

USAA Investment Management Company  
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## **Institutional Advisory Services Brochure**

March 31, 2020

**This brochure (the “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. 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](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.

IMCO is required to identify and discuss material changes made to this Brochure since its last update filed on March 29, 2019. You should be aware of the following material changes:

**March 31, 2020, Update:** This Brochure has been amended at Item 4 to include information concerning USAA's proposed transaction with Charles Schwab & Co. ("Schwab"), which, once closed, will result in the discontinuation of IMCO's institutional advisory services.

**July 1, 2019, Update:** This Brochure has been amended throughout to indicate a change in the management of the USAA Mutual Funds and USAA ETFs as a result of the sale of USAA Asset Management Company (AMCO), the former manager of the USAA Mutual Funds and ETFs, and USAA Transfer Agency Company (d/b/a USAA Shareholder Account Services) (SAS), USAA's transfer agent affiliate, to Victory Capital Management, Inc. ("VCM"). Effective July 1, 2019, USAA Mutual Funds and USAA ETFs will be sponsored and managed by VCM, rather than by a USAA affiliate. Throughout the Brochure, the mutual funds formerly managed by AMCO and now managed by VCM are referred to as "USAA Victory Mutual Funds". The ETFs formerly sponsored by AMCO will be referred to as "USAA Victory ETFs." Please note that **these products are no longer proprietary to IMCO or USAA**. References in the Brochure to AMCO and SAS, as well as affiliate relationships between IMCO and those two entities, have been removed. Additionally, the Brochure has been revised at Item 10 to identify certain conflicts of interest relating to the USAA Victory Mutual Funds and USAA Victory ETFs.

Item 14 of the Brochure has been revised to reflect the fact that IMCO no longer receives compensation or other economic benefits from persons other than clients for providing investment advice or advisory services to our clients, or directly or indirectly compensate any person who is not a supervised person for client referrals.

Finally, the Brochure has been revised to identify conflicts of interest regarding the USAA Victory Mutual Funds and ETFs, as well as IMCO's revenue sharing arrangement with its clearing broker-dealer, National Financial Services, LLC.

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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. Our Brochure may be requested by calling (877) 314-2255.

### Item 3 -Table of Contents

Item 2 – Material Changes.....	ii
Item 4 – Advisory Business.....	1
Item 5 – Fees and Compensation.....	1
Item 6 – Performance-Based Fees and Side-By-Side Management .....	2
Item 7 – Types of Clients .....	2
Item 8 – Methods of Analysis, Investment Strategies, and Risk of Loss .....	3
Item 9 – Disciplinary Information .....	5
Item 10 – Other Financial Industry Activities and Affiliations .....	5
Item 11 – Code of Ethics, Participation or Interest in Client Transactions & Personal Trading .....	8
Item 12 – Brokerage Practices .....	10
Item 13 – Review of Accounts.....	11
Item 14 – Client Referrals and Other Compensation.....	11
Item 15 – Custody .....	11
Item 16 – Investment Discretion.....	11
Item 17 – Voting Client Securities.....	12
Item 18 – Financial Information .....	12

## **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 three primary areas of business: (1) an investment advisory business, and (2) a broker- dealer business. Information about IMCO’s broker-dealer activities is provided in Item 10 entitled “Other Financial Industry Activities and Affiliations.”

As an adviser, IMCO provides investment advisory services to: (1) individuals and other entities through the USAA Managed Portfolios – UMP® (“UMP”) program; and (2) the USAA Federal Savings Bank’s (USAA FSB) Trust Services Department, an affiliated corporate client.

This Brochure discusses the advisory services IMCO provides to USAA FSB. The services IMCO and its affiliates provide through the UMP program are separately described and detailed in the UMP brochure, which is contained in Appendix 1 of this Brochure and prepared specifically for prospective and current UMP participants.

