



Fourth Quarter 2018
Earnings Presentation
February 6, 2019

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

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

Topics

Fourth Quarter Overview

Business Update

Financial Results

Appendix

Fourth Quarter Overview

INVESTMENT PERFORMANCE

- 57% of AUM outperformed benchmarks over the trailing one-year, 68% over the trailing three-year, 74% over the trailing five-year, 88% over the trailing 10-year period
- 59% of our strategies outperformed benchmarks over the trailing one-year, 59% over the trailing three-year, 63% over the trailing five-year, 75% over the trailing 10-year period
- 65% of AUM in mutual funds and ETFs rated 4- or 5-stars overall by Morningstar, 56% over three years, 64% over five years, 72% over 10 years

AUM AND FLOWS

- AUM at December 31, 2018, was \$52.8Bn, down 17.0% from Q318 levels of \$63.6Bn
- Preliminary AUM at January 31, 2019 was approximately \$57Bn
- Market action of (\$9.9Bn), gross flows of \$4.0Bn and net flows of (\$1.0Bn) for the quarter

FINANCIAL RESULTS

- \$0.38 Adjusted Net Income with tax benefit per diluted share comprised of \$0.33 per diluted share in Adjusted Net Income and \$0.05 per diluted share in tax benefit
- 37.9% Adjusted EBITDA margin for the quarter
- Ended quarter with \$280MM of debt outstanding and cash of \$51MM, reflecting cash accumulation strategy to fund acquisitions

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.

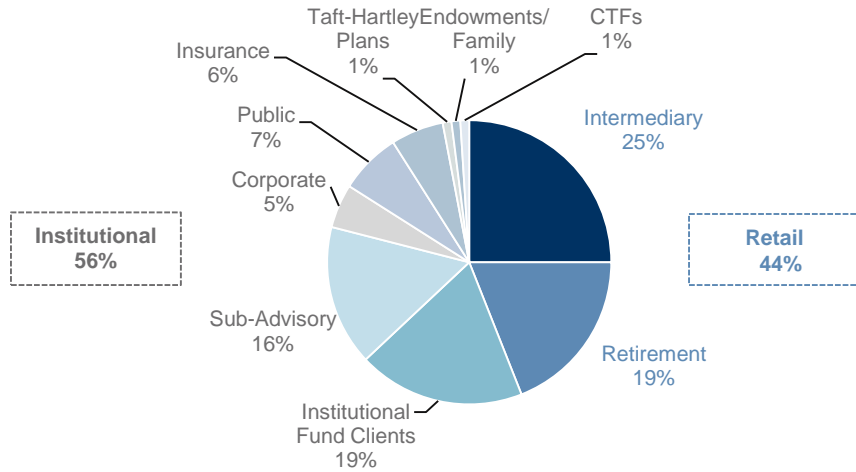
Create Alignment

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

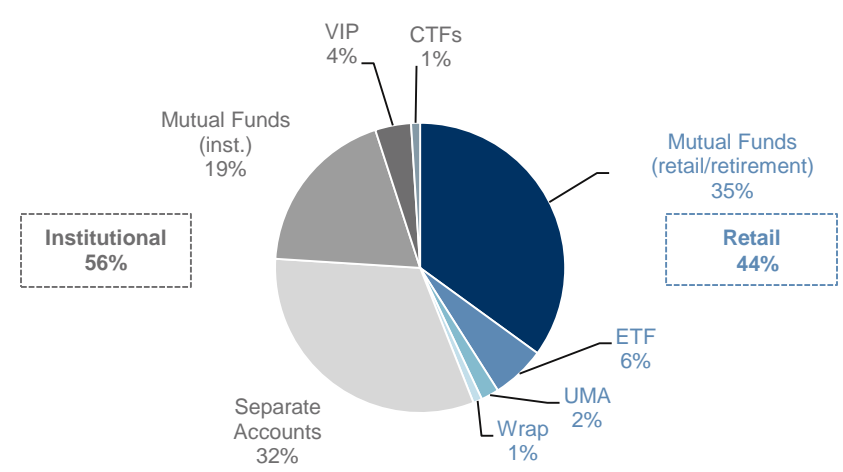
¹ Reflects amount invested by employees as of December 31, 2018

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

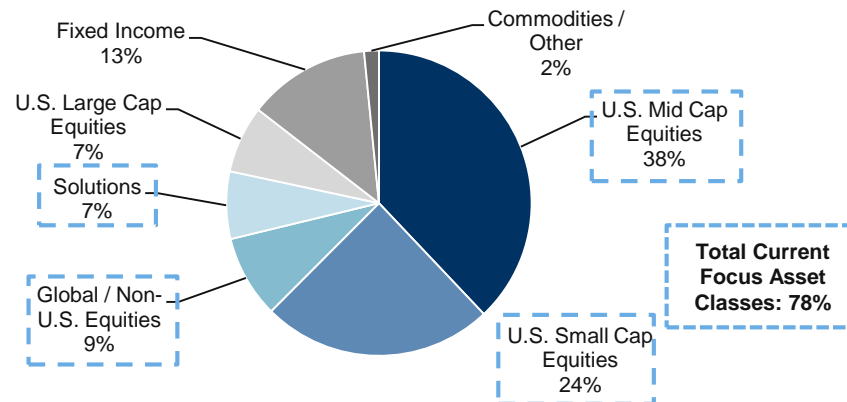
Diverse Institutional and Retail Client Base...



