

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) and the USAA Private Investment Management Program (PIM). 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 annual update to our last filing dated January 1, 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 PIM wrap program was 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.

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Item 4 – Services, Fees and Compensation

OVERVIEW OF THE PROGRAM

USAA PIM is a personal asset management program (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 member of the 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. PIM is closed to new accounts.

The Program is 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 Program invests primarily in individual stocks, bonds, mutual funds (including mutual funds of 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), certificates of deposit (CDs) (including CDs offered by USAA Federal Savings Bank and USAA Savings Bank, each our affiliated company), exchange-traded funds (ETFs), and exchange-traded notes (ETNs).

Both 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.

The Program is 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 Program's stated investment strategy or philosophy or that are inconsistent with the nature or operation of the Program. If you choose to apply for or eliminate a restriction placed on your Program Account, please contact your Relationship Manager. If we accept a restriction on your Program Account, your performance may differ from similar unrestricted Program Accounts.

Participation in the Program required an initial minimum investment of \$500,000. 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 Investor Profile and Account Application (Investor Profile). You may request an Investor Profile by contacting us at 877-314-2255. A Relationship Manager with IMCO or a USAA-affiliated company also may assist you with the completion of your Investor Profile over the telephone. Additional information about our Relationship Management Team is provided below in the subsection entitled "Relationship Management Team."

After reviewing your Investor Profile, if we determine that a Program Account continues to be appropriate for you, we will provide you with your recommended Program Account including your target asset allocation. The initial interview with your Relationship Manager will form the basis of a Program Account recommendation communicated to you in a follow-up letter. The Program Account selected for you is based on an evaluation of your Investor Profile 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 Investor Profile 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 Investor Profile is accurate and complete. Unless you object to some part of the follow-up letter, our investment management team will proceed to invest in accordance with the approach set forth in our letter to you. Actual Program Account holdings for individual client accounts will differ from each other based on the assets transferred into the Program Account for funding purposes, the length of time the account has been under management, account size, individual account restrictions, and differences within each account between targeted and actual allocations.

FEATURES OF YOUR PROGRAM ACCOUNT

Account Administration and Custody. We will perform certain services for you pursuant to the Program, including the implementation of our discretionary management trading instructions as well as custodial and related services. We will open and maintain a brokerage account in your name with us located at 9800 Fredericksburg Road, San Antonio, Texas, 78288. Participation in the Program 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. To move your holdings toward your selected Program target allocation, we will place trades in your account when you deposit or transfer into your account the minimum initial investment asset value of \$500,000. Additional information about funding is provided in the subsection entitled "Opening and Funding an Account."

Opening and Funding an Account. PIM is closed to new accounts. Participation in the Program requires that you agree to the terms and conditions contained in the USAA Private Investment Management Investment Advisory Agreement (Agreement) and have returned your signed Investor Profile to us. We will not have opened your account until we received your signed Investor Profile, which incorporates the terms and conditions of the Agreement by reference. After having opened a Program Account, you may fund it by depositing cash or transferring securities “in kind” to your Program Account. Initial securities contributions are held unmanaged and initial cash contributions may be held in a money market fund until the total value of assets in your Program Account reaches the minimum initial investment of \$500,000. 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. When you have provided all necessary documentation and meet the minimum initial investment, we will begin discretionary investment management of your Program Account.

Unless otherwise agreed, all assets, including securities, transferred to your Program Account will be subject to management by us and included in creating your target portfolio. Sales of securities for initial funding purposes are not tax-managed; and therefore, you may recognize a taxable gain, loss, or wash sale when your shares are sold. You should consult with your tax adviser if you plan to fund your Program Account, in whole or in part, with individual securities.

Please note that when funding your Program Account, once we purchase new securities or mutual funds on your behalf, you may receive taxable distributions from the securities or mutual funds out of earnings that have accrued prior to your purchase(s). As such, you may be “buying a dividend,” particularly if new securities or 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 may soon 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.

