VICTORY SYCAMORE SMALL COMPANY OPPORTUNITY FUND QUARTERLY COMMENTARY

SYCAMORE CAPITAL®

A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of September 30, 2026

EXECUTIVE SUMMARY

Sycamore Capital's Small Cap Value investment team employs a disciplined, bottom-up, fundamental process to invest in what we believe are better businesses that trade at a discount to the team's estimate of intrinsic value and possess fundamental drivers that may narrow the valuation gap. By investing in businesses that exhibit these attributes, we seek to minimize downside risk without sacrificing the upside potential.

- The Victory Sycamore Small Company Opportunity Fund (A Shares without sales charge) underperformed the Russell 2000® Value Index during the third quarter of 2026.
- During the quarter, stock selection and sector allocation both detracted from relative return, with stock selection having a larger impact on relative underperformance for the period. Sector weighting is a by-product of the bottom-up stock selection process and not a result of top-down tactical decisions.

MARKET OVERVIEW

Tug-of-War: Earnings Strength vs. Rising Rates

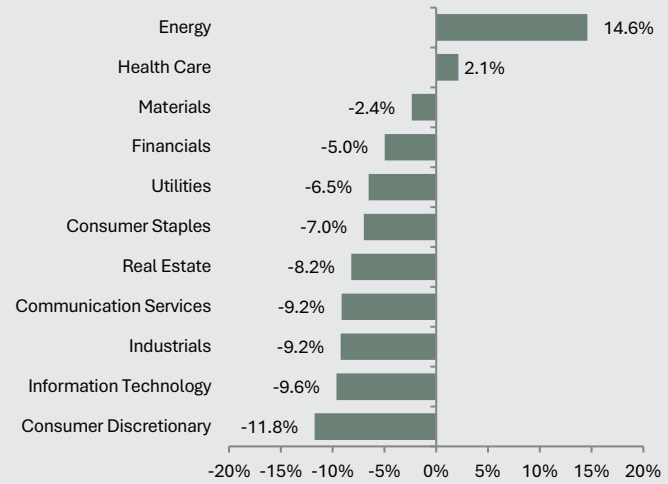
The third quarter was a mixed bag for U.S. equities. The S&P 500® Index returned 2.3%, and the Nasdaq Composite® rallied 2.6%, setting new all-time highs along the way. After underperforming during the first quarter, the S&P 500® Index outperformed its equal-weight counterpart for the second straight quarter. However, beneath the surface, returns were volatile. The S&P 500® Index posted its first negative return for the month of July since 2014, even though roughly 60% of its constituents posted a positive return during the month. For the quarter, small-cap equities did not fare as well as their larger counterparts. The Russell 2000® Index fell 7.2% as higher rates impacted sentiment for interest-sensitive groups, and the index had its largest quarterly performance shortfall versus the S&P 500® Index since the first quarter of 2020.

The quarter opened with a breakdown in the fragile ceasefire signed by the United States and Iran in June. Attacks on commercial ships in the Strait of Hormuz and strikes on Saudi tankers in the Red Sea renewed volatility and led to rising oil prices. At the same time, the AI leadership that powered second quarter returns came to an abrupt halt on concerns over return on investment and free cash flow (FCF) erosion for the hyperscalers. Public pushback against data center construction and calls for restrictive legislation from lawmakers injected additional uncertainty. The PHLX Semiconductor Sector Index (SOX) fell in concert with its AI counterparts, declining more than 20% in July, a sharp reversal following its best quarter on record. However, the rotation was short-lived, as second quarter earnings results came in well above expectations and breathed new life into the AI narrative. The strong earnings season renewed optimism for equities and led the S&P 500® Index, the Dow Jones Industrial Average® and the Russell 2000® Index to new all-time highs in August.

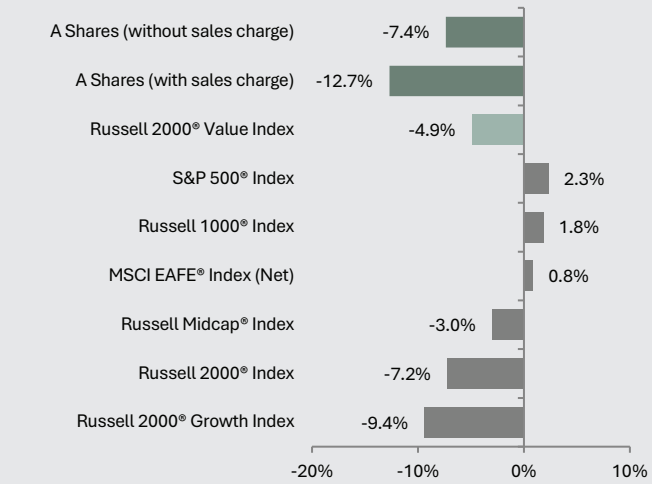
Following the recovery in August, market participants turned their attention to rates and the bond market. August nonfarm payrolls (+162,000) came in much higher than expected, oil prices remained elevated amid continued Middle East hostilities and inflation data was above the 2% target of the Federal Reserve (the "Fed"), all factors setting the stage for a policy shift. On September 16, the Fed unanimously raised its benchmark rate by 25 basis points (bps), its first rate hike since 2023. This was a stark shift in investor expectations from the start of the year, when market participants were pricing in several rate cuts. Treasury yields moved sharply higher in response. The 2-year yield rose 54 bps in September, the 10-year yield climbed to its highest level since 2007 and the 30-year yield reached its highest level since 2002. With Brent Crude rising above $100 per barrel again in September, investors were forced to reconsider their expectations for inflation and the cost of capital. Rate-sensitive areas of the market, including equities down the market-cap spectrum, felt the most pressure, selling off and trading in sympathy with falling bond prices.

Late in the quarter, heightened scrutiny of AI model safety and the release of financials for prospective AI initial public offerings (IPOs) brought about new concerns for the market's most popular trade. Some of the biggest names in the AI ecosystem called for a slowdown in frontier model development and increased government regulation to mitigate the potentially harmful effects of more powerful models. A leaked Anthropic

Russell 2000® Value Index Sector Returns – 3Q 2026



Fund and Market Performance – 3Q 2026



Past performance does not guarantee future results. *See page 13 for standardized performance. Source: FactSet (left chart) & Zephyr (right chart).*

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Performance Attribution Relative to the Russell 2000® Value Index – 3Q 2026

Positive Contributors	Negative Contributors
Stock Selection in Health Care; *partially offset by underweight*	Stock Selection & Overweight in Industrials
Stock Selection in Financials	Stock Selection in Energy
Stock Selection in Consumer Staples	
Underweight in Real Estate	
Cash Position	

Source: FactSet.

prospectus showed a $42 billion net loss in 2025, even as the company reportedly targets a valuation of more than $2 trillion. The third quarter was ultimately a tug-of-war. On one side were resilient economic growth and corporate earnings fueled by the AI-linked "super" cycle; on the other were geopolitical uncertainty, higher oil prices, stubborn inflation, the prospect of higher interest rates and lingering questions about the path forward for the broader AI ecosystem.

There is a plethora of uncertainties that investors must consider heading into the final quarter of the year. While the broader AI trade could continue to inject enthusiasm into the market, it behooves investors to assess the many unknowns percolating in the background. Investors should anticipate choppy market conditions to close out the year given the upcoming U.S. midterm elections, ongoing geopolitical tensions, the uncertain path for U.S. rates and the controversy surrounding the nascent AI ecosystem.

PERFORMANCE BY SIZE AND STYLE

Large-cap equities outpaced both mid- and small-cap equities during the third quarter of 2026. Large-cap equities, as measured by the S&P 500® Index and the Russell 1000® Index, returned 2.3% and 1.8%, respectively. Mid-cap equities, as measured by the Russell Midcap® Index, returned -3.0% during the quarter, while small-cap stocks, as measured by the Russell 2000® Index, returned -7.2%. Broken down by style, value outpaced growth within each of the three major size segments. Specifically, for small-caps, the Russell 2000® Value Index returned -4.9%, outpacing its growth counterpart, which returned -9.4%. Year-to-date, value outperformed growth across all the major size segments by a notable margin. Within small-caps specifically, the Russell 2000® Value Index returned 17.0% for the nine-month period versus 10.7% for the growth index.

PORTFOLIO ATTRIBUTION – THIRD QUARTER

The Victory Sycamore Small Company Opportunity Fund (A Shares without sales charge) underperformed the Russell 2000® Value Index (the "Index") in the third quarter of 2026.

During the quarter, stock selection and sector allocation both detracted from relative return, with stock selection having a larger impact on relative underperformance for the period. Index returns were positive across two of the 11 major economic sectors, with only three sectors outpacing the broader Russell 2000® Value Index, highlighting the deteriorating market breadth. Energy was the top-performing sector, returning 14.6%. By contrast, Consumer Discretionary was the worst-performing sector for the quarter, posting a return of -11.8%.

Specifically, for the portfolio, stock selection in Industrials and Energy detracted from relative performance for the quarter. An overweight in Industrials also detracted from relative return. Conversely, stock selection in Health Care, Financials and Consumer Staples contributed to relative performance for the quarter. However, an underweight in Health Care partially offset the favorable impact of selection in the sector. An underweight in Real Estate also contributed to relative return. Additionally, the portfolio's cash position during the quarter augmented performance.

