

Executive Summary

The following update is delivered to provide an initial overview of our insights and actions that occurred in the second quarter following the first quarter volatility surrounding the COVID-19 pandemic. This is a precursor to our regular commentary, which will be delivered after we have published our holdings information and will contain our usual detailed performance commentary.

Market Update and Positioning

Equity markets bottomed near the end of the first quarter, then rebounded sharply off the bottom, with the rebound continuing into the second quarter. Declining COVID-19 cases, hopes of a medical breakthrough, and massive liquidity injections by the Federal Reserve and world monetary authorities drove investors back to equities. Growth outpaced value. In particular, the FAANG stocks received most of investors' approval.

At the end of the second quarter, the S&P 500® index was down 3.08% for the year. Amazingly, the FAANG-heavy NASDAQ 100 Index was up 16.89% for the year. Meanwhile the Russell 2000® Value Index is still down 23.50%. We believe the disparate returns show the influence of massive liquidity combined with continued pessimism regarding the longer-term economic prospects.

The strong run in large-cap growth stocks has brought out calls of "too far, too fast." However, in our small-cap value space, we continue to see compelling value opportunities. We have been adding small positions in companies where we see enticing relative valuations with above-average snap-back potential as the COVID-19 and economic clouds begin to clear. The number of securities held in the portfolios has expanded to try to capture this return while taking less company-specific risk. Our largest risk lies in second-wave fears and the resulting economic worries and implications. Our performance was reasonably solid in the quarter; however, in the waning days, second-wave COVID-19 cases increased, and we did lose some relative out performance. This is certainly a concern, but we see it as performance delayed, not lost.

The rebalancing of the benchmark Russell 2000® Value Index poses some challenges. Given the sharp market declines, the benchmark has become much more cyclical and we believe it will show strong returns if the economy continues to recover. We have adjusted the portfolios to maintain relative positioning similar to the pre-rebalance benchmark.

We talked last quarter about valuation spreads being as wide as they've been since 2008 and during the Great Depression. They have since receded some in the market rally. However, spreads remain historically wide which indicates that fear still resides in the market. We also spoke last quarter about how the yield relationship between stocks and bonds, both on a dividend basis and on a free cash flow basis, is the most advantageous that it has been in 65 years – this still holds true. There will be continued volatility around media reports on the virus and the economy, but this signals to us that our strategy of buying names with good free cash flow, with deeper discounts and some controversy surrounding them, is the right one that will add alpha for our clients going forward.

