Victory Capital®

Second Quarter 2018
Earnings Presentation
August 7, 2018

Forward Looking Statements

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.

Agenda

Topics
Second Quarter Overview
Business Update
Financial Results
Appendix

Second Quarter Overview

Second Quarter Overview

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INVESTMENT PERFORMANCE

- 83% of AUM outperformed benchmarks over the trailing one-year, 69% over the trailing three-year, 80% over the trailing five-year, 83% over the trailing 10-year
- 74% of our strategies outperformed benchmarks over the trailing 1-year, 67% over the trailing 3-year, 71% 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, 56% over three years, 64% over five years, 69% over 10 years.

AUM AND FLOWS

- AUM at June 30, 2018, was $62.3Bn, up 2.3% from Q1 levels of $60.9Bn
- Market action of +$1.5Bn and flows for the quarter of ($102MM)
- Positive net flows of $524MM into our focus asset classes

FINANCIAL RESULTS

- $0.41 Adjusted Net Income with tax benefit per diluted share comprised of $0.37 per diluted share in Adjusted Net Income and $0.04 per diluted share in tax benefit, compared to $0.40 per diluted share in the 1Q18 comprised of $0.35 per diluted share in Adjusted Net Income and $0.05 per diluted share in tax benefit
- 39.0% Adjusted EBITDA margin, compared to 37.9% in the prior quarter
- Ended quarter with $300MM of debt outstanding; post quarter-end reduced debt to $280MM through prepayment activity
- Increased our revolving credit facility from $50MM to $100MM

Notes: Percentages of mutual fund and ETF AUM not receiving 4 or 5 star ratings: 31% for overall period, 44% for 3 years, 36% for 5 years and 31% for 10 years. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.
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.

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.

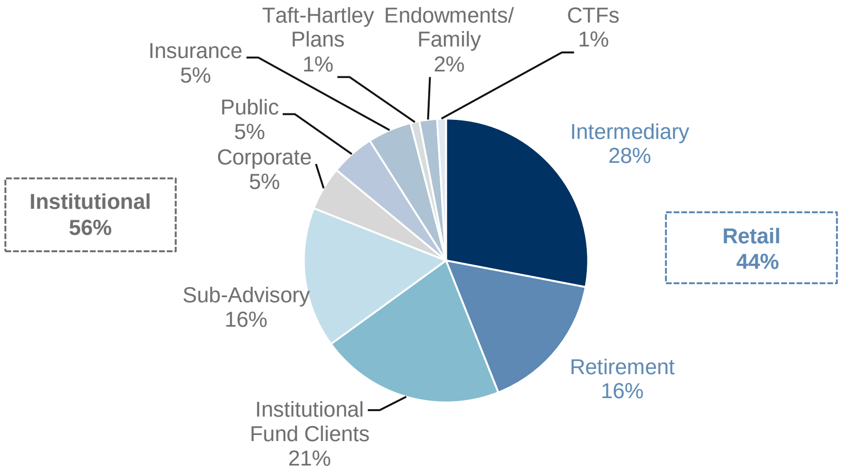
Create Alignment

We work together toward a common objective – helping our clients to achieve their goals. We have approximately $100MM[1] invested in our own products.

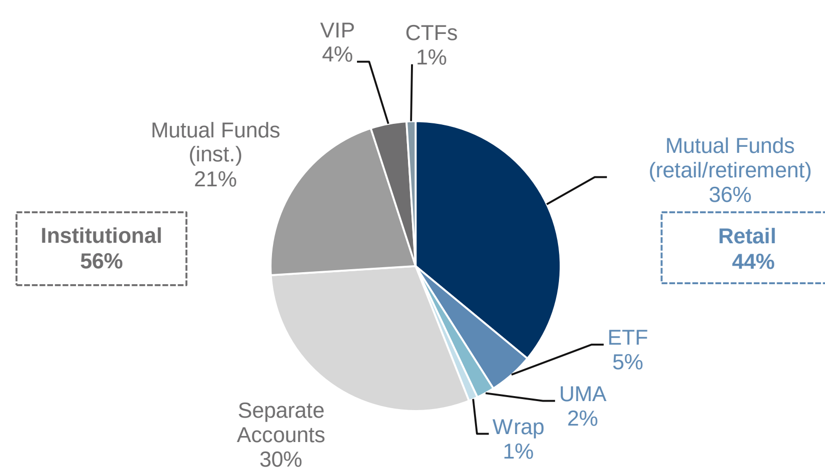
[1] Reflects amount invested by employees as of December 31, 2017

