

## Market Review

International Equities (as measured by the MSCI EAFE Index) registered solid gains in the first quarter of 2024, increasing 5.78% for the period and extending their strong performance from 2023. The continued advance was fueled by encouraging economic data and the prospect of lower interest rates, as well as ongoing enthusiasm around artificial intelligence. Information Technology, Consumer Discretionary and Financials were the top performing sectors within the MSCI EAFE, while laggards included Utilities, Consumer Staples and Materials. Japan was the top performing region, as corporate reforms, the normalization of interest rates, and depreciation of the yen have attracted investors. International markets outperformed Emerging Markets economies at the group level, with the latter weighed down by weak growth prospects in China and election uncertainty in South Africa. Growth stocks generally outperformed value stocks within the MSCI EAFE for the period, and large-cap stocks outperformed smaller-cap stocks.

## QVS Factor Performance

The RS Global team's proprietary QVS (Quality, Valuation and Sentiment) Model evaluates over 10,000 global companies in search of favorable investment opportunities. It is designed to identify companies that have the potential to consistently create shareholder value, are reasonably valued, and exhibit favorable market sentiment. The model helps us focus our resources, as we conduct additional research only on companies with the strongest model recommendations.

Stocks in the highest-ranked quintile of the model outperformed stocks ranked in the lowest quintile for the period, with all three factors contributing. Overall returns were positive across regions, and underlying Quality, Valuation and Sentiment factor spreads were also mostly positive. Among EAFE regions, the model was stronger in Asia/Pacific ex Japan, Japan and Europe and weaker (but still positive) in the United Kingdom.

## Performance and Positioning

The Victory RS International Fund (the "Fund") returned +6.43% (Class A Shares at net asset value) for the period, outperforming its benchmark, the MSCI EAFE Index (net) (the "Index"), which returned +5.78%.

Positive stock selection in the Industrials, Consumer Discretionary and Consumer Staples sectors contributed to positive active performance for the period. Stock selection was negative in the Materials and Utilities sectors. By region, stock selection was positive in Japan and Europe, and negative in Asia/Pacific ex Japan and the United Kingdom. Country-level contributors included Denmark and Spain, while detractors included

Switzerland, Italy and Hong Kong.

Individual contributors to active performance included aerospace and industrial equipment multinational Mitsubishi Heavy Industries, Ltd., and electrical equipment maker Fuji Electric Co., Ltd., both based in Japan. The Fund also benefitted from its position in Spanish banking and financial services provider Banco Bilbao Vizcaya Argentaria, S.A.

Detractors from relative results included Australian mining and metals company BHP Group Ltd. and German utilities provider RWE AG. The Fund's relative performance was also hampered by underweighting ASML Holding NV, a Dutch maker of semiconductor equipment, which performed well within the benchmark.

## Outlook

While the prospect of lower interest rates provided a tailwind for equities in the first quarter, many are now questioning whether the market has become overvalued, particularly the narrowly led U.S. Indeed, international equities currently trade at a significant price-to-earnings discount relative to the U.S., which argues for embracing thoughtful diversification. Inflation continues to persist in several regions and with varying levels of economic resilience, which may mean that rate cuts are farther away than investors hoped. Interest rates remain high in the meantime, which is likely to dampen earnings in many sectors. Additional risks to the macro outlook include the ongoing wars in Ukraine and Gaza, which could threaten economic stability across borders, as well as a potentially contentious elections cycle.

That said, what is most important for us is to stay the course and be true to our quality-oriented investment process. We remain keenly aware of market volatility and will stay vigilant when constructing our portfolios, remaining sector- and region-neutral, as we believe that strong risk management should stand at the forefront. Making correct macro allocation calls can be immensely challenging; therefore, we do not forecast regional performance. In our view, stock selection can be far more impactful to strategy performance than allocation.

We thank you for your continued support.

Sincerely,

*The Victory RS Global Markets Team*

Top Ten Holdings	% Fund
Novo Nordisk A/S Class B	3.87
Toyota Motor Corp.	2.97
Banco Bilbao Vizcaya Argentaria, S.A.	2.61
LVMH Moët Hennessy Louis Vuitton SE	2.59
Novartis AG	2.50
Nestlé S.A.	2.49
L'Oreal S.A.	2.29
Siemens Aktiengesellschaft	2.26
SAP SE	2.21
Roche Holding Ltd. Dividend Right Cert.	2.13

Region Allocation	% Fund
Europe	47.18
Japan	23.77
United Kingdom	14.46
Asia/Pac x Japan	10.19
Other	2.36
Cash	1.93
[ETF]	0.10

### Investment Performance (%)

Average Annual Returns as of March 31, 2024

Victory RS International Fund (Class A – GUBGX)	Q1 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception (2/16/93)	Expense Ratio	
								Gross	Net
A Shares, without sales charge	6.43	6.43	18.65	5.58	7.11	5.40	6.00	1.41	1.13
A Shares, with sales charge (max. 5.75%)	0.33	0.33	11.81	3.51	5.85	4.78	5.80	1.41	1.13
MSCI EAFE Index (Net)	5.78	5.78	15.32	4.78	7.33	4.80	–	–	–

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](http://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 April 30, 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](http://www.vcm.com/prospectus). Read it carefully before investing.**

**All investing involves risk, including the 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 in smaller companies typically exhibit higher volatility. 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. 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. Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

**The MSCI EAFE Index** measures the performance of large- and mid-cap stocks in the developed markets, excluding the U.S. and Canada. The index covers approximately 85% of the free-float-adjusted market capitalization in each country.

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