



Second Quarter 2019
Earnings Presentation
August 13, 2019

This presentation may contain “forward-looking” statements that are based on our beliefs and assumptions and on information currently available to us. Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, competitive position and potential organic and inorganic growth opportunities. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “anticipate,” “believe,” “could,” “seek,” “estimate,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “will,” “would” or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent our beliefs and assumptions only as of the date of this presentation. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

Victory Capital uses non-GAAP financial measures referred to as Adjusted EBITDA and Adjusted Net Income to measure the operating profitability of the business. These measures eliminate the impact of one-time acquisition, restructuring and integration costs and demonstrate the ongoing operating earnings metrics of the business. The Company has included these non-GAAP measures to provide investors with the same financial metrics used by management to assess the operating performance of the Company. Reconciliations of non-GAAP metrics to their closest comparable GAAP metrics can be found in the Appendix that accompanies this presentation.

Topics

Business Overview

Investment Performance

USAA Asset Management Company Integration Update

Second Quarter 2019 Financial Results

Appendix

Business Overview

AUM & FLOWS

- AUM increased to \$64.1Bn at June 30, 2019, with 2Q net flows of +\$3.7Bn, YTD net flows of +\$2.6Bn
 - Combined with USAA Asset Management, AUM increased to \$147.8Bn at July 31, 2019
 - Commencing monthly AUM reporting routine beginning in August 2019
-

2Q FINANCIAL HIGHLIGHTS

- \$0.38 Adjusted Net Income with tax benefit per diluted share comprised of \$0.33 per diluted share in Adjusted Net Income and \$0.05 per diluted share in tax benefit
 - 40.0% Adjusted EBITDA Margin for the quarter
 - Ended the quarter with \$280MM of debt and cash of \$95MM
 - Board authorizes initiation of \$0.05 per share quarterly cash dividend
-

ACQUISITION INTEGRATION UPDATE

- USAA Asset Management acquisition closed on July 1, 2019
- \$75 million of annual cost synergies realized at close; another \$25 million within six months; with total run-rate synergies of \$120MM realized in 12-15 months from close
- Direct investment channel for USAA members reopened July 1, 2019

Investment Performance



27 Victory Mutual Funds and ETFs with 4- or 5-Star overall ratings

71% Victory Mutual Fund and ETF AUM with 4- or 5-Star overall ratings

Percentage of AUM that has outperformed its benchmark:

74% Over a one-year period **81%** Over a three-year period **84%** Over a five-year period **89%** Over a ten-year period



5 CONSECUTIVE YEARS in the BARRON'S Top 25 Best Fund Families

#9 Overall ranking for 2018

#10 Overall ranking for 2017

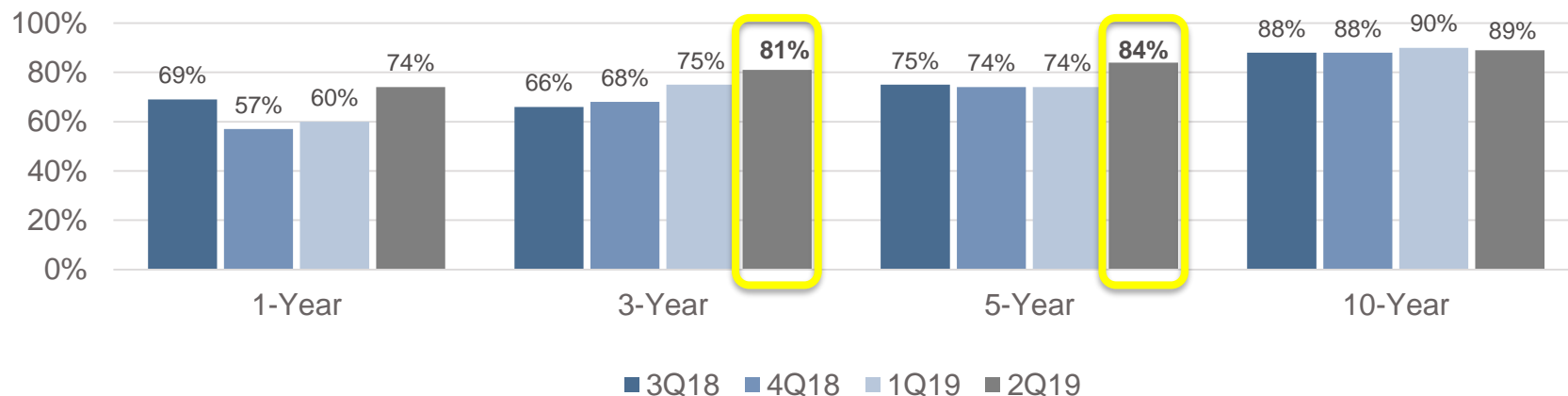
#25 Overall ranking for 2015

#21 Overall ranking for 2016

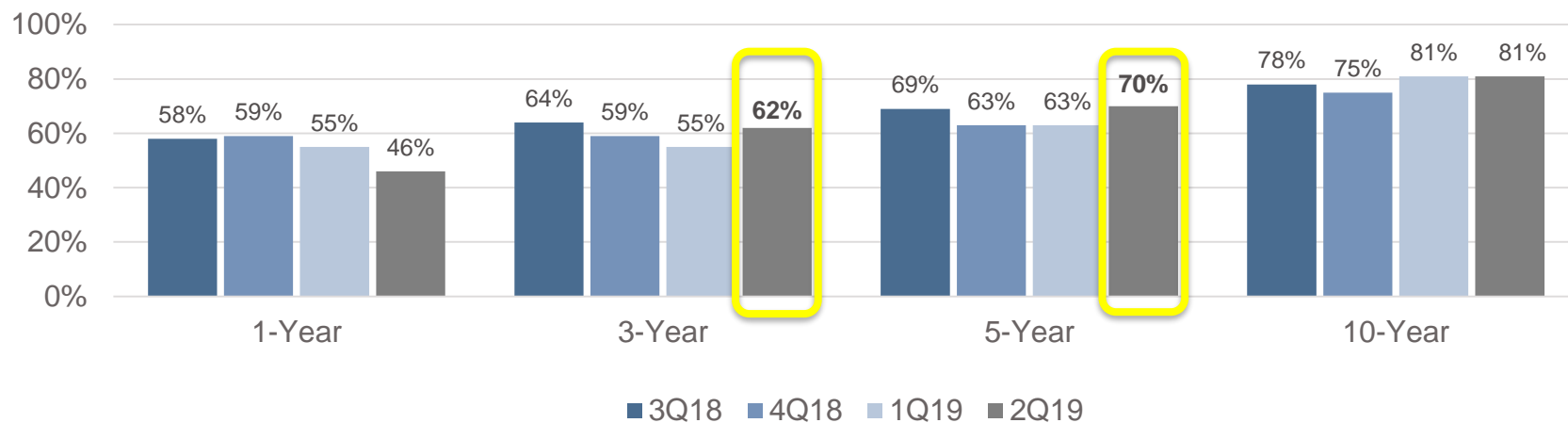
#15 Overall ranking for 2014

Long-term Outperformance Over Benchmarks

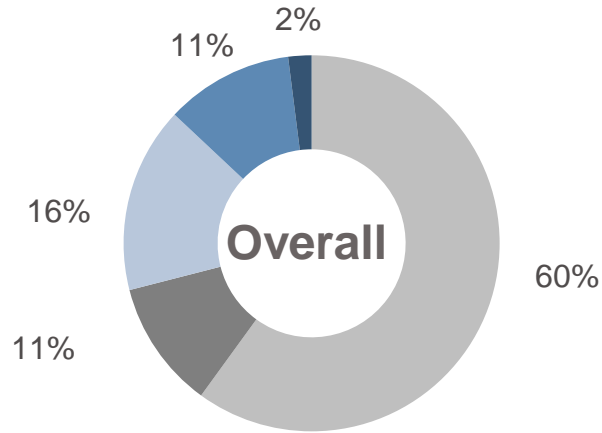
Percentage of AUM that has outperformed benchmark



