

# Victory Capital Management Small Cap Value Equity

Presentation to  
**Cincinnati Retirement System**  
June 5, 2008

Presented by:  
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# Victory Capital Management Overview

- 215 employees, including 55 investment professionals and 18 client relationship managers.
- Small Cap Value Investment Team located at: 303 Broadway, Suite 1700, Cincinnati OH 45202
- \$60 billion in assets under management.
  - \$800 million in Small Cap Value assets under management.
- Funds of hedge funds strategies are available through and managed by Austin Capital Management Ltd., a registered investment advisor and an affiliate of Victory Capital Management Inc.
- Victory is a wholly owned subsidiary of KeyBank N.A.
  - Over \$100 billion in bank assets.
  - Headquartered in Cleveland OH.
  - Over 800 employees in Southwest Ohio
- Organizational structure that offers the best of both worlds.
  - Autonomous investment teams control investment process and all portfolio decisions.
  - Victory's organization provides broad business support and resources.
  - Consistent, transparent compensation plan gives teams ownership in their strategies.

*Employee data and AUM as of 03.31.2008.*

# Representative Client List

- \$20 billion in Public Fund Assets.\*
- 47 Public Funds in 24 States.
- Committed to excellence in client service.
- Dedicated Public Funds Relationship Management Team.

| PUBLIC FUNDS                                                                                                                                                                                                                            | TAFT-HARTLEY FUNDS                                                                                                                              | CORPORATIONS                                                                                                                                                             | FOUNDATIONS AND ENDOWMENTS                                                                                                                                                       | INTERNATIONAL                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Georgia Municipal Employee Benefit System</p> <p>Houston Firefighters</p> <p>Indiana Treasurer of State</p> <p>Massachusetts Teachers Association</p> <p>Ohio Treasurer of State</p> <p>State Board of Administration of Florida</p> | <p>CWA International</p> <p>Iron Workers Southern Ohio &amp; Vicinity</p> <p>Ohio Carpenters</p> <p>Ohio Laborers</p> <p>UFCW International</p> | <p>BMW of North America</p> <p>Chevron Corporation</p> <p>Eaton Corporation</p> <p>First Energy Corporation</p> <p>Goodyear Tire &amp; Rubber</p> <p>Parker-Hannifin</p> | <p>Carson-Tahoe Hospital</p> <p>Drury University</p> <p>Kentucky Baptist Foundation</p> <p>MeritCare Health System</p> <p>Methodist Healthcare</p> <p>University of Montreal</p> | <p>Asian Public Fund</p> <p>European Sub-advisory SICAVs</p> <p>European Sub-advisory Pension Funds</p> <p>Middle Eastern Public Fund</p> <p>TKP Investments</p> |

*Representative client list as of 03.31.2008. The client names listed above were selected based on our judgment of our clients' desire for privacy. Investment performance was not a criterion. The use of these client names should not imply their approval of our investment services.*

# Small Cap Value Equity Objective & Philosophy

## *Objective*

To outperform the Russell 2000® Value Index over a full market cycle on both a relative and risk-adjusted basis by utilizing elements of both deep and relative value.

## *Philosophy*

Investing in undervalued businesses with improving earnings prospects provides the opportunity for superior long-term investment returns with below-average risk.

- Building portfolios around rigorously researched low-expectation, high-potential stocks is key to investment success in the long run.
- Identifying and anticipating change enhances investment returns.
- A clear, consistent and disciplined approach to selling protects the portfolio.
- Diligent approach to risk management is vital for delivering consistent results.

# What Sets Small Cap Value Equity Apart?

## ***Long History of Managing Small Cap Portfolios:***

- Experienced portfolio management team focused on independent thinking.

## ***Proven & Sustainable Strategy:***

- Bottom-up fundamental process aimed at exploiting company-specific opportunities.
- Team approach facilitates varied perspectives in the pursuit of the best ideas only.

## ***Boutique Culture with the Deep Resources of a Large Organization***

## ***Strong Performance:***

- Outperformed benchmark for 1, 3, 5 and 10 years.
- Top quartile ranking for 1 and 3 years based on returns.

Data as of 03.31.2008. Returns source: CAPS 4.0. Peer-based ranking source: Zephyr StyleADVISOR®.

Victory Capital Management Composite and PSN manager database reflect performance gross of fees. Performance versus the Russell 2000® Value index net of fees.

For one-on-one use only. Past performance should not be considered indicative of future results.

See the annualized performance and the composite performance slide at the end of the presentation for additional information.

