

Why Allocate to Emerging Markets Small Cap?

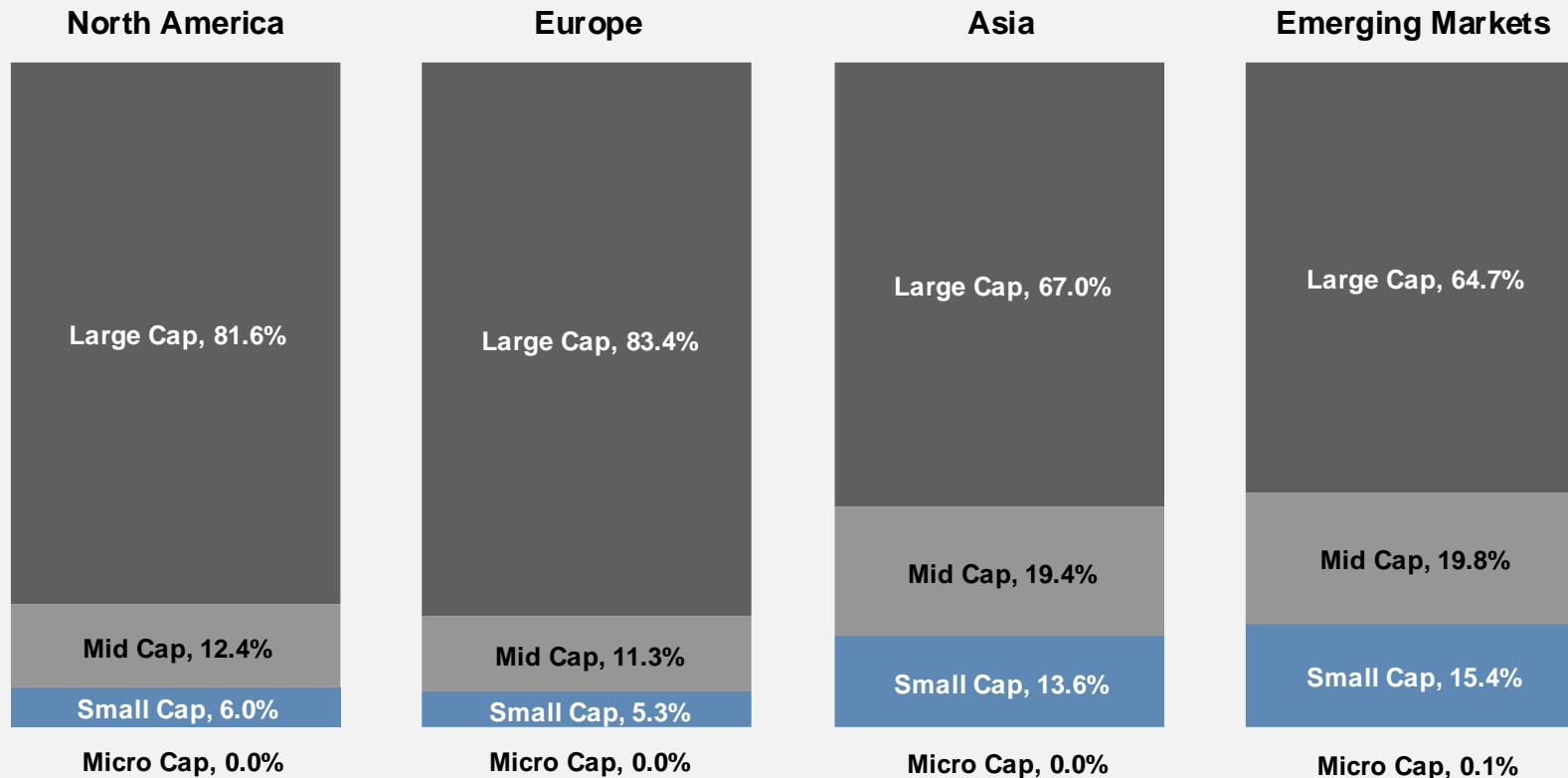
Does it Diversify my Portfolio?

