American Century Investments®

U.S. Sustainable Large Cap Core SMA

Quarterly Commentary

Portfolio Review

U.S. stocks delivered strong returns. U.S. markets posted solid gains, supported by stronger-than-expected economic and earnings growth and hopes for a breakthrough in COVID-19 treatments. Markets retreated in September amid concerns about delays in a COVID-19 vaccine and political turmoil as the November elections loomed ahead.

All stock style and size categories delivered positive returns. The major equity size and style categories rallied for the quarter. Large-cap stocks outperformed small caps, and growth stocks outperformed value.

Pharmaceuticals benefited performance. Stock selection in the industry helped drive outperformance in the health care sector. Zoetis was a top contributor, and avoiding weaker performers was also helpful.

The energy sector helped performance. The sector resumed its decline amid reduced demand and lower prices as a result of decreased economic activity during the pandemic. Energy was the only sector of the S&P 500 Index to post a loss during the quarter, and the portfolio's underweight relative to the benchmark was helpful.

Information technology detracted. Stock selection in the semiconductors and semiconductor equipment industry also weighed on relative performance. Our overweight allocation to communications equipment stocks compared with the benchmark also detracted.

We were underweight health care. The portfolio's underweight relative to the benchmark was largely due to positioning among biotechnology stocks, and the allocation benefited performance during the quarter.

The portfolio was underweight materials. Our lighter relative exposure was primarily due to owning no chemicals stocks. The underweight allocation slightly hampered performance during the quarter.

Key Contributors

Zoetis. This animal health care company outperformed as the industry benefited from pet owners continuing to spend to keep their animals healthy despite the pandemic. Additionally, financial help for farmers kept spending up in the livestock industry.

Norfolk Southern. The stock price of this railroad rallied on optimism about a strengthening economy. Although revenues and earnings were down from the prior year, Norfolk Southern beat expectations in its most recent quarterly report. The company continued its drive for greater efficiency in the face of the pandemic-driven economic slowdown.

NIKE. The stock of this sports apparel manufacturer outperformed on strong digital sales during the pandemic.

Exxon Mobil. Not owning Exxon benefited performance. The energy giant faltered along with the sector as reduced demand and low prices weighed revenues. Investors worried about the sustainability of its dividend, and the stock was removed from the Dow Jones Industrial Average at the end of August.

Goal and Strategy

Invests in large-cap stocks with improving business fundamentals and sustainable corporate behaviors.

Portfolio Management Team

	Start Date	
Name	Industry	Company
Joseph Reiland, CFA	1995	2000
Greg Woodhams, CFA	1981	1997
Justin Brown, CFA	1993	2000
Rob Bove, CPA	1994	2005

Top 10 Holdings (%)

Apple Inc	7.44
Microsoft Corp	7.01
Amazon.com Inc	5.67
Alphabet Inc	3.74
Prologis Inc	3.71
Home Depot Inc/The	3.29
NextEra Energy Inc	3.25
Procter & Gamble Co/The	3.11
Zoetis Inc	3.10
Visa Inc	2.82

As of 9/30/2020

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.

Key Detractors

ConocoPhillips. The oil giant's stock fell after the company reported disappointing quarterly results due to declining oil prices and low production.

NVIDIA. The chipmaker reported a positive quarter and guidance due to strength in data center and gaming. Lack of exposure to NVIDIA detracted from relative performance.

Cisco Systems. The stock of this networking giant fell after the company reported disappointing year-over-year earnings and revenue.

The Travelers Co. The stock price of this property and casualty insurer fell after it reported lower year-over-year revenues on declining premiums and its pandemic-related automobile refund program.

Notable Trades

Chipotle Mexican Grill. We established a position in the fast-casual chain. We view Chipotle as better positioned among restaurants to adapt to changing consumer preferences for digital food ordering and delivery. Chipotle also lacks exposure to breakfast items, which may be hurt by increased telecommuting.

Starbucks. We eliminated Starbucks in favor of our new position in Chipotle. Starbucks' exposure to breakfast raises concerns at a time when telecommuting for work is growing.

Positioning for the Future

Our process uses fundamental analysis aimed at identifying growing, large-cap companies demonstrating sustainable corporate behaviors. Rather than screen out certain industries or sectors, we seek to identify companies with the strongest fundamental growth and environmental, social and governance (ESG) characteristics in each sector. As a result of this approach, our sector and industry allocations reflect where we are finding opportunities at a given time.

Consumer discretionary ended the period as the portfolio's largest overweight sector. Specialty retail and textiles, apparel and luxury goods are largely responsible for the heavier relative exposure. NIKE, The Home Depot and The TJX Cos. are large positions in the sector. The internet and catalog retail industry is also overweight due to our holding of Amazon.

Real estate was overweight. We have only one holding in the sector, Prologis. It's a real estate investment trust that operates logistics facilities and is benefiting from strong growth in e-commerce.

Information technology remained overweight. We have found strong growth opportunities in companies with attractive ESG profiles through bottom-up analysis. Our exposure to opportunities in the software and communications equipment industries leads our information technology overweight.

Materials ended the period as our largest underweight sector. Packaging company Ball is our only holding in the sector. The company is benefiting from a transition from glass and plastic to aluminum cans, which have a lower life cycle environmental impact.

We ended the period underweight health care. Our lighter exposure to the sector is largely due to underweighting health care equipment and supplies and biotechnology stocks. We are overweight life sciences tools and services, where Agilent Technologies is the only holding, and pharmaceuticals stocks, led by Zoetis.

Communication services ended the quarter modestly underweight. The relative positioning is largely attributable to an underweight in the entertainment industry, which is facing headwinds caused by the pandemic. The portfolio is overweight interactive media and services, led by our position in Google parent Alphabet.

A strategy or emphasis on environmental, social and governance factors (“ESG”) may limit the investment opportunities available to a portfolio. Therefore, the portfolio may underperform or perform differently than other portfolios that do not have an ESG focus may also result in the portfolio investing in securities or industry sectors that perform differently or maintain a different risk profile than the market generally or compared to underlying holdings that are not screened for ESG standards.

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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.

The S&P 500®Index is composed of 500 selected common stocks most of which are listed on the New York Stock Exchange. It is not an investment product available for purchase.

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