

Another Quarter of Gains, Strategy Up ~16% YTD

The Munder Multi-Cap Strategy generated a +7.9% total return (gross) in 2Q21 and is up +16.4% year-to-date. Performance tops off 2020's solid +12.7% gain. Importantly, year-to-date the Strategy has generated ~130 bps of excess return above the Russell 3000[®] benchmark despite a headwind from sector allocation, due in large part to strong positive stock selection within Consumer Discretionary and Financials.

Stepping back, the market (as represented by the Russell 3000[®] Index) is up ~76% over the last five quarters and stands roughly 30% above the pre-COVID highs it made in February 2020. This rally has seen strong participation across the spectrum, from value and reopening names to secular growth and stay-at-home winners, though leadership has changed up frequently and with great dispersion.

During 2Q21, we saw inflation and interest rate expectations decline, largely the result of Federal Reserve commentary, which precipitated a rotation back into growth stocks. Traditional growth sectors (i.e., Technology, Communication Services, and Health Care) all outperformed, though it's worth noting that value-heavy sectors Energy and Real Estate actually posted the strongest returns in 2Q. Energy stocks are clearly benefiting from stronger commodity prices, while Real Estate's outsized dividend income looks more attractive as rates decline, with many property types also leveraged to the economic reopening.

Performance and Attribution

The Munder Multi-Cap Strategy's 2Q total return of +7.9% was led by double-digit gains in Energy, Materials, Communication Services, Technology and Real Estate, while the Consumer Staples, Consumer Discretionary, and Industrials sectors were up by low single digits. Relative to the benchmark, 2Q performance was slightly below the Russell 3000[®] Index, with strong stock selection in Materials and Technology offset by challenges in Consumer Discretionary.

Looking closer at the Materials sector, the Strategy's top performing stock in 2Q21 was Summit Materials, a construction materials company that is a major supplier of aggregates, concrete, cement, and asphalt used in public- and private-sector construction projects. Summit is experiencing strong volume and pricing growth as nonresidential construction recovers to pre-pandemic levels, residential construction remains robust, and the public infrastructure outlook improves.

In Technology, our semiconductor holdings drove performance, with GPU maker and artificial intelligence pioneer NVIDIA by far the best performer. Demand remains robust across all end markets, with sales up 84% year-over-year during the quarter, led by gaming and datacenter. In addition, the market has turned more positive/confident on the potential Arm Holdings acquisition, and we've seen Broadcom, MediaTek, and Marvell become the first customers of Arm to publicly support a NVIDIA takeover.

In Consumer Discretionary, our auto-related exposures drove performance. Asbury Automotive Group, a best-in-class U.S.-focused auto dealership, was one of our weakest performers.

While the stock declined in 2Q alongside the market rotation out of some of the strongest recovery/reopening stocks, we note shares still delivered positive returns and stock selection for the Strategy during the one-year period ending June 30, 2021.

Top/Bottom Performing Stocks

On an individual basis, two of the Strategy's top-performing stocks in the second quarter were Advanced Micro Devices, the CPU/GPU vendor, and EPAM Systems, a global IT services company providing software engineering solutions. AMD continues to take CPU market share from Intel across servers, desktops and laptops, while also benefiting on the GPU side from increased investment in cloud gaming and the 2020 gaming console (PS/Xbox) launches this year. For EPAM, we believe the strong price action is reflective of the company's best-in-class digital services, for which demand should accelerate in a post-COVID world. The company's core strengths in DevOps, agile development, Internet of Things (IoT), and software-defined products support sustainable mid-20% revenue growth in 2021 and beyond.

Two of our weakest stocks this quarter were Performance Food Group, a food and food-related distributor to restaurants and other food vending channels, and Asbury Automotive Group, previously mentioned. Similar to Asbury, Performance Food Group's 2Q decline can be explained by the larger market rotation out of some of the strongest recovery/reopening stocks, and does not reflect degradation in PFG's ongoing fundamental recovery.

