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## **Retail Advisory Services Brochure**

March 31, 2020

**This brochure provides information about the qualifications and business practices of USAA Investment Management Company (“IMCO”). If you have any questions about the contents of this brochure, please contact us at (877) 314- 2255. Please note that the information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

Additional information about IMCO is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

IMCO is registered as an investment adviser with the SEC pursuant to the Investment Advisers Act of 1940, as amended. Recipients of this brochure should be aware that registration with the SEC does not in any way constitute an endorsement by the SEC of an investment adviser’s skill or expertise. Further, registration does not imply or guarantee that a registered adviser has achieved a certain level of skill, competency, sophistication, expertise, or training in providing advisory service to its clients.

## **Item 2 – Material Changes**

This Retail Advisory Services Brochure (the “Brochure”) provides information to our retail advisory clients about the qualifications and business practices of USAA Investment Management Company (“IMCO”, “we”, or “us”), as they relate to IMCO’s USAA Managed Portfolios program (“UMP®” or “the Program”) and Wealth Management services (“WM Services”) (together, the “Retail Advisory Services”). You are receiving this Brochure because you are an existing or prospective recipient of Retail Advisory Services. You should carefully consider the information in this Brochure in your evaluation of the services described in it.

**March 31, 2020, Update:** This Brochure has been amended at Item 4 to include information concerning USAA’s proposed sale of Program Accounts to Charles Schwab & Co. (“Schwab”). You should be aware that, as described more fully below, the sale of IMCO assets, including UMP Program Accounts and WM client relationships, to Schwab is expected to occur in the second quarter of 2020. The sale will result in the assignment of IMCO’s advisory relationships to Schwab, which will thereafter provide advisory services. IMCO will no longer provide advisory services following the consummation of the sale and assignment to Schwab. Please see revised Item 4 below for more information.

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.

If you would like an additional copy of this Brochure, please call us at (877) 314-2255.

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## Item 4 – Advisory Business

IMCO is an indirect wholly owned subsidiary of the United Services Automobile Association (“USAA”), a diversified financial services organization. IMCO has been in the investment services and advisory business since 1970. As of January 1, 2020, IMCO managed approximately \$23 billion in discretionary assets and approximately \$1.8 billion in non-discretionary assets. IMCO engages in two primary areas of business: (1) an investment advisory business; and (2) a broker-dealer business. This section focuses on IMCO’s non-discretionary investment advisory services, namely, the retail advisory activities performed by IMCO in connection with its UMP Program and the provision of WM Services to certain of its advisory clients. Item 10 below contains information about IMCO’s broker-dealer activities.

### The UMP Program

IMCO provides discretionary investment advisory services to retail clients through the UMP Program. The UMP 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 value of assets under management. The three UMP Program options are:

1. **Wrap** – A traditional managed account platform that offers model portfolios comprised of mutual funds, money market funds, and/or ETFs (depending on the specific type of account selected); and
2. **Custom** – A managed account platform that offers model portfolios with a wide range of underlying assets, including stocks and bonds.

Wrap and Custom offerings are generally intended for clients seeking model portfolios with a broad array of investment options in their UMP Program accounts, including actively managed mutual funds and passively managed ETFs. Wrap accounts offered under the UMP Program include the following options:

1. *USAA Victory Mutual Fund Wrap Program Accounts* – Wrap accounts that invest through model portfolios consisting substantially of USAA Victory Mutual Funds, a series of mutual funds that are sponsored and managed by Victory Capital Management, Inc. (“VCM”), a third party unaffiliated with IMCO;
2. *Marketplace Fund Wrap Program Accounts* – Wrap accounts that invest through model portfolios consisting of mutual funds from multiple fund providers selected by IMCO through an open-architecture methodology;
3. *ETF Wrap Program Accounts* – Wrap accounts that invest through model portfolios consisting of third-party ETFs; and

4. *Blend Wrap Program Accounts* – Wrap accounts that invest through model portfolios consisting primarily of USAA Victory ETFs (which are sponsored and managed by VCM), as well as other third-party ETFs and mutual funds.

Our financial advisors will 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 determine which account type is appropriate for you. Custom accounts generally carry higher fees, due to the expanded manager oversight, investment options, and services available to such accounts. Eligibility for Custom accounts is therefore generally limited to higher net-worth clients.

If, after reviewing your financial situation and investment objective, your IMCO financial advisor determines that a Wrap or Custom account is appropriate for you, the advisor will provide you with a recommended model portfolio, including a strategic allocation. The model portfolio is based on the information you provide to your advisor and the advisor's evaluation of that information. While we recommend a model portfolio for you, the decision of whether to accept or reject that recommendation and whether to invest in a particular model portfolio is solely your decision.

UMP Program assets are maintained within brokerage accounts opened through IMCO and carried by IMCO's clearing broker-dealer, National Financial Services, LLC, a Fidelity Investments Company ("NFS").

Further detail about the services we provide through the UMP Program, as well as specific information about account eligibility and fees applicable to the Program, can be found in the separate Appendix 1 to this Brochure (the "Wrap Brochure"), a copy of which is available upon request.

