



## American Century Investment Management, Inc.

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This Brochure provides information about the qualifications and business practices of American Century Investment Management, Inc., referred to in this Brochure as “**American Century Investments**,” “**we**,” “**us**” or “**our**.” If you have any questions about the contents of this Brochure, please contact us at 1-800-345-2021. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

American Century Investment Management, Inc is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. You should consider the information provided in this Brochure while making your decision to hire or retain American Century Investments as your adviser.

Additional information about American Century Investments is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

The following is a summary of specific material changes made to this Brochure since its last annual update dated March 31, 2011:

- Item 4 - Advisory Business: Information regarding the ownership of American Century Companies, Inc. ("ACC," our parent corporation) was amended to reflect changes in equity and voting interest in ACC resulting from the following two transfers that occurred in 2011:
  - A transfer of shares of ACC's Class B common stock held by the Stowers family to the Stowers Institute for Medical Research.
  - A transfer of all of shares of ACC's common stock held by JPMorgan Chase & Co., Inc. ("JPM") to the Canadian Imperial Bank of Commerce ("CIBC").

Prior to the transfer of shares from JPM to CIBC, JPM held approximately 40.4% equity interest and 8.6% equity interest in ACC. Because of material interest in ACC, Item 10 of this Brochure described relationships or arrangements with JPM that created possible conflicts of interest or the appearance of a conflict of interest between us and clients. On August 31, 2011, CIBC purchased JPM's interest in ACC. As a result this transaction, this Brochure has been updated to reflect that JPM no longer owns any interest in ACC.

- Item 10 – Other Financial Industry Activities and Affiliations: American Century Investment Management (UK) Limited ("UK Affiliate") is a U.K.-based, indirect subsidiary of ACC, and as such, is under common control with American Century Investments. On June 6, 2011, U.K. Financial Services Authority granted UK Affiliate authority to manage assets and deal in securities. Because UK Affiliate is now an investment adviser, this Brochure has been updated to reflect our affiliation and arrangements with UK Affiliate.

American Century Investments will provide our clients with a new Brochure as necessary based on changes or new information, at any time, without charge. Our Brochure is also available upon request, free of charge.

Additional information about us is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with us who are registered, or are required to be registered, as our investment adviser representatives.

### Item 3 – Table of Contents

Item 1 –Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation.....	5
Item 6 – Performance-Based Fees and Side-By-Side Management.....	8
Item 7 – Types of Clients .....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9 – Disciplinary Information .....	18
Item 10 – Other Financial Industry Activities and Affiliations .....	18
Item 11 – Code of Ethics .....	20
Item 12 – Brokerage Practices.....	25
Item 13 – Review of Accounts .....	30
Item 14 – Client Referrals and Other Compensation.....	31
Item 15 – Custody .....	32
Item 16 – Investment Discretion.....	32
Item 17 – Voting Client Securities.....	32
Item 18 – Financial Information.....	34

## Item 4 – Advisory Business

American Century Investments is an independent, privately-controlled asset management firm dedicated to delivering superior investment performance and building long-term client relationships. The firm was founded by James E. Stowers, Jr. in 1958. Nearly all of our revenue is derived from investment management related activities, with minor ancillary revenues derived from rental income on office space that American Century Investments owns.

### Ownership

American Century Investments is a wholly-owned subsidiary of American Century Companies, Inc. (“ACC”). ACC has a multi class capital structure under which certain classes have different voting rights. Accordingly, as of January 31, 2012, ACC’s owners were as follows:

<u>Shareholder</u>	<u>Equity Interest</u>	<u>Voting Interest</u>
Stowers Institute for Medical Research*	41.8%	48.0%
Canadian Imperial Bank of Commerce	39.7%	10.1%
Current Employees and Others	18.5%	41.9%

\*Includes shares held by Stowers Resource Management Inc.

Stowers Resource Management Inc. (“SRM”) is a “supporting organization” (as that term is defined in the Internal Revenue Code), and as such, a public charity. Its primary function as a legal entity is to support the Stowers Institute for Medical Research (“SIMR”). Jim and Virginia Stowers founded SIMR in 1994 as a not-for-profit institute dedicated to benefiting humankind through basic research on genes and proteins that control fundamental processes in living cells to unlock the mysteries of disease (including cancer) and find the keys to their causes, treatment, and prevention. It is one of the largest endowments in the world among private basic biomedical research institutions. Through its ownership interest, SRM is entitled to over forty percent of ACCs’ profits.