# Portfolio Management Team

**Gary H. Miller**  
Managing Director  
Chief Investment Officer

Joined firm in 1987  
20 years investment experience  
MBA, Xavier University  
BBA, University of Cincinnati

**Greg M. Conners**  
Director  
Portfolio Manager

Joined firm in 1998  
13 years of investment experience  
MBA, Xavier University  
BS, College of Mount St. Joseph

**Jeff Graff, CFA**  
Managing Director  
Senior Research Analyst

Joined firm in 2001  
12 years investment experience  
Master of Finance, St. Louis University  
BBA, Cleveland State University

**Mike Rodarte**  
Research Analyst

Joined firm in 2006  
1 year investment experience  
BA, Ohio University

**Victory Capital Management Equity Research Team**

*The Portfolio Management Team's decision-making is supported by Victory's research team which provides a framework for the team's analysis*

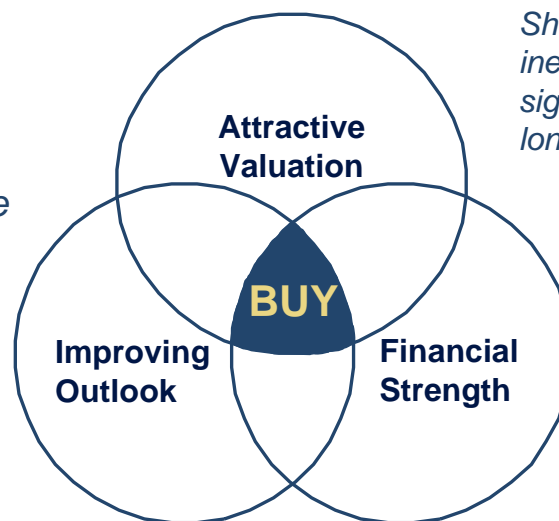
# Small Cap Value Investment Process

We buy companies that possess the following three characteristics:

- Attractive Valuation
- Financial Strength
- Improving Outlook

*Our opportunistic, bottom-up approach allows us to focus on the most attractive alternatives.*

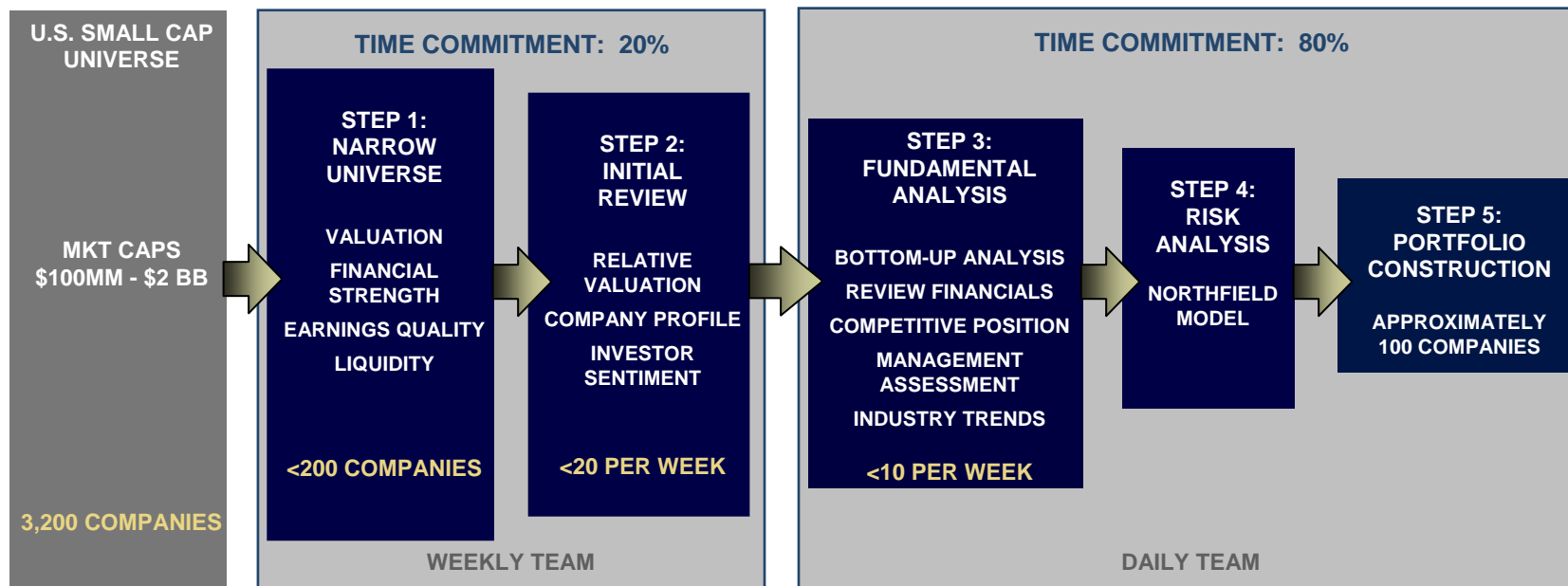
*We look for companies with improving fundamentals.*



*Short-run market inefficiencies provide significant opportunities for long-term investors.*

*Financially strong companies enhance portfolio's capital preservation.*

# Small Cap Value Five-Step Investment Process



**Our bottom-up approach is targeted at uncovering the most attractive opportunities in our universe:**

1. Screen over 3000 stocks to narrow universe.
2. Identify most attractive candidates for further analysis.
3. Using fundamental analysis, single out those stocks with the greatest upside yet the widest margin of safety.
4. Assess and quantify the company-specific risks as well as the potential impact to the portfolio risk profile.
5. Portfolio Construction – opportunistically build positions.

