

USAA Investment Management Company

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March 31, 2012

This wrap fee program brochure provides information about the qualifications and business practices of USAA Investment Management Company (IMCO) and the USAA Managed Portfolios - UMPTM program (UMP or the 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.

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Item 2 – Material Changes

This wrap fee program brochure (“Brochure”) dated November 19, 2012 is an annual update to our last filing dated March 31, 2012.

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.

November 19, 2012 Brochure Update

Effective October 27, 2012, IMCO converted all Private Investment Management (PIM), Strategic Fund Adviser (SFA), and Global Opportunities Portfolio (GOP) accounts to USAA Managed Portfolios – UMP™ (UMP) accounts and discontinued the PIM, SFA, and GOP programs. This update consists of minor changes to reflect the discontinuation of the PIM, SFA, and GOP programs.

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Item 4 – Services, Fees and Compensation

OVERVIEW OF THE PROGRAM

The USAA Managed Portfolios - UMPTM program (UMP or the Program) is a managed account program 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.

The Program offers several investment options which are designed to help you invest your money in an appropriate, professionally managed portfolio of investments based on your risk tolerance, asset allocation principles and the value of your assets under management.

As described in greater detail in the “Investment Options” section below, the Program may invest in stocks, bonds, mutual funds, exchange-traded funds, exchange-traded notes, certificates of deposit, and certain alternate investment vehicles. IMCO also may choose one or more third-party investment advisors (each, a Style Manager) to provide certain sub-advisory services.

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, Uniform Gift/Transfer to Minor Act Accounts (UGMA/UTMA) and profit sharing accounts.

The Program is designed to provide investment strategies appropriate for different investors by opening brokerage accounts with IMCO (each, a Program Account) and providing investment management services for the assets in each Program Account. We may recommend the same or substantially similar strategies 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 financial adviser. If we accept a restriction on your Program Account, your performance may differ from similar unrestricted Program Accounts.

Participation in the Program requires an initial minimum investment of \$25,000. To determine whether a Program Account is appropriate for you, we begin with a review of 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 questionnaire and Account Application (collectively, a Questionnaire). You may complete a Questionnaire by contacting us at 877-314-2255 or by visiting our website at www.usaa.com. A financial adviser with a USAA-affiliated company also may assist you with the completion of your Questionnaire over the telephone or in person. Our financial advisers are discussed in the “Financial Advisers” subsection below.

If your Program Account has assets of \$500,000 or greater, you may elect to have your Program Account treated as a Custom Program Account. Custom Program Accounts may have higher fees, generally due to the expanded investment options and services available to these accounts. The differences between Custom Program Accounts and non-Custom Program Accounts are described in greater detail in the relevant sections throughout this brochure.

After reviewing your Questionnaire, if we determine that a Program Account is appropriate for you, we will provide you with your recommended Model Portfolio (Model Portfolios are described in the “Model Portfolios” subsection below), including your target asset allocations. The Model Portfolio 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 confirm our Model Portfolio recommendation with you in a follow-up communication. 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 recommendation of what we believe to be the most appropriate Model Portfolio for you. We will rely on the information you provide when making our initial Model Portfolio 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. Unless you object to some part of the follow-up communication, our investment management team will proceed to invest in accordance with the approach set forth therein.

INVESTMENT OPTIONS

The Program offers eight (8) model portfolios (Model Portfolios), providing a range of investment styles ranging from 100% Fixed-Income to Very Aggressive. The various Model Portfolios are designed to provide appropriate options for different financial goals and investment objectives. Some Model Portfolios may only be available to Custom Program Accounts, and within each Model Portfolio, the types of assets and Program services offered may vary between Program Accounts and Custom Program Accounts.

Without limitation, Model Portfolios may include one or more of the following securities: individual stocks, bonds, mutual funds and money market funds (including 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 (FSB) and USAA Savings Bank (USB), each our affiliated company), exchange-traded funds (ETFs), exchange-traded notes (ETNs), American Depositary

Receipts (ADRs), and other alternative investment vehicles including Real Estate Investment Trusts (REITs), commodity mutual funds and mutual funds that utilize hedging strategies. Certain USAA Mutual Funds are only available in the Program and are not offered to the general public. We may restrict or expand the types of securities in which the Program invests in our sole discretion, and without prior notice to you.