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

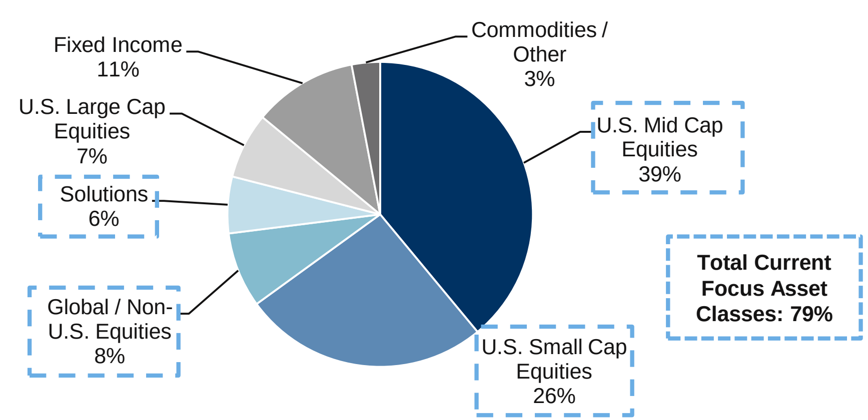
Diverse Institutional and Retail Client Base…



…Served by a Variety of Investment Solutions…



…Across a Broad Range of Asset Classes



Note: Data as of June 30, 2018

Commitment to Long-Term Investment Performance Recognized by the Market

24 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:

83% Over a one-year period

69% Over a three-year period

80% Over a five-year period

83% Over a ten-year period

Barron's / Lipper Fund Family Rankings

4 Consecutive years in the Top 25 Fund Families

#10 Overall ranking for 2017

#21 Overall ranking for 2016

#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

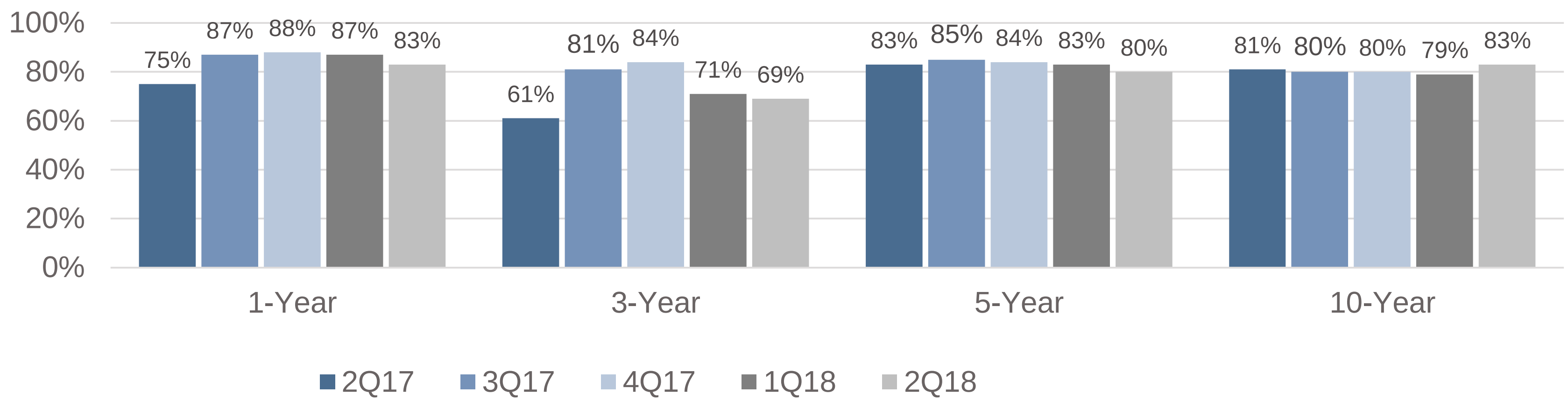
Notes: 26 mutual funds and ETFs did not have 4 or 5 star overall ratings. 31% of AUM in mutual funds and ETFs did not receive overall rating of 4 or 5 stars. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.

Data as of June 30, 2018

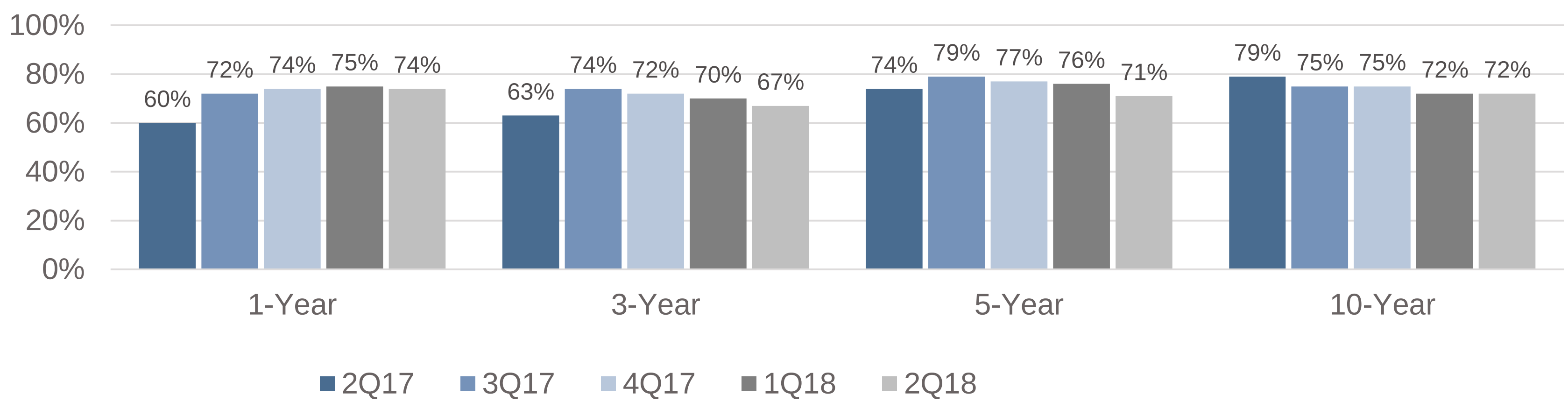
**eVestment ,The Importance of Brand Awareness, updated January 2018*

