

**Victory**Virtual

JANUARY 19, 2023

New year, new insights



# What are we covering today?

- Who are our experts?
- What's happening in the markets and why?
- How are we responding?
- What might investors consider doing?

How can you contact us?



Speak with a Representative  
**800.235.8396**

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@Victory.Capital

# Who are we?



- Diversified global asset management firm with \$153.0 billion in assets under management as of December 31, 2022
- Publicly traded on Nasdaq – Ticker: VCTR
- Serving clients ranging from individual investors to financial advisors to institutional pension plans, all with access to the same investment expertise

<sup>1</sup>Total AUM includes both discretionary and non-discretionary client assets.

# Who are our experts?



**Christa DiSerio**

Channel Marketing Director,  
Direct Investor Business



**Thomas Allman**

Senior Investment Analyst,  
Victory Capital Solutions



**Jim Jackson**

Victory Capital Head of Fixed  
Income Portfolio Management –  
USAA<sup>®</sup> Investments, a Victory  
Capital Investment Franchise



**Derek Ketel**

Head of Sales,  
Direct Investor Business



Why have the markets been so  
volatile recently?

**Ernest**

Investor from Montrose, Virginia

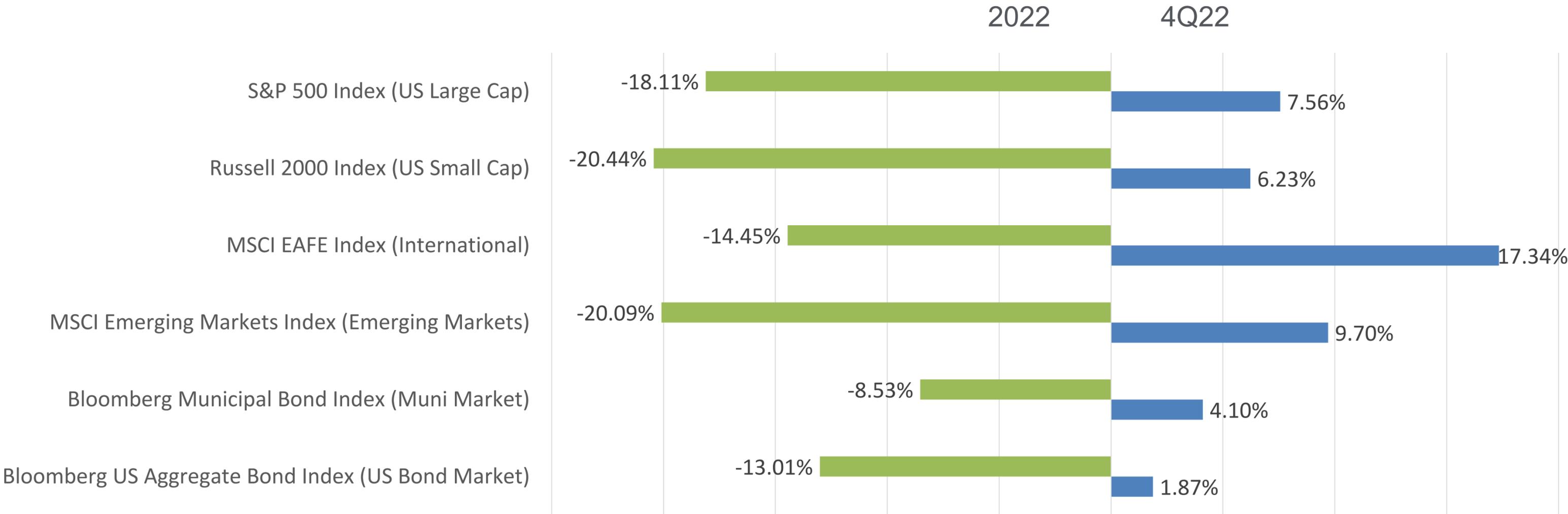
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# Volatility is part of the investment journey



## Market Returns



**Past performance does not guarantee future results.**

Source: Bloomberg, as of 12/31/22. Index returns are for illustration only. Index returns reflect the reinvestment of dividends and capital gains but do not reflect management fees, transaction costs or expenses that would be incurred with an investment. One cannot invest directly in an index.

