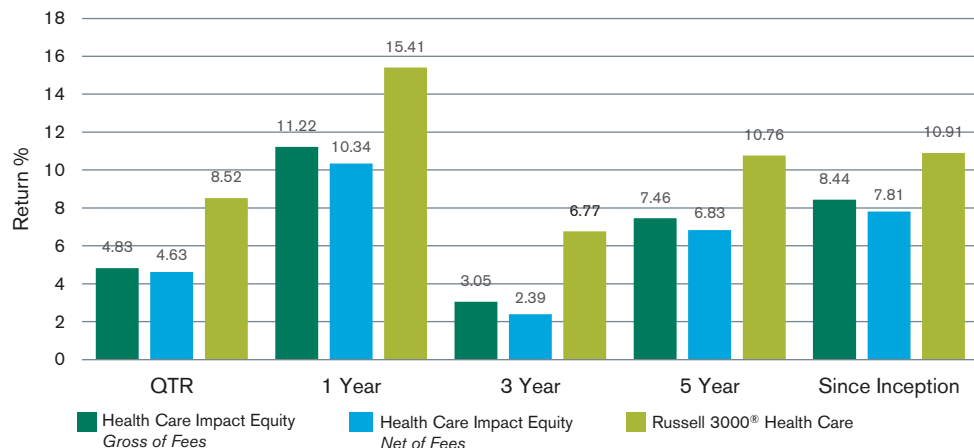


# Health Care Impact Equity

## Quarterly Review

### Composite Performance

Periods Ending March 31, 2024



Source: FactSet

Returns calculated in U.S. dollars. The value of investments can fluctuate. Data assumes reinvestment of dividends and capital gains. Data reflects past performance. Past performance does not guarantee future results.

Periods greater than one year have been annualized.

### At a Glance

**Inception:** November 1, 2018**Benchmark:** Russell 3000® Health Care**AUM:** \$1.03 billion

### Portfolio Management Team

Name	Start Date	
	Industry	Firm
Michael Li, PHD	2002	2002
Henry He, CFA	2001	2011

### Quarterly Top Relative Contributors and Detractors

Contributor	(%)	Detractor	(%)
Novo Nordisk A/S	0.45	Alnylam Pharmaceuticals Inc	-0.68
Humana Inc	0.33	Merck & Co Inc	-0.65
Pfizer Inc	0.30	Biogen Inc	-0.53
Intuitive Surgical Inc	0.29	AbbVie Inc	-0.49
Amgen Inc	0.24	Penumbra Inc	-0.30

### Attribution Analysis

One Year Ending March 31, 2024

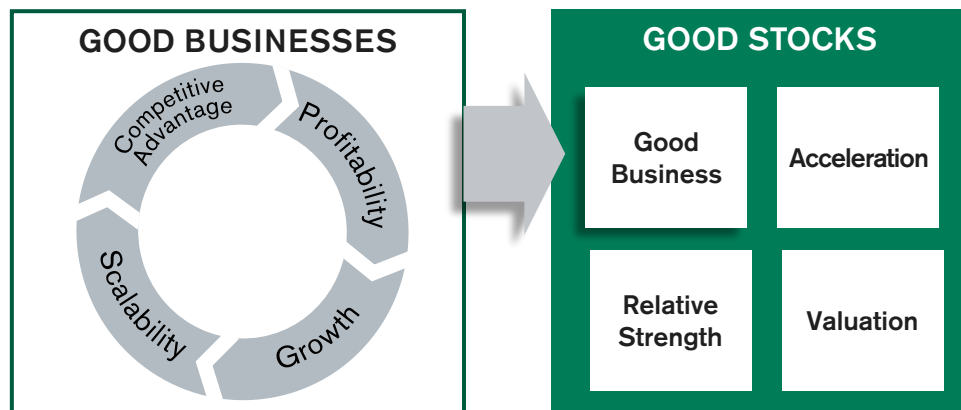


Source: FactSet

We believe an asset manager can offer both dedication to investment performance and an opportunity to make a positive impact in the world. An investment focus on innovative health care companies may offer opportunities to add value alongside the potential to create a meaningful impact on society.

