**Zach Conine**
***State Treasurer***

STATE OF NEVADA
OFFICE OF THE STATE TREASURER

# NOTICE OF PUBLIC MEETING

## THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

Wednesday, February 27, 2019 at 10:00 a.m.

**Meeting via videoconference at the following locations:**

Dial in access: 1-888-251-2909 Access Code 7399092

**Grant Sawyer State Office Building**
Governor's Conf. Room -Suite 5100
555 E. Washington Avenue
Las Vegas, NV 89101

**State Capitol Building**
OldAssembly Chambers, 2nd Floor
101 N Carson Street
Carson City, NV 89701

## AGENDA

1. **Public Comment.**
   Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 10 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

### Consent Agenda

*Consent Agenda - All matters in this sub-category are considered by the Board of Trustees to be routine and may be acted upon in one motion without discussion. Most agenda items are phrased for a positive action. However, the Board of Trustees may take other actions, such as hold, table, amend, etc.*

2. **For possible action:** Board review and approval of the minutes of the College Savings Board of Trustees meeting on December 13, 2018.

3. **For possible action:** Board review and approval of the Fiscal Year 2018 Annual Audit of the Nevada Prepaid Tuition Program by Eide Bailly, LLP.

4. **For possible action:** Board review and approval of the Fiscal Year 2018 Annual Report for the Nevada Prepaid Tuition Program.

## Discussion Agenda

5. **For possible action:** Board review and approval of the following investment change in the Vanguard 529 Plan: Merger of the Morgan Growth Fund and the U.S. Growth Fund into a new fund to be named the Vanguard U.S. Growth Fund.

6. **For possible action:** Board to receive a presentation from USAA and Victory Capital regarding the impending acquisition of USAA Asset Management Company, including the USAA 529 Plan by Victory Capital Holdings, Inc.

7. **Closed Session:** Board to enter into a closed session pursuant to NRS 241.015(3)(b)(2) with counsel to discuss the contract and contract negotiations associated with the impending acquisition of USAA Asset Management Company, including the USAA 529 Plan by Victory Capital Holdings, Inc.

8. **For possible action:** Board to direct Treasurer Conine and Staff regarding the contract negotiations with USAA and Victory Capital Holdings, Inc.

9. **For possible action:** Board review and approval of considerations for the proxy vote associated with the acquisition of USAA Asset Management Company, including the USAA 529 Plan by Victory Capital Holdings, Inc.

## Informational Agenda

10. Staff to provide information on the merger of Pension Consulting Alliance, Inc. and Meketa Investment Group, Inc.

11. **Public Comment.**

Comments from the public are invited at this time. Pursuant to NRS 241.020(2)(d)(7), the Board intends to limit to 10 minutes the time for an individual to speak and may impose reasonable restrictions on place or manner for such comment. No restriction will be imposed based on viewpoint. Comment will only be received on matters relevant to the Board's jurisdiction. The Board may discuss but is precluded from acting on items raised during Public Comment that are not on the agenda.

**12. Adjournment.**

Notes:

Items may be taken out of order; items may be combined for consideration by the public body; and items may be pulled or removed from the agenda at any time.

Prior to the commencement and conclusion of a quasi judicial proceeding that may affect the due process rights of an individual, the Board may refuse to consider public comment. See NRS 233B.126.

The College Savings Board of Trustees is pleased to provide members of the public supporting material for the meeting as well as make reasonable accommodations for members of the public who are disabled and would like to attend the meeting.

If supporting material or special arrangements for the meeting are required, please notify Beth Yeatts with the Office of the State Treasurer, 555 E Washington, Suite 4600, Las Vegas, NV 89101 or call (702) 486-3889 or fax your request to (702) 486-3246 as soon as possible. Materials will also be available at the Office of the State Treasurer, College Savings, 555 E. Washington Suite 4600, Las Vegas, NV 89101 and State Capitol, 101 N. Carson Street, Suite 4, Carson City, NV 89701.

THIS AGENDA HAS BEEN POSTED IN THE FOLLOWING PUBLIC LOCATIONS:

- Capitol Building, 1st & 2nd Floors, Carson City, Nevada
- Legislative Building, Carson City, Nevada
- Nevada State Library, Carson City, Nevada
- Blasdel Building, Carson City, Nevada

Also online at:
http://www.nevadatreasurer.gov/uploadedFiles/treasurernvgov/content/CollegeSavings/CSB_Schedule2019(1).pdf and https://notice.nv.gov/

# THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

# Agenda Item 2
# February 27, 2019

**Item: The minutes of College Savings Board of Trustees Meeting of December 13, 2018.**

**Summary:**

The minutes of the Board have been prepared and are complete for review and approval**.**

**Fiscal Impact:** None by this action.

**Staff recommended motion:**

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| **To approve, as stated or amended (if applicable), the minutes of the December 13, 2018, College Savings Board of Trustees meeting.** |

THE BOARD OF TRUSTEES OF

THE COLLEGE SAVINGS PLANS OF NEVADA

MINUTES OF BOARD MEETING
December 13, 2018

Chairman Jeff Haag called the meeting of the Board of Trustees of the College Savings Plans of Nevada to order at 10:03 a.m., on Thursday, December 13, 2018. The meeting was held by video conference from the Nevada Capitol Building, 101 N. Carson Street, Carson City, Nevada to the Grant Sawyer Building, 555 East Washington Avenue, Suite 5100, Las Vegas, Nevada. Other attendees participated in person or by conference call.

<u>Board Members present:</u>

Chairman Jeff Haag – Carson City
Vice Chair Stephanie Shepherd – Carson City
Susan Brown – Excused
Bob Seale – Carson City
Andrew Martin – Las Vegas
Grant Hewitt – Las Vegas, Ex-Officio Non-Voting Board Member

<u>Others present:</u>

Tara Hagan, Chief Deputy Treasurer
Beth Yeatts, Senior Deputy Treasurer – South
Sheila Salehian, Deputy Treasurer – South
Wayne Howle, Attorney General
Sue Hopkins, Ascensus
Lisa Connor, Ascensus
Ed Tromey, Ascensus
George DuCasse, Ascensus
Ardie Hollinsworth, Ascensus
Trinda Freese, Amplify Relations
Megan Bedera, Amplify Relations
Tom Hewitt, Vanguard
Salma Meraz, USAA
Paul Fulmer, USAA
Julius Barnes, USAA
Mike Narkiewicz, SSGA
Dan Cahill, SSGA
Judy Minsk, Putnam

Roll was taken, and it was determined a quorum was present. Beth Yeatts indicated the meeting had been properly noticed and the agenda was posted in accordance with the Open Meeting Law in both Carson City and Las Vegas.

**AGENDA**

**Public Comment**

No public comment in Carson City, Las Vegas or telephone.

**Consent Agenda**

2. **For possible action:** Board review and approval of the minutes of the College Savings Board of Trustees meeting of October 18, 2018.

3. **For possible action:** Board review and approval of the College Savings Board follow-up item from the October 18th Board meeting regarding the history of the Prepaid Tuition Plan returns and tuition rates.

4. **For possible action:** Board review and approval of Staff Notes

5. **For possible action:** Board review and approval of the Ascensus program manager's report encompassing results for Vanguard, USAA, SSGA Upromise and Wealthfront 529 plans for the quarter ended September 30, 2018.

6. **For possible action:** Board review and approval of the Putnam 529 for America program manager's report for the quarter ended September 30, 2018.

7. **For possible action**: Board review and approval of the Nevada Prepaid Tuition Program activity report for the quarter ended September 30, 2018.

8. **For possible action:** Board review and approval of the Thomas & Thomas unaudited financial statements of the Nevada College Savings Plans compiled for the quarter ended September 30, 2018.

9. **For possible action:** Board review and approval of the education and outreach expenditure report for the SSGA Upromise 529 Plan for the quarter ended September 30, 2018 to be recorded as non-cash revenue in the State's accounting system.

10. **For possible action:** Board review and approval of the BNY Mellon Custody Services contractual agreement.

**11. For possible action**: Board review and approval of the contractual agreement with Pension Consulting Alliance, Inc. which includes investment oversight consulting services for all Nevada college savings programs.

**12. For possible action**: Board review and approval of the revised Nevada College Kick Start Policies and Procedures Handbook.

**Bob Seale** requested to pull agenda item 5.

**Vice Chair Shepherd motioned to approve the Consent Agenda Items 2, 3, 4, 6, 7, 8, 9, 10, 11 & 12 with no changes or discussion. Bob Seale seconded the motion. Motion passed unanimously**.

**Member Seale** questioned if Wealthfront only had 88 Nevada funded accounts.

**Grant Hewitt** stated that was correct, that Wealthfront has only 88 Nevada funded accounts. Wealthfront has always indicated that they had more accounts in Northern California, but they are now targeting Nevada and have doubled the number of Nevada accounts over the last year.

**Vice Chair Shepherd motioned to approve the Consent Agenda Item 5. Bob Seale seconded the motion. Motion passed unanimously**.

**Discussion Agenda**

**13. For possible action:** Board review and approval of the Nevada Prepaid Tuition Investment Monitoring Report prepared by Pension Consulting Alliance for the quarter ending September 30, 2018.

Eric White, with PCA, presented the Nevada Prepaid Tuition Investment Monitoring Report for the quarter ending September 30, 2018. He stated that while there has been a lot of volatility in the markets since the quarter ended, the September report showed very solid returns with the portfolio increasing in value by $12 million for the quarter; and, increasing for the 1-year period by $25 million. The Program is extremely well-funded, and the funded ratio is approaching 150%. Mr. White stated that the performance of the different asset classes was in line with expectations and within their individual benchmarks.

**Vice Chair Shepherd** asked for an update on how the portfolio is currently positioned based on the market volatility since the end of the quarter.

Mr. White stated that he would expect the portfolio to be down in the 8 – 10% range from this point.

**Vice Chair Shepherd** asked if there was anything that PCA would recommend for the Board to consider regarding investments positioning based on the recent volatility and outlook.

Mr. White stated that given the current funded status, the long run in risk assets, and the fact that we are now entering a period of higher volatility, that the natural question would be do we de-risk the portfolio? PCA believes the portfolio is well-balanced and robust for most market environments but will keep an eye on the situation.

**Vice Chair Shepherd** asked Mr. White how this portfolio compared in terms of risk compared to other institutional portfolios.

Mr. White answered that this portfolio is more conservative than average and one of the least aggressive that he works with.

**Bob Seale motioned to approve Agenda Item 13. Vice Chair Shepherd seconded the motion. Motion passed unanimously**.

14. **For possible action**: Board review and approval of the Nevada 529 College Savings Plans Investment Monitoring Report prepared by Pension Consulting Alliance for the quarter ending September 30, 2018.

Eric White, PCA, presented the Nevada 529 College Savings Plans Investment Monitoring Report starting with the performance of the different plans. Mr. White went over the fund performance status of each fund in each program and stated that there was strong performance across the different plans.

**Vice Chair Shepherd** asked Mr. White to explain a little more about the international accounting he had mentioned.

Mr. White explained that fair market value adjustments occur when US based funds own shares in overseas companies and a lag occurs between when the market moves and when funds are priced in the US; it is caused due by the different time zones across the globe.

**Member Martin** questioned if the foreign investments are held in foreign currency or in U.S. dollar accounts.

Mr. White stated that most of the assets are in foreign currency equities.

**Member Martin** asked which currencies are predominant in the investments we hold.

Mr. White stated the Euro is the largest holding.

Mr. White presented the Watch Report and pointed out that there are two funds currently on watch that PCA recommends remain on watch - USAA Income Stock fund and USAA Small Cap Stock fund. Since being placed on watch the Income Stock fund has continued to trail its benchmark and has been on watch over 18 months. PCA does not believe there are structural concerns but rather just stock selection issues and they will continue to monitor. The Small Cap Stock fund has been on watch over 15 months and has outperformed over those months but only by about 30 basis points. The short-term performance has shown a strong upward movement but still remains within the watch criteria. Both funds will continue to be monitored over the coming periods

**Vice Chair Shepherd** noted that the Income Stock fund has been on watch for 18 months and it is due to a stock selection issue. She asked if this was a manager issue and how long does PCA continue to keep a fund on watch when there are no improvements.

Mr. White replied that a stock selection issue can be reflective of a manager's bias or it can lean more toward the manager's stock selections. He did note that there is a slight mis-match between this fund and its benchmark. This fund is median relative to its peers so there are not a lot of alternative choices. As the fund nears its 24-month mark, PCA will begin to take a closer look at other options.

Mr. White stated that PCA is recommending three additional funds be placed on Watch Status: USAA Growth, USAA Value and USAA Emerging Market funds. The USAA Growth fund has mimicked other growth funds, and many are being placed on watch lists due to their narrow leadership. The USAA Value fund has historically been a strong performer but did drop below the watch list threshold. The USAA Emerging Market fund has trailed materially over the short term due to poor country allocation; it was slightly over-weighted in Turkey and Turkish equities were down over 40% for the time period.

**Chair Haag** question if the Board should be concerned with the number of USAA funds on Watch Status.

Mr. White replied that is a difficult question to answer. He stated that when looking across all the programs there does seem to be a noticeable concentration of USAA funds that have underperformed, however each is understandable at the individual fund level, so it is hard to make an argument that it is a USAA problem.

Paul Fulmer, USAA, explained that all the funds on watch have their own unique reason for falling on watch, stating there is a robust process in the manager selection process based on their capabilities. USAA has made some manager changes and believes this will help. USAA continues to monitor the funds and believes that they will come off Watch soon.

**Member Seale** asked if Staff had any thoughts on the Watch recommendations.

Tara Hagan stated that Staff agrees with PCA's recommendations and will continue to monitor the funds.

**Bob Seale motioned to approve Agenda Item 14. Vice Chair Shepherd seconded the motion. Motion passed unanimously**.

**15.** **<u>For possible action:</u>** Board review and approval of the annual investment presentation for SSGA Upromise 529 Plan.

Dan Cahill, with SSGA, thanked Ascensus and the Board for the partnership and introduced his colleague, Mike Narkiewicz to present the annual investment review for its 529 Plan. Mr. Narkiewicz went over in detail the current and future market and economic outlook.

**Member Martin** asked if SSGA had any thoughts on the impact of the inverted yield curve if the Fed raises interest rates. Mr. Narkiewicz replied that they do not believe that the December hike will result in an inverted curve, but even so the last 3-5 times that an inversion occurred, it was still about 28 months after the inversion that a recession occurred so SSGA believes there is still a lot of time for great performance.

**Member Martin** then asked SSGA's opinion on the exposure to the devaluation of the Mexican peso. Mr. Narkiewicz stated that SSGA doesn't generally single out individual countries when looking at emerging market currency valuations but stated that Mexican valuations – as well as other emerging market countries - have become more attractive.

Mike Narkiewicz continued to discuss SSGA's tactical asset allocation; SSGA Upromise 529 Plan allocations; and, performance and SSGA account performance review.

**Andrew Martin motioned to approve Agenda Item 15. Vice Chair Shepherd seconded the motion. Motion passed unanimously**.

**16.** **<u>For possible action:</u>** Board to receive information regarding the announcement by USAA to enter into a purchase agreement with Victory Capital Holdings, Inc., in which Victory would acquire USAA Asset Management Company (which includes its 529 Savings Plan). This transaction is expected to close during the second quarter of calendar year 2019.

Tara Hagan gave a brief summary regarding the Victory Capital Holdings, Inc's acquisition of the USAA Asset Management Company. Staff learned about this transaction on November 7, 2018, during a joint telephone call with Ascensus and USAA. She explained that the USAA Board of Trustees expects to issue a proxy sometime in January and the acquisition will close sometime in the late 2nd quarter of 2019. Staff and Jamie Canup, outside counsel, in conjunction with Ascensus and USAA, have had several calls to gather information in order to bring forth recommendations to the Board in January or February.

Paul Fulmer, with USAA, indicated that USAA will deliver a more detailed discussion on the transaction, the timeline, the current process and the future processes that will be undertaken with the State. Mr. Fulmer stated that USAA reached out to Ascensus and the State as the announcement was being made public. Victory Capital is a public company so certain non-public information could not be released – nor any notification made – any sooner.

It is Victory Capital's intent to acquire the asset management company of USAA, which includes USAA mutual funds, exchange-traded funds, and the 529 plan. The combined entities will basically double the size of Victory Capital Management. Victory was carved out of Key Bank in 2013 and has continued to grow through several acquisitions. It currently has 9 boutique asset managers under its corporate umbrella, and has been acquiring specialty mangers with specific skills and capabilities. The USAA asset management company will be its largest acquisition to date.

The mixture of the two organizations is very complementary from an assets managed and approach to the market. Victory historically has been very strong in certain specialized equity classes, especially the emerging markets and US small capitalization spaces, as well as others, whereas USAA has typically had a very strong presence in its fixed income capabilities combined with the use of subadvisors on the equity side.

Victory intends to establish a very significant presence in San Antonio where they will bring over more than 300 USAA employees to that location, including the employees that are currently servicing the Nevada 529 program. Victory is committed to continue to serve the USAA membership through a contractual agreement with USAA, in terms of a co-branding, co-marketing and a servicing arrangement.

Mr. Fulmer outlined the timeline by saying that the announcement was made in early November and the USAA Mutual Fund Board will be expected to meet on January 15th to approve the proxy solicitation. USAA will provide that information to Ascensus and Staff as soon as it has been filed with the SEC but before the general proxy solicitation. In beginning of February, they expect to go out to the entire shareholder base for approval in the change of advisory agreements as is required in these situations. A joint presentation by Victory Capital and USAA senior executives is planned for the Board at its next meeting in January or February. A lot more details regarding the background for why the two entities decided to partner and the type of go forward operating model that is expected will be provided at that time. Finally, the shareholders' meeting is expected to occur in April for approval of the advisory changes, with the acquisition closing in June and the transition following thereafter.

**Grant Hewitt** asked for the specific timeline on how long the licensing and trademark agreements are guaranteed.

Mr. Fulmer stated that the licensing and trademark agreement is guaranteed as part of the sales agreement for a 3-year period from close and then there are terms to allow the ability to extend. It is expected that Victory and USAA will continue to have a dialogue that will result in a longer-term arrangement.

**Grant Hewitt** questioned if the 3-year trademark agreement guaranteed access to the distribution channel that makes USAA's cost of acquisition per 529 so appealing.

Mr. Fulmer affirmed that it does. Both USAA and the 529 will maintain a significant presence, both on USAA digital assets and USAA.com where a lot of their sales are made. There will be a referral model through the USAA call center where a USAA employee will take the initial call and inquiry from a member; then based on the member's need and appropriateness of the product will transfer the call to a former USAA/current Victory employee to find a solution.

Salma Meraz, USAA, emphasized that the current digital channel is their largest channel to date, and it is how 70% of the 529 accounts are acquired. It will continue to exist and will be co-branded between USAA and Victory going forward.

**Grant Hewitt** asked if end users would notice that they are leaving the USAA app to move to the Victory app.

Salma Meraz, USAA, replied that they do not experience it today as it is a two-part application; part I owned by USAA and part II owned by Ascensus. She noted that customers will experience moving forward is a USAA – Victory Capital disclosure and then move on to the Ascensus acquisition flow.

**Grant Hewitt** stated that there had been great discussion between Ascensus and the State about moving towards a mobile friendly enrollment process that would take away the two-part process and integrate it straight with the app. He asked of that is still part of the plan. Mr. Hewitt also asked what would be the effect on the app when you are in it and move to the Victory side of the app?

Paul Fulmer replied that it would be USAA's expectation to move forward but currently they are looking at all USAA projects in the que prior to the announcement. They are re-prioritizing as there will be a significant amount of work from a transition standpoint. Mr. Fulmar stated that he would go back and attempt to confirm that this project will still go forward and the implementation date.

**Grant Hewitt** commented that as part of this transaction, the servicing of the accounts will move over to Victory. Mr. Hewitt asked if the servicing infrastructure at Victory exists today or will it need to be developed. He wondered if that is part of the transition timeline and what that timeline looks like. He also asked when the full handover of technology and other things to Victory will occur.

Mr. Fulmer replied that Victory is not directly set up for servicing. They have traditionally been set up as a marketing firm that deals with the advisors, large institutional clients and a large mutual fund presence. This is one of the large reasons why Victory Capital will be moving over 300 USAA employees in San Antonio to continue the direct service capabilities from the USAA direct model. They also have a good backbone of general infrastructure, so a large interruption is not expected. Paul Fulmer stated that there is a transition service agreement currently being drafted which will be executed prior to close and it will lay out the specifics around those processes so on the day of close everything will remain exactly the same. For about an 18-month period, there will be transitions from the current systems that run and operate the programs through USAA to systems that will be Victory Capital's responsibility.

**Grant Hewitt** requested a summary of how USAA became comfortable with Victory's ability to take on this product that is not traditionally how they operate. He also asked if USAA believed that Victory can maintain and continue to grow the plan in the event there is a disruption to the direct access to the USAA clientele.

Paul Fulmer reminded the Board that this point of discussion will be addressed in more detail when the USAA and Victory executives present at the next Board meeting. He then stated that this decision made at the USAA Board of Directors level, in regard to this transaction and it was not taken lightly but based on a strategic look at the USAA businesses and what they felt they could be the strongest at and what they felt they could better serve the membership with through alternative means and arrangements.

With regards to how the Board became comfortable with Victory, there was a very significant vetting and selection process that was made to select Victory. It took about 6 months to prepare to go out for bid and then it was about another 6 months for the bid, evaluation and selection processes. Some of the things that were clear was that Victory came out of a bank so they had some of the same culture; the fact that they had come out of a larger organization and then stood alone for a while; their commitment and interest/desire to move over to the direct distribution model; and, their expressed sincere desire to support the USAA's mission and the military – USAA's core constituency. As part of the transaction, Victory has committed to establishing a foundation of $1 million, plus ongoing funding, to support financial literacy of the military and their families.

Finally, USAA has large products it manufactures and distributes, but it also has many relationships where it is not the manufacturer of the product but instead more takes on the vetting and referral of those products to meet the needs of the members, so this not unique to this relationship.

**Grant Hewitt** asked if this transaction was disingenuous to USAA members who purchased the plan with the USAA. He stated that this was the first time that USAA has gone out and sold its members to another entity. That is, in this case USAA's unique client base purchased the plan based on the USAA integrity. The members have put their trust in USAA, and they have no idea that the product has been sold to a different company.

Mr. Fulmer stated that it is certainly different than other relationships. They have had other products and services in the past that were discontinued or transferred to another party, but they were on a much smaller scale in the past.

**Member Martin** stated he felt uneasy after hearing several of USAA funds are on Watch status and hearing that the size of Victory Capital will double. Mr. Martin said that the infrastructure and cultural differences, combined with the weakness in the funds, have made it feel like a lot of risk and made him uneasy.

Mr. Fulmer confirmed that Victory will double in size; however, Victory will also double their employee base through this transition, and it will be the same employees who are currently servicing USAA members for a long time. The USAA Board members are taking this transition very seriously and making sure they work with Victory to be certain Victory sets up the systems and capabilities required to ensure a smooth transition.

**Chair Haag** asked USAA to expand on whether there is a desire or intent to ensure that the USAA members will continue to have a 529 plan geared towards that community specifically beyond the initial 3-year term. Mr. Haag also asked why is there such a short-term licensing agreement if USAA has a long-term goal regarding maintaining a 529 plan for its membership.

Mr. Fulmer stated that it is USAA's desire to continue to offer members solutions to meet their financial security. Regarding the 3-year licensing, there is the ability to extend and there is an intention to look to establish a longer-term relationship that would provide availability and opportunity for the USAA membership.

**Chair Haag** stated that he would feel better with a longer-term licensing agreement that would show a greater commitment to the USAA community as that community is especially important to the Board. He requested that the executives that will be attending the future meetings expand on that commitment.

**Member Seale** commented that he felt the answers to the questions asked by the Staff were lacking and he would like to see USAA have a dialogue with Staff so that the Board feels more comfortable with this transaction and its details. Mr. Seale stated that he is bothered by USAA funds being on Watch while merging into Victory, so he urges USAA to get Staff and the Board the requested information, so they can form a good fiduciary opinion.

Paul Fulmer replied that these concerns would be taken back, and they would work to provide more information and allay concerns.

**Vice Chair Shephard** asked if the RFP process was public or private.

Mr. Fulmer stated it was more of an investment/banking deal proposal process that goes through the channels of typical investment banking for sales of companies than an RFP process.

**Vice Chair Shephard** stated that the size of this deal is concerning and would like to hear from the executives at the future meeting on how USAA and Victory are going to deal with the large amount of interruption and would like to understand the transaction service agreements.

George DuCasse, with Ascensus, stated that USAA is their partner and the State of Nevada is their client. Ascensus' obligation to the Board is to make sure there is due diligence where it's appropriate to protect the Board and to get as much information to the Board as possible, so it can make decisions. Mr. DuCasse stated that they are concerned about risk, making sure something doesn't go wrong and that people are not impacted negatively. They have a very robust vendor management process and they use it frequently.

Ed Tromey, with Ascensus, explained the vendor oversight process as it relates to Victory. First, is the general oversight for all vendors that begins with a questionnaire so Ascensus can determine where they want to focus their efforts. The invasive questionnaire has 13 categories with over 100 questions and is geared towards security. From his perspective, since there are 300 employees moving over from USAA to Victory you get rid of the knowledge risk but run into a security risk because new people and platforms now have access to the data. Combine that with Victory doubling its size and you need to make sure they have the right infrastructure to support this transition on an ongoing basis; this is done through penetration tests, disaster recovery tests, etc. The second piece is to conduct sub advisor due diligence which involves Ascensus looking at compliance structure, regulatory compliance issues, and all public information.

**Chair Haag** asked how responsive Victory has been and has involved has State Staff been in Ascensus' assessment process.

Sue Hopkins, Ascensus, responded that they have had several calls with USAA and State Treasurer Office Staff and only one call in which Victory was included so far. There has not been a lot of detailed discussions with Victory, rather more back and forth regarding what kind of information is needed. The questionnaires just went out earlier this week so hopefully those will be returned within the next week or two so that Ascensus can determine what will be required next.

**Member Seale** stated that he was surprised that it was 5 weeks into this process and Ascensus was not further along in the process. He asked for an explanation.

George DuCasse responded that Ascensus had evaluated all the information received to date, which was delivered about 1 ½ weeks ago. They used that information to lay out the framework for the questionnaire that was sent out to Victory a couple of days ago.

Paul Fulmer stated that while 5 weeks may seem like a long period of time, but for a large transition that is very complex it is not; that is why there is a six-month timeline to close. There is a lot of work and a lot of details that need to be flushed out.

**Member Seale** stated the goal should be for the parties to get as much information as quickly as they can so that the Board can make a decision.

**Vice Chair Shephard** commented that there needs to be a huge focus on retention and maintaining the USAA culture. Given all that, she asked if there is a transition plan in place for the employees and would like to see more detail on that.

Mr. Fulmer stated that one of the key focuses has been to set up a plan for employees. Employee communications have been a critical focus from USAA's perspective during this transaction and USAA would be happy to come back to the Board with more details.

**Tara Hagan** stated that while she appreciates the comments and questions from the Board to USAA however, she wants the partners to bring information to Staff prior to presenting it at Board meetings for the first time so Staff can vet the information and provide due diligence to the Board.

**Chair Haag** stated that the Board is tasked with making a very big decision as it relates to its participation in the plan in a very short period. It is imperative that the USAA, Victory, Ascensus and the Treasurer's Office Staff are continuously engaged together in the process and development of the process. The Board is very dependent on Staff and their insight and engagement in this process, so if they're not being included then the Board's decision is at risk. The continuation of a good relationship with USAA, Victory and Ascensus is in jeopardy if the Board does not have good, thoughtful, and accurate answers to the questions that were raised today. There are concerns in two areas: The overall performance of the funds and the fact that there are 5 on Watch list and will the acquisition by Victory improve the performance; and, secondly how will USAA and Victory maintain the integrity of the unique membership of the program. Chair Haag stressed that it is a priority of the State that Nevada be the most veteran-friendly state in the country and this program feeds into that state-wide initiative. Mr. Haag wants to make sure that relationship be maintained with the new parent organization over the long-term, and three years is not the long-term. He instructed that those are the questions that will need to be answered at the next Board meeting before the Board can make a decision.

Paul Fulmer stated they will absolutely address his concerns and will continue to work to get information to the State.

**Vice Chair Shephard motioned to direct Staff to continue their diligent fact gathering and provide an analysis to the Board at the earliest appropriate time of the proper next steps and potential outcomes relating to Nevada assets involved in the above mentioned purchased regarding Agenda Item 16. Andrew Martin seconded the motion. Motion passed unanimously**.

**17. For possible action**: Discussion and possible approval of an increase in the maximum allowable lifetime contribution up to as much as $500,000 to the Nevada College Savings Plan pursuant to NAC 353B.645 and set effective date of July 1, 2019.

Tara Hagan presented Staff's recommendation to increase the 529 plan's lifetime allowable lifetime contribution to $500,000, which is consistent with Internal Revenue Code and with several other states. She explained the methodology used by Staff to arrive at that number. Staff used 4 years of undergraduate expenses at Stanford University plus 3 years of graduate expenses at Stanford Law, and of which expenses include room, board and tuition.

**Chairman Haag** stated that he believed using the higher education costs to attend Stanford University was a wise decision and requested that Staff continue to monitor the 529 landscape to determine if/when appropriate to begin including K-12 costs in calculating the maximum aggregate limit in the future.

**Bob Seale motioned to accept and approve the specific amount of $500,000 as the maximum aggregate lifetime limit. Andrew Martin seconded the motion. Motion passed unanimously**.

## Informational Agenda

**18.** Board to receive an update on "Let's Go to College! Nevada Saves" from Amplify Relations for the quarter ending September 30, 2018

Grant Hewitt gave the Board an update on "Let's Go to College! Nevada Saves" as outlined in the agenda.

**19. Public Comment:** Grant Hewitt announced that this was his last CSB meeting as ex-officio and stated that it has been a great privilege to work with each Board Member. Board Members thanked Grant for his service and commitment to the Board. There was no other public comment in Las Vegas, Carson City, or telephone.

**Meeting was adjourned at 12:12 p.m.**

# THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

## Agenda Item 3
## February 27, 2019

**Item:** **Fiscal Year 2018 Annual Audit of the Nevada Higher Education Prepaid Tuition Trust Fund**

**Fiscal Impact:** None by this action.

**Summary:**
Pursuant to NRS 353B.180, the Board shall contract with a certified public accounting firm to perform an annual audit of the Nevada Higher Education Prepaid Tuition Trust Fund. Eide Bailly, LLP. was retained to prepare the 2018 Annual Audit.

Based on their findings, the auditor has provided an unqualified opinion that the financial statements prepared by management, fairly represent the financial position of the Trust Fund in all material respects. The audit must be approved by the Board prior to inclusion in the 2018 Prepaid Tuition Program Annual Report.

Eide Bailly representative, Dan Carter will be available to answer any questions.

February 14, 2019

To the Board of Trustees
Nevada College Savings Plan Board
Carson City, Nevada

We have audited the financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund) as of and for the year ended June 30, 2018, and have issued our report thereon dated February 14, 2019. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards***

As communicated in our letter dated September 26, 2018, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Trust Fund solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards dated February 14, 2019.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

**Compliance with All Ethics Requirements Regarding Independence**
The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

**Qualitative Aspects of the Entity's Significant Accounting Practices**

*Significant Accounting Policies*
Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Trust Fund is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2018. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant Accounting Estimates*
Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are Management's estimates of the contributions receivable and tuition benefits payable and are based on the actuarial valuation. We evaluated the key factors and assumptions used to develop the contributions receivable and tuition benefits payable in determining that they are reasonable in relation to the financial statements taken as a whole.

*Financial Statement Disclosures*
The financial statement disclosures are neutral, consistent, and clear.

**Significant Difficulties Encountered during the Audit**
We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Uncorrected and Corrected Misstatements**
For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.

The State provides the trial balance prior to the release of the actuary report. As such, Eide Bailly adjusts the amounts associated with contributions receivable and benefits payable from estimates made by the State to actual amounts determined by the actuary. See below for the adjustments made during the audit:

- To adjust benefits payable to match the actuarial valuation and to reclassify current portion from long-term.

| | | |
|---|---|---|
| Current portion of tuition payable | $1,490,966 | |
| Tuition benefit payable | $1,717,388 | |
| Tuition benefit expense, actuarial accrual | | $3,208,354 |

- To adjust contributions receivable to match the actuarial valuation and to reclassify current portion from long-term.

| | | |
|---|---|---|
| Tuition contributions, actuarial accrual | $2,428,228 | |
| Current portion of tuition receivable | | $ 366,064 |
| Contribution receivable | | $2,062,164 |

- To reclassify contribution revenue associated with the actuarial accrual from participant contributions.

| | | |
|---|---|---|
| Tuition contributions, actuarial accrual | $9,098 | |
| Participant contributions | | $9,098 |

**Disagreements with Management**
For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

**Representations Requested from Management**
We have requested certain written representations from management that are included in the management representation letter dated February 14, 2019.

**Management's Consultations with Other Accountants**
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other Significant Matters, Findings, or Issues**
In the normal course of our professional association with the Trust Fund, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Trust Fund's auditors.

**Modification of the Auditor's Report**
We have made the following modification to our auditor's report.

We have included an emphasis of matter paragraph in our report to draw attention to the fact that the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

This report is intended solely for the information and use of the Board of Trustees, and management of the Trust Fund and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Reno, Nevada

Financial Statements
June 30, 2018

# State of Nevada
# Office of the State Treasurer
# Higher Education Tuition Trust Fund

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## Independent Auditor's Report

To the Board of Trustees
Higher Education Tuition Trust Fund
Carson City, Nevada

**Report on the Financial Statements**

We have audited the accompanying financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, which comprise the statement of net position as of June 30, 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Trust Fund, as of June 30, 2018, and the respective changes in financial position and cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**
As discussed in Note 1, the financial statements present only the Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Nevada, as of June 30, 2018, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**<u>Other Matters</u>**

**Required Supplementary Information**
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-6, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Report on Summarized Comparative Information**
We have previously audited the Trust Fund's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 8, 2018. In our opinion, the summarized comparative information presented herein as of, and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Reporting Required by *Government Auditing Standards***
In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2019, on our consideration of the Trust Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Fund's internal control over financial reporting and compliance.

Eide Bailly LLP

Reno, Nevada
February 14, 2019

As management of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), we offer readers of the Trust Fund's financial statements this narrative overview and analysis of the financial activities of the Trust Fund for the fiscal year (FY) ended June 30, 2018.

## FINANCIAL HIGHLIGHTS

The Trust Fund's financial position continued to significantly improve in Fiscal Year 2018.

- The Trust Fund's total assets and deferred outflows grew by $22,245,488 in FY 2018. This represents an increase of 7% from the prior fiscal year. These assets are used to pay tuition benefits on behalf of contracts purchased.

- The Trust Fund's total net position in FY 2018 was $103,065,998, which is an increase of $25,313,093 from the prior year. The growth is primarily due to strong investment performance.

- The Trust Fund's certified actuary reported that the funded status of the Prepaid Tuition Plan (the Plan) as of June 30, 2018 was 142.0%, utilizing a rate of return on actuarial value of assets of of 6.1% per year (147.46% if the market value of assets was used). This is an increase from the funded status of 132.7% as of June 30, 2017, and continues to be one of the highest funding ratios nationwide for a state prepaid tuition plan.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Trust Fund's annual report. The Trust Fund's financial report consists of: Management's Discussion and Analysis (MD&A), Basic Financial Statements including Notes to the Financial Statements and a Compliance Section.

## REQUIRED FINANCIAL STATEMENTS

The financial statements of the Trust Fund report information about the Trust Fund, which is considered an enterprise fund (proprietary fund type). Proprietary funds use the full accrual basis of accounting, similar to that used by private sector companies. Under this method, revenues are recorded when earned and expenses are recorded at the time a liability is incurred. The Statement of Net Position includes all of the Trust Fund's assets and deferred outflows and liabilities and deferred inflows and provides information about the nature and amount of its resources and the obligations to contract holders. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This Statement measures the success of the Trust Fund's operations over the past year, and can be used to determine whether the Trust Fund has successfully met all of its costs through its tuition contributions, along with other fees and charges for sales and services. The final statement is the Statement of Cash Flows, which is used to provide information about the Trust Fund's cash receipts, cash payments and net changes in cash resulting from operating, investing and financing activities.

## NET POSITION

Net position may serve over time as a useful indicator of financial position. In the case of the Trust Fund, the Trust Fund's position increased significantly (33%), ending with net position of $103,065,998.

The vast majority of the Trust Fund's assets, 85%, are its investments. The Trust Fund uses these assets to pay future tuition benefits for contracts purchased.

Higher Education Tuition Trust Fund Net Position

| | 2018 | 2017 |
|---|---|---|
| Assets | | |
| Current and other assets | $ 321,411,717 | $ 299,161,095 |
| Net capital assets | 56,706 | 73,405 |
| Total Assets | 321,468,423 | 299,234,500 |
| Deferred Outflows | | |
| Pension related | 55,017 | 47,077 |
| OPEB related | 3,625 | - |
| Liabilities | | |
| Current liabilities | 17,689,218 | 19,297,822 |
| Noncurrent liabilities | 200,738,842 | 202,209,112 |
| Total Liabilities | 218,428,060 | 221,506,934 |
| Deferred Inflows | | |
| Pension related | 25,413 | 21,738 |
| OPEB related | 7,594 | - |
| Net Position | | |
| Net investment in capital assets | 56,706 | 73,405 |
| Unrestricted | 103,009,292 | 77,679,500 |
| Total Net Position | $ 103,065,998 | $ 77,752,905 |

The Trust Fund's net position continued to grow in FY 2018, for the sixth year in a row. The net position increased from $77,752,905 in FY 2017 to $103,065,998 in FY 2018, an increase of $25,313,093 or 33% over the prior fiscal year. This increase is primarily due to an increase in investment performance.

## CHANGE IN NET POSITION

Higher Education Tuition Trust Fund Change in Net Position

| | 2018 | 2017 |
|---|---|---|
| Operating Revenues | | |
| Tuition contributions and other revenues | $ 13,934,152 | $ 17,932,464 |
| Operating Expenses | | |
| Operating expenses before depreciation | 11,275,605 | 23,356,058 |
| Depreciation | 16,698 | 16,698 |
| Total Operating Expenses | 11,292,303 | 23,372,756 |
| Operating Income (Loss) | 2,641,849 | (5,440,292) |
| Nonoperating revenues (expenses) and interest income | 21,987,460 | 23,502,640 |
| Contribution - State of Nevada College Savings Trust | 683,784 | 627,175 |
| Change in Net Position | 25,313,093 | 18,689,523 |
| Net Position, July 1 | 77,752,905 | 59,063,382 |
| Net Position, June 30 | $ 103,065,998 | $ 77,752,905 |

Tuition contributions and revenues in FY 2018 decreased to $13,934,152. The 22% decrease is attributable to a decrease in the total number of contracts sold in FY 2018, with fewer of them being paid in full, as well as a lower number of 4-year university plans being purchased overall. Operating expenses for the Plan primarily consist of future tuition benefits, which are calculated to be $7,919,635 on an accrued basis. Total operating expenses decreased by roughly 52% from $23,372,756 in FY 2017 to $11,292,303 in FY 2018. This is mainly due to the decrease in tuition benefits expense which resulted from a reduction in the tuition benefits payable accrual. Actuarial assumption changes were based on a Nevada Prepaid Tuition actuarial experience study performed in FY 2018, which resulted in a reduction in the overall actuarial liabilities.

The operating income (loss) above reflects the difference between contributions from new and existing participants on a cash basis versus benefit payments to educational institutions, which fulfills the purpose of the Plan, and other sundry costs. In addition, in FY 2018, the change in the actuarial accruals had a positive impact on the net position. This is shown in the increase in the operating income (loss) from a negative $5,440,292 in FY 2017 to a positive $2,641,849 in FY 2018.

## CAPITAL ASSET ADMINISTRATION

The Trust Fund's investment in capital assets as of June 30, 2018, amounts to $56,706 (net of accumulated depreciation), which consists of computer equipment. Information about the Trust Fund's capital assets can be found in Note 4 to the Trust Fund's financial statements.

## ECONOMIC FACTORS AND CURRENTLY KNOWN FACTS

Aside from account owners' purchases of contracts, the primary source of revenue for the Plan is investment income. The target investment allocation includes domestic public equities of 50%, domestic fixed income securities of 30%, and domestic covered calls of 20%. The Plan continues to invest in an equity portfolio with passively managed large, mid, and small cap U.S. equity mutual funds at Vanguard, a fixed income portfolio with Chicago Equity Partners and a passively managed covered calls mutual fund with Glenmede. The rate of return on a market value basis was 8.51% while the rate of return on the actuarial value of assets for year ended June 30, 2018 was 6.11%.

Based on a price inflation rate of 1.75% and revised 5-year capital market expectations for those asset classes, the Board-approved the assumed rate of return of the Plan's investments is 5.00% based on analyses from its investment consultant. This assumed rate was used by the Board's actuary in computing the Plan's funded status of 142.0%. The Plan's investments are intended to provide broad exposure to the US equities and investment-grade fixed income markets. Therefore, projected returns are subject to actual market activity and volatility in the markets.

The College Savings Endowment Fund continues to transfer funds to the Trust Fund to cover administrative costs of the State Treasurer's Office to administer and manage the Prepaid Tuition Plan.

## REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the Trust Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the State of Nevada Treasurer's Office, Nevada Prepaid Tuition Program, 555 E. Washington Ave., Suite 4600, Las Vegas, NV 89101.

# State of Nevada
# Office of the State Treasurer
# Higher Education Tuition Trust Fund
## Statement of Net Position
Year Ended June 30, 2018
(with comparative amounts for the Year Ended June 30, 2017)

| | 2018 | 2017 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $ 5,532,834 | $ 4,719,718 |
| Investment income receivable | 372,605 | 292,535 |
| Due from State of Nevada | 38,878 | 18,729 |
| Tuition contributions receivable, current portion | 9,233,936 | 9,645,335 |
| Investments | 274,695,628 | 250,921,015 |
| Total current assets | 289,873,881 | 265,597,332 |
| Noncurrent assets | | |
| Capital assets, net | 56,706 | 73,405 |
| Other noncurrent assets | | |
| Tuition contributions receivable | 31,537,836 | 33,563,763 |
| Total noncurrent assets | 31,594,542 | 33,637,168 |
| Total assets | 321,468,423 | 299,234,500 |
| Deferred outflows | | |
| Pension related | 55,017 | 47,077 |
| OPEB related | 3,625 | - |
| Total deferred outflows | 58,642 | 47,077 |
| Total assets and deferred outflows | 321,527,065 | 299,281,577 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | 111,106 | 73,747 |
| Accrued salaries and benefits | 24,860 | 29,075 |
| Due to State of Nevada | 43,250 | 33,540 |
| Due to other governments | 968 | 617 |
| Tuition benefits payable, current portion | 17,509,034 | 19,160,843 |
| Total current liabilities | 17,689,218 | 19,297,822 |
| Noncurrent liabilities | | |
| Tuition benefits payable | 200,282,612 | 201,938,378 |
| Net pension liability | 334,217 | 270,734 |
| Net OPEB liability | 122,013 | - |
| Total noncurrent liabilities | 200,738,842 | 202,209,112 |
| Total liabilities | 218,428,060 | 221,506,934 |
| Deferred inflows | | |
| Pension related | 25,413 | 21,738 |
| OPEB related | 7,594 | - |
| Total deferred inflows | 33,007 | 21,738 |
| Total liabilities and deferred inflows | 218,461,067 | 221,528,672 |
| Net Position | | |
| Net investment in capital assets | 56,706 | 73,405 |
| Unrestricted | 103,009,292 | 77,679,500 |
| Total net position | $ 103,065,998 | $ 77,752,905 |

Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2018
(with comparative amounts for the Year Ended June 30, 2017)

| | 2018 | 2017 |
|---|---|---|
| Operating Revenues | | |
| Charges for sales and services | $ 104,300 | $ 120,600 |
| Tuition contributions | 13,829,852 | 17,811,864 |
| Total operating revenues | 13,934,152 | 17,932,464 |
| Operating Expenses | | |
| Personnel costs | 388,880 | 252,233 |
| Contract and other administrative services | 643,043 | 575,772 |
| Tuition benefits expense | 7,919,635 | 20,415,615 |
| Refunds | 2,324,047 | 2,112,438 |
| Depreciation | 16,698 | 16,698 |
| Total operating expenses | 11,292,303 | 23,372,756 |
| Operating Income (Loss) | 2,641,849 | (5,440,292) |
| Nonoperating Revenues | | |
| Interest, dividends and other investment income | 4,283,232 | 3,947,410 |
| Net increase in fair value of investments | 17,704,228 | 19,555,230 |
| Contribution from the State of Nevada General Fund - College Savings Endowment Account | 683,784 | 627,175 |
| Total nonoperating revenues | 22,671,244 | 24,129,815 |
| Change in Net Position | 25,313,093 | 18,689,523 |
| Net Position, Beginning of Year | 77,752,905 | 59,063,382 |
| Net Position, End of Year | $ 103,065,998 | $ 77,752,905 |

Statement of Cash Flows
Year Ended June 30, 2018
(with comparative amounts for the Year Ended June 30, 2017)

| | 2018 | 2017 |
|---|---|---|
| Operating Activities | | |
| Receipts for sales and services | $ 104,300 | $ 120,600 |
| Tuition contributions received | 16,267,179 | 17,910,470 |
| Payments to suppliers for good and services | (615,772) | (892,483) |
| Payments to employees | (207,895) | (214,921) |
| Payments for tuition benefits | (11,227,210) | (10,435,951) |
| Payments of refunds | (2,324,047) | (2,112,438) |
| Net Cash from Operating Activities | 1,996,555 | 4,375,277 |
| Noncapital Financing Activities | | |
| Contribution from the State of Nevada General Fund - College Savings Endowment Account | 683,784 | 627,175 |
| Investing Activities | | |
| Proceeds from sales or maturities of investments | 72,166,638 | 74,024,914 |
| Purchase of investments | (78,237,023) | (81,518,996) |
| Interest, dividends and other investment income received | 4,203,162 | 3,928,637 |
| Net Cash used for Investing Activities | (1,867,223) | (3,565,445) |
| Net Change in Cash and Cash Equivalents | 813,116 | 1,437,007 |
| Cash and Cash Equivalents, Beginning of Year | 4,719,718 | 3,282,711 |
| Cash and Cash Equivalents, End of Year | $ 5,532,834 | $ 4,719,718 |

Statement of Cash Flows
Year Ended June 30, 2018
(with comparative amounts for the Year Ended June 30, 2017)

| | 2018 | 2017 |
|---|---|---|
| Reconciliation of operating income to net cash from operating activities | | |
| Operating income (loss) | $ 2,641,849 | $ (5,440,292) |
| Adjustments to reconcile operating income to net cash from operating activities | | |
| Depreciation | 16,698 | 16,698 |
| Changes in | | |
| Due from State of Nevada | (20,148) | 35,190 |
| Tuition contributions receivable | 2,437,326 | 98,606 |
| Accounts payable and accrued liabilities | 33,144 | (142,138) |
| Due to State of Nevada | 9,710 | 4,581 |
| Due to other governments | 351 | (219,414) |
| Net pension liability | 63,483 | 80,003 |
| Net OBEP liability | 122,013 | - |
| PERS deferred outflows | (11,565) | (23,390) |
| PERS deferred inflows | 11,269 | (14,231) |
| Tuition benefits payable | (3,307,575) | 9,979,664 |
| Net Cash from Operating Activities | $ 1,996,555 | $ 4,375,277 |
| Noncash Investing Activities | | |
| Net increase in fair value of investments | $ 17,704,228 | $ 19,555,230 |

## Note 1 - Summary of Significant Accounting Policies

The financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

### Reporting Entity and Purpose

The Trust Fund operates under Nevada Revised Statutes (NRS) 353B, Prepayment of Tuition at Institutions of Higher Learning, which was adopted by the Nevada Legislature in 1997. The Trust Fund is administered by the Office of the State Treasurer under the direction of a six member Board, with five voting members and one ex-officio nonvoting Treasurer designee (the Board).

The purpose of the Trust Fund's program is to provide a simple and convenient way for Nevada families to save for a college education through the advance payment of tuition. A purchaser enters into a contract for the future payment of tuition for a specified beneficiary. When the beneficiary enrolls in college, the program will pay the contract benefits. The beneficiary has six years after the projected college entrance date to utilize the benefits of the contract. Exceptions are granted for military or religious service. The contract benefits are based on in-state rates for Nevada public colleges, but can be used towards costs at any accredited, nonprofit, private or out-of-state college.

The Trust Fund completed its twentieth enrollment period on April 30, 2018 with 774 new enrollments. The Trust Fund also had 666 removed contracts for a total active enrollment of 12,441 at June 30, 2018.

### Measurement Focus and Basis of Accounting

The Trust Fund is an enterprise fund (proprietary fund type) of the State of Nevada and thus is included in the State of Nevada's Comprehensive Annual Financial Report. The accompanying financial statements present only the Trust Fund and are not intended to present fairly the financial position of the State of Nevada, the changes in its financial position or its cash flows in conformity with GAAP.

Activities of enterprise funds resemble activities of business enterprises; the purpose is to obtain and use economic resources to meet operating objectives. The financial statements for the Trust Fund are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized at the time they are earned and expenses are recognized when the related liabilities are incurred.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from exchange transactions such as providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses. The generally accepted accounting principles applicable are those similar to business in the private sector.

**Cash and Cash Equivalents**

Cash and cash equivalents include short-term highly liquid investments (with maturities of three months or less when purchased) that are both readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes of value. Such amounts include the Trust Fund's cash and investments pooled with the State Treasurer, and money market mutual funds.

**Custodian and Transfer Agent**

BNY Mellon is the custodian and transfer agent for certain Trust Fund investments.

**Investment Valuation and Income Recognition**

Investments are reported at fair value as determined by quoted or observable market prices. Fair value is the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The investments are marked to market daily.

Security transactions are accounted for on the trade date (date order to buy or sell is executed). Interest income is determined on an accrual basis with discounts earned and premiums paid being amortized. Dividends are recorded on the ex-dividend date.

**Tuition Contributions Receivable**

Tuition contributions receivable in the Trust Fund represents the actuarially determined present value of future installment payments anticipated from contract holders.

**Capital Assets**

Capital assets are recorded at cost and consist of assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are depreciated on a straight-line basis over estimated useful lives of four to ten years. The cost of repairs and maintenance that do not materially extend the life of an asset are not capitalized.

**Tuition Benefits Payable**

The Trust Fund records tuition benefits payable at the actuarial present value of its future tuition obligation, which is adjusted for the effects of projected tuition and fee increases and termination of contracts.

**Equity Classifications**

In the financial statements, equity is classified as net position and displayed in three components:

1. Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets after adding back the unspent portion of these borrowings.

2. Restricted net position – Consists of net position with constraints placed on their use either by (a) external groups such as creditors (including bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted net position – Net position that does not meet the definition of "restricted" or "net investment in capital assets".

## Note 2 - Compliance with Nevada Revised Statutes and Administrative Code

The Trust Fund conformed to all significant statutory constraints on its financial administration during the year.

## Note 3 - Cash and Investments

The State Treasurer serves as the administrator to the Trust Fund. The Trust Fund's assets are managed in accordance with the Trust Fund's investment objectives and policies, as provided in Section 353B.160.1 of NRS. Authorized investments are as follows:

- A bond, note, debenture or other valid obligation that is issued by the Treasury of the United States, or other security that is issued by an agency or instrumentality of the United States or that is fully guaranteed by the United States in the Federal Farm Credit Bank, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A mortgage-backed security that is issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- "AAA" rated collateralized mortgage obligations that are issued by the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, or the Government National Mortgage Association;
- A bond, note, certificate or other general obligation of the State of Nevada, or of a county, city, general improvement district or school district of the State of Nevada;
- "A" or better rated corporate bonds of a corporation created by or existing under the laws of the United States or of a state, district or territory of the United States. The total amount invested in such bonds must not exceed 50% of the book value of the total fixed income investments;
- "A-1", "P-1", "F-1" or better rated commercial paper;
- "AAA" rated commercial mortgage-backed securities;
- "AAA" rated asset-backed securities financing credit cards, auto, manufactured housing, or student loans; "A" rated money-market mutual funds that meet the criteria set forth in statute. The total dollar amount invested in such mutual funds must not exceed 20% of the total dollar amount of the Trust Fund that is invested;

- A covered call or put option on securities that are traded on one or more of the regulated exchanges in the United States;
- A pooled or commingled real estate fund or a real estate security that is managed by a corporate trustee or by an investment advisory firm that is registered with the Securities and Exchange Commission. The total book value of this type of investment must not at any time be greater than 5% of the total book value of all investments of the Trust Fund;
- Common or preferred stock of corporations that have a total market value of not less than $50,000,000. The maximum investment in stock is no greater than 60% of the book value of the total investments of the Trust Fund. Except for investments made pursuant to the final authorized investment below, the total amount invested in a single corporation is not greater than 3% of the total assets of the Trust Fund and not greater than 5% of the outstanding stock of a single corporation; and
- Mutual funds or common trust funds that consist of any combination of the investments listed above.

The Trust Fund categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Trust Fund does not have any investments that are measured using Level 3 inputs.

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Investments | | | | |
| Money market mutual funds | $ 104,682 | $ 104,682 | $ - | $ - |
| Mutual funds | | | | |
| Index funds | 141,573,040 | 141,573,040 | - | - |
| Covered calls | 57,144,243 | 57,144,243 | - | - |
| State of Nevada external investment pool | 5,428,152 | - | 5,428,152 | - |
| U.S. Treasury notes | 40,275,459 | 40,275,459 | - | - |
| U.S. agencies | 31,694,437 | 31,694,437 | - | - |
| Corporate notes | 4,008,449 | 4,008,449 | - | - |
| | $ 280,228,462 | $ 274,800,310 | $ 5,428,152 | $ - |

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments categorized as Level 2 are valued at fair value based on the observable market prices of the underlying assets held by the pool or fund less liabilities.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Trust Fund's investment policies address interest rate risk by providing for an asset allocation plan that gives appropriate consideration to an average investment horizon of 3 to 18 years, while taking into consideration current and near-term liquidity needs.

As of June 30, 2018, the Trust Fund had the following investments and maturities (including money market mutual funds representing cash equivalents) that are subject to interest rate risk:

| | | Maturities, in Years | | | |
|---|---|---|---|---|---|
| | Fair Value | Less Than 1 | 1-5 | 6-10 | Greater Than 10 |
| Investments | | | | | |
| Corporate notes | $ 4,008,449 | $ 822,554 | $ 2,748,218 | $ 196,579 | $ 241,098 |
| U.S. agencies | 31,694,437 | - | 1,417,398 | 1,178,939 | 29,098,100 |
| U.S. Treasury notes | 40,275,459 | - | 24,597,726 | 8,763,902 | 6,913,831 |
| Cash equivalents | | | | | |
| Money market mutual funds | 104,682 | 104,682 | - | - | - |
| | $ 76,083,027 | $ 927,236 | $ 28,763,342 | $ 10,139,420 | $ 36,253,029 |

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust Fund. The Trust Fund's investments (including money market mutual funds representing cash and cash equivalents) as of June 30, 2018, were rated by Standard and Poor's and/or an equivalent national rating organization, and the ratings are presented below using the Standard & Poor's rating scale (at fair value):

| | | Credit Quality Ratings | | | |
|---|---|---|---|---|---|
| | Fair Value | AAA | AA | A | BBB |
| Investments | | | | | |
| Corporate notes | $ 4,008,449 | $ 95,108 | $ 1,263,840 | $ 2,362,946 | $ 286,555 |
| U.S. agencies | 31,694,437 | - | 31,694,437 | - | - |
| Cash equivalents | | | | | |
| Money market mutual funds | 104,682 | 104,682 | - | - | - |
| | $ 35,807,568 | $ 199,790 | $ 32,958,277 | $ 2,362,946 | $ 286,555 |

The ratings presented above may have differed if an equivalent national rating organization was utilized.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2018, the following investments exceeded 5% of the Trust Fund's total investments:

| | Fair Value | Percentage |
|---|---|---|
| Federal Home Loan Mortgage Corp - Asset Backed Mortgage Security | $22,469,645 | 8.18% |

**Other Risk**

The Trust Fund invests in various equity mutual funds, including at June 30, 2018, when equity mutual funds comprised approximately 72.31% of total investments. Equity mutual funds are exposed to other risks such as market risks. Due to the level of risk associated with equity mutual funds, it is at least reasonably possible that changes in the values of equity mutual funds will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**Pooled Cash and Investments**

Of the $5,532,834 cash and cash equivalents at June 30, 2018, $5,428,152 represents the Trust Fund's investment in the State of Nevada's external investment pool.

