

Victory Trivalent International Fund – Core Equity Quarterly Commentary



As of December 31, 2020

Market Environment

International equities rallied to a record high in the fourth quarter. The wave of optimism was primarily driven by positive news on multiple potential coronavirus vaccines and reduced uncertainty following U.S. elections. International returns were also boosted by a weakening dollar as the U.S. Dollar Index, which measures the U.S. Dollar against six major global currencies, fell 4.2% and reached its lowest level since January 2018. For the quarter, the MSCI ACWI (All Country World) ex USA Index advanced 17.0%, posting its strongest quarterly return in over a decade. The Victory Trivalent International Fund – Core Equity (Class A, without load) trailed the benchmark. There was wide dispersion among country returns in the index, with emerging markets outpacing their developed market peers. Columbia and Austria were the best performing markets, up 48.7% and 47.3%, respectively. France increased 20.4% despite entering a coronavirus lockdown for the second time this year. The United Kingdom gained 16.9% as a post-Brexit trade deal was finalized more than four and a half years after the country's referendum to leave the European Union. Japan, the largest weighted country in the index, was up 15.3% as new Prime Minister Yoshihide Suga announced a \$708 billion stimulus package to further combat pandemic-related disruptions. On the other end of the spectrum, Switzerland was up 8.2% and trailed the broader index largely due to Swiss Health Care stocks lagging. China returned 11.1% and was a relative underperformer as threats of policy measures from the U.S. regarding unfair business practices weakened investor sentiment.

All sectors posted positive returns, with the more cyclical and commodity-exposed sectors outperforming. Information Technology and Financials stocks were the top performers, up 24.8% and 24.7%, respectively. Energy rallied 22.5% as Brent crude oil prices rose 26.5% and hit a nine-month high on expectations that coronavirus vaccines will boost fuel demand. The more defensive Consumer Staples and Health Care stocks were the relative laggards, up 8.5% and 6.2%, respectively.

Portfolio Review

Overall security selection was negative and accounted for the Fund's relative underperformance. Excess returns were generated in two of six regions and three of the eleven economic sectors. From a style perspective, the Fund's limited exposure to deep value and lower quality stocks was a detractor. Companies which have faced the greatest struggles during the pandemic materially outperformed, while beneficiaries of the pandemic era lagged despite continued strong execution and robust earnings. Security selection was weakest in the Consumer Staples sector and was most adversely impacted by a position in Toyo Suisan Kaisha. The Japanese packaged food company

fell 7.7% after reporting in-line results and forecasting a slight profit decline for the second half of its fiscal year. Performance also lagged in Materials, with the largest impact coming from a position in Centamin. The UK-listed gold miner dropped 39.1% after lowering its 2021 production guidance by around 20%. A land shift at its Sukari asset in Egypt and the subsequent decision to invest in opening other sections of the mine for production led to the guidance cut. Alibaba Group Holdings was the top detractor for the quarter. The Chinese leading online commerce company declined 20.8% as the government abruptly halted the IPO of Ant Financial (about one-third owned by Alibaba) and subsequently announced investigations into monopolistic behavior by the e-commerce division. The added scrutiny is thought to be related to comments made by founder and former chairman Jack Ma prior to the IPO that were seen as critical of the established banking systems in China.

Notable outperformance was generated in the Utilities sector, with the largest impact coming from positions in Orsted in Denmark and EDP Renewables in Portugal. The renewable energy companies jumped 48.2% and 68.2%, respectively, on a favorable industry outlook as countries and regions released future energy development plans. Banco Santander (Brasil) was among the top contributors for the quarter, rebounding 75.2% on lower provisioning, stable loan demand, and rising dividend payouts.