# The “why” behind the volatility

- Valuation matters
- Inflation and response
- Global economy



Why did the fixed income market move  
around so much last year?

**Theo**

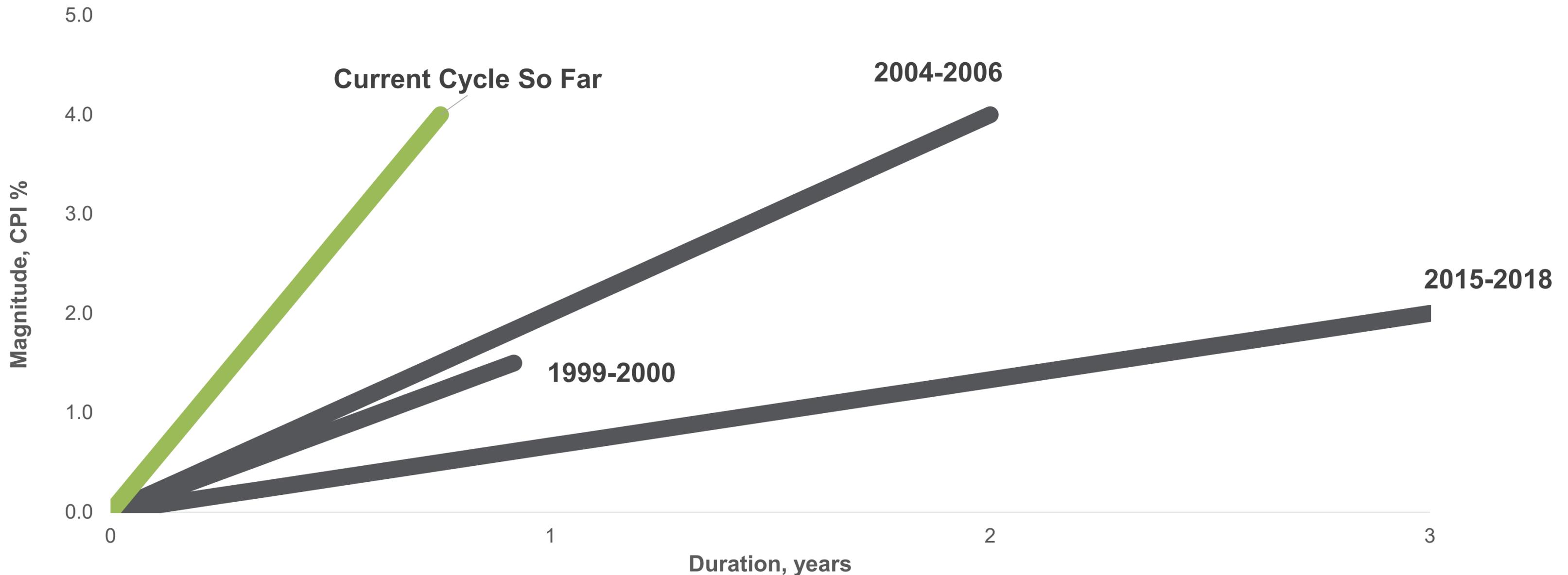
Investor from Fort Wayne, Indiana

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# Federal Reserve sharply raised interest rates