Margaret Lindsay
CIO, Non-US Small Cap Equities



Cleveland • New York • Cincinnati • Denver • Tampa

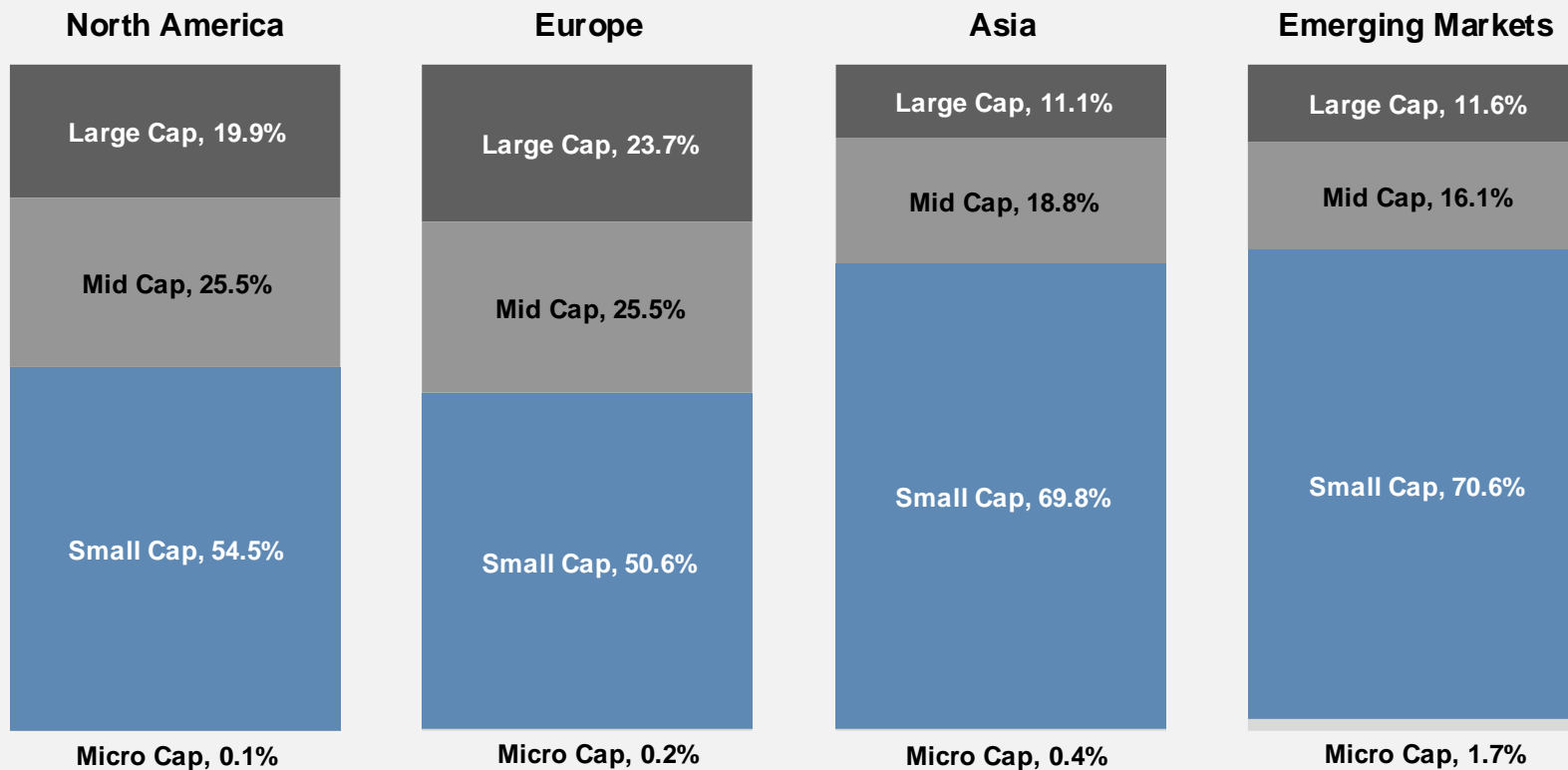
Large companies comprise the largest amount of market capitalization . . .



Regional and Emerging Markets Equity Universes by Market Capitalization



... but small & mid cap companies represent the majority of available stocks



Regional and Emerging Market Equity Universes by Number of Stock Names

Sources: MSCI and FactSet. Percentages shown are based on market capitalization in markets as defined by the MSCI IMI North America, Europe, Asia Pacific and Emerging Market Indices.



