

USAA Investment Management Company  
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**USAA Managed Portfolios – UMP® Program  
(Appendix 1)**

March 31, 2020

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

Additional information about IMCO also is available on the SEC’s website at [adviserinfo.sec.gov](http://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 Brochure dated March 31, 2020, is an update to our last filing dated July 1, 2019. IMCO is required to identify and discuss material changes made to this Brochure since its last annual update filed on March 29, 2019. Accordingly, you should be aware of the following material changes:

**March 31, 2020, Update:** This Brochure has been amended to remove references to the Digital Investment Advisor (“DIA”) program, which was discontinued on February 28, 2020. The Brochure now also includes 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 Program Accounts to Schwab is expected to occur in the second quarter of 2020. The sale will result in the assignment of Program Accounts to Schwab, which will thereafter provide advisory services in connection with Program Accounts. 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.

**January 13, 2020, Update:** This Brochure has been amended at Item 4 under the section titled “Eligibility for Householding” to clarify that IRAs and certain other tax-qualified retirement accounts are subject to restrictions that limit eligibility for householding based on family relationships. USAA attempts to take such restrictions into consideration when householding Program Accounts. However, due to the complexity of householding, there may be instances in which IMCO is unable to identify whether there is an impermissible family relationship in relation to each particular IRA within a household. You should understand that including IRAs or certain other tax-qualified Program Accounts in households with Program Accounts owned by persons with impermissible family relationships may have negative tax consequences, including loss of tax-qualified treatment under IRS rules. IMCO does not provide tax advice. Please consult with your own tax advisor about the tax implications of householding Program Accounts. Householding eligibility is based on the family relationships identified in your USAA Member Profile. **It is your responsibility to notify us of updates to family relationships in your Member Profile. You may access and update your USAA Member Profile at any time through usaa.com or the mobile application, or by calling an IMCO financial advisor at (800) 531-1345.**

Item 4 has further been amended to clarify that USAA offers a service (“Account Mastering”) under which you may designate one “master” Program Account to pay fees for related Program Accounts. If Account Mastering is selected, advisory fees for all Program Accounts within the household will be paid by the master account. It is not possible to exclude certain Program Accounts within the household from the Account Mastering relationship so they can pay their own fees. You should understand that if a master account in a household closes, opts-out of, or becomes ineligible for, householding treatment, the remaining Program Accounts will no longer be considered householderd for fee billing purposes, and will not get the benefit of the aggregate assets within the household for purposes of applying fee breakpoints. USAA will attempt to re-group such Program Accounts into a new household, but unless and until a new master account is designated, fees will be separately charged to each Program Account within the household.

The section of Item 4 titled “Termination of Program Services” has been amended to specify additional circumstances in which we may terminate Program services and/or close Program Accounts and to identify steps we may take in the event a Program Account is closed.

Finally, the Brochure has been amended throughout, including at Items 4 and 5, to indicate that the Digital Investment Adviser program (“DIA”) is no longer available to new Program Accounts, and that we intend to discontinue DIA, terminate Program services to DIA Program Accounts, and close any remaining DIA Program Accounts, effective February 28, 2020. Passages concerning the funding of DIA Program Accounts have been deleted.

**July 1, 2019, Update:** This Brochure has been amended at Item 9 to identify new conflicts of interest relating to 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) (“TRACO”), USAA’s transfer agent affiliate, to Victory Capital Management, Inc. (“VCM”).

**Please note that, as a result of the sale to VCM, USAA Mutual Funds and USAA ETFs will be sponsored and managed by VCM, rather than by a USAA affiliate.**

The USAA Mutual Funds and USAA exchange-traded funds will retain the USAA brand name, pursuant to an agreement between USAA and VCM. (Hereinafter, the mutual funds formerly managed by AMCO and now managed by VCM are referred to as “USAA Victory Mutual Funds,” and the USAA ETFs are referred to as “USAA Victory ETFs.”) As indicated in Item 9 below, the UMP Program will continue to invest in the USAA Victory Mutual Funds and USAA Victory ETFs.

The Brochure has been revised throughout to indicate that the USAA Victory Mutual Funds and USAA Victory ETFs are no longer proprietary products and are not sponsored or managed by any USAA affiliate. In revised Item 6, as elsewhere, a distinction is made between USAA Victory Mutual Funds/ETFs, which are sponsored and managed by VCM, and other third-party mutual funds/ETFs. As a result of the transaction mentioned above, IMCO no longer offers proprietary mutual funds or ETFs managed by an affiliate. We have therefore eliminated provisions from the Brochure that formerly addressed IMCO’s process for selecting between proprietary mutual funds/ETFs and non-proprietary mutual funds/ETFs.

The Brochure has also been revised to remove references to AMCO and TRACO, two USAA affiliates that were, as noted above, recently sold to VCM. Previous references to AMCO as Style Manager have been removed, as have provisions relating to certain affiliate agreements and fee arrangements between IMCO and AMCO, which, as a result of the aforementioned transaction, have been terminated. Additionally, as a result of the transaction, IMCO will no longer participate in activities relating to the USAA 529 College Savings Plan sponsored by the State of Nevada. References to such activities have accordingly been removed from the Brochure, in Item 9, among other places.

Item 9 of the Brochure contains further disclosure relating to an agreement between USAA and VCM affecting the UMP Program’s continuing investment in USAA Victory Mutual Funds/ETFs, as well as to identify additional conflicts of interest relating to IMCO’s and its affiliates’ continuing commercial relationship with VCM. You should know that 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. Please see Item 9 for more information about these conflicts of interest and how IMCO addresses them.

Item 9 has been further revised to reflect recent changes in IMCO's relationship with its affiliate broker-dealer, USAA Financial Advisors, Inc. ("FAI"). Correspondingly, the Brochure has been amended throughout to clarify that the financial advisors who recommend and service UMP do so as investment adviser representatives of IMCO.

A new subsection in Item 9 contains important information regarding IMCO's revenue sharing arrangement with its clearing broker-dealer, National Financial Services, LLC.

The Brochure has been revised at Item 6 and Item 9 to remove sections related to certificates of deposit, in which the Program will no longer invest.

The Brochure has been revised at Item 7 to indicate that IMCO might share client-specific information with a Style Manager for the purpose of managing account-specific constraints.

Finally, the Brochure has been revised at Item 6 to streamline the description of investment management functions. Specifically, sections relating to IMCO's Manager Research Team have been removed and folded into existing sections relating to IMCO's Portfolio Manager Team, reflecting the Portfolio Management Team's responsibility for the stated investment management functions.

**March 29, 2019, Update:** This Brochure has been amended at Item 4 in the subsection titled "Householding of Account Fees" to clarify that the householding of IRA or certain other tax-qualified UMP Program Accounts with trust accounts may have tax implications, and that Program Account owners are responsible for considering potential tax implications and affirmatively opting relevant Program Accounts out of householding, where applicable, to avoid such tax implications.

Additionally, the Brochure generally reflects the availability of the Blend Wrap Program offering to new and existing UMP clients.

Lastly, this Brochure has been amended throughout to remove references to the client-facing Digital Periodic Review tool available on the USAA Website. Effective December 1, 2018, this tool is no longer available to DIA, Wrap or Custom clients.

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.

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## **ITEM 4 – SERVICES, FEES, AND COMPENSATION**

### **OVERVIEW OF THE PROGRAM**

The USAA Managed Portfolios - UMP® program (“UMP” or the “Program”) is a managed account program offered by USAA Investment Management Company (“IMCO,” “we,” or “us”), an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). We are also a registered broker-dealer, member of the Financial Industry Regulatory Authority (“FINRA”), and member of the Securities Investor Protection Corporation (“SIPC”). IMCO is an indirect wholly-owned subsidiary of United Services Automobile Association (“USAA”), a diversified financial services institution.

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

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

The Program is designed to provide (a) investment strategies appropriate for different investors by opening brokerage accounts through IMCO and carried by National Financial Services, LLC, a Fidelity Investments Company (“NFS”) (each, a “Program Account”) and (b) investment management services for the assets in each Program Account. We may recommend the same or substantially similar strategies to different investors with substantially similar investment objectives. You may place reasonable restrictions, or make reasonable modifications to existing restrictions, regarding the management of your Program Account by submitting a written request to us. Any reasonable restriction you may wish to impose regarding the management of your Program Account is subject to our review and approval. We will not accept any restrictions that are inconsistent with the Program’s stated investment strategy or philosophy or that are inconsistent with the nature or operation of the Program. Further, restrictions on the underlying holdings of a mutual fund or ETF will not be considered “reasonable” under the Program nor will requests to purchase a particular security. If there is a change from one Program offering or a model within an offering to a different UMP offering and/or model, any reasonable restriction will be automatically lifted. You may request a reasonable restriction on the newly selected offering or model by submitting a written request to us. Accounts with investment restrictions may perform differently than accounts without restrictions; performance may be lower or higher for accounts with restrictions than those without restrictions. If you choose to request or eliminate a restriction placed on your Program Account, please contact an IMCO financial advisor at (800) 531-1345 for Wrap and Custom clients. Any requests to impose or change a restriction made via telephone will be confirmed in writing by IMCO. Program Account clients may submit written requests for restrictions to us: (i) by mail at USAA Investment Management Company, Attn: USAA Managed Portfolios, P.O. Box 659453, San Antonio, Texas 78265; or (ii) by facsimile to (800) 292-

8177. If we determine that a restriction request is reasonable, and therefore accept a restriction on a Program Account, you should be aware that performance of your Program Account with restrictions will differ from, and may be lower than, the performance of similar unrestricted Program Accounts. We may, in our discretion, hold the amount that would have been invested in the restricted security in cash, invest it in substitute securities, or invest it across other securities in the strategy that are not restricted.

The following is an overview of the Wrap and Custom offerings.

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

- (1) **USAA Victory Mutual Fund Wrap Program Accounts**— Wrap Program Accounts that invest through model portfolios consisting substantially of USAA Victory Mutual Funds, a series of mutual funds that are sponsored and managed by VCM, a third party unaffiliated with IMCO;
- (2) **Marketplace Fund Wrap Program Accounts**— Wrap Program Accounts that invest through model portfolios consisting of mutual funds from multiple fund providers chosen by IMCO through an open-architecture methodology;
- (3) **ETF Wrap Program Accounts**— Wrap Program Accounts that invest through model portfolios consisting of third-party ETFs;
- (4) **Blend Wrap Program** – Wrap Program Accounts that invest through model portfolios consisting primarily of USAA Victory ETFs, as well as other third-party ETFs and mutual funds.

To determine whether a Wrap or Custom Program Account is appropriate for you, an IMCO financial advisor 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 in the UMP Account Application required to open a Wrap or Custom Program Account. You will ultimately elect the type of Program Account you would like. You may complete an account application by contacting us at (877) 314-2255 or by visiting our website at [usaa.com](http://usaa.com). An IMCO financial advisor also may assist you with the completion of your application over the telephone or in person. IMCO's financial advisors are discussed in the "IMCO Financial Advisors" subsection below.

If your Program Account has assets of \$500,000 or greater, you may be eligible for a Custom Program Account. Custom Program Accounts have higher fees, generally due to the expanded manager oversight, investment options, and services available to these accounts. The differences between Custom Program Accounts and Wrap Program Accounts are described in greater detail throughout this Brochure.

If an IMCO financial advisor determines that a Wrap or Custom Program Account is appropriate for you after reviewing your investment objective and financial situation, they will provide you with your recommended model portfolio (discussed further in the "Investment Options" section below),



including your Strategic Allocation (defined below). The model portfolio recommended to you is based on an evaluation of your investment objective, risk tolerance preferences, time horizon, and any additional information or reasonable restrictions that you provide to us. 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.

We will not provide you advice regarding any of your assets that are held outside of your Wrap or Custom Program Account. However, if you inform your IMCO financial advisor of such assets, they may consider those assets in connection with the recommendation of what they believe to be the most appropriate model portfolio for you. The IMCO financial advisor will rely on the information you provide when making their initial model portfolio recommendation, and we will rely on such information during our initial allocation of investments in your Wrap or Custom Program Account, as well as the ongoing management of your Wrap or Custom Program Account. Therefore, it is important that the information you provide is accurate and complete. Unless you object in a follow-up communication, our investment management team will proceed to invest your Program Account in accordance with your selected model portfolio.

