

Second Quarter 2020 Earnings Presentation

August 6, 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

Topics
Business Overview
Investment Performance
Second Quarter 2020 Financial Results
Appendix

Business Overview

Business Overview

AUM & FLOWS

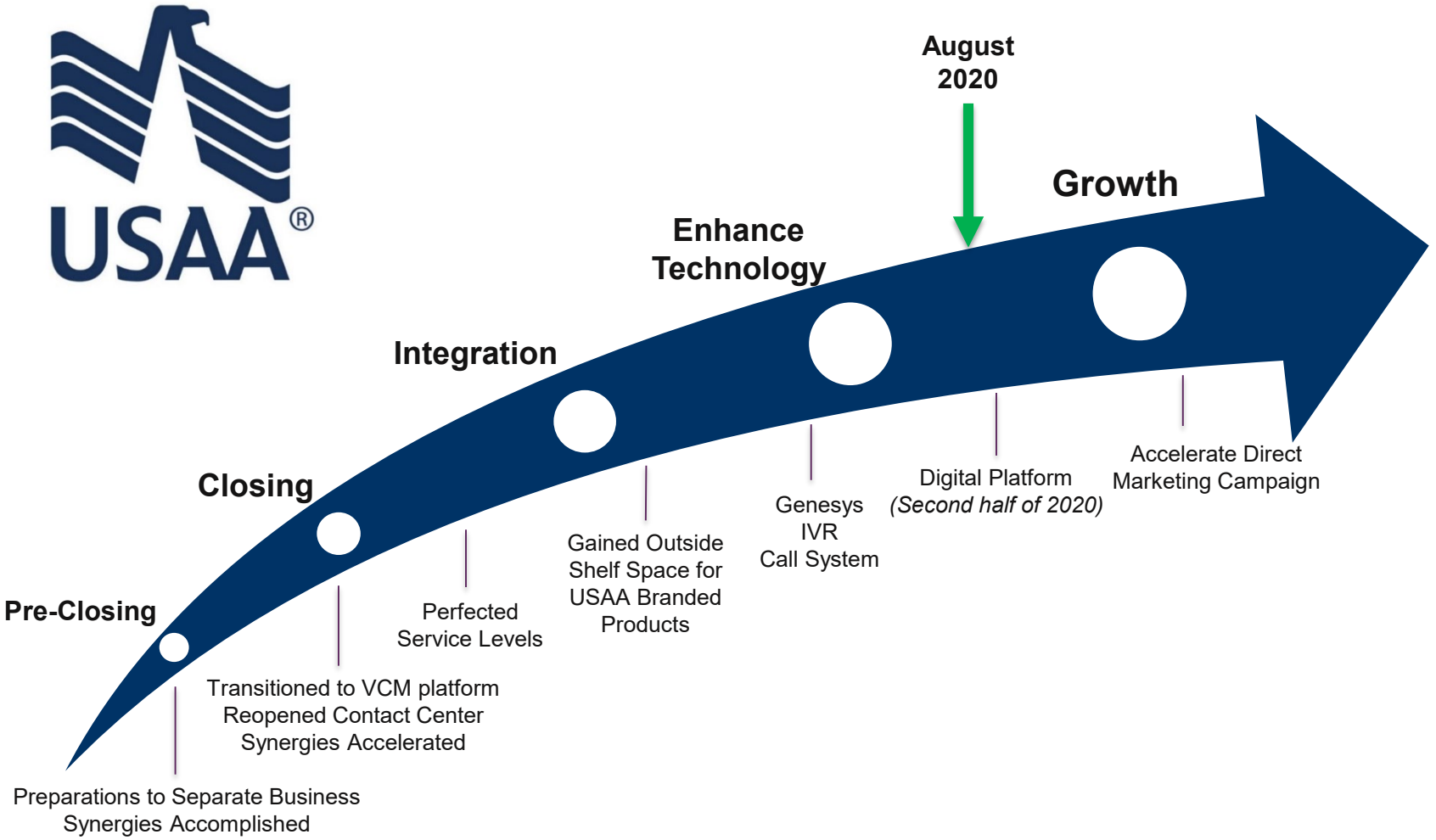
- Total AUM of $129.1Bn at June 30, 2020
  - > Up 4% from March 31, 2020
  - > Up 101% from June 30, 2019
- Total LT net flows -$3.0Bn*

2Q OPERATING & FINANCIAL HIGHLIGHTS

- $0.89 Adjusted Net Income with tax benefit per diluted share
- Record high 47.5% Adjusted EBITDA Margin for the quarter
  - Expanded 270 basis points versus 1Q 2020
  - Expanded 750 basis points versus 2Q 2019
- Sharp rebound in relative 2Q investment performance, as of June 30, 2020:
  - 68% of AUM outperforming benchmark over three years
  - 69% of AUM outperforming benchmark over five years
- Ended quarter with $881MM of debt, down 20% from $1.1Bn in July 2019; subsequently reduced by more than $20MM to $860MM
- Signed UN-support Principles of Responsible Investment (PRI) in July 2020

Excludes asset flows related to May 2020 closing of the sale of USAA's brokerage business

