ISSUER SPOTLIGHT

Q&A VictoryShares®

Q. Why are actively managed ETFs gaining traction among investors?

Traditionally, ETFs have been thought of almost exclusively as passively managed investments. But there's no reason that an active strategy cannot be effectively packaged in an ETF wrapper, thus giving investors the opportunity to harness the potential benefits of active management along with the liquidity, tax-efficiency, intra-day trading, and sometimes lower fees associated with exchange-traded products. In fact, we think this is particularly viable for fixed income investing in today's environment.

Jim Jackson, CFA
Victory Capital Head of Fixed Income Portfolio Management - USAA Investments, a Victory Capital Investment Franchise

Q. Can you elaborate on what makes actively managed ETFs so appealing for fixed income?

For starters, the domestic bond market is huge and diverse, yet the over-the-counter nature of bond trading and pricing is far less transparent than equities where securities are listed on public exchanges. In an opaque market with more complex securities—many with varying structures and call features—it's not uncommon to have mispricing. Thus, it's quite feasible for certain bond investors to gain an information advantage through diligent credit research and better trading. It's also important to remember that size and scale truly matter for bond managers, not just in terms of trade execution, but also because it may provide greater access to the new issue market.

Q: Has the pandemic or recent turmoil altered this reality for actively managed fixed income?

If anything, the current murky economic outlook caused by this pandemic has merely strengthened the argument for an active approach to fixed income. If and when another round of volatility returns, active managers may be able to add incremental yield at a reasonable risk, just as many did earlier this year when we witnessed severe price dislocations in March and April. In addition, the level of new corporate bond issuance in 2020 has far outpaced recent years. While companies may be wise to access cheap capital when they can, it's also critical for bond buyers to realize that corporate debt relative to cash flow is rising. On the whole, this ratchets up credit risk, so credit analysis and security selection matters more than ever.

Q. Can you provide an overview of the VictoryShares actively managed fixed income ETFs?

VictoryShares offers two active fixed income ETFs: the VictoryShares USAA Core Short-Term Bond ETF (USTB) and the VictoryShares USAA Core Intermediate-Term Bond ETF (UITB). Depending on the duration target and specific income needs of an investor, both ETFs may be considered as core building blocks of a broader, diversified fixed income portfolio. These active ETFs are managed by USAA Investments, a Victory Capital Investment Franchise, which has been managing yield-focused portfolios since 1970. Both the short- and intermediate-term portfolios aim to deliver incremental income versus their benchmark and peer group through careful credit analysis, research and security selection.

20200806-1294179

Note from NYSE Arca:

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Note from VictoryShares:

Consider the investment objectives, risks, charges and expenses and other important information about the VictoryShares USAA ETFs carefully before investing. To obtain a prospectus or summary prospectus visit www. victorysharesliterature.com. Read it carefully before investing.

Investing involves risk, including the potential loss of principal. The ETFs are actively managed. Judgments about a particular security, markets, or investment strategy may prove to be incorrect and may cause the ETFs to incur losses. Diversification does not guarantee a profit or prevent a loss. Redemptions are limited, and commissions are often charged on each trade. ETFs may trade at a premium or discount to their net asset value. Non-investment grade securities are considered speculative and are subject to significant credit risk. They are sometimes referred to as junk bonds since they represent a greater risk of default than more creditworthy investment-grade securities. Mortgage-backed securities have prepayment, credit, interest rate, and extension risks. Generally, when interest rates decline, prepayments accelerate beyond the initial pricing assumptions and may cause the average life of the securities to shorten. Also the market value may decline when interest rates rise because prepayments decrease beyond

the initial pricing assumptions and may cause the average life of the securities to extend. The ETF is subject to the risk that the market value of the bonds or debt securities in the ETF's portfolio will fluctuate because of changes in interest rates, changes in

the supply and demand of debt securities, and other market factors. The price volatility of a bond also depends on its maturity. Generally, the longer the maturity of a bond, the greater is its sensitivity to interest rates.

As of July 1, 2019, Victory Capital Management Inc. is the investment advisor for VictoryShares USAA ETFs. The funds continue to be managed in accordance with the same investment approach and process and assumed the performance history of their respective predecessor fund at the closing of their reorganization.

FURTHER INFORMATION

Please visit http://www.victoryshares.com

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August 2020

20200806-1294179