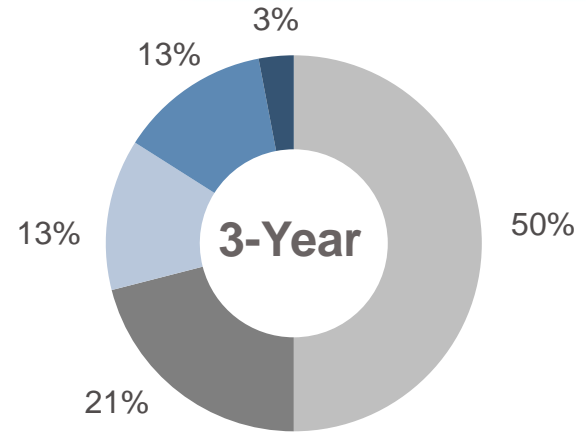
Percentage of strategies that has outperformed benchmark



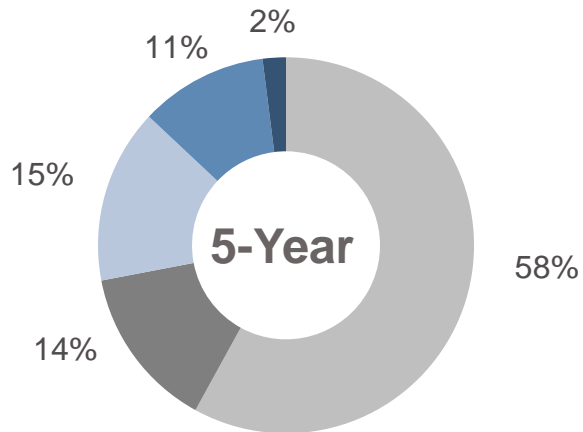
71% of AUM in Mutual Funds and ETFs Ranked 4- or 5-Stars Overall by Morningstar



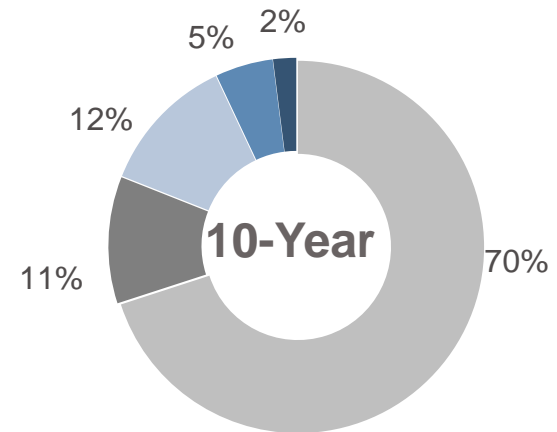
4/5 Star = 71%



4/5 Star = 71%



4/5 Star = 72%



4/5 Star = 81%

5-Star
 4-Star
 3-Star
 2-Star
 1-Star

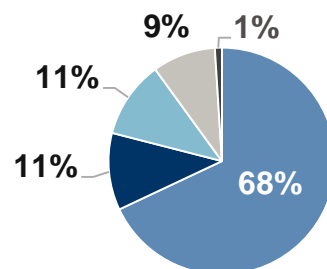
USAA Asset Management Company Integration Update

- Fully operational USAA direct member call center reopened on July 1
 - 50 USAA employees retained to serve as licensed call center representatives
 - 120 USAA employees retained by our outsourcing partner to provide member services and back office functions
 - Call center has direct connectivity to USAA member servicing platform
 - Approximately 80,000 member calls received since July 1
- Victory Capital distribution professionals are now selling USAA strategies through our well-established retail, retirement, and institutional channels
- No disruption to USAA investment professionals, who are now managing money and trading on our integrated platform
 - 50 key investment professionals retained from USAA
- Headquarters officially moved to San Antonio, Texas

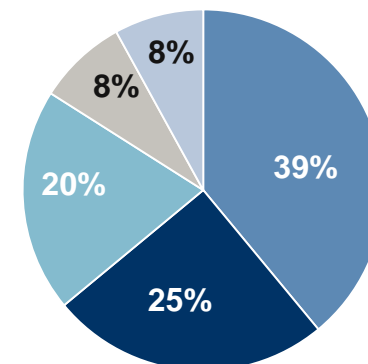


Victory Capital AUM by Asset Class

June 30, 2019
\$64.1Bn in AUM



July 31, 2019
\$147.8Bn in AUM



- Domestic Equity
- Fixed Income
- Solutions
- Global/Non US Equity
- Money Market

Asset Class	June 30, 2019 (\$Bn)		July 31, 2019 (\$Bn)	
	Legacy	Victory	AM Co.	Post USAA
Domestic Equity	\$ 43,589	68%	\$ 56,918	39%
Fixed Income	7,300	11%	37,559	25%
Solutions	6,919	11%	29,806	20%
Global/Non-US Equity	5,498	9%	11,713	8%
Commodity & Other	771	1%	332	0%
Long-term Assets Under Management	\$ 64,077	100%	136,327	92%
Money Market	0	0%	11,468	8%
Total Assets Under Management	\$ 64,077	100%	147,795	100%

Diversifies and balances our asset base:

- Reduces domestic equity exposure to 39% from 68% and results in a more balanced AUM mix across asset classes
- Enhances Solutions Platform to include Target Date and Target Risk Strategies, and new Rules Based and Active ETFs
- Includes \$10.0Bn of AUM in USAA mutual funds invested through the Managed Money product offered by USAA's brokerage business. Victory Capital did not acquire the USAA brokerage business.

RULES-BASED & FACTOR- ORIENTED SOLUTIONS

- Rules- and factor- based quantitative platform includes ETFs, mutual funds and institutional separate accounts
 - Multiple large mandates funded in 2Q 2019
 - Multi-Asset
 - Global Dividend
 - Customized Thematic
 - Total AUM increased to \$6.9Bn at June 30, 2019
- Added target date, target risk and completion portfolio capabilities with USAA Asset Management acquisition

ETFs

- VictoryShares ETF AUM has grown from \$198MM in 2015 to \$3.1Bn at June 30, 2019
- 4 ETFs ranked in the top decile for the trailing 1-year by Morningstar
- 6 ETFs ranked in the top quartile for the trailing 1-year by Morningstar
- 3 ETFs with AUM more than \$500MM
- 5 ETFs with AUM more than \$100MM
- 27th in overall ETF AUM
- Net flow positive 15 of the 17 quarters, since acquiring ETF capabilities in 2015
- Added active fixed income ETFs with USAA Asset Management acquisition

STATED OBJECTIVES

During February 2018 IPO

Make Accretive Acquisitions



USAA Asset Management acquisition closed with proforma 2020 earnings accretion of **>100%**

Increase Scale



AUM up 143%, enhancing operating efficiencies

Diversify Asset Classes



Acquired **Fixed Income and Solutions** capabilities, and balanced asset class mix

