ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/15 AND ENDING 12/31/15

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: USAA Investment Management Company

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)
9800 Fredericksburg Road
San Antonio, TX 78288

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Kirsten Register
(210) 913-0703

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Ernst & Young LLP
100 West Houston Street, Suite 1800
San Antonio, TX 78205

CHECK ONE:
☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.
OATH OR AFFIRMATION

1. Kirsten Register, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of USAA Investment Management Company, as of December 31, 2015, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Signature]

Vice President, Controller

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders’ Equity or Partners’ or Sole Proprietors’ Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).
Report of Independent Registered Public Accounting Firm

Board of Directors
USAA Investment Management Company

We have audited the accompanying statement of financial condition of USAA Investment Management Company (the Company) as of December 31, 2015. This financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of USAA Investment Management Company at December 31, 2015, in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP
February 25, 2016
USAA INVESTMENT MANAGEMENT COMPANY

Statement of Financial Condition

December 31, 2015

(Dollars in thousands, except share amounts)

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$100,399</td>
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<tr>
<td>Receivable from clearing organization</td>
<td>9,285</td>
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<tr>
<td>Receivable from related parties</td>
<td>917</td>
</tr>
<tr>
<td>Software and equipment, at cost, net of accumulated depreciation and amortization of $43,187</td>
<td>36,114</td>
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<tr>
<td>Accrued revenue</td>
<td>14,464</td>
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<tr>
<td>Current income tax receivable, net</td>
<td>474</td>
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<tr>
<td>Other assets</td>
<td>971</td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>$162,624</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Stockholder's Equity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
</tr>
<tr>
<td>Payable to clearing organization</td>
<td>$5,664</td>
</tr>
<tr>
<td>Payable to related parties</td>
<td>41,064</td>
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<tr>
<td>Accrued personnel expenses</td>
<td>13,231</td>
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<tr>
<td>Deferred income tax payable, net</td>
<td>1,853</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>4,583</td>
</tr>
<tr>
<td>Securities sold, not yet purchased, at fair value</td>
<td>54</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>66,449</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stockholder's Equity:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock, $0.01 par value; 1,000 shares authorized; 100 shares issued and outstanding, voting</td>
<td>1</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>76,312</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>19,862</td>
</tr>
<tr>
<td><strong>Total stockholders equity</strong></td>
<td><strong>96,175</strong></td>
</tr>
</tbody>
</table>

| **Total liabilities and stockholder's equity** | **$162,624** |

See accompanying notes to Statement of Financial Condition.
(1) Nature of operations

USAA Investment Management Company (IMCO), (also referred to as “we,” “our,” or “us,” unless otherwise denoted), is a wholly owned subsidiary of USAA Investment Corporation (ICORP), which is a wholly owned subsidiary of USAA Capital Corporation (CAPCO), which is in turn a wholly owned subsidiary of United Services Automobile Association (USAA).

We are a registered investment adviser under the Investment Advisers Act of 1940, a registered securities broker-dealer under the Securities Exchange Act of 1934, and a member of the Financial Industry Regulatory Authority, Inc. (FINRA). As a broker-dealer and investment adviser, we offer services, principally, to individuals eligible for membership in USAA or its affiliates, primarily active duty, retired, or honorably discharged United States military personnel and their families. Additionally, we serve as the underwriter and distributor of the USAA mutual funds.

(2) Summary of significant accounting policies

(a) Basis of presentation

Our accounting and reporting policies conform to accounting principles generally accepted in the United States (GAAP).

The preparation of the Statement of Financial Condition in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Statement of Financial Condition. Actual results could differ from those estimates.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash and highly liquid investments that have an original maturity at purchase of three months or less. At December 31, 2015, we held an investment in a money market fund of $20.

(c) Securities transactions

Proprietary and customer securities transactions are reported on a gross settlement date basis. Recording such transactions on a trade date basis would not have resulted in a material difference from that recorded in the Statement of Financial Condition.

At December 31, 2015, securities owned, at fair value of $40 and securities sold, not yet purchased of $54, included in Other assets and Other liabilities respectively, which consists primarily of equity securities and shares of regulated investment companies, are carried at fair value.