Business Overview
Acquisition Integration & Platform Build Progress

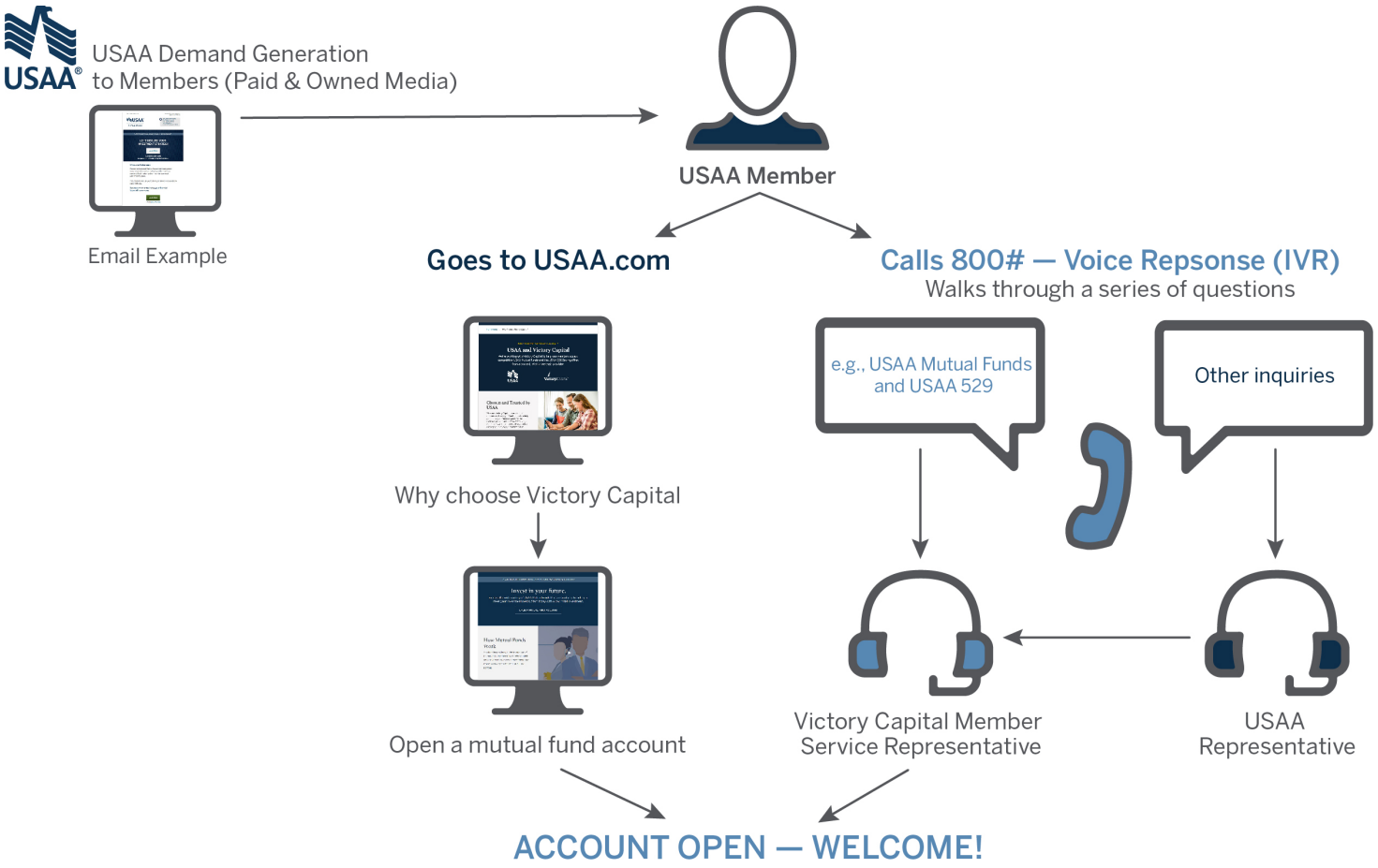


Business Overview
Acquisition Integration & Platform Build Progress



- 79,500 new account registrations since July 2019 close
  - ~30% increase in 1H 2020, versus 2H 2019
  - ~28% of new mutual fund accounts electing Automatic Investment Plans (AIPs)
- Exclusive provider of USAA 529 College Savings Plan
  - Since close of acquisition and YTD 2020
    - > USAA 529 Plan AUM is net flow positive
    - > Net new USAA 529 Plan accounts are up
    - > More than 50% of total 529 accounts are AIPs
  - ~90% of applications completed exclusively online
- Ramping up marketing initiatives
  - Multi-channel 2H 2020 planned media campaign
    - > Marketing in military-focused geographies
      - > Paid Media
      - > Email
- Expanding Product Choice
  - New share classes introduced for several USAA Mutual Funds
  - No-load member share class to be introduced for several legacy Victory Funds
  - Plans to launch thematic ETFs in 2H 2020
  - Other products in development

USAA Referral Process Example



- USAA Referral Agreement is working; 79,500 new USAA Mutual Fund and 529 Plan account registrations to date
- USAA proactively marketing to broader membership on our behalf
- Exclusive use of USAA brand, which creates strong connectivity for members

