

VICTORY CAPITAL MANAGEMENT INC.
4900 TIEDEMAN ROAD
BROOKLYN, OH 44144

March 26, 2012

Contact Info: Holly Cavalier (Chief Compliance Officer)
(216) 898-2501

www.victoryconnect.com
www.vcm.com
www.victoryfunds.com
www.key.com

This brochure provides information about the qualifications and business practices of Victory Capital Management Inc. If you have any questions about the contents of this brochure, please contact us at (877) 660-4400 and/or hcavalier@vcm.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Victory Capital Management Inc. is a registered investment adviser. Registration does not imply a certain level of skill or training. Additional information about Victory Capital Management is available at the SEC's website at: www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

This Brochure dated March 23, 2012 reflects the following changes from the last annual update on March 31, 2011.

Board / Officer Changes:

- Robert Wagner resigned as Chairman and from the Victory Capital Management Board.
- Kenneth Fox resigned as Chief Compliance Officer.
- Holly Cavalier was appointed to Chief Compliance Officer.
- Joseph Rosmarin was appointed as Director.
- Michael Policarpo was appointed as Senior Managing Director.
- Lori Swain was appointed Chief Administrative Officer.
- Kenneth Fox resigned from the Victory Capital Management Board.

Assets Under Management:

AUM has been changed to reflect December 31, 2011 data.

Other Changes:

- Our principal address has changed from 127 Public Square, Cleveland Ohio 44114 to 4900 Tiedeman Road, Brooklyn Ohio 44144.
- Our fax number has changed from 216-689-7179 to 216-898-2598.
- Our website address has changed from www.victoryconnect.com to www.vcm.com.
- Discontinued the European Smaller Cap strategy.

TABLE OF CONTENTS

ITEM 1 – COVER PAGE

ITEM 2 – MATERIAL CHANGES

ITEM 3 – TABLE OF CONTENTS

ITEM 4 – ADVISORY BUSINESS	1
ITEM 5 – FEES AND COMPENSATION	2
ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	4
ITEM 7 – TYPES OF CLIENTS	5
ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	5
ITEM 9 – DISCIPLINARY INFORMATION.....	11
ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	12
ITEM 11 – CODE OF ETHICS.....	12
ITEM 12 – BROKERAGE PRACTICES	13
ITEM 13 – REVIEW OF ACCOUNTS	15
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION	15
ITEM 15 – CUSTODY	16
ITEM 16 – INVESTMENT DISCRETION.....	16
ITEM 17 – VOTING CLIENT SECURITIES	17
ITEM 18 – FINANCIAL INFORMATION	18
ITEM 19 – REQUIREMENTS FOR STATE REGISTERED ADVISER	18

ITEM 4: ADVISORY BUSINESS

Victory Capital Management Inc. (“Victory”) is a registered investment adviser that provides investment advice to primarily institutions and some individuals. Victory, through its predecessors, has been providing investment advice since 1912. Victory is a wholly owned subsidiary of KeyBank National Association (“KeyBank”), which is a wholly owned subsidiary of KeyCorp. KeyCorp is publically traded on the New York Stock Exchange under the symbol “KEY.”

Victory provides investment advisory services to the following types of clients: Corporations, Foundations, Endowments, Public Funds and Taft-Hartley Funds. We also serve as the investment adviser to the Victory Funds mutual fund family (“The Victory Funds”) and certain private offerings. Victory also serves as the investment sub-adviser to mutual funds, wrap programs and pooled funds such as collective funds, charitable funds and trust funds.

Victory manages various investment strategies in the equity, fixed income and specialty asset classes. We differentiate investment strategies by market capitalization, style and location for the equity asset class and by sector in the fixed income asset class. Additionally, Victory produces company-specific research. We currently offer the following investment strategies:

Domestic Equity

- Large Cap Core
- Large Cap Value
- Large Cap Growth
- Mid Cap Core
- Mid Cap Value
- Small Cap Value

International Equity

- International Large Cap
- International Smaller Cap
- Emerging Small Cap
- Global Equity

Specialty

- Convertible Securities
- Balanced

Fixed Income

- Taxable Fixed Income
- Mortgage-Backed Securities
- Tax-Exempt Fixed Income
- Money Markets

Victory’s investment strategies specialize in investing in specific asset classes and do not represent a complete investment program. Our strategies are intended to be one of several components of a client account’s overall asset allocation. For details, please see Item 8: Methods of Analysis, Investment Strategies and Risk of Loss. Victory does not offer financial planning services.

As a client of Victory, you choose the investment strategy in which you would like your account managed. By agreement, you may impose restrictions on Victory to follow in the management of your account. For details, please see Item 16: Investment Discretion.

