

IN BRIEF

Volatility weighting: A better way to diversify?

Market cap-weighted indexes can be swayed by a few very large companies. Weighting stocks based on volatility may be a better way to construct a core equities portfolio.

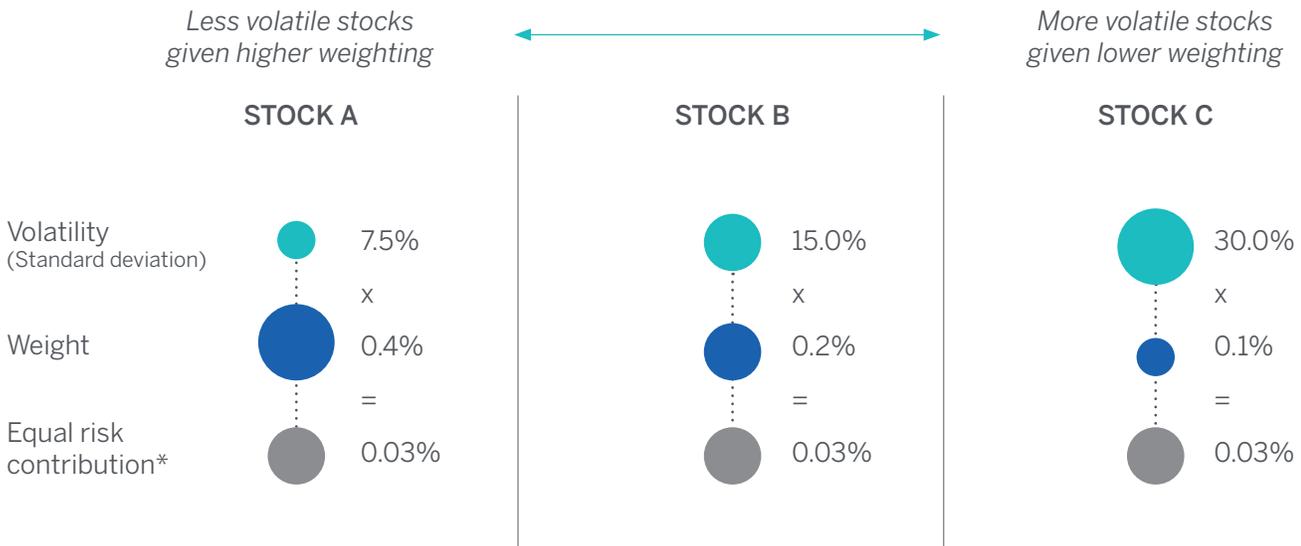
Investors are increasingly seeking broad, liquid and inexpensive access to large-cap domestic stocks. For many, the default approach has been an allocation to passive strategies benchmarked to the S&P 500® Index, that iconic index born in 1957 that has become synonymous with the U.S. stock market.

However, investors should be aware of the inherent limitations to the cap-weighted¹ methodology behind the S&P 500, whereby constituent companies are weighted according to size. The S&P 500 Index

provides large company exposure, but with a heavy tilt to the biggest companies in the domestic investment universe. Thus, passive investments that track the S&P 500 typically will be dominated by the performance of a handful of mega-caps and, conversely, discount the performance of smaller constituents.

If investors prefer a diversified, rules-based approach to large-cap domestic stocks, a risk-weighted index might be a viable alternative.

VOLATILITY-WEIGHTING, also known as risk-weighting, seeks to spread the risk more evenly across a portfolio.