Source: FactSet Research Systems, Inc.

# Buy and Sell Discipline

*We generally buy and add to holdings of stocks during periods of:*

## Disbelief

- Attractive valuation.
- Financial strength.
- Fundamentals reflect opportunity.

## Belief

- Fundamentals turning.
- Stocks beginning to work.

*We may sell or scale back a position during periods of:*

## Greed

- A stock's valuation is no longer attractive.
- Our expectations for the company or industry fundamentals deteriorate.
- Management actions undermine financial strength or creditworthiness.
- A position size becomes excessive.
- We identify a stock with greater potential.
- We recognize a mistake in our analysis.

# Integrated Risk Control

## Well-Diversified Portfolios:

- Modeled portfolios composed of approximately 100 stocks.
- Diversified among sectors and industries.
- Maximum exposure to single holding is 5%.
- Maximum sector exposure is limited to greater of 2X the benchmark weight or 15%.

## Risk Controls:

- Northfield risk analysis tools to identify level and sources of active risk.
- Dedicated risk management analyst review.
- Favorable portfolio attributes.
- Scaled purchases and sales over a period of time.
- Constant monitoring.
- Daily communications within investment team.

| RISK MEASURES<br><i>Period ended 03.31.2008</i> |      |
|-------------------------------------------------|------|
| Predicted Tracking Error                        | 4.10 |

| RISK MANAGEMENT STATISTICS<br><i>Periods ending 03.31.2008</i> |                         |                           |
|----------------------------------------------------------------|-------------------------|---------------------------|
| Standard Deviation                                             | Victory Small Cap Value | Russell 2000® Value Index |
| 3 Years                                                        | 10.37%                  | 12.61%                    |
| 5 Years                                                        | 12.35%                  | 16.07%                    |
| 10 Years                                                       | 18.14%                  | 18.98%                    |

*Standard Deviation is defined as a statistical measurement of dispersion about an average, which depicts how widely returns varied over a certain period of time.*

*Risk statistics calculated quarterly gross of fees for the period ended 03.31.2008. Source: Zephyr StyleADVISOR®. Predicted tracking error for calculated using Northfield US Fundamental Model through PM Workstation.*

# Top Ten Holdings & Portfolio Characteristics

## Top Ten Holdings

|                                            |              |
|--------------------------------------------|--------------|
| Orbotech Ltd.                              | 1.6          |
| Fairchild Semiconductor International Inc. | 1.6          |
| MKS Instruments Inc.                       | 1.5          |
| Commercial Vehicle Group Inc.              | 1.5          |
| Mattson Technology Inc.                    | 1.5          |
| Gentex Corp.                               | 1.4          |
| Healthcare Realty Trust Inc.               | 1.4          |
| Brown Shoe Co. Inc.                        | 1.4          |
| Cimarex Energy Co.                         | 1.4          |
| Zenith National Insurance Corp.            | 1.4          |
| <b>TOTAL</b>                               | <b>14.7%</b> |

