INTEGRITY ASSET MANAGEMENT

Victory Integrity Small-Cap Value Fund — As of December 31, 2023

Quarterly Commentary

"It's difficult to make predictions, especially about the future."

– Yogi Berra

Over the holiday, I read the book *Same as Ever* by Morgan Housel. It was an excellent read. The overriding theme of the book is that short-term forecasts miss the surprises that move markets. However, there are behaviors and biases that never change and repeat throughout time. Understanding those behaviors can give you an advantage. With that in mind, I would like to share 10 of the book's key points and relate them to how we think about money management.

1. We are good at predicting the future, except for surprises, and it's the surprises that matter. No one saw Pearl Harbor, 9/11, or the COVID lockdowns.

2. Some things never change. People will always cycle between fear and greed, pessimism and optimism.

3. Calm plants the seeds of crazy. Economic stability leads to optimism. Optimism leads to taking on debt. Debt leads to instability.

4. The world breaks every 10 years or so. In between, there will always be disasters. In a world of 8 billion people, all connected by technology, something terrible happens every day. If there are over 100 possible once-in-a-hundred-year events that can happen in a year, the odds of one happening are pretty good. Crazy, therefore, is normal.

5. The best story wins. Every market valuation is just a number today multiplied by a story about tomorrow.

6. Good news takes time; bad news occurs instantly. Things are created step-by-step and piece-by-piece but can be broken or destroyed by one event.

7. Compounding is powerful. Don't ask, "what is the highest return I can achieve?" Ask, "what's the highest level of return I can sustain for the longest period of time?" Concentration maximizes return. Diversification increases the odds of owning a winner.

8. Everything dies. Competitive advantage doesn't last forever. Almost 40% of public companies lost ALL their value between 1980 and 2014!

9. It's better to be approximately right than exactly wrong. There are typically a handful of simple variables that drive most outcomes. Too much focus on precision loses the big picture, where you have a higher chance of being correct.

10. We can say we are in it for the long run. We must remember that the long run is full of short-term disasters.

For the last 20+ years, Integrity has wrestled with a lot of these concepts. We know nothing lasts forever. Our valuation models incorporate competitive advantage decay. We believe diversification at the sector and characteristic level increases our chances of sustaining consistent returns over time. Our Flexible Value philosophy of investing is built on the knowledge that markets cycle between fear and greed, and always will. We believe that by being cognizant of that cycle, we can better position the portfolio to benefit from these changes. Our simple goal is to provide consistent returns for our clients, control risk, and take advantage of changes

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in market psychology, where appropriate. So, what will the market do this year: volatility and some surprises along the way. That's the forecast. We will be monitoring, as usual, for what we see as the best risk/reward opportunities for our clients and trying to take advantage of them.

Financials and consumer discretionary were the top performing sectors in the benchmark. Energy was the worst performing sector within the benchmark. Small cap value outperformed small cap growth.

The Integrity Small Cap Value Fund (A shares without sales charge) underperformed its benchmark, the Russell 2000® Value Index for the quarter. Security selection in health care, materials, and technology led to underperformance. Stock selection in consumer discretionary aided performance. Sector weights were negative, largely due to our underweight in financials. Our underweight to consumer discretionary and overweight to utilities also hurt. A larger market cap was a style headwind, as the smallest companies outperformed.

In health care, our underweight to biotechnology (up 27%) was the largest detractor, as it cost us 39 basis points. Select Medical Holdings Corp. (SEM) also weighed on performance. Solid quarterly results driven by improving labor conditions and better pricing were offset by macro concerns around the longer-term impact of weight-loss treatments (GLP-1) on the broader health care sector.

Ecovyst Inc. (ECVT) and Arch Resources, Inc. Class A (ARCH) hampered performance within materials. Ecovyst Inc. (ECVT) underperformed after issuing a tough third quarter earnings report due to weak global nylon demand. Arch Resources, Inc. Class A (ARCH) trailed the market as it holds a cash-rich balance sheet and investors flocked to high-leverage names in anticipation of the Federal Reserve cutting interest rates.

Technology hurt performance. Inventory destocking led to a negative earnings preannouncement and guidance reduction at Belden Inc. (BDC). Commentary at an investor conference regarding a contract push-out pressured shares of Teradata Corp. (TDC). Harmonic Inc. (HLIT) and MKS Instruments, Inc. (MKSI) were positive highlights. Harmonic Inc. (HLIT) announced a strategic review for their video segment. MKS Instruments, Inc. (MKSI) was a solid performer as the company continues to pay down debt and reported good quarterly results as the semiconductor market has likely hit bottom.