TOP CONTRIBUTORS – THIRD QUARTER

Charles River Laboratories International, Inc. (CRL), a global contract research organization for pharmaceutical and biotechnology companies, was the top contributor for the third quarter. Shares rallied after a strong 2Q26 earnings release, driven by an improving Discovery & Safety Assessment (DSA) segment. DSA bookings improved materially year-over-year, leading to a 1.2x book-to-bill, and management expects growth to accelerate in the second half of the year due to increasing proposal activity during the quarter. As end markets stabilize, CRL is benefiting from improving biotech and large pharma demand following a sustained period of weakness. The team trimmed CRL shares on relative strength. **Chefs' Warehouse, Inc. (CHEF)**, a specialty food distributor, was a top contributor for a second consecutive quarter. CHEF shares rose after a beat-and-raise 2Q26 earnings report that saw the company exceed expectations across the board. Management raised guidance for 2026 and outlined new five-year targets through 2030 that imply strong organic sales growth and margin expansion. The new targets reflect CHEF's investments across infrastructure, talent and regional expansion, which have proven successful. Furthermore, worries about the company's Middle East business subsided as it recovered to roughly 94% of prior-year levels in the region, compared with the ~70% rate seen in April. Shares were trimmed on relative strength. Multinational clothing and accessories retailer **Gap, Inc. (GAP)** was another top contributor. GAP was a top detractor for the portfolio in the second quarter, but shares rallied in the third quarter after a better-than-feared 2Q26 earnings release. Stronger margins and tighter expense controls offset softer revenue, driving an EPS beat and higher full-year 2026 guidance. Profitability improvements for the quarter came from merchandise margin expansion and lower SG&A expenses. The Gap brand continued its turnaround with a 10% increase in same-store sales, while Banana Republic comps grew 3%, offsetting weakness in its Old Navy and Athleta brands. Management concurrently announced a new CEO for Old Navy. Capital allocation was also supportive, as GAP repurchased $400 million in shares (including a $200 million accelerated share repurchase) and paid $62 million in dividends during 2Q26. It was an incrementally encouraging quarter, and the ongoing growth trajectory of the Gap brand, improving margins and accelerating capital returns support our thesis. Life sciences and clinical diagnostics company **Bio-Rad Laboratories, Inc. (BIO)** was another top contributor. BIO shares moved higher after peer Thermo Fisher Scientific (TMO) announced strong 2Q26 results, which buoyed sentiment for the broader life science tools group. Investors had a similar positive reaction to BIO's 2Q26 earnings release, in which revenue and EPS were well ahead of consensus, aided in part by a lower tax rate. Clinical Diagnostics returned to growth on improvements in quality control, diabetes and blood typing. Digital PCR instrument revenue grew more than 20% due to competitive wins, with the Stilla acquisition proving accretive to growth and margins. However, Life Science remained a weak point in China, as academic research demand has yet to recover. Management remained optimistic; with digital PCR adoption accelerating, the outlook for process chromatography improving and a restructuring program that is expected to expand operating margins toward the company's mid-teens target. Our thesis for BIO remains intact. **Helmerich & Payne, Inc. (HP)**, a leading oil and gas drilling contractor and technology provider, rounded out the list of top contributors for the third quarter. Shares traded higher in sympathy with oil prices during the quarter, as the U.S.-Iran conflict re-escalated and disrupted oil shipments for several major producers in the Middle East. WTI crude oil prices rose from below $70 at the start of the quarter to a peak above $107 in mid-September, before ending the quarter near $97. HP also posted a strong fiscal 3Q26 earnings report, with North American, International and Offshore direct margins above the midpoint of guidance. HP secured five additional rigs in Argentina, reactivated four rigs in Saudi Arabia (with a fifth starting shortly after quarter-end) and was awarded three additional geothermal rigs in the U.S. We trimmed HP shares on relative strength.

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TOP DETRACTORS – THIRD QUARTER

Cardinal Infrastructure Group, Inc. (CDNL), a site development and civil infrastructure services provider in the Southeastern U.S., was the top detractor for the third quarter. After the company's December 2025 IPO, investors were surprised when management announced a new equity raise in June 2026 that diluted existing shareholders. Shares traded lower in response. CDNL shares then fell further after the company released a mixed 2Q26 earnings report. While top-line and overall EBITDA guidance were raised, margins were below expectations and the full-year margin outlook was reduced materially. This followed a 1Q26 earnings release that also missed margin expectations. Given consecutive quarters of operational missteps, management's credibility took a hit. After reevaluating the thesis, the team decided to divest the position in CDNL. **WillScot Holdings Corp. (WSC)**, a leading provider of modular space and portable storage rentals, was another top detractor. Shares traded lower after the company's 2Q26 earnings release despite revenue and adjusted EPS beating expectations and management raising revenue/EBITDA guidance. Instead, investors' focus turned to the company's free cash flow generation, which was below expectations. Higher capex guidance, driven by increased investment in product categories, also drew scrutiny, even though the ramp-up is tied to products with better growth profiles, such as climate-controlled storage, clearspan structures and perimeter solutions. On the positive side, WSC increased its second-half 2026 outlook based on continued momentum in commercial demand and the positive inflection in leasing revenue seen in the second quarter. Our thesis for WSC remains intact. **Hayward Holdings, Inc. (HAYW)**, a provider of residential and commercial pool and outdoor living equipment, was another top detractor. Shares were in the penalty box after competitor Pentair (PNR) negatively pre-announced its 2Q26 results due to de-stocking and worse-than-expected pool industry fundamentals. However, the negative impacts on PNR came from declining market share, overestimated pool sell-out and excess inventory, none of which affected HAYW. By contrast, HAYW reported 2Q26 earnings that were above consensus, with management maintaining its full-year outlook. We also suspect that elevated mortgage rates and higher Treasury yields weighed on the stock late in the quarter. Despite the weakness in shares, management executed well amid a challenging end-market backdrop. Our thesis for HAYW remains unchanged. Shares of **Cohu, Inc. (COHU)**, a provider of testing equipment and services for semiconductor manufacturers, fell sharply in July in sympathy with the broader global semiconductor selloff. During the month, the PHLX Semiconductor Sector Index (SOX) fell more than 20% on concerns about AI capital spending, following its best quarter on record. Shares eventually bounced back after the company's 2Q26 earnings release, in which revenue, EPS and third quarter revenue guidance were well above consensus. Shares were divested following strong relative performance over the past several quarters. **Vishay Intertechnology, Inc. (VSH)**, a manufacturer of semiconductors and passive electronic components, rounded out the list of top detractors for the third quarter. Similar to COHU, VSH shares traded down in sympathy with the broader semiconductor selloff in July. Investors also reacted negatively to a $750 million equity offering that materially increased the company's shares outstanding. However, VSH stabilized after a strong 2Q26 earnings report that beat expectations across the board with revenue, EBITDA and gross margin all ahead of consensus expectations. Furthermore, management expects to meet several financial targets ahead of schedule this year. Our thesis for VSH remains intact at this time.

MANY CROSS CURRENTS TO NAVIGATE

While returns for U.S. equities remain solid for the year-to-date period (three major size segments up by double digits), the third quarter captured some of the anxieties lingering beneath the surface. The quarter was a highly rotational one with volatile sector performance and narrow market breadth.

An anti-AI narrative sent shockwaves through global markets in July, pushing the red-hot PHLX Semiconductor Sector Index (SOX) and Roundhill Memory ETF (DRAM) down 20.6% and 31.8%, respectively. The dramatic rotation was chalked up to increasingly common talking points: elusive return on investment (ROI), nebulous financing arrangements, supply challenges, political backlash against data center buildout, free cash flow erosion and the increasing reliance on debt issuance by hyperscalers.

However, the revolt was short-lived, and the AI-centric trade regained some of its luster in August. Leadership narrowed back to mega-caps as small- and mid-cap equities lagged sharply. The catalyst was a historic move in rates, with the 10-year Treasury yield posting its largest quarterly increase since 1994 and real yields reaching their highest level since 2008. Behind the move was persistent inflation, which prompted the Federal Reserve's first rate hike since 2023 and invited comparisons to prior tightening cycles and asset bubbles.

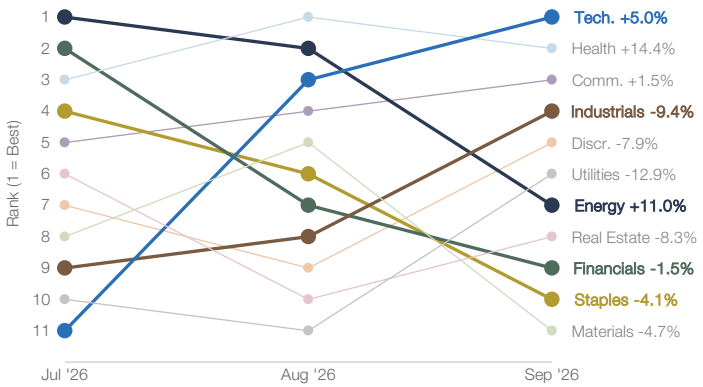
In the following sections, we will touch on some observations from the third quarter and discuss why we believe the economy can support higher rates. We will conclude with why we believe an allocation to small- and mid-cap equities remains compelling even in the face of higher rates.

THIRD QUARTER RECAP: LEADERSHIP NARROWED AGAIN AS SMALL- & MID-CAPS LAGGED

Highly Rotational Quarter

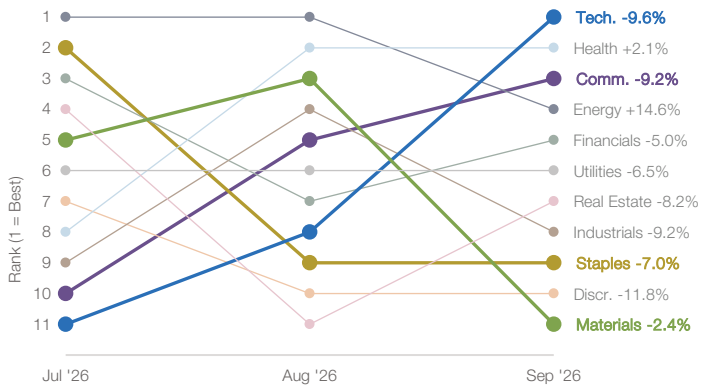
Sector performance was volatile during the quarter and likely influenced by the rapid rise in yields. Leadership changed hands repeatedly, as Information Technology went from being the worst-performing sector in July to the top-performer in September within both the Russell Midcap® Value and Russell 2000® Value indices, while Energy slipped from the top spot (Illustrations 1 & 2). Losses were concentrated in September, when the 10-year Treasury yield rose 54 basis points (bps) and the two indices declined 5.0% and 5.2%, respectively. Cyclical and rate-sensitive pockets of the economy were hit hardest late in the quarter.

Illustration 1: Third Quarter 2026 Monthly Sector Return Rankings of the Russell Midcap® Value Index



Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Sectors ranked monthly by total return; labels show third quarter total return. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 2: Third Quarter 2026 Monthly Sector Return Rankings of the Russell 2000® Value Index



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Breadth Weak Across the Market Cap Spectrum

Market breadth has been weak across asset classes, and the sudden spike in yields exacerbated the situation. Breadth within the S&P 500® Index was the lowest it has been since 2000 (Illustration 3). That marked a 2-standard-deviation move below the long-term average. For context, only 25% of S&P 500® constituents finished the quarter above their 50-day moving average, a notable decline from the end of the second quarter (~65%). Small-cap breadth also deteriorated, with the Russell 2000® Index finishing the quarter roughly 1.4 standard deviations below its long-term average, weaker than at the end of the second quarter (Illustration 4). Mid-cap breadth was similarly weak. Russell Midcap® Index breadth fell more than two standard deviations below its long-term average in May, the first such reading since 2000, and remained well below average at quarter-end (Illustration 5). Within the Russell Midcap® Value Index, only four sectors registered positive returns for the quarter, with just five outperforming the broader benchmark. Small-cap value equities did not fare better. Only two sectors posted positive returns, with just three outpacing the broader Russell 2000® Value Index for the quarter.

