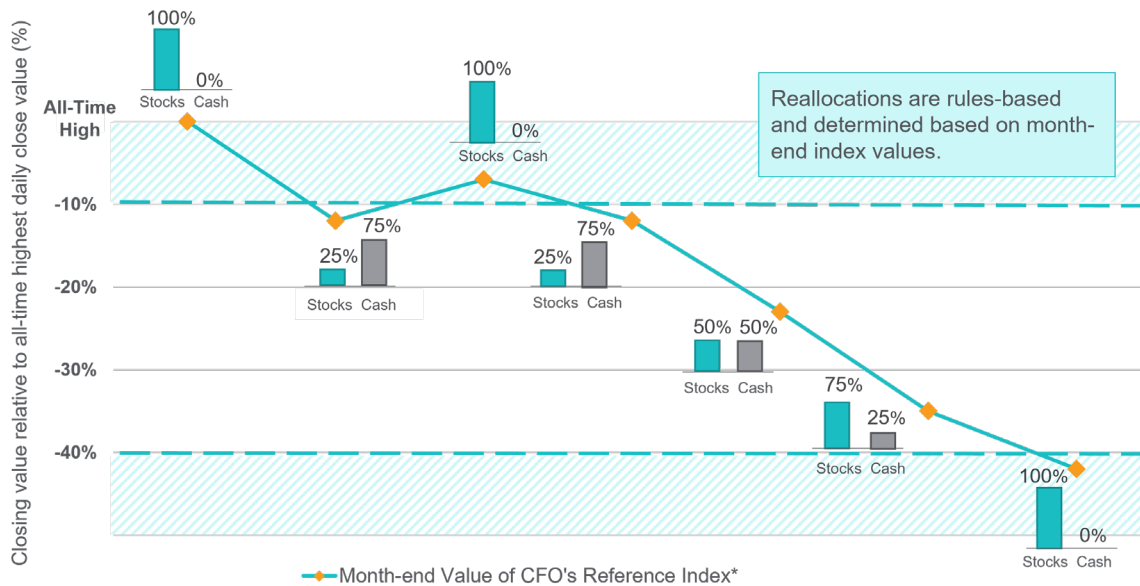


# VictoryShares Long / Cash FAQs

## What are the potential rebalance, or trigger points (compared to all time high for the corresponding long only, reference index) for each product?

The Long/Cash indexes systematically adjust stock/cash allocation up and down based on market conditions. The illustration below showcases where the trigger points are for the reference index of the VictoryShares US 500 Enhanced Volatility Wtd ETF (CFO).

### The Long/Cash index methodology for the VictoryShares US 500 Enhanced Volatility Wtd ETF (CFO)



\*The exit and reinvestment methodology is based on the month-end price of the Nasdaq Victory US Large Cap 500 Volatility Weighted Index (the "Reference Index")

Reallocations below are based on the month-end price relative to its all-time high daily closing value of each corresponding reference index.

Reallocation	Nasdaq Victory US Large Cap High Dividend 100 Volatility Weighted Index	Nasdaq Victory US Large Cap 500 Volatility Weighted Index	Nasdaq Victory US Small Cap 500 Volatility Weighted Index	Nasdaq Victory International 500 Volatility Weighted Index
100% equities / 0% cash	Normal Market Fluctuations			
25% equities/ 75% cash	Down 8%	Down 10%	Down 11%	Down 12%
50% equities/ 50% cash	Down 16%	Down 20%	Down 22%	Down 24%
75% equities/ 25% cash	Down 24%	Down 30%	Down 33%	Down 36%
100% equities/ 0% cash	Down 32%	Down 40%	Down 44%	Down 48%
Corresponding ETF	VictoryShares US EQ Income Enhanced Volatility Wtd ETF (CDC)	VictoryShares US 500 Enhanced Volatility Wtd ETF (CFO)	VictoryShares US Discovery Enhanced Volatility Wtd ETF (CSF)	VictoryShares Developed Enhanced Volatility Wtd ETF (CIZ)

The underlying methodologies make this determination once per month, after market close on the last trading day of each month. You can always track current values at [www.victorylongcash.com](http://www.victorylongcash.com).