IMCO serves as a non-discretionary sub-adviser to USAA FSB Trust Services Department. Individuals and other entities are clients of USAA FSB Trust Services Department through the establishing of an Investment Objective and Asset Allocation model offered by USAA FSB and sub-advised by IMCO. IMCO uses an asset allocation model process to manage, on a non- discretionary basis, the USAA FSB Trust Services Department product accounts. Assets that may be included in product accounts include common or preferred stock, bonds, exchange-traded funds (“ETFs”), including but not limited to certain ETFs sponsored and managed by VCM (the “USAA Victory ETFs”), exchange-traded notes (“ETNs”), and mutual funds, including but not limited to certain mutual funds sponsored and advised by VCM (the “USAA Victory Mutual Funds”). Detailed information, including Trust Services, is available in the account documentation provided to each Trust Services Member, which is a separate disclosure document prepared specifically for prospective and current Trust Services participants and provided by USAA FSB.

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

In July 2019, USAA announced an agreement to sell the assets of IMCO 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. IMCO will no longer provide institutional investment advisory services after the transaction closes.

## **Item 5 – Fees and Compensation**

IMCO receives an asset-based fee for advisory services provided to the USAA FSB Trust Services Department. Such fees are billed to USAA FSB and are negotiable. Detailed information regarding USAA FSB Trust Services, including a schedule of fees and expenses, is provided to clients of the

USAA FSB Trust Services Department by USAA FSB.

In addition to IMCO's advisory fees paid by USAA FSB, program participants pay the fees and expenses of the funds in which their accounts are invested. Fund fees and expenses are internal to the fund and are reflected in each fund's share price. These fees and expenses are an additional cost to you. Each fund's expense ratio is stated in its respective prospectus. In certain instances, IMCO recommends USAA Victory Mutual Funds and USAA Victory ETFs sponsored and managed by Victory Capital Management ("VCM"), a third party that is not affiliated with IMCO. IMCO's affiliates may earn compensation where IMCO clients invest in the USAA Victory Mutual Funds and/or USAA Victory ETFs. Therefore, IMCO has an indirect financial incentive to recommend USAA Victory Mutual Funds and/or USAA Victory ETFs for investment in client accounts. For a discussion of the conflicts of interest associated with offering certain products, including the USAA Victory Mutual Funds and USAA Victory ETFs, please see Item 10 of this brochure.

IMCO does not receive 12b-1 fees in connection with mutual funds that it purchases on behalf of clients. Where a client funds an account with a mutual fund that pays 12b-1 fees, this compensation is rebated to the relevant client account through a credit and, therefore, does not influence the mutual funds selected for a client's account. More detailed information is provided in the relevant mutual fund's prospectus, statement of additional information, and annual report.

The receipt of fees for distribution and shareholder services creates a potential conflict of interest because IMCO may have an incentive to recommend investment products based on the compensation received rather than a client's investment objectives. To address this potential conflict of interest, IMCO will invest (or recommend the investment of) client assets in mutual funds only when such investments are consistent with a client's investment objectives, policies, and guidelines.

The brokerage costs associated with the services we provide to USAA FSB Trust Services Department are included in our management fee. As such, USAA FSB Trust Services Department and their program participants will not incur separate transaction costs for the transactions IMCO places for their accounts. For a detailed discussion of IMCO's brokerage practices relating to the services provided under this Brochure, please see Item 12 of this Brochure.

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

IMCO does not apply a performance adjustment or otherwise receive compensation based on performance for the accounts for which it provides advisory services.

#### **Item 7 – Types of Clients**

IMCO offers portfolio management services to individuals (including trusts, estates, 401(k) plans, and IRAs of individuals and their family members), high net worth individuals, affiliated corporate clients, pension and profit sharing, charitable organizations, corporations, USAA FSB, and other businesses not listed above.

There are no minimum account requirements for the advisory services described in this Brochure.

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

IMCO uses an asset allocation model process to provide advice regarding the appropriate asset allocation and underlying investments for a client's account based on the client's stated investment objectives and/or the investment policy statement of the USAA FSB Trust Services Department. The account documentation information provided to each participant in the asset allocation program offered by USAA FSB and sub-advised by IMCO contains detailed information regarding the methods of analysis, investment strategies, and risk of loss applicable to the program.