Illustration 3: Market Breadth of the S&P 500® Index Since 1990

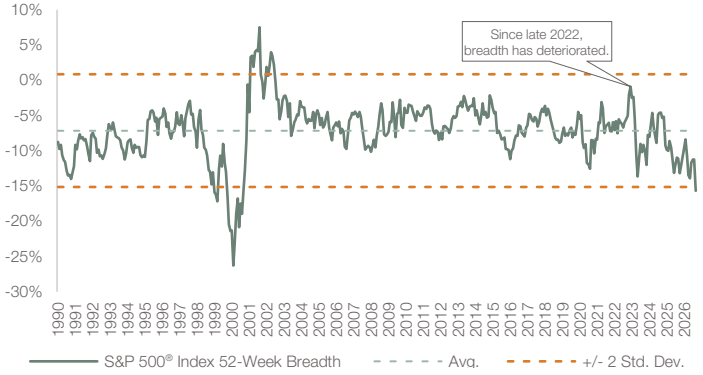

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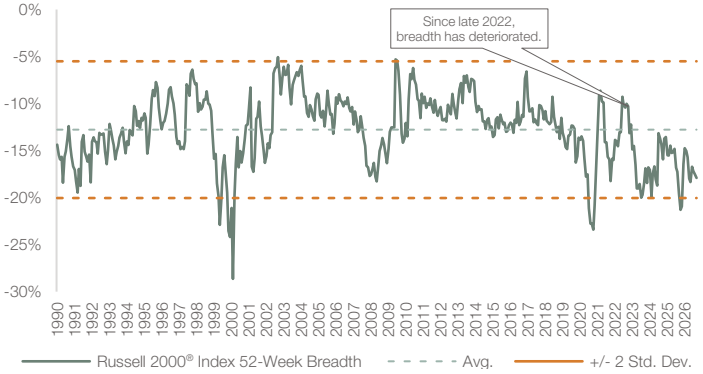
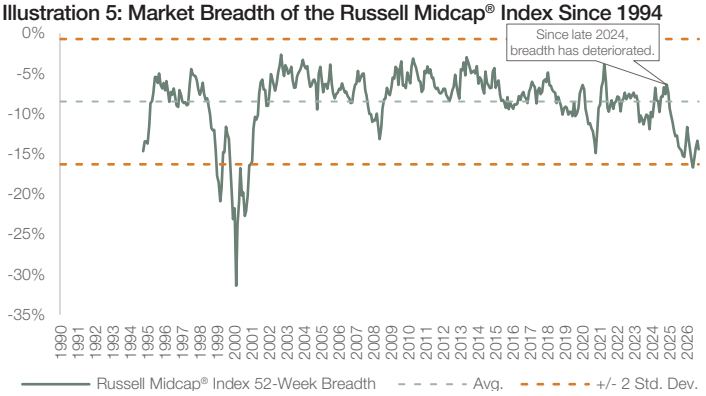
Illustration 4: Market Breadth of the Russell 2000® Index Since 1990



Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 5: Market Breadth of the Russell Midcap® Index Since 1994



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Small-Caps' Third Quarter Shortfall vs. Large-Caps Ranked Third-Worst Since 1990

The notable move in rates was quickly felt. Small-cap equities gave back much of their first-half advantage during the third quarter. The Russell 2000® Index declined 7.2%, while the S&P 500® Index advanced 2.3%. The 9.5% shortfall was the third-largest third quarter underperformance for small-caps relative to large-caps in data going back to 1990, surpassed only by the third quarters of 1990 and 1998. The reversal was notable given that small-caps posted their strongest first-half relative showing since 2001, outpacing the S&P 500® Index by 12.4% in the first half of 2026. Historically, the record following similar quarters has been mixed. In six of the nine prior instances, the Russell 2000® Index outpaced the S&P 500® Index over the subsequent 12 months (Illustration 6).

Mid-Caps' Third Quarter Shortfall vs. Large-Caps Ranked Second-Worst Since 1990

Mid-cap equities also lagged their larger counterparts. The Russell Midcap® Index declined 3.0% in the third quarter, trailing the S&P 500® Index by 5.3%. That marked the second-largest third quarter underperformance for mid-caps

Illustration 6: 10 Largest Third Quarter Underperformances of the Russell 2000® Index vs. the S&P 500® Index Since 1990 and Subsequent 12-Month Relative Performance

Rank	Period	Russell 2000® Index Return	S&P 500® Index Return	Relative 3Q Return	Relative Fwd. 12-Mo. Return
1	3Q90	-24.5%	-13.7%	-10.7%	14.0%
2	3Q98	-20.1%	-9.9%	-10.2%	-8.7%
3	3Q26	-7.2%	2.3%	-9.5%	???
4	3Q14	-7.4%	1.1%	-8.5%	1.9%
5	3Q11	-21.9%	-13.9%	-8.0%	1.7%
6	3Q01	-20.8%	-14.7%	-6.1%	11.2%
7	3Q15	-11.9%	-6.4%	-5.5%	0.0%
8	3Q06	0.4%	5.7%	-5.2%	-4.1%
9	3Q07	-3.1%	2.0%	-5.1%	7.5%
10	3Q21	-4.4%	0.6%	-4.9%	-8.0%

Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Total return. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 7: 10 Largest Third Quarter Underperformances of the Russell Midcap® Index vs. the S&P 500® Index Since 1990 and Subsequent 12-Month Relative Performance

Rank	Period	Russell Midcap® Index Return	S&P 500® Index Return	Relative 3Q Return	Relative Fwd. 12-Mo. Return
1	3Q90	-19.8%	-13.7%	-6.1%	12.9%
2	3Q26	-3.0%	2.3%	-5.3%	???
3	3Q11	-18.9%	-13.9%	-5.0%	-2.2%
4	3Q98	-14.8%	-9.9%	-4.9%	-8.4%
5	3Q08	-12.9%	-8.4%	-4.5%	3.4%
6	3Q06	2.1%	5.7%	-3.6%	1.4%
7	3Q01	-17.9%	-14.7%	-3.2%	11.5%
8	3Q25	5.3%	8.1%	-2.8%	-3.7%
9	3Q14	-1.7%	1.1%	-2.8%	0.4%
10	3Q18	5.0%	7.7%	-2.7%	-1.1%

Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Total return. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

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relative to large-caps in data going back to 1990, surpassed only by the third quarter of 1990. It was also the second consecutive year in which mid-caps meaningfully trailed large-caps in the third quarter, as the third quarter of 2025 also ranked among the 10 largest shortfalls (Illustration 7).

Mega-Caps Reclaimed Leadership – S&P 500® Index Cap-Weighted vs. Equal-Weighted Since 2025

In last quarter's commentary, we questioned whether June's broadening reflected a durable shift or a short-lived catch-up rally. The third quarter provided an answer. After relative performance bottomed on July 29, the cap-weighted S&P 500® Index outpaced its equal-weighted counterpart by approximately 8.4% through quarter-end and by roughly 4.4% for the quarter as a whole. As a result, the cumulative outperformance of the cap-weighted index since the start of 2025 climbed back to 9.6%, approaching its May 2026 peak (Illustration 8). Once again, market leadership narrowed as investors sought safety in a handful of mega-cap stocks in reaction to the Fed's rate hike, creating a challenging backdrop for diversified, fundamentally driven managers.

Small-Cap Lead Over Large-Caps Nearly Vanished as Yields Spiked

Rising interest rates proved to be a key headwind for smaller companies during the quarter. Historically, when yields surge, that has generally been favorable for small-cap equities, given that it typically signals an economy in growth mode. However, we suspect that the pace at which yields spiked during the quarter took a toll on smaller companies. The Russell 2000® Index's year-to-date lead over the S&P 500® Index peaked at 13.9% on June 26 before narrowing to just 1.0% by quarter-end, as the 10-year Treasury yield climbed from 4.4% to 5.3% (Illustration 9). The move accelerated from late August through September, as markets priced in and then absorbed the Federal Reserve's decision to raise rates, a reminder of small-caps' sensitivity to borrowing costs given their greater reliance on floating-rate and shorter-term debt.

Mid-Cap Lead Over Large-Caps Flipped to a Deficit as Yields Climbed

Mid-caps experienced a similar reversal. The Russell Midcap® Index's year-to-date lead over the S&P 500® Index peaked at 6.9% on July 29 before turning into a 0.9% deficit by quarter-end (Illustration 10). Through September 30, the Russell Midcap® Index returned 11.8% year-to-date, compared with 12.8% for the S&P 500® Index, a full reversal of the lead that mid-caps built through July.

THE RATES SHOCK: NOMINAL AND REAL YIELDS SURGED

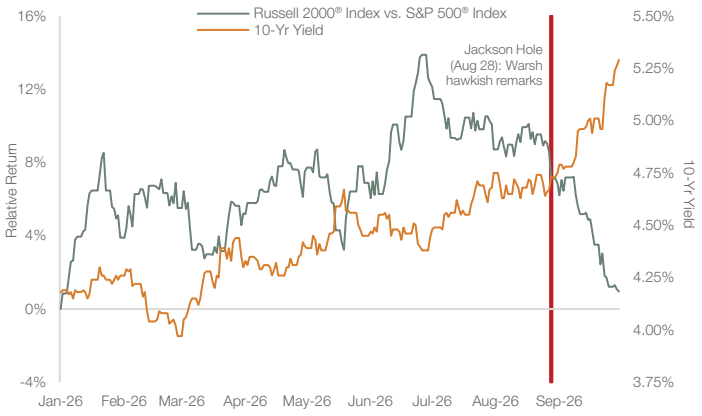
The 10-Year Treasury Yield Tied Its Largest Quarterly Increase Since 1994

The bond market delivered one of the most notable developments of the quarter. The 10-year Treasury yield rose 85 bps, from 4.4% to 5.3%. That ranked 10th out of 258 quarters since 1962, tied with the fourth quarter of 2016 and the third quarter of 2022 as the largest quarterly increase since the first quarter of 1994 (Illustration 11). Each of those prior quarters coincided with a tightening cycle or a hawkish shift in monetary policy.

Illustration 8: Cumulative Relative Performance of the S&P 500® Index vs. the S&P 500® Equal Weight Index Since 2025

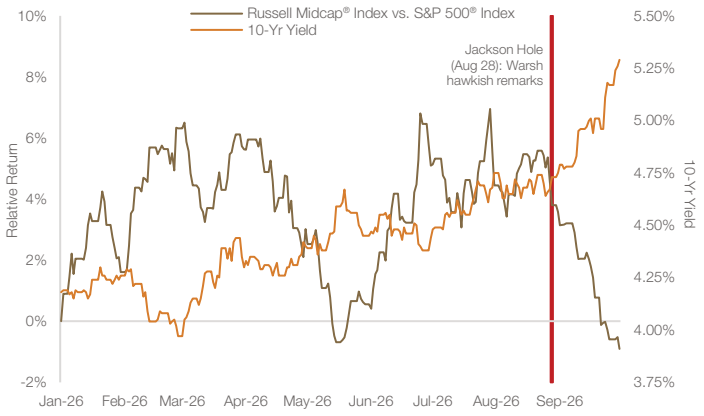
Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Price return. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 9: After Jackson Hole, Rising Yields Erased Most of the Russell 2000® Index's Lead Over the S&P 500® Index



Source: FactSet & Federal Reserve Bank of St. Louis (FRED). As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Relative performance is the difference in YTD total return. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 10: After Jackson Hole, Rising Yields Erased the Russell Midcap® Index's Lead Over the S&P 500® Index



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10-Year Real Yields Reached Their Highest Level Since the Global Financial Crisis

Real yields also climbed sharply. The 10-year TIPS yield rose 73 bps during the quarter to 2.9%, its highest level since November 2008 (Illustration 12). Real yields have now risen roughly 410 bps from their August 2021 low of -1.2%, a dramatic reset in the real cost of capital. Investors are demanding a higher inflation-adjusted return to hold U.S. government debt in the face of heavy government borrowing. Higher real rates have historically weighed on long-duration, high-multiple equities. In our view, this reinforces the importance of valuation discipline.