Broaden Distribution



Opened unique **Direct Member Channel**

Become the Industry's Consolidator of Choice



Next Generation integrated multi-franchise platform provides distinct competitive advantages for current trends in asset management industry

Second Quarter 2019 Financial Results

2Q FLOWS AND AUM

- As of June 30, 2019, AUM increased to \$64.1Bn, with 2Q net positive flows of \$3.7Bn
 - June 30 AUM up 21% from \$52.8Bn at December 31, 2018
 - YTD net flows +\$2.6Bn
-

FINANCIAL RESULTS

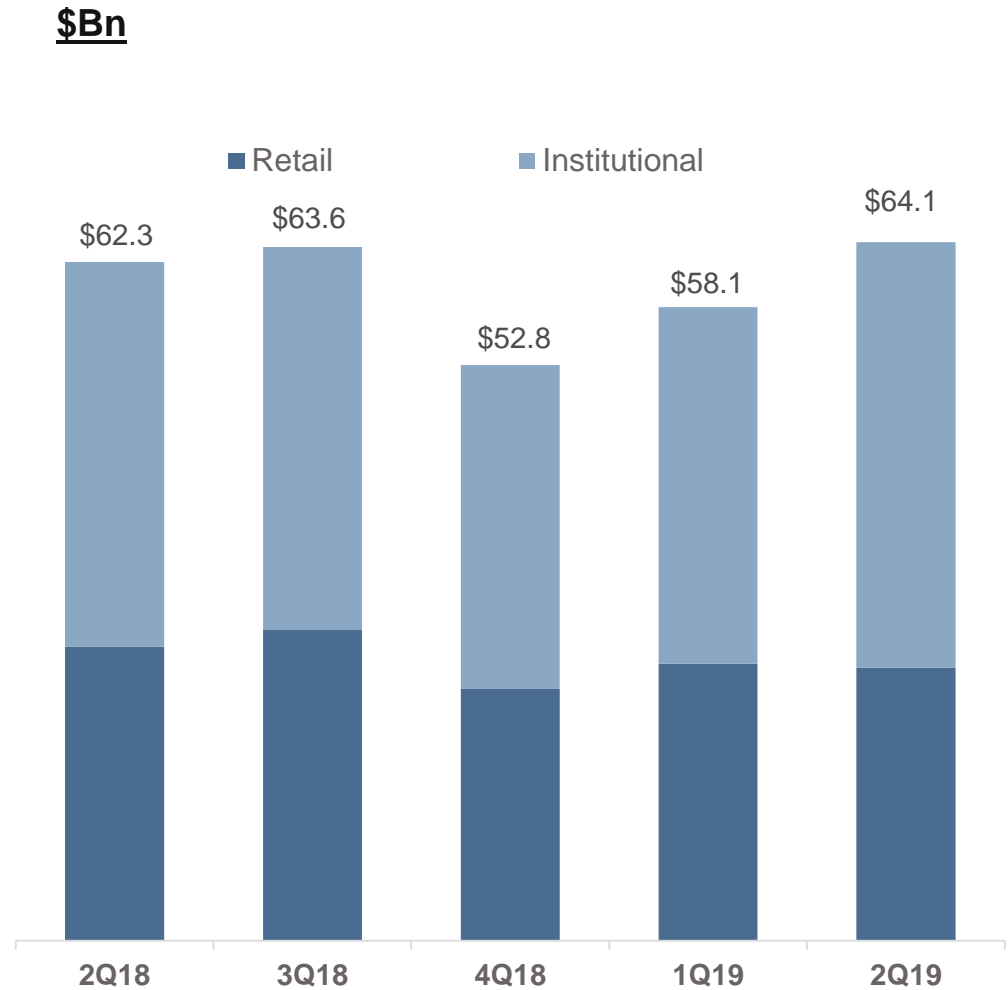
- \$91.4MM Revenue, includes impact of the adoption of ASU 2014-09
 - \$0.20 GAAP earnings per diluted share
 - \$0.38 Adjusted Net Income with tax benefit per diluted share
 - 24.9% GAAP Operating margin
 - 40.0% Adjusted EBITDA Margin
-

CAPITAL MANAGEMENT

- \$280MM debt outstanding on June 30
 - Effective July 1, new note of \$1.1Bn; 7-year term loan priced at L+325
- 113,297 shares repurchased in 2Q19
- Initiation of \$0.05 per share quarterly cash dividend

Assets Under Management (End of Period)

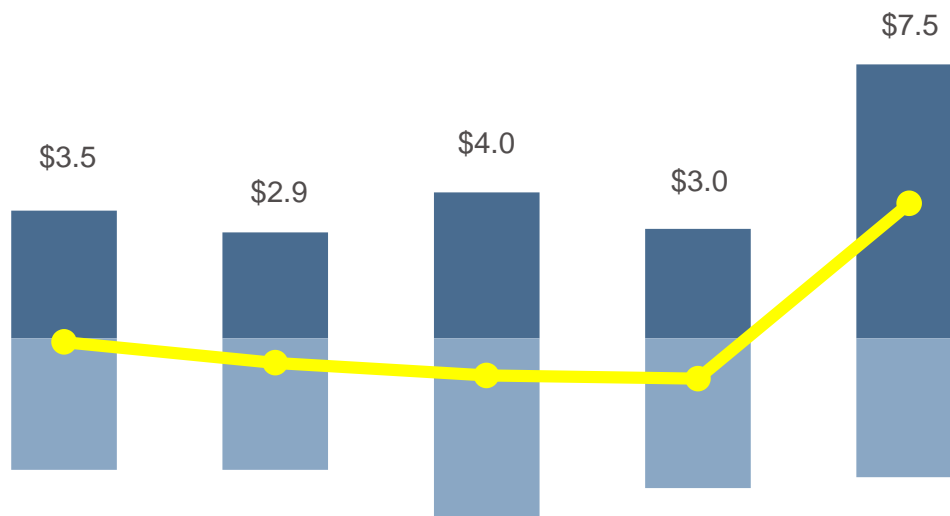
- At July 31, consolidated AUM totaled \$147.8Bn



- 2Q 2019 positive net flows of \$3.7Bn
- YTD positive net flows through June 30 of \$2.6Bn

