VICTORY FLOATING RATE FUND QUARTERLY COMMENTARY

As of September 30, 2019

Fund Performance Summary

In the third quarter of 2019, the Victory Floating Rate Fund (the "Fund") returned 0.8% (Class A shares without sales charge), underperforming its benchmark, the S&P/LSTA Leveraged Loan Index[1] (the "Index"), which returned 1.0%.

The Fund was underweight in loans rated B and above, and that positioning detracted from relative performance, as did security selection in B-rated loans. Security selection in drugs and healthcare also detracted from performance relative to the Index. A combination of the opioid crisis and potential legislation around healthcare reimbursements and cost controls were factors in this weakness.

Asset allocation and security selection both contributed to performance relative to the Index. Security selection in CCC-rated loans was the single largest contributor to relative performance. An out-of-benchmark allocation to high yield corporate bonds and an underweight in energy also made strong contributions to the Fund's relative performance.

Market Review

Returns were positive, although diminished from prior quarters, in most segments of the securities markets in the third quarter of 2019 as volatility escalated in response to trade tensions and signs of economic weakness at home and abroad.

The 10-year Treasury returned 3.2%, while the Bloomberg Barclays US Aggregate Bond Index[2] returned 2.3%. That index's investment grade corporate component returned 3.1%, making it the strongest performer in fixed income except for the 30-year Treasury, which returned 9.2%. The Index was the weakest of the major domestic indexes as floating rate loans, whose interest rates can move upward when rates are rising, lost appeal amid rate cuts.

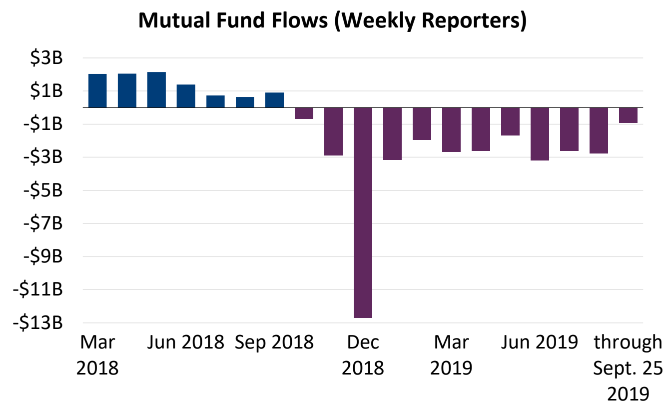
We believe that while the U.S. Federal Reserve's (the "Fed's") rate cuts and renewed focus on supporting economic growth may bear fruit slowly for the U.S. economy, they have already had a meaningful impact on securities markets. For the time being, investors appear wary but reassured that they will be somewhat protected by low rates, which soothe credit market volatility and encourage risk taking.

Leveraged Loan Market Recap

Leveraged loan issuance remained robust in the third quarter, hitting $92 billion, its highest level in five quarters and up 31% from the second quarter. Refinancings accounted for just over half of the new issuance in the quarter, which we view as healthy for the market because it extends maturities.

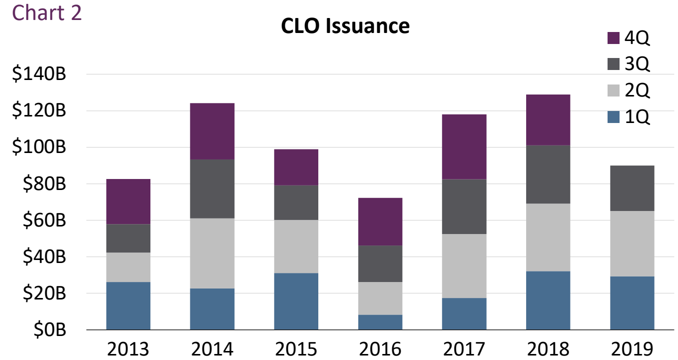
The heavy new issuance occurred despite $43 billion in outflows from leveraged loan mutual funds since Oct. 2018 *(see Chart 1)* as retail investors cooled on floating rate loans amid Fed rate cuts. However, demand for collateralized loan obligations (CLOs) remained intense among institutional investors *(see Chart 2)*. CLOs are packaged groups of loans that are divided into tranches and offered to institutional investors, who now make up more than 70% of the leveraged loan market *(see Chart 3)*.