CAN THE ECONOMY SUPPORT HIGHER RATES?

Interest rates have once again become top of mind for investors. While we do not claim to be experts on monetary policy, we will present some data that may suggest that the economy can indeed support higher rates.

The Federal Reserve describes its mandate as follows:

> *The Federal Reserve works to promote a strong U.S. economy. Specifically, Congress has assigned the Fed to conduct the nation's monetary policy to support the goals of maximum employment and stable prices. Those two goals are often referred to as the Fed's "dual mandate."*
>
> *Maximum employment is the highest level of employment or lowest level of unemployment that the economy can sustain in a context of price stability. Durably achieving maximum employment fosters broad-based economic opportunities and benefits for all Americans.*
>
> *The Federal Open Market Committee judges that an inflation rate of 2 percent over the longer run, as measured by the annual change in the price index for personal consumption expenditures, is most consistent with the Fed's price-stability mandate. When households and businesses can reasonably expect 2 percent inflation over the longer run, they are better able to make sound decisions regarding saving, borrowing, and investment, which contribute to a well-functioning economy and the well-being of all Americans.*

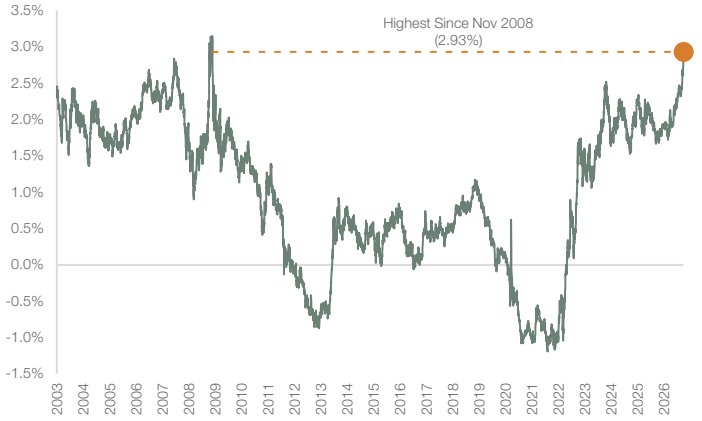
The Labor Market Box Can Be Checked

Based on the Fed's own description of its dual mandate, one can argue that the "labor market" box can be checked and that the Fed has fulfilled the labor side of its dual mandate. It would be difficult to make the case that the U.S. labor market is on shaky ground. The St. Louis Fed's 4-Week Moving Average of Initial Claims, which measures the average number of people filing for first-time unemployment benefits, fell to 198,000 for the week ending October 3, 2026. That is its lowest level since the week of October 1, 2022, and well below its long-term average (Illustration 13). Since January 1967, when the data were first available, the average has been about 359,000. Claims spiked sharply during the pandemic and peaked at about 5.3 million in April 2020. Excluding pandemic-era readings above 1 million, the 4-week average since early 1967 was roughly 345,200. According to the St. Louis Fed, the "rule of thumb" threshold is about 400,000 claims; crossing it would signal weakening labor market conditions. The last time the 4-week average was above this threshold was June 2021. In our view, the U.S. labor market remains on solid footing, which suggests the Fed can shift its focus to the inflation side of the equation.

Illustration 11: Third Quarter 2026 Increase in the 10-Year Treasury Yield vs. the Five Largest Quarterly Increases Since 1962

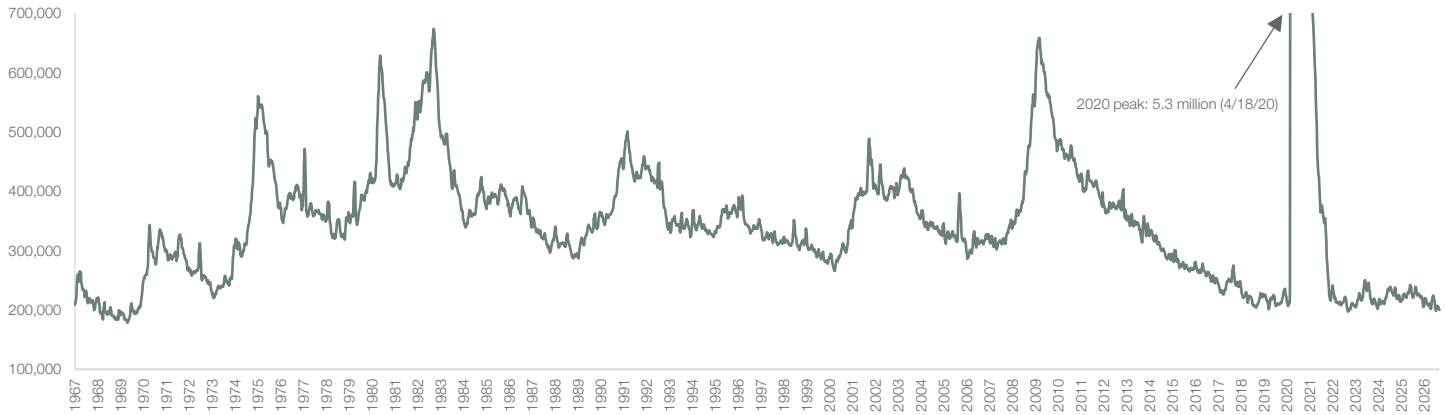
Source: Federal Reserve Bank of St. Louis (FRED). As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. 3Q26 ranked 10th (tied) of 258 quarters since 1962.

Illustration 12: Real Yields Return to Post-Crisis Highs – The 10-Year TIPS Real Yield Since 2003



Source: Federal Reserve Bank of St. Louis (FRED), Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Inflation-Indexed. Daily data. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. TIPS yields reflect returns above CPI inflation.

Illustration 13: The Labor Market Held Its Ground – The 4-Week Moving Average of Initial Jobless Claims Since 1967



Source: Federal Reserve Bank of St. Louis (FRED), 4-Week Moving Average of Initial Claims. As of October 3, 2026. Data compiled and analyzed by Sycamore Capital. Vertical axis truncated; 2020 peak of 5.3 million not shown to scale.

Core PCE Inflation Has Exceeded 2% for 66 Consecutive Months

Core PCE inflation (the Fed's preferred inflation measure) registered 3.0% year-over-year in August 2026, marking the 66th consecutive month above the Federal Reserve's 2% target (Illustration 14). That is the longest such streak since the run that ended in January 1996. The persistence of above-target inflation shifted the policy debate considerably. At the start of 2026, markets were pricing in multiple rate cuts; by the end of the third quarter, the Federal Reserve had raised rates. In our view, it is unlikely that core PCE cools off in the near term to a point where additional hikes are off the table, especially given ongoing geopolitical conflict, fiscal largesse and the large-scale AI-linked infrastructure buildout.

Core Prices Have Outrun the Fed's 2% Path by a Wide Margin Over the Past Decade

Since September 2016, core PCE prices have risen 32.0%, compared with 21.7% had they grown at the Federal Reserve's 2% target. The price level now sits roughly 8.5% above that path, with most of the gap opening after 2021 (Illustration 15). This cumulative overshoot helps explain the ongoing affordability pressures facing consumers, even as the annual rate of inflation has moderated from its peak.

Deglobalization Has Left Inflation Structurally Higher and Broad-Based

After China joined the WTO in 2001, the U.S. trade deficit with China ballooned (Illustration 16). Importing cheap goods from China helped keep a lid on inflation. Between China's WTO accession and the COVID pandemic, core PCE inflation averaged 1.7% year-over-year. Since COVID, it has averaged 3.4%. As of August, approximately 64% of core PCE components were rising faster than 2%, and roughly 51% were rising faster than 3% (Illustration 17). In other words, inflation remains broad-based. With deglobalization trends becoming increasingly cemented, we believe inflation has settled into a structurally higher range near 3%, and bringing it lower has proven difficult.

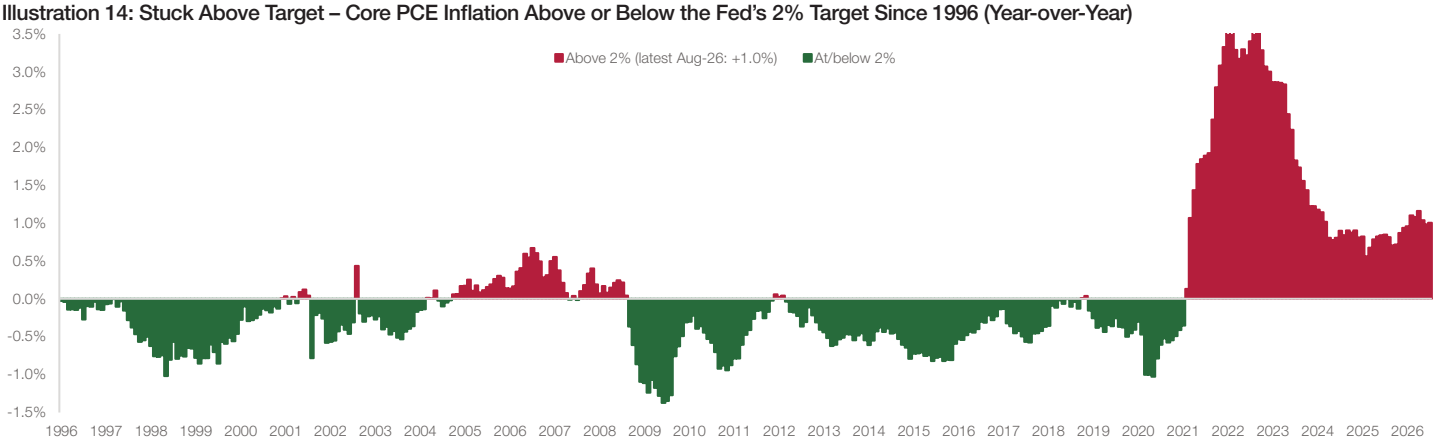
An Economy Growing Above Trend

Since 2022, the U.S. economy has grown at an average annualized quarterly rate of 2.3% (Illustration 18). For a mature economy, that is generally considered healthy. As of October 8, the Atlanta Fed GDPNow estimate for third quarter real GDP growth was 3.6%, which points to the continuation of solid economic activity. Given tight labor market conditions, stubborn inflation and an economy that is growing above trend, the argument for a higher-for-longer economy holds weight.