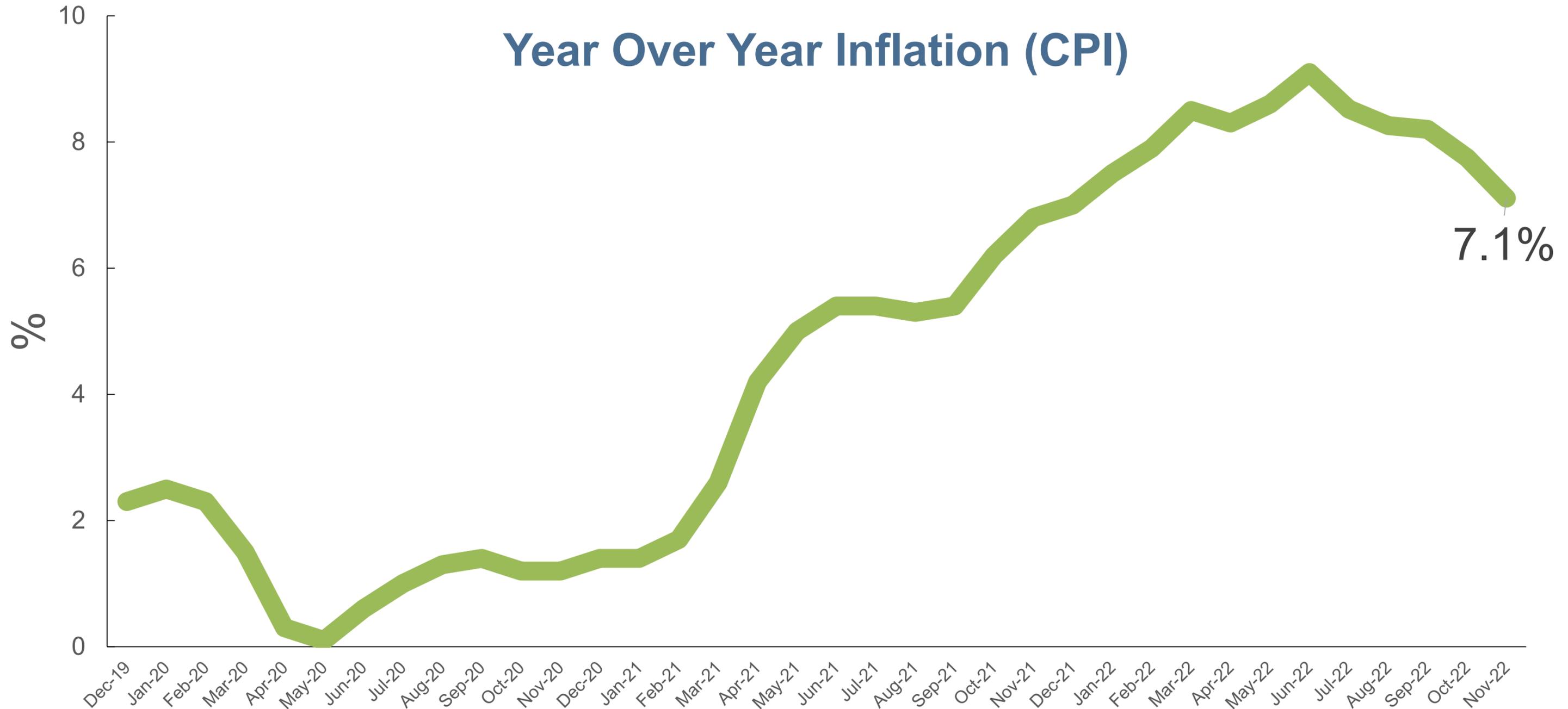
## Trajectory of Fed Hiking Cycles



Past performance does not guarantee future results.

Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate. Source: Bloomberg, as of 12/31/22.

