



A VICTORY CAPITAL® INVESTMENT FRANCHISE

VICTORY SYCAMORE ESTABLISHED VALUE FUND QUARTERLY COMMENTARY

As of March 31, 2024

EXECUTIVE SUMMARY

Sycamore Capital's Mid 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 Established Value Fund (A Shares without sales charge) outperformed the Russell Midcap® Value Index during the first quarter of 2024.
- For the quarter, sector allocation and stock selection were both positive, with sector weighting having a greater impact on relative outperformance. Sector weighting is a by-product of the bottom-up stock selection process and not a result of top-down tactical decisions.



**LSE Lipper
Fund Awards**
2024 Winner
United States

A SHIFT IN NARRATIVE FAILS TO DERAILED U.S. EQUITIES

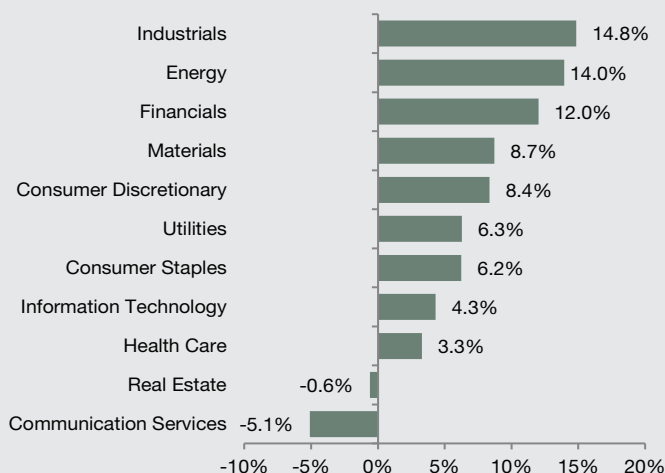
The impressive rally that ended a perplexing 2023 for investors continued into the first quarter of 2024. The S&P 500® Index advanced 10.56%, its best start to the year since 2019 and its second consecutive quarter of double-digit gains. The broad-market index has now advanced in five out of the last six quarters. March also marked the fifth consecutive monthly gain for the index. The tech-centric NASDAQ Composite® also continued its march higher, posting solid gains of 9.31% for the quarter. Market strength broadened beyond mega-cap tech and large-cap equities with positive returns down the market cap spectrum as well. The Russell Midcap® Index and the Russell 2000® Index returned 8.60% and 5.18%, respectively, for the first three months of the year.

The solid equity market gains were achieved despite a shift in the interest rate narrative, which has seen the median rate cut expectations slide from six (in December) to three for the year. The reset in easing expectations was chalked up to an economy that is still growing above "potential," a resilient labor market, and a consumer that is still willing to spend despite the highest interest rates in decades. During the quarter, 4Q23 GDP was revised higher to 3.4%—well above the 2% consensus. The labor market also surprised to the upside with the change in total nonfarm payroll numbers in January and February coming in at 229K and 275K, respectively—firmly above expectations. Another sign that the economy remains stable was the release of the Institute for Supply Management's (ISM) Manufacturing PMI (purchasing managers' index), which registered 50.3% for March (up from 47.8% in February). That marked the first time the index had risen above 50 (signals growth) in 17 months and portrays that the industrial segment of the economy is at a potential inflection point.

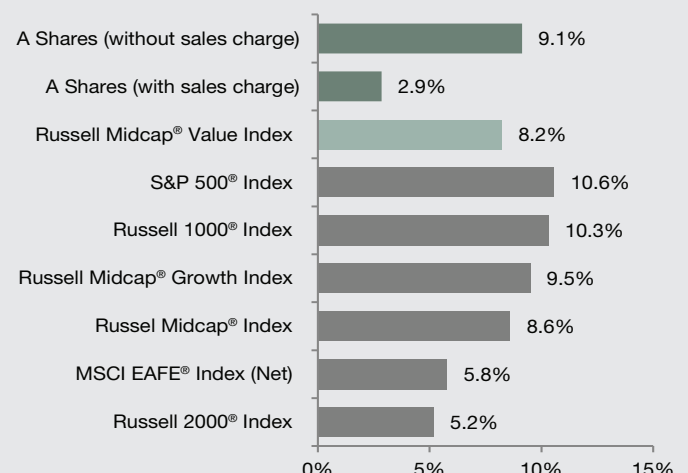
The underlying strength in the overall economy resulted in an upward inflation surprise with hotter-than-expected prints in January and February. In a late-quarter interview at the San Francisco Fed's Macroeconomic and Monetary Policy Conference, Chairman Powell downplayed the reacceleration of "supercore" inflation (core services prices excluding housing costs) so far this year. He remarked: "The February number was high, higher than expectations, but we have it currently well below 30 basis points core PCE, which is not terribly high. So, it's not like the January number." He further commented: "I take the two of them together, and I think they haven't really changed the overall story, which is that of inflation moving down gradually, on a sometimes bumpy road, toward two percent."

By effectively dismissing the "hot" core inflation prints as merely "noise" and sticking to the three-cut trajectory for the year, Mr. Powell messaged to the market that he (and other Fed officials) is confident that inflation is anchored and is progressing toward the desired 2% target. Market participants will have to eagerly wait for future data to determine whether to take the recent upward surprise in inflation at face value or interpret it as statistical noise. Regardless, if the Fed is "truly" data dependent, a key test moving forward is whether the bank is willing to reset the base case lower (which currently calls for three cuts) should the path toward the intended inflation target be delayed further—or, as Mr. Powell put it, he encounters more "bumps" in the road. With that said, upsetting the consensus in what is likely to be a contentious election cycle in the U.S. is a tall task. Hence, we suspect the base case likely prevails and the commencement of an easing cycle sometime this summer remains on the table. This presumably bodes well for risk assets.

Russell Midcap® Value Index Sector Returns – 1Q 2024



Fund and Market Performance – 1Q 2024



Past performance does not guarantee future results. See the final page for standardized performance. Source: Zephyr & FactSet.

Performance Attribution Relative to the Russell Midcap® Value Index – 1Q 2024

Positive Contributors	Negative Contributors
Stock Selection in Information Technology	Stock Selection in Industrials; <i>partially offset by overweight</i>
Stock Selection in Consumer Staples	Stock Selection in Utilities
Stock Selection & Underweight in Real Estate	Stock Selection in Materials
No Exposure in Communication Services	Cash Position
Stock Selection in Consumer Discretionary	
Stock Selection in Health Care	
Stock Selection in Financials	

Source: FactSet.

PERFORMANCE BY SIZE AND STYLE

Large-cap equities outpaced both mid- and small-cap equities during the first quarter of 2024. Large-cap stocks, as measured by the S&P 500® Index and the Russell 1000® Index, posted returns of 10.56% and 10.30%, respectively. Mid-cap equities, as measured by the Russell Midcap® Index, returned 8.60% during the quarter, while small-cap equities, as measured by the Russell 2000® Index, returned 5.18%. Broken down by style, growth outpaced value within each of the three major size segments. Specifically, for mid-caps, the Russell Midcap® Growth Index returned 9.50%, outpacing its value counterpart, which returned 8.23%.