ZIRP Period Was an Aberration, Not the Norm

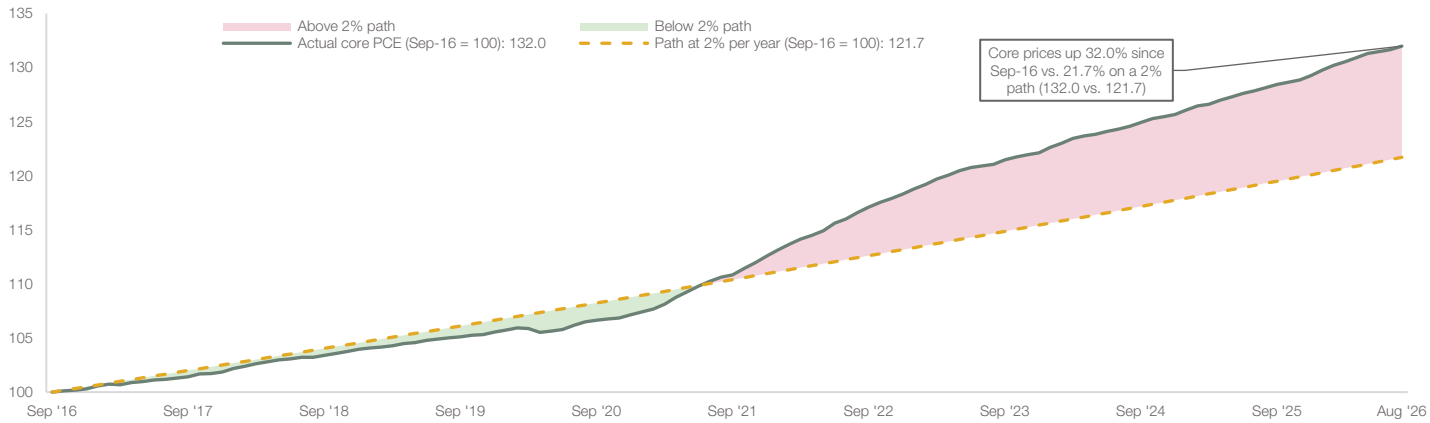
Despite the data supporting a higher-for-longer economy, the topic of higher rates has evolved into a highly divisive issue. Prior to the initiation of the zero-interest-rate policy (ZIRP) following the Global Financial Crisis (GFC), the long-term average of the effective federal funds rate from July 1954 to December 2008 was approximately 5.7% (Illustration 19). The era of ZIRP changed the mindset of market participants and cemented a belief that low rates are ideal. However, we believe artificially suppressed rates can be just as harmful as very high rates for the broader economy and market. ZIRP enabled "zombie" companies to exist and fostered an environment where malinvestment was rewarded. Artificially low rates also created some unique headwinds for asset managers, especially active investors down the market-cap spectrum who have to contend with a growing percentage of loss-making companies that can prosper in a distorted interest rate environment. With an economy that is on solid footing, a resilient labor market and inflation that remains stubbornly above the Fed's target, we believe higher rates that do not rise well above nominal growth may be healthy for the economy.

Illustration 14: Stuck Above Target – Core PCE Inflation Above or Below the Fed's 2% Target Since 1996 (Year-over-Year)



Source: U.S. Bureau of Economic Analysis (BEA). As of August 31, 2026. Data compiled and analyzed by Sycamore Capital. Each bar shows the year-over-year change in the core PCE price index (excluding food and energy) minus the Fed's 2% target, in percentage points. Red bars mark months above 2%; green bars mark months at or below 2%. Monthly, seasonally adjusted data from February 1996.

Illustration 15: Mind the Gap – Core PCE Prices vs. a Hypothetical 2% Inflation Path Since September 2016 (Indexed to 100)



Source: U.S. Bureau of Economic Analysis (BEA). As of August 31, 2026. Data compiled and analyzed by Sycamore Capital. Both lines are indexed to 100 in September 2016. The solid line is the actual core PCE price index (excluding food and energy); the dashed line is a hypothetical path showing where prices would have been had they risen exactly 2% per year. Shading marks the gap: pink where actual prices were above the 2% path, green where below. Monthly, seasonally adjusted data.

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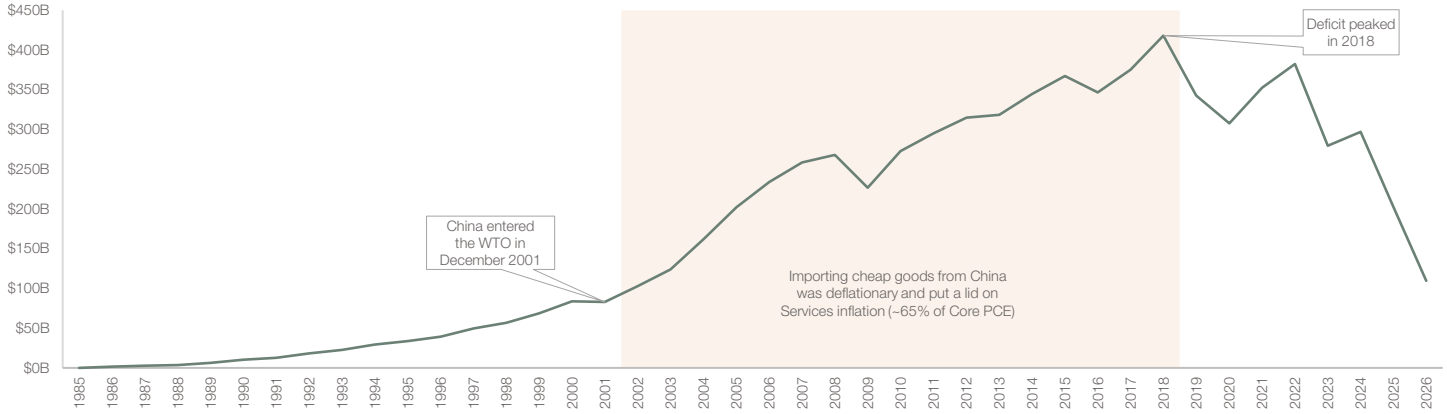
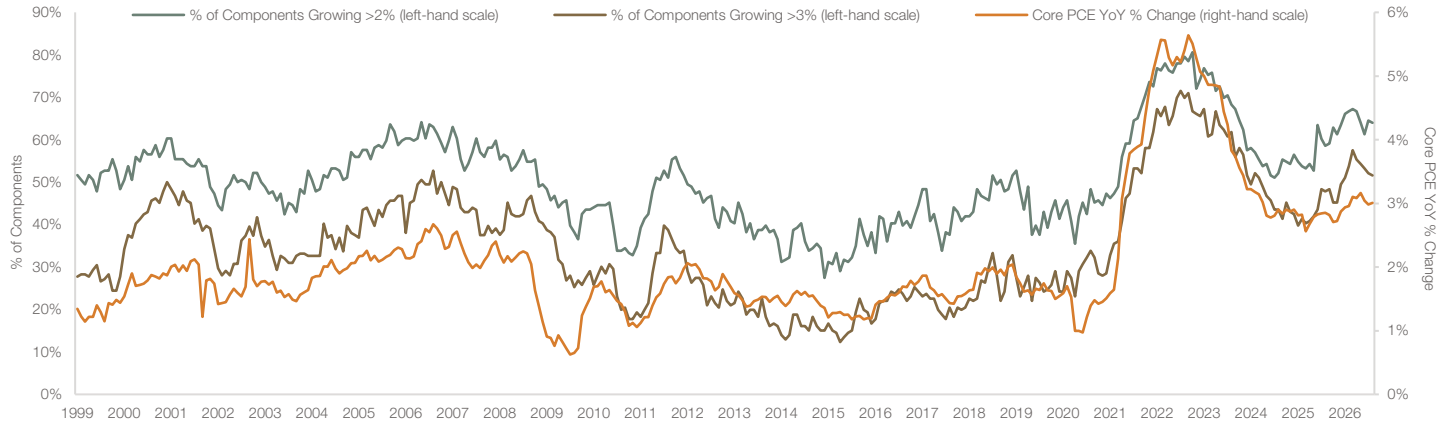
Illustration 16: The U.S. Goods Trade Deficit with China Since 1985



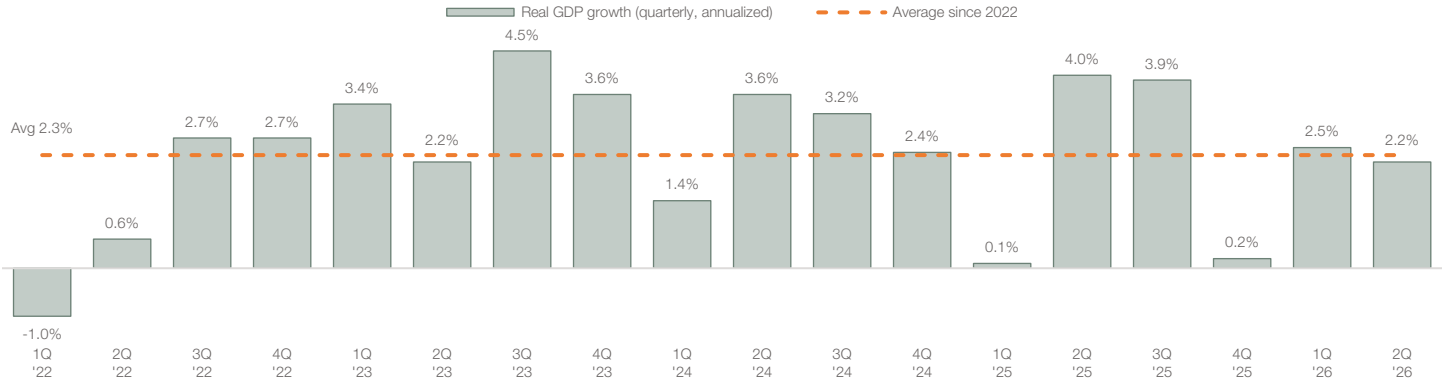
Source: U.S. Census Bureau. As of August 31, 2026. Data compiled and analyzed by Sycamore Capital. Goods trade only. 2026 is year-to-date through August.

