


# Third Quarter 2020
# Earnings Presentation
# November 5, 2020

# 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.

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. Reconciliations of non-GAAP metrics to their closest comparable GAAP metrics can be found in the Appendix that accompanies this presentation.

# Agenda

Quarterly Business Overview

Investment Performance

THB Asset Management Acquisition & Alderwood Investment

Third Quarter 2020 Financial Results

Appendix

# Quarterly Business Overview

# Business Overview

## AUM & FLOWS

- Total AUM of $132.7Bn at September 30, 2020
  - > Up 3% from June 30, 2020, and up 7% from March 31, 2020
- Total LT gross flows of $5.1Bn and net flows -$2.9Bn in 3Q

## 3Q OPERATING & FINANCIAL HIGHLIGHTS

- Investment performance was strong in 3Q, as of September 30, 2020:
  - > 70% of AUM outperforming benchmark over three years
  - > 69% of AUM outperforming benchmark over five years
- Record high $1.00 Adjusted Net Income with tax benefit per diluted share
  - > Up 12% from 2Q 2020 and up 10% from 3Q 2019
- Record high 51% Adjusted EBITDA Margin for the quarter
  - > Expanded 320 basis points versus 2Q 2020
  - > Expanded 590 basis points versus 3Q 2019
- Ended quarter with $837MM of debt, and leverage ratio of 2.0x; subsequently reduced by an additional $20MM to $817MM
- Increased cash dividend by 17%, new $15 million stock repurchase authorization

## ACQUISITION & INVESTMENTS

- Announced THB Asset Management Acquisition, 10th Investment Franchise
- Strategic investment in Alderwood Partners
- Conducting diligence on larger-scale acquisition opportunities

# Direct-to-Consumer Digital Marketplace Update

- Multi-channel paid media campaign commenced in select geographies with large military populations
  - > Radio
  - > Digital
  - > Paid Search
  - > Social Media
- To be debuting new digital experience
- Referral agreement with USAA®
  - > ~100K new account registrations since acquisition
- Broadening investment choices in direct marketplace with member share classes for 11 Victory Funds
- Launched fixed income SMA capabilities
- Introducing ESG-focused strategy with USAA® Sustainable World Fund
- Distribution of USAA® Mutual Funds and ETFs outside of direct marketplace beginning to gain traction
  - > USAA® branded active fixed income ETFs will reach 3-year anniversary in 4Q commencing Morningstar coverage
  - > New share classes introduced for USAA® Mutual Funds to increase options for financial advisors and their clients

USAA® INVESTMENTS
A VICTORY CAPITAL® INVESTMENT FRANCHISE

USAA® MUTUAL FUNDS

USAA® 529 COLLEGE SAVINGS PLAN

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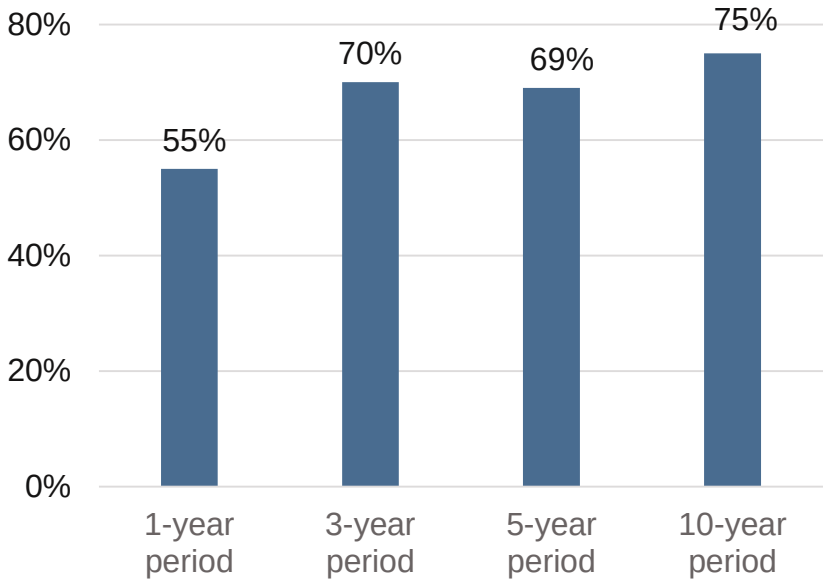
# Investment Performance

# Commitment to Long-Term Investment Performance

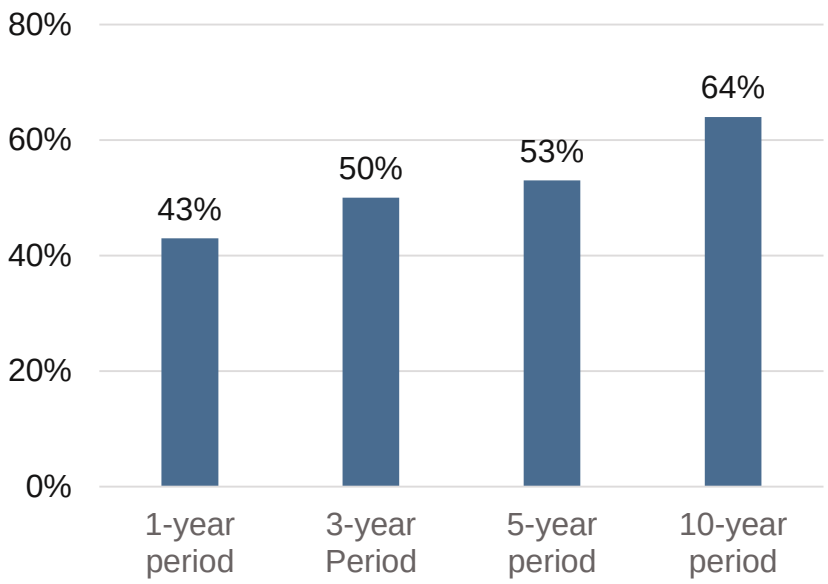
**39** *Total Mutual Funds and ETFs with 4- or 5-Star overall ratings*

**67%** *Total Mutual Funds and ETFs AUM with 4- or 5-Star overall ratings*

**% of AUM outperforming benchmarks**




**% of strategies outperforming benchmarks**




*All figures as of September 30, 2020.*

# THB Asset Management Acquisition & Alderwood Investment

# THB Asset Management Acquisition

- Victory Capital's 10th Investment Franchise
- Creative deal structure
  - > Nominal consideration paid
  - > Standard compensation agreement based on revenue sharing
  - > Immediately accretive to earnings
- Full ESG integration in investment process
  - > 30-year history of managing SRI portfolios
- Proven investment excellence
- Opportunity to leverage THB's distribution in Australia and Europe
- Four primary investment strategies in capacity-constrained asset classes, all with significant room for asset growth:
  - > U.S. Micro-Cap
  - > U.S. Small-Cap
  - > U.S. Mid-Cap
  - > International Opportunities (small/micro)
- Will be fully integrated into operating and distribution platforms

THB Asset Management



# THB Asset Management Acquisition

*Peer Rankings and Excess Returns vs. Benchmarks, as of Sep 30, 2020*

| | | U.S. Micro-Cap[1] | U.S.Small-Cap[2] | U.S.Mid-Cap[3] | International Opportunities[4] |
|---|---|---|---|---|---|
| QTD | Peer Rank (%) | *4%* | *30%* | *7%* | *4%* |
| | Excess return vs. benchmark | +867 bps | +123 bps | +260 bps | +551 bps |
| 1-Year | Peer Rank (%) | *24%* | *14%* | *9%* | *7%* |
| | Excess return vs. benchmark | -100 bps | +720 bps | +936 bps | +1,298 bps |
| 3-Year | Peer Rank (%) | *25%* | *32%* | *10%* | *8%* |
| | Excess return vs. benchmark | +75 bps | +128 bps | +620 bps | +511 bps |
| 5-Year | Peer Rank (%) | *20%* | *21%* | *18%* | *2%* |
| | Excess return vs. benchmark | +242 bps | +135 bps | +276 bps | +846 bps |
| 10-Year | Peer Rank (%) | *35%* | *64%* | *NA* | *NA* |
| | Excess return vs. benchmark | +64 bps | -59 bps | *NA* | *NA* |
| Since Inception | | Jun 1998 | Jan 1992 | Feb 2014 | Apr 2015 |
| | Excess return vs. benchmark | +444 bps | +61 bps | +297 bps | +819 bps |

*Performance data quoted represents past performance net of fees and is not indicative of future results. Periods greater than 1 year are annualized. Returns represented include reinvestment of dividends and other income. Benchmark Indexes: 1) Russell Microcap; 2) Russell 2000; 3) Russell Midcap®; and, 4) MSCI EAFE Small Cap*
*Source: eVestment and THB Asset Management*