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



...Across a Broad Range of Asset Classes





23

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

65%

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

Percentage of AUM that has outperformed its benchmark:

57% *Over a one-year period*

68% *Over a three-year period*

74% *Over a five-year period*

88% *Over a ten-year period*



4

Consecutive years in the Top 25 Fund Families

#10 *Overall ranking for 2017*

#21 *Overall ranking for 2016*

#25 *Overall ranking for 2015*

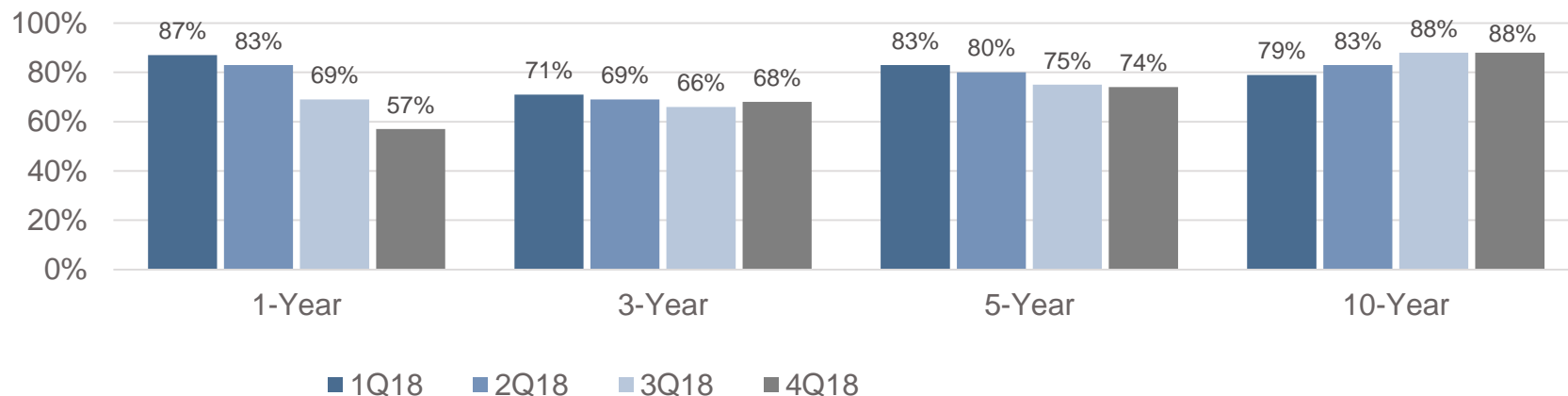
#15 *Overall ranking for 2014*

Barron's / Lipper Fund Family Rankings

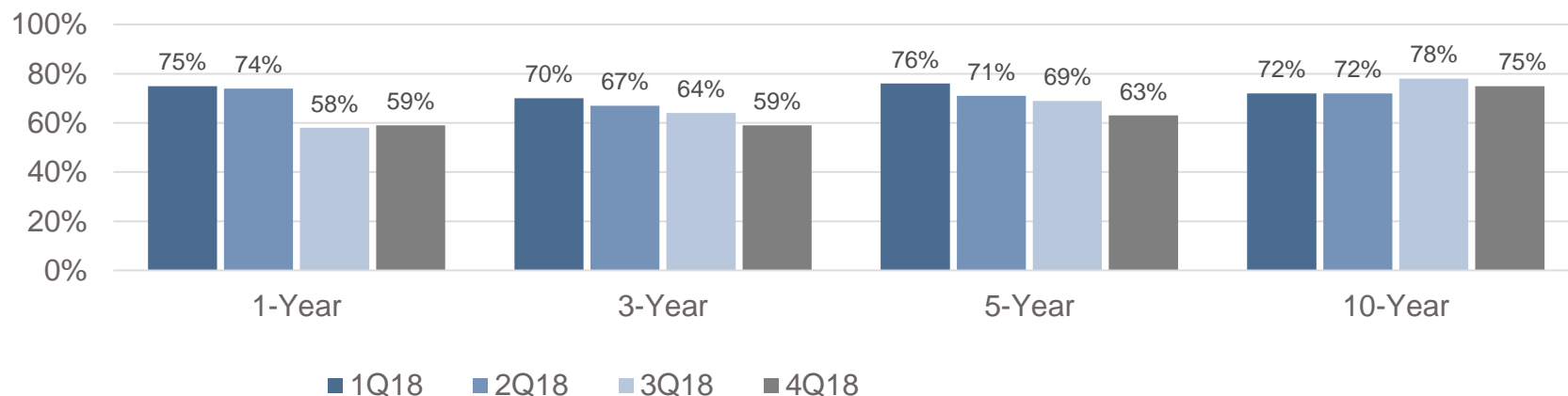
Notes: 32 mutual funds and ETFs did not have 4 or 5 star overall ratings. 35% of AUM in mutual funds and ETFs did not receive overall rating of 4 or 5 stars. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal. Data as of December 31, 2018

Long-term Outperformance Over Benchmarks

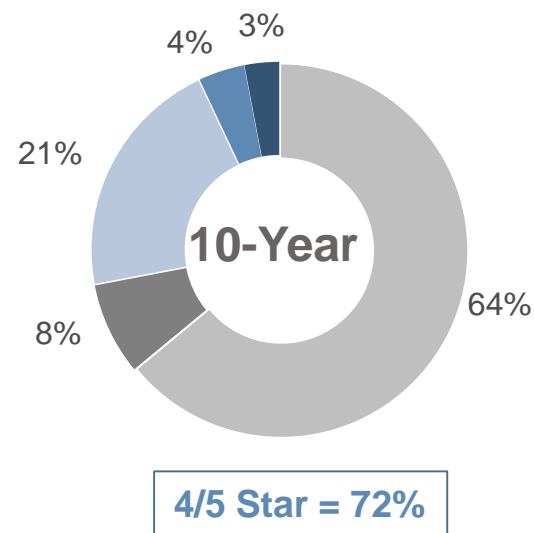
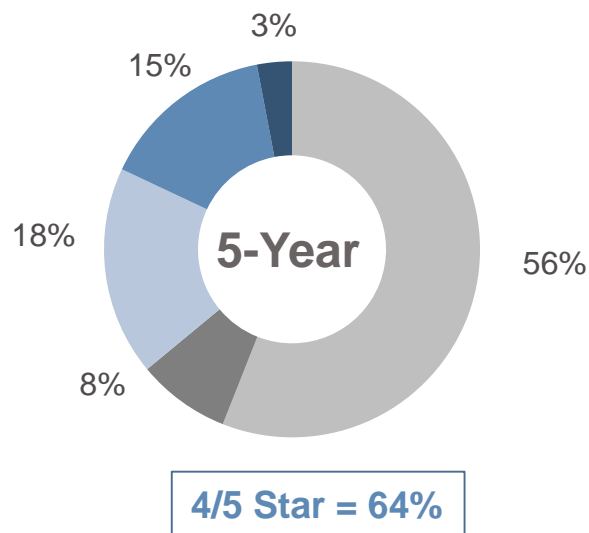
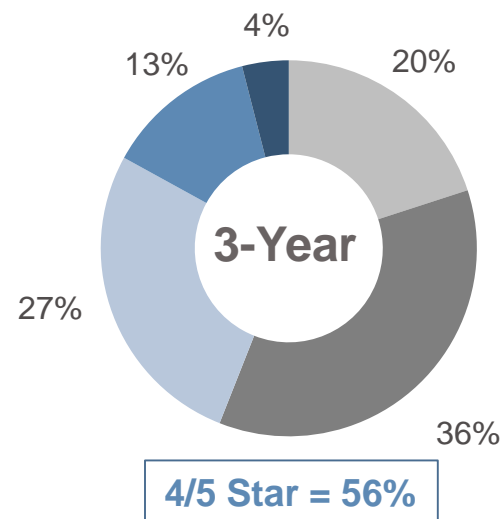
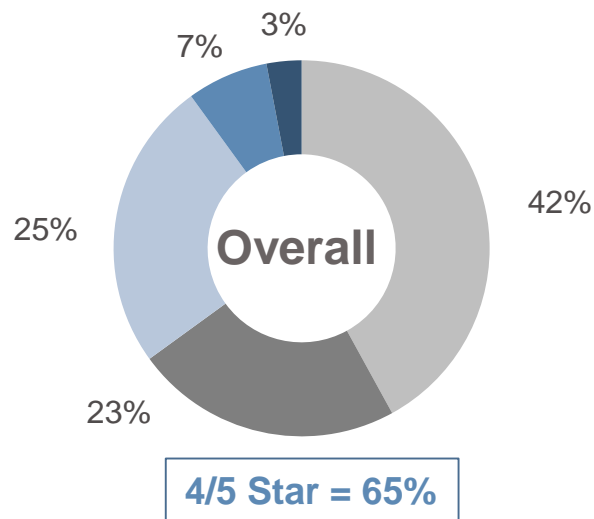
Percentage of AUM that has outperformed benchmark



