

# Victory Munder Small-Cap Growth Fund

## Quarterly Commentary



As of September 30, 2019

### 3Q 2019 MARKET REVIEW

#### Slowing Growth Pressures Rates and Limits Stock Market Returns

The third quarter's 0.48% total return put the Russell Midcap® Index up 21.93% for the year; the Russell Top 200® Index returned 1.78% for the quarter and is up 20.01% year-to-date, while the Russell 2000® Index declined 2.40% and is up 14.18% for the year. U.S. markets and the dollar continue to outperform relevant international alternatives as investors try to reconcile slowing global growth and an industrial/manufacturing recession with increasingly dovish global monetary policy and resilient job creation/consumer spending in the U.S.

Indeed, in September we saw a very powerful rotation out of growth and momentum and into value factors, including some inexpensive cyclical stocks. This contrasts greatly with the growth-led market that we've experienced the last two years, which has largely been driven by negative earners and/or very high valuation stocks.

### ATTRIBUTION

#### Strong Relative Performance Continues

The Victory Munder Small-Cap Growth Fund generated a -3.3% total return (Class A shares without sales load) for the quarter, outperforming the Russell 2000® Growth Index. Strong stock selection was broad-based with eight sectors contributing to excess returns, with Health Care the only meaningful

detractor. Several positions delivered outsized alpha across several sectors, including Legacy Housing Corporation (1.0%) in Consumer Discretionary, First Western Financial (1.7%) in Financials, Vonage Holdings Corp. (1.6%) in Communication Services, and HeadHunter Goup (0.8%) in Industrials. The Fund has now generated excess return in 12 of the last 13 quarters. Importantly, as of September 30, 2019, the Fund (Share Class A) ranked in the 19 percentile (128 out of 664) over the last year and 20 percentile (128 out of 584) over the last 3 years within the Morningstar US Small Cap Growth Equity universe, based on total returns. Finally, we continue to believe managers and analysts should be materially invested in the investment strategies they manage, a discipline that we believe has shown to be a good predictor of manager performance.

The Victory Munder Small-Cap Growth Fund continues to focus on companies that we believe have superior growth prospects, competitive advantages, and strong profitability or free cash flow, and whose stock trades at reasonable valuations within the small-cap universe. We believe that blending fundamental strength with a valuation overlay produces an attractive combination for investment performance.

Top 5 Contributors (%)	
NextCure, Inc.	0.64
Insulet Corporation	0.43
Legacy Housing Corporation	0.36
First Western Financial, Inc.	0.35
DocuSign, Inc.	0.29
Top 5 Detractors (%)	
Fulcrum Therapeutics, Inc.	-1.08
Merit Medical Systems, Inc.	-0.95
Smartsheet, Inc. Class A	-0.37
Silk Road Medical, Inc.	-0.35
Chewy, Inc. Class A	-0.33

Source: FactSet.

Top 10 Holdings	Sector
Luckin Coffee Inc ADR Class A	Consumer Discretionary
WNS (Holdings) Limited Sponsored ADR	Information Technology
EPAM Systems, Inc.	Information Technology
TCR2 Therapeutics, Inc.	Health Care
SI-BONE, Inc.	Health Care
First Western Financial, Inc.	Financials
Amerant Bancorp Inc. Class A	Financials
Insulet Corporation	Health Care
Vonage Holdings Corp.	Communication Services
Ping Identity Holding Corp.	Information Technology
<b>Total % of Portfolio</b>	<b>18.76%</b>

#### ANNUALIZED RETURNS

Investment Performance (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	Expense Ratio		
							Since Inception*	Gross	Net
Class A, without load	-3.29	22.87	-2.39	15.30	—	—	9.26	2.69	1.40
Class A, with max. sales load (5.75%)	-8.87	15.83	-8.01	13.04	—	—	7.81	2.69	1.40
Russell 2000® Growth Index	-4.17	15.34	-9.63	9.79	9.08	12.25	—		

Source: StatPro.