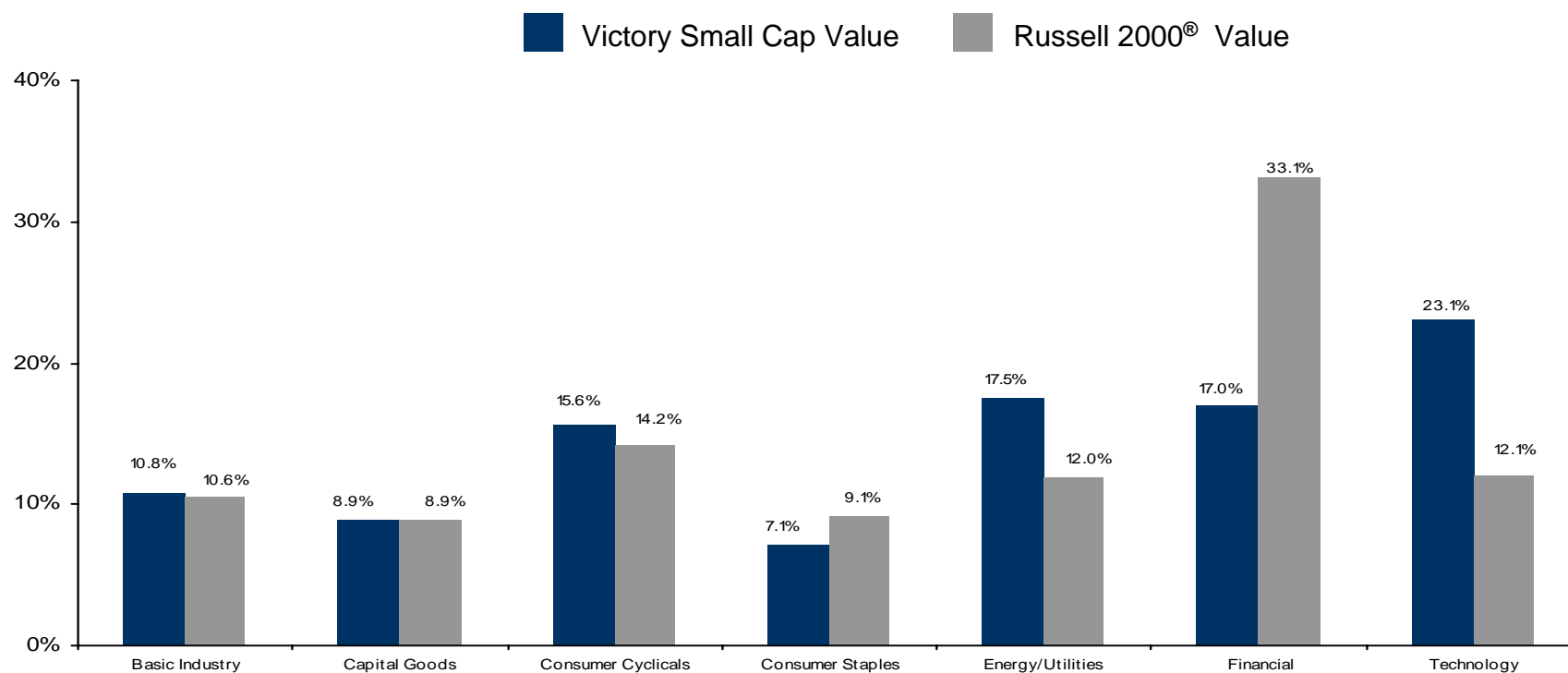
|                                        | Victory Small Cap Value | Russell 2000® Value |
|----------------------------------------|-------------------------|---------------------|
| Average Weighted Market Capitalization | \$1.3 billion           | \$1.1 billion       |
| Average Price/Earnings (FY1)           | 15.0x                   | 14.6x               |
| Average Price/Sales                    | 1.6x                    | 1.6x                |
| Average Price/Book                     | 2.0x                    | 1.7x                |
| 5-Year Dividend Growth                 | 15%                     | 11%                 |
| L-T Debt to Capital                    | 20.8%                   | 33.2%               |
| Number of Holdings                     | 102                     | 1,284               |

*Portfolio typically reflects value orientation and our preference for financially sound companies.*

Source: FactSet PM Workstation and as of 03.31.2008. For one-on-one use only. Past performance should not be considered indicative of future results. Holdings are subject to change.