\$Bn

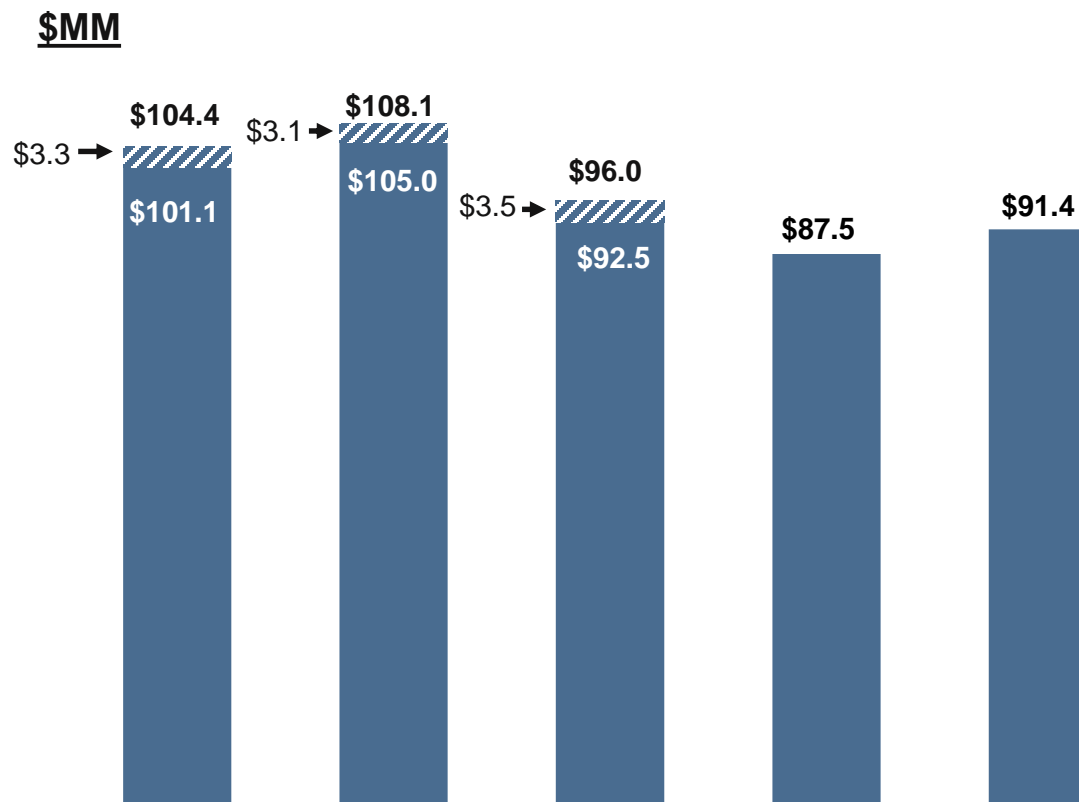
■ Gross Sales ■ Gross Redemptions ■ Net Flows



Operating Metrics	2Q18	3Q18	4Q18	1Q19	2Q19	YTD 6/30
Gross Sales (%)	5.7%	4.7%	6.3%	5.7%	12.9%	20.0%
Net Flows (\$MM)	-\$102	-\$672	-\$1,019	-\$1,105	+\$3,694	+2,589
Net Flows (%)	-0.2%	-1.1%	-1.6%	-2.1%	+6.4%	+4.9%

QoQ reported revenue increased 4%

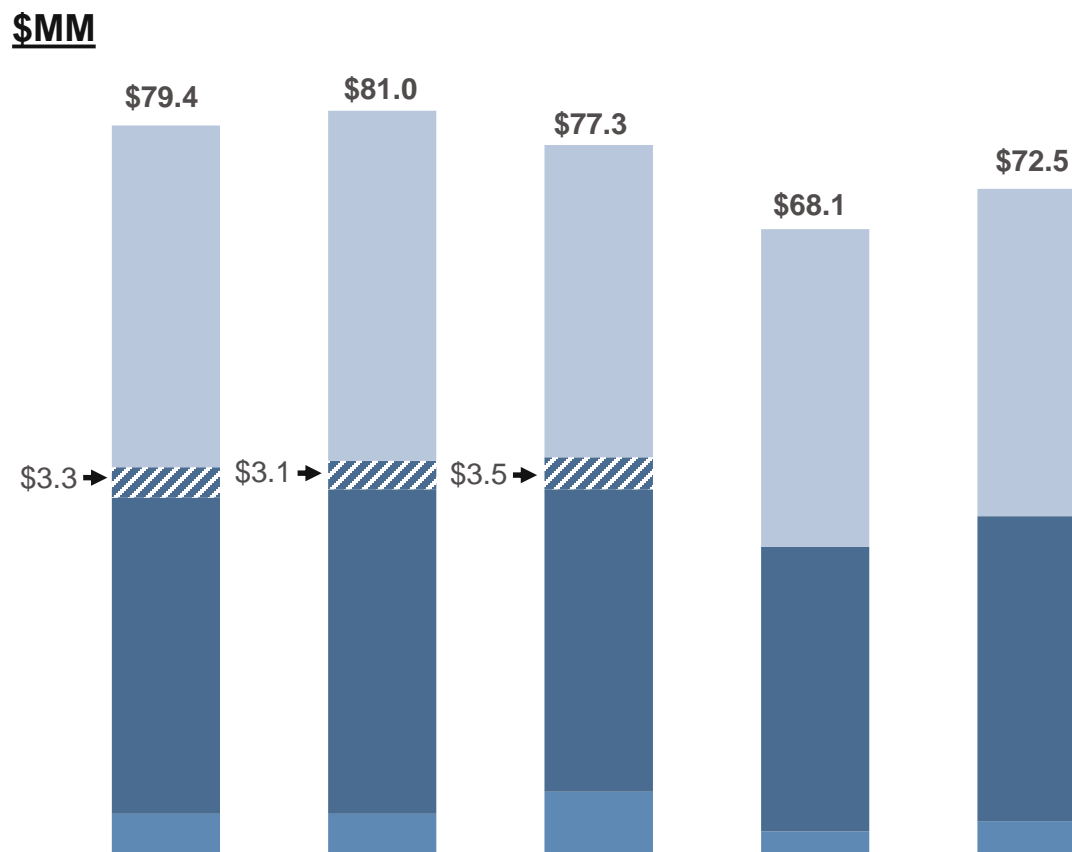
- Higher average AUM QoQ



Operating Metrics	2Q18	3Q18	4Q18	1Q19	2Q19
Average AUM (\$Bn)	\$61.6	\$63.4	\$58.5	\$57.0	\$60.1
Average Fee Rate (bps), as reported	68.0	67.6	65.1	62.2	61.0
Average Fee Rate (bps), with ASU 2014-09	65.8	65.7	62.7	62.2	61.0

No prior periods have been restated, impact of ASU 2014-09 on revenue and effective fee rate is shown in table. Fund waivers and reimbursements

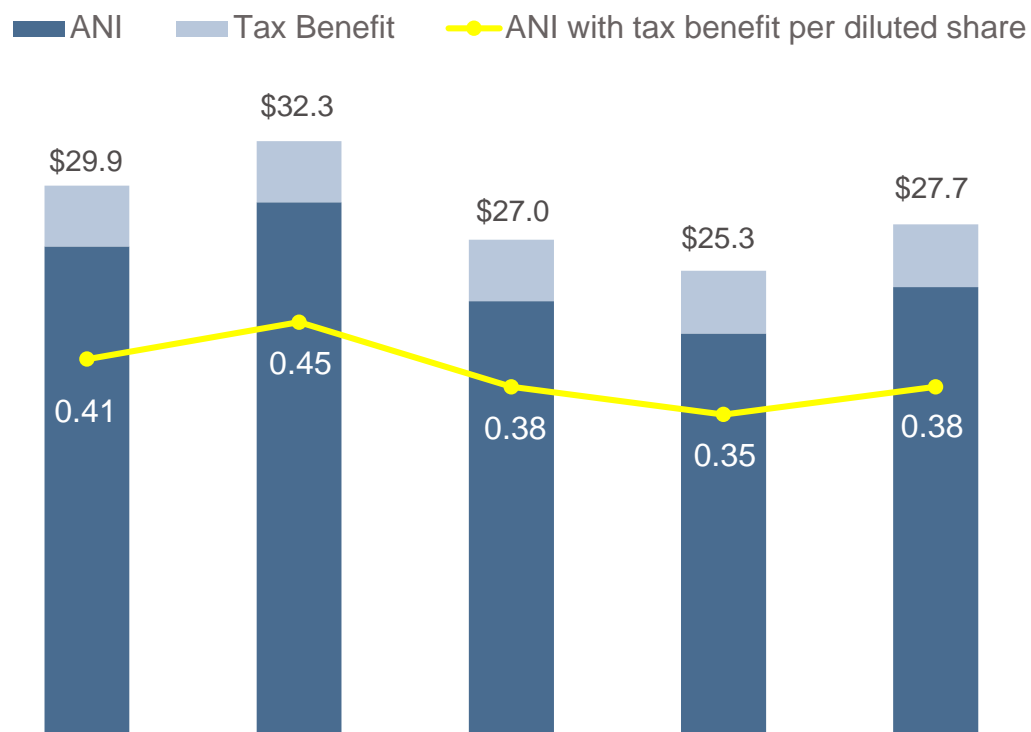
- Expenses increased 6% QoQ, due primarily to higher restructuring/integration costs and higher asset-based operating expenses
- YoY decline of 9% due to flexible business model and the adoption of ASU 2014-09



