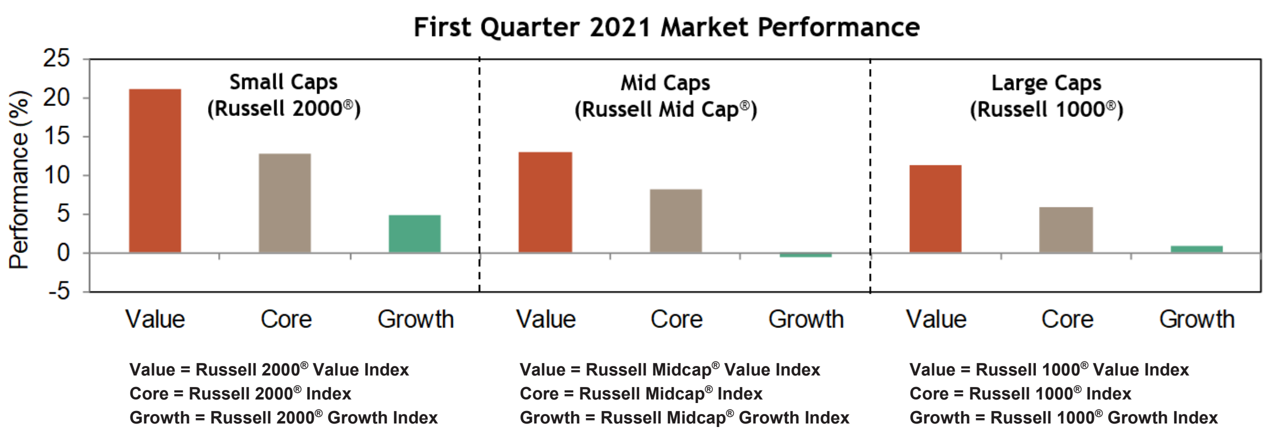
VICTORY RS SMALL CAP GROWTH FUND QUARTERLY COMMENTARY

As of March 31, 2021

Quarterly Highlights

- The Victory RS Small Cap Growth Fund (Class A Shares, without sales charge) returned -2.65% for the three months ended March 31, 2021, underperforming the Russell 2000® Growth Index,[1] which returned 4.88%.
- Fund performance relative to the benchmark was negatively impacted during the quarter by stock selection in the Health Care and Technology sectors; stock selection within the Energy sector offset a portion of the underperformance.
- This period's challenging relative performance reflects a relatively abrupt shift in market leadership; reopening plays within the Consumer Discretionary, Materials & Processing, and Producer Durables sectors have driven the strong performance of the indices, while the Health Care and Technology sectors both lagged, a sharp reversal of performance in 2020.
- We continue to believe technology-oriented companies are materially better positioned for the longer term, especially following the massive "test run" of technology-aided solutions people have leveraged to work, shop, and communicate from home, which we believe has permanently sped up the adoption of these new technologies at the expense of legacy products and services.
- While small-cap growth stocks sharply underperformed small-cap value stocks during this period, with the Russell 2000® Growth Index returning 4.88% vs. 21.17% for the Russell 2000® Value Index,[2] small-cap growth stocks have outperformed their small-cap value counterparts over 3, 5, 10, and 15 years as of March 31, 2021, per Russell.

Market Performance / Fundamentals Snapshot



Index returns are for illustrative purposes only and do not represent actual Fund performance. Index performance does not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results.

Market Commentary

Following a year in which U.S. equity markets performed exceptionally well despite the global economic shutdown experienced due to SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2, the virus responsible for COVID-19), U.S. equity markets continued their upward, albeit mixed, trajectory in the first quarter of 2021. The backdrop has been especially strong since the start of November, especially within the small-cap universe, as expectations for greater stability under a new administration and the rollout of vaccinations buoyed investor sentiment. A general consensus has emerged that 2021 fundamentals may be much better than previously anticipated. The Russell 2000® Index[3] generated monthly returns of 18.43%, 8.65%, 5.03%, 6.23%, and 1.00% from November through March. This represents a compounded return of 45.02% during this five-month window, which is quite favorable to the 22.33% return of the S&P 500® Index[4] over that same time frame.

