March 31, 2024

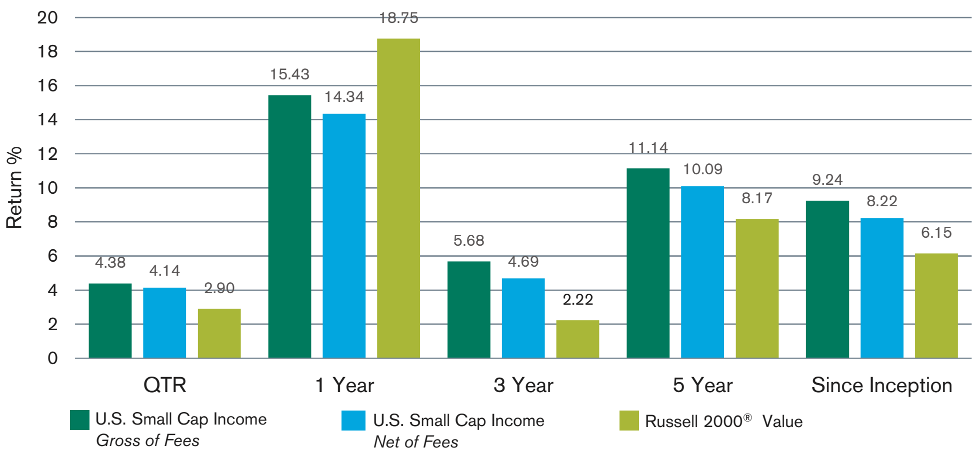
# U.S. Small Cap Income

American Century Investments®

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.

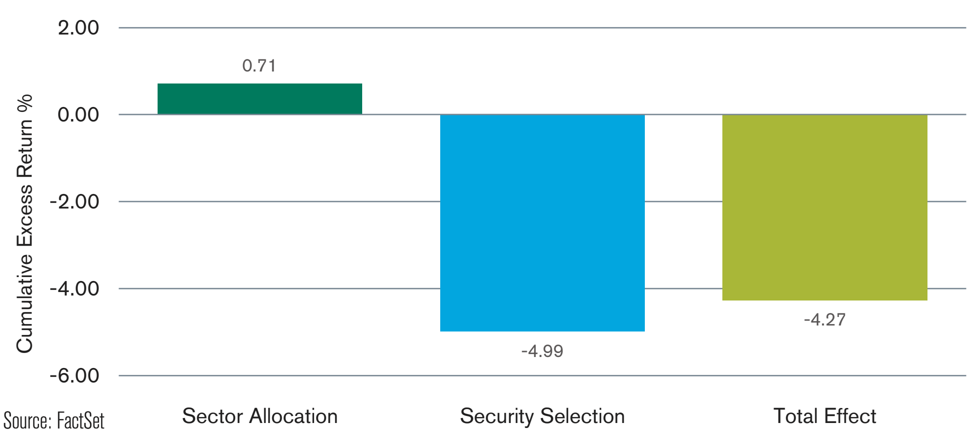
## Quarterly Top Relative Contributors and Detractors

| Contributor | (%) |
|---|---|
| Tapestry Inc | 0.55 |
| Atmus Filtration Technologies Inc | 0.51 |
| ChampionX Corp | 0.47 |
| Graphic Packaging Holding Co | 0.41 |
| Axis Capital Holdings Ltd | 0.35 |

| Detractor | (%) |
|---|---|
| Entravision Communications Corp | -0.87 |
| Columbia Banking System Inc | -0.73 |
| Cable One Inc | -0.47 |
| Embecta Corp | -0.45 |
| Pacific Premier Bancorp Inc | -0.26 |

## Attribution Analysis

One Year Ending March 31, 2024




Source: FactSet

## At a Glance

**Inception:** October 1, 2017

**Benchmark:** Russell 2000® Value

**AUM:** $68.32 million

## Portfolio Management Team

| | Start Date | |
|---|---|---|
| Name | Industry | Firm |
| Jeff John, CFA | 1991 | 2008 |
| Ryan Cope, CFA | 2009 | 2009 |

## Investment Philosophy

- We believe investing in high-quality businesses selling at a discount to fair value will generate superior risk-adjusted returns over time.
- We capitalize on inefficiencies inherent in the small cap market with a focus on risk and reward.
- We seek to invest in sustainable income producing securities with an emphasis on those businesses that have the ability to increase dividends over time.

