

Market Commentary

U.S. stocks posted gains during the third quarter of 2020, aided by continued support from the U.S. Federal Reserve (“the Fed”), gradual steps to reopening the global economy, and seeming progress toward the development of effective vaccines for COVID-19. With Congress and the Administration unable to agree on a second fiscal stimulus package, monetary policy proved critical in underpinning positive market sentiment, as the Fed signaled that it was unlikely to raise short-term rates any time soon. While investors were heartened by the generally favorable backdrop, most equity market gains were registered during July and August. Stocks retraced some of the gains in September on uncertainty over the shape and duration of the economic recovery, a resurgence in coronavirus cases across the United States as well as globally, and concerns over the prospect of a litigated outcome to the U.S. presidential election. As was the case in the first half of 2020, mega-cap growth stocks—

particularly those of leading technology companies—were the primary drivers of market performance. At a time of sluggish growth, investors gravitated to companies with earnings viewed as largely immune to the economic fallout from COVID-19.

Fund Performance and Positioning

Against this backdrop, the USAA Capital Growth Fund registered positive quarterly performance, but slightly underperformed its benchmark.

During the third quarter, four of 11 equity market sectors had positive relative returns. Stock selection in financials and industrials contributed to relative performance, while selection in consumer discretionary, energy and communication services detracted. In terms of sector allocation, the Fund’s underweight to consumer discretionary stocks detracted from returns.

Consider the investment objectives, risks, charges and expenses of the USAA Mutual Funds carefully before investing. To obtain a prospectus or summary prospectus containing this and other information visit www.usaa.com/prospectus. Read it carefully before investing.

Investing involves risk, including potential loss of principal.

There is no assurance the objective(s) will be met. As with all mutual funds, the value of an investment in the Fund could decline, so you could lose money. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty and greater volatility. These risks are even greater when investing in emerging markets. Investing in small and mid-size companies can involve risks such as having less publicly available information, higher volatility, and less liquidity than in the case of larger companies. Investing in a more limited number of issuers and sectors can be subject to greater market fluctuation. Overweighting investments in certain sectors or industries increases the risk of loss due to general declines in the prices of stocks in those sectors or industries. The Fund is subject to greater impact from economic, financial, political, and other factors affecting China, Hong Kong, and Taiwan, than a fund that invests more broadly.

Diversification neither assures a profit nor eliminates the risk of experiencing investment losses.

The opinions are as of the date noted and are subject to change at any time due to changes in market or economic conditions. The comments should not

be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Discussion based on the fund share class. Other classes have different performance characteristics.

Some income for tax-exempt investments may be subject to state or local taxes or the federal alternative minimum tax.

Holdings, if any, are subject to change without notice and should not be considered purchase recommendations.

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