Within that strong absolute performance has been a relatively abrupt shift in market leadership. In addition to the resurgence of small-caps that had trailed larger-cap stocks for much of 2020, value-oriented stocks (as defined by the Russell 3000® Value Index[5]) have materially outperformed growth-oriented stocks (as defined by the Russell 3000® Growth Index[6]) 32.53% versus 17.46% since the start of November 2020. A shift in market leadership has also taken place within indices, as many sectors that had lagged the first 10 months of 2020 have led markets higher, including energy, producer durables, materials & processing, and consumer staples. In the first quarter of 2021, reopening plays within the consumer discretionary, materials & processing, and producer durables sectors have made them some of the top performing sectors, while health care and technology (market leaders in 2020) have sharply lagged.

Another interesting dynamic has been the growth in some of the more speculative areas of the U.S. equity market, including IPOs, SPACs, and "meme" retail-oriented stocks. It's been quite a ride for some of these speculative plays, first producing eye-popping results for investors at the start the year, then a sharp collapse, only to be followed by a renewed rally. In addition, companies and industries that had largely been left for dead, such as energy, retail stores, airlines, and even movie theatre chains, have rallied sharply. In other words, 2020 was a year in which growth-oriented “haves” were rewarded for their ability to take market share from value-oriented “have-nots,” whereas 2021 has been a story where the “have-nots” have come roaring back to often reach new highs despite top-line sales that remain a fraction of their previous levels. This appears largely based on optimism that fundamentals will improve, or else investors are trying to time their entry and exit into these stocks to other investors.

The result has been that the Russell 2000® Value Index followed its market-leading 33.36% return in the fourth quarter of 2020, which was its best quarterly return since the index’s inception in 1979, with a market-leading 21.17% return in the first quarter of 2021. This compares favorably to the 4.88% return of the Russell 2000® Growth Index and 0.94% return of the Russell 1000® Growth Index.[7] Across market caps, the Russell 2000® Index led all U.S. equity markets, returning 12.70%, outperforming the Russell Midcap® Index,[8] which returned 8.14%, and the Russell 1000® Index,[9] which returned 5.91%. We believe these results reflect the fact that smaller-cap companies, which had not participated in the strong performance of U.S. equity markets the first three quarters of 2020, were priced too conservatively last fall. From here, we believe the market will once again differentiate between pockets of the economy that are materially better off than others given the ability of workers to remain productive remotely as relative valuations have become more aligned.

The longer-term outperformance of growth versus value has been supported by stronger underlying fundamentals, as technology-oriented growth companies have excelled and were insulated from the economic slowdown that took place in 2020 relative to more traditional value companies within the industrial, financial, and material sectors. However, in hindsight, growth stocks appear to have gotten a bit ahead of themselves from a relative valuation standpoint at the depths of the economic slowdown. Longer-term, we believe the effect of consumers and businesses conducting a massive “test run” of technology-aided solutions to work, shop, and communicate from home—things people now take for granted—has forever changed how these new technologies and other software solutions will be used at the expense of legacy products and services, even as we exit the challenging economic environment related to the pandemic.

Investment Strategy

The Victory RS Small Cap Growth Fund (the “Fund”) is guided by our philosophy that sustainable earnings growth drives long-term share price appreciation. Our investment process is focused on finding innovative companies whose core business can grow from a small-cap company to a mid- or even large-cap company over time.

The team seeks companies with products and services that are growing organically, creating new markets or taking market share from existing companies. We are focused on finding companies whose business values can appreciate regardless of the underlying market environment. The Fund is led by the team’s chief investment officer, Scott Tracy, along with portfolio managers Steve Bishop, Melissa Chadwick-Dunn, Chris Clark, and Paul Leung. The five co-portfolio managers, as well as three research analysts, serve as sector specialists and are supported by four associates, drawing on strong relationships with industry experts and company management teams. Together, we conduct over 2,000 company meetings each year through in-person meetings, conference calls, and trade shows. We then back up our findings through discussions with industry leaders and third-party sources. We are long-term investors and seek to establish definable “anchor points,” which are quantifiable metrics that help determine a company’s potential long-term growth trajectory. Anchor points arise from our analysis of a company’s long-term capabilities and performance goals over three to five years. These long-term anchor points serve as guideposts to help us measure a company’s progress as it executes its business strategy, regardless of what is taking place in the overall market and help prevent distractions caused by short-term stock price movements and inevitable market volatility.