PORTFOLIO ATTRIBUTION – FIRST QUARTER

The Victory Sycamore Established Value Fund (A Shares without sales charge) outperformed the Russell Midcap® Value Index (the “Index”) in the first quarter of 2024.

During the quarter, sector allocation and stock selection were both positive, with sector weighting having a greater impact on relative outperformance. Index returns were positive across nine of the 11 major economic sectors, with only five sectors outpacing the broader Russell Midcap® Value Index. Industrials was the top-performing sector, returning 14.85%. By contrast, Communication Services was the worst-performing sector for the quarter, posting a return of -5.09%.

Specifically, for the portfolio, a lack of exposure in Communication Services (the worst-performing sector) and an underweight in Real Estate contributed to relative performance for the quarter. Stock selection in Information Technology, Consumer Staples, Consumer Discretionary, Health Care, Real Estate and Financials also contributed to relative return. Conversely, stock selection in Industrials was the largest detractor for the period; however, an overweight in the top-performing sector partially offset the unfavorable impact of selection. Stock selection in Utilities and Materials also detracted from relative return for the quarter. Additionally, the portfolio’s cash position was a drag on performance.

TOP CONTRIBUTORS – FIRST QUARTER

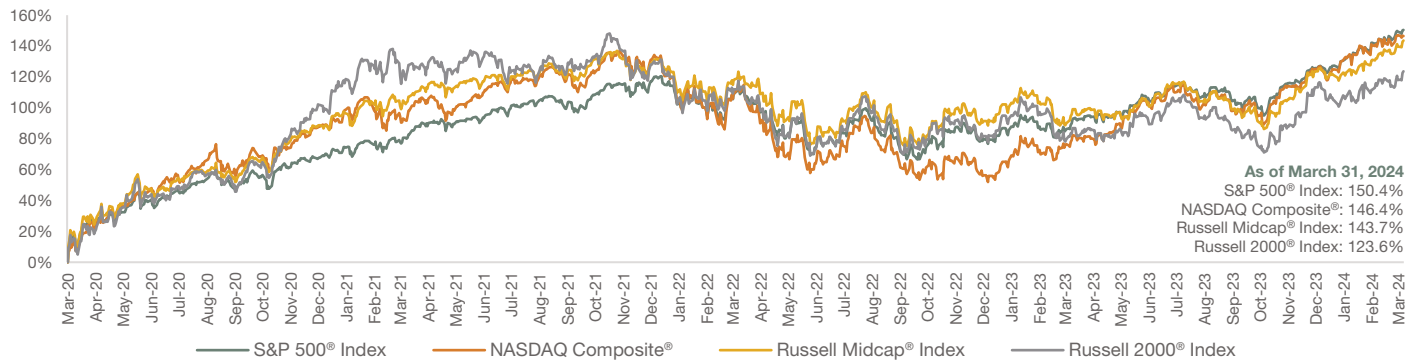
Dick’s Sporting Goods, Inc. (DKS), the largest sporting goods retailer in the U.S., was a top contributor for a second consecutive quarter. DKS reported 4Q23 earnings results that topped estimates. The beat was driven by better top-line growth and margin expansion. The retailer continues to gain market share through its House of Sport concept given its scale and the ability to deliver a premium shopping experience. Despite the relative move, we maintain a position in DKS. Insurer **Hartford Financial Services Group, Inc. (HIG)** was also a top contributor. Shares reacted favorably to a solid 4Q23 earnings report from the company. The company posted some of the best Commercial Lines and Group results in the company’s history. This was a differentiator among Commercial Line peers. Overall, business trends are on a positive trajectory and the insurer is well-positioned for further growth in 2024. HIG is over-indexed to small and mid-sized customers (a coveted segment of the insurance market), creating a niche for the company. Despite the share price performance, our thesis for HIG remains intact. Shares of **MKS Instruments, Inc. (MKS)**, a global provider of instruments and process control solutions that measure, monitor and analyze advanced manufacturing processes to help improve performance in the semiconductor industry, reacted favorably to a better-than-expected

4Q23 earnings report. The company was able to overcome a soft demand environment and exceed margin expectations through disciplined cost management and production efficiency. Given the critical role that MKSI plays in advanced manufacturing processes, the company remains well-positioned for a cyclical recovery in semiconductor and PCB segment demand. Our thesis for MKSI currently remains unchanged. **Western Digital Corp. (WDC)**, a leading data storage solutions provider, was a top contributor for a third consecutive quarter. The company reported quarterly earnings that were slightly ahead of expectations. Signs that fundamentals are inflecting have helped propel shares higher. HDD and Flash revenue are expected to improve next year as demand for storage normalizes and the Flash segment sees higher content per unit. In February, media outlets reported that WDC and Kioxia have reopened discussions with SK Hynix regarding the possibility of a Flash spin/merger. The merger would consolidate the NAND Flash industry and is viewed as an incremental positive for WDC. We’ve de-risked our position in the company due to relative strength over the past several months. **Leidos Holdings, Inc. (LDOS)**, a provider of IT services to the government, health care and engineering end markets, rounded out the list of top contributors for the quarter. The company delivered 4Q23 results that were ahead of consensus expectations, driven by broad-based strength across all reporting segments but especially in Health. Shares were rewarded as execution under the new CEO is improving after a rough patch under the prior leadership. We continue to view the risk/reward as favorable for LDOS.