Long-term Outperformance Over Benchmarks

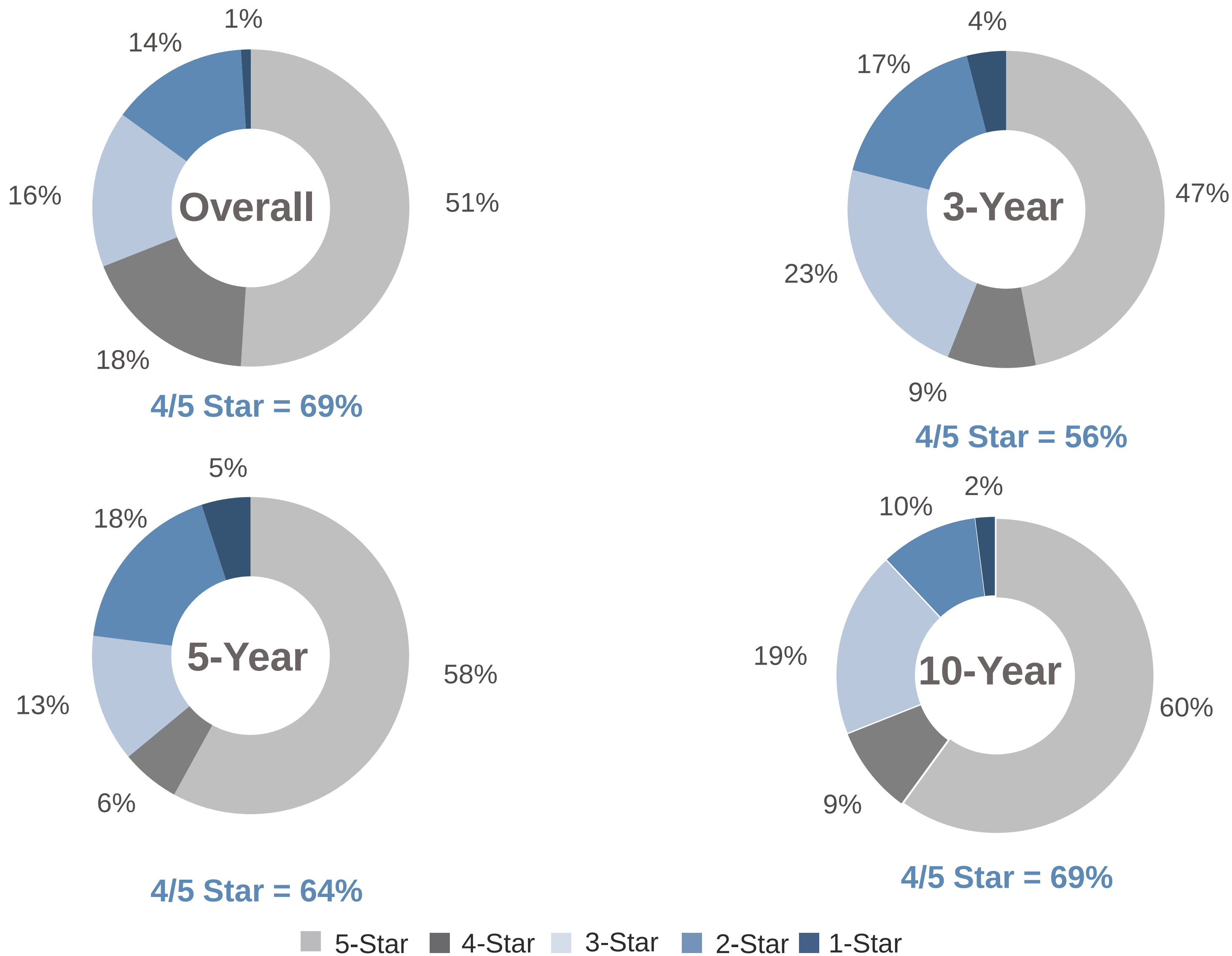
Percentage of AUM that has outperformed benchmark