Positioning

At quarter end, the Strategy has material overweight allocations to the Consumer Discretionary, Materials, and Industrials sectors. Within Consumer Discretionary, our biggest active weights are in housing and automotive. In Materials, our largest overweights are in chemicals and construction materials, while in Industrials it is building products and trucking. The Strategy has material underweight allocations to the Utilities, Real Estate, Health Care, Technology and Financials sectors. Overall, the Strategy has positive exposure to growth, earnings yield, momentum, and highly profitable companies, with a smaller-size bias.

Investment Philosophy

The Munder Multi-Cap Strategy continues to focus on companies that we believe have superior earnings growth, return on invested capital, and positive earnings/price momentum combined with a reasonable valuation over a wide spectrum of market capitalizations. We are confident that this combination of characteristics positions the Strategy for strong competitive performance. These are the characteristics that have historically contributed to the Strategy's successful long-term record, and we firmly believe they will continue to serve our investors well.

Top 5 Contributors (% Rep. Account)	
NVIDIA Corporation	1.0
Microsoft Corporation	0.8
Apple Inc.	0.6
Alphabet Inc. Class A	0.5
Matador Resources Company	0.4
Top 5 Detractors (% Rep. Account)	
Patrick Industries, Inc.	-0.2
Lumentum Holdings, Inc.	-0.2
Performance Food Group Company	-0.2
Builders FirstSource, Inc.	-0.1
Asbury Automotive Group, Inc.	-0.1

Source: FactSet.

Top 10 Holdings (Rep. Account)	Sector
Apple Inc.	Information Technology
Microsoft Corporation	Information Technology
Amazon.com, Inc.	Consumer Discretionary
Alphabet Inc. Class A	Communication Services
NVIDIA Corporation	Information Technology
Facebook, Inc. Class A	Communication Services
JPMorgan Chase & Co.	Financials
AbbVie, Inc.	Health Care
Regeneron Pharmaceuticals, Inc.	Health Care
Broadcom Inc.	Information Technology
Total % of Portfolio	30.1%

ANNUALIZED RETURNS

Investment Performance (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception
Multi-Capitalization Composite (Gross)	7.86	16.44	41.83	15.04	15.80	14.97	11.93
Multi-Capitalization Composite (Net)	7.62	15.92	40.56	13.97	14.72	14.05	11.10
Russell 3000® Index	8.24	15.11	44.16	18.73	17.89	14.70	—

Source: Zephyr.

*Since inception results are as of July 1, 2003. This information is supplemental to the GIPS® presentation, which is available upon request. Past performance does not guarantee of future results.

Past performance cannot guarantee future results. Investing involves risk, including the possible loss of principal and fluctuation of value. Returns greater than one year are annualized. Returns are expressed in U.S. dollars. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. The composite net-of-fees returns shown reflect gross performance less actual investment management fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part II of its Form ADV.

The Munder Multi-Capitalization Composite includes all fee-paying, non-wrap discretionary portfolios of \$100,000 or more that are managed according to the Munder Multi-Capitalization strategy. The strategy focuses on companies with above-average earnings growth and strong earnings momentum, combined with reasonable valuations and strong investor sentiment. The composite creation date is July 2003. The primary benchmark of the composite is the Russell 3000 Index. The secondary benchmark of the composite is the Russell 3000 Growth Index.

The Russell 3000® Index is a market capitalization-weighted index that measures the performance of the 3,000 largest U.S. stocks by market capitalization and covers 98% of the investable U.S. equity universe.

Characteristics, Top Ten Holdings and Sector Diversification source: FactSet Research Systems, Inc. The top ten holdings and sector diversification are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments.

Holdings are as of quarter end and may change at any time. This material should not be construed as a recommendation to buy or sell any security.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines and other factors. The representative account is believed to most closely reflect the current portfolio management style.

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.

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