### **Wealth Management Services**

IMCO also provides WM Services to those of its clients that meet certain eligibility criteria. WM clients are generally clients with higher levels of investable assets. If you meet our eligibility criteria for WM Services, you may be assigned a one-to-one IMCO financial advisor, known as a Wealth Manager. Your assigned Wealth Manager will be available to advise on a variety of topics, including but not limited to, investments, retirement and wealth transfer. Our Wealth Managers focus on getting to know you and your priorities, so that they can develop advice that reflects what is most important to you and your family.

Wealth Managers may, where appropriate, provide financial planning services to their assigned WM clients. Financial plans provided to WM clients, known as USAA Personal Financial Plans ("PFPs"), are generated by Wealth Managers using digital financial planning software licensed by IMCO. Each PFP follows a form approved by IMCO management. However, the content of a PFP is ultimately dependent upon and reflective of information provided by the client. Generally, PFPs:

- Summarize a client's goals and financial situation;
- Provide a risk assessment of the client's current financial allocation and situation;
- Provide historical and hypothetical calculations about how likely the client may be in achieving goals through different market conditions;

- Provide insight into different planning considerations, such as asset allocation and estate matters; and
- Provide the client with the ability to view how different conditions and assumptions could impact the client's plan.

Clients who are interested in a PFP participate in a detailed discovery process to help identify and prioritize their financial needs and goals. During the discovery process, a Wealth Manager will gather information about the client's financial resources and needs, may request copies of documents to help assess the client's financial situation, and may ask the client to complete a detailed financial planning questionnaire. Wealth Managers rely on clients' diligence in providing complete, clear, and accurate information during the discovery process, as PFPs are based on the factual information that clients provide.

Our Wealth Managers may from time to time engage the services of a specialist team of CERTIFIED FINANCIAL PLANNERS™ ("CFPs") within IMCO, to assist with the financial planning process for WM clients. This is done at no charge to clients. Certain Wealth Managers may also carry the CFP designation.

A PFP is a discrete, one-time report that applies to a client's financial situation at the time the PFP is delivered. IMCO does not monitor the client's changing circumstances, nor does IMCO update a client's PFPs unless requested by the client. It is therefore important that clients monitor their personal financial situations and current events, such as changes in tax laws and financial markets, and update their PFPs as needed.

PFPs do not contain specific product recommendations or advice regarding legal, tax, or accounting matters. While Wealth Managers may engage in general discussions with clients about basic estate planning needs, clients should consult with legal and/or tax professionals for specific advice regarding such matters.

IMCO acts as an investment adviser in providing PFPs to its clients, but this does not affect any other relationship the clients may have with USAA or its affiliates. Accordingly, the nature of a client's existing USAA accounts or any USAA accounts that the client may open in the future, the rights and obligations relating to these accounts, and the terms and conditions of any USAA affiliate account agreement in effect now or in the future are not altered by the provision of a PFP by IMCO.

Advice provided in a PFP may be implemented through certain USAA affiliates, or through other financial services not affiliated with USAA. We cannot guarantee future financial results or the achievement of a client's financial goals through implementation of any of the recommendations in a PFP. Before implementing any recommendations, clients should consider the ramifications of purchasing investment products or services, and should seek further advice from their own legal and tax advisors. Clients have sole responsibility for determining whether, when, and how to implement any recommendations, whether through a USAA affiliate or otherwise. Clients have no obligation to implement any part of their PFPs. If a client chooses to implement their PFP through a Wealth Manager, the Wealth Manager may recommend utilizing USAA products and services, as appropriate.

By providing a PFP, USAA, its affiliates, and IMCO, are not acting as a fiduciary for purposes of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or Section 4975 of the Internal Revenue Service Code (the “Code”) with respect to any Retirement Plan (defined below). Unless otherwise provided in a written agreement between a client and IMCO, USAA, its affiliates, and their respective employees, any agents and representatives of IMCO, including the client’s IMCO financial advisor: (a) do not have discretionary authority or control with respect to the assets in any Retirement Plan included in a PFP, (b) will not be deemed an “investment manager” (as defined by ERISA) with respect to such assets, and (c) will not provide “investment advice” (as defined by ERISA and/or section 4975 of the Code, as amended) with respect to such assets. For the purposes of this paragraph, a “Retirement Plan” means an employee benefit plan as defined in Section 3(3) of ERISA, a plan as defined in Section 4975(e)(1) of the Code, such as an individual retirement account (IRA) or a plan or other arrangement subject to fiduciary and prohibited transaction requirements or substantially similar state, local, or foreign law.

WM and IMCO may make modifications to the software, forms used for the client financial discovery process, or completely discontinue the availability of the PFP at any time, without prior notification.

#### *Other Wealth Management Services*

In addition to providing financial planning services, Wealth Managers routinely evaluate their clients’ levels of financial protection and assist the clients with finding insurance solutions that meet their protection needs. Wealth Managers are each licensed insurance agents and, where appropriate, can help clients choose among various insurance and fixed annuity options.

