

QUARTERLY COMMENTARY

American Century®  
DIVERSIFIED CORPORATE BOND ETF

Active, holistically managed strategy that offers exposure to corporate bonds in a portfolio that seeks to enhance returns and reduce risk versus passive cap-weighted portfolios.

Strategy Highlights

**Our active approach seeks to enhance returns.** The portfolio strives to offer income and enhanced return potential versus passive capitalization-weighted corporate bond funds. We employ what we believe is a holistic approach to investing, by emphasizing investment-grade securities, while dynamically allocating a portion of the portfolio to high-yield securities based on our research.

**A mix of bottom-up and quantitative insights.** We integrate bottom-up and quantitative analysis as we seek to balance our exposure to interest rate sensitivity and credit quality. Our research process drives security selection and sector, industry and duration exposures. We use top-down analysis to determine how much we should allocate to high yield.

**We seek to limit exposure to volatility without sacrificing the potential to generate yield.** We generally maintain a duration that typically ranges from three to seven years. We believe this strategy may reduce our exposure to volatility without sacrificing yield potential.

Portfolio Review

**Bonds gained slightly.** Despite a dismal April, U.S. investment-grade bonds rebounded in May and June to deliver a fractional second-quarter gain. Persistent inflation and resilient economic data helped push Treasury yields higher through May before they declined modestly in June. Performance among investment-grade bond sectors was mixed for the three-month period.

**Corporates delivered gains.** In general, credit spreads widened but remained within a fairly tight range. Returns for intermediate-maturity investment-grade corporates advanced and outperformed the broad bond market, according to Bloomberg. High-yield corporates delivered gains, outperformed investment-grade bonds and were among the U.S. bond market's top-performing sectors.

**Duration detracted.** Our longer-than-index duration position weighed on relative performance as Treasury yields rose. Given our expectation for the economy to slow and yields to decline, we extended duration, which remains within our strategic range.

**Security selection boosted performance.** Security selection was broadly positive, driven by our choices in the financial institutions (primarily banks), industrials and technology, media and telecommunications sectors. We took profits in select industrials, reduced exposure to banks and added to brokerage/asset managers and real estate investment trusts. Sector allocation versus the index contributed modestly, partly due to underweight positions versus the index in integrated energy companies and retailers. An out-of-index position in U.S. Treasury securities also slightly aided results.

GOAL & STRATEGY:

Seeks current income by emphasizing investment-grade debt while dynamically allocating a portion of the portfolio to high yield.

PORTFOLIO MANAGEMENT TEAM

Name	Start Date	
	Industry	Company
Charles Tan	1994	2018
Jason Greenblath	2002	2019
Gavin Fleischman	2000	2008
Le Tran	1998	2004

TOP HOLDINGS

	(%)
US 10YR NOTE (CBT)Sep24	10.49
Bank of America Corp 5.87 09/15/2034	3.43
JPMorgan Chase & Co 5.34 01/23/2035	1.83
Bank of New York Mellon Corp/The 6.47 10/25/2034	1.18
US Bancorp 5.84 06/12/2034	1.13
Morgan Stanley 6.63 11/01/2034	1.09
Astrazeneca Finance LLC 4.90 02/26/2031	1.07
CVS Health Corp 5.55 06/01/2031	1.06
AbbVie Inc 4.95 03/15/2031	1.03
Sprint Capital Corp 8.75 03/15/2032	1.01

Top Ten Holdings Total

23.32

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.

**High-yield bonds contributed.** Our out-of-index exposure to high-yield credit boosted relative performance. We increased the portfolio's exposure to the high-yield sector, but the weighting remained at the lower end of our target range.

### Portfolio Positioning

**Fed cautious as it awaits slowdown.** Recent manufacturing, jobs and consumer data, combined with restrictive Federal Reserve (Fed) policy, suggest the economy may be entering a period of below-trend growth. But inflation remains the wildcard. Until the Fed is confident core inflation can reach the 2% target, we expect policymakers to proceed cautiously, likely cutting rates at least once by year-end.

**Fundamentals still solid.** We still believe corporate credit fundamentals are strong, and we expect stable second-quarter earnings to confirm our view. We continue to find compelling valuations in financial sector bonds.

**Remain focused on high-conviction security selection.** We continue to look for more attractive entry points across the corporate bond market, given our view that valuations are rich. Our recent high-yield purchases include story bonds with specific catalysts. Once spreads widen and valuations appear attractive again, we plan to reduce our Treasury position and increase exposure to credit risk.