## ► When do the indexes and ETFs actually “go to cash” upon achieving the first trigger point?

- It's important to remember that the determination of whether to go to cash or reinvest only occurs once per month.
- That determination only happens after the market closes on the last trading day of the month.
- The impacted Index, and therefore ETF, will reflect the rebalance at market close on the following trading day.

## ► How can long/cash be used in a portfolio?

- There are four VictoryShares Long/Cash ETFs, each offering different exposures:
  - VictoryShares US 500 Enhanced Volatility Wtd ETF(CFO) provides **broad exposure to up to U.S. large cap stocks** that have positive earnings across the last 12 months.
  - VictoryShares US EQ Income Enhanced Volatility Wtd ETF (CDC) provides **exposure to 100 high-dividend-yielding, large-cap U.S. stocks** that have positive earnings across the last 12 months.
  - VictoryShares US Discovery Enhanced Volatility Wtd ETF (CSF) provides **broad exposure to small-cap U.S. stocks** that have positive earnings across the last 12 months.
  - VictoryShares Developed Enhanced Volatility Wtd ETF (CIZ) provides **broad exposure to international stocks** that have positive earnings across the last 12 months.
- As an asset allocation tool that systematically shifts allocations between stocks / cash during volatile markets.
- To help solve for emotional investing in a low cost, tax-efficient manner. This suite of ETFs follows a rules based process eliminates active decision making in order to systematically dial down risk as market volatility emerges while also reallocating back into stocks

## ► What is the long/cash methodology designed to accomplish?

- As a systematic, rules-based product that shifts its allocation between stocks and cash, the long/cash ETFs are meant to curb the emotional decision-making associated with volatile markets.
- The methodology aims to limit steep losses associated with protracted drawdowns and reallocate to stocks as markets worsen, which is often very difficult for investors to do.
- The goal is not to time a market correction, but to hedge in true bear market environments and remove the emotional encumbrances of reinvesting as the market environment worsens.
- When not “in cash”, being fully invested allows long/cash methodology to capture the full performance of their underlying stock indexes.
- For clients who have their own view on whether to go to cash, or to stay invested, the VictoryShares long only Core Broad Market ETFs may be a better solution.

## ► Why use a monthly trigger versus a more frequent methodology – after all markets are getting “faster”?

- Overall, markets are up more often than they are down. So, a methodology that can stay invested longer and “trigger” less often is believed to be a better solution to the alternative.
- Using month-end is less about the actual day, but rather driven by the desire to not make that determination too frequently.
- By making that determination less frequently, long/cash indexes can stay invested longer, capturing more of the market upside when things are not dire.

## ► What do you use for a cash equivalent within the long/cash ETFs?

- The component that is “in cash” will be invested in 30-day U.S Treasury bills or in money market mutual funds that primarily invest in short-term U.S Treasury obligations.
- The Federated Hermes Treasury Obligations Fund (TOIXX) is used for hedged cash positions.

**Carefully consider a fund's investment objectives, risks, charges and expenses before investing. This and other information can be found in the fund's prospectus or, if available, the summary prospectus, which may be obtained by visiting the [ETF prospectus page](#) at [vcm.com](#). Read the prospectus carefully before investing.**

**All investing involves risk, including the potential loss of principal.** The Funds have the same risks as the underlying securities traded on the exchange throughout the day. Redemptions are limited, and commissions are often charged on each trade. ETFs may trade at a premium or discount to their net asset value. The Funds invest in securities included in, or representative of securities included in, the Indexes, regardless of their investment merits. The performance of the Funds may diverge from that of the Indexes. The funds are also subject to liquidity risk, which is the risk that the Adviser may not be able to sell certain securities at an advantageous time or price, which may adversely affect the Funds. Strategies intended to hedge risk may be partly or wholly unsuccessful. Investments in smaller companies typically exhibit higher volatility. The Fund may frequently change its holdings, resulting in higher fees, lower returns, and more capital gains. Diversification does not promise any level of performance or guarantee against loss of principal. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Investments in smaller or mid-cap companies typically exhibit higher volatility. Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. Bonds and bond funds will decrease in value as interest rates rise and vice versa. Credit risk refers to the possibility that debt issuers may not be able to make principal and interest payments or may have their debt downgraded by ratings agencies. The value of your investment is also subject to geopolitical risks such as wars, terrorism, environmental disasters, and public health crises; the risk of technology malfunctions or disruptions; and the responses to such events by governments and/or individual companies.

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