# Strategic Investment: Alderwood Partners

- Proven M&A team
  - > Founded in 2020 by Jonathan Little
  - > Based in London
  - > Raising a PE-style fund to invest in specialized asset management businesses
- VCTR acquired 15% GP ownership stake
  - > Board representation
  - > Planning to also invest at fund level
- Strategic rationale:
  - > Broadens scope of growth opportunities outside of U.S.
  - > Exposure to new potential acquisition prospects
  - > Potential complementary distribution opportunities
    - o Selling VCTR products into new geographies
    - o Distributing products manufactured offshore in U.S. via VCTR's established sales networks
  - > Access to offshore operational and regulatory platforms



# Third Quarter 2020
# Financial Results

# Third Quarter 2020 Financial Results

## THIRD QUARTER FINANCIAL RESULTS

- $188.7MM revenue
  - > Up 4% from 2Q 2020
  - > Down 12% from 3Q 2019
- GAAP operating margin of 43%
  - > Up 650 bps from 2Q 2020
  - > Up 1,680 bps from 3Q 2019
- Record high Adjusted EBITDA Margin of 51%
- GAAP Earnings per diluted share of $0.76
  - > Up 25% from 2Q 2020
  - > Up 117% from 3Q 2019
- Record high adjusted Net Income with tax benefit per diluted share of $1.00

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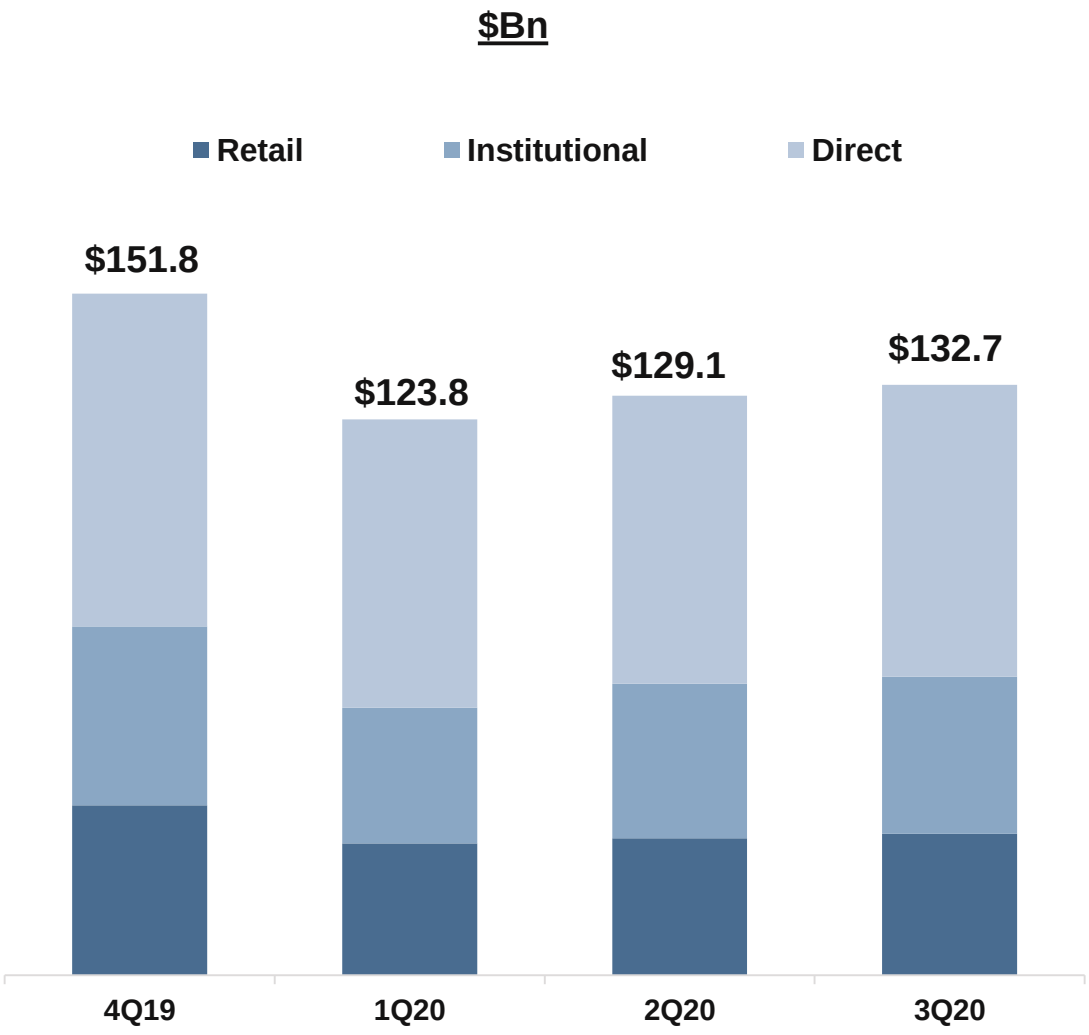
## CAPITAL MANAGEMENT

- Net Debt / Annualized Adjusted EBITDA down to 2.0x at September 30
- Returned $13.9MM to shareholders in 3Q
- New $15MM share repurchase plan authorization
- Quarterly cash dividend increased 17% to $0.07 per share

# Assets Under Management (End of Period)

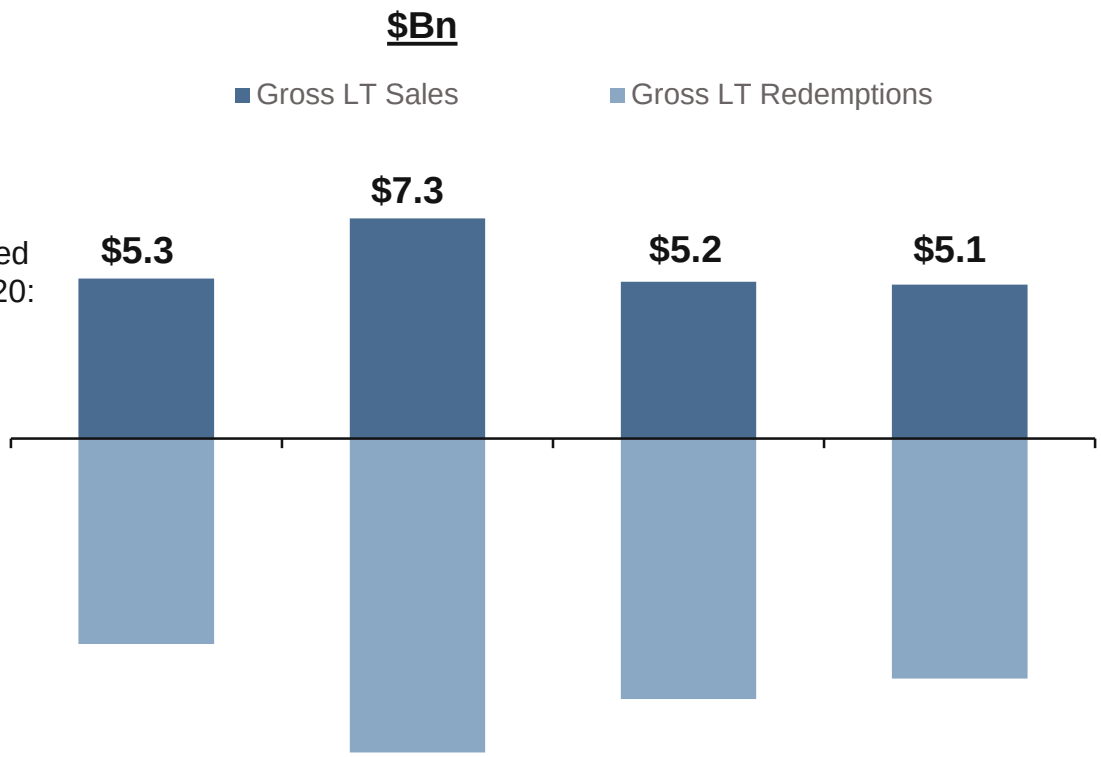
- Total AUM of $132.7Bn at Sep. 30, 2020
  - > Up 3% from June 30, 2020
  - > Up 7% from March 31, 2020
- Diversified distribution channels
  - > Retail
  - > Institutional
  - > Direct



