



# ANNUAL REPORT

**USAA TAX EXEMPT LONG-TERM FUND**

*FUND SHARES (USTEX) ■ ADVISER SHARES (UTELX)*

**MARCH 31, 2019**

Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, paper copies of the Fund's shareholder reports like this one will no longer be sent by mail, unless you specifically request paper copies of the reports from the Fund or from your financial intermediary, such as a broker-dealer or bank. Instead, the reports will be made available on [usaa.com](http://usaa.com), and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. You may elect to receive shareholder reports and other communications from the Fund or your financial intermediary electronically by notifying your financial intermediary directly, or if you are a direct investor, by calling (800) 531-USAA (8722) or logging on to [usaa.com](http://usaa.com).

You may elect to receive all future reports in paper free of charge. You can inform the Fund or your financial intermediary that you wish to continue receiving paper copies of your shareholder reports by notifying your financial intermediary directly, or if you are a direct investor, by calling (800) 531-USAA (8722) or logging on to [usaa.com](http://usaa.com). Your election to receive reports in paper will apply to all funds held with the USAA family of funds or your financial intermediary.

# PRESIDENT'S MESSAGE

*“Historically, an inverted yield curve has been a reliable indicator of a coming recession, though I would note that the lag between an inversion and a recession has been inconsistent.”*



## May 2019

Shifting expectations about the Federal Reserve's (Fed) monetary policy drove the performance of the financial markets during the 12-month reporting period. At the beginning of the period, the Fed was expected to continue increasing short-term interest rates. By the end of the period, investors believed policymakers would not increase interest rates at all during 2019.

The Fed, which had raised short-term rates in March 2018—just before the period started—implemented additional interest rate hikes in June 2018 and September 2018, citing ongoing strength in the U.S. economy. In this environment, U.S. stocks posted steady gains, hitting their high of the reporting period in early October 2018. The U.S. stock market subsequently retreated on worries that the Fed might overshoot, meaning that policymakers could raise short-term interest rates too quickly and stifle U.S. economic growth. Equity market volatility also increased outside of the United States, as investor uncertainty about Fed monetary policy amplified concerns about a slowdown in the pace of global economic growth and possible changes to the global trade regime. The Fed increased this uncertainty with another interest rate hike in December 2018, sending U.S. stocks to their lowest levels of the reporting period. However, in January 2019, stocks rallied after Fed Chair Jerome Powell said the central bank was committed to supporting U.S. economic expansion and that its monetary policy would be responsive to changing conditions. Stock prices continued to advance through the end of the first quarter of 2019, recovering almost all of the ground they had lost in late 2018. Notably, in the first quarter of 2019, the U.S. stock market recorded its largest quarterly gain since the 2008 financial crisis.

In the fixed income market, intermediate- and longer-term yields ended the reporting period lower than they started, driving up bond prices, which move in the opposite direction of yields. Yields had climbed during the first seven months of the reporting period, as the Fed continued to hike short-term interest rates. The yield on the 10-year U.S. Treasury note, which began in April 2018 at 2.74%, rose to 3.24% on November 8<sup>th</sup>—its high point of the reporting period. Yields then declined, falling back below 3% in early December 2018, as investors dialed back their expectations for Fed interest rate

hikes amid concern about a possible slowdown in economic growth. Near the end of the reporting period, the 10-year Treasury yield dropped to 2.38%, its lowest level since 2017, after the Fed downgraded its outlook for the U.S. economy and signaled that it might not raise interest rates during 2019.

At the same time, the Treasury yield curve inverted, which means that shorter-term yields were higher than longer-term yields. Historically, an inverted yield curve has been a reliable indicator of a coming recession, though I would note that the lag between an inversion and a recession has been inconsistent. At USAA Investments, we have found that during the past six decades, the time between inversion and recession has ranged between six months and two years.

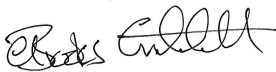
Against this backdrop, I am pleased to say that USAA's tax-exempt portfolios generated positive returns during the reporting period. Market conditions were one reason for the solid performance—supply-and-demand conditions were favorable and municipal bond yields fell—but the hard work of the municipal investment team deserves the largest share of praise. Our experienced professionals sought opportunities that had the potential to enhance the performance of the portfolios, as well as investments that could provide higher yields to shareholders.

As I write to you, spring is well underway. It may be a good time to give your portfolio a spring cleaning. In my experience, financial matters can end up on the back burner when spring turns into summer and we embark on vacations or take time out to enjoy get-togethers with family and friends. If you have questions about your portfolio or would like to review your investment plan, please give one of our financial advisors a call. They can help you make sure you are properly diversified based on your long-term goals, time horizon, and risk tolerance.

At USAA Investments, we are committed to helping you meet your financial objectives. Rest assured we will continue to monitor the financial markets, economic conditions, Fed monetary policy, and shifts in interest rates, as well as other matters that could potentially affect your investments.

From all of us here at USAA Investments, thank you for letting us help you work toward your investment goals.

Sincerely,



Brooks Englehardt  
President  
USAA Investments

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*This report is for the information of the shareholders and others who have received a copy of the currently effective prospectus of the Fund, managed by USAA Asset Management Company. It may be used as sales literature only when preceded or accompanied by a current prospectus, which provides further details about the Fund.*

## **IRA DISTRIBUTION WITHHOLDING DISCLOSURE**

We generally must withhold federal income tax at a rate of 10% of the taxable portion of your distribution and, if you live in a state that requires state income tax withholding, at your state's tax rate. However, you may elect not to have withholding apply or to have income tax withheld at a higher rate. Any withholding election that you make will apply to any subsequent distribution unless and until you change or revoke the election. If you wish to make a withholding election or change or revoke a prior withholding election, call (800) 531-USAA (8722) or (210) 531-8722.

If you do not have a withholding election in place by the date of a distribution, federal income tax will be withheld from the taxable portion of your distribution at a rate of 10%. If you must pay estimated taxes, you may be subject to estimated tax penalties if your estimated tax payments are not sufficient and sufficient tax is not withheld from your distribution.

For more specific information, please consult your tax adviser.

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# MANAGERS' COMMENTARY ON THE FUND

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**John C. Bonnell, CFA**  
USAA Asset  
Management Company



**Dale R. Hoffmann**  
USAA Asset  
Management Company

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## ■ What were the market conditions during the reporting period?

Tax-exempt bonds generated positive returns during the reporting period ended March 31, 2019, due in part to falling municipal bond yields. (Bond prices and yields move in opposite directions.) Municipal bond yields were on an upward trajectory until early November 2018, when they hit their highs of the reporting period in anticipation of continued short-term interest rate increases by the Federal Reserve (Fed). In November 2018, changing expectations about Fed monetary policy and heightened risk aversion sent municipal bond yields lower. Speculation that the Fed might pause its interest rate increases reinforced the downward trend, with municipal bond yields—especially those on intermediate- and longer-term maturities—falling substantially during March 2019 amid signs the Fed might not raise interest rates at all in 2019.

Tax-exempt bonds also benefited from supply-and-demand dynamics. Supply was tight, as new issuance generally failed to keep pace with demand. The drop in new issuance was due in large part to tax law changes, effective January 1, 2018, that eliminated the tax exemption for advance refunding bonds. Demand was intense, with many new deals significantly oversubscribed as investors sought to reinvest the proceeds from maturing and called bonds. The buying was dominated by U.S. individuals, who tend to favor municipal bonds for their relative safety and incremental yield. Some observers suggested that a \$10,000 cap on state and local tax deductions contributed to U.S. individuals' appetite for tax-advantaged investments.

The municipal bond yield curve flattened during the reporting period, as intermediate- and longer-term yields fell more than shorter-term yields. The yields on three-year, 10-year, and 30-year AAA general obligation bonds fell 26, 56, and 35 basis points, respectively. (A basis point is 1/100<sup>th</sup> of a percent.) Meanwhile, municipal bond credit spreads tightened as investors searched for yield opportunities. (Municipal credit spreads are the difference in yields between municipal bonds with similar maturities but different credit ratings.)

Municipal bond credit quality remained solid during the reporting period, largely due to increasing revenues and sound fiscal management. State and local governments, which have broad taxing powers, are required by law to balance their budgets. Many continued to take action during the reporting period to address tough fiscal challenges.

### ■ **How did the USAA Tax Exempt Long-Term Fund (the Fund) perform during the reporting period?**

The Fund has two share classes: Fund Shares and Adviser Shares. For the reporting period ended March 31, 2019, the Fund Shares and Adviser Shares had a total return of 4.38% and 4.16%, respectively, versus an average return of 4.69% amongst the funds in the Lipper General & Insured Municipal Debt Funds category. This compares to returns of 5.07% for the Lipper General & Insured Municipal Debt Funds Index and 5.38% for the Bloomberg Barclays Municipal Bond Index. The Fund Shares' and Adviser Shares' tax-exempt distributions over the reporting period produced a dividend yield of 3.72% and 3.50%, respectively, compared to the Lipper category average of 2.92%.

USAA Asset Management Company (the Manager) is the Fund's investment adviser. The investment adviser provides day-to-day discretionary management for the Fund's assets.

Refer to page 4 for benchmark definitions.

**Past performance is no guarantee of future results.**

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## ■ What strategies did you employ during the reporting period?

In keeping with our investment approach, we continued to focus on income generation. The Fund's long-term income distribution, not its price appreciation, accounts for most of its total return. Because of the Fund's income orientation, it has a higher allocation to BBB and A rated categories when compared to its peer group.

Our commitment to independent credit research continued to help us identify attractive opportunities for the Fund. We employ fundamental analysis that emphasizes an issuer's ability and willingness to repay its debt. Through our credit research, we strive both to recognize relative value and to avoid potential pitfalls. As always, we worked with our in-house team of analysts to select investments for the Fund on a bond-by-bond basis. Our team continuously monitors all the holdings in the portfolio.

The Fund continues to hold a diversified portfolio of longer-term, primarily investment-grade municipal bonds. To limit exposure to an unexpected event, the Fund is diversified by sector, issuer, and geography. In addition, we avoid bonds subject to the federal alternative minimum tax for individuals.

Thank you for allowing us to assist you with your investment needs.

As interest rates rise, bond prices generally fall; given the historically low interest rate environment, risks associated with rising interest rates may be heightened. • Diversification is a technique intended to help reduce risk and does not guarantee a profit or prevent a loss. • Some income may be subject to state or local taxes but not the federal alternative minimum tax.

# INVESTMENT OVERVIEW

## ■ AVERAGE ANNUAL TOTAL RETURNS AS OF 3/31/19 ■

	1 Year	5 Year	10 Year	Since Inception*	Inception Date
Fund Shares	4.38%	3.82%	5.83%	—	—
Adviser Shares	4.16%	3.53%	—	4.19%	8/01/10
Bloomberg Barclays Municipal Bond Index**	5.38%	3.73%	4.71%	—	—
Lipper General & Insured Municipal Debt Funds Index***	5.07%	4.04%	5.41%	—	—

\*Since inception returns are shown when a share class has less than 10 years of performance. Total returns for periods of less than one year are not annualized.

\*\*The unmanaged, broad-based Bloomberg Barclays Municipal Bond Index tracks total return performance for the long-term, investment-grade, tax-exempt bond market. All tax-exempt bond funds will find it difficult to outperform the Index because the Index does not reflect any deduction for fees, expenses, or taxes.

\*\*\*The unmanaged Lipper General & Insured Municipal Debt Funds Index measures the Fund's performance to that of the Lipper General & Insured Municipal Debt Funds category.

**The performance data quoted represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance data current to the most recent month-end, visit [usaa.com](http://usaa.com).**

Total return measures the price change in a share assuming the reinvestment of all net investment income and realized capital gain distributions, if any. The total returns quoted do not reflect adjustments made to the enclosed financial statements in accordance with U.S. generally accepted accounting principles or the deduction of taxes that a shareholder would pay on net investment income and realized capital gain distributions, including reinvested distributions, or redemptions of shares.

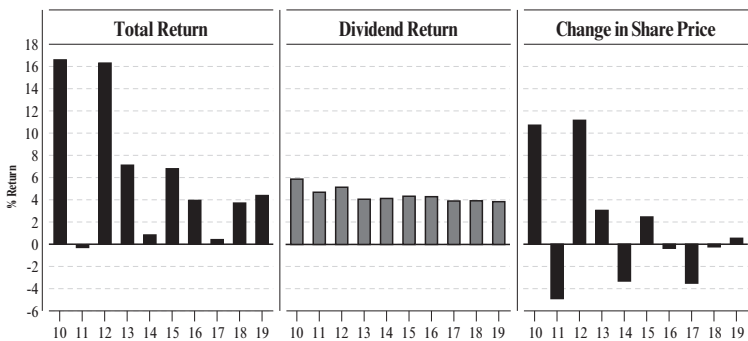


## Average Annual Compounded Returns with Reinvestment of Dividends – Periods Ended March 31, 2019

	Total Return	=	Dividend Return	+	Price Change
10 Years	5.83%	=	4.41%	+	1.42%
5 Years	3.82%	=	4.06%	+	-0.24%
1 Year	4.38%	=	3.85%	+	0.53%

The performance data quoted represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance data quoted. The return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. For performance data current to the most recent month-end, visit [usaa.com](http://usaa.com).

### Annual Total Returns and Compounded Dividend Returns for the One-Year Periods Ended March 31, 2010–March 31, 2019



**Note the role that dividend returns play in the Fund Shares' total return over time. Share prices and dividend rates will vary from period to period. However, dividend returns generally are more consistent and less volatile than share prices.**

Total return measures the price change in a share assuming the reinvestment of all net investment income and realized capital gain distributions, if any. Dividend return is the net investment income dividends received over the period, assuming reinvestment of all dividends. Share price change is the change in net asset value over the period adjusted for realized capital gain distributions. The returns quoted do not reflect adjustments made to the enclosed financial statements in accordance with U.S. generally accepted accounting principles or the deduction of taxes that a shareholder would pay on distributions (including capital gain distributions), redemptions of shares, or reinvested net investment income.

## Taxable Equivalent Illustration

To match the Fund Shares' Dividend Return for the period ended 3/31/19, and assuming marginal federal tax

rates of: 24.00% 32.00% 38.80%\* 40.80%\*

**A fully taxable investment must pay the following:**

<b>Period</b>	<b>Dividend Return</b>				
10 Years	4.41%	5.80%	6.49%	7.21%	7.45%
5 Years	4.06%	5.34%	5.97%	6.63%	6.86%
1 Year	3.85%	5.07%	5.66%	6.29%	6.50%

To match the Fund Shares' closing 30-day SEC Yield of 2.79%, on 3/31/19

**A fully taxable investment must pay: 3.67% 4.10% 4.56% 4.71%**

This table is based on a hypothetical investment calculated for illustrative purposes only. It is not an indication of performance for any of the USAA family of funds. Taxable equivalent returns or yields will vary depending on applicable tax rates.

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Some income may be subject to federal, state, or local taxes, but not the alternative minimum tax. Based on 2018 tax rates or rates in effect as of the issuance of this report. The above marginal rates assume married, filing jointly.

\* The above marginal rates assume income exceeds \$200,000 and investment income is subject to the 3.80% medicare tax which is applied for income over a specific level, depending on the federal income tax filing status.

## Taxable Equivalent Illustration

To match the Adviser Shares' closing 30-day SEC Yield of 2.57% on 3/31/19 and assuming marginal federal tax

rates of: 24.00% 32.00% 38.80%\* 40.80%\*

**A fully taxable investment must pay: 3.38% 3.78% 4.20% 4.34%**

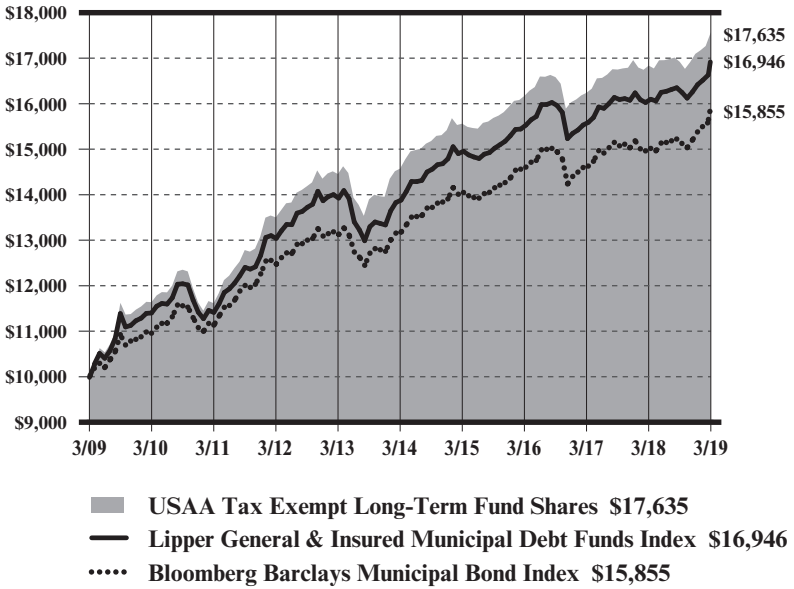
This table is based on a hypothetical investment calculated for illustrative purposes only. It is not an indication of performance for any of the USAA family of funds. Taxable equivalent returns or yields will vary depending on applicable tax rates.

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Some income may be subject to federal, state, or local taxes, but not the alternative minimum tax. Based on 2018 tax rates or rates in effect as of the issuance of this report. The above marginal rates assume married, filing jointly.

\* The above marginal rates assume income exceeds \$200,000 and investment income is subject to the 3.80% medicare tax which is applied for income over a specific level, depending on the federal income tax filing status.

## ■ GROWTH OF \$10,000 INVESTMENT ■



Data from 3/31/09 through 3/31/19.

The graph illustrates the comparison of a \$10,000 hypothetical investment in the USAA Tax Exempt Long-Term Fund Shares to the benchmarks listed above (see page 4 for benchmark definitions).

Past performance is no guarantee of future results, and the cumulative performance quoted does not reflect the deduction of taxes that a shareholder would pay on distributions or the redemption of shares. Indexes are unmanaged and you cannot invest directly in an index. The return information for the indexes does not reflect the deduction of any fees, expenses, or taxes, except that the Lipper index reflects the fees and expenses of the underlying funds included in the index.