The team believes:

- Good stocks start with good businesses
- Good businesses become good stocks by incorporating acceleration, relative strength, and valuation



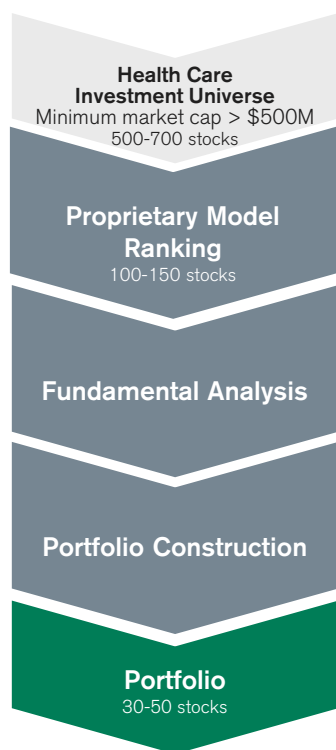
## Good Business Characteristics

- Equally important
- Equally synergistic
- Self-perpetuating cycle

## Stock Outperformance Conditions

- Acceleration in fundamental business trends
- Attractive valuations
- Positive relative strength

## Investment Process



### Step 1

Proprietary multi-factor model ranks stocks based on:

- Fundamental acceleration
- Earnings quality
- Relative strength
- Valuation

### Step 2

Conduct deep fundamental research to identify and confirm:

- Quality of the company
- Drivers of acceleration
- Sustainability of growth and profitability
- Alignment with impact goals and integration of ESG opportunities or risks

### Step 3

Construct portfolio emphasizing stock selection subject to:

- Liquidity constraints
- Risk-management guidelines
- Growth-oriented performance contour
- Structured sell discipline

Seeks to outperform the index by 1.5% to 4.0%\* annualized over a market cycle.

## Risk Guidelines

Expected tracking error: 3% to 8%

Non-U.S. exposure: <20%

Cash exposure: <3%

Sustainability: 100% of holdings align with the United Nations Sustainable Development Goal 3 (SDG-3): Ensure healthy lives and promote wellbeing for all at all ages.

\*Our excess return estimates are derived from a target information ratio of 0.5.

Risk management does not imply low risk. The total return target is aspirational in nature and is not based on any criteria or assumptions. The target is not meant to reflect any projection or promise of performance. No guarantee or representation is being made that any account will or is likely to achieve the objectives or targets shown.

Many of American Century's investment strategies incorporate sustainability factors, using environmental, social, and/or governance (ESG) data, into their investment processes in addition to traditional financial analysis. However, when doing so, the portfolio managers may not consider sustainability-related factors with respect to every investment decision and, even when such factors are considered, they may conclude that other attributes of an investment outweigh sustainability factors when making decisions for the portfolio. The incorporation of sustainability factors may limit the investment opportunities available to a portfolio, and the portfolio may or may not outperform those investment strategies that do not incorporate sustainability factors. ESG data used by the portfolio managers often lacks standardization, consistency, and transparency, and for certain companies such data may not be available, complete, or accurate.

## Portfolio Characteristics

Characteristics	Portfolio	Benchmark
Weighted Average Market Capitalization	\$198.6 B	\$232.3 B
P/E Ratio, Historical 1-Year	34.8 x	35.2 x
P/E Ratio, Forecasted 1-Year	24.6 x	19.8 x
EPS Growth, Historical 1-Year	15.8%	-4.9%
EPS Growth, Forecasted 1-Year	17.9%	22.2%
% in Cash and Cash Equivalents	1.0%	0.0%
Turnover, 1-Year	8%	3%
Number of Holdings	46	516

Source: FactSet

Forecasts are not a reliable indicator of future performance.

