USAA ULTRA SHORT-TERM BOND FUND QUARTERLY COMMENTARY

USAA® INVESTMENTS
A VICTORY CAPITAL® INVESTMENT FRANCHISE

As of June 30, 2021

Performance Summary

Lower interest rates across much of the Treasury curve and tighter credit spreads led to strong returns in the corporate bond market during the second quarter. From March to the end of June, investment grade spreads tightened 10 basis points (bps) and high yield corporate spreads tightened 42 bps. For the rest of 2021, we expect "carry"—the return from the yield of a bond portfolio—to be the principal driver of returns in fixed income on steadily improving corporate fundamentals, above-trend GDP growth, and the continuing global search for yield. The USAA Ultra Short-Term Bond Fund outperformed its combined benchmark* for the quarter. The Fund's allocation to credit and security selection were the main drivers of relative performance.

Market Review & Outlook

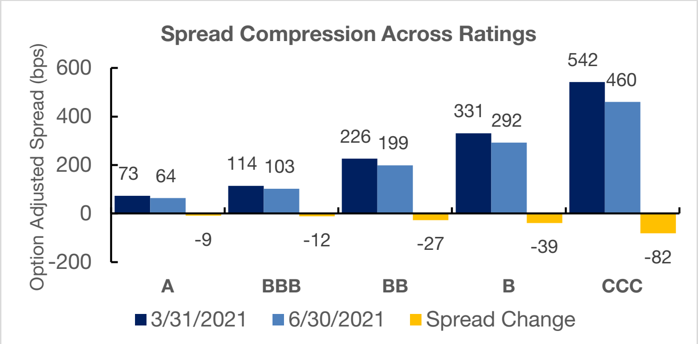
Fixed income returns were positive during the second quarter due to lower intermediate and long-term Treasury yields; tighter credit spreads across both investment grade and high yield credit also helped. These results marked a reversal from the largely negative returns seen during the first quarter:

Bloomberg Barclays Index	Q2 2021	Q1 2021	YTD 2021
U.S. Aggregate	1.83%	-3.37%	-1.60%
U.S. Corporate	3.55%	-4.65%	-1.27%
U.S. Corporate High Yield	2.74%	0.85%	3.62%
U.S. Treasury	1.75%	-4.25%	-2.58%

During the quarter, the U.S. Federal Reserve ("the Fed") indicated it could potentially tighten monetary conditions, citing higher expected GDP growth and personal consumption for the full year than what it had expected earlier. While the Fed didn't change its projections for a 4.5% unemployment rate by year-end, it did increase its projection of US GDP growth from 6.5% to 7.0% and its projection of inflation in personal consumption to 3.5% from 2.4%. This shift is small, but significant, and caused the Treasury curve to flatten. The short end of the curve rose by 11 bps even as the longer end fell – the yield on the 10-year falling by 27 bps and the yield on the 30-year by 33 bps.

Despite the change in expectations, the Fed maintained that the phenomenon is "transitory." There's good evidence from other statistics to back that argument. Market-based measures of inflation expectations softened during the quarter, despite the Consumer Price Index for April, May and June coming in high. But many market watchers suggest that up to 70% of the jump in CPI can be traced to specific COVID-impacted sectors such as energy, used cars, motor vehicle insurance, and airfares. Break-evens, another measure of inflationary expectations, also moderated. The 5-year breakeven rate measures the difference in yield between the nominal 5-year Treasury and the 5-year Treasury Inflation Protected Security (TIPS). This differential peaked in mid-May at 2.77% and finished the quarter at 2.5%. A falling breakeven rate and the fact that the rise in CPI can be traced to a few, specific drivers lend credence to the Fed's sanguinity. The market's worry, though, is that other sectors could experience rising prices and wage inflation could set in; all of this would suggest inflation is gaining traction and that the Fed would need tighten monetary policy much more aggressively to rein it in.

Strong GDP growth and higher corporate profits continued to support credit markets in the second quarter. Investment grade corporate credit spreads, as measured by the Bloomberg Barclays U.S. Corporate Index, closed Q2 at 80 bps after closing 2020 at 96 bps and Q1 at 91. Below-investment-grade rated corporate bonds performed stronger still, ending Q2 at 268 bps after finishing Q1 at 310 and 2020 at 360 bps. The change in credit spreads was closely correlated to credit quality, with the greatest change in absolute credit spreads greatest for the lowest credit rating. Credit spreads are the additional compensation investors require to hold securities that aren't as safe and liquid as those issued by the U.S. Treasury.