All investments in securities include a risk of loss of your principal (*i.e.*, the invested amount) and any profits that have not been realized (the securities were not sold to "lock in" the profit). 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.

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 client 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. As such, clients should also refer to the account documentation information provided to each participant in the asset allocation program offered by USAA FSB and sub-advised by IMCO. Set forth below are certain material risks to which a client might be exposed in connection with IMCO's implementation of a strategy for client 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.

**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, you 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.** 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.

#### **Item 9 – 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.

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

IMCO is a registered investment adviser and a registered broker-dealer. In addition, many of IMCO's management persons are broker-dealer registered representatives of IMCO. As an introducing broker-dealer, IMCO offers an online brokerage operation and facilitates through National Financial Services, LLC ("NFS") brokerage execution, settlement, transaction processing, and custodial services for its affiliate FAI, a registered broker-dealer. 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.

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 USAA Victory ETFs.

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 be offered the opportunity from time to time to invest in the equity securities of issuers engaged in initial public offerings ("IPOs"). 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 participating in the USAA FSB Trust Services Department account, 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.

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

We and our affiliates may receive compensation from VCM (the sponsor and manager of the USAA Victory Mutual Funds) in connection with the USAA Victory Mutual Funds. This compensation may exceed amounts IMCO and its affiliates receive from Other Third-Party Mutual Funds. Any Credit Amount applied to your Program Fee with respect to USAA Victory Mutual Funds does not eliminate this differential. IMCO and its affiliates may receive more net compensation from USAA Victory Mutual Funds included in UMP in comparison to net compensation from Other Third-Party Mutual Funds.

On behalf of UMP clients, IMCO offers clients access to certain USAA Victory Mutual Funds and Other Third-Party Mutual Funds. IMCO monitors and oversees client allocations to all mutual funds in a manner consistent with its fiduciary duty to clients. IMCO has a conflict of interest in offering

USAA Victory Mutual Funds over Other Third-Party Mutual Funds because IMCO and/or its affiliates may generally earn more money from your investments in USAA Victory Mutual Funds than from your investments in Other Third-Party Mutual Funds. We address this conflict of interest by disclosing it to clients and by monitoring client 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 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 over an Other Third-Party Mutual Fund, even if the USAA Victory Mutual Fund does not perform as well as the Other Third-Party Mutual Fund, based on factors such as the IMCO Portfolio Management Team's ("PMT's") conviction regarding a particular fund's strategy or future performance.

On July 1, 2019, VCM purchased AMCO, the former manager of the USAA Victory Mutual Funds, and TRACO, USAA's affiliate transfer agent. Pursuant to the Stock Purchase Agreement governing the transaction, IMCO must (1) continue 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; and (2) not remove any existing model allocation from any offering to participants in UMP accounts. These contractual obligations are made expressly subject to IMCO's fiduciary duties as an investment adviser. However, as a result of these obligations, IMCO has a conflict of interest in maintaining current levels of USAA Victory Mutual Fund investments within UMP for the contractually specified period. We address this conflict of interest by disclosing it to clients and by continually reviewing our model allocations pursuant to our fiduciary duty as an investment adviser.

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. 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 Funds

on Fidelity's brokerage platform could influence IMCO's decision to use NFS' 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 also 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. IMCO strives to select the lowest, eligible cost share class of your mutual fund. However, in certain circumstances IMCO will not invest in the lowest share class for which your Program Account is eligible. Furthermore, IMCO 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 you 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 results 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**

### **Code of Ethics**

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 the Investment Code of Ethics Committee and enforced by the Office of Enterprise Compliance.

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

### **Potential Conflicts Involving Securities Recommendations**

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.