The Trust Fund is an internal participant in the external investment pool maintained by the Treasurer of the State of Nevada. The external investment pool is not registered with the SEC as an investment company. The State of Nevada has not provided or obtained any legally binding guarantees during the period to support the value of the shares.

The Trust Fund receives a prorated share of the earnings from its participation in the investment pool based on daily cash balances. Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Trust Fund. Instead, the Trust Fund owns a proportionate share of each investment, based on the Trust Fund's participation percentage in the investment pool.

Custodial Credit Risk – The State Treasurer minimizes its custodial credit risk by legislation establishing a program to monitor a collateral pool for public deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the State's deposits may not be recovered. The NRS direct the Office of the State Treasurer to deposit funds into any state or national bank, credit union or savings and loan association covered by federal depository insurance. For those deposits over and above the federal depository insurance maximum balance, sufficient collateral must be held by the financial institution to protect the State of Nevada against loss. The pooled collateral for deposits program maintains a 102% pledged collateral for all public deposits.

Interest Rate Risk – The State minimizes interest rate risk by maintaining an effective duration of less than 1.5 years and holding at least 25% of the portfolio's total market value in securities with a maturity of 12 months or less. However, the benchmark used by the State Treasurer to determine whether competitive market yields are being achieved is the 90-day U.S. Treasury Bill's average over the previous three-month period. (Rolling 90-day T-Bill).

As of June 30, 2018, the Trust Fund's investments held in the external investment pool are categorized as follows:

| | Percentage Based on Fair Value | Maturities, in Years | | | |
|---|---|---|---|---|---|
| | | < 1 | 1-5 | 6-10 | > 10 |
| Investments | | | | | |
| U.S. Treasury securities | 20.85% | 4.82% | 11.51% | 4.52% | 0.00% |
| Negotiable certificates of deposit | 17.70% | 17.70% | 0.00% | 0.00% | 0.00% |
| U.S. agencies | 21.66% | 20.25% | 1.11% | 0.30% | 0.00% |
| Mutual funds | 0.20% | 0.20% | 0.00% | 0.00% | 0.00% |
| Repurchase agreements | 3.78% | 3.78% | 0.00% | 0.00% | 0.00% |
| Asset backed | 1.29% | 0.02% | 1.27% | 0.00% | 0.00% |
| Corporate bonds and notes | 13.41% | 1.34% | 12.07% | 0.00% | 0.00% |
| Commercial paper | 19.85% | 19.85% | 0.00% | 0.00% | 0.00% |
| Other short-term investments | 1.02% | 1.02% | 0.00% | 0.00% | 0.00% |
| Other investments | 0.24% | 0.04% | 0.20% | 0.00% | 0.00% |
| | 100.00% | | | | |

Credit Risk – The State Treasurer's investment policy addresses credit risks. A summary of the policies is presented as follows:

- Commercial paper, Negotiable Certificates of Deposit, and Banker's Acceptances are rated by a nationally recognized rating service as "A-1," "P-1" or its equivalent, or better,
- Notes, bonds and other unconditional obligations issued by corporations in the U.S. and municipal bonds (effective September 2011) are rated by a nationally recognized rating service as "A" or its equivalent, or better,
- Money market mutual funds are SEC registered 2(A)7 and rated by a nationally recognized rating service as "AAA" or its equivalent,
- Collateralized mortgage obligations and asset-backed securities are rated by a nationally recognized rating service as "AAA" or its equivalent,
- Repurchase agreements with banks or registered broker-dealers provided the agreement is collateralized by 102% with U.S. Treasuries or U.S. government agency securities on a delivery basis.

The State's investments held in the external investment pool as of June 30, 2018 were rated by Standard and Poor's and/or an equivalent national rating organization and categorized as follows:

| | Credit Quality Ratings | | | | |
|---|---|---|---|---|---|
| | AAA | AA | A | BBB | Unrated |
| Investments | | | | | |
| U.S. Treasury securities | 0.00% | 100.00% | 0.00% | 0.00% | 0.00% |
| Negotiable certificates of deposit | 0.00% | 0.00% | 0.00% | 0.00% | 100.00% |
| U.S. agencies | 0.00% | 100.00% | 0.00% | 0.00% | 0.00% |
| Mutual funds | 35.59% | 0.00% | 0.00% | 0.00% | 64.41% |
| Repurchase agreements | 0.00% | 0.00% | 0.00% | 0.00% | 100.00% |
| Asset backed | 0.00% | 100.00% | 0.00% | 0.00% | 0.00% |
| Corporate bonds and notes | 1.93% | 19.18% | 68.01% | 7.85% | 3.03% |
| Commercial paper | 0.00% | 0.00% | 76.57% | 0.00% | 23.43% |
| Other short-term investments | 0.00% | 0.00% | 0.00% | 0.00% | 100.00% |
| Other investments | 0.00% | 75.74% | 24.26% | 0.00% | 0.00% |

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. The NRS 355.140, 355.060, and the State Treasurer's investment policy limit the investing in any one issuer to 5% of the total par value of the portfolio, with the exception of repurchase agreements, time CDs, US Treasuries, US Guaranteed securities, US Agency securities and municipal bonds. At June 30, 2018, the Trust Fund's proportionate share of the investment in a single issuer in the pool did not exceed 5% of the Trust Fund's total investments.

Fair Value of Investments – The State uses the market approach to determine the fair value of its investments. The State categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The following table summarizes the fair value measurements as of June 30, 2018:

| | | Fair Value Measurements Using | | |
|---|---|---|---|---|
| | Fair Value | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs |
| Investments | | | | |
| U.S. Treasury securities | 20.85% | 20.84% | 0.01% | 0.00% |
| Negotiable certificates of deposit | 17.70% | 0.00% | 17.70% | 0.00% |
| U.S. agencies | 21.66% | 0.00% | 21.66% | 0.00% |
| Mutual funds | 0.20% | 0.20% | 0.00% | 0.00% |
| Repurchase agreements | 3.78% | 0.00% | 3.78% | 0.00% |
| Asset backed | 1.29% | 0.00% | 1.29% | 0.00% |
| Corporate bonds and notes | 13.41% | 0.00% | 13.41% | 0.00% |
| Commercial paper | 19.85% | 0.00% | 19.85% | 0.00% |
| Other short-term investments | 1.02% | 1.02% | 0.00% | 0.00% |
| Other investments | 0.24% | 0.00% | 0.24% | 0.00% |
| | 100.00% | | | |

Securities Lending – NRS 355.155 authorizes the State Treasurer to lend securities from the investment portfolio of the State if collateral received from the borrower is at least 102% of the fair value of the underlying securities and the value of the securities borrowed is determined on a daily basis. There were no securities on loan at June 30, 2018.

## Note 4 - Capital Assets

The following schedule summarizes the changes in capital assets for the year ended June 30, 2018:

| | Balance July 1, 2017 | Additions | Deletions | Balance June 30, 2018 |
|---|---|---|---|---|
| Capital Assets | | | | |
| Computer equipment | $ 173,374 | $ - | $ - | $ 173,374 |
| Less accumulated depreciation | (99,969) | (16,699) | - | (116,668) |
| Capital Assets, Net | $ 73,405 | $ (16,699) | $ - | $ 56,706 |

## Note 5 - Noncurrent Liabilities

### Tuition Benefits Payable

Included in noncurrent liabilities is the Trust Fund's tuition benefits obligation based upon the actuarial present value (APV) of the future tuition obligations and administrative expenses. This amount reflects the present value of estimated tuition benefits and administrative expenses that will be paid in future years. The present value calculation includes the effects of projected tuition and fee increases and termination of contracts.

| | |
|---|---|
| APV of the Future Tuition Obligation | $ 217,791,646 |
| Net Position Available | 320,857,644 |
| Net Position as a Percentage of Tuition Benefits Obligation | 147.32% |

The following assumptions were used in the actuarial valuation:

- Investment Rates: The investment yield assumption is 5.00% per year, which is the same assumption used in the June 30, 2017 actuarial report.
- Tuition Growth Assumptions:

| Fiscal Year Ended | Universities | Community Colleges |
|---|---|---|
| 2019-2020 | 4.00% | 4.00% |
| 2020-2021 | 4.00% | 4.00% |
| 2021-2022+ | 4.75% | 4.00% |

Changes in the Trust Fund's noncurrent liabilities:

| | Balance July 1, 2017 | Increases | Decreases | Balance June 30, 2018 | Due Within One Year |
|---|---|---|---|---|---|
| Tuition benefits payable | $221,099,221 | $ 10,989,195 | $(14,296,770) | $217,791,646 | $ 17,509,034 |

## Note 6 - Tuition Contributions and Tuition Benefits Expense

The tuition contributions of $13,829,852 and the tuition benefits expense of $7,919,635 on the Statement of Revenues, Expenses and Changes in Net Position represent the annual accrual of contributions of $(2,437,326) and benefit expenses of $(3,307,575) for the year ended June 30, 2018, as determined by the actuarial valuation and adjusted by the actual participant contributions of $16,267,178 and tuition payments of $11,227,210 for the fiscal year.

## Note 7 - Pension Plan and Other Post-Employment Benefits

Employees of the Trust Fund are employees of the State of Nevada and the Nevada Legislature created various plans to provide benefits to qualified employees of the State.

Pension Plan – The employees participate in a cost-sharing, multiple-employer, defined benefit plan administered by the Public Employees Retirement System of the State of Nevada (PERS). PERS provides retirement benefits, disability benefits, and death benefits, including annual cost of living adjustments, to plan members and their beneficiaries. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PERS, information relating to PERS is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2018.

Other Post-Employment Benefits (OPEB) – The employees participate in a cost-sharing, multiple-employer, defined benefit postemployment plan administered by the Public Employees' Benefits Program of the State of Nevada (PEBP). PEBP provides group health and life insurance benefits to plan members, both active and retired, and their dependents. As the State of Nevada, not the Trust Fund, has overall responsibility for determining contributions to PEBP, information relating to PEBP is available in the State of Nevada's *Comprehensive Annual Financial Report* for the year ended June 30, 2018.

## Note 8 - Risk Management

As with all governmental entities, the Trust Fund is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. Such losses, if any, are accounted for in the State of Nevada's various insurance funds. The Trust Fund is responsible for premium charges payable to the State of Nevada for coverage in the self-funded programs. There have been no material settlements related to the Trust Fund in any of the past three years.

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees
Higher Education Tuition Trust Fund
Carson City, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Nevada, Office of the State Treasurer, Higher Education Tuition Trust Fund (the Trust Fund), an enterprise fund of the State of Nevada, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Trust Fund's basic financial statements and have issued our report thereon dated February 14, 2019.

**Internal Control over Financial Reporting**
In planning and performing our audit of the financial statements, we considered the Trust Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**
As part of obtaining reasonable assurance about whether the Trust Fund's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Reno, Nevada
February 14, 2019

# THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

# Agenda Item 4
# February 27, 2019

**Item:** **2018 Fiscal Year Annual Report of the Nevada Higher Education Prepaid Tuition Trust Fund**

**Fiscal Impact:** None by this action.

**Summary:**
Under NRS 353B.170 the Board shall:

1. Prepare an annual report setting forth in appropriate detail an accounting of the Trust Fund and a description of the financial condition of the Trust Fund at the close of each fiscal year, including, without limitation, a statement of projected receipts, disbursements and operating costs of the Trust Fund.
2. Submit the report prepared pursuant to subsection 1 on or before March 31 of each year:
   a) In odd-numbered years, to the Governor, the Senate Standing Committee on Finance and the Assembly Standing Committee on Ways and Means.
   b) In even-numbered years, to the Governor and the Interim Finance Committee.

Attached, therefore, is the annual report of the Nevada Higher Education Prepaid Tuition Trust Fund as of June 30, 2018, prepared by State Treasurer staff. Sheila Salehian, Deputy Treasurer for the Prepaid Tuition Program, will be present to answer any questions.

NEVADA PREPAID TUITION

# Annual Report - Fiscal Year 2018

## State of Nevada
## Office of the State Treasurer
## Zach Conine

**Zach Conine**
***State Treasurer***

**STATE OF NEVADA**
**OFFICE OF THE STATE TREASURER**
**NEVADA PREPAID TUITION PROGRAM**

January 25, 2019

The Honorable Steve Sisolak
Governor of the State of Nevada
Capitol Building
Carson City, NV 89701

Dear Governor Sisolak:

In accordance with Nevada Revised Statute 353B.170 and on behalf of the Board of Trustees of the College Savings Plans of Nevada, I respectfully submit the Nevada Prepaid Tuition Program (NPT) Annual Report for Fiscal Year 2018.

I encourage you to review the entire document. It presents a detailed analysis of the twentieth annual year of enrollment and its financial underpinning. The enrollment period began on November 1, 2017 and closed on April 30, 2018, and resulted in 774 new enrollees, bringing the total number of children enrolled in the Program to 21,041. At the end of Fiscal Year 2018, investments in the program totaled more than $280.6 million. NPT continues to be self-supporting, requiring no contribution from the State's General Fund. As of June 30, 2018, the funded ratio of the plan was 142.0% based on the actuarial value of assets. Nevada's Prepaid Tuition Program is 1 of 11 programs open for enrollment in the United States and continues to provide families a way to take control of rising college tuition costs.

During this past year the program adopted legislative changes enhancing the value of the program including; a 10-year payment plan option; the ability for beneficiaries to utilize leftover credit hours at eligible graduate schools, and to allow beneficiary changes *after program usage* within program guidelines outlined in the Program Description and Master Agreement. We will continue to educate Nevada families about the importance of saving for higher education and work to support pathways to higher education access for all families. Nevada Prepaid Tuition is one of many 529 saving plan options that is making higher education more affordable for families and reinforces the message that a post high school plan for education at a 4-year institution, 2-year community college, or trade school— is essential to personal economic prosperity in this 21st century, global economy.

In closing, I am committed to improving the opportunities afforded to our youth as well as expanding the number of students who benefit from our Prepaid Tuition Program. Your ongoing support of this worthwhile program is appreciated.

Sincerely,

Zach Conine
State Treasurer

**555 E. Washington Avenue**
**Suite 4600**
**Las Vegas, Nevada 89101**
**NVPrepaid.gov**

NEVADA PREPAID TUITION

**(888) 477-2667 Toll Free**
**(702) 486-2025 Telephone**
**(702) 486-3246 Fax**
**PrepaidTuition@NevadaTreasurer.gov**

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# EXECUTIVE SUMMARY

The Nevada Prepaid Tuition Program (Program) provides a convenient and affordable way for Nevada families to save for college through an IRS Qualified Tuition Program (QTP) option that allows purchasers to lock in the cost of in-state higher education credit hours today, for future use. This program differs from the other Nevada state sponsored 529 College Savings Plan options in the following way: The Nevada Prepaid Tuition Program allows parents, grandparents, extended family and friends to purchase a contract for a fixed amount of in-state undergraduate credit hours for a child to use when they graduate from high school. The Program offers five tuition plans and four payment options. A purchaser enters into a contract by choosing a plan and a payment option for a specified beneficiary that meets their personal needs and budget. When the beneficiary enrolls in college, the Program will pay the contract benefits (college tuition costs) on their behalf directly to the higher education institution. The contract benefits are based on in-state college tuition rates at Nevada public colleges but can be used toward credit hour (college tuition) costs at any public or private institution of higher education, either in-state or out-of-state that accepts the free application for federal student aid (FAFSA).

The Program operates under Nevada Revised Statutes (NRS) Chapter 353B, which was adopted by the Nevada Legislature in 1997. The Program is administered by the Office of the State Treasurer under the direction of the Board of Trustees of the College Savings Plans of Nevada (Board). The Board consists of the State Treasurer or his/her designee who serves as an ex officio nonvoting member and five voting members:

* Director of the Department of Administration or his/her designee
* Chancellor of the Nevada System of Higher Education (NSHE) or his/her designee
* Three members appointed by the Governor

In accordance with NRS 353B, the Board is required to contract with a certified actuary and a certified public accounting firm to perform an annual actuarial valuation and financial audit, respectively. For Fiscal Year 2018 (FY18), the Board was contracted with Gabriel Roeder Smith & Company to conduct the actuarial valuation study and with Eide Bailly LLP to conduct the annual audit of the accounts and records of the Program and the Board.

The Program also contracts and regularly meets with professional investment manager(s) and consultants to invest assets of the plan. The Board contracted with Chicago Equity Partners to manage the fixed income portfolio and invests in institutional mutual funds with Glenmede for covered calls, and three institutional mutual funds with Vanguard for domestic equity. Pension Consulting Alliance (PCA) performed investment oversight and reporting throughout Fiscal Year 2018. Investments were made in accordance with the Program's Investment Policy approved by the Board and posted on the Nevada Prepaid Tuition website.

## FINANCIAL STABILITY

The Nevada Prepaid Tuition Program **is not** supported by the full faith and credit of the State of Nevada, nor is it guaranteed by the State's General Fund. The Board continuously evaluates and takes necessary measures to maintain the financial stability of the Program. To that end, in Fiscal Year 2018, the Board:

♦ Contracted with investment firms (Chicago Equity Partners, Glenmede, and Vanguard) to provide professional investment services.

- ♦ Contracted with an investment consultant (PCA) to monitor investments and provide consultation and reporting to the Board.
- ♦ Contracted with a marketing firm, Amplify Relations, to enhance and grow its marketing and outreach efforts to increase customer awareness and participation in the Program.
- ♦ Updated and approved a Prepaid Tuition funding guideline by the College Savings Board with the objective of maintaining assets in excess of tuition liabilities based on a funding target of 120% and recommendations of actions to take when the funding status was over or under the 120% target.

Those measures helped to make Fiscal Year 2018 another successful one, resulting in:

- ♦ A favorable rate of return of 6.1% on Actuarial Value of Assets, exceeding assumed return of 5.00%.
- ♦ An increase of 7.4% in the Program's total assets.
- ♦ A considerable increase (32.5%) in the Program's net position.
- ♦ An increase of 774 new enrollees into the program.
- ♦ A funded status of 142.0%.

## ENROLLMENT

The Fiscal Year 2018 enrollment period ran from November 1, 2017 to April 30, 2018.

- ♦ There were 774 new enrollments.
- ♦ The number of participants that chose the 4-year University Plan in the FY 2018 open enrollment period was 54.3% which continues to be the most popular plan choice.
- ♦ The lump sum payment option grew slightly from 39.2% in FY 17 to 40.1% in FY 18 and became the largest percentage chosen.
- ♦ The number of newborns enrolled in FY 18 remained roughly the same as the prior fiscal year, and remains the largest percentage (17.8%) of new enrollees in a single age group.

## OBJECTIVES

The financial objectives of the Board remain unchanged from previous fiscal years and incorporate the following:

♦ Require the fair value of the Program's investments and assets to be greater than or equal to the actuarial value of all obligations, including future tuition benefits and all future administrative expenses and liabilities associated with operating the Program.
♦ Establish an appropriate investment portfolio of assets to accumulate an amount sufficient to pay future tuition benefits and administrative expenses associated with all prepaid contracts.
♦ Establish contract plans and payment options that offer value, flexibility, and affordability for Nevada families.

## CONTRACT PRICING

Like the previous fiscal years, prices for the 2018 enrollment period were established based on four key factors:

♦ Future tuition increase assumptions and published rates from the Nevada System of Higher Education (NSHE) institutions approved by the Nevada Board of Regents.

♦ Assumed rate of return on investments.
♦ Methodology of allocating current and future administrative expenses of the Program.
♦ Historical utilization of credit hours by participants in the program.

Based on the above factors, in addition to the newly adopted funding guidelines, completion of the actuarial experience study, and current funded status of the Program, the Board was able to adopt pricing for new contracts in FY 18 with only a negligible increase given the favorable funded status.

**BENEFIT USAGE**

The Program's benefits can be used at any eligible educational institution nationwide upon the expected matriculation year of the beneficiary. The number of students using their benefits in the Nevada Prepaid Tuition Program continues to grow each year as a larger number of earlier enrollees in the Nevada Prepaid Tuition Program have now graduated high school and are using the benefits of the program as intended.

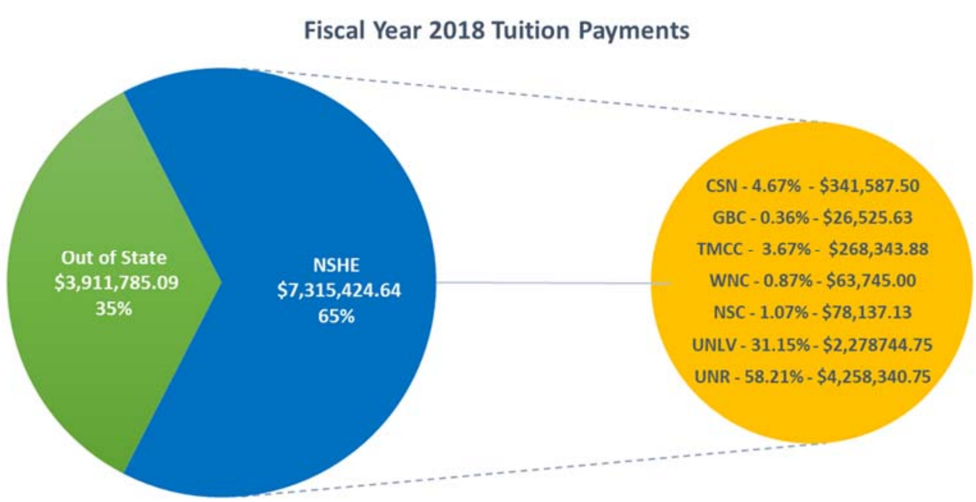
Highlights for Fiscal Year 2018 include:

- A total of $11,227,210 was paid out in tuition benefits to 344 different qualified institutions. An increase of 7.6% from the prior Fiscal Year.
- A total of $7,315,425 or 65% was paid to the Nevada System of Higher Education.
- Roughly 3,280 students used their tuition benefits in FY 2018, an increase of 7.1% from the previous year.
- As of June 30, 2018, a total of 3,118 students have utilized 100% of their prepaid tuition contract benefits. Of the depleted contracts, 81.4% had a 4-year university plan.

Noted below is the 3-year historical payment summary of payments made to the Nevada System of Higher Education institutions (NSHE), and the amount that has been paid to institutions of higher education across the country.

**Tuition Payments**

| | FY 18 | FY 17 | FY 16 |
|---|---|---|---|
| In-State (NSHE) | $7,315,425 | $6,764,359 | $6,856,269 |
| Private/Out-of-State | $3,911,785 | $3,671,593 | $3,283,280 |
| **Total** | **$11,227,210** | **$10,435,952** | **$10,139,549** |



## PROGRAM ENHANCEMENTS:

In Fiscal Year 2017, several legislative enhancements to the Program were passed. During FY 2018, the enhancements were introduced and were well received by contract holders as they began taking advantage of the recent changes. These enhancements add both value and flexibility to current and future participants.

- ❖ Changes to NRS 353B now allows unused credits from student's prepaid tuition contracts to be applied towards graduate level coursework, paid at the undergraduate rate. This will give families further flexibility to maximize the value of their contracts as more and more students are taking college courses in high school and/or Advanced Placement classes and graduating from college with credits remaining on their Prepaid Tuition contracts.

- ❖ Changes to NAC 353B now allows a change to the qualified beneficiary on a contract after tuition benefits have been paid for the initial beneficiary. In the past, you could not transfer contracts once benefits had been paid. This 'transfer after use' option will give families further flexibility to maximize the contract's tuition benefits by allowing other qualified family members to use the benefits rather than cancelling their contracts if one child does not finish college or completes their undergraduate degree with credits remaining. In addition, changes to NAC 353 B implemented a 10-year payment option to give families another alternative to the current lump sum, 5 year, or extended monthly payment options. This will allow participants to pay for their contracts over a shorter period of time in some cases, which, in turn saves families additional interest paid over the life of the contract. Due to timing, this enhancement will begin with the Fiscal Year 2019 enrollment period.

- ❖ Future objectives and strategies to enhance the Nevada Prepaid Tuition program include ongoing evaluation of the following:

    - The factors and assumptions used to set contract prices to ensure the program remains affordable for Nevada families.
    - The position and assumptions used for establishing the asset allocation of the Trust Fund portfolio to ensure its long-term financial viability in a cyclical investment environment.
    - Continued assessment of the overall Program to identify ways to provide enhanced servicing options to parents and students using the program benefits.
    - The expansion of education and outreach to better educate Nevada's families about the program and its many benefits.

# SUMMARY OF ACTUARIAL VALUATION REPORT

The Board is required by NRS 353B.190 to contract with an independent certified actuary to perform an annual actuarial valuation of the Higher Education Tuition Trust Fund. As in the previous fiscal year, the Board contracted with Gabriel Roeder Smith & Company (GRS) to perform the valuation for Fiscal Year 2018. The Actuarial Valuation Report for Fiscal Year 2018 as prepared by GRS shows continued improvement in the financial position of the Higher Education Tuition Trust Fund/Prepaid Tuition Program.

In addition, in Fiscal Year 2018 GRS conducted an Actuarial Experience Study, which evaluated actual contract usage, including refunds and credit hour utilization over a five-year period from July 1, 2012 to June 30, 2017 as compared to the program's actuarial assumptions. Findings of the study determined that the Program's contracts refunded at higher rates than previously assumed and that the Program's credit utilization patterns were lower than expected. The study also illustrated a correlation between the type of contract purchased and the rate in which it was refunded, and how those credit hours were purchased, affected utilization. Based on the outcome of the point in time actuarial usage study, the Board made minor changes to future Program assumptions.

Financially significant results experienced during Fiscal Year 2018 are summarized below, and include:

- ♦ The stabilization reserve (surplus) grew by $19,068,820, or 26.3% from the prior fiscal year. This surplus acts as a risk reserve to mitigate future experience losses. The increase was primarily due to the interest earned on investments above the assumed rate of return at 5.0%, assumption changes resulting from the experience study, and other contract experiences, such as purchaser contract conversions, etc.
- ♦ The actuarial value of assets grew by 7.3%, an increase of $18,198,571 from the prior fiscal year.
- ♦ The funded ratio, which represents the Program's ability to meet its current and future obligations for all contracts, rose again this fiscal year from 132.7% in FY 17 to 142.0% in FY 18. The assumption changes resulting from the experience study are the largest single item resulting in gains to the FY18 Program funded status.

| RECONCILIATION OF PROGRAM ASSETS | | |
|---|---|---|
| | **FY 2018** | **FY 2017** |
| **Beginning Market Value of Assets** | $255,914,783 | $227,434,791 |
| **Additions** | | |
| Admin Fees & transfer from Endowment account | $828,074 | $747,775 |
| Contract Payments | $16,267,178 | $17,910,470 |
| Investment Income | $22,002,935 | $23,164,829 |
| **Total Additions** | $39,098,187 | $41,823,074 |
| **Deductions** | | |
| Tuition Payments | $11,227,210 | $10,435,951 |
| Refunds | $2,324,047 | $2,112,438 |
| Admin and Investment Expenses | $821,074 | $794,693 |
| **Total Deductions** | $14,372,331 | $13,343,082 |
| Net Increases | $24,725,856 | $28,479,992 |
| **Ending Market Value of Assets** | $280,640,639 | $255,914,783 |

| SUMMARY OF VALUATION RESULTS | | |
|---|---|---|
| | **FY 2018** | **FY 2017** |
| **Assets** | | |
| Actuarial Value of Assets | $268,493,377 | $250,294,806 |
| Present Value of Future Contract Payments | $40,771,772 | $43,209,098 |
| **Total Actuarial Value of Fund Assets** | $309,265,149 | $293,503,904 |
| **Liabilities** | | |
| Actuarial Present Value of Future Tuition Payments, Refunds, and Fees, | $217,791,646 | $221,099,221 |
| **Surplus** | $91,473,503 | $72,404,683 |
| **Funded Ratio** | 142.0% | 132.7% |

Because of the Board's strong oversight of its investments, assumptions, and contract pricing, the Program has been able to maintain its surplus and high funded ratio. This is of critical importance, since the Program is not supported or backed by the State's general fund. The full actuarial valuation report is contained in Appendix A.

# SUMMARY OF INDEPENDENT AUDITOR'S REPORT

NRS 353B.180 requires the Board to contract with an independent certified public accounting firm to perform an annual audit of accounts and records of the State Treasurer and the Board. The Board contracted with the independent auditing firm Eide Bailly LLP, which performed the audit on the Higher Education Tuition Trust Fund for Fiscal Year 2018.

The purpose of the report is to describe the scope of testing of internal controls and compliance, and the results of that testing. For Fiscal Year 2018, the Trust Fund once again received a favorable opinion with no deficiencies in internal controls of material weakness to be found or reported. Points of interest were:

- Total assets held were $321,468,423, an increase of $22,233,923 or 7.4% from the previous fiscal year.
- The Trust Fund for the third year saw a decrease in total operating expenses. A significant decrease of $12,495,980 (61.2%) from the prior fiscal year brought the total operating expenses to $11,292,303 in FY 18.
- The Cash and Cash Equivalents grew slightly in FY 18 from the prior fiscal year. From $4,719,718 in FY 17 to $5,532,834 in FY 18, an increase of 17.2%.
- In FY 18, the operating revenues decreased by $3,998,312 or 22.3% from the prior fiscal year.
- The overall net position for FY 18 saw a significant increase of $25,313,093 (32.5%) from the prior fiscal year.

Higher Education Tuition Trust Fund Net Position

| | | 2018 | 2017 |
|---|---|---|---|
| Assets | | | |
| Current and other assets | | $ 321,411,717 | $ 299,161,095 |
| Net capital assets | | 56,706 | 73,405 |
| | Total Assets | 321,468,423 | 299,234,500 |
| Deferred Outflows | Pension and OPEB Related | 58,642 | 47,077 |
| Liabilities | | | |
| Current liabilities | | 17,689,218 | 19,297,822 |
| Noncurrent liabilities | | 200,738,842 | 202,209,112 |
| | Total Liabilities | 218,428,060 | 221,506,394 |
| Deferred Inflows | Pension and OPEB Related | 33,007 | 21,738 |
| Net Position | | | |
| | Net investment in capital assets | 56,706 | 73,405 |
| | Unrestricted | 103,009,292 | 77,679,500 |
| | Total Net Position | $ 103,065,998 | $ 77,752,905 |

The financial statements of the Trust Fund were prepared in conformance with U.S. Generally Accepted Accounting Principles (GAAP) as applied to government agencies and standards accepted by the Governmental Accounting Standards Board (GASB). The Trust Fund continues to be classified as an enterprise fund of the State of Nevada and was included in the State of Nevada's *Comprehensive Annual Financial Report*.

The financial statements and full report is contained in Appendix B.

# SUMMARY OF INVESTMENT REPORTS

The Program contracts and regularly meets with professional investment managers and consultants to invest assets of the Higher Education Tuition Trust Fund. The Board contracted with Chicago Equity Partners to manage the fixed income portfolio, invests in institutional mutual funds with Glenmede for covered calls, and three U.S. equity mutual funds with Vanguard. The Board contracted with Pension Consultant Alliance (PCA) as its investment consultant. Included in this annual report is the performance review from PCA as of June 30, 2018.

In Fiscal Year 2018, the Board maintained its investment policy and asset allocation from the previous fiscal year. The portfolio's asset allocation is comprised of 30% fixed income, 20% covered calls, and 50% equities. The equities portion of the portfolio is further allocated to three separate funds: Large Cap, Mid Cap, and Small Cap. The actual allocations deviated slightly from the target allocations, however all were within acceptable variance levels.

Points of interest to note include the following:

- The market value of assets grew to $275,172,000 in Fiscal Year 2018, which was an increase of $23,758,000 or 9.5% from the prior fiscal year.
- For the fiscal year ending June 30, 2018, the Program's portfolio rate of return on a Market Value basis was 8.6%, which met its benchmark.
- The Program's three-year investment return was 7.9%, slightly below the target benchmark of 8.0%.

Fund Market Values of Investments

| Asset Class | Target Allocation | | Actual Allocation | | Fiscal Year 2018 | Fiscal Year 2017 |
|---|---|---|---|---|---|---|
| | FY 18 | FY 17 | FY 18 | FY 17 | | |
| Large Cap | 39% | 39% | 40.0% | 42.2% | $110,180,000 | $106,118,000 |
| Mid Cap | 7% | 7% | 7.4% | 7.7% | $20,340,000 | $19,350,000 |
| Small Cap | 4% | 4% | 4.0% | 4.0% | $11,053,000 | $10,043,000 |
| Covered Calls | 20% | 20% | 20.8% | 19.1% | $57,144,000 | $47,917,000 |
| Fixed Income | 30% | 30% | 27.8% | 27% | $76,455,000 | $67,985,000 |
| | | | | | | |
| Total | 100% | | 100% | | $275,172,000 | $251,414,000 |

Investment Performance (Net of Fees)

| | 1 Year | 3 Year | 5 Year |
|---|---|---|---|
| Total Portfolio | 8.6 | 7.9 | 8.8 |
| Policy Benchmark | 8.6 | 8.0 | 8.8 |
| **Excess Return(Net)** | **0.0** | **-0.1** | **0.0** |

The Report from Pension Consultant Alliance is contained in appendix C.

# SUMMARY OF ENROLLMENT STATISTICS

General statistics are collected from the enrollment forms submitted by purchasers who enrolled children in the Program. Demographic data is voluntarily collected at enrollment time. All information is provided by purchasers and only shared in aggregate. The information below is presented for Fiscal Year 2018 and in comparison, to the last three fiscal years. Highlights of the information collected and/or reported during Fiscal Year 2018 open enrollment are noted below.

♦ Program chosen: The number of purchasers choosing a four year university plan in Fiscal Year 2018 continues to be the most popular, with 54.3% of purchasers choosing this plan option. Second choice for purchasers was again the two-year university plan at 16.5% of all contracts sold.

♦ Program Payment Options: The lump sum payment option grew again this year, reaching 40.1% of the participant's payment plan choice. The five-year and extended monthly installment payment options made up the other 59.9% of contracts purchased. Among new enrollees choosing a monthly payment option, 13.4% chose to make a down payment, lowering their monthly payments for the contract they purchased.

♦ Clark County remains the largest purchaser population with roughly 50% of contract sold. Washoe County continues to follow with 37% and Carson City declined slightly to fourth with 3% of contracts purchased.

♦ Newborn enrollments remain the single highest percentage of contracts sold at almost 18%, which gives families the longest time to pay for and benefit from college tuition increases over the years by locking in tuition when their child is under a year old. Seven percent. of parents/grandparents bought Prepaid Tuition for their fifth grader's or children getting ready for kindergarten at age 4/5.

♦ Almost 56% reported beneficiaries were Caucasian, followed by Asians (17.4%), Hispanics (12.4%), and African-Americans (4.5%).

♦ Although any Nevada resident or graduate of the Nevada System of Higher Education can purchase a contract, parents purchased the most contracts at 83%, followed by grandparents who purchased the program for their grandchildren representing 14% of the contracts sold in Fiscal Year 2018. Note: A purchaser does not need to live in Nevada if the beneficiary they are purchasing the contract for is a Nevada resident.

♦ Education Level: Similar to the previous fiscal year, participants reporting that they have a bachelor's degree in fiscal year 2018 represents the largest percentage 37% of contract purchaser's, followed by those holding a master's degree at almost 17%.

♦ Annual Income: Purchasers with annual household incomes under $50,000 represented over 8% of the contracts sold. Purchasers with annual household incomes ranging from $50,000 to $79,000 represented 13%, and those with an income level of $80,000 or more represented 60% of all contracts purchased.

♦ Referral Source: 40% of the purchasers indicated that friends/relatives were the primary source of information about the Prepaid Tuition program, followed by school flyer/banner at 14%, and Radio/TV at 13%

The complete collection of tables and charts are contained in Appendix D.

# OUTREACH AND EDUCATION

The Nevada State Treasurer's Office continues to offer a broad range of unique college savings plan options to help Nevadans prepare and pay for future higher education expenses. Office staff works with public and private schools throughout the state, as well as with various professional groups and nonprofit partners, to sponsor community events providing 'face to face' outreach and education. to all Nevada families, sharing unique college savings program strategies to fit a family's needs.

For the sixth year, the Nevada Prepaid Tuition Program continued with a very popular early enrollment promotion that awarded two participants with a Nevada Prepaid Tuition account of one full year of college tuition at the university level! This promotion encourages families to consider the Prepaid Tuition Program and to enroll early if they are interested in purchasing the program for their child, as the promotion is only open for the first 90 days of Program open enrollment every year. One winner was awarded in Northern and Southern Nevada. In March 2018, the southern Nevada winner was recognized on "KVVU Fox 5 More Access." In Northern Nevada, a very generous family decided to 'pay it forward' by sharing their win with another family. This gesture was made by an amazing Reno doctor who remained anonymous and had purchased 3 contracts for his children and had the financial means to donate their family's prize to another child. Both families were thrilled to be a part of the program, and to be participants in the Nevada Prepaid Tuition Program.

Staff remained diligent in their outreach efforts during the fiscal year. With both determination and innovation staff attended roughly 192 events throughout Nevada despite large budget cuts in Fiscal Year 2018. Staff continued to communicate with families at numerous face-to-face events throughout Nevada as well as through online media sources, including online banner advertising, Facebook ads, online search engine marketing, and other digital mediums. Staff continued their passionate message to families about the importance of saving for college and working with their children to formulate a post high school plan. Over 21,000 families have enrolled their children into the program since it opened in 1998. In FY 18, the Program once again contracted with Amplify Relations to assist with its marketing and outreach awareness efforts. Sage, the college savings desert tortoise mascot, is focused on getting kids excited about going to college and highlighting all of the saving options the State Treasurer's office offers.


The Thomas family of Southern Nevada is awarded one year of free tuition by Treasurer Dan Schwartz.


Deputy Treasurer Sheila Salehian provides Prepaid Tuition information on Channel 13 Morning Blend in Las Vegas.

# APPENDIX A

# ACTUARIAL VALUATION REPORT

# APPENDIX B

# INDEPENDENT AUDITOR'S REPORT

# APPENDIX C

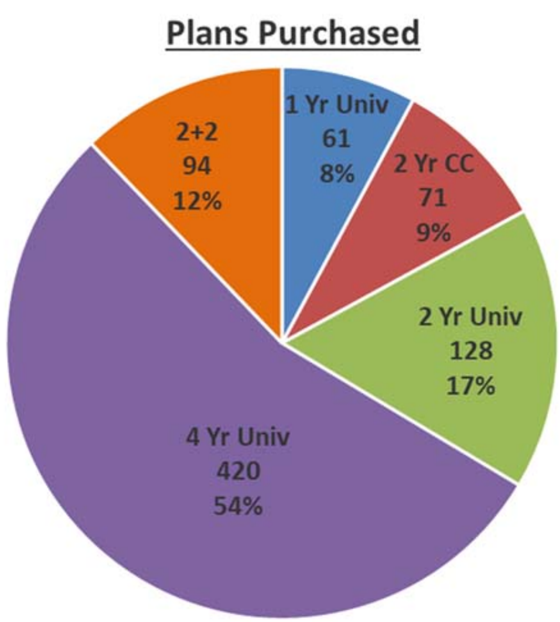
# PENSION CONSULTANT ALLIANCE PERFORMANCE REVIEW

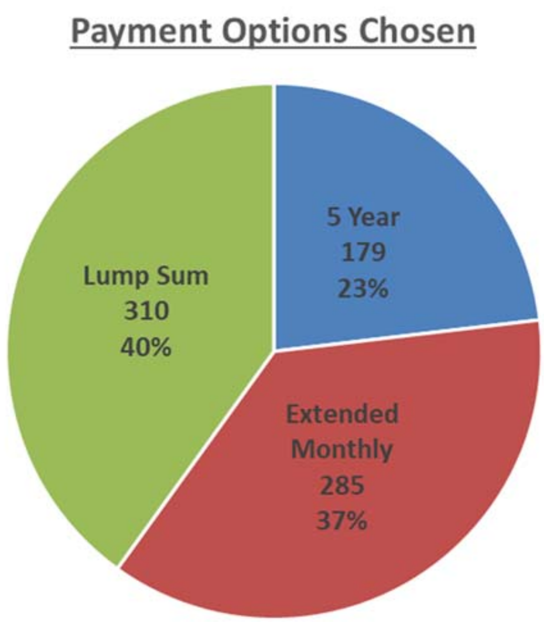
# APPENDIX D

# ENROLLMENT STATISTICAL CHARTS

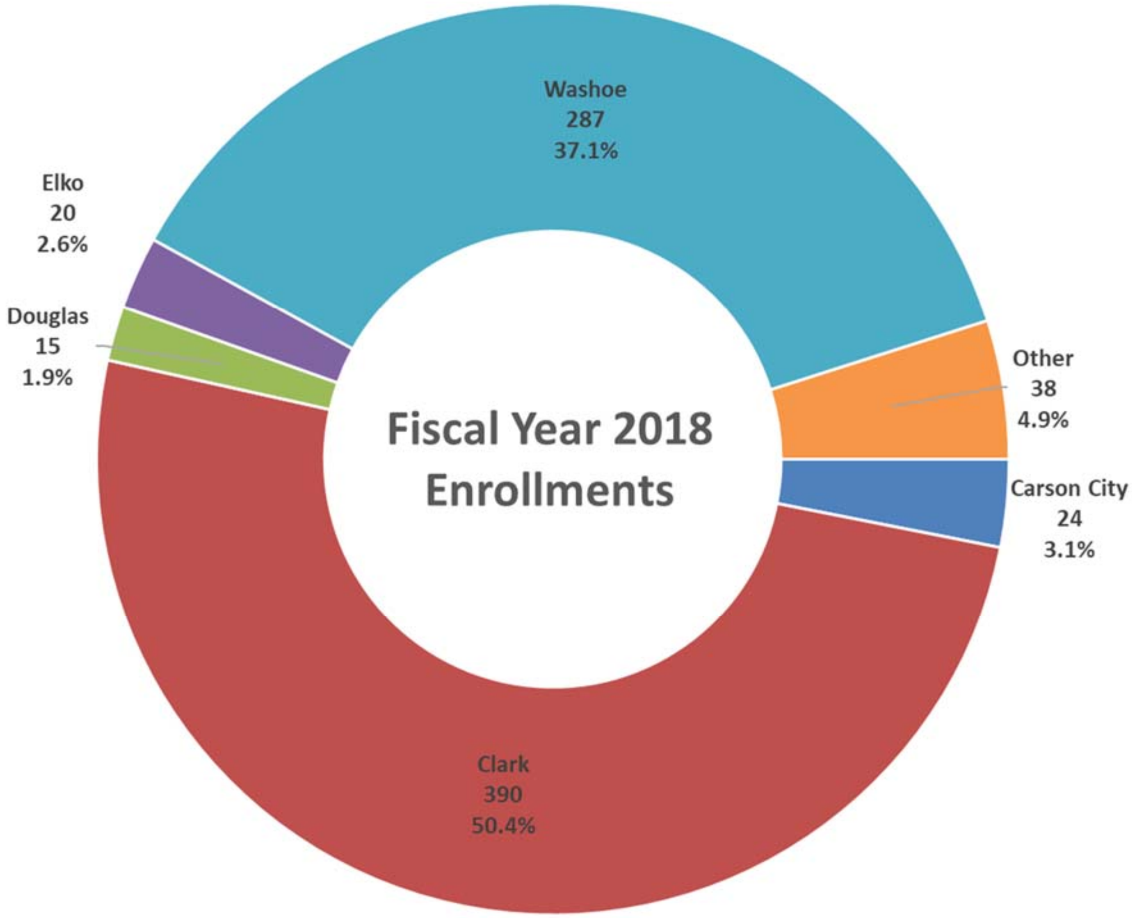
# NEW ENROLLMENTS FISCAL YEAR 2018

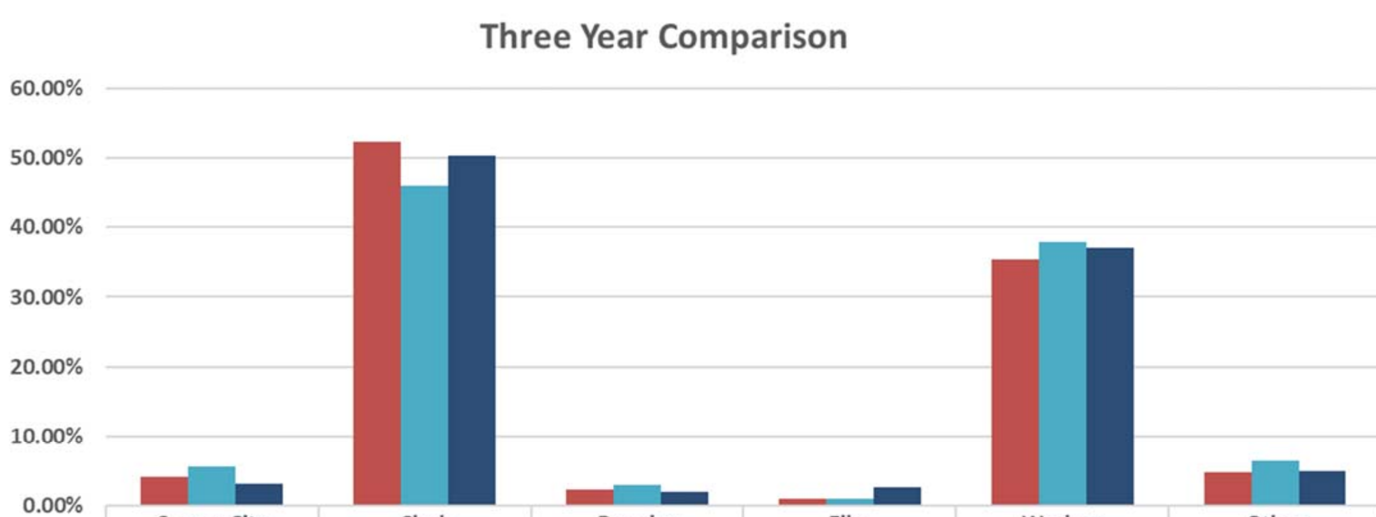
| PLAN | | TOTAL | % OF TOTAL |
|---|---|---|---|
| **2 YEAR COMMUNITY** | | | |
| LUMP SUM | 20 | | |
| 5 YEAR | 12 | | |
| EXTENDED | 39 | | |
| | | 71 | 9.17% |
| **2 YR COMM/2 YR UNIV** | | | |
| LUMP SUM | 28 | | |
| 5 YEAR | 21 | | |
| EXTENDED | 45 | | |
| | | 94 | 12.14% |
| **1 YEAR UNIV** | | | |
| LUMP SUM | 35 | | |
| 5 YEAR | 13 | | |
| EXTENDED | 13 | | |
| | | 61 | 7.88% |
| **4 YEAR UNIV** | | | |
| LUMP SUM | 177 | | |
| 5 YEAR | 106 | | |
| EXTENDED | 137 | | |
| | | 420 | 54.26% |
| **2 YEAR UNIV** | | | |
| LUMP SUM | 50 | | |
| 5 YEAR | 27 | | |
| EXTENDED | 51 | | |
| | | 128 | 16.54% |
| TOTAL ENROLLMENT FORMS | 774 | | 100.00% |



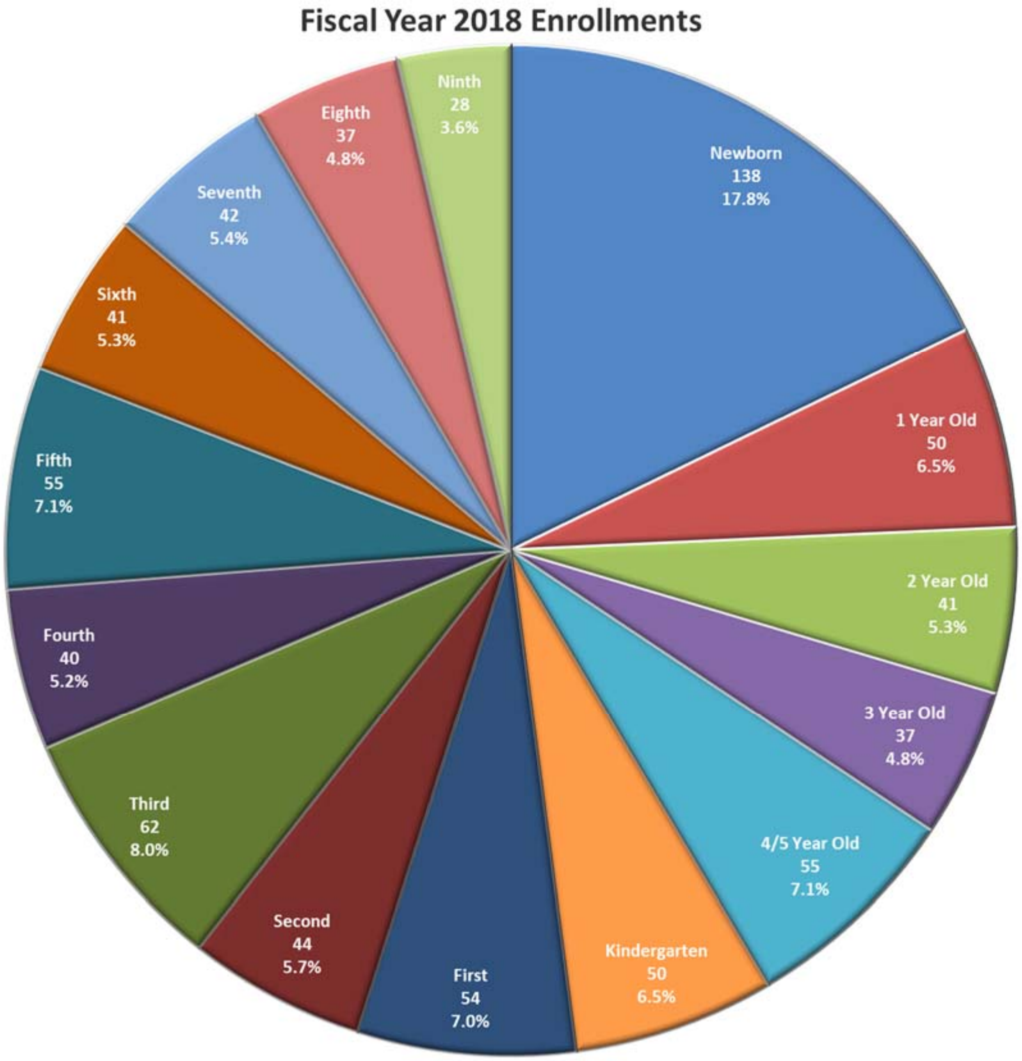
# CONTRACTS BY COUNTY

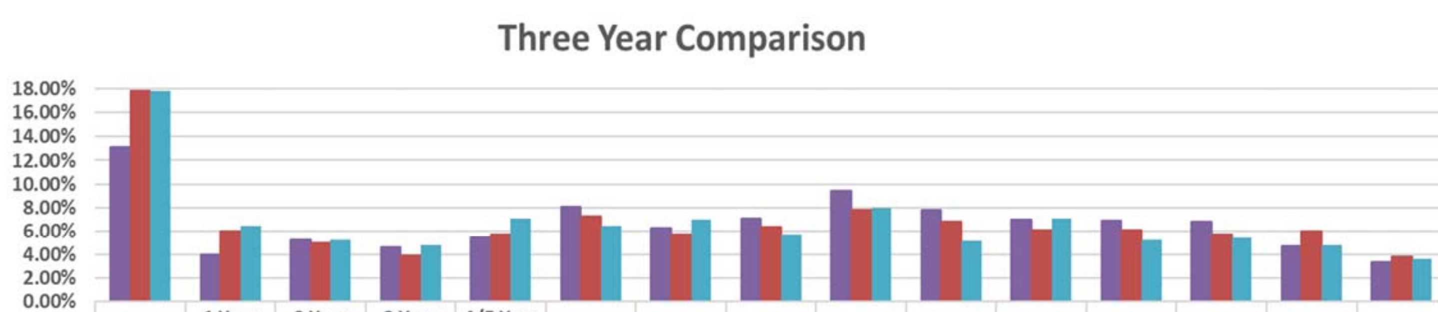



| | Carson City | Clark | Douglas | Elko | Washoe | Other |
|---|---|---|---|---|---|---|
| FISCAL YEAR 16 | 4.23% | 52.27% | 2.37% | 1.03% | 35.36% | 4.74% |
| FISCAL YEAR 17 | 5.63% | 46.10% | 2.92% | 0.97% | 37.88% | 6.49% |
| FISCAL YEAR 18 | 3.10% | 50.39% | 1.94% | 2.58% | 37.08% | 4.91% |