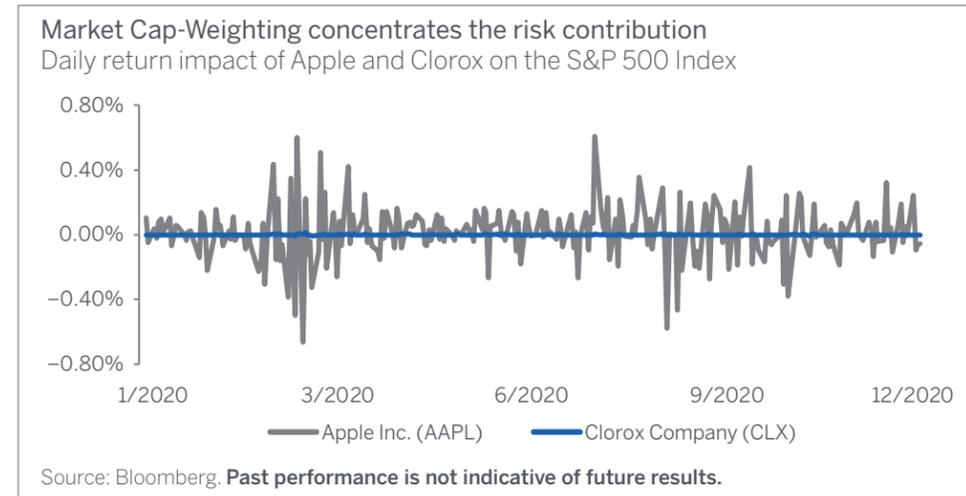


For illustrative purposes only. For purposes of this illustration, the median standard deviation is assumed at 15%. Standard deviation is a statistical measure of volatility and is often used as an indicator of the 'risk' associated with a return series. Standard deviation of return measures the average deviations of a return series from its mean. A large standard deviation implies that there have been large swings in a particular security or portfolio return series.

S&P 500 Index*

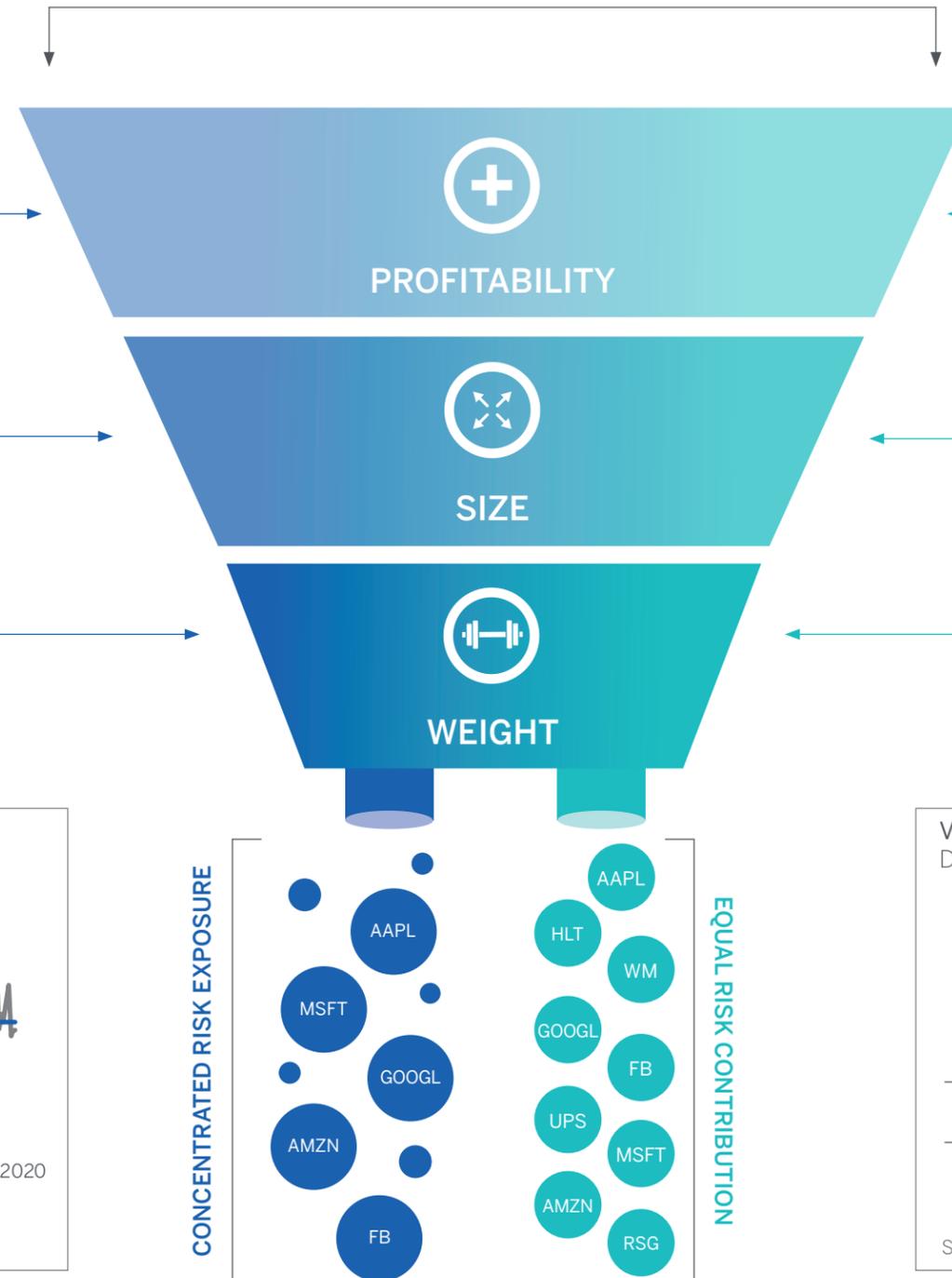
Traditional capitalization-weighted indexes, like the S&P 500, concentrate exposure in a small portion of stocks.

