

USAA Investment Management Company

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This wrap fee program brochure provides information about the qualifications and business practices of USAA Investment Management Company (IMCO), the USAA Strategic Fund Adviser (SFA) program, and the USAA Global Opportunities Portfolio (GOP) program. If you have any questions about the contents of this brochure, please contact us at 877-314-2255. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about IMCO also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This wrap fee program brochure (“Brochure”) dated March 31, 2012 is an amendment filing to our last annual update filed March 31, 2011. We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’s fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

October 21, 2011 Brochure Update

Effective October 22, 2011, the SFA and GOP wrap programs were closed to new accounts.

January 1, 2012 Brochure Update

Effective January 1, 2012, IMCO underwent a corporate restructuring with IMCO continuing to provide advisory services intended for individual clients (e.g. wrap fee programs), while USAA Asset Management Company (AMCO), an indirect wholly owned subsidiary of the United Services Automobile Association (USAA), began providing investment advisory services to institutional and investment company clients, including the 46 separate series of the USAA Mutual Funds Trust. More information about AMCO can be found via the SEC’s web site www.adviserinfo.sec.gov.

Item 3 -Table of Contents

Item 2 – Material Changes.....	ii
Item 3 -Table of Contents.....	iii
Item 4 – Services, Fees and Compensation.....	1
Item 5 – Account Requirements and Types of <i>Clients</i>	7
Item 6 – Portfolio Manager Selection and Evaluation.....	8
Item 7 – <i>Client</i> Information Provided to Portfolio Managers.....	17
Item 8 – <i>Client</i> Contact with Portfolio Managers.....	17
Item 9 – Additional Information.....	17

Item 4 – Services, Fees and Compensation

OVERVIEW OF THE PROGRAMS

USAA Strategic Fund Adviser (SFA) and USAA Global Opportunities Portfolio (GOP) are personal asset management programs (together Programs, and each a Program) previously offered by USAA Investment Management Company (IMCO, we, or us), an investment adviser registered with the U. S. Securities and Exchange Commission (SEC) and a registered broker-dealer and a member of Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). IMCO is an indirect wholly owned subsidiary of United Services Automobile Association (USAA), a diversified financial services institution. SFA and GOP are closed to new accounts.

SFA offers two investment management programs: the USAA Portfolios and the Marketplace Portfolios. Both programs are similarly managed and are designed to help you invest your money in an appropriate professionally managed portfolio of investments based on your risk tolerance and asset allocation principles. The USAA Portfolios invest primarily in the USAA Mutual Funds Trust (referred to as the USAA Mutual Funds), a series of mutual funds managed by USAA Asset Management Company (AMCO), an investment adviser registered with the SEC and an IMCO affiliated company. The Marketplace Portfolios invest primarily in a portfolio of USAA Mutual Funds and non-USAA mutual funds. Both USAA Portfolios and Marketplace Portfolios also may invest in exchange-traded funds (ETFs), exchange-traded notes (ETNs), and the USAA Managed Allocation Fund (MAF), which is a series of USAA Mutual Funds Trust and not otherwise offered for investment to the general public. Unless otherwise indicated, all references in this Brochure to “funds” include both mutual funds and ETFs. The main differences between the USAA Portfolios and the Marketplace Portfolios are the mutual funds selected for your portfolio and the applicable Program Fee. Additional information about fees is provided in the subsection entitled “Fees and Minimums.”

GOP is designed to help you invest your money, based on your risk tolerance and asset allocation principles, in an appropriate professionally managed portfolio consisting primarily of the USAA Global Opportunities Fund as well as other USAA Mutual Funds. GOP is designed for investors with moderate to extensive investment knowledge who wish to pursue a long-term generally conservative growth strategy with a moderate level of risk.

Both individual and institutional investors may participate in the Programs, and the Programs may be used for IRAs, individual accounts, joint accounts and other non-retirement accounts, trusts, estates, charitable organizations, pension accounts, and shared-profit accounts.

The Programs are designed to provide investment strategies appropriate for different investors (Program Accounts). We may recommend the same or substantially similar Program Accounts to different investors with substantially similar investment objectives. You may place reasonable restrictions, or make reasonable modifications to existing restrictions, regarding the management of your Program Account by submitting a written request to us. Any reasonable restriction you may wish to impose regarding the management of your Program Account is subject to our review and approval. We will not accept any restrictions that are inconsistent with the applicable Program's stated investment strategy or philosophy or that are inconsistent with the nature or operation of that Program. If you choose to apply for or eliminate a restriction placed on your Program Account, please contact an investment representative. If we accept a restriction on your Program Account, your performance may differ from similar unrestricted Program Accounts.

To determine the appropriate Program Account for you, we review your individual financial situation, including your investment objectives, risk tolerance, planned investment time horizon, certain federal income tax considerations, and other information that you provide to us in the Managed Portfolio Finder Questionnaire (Questionnaire). You can locate and complete the Questionnaire by logging on to usaa.com. An investment representative from a USAA-affiliated company also may assist you with the completion of your Questionnaire over the telephone. Additional information about our investment representatives is provided in the subsection entitled "Investment Representatives."

After reviewing your Questionnaire, if we determine that either an SFA or GOP Program Account continues to be appropriate for you, we will provide you with your Investment Strategy Recommendation (also referred to as your "Program Recommendation") recommending the appropriate Program and specifying the asset allocation and specific investments included in your Program Account. The Program Account selected for you is based on an evaluation of your Questionnaire and any additional information or reasonable restrictions that you provide to us. We will not offer you advice regarding any of your assets that are not held in your Program Account; however, if you inform us of such assets, we may consider those assets in connection with the development of your Recommendation and the determination of the most appropriate Program Account strategy for you. We will rely on the information you provide when making our initial Program Account recommendation and during the ongoing management of your Program Account. Therefore, it is important that the information you provide to us in the Questionnaire is accurate and complete. You may access your Recommendation by logging on to our website. You also may print a copy of your Recommendation directly from our website or request a paper copy by mail from your investment representative.

