

Market Environment

International small-cap equities were modestly ahead in the first quarter as upbeat corporate earnings and resilient economic data helped offset hawkish views from major central banks. For the quarter, the S&P[®] Developed Ex-U.S. SmallCap Index advanced 2.1%, while the Victory Trivalent International Small-Cap Fund (Class A, without load) outperformed the benchmark by a solid margin. There was wide dispersion among country returns in the Index. In Europe, Denmark gained 13.4% as fourth quarter GDP accelerated and the country's central bank raised its growth forecast, driven by strength in the pharmaceutical industry. Italy advanced 10.8% as its services sector expanded for a third consecutive month and was supported by a rise in new business. Japan was the strongest market in Asia, up 4.4% as the Bank of Japan signaled an end to its historic negative interest rate policy with inflation moving toward its 2% target. On the other end of the spectrum, Austria was the weakest market, down 14.6% as fourth quarter GDP was lower than expected on slowing household consumption. Singapore fell 7.2% on sluggish economic growth with lower trade and manufacturing activity.

Sector returns were also mixed, with six of eleven sectors finishing in positive territory. Energy gained 8.9% as Brent crude oil prices rose 13.6% on tighter supply and rising tensions in the Middle East. Financials stocks advanced 7.9% and were supported by strength in the banking industry. The more leveraged Utilities and Real Estate sectors were weakest, down 6.8% and 4.0%, respectively, as the prospect of higher-for-longer rates will keep borrowing costs elevated.

Portfolio Review

Positive stock selection was broad-based as excess returns were generated in all five regions and eight of the eleven economic sectors. From a style perspective, the Fund's overall exposure to value, business momentum and quality factors all contributed to relative performance, with business momentum generating the strongest signal. Across sectors, notable outperformance was generated within the Industrials sector and was boosted by two holdings. Korean electric power equipment manufacturer HD Hyundai Electric gained on improving demand related to power grid spending from increased electrification and server spending in both domestic and export markets. Japanese machinery company Ebara rose as year-end results and guidance for 2024 were ahead of expectations on the back of strong demand for LNG plants and an expected recovery in semiconductor-related business. Relative performance was also strong in Information Technology, with the largest impact coming from a sizable position in Celestica. The Canadian electronics manufacturing services company continues to benefit from increasing demand from large hyperscaler clients.

On the downside, security selection lagged in Communication Services and Energy. Within Communication Services, Israeli digital media company Perion Network dropped after issuing 2024 guidance below expectations. Margins are expected to decline this year as the company integrates a recent acquisition and clients invest more in lower-margin search advertising at the expense of higher-margin display. In Energy, Canadian oil & gas company Parex underperformed after a disappointing trading update where 2024 production guidance was lower than expected. Although security selection in Information Technology was positive, Aixtron was the portfolio's top detractor for the quarter. The German semiconductor equipment company fell after reporting fourth quarter results and forecasting lower margins. Coincident with the results, one of its clients canceled a microLED contract, which exacerbated the negative reaction.

Market Outlook

Investors have grown more optimistic that the global economy can achieve a soft landing amid easing inflation, resilient growth, and corporate profits holding up. While recession risks have receded, slowing growth challenges will linger as the lagged impacts of the tightening cycle are still playing out. Hawkish signals from data-dependent policymakers tempered investors' enthusiasm for earlier interest rate cuts, but the European Central Bank is still expected to commence easing during the second half of the year. The prospect of rate cuts has already improved the mergers and acquisitions landscape after a lull in dealmaking activity last year. In the Eurozone, manufacturing activity is picking up and confidence has strengthened to its highest level since the start of the Ukraine war in February 2022. Confidence also continues to grow in Japan with increased foreign investment spurred by governance reforms, robust corporate earnings, and healthy inflation. Japanese unions recently negotiated their largest wage increases in over three decades, which should stimulate consumer spending. On the commodities front, heightened geopolitical risks have pushed oil prices to a six-month high and may reignite inflation concerns. Risk of escalation in the ongoing Ukraine and Israel-Hamas wars as well as increased political polarization ahead of upcoming elections may contribute to bouts of market volatility. From a valuation standpoint, international small-cap equities are still trading at earnings multiples below historical averages and at an attractive discount relative to both U.S. and international large-cap peers. We continue to be guided by our bottom-up analysis and will digest upcoming earnings and outlook statements to evaluate our positioning. We believe opportunities for relative outperformance remain, particularly among the diverse and broad segment of international small-cap equities.

Top 5 Contributors (%)	Return	Contribution to Absolute Return
Celestica Inc.	52.8	0.67
HD Hyundai Electric	108.8	0.39
Fujikura Ltd.	97.5	0.33
Ebara Corporation	54.3	0.31
Rheinmetall AG	77.5	0.26

Top 5 Detractors (%)	Return	Contribution to Absolute Return
AIXTRON SE	-38.0	-0.35
Perion Network Ltd.	-27.2	-0.22
CVS Group plc	-42.6	-0.17
BayCurrent Consulting, Inc.	-38.7	-0.16
HUGO BOSS AG	-20.8	-0.12

Top Ten Holdings	% Fund
Celestica Inc.	1.52
Daido Steel Co., Ltd.	0.85
Sopra Steria Group SA	0.83
Banco BPM SpA	0.79
Arkema SA	0.78
Ebara Corporation	0.77
Bank of Ireland Group Plc	0.74
Buzzi Spa	0.74
Fugro NV	0.74
Swissquote Group Holding Ltd.	0.74
Total	8.50

Investment Performance (%)

Average Annual Returns as of March 31, 2024

Victory Trivalent International Small-Cap Fund	Ticker	Inception Date	Q1 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception	Expense Ratio	
										Gross	Net
A Shares, without sales charge	MISAX	8/17/07	5.90	5.90	13.88	-0.06	6.34	5.30	4.35	1.65	1.35
A Shares, with sales charge (max. 5.75%)	MISAX	8/17/07	-0.20	-0.20	7.33	-2.01	5.09	4.68	3.98	1.65	1.35
I Shares	MISIX	8/17/07	6.00	6.00	14.26	0.32	6.77	5.72	4.79	1.21	0.95
S&P Developed Ex-U.S. SmallCap Index (Net)	-	-	2.05	2.05	8.78	-1.73	4.82	4.24	-	-	-

Source: Victory Capital data analyzed through Zephyr.

Past performance does not guarantee future results. The performance quoted represents past performance and current performance may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, visit www.vcm.com. Returns include reinvestment of dividends and capital gains. Performance for periods greater than one year is annualized. Other share classes are available. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which fund performance would have been lower. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through October 31, 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.

Other share classes are available. Not all share classes are available to all investors.

All investing involves risk, including the potential loss of principal. In addition to the normal risks associated with investing, 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. Investments in smaller 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 opinions are as of the date noted and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes. Fund holdings are subject to change and should not be considered purchase recommendations.

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Contributors and Detractors Source: FactSet. The top contributors and detractors are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments. The percent displayed is contribution to return. Holdings are as of quarter end and may change at any time.

The S&P Developed Ex-U.S. SmallCap Index seeks to measure the stocks representing the lowest 15% of float-adjusted market cap in each developed country, excluding the U.S.

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