Trivalent International Developed Equity Strategy

Trivalent INVESTMENTS
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of June 30, 2025

Market Environment

International equities rose in the second quarter after an initial negative reaction to U.S. tariff policies. For the quarter, the MSCI EAFE (Europe, Australasia and Far East) Index was up 11.8%, while the Trivalent International Developed Equity strategy outperformed the benchmark. Regions were all positive, with Asia Pacific ex Japan leading the upside and advancing by 14.2%. A weaker dollar had a positive impact on returns, with the Euro, British Pound and Japanese Yen gaining 9.0%, 6.3% and 4.2%, respectively. Aided by the currency tailwind, smaller European markets Portugal and Austria rose 23.8% and 21.9%, respectively. Israel gained 22.1% as hopes for more stability in the region were lifted by an agreed ceasefire with Iran.

Ten of the 11 economic sectors were positive in the quarter. The Communication Services and Information Technology sectors gained 20.5% and 19.0%, led by a resurgence in AI-related investment expectations. The Energy sector was the worst performing, moving down 1.6% as the potential for improved Middle East supply impacted future pricing expectations.

Portfolio Review

Security selection was positive in the quarter and explained the vast majority of relative performance. Excess returns were generated in three of four regions and eight of the eleven economic sectors. From a style perspective, the strategy's exposure to business momentum and quality had a supportive impact on performance, while value was somewhat neutral.

Security selection had the most positive contribution from the Industrials and Consumer Discretionary sectors. British jet engine and power systems manufacturer Rolls-Royce moved higher as the outlook for profits from long-term service contracts continued to move higher, while opportunities for their defense and power-generation capabilities are growing. Japanese wire and cable manufacturers Sumitomo Electric and Fujikura rose as demand conditions from data center end markets remain very positive for their optical devices, connectors and cables. In Health Care, Swiss generic drug and biosimilar manufacturer Sandoz rose on speculation that off-patent drugs avoid tariff risks and recent launches should support underlying sales through the year.

Communication Services stock selection was the most negative. In-person and virtual event operator Informa declined on expectations that a macroeconomic slowdown would dampen demand for B2B events. Returns also trailed in Materials. Nippon Steel, the Japanese steel producer, declined as the company received approval to acquire US Steel in a $14 billion acquisition.

Within Consumer Discretionary, Italian luxury goods leader Prada declined as the industry saw a pullback in demand. In addition, an offer to purchase peer Versace for $1.4 billion is seen as requiring elevated attention to turn around the brand.

Market Outlook

International equities have demonstrated strength year-to-date in the face of ongoing tariff uncertainty. While trade tensions continue to pose a headwind to global growth, the European Central Bank has responded with eight rate cuts this year, bringing its policy rate down to 2% as inflation has eased toward target levels. At the same time, rising government investment in infrastructure and defense spending across Europe and Asia presents a meaningful secular tailwind for international equities. Notably, the EU and Germany have committed to robust infrastructure funding, while NATO members have pledged to raise defense spending to 5% of GDP by 2035, well above the prior 2% guideline. In Asia, Japan's corporate governance reforms and ongoing value-up initiatives are drawing investor attention, driving a rise in shareholder activism and willingness to pay higher multiples. Meanwhile, investment in artificial intelligence remains a dominant global theme, offering the potential to drive substantial productivity gains across industries. On the risk front, geopolitical instability remains amid ongoing international conflicts and global trade tensions. Investors are closely monitoring tariff negotiations and the growing shift toward bilateral trade agreements, while companies explore reshoring efforts to better navigate an increasingly complex trade environment. From a valuation perspective, international stocks are still trading at lower earnings multiples compared to historical averages, and they remain attractively priced relative to U.S. stocks. We continue to be guided by our bottom-up analysis and will evaluate upcoming earnings and outlook statements to refine our positioning.