FEATURES OF YOUR PROGRAM ACCOUNT

Account Administration and Custody. We will perform certain services for you pursuant to the Programs, including the implementation of our discretionary management trading instructions as well as custodial and related services. We will maintain a brokerage account in your name with us located at 9800 Fredericksburg Road, San Antonio, Texas, 78288. Participation in the Programs requires that you grant us full discretionary authority over your Program Account, including the authority to hold or sell the securities that you already own and transfer into your Program Account, and to buy the appropriate securities and investments to construct your Program Account.

Opening and Funding an Account. SFA and GOP are closed to new accounts. Participation in the Programs requires that you agree to the terms and conditions contained in the USAA Strategic Fund Adviser and Global Opportunities Portfolio Investment Advisory Agreement (Agreement) and sign a new investment account application (Application). You may electronically sign the Application by accessing our website and completing the Application on line. You also may request that your investment representative mail paper copies of the Agreement, Application, Recommendation, and this Program Brochure to you. We will not open your account until we receive your signed Application, which incorporates the terms and conditions of the Agreement by reference.

You may fund your Program Account, by depositing cash or transferring securities “in kind” to your Program Account. Accounts opened on or before October 21, 2011, but which were incompletely funded as of January 1, 2012, will be closed and any transferred funds will be returned to you. Once you meet the minimum initial investment, we will sell any or all securities transferred into your Program Account. Mutual fund shares transferred in and sold in your Program Account may be subject to sales loads, redemption fees, or other applicable charges imposed by the mutual funds, and certain other securities may be subject to fees; however, we will not charge a separate brokerage commission or transaction fee in connection with these sales. Sales of securities transferred to fund your Program Account are not tax-managed; and therefore, you may recognize a taxable gain or loss when we sell these securities. You should consult with your tax adviser if you plan to fund your account, in whole or in part, with a transfer of securities.

When you have provided all necessary paperwork and meet the minimum initial investment, we will begin discretionary investment management of your Program Account. We will not accept nondiscretionary assets into a Program Account. Please note that when funding your Program Account, once we purchase new mutual funds on your behalf, you may receive taxable distributions from the mutual funds out of mutual fund earnings that have accrued prior to your mutual fund purchase(s). As such, you may be “buying a dividend,” particularly if new mutual funds are purchased for your account immediately prior to the time that many mutual funds make significant year-end distributions. You should consider the tax implications of distributions that soon may be payable on mutual

funds that may be purchased for your account when making a decision regarding the timing of funding your account. Consult with your tax adviser as necessary.

Termination of Program Services. You may terminate Program services at any time. We retain the right in our sole judgment to terminate or amend the Agreement upon written notice to you. We also reserve the right to terminate Program services if we believe that the rendering of our advisory services is no longer appropriate for you. Additional information on termination of Program services is available in the Agreement.

Investment Representatives. Investment representatives are available to respond to any questions you might have regarding your Program Account and will act as liaison between you and us. Each investment representative is a registered investment adviser representative of USAA Financial Planning Services Insurance Agency, Inc. (FPS), a registered investment adviser and insurance agency. Investment representatives also may be a broker-dealer registered representative of USAA Financial Advisors, Inc. (FAI). On an ongoing basis, investment representatives are available to provide you with account service concerning your Program Account, as well as to discuss changes in your Program Account investments. You also will be offered an annual review of your Program Account selection. In addition to your annual review, you will receive a reminder on a quarterly basis to notify us of any change in your financial situation or individual needs.

FEES AND MINIMUMS

Information about the Program Fees. We will charge you a single Program fee (referred to also in this section as the “Net Program Fee”) covering discretionary investment management, brokerage and custodial services, ongoing management of your Program Account assets, personal service you receive from our investment representatives, and the communications you are provided to keep you informed about your Program Account. The Program fee does not cover charges resulting from SEC fees, electronic fund and wire transfer fees, and any other charges otherwise agreed to with regard to your Program Account. Except where explicitly noted, our Program advisory fees are not negotiable; however, we reserve the right to waive a portion of the applicable Program fee in limited circumstances including in connection with promotional efforts. As with other programs of this type, participation in the Program may cost you more or less than purchasing these services separately. For example, if there is heavy trading activity in your account and high custodial charges, the Program fee may cost you less than if you purchased advisory and custodial services separately and were charged brokerage commissions for each trade. Conversely, little trading activity and low custodial fees could result in the Program fee exceeding the cost of the services being charged separately.

Your Program Account began accruing Program fees when we began active management. We do not charge Program fees during the funding process prior to active management. We will deduct Program fees directly from your Program Account on a quarterly basis in

arrears. The applicable Program fee is calculated on the average daily balance based upon the market value of the assets in your Program Account, including cash balances and money market fund shares and, when applicable, is prorated based on the number of days the account is actively managed. Should you close your Program Account during a calendar quarter, we will cease active management upon notice from you and we will assess the applicable Program fee due for the period your Program Account assets were actively managed in the Program.