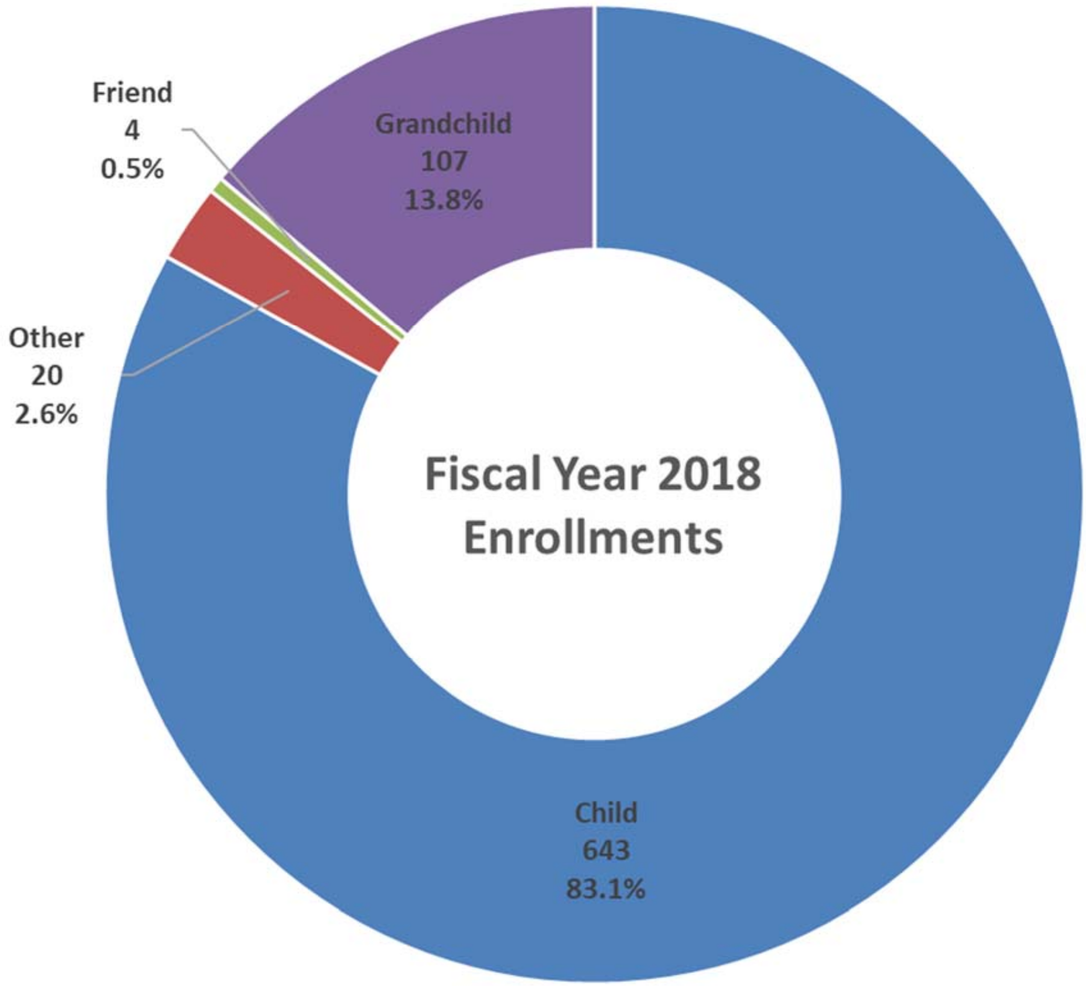
# BENEFICIARIES AGE/GRADE

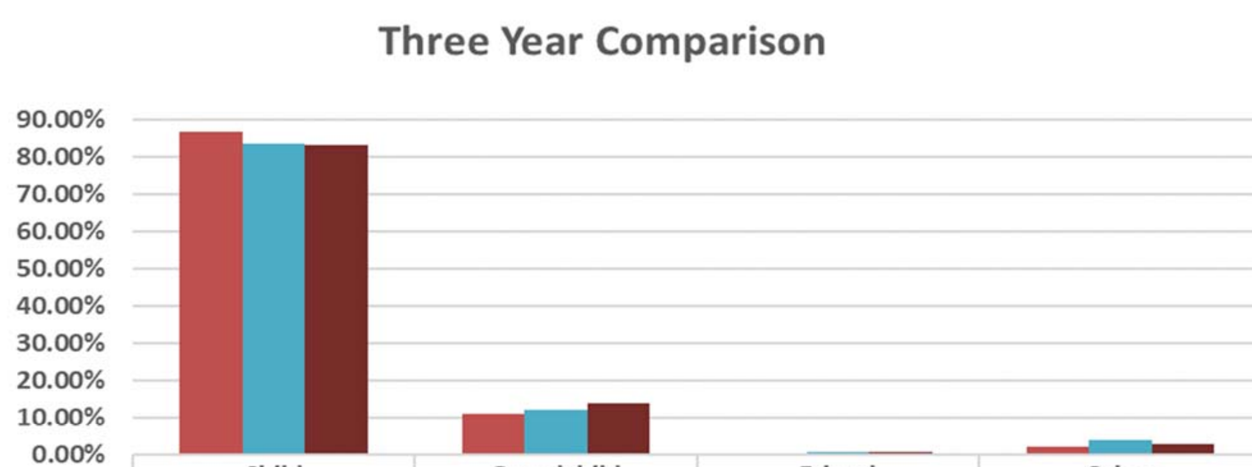



| | Newborn | 1 Year Old | 2 Year Old | 3 Year Old | 4/5 Year Old | K | First | Second | Third | Fourth | Fifth | Sixth | Seventh | Eighth | Ninth |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| FISCAL YEAR 16 | 13.09% | 4.02% | 5.26% | 4.64% | 5.46% | 8.04% | 6.29% | 7.11% | 9.38% | 7.84% | 7.01% | 6.91% | 6.80% | 4.74% | 3.40% |
| FISCAL YEAR 17 | 17.86% | 5.95% | 4.98% | 3.90% | 5.74% | 7.25% | 5.74% | 6.39% | 7.79% | 6.82% | 6.06% | 6.06% | 5.74% | 5.95% | 3.79% |
| FISCAL YEAR 18 | 17.83% | 6.46% | 5.30% | 4.78% | 7.11% | 6.46% | 6.98% | 5.68% | 8.01% | 5.17% | 7.11% | 5.30% | 5.43% | 4.78% | 3.62% |

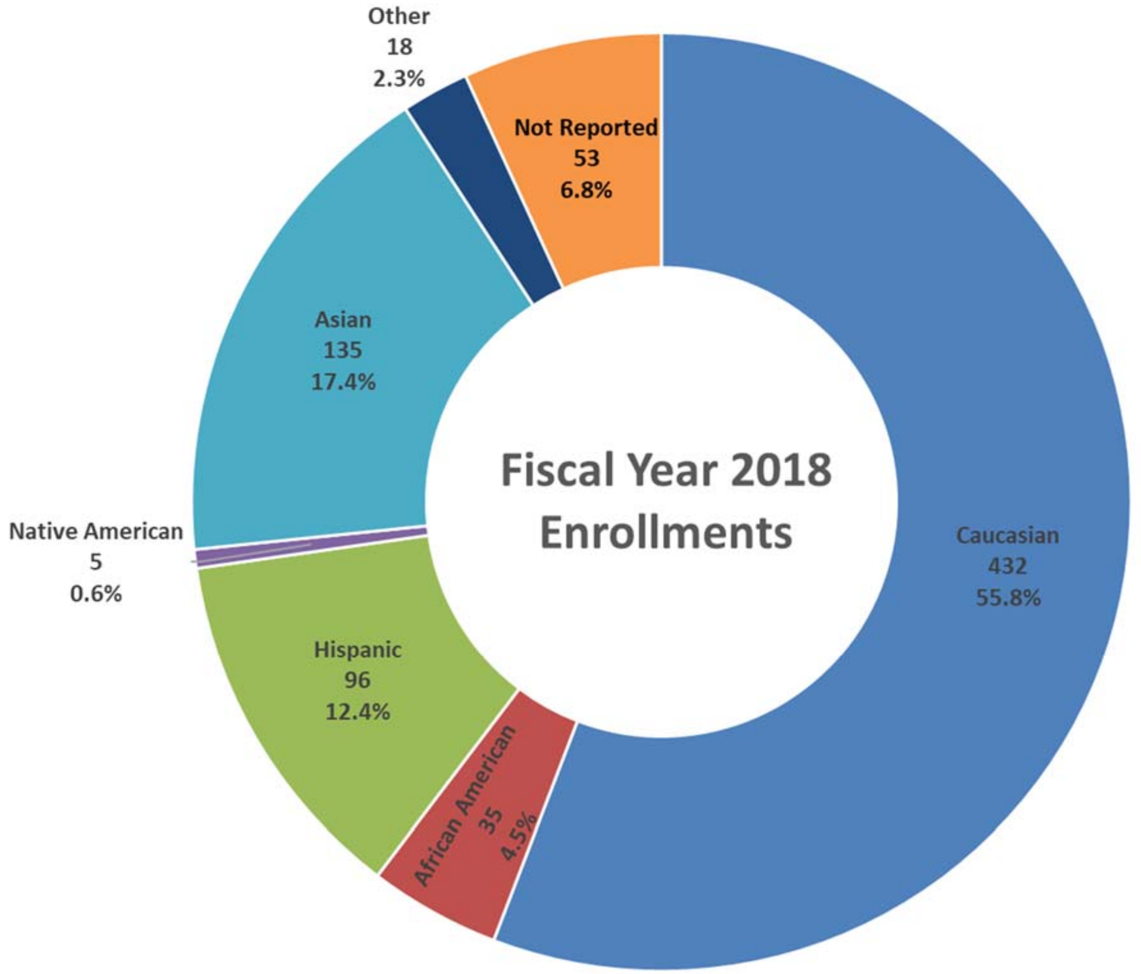
# BENEFICIARY'S RELATIONSHIP TO PURCHASER

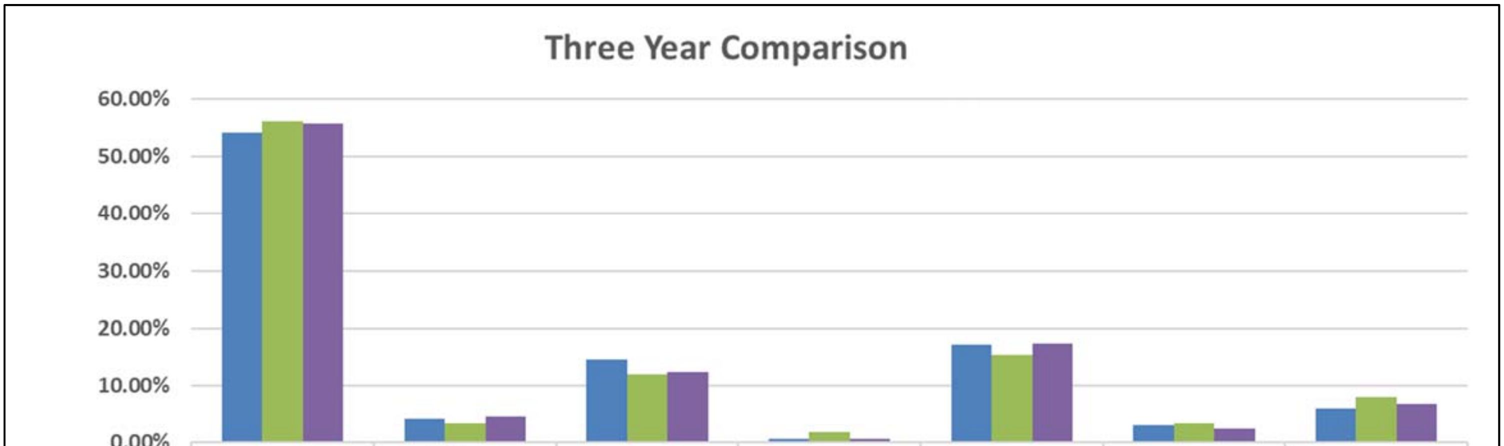



| | Child | Grandchild | Friend | Other |
|---|---|---|---|---|
| FISCAL YEAR 16 | 86.80% | 11.03% | 0.10% | 2.06% |
| FISCAL YEAR 17 | 83.55% | 12.12% | 0.65% | 3.68% |
| FISCAL YEAR 18 | 83.07% | 13.82% | 0.52% | 2.58% |

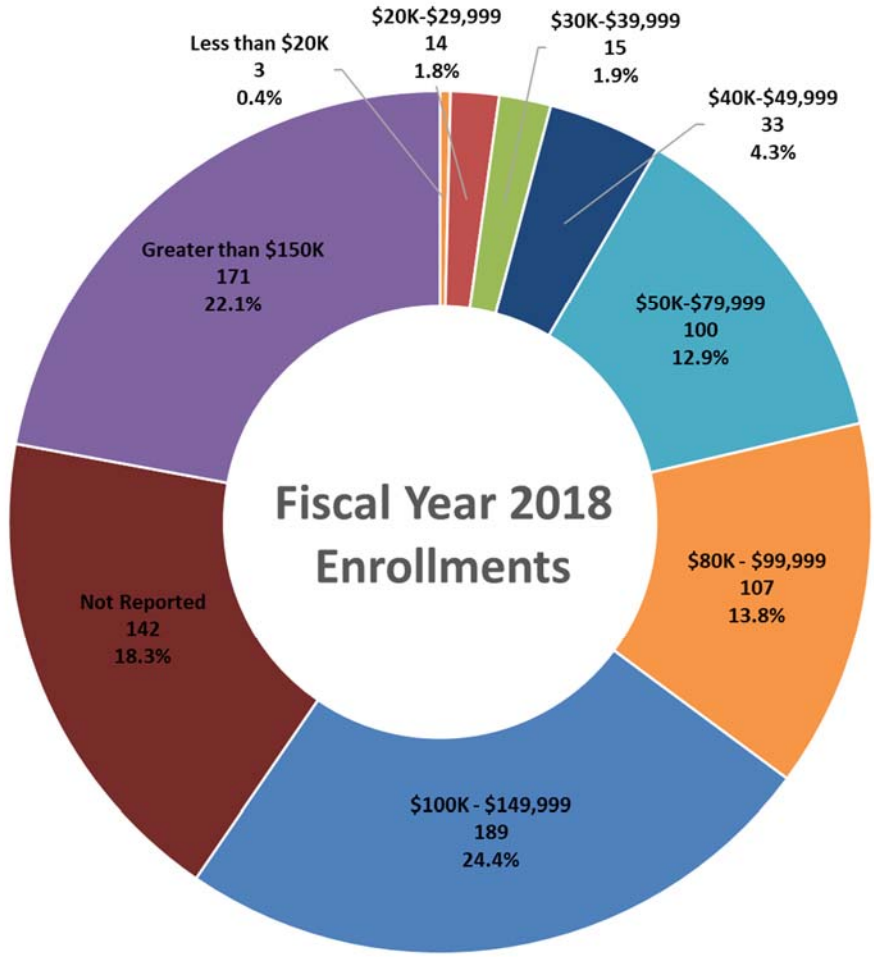
# RACE OF BENEFICIARY

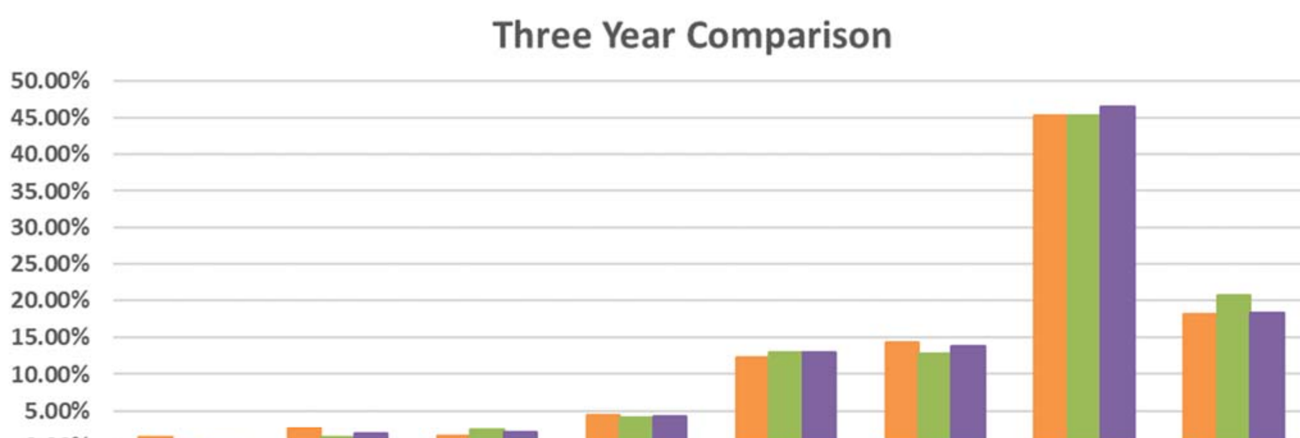



| | Caucasian | African-American | Hispanic | Native American | Asian | Other | Not Reported |
|---|---|---|---|---|---|---|---|
| FISCAL YEAR 16 | 54.12% | 4.23% | 14.64% | 0.72% | 17.22% | 2.99% | 6.08% |
| FISCAL YEAR 17 | 56.28% | 3.35% | 11.90% | 1.73% | 15.37% | 3.35% | 8.01% |
| FISCAL YEAR 18 | 55.81% | 4.52% | 12.40% | 0.65% | 17.44% | 2.33% | 6.85% |

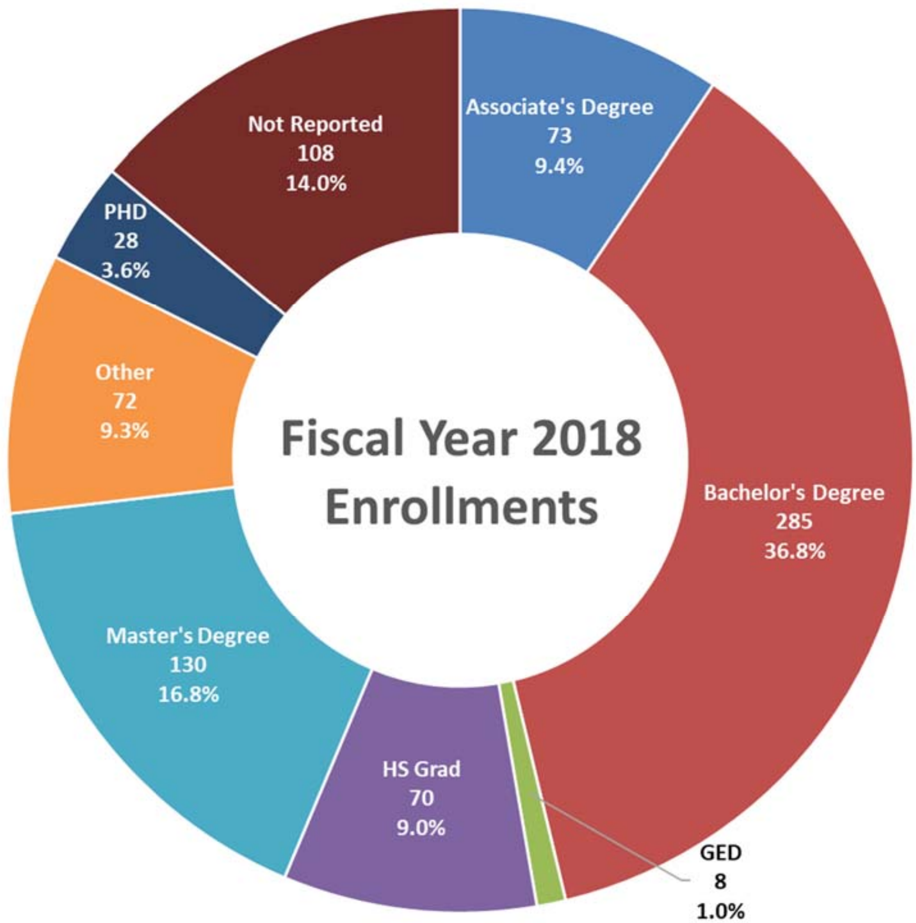
# PURCHASER'S INCOME LEVEL

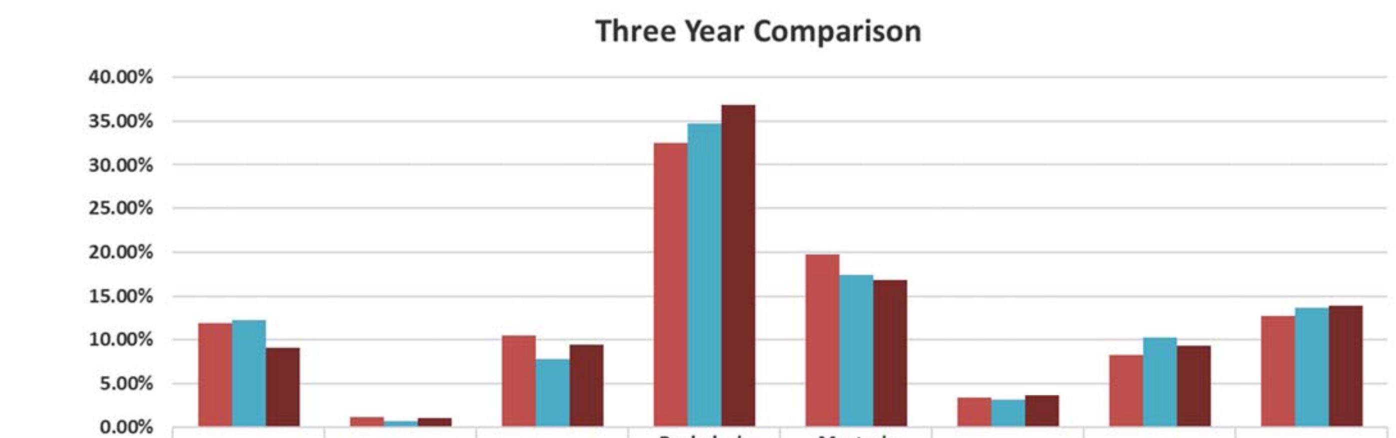



| | < $20K | $20-29K | $30-39K | $40-49K | $50-79K | $80-100K | Over $100K | Not Reported |
|---|---|---|---|---|---|---|---|---|
| FISCAL YEAR 16 | 1.34% | 2.47% | 1.55% | 4.43% | 12.37% | 14.43% | 45.36% | 18.04% |
| FISCAL YEAR 17 | 0.43% | 1.30% | 2.38% | 4.00% | 12.99% | 12.88% | 45.35% | 20.67% |
| FISCAL YEAR 18 | 0.39% | 1.81% | 1.94% | 4.26% | 12.92% | 13.82% | 46.51% | 18.35% |

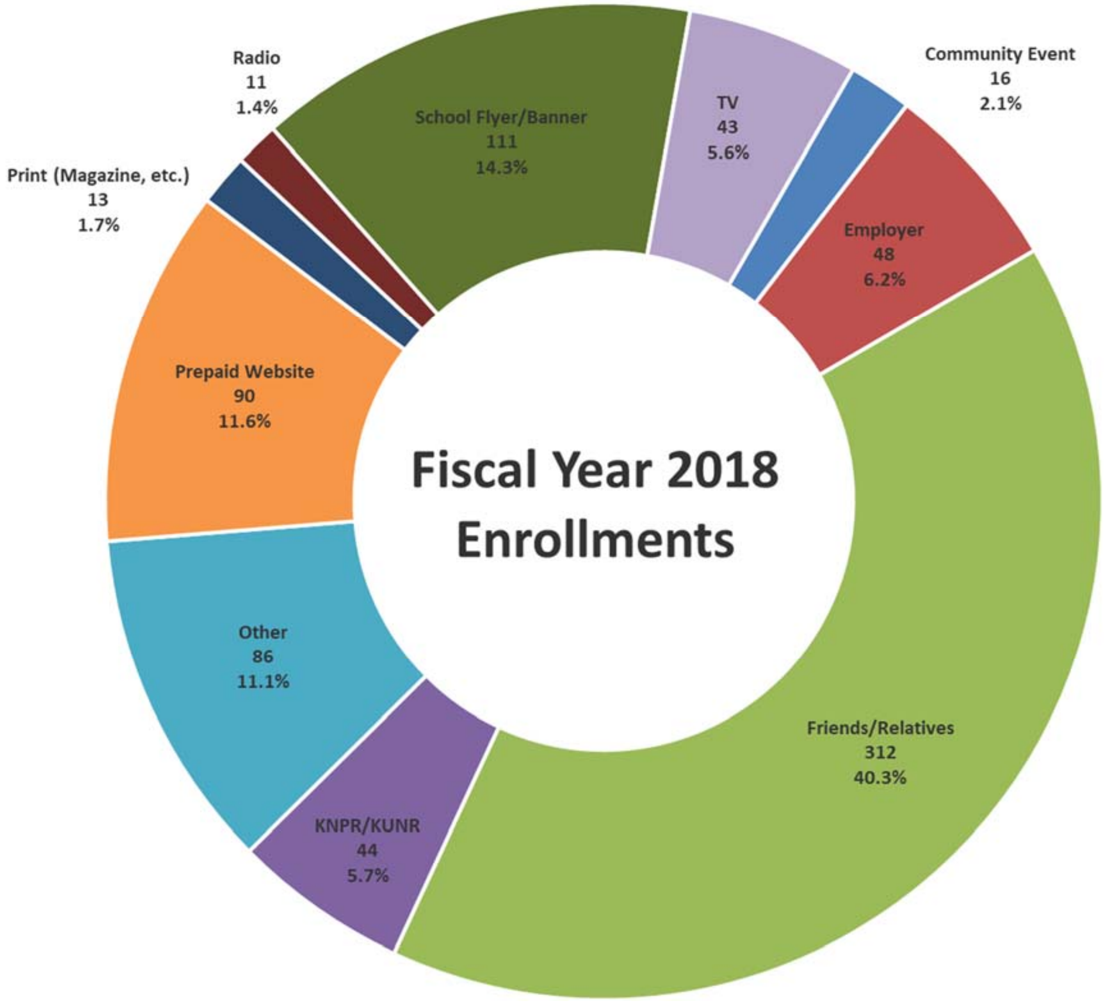
# PURCHASER'S EDUCATION LEVEL

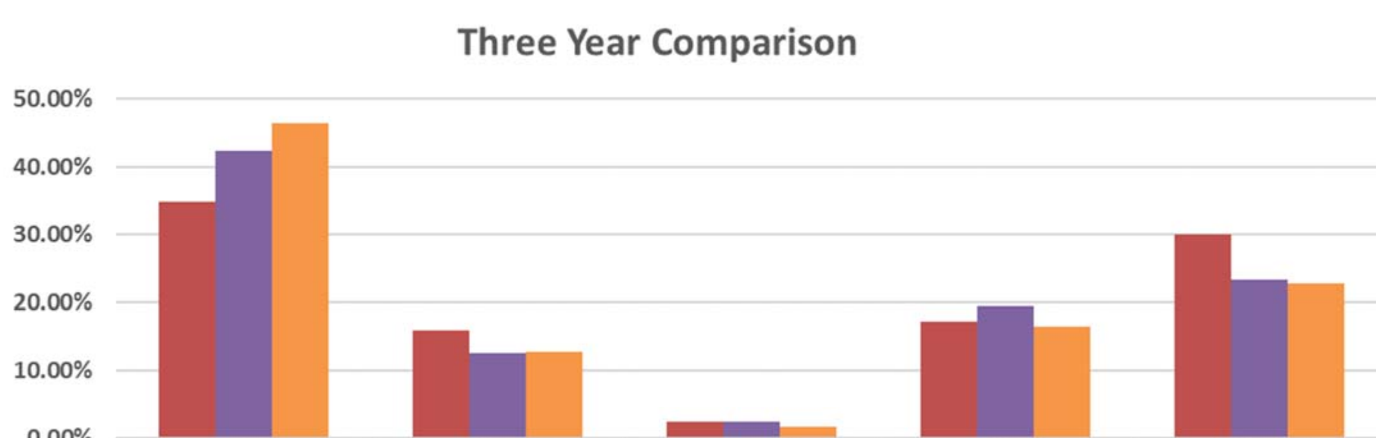



| | H.S. Diploma | GED | AA Degree | Bachelor's Degree | Master's Degree | Ph.D | Other | Not Reported |
|---|---|---|---|---|---|---|---|---|
| FISCAL YEAR 16 | 11.86% | 1.13% | 10.52% | 32.47% | 19.69% | 3.40% | 8.25% | 12.68% |
| FISCAL YEAR 17 | 12.23% | 0.69% | 7.79% | 34.71% | 17.46% | 3.16% | 10.26% | 13.71% |
| FISCAL YEAR 18 | 9.04% | 1.03% | 9.43% | 36.82% | 16.80% | 3.62% | 9.30% | 13.95% |

# REFERRAL SOURCE




| | Word of Mouth | Radio/TV | Newspaper/Print | School | Website/Other |
|---|---|---|---|---|---|
| FISCAL YEAR 16 | 34.85% | 15.88% | 2.27% | 17.11% | 29.90% |
| FISCAL YEAR 17 | 42.42% | 12.45% | 2.27% | 19.48% | 23.38% |
| FISCAL YEAR 18 | 46.51% | 12.66% | 1.68% | 16.41% | 22.74% |

# THE BOARD OF TRUSTEES OF THE COLLEGE SAVINGS PLANS OF NEVADA

## Agenda Item 5
## February 27, 2019

**Item:** **Board review and approval of the following investment change in the Vanguard 529 Plan: Merger of the Morgan Growth Fund and the U.S. Growth Fund into a new fund to be named the Vanguard U.S. Growth Fund.**

**Fiscal:**
None to the Board.

**Summary:**
In December 2018, Vanguard informed staff and PCA that it is merging the Vanguard Morgan Growth Fund and the Vanguard U.S. Growth Fund into a new large-cap growth fund. The Fund will retain the name Vanguard U.S. Growth Fund. The Morgan Growth Fund is currently a stand-alone investment option (not included in the age-based options) available to participants in the Vanguard 529 Plan. Currently, the Fund has ~10,200 account owners totaling $138MM in assets and of these account owners 170 are Nevada residents with ~$3.6M in assets.

Vanguard is merging the two funds to better streamline its large-capitalization equity domestic offerings, as the two funds have similar investment strategies and performance. The merger of the two funds will result in changes in the underlying investment sub-advisors from the current Morgan Growth Fund. These changes include:

- Portion of the fund managed by Wellington will decrease from 47.0% to 27.5%.
    - Lead manager for Wellington for this portion of the fund will also change.

- Jennison Associates, which currently manages assets for the Morgan Growth Fund, will see an increase in its allocation from 23.0% to 27.5%

- Jackson Square Partners and Baille Gifford, who are not involved in managing assets in the Morgan Growth fund will each manage 15.0% in the new fund.

- Frontier Capital, a mid-cap focused manager, and William Blair will be removed as asset managers for the new fund.

The new fund is expected to be more highly concentrated in large-cap growth stocks and more consistent to the large-cap growth style versus the Morgan Growth Fund which held ~ 15% or more in mid-cap stocks. Staff, in conjunction with PCA is recommending the Board accept the new fund, the Vanguard U.S. Growth Fund; however, PCA will be placing the fund on 'watch status' due to the significant manager allocation changes for the new fund.

The key to the success of any investment option change is communication to the account holders. The communication will clearly note the changes which will occur, and the timeframe for which the investor can modify the change prior to the transfer or after the transfer occurs. Staff will work with Vanguard to ensure the communication is sent timely to account holders in an effort to notify investors early enough in the calendar year in hopes that they have not yet utilized their annual investment option change.

Eric White from PCA will present the overall investment option changes and answer any questions. Tom Hewitt and others from Vanguard will also be available via teleconference to answer any questions and provide additional detail.

**Date:** **February 27, 2019**

**To:** **Nevada College Savings Plans**

**From:** Pension Consulting Alliance, LLC (PCA)

**CC:** Eric White, CFA – PCA
Kay Ceserani – PCA
Sean Copus, CFA – PCA

**RE:** **Vanguard Morgan Growth Transition**

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### Summary & Recommendation

In December 2018, Vanguard announced that they would be merging the Vanguard Morgan Growth fund and the Vanguard US Growth fund with the transition scheduled to take place in April 2019. Vanguard's reason for the desired merger stems from the two funds' similarities in their investment mandates and strategies, as well as Vanguard's broader desire to streamline its actively-managed fund offerings. As a result of the merger, the new fund will also see changes to its underlying sub-advisor mix; these management changes are discussed further below. The combined fund will retain the Vanguard US Growth name and manage approximately $25 billion in assets with an expense ratio of 28 basis points for the Admiral share class.

Given the strong similarities of the Vanguard Morgan Growth and Vanguard US Growth funds, PCA believes that the merger makes sense from Vanguard's standpoint and that the resulting fund will continue to provide the participants of the Nevada 529 Vanguard program with a high quality, large cap growth-focused, actively managed fund option. However, the changes to the underlying manager mix will most likely lead to changes in the fund's overall investment characteristics and performance profile. Overall, PCA believes that several of the sub-advisor structure changes, specifically the recent change in the underlying Wellington manager along with the higher allocation to Baillie Gifford, will result in a merged fund with a more aggressive growth focus. However, as an individual, stand-alone fund option, PCA believes that a fund with more pure growth characteristics remains appropriate for the program and should continue to be included in the Nevada 529 Vanguard fund lineup.

### Discussion

As mentioned above, the combination of the two funds will include significant changes to the fund's underlying sub-advisor structure, which should affect the fund's performance profile going forward. The underlying managers and their respective allocations of the current Vanguard Morgan Growth and US Growth funds, as well as the future combined US Growth fund can be found on the following page.

**Current & Combined Fund Sub-Advisor Breakdown**

| Vanguard Morgan Growth (VMRAX) | |
|---|---|
| Wellington Management | 47.0% |
| Jennison Associates | 23.0% |
| Vanguard QEG | 15.3% |
| Frontier Capital | 14.8% |

| Vanguard US Growth (VWUAX) | |
|---|---|
| Wellington Management | 37.2% |
| Jackson Square Partners | 37.0% |
| William Blair | 12.3% |
| Baillie Gifford | 7.0% |
| Jennison Associates | 6.5% |

| Vanguard US Growth – Post Merger | |
|---|---|
| Wellington Management | 27.5% |
| Jennison Associates | 27.5% |
| Jackson Square Partners | 15.0% |
| Baillie Gifford | 15.0% |
| Vanguard QEG | 15.0% |

As the table shows, the combined fund's manager mix will feature several changes from the current Vanguard Morgan Growth fund. Some of the key changes are as follows:

- The portion of the fund managed by Wellington will decrease from 47.0% to 27.5%.
- The lead manager for the Wellington allocation will be Andrew Shilling, who has managed the US Growth fund allocation and took over the Wellington allocation in the Morgan Growth fund from Paul Marrkand in December 2018.).
- Jennison Associates, which currently manages assets for both portfolios, will see an increase in its allocation from 23.0% to 27.5%.
- Jackson Square Partners and Baillie Gifford, who are not involved with the Morgan Growth fund, will each manage 15.0% of the combined portfolio.
- Frontier Capital, a mid cap-focused manager, and William Blair will be removed from the manager mix.

There are three underlying managers in the current Morgan Growth allocation (Jennison, Wellington, and Vanguard Quantitative Equity Group) that will continue to manage assets in the post-merger US Growth fund. The carried over managers will manage 42.5% of the combined fund, meaning more than half of the combined fund's allocation will be run by managers who were either not involved with the legacy Morgan Growth fund or have been recently added to the manager roster. Some background on the new managers can be found below.

<u>Wellington Management</u>

As noted earlier, the 37.2% allocation to Wellington under the Morgan Growth fund was previously managed by a team led by Paul Marrkand until December 2018 when the current US Growth fund team led by Andrew Shilling took over the Morgan Growth allocation; Mr. Shilling will manage the combined allocation post-merger. Mr. Shilling employs a fundamental, high conviction, bottom-up strategy that focuses on growth companies that possess explicit sustainable growth advantages or specific barriers to entry that will enable them to maintain above-average growth rates over the 3- to 5-year period. The underlying characteristics of Mr. Shilling's portfolio point to a higher conviction, higher growth-focused portfolio that has enjoyed higher excess returns over the past several years where growth has been in favor. However, Mr. Shilling's higher returns have been accompanied by higher volatility resulting in both managers having very similar risk adjusted performance measurements. Overall, the recent changes in the underlying Wellington management team should result in a more growth-focused allocation with a higher upside when growth is in favor that comes at the cost of slightly higher risk.

Jackson Square Partners

Jackson Square currently manages a 37.0% allocation within the current Vanguard US Growth fund and will see its allocation reduced to 15.0% under the new merged fund structure. The Jackson Square Partners allocation will be managed by the same four-person management team led by Christopher Bonavico that is involved with the current Vanguard US Growth fund. Mr. Bonavico runs a high conviction, bottom-up, fundamental large cap growth portfolio. The team believes there is little diversification benefit with holding more than 25 to 35 names and thus focuses on its best ideas with a long-term investment horizon. The team believes that as more assets in the market flow to short-term driven, trading-oriented strategies, their long-term focus creates "time-arbitrage" opportunities that will outperform over the long run. The portfolio emphasizes growth in intrinsic business value with an emphasis on cash generation and return on invested capital over accounting earnings.

Baillie Gifford

Baillie Gifford currently manages a 7.0% allocation for the Vanguard US Growth fund and will see its total allocation more than double to 15.0% under the new merged fund structure. Based in Edinburgh, Scotland, the Baillie Gifford US Equities portfolio is a concentrated, long-term focused pure growth portfolio with low turnover and high active share that isn't afraid to take significant sector bets. The portfolio also invests significantly in mid cap funds as more than 50% of its portfolio is invested in companies with market caps of less than $15 billion. The team looks for companies with special cultures and other intangible characteristics that they believe are underappreciated by market participants. Holdings in the portfolio fall into three groups; transformational growers, which leverage foundational technologies to transform existing industries; dynamic growers, which are growing briskly and address large, fragmented markets but aren't agents of revolutionary change; and enduring growers, which generally have the slowest but most enduring growth rates. With more than 50% of assets in its 10 largest holdings and a forward-looking P/E ratio of 51.7, the Baillie Gifford portfolio is very high conviction and very high growth with recent performance to match. The portfolio returned 9.5% during 2018 compared to the Russell 1000 Growth's -1.5% but with a standard deviation of 26.0%.

## Current Fund Characteristics

| | Vanguard Morgan Growth | Vanguard US Growth | *Russell 1000 Growth* |
|---|---|---|---|
| Inception Date | 05/14/2001 | 08/13/2001 | 12/31/78 |
| Ticker | VMRAX | VWUAX | --- |
| Fees | 0.27% | 0.30% | --- |
| Morningstar Rating | ★★★<br>Bronze | ★★★<br>Bronze | ---<br>--- |
| Fund Size ($bil) | $14.6 | $10.1 | --- |
| Avg. Market Cap ($mil) | $89,390 | $57,478 | $100,082 |
| Holdings | 240 | 138 | 545 |
| Top 10 Holdings (%) | 33.8 | 30.8 | 33.6 |
| Turnover Ratio (%) | 47 | 33 | --- |
| Non-U.S. Holdings (%) | 5.6 | 3.6 | 0.6 |
| Emerging Mkts (%) | 3.4 | 1.6 | 0.1 |
| Cash (%) | 3.3 | 4.8 | --- |
| **Market Capitalization (%)** | | | |
| Giant | 56.1 | 37.0 | *55.9* |
| Large | 27.5 | 41.4 | *30.6* |
| Medium | 15.3 | 19.7 | *13.2* |
| Small | 1.1 | 1.9 | *0.4* |
| Micro | 0.0 | 0.0 | *0.0* |
| **Value & Growth Measures** | | | |
| P/Prospective E | 21.5 | 20.6 | *19.8* |
| P/B | 6.2 | 5.1 | *5.7* |
| P/S | 3.3 | 3.4 | *2.6* |
| P/CF | 17.1 | 16.6 | *13.1* |
| Dividend Yield % | 0.9 | 0.7 | *1.3* |
| Long-term Earnings % | 14.7 | 14.4 | *12.4* |
| Sales Growth % | 10.8 | 8.5 | *11.2* |
| Cash-flow Growth % | 16.0 | 14.0 | *15.8* |
| Book-value Growth % | 9.3 | 10.1 | *8.1* |
| **Sector Weights (%)** | | | |
| Basic Materials | 0.8 | 3.7 | *1.7* |
| Consumer Cyclical | 21.9 | 14.5 | *17.7* |
| Financial Services | 12.9 | 11.1 | *8.9* |
| Real Estate | 1.0 | 1.7 | *1.7* |
| Communication Services | 0.5 | 2.0 | *1.2* |
| Energy | 0.4 | 1.8 | *0.8* |
| Industrials | 7.9 | 8.5 | *13.1* |
| Technology | 36.6 | 34.0 | *35.1* |
| Consumer Defensive | 4.4 | 5.9 | *6.1* |
| Healthcare | 13.6 | 16.9 | *13.9* |
| Utilities | 0.1 | 0.0 | *0.0* |

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Prepared for

# The Vanguard 529 Plan and Nevada State Treasurer's Office

February 27, 2019

Presented by:

Tom Hewitt, CFP®
Relationship Manager
Education Savings Group

Christopher Pettit, CFA
Senior Investment Analyst and Manager
Portfolio Review Department

# 2019 merger of Morgan Growth Fund into U.S. Growth Fund


### Summary

In our ongoing effort to improve investor outcomes, Vanguard is pleased to announce the merger of the Vanguard Morgan™ Growth Fund and the Vanguard U.S. Growth Fund. The combined fund will be called the Vanguard U.S. Growth Fund, and will:

- Pursue a substantially similar large-cap growth investment strategy as the predecessor funds.
- Be offered with an expense ratio of 0.28% for Admiral™ Shares.
- Be managed by a select subset of the predecessor funds' investment advisors.
- Be benchmarked to the Russell 1000 Growth Index.


### Retained managers

| | **Wellington Management Company** | **Jennison** | **Jackson Square Partners** | **Baillie Gifford** | **Vanguard QEG** |
|---|---|---|---|---|---|
| **Target allocation** | 27.5% | 27.5% | 15.0% | 15.0% | 15.0% |
| **Vanguard start date** | 2010 | 2007* | 2010 | 2008* | 1993* |
| **Investment style** | Diversified traditional growth | Concentrated traditional growth | Quality growth | Concentrated aggressive growth | Quantitative GARP |
| **Holdings target** | 50–80 | 30–50 | 25–35 | 40–60 | 150–200 |
| **Turnover** | 30–80% | 30–80% | 25–35% | 15–25% | 50–100% |
| **Philosophy** | Seek sustainable growth companies with superior business models: long-lasting trends, barriers-to-entry, and competitive advantages. | Seeks to capture acceleration or duration of growth that is not fully reflected in stock price. | Concentrated, low-turnover portfolio focused on defensible business models as measured by Porter's Five Forces. | Superior growth leads to share price outperformance in the long term and investors must be willing to invest with conviction. | Quantitative process selects stocks based on five signals: quality, earnings growth, market sentiment, management decision, and valuation. |
| **Previously managed** | U.S. Growth Fund** | U.S. Growth Fund and Morgan Growth Fund | U.S. Growth Fund | U.S. Growth Fund | Morgan Growth Fund |

*Represents when advisor began managing large-cap growth strategy for Vanguard, which may be on a prior fund. Jennison (Morgan Growth 2007, Growth Equity 2008), Baillie Gifford (Growth Equity 2008), QEG (Morgan Growth 1993).
**Andrew Shilling will manage the Wellington portion of the U.S. Growth Fund. Paul Marrkand, a Wellington portfolio manager who had previously advised Morgan Growth Fund, will not continue as a manager of the combined fund.

# 2019 merger of Morgan Growth Fund into U.S. Growth Fund

**Vanguard 529 College Savings Plan account owner impact:**

- Approximately 10,200 account owners/$138 million in Morgan Growth Fund assets
- Approximately 170 account owners are Nevada residents/$3.6 million in Morgan Growth Fund assets

## Timeline

| December 2018 | January 2019 | February 2019 | March 2019 | April 2019 |
|---|---|---|---|---|

**December 17, 2018**

- Announcement
- Morgan Growth Fund closed to new investors.

**January 28, 2019**

- Form N-14 filed and legal notice notice sent to Morgan Growth Fund shareholders.

**March 5, 2019**

- Communication sent to all existing Vanguard 529 Plan account owners letting them know about the upcoming changes to the Morgan Growth Portfolio.

**March 29, 2019**

- Morgan Growth Fund closes to new investments from existing shareholders.

**April 1–5, 2019**

- New contributions allocated to the Vanguard 529 Plan Morgan Growth Portfolio will be invested in an underlying holding of the Vanguard U.S. Growth Fund.

**On or around April 5, 2019**

- Morgan Growth Fund assets move to U.S. Growth Fund and merger complete.

**April 5, 2019**

- Within the Vanguard 529 Plan, the Vanguard Morgan Growth Portfolio will be renamed the Vanguard U.S. Growth Portfolio.
- Portfolio expense ratio of the Vanguard U.S. Growth Portfolio will remain unchanged at 0.43%.

# Important information

**For more information about Vanguard funds, visit vanguard.com to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information about a fund are contained in the prospectus; read and consider it carefully before investing.**

All investing is subject to risk, including the possible loss of the money you invest. Diversification does not ensure a profit or protect against a loss.

Investments in stocks or bonds issued by non-U.S. companies are subject to risks including country/regional risk and currency risk. Funds that concentrate on a relatively narrow market sector face the risk of higher share-price volatility. Prices of mid- and small-cap stocks often fluctuate more than those of large-company stocks. Investments in bonds are subject to interest rate, credit, and inflation risk. High-yield bonds generally have medium- and lower-range credit quality ratings and are therefore subject to a higher level of credit risk than bonds with higher credit quality ratings. Although the income from a municipal bond fund is exempt from federal tax, you may owe taxes on any capital gains realized. For some investors, a portion of the fund's income may be subject to state and local taxes, as well as to the federal alternative minimum tax. While U.S. Treasury or government agency securities provide substantial protection against credit risk, they do not protect investors against price changes due to changing interest rates. Unlike stocks and bonds, U.S. Treasury bills are guaranteed as to the timely payment of principal and interest.

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U.S. Patent Nos. 6,879,964; 7,337,138; 7,720,749; 7,925,573; 8,090,646; and 8,417,623.

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

# Agenda Item 6
# February 27, 2019

**Item:**
**Board to receive a presentation from USAA and Victory Capital regarding the impending acquisition of USAA Asset Management Company (AMCO), including the USAA 529 Plan by Victory Capital Holdings, Inc.**

**Summary:**
Staff informed the Board on November 19, 2018 that USAA and Victory Capital Holdings, Inc. (Victory) had entered into a stock purchase agreement in which Victory would acquire the USAA Asset Management Company (which includes its mutual fund, ETF and USAA 529 Savings Plan). The Board received information from USAA and Ascensus at its meeting on December 13, 2018. At this meeting, USAA indicated that it and Victory Capital would present to the Board to provide more detail on the transaction, timeline and answer Board members' questions.

Please note the presentation will be sent to Board members under separate cover by Tuesday, February 26, 2019.

**Fiscal Impact:** None by this action.

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

# Agenda Item 7
# February 27, 2019

**Item:** **Pursuant to NRS 241.015(3)(b)(2), the Board will enter into a non-meeting with counsel to discuss the contract and contract negotiations associated with the impending acquisition of USAA Asset Management Company and the USAA 529 Plan.**

Fiscal: None

**Summary:**
Jamie Canup, outside counsel with Hirschler Fleischer, will discuss the contract and provide recommendations for contract negotiations to the Board for its consideration.

The Board will not take any action during this agenda item; it will simply receive information to assist in providing direction to Treasurer Conine and Staff regarding next steps in the contract process. The Board will take action under Agenda Item #8, after it reconvenes the public meeting.

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

# Agenda Item 8
# February 27, 2019

**Item:** **Board will direct Treasurer Conine and staff regarding the contract negotiations with USAA and Victory Capital Holdings, Inc.**

Fiscal: None

**Summary:**
The Board will consider information it received from outside counsel regarding the USAA and Victory Capital Holdings, Inc. contract provisions during the non-meeting in Agenda Item #7. The Board will direct Treasurer Conine and staff, as appropriate during this agenda item.

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

# Agenda Item 9
# February 27, 2019

**Item:** **Board review and approval of considerations for the proxy vote associated with the acquisition of USAA Asset Management Company, including the USAA 529 Plan by Victory Capital Holdings, Inc.**

Fiscal: None

**Summary:**
Shareholders are being asked to vote on the following two proposals:

1. Approval of a new Investment Advisory Agreement between the USAA Mutual Fund Trust and Victory Capital Management, Inc.
2. Approval of the election of two new Trustees to the Board of Trustees.

The proxy vote is being sought in connection with the sale of USAA Asset Management Company (AMCO), the Fund's current investment adviser, to Victory Capital Holdings, Inc., whereby AMCO will become a wholly own subsidiary of Victory Holdings. It is being proposed that upon the closing of the transaction, Victory Capital will serve as the investment adviser to the Funds. Victory Capital will own substantially all the assets related to AMCO's business, including the books and records related to the Funds and the investment performance of each Fund.

If shareholders approve the New Advisory Agreement and the transition is successful, Victory Capital will replace AMCO as the investment adviser and will manage the Funds. Victory Capital will oversee the activities of the Funds' investment teams, which will be comprised of investment personnel from Victory Capital's investment teams (including investment professionals currently employed by AMCO) and from subadvisors to those Funds. Victory Capital will retain or terminate those teams or allocate or re-allocate assets among them as it determines to be appropriate.

Staff is concerned that the proxy doesn't provide the appropriate level of detail to enable either Staff or PCA to conduct the proper due diligence on the proxy recommendations. The two main concerns are as follows:

1. While the proxy does indicate that all fixed income funds within the 529 plan (Income Fund, Short-term Bond Fund, and Intermediate-term bond fund), will remain under the same management following the close of the transaction, all other funds (Emerging Markets Fund, Growth & Income Fund, Growth Fund, Income Stock Fund, International Fund, Precious Metals and Minerals Fund, Small Cap Stock Fund and the Value Fund) will have new or additional fund managers.

   Unfortunately, the proxy does not provide any details on the percentage of assets each manager or sub-adviser will manage, nor which funds will have completely new managers. Furthermore, the proxy notes that although Victory does not propose changes to the investment objectives of any of the Funds; it acknowledges that the investment processes used by Victory may differ from those of AMCO's portfolio managers or sub-advisers.

2. The proxy does indicate that for two years after the transaction closes, Victory Capital has agreed to waive fees to ensure that each Fund's annual expense ratio does not exceed the levels reflected in each Fund's most recent audit financial statements at the time of the transaction close.
    a. Waiving investment management fees provides greater flexibility for firms to rescind the lower fees to allow for higher fees at the firm's discretion. The Board of Trustees does not need shareholder approval to remove waivers.

Tara Hagan, Chief Deputy Treasurer will provide an overview of the proxy issues.

**SCHEDULE 14A INFORMATION**

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934
(AMENDMENT NO. __)

Filed by the Registrant [x]    Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[x] Preliminary Proxy Statement

[ ] Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(ii))

[ ] Definitive Proxy Statement

[ ] Definitive Additional Materials

[ ] Soliciting Material Pursuant to (ss.) 240.14a-11(c) or (ss.) 240.14a-12

## USAA MUTUAL FUNDS TRUST

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[x] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(iv) and 0-11.

(i) Title of each class of securities to which transaction applies:

(ii) Aggregate number of securities to which transaction applies:

(iii) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(iv) Proposed maximum aggregate value of transaction:

(v) Total fee paid:

[ ] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(ii) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(i) Amount Previously Paid:

(ii) Form, Schedule or Registration Statement No.:

(iii) Filing Party:

(iv) Date Filed:

USAA Mutual Funds Trust
9800 Fredericksburg Road
San Antonio, TX 78288-0227

February 20, 2019

**ACTION REQUESTED**

Dear Shareholder:

We are writing to ask for your vote on proposals that affect the USAA mutual funds that will be presented at a special meeting (together with any postponements or adjournments thereof, the "Meeting") of the shareholders of each series (each a "Fund," and collectively, the "Funds") of USAA Mutual Funds Trust (the "Trust") listed in the enclosed Notice of Special Meeting of Shareholders (the "Notice"). **Your vote is extremely important regardless of the number of shares you own, so we ask that you please read the enclosed materials and submit your vote.**

**We are asking shareholders of all the Funds**:

(1) to approve a new investment advisory agreement (the "new advisory agreement") between the Trust, on behalf of each Fund, and Victory Capital Management, Inc. ("Victory Capital"), an independent investment management company, and

(2) to elect two new nominees to the Board of Trustees of the Trust.

Approval of these proposals is sought in connection with the sale of USAA Asset Management Company ("AMCO"), the Funds' current investment adviser, to Victory Capital Holdings, Inc. ("Victory Holdings"), the parent company of Victory Capital (the "Transaction"). The Transaction is expected to close during the second quarter of 2019, subject to closing conditions and consents.

**More Information About Victory Capital**

We are asking you to approve the new advisory agreement so that Victory Capital and the subadvisers can provide advisory services to the Funds after the Transaction closes. The advisory fee rates payable by the Funds under the new advisory agreement are the same as the current advisory fee rates. In addition, for at least two years after the Transaction closes, Victory Capital has agreed to waive fees and/or reimburse expenses so that each Fund's annual expense ratio (excluding certain customary items) does not exceed the levels reflected in each Fund's most recent audited financial statements at the time of Transaction close (or the levels of AMCO's then-current expense caps, if applicable), excluding the impact of any performance adjustment to a Fund's advisory fee.

**After careful consideration of the proposals, the Board of Trustees of the Trust determined that each proposal is in the best interests of the Funds and unanimously recommends that shareholders vote FOR the proposals.**

Formal notice of the Meeting, to be held on April 18, 2019, at 10 a.m., Central time, is set forth in the enclosed Notice and Proxy Statement. The proposals are discussed in detail in the Proxy Statement, which you should read carefully. If you have questions, please call USAA Investments at 800-531-1235.

It is important that your vote be received no later than April 17, 2019. We appreciate your participation and prompt response in this matter and thank you for your continued support.

Sincerely,

[insert signature]

Brooks Englehardt
President
USAA Asset Management Company

[insert signature]

Robert L. Mason, Ph.D.
Chairman of the Board of Trustees of
USAA Mutual Funds Trust

xxxxx-0219

Enclosures

## YOUR VOTE IS IMPORTANT
## NO MATTER HOW MANY SHARES YOU OWN

In order that your shares may be represented at the Meeting, please vote your proxy as soon as possible either by mail, by telephone, or online via the Internet as indicated on the enclosed proxy card(s). If you own shares of more than one Fund, you will receive a proxy card for each Fund in which you own shares. Please vote each proxy card. If voting by mail, you are requested to:

- Indicate your voting instructions on the proxy card(s);
- Date and sign the proxy card(s);
- Mail the proxy card(s) promptly in the enclosed postage-paid envelope; and
- Allow sufficient time for the proxy card(s) to be received by 11:59 p.m., Central time, on April 17, 2019. (However, proxies received after this time may still be voted in the event of any postponements or adjournments of the Meeting to a later date.)

**If you sign, date, and return the proxy card(s) but give no voting instructions for any proposal(s), the proxies will vote "FOR" such proposals.** To avoid the additional expense of further solicitations, the Funds ask your cooperation in mailing your proxy card(s) immediately.

As an alternative to voting by mail, you may vote by telephone (automated touchtone) or online via the Internet, as follows:

**To vote by telephone:**

(i) Read the Proxy Statement and have your proxy card(s) at hand.

(ii) Call the toll-free number that appears on your proxy card(s).

(iii) Enter the control number(s) set forth on the proxy card(s) and follow the simple, automated instructions.

**To vote online via the Internet:**

(i) Read the Proxy Statement and have your proxy card(s) at hand, USAA members holding fund positions directly with USAA also can vote their proxy through usaa.com by going to usaa.com/proxy.

(ii) Go to the website that appears on your proxy card(s).

(iii) Enter the control number(s) set forth on the proxy card(s) and follow the simple instructions.

The Funds encourage you to vote by telephone (automated touchtone) or online via the Internet using the control number(s) that appears on your enclosed proxy card(s). Use of telephone or Internet voting will reduce the time and costs associated with this proxy solicitation. Whichever method you choose, please read the enclosed Proxy Statement carefully before you vote.

If you have any questions regarding the proposals, the proxy materials or need assistance voting your shares, please contact USAA Investments at 800-531-1235. If the Funds do not receive your vote after our original mailing, you may be contacted by Broadridge Financial Solutions, Inc. ("Broadridge"), the Funds' proxy solicitor, in any case, to remind you to vote.

**USAA Mutual Funds Trust**

| | |
|---|---|
| Aggressive Growth Fund | Nasdaq-100 Index Fund |
| California Bond Fund | New York Bond Fund |
| Capital Growth Fund | Precious Metals and Minerals Fund |
| Cornerstone Aggressive Fund | S&P 500 Index Fund |
| Cornerstone Conservative Fund | Science & Technology Fund |
| Cornerstone Equity Fund | Short-Term Bond Fund |
| Cornerstone Moderate Fund | Small Cap Stock Fund |
| Cornerstone Moderately Aggressive Fund | Target Managed Allocation Fund |
| Cornerstone Moderately Conservative Fund | Target Retirement 2020 Fund |
| Emerging Markets Fund | Target Retirement 2030 Fund |
| Extended Market Index Fund | Target Retirement 2040 Fund |
| Global Equity Income Fund | Target Retirement 2050 Fund |
| Global Managed Volatility Fund | Target Retirement 2060 Fund |
| Government Securities Fund | Target Retirement Income Fund |
| Growth & Income Fund | Tax Exempt Intermediate-Term Fund |
| Growth Fund | Tax Exempt Long-Term Fund |
| Growth and Tax Strategy Fund | Tax Exempt Money Market Fund |
| High Income Fund | Tax Exempt Short-Term Fund |
| Income Fund | Treasury Money Market Trust |
| Income Stock Fund | Ultra Short-Term Bond Fund |
| Intermediate-Term Bond Fund | Value Fund |
| International Fund | Virginia Bond Fund |
| Managed Allocation Fund | World Growth Fund |
| Money Market Fund | |

9800 Fredericksburg Road
San Antonio, TX 78288-0227

# NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 18, 2019

Notice is hereby given that a Special Meeting of Shareholders of the USAA Mutual Funds Trust (the “Trust”) will be held in Eagle Hall, Room A in the USAA Building, 9800 Fredericksburg Road, San Antonio, Texas 78288 on Thursday, April 18, 2019, at 10 a.m., Central time (together with any postponements or adjournments thereof, the “Meeting”). The Meeting will be held on behalf of each of the Trust’s series listed above (each, a “Fund,” and collectively, the “Funds”).