Please refer to Item 5 below for a description of the requirements to participate in the Wrap and Custom offerings.

### ***All Programs.***

We apply the Credit Amount to your Program Fee (as described in the section below entitled “Fee Schedules”) to ensure that IMCO and its affiliates do not retain any compensation in excess of the applicable Program Fee for client investments in mutual funds through the Program. The Credit Amount does not eliminate our conflicts of interest for client investments in USAA Victory Funds.

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

In July 2019, USAA announced an agreement to sell the assets of IMCO, including Program Accounts, 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, Program Accounts, as well as Investment Advisory Agreements 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 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 Program Account. 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.

## INVESTMENT OPTIONS

**General.** IMCO serves as the Overlay Portfolio Manager (“OPM”) for the Program and is responsible for determining the strategic and tactical asset allocations, asset types (e.g., stocks, bonds, mutual funds, and ETFs), and Style Managers (defined below) for each model portfolio, to the extent applicable. The model portfolios offered in the Program are designed to help you invest your money in an appropriate and professionally managed portfolio of investments, based on your risk tolerance and our asset allocation principles.

The model portfolio presented to each client for consideration includes specific investments that are allocated in accordance with the model portfolio’s strategic asset allocation (“Strategic Allocation”). The Strategic Allocation represents a portfolio with a static weighting scheme across broad market asset classes designed to target a specific risk tolerance. IMCO may change the investments underlying a model portfolio over time, and as such, your portfolio holdings may deviate from the Strategic Allocation and will not always hold the initial investments identified at the time you selected your model portfolio. Each Program Account will be separately managed by IMCO without regard to other Program Accounts and assets that an IMCO client may hold, either through the Program or outside of USAA. IMCO manages each Program Account according to the offering selected (Wrap or Custom) and the specific account type and model portfolio selected. IMCO does not look across all strategies that a client may hold in an attempt to coordinate a client’s Program Accounts or manage them collectively for a different strategy. Therefore, IMCO can provide no assurance regarding the volatility of the “total package” of Program Accounts held by a UMP client.

Actual 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 IMCO’s management, account size, and individual account restrictions. These deviations are discussed in the “Model Portfolio Asset Allocation” subsection in Item 6 below. We will determine the cash allocation of a Program Account in our sole discretion.

**Wrap and Custom.** Wrap and Custom offer seven primary model portfolios that provide a range of investment styles ranging from 100% Fixed-Income to Very Aggressive. Each different Strategic Allocation associated with a model portfolio is designed to accommodate a variety of investment goals, time horizons, and risk tolerances. Some model portfolios are available only to Custom Program Accounts, and within each model portfolio, the types of assets and Program services offered will vary between Wrap Program Accounts and Custom Program Accounts. Each model portfolio contains a Strategic Allocation, as well as specific investments to fill such asset allocation. USAA Victory Fund Wrap Program Accounts, Marketplace Fund Wrap Program Accounts, and ETF Wrap Program Accounts generally provide the same range of investment styles; however, each type of account varies in the types of investments that can be used to implement the model asset allocation. Specifically, USAA Victory Fund Wrap Program Accounts are comprised substantially of USAA Victory Mutual Funds, which, as noted above, are sponsored and managed by Victory Capital Management, Inc., a third party unaffiliated with IMCO. However, a USAA Victory Fund Wrap Program model portfolio may invest in other third-party funds to seek exposure to an asset class or investment strategy that is not currently available through a USAA Victory Mutual Fund. Marketplace Fund Wrap Program Accounts are comprised of primarily other third-party mutual funds, as well as USAA Victory Mutual Funds. The ETF Wrap Program Accounts are comprised of ETFs. The Blend Wrap Program Accounts

are comprised of USAA Victory ETFs as well as other third-party ETFs and mutual funds. IMCO may allocate exposure to alternative investment strategies in both Wrap and Custom Program Accounts. See Item 6 and the sections titled “Investment Strategy and Asset Allocation” and “Program Investments” for additional information regarding the different types of securities used in each type of account.

Based upon the information that you provide to your IMCO financial advisor, and for Wrap Program clients, the type of Wrap Program Account selected, we will provide you a model portfolio recommendation. You then can accept our model portfolio recommendation or select a different model portfolio. Once you select a model portfolio, we will manage your Program Account on a discretionary basis using the Strategic Allocation associated with your selected model portfolio. However, your actual Program Account holdings may deviate from the stated Strategic Allocation. These deviations are discussed in the “Model Portfolio Asset Allocation” subsection in Item 6 below. The following model portfolios are offered to Wrap and Custom Program Accounts: 100% Fixed-Income (available only in Custom Program Accounts), Conservative, Moderately Conservative, Moderate, Moderately Aggressive, Aggressive, and Very Aggressive. Without limitation, model portfolios available in the Wrap offerings may include one or more of the following securities: ETFs and mutual funds, which include USAA Victory ETFs and USAA Victory Mutual Funds, money market mutual funds, and ETFs and mutual funds that may concentrate exposure to real estate investment trusts (“REITs”), commodities, or hedging strategies.

Without limitation, model portfolios available in the Custom offerings may include one or more of the following securities: individual stocks, bonds, mutual funds (including USAA Victory Mutual Funds, money market mutual funds, and mutual funds that may concentrate exposure to REITs, commodities, or hedging strategies), ETFs (including USAA Victory ETFs and ETFs that may concentrate exposure to REITs, commodities, or hedging strategies), and/or American Depositary Receipts (“ADRs”).

The individual stock allocation is primarily large- and mid-cap common stock. Direct investments in bonds are subdivided between taxable (*i.e.*, corporate, government, and agency) and tax-exempt (*i.e.*, general obligation and revenue) varieties.

For Wrap and Custom Program Accounts, certain USAA Victory Mutual Funds are made available only in the Program and not offered to the general public. We may restrict or expand the types of securities in which the Program invests at our sole discretion, and without prior notice to you. For Wrap and Custom Program Accounts owned by natural persons, IMCO will allocate the cash portion of an account to a USAA Victory money market fund; for Wrap and Custom Program Accounts owned by non- natural persons such as institutions, IMCO will allocate the cash portion of an account to the USAA Victory Treasury Money Market Trust.

In addition to expanded model portfolio options, assets in Custom Program Accounts may, in whole or in part, be subject to investment recommendations from one or more investment adviser (each, a “Style Manager”). IMCO has entered into investment advisory agreements with certain Style Managers pursuant to which the Style Managers provide investment recommendations to the PMT based on the Style Managers’ model portfolios (each, a “Strategy”). A Strategy may account for the investment management recommendations for some or all of a particular model portfolio. Style Managers do not have discretionary authority to implement trades in Custom Program Accounts.

However, IMCO will generally implement Style Manager recommended transactions in Custom Program Accounts without changes, subject to any reasonable restrictions placed on the management of a Program Account.

IMCO may change the Style Managers and investment options available for any model portfolio, and the minimum asset levels required, at its sole discretion at any time.

## **FEATURES OF YOUR PROGRAM ACCOUNT**

***Account Administration and Custody.*** IMCO serves as sponsor of the Program and provides investment advice to your Program Account. IMCO will perform certain Program services for you, including, but not limited to, the implementation of our discretionary management trading instructions pursuant to the selected model portfolio and Style Manager recommendations (where applicable), as well as certain related services. We will also facilitate custodial services and certain brokerage-related services through NFS. IMCO serves as an introducing broker-dealer to NFS for clients in UMP, and NFS serves as the clearing broker-dealer. IMCO, as an introducing broker-dealer, will open a brokerage account in your name, which will be custodied by NFS, located at 200 Seaport Boulevard, Boston MA, 02210. NFS, as clearing broker-dealer, will provide custody, trade execution, clearing, and other brokerage-related services for Program Accounts on behalf of IMCO.

Participation in the Program requires that you grant us discretionary authority over your Program Account.

With respect to the Wrap and Custom offerings, our discretionary authority includes the ability to manage your Program Account in accordance with the selected model portfolio, the authority to select the investments underlying particular model portfolios, and the authority to hold or sell the securities that you transfer into your Wrap or Custom Program Account. As a general matter, we will liquidate any investments you transfer into your Wrap or Custom Program Account that are not part of our recommended model portfolio and use the proceeds of such sales to buy the appropriate securities and investments to construct your Wrap or Custom Program Account.

We will activate your Program Account and begin placing trades in accordance with your selected model portfolio's Strategic Allocation when you have provided us with all necessary documentation, we have verified all of your transferred assets, and you have met your initial investment threshold. Additional information about funding is provided in the "Opening and Funding an Account" subsection below.

***Opening and Funding an Account Generally.*** In order to open a Wrap, or Custom Program Account, you must have a legal U.S. mailing and physical address. Participation in the Program requires that you agree to the terms and conditions contained in the USAA Managed Portfolios Investment Advisory Agreement (the "Agreement") and sign the Account Application. Continued participation in the Program further requires that you maintain a legal U.S. mailing and physical address. Non-U.S. residents may not open a Program Account even if they are U.S. citizens or lawful residents of a non-U.S. jurisdiction.

Most, but not all, Air/Army Post Office ("APO"), Fleet Post Office ("FPO"), diplomatic post office ("DPO"), and other U.S. government addresses (APO, DPO, FPO, and U.S. government addresses,

collectively, the “Government Addresses”), and certain U.S. territories, are considered U.S. After initial Program enrollment, if either the mailing or physical address used in connection with your Program Account is changed to a non-U.S. address (excluding most Government Addresses and certain U.S. Territories as determined by us), we will, at any time and in our sole discretion, either resign as investment adviser and close your UMP Program Account, or modify your right to access some or all Program Account features and/or services. If your Program Account is closed, you will have the option to either transfer the assets in the Program Account to another broker-dealer or liquidate the assets. If we chose to modify your rights to access Program Account features and/or services, such modifications may include, but not be limited to, restrictions limiting the purchase of certain securities. By opening and maintaining a Program Account with us, you acknowledge that we do not solicit offers to buy or sell securities, or any other product or service, to any person in any jurisdiction where such offer, solicitation, purchase, or sale would be unlawful under the laws of such jurisdiction.

You may electronically sign the Account Application by accessing our Site and completing the Account Application online. Wrap and Custom clients also may request that paper copies of the Agreement, this Program Brochure, and our disclosure documents be mailed to their mailing address of record.

We will not open your Program Account until we receive and accept your signed Account Application, which incorporates the terms and conditions of the Agreement by reference. IMCO reserves the right to close your Program Account if it is not fully funded with the required minimum initial investment threshold (as described below) at any time. If IMCO closes your unfunded or underfunded Program Account, then we may, in our sole discretion, either: (1) convert your Program Account assets to an IMCO like-titled self-directed brokerage account in your name, or (2) sell the securities in your Program Account and send you a check for the proceeds at the address on record for your Program Account.

***Wrap and Custom Account Funding Process.*** With respect to clients opening a Wrap or Custom Program Account, you may fund your Program Account by depositing cash or transferring securities “in kind” to your Wrap or Custom Program Account. Initial securities contributions will be held unmanaged, and initial cash contributions may be held in a money market fund until we activate the Program Account. We will activate your Wrap or Custom Program Account, begin discretionary investment management, and begin placing trades to move your holdings toward your selected model portfolio’s Strategic Allocation when: (i) you have provided us all necessary documentation (as determined in our sole discretion), (ii) we have verified availability of all your transferred assets, and (iii) you have met your initial investment threshold. Initial investment thresholds are as follows: (i) for Wrap Program Accounts, the value of your Wrap Program Account is equal to or greater than \$25,000 and (ii) for Custom Program Accounts, the value of your Custom Program Account is equal to or greater than \$500,000. In Custom Program Accounts with fixed-income securities, it may take six to eight weeks to invest in certain fixed-income instruments, such as state and municipal bonds, if such instruments are in short supply. We may hold a portion of your portfolio in cash or a short-term investment until such fixed-income trading can be completed. Please speak to an IMCO financial advisor if you have any questions regarding funding your Program Account.

Once we begin actively managing your Wrap or Custom Program Account, we will sell all non-cash holdings which are not part of your model portfolio and will use the resulting assets to begin

creating your portfolio. While the time required for these processes will vary, and will depend on various factors, including your transferred assets, market conditions, and the composition of your model portfolio, it will generally take no less than two business days, but may take longer. Please speak to an IMCO financial advisor if you have any questions regarding funding your account or the initial investment process.