# Inflation exceeded expectations in 2022

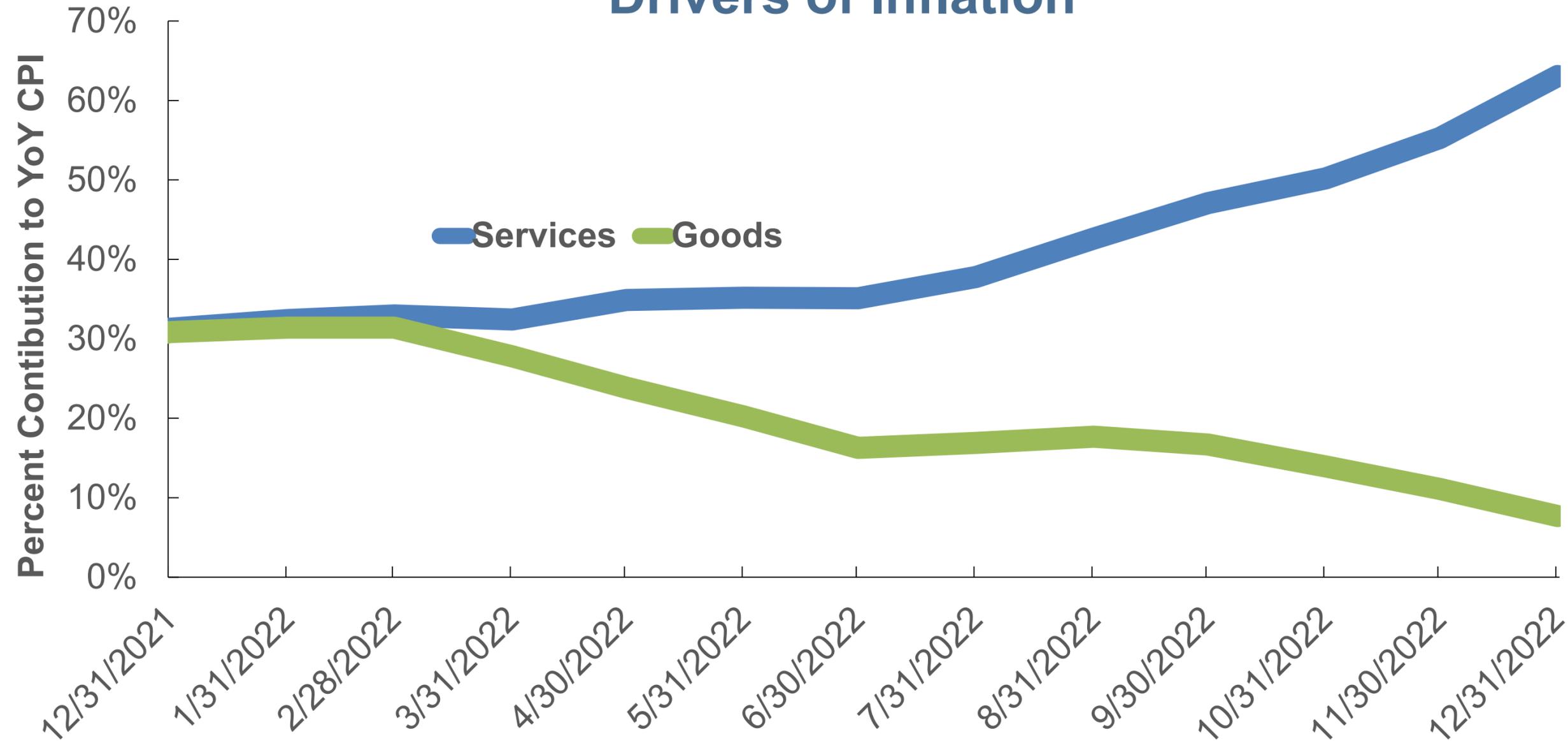


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Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate. Source: Bloomberg, as of 12/31/22.

# Prices of services rose faster than goods

## Drivers of Inflation



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Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate. Source: Bloomberg, as of 12/31/22.



Will the markets recover in 2023?

**Audra**

Investor from Georgetown, Texas

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# Let's look at the S&P 500 over the last 50 years



Over the last fifty years, the S&P 500 Index has had consecutive negative years only 3 times

S&P 500 Index	Annual Return	Following Year Annual Return
1973		
1974		
1977		
1981		
1990		
2000		
2001		
2002		
2008		
2018		
2022		?

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# Be patient; historically, markets have recovered