Percentage of strategies that has outperformed benchmark



69% of AUM in Mutual Funds and ETFs Ranked 4- or 5-Stars Overall by Morningstar

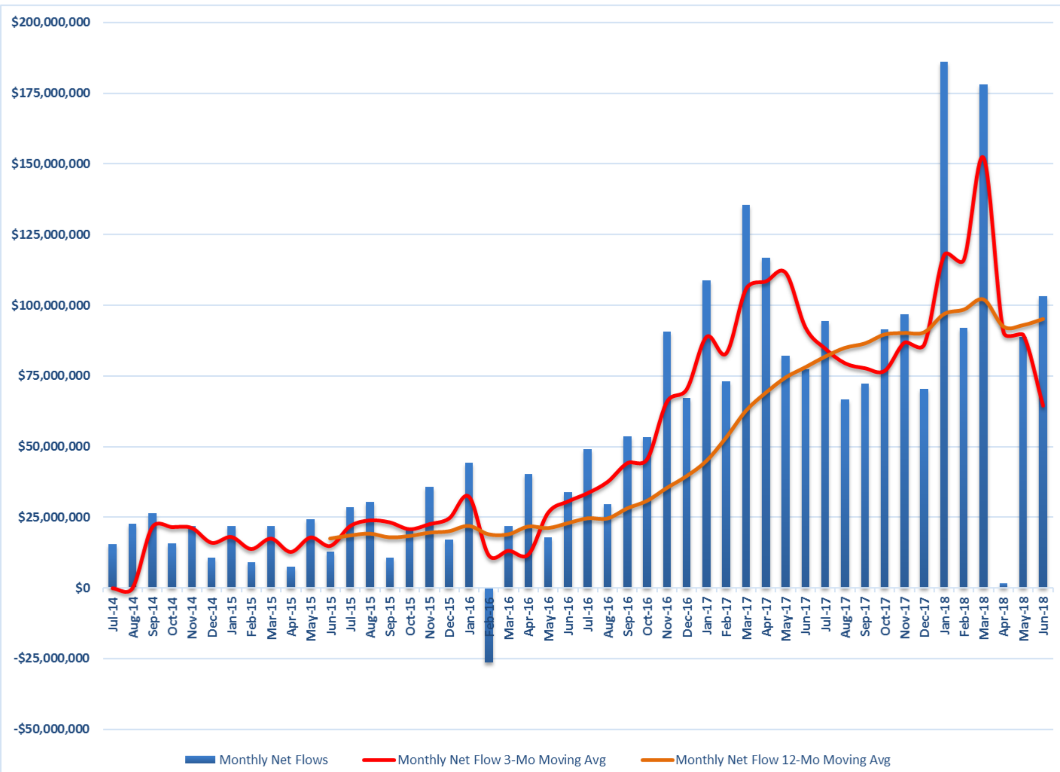


Notes: Percentages of mutual fund and ETF AUM not receiving 4 or 5 star ratings: 31% for overall period, 44% for 3 years, 36% for 5 years and 31% for 10 years. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.
Data as of June 30, 2018

VictoryShares Update: Strong Momentum

Demonstrated Track Record of Success

($mm)



Measures of Our Success

- **55%** market share increase year over year
- **117%** YTD net flow market share increase year over year
- VictoryShares ETFs have posted positive net flows every quarter and 37 out of 38 months since our entrance into the ETF business via the CEMP acquisition in April 2015
- Rank **21st of 140** ETF issuers in YTD net flows
- **25th** in Overall ETF AUM out of 140 issuers as of June 30th
- Rank **37th of 140** ETF Issuers for 1-year net sales / assets
- **5th** fastest-growing ETF provider with more than $1bn AUM[1]
- $198MM acquisition AUM (April '15)→ **$3.1Bn** (July 31, 2018)
- 6 ETFs with AUM over $100MM, including 2 ETFs with AUM over $600MM and 1 ETF with AUM over $1Bn (July 31, 2018)
- 3 ETFs are rated 4 or 5 stars overall by Morningstar
    - **CFO**: US 500 Enhanced Volatility Wtd
    - **CFA**: US 500 Volatility Wtd
    - **CDC**: US EQ Income Enhanced Volatility Wtd
- VictoryShares US Small Cap High Div Vol Wtd (CSB) and VictoryShares US Small Cap Vol Wtd (CSA) celebrated their 3-year anniversaries and with top quintile performance

(As of July 31, 2018)

ETF	3-Year Return (NAV)	Performance vs. Bench	Percentile Ranking
CSB	14.85%	2.81%	10
CSA	13.77%	1.73%	10

