

The portfolio managers of the Victory Growth and Tax Strategy Fund invest the Fund's assets in municipal bonds and blue-chip stocks. The Victory Income Investors team manages the Fund's fixed income portfolio with a goal of producing a high level of tax-exempt income, and Victory Solutions, which uses active tax management and stock selection aiming to provide aggregate investment characteristics similar to those of the S&P 500® Index without sacrificing performance, manages the equity portfolio.

During the fourth quarter, the Victory Growth and Tax Strategy Fund (fund shares) outperformed its composite benchmark, which is composed of 50% stocks and 50% bonds.

The Municipal Portfolio

The Bloomberg Municipal Bond Index returned 7.89% for the fourth quarter of 2023, which brought the YTD performance to 6.40%. The fixed income sector as a whole saw a significant rally in November and December and largely had positive returns for the year. Fourth quarter and YTD returns for the Bloomberg U.S. Aggregate Bond Index were 6.82% and 5.53%, respectively; for the Bloomberg U.S. Universal Index, 6.83% and 6.17%; and for the Bloomberg U.S. Treasury Index, 5.66% and 4.05%.

See below for an update on some of the key metrics in the muni market that we continue to monitor.

- AAA muni yields (the benchmark rate of the safest municipal securities) are lower than they were at the end of the second quarter and the close of 2022. Bloomberg AAA muni yields increased across the yield curve in the fourth quarter, in many cases to levels not seen in decades. While yields have come down from the peaks seen in October of 2023, they remain elevated. As a reminder, an increase in bond yields means that bond prices decrease and vice versa. See below for yield changes from 12/31/2022 to 12/31/2023 at several key maturities.
 - 3-year: 2.58% to 2.35%
 - 10-year: 2.64% to 2.26%
 - 30-year: 3.62% to 3.40%
- Fund flows for municipal bond mutual funds were slightly negative for the year at approximately -\$16.1 billion (according to Lipper), but remarkably improved compared to last year's record-setting outflows of roughly \$120 billion.

- Credit spreads (the difference between riskier bonds and AAA bonds) widened over the past few months, though slightly tighter than this time last year, providing pockets of opportunity. The BBB credit spread increased to 1.25% from 1.03% at the end of the third quarter of 2023.

The Equity Portfolio

The S&P 500® Index returned 11.69% in the fourth quarter.

After a rocky start to the fourth quarter, financial markets found their footing and coasted into year-end in what could only be described as a festive mood. Certainly October was a difficult month, with both stock and bond markets facing severe headwinds. Chief among these was the notion that the Federal Reserve was not yet finished with its aggressive rate-hike campaign. Bond prices were under pressure as the 10-year Treasury yield climbed and hovered around 5%, its highest level of the year. More importantly, this was widely interpreted as a warning sign for future economic growth. In fact, many pundits were expecting an imminent recession, and stocks declined early in the quarter to reflect that possibility.

Fortunately, it was a false alarm and sentiment flipped as we approached year-end. Economic growth proved resilient, corporate earnings continued to meet or exceed expectations, labor markets eased, and key measures of inflation moderated. Taming inflation has been the Fed's primary focus, and although it remained above the stated 2% target late in the year, it was trending in the right direction and far below peak levels. This gave the Fed the leeway to back off—and likely end—the historic rate-hike campaign. Ultimately, investors looked at the data, deciphered the Fed's messaging about future interest rate hikes, and decided that the coast was clear. Stocks rallied strongly in November and December.

During the period, ten of eleven market sectors were positive, with Energy being the only sector with a negative return. Real Estate was the best performing sector for the period.

Standardized Performance: December 31, 2023

Average Annual Returns (%)

Victory Growth and Tax Strategy Fund	Ticker	Inception Date	Q4 2023	1 Year	5 Year	10 Year	Since Inception	Expense Ratio Gross	Expense Ratio Net
Fund Shares	USBLX	01/11/89	10.66	16.10	8.04	6.90	6.81	0.54	0.54
A Shares, without sales charge	UGTAX	06/29/20	10.57	15.70	–	–	6.84	1.06	0.85
A Shares, with sales charge (max. 2.25%)	UGTAX	06/29/20	8.09	13.09	–	–	2.80	1.06	0.85
C Shares, without sales charge	UGTCX	06/29/20	10.42	14.89	–	–	6.16	1.88	1.59
C Shares, with sales charge	UGTCX	06/29/20	9.42	13.89	–	–	6.06	1.88	1.59
Institutional Shares	UGTIX	06/29/20	10.67	16.09	–	–	7.16	0.57	0.55
S&P 500® Index	–	–	11.69	26.29	15.69	12.03	–	–	–
Bloomberg Municipal Bond Index	–	–	7.89	6.40	2.25	3.03	–	–	–
Composite Index	–	–	9.79	16.02	9.13	7.71	–	–	–

Past performance does not guarantee future results. The performance quoted represents past performance and current performance 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. Returns include reinvestment of dividends and capital gains. High, double-digit returns are highly unusual and cannot be sustained. Investors should be aware that these returns were primarily achieved during favorable market conditions. Performance for periods greater than one year is annualized. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which Fund performance would have been lower. Class C Shares are subject to a deferred sales charge of 1.00% on shares redeemed within the first year. Performance would have been lower if it reflected this charge for the applicable period(s). Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through June 30, 2024.

Carefully consider a fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus or summary prospectus containing this and other important information, visit www.vcm.com/prospectus. Read it carefully before investing.

All investing involves risk, including the potential loss of principal. In addition to the normal risks associated with investing, asset allocation and diversification do not promise any level of performance or guarantee against loss of principal. Fixed income securities are subject to interest rate, inflation, credit, and default risk. The bond market is volatile. Bonds and bond funds will decrease in value as interest rates rise and vice versa. Credit risk refers to the possibility that debt issuers may not be able to make principal and interest payments or may have their debt downgraded by ratings agencies. The Fund is also subject to liquidity risk, which is the risk that the Adviser may not be able to sell a security at an advantageous time or price, which may adversely affect the Fund. Derivatives may not work as intended and may result in losses. The value of your investment is also subject to geopolitical risks such as wars, terrorism, environmental disasters, and public health crises; the risk of technology malfunctions or disruptions; and the responses to such events by governments and/or individual companies.

The opinions are as of the date noted and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

The S&P 500® Index is a market-capitalization-weighted index that measures the performance of the common stocks of 500 leading U.S. companies.

The Bloomberg Municipal Bond Index is considered to be generally representative of investment-grade municipal issues having remaining maturities greater than 1 year and a national scope.

The Composite Index is split evenly between stocks and bonds, with the S&P 500® Index and the Bloomberg Municipal Bond Index each constituting 50% of the Composite Index.

The Bloomberg U.S. Aggregate Bond Index measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

The Bloomberg U.S. Universal Index is an index that represents the union of the U.S. Aggregate Index, U.S. Corporate High-Yield Index, Investment Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and the non-ERISA eligible portion of the CMBS Index. The index covers USD-denominated, taxable bonds that are rated either investment grade or below investment grade.

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