Fee Schedules for the Programs

USAA Strategic Fund Adviser Marketplace Portfolios			
\$ Value of SFA Program Assets	Maximum Annual Gross SFA Management Fees	Minimum Credit Amount	Maximum Annual Net Management Fees
First \$125,000	1.96%	0.91%	1.05%
Next \$125,000	1.81%	0.91%	0.90%
Next \$250,000	1.56%	0.91%	0.65%
Next \$500,000	1.31%	0.91%	0.40%
Over \$1,000,000	1.16%	0.91%	0.25%

USAA Strategic Fund Adviser USAA Portfolios			
\$ Value of SFA Program Assets	Maximum Annual Gross SFA Management Fees	Minimum Credit Amount	Maximum Annual Net Management Fees
First \$125,000	1.80%	1.10%	0.70%
Next \$125,000	1.75%	1.10%	0.65%
Next \$250,000	1.60%	1.10%	0.50%
Next \$500,000	1.40%	1.10%	0.30%
Over \$1,000,000	1.30%	1.10%	0.20%

USAA Global Opportunities Portfolio			
\$ Value of Program Assets	Maximum Annual Gross Program Fees	Minimum Credit Amount	Maximum Annual Net Program Fees
First \$125,000	1.80%	1.10%	0.70%
Next \$125,000	1.75%	1.10%	0.65%
Next \$250,000	1.60%	1.10%	0.50%

Next \$500,000	1.40%	1.10%	0.30%
Over \$1,000,000	1.30%	1.10%	0.20%

The Program fee (referred to also as the “Net Program Fee”) will be calculated by deducting a credit amount (the Credit Amount), as described below, from the applicable annual gross Program fee indicated above. The maximum annual Net Program Fee is 1.05% for the SFA Marketplace Portfolios, and 0.70% for both the SFA USAA Portfolios and the GOP Program, as reflected in the Fee Schedules above.

As noted, to calculate your Net Program Fee, your gross Program fee is reduced by a Credit Amount. The Credit Amount may reflect: (1) investment management fees received by AMCO from the USAA Mutual Funds held in your account; and (2) Rule 12b-1 and/or service fees received by IMCO or an affiliate from non-USAA mutual funds held in your account, as follows:

- (i) The Credit Amount for the SFA Marketplace Portfolios is calculated as the greater of: (i) an amount equal to 0.2275% of the value of your account (0.91% on an annual basis) or (ii) the sum of (a) the actual investment management fees including any performance adjustment (but not other fund expenses such as transfer agency fees) paid to AMCO or an affiliate during the quarter by USAA Mutual Funds that are attributable to the shares of such funds held in your account, plus (b) Rule 12b-1 and/or service fees paid to IMCO or an affiliate during that quarter that are attributable to the shares of non-USAA mutual funds held in your account.
- (ii) The Credit Amount for the SFA USAA Portfolios is calculated as the greater of: (i) an amount equal to 0.275% of the value of your account (1.10% on an annual basis) or (ii) the actual investment management fees including any performance adjustment (but not other fund expenses such as transfer agency fees) paid to AMCO or an affiliate during the quarter by USAA Mutual Funds that are attributable to the shares of such funds held in your account.
- (iii) The Credit Amount for the GOP Program is calculated as the greater of: (i) an amount equal to 0.275% of the value of your account (1.10% on an annual basis) or (ii) the actual investment management fees including any performance adjustment (but not other fund expenses such as transfer agency fees) paid to AMCO or an affiliate during the quarter by USAA Mutual Funds that are attributable to the shares of such funds held in your account.

You may pay a lower Net Program Fee based on the application of the “breakpoints.” You receive the lower breakpoint only on the assets contributed above each breakpoint level in

the charts above. You may qualify for more favorable Net Program Fees based on the total assets in Program Accounts in your household. For more information about householding fees, including sharing account information, limitations for IRA, retirement and fiduciary accounts, please see the section entitled “Minimums; Fees” in the Agreement.

We or our affiliates may be compensated for providing transfer agency, shareholder servicing, distribution and/or custodial services to certain USAA Mutual Funds held in your Program Account. Your Program fee will not be reduced by amounts received by us or our affiliates for these services. The other underlying USAA Mutual Fund expenses still apply. For a description of the fees paid by a USAA Mutual Fund, see the prospectus for that fund. Other than the GOF and MAF, you may invest directly in the funds included in your SFA or GOP Program Account outside of that Program without incurring our Program fees, but you will not receive the active management services we provide, and you may be subject to transaction and redemption charges, if applicable.

With respect to assets held in shares of non-USAA mutual funds, your Program fees will not be reduced by the amount of the management fees for those funds. IMCO may receive distribution fees (12b-1 fees) or shareholder servicing fees in connection with your investment in non-USAA funds. If you transfer a mutual fund into a retirement Program Account that pays 12b-1 fees and we hold that fund in your account for a period of time before selling it, we will rebate your Program Account with any 12b-1 fees that IMCO receives from that mutual fund for the period during which we held shares in your Program Account.

Item 5 – Account Requirements and Types of Clients

Types of Clients. Individual and institutional investors may participate in the Program, and the Program may be used for IRAs, individual accounts, joint accounts, and other non-retirement accounts, trusts, estates, charitable organizations, pension accounts, and shared-profit accounts.

Minimum Investment to Fund and Maintain an Account. SFA and GOP are closed to new accounts. To open a Program Account, you must have contributed at least \$50,000 in cash or securities. Subsequent contributions to your Program Account must be in amounts not less than \$50. We reserve the right to close your Program Account if your balance falls below the minimum initial investment due to withdrawals. The minimum initial investment and balance requirements are not negotiable; however, we may waive the minimum initial investment and balance requirement in our sole discretion.

Item 6 – Portfolio Manager Selection and Evaluation

INVESTMENT STRATEGY AND ASSET ALLOCATION

SFA Program Investment Strategy Overview. The SFA Program investment process focuses on asset allocation and fund selection. Asset allocation is an investment strategy that aims to balance risk and return by apportioning a portfolio's assets among several asset classes according to an individual's investment goals, risk tolerance, and investment time horizon. Your allocation may include mutual funds that generally invest the majority of their assets in equities, fixed income, or money market instruments. Your equity allocation also may include funds that utilize alternative investment strategies, including but not limited to commodities, Real Estate Investment Trusts (REITs), or other investment vehicles to add greater diversification and potential for greater return subject to your investment goals, risk tolerance, and investment time horizon. The fixed income portion of your Program Account may be invested in either taxable or tax-exempt mutual funds. By utilizing the investment vehicles listed above (Permissible Investments) and selecting different allocations within and between the broad equity and fixed-income asset classes, a series of Program Accounts with varying degrees of risk and return expectations can be created.