Percentage of strategies that has outperformed benchmark



65% of AUM in Mutual Funds and ETFs Ranked 4- or 5-Stars Overall by Morningstar



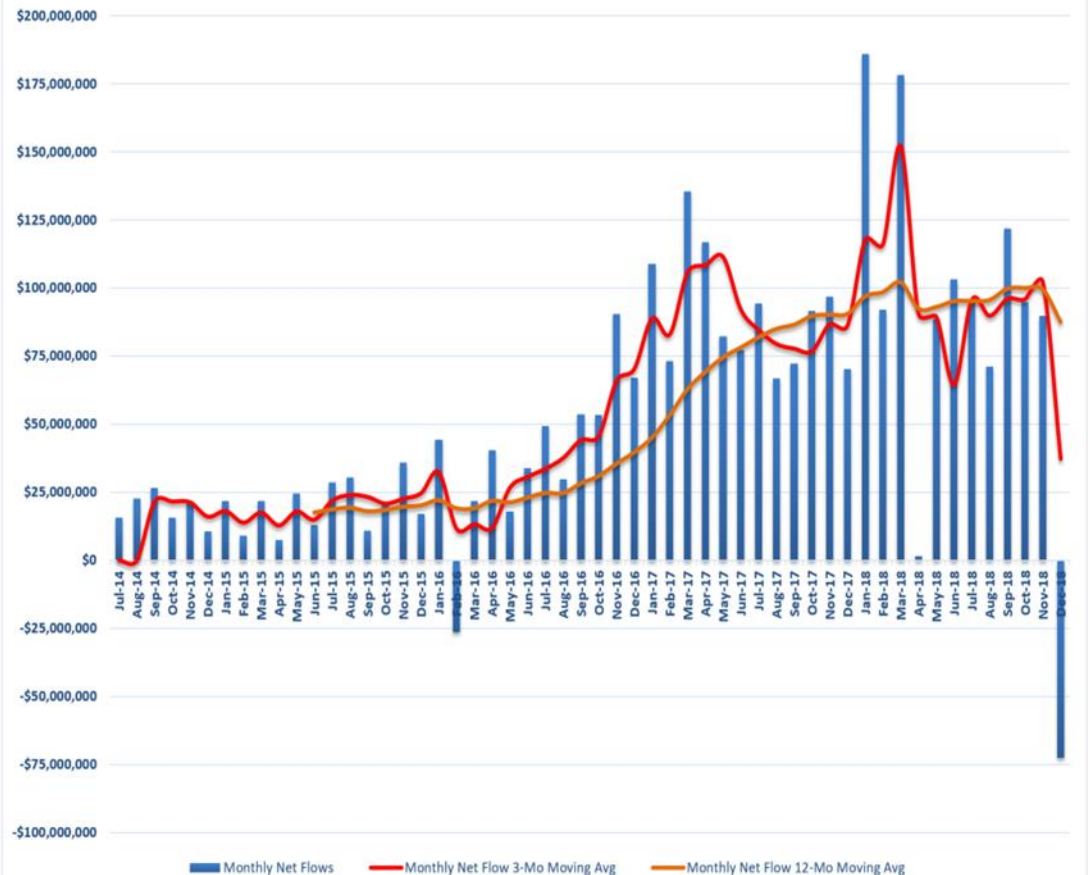
■ 5-Star ■ 4-Star ■ 3-Star ■ 2-Star ■ 1-Star

Notes: Percentages of mutual fund and ETF AUM not receiving 4 or 5 star ratings: 35% for overall period, 44% for 3 years, 36% for 5 years and 28% for 10 years. Past performance does not guarantee future results. Investing involves risk, including the potential loss of principal.