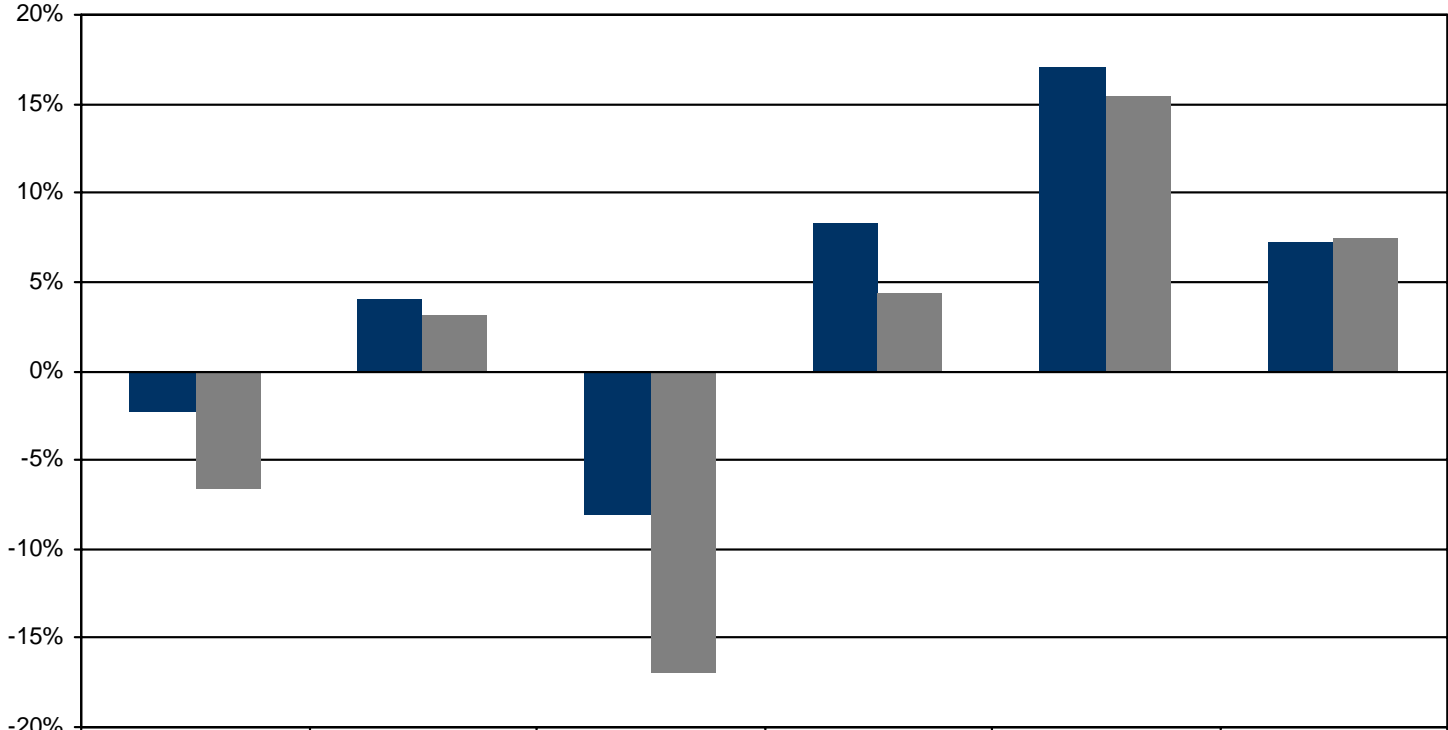
# Sector Allocation

*Sector weightings reflect conviction and are not benchmark-driven.*



Source: FactSet PM Workstation. Sector allocation for the period ending 03.31.2008.  
For one-on-one use only. Past performance should not be considered indicative of future results.

# Strong Performance



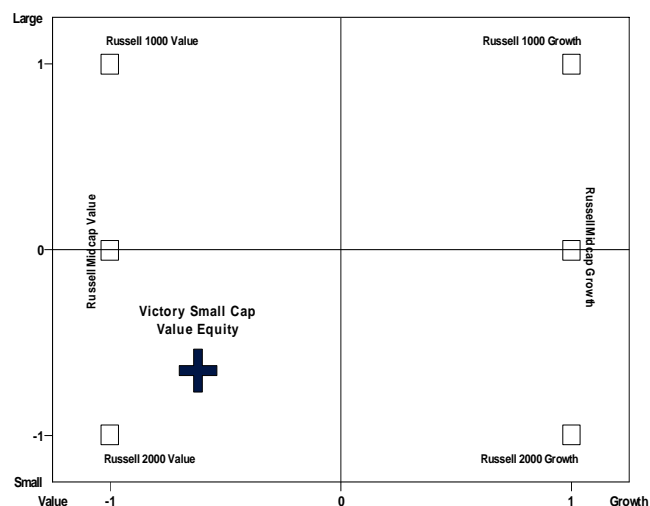
|                       | QTR    | YTD   | 1 Year  | 3 Years | 5 Years | 10 Years |
|-----------------------|--------|-------|---------|---------|---------|----------|
| ■ Small Cap Value     | -2.26% | 4.06% | -8.05%  | 8.25%   | 17.06%  | 7.21%    |
| ■ Russell 2000® Value | -6.53% | 3.16% | -16.88% | 4.33%   | 15.45%  | 7.46%    |

Source: CAPS 4.0. Composite returns reflected are gross of fees as of 03.31.2008.  
 For one-on-one use only. Past performance should not be considered indicative of future results. See the composite performance slide at the end of the presentation for additional information.

# Style Consistency and Risk Reward

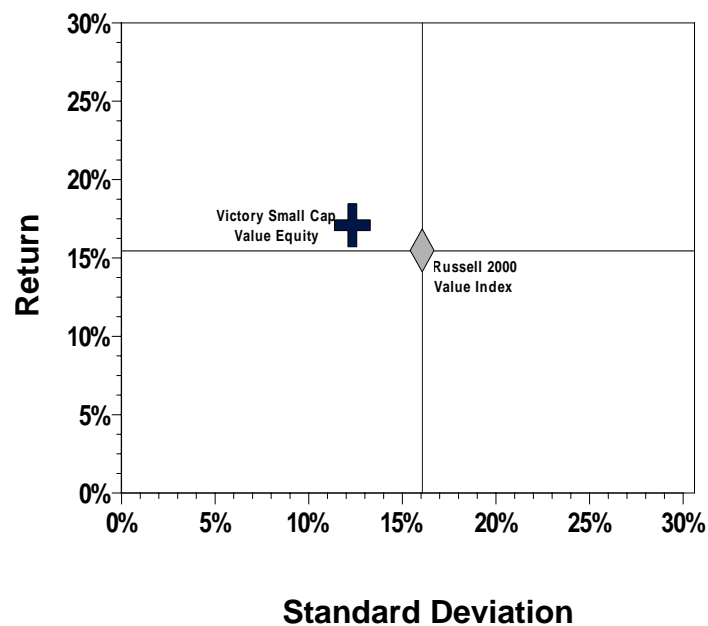
## Style Consistency

April 2003 – March 2008



## Risk/Return

April 2003 – March 2008



Source: Zephyr StyleADVISOR®. Composite returns reflected are gross of fees calculated for past five years utilizing quarterly data. For one-on-one use only. Past performance should not be considered indicative of future results.