## Goal

Seeks to outperform the Russell 2000 Value Index by 2% to 3% annualized over a market cycle.

## Risk Guidelines

Sector allocation: +/- 10% relative to the benchmark

Security allocation: +/- 3% relative to the benchmark

Non-U.S. exposure: <10%

Cash exposure: < 3%

## Investment Process

### U.S. STOCK UNIVERSE

3,500+ Companies

Market Cap: $500 million to $10 billion

Liquidity: Avg Daily Volume > $1 million

Security Type: Common or Non-Common, Income Component

**1 Idea Generation**

Watch list

Due diligence

Quantitative quality and valuation screening tools

**2 Fundamental Research**

Full analysis of fundamentals, management, business quality and competitive position

Assign total quality scorecard methodology

Team discussion to review buy or pass decision

**3 Portfolio Construction**

Bottom-up security selection

Dynamic position sizing matrix

Disciplined sell process

**DIVERSIFIED PORTFOLIO**

65-85 Holdings

Risk management does not imply low risk. The total return target is aspirational in nature and is not based on any criteria o r 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 object ives or targets shown.

## Portfolio Characteristics

| Characteristics | Portfolio | Benchmark |
|---|---|---|
| Weighted Average Market Capitalization | $4.5 B | $2.9 B |
| Median Market Capitalization | $3.1 B | $0.8 B |
| Price to Cash Flow Ratio, Historical 1-Year | 8.0 x | 6.8 x |
| P/E Ratio, Historical 1-Year | 11.2 x | 12.6 x |
| Price to Book Ratio | 1.7 x | 1.4 x |
| Dividend Yield | 3.09% | 2.10% |
| % in Cash and Cash Equivalents | 2.1% | 0.0% |
| Turnover, 1-Year | 107% | 22% |
| Number of Holdings | 79 | 1419 |

Source: FactSet
Forecasts are not a reliable indicator of future performance.

## Top 10 Holdings

| Holding | Industry | Assets (%) |
|---|---|---|
| Graphic Packaging Holding Co | Containers & Packaging | 2.96 |
| ChampionX Corp | Energy Equipment & Services | 2.64 |
| Axis Capital Holdings Ltd | Insurance | 2.41 |
| EVERTEC Inc | Financial Services | 2.40 |
| FNB Corp/PA | Banks | 2.27 |
| Webster Financial Corp | Banks | 2.26 |
| Popular Inc | Banks | 2.26 |
| TXO Partners LP | Oil, Gas & Consumable Fuels | 2.20 |
| Home BancShares Inc/AR | Banks | 2.18 |
| Tecnoglass Inc | Building Products | 2.16 |
| **Total** | | **23.74%** |

Source: FactSet

## Top 10 Overweights

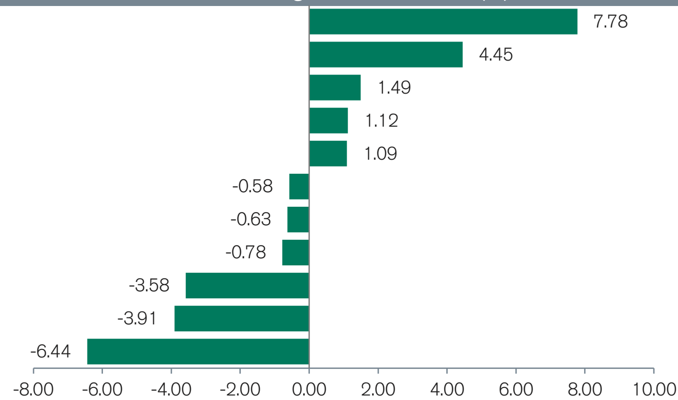
| Holding | Portfolio Weight (%) | Benchmark Weight (%) | Overweight (%) |
|---|---|---|---|
| Graphic Packaging Holding Co | 2.96 | 0.00 | 2.96 |
| ChampionX Corp | 2.64 | 0.00 | 2.64 |
| Axis Capital Holdings Ltd | 2.41 | 0.00 | 2.41 |
| EVERTEC Inc | 2.40 | 0.00 | 2.40 |
| FNB Corp/PA | 2.27 | 0.00 | 2.27 |
| Webster Financial Corp | 2.26 | 0.00 | 2.26 |
| Popular Inc | 2.26 | 0.00 | 2.26 |
| TXO Partners LP | 2.20 | 0.00 | 2.20 |
| Tecnoglass Inc | 2.16 | 0.00 | 2.16 |
| Timken Co/The | 2.11 | 0.00 | 2.11 |

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.