Data as of December 31, 2018

VictoryShares Update: Strong Momentum

Demonstrated Track Record of Success in 2018



Measures of Our Success

- 33% Market Share increase YoY
- VictoryShares ETFs have posted positive net flows every quarter since the CEMP acquisition (April '15)
- Rank 21st of 144 ETF Issuers in YTD Net Flows
- 26th in Overall ETF AUM out of 144 Issuers as of December 31st
- Rank 41st of 144 ETF Issuers for one-year net sales / assets
- 6th fastest-growing ETF provider
- \$198MM acquisition AUM (Apr '15) → \$3.0Bn (Dec '18)
- 6 ETFs with AUM over \$100MM and 3 ETFs with AUM over \$500MM
- 4 ETFs are rated 4 or 5 stars by Morningstar

Source: Morningstar Direct as 12/31/18
ETF growth based on firms with AUM of \$2.95Bn and more

Financial Results

AUM AND FLOWS

- AUM at December 31, 2018 was \$52.8Bn, down 17% from September 30, 2018 AUM of \$63.6Bn
- Market action of (\$9.9Bn), gross flows of \$4.0Bn and net flows of (\$1.0Bn)

FINANCIAL RESULTS

- \$96.0MM Revenue, compared to \$108.1MM in 3Q18
- \$0.19 GAAP earnings per diluted share, compared to \$0.29 per diluted share in 3Q18
- \$0.38 Adjusted Net Income with tax benefit per diluted share
- 26.8% GAAP Operating margin, compared to 29.4% in the prior quarter
- 37.9% Adjusted EBITDA margin, compared to 40.1% in the prior quarter
- Cash Flow from Operations of \$34.4MM

CAPITAL MANAGEMENT

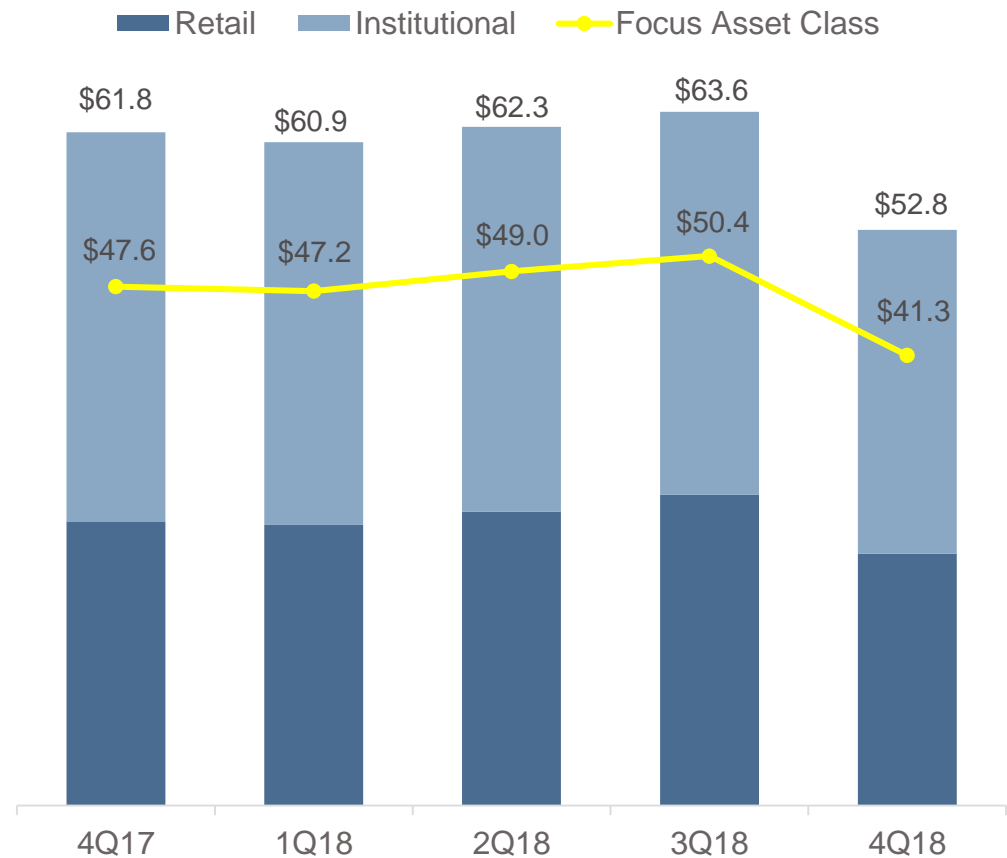
- \$280MM debt outstanding; \$51.5MM cash balance
- 498,578 shares repurchased; up ~70% from prior quarter
- Committed debt financing for planned Harvest Volatility Management and USAA Asset Management acquisitions

Assets Under Management (End of Period)

Commentary:

- (15%) YoY AUM decline
- Focus asset class AUM declined (13%) from 4Q17 to 4Q18; currently 78% of total AUM
- Mutual fund / VIP / ETF AUM of \$33.4Bn as of 12/31/18, across 59 different products
- 56% Institutional and 44% Retail AUM split as of 12/31/18
- AUM is diversified with nine distinct Investment Franchises, a Solutions Platform, eight asset classes, 71 strategies and two broad distribution channels balanced across the institutional and retail markets

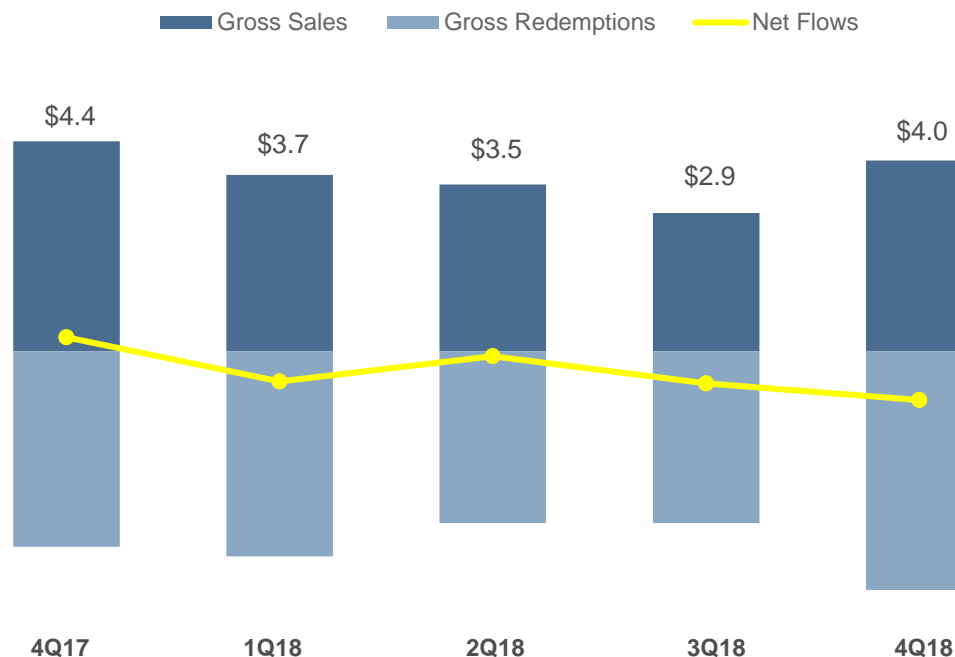
Quarterly Results (\$Bn)