Illustration 17: Core PCE Breadth – Share of Core Components Rising Faster Than 2% and 3%



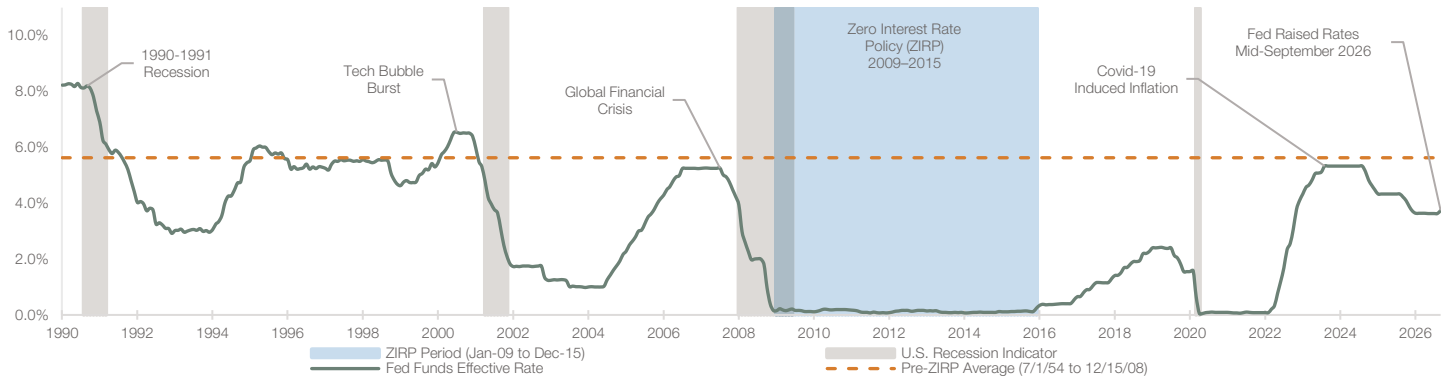
Source: U.S. Bureau of Economic Analysis (BEA), Personal Consumption Expenditures Price Index Excluding Food and Energy. As of August 31, 2026. Data compiled and analyzed by Sycamore Capital. Components are equally weighted.

Illustration 18: U.S. Quarterly Real GDP Growth Since 2022 (Annualized)



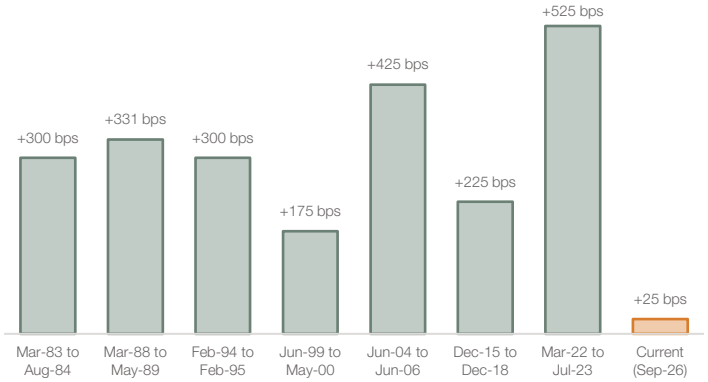
Source: U.S. Bureau of Economic Analysis (BEA). As of June 30, 2026. Data compiled and analyzed by Sycamore Capital. Seasonally adjusted; subject to revision.

Illustration 19: Federal Funds Effective Rate Since 1990 vs. the Pre-ZIRP Average



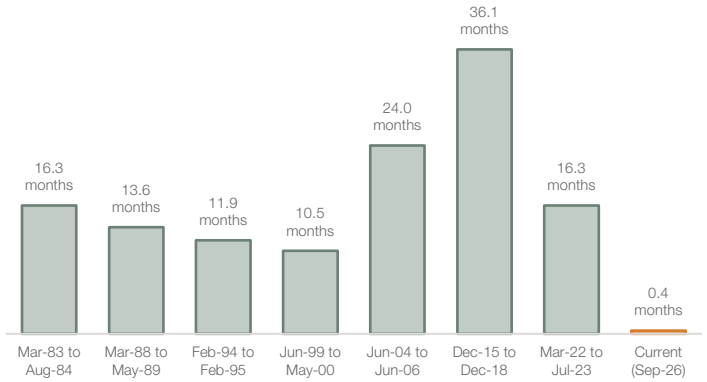
Source: Federal Reserve Bank of St. Louis (FRED). As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Pre-ZIRP average covers 7/1/54-12/15/08.

Illustration 20: Total Increase in the Federal Funds Rate During Fed Tightening Cycles Since 1983 vs. the Current Cycle



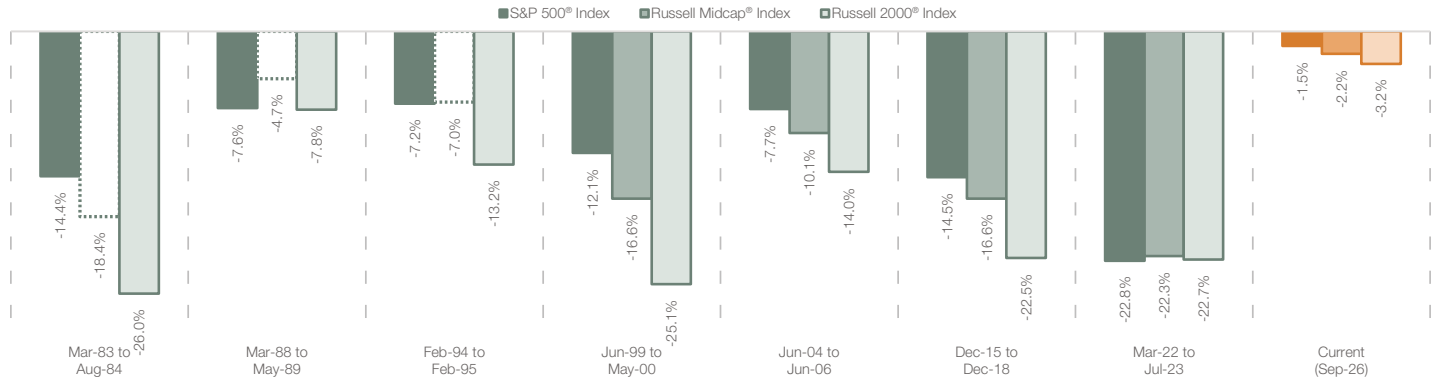
Source: Federal Reserve Bank of St. Louis (FRED). As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Cycles measure from first to last hike; current cycle is ongoing.

Illustration 21: Just Getting Started – The Duration of Fed Tightening Cycles Since 1983 vs. the Current Cycle (Months)



Source: Federal Reserve Bank of St. Louis (FRED). As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Cycles measure from first to last hike; current cycle is ongoing.

Illustration 22: Maximum Drawdowns of the S&P 500® Index, Russell Midcap® Index, and Russell 2000® Index During Fed Tightening Cycles Since 1983



Source: Federal Reserve Bank of St. Louis (FRED) & FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Price return. Dashed outline indicates Russell Midcap® drawdown based on month-end prices (daily history begins May 1995). Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Fed Tightening Cycles in Context

Since 1983, the seven completed Fed tightening cycles have raised the federal funds rate by an average of 325 bps, ranging from 175 bps (1999-2000) to 525 bps (2022-2023) (Illustration 20). Even the smallest of these cycles was seven times the current cycle's 25 bps.

Historically, Fed tightening cycles have been accompanied by meaningful equity drawdowns, with smaller companies typically bearing the brunt. Across the seven completed cycles since 1983, the average maximum drawdown was 12.3% for the S&P 500® Index, 13.7% for the Russell Midcap® Index and 18.7% for the Russell 2000® Index, with small-caps experiencing the deepest drawdown in six of the seven cycles (Illustration 22). So far, drawdowns in the current cycle have been modest, ranging from approximately 1.5% for the S&P 500® Index to 3.2% for the Russell 2000® Index as of September 30, 2026. In our view, this history underscores the value of owning businesses with strong balance sheets and sustainable cash flows when financial conditions tighten.

Tightening Cycles Have Been a Marathon, Not a Sprint

Prior tightening cycles since 1983 lasted an average of 18.4 months, ranging from 10.5 months (1999-2000) to 36.1 months (2015-2018) (Illustration 21). At just two weeks old as of quarter-end, the current cycle is in its earliest stage.

CASE FOR SMALL- AND MID-CAP EQUITIES REMAINS COMPELLING

When the Fed Tightens, Quality Matters

The October 9, 2026, issue of Grant's Interest Rate Observer made an interesting and sobering observation:

> *AI-related infrastructure plays make up around 40% of the S&P 500 as well as almost half of year-to-date investment grade bond issuance and 87% of 2026 venture capital funding. Almost everyone is over their skis with regard to the curse/salvation of mankind.*

Fiduciaries of all sorts face a difficult question: how to approach a one-dimensional and singularly focused equity market. The average market participant is likely overexposed to the dominant theme(s), especially if invested in the S&P 500® Index. That is why we continue to believe that small- and mid-cap equities offer diversification benefits and that valuations have become more attractive following the reset in the third quarter.

Small- and Mid-Cap Valuations Have Become More Compelling

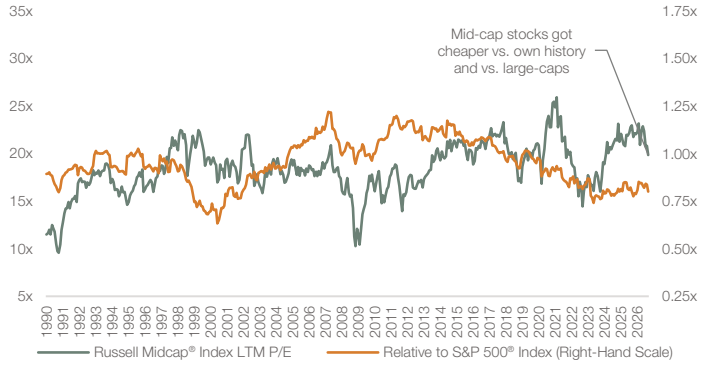
In our view, valuations for small- and mid-cap equities have become more compelling relative to large-caps as well as relative to their own recent history (Illustrations 23 & 24). The Russell Midcap® Index's trailing P/E declined from a recent peak of roughly 23x to about 20x at quarter-end, and its valuation relative to the S&P 500® Index stood near 0.8x. The Russell 2000® Index's trailing P/E fell from roughly 19.5x to about 16.5x, with a relative valuation of approximately 0.7x. Both relative readings remain well below the levels near or above 1.0x that prevailed for much of the 2004-2018 period.

The Russell Midcap® Value Index and the Russell 2000® Value Index are both trading at a sizable discount to their growth counterparts (Illustrations 25 & 26). At quarter-end, the Russell Midcap® Value Index traded at approximately 18x trailing earnings, a roughly 41% discount to the Russell Midcap® Growth Index (approximately 31x) and wider than its average discount of about 35% since 1990. The Russell 2000® Value Index traded at approximately 13.5x, a similar discount of roughly 41% to the Russell 2000® Growth Index (approximately 23x), compared with a long-term average of about 32%. Notably, the Russell 2000® Value Index traded below its own long-term average P/E, while both growth indices traded well above theirs.

