

# Focused International Growth SMA

## Quarterly Commentary

### Portfolio Review

**Macroeconomic forces continued to pressure equities.** Rising prices, higher interest rates and energy uncertainty due to the war in Ukraine led to a volatile quarter for non-U.S. stocks. A strong U.S. dollar pushed some non-U.S. developed markets currencies, including the British pound and the euro, near historic lows.

**Negative headlines clouded the outlook for growth, in our view.** Despite intermittent rallies, bad news about supply chains, energy prices, higher interest rates and rising prices continued to fuel investors' fears of a meaningful growth slowdown. In this environment, we believe historically growth-oriented names with longer-horizon earnings outlooks underperformed the benchmark.

### Key Contributors

**Localiza Rent a Car.** This company, which engages in the car and fleet rental and franchising business in Brazil, benefited from the closing of its merger with Unidas. We believed Localiza has been well positioned to benefit from the ongoing recovery and will resume what we think will be a solid growth trajectory with the normalization of new car supply.

**Bank Central Asia.** According to our research, Indonesia-based banks generally benefited as the country moved from a current account deficit to a current account surplus. We believe Bank Central Asia's balance sheet growth appeared healthy as our research indicated that it has a stable net interest margin, which is a measure of a bank's profitability.

**Atlassian.** This company reported strong quarterly earnings, which we believed helped propel the stock. Our research indicated that the collaboration software specialist witnessed solid demand for its cloud-based products, primarily led by smaller customers.

### Key Detractors

**Koninklijke DSM.** This specialty chemical company's stock weakened. Investors were disappointed with the company's results for the first half of 2022. Organic growth in the low double digits was lower than many had hoped for, and some investors believed it indicated slower growth. However, we believe DSM's numbers still look good relative to its peers.

**AstraZeneca.** This U.K.-based pharmaceutical company's stock declined despite better-than-expected reported results. The company continued to deliver revenue and earnings-per-share growth above consensus expectations and raised guidance for the second half of the year.

**HSBC Holdings.** We believe HSBC is poised for improved earnings growth driven by management's focus on containing costs. As this Hong Kong bank is often influenced by U.S. interest rates, we think higher interest rates could aid its net interest margins. HSBC also plans to divest from less profitable geographies and instead focus on accelerating growth in Asia.

### Notable Trades

There were no new purchases during the period.

### Goal and Strategy

Seeks to invest in companies outside the U.S. demonstrating early and sustainable accelerating growth.

### Portfolio Management Team

Name	Start Date	
	Industry	Company
Rajesh Gandhi, CFA	1993	2002
Jim Zhao, CFA	1999	2009

### Top 10 Holdings (%)

Novo Nordisk A/S	3.91
Schneider Electric SE	3.60
CSL Ltd	3.58
AstraZeneca PLC	3.38
Iberdrola SA	3.20
ICON PLC	3.09
Canadian Pacific Railway Ltd	3.07
Lonza Group AG	3.05
Dassault Systemes SE	2.87
LVMH Moet Hennessy Louis Vuitton SE	2.84

As of 9/30/2022

*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.*

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**Atlassian.** We exited our position in this collaboration software specialist. The company re-domiciled from the U.K. to the U.S. and is no longer part of our investable universe.

### Top Holdings

The portfolio continues to invest in companies that we believe have improving and sustainable financials and business characteristics and in areas where we have high conviction. Our process is based on individual security selection. Some of the portfolio's key holdings are highlighted below.

**Novo Nordisk.** We believe the pharmaceutical company should continue to see accelerating growth trends due to the launch of Rybelsus, which is used to treat Type 2 diabetes, the approval of semaglutide (the chemical name of Rybelsus) to treat obesity and a full phase 3 product pipeline.

**Schneider Electric.** Our research indicates that the firm has benefited from demand for electrical grid improvements and greater efficiency of electrical systems. We think Schneider could also benefit from increased investment to upgrade the energy grid and systems to accommodate electric and hybrid vehicles.

**CSL.** We believe that CSL shareholders will benefit from the acquisition of Vifor Pharma. In addition, our research indicates that plasma collection is improving sequentially, and we think investments in research and development and capital spending should enable the firm to maintain its market leadership in innovation.

**AstraZeneca.** Our research indicates that the firm has been generating strong revenue growth from new product launches in multiple areas including cancer and cardiovascular, and we believe it has one of the strongest pipelines in the industry with several products in late stages of the approval process.

**Iberdrola.** We believe this global leader in electricity infrastructure and renewable energy generation is well positioned to benefit from growth in renewable energies and rising long-term power price expectations. According to our research, Iberdrola is one of the best operators and it has what, in our opinion, is the strongest platform to capitalize on the decarbonization trend.

**ICON.** The company is benefiting from the global pharmaceuticals industry trend toward outsourcing of manufacturing and ingredients. We believe ICON is also seeing synergies from its recent PRA Health Sciences acquisition, which our research indicates has expanded the total market opportunity for the company and could drive earnings acceleration.

**Canadian Pacific Railway.** We believe the company should benefit from exposure to key bulk raw materials such as wheat and coal, which have been enjoying significant pricing moves in light of the ongoing Russia-Ukraine conflict.

**Lonza Group.** In our view, this contract manufacturer appears well positioned to capitalize on the growing outsourcing trend as our research indicates pharmaceutical and biotechnology companies have been increasingly shifting their focus to research and development. We think Lonza will also benefit from more outsourcing of biologics manufacturing with its higher level of complexity.

**Dassault Systemes.** Revenue growth at the software company has been accelerating with increased demand for its 3D simulation and design platform, data analytics and cloud computing. We believe digitization appeals to customers across multiple verticals, including manufacturing, life sciences and infrastructure.

**LVMH Moet Hennessy Louis Vuitton.** The company is a global leader in luxury and premium brands due to what we believe is its diverse product portfolio and geographic reach. Demand has been accelerating globally for luxury fashion and leather goods, premium spirits and jewelry.

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Portfolio holdings are as of the date indicated, and subject to change without notice. Data provided by American Century Investments and FactSet, unless otherwise noted. Material presented has been derived from industry sources considered to be reliable, but their accuracy and completeness cannot be guaranteed.

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.

International investing involves special risks, such as political instability and currency fluctuations.

