
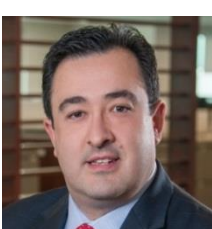




First Quarter, 2018
Earnings Presentation
May 8, 2018

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.

Executive	Years of Experience	Biographical References
 <p>David C. Brown, CPA <i>Chairman and Chief Executive Officer</i></p>	<ul style="list-style-type: none"> • Joined Victory in: 2004 • Industry experience: 24 years 	<ul style="list-style-type: none"> • Responsibilities: Day-to-day operations, develops, executes and oversees overall firm strategy. Also serves as Chairman of the Board of Directors and Victory Mutual Fund Trustee • Previous experience: Chief Financial Officer and Chief Operating Officer of Gartmore Emerging Managers at Gartmore Investments; Manager in the Assurance & Advisory Business Services unit of Ernst & Young • Education: B.A. from Ursinus College, MBA from Case Western Reserve University
 <p>Terence F. Sullivan <i>Chief Financial Officer and Head of Strategy</i></p>	<ul style="list-style-type: none"> • Joined Victory in: 2017 • Industry experience: 21 years 	<ul style="list-style-type: none"> • Responsibilities: Overall responsibility for the firm's financial operations, accounting, treasury management and corporate strategy • Previous experience: Managing Director, Head of Global Asset Management in the Financial Institutions Group at Morgan Stanley; investment banker at Putnam Lovell NBF; management consultant at KPMG Consulting • Education: B.S. from Villanova University, MBA from Columbia Business School
 <p>Michael D. Policarpo, CPA <i>Chief Operating Officer</i></p>	<ul style="list-style-type: none"> • Joined Victory in: 2005 • Industry experience: 22 years 	<ul style="list-style-type: none"> • Responsibilities: Oversees the day-to-day operations of the business platform, including all operational and administrative functions • Previous experience: VP of Finance, Chief Financial Officer of Advisor Services and corporate controller for Gartmore Global Investments; senior accountant in Assurance & Advisory Business Services unit of Ernst & Young • Education: B.S. from Lehigh University

Topics

First Quarter Overview

Business Update

Financial Results

Appendix

First Quarter Overview

INVESTMENT PERFORMANCE

- 87% of AUM outperformed benchmarks over the trailing one-year, 71% over the trailing three-year, 83% over the trailing five-year, 79% over the trailing 10-year
 - 75% of our strategies outperformed benchmarks over the trailing 1-year, 70% over the trailing 3-year, 76% over the trailing 5-year, 72% over the trailing 10-year
 - 69% of AUM in mutual funds and ETFs rated 4 or 5-stars overall by Morningstar, 59% over three years, 68% over five years, 66% over 10 years.
-

AUM AND FLOWS

- AUM at March 31, 2018 was \$60.9Bn, down 1.5% from year-end levels of \$61.8Bn
 - Market action of (\$275MM) and net outflows for the quarter of (\$633MM)
-

FINANCIAL RESULTS

- \$0.40 Adjusted Net Income with tax benefit per diluted share comprised of \$0.35 per diluted share in Adjusted Net Income and \$0.05 per diluted share in tax benefit, compared to \$0.39 per diluted share in the 4Q17 comprised of \$0.30 per diluted share in Adjusted Net Income and \$0.09 per diluted share in tax benefit
- 37.9% Adjusted EBITDA margin, compared to 37.9% in the prior quarter
- Execution of concurrent \$167MM IPO and \$360MM 7-year Term Loan B facility at L+275 bps and 99.75 OID
- Ended quarter with \$323MM of debt outstanding; post quarter-end reduced debt to \$305MM through prepayment activity

Business Update



Our Commitment

As a next generation, integrated multi-boutique investment management firm, Victory Capital connects the right talent with the right resources in the right environment. Our investment professionals are empowered to be their best. Unique talents are amplified. And our energies are focused on what really matters – helping our clients meet their goals.

Build Trust

We go to great lengths to fulfill our commitments and we work hard to do the right thing for our clients.

Respect Autonomy

We value independent decision-making and respect the autonomy of each of our Investment Franchises and Solutions Platform.

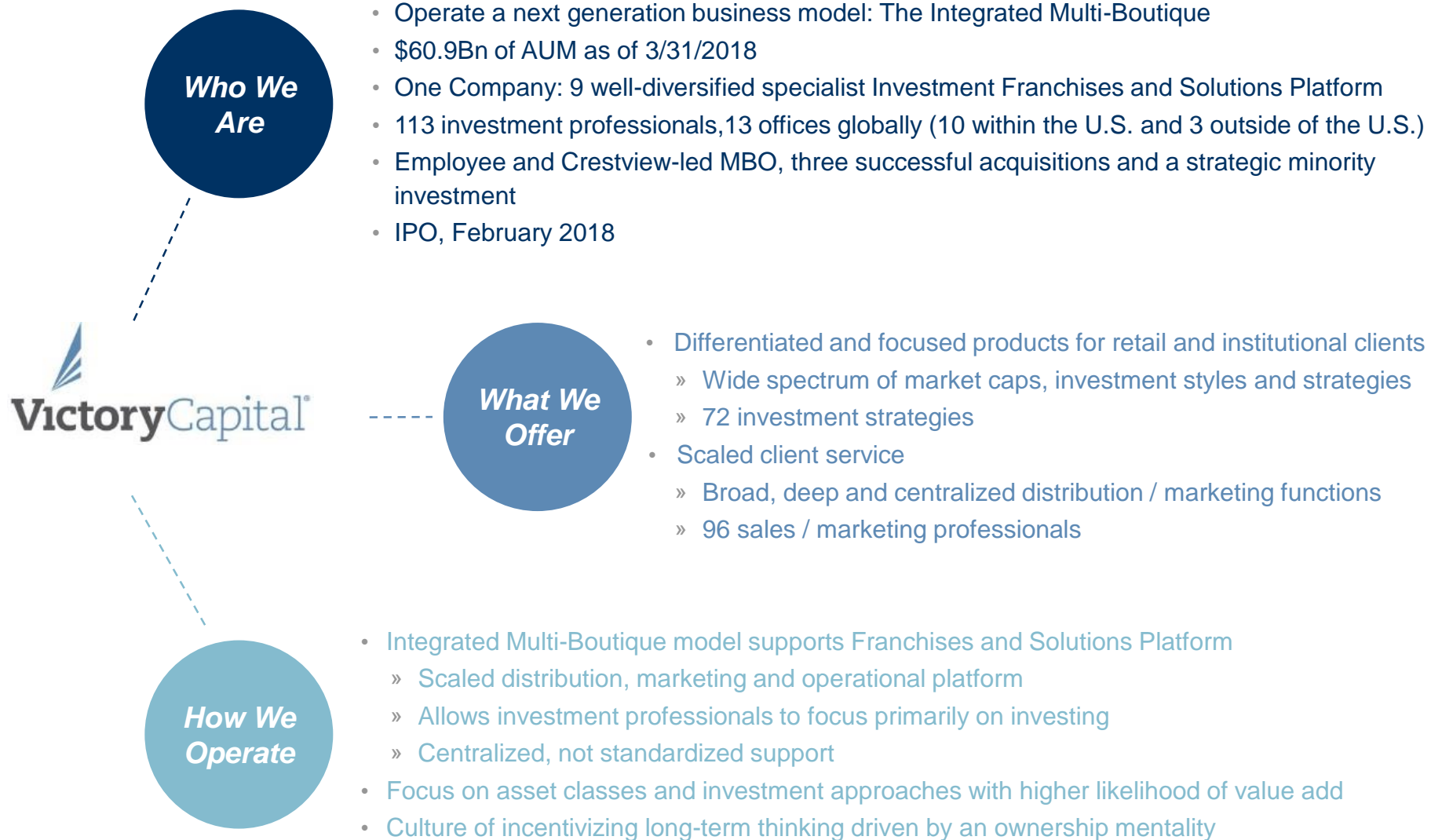
Invest Personally

We are invested in our clients' success. We demonstrate that commitment by investing our time, energy and our own assets in our strategies.

Create Alignment

We work together toward a common objective – helping our clients to achieve their goals. We have approximately \$100MM¹ invested in our own products.

¹ Reflects amount invested by employees as of December 31, 2017




Our Differentiated Integrated Model Delivers Significant Structural Advantages

Victory Capital's Integrated Multi-Boutique Model Has Significant Advantages...

