American Century Investments®

# Mid Cap Value Fund

## Quarterly Commentary

### Portfolio Review

**U.S. equity markets rallied.** During the quarter, concerns about the banking system eased, and Congress avoided a debt crisis. In addition, the Federal Reserve paused its rate-hike campaign amid moderating yet persistently high prices and resilient economic data. In turn, stocks extended their year-to-date gains.

**Growth and large caps outperformed.** While market gains were widespread, growth stocks handily outperformed value stocks across the market-capitalization spectrum. Large-cap stocks outperformed small- and mid-cap stocks, and cyclical sectors of the market generally outperformed defensive sectors.

**Financials detracted from performance.** Several positions in the capital markets, insurance and banking industries weighed on relative results. Northern Trust was a key detractor as this trust bank's earnings were impacted by higher expenses and deposit outflows.

**Consumer discretionary weighed on results.** Security selection in the consumer discretionary sector hurt relative performance, particularly in the specialty retail industry. Additionally, given the market's preference for cyclical sectors during the quarter, the portfolio's underweight in the consumer discretionary sector relative to the benchmark detracted from returns.

**Health care was an area of strength.** A few of the portfolio's top individual contributors were health care holdings. These companies have benefited from strong health care utilization rates, easing labor shortages and a continued rebound in elective procedures.

**Health care remains a notable sector overweight relative to the benchmark.** Through our bottom-up approach, we have identified a number of health care stocks with valuations that we believe are attractive. Additionally, in light of current macroeconomic challenges, we favor what we believe is the relatively defensive nature of our health care holdings.

### Key Contributors

**Universal Health Services.** Shares of this provider of hospital and health care services rose on strong admissions. Its acute care segment benefited from a rebound in elective procedures, and its behavioral health segment benefited as COVID-19 disruptions dissipated and labor supply constraints declined.

**Beacon Roofing Supply.** Despite a weak report due to weather disruptions, shares of this roofing distributor rallied. New homes sales, housing starts and home prices were better than expected in the spring and early summer, driving valuations for housing-related stocks higher.

**Zimmer Biomet Holdings.** Shares of this medical device company advanced after reporting strong growth in utilization rates. As labor shortages within health care have eased, backlog procedures that built up during the pandemic are being completed, particularly in orthopedics.

### Key Detractors

**Northern Trust.** Shares of this trust bank declined after it announced lower-than-expected earnings and reduced guidance, driven by higher expenses and lower net interest income due to deposit outflows.

### Goal and Strategy

Long-term capital growth and income by investing in the stocks of mid-sized companies that are believed to be undervalued.

### Portfolio Management Team

| | Start Date | |
|---|---|---|
| Name | Industry | Company |
| Kevin Toney, CFA | 1993 | 1999 |
| Nathan Rawlins, CFA | 2009 | 2015 |
| Brian Woglom, CFA | 1998 | 2005 |
| Michael Liss, CPA, CFA | 1991 | 1998 |

### Top 10 Holdings (%)

| | |
|---|---|
| Zimmer Biomet Holdings Inc | 2.56 |
| Northern Trust Corp | 2.25 |
| Allstate Corp/The | 2.22 |
| Edison International | 2.21 |
| Conagra Brands Inc | 2.15 |
| Bank of New York Mellon Corp/The | 2.10 |
| Koninklijke Ahold Delhaize NV | 2.01 |
| Henry Schein Inc | 1.93 |
| Oshkosh Corp | 1.92 |
| Emerson Electric Co | 1.92 |

*As of 6/30/2023*

*The holdings listed should not be considered recommendations to purchase or sell a particular security. Equity holdings are grouped to include common shares, depository receipts, rights and warrants issued by the same company. Fund holdings subject to change.*

**Advance Auto Parts.** Shares of this automotive replacement parts retailer delivered disappointing results as it reported earnings that were below expectations and lowered its guidance. Although the company has raised prices, it has been unable to pass along higher costs to customers in its commercial channel as competitors have stepped up their promotional marketing efforts.

**Conagra Brands.** Shares of this packaged-food producer fell as investors favored less defensive sectors. Investors were also concerned about consumers switching to store brands to save money and about pushback on future price increases.

### Notable Trades

**The Interpublic Group of Cos.** We initiated a position in this advertising company. We think the company represents a compelling opportunity due to its ability to reward shareholders with a dividend and generate free cash flow.

**The Charles Schwab Corp.** We initiated a position in this leading brokerage and wealth management firm after the stock sold off sharply on cash flow concerns. While we expect lower balance sheet deposits and thinner spreads will pressure earnings, we believe investors have overreacted.

**Advance Auto Parts.** We exited our position in this automotive replacement parts retailer because we thought the competitive landscape may make it hard for the company to improve profit margins.

**Ameriprise Financial.** We exited our position in this diversified financial services company after it outperformed its peers. We reallocated the proceeds to other stocks that we believed were more attractive.

### Portfolio Positioning

The portfolio seeks to invest in companies where we believe the valuation does not reflect the quality and normal earnings power of the company. Our process is based on individual security selection, but broad themes have emerged.