Please note that the insurance and fixed annuity products offered by our Wealth Managers are not regulated by FINRA or the SEC. Wealth Managers offer these products in their capacity as insurance agents of USAA Life Insurance Company and/or one of its affiliates, rather than as investment adviser representatives of IMCO. Accordingly, a different, non-fiduciary standard will apply to Wealth Managers’ recommendations of insurance and fixed annuity products.

Please see Item 10 below for more information about IMCO’s relationship with its life insurance affiliates.

\* \* \*

WM Services are designed to provide clients with the means to manage their financial affairs in a comprehensive way. By focusing on clients’ unique needs, developing PFPs, and helping to implement those plans, we aim to build relationships based on trust that deepen over time.

For more information regarding WM Services, including details about eligibility, please contact us at (877) 314-2255.

## **PENDING TRANSACTION WITH CHARLES SCHWAB & CO.**

In July 2019, USAA announced an agreement to sell the assets of IMCO, including Program Accounts and Wealth Management relationships, to Schwab, an investment adviser registered with the Securities and Exchange Commission (“SEC”) and a broker-dealer registered with the SEC and a member of the Financial Industry Regulatory Authority (“FINRA”). The transaction is expected to close in the second quarter of 2020. As a result of the transaction, UMP Program Accounts, as well as Investment Advisory Agreements and Wealth Management relationships between IMCO and its clients, will be assigned from IMCO to Schwab. Clients will receive a separate notification from IMCO, prior to the closing of the transaction, providing details regarding the transaction, as well as information about their options in connection with the assignment and corresponding Program Account and Wealth Management conversion.

IMCO will no longer provide investment advisory services after the transaction closes.

You should be aware of the pending transaction and its future impact on your investment advisory relationship with IMCO. Please consult IMCO’s separate communications regarding the transaction for further details, or contact an IMCO financial advisor at (800) 531-1345 with any questions.

### **Item 5 – Fees and Compensation**

We charge an asset-based program fee for UMP services we provide to our retail advisory clients. The UMP services we provide and the fees we assess vary depending on the type of UMP Program account. For Wrap accounts, the account fee covers services such as portfolio construction, asset allocation, the ongoing management of your account, ongoing communications to keep you informed about your account, and certain brokerage-related services. For Custom accounts, the account fee covers these same services, as well as investment management fees and additional services associated with expanded manager oversight, individual equity securities and fixed-income instruments, and any selected style managers.

We do not charge fees for WM Services. However, as noted above, clients must meet certain eligibility criteria to qualify for such services.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not apply a performance adjustment or otherwise receive compensation based on performance for the UMP Program accounts for which we provide advisory services.

### **Item 7 – Types of Clients**

Our retail advisory clients generally comprise UMP accountholders and WM clients. This section briefly describes the eligibility and/or account minimum requirements applicable to the UMP Program and WM Services, respectively.

UMP program accounts require a minimum account balance, which varies depending on the type of account (*i.e.*, Wrap or Custom). Wrap accounts are subject to a minimum account size of \$25,000 and a minimum annual account fee of \$275. Custom accounts are subject to a minimum account size



of \$500,000 and a minimum annual program fee of \$275. Certain types of securities and asset allocation models within the Custom Program require different minimums.

WM Services are made available to clients and prospects of IMCO who meet certain eligibility criteria. Generally, eligibility for WM Services is limited to clients and prospects with higher levels of investable assets. Please note that WM Services are not currently offered to clients with respect to securities held in employer-sponsored retirement plans.

## **Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss**

### **The UMP Program**

The UMP Program provides professionally managed, broadly diversified portfolios to help clients meet their long-term financial goals. The Program utilizes a diversified mix of mutual funds and ETFs, as well as individual stocks and bonds for some account types, through a range of client-selected model portfolios. We may employ the services of a third-party style manager to provide investment recommendation services. These style managers do not have discretionary authority to implement trades in your UMP account. However, we will generally implement style manager-recommended transactions, subject to any reasonable restrictions placed on the management of the account.

Our asset allocation strategies include a long-term “Strategic Allocation” to help reduce risk and volatility, and short-term “Tactical Allocation” to maximize what we believe to be timely opportunities in the market. A Strategic Allocation is an approach based upon multiple factors including, but not limited to, historical and expected future investment returns, interest rates, inflation, as well as asset allocation assumptions. A Tactical Allocation strives to take advantage of market opportunities by adjusting a UMP client’s portfolio. We may adjust a UMP client’s 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 rebalance a UMP client’s account as needed in the event the client’s account experiences what we deem to be a material drift away from the target Strategic Allocation.

We manage each UMP Program account separately without regard for other Program accounts and assets that an advisory client may hold, either through the UMP Program or outside of USAA. We also manage each UMP Program account according to the offering selected (*i.e.*, Wrap or Custom) and the specific account type and model portfolio selected. Please note that we do not look across all strategies that a client may hold in an attempt to coordinate the client’s UMP Program accounts or manage them collectively for a different strategy. Therefore, we can provide no assurance regarding the volatility of the “total package” of UMP accounts held by a particular client.

