

USAA NASDAQ-100 INDEX FUND QUARTERLY COMMENTARY



MUTUAL FUNDS

As of December 31, 2022

Market Commentary

The NASDAQ-100 Index posted a roughly flat return of 0.04% in the fourth quarter, but it declined 32.38% in 2022.

The broader U.S. equity market performed well in the final three months of the year, with optimism that the U.S. Federal Reserve was nearing the end of its long series of interest-rate increases fueling gains in October and November. Stocks weakened in December, however, as market participants began to anticipate slowing economic growth and deteriorating corporate earnings in 2023. Notably, the NASDAQ-100 Index lagged the broader market in both the rally and the subsequent downturn. Investors continued to gravitate toward value stocks and the types of defensive companies found in areas such as utilities, consumer staples, and large-cap pharmaceuticals. Conversely, the more growth-oriented segments of the market remained deeply out of favor. This created a sizable headwind for the mega-cap, technology-related companies that make up a substantial portion of the NASDAQ-100 Index. Five of the Index's seven largest companies suffered losses in the quarter, causing it to finish with a flat return even though the vast majority of its holdings produced positive returns.

Fund Performance and Positioning

Semiconductor stocks performed very well and were key contributors to index performance. The sector had lagged considerably through most of the year as the supply of chips moved from a shortage to a glut, but it staged a robust fourth-quarter rally that saw gains of 15% or more for most of the stocks in the category.

The Index was also boosted by its holdings in the outperforming health care, consumer staples, industrials, and utilities sectors. These sectors have a combined Index weighting of less than 20%, however, so their relative strength wasn't enough to offset the downturn in the Index's largest companies.

The USAA NASDAQ-100 Index Fund slightly underperformed its benchmark in the quarter, primarily due to the impact of Fund expenses. The NASDAQ-100 Index includes 100 of the largest domestic and international securities listed on the NASDAQ Stock Market based on market capitalization.

Carefully consider a fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus or summary prospectus containing this and other important information, visit www.vcm.com/prospectus. Read it carefully before investing.

All investing involves risk, including the potential loss of principal. Investments concentrated in an industry or group of industries may face more risks and exhibit higher volatility than investments that are more broadly diversified over industries or sectors. Technology companies may be adversely affected by economic downturns, short product cycles, aggressive pricing, market competition and government regulation. The Fund is non-diversified, which means that it may invest a large portion of its assets in a small number of issuers. Non-diversified funds may be more susceptible to economic or credit risks than diversified funds. The value of your investment is also subject to geopolitical risks such as wars, terrorism, environmental disasters, and public health crises; the risk of technology malfunctions or disruptions; and the responses to such events by governments and/or individual companies.

The opinions are as of the date noted and are subject to change at any time due to changes in market or economic conditions. The comments should not be construed as a recommendation of individual holdings or market sectors, but as an illustration of broader themes.

Discussion based on the Fund share class. Other classes are available and may have different performance characteristics.

Holdings, if any, are subject to change without notice and should not be considered purchase recommendations.

An index is unmanaged and not available for direct investment; therefore, its performance does not reflect the expenses associated with the active management of an actual portfolio.

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