



PROSPECTUS
USAA TAX EXEMPT FUNDS
AUGUST 1, 2014

- Tax Exempt Long-Term Fund**
Fund Shares (USTEX) ■ Adviser Shares (UTELX)
- Tax Exempt Intermediate-Term Fund**
Fund Shares (USATX) ■ Adviser Shares (UTEIX)
- Tax Exempt Short-Term Fund**
Fund Shares (USSTX) ■ Adviser Shares (UTESX)
- Tax Exempt Money Market Fund (USEXX)**

The Adviser Shares listed in this prospectus are available for purchase generally through financial intermediaries by investors who seek advice from them.

The Securities and Exchange Commission has not approved or disapproved these Funds' shares or determined whether this prospectus is accurate or complete. Anyone who tells you otherwise is committing a crime.

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INVESTMENT OBJECTIVE

The **USAA Tax Exempt Long-Term Fund** (the Fund) provides investors with interest income that is exempt from federal income tax.

FEES AND EXPENSES

The tables below describe the fees and expenses that you may pay, directly and indirectly, to invest in the Fund. The annual fund operating expenses are based on expenses incurred during the Fund's most recently completed fiscal year.

Shareholder Fees

(fees paid directly from your investment)

	Fund Shares	Adviser Shares
Redemption Fee (on shares held less than 60 days)	None	1.00%

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Fund Shares	Adviser Shares
Management Fee (fluctuates based on the Fund's performance relative to a securities market index)	0.33%	0.32%
Distribution and/or Service (12b-1) Fees	None	0.25%
Other Expenses	0.21%	0.50%
Total Annual Operating Expenses	0.54%	1.07%
Reimbursement From Adviser	N/A	(0.27%) ^(a)
Total Annual Operating Expenses After Reimbursement	0.54%	0.80%

(a) The Adviser has agreed, through August 1, 2015, to make payments or waive management, administration, and other fees to limit the expenses of the Adviser Shares so that the total annual operating expenses (exclusive of commission recapture, expense offset arrangements, acquired fund fees and expenses, and extraordinary expenses) do not exceed an annual rate of 0.80% of the Adviser Shares' average daily net assets. This arrangement may not be changed or terminated during this time period without approval of the Fund's Board of Trustees and may be changed or terminated by the Adviser at any time after August 1, 2015.

Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds. Although your actual costs may be higher or lower, you would pay the following expenses on a \$10,000 investment, assuming (1) a 5% annual return, (2) the Fund's operating expenses remain the same, (3) you redeem all of your shares at the end of the periods shown, and (4) the expense limitation arrangement for the Adviser Shares is not continued.

	1 Year	3 Years	5 Years	10 Years
Fund Shares	\$55	\$173	\$302	\$677
Adviser Shares	\$109	\$340	\$590	\$1,306

Portfolio Turnover

The Fund pays transaction costs, including commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when shares of the Fund are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance.

For the most recent fiscal year, the Fund's portfolio turnover rate was 7% of the average value of its whole portfolio.

PRINCIPAL INVESTMENT STRATEGY

The Fund invests primarily in investment-grade securities the interest from which is exempt from federal income tax (referred to herein as "tax-exempt securities"). During normal market conditions, at least 80% of the Fund's net assets will consist of tax-exempt securities. The Fund's dollar-weighted average portfolio maturity is 10 years or more.

PRINCIPAL RISKS

Any investment involves risk, and there is no assurance that the Fund's objective will be achieved. The Fund is actively managed and the investment techniques and risk analyses used by the Fund's manager(s) may not produce the desired results. As you consider an investment in the Fund, you also should take into account your tolerance for the daily fluctuations of the financial markets and whether you can afford to leave your money in the investment for long

periods of time to ride out down periods. As with other mutual funds, losing money is a risk of investing in this Fund.

The securities held in the Fund's portfolio are subject to credit risk, which is the possibility that an issuer of a fixed-income instrument will fail to make timely interest and principal payments on its securities or that negative market perceptions of the issuer's ability to make such payments will cause the price of that security to decline. The Fund accepts some credit risk as a recognized means to enhance an investor's return. All securities varying from the highest quality to very speculative have some degree of credit risk.

As a mutual fund that has the ability to invest in bonds, there is a risk that the market value of the bonds in the Fund's portfolio will fluctuate because of changes in interest rates, changes in supply and demand for tax-exempt securities, or other market factors. Bond prices are linked to the prevailing market interest rates. In general, when interest rates rise, bond prices fall and when interest rates fall, bond prices rise. The price volatility of a bond also depends on its maturity. Generally, the longer the maturity of a bond, the greater is its sensitivity to interest rates. To compensate investors for this higher interest rate risk, bonds with longer maturities generally offer higher yields than bonds with shorter maturities. The Fund may be subject to a greater risk of rising interest rates due to the current period of historically low rates.

During a period of declining interest rates, many municipal bonds may be "called," or redeemed, by the issuer before the stated maturity. An issuer might call, or refinance, a higher-yielding bond for the same reason that a homeowner would refinance a home mortgage. When bonds are called, the Fund is affected in several ways. Most likely, the Fund must reinvest the bond-call proceeds at lower interest rates. The Fund's income may drop as a result. The Fund also may realize a taxable capital gain.

In addition, market developments and other factors, including a general rise in interest rates, have the potential to cause investors to move out of fixed-income securities on a large scale, which may increase redemptions from mutual funds that hold large amounts of fixed-income securities. Such a move, coupled with a reduction in the ability or willingness of dealers and other institutional investors to buy or hold fixed-income securities, may result in decreased liquidity and increased volatility in the fixed-income markets. Heavy redemptions of fixed-income mutual funds and decreased liquidity of fixed-income securities could hurt a Fund's performance.

An investment in this Fund is not a deposit in USAA Federal Savings Bank, or any other bank, and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

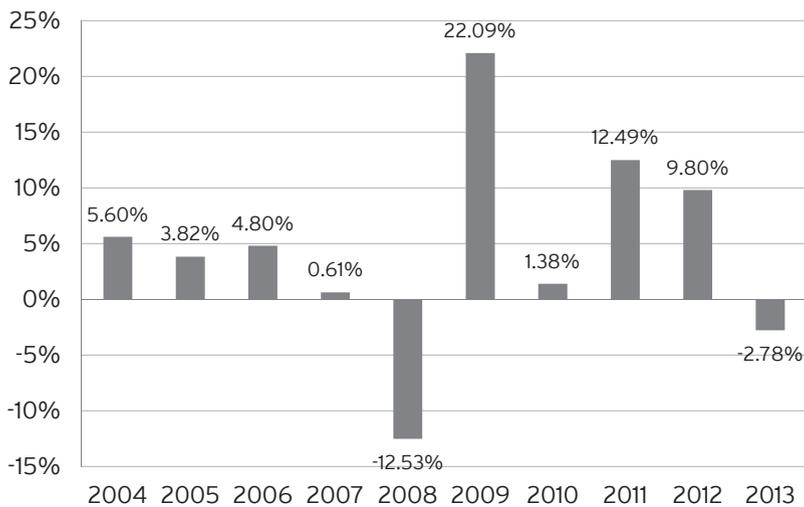
PERFORMANCE

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The Fund has two classes of shares: Fund Shares and Adviser Shares. The bar chart provides some indication of the risks of investing in the Fund and illustrates the Fund Shares' volatility and performance from year to year for each full calendar year over the past 10 years. The table shows how the average annual total returns of the share classes for the periods indicated compared to those of the Fund's benchmark index and an additional index of funds with similar investment objectives.

Remember, historical performance (before and after taxes) does not necessarily indicate what will happen in the future. For the most current price, total return, and yield information for this Fund, log on to **usaa.com** or call (800) 531-USAA (8722).

RISK/RETURN BAR CHART

Annual Returns for Periods Ended December 31



SIX-MONTH YTD TOTAL RETURN

7.40% (6/30/14)

BEST QUARTER*
10.39% 3rd Qtr. 2009

WORST QUARTER*
-7.32% 4th Qtr. 2008

* Please note that "Best Quarter" and "Worst Quarter" figures are applicable only to the time period covered by the bar chart.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. In certain situations, the return after taxes on distributions and sale of fund shares may be higher than the other return amounts. A higher after-tax return may result when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. The actual after-tax returns depend on your tax situation and may differ from those shown. Please note that after-tax returns are shown only for the Fund Shares and may differ for the Adviser Shares.

AVERAGE ANNUAL TOTAL RETURNS
For The Periods Ended December 31, 2013

	Past 1 Year	Past 5 Years	Past 10 Years	
Tax Exempt Long-Term Fund Shares				
Return Before Taxes	-2.78%	8.25%	4.16%	
Return After Taxes on Distributions	-2.78%	8.23%	4.12%	
Return After Taxes on Distributions and Sale of Fund Shares	0.17%	7.61%	4.26%	
	Past 1 Year			Inception Date 08/01/10

Tax Exempt Long-Term Fund Adviser Shares

Return Before Taxes	-3.16%	-	-	4.16%
	Past 1 Year	Past 5 Years	Past 10 Years	Inception Date 08/01/10

Indexes

Barclays Municipal Bond Index (reflects no deduction for fees, expenses or taxes)	-2.55%	5.89%	4.29%	3.57%
Lipper General and Insured Municipal Debt Funds Index (reflects no deduction for taxes)	-3.84%	7.08%	3.90%	3.82%

INVESTMENT ADVISER

USAA Asset Management Company (AMCO)

PORTFOLIO MANAGER(S)

John C. Bonnell, CFA, Assistant Vice President of Fixed Income Mutual Fund Portfolios, has managed the Fund since August 2006.

Diederik Olijslager, Executive Director and Associate Portfolio Manager of Tax-Exempt Mutual Funds, has co-managed the Fund since August 2013.

PURCHASE AND SALE OF SHARES

Fund Shares:

You may purchase or sell shares of the Fund on any business day through our website at usaa.com or mobile.usaa.com; by mail at P.O. Box 659453, San Antonio, Texas 78265-9453; by telephone (800) 531-USAA (8722); or by fax to (800) 292-8177. You also may purchase or sell shares of the Fund through USAA Brokerage Services and certain other financial intermediaries.

Minimum initial purchase: \$3,000

Minimum subsequent investment: \$50

Adviser Shares:

Adviser Shares are available for investment through financial intermediaries. Your ability to purchase, exchange, sell, and transfer shares will be affected by the policies of the financial intermediary through which you do business. The minimum initial purchase is \$3,000; however, financial intermediaries may set different investment minimums in certain circumstances.

TAX INFORMATION

While the Fund is managed so that at least 80% of its annual interest income will be exempt from federal income tax, it may invest up to 20% of its assets in securities that generate income not exempt from that tax. The income exemption for federal income tax purposes does not necessarily mean that income is exempt under the income or other tax laws of any state or local taxing authority. Distributions of the Fund's tax-exempt interest income also may be a tax preference item for purposes of the federal alternative minimum tax. Net capital gains distributed by or reinvested in the Fund will be taxable. In addition, gains, if any, on the redemption of the Fund's shares will be taxable. The Fund is not recommended for tax-deferred arrangements, such as individual retirement accounts or 401(k) plans.

PAYMENTS TO BROKER-DEALERS AND OTHER FINANCIAL INTERMEDIARIES

If you purchase shares of the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and certain servicing and administrative functions. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

INVESTMENT OBJECTIVE

The **USAA Tax Exempt Intermediate-Term Fund** (the Fund) provides investors with interest income that is exempt from federal income tax.

FEES AND EXPENSES

The tables below describe the fees and expenses that you may pay, directly and indirectly, to invest in the Fund. The annual fund operating expenses are based on expenses incurred during the Fund's most recently completed fiscal year.

Shareholder Fees

(fees paid directly from your investment)

	Fund Shares	Adviser Shares
Redemption Fee (on shares held less than 60 days)	None	1.00%

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Fund Shares	Adviser Shares
Management Fee (fluctuates based on the Fund's performance relative to a securities market index)	0.34%	0.32%
Distribution and/or Service (12b-1) Fees	None	0.25%
Other Expenses	0.21%	0.39%
Total Annual Operating Expenses	0.55%	0.96%
Reimbursement From Adviser	N/A	(0.16%) ^(a)
Total Annual Operating Expenses After Reimbursement	0.55%	0.80%

(a) The Adviser has agreed, through August 1, 2015, to make payments or waive management, administration, and other fees to limit the expenses of the Adviser Shares so that the total annual operating expenses (exclusive of commission recapture, expense offset arrangements, acquired fund fees and expenses, and extraordinary expenses) do not exceed an annual rate of 0.80% of the Adviser Shares' average daily net assets. This arrangement may not be changed or terminated during this time period without approval of the Fund's Board of Trustees and may be changed or terminated by the Adviser at any time after August 1, 2015.

Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds. Although your actual costs may be higher or lower, you would pay the following expenses on a \$10,000 investment, assuming (1) a 5% annual return, (2) the Fund's operating expenses remain the same, (3) you redeem all of your shares at the end of the periods shown, and (4) the expense limitation arrangement for the Adviser Shares is not continued.

	1 Year	3 Years	5 Years	10 Years
Fund Shares	\$ 56	\$ 176	\$ 307	\$ 689
Adviser Shares	\$ 98	\$ 306	\$ 531	\$ 1,178

Portfolio Turnover

The Fund pays transaction costs, including commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when shares of the Fund are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance.

For the most recent fiscal year, the Fund's portfolio turnover rate was 10% of the average value of its whole portfolio.

PRINCIPAL INVESTMENT STRATEGY

The Fund invests primarily in investment-grade securities the interest from which is exempt from federal income tax (referred to herein as "tax-exempt securities"). During normal market conditions, at least 80% of the Fund's net assets will consist of tax-exempt securities. The Fund's dollar-weighted average portfolio maturity is between three and 10 years.

PRINCIPAL RISKS

Any investment involves risk, and there is no assurance that the Fund's objective will be achieved. The Fund is actively managed and the investment techniques and risk analyses used by the Fund's manager(s) may not produce the desired results. As you consider an investment in the Fund, you also should take into account your tolerance for the daily fluctuations of the financial markets and whether you can afford to leave your money in the investment for long

periods of time to ride out down periods. As with other mutual funds, losing money is a risk of investing in this Fund.

The securities held in the Fund's portfolio are subject to credit risk, which is the possibility that an issuer of a fixed-income instrument will fail to make timely interest and principal payments on its securities or that negative market perceptions of the issuer's ability to make such payments will cause the price of that security to decline. The Fund accepts some credit risk as a recognized means to enhance an investor's return. All securities varying from the highest quality to very speculative have some degree of credit risk.

As a mutual fund that has the ability to invest in bonds, there is a risk that the market value of the bonds in the Fund's portfolio will fluctuate because of changes in interest rates, changes in supply and demand for tax-exempt securities, or other market factors. Bond prices are linked to the prevailing market interest rates. In general, when interest rates rise, bond prices fall and when interest rates fall, bond prices rise. The price volatility of a bond also depends on its maturity. Generally, the longer the maturity of a bond, the greater is its sensitivity to interest rates. To compensate investors for this higher interest rate risk, bonds with longer maturities generally offer higher yields than bonds with shorter maturities. The Fund may be subject to a greater risk of rising interest rates due to the current period of historically low rates.