(d) Receivable from and payable to clearing organization

Receivable from clearing organization and Payable to clearing organization represents receivables from and payables to our clearing broker, National Financial Services, LLC (NFS), a Fidelity Investments Company, in accordance with our Fully Disclosed Clearing Agreement (FDCA). In addition, we have a $500 clearing deposit with NFS, included in Other assets.
(e) Software and equipment

Software and equipment consists primarily of purchased and internally developed software. Certain internal software development costs are capitalized to the extent of external direct costs of services consumed and salary costs relating to employees' time spent on the software project during the successful application development stage. Purchased software and internally developed software are amortized over three years using the straight-line method. Depreciation of electronic data processing equipment is computed using the double-declining balance method over an estimated useful life of three years. Capitalized software costs are evaluated for impairment when changing circumstances indicate that amounts capitalized may be impaired. Impaired items are written down to their estimated fair values at the date of evaluation. No such impairments were recognized in 2015.

(f) Accrued Revenue

Accrued revenue consists primarily of the monthly accrual of amounts earned for the management of customer advisory accounts. Advisory fee revenue is recognized in the month the services are provided and settled the following month.

(g) Income taxes

IMCO is included in the consolidated federal income tax return filed by USAA. Taxes are allocated to the separate subsidiaries of USAA based upon a tax allocation agreement, whereby subsidiaries receive a current benefit to the extent that their losses are utilized by the consolidated group. Separate company current taxes are the higher of taxes computed at a 35% rate on regular taxable income or taxes computed at a 20% rate on alternative minimum taxable income, adjusted for any consolidated benefits allocated to the subsidiaries.

Deferred income taxes are recognized for the federal and state tax consequences of “temporary differences” by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities.

We file separate company state tax returns or are included in unitary state returns, where applicable. State income taxes are allocated to state group members based on a tax allocation agreement for unitary jurisdictions and directly allocated for separate jurisdictions.

(h) New accounting pronouncements issued but not yet effective

The following Accounting Standards Updates (ASU) to the Financial Accounting Standards Board (FASB) Accounting Standards Codification have been issued but are not yet effective for us:

- ASU 2014-15, Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern;
- ASU 2015-05, Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.
Information about these accounting updates is described in more detail below:

**ASU 2014-15** requires management to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued. The ASU is effective for annual periods ending after December 15, 2016 and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. We do not expect a significant impact upon adoption.

**ASU 2015-05** provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. The ASU is effective for us for annual periods beginning after December 15, 2015. Early adoption is permitted. We do not expect a material impact upon adoption.

### Transactions with related parties

(a) **Receivable from and payable to related parties**

We have contracted for certain services from USAA and certain of its subsidiaries, such as rental of office space, utilities, mail processing, data processing, printing, employee benefits, and corporate staffing services. The contracted services and allocations are based upon various formulas or agreements. Accordingly, we pay for these various services and amounts owed are included in **Payable to related parties**. Amounts are settled monthly.

We have entered into an intercompany agreement with USAA Financial Advisors, Inc. (FAI), and USAA Financial Planning Services Insurance Agency, Inc. (FPS), covering services rendered by FAI and FPS for us. Additionally, we have entered into a referral services agreement with FAI and FPS, covering services rendered on behalf of our managed account program, USAA Managed Portfolios – UMP. Under the terms of the agreements, we engaged FAI and FPS to perform the functions traditionally associated with the selling and servicing of our products; e.g., customer contact center and sales management. The compensation charged for these services is based on predeteremined and contractually established rates. Amounts are settled monthly.

Some of the expenses allocated to and paid by IMCO for services performed by USAA and its affiliates are for the benefit of USAA Asset Management Company, (AMCO), an affiliated registered investment adviser, and our affiliated mutual fund transfer agent, USAA Transfer Agency Company doing business as USAA Shareholder Account Services (SAS). IMCO has entered into a services and cost allocation agreement with AMCO and SAS whereby they agree to reimburse IMCO for expenses paid on their behalf. Amounts are settled monthly.

We provide certain administrative and record keeping services related to brokerage sweep agreements with the USAA Federal Savings Bank (FSB), an affiliated company, and SAS. We also provide and receive services pursuant to various service fee agreements with the FSB. Amounts are settled monthly.
We have entered into a Selected Dealer agreement with AMCO. Under the terms of the agreement AMCO pays IMCO for its distribution and servicing, with respect to its brokerage accounts that hold shares of USAA mutual funds. Amounts are settled monthly.