# Fee Schedule

| <b>Account</b>        | <b>Fee</b>   |
|-----------------------|--------------|
| First \$10,000,000    | 1.00%        |
| Next \$15,000,000     | 0.85%        |
| Next \$25,000,000     | 0.80%        |
| Next \$50,000,000     | 0.75%        |
| Above \$100,000,000   | 0.70%        |
| Minimum Annual Fee:   | \$50,000     |
| Minimum Account Size: | \$10,000,000 |

## Fund options:

| <b>Option</b>          | <b>Ticker</b>    | <b>Fund Name</b>                      | <b>Participants</b>                                   | <b>Fee</b>    |
|------------------------|------------------|---------------------------------------|-------------------------------------------------------|---------------|
| <b>Commingled Fund</b> | <b>49327E789</b> | <b>EB Small Cap Fund</b>              | <b>On All Assets<br/>Minimum Account: \$5,000,000</b> | <b>0.85%</b>  |
| <b>Mutual Fund</b>     | <b>SSGSX</b>     | <b>Small Company Opportunity Fund</b> | <b>On All Assets<br/>Minimum Account: \$1,000,000</b> | <b>0.135%</b> |

# Summary

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- Sustainable, fundamental investment process.
- Emphasis on balance sheet strength and rigorous sell discipline.
- Experienced portfolio management team.
- Strong performance and attractive risk/reward history.
- Organizational structure offers best of both worlds: independent investment decision-making complemented by deep resources.
- Seasoned, knowledgeable relationship managers.

# Appendix

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- Portfolio Management Team
- Equity Research, Trading and Risk Management
- Definitions
- Composite Performance Information

# Portfolio Management Team



**Gary H. Miller**

*Portfolio Manager  
Managing Director*

Mr. Miller is a Portfolio Manager and Managing Director with Victory Capital Management.

He co-manages the Victory Established Value Fund and Victory Small Company Opportunity Fund. He also is responsible for managing portfolios for individual and institutional clients.

He joined Victory and/or an affiliate in 1987.

Mr. Miller has been a guest speaker on local media outlets discussing the economy, the financial markets and securities, in which he is considered an authority. He has appeared on *Bloomberg Television*.

Mr. Miller holds a Bachelor of Business Administration in Accounting from the University of Cincinnati and a Master of Business Administration from Xavier University.



**Greg M. Conners**

*Portfolio Manager  
Director*

Mr. Conners is a Portfolio Manager and Director with Victory Capital Management.

He is a member of the Small Cap Equity Portfolio Management Team and also provides research coverage for Small Cap securities.

He joined Victory and/or an affiliate in 1998 following 4 years prior investment experience. Prior to his tenure as portfolio manager, Mr. Conners served as an equity research analyst.

Mr. Conners has been quoted in a variety of publications and media outlets such as *Bloomberg News*. He is a frequent guest speaker on the subject of financial services companies and often provides commentary on the equity market.

Mr. Conners holds a Bachelor of Science in Economics from College of Mount St. Joseph and a Master of Business Administration from Xavier University.

# Portfolio Management Team



**Jeffrey M. Graff, CFA**

*Portfolio Manager  
Equity Research Analyst  
Managing Director*

Mr. Graff is a Portfolio Manager, Equity Research Analyst and Managing Director with Victory Capital Management.

He is a member of the Small Cap Equity Portfolio Management team and is the Senior Research Analyst for Small Cap securities.

He joined Victory and/or an affiliate in 2001. Prior to joining the firm, Mr. Graff was employed as an equity analyst with A.G. Edwards & Sons in St. Louis, Missouri. He began his career in the investment industry as an equity research assistant for Roulston & Company in Cleveland, OH.

Mr. Graff has appeared on, or was quoted in, a variety of media outlets, including: *Associated Press, Business Week Online, Bloomberg News, Dow Jones News Service, The New York Times, Reuters, and The Wall Street Journal* as well as regional publications.

Mr. Graff holds a Bachelor of Business Administration from Cleveland State University and a Master of Finance from St. Louis University. Additionally, he holds Series 7 and 63 licenses and is a Chartered Financial Analyst Charterholder.



**Michael Rodarte**

*Research Associate*

Mr. Rodarte is a Research Associate with Victory Capital Management.

He joined Victory and/or an affiliate in 2006. Via KeyBank's 2-year Analyst Training Program, Mr. Rodarte previously worked in KeyBanc Equity Capital Markets' business unit, KeyBank's Institutional Lending and Syndications groups, and Upper Middle Market Commercial Banking (Cincinnati/Cleveland) groups.

Prior to joining the Small Cap Team, Mr. Rodarte completed Victory Capital's ten-week Investment Management program in Cleveland.

Mr. Rodarte earned his B.A. in Finance, Economics, and International Business from Ohio University. He is currently a CFA Level II candidate.

