

Market Commentary

U.S. equities finished the fourth quarter well into positive territory, trimming the extent of their losses for the full year. The market's gains were achieved in October and November, when signs that inflation had peaked alongside less hawkish commentary from U.S. Federal Reserve Chairman Jerome Powell raised hopes that the central bank would end its interest rate hiking cycle in early 2023. Indeed, both the Fed and the European Central Bank raised their benchmark overnight lending rates by a more modest 50 basis points in mid-December. Also supporting sentiment, the Chinese government began to ease the zero-COVID policy that had weighed on global economic growth for much of 2022. However, stocks retreated into year-end as investors focused on the impact of higher rates on economic growth and corporate earnings in the coming year.

Large-cap value stocks posted a gain for the quarter while outperforming their large-cap growth counterparts. The Russell 1000® Value Index returned 12.42% for the quarter, as compared to 2.20% for the Russell 1000® Growth Index. Within the value benchmark, all 11 sectors posted positive performance, with financials, health care, communication services and industrials the biggest contributors to the Index's return.

Fund Performance and Positioning

The USAA Value Fund had a positive total return for the quarter, while underperforming its benchmark, the Russell 1000® Value Index.

The Fund has two managers, each of whom is responsible for investing a portion of the portfolio: Victory Capital Solutions and RS Investments. Victory Capital Solutions uses quantitative analysis to identify companies that meet one of the following criteria: trade at attractive valuations and/or are high quality, as measured by strong and stable profitability. RS Investments uses traditional fundamental in-depth security analysis to find attractively valued, high-quality companies.

For the quarter, stock selection was the principal driver of the Fund's underperformance relative to the benchmark, while sector allocation was essentially a neutral factor in performance. Selection within and an underweight to energy was the biggest detractor, while selection was most positive within health care.

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. In addition to the normal risks associated with investing, 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 are available and may have different performance characteristics.

Holdings are subject to change without notice and should not be considered purchase recommendations.

The Russell 1000® Value Index is a market-capitalization-weighted index that measures the performance of Russell 1000® Index companies with lower price-to-book ratios and lower forecasted growth values.

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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