All active employees of ACC and its subsidiaries also participate in the ownership of the firm.

Since August 2011, Canadian Imperial Bank of Commerce (“CIBC”) has held a minority interest in ACC and holds two of ten seats on ACC’s board of directors. From investment management and general business perspectives, however, ACC and CIBC are legally and operationally independent and distinct.

## **Our Advisory Services**

American Century Investments manages client portfolios based on various investment strategies, including, for example, core equity, U.S. small-, mid-, and large-cap growth, U.S. value, non-U.S. equity, fixed income, asset allocation, and sector funds.

As of February 6, 2012, American Century Investments managed approximately \$117 billion of client assets on a discretionary basis and no assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Fees Paid by American Century Mutual Funds**

American Century Investments serves as the investment advisor for the American Century family of mutual funds (referred to as American Century Investments mutual funds). Each American Century fund represents a series of shares issued by one of the following companies: American Century Mutual Funds, Inc., American Century Variable Portfolios, Inc., American Century Variable Portfolios II, Inc., American Century World Mutual Funds, Inc., American Century Growth Funds, Inc., American Century Capital Portfolios, Inc., American Century Strategic Asset Allocations, Inc., American Century California Tax-Free and Municipal Funds, American Century Municipal Trust, American Century Government Income Trust, American Century Investment Trust, American Century Quantitative Equity Funds, Inc., American Century International Bond Funds, American Century Target Maturities Trust and American Century Asset Allocation Portfolios, Inc. We manage these funds in accordance with the investment objectives and policies as set forth in their respective registration statements filed with the SEC, and in accordance with the terms and conditions of the investment management agreement between us and each of the issuers of the funds.

Pursuant to the investment management agreements, we are responsible for managing the investment portfolios of each American Century Investments mutual fund and directing the purchase and sale of its investment securities. We also are responsible for arranging for transfer agency, custody and all other services necessary for the funds to operate. The management agreements may be terminated by either party upon sixty days' notice.

For the services we provide to the mutual funds, American Century Investments receives a unified management fee based on a percentage of the daily net assets of each class of shares of the fund. The amount of the fee is calculated daily and deducted from fund assets monthly in arrears. Out of that fee, we pay all expenses of managing and operating the fund (such as custodial fees), except brokerage expenses, taxes, interest, fees and expenses of the independent directors (including legal counsel fees), portfolio insurance, and extraordinary expenses.

**Basic Fee Schedule.** The management agreements between American Century Investments and the American Century Investments mutual funds provide that each fund, in exchange for the investment advisory services we provide, will pay us an annual management fee in the ranges set forth below under “*Fee Ranges by Client Type*”. The amount of the fee is based on a percentage of the net assets of the fund, and is calculated daily and paid monthly in arrears. Many accounts have a stepped fee schedule that sets breakpoints at various asset levels, which, if reached, cause the management fee to decrease. The ranges set forth below under “*Fee Ranges by Client Type*” show the lowest fee at any breakpoint through the highest fee for an American Century Investments fund within each investment discipline (e.g., domestic equity, international equity, fixed income, and index disciplines).

**American Century Investments Funds with a Stepped Fee Schedule.** For each American Century Investments mutual fund with a stepped fee schedule, the rate of the management fee is determined by applying the formula indicated in the fund's prospectus. In most cases, this formula takes into account the assets of the fund as well as certain assets, if any, of our other clients outside the American Century Investments fund family (such as subadvised funds and separate accounts) that use very similar investment teams and strategies (strategy assets). The use of strategy assets, rather than fund assets, in calculating our fee rate for a particular fund could allow the fund to realize scheduled cost savings more quickly. However, it is possible that a fund's strategy assets will not include assets of other client accounts or that any such assets may not be sufficient to result in a lower fee rate.