Unless otherwise agreed, all assets, including securities, transferred to your Wrap or Custom Program Account will be subject to management by us and included in creating your portfolio. However, for assets, including securities, you transfer to us that are not readily tradable (in our sole discretion), we will not: (i) manage those assets, (ii) apply an Account Fee (see the “Fees and Minimums” section below for definition) to those assets, nor (iii) include the market value of those assets to your initial investment threshold (this may delay the activation of your Wrap or Custom Program Account due to not meeting the initial investment threshold). For securities you transferred into your Program Account that we deem, in our sole discretion, that are either not readily tradable or we assess as having no market value (*i.e.*, worthless), we may engage in a principal transaction with you by purchasing the securities directly from you. In circumstances where proceeds are realized by IMCO from the liquidation of a non-tradable, illiquid security that has been transferred into your Program Account, IMCO will either reinvest the proceeds back into the selected model portfolio or issue a check for such proceeds to your home address of record. With respect to worthless securities, we believe that removal of such securities from your Wrap or Custom Program Account would be necessary to more efficiently manage your Wrap or Custom Program Account. Additional information on principal transactions and worthless securities in a Program Account is available in the “Brokerage; Worthless Securities” subsection in Item 6 below.

***Tax Implications and “Wash Sales.”*** You should understand that all or a portion of your securities may be sold either at the initiation of or during the course of the management of your Program Account. Please note that when funding your Program Account, once we purchase new securities, you may receive taxable distributions from the securities, mutual funds, or ETFs out of earnings that have accrued prior to your purchase(s). You should consider the tax implications of distributions that may soon be payable on mutual funds and ETFs that may be purchased for your Program Account when making a decision regarding the timing of funding your Program Account. More than one change in model portfolios within a 30-day period or cash contributions followed by a change in model portfolio within 30 days may trigger taxable distributions or wash sales (described below).

We may sell securities that you transfer into your Program Account as part of the initial funding process or at a later date (“In-Kind Securities”) without regard to the tax consequences to you. You understand and agree that if you fund your Program Account in whole or in part through the transfer of In-Kind Securities or make any subsequent deposit of In-Kind Securities into your Program Account, you may incur taxes or contingent deferred sales charges when such assets are sold. Additionally, factors such as limited liquidity and limited pricing transparency and quotations may impact the price obtained when the assets are sold. IMCO does not monitor your or your household’s Program Accounts nor does it monitor any accounts for you or members of your household maintained outside the Program to ensure that transactions in the same security or a substantially similar security do not create a “wash sale.” You are responsible for monitoring your (and your spouse’s) accounts outside of the Program to ensure that transactions in the same security or a substantially similar security as one traded from your Program Account do not create a “wash sale.” A wash sale is the sale at a loss and purchase of the same security or substantially similar security

within 30 days of each other. If a wash sale transaction occurs, the IRS may disallow or defer the loss for current tax reporting purposes. More specifically, the wash sale period for any sale at a loss consists of 61 calendar days:

The day of the sale, the 30 days before the sale, and the 30 days after the sale. The wash sale rule has the effect of postponing losses on a sale, if replacement shares are bought within these time periods.

You are responsible for all tax liabilities arising from Program Account transactions, and you are encouraged to seek the advice of a qualified tax professional. You are responsible for paying any tax liability associated with your account as well as the timely filing of the applicable tax forms with the Internal Revenue Service (“IRS”). IMCO does not employ tax professionals and has not and will not provide tax advice to you.

***IMCO Financial Advisors.*** Each IMCO financial advisor is a registered investment adviser representative of IMCO and acts as such with respect to recommending and servicing your UMP Program Account(s). IMCO financial advisors are available to respond to any questions you might have regarding your Program Account and will act as liaison between you and our PMT. On an ongoing basis, IMCO financial advisors are available to provide you with account services concerning your Wrap or Custom Program Account, as well as discuss changes in your Wrap or Custom Program Account investments.

On at least an annual basis, we will contact you to review your investment strategy to ensure it remains consistent with your financial situation and objectives. In addition, Wrap and Custom clients will receive a reminder on your monthly Program Account statement to notify an IMCO financial advisor of any change in your financial situation, including restrictions on your Program Account, or individual needs.

***Termination of Program Services.*** You may terminate Program services at any time. We retain the right in our sole judgment to terminate or amend the Agreement upon written notice to you. We also reserve the right to terminate Program services or close Program Accounts at any time, including, but limited to, instances in which we believe that the rendering of our advisory services is no longer appropriate for you, if your Account balance falls below the relevant minimum investment discussed above, if we are notified of your death, if we determine your Program Account is abandoned, or if you change your mailing or physical address to a non-U.S. address (excluding certain Government Addresses).

## **FEES AND MINIMUMS**

***Program Account Minimums.*** Wrap Program Accounts are subject to a minimum account size of \$25,000 and a minimum annual Account Fee of \$275.

Custom Program 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. The specific minimums are below.

<b>Custom Program Minimum – Stocks</b>		
Strategic Allocation	Initial Account Minimum to Purchase Individual Stocks	Market Value of Account Where Individual Stocks Will Be Sold and Replaced with Mutual Funds (conservative model) or converted to Wrap Marketplace (all others)
100% Fixed	N/A	N/A
Conservative	\$875,000	\$625,000
Moderate Conservative	\$500,000	\$350,000
Moderate	\$500,000	\$350,000
Moderate Aggressive	\$500,000	\$350,000
Aggressive	\$500,000	\$350,000
Very Aggressive	\$500,000	\$350,000

<b>Custom Program Minimum - Corporate Bonds</b>		
Strategic Allocation	Initial Account Minimum to Purchase Individual Corporate Bonds	Market Value of Account Where Individual Bonds Will Be Sold and Replaced with Mutual Funds (all models except conservative) or converted to Wrap Marketplace (conservative model)
100% Fixed	\$500,000	\$350,000
Conservative	\$628,205	\$440,000
Moderate Conservative	\$777,778	\$545,000
Moderate	\$1,020,833	\$715,000
Moderate Aggressive	\$1,289,474	\$903,000
Aggressive	\$1,750,000	\$1,225,000
Very Aggressive	N/A	N/A



<b>Custom Program Minimum – Municipal Bonds</b>		
Asset Allocation	Initial Account Minimum to Purchase Individual Municipal Bonds	Market Value of Account Where Individual Bonds Will Be Sold and Replaced with Mutual Funds (all models except conservative) or converted to Wrap Marketplace (conservative model)
100% Fixed	\$500,000	\$350,000
Conservative	\$512,821	\$411,000
Moderate Conservative	\$634,921	\$518,000
Moderate	\$833,333	\$698,000
Moderate Aggressive	\$1,052,632	\$910,000
Aggressive	\$1,428,571	\$1,305,000
Very Aggressive	N/A	N/A

**Information about the Account Fee.** We will charge you an asset-based Program fee (“Account Fee”) for Program Account services we provide to you. The Program Account services we provide, and the fees that comprise the Account Fee you will be charged, will vary depending on the type of your Program Account—Wrap Program Account or Custom Program Account.

For Wrap Program Accounts, the Account Fee is the Program Fee. The Program Fee covers services which include portfolio construction, asset allocation, the ongoing management of your Program Account, ongoing communications to keep you informed about your Program Account, and certain brokerage-related services. Program Fees are calculated on the average daily balance of the total market value of the assets in your Program Account, including cash balances and money market fund shares and, when applicable, are prorated based on the number of days the Program Account is actively managed. The Program Fee is assessed monthly in arrears.

For Custom Program Accounts, the Account Fee is the Program Fee plus the Investment Management Fee. The Program Fee and Investment Management Fee Schedules are listed below under “Fee Schedules.” The Investment Management Fee covers the investment management fees and additional services associated with expanded manager oversight, individual equity securities (such as stocks) and fixed-income instruments (such as bonds), and any selected Style Manager(s). For all Program Accounts, we will provide discretionary investment management, ongoing management of your Program Account assets, communications to keep you informed about your Program Account, and certain brokerage-related services. Through our contractual relationship with NFS, we also facilitate, and NFS will provide, custodial, trade execution, clearing, and other brokerage-related services to your Program Account. These services provided by and through us are covered by the Program Fee, described below. In all events, the Account Fee charged to your Program Account does not cover charges resulting from SEC fees, electronic fund and wire transfer fees, and any other charges otherwise agreed to with regard to your Program Account.

Except where explicitly noted, Account Fees are generally not negotiable; however, we reserve the right to credit a portion of the applicable Account Fee in limited circumstances including in connection with promotional efforts. As with other programs of this type, participation in the Program

may cost you more or less than purchasing these services separately. For example, if there is heavy trading activity in your Program Account and high custodial charges, the Account Fee may cost you less than if you purchased advisory and custodial services separately and were charged brokerage commissions for each trade. Conversely, little trading activity and low custodial fees could result in the Account Fee exceeding the cost of the services being charged separately.

Your Program Account will begin accruing Account Fees when we begin active management. You will not be charged Account Fees during the funding process prior to active management. Should you close your Program Account, or if certain events require us to place your Program Account in restricted status (for example, change to a non-U.S. address, death or court order), we will cease active management and will assess the applicable Account Fee due for the period your Program Account assets were actively managed in the Program. We will deduct Account Fees directly from your Program Account on a monthly basis in arrears.

For purposes of calculating the program fees and determining performance, IMCO will value a security listed on a national securities exchange as of the valuation date at the closing or last sale price on the principal market where the security is traded. IMCO uses a mutual fund's net asset value as determined by the fund. For any other securities or investments in your account, such as bonds, IMCO values the securities in a manner determined in good faith to reflect fair value. The actual prices at which you could buy or sell the securities may be different from the prices used to calculate the fee or performance. Any such valuation is not a guarantee of the value of the assets in your account. In computing the value of securities in your account, IMCO may use a pricing service or other independent evaluator, as well as other independent sources that we believe to be reliable. IMCO does not guarantee the accuracy of any valuation.

### ***Fee Schedules.***

***Wrap Program Accounts.*** For Wrap Program Accounts, the Account Fee is the Program Fee, as detailed in the Wrap Program Fee Schedule table below. The Program Fee may be negotiated under certain circumstances.

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

The Program Fee for all Wrap Program Accounts will be calculated using the “Wrap Program Fee Schedule” shown above. The Program Fee is derived by deducting the Credit Amount from the applicable annual gross Program Fee (described above).

The Credit Amount for Wrap Program Accounts is currently 1.10% (on an annual basis). The Credit Amount is determined on an annual basis at each model portfolio level and is not based on your individual Program Account(s). The Credit Amount is an amount equal to 0.092% (monthly) of the value of the model portfolio (1.10% on an annual basis).

Wrap Program Accounts may pay a lower Account Fee based on the application of the “breakpoints.” Breakpoints enable an Account Fee discount value of the applicable Program Account(s) increases. You receive the lower breakpoint only on the assets contributed above each breakpoint level in the Wrap Program Fee Schedule above.

**Example Account Fee Calculation for Wrap Program Account.** The example calculation below is provided to illustrate how a Wrap Program Account would be charged an Account Fee. In this example, the Program Account is a Wrap Program Account, and therefore, only the Wrap Program Fee Schedule is assessed. The example shows the Account Fee, after the Credit Amount is applied to the Program Fee Rate, and with breakpoints applied.

For a Wrap Program Account with a \$2,250,000 average daily balance in combined equity/fixed-income assets, the annual Program Fee would be calculated as follows:

#### Example Account Fee Calculation for Wrap Program Account

Wrap Account Average Daily Balance		Net Program Fee Rate (after Credit Amount)		Account Fee Tiers
\$125,000	X	1.10%	=	\$1,375.00
\$125,000	X	1.00%	=	\$1,250.00
\$250,000	X	0.85%	=	\$2,125.00
\$500,000	X	0.75%	=	\$3,750.00
\$1,000,000	X	0.65%	=	\$6,500.00
\$250,000	X	0.50%	=	\$1,250.00
Average Daily Balance \$2,250,000		Blended Program Fee 0.72%		Total Account Fee \$16,250.00

In this example, the annual Account Fee and Program Fee for a Wrap Program Account with \$2,250,000 would be \$16,250.00, with an effective annual Account Fee and Program Fee rate of approximately 0.72%.