During a period of declining interest rates, many municipal bonds may be "called," or redeemed, by the issuer before the stated maturity. An issuer might call, or refinance, a higher-yielding bond for the same reason that a homeowner would refinance a home mortgage. When bonds are called, the Fund is affected in several ways. Most likely, the Fund must reinvest the bond-call proceeds at lower interest rates. The Fund's income may drop as a result. The Fund also may realize a taxable capital gain.

In addition, market developments and other factors, including a general rise in interest rates, have the potential to cause investors to move out of fixed-income securities on a large scale, which may increase redemptions from mutual funds that hold large amounts of fixed-income securities. Such a move, coupled with a reduction in the ability or willingness of dealers and other institutional investors to buy or hold fixed-income securities, may result in decreased liquidity and increased volatility in the fixed-income markets. Heavy redemptions of fixed-income mutual funds and decreased liquidity of fixed-income securities could hurt a Fund's performance.

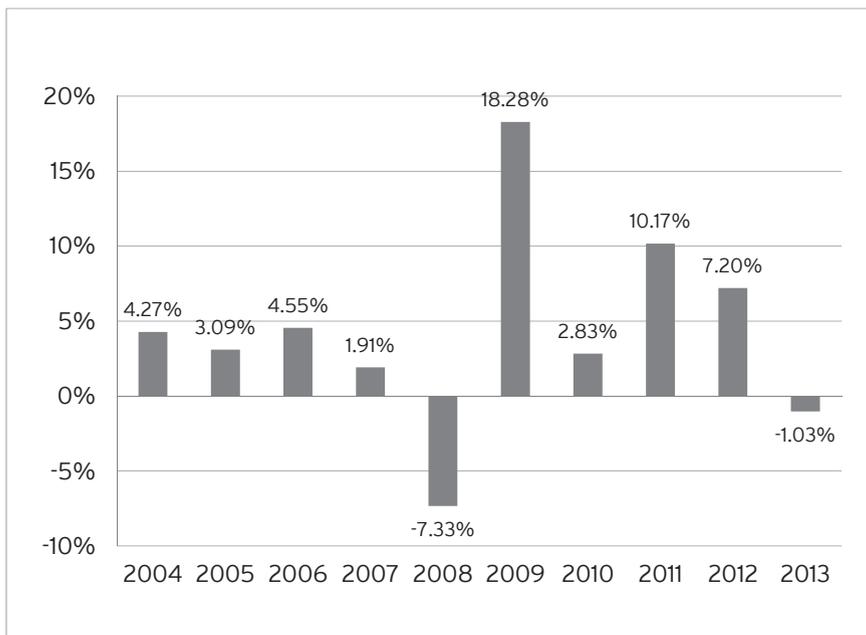
An investment in this Fund is not a deposit in USAA Federal Savings Bank, or any other bank, and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

PERFORMANCE

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The Fund has two classes of shares: Fund Shares and Adviser Shares. The bar chart provides some indication of the risks of investing in the Fund and illustrates the Fund Shares' volatility and performance from year to year for each full calendar year over the past 10 years. The table shows how the average annual total returns of the share classes for the periods indicated compared to those of the Fund's benchmark index and an additional index of funds with similar investment objectives.

Remember, historical performance (before and after taxes) does not necessarily indicate what will happen in the future. For the most current price, total return, and yield information for this Fund, log on to **usaa.com** or call (800) 531-USAA (8722).

RISK/RETURN BAR CHART
Annual Returns for Periods Ended December 31



SIX-MONTH YTD TOTAL RETURN
 4.82% (6/30/14)

BEST QUARTER*
 7.79% 3rd Qtr. 2009

WORST QUARTER*
 -4.12% 4th Qtr. 2008

* Please note that “Best Quarter” and “Worst Quarter” figures are applicable only to the time period covered by the bar chart.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. In certain situations, the return after taxes on distributions and sale of fund shares may be higher than the other return amounts. A higher after-tax return may result when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. The actual after-tax returns depend on your tax situation and may differ from those shown. Please note that after-tax returns are shown only for the Fund Shares and may differ for the Adviser Shares.

AVERAGE ANNUAL TOTAL RETURNS

For The Periods Ended December 31, 2013

	Past 1 Year	Past 5 Year	Past 10 Years	
Tax Exempt Intermediate-Term Fund Shares				
Return Before Taxes	-1.03%	7.29%	4.20%	
Return After Taxes on Distributions	-1.03%	7.28%	4.18%	
Return After Taxes on Distributions and Sale of Fund Shares	0.99%	6.71%	4.21%	
	Past 1 Year			Inception Date 08/01/10

Tax Exempt Intermediate-Term Adviser Shares				
Return Before Taxes	-1.24%	-	-	3.96%
	Past 1 Year	Past 5 Year	Past 10 Years	Inception Date 08/01/10

Indexes

Barclays Municipal Bond Index (reflects no deduction for fees, expenses, or taxes)	-2.55%	5.89%	4.29%	3.57%
Lipper Intermediate Municipal Debt Funds Index (reflects no deductions for taxes)	-1.73%	5.12%	3.50%	3.06%

INVESTMENT ADVISER

USAA Asset Management Company (AMCO)

PORTFOLIO MANAGER(S)

Regina G. Shafer, CFA, Assistant Vice President of Fixed Income Mutual Fund Portfolios, has managed the Fund since June 2003.

Diederik Olijslager, Executive Director and Associate Portfolio Manager of Tax-Exempt Mutual Funds, has co-managed the Fund since August 2013.

PURCHASE AND SALE OF SHARES

Fund Shares:

You may purchase or sell shares of the Fund on any business day through our website at usaa.com or mobile.usaa.com; by mail at P.O. Box 659453, San Antonio, Texas 78265-9453; by telephone (800) 531-USAA (8722); or by fax to (800) 292-8177. You also may purchase or sell shares of the Fund through USAA Brokerage Services and certain other financial intermediaries.

Minimum initial purchase: \$3,000

Minimum subsequent investment: \$50

Adviser Shares:

Adviser Shares are available for investment through financial intermediaries. Your ability to purchase, exchange, sell, and transfer shares will be affected by the policies of the financial intermediary through which you do business. The minimum initial purchase is \$3,000; however, financial intermediaries may set different investment minimums in certain circumstances.

TAX INFORMATION

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PAYMENTS TO BROKER-DEALERS AND OTHER FINANCIAL INTERMEDIARIES

If you purchase shares of the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and certain servicing and administrative functions. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

INVESTMENT OBJECTIVE

The **USAA Tax Exempt Short-Term Fund** (the Fund) provides investors with interest income that is exempt from federal income tax.

FEES AND EXPENSES

The tables below describe the fees and expenses that you may pay, directly and indirectly, to invest in the Fund. The annual fund operating expenses are based on expenses incurred during the Fund's most recently completed fiscal year.

Shareholder Fees

(fees paid directly from your investment)

	Fund Shares	Adviser Shares
Redemption Fee (on shares held less than 60 days)	None	1.00%

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

	Fund Shares	Adviser Shares
Management Fee (fluctuates based on the Fund's performance relative to a securities market index)	0.33%	0.31%
Distribution and/or Service (12b-1) Fees	None	0.25%
Other Expenses	0.22%	0.38%
Total Annual Operating Expenses	0.55%	0.94%
Reimbursement From Adviser	N/A	(0.14)% ^(a)
Total Annual Operating Expenses After Reimbursement	0.55%	0.80%

(a) The Adviser has agreed, through August 1, 2015, to make payments or waive management, administration, and other fees to limit the expenses of the Adviser Shares so that the total annual operating expenses (exclusive of commission recapture, expense offset arrangements, acquired fund fees and expenses, and extraordinary expenses) do not exceed an annual rate of 0.80% of the Adviser Shares' average daily net assets. This arrangement may not be changed or terminated during this time period without approval of the Fund's Board of Trustees and may be changed or terminated by the Adviser at any time after August 1, 2015.

Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds. Although your actual costs may be higher or lower, you would pay the following expenses on a \$10,000 investment, assuming (1) a 5% annual return, (2) the Fund's operating expenses remain the same, (3) you redeem all of your shares at the end of the periods shown, and (4) the expense limitation arrangement for the Adviser Shares is not continued.

	1 Year	3 Years	5 Years	10 Years
Fund Shares	\$ 56	\$ 176	\$ 307	\$ 689
Adviser Shares	\$ 96	\$ 300	\$ 520	\$ 1,155

Portfolio Turnover

The Fund pays transaction costs, including commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when shares of the Fund are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance.

For the most recent fiscal year, the Fund's portfolio turnover rate was 14% of the average value of its whole portfolio.

PRINCIPAL INVESTMENT STRATEGY

The Fund invests primarily in investment-grade securities the interest from which is exempt from federal income tax (referred to herein as "tax-exempt securities"). During normal market conditions, at least 80% of the Fund's net assets will consist of tax-exempt securities. The Fund's dollar-weighted average portfolio maturity is three years or less.

PRINCIPAL RISKS

Any investment involves risk, and there is no assurance that the Fund's objective will be achieved. The Fund is actively managed and the investment techniques and risk analyses used by the Fund's manager(s) may not produce the desired results. As you consider an investment in the Fund, you also should take into account your tolerance for the daily fluctuations of the financial markets and whether you can afford to leave your money in the investment for long

periods of time to ride out down periods. As with other mutual funds, losing money is a risk of investing in this Fund.

The securities held in the Fund's portfolio are subject to credit risk, which is the possibility that an issuer of a fixed-income instrument will fail to make timely interest and principal payments on its securities or that negative market perceptions of the issuer's ability to make such payments will cause the price of that security to decline. The Fund accepts some credit risk as a recognized means to enhance an investor's return. All securities varying from the highest quality to very speculative have some degree of credit risk.

As a mutual fund that has the ability to invest in bonds, there is a risk that the market value of the bonds in the Fund's portfolio will fluctuate because of changes in interest rates, changes in supply and demand for tax-exempt securities, or other market factors. Bond prices are linked to the prevailing market interest rates. In general, when interest rates rise, bond prices fall and when interest rates fall, bond prices rise. The price volatility of a bond also depends on its maturity. Generally, the longer the maturity of a bond, the greater is its sensitivity to interest rates. To compensate investors for this higher interest rate risk, bonds with longer maturities generally offer higher yields than bonds with shorter maturities. The Fund may be subject to a greater risk of rising interest rates due to the current period of historically low rates.

During a period of declining interest rates, many municipal bonds may be "called," or redeemed, by the issuer before the stated maturity. An issuer might call, or refinance, a higher-yielding bond for the same reason that a homeowner would refinance a home mortgage. When bonds are called, the Fund is affected in several ways. Most likely, the Fund must reinvest the bond-call proceeds at lower interest rates. The Fund's income may drop as a result. The Fund also may realize a taxable capital gain.

In addition, market developments and other factors, including a general rise in interest rates, have the potential to cause investors to move out of fixed-income securities on a large scale, which may increase redemptions from mutual funds that hold large amounts of fixed-income securities. Such a move, coupled with a reduction in the ability or willingness of dealers and other institutional investors to buy or hold fixed-income securities, may result in decreased liquidity and increased volatility in the fixed-income markets. Heavy redemptions of fixed-income mutual funds and decreased liquidity of fixed-income securities could hurt a Fund's performance.

Some tax-exempt securities are subject to special risks due to their unique structure. For instance, variable-rate demand notes (VRDNs) generally are long-term municipal bonds combined with a demand feature, which represents the

right to sell the instrument back to the remarketer or liquidity provider, usually a bank, for repurchase on short notice, normally one day or seven days. Because the demand feature is dependent upon the bank, the Fund will only purchase VRDNs of this type where it believes that the banks would be able to honor their guarantees on the demand feature. Some VRDNs, sometimes referred to as "structured instruments" or "synthetic instruments," are created by combining an intermediate- or long-term municipal bond with a right to sell the instrument back to the remarketer or liquidity provider for repurchase on short notice, referred to as a "tender option." However, the tender option usually is subject to a conditional guarantee, which means that the bank is not required to pay under the guarantee if there is a default by the municipality or if certain other events occur. Because there is the risk that the Fund will not be able to exercise the demand feature at all times, it will not purchase a synthetic instrument of this type unless it believes there is only minimal risk that it will not be able to exercise the tender option at all times. The Fund will not purchase a synthetic instrument unless counsel for the issuer has issued an opinion that interest paid on the instrument is entitled to tax-exempt treatment.

An investment in this Fund is not a deposit in USAA Federal Savings Bank, or any other bank, and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

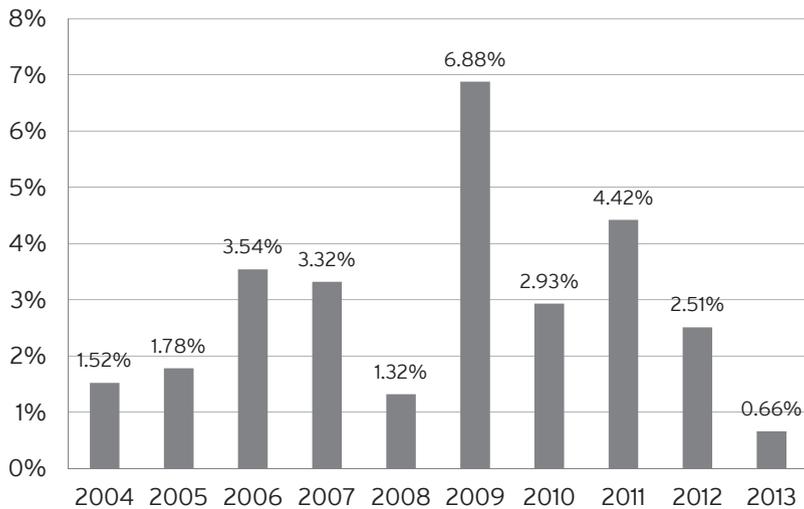
PERFORMANCE

The following bar chart and table are intended to help you understand the risks of investing in the Fund. The Fund has two classes of shares: Fund Shares and Adviser Shares. The bar chart provides some indication of the risks of investing in the Fund and illustrates the Fund Shares' volatility and performance from year to year for each full calendar year over the past 10 years. The table shows how the average annual total returns of the share classes for the periods indicated compared to those of the Fund's benchmark index and an additional index of funds with similar investment objectives.

Remember, historical performance (before and after taxes) does not necessarily indicate what will happen in the future. For the most current price, total return, and yield information for this Fund, log on to usaa.com or call (800) 531-USAA (8722).