Relationship Management Team. A Relationship Manager is available to respond to any questions you might have regarding your Program Account and will act as liaison between you and our Portfolio Management team. On an ongoing basis, a member of the Relationship Management Team will provide you with account service concerning your Program Account, as well as discuss changes in your Program Account investments and conduct annual reviews of your Program Account selection. In addition to your annual

review, you will receive a reminder on a monthly basis to notify us of any change in your financial situation or individual needs.

Relationship Managers have either an undergraduate degree or related business experience and professional designations, or a combination of both. Each Relationship Manager is a registered investment adviser representative of USAA Financial Planning Services Insurance Agency, Inc. (FPS), a registered investment adviser and insurance agency. Relationship Managers also may be broker-dealer registered representative of USAA Financial Advisors, Inc. (FAI).

FEES AND MINIMUMS

Information about the Program Fee. We will charge you a single Program fee covering discretionary investment management, brokerage and custodial services, ongoing management of your Program Account assets, personal service you receive from our Relationship Management Team, and the communications you are provided to keep you informed about your Program Account. The Program fee does not cover charges resulting from the 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 will begin accruing Program fees when we begin active management. You will not be charged Program fees during the funding process prior to active management. We will deduct Program fees directly from your Program Account on a monthly 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 Schedule for the Program.

EQUITY AND BALANCED Program Accounts	
Average Assets	Annual Program Fee
First \$1 million	1.20%
Next \$2 million	0.85%
Next \$3 million	0.70%
Next \$4 million	0.45%
Amounts above \$10 million	Negotiable

FIXED INCOME only Program Accounts	
Average Assets	Annual Program Fee
First \$1 million	0.65%
Next \$2 million	0.55%
Next \$7 million	0.40%
Amounts above \$10 million	Negotiable

You may pay a lower 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 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.

Fees Related to Mutual Fund Investments. Mutual funds may charge a fee, known as a redemption fee, for the redemption of fund shares that were purchased shortly before redemption. If redemption fees are caused by IMCO’s decision to redeem fund shares held in your account, you will not be charged separately for such fees. If, however, redemption fees are caused by your decision to withdraw assets from or terminate your account, such fees will be charged to your account in addition to the single Program fee described above.

With respect to assets held in shares of USAA Mutual Funds, we will rebate your Program fee in an amount at least equal to the management fees that AMCO receives from USAA Mutual Funds held in your account. If AMCO waives advisory fees on USAA Mutual Funds held in your account, any advisory fee (or portion thereof) waived by AMCO will not reduce your Program fee rebate amount. We may, in our discretion, decide not to rebate USAA mutual fund management fees for USAA Mutual Funds held in non-retirement Program Accounts. All other fees described in USAA mutual fund prospectuses will still apply.

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. You may invest directly in the funds included in your Program Account outside of the 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 PIM Program fee 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. PIM is closed to new accounts. To open a Program Account, you must have contributed at least \$500,000 in cash or securities. Subsequent contributions to your Program Account are not subject to minimum contribution limits. 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

Program Investment Strategy Overview. The Program generally uses a long-term strategic asset allocation approach to attempt to meet your investment objectives over the long term. 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 equities, fixed income, and cash equivalents. The equity allocation may include core equity (primarily large- and mid-cap common stocks), small-cap stocks, mutual funds, American Depositary Receipts (ADRs), and ETFs, including exposure to global and emerging markets,

alternative investments including Real Estate Investment Trusts (REITs), commodity mutual funds and mutual funds that utilize hedging strategies. Fixed-income exposure can be subdivided between taxable and tax-exempt strategies and can include individual corporate, government, and agency bonds, ETNs, CDs, and mutual funds. By utilizing the investment vehicles listed above 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.

Program Asset Allocation. We will manage your 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 Program based on your primary investment goal, time horizon, and risk tolerance as developed in your Investor Profile.

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 and opportunities. 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 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.

PROGRAM INVESTMENTS

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.

