

Performance Summary

Across the fixed income asset class, the trend of negative returns continued for the third quarter of 2022. Negative returns were driven by a material increase in Treasury and AAA Municipal Bond yields. These rates rose significantly in response to the Federal Reserve's continuation of monetary tightening. Negative returns within the municipal bond industry specifically were also driven by significant outflows of assets from municipal bond mutual funds. The Bloomberg Municipal Bond Index returned -3.46% for the quarter (which moved YTD returns to -12.13%). The painful process of rising rates, however, has led to historically high yields. Starting yields are a good predictor of future returns, so higher muni yields suggest stronger future returns over the long term. At the end of the quarter, the yield on the Bloomberg Municipal Bond Index was 4.04%, which was notably higher than at the start of the year (1.11% on January 1, 2022). As always, we encourage investors to take a long-term view and believe that our yield-focused philosophy will serve our investors well over the long term.

Market Review & Outlook

The Bloomberg Municipal Bond Index returned -3.46% for the third quarter, which brought YTD performance to -12.13%. Negative returns continued across other fixed income asset classes this quarter, which brought YTD returns for the Bloomberg U.S. Aggregate Bond Index to -14.61%, the Bloomberg U.S. Universal Index to -14.90%, and the Bloomberg U.S. Treasury Index to -13.09%.

See below for an update on some of the key metrics in the muni market that we continue to monitor.

- AAA muni yields (the benchmark rate of the safest municipal securities) have increased materially since the first of the year. As a reminder, an increase in bond yields means that bond prices decrease. Bloomberg AAA muni yields increased across the yield curve, with short- and intermediate-term tax-exempt yields at decades highs and long-term tax-exempt yield at the highest since the 2013 Taper Tantrum. See below for yield changes from 12/31/2021 to 9/30/2022 at several key maturities.
 - 3-year: 0.33% to 3.09%
 - 10-year: 1.05% to 3.25%
 - 30-year: 1.54% to 3.94%
- Fund flows for municipal bond mutual funds have remained negative (after last year's record-setting inflows). Total fund flows year to date in 2022 are roughly -\$91.5 billion.
- Credit spreads (the difference between riskier bonds and AAA bonds) rose a bit in the first half of the year but remained relatively unchanged during the quarter. The BBB credit spread increased from 0.61% to 1.15% during the first half of the year and closed the third quarter at 1.12%.

Returns were negative across the USAA Investments tax-exempt funds, alongside their peer groups and respective indices, again due largely to rising rates. While rising rates were a drag on performance during this quarter, we believe the higher rates should drive higher returns over the long term.

We believe that the creditworthiness of muni borrowers will remain strong in the near term, as many borrowers have improved their financial position coming out of the coronavirus-induced slowdown (often helped by generous amounts of federal

stimulus aid).

We remain committed to our core competency of evaluating, taking, and managing credit risk in the municipal market. We continue to build our portfolios bond-by-bond, relying on our assessment of fundamental credit risk and attempting to capture and distribute incremental yield in an effort to drive higher long-term income to our investors. While there might be some volatility in the muni market in the short term, we remain confident that the right approach is to focus on what matters in the long term.

We believe municipal bonds continue to represent an attractive investment opportunity on a relative basis. At the end of the third quarter, the yield on the Bloomberg Municipal Bond Index was 4.04%, which is a taxable-equivalent yield of 6.83% (in the highest tax bracket). After factoring in the benefit of the tax exemption, munis look attractive vs. the (taxable) Bloomberg U.S. Aggregate Bond Index, which yielded 4.75% at quarter-end.

Portfolio Performance & Positioning

The Fund underperformed its benchmark index for the quarter, returning -4.87% (Fund Shares) vs. -3.46% for the Bloomberg Municipal Bond Index. See the table below for more information on returns

Contributors

- The Fund's investments in variable rate demand bonds outperformed the benchmark quarter-to-date

Detractors

- The Fund's longer duration vs the benchmark index
- Security selection in the Healthcare and Education sectors
- The Fund's allocation to below investment grade bonds

Standardized Performance: September 30, 2022

Average Annual Returns (%)

USAA Tax Exempt Long-Term Fund	Ticker	Inception Date	Q3 2022	1 Year	5 Year	10 Year	Since Inception	Expense Ratio	
								Gross	Net
Fund Shares	USTEX	03/19/82	-4.87	-14.76	0.13	1.75	6.31	0.50	0.50
Bloomberg Municipal Bond Index	-	-	-3.46	-11.50	0.59	1.79	-	-	-

Past performance does not guarantee future results. The performance quoted represents past performance and current performance may be lower or higher. The investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. To obtain performance information current to the most recent month-end, visit www.vcm.com. Returns include reinvestment of dividends and capital gains. Performance for periods greater than one year is annualized. Fee waivers and/or expense reimbursements were in place for some or all periods shown, without which, fund performance would have been lower. Net expense ratio reflects the contractual waiver and/or reimbursement of management fees through June 30, 2023.

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. 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. Some income may be subject to state or local taxes or the federal Alternative Minimum Tax (AMT). 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 have different performance characteristics.

The Bloomberg Municipal Bond Index is considered to be generally representative of investment-grade municipal issues having remaining

maturities greater than one year and a national scope.

The Bloomberg U.S. Aggregate Bond Index measures the investment grade, USD-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

Index returns are for illustrative purposes only and do not represent actual Fund performance. Index performance does not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. **Past performance does not guarantee future results.**

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