At the Meeting, shareholders of the Funds will be asked to vote on the following proposals:

| **Proposals** | **Shareholders Entitled to Vote** |
|---|---|
| 1. Approval of a new Investment Advisory Agreement between the Trust, on behalf of its Funds, and Victory Capital Management, Inc. | Shareholders of each Fund, with each Fund voting separately on the proposal. |
| 2. Approval of the election of two new Trustees to the Board of Trustees of the Trust. | Shareholders of each Fund voting together. |
| To transact such other business as may properly come before the Meeting. | |

Shareholders of record of the Funds at the close of business on February 8, 2019, are entitled to notice of, and to vote at, the Meeting, even if such shareholders no longer own shares of the Funds. The persons named as proxies will vote in their discretion on any other business that may properly come before the Meeting, including any adjournments or postponements of the Meeting.

The proposals are discussed in detail in the Proxy Statement attached to this notice. Please read those materials carefully for information concerning the proposals. **THE BOARD OF TRUSTEES OF THE TRUST UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE PROPOSALS.**

YOUR VOTE IS VERY IMPORTANT TO US REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND THE MEETING ARE REQUESTED TO COMPLETE, SIGN, DATE, AND RETURN THE ACCOMPANYING PROXY CARD(S) IN THE ENCLOSED ENVELOPE, WHICH NEEDS NO POSTAGE IF MAILED IN THE UNITED STATES. IT IS IMPORTANT THAT YOUR PROXY CARD(S) BE RETURNED PROMPTLY. FOR YOUR CONVENIENCE, YOU ALSO MAY VOTE BY TELEPHONE OR INTERNET BY FOLLOWING THE ENCLOSED INSTRUCTIONS. IF YOU VOTE BY TELEPHONE OR VIA THE INTERNET, PLEASE DO NOT RETURN YOUR PROXY CARD(S) UNLESS YOU ELECT TO CHANGE YOUR VOTE.

By Order of the Board of Trustees of
USAA Mutual Funds Trust,

Kristen Millan
Secretary

February 20, 2019
San Antonio, Texas

# PROXY STATEMENT
**February 20, 2019**

## Special Meeting of Shareholders
**To be held on April 18, 2019**

**USAA Mutual Funds Trust**

Aggressive Growth Fund
California Bond Fund
Capital Growth Fund
Cornerstone Aggressive Fund
Cornerstone Conservative Fund
Cornerstone Equity Fund
Cornerstone Moderate Fund
Cornerstone Moderately Aggressive Fund
Cornerstone Moderately Conservative Fund
Emerging Markets Fund
Extended Market Index Fund
Global Equity Income Fund
Global Managed Volatility Fund
Government Securities Fund
Growth & Income Fund
Growth Fund
Growth and Tax Strategy Fund
High Income Fund
Income Fund
Income Stock Fund
Intermediate-Term Bond Fund
International Fund
Managed Allocation Fund
Money Market Fund
Nasdaq-100 Index Fund
New York Bond Fund
Precious Metals and Minerals Fund
S&P 500 Index Fund
Science & Technology Fund
Short-Term Bond Fund
Small Cap Stock Fund
Target Managed Allocation Fund
Target Retirement 2020 Fund
Target Retirement 2030 Fund
Target Retirement 2040 Fund
Target Retirement 2050 Fund
Target Retirement 2060 Fund
Target Retirement Income Fund
Tax Exempt Intermediate-Term Fund
Tax Exempt Long-Term Fund
Tax Exempt Money Market Fund
Tax Exempt Short-Term Fund
Treasury Money Market Trust
Ultra Short-Term Bond Fund
Value Fund
Virginia Bond Fund
World Growth Fund

This Proxy Statement is furnished to the shareholders of the above-listed series (each a "Fund" and, together, the "Funds"), of USAA Mutual Funds Trust (the "Trust"), in connection with the solicitation of proxies by the Trust's Board of Trustees (the "Board of Trustees," or "Board") for use at the Special Meeting of Shareholders to be held on April 18, 2019, in Eagle Hall Room A in the USAA Building, 9800 Fredericksburg Road, San Antonio, Texas 78288 at 10 a.m., Central time (together with any postponements or adjournments thereof, the "Meeting").

At the Meeting, shareholders of the Funds will be asked to vote on the following proposals (each, a "Proposal"):

| Proposals | Shareholders Entitled to Vote |
|---|---|
| 1. Approval of a new Investment Advisory Agreement between the Trust, on behalf of its Funds, and Victory Capital Management Inc. | Shareholders of each Fund, with each Fund voting separately on the Proposal. |
| 2. Approval of the election of two new Trustees to the Board of Trustees of the Trust. | Shareholders of each Fund voting together. |
| To transact such other business as may properly come before the Meeting. | |

This Proxy Statement sets forth the basic information you should know before voting on the Proposals. You should read it and keep it for future reference. The proxy materials are being mailed to shareholders on or about February 20, 2019. Each Fund previously has sent its most recent annual report and subsequent semiannual report, if any, to shareholders. A copy of each Fund's most recent annual report and any subsequent semiannual report may be obtained without charge online at usaa.com or by writing to the applicable Fund at 9800 Fredericksburg Road, San Antonio, TX 78288-0227 or by calling (800) 531-USAA (8722).

**Important Notice Regarding the Availability of Proxy Materials for the Special Meeting of Shareholders to be Held on Thursday, April 18, 2019: The Notice and the accompanying Proxy Statement are available on the Funds' website at usaa.com\proxy and at proxyvote.com**. On these websites, you also will be able to access any amendments or supplements to the foregoing material that are required to be furnished to shareholders.

## TABLE OF CONTENTS

# INFORMATION TO HELP YOU UNDERSTAND AND VOTE ON THE PROPOSALS

Although we recommend that you read the complete Proxy Statement, for your convenience we have provided a brief overview of the background of events leading to the Meeting and the Proposals. The information provided under this section is qualified in its entirety by reference to the Proxy Statement.

**Why am I receiving these materials?**

You are receiving these proxy materials, which includes a notice of the Meeting, the Proxy Statement, and the accompanying proxy card(s), because a Special Meeting of Shareholders of USAA Mutual Funds Trust (the "Trust") will be held on April 18, 2019 in Eagle Hall, Room A in the USAA Building, 9800 Fredericksburg Road, San Antonio, Texas 78288 at 10 a.m., Central time (together with any postponements or adjournments thereof, the "Meeting") at which you will be asked to vote on the following Proposals:

1. Approval of a new Investment Advisory Agreement between the Trust, on behalf of its series (each a "Fund" and, together, the "Funds"), and Victory Capital Management Inc. ("Victory Capital") (the "New Advisory Agreement");
2. Approval of the election of two new Trustees to the Board of Trustees (the "Board") of the Trust; and

The Trust also shall transact such other business as may properly come before the Meeting.

On February 8, 2019, the Record Date for the Meeting, you owned shares of one or more Funds and, as a result, have a right to vote on the Proposals.

**Why am I being asked to vote on the Proposals?**

Approval of the Proposals is sought in connection with the sale of USAA Asset Management Company ("AMCO"), the Funds' current investment adviser, to Victory Capital Holdings, Inc. ("Victory Holdings"), a publicly traded investment management firm, whereby AMCO will become a wholly owned subsidiary of Victory Holdings (the "Transaction"). It is proposed that upon the closing of the Transaction, Victory Capital, a wholly owned subsidiary of Victory Holdings and registered investment adviser, serve as the investment adviser to the Funds. Victory Capital will own substantially all the assets related to AMCO's business of providing investment advisory and investment management services to the Funds, including the books and records relating to the Funds and the investment performance of each Fund.

The Funds are subject to Section 15 of the Investment Company Act of 1940, as amended (the "1940 Act"). Section 15(a)(4) provides, in part, that with respect to an investment company, such as the Funds, any investment advisory agreement, including any subadvisory agreement, terminates automatically upon its "assignment," which includes any transfer of a controlling block of outstanding voting securities of an investment adviser. Such transfer is often referred to as a "Change of Control Event." The sale of AMCO to Victory Holdings will be deemed a Change of Control Event, which will cause the assignment of each of the investment advisory or management agreements between AMCO and the Trust, on behalf of the Funds (together the "existing management agreements"), and result in the automatic termination of those agreements. The Change of Control Event also will result in the termination of each of the subadvisory agreements between AMCO and the subadvisers to the Funds. Section 15(a) of the 1940 Act also provides that "it shall be unlawful for any person to serve or act as an investment adviser of a registered investment company, except pursuant to a written contract, which contract . . . has been approved by the vote of a majority of the outstanding voting securities of such registered company," as defined by the 1940 Act. Because it is proposed that Victory Capital serve as the new investment adviser to the Funds after the closing of the Transaction, a new investment advisory agreement must be approved by Fund shareholders.

Accordingly, shareholders are being asked to approve the New Advisory Agreement between the Trust, on behalf of its Funds, and Victory Capital. **The advisory fee rates payable by the Funds under the New Advisory Agreement are the same as the advisory fee rates payable under the Funds' current management agreements with AMCO.** A discussion of the New Advisory Agreement is contained in Proposal 1, and the form of the New Advisory Agreement is attached hereto as Appendix A. For Funds that retain one or more subadvisers, Victory Capital will enter into new subadvisory agreements with the applicable subadvisers to ensure that the current subadvisers to the Fund can continue to provide services to the Funds after the closing of the Transaction. Shareholder approval is not required for the new subadvisory agreements. However, with respect to the Extended Market Index Fund, S&P 500 Index Fund, and Nasdaq-100 Index Fund, Victory Capital will manage these Funds as the investment adviser in replacement of the subadvisers that currently manage those Funds.

In addition, in anticipation of the closing of the Transaction, shareholders are asked to elect two new nominees to the Board of the Trust to serve following the closing of the Transaction: (1) David C. Brown, who is proposed to serve as a Trustee who is an "interested person," as that term is defined in the 1940 Act, of the Trust (an "Interested Trustee"), and (2) John C. Walters, who is proposed to serve as an Independent Trustee (defined below).

**How does the Board recommend that I vote on the Proposals?**

In anticipation of the Transaction, the Trust's Board met at a series of meetings commencing in November 2018, including meetings of the full Board and separate meetings of the Trustees who are not "interested persons," as that term is defined in the 1940 Act, of the Trust ("Independent Trustees"), for purposes of, among other things, considering whether it would be in the best interests of each Fund and its shareholders to approve a new investment advisory agreement with Victory Capital, as well as new subadvisory agreements for the applicable subadvised Funds between Victory Capital and the applicable subadviser(s), each to take effect upon the closing of the Transaction, and, in the case of the New Advisory Agreement, subject to shareholder approval of the agreement. At an in-person meeting held on January 7-8, 2019, the Independent Trustees considered the New Advisory Agreement and new subadvisory agreements and considered the qualifications of David C. Brown and John C. Walters as nominees to serve as Trustees of the Trust. Subsequently, at an in-person Board meeting held on January 14-15, 2019, for the reasons discussed under "*Board Considerations Relating to the Transaction and the New Advisory Agreement*" in the Proxy Statement, the Board, including the Independent Trustees, unanimously approved the New Advisory Agreement and new subadvisory agreements, and unanimously recommended approval of the New Advisory Agreement by each Fund's shareholders. The Board, including the Independent Trustees, also unanimously approved the candidacy of Mr. Brown and Mr. Walters as Trustees of the Trust, subject to shareholder approval.

**What is the Transaction?**

On November 6, 2018, United Services Automobile Association ("USAA"), a diversified financial services organization and the ultimate parent company of AMCO, announced that its subsidiary, USAA Investment Corporation, had entered into a stock purchase agreement (the "Purchase Agreement") with Victory Holdings, pursuant to which Victory Holdings would acquire all of the outstanding stock of AMCO and USAA Transfer Agency Company d/b/a USAA Shareholder Account Services ("USAA Transfer Agent") from USAA Investment Corporation for a purchase price of approximately U.S. $850 million ("Base Purchase Price") (subject to adjustment based upon a number of variables). If the Transaction is consummated, AMCO and USAA Transfer Agent will become wholly owned subsidiaries of Victory Holdings; and if Fund shareholders approve the New Advisory Agreement, Victory Capital will become the investment adviser to the Funds. Victory Holdings intends to maintain the USAA Transfer Agent entity and business as a standalone entity to continue providing uninterrupted services to the Funds and their shareholders as the Funds' transfer agent. AMCO may be merged into Victory Capital or another affiliate following the Transaction, but to the extent it is not, Victory Holdings does not contemplate AMCO will have any business operations over the longer-term. Additional information regarding the ownership structure of Victory Capital is included in <u>Appendix B</u>.

Victory Holdings will finance the Transaction through a combination of debt and cash on Victory Holdings' balance sheet. Victory Holdings has received committed debt financing from bank financing sources to refinance the existing term loan and revolving line credit facilities, finance the Transaction, and pay related fees and expenses. The financing of the Transaction is not expected to have any material impact on Victory Capital's ability to provide a high level of service to the Funds and continuously invest and re-invest in its business. The Base Purchase Price is subject to a number of adjustments, including an obligation by Victory Holdings to make contingent payments of up to a total of U.S. $150 million over four years if certain annual revenue thresholds relating to AMCO's assets under management are achieved. The Base Purchase Price will be reduced if AMCO does not obtain client consents ("Consents") relating to the termination of AMCO's agreements with its investment management clients representing revenues equal to at least 95% of the agreed upon baseline revenue amount. The Base Purchase Price is subject to working capital and debt adjustments as well as reductions for certain unpaid transaction expenses, accrued bonuses and commissions, and other specified liabilities of AMCO, at the closing of the Transaction. The Base Purchase Price also is subject to a customary post-closing adjustment, as well as a true-up payment in respect of Consents obtained in the 180 days following the closing of the Transaction.

The Transaction is expected to close during the second quarter of 2019, subject to regulatory and other approvals and other obligations in the Purchase Agreement being satisfied, including, among others (1) receipt of consents from AMCO's investment management clients, including the Funds, representing at least seventy-five percent (75%) of AMCO's investment advisory fee revenues as of an agreed upon base date and (2) the election of David C. Brown to the Board of Trustees of the Trust. The direct costs of the Transaction will be borne by AMCO and Victory Capital. **The Funds will not bear any portion of these expenses.**

In addition, under the terms of the Purchase Agreement, (1) USAA Investment Management Company (or any successor thereto) also is obligated to continue using certain of the Funds in the USAA Managed Portfolios-UMP® (UMP) program for two years after the closing of the Transaction, if consistent with its fiduciary obligations to participants in UMP accounts. (2) Certain USAA affiliates have agreed to retain specified seed capital investment in certain Funds for at least two years after closing of the Transaction.

Victory Holdings expects to retain certain AMCO employees who provide investment management and operational support to the Funds as employees of Victory Capital after the closing of the Transaction ("Post-Transaction"). As explained in Proposal 1—"Anticipated Changes to the Funds' Portfolio Management," Victory Capital extended employment offers to AMCO investment personnel servicing the certain Funds, which will be integrated with the Victory Solutions team. In addition, Victory Capital plans to create a separate distribution channel focused on USAA members and retain sales and servicing leadership and staffing from USAA and AMCO. Victory Capital also plans to enhance its fund administration and shareholder servicing resources with employees hired from USAA and partner with several of Victory Capital's key service providers, including FIS Investor Services LLC ("FIS") (sub-transfer agent) and Citi Fund Services Ohio, Inc. ("Citi") (sub-administrator and sub-fund accountant), who may hire USAA employees for certain transfer agency, call center, and fund administration functions. Victory Holdings also anticipates augmenting its operations, technology, and legal/compliance areas with additional resources from USAA that may become available.

Victory Holdings and USAA expect to enter a Transition Services Agreement pursuant to which USAA will provide Victory Holdings and the acquired businesses with services that were provided to AMCO and the USAA Transfer Agent prior to the closing of the Transaction for a specified period of time after the closing, including transfer agency applications, call center infrastructure, security and compliance infrastructure, and people and facilities. The Transition Services Agreement is intended to enable Victory Holdings to transition the direct channel distribution and USAA member support in an orderly manner Post-Transaction.

**Who are Victory Holdings and Victory Capital?**

Victory Holdings, a publicly traded Delaware corporation, is a global investment management firm operating a next-generation, integrated multi-boutique business model through its indirect, wholly owned subsidiary, Victory Capital. Victory Capital is a New York corporation and registered investment adviser that operates a scalable operating platform that provides centralized distribution, marketing, and operations infrastructure to its group of specialized and largely autonomous investment managers, referred to as "investment franchises." As of December 31, 2018, Victory Capital's nine investment franchises, which are not separate legal entities, and its Victory Solutions team, which consists primarily rules-based customized strategies, collectively managed over 70 investment strategies for a wide range of institutional and retail clients. Victory Capital's investment franchises are operationally integrated, but are separately branded and make investment decisions independently from one another.

Victory Capital has been a registered investment adviser with the Securities and Exchange Commission ("SEC") since 1972 and employs all of Victory Holdings' U.S. investment professionals across the investment franchises. As of December 31, 2018, Victory Capital managed and advised assets in excess of $52.7 billion for numerous clients including large corporate and public retirement plans, Taft-Hartley plans, foundations and endowments, high net worth individuals, mutual funds, and exchange-traded funds ("ETFs"). Victory Capital currently serves as the investment adviser and fund administrator to 57 mutual funds and 18 ETFs in the Victory Funds complex. Its principal office is 4900 Tiedeman Rd, 4th Floor, Brooklyn, Ohio 44144-1226. Information regarding Victory Capital's other investment company clients is included in Appendix C.

**How will the Transaction affect the Fund(s) in which I invest?**

AMCO is the investment adviser to each Fund. (See Appendix D for the amounts paid by each Fund to AMCO over the most recently completed fiscal year.) The current subadvisers for the subadvised Funds are listed in Appendix E.

If shareholders approve the New Advisory Agreement and the Transaction is consummated, Victory Capital will replace AMCO as the investment adviser and will manage the Funds. Following the Transaction, Victory Capital will oversee the activities of the Funds' investment teams, which would be comprised of investment personnel from Victory Capital's investment teams (including investment professionals currently employed by AMCO) and from subadvisers to those Funds that are subadvised by one or more subadvisers and will retain or terminate those teams or allocate or re-allocate assets among them as it determines to be appropriate and in the best interest of the Funds and their shareholders.

Victory Capital has advised the Board that it does not anticipate that having Victory Capital provide investment management services will result in any reduction in the quality of services now provided to the Funds and that Victory Capital is not aware of any circumstances that may have any adverse effect on its ability to fulfill its obligations to the Funds. Except as discussed below with respect to certain of the Funds, the Transaction is not expected to (1) result in significant changes to the day-to-day management of the Funds, (2) affect the investment objective(s) or investment strategies any Fund, or (3) impact any existing portfolio management team's investment philosophy or process.

Victory Holdings expects to retain certain AMCO employees who provide investment management and operational support to the Funds as employees of Victory Capital Post-Transaction. While there can be no assurance that any particular AMCO employee will continue his or her employment with Victory Capital, Victory Capital has implemented a retention program to incentivize AMCO employees to maintain their employment through the closing of the Transaction and beyond. Further, Victory Holdings believes it is offering competitive compensation and a sound employment opportunity for future growth (professional and compensation) for personnel who join Victory Capital, which should help to ensure continuous and uninterrupted services to the Funds.

Victory Capital currently contemplates changes to the investment management arrangements for certain Funds, as discussed in in the Proxy Statement and summarized below:

*S&P 500 Index Fund and Nasdaq-100 Index Fund*

- Victory Capital proposes to replace the current subadviser to these Funds, Northern Trust Investments, N.A. ("Northern Trust") with portfolio managers from its Victory Solutions team.

- Victory Capital also proposes changing the underlying index tracked by the S&P 500 Index Fund to a custom index published by Wilshire Associates, Inc. ("Wilshire"). The new index, Victory US Large Cap 500 Index, is intended to be a comparable index in terms of market cap exposure, return, and risk profile to the existing S&P 500 Index.

- The name of the Fund also will change to "USAA 500 Index Fund." Additionally, the investment objective and principal investment strategies will change to reflect the change in index.

- Victory Capital is not proposing any changes to the Nasdaq-100 Index Fund's investment objectives, principal investment strategies, or investment processes.

*Extended Market Index Fund*

- Victory Capital proposes to replace the current subadviser to this Fund, BNY Mellon Asset Management North America ("BNY Mellon") with portfolio managers from its Victory Solutions team.

- Victory Capital proposes changing the underlying index tracked by the Extended Market Index Fund. The index would change from Dow Jones U.S. Completion Total Stock Market Index to Wilshire 4500 Completion Index, published by Wilshire. The new index is intended to be a comparable index in terms of market cap exposure, return, and risk profile to the existing Dow Jones U.S. Completion Total Stock Market Index.

- The investment objective and principal investment strategies also will change to reflect the change in the index.

*Aggressive Growth Fund, Growth & Income Fund, Income Stock Fund, Global Equity Income Fund, and Precious Metals and Minerals Fund*

- Victory Capital proposes to replace the portfolio managers employed by AMCO that currently manage all or a portion of these Funds with portfolio managers from one or more investment teams employed by Victory Capital.

- Victory Capital does not propose any changes to the investment objective(s). Although the investment processes used by Victory Capital portfolio managers are expected to differ from those that are utilized by the current AMCO portfolio managers or, if applicable, any subadviser's portfolio managers, such differences are not currently expected to result in changes to the principal investment strategies or principal investment risks of the Funds.

*Capital Growth Fund, Emerging Markets Fund, Growth Fund, Growth and Tax Strategy Fund, International Fund, Science & Technology Fund, Small Cap Stock Fund, Value Fund, and World Growth Fund*

- Victory Capital proposes to add portfolio managers from one or more investment teams employed by Victory Capital to serve as additional portfolio managers to manage all or a portion of these Funds according to each investment team's own investment process.

- For the Emerging Markets Fund, Victory Capital proposes to add Victory Capital teams to the existing team that Victory Capital currently uses to manage a portion of this Fund as a subadviser.

- Victory Capital does not propose any changes to the investment objectives. Although the investment processes used by Victory Capital's portfolio managers may differ from those used by AMCO's or a subadviser's portfolio managers, such differences are not currently expected to result in changes to the principal investment strategies or principal investment risks of the Funds.

- Following the addition of the Victory Capital teams to manage these Funds, Victory Capital will allocate and re-allocate among the current subadviser teams and the new Victory Capital teams for each Fund in such a way that Victory Capital believes, at the time of close, will best position these Funds to optimize the risk/return outcome for shareholders.

*Cornerstone Aggressive Fund, Cornerstone Conservative Fund, Cornerstone Equity Fund, Cornerstone Moderate Fund, Cornerstone Moderately Aggressive Fund, Cornerstone Moderately Conservative Fund, Global Managed Volatility Fund, Managed Allocation Fund, Target Managed Allocation Fund, Target Retirement 2020 Fund, Target Retirement 2030 Fund, Target Retirement 2040 Fund, Target Retirement 2050 Fund, Target Retirement 2060 Fund, and Target Retirement Income Fund*

- Victory Capital intends to integrate the current AMCO portfolio managers of these Funds with its Victory Solutions team. Additionally, Victory Capital proposes to add an additional portfolio manager from the Victory Solutions team to supplement the Funds' existing portfolio managers.

- Victory Capital does not propose any changes to the Funds' investment objectives or principal investment strategies or to the investment processes used to manage these Funds.

More information about Victory Capital's investment teams, their portfolio personnel and investment processes are discussed in <u>Appendix F</u>. In some cases, the amount allocated to a particular subadviser team may be more or less than what they have today or may be allocated to zero. To the extent that Victory Capital allocates or re-allocates between existing teams and new Victory Capital investment teams or makes other changes to the Funds' portfolios, such changes may result in the Fund selling securities at a disadvantageous time and price and could result in its realizing gains (or losses) that would not otherwise have been realized and incurring transaction costs that would not otherwise have been incurred. Such sales of securities could lead to increased taxable distributions of gains to shareholders. However, Victory Capital intends to take these potential transaction costs and tax consequences into consideration when making these decisions and will manage these portfolio transitions to minimize any impact to the Funds and their shareholders.

Victory Holdings expects that Post-Transaction the slate of Fund officers will be a combination of individuals from AMCO and Victory Capital, which will help provide both historical and institutional knowledge as well as promote alignment with the Victory Funds to the extent possible. Also, consistent with its current practice for the Victory Funds, Victory Holdings anticipates naming a senior member of Citi's financial administration team to serve as a Fund officer (*e.g.*, treasurer or an assistant treasurer.)

**Will the advisory fee rate and other expenses of the Funds change?**

No. The New Advisory Agreement contains the same advisory fee rates and computation method for calculating such fees as the current management agreements (except that Victory Capital may in the future use a single designated share class to calculate the performance adjustment as discussed below). Pursuant to a contractual expense limitation agreement (the "ELA") to be entered into at close of the Transaction between the Trust and Victory Capital, for at least two years after the closing of the Transaction, Victory Capital will waive fees and/or reimburse expenses so that each Fund's annual expense ratio (excluding acquired fund fees and expenses, any performance adjustment to a Fund's advisory fee, interest, taxes, brokerage commissions, other expenditures, which are capitalized in accordance with generally accepted accounting principles, and other extraordinary expenses not incurred in the ordinary course of such Fund's business) does not exceed the levels reflected in the Fund's most recent audited financial statements at the time of Transaction close (or the levels of AMCO's then-current expense caps, if applicable), excluding the impact of any performance adjustment to the Fund's advisory fee. The ELA permits Victory Capital to recoup advisory fees waived and expenses reimbursed for up to three years after the fiscal year in which the waiver or reimbursement took place, subject to the lesser of any operating expense limitation in effect at the time of: (1) the original waiver or expense reimbursement; or (2) recoupment. The ELA may only be terminated by the Trust's Board.

Additionally, under the terms of the new advisory agreement, no performance adjustment (positive or negative) will be made to the amount payable to Victory Capital for the first 12 months as adviser to those Funds whose advisory fee rates include a performance adjustment, even if such adjustment would have been made had AMCO continued as the investment adviser. Therefore, each such Fund will pay only its base fee for the first 12 months that the New Advisory Agreement is effective. In addition, the performance adjustment for each class of shares of the Fund after the first 12 months will be based only on the performance of such class under the New Advisory Agreement. For this reason, the Fund may pay a higher or lower advisory fee during the first 12 months of the New Advisory Agreement than it would have paid under the Existing Multi-Fund Agreement had AMCO continued as the investment adviser and thereafter as the performance adjustment may be higher or lower than if AMCO continued as the investment adviser.

W**ill the Funds continue to use a "manager-of-managers" structure?**

Yes. The Funds are authorized to use, and many Funds currently use, a "manager-of-managers" structure pursuant to exemptive relief granted by the SEC to an AMCO affiliate. Under the manager-of-managers structure, AMCO can select (with the approval of the Board but without shareholder approval) one or more unaffiliated subadvisers to manage the day-to-day investment of a Fund's assets. AMCO monitors each subadviser's performance, and periodically reports to the Board as to whether each subadviser's agreement should be renewed, modified, or terminated. AMCO may allocate and re-allocate assets among the subadvisers with allocations to any subadviser ranging from 0% to 100% of a Fund's assets. Post-Transaction, all Funds will continue to be authorized to use, and the Funds that currently use a manager-of-managers structure will continue to use, a manager-of-managers structure in reliance on prior shareholder approval of using a manager-of-manager structure and exemptive relief granted by the SEC to a predecessor entity of Victory Capital or on updated exemptive relief Victory Capital has applied for and anticipates receiving from the SEC. Post-Transaction, Victory Capital would select (with the approval of the Board but without shareholder approval) one or more unaffiliated subadvisers to manage the day-to-day investment of a Fund's assets. Victory Capital also would monitor each subadviser's performance, and periodically report to the Board as to whether each subadviser's agreement should be renewed, modified, or terminated. Like AMCO, Victory Capital would allocate and re-allocate assets among the subadvisers with allocations to any subadviser ranging from 0% to 100% of a Fund's assets. For Funds that currently use subadvisers, Victory Capital anticipates entering into subadvisory agreements with the Funds' existing subadvisers (except Victory Capital as subadviser to Emerging Markets Fund, BNY Mellon as subadviser to Extended Market Index Fund, and Northern Trust as subadviser to S&P 500 Index Fund and Nasdaq-100 Index Fund) to become effective upon the effectiveness of the New Advisory Agreement between Victory Capital and the relevant subadvised Fund.

**What are the significant differences between the existing management agreements with AMCO and the New Advisory Agreement with Victory Capital?**

As described in the Proxy Statement, the New Advisory Agreement with Victory Capital for the Funds is substantially similar to the Funds' existing management agreements with AMCO. **The New Advisory Agreement does not change any Fund's advisory fee rate or the computation method for calculating such fees (except as discussed below).** The New Advisory Agreement primarily differs from the Existing Management Agreements as follows:

- The New Advisory Agreement updates the names of certain Lipper performance indexes used to calculate the performance fee for the High Income Fund, Income Fund, Tax Exempt Intermediate-Term Fund, and Precious Metals and Minerals Fund.

| Fund | Performance Index | Current Name of Performance Index |
|---|---|---|
| High Income Fund | Lipper High Current Yield Index | Lipper High Yield Bond Funds Index |
| Income Fund | Lipper Corporate Debt Funds A Rated Index | Lipper A Rated Bond Funds Index |
| Tax Exempt Intermediate-Term Fund | Lipper Municipal Debt Funds Index | Lipper Intermediate Municipal Debt Funds Index |
| Precious Metals and Minerals Fund | Lipper Gold Funds Index | Lipper Precious Metals Equity Funds Index |

- The New Advisory Agreement also clarifies (1) the process for selecting a new performance index used to calculate the performance adjustment in the event the third-party that maintains that index ("index provider") determines to terminate publishing that index, and (2) that in the event that an index provider determines to terminate publishing a performance index and such index is superseded by a successor index designated by the index provider, the successor index will be substituted for the index for purposes of calculating the performance adjustment;

- The New Advisory Agreement provides for the same basic compensation structure and advisory fee rates as the current management agreements. Each Fund will pay an advisory fee at the same annual rate as a percentage of average daily net assets (the "base fee") as it does under its current management agreement. The Funds that currently pay an advisory fee, which is comprised of a base fee and a performance adjustment, will continue to pay a base fee and a performance adjustment using the same computation method that is used in the current management agreements. Currently, the performance adjustment is calculated on a class-by-class basis for each Fund by adding to, or subtracting from, the base fee depending upon the performance of each share class relative to the designated performance fee benchmark index. The performance adjustment will continue to be calculated in the same manner under the New Advisory Agreement. However, the New Advisory Agreement permits (1) calculation and application of the performance adjustment on a class-by-class basis or (2) the designation of a single share class of a Fund for purposes of calculating the performance adjustment, and application of the resulting performance adjustment across each other class of shares of the Fund. The use of a single designated class to calculate the performance adjustment for each other class of shares of the Fund could mean that shareholders of a class other than the class used to measure the performance adjustment may pay a performance adjustment that is higher or lower than if the adjustment was calculated class-by-class, primarily due to the impact of differences in the fees and expenses between share classes on performance;

- The New Advisory Agreement covers all Funds in a single agreement, whereas AMCO currently maintains four separate agreements amongst the Funds;

- The Existing Management Agreements provide that AMCO may voluntarily waive its fees or otherwise reduce its compensation from time to time and permits AMCO to recoup previously waived or reimbursed Fund fees and expenses under certain conditions. The New Advisory Agreement does not contain a similar provision, rather, the proposed contractual ELA (as discussed above) between the Trust, on behalf of the Funds, and Victory Capital contains a provision allowing Victory Capital to recoup previously waived or reimbursed Fund fees and expenses under certain conditions;

- The New Advisory Agreement explicitly states that there are no third-party beneficiaries to the agreement; and

- The New Advisory Agreement selects Delaware law as the governing law, rather than Texas law.

**Are the new subadvisory agreements different from the existing subadvisory agreements?**

Victory Capital proposes to enter into investment subadvisory agreements on behalf of the Funds that are substantially similar to the subadvisory agreements AMCO has entered into on behalf of the Funds. The primary anticipated differences are as follows:

- Under the new subadvisory agreements, communications between subadvisers would be restricted; this change is intended to satisfy a requirement under various affiliated transaction rules under the 1940 Act (*e.g.*, Rules 10f-3, 12d3-1) in order to treat multi-managed sleeves of funds as separate funds;

- Under the new subadvisory agreements, proxy voting would be delegated to the subadvisers; today, AMCO votes all proxies received; and

- Under the new subadvisory agreements, governing law would change from Texas law to New York law.

**How will the Transaction affect the other service providers to the Funds?**

*Affiliated Service Providers*:

*Administrator.* AMCO also serves as the administrator to each Fund under a separate administration agreement with the Trust, on behalf of the Funds, pursuant to which AMCO provides administrative and certain shareholder-related services. AMCO provides the Funds with office space, equipment, and the personnel necessary to operate and administer the Funds' business and to supervise the provision of services by certain third parties, such as the custodian. See Appendix G for the amounts paid by each Fund to AMCO over the most recently completed fiscal year.

Post-Transaction, Victory Capital will serve as the administrator to each Fund under a separate administration agreement with the Trust, on behalf of the Funds, and will provide substantially similar administrative and shareholder servicing services as AMCO currently provides to the Funds. In addition, under the proposed administration agreement, Victory Capital also will provide fund accounting services currently provided to the Funds by the Funds' custodian. The fee rates under the proposed administration agreement with Victory Capital are expected to be the same as the fee rates under the Funds' administration agreement with AMCO. Victory Capital may delegate responsibility for carrying out certain of these services, to third parties, including to Citi. Under its agreement with Victory Capital, Citi would be responsible for, among other things, calculating the Funds' net asset values; assisting in the annual audit of the Funds' financial statements, and preparing shareholder reports; coordinating dividend payments; calculating the Funds' performance; filing the Trust's tax returns; supplying individuals to serve as Trust officers; monitoring the Funds' status as regulated investment companies under the Internal Revenue Code; assisting with regulatory compliance and developing compliance procedures; and maintaining and filing fidelity bonds and Trustees' and officers'/errors and omissions insurance policies for the Trust.

*Distributor.* USAA Investment Management Company ("IMCO") serves as the distributor of the Funds' shares on a continuing, best-efforts basis. IMCO does not receive any fees or other compensation for such distribution services, but may receive Rule 12b-1 fees with respect to share classes that have adopted a Rule 12b-1 Plan. Its principal address is located at 9800 Fredericksburg Road, San Antonio, Texas 78288. See Appendix G for Rule 12b-1 fees paid by each Fund to IMCO over the most recently completed fiscal year and any commissions paid to affiliated broker-dealers over that same period.

Post-Transaction, Victory Capital Advisers, Inc. ("VCA") will serve as the distributor of the Funds' shares. VCA is an affiliated person of Victory Holdings. It operates as a "limited-purpose" broker-dealer under the Securities Exchange Act of 1934 and serves as the distributor of the Victory Mutual Funds. Like IMCO, VCA will not receive any fees or other compensation for such distribution services, but may receive Rule 12b-1 fees with respect to share classes that have adopted a Rule 12b-1 Plan. Pursuant to Section 15 of the 1940 Act, the Board, including the Independent Trustees, unanimously approved the new distribution agreement with VCA at an in-person meeting held on January 15, 2019.

*Transfer Agent.* USAA Transfer Agency Company d/b/a USAA Shareholder Account Services (the "USAA Transfer Agent") serves as the transfer agent to the Funds. Services include maintenance of shareholder account records, handling of communications with shareholders, distribution of Fund dividends, and production of reports with respect to account activity for shareholders and the Trust. The USAA Transfer Agent's mailing address is 9800 Fredericksburg Road, San Antonio, Texas 78288. See Appendix G for the fees paid by each Fund to the USAA Transfer Agent over the most recently completed fiscal year.

Post-Transaction, Victory Holdings intends to maintain the USAA Transfer Agent entity and business as a standalone entity to provide uninterrupted service as transfer agent to the Funds. In addition, following the Transaction, USAA Transfer Agent will partner with FIS Investor Services LLC, as sub-transfer agent for carrying out certain of the transfer agency services. The fee rates paid by the Funds for transfer agency services are not expected to change as a result of the Transaction.

*Other Service Providers:*

*Custodian.* State Street Bank and Trust Company ("SSB") serves as the custodian and accounting agent for the Funds. The mailing address for SSB is P.O. Box 1713, Boston, Massachusetts 02105. Post-Transaction and subject to Board approval, it is anticipated that Citibank, N.A., ("Citibank"), 388 Greenwich St., New York, New York 10013, will serve as the custodian of each Fund's assets.

*Auditor.* The Board of the Trust, including all the Independent Trustees, has selected Ernst & Young LLP ("E&Y"), 1700 Frost Bank Tower, 100 West Houston Street, San Antonio, Texas 78205, as the independent registered public accounting firm ("independent auditor") for the Funds. E&Y has audited the financial statements of each Fund for its last two fiscal years and has represented that it does not have any direct financial interest or any material indirect financial interest in any Fund. Information regarding the audit and non-audit fees charged by E&Y to each Fund for its last two fiscal years is included in Appendix H. No change to the independent auditor is contemplated in connection with the Transaction; however, it may change in the future.

Representatives of E&Y are not expected to be at the Meeting; however, if such representatives are present at the Meeting, they will have the opportunity to make a statement if they desire to do so and would be available to respond to appropriate questions. If an E&Y representative is not present at the Meeting, a representative will be available by telephone during the Meeting if any matter were to arise requiring assistance.

**Why am I being asked to elect two new Trustees to the Trust's Board?**

The Purchase Agreement contemplates that certain individuals would be nominated to be members of the Board of the Trust. Specifically, as discussed in Proposal 2 below, the two nominees are (1) David C. Brown, who is proposed to serve as an Interested Trustee Post-Transaction and (2) John C. Walters who is proposed to serve as an Independent Trustee Post-Transaction. Information about the nominees, including age, principal occupations during the past five years, and other information is set forth in this Proxy Statement. If approved by shareholders, the new Trustees would take office only if the Transaction is consummated. If the new Trustees take office, they would serve alongside the current Trustees of the Trust.

**Will there be any other changes to the Board?**

It is expected that upon the closing of the Transaction, Mr. Daniel S. McNamara will replace Dr. Robert L. Mason as Chairman of the Board. Dr. Mason will remain on the Board Post-Transaction. Mr. Jefferson Boyce is expected to be appointed the Lead Independent Trustee and Vice Chairman.

**Who is bearing the costs of the Meeting?**

Victory Capital and AMCO will bear all expenses incurred in connection with the Meeting, including the costs of preparing, printing, and mailing this Proxy Statement, soliciting proxies, and any costs related to adjournments, whether or not the Proposals are approved by shareholders. **The Funds will not bear any portion of the costs of the Meeting.** The cost of retaining the proxy solicitor is estimated to be approximately $2.5 million for processing and tabulation fees, plus out-of-pocket expenses. This estimate does not reflect estimated costs associated with (i) solicitation efforts with respect to record holders or beneficial owners of shares, (ii) printing and mailing of the proxy materials, and (iii) reimbursing brokerage firms and other financial intermediaries for their expenses in forwarding proxy materials to the beneficial owners.

**If the Proposals are approved, when will they be implemented? What will happen if the Proposals are not approved?**

Proposal 1: If approved by shareholders of a Fund, the New Advisory Agreement will go into effect for that Fund upon the closing of the Transaction. The approval of the New Advisory Agreement with respect to any one Fund is not contingent upon the approval by any other Fund. If the shareholders of a particular Fund do not approve the New Advisory Agreement with respect to that Fund and the Transaction is consummated, the Board will consider what actions, if any, are available, necessary or appropriate, and in the best interests of the Fund and its shareholders. Such action may initially include obtaining for the Fund interim investment management services from AMCO or Victory Capital (at no more than the current fee rates charged by AMCO for up to 150 days following the Transaction) to permit additional time to solicit shareholder approval of the New Advisory Agreement. If the Transaction is not consummated for any reason, AMCO will continue to serve as investment adviser of the Funds in accordance with the terms of the Existing Management Agreements even if a Fund's shareholders approved the New Advisory Agreement. For example, a condition to the closing of the Transaction is that AMCO receive consents from its investment management clients, including the Funds, representing at least seventy-five percent (75%) of AMCO's investment advisory fee revenues as of an agreed upon base date. If AMCO does not receive the requisite consents, and the condition is not waived by Victory Holdings, the Transaction will not be consummated.

Proposal 2: If elected, the nominees will serve as Trustees effective upon the closing of the Transaction. If the Transaction is not consummated, the nominees will not serve as Trustees of the Trust, even if elected by shareholders, and the other changes to the Board discussed above will not take place. If one or both nominees are not elected by the shareholders, the Transaction may still be consummated, and the nominee will not serve as Trustee.

**Will my vote make a difference?**

Yes. Your vote is needed to ensure that the Proposals can be acted upon. To avoid the added cost of follow-up solicitations and possible adjournments, please read the Proxy Statement and cast your vote through the Internet or by telephone by following the instructions on your proxy card(s). You also may vote by signing, voting, and returning the proxy card(s) in the postage-paid envelope provided.

**What is the deadline for submitting my vote?**

We encourage you to vote as soon as possible to make sure that the Funds receive enough votes to act on the Proposals. Unless you are a direct shareholder that attends the Meeting to vote in person, your vote (cast by Internet, telephone, or paper proxy card) must be received by the Trust no later than 11:59 p.m. Central time on April 17, 2019). However, proxies received after this time may still be voted in the event of any postponements or adjournments of the Meeting to a later date.

**Who is eligible to vote?**

Any person who owned shares of a Fund on February 8, 2019, the Record Date for the Meeting (even if that person has since sold those shares).

**Whom do I call if I have questions?**

We will be happy to answer your questions about this proxy solicitation. We have engaged Broadridge Financial Solutions, Inc. as our proxy solicitation agent. If you have questions, please call toll free 844-858-7380.

**How can I vote my shares?**

For your convenience, you are encouraged to vote in any of the following three simple ways:

> **Mail** – sign, date, and complete the reverse side of the proxy card(s) and return the proxy card(s) in the postage-paid envelope provided.
>
> **Internet** – log on to the website address located on your proxy card(s). Enter the control number(s) set forth on the proxy card(s) and follow the simple instructions. USAA members holding fund positions directly with USAA also can vote their proxy through usaa.com by going to usaa.com/proxy.
>
> **Telephone** – dial the toll-free number on the enclosed proxy card(s). enter the control number(s) set forth on the proxy card(s) and follow the simple instructions.

**Please respond. Your vote is important whether or not you plan to attend the Meeting. To assure the presence of a quorum at the Meeting and to avoid the added cost of follow-up solicitations and possible adjournments, please take a few minutes to read the Proxy Statement and cast your vote through the Internet or by telephone by following the instructions on your proxy card(s), or by signing, voting, and returning the proxy card(s) in the envelope provided.**

## PROPOSAL 1: APPROVAL OF A NEW INVESTMENT ADVISORY AGREEMENT BETWEEN USAA MUTUAL FUNDS TRUST, ON BEHALF OF ITS FUNDS, AND VICTORY CAPITAL MANAGEMENT INC.

**Background**

As described above under "*Why am I being asked to vote on the Proposals?*" the existing management agreements between the Trust, on behalf of its Funds, and AMCO will automatically terminate upon the closing of the Transaction. It is proposed that Post-Transaction, Victory Capital serve as the investment adviser to the Funds. To ensure that advisory services can continue uninterrupted following the termination of the existing management agreements, the Board, including the Independent Trustees, has approved the New Advisory Agreement for each Fund, to become effective upon the closing of the Transaction, subject to shareholder approval. For a discussion of anticipated changes affecting the Funds Post-Transaction, please see "*How will the Transaction affect the Fund(s) in which I invest?*" and "*How will the Transaction affect the other service providers to the Funds*" above. In the event the Transaction is not consummated, AMCO will continue to serve as investment adviser of the Funds pursuant to the terms of the existing management agreements.

As discussed previously, pursuant to Section 15(a)(4) of the 1940 Act, any investment advisory agreement, including any subadvisory agreement, on behalf of a registered investment company must terminate automatically upon its "assignment." As used in the 1940 Act, the term "assignment" includes any transfer of a controlling interest in an investment adviser. Such a transfer is often referred to as a "Change of Control Event." Consummation of the Transaction whereby AMCO, currently a wholly owned subsidiary of USAA will become a wholly owned subsidiary of Victory Holdings, will constitute a Change of Control Event resulting in the automatic termination of the existing management agreements between AMCO and the Trust, on behalf of the Funds. Section 15(a) of the 1940 Act also provides that "it shall be unlawful for any person to serve or act as an investment adviser of a registered investment company, except pursuant to a written contract, which contract . . . has been approved by the vote of a majority of the outstanding voting securities of such registered company," as defined by the 1940 Act. Because it is proposed that Victory Capital serve as the new investment adviser to the Funds after the closing of the Transaction, the New Advisory Agreement must be approved by Fund shareholders.

AMCO and the Trust are unaware of any Trustee having any material interest, direct or indirect, in the Transaction, except that Daniel S. McNamara, President and Vice Chairman of the Trust, is deemed to have such an interest because of his positions at USAA and its affiliates and because of his compensation arrangements totaling up to $750,000 based on the anticipated closing of the sale of AMCO and the USAA Transfer Agent. He also is potentially entitled to additional ongoing compensation relating to Post-Transaction transitional activities involving certain Fund matters.

**The Existing Management Agreements and the New Advisory Agreement**

*AMCO and the Existing Management Agreements*

AMCO, a Delaware corporation, serves as the investment adviser and fund administrator to each Fund. The USAA funds complex is comprised of USAA Mutual Funds Trust, which consists of 47 mutual fund portfolios, as well as the USAA ETF Trust, which consists of six ETF portfolios. AMCO has been a registered investment adviser with the SEC since 2011. As of December 31, 2018, AMCO had approximately $161.8 billion in total assets under management. AMCO's principal office is located at 9800 Fredericksburg Road, San Antonio, TX 78288-0227.

AMCO provides investment management services to the Funds under investment advisory or investment management agreements between the Trust, on behalf of each Fund, and AMCO (each, an "Existing Management Agreement"). The Existing Management Agreement for all Funds, other than the Extended Market Index Fund, Nasdaq-100 Index Fund, and S&P 500 Index Fund (together, the "Index Funds"), is referred to herein as the "Existing Multi-Fund Agreement" and the Existing Management Agreements for the Index Funds are referred to herein as the "Existing Index Fund Agreements." The date of each Existing Management Agreement and the date on which it was last approved by Fund shareholders are provided in Appendix I. At an in-person meeting held on April 18, 2018, the Board, including the Independent Trustees, approved the renewal of the Existing Management Agreements. During each Fund's most recently completed fiscal year, no Fund made any material payments to AMCO or any affiliated person of AMCO for services provided to the Fund except as set forth on Appendices D and G. No Fund paid brokerage commissions within its last fiscal year to any broker that is an affiliated person of such Fund or an affiliated person of such person.

*Victory Capital and the New Advisory Agreement*

Victory Capital, a New York corporation, is an indirect, wholly owned registered investment advisory subsidiary of Victory Holdings. Victory Capital has been a registered investment adviser with the SEC since 1972 and employs all of the firm's U.S. investment professionals across the investment franchises, which are not separate legal entities. As of December 31, 2018, Victory Capital managed and advised assets in excess of $52.7 billion for numerous clients including large corporate and public retirement plans, Taft-Hartley plans, foundations and endowments, high net worth individuals, mutual funds, and ETFs. Victory Capital currently serves as the investment adviser and fund administrator to 54 mutual funds and 18 ETFs in the Victory Funds complex. Its principal office is 4900 Tiedeman Rd., 4th Floor, Brooklyn, Ohio 44144-1226. Information regarding Victory Capital's other investment company clients is included in Appendix C.

It is proposed that Victory Capital provide investment management services to the Funds pursuant to the New Advisory Agreement. The New Advisory Agreement with Victory Capital for the Funds is substantially similar to the Funds' existing management agreements with AMCO. **The New Advisory Agreement does not change any Fund's advisory fee rate or the computation method for calculating such fees (except as discussed below).** The New Advisory Agreement primarily differs from the Existing Management Agreements as follows:

- The New Advisory Agreement updates the names of the performance indexes used to calculate the performance fee for the High Income Fund, Income Fund, Tax Exempt Intermediate-Term Fund, and Precious Metals and Minerals Fund.

| **Fund** | **Performance Index** | **Current Name of Performance Index** |
|---|---|---|
| High Income Fund | Lipper High Current Yield Index | Lipper High Yield Bond Funds Index |
| Income Fund | Lipper Corporate Debt Funds A Rated Index | Lipper A Rated Bond Funds Index |
| Tax Exempt Intermediate-Term Fund | Lipper Municipal Debt Funds Index | Lipper Intermediate Municipal Debt Funds Index |
| Precious Metals and Minerals Fund | Lipper Gold Funds Index | Lipper Precious Metals Equity Funds Index |

- The New Advisory Agreement also clarifies (1) the process for selecting a new performance index used to calculate the performance adjustment in the event the third party who maintains that index determines to terminate publishing that index, and (2) that in the event that an index provider determines to terminate publishing a performance index and such index is superseded by a successor index designated by the index provider, the successor index will be substituted for the index for purposes of calculating the performance adjustment;

- The New Advisory Agreement provides for the same basic compensation structure and advisory fee rates as the current management agreements. Each Fund will pay an advisory fee at the same annual rate as a percentage of average daily net assets (the "base fee") as it does under its current management agreement. The Funds that currently pay an advisory fee, which is comprised of a base fee and a performance adjustment, will continue to pay a base fee and a performance adjustment using the same computation method that is used in the current management agreements. Currently, the performance adjustment is calculated on a class-by-class basis for each Fund by adding to, or subtracting from, the base fee depending upon the performance of each share class relative to the designated performance fee benchmark index. The performance adjustment will continue to be calculated in the same manner under the New Advisory Agreement. However, the New Advisory Agreement permits (1) calculation and application of the performance adjustment on a class-by-class basis or (2) the designation of a single share class of a Fund for purposes of calculating the performance adjustment, and application of the resulting performance adjustment across each other class of shares of the Fund. The use of a single designated class to calculate the performance adjustment for each other class of shares of the Fund could mean that shareholders of a class other than the class used to measure the performance adjustment may pay a performance adjustment that is higher or lower than if the adjustment was calculated class-by-class, primarily due to the impact of differences in the fees and expenses between share classes on performance;

- The New Advisory Agreement covers all Funds in a single agreement, whereas AMCO currently maintains four separate agreements amongst the Funds;

- The Existing Management Agreements provide that AMCO may voluntarily waive its fees or otherwise reduce its compensation from time to time and also permits AMCO to recoup previously waived or reimbursed Fund fees and expenses under certain conditions. The New Advisory Agreement does not contain a similar provision, rather, the proposed contractual expense limitation agreement (the "ELA") between the Trust, on behalf of the Funds, and Victory Capital contains a provision allowing Victory Capital to recoup previously waived or reimbursed Fund fees and expenses under certain conditions;

- The New Advisory Agreement explicitly states that there are no third-party beneficiaries to the agreement; and

- The New Advisory Agreement selects Delaware law as the governing law, rather than Texas law.

For a discussion of the factors considered by the Board in approving the New Advisory Agreement, subject to shareholder approval, please see "*Board Considerations Relating to the Transaction and the New Advisory Agreement*" below.

*Description of the New Advisory Agreement and the Existing Management Agreements*

The following summary of the New Advisory Agreement is qualified in its entirety by reference to the form of the New Advisory Agreement attached hereto as Appendix A.

*Advisory and Other Services.* Under the New Advisory Agreement, like the Existing Management Agreements, Victory Capital will, subject to the general supervision of the Board, furnish a continuous investment program for each Fund and determine, from time to time, what investments will be purchased, held, sold, or exchanged by each Fund and what portion of the assets of each Fund, if any, will be held uninvested as cash. Victory Capital has advised the Board that it does not anticipate that having Victory Capital provide investment management services will result in any reduction in the quality of services now provided to the Funds and that Victory Capital is not aware of any circumstances that may have any adverse effect on its ability to fulfill its obligations to the Funds.

*Subadvisers and Use of a Manager-of-Managers Structure.* Like AMCO, Victory Capital, at its own expense and subject to Board approval, may select and contract with one or more subadvisers to manage the investment operations and composition of any Fund and render investment advice for the Fund, including the purchase, retention, and disposition of the investments, securities and cash of each Fund; provided that, Victory Capital will (1) continue to have overall supervisory responsibility for the general management and investment of each Fund's assets, and (2) any contract with a subadviser shall be approved as required by the 1940 Act and rules thereunder or in accordance with an exemptive order or other relief granted by the SEC. The New Advisory Agreement contemplates that, subject to Board oversight and approval, Victory Capital may use a "manager-of-managers" structure to: (1) select new or additional subadvisers for each Fund; (2) enter into and materially modify existing subadvisory agreements; and (3) terminate and replace any subadviser. Victory Capital may allocate and re-allocate each Fund's assets among itself and/or one or more subadvisers as Victory Capital deems appropriate.

The Funds are authorized to use, and many Funds currently use, a "manager-of-managers" structure pursuant to exemptive relief granted by the SEC to an AMCO affiliate ("AMCO Relief"). Under the manager-of-managers structure, AMCO selects (with the approval of the Board but without shareholder approval) one or more unaffiliated subadvisers to manage the day-to-day investment of a Fund's assets. AMCO monitors each subadviser's performance, and periodically reports to the Board as to whether each subadviser's agreement should be renewed, modified, or terminated. AMCO can allocate and re-allocate assets among the subadvisers with allocations to any subadviser ranging from 0% to 100% of a Fund's assets. Post-Transaction, all Funds will continue to be authorized to use, and the Funds that currently use a manager-of-managers structure will continue to use, a manager-of-managers structure in reliance on exemptive relief granted by the SEC to a predecessor entity of Victory Capital ("Victory Capital Relief") or updated exemptive relief Victory Capital has applied for and anticipates receiving from the SEC ("Victory Capital Application"). Post-Transaction, Victory Capital would select (with the approval of the Board but without shareholder approval) one or more unaffiliated subadvisers to manage the day-to-day investment of a Fund's assets. Victory Capital also would monitor each subadviser's performance, and periodically report to the Board as to whether each subadviser's agreement should be renewed, modified, or terminated. Like AMCO, Victory Capital would allocate and re-allocate assets among the subadvisers with allocations to any subadviser ranging from 0% to 100% of a Fund's assets. For Funds that currently use subadvisers, Victory Capital anticipates entering into subadvisory agreements with the Funds' existing subadvisers (except (1) Victory Capital, which will assume the role of investment adviser to Emerging Markets Fund; (2) BNY Mellon, who will not continue as subadviser to the Extended Market Index Fund; (3) and Northern Trust, who will not continue as subadviser to the S&P 500 Index Fund and Nasdaq-100 Index Fund only) to become effective upon the effectiveness of the New Advisory Agreement between Victory Capital and the relevant subadvised Fund.

The Victory Capital Application is substantially similar to the relief in the current AMCO Relief and Victory Capital Relief except that, if granted, it would allow Victory Capital (1) to appoint or replace subadvisers that are affiliated with the Funds or Victory Capital under certain circumstances and (2) to rely on the relief to operate in a "master-feeder" structure. Victory Capital intends to rely on the exemptive relief pursuant to the Victory Capital Application once granted by the SEC in the event that it appoints or replaces any subadvisers for the Funds in the future. However, Victory Capital will not appoint any affiliated subadvisers in reliance on the Victory Capital Application unless shareholders of the affected Fund have specifically approved the use the manager-of-managers structure for affiliated subadvisers.

*Portfolio Brokerage Commissions.* Under the New Advisory Agreement, like under the Existing Management Agreements, Victory Capital is authorized to select the brokers or dealers that will execute purchase and sale transactions for the Trust and is directed to seek to obtain the best overall terms available for a transaction; provided that, consistent with Section 28(e) of the Securities Exchange Act of 1934, Victory Capital may allocate brokerage on behalf of a Fund to broker-dealers who provide research, analysis, advice, and similar services.