SFA Program Asset Allocation. We will manage your SFA Program Account using a strategic asset allocation (Strategic Allocation). Your Strategic Allocation is the allocation we will use when expected market conditions approximate the long-term risks and returns of each of the broad asset classes (equity and fixed income) and money market funds. We have selected your particular Strategic Allocation within the SFA Program based on your primary investment goal, time horizon, and risk tolerance as developed in your Questionnaire.

In order to take advantage of market opportunities, and to attempt to reduce the volatility and risk associated with a static asset allocation model, we may make tactical adjustments to your Strategic Allocation within a defined "Allocation Adjustment Range" that is appropriate for your risk tolerance and our view of current market conditions. Your "Current Tactical Allocation" is your long-term Strategic Allocation modified to reflect our view of current market conditions and opportunities. We may adjust your Strategic Allocation periodically when we believe there is a material change in the cyclical direction of the market that presents investment opportunities. We generally will not make adjustments for short-term market movements that are contrary to the current market cycle (*i.e.*, a short swing downturn during a bull market or short swing upturns during a bear market). The number of reallocations that are made will vary from year to year based on our views of market conditions and the overall market cycle. Additionally, we may be limited in our ability to make asset allocation adjustments due to underlying mutual fund

frequent trading restrictions or redemption fee policies. In certain circumstances, when appropriate, we may invest up to 100% of your portfolio in money market mutual funds or cash equivalents. When a reallocation has been made in your account, you will be notified in your periodic statement. Any change to the Strategic Allocation of your Program Account will be communicated to you in writing.

We manage the asset allocation strategies for the SFA Program Accounts by actively monitoring certain factors that we believe influence the overall market cycles. These factors include, but are not limited to, economic factors such as growth rates and inflation rates, the geopolitical environment and global monetary and fiscal policies, and securities market factors such as corporate profits, valuation levels, yields of short-term and long-term bonds, and technical conditions.

GOP Program Investment Strategy Overview. GOP is designed for investors with moderate to extensive investment knowledge who wish to pursue a long-term generally conservative growth strategy with a moderate level of risk. The Program pursues this strategy by investing each account's assets in USAA Mutual Funds selected by the Program's portfolio managers (Portfolio Managers) in accordance with the Program's strategic asset allocation.

Generally, a majority of your Program assets will be invested in the USAA Global Opportunities Fund (GOF), and, as a result, the performance of your Program Account may closely resemble that of the GOF. Please refer to your Program Recommendation for the Strategic Allocation of your account to the GOF.

GOP Program Asset Allocation. The GOP Program generally uses a long-term strategic asset allocation approach to attempt to meet your investment objectives. Within your Program portfolio, we will periodically make adjustments to your asset allocation as needed on a discretionary basis. The number of reallocations that are made will vary from year to year and generally is based on the amount of drift your account experiences away from the target strategic allocation. When a reallocation has been made in your account, you will be notified in your periodic statement. In certain circumstances, when appropriate, we may depart from the strategic asset allocation and invest up to 100% of your portfolio in money market mutual funds or cash equivalents. Any change to the target strategic allocation of your account will be communicated to you in writing.

The USAA Global Opportunities Fund (GOF). The GOF is not offered for sale directly to the general public and currently is available for investment only to investors in the Program, and other persons or legal entities that the GOF's Board of Trustees may approve from time to time. The GOF's investment objective is to seek an average annual return that is greater than the 1-year U.S. Treasury Bond, before fees and expenses, over a full market cycle while seeking to limit the GOF's exposure to large negative returns. The GOF's Board of Trustees may modify the GOF's investment objective without shareholder approval. The GOF

employs several strategies across multiple asset classes in seeking to achieve its objective. The GOF's principal strategy is to combine a portfolio of domestic and foreign equity and debt securities with the use of alternative investment strategies to provide growth with greater downside risk controls.

The GOF may invest in multiple asset classes including U.S. stocks, non-U.S. stocks in developed and emerging markets, global real estate securities, and fixed-income securities. The GOF will move its allocation between these asset classes to take advantage of opportunities and to manage risk. The GOF is intended to be primarily invested in stocks and ETFs that invest primarily in stocks. However, there are times when bond markets will provide opportunities for what the GOF's managers believe to be stock like returns with equal or less market risk. These bond market opportunities (including opportunities in the high-yield bond markets) will be considered along with stocks in seeking to enhance the performance of the GOF.

In an attempt to reduce the GOF's volatility over time, we may implement an index option-based strategy. This strategy involves selling index call options and purchasing index put options or put spread options against a highly correlated stock portfolio to reduce the GOF's volatility. This option strategy may not fully protect the GOF against declines in the value of its portfolio, and the GOF could experience a loss. The combination of the diversified stock portfolio with the index call and put options is designed to provide the GOF with fairly consistent returns over a wide range of equity market environments.

In addition, in an attempt to enhance the GOF's return and diversification, the GOF's managers may employ a global tactical asset allocation overlay strategy by investing in hedge or other funds that invest in short-term money market instruments, long and short positions in global equity and fixed-income exchange-traded futures, currency forwards, and other derivative instruments such as swaps.

Please refer to the GOF prospectus for additional information on this USAA Mutual Fund.

PROGRAM INVESTMENTS

USAA Mutual Funds. For both the SFA USAA Portfolios and the GOP Program, the mutual funds eligible for inclusion are currently limited to the USAA Mutual Funds. There is no predetermined allocation between USAA Mutual Funds and non-USAA mutual funds included in the SFA Marketplace Portfolios, except that the money market funds will always be USAA Mutual Funds. Depending on certain factors in the fund selection process, such as the ability to find a non-USAA mutual fund that meets investment criteria and permits investment by wrap fee program sponsors, we may invest a significant portion of the SFA Marketplace Portfolio in USAA Mutual Funds. Because the dispersion of returns for fixed-income mutual funds is generally narrower than that of equity mutual funds, we will review fixed-income mutual funds less frequently than equity managers and generally will

recommend the USAA fixed-income mutual funds unless USAA does not offer a fixed-income fund that matches the desired investment criteria. If a USAA Mutual Fund and another similar non-USAA mutual fund are being considered, we generally will recommend the USAA Mutual Fund for inclusion in the SFA Marketplace Portfolio. Information about potential conflicts of interest related to USAA Mutual Funds is provided below in the subsection entitled “Potential Conflicts Related to Mutual Fund Investments.”

