

## Market Commentary

Global 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.

Global equities returned 9.76%, as gauged by the MSCI All Country World Index. Within the benchmark, 10 of 11 sectors finished in positive territory, with only consumer discretionary posting a slight loss. Positive contributions to the Index's return were led by the financials, health care and industrials sectors.

## Fund Performance and Positioning

The USAA Sustainable World Fund had a positive total return for the quarter and outperformed its benchmark, the MSCI All Country World Index.

The Fund has multiple managers, each of whom is responsible for investing a portion of the portfolio: RS Global, RS Value, NewBridge, Sophus, Trivalent, and THB Asset Management. RS Global seeks to exploit global developed market inefficiencies by combining the best traits of quantitative and fundamental investing. RS Value focuses on U.S. large-cap value companies and NewBridge focuses on U.S. large-cap growth companies, both through bottom-up selection. Sophus focuses on emerging market companies through a quantitative as well as a bottom-up selection process. Trivalent Investments seeks attractive risk-adjusted performance over time through both fundamental analysis of individual securities and overall portfolio risk management. THB focuses on global small-cap companies with a systematic investment process that utilizes both quantitative and qualitative elements.

Stock selection had a modest positive impact on the Fund's return relative to the benchmark for the quarter, while sector allocation was essentially a neutral factor in performance. In sector terms, positive selection within consumer discretionary was partially offset by negative selection within health care and energy. In country terms, selection within the U.S. added the most to relative performance.

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Effective October 1, 2020, the name of the Fund changed from USAA World Growth Fund to USAA Sustainable World Fund. The Fund has also selected the MSCI All Country World Index as its primary benchmark index to replace the MSCI World Index. See the prospectus for details.

**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](http://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. Investments concentrated in a single country, a small number of countries or a specific region typically exhibit higher volatility. 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. Impact investing and/or Environmental, Social and Governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating.

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 All Country World Index (ACWI) is a free-float-adjusted, market-capitalization-weighted index designed to measure the performance of large- and mid-cap stocks across developed and 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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