Actual UMP Program account holdings and performance will differ from model portfolio holdings and performance based on a variety of factors, including, but not limited to, the length of time the account has been under our management, the account size, and any individual account restrictions.

Please note that all investments in securities involve a risk of loss, including the loss of all the money you initially invest. There is no guarantee that any particular asset allocation or mix of investments will meet investment objectives or provide you with a given level of income. We use historical

information to assist in making our investment decisions. There is no guarantee that an investment strategy based on historical information will meet your investment objectives, provide any desired level of income, or protect against loss, particularly when future market conditions are drastically different from the information used to create your strategy. Diversification does not ensure a profit or protect against a loss. There is no assurance that you will achieve positive investment results by using our advisory services.

This Brochure does not include every potential risk associated with an investment strategy, or all the risks applicable to an advisory account. Rather, it is a general description of the nature and risks of the strategies and securities and other financial instruments in which UMP accounts may invest. The risks to which a specific client might be exposed will depend on the specific investment strategies incorporated into that client's portfolio.

Set forth below are certain material risks to which a client might be exposed in connection with our implementation of a strategy for UMP Program accounts:

*Asset Allocation Risk.* The risk that an investment adviser's decisions regarding a portfolio's allocation to asset classes or underlying funds will not fully account for market trends successfully.

*Equity Market Risk.* The risk that stock prices will fall over short or extended periods of time.

*Fixed Income Market Risk.* The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers, including governments and their agencies. Generally, fixed income securities will decrease in value if interest rates rise and *vice versa*. Declines in dealer market-making capacity because of structural or regulatory changes could decrease liquidity and/or increase volatility in the fixed income markets. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. In response to these events, a portfolio's value may fluctuate and its liquidity may be impacted. Additionally, a mutual fund may experience increased redemptions from shareholders, which may impact the mutual fund's liquidity or force the mutual fund to sell securities into a declining or illiquid market.

*Interest Rate Risk.* The risk that a rise in interest rates will cause a fall in the value of fixed income securities, including U.S. Government securities.

*Investment Company Risk.* When a portfolio invests in an investment company, including mutual funds, closed-end funds, and ETFs, in addition to directly bearing the expenses associated with its own operations, it will bear company's expenses. Further, while the risks of owning shares of an investment company generally reflect the risks of owning the underlying investments of the investment company, the portfolio may be subject to additional or different risks than if the portfolio had invested directly in the underlying investments. For example, the lack of liquidity in an ETF could result in its value being more volatile than that of the underlying portfolio securities. Closed-end investment companies issue a fixed number of shares that trade on a stock exchange or over-the-counter at a

premium or a discount to their net asset value. As a result, a closed-end fund's share price fluctuates based on what another investor is willing to pay rather than on the market value of the securities in the fund.

*Liquidity Risk.* In certain circumstances, it may be difficult to sell portfolio investments because there may not be enough demand for them in the markets, in which case we may not be able to sell or liquidate such securities.

*Market Risk.* The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector, or the equity or bond market.

*Money Market Funds.* With respect to an investment in money market funds, an investment in the money market fund is not a bank deposit, nor is it insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the money market fund seeks to maintain a constant price per share of \$1.00, an investor may lose money by investing in the money market fund. The fund may experience periods of heavy redemptions that could cause the fund to liquidate its assets at inopportune times or at a loss or depressed value, particularly during periods of declining or illiquid markets. This could have an adverse effect on the fund's ability to maintain a stable \$1.00 share price and, in extreme circumstances, could cause the Fund to suspend redemptions, enact fees and/or gates, or liquidate completely.

*Municipal Securities Risk.* Municipal securities, like other fixed income securities, rise and fall in value in response to economic and market factors, primarily changes in interest rates, and actual or perceived credit quality. Rising interest rates will generally cause municipal securities to decline in value. Longer-term securities respond more sharply to interest rate changes than do shorter-term securities. A municipal security will also lose value if, due to rating downgrades or other factors, there are concerns about the issuer's current or future ability to make principal or interest payments. State and local governments rely on taxes and, to some extent, revenues from private projects financed by municipal securities, to pay interest and principal on municipal debt. Poor statewide or local economic results or changing political sentiments may reduce tax revenues and increase the expenses of municipal issuers, making it more difficult for them to repay principal and to make interest payments on securities owned by a portfolio. Actual or perceived erosion of the creditworthiness of municipal issuers may reduce the value of a portfolio's holdings. As a result, the portfolio will be more susceptible to factors which adversely affect issuers of municipal obligations than a portfolio which does not have as great a concentration in municipal obligations. Any changes in the financial condition of municipal issuers also may adversely affect the value of the portfolio's securities.

*Portfolio Risks.* UMP accounts are subject to a variety of investment risks that will vary depending upon the selected portfolio and the underlying funds of that portfolio. Please consult each fund's prospectus and statement of additional information for additional risks that apply to each fund.