*Expenses of the Trust.* The New Advisory Agreement, like the Existing Management Agreements, provides that except for the expenses explicitly to be borne by Victory Capital under the New Advisory Agreement, the Trust assumes and shall pay expenses for all other Trust operations and activities. Each Agreement contains a non-exhaustive list of expenses to be paid by the Trust. Whereas the Existing Management Agreements identify subadvisory arrangements, as well as services and facilities provided by AMCO as expenses borne by AMCO, the New Advisory Agreement explicitly identifies only subadvisory arrangements as an expense of Victory Capital. The Existing Management Agreements provide that AMCO may voluntarily waive its fees or otherwise reduce its compensation from time to time and also permits AMCO to recoup previously waived or reimbursed Fund fees and expenses under certain conditions. The New Advisory Agreement does not contain a similar provision. While Victory Capital does not reserve a right of recoupment in the New Advisory Agreement, the ELA contains a provision allowing Victory Capital to recoup previously waived or reimbursed Fund fees and expenses under certain conditions.

*Compensation of Victory Capital.* The New Advisory Agreement, like the Existing Multi-Fund Agreement, provides for two basic compensation structures for Victory Capital's services. Some Funds pay an investment advisory fee that is computed and accrued daily and payable monthly computed at an annual rate as a percentage of average daily net assets listed in Appendix A hereto (the "base fee"). Other Funds pay an investment advisory fee, which is comprised of a base fee and a performance adjustment, which is added to, or subtracted from, the base fee depending upon performance over the performance period relative to the performance fee benchmark index as listed in Appendix A. The period for each share class consists of the current month plus the previous 35 months. The Existing Multi-Fund Agreement provides that the performance adjustment initially will be determined by reference to sole outstanding class of shares of each, and, if additional classes of shares are offered, the performance adjustment for that Fund will continue to be determined by reference to the initial class of shares, unless the Board determines otherwise. As new share classes were added, the Board determined to calculate the performance adjustment separately for each share class based on the performance of such class relative to the Fund's performance fee benchmark index. Therefore, the performance adjustment is currently determined on a class-by-class basis for each applicable Fund. Under the New Advisory Agreement, the performance adjustment also will be determined on a class-by-class basis for each applicable Fund. However, the New Advisory Agreement permits (1) calculation and application of the performance adjustment on a class-by-class basis or (2) the designation of a single share class of a Fund for purposes of calculating the performance adjustment, and application of the resulting performance adjustment across each other class of shares of the Fund. Therefore, Victory Capital may in the future, subject to Board approval, including approval of a majority of the Independent Trustees, calculate the performance adjustment based on a single share class of a Fund and apply the resulting performance adjustment to each other class of shares of the Fund. Appendix A also contains various details regarding calculation of the performance adjustment component of the investment advisory fee. The use of a single designated class to calculate the performance adjustment for each other class of shares of the Fund could mean that shareholders of a class with a higher expense ratio than the class used to measure the performance adjustment pay a higher performance adjustment, and shareholders of a class with a lower expense ratio than the class used to measure the performance adjustment may pay a lower performance adjustment, than if the adjustment was calculated on a class-by-class basis.

Additionally, under the terms of the New Advisory Agreement, no performance adjustment (positive or negative) will be made to the amount payable to Victory Capital for the first 12 months as adviser to those Funds whose advisory fee rates include a performance adjustment, even if such adjustment would have been made had AMCO continued as the investment adviser. Therefore, each such Fund will pay only its base fee for the first 12 months that the New Advisory Agreement is effective. In addition, the performance adjustment for each class of shares of the Fund after the first 12 months will be based only on the performance of such class under the New Advisory Agreement. For this reason, a Fund may pay a higher or lower advisory fee during the first 12 months of the New Advisory Agreement than it would have paid under the Existing Multi-Fund Agreement had AMCO continued as the investment adviser.

Each Index Fund pays a base fee as indicated in the applicable Existing Index Fund Agreement. The Existing Multi-Fund Agreement provides that the Funds will not pay an investment advisory fee for Funds that operate as a fund-of-funds by investing all their investable assets in a fund that has substantially similar investment objective (*e.g.,* a master-feeder structure). The New Advisory Agreement does not contain similar language and Victory Capital may charge such fees, subject to board approval.

The New Advisory Agreement clarifies that the current process that applies if the Board determines to select a more appropriate benchmark for purposes of evaluating the performance of a Fund would also apply to the selection of a new performance index in the event the third party who maintains the current performance index determines to terminate publishing that index. This change would be made without shareholder approval unless otherwise required by applicable law.

**The New Advisory Agreement does not change any Fund's base fee rate or the manner in which any performance adjustment, if applicable, is calculated (except that Victory Capital may in the future use a single designated share class to calculate the performance adjustment as described above).**

*Liabilities of AMCO.* The New Advisory Agreement, similar to the Existing Management Agreements, provides that, in the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties under the New Advisory Agreement on the part of Victory Capital, or a breach of fiduciary duty with respect to receipt of compensation, neither Victory Capital nor any of its directors, officers, shareholders, agents, or employees shall be liable or responsible to the Trust, the Funds, or to any shareholder of the Funds for any error of judgment or mistake of law or for any act or omission in the course of, or connected with, rendering services under the applicable agreement or for any loss suffered by the Trust, a Fund, or any shareholder of a Fund in connection with the performance of the applicable agreement.

*Disclaimer of Trustee and Shareholder Liability.* The New Advisory Agreement, unlike the Existing Management Agreements, contains a provision explicitly stating that the obligations of the Trust and the Funds under the Agreement are not binding upon any of the Trustees, officers, employees, agents, or shareholders of the Trust and the Funds individually, but bind only the property of the relevant Fund. Victory Capital agrees that all persons will look solely to the assets of the Trust and each Fund for the satisfaction of any liability in respect of the Trust and the Funds under the New Advisory Agreement.

*Duration and Termination.* The New Advisory Agreement, like the Existing Management Agreements provides that following the initial two-year term, it will continue in full force and effect for periods of one year thereafter with respect to each Fund so long as such continuance with respect to any such Fund is approved at least annually (i) by either the Board or by vote of a majority of the outstanding voting securities (as defined in the 1940 Act) of such Fund, and (ii) in either event by the vote of a majority of the Board members who are not parties to the Agreement or "interested persons" (as defined in the 1940 Act) of any such party, cast in person at a meeting called for the purpose of voting on such approval.

Additionally, the New Advisory Agreement, like the Existing Management Agreements, may at any time be terminated without the payment of any penalty (i) either by vote of the Board or, as to any Fund, by vote of a majority of the outstanding voting securities of the Fund, on 60 days' written notice to Victory Capital or (ii) by Victory Capital on 60 days' written notice to the Trust. Each of the New Advisory Agreement and the Existing Management Agreements provide that it will immediately terminate in the event of its assignment.

*Name of the Trust.* Under the Existing Management Agreements, the Trust has the right to include "USAA" as a part of its name only so long as the applicable agreement shall continue and AMCO is a wholly owned subsidiary of USAA. The New Advisory Agreement does not discuss the use of the name "USAA." However, as part of the Transaction, USAA will enter into a license agreement such that Victory Capital and the Funds will have a non-exclusive license, subject to certain restrictions and limitations, to continue using certain licensed marks including "USAA," "United Services Automobile Association," and the USAA Logo in connection with their asset management and transfer agency businesses Post-Transaction for three years and an opportunity to extend.

*Amendment.* The New Advisory Agreement, like the Existing Multi-Fund Agreement, provides that no material amendment of the Agreement will be effective until approved in the manner required by the 1940 Act and rules thereunder or in accordance with an exemptive order or other relief granted by the SEC or its staff. The Existing Index Fund Agreements do not discuss amendments.

*Governing Law.* The New Advisory Agreement will be construed in accordance with the 1940 Act and the laws of the state of Delaware. On the other hand, the Existing Multi-Fund Agreement provides for Texas law. The Existing Index Fund Agreements do not discuss governing law.

*No Third-Party Beneficiaries.* The New Advisory Agreement explicitly states that shareholders of a Fund are not parties to, or intended (or "third-party") beneficiaries of, the Agreement and that the Agreement is not intended to create in any individual shareholder or group of shareholders of a Fund any right to enforce the Agreement or to seek any remedy under the Agreement, either directly or on behalf of the Trust or the Fund. Although the Existing Management Agreements do not contain such a provision, the provision is consistent with the intent of the parties to the Existing Management Agreements.

**Anticipated Changes to the Funds' Portfolio Management**

Following the Transaction, Victory Capital will oversee the activities of the Funds' investment teams. The investment teams will include investment personnel from Victory Capital's investment franchises and from the subadvisers to those Funds that are advised by one or more subadvisers, and certain investment personnel from AMCO. Victory Capital will retain or terminate those teams or allocate or re-allocate assets among them as it determines to be appropriate and in the best interest of the Funds and their shareholders. Victory Holdings expects to retain certain AMCO employees who provide investment management and operational support to the Funds as employees of Victory Capital. While there can be no assurance that any particular AMCO employee will continue his or her employment with Victory Capital, Victory Capital has implemented a retention program to incentivize AMCO employees to maintain their employment through the closing of the Transaction and beyond.

Set forth below are Victory Capital's current plans with respect to investment management arrangements for the Funds. Victory Capital proposes to change the investment objectives and principal investment strategies of the Extended Market Index Fund and S&P 500 Index Fund. Victory Capital does not anticipate making changes to any other Fund's investment objective(s). Likewise, although the investment processes used by Victory Capital's portfolio managers may differ from those used by AMCO's portfolio managers or, if applicable, any subadviser's portfolio managers, such differences are not currently expected to result in changes to the principal investment strategies or principal investment risks of any other Funds.

More information concerning Victory Capital's investment teams, their portfolio personnel, and investment processes are discussed in Appendix F. In some cases, the amount allocated to a particular subadviser team may be more or less than what they have today or may be allocated to zero. To the extent that Victory Capital allocates or re-allocates between existing teams and new Victory Capital investment teams or makes other changes to the Funds' portfolios, such changes may result in the Fund selling securities at a disadvantageous time and price and could result in its realizing gains (or losses) that would not otherwise have been realized and incurring transaction costs that would not otherwise have been incurred. Such sales of securities could lead to increased taxable distributions of gains to shareholders. However, Victory Capital intends to take these potential transaction costs and tax consequences into consideration when making these decisions and will manage these portfolio transitions to minimize any impact to the Funds and their shareholders.

***No Portfolio Manager Changes***

For the following Funds (together, the "Fixed Income Funds," Victory Capital does not currently contemplate changes to the portfolio managers:

- California Bond Fund
- Government Securities Fund
- High Income Fund
- Income Fund
- Intermediate-Term Bond Fund
- Tax Exempt Intermediate-Term Fund
- Tax Exempt Long-Term Fund
- New York Bond Fund
- Short-Term Bond Fund
- Tax Exempt Short-Term Fund
- Ultra Short-Term Bond Fund
- Virginia Bond Fund
- Money Market Fund
- Tax Exempt Money Market Fund
- Treasury Money Market Trust

***Replacement Portfolio Managers and Changes in Investment Objectives***

*S&P 500 Index Fund*

- Victory Capital proposes to replace the subadviser to this Fund, Northern Trust Investments, N.A. ("Northern Trust") that currently manages this Fund with portfolio managers from its Victory Solutions team.

- Victory Capital also is proposing changing the underlying index tracked by the S&P 500 Index Fund to new Wilshire custom index, Victory US Large Cap 500 Index, which is expected to be a comparable index in terms of market cap exposure, return, and risk profile as the existing S&P 500 Index. The difference in portfolios between the current and proposed indexes is estimated to result in less than 10% turnover for the Fund.

- As shown in the chart below, the name of the Fund also will change to 500 Index Fund; and the investment objective and principal investment strategies will change to reflect the change in index.

| | **Current** | **Proposed** |
|---|---|---|
| **Fund Name** | USAA S&P 500 Index Fund | USAA 500 Index Fund |
| **Investment Objective** | To match, before fees and expenses, the performance of the stocks composing the S&P 500 Index. | To match, before fees and expenses, the performance of the stocks composing the Victory US Large Cap 500 Index. |
| **Index Name** | S&P 500 Index | Victory US Large Cap 500 Index (a Wilshire custom index) |
| **Index Description** | The S&P 500 Index tracks the performance of the common stocks of the largest 500 companies on the New York Stock or Nasdaq exchanges from several industrial sectors representing a significant portion of the market value of all stocks publicly traded in the United States.<br><br>Each stock in the index contributes to the index in the same proportion. as the value of its shares (*e.g.,* market cap weighted). | The Large Cap 500 Index consists of the largest 500 securities within the Wilshire 5000 Total Market Index (Parent Index). The Parent Index measures the performance of all U.S. equity securities with readily available price data.<br><br>Each stock in the index contributes to the index in the same proportion as the value of its shares (*e.g.,* market cap weighted). |

*Extended Market Index Fund*

- Victory Capital proposes to replace the current subadviser, BNY Mellon with portfolio managers from its Victory Solutions team. More information about the Victory Capital portfolio managers who are expected to manage the Fund's assets following the Transaction is provided at Appendix F.

- Victory Capital proposes changing the underlying index tracked by the Extended Market Index Fund. The index would change from the Dow Jones U.S. Completion Total Stock Market Index to Wilshire 4500 Completion Index, published by Wilshire. The new index is intended to be a comparable index in terms of market cap exposure, return, and risk profile as the existing Dow Jones U.S. Completion Total Stock Market Index. The difference in portfolios between the current and proposed indexes is estimated to result in less than 10% turnover for the Fund.

- The investment objective and principal investment strategies will change to reflect the change in index, as shown below.

| | Current | Proposed |
|---|---|---|
| **Fund Name** | USAA Extended Market Index Fund | No change |
| **Investment Objective** | To match, before fees and expenses, the performance of all small- and mid-cap stocks as measured by the Dow Jones U.S. Completion Total Stock Market Index. | To match, before fees and expenses, the performance of all small- and mid-cap stocks as measured by the Wilshire 4500 Completion Index. |
| **Index Name** | Dow Jones U.S. Completion Total Stock Market Index | Wilshire 4500 Completion Index (existing Wilshire proprietary index) |
| **Index Description** | The Dow Jones U.S. Completion Total Stock Market Index is a market cap-weighted index of more than 3,000 U.S. equity securities. It is composed of all the equity securities that are issued by companies headquartered in the U.S. with their primary market listing in the U.S., except those stocks included in the S&P 500. | The Wilshire 4500 Completion Index is a market cap-weighted index consisting of the small and mid-cap companies in the U.S. equity market. The Index consists of the securities within the Wilshire 5000 Total Market Index (Parent Index) after eliminating the companies included in the S&P 500 Index. The Parent Index measures performance of all U.S. equity securities with readily available price data.<br><br>The number of securities in the Wilshire 4500 Completion Index fluctuates and may be more or less than 4,500. |

***Replacement Portfolio Managers***

*Aggressive Growth Fund, Growth & Income Fund, Income Stock Fund, Global Equity Income Fund, and Precious Metals and Minerals Fund (together, the "Equity Funds")*

- Victory Capital proposes to replace the portfolio managers that currently manages all or a portion of the Equity Funds with portfolio managers from one or more investment teams employed by Victory Capital:

| Fund | Victory Capital Investment Franchise (New Portfolio Manager(s)) |
|---|---|
| Aggressive Growth Fund | • Newbridge Asset Management<br>• RS Investments Growth<br>• Victory Solutions Team |
| Growth & Income Fund | • RS Investments Growth<br>• Victory Solutions |
| Income Stock Fund | • Victory Solutions |
| Global Equity Income Fund | • Victory Solutions |
| Precious Metals and Minerals Fund | • Victory Solutions |

- The investment processes used by the new portfolio managers will differ from those that are utilized by the current AMCO portfolio managers. More information about the Victory Capital portfolio managers who are expected to manage all or a portion of these Funds' assets following the Transaction and their investment processes is provided at Appendix F.

*Nasdaq-100 Index Fund*

- Victory Capital proposes to replace the subadviser to this Fund, Northern Trust, with portfolio managers from its Victory Solutions team.

- Victory Capital does not propose any changes to the Nasdaq-100 Index Fund's investment objectives, principal investment strategies, or investment processes.

***Additional Portfolio Managers***

*Capital Growth Fund, Growth and Tax Strategy Fund, Emerging Markets Fund, Growth Fund, International Fund, Science & Technology Fund, Small Cap Stock Fund, Value Fund, and World Growth Fund*

- For these Funds, Victory Capital proposes to add portfolio managers from one or more investment teams employed by Victory Capital to serve as additional portfolio managers to manage all or a portion of these Funds' assets according to their own investment processes:

| **Fund** | Victory Capital Investment Team |
|---|---|
| Capital Growth Fund | • RS Investments Developed Markets<br>• Trivalent Investments<br>• Sophus Capital<br>• Victory Solutions |
| Emerging Markets Fund | • Trivalent Investments<br>• Victory Solutions<br>• Sophus Capital<br>• Expedition Partners (current) |
| Growth Fund | • NewBridge Asset Management<br>• RS Investments Growth<br>• Victory Solutions |
| Growth and Tax Strategy Fund | • Victory Solutions |
| International Fund | • RS Investments Developed Markets<br>• Trivalent Investments<br>• Victory Solutions |
| Science & Technology Fund | • RS Investments Growth<br>• Victory Solutions |
| Small Cap Stock Fund | • Integrity Asset Management<br>• Munder Capital Management<br>• Victory Solutions |
| Value Fund | • RS Investments Value<br>• Victory Solutions |
| World Growth Fund | • RS Investments Developed Markets<br>• Victory Solutions |

- Following the addition of the Victory Capital teams to manage these Funds, Victory Capital will allocate and re-allocate among the current subadviser teams and the new Victory Capital teams for each Fund in such a way that Victory Capital believes, at the time of close, will best position these Funds to seek to optimize the risk/return outcome for shareholders.

*Cornerstone Aggressive Fund, Cornerstone Conservative Fund, Cornerstone Equity Fund, Cornerstone Moderate Fund, Cornerstone Moderately Aggressive Fund, Cornerstone Moderately Conservative Fund, Global Managed Volatility Fund, Managed Allocation Fund, Target Managed Allocation Fund, Target Retirement 2020 Fund, Target Retirement 2030 Fund, Target Retirement 2040 Fund, Target Retirement 2050 Fund, Target Retirement 2060 Fund, and Target Retirement Income Fund*

- Victory Capital intends to integrate the current portfolio managers employed by AMCO with its Victory Solutions team. Additionally, Victory Capital proposes to add an additional portfolio manager from the Victory Solutions team to supplement the Funds' existing portfolio managers.

- Victory Capital does not propose any changes to the Funds' investment processes used to manage these Funds.

**Section 15(f) of the 1940 Act**

Section 15(f) of the 1940 Act provides to an investment adviser that receives compensation or other benefit in connection with the sale of its business involving a registered investment company a non-exclusive safe harbor from claims that the transfer of its advisory relationship constituted sale of the investment adviser's "fiduciary office" in violation of its fiduciary duty. The application of the safe harbor is subject to two conditions. First, for a period of three years after the transaction, at least 75% of the investment company's board of trustees must not be "interested persons" (as defined in the 1940 Act) of the new or former investment adviser. Second, there may not be imposed an "unfair burden" on the investment company as a result of such transaction, or any express or implied terms, conditions, or understandings applicable thereto. The term "unfair burden," as defined in the 1940 Act, includes any arrangement during the two-year period after a change of control transaction whereby the investment adviser (or predecessor or successor adviser), or any interested person of any such adviser, receives or is entitled to receive any compensation, directly or indirectly, from the investment company or its security holders (other than fees for bona fide investment advisory or other services), or from any person in connection with the purchase or sale of securities or other property to, from or on behalf of the investment company (other than ordinary fees for bona fide principal underwriting services). The Board currently satisfies the 75% requirement of Section 15(f) and is expected to continue to satisfy this requirement for at least three years after the closing of the Transaction, and AMCO and Victory Capital have represented to the Board their intent not to impose an unfair burden on the Funds for so long as the requirements of Section 15(f) apply.

**Required Vote**

As provided under the 1940 Act, approval of the New Advisory Agreement with respect to a Fund will require the vote of a majority of the outstanding voting securities of that Fund. In accordance with the 1940 Act and as used in this Proposal, a "majority of the outstanding voting securities" of a Fund means the vote of the lesser of (i) 67% or more of the voting securities of the Fund present at the Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy; or (ii) more than 50% of the outstanding voting securities of the Fund. Shareholders of each Fund will vote separately on Proposal 1, and all shareholders of all classes of shares of a Fund will vote together as a single class on the Proposal. The approval of the New Advisory Agreement with respect to any one Fund is not contingent upon the approval by any other Fund. A condition to the closing of the Transaction is that AMCO receive consents from its investment management clients, including the Funds, representing at least seventy-five percent (75%) of AMCO's investment advisory fee revenues as of an agreed upon base date. If AMCO does not receive the requisite consents, and the condition is not waived by Victory Holdings, or if the Transaction is not consummated for any other reason, the New Advisory Agreement will not become effective for any Fund, even if approved by shareholders.

**FOR THE REASONS SET FORTH ABOVE, THE BOARD OF TRUSTEES OF THE TRUST, INCLUDING THE TRUST'S INDEPENDENT TRUSTEES, UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS OF EACH FUND VOTE "FOR" THE NEW ADVISORY AGREEMENT.**

## PROPOSAL 2: APPROVAL OF THE ELECTION OF TWO NEW TRUSTEES TO THE BOARD OF TRUSTEES OF THE TRUST

**Background**

Under this Proposal 2, shareholders are being asked to elect two (2) new trustee nominees (each, a “Nominee” and together, the “Nominees”) to serve on the Board of Trustees of the Trust.

Currently, the Trust’s Board is comprised of eight trustees. Assuming that Proposal 2 is approved by the shareholders of the Trust, the same eight Board members would continue to oversee the Trust in addition to the two newly elected Trustees.

The Board’s current Trustees are Robert L. Mason, Ph.D., Jefferson C. Boyce, Dawn M. Hawley, Daniel S. McNamara, Paul L. McNamara, Lt. Gen. (USAF) (Ret.) Richard Y. Newton III, Barbara B. Ostdiek, Ph.D., and Michael F. Reimherr. Mr. Daniel S. McNamara is an “interested person” (as defined in the 1940 Act) (an “Interested Trustee”) of the Trust. Messrs. Mason, Boyce, Paul McNamara, Newton III, and Reimherr and Mses. Hawley and Ostdiek are not “interested persons” (as defined in the 1940 Act) (each, an “Independent Trustee”) of the Trust. The current Trustees were last elected by shareholders in 2017. The current Board and its Corporate Governance Committee, which consists of all the current Independent Trustees, have determined to increase the size of the Board from eight (8) to ten (10) members and have proposed for election two Nominees, Messrs. David C. Brown and John C. Walters to serve as trustees of the Trust. Mr. Brown was recommended by Victory Holdings and Mr. Walters was recommended by AMCO, pursuant to the terms of the Purchase Agreement, which contemplates that certain individuals would be proposed for election as Trustees of the Trust in connection with the Transaction. If elected, Mr. Brown would be an Interested Trustee of the Trust and Mr. Walters would be an Independent Trustee.

As part of its evaluation of this Proposal, the Board’s Corporate Governance Committee considered a number of factors, including the diversity, skill sets, and depth of experience of the Board, as well as each Nominee’s knowledge, experience, and familiarity with the Victory Holdings organization, that should enhance the Board’s ability to respond to oversee the mutual fund business. The Corporate Governance Committee also considered that it would be advisable to elect the Nominees so that they can serve alongside the continuing Board members as they become increasingly familiar with the Trust and the Funds and their compliance, regulatory, and risk management oversight responsibilities.

Upon the recommendation of its Corporate Governance Committee, the Board unanimously determined to recommend that shareholders of the Trust vote “FOR” the election of the two Nominees at the Meeting to hold office in accordance with the Trust’s governing documents.

**Nominees**

Messrs. Brown and Walters have consented to being named in this Proxy Statement and indicated their willingness to serve if elected. In the unanticipated event that any Nominee should be unable to serve, the persons named as proxies may vote for such other person as shall be designated by the Board. If elected by shareholders of the Trust, Mr. Brown would be an Interested Trustee of the Trust and Mr. Walters would be an Independent Trustee of the Trust and each would begin service as a Trustee of the Trust upon the closing of the Transaction. If the Transaction is not consummated, Messrs. Brown and Walters will not serve as Trustees of the Trust, even if elected by shareholders.

Set forth below are the Nominees and their offices and principal occupations during the last five years, position to be held with the Funds, information relating to any other directorships held, and the specific roles and experience of each Nominee that factor into the determination that the Nominee should serve on the Board. Additional information about each Nominee’s qualifications and experience is set forth below in the section titled “Qualifications and Experience of the Trustees and Nominees.” The business address of the Nominees is USAA Asset Management Company, P.O. Box 659430, San Antonio, Texas 78265-9430.

| Name, Address and Date of Birth | Position to be Held with Funds | Term of Office* | Principal Occupation(s) During the Past 5 Years | Number of Portfolios in Fund Complex to be Overseen by Nominee | Other Directorships Held |
|---|---|---|---|---|---|
| **Interested Trustee**** | | | | | |
| David C. Brown (May 1972) | Trustee | | Chairman and Chief Executive Officer (2013-present), Co-Chief Executive Officer, (2011-2013), Victory Capital Management Inc.; Chairman and Chief Executive Officer (2013-present), Victory Capital Holdings, Inc. Mr. Brown brings to the Board extensive business, finance and leadership skills gained and developed through years of experience in the financial services industry, including his tenure overseeing the strategic direction as CEO of Victory Capital. These skills, combined with Mr. Brown's extensive knowledge of the financial services industry and demonstrated success in the development and distribution of investment strategies and products, enable him to provide valuable insights to the Board and strategic direction for the Funds. | Five registered investment companies offering 101 mutual funds and 24 ETFs | None |

| Name, Address and Date of Birth | Position to be Held with Funds | Term of Office* | Principal Occupation(s) During the Past 5 Years | Number of Portfolios in Fund Complex to be Overseen by Nominee | Other Directorships Held |
|---|---|---|---|---|---|
| **Independent Trustee** | | | | | |
| John C. Walters (Feb. 1962) | Trustee | | Retired. Mr. Walters brings significant Board experience including active involvement with the board of a Fortune 500 company, and a proven record of leading large, complex financial organizations. He has a demonstrated record of success in distribution, manufacturing, investment brokerage, and investment management in both the retail and institutional investment businesses. He has substantial experience in the investment management business with a demonstrated ability to develop and drive strategy while managing operational, financial, and investment risk. | One registered investment company offering 47 mutual funds. | Guardian Variable Products Trust, Lead Independent Director; Amerilife Holdings LLC, Director; Stadion Money Management; Director; University of North Carolina (Chapel Hill), Member Board of Governors. |

* Under the Trust's organizational documents, each Trustee serves as a Trustee of the Trust during the lifetime of the Trust and until its termination except as such Trustee sooner dies, resigns, retires, or is removed. However, pursuant to a policy adopted by the Board, each elected or appointed Independent Trustee may serve as a Trustee until the end of the calendar year in which the Trustee reaches 75, and the Interested Trustee may serve as a Trustee until the Trustee reaches age 65. The Board may change or grant exceptions from this policy at any time without shareholder approval. A Trustee may resign or be removed by a vote of the other Trustees or the holders of two-thirds of the outstanding shares of the Trust at any time. Vacancies on the Trust's Board can be filled by the action of a majority of the Trustees, provided that after filling such vacancy at least two-thirds of the Trustees have been elected by the shareholders.

** If elected, Mr. Brown would be considered an "interested person" of the Trust under the 1940 Act and, therefore, an Interested Trustee of the Trust due to his position with Victory Capital and its affiliated companies.

### Information Regarding the Funds' Continuing Trustees and Officers

Set forth below are the Funds' Trustees whose terms of office will continue after the Meeting, and who are not being presented for election, and each of their respective offices and principal occupations during the last five years, position held with the Funds, information relating to any other directorships held, and the specific roles and experience of each Trustee that factor into the determination that the Trustee should serve on the Board. Appendix J contains information about the Trust's officers Post-Transaction. These officers are appointed by the Board and are not being presented for election. The business address of the current Trustees of the Trust is USAA Asset Management Company, P.O. Box 659430, San Antonio, Texas 78265-9430. More information about the Funds is available in each Fund's prospectus and statement of additional information. To obtain a free copy of a Fund's prospectus and/or statement of additional information, you may call (800) 531-USAA (8722).

| Name, Address and Date of Birth | Position(s) Held with Funds | Term of Office* and Length of Time Served | Principal Occupation(s) During the Past 5 Years | Number of Portfolios in Fund Complex Overseen by Trustee** | Other Directorships Held |
|---|---|---|---|---|---|
| **Independent Trustees** | | | | | |
| Robert L. Mason, Ph.D. (July 1946) | Trustee and Chairman<br><br>(Chairman until Close of Transaction) | Trustee since January 1997 and Chair Since January 2012 | Trustee, USAA ETF Trust (06/17-present); Adjunct Professor in the Department of Management Science and Statistics in the College of Business at the University of Texas at San Antonio (2001-present); Institute Analyst, Southwest Research Institute (03/02-01/16), which focuses on providing innovative technology, science, and engineering services to clients around the world and is one of the oldest independent, nonprofit, applied research and development organizations in the United States. He was employed at Southwest Research Institute for 40 years. Dr. Mason brings to the Board particular experience with data analytics, statistical analysis, and human resources as well as over 22 years' experience as a Board member of the USAA family of funds. | Two registered investment companies offering 53 individual funds | None |
| Jefferson C. Boyce (September 1957) | Trustee | Trustee since September 2013 | Trustee, USAA ETF Trust (06/17-present); Senior Managing Director, New York Life Investments, LLC (1992-2012), an investment manager. Mr. Boyce brings to the Board experience in financial investment management, and, in particular, institutional and retail mutual funds, variable annuity products, broker dealers, and retirement programs, including experience in organizational development, marketing, product development, and money management as well as five years' experience as a Board member of the USAA family of funds. | Two registered investment companies offering 53 individual funds | Westhab, Inc. |

| Name, Address and Date of Birth | Position(s) Held with Funds | Term of Office* and Length of Time Served | Principal Occupation(s) During the Past 5 Years | Number of Portfolios in Fund Complex Overseen by Trustee** | Other Directorships Held |
|---|---|---|---|---|---|
| Dawn M. Hawley (February 1954) | Trustee | Trustee since April 2014 | Trustee, USAA ETF Trust (06/17-present); Manager of Finance, Menil Foundation, Inc. (05/07-06/11), which is a private foundation that oversees the assemblage of sculptures, prints, drawings, photographs, and rare books. Director of Financial Planning and Analysis and Chief Financial Officer, AIM Management Group, Inc. (10/87-01/06). Ms. Hawley brings to the Board experience in financial investment management and, in particular, institutional and retail mutual funds, variable annuity products, broker dealers, and retirement programs, including experience in financial planning, budgeting, accounting practices, and asset/liability management functions including major acquisitions and mergers, as well as over four years' experience as a Board member of the USAA family of funds. | Two registered investment companies offering 53 individual funds | None |
| Paul L. McNamara (July 1948) | Trustee | Trustee since January 2012 | Trustee, USAA ETF Trust (06/17-present); Director, Cantor Opportunistic Alternatives Fund, LLC (03/10-02/14), which is a closed-end fund of funds by Cantor Fitzgerald Investment Advisors, LLC. Mr. McNamara retired from Lord Abbett & Co. LLC, an independent U.S. investment management firm, as an Executive Member on 09/30/09, a position he held since 10/02. He had been employed at Lord Abbett since 1996. Mr. McNamara brings to the Board extensive experience with the financial services industry and, in particular, institutional and retail mutual fund markets, including experience with mutual fund marketing, distribution, and risk management, as well as overall experience with compliance and corporate governance issues. Mr. McNamara also has experience serving as a fund director as well as seven years' experience as a Board member of the USAA family of funds. Paul L. McNamara is of no relation to Daniel S. McNamara. | Two registered investment companies offering 53 individual funds | None |

| Name, Address and Date of Birth | Position(s) Held with Funds | Term of Office* and Length of Time Served | Principal Occupation(s) During the Past 5 Years | Number of Portfolios in Fund Complex Overseen by Trustee** | Other Directorships Held |
|---|---|---|---|---|---|
| Richard Y. Newton III (January 1956) | Trustee | Trustee since March 2017 | Trustee, USAA ETF Trust (06/17-present); Director, Elta North America (01/18-present), which is a global leader in the design, manufacture and support of innovative electronic systems in the ground, maritime, airborne and security domains for the nation's warfighters, security personnel, and first responders; Managing Partner, Pioneer Partnership Development Group (12/15-present); Executive Director, The Union League Club of New York (06/14-11/15); Executive Vice President, Air Force Association (08/12-05/14); Lieutenant General, United States Air Force (01/08-06/12). Lieutenant General Newton (Ret.) served 34 years of active duty in the United States Air Force. Lt. Gen. Newton retired as the Assistant Vice Chief of Staff and Director of Air Staff at the Headquarters of the U.S. Air Force where he was responsible for overseeing the administration and organization of the Air Staff, which develops policies, plans and programs, establishes requirements, and provides resources to support the Air Force's mission. Lt. Gen. Newton is a graduate of the United States Air Force Academy, Webster University, and The National War College. Lt. Gen. Newton brings to the Board extensive management and military experience, as well as one-year experience as a Board member of the USAA family of funds. | Two registered investment companies offering 53 individual funds | None |

| Name, Address and Date of Birth | Position(s) Held with Funds | Term of Office* and Length of Time Served | Principal Occupation(s) During the Past 5 Years | Number of Portfolios in Fund Complex Overseen by Trustee** | Other Directorships Held |
|---|---|---|---|---|---|
| Barbara B. Ostdiek, Ph.D. (March 1964) | Trustee | Trustee since January 2008 | Trustee, USAA ETF Trust (06/17-present); Senior Associate Dean of Degree programs at Jesse H. Jones Graduate School of Business at Rice University (07/13-present); Associate Professor of Finance at Jesse H. Jones Graduate School of Business at Rice University (07/01-present); Academic Director, El Paso Corporation Finance Center at Jesse H. Jones Graduate School of Business at Rice University (07/02-06/12). Dr. Ostdiek brings to the Board particular experience with financial investment management, education, and research as well as over eleven years' experience as a Board member of the USAA family of funds. | Two registered investment companies offering 53 individual funds | None |
| Michael F. Reimherr (August 1945) | Trustee | Trustee since January 2000 | Trustee, USAA ETF Trust (06/17-present); President of Reimherr Business Consulting performed business valuations of medium to large companies, developed business plans, budgets, and internal financial reporting, and was involved with mergers and acquisitions (05/95-12/17); St. Mary's University Investment Committee overseeing University Endowment (06/14 - present). Mr. Reimherr brings to the Board particular experience with organizational development, budgeting, finance, capital markets, and mergers and acquisitions, as well as over 19 years' experience as a Board member of the USAA family of funds. | Two registered investment companies offering 53 individual funds | None |

**Trustees and officers of the Trust who are employees of AMCO or affiliated companies are considered "interested persons" under the 1940 Act.**

| Name, Address and Date of Birth | Position(s) Held with Fund | Term of Office* and Length of Time Served | Principal Occupation(s) Held During the Past Five Years | Total Number of USAA Funds Overseen by Trustee** | Other Directorships Held |
|---|---|---|---|---|---|
| **Interested Trustee** | | | | | |
| Daniel S. McNamara (June 1966) | Trustee, President and Vice Chairman | Trustee since January 2012 | Trustee, USAA ETF Trust (06/17-present); President of Financial Advice & Solutions Group (FASG), USAA (02/13-present); Director of USAA Asset Management Company (AMCO), (08/11-present); Director of USAA Investment Management Company (IMCO) (09/09-present); President, IMCO (09/09-04/14); President and Director of USAA Shareholder Account Services (SAS) (10/09-present); Senior Vice President of USAA Financial Planning Services Insurance Agency, Inc. (FPS) (04/11-present); Director of FPS (12/13-present); President and Director of USAA Investment Corporation (ICORP) (03/10-present); Director of USAA Financial Advisors, Inc. (FAI) (12/13-present). Mr. McNamara brings to the Board extensive experience in the financial services industry, including experience as an officer of the Trust. | Two registered investment companies offering 53 individual funds | None |

* Under the Trust's organizational documents, each Trustee serves as a Trustee of the Trust during the lifetime of the Trust and until its termination except as such Trustee sooner dies, resigns, retires, or is removed. However, pursuant to a policy adopted by the Board, each elected or appointed Independent Trustee may serve as a Trustee until the end of the calendar year in which the Trustee reaches age 75, and the Interested Trustee may serve as a Trustee until the Trustee either reaches age 65. The Board may change or grant exceptions from this policy at any time without shareholder approval. A Trustee may resign or be removed by a vote of the other Trustees or the holders of a majority of the outstanding shares of the Trust at any time. Vacancies on the Board can be filled by the action of a majority of the Trustees, provided that after filling such vacancy at least two-thirds of the Trustees have been elected by the shareholders.

** The registered investment companies in the fund complex include the Trust and USAA ETF Trust. The series of the USAA ETF Trust, subject to shareholder approval and the closing of the Transaction, will be reorganized in the Victory Portfolios II and governed by a different board of trustees.

## Qualifications and Experience of the Trustees and Nominees

The Board believes that the Nominees and the current Trustees bring to the Board a wealth of executive leadership experience derived from their service as executives, board members, and leaders of diverse companies, academic institutions, and community and other organizations. The Board also believes that the different perspectives, viewpoints, professional experience, education, and individual qualities of the current Trustees and the Nominees represent a diversity of experiences and a variety of complementary skills. In determining whether an individual is qualified to serve as a Trustee of the Funds, the Board considers a wide variety of information about the nominee, and multiple factors contribute to the Board's decision.

However, there are no specific required qualifications for Board membership. Each Nominee and each current Trustee is determined to have the experience, skills, and attributes necessary to serve the Funds and their shareholders because each such individual demonstrates an exceptional ability to consider complex business and financial matters, evaluate the relative importance and priority of issues, make decisions, and contribute effectively to the deliberations of the Board. The Board also considered the individual experience of the Nominees and determined that the Nominees' professional experience, education, and background contribute to the diversity of perspectives on the Board. The business experience and objective thinking of the Trustees are considered invaluable assets for the Funds' management and, ultimately, the Funds' shareholders.

Information about certain of the specific qualifications and experience of each Nominee relevant to the Board's conclusion that the Nominee should serve as a Trustee of the Trust is set forth below. Information about certain of the specific qualifications and experience of each Nominee relevant to the Board's conclusion that the Nominee should serve as a Trustee of the Trust is set forth in the table above.

***Nominee to Serve as Interested Trustee of the Trust***

**David C. Brown** serves as Chairman and Chief Executive Officer of Victory Holdings, responsible for the development, execution, and oversight of firm strategy. Mr. Brown has overseen several transactions in the asset management sector during his tenure with Victory Holdings and was responsible for identifying, structuring and executing strategic acquisitions, as well as managing boutique firms Post-Transaction. He also serves as chairman of the Board of Directors for Victory Holdings and as a trustee for the Victory Funds. Mr. Brown joined the Victory Capital organization in 2004 and held multiple senior level positions, including president and chief operating officer, prior to his current roles.

Before joining Victory Holdings, Mr. Brown spent five years at Gartmore Global Investments in a number of senior management positions including chief financial officer and chief operating officer of Gartmore Emerging Managers, LLC. Prior to joining Gartmore, he worked for Ernst & Young as a manager in the Assurance & Advisory Business Services unit focusing on investment management businesses.

Mr. Brown holds a Bachelor of Arts degree from Ursinus College and a Master of Business Administration from Case Western Reserve University. He is a Certified Public Accountant. Mr. Brown serves on the Board of Directors of Cerebellum Capital, an investment management firm that develops machine learning-focused technology to develop and manage investment strategies. He also holds or has held positions with multiple civic and community organizations.

***Nominee to Serve as Independent Trustee of the Trust***

**John C. Walters** serves as a board director with various entities. Throughout his career he has led all aspects of wealth management, including investment management, retirement, institutional, and insurance businesses. Mr. Walters currently serves as a member of the board of directors for two private equity backed firms, Stadion Money Management and Amerilife Holdings, and Lead Independent Director of the board of trustees of the Guardian Variable Products Trust. He is also a member of the Board of Visitors for the University of North Carolina at Chapel Hill.

Previously, Mr. Walters served as President and Chief Operating Officer of Hartford Life Insurance Company, where he led all aspects of the Hartford Life businesses: mutual funds, global variable annuities, life insurance, retirement plans, group benefits, and institutional investments. In this capacity, Mr. Walters was actively involved with corporate and mutual fund boards, public investors, and business strategy and development. He also served on the Enterprise Risk Control Committee to manage firm-wide business and market risks.

Prior to becoming President of Hartford Life, Mr. Walters served as President of U.S. Wealth Management for The Hartford, leading all adviser-centric asset accumulation and protection businesses in the United States, including mutual funds, annuities, retirement plans, institutional products, and individual life insurance. Additionally, Mr. Walters served as both President of the Hartford Mutual Funds and as a board member.

Prior to joining Hartford Life Insurance Company, Mr. Walters was President of the Financial Services Group for First Union Securities, a full-service broker dealer for First Union Bank, and Managing Director at Wheat First Securities, a regional brokerage firm. These roles provided a strong background in retail wealth management and distribution.

Mr. Walters holds a Bachelor of Science degree from the University of North Carolina and a Master of Business Administration from Duke University.

**Board Structure and Responsibilities**

The Board is responsible for the general oversight of the Funds' business and for assuring that the Funds are managed in the best interests of the Funds' respective shareholders. The Board periodically reviews the Funds' investment performance, as well as the quality of other services provided to the Funds and their respective shareholders by each of the Funds' service providers, including the investment adviser and its affiliates. The Board seeks to represent shareholder interests by:

- reviewing with the investment adviser senior management the investment performance of each Fund;
- reviewing the quality of the various other services provided to the Funds and their shareholders by each of the Funds' service providers, including the investment adviser and its affiliates;
- discussing with the investment adviser senior management steps being taken to address any performance or service deficiencies;
- reviewing the fees paid to the investment adviser and its affiliates to ensure that such fees remain reasonable and competitive with those of other comparable funds, while at the same time providing sufficient resources to continue to provide high-quality services in the future;
- monitoring potential conflicts between the Funds and the investment adviser and its affiliates to ensure that the Funds continue to be managed in the best interests of their shareholders; and
- monitoring potential conflicts among the Funds to ensure that shareholders continue to realize the benefits of participation in a large and diverse family of funds.

The Board currently is comprised of a super-majority (80% or more) of Independent Trustees and one Interested Trustee. If shareholders elect the Nominees, after the closing of the Transaction, the Board will be comprised of eight Independent Trustees (80%) and two Interested Trustees. It is anticipated that Mr. Daniel S. McNamara, who is President of the Trust and an Interested Trustee, will serve as the Chairman of the Board upon the closing of the Transaction. The Chairman presides at meetings of the Trustees and may call meetings of the Board and any Board committee whenever he deems it necessary. The Chairman participates in the preparation of the agenda for meetings of the Board and the identification of information to be presented to the Board with respect to matters to be acted upon by the Board. The Chairman also acts as a liaison with the Funds' management, officers, and other Trustees generally between meetings. The Chairman may perform such other functions as may be requested by the Board from time to time. Except for any duties specified in the Trust's registration statements filed with the SEC or pursuant to the Trust's organizational documents, or as assigned by the Trust's Board, the designation of a Trustee as Chairman does not impose on that Trustee any duties, obligations, or liability that are greater than the duties, obligations, or liability imposed on any other Trustee, generally. It is anticipated that Mr. Jefferson Boyce, an Independent Trustee, will serve as a Lead Independent Trustee and Vice Chairman upon the closing of the Transaction. The Vice Chair and Lead Independent Trustee may call meetings of the Board and any Board committee whenever he deems it necessary, and presides at meetings of the Trustees in the absence of the Chair. The Vice Chair and Lead Independent Trustee participates in the preparation of the agenda for meetings of the Board and the identification of information to be presented to the Board with respect to matters to be acted upon by the Board. In addition, the Vice Chair and Lead Independent Trustee will coordinate activities performed by the independent Trustees as a group and will serve as the main liaison between the independent Trustees and the Funds' management and officers between meetings. The Vice Chair and Lead Independent Trustee may perform such other functions as may be requested by the Board from time to time. The Board has designated a number of standing committees as further described below, each of which has a Chairman. The Board also may designate working groups or ad hoc committees as it deems appropriate.

The Board believes that this leadership structure is appropriate because it allows the Board to exercise informed and independent judgment over matters under its purview, and it allocates areas of responsibility among committees or working groups of Trustees and the full Board in a manner that enhances effective oversight. The Board considers leadership by a Lead Independent Trustee to be integral to promoting effective independent oversight of the Funds' operations and meaningful representation of the shareholders' interests, given the number of funds offered by the Trust and the amount of assets that these funds represent. The Board also believes that having a majority of Independent Trustees is appropriate and in the best interest of the Funds' shareholders. Nevertheless, the Board also believes that having interested persons serve on the Board brings corporate and financial viewpoints that are, in the Board's view, important elements in its decision-making process. In addition, the Board believes that the Interested Trustees provide the Board with management's perspective in managing and sponsoring the Funds. The leadership structure of the Board may be changed, at any time and in the discretion of the relevant Board, including in response to changes in circumstances or the characteristics of the relevant Trust.

**Board Meetings and Standing Committees**

The Board typically conducts regular meetings five times a year to review Fund operations. A portion of these meetings is devoted to various committee meetings of the Board, which focus on particular matters. In addition, the Board may hold special meetings by telephone or in person to discuss specific matters that may require action prior to the next regular meeting. If the Trust holds annual meetings of shareholders, the policy is that all Trustees should attend, subject to availability. During the one-year period ended December 31, 2018, the Board met six times. Each continuing Trustee attended at least 75% of the Board meetings, including regular, special, and committee meetings (as applicable).

The Board has five committees: An Executive Committee, an Audit and Compliance Committee, a Product Management and Distribution Committee, a Corporate Governance Committee, and an Investments Committee. The duties of these five Committees and their membership are as follows:

***Executive Committee****:* Between the meetings of the Board and while the Board is not in session, the Executive Committee of the Board has all the powers and may exercise all the duties of the Board in the management of the business of the Trust, which may be delegated to it by the Board. Interested Trustee D. McNamara and Independent Trustee Mason are members of the Executive Committee of the Board. The Executive Committee held no meetings during the one-year period ended December 31, 2018.

***Audit and Compliance Committee:*** The Audit and Compliance Committee of the Board reviews the financial information and the independent auditor's reports and undertakes certain studies and analyses as directed by the Board. The Audit and Compliance Committee has responsibility for the review of the Trust's compliance program and the performance of the Trust's chief compliance officer, as well as responsibility for certain additional compliance matters. Independent Trustees Boyce, Hawley, Mason, P. McNamara, Ostdiek, Newton, and Reimherr are members of the Audit and Compliance Committee of the Board. The Audit and Compliance Committee held four meetings during the one-year period ended December 31, 2018. Information about the fees paid to the Trust's independent registered public accounting firm and the Audit and Compliance Committee's oversight of the fees paid to that firm is provided in Appendix H.

***Product Management and Distribution Committee:*** The Product Management and Distribution Committee of the Board reviews the Funds offered by the Trust and the respective investment objectives and policies, as well as selection of subadvisers; oversees the distribution and marketing of the Funds; and assists the Board in overseeing certain third-party service providers and related matters. The Product Management and Distribution Committee provides oversight with respect to the sale and distribution of shares of the Funds, including payments made by the Funds pursuant to the Trust's 12b-1 Plan. Interested Trustee D. McNamara and Independent Trustees Boyce, Hawley, Mason, P. McNamara, Ostdiek, Newton, and Reimherr are members of the Product Management and Distribution Committee of the Board. The Product Management and Distribution Committee held five meetings during the one-year period ended December 31, 2018.

***Corporate Governance Committee:*** The Corporate Governance Committee of the Board maintains oversight of the organization, performance, and effectiveness of the Board and the Independent Trustees. The Corporate Governance Committee is responsible for maintaining a policy on Board tenure and term limitations for the Independent Trustees and establishing procedures to identify and recruit potential candidates for Board membership and to recommend candidates to fill any vacancy for Independent Trustees on the Board. The Corporate Governance Committee has adopted procedures to consider nominees recommended by shareholders. Shareholders may send recommendations to Mr. Paul McNamara, chairman of the Corporate Governance Committee, care of the Secretary of the Trust at 9800 Fredericksburg Road, San Antonio, Texas 78288. To be considered by the Board, any recommendations for a nomination submitted by a shareholder must include at least the following information: name; date of birth; contact information; education; business profession and other expertise; affiliations; experience relating to serving on the Board; and references. Independent Trustees Boyce, Hawley, Mason, P. McNamara, Ostdiek, Newton, and Reimherr are members of the Corporate Governance Committee of the Board. The Corporate Governance Committee held five meetings during the one-year period ended December 31, 2018. A copy of the written charter for the Corporate Governance Committee is attached to this Proxy Statement as Appendix K.

***Investments Committee:*** The Investments Committee of the Board assists the Board in fulfilling its responsibilities overseeing, among other things: the investment programs implemented by AMCO and/or, if applicable, the investment subadviser(s) for the Funds; the performance and portfolio composition of the Funds; and the valuation and liquidity of each Fund's assets. In addition, the Investments Committee coordinates the Board's consideration of investment advisory and underwriting agreements pursuant to Section 15(c) of the 1940 Act. Interested Trustee D. McNamara, and Independent Trustees Boyce, Hawley, Mason, P. McNamara, Ostdiek, Newton, and Reimherr are members of the Investments Committee of each Board. The Investments Committee held four meetings during the one-year period ended December 31, 2018.

**Board Oversight of Risk Management**

As series of a registered investment company, the Funds are subject to a variety of risks, including investment risks (such as, among others, market risk, credit risk, and interest rate risk), financial risks (such as, among others, settlement risk, liquidity risk, and valuation risk), compliance risks, and operational risks. The Trustees of the Trust play an active role, as a full board and at the committee level, in overseeing risk management for the Funds. The Trustees delegate the day-to-day risk management of the Funds to various groups, including but not limited to, portfolio management, risk management, compliance, legal, fund accounting, and various committees discussed herein. These groups provide the Trustees with regular reports regarding investment, valuation, liquidity, and compliance, as well as the risks associated with each. The Trustees also oversee risk management for the Funds through regular interactions with the Funds' external auditors and periodic presentations from the investment adviser's risk management department.

The Board also participates in the Funds' risk oversight, in part, through the Funds' compliance program, which covers the following broad areas of compliance: portfolio management, trading practices, code of ethics and protection of non-public information, accuracy of disclosures, safeguarding of fund assets, recordkeeping, marketing, fees, privacy, anti-money laundering, business continuity, valuation and pricing of funds shares, processing of fund shares, affiliated transactions, fund governance, and market timing. The Board also receives periodic updates regarding cybersecurity matters. The program seeks to identify and assess risk through various methods, including through regular interdisciplinary communications between compliance professionals, operational risk management, and business personnel who participate on a daily basis in risk management on behalf of the Funds. The Funds' chief compliance officer provides an annual compliance report and other compliance related briefings to the Board in writing and in person.

Fund management seeks to identify for the Board the risks that it believes may affect the Funds and develop processes and controls regarding such risks. However, risk management is a complex and dynamic undertaking, and it is not always possible to comprehensively identify and/or mitigate all such risks at all times since risks are at times impacted by external events. In discharging its oversight responsibilities, the Board considers risk management issues throughout the year with the assistance of its various committees as described below. Each committee presents reports to the Board after its meeting, which may prompt further discussion of issues concerning the oversight of the Funds' risk management. The Board as a whole also reviews written reports or presentations on a variety of risk issues as needed and may discuss particular risks that are not addressed in the committee process.

As described above, among other committees, the Board has established an Audit and Compliance Committee, which is composed solely of Independent Trustees and which oversees management of financial risks and controls. The Audit and Compliance Committee serves as the channel of communication between the independent auditors of the Funds and the Board with respect to financial statements and financial reporting processes, systems of internal control, and the audit process. Although the Audit and Compliance Committee is responsible for overseeing the management of financial risks, the Board is regularly informed of these risks through committee reports.

**Compensation of the Trustees**

The Trust pays each Independent Trustee the following fees for his or her services to the Board. Independent Trustees are compensated on the basis of an aggregate annual retainer of $179,000 plus reimbursement for reasonable expenses incurred in attending any meeting of the Board or one of its committees. The Chairman (or Lead Independent Trustee if the Chairman is Interested) receives an additional annual fee of $65,000, while each Independent Trustee serving as Chair of a committee of the Board receives an additional annual fee of $16,000 (Audit and Compliance Committee) or $12,000 (Corporate Governance Committee, Investments Committee, and Product Management and Distribution Committee). The fee for attending an in-person regular or special meeting of the Board is $4,000. The fee for attending an in-person regular or special committee meeting is $2,000 per meeting. The fee for telephonic meetings of the Board or a committee called by the Trust's officers is $1,000 per meeting. All Funds in the Trust meet on a combined basis for regular meetings. All compensation is allocated evenly among all Funds of the Trust.

Compensation paid to Independent Trustees currently is used to acquire shares of one or more Funds in the fund complex under an automatic investment program for the Independent Trustees or deposited directly into the Independent Trustee's bank account. The Independent Trustees periodically review their compensation to assure that it continues to be appropriate considering their responsibilities as well as in relation to fees paid to trustees of other comparable mutual fund companies. Interested Trustees are not compensated by any Fund for their service on the Board or any committee of the Board. Mr. Daniel S. McNamara is an Interested Trustee of the Trust and, therefore, has not been compensated by the Trust for his service as a Trustee. No pension or retirement benefits are accrued as part of Fund expenses.

The following table sets forth information describing the compensation of the current Trustees of the Trust for their services as Trustees during the one-year period ended December 31, 2018.

**Trustee Compensation Table**
**for the One-Year Period Ended December 31, 2018**[2]

| Trustee | Aggregate Compensation from the Trust | Pension or Retirement Benefits Accrued as Part of Trust Expenses | Estimated Annual Benefits Upon Retirement | Total Compensation from the USAA Family of Funds [2] |
|---|---|---|---|---|
| **Interested Trustees** | | | | |
| Daniel S. McNamara[1] | $0 | $0 | $0 | $0 |
| **Independent Trustees** | | | | |
| Robert L. Mason, Ph.D. | $311,000 | $0 | $0 | $311,000 |
| Michel F. Reimherr | $246,000 | $0 | $0 | $246,000 |
| Jefferson C. Boyce | $258,000 | $0 | $0 | $258,000 |
| Dawn Hawley | $262,000 | $0 | $0 | $262,000 |
| Richard Y. Newton, III | $246,000 | $0 | $0 | $246,000 |

| Trustee | Aggregate Compensation from the Trust | Pension or Retirement Benefits Accrued as Part of Trust Expenses | Estimated Annual Benefits Upon Retirement | Total Compensation from the USAA Family of Funds [2] |
|---|---|---|---|---|
| Paul L. McNamara | $258,000 | $0 | $0 | $258,000 |
| Barbara B. Ostdiek, Ph.D. | $246,000 | $0 | $0 | $246,000 |

[1]Daniel S. McNamara is affiliated with the Trust's investment adviser, AMCO, and accordingly, receives no remuneration for the Trust or any other fund of the USAA Fund Complex.

[2]At December 31, 2018, the Fund Complex consisted of two registered investment companies offering 53 individual funds.

