

QUARTERLY COMMENTARY

American Century®

U.S. QUALITY VALUE ETF

Designed to offer core value exposure that dampens the cyclicity of value investing to pursue enhanced risk-adjusted returns versus market-cap weighted indexing.

Adjustments to Value and Income allocations seek to take advantage of prevailing market conditions. Allocation changes are based on analysis of risk-adjusted returns rather than pure price momentum, which helps the portfolio respond—but not overreact—to changing markets. The result is a core value holding designed to stand up to market changes and pursue more consistent returns across the market cycle.

Strategy Highlights

Emphasis on identifying what we believe is quality core value. VALQ seeks to provide investment results that closely correspond, before fees and expenses, to the performance of the iSTOXX ACI USA Quality Value Index (the underlying index). The underlying index is designed to select what we think are high-quality securities of large- and mid-cap companies that could be central investments in a portfolio and are attractively valued or can provide steady income based on our research.

We seek to dampen the impact of cyclicity. VALQ is designed to offer what we think is core value exposure to investors with the potential to dampen the impact of the economic cycle on value investments, which are often influenced by fluctuations in the economy. The strategy seeks to provide better risk-adjusted returns than market-cap-weighted value benchmarks by dynamically allocating to what we believe are high-quality, attractively valued companies and companies that can offer sustainable income based on our research.

Managed exposure to risk. The team seeks to mitigate exposure to risk by imposing position limits, emphasizing what we have identified as large-cap and less volatile securities and overweighting companies relative to the benchmark that we think can continue to generate income for investors when value investing falls out of favor.

Portfolio Review

Stocks posted strong gains. U.S. stock indices were broadly higher as investors grew increasingly optimistic that the Federal Reserve (Fed) had engineered a soft landing amid cooling inflation and continued economic growth. As the Fed paused interest rates, signs pointed to possible interest rate cuts in 2024.

Growth stocks continued to outperform. Returns for growth stocks exceeded those for value stocks during the quarter, except in the small-cap universe, where value outperformed. Small-cap issues outperformed their mid- and large-cap peers. Year to date, growth outperformed value across the capitalization spectrum.

Financials detracted from relative results. The more economically sensitive industries, such as banking, rallied in the quarter, and our underweight allocation relative to the benchmark hampered results.

Real estate hurt performance. Positioning in the sector compared to the benchmark was detrimental, especially among specialized and retail real estate investment trusts.

Energy benefited performance. An underweight allocation relative to the benchmark and stock choices in the sector aided results. Our research indicated energy stocks, in general, lagged on lower oil and gas prices and reduced drilling activity in North America.

Dynamic allocation. The strategy began the quarter with an 80% value/20% income allocation and shifted to a neutral allocation of 50% value/50% income.

GOAL & STRATEGY:

Tracks the American Century U.S. Quality Value Index.

PORTFOLIO MANAGEMENT TEAM

Name	Start Date	
	Industry	Company
Rene Casis	1997	2018
William Enderle	2017	2019

TOP HOLDINGS (%)

Gilead Sciences Inc	2.67
Comcast Corp	2.61
Walmart Inc	2.47
Apple Inc	2.42
Kimberly-Clark Corp	2.33
Cardinal Health Inc	2.27
McKesson Corp	2.22
TE Connectivity Ltd	1.80
Akamai Technologies Inc	1.75
Juniper Networks Inc	1.55

Top Ten Holdings Total 22.09

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.

						Since	Inception	Gross
PERFORMANCE (%)	1 Mo.	QTR	1 Year	3 Year	5 Year	Inception	Date	Expense
								Ratio %
NAV	5.19	9.70	13.82	10.17	10.76	7.08	1/11/18	0.29
Market Price	5.21	9.71	13.83	10.13	10.75	7.08	1/11/18	-
Spliced U.S. Quality Value	5.26	9.76	14.15	10.54	11.12	7.39	-	-
Russell 1000 Value Index	5.54	9.50	11.46	8.86	10.91	7.00	-	-

Key Terms:

ETF Market Price: The price at which shares in the ETF can be bought or sold on the exchanges during trading hours.

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.

On May 31, 2023, VALQ began to track the American Century® U.S. Quality Value Index. Historical index data prior to May 31, 2023, is for the iSTOXX® American Century® USA Quality Value Index. Spliced index data on and after May 31, 2023, is for the Spliced U.S. Quality Value Index.

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.

VALQ is not actively managed and the portfolio managers do not attempt to take defensive positions under any market conditions, including declining markets. The portfolio managers also do not generally add or remove a security from the fund until such security is similarly added or removed from the underlying index. Therefore, the fund may hold an underperforming security or not hold an outperforming security until the underlying index reacts. This may result in underperformance compared to the market generally.

In addition, there is no assurance that the underlying index will be determined, composed or calculated accurately. While the index provider provides descriptions of what the underlying index is designed to achieve, the index provider does not guarantee the quality, accuracy or completeness of data in respect of its indices, and does not guarantee that the underlying index will be in line with the described index methodology. Gains, losses or costs to the fund caused by errors in the underlying index may therefore be borne by the fund and its shareholders.

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, contains this and other information about the fund, and should be read carefully before investing.

The American Century® U.S. Quality Value Index seeks to capture the performance of large- and mid-capitalization companies in the U.S. that possess attractive quality, valuation, and income fundamentals.

The iSTOXX® American Century® USA Quality Value Index (underlying index) is a systematic, rules-based proprietary index that is owned and calculated by STOXX based on the STOXX 900 Index. The underlying index aims to dynamically allocate to both quality companies with sound fundamentals and attractive valuations and companies with sustainable income. The Stoxx 900 Index covers the 900 largest U.S. companies by market capitalization. It is not possible to invest directly in an index.

iSTOXX® American Century® USA Quality Value Index is the intellectual property (including registered trademarks) of STOXX Limited, Zurich, Switzerland ["STOXX"], Deutsche Börse Group or their licensors, which is used under license. American Century® STOXX® U.S. Quality Value ETF is neither sponsored nor promoted, distributed or in any other manner supported by STOXX, Deutsche Börse Group or their licensors, research partners or data providers and STOXX, Deutsche Börse Group and their licensors, research partners or data providers do not give any warranty, and exclude any liability (whether in negligence or otherwise) with respect thereto generally or specifically in relation to any errors, omissions or interruptions in the iSTOXX® American Century® USA Quality Value Index or its data.

The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index (the 3,000 largest publicly traded U.S. companies based on total market capitalization). The Russell 1000® Value Index measures the performance of those Russell 1000® companies with lower price-to-book ratios and lower forecasted growth values. Created by Frank Russell Company, indices are not investment products available for purchase.

Fund Facts are provided by FactSet Research Systems, Inc.

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