**Custom Program Accounts.** For Custom Program Accounts, the Account Fee is the sum of the Program Fee plus the Investment Management Fee. The Account Fee will be charged in a single fee. The Program Fee is generally based on the Custom Program Fee Standard Schedule, except Custom Program Accounts that are invested 100% in Fixed-Income Securities, which use the 100% Fixed-

Income Allocation Custom Program Fee Schedule. The Program Fee may be negotiated under certain circumstances in IMCO's sole discretion.

The Investment Management Fee covers the investment management fees and additional services associated with expanded manager oversight, investment options, and any selected Style Manager(s), and is described below. The Investment Management Fee is assessed monthly in arrears and is calculated by multiplying the average daily balance of equity holdings (including, for example, individual securities, REITs, and equity ETFs) and fixed-income holdings (including for example, individual bonds, CDs, exchange-traded notes, and fixed-income ETFs) in a Custom Program Account by the appropriate marginal Investment Management Fee rate for that asset class. When applicable, the Investment Management Fee is prorated based on the number of days the account is actively managed. The Investment Management Fee is not applied to mutual funds, money market funds, or cash balances.

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

\* For Custom Program Accounts that are 100% allocated to fixed-income assets, the 100% Fixed-Income Allocation Custom Program Fee Schedule shown below applies. See below.

#### **100% Fixed-Income Allocation Custom Program Fee Schedule\***

<b>Value of 100% Fixed-Income Custom Account Assets</b>	<b>Maximum Annual Gross Program Fee Rate</b>	<b>Minimum Credit Amount</b>	<b>Maximum Annual Net Program Fee Rate*</b>
Up To \$500,000*	1.60%	1.10%	0.50%
\$500,001-\$1,000,000	1.50%	1.10%	0.40%
\$1,000,001-\$2,000,000	1.40%	1.10%	0.30%
\$2,000,001-\$10,000,000	1.30%	1.10%	0.20%
Over \$10,000,000	Negotiable	1.10%	Negotiable

\* 100% Fixed-Income model portfolio available only to Custom Program Accounts.

### UMP Custom Program Investment Management Fee Schedule\*

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

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

The Account Fee for all Custom Program Accounts will be calculated using: (i) either the “Custom Program Fee Standard Schedule” or the “100 % Fixed-income Allocation Custom Program Fee Schedule,” depending on total account asset allocation (*i.e.*, whether the allocation is 100% fixed-income), and (ii) the “UMP Investment Management Fee Schedule,” as all are respectively shown above.

The Program Fee is derived by deducting the Credit Amount, described below, from the applicable annual gross Program Fee (described above).

The Credit Amount for Custom Program Accounts is currently 1.10% (on an annual basis). The Credit Amount is determined on an annual basis at each model portfolio level and is not based on your individual Program Account(s). The Credit Amount is an amount equal to 0.092% (monthly) of the value of the model portfolio (1.10% on an annual basis).

Program Accounts may pay a lower Account Fee based on the application of the “breakpoints.” Breakpoints enable an Account Fee discount value of the applicable Program Account(s) increases. You receive the lower breakpoint only on the assets contributed above each breakpoint level in the Program Fee and Investment Management Fee charts above.

***Example #1 Account Fee Calculation for Custom Program Account.*** The example calculation below is provided to illustrate how a Custom Program Account would be charged an Account Fee. In this example, the Program Account is a Custom Program Account, and therefore, both the Program Fee and the Investment Management Fee are assessed. The example shows the Account Fee, after the Credit Amount is applied to the Program Fee Rate, and with breakpoints applied.

For a Custom Program Account with a \$2,250,000 average daily balance and an asset allocation of 60% equity and 40% fixed-income, the Account Fee would be equal to the Program Fee (for both equity and fixed-income) plus the Investment Management Fee (separately for equity and fixed-income).

As described above, the Investment Management Fee for Custom Program accounts generally applies to balances in individual equity and fixed income securities. A portion of the Custom Program Account may be invested in mutual funds, money market funds or cash, and this portion of the account will not be subject to the Investment Management Fee. The example below applies the Investment Management Fee to the entire account balance, and therefore may exceed the actual fee a Custom Program Account would be assessed.

<b>Example #1 - Program Fee using Custom Program Fee Standard Schedule</b>				
<b>Custom Account Average Daily Balance</b>		<b>Net Program Fee Rate (after Credit Amount)</b>		<b>Program Fee Tiers</b>
\$125,000	x	1.10%		\$1,375.00
\$125,000	x	1.00%		\$1,250.00
\$250,000	x	0.85%		\$2,125.00
\$500,000	x	0.75%		\$3,750.00
\$1,000,000	x	0.65%		\$6,500.00
\$250,000	x	0.50%		\$1,250.00
Average Daily Balance \$2,250,000		Blended Program Fee 0.72%		Total Program Fee \$16,250.00

<b>Example #1 - Custom Investment Management Fee (or IM Fee)</b>								
<b>Equity Allocation (60%)</b>					<b>Fixed-Income Allocation (40%)</b>			
Custom Account Avg Daily Balance		Marginal Equity Rate		IM Fee Tiers	Custom Account Avg Daily Balance		Marginal Fixed-Income Rate	IM Fee Tiers
\$125,000	x	0.60%	=	\$750.00	\$125,000		0.25%	\$312.50
\$125,000	x	0.60%	=	\$750.00	\$125,000		0.25%	\$312.50
\$250,000	x	0.60%	=	\$1,500.00	\$250,000		0.25%	\$625.00
\$500,000	x	0.50%	=	\$2,500.00	\$400,000		0.20%	\$800.00
\$350,000	x	0.40%	=	\$1,400.00	\$0		0.15%	\$0
\$0	x	0.25%	=	\$0	\$0		0.10%	\$0
Average Daily Balance		Blended Equity Fee		IM Fee	Average Daily Balance		Blended Fixed Inc Fee	IM Fee
\$1,350,000		0.51%		\$6,900.00	\$900,000		0.23%	\$2,050.00
Total Investment Management Fee = \$6,900+ \$2,050 = \$8,950								

Total Account Fee and Total Blended Account Fee Rate	
Total Account Fee (Program Fee + IM Fee)	Total Blended Account Fee Rate
$(\$16,250 + \$6,900 + \$2,050) = \$25,200$	$(\$16,250 + \$6,900 + \$2,050 = \$25,200 \div \$2,250,000) = 1.12\%$

In this example, the Program Fee would be \$16,250, with an effective Program Fee rate of approximately 0.72%, and the Investment Management Fee would be \$8,950 (\$6,900 + \$2,050), with an effective Investment Management Fee for the equity assets at a rate of approximately 0.51% and for the fixed-income assets of approximately 0.23%.

In this example, the Account Fee for a Custom Program Account with \$2,250,000 would be \$25,200 (\$16,250 + \$6,900 + \$2,050), with an effective blended Account Fee rate of approximately 1.12%.

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**Example #2 Account Fee Calculation for Custom Program Account 100% Fixed-income.** The example calculation below is provided to illustrate how a Custom Program Account with a 100% fixed-income allocation would be charged an Account Fee. In this example, the Program Account is a Custom Program Account, and therefore, both the Program Fee and the Investment Management Fee are assessed.

For a Custom Program Account with a \$2,250,000 average daily balance and an asset allocation of 100% fixed-income, the Account Fee would be equal to the Program Fee (based solely on the 100% Fixed-Income Custom Program Fee Schedule shown above) plus the Investment Management Fee, and would be calculated as follows:

<b>Example #2 - Program Fee using 100% Fixed-Income Allocation Custom Program Fee Schedule</b>				
<b>Custom Account Average Daily Balance</b>		<b>Program Fee Rate</b>		<b>Program Fee Tiers</b>
\$500,000	x	0.50%	=	\$2,500.00
\$500,000	x	0.40%	=	\$2,000.00
\$1,000,000	x	0.30%	=	\$3,000.00
\$250,000	x	0.20%	=	\$500.00
Average Daily Balance \$2,250,000		Blended Program Fee 0.36%		Total Program Fee \$8,000.00

<b>Example #2 - Custom Investment Management (IM) Fee</b>									
<b>Equity Allocation (0%)</b>					<b>Fixed-Income Allocation (100%)</b>				
Custom Account Avg Daily Balance		Marginal Equity Rate			Custom Account Avg Daily Balance		Marginal Fixed-Income Rate		IM Fee Tiers
\$0	x	0.60%	=	\$0	\$500,000	x	0.25%	=	\$1250.00
\$0	x	0.50%	=	\$0	\$500,000	x	0.20%	=	\$1,000.00
\$0	x	0.40%	=	\$0	\$1,000,000	x	0.15%	=	\$1,500.00
\$0	x	0.25%	=	\$0	\$250,000	x	0.10%	=	\$250.00
Average Daily Balance		Blended Equity Fee		IM Fee	Average Daily Balance		Blended Fixed Inc Fee		IM Fee
\$0		0.0%		\$0	\$2,250,000		0.18%		\$4,000.00
Total Investment Management Fee = \$0+ \$4,000 = \$4,000									



Total Account Fee and Total Blended Account Fee Rate	
Total Account Fee (Program Fee + IM Fee)	Total Blended Account Fee Rate:
$(\$8,000 + \$0 + \$4,000) = \$12,000$	$(\$8,000 + \$0 + \$4,000 = \$12,000 \div \$2,250,000)$ $= 0.53\%$

In this example, the Program Fee would be \$8,000, with an effective Program Fee rate of approximately 0.36%, and the Investment Management Fee would be \$4,000 (\$0 + \$4,000), with an effective Investment Management Fee rate of approximately 0.18%.

In this example, the Account Fee for a Custom Program Account with \$2,250,000 would be \$12,000 (\$8,000 + \$4,000), with an effective Blended Account fee rate of approximately 0.53%.

***Householding of Account Fees.*** You may qualify for lower Account Fees based on the cumulative assets that you maintain in Wrap and Custom Program Accounts in your household. For the purposes of this Brochure and the Agreement, “householding” shall mean aggregating the asset values of eligible Wrap or Custom Program Accounts in order to qualify for more favorable Account Fees based on the fee breakpoint tiers that apply to your househanded Program Accounts. Related accounts that are eligible for householding treatment at the time of a Program Account’s activation will be househanded by default as described below.

***Eligibility for Householding.*** Wrap and/or Custom Program Accounts owned by natural persons (including trusts established for natural persons) are eligible for householding with other UMP Program Accounts provided: (1) the Program Accounts in question are owned by a single individual or identical joint owners, in either case, with matching tax identification numbers, OR (2) (i) each relevant Program Account owner has the same mailing address and/or physical address, except in the case of current spouses and children under the age of 18 who reside at a different mailing and/or physical address, and (ii) each relevant Program Account owner is listed as a family member of the type that falls within a “permissible family relationship” in a client’s USAA Member Profile. For purposes of householding, “permissible family relationships” include: parent (mother or father), brother, sister, brother-in-law, sister-in-law, child (son, daughter, son-in-law, daughter-in-law), grandparents, great-grandparents, grandchildren, grandchildren-in-law, current spouse (including same-sex spouses), adopted (foster) children, adopted (foster) siblings, adoptive (foster) parents, step-children, and step-parents. All other family or non-familial relationships shall be considered “impermissible”. Householding eligibility will be based on the family relationships identified in your USAA Member Profile. **It is your responsibility to notify us of updates to your family relationships in your Member Profile. You may access and update your USAA Member Profile at any time through usaa.com or the mobile application, or by calling your IMCO financial advisor at (800) 531-1345.** IRAs and certain other tax-qualified requirement accounts are subject to restrictions that limit eligibility for householding based on family relationships. USAA attempts to take such restrictions into consideration when householding Program Accounts. However, due to the complexity of householding there may be instances where USAA is unable to identify whether there is an impermissible relationship within a household. Clients should understand that householding IRA or certain other tax-qualified Program Accounts with Program Accounts owned by persons with impermissible family relationships may have negative tax consequences, including loss of tax-qualified treatment under IRS rules. In addition, Wrap and Custom Program Accounts owned by

trusts established for natural persons may be aggregated with IRA or certain other tax-qualified retirement Program Accounts, provided that in such instances, the settlors and beneficiaries of the trust are permissible family relationships. Please note that householding IRA or certain other tax-qualified Program Accounts with trust accounts, including trust accounts whose settlors and/or beneficiaries would not be eligible for householding given their relationship to the IRA or tax-qualified Program Account owner, may have negative tax consequences, including loss of tax-qualified treatment under IRS rules.