RISK/RETURN BAR CHART

Annual Returns for Periods Ended December 31



SIX-MONTH YTD TOTAL RETURN
1.05% (6/30/14)

BEST QUARTER*
2.35% 1st Qtr. 2009

WORST QUARTER*
-0.85% 2nd Qtr. 2004

* Please note that “Best Quarter” and “Worst Quarter” figures are applicable only to the time period covered by the bar chart.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. In certain situations, the return after taxes on distributions and sale of fund shares may be higher than the other return amounts. A higher after-tax return may result when a capital loss occurs upon redemption and translates into an assumed tax deduction that benefits the shareholder. The actual after-tax returns depend on your tax situation and may differ from those shown. Please note that after-tax returns are shown only for the Fund Shares and may differ for the Adviser Shares.

AVERAGE ANNUAL TOTAL RETURNS

For The Periods Ended December 31, 2013

	Past 1 Year	Past 5 Years	Past 10 Years	
Tax Exempt Short-Term Fund Shares				
Return Before Taxes	0.66%	3.46%	2.87%	
Return After Taxes on Distributions	0.66%	3.46%	2.87%	
Return After Taxes on Distributions and Sale of Fund Shares	1.18%	3.27%	2.90%	
	Past 1 Year			Inception Date 08/01/10

Tax Exempt Short-Term Fund Adviser Shares

Return Before Taxes	0.31%	-	-	1.97%
	Past 1 Year	Past 5 Years	Past 10 Years	Inception Date 08/01/10

Indexes

Barclays Municipal Bond Index (reflects no deduction for fees, expenses, or taxes)	-2.55%	5.89%	4.29%	3.57%
Lipper Short Municipal Debt Funds Index (reflects no deduction for taxes)	0.40%	2.04%	2.03%	1.28%

INVESTMENT ADVISER

USAA Asset Management Company (AMCO)

PORTFOLIO MANAGER(S)

Regina G. Shafer, CFA, Assistant Vice President of Fixed Income Mutual Fund Portfolios, has managed the Fund since June 2003.

Diederik Olijslager, Executive Director and Associate Portfolio Manager of Tax-Exempt Mutual Funds, has co-managed the Fund since August 2013.

PURCHASE AND SALE OF SHARES

Fund Shares:

You may purchase or sell shares of the Fund on any business day through our website at [usaa.com](https://www.usaa.com) or mobile.usaa.com; by mail at P.O. Box 659453, San Antonio, Texas 78265-9453; by telephone (800) 531-USAA (8722); or by fax to (800) 292-8177. You also may purchase or sell shares of the Fund through USAA Brokerage Services and certain other financial intermediaries.

Minimum initial purchase: \$3,000

Minimum subsequent investment: \$50

Adviser Shares:

Adviser Shares are available for investment through financial intermediaries. Your ability to purchase, exchange, sell, and transfer shares will be affected by the policies of the financial intermediary through which you do business. The minimum initial purchase is \$3,000; however, financial intermediaries may set different investment minimums of the Adviser Shares in certain circumstances.

TAX INFORMATION

While the Fund is managed so that at least 80% of its annual interest income will be exempt from federal income tax, it may invest up to 20% of its assets in securities that generate income not exempt from that tax. The income exemption for federal income tax purposes does not necessarily mean that income is exempt under the income or other tax laws of any state or local taxing authority. Distributions of the Fund's tax-exempt interest income also may be a tax preference item for purposes of the federal alternative minimum tax. Net capital gains distributed by or reinvested in the Fund will be taxable. In addition, gains, if any, on the redemption of the Fund's shares will be taxable. The Fund is not recommended for tax-deferred arrangements, such as individual retirement accounts or 401(k) plans.

PAYMENTS TO BROKER-DEALERS AND OTHER FINANCIAL INTERMEDIARIES

If you purchase shares of the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and certain servicing and administrative functions. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

INVESTMENT OBJECTIVE

The **USAA Tax Exempt Money Market Fund** (the Fund) provides investors with interest income that is exempt from federal income tax and a further objective of preserving capital and maintaining liquidity.

FEES AND EXPENSES

The tables below describe the fees and expenses that you may pay, directly and indirectly, to invest in the Fund. The annual fund operating expenses are based on expenses incurred during the Fund's most recently completed fiscal year.

Shareholder Fees

(fees paid directly from your investment) None

Annual Fund Operating Expenses

(expenses that you pay each year as a percentage of the value of your investment)

Management Fee	0.28%
Distribution and/or Service (12b-1) Fees	None
Other Expenses	0.28%
Total Annual Operating Expenses	0.56%

Example

This example is intended to help you compare the cost of investing in this Fund with the cost of investing in other mutual funds. Although your actual costs may be higher or lower, you would pay the following expenses on a \$10,000 investment, assuming (1) a 5% annual return, (2) the Fund's operating expenses remain the same, and (3) you redeem all of your shares at the end of the periods shown.

1 Year	3 Years	5 Years	10 Years
\$ 57	\$ 179	\$ 313	\$ 701

PRINCIPAL INVESTMENT STRATEGY

The Fund invests primarily in high-quality tax-exempt securities with remaining maturities of 397 days or less. During normal market conditions, at least 80% of the Fund's net assets will consist of tax-exempt securities.

PRINCIPAL RISKS

An investment in this Fund is not a deposit in USAA Federal Savings Bank, or any other bank, and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in this Fund.

The securities held in the Fund's portfolio are subject to credit risk, which is the possibility that an issuer of a fixed-income instrument will fail to make timely interest and principal payments on its securities or that negative market perceptions of the issuer's ability to make such payments will cause the price of that security to decline. The Fund accepts some credit risk as a recognized means to enhance an investor's return. All securities varying from the highest quality to very speculative have some degree of credit risk.

The Fund also is subject to the possibility that the value of its investments will fluctuate because of changes in interest rates, changes in supply and demand for tax-exempt securities, or other market factors.

Some tax-exempt securities are subject to special risks due to their unique structure. For instance, variable-rate demand notes (VRDNs) generally are long-term municipal bonds combined with a demand feature, which represents the right to sell the instrument back to the remarketer or liquidity provider, usually a bank, for repurchase on short notice, normally one day or seven days. Because the demand feature is dependent upon the bank, the Fund will only purchase VRDNs of this type where it believes that the banks would be able to honor their guarantees on the demand feature. Some VRDNs, sometimes referred to as "structured instruments" or "synthetic instruments," are created by combining an intermediate- or long-term municipal bond with a right to sell the instrument back to the remarketer or liquidity provider for repurchase on short notice, referred to as a "tender option." However, the tender option usually is subject to a conditional guarantee, which means that the bank is not required to pay under the guarantee if there is a default by the municipality or if certain other events occur. Because there is the risk that the Fund will not be able to exercise the demand feature at all times, it will not purchase a synthetic instrument of this type unless it believes there is only minimal risk that it will not be able to

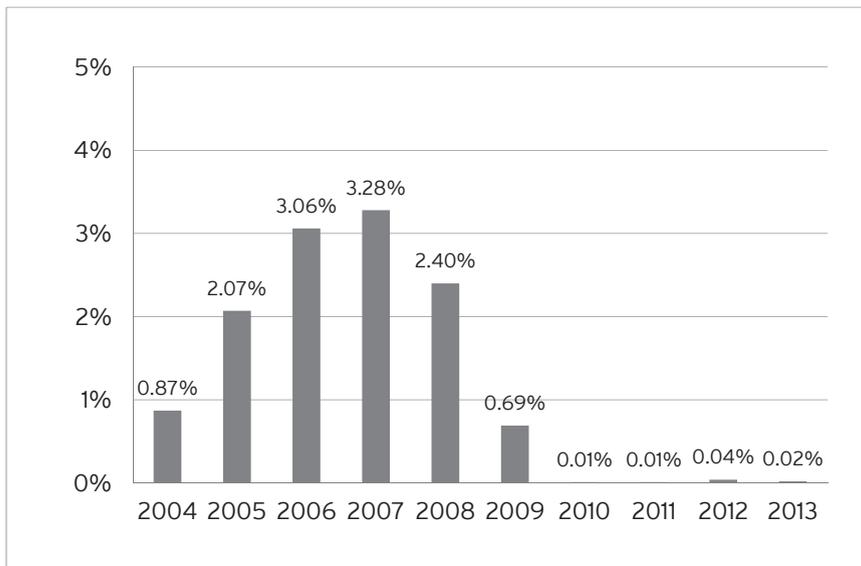
exercise the tender option at all times. The Fund will not purchase a synthetic instrument unless counsel for the issuer has issued an opinion that interest paid on the instrument is entitled to tax-exempt treatment.

PERFORMANCE

The following bar chart provides some indication of the risks of investing in the Fund and illustrates the Fund's volatility and performance from year to year for each full calendar year over the past 10 years. The table shows the Fund's average annual total returns for the periods indicated.

Remember, historical performance (before and after taxes) does not necessarily indicate what will happen in the future. For the most current price, total return, and yield information for this Fund, log on to **usaa.com** or call (800) 531-USAA (8722).

RISK/RETURN BAR CHART
Annual Returns for Periods Ended December 31



SIX-MONTH YTD TOTAL RETURN
 0.00% (6/30/14)

BEST QUARTER*
 0.84% 2nd Qtr. 2007

WORST QUARTER*
 0.00% 3rd Qtr. 2013

* Please note that “Best Quarter” and “Worst Quarter” figures are applicable only to the time period covered by the bar chart.

AVERAGE ANNUAL TOTAL RETURNS
For The Periods Ended December 31, 2013

Past 1 Year	Past 5 Years	Past 10 Years
0.02%	0.15%	1.24%

INVESTMENT ADVISER

USAA Asset Management Company (AMCO)

PORTFOLIO MANAGER(S)

Dale R. Hoffmann, Assistant Vice President of Money Market Funds, has managed the Fund since November 2006.

PURCHASE AND SALE OF SHARES

You may purchase or sell shares of the Fund on any business day through our website at usaa.com or mobile.usaa.com; by mail at P.O. Box 659453, San Antonio, Texas 78265-9453; by telephone (800) 531-USAA (8722); or by fax to (800) 292-8177. You also may purchase or sell shares of the Fund through USAA Brokerage Services and certain other financial intermediaries.

Minimum initial purchase: \$3,000

Minimum subsequent investment: \$50 (except on transfers from brokerage accounts, which are exempt from the minimum).

TAX INFORMATION

While the Fund is managed so that at least 80% of its annual interest income will be exempt from federal income tax, it may invest up to 20% of its assets in securities that generate income not exempt from that tax. The income exemption for federal income tax purposes does not necessarily mean that income is exempt under the income or other tax laws of any state or local taxing authority. Distributions of the Fund's tax-exempt interest income also may be a tax preference item for purposes of the federal alternative minimum tax. The Fund is not recommended for tax-deferred arrangements, such as individual retirement accounts or 401(k) plans.

PAYMENTS TO BROKER-DEALERS AND OTHER FINANCIAL INTERMEDIARIES

If you purchase shares of the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and certain servicing and administrative functions. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

USAA Asset Management Company (AMCO) manages these Funds. For easier reading, AMCO may be referred to as “we” or “us” throughout the prospectus.

INVESTMENT OBJECTIVE

ALL FUNDS

■ What is each Fund’s investment objective?

Each Fund has a common investment objective of providing investors with interest income that is exempt from federal income tax. The Tax Exempt Money Market Fund has a further objective of preserving capital and maintaining liquidity. Each Fund has separate investment policies to achieve its objective. The Funds’ Board of Trustees (the Board) may change a Fund’s investment objective without shareholder approval.

PRINCIPAL INVESTMENT STRATEGY

■ What is each Fund’s principal investment strategy?

Each Fund invests its assets primarily in investment-grade securities the interest from which, in the opinion of counsel to the issuer, is excluded from gross income for federal income tax purposes (referred to herein as “tax-exempt securities”) but may be subject to state and local taxes.

These securities include municipal debt obligations that have been issued by states and their political subdivisions and duly constituted state and local authorities and corporations, as well as securities issued by certain U.S. territories or possessions, such as Puerto Rico, the Virgin Islands, or Guam. Tax-exempt securities generally are issued to fund public infrastructure projects such as streets and highways, schools, water and sewer systems, hospitals, and airports. Tax-exempt securities also may be issued to refinance outstanding obligations as well as to obtain funds for general operating expenses and for loans to other public institutions and facilities.

■ What types of tax-exempt securities will be included in each Fund’s portfolio?

Each Fund’s assets may be invested in, among other things, any of the following tax-exempt securities, except as otherwise noted:

-
- ❖ **general obligation bonds**, which are secured by the issuer's pledge of its full faith, credit, and taxing power for the payment of principal and interest.
 - ❖ **revenue bonds**, which are payable from the revenue derived from a particular facility or class of facilities or, in some cases, from the proceeds of a special excise tax or other specific revenue source, but not from the general taxing power.
 - ❖ **municipal lease obligations**, which are backed by the municipality's covenant to budget for the payments due under the lease obligation.

Municipal lease obligations may be determined to be liquid in accordance with the guidelines established by the Board. In determining the liquidity of a municipal lease obligation, we will consider among other things: (1) the frequency of trades and quotes for the municipal lease obligation; (2) the number of dealers willing to purchase or sell the municipal lease obligation and the number of other potential purchasers; (3) dealer undertakings to make a market in the municipal lease obligation; (4) the nature of the marketplace trades, including the time needed to dispose of the municipal lease obligation, the method of soliciting offers, and the mechanics of transfer; (5) whether the municipal lease obligation is of a size that will be attractive to institutional investors; (6) whether the municipal lease obligation contains a non-appropriation clause and the likelihood that the obligor will fail to make an appropriation therefor; and (7) such other factors as we may determine to be relevant to such determination.

- ❖ **industrial development revenue bonds**, such as pollution control revenue bonds, which are issued by or on behalf of public authorities to obtain funds for privately operated facilities.
- ❖ **inverse floating rate securities** (the Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Funds only), which are securities with coupons that vary inversely with changes in short-term tax-exempt interest rates and thus are considered leveraged investments in an underlying municipal bond.

Up to 10% of each of the Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Funds' net assets may be invested in inverse floating rate securities (or securities with similar economic characteristics). These securities present special risks for two reasons: (1) if short-term interest rates rise (fall), the income the Fund earns on the inverse floating rate security will fall (rise); and (2) if long-term interest rates rise (fall) the value of the inverse floating rate security will fall (rise) more than the value of the underlying bond because of the leveraged nature of the investment. The Tax Exempt Long-Term, Tax Exempt

Intermediate-Term, and Tax Exempt Short-Term Funds may seek to buy these securities at attractive values and yields that over time more than compensate the Funds for the securities' price volatility.