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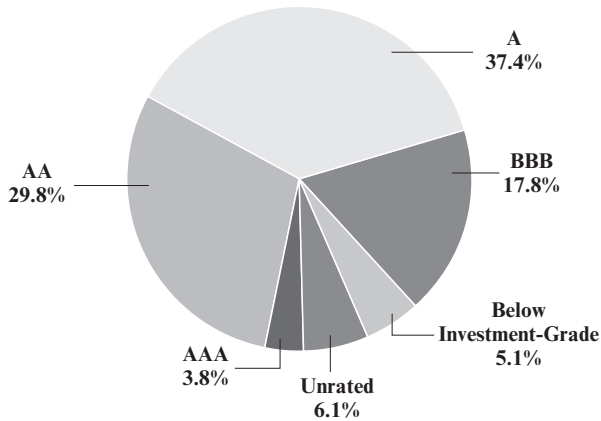
■ **TOP 10 INDUSTRIES – 3/31/19** ■

(% of Net Assets)

Hospital .....	14.4%
Education .....	13.0%
Special Assessment/Tax/Fee .....	10.3%
General Obligation .....	9.6%
Escrowed Bonds .....	7.0%
Electric Utilities .....	6.7%
Nursing/CCRC .....	6.6%
Toll Road .....	6.2%
Electric/Gas Utility .....	4.0%
Water/Sewer Utility .....	3.2%

Refer to the Portfolio of Investments for a complete list of securities.

## ■ PORTFOLIO RATINGS MIX – 3/31/19 ■



This chart reflects the highest long-term rating from a Nationally Recognized Statistical Rating Organization (NRSRO), with the four highest long-term credit ratings labeled, in descending order of credit quality, AAA, AA, A, and BBB. These categories represent investment-grade quality. NRSRO ratings are shown because they provide independent analysis of the credit quality of the Fund's investments. USAA Asset Management Company (the Manager) also performs its own fundamental credit analysis of each security. As part of its fundamental credit analysis, the Manager considers various criteria, including industry specific actions, peer comparisons, payment ranking, and structure specific characteristics. Any of the Fund's securities that are not rated by an NRSRO appear in the chart above as "Unrated," but these securities are analyzed and monitored by the Manager on an ongoing basis. Government securities that are issued or guaranteed as to principal and interest by the U.S. government and pre-refunded and escrowed-to-maturity municipal bonds that are not rated are treated as AAA for credit quality purposes.

Percentages are of the total market value of the Fund's investments.

Refer to the Portfolio of Investments for a complete list of securities.

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# DISTRIBUTIONS TO SHAREHOLDERS

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The following federal tax information related to the Fund's fiscal year ended March 31, 2019, is provided for information purposes only and should not be used for reporting to federal or state revenue agencies. Federal tax information for the calendar year will be reported to you on Form 1099-DIV in January 2020.

With respect to distributions paid, the Fund designates the following amounts (or, if subsequently determined to be different, the maximum amount allowable) for the fiscal year ended March 31, 2019:

$$\frac{\text{Tax-Exempt  
Income}^{(1,2)}}{100\%}$$

<sup>(1)</sup> Presented as a percentage of net investment income and excludes short-term capital gain distributions paid, if any.

<sup>(2)</sup> All or a portion of these amounts may be exempt from taxation at the state level.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

## To the Shareholders and Board of Trustees of USAA Tax Exempt Long-Term Fund:

### Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of USAA Tax Exempt Long-Term Fund (the "Fund") (one of the funds constituting USAA Mutual Funds Trust (the "Trust")), including the portfolio of investments, as of March 31, 2019, and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, the financial highlights for each of the five years in the period then ended and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund (one of the funds constituting USAA Mutual Funds Trust) at March 31, 2019, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and its financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

### Basis for Opinion

These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Trust in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Trust is not required to have, nor were we engaged to perform, an audit of the Trust's internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of March 31, 2019, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Ernst & Young LLP*

We have served as the auditor of one or more USAA investment companies since 2002.

San Antonio, Texas

May 22, 2019



# PORTFOLIO OF INVESTMENTS

March 31, 2019

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
<b>MUNICIPAL OBLIGATIONS (99.1%)</b>				
<b>Alabama (1.7%)</b>				
\$ 4,245	Chatom IDB (INS - Assured Guaranty Municipal Corp.)	5.00%	8/01/2037	\$ 4,394
4,400	Columbia IDB (Put Date 4/01/2019) <sup>(d)</sup>	1.56	12/01/2037	4,400
7,000	Docks Department (PRE)	6.00	10/01/2035	7,469
4,500	Homewood Educational Building Auth.	5.00	12/01/2047	5,068
11,500	Lower Alabama Gas District	5.00	9/01/2046	14,292
1,750	Montgomery Medical Clinic Board	5.00	3/01/2036	1,918
2,000	Selma IDB	5.80	5/01/2034	<u>2,079</u>
				<u>39,620</u>
<b>Arizona (2.8%)</b>				
5,000	Apache County IDA	4.50	3/01/2030	5,261
5,000	City of Goodyear	5.63	7/01/2039	5,235
1,000	City of Phoenix Civic Improvement Corp. (INS - National Public Finance Guarantee Corp.)	5.50	7/01/2029	1,283
1,500	City of Phoenix Civic Improvement Corp. (INS - National Public Finance Guarantee Corp.)	5.50	7/01/2030	1,943
6,000	Health Facilities Auth.	5.00	2/01/2042	6,376
5,000	Health Facilities Auth. (MUNIPSA + 1.85%) (Put Date 2/01/2023) <sup>(b)</sup>	3.35 <sup>(e)</sup>	2/01/2048	5,210
1,725	IDA	5.00	7/01/2052	1,913
1,600	Maricopa County IDA	5.00	7/01/2047	1,722
7,000	Maricopa County Pollution Control Corp.	5.00	6/01/2035	7,167
6,000	Phoenix IDA <sup>(d),(e)</sup>	5.00	7/01/2044	6,374
1,200	Phoenix IDA	5.00	7/01/2041	1,291
1,250	Phoenix IDA	5.00	7/01/2042	1,394
3,000	Pima County IDA	5.25	10/01/2040	3,131
2,685	Pima County IDA	4.50	6/01/2030	2,836
3,000	Pima County IDA	4.00	9/01/2029	3,139
2,000	Pima County IDA <sup>(d)</sup>	5.00	6/15/2052	2,030
10,000	Pinal County Electrical District No. 3	4.00	7/01/2041	<u>10,534</u>
				<u>66,839</u>

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
<b>Arkansas (0.2%)</b>				
\$ 1,000	Dev. Finance Auth. (INS - AMBAC Assurance Corp.) (Zero Coupon)	0.00%	7/01/2028	\$ 788
1,165	Dev. Finance Auth. (INS - AMBAC Assurance Corp.) (Zero Coupon)	0.00	7/01/2029	886
1,150	Dev. Finance Auth. (INS - AMBAC Assurance Corp.) (Zero Coupon)	0.00	7/01/2030	838
2,500	Dev. Finance Auth. (INS - AMBAC Assurance Corp.) (Zero Coupon)	0.00	7/01/2036	1,347
				<u>3,859</u>
<b>California (8.8%)</b>				
1,000	Cerritos CCD (Zero Coupon)	0.00	8/01/2031	708
2,500	Cerritos CCD (Zero Coupon)	0.00	8/01/2032	1,697
2,175	Cerritos CCD (Zero Coupon)	0.00	8/01/2033	1,418
1,000	Cerritos CCD (Zero Coupon)	0.00	8/01/2034	626
1,500	Cerritos CCD (Zero Coupon)	0.00	8/01/2035	900
2,200	Cerritos CCD (Zero Coupon)	0.00	8/01/2036	1,264
8,500	Coachella Valley Unified School District (INS - Assured Guaranty Municipal Corp.) (Zero Coupon)	0.00	8/01/2041	3,806
6,700	Corona-Norco Unified School District (PRE) (INS - Assured Guaranty Municipal Corp.)	5.50	8/01/2039	6,792
5,700	Educational Facility Auth. (LIQ - Deutsche Bank A.G.) (LOC - Deutsche Bank A.G.) (Put Date 4/05/2019) <sup>(a),(d),(f)</sup>	1.95	3/01/2042	5,700
3,000	El Camino CCD (Zero Coupon)	0.00	8/01/2034	1,912
3,000	El Camino CCD (Zero Coupon)	0.00	8/01/2038	1,560
20,400	El Centro Financing Auth. (LIQ - Deutsche Bank A.G.) (LOC - Deutsche Bank A.G.) (Put Date 4/05/2019) <sup>(a),(d)</sup>	1.85	7/01/2058	20,400
10,000	El Monte Union HSD (INS - Assured Guaranty Municipal Corp.) (Zero Coupon)	0.00	6/01/2042	4,237
2,500	Escondido Union HSD (INS - Assured Guaranty Municipal Corp.)	5.00	6/01/2037	2,582
2,000	Golden State Tobacco Securitization Corp.	5.00	6/01/2030	2,236
1,000	Health Facilities Financing Auth.	5.00	11/15/2056	1,127
1,580	Indio Redev. Agency	5.25	8/15/2035	1,584
17,025	Inland Empire Tobacco Securitization Auth.	5.75	6/01/2026	17,679
2,000	Jurupa Public Financing Auth. (INS - Assured Guaranty Municipal Corp.)	5.00	9/01/2033	2,084
1,200	Los Alamitos Unified School District, 5.95%, 8/01/2024	0.00 <sup>(e)</sup>	8/01/2034	1,194
4,500	Los Alamitos Unified School District, 6.05%, 8/01/2024	0.00 <sup>(e)</sup>	8/01/2042	4,344

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 3,000	Monterey Peninsula Unified School District (PRE) (INS - Assured Guaranty Municipal Corp.)	5.50%	8/01/2034	\$ 3,291
1,860	Paramount Unified School District (Zero Coupon)	0.00	8/01/2034	1,128
2,000	Paramount Unified School District (Zero Coupon)	0.00	8/01/2035	1,165
2,750	Paramount Unified School District (Zero Coupon)	0.00	8/01/2037	1,470
2,750	Paramount Unified School District (Zero Coupon)	0.00	8/01/2036	1,537
1,110	Public Works Board (PRE)	5.00	10/01/2031	1,212
2,000	Public Works Board (PRE)	5.00	10/01/2030	2,183
2,000	Public Works Board	5.00	12/01/2031	2,164
2,500	Public Works Board	5.00	12/01/2029	2,709
2,950	Public Works Board	5.00	6/01/2031	3,286
3,500	Public Works Board	5.00	10/01/2039	3,943
1,200	Sacramento City Financing Auth. (LIQ - Deutsche Bank A.G.) (LOC - Deutsche Bank A.G.) (Put Date 4/05/2019) <sup>(a),(d)</sup>	1.61	12/01/2030	1,200
2,000	Sacramento City Schools Joint Powers Financing Auth. (INS - Build America Mutual Assurance Co.)	5.00	3/01/2040	2,227
2,560	Sacramento City Schools Joint Powers Financing Auth. (INS - Build America Mutual Assurance Co.)	5.00	3/01/2036	2,859
2,500	San Diego Public Facilities Financing Auth.	5.00	10/15/2044	2,879
3,000	San Marcos Schools Financing Auth. (PRE) (INS - Assured Guaranty Municipal Corp.)	5.00	8/15/2040	3,149
13,605	San Ysidro School District (INS - Assured Guaranty Municipal Corp.) (Zero Coupon)	0.00	8/01/2036	7,262
14,285	San Ysidro School District (INS - Assured Guaranty Municipal Corp.) (Zero Coupon)	0.00	8/01/2037	7,250
15,000	Santa Ana Unified School District (INS - Assured Guaranty Municipal Corp.) (Zero Coupon)	0.00	4/01/2029	10,949
5,000	Southern California Public Power Auth.	5.00	7/01/2040	5,185
5,000	State	5.75	4/01/2031	5,004
6,750	State	5.00	2/01/2038	7,434
8,000	State	5.25	4/01/2035	8,745
5,000	State	5.00	10/01/2047	5,737
11,970	Statewide Communities Dev. Auth. (Put Date 4/05/2019) <sup>(a)</sup>	1.37	4/01/2046	11,970
1,500	Statewide Communities Dev. Auth. (Put Date 4/05/2019) <sup>(a)</sup>	1.37	4/01/2046	1,500
8,885	Stockton Unified School District (INS - Assured Guaranty Municipal Corp.) (Zero Coupon)	0.00	8/01/2034	5,403
2,500	Victor Elementary School District (PRE) (INS - Assured Guaranty Municipal Corp.)	5.13	8/01/2034	2,531
5,180	Washington Township Health Care Dist.	5.25	7/01/2030	5,395
5,000	Washington Township Health Care Dist.	5.50	7/01/2038	5,203
				<u>209,820</u>

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
<b>Colorado (1.8%)</b>				
\$ 10,000	E-470 Public Highway Auth. (INS - National Public Finance Guarantee Corp.) (Zero Coupon)	0.00%	9/01/2035	\$ 4,946
2,000	E-470 Public Highway Auth.	5.38	9/01/2026	2,089
2,500	Educational & Cultural Facilities Auth.	5.25	4/01/2043	2,654
750	Educational & Cultural Facilities Auth.	5.00	4/01/2053	838
2,500	Educational & Cultural Facilities Auth.	4.00	12/01/2048	2,582
6,000	Health Facilities Auth.	5.00	6/01/2045	6,477
5,000	Health Facilities Auth.	5.00	12/01/2042	5,236
1,250	Health Facilities Auth.	5.00	6/01/2047	1,374
1,000	Park Creek Metropolitan District	5.00	12/01/2045	1,093
2,500	Park Creek Metropolitan District	5.00	12/01/2046	2,732
2,000	Park Creek Metropolitan District	5.00	12/01/2051	2,177
4,000	Rampart Range Metropolitan District No. 1 (INS - Assured Guaranty Municipal Corp.)	5.00	12/01/2047	4,584
5,000	Regional Transportation District	5.00	6/01/2044	5,450
1,000	Southlands Metropolitan District No. 1	5.00	12/01/2047	1,063
				<u>43,295</u>
<b>Connecticut (0.5%)</b>				
2,000	Health & Educational Facilities Auth. (PRE)	5.00	7/01/2035	2,087
58,382	Mashantucket (Western) Pequot Tribe <sup>(e),(h)</sup>	2.05 <sup>(i)</sup>	7/01/2031	2,000
5,500	State	5.00	4/15/2038	6,363
1,550	State <sup>(j)</sup>	5.00	4/15/2039	1,810
				<u>12,260</u>
<b>Delaware (0.2%)</b>				
4,000	EDA	5.40	2/01/2031	<u>4,171</u>
<b>District Of Columbia (1.4%)</b>				
1,500	District of Columbia	5.00	7/01/2042	1,618
1,305	District of Columbia	5.00	7/01/2036	1,413
1,700	District of Columbia (PRE)	6.00	7/01/2043	2,005
1,450	District of Columbia (PRE)	6.00	7/01/2048	1,710
5,000	Metropolitan Washington Airports Auth.	5.00	10/01/2039	5,202
10,000	Metropolitan Washington Airports Auth.			
	Dulles Toll Road Revenue	5.00	10/01/2053	10,483
10,000	Washington Convention & Sports Auth.	5.00	10/01/2040	10,403
				<u>32,834</u>
<b>Florida (9.5%)</b>				
22,000	Avenir Community Dev. Dist. (LIQ - Deutsche Bank A.G.) (LOC - Deutsche Bank A.G.) (Put Date 4/05/2019) <sup>(a),(d)</sup>	1.85	5/01/2049	22,000
2,000	Brevard County Health Facilities Auth. (PRE)	7.00	4/01/2039	2,000

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 350	Broward County School Board (PRE) (INS - Assured Guaranty Corp.)	5.25%	7/01/2027	\$ 353
7,000	City of Atlantic Beach	5.63	11/15/2043	7,713
2,000	City of Atlantic Beach	5.00	11/15/2048	2,193
2,000	City of Clearwater (PRE)	5.25	12/01/2039	2,050
3,950	City of Gainesville	5.25	10/01/2034	4,154
2,270	City of Jacksonville	5.00	10/01/2029	2,492
500	City of Lakeland	5.00	9/01/2037	531
1,000	City of Lakeland	5.00	9/01/2042	1,056
13,125	City of Miami (INS - Assured Guaranty Municipal Corp.)	5.25	7/01/2035	13,700
4,000	City of Miami (INS - Assured Guaranty Municipal Corp.)	5.25	7/01/2039	4,172
2,000	City of Miami Beach	5.00	9/01/2040	2,080
1,500	City of Miami Beach (INS - Assured Guaranty Corp.)	5.00	10/01/2034	1,523
5,675	Department of Children & Families	5.00	10/01/2025	5,690
1,500	Escambia County	6.25	11/01/2033	1,536
11,000	Escambia County (Put Date 4/01/2019) <sup>(a)</sup>	1.52	4/01/2039	11,000
1,000	Escambia County Housing Finance Auth. (PRE) (INS - Assured Guaranty Municipal Corp.)	5.75	6/01/2031	1,007
3,000	Halifax Hospital Medical Center	5.00	6/01/2046	3,241
600	Higher Educational Facilities Financial Auth.	5.00	4/01/2032	648
1,500	Higher Educational Facilities Financial Auth.	5.25	4/01/2042	1,630
4,000	Lee County IDA	5.75	10/01/2042	4,237
5,000	Lee County IDA	5.50	10/01/2047	5,316
9,800	Manatee County (Put Date 4/01/2019) <sup>(a)</sup>	1.50	9/01/2024	9,800
525	Miami-Dade County Aviation (PRE)	5.00	10/01/2029	552
6,350	Miami-Dade County Aviation	5.00	10/01/2029	6,644
18,330	Miami-Dade County Aviation (PRE)	5.38	10/01/2035	19,375
4,875	Miami-Dade County Aviation	5.38	10/01/2035	5,130
5,000	Miami-Dade County Expressway Auth.	5.00	7/01/2040	5,180
5,000	Miami-Dade County Expressway Auth.	5.00	7/01/2039	5,585
2,000	Miami-Dade County Health Facilities Auth.	4.00	8/01/2047	2,085
1,750	Miami-Dade County Rickenbacker Causeway	5.00	10/01/2043	1,934
3,950	Miami-Dade County Water & Sewer System (PRE)	5.00	10/01/2034	4,153
2,500	Municipal Loan Council (INS - Assured Guaranty Municipal Corp.)	5.25	10/01/2033	2,694
1,500	Orange County Health Facilities Auth.	4.00	10/01/2045	1,551
10,000	Orange County School Board (PRE) (INS - Assured Guaranty Corp.)	5.50	8/01/2034	10,133
2,000	Orlando-Orange County Expressway Auth. (PRE)	5.00	7/01/2035	2,086
4,745	Orlando-Orange County Expressway Auth. (PRE)	5.00	7/01/2035	4,946
1,255	Orlando-Orange County Expressway Auth. (PRE)	5.00	7/01/2035	1,309
5,000	Palm Beach County Health Facilities Auth.	5.00	5/15/2041	5,308