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Representative Account Top 5 Contributors* (%)	Contribution to Relative Return (Gross of fees)
NEC Corporation	0.53
Rolls-Royce Holdings plc	0.46
KONAMI Group Corporation	0.42
Banco Santander, S.A.	0.41
3i Group plc	0.35

Representative Account Top 5 Detractors* (%)	Contribution to Relative Return (Gross of fees)
AstraZeneca PLC	-0.13
Prada S.p.A.	-0.11
Tenaris S.A.	-0.09
Logitech International S.A.	-0.07
Nippon Steel Corp.	-0.07

Representative Account Top 10 Holdings	Country	Sector
Novartis AG	Switzerland	Health Care
Siemens Aktiengesellschaft	Germany	Industrials
Banco Santander, S.A.	Spain	Financials
Deutsche Telekom AG	Germany	Communication Services
NEC Corporation	Japan	Information Technology
AstraZeneca PLC	United Kingdom	Health Care
Schneider Electric SE	France	Industrials
Standard Chartered PLC	United Kingdom	Financials
SAP SE	Germany	Information Technology
Sumitomo Mitsui Financial Group, Inc.	Japan	Financials
Total % of Portfolio		17.52%

Source: FactSet.

Holdings are subject to change and should not be considered purchase recommendations.

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. Holdings are as of quarter end and may change at any time. This material should not be construed as a recommendation to buy or sell securities.

				ANNUALIZED RETURNS			
Composite Performance (%)	QTR	YTD	1-YR	3-YR	5-YR	10-YR	Since Inception 9.1.07
Trivalent International Developed Equity (Gross)	12.98	21.22	21.34	18.61	12.43	7.31	4.66
Trivalent International Developed Equity (Net)	12.81	20.86	20.61	17.90	11.76	6.61	4.05
MSCI EAFE Index (Net)	11.78	19.45	17.73	15.97	11.16	6.51	3.92

Past performance cannot guarantee future results. Returns for periods greater than one year are annualized. Returns are expressed in U.S. dollars. Composite and benchmark returns are net of transaction costs and gross of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

Performance prior to November 1, 2014, occurred while the portfolio management team was affiliated with a prior firm. Such members of the portfolio management team were responsible for investment decisions at the prior firm and the decision-making process has remained intact. Gross-of-fees returns are presented before management and custodial fees but after any transaction costs. The composite net-of-fees returns reflect net-of-model fees and are calculated in the same manner as gross of fee returns using the Time Weighted Rate of Return method. 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.

DISCLOSURES

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 Trivalent International Developed Equity Composite includes all fee paying, non-wrap discretionary portfolios of $100,000 or more that are managed according to the Trivalent International Developed Equity strategy. The strategy focuses on foreign companies that are characterized by improving business momentum and attractive valuations. Prior to October 2012, the minimum size for inclusion in the composite was $1 million. Prior to July 2020, the name of the composite was Trivalent International Core Equity. The composite has a policy to temporarily remove accounts from the composite when a significant cash flow occurs. Effective December 2015, a significant cash flow is defined as a cash inflow or outflow of 15% or more of the portfolio value at the beginning of the month. The account is removed from the composite for the month in which that cash flow occurred. The composite creation date is August 2007, and the composite inception date is September 2007.

The benchmark of the composite is the MSCI EAFE Index (Net). The MSCI EAFE Index (Net) is a free float-adjusted market capitalization index that is designed to measure developed equity market performance, excluding the U.S. and Canada. The benchmark returns are provided to represent the investment environment existing during the time periods shown and are not covered by the report of independent verifiers. For comparison purposes, the index is fully invested, which includes the reinvestment of income. The returns have been taken from a published source and do not include any transaction fees, management fees, or other costs.

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. This information should not be relied upon as research or investment advice regarding any security in particular.

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Victory Capital claims compliance with the Global Investment Performance Standards (GIPS®).

*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. Holdings are as of quarter end and may change at any time.

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