IMCO does not provide tax advice, nor does it advise on the tax implications of householding Program Accounts. Accordingly, you are responsible for considering the potential tax consequences associated with householding. You may elect to exclude one or more Program Accounts from householding at any time by completing the Opt Out Form described below.

Please contact an IMCO financial advisor at (800) 531-1345 for more information.

If there are other Wrap or Custom Program Account owners in your household, you understand and acknowledge that we will use information about the aggregate assets and Program Accounts within the household to calculate the applicable household Account Fees and to explain the basis upon which those Account Fees are calculated to you and other members within your household. If you do not want such account information shared with other members of your household, you should not elect to household your Account Fees (opt-out election is described below). Any Program Accounts added to an existing household will be subject to the Account Mastering or other fee billing instructions then in effect for the household.

If a Program Account currently treated as household becomes ineligible for householding treatment in the future (based on the eligibility criteria described above), such Program Account will be removed from the household for fee billing purposes. Any Program Account that is removed from a household will no longer receive the more favorable Account Fee based on the aggregated assets within the household. Similarly, if one or more Program Accounts are removed from a household, the remaining Program Accounts in the household will no longer get the benefit of aggregating the assets of the removed Program Accounts for purposes of the fee breakpoints, which could have the effect of increasing the fee applicable to the remaining household Program Accounts.

***Account Mastering.*** USAA offers a service, referred to as Account Mastering, under which you may designate one Program Account to pay fees for related Program Accounts. Such a Program Account is referred to as the “master account”. If Account Mastering is selected, advisory fees for all Program Accounts within the household will be paid by the master account. It is not possible to exclude certain Program Accounts within the household from the Account Mastering relationship so they can pay their own fees. If you wish to have one or more Program Accounts within a household pay its own fees, such Program Accounts will be removed from the household for fee billing purposes and will not get the benefit of the aggregate assets within the household for purposes of applying fee breakpoints. You should understand that if a master account in a household closes, opts-out of householding, or otherwise becomes ineligible for householding treatment, it will be removed from the household and the remaining Program Accounts within the household will revert to their standard fee schedule and will no longer be considered household for fee billing purposes. USAA will attempt to re-group such Program Accounts into a new household, but unless and until another master account is designated, fees will be separately charged to each Program Account in the household.

***Opt-Out.*** You may elect to not household your Program Accounts with other Program Accounts eligible for householding, by submitting an **“Opt-Out Form” by mail to: USAA, Attn: Investment Management Company, PO Box 659453, San Antonio TX 78265-9825.** This form will allow you to specify which Program Account(s) to exclude from a household. Unless, and until, we receive an Opt-Out Form, your Account Fee will be based on all Program Accounts eligible for default householding, as described above. Upon receiving a valid Opt-Out Form, we will remove the specified Program Account from the Primary Household Member’s household or dissolve the household entirely. The account holder submitting the Opt-Out Form will receive written confirmation from IMCO that the opt-out request has been processed. IMCO will only accept an Opt-Out Form if the party submitting the form is listed as an account owner of the impacted Program Account.

Please contact an IMCO financial advisor at (800) 531-1345 for more information.

## **LEGACY ACCOUNTS**

***Fees for USAA Legacy Accounts.*** On October 27, 2012, the Private Investment Management (“PIM”), Strategic Fund Adviser (“SFA”), and Global Opportunities Portfolios (“GOP”) investment advisory programs (“Legacy Accounts”) were terminated, and all Legacy Accounts were converted to UMP Program Accounts. These Legacy Accounts will pay different fees than the UMP fees shown above. The three Legacy Account types also will pay different fees according to account type, as described below. At IMCO’s sole discretion, the fee structure for the Legacy Accounts may be changed at any time. In certain circumstances, if your Program Account registration type changes, then we may require you to move from a Legacy Account fee structure to a UMP Program Account fee structure. Such a move would generally increase the fee you would pay under the UMP Program. Please contact an IMCO financial advisor for more information on how a change in registration type could change the fees you pay under the UMP Program.

***Information about the PIM Legacy Account Fee.*** We will charge you a single PIM Legacy Account Fee covering discretionary investment management, ongoing management of your Program Account assets, communications to keep you informed about your Program Account, and certain brokerage-related services. Through our contractual relationship with NFS, we also facilitate, and NFS will provide, custodial, trade execution, clearing, and other brokerage-related services to your Program Account. These services provided by and through us are covered by the PIM Legacy Account Fee. Except where explicitly noted, our PIM Legacy Account Fees are not negotiable; however, we reserve the right to waive a portion of the applicable PIM Legacy Account Fee including in connection with promotional efforts.

We will deduct PIM Legacy Account Fees directly from your Program Account on a monthly basis in arrears. The applicable PIM Legacy Account Fee is calculated on the average daily balance based upon the market value of the assets in your Program Account, including cash balances and money market fund shares and, when applicable, is prorated based on the number of days the Program Account is actively managed. Should you close your Program Account, we will cease active management upon notice from you, and we will assess the applicable PIM Legacy Account Fee due for the period your Program Account assets were actively managed in the Program.

### PIM Legacy Account Fee

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

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

You may pay a lower PIM Legacy Account Fee based on the application of the “breakpoints.” You receive the lower breakpoint only on the assets contributed above each breakpoint level in the charts above. You may qualify for more favorable PIM Legacy Account Fee based on the total assets in Program Accounts in your household. For more information about householding fees, including sharing account information and limitations, please see the section entitled “Householding of Account Fees” above.

***Information about the SFA Legacy Account Fees and GOP Legacy Account Fees.*** We will charge you a single SFA Legacy Account Fee or GOP Legacy Account Fee covering discretionary investment management, ongoing management of your Program Account assets, communications to keep you informed about your Program Account, and certain brokerage-related services. Through our contractual relationship with NFS, we also facilitate, and NFS will provide, custodial, trade execution, clearing, and other brokerage-related services to your Program Account. These services provided by and through us are covered by the SFA Legacy Account Fee and the GOP Legacy Account Fee, as applicable. Except where explicitly noted, our SFA Legacy Account Fees and GOP Legacy Account Fees are not negotiable; however, we reserve the right to waive a portion of the applicable SFA Legacy Account Fee and GOP Legacy Account Fee in limited circumstances including in connection with promotional efforts.

We will deduct SFA Legacy Account Fees and GOP Legacy Account Fees, as applicable, directly from your Program Account on a monthly basis in arrears. The applicable SFA Legacy Account Fee and GOP Legacy Account Fee are calculated on the average daily balance based upon the market value of the assets in your Program Account, including cash balances and money market fund shares and, when applicable, is prorated based on the number of days the Program Account is actively managed. Should you close your Program Account, we will cease active management upon notice from you, and we will assess the applicable SFA Legacy Account Fee or GOP Legacy Account Fee due for the period your Program Account assets were actively managed in the Program.

### SFA Legacy Account Fee

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

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

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

The Credit Amount for SFA Marketplace Portfolio Program Accounts is currently 0.91% (on an annual basis). The Credit Amount is determined on an annual basis at each model portfolio level and is not based on your individual Program Account(s). The Credit Amount is an amount equal to 0.076% (monthly) of the value of the model portfolio (0.91% on an annual basis).

The Credit Amount for the SFA USAA Portfolios and GOP is currently 1.10% (on an annual basis). The Credit Amount for the SFA USAA Portfolios and GOP is an amount equal to 0.092% (monthly) of the value of the model portfolio (1.10% on an annual basis).

You may pay a lower SFA Legacy Net Program Fee or GOP Legacy Net Program Fee based on the application of the “breakpoints.” You receive the lower breakpoint only on the assets contributed above each breakpoint level in the charts above. You may qualify for more favorable SFA Legacy Net Program Fee or GOP Legacy Net Program Fee based on the total assets in Program Accounts in your household. For more information about householding fees, including sharing account information, limitations for IRA, retirement and fiduciary accounts, please see the section entitled “Householding of Account Fees” above.

***Fees Related to Mutual Fund and ETF Investments.*** Mutual funds may charge a fee, known as a redemption fee, for the redemption of fund shares that were purchased shortly before redemption. If redemption fees are caused by IMCO’s decision to redeem fund shares held in your Program Account, you will not be charged separately for such fees. If, however, you transfer mutual fund shares into your Program Account that carry a contingent deferred sales charge (“CDSC”) and we decide to sell those shares as part of our routine management, then you will be charged the applicable CDSC in addition to the Account Fee described in the “Fee Schedules” subsection above. IMCO receives distribution fees (“12b-1 fees”) in connection with certain mutual funds or ETFs that IMCO holds on your behalf for your Program Account. If you fund a retirement Program Account with third party mutual funds that pay 12b-1 fees, we will sell your shares of that fund before we begin active management of your Program Account. If IMCO elects to retain such third-party mutual funds in your Program Account and receives 12b-1 fees in connection with your investment in such mutual fund, 12b-1 fees from any such mutual fund generally are included in the Credit Amount used for determining your Program Fee. As further discussed in “Conflicts Related to USAA Victory Mutual Fund Investments” in Item 9, the compensation IMCO and its affiliates receive when a Program Account invests in a USAA Victory Mutual Fund exceeds the 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. For additional information, see the “Conflicts of Interest” section in Item 9 below.

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

With respect to mutual funds, IMCO strives to select the lowest cost share class of your mutual fund that is available or for which you are eligible. However, in certain circumstances IMCO will not invest in the lowest cost share class for which your Program Account is eligible. As a result, you should not assume that you will be invested in the share class with the lowest available expense ratio. For additional information, see the Conflicts of Interest section in Item 9 below.

## **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

### **MINIMUM INVESTMENT TO FUND AN ACCOUNT**

To open a Wrap Program Account, you must contribute at least \$25,000 in cash or securities. To open a Custom Program Account, you must contribute at least \$500,000 in cash or securities. If your balance falls below the minimum investment amount, we reserve the right to charge a minimum annual Account Fee (Minimum Account Fee) of \$275 for Wrap and Custom clients or close your Program Account. Please see the “Minimums; Fees” and “Termination; Amendments” sections of the Agreement for details regarding additional fees and closing of Program Accounts. The minimum initial investment and balance requirements are not negotiable; however, we may waive the minimum initial investment and/or balance requirements in our sole discretion.

### **TYPES OF CLIENTS**

***Wrap and Custom.*** Individual and institutional investors may participate in the Wrap and Custom offerings, and may be used for IRAs, individual accounts, joint accounts, and other non- retirement accounts, trusts, estates, charitable organizations, pension accounts, UGMA/UTMA, and profit sharing accounts. If your balance falls below the minimum investment amount, we reserve the right to charge a Wrap/Custom Minimum Account Fee of \$275, or to close your Program Account. In the event you have a Custom Program Account and the balance in your account falls below a certain threshold amount, we may convert your relationship from a Custom Program Account to a Wrap Program Account in our sole discretion. In the event we convert your Custom Program Account to a Wrap Program Account, we will liquidate some or all of your current holdings to convert your account to a Wrap Program Account and an appropriate model portfolio, and such liquidation may result in a taxable event to you. Please see the “Minimums; Fees” and “Termination; Amendments” sections of the Agreement for details regarding additional fees and closing of Program Accounts.

## **ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION**

### **INVESTMENT STRATEGY AND ASSET ALLOCATION**

***Program Investment Strategy Overview.*** The Program uses a strategic asset allocation approach to attempt to meet your long-term investment objectives. Asset allocation is a strategy that aims to balance risk and return by apportioning a portfolio’s assets among several asset classes according to an individual’s investment objectives, risk tolerance, and time horizon. Your allocation may include equity and fixed-income (including money market fund) assets. The Program also tends to be strategic in

nature and generally is not designed to take advantage of short-term market conditions. However, the Program does have the ability to employ tactical asset allocation in certain model portfolios, as described below. While trading may occur in connection with model construction, manager selection, or tactical changes, trading most commonly occurs when there are contributions/withdrawals, deviations from the target allocation (e.g., due to market movement), or adjustments to your Selected Strategic Allocations. Under IMCO's discretionary trading authority, we have the ability to delay or manage trading in response to market instability at any time and without notice. Market instability would be evidenced by extreme instances of elevated localized volatility (i.e., minute-to-minute spikes in implied volatility), insufficient or unstable market depth, price dislocation, incomplete execution, and rapidly widening bid-ask spreads. See the "Model Portfolio Asset Allocation" section for further details on investment strategies.