TOP DETRACTORS – FIRST QUARTER

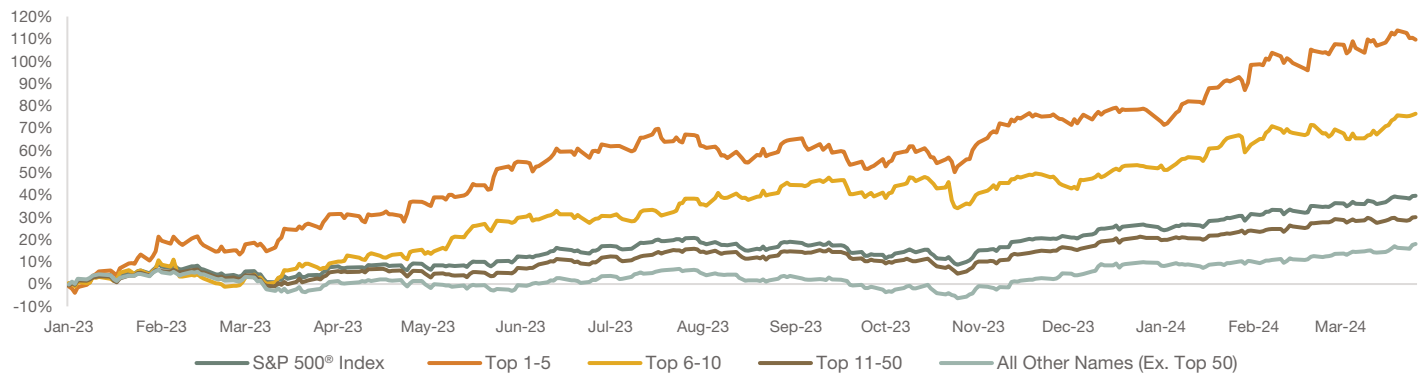
Crown Holdings, Inc. (CCK), a leading supplier of canning and packaging material to various industries, was the top detractor for the quarter. Shares reacted negatively to a subpar earnings report and a guidance cut for FY2024. Management called out weakness primarily in its non-core business, with particular headwinds in Europe and Asia. As a result of several guidance reductions over the past several quarters, management has likely lost some credibility with investors, which is also weighing on shares. Furthermore, activist investor Carl Icahn divested ownership in the company, which also likely created some noise around the quarter. Overall, it was a disappointing quarter for CCK. As we do with all existing holdings, we are reevaluating our thesis for CCK. **Xcel Energy, Inc. (XEL)**, a regulated utility serving customers in eight states across the Midwest, was impacted by the outbreak of wildfires in West Texas. Shares immediately sold off as news of the wildfire emerged. We believe that the market overreacted to the news given the company’s insurance coverage and the fact that Texas is a “negligence” state, which means that a utility has to be found negligent in its operations before it is found liable. Nevertheless, investor sentiment on Utilities with possible wildfire exposure has soured in recent years. We continue to hold our position in XEL despite the first quarter sell-off. **Aptiv PLC (APT)**, a pure-play auto supplier that designs and manufactures electric and electronic components as well as active safety technology solutions for the global automobile industry, reported results that were below expectations. Similar to peers, APTV shares have been negatively impacted by the widely disseminated news that EV adoption has not been as robust as anticipated. We believe that this is currently priced into the stock. Looking beyond these short-term headwinds, the company remains well-positioned to capitalize on the growth in EV/autonomous and advanced safety trends. Furthermore, an improvement in the supply chain and fewer disruptions stemming from the UAW strikes should also benefit

Illustration 1: U.S. Equities Mark 4 Years Since COVID-19 Bottom on Upswing



Source: Morningstar Direct. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance figures represent cumulative total return since the COVID-19 bottom on March 23, 2020.

Illustration 2: Gains for the S&P 500® Index Mainly Driven by Top 10 Largest Market Cap Stocks



Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance figures represent cumulative total return since December 31, 2022.

the company. Our long-term thesis for APTV remains unchanged. **Equity LifeStyle Properties, Inc. (ELS)**, the largest operator of manufactured homes, RV grounds and marinas in the U.S., was another top detractor. We believe shares were weak for non-fundamental reasons. ELS has a highly stable business model with consistent net operating income (NOI) growth over many years. The one area of weakness during the quarter was deceleration in growth in the transient RV segment. The growth of this segment during COVID was likely not sustainable and trends are normalizing, which was expected. Therefore, the weakness is surprising given that was well telegraphed by management. We also suspect that ELS’s relative outperformance over peer Sun Communities (SUI) over the past couple of years resulted in some profit-taking and a rotation into that stock. Recent underperformance has made the risk/reward more favorable; therefore, we maintain a position in this high-quality company. Shares of medical laboratory operator **Quest Diagnostics, Inc. (DGX)** remained in the penalty box despite a solid 4Q23 earnings report. Share price weakness is reflecting investor skepticism around margin expansion after the company cut margin guidance late last year. Consequently, management embedded a degree of conservatism into their FY24 guide which leaves room for an upside surprise for shares. The company’s base business (routine blood work) has rebounded, and management expects the segment to grow at a mid-single-digit pace during the year—making FY24 guidance achievable. Our thesis for DGX remains intact at this time.

CONCLUDING REMARKS

Balancing Optimism With Caution

The market gains continued to defy expectations as U.S. equities posted solid gains to start the year. Aside from the sell-off in 2022 at the onset of the Fed’s hiking cycle, the market has rallied meaningfully since the COVID-induced bottom with all major size segments gaining well over 100% cumulative return (Illustration 1). Naturally, there is a level of skepticism on whether the rally is sustainable. Understandably, some froth may need to be removed from the market; however, there are certain dynamics in the current backdrop that remain supportive of further gains. With that said, there are also some underlying risks that warrant monitoring.

Broadening Market Is a Welcome Sign

The market concentration that has unfolded over the past 15 months is widely understood by now. Mega-cap technology stocks—especially those tied to AI and language learning models (LLM)—continued their ascent during the first quarter (Illustration 2). However, there was a breakdown in the momentum within the Magnificent 7 (“MAG-7”) group which saw a few of the key constituents (AAPL, GOOG, GOOGL, and TSLA) underperform the broader S&P 500® Index (Illustration 3). Undeniably, the mega-cap technology stocks remain key contributors to the S&P 500® Index’s overall return; however, the momentum unwind is a welcome sign.

Further evidence of the market broadening is observed in Illustrations 4 and 5. While below the long-term average of roughly 48%, 40% of the constituents outperformed the broader index during the first quarter. That’s a jump from approximately 30% for 2023—a figure last observed during the Tech Bubble in the late 1990s. Additionally, the percent of S&P 500® Index companies that are trading above their 200-day moving average hit roughly 83% at quarter end—another sign that market strength is broadening.

Opportunities Down the Market Cap Spectrum

Our readers may be aware that we’ve written about the valuation discrepancy that exists between mega-cap/large-cap stocks and those down the market cap spectrum on several occasions. As bottom-up fundamental investors focusing on mid- and small-cap equities, we are not tasked with asset allocation decisions (we’ll defer to more qualified clients); however, we continue to believe that there remains an opportunity for investors with a long-term time horizon down market cap.

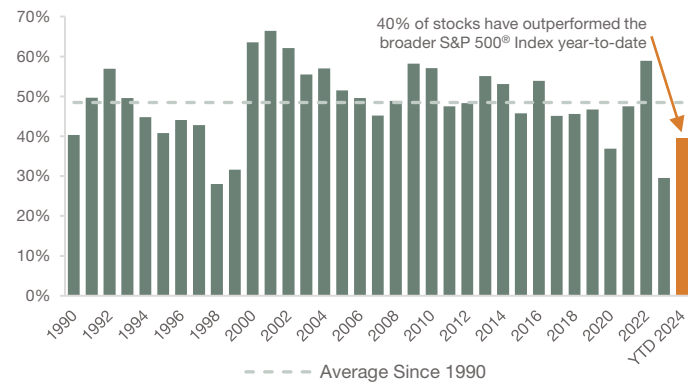
As observed in Illustrations 6 and 7, both mid-cap and small-cap equities trade at a relative discount to their mega-cap and large-cap brethren on several valuation metrics.