**Zoom out: Don't focus on one-year returns, but think of your end goal and time horizon**

## **S&P 500 Index *since 1971***

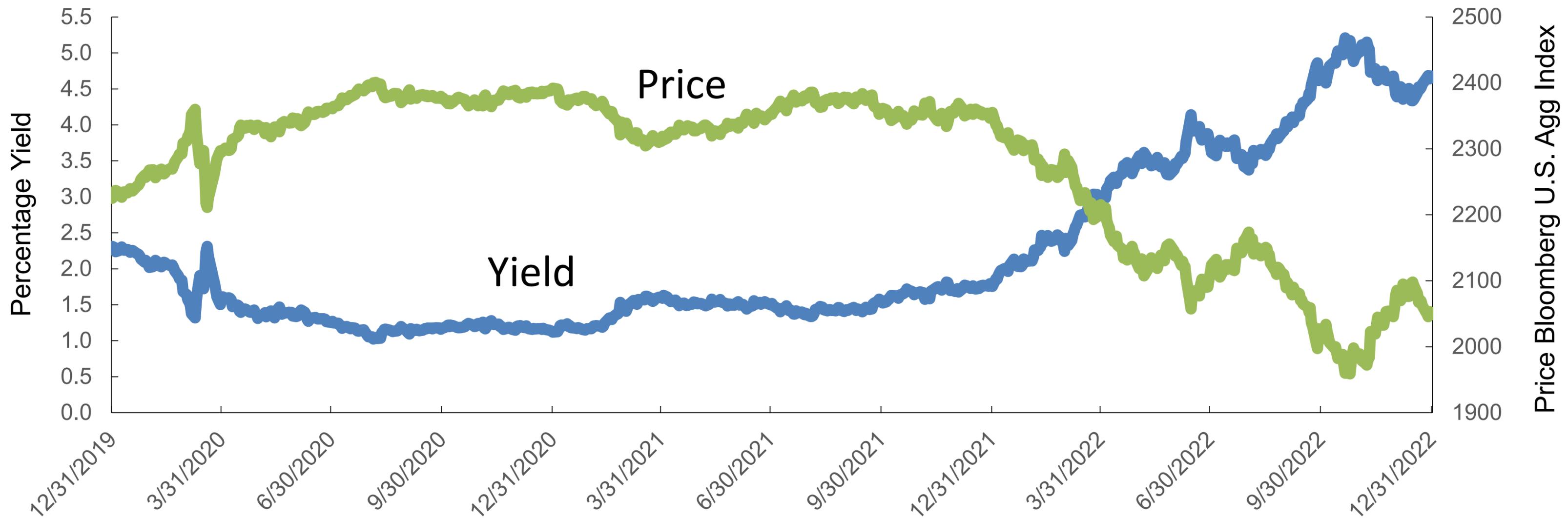
<b>Time Period</b>	<b>1 Year</b>	<b>Rolling 3 Year</b>	<b>Rolling 5 Year</b>	<b>Rolling 10 Year</b>
Percent of Positive Annual Returns	<b>79%</b>	<b>88%</b>	<b>98%</b>	<b>100%</b>

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# Higher rates = lower bond prices

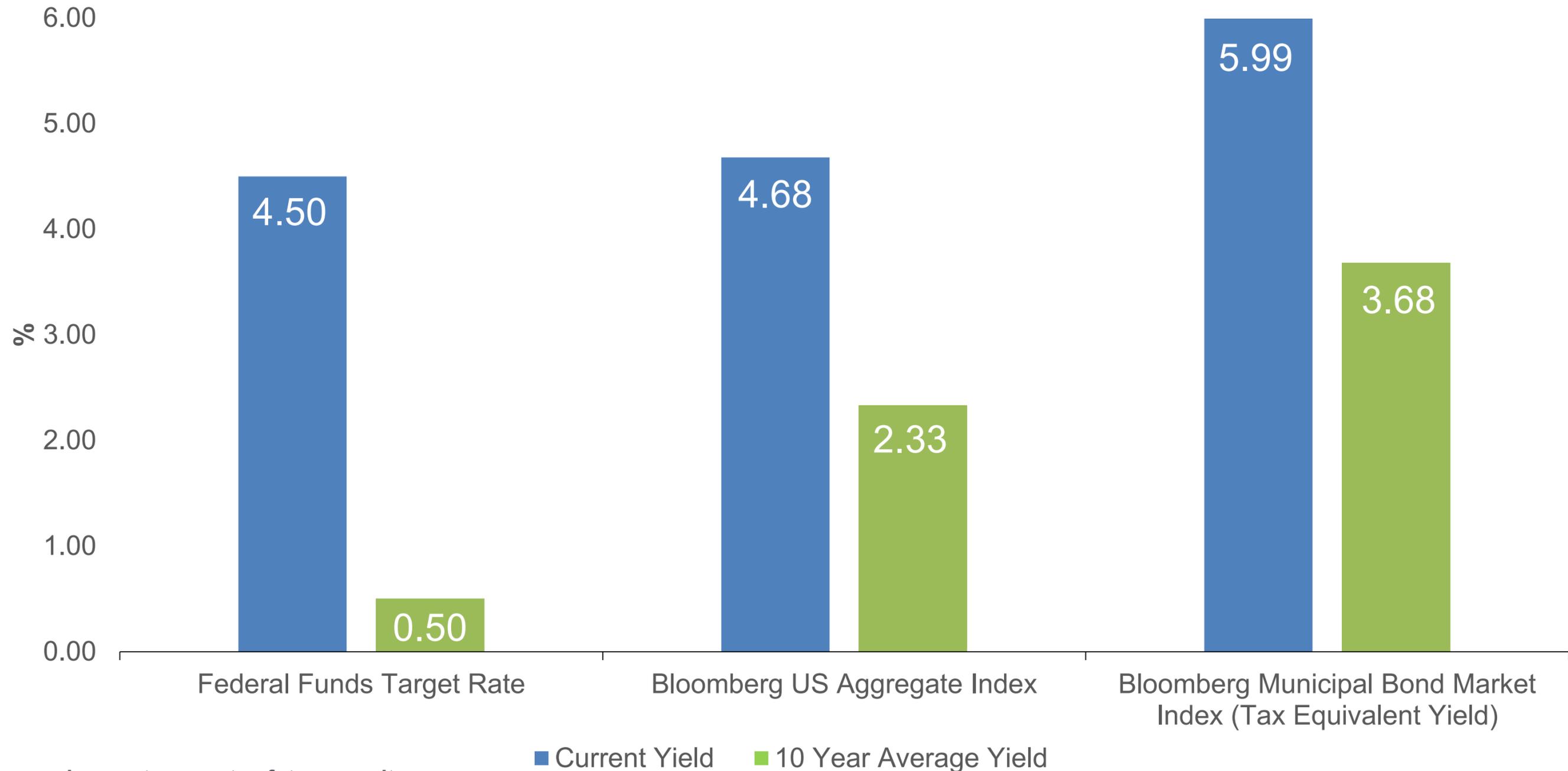
The push and pull between expected economic growth and Federal reserve policy likely to continue into 2023



