

Market Commentary

Global equities finished the fourth quarter well into positive territory, trimming the extent of their losses for the full year. The market's gains were achieved in October and November, when signs that inflation had peaked alongside less hawkish commentary from U.S. Federal Reserve Chairman Jerome Powell raised hopes that the central bank would end its interest rate hiking cycle in early 2023. Indeed, both the Fed and the European Central Bank raised their benchmark overnight lending rates by a more modest 50 basis points in mid-December. Also supporting sentiment, the Chinese government began to ease the zero-COVID policy that had weighed on global economic growth for much of 2022. However, stocks retreated into year-end as investors focused on the impact of higher rates on economic growth and corporate earnings in the coming year.

International equities as gauged by the MSCI EAFE Index returned 17.34% for the quarter. All 11 sectors within the benchmark posted gains, with financials, industrials and consumer discretionary the biggest contributors to the Index's return.

Fund Performance and Positioning

For the quarter, the USAA International Fund posted a positive return while marginally underperforming the MSCI EAFE benchmark. Overall security selection and sector allocation both had an essentially neutral impact on the Fund's performance relative to the benchmark.

The Fund has four managers, each of whom is responsible for investing a portion of the portfolio: RS Investments, Trivalent Investments, Wellington Management, and THB Asset Management. Each manager takes a different approach to stock selection within international markets. RS Investments seeks to exploit international market inefficiencies by combining the best traits of quantitative and fundamental investing. Trivalent Investments seeks attractive risk-adjusted performance over time through both fundamental analysis of individual securities and overall portfolio risk management. The Wellington Management portfolio applies a contrarian value approach to security selection. The THB portfolio focuses on international small-cap companies with a systematic investment process that utilizes both quantitative and qualitative elements.

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.

All investing involves risk, including the potential loss of principal. In addition to the normal risks associated with investing, 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 concentrated in a single country, a small number of countries or a specific region typically exhibit higher volatility. 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.

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 are available and may have different performance characteristics.

Not FDIC Insured • May Lose Value • No Bank Guarantee

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

The MSCI EAFE Index measures the performance of large- and mid-cap stocks in the developed markets, excluding the U.S. and Canada. The index covers approximately 85% of the free-float-adjusted market capitalization in each country.

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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V19.047 // 4Q 2022 USAA International Fund COM