VICTORY SOPHUS EMERGING MARKETS FUND QUARTERLY COMMENTARY

Sophus CAPITAL
A VICTORY CAPITAL℠ INVESTMENT FRANCHISE

As of September 30, 2019

Executive Summary

Sophus Capital employs a disciplined, bottom-up approach utilizing both quantitative and fundamental processes to invest in companies that we believe have superior and sustainable earnings growth at attractive valuations, with revisions as the catalyst. By investing in companies with these characteristics, coupled with our risk-managed approach, we seek to provide a consistent return pattern over time.

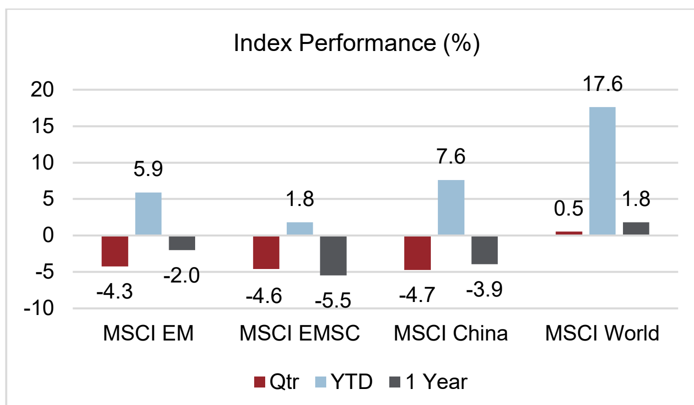
- The Victory Sophus Emerging Markets Fund (A Shares without sales charge) outperformed the MSCI Emerging Markets Index (Net)[1] during the third quarter, returning -2.68% versus -4.25% for the index.
- Emerging markets once again fluctuated on the on-again/off-again/on-again saga that is the US/China trade negotiations and finished the quarter down 4.25%, underperforming developed markets, which were up 0.53%.
- We believe the low interest rate environment, with inflation held in check and relatively stable global growth, is supportive of emerging markets equities.

Performance Recap

The Victory Sophus Emerging Markets Fund (A Shares without sales charge) was down 2.68% for the quarter, outperforming its benchmark by 157 basis points. By sector, the largest contributor to performance in the quarter was stock selection in health care and energy. The largest detractor to relative performance was stock selection in consumer staples. By country, the largest contributor was stock selection in China. The largest detractor was stock selection in Indonesia. At the stock level, the largest contributor to relative performance was the Chinese health care company CSPC Pharmaceutical Group (Ticker: 1093HK). CSPC is one of the largest innovative drug manufacturers in China. During the quarter the company benefited from a couple of regulatory rulings involving China's centralized drug procurement policy designed to reduce drug prices and promote consolidation in the industry. The program was announced in December of last year, and the regulators have been releasing additional details of the plan throughout this year. A favorable modification to the program was announced early in the quarter, and CSPC shares rallied on the news. Furthermore, the company released solid 1H19 results that saw strong revenue growth in the quarter, with good progress in a number of drugs successfully navigating various stages in clinical trials. Chinese consumer staple company Ausnutria Dairy (Ticker: 1717HK) detracted the most from relative performance in the quarter. Ausnutria is a vertically integrated high-end cow-milk and goat-milk infant formula provider. During the quarter an activist investment firm issued a short seller report on the company, making a list of a number of alleged fraudulent activities by management. Management vehemently denied the claims, and their two largest shareholders (one is a large state-owned institution) stood behind the company.