Operating Metrics (\$MM)	2Q18	3Q18	4Q18	1Q19	2Q19
Personnel	\$37.1	\$38.0	\$33.9	\$34.5	\$35.5
Operating	37.6	38.3	36.3	30.8	33.1
Non-Operating	4.7	4.7	7.1	2.8	3.9

- 2Q19 Adjusted Net Income with tax benefit of \$0.38 per diluted share
- ANI with tax benefit of \$27.7MM
- 10% QoQ increase in Adjusted Net Income with tax benefit
- Adjusted EBITDA Margin of 40.0% in 2Q19, up from 2Q18 and 1Q19

\$MM except per share data



Operating Metrics	2Q18	3Q18	4Q18	1Q19	2Q19
Adjusted EBITDA (\$MM)	\$40.7	\$43.3	\$36.4	\$33.6	\$36.6
Adjusted EBITDA Margin	39.0%	40.1%	37.9%	38.4%	40.0%

Adjusted measures are non-GAAP financial measures. Reconciliations and explanations of these non-GAAP financial measures are provided at the end of this presentation. Prior periods are not adjusted to reflect the impact of ASU 2014-09.

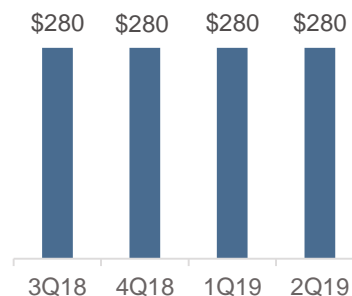
- Cash balance increased from \$51.5MM at Dec. 31, 2018, to \$95.3MM at June 30, 2019
- Repurchased 113K shares in 2Q19, at an average price of \$17.19 per share
- As of June 30, 1.1 million shares repurchased at an average price of \$10.38 per share
- Quarterly cash dividend initiated with declaration of \$0.05 per share dividend payable on September 25

Selected Balance Sheet Items (\$MM)	6/30/19
Cash / Cash Equivalents	\$95.3
Debt	\$280.0
Stockholders' Equity	\$487.0
Diluted Shares Outstanding (MM)	73.5
Net Debt / LTM EBITDA ¹	1.3x

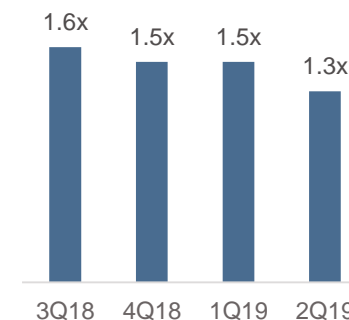
Operating Cash Flow (\$MM)



Borrowings (\$MM)



Leverage Ratio¹



¹ Net Debt/EBITDA ratio was 1.3x at 6.30.19, although credit agreement does not permit netting out restricted cash, including the \$71.9 million that was placed in escrow on June 28, for the USAA Asset Management acquisition. Therefore, net Debt/EBITDA ratio (per the credit agreement) was 1.8x at 6.30.19

ANNUAL COST SYNERGIES

- \$120 million in total cost synergies
 - \$75 million of costs removed, as of July 1 close
 - \$100 million of costs removed by year-end
 - \$120 million of costs removed 12-15 months after close
-

ADJUSTED EPS ACCRETION

- Greater than 40% in 2019
 - Greater than 100% in 2020
-

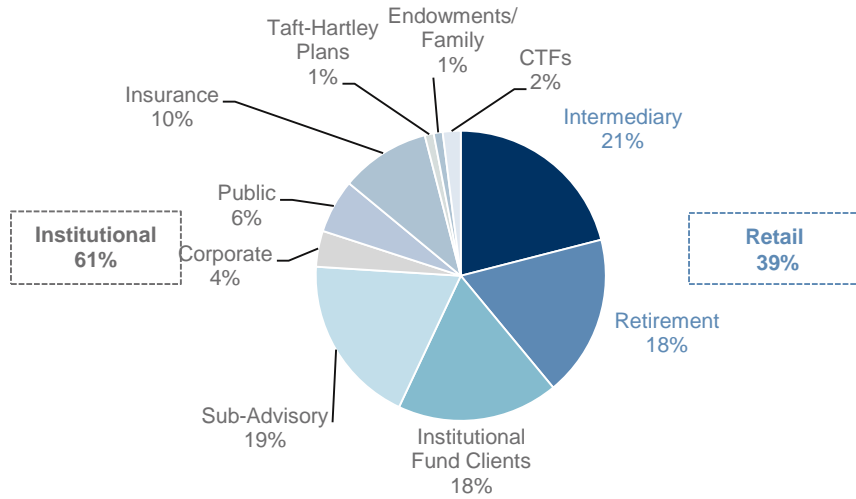
CASH FLOW AND BALANCE SHEET

- Adjusted EBITDA margin of ~46%, when fully integrated
- Free cash flow of 70%-75% of adjusted EBITDA
- Run rate Debt/EBITDA of 2.7X

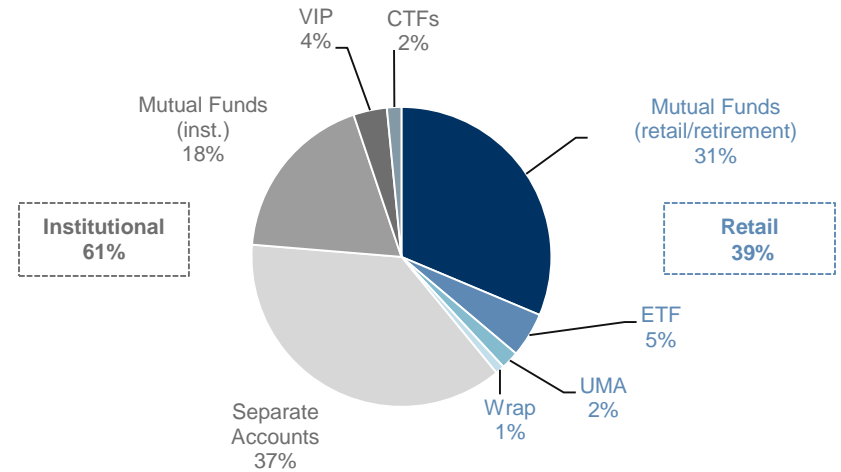
Appendix

Diversified Platform Across Asset Classes, Investment Strategies, Client Types and Investment Vehicles

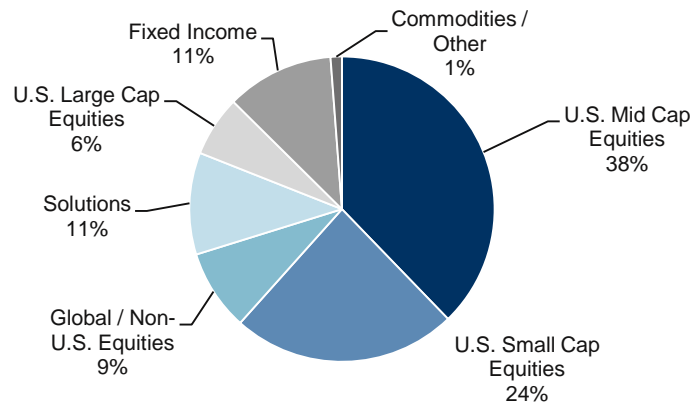
Diverse Institutional and Retail Client Base...