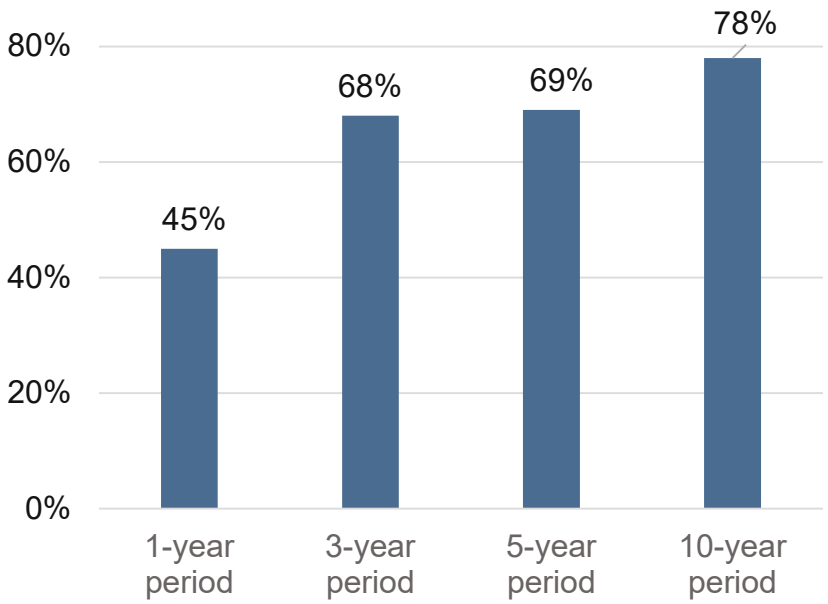
Investment Performance

Commitment to Long-Term Investment Performance

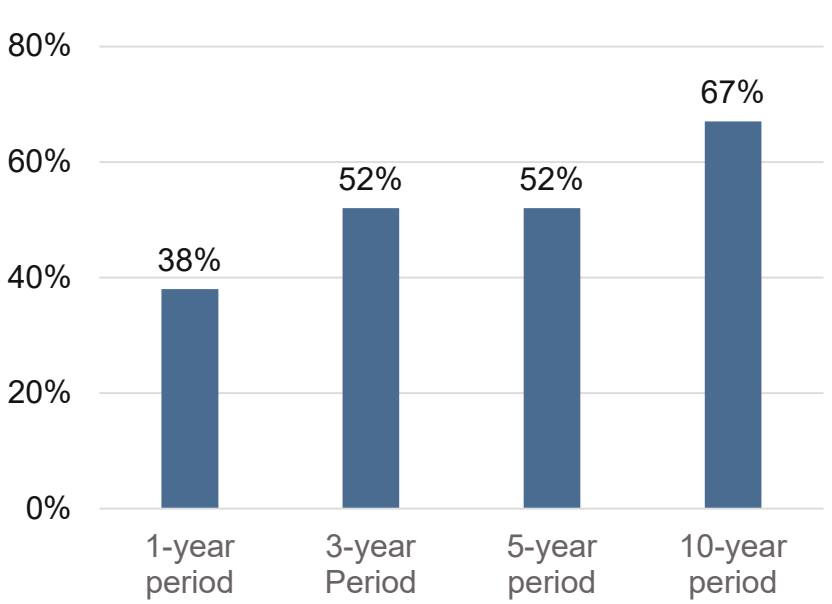
38 *Total Mutual Funds and ETFs with 4- or 5-Star overall ratings*

64% *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 June 30, 2020.

Our Differentiated Integrated Model Delivers Significant Structural Advantages

Integrated Platform with Autonomous and Specialized Investment Strategies Make us Unique…

Low ---------- *Level of integration* ---------- *High*

	Multi-Boutique	Victory Capital	*Fully Integrated*
Independent Branding	✓	✓	✗
Autonomous Investment Process	✓	✓	✗
Centralized Distribution and Marketing	✗	✓	✓
Centralized Operations and Back Office	✗	✓ (not standardized)	✓

… And Positions the Company Exceptionally Well for M&A

Preserve Investment Culture	✓	✓	✗
Synergies	✗	✓	✓

Second Quarter 2020
Financial Results

Second Quarter 2020 Financial Results

SECOND QUARTER FINANCIAL RESULTS

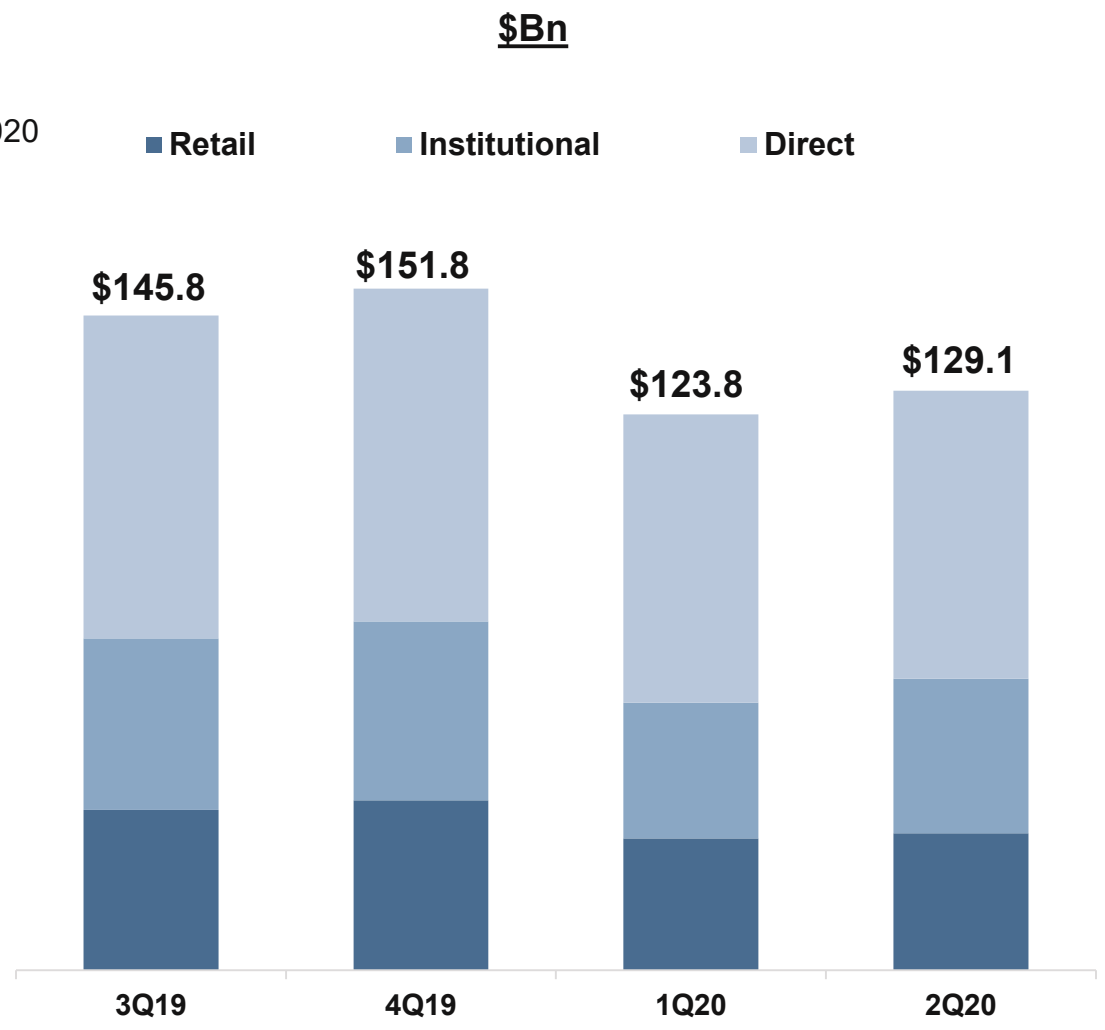
- $181.9MM revenue
  - > Down 11% from 1Q 2020
  - > Up 99% from 2Q 2019
- $0.61 GAAP Earnings per diluted share
  - > Down 21% from 1Q 2020
  - > Up 205% from 2Q 2019
- $0.89 Adjusted Net Income with tax benefit per diluted share
  - > Down 3% from 1Q 2020
  - > Up 134% from 2Q 2019
- 36.2% GAAP Operating Margin
- 47.5% Adjusted EBITDA Margin, up 270 bps from 1Q 2020

