

Market Commentary

During the fourth quarter of 2020, emerging market stocks as measured by the MSCI Emerging Markets Index outperformed global stocks as measured by the MSCI All Country World Index. More generally, investor sentiment turned decidedly positive during the fourth quarter of 2020, propelling most stock market indices to solid returns. Investors welcomed the FDA's release of two vaccines for the coronavirus, raising hopes that the U.S. economy could gradually return to normal over the course of 2021. Late in 2020, the eventual resolution of the U.S. election represented additional positive news, removing a source of uncertainty that had weighed on markets in the early fall. Market watchers were also cheered by a series of U.S. Federal Reserve statements reiterating the central bank's intent to maintain near-zero short-term interest rates for the foreseeable future. Encouragingly, positive investor sentiment also endured a series of adverse news headlines including renewed COVID-19-related lockdowns, the emergence of faster-spreading variants of the coronavirus, and frustratingly protracted negotiations regarding Great Britain's exit from the European Union and badly needed U.S. fiscal stimulus. The continuing market rally helped to propel

stocks to solid gains for the full year 2020. The quarter also was notable for the substantial outperformance of small-cap stocks, which had lagged through the first nine months of the year. And in another reversal of a longstanding trend, the value style outperformed growth during the fourth quarter. Lastly, the broadening of the market rally away from mega-cap technology stocks was primarily tied to news of the vaccine approvals, encouraging investors to explore opportunities in more economically-sensitive, value-oriented equity sectors.

Fund Performance and Positioning

Against this backdrop, the USAA Emerging Markets Fund posted a strong return for the quarter and outperformed its benchmark.

For the Fund overall, stock selection in financials, materials, and information technology contributed to relative performance, while selection within consumer discretionary, health care, and consumer staples detracted. On an allocation basis, an underweight to consumer discretionary and an overweight to information technology added to relative return, while the Fund's cash position and an underweight to health care detracted most.

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.

Not all share classes are available to all investors.

All investing involves risk, including the potential loss of principal. 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. 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.

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.

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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V19.134 // 4Q 2020 USAA Emerging Markets Fund COM