**American Century Investments Funds without a Stepped Fee Schedule.** For the advisory services we provide to American Century Investments mutual funds without a stepped fee schedule, the annual rate at which our management fee is assessed is determined daily in a two-step process. First, the assets of all funds within the same investment category (as well as the assets of all other clients that share the same investment strategy) are included in the pool of assets used to determine a category rate (the “Investment Category Fee”). For example, when calculating our management fee for a money market fund, the assets of all money market funds that we manage are aggregated to determine the Investment Category Fee. Currently, American Century Investments mutual funds without a stepped fee schedule fall within one of the following three investment categories: money market funds, bond funds and certain equity funds.

Second, the assets of all funds are aggregated to determine a separate rate referred to as the “Complex Fee”. The Investment Category Fee and the Complex Fee are then combined to determine a fund-level fee rate. The use of Complex Fee and Investment Category Fee schedules in calculating the fund-level fee rate for a particular fund could allow that fund to realize scheduled cost savings more quickly if we acquire additional assets under management (in addition to the fund's assets) within a Complex Category and Investment Category.

## Fee Ranges by Type of Client

The fees shown below are based on the range of fee for each American Century Investments mutual fund as of the end of 2011, and apply to the Investor Class (or Class I for funds issued by ACVP or ACVP II) of each fund:

<u>Discipline</u>	<u>Fee Range</u>
U.S. Equity .....	0.68% - 1.90%
Non-U.S. Equity .....	1.10% - 1.76%
Index .....	0.49%
Fixed Income .....	0.45% - 0.85%

- For the Institutional Class of any fund, our management fee is 0.20% less than the Investor Class;
- For the Advisor, A, B, C and R Classes of any fund, our management fee is the same as the Investor Class;
- For Class II and Class IV of ACVP funds, our management fee is 0.10% less than Class I funds (except for VP Income & Growth Fund, which has the same management fee for Class II as Class I);
- For Class II of ACVP II funds, our management fee is the same as Class I of ACVP II funds;
- For Class III of ACVP funds, our management fee is the same as Class I of ACVP funds.

The management fees for our advisory services are negotiable, and no fees are paid by clients in advance.

Our fee for providing advisory services to our separate account clients (which includes pension and profit sharing plans, charitable institutions, endowment funds and foundations, state and municipal government entities, sovereign funds, and other U.S. and foreign institutions) ranges from 0.36% to 0.95% of the net asset value of assets under management for equity portfolios and may be calculated on the basis of average daily value of the portfolio or the average of the month end balances of the applicable period or based on the quarter end balance (depending upon the terms of the management agreement). These fees generally are billed to the client quarterly in arrears (unless the terms of the management agreement provide otherwise) and are negotiable.

Our fee charged for providing advisory services to private funds and group trusts ranges from 0.38% to 0.62% of the net asset value of the private fund or group trust, depending upon the investment objective of the private fund or group trust. The client has the option of either having these fees deducted from the client's assets quarterly in arrears or billed to the client quarterly in arrears. Our management fees for private funds and group trusts are negotiable.

American Century Investments also serves as the investment manager of funds of American Century SICAV, organized under the laws of the Grand Duchy of Luxembourg. Our fee for providing advisory services to these off-shore funds ranges from 0.70% - 1.50% of the net asset value of the off-shore fund, depending upon the investment objective of the off-shore fund. These fees generally are deducted from the fund's assets monthly in arrears and are negotiated by the fund's board of directors.

Our fee for providing advisory services as a sub-advisor to U.S. mutual funds that are not American Century Investments mutual funds ranges from 0.16% to 0.83% of the net asset value of the funds. These fees are calculated based upon the average daily value of the portfolio during the applicable period. The above fees are generally paid to us by the investment adviser of the fund monthly or quarterly in arrears (depending upon the terms of the fund's management agreement) and are negotiable. No fees are payable in advance.

### **Item 6 – Performance-Based Fees and Side-By-Side Management**

American Century Investments does not currently charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

American Century Investments provides portfolio management services to the following types of clients: registered mutual funds, pension and profit sharing plans, charitable institutions, foundations, endowment funds, state and municipal government entities, pooled investment vehicles (including U.S. mutual funds, undertakings for Collective Investments in Transferable Securities ("UCITS") and private investment funds), trust programs, sovereign-wealth funds, and other U.S. and non-U.S. institutions.

Before American Century Investments agrees to manage a prospective client's account, we may require the prospective client to provide, or commit to provide within a certain timeframe, a minimum dollar amount of assets to be managed by us. We may also require a client to maintain a minimum dollar amount under our management in order to remain our client. These minimum dollar amounts, when applicable, are determined by the officers of American Century Investments, depend upon circumstances that they deem pertinent, and may vary from client to client.



## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

### Methods and Analysis

American Century Investments uses a variety of methods of analysis and investment strategies in managing our clients' assets. These methods of analysis and strategies are generally designed for strategic, long-term investing. The resulting investment returns are highly dependent on the value of the underlying securities and are impacted by trends in their respective investment markets.

The methods of analysis that we use include:

**Fundamental analysis** – This method uses qualitative and quantitative factors to determine the intrinsic value of a company or asset, an industry or sector and relate that to the current environment. At the security level, fundamental analysis attempts to study factors that can affect a security's value, including macroeconomic factors (such as overall economy and industry conditions) and/or company-specific factors (such as financial statements and company management), with the goal of determining the intrinsic value of the asset given its future expectations and comparing that to the current price of the security. Quantitative factors are numeric, measurable characteristics used in evaluating the security. These can include data from income statements and balance sheets of a company, as well as other factors relating to the management of the asset. Qualitative factors include subjective judgment on non-quantifiable information, such as management skill, industry cycles, brand value and pricing power. These factors are less tangible and more subjective than quantitative factors.

**Quantitative analysis** – This method seeks to understand behavior of a security by using complex mathematical and statistical modeling, measurement and research. Using this methodology, computer-based models are utilized to disseminate financial data in order to make valid projections about the future performance of the company or asset. These models also determine the attractiveness of a security in relation to the overall portfolio and its investment objective.

**Technical analysis** – This method analyzes statistics generated by market activity, such as security price and trading volume. These statistics are then charted to identify patterns that may be recurrent or predictable.

**Risk analysis** – This method includes the identification and quantification of a variety of risk factors in order to adjust a portfolio to an appropriate risk level given its objective or to confirm that the risk factors are in line with the expectations of the portfolio managers.

**Associated risks.** All of the above methods of analysis rely on, among other things, data used to predict the current or future value of an investment. Such data may be sourced from outside sources. While the data and information we source and use is generally considered

reliable, we cannot guarantee, nor have we verified, its accuracy. In addition, some of the data utilized is subjective and open to interpretation.

Additionally, there is a risk that the portfolio managers may not execute effectively on the portfolio's stated investment strategy.

Both quantitative and technical analysis rely more on the objective evaluation of data in driving investment decisions. These analyses may not take into account subjective elements about an investment, which may play a part in determining the value of the investment.

## **Investment Strategies**

Most client portfolios managed by American Century Investments pursue one of the following investment strategies: U.S. growth equity, U.S. value equity, non-U.S equity, quantitative equity, fixed income and asset allocation. Information about these strategies and the risks associated with each is provided below.

Despite the investment strategy pursued, all of the portfolios managed by American Century Investments are exposed to other risks as well. The value of our client portfolios depends on the value of the securities it owns. The value of the individual securities held in a client's portfolio will go up and down depending on the performance of the companies that issued them, general market and economic conditions, and investor confidence.

When pursuing the investment strategies for our clients' portfolios, we assume that the financial markets will go up over the long-term, which may not be the case. Additionally, there is a risk that the segment of the market in which a portfolio is invested will not perform in line with the overall financial markets. Our portfolio managers do not attempt to time the market. Instead, under normal market conditions, they intend to keep these portfolios essentially fully invested regardless of the movement of prices generally.

All portfolios are also exposed to investment strategy risk. Market performance tends to be cyclical, and, in the various cycles, certain investment styles may fall in and out of favor. If the market is not favoring the investment strategy used by a particular equity portfolio, the portfolio's gains may not be as big as, or its losses may be bigger than, those of other equity portfolios using different investment strategy.

The performance of some portfolios is tied more closely to the performance of a benchmark. As such, if a portfolio's benchmark performance goes down, it is likely that the portfolio's performance will go down.

Because certain portfolios may be more heavily invested in companies of a certain size, while others are multi-capitalization portfolios that invest in companies of all sizes, each portfolio is exposed to a degree of capitalization risk. Small and medium-sized companies in which a portfolio may invest may present greater opportunities for capital growth than larger companies, but may be more volatile and subject to greater risk. Smaller companies may have

limited financial resources, product lines and markets, and their securities may trade less frequently and in more limited volumes than the securities of larger companies. In addition, smaller companies may have less publicly available information.