\*Since inception results are as of the Fund's inception date May 1, 2015.

**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 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 please visit [www.vcm.com](http://www.vcm.com).** Expense Ratios shown are as of the Fund's current prospectus. The Adviser has contractually agreed to waive a portion of its management fee and/or reimburse certain expenses through at

least October 31, 2019. The Adviser is permitted to recoup fees waived/expenses reimbursed for up to 3 years after the fiscal year in which the waiver/reimbursement took place, subject to certain limitations. Please read the prospectus for details. Returns include reinvestment of dividends and capital gains. Please note: High, double-digit and/or triple-digit returns are highly unusual and cannot be sustained. Investors should be aware that such returns were primarily achieved during favorable market conditions.

**Risks Associated with Investing in the Fund:** There is no guarantee that the Fund will achieve its objective. All investing involves risk, including potential loss of principal. The Fund invests in smaller -sized company stocks, which are more volatile and less liquid than larger, more established company securities. The Fund may invest up to 25% of its assets in foreign securities, which involve additional risks due to currency fluctuations, economic and political conditions, and differences in financial reporting standards.

The recent growth rate in the stock market has helped produce short-term results for some asset classes that are not typical and may not continue in the future. Because of ongoing market volatility, Fund performance may be subject to substantial short-term changes. Short term performance is not a good indicator of the fund's future performance and an investment should not be made based solely on returns.

Performance may have been meaningfully impacted by investments in initial public offerings (IPOs). There is no guarantee that any positive impact on performance will be repeated or that the fund will participate in any future IPOs. The prices of IPO securities may fluctuate more than prices of equity securities of companies with longer trading histories. Investing in IPOs entails special risks, including limited operating history of companies, limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, and high portfolio turnover.

**Indexes Defined** The Russell 2000® Growth Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. Securities indexes assume reinvestment of all distributions and interest payments and do not take into account brokerage fees or taxes. Securities in the Fund may not match those in the index and performance of the Fund will differ. Direct investment in an index is not possible.

Active return is the percentage gain or loss of an investment relative to the investment's benchmark.

Fund holdings mentioned in the Quarterly Commentary are as of most recent quarter end 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. 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. Percentages shown are for the most recent quarter.

The information in this article is based on data obtained from recognized services and sources and is believed to be reliable. Any opinions, projections or recommendations in this report are subject to change without notice and are not intended as individual investment advice. The securities highlighted, if any, were not intended as individual investment advice. A complete list of all recommendations of security selection is available by request for the previous 12 months. Furthermore, Victory Capital Management Inc., and its affiliates, as agents for their clients, and any of its officers or employees, may have a beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report.

**Shares of the fund may be subject to sales charges and other fees. An investor should consider the fund's investment objectives, risks and 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. To obtain a prospectus, please call 1-800-539-FUND or visit [www.vcm.com](http://www.vcm.com). Please read the prospectus carefully before investing.**

Percentile rank is a standardized way of ranking items within a peer group, in this case, funds with the same Morningstar Category. The observation with the largest numerical value is ranked one; the observation with the smallest numerical value is ranked 100. The remaining observations are placed equal distance from one another on the rating scale. Performance and rankings are for Class A Shares at NAV which does not include the effect of sales charges. Shares of the Fund may be subject to sales charges and other fees. Performance for periods greater than 1 Year is annualized. The Morningstar category ranking is based on the fund's total-return percentile for the specified time period relative to all funds that have the same Morningstar category. The most favorable percentile ranking is 1, and the least favorable percentile ranking is 100. Past performance does not guarantee future results. The Fund's rankings would have been lower without the impact of fee waivers and/or reimbursements.

The Mutual Funds are distributed by Victory Capital Advisers, Inc. ("VCA"), member FINRA and SIPC. Victory Capital Management Inc., an affiliate of VCA, is the investment adviser to the Funds and receives a fee from the Funds for its services.

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