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# Our take: Higher yields make bonds more attractive



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I'm 50 years old and a long-term fixed income investor. How are you all responding to the market?

**Joseph**

Investor from Stockton, California

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# How do we evaluate our portfolios?

- Carefully calibrating credit risk within our portfolios
- Evaluating every bond we put into our portfolios to assess risks vs. reward
- Maintaining diverse portfolio with exposure to multiple fixed income asset classes



Are you adjusting portfolios in 2023?

**Shana**

Investor from Lakewood, Colorado

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# How are we positioning our portfolios?



# How are we allocating assets<sup>1</sup>?

Asset Classes	Long-Term Model <sup>2</sup>	Short-Term Model <sup>3</sup>	Combined	Q / Q Change
<b>Equities</b>				
U.S. Large Cap			<b>Underweight</b>	--
U.S. Small Cap			Neutral	
Developed Ex-US			Neutral	
Emerging Markets			Neutral	--
<b>Fixed Income</b>				
Core Bonds			Neutral	--
High Yield			<b>Overweight</b>	

1 – Victory Capital Solutions

2 – Long term models defined as the long term asset allocation targets ranging from one year or longer generated through our research and quant-driven models

3 – Short term model is defined as the short and medium term asset allocation targets ranging from 3 months to one year generated through our research and quant-driven models



Are there any investment contribution changes I should be aware of for 2023?

**Lenore**

Investor from Charleston, South Carolina

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# New contribution limits for 2023

<b>IRA</b>	<b>\$6,500</b>
<b>IRA - catch-up contributions (ages 50+)</b>	<b>\$1,000</b>
<b>401(k), 403(b), TSP &amp; most 457 plans</b>	<b>\$22,500</b>
<b>401(k), 403(b), TSP &amp; most 457 plans – catch up contributions (ages 50+)</b>	<b>\$7,500</b>
<b>Gifting limit</b>	<b>\$17,000</b>



How should I start preparing for Tax Day?