PERFORMANCE (%)	1 Mo.	QTR	1 Year	3 Year	5 Year	Since	Inception	Gross
						Inception	Date	Expense
								Ratio %
NAV	0.83	0.68	5.97	-0.96	1.34	1.93	1/11/18	0.29
Market Price	0.75	0.64	5.87	-1.00	1.27	1.93	1/11/18	-
Bloomberg U.S. Intermediate Corporate Bond Index	0.69	0.74	5.89	-0.77	1.45	2.19	-	-

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. NAV prices are used to calculate market price performance prior to the date when the Fund first traded on the New York Stock Exchange. Market performance is determined using the bid/ask midpoint at 4:00 p.m. Eastern time, when the NAV is typically calculated. Market performance does not represent the returns you would receive if you traded shares at other times. To obtain performance data current to the most recent month end, please visit <https://ipro.americancentury.com/etf-performance>. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

### KEY CHARACTERISTICS

	KORP	Bloomberg U.S. Intermediate Corporate Bond Index
Duration	6.37 Years	4.10 Years
Wtd Avg Life to Maturity	8.36 Years	5.25 Years
30 Day SEC Yield	5.34%	-
Number of Holdings	244	4,999

### A Note About Risk:

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

KORP is an actively managed ETF that does not seek to replicate the performance of a specified index. To determine whether to buy or sell a security, the portfolio managers consider, among other things, various fund requirements and standards, along with economic conditions, alternative investments, interest rates and various credit metrics. If the portfolio manager considerations are inaccurate or misapplied, the fund's performance may suffer.

Generally, as interest rates rise, the value of the securities held in the fund will decline. The opposite is true when interest rates decline.

The lower rated securities in which the fund invests are subject to greater credit risk, default risk and liquidity risk.

The letter ratings indicate the credit worthiness of the underlying bonds in the portfolio and generally range from AAA (highest) to D (lowest).

*DUE TO MARKET VOLATILITY, CURRENT PERFORMANCE MAY BE DIFFERENT THAN THE FIGURES SHOWN.*

Exchange Traded Funds (ETF) are bought and sold through exchange trading at market price (not NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV in the secondary market. Brokerage commissions will reduce returns.

**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](http://americancentury.com), contains this and other information about the fund, and should be read carefully before investing.**

Bloomberg Barclays U.S. Intermediate-Term Corporate Bond Index measures the performance of Investment Grade securities with maturities of 1-10 years. It is not possible to invest in an index.

Fund Facts are provided by FactSet Research Systems, Inc.

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### KEY TERMS

**30 Day SEC Yield:** Represents net investment income earned by a fund over a 30-day period, expressed as an annual percentage rate based on the fund's share price at the end of the 30-day period. The SEC Yield should be regarded as an estimate of the fund's rate of investment income, and it may not equal the fund's actual income distribution rate, the income paid to a shareholder's account, or the income reported in the fund's financial statements.



# Commentary Glossary

**Adjustable-Rate Mortgages (ARMs):** Mortgages in which the interest rate is adjusted periodically according to a specific index.

**Agency Securities (Agencies):** Debt securities issued by U.S. government agencies.

**Agency MBS:** Mortgage-backed securities issued by U.S. government agencies.

**Alternative Minimum Tax (AMT):** A parallel tax system that was created to keep high income individuals from avoiding taxes through various deductions and exemptions.

**Asset-Backed Securities (ABS):** A form of securitized debt backed by loan assets such as auto loans, student loans, and credit card debt.

**Basis Points (BPS):** Used to express percentage values that are carried out to two decimal places. One basis point equals 0.01%.

**Breakeven Rate:** Yield difference between nominal Treasury notes and TIPS; indicates the market's expectations for inflation.

**Carry-Oriented Currencies:** Higher-yielding currencies of countries where interest rates are generally higher than those of countries with lower-yielding currencies. These higher-yielding currencies are targeted for "carry trades," where investors borrow money in a low-interest rate currency and invest in a higher yielding currency, potentially profiting from the difference in interest rates.

**Collateralized Loan Obligations (CLOs):** A form of securitized debt, typically backed by pools of corporate loans and their payments.

**Collateralized Mortgage Obligations (CMOs):** A form of structured, securitized debt derived from mortgage-backed securities, typically backed by pools of residential mortgages and their payments.

**Commercial Mortgage-Backed Securities (CMBS):** Securities representing ownership in pools of commercial real estate loans used to finance the construction and improvement of income-producing properties such as hotels, shopping centers, and office buildings.

**Commercial Paper:** Short-term debt issued by corporations to raise cash and to cover current expenses in anticipation of future revenues.

**Commodity:** Basic raw materials such as precious metals and natural resources.

**Consumer Price Index (CPI):** Published by the U.S. government, CPI is the most commonly used statistic to measure inflation in the U.S. economy. Core CPI excludes food and energy prices, which tend to be volatile.

**Contribution to Duration (CTD):** A measure of bond portfolio risk that reflects a bond sector's contribution to the overall duration of the portfolio.