*Portfolio Turnover Risk.* To the extent that a portfolio buys and sells securities frequently, such activity may result in increased brokerage or other higher transaction costs and additional capital gains tax liabilities. These costs affect the portfolio's performance. To the extent that a portfolio invests in an underlying fund, the portfolio will have no control over the turnover of the underlying fund. In addition, the withdrawal of a portfolio from an underlying fund could involve expenses, such as redemption fees, to the portfolio under the terms of the portfolio's investment.

*U.S. Government Securities Risk.* Although U.S. Government securities are considered to be among the safest investments, they are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. Government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the agency's own resources.

### **Wealth Management Financial Planning Services**

PFPs are based on general information provided by clients during the discovery process. Information obtained during the discovery process typically consists of facts such as the client's current assets, liabilities, income, expenses, and financial goals. In preparing a PFP, we rely on certain information provided solely by the client, the client's agents, or designated representatives, without independent verification. As such, it is the responsibility of the client to ensure that the information they provide is accurate and complete.

We obtain the following types of general financial planning information from various sources: for example, market data, risk measurement analysis, and other information concerning the economy. The financial planning software used by IMCO also contains financial planning methodologies. PFPs may include a Monte Carlo simulation or use a methodology based on a Monte Carlo simulation. Monte Carlo simulations are used to show how variances in rates of return each year can affect investment results. Results using Monte Carlo simulations indicate the likelihood that an event may occur as well as the likelihood it may not occur.

A PFP may contain analyses that include asset allocations. Our asset allocation models are developed according to prototype client profiles. In formulating such asset allocation models, we may consider a number of factors, which may include the ramifications of different investor profile characteristics and an assessment of current economic and market views expressed by economists, analysts and bank and securities firms. The asset allocation models may change from time to time, without client notice made subsequent to the creation of a PFP. IMCO will not provide a client with an updated PFP based upon changes to the asset allocation models or other underlying assumptions. IMCO does not update a PFP unless requested by the client. Changes in asset allocations or other underlying assumptions may affect PFP results.

Wealth Managers will (a) determine a client's investor profile and (b) modify the asset allocation to reflect the client's individual characteristics or circumstances not described in the generalized client profile, as applicable. In determining the appropriate asset allocation for a client, we will consider the client's personal financial situation, investment time horizon, funding strategies, investment experience, tax status, risk tolerances, goals and other life circumstances. Additional information regarding the asset allocation models is available upon request.

A PFP will provide details on the software and methodologies used, and the software or methodologies that were used in creating a PFP may change at any time. Because a PFP is a discrete, one-time report that applies to the client's financial situation at the time the PFP is delivered, and IMCO does not provide ongoing advice, IMCO does not provide the client with notice of changes to software or methodologies made subsequent to the creation of a PFP, nor does IMCO update a PFP unless requested by the client. Changes in software or methodologies may affect a PFP.

Investment losses may occur as a result of advice provided in a PFP. We cannot guarantee any level of performance from a recommended strategy or investment, nor can we guarantee that clients will not experience losses in their account(s) as a result of the advice we may provide.

### **Item 9 – Disciplinary Information**

We are 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. We have no disciplinary information for IMCO that is responsive to this Item.

### **Item 10 – Other Financial Industry Activities and Affiliations**

IMCO is an indirect wholly owned subsidiary of USAA. USAA is a diversified financial services organization that provides many different financial products and services to its members, including, among other things, property and casualty insurance, mutual fund and brokerage products, life insurance services, banking services, and financial planning.

From time to time, IMCO or its advisory clients may have material business relationships with the following companies:

- USAA, a diversified financial services company and its affiliates;
- USAA Financial Planning Services Insurance Agency, Inc. ("FPS"), an insurance agency;
- USAA Financial Advisors, Inc ("FAI"), a registered broker-dealer and member of FINRA/SIPC;
- USAA Life Insurance Company and its affiliates;
- USAA FSB, a Federal Savings Bank; and
- USB, a Nevada chartered financial institution.

IMCO is a registered investment adviser and a registered broker-dealer. In addition, many of our management persons are broker-dealer registered representatives of IMCO or FAI, our affiliated broker-dealer. As an introducing broker-dealer, IMCO offers an online brokerage operation and facilitates through NFS, brokerage execution, settlement, transaction processing, and custodial services for FAI. IMCO and FAI act as introducing broker-dealers, and NFS acts as the clearing broker-dealer with respect to certain IMCO- or FAI-initiated brokerage transactions, including transactions for certain IMCO clients and UMP accounts.

Our Wealth Managers each hold insurance licenses through USAA Life Insurance Company or one of its affiliates.

Finally, while unrelated to the Retail Advisory Services described in this Brochure, you should know that IMCO serves as non-discretionary sub-adviser to the Trust Department of USAA FSB. IMCO is affiliated with USAA FSB through USAA's bank holding company. IMCO provides the following services to USAA FSB: it serves as a non-discretionary sub-adviser to USAA FSB Trust Services Department; and it provides certain administrative and record keeping services related to brokerage sweep agreements. USAA FSB compensates IMCO for these services pursuant to written agreements.