# Long-Term Asset Flows

3Q 2020

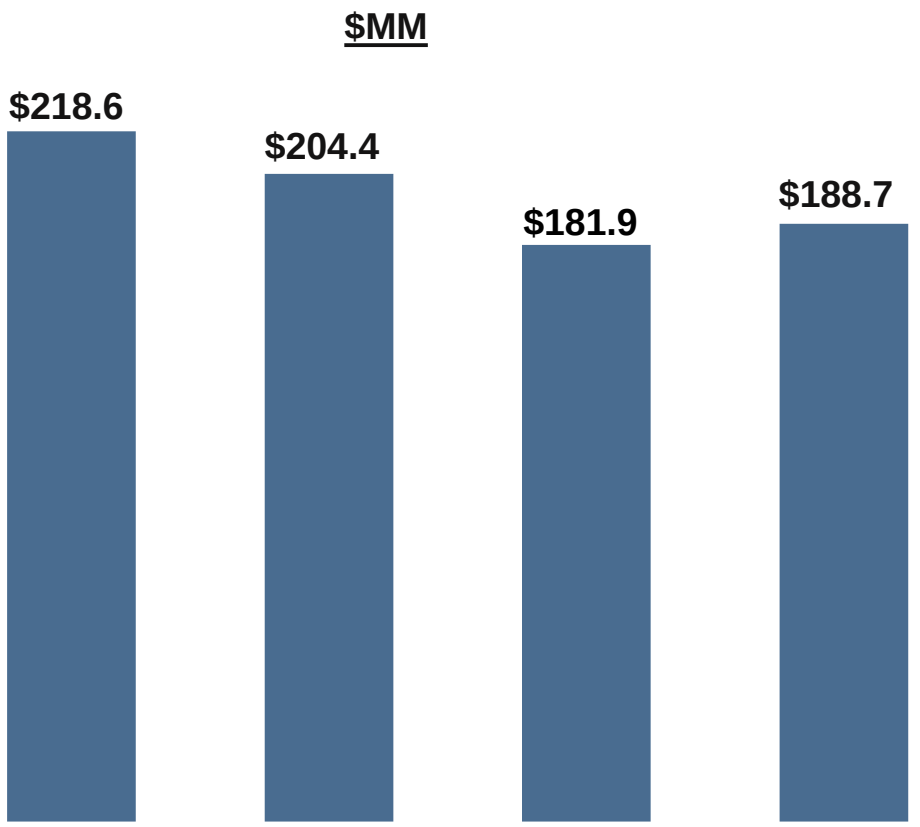
- Gross LT sales of $5.1Bn
- LT net outflows $2.9Bn
- Multiple franchises/strategies generated long-term net inflows in 3Q & YTD 2020:
  - > INCORE
  - > Trivalent
  - > Sophus
  - > RS Global




| Operating Metrics | 4Q19 | 1Q20 | 2Q20 | 3Q20 |
|---|---|---|---|---|
| Net long-term flows ($MM) | -$1,474 | -$3,101 | -$3,466 | **-$2,878** |

# Revenues

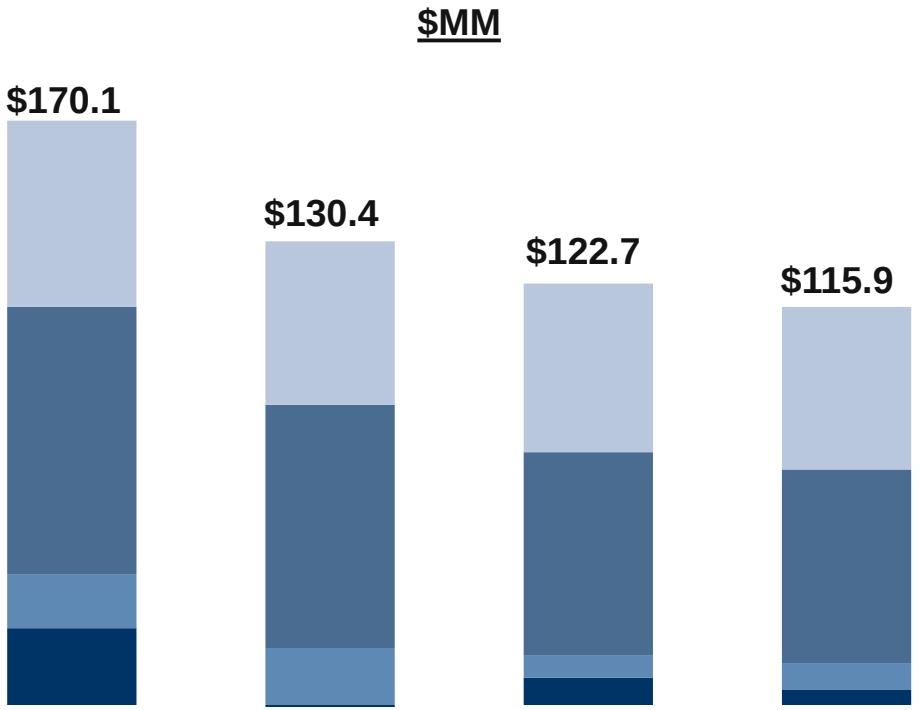
- 3Q 2020 revenue $189MM
  - > Up 4%, vs 2Q 2020
  - > Down 8% vs 1Q 2020
- YTD 2020 revenue $575MM
  - > Up 46% vs 2019 nine months
- Average YTD 2020 fee rate of 56.7bps




| Operating Metrics | 4Q19 | 1Q20 | 2Q20 | 3Q20 |
|---|---|---|---|---|
| Average AUM ($Bn) | $147.9 | $144.1 | $128.9 | **$133.1** |
| Average Fee Rate (bps), as reported | 58.7 | 57.1 | 56.7 | **56.4** |

# Expenses

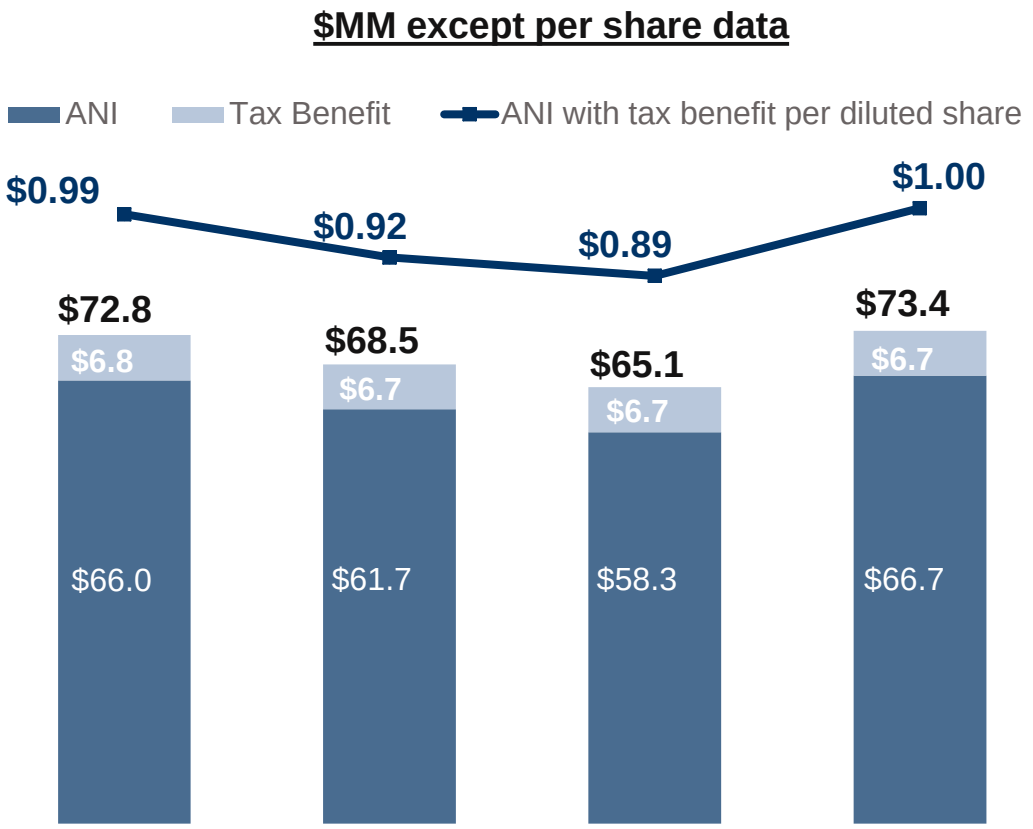
- 3Q 2020 Total expenses
  - > Declined 6% from 2Q
  - > Down 36% from $181 million in 3Q 2019
- 3Q 2020 operating expenses down 5% vs 2Q
- Acquisition-related, restructuring and integration expenses declined 44%




| Operating Metrics ($MM) | 4Q19 | 1Q20 | 2Q20 | **3Q20** |
|---|---|---|---|---|
| Personnel | $54.2 | $47.6 | $49.1 | **$47.4** |
| Operating | 77.8 | 70.8 | 59.1 | **56.3** |
| Non-Operating | 15.8 | 16.6 | 6.6 | **7.8** |
| Acquisition-related, restructuring & integration | 22.3 | (4.6) | 7.9 | **4.4** |

# Non-GAAP Metrics

- 3Q 2020 Adjusted Net Income (ANI) with tax benefit of $1.00 per diluted share
  - > Up 12% from 2Q 2020
  - > Up 10% from 3Q 2019
- 3Q 2020 ANI with tax benefit of $73.4MM
  - > $66.7MM ANI
  - > $6.7MM tax benefit
- Record high Adjusted EBITDA Margin of 50.7%
  - > Up 320 bps from 2Q 2020
  - > Up 590 bps from 3Q 2019