**Higher-quality stocks may offer resilience.** As investors continue to face macroeconomic and geopolitical risks, we believe pricing pressures and interest rates will likely remain elevated. Against this backdrop, we continue to focus on companies that we view as higher quality with stable revenues and profits, low debt levels, stable cash flows and predictable business models that are less sensitive to economic conditions.

**Attractive valuations in health care.** Our research has led us to several health care stocks that we think are attractive. We consider health care less cyclical because our research indicates that demand in the sector is often less impacted by the economy. Therefore, we think patients seeking elective procedures should provide support to medical device companies and service providers that continue to work through patient backlogs caused by the COVID-19 disruption even in a slowing economy.

**Opportunities in consumer staples.** With slowing global growth, we have identified select opportunities in the relatively defensive consumer staples sector. Despite a challenging higher-cost environment, our research has indicated that many consumer staples companies are generating strong returns on capital, buying back stock and growing dividends. Moreover, industry consolidation has enabled some companies to pass on higher costs to consumers. We believe actions to offset rising prices, including fewer discounts and more price hikes, should help support earnings and margins.

**Navigating the financials sector.** Regional bank failures have created disruption within the banking industry. Against this backdrop, we are monitoring our holdings closely and have been in contact with the banks in our portfolio to assess any cash flow challenges, monitor capital levels and gauge uninsured versus insured deposit levels. We continue to focus on companies that we view as higher quality and capable of returns from diversified sources, strong capital and cash flow ratios, and solid management teams. Furthermore, we believe the securities we hold are attractively valued.

**Limited opportunities in consumer discretionary.** Our portfolio remains underweight in the consumer discretionary sector relative to the benchmark because it has been difficult for us to find what we believe are higher-quality consumer discretionary companies with durable business models.

# Mid Cap Value Fund

TICKERS Investor Class: ACMVX | I Class: AVUAX | A Class: ACLAX | C Class: ACCLX | R Class: AMVRX | R5 Class: AMVGX | R6 Class: AMDVX

**Data presented reflects past performance. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance shown. To obtain performance data current to the most recent month end, please visit www.americancentury.com/performance. Investment return and share value will fluctuate, and redemption value may be more or less than original cost. Data assumes reinvestment of dividends and capital gains. Returns for periods less than one year are not annualized.** For information about other share classes available, please consult the prospectus. There is no guarantee that the investment objectives will be met. Dividends and yields represent past performance and there is no guarantee that they will continue to be paid.

## Average Annual Total Returns for Period Ended 6/30/2023

| Class | Qtr (%) | 1 Year (%) | 3 Year (%) | 5 Year (%) | 10 Year (%) | Since Inception (%) | Inception Date | Gross Expense Ratio (%) |
|---|---|---|---|---|---|---|---|---|
| Investor | 1.45 | 10.17 | 14.83 | 7.44 | 9.66 | 9.72 | 3/31/04 | 0.97 |
| I | 1.50 | 10.37 | 15.07 | 7.66 | 9.87 | 10.07 | 8/2/04 | 0.77 |
| R5 | 1.57 | 10.44 | 15.06 | 7.67 | 9.88 | 7.34 | 4/10/17 | 0.77 |
| R6 | 1.61 | 10.54 | 15.24 | 7.82 | - | 9.58 | 7/26/13 | 0.62 |
| Russell Midcap Value Index | 3.86 | 10.50 | 15.04 | 6.83 | 9.03 | - | - | - |

*Historical performance for the R5 Class prior to its inception is based on the performance of I Class shares, which have the same expenses as the R5 Class.*

*Expense ratio is as of the fund's current prospectus. The I Class minimum investment amount is $5 million ($3 million for endowments and foundations) per fund. The R5 Share Class is available only to participants in group employer-sponsored retirement plans where a financial intermediary provides recordkeeping services to plan participants.*

*Periods greater than one year have been annualized.*

***You should consider the fund's investment objectives, risks, and charges and expenses carefully before you invest. The fund's prospectus or summary prospectus, which can be obtained at americancentury.com, contains this and other information about the fund, and should be read carefully before investing.***

*The opinions expressed are those of the portfolio investment team and are no guarantee of the future performance of any American Century Investments portfolio. Statements regarding specific holdings represent personal views and compensation has not been received in connection with such views. This information is for an educational purpose only and is not intended to serve as investment advice.*

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*The fund is generally closed to new investors other than those who (i) invest directly with American Century (where American Century is listed as the dealer of record); (ii) invest through certain financial intermediaries selected by American Century; or (iii) otherwise qualify for an exemption under American Century's closed fund policy.*

*Historically, small- and/or mid-cap stocks have been more volatile than the stocks of larger, more established companies. Smaller companies may have limited resources, product lines and markets, and their securities may trade less frequently and in more limited volumes than those of larger companies.*

The Russell Midcap® Index measures the performance of the 800 smallest companies in the Russell 1000® Index. The Russell Midcap® Value Index measures the performance of those Russell Midcap® companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000® Value Index. Created by Frank Russell Company, indices are not investment products available for purchase.

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