## **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. While it does not currently do so, IMCO may engage in lawful soft dollar transactions for which IMCO may receive research services, remuneration, compensation, or other consideration for directing client orders to particular broker-dealers 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. Please see item 12 below for a description of soft dollar practices. Additionally, IMCO and its affiliates, where appropriate, may recommend to clients that they buy or sell securities or investment products in which IMCO or an affiliate has some financial interest, including the USAA Victory Mutual Funds and/or USAA Victory ETFs, which are sponsored and managed by VCM, a third party unaffiliated with IMCO.

IMCO also may buy or sell securities for itself or its affiliates that it also recommends to or purchases for clients. Please see Item 11 for a description of such practices.

In its capacity as an investment adviser, IMCO may from time to time be offered the opportunity to invest in the equity securities of issuers engaged in initial public offerings ("IPOs"). In no event will IMCO invest in equity IPOs on its own behalf or within the proprietary accounts of any affiliate. Furthermore, IMCO does not make investments in IPOs available to clients participating in UMP Program accounts, including investment in IPOs recommended by third-party investment advisers or style managers.

On behalf of its clients, IMCO may purchase securities on the secondary market of companies for which USAA and its affiliates may own a material financial interest. IMCO has a potential conflict of interest in purchasing such securities for clients because IMCO and/or certain USAA affiliates could benefit financially from the related trading and share price. We address this conflict of interest by disclosing it to clients and by complying with our obligation to act consistent with our fiduciary duty.

Certain of IMCO's investment adviser representatives are also broker-dealer representatives of FAI and, as such, may be subject to performance objectives and metrics set by FAI. FAI registered representatives may receive non-cash rewards, such as team meals or conference participation, for meeting individual and/or team performance goals. Additionally, certain FAI registered representatives who perform at a particularly high level as determined by their individual

performance rating and/or other criteria selected by management may be chosen to participate in a recognition program that includes, among other things, a trip the focus of which is on developing financial and/or military acumen in order to better serve our clients.

### **Potential Conflicts Related to USAA Victory Mutual Fund and USAA Victory ETF Investments**

On July 1, 2019, VCM, a third party unaffiliated with IMCO, purchased AMCO, the former manager of the USAA Victory Mutual Funds and USAA Victory ETFs, and TRACO, USAA's affiliate transfer agent. As a result of the transaction, VCM is now sponsor and manager of the USAA Victory Mutual Funds and USAA Victory ETFs. The USAA Victory Mutual Funds and USAA Victory ETFs will retain the USAA brand name, pursuant to an agreement between USAA and VCM, for a contractually specified time period. However, you should know that **these products are no longer proprietary to IMCO or USAA**, nor are they managed by IMCO or USAA.

IMCO has agreed, as a result of the transaction with VCM, to continuing offering the model allocations in UMP with substantially the same level of prominence, resources, and proportion of assets allocated to the USAA Victory Mutual Funds as existed on the closing date of the transaction. IMCO has also agreed not to remove any existing model allocation from any offering to participants in UMP accounts. These contractual obligations, which will be in effect for two years after the closing of the transaction, create a conflict of interest in that IMCO has a financial incentive to maintain current UMP investments in USAA Victory Mutual Funds/ETFs over other third-party mutual funds. We address this conflict of interest by disclosing it to clients and by monitoring client UMP accounts to ensure that client account investments are appropriate for the client in light of matters such as their investment objectives and financial circumstances. We also track all underperforming mutual funds/ETFs to determine whether they remain appropriate investments for the models. However, we may decide to recommend, or to continue recommending, a USAA Victory Mutual Fund/ETF over another third-party mutual fund/ETF, even if the USAA Victory Mutual Fund/ETF does not perform as well as the other mutual fund/ETF, based on factors such as our conviction regarding a particular fund's strategy or future performance. We also continually review our model allocations pursuant to our fiduciary duty as financial advisor.

IMCO has a conflict of interest in offering USAA Victory Mutual Funds/ETFs over other third-party funds/ETFs because IMCO and/or its affiliates may earn more money from your investments in USAA Victory Mutual Funds/ETFs than from your investments in other third-party mutual funds/ETFs. IMCO and/or its affiliates will receive compensation from VCM, including (1) for referring prospective mutual fund, ETF, or 529 College Savings Plan customers to VCM, (2) based on the amount of assets invested in USAA Victory Mutual Funds and/or USAA Victory ETFs, and (3) in the form of revenue sharing payments from VCM in connection with the USAA Victory Funds. IMCO and/or its affiliates may also receive a share of revenue generated by the holding of the USAA Victory Mutual Funds/ETFs on IMCO's brokerage platform. This compensation creates a conflict of interest in that IMCO has an incentive to recommend, or include in UMP model allocations, USAA Victory Mutual Funds/ETFs over other third-party mutual funds/ETFs. We address this conflict of interest by disclosing it to clients, by continually reviewing model allocations in UMP, and by making product recommendations pursuant to our fiduciary duty as an investment adviser.

