

Victory Cornerstone Equity Fund // Victory Cornerstone Aggressive Fund // Victory Cornerstone Moderately Aggressive Fund // Victory Cornerstone Moderate Fund // Victory Cornerstone Moderately Conservative Fund // Victory Cornerstone Conservative Fund

Market Commentary

After a rocky start to the fourth quarter, financial markets found their footing and coasted into year-end in what could only be described as a festive mood. Certainly October was a difficult month, with both stock and bond markets facing severe headwinds. Chief among these was the notion that the Federal Reserve was not yet finished with its aggressive rate-hike campaign. Bond prices were under pressure as the 10-year Treasury yield climbed and hovered around 5%, its highest level of the year. More importantly, this was widely interpreted as a warning sign for future economic growth. In fact, many pundits were expecting an imminent recession, and stocks declined early in the quarter to reflect that possibility.

Fortunately, it was a false alarm and sentiment flipped as we approached year-end. Economic growth proved resilient, corporate earnings continued to meet or exceed expectations, labor markets eased, and key measures of inflation moderated. Taming inflation has been the Fed's primary focus, and although it remained above the stated 2% target late in the year, it was trending in the right direction and far below peak levels. This gave the Fed the leeway to back off—and likely end—the historic rate-hike campaign.

Ultimately, investors looked at the data, deciphered the Fed's messaging with regard to future interest rate hikes, and decided that the coast was clear. Stocks and bonds rallied strongly in November and December. In terms of the numbers, the S&P 500® Index—the most popular proxy for our domestic stock market—increased approximately 11.7% during the fourth quarter, bringing full-year 2023 gains to 26.3%. Bond prices also rallied during the fourth quarter as yields across the curve moved lower. Yields on both 2-year and 10-year Treasuries fell and ended the year at 4.25% and 3.88%, respectively.

Fund Performance and Positioning

The Cornerstone Series Funds delivered solid fourth quarter and full-year absolute returns, benefiting from positive sentiment across financial markets and robust returns from both equity and fixed income assets. During the fourth quarter, all Funds in the Cornerstone Series underperformed their respective benchmarks, with the exception of the Victory Cornerstone Equity Fund. In U.S. equity markets, many growth stocks outperformed their value-oriented counterparts thanks in part to the expectation that rates would stop rising and possibly even fall during 2024.

Given that the Funds in the Cornerstone Series are typically

managed with a slight tilt toward value and quality companies, the growth-oriented rally impacted our relative performance. The Funds did benefit from a tactical overweight to equities, as well as from security selection in U.S. small-caps. Another positive was the Funds' tactical allocation to gold. This is a reversal from the prior quarter, when gold was an underperforming asset in the face of rising yields. Perhaps this exposure to gold will remain a tailwind now that we have reached the terminal interest rate—the peak in this rate-hike cycle.

In terms of fixed income, the Funds' underweight to longer-dated Treasuries and the overall shorter duration profile of our portfolios detracted from performance as interest rate expectations shifted toward the end of the quarter.

Looking Ahead

Yes, the year ended on a strong note, and both bonds and stocks enjoyed the positive sentiment. Investors cheered the (assumed) end of the rate-hike cycle, and 2023 proved to be an impressive bounce-back year compared to a very challenging 2022. However, we always aim to keep an even keel, both in strong up markets and during turbulent times. Nothing is certain, and unexpected risks can and do emerge. Still, we remain cautiously optimistic that the Federal Reserve has been able to control inflation and remove excess liquidity from the markets without ruining the economy. Of course, challenges persist, so we continue to monitor the data and the broader economic landscape, and we remain ready to manage risks and position the Funds for long-term success.

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. Asset allocation and diversification do not promise any level of performance or guarantee against loss of principal. The Funds will reflect the risks and incur the expenses of the underlying funds in which they invest. The Adviser is subject to conflicts of interest in allocating the Funds' assets among affiliated Underlying Funds (the Victory Funds), unaffiliated Underlying Funds, or a combination of both. The Adviser may have an incentive to allocate the Funds' assets to those Victory Funds for which the net advisory fees payable to the Adviser are higher than the fees payable by other Victory Funds, or unaffiliated Underlying Funds. Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. Bonds and bond funds will decrease in value as interest rates rise and vice versa. Credit risk refers to the possibility that debt issuers may not be able to make principal and interest payments or may have their debt downgraded by ratings agencies. Investments in small- and mid-cap companies typically exhibit higher volatility. 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 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. Investments in companies in natural resources industries may involve risks including changes in commodities prices, changes in demand for various natural resources, changes in energy prices, and international political and economic developments. The fund is also subject to liquidity

risk, which is the risk that the Adviser may not be able to sell a security at an advantageous time or price, which may adversely affect the Fund. Real estate investment trusts (REITs) are subject to changes in economic conditions, credit risk and interest rate fluctuations. Derivatives may not work as intended and may result in losses. 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.

Discussion based on the Fund share class.

Holdings, if any, are subject to change without notice and should not be considered purchase recommendations.

An index is unmanaged and not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

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V19.133 // 4Q 2023 Victory Cornerstone Funds COM