Victory also provides investment advice to individual clients indirectly through third-party sponsors of “wrap” programs. Financial advisors employed by sponsor firms unaffiliated with Victory are hired by individual clients to assist in the asset allocation of their investment account. Sponsor firms offer clients access to multiple investment advisers, including Victory. The ultimate decision to have Victory manage wrap assets is made jointly by the sponsor’s financial adviser and the individual client. Individual clients pay an advisory fee to the sponsor

firm, which in turn pays a portion of that fee to Victory. Management of wrap accounts differs slightly from management of our other accounts. For ore information, please see Item 12: Brokerage Practices.

As of December 31, 2011, Victory managed \$26,490,822,439 of client assets on a discretionary basis. For more information please see Item 16: Investment Discretion.

ITEM 5: FEES AND COMPENSATION

In most cases, you will pay an investment advisory fee to Victory based on a percentage of assets under management. Fees are generally charged quarterly in arrears, based on month-end account values. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee.

Institutional accounts and private offering fees are negotiable in limited circumstances. When negotiating fees, we take into account the strategy and size of the account and relationship. Victory does impose minimum mandate sizes and minimum annual fees.

The following table represents our standard investment advisory fees.

Product Styles	Institutional Managed Accounts							
	Asset Min	Annual Fee Min	0-\$10m	\$10-\$25m	0-\$25m	\$25-\$50m	\$50-\$100m	>\$100m
Domestic Equity								
Diversified	\$25m	\$150k	N/A	N/A	0.60%	0.50%	0.45%	0.40%
Large (Intrinsic) Value	\$10m	\$60k	N/A	N/A	0.60%	0.50%	0.45%	0.40%
Deep Value	\$10m	\$60k	N/A	N/A	0.60%	0.50%	0.45%	0.40%
Large Cap Growth	\$10m	\$65k	N/A	N/A	0.65%	0.55%	0.45%	0.40%
Mid Cap Core	\$10m	\$75k	N/A	N/A	0.75%	0.70%	0.65%	0.60%
Mid Cap Value	\$10m	\$75k	N/A	N/A	0.75%	0.70%	0.65%	0.60%
Small Cap Value	\$10m	\$100k	1.00%	0.85%	N/A	0.80%	0.75%	0.70%
Stock Index	\$20m	\$20k	N/A	N/A	0.10%	0.10%	0.10%	0.10%
International Equity	Asset Min	Annual Fee Min	0-\$10m	\$10-\$25m	0-\$25m	\$25-\$50m	\$50-\$100m	>\$100m
International Large Cap	\$10m	\$75k	N/A	N/A	0.75%	0.70%	0.65%	0.60%
International Large Cap Select	\$10m	\$75k	N/A	N/A	0.75%	0.70%	0.65%	0.60%
Global Equity	\$10m	\$75k	N/A	N/A	0.75%	0.70%	0.65%	0.60%
	Asset Min	Annual Fee Min	0-\$10m	\$10-\$25m	0-\$25m	\$25-\$50m	\$50-\$100m	>\$100m
International Micro Cap	\$10m	\$125k	N/A	N/A	1.25%	1.25%	1.25%	1.25%
International Small Cap	\$10m	\$100k	N/A	N/A	1.00%	0.90%	0.90%	0.85%
International SMID Cap	\$10m	\$95k	N/A	N/A	0.95%	0.85%	0.85%	0.80%
Emerging Small Cap	\$25m	\$312.5k	N/A	N/A	N/A	1.25%	1.25%	1.25%
Hybrid	Asset Min	Annual Fee Min	0-\$10m	\$10-\$25m	0-\$25m	\$25-\$50m	\$50-\$100m	>\$100m
Investment Grade Convertible	\$10m	\$55k	N/A	N/A	0.55%	0.50%	0.45%	0.40%
Taxable Fixed	Asset Min	Annual Fee Min	0-\$50m	\$50m-\$100m	>\$100m			
Mortgage Backed	\$20m	\$70k	0.35%	0.30%	0.25%			
Taxable Core Bond Index	\$20m	\$20k	0.10%	0.10%	0.10%			
Taxable Intermediate Bond Index	\$20m	\$20k	0.10%	0.10%	0.10%			
Treasury TIPS Index	\$20m	\$20k	0.10%	0.10%	0.10%			
Tax-Exempt Fixed	Asset Min	Annual Fee Min	0-\$25m	\$25-\$50m	>\$50m			
Tax-Exempt (Intermediate)	\$20m	\$70k	0.35%	0.30%	0.25%			
Tax-Exempt (Long Term)	\$20m	\$70k	0.35%	0.30%	0.25%			
Tax-Exempt (Short Term)	\$20m	\$70k	0.35%	0.30%	0.25%			
State Specific	\$20m	\$70k	0.35%	0.30%	0.25%			
Ohio Municipal Bond	\$20m	\$70k	0.35%	0.30%	0.25%			
Other	Asset Min	Annual Fee Min	0-\$25m	\$25-\$50m	\$50-\$100m	>\$100m		
Structured Cash	\$25m	\$50k	0.20%	0.15%	0.12%	0.10%		

Depending on how you are invested with Victory, the method of paying your advisory fee may differ:

- Institutional Accounts: You are given the option to receive and pay invoices or you can receive the invoice and authorize your custodian to pay. We do not have actual custody of client assets and therefore cannot deduct fees from client accounts. For details on custody, see Item 15: Custody.
- Private Offerings: Fees are paid as provided in your private offering documents.
- Mutual Funds: Fees are deducted daily through a reduction in the fund's Net Asset Value (NAV).
- Wrap Programs: Fees vary and are paid through the wrap sponsor firm. We request fees to be paid quarterly through an invoice sent to the sponsor firm.