Low ----- *Level of integration* ----- High



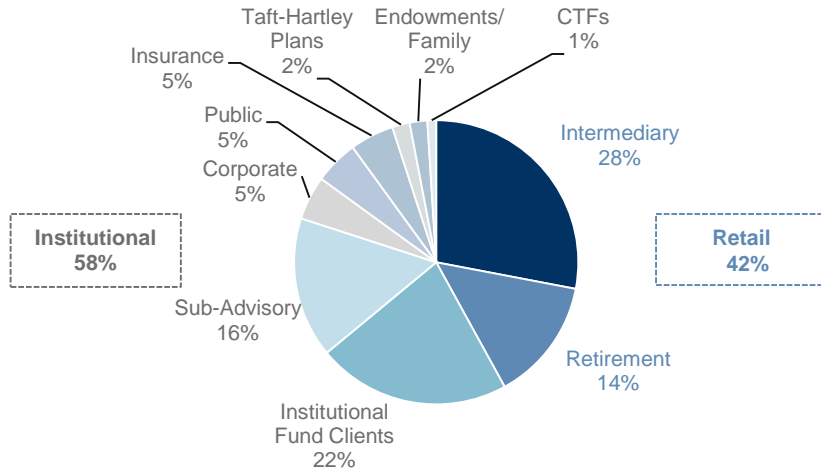
	<i>Multi-Boutique</i>		<i>Fully Integrated</i>
Brand	Independent brands	Independent brands	Single
Investment process	Autonomous	Autonomous	Centralized
Distribution and marketing	Non-centralized	Centralized	Centralized
Operations and back office	Non-centralized	Centralized (not standardized)	Centralized

... And Is Exceptionally Well-Positioned for M&A

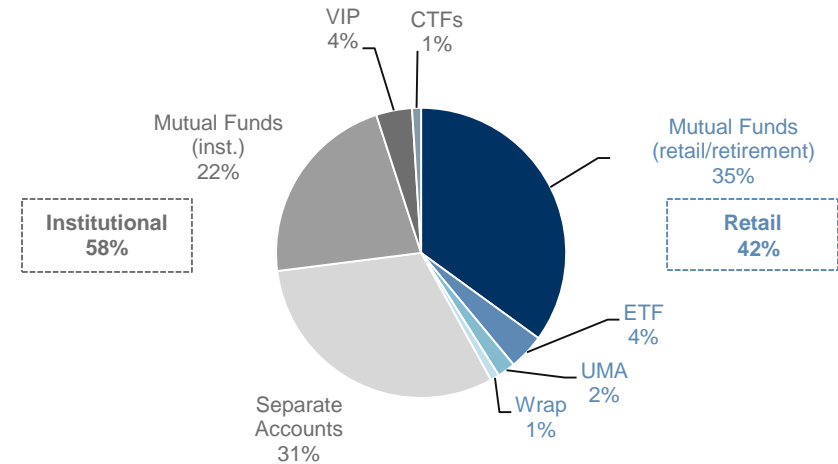
Preserve investment culture	✓	✓	✗
Synergies	✗	✓	✓

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

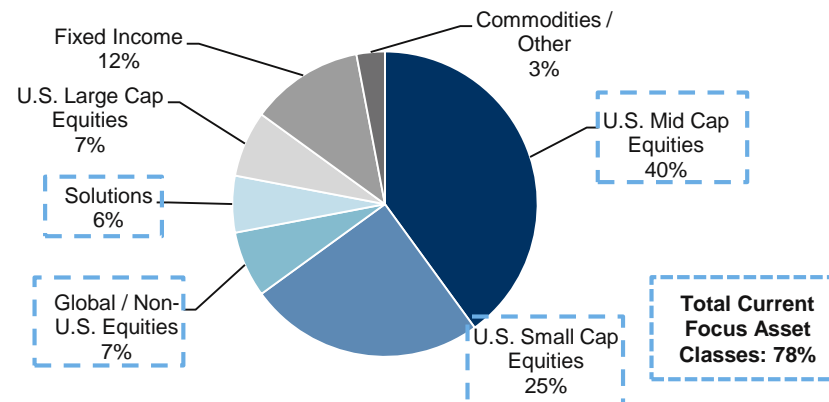
Diverse Institutional and Retail Client Base...



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



...Across a Broad Range of Asset Classes



Commitment to Long-Term Investment Performance Recognized by the Market



23

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

69%

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

Percentage of AUM that has outperformed its benchmark:

87% *Over a one-year period*

71% *Over a three-year period*

83% *Over a five-year period*

79% *Over a ten-year period*



4 *Consecutive years in the Top 25 Fund Families*

#10 *Overall ranking for 2017*

#21 *Overall ranking for 2016*

Barron's / Lipper Fund Family Rankings **#25** *Overall ranking for 2015*

#15 *Overall ranking for 2014*



*Institutional Brand Awareness**

#4 *Among managers \$50-\$100B in 2017*

#4 *Among managers \$50-\$100B in 2016*

#1 *Among managers \$25-\$50B in 2015*

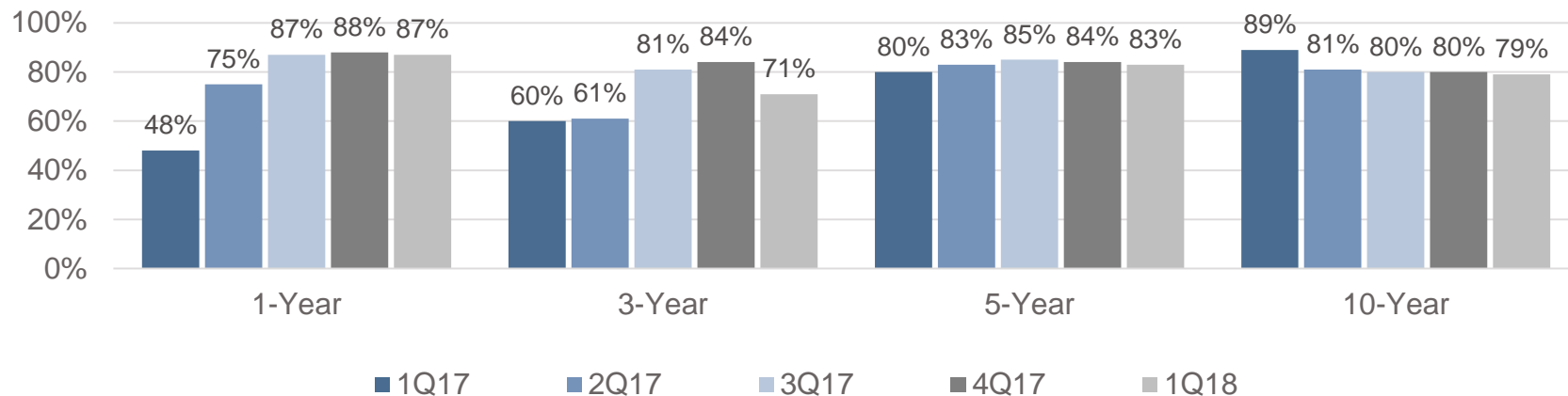
Notes: 26 mutual funds and ETFs did not have 4 or 5 star overall ratings. 31% of AUM in mutual funds and ETFs did not receive overall rating of 4 or 5 stars. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.

Data as of March 31, 2018

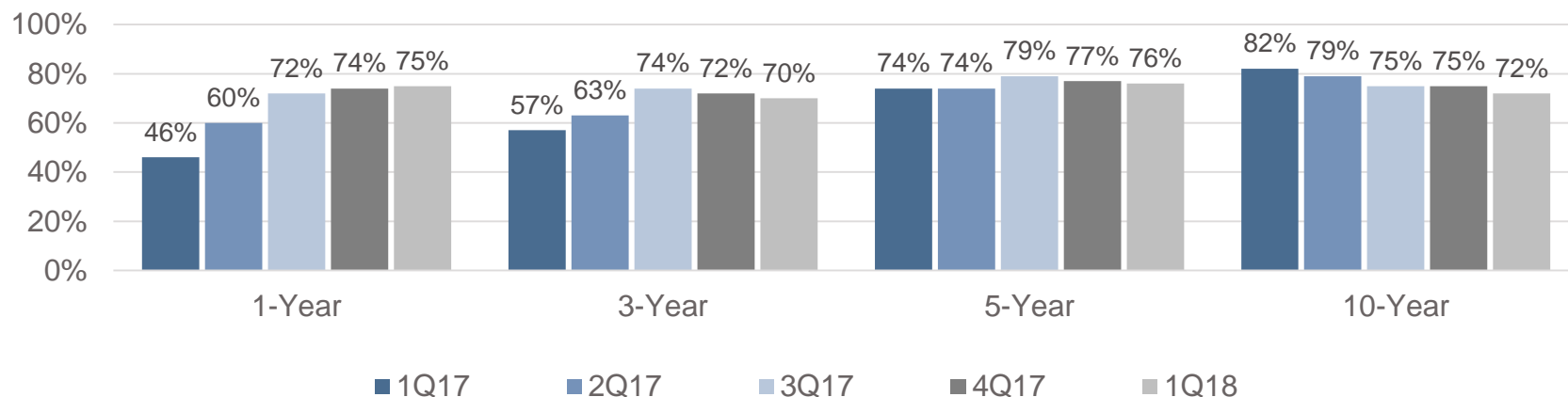
*eVestment, The Importance of Brand Awareness, updated January 2018