- ❖ **securities offered on a when-issued or delayed-delivery basis**, which means that delivery and payment take place after the date of the commitment to purchase, normally within 45 days, both price and interest rate are fixed at the time of commitment, the Funds do not earn interest on the securities until settlement, and the market value of the securities may fluctuate between purchase and settlement. Such securities can be sold before settlement date.
- ❖ **synthetic instruments**, which combine a municipality's long-term obligation to pay interest and principal with the obligation of a third party to repurchase the instrument on short notice. Securities are often specifically structured so that they are eligible investments for a money market fund. For example, in order to satisfy the maturity restrictions for a money market fund, some money market securities have demand or put features, which have the effect of shortening the maturity of the securities.
- ❖ **tax-exempt liquidity protected preferred shares** (or similar securities), which are issued by other municipal bond funds, which are other funds that principally invest in tax-exempt securities and generally are designed to pay "exempt-interest dividends" (defined below) that reset on or about every seven days in a remarketing process and possess an obligation from a liquidity provider (typically a high-quality bank) to purchase, at a price equal to the par amount of the preferred shares plus accrued dividends, all liquidity protected preferred shares (LLP shares) that are subject to sale and not remarketed. The maturity of liquidity protected preferred shares will be deemed to be the date on which the underlying principal amount may be recovered or the next dividend rate adjustment date consistent with applicable regulatory requirements.
- ❖ **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. The interest rate is adjusted at a stipulated daily, weekly, monthly, quarterly, or other specified time interval to reflect current market conditions. VRDNs normally will trade as if the maturity is the earlier put date, even though stated maturity is longer. The Tax Exempt Money Market Fund may invest a substantial portion of its assets in VRDNs.

In addition, up to 15% of each of the Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Funds' net assets and up to 5% of the Tax Exempt Money Market Fund's net assets may be invested in

securities that are illiquid. Illiquid securities are generally those securities that the Funds cannot expect to sell or dispose of in the ordinary course of business within seven days at approximately the value ascribed to such securities.

■ What are the differences among the Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Funds?

The differences in the Funds are in the weighted average maturities of all the securities in the portfolios. Generally, the longer the maturity, the higher the yield and the greater the price volatility.

Fund	Portfolio Weighted Average Maturity
Tax Exempt Long-Term	10 years or more
Tax Exempt Intermediate-Term	3–10 years
Tax Exempt Short-Term	3 years or less

Within these limitations, a Fund may purchase individual securities with stated maturities greater or less than the Fund’s weighted average maturity limits. In determining a security’s maturity for purposes of calculating a Fund’s weighted average maturity, estimates of the expected time for its principal to be paid may be used. This can be substantially shorter than its stated final maturity. For a discussion of the method of calculating the weighted average maturities of these Funds’ portfolios, see **Investment Policies** in the statement of additional information (SAI).

■ Are each Fund’s investments diversified in many different issuers?

Each Fund is considered diversified under the federal securities laws. With respect to the Tax Exempt Long-Term, the Tax Exempt Intermediate-Term, and the Tax Exempt Short-Term Funds, this means that we will not invest more than 5% in any one issuer with respect to 75% of each Fund’s assets. With respect to the remaining 25% of each Fund’s assets, we may invest more than 5% in any one, or more, issuers. For further discussion of diversification, see **Investment Policies** in the SAI.

In addition, with respect to the Tax Exempt Money Market Fund, we generally will not invest more than 5% of the Fund’s assets in any one issuer. Also, strict Securities and Exchange Commission (SEC) guidelines prohibit us from investing, with respect to 75% of the Fund’s assets, greater than 10% of the Fund’s assets in securities issued by or subject to guarantees by the same

institution. Purchases of securities issued or guaranteed by the U.S. government or its agencies or instrumentalities are not counted toward these limitations.

We also may not invest more than 25% of a Fund's assets in securities issued in connection with the financing of projects with similar characteristics, such as toll road revenue bonds, housing revenue bonds, or electric power project revenue bonds, or in industrial development revenue bonds that are based, directly or indirectly, on the credit of private entities of any one industry. However, we reserve the right to invest more than 25% of a Fund's assets in tax-exempt industrial development revenue bonds. The 25% industry limitation does not apply to U.S. government securities, general obligation bonds, or bonds that are escrowed.

■ **Do the Funds purchase bonds guaranteed by bond insurance?**

Yes. Some of the bonds we purchase for the Funds are secured by bond insurance that guarantees scheduled principal and interest payments. In addition, we may purchase bond insurance for individual uninsured securities when we believe it will provide an anticipated benefit to the Funds. However, this insurance may not eliminate the risk of investing in the issuer.

■ **Will any portion of the distributions from the Funds be subject to federal income tax?**

During normal market conditions, at least 80% of each Fund's annual net investment income dividends will be excluded from a shareholder's gross income for federal income tax purposes (exempt-interest dividends). This policy may be changed only by a shareholder vote. Furthermore, it is our intention to generally purchase only securities that pay income exempt from federal income tax.

However, gains and losses realized from trading securities that occur during the normal course of managing a Fund may result in net realized capital gain distributions. The Internal Revenue Code of 1986, as amended (the Code), treats these distributions differently than exempt-interest dividends in the following ways:

- ❖ Distributions of the excess of net short-term capital gain over net long-term capital loss are taxable as ordinary income.
- ❖ Distributions of the excess of net long-term capital gain over net short-term capital loss are taxable as long-term capital gains, regardless of the length of time you have held your shares in a Fund.
- ❖ Distributions of both short-term and long-term net realized capital gains are taxable whether received in cash or reinvested in additional shares.

■ Will distributions by the Funds be a tax preference item for purposes of the federal alternative minimum tax (AMT)?

During normal market conditions, at least 80% of each Fund's annual income (and, therefore, its net investment income dividends) will not be a tax preference item for purposes of the federal AMT. This policy may be changed only by a shareholder vote. However, since their inception, no Fund has distributed any income that is a tax preference item for purposes of the federal AMT for individual taxpayers, and we do not intend to invest in any securities that earn any such income in the future. However, of course, changes in federal tax laws or other unforeseen circumstances could result in a Fund's earning income that is a tax preference item for purposes of the federal AMT.

TEMPORARY DEFENSIVE STRATEGY

Each Fund may, from time to time, take temporary defensive positions that are inconsistent with the Fund's principal investment strategies in attempting to respond to adverse market, economic, political, or other conditions. The effect of taking such a temporary defensive position is that a Fund may not achieve its investment objective(s). To the extent that these temporary investments produce taxable income, that income may result in that Fund not fully achieving its investment objective during the time it is in this temporary defensive posture.

TAX EXEMPT LONG-TERM, TAX EXEMPT INTERMEDIATE-TERM, AND TAX EXEMPT SHORT-TERM FUNDS

■ What is the credit quality of the Funds' investments?

Under normal market conditions, we will invest each Fund's assets so that at least 50% of the total market value of the tax-exempt securities are rated within the three highest long-term rating categories (A or higher) by such rating agencies as Moody's Investors Service, Inc., (Moody's), Standard & Poor's Ratings Group (S&P), Fitch Ratings, Inc. (Fitch), Dominion Bond Rating Service Limited (Dominion); or in the highest short-term rating category by Moody's, S&P, Fitch, or Dominion.

Investment-grade securities include securities issued or guaranteed by the U.S. government, its agencies and instrumentalities, as well as securities rated or subject to a guarantee of an obligor that is rated within the categories listed by at least one of the Nationally Recognized Statistical Rating Organizations (NRSROs). Below are investment-grade ratings for four of the current NRSRO rating agencies:

Rating Agency	Long-Term Debt Securities	Short-Term Debt Securities
Moody's	At least Baa3	At least Prime-3 or MIG 3
S&P	At least BBB-	At least A-3 or SP-2
Fitch	At least BBB-	At least F3
Dominion	At least BBB low	At least R-2 low

If a security does not meet the requirements set forth above or a security is not rated, we may make a determination that the security is of equivalent investment quality to a comparable security.

In addition, each Fund may invest up to 10% of its assets that at the time of purchase are below-investment-grade securities (also known as “junk bonds”). Below-investment-grade securities are considered speculative and are subject to significant credit risk since they are believed to represent a greater risk of default than more creditworthy investment-grade securities. These lower quality securities generally have less interest rate risk and higher credit risk than higher quality securities.

At the same time, the volatility of below-investment-grade securities historically has been notably less than the equity market as a whole. The market on which below-investment-grade securities are traded also may be less liquid than the market for investment-grade securities.

On occasion, we may pay a rating agency to rate a particular security when we believe it will provide an anticipated benefit to a Fund. On securities possessing a third-party guarantor, we reserve the right to place such security in the rating category of the underlying issuer (or if unrated in the comparable rating category as determined by us), if the third-party guarantor is no longer relied upon for ratings eligibility.

You will find a further description of tax-exempt ratings in the SAI.

■ How are the decisions to buy and sell securities made?

We manage the tax-exempt funds based on the common sense premise that our investors value tax-exempt income over taxable capital gain distributions. When weighing the decision to buy or sell a security, we strive to balance the value of the tax-exempt income, the credit risk of the issuer, and the price volatility of the bond.

TAX EXEMPT MONEY MARKET FUND

■ What is the credit quality of the Fund's investments at the time of purchase?

The Fund's purchases consist of securities meeting the requirements to qualify as "eligible securities" under the SEC rules applicable to money market funds. In general, an eligible security is defined as a security that is:

- ❖ Issued or guaranteed by the U.S. government or any agency or instrumentality thereof, including "prerefunded" and "escrowed to maturity" tax-exempt securities;
- ❖ Rated or subject to a guarantee that is rated in one of the two highest categories for short-term securities by at least two NRSROs, or by one NRSRO if the security is rated by only one NRSRO;
- ❖ Unrated but issued by an issuer or guaranteed by a guarantor that has other comparable short-term debt obligations so rated; or
- ❖ Unrated but determined by us to be of comparable quality.

In addition, we must consider whether a particular investment presents minimal credit risk in accordance with SEC guidelines applicable to money market funds.

■ Who are some of the NRSROs?

Four of the current NRSROs include:

- ❖ Moody's
- ❖ S&P
- ❖ Fitch
- ❖ Dominion

■ What happens if the rating of a security is downgraded?

If the rating of a security the Fund holds is downgraded after purchase, we, subject under certain circumstances to the Board's review, will determine whether it is in the best interest of the Fund's shareholders to continue to hold the security in the Fund's portfolio.

■ Will the Fund always maintain a net asset value (NAV) of \$1 per share?

While we will endeavor to maintain a constant Fund NAV of \$1 per share, there is no assurance that we will be able to do so. Remember, the shares are neither insured nor guaranteed by the U.S. government. As such, an investment in the Fund carries some risk.

For example, there is always a risk that the issuer of a security held by the Fund will fail to pay interest or principal when due. We attempt to minimize this credit risk by investing only in securities rated in one of the two highest categories for short-term securities, or, if not rated, of comparable quality, at the time of purchase. Additionally, we will not purchase a security unless our analysts have determined that the security presents minimal credit risk. The Fund may acquire any security in the second-highest rating category for short-term debt obligations assigned by NRSROs (sometimes referred to as a Second Tier Security). Generally, SEC limitations prohibit the Fund from investing more than 3% of its assets in Second Tier Securities.

There also is a risk that rising interest rates will cause the value of the Fund's securities to decline. Certain of the securities in which the Fund may invest pay interest at a rate that is periodically adjusted, referred to as adjustable rate securities. We attempt to minimize this interest rate risk by limiting the maturity of each security to 397 days or less and by maintaining a dollar-weighted average portfolio maturity (WAM) for the Fund of 60 days or less and a weighted average life (WAL) of 120 days or less. The maturity of each security is calculated based upon SEC guidelines.

Finally, there is the possibility that one or more investments in the Fund cease to be "eligible securities" resulting in the NAV ceasing to be \$1 per share. For example, a guarantor on a security failing to meet a contractual obligation could cause such a result.

■ How are the decisions to buy and sell securities made?

We balance factors such as credit quality and maturity to purchase the best relative value available in the market at any given time. A decision to sell is usually based on a change in our credit opinion or to take advantage of an opportunity to reinvest at a higher yield.

RISKS

Call Risk: Many municipal bonds may be "called," or redeemed, by the issuer before the stated maturity. During a period of declining interest rates, an issuer might call, or refinance, a higher-yielding bond for the same reason that a homeowner would refinance a home mortgage.

- ❖ Intermediate- and long-term municipal bonds have the greatest call risk, because most municipal bonds may not be called until after 10 years from the date of issue. The period of "call protection" may be longer or shorter than 10 years, but regardless, bonds purchased closest to the date of issue

will have the most call protection. Typically, bonds with original maturities of 10 years or less are not callable.

- ❖ Although bond prices rise when interest rates drop, falling interest rates create the environment necessary to “call” the higher-yielding bonds from your Fund. When bonds are called, a Fund is affected in several ways. Most likely, we must reinvest the bond-call proceeds at lower interest rates. The Fund’s income may drop as a result. The Fund also may realize a taxable capital gain.

Credit Risk: Credit risk is the possibility that an issuer of a fixed-income instrument will fail to make timely interest and principal payments on its securities or that negative market perceptions of the issuer’s ability to make such payments will cause the price of that security to decline. Changes in economic conditions or other circumstances are more likely to lead to a weakened capability to make principal and interest payments on these securities than is the case for higher-rated securities. When evaluating potential investments for a Fund, our analysts also assess credit risk and its impact on the Fund’s portfolio. Nevertheless, even investment-grade securities are typically subject to some credit risk. Securities in the lowest-rated investment-grade category have speculative characteristics. In addition, the ratings of securities are estimates by the rating agencies of the credit quality of the securities and may not take into account every risk related to whether interest or principal will be repaid on a timely basis. Lower credit ratings correspond to higher credit risk and higher credit ratings correspond to lower perceived credit risk. Credit ratings do not provide assurance against default or other loss of money. In addition, ratings and market value may change from time to time, positively or negatively, to reflect new developments regarding the issuer. If a security has not received a rating, a Fund must rely entirely upon the Adviser’s credit assessment.

Securities rated below investment grade (junk or high-yield bonds) should be regarded as speculative, because their issuers are more susceptible to financial setbacks and recession than more creditworthy companies. If a Fund invests in securities whose issuers develop unexpected credit problems, the Fund’s NAV could decline. Changes in economic conditions or other circumstances are more likely to lead to a weakened capability to make principal and interest payments on these securities than on higher-rated securities.

Interest Rate Risk: As a mutual fund investing in bonds, each Fund is subject to the risk that the market value of the bonds in a Fund’s portfolio will fluctuate because of changes in interest rates, changes in supply and demand for tax-exempt securities, or other market factors. Bond prices are linked to the prevailing market interest rates. In general, when interest rates rise, bond prices fall, and when interest rates fall, bond prices rise. The price volatility of a bond

also depends on its maturity. Generally, the longer the maturity of a bond, the greater is its sensitivity to interest rates. To compensate investors for this higher interest rate risk, bonds with longer maturities generally offer higher yields than bonds with shorter maturities.

- ❖ **If interest rates increase**, the yield of each Fund may increase and the market value of the Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Fund's securities may decline, adversely affecting each Fund's NAV and total return.
- ❖ **If interest rates decrease**, the yield of each Fund may decrease. In addition, the market value of the Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Fund's securities may increase, which may increase the Fund's NAV and total return.