### Trustees' and Nominees' Ownership of Fund Shares

The following table sets forth the dollar range of total equity securities beneficially owned by each Trustee and Nominee in each Fund, and all the Funds collectively, as of December 31, 2018.

| | Dollar Range of Equity Securities | | | | | |
|---|---|---|---|---|---|---|
| Name of Trustee/ Nominee | Aggressive Growth Fund | California Bond Fund | Capital Growth Fund | Cornerstone Aggressive Fund | Cornerstone Conservative Fund | Cornerstone Equity Fund |
| Independent Trustees/Nominees | | | | | | |
| Jefferson C. Boyce | None | None | None | None | None | None |
| Dawn M. Hawley | None | None | None | None | None | None |
| Robert L. Mason, Ph.D. | None | None | None | None | None | None |
| Paul L. McNamara | None | None | $0-$10,000 | None | None | None |
| Richard Y. Newton III | None | None | None | None | None | None |
| Barbara B. Ostdiek, Ph.D. | None | None | None | None | None | None |
| Michel F. Reimherr | None | None | None | None | None | None |
| John C. Walters | | | | | | |
| Interested Trustee/Nominee | | | | | | |
| Daniel S. McNamara | None | None | None | None | None | None |
| David C. Brown | None | None | None | None | None | None |

| | Dollar Range of Equity Securities | | | | | |
|---|---|---|---|---|---|---|
| Name of Trustee/ Nominee | Cornerstone Moderately Aggressive Fund | Cornerstone Moderately Conservative Fund | Cornerstone Moderate Fund | Emerging Markets Fund | Extended Market Index Fund | Global Equity Income Fund |
| Independent Trustees/Nominees | | | | | | |
| Jefferson C. Boyce | None | None | None | None | None | None |
| Dawn M. Hawley | None | None | None | None | None | None |
| Robert L. Mason, Ph.D. | $50,001-$100,000 | None | None | None | None | None |
| Paul L. McNamara | None | None | None | None | None | None |
| Richard Y. Newton III | None | None | None | None | None | None |
| Barbara B. Ostdiek, Ph.D. | $0-$10,000 | None | None | None | None | None |
| Michel F. Reimherr | None | None | None | None | None | None |
| John C. Walters | | | | | | |
| Interested Trustee/Nominee | | | | | | |
| Daniel S. McNamara | None | None | None | $10,001-$50,000 | $0-$10,000 | None |
| David C. Brown | None | None | None | None | None | None |

| | Dollar Range of Equity Securities | | | | | |
|---|---|---|---|---|---|---|
| Name of Trustee/ Nominee | Global Managed Volatility Fund | Government Securities Fund | Growth Fund | Growth & Income Fund | Growth and Tax Strategy Fund | High Income Fund |
| Independent Trustees/Nominees | | | | | | |
| Jefferson C. Boyce | None | None | None | None | None | None |
| Dawn M. Hawley | None | None | None | None | $50,001-$100,000 | None |
| Robert L. Mason, Ph.D. | None | None | None | $50,001-$100,000 | None | None |
| Paul L. McNamara | None | None | None | $0-$10,000 | None | $10,001-$50,000 |
| Richard Y. Newton III | None | None | None | $10,001-$50,000 | None | None |
| Barbara B. Ostdiek, Ph.D. | None | None | None | None | None | None |
| Michel F. Reimherr | None | None | None | None | None | $50,001-$100,000 |
| John C. Walters | None | None | None | None | None | None |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | Interested Trustee/Nominee | | | |
| Daniel S. McNamara | None | None | None | None | None | $10,001-$50,000 |
| David C. Brown | None | None | None | None | None | None |

| Name of Trustee/ Nominee | Income Fund | Income Stock Fund | Intermediate-Term Bond Fund | International Fund | Managed Allocation Fund | Money Market Fund |
|---|---|---|---|---|---|---|
| | | | Dollar Range of Equity Securities | | | |
| | | | Independent Trustees/Nominees | | | |
| Jefferson C. Boyce | None | $10,001-$50,000 | None | None | None | None |
| Dawn M. Hawley | None | None | $10,001-$50,000 | None | None | None |
| Robert L. Mason, Ph.D. | None | $50,001-$100,000 | None | $0-$10,000 | None | Over $100,000 |
| Paul L. McNamara | None | $10,001-$50,000 | None | $10,001-$50,000 | None | Over $100,000 |
| Richard Y. Newton III | None | None | None | None | None | None |
| Barbara B. Ostdiek, Ph.D. | None | None | None | None | None | $0-$10,000 |
| Michel F. Reimherr | None | None | $10,001-$50,000 | None | None | $10,001-$50,000 |
| John C. Walters | | | | | | |
| | | | Interested Trustee/Nominee | | | |
| Daniel S. McNamara | $50,001-$100,000 | None | None | None | $10,001-$50,000 | $10,001-$50,000 |
| David C. Brown | None | None | None | None | None | None |

| Name of Trustee/ Nominee | Nasdaq-100 Index Fund | New York Bond Fund | Precious Metals and Minerals Fund | S&P 500 Index Fund | Science & Technology Fund | Short-Term Bond Fund |
|---|---|---|---|---|---|---|
| | | | Dollar Range of Equity Securities | | | |
| | | | Independent Trustees/Nominees | | | |
| Jefferson C. Boyce | None | $0-$10,000 | None | None | None | None |
| Dawn M. Hawley | None | None | None | None | None | None |
| Robert L. Mason, Ph.D. | None | None | None | None | None | None |
| Paul L. McNamara | None | None | None | None | $50,001-$100,000 | None |
| Richard Y. Newton III | None | None | None | None | None | None |
| Barbara B. Ostdiek, Ph.D. | None | None | None | None | None | None |
| Michel F. Reimherr | None | None | None | $50,001-$100,000 | None | None |
| John C. Walters | | | | | | |
| | | | Interested Trustee/Nominee | | | |
| Daniel S. McNamara | None | None | None | None | None | $10,001-$50,000 |
| David C. Brown | None | None | None | None | None | None |

| Name of Trustee/ Nominee | Small Cap Stock Fund | Target Managed Allocation Fund | Target Retirement 2020 Fund | Target Retirement 2030 Fund | Target Retirement 2040 Fund | Target Retirement 2050 Fund |
|---|---|---|---|---|---|---|
| | | | Dollar Range of Equity Securities | | | |
| | | | Independent Trustees/Nominees | | | |
| Jefferson C. Boyce | None | None | None | None | None | None |
| Dawn M. Hawley | None | None | None | None | None | None |
| Robert L. Mason, Ph.D. | None | None | None | None | None | None |
| Paul L. McNamara | None | None | None | $10,001-$50,000 | None | None |
| Richard Y. Newton III | None | None | None | None | None | None |
| Barbara B. Ostdiek, Ph.D. | None | None | None | None | None | None |
| Michel F. Reimherr | None | None | None | None | None | None |
| John C. Walters | | | | | | |
| | | | Interested Trustee/Nominee | | | |
| Daniel S. McNamara | None | None | None | None | None | None |
| David C. Brown | None | None | None | None | None | None |

| Name of Trustee/ Nominee | Target Retirement 2060 Fund | Target Retirement Income Fund | Tax Exempt Intermediate-Term Fund | Tax Exempt Long-Term Fund | Tax Exempt Money Market Fund | Tax Exempt Short-Term Fund |
|---|---|---|---|---|---|---|
| | | | Dollar Range of Equity Securities | | | |
| | | | Independent Trustees/Nominees | | | |
| Jefferson C. Boyce | None | None | None | $0-$10,000 | $0-$10,000 | None |
| Dawn M. Hawley | None | None | None | None | None | None |
| Robert L. Mason, Ph.D. | None | None | None | $10,001-$50,000 | None | None |
| Paul L. McNamara | None | None | None | None | None | None |
| Richard Y. Newton III | None | None | None | None | None | None |
| Barbara B. Ostdiek, Ph.D. | None | None | None | None | None | None |
| Michel F. Reimherr | None | None | None | None | None | None |
| John C. Walters | | | | | | |
| | | | Interested Trustee/Nominee | | | |
| Daniel S. McNamara | None | None | Over $100,000 | None | $10,001-$50,000 | $0-$10,000 |
| David C. Brown | None | None | None | None | None | None |

| Name of Trustee/ Nominee | Treasury Money Market Trust | Ultra Short-Term Bond Fund | Value Fund | Virginia Bond Fund | World Growth Fund | USAA Family of Funds Total* |
|---|---|---|---|---|---|---|
| | | | Dollar Range of Equity Securities | | | |
| | | | Independent Trustees/Nominees | | | |
| Jefferson C. Boyce | $10,001-$50,000 | None | None | None | None | $50,001-$100,000 |
| Dawn M. Hawley | None | $10,001-$50,000 | $50,001-$100,000 | None | $10,001-$50,000 | Over $100,000 |
| Robert L. Mason, Ph.D. | $0-$10,000 | None | None | None | None | Over $100,000 |
| Paul L. McNamara | Over $100,000 | None | None | None | None | Over $100,000 |
| Richard Y. Newton III | None | None | None | None | None | $10,001-$50,000 |
| Barbara B. Ostdiek, Ph.D. | None | $0-$10,000 | None | None | $0-$10,000 | $0-$10,000 |
| Michel F. Reimherr | $10,001-$50,000 | None | None | None | None | Over $100,000 |
| John C. Walters | | | | | | |
| | | | Interested Trustee/Nominee | | | |
| Daniel S. McNamara | Over $100,000 | Over $100,000 | None | None | None | Over $100,000 |
| David C. Brown | None | None | None | None | None | None |

* This column reflects information regarding ownership of equity securities issued by all Funds in the Trust.

No Independent Trustee of the Trust, and no Nominee who is or would be an Independent Trustee, and no member of his or her immediate family, beneficially owns or owns of record securities representing interests in AMCO, any Subadviser or distributor of the Trust, or any person controlling, controlled by or under common control with such persons. For this purpose, "immediate family member" includes the Independent Trustee's spouse, children residing in the Independent Trustee's household, and dependents of the Trustee.

### Required Vote

To be elected, a person nominated as Trustee must receive a plurality of the votes cast, which means that the Nominee receiving the highest number of votes cast at the Meeting will be elected (even if the Nominee receives approval from less than a majority of the votes cast), provided a quorum is present. The shareholders of all Funds of the Trust will vote together on Proposal 2. If the Transaction is not consummated, the nominees will not serve as Trustees of the Trust, even if elected by shareholders.

**THE BOARD OF TRUSTEES OF THE TRUST, INCLUDING THE TRUST'S INDEPENDENT TRUSTEES, UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" EACH NOMINEE IN PROPOSAL 2.**

# BOARD CONSIDERATIONS RELATING TO THE TRANSACTION AND THE NEW ADVISORY AGREEMENT

At an in-person meeting held on January 15, 2019, the Trust's Board of Trustees, including those Trustees who are not parties to any Existing Management Agreement or the New Advisory Agreement or "interested persons" (as that term is defined in the 1940 Act) of such parties or the Trust (the "Independent Trustees"), considered and unanimously approved the New Advisory Agreement between the Trust, on behalf of each Fund, and Victory Capital, as shown in Appendix A, and, as applicable, new Investment Subadvisory Agreements between Victory Capital and each investment subadviser (each, a "New Subadvisory Agreement," and together with the New Advisory Agreement, the "New Agreements"), as listed below. The Board also determined to recommend that shareholders of each Fund approve the New Advisory Agreement. Shareholder approval is not required for the New Subadvisory Agreements. The Independent Trustees reviewed the proposed approval of the New Agreements in private sessions with their independent legal counsel at which no representatives of Victory Capital or AMCO were present.

**Background for the Board Approvals**

At a telephonic meeting of the Board held on November 5, 2018, representatives of USAA and AMCO informed the Board that USAA's subsidiary, USAA Investment Corporation, would enter into a stock purchase agreement with Victory Holdings, pursuant to which Victory Holdings would acquire all of the outstanding stock of AMCO and USAA Transfer Agent (the "Transaction"). The Independent Trustees were advised that the Transaction, if completed, would constitute a Change of Control Event and result in the termination of the Existing Management Agreements. The Independent Trustees also were advised that it was proposed that Victory Capital, a subsidiary of Victory Holdings, would serve as the investment adviser to each Fund Post-Transaction and that the Board would be asked to consider approval of the terms and conditions of the New Advisory Agreement with Victory Capital and thereafter to submit the New Advisory Agreement to each Fund's shareholders for approval. Because the Change of Control Event also would result in the termination of each existing subadvisory agreement between AMCO and the subadvisers to the Funds (each, an "Existing Subadvisory Agreement"), the Independent Trustees were advised that the Board would also be asked to approve the New Subadvisory Agreements.

In anticipation of the Transaction, the Trustees met at a series of subsequent in-person meetings on November 27-28, 2018, January 7-8, 2019 and January 14-15, 2019, which included meetings of the full Board and separate meetings of the Independent Trustees for the purposes of considering, among other things: whether it would be in the best interests of each Fund and its respective shareholders to approve the New Agreements, and; the anticipated impacts of the Transaction on the Funds and their shareholders (each a, "Meeting"). During each of these Meetings, the Board sought additional and clarifying information as it deemed necessary or appropriate. In this connection, the Independent Trustees worked with their independent legal counsel to prepare formal due diligence requests (the "Diligence Requests") that were submitted to Victory Capital, VCA, and the subadvisers. The Diligence Requests sought information relevant to the Board's consideration of the New Advisory Agreement, the New Subadvisory Agreements, distribution arrangements, and other anticipated impacts of the Transaction on the Funds and their shareholders. Victory Capital, VCA, and the subadvisers provided documents and information in response to the Diligence Requests (the "Response Materials"). Following their review of the Response Materials, the Independent Trustees submitted a supplemental due diligence request for additional and clarifying information (the "Supplemental Diligence Request") to Victory Capital and VCA. Victory Capital and VCA provided further information in response to the Supplemental Diligence Request which the Board reviewed. Senior management representatives of Victory Capital and/or AMCO participated in a portion of each Meeting and addressed various questions raised by the Board. Throughout the process, the Independent Trustees were assisted by their independent legal counsel and counsel to the Funds, who advised them on, among other things, their duties and obligations relating to their consideration of the New Agreements.

The Board's evaluation of the New Agreements reflected the information provided specifically in connection with its review of the New Agreements, as well as, where relevant, information that was previously furnished to the Board in connection with the most recent renewal of the Existing Management Agreements and Existing Subadvisory Agreements at an in-person meeting of the Board on April 18, 2018 (the "2018 15(c) Meeting") and at other subsequent Board meetings in 2018. The Board's evaluation of the New Agreements also reflected the knowledge gained as Board members of the Funds with respect to services provided by AMCO, its affiliates, and each subadviser to the Funds.

The Board's approvals and recommendations were based on its determination, within its business judgment, that it would be in the best interests of each Fund and its respective shareholders, for Victory Capital and, as applicable, the subadvisers, to provide investment advisory, investment subadvisory, and related services to the Funds, following the closing of the Transaction.

**Factors Considered in Approving the New Advisory Agreement**

In connection with the Board's consideration of the New Advisory Agreement, Victory Capital and AMCO advised the Board about a variety of matters, including the following:

- The nature, extent, and quality of the services to be provided to the Funds by Victory Capital Post-Transaction are expected to be of at least the same level as the services currently provided to the Funds by AMCO.
- Victory Capital's stated commitment to maintaining and enhancing the USAA member/USAA Fund shareholder experience, including creating a dedicated USAA Fund sales and client service call center that will provide ongoing client service and advice to existing and new USAA members.
- Victory Capital proposes to: (1) replace the underlying indexes for the Extended Market Index Fund and S&P 500 Index Fund with indexes designed to provide shareholders with comparable exposure and investment outcomes; (2) change the Extended Market Index Fund's and S&P 500 Index Fund's investment objectives and strategies in light of the changes to their underlying indexes; and (3) change the name of the S&P 500 Index Fund to the 500 Index Fund.
- Victory Capital does not propose changes to the investment objective(s) of any other Funds. Although the investment processes used by Victory Capital's portfolio managers may differ from those used by AMCO's portfolio managers or, if applicable, any subadviser's portfolio managers, such differences are not currently expected to result in changes to the principal investment strategies or principal investment risks of the Funds.
- The New Advisory Agreement does not change any Fund's advisory fee rate or the computation method for calculating such fees (except that Victory Capital, subject to Board approval, may in the future use a single designated share class to calculate performance adjustment). For at least two years after the Transaction closes, Victory Capital has agreed to waive fees and/or reimburse expenses so that each Fund's annual expense ratio (excluding certain customary items) does not exceed the levels reflected in each Fund's most recent audited financial statements at the time of Transaction close (or the levels of AMCO's then-current expense caps, if applicable), excluding the impact of any performance adjustment to the Fund's advisory fee.
- The portfolio managers at AMCO that manage the Fixed Income Funds as well as the USAA's Global Multi-Asset team servicing the Cornerstone Funds, Target Retirement Funds, Global Managed Volatility Fund, Managed Allocation Fund, and Target Managed Allocation Fund, are expected to continue to do so Post-Transaction as employees of Victory Capital, if they choose to become employees of Victory Capital. Post-Transaction, the investment teams for the Funds, other than the Fixed Income Funds, will be replaced or augmented as discussed in Proposal 1 under "*Anticipated Changes to the Funds' Portfolio Management*."
- With the exception of the Index Funds, which will be advised by Victory Capital through its Victory Solutions platform, Victory Capital proposes that the same subadvisers be retained Post-Transaction, although Victory Capital may change the allocation to a particular subadviser Post-Transaction. No changes are expected to the portfolio managers of the subadvisers who will serve as subadvisers Post-Transaction.
- VCA's distribution capabilities, including its significant network of intermediary relationships, which may provide additional opportunities for the Funds to grow assets and lower fees and expenses through increased economies of scale.
- The experience of Victory Capital in acquiring and integrating investments in investment management companies and its plans to transition and integrate AMCO's and USAA Transfer Agent's businesses to Victory Capital. Victory Capital and USAA expect to enter into a transition services agreement under which USAA will continue to provide Victory Capital with certain services that are currently provided by USAA to AMCO and the USAA Transfer Agent for a specified period of time after the closing of the Transaction to assist Victory Capital in transitioning the USAA member distribution channel and member support services.
- Pursuant to a transitional trademark license agreement with USAA, Victory Capital and the Funds will have a non-exclusive license, subject to certain restrictions and limitations, to continue using certain licensed marks including "USAA," "United Services Automobile Association," and the USAA Logo in connection

with their asset management and transfer agency businesses for a period of three years following the closing of the Transaction, which agreement may thereafter be extended for an additional year.

- The support expressed by the current senior management team at AMCO for the Transaction and AMCO's recommendation that the Board approve the New Agreements.
- The commitments of Victory Capital and AMCO to bear all of the direct expenses of the Transaction, including all legal costs and costs associated with the proxy solicitation, regardless of whether the Transaction is consummated.

In addition to the matters noted above, in their deliberations regarding approval of the New Advisory Agreement, the Board considered the factors discussed below, among others.

*The nature, extent, and quality of services expected to be provided by Victory Capital.*

The Board considered information provided by Victory Capital regarding its investment philosophy, investment management capabilities, business and operating structure, scale of operations, leadership and reputation, distribution capabilities, and financial condition. The Board also considered the capabilities, resources, and personnel of Victory Capital, including senior and other personnel of AMCO who had been extended offers to join Victory Capital, in order to determine whether Victory Capital is capable of providing the same level of investment management services currently provided to each Fund, and also considered the transition and integration plans to move management of the Funds to Victory Capital. The Board recognized that the AMCO personnel who had been extended offers may not accept such offers and personnel changes may occur in the future in the ordinary course. The Board considered the resources and infrastructure that Victory Capital intends to devote to its compliance program to ensure compliance with applicable laws and regulations, as well as Victory Capital's commitment to those programs. The Board also considered the resources that Victory Capital has devoted to its risk management program and cybersecurity program. The Board also reviewed information provided by Victory Capital related to its business, legal, and regulatory affairs. This review considered the resources available to Victory Capital to provide the services specified under the New Advisory Agreement. The Board considered Victory Capital's financial condition, including the financing of the Transaction, and noted that Victory Capital is expected to be able to provide a high level of service to the Funds and continuously invest and re-invest in its business.

The Board considered that, while it was proposed that Victory Capital would become the investment adviser to the Funds, the same portfolio managers at AMCO that manage the Fixed Income Funds, as well as the USAA's Global Multi-Asset team servicing the Cornerstone Funds, Target Retirement Funds (including Target Managed Allocation Fund), Global Managed Volatility Fund, and Managed Allocation Fund, are expected to continue to do so after the Transaction as employees of Victory Capital, if they choose to become employees of Victory Capital. The Board determined that it had considered the qualifications of the portfolio managers at AMCO and the subadvisers at its 2018 15(c) Meeting. The Board considered the professional experience, education, affiliations and/or other credentials or qualifications of the anticipated portfolio managers at Victory Capital that would manage the Equity Funds, Cornerstone Funds, and Target Retirement Funds. The Board noted that the Equity Funds or portions of Equity Funds currently managed by AMCO would be replaced with portfolio managers from Victory Capital.

The Board considered that certain Funds would continue to operate in a manager-of-managers structure Post-Transaction. The Board considered that Victory Capital's experience in allocating assets to, and overseeing the advisory services of, its investment franchises and the Victory Solutions platform, was similar to AMCO's role in allocating assets to and overseeing the advisory services provided by the subadvisers.

The Board considered that the terms and conditions of the New Advisory Agreement are substantially similar to the terms and conditions of the Existing Management Agreements. The Board also considered that the New Subadvisory Agreements are substantially similar to the terms and conditions of the Existing Subadvisory Agreements and that no changes were proposed to the allocation of responsibilities as between Victory Capital and any subadviser, except to the extent that under the New Subadvisory Agreements each subadviser would be responsible for voting proxies with respect to assets allocated to that subadviser, while AMCO currently votes all Fund proxies. The Board considered that Victory Capital also would provide certain administrative, fund accounting, and shareholder servicing services under a separate administration agreement with the Funds. In this connection, the Board considered information on

Victory Capital's use of third-party service providers to provide certain sub-administration and sub-accounting services to the Funds.

After review of these and other considerations, the Board concluded that Victory Capital will be capable of providing investment advisory services of the same high quality as the investment advisory services provided to the Funds by AMCO, and that these services are appropriate in nature and extent in light of the Funds' operations and investor needs.

*Performance of the Funds.*

With respect to the performance of the Funds, the Board considered its review at the 2018 15(c) Meeting of peer group and benchmark investment performance comparison data relating to each Fund and, if applicable, each subadviser's long-term performance record for similar accounts. The Board considered that information reviewed at the 2018 15(c) Meeting may be more relevant for those Funds that would retain their current portfolio managers or subadvisers. With respect to the Funds whose portfolio managers would be replaced, the Board considered the performance of Victory funds with similar investment objectives and strategies managed by the portfolio managers who would manage the Funds. Based on information presented to the Board at the Meeting and its discussions with Victory Capital, the Board concluded that Victory Capital is capable of generating a level of long-term investment performance that is appropriate in light of each Fund's investment objectives, strategies and restrictions.

*Fees to be paid to Victory Capital and expenses of the Funds.*

The Board considered that it had reviewed each Fund's existing advisory fee rate and computation method for calculating such fees at the 2018 15(c) Meeting. The Board considered that the New Advisory Agreement does not change any Fund's advisory fee rate or the computation method for calculating such fees, except that Victory Capital, subject to Board approval, may in the future use a single designated share class to calculate performance adjustment and apply the resulting performance adjustment across each other class of shares of the Fund. The Board considered that the use of a single designated class to calculate the performance adjustment for each other class of shares of the Fund could mean that shareholders of a class other than the class used to measure the performance adjustment may pay a performance adjustment that is higher or lower than if the adjustment was calculated class-by-class, primarily due to the impact of differences in the fees and expenses between share classes on performance. The Board considered that the New Advisory Agreement stipulates that the period for measuring performance for calculating a Fund's performance fee begins on the date that Victory Capital begins managing the Fund; therefore, no performance adjustments will be made for the first twelve months of the New Advisory Agreement, as required by applicable regulations. The Board also considered Victory Capital's contractual commitment under the ELA to waive fees and/or reimburse expenses for at least two years after the closing of the Transaction, so that each Fund's annual expense ratio (excluding acquired fund fees and expenses, any performance adjustment to a Fund's advisory fee, interest, taxes, brokerage commissions, other expenditures which are capitalized in accordance with generally accepted accounting principles, and other extraordinary expenses not incurred in the ordinary course of such Fund's business) does not exceed the levels reflected in each Fund's most recent audited financial statements at the time of Transaction close (or the levels of AMCO's then-current expense caps, if applicable), excluding the impact of any performance adjustment to a Fund's advisory fee. The Board considered that the ELA permits Victory Capital to recoup advisory fees waived and expenses reimbursed for up to three years after the fiscal year in which the waiver or reimbursement took place, subject to the lesser of any operating expense limitation in effect at the time of: (1) the original waiver or expense reimbursement; or (2) recoupment. The Board also considered that Victory Capital and AMCO had represented to the Board that they will use their best efforts to ensure that they and their respective affiliates do not take any action that imposes an "unfair burden" on the Funds as a result of the transaction or as a result of any express or implied terms, conditions or understandings applicable to the Change of Control Event, for so long as the requirements of Section 15(f) apply. Based on its review, the Board determined, with respect to each Fund, that Victory Capital's advisory fee is fair and reasonable.

*The extent to which Victory Capital may realize economies of scale as the Funds grow larger and whether fee levels reflect these economies of scale for the benefit of Fund shareholders.*

The Board considered potential or anticipated economies of scale in relation to the services Victory Capital would provide to each Fund. The Board considered that the New Advisory Agreement includes the same advisory fee breakpoints for the same Funds as the Existing Multi-Fund Agreement. The Board also considered that Victory Capital has contractually agreed to cap the Funds' annual operating expense ratios, pursuant to the ELA, which will remain in effect for at least two years from the closing of the Transaction, and may be extended. The Board also considered Victory Capital's representation that the significant increase in its assets under management Post-Transaction may reasonably be expected to enable the new combined firm to reach greater economies of scale in a shorter time frame. The Board noted that it will have the opportunity to periodically re-examine whether a Fund or the Trust has achieved economies of scale, and the appropriateness of investment advisory and administrative fees payable to Victory Capital, in the future.

*The profits to be realized by Victory Capital and its affiliates from their relationship with the Trust.*

The Board considered the benefits Victory Capital and its affiliates may derive from their relationship with the Funds, including compensation to be paid to Victory Capital for the provision of certain administrative, fund accounting and shareholder services to the Funds and compensation to be paid to USAA Transfer Agent for the provision of transfer agency services to the Funds. The Board considered the significant investments Victory Capital expected to make to support and grow the USAA member channel and the costs to integrate the USAA Fund business into Victory Capital. The Board also considered Victory Capital's profitability report presented to the board of trustees of the Victory funds in connection with their most recent 15(c) process. The Board considered Victory Capital's representation that the fully integrated USAA Fund business, including investments to support ongoing growth, was expected to have an overall marginally positive impact on Victory Capital's overall financial profitability. The Board noted the difficulty of accurately projecting profitability under the current circumstance and noted that it would have the opportunity to give further consideration to Victory Capital's profitability with respect to the Funds at the end of the initial two-year term of the New Advisory Agreement.

*Fall-Out and other benefits to Victory Capital and its affiliates.*

The Board considered the possible fall-out benefits and other types of benefits that may accrue to Victory Capital and its affiliates. The Board noted that the Transaction provides Victory Capital and its affiliates the opportunity to deliver investment products and services to USAA's direct member-based channel. The Board also considered that Victory Capital may derive reputational and other benefits from its ability to use "USAA" and related names in connection with operating and marketing the Funds. The Board considered that the Transaction, if completed, would significantly increase Victory Capital's assets under management and expand Victory Capital's investment capabilities. This increased size and diversification could facilitate Victory Capital's continued investment in its business and products, which Victory Capital would be able to leverage across a broader base of assets. Based on its review, the Board determined that any "fall-out" benefits and other types of benefits that may accrue to Victory Capital are fair and reasonable.

*Conclusions.*

Based on the foregoing and other relevant considerations, at the Meeting of the Board held on January 15, 2018, the Board, including a majority of the Independent Trustees, acting within its business judgment, (1) concluded that the terms of the New Advisory Agreement are fair and reasonable and that approval of the New Advisory Agreement is in the best interests of each Fund and its respective shareholders, (2) voted to approve the New Advisory Agreement, and (3) voted to recommend approval of the New Advisory Agreement by shareholders of the Funds. The Board evaluated all information available to them on a Fund-by-Fund basis and its determinations were made separately in respect of each Fund. The Board noted some factors may have been more or less important with respect to any particular Fund and that no one factor was determinative of its decisions which, instead, were premised upon the totality of factors considered. In this connection, the Board also noted that different Board members likely placed emphasis on different factors in reaching their individual conclusions to vote in favor of the New Advisory Agreement and to recommend approval of the New Advisory Agreement by shareholders of the Funds.

**New Subadvisory Agreements Approved by The Trust's Board**

| Fund | Subadvisers |
|---|---|
| Capital Growth Fund | New Subadvisory Agreement with QS Investors LLC |
| Emerging Markets Fund | New Subadvisory Agreements with Brandes Investment Partners, LP and Lazard Asset Management |
| Growth & Income Fund | New Subadvisory Agreement with Barrow, Hanley, Mewhinney & Strauss |
| Growth Fund | New Subadvisory Agreements with Loomis Sayles & Co. and Renaissance Investment Management |
| Growth and Tax Strategy Fund | New Subadvisory Agreement with Northern Trust Investments, Inc. |
| Income Stock Fund | New Subadvisory Agreement with Epoch Investment Partners, Inc. |
| International Fund | New Subadvisory Agreements with Lazard Asset Management, MFS Investment Management and Wellington Management Company LLP |
| Science & Technology Fund | New Subadvisory Agreement with Wellington Management Company LLP |
| Small Cap Stock Fund | New Subadvisory Agreements with ClariVest Asset Management LLC, Granahan Investment Management, Inc. and Wellington Management Company LLP |
| World Growth Fund | New Subadvisory Agreement with MFS Investment Management |
| Value Fund | New Subadvisory Agreement with Barrow, Hanley, Mewhinney & Strauss |

# VOTING AND OTHER INFORMATION

**Who May Vote**

All shareholders of the Funds who own shares as of the close of business on February 8, 2019, the Record Date, are entitled to vote on the Proposals. Each share of each Fund will be entitled to one vote on the Proposals at the Meeting and each fraction of a share will be entitled to the fraction of a vote equal to the proportion of a full share represented by the fractional share. Appendix L sets forth the number of shares of beneficial interest outstanding and entitled to be voted of each Fund as of the close of business on the Record Date.

Broker-dealer firms holding shares of the Funds in street name for the benefit of their customers will request the instructions of such customers on how to vote their shares before the Meeting. The Funds understand that, under the rules of the NYSE, such broker-dealer firms may for certain "routine" matters, without instructions from their customers, grant discretionary authority to the proxies designated by the Board to vote if no instructions from its customers have been received prior to the date specified in the broker-dealer firm's request for voting instructions. The Funds anticipate that the NYSE will take the position that broker-dealers that are members of the NYSE and that have not received instructions from a customer prior to the date specified in the broker-dealer firms' request for voting instructions may not vote such customer's shares on the Proposals. A signed proxy card that does not specify how the beneficial owner's shares are to be voted on the Proposals may be deemed to be an instruction to vote "FOR" the Proposals.

Broker-dealers who are not members of the NYSE may be subject to other rules, which may or may not permit them to vote your shares without instruction. We urge you to provide instructions to your broker or nominee so that your votes may be counted.

With respect to shares of each Fund held in USAA individual retirement accounts (including Traditional, Rollover, SEP, SARSEP, Roth, and SIMPLE IRAs), the IRA Custodian, USAA Federal Savings Bank, will vote those shares for which it has received instructions from shareholders only in accordance with such instructions. If USAA IRA shareholders do not vote their shares, the IRA Custodian will vote their shares for or against any Proposal in the same proportion as other USAA IRA shareholders have voted.

If you appoint a proxy or provide instructions by signing and returning your proxy card(s), you can revoke that appointment or those instructions before they are exercised. If you are a shareholder, you can revoke your proxy by sending in another proxy with a later date, by notifying the Trust in writing that you have revoked your proxy prior to the Meeting by writing to the Secretary of the Trust at the following address: 9800 Fredericksburg Road, San Antonio, Texas 78288, or by attending the Meeting and voting in person.

**Voting in Person**

If you are a direct shareholder attending the Meeting and wish to vote in person, you will be given a ballot when you arrive. If you have already voted by proxy and wish to vote in person instead, you will be given an opportunity to do so during the Meeting. If you attend the Meeting, but your shares are held in the name of your broker, bank, or other nominee, you must bring with you a letter from that nominee stating that you are the beneficial owner of the shares on the Record Date and authorizing you to vote. If you do not bring with you such a letter, the Trust may at its sole discretion accept a provisional ballot from you pending validation that you are the actual beneficial owner of shares of the Fund(s).

**Requirement of a Quorum and Vote Needed**

A quorum is the number of outstanding shares that, as of the Record Date, must be present in person or by proxy for a Fund to hold a valid shareholder meeting. A Fund cannot hold a valid shareholder meeting unless there is a quorum of shareholders present in person or by proxy. With respect to the Trust, and any Fund that is a series of the Trust, the Trust's Fourth Amended and Restated Master Trust Agreement provides that the presence, in person or by proxy, of thirty percent (30%) of the shares entitled to vote shall be a quorum for the transaction of business.

All shareholders of each Fund as of the Record Date will be entitled to vote on the Proposals affecting their Fund(s). With respect to Proposal 2 for the election of Trustees, all Funds will vote together. For Proposal 1, voting with respect to the Proposals will take place on a Fund-by-Fund basis, meaning that your vote with respect to one Fund in which you hold shares will be counted together with the votes of other shareholders of such Fund, but will not be counted together with votes of shareholders of other Funds. Therefore, a vote for a Proposal with respect to one Fund will not affect the approval of a Proposal with respect to any other Fund.

The approval of Proposal 1 with respect to a Fund requires the approval of a "majority of the outstanding voting securities" of the Fund. Under the 1940 Act, the vote of a "majority of the outstanding voting securities" of a Fund means the vote of the lesser of (i) 67% or more of the voting securities of the Fund present at the Meeting, if the holders of more than 50% of the outstanding voting securities of the Fund are present or represented by proxy; or (ii) more than 50% of the outstanding voting securities of the Fund. Proposal 2 must be approved by a plurality of all the votes cast at the Meeting, which means that the nominees receiving the highest number of votes cast at the Meeting will be elected (even if they receive approval from less than a majority of the votes cast), provided a quorum is present. If any other business properly comes before the Meeting, a majority of the shares voted shall decide such business, unless a different vote is required or permitted by any provision of the 1940 Act, other applicable law, or by the Trust's Declaration of Trust or By-Laws.

Shares represented in person or by proxy, including shares that abstain or do not vote with respect to the Proposal, will be counted for purposes of determining whether there is a quorum at the Meeting. Abstentions and "broker non-votes" (*i.e*., shares held by brokers, banks, or other nominees as to which: (i) instructions have not been received from the beneficial owner or persons entitled to vote; and (ii) the broker, bank, or nominee does not have discretionary voting power on a particular matter) will be counted for purposes of determining whether a quorum is present, but will have the effect of a vote against Proposal 1. However, at the request of the Fund, for brokerage customers of National Financial Services, LLC, a Fidelity Investments Company ("NFS"), shares held by NFS without instructions from the beneficial owner or persons entitled to vote will not be voted or counted for purposes of determining whether a quorum is present. Therefore, for shareholders that hold their shares through NFS, such shareholders must provide voting instructions for their shares to be voted on Proposal 1 and for such shares to count toward a quorum. This will result in lowering the threshold required for the approval of Proposal 1.

For Proposal 2, abstentions do not constitute a vote "for" or "against" the matter and will be disregarded in determining "votes cast" on the Proposal. Accordingly, abstentions and broker non-votes will have no effect on Proposal 2.

**Adjournments**

In the event that a quorum is not present at the Meeting or if a quorum is present, but sufficient votes in favor of one or more Proposals have not been received, the persons named as proxies may propose one or more adjournments of the Meeting to permit further solicitation of proxies. The persons named as proxies will vote in favor of any proposal to adjourn the Meeting under the foregoing circumstances.

**Solicitation of Proxies**

Proxies will be solicited primarily by mailing of the proxy materials, but proxies also may be solicited through further mailings, telephone calls, personal meetings, or e-mail by officers of the Funds, employees, or agents of AMCO, and one or more third-party agents, including other financial intermediaries, particularly as the date of the Meeting approaches. The Funds have retained a proxy solicitor, Broadridge Financial Solutions, Inc., to assist in forwarding and soliciting proxies. Pursuant to this arrangement, the proxy solicitor has agreed to contact shareholders, banks, brokers, and proxy intermediaries to secure votes on the proposals described in the Proxy Statement. Should shareholders require additional information, they may call the proxy solicitor toll-free at 844-858-7380.

**Costs of the Meeting**

AMCO and Victory Capital will bear share all expenses incurred in connection with the Meeting, including the costs of preparing, printing, and mailing this Proxy Statement, soliciting proxies, and any costs related to adjournments, whether or not the proposals are approved by shareholders. The Funds will not bear any portion of these expenses. The cost of retaining the proxy solicitor is estimated to be approximately $2.5 million for processing and tabulation fees, plus out-of-pocket expenses. This estimate does not reflect the costs associated with (i) solicitation efforts with respect to record holders or beneficial owners of shares, (ii) printing and mailing of the proxy materials, or (iii) reimbursing brokerage firms and other financial intermediaries for their expenses in forwarding proxy materials to the beneficial owners.

**Principal Holders**

*Record and Beneficial Share Ownership.* To the knowledge of the Trust, no person owned of record or beneficially more than 5% of the outstanding shares of any Fund as of December 31, 2018, except as listed in Appendix M.

**Other Matters to Come Before the Meeting**

The Trust is not aware of any matters that will be presented for action at the Meeting other than the matters set forth herein. Should any other matters requiring a vote of shareholders arise, the proxy card(s) will confer upon the person or persons entitled to vote the shares represented by such proxy, or in accordance with such instructions, the authority to vote in their discretion on any other business that may properly come before the Meeting.

**Householding**

As permitted by law, only one copy of this Proxy Statement may be delivered to shareholders residing at the same address, unless such shareholders have notified the Trust of their desire to receive multiple copies of the reports and proxy statements the Trust sends. If you would like to receive an additional copy, please contact the Trust's proxy solicitor, Broadridge toll-free at 844-858-7380. The Trust will then promptly deliver a separate copy of the Proxy Statement to any shareholder residing at an address to which only one copy was previously mailed. Shareholders wishing to receive separate copies of a Trust's reports and proxy statements in the future should contact USAA Investments at 800-531-1235.

**Shareholder Communications with the Board of Trustees**

If a shareholder wishes to send a communication to the Board, or to a specified Trustee, the communication should be submitted in writing to the Secretary of the Trust at 9800 Fredericksburg Road, San Antonio, Texas 78288, who will forward such communication as appropriate.

**Shareholder Information**

The Trust, as a Delaware statutory trust, is not required to hold annual shareholder meetings, but will hold special meetings as required or deemed desirable. Since the Trust does not hold regular meetings of shareholders, the anticipated date of the next shareholder meeting cannot be provided. Shareholders who wish to present a proposal for action at a future meeting should submit a written proposal to the Trust at 9800 Fredericksburg Road, San Antonio, Texas 78288 for inclusion in a future proxy statement. Shareholder proposals to be presented at any future meeting of the Trust must be received by the Trust in writing within a reasonable amount of time before the Trust solicits proxies for that meeting, to be considered for inclusion in the proxy materials for that meeting. Whether a proposal is included in a proxy statement will be determined in accordance with applicable federal and state laws.

**Additional information about the Funds is available in their respective prospectuses, statements of additional information, and annual and semiannual reports to shareholders. Each Fund's most recent annual and semiannual reports have previously been mailed to shareholders. Additional copies of any of these documents are available without charge by calling USAA at 800-531-USAA or by writing to USAA Asset Management Company, 9800 Fredericksburg Road, San Antonio, TX 78288. All of these documents also are on file with the SEC and are available on the SEC's website at www.sec.gov.**

## INSTRUCTIONS FOR SIGNING PROXY CARDS

The following general rules for signing proxy cards may be of assistance to you and avoid the time and expense involved in validating your vote if you fail to sign your proxy card(s) properly.

1. Individual Accounts: Sign your name exactly as it appears in the registration on the proxy card(s).

2. Joint Accounts: Either party may sign, but the name of the party signing should conform exactly to the name shown in the registration on the proxy card(s).

3. Other Accounts: The capacity of the individual signing the proxy card(s) should be indicated unless it is reflected in the form of registration. For example:

| | |
|---|---|
| **Corporate Accounts** | Valid Signature |
| ABC Corp. | ABC Corp. (by John Doe, Treasurer) |
| ABC Corp. | John Doe, Treasurer |
| ABC Corp. c/o John Doe, Treasurer | John Doe |
| ABC Corp. Profit Sharing Plan | John Doe, Trustee |
| **Trust Accounts** | |
| ABC Trust | Jane B. Doe, Trustee |
| Jane B. Doe, Trustee u/t/d 12/28/78 | Jane B. Doe |
| **Custodial or Estate Accounts** | |
| John B. Smith, Cust. f/b/o John B. Smith, Jr. UGMA | John B. Smith |
| John B. Smith | John B. Smith, Jr., Executor |

**YOUR VOTE IS IMPORTANT. PLEASE VOTE YOUR SHARES PROMPTLY, NO MATTER HOW MANY SHARES YOU OWN.**

## INDEX OF APPENDICES TO PROXY STATEMENT

**APPENDIX A: FORM OF NEW ADVISORY AGREEMENT**

INVESTMENT ADVISORY AGREEMENT
between
USAA MUTUAL FUNDS TRUST
and
VICTORY CAPITAL MANAGEMENT INC.

**AGREEMENT** made as of the [•] day of [•], 2019, by and between USAA Mutual Funds Trust (the "Trust"), a Delaware statutory trust which may issue one or more series of shares of beneficial interest, and Victory Capital Management Inc., a New York corporation (the "Adviser").

**WHEREAS**, the Trust is registered as an open-end, management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"); and

**WHEREAS**, the Trust desires to retain the Adviser to furnish investment advisory services to the funds listed on Schedule A individually and not jointly (each, a "Fund" and collectively, the "Funds"), and the Adviser represents that it is willing and possesses legal authority to so furnish such services;

**NOW, THEREFORE**, in consideration of the premises and mutual covenants herein contained, it is agreed between the parties hereto as follows:

1. **Appointment**.

(a) *General.* The Trust hereby appoints the Adviser to act as investment adviser to the Funds for the period and on the terms set forth in this Agreement. The Adviser accepts such appointment and agrees to furnish the services herein set forth for the compensation herein provided.

(b) *Sub-Advisers.* Subject to the general supervision and control of the Trust's Board of Trustees and under the terms and conditions set forth in this Agreement, the Adviser, at its own expense, may select and contract with one or more Sub-Advisers to manage the investment operations and composition of each Fund and render investment advice for each Fund, including the purchase, retention and disposition of the investments, securities and cash contained in each Fund, in accordance with such Fund's investment objectives, policies and restrictions as stated in the Trust's Master Trust Agreement, By-Laws, and such Fund's Prospectus and Statement of Additional Information, as is from time to time in effect; *provided that*, (i) the Adviser will continue to have overall supervisory responsibility for the general management and investment of each Fund's assets, and (ii) any contract with a Subadviser (a "Sub-Advisory Agreement") shall be in compliance with an approved in the manner required by the 1940 Act and the rules thereunder or in accordance with exemptive or other relief granted by the Securities and Exchange Commission ("SEC") or its staff.

Subject to the general supervision and control of the Trust's Board of Trustees, the Adviser will have full discretion to (i) select new or additional Sub-Advisers for each Fund, (ii) enter into and materially modify existing Sub-Advisory Agreements, and (iii) terminate and replace any sub advisor. In connection with the Adviser's responsibilities here in, the Adviser will assess each Fund's investment focus and will seek to implement decisions with respect to the allocation and reallocation of each Fund's assets among one or more current or additional Sub-Advisers from time to time, as the Adviser deems appropriate, to enable each Fund to achieve its investment goals. In addition the Adviser will monitor compliance of each Subadviser with the investment objectives, policies and restrictions of any Funds or Funds (or portions of any Fund) under the management of each such a Subadviser, and review and report to the Trust's Board of Trustees on the performance of each Subadviser. The Adviser will furnish, or cause the appropriate Sub-Advisers to furnish, to the Board such periodic and special reports and other information as the Board may reasonably request. A Sub-Adviser may be an affiliate of the Adviser.

2. **Delivery of Documents**. The Trust has delivered to the Adviser copies of each of the following documents along with all amendments thereto through the date hereof, and will promptly deliver to it all future amendments and supplements thereto, if any:

(a) the Trust's Master Trust Agreement;

(b) the Bylaws of the Trust;

(c) resolutions of the Board of Trustees of the Trust authorizing the execution and delivery of this Agreement;

(d) the most recent Post-Effective Amendment to the Trust's Registration Statement under the Securities Act of 1933, as amended (the "1933 Act"), and the 1940 Act, on Form N-1A as filed with the SEC;

(e) Notification of Registration of the Trust under the 1940 Act on Form N-8A as filed with the SEC; and

(f) the currently effective Prospectuses and Statements of Additional Information of the Funds.

3. **Investment Advisory Services**.

(a) *Management of the Funds.* The Adviser hereby undertakes to act as investment adviser to the Funds. The Adviser shall regularly provide investment advice to the Funds and continuously supervise the investment and reinvestment of cash, securities and other property composing the assets of the Funds and, in furtherance thereof, shall:

(i) supervise all aspects of the operations of the Trust and each Fund;

(ii) obtain and evaluate pertinent economic, statistical and financial data, as well as other significant events and developments, which affect the economy generally, the Funds' investment programs, and the issuers of securities included in the Funds' investment portfolios and the industries in which they engage, or which may relate to securities or other investments which the Adviser may deem desirable for inclusion in a Fund's investment portfolio;

(iii) determine which issuers and securities shall be included in the portfolio of each Fund;

(iv) furnish a continuous investment program for each Fund;

(v) in its discretion and without prior consultation with the Trust, buy, sell, lend and otherwise trade any stocks, bonds and other securities and investment instruments on behalf of each Fund; and

(vi) take, on behalf of each Fund, all actions the Adviser may deem necessary in order to carry into effect such investment program and the Adviser's functions as provided above, including the making of appropriate periodic reports to the Trust's Board of Trustees.

(b) *Covenants.* The Adviser shall carry out its investment advisory and supervisory responsibilities in a manner consistent with the investment objectives, policies, and restrictions provided in: (i) each Fund's Prospectus and Statement of Additional Information as revised and in effect from time to time; (ii) the Trust's Master Trust Agreement, Bylaws or other governing instruments, as amended from time to time; (iii) the 1940 Act; (iv) other applicable laws; and (v) such other investment policies, procedures and/or limitations as may be adopted by the Trust with respect to a Fund and provided to the Adviser in writing. The Adviser agrees to use reasonable efforts to manage each Fund so that it will qualify, and continue to qualify, as a regulated investment company under Subchapter M of the Internal Revenue Code of 1986, as amended, and regulations issued thereunder (the "Code"), except as may be authorized to the contrary by the Trust's Board of Trustees. The management of the Funds by the Adviser shall at all times be subject to the review of the Trust's Board of Trustees.

(c) *Books and Records.* Pursuant to applicable law, the Adviser shall keep each Fund's books and records required to be maintained by, or on behalf of, the Funds with respect to advisory services rendered hereunder. The Adviser agrees that all records which it maintains for a Fund are the property of the Fund and it will promptly surrender any of such records to the Fund upon the Fund's request. The Adviser further agrees to preserve for the periods prescribed by Rule 31a-2 under the 1940 Act any such records of the Fund required to be preserved by such Rule.

(d) *Reports, Evaluations and other Services.* The Adviser shall furnish reports, evaluations, information or analyses to the Trust with respect to the Funds and in connection with the Adviser's services hereunder as the Trust's Board of Trustees may request from time to time or as the Adviser may otherwise deem to be desirable. The Adviser shall make recommendations to the Trust's Board of Trustees with respect to Trust policies, and shall carry out such policies as are adopted by the Board of Trustees. The Adviser shall, subject to review by the Board of Trustees, furnish such other services as the Adviser shall from time to time determine to be necessary or useful to perform its obligations under this Agreement.

(e) *Purchase and Sale of Securities.* The Adviser shall place all orders for the purchase and sale of portfolio securities for each Fund with brokers or dealers selected by the Adviser, which may include brokers or dealers affiliated with the Adviser to the extent permitted by the 1940 Act and the Trust's policies and procedures applicable to the Funds. The Adviser shall use its best efforts to seek to execute portfolio transactions at prices which, under the circumstances, result in total costs or proceeds being the most favorable to the Funds. In assessing the best overall terms available for any transaction, the Adviser shall consider all factors it deems relevant, including the breadth of the market in the security, the price of the security, the financial condition and execution capability of the broker or dealer, research services provided to the Adviser, and the reasonableness of the commission, if any, both for the specific transaction and on a continuing basis. In no event shall the Adviser be under any duty to obtain the lowest commission or the best net price for any Fund on any particular transaction, nor shall the Adviser be under any duty to execute any order in a fashion either preferential to any Fund relative to other accounts managed by the Adviser or otherwise materially adverse to such other accounts.

(f) *Selection of Brokers or Dealers.* In selecting brokers or dealers qualified to execute a particular transaction, brokers or dealers may be selected who also provide brokerage and research services (as those terms are defined in Section 28(e) of the Securities Exchange Act of 1934) to the Adviser, the Funds and/or the other accounts over which the Adviser exercises investment discretion. The Adviser is authorized to pay a broker or dealer who provides such brokerage and research services a commission for executing a portfolio transaction for a Fund which is in excess of the amount of commission another broker or dealer would have charged for effecting that transaction if the Adviser determines in good faith that the total commission is reasonable in relation to the value of the brokerage and research services provided by such broker or dealer, viewed in terms of either that particular transaction or the overall responsibilities of the Adviser with respect to accounts over which it exercises investment discretion. The Adviser shall report to the Trust's Board of Trustees regarding overall commissions paid by the Fund and their reasonableness in relation to their benefits to the Fund. Any transactions for a Fund that are effected through an affiliated broker-dealer on a national securities exchange of which such broker-dealer is a member will be effected in accordance with Section 11(a) of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, including Rule lla2-2(T). The Fund hereby authorizes any such broker or dealer to retain commissions for effecting such transactions and to pay out of such retained commissions any compensation due to others in connection with effectuating those transactions.

(g) *Aggregation of Securities Transactions.* In executing portfolio transactions for a Fund, the Adviser may, to the extent permitted by applicable laws and regulations, but shall not be obligated to, aggregate the securities to be sold or purchased with those of other Funds or its other clients if, in the Adviser's reasonable judgment, such aggregation (i) will result in an overall economic benefit to the Fund, taking into consideration the advantageous selling or purchase price, brokerage commission and other expenses, and trading requirements, and (ii) is not inconsistent with the policies set forth in the Trust's registration statement and the Fund's Prospectus and Statement of Additional Information. In such event, the Adviser will allocate the securities so purchased or sold, and the expenses incurred in the transaction, in an equitable manner, consistent with its fiduciary obligations to the Fund and such other clients.

4. **Representations and Warranties**.

(a) The Adviser hereby represents and warrants to the Trust as follows:

(i) The Adviser is a corporation duly organized and in good standing under the laws of the State of New York and is fully authorized to enter into this Agreement and carry out its duties and obligations hereunder.

(ii) The Adviser is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and is registered or licensed as an investment adviser under the laws of all applicable jurisdictions. The Adviser shall maintain such registrations or licenses in effect at all times during the term of this Agreement.

(iii) The Adviser at all times shall provide its best judgment and effort to the Trust in carrying out the Adviser's obligations hereunder.

(b) The Trust hereby represents and warrants to the Adviser as follows:

(i) The Trust has been duly organized as a statutory trust under the laws of the State of Delaware and is authorized to enter into this Agreement and carry out its terms.

(ii) The Trust is registered as an investment company with the SEC under the 1940 Act and shares of each Fund are registered for offer and sale to the public under the 1933 Act and all applicable state securities laws where currently sold. Such registrations will be kept in effect during the term of this Agreement.

5. **Compensation**. As compensation for the services which the Adviser is to provide or cause to be provided pursuant to Paragraph 3, each Fund shall pay to the Adviser out of Fund assets a fee in the amount computed as set forth in Schedules A - B. At the request of the Adviser, some or all of such fee shall be paid directly to a Sub-Adviser. The fee for any partial month under this Agreement shall be calculated on a proportionate basis.

6. **Interested Persons**. It is understood that, to the extent consistent with applicable laws, the Trustees, officers and shareholders of the Trust are or may be or become interested in the Adviser as directors, officers or otherwise and that directors, officers and shareholders of the Adviser are or may be or become similarly interested in the Trust.

7. **Expenses**. As between the Adviser and the Funds, the Funds will pay for all their expenses other than those expressly stated to be payable by the Adviser hereunder, which expenses payable by the Funds shall include, without limitation, (i) interest and taxes; (ii) brokerage commissions and other costs in connection with the purchase or sale of securities and other investment instruments, which the parties acknowledge might be higher than other brokers would charge when a Fund utilizes a broker which provides brokerage and research services to the Adviser as contemplated under Paragraph 3 above; (iii) fees and expenses of the Trust's Trustees that are not employees of the Adviser; (iv) legal and audit expenses; (v) administrator, custodian, pricing and bookkeeping, registrar and transfer

agent fees and expenses; (vi) fees and expenses related to the registration and qualification of the Funds' shares for distribution under state and federal securities laws; (vii) expenses of printing and mailing reports and notices and proxy material to shareholders, unless otherwise required; (viii) all other expenses incidental to holding meetings of shareholders, including proxy solicitations therefor, unless otherwise required; (ix) expenses of typesetting for printing Prospectuses and Statements of Additional Information and supplements thereto; (x) expenses of printing and mailing Prospectuses and Statements of Additional Information and supplements thereto sent to existing shareholders; (xi) insurance premiums for fidelity bonds and other coverage to the extent approved by the Trust's Board of Trustees; (xii) association membership dues authorized by the Trust's Board of Trustees; and (xiii) such non-recurring or extraordinary expenses as may arise, including those relating to actions, suits or proceedings to which the Trust is a party (or to which the Funds' assets are subject) and any legal obligation for which the Trust may have to provide indemnification to the Trust's Trustees and officers.

8. **Non-Exclusive Services; Limitation of Adviser's Liability**. The services of the Adviser to the Funds are not to be deemed exclusive and the Adviser may render similar services to others and engage in other activities. The Adviser and its affiliates may enter into other agreements with the Funds and the Trust for providing additional services to the Funds and the Trust which are not covered by this Agreement, and to receive additional compensation for such services. In the absence of willful misfeasance, bad faith, gross negligence or reckless disregard of obligations or duties hereunder on the part of the Adviser, or a breach of fiduciary duty with respect to receipt of compensation, neither the Adviser nor any of its directors, officers, shareholders, agents, or employees shall be liable or responsible to the Trust, the Funds or to any shareholder of the Funds for any error of judgment or mistake of law or for any act or omission in the course of, or connected with, rendering services hereunder or for any loss suffered by the Trust, a Fund or any shareholder of a Fund in connection with the performance of this Agreement.

9. **Effective Date; Modifications; Termination.** This Agreement shall become effective as of the date first above written, provided that it shall have been approved by a majority of the outstanding voting securities of each Fund, in accordance with the requirements of the 1940 Act, or such later date as may be agreed by the parties following such shareholder approval.

(a) With respect to each Fund, this Agreement shall continue in force for a period of two years from the date first set forth above, or from such date that a new series of the Trust is added as a Fund to this Agreement, whichever is later. Thereafter, this Agreement shall continue in effect as to each Fund for successive annual periods, provided such continuance is specifically approved at least annually (i) by a vote of the majority of the Trustees of the Trust who are not parties to this Agreement or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval and (ii) by a vote of the Trust's Board of Trustees or a majority of the outstanding voting shares of the Fund.

(b) The modification of any of the non-material terms of this Agreement may be approved by a vote of a majority of those Trustees of the Trust who are not parties to this Agreement or interested persons of any such party, cast in person at a meeting called for the purpose of voting on such approval.

(c) Notwithstanding the foregoing provisions of this Paragraph 9, either party hereto may terminate this Agreement at any time on sixty (60) days' prior written notice to the other, without payment of any penalty. Such a termination by the Trust may be effected severally as to any particular Fund, and shall be effected as to any Fund by vote of the Trust's Board of Trustees or by vote of a majority of the outstanding voting securities of the Fund. This Agreement shall terminate automatically in the event of its assignment.