Market Outlook

Despite a recent surge in Covid-19 cases in many parts of the world, global markets have shown a willingness to embrace riskier assets as vaccine approvals have boosted sentiment for a 2021 economic recovery. Reopenings of the hardest hit industries in the first half of this year should allow for a significant rebound in the latter half of 2021, which will largely depend on timely vaccine distribution. While uncertainty remains high, massive amounts of stimulus have mitigated the impact and continue to bridge the gap to herd immunity. The incoming Biden administration and Democratic-controlled Congress will likely lead to even more stimulus and potentially a large infrastructure bill. While global trade frictions may persist in the near term, there is optimism U.S. trade policy will become more consistent and cohesive. We continue to balance the view that a return to normal is on the horizon against the current challenges to control the virus. Markets have sharply rotated in favor of cyclical value stocks on the expectation that economic conditions will normalize. Nevertheless, we expect there will be lasting structural economic effects as the pandemic has accelerated digital trends for both consumers and companies. Opportunities for relative outperformance remain, particularly among the diverse and broad segment of international equities. We continue to be guided by our bottom-up analysis and remain focused on stock selection while adhering to our disciplined country and sector risk exposures.

Top 5 Contributors* (%)	Return	Contribution to Return
Samsung Electronics Co., Ltd.	50.4	0.5
Sony Corporation	30.9	0.5
Taiwan Semiconductor Manufacturing Co., Ltd.	26.7	0.4
Orsted	48.2	0.3
Banco Santander (Brasil) S.A. Units Cons of 1 Sh + 1 Pfd Sh	75.2	0.3

Top 5 Detractors* (%)	Return	Contribution to Return
Alibaba Group Holding Ltd. Sponsored ADR	-20.8	-0.7
Centamin plc	-39.1	-0.2
SAP SE	-15.7	-0.1
Barrick Gold Corporation	-18.5	-0.1
Euronext NV	-14.4	-0.1

Source: FactSet.

Top 10 Holdings	Country	Sector
Alibaba Group Holding Ltd. Sponsored ADR	China	Consumer Discretionary
Tencent Holdings Ltd.	China	Communication Services
Sony Corporation	Japan	Consumer Discretionary
Taiwan Semiconductor Manufacturing Co., Ltd.	Taiwan	Information Technology
Samsung Electronics Co., Ltd.	Korea	Information Technology
Nestle S.A.	Switzerland	Consumer Staples
Rio Tinto Limited	Australia	Materials
Novartis AG	Switzerland	Health Care
Itochu Corporation	Japan	Industrials
Anglo American plc	United Kingdom	Materials
Total % of Portfolio		14.45%

ANNUALIZED RETURNS EXPENSE RATIO

Investment Performance (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception 08.16.07		
							Gross	Net	
Class A, without load	13.59	5.54	5.54	2.58	7.05	5.16	1.48	1.84%	0.95%
Class A, with max. sales load (5.75%)	7.00	-0.56	-0.56	0.58	5.80	4.54	1.03	1.84%	0.95%
Class I	13.69	5.97	5.97	2.96	7.48	5.64	1.95	1.54%	0.60%
Class Y	13.69	5.93	5.93	2.88	7.32	5.43	1.73	1.32%	0.70%
MSCI ACWI ex USA Index (net dividends)	17.01	10.65	10.65	4.88	8.93	4.92	N/A		

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 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, please visit www.vcm.com.

Net expense ratios reflect the waiver, reimbursement or recoupment, as applicable, contractually agreed to through October 31, 2021.

Returns include reinvestment of dividends and capital gains. Fee waivers and/or expense reimbursements were in place for all or some of the periods shown, without which, performance would have been lower.

All investing involves risk, including potential loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments concentrated in a single country, a small number of countries or a specific region typically exhibit higher volatility. Investments in small- and mid-cap companies typically exhibit higher volatility. The value of your investment is also subject to geopolitical risks such as wars, terrorism, environmental disasters, and public health crises; the risk of technology malfunctions or disruptions; and the responses to such events by governments and/or individual companies.

The MSCI All-Country World ex-USA Index (ACWI ex-USA) is a free float-adjusted, market-capitalization-weighted index designed to measure the performance of large- and mid-cap stocks across developed markets, excluding the United States, and emerging markets.

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

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

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.

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