You may incur other types of fees related to the management of your account in addition to the advisory fee:

- Institutional Account clients select their custodian and must negotiate custody and transaction fees directly with the chosen custodian.
- Private Offering clients are charged a fee to cover operating expenses. This fee varies by fund and is disclosed in the fund's private placement memorandum.
- Mutual Fund clients are charged fees to cover operating and distribution expenses, including sales loads. These fees vary by fund and share class, and are disclosed in the fund's prospectus. Additionally, mutual fund clients may be charged fees by their financial adviser.
- If you invest in equity products, you will incur brokerage fees. These fees are included in the price at which trades are executed. For an explanation of brokerage, please see Item 12: Brokerage Practices.

We do not accept advance payment of advisory fees from institutional accounts, private offering or mutual fund clients. Wrap clients may pay fees to their sponsor in advance.

If a client invests in a Victory Fund through a managed account, a conflict may arise. We are compensated to manage client assets and assets of the Fund. In order to avoid this conflict we waive the portion of your advisory fee associated with that investment. You can also purchase Victory Funds directly through unaffiliated brokers or agents.

Our advisory fees do not include commissions or mark-ups.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We sometimes enter into performance-based fee arrangements through written agreements with clients. Performance-based fee arrangements may be in lieu of the asset-based fee Victory typically charges clients.

Investment management personnel managing both asset-based and performance-based fee accounts face a conflict of interest. Performance-based fees increase as performance increases, creating an incentive to favor these accounts in trade execution and/or take excessive risk. Victory addresses these conflicts through adherence to its block trading policy and

procedures, as addressed in Item 12: Brokerage Practices. We also address these conflicts by maintaining a model portfolio for these strategies which is used as the basis of portfolio construction for all accounts managed in that strategy. Additionally, performance-based accounts are included in the same composite as asset-based accounts. Block trading is subject to overall monitoring by compliance personnel.

ITEM 7: TYPES OF CLIENTS

Victory provides investment advisory services to the following types of clients: Corporations, Foundations, Endowments, Public Funds, Taft-Hartley Funds, Mutual Funds and other pooled investments and individuals. We also provide sub-advisory services to banks and to other investment advisers.

Victory has established minimum account sizes which vary by investment strategy and type of investment vehicle. Additionally, our institutional account clients are subject to a minimum annual fee, disclosed in the table in Item 5: Fees and Compensation.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Victory uses a consistent process, over a longer-term investment horizon, when evaluating companies for investment. Both broad economic factors and company specific factors are reviewed to judge investment opportunities. Broad economic factors considered may include changes related to the economy's health, such as GDP, unemployment, interest rates, inflation and manufacturing activity, among others. We consider market factors, including current investor perception of the economy, asset classes, industry groups and specific companies as well as related trading activity and volume.

Our research analysts are assigned to specific industry groups. They evaluate individual companies for potential investment opportunity using a number of tools. These may include, meetings with company management teams, attending industry conferences and performing financial statement analysis and due diligence. Research analysts then provide their recommendations to portfolio management teams. The portfolio management teams evaluate these investment ideas in light of the current and expected broad economic factors. These teams also consider a combination of opportunity for price appreciation, risk level and economic forecasts.

Our portfolio management teams work with our risk management team to monitor portfolio risk on a daily basis. The risk management team produces a variety of risk control reports that identify sources of risk at the overall portfolio and industry levels. The risk management team also applies hypothetical risk scenarios to simulate the impact of multiple risk events on portfolio return. This "stress testing" provides portfolio managers with an understanding of the potential for loss if adverse economic events occur. Portfolio management teams review portfolio risk versus their broad economic forecasts, and may alter portfolio composition based on changing risk levels.

Our investment strategies specialize in investing in specific asset classes. They do not represent a complete investment program. Victory's strategies are intended to be one of several components of a client account's overall asset allocation. None of these strategies guarantee that

objectives will be achieved and investors may lose money by investing in Victory's strategies. Investing in securities involves risk of loss that clients should be prepared to bear.

The following paragraphs describe the material risks applicable to Victory's various strategies.

Domestic Equity

Large Cap Core

Victory's active large cap core strategy seeks to provide long-term growth of capital. This strategy primarily invests in a diversified group of U.S. equity securities, with an emphasis on companies with large market capitalizations. The portfolio invests in both growth stocks expected to experience earnings growth and value stocks determined to be intrinsically worth more than their current price. The material risks associated with our active large cap core strategy are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- Either Growth or Value stocks fall out of favor.
- A company's earnings do not increase as expected.