CAPITAL MANAGEMENT

- Net Debt/TTM Adjusted EBITDA at 2.2x
- Returned $10.6MM to shareholders in 2Q
- New $15MM share repurchase plan
- Quarterly cash dividend increased 20% to $0.06 per share

Assets Under Management (End of Period)

- Total AUM of $129.1Bn, at June 30, 2020
  - > Up 4% from March 31, 2020
  - > Up 101% from June 30, 2019
- Diversified distribution channels
  - > Retail
  - > Institutional
  - > Direct



Long-Term Asset Flows

For 2Q 2020

- Gross LT sales of $5.2Bn
  - LT net outflows $3.0Bn*
- Multiple franchises generated net long-term inflows in 2Q & 1H 2020

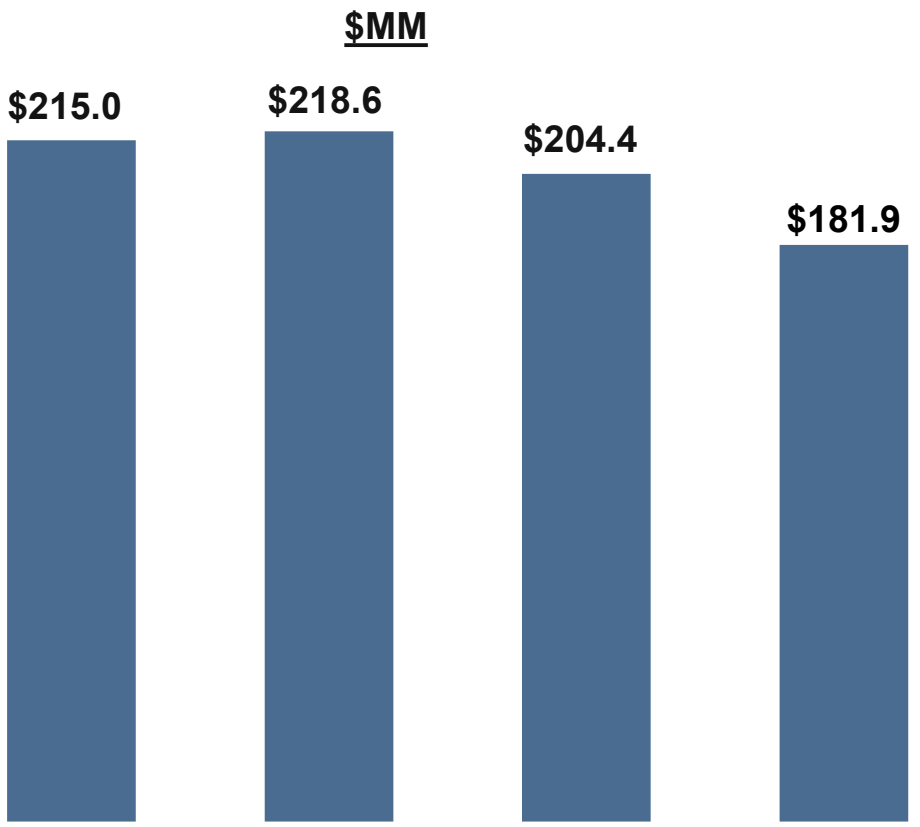


Operating Metrics	3Q19	4Q19	1Q20	2Q20*
Net long-term flows ($MM)	+$726	-$1,474	-$3,101	-$2,996

*Excludes asset flows related to May 2020 closing of the sale of USAA's brokerage business