***Model Portfolios.*** Descriptions of the model portfolios offered in UMP are below. Such models are created with varying Strategic Allocations. All model portfolios are intended for investors with a medium to long investment time horizon. Please note that although some model portfolios are designed to minimize risk (and therefore offer diminished potential returns on your investment), all investments in securities involve a risk of loss, including the loss of all of the money you initially invest. Wrap Blend Program Accounts offer model portfolios that invest their fixed-income allocation in taxable bonds while USAA Victory Fund Wrap, Marketplace Fund Wrap, ETF Wrap, and Custom Program Accounts offer both taxable and tax-exempt strategies. Taxable strategies invest primarily in bonds whose interest income is subject to federal and state taxes, including but not limited to corporate, government, agency, taxable municipals, and CDs.

Tax-Exempt strategies invest primarily in bonds whose interest income is exempt from federal taxes as well as potentially state and local taxes, including but not limited to general obligation and revenue bonds. In certain circumstances, tax-exempt bond mutual funds and ETFs can invest in taxable municipal bonds which will create taxable income. In addition, any capital gains realized are considered taxable income. The tax-exempt strategy models also invest in taxable equity investments in the same manner as the taxable strategy models. Therefore, a tax-exempt model will still be subject to taxation.

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

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

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



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

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

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

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

## **MODEL PORTFOLIO ASSET ALLOCATION**

***Wrap and Custom.*** We will manage your Wrap or Custom Program Account using the Strategic Allocation associated with your selected model portfolio. We recommend a particular model portfolio based on the primary investment objective, time horizon, and risk tolerance provided to us and with respect to Wrap clients, also based upon the selected account type (*i.e.*, whether you have elected to be in the USAA Victory Fund Wrap Program, Marketplace Fund Wrap Program, the ETF Wrap Program, or Blend Wrap Program Accounts).

In order to take advantage of market opportunities, and to attempt to reduce the volatility and risk associated with a static asset allocation model, we may make tactical adjustments to your Strategic Allocation that we believe are appropriate for your risk tolerance and our view of current market conditions and opportunities. Your “Current Tactical Allocation” is your long-term Strategic Allocation modified to reflect our view of current market conditions and opportunities. We may adjust your Current Tactical Allocation periodically when we believe there is a material change in the cyclical direction of the market that presents investment opportunities. We also may periodically make adjustments as needed in the event your Program Account experiences what we deem to be a material drift away from the target Strategic Allocation. The number of reallocations that are made will vary from year to year based on our views of market conditions and the overall market cycle. Additionally, we may be limited in our ability to make asset allocation adjustments due to frequent trading restrictions or redemption fee policies of the underlying mutual fund companies. In limited circumstances, when appropriate, we may invest up to 100% of your portfolio in money market mutual funds, treasury money market trusts, or other cash equivalents. When a reallocation has been made in your Program Account, the reallocation will be reflected in your periodic statements.

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

## REVIEW OF ACCOUNTS

***Selection and Monitoring of Investments.*** In addition to selecting the investments for the Program, the PMT monitors the investments in 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.
- A change in your personal or financial situation. Any change in your personal circumstances or long-term goals at any time might warrant a change in your investment strategy and model portfolio. Please contact an IMCO financial advisor or log into the Site at any time to inform us of any relevant changes or notify your representative when he or she contacts you periodically.
- We may take into consideration the federal income tax consequences of holding or selling securities as part of our investment management services. Specifically, for all Program Accounts, IMCO 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.

Note, however, 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 subsection "Opening and Funding an Account"). 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 the 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.

## PROGRAM INVESTMENTS AND INVESTMENT RISKS

Your Program Account will be comprised of various investments that we will select in order to build the equity and/or fixed-income components of your Program Account in accordance with the account type and model portfolio that you have chosen. The types/categories of investments that may be included in your Program Account will vary depending upon whether you have a DIA Program Account, Wrap Program Account, or a Custom Program Account. The chart below shows the types of investments that may be included in Wrap and Custom Program Accounts. Wrap Program Accounts will be constructed using a narrow range of possible investments, depending on the type of Wrap Program Account Selected, and Custom Program Accounts offer a wider array of possible investments from which we will construct your Program Account.

Investment Type/Category	Wrap Program				Custom
	USAA Victory Fund	Marketplace	ETF	Blend	
Mutual Funds	X	X		X	X
Money Market Funds	X	X	X	X	X
ETFs	X	X	X	X	X
Stocks (Equities)					X
Bonds (Fixed-income)					X
ADRs					X
REITs					X

Each type of investments/categories set forth in the chart above is described more fully below. Your selected model portfolio, various investments will be selected to build the equity and fixed-income components of your Program Account, and all types of investments/categories shown above will not necessarily be held in your Program Account at any one time.

Risks are also discussed with each type of investment/category below. Any investment involves risk, and there is no assurance that your investment objective will be achieved. 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). The Program Accounts will experience daily fluctuations due to the financial markets and other factors. Each Program Account has its own investment style, which may involve one or more of the non-exclusive risks summarized below. The risks of the Program Account directly correspond to the risks of the underlying mutual funds and ETFs in which the Program Account invests. By investing in the underlying funds, the Program Account has exposure to the risk of many different areas of the market. The degree to which the risks described below apply to the Program Account varies according to the Program Account’s asset allocation. For instance, the more the Program Account is allocated to equity funds, the greater the risk associated with equity securities.

***Mutual Funds.*** A mutual fund is a company that pools money from investors and invests that money in securities or other assets, such as stocks, bonds, money market instruments, or a combination of these and possibly other investments. The combined holdings of a mutual fund, known as the portfolio, are generally managed by one or more investment advisers. Mutual funds can be an effective way of diversifying a portfolio within a particular asset allocation category; mitigating risks, such as credit risk, associated with direct investments in securities; or investing when market conditions or other factors make direct investments in securities comparatively less attractive. The investment risks associated with each mutual fund is available in each mutual fund’s prospectus, which you should read carefully. Mutual funds generally are subject to market risk and management risk, which is the risk of the fund’s portfolio manager judgment. Additionally, mutual funds are subject to liquidity risk, which is the risk that the fund’s investments generally cannot expect to be sold or disposed of in the ordinary course of business within seven days at approximately the value ascribed to such securities.

For purposes of this Brochure and describing the Program Accounts, mutual funds are categorized into USAA Victory Mutual Funds (which are sponsored and managed by VCM) and other third-party mutual funds (“Other Third-Party Mutual Funds”). The PMT puts eligible USAA Victory Mutual Funds and Other Third-Party Mutual Funds through a review process to determine those that will be included in the model portfolios. The PMT subjects the eligible USAA Victory Mutual Funds and Other Third-Party Mutual Funds to a periodic screening based on objective, quantitative factors such as performance history, risk metrics, stability and continuity of fund management, fund asset size, expense ratios, and other current public information on the funds and their management. Additional subjective, qualitative analysis such as a review of the fund’s underlying philosophy, process, people, style consistency, fund availability, future market and/or economic expectations, and overall fit within the recommended model portfolio is also considered.

***USAA Victory Mutual Funds.*** As previously described, USAA Victory Mutual Funds are a series of mutual funds managed by Victory Capital Management, Inc., which is not affiliated with IMCO or USAA. The USAA Victory Mutual Funds are eligible for inclusion in, and are generally included in, Wrap and Custom Program Accounts (other than ETF Wrap Program Accounts). Depending upon certain factors in the mutual fund selection process, such as the ability to find an Other Third-Party Mutual Fund that meets the investment criteria and that permits investment by Wrap and Custom Program Accounts, we may invest a significant portion, or all, of your Wrap or Custom Program Account in USAA Victory Mutual Funds (other than ETF Wrap Program Accounts).

***Other Third-Party Mutual Funds.*** Other Third-Party Mutual Funds eligible for inclusion in Wrap and Custom Program Accounts include those mutual funds available through IMCO's broker-dealer mutual fund supermarket that are no-load (*i.e.*, no sales charge) or load waived with no (or a waived) redemption and transaction fees.

***USAA Victory Money Market Mutual Fund and USAA Victory Treasury Money Market Trust.*** For Wrap and Custom Program Accounts owned by natural persons, IMCO will allocate the cash portion of a Program Account to a USAA Victory money market mutual fund; for Wrap and Custom Program Accounts owned by non-natural persons such as institutions, IMCO will allocate the cash portion of a Program Account to the USAA Victory Treasury Money Market Trust. We will determine the cash allocation of a Program Account in our sole discretion. If the liquidity of a money market mutual fund significantly decreases (as during a time of significant market stress), the board of trustees of the money market mutual fund may impose a temporary fee on redemptions, referred to as a "liquidity fee," or impose a temporary halt to redemptions, referred to as a "redemption gate." The USAA Victory Treasury Money Market Trust board of trustees has determined that it will not impose such fees or gates. For UMP clients allocated to a money market mutual fund, you should be aware that if liquidity fees or redemption gates were to be imposed, it could impact the ability to settle transactions in your Program Account and result in extra fees or delays in liquidating your assets in the money market mutual fund.

***Exchange-Traded Funds.*** An ETF is a type of investment company that is traded on an exchange. Index ETFs invest primarily in a basket of securities included in a particular market index. Index ETFs typically seek to provide investment results that, before fees and expenses, generally correspond to the price and yield performance of the underlying benchmark index. Actively-managed ETFs have portfolio management teams that make decisions on the underlying portfolio allocation and does not generally follow a passive investment strategy. You will indirectly bear the fees and expenses charged by the ETFs in addition to the Account Fees.

ETF Wrap Program Accounts and Blend Wrap Program Accounts will invest extensively in index and actively-managed ETFs. Other Program Accounts may also invest in ETFs to gain efficient exposure to a particular broad-based index, a particular market capitalization such as small-cap stocks, style such as value or growth stocks, country, or economic sector such as real estate or technology. ETFs typically offer lower operating expenses, broader diversification opportunities, and greater investment flexibility than comparable traditional mutual funds, in part, because they trade like stocks on an exchange. ETFs are chosen based on a number of factors, including tracking error versus the underlying index they are designed to represent (for Index ETFs), portfolio expenses, the reputation of the firm sponsoring the ETF, and the overall impact of the ETF on the entire portfolio. Additionally, trade volumes are monitored to ensure there is appropriate liquidity in any chosen ETF.

Investing in an ETF exposes you to risks of the ETF's holdings in direct proportion to the allocation of assets that comprise the ETF. The risks associated with each ETF is available in each ETF's prospectus, which you should read carefully. Additionally, a client's positions in ETFs are subject to a number of risks associated with the management and market conditions of the ETF. These include (but are not limited to): (i) Delisting—An ETF may be delisted and liquidated at the discretion of its issuer. Should a client hold a position in an ETF when it is delisted, such client may be subject to costs associated with the ETF's liquidation, counterparty risk against the issuer, and additional taxes

due to cash distributions from the liquidation. (ii) Market Maker Instability -The supply and demand of ETF shares are kept in balance by its authorized participants. The authorized participants of an ETF may, purposefully or by mistake, destabilize the supply-demand balance of an ETF, causing tracking error of the ETF to its constituent instruments that may negatively affect the value of an entity's position in the ETF. (iii) Hidden Illiquidity - The liquidity of an ETF is determined not only by the ETF's own market liquidity but how easy or difficult it is to transact in the ETF's constituent instruments. If one or more of an ETF's constituent instruments becomes difficult to buy or sell, the ETF may become difficult to transact or experience tracking error that negatively affects the value of positions held in the ETF.

Shares of ETFs are bought and sold in the secondary market at market prices. Although an ETF is required to calculate its net asset value ("NAV") on a daily basis, at times the market price of an ETF's shares may be more than the NAV (trading at a premium) or less than the NAV (trading at a discount). Given the differing nature of the relevant secondary markets for ETFs, one ETF may trade at a larger premium or discount to NAV than shares of another ETF depending on the markets where such ETFs are traded. The risk of deviation from NAV for an ETF generally is heightened in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying an ETF may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of an ETF, and the liquidity of an ETF may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares of an ETF. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of an ETF. As a result, under these circumstances, the market value of shares of an ETF may vary substantially from the NAV per share of such ETF, and the client may incur significant losses from the sale of ETF shares.