Illustration 3: A Momentum Unwind Within the Magnificent 7 (\$ Billions)

	AAPL	AMZN	GOOG	GOOGL	META	NVDA	MSFT	TSLA	MAG-7	S&P 500® Index	Russell 2000® Index
Market Cap as of December 31, 2022	\$1,943	\$746	\$470	\$527	\$271	\$364	\$1,788	\$331	\$6,438	\$32,133	\$2,266
Market Cap as of December 31, 2023	\$2,815	\$1,382	\$702	\$827	\$786	\$1,223	\$2,795	\$687	\$11,216	\$40,039	\$2,508
Market Cap as of March 31, 2024	\$2,489	\$1,649	\$751	\$889	\$1,068	\$2,232	\$3,126	\$487	\$12,692	\$44,078	\$2,641
% Change in 2023	45%	85%	49%	57%	190%	236%	56%	108%	74%	25%	11%
% Change Year-to-Date (2024)	-12%	19%	7%	8%	36%	82%	12%	-29%	13%	10%	5%
% of Total S&P 500® Index Market Cap	5.6%	3.7%	1.7%	2.0%	2.4%	5.1%	7.1%	1.1%	28.8%	100.0%	6.0%

Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 4: Percent of S&P 500® Index Constituents Outperforming the Broader Index



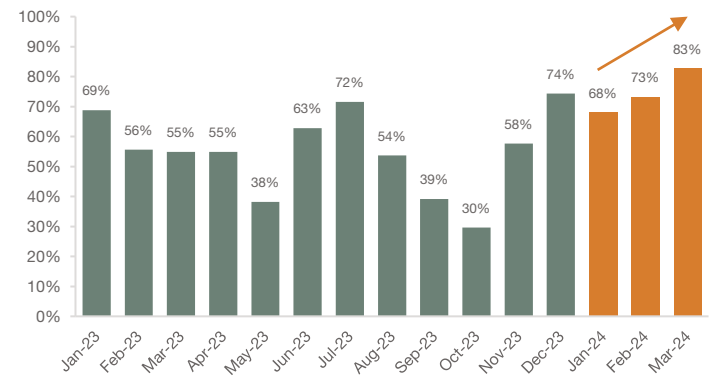
Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 6: Russell Midcap® Index Valuations Since 1990

	Current Multiple	Long-Term Average Multiple	Diff. From Long-Term Average	Valuation Discount to Large-Cap	Valuation Discount to Mega-Cap
P/E - TTM	20.8x	18.3x	14%	0.8x	0.8x
P/E - NTM	18.3x	16.7x	10%	0.9x	0.8x
EV/EBITDA	13.3x	10.2x	31%	0.8x	0.8x
P/S	1.8x	1.3x	44%	0.6x	0.6x
P/B	3.1x	2.4x	28%	0.7x	0.6x

Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. The S&P 500® Index and the Russell Top 200® Index are used to represent large- and mega-cap valuations, respectively.

Illustration 5: Percent of S&P 500® Index Constituents Trading Above 200-Day Moving Average



Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 7: Russell 2000® Index Valuations Since 1990

	Current Multiple	Long-Term Average Multiple	Diff. From Long-Term Average	Valuation Discount to Large-Cap	Valuation Discount to Mega-Cap
P/E - TTM	16.1x	17.2x	-6%	0.6x	0.6x
P/E - NTM	15.4x	15.7x	-2%	0.7x	0.7x
EV/EBITDA	10.2x	9.7x	6%	0.6x	0.6x
P/S	1.4x	1.1x	29%	0.5x	0.4x
P/B	2.1x	2.0x	6%	0.5x	0.4x

Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. The S&P 500® Index and the Russell Top 200® Index are used to represent large- and mega-cap valuations, respectively.

Illustration 8: Cumulative Sector Performance Breakdown by Major Size Segment Since January 1, 2023

	S&P 500® Index			Russell Midcap® Index			Russell 2000® Index		
	Average Weight	Total Return	% Contrib. to Overall Index Return	Average Weight	Total Return	% Contrib. to Overall Index Return	Average Weight	Total Return	% Contrib. to Overall Index Return
Communication Services	8.5	80.5	15%	3.6	20.0	3%	2.5	3.1	0%
Consumer Discretionary	10.4	50.4	13%	11.0	38.7	15%	11.0	34.8	16%
Consumer Staples	6.7	8.1	1%	3.8	6.8	1%	3.6	24.8	4%
Energy	4.4	12.2	1%	4.9	18.5	3%	7.0	25.0	6%
Financials	13.1	29.0	9%	14.7	27.7	15%	16.4	9.7	7%
Health Care	13.5	11.1	3%	10.8	8.2	3%	15.9	13.1	10%
Industrials	8.6	30.6	6%	18.5	47.4	30%	17.0	38.0	27%
Information Technology	27.3	81.3	50%	13.7	43.3	21%	13.0	44.6	24%
Materials	2.5	22.6	1%	5.9	19.1	4%	4.5	19.1	4%
Real Estate	2.5	12.0	1%	7.7	11.7	4%	6.2	12.4	4%
Utilities	2.6	-2.8	0%	5.5	4.2	1%	3.0	-10.3	-1%
Total	100.0	39.6	100%	100.0	27.3	100%	100.0	23.0	100%

Source: FactSet. As of March 31, 2024. Performance figures shown represent cumulative performance since January 1, 2023. Data compiled and analyzed by Sycamore Capital.

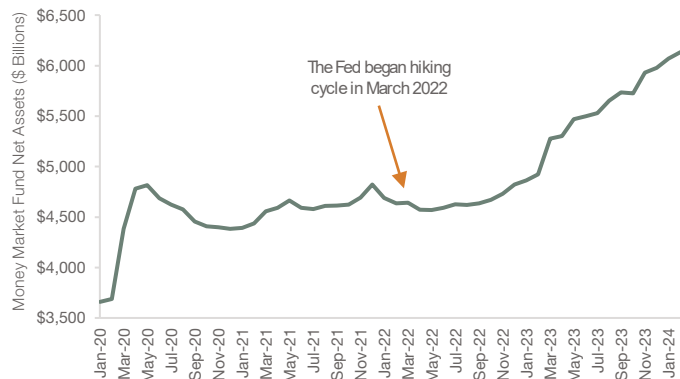
Should the market breadth continue to broaden, equities down the market cap spectrum could benefit. Furthermore, the potential easing of financial conditions should bode well for traditionally more interest sensitive, smaller companies. As shown in Illustration 8, about 50% of the S&P 500® Index's return since January 1, 2023, has been driven by Information Technology. The S&P 500® Index has a meaningful overweight to Information Technology relative to the mid-cap and small-cap benchmarks. By contrast, both the mid-cap and small-cap benchmarks are overweight traditionally more cyclical sectors. Therefore, there is a potential catch-up opportunity as capital rotates out of stocks with lofty multiples into areas with more compelling valuations.