10. **Limitation of Liability of Trustees and Shareholders.** The Adviser acknowledges the following limitation of liability:

The terms "USAA Mutual Funds Trust" and "Trustees" refer, respectively, to the trust created and the Trustees, as trustees but not individually or personally, acting from time to time under the Master Trust Agreement, to which reference is hereby made and a copy of which is on file at the office of the Secretary of State of the State of Delaware, such reference being inclusive of any and all amendments thereto so filed or hereafter filed. The obligations of the Trust entered into in the name or on behalf thereof by any of the Trustees, representatives or agents are made not individually, but in such capacities and are not binding upon any of the Trustees, shareholders or representatives of the Trust personally, but bind only the assets of the Trust, and all persons dealing with the Trust or a Fund must look solely to the assets of the Trust or Fund for the enforcement of any claims against the Trust or Fund.

11. **Certain Definitions.** The terms "vote of a majority of the outstanding voting securities," "assignment," "control," and "interested persons," when used herein, shall have the respective meanings specified in the 1940 Act. References in this Agreement to the 1940 Act and the Advisers Act shall be construed as references to such laws as now in effect or as hereafter amended, and shall be understood as inclusive of any applicable rules, interpretations and/or orders adopted or issued thereunder by the SEC.

12. **Independent Contractor.** The Adviser shall for all purposes herein be deemed to be an independent contractor and shall, unless otherwise expressly provided herein or authorized by the Trust's Board of Trustees from time to time, have no authority to act for or represent a Fund in any way or otherwise be deemed an agent of a Fund.

13. **Structure of Agreement.** The Trust is entering into this Agreement on behalf of the respective Funds severally and not jointly. The responsibilities and benefits set forth in this Agreement shall refer to each Fund severally and not jointly. No Fund shall have any responsibility for any obligation of any other Fund arising out of this Agreement. Without otherwise limiting the generality of the foregoing:

(a) any breach of any term of this Agreement regarding the Trust with respect to any one Fund shall not create a right or obligation with respect to any other Fund;

(b) under no circumstances shall the Adviser have the right to set off claims relating to a Fund by applying property of any other Fund; and

(c) the business and contractual relationships created by this Agreement, consideration for entering into this Agreement, and the consequences of such relationship and consideration relate solely to the Trust and the particular Fund to which such relationship and consideration applies.

This Agreement is intended to govern only the relationships between the Adviser, on the one hand, and the Trust and the Funds, on the other hand, and (except as specifically provided above in this Paragraph 14) is not intended to and shall not govern (i) the relationship between the Trust and any Fund or (ii) the relationships among the respective Funds.

14. **Governing Law**. This Agreement shall be construed and the provisions thereof interpreted under and in accordance with the laws of the State of Delaware. Exclusive jurisdiction over any action, suit, or proceeding under, arising out of, or relating to this Agreement shall lie in the federal and state courts within the State of Delaware, and each party hereby waives any objection it may have at any time to the laying of venue of any such proceedings brought in any such courts, waives any claim that such proceedings have been brought in an inconvenient forum, and further waives the right to object, with respect to such proceedings, that any such court does not have jurisdiction over that party.

16. **Third-Party Beneficiaries**. No person other than the Funds and the Adviser is a party to this Agreement or shall be entitled to any right or benefit arising under or in respect of this Agreement; there are no third-party beneficiaries of this Agreement. Without limiting the generality of the foregoing, nothing in this Agreement is intended to, or shall be read to, (i) create in any person other than the Fund any direct, indirect, derivative, or other rights against the Adviser, or (ii) create or give rise to any duty or obligation on the part of the Adviser (including without limitation any fiduciary duty) to any person other than the Fund (including without limitation any shareholder in the Fund), all of which rights, benefits, duties, and obligations are hereby expressly excluded.

17. **Severability**. If any provision of this Agreement shall be held or made invalid by a court decision, statute, rule or otherwise, the remainder of this Agreement shall not be affected thereby and, to this extent, the provisions of this Agreement shall be deemed to be severable.

18. **Notices**. Notices of any kind to be given to the Trust hereunder by the Adviser shall be in writing and shall be duly given if mailed or delivered to 3435 Stelzer Road, Columbus, Ohio 43219-3035, Attention: Chair of the Board of USAA Mutual Funds Trust, or at such other address or to such individual as shall be so specified by the Trust to the Adviser. Notices of any kind to be given to the Adviser hereunder by the Trust shall be in writing and shall be duly given if mailed or delivered to the Adviser at 4900 Tiedeman Road, 4th Floor, Brooklyn, Ohio 44144, Attention: President, with a copy to Christopher K. Dyer, or at such other address or to such individual as shall be so specified by the Adviser to the Trust. Notices shall be effective upon delivery.

19. **Amendment of Agreement.** No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought. No material amendment of this Agreement shall be effective until approved in the manner required by the 1940 Act and rules thereunder or in accordance with exemptive or other relief granted by the SEC or its staff.

20. **Counterparts.** This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

21. **Headings.** The captions in this Agreement are included for convenience of reference only and in no way define or delimit any of the provisions hereof or otherwise affect their construction or effect.

22. **Entire Agreement.** This Agreement states the entire agreement of the parties hereto, and is intended to be the complete and exclusive statement of the terms hereof. It may not be added to or changed orally, and may not be modified or rescinded except by a writing signed by the parties hereto and in accordance with the 1940 Act.

**IN WITNESS WHEREOF**, the parties have caused this Agreement to be executed by their respective officers thereunto duly authorized as of the date written above.

| | |
|---|---|
| USAA MUTUAL FUNDS TRUST<br>On behalf of the Funds listed on Schedule A, individually and not jointly | VICTORY CAPITAL MANAGEMENT INC. |
| By: ________________________<br>Name:<br>Title: | By: ________________________<br>Name:<br>Title: |

**SCHEDULE A**
**to the**
**INVESTMENT ADVISORY AGREEMENT**
**between**
**USAA MUTUAL FUNDS TRUST**
**and**
**VICTORY CAPITAL MANAGEMENT INC.**

**Dated [•]**

This Schedule A shall apply to each of the Funds identified on Schedule A-1 hereto (each, a "Fund").

**(a) General.** The Trust shall pay to the Adviser, as compensation for the Adviser's services and expenses assumed hereunder, a fee determined with respect to each Fund, which shall be composed of the Basic Fee (defined below) and a Performance Adjustment (defined below) to the Basic Fee based upon the investment performance of a class of shares of the Fund in relation to the investment record of a securities index determined by the Trust's Board of Trustees ("Board") to be appropriate over the same period.

**(b)(1) Index and Changes Thereto.** The Board has designated for each Fund the index identified on Schedule A-1 as the index to be used for purposes of determining the Performance Adjustment (referred to herein as the "Index"). From time to time, the Board may, by a vote of the Board voting in person, including a majority of the Board members who are not parties to this Agreement or "interested persons" (as defined in the 1940 Act) of any such parties, determine that another securities index is a more appropriate benchmark than the Index for purposes of evaluating the performance of a Fund, including without limitation in the event that the party who publishes the Index ("Index Provider") determines to terminate publishing the Index. After ten days' written notice to the Adviser, a different index (the "Successor Index") shall be substituted for the Index in prospectively calculating the Performance Adjustment. However, the calculation of that portion of the Performance Adjustment attributable to any portion of the performance period prior to the adoption of the Successor Index will still be based upon the Fund's performance compared to the Index. Notwithstanding the foregoing, in the event that an Index Provider determines to terminate publishing an Index and such Index is superseded by a Successor Index designated by the Index Provider, the Successor Index shall be substituted for the Index in prospectively calculating the Performance Adjustment.

**(b)(2) Calculation by Class; Alternative Single Class Calculation.** The Performance Adjustment shall be calculated for and applied to each share class of a Fund separately. In the future, the Board may approve, by a vote of the Board voting in person, including a majority of the Board members who are not parties to this Agreement or "interested persons" (as defined in the 1940 Act) of any such parties, the designation of a single share class of a Fund for purposes of calculating the Performance Adjustment and the same Performance Adjustment will be applied across each other class of shares of the Fund. From time to time, the Board may determine that a different class or classes of shares of the Trust representing interests in a Fund other than the designated class is more appropriate for use in calculating the Performance Adjustment. After ten days' written notice to the Adviser, such different class or classes of shares (the "Successor Class") shall be substituted for the designated class in calculating the Performance Adjustment for a Fund. The use of a Successor Class of shares for purposes of calculating the Performance Adjustment shall apply to the entire performance period so long as such Successor Class was outstanding at the beginning of such period. In the event that such Successor Class of shares was not outstanding for all or a portion of the Performance Period, it may only be used in calculating that portion of the Performance Adjustment attributable to the period during which such Successor Class was outstanding and any prior portion of the Performance Period shall be calculated using the class of shares previously designated.

**(c) Basic Fee.** The basic fee for a Fund (the "Basic Fee") for any period shall equal: (i) the Fund's average net assets during such period, multiplied by (ii) the annual rate identified for such Fund on Schedule A-1 hereto, multiplied by (iii) a fraction, the numerator of which is the number of calendar days in the payment period and the denominator of which is 365 (366 in leap years).

**(d) Performance Adjustment.** The amount of the performance adjustment (the "Performance Adjustment") shall equal: (i) the average net assets of the Fund (or the class) over the Performance Period (as defined below), multiplied by (ii) the Adjustment Rate (as defined below), multiplied by (iii) a fraction, the numerator of which shall be the number of days in the last month of the Performance Period and the denominator of which shall be 365. The resulting dollar figure will be added to or subtracted from the Basic Fee depending on whether the Fund (or the class) experienced better or worse performance than the Index.

**(e) Adjustment Rate.** The adjustment rate (the "Adjustment Rate") shall be as set forth in Schedule A-2 for each Fund, provided, however, that the Performance Adjustment may be further adjusted to the extent necessary to ensure that the total adjustment to the Basic Fee on an annualized basis does not exceed the maximum Performance Adjustment identified for such Fund in Schedule
A-2.

**(f) Performance Period.** The performance period (the "Performance Period") for the Funds listed in Schedule A-1 on the effective date of this Agreement shall be measured from [insert Agreement date] or, for any Fund created after that date, the Fund's inception date (the "Commencement Date"). The Commencement Date for any Fund added to Schedule A-1 after the effective date of this Agreement shall be the effective date of the amendment adding such Fund to Schedule A-1. Any new share class of an existing Fund that is offered subsequent to the Fund commencing operations shall adopt the performance of the Fund's oldest share class for periods prior to the date the new class is first offered without adjustment for any differences in fees and expenses between the two share classes.

The Performance Period shall consist of the current month plus the preceding months through the Commencement Date until a period of 36 months is included in the Performance Period, provided, however, that no Performance Adjustment shall be made with respect to any period that is less than 12 months. In months subsequent to a 36-month Performance Period having been reached, the Performance Period will be a rolling 36-month period consisting of the most recently completed month and the previous 35 months.

**(g) Measurement Calculation.** The Fund's investment performance will be measured by comparing the (i) opening net asset value of one share of the class of the Fund on the first business day of the Performance Period with (ii) the closing net asset value of one share of the class of the Fund as of the last business day of such period. In computing the investment performance of the Fund and the investment record of the Index, distributions of realized capital gains, the value of capital gains taxes per share paid or payable undistributed realized long-term capital gains accumulated to the end of such period and dividends paid out of investment income on the part of the Fund, and all cash distributions of the companies whose securities comprise the Index, will be treated as reinvested in accordance with Rule 205-1 or any other applicable rule under the Advisers Act.

**(h) Payment of Fees.** The fee payable hereunder shall be computed daily and paid monthly in arrears.

**(i) Average Net Assets.** The term "average net assets" of a Fund or class as used herein for any period shall mean the quotient produced by dividing (i) the sum of the net assets of the Fund or class (computed in the manner set forth in the Fund's most recent Prospectus and Statement of Additional Information) determined as of the close of business on each business day throughout the month, by (ii) the number of such days.

**(j) Termination.** In the event this Agreement with respect to any Fund or class is terminated as of a date other than the last day of any month, the Basic Fee shall be computed on the basis of the period ending on the last day on which this Agreement is in effect for such Fund or class, subject to a pro rata adjustment based on the number of days elapsed in the current month as a percentage of the total number of days in such month. The amount of any Performance Adjustment to the Basic Fee will be computed on the basis of and applied to the average net assets over the Performance Period ending on the last day on which this Agreement is in effect for such Fund or class.

## SCHEDULE A-1 TO ADVISORY AGREEMENT
## FUNDS WITH PERFORMANCE ADJUSTMENT

| Name of Fund[1] | Performance Index | Annual Basic Fee Rate[2] | Last Date Approved | Must Be Approved By Date |
|---|---|---|---|---|
| Aggressive Growth Fund | Lipper Large-Cap Growth Funds Index | * | | |
| California Bond Fund | Lipper California Municipal Debt Funds Index | ** | | |
| Capital Growth Fund | Lipper Global Funds Index | 0.75% | | |
| Emerging Markets Fund | Lipper Emerging Markets Funds Index | 1.00% | | |
| Global Equity Income Fund | Lipper Global Equity Income Funds Index | 0.50% | | |
| Government Securities Fund | Lipper Intermediate U.S. Government Funds Index | 0.125% | | |
| Growth & Income Fund | Lipper Multi-Cap Core Funds Index | 0.60% | | |
| Growth and Tax Strategy Fund | Composite Consisting of 51% of the Lipper General Municipal Bond Funds Index and 49% of the Lipper Large Cap Core Funds Index | 0.30% | | |
| Growth Fund | Lipper Large-Cap Growth Funds Index | 0.65% | | |
| High Income Fund | Lipper High Yield Bond Funds Index | 0.50% | | |
| Income Stock Fund | Lipper Equity Income Funds Index | 0.50% | | |
| Income Fund | Lipper A Rated Bond Funds Index | 0.24% | | |
| Intermediate-Term Bond Fund | Lipper Core Plus Bond Funds Index | ** | | |
| Tax Exempt Intermediate-Term Fund | Lipper Intermediate Municipal Debt Funds Index | 0.28% | | |
| International Fund | Lipper International Funds Index | 0.75% | | |
| Tax Exempt Long-Term | Lipper General Municipal Debt Funds | 0.28% | | |

[1] The Performance Adjustment initially will be determined for each share class separately based on the performance of that share class, unless the Board determines otherwise.

[2] Expressed as a percentage of average net assets. Note, however, that the Adviser shall have the right, but not the obligation, to voluntarily or contractually waive any portion of the advisory fee from time to time. In addition, the Adviser may from time to time undertake in writing to limit the Funds' total expenses for a definite period of time.

| Name of Fund[1] | Performance Index | Annual Basic Fee Rate[2] | Last Date Approved | Must Be Approved By Date |
|---|---|---|---|---|
| Fund | Index | | | |
| New York Bond Fund | Lipper New York Municipal Debt Funds Index | ** | | |
| Precious Metals and Minerals Fund | Lipper Precious Metals Equity Funds Index | 0.75% | | |
| Science & Technology Fund | Lipper Science & Technology Funds Index | 0.75% | | |
| Short-Term Bond Fund | Lipper Short Investment Grade Debt Funds Index | 0.20% | | |
| Tax Exempt Short-Term Fund | Lipper Short Municipal Debt Funds Index | 0.28% | | |
| Small Cap Stock Fund | Lipper Small-Cap Core Funds Index | 0.75% | | |
| Ultra Short-Term Bond Fund | Lipper Ultra Short Funds Index | 0.24% | | |
| Value Fund | Lipper Multi-Cap Value Funds Index | 0.65% | | |
| Virginia Bond Fund | Lipper Virginia Municipal Debt Funds Index | ** | | |
| World Growth Fund | Lipper Global Funds Index | 0.75% | | |

* The fee is computed at one-half of one percent (0.50%) of the first $750 million of average net assets, two-fifths of one percent (0.40%) of the portion of average net assets over $750 million but not over $1.5 billion, and one-third of one percent (0.33%) of the portion of average net assets over $1.5 billion.

** The fee is computed at one-half of one percent (0.50%) of the first $50 million of average net assets, two-fifths of one percent (0.40%) of the portion of average net assets over $50 million but not over $100 million, and three-tenths of one percent (0.30%) of the portion of average net assets over $100 million.

Current as of [•]

USAA MUTUAL FUNDS TRUST

By: ________________________________________
Name:
Title:

Accepted:

VICTORY CAPITAL MANAGEMENT INC.

By: ________________________________________
Name:
Title:

**SCHEDULE A-2 TO ADVISORY AGREEMENT**

**PERFORMANCE ADJUSTMENT RATE**

EQUITY FUNDS

Aggressive Growth Fund
Capital Growth Fund
Emerging Markets Fund
Growth & Income Fund
Growth Fund
Global Equity Income Fund
Income Stock Fund
International Fund
Precious Metals and Minerals Fund
Science & Technology Fund
Small Cap Stock Fund
Value Fund
World Growth Fund

| Over/Under Performance Relative to Index (in basis points) | Performance Adjustment Rate (in basis points as a percentage of average net assets) |
|---|---|
| +/- 100 to 400 | +/- 4 |
| +/- 401 to 700 | +/- 5 |
| +/- 701 and greater | +/- 6 |

FIXED INCOME FUNDS

California Bond Fund
Government Securities Fund
Growth and Tax Strategy Fund
High Income Fund
Income Fund
Intermediate-Term Bond Fund
Tax Exempt Intermediate-Term Fund
Tax Exempt Long-Term Fund
New York Bond Fund
Short-Term Bond Fund
Tax Exempt Short-Term Fund
Ultra Short-Term Bond Fund
Virginia Bond Fund

| Over/Under Performance Relative to Index (in basis points) | Performance Adjustment Rate (in basis points as a percentage of average net assets) |
|---|---|
| +/- 20 to 50 | +/- 4 |
| +/- 51 to 100 | +/- 5 |
| +/- 101 and greater | +/- 6 |

**SCHEDULE B**
**to the**
**INVESTMENT ADVISORY AGREEMENT**
**between**
**USAA MUTUAL FUNDS TRUST**
**and**
**VICTORY CAPITAL MANAGEMENT INC.**

**Dated [•]**

This Schedule B shall apply to each of the Funds identified on Schedule B-1 hereto (each, a "Fund").

(a) The Trust shall pay to the Adviser a fee for each Fund calculated daily and payable monthly in arrears, computed as a percentage of the average net assets of the Fund for such month at the rate set forth in Schedule B-1 thereto.

(b) The term "average net assets" of a Fund as used herein for any period shall mean the quotient produced by dividing (i) the sum of the net assets of the Fund (computed in the manner set forth in the Fund's most recent Prospectus and Statement of Additional Information) determined as of the close of business on each business day throughout the month, by (ii) the number of such days.

**SCHEDULE B-1 TO ADVISORY AGREEMENT**
**FUNDS WITH NO PERFORMANCE FEE AND FEE RATES**

| Name of Fund | Fee Rate[3] | Last Approved | Must Be Approved By |
|---|---|---|---|
| Money Market Fund | 0.24% | | |
| Tax Exempt Money Market Fund | 0.28% | | |
| Treasury Money Market Trust | 0.125% | | |
| Global Managed Volatility Fund | 0.60% | | |
| Managed Allocation Fund | 0.60% | | |
| Nasdaq-100 Index Fund | 0.20% | | |
| Extended Market Index Fund | 0.10% | | |
| Cornerstone Moderately Conservative Fund | 0.50% | | |
| Cornerstone Aggressive Fund | 0.60% | | |
| Cornerstone Conservative Fund | 0.00% | | |
| Cornerstone Equity Fund | 0.00% | | |
| Cornerstone Moderate Fund | 0.59% | | |
| Cornerstone Moderately Aggressive Fund | 0.59% | | |
| S&P 500 Index Fund | 0.10% | | |
| Target Managed Allocation Fund | 0.50% | | |
| Target Retirement Income Fund | 0.00% | | |
| Target Retirement 2020 Fund | 0.00% | | |
| Target Retirement 2030 Fund | 0.00% | | |
| Target Retirement 2040 Fund | 0.00% | | |
| Target Retirement 2050 Fund | 0.00% | | |
| Target Retirement 2060 Fund | 0.00% | | |

[Signature Page Follows]

[3] Expressed as a percentage of average net assets. Note, however, that the Adviser shall have the right, but not the obligation, to voluntarily or contractually waive any portion of the advisory fee from time to time. In addition, the Adviser may from time to time undertake in writing to limit the Funds' total expenses for a definite period of time.

Current as of [•]

USAA MUTUAL FUNDS TRUST

By: ____________________________________
Name:
Title:

Accepted:

VICTORY CAPITAL MANAGEMENT INC.

By: ____________________________________
Name:
Title:

## APPENDIX B: OWNERSHIP STRUCTURE OF VICTORY CAPITAL AND VICTORY CAPITAL'S EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth information regarding other registered investment companies or series thereof (other than the Trust and the Funds) managed in all or in part by Victory Capital that have similar investment strategies to a Fund (each a "Comparable Fund"). If a Fund is not listed, then Victory Capital does not manage any other Comparable Funds.

| USAA Fund | Comparable Fund | Comparable Fund Contractual Fee Rate[+] | Comparable Fund Net Assets (as of 12/31/2018) ($millions) |
|---|---|---|---|
| Aggressive Growth Fund<br>Growth Fund<br>Nasdaq-100 Index Fund | Victory Munder Multi-Cap Fund | 0.75 | 351.3 |
| | Victory NewBridge Large Cap Growth Fund | 0.75 | 19.7 |
| | Victory RS Growth Fund | 0.75 | 219.8 |
| | Wilshire Large Company Growth Fund | [*] | 68.7 |
| Growth & Income Fund<br>S&P 500 Index Fund | Victory Diversified Stock Fund | 0.65 | 332.1 |
| | Victory Institutional Diversified Stock Fund | 0.50 | 18.9 |
| | Victory RS Large Cap Alpha Fund | 0.50 | 487.0 |
| | Victory S&P 500 Index Fund | 0.20 | 205.9 |
| | Victory Special Value Fund | 0.75 | 57.9 |
| | Victory US 500 Enh Vol Wtd Index Fund | 0.70 | 103.8 |
| Extended Market Index Fund | Victory RS Investors Fund | 1.00 | 38.8 |
| | Victory RS Value Fund | 0.85 | 358.2 |
| Small Cap Stock Fund | Victory Integrity Discovery Fund | 1.00 | 117.1 |
| | Victory RS Partners Fund | 1.00 | 428.7 |
| Science & Technology Fund | Victory RS Science and Technology Fund | 1.00 | 208.8 |
| Emerging Markets Fund | Victory Sophus Emerging Markets Fund | 1.00 | 281.9 |
| | Victory Sophus Emerging Markets Sm Cap Fund | 1.25 | 4.3 |
| | Victory Trivalent Emerging Mkts Sm-Cap Fund | 1.10 | 8.2 |
| | USAA Emerging Markets Fund | 0.55 | 121.8 |
| International Fund | Victory RS International Fund | 0.80 | 24.2 |
| | Victory Trivalent Intl Fund-Core Equity Fund | 0.80 | 23.0 |
| Capital Growth Fund<br>Cornerstone Equity Fund<br>Global Equity Income Fund<br>Global Managed Volatility Fund<br>World Growth Fund | Victory RS Global Fund | 0.80 | 34.8 |
| Income Fund | Victory INCORE Investment Quality Bond Fund | 0.50 | 34.2 |
| | Victory INCORE Total Return Bond Fund | 0.40 | 81.4 |
| Short-Term Bond Fund | Victory INCORE Low Duration Bond Fund | 0.45 | 350.4 |
| High Income Fund | Victory High Yield Fund | 0.60 | 81.7 |
| Tax Exempt Long-Term Fund | Victory Tax-Exempt Fund | 0.50 | 68.2 |

[+] Victory Capital has not waived any portion of its advisory fee rate.

[*] Subadvisory fee not disclosed, pursuant to the Wilshire Large Company Growth Fund manager-of-manager SEC exemptive review.

## APPENDIX C: INFORMATION REGARDING VICTORY CAPITAL'S OTHER INVESTMENT COMPANY CLIENTS

The following table sets forth information regarding other registered investment companies or series thereof (other than the Trust and the Funds) managed in all or in part by Victory Capital that have similar investment strategies to a Fund (each a "Comparable Fund"). If a Fund is not listed, then Victory Capital does not manage any other Comparable Funds.

| USAA Fund | Comparable Fund | Comparable Fund Contractual Fee Rate+ | Comparable Fund Net Assets (as of 12/31/2018) ($millions) |
|---|---|---|---|
| Aggressive Growth Fund<br>Growth Fund<br>Nasdaq-100 Index Fund | Victory Munder Multi-Cap Fund | 0.75 | 351.3 |
| | Victory NewBridge Large Cap Growth Fund | 0.75 | 19.7 |
| | Victory RS Growth Fund | 0.75 | 219.8 |
| | Wilshire Large Company Growth Fund | * | 68.7 |
| Growth & Income Fund<br>S&P 500 Index Fund | Victory Diversified Stock Fund | 0.65 | 332.1 |
| | Victory Institutional Diversified Stock Fund | 0.50 | 18.9 |
| | Victory RS Large Cap Alpha Fund | 0.50 | 487.0 |
| | Victory S&P 500 Index Fund | 0.20 | 205.9 |
| | Victory Special Value Fund | 0.75 | 57.9 |
| | Victory US 500 Enh Vol Wtd Index Fund | 0.70 | 103.8 |
| Extended Market Index Fund | Victory RS Investors Fund | 1.00 | 38.8 |
| | Victory RS Value Fund | 0.85 | 358.2 |
| Small Cap Stock Fund | Victory Integrity Discovery Fund | 1.00 | 117.1 |
| | Victory RS Partners Fund | 1.00 | 428.7 |
| Science & Technology Fund | Victory RS Science and Technology Fund | 1.00 | 208.8 |
| Emerging Markets Fund | Victory Sophus Emerging Markets Fund | 1.00 | 281.9 |
| | Victory Sophus Emerging Markets Sm Cap Fund | 1.25 | 4.3 |
| | Victory Trivalent Emerging Mkts Sm-Cap Fund | 1.10 | 8.2 |
| | USAA Emerging Markets Fund | 0.55 | 121.8 |
| International Fund | Victory RS International Fund | 0.80 | 24.2 |
| | Victory Trivalent Intl Fund-Core Equity Fund | 0.80 | 23.0 |
| Capital Growth Fund<br>Cornerstone Equity Fund<br>Global Equity Income Fund<br>Global Managed Volatility Fund<br>World Growth Fund | Victory RS Global Fund | 0.80 | 34.8 |
| Income Fund | Victory INCORE Investment Quality Bond Fund | 0.50 | 34.2 |
| | Victory INCORE Total Return Bond Fund | 0.40 | 81.4 |
| Short-Term Bond Fund | Victory INCORE Low Duration Bond | 0.45 | 350.4 |

+ Victory Capital has not waived any portion of its advisory fee rate.

* Sub-advisory fee not disclosable pursuant to a SEC manager-of-manager exemptive order.

| USAA Fund | Comparable Fund | Comparable Fund Contractual Fee Rate+ | Comparable Fund Net Assets (as of 12/31/2018) ($millions) |
|---|---|---|---|
| | Fund | | |
| High Income Fund | Victory High Yield Fund | 0.60 | 81.7 |
| Tax Exempt Long-Term Fund | Victory Tax-Exempt Fund | 0.50 | 68.2 |

## APPENDIX D: FEES PAID TO AMCO AS INVESTMENT ADVISER

**Advisory fee (including performance adjustments) paid by each Fund during its most recent fiscal year end.**

| Fund | FYE 3/31 |
|---|---|
| California Bond Fund Shares | $2,002,081 |
| California Bond Fund Adviser Shares | $19,739 |
| New York Bond Fund Shares | $693,144 |
| New York Bond Fund Adviser Shares | $19,858 |
| Virginia Bond Fund Shares | $2,303,581 |
| Virginia Bond Fund Adviser Shares | $75,941 |
| Tax Exempt Long-Term Fund Shares | $6,350,445 |
| Tax Exempt Long-Term Fund Adviser Shares | $21,971 |
| Tax Exempt Intermediate-Term Fund Shares | $13,467,057 |
| Tax Exempt Intermediate-Term Fund Adviser Shares | $88,111 |
| Tax Exempt Short-Term Fund Shares | $4,449,869 |
| Tax Exempt Short-Term Fund Adviser Shares | $56,251 |
| Tax Exempt Money Market Fund Shares | $5,263,648 |
| Global Equity Income Fund Shares | $463,833 |
| Global Equity Income Fund Institutional Shares | $26,058 |
| Target Managed Allocation Fund | $2,421,964 |
| **Fund** | **FYE 5/31** |
| Growth and Tax Strategy Fund | $1,580,702 |
| Cornerstone Moderately Conservative Fund | $1,081,660 |
| Cornerstone Moderate Fund | $6,877,285 |
| Cornerstone Moderately Aggressive Fund | $14,642,764 |
| Cornerstone Aggressive Fund | $1,953,915 |
| Precious Metals and Minerals Fund Shares | $3,998,325 |
| Precious Metals and Minerals Fund Institutional Shares | $13,429 |
| Precious Metals and Minerals Fund Adviser Shares | $120,531 |
| Emerging Markets Fund Shares | $4,122,227 |
| Emerging Markets Fund Institutional Shares | $6,172,215 |
| Emerging Markets Fund Adviser Shares | $53,038 |
| International Fund Shares | $14,087,505 |
| International Fund Institutional Shares | $18,427,153 |
| International Fund Adviser Shares | $60,289 |
| Government Securities Fund Shares | $470,503 |
| Government Securities Fund Institutional Shares | $270,557 |
| Government Securities Fund Adviser Shares | $4,802 |
| Government Securities Fund R6 Shares | $7,296 |
| Treasury Money Market Trust | $4,094,987 |
| Managed Allocation Fund | $4,870,412 |
| World Growth Fund Shares | $10,415,808 |
| World Growth Fund Institutional Shares | $162,790 |
| World Growth Fund Adviser Shares | $103,907 |

| Fund | FYE 7/31 |
|---|---|
| Aggressive Growth Fund Institutional Shares | $28,459 |
| Capital Growth Fund Shares | $6,999,696 |
| Capital Growth Fund Institutional Shares | $55,077 |
| Growth Fund Shares | $10,494,990 |
| Growth Fund Institutional Shares | $9,750,266 |
| Growth & Income Fund Shares | $10,156,639 |
| Growth & Income Fund Adviser Shares | $62,585 |
| Growth & Income Fund Institutional Shares | $905,068 |
| High Income Fund Shares | $5,870,809 |
| High Income Fund Institutional Shares | $4,741,888 |
| High Income Fund Adviser Shares | $46,099 |
| High Income Fund R6 Shares | $25,269 |
| Income Fund Shares | $9,120,584 |
| Income Fund Institutional Shares | $9,275,452 |
| Income Fund Adviser Shares | $246,937 |
| Income Fund R6 Shares | $37,342 |
| Income Stock Fund Shares | $8,483,311 |
| Income Stock Fund Institutional Shares | $5,445,540 |
| Income Stock Fund R6 Shares | $53,715 |
| Intermediate-Term Bond Fund Shares | $6,687,935 |
| Intermediate-Term Bond Fund Institutional Shares | $6,745,033 |
| Intermediate-Term Bond Fund Adviser Shares | $204,790 |
| Intermediate-Term Bond Fund R6 Shares | $16,095 |
| Money Market Fund | $10,678,540 |
| Science & Technology Fund Shares | $9,190,089 |
| Science & Technology Fund Adviser Shares | $846,097 |
| Short-Term Bond Fund Shares | $3,212,335 |
| Short-Term Bond Fund Institutional Shares | $4,858,732 |
| Short-Term Bond Fund Adviser Shares | $49,661 |
| Short-Term Bond Fund R6 Shares | $11,426 |
| Small Cap Stock Fund Shares | $4,971,257 |
| Small Cap Stock Fund Institutional Shares | $6,828,338 |
| Value Fund Shares | $6,678,959 |
| Value Fund Institutional Shares | $4,258,585 |
| Value Fund Adviser Shares | $66,203 |
| **Fund** | **FYE 12/31** |
| S&P 500 Index Fund - Member Shares | $3,141,773 |
| S&P 500 Index Fund - Reward Shares | $3,254,752 |
| Nasdaq-100 Index Fund Shares | $2,755,551 |
| Nasdaq-100 Index Fund R6 Shares | $9,124 |
| Ultra Short-Term Bond Fund Shares | $861,474 |
| Ultra Short-Term Bond Fund Institutional Shares | $15,844 |
| Ultra Short-Term Bond Fund R6 Shares | $10,211 |
| Global Managed Volatility Fund Shares | $82,711 |
| Global Managed Volatility Fund Institutional Shares | $3,915,393 |
| Extended Market Index | $1,792,398 |

**Advisory fees waived by each Fund during its most recent fiscal year end:**

| Fund | FYE 3/31 |
|---|---|
| Tax Exempt Long-Term Fund Adviser Shares | $17,344 |
| Tax Exempt Intermediate-Term Fund Adviser Shares | $25,102 |
| Tax-Exempt Short-Term Fund Adviser Shares | $5,285 |
| Global Equity Income Fund Institutional Shares | $10,472 |
| **Fund** | **FYE 5/31** |
| Cornerstone Conservative Fund | $39,155 |
| Cornerstone Moderately Conservative Fund | $363,748 |
| Cornerstone Moderate Fund | $318,654 |
| Cornerstone Aggressive Fund | $472,948 |
| Cornerstone Equity Fund | $56,868 |
| Cornerstone Moderately Aggressive Fund | $2,217 |
| Emerging Markets Fund Adviser Shares | $5,090 |
| International Fund Adviser Shares | $5,885 |
| Government Securities Fund Adviser Shares | $6,452 |
| Government Securities Fund R6 Shares | $16,829 |
| World Growth Fund Adviser Shares | $5,525 |
| **Fund** | **FYE 7/31** |
| Aggressive Growth Fund Institutional Shares | $11,684 |
| Capital Growth Fund Institutional Shares | $8,021 |
| Growth & Income Fund Adviser Shares | $3,729 |
| High Income Fund Adviser Shares | $11,623 |
| High Income Fund R6 Shares | $14,000 |
| Income Fund R6 Shares | $30,285 |
| Income Stock Fund R6 Shares | $27,466 |
| Intermediate-Term Bond Fund R6 Shares | $20,824 |
| Short-Term Bond Fund R6 Shares | $14,130 |
| **Fund** | **FYE 12/31** |
| S&P 500 Index Fund - Member Shares | $612,581 |
| S&P 500 Index Fund - Reward Shares | $998,921 |
| Global Managed Volatility Fund Shares | $26,534 |
| Global Managed Volatility Fund Institutional Shares | $233,324 |
| Ultra Short-Term Bond Fund Institutional Shares | $7,050 |
| Ultra Short-Term Bond Fund R6 Shares | $27,759 |
| Nasdaq-100 Index Fund R6 Shares | $27,967 |
| Target Retirement 2060 Fund Shares | $129,083 |

## APPENDIX E: THE FUNDS' CURRENT SUBADVISERS

| | |
|---|---|
| Wellington Management Company LLP<br>75 State Street<br>Boston, Massachusetts 02109<br>(Science & Technology Fund, Small Cap Stock Fund, and International Fund) | Granahan Investment Management, Inc.<br>275 Wyman St., Suite 270<br>Waltham, MA 02451<br>(Small Cap Stock Fund) |
| Loomis, Sayles & Company, L.P.<br>One Financial Center<br>Boston, Massachusetts 02111<br>(Growth Fund) | BNY Mellon Asset Management North America<br>50 Freemont Street, Suite 3900<br>San Francisco, CA 94105<br>(Extended Market Index Fund) |
| Barrow, Hanley, Mewhinney & Strauss, Inc.<br>3232 McKinney Avenue, 15th Floor<br>Dallas, Texas 75204<br>(Growth & Income Fund and Value Fund) | Lazard Asset Management<br>30 Rockefeller Plaza<br>New York, NY 10112<br>(Emerging Markets Fund and International Fund) |
| QS Investors, LLC<br>200 Clarendon Street<br>Boston, Massachusetts 02116<br>(Capital Growth Fund) | Brandes Investment Partners, L.P.<br>11988 El Camino Real<br>San Diego, CA 92130<br>(Emerging Markets Fund) |
| Northern Trust Investments, N.A.<br>50 S. LaSalle Street<br>Chicago, Illinois 60603<br>(Growth and Tax Strategy Fund, S&P 500 Index Fund, and Nasdaq-100 Index Fund) | ClariVest Asset Management LLC<br>3611 Valley Centre Drive, Suite 100<br>San Diego, CA 92130<br>(Small Cap Stock Fund) |
| MFS Investment Management<br>111 Huntington Avenue<br>Boston, Massachusetts 02199<br>(International Fund and World Growth Fund) | Victory Capital Management Inc.<br>4900 Tiedeman Road, 4th Floor<br>Brooklyn, Ohio 44144<br>(Emerging Markets Fund) |
| Renaissance Investment Management<br>625 Eden Park Drive, Suite 1200<br>Cincinnati, Ohio 45202<br>(Growth Fund) | |
| Epoch Investment Partners, Inc.<br>640 Fifth Avenue, 18th Floor<br>New York, New York 10019<br>(Income Stock Fund) | |

## APPENDIX F: VICTORY CAPITAL'S INVESTMENT TEAMS AND PORTFOLIO MANAGEMENT PERSONNEL

**Aggressive Growth Fund**

### 1. NewBridge Asset Management—Large Cap Growth Equity Strategy

➢ **INVESTMENT PROCESS**

In making investment decisions for a Fund, NewBridge Asset Management ("Newbridge") will invest the Fund's assets allocated to it in stocks of approximately 25-35 companies that have exhibited faster-than-average earnings growth over the past few years and are expected to continue to show high levels of earnings growth. From time to time, NewBridge may focus its investments in companies in one or more economic sectors, including the information technology sector.

➢ **PORTFOLIO MANAGERS**

- **Erick F. Maronak** is the Chief Investment Officer of NewBridge and has been associated with Victory Capital or an affiliate since 1999.
- **Jason E. Dahl** is a Senior Portfolio Manager/Analyst of NewBridge and has been associated with Victory Capital or an affiliate since 1999. Mr. Dahl is a CFA® charterholder.
- **Scott R. Kefer** is a Senior Portfolio Manager/Analyst of NewBridge and has been associated with Victory Capital or an affiliate since 1999. Mr. Kefer is a CFA® charterholder.
- **Michael B. Koskuba** is a Senior Portfolio Manager/Analyst of NewBridge and has been associated with Victory Capital or an affiliate since 1999.

### 2. RS Investments Growth—Large Cap Growth Strategy

➢ **INVESTMENT PROCESS**

RS Investments Growth ("RS Growth") employs both fundamental analysis and quantitative screening in seeking to identify companies it believes will produce sustainable earnings growth over a multi-year horizon. Investment candidates typically exhibit some or all of the following key criteria: strong organic revenue growth, expanding margins and profitability, innovative products or services, defensible competitive advantages, growing market share, and experienced management teams. Valuation is an integral part of the investment process and purchase decisions are based on RS Growth's expectation of the potential reward relative to risk of each security based in part on its proprietary earnings calculations.

➢ **PORTFOLIO MANAGERS**

**Scott Tracy** is Chief Investment Officer of the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Tracy began his investment career in 1997 and has been a member of the RS Growth team since 2001. Previously, he spent three years at Shoreline Investment Management, where his research focus included technology and industrial companies. Mr. Tracy holds a B.A. in history from Trinity College and an M.B.A. from the University of California, Berkeley. He is a CFA® charterholder.

**Stephen J. Bishop** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Bishop began his investment career in 1992 and joined the RS Growth team in 1996 as a research analyst primarily covering the Information Technology sector. Prior to joining RS Investments, he worked as an analyst in the corporate finance department of Dean Witter Reynolds Inc. Mr. Bishop earned a B.A. from the University of Notre Dame and an M.B.A. from Harvard Business School.

**Melissa Chadwick-Dunn** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Ms. Chadwick-Dunn began her investment career in 1992 and joined the RS Growth team in 2001. Previously, she was an equity analyst at Putnam Investments covering international small-cap stocks. Ms. Chadwick-Dunn holds a B.A. in economics, an M.A. in international relations from the University of Chicago, and an M.B.A. from the Wharton School of the University of Pennsylvania.

**Christopher Clark** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Clark has been a member of RS Growth Team since joining the firm in May 2007. Before joining the RS Growth team in 2007, he was a research associate at TIAA-CREF for three years, where he focused on global portfolio management and the health care sector. Prior to that he was a research assistant at Dresdner RCM Global Investors for three years. Mr. Clark holds a B.A. in economics from the University of Virginia. Mr. Clark is a CFA® charterholder.

**Paul Leung** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Leung began his investment career in 1999 and joined the RS Growth team in 2012 as an analyst primarily covering the technology sector. Before joining the firm in 2012, he was a senior investment analyst at Ashfield Capital Partners, where he focused on the technology sector. Previously, he was a sector manager and research analyst at Sterling Johnston Capital Management for the technology, media and telecom sectors. Mr. Leung holds a B.S. in applied economics and business management from Cornell University. Mr. Leung is a CFA® charterholder.

3. **Victory Solutions—Completion Strategy**

➢ **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in a portfolio of securities that is customized to the Fund. Taking into consideration the holdings selected by the Fund's other investment managers, Victory Solutions will customize its portion of the Fund's assets to achieve one or more investment outcomes for the Fund as a whole, such as to seek potential alpha enhancement, adherence to the Fund's investment objective and/or risk mitigation.

➢ **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

**Capital Growth Fund**

1. **RS Investments Developed Markets—International Strategy**

➢ **INVESTMENT PROCESS**

RS Investments Developed Markets ("RS Developed Markets") employs both fundamental analysis and a data-driven approach in seeking to identify companies across the market capitalization spectrum that it believes can sustain long-term growth. Valuation is also an integral part of the investment process. RS Developed Markets seeks to identify companies that it believes possess strong earnings quality, operational efficiency, sound management, favorable growth characteristics, and attractive valuations, and that enjoy favorable market sentiment. RS Developed Markets monitors macroeconomic and political trends, as well as risk exposures, as part of the overall investment process.

➢ **PORTFOLIO MANAGERS**

**U-Wen Kok** is the Chief Investment Officer of the RS Developed Markets team. From 2013 to 2016, she with RS Investment Management Co. LLC, which was acquired by Victory Capital in 2016. Before joining RS

Investments, Ms. Kok was a portfolio manager at RBC Global Asset Management for its North American and Global equity products from January 2012 to October 2012. From August 2009 through May 2010, she provided portfolio management consulting services to BMO Asset Management. From 2001 to 2008, she was lead portfolio manager for two domestic active growth and value equity funds at Barclays Global Investors. For six years prior to that, Ms. Kok was a manager of Canadian quantitative active equity portfolios at the Ontario Teachers Pension Plan Board. Ms. Kok is a CFA® charterholder.

**Adam Mezan** has been a member of the RS Developed Markets team since 2014. Prior to joining RS Investments in 2014, Mr. Mezan worked at Nomura Asset Management in London, covering global industrials and auto sectors. Previously, he worked at CIBC World Markets, performing fundamental research on North American business/industrial services companies. Mr. Mezan holds a B.A. from Duke University and an M.B.A. from the University of Chicago. Mr. Mezan is a CFA® charterholder.

**2. Sophus Capital—Emerging Markets Small Cap Strategy**

➢ **INVESTMENT PROCESS**

Sophus Capital ("Sophus") employs both fundamental analysis and quantitative screening in seeking to identify companies that it believes can sustain above-average earnings growth relative to their peers. Valuation is an integral part of the process. Fundamental, bottom-up research focuses on companies that rank highly within the investment team's quantitative screen, with particular emphasis placed on a company's earnings growth, business strategy, value creation, competitive position, management quality, market position, and political and economic backdrop. Sophus monitors market and sovereign risk as part of the overall investment process.

➢ **PORTFOLIO MANAGERS**

**Michael Reynal** is the Chief Investment Officer of Sophus Capital. From 2012 to 2016, he was with RS Investment Management Co. LLC, which was acquired by Victory Capital in 2016. Before joining RS Investments, he was a portfolio manager for Principal Global Investors where he led the emerging markets team, encompassing markets in Asia, Latin America, Eastern Europe, the Middle East, and Africa. He also oversaw both diversified emerging markets portfolios and specialized regional Asian equity strategies. Previously, Mr. Reynal was responsible for equity investments in Latin America, the Mediterranean and the Balkans while at Wafra Investment Advisory Group Inc. in New York. Mr. Reynal also spent four years with Paribas Capital Markets in New York in international equities and three years with Barclays de Zoete Wedd in London focusing on Latin American equities.

**Michael Ade** is a portfolio manager of Sophus Capital. From 2012 to 2016, Mr. Ade was an investment professional with RS Investment Management (Singapore) Pte. Ltd., which was acquired by Victory Capital in 2016. Prior to joining RS Management (Singapore) Pte. Ltd. in 2012, he was a portfolio manager and emerging markets analyst for Principal Global Investors, where he served as a co-portfolio manager for diversified emerging markets and Asian equity strategies. Previously, he spent six years as a research analyst on Principal's international small cap team focusing on the Asia region. Mr. Ade is a CFA® charterholder.

**Maria Freund** has is a portfolio manager of Sophus Capital. She joined Victory Capital in 2016 in connection with Victory Capital's acquisition of RS Investments. At RS Investments she was an emerging markets analyst. Prior to joining RS Investments in 2012, she was an analyst at Principal Global Investors for the emerging markets team. Previously, she was an analyst at Principal Global Investors for the international developed team, having joined the firm in 2003. Ms. Freund is a CFA® charterholder.

**3. Trivalent Investments—International Core Equity Strategy**

➢ **INVESTMENT PROCESS**

Trivalent Investments ("Trivalent") employs a bottom-up investment approach that emphasizes individual stock selection. Trivalent's investment process uses a combination of quantitative and traditional qualitative, fundamental analysis to identify attractive stocks with low relative price multiples and positive trends in earnings forecasts. The stock selection process is designed to produce a diversified portfolio from the developed countries represented in the MSCI EAFE Index that, relative to the Index, tends to have a below-average price-to-earnings ratio and an above-average earnings growth trend.

- **PORTFOLIO MANAGERS**

**Peter S. Carpenter** is a Senior Portfolio Manager of Trivalent. From 2007-2014, Mr. Carpenter was a Senior Portfolio Manager of Munder Capital Management, which was acquired by Victory Capital in 2014. Mr. Carpenter is a CFA® charterholder.

**Jeffrey R. Sullivan** is a Senior Portfolio Manager of Trivalent. From 2007-2014, Mr. Sullivan was a Senior Portfolio Manager of Munder Capital Management, which was acquired by Victory Capital in 2014. Mr. Sullivan is a CFA® charterholder.

**4. Victory Solutions—Global Multi-Factor Strategy**

- **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in up to 200 stocks of companies selected from the MSCI ACWI Index using its systematic, multi-factor selection process. Relative risk is considered in overall portfolio construction and is generally limited through the use of sector and country constraints, as well as portfolio optimization.

- **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

**5. Victory Solutions—US Multi-Factor Strategy**

- **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in up to 100 stocks of companies selected from the MSCI USA Index using its systematic, multi-factor selection process. Relative risk is considered in overall portfolio construction and is generally limited through the use of sector constraints, as well as portfolio optimization.

- **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

**Emerging Markets Fund**

1. **Trivalent Investments—Emerging Markets Small Cap Strategy**

   - **INVESTMENT PROCESS**

   In selecting emerging market small-capitalization investments for the Fund, Trivalent Investments (“Trivalent”) employs a bottom-up investment approach that emphasizes individual stock selection. Trivalent’s investment process uses a combination of quantitative and traditional qualitative, fundamental analysis to identify companies exhibiting improving business momentum and attractive valuations. The stock selection process is designed to produce a diversified portfolio that, relative to the MSCI Emerging Markets Small Cap Index and the S&P® Emerging Plus SmallCap Index, tends to have a below-average price-to-earnings ratio and an above-average earnings growth trend. However, the strategy is not designed to replicate the performance of either of those indexes.

   - **PORTFOLIO MANAGERS**

   **Robert D. Cerow** is an Equity Analyst of Trivalent and has been with Victory Capital since 2014. From 2007-2014, Mr. Cerow was an Equity Analyst of Munder Capital Management, which was acquired by Victory Capital in 2014. Mr. Cerow is a CFA® charterholder.

   **John W. Evers** is a Senior Portfolio Manager of Trivalent and has been with Victory Capital since 2014. From 2007-2014, Mr. Evers was a Senior Portfolio Manager of Munder Capital Management, which was acquired by Victory Capital in 2014. Mr. Evers is a CFA® charterholder.

2. **Sophus Capital—Emerging Markets Strategy**

   - **INVESTMENT PROCESS**

   Sophus Capital (“Sophus”) employs both fundamental analysis and quantitative screening in seeking to identify companies that it believes can sustain above-average earnings growth relative to their peers. Valuation is an integral part of the process. Fundamental, bottom-up research focuses on companies that rank highly within the investment team’s quantitative screen, with particular emphasis placed on a company’s earnings growth, business strategy, value creation, competitive position, management quality, market position, and political and economic backdrop. Sophus monitors market and sovereign risk as part of the overall investment process.

   - **PORTFOLIO MANAGERS**

   **Michael Reynal** is the Chief Investment Officer of Sophus Capital. From 2012 to 2016, he was with RS Investment Management Co. LLC, which was acquired by Victory Capital in 2016. Before joining RS Investments, he was a portfolio manager for Principal Global Investors where he led the emerging markets team, encompassing markets in Asia, Latin America, Eastern Europe, the Middle East, and Africa. He also oversaw both diversified emerging markets portfolios and specialized regional Asian equity strategies. Previously, Mr. Reynal was responsible for equity investments in Latin America, the Mediterranean and the Balkans while at Wafra Investment Advisory Group Inc. in New York. Mr. Reynal also spent four years with Paribas Capital Markets in New York in international equities and three years with Barclays de Zoete Wedd in London focusing on Latin American equities.

   **Tony Chu** is a portfolio manager of Sophus Capital. From 2012 to 2016, he was an analyst on the emerging markets team with RS Investments (Hong Kong) Limited, which was acquired by Victory Capital in 2016. Prior to joining RS Investments (Hong Kong) Limited, he was a portfolio manager and analyst for Principal Global Investors where he specialized in the analysis of Hong Kong and Chinese companies. He also co-managed Hong Kong equity portfolios. Previously, Mr. Chu was an equities research analyst and associate portfolio manager with the Greater China team at INVESCO Hong Kong for five years. He also spent two years with AMP Ltd. in Sydney, Australia. Mr. Chu is a CFA® charterholder.

   **Maria Freund** has is a portfolio manager of Sophus. She joined Victory Capital in 2016 in connection with Victory Capital’s acquisition of RS Investments. At RS Investments she was an emerging markets analyst.

Prior to joining RS Investments in 2012, she was an analyst at Principal Global Investors for the emerging markets team. Previously, she was an analyst at Principal Global Investors for the international developed team, having joined the firm in 2003. Ms. Freund is a CFA® charterholder.

**3. Victory Solutions—Completion Strategy**

➢ **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in a portfolio of securities that is customized to the Fund. Taking into consideration the holdings selected by the Fund's other investment managers, Victory Solutions will customize its portion of the Fund's assets to achieve one or more investment outcomes for the Fund as a whole, such as to seek potential alpha enhancement, adherence to the Fund's investment objective and/or risk mitigation.

➢ **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

**Global Equity Income Fund**

**1. Victory Solutions—Global High Dividend Yield Strategy**

➢ **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in stocks of approximately 200 companies that are dividend payers with above average yields that possess positive characteristics within a systematic, multi-factor framework. Victory Solutions controls for risk relative to the MSCI World Index through portfolio construction, while seeking an overall yield premium to the overall market.

➢ **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

**Growth Fund**

**1. NewBridge Asset Management—Large Cap Growth Equity Strategy**

➢ **INVESTMENT PROCESS**

In making investment decisions for a Fund, NewBridge Asset Management ("Newbridge") will invest the Fund's assets allocated to it in stocks of approximately 25-35 companies that have exhibited faster-than-average earnings growth over the past few years and are expected to continue to show high levels of earnings growth. From time to time, NewBridge may focus its investments in companies in one or more economic sectors, including the information technology sector.

➢ **PORTFOLIO MANAGERS**

- **Erick F. Maronak** is the Chief Investment Officer of NewBridge and has been associated with Victory Capital or an affiliate since 1999.

- **Jason E. Dahl** is a Senior Portfolio Manager/Analyst of NewBridge and has been associated with Victory Capital or an affiliate since 1999. Mr. Dahl is a CFA® charterholder.

- **Scott R. Kefer** is a Senior Portfolio Manager/Analyst of NewBridge and has been associated with Victory Capital or an affiliate since 1999. Mr. Kefer is a CFA® charterholder.

- **Michael B. Koskuba** is a Senior Portfolio Manager/Analyst of NewBridge and has been associated with Victory Capital or an affiliate since 1999.

**2. RS Investments Growth—Large Cap Growth Strategy**

➢ **INVESTMENT PROCESS**

RS Investments Growth ("RS Growth") employs both fundamental analysis and quantitative screening in seeking to identify companies it believes will produce sustainable earnings growth over a multi-year horizon. Investment candidates typically exhibit some or all of the following key criteria: strong organic revenue growth, expanding margins and profitability, innovative products or services, defensible competitive advantages, growing market share, and experienced management teams. Valuation is an integral part of the investment process and purchase decisions are based on RS Growth's expectation of the potential reward relative to risk of each security based in part on its proprietary earnings calculations.

➢ **PORTFOLIO MANAGERS**

**Scott Tracy** is Chief Investment Officer of the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Tracy began his investment career in 1997 and has been a member of the RS Growth team since 2001. Previously, he spent three years at Shoreline Investment Management, where his research focus included technology and industrial companies. Mr. Tracy holds a B.A. in history from Trinity College and an M.B.A. from the University of California, Berkeley. He is a CFA® charterholder.

**Stephen J. Bishop** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Bishop began his investment career in 1992 and joined the RS Growth team in 1996 as a research analyst primarily covering the Information Technology sector. Prior to joining RS Investments, he worked as an analyst in the corporate finance department of Dean Witter Reynolds Inc. Mr. Bishop earned a B.A. from the University of Notre Dame and an M.B.A. from Harvard Business School.

**Melissa Chadwick-Dunn** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Ms. Chadwick-Dunn began her investment career in 1992 and joined the RS Growth team in 2001. Previously, she was an equity analyst at Putnam Investments covering international small-cap stocks. Ms. Chadwick-Dunn holds a B.A. in economics, an M.A. in international relations from the University of Chicago, and an M.B.A. from the Wharton School of the University of Pennsylvania.

**Christopher Clark** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Clark has been a member of RS Growth Team since joining the firm in May 2007. Before joining the RS Growth team in 2007, he was a research associate at TIAACREF for three years, where he focused on global portfolio management and the health care sector. Prior to that he was a research assistant at Dresdner RCM Global Investors for three years. Mr. Clark holds a B.A. in economics from the University of Virginia. Mr. Clark is a CFA® charterholder.

**Paul Leung** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Leung began his investment career in 1999 and joined the RS Growth team in 2012 as an analyst primarily covering the technology sector. Before joining the firm in 2012, he was a senior investment analyst at Ashfield Capital Partners, where he focused on the technology sector. Previously, he was a sector manager and research analyst at Sterling Johnston Capital Management for the technology, media and telecom sectors. Mr. Leung holds a B.S. in applied economics and business management from Cornell University. Mr. Leung is a CFA® charterholder.

**3. Victory Solutions—Completion Strategy**

➢ **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in a portfolio of securities that is customized to the Fund. Taking into consideration the holdings selected by the Fund's other investment managers, Victory Solutions will customize its portion of the Fund's assets to achieve one or more investment outcomes for the Fund as a whole, such as to seek potential alpha enhancement, adherence to the Fund's investment objective and/or risk mitigation.