Team organized by country with cultural backgrounds and ten languages

Margaret Lindsay
CIO - Non-U.S. Small Cap

*MBA, The Wharton School
MS, Drexel University
BA, Dickinson College*

Tiffany Kuo, CFA
Senior Portfolio Manager / Analyst

*MBA, University of Rochester
BA, UCLA*

Joshua Lindland, CFA
Senior Portfolio Manager / Analyst

*MBA, Columbia University
BA, Muhlenberg College*

Reuben Scherzer
Portfolio Manager / Analyst

*MBA, Fordham University
BS, Yeshiva University*

Eun Cho
Portfolio Manager / Analyst

*BS, Columbia University
BS, Jacksonville University*

Fumiko Hagiwara, CFA
Portfolio Manager / Analyst

*MBA, Baruch College
BA, Waseda University*

Gaurav Lunia
Portfolio Manager / Analyst

*MBA, INSEAD
BBA, Pace University*

Robert Zhang
Portfolio Specialist / Analyst

*MS, Kent State University
BS, Ohio State University*



EM small cap offers direct exposure to local growth drivers

Auto Parts Food & Beverages Household / Personal Care Products Apparel & Footwear Restaurants Casinos Education Services Food Retail Drugstore Chains Specialty Stores	Generic Drugs Medical Devices Disposable Medical Products Dental Plans Medical Tourism Medical Labs & Testing Services	Banking Services Financial Services Investment Banking Brokerage Insurance Products Security Solutions	Toll Roads Ports Logistics Irrigation Equipment Shipbuilding Wind Turbines Solar Panels Railway Components Water Treatment Oilfield Services & Equipment	Smart Phone Components LED Components Tablet PC Touch Panels Telecom Equipment Battery 3D Televisions	Strategic Metals Cement Palm Oil Fertilizers Rubber
Growing Middle Class	Emerging Healthcare	Expanding Financial Services	Improving Infrastructure	Developing Technology	Supplying Raw Materials



First stage of assessment is based on two uniquely small cap risk factors:

- **Limited Information**
- **Liquidity Risk**

The next stage is more company specific risk factors:

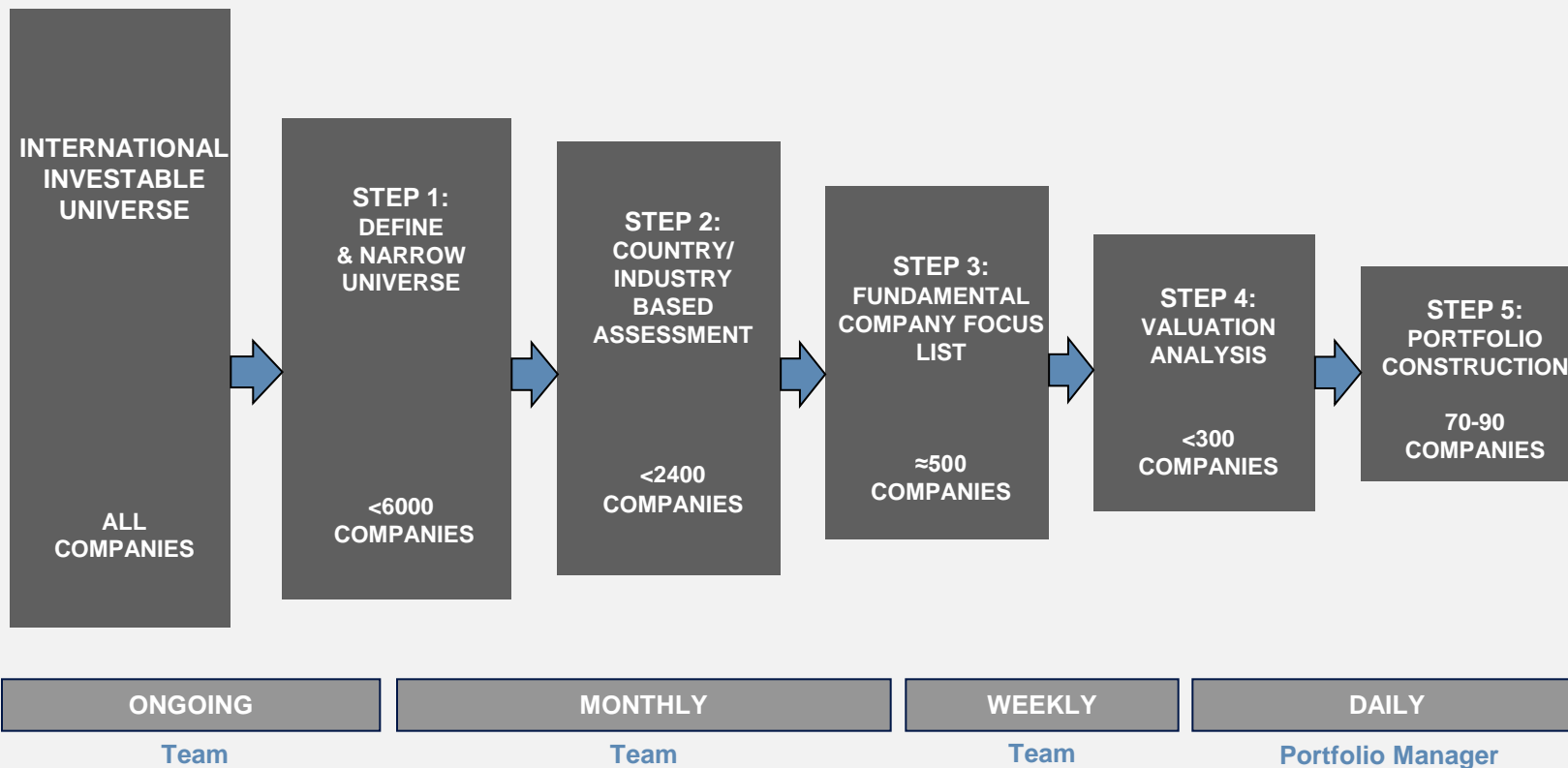
- **Financial Condition Risk**
- **Product/Competitive Position Risk**

Final stage is to control the overall portfolio risk:

- **Diversification**
- **Country and Sector Allocations**



FIVE-STEP INVESTMENT PROCESS



THAILAND

Growth Driver: Healthcare

The Company: Chularat Hospital (CHG) operates a chain of private hospitals under the “Chularat” brand in Bangkok and nearby provinces. Founded in 1986, CHG was listed on the Thai Stock Exchange in May 2013. The company presently has three main hospitals and seven clinics which offer medical treatment to cash patients as well as managed care patients. CHG’s expertise includes hand and microsurgery as well as cardiology treatment.

Investment Rationale: As one of the larger hospital chains in Thailand with significant experience and an established brand, CHG is a beneficiary of rising demand for healthcare services in Thailand. Planned capacity additions and an improving service mix should support growth and profitability going forward.



Source FactSet. The securities highlighted are not intended as individual investment advice or recommendation. The information is provided to demonstrate some of the techniques Victory Capital Management utilizes in evaluating investment opportunities for its clients. Please consult your financial advisor before making any investment decisions. A complete list of all recommendations of security selection is available by request for the previous 12 months.

INDIA

Growth Driver: Food Security

The Company: Kaveri Seeds was founded in 1986 and listed on India's National Stock Exchange in October 2007. Kaveri develops hybrid seeds and uses contract farming to produce them. The company sources base seed from Monsanto and further re-engineers it to suit local Indian topography. Important crops include corn, sunflower, pearl millet, sorghum, cotton and rice. Eight plants are presently owned in 10 key locations across India with the company's brands distributed nationwide.

Investment Rationale: Given limited land availability and poor yields, crop productivity enhancement through the use of higher quality seeds is an imperative for Indian agriculture. With its remarkable success in BT cotton, a promising scale-up in hybrid rice and a strong presence in other segments, Kaveri has an interesting and scalable model which will likely lead to margin expansion.



Source FactSet. The securities highlighted are not intended as individual investment advice or recommendation. The information is provided to demonstrate some of the techniques Victory Capital Management utilizes in evaluating investment opportunities for its clients. Please consult your financial advisor before making any investment decisions. A complete list of all recommendations of security selection is available by request for the previous 12 months.

