



Acquisition of
Harvest Volatility Management, LLC
September 24, 2018

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Transaction Overview

Harvest Volatility Management Overview

Strategic Rationale

Pro Forma Assets Under Management

Financial Impact

Financing and Capital Structure

Summary

TRANSACTION

- Victory Capital to acquire 100% of Harvest Volatility Management, LLC (Harvest), a leader in derivative asset management. Harvest specializes in yield enhancement overlay, risk reduction, alternative beta and absolute return investment strategies, which are managed to be neutral to changing market cycles
- Since its inception in 2008, Harvest has been a strong and consistent organic grower. As of July 31, 2018, it had ~\$12 billion in assets under management (AUM)
- Transaction represents a significant expansion of Victory Capital's Solutions Platform offerings, including the introduction of alternative investment capabilities
- Based on AUM for both firms as of July 31, 2018, Victory Capital would, on the closing of the transaction, have approximately \$75 billion in AUM¹, including approximately \$16 billion in Solutions Platform offerings, or 21% of firmwide AUM

STRUCTURE AND ALIGNMENT

- Harvest will become the 10th Victory Capital Investment Franchise and maintain its investment autonomy and brand name
- Harvest's investment team and investment process will remain in place
- Harvest will maintain its proprietary technology platform, which supports its analytic, trading and risk management functions
- The Franchise will be supported by our centralized operations and distribution platform, which will provide Harvest with additional scale and resources
- Harvest's senior management team will be meaningful investors in VCTR and will continue to be significant investors in the Harvest strategies

FINANCING

- \$300 million purchase price plus an earn-out predicated on meeting meaningful revenue growth objectives over a five-year period
- Transaction will be financed through a combination of debt, equity and cash on the balance sheet
- Acquisition is expected to be accretive to earnings per share by 15%+ in 2019
- Transaction is expected to close by the end of the first quarter of 2019²

¹Based on July 31, 2018 AUM figures for Victory Capital and Harvest. ²The transaction is subject to regulatory and other customary approvals, conditions and consents, including approvals by Harvest's clients.

Harvest Volatility Management Overview



- Founded in 2008 by Chief Executive Officer and Portfolio Manager Richard L. Selvala, Jr. and Managing Partner and Chief Risk Officer Curtis F. Brockelman, Jr.
- Based in New York City with ~\$12B in AUM and 18 employees
- Team of experienced investment professionals with an average of 20 years of industry experience
- Proven investment process, built on rules-based quantitative methodology with an active overlay
- Broad product offering including strategies designed to provide investors with risk-managed sources of current income, absolute return and varying levels of market exposure
- Named 2017 Overlay Manager of the Year by EQDerivatives
- Separately managed accounts and mutual fund offerings, sold through multiple distribution channels
- Strong commitment to technology and innovation in product development and operational platform

Net Flows and Organic Growth Trends

(\$ in millions)

	2012	2013	2014	2015	2016	2017	Jul'18 YTD
Net Flows	\$1,227	\$1,775	\$345	\$233	\$1,145	\$1,371	\$484
Organic Growth %	83%	66%	6%	4%	18%	16%	7%

Data as of July 31, 2018; July YTD organic growth represents annualized growth based on July YTD actual.

MEANINGFUL EXTENSION OF SOLUTIONS PLATFORM

- Significantly expands Solutions Platform to become a greater part of our firmwide AUM and adds greater diversification of product set and investment capabilities
- Increases percent of AUM in our focus assets classes, including our Solutions Platform, to ~82% of firmwide AUM*
- Solves specific challenges facing our clients through customizable, outcome-oriented products designed to provide current income, absolute return and risk-managed levels of market exposure
- Provides strategies less likely to be disintermediated by the trend toward passive investing and that are managed to be neutral to changing market cycles

EXPANDED OPPORTUNITIES FOR GROWTH

- Adds strong organic grower to our platform; history of delivering positive net flows
- Potential to significantly accelerate current growth momentum by leveraging our distribution platform
- Increases opportunities to build new client relationships and deepen existing relationships by leveraging new differentiated products as well as our current product offerings
- Extends presence in the retail channel, particularly among high-net worth and ultra-high net-worth investors

PROFITABLE, SCALABLE PLATFORM

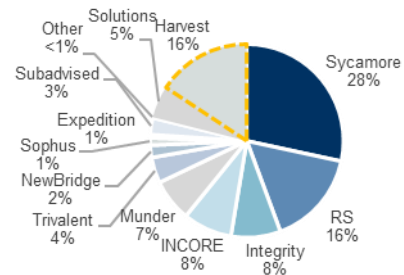
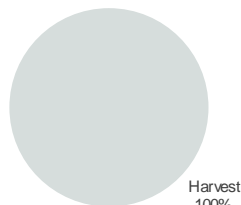
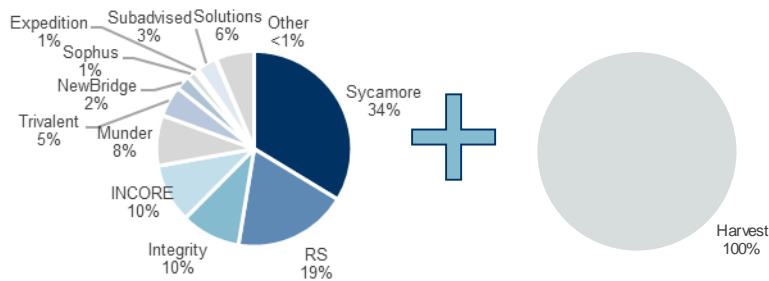
- Transaction increases Victory Capital's overall size and scale
- Adds Investment Franchise with high margin business and consistent growth in AUM, revenue and EBITDA since inception
- Significant new revenue and organic growth opportunity
- Product and technology platforms built to scale up as business grows