Victory's passive large cap core strategy seeks to provide long-term capital appreciation by constructing a portfolio designed to replicate, as closely as possible, before the deduction of expenses, the performance of a particular equity index. This strategy primarily invests in the equity securities included in the index and derivatives such as index futures. The material risks associated with our passive large cap core strategy are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- Derivative instruments, including futures or options contracts used for asset substitution, do not perfectly replicate direct investment in the index.
- A company's earnings do not increase as expected.

Large Cap Value

Our Large Cap Value Team strategy seeks to provide long-term growth of capital and dividend income. These strategies primarily invest in a diversified group of U.S. equity securities, with an emphasis on companies with large market capitalizations and above average total return potential. The material risks associated with our large cap value strategies are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- Value stocks fall out of favor relative to growth stocks.
- A company's earnings do not increase as expected.
- Returns are reduced as a result of actively trading the portfolio.

Large Cap Growth

Our Large Cap Growth Team strategy seeks to provide long-term capital appreciation. This strategy primarily invests in a select group of U.S. equity securities, with an emphasis on companies with large market capitalizations and whose growth prospects appear to exceed those of the overall market. The material risks associated with our large cap growth strategy are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.

- Growth stocks fall out of favor relative to value stocks.
- A company's earnings do not increase as expected.

Mid Cap Core

Our Mid Cap Core Team strategy seeks to provide long-term growth of capital and dividend income. This strategy primarily invests in a diversified group of U.S. equity securities, with an emphasis on companies with medium market capitalizations that are trading at prices below their true value. The material risks associated with our mid cap core strategies are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- Value stocks fall out of favor relative to growth stocks.
- A company's earnings do not increase as expected.
- Mid cap stocks fall out of favor relative to stocks of larger or smaller companies.
- Returns are reduced as a result of actively trading the portfolio.

Mid Cap Value

Our Mid Cap Value Team strategy seeks to provide long-term growth of capital. This strategy primarily invests in a diversified group of U.S. equity securities, with an emphasis on companies with medium market capitalizations that are attractively priced relative to their fundamentals. The material risks associated with our mid cap value strategies are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- Value stocks fall out of favor relative to growth stocks.
- A company's earnings do not increase as expected.
- Mid cap stocks fall out of favor relative to stocks of larger or smaller companies.

Small Cap Value

Our Small Cap Value Team strategy seeks to provide capital appreciation. This strategy primarily invests in a diversified group of U.S. equity securities, with an emphasis on companies with small market capitalizations that are attractively priced relative to their fundamentals. The material risks associated with our small cap value strategy are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- Value stocks fall out of favor relative to growth stocks.
- A company's earnings do not increase as expected.
- Smaller, less seasoned companies lose market share or profits to a greater extent than larger, established companies as a result of deteriorating economic conditions.

International Equity

International Large Cap

Our International Large Cap Team strategy seeks to provide long term growth and capital appreciation. These strategies primarily invest in a diversified group of foreign equity securities in developed markets, without any size or country restraints. Investments are made in companies with a favorable combination of company fundamentals and valuation. The material risks associated with our international large cap strategies are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- A company's earnings do not increase as expected.
- Developed foreign companies lose market share or profits to a greater extent than domestic companies as a result of increased volatility.
- Smaller, less seasoned companies lose market share or profits to a greater extent than larger, established companies as a result of deteriorating economic conditions.
- Economic or political events take place in a country, causing the value of its companies to decline.
- Returns are reduced as a result of actively trading in the portfolio.

International Smaller Cap

Our International Smaller Cap Team strategy seeks to provide a high total return, primarily through capital appreciation. These strategies primarily invests in a diversified group of smaller foreign equity securities of high-quality and exceptionally dynamic companies in developed markets, with a focus on those operating in industries offering attractive investment opportunities as a result of secular changes. The material risks associated with our international smaller cap strategies are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- A company's earnings do not increase as expected.
- Developed foreign companies lose market share or profits to a greater extent than domestic companies as a result of increased volatility.
- Smaller, less seasoned companies lose market share or profits to a greater extent than larger, established companies as a result of deteriorating economic conditions.
- Economic or political events take place in a country, causing the value of its companies to decline.

Emerging Small Cap

Our Emerging Small Cap Team strategy seeks to provide a high total return, primarily through capital appreciation. This strategy primarily invests in a diversified group of smaller foreign equity securities of high-quality and exceptionally dynamic companies in emerging markets, with a focus on those operating in industries offering attractive investment opportunities as a result of secular changes. The material risks associated with our emerging small cap strategy are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- A company's earnings do not increase as expected.
- Emerging companies lose market share or profits to a greater extent than domestic or developed foreign companies as a result of increased volatility.
- Smaller, less seasoned companies lose market share or profits to a greater extent than larger, established companies as a result of deteriorating economic conditions.
- Economic or political events take place in a country, causing the value of its companies to decline.