Revenues

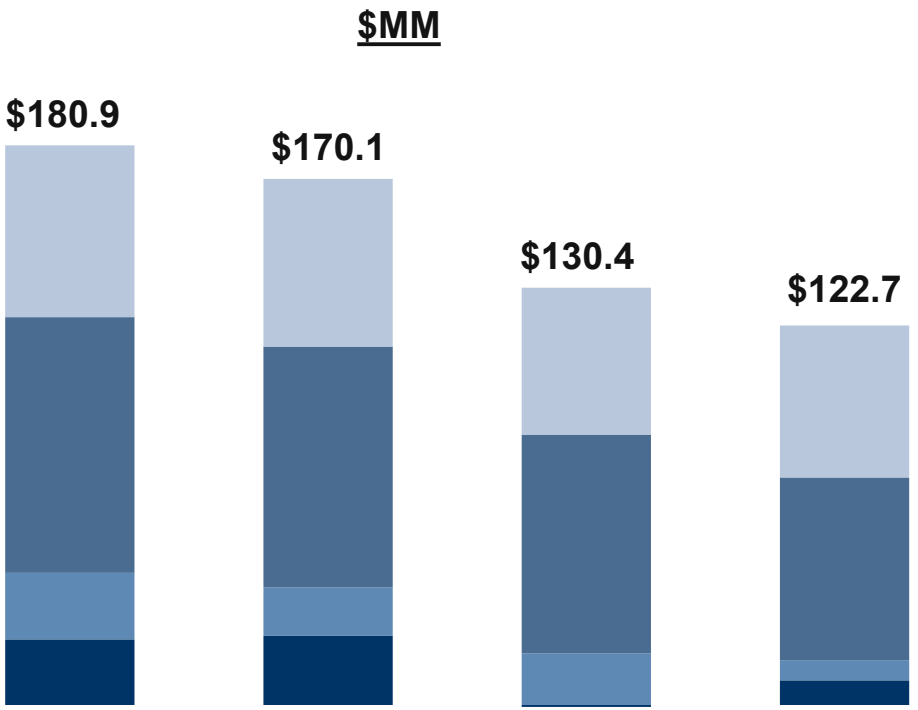
- 2Q 2020 Revenue $182MM
  - > Down 11%, vs 1Q 2020
  - > Up 99% vs 2Q 2019
- Average fee rate of 57.7bps in June 2020



Operating Metrics	3Q19	4Q19	1Q20	2Q20
Average AUM ($Bn)	$145.9	$147.9	$144.1	$128.9
Average Fee Rate (bps), as reported	58.5	58.7	57.1	56.7

Expenses

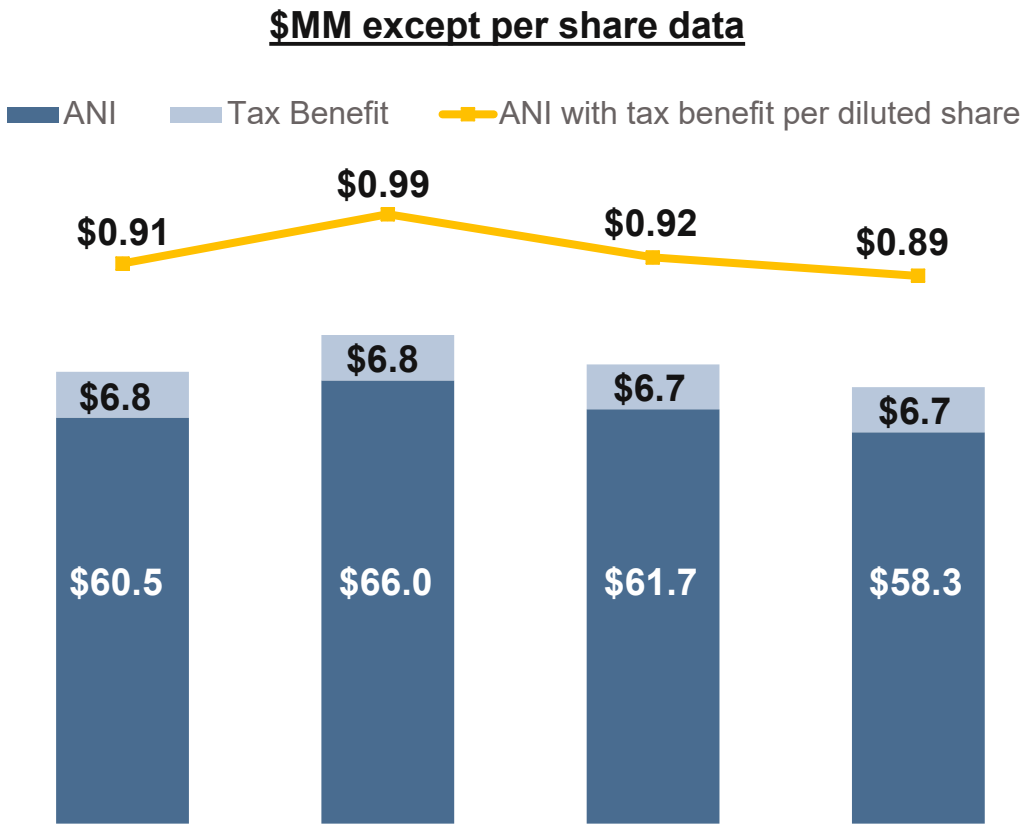
- 2Q total expenses declined 6% from 1Q 2020
  - > Operating expenses down 17%
  - > Non-operating expenses declined 60%



Operating Metrics ($MM)	3Q19	4Q19	1Q20	2Q20
Personnel	$55.6	$54.2	$47.6	**$49.1**
Operating	82.7	77.8	70.8	**59.1**
Non-Operating	21.5	15.8	16.6	**6.6**
Acquisition-related, restructuring & integration	21.2	22.3	(4.6)	**7.9**

Non-GAAP Metrics

- 2Q 2020 Adjusted Net Income (ANI) with tax benefit of $0.89 per diluted share
  - > Down 3% from 1Q 2020
  - > Up 134% from 2Q 2019
- 2Q 2020 ANI with tax benefit of $65.1MM
  - > $58.3MM ANI
  - > $6.7MM tax benefit
- Record high Adjusted EBITDA Margin of 47.5%
  - > Up 270 bps from 1Q 2020