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 2,000	Palm Beach County Health Facilities Auth.	5.00%	11/15/2045	\$ 2,230
155	Palm Beach County Solid Waste Auth. (PRE)	5.00	10/01/2031	168
9,845	Palm Beach County Solid Waste Auth.	5.00	10/01/2031	10,638
3,650	Pinellas County Educational Facilities Auth.	6.00	10/01/2041	3,863
1,000	Pinellas County Educational Facilities Auth.	5.00	10/01/2027	1,061
1,000	Pinellas County Educational Facilities Auth.	5.25	10/01/2030	1,061
1,835	Sarasota County Health Facilities Auth.	5.00	5/15/2048	2,014
1,000	Sarasota County Public Hospital District (PRE)	5.63	7/01/2039	1,010
3,000	St. Petersburg Health Facilities Auth. (PRE)	6.50	11/15/2039	3,091
2,200	Tampa Housing Auth.	4.85	7/01/2036	2,206
3,050	Tampa-Hillsborough County Expressway Auth. (PRE)	5.00	7/01/2042	3,375
2,350	Volusia County Educational Facilities Auth. (PRE)			
	(INS - Assured Guaranty Municipal Corp.)	5.00	10/15/2029	2,549
2,000	Volusia County Educational Facility Auth.	5.00	10/15/2045	2,220
				<u>224,273</u>
	<b>Georgia (1.1%)</b>			
5,460	Appling County Dev. Auth. (Put Date 4/01/2019) <sup>(a)</sup>	1.60	9/01/2041	5,460
3,500	City of Atlanta Department of Aviation	5.00	1/01/2035	3,582
4,000	Dahlonega Downtown Dev. Auth. (PRE)			
	(INS - Assured Guaranty Municipal Corp.)	5.00	7/01/2040	4,172
1,500	Glynn-Brunswick Memorial Hospital Auth.	5.00	8/01/2047	1,664
800	Heard County Dev. Auth. (Put Date 4/01/2019) <sup>(a)</sup>	1.62	9/01/2026	800
3,000	Main Street Natural Gas, Inc.	5.00	5/15/2049	3,656
3,145	Municipal Electric Auth. (LOC - PNC Financial Services Group) (Put Date 4/05/2019) <sup>(a),(f)</sup>	1.48	1/01/2048	3,145
1,600	Private Colleges & Universities Auth.	5.00	10/01/2032	1,677
1,250	Thomasville Hospital Auth. (PRE)	5.38	11/01/2040	1,324
1,000	Thomasville Hospital Auth. (PRE)	5.25	11/01/2035	1,058
				<u>26,538</u>
	<b>Hawaii (0.3%)</b>			
6,000	Department of Budget & Finance	6.50	7/01/2039	6,079
	<b>Idaho (0.1%)</b>			
1,500	Health Facilities Auth. (PRE) (INS - Assured Guaranty Municipal Corp.)	5.00	7/01/2035	1,564
	<b>Illinois (13.8%)</b>			
1,530	Bureau County Township HSD No. 502			
	(INS - Build America Mutual Assurance Co.)	5.00	12/01/2037	1,766
1,555	Bureau County Township HSD No. 502			
	(INS - Build America Mutual Assurance Co.)	5.00	12/01/2038	1,790
1,400	Bureau County Township HSD No. 502			
	(INS - Build America Mutual Assurance Co.)	5.00	12/01/2039	1,607
5,000	Chicago Board of Education	5.00	12/01/2036	5,343

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 3,500	Chicago Midway International Airport	5.00%	1/01/2046	\$ 3,913
2,500	Chicago Midway International Airport	5.00	1/01/2041	2,810
5,000	Chicago O'Hare International Airport	5.00	1/01/2041	5,699
4,200	Chicago O'Hare International Airport (PRE)	5.75	1/01/2039	4,510
800	Chicago O'Hare International Airport	5.75	1/01/2039	853
5,000	Chicago O'Hare International Airport	5.75	1/01/2043	5,647
3,000	Chicago Park District	5.00	1/01/2040	3,275
3,924	City of Chicago	6.75	12/01/2032	3,944
3,000	City of Chicago	5.00	11/01/2044	3,280
4,000	City of Chicago Wastewater	5.00	1/01/2044	4,281
3,000	Transmission City of Chicago Wastewater	5.00	1/01/2039	3,250
3,000	Transmission City of Chicago Wastewater	5.00	1/01/2047	3,262
3,000	Transmission City of Springfield (INS - Assured Guaranty Municipal Corp.)	5.00	3/01/2040	3,319
9,500	Cook County CCD No. 508 (INS - Build America Mutual Assurance Co.)	5.00	12/01/2047	10,514
7,750	Cook County Sales Tax	5.00	11/15/2038	8,859
2,000	County of Will	4.00	11/15/2047	2,116
2,000	Finance Auth.	5.00	8/15/2044	2,187
2,000	Finance Auth.	5.00	4/01/2026	2,001
4,500	Finance Auth.	5.00	4/01/2031	4,501
7,000	Finance Auth.	5.00	4/01/2036	7,000
8,000	Finance Auth. (PRE)	6.00	10/01/2032	8,686
7,065	Finance Auth.	5.50	4/01/2032	7,067
6,000	Finance Auth.	4.00	2/01/2033	6,249
14,000	Finance Auth.	3.90	3/01/2030	14,773
1,205	Finance Auth.	5.25	10/01/2039	1,218
700	Finance Auth.	5.00	5/15/2037	736
1,155	Finance Auth.	5.00	5/15/2047	1,206
5,000	Finance Auth.	6.00	7/01/2043	5,600
4,500	Finance Auth.	4.00	12/01/2046	4,586
5,000	Finance Auth.	4.00	7/01/2038	5,132
11,000	Finance Auth.	4.00	2/15/2041	11,491
2,000	Finance Auth.	4.00	3/01/2038	2,105
12,395	Finance Auth.	4.00	10/01/2040	12,925
750	Finance Auth.	5.00	8/01/2042	822
750	Finance Auth.	5.00	8/01/2047	821
2,000	Finance Auth.	5.00	12/01/2047	2,132
1,000	Finance Auth.	5.00	2/15/2047	1,092
500	Finance Auth.	5.00	2/15/2050	545
10,000	Finance Auth.	5.00	1/01/2044	11,094
10,000	Metropolitan Pier & Exposition Auth. (LIQ - Barclays Bank plc) (LOC - Barclays Bank plc) (Put Date 4/05/2019) <sup>(a),(d)</sup>	1.68	6/15/2050	10,000

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 660	Metropolitan Pier & Exposition Auth. (INS - National Public Finance Guarantee Corp.)	5.50%	6/15/2020	\$ 664
1,045	Metropolitan Pier & Exposition Auth. (INS - National Public Finance Guarantee Corp.)	5.55	6/15/2021	1,052
9,000	Northern Illinois Municipal Power Agency	4.00	12/01/2041	9,362
10,000	Railsplitter Tobacco Settlement Auth. (PRE)	5.50	6/01/2023	10,830
23,980	Regional Transportation Auth. (INS - Assured Guaranty Municipal Corp.)	5.75	6/01/2020	25,071
37,550	Regional Transportation Auth. (INS - National Public Finance Guarantee Corp.)	6.50	7/01/2030	49,780
2,000	Sangamon County Water Reclamation District	5.75	1/01/2053	2,286
1,000	State (INS - Assured Guaranty Municipal Corp.)	4.00	2/01/2031	1,056
1,000	State (INS - Assured Guaranty Municipal Corp.)	4.00	2/01/2032	1,052
8,000	State (INS - Assured Guaranty Municipal Corp.)	5.00	4/01/2029	8,679
2,000	State	5.00	10/01/2033	2,171
1,000	University of Illinois	5.13	4/01/2036	1,045
10,000	Village of Rosemont (INS - Assured Guaranty Municipal Corp.)	5.00	12/01/2046	11,212
				<u>328,267</u>
	<b>Indiana (1.7%)</b>			
5,540	Evansville Redev. Auth. (INS - Build America Mutual Assurance Co.)	4.00	2/01/2038	5,890
3,605	Evansville Redev. Auth. (INS - Build America Mutual Assurance Co.)	4.00	2/01/2039	3,825
5,000	Finance Auth.	5.00	6/01/2039	5,024
4,000	Finance Auth.	5.00	10/01/2044	4,227
5,000	Finance Auth.	5.50	4/01/2046	5,440
1,495	Finance Auth.	5.00	2/01/2040	1,649
6,000	Finance Auth.	5.00	11/15/2053	6,501
7,000	Richmond Hospital Auth.	5.00	1/01/2039	7,712
				<u>40,268</u>
	<b>Iowa (0.5%)</b>			
6,235	Finance Auth.	5.00	5/15/2041	6,619
4,000	Finance Auth.	5.00	2/15/2048	4,565
				<u>11,184</u>
	<b>Kansas (0.5%)</b>			
2,500	City of Coffeyville (INS - National Public Finance Guarantee Corp.) <sup>(d)</sup>	5.00	6/01/2042	2,763
5,000	City of Lawrence	5.00	7/01/2048	5,700
2,000	Wyandotte County/Kansas City Unified	5.00	9/01/2045	2,245
				<u>10,708</u>



Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
<b>Kentucky (0.6%)</b>				
\$ 1,000	City of Ashland	5.00%	2/01/2040	\$ 1,061
3,000	Economic Dev. Finance Auth.	5.00	8/15/2041	3,349
5,500	Economic Dev. Finance Auth.	5.00	5/15/2046	5,656
500	Economic Dev. Finance Auth. (INS - Assured Guaranty Municipal Corp.)	4.00	12/01/2041	525
2,000	Economic Dev. Finance Auth. (INS - Assured Guaranty Municipal Corp.)	5.00	12/01/2045	2,251
2,000	Owen County	6.25	6/01/2039	2,013
				<u>14,855</u>
<b>Louisiana (3.7%)</b>				
2,100	City of Shreveport (INS - Assured Guaranty Municipal Corp.)	5.00	12/01/2041	2,410
1,000	City of Shreveport	5.00	12/01/2040	1,103
1,100	City of Shreveport (INS - Build America Mutual Assurance Co.)	4.00	12/01/2037	1,166
5,500	City of Shreveport	5.00	12/01/2041	6,164
2,500	Lafayette Public Trust Financing Auth. (PRE) (INS - Assured Guaranty Municipal Corp.)	5.50	10/01/2035	2,647
3,750	Local Government Environmental Facilities & Community Dev. Auth.	6.50	8/01/2029	3,960
8,210	Local Government Environmental Facilities & Community Dev. Auth. (INS - Assured Guaranty Municipal Corp.)	4.00	10/01/2046	8,500
1,685	Local Government Environmental Facilities & Community Dev. Auth. (INS - Assured Guaranty Municipal Corp.)	5.00	10/01/2039	1,935
6,250	Local Government Environmental Facilities & Community Dev. Auth.	3.50	11/01/2032	6,296
5,000	Local Government Environmental Facilities & Community Dev. Auth. (INS - Assured Guaranty Municipal Corp.)	5.00	10/01/2048	5,618
6,000	Public Facilities Auth.	5.00	11/01/2045	6,467
5,000	Public Facilities Auth. (INS - Build America Mutual Assurance Co.)	5.25	6/01/2051	5,584
1,500	Public Facilities Auth.	5.00	7/01/2037	1,649
5,000	Public Facilities Auth.	5.00	5/15/2046	5,599
9,000	Public Facilities Auth.	4.00	1/01/2056	9,227
2,000	Public Facilities Auth.	5.00	7/01/2057	2,183
400	Public Facilities Auth.	5.00	7/01/2052	440
15	Public Facilities Auth. (PRE)	4.00	5/15/2041	17
1,235	Public Facilities Auth.	4.00	5/15/2041	1,269
1,000	Public Facilities Auth.	4.00	12/15/2050	1,033

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 6,750	St. Charles Parish (Put Date 6/01/2022) <sup>(b)</sup>	4.00%	12/01/2040	\$ 7,050
6,000	State	5.00	5/01/2045	6,966
1,500	Tobacco Settlement Financing Corp.	5.25	5/15/2035	1,638
				<u>88,921</u>
	<b>Maine (0.4%)</b>			
9,000	Health & Higher Education Facilities Auth.	4.00	7/01/2046	<u>9,052</u>
	<b>Maryland (0.1%)</b>			
2,500	EDC	6.20	9/01/2022	<u>2,508</u>
	<b>Massachusetts (1.9%)</b>			
3,000	Dev. Finance Agency	5.00	7/01/2044	3,268
4,000	Dev. Finance Agency	5.50	7/01/2044	4,359
1,000	Dev. Finance Agency	5.00	4/15/2040	1,060
1,000	Dev. Finance Agency	5.00	7/01/2046	1,109
6,385	Dev. Finance Agency (PRE)	6.25	7/01/2030	6,460
3,615	Dev. Finance Agency	6.25	7/01/2030	3,657
3,370	Dev. Finance Agency	4.00	10/01/2046	3,416
2,280	Dev. Finance Agency	5.00	7/01/2047	2,480
1,000	Dev. Finance Agency	4.00	7/01/2038	1,026
3,000	Dev. Finance Agency	5.00	7/01/2044	3,361
10,000	Dev. Finance Agency	5.00	7/01/2053	11,208
3,500	Health & Educational Facilities Auth.	5.00	7/15/2032	3,531
500	Health & Educational Facilities Auth.	5.00	7/15/2037	504
				<u>45,439</u>
	<b>Michigan (1.5%)</b>			
2,500	Downriver Utility Wastewater Auth. (INS - Assured Guaranty Municipal Corp.)	5.00	4/01/2043	2,845
1,000	Finance Auth.	5.00	11/01/2043	1,167
2,000	Genesee County (INS - Build America Mutual Assurance Co.)	4.00	2/01/2041	2,101
2,900	Genesee County (INS - Build America Mutual Assurance Co.)	5.00	2/01/2046	3,261
6,000	Jackson Public Schools (NBGA - Michigan School Bond Qualification & Loan Program)	5.00	5/01/2045	6,942
3,000	Jackson Public Schools (NBGA - Michigan School Bond Qualification & Loan Program)	5.00	5/01/2048	3,463
2,750	Karegnondi Water Auth.	5.00	11/01/2045	3,104
4,500	Lansing Board of Water & Light	5.00	7/01/2037	4,789
4,000	Livonia Public Schools School District (INS - Assured Guaranty Municipal Corp.)	5.00	5/01/2045	4,507
3,000	Strategic Fund	5.63	7/01/2020	<u>3,135</u>
				<u>35,314</u>

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
	<b>Minnesota (0.1%)</b>			
\$ 2,500	Higher Education Facilities Auth. (PRE)	5.00%	10/01/2039	\$ 2,543
	<b>Mississippi (0.1%)</b>			
3,000	Warren County	5.38	12/01/2035	3,244
	<b>Missouri (2.1%)</b>			
2,460	Cape Girardeau County IDA	6.00	3/01/2033	2,807
1,000	Cape Girardeau County IDA (PRE)	5.75	6/01/2039	1,007
750	Cape Girardeau County IDA	5.00	3/01/2036	834
17,775	Dev. Finance Board	4.00	6/01/2046	18,350
3,000	Hannibal IDA	5.00	10/01/2047	3,364
1,000	Health & Educational Facilities Auth.	5.00	11/15/2043	1,147
5,510	Health & Educational Facilities Auth.	5.00	5/15/2040	5,790
3,500	Health & Educational Facilities Auth.	5.00	2/01/2042	3,800
5,000	St. Louis County IDA	5.88	9/01/2043	5,426
2,000	St. Louis County IDA	5.00	9/01/2048	2,112
3,065	St. Louis Municipal Finance Corp. (INS - Assured Guaranty Municipal Corp.)	5.00	10/01/2038	3,499
2,040	Stoddard County IDA	6.00	3/01/2037	2,312
				<u>50,448</u>
	<b>Montana (0.4%)</b>			
5,000	City of Forsyth	5.00	5/01/2033	5,238
4,000	City of Forsyth	3.90	3/01/2031	4,157
				<u>9,395</u>
	<b>Nebraska (0.3%)</b>			
2,000	Central Plains Energy Project	5.00	9/01/2042	2,445
3,400	Douglas County Hospital Auth.	5.00	11/01/2048	3,702
				<u>6,147</u>
	<b>Nevada (1.7%)</b>			
2,775	City of Carson	5.00	9/01/2047	3,050
4,000	Clark County Department of Aviation (INS - Assured Guaranty Municipal Corp.)	5.00	7/01/2026	4,033
11,000	Clark County Department of Aviation	5.13	7/01/2034	11,259
5,000	Clark County Department of Aviation (INS - Assured Guaranty Municipal Corp.)	5.25	7/01/2039	5,116
4,400	Las Vegas Convention & Visitors Auth.	4.00	7/01/2041	4,591
12,140	Las Vegas Convention & Visitors Auth.	4.00	7/01/2046	12,606
				<u>40,655</u>
	<b>New Jersey (4.9%)</b>			
20,000	EDA (MUNIPSA + 1.60%)	3.10 <sup>(e)</sup>	3/01/2028	19,943
10,000	EDA	5.00	6/15/2040	10,623
3,000	EDA	5.25	6/15/2040	3,252
4,000	EDA	5.00	6/15/2041	4,318