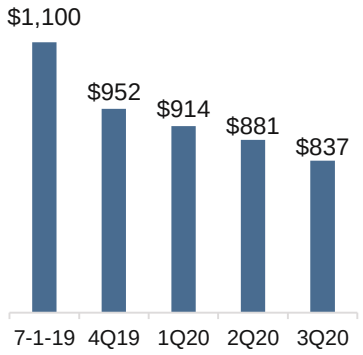

| Operating Metrics | 4Q19 | 1Q20 | 2Q20 | 3Q20 |
|---|---|---|---|---|
| Adjusted EBITDA ($MM) | $102.3 | $91.5 | $86.3 | **$95.6** |
| Adjusted EBITDA Margin | 46.8% | 44.8% | 47.5% | **50.7%** |

*Adjusted measures are non-GAAP financial measures. Reconciliations and explanations of these non-GAAP financial measures are provided at the end of this presentation.*

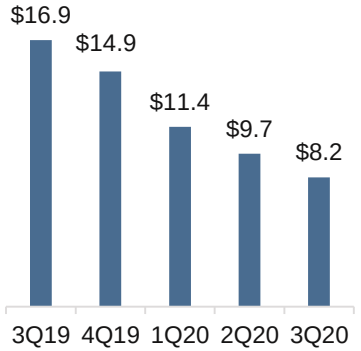
# Capital Management

| Selected Balance Sheet Items ($MM) | 9/30/2020 |
|---|---|
| Cash / Cash Equivalents | $56 |
| Debt ***(4Q to-date, further reduced to $817MM)*** | $837 |
| Stockholders' Equity | $660 |
| Diluted Shares Outstanding (MM) | 73.4 |
| Net Debt / Adjusted EBITDA[1] *(at 9/30/2020)* | 2.0x |

**Debt ($MM)**



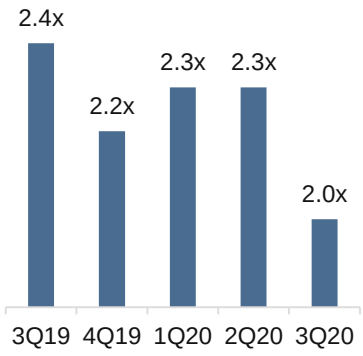

**Interest Expense and Other Financing Costs ($MM)**




3Q 2020 Highlights

- Returned $13.9 million to shareholders
  - > Repurchased 529K shares
- Increased cash dividend 17%
- Reduced debt by $44 million in 3Q
- Leverage ratio declined to 2.0x
- Cost of debt declined 51% year-over-year
  - > Interest rate declined 250bps to 3.1%, vs 5.6%

**Leverage Ratio[1]**




**GAAP Operating Cash Flow ($MM)**




[1] *Net Debt / Run Rate Adjusted EBITDA ratio was 2.0x at 9.30.2020, from Annualized Adjusted EBITDA of $383MM, and net debt of $781MM from $837MM in debt, less $56MM in cash.*

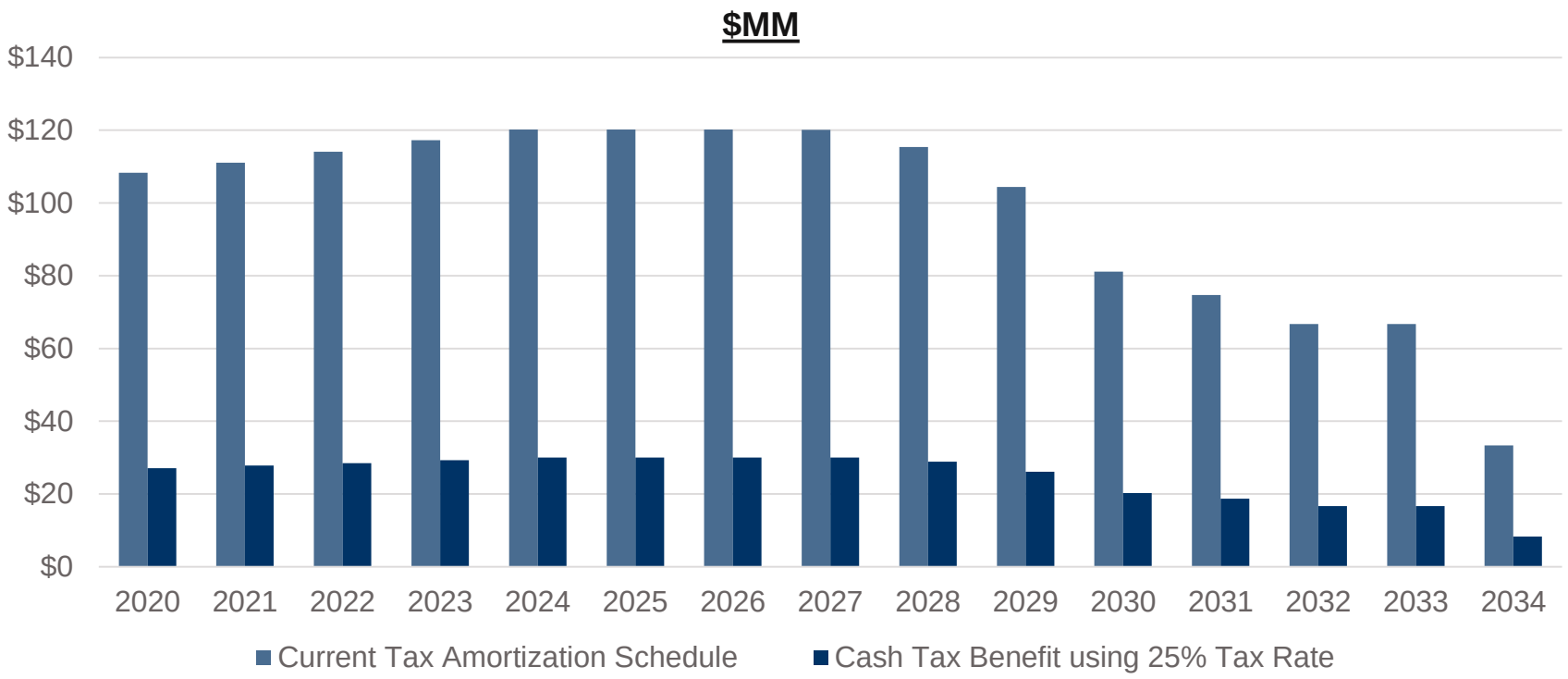
# Successful Execution … Promises Kept

| STATED OBJECTIVES During 2018 IPO | | TANGIBLE RESULTS Today |
|---|---|---|
| **Make Accretive Acquisitions** | → | USAA® AMCO acquisition earnings accretion ***>100%*** |
| **Increase Scale** | → | ***AUM up >100%***, enhancing operating efficiencies |
| **Diversify Asset Classes** | → | Acquired ***Fixed Income and Solutions*** capabilities, balancing asset class mix |
| **Broaden Distribution** | → | Opened unique ***Direct-to-Consumer Channel*** |
| **Become the Industry's Consolidator of Choice** | → | ***Next Generation*** integrated multi-franchise platform provides distinct competitive advantages for current trends in asset management industry |

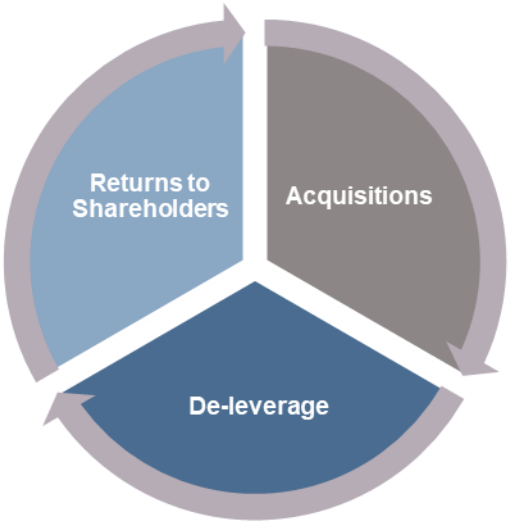
| | Nine months ended Sept. 30, | | | %Growth | | |
|---|---|---|---|---|---|---|
| *(in millions, except per share amounts and percentages)* | 2020 | 2019 | 2018 | '20 vs. '18 | '20 vs. '19 | '19 vs. '18 |
| Revenue | $575.0 | $393.8 | $317.4 | **+81%** | **+46%** | **+24%** |
| Adjusted EBITDA | $273.5 | $166.5 | $123.8 | **+121%** | **+64%** | **+34%** |
| Adjusted EBITDA Margin | 47.6% | 42.3% | 39.0% | **+860bps** | **+530bps** | **+330bps** |
| ANI with Tax Benefit | $206.9 | $120.3 | $88.6 | **+134%** | **+72%** | **+36%** |
| GAAP EPS | $2.14 | $0.75 | $0.71 | **+201%** | **+185%** | **+6%** |
| ANI with Tax Benefit per Diluted Share | $2.81 | $1.64 | $1.26 | **+123%** | **+71%** | **+30%** |
| Cash Dividends Declared per Share | $0.16 | $0.05 | $0.00 | **NA** | **+220%** | **NA** |