Long-term Outperformance Over Benchmarks

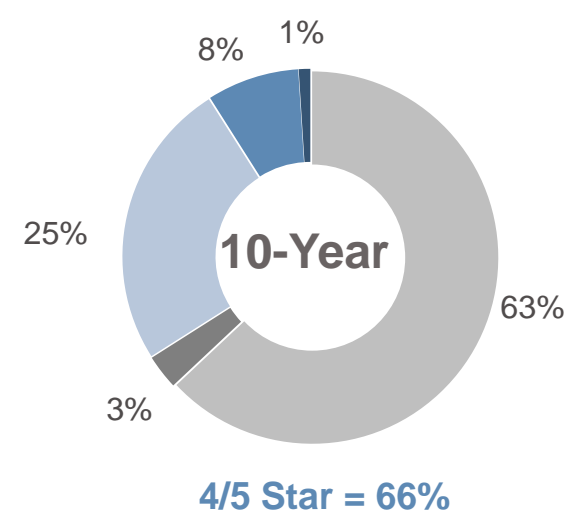
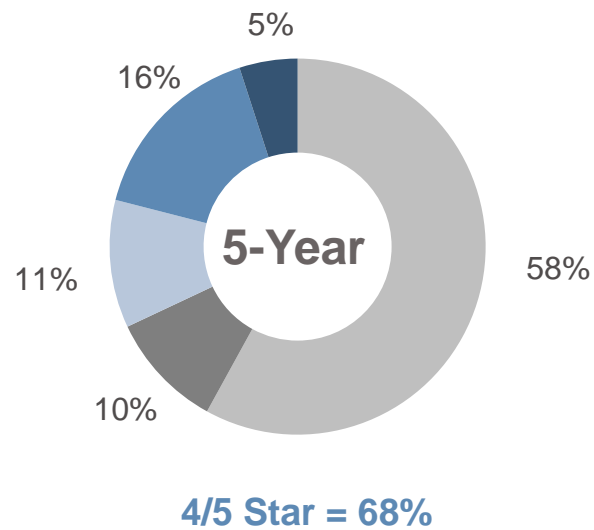
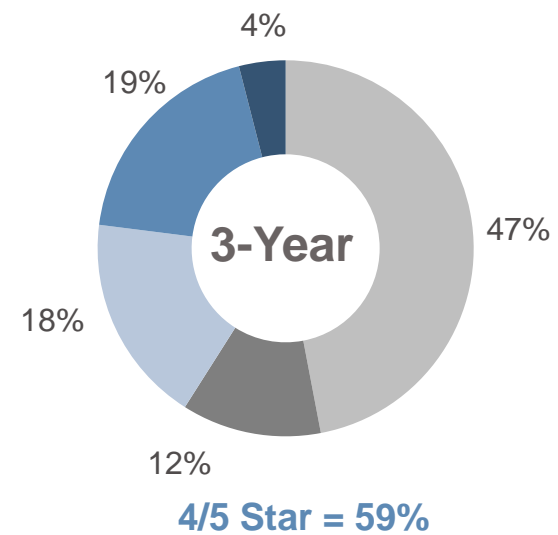
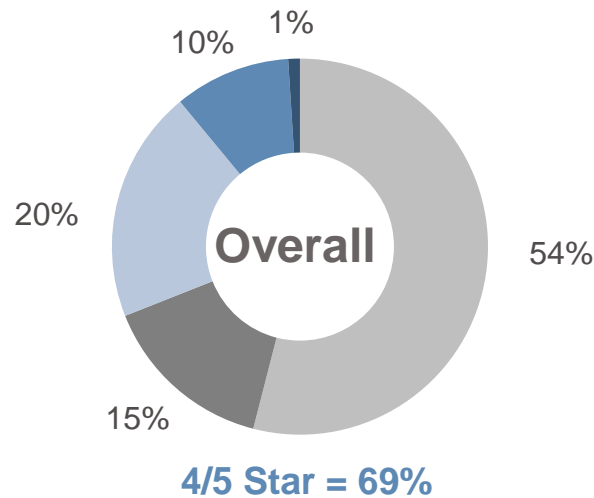
Percentage of AUM that has outperformed benchmark



Percentage of strategies that has outperformed benchmark



69% of AUM Ranked 4- or 5- Star Overall by Morningstar



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

Notes: Percentages of mutual fund and ETF AUM not receiving 4 or 5 star ratings: 31% for overall period, 41% for 3 years, 32% for 5 years and 34% for 10 years. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.
Data as of March 31, 2018

Committed to Focus Asset Classes With Significant Additional Capacity

ASSET CLASS	KEY FRANCHISES	# OF 4- OR 5-STAR FUNDS	4- OR 5-STAR EXCESS CAPACITY
Solutions	 VictoryShares™ Solutions Platform	6 of 9	\$62bn
Global/Non-U.S. Equities	   	6 of 7	\$33bn
U.S. Mid Cap Equities	   	2 of 7	\$12bn
U.S. Small Cap Equities	   	5 of 6	\$9bn
Total		19 of 29	\$116bn

Significant additional capacity in high performing products provides runway for future organic growth

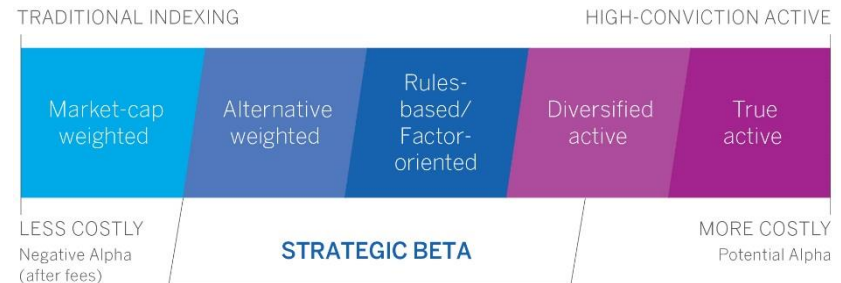
Notes: Number of mutual funds or ETFs not receiving 4 or 5 star ratings: 3 for Solutions, 1 for Global/Non-U.S. Equities, 5 for U.S. Mid Cap Equities and 1 for U.S. Small Cap Equities. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal. Morningstar data as of March 31, 2018

Exemplified by Strong Expansion in Hybrid, Solutions Investing Capabilities



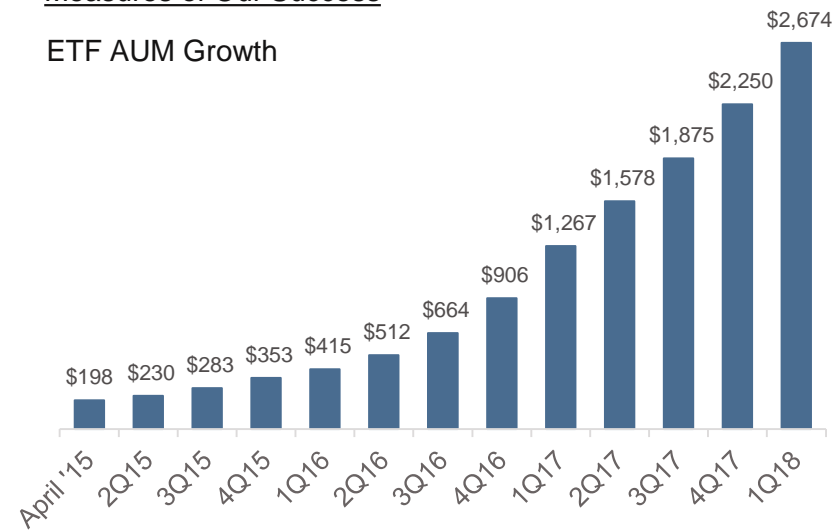
- 71% Market Share Increase YoY
- Rank 34th of 136 ETF Issuers for 1-year net flows / assets
- 20th in Net Flows
- 27th in Overall ETF AUM out of 136 funds
- \$198MM acquisition AUM (April '15) → \$2.7Bn 3/31/18
- 5 ETFs with AUM over \$100MM and 2 ETFs with AUM over \$500MM
- 2nd fastest-growing ETF provider with more than \$1Bn AUM
- 3 ETFs are rated 5 stars by Morningstar for both the Overall and 3-year time periods
- VictoryShares product net fees ~30 to 45bps

Product Vision for VictoryShares



Measures of Our Success

ETF AUM Growth



Notes: As of March 31, 2018, the ETFs were rated against 1,204 and 1,086 funds in the Large Blend Category and Large Value Category for the Overall and 3-year periods and received 5 star ratings, respectively. Ratings are based on risk-adjusted returns. Investing involves risk, including the potential loss of principal.

