

Market Commentary

U.S. equities moved higher in the third quarter, boosted by continued support from the U.S. Federal Reserve (“the Fed”), steps toward reopening the global economy, and headlines around promising developments with respect to one or more COVID-19 vaccines. With Congress unable to agree on a second fiscal stimulus package, monetary policy proved a critical underpinning of positive sentiment, as the Fed signaled it was unlikely to raise rates anytime in the near future. While investors were heartened by this generally favorable backdrop, all of the market’s progress occurred in July and August. Stocks retraced some of their previous gains in September on uncertainty over the shape and duration of the recovery, a resurgence in COVID-19 cases across the globe, and concerns over the prospect of a litigated outcome to the U.S. presidential election.

Large-cap value stocks provided solid positive returns for the quarter while notably lagging their growth counterparts. The Russell 1000 Value Index advanced 5.59% for the quarter. Performance within the large-cap value stock universe was led by the consumer discretionary, materials and industrial sectors.

Laggards included energy, which was in sharply negative territory, as well as information technology which was essentially flat.

Fund Performance and Positioning

The USAA Income Stock Fund had a positive total return for the quarter and outperformed its benchmark index.

The Fund selects holdings from among the universe of companies that pay above average dividends and carry the potential of increasing those dividends. In doing so, the Fund uses both quantitative and bottom up fundamental analysis to identify companies that meet one of the following criteria: trade at attractive valuations, exhibit positive momentum, and/or are high quality as measured by strong and stable profitability.

For the quarter, both sector allocation and security selection added to the Fund’s performance relative to the benchmark. Positive contributions were led by selection within information technology, an underweight to energy and selection within consumer discretionary. The biggest detractors were selection within communication services and health care.

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. A fund’s performance may be affected by risks that include those associated with nondiversification, non-investment grade debt securities, high-yield/high-risk securities, undervalued or overlooked companies, investments in specific industries or countries and potential conflicts of interest. Additional risks to a fund may also include, but are not limited to, those associated with investing in foreign securities, emerging markets, initial public offerings, real estate investment trusts (REITs), derivatives, short sales, commodity-linked investments and companies with relatively small market capitalizations. Each fund has different risks. Please see a prospectus for more information about risks, fund holdings and other details.

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.

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

An index is unmanaged and not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

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