***Exchange-Traded Notes.*** Program Accounts may invest in exchange-traded notes ("ETNs") for purposes of exposure to alternative assets classes, including but not limited to, commodities or volatility. ETNs are a type of unsecured, subordinated debt security. This type of debt security differs from other types of bonds because most ETN returns are based upon the performance of a market index minus applicable fees, no period coupon payments are distributed, and no principal protections exist. The purpose of ETNs is to create a type of security that combines both the aspects of bonds and ETFs. Similar to ETFs, ETNs are traded on a major exchange during normal trading hours. However, investors also can hold the ETN until maturity. At that time, the issuer will give the investor a cash amount that would be equal to the principal amount (subject to the day's index factor). ETNs are subject to credit risk, including the credit risk of the issuer, and the value of the ETN may drop due to a downgrade in the issuer's credit rating, despite the underlying market benchmark or strategy remaining unchanged. The value of an ETN may also be influenced by time to maturity, level of supply and demand for the ETN, volatility and lack of liquidity in underlying assets, changes in the applicable interest rates, changes in the issuer's credit rating, and economic, legal, political, or geographic events that affect the referenced underlying asset. When a Program Account invests in ETNs it will bear its proportionate share of any fees, taxes, and expenses borne by the ETN.

***Equity Securities.*** Equity securities are subject to stock market risk. A company's stock price in general may decline over short or even extended periods, regardless of the success or failure of the company's operations. Stock markets tend to run in cycles, with periods when stock prices generally go up and periods when stock prices generally go down. Equity securities tend to be more volatile

than debt securities. In addition, to the degree a Program Account invests in foreign securities, there is a possibility that the value of the investments in foreign securities will decrease because of unique risks, such as currency exchange-rate fluctuations; foreign market illiquidity; emerging market risk; increased price volatility; uncertain political conditions; exchange control regulations; foreign ownership limits; different accounting, reporting, and disclosure requirements; difficulties in obtaining legal judgments; and foreign withholding taxes. Investments in emerging-market countries generally are more volatile than investments in developed markets. Emerging-market countries are less economically diverse and mature than more developed countries and tend to be politically less stable. The equity portion of Program Accounts may generally invest in securities of companies of any market capitalization and is subject to mid- and small-cap company risk, which is the greater risk of investing in smaller, less well-known companies, as opposed to investing in established companies with proven track records. Mid- and small-cap companies also may have limited product lines, markets, or financial resources. Securities of such companies may be less liquid and more volatile than securities of larger companies or the market in general and, therefore, may involve greater risk than investing in the securities of larger companies.

***Fixed-income Securities.*** The fixed-income component of a Program Account may directly or indirectly use high-quality investment-grade government, government agency, municipal, and corporate bonds (including convertible bonds) to earn a competitive rate of return while attempting to minimize credit and default risk. We may also invest in bonds rated below investment grade (sometimes referred to as junk or high-yield bonds) either directly or through mutual fund holding such securities which may produce higher current income but generally involve a higher amount of credit risk. The fixed-income component of the model portfolio also may include purchasing preferred stock if purchased for the purpose of generating additional income and if not convertible into common stock.

The fixed-income securities are subject to credit risk, which is the possibility that an issuer of a fixed-income security will fail to make timely interest and/or principal payments on its securities or that negative market perceptions of the issuer's ability to make such payments will cause the price of that security to decline. Bonds may also decline in value due to a decline in the rating or financial health of the issuer of the bonds, among other factors. IMCO accepts some credit risk as a recognized means to enhance investment return. All fixed-income securities varying from the highest quality to the very speculative have some degree of credit risk. High-yield securities generally entail greater economic, credit, and liquidity risk than investment-grade securities. Their prices may be more volatile, especially during economic downturns and financial setbacks or liquidity events.

The market value of fixed-income securities will fluctuate because of changes in interest rates, changes in the supply of and demand for fixed-income securities, and other market factors. Bond prices generally are linked to the prevailing market interest rates. In general, when interest rates rise, bond prices fall; and conversely, when interest rates fall, bond prices rise. The price volatility of a bond also depends on its maturity. Generally, the longer the maturity of a bond, the greater is its sensitivity to interest rates. To compensate investors for this higher interest rate risk, bonds with longer maturities generally offer higher yields than bonds with shorter maturities. Program Accounts may be subject to a greater risk of rising interest rates due to the current period of historically low rates.

***American Depositary Receipts.*** For Custom Program Accounts, ADRs may be used to provide portfolio exposure to international equities. ADRs are equity securities issued in the U.S. or European

markets that represent a non-U.S. company's home-country shares. ADRs offer U.S. investors a convenient way to invest in a foreign company by holding a domestic security that is cleared and settled in the U.S. ADRs are negotiable U.S. securities that are created when a broker purchases the non-U.S. company in the local stock market and delivers those shares to an American Depositary Bank, in the foreign country. The depositary bank then issues ADRs representing ownership in the non-U.S. company. Many ADRs are listed on U.S. stock exchanges and represent some of the world's best-known companies. ADRs may be exposed to risks not typical of domestic investments such as currency exchange rate fluctuations, political and economic risks, and regulatory risks associated with exchange controls or other foreign laws or restrictions. Any pass-through fees charged by the issuing depositary bank are paid by you.

***Real Estate Investment Trusts.*** For Custom Program Accounts, REITs may be used to provide portfolio exposure to the real estate market. A REIT is a company that invests generally in assets of real estate and is granted special tax consideration. A company that qualifies as a REIT is permitted to deduct dividends paid to its shareholders from its corporate taxable income. In order to qualify as a REIT, a company must distribute at least 90% of its taxable income to shareholders. Like other corporations, REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges like shares of common stock in other firms. There is a risk that the value of an investment in REITs will decrease because of a decline in real estate values. Investing in REITs may subject the Program Account to many of the same risks associated with the direct ownership of real estate, such as rental income fluctuation, depreciation, property tax value changes and differences in real estate market values. Additionally, REITs are dependent upon the capabilities of the REIT's manager(s), have limited diversification, and may be particularly sensitive to economic downturns or changes in interest rates, real estate values, cash flows of underlying real estate assets, occupancy rates, zoning laws, and tax laws. Because REITs are pooled investment vehicles that incur expenses of their own, a Program Account will indirectly bear its proportionate share of those expenses.

***Cash or cash equivalents.*** We may also hold a portion of your portfolio in cash, cash equivalents, or short-term trading instruments to meet investment minimums for a particular security, take advantage of investment opportunities, meet distribution requests, or fulfill Program Account fees. For example, in Custom Program Accounts with fixed-income securities, it may take six to eight weeks to invest in certain fixed-income instruments, such as municipal bonds, if such instruments are in short supply. The opportunity for investment returns may be negatively affected by the percentage of a portfolio's overall allocation to cash or cash equivalents.

## **ADDITIONAL PROGRAM MATERIAL RISKS**

***Management Risk.*** The Program Accounts depend on IMCO's judgment about markets, interest rates, liquidity, and potential appreciation of particular investments made for the Program Accounts. The Program Accounts could experience losses if these judgments prove to be incorrect, such as inaccuracies or limitations in the quantitative analysis or models. Additionally, legislative, regulatory, or tax developments may affect the investments or investment strategies available. The Program accounts are also subject to the risk that the asset allocations will not produce the intended results. Also, as the Program Accounts are based on model portfolios, the assumptions made in the construction of the models may limit their effectiveness.

***Cybersecurity Risk.*** With the increased use of technologies such as the Internet to conduct business, a portfolio is susceptible to operational, information security and related risks. In general, cyber



incidents can result from deliberate attacks or unintentional events include, but are not limited to, gaining unauthorized access to digital systems, misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including the denial-of-service attacks on websites. Cyber security failures or breaches by a third-party service provider and the issuers of securities in which the portfolio invests, have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, including the cost to prevent cyber incidents.

***Reliance on Client Information.*** IMCO does not consider your personal client information in managing your Program Account on an ongoing basis (except with respect to any reasonable restrictions placed on the management of your Program Account), but rather it manages your Program Account in accordance with the model portfolio you selected.

***Reliance on Technology.*** The offerings within the UMP Program are dependent upon various computer and telecommunication technologies, many of which are provided by or are dependent on third parties. For instance, as rebalancing, trading, and monitoring of client accounts are implemented through technology dependent automation. The successful operation of the Program could be severely compromised by system or component failure, telecommunication failure, power loss, a software-related system crash, unauthorized system access or use (such as “hacking”), computer viruses and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. It is not possible to provide comprehensive and foolproof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. Any event that interrupts such computer and/or telecommunication systems or operations could have a material adverse effect on Program Accounts.

***Hypothetical Performance and Projected Returns.*** Projected returns are hypothetical, do not reflect actual investment results, and are not guarantees of future results. Such projected performance is subject to a number of limitations and assumptions designed to determine the probability or likelihood of a particular investment outcome based on a range of possible outcomes. It is possible that any of those assumptions may prove not to be accurate. In addition, performance of your Program Account may differ materially from investment gains and avoidance of investment losses projected, described, or otherwise referenced in forward-looking statements, and the projected returns associated with any particular asset allocations or portfolio may not materialize.

## **INVESTMENT MANAGEMENT**

***Portfolio Manager and the Adviser Governance Committee.*** As IMCO serves as the Portfolio Manager (PM) for the Program, the IMCO Adviser Governance Committee (“AGC”) is responsible for general investment strategy oversight of the Program. Oversight includes, but is not limited to, review and approval of mutual funds, ETFs, and Style Managers that may be included in the Program, as well as changes to model portfolio strategic allocations. The AGC meets on a regular basis and is responsible for reviewing and evaluating the Portfolio Management Team (“PMT”) recommendations for the Program. (See the subsection immediately below for an explanation of PMT.) The AGC

evaluates domestic and international market information for the purpose of determining the Program's asset allocation strategy and recommendations from the PMT.

***Portfolio Manager and PMT.*** The Portfolio Manager manages the Program on a day to day basis and is responsible for the discretionary management of assets in UMP, including leading and overseeing research conducted by the PMT. The PMT makes recommendations regarding the Strategic Allocations, investment options and selection, and Style Managers for each model portfolio. The PMT also makes tactical investment decisions for Wrap and Custom Program Accounts. The PMT meets on a regular basis and evaluates domestic and international market information for the purpose of determining each model portfolios' asset allocation strategies and investments. The PMT also reviews and implements buy and sell recommendations from Style Managers.

Each PMT member must have received a formal education in a field related to economics, finance or law or other appropriate field and have investment-related experience. A bachelor's degree is required and an Masters of Business Administration or other advanced degree in an appropriate field is preferred.

***ETF Managers.*** The PMT members use multiple research tools and resource databases to provide initial and ongoing screening of ETFs based on objective, quantitative factors such as performance history, risk metrics, fund asset size, trading volume, expense ratios, tracking error versus the ETF's benchmark (for Index ETFs), and other current public information on the ETF and the ETF provider. They also perform a subjective, qualitative analysis such as a review of the ETF's underlying philosophy, process, style consistency, the reputation of the firm sponsoring the ETF, future market and/or economic expectations, and overall fit within a particular model portfolio. Members of the PMT may meet with certain ETF providers to obtain a more thorough understanding of the strategy's philosophy.

***Mutual Fund Managers.*** The PMT members use multiple manager research tools and resource databases to provide initial screening of mutual fund managers based on objective, quantitative factors such as performance history, risk metrics, stability and continuity of fund management, fund asset size, advisory fees, expense ratios, and other current public information on the funds and their management. They also perform a subjective, qualitative analysis such as a review of the fund's underlying philosophy, process, people, style consistency, fund availability, future market and/or economic expectations, and overall fit within a particular model portfolio. Members of the PMT may meet with certain mutual fund managers to obtain a more thorough understanding of the manager's philosophy.

***Style Managers.*** Style Managers provide non-discretionary sub-advisory services for select Custom Program Accounts by furnishing investment recommendations to the PMT for one or more model portfolios based on the Style Manager's investment model ("Strategy").

The PMT is responsible for implementing each Strategy based on the advice provided by the Style Manager, and generally implements the recommendations. An example of an exception to this policy includes, but is not limited to, when Style Manager recommendations are inconsistent with client-requested Program Account investment restrictions.