IMCO serves as the Overlay Portfolio Manager (OPM) for the Model Portfolios, recommending the strategic and tactical asset allocations, asset types (*e.g.*, stocks, mutual funds and ETFs), and Style Managers for each Model Portfolio. IMCO also may serve as a portfolio manager for portions of certain Model Portfolios.

Model Portfolios

UMP Model Portfolios are designed to help you invest your money in an appropriate and professionally managed portfolio of investments based on your risk tolerance and asset allocation principles. UMP offers eight (8) Model Portfolios, each with a different strategic asset allocation (Strategic Allocation) designed to accommodate a variety of investment goals, time horizons, and risk tolerances. We will recommend what we believe to be the appropriate Model Portfolio for you based on the information you provide to us in your Questionnaire.

We will manage your Program Account using the Strategic Allocation associated with your Model Portfolio. Your Strategic Allocation is the allocation we will use when expected market conditions approximate what we believe to be the long-term risks and returns of each of the broad asset classes (equity and fixed-income), however your actual Program Account holdings may deviate from the stated Strategic Allocation. These deviations are discussed in the “Model Portfolio Asset Allocation” subsection below. The following Model Portfolios are offered in UMP: 100% Fixed-Income (only available in Custom Program Accounts), Conservative, Moderately Conservative, Moderate, Moderately Aggressive, Aggressive, Very Aggressive, and Global Opportunities (not available in Custom Program Accounts).

Model Portfolio Composition

As described in the “Investment Options” section above, Model Portfolios may invest in USAA Mutual Funds, non-USAA mutual funds, individual stocks or bonds, money market funds, ETFs, ETNs, and ADRs. Not all Model Portfolios offer all investment options, as not all investment options are appropriate for every Model Portfolio. Additionally, Program Accounts that are not Custom Program Accounts generally only invest in mutual funds, ETFs and money market funds; Custom Program Accounts also may invest in stocks, bonds, CDs and certain alternative investment vehicles which are not available in non-Custom Program Accounts.

Unless you indicated in your Questionnaire your desire for non-USAA mutual funds to be considered for investment, non-Custom Program Accounts will only include USAA Mutual Funds. You may change your decision to permit or exclude non-USAA mutual funds from consideration in your Program Account at any time by contacting us. In the event that a non-US

address is associated with your Program Account, we will only include USAA Mutual Funds in your Program Account. Please see the “USAA Mutual Funds” subsection below for information about how we determine whether to include USAA Mutual Funds or comparable non-USAA mutual funds in Program Accounts that permit investment in such funds, and the “Potential Conflicts Related to Mutual Fund Investments” subsection for information about potential conflicts of interest related to USAA Mutual Funds.

Actual Program Account holdings and performance will differ from Model Portfolio holdings and performance based on 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.

In addition to expanded Model Portfolio options, assets in Custom Program Accounts may, in whole or in part, be subject to investment recommendations from one or more Style Managers. IMCO has entered into investment advisory agreements with certain Style Managers pursuant to which the Style Managers provide investment recommendations to the OPM based on the Style Managers’ model portfolios (each, a Strategy). A Strategy may account for the investment management recommendations for some or all of a particular Model Portfolio. Style Managers do not have discretionary authority to implement trades in Custom Program Accounts, however IMCO will generally implement Style Manager recommended transactions in Custom Program Accounts without changes.

The OPM may change the Style Managers and investment options available for any Model Portfolio, and the minimum asset levels required, at its sole discretion at any time and from time to time.

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 and Style Manager recommendations, 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. We will not move your holdings toward your selected Model Portfolio target allocation by placing trades in your Program Account until the assets in your account reach the initial investment you indicated on your Questionnaire or the Program’s minimum initial investment of \$25,000, whichever is greater. Additional information about funding is provided in the “Opening and Funding an Account” subsection below.

Opening and Funding an Account. To open a Program Account, you must maintain a legal U.S. address. Participation in the Program requires that you agree to the terms and conditions contained in the USAA Managed Portfolios Investment Advisory Agreement (Agreement) and

sign the Account Application portion of your Questionnaire. You may electronically sign the Account Application by accessing our website and completing the Account Application on line. You also may request that your financial adviser mail paper copies of the Agreement, your Questionnaire, this Program Brochure and our disclosure documents to you. We will not open your account until we receive your signed Account Application, which incorporates the terms and conditions of the Agreement by reference.