Source for rankings and market share data: Morningstar Direct as of March 31, 2018

Proven M&A Playbook and Compelling Value Proposition for Potential Targets

Clear and Thoughtful M&A Criteria...



... And Compelling Value Proposition for Investment Managers



True integrator approach has resulted in successful transitions onto platform with ~\$77mm¹ of net annualized expense synergies generated from our three acquisitions

¹ As of March 31, 2018

A Broad Opportunity Set Yet to Execute

Prior Transformative Transactions

MBO

 (2013)

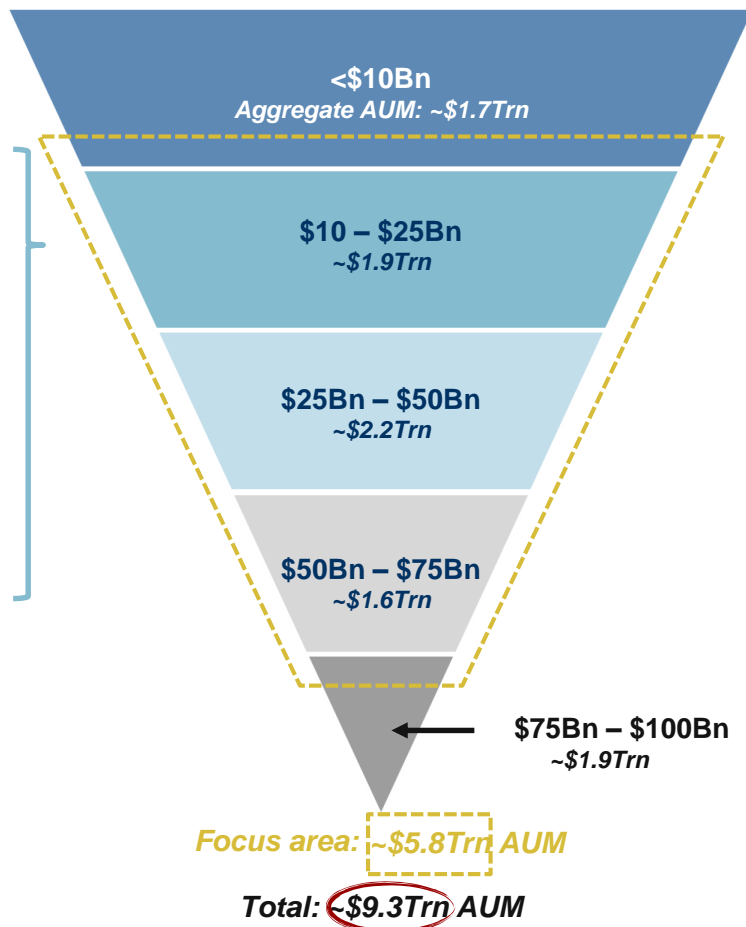
~100% of VCM AUM at time of announcement

 (2014)

~50% of VCM AUM at time of announcement

 (2016)

U.S. Investment Firms by AUM



Other Transactions

CEMP

 Redefining Indexing

 (2015)

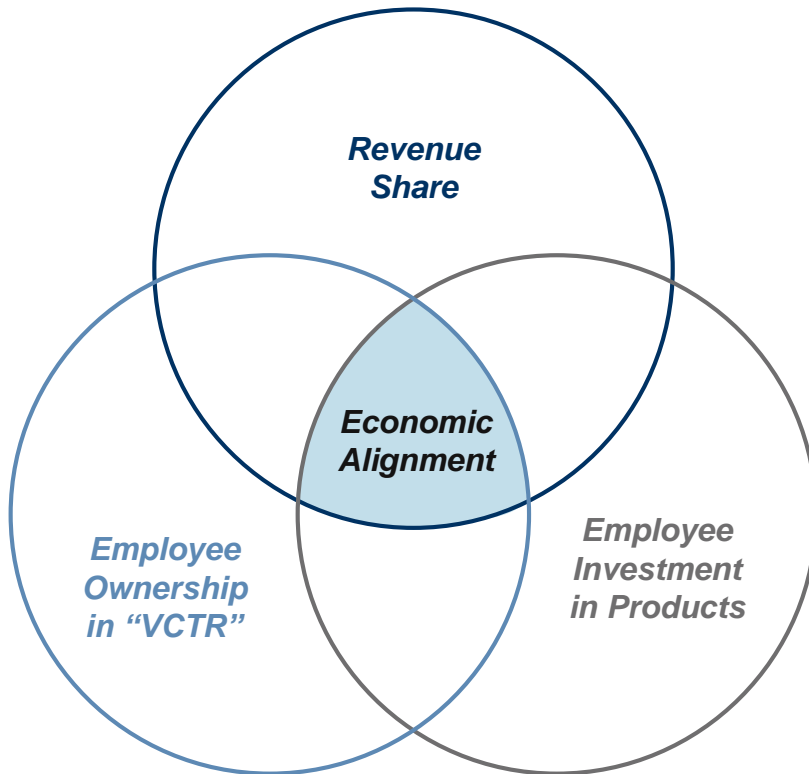
CEREBELLUM CAPITAL

 (2016, 2018)

Track record of successful execution and focus on top performing firms that will benefit from Integrated Multi-Boutique model