Global Equity

Our Global Equity Team strategy seeks to provide long term growth and capital appreciation. This strategy primarily invests in a diversified group of U.S. and foreign equity securities, without any size or country restraints. Investments are made in companies with a favorable combination of company fundamentals and valuation. The material risks associated with our global equity strategy are:

- The market value of securities in the portfolio declines.
- The portfolio manager does not execute the investment strategy effectively.
- A company's earnings do not increase as expected.
- Foreign companies lose market share or profits to a greater extent than domestic companies as a result of increased volatility.
- Smaller, less seasoned companies lose market share or profits to a greater extent than larger, established companies as a result of deteriorating economic conditions.
- Economic or political events take place in a country, causing the value of its companies to decline.
- Returns are reduced as a result of actively trading in the portfolio.

Fixed Income

Taxable Fixed Income

Our Taxable Fixed Income Team employs a passive strategy in an effort to track, as closely as possible, before the deduction of expenses, the performance of a particular bond index. These strategies primarily invest in a sampling of debt securities that provide similar risk characteristics to a given benchmark - derivative instruments such as forwards or futures may also be used for liquidity purposes and/or risk replication. The material risks associated with our taxable fixed income strategies are:

- Interest rate and Income risk: is the risk that bond prices will fall with a rise in interest rates. Exposure to this risk will vary across investment styles. Shorter strategies will have less interest rate risk relative to longer dated portfolios. Our passive strategies will exhibit similar price fluctuations for a given interest rate environment to the respective benchmark index. Similarly, income in a given strategy may decline with a rise in rates.
- Credit Risk: is the risk that a bond issuer may make late payments or fail to pay interest and principal due. Further, bonds prices may fall as credit quality deteriorates or the risk of non-payment increases. Exposure to this risk will vary across investment styles. Higher quality strategies will have less credit rate risk relative to lower quality portfolios. Our passive strategies invest in only investment grade or better bonds and will exhibit similar price fluctuations and payment risks as the respective benchmark index.
- Sampling Risk: is the risk that the bonds we sample from a given index do not provide similar risk characteristics and performance returns relative to the benchmark index. This risk will vary across strategies and will be higher when sampling against a large indices, lower when the reference benchmark is small.

Mortgage-Backed Securities

Our Mortgage-Backed Team strategy seeks to provide a high level of current income, consistent with preservation of capital. These strategies primarily invest in securities issued by the U.S. government and its agencies or instrumentalities, specifically mortgage-backed obligations and collateralized mortgage obligations (CMOs) issued by the Government National Mortgage Association (GNMA), with an average effective maturity ranging from 2 to 10 years and obligations issued or guaranteed by the US government or by its agencies or instrumentalities with a dollar-weighted average maturity normally less than five years. The material risks associated with our mortgage strategies are:

- The market value of securities acquired in the portfolio declines.
- The portfolio manager does not execute the investment strategies effectively.
- Interest rates rise.
- New investments are made at lower interest rates than existing investments.
- The rate of inflation increases.
- The average life of a mortgage-related security is shortened or lengthened.

Tax-Exempt Fixed Income

Our Tax-Exempt Team strategies, also commonly referred to as municipal strategies, seek to provide a high level of current income that is exempt from Federal and various State income taxes, consistent with preservation of capital. These strategies primarily invest in municipal securities, including mortgage-related securities, with fixed, variable, or floating interest rates, zero coupon, tax, revenue, bond anticipation notes and tax-exempt commercial paper. The material risks associated with our tax-exempt strategies are:

- The market value of securities acquired in the portfolio declines.
- The portfolio manager does not execute the investment strategies effectively.
- Interest rates rise.
- New investments are made at lower interest rates than existing investments.
- The rate of inflation increases.
- The average life of a mortgage-related security is shortened or lengthened.
- An issuer's credit quality is downgraded or an issuer defaults on its securities.
- A bond insurer or credit support provider is down graded or otherwise fails to provide the expected level of support.
- Certain investments could lose their tax-exempt status.
- Economic or political events take place in a state, causing the value of that state's obligations decline. Certain municipal strategies are concentrated in single states which could increase this risk.

Money Markets

Our Money Market Team strategy seeks to provide a high level of current income, consistent with preservation of capital. These strategies primarily invest in short-term, high quality debt instruments. Securities may be issued by the U.S. government or its agencies and instrumentalities, municipalities, corporations or banks. The material risks associated with our money market strategies are:

- The market value of securities acquired in the portfolio declines.
- The portfolio manager does not execute the investment strategies effectively.

- Interest rates rise or decline.
- An issuer's credit quality is downgraded or an issuer defaults on its obligation and its credit support provider does not provide financial support.
- Adverse events in the banking industry cause the value of investments guaranteed by banks to decline.
- Political, economic, business or regulatory events occur in a country, causing the value of a security to decline.