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 6,000	EDA	5.00%	9/01/2024	\$ 6,286
2,000	EDA	5.00	6/15/2028	2,147
1,200	EDA (INS - Assured Guaranty Municipal Corp.)	5.00	6/01/2042	1,354
3,000	EDA	5.00	6/15/2047	3,232
3,500	EDA	5.00	6/15/2043	3,811
5,000	Educational Facilities Auth.	5.00	9/01/2036	5,459
3,000	Educational Facilities Auth.	5.00	7/01/2047	3,263
1,250	Health Care Facilities Financing Auth. (INS - Assured Guaranty Municipal Corp.)	5.00	7/01/2046	1,380
15,000	Health Care Facilities Financing Auth. (PRE)	5.63	7/01/2032	16,334
2,250	Health Care Facilities Financing Auth.	5.00	10/01/2038	2,454
20,000	Morris County Improvement Auth. (LIQ - Deutsche Bank A.G.) (LOC - Deutsche Bank A.G.) (Put Date 4/05/2019) <sup>(a),(d)</sup>	1.90	10/01/2047	20,000
3,000	Tobacco Settlement Financing Corp.	5.25	6/01/2046	3,332
2,000	Transportation Trust Fund Auth.	5.25	6/15/2041	2,170
2,125	Transportation Trust Fund Auth.	5.00	12/15/2036	2,356
4,000	Transportation Trust Fund Auth.	5.25	6/15/2043	4,463
				<u>116,177</u>
	<b>New Mexico (0.2%)</b>			
5,000	City of Farmington	5.90	6/01/2040	<u>5,212</u>
	<b>New York (2.0%)</b>			
2,040	Buffalo & Erie County Industrial Land Dev. Corp.	5.38	10/01/2041	2,176
5,800	City of New York (LOC - Mizuho Bank Ltd.) (Put Date 4/01/2019) <sup>(a)</sup>	1.65	10/01/2040	5,800
60	City of New York	5.88	8/01/2019	60
2,250	Dormitory Auth.	5.25	7/01/2029	2,268
16,130	Liberty Dev. Corp.	5.25	10/01/2035	20,719
5,000	MTA (Zero Coupon)	0.00	11/15/2032	3,244
2,000	Thruway Auth.	5.00	1/01/2051	2,253
2,500	Triborough Bridge & Tunnel Auth. (Zero Coupon)	0.00	11/15/2032	1,660
5,000	Triborough Bridge & Tunnel Auth. (Zero Coupon)	0.00	11/15/2031	3,433
3,000	Triborough Bridge & Tunnel Auth. (Zero Coupon)	0.00	11/15/2032	1,978
2,000	Troy Capital Resource Corp.	5.00	9/01/2030	2,082
1,000	TSASC, Inc.	5.00	6/01/2041	1,080
				<u>46,753</u>
	<b>North Carolina (0.8%)</b>			
10,000	Capital Facilities Finance Agency	4.63	11/01/2040	10,345
5,000	Columbus County Industrial Facilities & Pollution Control Financing Auth.	6.25	11/01/2033	5,122
2,725	North Carolina Medical Care Commission	5.00	1/01/2049	2,993
				<u>18,460</u>

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
<b>North Dakota (0.7%)</b>				
\$ 4,685	City of Fargo	6.25%	11/01/2031	\$ 5,233
2,500	McLean County	4.88	7/01/2026	2,574
7,500	Ward County	5.00	6/01/2053	8,100
				<u>15,907</u>
<b>Ohio (2.1%)</b>				
6,000	Air Quality Dev. Auth. (e),(k)	5.70	8/01/2020	5,160
10,000	Buckeye Tobacco Settlement Financing Auth.	5.88	6/01/2030	9,787
10,000	Buckeye Tobacco Settlement Financing Auth.	5.75	6/01/2034	9,669
2,700	City of Centerville	5.25	11/01/2047	2,843
1,000	City of Cleveland (INS - Assured Guaranty Municipal Corp.)	5.00	1/01/2031	1,078
9,000	Cuyahoga County	4.75	2/15/2047	9,349
2,500	Hamilton County	5.00	1/01/2051	2,607
1,000	Higher Educational Facility Commission	5.25	1/01/2048	1,019
320	Lake County	5.63	8/15/2029	321
6,000	Lucas County	5.25	11/15/2048	6,705
2,000	Turnpike & Infrastructure Commission	5.25	2/15/2033	2,238
				<u>50,776</u>
<b>Oklahoma (1.3%)</b>				
4,200	Comanche County Hospital Auth.	5.00	7/01/2032	4,373
4,500	Dev. Finance Auth.	5.25	8/01/2057	4,176
4,250	Dev. Finance Auth.	5.50	8/15/2057	4,871
10,000	Municipal Power Auth.	4.00	1/01/2047	10,442
5,700	Muskogee Industrial Trust (Put Date 4/05/2019) <sup>(a)</sup>	1.63	6/01/2027	5,700
2,000	Tulsa County Industrial Auth.	5.25	11/15/2045	2,224
				<u>31,786</u>
<b>Oregon (0.2%)</b>				
995	City of Keizer	5.20	6/01/2031	997
2,000	Deschutes County Hospital Facilities Auth.	4.00	1/01/2046	2,072
1,000	Salem Hospital Facility Auth.	5.00	5/15/2048	1,118
1,180	Yamhill County Hospital Auth.	5.00	11/15/2051	1,246
				<u>5,433</u>
<b>Pennsylvania (5.3%)</b>				
750	Allegheny County Higher Education Building Auth. (PRE)	5.50	3/01/2031	805
6,500	Allegheny County Hospital Dev. Auth.	5.00	4/01/2047	7,312
355	Allegheny County IDA	5.13	9/01/2031	355
4,000	Allegheny County Sanitary Auth. (INS - Assured Guaranty Municipal Corp.)	5.00	6/01/2040	4,187
3,170	Allegheny County Sanitary Auth.	5.00	6/01/2043	3,669
5,000	Allentown Commercial & IDA <sup>(d)</sup>	6.25	7/01/2047	5,006

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 300	Altoona Area School District (INS - Build America Mutual Assurance Co.)	5.00%	12/01/2048	\$ 334
1,000	Altoona Area School District (INS - Build America Mutual Assurance Co.)	5.00	12/01/2045	1,116
8,500	Berks County IDA	5.00	11/01/2050	9,540
1,000	Berks County IDA	5.00	5/15/2048	1,084
3,250	Chester County IDA	5.25	10/15/2047	3,355
500	Commonwealth Financing Auth.	5.00	6/01/2035	579
5,000	Delaware River JT Toll Bridge Commission	5.00	7/01/2047	5,784
7,000	Economic Dev. Finance Auth.	4.00	10/01/2023	7,248
480	Erie Parking Auth. (PRE) (INS - Assured Guaranty Municipal Corp.)	5.13	9/01/2032	504
595	Erie Parking Auth. (PRE) (INS - Assured Guaranty Municipal Corp.)	5.20	9/01/2035	625
1,390	Erie Parking Auth. (INS - Assured Guaranty Municipal Corp.)	5.13	9/01/2032	1,449
1,700	Erie Parking Auth. (INS - Assured Guaranty Municipal Corp.)	5.20	9/01/2035	1,772
1,970	Higher Educational Facilities Auth.	5.25	7/15/2033	2,129
2,750	Higher Educational Facilities Auth.	5.50	7/15/2038	2,966
2,000	Montgomery County IDA	5.00	12/01/2048	2,148
4,000	Northampton County General Purpose Auth.	4.00	8/15/2040	4,138
2,440	Northampton County General Purpose Auth.	5.00	8/15/2048	2,789
1,000	Philadelphia School District	5.00	9/01/2037	1,126
2,000	Philadelphia School District	5.00	9/01/2038	2,246
2,500	Philadelphia School District	5.00	9/01/2043	2,811
1,025	Scranton School District (INS - Build America Mutual Assurance Co.)	4.00	12/01/2037	1,072
1,000	State	5.00	7/01/2043	1,132
1,250	Turnpike Commission	5.00	12/01/2033	1,463
10,000	Turnpike Commission	5.25	12/01/2044	11,112
3,000	Turnpike Commission	5.00	12/01/2046	3,283
8,000	Turnpike Commission	5.00	6/01/2039	8,912
4,000	Turnpike Commission	5.00	6/01/2042	4,470
4,000	Turnpike Commission	5.00	12/01/2047	4,600
1,000	Turnpike Commission	5.00	12/01/2037	1,145
5,000	Turnpike Commission	5.00	12/01/2043	5,741
3,200	Washington County IDA (PRE)	5.00	11/01/2036	3,321
750	Wilkes-Barre Area School District (INS - Build America Mutual Assurance Co.) <sup>(i)</sup>	4.00	4/15/2049	775
3,000	Wilkes-Barre Area School District (INS - Build America Mutual Assurance Co.) <sup>(i)</sup>	5.00	4/15/2059	3,377
				<u>125,480</u>

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
<b>Puerto Rico (0.1%)</b>				
\$ 2,000	Industrial, Tourist, Educational, Medical, Environmental Control Facilities Financing Auth.	5.38%	4/01/2042	\$ 1,993
<b>Rhode Island (0.4%)</b>				
4,895	Health & Educational Building Corp. (LOC - Citizens Financial Group) (Put Date 4/01/2019) <sup>(a)</sup>	1.50	6/01/2035	4,895
900	Health & Educational Building Corp. (LOC - Citizens Financial Group) (Put Date 4/01/2019) <sup>(a)</sup>	1.67	4/01/2035	900
2,000	Health & Educational Building Corp. (PRE)	6.00	9/01/2033	2,367
180	Housing & Mortgage Finance Corp.	6.85	10/01/2024	181
				<u>8,343</u>
<b>South Carolina (0.4%)</b>				
2,250	Greenwood County (PRE)	5.38	10/01/2039	2,293
7,000	Public Service Auth.	5.25	12/01/2055	7,810
				<u>10,103</u>
<b>South Dakota (0.3%)</b>				
500	Educational Enhancement Funding Corp.	5.00	6/01/2027	552
2,500	Health & Educational Facilities Auth.	5.25	11/01/2029	2,547
4,000	Health & Educational Facilities Auth.	5.00	7/01/2042	4,219
				<u>7,318</u>
<b>Tennessee (0.4%)</b>				
2,000	Greenville Health & Educational Facilities Board	5.00	7/01/2044	2,276
2,000	Johnson City Health & Educational Facilities Board	5.00	8/15/2042	2,119
4,000	Metropolitan Government of Nashville & Davidson County Health & Educational Facilities Board	5.00	7/01/2046	4,471
1,500	Metropolitan Government of Nashville & Davidson County Health & Educational Facilities Board	5.00	10/01/2045	1,661
				<u>10,527</u>
<b>Texas (17.6%)</b>				
7,200	Arlington Higher Education Finance Corp. (NBGA - Texas Permanent School Fund)	5.00	12/01/2053	8,097
3,000	Arlington Higher Education Finance Corp. (NBGA - Texas Permanent School Fund)	5.00	2/15/2041	3,406
10,000	Arlington Higher Education Finance Corp. (NBGA - Texas Permanent School Fund)	4.00	8/15/2043	10,566
5,340	Bell County Health Facilities Dev. Corp. (ETM)	6.50	7/01/2019	5,406
8,450	Bexar County Health Facilities Dev. Corp.	4.00	7/15/2045	8,036
600	Bexar County Health Facilities Dev. Corp.	5.00	7/15/2042	647
6,000	Central Texas Regional Mobility Auth. (PRE)	5.75	1/01/2031	6,421
2,500	Central Texas Regional Mobility Auth.	5.00	1/01/2042	2,688
3,500	Central Texas Regional Mobility Auth.	5.00	1/01/2045	3,874

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 5,000	Central Texas Regional Mobility Auth.	4.00%	1/01/2041	\$ 5,168
6,500	Central Texas Turnpike System	5.00	8/15/2042	7,091
18,530	Central Texas Turnpike System (INS - AMBAC Assurance Corp.) (Zero Coupon)	0.00	8/15/2030	13,427
3,850	Central Texas Turnpike System	5.00	8/15/2041	4,127
7,500	City of Arlington (INS - Assured Guaranty Municipal Corp.)	5.00	2/15/2048	8,660
5,900	City of Corpus Christi Utility System	4.00	7/15/2039	6,235
3,715	City of Houston	5.00	9/01/2040	4,107
2,390	City of Irving	5.00	8/15/2043	2,398
700	City of Laredo Waterworks & Sewer System	4.00	3/01/2041	736
1,000	Clifton Higher Education Finance Corp.	6.00	8/15/2033	1,137
2,750	Clifton Higher Education Finance Corp.	6.00	8/15/2043	3,079
4,250	Clifton Higher Education Finance Corp. (NBGA - Texas Permanent School Fund)	5.00	8/15/2039	4,719
10,000	Clifton Higher Education Finance Corp. (NBGA - Texas Permanent School Fund)	5.00	8/15/2048	11,687
4,000	Dallas/Fort Worth International Airport	5.00	11/01/2034	4,198
6,500	Del Mar College District	5.00	8/15/2048	7,401
4,000	Harris County Cultural Education Facilities Finance Corp.	5.25	10/01/2029	4,071
6,100	Harris County Cultural Education Facilities Finance Corp.	5.00	6/01/2038	6,437
15,000	Harris County Hospital District	4.00	2/15/2042	15,441
7,000	Harris County IDC (PRE)	5.00	2/01/2023	7,160
10,000	Houston Higher Education Finance Corp.	5.00	9/01/2042	10,848
6,000	Karnes County Hospital District	5.00	2/01/2044	6,308
1,900	Kerrville Health Facilities Dev. Corp.	5.00	8/15/2035	2,095
3,000	Laredo CCD (PRE) (INS - Assured Guaranty Municipal Corp.)	5.25	8/01/2035	3,145
5,300	Matagorda County Navigation District No.1	6.30	11/01/2029	5,461
9,615	Matagorda County Navigation District No.1	4.00	6/01/2030	9,973
6,000	Matagorda County Navigation District No.1	4.00	6/01/2030	6,224
15,000	Midlothian ISD (NBGA - Texas Permanent School Fund)	5.00	2/15/2047	17,309
1,250	New Hope Cultural Education Facilities Finance Corp.	5.00	4/01/2048	1,227
1,000	New Hope Cultural Education Facilities Finance Corp.	5.00	7/01/2047	1,069
1,000	New Hope Cultural Education Facilities Finance Corp.	5.00	7/01/2047	1,023
6,000	New Hope Cultural Education Facilities Finance Corp.	5.00	7/01/2047	5,559
1,000	New Hope Cultural Education Facilities Finance Corp. (INS - Assured Guaranty Municipal Corp.)	5.00	7/01/2048	1,118
5,000	North Fort Bend Water Auth.	5.00	12/15/2036	5,381
3,000	North Texas Tollway Auth. (PRE) (Zero Coupon)	0.00	9/01/2037	1,392
5,000	North Texas Tollway Auth.	5.00	1/01/2045	5,559



Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 5,000	North Texas Tollway Auth. (INS - National Public Finance Guarantee Corp.)	5.00%	1/01/2048	\$ 5,687
2,000	North Texas Tollway Auth.	5.00	1/01/2048	2,301
1,750	North Texas Tollway Auth.	5.00	1/01/2050	2,007
400	Port of Port Arthur Navigation District (Put Date 4/01/2019) <sup>(a)</sup>	1.65	4/01/2040	400
4,900	Port of Port Arthur Navigation District (Put Date 4/01/2019) <sup>(a)</sup>	1.64	4/01/2040	4,900
49,100	Port of Port Arthur Navigation District (Put Date 4/05/2019) <sup>(a)</sup>	1.76	11/01/2040	49,100
6,500	Port of Port Arthur Navigation District (Put Date 4/05/2019) <sup>(a)</sup>	1.75	11/01/2040	6,500
7,000	Princeton ISD (NBGA - Texas Permanent School Fund)	5.00	2/15/2048	8,195
15,000	Prosper ISD (NBGA - Texas Permanent School Fund)	5.00	2/15/2048	17,639
2,000	Red River Education Finance Corp.	4.00	6/01/2041	2,015
3,000	Red River Education Finance Corp.	5.50	10/01/2046	3,328
4,500	Tarrant County Cultural Education Facilities Finance Corp.	5.00	11/15/2045	4,099
6,315	Tarrant County Cultural Education Facilities Finance Corp.	5.63	11/15/2027	4,989
4,000	Tarrant County Cultural Education Facilities Finance Corp.	5.75	11/15/2037	3,160
3,600	Tarrant County Cultural Education Facilities Finance Corp.	5.00	11/15/2036	3,445
7,000	Tarrant County Cultural Education Facilities Finance Corp.	5.00	11/15/2046	7,642
2,500	Tarrant County Cultural Education Facilities Finance Corp.	6.75	11/15/2047	2,814
4,000	Tarrant County Cultural Education Facilities Finance Corp.	6.75	11/15/2052	4,488
1,000	Tarrant County Cultural Education Facilities Finance Corp.	5.00	11/15/2046	1,102
10,000	Tarrant County Cultural Education Facilities Finance Corp.	5.00	7/01/2048	11,348
5,000	Transportation Commission	5.00	8/01/2057	5,597
2,490	Uptown Dev Auth.	5.00	9/01/2040	2,703
1,000	Uptown Dev. Auth. (PRE)	5.50	9/01/2029	1,016
1,645	Uptown Dev. Auth.	5.00	9/01/2039	1,809
4,365	Uptown Dev. Auth.	5.00	9/01/2037	4,770
4,770	Wood County Central Hospital District (PRE)	6.00	11/01/2041	5,263
				<u>416,428</u>