Performance

Average Annual Returns as of June 30, 2020

Victory Integrity Discovery Fund (Class A: MMEAX / Class Y: MMEYX)	Inception Date	QTR	1-Year	5-Year	10-Year	Since Inception	Expense Ratio	
							Gross	Net
Class A (without sales charge)	12/26/1996	20.63%	-23.78%	-1.28%	9.12%	9.41%	1.55%	1.55%
Class A (with sales charge, max 5.75%)	12/26/1996	13.67%	-28.16%	-2.44%	8.47%	9.14%	1.55%	1.55%
Class Y	12/26/1996	20.65%	-23.64%	-1.05%	9.38%	9.68%	1.30%	1.30%
Russell Microcap [®] Value Index (Net)	—	22.93%	-14.93%	2.19%	8.69%	—		
Victory Integrity Mid-Cap Value Fund (Class A: MAIMX / Class Y: MYIMX / Class R6: MRIMX)	Inception Date	QTR	1-Year	5-Year	10-Year	Since Inception	Expense Ratio	
							Gross	Net
Class A (without sales charge)	07/01/2011	20.76%	-13.90%	2.31%	—	6.94%	1.51%	1.00%
Class A (with sales charge, max 5.75%)	07/01/2011	13.84%	-18.85%	1.11%	—	6.24%	1.51%	1.00%
Class R6	12/15/2015	20.86%	-13.53%	—	—	4.85%	0.94%	0.60%
Class Y	07/01/2011	20.81%	-13.67%	2.59%	—	7.22%	1.17%	0.75%
Russell Midcap [®] Value Index (Net)	—	19.95%	-11.81%	3.32%	—	—		
Victory Integrity Small/Mid-Cap Value Fund (Class A: MAISX / Class Y: MYISX / Class R6: MIRSX)	Inception Date	QTR	1-Year	5-Year	10-Year	Since Inception	Expense Ratio	
							Gross	Net
Class A (without sales charge)	07/01/2011	20.93%	-18.97%	0.41%	—	5.02%	1.71%	1.13%
Class A (with sales charge, max 5.75%)	07/01/2011	13.97%	-23.63%	-0.77%	—	4.34%	1.71%	1.13%
Class R6	03/04/2015	21.03%	-18.70%	0.72%	—	0.36%	0.96%	0.83%
Class Y	07/01/2011	21.00%	-18.73%	0.68%	—	5.29%	1.03%	0.88%
Russell 2500 [™] Value Index (Net)	—	20.60%	-15.50%	1.85%	—	—		
Victory Integrity Small-Cap Value Fund (Class A: VSCVX / Class Y :VSVIX / Class R6: MVSSX)	Inception Date	QTR	1-Year	5-Year	10-Year	Since Inception	Expense Ratio	
							Gross	Net
Class A (without sales charge)	03/30/2004	19.73%	-24.33%	-2.00%	6.96%	5.70%	1.58%	1.50%
Class A (with sales charge, max 5.75%)	03/30/2004	12.86%	-28.69%	-3.16%	6.32%	5.32%	1.58%	1.50%
Class R6	06/01/2012	19.84%	-23.95%	-1.49%	—	6.66%	0.96%	0.96%
Class Y	07/07/2005	19.82%	-24.04%	-1.65%	7.30%	5.40%	1.12%	1.12%
Russell 2000 [®] Value Index (Net)	—	18.91%	-17.48%	1.26%	7.82%	—		

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. Current performance may be lower or higher than performance data quoted. To obtain performance information current to the most recent month-end, visit www.vcm.com.

Fee waivers and/or expense reimbursements may have been in place for some or all periods shown. Without such waivers and/or reimbursements, performance would have been lower. Returns for periods of one year or more are annualized. Performance for other share classes will vary.

An investor should consider the Fund's investment objectives, risks, charges and expenses carefully before investing or sending money. This and other important information about the investment company can be found in the Fund's prospectus or in the summary prospectus. To obtain a copy, visit www.vcm.com. Please read the prospectus carefully before investing.

All investing involves risk, including potential loss of principal.

Investments in small and mid-size companies can involve risks such as less publicly available information, higher volatility, and less liquidity than larger companies.

Not all share classes are available to all investors, as described in the Fund's prospectus.

Net expense ratio reflects the waiver reimbursement or recoupment, as applicable, contractually agreed to through October 31, 2020.

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. A fund's portfolio differs significantly from the securities held in an index. An index is unmanaged and not available for direct investment.

The Russell Microcap[®] Value Index is a market-capitalization-weighted index that measures the performance of Russell Microcap[®] Index companies with relatively lower price-to-book ratios and lower forecasted growth. It represents the value-oriented micro-cap segment of the U.S. equity market. The Russell Microcap[®] Index is a market-capitalization-weighted index that measures the performance of the 1,000 smallest stocks in the Russell 2000[®] Index plus 1,000 smaller U.S.-based listed stocks. A fund's portfolio differs significantly from the securities held in an index. An index is unmanaged and not available for direct investment.

The Russell 2500[™] Value Index measures the performance of those Russell 2500[™] Index companies (approximately 2,500 of the smallest securities in the Russell 3000[®] Index, an index of the top 3,000 U.S. stocks by market capitalization covering 98% of the U.S. equity investable universe) with higher composite value scores. You cannot invest directly in an index. Although reinvestment of dividend and interest payments is assumed, no expenses are netted against an index's returns.

The Russell 2000[®] Value Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 2000[®] Index with lower price-to-book ratios and lower forecasted growth values. A fund's portfolio differs significantly from the securities held in an index. An index is unmanaged and not available for direct investment.

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.

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V20.074 // 2Q 2020 INTGY Investment Update COM