Another potential tailwind for mid-cap and small-cap equities is fund flows. We suspect that some of the trillions of dollars resting in high-yielding money market funds may find their way into the equity market when the Fed cuts rates. Illustration 9 depicts the ballooning of deposits into higher-yielding money market instruments since the pandemic. Obviously, this is not a foregone conclusion; however, a 5%+ yield in a riskless instrument is a no-brainer for many investors (Illustration 10). The pendulum could swing when money market rates become less compelling. As observed in the table in Illustration 3, the total market capitalization of the small-cap Russell 2000® Index is approximately 6% of the S&P 500® Index's total market cap. Hence, it would not take much to move the needle down the market cap spectrum.

U.S. Economy Is Diverging From the Rest of the World

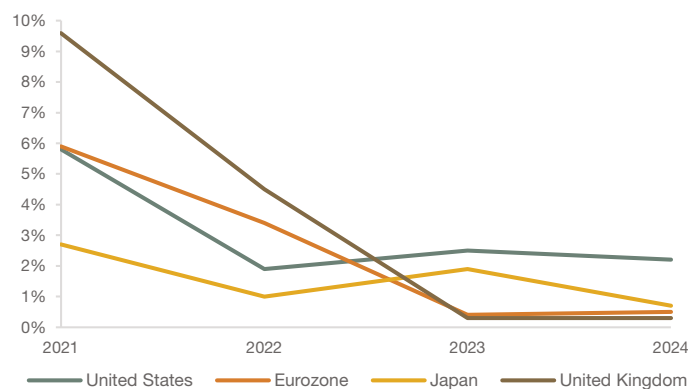
The divergence of the U.S. economy from other developed world economies could be another tailwind for U.S. equities. As observed in Illustration 11, the U.S. economy is projected to grow by approximately 2.2%, while other developed countries have slipped into a technical recession. Therefore, U.S. equities are in a position to attract capital as economic growth diverges from the rest of the world.

Illustration 9: Money Market Fund Deposits Ballooned During the Pandemic



Source: Morningstar Direct. As of February 29, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 11: Real GDP Growth Projections for 2024



Source: Bloomberg Economic Forecasts. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Real GDP growth figures for 2024 are estimates.

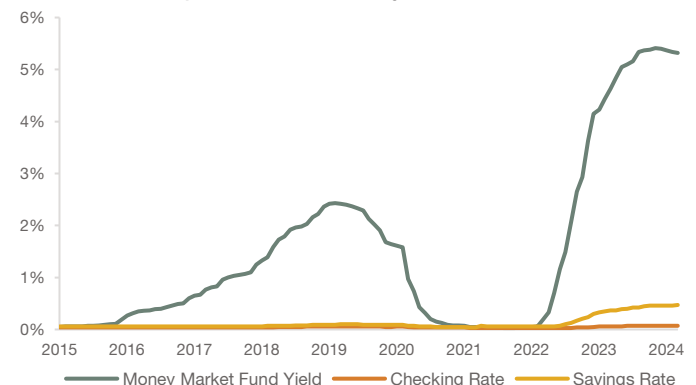
History Points to Possible Further Gains

Not considering the first quarter of this year, the S&P 500® Index has returned 10% or more (price return) during the first quarter on 14 other occasions since 1929 (Illustration 12). In those instances, returns for the remainder of the year were negative only twice. The S&P 500® Index ended the year down (when returning 10% or more during the first quarter) only once, in 1930. Therefore, the odds are favorable for further gains this year.

As highlighted above, conditions still exist that could extend the market rally. However, it behooves investors to acknowledge some of the risks that could ultimately impact the economy and financial markets. The resiliency of the U.S. economy (which has confounded skeptics) has been fueled by robust consumer spending. Something for investors to consider is whether the resilient consumer backdrop is sustainable given the interest rate backdrop.

As observed in Illustration 13, saving rates swelled during the pandemic. However, they have been on a downward trajectory and the savings rate is now below the long-term average. Signs of cracks are emerging in the consumer backdrop, as evidenced by an uptick of household debt (Illustration 14) and delinquency rates (Illustration 15), especially for credit cards. Higher rates and stubborn inflation are beginning to bite. Consumers (especially low- to middle-income) are burning through their savings and relying more on credit for spending. An argument that we've heard on several occasions is that consumer spending habits have evolved since the pandemic, especially with a shift in employment arrangements. Historically, employees spent roughly two days at home (Saturday and Sunday). Now, many employees across the country are spending three to four days at home due to hybrid schedules. This has arguably resulted in a change in consumption habits. We are mindful

Illustration 10: Deposit Rates vs. Money Market Fund Yields



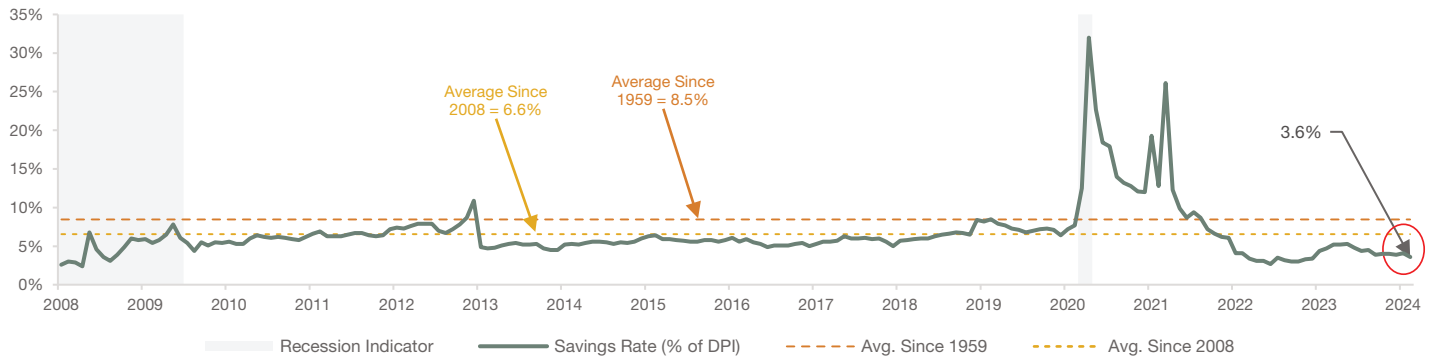
Source: Bloomberg and Federal Reserve Economic Data (FRED). As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Money market yield data includes all U.S. money market funds with an S&P Global Rating of AAA or AA.