# Equity Research

Several significant enhancements to Victory Capital Management's equity research since 2003 have strengthened the connection between the equity research and portfolio management functions:

**1. Service Agreement Review**

- Each Victory Capital portfolio management team has a customized equity research service agreement that optimally matches their needs and management style.
- These customized service agreements clearly articulate expectations, define relationships and provide the basis for evaluating research performance.
- Available equity research services include (but are not limited to): assistance with in-depth coverage of portfolio holdings; facilitating idea generation or providing "best ideas"; conducting industry reviews and providing information - positive or negative – about specific stocks.

**2. Alpha Pool**

- Each analyst selects a pool of names for which they have the highest conviction and sets allocations within their covered industries.
- Performance of the pool is measured versus benchmark and sectors/industries.
- This alpha pool is used for idea generation and is the basis for 100% of analysts' quantitative incentive compensation.

**3. Incentive Compensation**

- Compensation is both quantitatively and qualitatively-based.
- Quantitative: based on alpha pool.
- Qualitative: based on service agreement feedback, impact on portfolio (attribution), knowledge of industry, company-specific research, career pathing (taking steps to strengthen skills and professional credentials).
- Clear expectations and guidelines.

**4. Communication Checklist**

- Clearly articulates standards and expectations for communication between research and portfolio management.
- Ensures timely, quality information flow.

**5. Research Analyst Screening Process**

- Successful candidates combine passion, intellect, creativity, hard work, chemistry, cultural fit and due diligence.
- Victory actively seeks individuals who are independent, creative thinkers and effective problem solvers.
- Recruiting efforts include: Maintaining a pipeline, using interns, active recruitment at universities with an Applied Securities Analytic Program, such as University of Colorado, Ohio State, Wisconsin and Indiana.

# Equity Trading

Victory's commitment to value-added equity trading provides efficient execution of portfolio management team decisions:

## 1. Global Trading Desk

- Victory trades live-market hours globally through a centralized trading desk consisting of six traders.
- Sharing of relevant trading flows and information is vital to achieving best execution, given the interconnected nature of global equity markets. Ongoing electronic and verbal communication between traders, analysts and portfolio managers enables the Victory trading desk to react quickly to market developments and implement effective trading strategies.

## 2. Trade Cost Analysis

- Trade cost analysis is another major component in achieving best execution. Victory uses pre-trade (Logic) and post-trade (TCA) cost analysis tools from the Investment Technology Group (ITG) to help add value to client portfolios. In addition, Victory uses broker-provided pre-trade analysis from program trading desks and algorithmic platforms when relevant.
- Pre-trade analytics are used primarily on cash flows (program trades) to identify outlier trades in the basket that are a high percentage of average daily volume or have historically high-impact costs. Pre-trade analytic tools are also used at various times to evaluate capital bids and offers due to a lack of liquidity in the marketplace.
- For post-trade analysis Victory uses multiple benchmarks within TCA to monitor market-impact costs and commissions for all of our brokers globally, with arrival price and various forms of volume-weighted average price as the primary benchmarks. TCA is also helpful in evaluating trading processes from a high level, with trading tools that support various active and passive trading styles. From a high level down to each individual trade, data is available the day after trade date, allowing for a timely and relevant review process.

## 3. Hidden Liquidity

- Today's equity markets are becoming more fragmented each day, requiring traders to tap into multiple pools of liquidity in order to find best prices for clients.
- Victory uses many low-cost electronic tools such as broker algorithms, dark pools and crossing networks in conjunction with traditional brokers to seek out liquidity from internal crossing networks at various brokerage firms, in addition to external liquidity sources such as NYFIX Millennium, POSIT and Liquidnet.
- Electronic tools used in conjunction with traditional trading relationships prove beneficial in finding natural liquidity, providing capital to facilitate block trades and generating value-added expertise.

# Risk Management

Victory established a dedicated resource in 2004 to strengthen risk management of equity portfolios.

- Utilizing Northfield Information Services analytical tools, Victory Equity Risk Management builds a risk profile for each strategy, quantifying absolute risk and risk relative to benchmark.
- Dialogue with each portfolio management team includes identifying predicted risk and potential reward and incorporates evaluation of risks by:
  - Individual security
  - Sector or industry
  - Market capitalization
  - Country
- Specific predicted risk measures that are computed include tracking error, absolute risk, stock-specific and factor risk, beta, r-squared, portfolio value at risk, and factor decomposition by style, market cap, volatility and industry exposures.
- Northfield's US Fundamental Model heightens portfolio management teams' awareness and understanding of:
  - Risk sources and composition
  - Risk magnitude
  - Risk direction
  - Risk breadth

# Definitions

## **Average Weighted Market Capitalization**

The total dollar value of all outstanding shares. Computed as shares times current market price. Capitalization is a measure of corporate size.

## **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 current earnings per share (adjusted for stock splits). Earnings per share for the P/E ratio are determined by dividing earnings for past 12 months 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.

## **Information Ratio**

The information ratio is a measure of the consistency of excess return. The value is calculated by taking the annualized excess return over a benchmark and dividing it by the standard deviation of excess return.

## **Long-term debt/capitalization**

Indicator of financial leverage. Shows long-term debt as a proportion of the capital available. Determined by dividing long-term debt by the sum of long-term debt, preferred stock and common stockholder's equity.