Non-USAA Mutual Funds. For the Marketplace Portfolios, certain non-USAA mutual funds may be included. Eligible non-USAA mutual funds include those mutual funds available through USAA’s mutual fund supermarket (Fund Marketplace) that are no-load or load waived, no or waived redemption and transaction fees. Initial screening of mutual fund managers is based on objective, quantitative factors such as performance history, risk metrics, permanence of fund management, fund asset size, expense ratios; and other current public information on the funds and their management. Additional subjective, qualitative analysis such as a review of the fund’s underlying philosophy, process, people, style consistency, fund availability, future market and/or economic expectations, and overall fit within the recommended model portfolio also is considered.

Exchange-Traded Funds (ETFs). An ETF is a type of investment company that is traded on an exchange and invests primarily in a basket of securities included in a particular market index. ETFs typically seek to provide investment results that, before fees and expenses, generally correspond to the price and yield performance of the underlying benchmark index. Investing in an ETF exposes you to the same risks of the ETF’s holdings in direct proportion to the allocation of assets invested in the ETF. You also will indirectly bear the fees and expenses charged by the ETFs in addition to the Program Fees. Investments in ETFs may be combined with investments in mutual funds to gain efficient exposure to a particular broad-based index, a particular market capitalization such as small-cap stocks, style such as value or growth stocks, country, or economic sector, such as real estate or technology. ETFs typically offer lower operating expenses, broad diversification opportunities, and greater investment flexibility because they trade like stocks on an exchange. ETFs are chosen based on their tracking error versus the underlying index they are designed to represent, the underlying portfolio expenses, the reputation of the firm sponsoring the ETF, and the overall impact of the ETF on the entire portfolio. Additionally, trade volumes are monitored to ensure there is appropriate liquidity in any chosen ETF.

Exchange-Traded Notes (ETNs). ETNs are a type of unsecured, subordinated debt security. This type of debt security differs from other types of bonds because most ETN returns are based upon the performance of a market index minus applicable fees, no period coupon payments are distributed, and no principal protections exist. The purpose of ETNs is to create a type of security that combines both the aspects of bonds and ETFs. Similar to ETFs, ETNs are traded on a major exchange during normal trading hours. However,

investors also can hold the ETN until maturity. At that time, the issuer will give the investor a cash amount that would be equal to principal amount (subject to the day's index factor). One factor that affects the ETN's value is the credit rating of the issuer. Therefore, the value of the ETN may drop despite no change in the underlying index due to a downgrade in the issuer's credit rating.

All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, we cannot guarantee any level of performance or that you will not experience a loss of your account assets.

Brokerage. SFA and GOP Portfolio Managers are authorized to place trades with IMCO (as broker-dealer) if the Portfolio Managers reasonably believe that the quality of the execution of the transactions is at least comparable to what could be obtained through other qualified broker-dealers. IMCO will not cross these orders or execute them on a principal basis. The Portfolio Managers may place trades relating to your account with IMCO or any qualified broker-dealer, subject to our obligation to obtain best execution. You will not be charged separate commissions on such transactions.

In many cases, portfolio transactions may be executed in an aggregated transaction as part of concurrent authorizations to purchase or sell the same security for numerous SFA or GOP Program Accounts, which may have similar investment objectives. The overriding objective for IMCO is to assure fair and equitable treatment of all SFA and GOP Program Accounts.

When selecting broker-dealers to effect security transactions, it is our policy to seek the best overall terms available, *i.e.*, "best execution," taking into consideration such factors as we deem relevant, including the breadth of the market in the securities, the financial condition and execution capability of the broker-dealers, and the reasonableness of the commissions paid, either for the specific transactions or on a continuing basis for such broker-dealers. Consistent with our policy of obtaining the best overall terms for such transactions, we may give preference to those broker-dealers that provide research and/or brokerage services to us in soft dollar transactions or fixed price public offerings. With respect to any soft dollar transaction, IMCO shall determine that the amount of any commissions paid by it with respect to such transaction is reasonable with respect to all accounts for which IMCO exercises investment discretion. Program Accounts will not be charged a separate or additional commission in addition to the Program advisory fee on transactions even if IMCO is charged commissions by a broker-dealer for effecting trades.

INVESTMENT MANAGEMENT

Investment Strategy Committee. The Investment Strategy Committee (ISC) is the portfolio manager of the Programs and is responsible for the review and approval of all of the mutual funds included in the Programs, as well as the ETFs and ETNs included in the SFA Program. The ISC relies on a wide range of economic factors to help determine the economic outlook of the securities markets. As noted below, the Manager Research Team (MRT) presents recommended mutual funds (and, if applicable, ETFs and ETNs) to the ISC. The ISC meets on a regular basis and is responsible for approving the MRT's recommendations for the Program. The ISC evaluates domestic and international market information for the purpose of determining the Program's asset allocation strategy. Certain members of the ISC also may be members of the MRT. In addition, certain members of the ISC either provide investment management services to certain USAA Mutual Funds or are responsible for recommending the subadvisers for certain USAA Mutual Funds, including the GOF. The members of the ISC are responsible for the management of the Programs. Each member of the ISC must have received a formal education in a field related to economics, finance or law or other appropriate field and have investment management-related experience. A bachelor's degree is required and an M.B.A. or other advanced degree in an appropriate field is preferred. Each member of the ISC must have at least three years of direct experience as an analyst or a manager of individual portfolios, a fund, or group of funds, or similar experience in their field of expertise.