After opening a Program Account, you may fund it by depositing cash or transferring securities “in kind” to your Program Account. Initial securities contributions will be 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 initial investment you indicated on your Questionnaire or the Program’s minimum initial investment of \$25,000, whichever is greater. After you have provided all necessary documentation, have met your initial investment threshold, and we have verified all of your transferred assets, we will activate your Program Account and begin discretionary investment management. Please speak to a financial adviser if you have any questions regarding funding your Program Account.

Once we begin actively managing your Program Account, we will sell all non-cash holdings which are not a part of your Model Portfolio and will use the resulting assets to begin creating your portfolio. While the time required for this process will vary, and may depend on various factors, including your transferred assets, market conditions and the composition of your Model Portfolio, it will generally take no less than two business days, and may take significantly longer. Please speak to a financial adviser if you have any questions regarding the initial investment process.

Unless otherwise agreed, all assets, including securities, transferred to your Program Account will be subject to management by us and included in creating your portfolio. Unless you are opening a Custom Program Account, sales of securities for initial funding purposes are not tax-managed (*e.g.* we will not work with you to sell securities over a period of time), and you may therefore 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.

Financial Advisers. Each financial adviser may be a registered investment adviser representative of USAA Financial Planning Services Insurance Agency, Inc. (FPS), a registered investment adviser and insurance agency, and/or they may be broker-dealer registered

representatives of USAA Financial Advisors, Inc. (FAI).

Financial advisers are 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, financial advisers are available to provide you with account services concerning your Program Account, as well as discuss changes in your Program Account investments. On an annual basis, we will contact you to conduct a review of your Model Portfolio recommendation. In addition to this annual review, you will receive a reminder on your monthly Program Account statement to notify us of any change in your financial situation or individual needs.

Program Accounts that are eligible to be treated as Custom Program Accounts will also have access to services provided by financial advisers that are members of our Wealth Management Team. These services include informational events, seminars and webinars, and access to personalized assistance with your financial planning, as needed.

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 “Terminations; Amendments” section of the Agreement.

FEES AND MINIMUMS

Information about the Account Fee.

We will charge you an asset-based program fee (Account Fee) for Account services we provide to you. The Account services we provide, and the fees that comprise the Account Fee you will be charged, will vary depending on the type of your Program Account.

For all Program Accounts, we will provide discretionary investment management, brokerage and custodial services, ongoing management of your Program Account assets, personal services from our financial advisers, and communications to keep you informed about your Program Account. These services are covered by the Program Fee, described below.

For Custom Program Accounts, the Account Fee is the Program Fee plus the Investment Management Fee. The Investment Management Fee covers the investment management fees associated with expanded investment options and any selected Style Manager(s), and personal services from our Wealth Management Team, and is described below.

In all events, the Account Fee charged to your Program Account 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, non-Custom Program Account advisory fees are not negotiable; however, we reserve the right to credit a portion of the applicable Account 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 Account 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 Account Fee exceeding the cost of the services being charged separately.

Your Program Account will begin accruing Account Fees when we begin active management. You will not be charged Account Fees during the funding process prior to active management. Should you close your Program Account, we will cease active management and we will assess the applicable Account Fee due for the period your Program Account assets were actively managed in the Program. We will deduct Account Fees directly from your Program Account on a monthly basis in arrears.

Fee Schedules

Program Fees. Program Fees are calculated on the average daily balance based upon the total market value of the assets in your Program Account, including cash balances and money market fund shares and, when applicable, are prorated based on the number of days the account is actively managed.

UMP Program Fee

Value of Combined Fixed-Income/Equity Account Assets	Maximum Annual Gross Program Fee Rate	Minimum Credit Amount	Maximum Annual Net Program Fee Rate*
Under \$125,000*	2.20%	1.10%	1.10%
\$125,000-\$250,000	2.10%	1.10%	1.00%
\$250,001-\$500,000	1.95%	1.10%	0.85%
\$500,001-\$1,000,000	1.85%	1.10%	0.75%
\$1,000,001-\$2,000,000	1.75%	1.10%	0.65%
\$2,000,001-\$10,000,000	1.60%	1.10%	0.50%
Over \$10,000,000	Negotiable	1.10%	Negotiable