## Top 10 Holdings

Holding	Industry	Assets (%)
Eli Lilly & Co	Pharmaceuticals	8.71
UnitedHealth Group Inc	Health Care Providers & Services	8.08
Intuitive Surgical Inc	Health Care Equipment & Supplies	5.83
Regeneron Pharmaceuticals Inc	Biotechnology	5.75
Abbott Laboratories	Health Care Equipment & Supplies	5.15
Danaher Corp	Life Sciences Tools & Services	4.32
Johnson & Johnson	Pharmaceuticals	4.25
Novo Nordisk A/S	Pharmaceuticals	4.25
Stryker Corp	Health Care Equipment & Supplies	3.82
Boston Scientific Corp	Health Care Equipment & Supplies	3.57
<b>Total</b>		<b>53.73%</b>

Source: FactSet

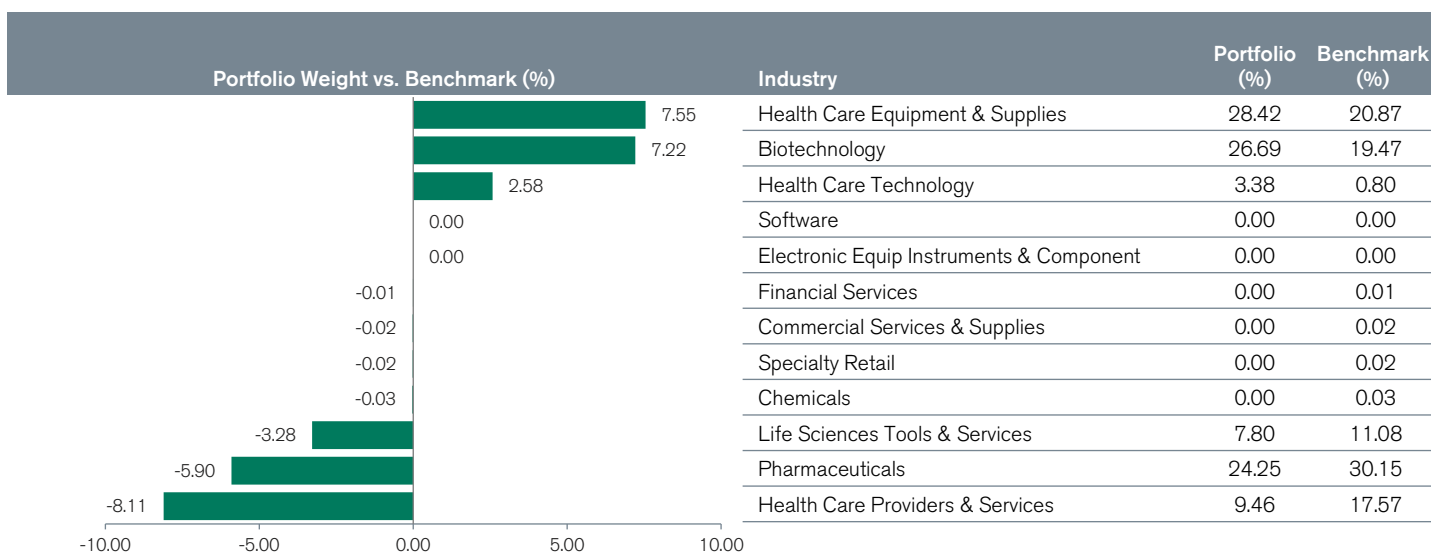
## Top 10 Overweights

Holding	Portfolio Weight (%)	Benchmark Weight (%)	Overweight (%)
Novo Nordisk A/S	4.25	0.00	4.25
Regeneron Pharmaceuticals Inc	5.75	1.63	4.12
Intuitive Surgical Inc	5.83	2.30	3.53
Argenx SE	2.39	0.00	2.39
Boston Scientific Corp	3.57	1.66	1.91
Abbott Laboratories	5.15	3.25	1.90
Ascendis Pharma A/S	1.83	0.00	1.83
Biogen Inc	2.32	0.51	1.81
Alnylam Pharmaceuticals Inc	2.08	0.31	1.77
Stryker Corp	3.82	2.10	1.72