Chart 1



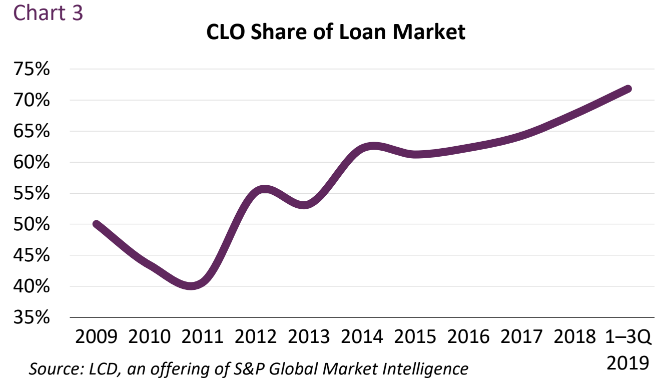
Source: Lipper

Chart 2



Source: LCD, an offering of S&P Global Market Intelligence

Chart 3

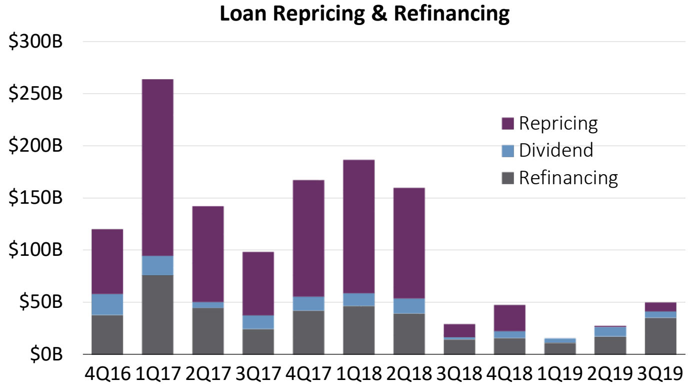


Source: LCD, an offering of S&P Global Market Intelligence

There are positive and negative aspects to this dominance by CLOs. A positive is that CLOs are generally buy-and-hold vehicles with funding typically committed for eight to ten years. This has a strong stabilizing effect on price volatility. The corresponding disadvantage is that the reduced trading activity lowers both liquidity and price transparency.

While CLO financing costs have dropped somewhat, allowing for continued robust formation, they are still high enough to force CLOs to resist repricing efforts.This explains the welcome absence of the repricing activity that was so prevalent in 2017 and 2018 *(see Chart 4 on the following page)*.

Chart 4



Source: LCD, an offering of S&P Global Market Intelligence

Portfolio Review

In navigating investment challenges, the Fund follows a high-conviction strategy. It typically has 100 to 150 holdings, compared with competitors that may have several times that number. As the current business cycle shows signs of maturing, we believe that having analysts tightly focused on relatively few issuers gives us an advantage in carefully reviewing companies and credit agreements and avoiding weak borrowers that may struggle when the environment turns less forgiving.

We maintained our allocation to high yield bonds, which increased from 10% to 12% during the quarter. This contributed to performance relative to the Index, and the bond holdings offer liquidity that is superior to loans, which have extended settlements.

As CLOs pursue loans that meet their portfolio criteria, they have created an increasingly bifurcated market, and we believe that this in turn has created some attractive relative value opportunities among loans overlooked by the CLOs. These loans, some of them lower rated, require careful, discerning research and monitoring, which we believe plays to our research and selection strengths.

Leveraged Loan Market Outlook

The floating rates for leveraged loans are normally pegged to the London Interbank Offered Rate (LIBOR). Three-month LIBOR is currently 2.1%, down from 2.6% and 2.3% at the end of the first and second quarters, respectively. These declines in LIBOR mirror the two Fed cuts to the federal funds rate that occurred in the third quarter. An additional rate cut is widely expected later this year, signaling yet lower LIBOR rates and a further negative impact on loan portfolios' yields.

The biggest wild card for the market as a whole remains the uncertainty arising from trade talks between the U.S. and China.

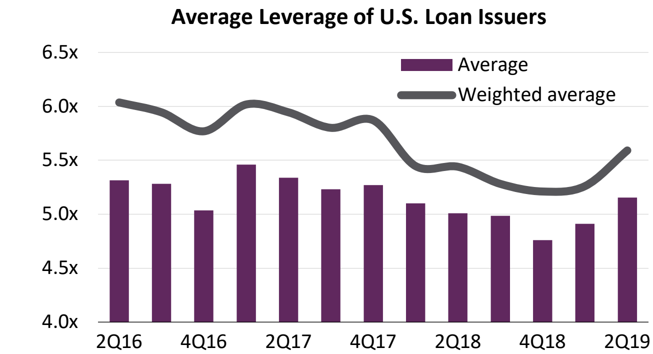
Nevertheless, we remain very positive about leveraged loans. With the 10-year Treasury yield below 2%, longer-duration investments offer little in the way of increased yield opportunity while geometrically increasing interest rate (duration) risk.

The real risk to loan returns lies with defaults, and we see few threats there. The lagging 12-month default rate declined slightly from an already-low 1.34% in the second quarter to 1.29% in the third. The Fund had no defaults among its holdings, and we remain optimistic about our ability to continue avoiding them through the intensive research and monitoring that a comparatively small number of holdings affords us.

Credit metrics in the leveraged loan market, while slipping a bit this year, still have improved since 2017 *(see Chart 5)*. In addition to manageable leverage and adequate interest coverage *(see Chart 6)*, scheduled maturities, known as the maturity wall, have been pushed well into the future *(see Chart 7)*.