We continue to see high new issuance volumes. According to Wells Fargo, year-to-date investment grade issuance has totaled $832.7 billion, on pace to be the second largest on record.

We expect credit, which we define non-U.S. Treasury or non-U.S. government agency securities, to be supported through the second half of 2021 despite credit spreads being at or near their all-time lows. Historically, investment grade spreads tighter than 85 bps have led to mixed excess returns, but we think several factors are mitigative.

First, improving corporate profits and stronger GDP growth are supportive of credit, both of which we expect to continue as the economy recovers from the COVID-required lockdowns. Second, the global search for yield continues. Almost 20% of the Bloomberg Barclays Global Aggregate has a negative yield, and the yield advantage of credit[1] to Treasury securities remains elevated relative to its 40-year average. Third, excess returns to credit have historically enjoyed long cycles. Over the last 20 years, credit cycles have averaged 643 days after the peak in spreads, but as of the end of Q2 we were less than halfway to this average.

1The yield on the Bloomberg Barclays Credit Index vs. the Yield on the Bloomberg Barclays Treasury Index. The current multiple is higher than the 40-year average

We also think the "beta" trade in credit is about over, with spread dispersion approximating levels seen in 2019. We believe this means potentially greater opportunity for credit selection, an environment we think is ideal for active managers who can and do selectively invest across credit quality buckets, sectors, and asset classes.

Portfolio Performance & Positioning

The Fund benchmark changed on May 1, 2021 to the Bloomberg Barclays U.S. Treasury Bellwethers 3 Month Index from the FTSE 3-Month U.S. T-Bill Index. For the quarter ended June 30, 2021, the Fund share class returned 0.40% compared to the combined benchmark returns* of 0.00%. During the second quarter, changes by the Fed in its projections of GDP and inflation resulted in the Treasury curve flattening. The short end of the curve rose by 11 bps as the longer end fell – the yield on the 10-year falling by 27 bps and the yield on the 30-year by 33 bps. Higher rates in the front-end were largely offset by credit spread tightening with the Bloomberg Barclays U.S. Corporate 1-3 Year Index tightening by 10 bps in the quarter. As a result, the Bloomberg Barclays 1-3 Year U.S. Aggregate Index returned 0.06%. Investors continue to have a strong desire to shorten duration in anticipation of higher yields and are looking to pick up yield beyond the money markets, thus the demand for 1-3y paper remains a key driver of spreads in the front-end. The Fund benefited from its holdings in all credit ratings categories, with high yield credits producing the highest returns. The Fund's biggest relative outperformers were its investments in electric utilities, midstream energy companies, banks, commercial mortgage-backed securities, independent energy producers, and municipal bonds. The largest relative detractors were in bank loans and the Fund's large position in cash instruments such as commercial paper and variable-rate demand notes.

See the table below for more information on average annual returns.

Contributors

- Best performers were industrials within corporate bonds and finance companies within financial institutions.
- Sector performance was strongest in energy.
- An overweight to credit, particularly BBB and BB rated, were the largest credit rating position drivers of performance.
- Longer duration than the benchmark had minimal overall effect on performance during the quarter.

Detractors

- ABS, natural gas, aerospace & defense, cable & satellite, and CLOs had the lowest overall industry returns, albeit all had positive returns.
- The Fund's large cash and equivalents position was a modest detractor from performance.

Standardized Performance: June 30, 2021

Average Annual Returns (%)

USAA Ultra Short-Term Bond Fund	Ticker	Inception Date	Q2 2021	1 Year	5 Year	10 Year	Since Inception	Expense Ratio Gross	Expense Ratio Net
Fund Shares	UUSTX	10/18/10	0.42	4.02	2.31	1.84	1.83	0.60	0.60
Bloomberg Barclays U.S. Treasury Bellwethers 3 Month Index	–	–	0.00	0.09	1.19	0.64	–	–	–
FTSE 3-month T-bill Index	–	–	0.01	0.08	1.14	0.60	–	–	–

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.

*FTSE 3-month T-bill Index (March 1– April 30, 2021) 0.01% and Bloomberg Barclays U.S. Treasury Bellwethers 3 Month Index (May 1 – May 31, 2021) 0.00%.

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. 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 Barclays U.S. Treasury Bellwethers 3 Month Index represents the on-the-run (most recently auctioned) U.S. Treasury bill with 3 months' maturity. **The FTSE 3-month T-bill Index** measures monthly return equivalents of yield averages that are not marked to market and consists of the last three three-month Treasury bill issues.

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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