goals for sales for the year, albeit slightly lower than their raised outlook at mid-year. We believe that American Eagle is poised for a very strong 2025 and has learned their lesson from setting expectations too high mid-year. As such we have held the position and added on weakness.

Top Contributing Sector: Technology

Within the Technology sector, the largest driver of relative outperformance was entertainment, social networking, and news website operator Reddit (0.94% ending weight). Reddit benefited from very strong new user adds and average revenue per user (ARPU) trends in the third quarter which drove significantly better revenue and earnings results. The stock had a very large move in the fourth calendar quarter, and as such we have trimmed it back significantly.

Market and Strategy Outlook

We remain optimistic about the health of the domestic economy and are excited about the prospect that the Federal Reserve has finally begun to meaningfully cut their benchmark rate to a more neutral stance. U.S. employment remains strong, and the outlook for solid earnings growth in 2025 is in place. While the full impact on the economy and employment from the multi-year rate-hiking campaign is as yet unclear, a slightly slower pace in economic activity, if coupled with solid consumer and business spending, could augur a very favorable backdrop for growth stocks. In addition, the potential for more deregulation, continued onshoring and re-shoring, and stronger CEO confidence could spur improved business conditions. We remain especially optimistic about worker productivity and still-healthy but moderating wage gains, which should help corporate profit momentum. Certain segments of the

economy appear well positioned to continue to grow, while company valuations vary significantly across styles.

In the current investment landscape, there continues to be a compelling opportunity for secular growth companies outside of the mega-cap growth category. Despite their relative underperformance since November 2020, smaller-cap secular growth companies have displayed continued strength in their underlying fundamentals. We expect this fundamental strength to persist and are optimistic that the valuation gap of smaller companies will narrow substantially with that of their larger-cap peers.

Overall, while we believe the interest rate and inflation picture is getting clearer and improving, the engineering of a soft landing for the economy remains unclear. As such, we 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 particularly attractive relative to cyclicals due to their strong and consistent fundamentals and potential for outperformance.

Thank you for your continued investment.

D. Scott Tracy, CFA
CIO, Co-Portfolio Manager

Steve Bishop
Co-Portfolio Manager

Melissa Chadwick-Dunn
Co-Portfolio Manager

Chris Clark, CFA
Co-Portfolio Manager

Paul Leung, CFA
Co-Portfolio Manager

Trevor Martin, CFA
Co-Portfolio Manager

Sector Allocation⁶

As of December 31, 2024

Sector	% of Portfolio
Health Care	24.12%
Producer Durables	20.61%
Technology	20.12%
Financial Services	9.90%
Consumer Discretionary	9.17%
Materials & Processing	7.63%
Consumer Staples	3.80%
Energy	2.85%
Cash / Other Assets and Liabilities	1.22%
Utilities	0.00%

Top 10 Holdings⁷

As of December 31, 2024

Holding	% of Portfolio
FTAI Aviation Ltd.	2.46%
Semtech Corporation	2.23%
Under Armour, Inc. Class C	1.86%
Applied Industrial Technologies, Inc.	1.69%
Varonis Systems, Inc.	1.67%
UTZ Brands, Inc. Class A	1.63%
Champion Homes, Inc.	1.59%
Gitlab, Inc. Class A	1.53%
Modine Manufacturing Company	1.52%
Fabrinet	1.52%

Performance

Returns as of December 31, 2024

Victory RS Small Cap Growth Fund (Class A – RSEGX)	Fourth Quarter 2024	1-Year	3-Year	5-Year	10-Year	Since Inception (11/30/87)
without sales charge	0.26%	11.08%	-5.74%	0.53%	5.94%	11.63%
with maximum sales charge (5.75%)	-5.51%	4.69%	-7.59%	-0.66%	5.32%	11.45%
Russell 2000 [®] Growth Index ¹	1.70%	15.15%	0.21%	6.86%	8.09%	8.87%

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. Other share classes are available.

The Fund's total gross/net annual operating expense ratio as of the most current prospectus for the Class A Shares is 1.44%/1.40%. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through April 30, 2025.

Carefully consider the 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 potential loss of principal. In addition to the normal risks associated with investing, 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. The Fund may frequently change its holdings, resulting in higher fees, lower returns, and more capital gains. 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. The profitability of companies in the health care sector may be affected by government regulations and health care programs, fluctuations in the cost of, and demand for, medical products and services, and product liability claims. Information technology companies are particularly vulnerable to rapid changes in technological product cycles, severe competition, and government regulation. 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.

- 1 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.
- 2 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.

- 3 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.
- 4 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.
- 5 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.
- 6 The Fund's 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.
- 7 Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

Index returns reflect the reinvestment of dividends and capital gains but do not include advisory fees, transaction costs, or other expenses. One cannot invest directly in an index.

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