Anything but ordinary
Three reasons to diversify with an investment grade convertibles allocation.

Convertible bonds give some investors pause, which is interesting when you realize that convertibles have existed since the 1800s, when the nascent U.S. railroad industry began issuing them to raise much-needed capital.

Despite rumors of its demise after the 2008 financial crisis, the convertibles market is sizable and growing; issuance in the U.S. totaled $52 billion in 2018, and is expected to exceed that number in 2019.* Convertibles have a demonstrated resilience that should surprise no one given their potential benefits.

THE POTENTIAL BENEFITS
1. Historically attractive, risk-adjusted returns
2. Potentially lower interest rate risk
3. Uncommon diversification features

While it’s true that convertibles don’t fit neatly into the traditional asset class boxes, INCORE Capital Management believes this is precisely what makes them attractive. In fact, their approach seeks to capitalize on the benefits of the asset class by focusing on high-quality credit, or investment grade convertibles.

CONVERTIBLES, DECONSTRUCTED
Convertibles are simply corporate bonds with an embedded call option on the stock of the issuing firm, meaning they can be converted into a fixed number of common stock shares at a specified price.

As a result, they can exhibit qualities of both bonds and stocks, and give investors a unique opportunity to diversify by changing the risk-return profile of a portfolio.

A convertible is comprised of a bond component and an equity component (in the form of an embedded call feature).

* Source: Bank of America Merrill Lynch, as of March 31, 2019.

Investing involves risk including loss of principal. Convertible securities rank senior to the issuer’s common stock, but may be subordinate to senior debt obligations. In part, the total return for a convertible security may depend upon the performance of the underlying stock into which it can be converted. Synthetic convertibles may respond differently to market fluctuations than traditional convertible securities. They are also subject to counterparty risk.

Diversification neither assures a profit nor eliminates the risk of experiencing investment loses.
1 Historically attractive, risk-adjusted returns
Due to their non-traditional composition, convertibles have the potential to earn equity-like returns with significantly less volatility over total market cycles. Standard deviations and sharpe ratios for the asset class have been attractive relative to equities over both the long and short term.

Potential to capture stock-like returns with less risk
Investment grade (IG) convertibles captured 64% of the equity upside with nearly 40% less risk vs. the S&P 500® Index as measured by standard deviation between January 2012 and March 2019.

<table>
<thead>
<tr>
<th>UPSIDE/DOWNSIDE CAPTURE</th>
<th>STANDARD DEVIATION</th>
<th>SHARPE RATIO</th>
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</thead>
<tbody>
<tr>
<td>Upside capture</td>
<td>Downside capture</td>
<td>IG Convertibles</td>
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<tr>
<td>64.20%</td>
<td>52.40%</td>
<td>6.83%</td>
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</tbody>
</table>

Source: Zephyr, as of March 31, 2019, IG convertibles represented by VX5C Index.

2 Potentially lower interest rate risk
Due to their low correlation to traditional bonds, investment grade convertibles may be an effective hedge against rising interest rates. During the most significant rising rate periods of the last 20 years (when rates rose by 100 basis points or more) they outperformed traditional bonds. And, during some turbulent times (like the tech bubble of the late 1990s and the global financial crisis of 2008–09) investment grade convertibles also outperformed the S&P 500 Index.

Investment grade convertibles have historically outperformed traditional bonds in rising rate environments
While traditional bond returns were negative in all 11 rising rate periods below, investment grade convertible returns were positive in 9 out of those 11 periods.


Traditional bond returns represented by Bloomberg Barclays U.S. Aggregate Bond Index. Investment Grade U.S. Convertible returns represented by the VX5C Index in rising rate periods after the index inception date of 1/12/2012. In periods prior to 1/12/2012, Investment Grade U.S. Convertible returns are represented by the VXAI Index.
Uncommon diversification features

Whether investors are looking to capture equity-like returns in their fixed income portfolio, mitigate downside risk in their equity portfolio, or potentially hedge against rising interest rates, convertibles present an opportunity to diversify with a uniquely-correlated asset class.

May reduce overall portfolio volatility

Since they are not perfectly correlated to traditional asset classes like bonds or stocks, investment grade convertibles have the potential to provide additional and distinctive diversification.

Hybrid behavior of convertible bonds

Convertibles behave on a spectrum of bond-like to equity-like. At issuance, they are typically in the balanced zone, and shift based on movements in the underlying share price on interest rates movements in the bond market.

Convertibles can be classified in one of three ways: as a yield instrument, a total return instrument, or an equity instrument. How a portfolio balances these three types of convertibles determines its behavior on the spectrum of bond-like to stock-like (often illustrated by delta®).

The example provided is hypothetical and used for illustration purposes only.
THE INCORE ADVANTAGE

OUR PHILOSOPHY
We believe that the optimal manner in which to enhance the volatility-reducing behavior of the convertible asset class is through high-quality companies, with stable to improving credit profiles, that may maintain their financial flexibility during both favorable and unfavorable markets conditions.

OUR APPROACH
We take a balanced approach to portfolio construction, by ensuring that all three types of convertibles are represented within the portfolio. We focus on high-quality credit, which seeks to reduce volatility relative to all-quality credit.

OUR EXPERIENCE
We have employed the same investment process and philosophy since our team’s inception 25 years ago, which has resulted in a record of accomplishment throughout numerous market cycles.

The Fund may invest in below-investment-grade securities, sometimes known as “junk bonds.” These securities generally offer higher yields than investment-grade securities but carry a higher risk of default and may be considered speculative. Investors should be able to assume the risks of investing in below-investment-grade securities.

The return of principal in bond funds is not guaranteed. The principal value of a bond falls when interest rates rise and rise 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.

Political and economic risks, along with other factors, could adversely affect the Fund’s investments in U.S.-traded foreign companies, ADRs and GDRs.

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. Read the prospectus carefully before investing.

Thomson Reuters Lipper Fund Awards: Lipper classification averages are calculated with all eligible share classes for each eligible classification. The calculation periods extend over 36, 60 and 120 months. The highest Lipper Leader for Consistent Return (Effective Return) value within each eligible classification determines the fund classification winner over three, five, or 10 years. Victory INCORE Investment Grade Convertible Fund Class I Shares was selected from among 14 funds and 63 share classes in the convertible securities category over five years for the period ending November 30, 2017. For a detailed explanation, please review the Lipper Leaders methodology document on http://lipperalpha.financial.thomsonreuters.com/lipper/our-methodology/.

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For more information on the INCORE Investment Grade Convertible Fund, please contact your financial advisor or visit www.vcm.com

The Bloomberg Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index of domestic corporate and government bonds, Investment Grade Convertible Fund is a market capitalization-weighted index of domestic corporate convertible securities. Bonds and preferred stocks must be convertible only to common stock, ADR’s or cash equivalent and have a market value of at least $50 million. Composed of Coupon, OID, or zero coupon convertible bonds rated by Moody’s and/or S&P with an average rating of Baa3/BBB- or higher. This Index does not include the effect of expenses and is not representative of the Fund and cannot be invested in directly. All positions are capped at 5% of market value.