Commentary:

- Gross sales increased 39% QoQ to \$4.0Bn
- FY18 Gross sales of \$14.1Bn
- 4Q18 net flows of (\$1.0Bn) included:
 - Positive net flows in Solutions and Global / Non-US
 - Separate Accounts and Other +\$367MM
 - ETFs +\$121MM
 - Mutual Funds / VIP (\$1.5Bn)

Quarterly Results (\$Bn)



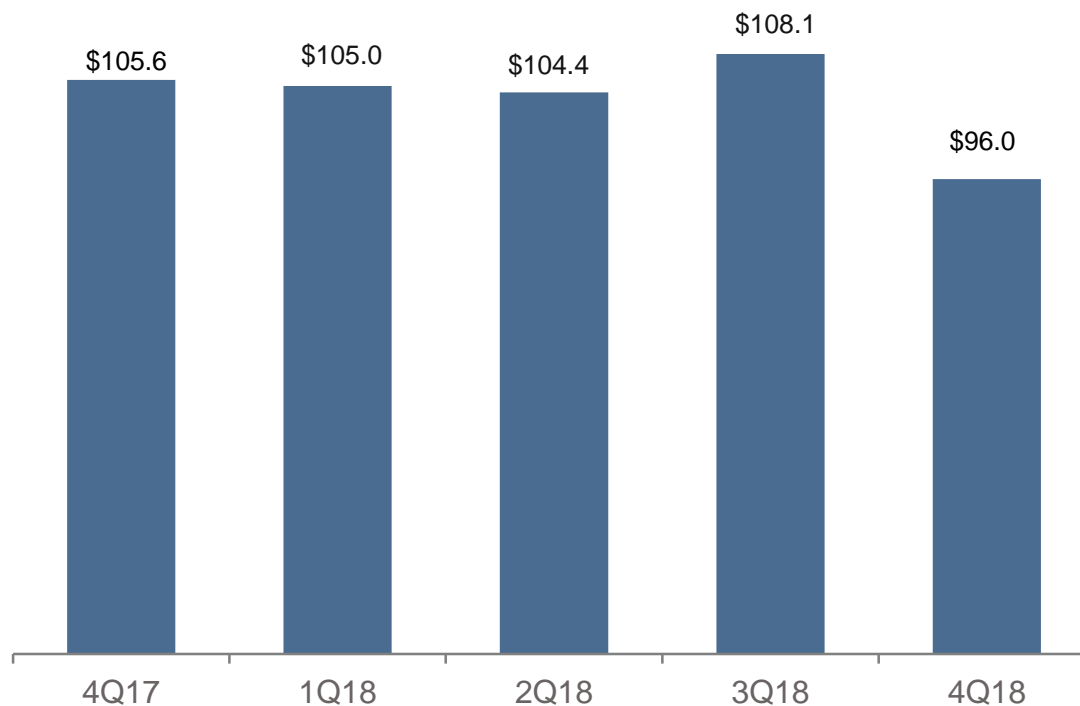
| Operating Metrics | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|---------------------------|-------|--------|--------|--------|----------|
| Gross Sales (%) | 7.4% | 6.0% | 5.7% | 4.7% | 6.3% |
| Net Flows (\$MM) | \$294 | -\$633 | -\$102 | -\$672 | -\$1,019 |
| Net Flows (%) | 0.5% | -1.0% | -0.2% | -1.1% | -1.6% |
| Focus Asset Class* | | | | | |
| Gross Sales (%) | 8.5% | 6.4% | 6.4% | 4.8% | 7.0% |
| Net Flows (\$MM) | \$829 | -\$271 | \$524 | -\$442 | -\$442 |
| Net Flows (%) | 1.9% | -0.6% | 1.1% | -0.9% | -0.9% |

*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:

- (9%) YoY Revenue decline reflecting lower average AUM and lower average fee rates due to asset mix
 - (3%) YoY Avg AUM decline
 - (6%) YoY Avg Fee Rate decrease driven by asset mix shift
- QoQ Revenue decrease due to decrease in average AUM and lower average fee rates due to asset mix

Quarterly Results (\$MM)