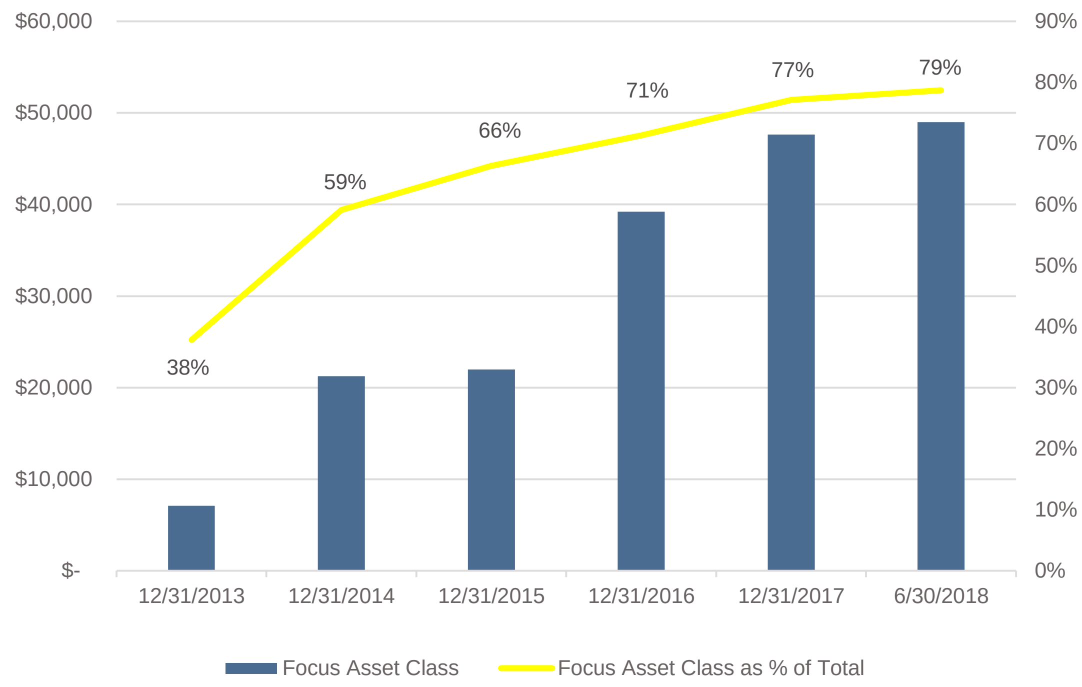
Source: Morningstar Direct. Data as of 6/30/18, unless noted differently.
[1] Denotes year-over-year growth of firms AUM of $1Bn and more

Deliberate Evolution Toward Focus Asset Classes

Commentary:

- Focus asset class AUM grew from $7.1Bn to $49.0Bn, an increase of 590% in less than five years
- Focus asset classes make up 79% of total AUM as of June 30, 2018
  - Up from 38% at December 31, 2013
- Demonstrated opportunity for outperformance against benchmarks by active managers
- Greater potential for alpha generation
- Typically less fee compression

Focus Asset Class AUM
($ in millions)



Growth since 2013 has come from focus asset classes:
US Small, US Mid, Global/Non-US, Solutions (ETFs)

Strategy for Organic Growth

Acquisitions will provide us with the opportunity to gather the growers of the future

Current/Future

- **Rules-based**
- **Capacity-constrained**
- **Geographically diverse**

Continue to Grow Focus Asset Classes

Future

- **Outcome-driven**
- **High conviction alpha**
- **Multi-asset and custom**
- **Private/illiquid**
- **Hybrid alpha/beta**

Acquire Growers of the Future

Drive Organic Growth Across Current/Future Focus Asset Classes

Uniquely positioned to be the acquirer of choice

Next Generation, Integrated Multi-Boutique Model

Experienced Acquirer and Integrator

Distribution Scale but Nimble in Size

Value Proposition for Investment Managers

Capital Flexibility

Financial Results

Second Quarter 2018 Financial Results

VictoryCapital

AUM AND FLOWS	• AUM at June 30, 2018, was $62.3Bn, up 2.3% from March 31, 2018 AUM of $60.9Bn • Market action of $1.5Bn and net flows of ($102MM)
FINANCIAL RESULTS	• $104.4MM Revenue, compared to $105.0MM in 1Q18 • $0.26 GAAP earnings per diluted share, compared to $0.16 per diluted share in 1Q18 • $0.41 Adjusted Net Income with tax benefit per diluted share comprised of $0.37 per diluted share in Adjusted Net Income and $0.04 per diluted share in tax benefit, compared to $0.40 per diluted share in 1Q18 comprised of $0.35 per diluted share in Adjusted Net Income and $0.05 per diluted share in tax benefit • 28.4% GAAP Operating margin, compared to 26.0% in the prior quarter • 39.0% Adjusted EBITDA margin, compared to 37.9% in the prior quarter
CAPITAL MANAGEMENT	• Ended quarter with $300MM debt outstanding after pre-payment activity • Subsequent to quarter-end: • Pre-payments of $20MM reducing debt outstanding to $280MM • Increased credit revolver from $50MM to $100MM • Initiated $15MM share repurchase program in May; 66,112 shares repurchased in 2Q18 at an average price of $10.89 per share