## **Conflicts Related to NFS**

As noted above, IMCO uses NFS, a Fidelity Investments Company, to execute certain trades on behalf of clients and to house UMP holdings within accounts on NFS's brokerage platform. There is no direct link between IMCO's use of NFS as a broker-dealer and the investment advice IMCO provides to its clients. IMCO also offers Fidelity mutual funds on its retail brokerage platform. Similarly, Fidelity currently offers the USAA Victory Mutual Funds and USAA Victory ETFs on its own retail brokerage platform. IMCO has a potential conflict of interest in using NFS as an executing and clearing broker-dealer because the inclusion of the USAA Victory Mutual Funds/ETFs on Fidelity's brokerage platform could influence IMCO's decision to use NFS's brokerage services. IMCO addresses this conflict of interest by disclosing it to clients and by complying with its obligation to seek best execution in a manner consistent with IMCO's fiduciary duty.

Additionally, under the terms of its clearing agreement with NFS, IMCO receives a portion of the compensation that certain mutual funds—including the USAA Victory Mutual Funds—and their sponsors pay to NFS in connection with participation in the Fidelity FundsNetwork program. The amount of the compensation that NFS shares with IMCO, known as "revenue sharing," is generally based on the amount of client assets invested in the relevant mutual funds. Not all mutual funds or share classes available within UMP generate revenue sharing payments for IMCO. In addition, the amount of revenue sharing payments that IMCO receives differs as between mutual funds and share classes.

The receipt of revenue sharing payments creates a conflict of interest in the form of a financial incentive for IMCO to recommend or select mutual funds or share classes that generate revenue sharing payments, instead of other comparable mutual funds or share classes that do not make such payments or that generate lower revenue sharing payments for IMCO. IMCO addresses this conflict by disclosing it to clients. In addition, IMCO financial advisors do not directly receive any portion of revenue sharing payments IMCO receives. The revenue sharing payments IMCO receives from the mutual funds in UMP Program Accounts is in addition to, and will not offset or reduce, the Program Fee. Clients should consider the additional compensation IMCO receives when evaluating the amount and appropriateness of the Program Fee.

## **Conflicts Related to Mutual Fund Share Class Selection**

Many mutual funds offered multiple share classes, including those expressly designed for, or made available to, clients in fee-based advisory programs. We strive to select the lowest, eligible cost share class of your mutual fund. However, in certain circumstances we will not invest in the lowest share class for which your Program Account is eligible. Furthermore, we may purchase or hold a share class that bears 12b-1 fees when a less costly share class of the same fund is available. As a result, you should not assume that your UMP account will be invested in the share class with the lowest available expense ratio. Since mutual fund fees and expenses are paid from fund assets, higher fees and expenses result in lower returns. IMCO has a conflict of interest because it has a financial incentive to select funds and share classes that provide more overall revenue (in the form of 12b-1 fees) to IMCO and its affiliates over funds and share classes that provide less or no revenue. We address this conflict of interest by disclosing the conflict of interest to clients and by complying with our obligation to act consistent with our fiduciary duty.



For additional information on conflicts of interest with respect to interest in client transactions, please see Item 11 immediately below.

### **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

IMCO has adopted an Investment Code of Ethics (the “Code”). The Code incorporates policy statements regarding insider trading and political contributions, among others. The purpose of the Code is to establish minimum standards of ethical conduct for personnel, guard against conflicts of interest, such as those described herein, and ensure compliance with the federal securities laws. All personnel must certify that they have received, read, understood, and agree to comply with 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 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 transactions and holdings to IMCO’s Office of Compliance. The Code also requires all personnel obtain prior written approval to open a brokerage account outside of USAA selected from a designated broker list and to report all brokerage accounts in which they have a beneficial interest. 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 our Investment Code of Ethics Committee and enforced by our Office of Enterprise Compliance.

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

### **Item 12 – Brokerage Practices**

IMCO, together with its affiliates, 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 its clients.

Through our contractual relationship with NFS, IMCO serves as an introducing broker-dealer to NFS, and NFS serves as clearing broker-dealer for certain of our client accounts. In such instances, NFS provides IMCO’s clients certain custody and clearing services. Specifically, NFS provides custody, trade execution, clearing, and other brokerage-related services on behalf of IMCO for such client accounts.

IMCO does not currently engage in any soft dollar transactions, but may do so in the future to obtain any research or brokerage service or product that provides lawful and appropriate assistance to IMCO in the performance of its obligations related to its investment advisory clients or the accounts for which it trades, including: (1) advice either directly or through publications or writings as to the value of securities, the advisability of investing in, purchasing or selling securities and the availability of securities or purchasers or sellers of securities; (2) analysis and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; and (3) services incidental to effecting securities transactions, such as clearance, settlement and custody services. If IMCO enters into any soft dollar transaction, such transaction will seek to qualify for the safe harbor under section 28(e) of the Securities and Exchange Act for

eligible research and brokerage services.