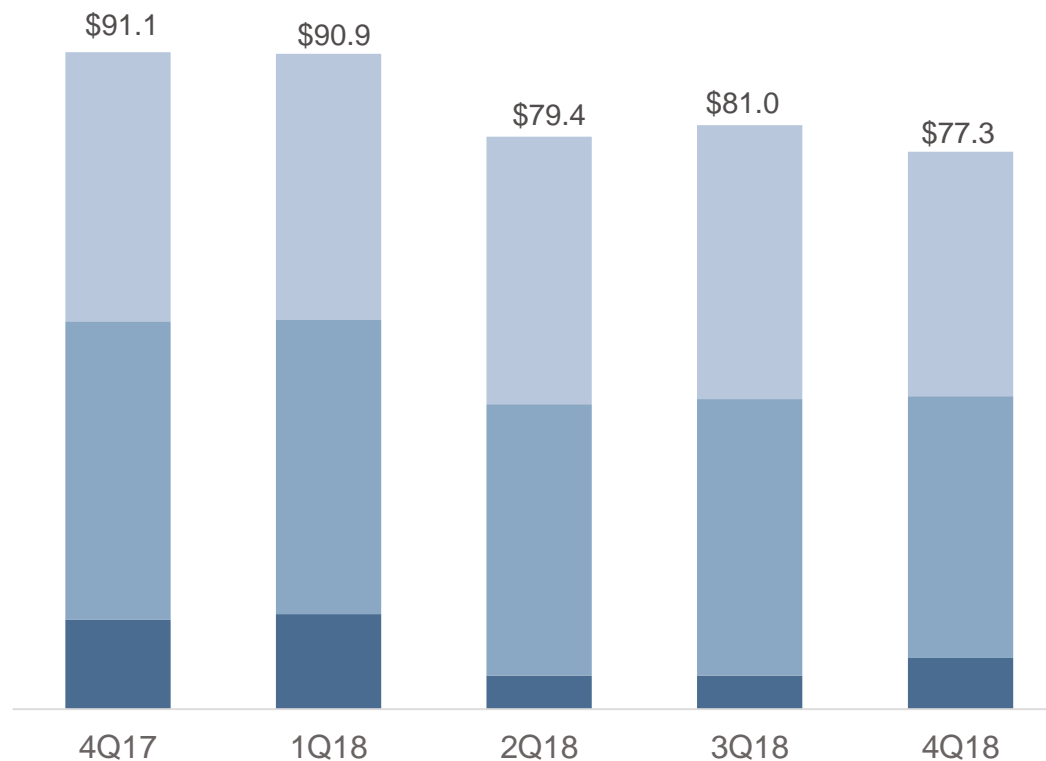


| Operating Metrics | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|--------------------|--------|--------|--------|--------|--------|
| Avg AUM (\$Bn) | \$60.4 | \$62.0 | \$61.6 | \$63.4 | \$58.5 |
| Avg Fee Rate (bps) | 69.4 | 68.6 | 68.0 | 67.6 | 65.1 |

Commentary:

- (15%) YoY decrease in expenses, reflecting operational efficiencies and lower interest expense
- Personnel expenses decreased (11%) QoQ and (9%) YoY due to MTM of long-term deferred compensation plan and lower incentive compensation
- Operating expenses decreased (5%) QoQ and (12%) YoY due to variable expenses tied to AUM
- Non-operating expenses increased +\$2.4MM QoQ related to MTM of long-term deferred compensation and transaction-related receivable write-off; YOY decrease of (43%) from lower interest expense as a result of the debt refinancing in 1Q18 and pre-payments

Quarterly Results (\$MM)

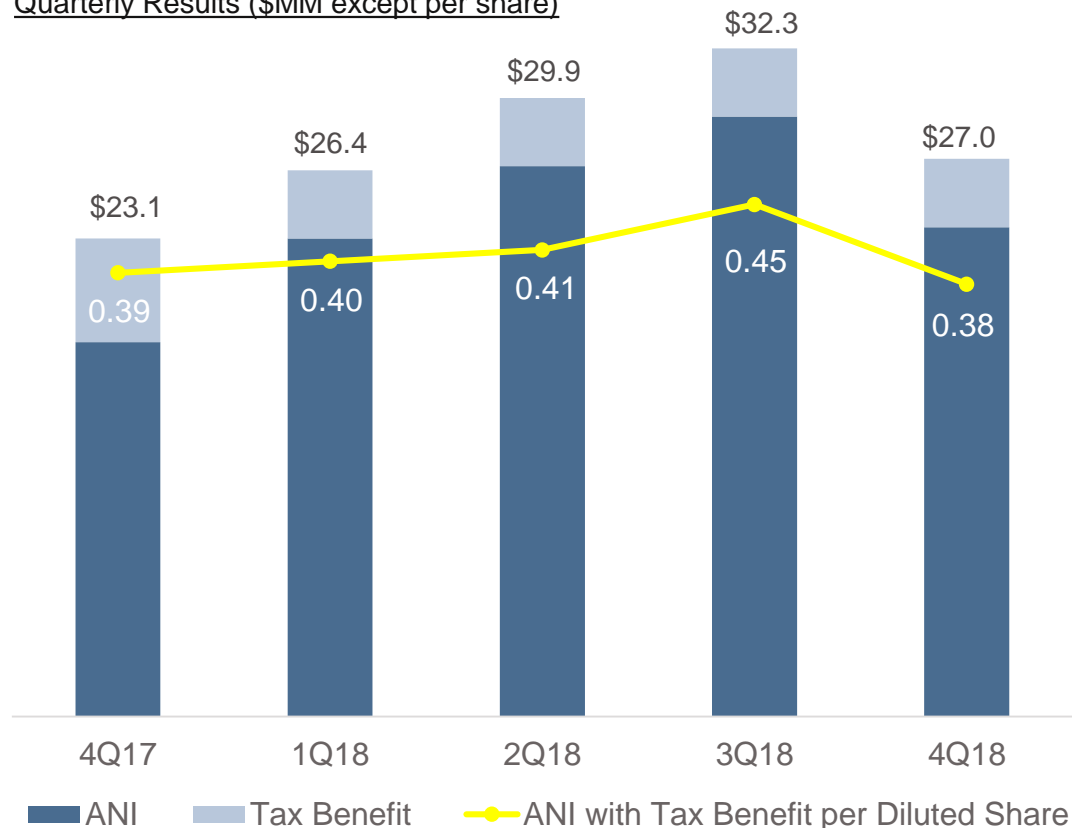


| Operating Metrics (\$MM) | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|--------------------------|--------|--------|--------|--------|--------|
| Personnel | \$37.3 | \$36.8 | \$37.1 | \$38.0 | \$33.9 |
| Operating | 41.4 | 40.9 | 37.6 | 38.3 | 36.3 |
| Non-Operating | 12.4 | 13.2 | 4.7 | 4.7 | 7.1 |

Quarterly Results (\$MM except per share)

Commentary:

- 17% YoY increase in Adjusted Net Income with Tax Benefit
- (16%) QoQ decrease in Adjusted Net Income with Tax Benefit
- FY18 ANI with tax benefit of \$115.5MM, up 41% from FY17
- FY18 EPS of \$1.64, up 20% from FY17



| Operating Metrics | 4Q17 | 1Q18 | 2Q18 | 3Q18 | 4Q18 |
|------------------------|--------|--------|--------|--------|--------|
| Adjusted EBITDA (\$MM) | \$40.0 | \$39.8 | \$40.7 | \$43.3 | \$36.4 |
| Adjusted EBITDA Margin | 37.9% | 37.9% | 39.0% | 40.1% | 37.9% |

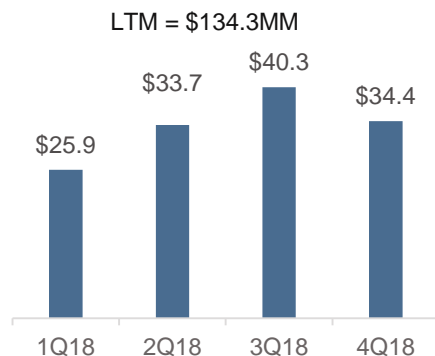
Notes: Adjusted measures are non-GAAP financial measures. An explanation of these non-GAAP financial measures is provided in the Notes and Disclosures at the end of this presentation.

