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<<Analyst, KBW LLC>>

Okay, we'll get started with our next session here. And we have with us Victory Capital and with us from Victory is David Brown, CEO and Terry Sullivan his CFO and Head of Strategy.

And, Victory with $61 billion of AUM is new to the public markets. Has its own unique take on the affiliate model and has completed several highly accretive acquisitions prior to going public. And, in addition to having some strong performing domestic and global equity strategies has a small but rapidly growing ETF business as well.

So, we look forward to learning a little bit more about your unique approach to it and Dave and Terry thanks for joining us. And maybe since you are new to the public markets, why don’t we start maybe a few quick five second overview of kind of who you are and how you’ve positioned yourself.

<<David C. Brown, Chairman and Chief Executive Officer>>

Okay, so we’re – as maybe you most know, we’re $61 billion. We’ve run a model that we call the next generation integrated multi-boutique different than the other multi-boutique’s out there. The big difference is we are one company. We have nine different investment franchises all branded, logo differently. We have an ETF business called VictoryShares.

And all of the franchises and the ETF business, it's all part of one Company. So, it's not separate affiliates. We have 13 offices globally, 10 of them in the U.S. Our asset base, a little over half of it, about 58% as of 3/31 is institutional and about 42% is retail and retirement. So, a very balanced distribution.

286 people in the company. 100 of them are sales and marketing. And, one of the big differences with our model is those 100 sales and marketing people sell all of our products. So, they sell all the franchises and they sell the ETF’s. We do not have on-franchise sales people. So, our approach to going to market basically is we want to go in a scaled way.

We want to go in a way where we can approach the large platforms, the large consultants in a very skilled way, while also offering kind of a boutique investment approach with these investment franchises. I mentioned the ETF business is close to $3 billion in ETF’s that came to us through an acquisition in April of 2015. Probably the best way to categorize our ETF business is somewhere between active and passive. So, this hybrid solutions approach, some people call it Smart Beta.

Three of our ETFs have five star ratings and they have over three year track records. And it is sold by, really into the same channels and into the same groups that we're selling our mutual funds. We bought ourselves out of KeyCorp in 2013 in an MBO. And, since then have done three acquisitions, a minority investment and then obviously the IPO.

Q&A

<Q>: Great, and maybe drilling down a little bit more into the model. Could you – I mean how do you think you kind of differ more than some of the other affiliate models that are out there, so maybe in your mind some of the advantages and disadvantages.

<A – David C. Brown>: So, let's start off on the structure. I mean, as, I said before, we have one company. So, even though we have nine different brands, and our ETF brand, but it is all part of one company. So, when we buy businesses, we're buying 100% of the company and kind of rolling it into our registered investment advisors. We have one operating platform. And inclusive in that operating platform is our sales and marketing.

So, one platform, one company, and think of that as the middle circle and what's wrapped around it are these investment franchises. They spend 100% of their time managing money. They're not running businesses. They come in every day and they're thinking about how do I perform for my clients. A lot of these franchises are officed throughout the U.S. and they're investment only offices.

One other unique part about our model is, and I don't know anyone else that is doing it in the multi-boutique, is the sales and marketing, as I said, we have 100 people and they are selling everything. So, we don't have on-franchise sales people, or marketing people. Our retail and retirement group, they go out to advisors, they go out to the large platforms, they're selling all of the franchises. Our institutional group, they're going to consultants, they are going to plan sponsors. They're selling all of our franchises, very different and we think that that's kind of a unique approach to what's happening in the industry.

<Q>: [Question Inaudible]

<A – David C. Brown>: So, even though it's unique and differentiated it's very hard to execute. We've been doing this for years and we've made lots of mistakes along the way. And I think we are at the point where we've perfected it much as you can perfect it in an imperfect world. And what we do is we use incentives to drive, on top of commissions, to drive attention to franchises that maybe aren't in favor, that maybe have, you know, not as competitive investment performance or maybe they're not in the right asset class today.