INDONESIA

Growth Driver: Evolving Retail Formats

The Company: : Matahari Department Store (MDS)'s founder was the pioneer of the department store concept in Indonesia. The first store was opened in 1958 in Jakarta although the modern department store concept was not introduced until 1972. Following a number of ownership changes, the company was listed on the Indonesian Stock Exchange (IDX) in February 2013. Given its first mover advantage, MDS today is the largest department store operator with a market share of over 30% and 118 stores nationwide.

Investment Rationale: MDS is strongly positioned to benefit from growing consumer expenditure and changing consumption patterns in Indonesia. The company has successfully targeted the rising middle class, today estimated to represent more than half the country's population. It is present in major cities and second-tier cities as well, with 13-15 new store openings planned per annum. MDS has an attractive asset-light and cash-generative business model.



Source FactSet. The securities highlighted are not intended as individual investment advice or recommendation. The information is provided to demonstrate some of the techniques Victory Capital Management utilizes in evaluating investment opportunities for its clients. Please consult your financial advisor before making any investment decisions. A complete list of all recommendations of security selection is available by request for the previous 12 months.

TAIWAN

Growth Driver: Contact Lenses in China

The Company: The Company: Established in 1995 and listed on the Taiwan Stock Exchange in April 2012, Ginko is the largest contact lens and solution provider in China, with a 28% and 41% market share, respectively. The company has established a strong distribution network especially in the lower tier cities. It offers a variety of products including color lenses, for which there is strong demand.

Investment Rationale: China's contact lens penetration rate is still low and the migration from long-term wear to disposable products is still in its early stages. The company's well established and extensive distribution network give it a competitive advantage, in our view, over the multinationals who remain focused on the first tier cities and more expensive products. Strong demand, a changing product mix and in-house manufacturing is expected to support both growth and profitability going forward.



Source FactSet. The securities highlighted are not intended as individual investment advice or recommendation. The information is provided to demonstrate some of the techniques Victory Capital Management utilizes in evaluating investment opportunities for its clients. Please consult your financial advisor before making any investment decisions. A complete list of all recommendations of security selection is available by request for the previous 12 months.

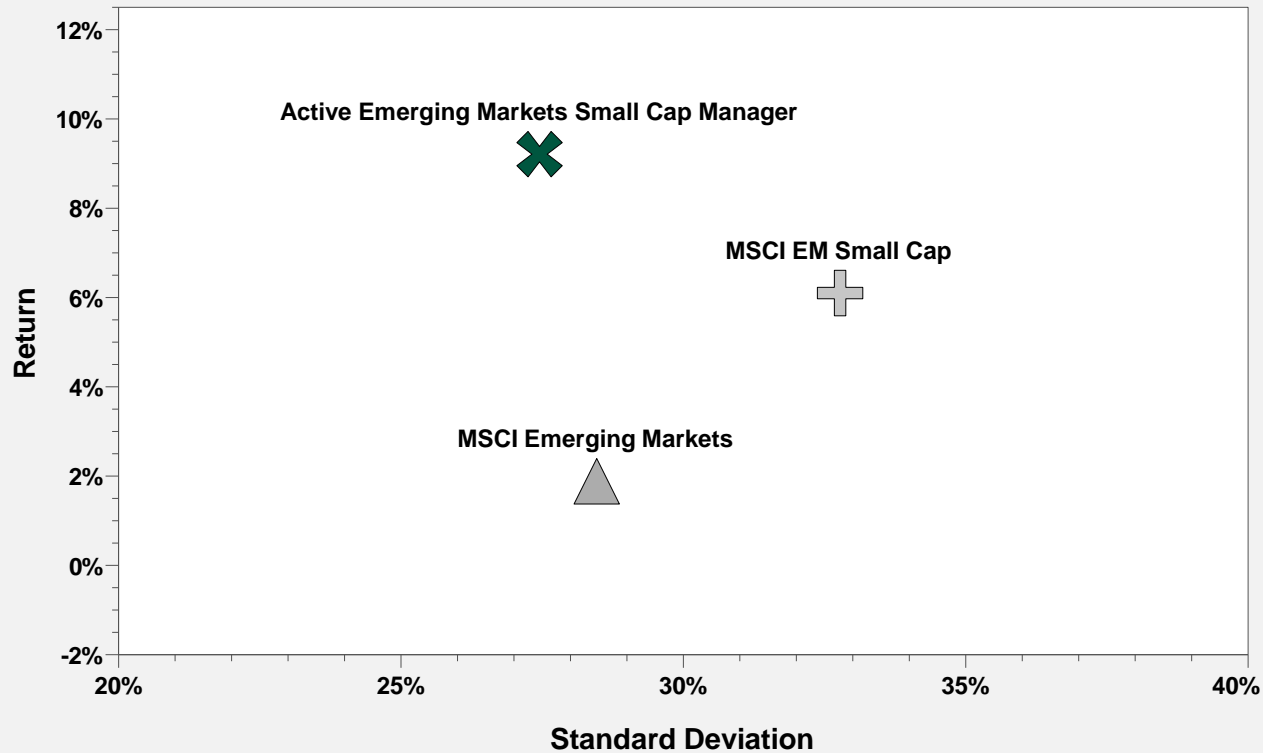
	Active EMSC Manager	MSCI Emerging Markets Small Cap	MSCI Emerging Markets (IMI)
Average Market Cap - USD mm	1,573	1,042	38,814
Median Market Cap - USD mm	965	571	905
Projected 3-5 Year EPS Growth	27.0%	19.7%	14.1%
2014E P/E	20.7x	16.9x	15.7x
2015E P/E	16.5x	13.7x	13.6x
PEG - 2015E P/E	0.61	0.70	0.97
Dividend Yield	1.6%	2.3%	2.5%
Price to Book Value*	3.08	1.35	1.50
# of Holdings	85	1,818	2,653