Performance Review

The Victory RS Small Cap Growth Fund (Class A Shares, without sales charge) returned -2.65% for the three months ended March 31, 2021, underperforming the Russell 2000® Growth Index,[1] which returned 4.88%. Fund performance relative to the benchmark was negatively impacted during the quarter by stock selection in the Health Care and Technology sectors; stock selection within the Energy sector offset a portion of the underperformance. This period’s challenging relative performance reflects a relatively abrupt shift in market leadership; reopening plays within the Consumer Discretionary, Materials & Processing, and Producer Durables sectors have driven the strong performance of the indices, while the Health Care and Technology sectors both lagged, a sharp reversal of performance in 2020.

Detractor to Performance: Amicus Therapeutics

Within the Health Care sector, the largest driver of underperformance was biotechnology holding Amicus Therapeutics, Inc. (0.00% ending weight). Amicus is focused on discovering, developing, and delivering medicines for people living with rare metabolic diseases. We originally purchased Amicus given the opportunity for their lead product candidate, Galafold (migalastat HCl), which targets Fabry disease, a relatively rare genetic disorder caused by the buildup of a particular type of fat in the body’s cells. In the years since, the company has built a diversified pipeline of promising treatments, including its molecular-based treatment for Pompe disease, a disorder that can cause muscle weakness and respiratory problems. In the most recent quarter the stock underperformed following their Phase 3 trial results for this treatment, as the data showed clinically meaningful and positive changes in the key manifestations of this disease, but it did not meet the statistical significance required for the drug to be labeled as superior to the existing standard of care.

Contributor to Performance: Avaya Holdings Corp.

The largest driver of relative outperformance was technology holding Avaya Holdings Corp. (3.00% ending weight), a provider of digital communications products, solutions, and services for businesses worldwide. We purchased the stock following its announced partnership with longtime RS holding RingCentral, which granted RingCentral the right to become the exclusive provider of unified communications as a service (UCaaS) solutions for Avaya in a strategic partnership that would provide RingCentral access to Avaya’s installed base of 100 million customers in exchange for a new RingCentral product on Avaya’s Cloud Office. This deal completely transformed Avaya and its growth prospects, helping to accelerate RingCentral's global expansion and establishing Avaya as an important channel for RingCentral for years to come.

Market and Strategy Outlook

Given the outsized long-term impact of the virus globally on corporate fundamentals, fiscal/monetary response, consumer behavior, and societal norms, we believe investors should expect all companies to feel some level of direct and indirect effects over the next few months and years. As a result, global equity markets are likely to experience higher levels of volatility (both to the upside and downside) and divergence as new companies emerge, and others struggle to retain their previous leadership. We feel this will create an abundance of opportunities across sectors, industries, and markets in coming quarters and years as the economy and markets transition and recover.

We do not have a clear view or projection as to how large or prolonged any impact from the coronavirus will be given the uncertainty regarding its continued spread, economic impact, politicization, and the potential scale of incremental fiscal and monetary stimulus not yet announced, but we do believe there are clear pockets of the economy that remain better positioned than others to adjust to any future state given the ability of their workers to remain productive and end-customer demand to remain steady irrespective of the forward economic environment.

Within the growth universe, the current opportunity set appears especially pronounced given the much stronger relative fundamentals of companies that have underperformed since early November, when market leadership abruptly shifted from companies with better long-term sustainable growth opportunities to areas that had been more challenged by COVID-19, especially those labeled as reopening plays. As a result, we believe we can now allocate to companies with clear paths of outsized growth with much improved relative valuations as compared to last fall.

We are focused on companies with flexible business models that offer innovative products and services that will take market share from legacy companies that will be more strained by the challenging economic conditions. Now is when an active approach should shine. Specifically, our "farm team" approach identifies and monitors premier companies within each relative index, but then waits for a favorable price. This should allow us to upgrade the portfolio to our very best ideas as relative valuations shift. We remain confident that our process will allow us to take advantage of this dynamic environment.

Thank you for your continued investment.