Economic and Structural Alignment of Interests Promotes Owner-Centric Culture

Key Elements of Economic Alignment

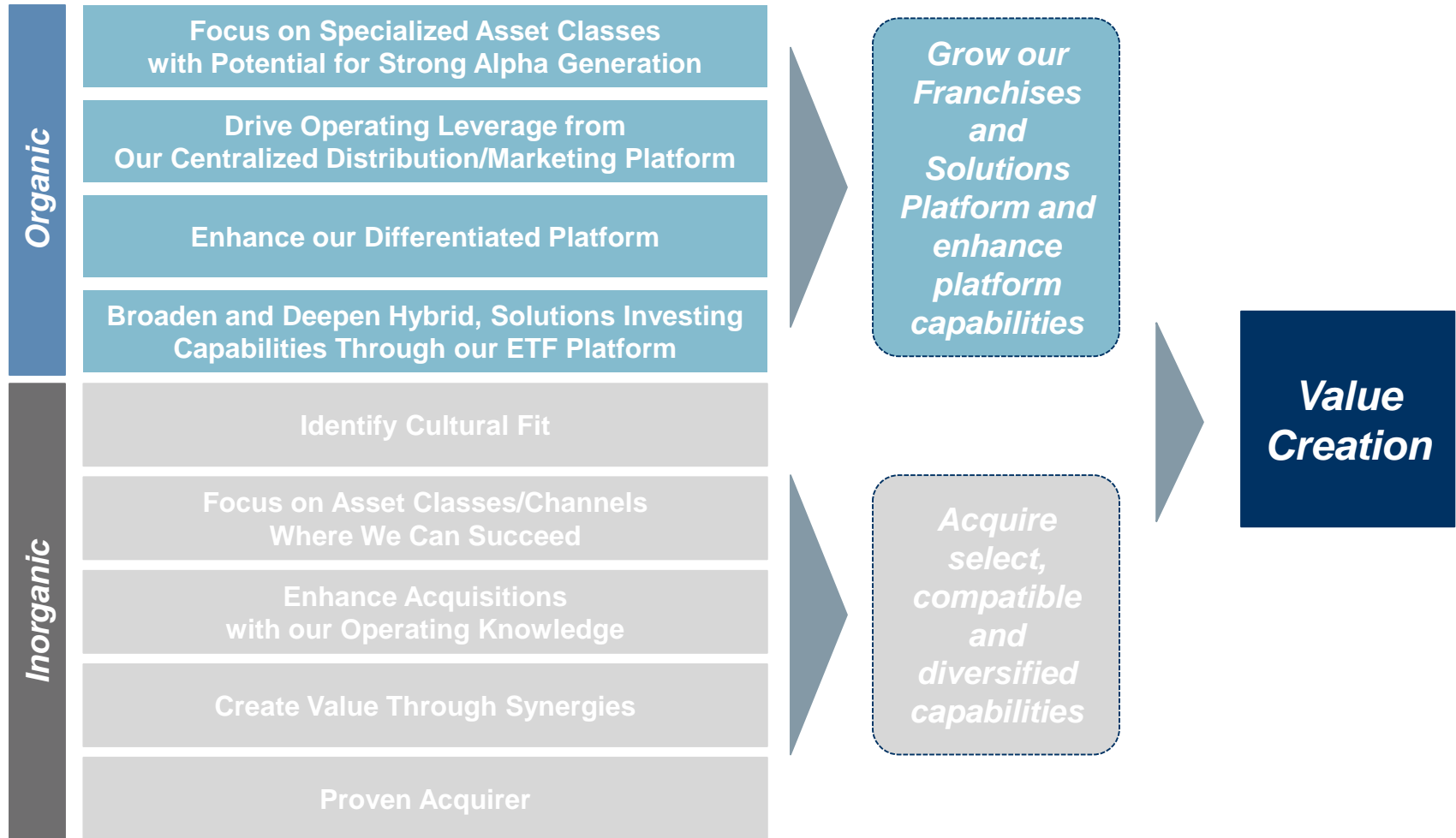


Structural and Cultural Benefits

- ✓ Promotion of long-term, ownership-driven mentality across investment teams
- ✓ Incentivizes and empowers employees to act in the best interest of the Company
- ✓ Aligns economic interests through market cycles
- ✓ Offers meaningful wealth creation opportunity
- ✓ Strong tool for attracting and retaining talent and is a differentiator when pursuing acquisitions
- ✓ Aids succession planning

Victory Capital's economic alignment fosters a culture focused on the Company's long-term success and growth

We Have a Growth Strategy Built on Both Organic and Inorganic Capabilities



Financial Results

AUM AND FLOWS

- AUM at March 31, 2018 was \$60.9Bn, down 1.5% from year end levels of \$61.8Bn
- Market action of (\$275MM) and Net flows of (\$633MM)

FINANCIAL RESULTS

- \$105.0MM Revenue, compared to \$105.6MM in 4Q17
- \$0.16 GAAP earnings per diluted share, compared to \$0.19 per diluted share in 4Q17
- \$0.40 Adjusted Net Income with tax benefit per diluted share comprised of \$0.35 per diluted share in Adjusted Net Income and \$0.05 per diluted share in tax benefit, compared to \$0.39 per diluted share in the 4Q17 comprised of \$0.30 per diluted share in Adjusted Net Income and \$0.09 per diluted share in tax benefit
- 26.0% GAAP Operating margin, compared to 25.5% in the prior quarter
- 37.9% Adjusted EBITDA margin, compared to 37.9% in the prior quarter

CAPITAL MANAGEMENT

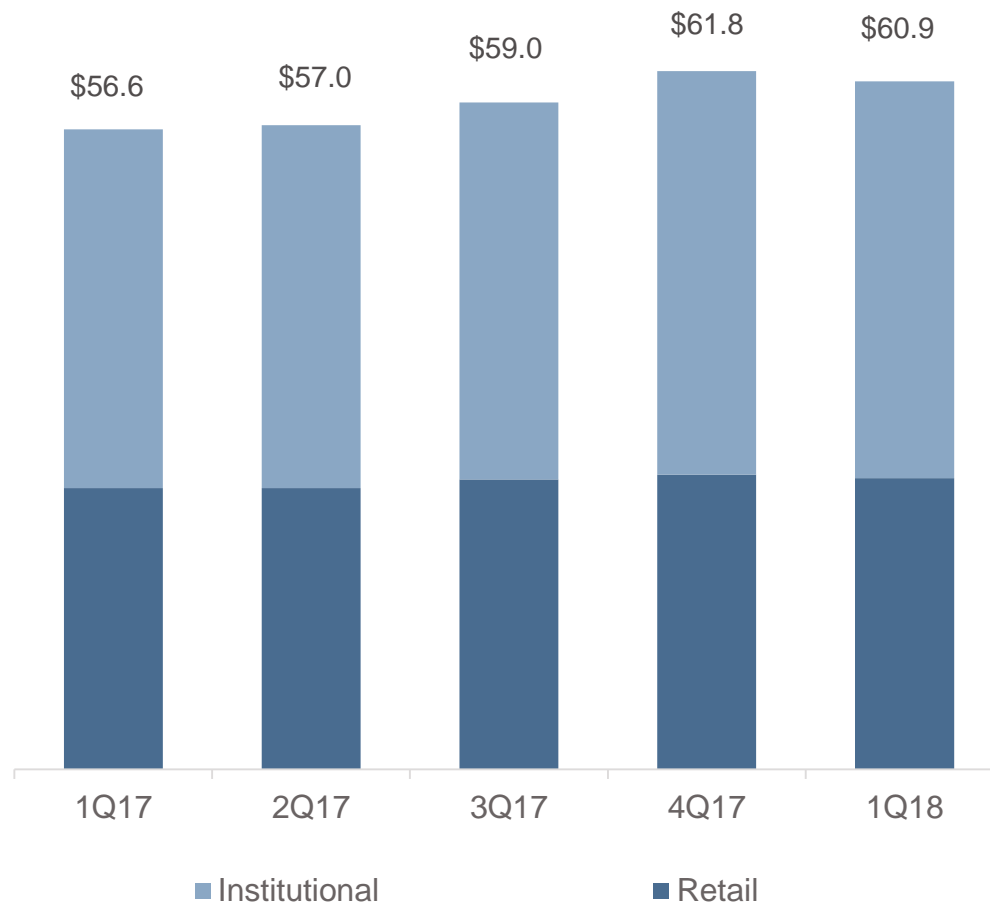
- Execution of concurrent \$167MM IPO and \$360MM debt refinancing
- Ratings upgrades from Moody's (Ba3) and S+P (BB)
- Ended quarter with \$323MM debt outstanding after pre-payment activity
- Subsequent to quarter-end:
 - Pre-payments of \$18MM reducing debt outstanding to \$305MM
 - Upsized credit revolver from \$50MM to \$100MM

Assets Under Management (End of Period)

Commentary:

- 8% YoY AUM growth
- Decline in 1Q18 AUM levels driven by net outflows and market action
- 58% Institutional and Retail 42% AUM split as of 3/31/18

Quarterly Results (\$Bn)

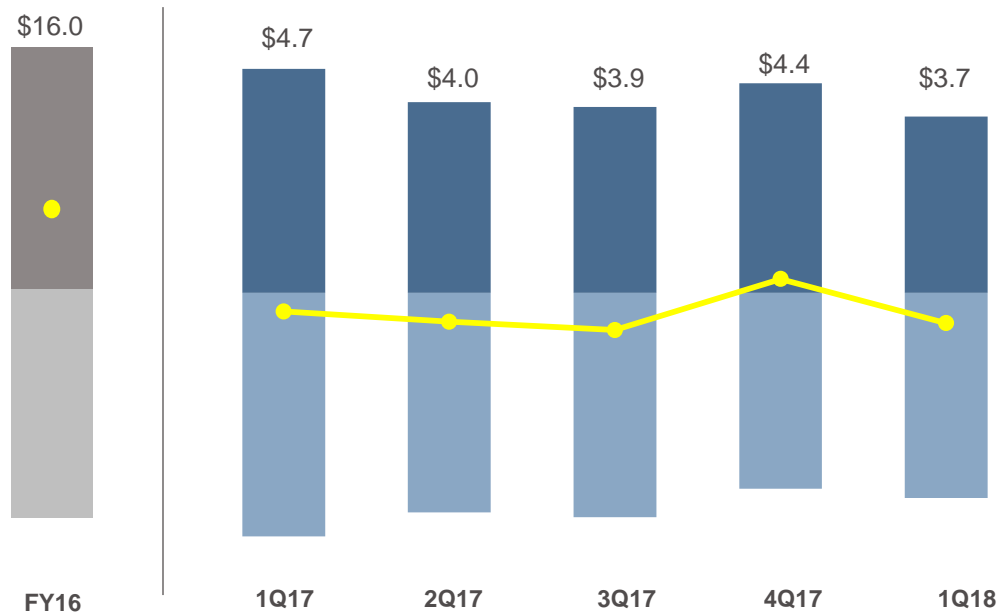


Commentary:

- Gross sales decreased 16% QoQ to \$3.7Bn; 4Q17 had sizeable US Mid Cap mandate
- LTM Gross sales of \$15.9Bn
- 1Q18 Net flows of (\$633MM) included:
 - ETFs: +\$452MM
 - Mutual Funds (\$640MM)
 - Separate accounts and Other (\$445MM)
 - Positive net flows in Solutions, Global / Non-US, Other