Source: FactSet

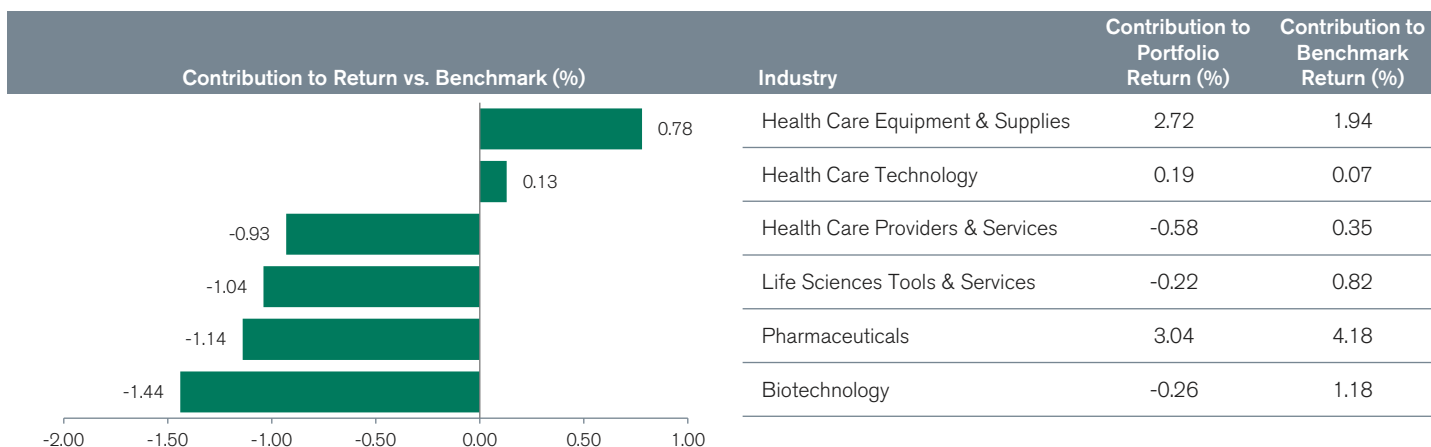
The holdings listed should not be considered recommendations to purchase or sell a particular security. Equity holdings are grouped to include common shares, depository receipts, rights and warrants issued by the same company. Portfolio holdings subject to change without notice.

## Industry Allocation



Source: FactSet

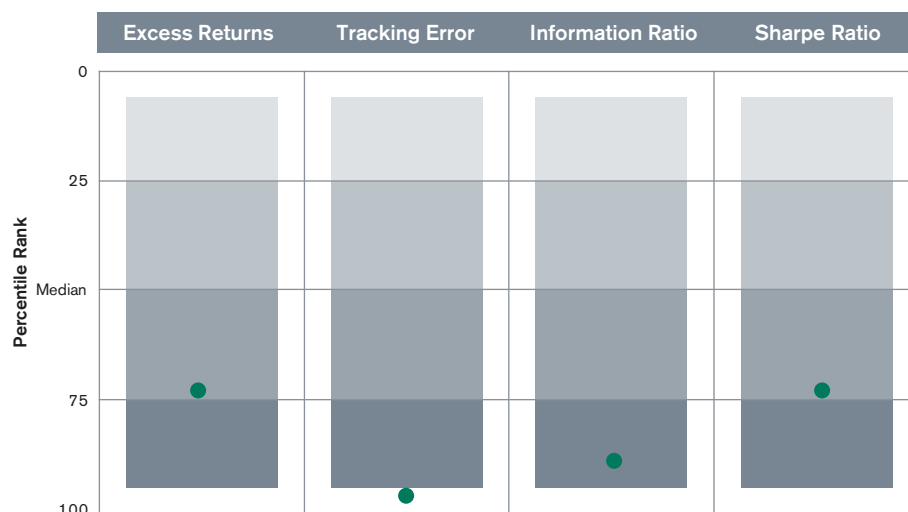
## Quarterly Industry Performance



Source: FactSet

## Risk-Adjusted Performance

Three-Year Risk-Adjusted Performance vs. eVestment US Sector Focus Equity vs. Russell 3000 Health Care, Citigroup 3-Month T-Bill



● American Century Investments Health Care Impact Equity

	Excess Returns	Tracking Error	Information Ratio	Sharpe Ratio
<b>Manager</b>	-3.72	4.90	-0.76	0.02
<b>Percentile Rank</b>	73	97	89	73
<b>Median</b>	0.29	16.97	0.01	0.22

Source: eVestment Analytics

Excess returns are gross of fees.

Rankings for Tracking Error are inverted.

Number of products in the universe was 79.

