USAA SCIENCE & TECH FUND QUARTERLY COMMENTARY

USAA® MUTUAL FUNDS

As December 31, 2022

Market Commentary

The broader U.S. equity market performed well in the final three months of the year, with optimism that the U.S. Federal Reserve was nearing the end of its long series of interest-rate increases fueling a rally in October and November. Stocks weakened in December, however, as market participants began to anticipate slowing economic growth and deteriorating corporate earnings in 2023. The positive headline return for stocks belied a wide dispersion in returns under the surface. The gain was largely driven by value stocks and strength in more defensive sectors, while faster-growing market segments—including the small- to mid-sized technology and health care companies in which the Fund invests—generally underperformed. As has been the case throughout the year, the growth category was pressured by rising interest rates. In addition to reducing the current value of corporations' future earnings streams, higher rates weighed on investor sentiment and made capital more expensive for smaller companies.

The Fund's secondary benchmark, the S&P North American Technology Sector Index, gained 1.54% in the quarter but returned -35.36% for the full year. In contrast, the Fund's more broadly based primary benchmark—the S&P 500® Index—returned 7.56% in the quarter and -18.11% in 2022.

Fund Performance and Positioning

Consistent with this challenging environment, USAA Science & Technology Fund posted a negative return in the third quarter. However, it slightly underperformed its primary benchmark, the S&P 500® Index, and outperformed its secondary benchmark, the S&P North American Technology Sector Index.

The Fund's allocation to the biotechnology industry was a key contributor relative to the secondary benchmark. This portion of the portfolio detracted in the first half of the year, when biotech stocks sold off in sympathy with the broader downturn in faster-growing companies. The sector rebounded in the most recent quarter, however, propelling a sizable number of the Fund's holdings to double-digit gains. Stock selection in the semiconductor industry also added value. We were tilted away from the large-cap stocks that led the category lower, and we instead held positions in several small- to mid-sized companies that posted gains on the strength of positive fundamental developments. An underweight in the underperforming interactive media & services industry was a further plus.

On the other hand, several aspects of the Fund's industry allocations hurt third quarter results. Underweights in the technology hardware storage & peripherals and internet & direct marketing retail industries detracted from performance, as did an overweight in life sciences & tools 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. Investments concentrated in an industry or group of industries may face more risks and exhibit higher volatility than investments that are more broadly diversified over industries or sectors. Technology companies may be adversely affected by economic downturns, short product cycles, aggressive pricing, market competition and government regulation. 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.

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.

The S&P North American Technology Sector Index™ is a modified capitalization-weighted index based on a universe of technology-related stocks. The S&P 500® Index is a market-capitalization-weighted index that measures the performance of the common stocks of 500 leading U.S. companies. 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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