Diversification Beyond the AI Trade

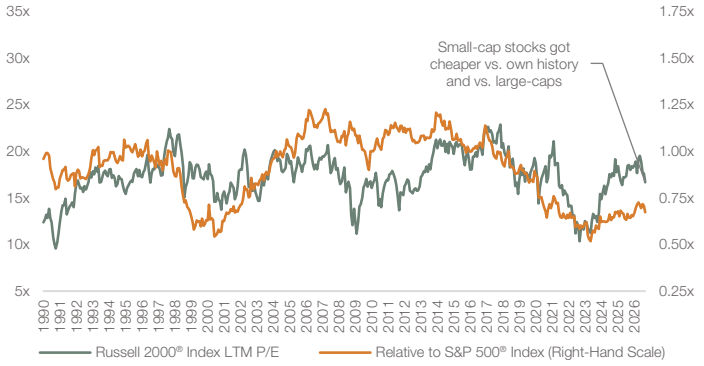
As investors reassess ways to diversify away from an AI-dominated market, we believe small- and mid-cap equities offer some diversification benefits given that they have been less correlated to the S&P 500® Index and the broader tech complex over the past two years (Illustrations 27 & 28).

Illustration 23: Russell Midcap® Index Absolute Valuation and Valuation Relative to the S&P 500® Index Since 1990 (LTM P/E)



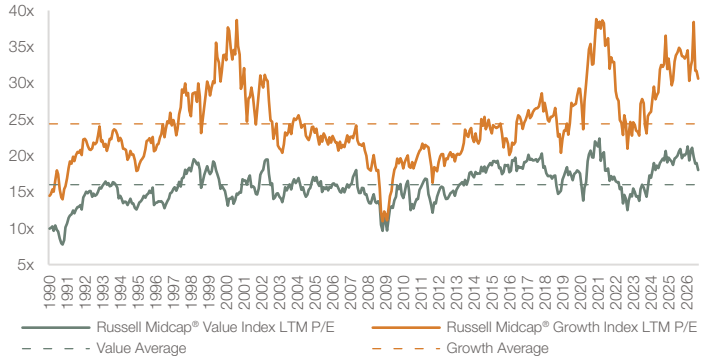
Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. P/E is a weighted harmonic average. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 24: Russell 2000® Index Absolute Valuation and Valuation Relative to the S&P 500® Index Since 1990 (LTM P/E)



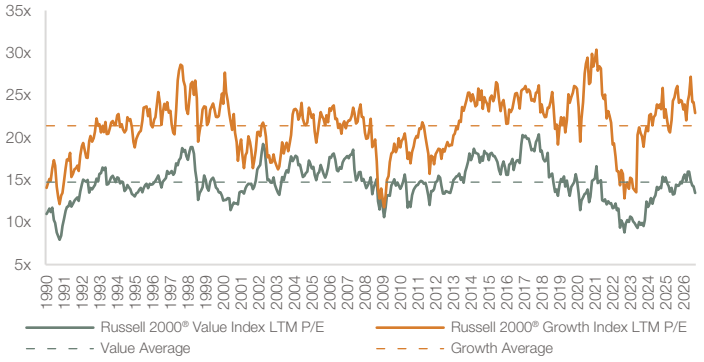
Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. P/E is a weighted harmonic average. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 25: Valuations of the Russell Midcap® Value Index vs. the Russell Midcap® Growth Index Since 1990 (LTM P/E)



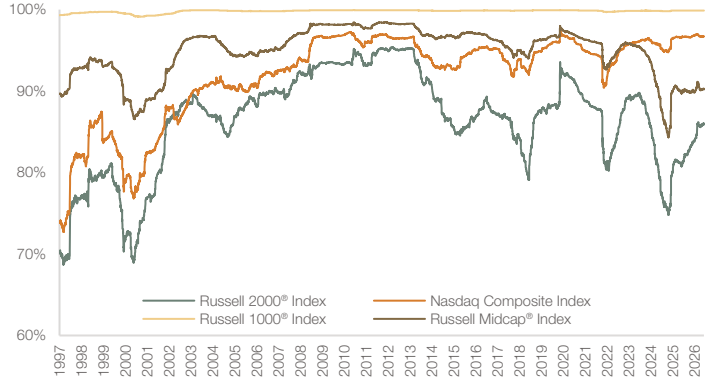
Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. P/E is a weighted harmonic average. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 26: Valuations of the Russell 2000® Value Index vs. the Russell 2000® Growth Index Since 1990 (LTM P/E)



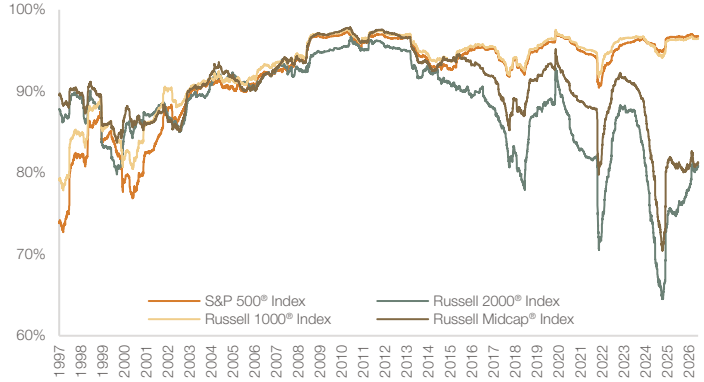
Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. P/E is a weighted harmonic average. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 27: Rolling 2-Year Correlations of Daily Returns of Major U.S. Equity Indices to the S&P 500® Index Since 1997



Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Price return. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 28: Rolling 2-Year Correlations of Daily Returns of Major U.S. Equity Indices to the Nasdaq Composite Index Since 1997



Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Price return. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

QUALITY POISED FOR A COMEBACK

Cash Flow Has Been King When the Fed Hikes

In our view, quality is poised for a rebound if we are indeed shifting to a higher-for-longer economy. Companies with higher free cash flow yields outperformed in the prior two hiking cycles. Within the Russell 2000® Value Index, a long-short FCF yield strategy returned approximately 49% and 115% cumulatively during the 2015-2018 and 2022-2023 cycles, respectively, while the same strategy returned approximately 11% and 21% within the Russell Midcap® Value Index (Illustrations 29 & 30). Given that quality has been out of favor over the past several quarters, quality companies are also trading at a discount relative to the overall index, which, in our view, again positions the factor for a rebound.

The Bar Has Been Raised for Small Companies

The implied cost of capital for the Russell 2000® Index rose to 6.4% in 2026, well above its long-term average of 5.8% and the highest level since 2010 (Illustration 31). During the zero-interest-rate era, the hurdle rate for small companies fell to just 3.2% in 2020, which arguably provided a tailwind for speculative and non-earning businesses. As the cost of capital normalizes, we believe the bar for value creation has risen, favoring companies that generate returns in excess of their cost of capital.

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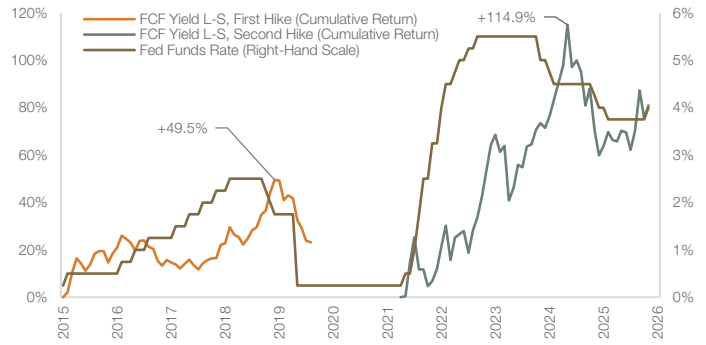
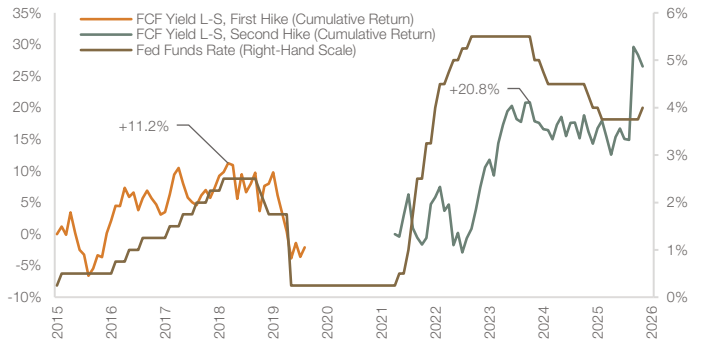
Illustration 29: Cumulative Long-Short Returns of Free Cash Flow Yield in the Russell 2000® Value Index During the Past Two Fed Hiking Cycles



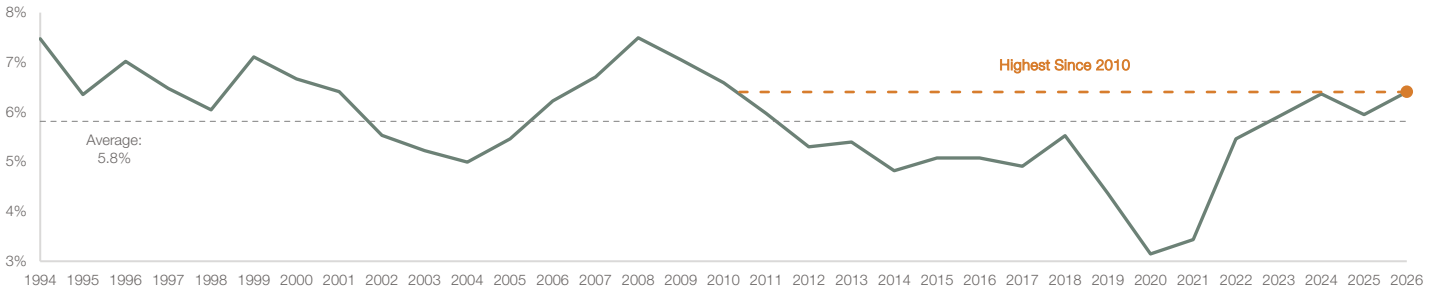
Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Hypothetical returns of the top minus bottom free cash flow yield quintile; excludes transaction costs. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 30: Cumulative Long-Short Returns of Free Cash Flow Yield in the Russell Midcap® Value Index During the Past Two Fed Hiking Cycles



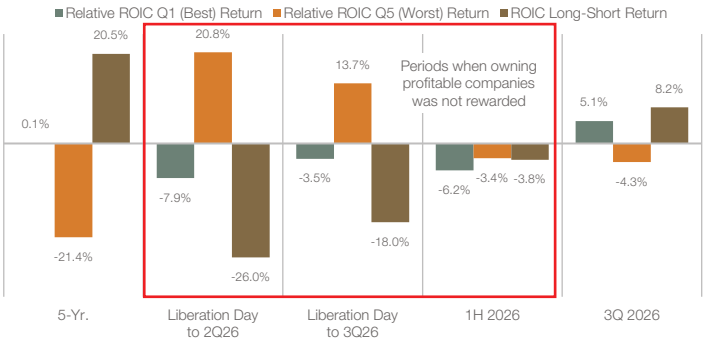
Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Hypothetical returns of the top minus bottom free cash flow yield quintile; excludes transaction costs. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 31: Implied Cost of Capital of the Russell 2000® Index Since 1994



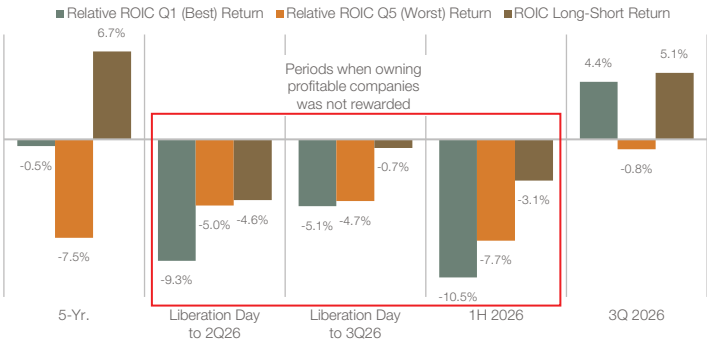
Source: Furey Research Partners. As of September 22, 2026. Data compiled and analyzed by Sycamore Capital. Model-derived estimate; 2026 is year-to-date. See last page for full disclosure.