Illustration 12: S&P 500® Index Returns When First Quarter Performance Exceeds 10% (Price Return)

Year	First Quarter	Second Quarter to Year-End	Full Year
1930	17.2%	-39.0%	-28.5%
1936	11.1%	15.1%	27.9%
1943	18.5%	0.8%	19.4%
1961	12.0%	10.0%	23.1%
1967	12.3%	7.0%	20.1%
1975	21.6%	8.2%	31.5%
1976	13.9%	4.6%	19.1%
1986	13.1%	1.4%	14.6%
1987	20.5%	-15.3%	2.0%
1991	13.6%	11.2%	26.3%
1998	13.5%	11.6%	26.7%
2012	12.0%	1.3%	13.4%
2013	10.0%	17.8%	29.6%
2019	13.1%	14.0%	28.9%
2024	10.2%	???	???

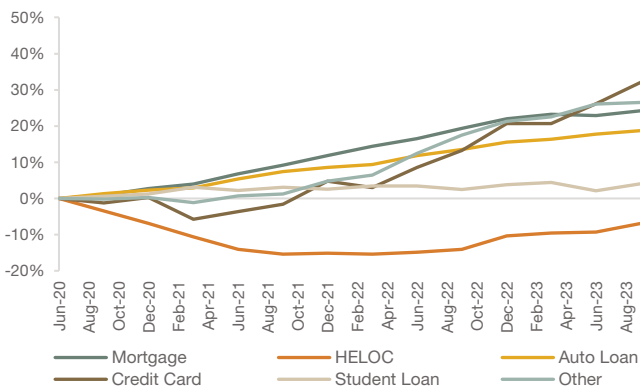
Source: Morningstar Direct. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Index level: price return.

Illustration 13: Personal Savings Rate Is Below the Long-Term Average



Source: Federal Reserve Economic Data (FRED) & NBER. As of February 29, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 14: Household Debt Load Continues to Grow



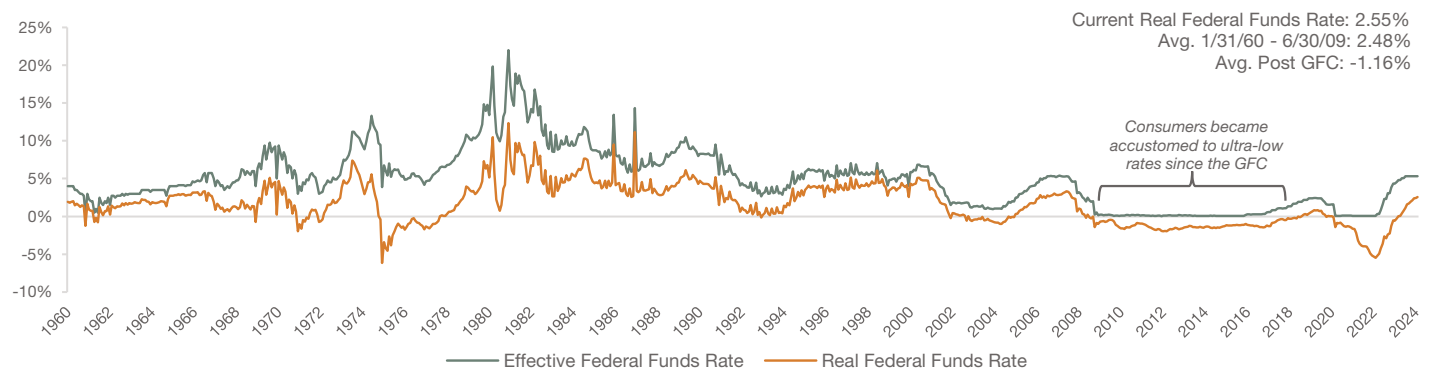
Source: Federal Reserve Bank of New York. As of December 31, 2023. Data compiled and analyzed by Sycamore Capital.

of this transformation; however, it is reasonable to be skeptical of the sustainability surrounding the “strong” consumer backdrop unless there is further progress on inflation and relief on the rate front.

A second risk that is worth pointing out involves the Fed. The predominant consensus now is that the Fed will deliver three cuts this year. What few (at least to our knowledge) are asking is whether the Fed “really” needs to cut, especially if progress on inflation stalls and the so-called “last mile” turns out to be less fleeting than anticipated. Inflation has already surprised to the upside this year. Understandably, the January print was interpreted as a statistical aberration. The February print demonstrated better progress.

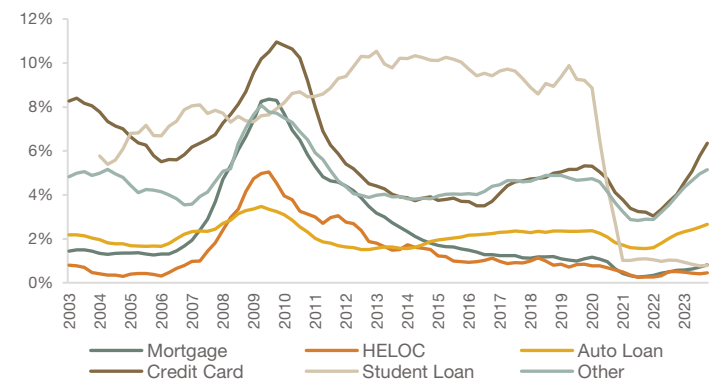
Nevertheless, the Fed generally cuts rates when economic activity is softening. Currently, that is not the case; the economy is growing above potential, and the labor market remains resilient. One of the prevailing

Illustration 16: Effective vs. Real Federal Funds Rate Through Time



Source: Federal Reserve Economic Data (FRED). As of February 29, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 15: A Notable Increase in Delinquencies in Recent Years



Source: Federal Reserve Bank of New York. As of December 31, 2023. Data compiled and analyzed by Sycamore Capital.

issues with rate expectations is that consumers became accustomed to ultra-low rates during the post Great Financial Crisis (GFC) period. However, as Illustration 16 shows, the real federal funds rate (nominal rates adjusted for inflation) averaged roughly 2.5% over the long term prior to the GFC. Currently, the real rate is approximately at that level. Therefore, the question is whether the economy can tolerate higher rates that are more in line with historical ranges. So far, the economy has demonstrated that it may in fact be able to handle higher rates.

It behooves investors to ponder the possibility that three rate cuts in 2024 is not a done deal if inflation surprises to the upside again. It would also be prudent to anticipate a rate environment that looks different than it did during the post-GFC era. That being said, by keeping rates higher, the Fed also opens up the door for the possibility of a policy error by remaining in restrictive territory for too long. While the current economic backdrop may support a high-for-longer stance, we suspect that the

Fed wants to avoid a policy error at all costs especially in an election year. Therefore, it is likely that the Fed delivers the rate cuts that the market so badly wants even if the economic backdrop this year does not necessitate them.

Equity Market Returns Under Different Administrations

Delving into a political discourse today is a slippery slope given the polarization of the country. But we decided to take the plunge anyway to assess what’s in store for investors in an election year. Our findings revealed that equity market returns were mostly positive under both parties dating back to President Reagan. Illustration 17 shows the performance by market cap and style segment from election day to year-end for U.S. presidents since Ronald Reagan. Returns were generally positive, with the two exceptions being the elections of George W. Bush and Barack Obama. President Obama was elected at the onset of the GFC, so it is not surprising that returns across the board were negative from the day he got elected until the end of 2008.