Manager Research Team. Our MRT monitors and makes recommendations of funds to be included in each of the Programs. Each fund selected for a Program Account represents a portion of the different investment styles, types of securities within the equity component, and maturity length and investment grade for bond funds. Funds are combined with the intention of diversifying your Program Account within your investment guidelines while providing a variety of equity and alternative investment exposure, and fixed-income maturities and yields appropriate for you.

Sources of Information. We obtain and use information from both primary and secondary sources. The members of the ISC and MRT use multiple manager research tools and resource databases to provide initial screening of mutual fund managers based on objective, quantitative factors such as performance history, risk metrics, permanence of fund management, fund asset size, expense ratios, and other current public information on the funds and their management. We then perform a subjective, qualitative analysis such as a review of the fund's underlying philosophy, process, people, style consistency, fund availability, future market and/or economic expectations, and overall fit within the recommended model portfolio. Members of the ISC and MRT may meet with certain mutual fund managers to obtain a more thorough understanding of the manager's philosophy.

Additional sources of information include a variety of publicly available market and economic information and industry research. Domestic and international market information may be used to evaluate each marketplace. Monetary and fiscal policies also are studied to identify their impact on the economy and, in turn, on the securities markets. The information obtained is analyzed by internal database systems to assist in making allocation decisions within and between asset classes as well as the purchase and sale of specific mutual funds, ETFs, and ETNs.

REVIEW OF ACCOUNTS

Selection and Monitoring of Investments. In addition to selecting the investments for the Programs, the ISC or the Portfolio Managers monitor the investments in Program Accounts. If a change in Program Account composition includes the selection of a new mutual fund, we will send you a copy of the prospectus for any new mutual fund purchased. We may decide to buy or sell particular holdings for a number of reasons, including:

- The need to respond to the weighting of a particular asset class, industry sector, or fund sector that the team believes has too much or too little representation in your account based on your objectives.
- The decision to realign your asset allocation to restore it to the target strategic asset allocation due to drift caused by differences in portfolio performance within the funds included in your account.
- A change in the fundamental attractiveness of a particular mutual fund. If a mutual fund changes management, closes to new investors, or otherwise becomes unavailable or inappropriate, we will redeem it and buy a mutual fund that we believe offers better potential.
- As appropriate with the SFA Program, a strategic decision to move from a mutual fund to an ETF or ETN, from an ETF or ETN to a mutual fund, or from an ETF to a ETN or vice versa.
- A change in your personal or financial situation. Any change in your personal circumstances or long-term goals at any time might warrant a change in your investment strategy. Please contact an investment representative at any time to inform us of any relevant changes or notify your representative when he or she contacts you periodically.

- We may take into consideration the federal income tax consequences of holding or selling securities as part of our investment management services.¹ If you are in a high income bracket or have highly appreciated securities (the sale of which would result in substantial realized capital gains), taxes can have a considerable impact on your portfolio's total return. It is important to note, however, we believe the tax impact of an investment decision should not override a decision to buy or sell a security when we believe it will maximize your Program Account's performance.

Timely Communications. As our advisory client, you will receive the following personal communications:

- **Monthly Statement.** You will receive a monthly statement if there is qualifying activity in your Program Account. Your monthly statement from us will show holdings and transactions in your account, including trades, share transfers, additions, withdrawals, and fees from your Program Account.
- **Quarterly Performance Report.** You will receive quarterly reports detailing your Program Account performance and including market commentary from the Investment Strategy Committee (ISC). We request that you compare the quarterly performance report to the monthly custodial account statement provided separately by the account custodian, referenced above.
- **Annual Review.** At least once a year, we will contact you to offer a review of your Program Account selection and ongoing investment objectives with an investment representative to ensure that your current long-term investment strategy is still right for you. If we believe that a change is necessary based on any new information you have given us, we will notify you that a change in your Program Account is recommended and give you the opportunity to agree with or decline the new recommendation.

¹ We do not take federal income tax consequences into consideration in connection with purchases and sales of securities made during the initial set-up and funding of your account. (Additional tax disclosure in connection with account set-up is provided below in the subsection entitled, "Opening and Funding an Account.") In addition, we do not actively manage for federal Alternative Minimum Tax considerations, specific state or local taxes, foreign taxes on non-U.S. investment, or estate taxes. We rely on information provided by you and do not offer tax advice. We do not invest in tax-deferred products such as variable insurance products.

PROXY VOTING POLICIES AND PROCEDURES

Unless instructed otherwise by you, we will vote on proposals presented to shareholders of securities held in your account. We generally vote proxies in a manner to maximize the value of clients' investments and in accordance with these proxy voting procedures. We have retained Institutional Shareholder Services, Inc. (ISS) to receive proxy statements, provide voting recommendations, vote shares according to our instructions, and to keep records of our votes on behalf of advisory clients. ISS has developed a set of criteria for evaluating and making recommendations on proxy voting issues (for example, elections of boards of directors, mergers, and reorganizations). These criteria and general voting recommendations, as customized by us with respect to certain matters, are set forth in the ISS U.S. Proxy Voting Guidelines and ISS International Proxy Voting Guidelines (ISS Guidelines). However, we retain the authority to determine the final vote for securities held in your account.

To avoid the appearance of any improper influence on our voting decisions, we generally will follow the voting recommendations of ISS, except as briefly described below. Before any voting deadline, ISS will provide us with a summary of the proposal and a recommendation based on the ISS Guidelines. In evaluating ISS's recommendations, or in situations where ISS does not provide a recommendation, we may consider information from many sources, including the fund's portfolio manager or subadviser, the ISC, and shareholder groups, and other sources. We believe that the recommendation of management should be given weight in determining how to vote on a particular proposal. We then will review the ISS recommendations, and if we determine that it would be in our client's best interests to vote the shares contrary to ISS's recommendation, we must determine, based on reasonable inquiry, whether any material conflict of interest exists between you and us. If a material conflict of interest is determined to exist, we may vote contrary to ISS's recommendation only if the proposed voting recommendation is reviewed by the ISC, which will determine how to vote the particular proxy. For those matters where an ISS Guideline differs from our philosophy, the ISC will instruct ISS on how to vote.