Specialty

Convertible Securities

Our Convertible Team strategy seeks to provide a high level of current income and long-term capital appreciation. These strategies primarily invest securities convertible into common stocks, such as convertible bonds, convertible notes and convertible preferred stocks. The material risks associated with our convertible securities strategies are:

- The market value of securities acquired in the portfolio declines.
- The portfolio manager does not execute the investment strategies effectively.
- A company's earnings do not increase as expected.
- Interest rates rise.
- An issuer's credit quality is downgraded or an issuer defaults.

Balanced

Our Balanced strategy primarily invests in equity securities, debt securities and cash equivalents. Typically, the strategy invests 40% to 75% of the portfolio in equity securities and invests a minimum of 25% of the portfolio in debt securities. Portions of the portfolio may be managed actively or passively. The material risks associated with our Balanced strategies are:

- The market value of securities acquired in the portfolio declines.
- The portfolio manager does not execute the investment strategies effectively.
- A company's earnings do not increase as expected.
- Interest rates rise.
- An issuer's credit quality is downgraded or an issuer defaults on its obligation and its credit support provider does not provide financial support.
- New investments are made at lower interest rates than existing investments.
- The rate of inflation increases.
- The average life of a mortgage-related security is shortened or lengthened.
- Actual performance does not track the performance of the index due to fees, expenses, transaction costs and other factors that do not allow actual performance to match the index.

ITEM 9: DISCIPLINARY INFORMATION

Victory has not been subject to any legal or disciplinary events that are material to its business or integrity of its management.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Certain management persons of Victory are registered representatives of Victory Capital Advisers, Inc. (“VCA”), a registered broker dealer and an affiliate of Victory.

Victory and its management persons are not registered or in the process of registering as a futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of any of these.

VCA acts as the distributor for the Victory Portfolios, the Victory Institutional Funds, the Victory Variable Insurance Fund, and Victory Capital Series, LLC.

As stated in Item 4, Victory serves as the investment adviser to the Victory Funds and certain private offerings.

Victory is a wholly owned subsidiary of KeyBank. We act as a non-discretionary adviser to KeyBank for various accounts of KeyBank, including KeyBank’s common and collective funds. We also advise certain KeyBank clients on a discretionary basis. KeyBank acts as a custodian for certain clients of Victory.

We do not believe that our relationships with KeyBank, the Victory Funds, or any private offering create any material conflicts of interest; however, we recognize the potential for such conflict. For example, our position as an adviser or subadviser to KeyBank’s accounts could influence us to provide KeyBank with investment opportunities on a preferential basis relative to our other accounts. Consequently, we monitor all such potential conflicts proactively in accordance with policies and procedures designed to identify and prevent such conflicts. Activities are also monitored by compliance and audit personnel to verify compliance with those policies and procedures. For details, please see Item 12: Brokerage Practices.

We do not recommend or select other investment advisers for our clients.

ITEM 11: CODE OF ETHICS

Victory has adopted a code of ethics (“Code”) for all of our employees describing our high standard of business conduct, and fiduciary duty to our clients. Our Code includes provisions relating to the prohibition of insider trading and personal securities trading procedures, among other things. Our employees also adhere to KeyCorp’s Code of Ethics. All employees must acknowledge the terms of both Codes, as amended, annually.

Subject to satisfying our Code and applicable laws, our employees may trade for their own accounts in securities which are purchased for our clients. The Code is designed to assure that the personal securities transactions, activities and interest of the employees will not interfere with i) making decisions in the best interest of our clients and (ii) implementing such decisions while, at the same time allowing employees to trade for their own accounts.

Victory does not allow the purchase of equity securities in personal trading accounts. However, all Victory employees must pre-clear personal transactions through the compliance department for all reportable securities. We receive a copy of all employee confirmations from their broker. Compliance compares all confirmations received with all pre-cleared trades. In order to assure compliance with the Code and our policies and procedures, the compliance department reviews all personal trades and conducts testing on this procedure on a quarterly basis.

You can obtain a copy of our Code by sending an email to Compliance_Victory@vcm.com or by visiting our website @ www.vcm.com.

We do not recommend to clients the purchase or sale of our parent company's securities.

ITEM 12: BROKERAGE PRACTICES

Victory seeks to obtain the "best execution" for client transactions. We strive to execute each client transaction in such a manner that the client's total cost or proceeds in each transaction are the most favorable under the current circumstances.

Equity

Commission rates paid on client transactions must reflect comparative market rates. In addition, Victory will consider the full range and quality of a broker's services in placing brokerage including, but not limited to, the value of research provided, execution capability, commission rate, financial willingness and ability to commit capital, and responsiveness. The lowest possible commission cost alone does not determine brokerage selection.

Brokerage commissions generated from client transactions may be used to obtain research (proprietary and third party) and/or brokerage services from broker-dealers. These services assist the portfolio managers in the investment decision making process for our clients. Thus, we may have an incentive to select a broker that provides research through the use of brokerage, rather than paying for execution only. This could create a conflict of interest. We address this conflict by seeking best execution and through oversight of the use of specific brokers.