## Sector Allocation

Portfolio Weight vs. Benchmark (%)

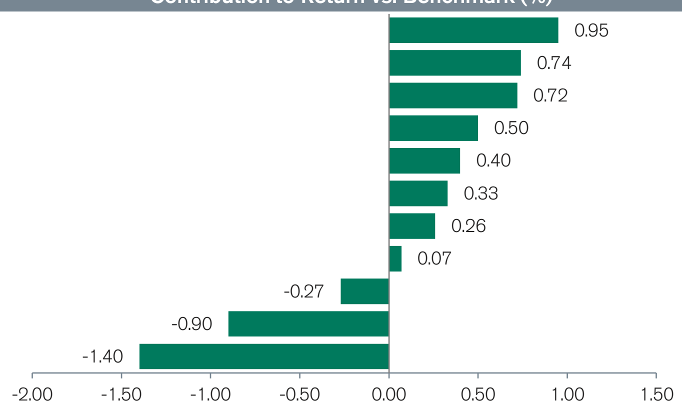



| Sector | Portfolio (%) | Benchmark (%) |
|---|---|---|
| Financials | 33.58 | 25.80 |
| Industrials | 19.31 | 14.86 |
| Consumer Staples | 3.73 | 2.24 |
| Materials | 6.11 | 4.99 |
| Communication Services | 3.43 | 2.34 |
| Energy | 9.52 | 10.10 |
| Utilities | 3.10 | 3.73 |
| Information Technology | 5.13 | 5.91 |
| Consumer Discretionary | 7.45 | 11.03 |
| Real Estate | 5.78 | 9.69 |
| Health Care | 2.86 | 9.30 |

Source: FactSet

## Quarterly Sector Performance

Contribution to Return vs. Benchmark (%)

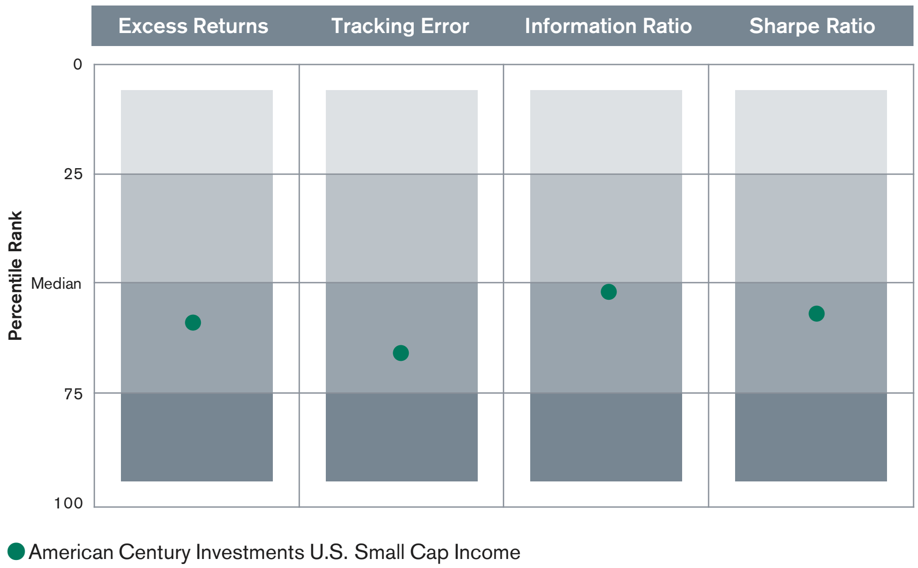



| Sector | Contribution to Portfolio Return (%) | Contribution to Benchmark Return (%) |
|---|---|---|
| Industrials | 2.20 | 1.26 |
| Real Estate | 0.49 | -0.26 |
| Consumer Staples | 0.67 | -0.05 |
| Financials | -0.34 | -0.84 |
| Consumer Discretionary | 0.99 | 0.58 |
| Materials | 0.72 | 0.38 |
| Utilities | 0.18 | -0.08 |
| Energy | 1.24 | 1.17 |
| Information Technology | -0.21 | 0.06 |
| Communication Services | -1.05 | -0.14 |
| Health Care | -0.59 | 0.81 |

Source: FactSet
When shown, "Diversified" includes portfolio holdings that cannot be attributed to a specific GICS sector.
Past performance is no guarantee of future results.