Copies of our complete proxy voting policies and procedures and the ISS Guidelines are available upon request by calling us at 877-314-2255 or writing us at USAA Investment Management Company, Attn: USAA Personal Asset Management Portfolios, PO BOX 659430, San Antonio, Texas 78265. Information regarding how we voted proxies for securities and mutual funds in your account also is available upon request by calling or writing us at the number and address listed above.

SIDE-BY-SIDE MANAGEMENT AND PERFORMANCE-BASED FEES

IMCO does not apply a performance adjustment or otherwise receive compensation based on performance with respect to its management of Program Accounts or other wrap fee or asset allocation program accounts that it manages. The management fees that AMCO

receives from certain of the USAA Mutual Funds apply a performance adjustment that adjusts the base fees that AMCO receives from those funds. Performance-based fees can create a conflict of interest by incentivizing advisers to favor accounts that charge performance-based fees over those that do not. However, because of the range of fees that AMCO and IMCO receive across the various USAA Mutual Funds and the Program and other accounts that IMCO manages, IMCO does not believe that the application of the performance adjustment to the base fee AMCO receives from certain USAA Funds incentivizes IMCO to favor those funds over other funds or over Program or other accounts to which a performance adjustment is not applied.

Item 7 – Client Information Provided to Portfolio Managers

Generally, no client-specific information is communicated by IMCO or its affiliates to the Program portfolio management team.

Item 8 – Client Contact with Portfolio Managers

Clients are permitted to contact the portfolio management team upon request, although direct client contact with the portfolio management team is limited and generally requires the presence of a member of the sales and service staff of either IMCO or its affiliate, FPS.

Item 9 – Additional Information

IMCO'S BUSINESS ACTIVITIES

IMCO engages in two primary areas of business. First, IMCO provides investment advisory services to: (1) individuals and other entities through the Private Investment Management® (PIM) Program; (2) individuals and other entities utilizing selected USAA Mutual Funds through the GOP Program; (3) individuals and other entities utilizing selected mutual funds through the SFA Program; (4) individuals and other entities through the USAA Unified Managed Portfolios – UMP™ program; and (5) the USAA Federal Savings Bank's (FSB) Trust Services Department, an affiliated corporate client.

Second, IMCO is a broker-dealer for the purposes of distributing and servicing the USAA Mutual Funds advised by AMCO. IMCO also offers an online brokerage operation and offers brokerage execution, settlement, transaction processing and custodial services for its affiliate FAI, a registered broker-dealer. FAI acts as introducing broker, and IMCO acts as the clearing broker.

IMCO'S RELATIONSHIPS WITH AFFILIATES

Various direct or indirect subsidiaries or affiliates of USAA are engaged in investment advisory, brokerage, banking, financial planning, or insurance businesses. From time to time, in addition to IMCO, the Program or its clients may have material business relationships with the following companies: USAA, a diversified financial services company; FPS, a registered investment adviser and insurance agency; FAI, a registered broker-dealer and member of FINRA/SIPC; AMCO, an registered investment adviser; USAA Life Insurance Company and its affiliates; and FSB, a federal savings bank.

IMCO is affiliated with FPS, a registered investment adviser and insurance agency. Clients of IMCO may be eligible to receive a free financial plan from FPS, or receive reimbursement for a plan already purchased, if they meet certain threshold requirements (i.e., assets under management, combined account size, or as a promotional incentive). To the extent that FPS refers clients or other USAA members to IMCO, FPS is compensated for such referrals.

IMCO is affiliated with FAI, a registered broker-dealer. FAI acts as introducing broker to IMCO, and IMCO acts as the clearing broker. All customer brokerage account funds and securities are held or maintained by IMCO. IMCO compensates FAI in connection with brokerage accounts opened at IMCO, and distribution and servicing services FAI provides in connection with the USAA Funds advised by IMCO or IMCO's wrap fee programs. IMCO also reimburses FAI for administrative costs related to such distribution and servicing functions.

IMCO is affiliated with AMCO, a registered investment adviser. AMCO provides investment advice to institutional clients, including the USAA Mutual Funds and USAA's subsidiaries' and affiliated corporate clients' investment portfolios.

IMCO is affiliated with FSB through USAA's bank holding company. IMCO provides the following services to FSB: it serves as investment adviser to certain FSB investable assets; it serves as sub-adviser to an asset allocation program similar to the PIM program that is offered by FSB's Trust Department to clients of the Trust Department; it provides certain administrative and record keeping services related to brokerage sweep agreements; and it acts as sales agent for the distribution of FSB's certificates of deposit. FSB compensates IMCO for these services pursuant to written agreements.

IMCO also advises the USAA insurance companies, including USAA Life Insurance Company, USAA Casualty Insurance Company, USAA General Indemnity Company, USAA Life Insurance Company of New York, Garrison Property and Casualty Association, USAA Investment Corporation, USAA Texas Lloyd's Company, USAA County Mutual Insurance Corporation, Catastrophe Reinsurance Corporation, USAA Direct Life Insurance Company, USAA Shareholder Account Services, Enterprise Indemnity Captive Insurance Company,

Inc., USAA Corporate Attorney in Fact, Inc., USAA Reciprocal Attorney In Fact, Inc., USAA Insurance Agency, Inc., and USAA Limited.

Additionally, IMCO is affiliated with the USAA Mutual Funds Trust, a registered investment company and USAA Transfer Agency Company, which provides transfer agency and shareholder services to USAA Mutual Funds Trust.

