

AMERICAN CENTURY®

# LOW VOLATILITY ETF

## A Core Allocation Seeking to Provide Downside Resilience

The stock markets are experiencing an unprecedented time in history with heightened volatility and sustained low interest rates. The wide swings of volatility in the market in 2020 have changed investors' investment perspective to managing risk in their portfolios. The need to balance risk and reward has become more important, and investors are looking for new ways to help them strike a balance. They are in search of solutions that can help mitigate market volatility but continue to have strong performance metrics while demonstrating downside resilience.

Most major index providers offer indices that attempt to deliver this objective—each with its own methodology and rebalancing schedules—resulting in dispersion among results and disappointment for investors. Today, it is impossible to time the market and even harder to remain a long-term buy-and-hold investor.

## Seeking to Address the Drawbacks of Low Volatility Indices

LVOL takes a more deliberate approach and seeks to deliver long-term market returns while realizing less volatility, particularly during downturns, by correcting for the shortcomings of low volatility indices by:

- Emphasizing strong fundamentals in an effort to reduce potential risk of speculative companies with questionable profits.
- Expanding risk measures beyond volatility to capture other downside and balance sheet risks.
- Focusing on volatility at the portfolio level as well as the individual stock level.
- Employing a rebalancing strategy that actively responds to changing market conditions.


Our rules-based, quantitative investment process offers a portfolio engineered to be well diversified, with the potential for lower volatility and beta than the broad market. Our focus on high-quality, profitable, well-capitalized companies offers the potential for resilience to market downturns and performance during recoveries.

## FUND INFORMATION

|                     |               |
|---------------------|---------------|
| Ticker              | LVOL          |
| Intraday NAV Ticker | LVOL-IV       |
| Inception Date      | 1/12/2021     |
| Exchange            | NYSE ARCA     |
| Expense Ratio       | 0.29%         |
| Index               | S&P 500 Index |
| Bloomberg Ticker    | SPX Index     |
| Number of Holdings  | 75-200        |

## An Adaptive Strategy in Volatile Markets

American Century Investment's rules-based methodology applies three key tenets as it seeks to deliver market returns with lower downside risk:



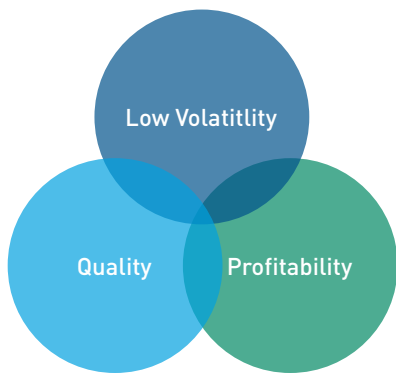
**1** Looks beyond volatility



**2** Emphasizes strong fundamentals



**3** Applies active insights



Multidimensional approach to stock selection and risk management



American Century Investments® offers its expertise through a wide variety of investment products designed to meet the needs of individuals and institutions around the world. Our offerings include mutual funds, separate account strategies, collective investment trusts and ETFs.

## Looking Beyond Volatility

Low volatility indices identify holdings primarily based on historical prices where realized volatility is the most significant input in the methodology. LVOL builds on the index approach by expanding the definition of risk to also incorporate proprietary measures of downside risks, estimates of future risks and assessments of company fundamentals such as balance sheet strength, earnings quality and profitability.

LVOL's methodology uses quantitative models to invest primarily in U.S. large-capitalization companies. The initial volatility screen eliminates those stocks with the highest realized volatility and lowest scores based on proprietary risk measures. The portfolio managers further refine the selected stocks by seeking companies that demonstrate low credit risk and low volatility in business fundamentals including growth, earnings and cash flows as well as margin trends expected to show resilience in down markets. This approach helps ensure the portfolio optimizes low volatility stocks with the highest-quality and profitability scores and are not subject to liquidity constraints or risk management guidelines.

## Emphasizing Strong Fundamentals

While major volatility index providers' stock selection process is typically optimized to achieve the lowest absolute portfolio volatility, we believe in using multiple metrics to assess company quality, profitability and balance sheet strength while seeking to reduce the potential risk of speculative companies with questionable profits.

### Areas of Focus To Help Generate Alpha and Mitigate Downside Risks

| Proprietary Risk Measures  | Balance Sheet Strength   | Quality  | Profitability  |
|--|--|--|--|
| <ul style="list-style-type: none"> <li>• Historical realized volatility</li> <li>• Downside volatility</li> <li>• Volatility of stock returns in downdraft</li> <li>• Beta in downdraft</li> </ul> | <ul style="list-style-type: none"> <li>• Default risk</li> <li>• Debt coverage</li> <li>• Business resiliency</li> <li>• Leverage</li> </ul> | <ul style="list-style-type: none"> <li>• Cash flow accruals</li> <li>• Sales growth volatility</li> <li>• Return on assets</li> <li>• Gross margin</li> <li>• Earnings volatility</li> <li>• Dispersion in analyst earnings estimates</li> </ul> | <ul style="list-style-type: none"> <li>• Operating cash flows</li> <li>• Gross margin</li> <li>• Cash flow accruals</li> <li>• Asset turnover</li> </ul> |

| Potential Benefits  |   |  |  |
|---|---|--|--|
| Improves likelihood of capturing market upside while maintaining lower volatility profile | More comprehensive assessment of company risks that may be episodic | Reduce potential risk of low-quality companies that tend to underperform over time | Reduce potential risk of speculative companies with questionable profits |