Depending upon your selected Program Account, various investments will be selected to build the equity, fixed income, and cash equivalents components of your selected Program Account.

Stocks. In most instances, we anticipate investing a significant portion of the equity component of your Program Account in individual stocks. We believe that stocks are an important component of any long-term investment strategy. Our equity investment style can be characterized as primarily a bottom-up approach to stock selection focusing on individual stock analysis rather than industry analysis, with consideration to top-down factors (such as industry, geography, or size) and industry weightings. Through our bottom-up approach, we carefully analyze the fundamentals of individual stocks and choose companies that offer superior long-term earnings growth and sound fundamentals. Note that initial public offerings of securities presently are not available in the Program. The portion of your Program Account invested in stocks is subject to stock market risk. Stock markets tend to run in cycles, with periods when stock prices generally rise and periods when stock prices generally go down. Individual stocks tend to be volatile and, therefore, subject to greater investment risk.

Bonds. Our fixed-income strategy generally uses high-quality investment-grade government, government agency, municipal, and corporate bonds (including convertible bonds), and CDs to earn a competitive rate of return, while attempting to minimize credit and default risk. The fixed-income strategy also may include purchasing preferred stock if purchased for the purpose of generating additional income and if not convertible into common stock. The portion of your Program Account invested in bonds is subject to interest rate risk and the market value of the bonds may decline because of rising interest rates or a decline in the rating or financial health of the issuer of the bonds. The value of your investments will fluctuate because of changes in interest rates. We also may invest in bonds rated below investment grade (sometimes referred to as junk or high-yield bonds) either directly or through mutual funds holding such securities, which may produce higher current income, but generally involve a higher amount of credit risk. These bond investments may be considered speculative because their issuers are more susceptible to financial setbacks and recession than more creditworthy companies. High-yield bond issuers include small companies lacking the history or capital to merit investment grade status, former blue chip companies downgraded because of financial problems, and firms with heavy debt loads.

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 the 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.

Mutual Funds. Mutual funds can be an effective way of diversifying a portfolio within a particular asset allocation category, mitigating credit risks associated with direct investments in securities, or investing when other market conditions make direct investments in securities comparatively less attractive. For example, we may choose to use mutual funds as an efficient means of achieving a diversified portfolio in tax-exempt or other fixed-income securities or for diversifying a small Program Account or a Program Account with limited exposure to a particular asset class. We may use mutual funds to provide exposure to a particular geographic region (such as emerging markets), industry (such as real estate or technology), or investment strategy (such as alternative investment strategies typically used by hedge funds). 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.

USAA Mutual Funds. The USAA Mutual Funds are eligible for inclusion in the Program. We generally will invest in the USAA fixed-income mutual funds unless USAA does not offer a fixed-income fund that matches the desired investment criteria. There is no predetermined allocation between USAA Mutual Funds and non-USAA mutual funds included in your Program Account, except that the money market funds always will 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 your Program Account in USAA mutual funds. 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 your 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.”

Certificates of Deposit (CDs). A CD is a special type of deposit account with a bank or thrift institution that typically offers a higher rate of interest than a regular savings account. We may invest in CDs for purposes of principal preservation and income and as an interim investment before other investment opportunities arise. A number of banks offer their CDs through brokerage firms. These CDs, referred to as “brokered CDs,” may be more complicated than those offered directly from a bank. Brokered CDs generally have predefined terms, but often are longer-term deposits than CDs offered at banks. They often pay coupon income at intervals and their maturities may vary from three months to 20 years. While brokered CDs carry the same FDIC insurance benefits as bank CDs, their structure more closely resembles that of a traditional bond than a bank CD. Brokered CDs trade in the secondary market at prevailing prices, which may be more or less than the original investment. We may invest in certificates of deposits offered by USAA Federal Savings Bank (FSB) and USAA Savings Bank (USB) (Affiliated Bank CDs). Information about potential conflicts of interest related to Affiliated Bank CDs is provided below in the subsection entitled “Potential Conflicts Related to Affiliated Bank CD Investments.”