Value of 100% Fixed-Income Account Assets**	Maximum Annual Gross Program Fee Rate	Minimum Credit Amount	Maximum Annual Net Program Fee Rate*
Under \$500,000*	1.60%	1.10%	0.50%
\$500,000-\$1,000,000	1.50%	1.10%	0.40%
\$1,000,001-\$2,000,000	1.40%	1.10%	0.30%

\$2,000,001-\$10,000,000	1.30%	1.10%	0.20%
Over \$10,000,000	Negotiable	1.10%	Negotiable

**All Program Accounts are subject to the Minimum Account Fee, described below.*

*** 100% Fixed-Income Model Portfolio only available to Custom Program Accounts.*

The Program Fee for all non-Custom Program Accounts will be calculated using the “Combined Fixed-Income/Equity Account Assets” fee schedule. Only Custom Program Accounts that are comprised of 100% fixed-income assets will use the “100% Fixed-Income Account Assets” fee schedule to calculate the Program Fee.

The Program Fee will be calculated by deducting a credit amount (the Credit Amount, described below), from the applicable annual gross Program Fee.

The Credit Amount 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 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 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.

Program Fee Calculation Example. For a Program Account with \$2,250,000 in combined fixed-income/equity assets, the annual Program Fee would be:

\$125,000	X	1.10%	=	\$1,375.00
\$125,000	X	1.00%	=	\$1,250.00
\$250,000	X	0.85%	=	\$2,125.00
\$500,000	X	0.75%	=	\$3,750.00
\$1,000,000	X	0.65%	=	\$6,500.00
\$250,000	X	0.50%	=	\$1,250.00
\$2,250,000				\$16,250.00

In this example, the annual Program Fee would be \$16,250.00, with an effective annual Program Fee rate of approximately 0.72%.

For non-Custom Program Accounts, the Account Fee is the Program Fee.

Investment Management Fees. For Custom Program Accounts, the Account Fee is the sum of the Program Fee plus the Investment Management Fee. Calculation of the Program Fee is described above. Program Accounts that are not Custom Program Accounts are not charged an Investment Management Fee. The Investment Management Fee is calculated by multiplying the average daily balance of equity holdings (including, *e.g.*, individual securities, REITs and equity ETFs) and fixed-income holdings (including, *e.g.*, individual bonds, CDs, ETNs and fixed-income ETFs) in a Custom Program Account by the appropriate marginal Investment

Management Fee rate for that asset class and, when applicable, is prorated based on the number of days the account is actively managed. The Investment Management Fee is not applied to mutual funds, money market funds or cash balances.

UMP Investment Management Fee*

Custom Program Account Assets	Marginal Equity Rate	Marginal Fixed Income Rate
Under \$500,000**	0.60%	0.25%
\$500,000- \$1,000,000	0.50%	0.20%
\$1,000,001-\$2,000,000	0.40%	0.15%
\$2,000,001-\$10,000,000	0.25%	0.10%
Over \$10,000,000	Negotiable	Negotiable

* UMP Investment Management Fee only applicable to Custom Program Accounts.

**All Program Accounts are subject to the Minimum Account Fee, described below.

Investment Management Fee Calculation Example. For a Custom Program Account with \$2,250,000 in assets, \$1,125,000 each in equity and fixed-income, and half of each asset class in mutual funds, the annual Investment Management Fee would be:

Equity Assets

\$500,000	X	0.60%	=	\$3000.00
\$62,500	X	0.50%	=	\$312.50
\$562,500				\$3,312.50

Fixed-Income Assets

\$500,000	X	0.25%	=	\$1,250.00
\$62,500	X	0.20%	=	\$125.00
\$562,500				\$1,375.00

Mutual Funds Assets

\$1,125,000			=	\$0
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In this example, the annual Investment Management Fee would be \$4,687.50 (\$3,312.50 + \$1,375.00), with an effective annual Investment Management Fee rate of approximately 0.21%.

Using the same Program Fee calculations shown in the previous example, the annual Account Fee for this Custom Program Account would be \$20,937.5 (\$4,687.50 + \$16,250.00), with an effective annual Account Fee rate of approximately 0.93%.

Program Accounts may pay a lower Account 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 Account Fees based on the total assets in Program Accounts in your household. For more information about householding fees, including sharing account information, and limitations for IRA, retirement and fiduciary accounts, please see the “Minimums; Fees” section in the Agreement.