CULTURAL FIT

- Strong alignment through shared entrepreneurial cultures and commitment to employee ownership

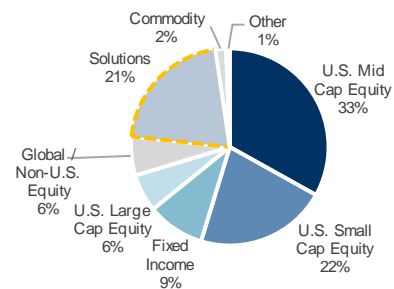
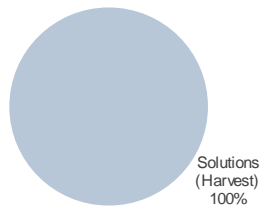
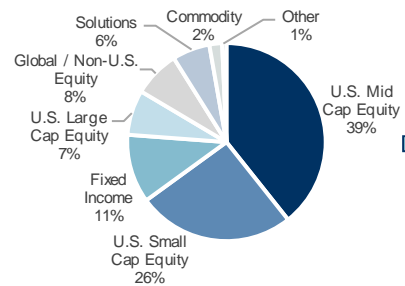
Pro Forma Assets Under Management

Franchise



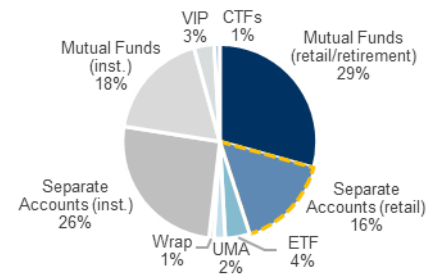
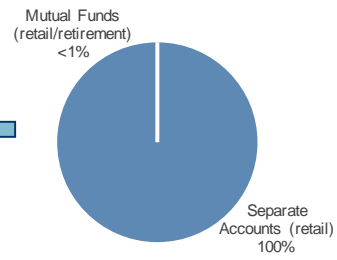
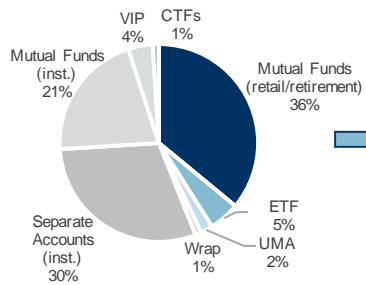
3rd Largest Franchise

Asset Class



~\$16bn in Solutions AUM

Vehicle



~\$40bn Retail AUM Base

Victory: \$63bn

Harvest: ~\$12bn

Pro Forma: ~\$75bn

Denotes Harvest Impact

FINANCIALLY COMPELLING

- \$300 million purchase price
- Full earn-out predicated on 30%+ annual revenue growth for five years
- Strong potential contributor to organic growth
- Expected 15%+ accretion to EPS in 2019
- Expected attractive high-20% IRR
- Enhanced product set, diversification and margin expansion
- Expanded opportunities for meaningful revenue growth through our distribution platform
- ~\$1 million of expense synergies; fully phased in by end of 2019

MEANINGFUL TAX BENEFIT

- Purchased intangibles / goodwill of approximately \$300 million to be amortized over 15 years for tax purposes
- Expected to create annual tax expense savings of \$5 million - \$6 million

TRANSACTION FINANCING

- Transaction will be financed with debt, equity and existing balance sheet cash
- \$265 million of committed bank financing
- Net debt / EBITDA of ~2.5x at closing with ability to deleverage quickly; net debt / EBITDA still below pre-IPO levels¹
- Capital structure intended to maximize flexibility and shareholder value

PRO FORMA FINANCIAL FLEXIBILITY

- Continued capital flexibility to reinvest in the core business and pursue future acquisitions
- Cash generative business
- \$100 million revolving credit facility
- No significant one-time costs to integrate Harvest onto Victory Capital platform

¹Net debt / EBITDA was 3.2x at 12/31/17.

- Compelling transaction that is squarely aligned with our stated acquisition strategy
- Provides Victory Capital with increased size and scale and further diversifies our investment capabilities while reducing the correlation of our firmwide AUM to the equity markets
- Significantly expands Solutions Platform – a focus asset class in which we have strong momentum – with the addition of a historically strong organic grower
- Provides entry into alternatives, a high-demand asset class that diversifies our product offering
- Opportunity to leverage our existing distribution strength to build on Harvest's strong sales momentum and deepen existing client relationships across distribution channels
- Financially compelling transaction, which is structurally aligned and innovative
- Expected to be accretive to EPS in 2019 and to generate an attractive IRR
- Potential for significant increased revenue generation; high margin business
- Strong cultural fit and commitment to employee ownership