So, we use incentives around that. We also have a program where our heads of institutional and retail retirement are meeting with these CIO's of these investment franchises every quarter and there is an agreement or a commitment on activity. So, literally the CIO and the head of the institutional group, they're going to sit down every quarter and they're literally going to write down and say these are the meetings you're going to get.

We never commit assets. We commit activity. And basically, they literally sign a piece of paper. So there's, the expectations are set. On the retail and retirement side, we're not going in and actually selling a product. We're actually approaching the advisors with solutions. So, because our product depth, is pretty wide, and it's across a number of different asset classes, we’re able to go into these advisors and say what are your issues.

Okay, I have an income issue. Okay, you have an income issue, here are some of our solutions, which by the way, are multi-franchise solutions. So, we have over the years perfected it. Doesn't mean that it isn't a challenge. It's not something you don't have to change all the time but it's also what these firms or these firms when we buy them are signing up for. So, what they're willing to do is they're willing to come into the platform get access to really big deep distribution, understanding how the model works, and the model is not for everybody. Some businesses, some franchises, want to have their own people for them. And those people don't work in our model. But, I think the allure is that you're getting access to 100 sales and marketing people.

And I think the last part of that is the success we’ve had, I think really does. So, if you are one of those franchises that maybe doesn’t have the growth, they can see across the hall, if you will, somebody that does. And the other thing, which is different is, they're all owners in the one stock. So even though that other franchise is growing, and they might not be growing at the level that they want to, they're benefiting as owners of the company and owners of the stock.

I should mention that we, which I think is another differentiator for us, we have about a third of our company is owned by the employees, and of that third, that’s spread across 80% of the employee base. So every one of our investment professionals, every one of our sales and marketing professionals are owners in our company, which really drives through this ownership mentality and this ownership culture, which really helps with some of the issues that could be caused with having this resentment and if someone else is in favor versus myself.

<Q>: Since M&A is a key part of your strategy, and you mentioned on the call recently that in your view that the deal pipeline is active as it's ever been. So really, a couple of questions here. Could you maybe update us on the status of the deal pipeline, kind of how you think about things, kind of moving through it and then also how you think of M&A in the context of – you recently put in place a share buyback. Stock is pretty inexpensive. So how you kind of – and guys just do the math it's probably pretty hard to beat the accretion, just buying your own stock at these levels. So how do you kind of think of the trade-offs, from a capital management perspective and particularly in light of having a pretty active deal pipeline.

<A – David C. Brown>: Well, I’ll take the pipeline and maybe Terry could help with the buyback. You know we have seen, they said on the call, we have seen as much activity as we ever have from a pipeline perspective. We think going public really allowed our model to get out into the public. So a lot of people know us – have known us before, but

now there's more people that know us today. I think it solves some of the issues that we were facing with having a private equity partner that was a majority owner. Many people asked what will that private equity partner do when they sell, will there be a disruption, will there be a change of control? So that has gone away from an acquisition standpoint.

And then it really comes down to our offering. I think one thing that’s very differentiated with us is we are solving issues for certain managers that are looking to sell. Many of the managers are staring down distribution issues, they're staring down not being able to get access to larger platforms as these larger platforms are shrinking the number of businesses that they’re doing business with. So we solved that issue for them.

And then from an operations and technology perspective, we have one operating platform, its best-in-class and they get to kind of attach to that. And a lot of these smaller managers and midsize managers are thinking about reinvestment in technology and operations and it's a huge issue for them. So all of that really has driven kind of our M&A pipeline. We've done as many as anybody in the industry over the last three years. We've done three full acquisitions, a minority investment in a company called Cerebellum Capital. So we have a great pipeline. And we've really moved away from being involved in processes and more just having inbounds and really more towards our kind of proprietary network.

<A – Terence F. Sullivan>: And I'll add a couple things on the buyback and the broader capital management topic. I think first on the buyback we are being thoughtful and proactive from a capital size perspective. When we evaluated the idea of a buyback, we ultimately felt that it was the right decision because it sends a very strong signal and endorsement from the management team and the Board that there's a lot of upside in the stock. And we don't think that the market sort of got that right.