...Served by a Variety of Investment Solutions...



...Across a Broad Range of Asset Classes



Information Regarding Non-GAAP Financial Measures

Victory Capital uses non-GAAP financial measures referred to as Adjusted EBITDA and Adjusted Net Income to measure the operating profitability of the Company. These measures eliminate the impact of one-time acquisition, restructuring and integration costs and demonstrate the ongoing operating earnings metrics of the Company. The Company has included these non-GAAP measures to provide investors with the same financial metrics used by management to assess the operating performance of the Company.

Adjusted EBITDA

Adjustments made to GAAP Net Income to calculate Adjusted EBITDA, as applicable, are:

- Adding back income tax expense;
- Adding back interest paid on debt and other financing costs net of interest income;
- Adding back depreciation on property and equipment;
- Adding back other business taxes;
- Adding back amortization expense on acquisition-related intangible assets;
- Adding back stock-based compensation expense associated with equity awards issued from pools created in connection with the management-led buyout and various acquisitions and as a result of equity grants related to the IPO;
- Adding back direct incremental costs of acquisitions and the IPO, including restructuring costs;
- Adding back debt issuance cost expense;
- Adding back pre-IPO governance expenses paid to the Company's private equity partners that terminated as of the completion of the IPO; and
- Adjusting for earnings/losses on equity method investments.

Information Regarding Non-GAAP Financial Measures (cont.)

Adjusted Net Income

Adjustments made to GAAP Net Income to calculate Adjusted Net Income, as applicable, are:

- Adding back other business taxes;
- Adding back amortization expense on acquisition-related intangible assets;
- Adding back stock-based compensation expense associated with equity awards issued from pools created in connection with the management-led buyout and various acquisitions and as a result of any equity grants related to the IPO;
- Adding back direct incremental costs of acquisitions and the IPO, including restructuring costs;
- Adding back debt issuance cost expense;
- Adding back pre-IPO governance expenses paid to the Company's private equity partners that terminated as of the completion of the IPO; and
- Subtracting an estimate of income tax expense applied to the sum of the adjustments above.

Tax Benefit of Goodwill and Acquired Intangible Assets

Due to Victory Capital's acquisitive nature, tax deductions allowed on acquired intangible assets and goodwill provide it with additional significant supplemental economic benefit. The tax benefit of goodwill and intangible assets represent the tax benefits associated with deductions allowed for intangible assets and goodwill generated from prior acquisitions in which the Company received a step-up in basis for tax purposes. Acquired intangible assets and goodwill may be amortized for tax purposes, generally over a 15-year period. The tax benefit from amortization on these assets is included to show the full economic benefit of deductions for all acquired intangible assets with a step-up in tax basis.

Reconciliation of Adjusted EBITDA Metrics



	For the three months ended,				
	<i>(in thousands)</i>				
	<u>6/30/2018</u>	<u>9/30/2018</u>	<u>12/18/2018</u>	<u>3/31/2019</u>	<u>6/30/2019</u>
GAAP Net income	\$ 18,675	\$ 20,590	\$ 13,915	\$ 14,527	\$ 14,383
GAAP Income tax expense	(6,311)	(6,562)	(4,777)	(4,807)	(4,478)
GAAP income before taxes	24,986	27,152	18,692	19,334	18,861
Interest expense	4,229	4,053	3,797	3,853	3,613
Depreciation	736	775	709	571	612
Other business taxes	443	350	337	555	424
GAAP amortization of acquisition-related intangibles	5,195	4,799	4,651	4,651	4,651
Stock-based compensation	3,968	4,005	3,943	1,478	3,321
Acquisition, restructuring and exit costs	560	1,647	3,664	2,777	4,575
Debt issuance costs	361	373	371	364	366
Pre-IPO governance expenses	(3)	--	--	--	--
Earnings/losses from equity method investments	202	167	224	4	150
Adjusted EBITDA	\$ 40,677	\$ 43,321	\$ 36,388	\$ 33,587	\$ 36,573
Revenue (in thousands)	\$ 104,399	\$ 108,082	\$ 95,967	\$ 87,479	\$ 91,360
Adjusted EBITDA Margin	39.0%	40.1%	37.9%	38.4%	40.0%

Detailed Reconciliation of 2Q19 Adjusted Net Income



Three months Ended June 30, 2019

(in thousands except share amounts)

	Adjustments							Total Adjustments	Non-GAAP Basis	Tax Benefit of Goodwill and Acquired Intangibles
	U.S. GAAP Basis	Other Business Taxes	GAAP Amortization of Acquisition-Related Intangibles	Stock-Based Compensation	Acquisition, Restructuring and Exit Costs	Debt Issuance Costs				
Revenue										
Investment management fees	\$ 78,042						\$ -	\$ 78,042		
Fund administration and distribution fees	13,318						-	13,318		
Total revenue	<u>91,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,360</u>		
Expenses										
Personnel compensation and benefits (1)	35,542			(3,321)			(3,321)	32,221		
Distribution and other asset-based expenses (2)	16,182						-	16,182		
General and administrative (2)	7,087	(424)					(424)	6,663		
Depreciation and amortization (2)	5,263		(4,651)				(4,651)	612		
Change in value of consideration payable for acquisition of business (2)	(14)							(14)		
Acquisition-related costs (2)	2,787				(2,787)		(2,787)	-		
Restructuring and integration costs (2)	1,788				(1,788)		(1,788)	-		
Total operating expenses	<u>68,635</u>	<u>(424)</u>	<u>(4,651)</u>	<u>(3,321)</u>	<u>(4,575)</u>	<u>-</u>	<u>(12,971)</u>	<u>55,664</u>		
Income/(loss) from operations	<u>22,725</u>	<u>424</u>	<u>4,651</u>	<u>3,321</u>	<u>4,575</u>	<u>-</u>	<u>12,971</u>	<u>35,696</u>		
Other income (expense)										
Interest income and other income/(expense) (3)	656						-	656		
Interest expense and other financing costs (3)	(4,520)					366	366	(4,154)		
Loss on debt extinguishment (3)	-						-	-		
Total other income (expense), net	<u>(3,864)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366</u>	<u>366</u>	<u>(3,498)</u>		
Income/(loss) before income taxes	<u>18,861</u>	<u>424</u>	<u>4,651</u>	<u>3,321</u>	<u>4,575</u>	<u>366</u>	<u>13,337</u>	<u>32,198</u>		
Income tax (expense)/benefit	(4,478)	(106)	(1,163)	(830)	(1,144)	(92)	(3,334)	(7,812)	3,361	
Net income/(loss)	<u>\$ 14,383</u>	<u>\$ 318</u>	<u>\$ 3,488</u>	<u>\$ 2,491</u>	<u>\$ 3,431</u>	<u>\$ 274</u>	<u>\$ 10,002</u>	<u>\$ 24,386</u>	<u>+ \$ 3,361</u>	<u>= \$ 27,747</u>
Earnings per share—basic	\$ 0.21							\$ 0.36	\$ 0.05	
Earnings per share—diluted	\$ 0.20							\$ 0.33	+ \$ 0.05	= \$ 0.38
Weighted average shares outstanding—basic	67,583,220							67,583,220	67,583,220	
Weighted average shares outstanding—diluted	73,521,077							73,521,077	73,521,077	
Memo: Expenses										
Personnel (1)	35,542							32,221		
Operating (2)	33,093							23,443		
Non-Operating (3)	3,864							3,498		