**Corporate Debt:** Debt instruments issued by private corporations.

**Covered Bonds:** Debt securities backed by cash flows from pools of mortgages or public sector loans. The asset pools help secure or "cover" these bonds if the originating financial institution becomes insolvent.

**Coupon Interest Rate:** The interest rate that is assigned to an interest-paying fixed income security when it is issued.

**Credit Analysis:** An analysis of the financial strength of the issuer of a security, and the ability of that issuer to provide timely payment of interest and principal.

**Credit Default Swap:** Credit derivative contracts between two counterparties that can be used to hedge credit risk or speculate on the changes in the credit quality of a corporation or government entity.

**Credit Quality:** Measures (usually in terms of high or low) the ability of issuers of debt securities to make timely interest and principal payments.

**Credit Risk:** The risk that the inability of the issuers of debt securities to make payments will cause these securities to decline in value.

**Currency Overlay:** A financial trading strategy used to separate the management of currency risk from other portfolio strategies. A currency

overlay manager can seek to hedge the risk from adverse movements in exchange rates, and/or attempt to profit from tactical currency views.

**Debt Service:** The amount of money required within a given period to keep current on required/scheduled repayments of outstanding debt, including interest and principal.

**Deflation:** A decline in prices for goods, assets and services.

**Derivatives:** Securities whose performance and/or structure is derived from the performance and/or structure of other assets, interest rates or indexes.

**Duration:** A measure of the price sensitivity of a fixed income investment to changes in interest rates. The longer the duration, expressed in years, the more a fixed income investment's price will change when interest rates change.

**Emerging Markets (EM) Debt:** Debt issued by countries whose economies are considered to be developing or emerging from underdevelopment.

**Excess Return:** The return of an investment portfolio minus the return of what is considered to be a relatively risk-free asset, such as a U.S. Treasury bill.

**Exchange-Traded Fund (ETF):** Represents a group of securities but is traded on an exchange like an individual stock.

**Federal Funds Rate:** An overnight interest rate banks charge each other for loans.

**Federal Open Market Committee (FOMC):** The committee that sets interest rate and credit policies for the Federal Reserve System, the U.S. central bank.

**Federal Reserve (Fed):** The U.S. central bank, responsible for monetary policies affecting the U.S. financial system and the economy.

**Fundamental Factors:** Economic or financial data used in determining asset value.

**Futures Contracts (Futures):** Agreements to buy or sell a specific amount of a commodity or financial instrument at a particular price on a stipulated future date.

**General Obligation (GO) Bonds:** Municipal bonds that are secured by the full faith and credit of the issuer, including its taxing power.

**Gross Domestic Product (GDP):** A measure of the total economic output in goods and services for an economy.

**Government-Sponsored Enterprises (GSEs):** Privately owned corporations created by Congress to provide funding and help to reduce the cost of capital for certain borrowing sectors of the economy such as homeowners, students and farmers.

**Headline Risk:** Refers to the risk that a negative news media headline about one security issuer, incident or sector could affect the demand for and pricing of a much wider swath of securities.

**Hedge:** An investment designed to reduce the risk of an adverse price move in another investment. Often a hedge consists of taking an offsetting position in a related investment, such as a futures contract.

**High-Yield (HY) Debt:** Fixed income securities with lower credit quality and lower credit ratings. High-yield securities are rated below BBB-.

**Hybrid Adjustable-Rate Mortgages (ARMs):** Combine the characteristics of fixed-rate and adjustable-rate mortgages, with rates remaining fixed for a set period of time and then adjusting periodically according to a specific index.

**Inflation:** An economic condition of rising prices for goods, services and assets, or equivalently, a declining value of money. Core inflation excludes food and energy prices, which tend to be volatile. It is the opposite of Deflation.

**Inflation-Indexed Securities:** Debt securities that offer returns adjusted for inflation. Typically, the principal of inflation-indexed securities is indexed to a widely used inflation measure and adjusted accordingly. Interest payments can be adjusted as well.

**Interest Rate Risk:** The risk that a fixed income investment's value will change due to changes in interest rates.

**Investment-Grade (IG) Debt:** Fixed income securities with relatively high credit quality and credit ratings in the upper ranges of those provided by credit rating services. Using Standard & Poor's ratings as the benchmark, investment-grade securities are those rated BBB- or higher.

**Leverage:** The use of financial instruments and/or borrowed capital to increase potential returns or to increase purchasing power.

**Long Position:** Typical ownership of an asset or investment that gives the owner the right to transfer ownership, the right to any income generated by the asset, and the right to any profits or losses due to value changes.

**Long/Short Position:** A "market neutral" investing strategy that involves taking long positions in assets that are expected to increase in value and short positions in assets that are expected to decrease in value.