Some portfolios that we manage are diversified while others are nondiversified. A nondiversified portfolio may invest a greater percentage of its assets in a smaller number of securities than a diversified portfolio. This gives the portfolio managers the flexibility to hold large positions in a small number of securities. If so, a price change in any one of those securities may have greater impact on the portfolio's share price than would be the case in a diversified portfolio.

A portfolio's value may fluctuate significantly in the short term.

**Investing in securities involves a risk of loss that each client should be prepared to bear. At any given time, it is possible to lose money by investing in a portfolio we manage.**

## **U.S. Growth Equity Portfolios**

**Strategy Overview.** The investment objective of the U.S. growth equity portfolios is to seek long-term capital growth by investing primarily in common stocks. In pursuit of this objective, the portfolio managers look for stocks of companies they believe will increase in value over time. In implementing this strategy, the portfolio managers use a bottom-up approach to stock selection. This means that the portfolio managers make their investment decisions based primarily on their analysis of individual companies, rather than on broad economic forecasts. Management of these portfolios is based on the belief that, over the long term, stock price movements follow growth in earnings, revenues and/or cash flow.

The portfolio managers track financial information for individual companies to identify and evaluate trends in earnings, revenues and other business fundamentals. Under normal market conditions, these portfolios will primarily consist of securities of companies demonstrating business improvement. Analytical indicators helping to identify signs of business improvement could include accelerating earnings or revenue growth rates, increasing cash flows, or other indications of the relative strength of a company's business. These techniques help the portfolio managers buy or hold the stocks of companies they believe have favorable growth prospects and sell the stocks of companies whose characteristics no longer meet their criteria.

**Principal Risks.** Growth stocks are typically priced higher than other stocks in relation to earnings and other measures, because investors believe they have more growth potential. This potential may or may not be realized. If the portfolio managers' assessment of a company's prospects for earnings growth or how other investors will value the company's earnings growth is incorrect, the price of the company's stock may fall or fail to reach the value the portfolio managers have placed on it. Growth stock prices tend to fluctuate more dramatically than the overall stock market.

The portfolio managers may buy a large amount of a company's stock quickly and may dispose of it quickly if the company's earnings or revenues decline. While the portfolio managers believe this strategy provides substantial appreciation potential over the long term, in the short term it can create a significant amount of share price volatility. This volatility can be greater than that of the average stock portfolio.

While portfolios managed in the U.S. growth strategy primarily invest in equity securities of U.S. companies, some of our U.S. growth portfolios may invest in equity securities of foreign companies, including companies located in emerging markets. More information about the risk of investing in foreign countries, including emerging markets, please refer to the "Non-U.S. Equities" section below, and review the "Principal Risks" disclosures.

## U.S. Value Equity Portfolios

**Strategy Overview.** The investment objective of the U.S. value equity portfolios is to seek long-term capital growth, with income as a secondary objective. In pursuit of these investment objectives, the portfolio managers look for stocks of companies that they believe are undervalued at the time of purchase, or are temporarily out of favor in the market. The portfolio managers attempt to purchase the stocks of undervalued companies and hold each stock until it has returned to favor in the market and the price has increased to, or is higher than, a level the portfolio managers believe more accurately reflects the fair value of the company. In implementing this strategy, the portfolio managers use a bottom-up approach to stock selection. This means that the portfolio managers make their investment decisions based primarily on their analysis of individual companies, rather than on broad economic forecasts.

Companies may be undervalued due to market declines, poor economic conditions, actual or anticipated bad news regarding the issuer or its industry, or because they have been overlooked by the market. To identify these companies, the portfolio managers look for companies with earnings, cash flows and/or assets that may not be reflected accurately in the companies' stock prices or may be outside the companies' historical ranges. The portfolio managers also may consider whether the companies' securities have a favorable income-paying history and whether income payments are expected to continue or increase.

The portfolio managers may sell a stock if they believe it no longer meets their valuation criteria, its risk parameters outweigh its return opportunity, a more attractive alternative is identified, or specific events alter a stock's prospects.

**Principal Risks.** If the market does not consider the individual stocks purchased by a U.S. value portfolio to be undervalued, the value of the securities it holds may not rise as high as other portfolios and may in fact decline, even if stock prices generally are increasing.