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
<b>Vermont (0.1%)</b>				
\$ 3,000	Educational & Health Buildings Financing Agency	5.00%	10/15/2046	\$ 3,269
<b>Virginia (1.2%)</b>				
5,000	Alexandria IDA	5.00	10/01/2050	5,406
5,000	College Building Auth.	5.00	6/01/2029	5,000
11,280	College Building Auth.	5.00	6/01/2026	11,281
3,575	Lewistown Commerce Center Community Dev. Auth.	6.05	3/01/2044	3,351
1,726	Lewistown Commerce Center Community Dev. Auth.	6.05	3/01/2044	1,618
5,697	Lewistown Commerce Center Community Dev. Auth. <sup>(e)</sup>	6.05	3/01/2054	1,040
448	Watkins Centre Community Dev. Auth.	5.40	3/01/2020	449
				<u>28,145</u>
<b>Washington (1.0%)</b>				
2,200	Health Care Facilities Auth. (LIQ - J.P.Morgan Chase & Co.) (Put Date 4/05/2019) <sup>(a),(d)</sup>	1.85	9/06/2020	2,200
2,500	Health Care Facilities Auth. (PRE) (INS - Assured Guaranty Corp.)	6.00	8/15/2039	2,540
5,500	Health Care Facilities Auth.	4.00	7/01/2042	5,768
3,055	Housing Finance Commission	5.00	1/01/2043	3,346
9,000	King County Public Hospital District No 1	5.00	12/01/2043	10,246
				<u>24,100</u>
<b>West Virginia (0.2%)</b>				
2,000	EDA	5.38	12/01/2038	2,108
2,000	Hospital Finance Auth.	5.00	1/01/2043	2,261
				<u>4,369</u>
<b>Wisconsin (1.8%)</b>				
7,800	City of Kaukauna (INS - Assured Guaranty Municipal Corp.)	5.00	12/15/2035	8,571
5,000	Health & Educational Facilities Auth.	5.75	11/15/2030	5,024
2,500	Health & Educational Facilities Auth. (PRE)	5.38	8/15/2037	2,582
1,000	Health & Educational Facilities Auth.	5.00	9/15/2045	1,029
5,000	Health & Educational Facilities Auth.	5.00	9/15/2050	5,173
2,200	Public Finance Auth. <sup>(d)</sup>	5.25	5/15/2042	2,331
1,000	Public Finance Auth.	5.00	7/01/2047	1,054
1,000	Public Finance Auth.	5.00	7/01/2052	1,048
6,000	Public Finance Auth.	5.00	7/01/2044	6,880
3,090	Public Finance Auth.	5.25	10/01/2043	3,446
1,285	Public Finance Auth. (INS - Assured Guaranty Municipal Corp.)	5.00	7/01/2054	1,419
1,500	Public Finance Auth. (INS - Assured Guaranty Municipal Corp.)	5.00	7/01/2058	1,640
1,480	Public Finance Auth.	5.00	6/15/2049	1,627

Principal Amount (000)	Security	Coupon Rate	Final Maturity	Market Value (000)
\$ 1,000	Public Finance Auth.	5.00%	6/15/2053	\$ 1,090
				<u>42,914</u>
	<b>Wyoming (0.3%)</b>			
6,000	Sweetwater County	5.25	7/15/2026	<u>6,080</u>
	Total Municipal Obligations (cost: \$2,287,819)			<u>2,349,673</u>
	<b>Total Investments (cost: \$2,287,819)</b>			<u><b>\$2,349,673</b></u>

VALUATION HIERARCHY				
Assets	LEVEL 1	LEVEL 2	LEVEL 3	Total
Municipal Obligations	\$-	\$2,349,673	\$-	\$2,349,673
Total	\$-	\$2,349,673	\$-	\$2,349,673

Refer to the Portfolio of Investments for additional industry, country, or geographic region classifications.

At March 31, 2019, the Fund did not have any transfers into/out of Level 3.

# NOTES TO PORTFOLIO OF INVESTMENTS

March 31, 2019

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## ■ GENERAL NOTES

Market values of securities are determined by procedures and practices discussed in Note 1A to the financial statements.

The Portfolio of Investments category percentages shown represent the percentages of the investments to net assets, and, in total, may not equal 100%. A category percentage of 0.0% represents less than 0.1% of net assets.

## ■ PORTFOLIO ABBREVIATIONS AND DESCRIPTIONS

CCD	Community College District
EDA	Economic Development Authority
EDC	Economic Development Corp.
ETM	Escrowed to final maturity
HSD	High School District
IDA	Industrial Development Authority/Agency
IDB	Industrial Development Board
IDC	Industrial Development Corp.
ISD	Independent School District
MTA	Metropolitan Transportation Authority
MUNIPSA	Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index
PRE	Pre-refunded to a date prior to maturity
Zero Coupon	Normally issued at a significant discount from face value and does not provide for periodic interest payments.

Income is earned from the purchase date by accreting the purchase discount of the security to par over the life of the security.

**Credit enhancements** – Adds the financial strength of the provider of the enhancement to support the issuer’s ability to repay the principal and interest payments when due. The enhancement may be provided by a high-quality bank, insurance company or other corporation, or a collateral trust. The enhancements do not guarantee the market values of the securities.

INS	Principal and interest payments are insured by the name listed. Although bond insurance reduces the risk of loss due to default by an issuer, such bonds remain subject to the risk that value may fluctuate for other reasons, and there is no assurance that the insurance company will meet its obligations.
LIQ	Liquidity enhancement that may, under certain circumstances, provide for repayment of principal and interest upon demand from the name listed.
LOC	Principal and interest payments are guaranteed by a bank letter of credit or other bank credit agreement.
NBGA	Principal and interest payments or, under certain circumstances, underlying mortgages, are guaranteed by a nonbank guarantee agreement from the name listed.

## ■ SPECIFIC NOTES

- (a) Variable-rate demand notes (VRDNs) – Provide the right to sell the security at face value on either that day or within the rate-reset period. VRDNs will normally trade as if the maturity is the earlier put date, even though stated maturity is longer. The interest rate is reset on the put date at a stipulated daily, weekly, monthly, quarterly, or other specified time interval to reflect current market conditions. These securities do not indicate a reference rate and spread in their description.

- (b) Put bond – provides the right to sell the bond at face value at specific tender dates prior to final maturity. The put feature shortens the effective maturity of the security.
- (c) Floating-rate security – interest rate is adjusted periodically. The interest rate disclosed represents the rate at March 31, 2019.
- (d) Restricted security that is not registered under the Securities Act of 1933. A resale of this security in the United States may occur in an exempt transaction to a qualified institutional buyer as defined by Rule 144A, and as such has been deemed liquid by USAA Asset Management Company under liquidity guidelines approved by USAA Mutual Funds Trust’s Board of Trustees, unless otherwise noted as illiquid.
- (e) Security deemed illiquid by USAA Asset Management Company, under liquidity guidelines approved by USAA Mutual Funds Trust’s Board of Trustees.
- (f) At March 31, 2019, the security, or a portion thereof, was segregated to cover delayed-delivery and/or when-issued purchases.
- (g) Stepped-coupon security that is initially issued in zero-coupon form and converts to coupon form at the specified date and rate shown in the security’s description.
- (h) Payment-in-kind (PIK) – security in which the issuer has or will have the option to make all or a portion of the interest or dividend payments in additional securities in lieu of cash.
- (i) Up to 2.05% of the coupon may be PIK.
- (j) Security or a portion of the security purchased on a delayed-delivery and/or when-issued basis.
- (k) At March 31, 2019, the issuer was in default with respect to interest and/or principal payments.

See accompanying notes to financial statements.

# STATEMENT OF ASSETS AND LIABILITIES

## (IN THOUSANDS)

March 31, 2019

### ASSETS

Investments in securities, at market value (cost of \$2,287,819)	\$2,349,673
Cash	89
Receivables:	
Capital shares sold	1,138
USAA Asset Management Company (Note 6)	5
Interest	29,019
Total assets	<u>2,379,924</u>

### LIABILITIES

Payables:	
Securities purchased	5,858
Capital shares redeemed	1,263
Dividends on capital shares	1,537
Accrued management fees	58
Accrued transfer agent's fees	18
Other accrued expenses and payables	126
Total liabilities	<u>9,360</u>
Net assets applicable to capital shares outstanding	<u>\$2,370,564</u>

### NET ASSETS CONSIST OF:

Paid-in capital	\$2,370,192
Distributable earnings	372
Net assets applicable to capital shares outstanding	<u>\$2,370,564</u>
Net asset value, redemption price, and offering price per share:	
Fund Shares (net assets of \$2,362,819/177,889 capital shares outstanding, no par value)	<u>\$ 13.28</u>
Adviser Shares (net assets of \$7,745/584 capital shares outstanding, no par value)	<u>\$ 13.26</u>

See accompanying notes to financial statements.

# STATEMENT OF OPERATIONS

## (IN THOUSANDS)

Year ended March 31, 2019

<b>INVESTMENT INCOME</b>	
Interest income	\$ 98,042
<b>EXPENSES</b>	
Management fees	6,512
Administration and servicing fees:	
Fund Shares	3,479
Adviser Shares	11
Transfer agent's fees:	
Fund Shares	689
Adviser Shares	3
Distribution and service fees (Note 6):	
Adviser Shares	20
Custody and accounting fees:	
Fund Shares	306
Adviser Shares	1
Postage:	
Fund Shares	41
Shareholder reporting fees:	
Fund Shares	32
Trustees' fees	36
Registration fees:	
Fund Shares	40
Adviser Shares	19
Professional fees	98
Other	34
Total expenses	<u>11,321</u>
Expenses reimbursed:	
Adviser Shares	(19)
Net expenses	<u>11,302</u>
<b>NET INVESTMENT INCOME</b>	<u>86,740</u>
<b>NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS</b>	
Net realized loss	(5,644)
Change in net unrealized appreciation/(depreciation)	19,735
Net realized and unrealized gain	<u>14,091</u>
Increase in net assets resulting from operations	<u>\$100,831</u>

See accompanying notes to financial statements.



## STATEMENTS OF CHANGES IN NET ASSETS (IN THOUSANDS)

Years ended March 31,

	2019	2018
<b>FROM OPERATIONS</b>		
Net investment income	\$ 86,740	\$ 91,467
Net realized gain (loss) on investments	(5,644)	4,042
Change in net unrealized appreciation/(depreciation) of investments	19,735	(10,384)
Increase in net assets resulting from operations	<u>100,831</u>	<u>85,125</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM DISTRIBUTABLE EARNINGS:</b>		
Fund Shares	(87,489)	(92,056)
Adviser Shares	(278)	(335)
Distributions to shareholders	<u>(87,767)</u>	<u>(92,391)</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM CAPITAL SHARE TRANSACTIONS (NOTE 5)</b>		
Fund Shares	(9,172)	23,051
Adviser Shares	(860)	(2,394)
Total net increase (decrease) in net assets from capital share transactions	<u>(10,032)</u>	<u>20,657</u>
Net increase in net assets	3,032	13,391
<b>NET ASSETS</b>		
Beginning of year	2,367,532	2,354,141
End of year	<u>\$2,370,564</u>	<u>\$2,367,532</u>

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2019

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## **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

USAA MUTUAL FUNDS TRUST (the Trust), registered under the Investment Company Act of 1940, as amended (the 1940 Act), is an open-end management investment company organized as a Delaware statutory trust consisting of 47 separate funds. The USAA Tax Exempt Long-Term Fund (the Fund) qualifies as a registered investment company under Accounting Standards Codification Topic 946. The information presented in this annual report pertains only to the Fund, which is classified as diversified under the 1940 Act. The Fund's investment objective is to provide investors with interest income that is exempt from federal income tax.

The Fund consists of two classes of shares: Tax Exempt Long-Term Fund Shares (Fund Shares) and Tax Exempt Long-Term Fund Adviser Shares (Adviser Shares). Each class of shares has equal rights to assets and earnings, except that each class bears certain class-related expenses specific to the particular class. These expenses include administration and servicing fees, transfer agent fees, postage, shareholder reporting fees, distribution and service (12b-1) fees, and certain registration and custodian fees. Expenses not attributable to a specific class, income, and realized gains or losses on investments are allocated to each class of shares based on each class' relative net assets. Each class has exclusive voting rights on matters related solely to that class and separate voting rights on matters that relate to all classes. The Adviser Shares permit investors to purchase shares through financial intermediaries, including banks, broker-dealers, insurance companies, investment advisers, plan sponsors, and financial professionals that provide various administrative and distribution services.

On November 6, 2018, United Services Automobile Association (USAA), the parent company of USAA Asset Management Company (AMCO or Manager), the investment adviser to the Fund, and USAA Transfer Agency

Company, d/b/a USAA Shareholder Account Services (SAS), the transfer agent to the Fund, announced that AMCO and SAS would be acquired by Victory Capital Holdings, Inc. (Victory), a global investment management firm headquartered in Cleveland, Ohio (the Transaction). The closing of the Transaction is expected to be completed on July 1, 2019, pending satisfaction of certain closing conditions and approvals. The Transaction is not expected to result in any material changes to the Fund's investment objectives and principal investment strategies.

A. **Security valuation** – The Trust's Board of Trustees (the Board) has established the Valuation and Liquidity Committee (the Committee), and subject to Board oversight, the Committee administers and oversees the Fund's valuation policies and procedures, which are approved by the Board. The Fund utilizes independent pricing services, quotations from securities dealers, and a wide variety of sources and information to establish and adjust the fair value of securities as events occur and circumstances warrant.

The value of each security is determined (as of the close of trading on the New York Stock Exchange (NYSE) on each business day the NYSE is open) as set forth below:

1. Debt securities with maturities greater than 60 days are valued each business day by a pricing service (the Service) approved by the Board. The Service uses an evaluated mean between quoted bid and ask prices or the last sales price to value a security when, in the Service's judgment, these prices are readily available and are representative of the security's market value. For many securities, such prices are not readily available. The Service generally prices those securities based on methods which include consideration of yields or prices of securities of comparable quality, coupon, maturity, and type; indications as to values from dealers in securities; and general market conditions. Generally, debt securities are categorized in Level 2 of the fair value hierarchy; however, to the extent the valuations include significant unobservable inputs, the securities would be categorized in Level 3.

2. Short-term debt securities with original or remaining maturities of 60 days or less may be valued at amortized cost, provided that amortized cost represents the fair value of such securities.
3. In the event that price quotations or valuations are not readily available, are not reflective of market value, or a significant event has been recognized in relation to a security or class of securities, the securities are valued in good faith by the Committee in accordance with valuation procedures approved by the Board. The effect of fair value pricing is that securities may not be priced on the basis of quotations from the primary market in which they are traded and the actual price realized from the sale of a security may differ materially from the fair value price. Valuing these securities at fair value is intended to cause the Fund's net asset value (NAV) to be more reliable than it otherwise would be.

Fair value methods used by the Manager include, but are not limited to, obtaining market quotations from secondary pricing services, broker-dealers, other pricing services, or widely used quotation systems. General factors considered in determining the fair value of securities include fundamental analytical data, the nature and duration of any restrictions on disposition of the securities, evaluation of credit quality, and an evaluation of the forces that influenced the market in which the securities are purchased and sold.

- B. **Fair value measurements** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The three-level valuation hierarchy disclosed in the Portfolio of Investments is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical securities.

Level 2 – inputs to the valuation methodology are other significant observable inputs, including quoted prices for similar securities, inputs that are observable for the securities, either directly or indirectly, and market-corroborated inputs such as market indexes.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement, including the Manager’s own assumptions in determining the fair value.

The inputs or methodologies used for valuing securities are not necessarily an indication of the risks associated with investing in those securities.

- C. **Investments in securities** – Securities transactions are accounted for as of the date the securities are purchased or sold (trade date). Gains or losses from sales of investment securities are computed on the identified cost basis. Interest income is recorded daily on the accrual basis. Premiums and discounts are amortized over the life of the respective securities, using the effective yield method for long-term securities and the straight-line method for short-term securities.
- D. **Federal taxes** – The Fund’s policy is to comply with the requirements of the Internal Revenue Code of 1986, as amended, applicable to regulated investment companies and to distribute substantially all of its taxable income and net capital gains, if any, to its shareholders. Therefore, no federal income tax provision is required.

For the year ended March 31, 2019, the Fund did not incur any income tax, interest, or penalties, and has recorded no liability for net unrecognized tax benefits relating to uncertain income tax positions. On an ongoing basis, the Manager will monitor the Fund’s tax basis to determine if adjustments to this conclusion are necessary. The statute of limitations on the Fund’s tax return filings generally remain open for the three preceding fiscal reporting year ends and remain subject to examination by the Internal Revenue Service and state taxing authorities.

- E. **Securities purchased on a delayed-delivery or when-issued basis** – Delivery and payment for securities that have been purchased by the Fund on a delayed-delivery or when-issued basis can take place a month or more after the trade date. During the period prior to settlement, these securities do not earn interest, are subject to market fluctuation, and may increase or decrease in value prior to their delivery. The Fund maintains segregated assets with a market value equal to or greater than the amount of its purchase commitments. The purchase of securities on a delayed-delivery or when-issued basis may increase the volatility of the Fund’s NAV to

the extent that the Fund makes such purchases while remaining substantially fully invested.

- F. **Indemnifications** – Under the Trust’s organizational documents, its officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Trust. In addition, in the normal course of business, the Trust enters into contracts that contain a variety of representations and warranties that provide general indemnifications. The Trust’s maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Trust that have not yet occurred. However, the Trust expects the risk of loss to be remote.
- G. **Use of estimates** – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that may affect the reported amounts in the financial statements.

## **(2) LINE OF CREDIT**

The Fund participates, along with other funds of the Trust and USAA ETF Trust (together, the Trusts), in a joint, short-term, revolving, committed loan agreement of \$500 million with USAA Capital Corporation (CAPCO), an affiliate of the Manager. The purpose of the agreement is to provide temporary or emergency cash needs, including redemption requests that might otherwise require the untimely disposition of securities. Subject to availability (including usage of the facility by other funds of the Trusts), the Fund may borrow from CAPCO an amount up to 5% of the Fund’s total assets at an interest rate based on the London Interbank Offered Rate (LIBOR), plus 100.0 basis points.