## Risk-Adjusted Performance

**Three-Year Risk-Adjusted Performance vs. eVestment US Small Cap Value Equity vs. Russell 2000 Value, Citigroup 3-Month T-Bill**




| | Excess Returns | Tracking Error | Information Ratio | Sharpe Ratio |
|---|---|---|---|---|
| **Manager** | 3.47 | 5.19 | 0.67 | 0.15 |
| **Percentile Rank** | 59 | 66 | 52 | 57 |
| **Median** | 3.93 | 5.78 | 0.70 | 0.17 |

Source: eVestment Analytics
Excess returns are gross of fees.
Rankings for Tracking Error are inverted.
Number of products in the universe was 202.

## Quarterly Commentary

### Portfolio Review

**Global stocks rallied.** Equity markets performed well in the first quarter as recession fears faded and central banks moved closer to easing restrictive monetary policy. U.S. stocks led the way as the S&P 500 Index climbed to several record highs. Growth stocks outperformed value stocks across the board. Large-cap stocks outperformed their mid- and small-cap peers.

**The Fed keeps benchmark interest rate steady.** Despite above-target inflation and generally upbeat economic data, policymakers continued to forecast three rate cuts this year. The Fed suggested easing will begin when policymakers are confident inflation is on track to reach the 2% target. Fed funds futures contracts point to three rate cuts by year-end.

**Industrials contributed.** Strong, broad-based stock selection and an overweight allocation led to a strong contribution from this sector. Of particular note, our holdings in the aerospace and defense and building products industries performed well, each driven by strong fundamental performance across their varied business lines.

**Real estate added to performance.** Our outperformance in this sector was driven by strong stock selection in the health care and hotel market segments, coupled with being underweight in this underperforming sector. A lack of exposure to office REITs was especially beneficial.

**Health care lagged.** Performance in this sector stemmed primarily from poor stock selection, and this was due largely to Embecta. This maker of products for diabetics was hurt by concerns about the impact of new weight-loss drugs. Our underweight also detracted. It resulted largely from a lack of exposure to the biotechnology and pharmaceuticals industries. Companies in these industries typically fail to fit our process.

### Key Contributors

**Tapestry.** This is a luxury goods company marketing the Coach, Kate Spade and Stuart Weitzman brands. In 2023, the acquisition of Capri Holdings hindered shares because of the industry's poor record with such deals. The added leverage also hurt. But robust holiday sales in 2023, especially of Coach products, improved margins.

**Atmus Filtration Technologies.** This maker of heavy-duty filtration products was spun off from engine manufacturer Cummins. After the spin-off was completed during the first quarter, the stock rallied as its new investor base more accurately appreciated the value of the business.

**ChampionX.** This stock lagged in 2023, but during the quarter, this high-quality oil field services provider reported strong results for the full year and final quarter. We continued to hold a large weight in this stock at the end of the quarter, and it was then announced that the company would be acquired by industry leader Schlumberger.

### Key Detractors

**Entravision Communications.** This provider of digital advertising and broadcasting services for the Hispanic community lagged. Meta Platforms said it would no longer partner with the company for Facebook's advertising efforts, causing shares to plunge. Anticipating a recovery in political spending, we maintain a small position.

**Columbia Banking System.** This holding company offers banking services on the West Coast. Shares underperformed during the quarter as the company reported a sizable decrease in its net interest margin due to higher funding costs.

**Cable One.** A provider of broadband services to rural and small urban markets, this company's shares have lagged as competition from rivals has intensified. However, we feel the valuation is attractive, given the essential and recurring nature of the service, data use trends and Cable One's higher transmission speeds.

### Notable Trades

**Kennametal.** This company is a leading provider of tooling and industrial materials, including coatings and powders. The stock has underperformed its short-cycle peers, causing it to become more attractive. In addition, the stock also offers a healthy 3.33% dividend yield.

**Turning Point Brands.** We initiated a position in this distributor of Zig-Zag rolling papers and maker of chewing tobacco. The high-margin Zig-Zag business should benefit from increased cannabis legalization. Many tobacco brands have seen unit volumes fall, but Turning Point's volumes are growing despite price increases.

**Leggett & Platt.** We exited our position in this engineered components manufacturer on concerns that recent fundamental weakness in its end markets (bedding, automotive, furniture and flooring) could pressure the company's ability to support and grow its dividend.

**Cadre Holdings.** This company manufactures and distributes products that provide protection to users in hazardous or life-threatening situations. We exited the stock because the price reflected the full value of the business.