While portfolios managed in the U.S. value strategy primarily invest in securities of U.S. companies, some of our U.S. value portfolios may invest in securities of foreign companies,

including emerging markets. More information about the risk of investing in foreign countries, including emerging markets, please refer to the “Non-U.S. Equities” section below, and review the “Principal Risks” disclosures.

## **Non-U.S. Equity Portfolios**

**Investment Strategy.** Under normal circumstances, the non-U.S. equities portfolios managed by American Century Investments will invest at least 80% of their total assets in equity securities of foreign companies. Most of these portfolios’ assets will be invested primarily in securities of companies located in foreign developed countries, but some of the portfolios are more heavily concentrated in emerging market countries. Some of our international equity portfolios pursue a growth strategy, while others pursue a value strategy. For more information about these investment strategies and the related risks, please refer to the sections above.

**Principal Risks.** Investing in foreign securities has certain unique risks that make it generally riskier than investing in U.S. securities. These risks include increased exposure to political, social and economic events in world markets; limited availability of public information about a company; less-developed trading markets and regulatory practices; and a lack of uniform financial reporting practices compared to those that apply in the United States. Securities of foreign issuers may be less liquid, more volatile and harder to value than U.S. securities.

Investing in securities of companies located in emerging market countries generally is also riskier than investing in securities of companies located in foreign developed countries. Emerging market countries may have unstable governments and/or economies that are subject to sudden change. These changes may be magnified by the countries’ emergent financial markets, resulting in significant volatility to investments in these countries. These countries also may lack the legal, business and social framework to support securities markets.

In addition, investments in foreign countries are subject to currency risk, meaning that because the fund’s investments are generally denominated in foreign currencies, the fund could experience gains or losses based solely on changes in the exchange rate between foreign currencies and the U.S. dollar.

## **Quantitative Equity Portfolios**

**Investment Strategy.** The investment objective of the quantitative equity portfolios is to seek long-term capital growth. In pursuit of this objective, the portfolio managers look for stocks of companies they believe will increase in value over time. In implementing this strategy, the portfolio managers use a bottom-up approach to stock selection. Management of these

portfolios is based on the belief that, over the long term, stock price movements follow growth in earnings, revenues and/or cash flow.

In selecting securities for purchase, the portfolio managers use quantitative management techniques. In general, the portfolio managers rank securities in their investment universe from most attractive to least attractive, using a quantitative model that combines measures of a stock's value as well as measures of its growth potential. To measure value, the portfolio managers use ratios of stock price-to-book value and stock price-to-cash flow, among others. To measure growth, the portfolio managers use the rate of growth of a company's earnings and changes in its earnings estimates, as well as other factors. This is followed by portfolio optimization. In portfolio optimization, the portfolio managers use a computer to build a portfolio of stocks from the ranking described above that they believe will provide the optimal balance between risk and expected return. The goal is to create a portfolio that provides attractive returns given the level of risk desired.

The portfolio managers generally sell a security when they believe the security has become less attractive relative to other stock opportunities, its risk characteristics outweigh its return opportunity, or specific events alter its prospects.

The portfolio managers may engage in active and frequent trading of portfolio securities to achieve the portfolio's principal investment strategy.

**Principal Risks.** Market performance tends to be cyclical and, in the various cycles, certain investment styles may fall in and out of favor. If the market is not favoring the quantitative style used and/or the securities contained in the portfolio's benchmark, the portfolio's gains may not be as big as, or its losses may be bigger than, other equity portfolios using different investment styles.

Some of our quantitative equity portfolios invest in securities of foreign companies, including companies located in emerging markets. More information about the risk of investing in foreign countries, including emerging markets, please refer to the "Non-U.S. Equities" section above, and review the "Principal Risks" disclosures.

## **Fixed Income Portfolios**

**Strategy Overview.** The investment objective of the Fixed Income portfolios is to seek income and/or capital preservation. In implementing this strategy, the portfolio managers use a combination of a top-down and a bottom-up approach to security selection. Decisions about duration, yield curve positioning and sector allocations are made from a top-down perspective in that these decisions are driven by what is happening at a macro level in the economy or financial markets. Decisions about security selection within sectors are made from the bottom-up, based primarily on analysis of individual companies or investments, rather than on

broad economic forecasts. Management of these portfolios is based on an objective of seeking diversified sources of return.

