RS SMALL/MID CAP GROWTH STRATEGY QUARTERLY COMMENTARY

RS Investments®
A VICTORY CAPITAL® INVESTMENT FRANCHISE

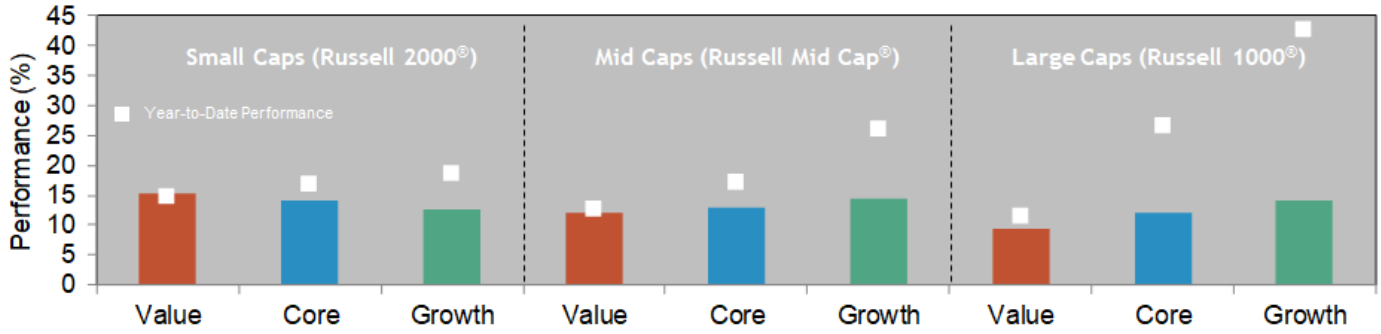
As of December 31, 2023

Quarterly Highlights

- The RS Small/Mid Cap Growth Strategy returned 9.91% gross (9.69% net) for the three months ended December 31, 2023, underperforming the Russell 2500™ Growth Index,[1] which returned 12.59%.
- Fund performance relative to the benchmark was negatively impacted by stock selection in the Financial Services sector; underperformance was partially offset by stock selection in the Consumer Discretionary and Consumer Staples sectors.
- This period's absolute performance was aided in part by the relative performance of secular growth stocks in the mid-cap segment of the Small-Mid universe, as the Russell Midcap® Growth Index[2] outperformed mid value, as defined by the Russell Midcap® Value Index,[3] 14.55% versus 12.11%.
- We believe the multi-year underperformance of innovative smaller-cap growth stocks has created an outsized opportunity for smaller-cap growth stocks, as current valuations (defined as the forward price-to-earnings ratio, excluding non-earners) of the Russell 2000® Growth Index[4] are the cheapest since the 1979 inception of the index relative to the Russell 1000® Growth Index[5] (per FactSet).

Market Performance / Fundamentals Snapshot

Q4 2023 Market Performance



Value = Russell 2000® Value Index
Core = Russell 2000® Index
Growth = Russell 2000® Growth Index

Value = Russell Midcap® Value Index
Core = Russell Midcap® Index
Growth = Russell Midcap® Growth Index

Value = Russell 1000® Value Index
Core = Russell 1000® Index
Growth = Russell 1000® Growth Index

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.

Market Commentary

After a rocky start to the fourth quarter in October, investors came to the conclusion that the rate-hike cycle was drawing to a close. With that prospect, equity markets rallied strongly and ended the year on a positive note. Corporate earnings and economic growth continued to surpass expectations, while many measures of inflation moderated. With inflation fears in the rearview mirror, equities rallied and delivered strong absolute returns in November and December. Interestingly, we did see a shift in market internals as cyclical and defensive areas gave way to longer-duration growth stocks. We believe this may be the beginning of a true change in leadership and a harbinger of things to come.

The general sense of optimism was clearly evident in the broader market as the S&P 500® Index[6] rallied 11.69% during the fourth quarter, bringing the full-year gains to 26.29%. This is quite the rebound from a disappointing 2022. Importantly, growth stocks across capitalizations rebounded sharply this past year as well. Large-cap growth was the story for much of the year with the proverbial Magnificent Seven garnering much media attention, though other growth sectors also participated even as they received less fanfare. Large-cap growth stocks, as measured by the Russell 1000® Growth Index, rose 14.16% during the fourth quarter and 42.68% for the full year, the strongest in many years.

Late in the year, the rally broadened out further to include more small- and mid-cap names. Small-cap growth stocks, as measured by the Russell 2000® Growth Index, returned 12.75% during the fourth quarter, pushing the index to a solid 18.66% return for the full year. Meanwhile, the Russell Midcap® Growth Index delivered returns of 14.55% during the fourth quarter and 25.87% for the full year.

