American Century Investments®

U.S. Focused Dynamic Growth SMA

Quarterly Commentary

Portfolio Review

U.S. stocks posted a modest gain. Positive performance in July and September helped stocks overcome the effects of a mid-quarter sell-off. Concerns about slowing global economic growth and escalating U.S.-China trade tensions created headwinds and volatility.

Growth stocks outperformed. Large-cap stocks advanced and outperformed mid- and small-cap stocks. Growth stocks slightly outperformed value stocks within the large-cap universe. Within the Russell 1000 Growth Index, the real estate, consumer staples and materials sectors outperformed. Energy, health care and consumer discretionary were the only sectors to decline.

Stock selection in the IT services industry detracted. Avoiding the computer and peripherals and semiconductors and semiconductor equipment industries also weighed on performance in the information technology sector.

Positioning in the entertainment industry led weakness in the communication services sector. Our overweight to the industry relative to the benchmark along with stock selection hampered performance. Stock selection in interactive media and services was also a significant detractor in the sector.

Hotels, leisure and restaurant stocks benefited performance. Stock selection in the industry contributed to outperformance in the consumer discretionary sector. Positioning in the textiles, apparel and luxury goods industry was helpful as well.

Our consumer discretionary overweight detracted. Concerns about weakness in the economy and its potential impact on consumer spending hampered the sector. As noted, consumer discretionary was overall beneficial for the portfolio due to stock selection in the sector.

The portfolio's health care underweight aided performance. The sector continued to be under pressure due to presidential campaign rhetoric and renewed scrutiny of drug pricing. Although our lighter exposure was helpful, the health care sector overall was a significant detractor due to stock selection.

Key Contributors

DocuSign. DocuSign outperformed after reporting revenue that beat expectations. The cloud-based electronic signature company offered strong guidance for the next quarter and fiscal year.

Chipotle Mexican Grill. The restaurant chain's new management team has improved operations and enthusiasm for the brand. Through enhanced marketing programs, a digital ordering program and a recently launched loyalty program, the company has experienced increased guest frequency and sales trends.

NIKE. Sports apparel company NIKE was a top contributor. The stock reached record highs after the company reported results that beat expectations, as non-U.S. sales were especially strong.

Key Detractors

Apple. Not owning Apple hurt performance. The stock outperformed as the company reported better-than-expected results and introduced new products. The company benefits from strong brand loyalty for devices, with an ecosystem of services that reinforces retention, but it is a mature growth company and inconsistent with the early stage, rapid-growth companies we seek.

Netflix. The stock of the streaming media company detracted following disappointing quarterly results that missed estimates of subscriber growth.

Goal and Strategy

Invests in stocks of early and rapid stage large-cap growth companies with the potential to increase in value over time.

Portfolio Management Team

Name	Start Date Industry	Start Date Company
Keith Lee, CFA	1996	1998
Michael Li, PhD	2002	2002
Prabha Ram, CFA	2004	2008
Henry He, CFA	2001	2011

Top 10 Equity Holdings (%)

salesforce.com Inc	7.35
Amazon.com Inc	6.71
Mastercard Inc	5.71
Alphabet Inc	5.37
Visa Inc	4.59
NIKE Inc	4.24
Chipotle Mexican Grill Inc	4.16
Facebook Inc	4.14
Intercontinental Exchange Inc	4.04
Boston Beer Co Inc/The	3.35
Total Percent in Top 10 Holdings	**49.66**

As of 9/30/2019

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.

A Note About Risk

The value and/or returns of a portfolio will fluctuate with market and economic conditions. Different investment styles tend to shift in and out of favor depending upon market and economic conditions, as well as investor sentiment. A portfolio may outperform or underperform other portfolios that employ a different investment style, and the stocks selected by the portfolio manager may not increase in value as predicted. Because this portfolio may, at times, concentrate its investments in a specific area, during such times it may be subject to greater risks and market fluctuations than when the portfolio represents a broader range of securities. Non-U.S. investing involves special risk considerations, including economic and political conditions, inflation rates and currency fluctuations. There is no guarantee that the investment objectives will be met. Dividends and yields represent past performance and there is no guarantee that they will continue to be paid. 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.

Okta. Exposure to cloud-based secure identification firm Okta hampered performance. The company reported better-than-expected quarterly results on strong sales growth and offered upbeat guidance. However, investors appeared to be concerned about spending increases and a new debt offering.

Notable Trades

Chegg. We established a holding in this provider of educational tools and services. The company is producing solid growth and benefiting from a number of secular trends as people look for more efficient, lower-cost education alternatives.

Pinterest. We initiated a position in this newly public social media company that uses a targeted advertising model based around self-selected pins. In contrast to other social media firms, the company and advertisers partner to develop a marketing plan, creating a more hands-on advertiser experience. Its initial earnings report far exceeded market expectations, and the company raised future earnings guidance.

Tableau Software. We eliminated our holding of this data visualization software maker, which was acquired by portfolio holding salesforce.com in a deal that closed during the quarter.

Concho Resources. We eliminated this oil and gas production company after it reported disappointing quarterly production. Corporate management also gave unclear guidance, further calling into question the investment thesis.

Positioning for the Future

Our process uses fundamental analysis aimed at identifying large-cap companies producing attractive, sustainable earnings growth. We seek to reduce unintended, nonfundamental risks and align the portfolio with fundamental, company-specific risks that we believe will be rewarded over time. As a result of this approach, our sector and industry allocations reflect where we are finding opportunities at a given time.

Consumer discretionary stocks continue to offer opportunities. The sector ended the period as our largest overweight versus the benchmark. We believe many companies in this sector offer enduring growth, which the market has rewarded. We believe this trend will continue as we move into the late stages of the current economic cycle.

Communication services was a key overweight. The sector includes telecommunication companies and select companies previously classified as consumer discretionary or information technology. The sector includes Google parent Alphabet, one of our largest positions. As noted earlier, we established a position in Pinterest during the quarter.

We remain overweight in energy. With supply generally well managed and expectations of 2019 U.S. growth rates now slowing on the reduction in oil prices, near-term price changes will likely be more reflective of expected changes in demand growth due to macroeconomic uncertainty. We prefer companies with differentiated assets and/or management teams with the skill and experience to exploit those opportunities and maximize production and free cash flow growth.

Industrials represented the portfolio's largest underweight at the end of the period. Our preference for secular as opposed to cyclical growth companies points us away from the industrials sector at this period in the business cycle. However, we are strong believers in manufacturing automation processes, which we see as a secular trend distinguishing automation companies from other industrials.

Health care remained underweight. The sector is struggling due to election rhetoric about Medicare for All and increased scrutiny of drug pricing. However, we continue to like individual health care stocks, including biotechnology. The health care technology industry is also overweight. Health Catalyst was new to the portfolio this quarter. It's a health care information technology company that provides data warehousing, analytics and services. We think Health Catalyst is poised to benefit from such secular trends as improved efficiency and cost reduction in health care.

Our information technology weighting remained underweight. Our absolute weighting in the sector was about the same. We are overweight IT services stocks, with significant holdings in both Mastercard and Visa. The portfolio is also overweight the software industry, where DocuSign is a key holding.

We see limited growth opportunities in the real estate sector. As a result, we have no holdings in the sector. We also have no exposure to the materials sector. We have been underweight materials for some time as the sector shows an absence of secular growth.

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