## Quarterly Commentary

### Portfolio Review

**Stocks posted strong gains.** U.S. stocks registered a strong start to the year that saw some broad indices recording their best first quarter since 2019. Markets were buoyed by optimism that a recession had been avoided and that the Fed would cut short-term interest rates as expected this year despite lingering inflation.

**Health care lagged.** Stocks in the sector posted strong gains but modestly underperformed the broader market. Within the Russell 3000 Health Care Index, all industries registered gains. Pharmaceuticals and health care equipment and supplies were the best-performing industries. Health care providers and services was the weakest.

**Biotechnology detracted.** Stock selection in the industry hampered relative performance. Alnylam Pharmaceuticals and Biogen were significant detractors.

**Life sciences tools and services weighed on performance.** Stock choices detracted. 10X Genomics, a maker of gene-sequencing technology used in scientific research, lagged after reporting disappointing earnings despite better-than-expected sales. The company is focusing on long-term growth in a large addressable market.

**Health care equipment and supplies benefited performance.** Stock selection in the industry was helpful, led by Intuitive Surgical. The maker of robotic surgery systems outperformed after reporting revenue, earnings and procedure volume growth above expectations.

### Key Contributors

**Novo Nordisk.** Obesity drugmaker Novo Nordisk continues to produce very strong revenue and earnings growth. Early trial results for an oral version of the Denmark-based company's weight-loss drugs Ozempic and Wegovy may be even more effective. Novo Nordisk's approved drugs must be injected.

**Humana.** The health insurer offered disappointing guidance, citing higher medical costs because of greater-than-anticipated health care utilization, especially by older patients. Our lack of exposure to Humana benefited relative performance.

**Pfizer.** Not owning benchmark component Pfizer was a top contributor to relative performance. After surging because of its COVID-19 vaccine, Pfizer is now struggling with lower revenues as fewer people are taking booster shots.

### Key Detractors

**Alnylam Pharmaceuticals.** This company reported mixed quarterly results and also said it was changing its analysis plan for a drug in trials. We believe the risk/reward trade-off for Alnylam remains attractive, and the changes ultimately increase the trial's likelihood of success.

**Merck & Co.** Not owning the pharmaceutical company detracted from performance compared with the benchmark. Merck rose on strong sales for its cancer drug, Keytruda. The company lacks the innovation we typically seek.

**Biogen.** This biotechnology company's stock fell after it reported disappointing sales and earnings. Its Alzheimer's drug Leqembi is showing accelerating growth off a still-small base. Its marketing partner Eisai recently pushed back its 10,000 patient guidance to April or May. We're comfortable with the pace of adoption.

### Notable Trades

**Mettler-Toledo International.** Mettler-Toledo is a life sciences tools company that we believe is well positioned for future growth after industry-wide challenges in the wake of the COVID-19 pandemic. The business mix has shifted toward high-quality, less-cyclical higher-margin products offering durable earnings growth.

**Structure Therapeutics.** This innovative biotechnology company is focused on developing oral treatments for diseases that typically already have more complex treatments. Structure's lead program is a GLP-1 agonist that has generated early clinical trial data in obesity that looks competitive with existing subcutaneous drugs.

**Adaptive Biotechnologies.** We eliminated our position in Adaptive after the company underwent a strategic review and decided to exit its immune medicines business. We see many innovative biotechnology companies, so we sold this position and put the capital to work in names where we see strong science and business prospects.

**Cerevel Therapeutics Holdings.** Cerevel is a clinical-stage biotechnology company focused on neurological and psychiatric conditions. The stock was acquired at a significant premium by AbbVie in a deal announced in December 2023. We eliminated the position in early 2024.

### Positioning for the Future

Our process uses fundamental analysis aimed at identifying growing, innovative health care companies producing attractive, sustainable earnings growth. They also demonstrate corporate behaviors consistent with U.N. Sustainable Development Goal 3 - Ensure Healthy Lives and Promote Well-Being for All.

**The portfolio is aligned with social impact themes.** In addition to deep fundamental research, ESG risk analysis is incorporated into the investment decision-making process. Our objective is to create a portfolio of stocks that are attractive on fundamental measures and also align with one of four social-impact themes.

- New or innovative treatments for diseases as well as mental and neurological disorders.
- Improved access to medicines and health care services in developed and emerging markets.
- New solutions that lead to lowering the cost of health care.