D. Scott Tracy, CFA CIO, Co-Portfolio Manager	Steve Bishop Co-Portfolio Manager	Melissa Chadwick-Dunn Co-Portfolio Manager	Chris Clark, CFA Co-Portfolio Manager	Paul Leung, CFA Co-Portfolio Manager

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Sector Allocation[10]
As of March 31, 2021

Sector	% of Portfolio
Health Care	32.2%
Technology	25.6%
Consumer Discretionary	15.1%
Producer Durables	8.4%
Financial Services	4.9%
Materials & Processing	4.0%
Consumer Staples	3.3%
Utilities	1.9%
Energy	2.8%
[Cash]	0.7%

Top 10 Holdings[11]
As of March 31, 2021

Holding	% of Portfolio
Avaya Holdings Corp.	3.00%
Varonis Systems, Inc.	2.35%
Freshpet Inc.	2.34%
Bandwidth Inc. Class A	2.20%
Lattice Semiconductor Corporation	1.93%
MACOM Technology Solutions Holdings, Inc.	1.88%
Wix.com Ltd.	1.79%
Churchill Downs Incorporated	1.72%
Advanced Energy Industries, Inc.	1.65%
Saia, Inc.	1.62%

Performance
Returns as of March 31, 2021

Victory RS Small Cap Growth Fund (Class A – RSEGX)	First Quarter 2021	1-Year	3-Year	5-Year	10-Year	Since Inception (11/30/87)
without sales charge	-2.65%	76.79%	16.84%	21.29%	14.54%	13.93%
with maximum sales charge (5.75%)	-8.25%	66.64%	14.55%	19.87%	13.87%	13.72%
Russell 2000® Growth Index[1]	4.88%	90.20%	17.16%	18.61%	13.02%	9.96%

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. Returns include reinvestment of dividends and capital gains. Performance returns for periods of less than one year are not annualized. 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. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which Fund performance would have been lower.

The Fund's total gross/net annual operating expense ratio as of the most current prospectus for the Class A Shares is 1.44%/1.40%. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through April 30, 2022.

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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 potential loss of principal. Investments in smaller companies typically exhibit higher volatility. 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. The Fund may frequently change its holdings, resulting in higher fees, lower returns, and more capital gains. The Fund is also subject to liquidity risk, which is the risk that the Adviser may not be able to sell certain securities at an advantageous time or price, which may adversely affect the Fund. 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. Technology companies may be adversely affected by economic downturns, short product cycles, aggressive pricing, market competition, and government regulation. 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.

Performance may have been meaningfully impacted by investments in initial public offerings (IPOs). The prices of IPO securities may fluctuate more than prices of equity securities of companies with longer trading histories. Investing in IPOs entails special risks, including limited operating history of companies, limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company, and high portfolio turnover.

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

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

3 The Russell 2000® Index is a market-capitalization-weighted index that measures the performance of the 2,000 smallest-cap companies in the Russell 3000® Index, which is made up of 3,000 of the largest U.S. stocks.

4 The S&P 500® Index is a market-capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

5 The Russell 3000® Value Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 3000® Index (which consists of the 3,000 largest U.S. companies based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

6 The Russell 3000® Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 3000® Index (which consists of the 3,000 largest U.S. companies based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

7 The Russell 1000® Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 1000® Index (which consists of the 1,000 largest U.S. companies based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

8 The Russell Midcap® Index is a market-capitalization-weighted index that measures the performance of the 800 smallest companies in the Russell 1000® Index, which consists of the 1,000 largest U.S. companies based on total market capitalization.

9 The Russell 1000® Index is a market-capitalization-weighted index that measures the performance of the 1,000 largest U.S.-traded stocks.

10 The Fund’s holdings are allocated to each sector based on the Russell Global Sectors Standard (RGS). If a holding is not classified by Russell, it is assigned a Russell designation by RS Investments. Cash includes short-term investments and net other assets and liabilities.

11 Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

12 Morningstar category classifications group funds with similar average holdings statistics over the past three years to help investors and investment professionals make meaningful comparisons between funds and to form reasonable peer group comparisons.

Index returns reflect the reinvestment of dividends and capital gains but do not include advisory fees, transaction costs, or other expenses. One cannot invest directly in an index.

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