The Trusts are also assessed facility fees by CAPCO in the amount of 14.0 basis points of the amount of the committed loan agreement. Prior to September 30, 2018, the maximum annual facility fee was 13.0 basis points of the amount of the committed loan agreement. The facility fees are allocated among the funds of the Trusts based on their respective average daily net assets for the period.

The Trusts may request an optional increase of the committed loan agreement from \$500 million up to \$750 million. If the Trusts increase the

committed loan agreement, the assessed facility fee on the amount of the additional commitment will be 15.0 basis points.

For the year ended March 31, 2019, the Fund paid CAPCO facility fees of \$19,000, which represents 2.8% of the total fees paid to CAPCO by the funds of the Trusts. The Fund had no borrowings under this agreement during the year ended March 31, 2019.

### **(3) DISTRIBUTIONS**

The character of any distributions made during the year from net investment income or net realized gains is determined in accordance with federal tax regulations and may differ from those determined in accordance with U.S. generally accepted accounting principles. Also, due to the timing of distributions, the fiscal year in which amounts are distributed may differ from the year that the income or realized gains were recorded by the Fund.

The tax character of distributions paid during the years ended March 31, 2019, and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
Tax-exempt income	\$87,767,000	\$92,391,000

As of March 31, 2019, the components of net assets representing distributable earnings on a tax basis were as follows:

Undistributed tax-exempt income	\$ 3,689,000
Accumulated capital and other losses	(60,625,000)
Unrealized appreciation of investments	61,354,000

The difference between book-basis and tax-basis unrealized appreciation of investments is attributable to the tax deferral of losses on wash sales adjustments.

Net investment income is accrued daily as dividends and distributed to shareholders monthly. Distributions of realized gains from security transactions not offset by capital losses are made annually in the succeeding fiscal year or as otherwise required to avoid the payment of federal taxes.

At March 31, 2019, the Fund had net capital loss carryforwards of \$60,625,000, for federal income tax purposes as shown in the table below. It

is unlikely that the Board will authorize a distribution of capital gains realized in the future until the capital loss carryforwards have been used.

<b>Capital Loss Carryforwards</b>	
<b>Tax Character</b>	
<b>(No Expiration)</b>	<b>Balance</b>
Short-Term	\$12,229,000
Long-Term	48,396,000
Total	<u>\$60,625,000</u>

**Tax Basis of Investments** – At March 31, 2019, the aggregate cost of investments for federal income tax purposes and net unrealized appreciation/(depreciation) on investments are disclosed below:

<b>Fund</b>	<b>Tax Cost</b>	<b>Gross Unrealized Appreciation</b>	<b>Gross Unrealized Depreciation</b>	<b>Net Unrealized Appreciation/ (Depreciation)</b>
USAA Tax Exempt				
Long-Term Fund	\$2,288,319,000	\$113,089,000	\$(51,735,000)	\$61,354,000

#### **(4) INVESTMENT TRANSACTIONS**

Cost of purchases and proceeds from sales/maturities of securities, excluding short-term securities, for the year ended March 31, 2019, were \$308,763,000 and \$273,043,000, respectively.

In accordance with affiliated transaction procedures approved by the Board, purchases and sales of security transactions were executed between the Fund and affiliated USAA Funds at the then-current market price with no brokerage commissions incurred. The affiliated transactions executed by the Fund, including short-term securities, during the year ended March 31, 2019 were as follows:

<b>Purchases</b>	<b>Sales</b>	<b>Net Realized Gain</b>
\$55,950,000	\$100,025,000	\$–



## (5) CAPITAL SHARE TRANSACTIONS

At March 31, 2019, there were an unlimited number of shares of capital stock at no par value authorized for the Fund.

Capital share transactions for all classes were as follows, in thousands:

	Year Ended March 31, 2019		Year Ended March 31, 2018	
	Shares	Amount	Shares	Amount
<b>Fund Shares:</b>				
Shares sold	14,499	\$ 189,996	14,867	\$ 198,709
Shares issued from reinvested dividends	5,289	69,306	5,392	71,973
Shares redeemed	(20,520)	(268,474)	(18,535)	(247,631)
Net increase (decrease) from capital share transactions	(732)	\$ (9,172)	1,724	\$ 23,051
<b>Adviser Shares:</b>				
Shares sold	45	\$ 593	23	\$ 305
Shares issued from reinvested dividends	6	77	10	129
Shares redeemed	(118)	(1,530)	(212)	(2,828)
Net decrease from capital share transactions	(67)	\$ (860)	(179)	\$ (2,394)

## (6) TRANSACTIONS WITH MANAGER

**Management fees** – The Manager provides investment management services to the Fund pursuant to an Advisory Agreement. Under this agreement, the Manager is responsible for managing the business and affairs of the Fund, and for directly managing the day-to-day investment of the Fund's assets, subject to the authority of and supervision by the Board.

The investment management fee for the Fund is comprised of a base fee and a performance adjustment. The Fund's base fee is accrued daily and paid monthly at an annualized rate of 0.28% of the Fund's average daily net assets.

The performance adjustment for each share class is calculated monthly by comparing the Fund's performance to that of the Lipper General & Insured Municipal Debt Funds Index.

The performance period for each share class consists of the current month plus the previous 35 months. The following table is utilized to determine the extent of the performance adjustment:

<b>Over/Under Performance Relative to Index (in basis points)<sup>1</sup></b>	<b>Annual Adjustment Rate (in basis points)<sup>1</sup></b>
+/- 20 to 50	+/- 4
+/- 51 to 100	+/- 5
+/- 101 and greater	+/- 6

<sup>1</sup>Based on the difference between average annual performance of the relevant share class of the Fund and its relevant Lipper index, rounded to the nearest basis point. Average daily net assets of the share class are calculated over a rolling 36-month period.

Each class' annual performance adjustment rate is multiplied by the average daily net assets of each respective class over the entire performance period, which is then multiplied by a fraction, the numerator of which is the number of days in the month and the denominator of which is 365 (366 in leap years). The resulting amount is then added to (in the case of overperformance), or subtracted from (in the case of underperformance) the base fee.

Under the performance fee arrangement, each class will pay a positive performance fee adjustment for a performance period whenever the class outperforms the Lipper General & Insured Municipal Debt Funds Index over that period, even if the class had overall negative returns during the performance period.

For the year ended March 31, 2019, the Fund incurred management fees, paid or payable to the Manager, of \$6,512,000, which included a performance adjustment of (0.05)% for the Adviser Shares of \$(4,000). The Fund Shares did not incur any performance adjustment.

**Administration and servicing fees** – The Manager provides certain administration and servicing functions for the Fund. For such services, the Manager receives a fee accrued daily and paid monthly at an annualized rate of 0.15% of average daily net assets for both the Fund Shares and Adviser Shares. For the year ended March 31, 2019, the Fund Shares and Adviser Shares incurred

administration and servicing fees, paid or payable to the Manager, of \$3,479,000 and \$11,000, respectively.

In addition to the services provided under its Administration and Servicing Agreement with the Fund, the Manager also provides certain compliance and legal services for the benefit of the Fund. The Board has approved the reimbursement of a portion of these expenses incurred by the Manager. For the year ended March 31, 2019, the Fund reimbursed the Manager \$18,000 for these compliance and legal services. These expenses are included in the professional fees on the Fund's Statement of Operations.

**Expense limitation** – The Manager agreed, through July 31, 2019, to limit the total annual operating expenses of the Adviser Shares to 0.70% of its average daily net assets, excluding extraordinary expenses and before reductions of any expenses paid indirectly, and to reimburse the Adviser Shares for all expenses in excess of that amount. This expense limitation arrangement may not be changed or terminated through July 31, 2019, without approval of the Board, and may be changed or terminated by the Manager at any time after that date. For the year ended March 31, 2019, the Adviser Shares incurred reimbursable expenses of \$19,000, of which \$5,000 was receivable from the Manager.

**Transfer agent's fees** – SAS, an affiliate of the Manager, provides transfer agent services to the Fund Shares and Adviser Shares based on an annual charge of \$25.50 per shareholder account plus out-of-pocket expenses. SAS pays a portion of these fees to certain intermediaries for the administration and servicing of accounts that are held with such intermediaries. For the year ended March 31, 2019, the Fund Shares and Adviser Shares incurred transfer agent's fees, paid or payable to SAS, of \$689,000 and \$3,000, respectively. Additionally, the Fund recorded a capital contribution and a receivable from SAS of less than \$500 at March 31, 2019, for adjustments related to corrections to certain shareholder transactions.

**Distribution and service (12b-1) fees** – The Fund has adopted a plan pursuant to Rule 12b-1 under the 1940 Act with respect to the Adviser Shares. Under the plan, the Adviser Shares pay fees to USAA Investment Management Company (IMCO), the distributor, for distribution and shareholder services. IMCO pays all or a portion of such fees to intermediaries that make the Adviser Shares

available for investment by their customers. The fee is accrued daily and paid monthly at an annual rate of 0.25% of the Adviser Shares' average daily net assets. Adviser Shares are offered and sold without imposition of an initial sales charge or a contingent deferred sales charge. For the year ended March 31, 2019, the Adviser Shares incurred distribution and service (12b-1) fees of \$20,000.

**Underwriting services** – IMCO provides exclusive underwriting and distribution of the Fund's shares on a continuing best-efforts basis and receives no fee or other compensation for these services, but may receive 12b-1 fees as described above, with respect to Adviser Shares.

## **(7) TRANSACTIONS WITH AFFILIATES**

The Manager is indirectly wholly owned by USAA a large, diversified financial services institution. At March 31, 2019, USAA and its affiliates owned 377,000 Adviser Shares, which represents 64.6% of the Adviser Shares outstanding and 0.2% of the Fund's total outstanding shares.

Certain trustees and officers of the Fund are also directors, officers, and/or employees of the Manager. None of the affiliated trustees or Fund officers received any compensation from the Fund.

## **(8) UPCOMING REGULATORY MATTERS**

In October 2016, the U.S. Securities and Exchange Commission (SEC) issued Final Rule Release No. 33-10233, *Investment Company Liquidity Risk Management Programs* (Liquidity Rule). The Liquidity Rule requires funds to establish a liquidity risk management program and enhances disclosures regarding funds' liquidity. The requirements to implement a liquidity risk management program and establish a 15% illiquid investment limit became effective December 1, 2018. However, in February 2018, the SEC issued Release No. IC-33010, *Investment Company Liquidity Risk Management Programs; Commission Guidance for In-Kind ETFs*, which delayed certain requirements related to liquidity classification, highly liquid investment minimums, and board approval of the liquidity risk management programs to June 1, 2019. The Manager continues to evaluate the impact of this rule on the Fund's financial statements and various filings.

## **(9) RECENT ACCOUNTING PRONOUNCEMENTS**

In August 2018, the SEC adopted amendments to Regulation S-X for investment companies governing the form and content of financial statements. The amendments to Regulation S-X took effect on November 5, 2018, and the financial statements have been modified accordingly, for the current and prior periods.

### **ASU 2018-13, Fair Value Measurement**

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-13, Fair Value Measurement (Topic 820). The amendments in the ASU impact disclosure requirements for fair value measurement. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted and can include the entire standard or certain provisions that exclude or amend disclosures. Management has elected to early adopt ASU 2018-13 effective with the current reporting period. The adoption of ASU 2018-13 guidance is limited to changes in the Fund's notes to financial statement disclosures regarding valuation method, fair value, and transfers between levels of the fair value hierarchy.

### **ASU 2017-08, Premium Amortization of Purchased Callable Debt Securities**

In March 2017, the FASB issued ASU 2017-08, Premium Amortization of Purchased Callable Debt Securities. The amendments in the ASU shorten the premium amortization period on a purchased callable debt security from the security's contractual life to the earliest call date. ASU 2017-08 is effective for funds with fiscal years beginning after December 15, 2018. The Manager has determined the adoption of this standard will have no significant impact on the financial statements and reporting disclosures of the Fund.

## **(10) SUBSEQUENT EVENT**

As discussed in Note 1, a special shareholder meeting was held on April 18, 2019, at which shareholders of the Fund approved a new investment advisory agreement (the "New Advisory Agreement") between the Trust, on behalf of the Fund, and Victory Capital, an independent investment management company. The New Advisory Agreement will become effective upon the

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closing of the Transaction (as discussed in Note 1) whereby AMCO will be acquired by Victory Holdings, the parent company of Victory Capital. In addition, shareholders of the Fund also elected the following two new directors to the Board of the Trust to serve upon the closing of the Transaction: (1) David C. Brown, to serve as an Interested Trustee; and (2) John C. Walters, to serve as an Independent Trustee.

# FINANCIAL HIGHLIGHTS

## FUND SHARES

Per share operating performance for a share outstanding throughout each period is as follows:

	Year Ended March 31,				
	2019	2018	2017	2016	2015
Net asset value at beginning of period	\$ 13.21	\$ 13.25	\$ 13.73	\$ 13.78	\$ 13.45
Income (loss) from investment operations:					
Net investment income	.49	.51	.54	.58	.58
Net realized and unrealized gain (loss)	.07	(.03)	(.48)	(.05)	.32
Total from investment operations	.56	.48	.06	.53	.90
Less distributions from:					
Net investment income	(.49)	(.52)	(.54)	(.58)	(.57)
Net asset value at end of period	\$ 13.28	\$ 13.21	\$ 13.25	\$ 13.73	\$ 13.78
Total return (%)*	4.39	3.62	.41	3.94	6.79
Net assets at end of period (000)	\$2,362,819	\$2,358,955	\$2,343,165	\$2,421,551	\$2,386,904
Ratios to average daily net assets:**					
Expenses (%) <sup>(a)</sup>	.48	.47	.48 <sup>(b)</sup>	.51 <sup>(b)</sup>	.55 <sup>(b)</sup>
Net investment income (%)	3.73	3.83	3.97	4.23	4.22
Portfolio turnover (%)	13	14	15	6	7

\* Assumes reinvestment of all net investment income and realized capital gain distributions, if any, during the period. Includes adjustments in accordance with U.S. generally accepted accounting principles and could differ from the Lipper reported return. Total returns for periods of less than one year are not annualized.

\*\* For the year ended March 31, 2019, average daily net assets were \$2,319,312,000.

(a) Does not include acquired fund fees, if any.

(b) Reflects total annual operating expenses of the Fund Shares before reductions of any expenses paid indirectly. The Fund Shares' expenses paid indirectly decreased the expense ratio by less than 0.01%.

## ADVISER SHARES

Per share operating performance for a share outstanding throughout each period is as follows:

	Year Ended March 31,				
	2019	2018	2017	2016	2015
Net asset value at beginning of period	\$13.19	\$13.23	\$ 13.71	\$ 13.76	\$ 13.43
Income (loss) from investment operations:					
Net investment income	.46	.48	.49	.54	.54
Net realized and unrealized gain (loss)	.08	(.04)	(.48)	(.05)	.32
Total from investment operations	.54	.44	.01	.49	.86
Less distributions from:					
Net investment income	(.47)	(.48)	(.49)	(.54)	(.53)
Net asset value at end of period	\$13.26	\$13.19	\$ 13.23	\$ 13.71	\$ 13.76
Total return (%)*	4.16	3.36	.07	3.65	6.52
Net assets at end of period (000)	\$7,745	\$8,577	\$10,976	\$11,249	\$10,896
Ratios to average daily net assets:**					
Expenses (%) <sup>(a)</sup>	.70	.74 <sup>(b)</sup>	.80 <sup>(c)</sup>	.80 <sup>(c)</sup>	.81 <sup>(c),(d)</sup>
Expenses, excluding reimbursements (%) <sup>(a)</sup>	.94	.92	.87 <sup>(c)</sup>	.90 <sup>(c)</sup>	.99 <sup>(c)</sup>
Net investment income (%)	3.51	3.57	3.64	3.94	3.94
Portfolio turnover (%)	13	14	15	6	7

\* Assumes reinvestment of all net investment income and realized capital gain distributions, if any, during the period. Includes adjustments in accordance with U.S. generally accepted accounting principles and could differ from the Lipper reported return. Total returns for periods of less than one year are not annualized.

\*\* For the year ended March 31, 2019, average daily net assets were \$7,818,000.

- (a) Does not include acquired fund fees, if any.
- (b) Prior to August 1, 2017, the Manager voluntarily agreed to reimburse the Adviser Shares for expenses in excess of 0.80% of their annual average daily net assets.
- (c) Reflects total annual operating expenses of the Adviser Shares before reductions of any expenses paid indirectly. The Adviser Shares' expenses paid indirectly decreased the expense ratio by less than 0.01%.
- (d) Prior to August 1, 2014, the Manager voluntarily agreed to reimburse the Adviser Shares for expenses in excess of 0.85% of their annual average daily net assets.



# EXPENSE EXAMPLE

March 31, 2019 (unaudited)

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## EXAMPLE

As a shareholder of the Fund, you incur two types of costs: direct costs, such as wire fees, redemption fees, and low balance fees; and indirect costs, including management fees, transfer agency fees, distribution and service (12b-1) fees, and other Fund operating expenses. This example is intended to help you understand your indirect costs, also referred to as “ongoing costs” (in dollars), of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire six-month period of October 1, 2018, through March 31, 2019.

## ACTUAL EXPENSES

The line labeled “actual” under each share class in the table provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested at the beginning of the period, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number for your share class in the “actual” line under the heading “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

## HYPOTHETICAL EXAMPLE FOR COMPARISON PURPOSES

The line labeled “hypothetical” under each share class in the table provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratios for each class and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to

estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any direct costs, such as wire fees, redemption fees, or low balance fees. Therefore, the line labeled “hypothetical” is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these direct costs were included, your costs would have been higher.

	Beginning Account Value October 1, 2018	Ending Account Value March 31, 2019	Expenses Paid During Period* October 1, 2018 – March 31, 2019
<b>Fund Shares</b>			
Actual	\$1,000.00	\$1,038.70	\$2.44
Hypothetical (5% return before expenses)	1,000.00	1,022.54	2.42
<b>Adviser Shares</b>			
Actual	1,000.00	1,037.60	3.56
Hypothetical (5% return before expenses)	1,000.00	1,021.44	3.53

\*Expenses are equal to the annualized expense ratio of 0.48% for Fund Shares and 0.70% for Adviser Shares, which are net of any reimbursements and expenses paid indirectly, multiplied by the average account value over the period, multiplied by 182 days/365 days (to reflect the one-half-year period). The Fund’s actual ending account values are based on its actual total returns of 3.87% for Fund Shares and 3.76% for Adviser Shares for the six-month period of October 1, 2018, through March 31, 2019.