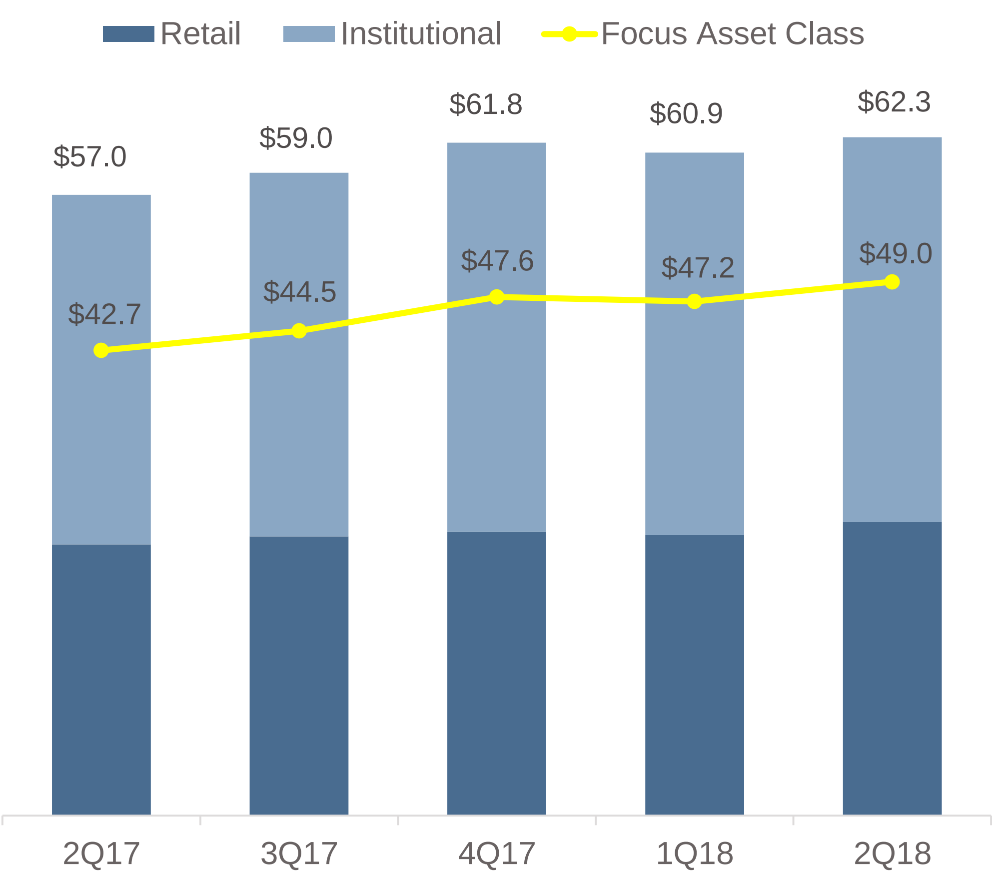
Notes: Adjusted measures are non-GAAP financial measures. An explanation of these non-GAAP financial measures is provided in the Notes and Disclosures at the end of this presentation

Assets Under Management (End of Period)

Commentary:

- 9% YoY AUM growth
- Focus asset class AUM grew 15% from 2Q17 to 2Q18; currently 79% of total AUM
- Mutual fund / VIP / ETF AUM of $40.7Bn as of 6/30/18, across 59 different products
- 56% Institutional and 44% Retail AUM split as of 6/30/18
- AUM is diversified with 9 distinct Investment Franchises, a Solutions Platform, 8 asset classes, 71 strategies and 2 broad distribution channels balanced across the institutional and retail markets

Quarterly Results ($Bn)



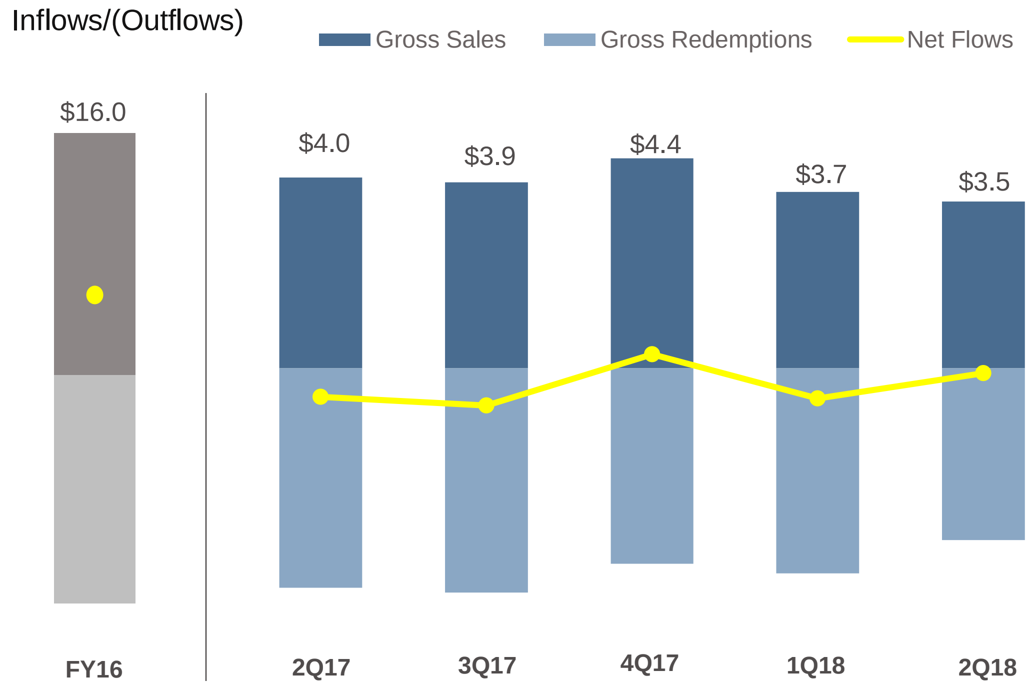
Notes: The allocation of assets under management sourced through particular distribution channels involves estimates and the exercise of judgment.