Quarterly Results (\$Bn)

Inflows/(Outflows)



Operating Metrics	FY16	1Q17	2Q17	3Q17	4Q17	1Q18
Gross Sales (%)	38.8%	8.6%	7.0%	6.8%	7.4%	6.0%
Net Flows (\$MM)	\$875	-\$386	-\$601	-\$778	\$294	-\$633
Net Flows (%)	2.4%	-0.7%	-1.1%	-1.4%	0.5%	-1.0%
Focus Asset Class*						
Gross Sales (%)	50.6%	10.2%	8.2%	7.7%	8.5%	6.4%
Net Flows (\$MM)	\$3,674	\$419	\$176	-\$490	\$829	-\$271

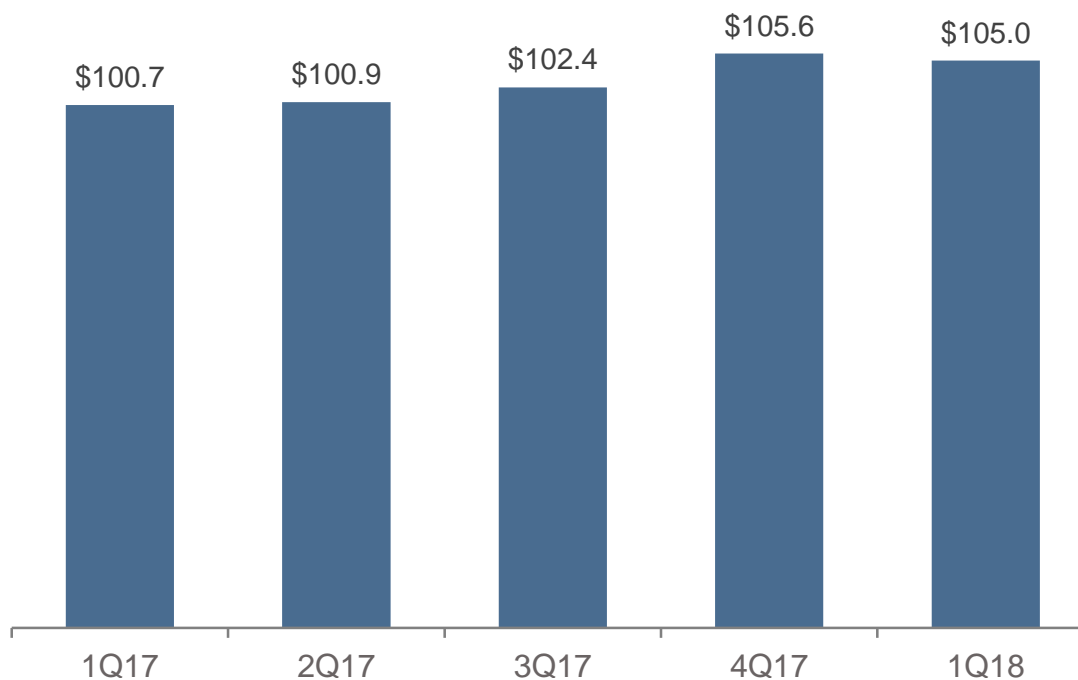
Notes: FY16 Gross Sales (%) and Net Flows (%) have been normalized for the RS acquisition which closed on July 29, 2016.

*Includes Victory funds and Strategies in the U.S. Small Cap Equity, U.S. Mid Cap Equity and Global/Non-U.S. asset classes as well as the Solutions Platform

Commentary:

- 4% YoY Revenue growth reflecting higher average AUM levels
- 10% YoY Avg AUM growth
- 5% YoY Avg Fee Rate decrease driven by asset mix shift
- Sequential decrease of (\$0.5MM) reflects higher average AUM offset by lower average fee rate due to AUM composition and two fewer days in quarter

Quarterly Results (\$MM)

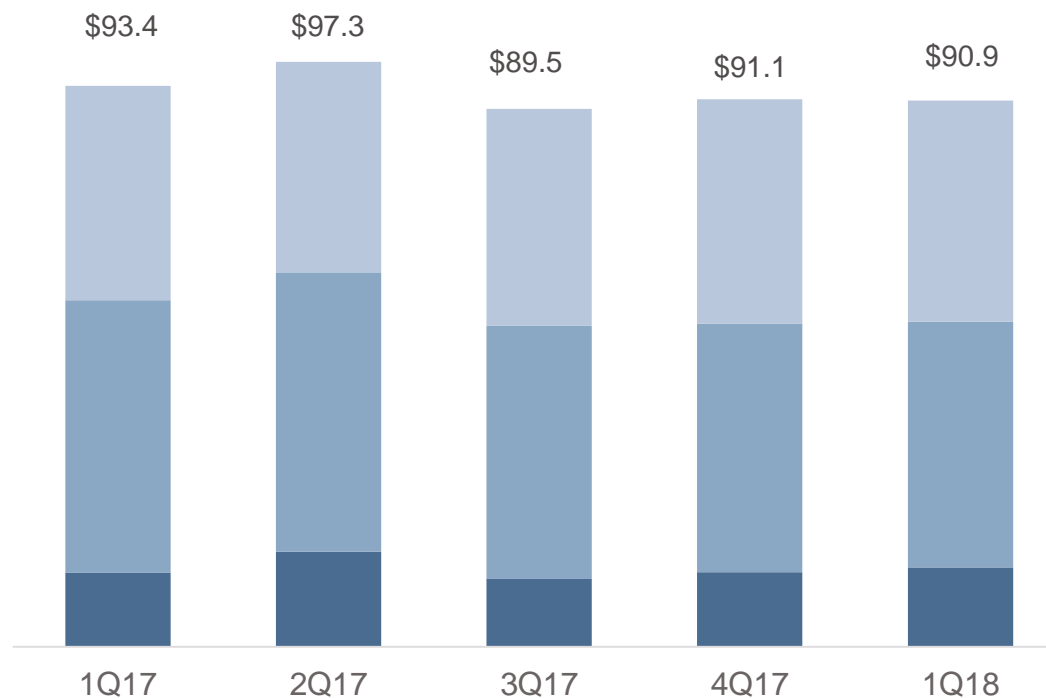


Operating Metrics	1Q17	2Q17	3Q17	4Q17	1Q18
Avg AUM (\$Bn)	\$56.3	\$56.8	\$57.9	\$60.4	\$62.0
Avg Fee Rate (bps)	72.5	71.3	70.2	69.4	68.6

Commentary:

- 3% YoY decrease in expenses, reflecting completion of RS integration and operational efficiencies
- Personnel expenses decreased 1% QoQ primarily due seasonality in prior quarter; 3% increase YoY due to higher earnings
- Operating expenses decreased 1% QoQ and 10% YoY primarily due to operational efficiencies
- Non-operating expenses increased 6%, reflecting lower interest expense offset in the quarter by debt issuance-related costs

Quarterly Results (\$MM)