**Hiram**

Investor from Schenectady, New York

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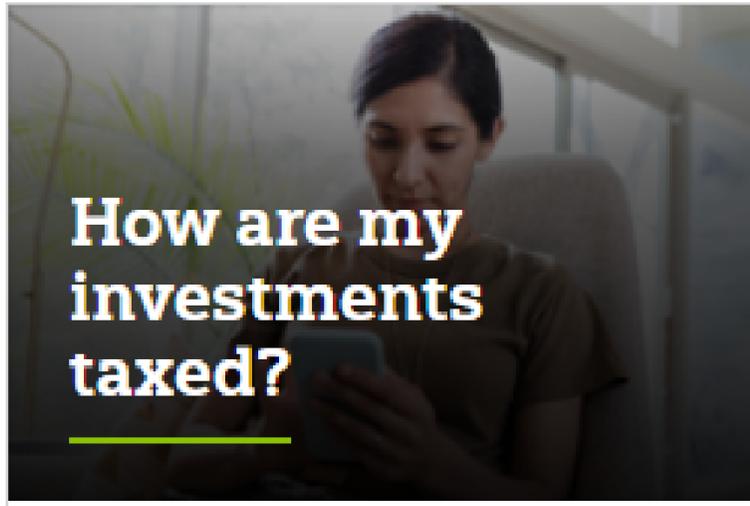
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# Leverage our Tax Center resources



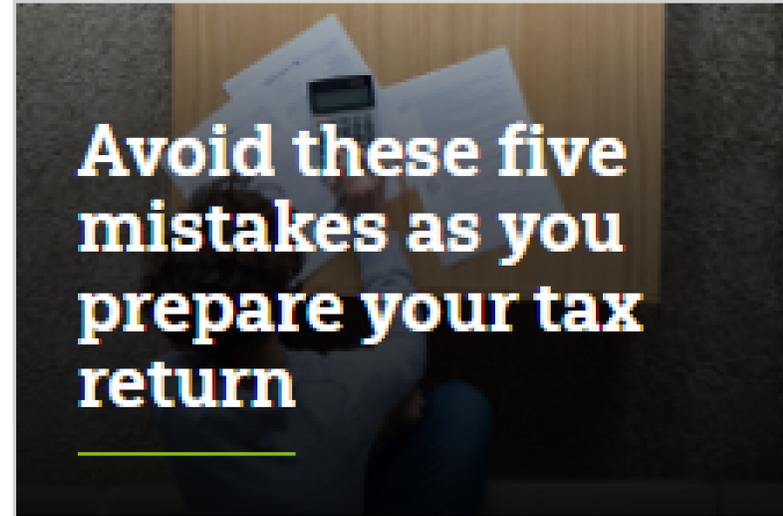
## What documents do I need to prepare my tax return?

Consider gathering these key documents before you prepare your next tax return.



## How are my investments taxed?

Don't forget to consider your investment accounts when you prepare your taxes.



## Avoid these five mistakes as you prepare your tax return

Inadvertent mistakes, missed opportunities, or timing errors hurt at tax time.

[vcm.com/taxcenter](https://vcm.com/taxcenter)



# Helping make Tax Day less taxing



## Tax forms delivery schedule for USAA<sup>®</sup> Mutual Funds, Victory Funds and USAA<sup>®</sup> 529 Education Savings Plan

FORM TYPE	IRS MAIL TO SHAREHOLDER DEADLINE	TARGET MAIL BY	ESTIMATED ONLINE VCM.COM	ESTIMATED TURBOTAX <sup>®</sup> AVAILABILITY
1099-R	1/31	1/26-1/27	1/20	2/1
1099-Q 529	1/31	1/26	1/20	N/A
1099-Q Coverdell ESA	1/31	1/26	1/20	N/A
1099-SA	1/31	1/26-1/27	1/20	N/A
1099-DIV/1099-B	2/15	2/6-2/13	1/31	2/7
1042-S	3/15	3/13-3/14	3/8	N/A
5498-ESA	5/1	5/1-5/2	4/25	N/A
5498	5/31	5/18-5/19	5/11	N/A
5498-SA	5/31	5/18-5/19	5/11	N/A

Questions?

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# Important disclosures



**All investments carry a certain degree of risk including the possible loss of principal**, and an investment should be made with an understanding of the risks involved with owning a particular security or asset class. Interested parties are strongly encouraged to seek advice from qualified tax and financial experts regarding the best options for your particular circumstances.

All information provided is for educational purposes only and does not constitute investment, legal or tax advice, an offer to buy, sell, or hold any security, or to adopt any particular investment strategy. You should obtain relevant and specific professional advice before making any investment or other decision.

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Thank you for attending

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