I’ll echo Dave’s sentiment that to be one hundred percent clear, this does not at all alter our focus on M&A. The pipeline is full, the opportunity set is robust, our valuation proposition is resonating and we still see arguably the greatest amount of shareholder value tied to doing smart M&A transactions.

I think that from a cash management standpoint when you look at the size at$15 million, it's less than 10% of our EBITDA, it's very manageable from a cash management standpoint, but can be and will be impactful. And so as we look at our capital allocation we've obviously been focused in the several months of being a public company on deleveraging, we’ve talked a little bit about M&A, and the pipeline, and the opportunity set there. And then opportunistically where we see buyback opportunities of our own stock, we're going to do that. I think we expect to be held accountable to buying very high quality businesses, especially when they're undervalued. And so that's, in some ways, that's what we're doing here with our own stock.

<Q>: Maybe talk a little bit about the ETF business and where that fits within the broader organization? A lot of competitors have in different ways looked to enter the business and still in the scheme of things relatively small about $3 billion, but it’s grown pretty sharply

last couple years. So can you may be talk about how you think maybe you've positioned your ETF business, within your franchise and how you've been able to kind of grow it so rapidly?

<A – David C. Brown>: So the ETF business, is, we call it VictoryShares. They came to us through an acquisition in April 2015. When we bought the business it had about $190 million in AUM. We're approaching $3 billion today. We've seen significant growth. We made the decision to actually integrate the ETF business from a sales perspective to have the same sales people selling mutual funds and ETFs. So we don't have an ETF only sales force. We think that was a pretty – looking back - that was a pretty smart decision because what has happened in the market is there has been this convergence where it used to be in the old days the advisors would either be mutual fund buyers or ETF buyers. Today they're buying both. So we're maximizing our distribution relationships.

Our approach to it is somewhere between active and passive. So think of it right in the middle as a hybrid. It's part of our solutions business because these ETFs are really solutions based, they're solving issues in portfolios. Three of the ETFs have three-year track records, five stars, and we see really this being a much bigger part of our business going forward. It's a huge differentiator for us. And we think that this is going to grow in an accelerated rate and has grown in an accelerated rate. They're priced from 30 to 45 basis points. So it's not in competition with the market cap kind of exposure, where you're basically buying to get exposure to an indices at one or two basis points. That's not what these are. We've launched a number of new ETFs and its very much part of really what we're trying to deliver to the clients.

Our branding has evolved as well, it started off the business we bought was called Compass Efficient Model Portfolios, then it used to be called CEMP. And then we've rolled it into the VictoryShares. We've had some interesting partnerships that we've done. We partnered with NASDAQ on a few of them to help us with marketing, to help us with some of the indices. So it's going to be a major part of our business. It is today, it's important, it's driving a lot of the flows. And we think it's just only going to accelerate going forward.

<Q>: Maybe talk a little bit about well, at the end of day, I think, investors put multiples on stocks based on organic growth in large parts. So can you maybe talk about how you kind of used the organic growth profile maybe more specifically, which parts of your existing franchise you think will be the organic growth drivers?

<A – David C. Brown>: So for us as we've talked about kind of a lot is we have about 80% of our assets in these focused asset classes. I think it's about 78% as of March 31. The focused asset classes for us are U.S. Mid Cap, U.S. Small Cap, global/non-U.S. and then solutions. Add up all of those asset classes, which underneath our multiple franchises, that's about 80% of our assets. All of those products and those franchises are in areas of the market where either they are capacity constraints, or demand for the product outstrips the amount of capacity that is open where they're adding, and I use this term adding, real value to the portfolios, where active, if done correctly can still

outperform and is still outperforming. And that's where we're going to see organic growth. And that's where we have seen the organic growth.