## Active Application of Insights

The ability to dynamically adjust to volatility in the market is more important than ever. LVOL is not beholden to the constraints of an index provider’s rebalancing schedule and can respond to quantitative insights and changing market conditions with the active application of market insights. The portfolio managers use a range of sophisticated tools and analytics to support ongoing portfolio monitoring and management. These tools provide:

- Real-time, in-depth view of portfolios at an individual security level.
- Daily monitoring of holdings, portfolio characteristics and risk contributions.
- Stress testing and rebalancing performed by a team of quantitative experts.

## A Differentiated Low Volatility ETF

We go beyond simply creating a low-risk portfolio. We believe our approach of selecting lower volatility stocks with attractive fundamentals enables us to maintain a portfolio that is distinctive from other ETFs in the low-volatility space.

| Generic Approach  |  |  |   |
|---|--|--|---|
| Risk view is one dimensional: historical realized volatility  | Selection of stocks with low beta or low volatility  | Limited up capture   | Concentration risk  |
| ACI Approach  |  |  |   |
|  <p>Multidimensional view of risk: volatility and proprietary measures of risk</p> |  <p>Follow a portfolio-based approach to identify a combination of stocks that offer low volatility with profitability and balance sheet strength</p> |  <p>Alpha potential by incorporating business fundamentals into systematic models</p> |  <p>Diversification at the sector and individual levels as well as limiting bias toward smaller caps</p> |

### Role of LVOL in a Portfolio

#### As a strategic allocation:

To provide the potential for attractive long-term, risk-adjusted returns and reduce portfolio beta.

#### As a tactical allocation:

To provide diversification away from “frothy” or overpriced equities while maintaining long-term growth potential.

# INVESTOR PROFILE



- Investors desiring to manage the volatility of their portfolio while realizing the long-term growth of equities
- Investors searching for a core portfolio component that offers exposure to low-volatility, high-quality and profitable U.S. large-cap stocks
- Investors looking to enhance risk-adjusted return potential of U.S. equities by reducing the likelihood of achieving large losses



## INNOVATIVE

Variety of investment approaches that offer proactive solutions.



## UPSIDE POTENTIAL

Alpha-seeking portfolios based on manager research and insights.



## LOWER COST

Benefits of active management in a lower-cost, tax-efficient, liquid vehicle.

## Investing With Purpose

American Century Investments® is an asset manager known for industry-leading client care, stewardship and stability. Founded more than 60 years ago, the firm boasts an institutional-quality investment management platform with more than \$212 billion in AUM.\* Through American Century's relationship with the Stowers Institute for Medical Research, your investments help support research that can improve human health and save lives. Since 2000, American Century's dividends distributed to the Institute have totaled \$1.7 billion.

\*As of 12/31/2020.



## Actively Investing in Your Success

Drawing on more than 60 years of real-world, active management experience, we offer access to lower-cost, tax-efficient investment strategies in a liquid ETF. Our ETF lineup expands your options to manage portfolio risk, reduce the impact of fees and taxes and enhance investor returns.

Our semitransparent active ETFs (also known as nontransparent ETFs) have the same features and potential benefits as traditional ETFs while protecting the intellectual property that is critical to generate alpha.

Exchange Traded Funds (ETFs) 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.

**Alpha** is typically used to represent the value added or subtracted by active investment management strategies. It shows how an actively managed investment portfolio performed compared with the expected portfolio returns produced simply by benchmark volatility (beta) and market changes. A positive alpha shows that an investment manager has been able to capture more of the upside movement in the benchmark while softening the downswings. A negative alpha means that the manager's strategies have caught more benchmark downside than upside.

**Beta** is a standard measurement of potential investment risk and return. It shows how volatile a security's or an investment portfolio's returns have been compared with their respective benchmark indices. A benchmark index's beta always equals 1. A security or portfolio with a beta greater than 1 had returns that fluctuated more, both up and down, than those of its benchmark, while a beta of less than 1 indicates less fluctuation than the benchmark.

The fund 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.

There is no assurance that the fund will be less volatile than the market over the long term or for any specified period. The fund's strategy of constructing a portfolio that realizes lower volatility than the market may not produce the intended result. A security's volatility can change very quickly, and specific securities in the fund's portfolio may become more volatile than expected. Additionally, low volatility investments may underperform the equity markets during periods of strong, rising or speculative equity markets.

**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.**