- > Screens for profitability
The sum of the most recent four consecutive quarters' earnings should be positive as should the most recent quarter.
- > Selects the largest 500 stocks.
- > Weights stocks based on size
Large stocks dominate the index.
- > Index stocks rarely change.



- > Weighted average market capitalization: **\$461.2B.**
- > The top **50** stocks account for **55%** of the index's weight.
- > The bottom **50** stocks account for **1%** of the index's weight.

DOMESTIC STOCK UNIVERSE

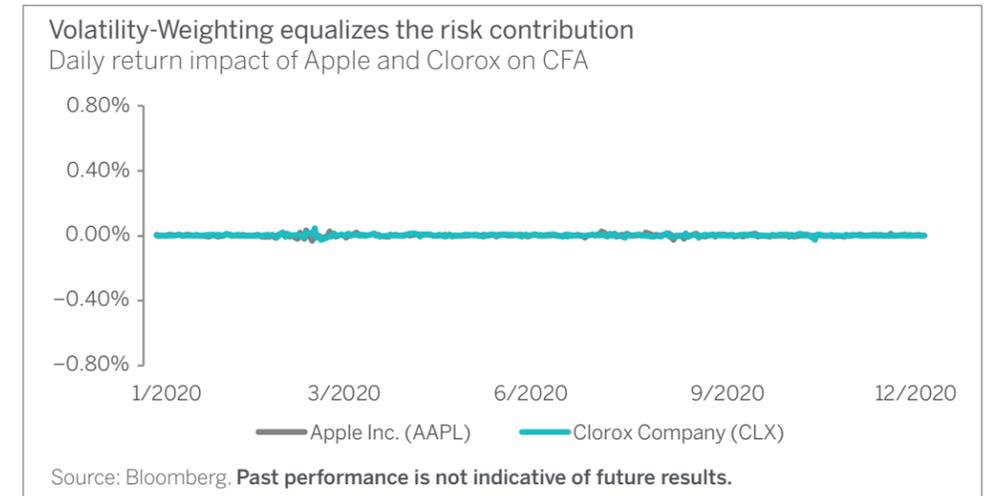


VictoryShares US 500 Volatility Wtd ETF



Volatility-Weighted strategies seek to spread risk evenly and offer broad exposure to the market.

- > Screens for profitability.
The most recent four consecutive quarters' earnings should be positive.
- > Selects the largest 500 stocks.
- > Weights stocks based on risk/volatility.
Daily standard deviation, or volatility, over the last 180 trading days.
- > Reconstitutes twice a year.
(every March and September)



- > Weighted average market capitalization: **\$63.9B.**
- > The top **50** stocks account for **14%** of CFA's weight.
- > The bottom **50** stocks account for **7%** of the CFA's weight.

*Source: S&P U.S. Indices Methodology, January 2021 (<https://us.spindices.com/documents/methodologies/methodology-sp-us-indices.pdf>)

All data as of December 31, 2020. For illustrative purposes only. The methodology for the S&P 500 Index and the Nasdaq Victory US Large Cap 500 Volatility Wtd Index includes additional factors. To learn more, refer to the S&P U.S. Indices Methodology, available online at <https://us.spindices.com>, or visit <https://indexes.nasdaqomx.com/index/overview/nqvwlct>.

INDEX INSPECTION: Choose wisely.

	S&P 500 INDEX	NASDAQ VICTORY US LARGE CAP 500 VOLATILITY WEIGHTED INDEX
Large cap domestic exposure	•	•
Ongoing profitability screen		•
Diverse exposure across all constituents		•
Concentrated risk/return	•	
Reconstitutes on a regular schedule		•
Dominated by mega-caps	•	

VictoryShares offers volatility-weighted ETF solutions covering a range of domestic, international, small- and large-cap ETFs

VICTORYSHARES VOLATILITY-WEIGHTED CORE BROAD MARKET ETF SOLUTIONS

-  VictoryShares US 500 Volatility Wtd ETF
-  VictoryShares International Volatility Wtd ETF
-  VictoryShares US Small Cap Volatility Wtd ETF
-  VictoryShares Emerging Market Volatility Wtd ETF

To learn more about volatility weighting and our risk-weighted approach to investing, contact your financial advisor or visit www.victoryshares.com

Carefully consider a fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus or summary prospectus containing this and other important information, visit www.vcm.com/prospectus. Read it carefully before investing.

1 Market capitalization is the total dollar value of all outstanding shares computed as number of shares times current market price.

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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. Fund holdings and sector allocations are subject to change, may differ from the Index, and should not be considered investment advice.

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