

Market Commentary

Emerging-market stocks generated a robust gain of 9.70% in the fourth quarter, helping recapture a portion of the loss incurred over the first nine months of the year. The category was boosted by hopes that developed-market central banks could be nearing the end of their long series of interest rate increases. Investors were further cheered by signs China was abandoning the zero-COVID policy that had impeded the country's economic growth throughout 2022. The quarter was also highlighted by substantial rebounds in a number of countries that had underperformed in the previous downturn. Among these were Turkey, the technology-sensitive markets of South Korea and Taiwan, and countries in Eastern Europe. Latin America also registered gains, building on its positive showing in the third quarter. Oil-producing nations, such as Indonesia and those in the Middle East, were among the few to experience losses over the past three months. Crude oil prices trended lower, causing energy stocks to give back some ground after strong outperformance earlier in the year.

A strong recovery in emerging-market currencies versus the U.S. dollar further aided returns for U.S. investors. This represented a key shift from the year's first three quarters, when weakness in emerging-market currencies exacerbated the effects of the downturn in equities.

Fund Performance and Positioning

USAA Emerging Markets Fund finished slightly behind the 9.70% return for its benchmark, the MSCI Emerging Markets Index, in the fourth quarter. Country allocations had a neutral effect on results. An underweight in Saudi Arabia was the leading contributor, while an underweight in China was the largest detractor. Stock selection was a net detractor, with the majority of the adverse impact occurring in China and Brazil.

Information technology, industrials, and health care were the Fund's top sector overweights at the end of the period. Communication services, financials, and utilities were its most notable underweights. With respect to geographic positioning, Korea, Mexico, and Indonesia were the Fund's largest overweights, while key underweight positions included China, South Africa, India, and a number of Middle Eastern nations.

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, if any, are subject to change without notice and should not be

considered purchase recommendations.

The MSCI Emerging Markets Index is a free-float-adjusted, market-capitalization-weighted index designed to measure equity market performance in the global emerging markets. 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 2022 USAA Emerging Markets Fund COM