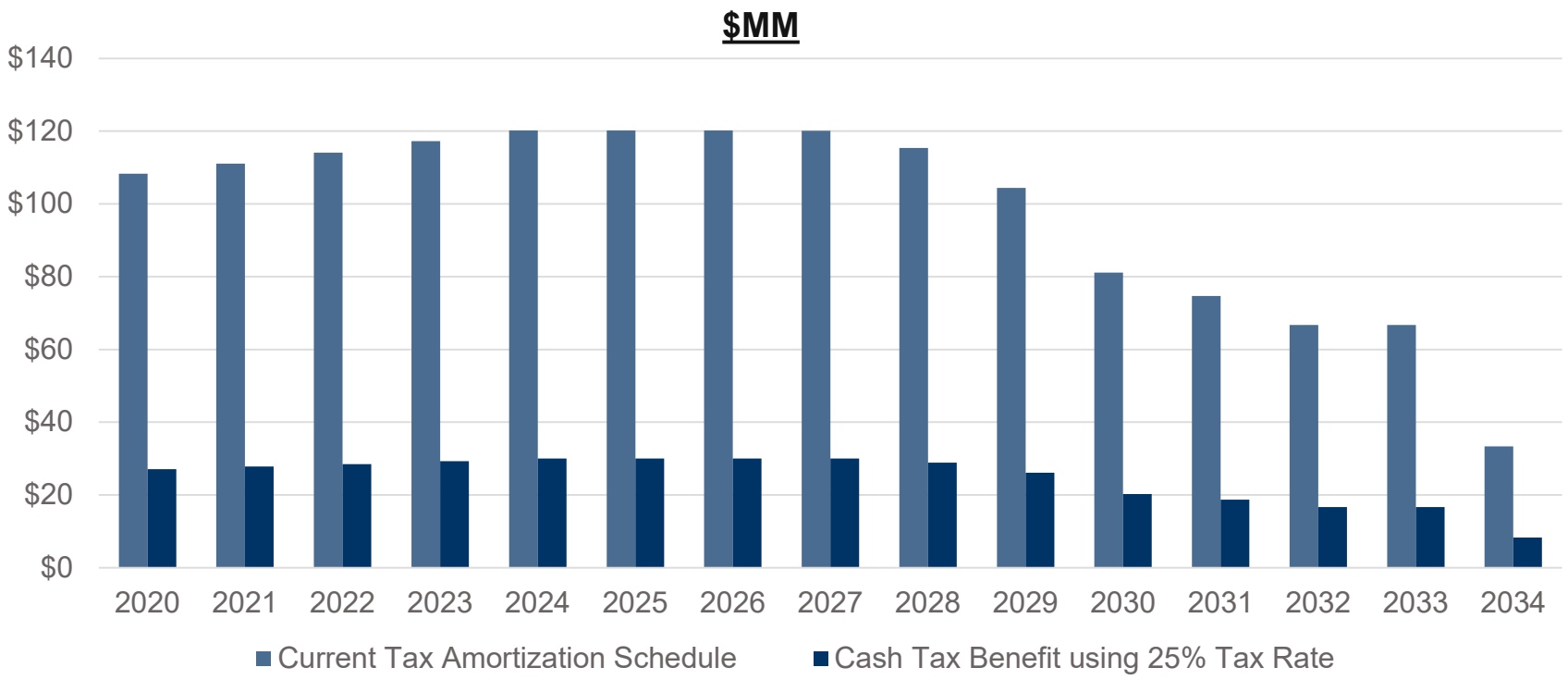


Operating Metrics	3Q19	4Q19	1Q20	2Q20
Adjusted EBITDA ($MM)	$96.3	$102.3	$91.5	**$86.3**
Adjusted EBITDA Margin	44.8%	46.8%	44.8%	**47.5%**

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

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**

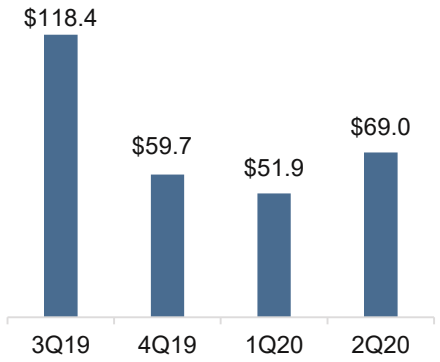


Capital Management

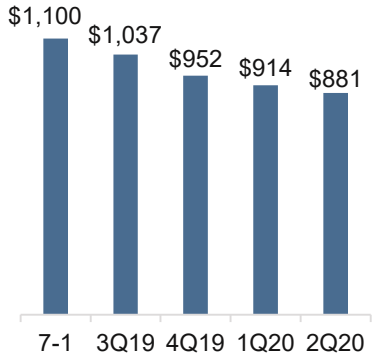
- Returned $10.6MM to shareholders in 2Q
  - > Repurchased 457K shares in 2Q 2020
- Increased cash dividend 20%
- Reduced debt by $33 million in 2Q
- Cost of debt significantly reduced

Selected Balance Sheet Items ($MM)	6/30/2020
Cash / Cash Equivalents	$55.2
Debt ***(since quarter end, further reduced to $860MM)***	$880.7
Stockholders' Equity	$614.8
Diluted Shares Outstanding (MM)	73.2
Net Debt / TTM EBITDA[1] *(at June 30, 2020)*	2.2x

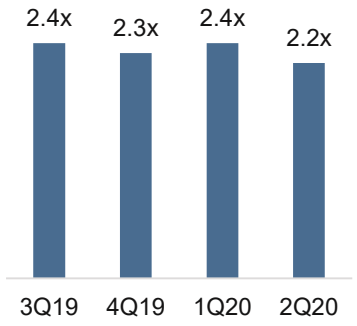
GAAP Operating Cash Flow ($MM)



Debt ($MM)