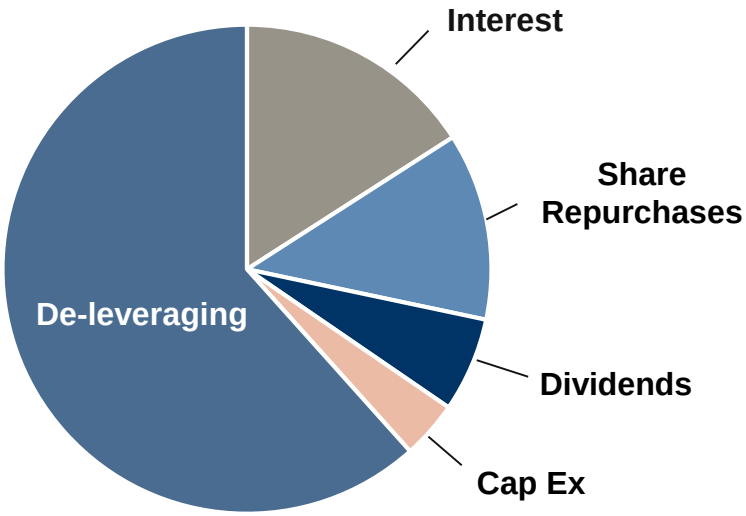
# Ongoing and Future Cash-Tax Benefits

- Section 338(h)(10) Election
  - > Stepped up cost basis of acquired indefinite lived intangible assets is deductible for corporate income tax purposes over 15 years
    - > $1.8 billion in total future tax amortization
    - > **$441 million** in future cash tax savings, assuming 25% tax rate
    - > **NPV >$200 million conservatively discounted at 10%, or ~$3.00 per share**



# Enhancing Shareholder Value with Balance Sheet Flexibility




**Enhancing Shareholder Value by:**

- Improving platform with every strategic acquisition
- Gaining efficiency from integrated platform
- Expanding margins by increasing scale and efficiency
- Evaluating numerous acquisition opportunities
- Being acquirer of choice for many asset managers

**Maintaining Balance Sheet Flexibility with:**

- Strategic capital allocation policy
- Strong free cash flow generation
- Capacity to quickly de-leverage to do additional deals
- Minor share repurchases
- Ancillary cash dividend
- Minimal cap ex, due to business model

# Appendix

# Notes and Disclosures

**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 Company. These measures eliminate the impact of one-time acquisition, restructuring and integration costs and demonstrate the ongoing operating earnings metrics of the Company. 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. Due to rounding, numbers presented in the following tables may not add up to precisely the totals provided.

Adjusted EBITDA

Adjustments made to GAAP Net Income to calculate Adjusted EBITDA, as applicable, are:

- Adding back income tax expense;
- 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 amortization expense on acquisition-related intangible assets;
- Adding back stock-based compensation expense associated with equity awards issued from pools created in connection with the management-led buyout and various acquisitions and as a result of equity grants related to the IPO;
- Adding back direct incremental costs of acquisitions and the IPO, including restructuring costs;
- Adding back debt issuance costs; and
- Adjusting for earnings/losses on equity method investments.

# Notes and Disclosures

**Information Regarding Non-GAAP Financial Measures (cont.)**

Adjusted Net Income

Adjustments made to GAAP Net Income to calculate Adjusted Net Income, as applicable, are:

- Adding back other business taxes;
- Adding back amortization expense on acquisition-related intangible assets;
- Adding back stock-based compensation expense associated with equity awards issued from pools created in connection with the management-led buyout and various acquisitions and as a result of any equity grants related to the IPO;
- Adding back direct incremental costs of acquisitions and the IPO, including restructuring costs;
- Adding back debt issuance costs; and
- Subtracting an estimate of income tax expense applied to the sum of the adjustments above.

Tax Benefit of Goodwill and Acquired Intangible Assets

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 intangible assets represent the tax benefits associated with deductions allowed for intangible assets 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 intangible assets with a step-up in tax basis.

# Consolidated Reconciliations of Adjusted EBITDA

| | For the three months ended, | | | | |
|---|---|---|---|---|---|
| | *(in thousands)* | | | | |
| | **9/30/2019** | **12/31/2019** | **3/31/2020** | **6/30/2020** | **9/30/2020** |
| **GAAP Net income** | **$ 25,992** | **$ 37,589** | **$ 57,166** | **$ 44,720** | **$ 55,741** |
| GAAP Income tax expense | (8,058) | (10,854) | (16,823) | (14,487) | (17,027) |
| **GAAP income before taxes** | **34,050** | **48,443** | **73,989** | **59,207** | **72,768** |
| Interest expense | 18,388 | 14,852 | 10,528 | 8,267 | 7,497 |
| Depreciation | 682 | 1,130 | 884 | 746 | 814 |
| Other business taxes | 146 | 359 | (3,296) | 219 | 256 |
| GAAP amortization of acquisition-related intangibles | 7,086 | 4,490 | 3,166 | 3,420 | 3,122 |
| Stock-based compensation | 4,326 | 5,724 | 5,372 | 3,068 | 2,806 |
| Acquisition, restructuring and exit costs | 24,452 | 24,947 | (1,542) | 10,105 | 6,996 |
| Debt issuance costs | 10,002 | 2,387 | 2,389 | 1,312 | 1,386 |
| Earnings/losses from equity method investments | (2,837) | - | - | - | - |
| **Adjusted EBITDA** | **$ 96,295** | **$ 102,332** | **$ 91,490** | **$ 86,344** | **$ 95,645** |
| | | | | | |
| **Revenue (in thousands)** | $ 214,980 | $ 218,554 | $ 204,421 | $ 181,886 | $ 188,656 |
| **Adjusted EBITDA Margin** | 44.8% | 46.8% | 44.8% | **47.5%** | **50.7%** |

# Consolidated Reconciliations of Adjusted Net Income

| | For the three months ended, | | | | |
|---|---|---|---|---|---|
| | *(in thousands, except per-share data)* | | | | |
| | **9/30/2019** | **12/31/2019** | **3/31/2020** | **6/30/2020** | **9/30/2020** |
| **GAAP Net Income** | **$ 25,992** | **$ 37,589** | **$ 57,166** | **$ 44,720** | **$ 55,741** |
| Other business taxes | 146 | 359 | (3,296) | 219 | 256 |
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| Stock-based compensation | 4,326 | 5,724 | 5,372 | 3,068 | 2,806 |
| Acquisition, restructuring and exit costs | 24,452 | 24,947 | (1,542) | 10,105 | 6,996 |
| Debt issuance costs | 10,002 | 2,387 | 2,389 | 1,312 | 1,386 |
| Tax effect of above adjustments | (11,503) | (9,477) | (1,522) | (4,531) | (3,642) |
| Adjusted Net Income | 60,501 | 66,019 | 61,733 | 58,313 | 66,665 |
| Tax benefit of goodwill and acquired intangibles | 6,802 | 6,801 | 6,728 | 6,745 | 6,745 |
| **Adjusted Net Income with Tax Benefit** | **$ 67,303** | **$ 72,820** | **$ 68,461** | **$ 65,058** | **$ 73,410** |
| Weighted average shares outstanding – diluted | 73,671 | 73,856 | 74,350 | 73,204 | 73,703 |
| **Adjusted Net income with Tax Benefit Per Diluted Share** | **$ 0.91** | **$ 0.99** | **$ 0.92** | **$ 0.89** | **$ 1.00** |