# ADVISORY AGREEMENT

March 31, 2019

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At an in-person meeting held on January 15, 2019, the USAA Mutual Funds Trust's ("Trust") Board of Trustees ("Board"), including those Trustees who are not parties to any investment advisory or management agreement between USAA Asset Management Company ("AMCO") and the Trust ("Existing Management Agreements") or the new Investment Advisory Agreement between the Trust and Victory Capital Management Inc. ("Victory Capital") (the "New Advisory Agreement") or "interested persons" (as that term is defined in the Investment Company Act of 1940 Act, as amended ("1940 Act")) of such parties or the Trust (the "Independent Trustees"), considered and unanimously approved the New Advisory Agreement between the Trust, on behalf of each of its series (each a "Fund" and together the "Funds"), and Victory Capital, and, as applicable, new Investment Subadvisory Agreements between Victory Capital and each investment subadviser ("New Subadvisory Agreements," and together with the New Advisory Agreement, the "New Agreements"), as listed below. The Board also determined to recommend that shareholders of each Fund approve the New Advisory Agreement. Shareholder approval is not required for the New Subadvisory Agreements. The Independent Trustees reviewed the proposed approval of the New Agreements in private sessions with their independent legal counsel at which no representatives of Victory Capital or AMCO were present.

## BACKGROUND FOR THE BOARD APPROVALS

At a telephonic meeting of the Board held on November 5, 2018, representatives of USAA and AMCO informed the Board that USAA's subsidiary, USAA Investment Corporation, would enter into a stock purchase agreement with Victory Capital Holdings, Inc. ("Victory Holdings") pursuant to which Victory Holdings would acquire all of the outstanding stock of AMCO and USAA Transfer Agency Company d/b/a USAA Shareholder Account Services ("USAA Transfer Agent") (the "Transaction"). The Independent Trustees were advised that the Transaction, if completed, would constitute

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an “assignment” (as that term is defined in Section 2(a)(4) of the 1940 Act) and result in the automatic termination of the Existing Management Agreements (“Change of Control Event”). The Independent Trustees also were advised that it was proposed that Victory Capital, a subsidiary of Victory Holdings, would serve as the investment adviser to each Fund after the closing of the Transaction (“Post-Transaction”) and that the Board would be asked to consider approval of the terms and conditions of the New Advisory Agreement with Victory Capital and thereafter to submit the New Advisory Agreement to each Fund’s shareholders for approval. Because the Change of Control Event also would result in the termination of each existing subadvisory agreement between AMCO and the subadvisers to the Funds (“Existing Subadvisory Agreements”), the Independent Trustees were advised that the Board would also be asked to approve the New Subadvisory Agreements.

In anticipation of the Transaction, the Trustees met at a series of subsequent in-person meetings on November 27-28, 2018, January 7-8, 2019, and January 14-15, 2019, which included meetings of the full Board and separate meetings of the Independent Trustees for the purposes of considering, among other things: whether it would be in the best interests of each Fund and its respective shareholders to approve the New Agreements; and the anticipated impacts of the Transaction on the Funds and their shareholders (each, a “Meeting”). During each of these Meetings, the Board sought additional and clarifying information as it deemed necessary or appropriate. In this connection, the Independent Trustees worked with their independent legal counsel to prepare formal due diligence requests (the “Diligence Requests”) that were submitted to Victory Capital, Victory Capital Advisers, Inc. (“VCA”), and the subadvisers. The Diligence Requests sought information relevant to the Board’s consideration of the New Advisory Agreement, the New Subadvisory Agreements, distribution arrangements, and other anticipated impacts of the Transaction on the Funds and their shareholders. Victory Capital, VCA, and the subadvisers provided documents and information in response to the Diligence Requests (the “Response Materials”). Following their review of the Response Materials, the Independent Trustees submitted a supplemental due diligence request for additional and clarifying information (the “Supplemental Diligence Request”) to Victory Capital and VCA. Victory

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Capital and VCA provided further information in response to the Supplemental Diligence Request, which the Board reviewed. Senior management representatives of Victory Capital and/or AMCO participated in a portion of each Meeting and addressed various questions raised by the Board. Throughout the process, the Independent Trustees were assisted by their independent legal counsel and counsel to the Funds, who advised them on, among other things, their duties and obligations relating to their consideration of the New Agreements.

The Board's evaluation of the New Agreements reflected the information provided specifically in connection with its review of the New Agreements, as well as, where relevant, information that was previously furnished to the Board in connection with the most recent renewal of the Existing Management Agreements and Existing Subadvisory Agreements at an in-person meeting of the Board on April 18, 2018 (the "2018 15(c) Meeting") and at other subsequent Board meetings in 2018. The Board's evaluation of the New Agreements also reflected the knowledge gained as Board members of the Funds with respect to services provided by AMCO, its affiliates, and each subadviser to the Funds.

The Board's approvals and recommendations were based on its determination, within its business judgment, that it would be in the best interests of each Fund and its respective shareholders, for Victory Capital and, as applicable, the subadvisers, to provide investment advisory, investment subadvisory, and related services to the Funds, following the closing of the Transaction.

## **FACTORS CONSIDERED IN APPROVING THE NEW ADVISORY AGREEMENT**

In connection with the Board's consideration of the New Advisory Agreement, Victory Capital and AMCO advised the Board about a variety of matters, including the following:

- The nature, extent, and quality of the services to be provided to the Funds by Victory Capital Post-Transaction are expected to be of at least the same level as the services currently provided to the Funds by AMCO.

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- Victory Capital's stated commitment to maintaining and enhancing the USAA member/USAA Fund shareholder experience, including creating a dedicated USAA Fund sales and client service call center that will provide ongoing client service and advice to existing and new USAA members.
  - Victory Capital proposes to: (1) replace the underlying indexes for the USAA Extended Market Index Fund and USAA S&P 500 Index Fund with indexes designed to provide shareholders with comparable exposure and investment outcomes; (2) change the USAA Extended Market Index Fund's and USAA S&P 500 Index Fund's investment objectives and strategies in light of the changes to their underlying indexes; and (3) change the name of the USAA S&P 500 Index Fund to the USAA 500 Index Fund.
  - Victory Capital does not propose changes to the investment objective(s) of any other Funds. Although the investment processes used by Victory Capital's portfolio managers may differ from those used by AMCO's portfolio managers or, if applicable, any subadviser's portfolio managers, such differences are not currently expected to result in changes to the principal investment strategies or principal investment risks of the Funds.
  - The New Advisory Agreement does not change any Fund's advisory fee rate or the computation method for calculating such fees (except that Victory Capital, subject to Board approval, may in the future use a single designated share class to calculate the performance adjustment). For at least two years after the Transaction closes, Victory Capital has agreed to waive fees and/or reimburse expenses so that each Fund's annual expense ratio (excluding certain customary items) does not exceed the levels reflected in each Fund's most recent audited financial statements at the time the Transaction closes (or the levels of AMCO's then-current expense caps, if applicable), excluding the impact of any performance adjustment to the Fund's advisory fee.

- The portfolio managers at AMCO that manage the Fixed Income Funds<sup>1</sup> as well as the USAA's Global Multi-Asset team servicing the Cornerstone Funds<sup>2</sup>, Target Retirement Funds<sup>3</sup>, Global Managed Volatility Fund, Managed Allocation Fund, and Target Managed Allocation Fund, are expected to continue to do so Post-Transaction as employees of Victory Capital, if they choose to become employees of Victory Capital. Post-Transaction, the investment teams for the Funds, other than the Fixed Income Funds, will be replaced or augmented.
- With the exception of the USAA S&P 500 Index Fund, USAA Extended Market Index Fund, and USAA Nasdaq-100 Index Fund, which will be advised by Victory Capital through its Victory Solutions platform, Victory Capital proposes that the same subadvisers be retained Post-Transaction, although Victory Capital may change the allocation to a particular subadviser Post-Transaction. No changes are expected to the portfolio managers of the subadvisers who will serve as subadvisers Post-Transaction.
- VCA's distribution capabilities, including its significant network of intermediary relationships, which may provide additional opportunities for the Funds to grow assets and lower fees and expenses through increased economies of scale.
- The experience of Victory Capital in acquiring and integrating investments in investment management companies and its plans to transition and integrate AMCO's and USAA Transfer Agent's

<sup>1</sup>The Fixed Income Funds include the following Funds: California Bond Fund, Government Securities Fund, High Income Fund, Income Fund, Intermediate-Term Bond Fund, Tax Exempt Intermediate-Term Fund, Tax Exempt Long-Term Fund, New York Bond Fund, Short-Term Bond Fund, Tax Exempt Short-Term Fund, Ultra Short-Term Bond Fund, Virginia Bond Fund, Money Market Fund, Tax Exempt Money Market Fund and Treasury Money Market Trust.

<sup>2</sup>The Cornerstone Funds include the following Funds: Cornerstone Aggressive Fund, Cornerstone Conservative Fund, Cornerstone Equity Fund, Cornerstone Moderate Fund, Cornerstone Moderately Aggressive Fund, and Cornerstone Moderately Conservative Fund.

<sup>3</sup>The Target Retirement Funds include the following Funds: Target Retirement 2020 Fund, Target Retirement 2030 Fund, Target Retirement 2040 Fund, Target Retirement 2050 Fund, Target Retirement 2060 Fund, and Target Retirement Income Fund.

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businesses to Victory Capital. Victory Capital and USAA expect to enter into a transition services agreement under which USAA will continue to provide Victory Capital with certain services that are currently provided by USAA to AMCO and the USAA Transfer Agent for a specified period of time after the closing of the Transaction to assist Victory Capital in transitioning the USAA member distribution channel and member support services.

- Pursuant to a transitional trademark license agreement with USAA, Victory Capital and the Funds will have a non-exclusive license, subject to certain restrictions and limitations, to continue using certain licensed marks including “USAA,” “United Services Automobile Association,” and the USAA Logo in connection with their asset management and transfer agency businesses for a period of three years following the closing of the Transaction, which agreement may thereafter be extended for an additional year.
- The support expressed by the current senior management team at AMCO for the Transaction and AMCO’s recommendation that the Board approve the New Agreements.
- The commitments of Victory Capital and AMCO to bear all of the direct expenses of the Transaction, including all legal costs and costs associated with the proxy solicitation, regardless of whether the Transaction is consummated.

In addition to the matters noted above, in their deliberations regarding approval of the New Advisory Agreement, the Board considered the factors discussed below, among others.

**The nature, extent, and quality of services expected to be provided by Victory Capital** – The Board considered information provided by Victory Capital regarding its investment philosophy, investment management capabilities, business and operating structure, scale of operations, leadership and reputation, distribution capabilities, and financial condition. The Board also considered the capabilities, resources, and personnel of Victory Capital, including senior and other personnel of AMCO who had been extended offers to join Victory Capital, in order to determine whether Victory Capital



is capable of providing the same level of investment management services currently provided to each Fund, and also considered the transition and integration plans to move management of the Funds to Victory Capital. The Board recognized that the AMCO personnel who had been extended offers may not accept such offers and personnel changes may occur in the future in the ordinary course. The Board considered the resources and infrastructure that Victory Capital intends to devote to its compliance program to ensure compliance with applicable laws and regulations, as well as Victory Capital's commitment to those programs. The Board also considered the resources that Victory Capital has devoted to its risk management program and cybersecurity program. The Board also reviewed information provided by Victory Capital related to its business, legal, and regulatory affairs. This review considered the resources available to Victory Capital to provide the services specified under the New Advisory Agreement. The Board considered Victory Capital's financial condition, including the financing of the Transaction, and noted that Victory Capital is expected to be able to provide a high level of service to the Funds and continuously invest and re-invest in its business.

The Board considered that, while it was proposed that Victory Capital would become the investment adviser to the Funds, the same portfolio managers at AMCO that manage the Fixed Income Funds, as well as USAA's Global Multi-Asset team servicing the Cornerstone Funds, Target Retirement Funds (including Target Managed Allocation Fund), Global Managed Volatility Fund, and Managed Allocation Fund, are expected to continue to do so after the Transaction as employees of Victory Capital, if they choose to become employees of Victory Capital. The Board determined that it had considered the qualifications of the portfolio managers at AMCO and the subadvisers at its 2018 15(c) Meeting. The Board considered the professional experience, education, affiliations and/or other credentials or qualifications of the anticipated portfolio managers at Victory Capital that would manage the Equity Funds<sup>4</sup>, Cornerstone Funds, and Target Retirement Funds. The Board noted that the Equity Funds or portions of Equity Funds currently managed by AMCO would be replaced with portfolio managers from Victory Capital.

<sup>4</sup>The Equity Funds include the following Funds: Aggressive Growth Fund, Growth & Income Fund, Income Stock Fund, Global Equity Income Fund, and Precious Metals and Minerals Fund.

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The Board considered that certain Funds would continue to operate in a manager-of-managers structure Post-Transaction. The Board considered that Victory Capital’s experience in allocating assets to, and overseeing the advisory services of, its investment franchises and the Victory Solutions platform, was similar to AMCO’s role in allocating assets to and overseeing the advisory services provided by the subadvisers.

The Board considered that the terms and conditions of the New Advisory Agreement are substantially similar to the terms and conditions of the Existing Management Agreements. The Board also considered that the New Subadvisory Agreements are substantially similar to the terms and conditions of the Existing Subadvisory Agreements and that no changes were proposed to the allocation of responsibilities as between Victory Capital and any subadviser, except to the extent that under the New Subadvisory Agreements each subadviser would be responsible for voting proxies with respect to assets allocated to that subadviser, while AMCO currently votes all Fund proxies. The Board considered that Victory Capital also would provide certain administrative, fund accounting, and shareholder servicing services under a separate administration agreement with the Funds. In this connection, the Board considered information on Victory Capital’s use of third-party service providers to provide certain sub-administration and sub-accounting services to the Funds.

After review of these and other considerations, the Board concluded that Victory Capital will be capable of providing investment advisory services of the same high quality as the investment advisory services provided to the Funds by AMCO, and that these services are appropriate in nature and extent in light of the Funds’ operations and investor needs.

**Performance of the Funds** – With respect to the performance of the Funds, the Board considered its review at the 2018 15(c) Meeting of peer group and benchmark investment performance comparison data relating to each Fund and, if applicable, each subadviser’s performance record for similar accounts. The Board considered that information reviewed at the 2018 15(c) Meeting may be more relevant for those Funds that would retain their current portfolio managers or subadvisers. With respect to the Funds whose portfolio managers would be replaced, the Board considered the performance of funds sponsored and managed by Victory Capital (“Victory Funds”) with similar investment

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objectives and strategies managed by the portfolio managers who would manage the Funds. Based on information presented to the Board at the Meetings and its discussions with Victory Capital, the Board concluded that Victory Capital is capable of generating a level of long-term investment performance that is appropriate in light of each Fund's investment objectives, strategies and restrictions.

**Fees to be paid to Victory Capital and expenses of the Funds** – The Board considered that it had reviewed each Fund's existing advisory fee rate and computation method for calculating such fees at the 2018 15(c) Meeting. The Board considered that the New Advisory Agreement does not change any Fund's advisory fee rate or the computation method for calculating such fees, except that Victory Capital, subject to Board approval, may in the future use a single designated share class to calculate the performance adjustment and apply the resulting performance adjustment across each other class of shares of the Fund. The Board considered that the use of a single designated class to calculate the performance adjustment for each other class of shares of the Fund could mean that shareholders of a class other than the class used to measure the performance adjustment may pay a performance adjustment that is higher or lower than if the adjustment were calculated on a class by class basis, primarily due to the impact of differences in the fees and expenses between share classes on performance. The Board considered that the New Advisory Agreement stipulates that the period for measuring performance for calculating a Fund's performance adjustment begins on the date that Victory Capital begins managing the Fund; therefore, no performance adjustments will be made for the first twelve months of the New Advisory Agreement, consistent with applicable regulations. The Board also considered Victory Capital's contractual commitment under the expense limitation agreement ("ELA") to waive fees and/or reimburse expenses for at least two years after the closing of the Transaction, so that each Fund's annual expense ratio (excluding acquired fund fees and expenses, any performance adjustment to a Fund's advisory fee, interest, taxes, brokerage commissions, other expenditures which are capitalized in accordance with generally accepted accounting principles, and other extraordinary expenses not incurred in the ordinary course of such Fund's business) does not exceed the levels reflected in each Fund's most recent audited financial statements at the time the

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Transaction closes (or the levels of AMCO’s then-current expense caps, if applicable), excluding the impact of any performance adjustment to a Fund’s advisory fee. The Board considered that the ELA permits Victory Capital to recoup advisory fees waived and expenses reimbursed for up to three years after the fiscal year in which the waiver or reimbursement took place, subject to the lesser of any operating expense limitation in effect at the time of: (1) the original waiver or expense reimbursement; or (2) recoupment. The Board also considered that Victory Capital and AMCO had represented to the Board that they will use their best efforts to ensure that they and their respective affiliates do not take any action that imposes an “unfair burden” on the Funds as a result of the Transaction or as a result of any express or implied terms, conditions or understandings applicable to the Change of Control Event, for so long as the requirements of Section 15(f) of the 1940 Act apply. The Board also considered a comparison of the proposed advisory fees to be paid by each Fund to the advisory fees paid by funds and other accounts managed by Victory Capital deemed to be comparable to the Fund in terms of investment objectives and strategies. The Board considered that, with few exceptions, mostly involving weighted average fees for separate accounts, the advisory fees to be paid by the Funds were lower than the fees paid by these other funds and accounts. The Board concluded that the retention of Victory Capital was unlikely to impose an unfair burden on the Funds because, after the Transaction, none of AMCO, Victory Capital, VCA, or any of their respective affiliates, would be entitled to receive any compensation directly or indirectly (i) from any person in connection with the purchase or sale of securities or other property to, from, or on behalf of the Funds (other than ordinary fees for bona fide principal underwriting services), or (ii) from the Funds or their shareholders for other than bona fide investment advisory or other services. Based on its review, the Board determined, with respect to each Fund, that Victory Capital’s advisory fee is fair and reasonable.

