TARGET RETIREMENT FUNDS QUARTERLY COMMENTARY

MUTUAL FUNDS

As of September 30, 2022

USAA Target Retirement 2030 Fund // USAA Target Retirement 2040 Fund // USAA Target Retirement 2050 Fund // USAA Target Retirement 2060 Fund // USAA Target Retirement Income Fund

Market Commentary

The global financial markets experienced weak performance and high volatility in the third quarter, continuing the trend that was in place throughout the first six months of the year.

Despite the unfavorable end result, the investment backdrop was in fact fairly upbeat in July and the first half of August. During this time, investors grew more optimistic about the possibility that the U.S. Federal Reserve (Fed) would shift to a less restrictive monetary policy. Late in August, however, Fed Chairman Jerome Powell reiterated the central bank's intent to continue raising interest rates until inflation was under control. A report showing higher-than-expected inflation followed in early September, confirming that a pivot toward more accommodative policy was unlikely to occur in the near future. The Fed raised rates twice during the quarter, bringing its benchmark federal funds rate to a range of 3.0% to 3.25%—an increase of three percentage points from the start of the year. A steady undercurrent of adverse geopolitical headlines, along with elevated volatility in global currencies, further pressured investor sentiment.

These factors weighed heavily on the financial markets, causing most asset categories to give back their earlier gains and close near their lows for the year. While all major segments of the equity market lost ground, the United States outpaced its international peers and the growth style outperformed value. Bonds also experienced sizable losses in the rising rate environment, but short-term issues and high-yield bonds outperformed in relative terms.

Fund Performance and Positioning

Consistent with the broader market environment, all Funds in the Target Retirement Series finished the quarter with losses. USAA Target Retirement 2040 Fund, USAA Target Retirement 2050 Fund, and USAA Target Retirement 2060 Fund outperformed their respective primary benchmarks, while USAA Target Retirement Income Fund and USAA Target Retirement 2030 Fund underperformed. All Funds in the series underperformed their respective secondary benchmarks with the exception of USAA Target Retirement Income Fund. (Fund performance for the quarter and various other time periods, as well as respective Fund expenses, can be viewed by clicking the Fund names below.)

All of the major market segments represented in the portfolios experienced losses in the quarter. In terms of performance versus the Funds' respective secondary benchmarks, we added value in the fixed-income portfolios through our decision to tilt toward shorter-duration investments (i.e., those with a lower degree of interest rate sensitivity). However, we lost some ground from an overweight position in international equities relative to the United States.

We saw a mixed picture for the markets at the close of the quarter. On the positive side, the impressive strength of the U.S. labor market creates a strong foundation for the economy and helps reduce the odds of a severe recession. At the same time, however, it appears the Fed and other world central banks are poised to continue raising rates for several more months. We believe this sets the stage for continued volatility until investors gain confidence that rates have hit their peak for the current cycle. Geopolitical issues remain a source of potential disruption for the financial markets, as well.

Our approach to these circumstances is to maintain our core strategy of emphasizing diversification and risk management. This has led us to maintain a smaller weighting in stocks than we typically would, along with a higher weighting in cash. At the same time, we remain on the lookout to capitalize on opportunities as they arise. Most notably, we sought to take advantage of volatility by adding to positions in the credit-oriented segments of the bond market. Short-term debt also offers a compelling risk-reward profile given the spike in yields over the past year. In the equity portfolios, we maintain a preference for value stocks on the belief that they are better positioned to withstand rising rates than their growth counterparts.

We believe this approach—which seeks to hold a core, diversified portfolio, while accounting for both current risks and longer-term opportunities—remains the optimal approach to asset allocation.

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.

Asset allocation and diversification do not promise any level of performance or guarantee against loss of principal. The Fund will reflect the risks and incur the expenses of the underlying funds in which it invests. The Adviser is subject to conflicts of interest in allocating the Fund's assets among affiliated Underlying Funds (the Victory Funds), unaffiliated Underlying Funds, or a combination of both. The Adviser may have an incentive to allocate the Fund's assets to those Victory Funds for which the net advisory fees payable to the Adviser are higher than the fees payable by other Victory Funds, or unaffiliated Underlying Funds. Fixed income securities are subject to interest rate, inflation, credit and default risk. The bond market is volatile. Bonds and bond funds will decrease in value as interest rates rise and vice versa. Credit risk refers to the possibility that debt issuers may not be able to make principal and interest payments or may have their debt downgraded by ratings agencies. 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. Real estate investment trusts (REITs) are subject to changes in economic conditions, credit risk and interest rate fluctuations. The Fund may frequently change its holdings, resulting in higher fees, lower returns, and more capital gains. Derivatives may not work as intended and may result in losses. 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.

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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