Brokerage. The PIM Program 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 PIM Program Accounts, which may have similar investment objectives. The overriding objective for IMCO is to assure fair and equitable treatment of all PIM 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

Program Portfolio Management Team. Only IMCO provides portfolio management to Program accounts. The Program portfolio management team (Portfolio Managers) manages the Program and is responsible for the management of assets in the PIM Program. The Portfolio Managers meet on a regular basis and evaluate domestic and international market information for the purpose of determining the Program's asset allocation strategy and investments. The Portfolio Managers are responsible for the selection, review, and approval of all of the investments included in the Program as well as the tactical and strategic asset allocations for the Program Accounts. The Portfolio Managers may review mutual fund, ETF, and ETN recommendations from the Manager Research Team (MRT) and tactical asset allocation adjustment recommendations from the Investment Group (IG). Certain Portfolio Managers also may be members of the MRT and the IG. In addition, certain Portfolio Managers may either provide investment management services to certain USAA Mutual Funds or are responsible for recommending the subadvisers for certain USAA Mutual Funds.

Each Portfolio Manager must have received a formal education in a field related to economics, finance or law or other appropriate field and have investment-related experience. A bachelor's degree is required and an M.B.A. or other advanced degree in an appropriate field is preferred. Each investment manager must have at least three years of direct experience as an analyst or manager of individual portfolios, a fund, or group of funds or similar experience.

The Investment Strategy Committee. The Investment Strategy Committee (ISC) is responsible for the overall management of the PIM Program. Each member of the ISC must have received a formal education in a field related to economics or finance and have investment-related experience. A bachelor's degree is required and an M.B.A. or other advanced degree in an appropriate field is preferred. Each investment manager must have at least three years of direct experience as an analyst or manager of individual portfolios, a fund, or group of funds or similar experience.

Sources of Information. Our Portfolio Managers, the MRT, and the IG obtain and use information from both primary and secondary sources. Sources 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. Capital market data includes aggregate corporate earnings, the prices of securities, yields of intermediate and long-term bonds, and the overall price volatility of the stock, bond, and cash markets. A broad range of economic factors is used to help determine the economic strength and potential of the securities markets. 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.

The Portfolio Managers, MRT, and IG also 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.

REVIEW OF ACCOUNTS

Selection and Monitoring of Investments. In addition to selecting the investments for the Programs, the ISC or the Portfolio Managers monitors 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.

- 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 a Relationship Manager 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.** Your statement from us will show holdings, portfolio performance, and transactions in your account, including trades, additions, withdrawals, and fees. We request that you compare the monthly statement to the custodial account statement provided separately by the account custodian.
- **Market Update.** Quarterly portfolio manager commentary providing additional insight on market trends that may have an impact on your portfolio.
- **Annual Review.** At least once a year, we will contact you to review your Program Account selection and your ongoing investment objectives 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 and mutual funds 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. 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: Personal Asset Management Portfolios, PO BOX 659453, 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 USAA Unified Managed Portfolios – UMP™ program; (2) individuals and other entities through the Private Investment Management® (PIM) Program; (3) individuals and other entities utilizing selected USAA Mutual Funds through the GOP Program; (4) individuals and other entities utilizing selected mutual funds through the SFA 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.

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 PIM Program in comparison to net compensation from non-USAA 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.

Potential Conflicts Related to Affiliated Bank CD Investments. FSB and USB each offer CDs that may be purchased in your Program Account. FSB and USB each derive a benefit from such deposits by using the proceeds in their other operations such as to make loans and other investments for their own accounts.

CLIENT REFERRALS

Certain IMCO affiliates, including FPS, may refer USAA members to IMCO for advisory services through PIM. Such affiliates may be compensated by IMCO for such referrals. Such referrals are treated as cash solicitation services and therefore the affiliation between the referring affiliate and IMCO is fully disclosed in IMCO affiliate disclosure documents which are provided 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 PIM, 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.