Detailed Reconciliation of 2Q18 Adjusted Net Income



Three months Ended June 30, 2018
(in thousands except share amounts)

	Adjustments							Non-GAAP Basis	Tax Benefit of Goodwill and Acquired Intangibles
	U.S. GAAP Basis	Other Business Taxes	GAAP Amortization of Acquisition-Related Intangibles	Stock-Based Compensation	Acquisition, Restructuring and Exit Costs	Debt Issuance Costs	Pre-IPO Governance Costs		
Revenue									
Investment management fees	\$ 88,998							\$ 88,998	
Fund administration and distribution fees	15,401							15,401	
Total revenue	104,399	-	-	-	-	-	-	104,399	-
Expenses									
Personnel compensation and benefits (1)	37,140			(3,968)				33,172	
Distribution and other asset-based expenses (2)	24,127							24,127	
General and administrative (2)	7,088	(443)			(13)		3	6,635	
Depreciation and amortization (2)	5,931		(5,195)					736	
Change in value of consideration payable for acquisition of business (2)	(4)							(4)	
Acquisition-related costs (2)	(5)				5			-	
Restructuring and integration costs (2)	438				(438)			-	
Total operating expenses	74,715	(443)	(5,195)	(3,968)	(446)	-	3	64,666	
Income/(loss) from operations	29,684	443	5,195	3,968	446	-	(3)	39,733	
Other income (expense)									
Interest income and other income/(expense) (3)	8				114			122	
Interest expense and other financing costs (3)	(4,706)					361		(4,345)	
Loss on debt extinguishment (3)	-							-	
Total other income (expense), net	(4,698)	-	-	-	114	361	-	(4,223)	
Income/(loss) before income taxes	24,986	443	5,195	3,968	560	361	(3)	35,510	
Income tax (expense)/benefit	(6,311)	(111)	(1,299)	(992)	(140)	(90)	1	(8,942)	3,320
Net income/(loss)	\$ 18,675	\$ 332	\$ 3,896	\$ 2,976	\$ 420	\$ 271	\$ (2)	\$ 26,568	\$ 3,320
Earnings per share—basic	\$ 0.27							\$ 0.39	\$ 0.05
Earnings per share—diluted	\$ 0.26							\$ 0.37	\$ 0.04
Weighted average shares outstanding—basic	67,948,732							67,948,732	67,948,732
Weighted average shares outstanding—diluted	72,135,290							72,135,290	72,135,290
Memo: Expenses									
Personnel (1)	37,140							33,172	
Operating (2)	37,575							31,494	
Non-Operating (3)	4,698							4,223	

Detailed Reconciliation of 1H19 Adjusted Net Income



Six months Ended June 30, 2019

(in thousands except share amounts)

	Adjustments								Tax Benefit of Goodwill and Acquired Intangibles
	U.S. GAAP Basis	Other Business Taxes	GAAP Amortization of Acquisition-Related Intangibles	Stock-Based Compensation	Acquisition, Restructuring and Exit Costs	Debt Issuance Costs	Total Adjustments	Non-GAAP Basis	
Revenue									
Investment management fees	\$ 152,453						\$ -	\$ 152,453	
Fund administration and distribution fees	26,386						-	26,386	
Total revenue	178,839	-	-	-	-	-	-	178,839	
Expenses									
Personnel compensation and benefits (1)	70,043			(4,799)			(4,799)	65,244	
Distribution and other asset-based expenses (2)	31,949						-	31,949	
General and administrative (2)	14,174	(979)					(979)	13,195	
Depreciation and amortization (2)	10,485		(9,302)				(9,302)	1,183	
Change in value of consideration payable for acquisition of business (2)	(14)							(14)	
Acquisition-related costs (2)	5,564				(5,564)		(5,564)	-	
Restructuring and integration costs (2)	1,788				(1,788)		(1,788)	-	
Total operating expenses	133,989	(979)	(9,302)	(4,799)	(7,352)	-	(22,432)	111,557	
Income/(loss) from operations	44,850	979	9,302	4,799	7,352	-	22,432	67,282	
Other income (expense)									
Interest income and other income/(expense) (3)	2,489						-	2,489	
Interest expense and other financing costs (3)	(9,144)					730	730	(8,414)	
Loss on debt extinguishment (3)	-						-	-	
Total other income (expense), net	(6,655)	-	-	-	-	730	730	(5,925)	
Income/(loss) before income taxes	38,195	979	9,302	4,799	7,352	730	23,162	61,357	
Income tax (expense)/benefit	(9,285)	(245)	(2,326)	(1,200)	(1,838)	(183)	(5,790)	(15,075)	6,722
Net income/(loss)	\$ 28,910	\$ 734	\$ 6,977	\$ 3,599	\$ 5,514	\$ 548	\$ 17,372	\$ 46,282	+ \$ 6,722 = \$ 53,004
Earnings per share—basic	\$ 0.43							\$ 0.69	\$ 0.10
Earnings per share—diluted	\$ 0.40							\$ 0.63	+ \$ 0.09 = \$ 0.73
Weighted average shares outstanding—basic	67,552,224							67,552,224	67,552,224
Weighted average shares outstanding—diluted	72,962,294							72,962,294	72,962,294
Memo: Expenses									
Personnel (1)	70,043							65,244	
Operating (2)	63,946							46,313	
Non-Operating (3)	6,655							5,925	

Detailed Reconciliation of 1H18 Adjusted Net Income



Six months Ended June 30, 2018
(in thousands except share amounts)