Commentary:

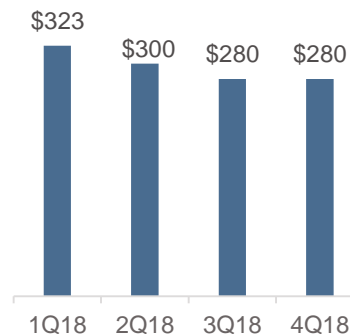
- 4Q18 debt balance of \$280MM
- Debt reduction of 22% from post-IPO debt of \$360MM resulting in Net Debt/Adjusted EBITDA of 1.5x at 12/31/18
- Avg Fully Diluted Shares Outstanding of 71.6MM for the quarter
- Fully committed debt financing in place to fund planned Harvest and USAA Asset Management acquisitions

| Selected Balance Sheet Items (\$MM) | | 12/31/18 |
|-------------------------------------------|--|----------|
| Cash / Cash Equivalents | | \$51.5 |
| Debt ¹ | | \$280.0 |
| Equity | | \$455.5 |
| Diluted Shares Outstanding (MM) | | 71.6 |
| Selected Metrics | | 12/31/18 |
| Net Debt / LTM Credit EBITDA ² | | 1.5x |
| Net Debt / LTM Adjusted EBITDA | | 1.5x |
| Net Debt ² | | \$235.7 |

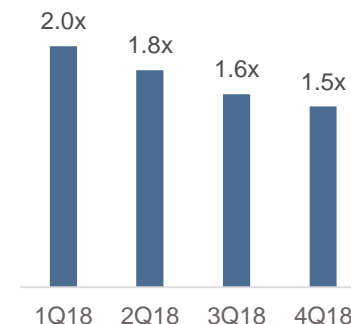
Free Cash Flow (\$MM)



Borrowings (\$MM)



Leverage Ratio²



¹ Represents outstanding term loans as of December 31, 2018. Balance sheet amount of long-term debt is \$268.9MM which is net of \$11.1MM 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 December 31, 2018

(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 | Non-GAAP Basis | |
| Revenue | | | | | | | | | |
| Investment management fees | \$ 82,030 | | | | | | | \$ 82,030 | |
| Fund administration and distribution fees | 13,937 | | | | | | | 13,937 | |
| Total revenue | 95,967 | - | - | - | - | - | - | 95,967 | - |
| Expenses | | | | | | | | | |
| Personnel compensation and benefits (1) | 33,910 | | | (3,943) | - | | | 29,967 | |
| Distribution and other asset-based expenses (2) | 21,123 | | | | | | | 21,123 | |
| General and administrative (2) | 6,910 | (337) | | | (36) | | - | 6,537 | |
| Depreciation and amortization (2) | 5,360 | | (4,651) | | | | | 709 | |
| Change in value of consideration payable for acquisition of business (2) | (33) | | | | | | | (33) | |
| Acquisition-related costs (2) | 2,900 | | | | (2,900) | | | - | |
| Restructuring and integration costs (2) | 40 | | | | (40) | | | - | |
| Total operating expenses | 70,210 | (337) | (4,651) | (3,943) | (2,976) | - | - | 58,303 | |
| Income from operations | 25,757 | 337 | 4,651 | 3,943 | 2,976 | - | - | 37,664 | |
| Other income (expense) | | | | | | | | | |
| Interest income and other income/(expense) (3) | (2,627) | | | | 688 | | | (1,939) | |
| Interest expense and other financing costs (3) | (4,438) | | | | | 371 | | (4,067) | |
| Loss on debt extinguishment (3) | - | | | | | | | - | |
| Total other income (expense), net | (7,065) | - | - | - | 688 | 371 | - | (6,006) | |
| Income/(loss) before income taxes | 18,692 | 337 | 4,651 | 3,943 | 3,664 | 371 | - | 31,658 | |
| Income tax (expense)/benefit | (4,777) | (84) | (1,163) | (986) | (916) | (92) | - | (8,018) | 3,320 |
| Net income/(loss) | \$ 13,915 | \$ 253 | \$ 3,488 | \$ 2,957 | \$ 2,748 | \$ 279 | \$ - | \$ 23,640 | \$ 3,320 |
| Earnings per share of common stock | | | | | | | | | |
| Basic | \$ 0.21 | | | | | | | \$ 0.35 | \$ 0.05 |
| Diluted | \$ 0.19 | | | | | | | \$ 0.33 | \$ 0.05 |
| Weighted average number of shares outstanding | | | | | | | | | |
| Basic | 67,715,681 | | | | | | | 67,715,681 | 67,715,681 |
| Diluted | 71,557,705 | | | | | | | 71,557,705 | 71,557,705 |
| Memo: Expenses | | | | | | | | | |
| Personnel (1) | 33,910 | | | | | | | 29,967 | |
| Operating (2) | 36,300 | | | | | | | 28,336 | |
| Non-Operating (3) | 7,065 | | | | | | | 6,006 | |