# Detailed Reconciliation of 3Q20 Adjusted Net Income

(in thousands, except per-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 | Total Adjustments | Non-GAAP Basis | Tax Benefit of Goodwill and Acquired Intangibles | |
| **Revenue** | | | | | | | | | | |
| Investment management fees | $ 137,240 | $ – | $ – | $ – | $ – | $ – | $ – | $ 137,240 | $ – | |
| Fund administration and distribution fees | 51,416 | - | - | - | - | - | - | 51,416 | - | |
| Total revenue | **188,656** | **-** | **-** | **-** | **-** | **-** | **-** | **188,656** | **-** | |
| **Expenses** | | | | | | | | | | |
| Personnel compensation and benefits (1) | 47,375 | - | - | (2,806) | - | - | (2,806) | 44,569 | - | |
| Distribution and other asset-based expenses (2) | 39,123 | - | - | - | - | - | - | 39,123 | - | |
| General and administrative (2) | 13,196 | (256) | - | - | (2,563) | 48 | (2,771) | 10,425 | - | |
| Depreciation and amortization (2) | 3,936 | - | (3,122) | - | - | - | (3,122) | 814 | - | |
| Change in value of consideration payable for acquisition of business (2) | 2,000 | - | - | - | (2,000) | - | (2,000) | - | - | |
| Acquisition-related costs (2) | 1,148 | - | - | - | (1,148) | - | (1,148) | - | - | |
| Restructuring and integration costs (2) | 1,285 | - | - | - | (1,285) | - | (1,285) | - | - | |
| Total operating expenses | **108,063** | **(256)** | **(3,122)** | **(2,806)** | **(6,996)** | **48** | **(13,132)** | **94,931** | **–** | |
| Income/(loss) from operations | **80,593** | **256** | **3,122** | **2,806** | **6,996** | **(48)** | **13,132** | **93,725** | **–** | |
| **Other income (expense)** | | | | | | | | | | |
| Interest income and other income/(expense) (3) | 1,120 | - | - | - | - | - | - | 1,120 | - | |
| Interest expense and other financing costs (3) | (8,187) | - | - | - | - | 738 | 738 | (7,449) | - | |
| Loss on debt extinguishment (3) | (758) | - | - | - | - | 696 | 696 | (62) | - | |
| Total other income (expense), net | **(7,825)** | **–** | **–** | **–** | **–** | **1,434** | **1,434** | **(6,391)** | **–** | |
| Income/(loss) before income taxes | **72,768** | **256** | **3,122** | **2,806** | **6,996** | **1,386** | **14,566** | **87,334** | **–** | |
| Income tax (expense)/benefit | (17,027) | (64) | (781) | (702) | (1,749) | (347) | (3,642) | (20,669) | 6,745 | |
| Net income/(loss) | **$ 55,741** | **$ 192** | **$ 2,342** | **$ 2,105** | **$ 5,247** | **$ 1,040** | **$ 10,925** | **$ 66,665** | **$ 6,745** | = **$ 73,410** |
| Earnings per share—basic | $ 0.82 | | | | | | | $ 0.98 | $ 0.10 | |
| Earnings per share—diluted | $ 0.76 | | | | | | | $ 0.91 | + $ 0.09 | **$ 1.00** |
| Weighted average shares outstanding—basic | 67,743 | | | | | | | 67,743 | 67,743 | |
| Weighted average shares outstanding—diluted | 73,437 | | | | | | | 73,437 | 73,437 | |
| Memo: Expenses | | | | | | | | | | |
| Personnel (1) | 47,375 | | | | | | | 44,569 | | |
| Operating (2) | 60,688 | | | | | | | 50,362 | | |
| Non-Operating (3) | 7,825 | | | | | | | 6,391 | | |

# Detailed Reconciliation of 2Q20 Adjusted Net Income

| (in thousands, except per-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 | Total Adjustments | Non-GAAP Basis | Tax Benefit of Goodwill and Acquired Intangibles |
| **Revenue** | | | | | | | | | |
| Investment management fees | $ 130,032 | $ – | $ – | $ – | $ – | $ – | $ – | $ 130,032 | $ – |
| Fund administration and distribution fees | 51,854 | - | - | - | - | - | - | 51,854 | - |
| Total revenue | **181,886** | **-** | **-** | **-** | **-** | **-** | **-** | **181,886** | **-** |
| **Expenses** | | | | | | | | | |
| Personnel compensation and benefits (1) | 49,105 | - | - | (3,068) | (595) | - | (3,663) | 45,442 | - |
| Distribution and other asset-based expenses (2) | 41,630 | - | - | - | - | - | - | 41,630 | - |
| General and administrative (2) | 13,289 | (219) | - | - | (1,628) | - | (1,847) | 11,442 | - |
| Depreciation and amortization (2) | 4,166 | - | (3,420) | - | - | - | (3,420) | 746 | - |
| Change in value of consideration payable for acquisition of business (2) | 5,300 | - | - | - | (5,300) | - | (5,300) | - | - |
| Acquisition-related costs (2) | (23) | - | - | - | 23 | - | 23 | - | - |
| Restructuring and integration costs (2) | 2,605 | - | - | - | (2,605) | - | (2,605) | - | - |
| Total operating expenses | **116,072** | **(219)** | **(3,420)** | **(3,068)** | **(10,105)** | **–** | **(16,812)** | **99,260** | **–** |
| Income/(loss) from operations | **65,814** | **219** | **3,420** | **3,068** | **10,105** | **–** | **16,812** | **82,626** | **–** |
| **Other income (expense)** | | | | | | | | | |
| Interest income and other income/(expense) (3) | 2,966 | - | - | - | - | - | - | 2,966 | - |
| Interest expense and other financing costs (3) | (9,710) | - | - | - | - | 755 | 755 | (8,955) | - |
| Loss on debt extinguishment (3) | 137 | - | - | - | - | 557 | 557 | 694 | - |
| Total other income (expense), net | **(6,607)** | **–** | **–** | **–** | **–** | **1,312** | **1,312** | **(5,295)** | **–** |
| Income/(loss) before income taxes | **59,207** | **219** | **3,420** | **3,068** | **10,105** | **1,312** | **18,124** | **77,331** | **–** |
| Income tax (expense)/benefit | (14,487) | (55) | (855) | (767) | (2,526) | (328) | (4,531) | (19,018) | 6,745 |
| Net income/(loss) | **$ 44,720** | **$ 164** | **$ 2,565** | **$ 2,301** | **$ 7,579** | **$ 984** | **$ 13,593** | **$ 58,313** | **$ 6,745** = **$ 65,058** |
| Earnings per share—basic | $ 0.66 | | | | | | | $ 0.86 | $ 0.10 |
| Earnings per share—diluted | $ 0.61 | | | | | | | $ 0.80 | + $ 0.09 **$ 0.89** |
| Weighted average shares outstanding—basic | 67,821 | | | | | | | 67,821 | 67,821 |
| Weighted average shares outstanding—diluted | 73,204 | | | | | | | 73,204 | 73,204 |
| Memo: Expenses | | | | | | | | | |
| Personnel (1) | 49,105 | | | | | | | 45,442 | |
| Operating (2) | 66,967 | | | | | | | 53,818 | |
| Non-Operating (3) | 6,607 | | | | | | | 5,295 | |

# Detailed Reconciliation of 1Q20 Adjusted Net Income

(in thousands, except per-share amounts)

| | U.S. GAAP Basis | Adjustments: Other Business Taxes | Adjustments: GAAP Amortization of Acquisition-Related Intangibles | Adjustments: Stock-Based Compensation | Adjustments: Acquisition, Restructuring and Exit Costs | Adjustments: Debt Issuance Costs | Total Adjustments | Non-GAAP Basis | Tax Benefit of Goodwill and Acquired Intangibles | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | |
| Investment management fees | $ 146,881 | | | | | | $ – | $ 146,881 | | |
| Fund administration and distribution fees | 57,540 | | | | | | - | 57,540 | | |
| Total revenue | **204,421** | **-** | **-** | **-** | **-** | **-** | **-** | **204,421** | | |
| **Expenses** | | | | | | | | | | |
| Personnel compensation and benefits (1) | 47,571 | | | (5,372) | (593) | | (5,965) | 41,606 | | |
| Distribution and other asset-based expenses (2) | 54,860 | | | | | | - | 54,860 | | |
| General and administrative (2) | 11,888 | 3,296 | | | (2,436) | (946) | (86) | 11,802 | | |
| Depreciation and amortization (2) | 4,050 | | (3,166) | | | | (3,166) | 884 | | |
| Change in value of consideration payable for acquisition of business (2) | (5,500) | | | | 5,500 | | 5,500 | - | | |
| Acquisition-related costs (2) | (69) | | | | 69 | | 69 | - | | |
| Restructuring and integration costs (2) | 998 | | | | (998) | | (998) | - | | |
| Total operating expenses | **113,798** | **3,296** | **(3,166)** | **(5,372)** | **1,542** | **(946)** | **(4,646)** | **109,152** | | |
| Income/(loss) from operations | **90,623** | **(3,296)** | **3,166** | **5,372** | **(1,542)** | **946** | **4,646** | **95,269** | | |
| **Other income (expense)** | | | | | | | | | | |
| Interest income and other income/(expense) (3) | (4,172) | | | | | | - | (4,172) | | |
| Interest expense and other financing costs (3) | (11,408) | | | | | 782 | 782 | (10,626) | | |
| Loss on debt extinguishment (3) | (1,054) | | | | | 661 | 661 | (393) | | |
| Total other income (expense), net | **(16,634)** | **–** | **–** | **–** | **–** | **1,443** | **1,443** | **(15,191)** | | |
| Income/(loss) before income taxes | **73,989** | **(3,296)** | **3,166** | **5,372** | **(1,542)** | **2,389** | **6,089** | **80,078** | | |
| Income tax (expense)/benefit | (16,823) | 824 | (792) | (1,343) | 386 | (597) | (1,522) | (18,345) | 6,728 | |
| Net income/(loss) | **$ 57,166** | **$ (2,472)** | **$ 2,375** | **$ 4,029** | **$ (1,157)** | **$ 1,792** | **$ 4,567** | **$ 61,733** | **+ $ 6,728** | **= $ 68,461** |
| Earnings per share—basic | $ 0.84 | | | | | | | $ 0.91 | $ 0.10 | |
| Earnings per share—diluted | $ 0.77 | | | | | | | **$ 0.83** | **+ $ 0.09** | **= $ 0.92** |
| Weighted average shares outstanding—basic | 67,790 | | | | | | | 67,790 | 67,790 | |
| Weighted average shares outstanding—diluted | 74,350 | | | | | | | 74,350 | 74,350 | |
| Memo: Expenses | | | | | | | | | | |
| Personnel (1) | 47,571 | | | | | | | 41,606 | | |
| Operating (2) | 66,227 | | | | | | | 67,546 | | |
| Non-Operating (3) | 16,634 | | | | | | | 15,191 | | |