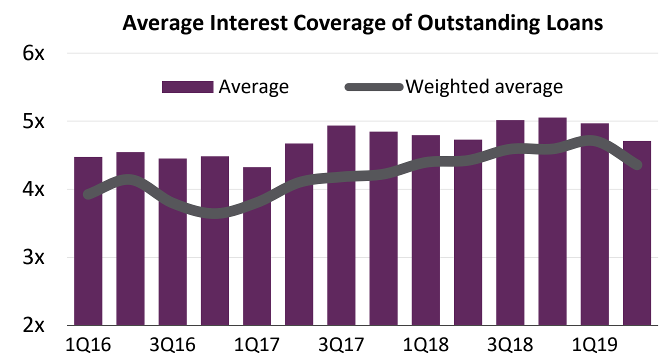
The amount of loans maturing in the next few years is quite manageable for borrowers, who have been diligent about continually pushing loan maturities into the future so as not to get caught in a downdraft.

Chart 5



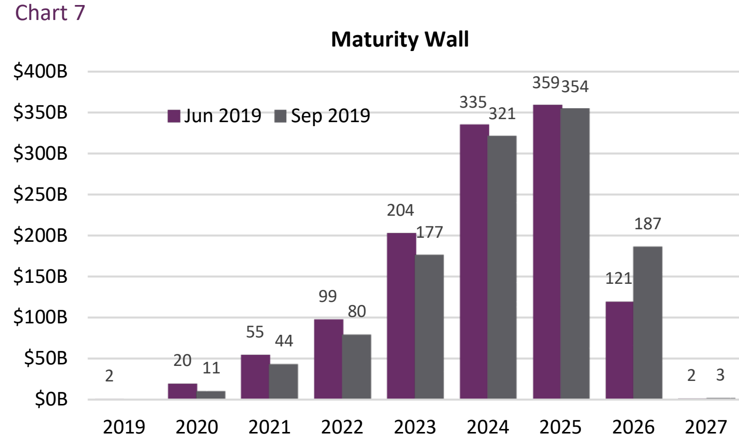
Source: LCD, an offering of S&P Global Market Intelligence

Chart 6



Source: LCD, an offering of S&P Global Market Intelligence

Chart 7



Source: LCD, an offering of S&P Global Market Intelligence; S&P/LSTA Leveraged Loan Index

Performance

AVERAGE ANNUAL TOTAL RETURNS AS OF 9/30/19

Victory Floating Rate Fund (Class A – RSFLX)	QTR	1-YR	3-YR	5-YR	Since Inception*
without sales charge	0.84%	3.16%	4.26%	3.47%	4.37%
with maximum sales charge (2.00%)	-1.16%	1.06%	3.55%	3.05%	4.16%
S&P/LSTA Leveraged Loan Index[1]	0.99%	3.10%	4.53%	3.98%	—

*Since inception results are as of the Fund's inception date, 12/31/09.
Returns include reinvestment of dividends and capital gains. Performance returns for periods greater than one year are annualized.

Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate, so shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than performance data quoted. Performance current to the most recent month-end is available at www.vcm.com. Indexes are unmanaged and you cannot invest in an index. The Fund's total gross/net annual operating expense ratio as of the most current prospectus for the Class A Shares is 1.14%/1.00%. 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 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.

There is no guarantee that the Fund will achieve its objective. The return of principal in bond funds is not guaranteed. The principal value of a bond falls when interest rates rise and rises when interest rates fall. During periods of rising interest rates, the value of a bond investment is at greater risk than during periods of stable or falling rates. Bond funds have the same interest rate, inflation, reinvestment, credit and prepayment risks associated with the underlying bonds in the portfolio. The LIBOR reference rate may cease to be published in the future which could impact the liquidity and value of the Fund's investments in LIBOR based securities.

Bond credit quality ratings are provided by Barclays and reflect the middle rating received from Moody's, Standard & Poor's, and Fitch in cases where all three agencies have provided a rating. If only two agencies rate a security, the lowest rating is used. If only one agency rates a security, that rating is used. Ratings are measured on a scale that ranges from AAA (highest) to D (lowest). Ratings are subject to change.

[1]The S&P/LSTA (Loan Syndications and Trading Association) Leveraged Loan Index covers more than 1,100 loan facilities and reflects the market-value-weighted performance of U.S. dollar–denominated institutional leveraged loans.

[2]The Bloomberg Barclays US Aggregate Bond Index is generally considered to be representative of U.S. investment grade bond market activity.

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.

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 fund can be found in the fund's prospectus, or, if applicable, the summary prospectus. To obtain a copy, visit www.victoryfunds.com. Please read the prospectus carefully before investing.

The Funds are distributed by Victory Capital Advisers, Inc., member FINRA and SIPC, an affiliate of Victory Capital Management Inc.

Park Avenue Institutional Advisers LLC is the Fund's sub-adviser.

For more information about separate accounts and mutual funds, contact Victory Capital Management at 800.991.8191 or visit vcm.com.

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