In addition to the FDCA we have with NFS, we also have a secondary clearing agreement with FAI and NFS whereby FAI introduces brokerage customer accounts to us, and we, in turn, introduce the accounts to NFS. FAI is registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer and is a member of FINRA. FAI activities under the agreement included performing account opening and administration and taking client securities orders for clearance and settlement. FAI bills us for these services under the provisions of a reimbursement agreement. Amounts are settled monthly.

Under the terms of an intercompany funding agreement, we have the ability to borrow up to $500,000 from CAPCO. Borrowings under CAPCO's intercompany funding agreement are made for short-term liquidity purposes. We did not borrow from CAPCO in 2015.

(b) Employee benefit plans

Defined benefit pension plan
Most of our employees, who were hired before June 1, 2007, are covered under a defined benefit pension plan administered by USAA, which is accounted for on a group basis. The benefits are determined based on years of service and the employee's final average pay as defined in the plan. Substantially all employees who were at least 45 years of age with five or more years of service by August 31, 2007, will receive an additional age-and-service-based defined benefit for a 10-year period.

Postretirement benefits plan
Substantially all employees will become eligible for certain medical, dental, and life insurance benefits provided for retired employees under a plan administered by USAA if they meet minimum age and service requirements and retire while working for us.

Defined contribution plan
Substantially all of our employees are eligible to participate in USAA's defined contribution plan. We match participant contributions dollar-for-dollar to a maximum of 8% of a participant's compensation. Participants fully vest in our matching contributions after two years of vesting service.

USAA also provides another defined contribution benefit, Retirement Plus, which is available to substantially all of our employees. Retirement Plus is an age-based contribution which ranges from 3% to 9% of annual pay. The contribution is deposited into each participant's retirement account annually, provided USAA meets or exceeds its overall performance targets. These contributions are managed by the participants. The contributions become 20% vested upon the participant's completion of two years of vesting service and increase 20% each year such that the participant's new retirement benefit shall be 100% vested upon the completion of six years of vesting service.
USAA INVESTMENT MANAGEMENT COMPANY
Notes to Statement of Financial Condition
December 31, 2015
(Dollars in thousands)

(4) Fair value

FASB guidance on fair value measurements establishes a three-level valuation hierarchy for disclosure of assets and liabilities measured at fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets and liabilities that can be accessed at the measurement date.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly. We do not currently have any material financial instruments utilizing Level 2 inputs.

Level 3 – Inputs to the valuation methodology are unobservable for the asset or liability. We do not currently have any material financial instruments utilizing Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of December 31, 2015, by caption on the Statement of Financial Condition and by valuation hierarchy.

<table>
<thead>
<tr>
<th>Cash and cash equivalents:</th>
<th>Quoted prices in active markets for identical assets (Level 1)</th>
<th>Significant observable inputs (Level 2)</th>
<th>Significant unobservable inputs (Level 3)</th>
<th>Total carrying value at December 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Money market fund</td>
<td>$20</td>
<td>-</td>
<td>-</td>
<td>$20</td>
</tr>
<tr>
<td>Other assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities owned</td>
<td>$40</td>
<td>-</td>
<td>-</td>
<td>$40</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$60</td>
<td>-</td>
<td>-</td>
<td>$60</td>
</tr>
<tr>
<td>Other liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Securities sold, not yet purchased</td>
<td>$54</td>
<td>-</td>
<td>-</td>
<td>$54</td>
</tr>
<tr>
<td>Total liabilities at fair value</td>
<td>$54</td>
<td>-</td>
<td>-</td>
<td>$54</td>
</tr>
</tbody>
</table>

**Level 1 Analysis**

Included in Level 1 are highly liquid financial instruments such as equities listed in active markets and mutual funds. As quoted prices are available in an active market, these securities are classified in Level 1 of the valuation hierarchy.
Receivables from and payables to clearing organization and receivables from and payables to related parties are presented in the Statement of Financial Condition at contract amounts, which approximate fair value. The contract amounts approximate fair value due to the short-term duration. For all other financial assets and liabilities, carrying value approximates fair value due to their short-term nature.