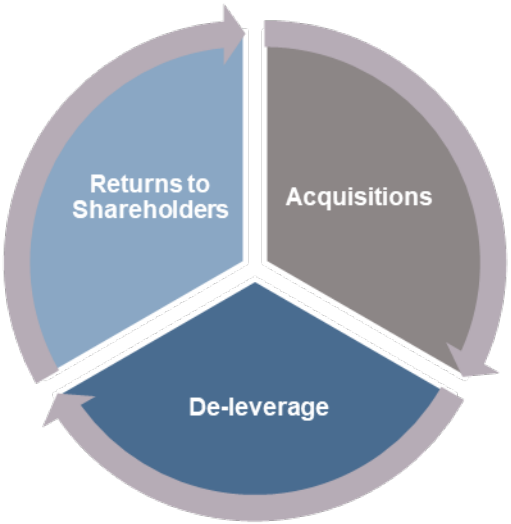


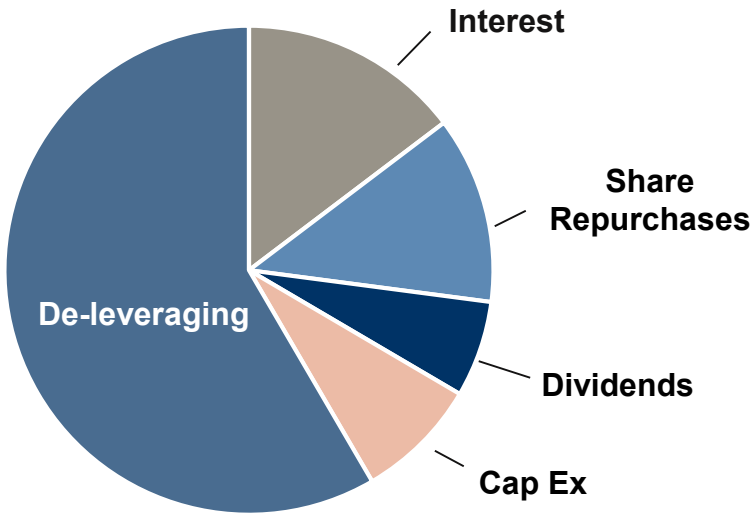
Leverage Ratio[1]



[1] *Net Debt/TTM Adjusted EBITDA ratio was 2.2x at 6.30.2020, TTM Adjusted EBITDA of $376MM, and net debt of $826MM from $881MM in debt, less $55MM in cash.*

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)				
	6/30/2019	**9/30/2019**	**12/31/2019**	**3/31/2020**	**6/30/2020**
GAAP Net income	**$ 14,383**	**$ 25,992**	**$ 37,589**	**$ 57,166**	**$ 44,720**
GAAP Income tax expense	(4,478)	(8,058)	(10,854)	(16,823)	(14,487)
GAAP income before taxes	**18,861**	**34,050**	**48,443**	**73,989**	**59,207**
Interest expense	3,613	18,388	14,852	10,528	8,267
Depreciation	612	682	1,130	884	746
Other business taxes	424	146	359	(3,296)	219
GAAP amortization of acquisition-related intangibles	4,651	7,086	4,490	3,166	3,420
Stock-based compensation	3,321	4,326	5,724	5,372	3,068
Acquisition, restructuring and exit costs	4,575	24,452	24,947	(1,542)	10,105
Debt issuance costs	366	10,002	2,387	2,389	1,312
Earnings/losses from equity method investments	150	(2,837)	-	-	-
Adjusted EBITDA	**$ 36,573**	**$ 96,295**	**$ 102,332**	**$ 91,490**	**$ 86,344**
Revenue (in thousands)	$ 91,360	$ 214,980	$ 218,554	$ 204,421	$ 181,886
Adjusted EBITDA Margin	40.0%	44.8%	46.8%	44.8%	**47.5%**

Consolidated Reconciliations of Adjusted Net Income

	For the three months ended,				
	(in thousands, except per-share data)				
	6/30/2019	9/30/2019	12/31/2019	3/31/2020	6/30/2020
GAAP Net Income	**$ 14,383**	**$ 25,992**	**$ 37,589**	**$ 57,166**	**$ 44,720**
Other business taxes	424	146	359	(3,296)	219
GAAP amortization of acquisition-related intangibles	4,651	7,086	4,490	3,166	3,420
Stock-based compensation	3,321	4,326	5,724	5,372	3,068
Acquisition, restructuring and exit costs	4,575	24,452	24,947	(1,542)	10,105
Debt issuance costs	366	10,002	2,387	2,389	1,312
Tax effect of above adjustments	(3,334)	(11,503)	(9,477)	(1,522)	(4,531)
Adjusted Net Income	24,386	60,501	66,019	61,733	58,313
Tax benefit of goodwill and acquired intangibles	3,361	6,802	6,801	6,728	6,745
Adjusted Net Income with Tax Benefit	**$ 27,747**	**$ 67,303**	**$ 72,820**	**$ 68,461**	**$ 65,058**
Weighted average shares outstanding – diluted	73,521	73,671	73,856	74,350	73,204
Adjusted Net income with Tax Benefit Per Diluted Share	**$ 0.38**	**$ 0.91**	**$ 0.99**	**$ 0.92**	**$ 0.89**

Detailed Reconciliation of 2Q20 Adjusted Net Income

VictoryCapital

GAAP to Non-GAAP Reconciliation

Three months Ended June 30, 2020
(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 YTD 2020 Adjusted Net Income