**The extent to which Victory Capital may realize economies of scale as the Funds grow larger and whether fee levels reflect these economies of scale for the benefit of Fund shareholders** – The Board considered potential or anticipated economies of scale in relation to the services Victory Capital would provide to each Fund. The Board considered that the New Advisory Agreement includes the same advisory fee breakpoints for the same Funds as

the Existing Advisory Agreements. The Board also considered that Victory Capital has contractually agreed to cap the Funds' annual operating expense ratios, pursuant to the ELA, which will remain in effect for at least two years from the closing of the Transaction, and may be extended. The Board also considered Victory Capital's representation that the significant increase in its assets under management Post-Transaction may reasonably be expected to enable the new combined firm to reach greater economies of scale in a shorter time frame. The Board noted that it will have the opportunity to periodically re-examine whether a Fund or the Trust has achieved economies of scale, and the appropriateness of investment advisory and administrative fees payable to Victory Capital, in the future.

**The profits to be realized by Victory Capital and its affiliates from their relationship with the Trust** – The Board considered the benefits Victory Capital and its affiliates may derive from their relationship with the Funds, including compensation to be paid to Victory Capital for the provision of certain administrative, fund accounting and shareholder services to the Funds and compensation to be paid to USAA Transfer Agent for the provision of transfer agency services to the Funds. The Board considered the significant investments Victory Capital expected to make to support and grow the USAA member channel and the costs to integrate the USAA Fund business into Victory Capital. The Board also considered Victory Capital's profitability report presented to the board of trustees of the Victory Funds in connection with their most recent 15(c) process. The Board considered Victory Capital's representation that the fully integrated USAA Fund business, including investments to support ongoing growth, was expected to have an overall marginally positive impact on Victory Capital's overall financial profitability. The Board noted the difficulty of accurately projecting profitability under the current circumstance and noted that it would have the opportunity to give further consideration to Victory Capital's profitability with respect to the Funds at the end of the initial two-year term of the New Advisory Agreement.

**Fall-Out and other benefits to Victory Capital and its affiliates** – The Board considered the possible fall-out benefits and other types of benefits that may accrue to Victory Capital and its affiliates. The Board noted that the Transaction provides Victory Capital and its affiliates the opportunity to

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deliver investment products and services to USAA's direct member-based channel. The Board also considered that Victory Capital may derive reputational and other benefits from its ability to use "USAA" and related names in connection with operating and marketing the Funds. The Board considered that the Transaction, if completed, would significantly increase Victory Capital's assets under management and expand Victory Capital's investment capabilities. This increased size and diversification could facilitate Victory Capital's continued investment in its business and products, which Victory Capital would be able to leverage across a broader base of assets. Victory Capital also would be able to use trading commission credits from the Funds' transactions in securities to "purchase" third party research and execution services to support its investment process. Based on its review, the Board determined that any "fall-out" benefits and other types of benefits that may accrue to Victory Capital are fair and reasonable.

**Conclusions** – Based on the foregoing and other relevant considerations, at the Meeting of the Board held on January 15, 2019, the Board, including a majority of the Independent Trustees, acting within its business judgment, (1) concluded that the terms of the New Advisory Agreement are fair and reasonable and that approval of the New Advisory Agreement is in the best interests of each Fund and its respective shareholders, (2) voted to approve the New Advisory Agreement, and (3) voted to recommend approval of the New Advisory Agreement by shareholders of the Funds. The Board evaluated all information available to it on a Fund-by-Fund basis and its determinations were made separately in respect of each Fund. The Board noted some factors may have been more or less important with respect to any particular Fund and that no one factor was determinative of its decisions which, instead, were premised upon the totality of factors considered. In this connection, the Board also noted that different Board members likely placed emphasis on different factors in reaching their individual conclusions to vote in favor of the New Advisory Agreement and to recommend approval of the New Advisory Agreement by shareholders of the Funds.

# TRUSTEES' AND OFFICERS' INFORMATION

## TRUSTEES AND OFFICERS OF THE TRUST

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The Board of Trustees (the Board) of the Trust consists of eight Trustees. These Trustees and the Trust's Officers supervise the business affairs of the USAA family of funds. The Board is responsible for the general oversight of the funds' business and for assuring that the funds are managed in the best interests of each fund's respective shareholders. The Board periodically reviews the funds' investment performance as well as the quality of other services provided to the funds and their shareholders by each of the fund's service providers, including USAA Asset Management Company (AMCO) and its affiliates. Pursuant to a policy adopted by the Board, the term of office for each Trustee shall be until the Trustee reaches age 75. The Board may change or grant exceptions from this policy at any time without shareholder approval. A Trustee may resign or be removed by a vote of two-thirds of the Trustees before the removal or by the holders of two-thirds of the outstanding shares of the Trust at any time. Vacancies on the Board can be filled by the action of a majority of the Trustees, provided that after filling such vacancy at least two-thirds of the Trustees have been elected by the shareholders.

Set forth below are the Trustees and Officers of the Trust, their respective offices and principal occupations during the last five years, length of time served, and information relating to any other directorships held. Each serves on the Boards of the USAA family of funds consisting of two registered investment companies which, together, offer 53 individual funds. Unless otherwise indicated, the business address for each is P.O. Box 659430, San Antonio, TX 78265-9430.

If you would like more information about the funds' Trustees, you may call (800) 531-USAA (8722) or (210) 531-8722 to request a free copy of the funds' Statement of Additional Information (SAI).

## **INTERESTED TRUSTEE<sup>1</sup>**

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### **Daniel S. McNamara<sup>2,4,6</sup>**

Trustee, President, and Vice Chair of the Board of Trustees

Born: June 1966

Year of Election or Appointment: 2012

Trustee, President, and Vice Chairman, USAA ETF Trust (06/17–present); President of Financial Advice & Solutions Group (FASG), USAA (02/13–present); Director of USAA Asset Management Company (AMCO), (08/11–present); Director of USAA Investment Management Company (IMCO) (09/09–present); President, IMCO (09/09–04/14); President and Director of USAA Shareholder Account Services (SAS) (10/09–present); Senior Vice President of USAA Financial Planning Services Insurance Agency, Inc. (FPS) (04/11–present); Director of FPS (12/13–present); President and Director of USAA Investment Corporation (ICORP) (03/10–present); Director of USAA Financial Advisors, Inc. (FAI) (12/13–present). Mr. McNamara brings to the Board extensive experience in the financial services industry, including experience as an officer of the Trust.



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## NON-INTERESTED (INDEPENDENT) TRUSTEES

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**Robert L. Mason, Ph.D.**<sup>2, 3, 4, 5, 6, 7</sup>

Trustee and Chair of the Board of Trustees

Born: July 1946

Year of Election or Appointment: 1997†

Trustee, USAA ETF Trust (06/17–present); Adjunct Professor in the Department of Management Science and Statistics in the College of Business at the University of Texas at San Antonio (2001–present); Institute Analyst, Southwest Research Institute (03/02–01/16), which focuses on providing innovative technology, science, and engineering services to clients around the world and is one of the oldest independent, nonprofit, applied research and development organizations in the United States. He was employed at Southwest Research Institute for 40 years. Dr. Mason brings to the Board particular experience with information technology matters, statistical analysis, and human resources as well as over 22 years' experience as a Board member of the USAA family of funds. Dr. Mason holds no other directorships of any publicly held corporations or other investment companies outside the USAA family of funds.

**Jefferson C. Boyce**<sup>3, 4, 5, 6, 7</sup>

Trustee

Born: September 1957

Year of Election or Appointment: 2013

Trustee, USAA ETF Trust (06/17–present); Senior Managing Director, New York Life Investments, LLC (1992–2012), an investment manager. Mr. Boyce brings to the Board experience in financial investment management, and, in particular, institutional and retail mutual funds, variable annuity products, broker dealers, and retirement programs, including experience in organizational development, marketing, product development, and money management as well as five years' experience as a Board member of the USAA family of funds. Mr. Boyce is a board member of Westhab, Inc.

**Dawn M. Hawley**<sup>3, 4, 5, 6, 7, 9</sup>

Trustee

Born: February 1954

Year of Election or Appointment: 2014

Trustee, USAA ETF Trust (06/17–present); Manager of Finance, Menil Foundation, Inc. (05/07–06/11), which is a private foundation that oversees the assemblage of sculptures, prints, drawings, photographs, and rare books. Director of Financial Planning and Analysis and Chief Financial Officer, AIM Management Group, Inc. (10/87–01/06). Ms. Hawley brings to the Board experience in financial investment management and, in particular, institutional and retail mutual funds, variable annuity products, broker dealers, and retirement programs, including experience in financial planning, budgeting, accounting practices, and asset/liability management functions including major acquisitions and mergers, as well as over four years' experience as a Board member of the USAA family of funds. Ms. Hawley holds no other directorships of any publicly held corporations or other investment companies outside the USAA family of funds.

**Paul L. McNamara**<sup>3, 4, 5, 6, 7</sup>

Trustee

Born: July 1948

Year of Election or Appointment: 2012

Trustee, USAA ETF Trust (06/17–present); Director, Cantor Opportunistic Alternatives Fund, LLC (03/10–02/14), which is a closed-end fund of funds by Cantor Fitzgerald Investment Advisors, LLC. Mr. McNamara retired from Lord Abbett & Co. LLC, an independent U.S. investment management firm, as an Executive Member on 09/30/09, a position he held since 10/02. He had been employed at Lord Abbett since 1996. Mr. McNamara brings to the Board extensive experience with the financial services industry and, in particular, institutional and retail mutual fund markets, including experience with mutual fund marketing, distribution, and risk management, as well as overall experience with compliance and corporate governance issues. Mr. McNamara also has experience serving as a fund director as well as seven years' experience as a Board member of the USAA family of funds. Paul L. McNamara is of no relation to Daniel S. McNamara. Mr. McNamara holds no other directorships of any publicly held corporations or other investment companies outside the USAA family of funds.

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**Richard Y. Newton III**<sup>3,4,5,6,7</sup>

Trustee

Born: January 1956

Year of Election or Appointment: 2017

Trustee, USAA ETF Trust (06/17–present); Director, Elta North America (01/18–present), which is a global leader in the design, manufacture and support of innovative electronic systems in the ground, maritime, airborne, and security domains for the nation’s warfighters, security personnel, and first responders; Managing Partner, Pioneer Partnership Development Group (12/15–present); Executive Director, The Union League Club of New York (06/14–11/15); Executive Vice President, Air Force Association (08/12–05/14); Lieutenant General, United States Air Force (01/08–06/12). Lieutenant General Newton (Ret.) served 34 years of active duty in the United States Air Force. Lt. Gen. Newton retired as the Assistant Vice Chief of Staff and Director of Air Staff at the Headquarters of the U.S. Air Force where he was responsible for overseeing the administration and organization of the Air Staff, which develops policies, plans and programs, establishes requirements, and provides resources to support the Air Force’s mission. Lt. Gen. Newton is a graduate of the United States Air Force Academy, Webster University, and The National War College. Lt. Gen. Newton brings to the Board extensive management and military experience, as well as one year of experience as a Board member of the USAA family of funds. Lt. Gen. Newton holds no other directorships of any publicly held corporations or other investment companies outside the USAA family of funds.

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**Barbara B. Ostdiek, Ph.D.**<sup>3,4,5,6,7,8</sup>

Trustee

Born: March 1964

Year of Election or Appointment: 2008

Trustee, USAA ETF Trust (06/17–present); Senior Associate Dean of Degree programs at Jesse H. Jones Graduate School of Business at Rice University (07/13–present); Associate Professor of Finance at Jesse H. Jones Graduate School of Business at Rice University (07/01–present); Academic Director, El Paso Corporation Finance Center at Jesse H. Jones Graduate School of Business at Rice University (07/02–06/12). Dr. Ostdiek brings to the Board particular experience with financial investment management, education, and research as well as over eleven years' experience as a Board member of the USAA family of funds. Dr. Ostdiek holds no other directorships of any publicly held corporations or other investment companies outside the USAA family of funds.

**Michael F. Reimherr**<sup>3,4,5,6,7</sup>

Trustee

Born: August 1945

Year of Election or Appointment: 2000

Trustee, USAA ETF Trust (06/17–present); President of Reimherr Business Consulting performing business valuations of medium to large companies; developing business plans, budgets, and internal financial reporting; and work with mergers and acquisitions (05/95–12/17). St. Mary’s University Investment Committee overseeing University Endowment (06/14–present). Mr. Reimherr brings to the Board particular experience with organizational development, budgeting, finance, capital markets, and mergers and acquisitions, as well as over 19 years’ experience as a Board member of the USAA family of funds. Mr. Reimherr holds no other directorships of any publicly held corporations or other investment companies outside the USAA family of funds.

<sup>1</sup> Indicates the Trustee is an employee of AMCO or affiliated companies and is considered an “interested person” under the Investment Company Act of 1940.

<sup>2</sup> Member of Executive Committee.

<sup>3</sup> Member of Audit and Compliance Committee.

<sup>4</sup> Member of Product Management and Distribution Committee.

<sup>5</sup> Member of Corporate Governance Committee.

<sup>6</sup> Member of Investments Committee.

<sup>7</sup> The address for all non-interested trustees is that of the USAA Funds, P.O. Box 659430, San Antonio, TX 78265-9430.

<sup>8</sup> Dr. Ostdiek has been designated as an Audit and Compliance Committee Financial Expert by the Funds’ Board.

<sup>9</sup> Ms. Hawley has been designated as an Audit and Compliance Committee Financial Expert by the Funds’ Board.

† Dr. Mason was elected as Chair of the Board in January 2012.

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## **INTERESTED OFFICERS<sup>1</sup>**

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**John C. Spear**

Vice President

Born: May 1964

Year of Appointment: 2016

Vice President, USAA ETF Trust (06/17–present); Senior Vice President and Chief Investment Officer, USAA Investments, (03/17–present); Vice President and Chief Investment Officer, USAA Investments, (11/16–03/17); Vice President, Long Term Fixed Income (05/12–11/16).

**John P. Toohey**

Vice President

Born: March 1968

Year of Appointment: 2009

Vice President, USAA ETF Trust (06/17–present); Head of Equities, Equity Investments, AMCO (01/12–present).

**Kristen Millan**

Secretary

Born: April 1983

Year of Appointment: 2019

Secretary, USAA ETF Trust (04/19–present); Senior Attorney, FASG General Counsel, USAA (09/17–present); Attorney, FASG General Counsel, USAA (06/13–09/17). Ms. Millan also serves as Assistant Secretary of AMCO, ICORP, and SAS.

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**James K. De Vries**

Treasurer

Born: April 1969

Year of Appointment: 2018

Treasurer, USAA ETF Trust (09/18–present); Executive Director, Investment and Financial Administration, USAA (04/12–present); Assistant Treasurer, USAA ETF Trust (06/17–09/18); Assistant Treasurer, USAA Mutual Funds Trust (12/13–02/18). Mr. De Vries also serves as the Funds’ Principal Financial Officer.

**Carol D. Trevino**

Assistant Treasurer

Born: October 1965

Year of Appointment: 2018

Assistant Treasurer, USAA ETF Trust (09/18–present); Accounting/Financial Director, USAA (12/13–present); Senior Accounting Analyst, USAA (03/11–12/13).

**Stephanie A. Higby**

Chief Compliance Officer

Born: July 1974

Year of Appointment: 2013

Chief Compliance Officer, USAA ETF Trust (06/17–present); Assistant Vice President, Compliance-Investments, USAA (02/18–present); Assistant Vice President, Compliance Mutual Funds, USAA (12/16–01/18); Executive Director, Institutional Asset Management Compliance, USAA (04/13–12/16). Ms. Higby also serves as the Funds’ anti-money laundering compliance officer and as the Chief Compliance Officer for AMCO and IMCO.

<sup>1</sup> Indicates those Officers who are employees of AMCO or affiliated companies and are considered “interested persons” under the Investment Company Act of 1940.

<b>Trustees</b>	Daniel S. McNamara Robert L. Mason, Ph.D. Jefferson C. Boyce Dawn M. Hawley Paul L. McNamara Richard Y. Newton III Barbara B. Ostdiek, Ph.D. Michael F. Reimherr
<b>Administrator and Investment Adviser</b>	USAA Asset Management Company P.O. Box 659453 San Antonio, Texas 78265-9825
<b>Underwriter and Distributor</b>	USAA Investment Management Company P.O. Box 659453 San Antonio, Texas 78265-9825
<b>Transfer Agent</b>	USAA Shareholder Account Services 9800 Fredericksburg Road San Antonio, Texas 78288
<b>Custodian, Accounting Agent, and Sub-Administrator</b>	State Street Bank and Trust Company P.O. Box 1713 Boston, Massachusetts 02105
<b>Independent Registered Public Accounting Firm</b>	Ernst & Young LLP 100 West Houston St., Suite 1700 San Antonio, Texas 78205

Copies of the Manager's proxy voting policies and procedures, approved by the Trust's Board of Trustees for use in voting proxies on behalf of the Fund, are available without charge (i) by calling (800) 531-USAA (8722) or (210) 531-8722; (ii) at [usaa.com](http://usaa.com); and (iii) in summary within the Statement of Additional Information on the SEC's website at <http://www.sec.gov>. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge (i) at [usaa.com](http://usaa.com); and (ii) on the SEC's website at <http://www.sec.gov>.

The Fund files its complete schedule of monthly portfolio holdings with the SEC for the first and third quarters of each fiscal year as an exhibit to its reports on Form N-PORT (beginning with filings after March 31, 2019). Previously, the Fund made its complete schedule of portfolio holdings available after the first and third fiscal quarters in regulatory filings on Form N-Q. The Fund's Forms N-CSR, N-PORT, and N-Q are available at no charge (i) by calling (800) 531-USAA (8722) or (210) 531-8722; (ii) at [usaa.com](http://usaa.com); and (iii) on the SEC's website at <http://www.sec.gov>.