Returns across the board were more pronounced for both Presidents Trump and Biden. The market rallied meaningfully after President Trump was elected (the “Trump rally”) as the market anticipated tax cuts, less regulation and tariffs (which favored small-cap equities) under his leadership. President Biden was elected around the time the COVID-19 vaccine was announced in November 2020. Consequently, there was a euphoric response, which resulted in a sharp rally in risk assets.

Illustration 18 examines the returns over a president’s entire term. Results highlight that equity market returns were favorable, with George W. Bush’s second term as the only exception. During the time, the U.S. was fighting wars on multiple fronts and the economy slipped into recession as the GFC unfolded.

Equity Market Returns Under the Presumed 2024 Presidential Candidates

Equity market returns as measured by the S&P 500® Index under Presidents Trump and Biden (so far) were positive (Illustrations 19 and 20). Returns during their first year in office were both robust, with the market posting solid gains. Returns during their second year diverged, but eventually the market ended the second year of both of their terms in negative territory (Illustration 20). The Fed attempted to normalize rates during President Trump’s second year, which resulted in a sell-off during the fourth quarter of 2018. Consequently, the Fed reversed course in early 2019. During President Biden’s second year, the Fed embarked on its tightening campaign in March of 2022, which also resulted in an equity market sell-off. Returns during the third year in office were similar for both presidents, with the market up sharply. President Trump’s fourth year in office was marked by the onset of the global pandemic. The market bottomed in March 2020 and rallied meaningfully into 2021. President Biden’s fourth year is off to a good start, with history suggesting that the market could end the year on a positive note.

The takeaway for us is that the market generally marches higher (with occasional bumps along the way) over the long term irrespective of the political party that is in power.

Closing Thoughts

In summary, the market will likely continue to confound investors as it has frequently done. What it will do next is anybody’s guess. From our perspective, it would be prudent to balance optimism with caution for the remainder of the year. We believe that the increase in market breadth is a positive trend and could portend the sustainability of the rally. We also believe that the valuation discount down the market cap

Illustration 17: Historical Performance From Election Day Through Year-End

President	Political Party	Election Day	Year-End	S&P 500® Index	Russell 1000® Index	Russell 1000® Growth Index	Russell 1000® Value Index	Russell Midcap® Index	Russell Midcap® Growth Index	Russell Midcap® Value Index	Russell 2000® Index	Russell 2000® Growth Index	Russell 2000® Value Index
Ronald Reagan	R	11/4/1980	12/31/1980	7.3%	5.4%	7.7%	5.6%	5.9%	n/a	n/a	3.0%	5.7%	1.3%
George H. W. Bush	R	11/8/1988	12/31/1988	1.9%	1.9%	0.9%	0.0%	0.0%	1.2%	-0.8%	2.2%	0.8%	0.1%
Bill Clinton	D	11/3/1992	12/31/1992	3.6%	4.6%	4.4%	4.9%	7.9%	8.4%	7.5%	10.8%	12.3%	10.6%
George W. Bush	R	11/7/2000	12/31/2000	-7.6%	-8.6%	-18.6%	1.5%	-3.6%	-21.0%	7.4%	-3.8%	-14.9%	8.0%
Barack Obama	D	11/4/2008	12/31/2008	-6.0%	-5.8%	-5.8%	-5.9%	-6.1%	-6.5%	-5.6%	-6.9%	-7.5%	-6.3%
Donald Trump	R	11/8/2016	12/31/2016	5.4%	5.6%	3.3%	8.0%	6.5%	4.4%	8.2%	14.1%	10.5%	17.6%
Joe Biden	D	11/3/2020	12/31/2020	13.8%	15.1%	14.7%	15.6%	17.1%	18.0%	16.6%	26.2%	26.8%	25.6%

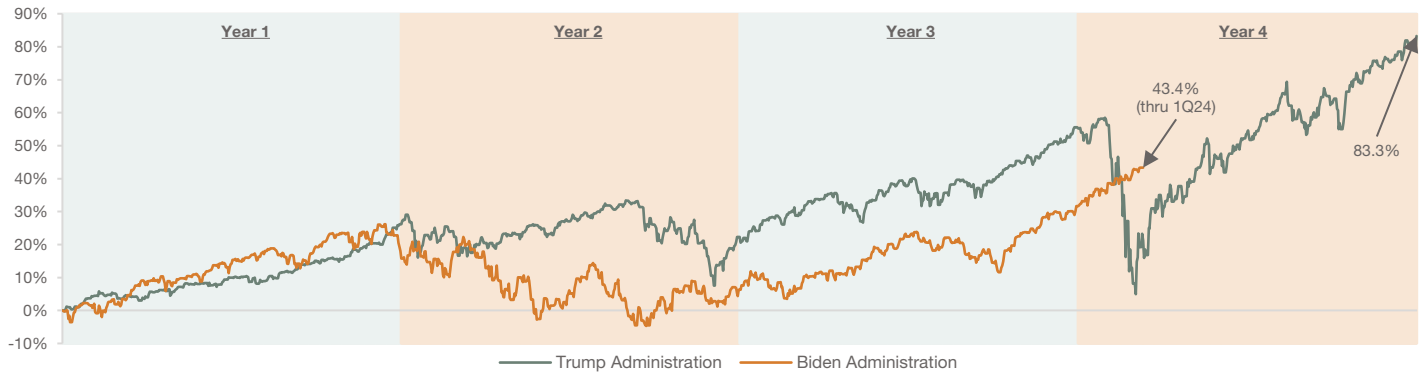
Source: Morningstar Direct & the Federal Election Commission (FEC). As of March 31, 2024. Data compiled and analyzed by Sycamore Capital.

Illustration 18: Historical Performance Under Different Presidential Administrations