GAAP to Non-GAAP Reconciliation

Six months ended June 30, 2020

(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	$ 276,913						$ –	$ 276,913		
Fund administration and distribution fees	109,394						-	109,394		
Total revenue	**386,307**	-	-	-	-	-	-	**386,307**		
Expenses										
Personnel compensation and benefits (1)	96,676			(8,440)	(1,188)		(9,628)	87,048		
Distribution and other asset-based expenses (2)	96,490						-	96,490		
General and administrative (2)	25,177	3,077			(4,064)	(946)	(1,933)	23,244		
Depreciation and amortization (2)	8,216		(6,586)				(6,586)	1,630		
Change in value of consideration payable for acquisition of business (2)	(200)				200		200	-		
Acquisition-related costs (2)	(92)				92		92	-		
Restructuring and integration costs (2)	3,603				(3,603)		(3,603)	-		
Total operating expenses	**229,870**	**3,077**	**(6,586)**	**(8,440)**	**(8,563)**	**(946)**	**(21,458)**	**208,412**		
Income/(loss) from operations	**156,437**	**(3,077)**	**6,586**	**8,440**	**8,563**	**946**	**21,458**	**177,895**		
Other income (expense)										
Interest income and other income/(expense) (3)	(1,206)						-	(1,206)		
Interest expense and other financing costs (3)	(21,118)					1,537	1,537	(19,581)		
Loss on debt extinguishment (3)	(917)					1,218	1,218	301		
Total other income (expense), net	**(23,241)**	**–**	**–**	**–**	**–**	**2,755**	**2,755**	**(20,486)**		
Income/(loss) before income taxes	**133,196**	**(3,077)**	**6,586**	**8,440**	**8,563**	**3,701**	**24,213**	**157,409**		
Income tax (expense)/benefit	(31,310)	769	(1,647)	(2,110)	(2,141)	(925)	(6,053)	(37,363)	13,473	
Net income/(loss)	**$ 101,886**	**$ (2,308)**	**$ 4,940**	**$ 6,330**	**$ 6,422**	**$ 2,776**	**$ 18,160**	**$ 120,046**	**+ $ 13,473**	**= $ 133,519**
Earnings per share—basic	$ 1.50							$ 1.77	$ 0.20	
Earnings per share—diluted	$ 1.38							**$ 1.63**	**+ $ 0.18**	**= $ 1.81**
Weighted average shares outstanding—basic	67,806							67,806	67,806	
Weighted average shares outstanding—diluted	73,818							73,818	73,818	
Memo: Expenses										
Personnel (1)	96,676							87,048		
Operating (2)	133,194							121,364		
Non-Operating (3)	23,241							20,486		

Detailed Reconciliation of 1Q20 Adjusted Net Income

VictoryCapital®

(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	$ 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

	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	$ 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

VictoryCapital®

Three months ended September 30, 2019

(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	$ 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 2Q19 Adjusted Net Income

Three months ended June 30, 2019

(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	$ 78,042						$ –	$ 78,042		
Fund administration and distribution fees	13,318						-	13,318		
Total revenue	**91,360**	-	-	-	-	-	-	**91,360**		
Expenses										
Personnel compensation and benefits (1)	35,542			(3,321)			(3,321)	32,221		
Distribution and other asset-based expenses (2)	16,182						-	16,182		
General and administrative (2)	7,087	(424)					(424)	6,663		
Depreciation and amortization (2)	5,263		(4,651)				(4,651)	612		
Change in value of consideration payable for acquisition of business (2)	(14)							(14)		
Acquisition-related costs (2)	2,787				(2,787)		(2,787)	-		
Restructuring and integration costs (2)	1,788				(1,788)		(1,788)	-		
Total operating expenses	**68,635**	**(424)**	**(4,651)**	**(3,321)**	**(4,575)**	**–**	**(12,971)**	**55,664**		
Income/(loss) from operations	**22,725**	**424**	**4,651**	**3,321**	**4,575**	**–**	**12,971**	**35,696**		
Other income (expense)										
Interest income and other income/(expense) (3)	656						-	656		
Interest expense and other financing costs (3)	(4,520)					366	366	(4,154)		
Loss on debt extinguishment (3)	-						-	-		
Total other income (expense), net	**(3,864)**	**–**	**–**	**–**	**–**	**366**	**366**	**(3,498)**		
Income/(loss) before income taxes	**18,861**	**424**	**4,651**	**3,321**	**4,575**	**366**	**13,337**	**32,198**		
Income tax (expense)/benefit	(4,478)	(106)	(1,163)	(830)	(1,144)	(92)	(3,334)	(7,812)	3,361	
Net income/(loss)	**$ 14,383**	**$ 318**	**$ 3,488**	**$ 2,491**	**$ 3,431**	**$ 274**	**$ 10,002**	**$ 24,386**	**+ $ 3,361**	**= $ 27,747**
Earnings per share—basic	$ 0.21							$ 0.36	$ 0.05	
Earnings per share—diluted	$ 0.20							**$ 0.33**	**+ $ 0.05**	**= $ 0.38**
Weighted average shares outstanding—basic	67,583							67,583	67,583	
Weighted average shares outstanding—diluted	73,521							73,521	73,521	
Memo: Expenses										
Personnel (1)	35,542							32,221		
Operating (2)	33,093							23,443		
Non-Operating (3)	3,864							3,498		

Notes and Disclosures

As of July 1, 2019, Victory Capital Management Inc. is the investment advisor for USAA Mutual Funds. USAA and the USAA logos are registered trademarks of United Services Automobile Association and are being used by Victory Capital and its affiliates under license. Victory Capital and its affiliates are not affiliated with USAA or its affiliates. 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.

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 June 30, 2020.

Past performance does not guarantee future results. A fund’s most recent performance can be found at vcm.com. 60 mutual funds and ETFs did not have 4- or 5- star overall ratings. 36% 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 carefully before investing. Download a prospectus or summary prospectus, if available, containing this and other important information for USAA mutual funds from www.usaa.com/prospectus, for Victory mutual funds from www.victoryfunds.com, or for VictoryShares and VictoryShares USAA ETFs from www.victorysharesliterature.com. Read it carefully before investing.

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.

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.