Illustration 32: Relative Returns of the Highest and Lowest ROIC Quintiles in the Russell 2000® Value Index



Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Liberation Day period measure from 3/31/25. Periods over one year annualized. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Illustration 33: Relative Returns of the Highest and Lowest ROIC Quintiles in the Russell Midcap® Value Index



Source: FactSet. As of September 30, 2026. Data compiled and analyzed by Sycamore Capital. Liberation Day period measure from 3/31/25. Periods over one year annualized. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

Low Quality Has Been a Thorn for Active Managers

One of the most puzzling developments over the past several quarters has been the divergence of performance between companies generating the highest ROIC (top quintile) and those generating the lowest (bottom quintile) within the Russell Midcap® Value and Russell 2000® Value indices. As Illustrations 32 & 33 highlight, the lowest ROIC quintile has outperformed since early April 2025, most notably in the Russell 2000® Value Index, where a long-short ROIC strategy trailed by approximately 18%. In the Russell Midcap® Value Index, the gap was narrower, at less than 1%. Over a five-year period, the reverse is true, favoring companies with better profitability profiles. The recent outperformance of low-quality stocks partly explains why many quality-biased managers have struggled to outpace their respective benchmarks.

CONCLUDING REMARKS

The U.S. equity market has had an impressive run since the last Fed hiking cycle in 2022, partly fueled by accommodative financial conditions. However, the current backdrop calls into question whether a recalibration in monetary policy is needed. With labor market conditions tight, an economy that is growing above trend and an inflation rate that, in our view, has settled structurally above the Fed's 2% target, a higher-for-longer economy is not off the table. The data support that view: initial jobless claims recently fell to their lowest level since October 2022, core PCE inflation has exceeded the Fed's 2% target for 66 consecutive months, and the current tightening cycle's 25 bps of increases is a fraction of the 175 bps delivered in even the smallest cycle since 1983. That would mark a departure from the years following the GFC, when

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artificially low interest rates distorted the capital markets and posed unique challenges for asset managers.

With geopolitical unrest raging, rampant government spending, a notable decrease in immigration and deglobalization forces gaining traction, it would be difficult to imagine a scenario where rates remain artificially suppressed. If price stability is a central tenet of the Fed's mandate and inflation remains anchored above 3%, a case could be made that normalizing rates to a level that does not derail economic momentum may be warranted. Whether the Fed's new leadership has the resolve to stand up to ill-advised political pressure remains to be seen. Perhaps it behooves the new Fed Chair to recall how the "transitory" messaging in 2021 was debunked and forced the Fed to embark on one of the most aggressive tightening campaigns in decades. What has meaningfully changed in the underlying conditions since 2022? Not much! Supply chain issues remain, commodity prices are elevated, lack of fiscal discipline persists and protectionist sentiment has intensified. All conspire to put upward pressure on inflation.

These conditions appear consistent with a higher-for-longer economy. Under such an environment, we suspect that capital will accrue to companies that are financially sound. Quality factors which have been subdued in recent quarters should make a much-anticipated comeback. That should be a positive for investors who consider business fundamentals in their investment approach.

We sincerely thank you for your continued partnership and the confidence you place in our team.
On behalf of the entire Sycamore team, we wish you and your loved ones a warm and happy upcoming holiday season.

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QTD Top Contributors (%)	
Charles River Laboratories International, Inc.	0.4
Chefs' Warehouse, Inc.	0.2
Gap, Inc.	0.2
Bio-Rad Laboratories, Inc.	0.2
Helmerich & Payne, Inc.	0.2

QTD Top Detractors (%)	
Cardinal Infrastructure Group, Inc.	-0.5
WillScot Holdings Corp.	-0.4
Hayward Holdings, Inc.	-0.4
Cohu, Inc.	-0.3
Vishay Intertechnology, Inc.	-0.3

Source: FactSet.

Top Holdings (%)	
United Bankshares, Inc.	1.7
Old National Bancorp	1.6
Renasant Corp.	1.6
Innospec, Inc.	1.5
UMB Financial Corp.	1.5
MSA Safety, Inc.	1.5
TowneBank	1.4
Sensient Technologies Corp.	1.4
McGrath RentCorp	1.4
Graham Holdings Co.	1.4

ANNUALIZED RETURNS

Investment Performance (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception*	Expense Ratio Gross	Expense Ratio Net
A-Shares (without sales charge)	-7.38	11.79	12.60	10.09	5.93	8.98	9.64	1.23	1.23
A-Shares (with max. sales charge 5.75%)	-12.70	5.36	6.13	7.94	4.68	8.33	9.40	1.23	1.23
Russell 2000® Value Index	-4.91	16.96	20.77	17.93	7.80	9.40	—		

Source: Citi. Returns are calculated and stated in U.S. dollars.
**Since inception start date: March 26, 1999.*

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 are annualized.

Other share classes are available for which performance and expenses will differ.

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.

Investments in **smaller companies** typically exhibit higher volatility. **International investments** can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from U.S. investments. **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. Companies in the **financial services** sector are subject to extensive government regulation that may affect the scope of their activities, the prices they can charge and capital maintenance. The industry is subject to severe competition and can be significantly affected by market conditions, including interest rate changes. Investments in companies in the **industrials sector**, including producers of durable goods and companies that process raw materials, may be adversely affected by changes in supply and demand for products and services, governmental regulation and changes in spending policies, world events and economic conditions. The portfolio 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 portfolio. The value of your investment is also subject to geopolitical risks such as wars, terrorism, trade disputes, 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 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. 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.

Fund holdings are subject to change and should not be construed as investment advice or a recommendation to buy, sell, or hold any security. 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 views expressed are as of the date noted and are subject to change at any time based on market or other conditions. These views should not be relied upon as investment advice, as securities recommendations, or as an indication of trading intent on behalf of any portfolio.

Contributors and Detractors Source: FactSet. The contributors and detractors mentioned are presented to illustrate examples of the Fund's investments and may not be representative of the Fund's current or future investments. Percentages shown are for the most recent quarter.

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. The securities highlighted, if any, were not intended as individual investment advice.

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IMPORTANT INFORMATION – GLOSSARY TERMS

Price-to-Sales is the ratio of a stock's price to its per-share sales.

Average P/E Ratio (trailing or last 12 months "LTM") is the current price of the stock divided by the actual earnings per share for the past 12 months.

Average P/E Ratio (estimated or next 12 months "NTM") is the current price of a stock divided by the estimated one-year projection of its earnings per share.

Beta measures the price volatility, or the level of risk, of a stock relative to the broader market. A beta of 1 indicates that the security's price has moved with the market. A beta of less than 1 means that the security has been less volatile than the market. A beta of greater than 1 indicates that the security's price has been more volatile than the market.

Price momentum refers to the speed or velocity of price changes in security; it can be positive or negative.

Price-to-Book is the ratio of a stock's market value (price) to the value of total assets less total liabilities (book value).

Enterprise value (EV) measures a company's total value, often used as a more comprehensive alternative to equity market capitalization. Enterprise value includes in its calculation the market capitalization of a company but also short-term and long-term debt and any cash on the company's balance sheet.

Short interest is the percentage of a stock's total trading volume that has been sold short. High short interest can be a sign that the market expects a share price to fall.

Forward Earnings Growth is the expected percentage increase in a company's earnings per share (EPS) over the next 12 months (or future period) compared to the current or prior period.

EBITDA Earnings Before Interest, Taxes, Depreciation, and Amortization—a measure of a company's operating profitability before accounting for financing decisions, tax rates, and non-cash expenses.

Momentum is the tendency of stocks or assets that have performed well (or poorly) in the recent past to continue performing well (or poorly) in the near future.

FCF/Price is how much actual cash a company generates compared to what it costs to buy the stock.

FCF/Debt is the ratio of a company's free cash flow to its total debt, showing how easily it can cover or pay down what it owes.

Low Capex (Capital Expenditures) is a company that spends relatively little cash on buying or upgrading physical assets like equipment, buildings, or technology.

Dividend Yield is total cash dividends paid as a percent of market capitalization at the end of the period.

Return on invested capital (ROIC) is a number that indicates how well a company is spending its capital on profitable projects or investments. It is calculated by dividing net operating profit after tax (NOPAT) by invested capital.

Debt to Total Capitalization measures the financial leverage of the firm and is calculated as a ratio of debt to the total capital available of a company.

Magnificent Seven (MAG-7): A cohort of seven mega-capitalization companies (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla) that together represent a substantial share of the S&P 500 Index's total market capitalization and have accounted for a disproportionate portion of the index's performance. The term is often used to illustrate market concentration and the influence of a narrow group of growth-oriented names on broad-market returns.

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 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.

The Russell 1000® Index is a market-capitalization-weighted index that measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 92% of the total market capitalization of the Russell 3000® Index.

The Russell 2000® Index is a market-capitalization-weighted index that measures the performance of the 2,000 smallest U.S. stocks by market capitalization in the Russell 3000® Index.

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.

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.

The Russell Midcap® Index is a market-capitalization-weighted index that measures the performance of the 800 smallest U.S. stocks in the Russell 1000® Index.

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

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

One basis point (bp) equals 0.01% (1/100th of a percent).

Illustration 31 Full Disclosure: Source: Furey Research Partners and FactSet. Data as of 9/22/26 using point in time inputs. Cost of Debt is based upon aggregate interest expense over total debt for each index on a tax-effected basis. Cost of Equity is based upon discount rate solved to equate market capitalization with the present value of dividends plus share repurchases (i.e. cash returned to shareholders) averaged over ten years and grown five years at the trailing 40 quarter trend in earnings per share followed by using the U.S. 10-year yield for terminal growth. Cost of Capital based upon Cost of Debt and Cost of Equity using leverage calculated using aggregated total debt and aggregate market capitalization.

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