In the years following the financial crisis that began in 2007, the Board of Governors of the Federal Reserve System (the Fed) has attempted to stabilize the U.S. economy and support its recovery by keeping the federal funds rate at or near zero percent and by purchasing large quantities of U.S. government securities on the open market (referred to as "quantitative easing"). As the Fed "tapers" or reduces quantitative easing (or as the market anticipates future tapering), there is a risk that interest rates across the U.S. financial system will rise. These policy changes and related market speculation as to their timing may expose fixed-income markets to heightened volatility and may reduce liquidity for certain Fund investments, causing the value of the Fund's investments and share price to decline. To the extent the Fund experiences high redemptions because of these policy changes, the Fund may experience increased portfolio turnover.

Liquidity Risk: Liquidity in the tax-exempt bond market may be reduced for a number of reasons including as a result of overall economic conditions and credit tightening. During times of reduced market liquidity, there may be little trading in the secondary market for particular bonds and other debt securities, which may make them more difficult to value or sell at the time desired.

Management Risk: The Fund is subject to management risk, which is the possibility that the investment techniques and risk analyses used by the Funds' manager(s) will not produce the desired results.

Redemption Risk: In addition, market developments and other factors, including a general rise in interest rates, have the potential to cause investors to move out of fixed-income securities on a large scale, which may increase redemptions from mutual funds that hold large amounts of fixed-income securities. Such a move, coupled with a reduction in the ability or willingness of dealers and other institutional investors to buy or hold fixed-income securities,

may result in decreased liquidity and increased volatility in the fixed-income markets. Heavy redemptions of fixed-income mutual funds and decreased liquidity of fixed-income securities could hurt a Fund's performance.

Structural Risk: Variable-rate demand notes (VRDNs) are generally long-term municipal bonds combined with a demand feature that is used to shorten the maturity. The demand feature represents the right to sell the instrument back to the remarketer or liquidity provider, usually a bank, for repurchase on short notice, normally one day or seven days. Usually the demand feature is backed by a letter of credit or similar guarantee from a bank. Since we are relying on the demand feature to shorten maturity, the ability to exercise the demand feature would be dependent upon the bank. We would only purchase VRDNs where we believe that the banks will be able to honor their guarantees on the demand feature.

Some VRDNs, sometimes referred to as "structured instruments" or "synthetic instruments," are created by combining an intermediate- or long-term municipal bond with a right to sell the instrument back to the remarketer or liquidity provider for repurchase on short notice, referred to as a "tender option." Usually, the tender option is backed by a letter of credit or similar guarantee from a bank. The guarantee, however, is typically conditional, which means that the bank is not required to pay under the guarantee if there is a default by the municipality or if certain other events occur. We will not purchase a synthetic instrument unless counsel for the issuer has issued an opinion that interest paid on the instrument is entitled to tax-exempt treatment. Because there is the risk that the Funds will not be able to exercise the demand feature at all times, we will not purchase a synthetic instrument of this type unless we believe there is only minimal risk that we will not be able to exercise our tender option at all times.

Other types of tax-exempt securities that are subject to structural risk include LPP shares and other similar securities. LPP shares are a relatively new type of investment, the terms of which may change in the future in response to regulatory or market developments, which could adversely impact the value and liquidity of the Fund's investment in LPP shares, the tax treatment of investments in LPP shares, or the ability of a Fund to invest in LPP shares.

Tax Risk: In order to attempt to pay interest that is exempt from federal or state and local income tax, tax-exempt securities must meet certain legal requirements. Failure to meet such requirements may cause the interest received and distributed by a Fund to shareholders to be taxable. In addition, income from one or more municipal bonds held by the Funds could be declared taxable because of unfavorable changes in tax or other laws, adverse interpretations by the Internal Revenue Service (IRS) or state tax authorities, or noncompliant conduct of a bond issuer. Changes or proposed changes in federal or state

income tax or other laws also may cause the prices of tax-exempt securities to fall. In addition, although since their inception the Funds have not distributed any income that is a tax preference item for purposes of the federal alternative minimum tax for individual taxpayers, and do not intend to invest in any securities that earn any such income in the future, a portion of a Fund's otherwise exempt-interest dividends may be taxable to shareholders subject to the federal alternative minimum tax due to federal tax law changes or other unforeseen circumstances.

ADDITIONAL INFORMATION

This prospectus doesn't tell you about every policy or risk of investing in the Funds. For additional information about the Funds' investment policies and the types of securities in which the Funds' assets may be invested, you may want to request a copy of the SAI (the back cover tells you how to do this).

PORTFOLIO HOLDINGS

Each Fund's policies and procedures with respect to the disclosure of the Fund's portfolio securities are available in the Fund's SAI, which is available upon request.

Information relating to portfolio holdings of money market funds, as well as their dollar-weighted average maturity and weighted average life, will be posted to **usaa.com** five business days after the end of each month and will remain posted on the website for six months thereafter. In addition, money market funds will report certain information to the SEC monthly on Form N-MFP, including the Tax Exempt Money Market Fund's portfolio holdings and other pricing information, which will be made public 60 days after the end of the month to which the information pertains.

FUND MANAGEMENT

AMCO serves as the manager of the Funds. The Funds are among the 52 no-load mutual funds offered by USAA Mutual Funds Trust. We are an affiliate of United Services Automobile Association (USAA), a large, diversified financial services institution. Our mailing address is P.O. Box 659453, San Antonio, Texas 78265-9453. We had approximately \$133 billion in total assets under management as of June 30, 2014.

We provide investment management services to the Funds pursuant to an Advisory Agreement. Under this agreement, we are responsible for managing the business and affairs of each Fund, subject to the authority of and supervision

by the Board. A discussion regarding the basis of the Board's approval of each Fund's Advisory Agreement is available in that Fund's semiannual report to shareholders for the period ended September 30.

Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Funds: For our services, the Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Funds pay us an investment management fee, which is comprised of a base investment management fee and a performance adjustment. The base investment management fee, which is accrued daily and paid monthly, is equal to an annualized rate of twenty-eight one-hundredths of one percent (0.28%) of each Fund's average daily net assets.

The performance adjustment for each of the Tax Exempt Long-Term, Tax Exempt Intermediate-Term and Tax Exempt Short-Term Funds is calculated separately for each class of shares of the respective Fund and will be added to or subtracted from the base investment management fee depending upon the performance over the performance period of the respective share class relative to the performance of the Lipper General and Insured Municipal Debt Funds Index, Lipper Intermediate Municipal Debt Funds Index, or Lipper Short Municipal Debt Funds Index, as applicable.

The performance period for each share class consists of the current month plus the previous 35 months.

The annual performance adjustment rate is multiplied by the average daily net assets of the relevant share 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 investment management fee as referenced in the following chart:

Over/Under Performance Relative to Index (in basis points)¹	Annual Adjustment Rate (in basis points as a percentage of average daily net assets)¹
+/- 20 to 50	+/- 4
+/- 51 to 100	+/- 5
+/- 101 and greater	+/- 6

¹ Based on the difference between average annual performance of the relevant share class of the Fund and its relevant index, rounded to the nearest basis point (0.01%). Average daily net assets of the share class are calculated over a rolling 36-month period.

For the Fund Shares and the Adviser Shares each of the Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund, under the performance fee arrangement, each share class will pay a positive performance fee adjustment for a performance period whenever that share class outperforms the Lipper General and Insured Municipal Debt Funds Index, Lipper Intermediate Municipal Debt Funds Index, or Lipper Short Municipal Debt Funds Index, as applicable, over that period, even if that share class had overall negative returns during the performance period. For the fiscal year ended March 31, 2014, the performance adjustment added to the base investment management fee for the Tax Exempt Long-Term Fund Shares by 0.05%, the Tax Exempt Intermediate-Term Fund Shares by 0.06%, and the Tax Exempt Short-Term Fund Shares by 0.05%, and for the Tax Exempt Long-Term Adviser Shares by 0.04%, and for the Tax Exempt Intermediate-Term Adviser Shares by 0.04% and Tax Exempt Short-Term Adviser Shares by 0.03%.

We have agreed, through August 1, 2015, to make payments or waive management, administration, and other fees to the extent that total expenses of the Adviser Shares (exclusive of commission recapture, expense offset arrangements, acquired fund fees and expenses, and extraordinary expenses) do not exceed an annual rate of 0.80% of the Tax Exempt Long-Term Fund's Adviser Shares, Tax Exempt Intermediate-Term Fund's Adviser Shares, and the Tax Exempt Short-Term Fund's Adviser Shares average daily net assets, respectively. These reimbursement arrangements may not be changed or terminated during this time period without approval of the Board and may be changed or terminated by us at any time after August 1, 2015. If the total annual operating expense ratio of the Adviser Shares is lower than the above-referenced amounts, the Adviser Shares will operate at the lower expense ratio.

Tax Exempt Money Market Fund: For our services, the Tax Exempt Money Market Fund pays us an investment management fee, which is accrued daily and paid monthly, at an annualized rate of twenty-eight one-hundredths of one percent (0.28%) of the Tax Exempt Money Market Fund's average daily net assets.

Effective January 7, 2010, we voluntarily agreed, on a temporary basis, to reimburse management, administrative, or other fees to limit the Tax Exempt Money Market Fund's expenses and attempt to prevent a negative yield. We can modify or terminate this arrangement at any time without prior notice to shareholders.

In addition to providing investment management services, we also provide administration and servicing to the Funds. USAA Investment Management Company acts as the Funds' distributor. Our affiliate, USAA Shareholder Account Services (SAS), provides transfer agency services to the Funds. The

Fund or the Funds' distributor or transfer agent may enter into agreements with third parties (Servicing Agents) to pay such Servicing Agents for certain administrative and servicing functions.

Each Fund is authorized, although we have no present intention of utilizing such authority, to use a "manager-of-managers" structure. We could select (with approval of the Board and without shareholder approval) one or more sub-advisers to manage the actual day-to-day investment of a Fund's assets. We would monitor each subadviser's performance through quantitative and qualitative analysis and periodically report to the Board as to whether each subadviser's agreement should be renewed, terminated, or modified. We also would be responsible for allocating assets to the subadvisers. The allocation for each subadviser could range from 0% to 100% of a Fund's assets, and we could change the allocations without shareholder approval.

PORTFOLIO MANAGER(S)

TAX EXEMPT LONG-TERM FUND

John C. Bonnell, CFA, Assistant Vice President of Fixed Income Mutual Fund Portfolios, has managed the Fund since August 2006. He has 25 years of investment management experience and has worked for us for 20 years. Education: B.B.A., University of Texas at San Antonio; M.B.A., St. Mary's University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute, the CFA Society of San Antonio, and the National Federation of Municipal Analysts.

Diederik Olijslager, Executive Director and Associate Portfolio Manager of Tax-Exempt Mutual Funds, has co-managed the Fund since August 2013. He has 21 years of investment management experience and has worked for us for four years. Prior to joining USAA, Mr. Olijslager served as a Senior Vice President, Head of Fixed Income, for Selective Insurance Group from 2001 to 2010.

TAX EXEMPT INTERMEDIATE-TERM FUND AND TAX EXEMPT SHORT-TERM FUND

Regina G. Shafer, CFA, Assistant Vice President of Fixed Income Mutual Fund Portfolios, has managed the Funds since June 2003. She has 19 years of investment management experience and has worked for us for 23 years. Education: B.B.A., Southwest Texas State University; M.B.A., University of Texas at San Antonio. Ms. Shafer is a member of the CFA Institute, the CFA Society of San Antonio, and the National Federation of Municipal Analysts.

Diederik Olijslager, Executive Director and Associate Portfolio Manager of Tax-Exempt Mutual Funds, has co-managed the Fund since August 2013. He has 21 years of investment management experience and has worked for us for four years. Prior to joining USAA, Mr. Olijslager served as a Senior Vice President, Head of Fixed Income, for Selective Insurance Group from 2001 to 2010.

TAX EXEMPT MONEY MARKET FUND

Dale R. Hoffmann, Assistant Vice President of Money Market Funds, has managed the Fund since November 2006. He has 15 years of investment management experience and has worked for us for 23 years. Education: B.S.B.A., University of South Dakota; M.B.A., St. Mary's University. He is a member of the National Federation of Municipal Analysts and the Southern Municipal Finance Society.

The SAI provides additional information about the portfolio managers' compensation, other accounts managed, and ownership of fund securities.

PURCHASES

OPENING AN ACCOUNT WITH THE FUNDS

You may purchase shares directly from the Funds or through certain financial intermediaries as described below. If opening by mail, you should return a complete, signed application to open your initial account. However, after you open your initial account with us, you will not need to fill out another application to invest in another fund of the USAA family of funds unless the registration is different or we need further information to verify your identity.

As required by federal law, we must obtain certain information from you prior to opening an account with us. If we are unable to verify your identity, we may refuse to open your account, or we may open your account and take certain actions without prior notice to you, including restricting account transactions pending verification of your identity. If we subsequently are unable to verify your identity, we may close your account and return to you the value of your shares at the next calculated NAV. We prohibit opening accounts for certain investors, including but not limited to, foreign financial institutions, shell banks, correspondent accounts for foreign shell banks, and correspondent accounts for foreign financial institutions. A "foreign shell bank" is a foreign bank without a physical presence in any country. A "correspondent account" is an account established for a foreign bank to receive deposits from, or to make payments or

other disbursements on behalf of, the foreign bank, or to handle other financial transactions related to such foreign bank.

TAXPAYER IDENTIFICATION NUMBER

Each shareholder named on an account with us must provide a Social Security number or other taxpayer identification number to avoid possible tax withholding required by the Code. See the section entitled **Taxes** for additional tax information.

PURCHASING SHARES

Fund Shares:

The Fund Shares are a separate share class of the Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund and are not a separate mutual fund. You may open an account with us and purchase Fund Shares on the Internet, by telephone, or by mail. Fund Shares also are available through USAA Brokerage Services and certain financial intermediaries, as described below.

To purchase Fund Shares through your USAA brokerage account, please contact USAA Brokerage Services directly. These shares will become part of your USAA brokerage account and will be subject to USAA Brokerage Services' applicable policies and procedures. Additional fees also may apply.

If Fund Shares are purchased through a retirement account or an investment professional (*e.g.*, a financial intermediary), the policies and procedures on these purchases may differ from those discussed in this prospectus. Additional fees also may apply to your investment in a Fund, including a transaction fee, if you buy or sell shares of the Fund through a broker or other investment professional. For more information on these fees, check with your investment professional.

Adviser Shares:

The Adviser Shares are a separate share class of the Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund and are not a separate mutual fund. The Tax Exempt Money Market Fund does not offer Adviser Shares. The Adviser Shares are available for investment through financial intermediaries, including banks, broker-dealers, insurance companies, investment advisers, plan sponsors, and financial professionals that provide various administrative and distribution services.

Your ability to purchase, exchange, redeem, and transfer shares will be affected by the policies of the financial intermediary through which you do business. Some policy differences may include: minimum investment requirements, exchange policies, fund choices, cutoff time for investments, and trading restrictions.