IMCO may recommend to clients the purchase of USAA Victory Mutual Funds and/or USAA Victory ETFs, and, either directly or indirectly through an affiliate, benefit from investment by our clients those products. IMCO and its affiliates may receive compensation from Victory Capital Management, Inc. in connection with the USAA Victory Mutual Funds and/or USAA Victory ETFs. This compensation may exceed amounts IMCO and its affiliates receive from other third-party mutual funds or ETFs.

IMCO also may buy or sell securities for itself or its affiliates that it also recommends to or purchases for clients. IMCO may take a position on the opposite side of a transaction in which a client may be engaged (*i.e.*, sell securities to, or buy securities from, clients— so called “principal trading”) in limited circumstances, with appropriate client consent. Generally, we will engage in a principal transaction with you only where you hold worthless securities in your account and removal of those securities is necessary to more efficiently manage your account, consistent with our fiduciary duty and pursuant to your express consent to the transaction.

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”). 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 participating in the USAA FSB Trust Services Department account, including investment in IPOs recommended by third-party investment advisers, or “Style Managers.”

On behalf of clients, IMCO may purchase securities on the secondary market of companies for which USAA and/or its affiliates may own a material financial interest. IMCO has a potential conflict of interest in purchasing such securities for clients because 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.

## **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 IMCO's policy of obtaining the best overall terms for such transactions, IMCO 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, IMCO 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. IMCO will also follow its 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 IMCO provides because IMCO receives an asset-based fee that includes trading costs. For the avoidance of doubt, IMCO will not charge a separate or additional commission in addition to the Fees described in item 5 above on transactions even if IMCO or NFS is charged commissions by a broker-dealer for effecting trades.

IMCO may use only brokers approved by USAA FSB Trust Services Department for those transactions effected for USAA FSB. IMCO seeks to obtain the best overall terms on the brokerage

trades it places for USAA FSB and clients of USAA FSB Trust Services Department. IMCO may consider all relevant factors, including but not limited to, the price of the security, the size of the transaction, the nature of the market, the amount of the commission, the time of the transaction, market prices and trends, the broker's reputation, experience, financial stability, and the quality of the service the broker has rendered to IMCO in other transactions. Consistent with its duty to obtain best execution, IMCO will generally execute securities transactions through NFS, IMCO's clearing broker-dealer. Any brokerage transaction for USAA FSB Trust Services Department executed through IMCO's brokerage service, or through NFS's clearing service, is done without commission or charge to the USAA FSB Trust Services Department. Consistent with its duty to seek best execution, IMCO may place orders with broker-dealers other than NFS. In such instances USAA FSB will not incur additional costs associated with trading away from NFS. Portfolio transactions for the USAA FSB Trust Services Department may be executed in an aggregated transaction as part of concurrent authorizations to purchase or sell the same security for numerous IMCO accounts, which may have similar investment objectives.

### **Item 13 – Review of Accounts**

Review of USAA FSB Trust Services Department account includes: (1) review by IMCO personnel and management personnel of the USAA FSB Trust Services Department, (2) daily and monthly review of transactions by IMCO's personnel, and (3) other reviews on an "as needed" basis. IMCO's Advisory Governance Committee (the "AGC") meets at least quarterly to review, among other items, investments, performance, and asset allocations. Officers, employees, and portfolio managers of IMCO also may make oral and written reports regarding transactions and performance to the USAA FSB Trust Operating Committee and FSB Board of Directors' Trust Committee and other USAA FSB personnel.

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

IMCO does not receive compensation or other economic benefits from persons other than clients for providing investment advice or advisory services to our clients. IMCO does 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**

IMCO's investment discretion with respect to the advisory services provided to USAA FSB Trust Services Department is limited by contract or by mutual agreement of the parties. Any limitations imposed by the clients of the USAA FSB Trust Services Department are dictated by the trust documentation and other relevant documents with the USAA FSB client and USAA FSB.

**Item 17 – Voting Client Securities**

IMCO does not vote proxies for USAA FSB Trust Services Accounts. For information on proxy voting for UMP Accounts, please see Appendix 1 of this Brochure.

**Item 18 – Financial Information**

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