Our business is lumpy. I mean tough to look at a business quarter-to-quarter in this industry, especially at the size we're at. But we think when you look at it on an annual basis or even longer, we're going to be an organic grower. Think of market or market plus a little bit. And the growth is going to come from these focused asset classes. The good thing about the focused asset classes and where we've decided to kind of direct our business. I mean these are areas where you're still going to maintain pricing. Margins are significantly higher and you're not right in the middle of that active to passive pressure, like maybe you would be in U.S. large cap core or something like that.

<Q>: I mean how does that also inform your M&A, to the extent that you want to focus on these types of products, or asset classes and strategies? And while some of them may be capacity constrained, I mean they are across – are you reluctant to say hey we have a good small cap growth manager and maybe capacity constrained, but then do we really want another small cap growth manager because at some point that creates competing franchises? And so how do you kind of view your product strategy within kind of your M&A strategy?

<A – David C. Brown>: So first, it's a good question. First is, we have multiple franchises within the same asset classes. So I think we have four U.S. small value managers, we have two U.S. small growth, we have two U.S. mid growth, we have three emerging market managers. So we're perfectly comfortable with having overlapping franchises within the same asset class. What we're most concerned about is the differentiation of how that manager manages money.

For example, in our emerging market asset class we have three managers. One, sits here in New York, Expedition, they go out to the emerging markets, they actually do their work, they're very bottoms up, they're not a quantitative and risk model is not as important in their investment process. That produces certain return stream. We have a team in Boston, Trivalent, highly quantitative, does not travel to see out into the emerging markets. And that produces a certain return stream. And then we have Sophus, which is in Des Moines and then actually Hong Kong, Singapore and London, a very sophisticated front-end quant screen but overlaid out with a lot of fundamental work. That all is very different and the buyers – that produces different return streams and buyers are buying, they're looking at them very differently and the buyer for a highly quantitative product is probably different than a buyer for a bottoms up product. That's what we care about and that's why we're comfortable having multiple franchise, within the same asset class.

From an M&A and product perspective, we love the focused asset classes we are in. If we can find franchises or businesses to buy that go in there that are differentiated from an investment perspective, it's great. We will do those. Our average fees for our business 70 basis points, margins approaching 40%. So, industry-leading margins, very high fee business, because you're in areas where these asset classes where active is still winning.

We'd love to have more of that. But really what we're starting with, really from an M&A and product perspective, is we want to be in products that's part of the future.

So when we look at the product side, first thing we're talking about is okay, in three years or five years, if this going to be part of the future portfolio from an institutional or from a retail retirement participant. Will they buy this product, is this a solve for something. If we can answer yes to that, typically what follows that is probably a higher fee product and a higher margin product which we like. It doesn't have to be in what we define as focus asset classes there are plenty of asset classes that aren't there that answer that but that's our first piece. And then from there, from an M&A perspective, we're looking at, do we know how to operate it, can we sell it, can we market it can we create collateral around it, that's important to us.

<Q>: Any other questions?

<Q>: Can you talk about the interactions in your affiliates between the sales team, when you acquire an affiliate do their salespeople, generally join your firm, what if they don't like your salespeople and then how do you share best practices, right, you have three AUM managers that needs to be on their own. How do you share that internally?

<A – David C. Brown>: So maybe start with just our M&A approach. So when we do a transaction, we are looking first and foremost on bettering the platform. So in a human capital business, you're getting a free look at 150 people in this organization you are buying. And we have this concept of best athlete approach. So what we've done over the years with our transactions is we have brought in better to our platform because we can better our platform, it may actually makes all of the franchises better. So we look at that from a sales and marketing perspective and operation perspective, and administration perspective. A lot of times we're doing the transactions we're bringing people on.

RS is a good example, I think we brought 12 sales and marketing people that were employed at RS to be employed at Victory to sell everything. So we're bringing on from the transactions, we are going to bring on people in various different functions. The interaction - so the second part of it – the interaction between the franchises and then kind of the salespeople. We have a product specialist that sits on every single franchise, sits with the franchise. They don't have investment management responsibilities. Their sole responsibility is to be the liaison, the bridge between the franchise and the sales group, sales and marketing group. Their job is to educate them what's happening in the portfolio, maybe they're going out on presentations, they're helping with marketing material, they're keeping the salespeople fresh as if that investment professional is in ear all the time of that sales professional saying hey, here's how you should sell this, here's why we bought this, here's why we sold this.

