

Market Commentary

Global equities moved higher in the third quarter, boosted by continued support from central banks, steps toward reopening the global economy, and headlines around promising developments with respect to one or more COVID-19 vaccines. In the U.S., with Congress unable to agree on a second fiscal stimulus package, monetary policy proved a critical underpinning of positive sentiment, as the Federal Reserve signaled it was unlikely to raise rates anytime in the near future. While investors were heartened by this generally favorable backdrop, the market's progress for the quarter was driven by gains 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.

International equities as gauged by the MSCI EAFE Index returned 4.80% for the quarter. Performance was led by the materials, industrials, consumer discretionary and information technology sectors. Energy was the biggest laggard and was in notably negative territory, while financials finished with modest losses.

Fund Performance and Positioning

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

The Fund has four managers, each of whom is responsible for investing a portion of the portfolio: RS Investments, Trivalent Investments, Wellington Management, and Lazard 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 Lazard portfolio focuses on bottom-up stock selection within the small-capitalization area of developed international markets.

The Fund's outperformance relative to the benchmark was driven by strong security selection, most notably within financials, health care, consumer discretionary and information technology. Selection within communication services and an overweight to energy were the only material detractors. In country terms, selection was strongest within the U.K., France and Australia, while lagging within Japan, Spain and Hong Kong.

At the end of the period, the portfolio's most significant regional overweight relative to the MSCI EAFE Index was to Asia ex Japan while Europe was the most underweight allocation. In sector terms the largest overweights were to real estate, energy and communication services, while healthcare and consumer staples were the biggest underweights. Overweight or underweight country and sector allocations relative to the benchmark are the result of the aggregate security selection decisions of the managers rather than an intentional bet as the Fund is structured to deliver returns primarily driven by security selection.

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.

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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