Market Overview

Like Hall of Fame catcher and grand orator Yogi Berra used to say, "It's like déjà vu all over again," as emerging markets (EM) once again fluctuated on the on-again/off-again/on-again saga that is the US/China trade negotiations. Emerging markets finished the quarter down 4.25%, underperforming developed markets, which were up 0.53%. The quarter started out on a positive note, with the US and China agreeing to resume trade talks coming out of the G20 summit in late June, and President Trump declaring he would freeze tariffs as long as the talks progressed. A dovish US Federal Reserve also provided a boost. However, these could not quell investor fears of a slowdown in global growth, helping to push the US dollar higher and weighing on emerging markets equities in July. For the month of August, emerging markets were down 4.88%. EM equities started off on a weak note with the re-escalation of the trade war as President Trump announced 10% tariffs on an additional $300 billion of Chinese goods. China retaliated with the halt of purchases of US agricultural goods. The US then designated China as a currency manipulator. This back-and-forth between the US and China fueled global growth concerns, leading to a risk-off sentiment in the markets. In the middle of August, sentiment improved a bit as the US agreed to delay tariffs on certain products and both countries agreed to go back to the table. A stronger US dollar, up 0.41%, also weighed on EM equities. In September, optimism regarding the October US/China trade talks and accommodative central banks globally helped to push emerging markets equities higher. However, EM equities gave up some of their earlier gains on global growth concerns to finish up 1.91% in September.

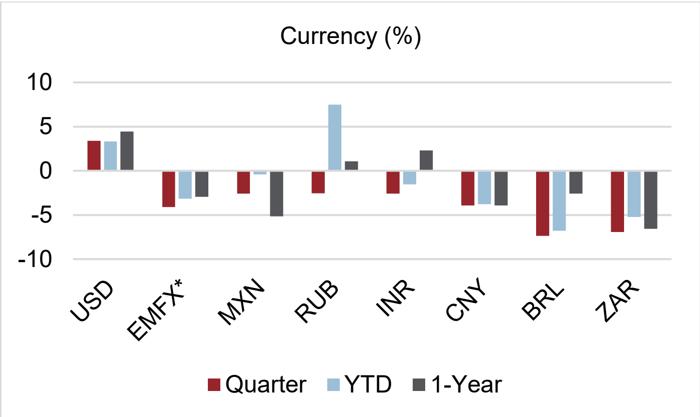


Source: MSCI

Commodities were down 4.54%, with oil down 8.67% on ongoing global growth concerns. Precious metals continued to rally higher, up 5.51% in the quarter as global central banks turn to easing mode. Gold advanced 4.47% in the quarter given the more defensive posture by investors. The US dollar finished the quarter up 3.38%, while a basket of EM currencies was down 4.10%. The Argentine peso saw the largest decline across emerging markets, down 26.34% as a worsening financial crisis there has increased the chances that a protectionist opposition government will unseat President Macri's pro-business administration in the country's October 27 presidential election. The Brazilian real was down

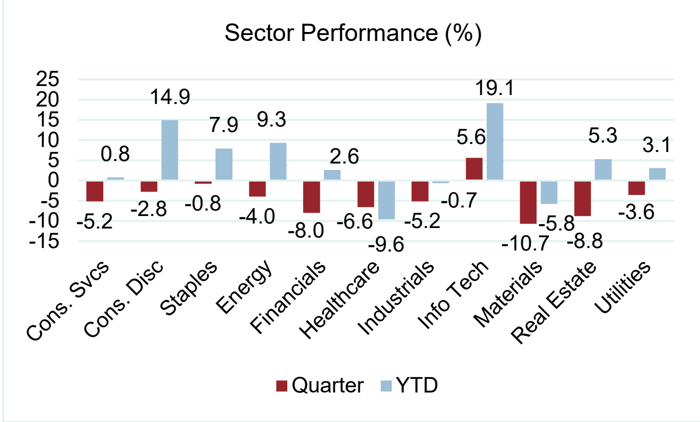
7.37%, with much of that coming in August when the central bank had to intervene and use FX reserves for the first time in 10 years.