	Adjustments								
	U.S. GAAP Basis	Other Business Taxes	GAAP Amortization of Acquisition-Related Intangibles	Stock-Based Compensation	Acquisition, Restructuring and Exit Costs	Debt Issuance Costs	Pre-IPO Governance Costs	Non-GAAP Basis	Tax Benefit of Goodwill and Acquired Intangibles
Revenue									
Investment management fees	\$ 178,128							\$ 178,128	
Fund administration and distribution fees	31,235							31,235	
Total revenue	209,363	-	-	-	-	-	-	209,363	-
Expenses									
Personnel compensation and benefits (1)	73,943			(7,290)				66,653	
Distribution and other asset-based expenses (2)	49,288							49,288	
General and administrative (2)	16,144	(818)			(267)	(1,898)	(138)	13,023	
Depreciation and amortization (2)	12,343		(10,871)					1,472	
Change in value of consideration payable for acquisition of business (2)	(4)							(4)	
Acquisition-related costs (2)	(5)				5			-	
Restructuring and integration costs (2)	702				(702)			-	
Total operating expenses	152,411	(818)	(10,871)	(7,290)	(964)	(1,898)	(138)	130,432	
Income/(loss) from operations	56,952	818	10,871	7,290	964	1,898	138	78,931	
Other income (expense)									
Interest income and other income/(expense) (3)	(29)				114			85	
Interest expense and other financing costs (3)	(11,798)					964		(10,834)	
Loss on debt extinguishment (3)	(6,058)					4,201		(1,857)	
Total other income (expense), net	(17,885)	-	-	-	114	5,165	-	(12,606)	
Income/(loss) before income taxes	39,067	818	10,871	7,290	1,078	7,063	138	66,325	
Income tax (expense)/benefit	(9,868)	(205)	(2,718)	(1,822)	(270)	(1,765)	(34)	(16,682)	6,640
Net income/(loss)	\$ 29,199	\$ 613	\$ 8,153	\$ 5,468	\$ 808	\$ 5,298	\$ 104	\$ 49,643	\$ 6,640
Earnings per share—basic	\$ 0.45							\$ 0.77	\$ 0.10
Earnings per share—diluted	\$ 0.42							\$ 0.72	\$ 0.09
Weighted average shares outstanding—basic	64,791,435							64,791,435	64,791,435
Weighted average shares outstanding—diluted	69,352,895							69,352,895	69,352,895
Memo: Expenses									
Personnel (1)	73,943							66,653	
Operating (2)	78,468							63,779	
Non-Operating (3)	17,885							12,606	

Reconciliation of Adjusted Net Income Metrics



	For the three months ended,				
	<i>(in thousands, except share data)</i>				
	<u>6/30/2018</u>	<u>9/30/2018</u>	<u>12/18/2018</u>	<u>3/31/2019</u>	<u>6/30/2019</u>
GAAP Net Income	\$ 18,675	\$ 20,590	\$ 13,915	\$ 14,527	\$ 14,383
Other business taxes	443	350	337	555	424
GAAP amortization of acquisition-related intangibles	5,195	4,799	4,651	4,651	4,651
Stock-based compensation	3,968	4,005	3,943	1,478	3,321
Acquisition, restructuring and exit costs	560	1,647	3,664	2,777	4,575
Debt issuance costs	361	373	371	364	366
Pre-IPO governance expenses	(3)	--	--	-	-
Tax effect of above adjustments	<u>(2,631)</u>	<u>(2,794)</u>	<u>(3,241)</u>	<u>(2,456)</u>	<u>(3,334)</u>
Adjusted Net Income	26,568	28,970	23,640	21,896	24,386
Tax benefit of goodwill and acquired intangibles	<u>3,320</u>	<u>3,318</u>	<u>3,320</u>	<u>3,361</u>	<u>3,361</u>
Adjusted Net Income with Tax Benefit	\$ 29,888	\$ 32,288	\$ 26,960	\$ 25,257	\$ 27,747
Weighted average shares outstanding – diluted	72,135,290	71,863,566	71,557,705	72,281,878	73,521,077
Adjusted Net income with Tax Benefit Per Diluted Share	\$ 0.41	\$ 0.45	\$ 0.38	\$ 0.35	\$ 0.38

Investing involves risk, including the potential loss of principal. There are no assurances that any fund will achieve its stated objective. All data in this presentation, unless otherwise noted, is as of June 30, 2019.

Past performance does not guarantee future results. A fund's most recent performance can be found at vcm.com. 28 mutual funds and ETFs did not have 4- or 5- star overall ratings. 29% of AUM in mutual funds and ETFs did not receive overall rating of 4 or 5 stars. Percentages of mutual fund and ETF AUM not receiving 4/5 star ratings: 29% for overall period, 29% for 3 years, 28% for 5 years and 19% for 10 years.

An investor should carefully consider a fund's investment objectives, risks, charges and expenses before investing. This and other important information can be found in the prospectus or the summary prospectus. To obtain a prospectus for the VictoryShares ETFs visit www.victoryshares.com. To obtain a prospectus for the Victory Funds mutual funds visit www.victoryfundliterature.com. Please read the prospectus carefully before investing.

VictoryShares ETFs are distributed by Foreside Fund Services, LLC. Victory Funds mutual funds are distributed by Victory Capital Advisers, Inc. Neither Victory Capital Advisers, Inc. nor its affiliates are affiliated with Foreside Fund Services, LLC.

The Morningstar Rating for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and ten-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36–59 months of total returns, 60% five-year rating/40% three-year rating for 60–119 months of total returns, and 50% ten-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the ten-year overall star rating formula seems to give the most weight to the ten-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods. Ratings may reflect fee waivers in effect; in their absence, ratings may have been lower.

Barron's ranked Victory Capital 9th overall, 4th in the Mixed Asset category, and 5th in the Taxable Bond category out of 57 fund families for the one-year period ended December 31, 2018; 10th out of 58 firms for the one-year period ended December 31, 2017; 21st out of 61 firms for the one-year period ended December 31, 2016; 25th out of 67 firms for the one-year period ended December 31, 2015; and 15th out of 65 firms for the one-year period ended December 31, 2014.

How **Barron's** Ranks the Fund Families

All mutual and exchange-traded funds are required to report their returns (to regulators as well as in advertising and marketing material) after fees are deducted, to better reflect what investors would actually experience. But our aim is to measure manager skill, independent of expenses beyond annual management fees. That's why we calculate returns before any 12b-1 fees are deducted. Similarly, fund loads, or sales charges, aren't included in our calculation of returns. Each fund's performance is measured against all of the other funds in its Lipper category, with a percentile ranking of 100 being the highest and one the lowest. This result is then weighted by asset size, relative to the fund family's other assets in its general classification. If a family's biggest funds do well, that boosts its overall ranking; poor performance in its biggest funds hurts a firm's ranking.

To be included in the ranking, a firm must have at least three funds in the general equity category, one world equity, one mixed equity (such as a balanced or target-date fund), two taxable bond funds, and one national tax-exempt bond fund.

We have historically excluded single-sector and country equity funds, but those are now factored into the rankings as general equity. We exclude all passive index funds, including pure index, enhanced index, and index-based, but include actively managed ETFs and so-called smart-beta ETFs, which are passively managed but created from active strategies. Finally, the score is multiplied by the weighting of its general classification, as determined by the entire Lipper universe of funds. The category weightings for the one-year results in 2018 were general equity, 34.8%; mixed asset, 21.3%; world equity, 17.1%; taxable bond, 22.4%; and tax-exempt bond, 4.4%.

The category weightings for the five-year results were general equity, 35.9%; mixed asset, 19.7%; world equity, 17.3%; taxable bond, 22.5%; and tax-exempt bond, 4.5%. For the 10-year list, they were general equity, 37.1%; mixed asset, 20%; world equity, 16.7%; taxable bond, 21.2%; and tax-exempt bond, 4.9%.

The scoring: Say a fund in the general U.S. equity category has \$500 million in assets, accounting for half of the firm's assets in that category, and its performance lands it in the 75th percentile for the category. The first calculation would be 75 times 0.5, which comes to 37.5. That score is then multiplied by 34.8%, general equity's overall weighting in Lipper's universe. So, it would be 37.5 times 0.348, which equals 13.05. Similar calculations are done for each fund in our study. Then the numbers are added for each category and overall. The shop with the highest total score wins. The same process is repeated to determine the five- and 10-year rankings.

Source: "Barron's Fund Family Ranking: How the Best Active Managers Performed", March 8, 2019. Please note that Barron's updated the title of the most recent fund family rankings to read: "The Best Fund Family's of 2019". This change had no effect on the rankings.