➢ **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

**<u>Growth & Income Fund</u>**

**1. RS Investments Growth—Large Cap Growth Strategy**

➢ **INVESTMENT PROCESS**

RS Investments Growth ("RS Growth") employs both fundamental analysis and quantitative screening in seeking to identify companies it believes will produce sustainable earnings growth over a multi-year horizon. Investment candidates typically exhibit some or all of the following key criteria: strong organic revenue growth, expanding margins and profitability, innovative products or services, defensible competitive advantages, growing market share, and experienced management teams. Valuation is an integral part of the investment process and purchase decisions are based on RS Growth's expectation of the potential reward relative to risk of each security based in part on its proprietary earnings calculations.

➢ **PORTFOLIO MANAGERS**

**Scott Tracy** is Chief Investment Officer of the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Tracy began his investment career in 1997 and has been a member of the RS Growth team since 2001. Previously, he spent three years at Shoreline Investment Management, where his research focus included technology and industrial companies. Mr. Tracy holds a B.A. in history from Trinity College and an M.B.A. from the University of California, Berkeley. He is a CFA® charterholder.

**Stephen J. Bishop** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Bishop began his investment career in 1992 and joined the RS Growth team in 1996 as a research analyst primarily covering the Information Technology sector. Prior to joining RS Investments, he worked as an analyst in the corporate finance department of Dean Witter Reynolds Inc. Mr. Bishop earned a B.A. from the University of Notre Dame and an M.B.A. from Harvard Business School.

**Melissa Chadwick-Dunn** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Ms. Chadwick-Dunn began her investment career in 1992 and joined the RS Growth team in 2001. Previously, she was an equity analyst at Putnam Investments covering international small-cap stocks. Ms. Chadwick-Dunn holds a B.A. in economics, an M.A. in international relations from the University of Chicago, and an M.B.A. from the Wharton School of the University of Pennsylvania.

**Christopher Clark** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Clark has been a member of RS Growth Team since joining the firm in May 2007. Before joining the RS Growth team in 2007, he was a research associate at TIAACREF for three years, where he focused on global portfolio management and the health care sector. Prior to that he was a research assistant at Dresdner RCM Global Investors for three years. Mr. Clark holds a B.A. in economics from the University of Virginia. Mr. Clark is a CFA® charterholder.

**Paul Leung** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Leung began his investment career in 1999 and joined the RS Growth team in 2012 as an analyst primarily covering the technology sector. Before joining the firm in 2012, he was a senior investment analyst at Ashfield Capital Partners, where he focused on the technology sector. Previously, he was a sector manager and research analyst at Sterling Johnston Capital Management for the technology, media and telecom sectors. Mr. Leung holds a B.S. in applied economics and business management from Cornell University. Mr. Leung is a CFA® charterholder.

2. **Victory Solutions—US High Dividend Yield Strategy**

➢ **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in stocks of approximately 100 companies that are dividend payers with above average yields that possess positive characteristics within a systematic, multi-factor framework. Victory Solutions controls for risk relative to the MSCI USA Index through portfolio construction while seeking an overall yield premium to the overall market.

➢ **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

## <u>Growth and Tax Strategy Fund</u>

1. **Victory Solutions—Completion Strategy**

➢ **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in a portfolio of securities that is customized to the Fund. Taking into consideration the holdings selected by the

Fund's other investment managers, Victory Solutions will customize its portion of the Fund's assets to achieve one or more investment outcomes for the Fund as a whole, such as to seek potential alpha enhancement, adherence to the Fund's investment objective and/or risk mitigation.

- **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

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<u>**Income Stock Fund**</u>

1. **Victory Solutions—US High Dividend Yield Strategy**

- **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in stocks of approximately 100 companies that are dividend payers with above average yields that possess positive characteristics within a systematic, multi-factor framework. Victory Solutions controls for risk relative to the MSCI USA Index through portfolio construction while seeking an overall yield premium to the overall market.

- **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

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2. **Victory Solutions—US Dividend Growth Strategy**

- **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in stocks of approximately 75 companies that have exhibited an ability and willingness to grow their dividends using a multi-step, systematic process relying upon fundamental data to identify companies exhibiting characteristics useful in forecasting future dividend growth. Portfolio construction emphasizes dividend yield among those companies with the perceived highest likelihood to grow their dividends in the future.

- **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

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<u>**International Fund**</u>

1. **Trivalent Investments—International Core ACWI ex-U.S. Equity Strategy**

➢ **INVESTMENT PROCESS**

Trivalent Investments ("Trivalent") employs a bottom-up investment approach that emphasizes individual stock selection. Trivalent's investment process uses a combination of quantitative and traditional qualitative, fundamental analysis to identify attractive stocks with low relative price multiples and positive trends in earnings forecasts. The stock selection process is designed to produce a diversified portfolio that, relative to the MSCI ACWI ex USA Index, tends to have a below-average price-to-earnings ratio and an above-average earnings growth trend. To ensure a diversified geographic portfolio, Trivalent invests in a minimum of ten countries. Investments may include small-, mid- and large-capitalization companies.

➢ **PORTFOLIO MANAGERS**

**Peter S. Carpenter** is a Senior Portfolio Manager of Trivalent. From 2007-2014, Mr. Carpenter was a Senior Portfolio Manager of Munder Capital Management, which was acquired by Victory Capital in 2014. Mr. Carpenter is a CFA® charterholder.

**Jeffrey R. Sullivan** is a Senior Portfolio Manager of Trivalent. From 2007-2014, Mr. Sullivan was a Senior Portfolio Manager of Munder Capital Management, which was acquired by Victory Capital in 2014. Mr. Sullivan is a CFA® charterholder.

2. **RS Investments Developed Markets—International Strategy**

➢ **INVESTMENT PROCESS**

RS Investments Developed Markets ("RS Developed Markets") employs both fundamental analysis and a data-driven approach in seeking to identify companies across the market capitalization spectrum that it believes can sustain long-term growth. Valuation is also an integral part of the investment process. RS Developed Markets seeks to identify companies that it believes possess strong earnings quality, operational efficiency, sound management, favorable growth characteristics, and attractive valuations, and that enjoy favorable market sentiment. RS Developed Markets monitors macroeconomic and political trends, as well as risk exposures, as part of the overall investment process.

➢ **PORTFOLIO MANAGERS**

**U-Wen Kok** is the Chief Investment Officer of the RS Developed Markets team. From 2013 to 2016, she with RS Investment Management Co. LLC, which was acquired by Victory Capital in 2016. Before joining RS Investments, Ms. Kok was a portfolio manager at RBC Global Asset Management for its North American and Global equity products from January 2012 to October 2012. From August 2009 through May 2010, she provided portfolio management consulting services to BMO Asset Management. From 2001 to 2008, she was lead portfolio manager for two domestic active growth and value equity funds at Barclays Global Investors. For six years prior to that, Ms. Kok was a manager of Canadian quantitative active equity portfolios at the Ontario Teachers Pension Plan Board. Ms. Kok is a CFA® charterholder.

**Adam Mezan** has been a member of the RS Developed Markets team since 2014. Prior to joining RS Investments in 2014, Mr. Mezan worked at Nomura Asset Management in London, covering global industrials and auto sectors. Previously, he worked at CIBC World Markets, performing fundamental research on North American business/industrial services companies. Mr. Mezan holds a B.A. from Duke University and an M.B.A. from the University of Chicago. Mr. Mezan is a CFA® charterholder.

3. **Victory Solutions—Completion Strategy**

   ➢ **INVESTMENT PROCESS**
   In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in a portfolio of securities that is customized to the Fund. Taking into consideration the holdings selected by the Fund's other investment managers, Victory Solutions will customize its portion of the Fund's assets to achieve one or more investment outcomes for the Fund as a whole, such as to seek potential alpha enhancement, adherence to the Fund's investment objective and/or risk mitigation.

   ➢ **PORTFOLIO MANAGERS**
   **Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

   **Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

<u>**Precious Metals and Minerals Fund**</u>

1. **Victory Solutions—Precious Metals and Minerals Strategy**

   ➢ **INVESTMENT PROCESS**
   In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in companies selected from the following sub-industries: gold, silver and the precious metals. Using a systematic, multi-factor process, companies are selected for consideration in the portfolio. A portfolio optimization process that seeks maximum risk adjusted returns, while adhering to risk constraints leads to the final portfolio.

   ➢ **PORTFOLIO MANAGERS**
   **Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

   **Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

<u>**Science & Technology Fund**</u>

1. **RS Investments Growth—Science and Technology Strategy**

   ➢ **INVESTMENT PROCESS**
   RS Investments Growth ("RS Growth") performs in-depth analysis in search of what it believes are innovative companies that drive market share gains in technology, leading to sustainable earnings growth and long-term stock price appreciation. RS Growth employs both fundamental analysis and quantitative screening to identify potential investment candidates with greater earnings potential than expected by the market. Investment candidates typically exhibit some or all of the following key criteria: strong organic revenue growth, expanding margins and profitability, defensible competitive advantages, growing market share, and experienced management teams. Valuation is an integral part of the investment process and purchase decisions are based

on the potential reward relative to risk of each security based in part on RS Growth's proprietary earnings calculations.

➢ **PORTFOLIO MANAGERS**

**Stephen J. Bishop** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Bishop began his investment career in 1992 and joined the RS Growth team in 1996 as a research analyst primarily covering the Information Technology sector. Prior to joining RS Investments, he worked as an analyst in the corporate finance department of Dean Witter Reynolds Inc. Mr. Bishop earned a B.A. from the University of Notre Dame and an M.B.A. from Harvard Business School.

**Christopher Clark** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Clark has been a member of RS Growth Team since joining the firm in May 2007. Before joining the RS Growth team in 2007, he was a research associate at TIAACREF for three years, where he focused on global portfolio management and the health care sector. Prior to that he was a research assistant at Dresdner RCM Global Investors for three years. Mr. Clark holds a B.A. in economics from the University of Virginia. Mr. Clark is a CFA® charterholder.

**Paul Leung** is a portfolio manager on the RS Growth team and has been with Victory Capital since 2016 when Victory Capital acquired RS Investments. Mr. Leung began his investment career in 1999 and joined the RS Growth team in 2012 as an analyst primarily covering the technology sector. Before joining the firm in 2012, he was a senior investment analyst at Ashfield Capital Partners, where he focused on the technology sector. Previously, he was a sector manager and research analyst at Sterling Johnston Capital Management for the technology, media and telecom sectors. Mr. Leung holds a B.S. in applied economics and business management from Cornell University. Mr. Leung is a CFA® charterholder.

**2. Victory Solutions—Completion Strategy**

➢ **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in a portfolio of securities that is customized to the Fund. Taking into consideration the holdings selected by the Fund's other investment managers, Victory Solutions will customize its portion of the Fund's assets to achieve one or more investment outcomes for the Fund as a whole, such as to seek potential alpha enhancement, adherence to the Fund's investment objective and/or risk mitigation.

➢ **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

<u>**Small Cap Stock Fund**</u>

**1. Integrity Asset Management— Small/Mid-Cap Value Strategy**

➢ **INVESTMENT PROCESS**

When selecting securities to invest in, Integrity Asset Management ("Integrity") seeks out companies that appear to be undervalued according to certain financial measurements of their intrinsic net worth or business prospects. Integrity chooses the Fund's investments by employing a value-oriented approach that focuses on securities that offer value with improving investor sentiment. Integrity finds these value-oriented investments by, among other things: (1) rigorously analyzing the company's financial characteristics and assessing the quality of the company's management; (2) considering comparative price-to-book, price-to-sales and price-to-cash flow ratios; and (3) analyzing cash flows to identify stocks with the most attractive potential returns.

- **PORTFOLIO MANAGERS**

**Daniel G. Bandi** is the Chief Investment Officer of Integrity and has been with Victory Capital since 2014 when Victory Capital acquired Integrity Asset Management, LLC. From 2003-2014, Mr. Bandi was the Chief Investment Officer and a Principal of Integrity Asset Management, LLC. Mr. Bandi is a CFA® charterholder.

**Daniel J. DeMonica** is a Senior Portfolio Manager of Integrity and has been with Victory Capital since 2014. From 2003-2014, Mr. DeMonica was a Senior Portfolio Manager and a Principal of Integrity Asset Management LLC. Mr. DeMonica is a CFA® charterholder.

**Adam I. Friedman** is a Senior Portfolio Manager of Integrity and has been with Victory Capital since 2014. From 2003-2014, Mr. Friedman was a Senior Portfolio Manager and a Principal of Integrity Asset Management, LLC.

**Joe A. Gilbert** is a Portfolio Manager of Integrity and has been with Victory Capital since 2014. From 2003-2014, Mr. Gilbert was a Portfolio Manager of Integrity Asset Management, LLC. Mr. Gilbert is a CFA® charterholder.

**J. Bryan Tinsley** is a Portfolio Manager of Integrity and has been with Victory Capital since 2014. From 2003-2014, Mr. Tinsley was a Portfolio Manager of Integrity Asset Management, LLC. Mr. Tinsley is a CFA® charterholder.

**Michael P. Wayton** is a Portfolio Manager of Integrity and has been with Victory Capital since 2014. From 2013-2014, Mr. Wayton was a Portfolio Manager of Integrity Asset Management, LLC.

**2. Munder Capital Management—Small Cap Growth Strategy**

- **INVESTMENT PROCESS**

Munder Capital Management ("Munder") chooses the Fund's investments by reviewing the earnings growth of all publicly traded small capitalization companies over the past three years and selecting from those companies primarily based on: above-average, consistent earnings growth; financial stability; relative valuation; strength of industry position and management team; and price changes compared to the Russell 2000® Growth Index. Munder's investment style, which focuses on both growth prospects and valuation, is known as GARP (Growth at a Reasonable Price). This blended process seeks to perform better than either a pure growth or pure value approach over a complete market cycle.

- **PORTFOLIO MANAGERS**

**Tony Y. Dong** is the Chief Investment Officer of Munder and has been with Victory Capital since 2014 when Victory Capital acquired Munder Capital Management. Prior to that, Mr. Dong was Vice Chairman and Chief Investment Officer of Munder Capital Management, where he was employed since 1988. Mr. Dong is a CFA® charterholder.

**Robert E. Crosby** is a Senior Portfolio Manager of Munder and has been with Victory Capital since 2014 when Victory Capital acquired Munder Capital Management. Prior to that, Mr. Crosby was a Senior Portfolio Manager of Munder Capital Management, where he held various positions since 1993. Mr. Crosby is a CFA® charterholder.

**Robert Glise** is a Senior Portfolio Manager/Analyst of Munder and has been with Victory Capital since 2016. From 2002 through 2015, Mr. Glise was a Senior Partner and Senior Portfolio Manager with Northpointe Capital Management, where he was the lead manager of the mid-cap growth strategy and a member of the team managing the small-cap growth strategy. Mr. Glise is a CFA® charterholder.

**Gavin Hayman** is a Senior Equity Analyst of Munder and has been with Victory Capital since 2014 when Victory Capital acquired Munder Capital Management. Prior to that, Mr. Hayman was an Equity Analyst of Munder Capital Management from 2010 through 2014. From 2007 to 2010, Mr. Hayman was Director-Research at Telemus Capital Partners, a high-net-worth management company. Mr. Hayman is a CFA® charterholder.

**Brian S. Matuszak** is a Senior Portfolio Manager of Munder and has been with Victory Capital since 2014 when Victory Capital acquired Munder Capital Management. From 2006 through 2014, Mr. Matuszak was a Senior Equity Analyst of Munder Capital Management. Mr. Matuszak is a CFA® charterholder.

**Sean D. Wright** is an Equity Analyst of Munder and has been with Victory Capital since 2014 when Victory Capital acquired Munder Capital Management. Prior to that, Mr. Wright was a Senior Equity Research Associate of Munder Capital Management since 2010. Prior to joining Munder Capital Management, he interned for RFC Financial Planners in Ann Arbor, Michigan, where he worked on various tasks related to portfolio management, asset allocation, and client relationship management.

**3. Victory Solutions—Completion Strategy**

➢ **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in a portfolio of securities that is customized to the Fund. Taking into consideration the holdings selected by the Fund's other investment managers, Victory Solutions will customize its portion of the Fund's assets to achieve one or more investment outcomes for the Fund as a whole, such as to seek potential alpha enhancement, adherence to the Fund's investment objective and/or risk mitigation.

➢ **PORTFOLIO MANAGERS**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

**Value Fund**

**1. RS Investments Value—Large Cap Value Strategy**

➢ **INVESTMENT PROCESS**

In evaluating investments for the Fund, RS Investments Value ("RS Value") conducts fundamental research to identify companies with improving returns on invested capital. RS Value's research efforts seek to identify the primary economic and value drivers for each company. Research focuses on a company's capital deployment strategy, including decisions about capital expenditures, acquisitions, cost-saving initiatives, and share repurchase/dividend plans, as RS Value seeks to understand how returns on invested capital may improve over time. Valuation is considered an important part of the process. RS Value seeks to invest in companies based on its assessment of risk (the possibility of permanent capital impairment) and reward (the future value of the enterprise).

RS Value's strategy holds a relatively few number of securities and, as a result of its investment process, its investments may be focused in one or more economic sectors from time to time, including the financials sector.

- **PORTFOLIO MANAGERS**

**Daniel Lang** is the Chief Investment Officer of the RS Value team. From 2009 to 2016, he was an analyst with RS Investment Management Co. LLC, which was acquired by Victory Capital in 2016. Before joining RS Investments, he was a portfolio manager at Farallon Capital Management covering biotech, medical device, pharmaceutical, and health care services globally. Previously, Mr. Lang was a portfolio manager at Farallon Capital Management covering biotech, medical device, pharma, and health care services globally. Previously, he was a senior associate at venture capital firm Brilleon Capital U.S. and the co-founder and CFO of Sapient Medical Group. Mr. Lang's 20 years of business and investment experience is preceded by a career practicing medicine. He was a post-doctoral research and clinical fellow in cardiology at the University of California, San Francisco. He was board certified in internal medicine and a Chief Medical Resident at Mount Sinai Hospital in New York.

**Tyler Dann II** has been a member of the RS Value team since 2014. From 2014 through 2016, he was with RS Investment Management Co. LLC, which was acquired by Victory Capital in 2016. Prior to that, he was Portfolio Manager and Senior Research Analyst with Invesco Advisers, Inc., where he served as co-Portfolio Manager for the Invesco Charter Fund, the Invesco VI Core Equity Fund and the Invesco Energy Fund. He served as sector head for energy and basic materials for Invesco's U.S./Global Core Equity team. Previously, he was Senior Research Analyst at Banc of America Securities, where he led a research team making investment recommendations on integrated oil and refining stocks, as well as contributing to the firm's oil price forecast. Previously, Mr. Dann held various energy research positions at Credit Suisse First Boston and SBC Warburg. He is currently a director for the National Association of Petroleum Investment Analysts and is a CFA® charterholder.

**Robert Harris** is a member of the RS Value team. From 2005 to 2016, he was an analyst with RS Investment Management Co. LLC, which was acquired by Victory Capital in 2016. Before joining RS Investments, he was a financial services analyst at Dresdner RCM Global Investors, LLC. Previously, he was a marketing associate for Chevron Texaco Corporation. He also spent seven years as a flight engineer in the United States Air Force.

**Joseph Mainelli** is a member of the RS Value team. From 2007 to 2016, he was an analyst with RS Investment Management Co. LLC, which was acquired by Victory Capital in 2016. Before joining RS Investments, he was an equity research analyst focusing on small- and mid-cap value investments at David J. Greene & Company for three years. Previously, he was an equity research analyst at Sagamore Hill Capital and ING Furman Selz Asset Management.

**2. Victory Solutions—Completion Strategy**

- **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in a portfolio of securities that is customized to the Fund. Taking into consideration the holdings selected by the Fund's other investment managers, Victory Solutions will customize its portion of the Fund's assets to achieve one or more investment outcomes for the Fund as a whole, such as to seek potential alpha enhancement, adherence to the Fund's investment objective and/or risk mitigation.

- **PORTFOLIO MANAGERS**

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## World Growth Fund

### 1. RS Investments Developed Markets—Global Strategy

➢ **INVESTMENT PROCESS**

RS Investments Developed Markets ("RS Developed Markets") employs both fundamental analysis and a data-driven approach in seeking to identify companies across the market capitalization spectrum that it believes can sustain long-term growth. Valuation is also an integral part of the investment process. RS Developed Markets seeks to identify companies that it believes possess strong earnings quality, operational efficiency, sound management, favorable growth characteristics, and attractive valuations, and that enjoy favorable market sentiment. RS Developed Markets monitors macroeconomic and political trends, as well as risk exposures, as part of the overall investment process.

➢ **PORTFOLIO MANAGERS**

**U-Wen Kok** is the Chief Investment Officer of the RS Developed Markets team. From 2013 to 2016, she with RS Investment Management Co. LLC, which was acquired by Victory Capital in 2016. Before joining RS Investments, Ms. Kok was a portfolio manager at RBC Global Asset Management for its North American and Global equity products from January 2012 to October 2012. From August 2009 through May 2010, she provided portfolio management consulting services to BMO Asset Management. From 2001 to 2008, she was lead portfolio manager for two domestic active growth and value equity funds at Barclays Global Investors. For six years prior to that, Ms. Kok was a manager of Canadian quantitative active equity portfolios at the Ontario Teachers Pension Plan Board. Ms. Kok is a CFA® charterholder.

**Adam Mezan** has been a member of the RS Developed Markets team since 2014. Prior to joining RS Investments in 2014, Mr. Mezan worked at Nomura Asset Management in London, covering global industrials and auto sectors. Previously, he worked at CIBC World Markets, performing fundamental research on North American business/industrial services companies. Mr. Mezan holds a B.A. from Duke University and an M.B.A. from the University of Chicago. Mr. Mezan is a CFA® charterholder.

### 2. Victory Solutions—Completion Strategy

➢ **INVESTMENT PROCESS**

In making investment decisions for the Fund, Victory Solutions will invest the Fund's assets allocated to it in a portfolio of securities that is customized to the Fund. Taking into consideration the holdings selected by the Fund's other investment managers, Victory Solutions will customize its portion of the Fund's assets to achieve one or more investment outcomes for the Fund as a whole, such as to seek potential alpha enhancement, adherence to the Fund's investment objective and/or risk mitigation.

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**Extended Market Index Fund, Nasdaq-100 Index Fund and S&P 500 Index Fund**

**The following portfolio managers will be added to the Funds' existing portfolio managers:**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

**Wasif A. Latif** is expected to be named the Head of Investments, VictoryShares and Solutions for Victory Capital following the close of the Transaction. Mr. Latif is currently Head of Global Multi-Assets for AMCO. Mr. Latif has 18 years of investment management experience, ten of which have been with AMCO. Education: B.S. in finance, University of Indianapolis; M.B.A., University of Illinois at Chicago.

**Cornerstone Aggressive Fund, Cornerstone Conservative Fund, Cornerstone Equity Fund, Cornerstone Moderate Fund, Cornerstone Moderately Aggressive Fund, Cornerstone Moderately Conservative Fund, Global Managed Volatility Fund, Managed Allocation Fund, Target Managed Allocation Fund, Target Retirement 2020 Fund, Target Retirement 2030 Fund, Target Retirement 2040 Fund, Target Retirement 2050 Fund, Target Retirement 2060 Fund, and Target Retirement Income Fund**

**The following portfolio manager will be added to the Funds' existing portfolio managers:**

**Mannik S. Dhillon** serves as President, VictoryShares and Solutions, for Victory Capital. From 2015-2017, he served as Victory Capital's Head of Investment Solutions, Product, and Strategy. From 2010 to 2015, Mr. Dhillon served as a managing director and head of manager research with Wilshire Associates, where he evaluated asset managers and led strategic consulting engagements. Mr. Dhillon is a CFA® and CAIA® charterholder.

## APPENDIX G: ADDITIONAL FEE INFORMATION

For each Fund's most recent fiscal year end, the administration fees paid to AMCO, the 12b-1 fees paid by certain Classes of shares to IMCO, and the transfer agency fees paid to USAA Transfer Agency Company d/b/a USAA Shareholder Account Services ("Shareholder Account Services"), by each Fund were as follows:

### Administration Fees Paid to AMCO

| Fund | Administration Fee Paid to AMCO FYE 3/31/18 |
|---|---|
| California Bond Fund Shares | $1,023,632 |
| California Bond Fund Adviser Shares | $10,767 |
| New York Bond Fund Shares | $321,638 |
| New York Bond Fund Adviser Shares | $9,338 |
| Virginia Bond Fund Shares | $1,006,372 |
| Virginia Bond Fund Adviser Shares | $35,457 |
| Global Equity Income Fund Shares | $143,792 |
| Global Equity Income Fund Institutional Shares | $5,473 |
| Target Managed Allocation Fund | $242,196 |
| Tax Exempt Long-Term Fund Shares | $3,572,229 |
| Tax Exempt Long-Term Adviser Shares | $13,910 |
| Tax Exempt Intermediate-Term Fund Shares | $6,686,256 |
| Tax Exempt Intermediate-Term Adviser Shares | $48,548 |
| Tax Exempt Short-Term Fund Shares | $2,383,858 |
| Tax Exempt Short-Term Adviser Shares | $31,252 |
| Tax Exempt Money Market Fund | $1,879,874 |
| **Fund** | **Administration Fee Paid to AMCO FYE 5/31/18** |
| Growth and Tax Strategy Fund | $639,326 |
| Cornerstone Moderate Fund | $1,748,462 |
| Cornerstone Moderately Aggressive Fund | $3,722,737 |
| Cornerstone Moderately Conservative Fund | $324,498 |
| Cornerstone Aggressive Fund | $476,128 |
| Precious Metals and Minerals Fund Shares | $846,689 |
| Precious Metals and Minerals Fund Institutional Shares | $4,598 |
| Precious Metals and Minerals Fund Adviser Shares | $25,375 |
| Emerging Markets Fund Shares | $628,320 |
| Emerging Markets Fund Institutional Shares | $625,309 |
| Emerging Markets Fund Adviser Shares | $8,089 |
| International Fund Shares | $2,761,335 |
| International Fund Institutional Shares | $2,414,933 |
| International Fund Adviser Shares | $12,011 |
| World Growth Fund Shares | $2,059,562 |
| World Growth Fund Institutional Shares | $21,662 |
| World Growth Fund Adviser Shares | $20,782 |
| Government Securities Fund Shares | $547,731 |
| Government Securities Fund Institutional Shares | $215,154 |
| Government Securities Fund Adviser Shares | $8,067 |
| Government Securities Fund R6 Shares | $2,935 |
| Treasury Money Market Trust | $3,275,990 |
| Managed Allocation Fund | $405,868 |
| **Fund** | **Administration Fee Paid to AMCO FYE 7/31/18** |
| Aggressive Growth Fund Shares | $2,198,891 |
| Aggressive Growth Fund Institutional Shares | $6,309 |
| Capital Growth Fund Shares | $1,338,900 |
| Capital Growth Fund Institutional Shares | $7,127 |

| | |
|---|---|
| Growth Fund Shares | $2,256,048 |
| Growth Fund Institutional Shares | $1,400,035 |
| Growth & Income Fund Shares | $2,539,160 |
| Growth & Income Fund Adviser Shares | $15,646 |
| Growth & Income Fund Institutional Shares | $150,354 |
| High Income Fund Shares | $1,823,269 |
| High Income Fund Institutional Shares | $970,245 |
| High Income Fund Adviser Shares | $14,944 |
| High Income Fund R6 Shares | $2,548 |
| Income Fund Shares | $5,683,883 |
| Income Fund Institutional Shares | $3,768,629 |
| Income Fund Adviser Shares | $178,880 |
| Income Fund R6 Shares | $7,763 |
| Income Stock Fund Shares | $2,544,993 |
| Income Stock Fund Institutional Shares | $1,089,108 |
| Income Stock Fund R6 Shares | $5,365 |
| Intermediate-Term Bond Fund Shares | $2,937,310 |
| Intermediate-Term Bond Fund Institutional Shares | $1,986,910 |
| Intermediate-Term Bond Fund Adviser Shares | $90,830 |
| Intermediate-Term Bond Fund R6 Shares | $2,545 |
| Money Market Fund | $4,449,392 |
| Science & Technology Fund Shares | $1,879,706 |
| Science & Technology Fund Adviser Shares | $175,460 |
| Short-Term Bond Fund Shares | $1,898,512 |
| Short-Term Bond Fund Institutional Shares | $1,961,739 |
| Short-Term Bond Fund Adviser Shares | $36,146 |
| Short-Term Bond Fund R6 Shares | $2,564 |
| Small Cap Stock Fund Shares | $1,048,572 |
| Small Cap Stock Fund Institutional Shares | $953,024 |
| Value Fund Shares | $1,467,969 |
| Value Fund Institutional Shares | $624,294 |
| Value Fund Adviser Shares | $14,523 |
| **Fund** | **Administration Fee Paid to AMCO FYE 12/31/18** |
| S&P 500 Index Fund Member Shares | $1,885,064 |
| S&P 500 Index Fund Reward Shares | $1,952,851 |
| Nasdaq-100 Index Fund Shares | $2,066,663 |
| Nasdaq-100 Index Fund R6 Shares | $2,281 |
| Extended Market Index Fund | $1,792,398 |
| Target Retirement Income Fund | $5,407 |
| Target Retirement 2020 Fund | $9,840 |
| Target Retirement 2030 Fund | $19,347 |
| Target Retirement 2040 Fund | $21,150 |
| Target Retirement 2050 Fund | $11,803 |
| Target Retirement 2060 Fund | $1,085 |
| Global Managed Volatility Fund Shares | $20,678 |
| Global Managed Volatility Fund Institutional Shares | $326,283 |
| Ultra Short-Term Bond Fund Shares | $538,421 |
| Ultra Short-Term Bond Fund Institutional Shares | $6,602 |
| Ultra Short-Term Bond Fund R6 Shares | $2,117 |

**The 12b-1 Fees Paid by Certain Classes of Shares to IMCO**

| Fund | Compensation to Dealers | Marketing, Advertising, Prospectus Delivery, Sales Personnel, IT Services, and Other Expenses of Distributor | Total 12b-1 Distribution Fees |
|---|---|---|---|
| **FYE 3/31/18** | | | |
| California Bond Fund Adviser Shares | $4,736 | $13,210 | $17,946 |
| New York Bond Fund Adviser Shares | $3,052 | $12,511 | $15,564 |
| Virginia Bond Fund Adviser Shares | $52,465 | $6,629 | $59,095 |
| Tax Exempt Long-Term Fund Adviser Shares | $10,602 | $12,581 | $23,183 |
| Tax Exempt Intermediate-Term Fund Adviser Shares | $74,171 | $6,742 | $80,913 |
| Tax Exempt Short-Term Fund Adviser Shares | $49,932 | $2,154 | $52,086 |
| **FYE 5/31/18** | | | |
| Emerging Markets Fund Adviser Shares | ($729) | $14,211 | $13,482 |
| International Fund Adviser Shares | ($1,227) | $21,246 | $20,019 |
| Precious Metals and Minerals Fund Adviser Shares | $38,087 | $4,205 | $42,292 |
| World Growth Fund Adviser Shares | $15,082 | $19,553 | $34,636 |
| Government Securities Fund Adviser Shares | $797 | $12,648 | $13,445 |
| **FYE 7/31/18** | | | |
| Growth & Income Fund Adviser Shares | $1,064 | $25,014 | $26,077 |
| High Income Fund Adviser Shares | $12,310 | $12,597 | $24,907 |
| Income Fund Adviser Shares | $297,464 | $ 670 | $298,134 |
| Intermediate-Term Bond Fund Adviser Shares | $150,591 | $792 | $151,383 |
| Science & Technology Fund Adviser Shares | $287,433 | $5,001 | $292,434 |
| Short-Term Bond Fund Adviser Shares | $47,875 | $12,369 | $60,244 |
| Value Fund Adviser Shares | $129 | $24,075 | $24,204 |

No Fund paid brokerage commissions within its last fiscal year to any broker that is an affiliated person of such Fund or an affiliated person of such person.

**Amounts Paid to USAA Shareholder Account Services**

| Fund | USAA Shareholder Account Services FYE 3/31/18 |
|---|---|
| California Bond Fund Shares | $161,000 |
| California Bond Fund Adviser Shares | $2,000 |
| New York Bond Fund Shares | $48,000 |
| New York Bond Fund Adviser Shares | $1,000 |
| Virginia Bond Fund Shares | $207,000 |
| Virginia Bond Fund Adviser Shares | $11,000 |
| Tax Exempt Long-Term Fund Shares | $720,000 |
| Tax Exempt Long-Term Fund Adviser Shares | $3,000 |
| Tax Exempt Intermediate-Term Fund Shares | $1,489,000 |

| | |
|---|---|
| Tax Exempt Intermediate-Term Fund Adviser Shares | $23,000 |
| Tax Exempt Short-Term Fund Shares | $748,000 |
| Tax Exempt Short-Term Fund Adviser Shares | $4,000 |
| Tax Exempt Money Market Fund | $2,820,000 |
| Global Equity Income Fund Shares | $144,000 |
| Global Equity Income Fund Institutional Shares | $6,000 |
| Target Managed Allocation Fund | $242,000 |
| **Fund** | **USAA Shareholder Account Services FYE 5/31/18** |
| Growth and Tax Strategy Fund | $318,000 |
| Cornerstone Moderate Fund | $2,657,000 |
| Cornerstone Moderately Aggressive Fund | $4,652,000 |
| Cornerstone Moderately Conservative Fund | $539,000 |
| Cornerstone Aggressive Fund | $1,107,000 |
| Cornerstone Conservative Fund | None |
| Cornerstone Equity Fund | None |
| Precious Metals and Minerals Fund Shares | $1,695,000 |
| Precious Metals and Minerals Fund Institutional Shares | $5,000 |
| Precious Metals and Minerals Fund Adviser Shares | $4,000 |
| Emerging Markets Fund Shares | $952,000 |
| Emerging Markets Fund Institutional Shares | $625,000 |
| Emerging Markets Fund Adviser Shares | $500 |
| International Fund Shares | $2,203,000 |
| International Fund Institutional Shares | $2,415,000 |
| International Fund Adviser Shares | $500 |
| World Growth Fund Shares | $2,035,000 |
| World Growth Fund Institutional Shares | $22,000 |
| World Growth Fund Adviser Shares | $15,000 |
| Government Securities Fund Shares | $470,000 |
| Government Securities Fund Institutional Shares | $215,000 |
| Government Securities Fund Adviser Shares | $1,000 |
| Government Securities Fund R6 Shares | $1,000 |
| Treasury Money Market Trust | $3,276,000 |
| Managed Allocation Fund | $406,000 |
| **Fund** | **USAA Shareholder Account Services FYE 7/31/18** |
| Aggressive Growth Fund Shares | $1,757,000 |
| Aggressive Growth Fund Institutional Shares | $6,000 |
| Capital Growth Fund Shares | $1,495,000 |
| Capital Growth Fund Institutional Shares | $7,000 |
| Growth Fund Shares | $1,488,000 |
| Growth Fund Institutional Shares | $1,400,000 |
| Growth & Income Fund Shares | $1,721,000 |
| Growth & Income Fund Adviser Shares | $151,000 |
| Growth & Income Fund Institutional Shares | $1,000 |
| High Income Fund Shares | $1,676,000 |
| High Income Fund Institutional Shares | $970,000 |
| High Income Fund Adviser Shares | $7,000 |
| High Income Fund R6 Shares | $1,000 |

| | |
|---|---|
| Income Fund Shares | $4,047,000 |
| Income Fund Institutional Shares | $3,769,000 |
| Income Fund Adviser Shares | $116,000 |
| Income Fund R6 Shares | $2,000 |
| Income Stock Fund Shares | $1,342,000 |
| Income Stock Fund Institutional Shares | $1,089,000 |
| Income Stock Fund R6 Shares | $1,000 |
| Intermediate-Term Bond Fund Shares | $2,189,000 |
| Intermediate-Term Bond Fund Institutional Shares | $1,987,000 |
| Intermediate-Term Bond Fund Adviser Shares | $66,000 |
| Intermediate-Term Bond Fund R6 Shares | $1,000 |
| Money Market Fund | $11,124,000 |
| Science & Technology Fund Shares | $1,484,000 |
| Science & Technology Fund Adviser Shares | $153,000 |
| Short-Term Bond Fund Shares | $1,890,000 |
| Short-Term Bond Fund Institutional Shares | $1,962,000 |
| Short-Term Bond Fund Adviser Shares | $6,000 |
| Short-Term Bond Fund R6 Shares | $1,000 |
| Small Cap Stock Fund Shares | $1,068,000 |
| Small Cap Stock Fund Institutional Shares | $953,000 |
| Value Fund Shares | $1,188,000 |
| Value Fund Institutional Shares | $624,000 |
| Value Fund Adviser Shares | $1,000 |
| **Fund** | **USAA Shareholder Account Services FYE 12/31/17** |
| S&P 500 Index Fund Shares | $2,788,000 |
| S&P 500 Index Fund Reward Shares | $268,000 |
| Nasdaq-100 Index Fund Shares | $1,410,000 |
| Nasdaq-100 Index Fund R6 Shares | $500 |
| Extended Market Index Fund | $716,385 |
| Target Retirement Income Fund | None |
| Target Retirement 2020 Fund | None |
| Target Retirement 2030 Fund | None |
| Target Retirement 2040 Fund | None |
| Target Retirement 2050 Fund | None |
| Target Retirement 2060 Fund | None |
| Global Managed Volatility Fund Shares | $13,000 |
| Global Managed Volatility Fund Institutional Shares | $326,000 |
| Ultra Short-Term Bond Fund Shares | $330,000 |
| Ultra Short-Term Bond Fund Institutional Shares | $7,000 |
| Ultra Short-Term Bond Fund R6 Shares | $500 |

## APPENDIX H: THE FUNDS' INDEPENDENT PUBLIC ACCOUNTANT

### The Funds' Independent Public Accountant

Ernst & Young LLP ("E&Y"), 100 West Houston Street, Suite 1700, San Antonio, Texas 78205, was chosen by the Audit and Compliance Committee and the Board to serve as the independent registered public accounting firm for each Fund during its current fiscal year. In this capacity, E&Y; is responsible for the audits of the annual financial statements of the Funds of the Trust and reporting thereon.

Representatives of E&Y; are not expected to be at the Meeting to answer questions relating to the services provided to the Trust and its Funds. However, if such representatives are present at the Meeting, they will have the opportunity to make a statement if they desire to do so and would be available to respond to appropriate questions. Even if an E&Y; representative is not present at the Meeting, a representative could be contacted during the Meeting if any matter were to arise requiring assistance.

### Audit and Related Fees

The following table includes information regarding the audit fees, audit-related fees, tax services fees, and all other fees paid to E&Y; by the Funds of the Trust and their affiliated service providers, including AMCO (investment adviser and administrator), IMCO (principal underwriter), and SAS (transfer agent), for the fiscal years ended in 2016, 2017, and 2018, as applicable.

| Fiscal Year Ended March 31 | Audit Fees | Audit-Related Fees (1) | Tax Fees (2) | All Other Fees (3) |
|---|---|---|---|---|
| 2018 | $253,100 | $71,420 | $3,020 | $75,910 |
| 2017 | $322,400 | $70,020 | $4,883 | $74,460 |
| 2016 | $316,119 | $68,650 | $2,966 | $73,000 |

| Fiscal Year Ended May 31 | Audit Fees | Audit-Related Fees (1) | Tax Fees (2) | All Other Fees (3) |
|---|---|---|---|---|
| 2018 | $445,300 | $73,563 | $56,253 | $75,910 |
| 2017 | $439,547 | $71,420 | $135,059 | $74,460 |
| 2016 | $434,610 | $70,020 | $77,043 | $73,000 |

| Fiscal Year Ended July 31 | Audit Fees | Audit-Related Fees (1) | Tax Fees (2) | All Other Fees (3) |
|---|---|---|---|---|
| 2018 | $469,300 | $73,563 | $33,224 | $75,910 |
| 2017 | $490,103 | $71,420 | $133,746 | $74,460 |
| 2016 | $468,310 | $70,020 | $35,128 | $73,000 |

| Fiscal Year Ended December 31 | Audit Fees | Audit-Related Fees (1) | Tax Fees (2) | All Other Fees (3) |
|---|---|---|---|---|
| 2018 | $479,090 | $73,563 | $18,122 | $[ ] |
| 2017 | $464,050 | $71,420 | $19,783 | $75,930 |
| 2016 | $436,908 | $70,020 | $14,831 | $74,460 |

(1) Audit-related fees are fees for services rendered in assessing the controls of the funds' transfer agent.

(2) Tax fees are for services rendered in preparing and reviewing the Funds' tax returns and services for tax compliance and tax advice.

(3) All Other Fees includes Testing for Custody Rule SAS 70 and Rule 204/206 Regulatory Procedures.

All of the services for audit fees, audit-related fees, and tax fees paid to E&Y; for the fiscal years ended in 2016, 2017, and 2018, as applicable, must be and were pre-approved by the Trust's Audit and Compliance Committee. Those pre-approval procedures are described below.

**Non-Audit Fees**

SEC rules also require that we detail the total non-audit fees paid to E&Y; by the Funds, and fees paid to E&Y; for non-audit services for AMCO and any other entity controlling, controlled by or under common control with AMCO that provides ongoing services to the Funds even if the services were not related to the Funds or required pre- approval by the Trust's Audit and Compliance Committee. The aggregate non-audit fees billed by E&Y; for services rendered to AMCO, and any entity controlling, controlled by, or under common control with AMCO that provides ongoing services to the Funds were $0 for the applicable fiscal year ends referenced in the table above.

All non-audit services to be performed for the Funds by E&Y; must be pre-approved by the Audit and Compliance Committee. The Audit and Compliance Committee Charter also permits the Chair of the Audit and Compliance Committee to pre-approve any permissible non-audit service that must be commenced prior to a scheduled meeting of the Audit and Compliance Committee. All non-audit services were pre-approved by the Audit and Compliance Committee or its Chair, consistent with the Audit and Compliance Committee's pre-approval procedures. The Trust's Audit and Compliance Committee has determined that the provision of non-audit services to the Funds, AMCO, IMCO, and SAS is compatible with maintaining the independence of E&Y.;

**Pre-Approval Procedures of the Audit and Compliance Committee**

Audit services provided to the Funds are subject to pre-approval procedures contained within the Audit and Compliance Committee Charter. Audit services requiring pre-approval include those services provided by the independent auditor to the Funds, including the plan and scope of the audit, and any non-audit services to be provided by the independent auditor to the Funds, the Funds' investment adviser, and any entity controlling, controlled by, or under common control with the Funds' investment adviser that provides ongoing services to the Funds, if the engagement relates directly to the operations and financial reporting of the Funds.

The terms audit services and non-audit services are defined under applicable SEC rules or regulations. Pre-approval may be granted for specific projects or services, or pursuant to separate pre-approval policies and procedures approved by the Audit and Compliance Committee. The Audit and Compliance Committee may delegate to one or more designated members of the Committee the authority to pre-approve all or some audit and non-audit services.

The Committee currently delegates to its Chair the power to pre-approve audit and non-audit services that must be commenced before the next regularly scheduled Committee meeting, provided that any decisions of the Chair be presented to the full Audit and Compliance Committee at its next regularly scheduled meeting.

The Audit and Compliance Committee shall determine whether the provision by the independent auditor of non- audit services provided to the Funds' investment adviser, and any entity controlling, controlled by, or under common control with the Funds' investment adviser that provides ongoing services to the Funds that were not pre-approved, as specified in the Audit and Compliance Committee Charter, by the Committee is compatible with maintaining the auditor's independence.

The Audit and Compliance Committee will meet at least two times a year. Other meetings will be held as requested by the Board of Trustees, or when the Chair of a Committee deems additional meetings are required or advisable, upon notice to the Secretary of the affected Fund. If circumstances require a special Committee meeting prior to the next scheduled Board meeting, the Chair of the Committee, upon notification to the Secretary of the affected Fund, may convene a special meeting of the Committee.

The Audit and Compliance Committee shall ordinarily meet in person; however, members may attend telephonically, and the Committee may act by written consent, to the extent permitted by law and the Trust's bylaws. A majority of the members of the Audit and Compliance Committee shall constitute a quorum.

## APPENDIX I: THE FUNDS' EXISTING MANAGEMENT AGREEMENTS

The Funds' have the following Existing Management Agreements:

(i) the Investment Advisory Agreement, dated August 1, 2006, between USAA Mutual Funds Trust, on behalf of its Funds (other than the Extended Market Index Fund, Nasdaq-100 Index Fund, and S&P 500 Index Fund), and AMCO, as amended (the "Existing Multi-Fund Agreement");

(ii) the Management Agreement, dated August 1, 2006, between USAA Mutual Funds Trust, on behalf of its series Extended Market Index Fund, and AMCO (the "Existing Extended Market Agreement");

(iii) the Advisory Agreement, dated August 1, 2006, between USAA Mutual Funds Trust, on behalf of its series Nasdaq-100 Index Fund, and AMCO (the "Existing Nasdaq-100 Agreement"); and

(iv) the Management Agreement, dated August 1, 2006, between USAA Mutual Funds Trust, on behalf of its series S&P 500 Index Fund, and AMCO (the "Existing S&P 500 Agreement")

The shareholders of the Intermediate-Term Bond Fund, Cornerstone Moderate Fund, and Cornerstone Moderately Aggressive Fund, last approved amendments to the Existing Multi-Fund Agreement on March 22, 2017, and shareholders of the Government Securities Fund (formerly USAA GNMA Trust) last approved an amendment to the Existing Multi-Fund Agreement on November 10, 2011. The shareholders of the Aggressive Growth Fund, California Bond Fund, Capital Growth Fund, Emerging Markets Fund, Extended Market Index Fund, Growth Fund, Growth & Income Fund, Growth and Tax Strategy Fund, High Income Fund, Income Fund, Income Stock Fund, International Fund, Money Market Fund, Nasdaq-100 Index Fund, New York Bond Fund, Precious Metals and Minerals Fund, Science & Technology Fund, Small Cap Stock Fund, S&P 500 Index Fund, Short-Term Bond Fund, Tax Exempt Intermediate-Term Bond Fund, Tax Exempt Long-Term Fund, Tax Exempt Short-Term Fund, Tax Exempt Money Market Fund, Treasury Money Market Trust, Value Fund, Virginia Bond Fund, and World Growth Fund approved the Existing Multi-Fund Agreement on July 19, 2006. The sole shareholder of each of the other Funds approved the Existing Multi-Fund Agreement prior to the commencement of operations of the Funds.

## APPENDIX J: TRUST'S OFFICERS POST TRANSACTION

| Name | Title |
|---|---|
| John Spear | Vice President |
| Stephanie Ann Higby | Chief Compliance Officer |
| Kristen Millan | Secretary |
| Seba Kurian | Assistant Secretary |
| James De Vries | Treasurer |
| Carol Trevino | Assistant Treasurer |

The selection of Funds' officers is subject to change and Board approval.

## APPENDIX K: CORPORATE GOVERNANCE COMMITTEE CHARTER

CHARTER OF THE CORPORATE GOVERNANCE COMMITTEES
OF THE BOARDS OF THE
USAA MUTUAL FUNDS TRUST AND USAA ETF TRUST

The charter for the Corporate Governance Committees (hereafter, Corporate Governance Committee or Committee) consists of the following:

A. Membership and Chairperson:

The Corporate Governance Committee will be composed of members of the Boards of Trustees (the Board) of the USAA Mutual Funds Trust and the USAA ETF Trust (the Trust). The Board will select the Committee's members. No member of the Corporate Governance Committee may be an "interested person," as that term is defined under the Investment Company Act of 1940, as amended (1940 Act), of the Trust, nor shall any member receive compensation from the Trust except compensation for service as a member of the Trust's Board or a Committee of the Board. The Board will select the Chairperson of the Committee.

B. Purpose:

To maintain oversight of the organization and performance of the Board, to evaluate the effectiveness of the Board, to ensure that the Board conducts itself ethically in accordance with applicable law, to maintain a policy on Board tenure and term limitations for Trustees who are not an "interested person," as that term is defined under the 1940 Act, of the Trust (Independent Trustees), to recommend candidates to fill vacancies for Independent Trustee positions on the Board, and to oversee the annual evaluation of the performance of the Board and the committees of the Board.

C. Functions:

The principal functions to be performed by the Committee are:

(1) With respect to Board size, structure, training and evaluation:
- (a) Develop desired qualifications, experience, abilities, skills and expectations of performance for individual Independent Trustees.
- (b) Arrange for such initial orientation and subsequent training to be made available to the Independent Trustees of the Board as the Committee deems appropriate.
- (c) Establish, implement and oversee an evaluation process to annually review the performance of the Board and the committees of the Board, including the effectiveness of the structure, size, and procedures of the Board and the committees of the Board, and make recommendations to the Board, as necessary or appropriate, regarding the same.
- (d) Review and, as necessary, propose amendments to the Trust's bylaws, Master Trust Agreement, Board Resolutions and any other relevant documents as they relate to the Trustee positions on the Board.
- (e) At least annually review the compensation for the Independent Trustees to ensure that such members of the Board are being fairly and equitably compensated for their services.
- (f) Oversee the structure and process of Board meetings to fully utilize the capabilities of USAA Asset Management Company (AMCO or the Adviser) in such areas as portfolio management oversight, regulatory updates and reports on items of special interest to the Independent Trustees in the performance of their oversight function.
- (g) Ensure that Independent Trustees meet at least once quarterly in a session where no Trustees who are interested persons of the Trust are present.

(2) With respect to Board nominations:
- (a) Develop procedures for identifying and recruiting potential candidates for Board membership.

(b) Recruit and screen individuals who possess the qualifications necessary to execute the responsibilities of an Independent Trustee. Identify and recommend to the Board nominees for election as Independent Trustees.

(c) Identify and recommend to the Board nominees for membership on committees of the Board as vacancies occur.

(d) Monitor the Board tenure policy providing for a rotation of Board member terms for the Independent Trustees.

(3) With respect to other matters:

(a) Review this Charter at least annually and recommend any changes to the Board.

(b) As necessary, recommend to the Board of Trustees investigations into any matters under the Committee's cognizance.

(c) Review and monitor any Code of Ethics related to the Funds and recommend revisions where necessary.

(d) Hire employees and retain advisers and experts, as is deemed necessary or appropriate, to assist the Committee in the execution of its duties, and establish, implement and oversee any policies and procedures necessary or appropriate to implement this authority.

(e) Act upon such other issues and matters as may be presented to the Committee from time to time by the Board or the Adviser.

D. Reports:

The Committee will report to the Board of Trustees periodically regarding proceedings of, actions taken by, and decisions made by, the Committee.

E. Meetings:

The Committee shall meet at such times and conduct such business as designated by the Chair of the Committee, in accordance with the responsibilities set forth in this Charter. Meetings are to be attended only by members of the Committee, the appointed recorder, counsel for the Independent Trustees, and any guests whose attendance is approved in advance by the Committee Chair. Meetings may be conducted in person or telephonically.

(1) Minutes will be kept documenting all proceedings and decisions of the Committee.

(2) The Committee may act by written consent, to the extent permitted by law and the Trust's bylaws.

(3) A majority of the members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The action of a majority of the members present at the meeting at which a quorum is present shall be the action of the Committee.

F. Duration:

The Committee shall continue in existence on a permanent basis until dissolved by the Board.

G. Legal Counsel:

In addition to USAA counsel, the Trust's outside counsel and counsel to the Independent Trustees will be made available to the Committee for such advice and assistance as may be required.

As Approved: September 26, 2012
As Amended, Effective: June 14, 2017

## APPENDIX L: OUTSTANDING SHARES OF THE FUNDS

The tables below show the number of outstanding shares of the Trust and each class of each Fund as of the Record Date that are entitled to vote at the Meeting.

| Fund | Total Number | Number of Class (Fund Shares) | Number of Class (Institutional Shares) | Number of Class (Adviser Shares) | Number of Class (R6 Shares) |
|---|---|---|---|---|---|
| Aggressive Growth Fund | | | | | |
| California Bond Fund | | | | | |
| Capital Growth Fund | | | | | |
| Cornerstone Aggressive Fund | | | | | |
| Cornerstone Conservative Fund | | | | | |
| Cornerstone Equity Fund | | | | | |
| Cornerstone Moderately Aggressive Fund | | | | | |
| Cornerstone Moderate Fund | | | | | |
| Cornerstone Moderately Conservative Fund | | | | | |
| Emerging Markets Fund | | | | | |
| Extended Market Index Fund | | | | | |
| Global Equity Income Fund | | | | | |
| Global Managed Volatility Fund | | | | | |
| Government Securities Fund | | | | | |
| Growth & Income Fund | | | | | |
| Growth Fund | | | | | |
| Growth and Tax Strategy Fund | | | | | |
| High Income Fund | | | | | |
| Income Fund | | | | | |
| Income Stock Fund | | | | | |
| Intermediate-Term Bond Fund | | | | | |
| International Fund | | | | | |
| Managed Allocation Fund | | | | | |
| Money Market Fund | | | | | |
| Nasdaq-100 Index Fund | | | | | |
| New York Bond Fund | | | | | |
| Precious Metals and Minerals Fund | | | | | |
| S&P 500 Index Fund | | | | | |
| Science & Technology Fund | | | | | |
| Short-Term Bond Fund | | | | | |
| Small Cap Stock Fund | | | | | |
| Target Managed Allocation Fund | | | | | |
| Target Retirement 2020 Fund | | | | | |
| Target Retirement 2030 Fund | | | | | |
| Target Retirement 2040 Fund | | | | | |
| Target Retirement 2050 Fund | | | | | |
| Target Retirement 2060 Fund | | | | | |
| Target Retirement Income Fund | | | | | |
| Tax Exempt Intermediate-Term Fund | | | | | |
| Tax Exempt Long-Term Fund | | | | | |
| Tax Exempt Money Market Fund | | | | | |

| Fund | Total Number | Number of Class (Fund Shares) | Number of Class (Institutional Shares) | Number of Class (Adviser Shares) | Number of Class (R6 Shares) |
|---|---|---|---|---|---|
| Tax Exempt Short-Term Fund | | | | | |
| Treasury Money Market Trust | | | | | |
| Ultra Short-Term Bond Fund | | | | | |
| Value Fund | | | | | |
| Virginia Bond Fund | | | | | |
| World Growth Fund | | | | | |
| USAA Mutual Funds Trust | | | | | |

## APPENDIX M: FIVE PERCENT OWNER REPORT

As of the Record Date, the Fund is not aware of any person or "group" (as that term is used in Section 13(d) of the Securities Exchange Act of 1934, as amended) owning beneficially or of record more than 5% of any Fund's outstanding shares, except as provided in the table below. A shareholder who owns beneficially 25% or more of a Fund's outstanding shares may be deemed to "control" (as defined in the 1940 Act) that Fund.

| Fund | Share Class | Name and Address of Owner | Shares Beneficially Owned | Percentage Owned |
|---|---|---|---|---|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
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| | | | | |

As of the Record date, the Fund's Trustee Nominees, current Trustees, and officers as a group owned less than 1% of the outstanding shares of each Fund.

THE BOARD OF TRUSTEES OF THE
COLLEGE SAVINGS PLANS OF NEVADA

# Agenda Item 10
# February 27, 2019

**Item:**
**Staff to provide information on the merger of Pension Consulting Alliance, Inc. and Meketa Investment Group.**

**Summary:**
Staff was informed on January 15, 2019 that the Board's investment consultant, Pension Consulting Alliance, Inc. (PCA) reached an agreement with Meketa Investment Group, Inc. (Meketa) to combine the two organizations sometime in the first half of the year.

Meketa has a staff of approximately 160 in five U.S. Offices and in London. The firm provides investment consulting and advisory services to more than 170 institutions with collective assets of approximately $1.1 trillion. Upon completion of the merger, Meketa co-CEOS Steve McCourt and Peter Woolley, supported by their existing senior management team, will lead the organization which will continue to be named Meketa. Meketa's Executive Committee, and other management committees, will include representatives from both Meketa and PCA. All of PCA's board members will become Meketa shareholders and equity will be offered to additional PCA employees as well. There is currently no planned reduction in staff and there will be no changes in client relations, as the College Savings Board and staff will continue to be served by the existing PCA staff.

**Fiscal Impact:** None by this action.