Pursuant to the FDCA with NFS, IMCO may be responsible for non-payment by customers resulting from the execution of various securities transactions. These activities may expose us to off-balance sheet credit and market risks in the event the customer is unable to fulfill its contractual obligations. Such risks may be increased by volatile trading markets.

Securities sold, not yet purchased, are included in Other liabilities on the Statement of Financial Condition, and represent our obligation to deliver, through NFS, the specified security at the contracted price and, thereby, create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk as our ultimate obligation to satisfy the sale of securities sold, not yet purchased, may exceed the amount reflected in the Statement of Financial Condition.

Securities owned, at fair value, are included in Other assets on the Statement of Financial Condition and include our fractional share inventory and error inventory accounts. We review our fractional share inventory and sell fractional shares whenever possible. Securities owned and securities sold, not yet purchased, in our error inventory accounts at December 31st were covered on the next trading day.

(5) Software and equipment

Software and equipment at December 31, 2015 are summarized below.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capitalized software</td>
<td>$ 79,232</td>
</tr>
<tr>
<td>Equipment</td>
<td>69</td>
</tr>
<tr>
<td>Total</td>
<td>$ 79,301</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(43,187)</td>
</tr>
<tr>
<td>Software and equipment, net</td>
<td>$ 36,114</td>
</tr>
</tbody>
</table>
(6) Income taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2015 are presented below:

Deferred tax assets:
- Accrued bonus $3,071
- Accrued expenses 1,687
- Allowance for loan losses 16
- Other 44
Total gross deferred tax assets 4,818

Deferred tax liabilities:
- Depreciable assets and software (6,605)
- State income taxes, net of federal income tax (66)
Total gross deferred tax liabilities (6,671)
Deferred income tax liability, net $(1,853)

Management believes the gross deferred tax assets are more likely-than-not to be realized based on the expectation that such benefits will be utilized in future consolidated tax returns of the USAA group.

Our Statement of Financial Condition includes the following income tax receivable and payable amounts:

Income tax receivable (payable): Federal State Total
- Current income tax receivable, net $296 178 474
- Deferred income tax payable, net (1,752) (101) (1,853)
Total income tax (payable) receivable $(1,456) 77 (1,379)

Due to various tax authority developments in 2015, we have reassessed our uncertain tax positions, and, as of December 31, 2015 the balance of unrecognized tax benefits remains zero. Changes in the unrecognized tax benefits occur on a regular basis due to tax return examinations and settlements that are concluded, statutes of limitations that expire, and court decisions that are issued that interpret tax law. There are no positions involving taxability in certain tax jurisdictions and timing of certain tax deductions for which it is reasonably possible that the total amounts of unrecognized tax benefits for uncertain tax positions will significantly decrease within twelve months. At December 31, 2015 no range exists for potential decreases in the liability for uncertain tax positions due to resolution with tax authorities, as the balance of unrecognized tax benefits remains zero. Generally, the 2009 through 2015 tax years remain subject to examination.

For 2015 there are no penalties attributable to uncertain tax positions or interest payable recognized in the Statement of Financial Condition.
(7) Capital transactions
We have authorized 50,000 shares of adjustable, noncumulative, nonvoting perpetual preferred stock, Series A. CAPCO owned 100% of our preferred stock until it was redeemed in full for $5,000 in 2015. The dividend rate for the preferred stock was 2.62% and we paid cash dividends totaling $131 on the preferred stock to CAPCO in 2015.

(8) Net capital
We are subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. We have elected to use the alternative method permitted by the rule, which requires that we maintain minimum net capital, as defined, of $250. At December 31, 2015, our net capital was $48,618, which was $48,368 in excess of our minimum net capital requirement of $250.

Advances to related parties, dividend payments, and other equity withdrawals are subject to certain notification and other provisions of the SEC Uniform Net Capital Rule and other regulatory bodies. Notification was made as required in 2015.

(9) Commitments and contingencies
IMCO is party to various lawsuits and claims generally incidental to our business. The ultimate disposition of these matters is not expected to have a significant adverse effect on our financial position.

(10) Subsequent events
Events occurring after December 31, 2015 have been evaluated for possible adjustment to the Statement of Financial Condition or disclosure.