

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

The USAA Nasdaq-100 Index Fund posted a strong total return, while slightly underperforming the index it seeks to track.

The NASDAQ-100 Index includes 100 of the largest domestic and international securities listed on the NASDAQ Stock Market based on market capitalization. For the quarter, six of the seven sectors within the index posted positive returns. The consumer discretionary, industrials and information technology sectors were the top performers within the index, while the health care and utilities sectors trailed.

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.

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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