The PMT selects Style Managers for participation in UMP with the goal of providing clients with access to additional professional investment advice and to make available a choice of various investment styles. The PMT use multiple manager research tools and resource databases to provide initial screening of prospective managers based on objective, quantitative factors such as performance history, risk metrics, stability and continuity of management, asset size, advisory fees, and other current public information on the manager. They also perform a subjective, qualitative analysis such as a review of the manager's underlying philosophy, process, people, style consistency, future market and/or economic expectations, and overall fit within a particular model portfolio. Members of the PMT may meet with managers to obtain a more thorough understanding of the manager's philosophy.

## **BROKERAGE**

The PMT is authorized to place trades with and through IMCO (as an introducing broker-dealer) and NFS (as a clearing broker-dealer) if the PMT reasonably believes that the quality of the execution of the transactions is at least comparable to what could be obtained through other qualified broker-dealers. The PMT may place trades relating to your Program Account with and through IMCO and with NFS, or any other qualified broker-dealer, subject to our obligation to obtain best execution. You will not be charged separate commissions on such transactions.

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

IMCO does not currently engage in soft dollar transactions; however, IMCO may engage in soft dollar transactions to obtain any research or brokerage service or products 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. 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. For equity trades, IMCO generally uses NFS, IMCO's clearing broker-dealer. 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 with 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 potential future acceptance of soft dollars does not directly vary the cost of participation in the Program since members pay an asset-based fee that includes trading costs. For the avoidance of doubt, Program Accounts will not be charged a separate or additional commission in addition to the Account Fee on transactions even if IMCO or NFS is charged commissions by a broker-dealer for effecting trades.

***Worthless Securities.*** In the event that any securities in your Program Account become worthless and removal of those securities is necessary to more efficiently manage your Program Account consistent with our fiduciary duty, we may purchase them from your Program Account for \$0.01 per lot. IMCO in its sole discretion may initiate this option.

IMCO generally does not 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”). However, we may engage in a principal transaction with you where you hold worthless securities in your Program Account. In this circumstance, we will engage in a principal transaction with you only with appropriate client consent. Note the following regarding our purchasing of worthless securities from you: (i) there are no known markets for these securities, (ii) transactions will create Form 1099 reporting, and (iii) positions purchased from your Program Account will appear on your account activity page online and on your next available UMP account statement as a trade transaction.

## **PROXY VOTING POLICIES AND PROCEDURES**

The UMP Investment Advisory Agreement allows IMCO to vote on proposals presented to shareholders of securities held in the relevant accounts, unless a client notifies IMCO in writing that he or she does not consent to IMCO voting as a proxy for that client. For those clients who did not object to IMCO voting on their behalf, IMCO generally votes 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 (for example, elections of boards of directors, mergers, and reorganizations). These criteria and general voting recommendations, as customized by us with respect to certain matters and approved by the 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, IMCO 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, IMCO 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 Portfolio Managers 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 calling us at (877) 314-2255 or writing us at USAA Investment Management Company, Attn: USAA Managed Portfolios, P.O. Box 659453, San Antonio, Texas 78265. Information regarding how we voted proxies for securities and mutual funds in your Program Account also is available upon request by calling or writing us at the number and address listed above.

## **CLASS ACTION SUITS**

IMCO will not render any advice or take any action with respect to securities or other property currently or formerly held in client Program Accounts or the issuers thereof that become the subject of any legal proceedings, including bankruptcies and class actions.

## **SIDE-BY-SIDE MANAGEMENT AND PERFORMANCE-BASED FEES**

IMCO does not charge a performance fee or otherwise receive compensation based on performance with respect to its management of Program Accounts or other wrap fee or asset allocation program accounts that it manages. Performance-based fees can create a conflict of interest by incentivizing advisers to favor accounts that charge performance-based fees over those that do not.

## **ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Generally, limited client-specific information is communicated by IMCO to the PMT. Such information is communicated to the PMT on a regular basis for the purpose of allowing the PMT to effectively manage Program Accounts. IMCO may share client-specific information with a Style Manager for the purpose of managing account-specific constraints.

## **ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Wrap and Custom clients are permitted to contact members of the PMT upon request through an IMCO financial advisor, although direct client contact with the PMT is limited and requires the presence of a member of the sales and service staff of IMCO. Clients will not generally have direct access to an unaffiliated Style Manager, absent the Style Manager's consent.

## **ITEM 9 – ADDITIONAL INFORMATION**

### **IMCO'S BUSINESS ACTIVITIES**

IMCO engages in two primary areas of business. First, IMCO provides investment advisory services to: (1) individuals and other entities through the UMP Program and financial planning ("Retail Advisory Services"); and (2) the USAA FSB Trust Services Department, an affiliated corporate

client. For more information about IMCO's Retail Advisory Services, please see our separate Retail Advisory Services Brochure.

Second, IMCO offers an online brokerage operation and facilitates through NFS brokerage execution, settlement, transaction processing, and custodial services for its affiliate 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 Program Accounts. In addition, NFS serves as the custodian and clearing broker-dealer for Program Accounts.

## **IMCO'S RELATIONSHIPS WITH AFFILIATES**

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

IMCO acts as introducing broker-dealer for Program Accounts, and NFS acts as the clearing broker-dealer for Program Accounts. All customer brokerage account and client Program Account funds and securities are held or maintained by NFS, the custodian. IMCO compensates FPS and FAI in connection with distribution and servicing of brokerage accounts opened at IMCO. IMCO also reimburses FPS and FAI for administrative costs related to such distribution and servicing functions.

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 an asset allocation program (similar to the Program services offered to Custom Program Accounts), which is offered by USAA FSB Trust Department to clients of the Trust 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.

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## 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, in certain instances, create conflicts of interest among its duties to you and its duties to other clients. We may receive research services, remuneration, compensation, or other consideration for directing client orders to particular broker-dealers or market centers for execution. The source and nature of any compensation received in connection with a client's particular transaction will be furnished upon written request to us. Additionally, IMCO and its affiliates, where appropriate, may recommend to Program clients that they buy or sell securities or investment products in which IMCO or an affiliate has some financial interest.

IMCO also may buy or sell securities for itself or its affiliates that it also recommends to or purchases for Program 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 and with appropriate client consent. Generally, we will engage in a principal transaction with you only where you hold worthless securities in your Program Account and removal of those securities is necessary to more efficiently manage your Program Account, consistent with our fiduciary duty, provided we have your consent to such transactions.

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

On behalf of UMP clients, IMCO may purchase securities on the secondary market of companies for which USAA and its affiliates 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.

***Conflicts Related to USAA Victory Mutual Fund Investments.*** We and our affiliates receive compensation from VCM (the sponsor and manager of the USAA Victory Mutual Funds) in connection with the USAA Victory Mutual Funds. This compensation exceeds 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 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 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 another 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 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.

***Conflicts Related to USAA Victory ETF Investments.*** We and our affiliates receive compensation from VCM in connection with the USAA Victory ETFs. This compensation exceeds amounts IMCO and/or its affiliates may receive from other third-party ETFs, and therefore creates a conflict of interest in that IMCO has a financial incentive to recommend USAA Victory ETFs over other third-party ETFs. Any Credit Amount applied to your Program Fee with respect to USAA Victory ETFs does not eliminate this differential.

We address this conflict of interest by disclosing the conflict of interest to clients and complying with our obligation to act consistent with our fiduciary duty, which includes monitoring and overseeing client allocations and tracking all underperforming ETFs to determine whether they remain as appropriate investments in the models. However, we may decide to recommend, or to continue recommending, a USAA Victory ETF over another third-party ETF, even if the USAA Victory ETF does not perform as well as the other third-party ETF based on factors such as the PMT's conviction regarding strategy or future performance.

***Additional Conflicts Related to VCM.*** 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 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 also receive a share of revenue generated by the holding of the USAA Victory Mutual Funds/ETFs on its 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 of Interest Related to UMP Program Recommendations.*** The various investment solutions available in UMP are designed to offer clients a range of different services and features at different price points. You should discuss with your IMCO financial advisor the investment solutions, products, strategies and associated fee schedules for each of the UMP offerings to determine which may be most appropriate for you. The amount of compensation that IMCO and its affiliates receive from your enrollment in either the DIA, Wrap or Custom may be more or less than the compensation that we might receive if you had instead participated in another UMP offering. Given the difference in compensation that IMCO and its affiliates receive in connection with the different offerings in UMP, IMCO has a financial incentive to recommend a UMP offering for which it will receive more compensation. Depending on the investment strategy and asset allocation selected for your Program Account, you may be able to access the same or similar investment advice and investment products at a lower cost in another UMP offering.

***Conflicts of Interest Related to Fidelity No Transaction Fee Funds Agreement.*** IMCO has entered into an agreement with Fidelity whereby Fidelity offers certain mutual funds to IMCO without imposing transaction fees on IMCO (“NTF Funds”). Clients are not directly impacted by this agreement, however since IMCO is responsible for the payment of trading expenses in the Program, IMCO has a financial incentive to use NTF Funds in an effort to increase its revenues. This creates a financial incentive for IMCO to recommend or use such NTF Funds over other funds that are available to IMCO. IMCO may take this into account when selecting securities available under the Program, but IMCO will only select or recommend securities that it believes are in the best interest of the client. As an alternative to NTF Funds, IMCO may select funds for which transaction fees apply (“TF Funds”), including funds with available institutional share classes. TF Funds are not subject to the aforementioned agreement with Fidelity.

***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 12b1 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 crediting back the 12b-1 fees IMCO and its affiliates collect (if any) in connection with mutual funds held in Program Accounts as discussed in “Fee Schedules,” disclosing the conflict of interest to clients, and by complying with our obligation to act consistent with our fiduciary duty.

***Conflicts of Interest Related to NFS.*** IMCO uses NFS, a Fidelity Investments Company, to execute all equity trades. NFS also serves as the custodian for the Program. There is no direct link between IMCO’s use of NFS as a clearing broker-dealer and the investment advice IMCO provides to its clients under the Program. IMCO also offers Fidelity mutual funds on its broker-dealer supermarket. Similarly, Fidelity currently offers the USAA Victory Funds on its own broker- dealer supermarket platform. IMCO has a conflict of interest in using NFS as an executing and clearing broker-dealer because the inclusion of the USAA Victory Funds on Fidelity’s supermarket platform could influence IMCO’s decision to use NFS’ brokerage services. We address this conflict of interest by disclosing it

to clients and by complying with our obligation to seek best execution in a manner consistent with IMCO's fiduciary duty.

***Revenue Sharing Payments.*** 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 UMP client Program Account 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.

## **INVESTMENT ADVISER 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 above, 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, including Program Accounts, 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.

## **TIMELY COMMUNICATIONS**

***Wrap and Custom.*** Wrap and Custom clients will receive the following personal communications, which may also be viewed through our digital channels on the Site:

- **Monthly Electronic Performance Statement.** You will receive electronically a monthly Wrap or Custom Program Account performance statement on your usaa.com account. Your monthly electronic performance statement from us will show your Wrap or Custom Program Account performance, asset allocation, additions and withdrawals, and fees charged to your Wrap or Custom Program Account. You will receive this electronic performance statement regardless of your document delivery preference – that is, paper or electronic.
- **Periodic Custodial Statement.** Either monthly or quarterly, depending upon activity in your Wrap or Custom Program Account, you will receive a custodial account statement from the account custodian showing Program Account holdings, cost basis, transactions, trades and share transfers. We request that you compare the electronic monthly performance statement to the custodial account statement.
- **Quarterly Performance Statement.** Each calendar quarter, you will receive a statement showing monthly performance as described above that may also include market commentary from the manager providing additional insight on market trends that may have an impact on your portfolio, and information regarding your Program Account holdings. We request that you compare your Program Account holdings in the quarterly performance statement to the account statement provided separately by the account custodian. You will receive this Quarterly Performance Statement according to your document delivery preference – that is, paper or electronic.
- **Annual Review.** At least once a year, you will be contacted with a request that you review your current financial information and investment objectives, and whether you wish to impose or modify any reasonable restrictions on the management of your Wrap or Custom Program Account. If these have changed or if the information on record requires updating, please contact an IMCO financial advisor to discuss whether adjustments to your model portfolio are necessary or recommended.

## **FINANCIAL INFORMATION**

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

## **DISCIPLINARY INFORMATION**

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