Our Client Commission Committee oversees client commissions to be used to obtain third party research and/or brokerage services. In all such instances:

- The services must be for the primary benefit of our clients.
- The commission rates paid must be competitive with rates paid to other brokers.
- The minimum amount of commissions to any broker-dealer is not guaranteed.
- Considerations of best execution take precedence over soft dollar arrangements.
- Must satisfy the safe-harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended.

Our use of brokerage and research services may increase transaction costs for clients. However, we choose brokers after considering a number of important factors:

- Best available execution
- Sound financial condition
- Knowledge of market
- Acceptable record keeping
- Good and timely delivery and payment on trades
- Ability to handle block trades
- Quality of research materials
- Access to sources of supply or market

All clients benefit from Victory's use of soft dollars, regardless of whether or not their specific transactions pay brokers that provide research or services. We do not allocate soft dollar benefits to client accounts proportionally to the soft dollar credits the accounts generate.

In the most recent fiscal year, we obtained the following products and/or services as a result of brokerage commissions:

- Research analyst call participation
- Company-specific research reports and meetings
- Macro-economic research reports
- Technical factor research reports
- Analytical software utilized for trading securities
- Market data services
- Industry database services

We do not consider the receipt of client referrals from a broker-dealer or third party when selecting a broker-dealer.

Victory does not recommend, request or require that you direct transactions to specific brokers. We do, however, permit you to direct brokerage. If you choose to direct brokerage, you may not receive the most favorable execution under current circumstances, which could increase transaction cost to the client account. When you do not direct us to a specific broker, we are generally able to aggregate client transactions into a large, single transaction for clients. This generally results in lower transaction costs than if the transactions had been executed individually.

Allocations of transactions are performed in a timely and efficient manner. All accounts participating in transaction aggregation receive the same execution price, which is an average share price for transactions executed during the same time interval. Any portion of a transaction aggregation that remains unfilled at the end of a day is re-submitted on the following day as a new transaction, and likewise a new average daily price. If an aggregated order is not filled in its entirety, shares are allocated proportionately.

When using a trade rotation, non-directed account trade aggregations are traded first, followed by a random rotation of directed institutional account transactions. Wrap accounts are also executed in a random rotation as a separate group and may immediately follow the directed trade rotation.

Fixed Income

Taxable Fixed Income and Mortgage-Backed Securities

Our taxable fixed income and mortgage-backed securities teams' selection of broker-dealers is driven by which one has the best price for the size of our trade.

Whenever possible, we aggregate client transactions after considering cash and liquidity needs as well as your individual investment policy needs.

Tax-Exempt Fixed Income

When our Tax-Exempt Team purchases a new issue municipal bond, we normally select the issue's syndicate manager to place the trade as this practice will generally lead to the best allotment results. When purchasing a secondary issue, best price drives which broker we select.

Victory considers the following factors for our clients when determining whether or not to aggregate purchases and sales of municipal bonds:

- Current versus target duration
- Cash availability
- Liquidity needs
- Investment policies
- Tax considerations

- Inflows and outflows

Money Markets

Our Money Market team considers brokers-dealers of good reputation that can offer reasonable value inventories to executing client transactions. We determine reasonable value by considering price, breadth of inventory offerings, and access to attractive offerings at competitive prices.

Client transactions may be aggregated from time to time. In doing so the clients' risk preferences are considered in addition to their respective, unique liquidity needs, cash balances, and investment policy restrictions. After considering these factors, transactions are allocated among client accounts on a pro rata (assets) basis.

ITEM 13: REVIEW OF ACCOUNTS

Our portfolio managers continuously review client accounts. Client inquiries, changes in general market outlooks and changes in opinion on specific securities may prompt particular reviews of accounts. Relationship managers review transactions and accounts at least quarterly. We offer review meetings with each client at least annually to review portfolio performance and to identify any changes in the client's investment objectives, risk tolerances and liquidity needs for the upcoming year. The review typically also includes the following:

- Summary and discussion of our firm-related issues, including assets under management and personnel changes.
- Summary of significant market and economic events that impacted client account performance.
- Investment performance relative to the specific client benchmark.
- Performance attribution identifying contributors and detractors to performance.
- Characteristics of the portfolio.
- Portfolio positioning.
- Our outlook on the financial markets.

A member of the portfolio management team, along with the client relationship manager, usually participates in the annual meeting. Your client manager will conduct interim meetings.

Our clients often specify the frequency of reviews within their Investment Policy Statement (IPS). Therefore, Victory reviews portfolios consistent with the directive of each client's IPS. We also reviews accounts on an ad hoc basis if circumstances suggest it is in the client's interest. These circumstances may include extraordinary market events, noteworthy strategy decisions or specific client requests.

Each client receives a periodic statement with information on their account, including activity in the account during the period, ending market value and detailed holdings. You may also request specific information such as quarterly performance and portfolio manager commentary.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Victory has not entered into any solicitation agreements.