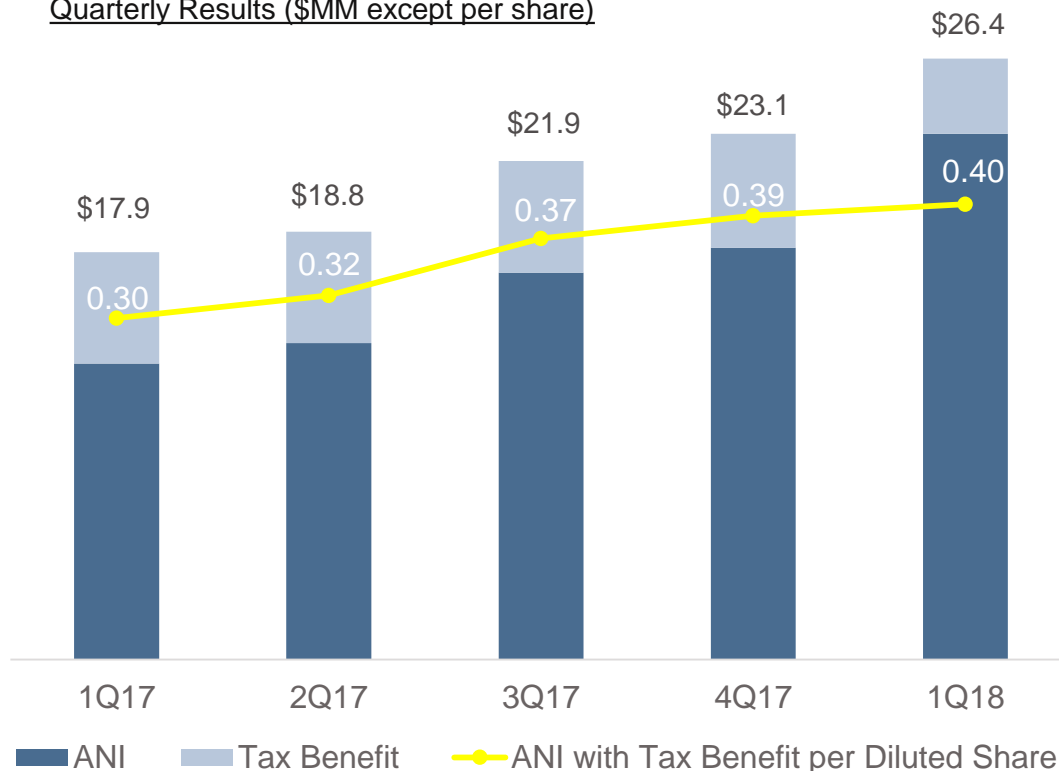


Operating Metrics (\$MM)		1Q17	2Q17	3Q17	4Q17	1Q18
	Personnel	\$35.7	\$35.0	\$36.1	\$37.3	\$36.8
	Operating	45.4	46.5	42.1	41.4	40.9
	Non-Operating	12.3	15.8	11.3	12.4	13.2

Commentary:

- 14% QoQ increase in Adjusted Net Income with Tax Benefit
- 47% YoY increase in Adjusted Net Income with Tax Benefit
- 450 bps YoY Adjusted EBITDA margin expansion, reflecting completion of RS integration and operational efficiencies
- LTM Adjusted EBITDA of \$155.3MM

Quarterly Results (\$MM except per share)



Operating Metrics	1Q17	2Q17	3Q17	4Q17	1Q18
Adjusted EBITDA (\$MM)	\$33.6	\$36.2	\$39.3	\$40.0	\$39.8
Adjusted EBITDA Margin	33.4%	35.9%	38.3%	37.9%	37.9%

Notes: Adjusted measures are non-GAAP financial measures. An explanation of these non-GAAP financial measures is provided in the Notes and Disclosures at the end of this presentation.

GAAP to Non-GAAP Reconciliation

Comments:

- Victory Capital focuses on 2 reconciliations to GAAP Net Income:

① Adjusted Net Income with Tax Benefit

② Adjusted EBITDA

- Victory Capital provides these measures to investors as these are the same financial metrics management uses to assess operating performance and we believe they are the most reflective of Victory Capital's economic performance

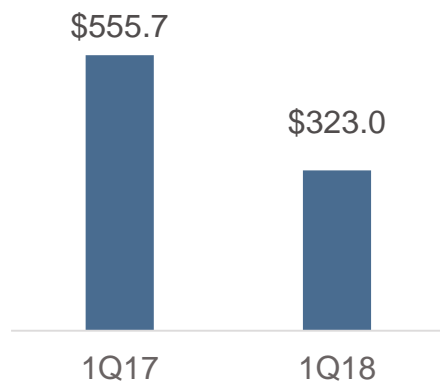
①	GAAP Net Income to Adjusted Net Income plus tax benefit Reconciliation	②	GAAP Net Income to Adjusted EBITDA Reconciliation	
	(\$ in thousands)	1Q18	(\$ in thousands)	1Q18
	GAAP Net income	\$10,524	GAAP Net income	\$10,524
	<i>Adjustments to reflect the operating performance of the Company:</i>		Income tax	(3,557)
	Other business taxes	375	Income before taxes	\$14,081
	GAAP amortization of acquisition-related intangibles	5,676	Interest expense	8,094
	Stock-based compensation	3,322	Depreciation	736
	Acquisition, restructuring and exit costs	518	Other business taxes	375
	Debt issuance costs	6,702	GAAP amortization of acquisition-related intangibles	5,676
	Pre-IPO governance costs	141	Stock-based compensation	3,322
	Tax effect of above adjustment	(4,183)	Acquisition, restructuring and exit costs	518
	Adjusted Net Income	\$23,075	Debt issuance costs	6,702
	Adjusted Net Income per share	\$0.35	Pre-IPO governance costs	141
			Earnings / losses from equity method investments	137
	Tax benefit of goodwill and acquired intangibles	\$3,320	Adjusted EBITDA	\$39,782
	Tax benefit per share	\$0.05		
	ANI plus tax benefit of goodwill and acquired intangibles	\$26,395		
	ANI plus tax benefit per share	\$0.40		

Commentary:

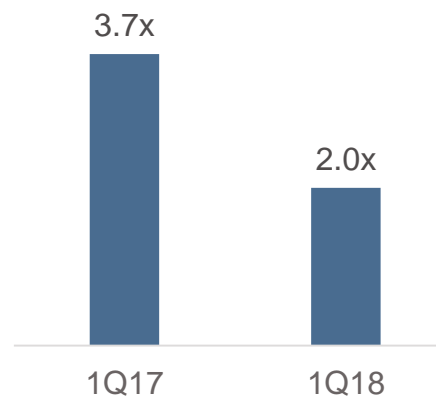
- 1Q18 debt balance of \$323MM subsequently reduced in April to \$305MM; 15% decrease from February debt refinancing level and annualized interest expense savings of \$2.8MM from the time of the February debt refinancing
- YoY debt reduction of 42% resulting in Debt/Adjusted EBITDA of 2x
- Reduction in borrowing costs through February debt refinancing of 250 bps (L+525 bps to L+275 bps)
- Avg Fully Diluted Shares Outstanding of 66.3MM for the quarter

Selected Balance Sheet Items (\$MM)		3/31/18
Cash / Cash Equivalents		\$12.3
Debt ¹		\$323.0
Equity		\$398.8
Diluted Shares Outstanding (MM)		66.3
Selected Metrics		3/31/18
Net Debt / LTM Credit EBITDA		2.0x
Net Debt / LTM Adjusted EBITDA		2.0x
Net Debt ²		\$317.3

Borrowings (\$MM)



Leverage Ratio²



¹ Represents outstanding term loans as of March 31, 2018. Balance sheet amount of long-term debt is \$310.4MM which is net of \$12.6MM unamortized debt issuance costs and debt discount.

² Calculated in accordance with credit agreement.

Appendix

GAAP Net Income to Adjusted Net Income Reconciliation



Three months Ended March 31, 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	\$ 89,130							\$ 89,130	
Fund administration and distribution fees	15,834							15,834	
Total revenue	104,964	-	-	-	-	-	-	104,964	-
Expenses									
Personnel compensation and benefits (1)	36,803			(3,322)				33,481	
Distribution and other asset-based expenses (2)	25,161							25,161	
General and administrative (2)	9,056	(375)			(254)	(1,898)	(141)	6,388	
Depreciation and amortization (2)	6,412		(5,676)					736	
Acquisition-related costs (2)	-							-	
Restructuring and integration costs (2)	264				(264)			-	
Total operating expenses	77,696	(375)	(5,676)	(3,322)	(518)	(1,898)	(141)	65,766	
Income/(loss) from operations	27,268	375	5,676	3,322	518	1,898	141	39,198	
Other income (expense)									
Interest income and other income/(expense) (3)	(37)							(37)	
Interest expense and other financing costs (3)	(7,092)					603		(6,489)	
Loss on debt extinguishment (3)	(6,058)					4,201		(1,857)	
Total other income (expense), net	(13,187)	-	-	-	-	4,804	-	(8,383)	
Income/(loss) before income taxes	14,081	375	5,676	3,322	518	6,702	141	30,815	
Income tax (expense)/benefit	(3,557)	(94)	(1,419)	(830)	(130)	(1,675)	(35)	(7,740)	3,320
Net income/(loss)	\$ 10,524	\$ 281	\$ 4,257	\$ 2,492	\$ 388	\$ 5,027	\$ 106	\$ 23,075	\$ 3,320
Earnings per share—basic	\$ 0.17							\$ 0.37	\$ 0.05
Earnings per share—diluted	\$ 0.16							\$ 0.35	\$ 0.05
Weighted average shares outstanding—basic	61,599,057							61,599,057	61,599,057
Weighted average shares outstanding—diluted	66,283,621							66,283,621	66,283,621
Memo: Expenses									
Personnel (1)	36,803							33,481	
Operating (2)	40,893							32,285	
Non-Operating (3)	13,187							8,383	