Fees for Clients of Legacy USAA Advisory Programs. On October 27, 2012, the Private Investment Management, Strategic Fund Adviser, and Global Opportunities Portfolios investment advisory programs (“Legacy Programs”) were terminated and all Legacy Program accounts were converted to UMP accounts. At IMCO’s sole discretion, these converted Legacy Program accounts may be offered different Account Fees than those described in this Brochure.

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 may be charged to your account in addition to the single Account Fee described in the “Fee Schedules” subsection above.

As described above, investment management fees paid to AMCO by USAA Mutual Funds are included in the Credit Amount and deducted from your Program Fee. With respect to assets held in shares of non-USAA mutual funds, your Program Fee will not be reduced by the amount of the management fees for those funds. IMCO may receive distribution fees (12b-1 fees) in connection with your investment in non-USAA funds. As described above, 12b-1 fees from any non-USAA mutual funds in your Program Account generally are included in the Credit Amount used for determining your Program Fee. If you fund a retirement Program Account with a mutual fund that pays 12b-1 fees, we will either sell your shares of that fund before we begin active management of your Program Account, or if we hold that fund in your Program Account for a period of time before selling it, we will rebate your Program Account with any 12b-1 fees that IMCO received from that mutual fund during that period.

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. These other underlying USAA Mutual Fund expenses still apply and your Program fee will not be reduced by amounts received by us or our affiliates for these services. For a description of the fees paid by a USAA Mutual Fund, see the prospectus for that fund. You may

invest directly in some of the funds included in your Program Account outside of the Program without incurring an Account Fee, but you will not receive the active management services we provide, and you may be subject to transaction and redemption charges, if applicable.

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, UGMA/UTMA and profit sharing accounts.

Minimum Investment to Fund and Maintain an Account. To open a Program Account, you must contribute at least \$25,000 in cash or securities. Subsequent contributions to your Program Account must be in amounts not less than \$50. If your balance falls below the minimum investment amount, we reserve the right to charge a minimum annual Account Fee (Minimum Account Fee) of \$275, or to close your Program Account. Please see the “Minimums; Fees” and “Termination; Amendments” sections of the Agreement for details regarding additional fees and closing of Program Accounts. The minimum initial investment and balance requirements are not negotiable; however, we may waive the minimum initial investment and/or balance requirements 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 strategic asset allocation approach to attempt to meet your investment objectives over the medium to 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 equity and fixed-income (including money market fund) assets. The equity allocation may include domestic equity (primarily large- and mid-cap common stocks), small-cap stocks, mutual funds, ADRs and ETFs (including exposure to international and emerging markets), alternative investments (including REITs), commodity mutual funds and mutual funds that utilize hedging strategies. Fixed-income exposure may be subdivided between taxable and tax-exempt strategies and can include individual corporate, government, and agency bonds, ETNs, ETFs, CDs, and mutual funds (including money market funds).

Direct investments in corporate, government and agency bonds, stocks, ADRs, alternative investments and CDs will only be considered for inclusion in Custom Program Accounts.

IMCO has created the Model Portfolios, with their varying risk and potential return profiles, by utilizing the investment vehicles described in this Brochure and selecting different allocations within and between the broad equity and fixed-income asset classes.

Model Portfolios.

Descriptions of the Model Portfolios offered in UMP are below. All Model Portfolios are intended for investors with a medium to long investment time horizon. Please note that although some Model Portfolios are designed to minimize risk (and therefore offer diminished potential returns on your investment), all investments in securities involve a risk of loss, including the loss of all of the money you initially invest.

100% Fixed-Income. Primarily seeks to generate income with lower volatility and risk to principal by investing all account assets in fixed-income assets. Generally appropriate for investors who may have a limited time horizon for investment or who are very sensitive to risk, and who are willing forgo potential returns on their investment. This Model Portfolio is only available for Custom Program Accounts.

Conservative. Seeks conservative levels of return with lower volatility and risk to principal by investing primarily in fixed-income assets. Generally appropriate for investors who may have a limited time horizon for investment or who are sensitive to risk.

Moderately Conservative. Seeks modest returns with some volatility and risk to principal by investing primarily in fixed-income assets, but with a significant percentage invested in equity assets. Generally appropriate for investors who may have a slightly longer time horizon for investment or who are sensitive to risk.

