

The case for finding alpha in emerging markets

VICTORY SOPHUS EMERGING MARKETS FUND
 CLASS A: GBEMX CLASS Y: RSENX

Investor challenge

Many investors direct the majority of their investments domestically, creating home country bias. By increasing their emerging markets (EM) allocation, investors may improve alpha* generation and portfolio diversification. Of course, there are inherent risks associated with investing in less mature emerging markets.

Why Sophus Capital?

- 1 PURE EM:** We only invest in EM, not large cap developed market stocks with EM exposure.
- 2 TRUE DIVERSIFICATION:** We are diversified across countries, sectors and market caps. Our all-cap structure provides greater diversification and alpha opportunities.
- 3 RISK MANAGEMENT:** We minimize individual country and sector exposure to help manage downside risk. However, EM investing involves currency and political risks not seen in domestic investing.
- 4 DEEP EXPERIENCE:** CIO Michael Reynal has over 26 years of EM experience in various market environments, while the nucleus of the team has been together for over 12 years.
- 5 WE'RE ACTIVE:** EM are inherently inefficient, which suggests active managers can exploit a potential information and research advantage.
- 6 AMPLE CAPACITY:** The Victory Sophus Emerging Markets Fund has no current capacity constraints.

IT'S HIGH TIME FOR EMERGING MARKETS



ALPHA OPPORTUNITIES: A synchronized pickup in economic growth (GDP) across an array of global markets should expand the opportunity set to harvest potential alpha.



GROWTH: According to the January 2018 World Economic Growth Outlook, EM are expected to grow more than twice as fast as developed markets over the next two years.



VALUATION: Cyclically-adjusted price-to-earnings (CAPE)** for EM are approximately 20% below their historical average and trading at a discount to developed markets.



CURRENCY TAILWINDS: The U.S. dollar has been in a prolonged downturn, which typically provides a tailwind for the earnings of EM companies.



DIVERSIFICATION: EM stocks offer potential diversification benefits and returns with lower correlations to domestic stocks. Of course, diversification does not eliminate all risks or ensure gains.



DEMOGRAPHICS: EM have an expanding middle class with rising incomes and buying power.

Source: Sophus Capital, as of March 31, 2018.

* Alpha measures a portfolio's excess return over its benchmark.

**The cyclically-adjusted price-to-earnings ratio, commonly known as CAPE, Shiller P/E, or P/E 10 ratio, is a valuation measure usually applied to the US S&P 500 equity market. It is defined as price divided by the average of ten years of earnings (moving average), adjusted for inflation.

FUND PERFORMANCE AND MORNINGSTAR RATINGS™

As this table illustrates, the Victory Sophus Emerging Markets Fund has outperformed its benchmark over one-, three-, and five-year periods.

AS OF MARCH 31, 2018	AVERAGE ANNUAL TOTAL RETURNS (%)					MORNINGSTAR STAR RATINGS (based on risk-adjusted returns)				MORNINGSTAR PERCENTILE RANKINGS (%)			
	1 Year	3 Year	5 Year	10 Year	Since inception*	Overall	3 Year	5 Year	10 Year	1 Year	3 Year	5 Year	10 Year
GBEMX // A Shares, without sales charge	30.04	11.86	6.48	2.79	8.03	★★★★ (out of 666)	★★★★★ (out of 666)	★★★★★ (out of 474)	★★★ (out of 194)	12	8	19	52
GBEMX // A Shares, with sales charge (max. 5.75%)	22.57	9.67	5.22	2.18	7.73								
RSENX // Y Shares	30.49	12.22	6.86	—	13.18	★★★★ (out of 666)	★★★★★ (out of 666)	★★★★★ (out of 474)	★★★ (out of 194)	11	4	13	46
MSCI Emerging Markets Index	24.93	8.81	4.99	3.02	—	Morningstar category: Diversified Emerging Markets							

* Class A inception date: 5/01/1997; Class Y inception date: 3/10/2009.

■ Indicates first quartile ranking (1%–25%)

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. To obtain performance information current to the most recent month-end, visit www.vcm.com. Investment returns reflect 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. Performance for other share classes will vary. High double-digit and/or triple-digit returns are highly unusual and cannot be sustained. Investors should be aware that these returns were primarily achieved during favorable market conditions.

FEES AND EXPENSES

	Class	Ticker	EXPENSE RATIO (%)	
			Gross	Net
Victory Sophus Emerging Markets Fund	A	GBEMX	1.67	1.34
	Y	RSENX	1.38	0.99

Net expenses reflect a contractual expense limitation agreement with Victory Capital which will continue through 7/31/2018. Refer to the current prospectus for details.

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.vcm.com. Read the prospectus carefully before investing.

All investing involves risk, including potential loss of principal. There is no guarantee that the Fund will achieve its objective. International investing involves special risks, which include changes in currency rates, foreign taxation, 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.

Not all share classes are available to all investors. Please read the prospectus for details.

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

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The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent

performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. The Fund has other share classes whose performance rankings may differ.

The MSCI Emerging Markets Index is a free float-adjusted, market capitalization-weighted index that measures the performance of large- and mid-cap stocks in 23 emerging markets.

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