

## QUARTERLY COMMENTARY

### American Century®

# QUALITY PREFERRED ETF

An actively managed preferred securities ETF that seeks to enhance income opportunities while tempering risk in volatile markets.

### Strategy Highlights

**Actively investing in what we believe are quality preferred securities.** QPFF holds preferred securities, which share characteristics of both stocks and bonds. The strategy seeks to enhance what we view as income opportunities, while tempering our exposure to risk in volatile markets by combining quantitative analysis and bottom-up insights based on our research.

**We seek to identify holdings that we believe have the potential to generate what we think of as sustainable income.** The portfolio seeks to improve on the total returns generated by passive strategies. Our strategy emphasizes what our research has identified as higher-quality, higher-profitability issuers that we believe can consistently pay dividends through a full market cycle.

**Strategic and tactical portfolio applications.** The portfolio aims to deliver what we believe are attractive risk-adjusted returns through active management while seeking to limit exposure to risks such as stock market risk and risks posed by rising interest rates and defaults on loans and other securities.

### Portfolio Review

**Preferred securities declined.** After rallying in July, preferred securities retreated and posted another quarterly loss. Investor optimism in July faded quickly, as the Federal Reserve (Fed) remained steadfast in its resolve to fight higher prices. Amid a backdrop that included heightened volatility, rising interest rates, mounting recession fears and tumbling equity markets, preferred securities, along with most asset classes, declined for the period.

**Security selection boosted performance.** Strong security selection in the financials, real estate and industrials sectors, along with an underweight in real estate relative to the benchmark, lifted results. Conversely, security selection in the utilities sector dampened relative returns.

**Our credit quality weightings contributed to relative performance.** From a credit quality perspective, security selection among what we believed were investment-grade and higher-quality high-yield issuers aided relative performance. Credit quality measures (usually in terms of high or low) the ability of issuers of debt securities to make timely interest and principal payments.

**Our strategy, which guided us to defensive positioning, helped.** Amid slowing growth, elevated prices and rising interest rates, we are taking on less risk due to changes in interest rates relative to the benchmark. We also maintained what we believed was a defensively positioned and balanced portfolio. This approach contributed to relative performance. Additionally, as we believed the risk of recession was rising, we trimmed our allocation to convertible preferred securities, which have historically been more volatile than preferred securities.

**A position in cash helped buffer volatility.** We increased the portfolio's cash position ahead of the September Fed meeting, which we believe helped alleviate some late-month volatility. We are closely monitoring the economy and Fed actions for changes. Until we see evidence that indicate prices have peaked and a Fed pause in interest rate hikes or pivot in policy, we do not expect to significantly alter our overall portfolio positioning.

### GOAL & STRATEGY:

Seeks current income and capital appreciation.

### PORTFOLIO MANAGEMENT TEAM

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

### TOP HOLDINGS (%)

Apollo Asset Management Inc (pfd)	2.53
Wells Fargo & Co (pfd)	2.05
Wells Fargo & Co (pfd)	2.03
General Electric Co (pfd)	1.84
Morgan Stanley (pfd)	1.81
Citigroup Inc (pfd)	1.80
Citigroup Inc (pfd)	1.78
Oaktree Capital Group LLC (pfd)	1.75
Oaktree Capital Group LLC (pfd)	1.70
State Street Corp (pfd)	1.67

### Top Ten Holdings Total 18.96

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.

PERFORMANCE (%)	1 Mo.	QTR	1 Year	3 Year	Since Inception	Inception Date	Expense Ratio %
NAV	-2.51	-0.82	-10.11	-	-3.25	2/16/21	0.32
Market Price	-2.76	-1.04	-10.15	-	-3.30	2/16/21	-
ICE Exchange-Listed Preferred & Hybrid Securities	-4.01	-1.95	-14.28	-	-5.75	-	-

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

	QPFF	ICE Exchange-Listed Preferred & Hybrid Securities
Duration	3.32 Years	5.43 Years
30 Day SEC Yield	5.99%	-
Number of Holdings	114	495
Spread Duration	4.83 Years	6.52 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.

QPFF 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. Preferred securities combine some of the characteristics of both common stocks and bonds.

Preferred securities may receive preferential treatment compared to common stock regarding dividends, but they are typically subordinated to a company's other debt, which subjects them to greater credit risk. Generally, holders of preferred securities have no voting rights. A company issuing preferred securities may defer dividend payments on the securities and may redeem the securities prior to a specified date. Preferred securities may also be substantially less liquid than other securities and may have less upside potential than common stock.

Floating-rate securities are structured so that the security's coupon rate or the interest paid on a bond fluctuates based upon a reference rate. In a falling interest rate environment, the coupon on floating-rate securities will generally decline, causing a reduction in the fund's income. A floating-rate security's coupon rate resets periodically according to the terms of the security. In a rising interest rate environment, floating-rate securities with coupon rates that reset infrequently may lag behind the changes in market interest rates. Floating-rate securities may also contain terms that impose a maximum coupon rate the company issuing the security will pay, therefore decreasing the value of the security.

Concentrating investments in a particular industry or group of industries gives the fund greater exposure than other funds to market, economic and other factors affecting that industry or group of industries. The financials sector can be significantly affected by changes in interest rates, government regulation, the rate of defaults on corporate, consumer and government debt, and the availability and cost of capital. International investing involves special risks, such as political instability and currency fluctuations. Investing in emerging markets may accentuate these risks.

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 Exchange-Listed Preferred & Hybrid Securities Index tracks the performance of exchange-listed US dollar denominated hybrid debt, preferred stock and convertible preferred stock publicly issued by corporations in the US domestic market. Preferred stock and notes must have a minimum amount outstanding of \$100 million; convertible preferred stock must have at least \$50 million face amount outstanding. Index constituents are market capitalization-weighted subject to certain constraints. The index is 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.

