

Investment Philosophy

The Munder Small-Cap Growth Strategy continues to focus on companies that we believe have strong growth prospects, competitive advantages, and strong profitability or free cash flow, and whose stock trades at reasonable valuations within the small-cap universe. We believe that blending fundamental strength with a valuation overlay produces an attractive combination for investment performance.

Market Overview

- The Russell 2000[®] Growth Index was down 19.25% for the second quarter of 2022.
- The correction which began in the fourth quarter of 2021 continued and encompassed all sectors during the second quarter. Investors are grappling with stubbornly high inflation and the potential policy responses to control it. Financial conditions are tightening, confidence has declined, and recession fears have grown.
- All sectors were down. Staples and Utilities were the most resilient sectors given their defensive characteristics while Consumer Discretionary and Technology were notable laggards.

Outlook and Positioning

- We believe the events of the past quarters have altered the investing landscape for years to come. It may be the start of a generational shift in policy with wide implications for investing.
- Small-cap stocks should be more insulated from increased global economic concerns, as their sales are more domestic-oriented compared to their larger counterparts.
- We think inflation readings will peak out this summer, allowing the U.S. Federal Reserve to pivot its expectations for further rate increases. As this occurs, the market should bottom and stocks can stage a meaningful rally into year-end.
- Financial conditions have already tightened, doing a lot of the heavy lifting for the Fed in its fight against inflation. Thirty-year fixed mortgage rates have soared to over 6%, Europe may be on the brink of recession, and the stock market decline could be the largest negative wealth effect tightening in history. These effects impact the economy with a lag, so they mitigate the need for the Fed to tighten much further. The biggest risk we see is that the Fed overtightens and slows the economy too much.
- Despite the stock market correction and recession fears, we feel credit conditions remain favorable as spreads are moderate and banks are not seeing any widespread credit issues.
- The labor market is strong, and wages are soaring. We see significant pent-up demand and ample liquidity throughout the economy. We see supply as the biggest impediment to growth, and that reaches across many areas of the economy (housing, autos, retail, etc.). We believe many of the supply constraints will ease over the coming quarters as Covid restrictions are lifted, and we think the economy will likely be able to absorb higher interest rates and elevated commodity costs as this occurs.
- Companies have already had to evaluate their supply chains as a result of Covid-related issues, as they have built inventories and started to reshape their supply chains to domestic supplies. We think the Russian invasion of Ukraine has accelerated that shift.

- We think the events in Ukraine will reshape nations' policies with a greater emphasis on security—that is, energy security, food security, cybersecurity, and national defense. This brings major challenges but also great opportunities for investment. We have increased our investments in those areas, as we believe this will not be a short-term phenomenon but rather a generational shift in the policies, which will revalue the companies working to address those issues.
- We also see noteworthy opportunities within regional banks, housing, retail, construction/building products, automotive, and energy.
- We feel secular trends around digital transformation, cloud computing and artificial intelligence can continue, providing support to current outsized growth rates. This is reflected in our active overweights in software and IT services.
- The Strategy is overweight Financials, Consumer Discretionary, and Technology, and is underweight Health care and Industrials,.
- The Strategy is overweight value and growth exposures compared to the benchmark, with benchmark-like exposure to earnings yield and profitability, with slightly less momentum.

Performance and Attribution

- The Munder Small-Cap Growth Strategy was down 20.51% (gross) and 20.72% (net) in the second quarter.
- Relative to the Russell 2000[®] Growth Index, during the second quarter the Strategy (net) underperformed by about 147 basis points, largely driven by negative selection in Health Care, specifically biotech, partially offset by positive selection in Energy, Comm Services, and Financials.
- The Strategy (net) has now generated a positive excess return in 19 of the last 24 quarters and is outperforming the benchmark by roughly 383 bps over the last three years and by 504 bps over the last five years, both on an annualized basis.

Top Contributors

- **Datto Holding Corp.** was the strongest contributor in the Strategy and was sold after the company agreed to be bought out.
- **Talos Energy (2.7%)** and **Magnolia Oil & Gas Corp. (2.7%)** were strong outperformers and contributors within the Energy sector.

Largest Detractors

- The Strategy had the weakest relative returns in Health Care, as a number of biotechnology and pharmaceutical stocks sold off. **Bicycle Therapeutics (0.5%)** sold off on disappointing clinical data, while **NanoString Technologies (0.5%)** sold off on weaker than expected sales.
- **Avaya Holdings (0.5%)** sold off on weaker than expected earnings.