President	Political Party	First Day of Term	Last Day of Term	S&P 500® Index	Russell 1000® Index	Russell 1000® Growth Index	Russell 1000® Value Index	Russell Midcap® Index	Russell Midcap® Growth Index	Russell Midcap® Value Index	Russell 2000® Index	Russell 2000® Growth Index	Russell 2000® Value Index
Ronald Reagan	R	1/20/1981	1/20/1985	50.5%	51.9%	22.7%	71.7%	58.5%	n/a	n/a	62.3%	11.0%	109.3%
		1/21/1985	1/19/1989	98.3%	88.5%	79.6%	95.3%	87.4%	n/a	n/a	51.6%	46.2%	69.2%
George H. W. Bush	R	1/20/1989	1/19/1993	73.2%	76.6%	97.5%	68.1%	84.0%	99.4%	72.8%	60.9%	61.7%	60.9%
Bill Clinton	D	1/20/1993	1/19/1997	97.9%	94.0%	90.6%	96.7%	85.9%	78.8%	89.7%	73.7%	64.3%	88.3%
		1/20/1997	1/19/2001	83.1%	82.4%	89.9%	67.5%	70.4%	88.7%	54.6%	39.5%	28.3%	46.4%
George W. Bush	R	1/20/2001	1/19/2005	-5.8%	-4.4%	-27.8%	21.7%	33.1%	-9.5%	62.1%	33.4%	-1.4%	72.9%
		1/20/2005	1/19/2009	-22.2%	-21.5%	-21.0%	-22.6%	-20.1%	-21.9%	-19.7%	-20.6%	-21.7%	-20.1%
Barack Obama	D	1/20/2009	1/20/2013	90.8%	94.4%	102.1%	86.2%	121.0%	124.5%	116.3%	102.4%	114.5%	90.7%
		1/21/2013	1/19/2017	65.8%	65.3%	68.5%	61.8%	63.4%	59.0%	67.1%	59.3%	57.5%	60.5%
Donald Trump	R	1/20/2017	1/19/2021	81.4%	84.7%	136.3%	39.9%	68.7%	120.9%	37.3%	68.7%	109.0%	32.9%
Joe Biden*	D	1/20/2021	3/31/2024	45.4%	40.5%	43.8%	36.1%	24.3%	10.4%	32.2%	3.1%	-11.5%	19.2%

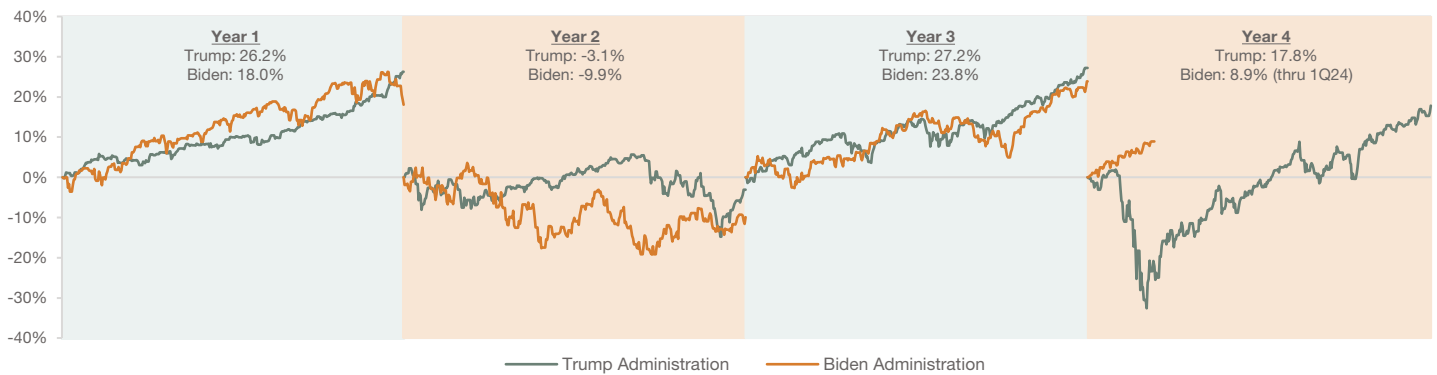
Source: Morningstar Direct & the Federal Election Commission (FEC). As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance figures shown represent cumulative total return for the respective term of each president (inauguration day to the last full day in office). *Returns for current sitting president, Joe Biden, are through the first quarter of 2024.

Illustration 19: Cumulative Performance of the S&P 500® Index Under Trump vs. Biden Administration



Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance figures shown represent cumulative total return from Inauguration Day through the last full day of presidency for President Trump and President Biden, respectively.

Illustration 20: S&P 500® Index Performance Breakdown by Year Under Trump vs. Biden Administration



Source: FactSet. As of March 31, 2024. Data compiled and analyzed by Sycamore Capital. Performance shown represents the 1-year total return from January 20 of each year of presidency for President Trump and President Biden, respectively.

spectrum is compelling, especially for investors with a long-term time horizon. Furthermore, we want to remind our readers that while it may be the topic *du jour*, momentum in the market often decays unexpectedly and violently as observed in the first quarter. That’s why we believe that valuation discipline is critical in a market environment where momentum and “trend following” is pervasive. Finally, we are entering into what is likely going to be a politically charged season for the country. Investors should brace for more political and interest rate volatility the remainder of

the year. Regardless of who will be in office one year from today, investors with a long-term time horizon should find comfort in knowing that the equity market generally ascends with occasional bumps in the road.

With that said, we will end on a befitting quote from Jeremy Siegel, given the season:

“Bull markets and bear markets come and go, and it’s more to do with business cycles than presidents.”

On behalf of the Sycamore Capital team, we thank our clients for their long-term partnership and support. We are grateful for the trust you have placed in our Team to manage your assets.

Top Contributors (%)

Dick's Sporting Goods, Inc.	0.5
Hartford Financial Services Group, Inc.	0.5
MKS Instruments, Inc.	0.5
Western Digital Corp.	0.4
Leidos Holdings, Inc.	0.4

Top Detractors (%)

Crown Holdings, Inc.	-0.3
Xcel Energy, Inc.	-0.2
Aptiv PLC	-0.2
Equity LifeStyle Properties, Inc.	-0.1
Quest Diagnostics, Inc.	-0.1

Source: FactSet.

Top Holdings (%)

NNN REIT, Inc.	2.0
Textron, Inc.	1.9
Willis Towers Watson PLC	1.9
Hartford Financial Services Group, Inc.	1.9
American Financial Group, Inc.	1.9
Target Corp.	1.8
Quest Diagnostics, Inc.	1.8
Alliant Energy Corp.	1.8
Packaging Corp. of America	1.8
MKS Instruments, Inc.	1.8

ANNUALIZED RETURNS

Investment Performance (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception*	Expense Ratio	
								Gross	Net
A Shares (without sales charge)	9.13	9.13	18.03	9.65	13.29	11.26	10.52	0.90	0.90
A Shares (with max. sales charge 5.75%)	2.85	2.85	11.24	7.51	11.96	10.61	10.25	0.90	0.90
Russell Midcap® Value Index	8.23	8.23	20.40	6.80	9.94	8.57	—		

Source: Citi. Returns are calculated and stated in U.S. dollars.

*Since inception start date: May 5, 2000.

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.

Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through October 31, 2024.

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

not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

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.

All investing involves risk, including potential loss of principal.

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.

In addition to the normal risks associated with investing, investments in mid-cap 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 is also subject to liquidity risk, which is the risk that the Adviser may not be able to sell a security at an advantageous time or price, which may adversely affect the Fund. 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 LSEG Lipper Fund Awards, granted annually, highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers.

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. 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.

The LSEG Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible category wins the LSEG Lipper Fund Award.

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

Victory Sycamore Established Value Fund, R6 was selected from among 71 funds and 217 share classes in the Mid-Cap Core fund category over ten years for the period ending November 30, 2023.

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