When selecting broker-dealers to effect securities transactions, IMCO seeks to provide best execution for its clients. Consistent with our policy of obtaining the best overall terms for such transactions, we may give preference to those broker-dealers that provide IMCO with research and/or brokerage services in soft dollar transactions. Upon written request from a client to IMCO, we will provide the client the source and nature of any compensation received in connection with that client's particular transaction, including any soft dollar transactions. We will also follow our best execution review and monitoring procedures for any transactions entered into under a soft dollar arrangement. IMCO's acceptance of soft dollars does not directly vary the cost of the services we provide because we receive an asset-based fee that includes trading costs. For the avoidance of doubt, we will not charge a separate or additional commission in addition to the Fees described in Item 5 above on transactions even if we or NFS are charged commissions by a broker-dealer for effecting trades.

### **Item 13 – Review of Accounts**

Our Portfolio Management Team ("PMT") monitors investments in UMP Accounts. In addition to selecting the investments for UMP, the PMT monitors the investments in UMP Program accounts. If a change in Program account holdings includes the selection of a new ETF, 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 Program 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 or ETF. If a mutual fund or ETF changes management, closes to new investors, or otherwise becomes unavailable or inappropriate, we may redeem the mutual fund position or sell the ETF position and buy a mutual fund, ETF or other security that we believe offers better potential;
- As appropriate with the model portfolio, a strategic decision to move from one asset type to another (*e.g.*, from a mutual fund to an ETF); or
- 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).

We may also take into consideration the federal income tax consequences of holding or selling securities as part of our investment management services. Specifically, for all UMP Program accounts, we will manage sell transactions by utilizing a tax-sensitive lot disposal method to minimize capital gains in client accounts. 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.

**Please note that 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 Program account.** (Additional tax disclosure in connection with Program account set-up is provided in the Wrap Brochure). In addition, we do not actively manage for federal Alternative Minimum Tax considerations, 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.

In addition to monitoring Program Account investments, the PMT also monitors style manager performance in Custom Program account portfolios. The PMT, with approval of our Advisor Governance Committee ("AGC"), 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.

#### **Item 14 – Client Referrals and Other Compensation**

We do not receive compensation or other economic benefits from persons other than clients for providing Retail Advisory Services to our clients. We do not directly or indirectly compensate any person who is not a supervised person for client referrals.

#### **Item 15 – Custody**

NFS serves as clearing broker-dealer for IMCO and also serves as custodian for certain client accounts. Clients will receive at least quarterly custodial account statements from their custodian. IMCO urges each client to carefully review each such custodial account statement and compare it to any other account statements that we may provide to you. These other account statements may vary from custodial account statements based on accounting methodology, reporting dates, or valuation methodologies for certain securities.

#### **Item 16 – Investment Discretion**

This section regarding investment discretion applies to those clients who have enrolled in the UMP Program. IMCO has full discretionary authority over the management of UMP Program accounts. This authority includes selling securities transferred into such an account and purchasing the appropriate securities and investments to construct the model portfolio selected by the client.

We do not exercise any investment discretion with respect to the accounts of participants in employer-sponsored retirement plans for retail brokerage, or for clients who only receive a financial plan and decide not to enroll in the UMP Program.

### **Item 17 – Voting Client Securities**

The UMP Investment Advisory Agreement allows us to vote on proposals presented to shareholders of securities held in the relevant accounts, unless a client notifies us in writing that he or she does not consent to us voting as a proxy for that client. For those clients who did not object to us voting on their behalf, we generally vote those shares in a manner to maximize the value of clients' investments and in accordance with proxy voting procedures. IMCO has adopted written proxy voting policies and procedures to govern its exercise of proxy voting for advisory accounts for which it has voting discretion. 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 (*e.g.*, elections of boards of directors, mergers, and reorganizations). These criteria and general voting recommendations, as customized by us with respect to certain matters and approved by our AGC, are set forth in the ISS Proxy Voting Guidelines (the "ISS Voting Guidelines"). However, for those accounts for which we have voting discretion, we retain the authority to determine the final vote for securities and mutual funds held in your account. On your behalf, we will receive all proxy voting materials for your Program Account. You will not receive any proxy voting materials for your UMP Program 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 Voting Guidelines. In evaluating ISS's recommendations, and 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 sub-adviser, the AGC, 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. Also, conflicts of interest may arise, and IMCO seeks to reasonably identify and address such conflicts. In all cases in which there is deemed to be a material conflict of interest, we will seek to resolve the conflict in the clients' best interests.

After a reasonable inquiry and analysis, we may determine that it would be in our client's best interests to vote the shares contrary to ISS's recommendation. Any such vote will be determined by the PMT and ratified by the AGC. For those matters where an ISS Voting Guideline differs from our philosophy, the AGC will instruct ISS on how to vote.

Copies of our complete proxy voting policies and procedures and the ISS Voting Guidelines are available upon request by contacting us at the address listed above.

### **Item 18 – Financial Information**

We are required in this Item to provide you with specific financial information or disclosures about IMCO's financial condition. 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.

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