Source: FactSet. *The metric for Price to Book Value uses a weighted harmonic average given the limited number of securities held. Extreme outliers may be removed when deemed appropriate. For one-on-one use only. Past performance should not be considered indicative of future results.



Single Computation

July 2008 – June 2014



Source: Zephyr StyleADVISOR. Risk is calculated with monthly observations. For one-on-one use only. Past performance should not be considered indicative of future results.



Global Markets Continue to Evolve

1969 - 2014

													2006		2014		
													Bahrain	Bahrain	Kuwait	Kuwait	
													Oman	Oman	Qatar	Qatar	
													Saudi Arabia	Saudi Arabia	UAE	UAE	
													Egypt	Egypt	Morocco	Morocco	
													Russia	Russia	Russia	Russia	
													Czech Rep	Czech Rep	Czech Rep	Czech Rep	
													Hungary	Hungary	Hungary	Hungary	
													China	China	China	China	
													Israel	Israel	Israel	Israel	
													Poland	Poland	Poland	Poland	
													South Africa	South Africa	South Africa	South Africa	
													Colombia	Colombia	Colombia	Colombia	
													India	India	India	India	
													Pakistan	Pakistan	Pakistan	Pakistan	
													Peru	Peru	Peru	Peru	
													Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	
													Venezuela	Venezuela	Venezuela	Venezuela	
													Indonesia	Indonesia	Indonesia	Indonesia	
													Turkey	Turkey	Turkey	Turkey	
													Ireland	Ireland	Ireland	Ireland	
													Luxembourg	Luxembourg	Luxembourg	Luxembourg	
													Greece	Greece	Greece	Greece	
													Korea	Korea	Korea	Korea	
													Portugal	Portugal	Portugal	Portugal	
													Taiwan	Taiwan	Taiwan	Taiwan	
													Argentina	Argentina	Argentina	Argentina	
													Brazil	Brazil	Brazil	Brazil	
													Chile	Chile	Chile	Chile	
													Jordan	Jordan	Jordan	Jordan	
													Malaysia	Malaysia	Malaysia	Malaysia	
													Philippinee	Philippinee	Philippinee	Philippinee	
													Thailand	Thailand	Thailand	Thailand	
													Finland	Finland	Finland	Finland	
													New Zealand	New Zealand	New Zealand	New Zealand	
													Mexico	Mexico	Mexico	Mexico	
													Hong Kong	Hong Kong	Hong Kong	Hong Kong	
													Singapore	Singapore	Singapore	Singapore	
													Australia	Australia	Australia	Australia	
													Austria	Austria	Austria	Austria	
													Belgium	Belgium	Belgium	Belgium	
													Canada	Canada	Canada	Canada	
													Denmark	Denmark	Denmark	Denmark	
													France	France	France	France	
													Germany	Germany	Germany	Germany	
													Italy	Italy	Italy	Italy	
													Japan	Japan	Japan	Japan	
													Netherlands	Netherlands	Netherlands	Netherlands	
													Norway	Norway	Norway	Norway	
													Spain	Spain	Spain	Spain	
													Sweden	Sweden	Sweden	Sweden	
													United Kingdom	United Kingdom	United Kingdom	United Kingdom	
													United States	United States	United States	United States	
Developed Markets																	
Emerging Markets																	
Frontier or Stand Alone Markets																	