**Master Limited Partnerships (MLPs):** Publicly traded, generally higher-yielding securities of enterprises that engage in certain businesses, usually pertaining to the use of natural resources.

**Mortgage-Backed Securities (MBS):** A form of securitized debt that represents ownership in pools of mortgage loans and their payments.

**MSCI ACWI (All Country World Index):** A free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

**Municipal Securities:** Debt securities typically issued by or on behalf of U.S. state and local governments, their agencies or authorities to raise money for a variety of public purposes, including financing for state and local governments as well as financing for specific projects and public facilities.

**Nominal Yield:** The interest rate to par value that the bond issuer promises to pay bond purchasers.

**Non-Agency Mortgage-Backed Securities (MBS):** MBS are groups of home mortgages that are sold by the issuing banks and then packaged together into "pools" and sold as a single security. Non-agency MBS are issued by private entities, such as financial institutions.

**Personal Consumption Expenditures (PCE):** This price deflator which comes from the Bureau of Economic Analysis' quarterly report on U.S. gross domestic product is based on a survey of businesses and is intended to capture the price changes in all final goods, no matter the purchaser. Because of its broader scope and certain differences in the methodology used to calculate the PCE price index, the Federal Reserve holds the PCE deflator as its preferred, consistent measure of inflation over time.

**Quantitative Easing (QE):** A form of monetary policy used by central banks to stimulate economic growth by purchasing domestic government securities to increase the domestic money supply, lower interest rates and encourage investors to make investments in riskier assets such as stocks and high-yield securities.

**Real Estate Investment Trusts (REITs):** Securities that trade like stocks and invest in real estate through properties or mortgages.

**Real Yield:** A yield that has been adjusted to remove the effects of inflation.

**Revenue Bonds:** Municipal bonds that are secured by the net revenues from the project or facility being financed.

**S&P 500 Index:** The S&P 500® Index is composed of 500 selected common stocks most of which are listed on the New York Stock Exchange. It is not an investment product available for purchase.

**Secondary Market:** A market where investors make purchases from other investors, rather than from the initial issuers.

**Securitized Debt:** Debt resulting from aggregating debt instruments into a pool of similar debts, then issuing new securities backed by the pool. ABS, MBS, and CMOs are common forms of securitized debt.

**Short Position:** Refers to the sale of an asset borrowed, not owned, by the seller in anticipation of a price decline. If the seller can buy the asset later (to return what was borrowed) at a lower price, a profit results. If the price rises, the borrower/seller suffers a loss.

**Sovereign Debt:** A country's government-issued debt, priced in its native currency, which can be sold to investors in other countries.

**Spreads, Maturity Spreads, Credit Spreads:** Measured differences between two interest rates or yields that are being compared with each other. Spreads typically are measured between fixed income securities of the same credit quality, but different maturities (maturity spreads), or of the same maturity, but different credit quality (credit spreads).

**Spread Sectors:** Non-Treasury debt sectors with securities that usually trade at higher yields than comparable-maturity U.S. Treasury securities. These sectors typically trade at higher yields than Treasuries because they usually have relatively higher credit risk and/or more risk of prepayment.

**Spread Widening, Tightening:** Changes in spreads that reflect changes in relative value, with spread widening usually indicating relative price depreciation and spread tightening indicating relative price appreciation.

**Swaps:** Two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments.

**Treasury Inflation-Protected Securities (TIPS):** Inflation-linked debt securities issued by the U.S. Treasury.

**Technical Factors:** Market price behavior, trends, volume, and momentum data used in determining asset value.

**U.S. Treasury securities:** Debt securities issued by the U.S. Treasury and backed by the direct "full faith and credit" pledge of the U.S. government. Treasury securities include bills (maturing in one year or less), notes (maturing in two to 10 years) and bonds (maturing in more than 10 years). They are generally considered among the highest quality and most liquid securities in the world.

**Variable-Rate Demand Notes (VRDNs):** Short-term debt securities that track market interest rates using periodic (daily, weekly, monthly, or quarterly) interest rate adjustments.

**Weighted Average Life to Maturity:** The average time in years to receive the principal repayments.

**Yield:** A rate of return for bonds and other fixed-income securities. There are several types of yields and yield calculations.

**Yield Curve:** A line graph showing the yields of fixed income securities from a single sector from a range of different maturities at a single point in time.

**Yield to Maturity:** A common performance calculation for fixed income securities, which takes into account total annual interest payments, the purchase price, the redemption value, and the amount of time remaining until maturity.

**Real Yield to Maturity:** Yield to maturity minus any "inflation premium" that had been added/priced in.

**Zero-Coupon Securities:** Debt securities that are sold at a deep discount then redeemed for their full face value at maturity.