More productive and efficient equipment, services and software used for research, diagnostic testing, environmental monitoring and development of new therapies.

**Health care innovation and opportunity.** The health care sector is subject to the same macroeconomic conditions and volatility affecting the broader market. However, our analysis shows that health care companies have produced more durable earnings growth than the broader market going back to the Great Financial Crisis. In addition, innovation and drug approvals are running near all-time highs. Tremendous progress on genetic therapies in recent years means we have the chance to treat or prevent some of mankind's most intractable diseases. As evidence, we cite breakthrough treatments for diabetes, obesity and Alzheimer's disease. We think these characteristics make the sector attractive for investors hoping to do well financially while also doing good.

**Industry allocations reflect opportunities.** We were overweight health care equipment and supplies stocks. Along with health care technology, we see these companies as central to the innovation and research that is driving progress in the sector. We also remained overweight biotechnology, which we believe is at the intersection of several powerful, positive secular trends and is positioned to do well financially while addressing some of humanity's most intractable diseases. The portfolio is underrepresented in shares of pharmaceuticals, life sciences tools and services and health care providers and services companies. Many of these companies tend to lack the innovation-led fundamentals we seek.

Available Vehicles

Separate Account Available in U.S. and certain non-U.S. countries

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Sustainable Investing Definitions:

**Integrated:** An investment strategy that integrates sustainability-related factors aims to make investment decisions through the analysis of sustainability factors alongside other financial variables in an effort to make more informed investment decisions. A portfolio that incorporates sustainability factors may or may not outperform those investment strategies that do not incorporate sustainability factors. Portfolio managers have ultimate discretion in how sustainability factors may impact a portfolio's holdings, and depending on their analysis, investment decisions may not be affected by sustainability factors.

**Sustainability Focused:** A sustainability-focused investment strategy seeks to invest, under normal market conditions, in securities that meet certain sustainability-related criteria or standards in an effort to promote sustainable characteristics, in addition to seeking superior, long-term, risk-adjusted returns. Alternatively, or in addition to traditional financial analysis, the investment strategy may filter its investment universe by excluding certain securities, industry, or sectors based on sustainability factors and/or business activities that do not meet specific values or norms. A sustainability focus may limit the investment opportunities available to a portfolio. Therefore, the portfolio may underperform or perform differently than other portfolios that do not have a sustainability investment focus. Sustainability-focused investment strategies include but are not limited to exclusionary, positive screening, best-in-class, best-in-progress, thematic, and impact approaches.

The Russell 3000 Health Care Index is a subset of the Russell 3000 Index and is a capitalization-weighted index of companies involved in medical services or health care.

Composite returns are gross of investment management fees, unless otherwise noted. Sector weights, portfolio characteristics and holdings are of a representative account in the composite. Holdings are current as of the date indicated, are subject to change and may not reflect the portfolio's current holdings. Portfolio construction guidelines document operational policies and not necessarily investment restrictions imposed on management of the strategy. Material presented has been derived from industry sources considered to be reliable, but their accuracy and completeness cannot be guaranteed. Opinions expressed are those of the portfolio investment team and are no guarantee of the future performance of any American Century Investments® portfolio. Nothing in this document should be construed as offering investment advice. Please note that this is for informational purposes only and does not take into account whether an investment is suitable or appropriate for a specific investor.

For purposes of compliance with the Global Investment Performance Standards (GIPS®), the Firm is defined as American Century Investment Management, Inc. ("ACIM"). ACIM claims compliance with the Global Investment Performance Standards (GIPS®). The Health Care Impact Equity strategy seeks to provide a total return that exceeds the benchmark over a market cycle using a fundamental growth equity investment strategy targeting U.S. companies engaged in the health care sector and a portfolio constructed to align with the United Nations Sustainable Development Goal (SDG) of ensuring healthy lives and promoting well-being for all. Index futures (and currency forwards and futures, where applicable or appropriate) are occasionally used to equitize cash and manage portfolio risk. Other derivative instruments may be used, as allowed, as part of the investment strategy. Returns are calculated and stated in U.S. dollars. The return may increase or decrease as a result of currency fluctuations. Returns for periods less than one year are not annualized.

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