## Positioning for the Future

The portfolio seeks to invest in small-cap, higher-quality, dividend-paying companies selling at a discount to fair value. Our process is based on individual security selection, but broad themes have emerged.

**Overweight financials.** We hold a large overweight in this sector, though it is distributed across a number of industries. We maintain a significant overweight in banks, insurance and financial services while avoiding mortgage REITs and consumer finance. Our position includes preferred stocks, which are designed to enhance the portfolio's yield while reducing volatility.

**Opportunities in industrials.** Our large overweight in this sector is driven by attractive stock-specific opportunities. We continue to own a diverse set of higher-quality companies across the sector (machinery, distribution, commercial services, aerospace and defense) that should be able to weather market and economic volatility and generate alpha for our investors through market cycles.

**Less exposure to consumer discretionary.** We hold a sizable underweight in this sector, with our exposures heavily tilted toward high-quality, durable dividend payers in this highly cyclical sector. We own large positions in global consumer brands such as Tapestry and Ralph Lauren and in differentiated specialty retailers such as Penske Automotive Group. We believe these positions provide exposure to higher-end and less economically challenged consumer bases, which should lead to more stable fundamental performance of those businesses over time.

**Underweight health care.** We continue to be materially underweight because valuations are not presenting attractive risk/reward opportunities. Much of our underweight is driven by a lack of exposure to the biotechnology, pharmaceuticals and life sciences tools and services industries because they offer few of the characteristics (strong cash flow, high returns, attractive valuations) we require. We will likely remain underweight in this sector because these industries, which make up a material portion of the Russell 2000 Value Index, do not fit our process around quality and fundamental strength.

**Few opportunities in real estate.** We remain significantly underweight because companies in this sector tend to carry higher leverage than we prefer. Also, valuations for higher-quality REITs remain rich relative to other opportunities in the small-cap value space, leaving a limited set of attractive risk/reward opportunities. That said, we have recently consolidated our REIT positioning into a smaller number of higher-quality names in the hotel, industrial, retail and health care verticals, where we believe our portfolio will experience above-average returns and dividend yields.

## Available Vehicles

| | |
|---|---|
| **Separate Account** | Available in U.S. and certain non-U.S. countries |
| **SMA** | Available in U.S. and certain non-U.S. countries |
| **Small Cap Dividend Fund** | |
| **I Share Class - AMAFX** | Available only in U.S. |
| **Investor Share Class - AMAEX** | Available only in U.S. |
| **A Share Class - AMAHX** | Available only in U.S. |
| **R Share Class - AMAJX** | Available only in U.S. |
| **R6 Share Class - AMAKX** | Available only in U.S. |

The opinions expressed are those of the American Century Investments management and are no guarantee of the future performance of any American Century Investments portfolio. Statements regarding specific sectors represent personal views and compensation has not been received in connection with such views. This information is for an educational purpose only is not intended to serve as investment advice. The information is not intended as a personalized recommendation or fiduciary advice and should not be relied upon for investment, accounting, legal or tax advice.

References to specific securities are for illustrative purposes only, and are not intended as recommendations to purchase or sell securities. Opinions and estimates offered constitute our judgment and along with other portfolio data, are subject to change without notice.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Value Index measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. Created by Frank Russell Company, it is not an investment product available for purchase.

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®). U.S. Small Cap Income composite seeks to provide a total return that exceeds the benchmark over a market cycle by investing primarily in small cap U.S. companies utilizing a value, yield-driven equity investment strategy. 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.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

To receive a complete list of composite descriptions and/or a GIPS® Composite Report, contact:

**American Century Investments®**

4500 Main Street
Kansas City, MO 64111
1-866-628-8826

330 Madison Avenue
9th Floor
New York, NY 10017
1-866-628-8826

3945 Freedom Circle, Suite 800
Santa Clara, CA 95054
1-866-628-8826

360 East 2nd Street
5th Floor
Los Angeles, CA 90071
1-866-628-8826

12 Henrietta Street, 4th Floor
London, WC2E 8LH
United Kingdom
+44 20 7024 7080

506-08 St. George's Building
2 Ice House Street, Central
Hong Kong
+852 3405 2600

Governor Phillip Tower
RM 3676 L36
1 Farrer Place
Sydney, NSW, 2000, Australia
+61 2 8823 3403

Taunusanlage 8
WeWork 4.101
D-60329 Frankfurt am Main
Germany
+49 69 8088 5501

www.americancentury.com



GI-FLY-93613