# Detailed Reconciliation of 4Q19 Adjusted Net Income

| | | 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 | Total Adjustments | Non-GAAP Basis | Tax Benefit of Goodwill and Acquired Intangibles | | |
| **Revenue** | | | | | | | | | | | |
| Investment management fees | $ 158,943 | | | | | | $ – | $ 158,943 | | | |
| Fund administration and distribution fees | 59,611 | | | | | | - | 59,611 | | | |
| Total revenue | **218,554** | **-** | **-** | **-** | **-** | **-** | **-** | **218,554** | **-** | | |
| **Expenses** | | | | | | | | | | | |
| Personnel compensation and benefits (1) | 54,210 | | | (5,724) | (416) | | (6,140) | 48,070 | | | |
| Distribution and other asset-based expenses (2) | 57,471 | | | | | | - | 57,471 | | | |
| General and administrative (2) | 14,740 | (359) | | | (2,229) | | (2,588) | 12,152 | | | |
| Depreciation and amortization (2) | 5,620 | | (4,490) | | | | (4,490) | 1,130 | | | |
| Change in value of consideration payable for acquisition of business (2) | 19,900 | | | | (19,886) | | (19,886) | 14 | | | |
| Acquisition-related costs (2) | 367 | | | | (367) | | (367) | - | | | |
| Restructuring and integration costs (2) | 2,049 | | | | (2,049) | | (2,049) | - | | | |
| Total operating expenses | **154,357** | **(359)** | **(4,490)** | **(5,724)** | **(24,947)** | **–** | **(35,520)** | **118,837** | | | |
| Income/(loss) from operations | **64,197** | **359** | **4,490** | **5,724** | **24,947** | **–** | **35,520** | **99,717** | | | |
| **Other income (expense)** | | | | | | | | | | | |
| Interest income and other income/(expense) (3) | 1,598 | | | | - | | - | 1,598 | | | |
| Interest expense and other financing costs (3) | (14,901) | | | | | 848 | 848 | (14,053) | | | |
| Loss on debt extinguishment (3) | (2,451) | | | | | 1,539 | 1,539 | (912) | | | |
| Total other income (expense), net | **(15,754)** | **–** | **–** | **–** | **–** | **2,387** | **2,387** | **(13,367)** | | | |
| Income/(loss) before income taxes | **48,443** | **359** | **4,490** | **5,724** | **24,947** | **2,387** | **37,907** | **86,350** | | | |
| Income tax (expense)/benefit | (10,854) | (90) | (1,123) | (1,431) | (6,236) | (597) | (9,477) | (20,331) | 6,801 | | |
| Net income/(loss) | **$ 37,589** | **$ 269** | **$ 3,367** | **$ 4,293** | **$ 18,711** | **$ 1,790** | **$ 28,430** | **$ 66,019** | **+ $ 6,801** | = | **$ 72,820** |
| Earnings per share—basic | $ 0.56 | | | | | | | $ 0.98 | $ 0.10 | | |
| Earnings per share—diluted | $ 0.51 | | | | | | | $ 0.89 | + $ 0.09 | | **$ 0.99** |
| Weighted average shares outstanding—basic | 67,633 | | | | | | | 67,633 | 67,633 | | |
| Weighted average shares outstanding—diluted | 73,856 | | | | | | | 73,856 | 73,856 | | |
| Memo: Expenses | | | | | | | | | | | |
| Personnel (1) | 54,210 | | | | | | | 48,070 | | | |
| Operating (2) | 100,147 | | | | | | | 70,767 | | | |
| Non-Operating (3) | 15,754 | | | | | | | 13,367 | | | |

# Detailed Reconciliation of 3Q19 Adjusted Net Income

**Three months ended September 30, 2019**

(in thousands, except per-share amounts)

| | U.S. GAAP Basis | Adjustments: Other Business Taxes | Adjustments: GAAP Amortization of Acquisition-Related Intangibles | Adjustments: Stock-Based Compensation | Adjustments: Acquisition, Restructuring and Exit Costs | Adjustments: Debt Issuance Costs | Total Adjustments | Non-GAAP Basis | Tax Benefit of Goodwill and Acquired Intangibles | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | |
| Investment management fees | $ 155,406 | | | | | | $ – | $ 155,406 | | |
| Fund administration and distribution fees | 59,574 | | | | | | - | 59,574 | | |
| Total revenue | **214,980** | **-** | **-** | **-** | **-** | **-** | **-** | **214,980** | | |
| **Expenses** | | | | | | | | | | |
| Personnel compensation and benefits (1) | 55,556 | | | (4,326) | (1,205) | | (5,531) | 50,025 | | |
| Distribution and other asset-based expenses (2) | 57,202 | | | | | | - | 57,202 | | |
| General and administrative (2) | 17,654 | (146) | | | (2,020) | (4,340) | (6,506) | 11,148 | | |
| Depreciation and amortization (2) | 7,768 | | (7,086) | | | | (7,086) | 682 | | |
| Change in value of consideration payable for acquisition of business (2) | - | | | | | | - | - | | |
| Acquisition-related costs (2) | 16,386 | | | | (16,386) | | (16,386) | - | | |
| Restructuring and integration costs (2) | 4,841 | | | | (4,841) | | (4,841) | - | | |
| Total operating expenses | **159,407** | **(146)** | **(7,086)** | **(4,326)** | **(24,452)** | **(4,340)** | **(40,350)** | **119,057** | | |
| Income/(loss) from operations | **55,573** | **146** | **7,086** | **4,326** | **24,452** | **4,340** | **40,350** | **95,923** | | |
| **Other income (expense)** | | | | | | | | | | |
| Interest income and other income/(expense) (3) | 2,742 | | | | | | - | 2,742 | | |
| Interest expense and other financing costs (3) | (16,856) | | | | | 920 | 920 | (15,936) | | |
| Loss on debt extinguishment (3) | (7,409) | | | | | 4,742 | 4,742 | (2,667) | | |
| Total other income (expense), net | **(21,523)** | **–** | **–** | **–** | **–** | **5,662** | **5,662** | **(15,861)** | | |
| Income/(loss) before income taxes | **34,050** | **146** | **7,086** | **4,326** | **24,452** | **10,002** | **46,012** | **80,062** | | |
| Income tax (expense)/benefit | (8,058) | (37) | (1,772) | (1,082) | (6,113) | (2,501) | (11,503) | (19,561) | 6,802 | |
| Net income/(loss) | **$ 25,992** | **$ 110** | **$ 5,315** | **$ 3,245** | **$ 18,339** | **$ 7,502** | **$ 34,509** | **$ 60,501** | **+ $ 6,802** | **= $ 67,303** |
| Earnings per share—basic | $ 0.38 | | | | | | | $ 0.89 | $ 0.10 | |
| Earnings per share—diluted | $ 0.35 | | | | | | | **$ 0.82** | **+ $ 0.09** | **= $ 0.91** |
| Weighted average shares outstanding—basic | 67,724 | | | | | | | 67,724 | 67,724 | |
| Weighted average shares outstanding—diluted | 73,671 | | | | | | | 73,671 | 73,671 | |
| Memo: Expenses | | | | | | | | | | |
| Personnel (1) | 55,556 | | | | | | | 50,025 | | |
| Operating (2) | 103,851 | | | | | | | 69,032 | | |
| Non-Operating (3) | 21,523 | | | | | | | 15,861 | | |