Although we definitely appreciate the improved sentiment and interest-rate outlook, we also acknowledge that valuations of many large-cap growth stocks may have gotten ahead of themselves. As a result, smaller-cap stocks, especially within the small-cap growth style box, may appear especially attractive when compared to other market segments, in our opinion. Despite the recent challenges of the rising rate-hike cycle, many well-funded and well-run smaller-cap growth stocks have been resilient in the face of rising rates when analyzed by their underlying

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fundamentals. Our team is intensely focused on identifying potential opportunities within the secular growth investment universe, and we believe many of these are priced attractively compared to the broader market.

Moreover, we believe that the multi-year underperformance of some smaller and mid-sized growth companies positions them favorably over the long term from a valuation standpoint, thus creating a setup to potentially outperform many other segments of the market. We are convinced that we are still in the early stages of a secular shift that is transforming how consumers, businesses, and employees interact, especially after witnessing extensive technological advancements and acceptance during the initial stages of the pandemic. What once were upstart innovative products and services have become mainstream and standard operating procedure for many companies. Furthermore, new emerging technologies such as artificial intelligence are poised to have a significant impact in the years ahead, particularly among growth-oriented investment styles.

Investment Strategy

The RS Small/Mid Cap Growth Strategy (the "Strategy") is guided by our philosophy that sustainable earnings growth drives long-term share price appreciation. Our investment process is focused on finding innovative companies whose core business, we believe, can grow from a small- or mid-cap company to a mid- or large-cap company over time.

The team seeks companies with products and services that are growing organically, creating new markets or taking market share from existing companies. We are focused on finding companies whose business values can appreciate regardless of the underlying market environment. The Strategy is led by the team's chief investment officer, Scott Tracy, along with portfolio managers Steve Bishop, Melissa Chadwick-Dunn, Chris Clark, and Paul Leung. The five co-portfolio managers, as well as three research analysts, serve as sector specialists and are supported by three associates, drawing on strong relationships with industry experts and company management teams.

Together, we conduct over 2,000 company meetings each year through in-person meetings, conference calls, and trade shows. We then back up our findings through discussions with industry leaders and third-party sources. We are long-term investors and seek to establish definable "anchor points," which are quantifiable metrics that help determine a company's potential long-term growth trajectory. Anchor points arise from our analysis of a company's long-term capabilities and performance goals over three to five years. These long-term anchor points serve as guideposts to help us measure a company's progress as it executes its business strategy, regardless of what is taking place in the overall market, and help prevent distractions caused by short-term stock price movements and inevitable market volatility.

Performance Review

The RS Small/Mid Cap Growth Strategy returned 9.91% gross (9.69% net) for the three months ended December 31, 2023, underperforming the Russell 2500™ Growth Index, which returned 12.59%. Fund performance relative to the benchmark was negatively impacted by stock selection in the Financial Services sector; underperformance was partially offset by stock selection in the Consumer Discretionary and Consumer Staples sectors.

This period's absolute performance was aided in part by the relative performance of secular growth stocks in the mid-cap segment of the Small-Mid universe, as the Russell Midcap® Growth Index outperformed mid value, as defined by the Russell Midcap® Value Index, 14.55% versus 12.11%. We believe the multi-year underperformance of innovative smaller-cap growth stocks has created an outsized opportunity for smaller-cap growth stocks, as current valuations (defined as the forward price-to-earnings ratio, excluding non-earners) of the Russell 2000® Growth Index are the cheapest since the 1979 inception of the index relative to the Russell 1000® Growth Index (per FactSet).

Top Contributing Sector: Consumer Discretionary

One of the largest drivers of relative outperformance within the Consumer Discretionary sector was Wingstop, Inc. (1.47% ending weight), a national restaurant chain focused on chicken wings and other fast casual dining options. Wingstop continues to perform well, with strong same-store sales contributing to revenue strength, while consistently executing their national rollout of new restaurants. Wingstop's unique competitive advantage lies in the company's low-cost labor model and high ROI footprint. Each of these attributes has enabled the company to outpace peers from a return standpoint and augurs well for continued success implementing their long-term strategy.

Top Detracting Sector: Financial Services

One of the larger areas of underperformance within the Financials sector was driven by Flywire Corporation (1.91% ending weight), a provider of payment solutions and software to the education, travel, and health care verticals. We like Flywire because of its dominant market position in education and think that they have a lot of market share to gain in travel and health care to create a massive revenue opportunity for the company. Flywire has been executing well and beating analysts' estimates handily, but fell short of lofty expectations in Q3 on the revenue side, while beating EBITDA estimates. Revenue growth for the year was left intact and 2024 looks bright, and as such we have held the position. We believe that the company will continue to grow rapidly for many years in the three verticals, while expanding margins, cash flow, and earnings at a greater pace.