In addition, your financial intermediary may charge a transaction or other fee for the purchase or sale of Adviser Shares. Those charges are retained by the financial intermediary and are not shared with us. Please contact your financial intermediary or plan sponsor for a complete description of its policies. Copies of the Tax Exempt Long-Term Fund's, Tax Exempt Intermediate-Term Fund's, and Tax Exempt Short-Term Fund's annual report, semiannual report, and SAI are available from your financial intermediary or plan sponsor.

MINIMUM INITIAL PURCHASE

Fund Shares:

\$3,000. However, a Fund reserves the right to waive or lower purchase minimums of Fund Shares in certain circumstances.

Adviser Shares:

\$3,000. However, financial intermediaries may set different investment minimums, and the Fund reserves the right to waive or lower purchase minimums of the Adviser Shares in certain circumstances.

ADDITIONAL PURCHASES

Fund Shares:

\$50 minimum per transaction, per account (except on transfers from brokerage accounts into a money market fund, which are exempt from the minimum). Employees of USAA and its affiliated companies may make additional purchases through payroll deduction for as little as \$25 per pay period.

Adviser Shares:

There is no subsequent purchase minimum for financial intermediaries or employer-sponsored retirement plans, but financial intermediaries, including but not limited to banks, broker-dealers, insurance companies, investment advisers, plan sponsors, and financial professionals that provide various administrative and distribution services, may require their clients to meet different subsequent purchase requirements.

Contact your financial intermediary for trade deadlines and the applicable procedures for purchasing, selling, or exchanging your shares as well as initial and subsequent investment minimums.

EFFECTIVE DATE OF PURCHASE

When you make a purchase, your purchase price will be the NAV per share next determined after we or the financial intermediary receive your request in proper form (*e.g.*, complete, signed application and payment). The Fund's NAV is determined as of the close of the regular trading session (generally 4 p.m. Eastern time) of the New York Stock Exchange (NYSE) each day it is open

for trading. If we or the financial intermediary receive your purchase request in proper form prior to that time, your purchase price will be the NAV per share determined for that day. If we or the financial intermediary receive your purchase request in proper form after that time, the purchase price will be the NAV per share calculated as of the close of the next regular trading session of the NYSE.

The Funds or the Funds' distributor or transfer agent may enter into agreements with Servicing Agents, which hold Fund Shares and Adviser Shares in (in the case of the Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund) omnibus accounts for their customers, under which the Servicing Agents are authorized to receive orders for shares of a Fund on the Fund's behalf. Under these arrangements, a Fund will be deemed to have received an order when an authorized Servicing Agent receives the order. Accordingly, customer orders will be priced at a Fund's NAV per share next computed after they are received by an authorized Servicing Agent even though the orders may be transmitted to the Fund by the Servicing Agent after the time the Fund calculates its NAV.

PAYMENT

If you plan to purchase shares from us with a check, money order, traveler's check, or other similar instrument, the instrument must be written in U.S. dollars and drawn on a U.S. bank. We do not accept the following foreign instruments: checks, money orders, traveler's checks, or other similar instruments. In addition, we do not accept cash or coins. If you plan to purchase shares through a financial intermediary, please check with that financial intermediary regarding acceptable forms of payment.

REDEMPTIONS

For federal income tax purposes, a redemption of shares of a Fund is a taxable event, upon which (unless you hold the shares in a tax-deferred account or are a tax-exempt investor) you may realize a taxable capital gain or loss. Capital gains or losses are based on the difference between your basis in the redeemed shares and the proceeds you receive upon their redemption. See the section entitled **Taxes** for information regarding basis election and reporting.

A Fund may elect to suspend the redemption of shares or postpone the date of payment in limited circumstances (*e.g.*, if the NYSE is closed or when permitted by order of the SEC).

REDEEMING SHARES

Fund Shares:

You may redeem Fund Shares by Internet, by telephone, by mail, or through your financial intermediary on any day the NAV per share is calculated. Fund Share redemptions will receive a redemption price of the NAV per share next determined after we receive your request in proper form. If we receive your redemption request in proper form prior to the close of the NYSE's regular trading session (generally 4 p.m. Eastern time), your redemption price will be the NAV per share determined for that day. If we receive the redemption request after that time, the redemption price will be the NAV per share calculated as of the close of the next regular trading session of the NYSE.

Telephone redemption privileges are established automatically when you complete your application. The Funds have undertaken certain authentication procedures regarding telephone transactions and will employ reasonable procedures to confirm that instructions communicated by telephone are genuine. Before any discussion regarding your account, we will obtain certain information from you to verify your identity. Additionally, your telephone calls may be recorded or monitored, and confirmations of account transactions are sent to the address of record or by electronic delivery to your designated e-mail address.

If Fund Shares are held through USAA, we will send your money within seven days after the effective date of redemption. However, payment for redemption of shares purchased by electronic funds transfer (EFT) or check will be sent after the EFT or check has cleared, which could take up to seven days from the purchase date.

If Fund Shares are held in your USAA brokerage account, please contact USAA Brokerage Services regarding redemption policies. These shares are part of your USAA brokerage account, and any redemption request received in proper form prior to the close of the NYSE (generally 4 p.m. Eastern time) will receive the NAV per share determined for that day, subject to USAA Brokerage Services' applicable policies and procedures.

If Fund Shares are held in your account with another financial intermediary, please contact your financial intermediary regarding redemption policies. Generally, any redemption request you place with your financial intermediary in proper form prior to the close of the NYSE (generally 4 p.m. Eastern time) will receive the NAV per share determined for that day, subject to the financial intermediary's applicable policies and procedures.

Adviser Shares:

Check with your financial intermediary for its policies on redemptions. Shares purchased through a financial intermediary should be redeemed through the financial intermediary. Normally, the Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund transmits proceeds to intermediaries for redemption orders received in proper form on the next business day after receipt. Under certain circumstances and when deemed to be in the Fund's best interests, proceeds may not be sent to intermediaries for up to seven days after receipt of the redemption order.

CONVERTING SHARES

CONVERTING FROM ADVISER SHARES INTO FUND SHARES

If you hold Adviser Shares of the Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund through an account maintained with another financial institution and subsequently transfer your shares into an account established with the Fund's transfer agent or into your USAA brokerage account, we may convert your Adviser Shares of the Fund into Fund Shares.

PRICING

When a conversion occurs, you receive shares of one class of a fund for shares of another class of the same fund. At the time of conversion, the dollar value of the "new" shares you receive equals the dollar value of the "old" shares that were converted. In other words, the conversion has no effect on the value of your investment in the fund at the time of the conversion. However, the number of shares you own after the conversion may be greater than or less than the number of shares you owned before the conversion, depending on the NAV per share of the two share classes. A conversion between share classes of the same fund is a nontaxable event.

EXCHANGES

For federal income tax purposes, an exchange between funds is a taxable event, upon which (unless you hold shares of a Fund in a tax-deferred account or are a tax-exempt investor) you may realize a capital gain or loss. Capital gains or losses are based on the difference between your basis in the exchanged shares and the price of the shares when they are exchanged. See the section entitled **Taxes** for information regarding basis election and reporting.

EXCHANGE PRIVILEGE

The exchange privilege is automatic when you complete your application with us. You may exchange shares among funds in the USAA family of funds, provided the shares to be acquired are offered in your state of residence. The Funds, however, reserve the right to terminate or change the terms of an exchange offer.

Exchanges made through the USAA self-service telephone system and on **usaa.com** require an Electronic Services Agreement (ESA) and EFT Buy/Sell authorization on file. After we receive the exchange orders, the Funds' transfer agent will simultaneously process exchange redemptions and purchases at the share prices next determined pursuant to the procedures set forth herein. See the section entitled **Effective Date of Purchase** for additional information. The investment minimums applicable to share purchases also apply to exchanges.

If shares of a Fund are held in your USAA brokerage account, please contact USAA Brokerage Services regarding exchange policies. These shares will become part of your USAA brokerage account, and any exchange request received in proper form prior to the close of the NYSE (generally 4 p.m. Eastern time) will receive the NAV per share determined for that day, subject to USAA Brokerage Services' applicable policies and procedures.

If shares of a Fund are held through a retirement account or an investment professional (*i.e.*, financial intermediary), the policies and procedures on an exchange may differ from those discussed in this prospectus. Additional fees also may apply to your investment in a Fund, including a transaction fee, if you buy, sell, or exchange shares of a Fund through a broker or other investment professional. For more information on these fees, check with your investment professional.

OTHER IMPORTANT INFORMATION ABOUT PURCHASES, REDEMPTIONS, AND EXCHANGES

CONTACTING USAA

The following features may be available to you to purchase, redeem, and exchange Fund Shares you hold in a USAA mutual fund account with us.

Internet Access – usaa.com

- Log on to usaa.com and select “register now” or call (800) 759-8722. Once you have established Internet access to your account, you will be able to access account information and make most account transactions. This includes opening and funding a new mutual fund account; making purchases, exchanges, and redemptions; reviewing account activity; checking balances; and more.

Mobile Access – mobile.usaa.com

- Review account information and make most account transactions.

USAA Self-Service Telephone System (800) 531-USAA (8722)

- Access account information and make most account transactions. This service is available with an ESA and EFT Buy/Sell authorization on file.

Telephone

- Call toll free (800) 531-USAA (8722) Monday – Friday, 7:30 a.m. to 8 p.m. Central time and Saturday, 8 a.m. to 5 p.m. Central time to speak with a member service representative.

Fax

- Send a signed fax with your written redemption instructions to (800) 292-8177. In certain instances we may require a signature from all owners associated with an account.

Mail

- If you would like to open an account or request a redemption by mail, send your application and check or written instructions to:

Regular Mail:

USAA Investment Management Company
P.O. Box 659453
San Antonio, TX 78265-9453

Registered or Express Mail:

USAA Investment Management Company
9800 Fredericksburg Road
San Antonio, TX 78240

Bank Wire

- To add to your account or request a redemption by bank wire, visit us at usaa.com or call (800) 531-USAA (8722) for instructions. This helps to ensure that your account will be credited or debited promptly and correctly.

Electronic Funds Transfer

- Additional purchases on a regular basis may be deducted electronically from a bank account, paycheck, income-producing investment, or USAA money market fund account. Sign up for these services when opening an account or log on to usaa.com or call (800) 531-USAA (8722) to add them.

Checkwriting

- Checks can be issued for the Tax Exempt Short-Term Fund and Tax Exempt Money Market Fund accounts. You will not be charged for the use of checks or any subsequent reorders. You may write checks in the amount of \$250 or more. **Checks written for less than \$250 may be returned unpaid.** We reserve the right to assess a processing fee against your account for any redemption check not honored by a clearing or paying agent. Because the value of your account changes daily as dividends accrue, you may not write a check to close your account.

DISTRIBUTION FEES

The Funds may apply a distribution fee to all full individual retirement account (IRA) distributions, except for those due to death, disability, divorce, or transfer to other USAA lines of business. Partial IRA distributions are not charged a distribution fee.

REDEMPTION FEES

The Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund may charge a 1.00% fee on Adviser Shares redeemed before they have been held for more than 60 days. The fee applies if you redeem Adviser Shares by selling or by exchanging to another fund. Shares you have held the longest will be redeemed first. The redemption fee may be waived in certain circumstances, including in situations involving hardship, mandatory or systematic actions, and in other circumstances as further described in the SAI.

Unlike sales charges or a load paid to a broker or a fund management company, the redemption fee is paid directly to the Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund to offset the costs of buying and selling securities. The redemption fee is designed to

ensure that short-term investors pay their share of the Fund's transaction costs and that long-term investors do not subsidize the activities of short-term traders.

ACCOUNT BALANCE

SAS may assess annually a small balance account fee of \$12 to each shareholder account with a balance of less than \$2,000 at the time of assessment. Accounts exempt from the fee include: (1) any account regularly purchasing additional shares each month through an automatic investment plan; (2) any UGMA/UTMA account; (3) all (non-IRA) money market fund accounts; (4) any account whose registered owner has an aggregate balance of \$50,000 or more invested in USAA mutual funds; and (5) all IRAs (for the first year the account is open).

EXCESSIVE SHORT-TERM TRADING

The USAA Funds generally are not intended as short-term investment vehicles (except for the money market funds, Short-Term Bond Fund, Ultra Short-Term Bond Fund, and Tax Exempt Short-Term Fund). Some investors try to profit by using excessive short-term trading practices involving mutual fund shares, frequently referred to as “market timing.”

Excessive short-term trading activity can disrupt the efficient management of a fund and raise its transaction costs by forcing portfolio managers to first buy and then sell portfolio securities in response to a large investment or redemption by short-term traders. While there is no assurance that the USAA Funds can deter all excessive and short-term trading, the Board has adopted the following policies (except for the money market funds, Short-Term Bond Fund, Ultra Short-Term Bond Fund, and Tax Exempt Short-Term Fund). These policies are designed to deter disruptive, excessive short-term trading without needlessly penalizing bona fide investors.

To deter such trading activities, the USAA Funds’ policies and procedures state that each fund reserves the right to reject any purchase order, including an exchange that it regards as disruptive to the efficient management of the particular fund.

THE USAA FUNDS’ RIGHT TO REJECT PURCHASE AND EXCHANGE ORDERS AND LIMIT TRADING IN ACCOUNTS

The USAA Funds’ main safeguard against excessive short-term trading is their right to reject purchase or exchange orders if in the best interest of the affected fund. In exercising this discretion to reject purchase and exchange orders, the USAA Funds deem that certain excessive short-term trading activities are not in the best interest of the fund because such activities can hamper the efficient management of the fund. Generally, persons who engage in an “in and out”

(or "out and in") transaction within a 30-day period will violate the USAA Funds' policy if they engage in another "in and out" (or "out and in") transaction in the same fund within 90 days. The USAA Funds also reserve the right to restrict future purchases or exchanges if an investor is classified as engaged in other patterns of excessive short-term trading, including after one large disruptive purchase and redemption or exchange. Finally, the USAA Funds reserve the right to reject any other purchase or exchange order in other situations that do not involve excessive short-term trading activities if in the best interest of a fund.

The following transactions are exempt from the excessive short-term trading activity policies described above:

- Transactions in the money market funds, Short-Term Bond Fund, Ultra Short-Term Bond Fund, and Tax Exempt Short-Term Fund;
- Purchases and sales pursuant to automatic investment or withdrawal plans;
- Purchases and sales made through USAA Managed Portfolios –UMPTM, USAA 529 College Savings PlanTM, USAA Federal Savings Bank Trust Department, or other designated USAA managed investment accounts;
- Purchases and sales of the Institutional Shares by the Target Retirement Funds, Cornerstone Conservative Fund and/or Cornerstone Equity Fund; and
- Other transactions that are not motivated by short-term trading considerations if they are approved by transfer agent management personnel and are not disruptive to a fund.

If a person is classified as having engaged in excessive short-term trading, the remedy will depend upon the trading activities of the investor in the account and related accounts and its disruptive effect, and can include warnings to cease such activity and/or restrictions or termination of trading privileges in a particular fund or all USAA Funds.