Source: MSCI Barra. Effective May 31, 2001, MSCI excluded the Sri Lanka Index from the MSCI Emerging Markets and ACWI Indices and added the MSCI Egypt and Morocco Indices to the MSCI Emerging Markets and ACWI Indices. The MSCI Sri Lanka Index remains a stand-alone Emerging Market country index. The MSCI Luxembourg Index was discontinued as of the close of March 29, 2002.

Average Price/Book Ratio

Compares a stock's market value to the value of total assets less total liabilities (book value). Determined by dividing current stock price by common stockholder equity per share (book value), adjusted for stock splits.

Average Price/Earnings Ratio

Shows the multiple of earnings at which a stock sells. Determined by dividing current stock price by earnings per share for the relevant 12 month period. Earnings per share for the P/E ratio are determined by dividing earnings for the relevant 12 month period by the number of common shares outstanding. Higher multiple means investors have higher expectations for future growth and have bid up the stock's price.

Average Price/Sales Ratio

The price to sales ratio is the current price divided by the sales per share.

Dividend Yield

Total cash dividends paid as a percent of market capitalization at the end of the period. The yield for the index is the total of all dividends paid over twelve months divided by the total market capitalization.

Holdings Disclosure

The securities highlighted, if any, were not intended as individual investment advice. A complete list of all recommendations of security selection is available by request for the previous 12 months. Furthermore, Victory Capital Management Inc., and its affiliates, as agents for their clients, and any of its officers or employees, may have a beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report. The information is provided to demonstrate some of the techniques Victory Capital Management utilizes in evaluating investment opportunities for its clients.

MSCI EM (Emerging Markets) Small Cap Index

An equity index which includes small cap representation across 21 emerging markets countries. With 1,785 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger emerging markets capitalization segments. With net dividends: net total return indices reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. This index does not include the effect of sales charges, is not representative of any specific product and cannot be invested in directly.

MSCI EM (Emerging Markets) Index

An equity index which captures large and mid cap representation across 21 emerging markets countries and targets coverage of approximately 85% of the free float-adjusted market capitalization in each country. With net dividends: net total return indices reinvest dividends after the deduction of withholding taxes, using a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. This index does not include the effect of sales charges, is not representative of any specific product and cannot be invested in directly.

Median Market Capitalization

The midpoint of market capitalization (market price multiplied by the number of shares outstanding) of the stocks in a portfolio. Half the stocks in the portfolio will have higher market capitalizations; half will have lower. Market capitalization is the total dollar value of all outstanding shares computed as number of shares times current market price.

Predicted Tracking Error

The difference between a portfolio's return and its benchmark, determined by the standard deviation of the active return (annual %). It is the square root of total risk at the portfolio level.

Projected 3-5 Year EPS Growth

The three-year historical growth of a company's earnings per share. EPS is the growth of the portion of a company's profit allocated to each outstanding share of common stock. EPS is calculated by subtracting the total value of any preferred stock from net income (earnings) for the period in question, then dividing the resulting figure by the number of shares outstanding during that period.

Weighted Average Market Capitalization

The average market capitalization of all companies in a portfolio with each company weighted according to its percent of the portfolio. Market capitalization is the total dollar value of all outstanding shares computed as number of shares times current market price.

Weighted Harmonic Average

The average market capitalization of all companies in a portfolio with each company weighted according to its percent of the portfolio. Market capitalization is the total dollar value of all outstanding shares computed as number of shares times current market price.