# Detailed Reconciliation of Nine-Months 2020 Adjusted Net Income

| (in thousands, except per-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 | Total Adjustments | Non-GAAP Basis | Tax Benefit of Goodwill and Acquired Intangibles | |
| **Revenue** | | | | | | | | | | |
| Investment management fees | $ 414,153 | | | | | | $ – | $ 414,153 | | |
| Fund administration and distribution fees | 160,810 | | | | | | - | 160,810 | | |
| Total revenue | **574,963** | **-** | **-** | **-** | **-** | **-** | **-** | **574,963** | | |
| **Expenses** | | | | | | | | | | |
| Personnel compensation and benefits (1) | 144,051 | | | (11,246) | (1,188) | | (12,434) | 131,617 | | |
| Distribution and other asset-based expenses (2) | 135,613 | | | | | | - | 135,613 | | |
| General and administrative (2) | 38,373 | 2,821 | | | (6,627) | (898) | (4,704) | 33,669 | | |
| Depreciation and amortization (2) | 12,152 | | (9,708) | | | | (9,708) | 2,444 | | |
| Change in value of consideration payable for acquisition of business (2) | 1,800 | | | | (1,800) | | (1,800) | - | | |
| Acquisition-related costs (2) | 1,056 | | | | (1,056) | | (1,056) | - | | |
| Restructuring and integration costs (2) | 4,888 | | | | (4,888) | | (4,888) | - | | |
| Total operating expenses | **337,933** | **2,821** | **(9,708)** | **(11,246)** | **(15,559)** | **(898)** | **(34,590)** | **303,343** | | |
| Income/(loss) from operations | **237,030** | **(2,821)** | **9,708** | **11,246** | **15,559** | **898** | **34,590** | **271,620** | | |
| **Other income (expense)** | | | | | | | | | | |
| Interest income and other income/(expense) (3) | (86) | | | | | | - | (86) | | |
| Interest expense and other financing costs (3) | (29,305) | | | | | 2,275 | 2,275 | (27,030) | | |
| Loss on debt extinguishment (3) | (1,675) | | | | | 1,914 | 1,914 | 239 | | |
| Total other income (expense), net | **(31,066)** | **–** | **–** | **–** | **–** | **4,189** | **4,189** | **(26,877)** | | |
| Income/(loss) before income taxes | **205,964** | **(2,821)** | **9,708** | **11,246** | **15,559** | **5,087** | **38,779** | **244,743** | | |
| Income tax (expense)/benefit | (48,337) | 705 | (2,427) | (2,812) | (3,890) | (1,272) | (9,695) | (58,032) | 20,218 | |
| Net income/(loss) | **$ 157,627** | **$ (2,116)** | **$ 7,281** | **$ 8,435** | **$ 11,669** | **$ 3,815** | **$ 29,084** | **$ 186,711** | **+ $ 20,218** | **= $ 206,929** |
| Earnings per share—basic | $ 2.33 | | | | | | | $ 2.75 | $ 0.30 | |
| Earnings per share—diluted | $ 2.14 | | | | | | | **$ 2.53** | **+ $ 0.27** | **= $ 2.81** |
| Weighted average shares outstanding—basic | 67,785 | | | | | | | 67,785 | 67,785 | |
| Weighted average shares outstanding—diluted | 73,703 | | | | | | | 73,703 | 73,703 | |
| Memo: Expenses | | | | | | | | | | |
| Personnel (1) | 144,051 | | | | | | | 131,617 | | |
| Operating (2) | 193,882 | | | | | | | 171,726 | | |
| Non-Operating (3) | 31,066 | | | | | | | 26,877 | | |

# Detailed Reconciliation of Nine-Months 2019 Adjusted Net Income

**Nine months ended September 30, 2019**

(in thousands, except per-share amounts)

| | U.S. GAAP Basis | Adjustments: Other Business Taxes | Adjustments: GAAP Amortization of Acquisition-Related Intangibles | Adjustments: Stock-Based Compensation | Adjustments: Acquisition, Restructuring and Exit Costs | Adjustments: Debt Issuance Costs | Total Adjustments | Non-GAAP Basis | Tax Benefit of Goodwill and Acquired Intangibles | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | | | |
| Investment management fees | $ 307,859 | | | | | | $ – | $ 307,859 | | |
| Fund administration and distribution fees | 85,960 | | | | | | - | 85,960 | | |
| Total revenue | **393,819** | **-** | **-** | **-** | **-** | **-** | **-** | **393,819** | | |
| **Expenses** | | | | | | | | | | |
| Personnel compensation and benefits (1) | 125,599 | | | (9,125) | (1,205) | | (10,330) | 115,269 | | |
| Distribution and other asset-based expenses (2) | 89,151 | | | | | | - | 89,151 | | |
| General and administrative (2) | 31,828 | (1,125) | | | (2,020) | (4,340) | (7,485) | 24,343 | | |
| Depreciation and amortization (2) | 18,253 | | (16,388) | | | | (16,388) | 1,865 | | |
| Change in value of consideration payable for acquisition of business (2) | (14) | | | | | | | (14) | | |
| Acquisition-related costs (2) | 21,950 | | | | (21,950) | | (21,950) | - | | |
| Restructuring and integration costs (2) | 6,629 | | | | (6,629) | | (6,629) | - | | |
| Total operating expenses | **293,396** | **(1,125)** | **(16,388)** | **(9,125)** | **(31,804)** | **(4,340)** | **(62,782)** | **230,614** | | |
| Income/(loss) from operations | **100,423** | **1,125** | **16,388** | **9,125** | **31,804** | **4,340** | **62,782** | **163,205** | | |
| **Other income (expense)** | | | | | | | | | | |
| Interest income and other income/(expense) (3) | 5,231 | | | | | | - | 5,231 | | |
| Interest expense and other financing costs (3) | (26,000) | | | | | 1,650 | 1,650 | (24,350) | | |
| Loss on debt extinguishment (3) | (7,409) | | | | | 4,742 | 4,742 | (2,667) | | |
| Total other income (expense), net | **(28,178)** | **–** | **–** | **–** | **–** | **6,392** | **6,392** | **(21,786)** | | |
| Income/(loss) before income taxes | **72,245** | **1,125** | **16,388** | **9,125** | **31,804** | **10,732** | **69,174** | **141,419** | | |
| Income tax (expense)/benefit | (17,343) | (281) | (4,097) | (2,281) | (7,951) | (2,683) | (17,293) | (34,636) | 13,523 | |
| Net income/(loss) | **$ 54,902** | **$ 844** | **$ 12,291** | **$ 6,844** | **$ 23,853** | **$ 8,049** | **$ 51,881** | **$ 106,783** | **+ $ 13,523** | **= $ 120,306** |
| Earnings per share—basic | $ 0.81 | | | | | | | $ 1.58 | $ 0.20 | |
| Earnings per share—diluted | $ 0.75 | | | | | | | **$ 1.46** | **+ $ 0.18** | **= $ 1.64** |
| Weighted average shares outstanding—basic | 67,610 | | | | | | | 67,610 | 67,610 | |
| Weighted average shares outstanding—diluted | 73,300 | | | | | | | 73,300 | 73,300 | |

| Memo: Expenses | |
|---|---|
| Personnel (1) | 125,599 |
| Operating (2) | 167,797 |
| Non-Operating (3) | 28,178 |
| | 115,269 |
| | 115,345 |
| | 21,786 |

# Notes and Disclosures

Investing involves risk, including the potential loss of principal. There are no assurances that any fund will achieve its stated objective. All data in this presentation, unless otherwise noted, is as of September 30, 2020.

**Past performance does not guarantee future results.** A fund's most recent performance can be found at vcm.com. 59 mutual funds and ETFs did not have 4- or 5- star overall ratings. 33% of AUM in mutual funds and ETFs did not receive overall rating of 4 or 5 stars.

**Consider the investment objectives, risks, charges and expenses of the funds and the USAA 529 College Savings Plan (Plan) carefully before investing. Visit vcm.com/prospectus for a Mutual Fund or ETF prospectus or summary prospectus or for a Plan Description and Participation Agreement containing this and other important information about the Funds and Plan. Read it carefully before investing. You should compare the Plan with any 529 Plan offered by your home state or your beneficiary's home state and consider, before investing, any state tax or other state benefits such as financial aid, scholarship funds, and protection from creditors that are only available for investments in the home state's plan.**

Victory Capital means Victory Capital Management Inc., the investment adviser of the Victory Capital mutual funds, USAA Mutual Funds, VictoryShares ETFs, VictoryShares USAA ETFs, and USAA 529 College Savings Plan (Plan). Victory Capital mutual funds, USAA Mutual Funds, and the Plan are distributed by Victory Capital Services, Inc. (VCS), an affiliate of Victory Capital. VictoryShares ETFs and VictoryShares USAA ETFs are distributed by Foreside Fund Services, LLC (Foreside). VCS and Foreside are members of FINRA. VCS and Victory Capital are not affiliated with Foreside. USAA is not affiliated with Foreside, Victory Capital, or VCS. USAA and the USAA logos are registered trademarks and the USAA Mutual Funds, USAA Investments, and the Plan logos are trademarks of United Services Automobile Association and are being used by Victory Capital and its affiliates under license. Use of the term "member" or "membership" refers to membership in USAA Membership Services and does not convey any legal or ownership rights in USAA.

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.