The USAA Funds rely on the transfer agent to review trading activity for excessive short-term trading. There can be no assurance, however, that its monitoring activities will successfully detect or prevent all excessive short-term trading. The Funds or the transfer agent may exclude transactions below a certain dollar amount from monitoring and may change that dollar amount from time to time.

The USAA Funds seek to apply these policies and procedures uniformly to all investors; however, some investors purchase shares of USAA Funds through financial intermediaries that establish omnibus accounts to invest in the USAA Funds for their clients and submit net orders to purchase or redeem shares after

combining their client orders. The USAA Funds subject to the short-term trading policies generally treat these omnibus accounts as an individual investor and will apply the short-term trading policies to the net purchases and sales submitted by the omnibus account unless the Funds or their transfer agent have entered into an agreement requiring the omnibus account to submit the underlying trading information for their clients upon our request and/or monitor for excessive trading. For those omnibus accounts for which we have entered into agreements to monitor excessive trading or provide underlying trade information, the financial intermediary or USAA Funds will review net activity in these omnibus accounts for activity that indicates potential excessive short-term trading activity. If we detect suspicious trading activity at the omnibus account level, we will request underlying trading information and review the underlying trading activity to identify individual accounts engaged in excessive short-term trading activity. We will instruct the omnibus account to restrict, limit, or terminate trading privileges in a particular fund for individual accounts identified as engaging in excessive short-term trading through these omnibus accounts.

We also may rely on the financial intermediary to review for and identify underlying trading activity for individual accounts engaged in excessive short-term trading activity, and to restrict, limit, or terminate trading privileges if the financial intermediary's policies are determined by us to be at least as stringent as the USAA Funds' policy. For fund shares purchased through financial intermediaries there may be additional or more restrictive policies. You may wish to contact your financial intermediary to determine the policies applicable to your account.

Because of the increased costs to review underlying trading information, the USAA Funds will not enter into agreements with every financial intermediary that operates an omnibus account. The USAA Funds or their transfer agent could decide to enter into such contracts with financial intermediaries for all funds or particular funds and can terminate such agreements at any time.

OTHER FUND RIGHTS

Each Fund reserves the right to:

- Reject or restrict purchase or exchange orders when in the best interest of the Fund;
- Limit or discontinue the offering of shares of the Fund without notice to the shareholders;
- Calculate the NAV per share and accept purchase, exchange, and redemption orders on a business day that the NYSE is closed;

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- Require a signature guarantee for transactions or changes in account information in those instances where the appropriateness of a signature authorization is in question (the SAI contains information on acceptable guarantors);
 - Redeem an account with less than \$250, with certain limitations;
 - Restrict or liquidate an account when necessary or appropriate to comply with federal law; and
 - In addition, the Tax Exempt Money Market Fund reserves the right to suspend redemptions as provided under SEC rules applicable to money market funds.

MULTIPLE CLASS INFORMATION

Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund are comprised of multiple classes of shares. Each class shares the Fund's investment objective and investment portfolio. The classes have different fees, expenses and/or minimum investment requirements. The difference in the fee structures between the classes is primarily the result of their separate arrangements for shareholder and distribution services and performance fee arrangements. It is not the result of any difference in base investment management or custodial fee rate schedules or other expenses related to the management of the Fund's assets, which do not vary by class.

Except as described below, the share classes have identical voting, dividend, liquidation and other rights, preferences, terms and conditions. The primary differences between the classes are (a) each class may be subject to different expenses specific to that class; (b) each class has a different identifying designation or name; (c) each class has exclusive voting rights with respect to matters solely affecting that class; and (d) each class may have different purchase, exchange, and redemption privileges.

SERVICE, DISTRIBUTION, AND ADMINISTRATIVE FEES

Investment Company Act Rule 12b-1 permits mutual funds that adopt a written plan to pay certain expenses associated with the distribution of their shares out of fund assets. The Adviser Shares offered by this prospectus are subject to a 12b-1 plan. Under the plan, the Adviser Shares pay annual fees of 0.25% of the Fund's average net assets attributable to the Adviser Shares to the distributor for distribution and individual shareholder services, including past distribution services. The distributor pays all or a portion of such fees to financial intermediaries that make the Adviser Shares available for investment by their

customers. Because these fees may be used to pay for services that are not related to prospective sales of a Fund, the Adviser Shares may continue to make payments under the plan even if the Fund terminates the sale of Adviser Shares to investors. Because these fees are paid out of a Fund's assets on an ongoing basis, over time these fees will increase the cost of your investment in the Adviser Shares and may cost you more than paying other types of sales charges. For additional information about the plan and its terms, see **Multiple Class Structure** in the SAI.

ADDITIONAL PAYMENTS TO FINANCIAL INTERMEDIARIES

Certain financial intermediaries perform recordkeeping and administrative services for their clients with respect to their investments in the Funds that would otherwise be performed by the Funds' transfer agent. In some circumstances, we and/or the Funds will pay such service providers a fee for performing those services. Also, we and the Funds' distributor may make payments to intermediaries for various additional services, other expenses and/or the financial intermediaries' distribution of a Fund. Such payments may be made for one or more of the following: (1) distribution, which may include expenses incurred by financial intermediaries for their sales activities with respect to a Fund, such as preparing, printing, and distributing sales literature and advertising materials and compensating registered representatives or other employees of such financial intermediaries for their sales activities, as well as the opportunity for a Fund to be made available by such financial intermediaries; (2) shareholder services, such as providing individual and custom investment advisory services to clients of the financial intermediaries; and (3) marketing and promotional services, including business planning assistance, educating personnel about a Fund, and sponsorship of sales meetings, which may include covering costs of providing speakers. The distributor may sponsor seminars and conferences designed to educate financial intermediaries about a Fund and may cover the expenses associated with attendance at such meetings, including travel costs. These payments and activities are intended to educate financial intermediaries about a Fund and help defray the costs associated with offering a Fund. These payments may create a conflict of interest by influencing the financial intermediary to recommend a Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information. The amount of any payments described by this paragraph is determined by us or the distributor, and all such amounts are paid out of the available assets of the adviser and distributor and do not affect the total expense ratio of a Fund.

SHAREHOLDER INFORMATION

SHARE PRICE CALCULATION

The price at which you purchase and redeem shares of a Fund is equal to the NAV per share determined on the effective date of the purchase or redemption. The NAV per share is calculated by adding the value of a Fund's assets (*i.e.*, the value of its investment in the Fund and other assets), deducting liabilities, and dividing by the number of shares outstanding. Shares may be purchased and sold at the NAV per share without a sales charge. A Fund's NAV per share is calculated as of the close of the NYSE (generally 4 p.m. Eastern time) each day that the NYSE is open for regular trading. The NYSE is closed on most national holidays and Good Friday.

VALUATION OF SECURITIES

Securities of the Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Funds 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 asked prices or the last sales price to price securities when, in the Service's judgment, these prices are readily available and are representative of the securities' market values. For many securities, such prices are not readily available. The Service generally prices these securities based on methods that include consideration of yields or prices of tax-exempt securities of comparable quality, coupon, maturity and type; indications as to values from dealers in securities; and general market conditions.

In addition, securities purchased with original or remaining maturities of 60 days or less and all securities of the Tax Exempt Money Market Fund may be valued at amortized cost, which approximates market value.

Repurchase agreements are valued at cost, which approximates market value.

Investments in open-end investment companies, hedge, or other funds, other than ETFs, are valued at their NAV at the end of each business day. Futures are valued based upon the last sales price at the close of market on the principal exchange on which they are traded. Options are valued by a pricing service at the National Best Bid/Offer (NBBO) composite price, which is derived from the best available bid and ask prices in all participating options exchanges determined to most closely reflect market value of the options at the time of computation of the Fund's NAV.

Securities for which market quotations are not readily available or are considered unreliable, or whose values have been materially affected by events occurring after the close of their primary markets but before the pricing of a Fund's shares, are valued in good faith at fair value, using methods determined by us under 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 a Fund's NAV to be more reliable than it otherwise would be.

Fair value methods used by the Tax Exempt Long-Term, Tax Exempt Intermediate-Term, and Tax Exempt Short-Term Funds include, but are not limited to, obtaining market quotations from secondary pricing services, broker-dealers, 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, and an evaluation of the forces that influenced the market in which the securities are purchased and sold.

For additional information on how securities are valued, see **Valuation of Securities** in the SAI.

DIVIDENDS AND OTHER DISTRIBUTIONS

Distributions from each Fund's net investment income are declared daily and distributed on the last business day of the month. Dividends begin accruing on shares the day following their purchase date. When buying shares of the Tax Exempt Money Market Fund through a federal funds wire, however, you can begin earning dividends immediately on the day your instructions to purchase are received if you pay for your purchase by bank wire transfer prior to 10:30 a.m. Eastern time on the same day. For all of the Funds, dividends continue to accrue to the effective date of redemption. If you redeem shares of the Tax Exempt Money Market Fund with a same-day wire request before 10:30 a.m. Eastern time, however, the shares will not earn dividends that day.

Ordinarily, any net realized capital gains are distributed in December of each year. The Funds may make additional distributions to shareholders when considered appropriate or necessary. For example, a Fund could make an additional distribution to avoid the imposition of any federal income or excise tax.

Each Fund automatically reinvests all dividends and other distributions in additional shares of the Fund unless you request to receive those distributions by way of electronic funds transfer. The share price will be the NAV of the shares

computed on the ex-distribution date. Any capital gain distributions made by the Tax Exempt Funds (except the Tax Exempt Money Market Fund) will reduce the NAV per share by the amount of the distribution on the ex-distribution date. You should consider carefully the effects of purchasing shares of a Fund shortly before any capital gain distribution. Some or all of these distributions may be subject to taxes. Each Fund will invest in your account, at the current NAV per share, any distribution payment returned to us by your financial institution.

TAXES

The following tax information is quite general and refers to the federal income tax law in effect as of the date of this prospectus.

■ Treatment of the Funds

Each Fund, which is treated as a separate corporation for federal tax purposes, has qualified for each past taxable year, and intends to continue to qualify, for treatment as a “regulated investment company” under the Code. By doing so, a Fund (but not its shareholders) will be relieved of federal income tax on the part of its investment company taxable income (consisting generally of taxable net investment income, the excess, if any, of net short-term capital gain over net long-term capital loss and net gains and losses from certain foreign currency transactions, if any, all determined without regard to any deduction for dividends paid) and net capital gain (*i.e.*, the excess of net long-term capital gain over net short-term capital loss) that it distributes to its shareholders.

■ Taxation of Shareholders

If a Fund satisfies the requirement that, at the close of each quarter of its taxable year, at least 50% of the value of its total assets consists of securities the interest on which is excludable from gross income under section 103(a) of the Code, it may pay “exempt-interest dividends” to its shareholders. Those dividends constitute the portion of its aggregate dividends (excluding capital gain distributions) equal to the excess of its excludable interest over certain amounts disallowed as deductions. Exempt-interest dividends are excludable from a shareholder’s gross income for federal income tax purposes, although the amount of those dividends must be reported on the recipient’s federal income tax return. Accordingly, the amount of exempt-interest dividends — and, to the extent determination thereof is possible after reasonable effort, the part thereof constituting interest that is a tax preference item — that a Fund pays to its shareholders will be reported to them annually on Forms 1099-INT (or substitutes therefor). Shareholders’ treatment of dividends from a Fund under state and local income tax laws may differ from the treatment thereof under the Code. Investors should consult their tax advisers concerning this matter.

You may realize a capital gain or loss for federal income tax purposes on a redemption or an exchange, which is treated like a redemption, of shares of a Fund. Your gain or loss is based on the difference between your basis in the redeemed (or exchanged) shares and the redemption proceeds (in the case of an exchange, the NAV of the shares of the fund into which you exchange) you receive. Any capital gain an individual or certain other non-corporate shareholder (each, an individual shareholder) recognizes on a redemption or exchange of his or her shares of the Fund that have been held for more than one year will be subject to federal income tax for individual shareholders at a maximum of 15% for a single shareholder with taxable income not exceeding \$406,750 (\$457,600 for married shareholders filing jointly) and 20% for individual shareholders with taxable income exceeding those respective amounts (which will be adjusted for inflation annually).

In addition, an individual shareholder is subject to a 3.8% federal tax on the lesser of (1) the individual's "net investment income," which generally includes distributions the Fund pays and net gains realized on the redemption or exchange of shares of the Fund, or (2) the excess of his or her "modified adjusted gross income" over \$200,000 (or \$250,000 if married and filing jointly). This tax is in addition to any other taxes due on that income. You should consult your own tax adviser regarding the effect, if any, this provision may have on your investment in shares of the Fund.

Your basis in shares of a Fund that you acquire after December 31, 2011 (Covered Shares), will be determined in accordance with the Fund's default method, which is average basis, unless you affirmatively elect in writing (which may be electronic) to use a different acceptable basis determination method, such as a specific identification method. The basis determination method you elect (or the default method) may not be changed with respect to a redemption of Covered Shares after the settlement date of the redemption. You should consult with your tax adviser to determine the best Internal Revenue Service (IRS)-accepted basis determination method.

■ Withholding

Federal law requires each Fund to withhold (referred to as "backup withholding") and remit to the U.S. Treasury 28% of (1) taxable dividends, capital gain distributions, and proceeds of redemptions (other than redemptions of shares of the Tax Exempt Money Market Fund), regardless of the extent to which gain or loss may be realized, otherwise payable to any individual shareholder who fails to furnish a Fund with a correct taxpayer identification number and (2) dividends and those distributions otherwise payable to any such individual shareholder who:

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- Underreports dividend or interest income, or
 - Fails to certify that he or she is not subject to backup withholding.

Backup withholding is not an additional tax, and any amounts so withheld may be credited against a shareholder's federal income tax liability or refunded. To avoid this withholding requirement, you must certify, on your application, or on a separate IRS Form W-9 supplied by the Funds' transfer agent, that your taxpayer identification number is correct and you currently are not subject to backup withholding.

■ Reporting

Each Fund will report information to you annually concerning the tax status of dividends and other distributions for federal income tax purposes, including the portion of the dividends, if any, constituting a tax preference item for purposes of the federal AMT and the percentage and source (by state) of interest income earned on tax-exempt securities held by that Fund during the preceding year. In addition, each Fund (or its administrative agent) must report to the IRS and furnish to its shareholders the basis information for Covered Shares and indicate whether they had a short-term (one year or less) or long-term (more than one year) holding period. You should consult with your tax adviser to obtain more information about how the basis reporting law applies to you.

SHAREHOLDER MAILINGS

■ Householding

Through our ongoing efforts to help reduce Fund expenses, each household will receive a single copy of the Fund's most recent financial reports and prospectus. You will receive the single copy if you or a family member owns shares of a Fund in more than one account. For many of you, this eliminates duplicate copies and saves paper and postage costs for a Fund. However, if you would like to receive individual copies, please contact us, and we will begin your individual delivery within 30 days of your request.

■ Electronic Delivery

Log on to **usaa.com** and sign up to receive your statements, confirmations, financial reports, and prospectuses electronically instead of through the mail.