ITEM 15: CUSTODY

We do not have actual custody of any client assets. All of our clients are required to select a qualified custodian to safeguard the assets of their account, settle transactions, send monetary wires and perform other miscellaneous administrative services. The custodian will send clients, no less than quarterly, an account statement which details the transaction activity and holdings in the client's account. We also send clients quarterly account statements. Clients may also receive other account statements from other service providers related to their account. Clients should compare all statements related to their account, specifically reviewing transaction details and security holdings. This comparative review is necessary to prevent inaccurate information from being recorded by any service provider related to the client account.

If you choose KeyBank as your qualified custodian, you will only receive one statement. Because KeyBank is our parent company, we are deemed to have indirect custody of your assets. In these instances, we obtain an independent auditors' annual report from KeyBank, relative to their controls surrounding their custody services, and the custodial assets undergo surprise audit verification.

ITEM 16: INVESTMENT DISCRETION

Victory typically retains full discretionary authority to manage investment accounts on behalf of clients. We take sole responsibility for selecting securities for investment. Clients give us this authority in their investment management agreement. We request that clients inform their account's custodian that they have granted this authority to us. Our clients agree to respond to inquires and confirm our authority to manage the account of the discretionary relationship.

Clients may specify investment discretion limitations mutually agreed upon with us in the investment management agreement or IPS. In the agreement or IPS, you may provide specific instructions for Victory not to invest in certain securities or types of securities. You may impose a maximum allowable percentage of investment in certain security types. Examples of common limitations are:

- Specific companies
- Companies producing certain kinds of products
- Companies which do business in certain countries
- Impose maximum allowable percentage limits invested in cash, ETFs, foreign securities, derivatives, mutual funds, private placements.

For example, a client may instruct us not to invest in a company that manufactures guns or tobacco products.

You may also limit our investment discretion by instructing an investment in a particular security. We also require these instructions to be mutually agreed upon, in writing, and that you acknowledge that the investment is not recommended by Victory under its discretionary authority.

Certain clients are subject to laws that may restrict investments that we can make on their behalf, such as ERISA clients.

Victory manages a limited portion of its business in a non-discretionary manner, predominately through wrap programs. The investment management contract with the wrap sponsor specifically allows the sponsor to retain investment discretion. Under these types of arrangements, we provide wrap sponsors with investment recommendations from which the sponsor can choose to deviate.

ITEM 17: VOTING CLIENT SECURITIES

Victory votes client securities in the best interests of the client. This entails voting client proxies with the objective of increasing the long-term economic value of client assets. Victory's Proxy Committee determines how proxies are voted by following established guidelines, which are intended to assist in voting proxies and are not considered rigid rules. Proxies are presented to the committee through the Corporate Actions Department. The Proxy Committee is directed to apply the guidelines as appropriate. On occasion, however, a contrary vote may be warranted when such action is in the best interests of the account or if it is required under the documents governing the account. In such cases, we consider, among other things:

- the effect of the proposal on the underlying value of the securities
- the effect on marketability of the securities
- the effect of the proposal on future prospects of the issuer),
- the composition and effectiveness of the issuer's board of directors
- the issuer's corporate governance practices
- the quality of communications from the issuer to its shareholders

Victory may also take into account independent third-party, general industry guidance or other governance board review sources when making decisions. We may additionally seek guidance from other senior internal sources with special expertise on a given topic, where it is appropriate.

Victory will agree to allow a client to retain their right to vote their securities. This preference is mutually agreed upon between the client and Victory in the investment management agreement prior to the date on which we begin managing the account.

Occasionally, conflicts of interest arise between our interests and those of a client. When this occurs, we document the nature of the conflict and vote according to our guidelines. However, if the conflict is not mitigated by this approach, we will seek the opinion of the Chief Compliance Officer, or consult with an external independent adviser. In the case of a Proxy Committee member having a personal conflict of interest (e.g. a family member on the board of the issuer), they will abstain from voting.

Reasonable efforts will be made to monitor and keep abreast of corporate actions. All stock will be voted, provided there is sufficient time and information available. Victory maintains a written record of its voting activity, including supporting documentation that determined the direction of the vote.

Victory has engaged ISS (Institutional Shareholder Services) to perform the administrative tasks of receiving proxies and proxy statements, and voting proxies in accordance with the Victory Proxy Policy. In no circumstances shall ISS have the authority to vote proxies except in accordance with standing or specific instructions given to it by Victory.

In order to obtain information on how we voted your specific proxies, you may contact your client manager or send an email to VictoryClientService@vcm.com

For a copy of Victory's Proxy Policy and Procedures, please visit our website at www.vcm.com or send an email to compliance_victory@vcm.com.

ITEM 18: FINANCIAL INFORMATION

We do not require or solicit prepayment of client fees.

We have discretionary authority over certain client assets. There are no current financial conditions that would likely impact our ability to meet its contractual obligations to manage the investment of client assets.

We have not been subject to a bankruptcy petition at any time during the past ten years.

ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS

This item is not applicable to Victory.