GAAP Net Income to Adjusted Net Income Reconciliation



Three months Ended September 30, 2018
(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 | Non-GAAP Basis | |
| Revenue | | | | | | | | | |
| Investment management fees | \$ 92,525 | | | | | | | \$ 92,525 | |
| Fund administration and distribution fees | 15,557 | | | | | | | 15,557 | |
| Total revenue | 108,082 | - | - | - | - | - | - | 108,082 | - |
| Expenses | | | | | | | | | |
| Personnel compensation and benefits (1) | 38,027 | | | (4,005) | - | | | 34,022 | |
| Distribution and other asset-based expenses (2) | 24,269 | | | | | | | 24,269 | |
| General and administrative (2) | 6,951 | (350) | | | - | | - | 6,601 | |
| Depreciation and amortization (2) | 5,574 | | (4,799) | | | | | 775 | |
| Change in value of consideration payable for acquisition of business (2) | - | | | | | | | - | |
| Acquisition-related costs (2) | 1,451 | | | | (1,452) | | | (1) | |
| Restructuring and integration costs (2) | - | | | | - | | | - | |
| Total operating expenses | 76,272 | (350) | (4,799) | (4,005) | (1,452) | - | - | 65,666 | |
| Income from operations | 31,810 | 350 | 4,799 | 4,005 | 1,452 | - | - | 42,416 | |
| Other income (expense) | | | | | | | | | |
| Interest income and other income/(expense) (3) | (200) | | | | 195 | | | (5) | |
| Interest expense and other financing costs (3) | (4,458) | | | | | 373 | | (4,085) | |
| Loss on debt extinguishment (3) | - | | | | | | | - | |
| Total other income (expense), net | (4,658) | - | - | - | 195 | 373 | - | (4,090) | |
| Income/(loss) before income taxes | 27,152 | 350 | 4,799 | 4,005 | 1,647 | 373 | - | 38,326 | |
| Income tax (expense)/benefit | (6,562) | (88) | (1,200) | (1,001) | (412) | (93) | - | (9,356) | 3,318 |
| Net income/(loss) | \$ 20,590 | \$ 262 | \$ 3,599 | \$ 3,004 | \$ 1,235 | \$ 280 | \$ - | \$ 28,970 | \$ 3,318 |
| Earnings per share of common stock | | | | | | | | | |
| Basic | \$ 0.30 | | | | | | | \$ 0.43 | \$ 0.05 |
| Diluted | \$ 0.29 | | | | | | | \$ 0.40 | \$ 0.05 |
| Weighted average number of shares outstanding | | | | | | | | | |
| Basic | 67,972,313 | | | | | | | 67,972,313 | 67,972,313 |
| Diluted | 71,863,566 | | | | | | | 71,863,566 | 71,863,566 |
| Memo: Expenses | | | | | | | | | |
| Personnel (1) | 38,027 | | | | | | | 34,022 | |
| Operating (2) | 38,245 | | | | | | | 31,644 | |
| Non-Operating (3) | 4,658 | | | | | | | 4,090 | |

GAAP Net Income to Adjusted Net Income Reconciliation



For the Year Ended December 31, 2018

(in thousands except share amounts)

| | Adjustments | | | | | | | Non-GAAP Basis | Tax Benefit of Goodwill and Acquired Intangibles |
|--------------------------------------------------------------------------|------------------|----------------------|------------------------------------------------------|--------------------------|-------------------------------------------|---------------------|--------------------------|-------------------|--------------------------------------------------|
| | U.S. GAAP Basis | Other Business Taxes | GAAP Amortization of Acquisition-Related Intangibles | Stock-Based Compensation | Acquisition, Restructuring and Exit Costs | Debt Issuance Costs | Pre-IPO Governance Costs | | |
| Revenue | | | | | | | | | |
| Investment management fees | \$ 352,683 | | | | | | | \$ 352,683 | |
| Fund administration and distribution fees | 60,729 | | | | | | | 60,729 | |
| Total revenue | 413,412 | | | | | | | 413,412 | |
| Expenses | | | | | | | | | |
| Personnel compensation and benefits (1) | 145,880 | | | (15,238) | - | | | 130,642 | |
| Distribution and other asset-based expenses (2) | 94,680 | | | | | | | 94,680 | |
| General and administrative (2) | 30,005 | (1,505) | | | (303) | | (138) | 28,059 | |
| Depreciation and amortization (2) | 23,277 | | (20,321) | | | | | 2,956 | |
| Change in value of consideration payable for acquisition of business (2) | (37) | | | | | | | (37) | |
| Acquisition-related costs (2) | 4,346 | | | | (4,346) | | | - | |
| Restructuring and integration costs (2) | 742 | | | | (742) | | | - | |
| Total operating expenses | 298,893 | (1,505) | (20,321) | (15,238) | (5,391) | | (138) | 256,300 | |
| Income from operations | 114,519 | 1,505 | 20,321 | 15,238 | 5,391 | | 138 | 157,112 | |
| Other income (expense) | | | | | | | | | |
| Interest income and other income/(expense) (3) | (2,856) | | | | 998 | | | (1,858) | |
| Interest expense and other financing costs (3) | (20,694) | | | | | 7,807 | | (12,887) | |
| Loss on debt extinguishment (3) | (6,058) | | | | | | | (6,058) | |
| Total other income (expense), net | (29,608) | | | | 998 | 7,807 | | (20,803) | |
| Income/(loss) before income taxes | 84,911 | 1,505 | 20,321 | 15,238 | 6,389 | 7,807 | 138 | 136,309 | |
| Income tax (expense)/benefit | (21,207) | (376) | (5,080) | (3,810) | (1,597) | (1,951) | (35) | (34,056) | 13,278 |
| Net income/(loss) | \$ 63,704 | \$ 1,129 | \$ 15,241 | \$ 11,428 | \$ 4,792 | \$ 5,856 | \$ 103 | \$ 102,253 | \$ 13,278 |
| Earnings per share of common stock | | | | | | | | | |
| Basic | \$ 0.96 | | | | | | | \$ 1.54 | \$ 0.20 |
| Diluted | \$ 0.90 | | | | | | | \$ 1.45 | \$ 0.19 |
| Weighted average number of shares outstanding | | | | | | | | | |
| Basic | 66,295,240 | | | | | | | 66,295,240 | 66,295,240 |
| Diluted | 70,510,536 | | | | | | | 70,510,536 | 70,510,536 |
| Memo: Expenses | | | | | | | | | |
| Personnel (1) | 145,880 | | | | | | | 130,642 | |
| Operating (2) | 153,013 | | | | | | | 125,658 | |
| Non-Operating (3) | 29,608 | | | | | | | 20,803 | |

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; and
- Adjusting for earnings/losses on equity method investments.

Information Regarding Non-GAAP Financial Measures (cont.)

Adjusted Net Income

Adjustments made to GAAP net income to calculate Adjusted Net Income 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;
- 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 Cuts and Jobs 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.

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.