Moderate. Seeks higher returns with increased volatility and risk to principal, including increased risk of loss of a portion of the money invested, by investing in a roughly proportionate mix of fixed-income and equity assets. Generally appropriate for investors who may have a slightly longer time horizon for investment and who are less sensitive to risk.

Moderately Aggressive. Seeks increased returns with greater risk to principal, including greater risk of loss of a significant amount of the money invested, by investing a majority of account assets in equity assets. Generally appropriate for investors who have a longer time horizon for investment and who are more comfortable with increased investment risk.

Aggressive. Seeks higher returns with substantial risk to principal, including significantly greater risk of loss of a significant amount of the money invested by investing a significant portion of account assets in equity assets. Generally appropriate for investors who have a longer time horizon for investment and who are comfortable with increased investment risk.

Very Aggressive. Very aggressively seeks higher returns with significant risk to principal, including significant risk of loss of a majority of the money invested, by investing substantially all account assets in equity assets. Generally appropriate for investors who have a longer time horizon for investment and who are comfortable with greatly increased investment risk, including the risk of loss of a substantial amount of the principal invested.

Global Opportunities. Global Opportunities is designed for investors with moderate to extensive investment knowledge, and seeks to pursue a long-term, conservative growth strategy with a moderate level of risk. Model Portfolio assets will be invested primarily in the USAA Global Opportunities Fund (GOF), as well as other USAA Mutual Funds. A majority of the assets will be invested in GOF, and as a result, the performance of your Program Account may closely resemble that of the GOF. Please refer to the GOF prospectus for additional information on this USAA Mutual Fund. Generally appropriate for investors who may have a slightly longer time horizon for investment or who are sensitive to risk, and who have moderate to extensive investment knowledge. This Model Portfolio is not available for Custom Program Accounts.

Model Portfolio 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 current and expected near-term market conditions approximate what we believe to be the long-term risks and returns of each of the broad asset classes (*i.e.*, equity and fixed-income). 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 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 that we believe are 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 Current Tactical Allocation periodically when we believe there is a material change in the cyclical direction of the market that presents investment opportunities. We also may periodically make adjustments to your asset allocation as needed in the event your account experiences drift away from the target Strategic Allocation.

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 Program Account assets and selected Model Portfolio, various investments will be selected to build the equity and fixed-income components of your Program Account.

Stocks. For Custom Program Accounts, we may invest a portion of the equity component of your Program Account in individual stocks. Our equity investment style can be characterized as primarily a bottom-up approach to stock selection focusing on individual stock 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. Style Managers may have different investment philosophies and utilize different stock selection techniques than these. Note that we do not presently make initial public offerings of securities available to Program Accounts. 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. For Custom Program Accounts, the fixed-income component of the Model Portfolio may use high-quality investment-grade government, government agency, municipal, and corporate bonds (including convertible bonds), to earn a competitive rate of return, while attempting to minimize credit and default risk. The fixed-income component also may include purchasing preferred stock if purchased for the purpose of generating additional income and if not convertible into common stock. Any 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 in the event 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 Account 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). Please refer to each mutual fund's prospectus for additional information on the fund.

Non-USAA Mutual Funds. Program Accounts may include certain non-USAA mutual funds. For accounts which are not Custom Program Accounts, these mutual funds may only be included in your Program Account if you indicated in your Questionnaire your desire that they be considered for investment. Please note, however, that even if you indicate a desire for us to consider non-USAA mutual funds for investment, your Program Account may only include USAA Mutual Funds. You may change your decision to permit or exclude non-USAA mutual funds from consideration in your Program Account at any time by contacting us. Please see the "USAA Mutual Funds" subsection below for information about how we determine whether to

include USAA Mutual Funds or comparable non-USAA mutual funds in Program Accounts that permit investment in such funds. Eligible non-USAA mutual funds include those mutual funds available through USAA's mutual fund supermarket that are no-load or load waived, with 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, stability and continuity 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. USAA Mutual Funds are eligible for inclusion in Program Accounts. We generally will invest in USAA Mutual Funds unless USAA does not offer a fund that matches the Model Portfolio's desired investment criteria. For Program Accounts that include non-USAA mutual funds, there is no predetermined allocation between USAA Mutual Funds and non-USAA mutual funds included in your Program Account, except that any 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, or all, of your Program Account 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 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 Program Account, possibly notwithstanding relative performance or fees, which may result in a material difference in your Program Account performance. Information about potential conflicts of interest related to USAA Mutual Funds is provided in the "Potential Conflicts Related to Mutual Fund Investments" subsection below.