GAAP Net Income to Adjusted Net Income Reconciliation



Three months Ended December 31, 2017

(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	Pre-IPO Governance Costs	Remeasurement of Deferred Taxes	Non-GAAP Basis		
Revenue											
Investment management fees	\$ 89,206									\$ 89,206	
Fund administration and distribution fees	16,440									16,440	
Total revenue	105,646	-	-	-	-	-	-	-	-	105,646	-
Expenses											
Personnel compensation and benefits (1)	37,339			(1,740)	(1,522)					34,077	
Distribution and other asset-based expenses (2)	25,213									25,213	
General and administrative (2)	7,947	(428)			(139)	2	(347)			7,035	
Depreciation and amortization (2)	6,570		(5,676)							894	
Change in value of consideration payable for acquisition of business (2)	(269)									(269)	
Acquisition-related costs (2)	659				(660)					(1)	
Restructuring and integration costs (2)	1,261				(1,261)					-	
Total operating expenses	78,720	(428)	(5,676)	(1,740)	(3,582)	2	(347)	-	66,949		
Income/(loss) from operations	26,926	428	5,676	1,740	3,582	(2)	347	-	38,697		
Other income (expense)											
Interest income and other income/(expense) (3)	(2,097)				2,419	(102)				220	
Interest expense and other financing costs (3)	(10,308)					892				(9,416)	
Total other income (expense), net	(12,405)	-	-	-	2,419	790	-	-	(9,196)		
Income/(loss) before income taxes	14,521	428	5,676	1,740	6,001	788	347	-	29,501		
Income tax (expense)/benefit	(3,312)	(163)	(2,157)	(661)	(2,280)	(299)	(132)	(2,422)	(11,426)	4,998	
Net income/(loss)	\$ 11,209	\$ 265	\$ 3,519	\$ 1,079	\$ 3,721	\$ 489	\$ 215	\$ (2,422)	\$ 18,075	\$ 4,998	
Earnings per share—basic	\$ 0.20								\$ 0.33	\$ 0.09	
Earnings per share—diluted	\$ 0.19								\$ 0.30	\$ 0.09	
Weighted average shares outstanding—basic	55,119,711								55,119,711	55,119,711	
Weighted average shares outstanding—diluted	59,768,134								59,768,134	59,768,134	
Memo: Expenses											
Personnel (1)	37,339									34,077	
Operating (2)	41,381									32,872	
Non-Operating (3)	12,405									9,196	

GAAP Net Income to Adjusted Net Income Reconciliation



Twelve months Ended December 31, 2017

(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	Pre-IPO Governance Costs	Remeasurement of Deferred Taxes	Non-GAAP Basis		
Revenue											
Investment management fees	\$ 343,811									\$ 343,811	
Fund administration and distribution fees	65,818									65,818	
Total revenue	409,629	-	-	-	-	-	-	-	-	409,629	-
Expenses											
Personnel compensation and benefits (1)	144,111			(11,752)	(1,580)					130,779	
Distribution and other asset-based expenses (2)	103,439									103,439	
General and administrative (2)	33,996	(1,887)			(732)	(2,149)	(1,248)			27,980	
Depreciation and amortization (2)	29,910		(26,349)							3,561	
Change in value of consideration payable for acquisition of business (2)	(294)									(294)	
Acquisition-related costs (2)	2,094				(2,094)					-	
Restructuring and integration costs (2)	6,205				(6,205)					-	
Total operating expenses	319,461	(1,887)	(26,349)	(11,752)	(10,611)	(2,149)	(1,248)	-		265,465	
Income/(loss) from operations	90,168	1,887	26,349	11,752	10,611	2,149	1,248	-		144,164	
Other income (expense)											
Interest income and other income/(expense) (3)	(2,913)				4,429	229				1,745	
Interest expense and other financing costs (3)	(48,797)					3,657				(45,140)	
Total other income (expense), net	(51,710)	-	-	-	4,429	3,886	-	-		(43,395)	
Income/(loss) before income taxes	38,458	1,887	26,349	11,752	15,040	6,035	1,248	-		100,769	
Income tax (expense)/benefit	(12,632)	(717)	(10,013)	(4,466)	(5,715)	(2,293)	(474)	(2,422)		(38,732)	19,691
Net income/(loss)	\$ 25,826	\$ 1,170	\$ 16,336	\$ 7,286	\$ 9,325	\$ 3,742	\$ 774	\$ (2,422)	\$ 62,037	\$ 19,691	
Earnings per share—basic	\$ 0.47								\$ 1.13	\$ 0.36	
Earnings per share—diluted	\$ 0.43								\$ 1.04	\$ 0.33	
Weighted average shares outstanding—basic	54,930,852								54,930,852	54,930,852	
Weighted average shares outstanding—diluted	59,577,348								59,577,348	59,577,348	
Memo: Expenses											
Personnel (1)	144,111									130,779	
Operating (2)	175,350									134,686	
Non-Operating (3)	51,710									43,395	

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 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.

Adjusted EBITDA

Adjustments made to GAAP net income to calculate Adjusted EBITDA are:

- Adding back GAAP income tax;
- 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 GAAP amortization of acquisition-related intangibles;
- Adding back the expense associated with stock-based compensation associated with equity issued from pools that were created in connection with the management-led buyout with Crestview GP from KeyCorp, the Munder Acquisition and the RS Acquisition and as a result of any equity grants related to the IPO;
- Adding back direct incremental costs of acquisitions and the IPO, including expenses associated with third-party advisors, proxy solicitations of mutual fund shareholders for transaction consents, vendor contract early termination costs, impairment of receivables recorded in connection with an acquisition and severance, retention and transaction incentive compensation;
- Adding back debt issuance costs;
- Adding back pre-IPO governance expenses paid to the Company's private equity partners that terminated as of the completion of the IPO;
- Adjusting for earnings/losses on equity method investments; and
- Adding back annual incentive compensation paid in excess of expected levels due to acquisitions.

Information Regarding Non-GAAP Financial Measures (cont.)

Adjusted Net Income

Adjustments made to GAAP net income to calculate Adjusted Net Income are:

- Adding back other business taxes;
- Adding back GAAP amortization of acquisition-related intangibles;
- Adding back the expense associated with stock-based compensation associated with equity issued from pools that were created in connection with the management-led buyout with Crestview GP from KeyCorp, the Munder Acquisition and the RS Acquisition and as a result of any equity grants related to the IPO;
- Adding back direct incremental costs of acquisitions and the IPO, including expenses associated with third-party advisors, proxy solicitations of mutual fund shareholders for transaction consents, vendor contract early termination costs, impairment of receivables recorded in connection with an acquisition and severance, retention and transaction incentive compensation;
- Adding back debt issuance costs;
- Adding back pre-IPO governance expenses paid to the Company's private equity partners that terminated as of the completion of the IPO;
- Adding back annual incentive compensation paid in excess of expected levels due to acquisitions;
- Subtracting an estimate of income tax expense on the adjustments; and
- Subtracting the impact of remeasuring the U.S. net deferred taxes under the Tax Act.

Tax Benefit of Goodwill and Acquired Intangibles

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 intangibles represents the tax benefits associated with deductions allowed for intangibles 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 intangibles with a step-up in tax basis.

Investing involves risk, including the potential loss of principal. There are no assurances that any fund will achieve its stated objective.

Past performance does not guarantee future results. A fund's most recent performance can be found at vcm.com.

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.

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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 10th overall and 2nd in the Mixed Asset category out 58 fund families 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 receive. But our aim is to measure managers' skill, independent of expenses beyond annual management fees. That's a large part of why we calculate returns before any 12b-1 fees are deducted. Similarly, loads, or sales charges, aren't included in our calculation of returns. The other reason? The multitude of share classes makes it nearly impossible to ascertain what a typical investor would pay in terms of annual expenses or loads.

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. The 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 showing; poor performance in its biggest funds hurts a firm's ranking.

To be included in our survey, a firm must have at least three funds in the general equity category, one world equity, one mixed asset (such as a balanced or target-date fund), two taxable bonds, and one national tax-exempt bond fund. We have historically excluded single-sector and single-country stock funds, but those are now included, as part of the general equity category. We exclude all index funds, including pure index, enhanced index, and index-based. But we include actively managed exchange-traded funds and ETFs with indexing strategies that are not the traditional capitalization-weighted or equal-weighted. 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 2017 were general equity, 36.1%; mixed asset, 19.9%; world equity, 18.7%; taxable bond, 21.2%; and tax-exempt bond, 4%.

The scoring: Say a fund in the general U.S. equity category has \$500 million in assets, accounting for half of a 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 36.1%, general equity's overall weighting in Lipper's universe. So it would be 37.5 times 0.361, which equals 13.54. 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 five- and ten-year rankings.