On a regional basis, Asia was the top performer, down 3.41%. Taiwan was up 5.19% in the quarter, as the country has been in the sweet spot from a trade perspective: they are not in the crosshairs of either Washington or Beijing and are doing business with both the US and China. China equities were down 4.73%, while India was down 5.15% after recovering a bit in September on the back of improved sentiment from the announced corporate tax cuts. Latin America was down 5.61%. Mexico was the top performer in the region, down 1.72%. Mexico overcame the uncertainty raised by the surprise resignation of its finance minister early in the quarter with aggressive central bank rate cuts and anti-corruption investigations. Brazil declined 4.58% on weak economic data. EMEA was off 7.02% in the quarter. Turkey was the top performer in the region, advancing 11.65% on a rally in their currency and a surprise 425 basis point rate cut by the CBRT in July followed by another 325 basis point rate cut in September in the wake of continued disinflation. Russian equities declined 1.39%, outperforming the broader index on three rate cuts by the Bank of Russia. South Africa declined 12.60% on slower economic growth and a weaker rand (-6.93%).



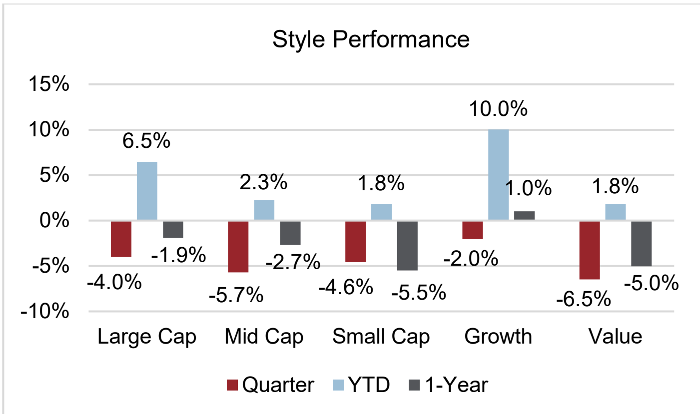
*JPMorgan EM Currency Index
Source: Bloomberg

On a sector basis, IT was the best performer and the only sector in positive territory for the quarter, advancing 5.64%. Returning DRAM demand and an intensifying NAND shortage are evidence of a resurging memory market. Slower global economic growth weighed heavily on the materials sector, which declined 10.72%, and was the worst performing sector in the quarter.



Source: Factset

On a style basis, large-caps (-4.01%) outperformed both mid-caps (-5.71%) and small-caps (-4.58%), expanding their year-to-date lead by 423 basis points and 467 basis points, respectively. Growth trounced value in the quarter, declining 2.04% versus down 6.48%. Year-to-date, growth has outperformed value by 822 basis points. Looking across market factors, momentum was the best performing factor in the quarter. Interestingly, in September, momentum sold off during the first half of the month, while value stocks had a big rally during the same period. Together with this dramatic switch into value, beta also outperformed significantly (but underperformed for the quarter). However, this value rally fizzled in the second half of September, while momentum rallied again. This short-lived value and beta rally serves as a reminder that a sustainable regime change may not happen without the support of improving macroeconomic signals.



Source: MSCI

Outlook

Accommodative monetary policy by the Fed has helped to drive interest rates down across emerging markets, with several countries already cutting rates. It appears that the trade tensions are wagging the monetary policy dog. Trade friction continues to feed concerns on global economic growth and, up to this point, the Fed has cut rates to try to stay out in front of this. As long as inflation and interest rates stay low, and growth stabilizes, we believe the EM equity environment will stay supportive. US and China delegates are meeting in the US in October to negotiate a trade deal. While the consensus view appears to be that some sort of truce will come out of this, with agreement to continue the dialogue on a scheduled path, we believe the markets are not reflecting this, which could be a catalyst if any progress is made.

The fluctuation in the markets lends itself well to our active bottom-up process, discovering new attractive opportunities and building on positions in those stocks where we believe price and fundamentals have become disjointed. We continue to find opportunities with the characteristics we seek, namely superior and sustainable earnings growth at attractive valuations, with revisions as a catalyst.

We thank you for your continued support.

