American Century Investments®

U.S. Mid Cap Value SMA

Quarterly Commentary

Portfolio Review

A difficult quarter for U.S. equities.

U.S. stocks suffered their worst quarter since 2022. Investors faced a dizzying array of uncertainty as it related to U.S. tariff policy, inflation and economic growth. Compounding troubles was evidence that sentiment has worsened, which has led to consumers pulling back on spending.

Investors seek cover from volatility. Mid- and small-cap stocks underperformed large-cap stocks during the quarter, partly due to an unsettled outlook on inflation and the Federal Reserve's decision to leave interest rates unchanged. Investors fled to low-volatility and dividend-paying stocks as growth and momentum-style stocks fell out of favor.

Industrials helped performance. Security selection in the industrials sector was a notable contributor to performance during the quarter. We own a portfolio-only position in Vinci whose shares rallied during the period as investors anticipated that the company would benefit from infrastructure spending in Germany.

Health care contributed. Investors gravitated toward the health care sector as they sought to weather market volatility in the first quarter of 2025. As a result, allocation in the health care providers and services industry helped drive performance relative to the benchmark.

Utilities hurt results. The utilities sector detracted from results due primarily to a holding in Edison International, whose equipment was suspected of contributing to wildfires in Southern California, resulting in several lawsuits against the electric utility company.

Key Contributors

Vinci. This France-based construction and concessions company posted strong earnings during the period. We also believe Vinci could benefit from a significant infrastructure fund established by the German government.

Key Detractors

Edison International. Shares of this electric utility company were pressured due to concerns about whether its electric transmission facilities could have been the ignition point for one of the California wildfires.

Portfolio Positioning

The portfolio seeks to invest in companies where we believe the valuation does not reflect the quality and normal earnings power of the company. Our process is based on individual security selection, but broad themes have emerged.

Higher-quality stocks may offer resilience. We believe persistent inflation and uncertain economic and policy conditions, such as tariffs, have contributed to a murky outlook for the economy and for interest rates. Although these factors, along with ongoing geopolitical risks, have created an unsettling economic backdrop for investors, we continue to focus on companies that we think are higher quality because our research has indicated that these types of companies often have stable revenues and profits, low indebtedness, stable cash flows and predictable business models, which may make them less sensitive to economic conditions.

Goal and Strategy

Invests in mid-cap, high-quality companies temporarily selling at a discount.

Portfolio Management Team

	Start Date	
Name	Industry	Company
Kevin Toney, CFA	1993	1999
Nathan Rawlins, CFA	2009	2015
Brian Woglom, CFA	1998	2005
Michael Liss, CPA, CFA	1991	1998

Top 10 Holdings (%)

Zimmer Biomet Holdings Inc	3.03
Henry Schein Inc	1.95
US Bancorp	1.91
Truist Financial Corp	1.86
Norfolk Southern Corp	1.78
Evergy Inc	1.73
Willis Towers Watson PLC	1.70
Labcorp Holdings Inc	1.56
Northwestern Energy Group Inc	1.55
Becton Dickinson & Co	1.53

As of 3/31/2025

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.

Attractive valuations in health care. Our research has led us to several health care stocks that we think offer compelling valuations and risk/reward profiles. We believe health care is generally less cyclical than other sectors because the economy's performance tends to have less impact on demand. We also believe health care utilization rates remain elevated and that shares of companies affected by sell-offs from so-called weight-loss drugs should continue to recover.

Opportunities in consumer staples. We have identified select opportunities in the less cyclical consumer staples sector. Despite what has been a challenging cost inflation environment for many consumer staples companies, we believe we have identified several that have generated strong returns on capital by buying back stock and growing dividends. Moreover, our research has indicated that industry consolidation has enabled some companies to pass on higher costs to consumers. We believe actions to offset inflation, including fewer discounts and more price hikes, should support the earnings and margins of these companies.

Shifting outlook on the financials sector. After a period of turmoil for regional banks following the failure of a few banks in 2023, we believe the outlook for the sector could improve. We expect banks will face a less strenuous regulatory backdrop, including greater openness to mergers and acquisitions. Our research has indicated that insurance companies have improved their pricing power, particularly for property policies, due to easing regulations on rates and fewer competitors in disaster-prone markets.

Limited opportunities in consumer discretionary. Our portfolio remains underweight in the consumer discretionary sector relative to the benchmark. We believe this sector has fewer high-quality companies with durable business models. Also, given factors like inflation and diminishing personal savings, we expect headwinds to discretionary spending will persist.

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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.

Historically, small- and/or mid-cap stocks have been more volatile than the stock of larger, more-established companies. Smaller companies may have limited resources, product lines and markets, and their securities may trade less frequently and in more limited volumes than the securities of larger companies.

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

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.

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