But typically the businesses we're buying, and that we're speaking to, they want access to our distribution. So they want the sales people, so we really don't have a situation where a franchise joined us, says, look I don't like your sales and marketing, that's typically one of the reasons why they're actually – they're joining our firm.

<Q>: What are the range of AUM of the companies in the pipeline and are there ETFs M&A opportunities out there for you?

<A – David C. Brown>: So we have this triangle, we've used in a couple of our presentations, I think we used it in the first quarter. It says 10 to 75, $10 billion to $75 billion, and we have a smaller triangle on there that I think was $10 billion to $50 billion, that's probably a good range to think about of what's in our pipeline, there are some things smaller and some things larger, we're looking at but I'd use that range. Inclusive of that is we are talking to some of the smaller ETF providers. We're talking to ETF providers but we're also talking to ETF providers maybe on a manufacturing relationship as well and maybe not a purchase, a full out purchase relationship, so in a sub-advisor relationship.

The ETF side as we've gone through this kind of journey over the last three years, there are a lot of and I think Bogle said this yesterday, there are going to be a lot of ETFs that are going to go out of business. I think actually it was an article on it, yesterday it was on TV and he said that and I happen to agree. So we’ve a lot of people that have put up ETF flag, that really don't have competitive product. And we're seeing a lot of that out there as well.

<Q>: Any other questions?

<Q>: How would you found the investment performance, if your affiliates after the acquisition compared to before it?

<A – David C. Brown>: So just in general, our investment performance, and I'm glad you asked, our investment performance has been excellent across the board. I mean, if you look at our statistics, I think its industry leading. Inclusive of that is obviously all of the firms we bought that are on our platform. In general, generally speaking, we think what happens when we buy a business, we eliminate all of the mindshare that’s away from the investment side that would maybe be on out for sale, maybe I’m running the business. I'm worried about this, I'm worried about that. We put them in a position to spend 100% of the time managing money.

So the performance post-acquisition again generally speaking is typically better. And we think definitely over a full market cycle over the long run, it puts them in a position because they have all the same tools that they’ve had before or better, spent all their time managing money and we think over a full market cycle, they would do better on our platform than they would do on the platform that they were coming from.

<Q>: Any other questions? I had one more, so you pointed out that the margin is pretty healthy, today is pretty high given the fee structure and – just kind of think of where you think it could go from here. I mean, is it do you feel that you are adequately scaled where you are. Although, is there room over time to kind of ebb it higher or given the

competitive forces in the industry, and your need to reinvest in technology and elsewhere, it it probably pretty good level set to think about it.

<A – Terence F. Sullivan>: I would say on the margins, I guess a couple of things. One we’re at roughly 38%, we’re at the high end of the broader group. And I think if you look at it on a more adjusted basis for the distribution costs associated with mutual funds which a lot of our peers report in that manner would be even higher. So I think we feel pretty good and we think it's a good indicator of health and efficiency in our model. And I think it also just punctuates the value of an integrated model where when we need to invest we can invest one time because it is one company with nine franchises and a solutions platform we don't have to invest nine times, which we think is a helpful differentiator.

We have made targeted investments in our platform on technology and outsourcing over the years. So that has driven our margins to where they are and I think affords us some incremental margins on new business. Our incremental margins are higher on new business when it comes in. But at the same time, I think look, absent growth, I wouldn't predict major moves upwards. I think as there's natural growth in our AUM base, there's a natural scale effect that will occur and could add to it. I think M&A can also be a catalyst for margins in the future.

<Q>: Great. Any other questions?

<<Analyst, KBW LLC>>

Great, thanks guys.

<<David C. Brown, Chairman and Chief Executive Officer>>

Thank you.