Certificates of Deposit (CDs). For Custom Program Accounts, we may invest in CDs for purposes of principal preservation and income and as an interim investment before other investment opportunities arise. 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. 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 FSB and USB (collectively Affiliated Bank CDs), which may offer lower interest rates than those available from other banks. Information about potential conflicts of interest related to Affiliated Bank CDs is provided in the "Potential Conflicts Related to Affiliated Bank CD Investments" subsection below.

American Depositary Receipts (ADRs). For Custom Program Accounts, ADRs may be used to provide portfolio exposure to international equities. ADRs are equity securities issued in the U.S. or European markets that represent a non-U.S. company's home-country shares. ADRs offer U.S. investors a convenient way to invest in a foreign company by holding a domestic security that is cleared and settled in the U.S. ADRs are negotiable U.S. securities that are created when a broker purchases the non-U.S. company in the local stock market and delivers those shares to an American Depositary Bank, in the foreign country. The depositary bank then issues ADRs representing ownership in the non-U.S. company. Many ADRs are listed on U.S. stock exchanges and represent some of the world's best known companies. ADRs may be exposed to risks not typical of domestic investments such as exchange rate fluctuations, political and economic developments, exchange controls, or other foreign laws or restrictions.

Real Estate Investment Trusts (REITs). For Custom Program Accounts, REITs may be used to provide portfolio exposure to the real estate market. A REIT is a company that invests in assets of real estate and is granted special tax consideration. A company that qualifies as a REIT is permitted to deduct dividends paid to its shareholders from its corporate taxable income. In order to qualify as a REIT, a company must distribute at least 90% of its taxable income to shareholders. Like other corporations, REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges like shares of common stock in other firms. Additional risks associated with investing in REITs include rental income fluctuation, depreciation, property tax value changes and differences in real estate market values.

Brokerage. The OPM is authorized to place trades with IMCO (as broker-dealer) if the OPM reasonably believes 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 OPM 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 Program Accounts, which may have similar investment objectives. The overriding objective for IMCO is to assure fair and equitable treatment of all 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

Overlay Portfolio Manager. The Overlay Portfolio Manager (OPM) Management Team manages the Program and is responsible for the management of assets in UMP. The OPM makes tactical investment decisions for all Program Accounts, and makes recommendations as to the strategic allocations, investment options and Style Managers for each Model Portfolio. The OPM Management Team meets on a regular basis and evaluates domestic and international market information for the purpose of determining each Model Portfolios' asset allocation strategies and investments. The OPM Management Team may review investment recommendations from the Manager Research Team (MRT) and tactical asset allocation adjustment recommendations from the Investment Strategies Group (ISG). The OPM Management Team also reviews and implements buy and sell recommendations from Style Managers. Certain OPM Management Team members also may be members of the MRT and the ISG. In addition, certain OPM Management Team members may either provide investment management services to certain USAA Mutual Funds or be responsible for recommending the subadvisers for certain USAA Mutual Funds. Please see the "Potential Conflicts of Interest" section below for more information regarding USAA Mutual Fund investment management.

Each OPM Management Team member 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 oversight of the Program, including review and approval of all mutual funds and Style Managers that may be included in the Program, as well as changes to Model Portfolio strategic allocations. The ISC meets on a regular basis and is responsible for reviewing and evaluating the OPM's recommendations for the Program. The ISC relies on a wide range of economic factors to help determine the economic outlook of the securities markets. 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. Please see the "Potential Conflicts of Interest" section below for more information regarding USAA Mutual Fund investment management.

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 and Style Managers to be included in each of the Model Portfolios. Each fund or Style Manager selected for a Model Portfolio 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 and/or Style Managers are included in Model Portfolios with the intention of diversifying the Model Portfolios' investments while providing an appropriate variety of equity and alternative investment exposure, fixed-income maturities and yields, and investment management styles. In addition, the MRT is responsible for recommending the subadvisers for certain USAA Mutual Funds, including the GOF. Please see the "Potential Conflicts of Interest" section below for more information regarding USAA Mutual Fund investment management.

Sources of Information. Our OPM Management Team members, the MRT, and the ISG 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 investments.