FINANCIAL HIGHLIGHTS

The following financial highlights tables are intended to help you understand the financial performance of the Fund Shares and the Adviser Shares of the Tax Exempt Long-Term Fund, Tax Exempt Intermediate-Term Fund, and Tax Exempt Short-Term Fund and the Tax Exempt Money Market Fund over the past five years or since inception. Certain information reflects financial results for a single Fund share. The total returns in the tables represent the rate that an investor in Fund Shares or Adviser Shares would have earned (or lost) on an investment in the Funds (assuming reinvestment of all income dividends and capital gain distributions).

The information has been derived from the financial statements audited by Ernst & Young LLP, an independent registered public accounting firm, whose report, along with each Fund's financial statements, is included in each Fund's annual report, which is available upon request.

TAX EXEMPT LONG-TERM FUND SHARES

	Year ended March 31,				
	2014	2013	2012	2011	2010
Net asset value at beginning of period	\$ 13.91	\$ 13.50	\$ 12.16	\$ 12.83	\$ 11.59
Income (loss) from investment operations:					
Net investment income	.56	.54	.59	.62	.65
Net realized and unrealized gain (loss)	(.46)	.41	1.36	(.63)	1.24
Total from investment operations	.10	.95	1.95	(.01)	1.89
Less distributions from:					
Net investment income	(.56)	(.54)	(.59)	(.62)	(.65)
Realized capital gains	—	—	(.02)	(.04)	(.00) ^(a)
Total distributions	(.56)	(.54)	(.61)	(.66)	(.65)
Net asset value at end of period	\$ 13.45	\$ 13.91	\$ 13.50	\$ 12.16	\$ 12.83
Total return (%) [*]	.83	7.11	16.30	(.19)	16.59 ^(b)
Net assets at end of period (000)	\$2,251,219	\$2,837,758	\$2,588,782	\$2,170,450	\$2,344,007
Ratios to average net assets: ^{**}					
Expenses (%) ^(c)	.54	.53	.52	.47	.45 ^(b)
Net investment income (%)	4.19	3.89	4.54	4.84	5.21
Portfolio turnover (%)	7	14	9	15	8

* 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, 2014, average net assets were \$2,576,228,000.

- (a) Represents less than \$0.01 per share.
- (b) During the year ended March 31, 2010, SAS reimbursed the Fund Shares \$102,000 for corrections in fees paid for the administration and servicing of certain accounts. The effect of this reimbursement on the Fund Shares' total return was less than 0.01%. The reimbursement decreased the Fund Shares' expense ratios by less than 0.01%. This decrease is excluded from the expense ratio in the Financial Highlights table.
- (c) Reflects total operating expenses of the Fund Shares before reductions of any expenses paid indirectly. The Fund Shares' expenses paid indirectly decreased the expense ratios by less than 0.01%.

TAX EXEMPT LONG-TERM FUND ADVISER SHARES

	Year Ended March 31,			Period Ended
	2014	2013	2012	March 31, 2011***
Net asset value at beginning of period	\$13.91	\$13.50	\$12.16	\$13.02
Income (loss) from investment operations:				
Net investment income	.51	.49	.55	.37
Net realized and unrealized gain (loss)	(.47)	.41	1.36	(.82)
Total from investment operations	.04	.90	1.91	(.45)
Less distributions from:				
Net investment income	(.52)	(.49)	(.55)	(.37)
Realized capital gains	—	—	(.02)	(.04)
Total distributions	(.52)	(.49)	(.57)	(.41)
Net asset value at end of period	\$13.43	\$13.91	\$13.50	\$12.16
Total return (%)*	.37	6.77	15.92	(3.49)
Net assets at end of period (000)	\$7,145	\$6,809	\$5,870	\$4,586
Ratios to average net assets:**				
Expenses (%) ^(b)	.85	.85	.85	.85 ^(a)
Expenses, excluding reimbursements (%) ^(b)	1.07	1.11	1.32	1.53 ^(a)
Net investment income (%)	3.88	3.56	4.20	4.47 ^(a)
Portfolio turnover (%)	7	14	9	15

* 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, 2014, average net assets were \$5,882,000.

*** Adviser Shares were initiated on August 1, 2010.

(a) Annualized. The ratio is not necessarily indicative of 12 months of operations.

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

TAX EXEMPT INTERMEDIATE-TERM FUND SHARES

	Year Ended March 31,				
	2014	2013	2012	2011	2010
Net asset value at beginning of period	\$ 13.75	\$ 13.41	\$ 12.56	\$ 12.83	\$ 11.88
Income from investment operations:					
Net investment income	.50	.50	.54	.56	.57
Net realized and unrealized gain (loss)	(.39)	.34	.85	(.26)	.96
Total from investment operations	.11	.84	1.39	.30	1.53
Less distributions from:					
Net investment income	(.50)	(.50)	(.54)	(.56)	(.57)
Realized capital gains	–	–	(.00) ^(a)	(.01)	(.01)
Total distributions	(.50)	(.50)	(.54)	(.57)	(.58)
Net asset value at end of period	\$ 13.36	\$ 13.75	\$ 13.41	\$ 12.56	\$ 12.83
Total return (%) [*]	.85	6.31	11.25	2.29	13.07 ^(b)
Net assets at end of period (000)	\$3,381,571	\$3,387,366	\$3,231,474	\$2,794,641	\$2,859,691
Ratios to average net assets: ^{**}					
Expenses (%) ^(c)	.55	.54	.54	.52	.47 ^(b)
Net investment income (%)	3.72	3.63	4.11	4.35	4.55
Portfolio turnover (%)	10	11	13	14	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, 2014, average net assets were \$3,155,944,000.

(a) Represents less than \$0.01 per share.

(b) During the year ended March 31, 2010, SAS reimbursed the Fund Shares \$66,000 for corrections in fees paid for the administration and servicing of certain accounts. The effect of this reimbursement on the Fund Shares' total return was less than 0.01%. The reimbursement decreased the Fund Shares' expense ratios by less than 0.01%. This decrease is excluded from the expense ratio in the Financial Highlights table.

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

TAX EXEMPT INTERMEDIATE-TERM FUND ADVISER SHARES

	Year Ended March 31,			Period Ended March 31,
	2014	2013	2012	2011***
Net asset value at beginning of period	\$ 13.75	\$13.41	\$12.56	\$13.05
Income (loss) from investment operations:				
Net investment income	.47	.47	.51	.35
Net realized and unrealized gain (loss)	(.39)	.34	.85	(.48)
Total from investment operations	.08	.81	1.36	(.13)
Less distributions from:				
Net investment income	(.47)	(.47)	(.51)	(.35)
Realized capital gains	—	—	(.00) ^(a)	(.01)
Total distributions	(.47)	(.47)	(.51)	(.36)
Net asset value at end of period	\$ 13.36	\$13.75	\$13.41	\$12.56
Total return (%)*	.64	6.10	11.03	(1.04)
Net assets at end of period (000)	\$20,166	\$7,451	\$5,843	\$4,756
Ratios to average net assets:**				
Expenses (%) ^(b)	.75	.75	.75	.75 ^(c)
Expenses, excluding reimbursements (%) ^(b)	.96	1.14	1.38	1.56 ^(c)
Net investment income (%)	3.51	3.41	3.90	4.15 ^(c)
Portfolio turnover (%)	10	11	13	14

* 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, 2014, average net assets were \$9,335,000.

*** Adviser Shares were initiated on August 1, 2010.

(a) Represents less than \$0.01 per share.

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

(c) Annualized. The ratio is not necessarily indicative of 12 months of operations.

TAX EXEMPT SHORT-TERM FUND SHARES

	Year Ended March 31,					
	2014	2013	2012	2011	2010	
Net asset value at beginning of period	\$ 10.84	\$ 10.80	\$ 10.61	\$ 10.62	\$ 10.38	
Income from investment operations:						
Net investment income	.19	.22	.27	.29	.32	
Net realized and unrealized gain (loss)	(.13)	.04	.19	(.01)	.24	
Total from investment operations	.06	.26	.46	.28	.56	
Less distributions from:						
Net investment income	(.19)	(.22)	(.27)	(.29)	(.32)	
Net asset value at end of period	\$ 10.71	\$ 10.84	\$ 10.80	\$ 10.61	\$ 10.62	
Total return (%) [*]	.60	2.41	4.40	2.62	5.46 ^(a)	
Net assets at end of period (000)	\$2,031,383	\$2,185,741	\$2,124,120	\$1,860,300	\$1,752,698	
Ratios to average net assets: ^{**}						
Expenses (%) ^(b)	.55	.55	.55	.54	.55 ^(a)	
Net investment income (%)	1.81	2.02	2.54	2.69	3.01	
Portfolio turnover (%)	14	3	16	10	16	

* 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, 2014, average net assets were \$2,131,632,000.

- (a) During the year ended March 31, 2010, SAS reimbursed the Fund Shares \$47,000 for corrections in fees paid for the administration and servicing of certain accounts. The effect of this reimbursement on the Fund Shares' total return was less than 0.01%. The reimbursement decreased the Fund Shares' expense ratios by less than 0.01%. This decrease is excluded from the expense ratios in the Financial Highlights table.
- (b) Reflects total operating expenses of the Fund Shares before reductions of any expenses paid indirectly. The Fund Shares' expenses paid indirectly decreased the expense ratios by less than 0.01%.

TAX EXEMPT SHORT-TERM FUND ADVISER SHARES

	Year Ended March 31,			Period Ended March 31,
	2014	2013	2012	2011***
Net asset value at beginning of period	\$ 10.84	\$10.80	\$10.61	\$10.71
Income from investment operations:				
Net investment income	.17	.19	.25	.17
Net realized and unrealized gain (loss)	(.13)	.04	.19	(.10)
Total from investment operations	.04	.23	.44	.07
Less distributions from:				
Net investment income	(.17)	(.19)	(.25)	(.17)
Net asset value at end of period	\$ 10.71	\$10.84	\$10.80	\$10.61
Total return (%)*	.35	2.16	4.14	.69
Net assets at end of period (000)	\$11,186	\$6,604	\$6,011	\$4,940
Ratios to average net assets:**				
Expenses (%) ^(a)	.80	.80	.80	.80 ^(b)
Expenses, excluding reimbursements (%) ^(a)	.94	1.17	1.30	1.53 ^(b)
Net investment income (%)	1.55	1.77	2.28	2.47 ^(b)
Portfolio turnover (%)	14	3	16	10

* 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, 2014, average net assets were \$9,577,000.

*** Adviser Shares were initiated on August 1, 2010.

- (a) Reflects total operating expenses of the Adviser Shares before reductions of any expenses paid indirectly. The Adviser Shares' expenses paid indirectly decreased the expense ratios by less than 0.01%.
- (b) Annualized. The ratio is not necessarily indicative of 12 months of operations.

TAX EXEMPT MONEY MARKET FUND

	Year Ended March 31,				
	2014	2013	2012	2011	2010
Net asset value at beginning of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Income from investment operations:					
Net investment income ^(a)	.00	.00	.00	.00	.00
Net realized and unrealized gain ^(a)	.00	.00	.00	.00	.00
Total from investment operations ^(a)	.00	.00	.00	.00	.00
Less distributions from:					
Net investment income ^(a)	(.00)	(.00)	(.00)	(.00)	(.00)
Realized capital gains	(.00) ^(a)	(.00) ^(a)	(.00) ^(a)	—	(.00) ^(a)
Total distributions ^(a)	(.00)	(.00)	(.00)	(.00)	(.00)
Net asset value at end of period	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total return (%) ^{*(d)}	.02	.01	.04 ^(c)	.01	.48 ^(b)
Net assets at end of period (000)	\$2,747,771	\$2,683,358	\$2,640,375	\$2,842,986	\$3,331,284
Ratios to average net assets:**					
Expenses (%) ^{(d),(e)}	.21	.34	.42 ^(c)	.49	.52 ^(b)
Expenses, excluding reimbursements (%) ^(e)	.56	.56	.57 ^(c)	.55	.53 ^(b)
Net investment income (%)	.01	.01	.03	.01	.47

* 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 iMoneyNet reported return. Total returns for periods of less than one year are not annualized.

** For the year ended March 31, 2014, average net assets were \$2,721,504,000.

(a) Represents less than \$0.01 per share.

(b) During the year ended March 31, 2010, SAS reimbursed the Fund \$87,000 for corrections in fees paid for the administration and servicing of certain accounts. The effect of this reimbursement on the Fund's total return was less than 0.01%. The reimbursement decreased the Fund's expense ratios by less than 0.01%. This decrease is excluded from the expense ratios in the Financial Highlights table.

(c) During the year ended March 31, 2012, SAS reimbursed the Fund \$654,000 for corrections in fees paid for the administration and servicing of certain accounts. The effect of this reimbursement on the Fund's total return was less than 0.01%. The reimbursement decreased the Fund's expense ratios by 0.02%. This decrease is excluded from the expense ratios in the Financial Highlights table.

(d) Effective January 7, 2010, the Manager voluntarily agreed, on a temporary basis, to reimburse management, administrative, or other fees to limit the Fund's expenses and attempt to prevent a negative yield.

(e) Reflects total operating expenses of the Fund before reductions of any expenses paid indirectly. The Fund's expenses paid indirectly decreased the expense ratios by less than 0.01%.

APPENDIX A

Taxable-Equivalent Yield Table for 2014

Assuming a Federal Marginal Tax Rate of*: 28% 33% 35% 39.60%

To Match a Tax-Free Yield of: A Fully Taxable Investment Would Have to Pay You:

1.00%	1.39%	1.49%	1.54%	1.66%
1.50%	2.08%	2.24%	2.31%	2.48%
2.00%	2.78%	2.99%	3.08%	3.31%
2.50%	3.47%	3.73%	3.85%	4.14%
3.00%	4.17%	4.48%	4.62%	4.97%
3.50%	4.86%	5.22%	5.38%	5.79%
4.00%	5.56%	5.97%	6.15%	6.62%
4.50%	6.25%	6.72%	6.92%	7.45%
5.00%	6.94%	7.46%	7.69%	8.28%
5.50%	7.64%	8.21%	8.46%	9.11%
6.00%	8.33%	8.96%	9.23%	9.93%
6.50%	9.03%	9.70%	10.00%	10.76%
7.00%	9.72%	10.45%	10.77%	11.59%

* The above marginal rates do not incorporate the 3.8% additional tax that was imposed January 1, 2013, to "net investment income" to certain individuals, estates, and trusts.

A fully taxable investment is a bond that pays taxable interest or a mutual fund that pays dividends that are attributable to taxable interest.

This table is a hypothetical illustration and should not be considered an indication of Fund performance of any of the USAA family of funds.

These rates were selected as examples that would be relevant to most taxpayers.

The information shown in this chart does not reflect the impact of state and local taxes.

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To view these documents, along with other related documents, you may visit the EDGAR database on the SEC's website (www.sec.gov) or the Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling (202) 551-8090. Additionally, copies of this information may be obtained, after payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov or by writing the Public Reference Section of the Commission, Washington, DC 20549-1520.



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