

**QUARTERLY COMMENTARY**

American Century®

**QUALITY CONVERTIBLE SECURITIES ETF**

An actively managed convertible security ETF that seeks to deliver long-term market returns while realizing less volatility, particularly in downturns.

**Strategy Highlights**

**We actively invest in what we believe are high-quality convertible securities.** Convertible bonds are fixed-income securities that can be converted to stock. Our approach seeks to deliver what we believe is the growth potential of stocks, while providing some of the lower-volatility characteristics of bonds.

**We seek to provide better results than passive approaches.** QCON actively combines quantitative analysis and bottom-up insights to identify what we believe are high-quality issuers. We actively manage the portfolio's sensitivity to market movements based on our research. We believe we have designed our portfolio to be able to flexibly act in response to our opinion of corporate actions, market volatility and changes to regulatory, tax and monetary policies.

**Strategic and tactical portfolio applications.** The portfolio aims to deliver what we believe are attractive risk-adjusted returns through active management.

**Portfolio Review**

**Convertible securities ended the quarter nearly flat.** Convertible securities posted a slight quarterly gain as strong returns in July and August offset a plunge in September. Investor optimism faded in late August as the Federal Reserve (Fed) remained steadfast in its resolve to fight rising prices. Amid a backdrop that included heightened volatility, rising interest rates and mounting recession fears, convertible securities, along with most assets, fell sharply in September.

**Our weightings detracted from relative results.** Our bias toward what we believed were higher-quality issuers relative to the benchmark hindered results. Despite broad market weakness, our research indicated that lower-quality companies generally fared better than their higher-quality counterparts, as investors looked for bargains among beaten-down securities.

**Security selection dampened results.** Security selection in the health care, information technology, utilities and financials sectors weighed on the portfolio's relative performance.

**We think a defensive strategy is warranted.** Amid slowing growth, rising prices and rising interest rates, we maintained what in our opinion was defensive positioning. Additionally, as we believed recession risk had risen, we trimmed our exposure to cyclical sectors, such as retail, semiconductors and energy, while we looked for opportunities in growth sectors where our research indicated valuations were attractive, such as technology and biotechnology.

**A position in cash holdings helped buffer volatility.** We increased the portfolio's cash position ahead of the September Fed meeting, which we believed helped alleviate some late-month volatility. We expect volatility will remain elevated, with macroeconomic data, Fed policy and earnings results key drivers of market performance. We continue to look for opportunities to deploy capital to issuers that our research has indicated are attractive.

**GOAL & STRATEGY:**

Seeks total return.

**PORTFOLIO MANAGEMENT TEAM**

Name	Start Date	
	Industry	Company
Hitesh Patel, CFA, FRM	1996	2018
Rene Casis	1997	2018

**TOP HOLDINGS** (%)

2020 Cash Mandatory Exchangeable	2.58
Palo Alto Networks Inc (conv)	2.13
Elevance Health Inc (conv)	2.02
Mandiant Inc (conv)	1.90
Booking Holdings Inc (conv)	1.84
Akamai Technologies Inc (conv)	1.66
NextEra Energy Inc (conv)	1.58
Jazz Investments I Ltd (conv)	1.58
Liberty Broadband Corp (conv)	1.56
Boston Scientific Corp (conv)	1.53

**Top Ten Holdings Total** 18.38

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.

# QUALITY CONVERTIBLE SECURITIES ETF

QCON

Data as of 9.30.2022

PERFORMANCE (%)	1 Mo.	QTR	1 Year	3 Year	Since Inception	Inception Date	Expense Ratio %
NAV	-6.03	-2.37	-16.80	-	-13.44	2/16/21	0.32
Market Price	-6.41	-2.90	-16.96	-	-13.60	2/16/21	-
ICE BofA Convertible	-5.97	0.29	-20.01	-	-14.87	-	-

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

	QCON	ICE BofA Convertible
Duration	1.73 Years	1.97 Years
Wtd Avg Life to Maturity	4.34 Years	4.60 Years
30 Day SEC Yield	2.23%	-
Number of Holdings	133	502
Spread Duration	1.75 Years	1.89 Years

### 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.

QCON 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.

Convertible securities are typically bond or debt securities and preferred stock that may be converted into a prescribed amount of common stock or other equity security of the issuing company at a particular time and price. The value of convertible securities may rise and fall with the market value of the associated common stock or, like a debt security, vary with changes in interest rates and the credit quality of the company issuing the bond or security. A convertible security tends to perform more like a stock when the associated common stock price is high relative to the conversion price and more like a debt security when the associated common stock price is low relative to the conversion price.

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 fund is classified as non-diversified. Because it is non-diversified, it may hold large positions in a small number of securities. To the extent it maintains such positions; a price change in any one of those securities may have a greater impact on the fund's share price than if it were diversified.

*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.**

ICE BofA U.S. Convertible Index tracks the performance of publicly issued, exchange-listed US dollar denominated convertible securities of US companies with at least \$50 million face amount outstanding and at least one month remaining to the final conversion date. Index constituents are market capitalization-weighted and rebalanced monthly.

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.

**Duration:** A weighted average of all bond durations in a fund's portfolio. Duration measures the price stability of a bond or bond fund to changes in interest rates. Specifically, duration represents the approximate percentage change in the price of a bond or bond fund if interest rates move up or down.

**Spread Duration:** An estimate of how much the price of a specific bond will move when the spread of that specific bond changes.

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