POTENTIAL CONFLICTS OF INTEREST

General. IMCO, together with its affiliated entities, in its capacity as an investment adviser and broker-dealer, is routinely engaged in various securities transactions and trading activities for various clients that could create conflicts of interest among its duties to you and its duties to other clients. We may receive remuneration, compensation, or other consideration for directing client orders to particular broker-dealers or market centers for execution. The source and nature of any compensation received in connection with a client's particular transaction will be furnished upon written request to us. Additionally, IMCO and its affiliates, where appropriate, may recommend to Program clients that they buy or sell securities or investment products in which IMCO or an affiliate has some financial interest, including the USAA Mutual Funds.

IMCO also may buy or sell securities for itself or its affiliates that it also recommends to or purchases for Program clients. IMCO does not take a position on the opposite side of a transaction in which a client may be engaged (i.e., does not sell securities or buy securities from clients).

In its capacity as an investment adviser, IMCO may be offered the opportunity from time to time to invest in the equity securities of issuers engaged in initial public offerings (IPOs). IMCO will make such investment opportunities available to those clients that are registered investment companies or portfolio series thereof (each, a mutual fund) for which such investments are suitable. On an issue by issue basis, investments in IPOs are allocated among mutual fund clients in a fair and equitable manner in accordance with IMCO's IPO allocation procedures. In general, these procedures allocate such opportunities based upon the relevant net assets of each mutual fund for which the investment is appropriate and for which the funds' portfolio manager had elected to participate. In some instances, allocation will not be pro rata if, among other factors, it is determined that the issue is not anticipated to be a "hot issue." In no event will IMCO invest in equity IPOs for its own behalf or the proprietary accounts of any affiliate. Furthermore, IMCO does not make investments in IPOs available to clients of the PIM, SFA, or GOP Programs.

Potential Conflicts Related to USAA Mutual Fund Investments. We and our affiliates receive compensation for investment management and other services performed for the USAA Mutual Funds, including non-management fees such as transfer agency and shareholder servicing fees. The Funds also provide payment to IMCO or its affiliates for

administrative and other services that are necessary for the proper administration of the funds. This compensation exceeds amounts IMCO and its affiliates may receive from non-USAA mutual funds. The credit amount applied to your Program fee with respect to USAA Mutual Funds does not eliminate this differential. Furthermore, because the corresponding expenses incurred by IMCO and its affiliates with respect to USAA and non-USAA mutual funds generally will differ, IMCO may receive more net compensation from USAA Mutual Funds included in the SFA or GOP Program in comparison to net compensation from non-USAA mutual funds.

In addition, certain members of the MRT and ISC either provide investment management services to certain USAA Mutual Funds, including the GOF and MAF, or are responsible for recommending the subadvisers for certain USAA Mutual Funds, including the GOF and MAF.

IMCO, as a broker-dealer, may execute portfolio transactions for the USAA Mutual Funds. IMCO may obtain brokerage or research services, consistent with Section 28(e) of the Securities Exchange Act of 1934, as amended, from broker-dealers in connection with the execution of the USAA Mutual Funds' portfolio security transactions. IMCO and its affiliate, USAA Transfer Agency Company, may indirectly benefit from investment by our clients in USAA Mutual Funds.

CLIENT REFERRALS

Certain IMCO affiliates, including FPS, may refer USAA members to IMCO for advisory services through one or more of IMCO's wrap fee programs. Such affiliates may be compensated for such referrals by IMCO. Such referrals are treated in the same way that cash solicitation services would be treated and therefore the affiliation between the referring affiliate and IMCO is fully disclosed to USAA members who are referred by an IMCO affiliate to IMCO for advisory services.

IMCO does not directly pay any individual person, including employees of its affiliates, for referrals of USAA members to IMCO or recommendations to USAA members with respect to investment products, such as wrap fee programs, offered by IMCO. However, as part of the overall performance evaluation of certain employees of FPS, all of whom are salaried, referrals of USAA members to IMCO for advisory services is taken into account and can affect the member service representative's or financial planner's salary and/or company bonus. Specifically, with respect to FPS employees who are in the Wealth Management Division, and participate in the incentive compensation program, the number of accounts opened by IMCO as a result of the FPS employee's referral (Referred Assets) and the total assets in the Referred Assets are taken into account when determining that individual's total incentive compensation.

FPS employees will often advise clients that a particular product or service offered by IMCO is appropriate for that client and will often directly refer that client to IMCO for advisory services. FPS also may discuss such products with clients and may, when appropriate, facilitate the opening of IMCO advisory accounts or send fulfillment packages for such products or services to IMCO clients.

INVESTMENT ADVISER CODE OF ETHICS

IMCO has adopted an Investment Code of Ethics (Code) and policy statement regarding insider trading. The purpose of the Code is to establish minimum standards of ethical conduct for personnel, guard against conflicts of interest, such as those described above, and ensure compliance with the federal securities laws. All personnel must certify that they receive and understand the Code.

The Code also is designed to ensure that USAA personnel with access to information regarding the portfolio transactions in, or recommendations made for, accounts we manage, including Program Accounts and the USAA Mutual Funds, do not misuse such information for their benefit. Accordingly, the Code, among other things, establishes trading blackout periods applicable to such personnel for securities being purchased or sold for accounts we manage, and requires such personnel to periodically report their securities holdings to the Chief Compliance Officer. The Code also requires all personnel to report all brokerage accounts in which they have a beneficial interest, and we receive duplicate trade confirmations for each such account. In addition, the Code requires certain personnel to hold securities purchased for a minimum period of time. Finally, the Code is overseen by the Investment Code of Ethics Committee and enforced by the Chief Compliance Officer.

A complete copy of the Code is available upon request by calling 877-314-2255.

REVIEW OF ACCOUNTS

Please see information about how IMCO reviews Program Accounts under the heading "Review of Accounts" in Item 6.

FINANCIAL INFORMATION

IMCO is required to provide you with specific financial information or disclosures about IMCO's financial condition. Specifically, IMCO has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

DISCIPLINARY INFORMATION

IMCO is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of IMCO or the integrity of IMCO's management. IMCO has no information responsive to this Item.