Mutual Fund Managers. The OPM Management Team members, MRT, and ISG 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, stability and continuity of fund management, fund asset size, expense ratios, and other current public information on the funds and their management. They 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 a particular 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.

Style Managers. Style Managers provide advisory services through UMP by furnishing investment recommendations to the OPM for one or more Model Portfolios based on the Style Manager's investment model (Strategy). The OPM has responsibility for implementing each Strategy based on the advice provided by the Style Manager, and generally implements the recommendations without change. An exception to this policy includes when Style Manager recommendations are inconsistent with client requested Program Account investment restrictions.

The OPM Management Team selects Style Managers for participation in UMP with the goal of providing clients with access to professional investment advice and to make available a choice of various investment styles and corresponding risk levels. OPM, MRT, and ISG use multiple manager research tools and resource databases to provide initial screening of prospective managers based on objective, quantitative factors such as performance history, risk metrics, stability and continuity of management, asset size, advisory fees, and other current public information on the manager. They then perform a subjective, qualitative analysis such as a review of the manager's underlying philosophy, process, people, style consistency, future market and/or economic expectations, and overall fit within a particular Model Portfolio. Members of the ISC and MRT may meet with 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 Program, the OPM monitors the investments in Program Accounts. If a change in Program Account holdings includes the selection of a new mutual fund or similar investment, we will send you a copy of the prospectus or disclosure document, as applicable and as required by law, for any such new assets 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 a Model Portfolio.
- The decision to realign your asset allocation to restore it to the Model Portfolio Strategic Allocation in response to drift caused by differences in portfolio performance within the investments included in your account.
- The decision to divest from an individual security due to a change in business prospects, valuation, or the existence of a better investment opportunity.
- 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 Model Portfolio, a strategic decision to move from a one asset type to another, *e.g.*, from a mutual fund to an ETF or ETN.
- 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 and Model Portfolio. Please contact a financial adviser 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.

In addition to monitoring Program Account investments, the OPM also monitors Style Manager performance in Custom Program Account Portfolios. The OPM may decide to remove a Style Manager from the Program due to poor performance, changes in management or if the Style Manager becomes otherwise inappropriate or unavailable.

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

- **Monthly Performance Statement.** You will receive a monthly Program Account performance statement. Your monthly performance statement from us will show your Program Account performance, holdings, additions and withdrawals, and fees charged to your Program Account. You will also receive periodically a separate custodial account statement from the account custodian showing Program Account holdings, cost basis, transactions, trades and share transfers. We request that you compare the monthly statement to the custodial account statement.
- **Quarterly Performance Report.** You will receive quarterly reports detailing your Program Account performance and including market commentary from the Investment Strategy Committee (ISC), manager commentary providing additional insight on market trends that may have an impact on your portfolio, and information regarding your Program Account holdings. We request that you compare your Program Account holdings in the quarterly performance report to the periodic custodial account statement provided separately by the account custodian.

¹ We generally 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 in the subsection "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.

- **Annual Review.** At least once a year, you will be contacted with a request that you review your Questionnaire, Model Portfolio recommendation and 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 Model Portfolio is recommended and give you the opportunity to agree with or decline the new recommendation.

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, which may include a fund's portfolio manager or subadvisor, the ISC, shareholder groups, Style Managers 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 Managed Portfolios, P.O. 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, 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 OPM.

Item 8 – Client Contact with Portfolio Managers

Clients are permitted to contact members of the OPM 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 Managed Portfolios program; and (2) 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; USAA Life Insurance Company and its affiliates; USB, a Nevada chartered financial institution; FSB, a federal savings bank; and AMCO, a registered investment adviser.

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 FSB through USAA's bank holding company. IMCO provides the following services to FSB: it serves as sub-adviser to an asset allocation program (similar to the Program services offered to Custom Program Accounts), which 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 is affiliated with AMCO, a registered investment adviser. AMCO acts as the investment adviser for the USAA Mutual Funds. AMCO also advises the USAA insurance companies and other affiliated corporate clients.

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 to 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 UMP, including investment in IPOs recommended by Style Managers.

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 and its affiliates may receive more net compensation from USAA Mutual Funds included in UMP in comparison to net compensation from non-USAA mutual funds.

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

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 Exchange Act, 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 UMP. 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 UMP, 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 Office of 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. Regarding this requirement, 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.