Top 5 Contributors (% Rep. Account)	
Datto Holding Corp.	0.26
Celsius Holdings, Inc.	0.18
Sovos Brands, Inc.	0.18
Dynavax Technologies Corporation	0.13
NAPCO Security Technologies, Inc.	0.10

Top 5 Detractors (% Rep. Account)	
Avaya Holdings Corp.	-1.06
F45 Training Holdings, Inc.	-0.53
Customers Bancorp, Inc.	-0.52
CS Disco, Inc.	-0.52
Smartsheet, Inc. Class A	-0.51

Top Ten Holdings (Rep. Account)	Sector
Magnolia Oil & Gas Corp. Class A	Energy
NAPCO Security Technologies, Inc.	Information Technology
Talos Energy, Inc.	Energy
Coastal Financial Corporation	Financials
WNS (Holdings) Limited Sponsored ADR	Information Technology
Elastic NV	Information Technology
Performance Food Group Company	Consumer Staples
Chart Industries, Inc.	Industrials
Sovos Brands, Inc.	Consumer Staples
Silvercrest Asset Management Group Inc. Class A	Financials
Total % of Portfolio	18.84%

Investment Performance (%)	ANNUALIZED RETURNS						
	QTR	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception*
Munder Small-Cap Growth Composite (Gross)	-20.51	-31.58	-33.68	6.30	11.05	-	9.68
Munder Small-Cap Growth Composite (Net)	-20.72	-31.94	-34.37	5.23	9.84	-	8.44
Russell 2000® Growth Index	-19.25	-29.45	-33.43	1.40	4.80	-	-

Source: Zephyr

*Since inception results are as of May 1, 2015. A GIPS® report 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.

Composite and benchmark returns are presented net of non-reclaimable withholding taxes, if any. 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 Small Cap Growth Composite includes all fee-paying, non-wrap discretionary portfolios of \$100,000 or more that are managed according to the Munder Small Cap Growth Strategy. The Strategy seeks to provide long-term capital appreciation by investing in a diversified portfolio of small sized (small-capitalization) companies. Small sized means those companies with market capitalizations within the range of companies included in the Russell 2000® Growth Index. The Strategy's investment style focuses on companies with superior growth opportunities that meet (often projected) minimal hurdle rates for capital efficiency/free cash flow and present at reasonable valuations. Specifically, the management team looks to invest in companies that have consistent and higher-than-average earnings growth, are financially stable with a below average debt level, and have a leadership position in their industry and an effective management team, and whose stock price is attractive relative to the market and company's growth rate. The composite creation date is May 2015.

The benchmark of the composite is the Russell 2000® Growth Index. The Russell 2000® Growth Index is an unmanaged market-capitalization-weighted index that measures the performance of those companies in the Russell 2000® Index with higher price-to-book ratios and forecasted growth values.

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. Contributors and Detractors Source: 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.

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.

Index returns are provided to represent the investment environment during the periods shown. Index performance does not reflect management fees, transaction costs or expenses that would be incurred with an investment. One cannot invest directly in an index.

Victory Capital Management Inc. (Victory Capital) is a diversified global investment advisor registered under the Investment Advisers Act of 1940 and comprised of multiple investment franchises: INCORE Capital Management, Integrity Asset Management, Munder Capital Management, NewBridge Asset Management, RS Investments, Sophus Capital, Sycamore Capital, Trivalent Investments, USAA Investments, a Victory Capital Investment Franchise; the VictoryShares & Solutions Platform, THB Asset Management and New Energy Capital Partners. Munder Capital Management and Integrity Asset Management became part of the Victory Capital GIPS firm effective November 1, 2014; RS Investments and Sophus Capital effective January 1, 2017; USAA Investments effective July 1, 2019; THB Asset Management effective March 1, 2021 and New Energy Capital Partners effective November 1, 2021.

Request a GIPS® compliant report from your Institutional Relationship Manager or visit www.vcm.com.

Victory Capital claims compliance with the Global Investment Performance Standards (GIPS®).

Munder Capital Management is a Victory Capital Management franchise. Issued in the USA by Victory Capital Management Inc., 15935 La Cantera Parkway, San Antonio, TX 78256, which is regulated by the U.S. Securities and Exchange Commission.

V17.069 // 2Q 2022 MUN Small Cap GRO Strategy COM