Asset Flows

Commentary:

- Gross sales decreased 5% QoQ to $3.5Bn
- LTM Gross sales of $15.5Bn
- 2Q18 net flows of ($102MM) included:
  - Positive net flows in U.S. Small Cap Equity, Solutions, Global / Non-US
  - Positive net flows in focus asset classes for 2Q and YTD of +$524MM and +$254MM respectively
  - ETFs +$200MM
  - Separate Accounts and Other ($149MM)
  - Mutual Funds / VIP ($153MM)

Quarterly Results ($Bn)



Operating Metrics	FY16	2Q17	3Q17	4Q17	1Q18	2Q18
Gross Sales (%)	38.8%	7.0%	6.8%	7.4%	6.0%	5.7%
Net Flows ($MM)	$875	-$601	-$778	$294	-$633	-$102
Net Flows (%)	2.4%	-1.1%	-1.4%	0.5%	-1.0%	-0.2%
Focus Asset Class*						
Gross Sales (%)	50.6%	8.2%	7.7%	8.5%	6.4%	4.9%
Net Flows ($MM)	$3,674	$176	-$490	$829	-$271	$524
Net Flows (%)	16.7%	0.4%	-1.1%	1.9%	-0.6%	1.1%

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

Revenues

Commentary:

- 3% YoY Revenue growth reflecting higher average AUM levels
- 8% YoY Avg AUM growth
- 5% YoY Avg Fee Rate decrease driven by asset mix shift
- QoQ Revenue decrease due to marginal declines in average AUM and average fee rates, partially offset by one extra day in 2Q18 and positive asset mix shift on net flows

Quarterly Results ($MM)

Operating Metrics	2Q17	3Q17	4Q17	1Q18	2Q18
Avg AUM ($Bn)	$56.8	$57.9	$60.4	$62.0	$61.6
Avg Fee Rate (bps)	71.3	70.2	69.4	68.6	68.0

Expenses

Commentary:

- (18%) YoY decrease in expenses, reflecting completion of RS integration and operational efficiencies
- Personnel expenses increased +1% QoQ and +6% YoY due to higher earnings
- Operating expenses decreased (8%) QoQ and (19%) YoY primarily due to operational efficiencies
- Non-operating expenses decreased (64%) QoQ, reflecting lower interest expense and expense related to debt refinancing in 1Q18

Quarterly Results ($MM)

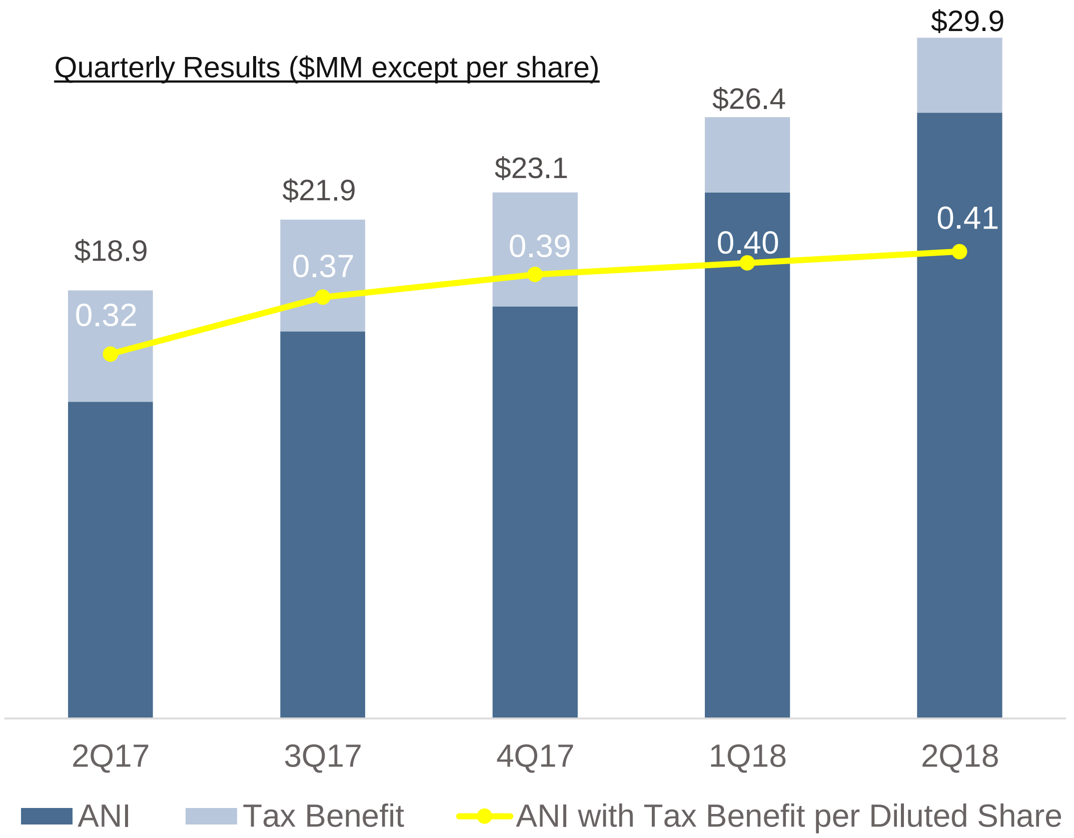
Operating Metrics ($MM)	2Q17	3Q17	4Q17	1Q18	2Q18
Personnel	$35.0	$36.1	$37.3	$36.8	$37.1
Operating	46.5	42.1	41.4	40.9	37.6
Non-Operating	15.8	11.3	12.4	13.2	4.7