Market and Strategy Outlook

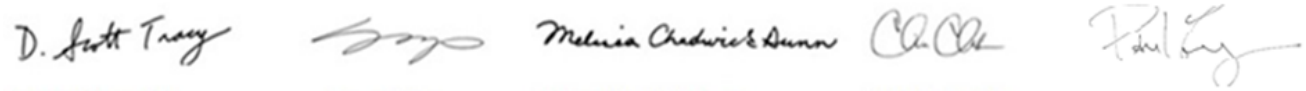
We are cautiously optimistic about the health of the domestic economy in 2024 and are excited about the prospect that the Federal Reserve is done hiking interest rates. While the full impact on the economy is as yet unclear, a healthy pullback in economic activity, if coupled with solid employment statistics, could augur a very favorable backdrop for growth stocks. We remain optimistic about the productivity of workers and consumers as well as the capital investment environment for businesses as we finish the year. Certain areas of the economy appear better positioned to adapt and grow, while company valuations vary significantly across styles.

In the current investment landscape, there is a notable opportunity for secular growth companies outside of the mega-cap growth category. Despite their relative underperformance since November 2020, smaller-cap secular growth companies have displayed continued strength in their underlying fundamentals. We expect this strength to persist, despite investors taking a pause on what had been a steady bounce back through the second half of the year given better-than-expected execution and performance.

Conversely, more cyclical companies may face headwinds as valuations have caught up to fundamentals after a strong run since late 2020.

Overall, while uncertainty remains, we believe that opportunities will emerge in sectors and industries that demonstrate resilience and sustained growth. We feel that secular growth companies within the growth universe are particularly attractive due to their strong fundamentals and potential for continued outperformance.

Thank you for your continued investment.



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Sector Allocation (Representative Account)[7]

As of December 31, 2023

Sector	% of Portfolio
Technology	23.1%
Health Care	21.3%
Producer Durables	18.0%
Consumer Discretionary	9.4%
Financial Services	10.3%
Materials & Processing	6.2%
Energy	3.8%
Consumer Staples	5.0%
[Cash]	3.0%
Utilities	0.0%

Top 10 Holdings (Representative Account)[8]

As of December 31, 2023

Holding	% of Portfolio
Dynatrace, Inc.	4.06%
MACOM Technology Solutions Holdings, Inc.	3.14%
Apellis Pharmaceuticals, Inc.	2.59%
Check Point Software Technologies Ltd.	2.58%
Clean Harbors, Inc.	2.43%
Five9, Inc.	2.33%
Amicus Therapeutics, Inc.	2.32%
Exact Sciences Corporation	2.23%
YETI Holdings, Inc.	2.14%
Chart Industries, Inc.	2.09%

Composite Performance

Average Annual Returns as of December 31, 2023

RS Small/Mid Cap Growth Composite	Fourth Quarter 2023	1-Year	3-Year	5-Year	10-Year	Since Inception (04/30/07)
Gross of fees	9.91%	22.10%	-2.78%	10.63%	7.41%	9.41%
Net of fees	9.69%	21.13%	-3.55%	9.74%	6.46%	8.21%
Russell 2500™ Growth Index[1]	12.59%	18.93%	-2.68%	11.43%	8.78%	8.78%

Returns include reinvestment of dividends and capital gains. Performance returns for periods of less than one year are not annualized.

Past performance does not guarantee future results.

Composite and benchmark returns are net of non-reclaimable withholding taxes, if any. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns reflect gross performance less investment management fees. Net-of-fees returns are calculated by deducting one-twelfth of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part 2A of its Form ADV.

Index returns are provided to represent the investment environment during the periods shown. Index returns reflect the reinvestment of dividends and capital gains but do not include advisory fees, transaction costs, or other expenses that would be incurred with an investment. One cannot invest directly in an index.

1 The Russell 2500™ Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2500™ Index with higher price-to-book ratios and higher forecasted growth values.

2 The Russell Midcap® Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell Midcap® Index with higher price-to-book ratios and higher forecasted growth values.

3 The Russell Midcap® Value Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell Midcap® Index with lower price-to-book ratios and lower forecasted growth values.

4 The Russell 2000® Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2000® Index (which consists of the 2,000 smallest-cap companies in the Russell 3000® Index) with higher price-to-book ratios and higher forecasted growth values.

5 The Russell 1000® Growth Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 1000® Index (which consists of the 1,000 largest U.S. companies based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

6 The S&P 500® Index is a market-capitalization-weighted index designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

7 The Representative Account holdings are allocated to each sector based on the Russell Global Sectors Standard (RGS). If a holding is not classified by Russell, it is assigned a Russell designation by RS Investments. Cash includes short-term investments and net other assets and liabilities.

8 Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

All investments carry a certain degree of risk, including the possible loss of principal, and an investment should be made with an understanding of the risks involved with owning a particular security or asset class.

The opinions are as of the date indicated 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.

The RS Small/Mid Cap Growth Composite invests principally in equity securities of small- and mid-capitalization growth companies. The benchmark is the Russell 2500™ Growth Index. The composite was created in May 2007.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines, and other factors. The representative account is believed to most closely reflect the current portfolio management style.

A complete list of all holdings for the previous 12 months, each holding's contribution to the strategy's performance, and the calculation methodology used to determine the holdings' contribution to performance is available on request. Victory Capital Management Inc., and its affiliates, as agents for their clients, and any of its officers or employees, may have a beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report. This information should not be relied upon as research or investment advice regarding any security in particular.

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