# Definitions (cont)

## **Russell 2000® Index**

An unmanaged Index comprised of 2000 domestically traded common stocks of predominantly small-sized companies and is weighted according to the market value of each common stock in the Index. This index does not include the effect of expenses, is not representative of any specific fund or product and cannot be invested in directly.

## **Russell 2000® Value Index**

An unmanaged Index comprised of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. This index does not include the effect of expenses, is not representative of any specific fund or product and cannot be invested in directly.

## **Sharpe Ratio**

A portfolio's excess return over the risk-free rate divided by the portfolio's standard deviation. The portfolio's excess return is its geometric mean return minus the geometric mean return of the risk-free instrument (by default, t-bills).

## **Victory Capital Management Inc.**

Victory is a wholly owned subsidiary of KeyBank N.A. and a second tier subsidiary of KeyCorp.

# Composite Performance

## Victory Small Cap Value vs. Russell 2000® Value Index

| Year Ending | Gross Return Asset-Wtd. | Total Net Return Asset-Wtd. | Russell 2000® Value Benchmark | Number of Portfolios | Asset-Wtd. Dispersion | Composite Assets - End of Period (MM) | Total Firm Assets End of Period (MM) |
|-------------|-------------------------|-----------------------------|-------------------------------|----------------------|-----------------------|---------------------------------------|--------------------------------------|
| 12/31/2007  | -2.36%                  | -3.33%                      | -9.78%                        | 9                    | 0.38%                 | \$530                                 | \$62,136                             |
| 12/31/2006  | 22.93%                  | 21.74%                      | 23.48%                        | 12                   | 0.46%                 | \$438                                 | \$60,896                             |
| 12/31/2005  | 6.84%                   | 5.79%                       | 4.71%                         | 13                   | 0.20%                 | \$413                                 | \$56,013                             |
| 12/31/2004  | 26.31%                  | 25.08%                      | 22.25%                        | 13                   | 0.29%                 | \$424                                 | \$53,089                             |
| 12/31/2003  | 32.46%                  | 31.17%                      | 46.03%                        | 15                   | 0.63%                 | \$358                                 | \$50,205                             |
| 12/31/2002  | -4.21%                  | -5.15%                      | -11.42%                       | 17                   | 0.52%                 | \$305                                 | \$44,352                             |
| 12/31/2001  | -5.74%                  | -6.68%                      | 14.02%                        | 1                    | N/A                   | \$352                                 | \$28,017                             |
| 12/31/2000  | 24.18%                  | 22.97%                      | 22.83%                        | 1                    | N/A                   | \$375                                 | \$33,072                             |
| 12/31/1999  | 1.22%                   | 0.22%                       | -1.49%                        | 1                    | N/A                   | \$319                                 | \$33,323                             |
| 12/31/1998  | -5.88%                  | -6.82%                      | -6.45%                        | 1                    | N/A                   | \$169                                 | \$29,161                             |

1. Victory Capital Management Inc. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).
2. Victory Capital Management is an independent investment advisor registered under the Investment Advisers Act of 1940. Victory is a wholly owned subsidiary of KeyBank National Association and a member of the Key financial network. A complete list and description of firm composites and additional information regarding policies for calculating and reporting returns are available upon request.
3. The Victory Small Cap Value composite includes all separately managed accounts invested in stocks of small/emerging companies with market capitalizations of less than \$2 billion. Product has a minimum equity commitment goal of 90%. Benchmark is Russell 2000® Value Index. Composite creation date is 1Q93.
4. Returns are net of non-reclaimable withholding taxes, if any. Returns reflect the reinvestment of dividends and other earnings. All returns are expressed in U.S. Dollars. Minimum asset size requirements for composite participation were used prior to 1/1/2004. The minimum asset size for this composite was previously set at \$1m.
5. The benchmark returns are provided to represent the investment environment existing during the time periods shown and are not covered by the report of independent verifiers. For comparison purposes, the index is fully invested, which includes the reinvestment of income. The returns for the index do not include any transaction fees or other costs.
6. The dispersion of annual returns is measured by the asset-weighted standard deviation of account returns represented within the composite for the full year.
7. Victory Capital Management net of fee performance results for composites are based on model fees. The model fee is set equal to the highest fee on the fee schedule for the product and deducted from the composite total return on a monthly basis. The model fee for this composite is set at 100 bps. The fee schedule for this product was updated 10/01/05. The model fee used for calculating net of fee returns for this composite did not change. The complete fee schedule for this product is:

| Market Value       | Annual Fee                        | Market Value        | Annual Fee |
|--------------------|-----------------------------------|---------------------|------------|
| First \$10,000,000 | 1.00% (Min. Annual Fee: \$50,000) | Next \$50,000,000   | 0.75%      |
| Next \$15,000,000  | 0.85%                             | Above \$100,000,000 | 0.70%      |
| Next \$25,000,000  | 0.80%                             |                     |            |

8. Past performance should not be considered indicative of future performance.