Sincerely,

The Sophus Emerging Markets Team

Top Relative Contributors/Detractors[2]

As of September 30, 2019

Top Relative Contributors	% Cont. to Return
CSPC Pharmaceutical Group Limited	0.27
Nanya Technology Corporation	0.26
King Yuan Electronics Co., Ltd.	0.23
Qualicorp Consultoria e Corretora de Seguros S.A.	0.21
Wuhu Sanqi Int Ent Network Tech Grp Co., Ltd. Class A	0.19
Top Relative Detractors	
CIMC Enric Holdings Limited	-0.26
Tongcheng-Elong Holdings Limited	-0.16
Anglo American plc	-0.14
PT Bank Negara Indonesia (Persero) Tbk Class B	-0.13
Ausnutria Dairy Corp. Ltd.	-0.13

Top Holdings[3]

As of September 30, 2019

Holding	% of Portfolio
Alibaba Group Holding Ltd. Sponsored ADR	5.22
Tencent Holdings Ltd.	5.06
Samsung Electronics Co., Ltd	4.06
Taiwan Semiconductor Manufacturing Co., Ltd.	3.79
Ping An Ins. (Group) Co. of China, Ltd. Class H	2.92
China Construction Bank Corporation Class H	2.04
Oil company LUKOIL PJSC	1.68
SK hynix Inc.	1.62
Reliance Industries Limited	1.58
Itau Unibanco Holding SA Pfd	1.58

Regional Allocation

As of September 30, 2019

Sector	% of Portfolio
Asia	72.03
EEMEA	14.21
Latin America	13.12
Cash/Other	0.64

Performance

Average Annual Returns as of September 30, 2019

Victory Sophus Emerging Markets Fund (Class A – GBEMX)	Quarter	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception (5/1/97)
without sales charge	-2.68%	8.14%	-2.40%	5.61%	2.76%	2.33%	6.64%
with maximum sales charge (5.75%)	-8.26%	1.94%	-8.00%	3.54%	1.55%	1.72%	6.36%
MSCI Emerging Markets Index (Net)[1]	-4.25%	5.89%	-2.02%	5.97%	2.33%	3.37%	NA

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.victoryfunds.com. The Fund's total gross/net annual operating expense ratio for the Class A Shares is 1.61%/1.34%. Investment returns reflect the reinvestment of dividends and capital gains, total fund operating expenses, net of all fees, waivers, and/or expense reimbursements. Index performance is shown for illustrative purposes only. It is not possible to invest directly in an unmanaged index. Returns are average annual total returns, except those for periods of less than one year, which are cumulative. Performance for other share classes will vary. High double-digit returns are unusual and cannot be sustained. Investors should be aware that these returns were primarily achieved during favorable market conditions.

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, if available, 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. There is no guarantee that the Fund will help achieve its objective. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty, and greater volatility. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume.

The Adviser has contractually agreed to waive a portion of its management fee and/or reimburse certain expenses through at least April 30, 2020. The Adviser is permitted to recoup advisory fees waived and expenses reimbursed by it for up to three years after the fiscal year in which the waiver or reimbursement took place, subject to the lesser of any operating expense limits in effect at the time of the original waiver or expense reimbursement and at the time of recoupment or reimbursement. This agreement may only be terminated by the Fund's Board of Trustees.

Except as otherwise specifically stated, all information and portfolio manager commentary, including portfolio security positions, are as of September 30, 2019.

Active weight is the difference in allocation of an individual security or portfolio segment between the portfolio and the benchmark.

1 The Morgan Stanley Capital International (MSCI) Emerging Markets Index total return (Net) data is provided by Morgan Stanley Capital International, and includes the reinvestment of dividends and reflects no deduction for fees, expenses or taxes except foreign withholding taxes. The MSCI Emerging Markets Index is a market-capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin; it excludes closed markets and those shares in otherwise free markets which may not be purchased by foreigners. The MSCI Emerging Markets Index is an unmanaged index that is not available for direct investment. There are no expenses associated with the index, but there are expenses associated with the Fund.

2 Contributors and Detractors source: FactSet. FactSet. The top contributors and detractors are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments. The percent displayed in the final column is relative contribution to return. Holdings are as of quarter end and may change at any time.

3 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 Advisers, Inc., member FINRA and SIPC, an affiliate of Victory Capital Management Inc.

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