Non-GAAP Metrics

Commentary:

- 58% YoY increase in Adjusted Net Income with Tax Benefit
- 13% QoQ increase in Adjusted Net Income with Tax Benefit
- 310 bps YoY Adjusted EBITDA margin expansion
- LTM Adjusted EBITDA of $159.8MM

Quarterly Results ($MM except per share)



Operating Metrics	2Q17	3Q17	4Q17	1Q18	2Q18
Adjusted EBITDA ($MM)	$36.2	$39.3	$40.0	$39.8	$40.7
Adjusted EBITDA Margin	35.9%	38.3%	37.9%	37.9%	39.0%

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.

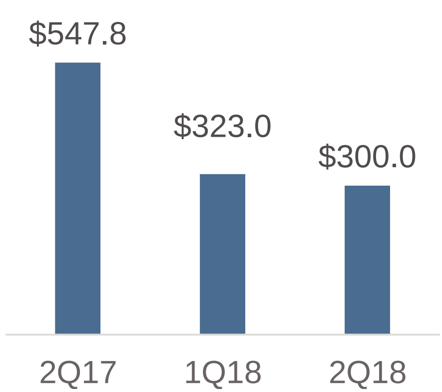
Capital Management

Commentary:

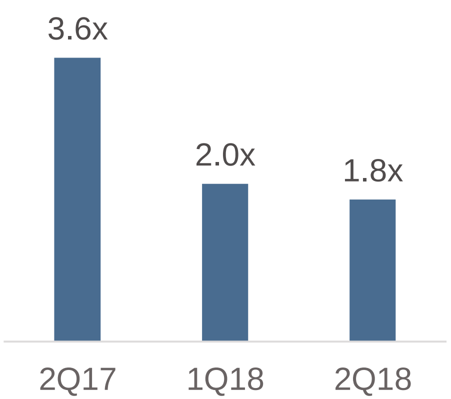
- 2Q18 debt balance of $300MM; $23MM of pre-payments made in 2Q18 and annualized interest expense savings of $1.2MM
- Debt reduction of 17% from post-IPO debt of $360MM resulting in Debt/Adjusted EBITDA of 1.8x at 6/30/18
- Avg Fully Diluted Shares Outstanding of 72.1MM for the quarter
- Subsequent Event (July/August):
    - $20MM of pre-payments; reducing debt balance to $280MM
    - Annualized interest savings of $2.2MM inclusive of 2Q18 pre-payments
    - Debt reduction of 22% from post-IPO debt of $360MM resulting in Net Debt/Credit EBITDA of 1.7x

Selected Balance Sheet Items ($MM)	6/30/18
Cash / Cash Equivalents	$15.2
Debt[1]	$300.0
Equity	$420.7
Diluted Shares Outstanding (MM)	72.1
Selected Metrics	**6/30/18**
Net Debt / LTM Credit EBITDA[2]	1.8x
Net Debt / LTM Adjusted EBITDA	1.8x
Net Debt[2]	$292.1

Borrowings ($MM)



Leverage Ratio[2]



[1] Represents outstanding term loans as of June 30, 2018. Balance sheet amount of long-term debt is $287.9MM which is net of $12.1MM unamortized debt issuance costs and debt discount.
[2] Calculated in accordance with credit agreement.

Appendix

GAAP Net Income to Adjusted Net Income Reconciliation

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Three 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	$ 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	

GAAP Net Income to Adjusted Net Income Reconciliation

VictoryCapital

Three months Ended March 31, 2018
(in thousands except share amounts)

	U.S. GAAP Basis	Adjustments						Non-GAAP Basis	Tax Benefit of Goodwill and Acquired Intangibles
		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	$ 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

VictoryCapital

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	

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; and
- Subtracting an estimate of income tax expense on the adjustments.

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.

Notes and Disclosures

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.

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 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.