Gap, Inc. (GPS), PVH Corp. (PVH), Kontoor Brands, Inc. (KTB), and Steven Madden, Ltd. (SHOO) led the way within consumer discretionary. From a macro perspective, a more benign interest rate environment helped the group outperform. Better-than-expected earnings and signs their turnaround may be underway lifted Gap, Inc. (GPS) shares. Despite a challenging wholesale environment, PVH Corp. (PVH) delivered results that bested analysts' estimates and provided positive quarterly commentary. Cautious guidance notwithstanding, positive inventory and market share comments as well as a new buyback plan and an analyst upgrade sent shares of Kontoor Brands, Inc. (KTB) higher. Steven Madden, Ltd. (SHOO) outperformed as overall fourth quarter retail sales appear better than expected, setting up for better 2024 wholesale orders. Marriott Vacations Worldwide Corp. (VAC) and Visteon Corp. (VC) limited performance. A higher-than-expected credit charge as well as continued impact from the Maui wildfire hurt Marriott Vacations Worldwide Corp. (VAC) results. Visteon Corp. (VC) underperformed as sales growth missed expectations.

Real estate was a small detractor, as our average holding lagged (+13.1% versus +16.2%).

We had slight underperformance in financials. Banks were a very small detractor overall, as our underweight offset good stock selection. Banks outperformed as interest rates declined due to softer inflation data and expectations the Fed is done hiking short-term rates. Our best-performing banks were Bank of Hawaii Corp. (BOH), Glacier Bancorp, Inc. (GBCI), and Western Alliance Bancorp (WAL). They were some of the worst performers early in the year due to worries over liquidity, credit, and higher deposit costs.

Stock selection in energy limited performance. Atlas Energy Solutions Inc. (AESI), Diamond Offshore Drilling Inc. (DO), and Green Plains Inc. (GPRE) were notable detractors. Lower realized pricing and higher costs due to a ramp of their logistics business hampered Atlas Energy Solutions Inc. (AESI). Offshore drillers such as Diamond Offshore Drilling Inc. (DO) came under selling pressure driven by global macro concerns that drove oil prices lower and by near-term cost headwinds. Green Plains Inc. (GPRE) has underperformed since announcing a deal to acquire the remaining shares in Green Plains Partners LP, as the transaction will be dilutive to earnings.

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In utilities, National Fuel Gas Company (NFG) hurt performance. Our overweight to the group also hurt. National Fuel Gas Company (NFG) missed top- and bottom-line estimates as lower prices led to production curtailments.

Performance in industrials was even. Core & Main, Inc. Class A (CNM) and Moog Inc. Class A (MOG.A) were the top highlights. Core & Main, Inc. Class A (CNM) provided strong upside results and benefitted as the private equity sponsor continued exiting its position, helping alleviate a valuation overhang. Shares of Moog Inc. Class A (MOG.A) rallied as the new CEO's margin improvement initiatives are taking hold faster than expected. Hayward Holdings, Inc. (HAYW) and Valmont Industries, Inc. (VMI) hurt performance. Shares of Hayward Holdings, Inc. (HAYW) slid after a sloppy third quarter earnings call and concerns about deteriorating pricing sustainability. We exited the position. Valmont Industries, Inc. (VMI)'s new CEO walked back growth assumptions in its 2027 financial targets due to weakening agriculture fundamentals, which pressured the stock.

Security selection in communication services was neutral. Our underweight to the group and not owning some of the worst-performing names helped offset Cinemark Holdings, Inc. (CNK), which detracted. Cinemark Holdings, Inc. (CNK) lagged on concerns about the impact of the writers and actors strikes on 2024's film slate.

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Past performance does not guarantee future results. For standardized performance, please visit www.vcm.com.

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. In addition to the normal risks associated with investing, investments in small-cap 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. The financial services industry is subject to extensive government regulation that affects 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 and activity. Investments in companies in the industrials sector may be adversely affected by changes in supply and demand for products and services, governmental regulation and changes spending policies, world events and economic conditions. 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. 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. 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 Russell 2000® Value Index is a market-capitalization-weighted index that measures the performance of those companies in the Russell 2000® Index with lower price-to-book ratios and lower forecasted growth values.

Fund holdings mentioned in the Quarterly Commentary are as of 12/31/2023 and the percentages shown are based on net assets as of that date. Fund holdings are subject to change and should not be considered purchase recommendations. There is no assurance that the securities mentioned remain in the Fund's portfolio or that securities sold have not been repurchased. The Fund's top ten holdings as of 12/31/2023 were: SouthState Corp (1.3%), Valley National Bancorp (1.2%), UFP Industries, Inc (1.2%), Permian Resources Corp Cl A (1.2%), Moog Inc Class A (1.1%), International Seaways, Inc (1.1%), Bank of Hawaii Corp (1.1%), Glacier Bancorp, Inc (1.1%), AGNC Investment Corp (1.1%), and Matador Resources Co (1.0%). Top holdings do not reflect cash, money market instruments, or options/futures contracts holdings. The most currently available data regarding portfolio holdings can be found on our website, www.vcm.com.

Contributors and Detractors Source: FactSet. The contributors and detractors mentioned are presented to illustrate examples of the Fund's investments and may not be representative of the Fund's current or future investments.

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