

Investment Philosophy

The Victory Munder Small Cap Growth Fund 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 Fund is overweight Financials, Consumer Discretionary, and Technology, and is underweight Health care and Industrials.
- The Fund 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 Victory Munder Small Cap Growth Fund was down 20.5% (Class A shares without sales charge) in the second quarter.
- Relative to the Russell 2000[®] Growth Index, the Fund (Class A shares without sales charge) underperformed by about 130 basis points, largely driven by negative selection in Health Care, specifically biotech, partially offset by positive selection in Energy, Comm Services, and Financials.
- The Fund (Class A Shares without sales charge) has now generated a positive excess return in 20 of the last 24 quarters and is outperforming the benchmark by roughly 428 bps over the last three years and by 534 bps over the last five years, both on an annualized basis.
- As of June 30, 2022, the Fund ranked 20th percentile (88 out of 580) over the last three years and 25th percentile (124 out of 521) over the last five years within the Morningstar US Small Growth category, based on total returns.

Top Contributors

- **Datto Holding Corp.** was the strongest contributor in the Fund 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 Fund 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 (%)	Contribution to Absolute Return
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 (%)	Contribution to Absolute Return
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	% Fund
Magnolia Oil & Gas Corp. Class A	2.27
NAPCO Security Technologies, Inc.	2.05
Talos Energy, Inc.	2.03
Coastal Financial Corporation	1.90
WNS (Holdings) Limited Sponsored ADR	1.89
Elastic NV	1.80
Performance Food Group Company	1.79
Chart Industries, Inc.	1.73
Sovos Brands, Inc.	1.69
Silvercrest Asset Management Group Inc. Class A	1.68

Investment Performance (%)

Average Annual Returns as of June 30, 2022

Victory Munder Small Cap Growth Fund (Class A – MASCX)	Q2 2022	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (5/1/15)	Expense Ratio	
								Gross	Net
A Shares, without sales charge	-20.55	-31.53	-33.53	5.68	10.14	–	8.59	2.09	1.40
A Shares, with sales charge (max. 5.75%)	-25.14	-35.49	-37.34	3.61	8.84	–	7.70	2.09	1.40
Russell 2000® Growth Index	-19.25	-29.45	-33.43	1.40	4.80	9.30	–	–	–

Source: Victory Capital data analyzed through Zephyr

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. Performance for periods greater than one year is annualized. Other share classes are available. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which, fund performance would have been lower. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through October 31, 2022.

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. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller companies typically exhibit higher volatility. Investments concentrated in an industry or group of industries may face more risks and exhibit higher volatility than investments that are more broadly diversified over industries or sectors. The profitability of companies in the healthcare sector may be affected by government regulations and healthcare programs, fluctuations in the cost of, and demand for, medical products and services and product liability claims. 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. Fund holdings are subject to change and should not be considered purchase

recommendations. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. Top holdings do not reflect cash, money market instruments or options/futures contracts holdings. The most currently available data regarding portfolio holdings can be found on our website, www.vcm.com.

The Morningstar percentile ranking is based on a fund's average annual total return (excluding sales charges) relative to all funds in the same category. The highest (most favorable) percentile rank is 1%, and the lowest (least favorable) percentile rank is 100%. Fund performance used for the rankings reflects certain fee waivers, without which, Morningstar rankings would have been lower and Morningstar ratings may have been lower.

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. The percent displayed is contribution to return. Holdings are as of quarter end and may change at any time.

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

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