



VictoryShares US Discovery Enhanced Volatility Wtd ETF

QUARTERLY COMMENTARY • Q4 // December 31, 2020

VICTORYSHARES US DISCOVERY ENHANCED VOLATILITY WTD ETF ATTRIBUTION COMPARED TO THE RUSSELL 2000® INDEX

Investment Strategy

The VictoryShares US Discovery Enhanced Volatility Wtd ETF (CSF) offers exposure to small-cap U.S. stocks without subjecting investors to the inherent limitations of traditional market-cap weighting. The Fund seeks to provide investment results that track the performance of the Nasdaq Victory U.S. Small Cap 500 Long/Cash Volatility Weighted Index before fees and expenses.

CSF's rules-based approach combines fundamental criteria with volatility weighting in an effort to outperform traditional indexing strategies. The rules-based volatility weighting methodology weights stocks based on volatility, so each stock in the portfolio has an equal contribution to overall risk. In addition, CSF automatically reduces its exposure to the equity markets during periods of significant market declines and reinvests when market prices have further declined or rebounded.

VictoryShares Update

In the fourth quarter of 2020, VictoryShares continued to focus on rules-based solutions that seek to bridge the gap between active and passive management while delivering consistent outcomes for clients. At the end of the quarter VictoryShares had \$5.6 billion in assets under management, including \$48 million in CSF.

Performance Update

CSF was up 26.82% in the quarter, underperforming the Russell 2000® Index (the "Index"), which was up 31.37%.

ANNUALIZED RATE OF RETURN (%)

VictoryShares US Discovery Enhanced Volatility Wtd ETF (CSF)	QTR	YTD	1YR	3YR	5YR	Since Inception Aug 1, 2014	Expense Ratio (%)	
							Gross	Net
Net Asset Value (NAV)	26.82	28.50	28.50	5.17	9.16	7.06		
Closing Market Price	26.43	28.23	28.23	5.04	9.06	7.01	0.50	0.38
Indexes								
Nasdaq Victory U.S. Small Cap 500 Long/Cash Vol Wtd Index	26.98	29.17	29.17	5.65	9.61	–		
Russell 2000® Index	31.37	19.96	19.96	10.25	13.26	–		

Past performance does not guarantee future results. The performance data 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.victoryshares.com. ETF shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Market price returns are based on the price of the last reported trade on the Fund's primary exchange. If you trade your shares

CSF exited in the first quarter, reallocating to cash prior to a significant drawdown. The market later recovered, leading to a reinvestment of cash into equities at the beginning of April, reallocating from a 75% cash allocation to 25%. Even though it was a large contributor to performance during the market drawdown earlier in the year, CSF's cash allocation was the primary detractor in performance relative to the Index during the third quarter. As the market rally continued into the fourth quarter, CSF reallocated back to 100% equities at the beginning of December.

Top Contributors

The top stock contributor to CSF's relative performance was an overweight to MicroStrategy, +158%. Underweights to Sunrun, -10%, and Meritage Homes, -25%, were also contributors.

An overweight to the Financials sector, +35%, was a contributor to relative performance.

Top Detractors

The largest stock detractors to CSF's relative performance were underweights to II-VI Incorporated, +87%; Arrowhead Pharmaceuticals, +78%; and Darling Ingredients, +60%.

An overweight to the Consumer Staples sector, +19%, was a detractor during the quarter.

CSF's cash position was a drag during the quarter, detracting 4.5% from relative performance.

at another time, your return may differ. Returns include reinvestment of dividends and capital gains. Performance for periods greater than one year is annualized. High, double-digit returns are highly unusual and cannot be sustained. Investors should be aware that these returns were primarily achieved during favorable market conditions. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which Fund performance would have been lower. Index performance is shown for illustrative purposes only. Indexes are unmanaged and one cannot invest directly in an index.



SECTOR WEIGHTING (%)

Sector	Russell 2000®	
	CSF	Index
Communication Services	2.7	2.3
Consumer Discretionary	12.0	13.1
Consumer Staples	6.2	3.2
Energy	1.7	2.1
Financials	24.7	15.4
Health Care	9.4	21.1
Industrials	19.6	15.3
Information Technology	12.0	14.1
Materials	6.9	4.2
Real Estate	1.4	6.2
Utilities	3.2	3.0
Cash	0.3	—

FUND TOP 10 HOLDINGS

	Market Cap (\$B)	Weighting (%)
MicroStrategy Incorporated Class A	3.6	0.63
Corcept Therapeutics Incorporated	3.0	0.44
St. Joe Company	2.5	0.41
Hostess Brands, Inc. Class A	1.8	0.39
Columbia Financial, Inc.	1.7	0.38
Omniceil, Inc.	5.1	0.36
HMS Holdings Corp.	3.3	0.35
Waddell & Reed Financial, Inc. Class A	1.6	0.35
Alarm.com Holdings, Inc.	5.1	0.33
WD-40 Company	3.6	0.33

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. The Fund has the same risks as the underlying securities traded on the exchange throughout the day. Redemptions are limited, and commissions are often charged on each trade. ETFs may trade at a premium or discount to their net asset value. The Fund invests in securities included in, or representative of securities included in, the Index, regardless of their investment merits. The performance of the Fund may diverge from that of the Index. The value of the Fund's direct or indirect investments in fixed income securities may be negatively affected by changes in interest rates and/or changes in the actual or perceived ability of an issuer to meet its (or their) obligations. Strategies intended to hedge risk may be partly or wholly unsuccessful. Investments in smaller companies typically exhibit higher volatility. The Fund may frequently change its holdings, resulting in higher fees, lower returns, and more capital gains. The Fund is also subject to liquidity risk, which is the risk that the Adviser may not be able to sell certain securities 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. Fund holdings and sector allocations are subject to change, may differ from the Index, and should not be considered investment advice.

Market capitalization is the total dollar value of all outstanding shares computed as number of shares times current market price.

Market price is the price of the last reported trade on a fund's primary exchange.

Net asset value or NAV is a fund's total assets minus its total liabilities, divided by the number of outstanding shares.

Premium/discount % indicates whether the ETF is currently trading at a higher or lower price than the current value of the securities in that portfolio.

The Nasdaq Victory U.S. Small Cap 500 Long/Cash Volatility Weighted Index is based on the Nasdaq Victory U.S. Small Cap 500 Volatility Weighted Index and reduces its exposure to the equity markets during periods of significant market declines and reinvests when market prices have further declined or rebounded.

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.

Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through October 31, 2021.

The Nasdaq Victory Volatility Weighted Indexes are maintained by Nasdaq, Inc. (the "Index Provider"). The Index Provider is not affiliated with the Funds or the Funds' investment adviser, Victory Capital Management Inc.

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