Fixed Income portfolios will invest in a variety of debt securities. These securities, which may be payable in U.S. or foreign currencies, may include corporate bonds and notes, government securities, securities backed by mortgages or other assets and shorter-term debt securities. Additionally, investments may be made in derivative instruments such as options, futures contracts, options on futures contracts, and swap agreements (including, but not limited to, credit default swap agreements), provided that such investments are in keeping with a portfolio's investment objective. Investments may be made in either investment-grade and/or non-investment-grade securities. Portfolio managers will adjust a portfolio's duration to its specific investment objective as well as in response to interest rates and other macro-economic factors.

The longer the portfolio's duration, generally the more sensitive its price is to changes in interest rates.

Portfolios may engage in active and frequent trading of portfolio securities to achieve their principal investment strategies.

The portfolio managers decide which debt securities to buy and sell by, among other things, identifying debt securities that satisfy a portfolio's credit quality standards, determining which debt securities best meet the duration objectives, assessing current and anticipated interest rates, evaluating current economic conditions and the risk of inflation, and evaluating special features of debt securities that may make them more or less attractive than alternatives.

**Principal Risks.** When interest rates change, a fixed income portfolio's value will be affected. Generally, when interest rates rise, the portfolio's value will decline. The opposite is true when interest rates decline. The degree to which interest rate changes affect performance varies and is related to the duration of the portfolio. For example, when interest rates rise, you can expect the share value of a long-term bond portfolio to fall more than that of a short-term bond portfolio. When rates fall, the opposite is true. A portfolio's investments are designed to reduce this risk.

Debt securities, even investment-grade debt securities, are subject to credit risk. Credit risk is the risk that the inability or perceived inability of the issuer to make interest and principal payments will cause the value of the securities to decrease. As a result the portfolio's value could also decrease. A high credit rating indicates a high degree of confidence by the rating organization that the issuer will be able to withstand adverse business, financial or economic conditions and make interest and principal payments on time. A lower credit rating indicates a greater risk of non-payment. Changes in the credit rating of a debt security held could have a similar effect. Lower quality securities are even more vulnerable to real or perceived



economic changes (such as an economic downturn or a prolonged period of rising interest rates), political changes or adverse developments specific to the issuer. In addition, lower-rated securities may be unsecured or subordinated to other obligations of the issuer. These factors may be more likely to cause an issuer of low-quality debt securities to default on its obligation to pay the interest and principal due under its securities.

A portfolio may invest in debt securities backed by mortgages or assets such as auto loan, home equity loan or student loan receivables. These underlying obligations may be prepaid, as when a homeowner refinances a mortgage to take advantage of declining interest rates. If so, the portfolio must reinvest prepayments at current rates, which may be less than the rate of the prepaid mortgage. Because of this prepayment risk, the portfolio may benefit less from declining interest rates than portfolios of similar maturity that invest less heavily in mortgage- and asset-backed securities.

Some fixed income portfolios may invest in the debt securities of foreign companies. Foreign securities can have certain unique risks, including fluctuations in currency exchange rates, unstable social, political and economic structures, reduced availability of public information, and the lack of uniform financial reporting and regulatory practices similar to those that apply to U.S. issuers. Securities of foreign issuers may be less liquid, more volatile and harder to value than U.S. securities.

The use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional instruments. Derivatives are subject to a number of risks, including liquidity, interest rate, market, and credit risk. They also involve the risk of mispricing or improper valuation, the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the risk of default or bankruptcy of the other party to the instrument. Gains or losses involving some futures, options, and other derivatives may be substantial – in part because a relatively small price movement in these securities may result in an immediate and substantial gain or loss for the portfolio.

A portfolio may also be subject to liquidity risk (e.g., the risk that a portfolio may have difficulty selling its debt securities). During periods of market turbulence or unusually low trading activity, in order to meet redemptions it may be necessary to sell securities at prices that could have an adverse effect on a portfolio's value.

## **Asset Allocation Portfolios**

**Strategy Overview.** The investment objective of our asset allocation portfolios is to seek the highest total return consistent with its asset mix. Each of the asset allocation portfolios invests in a combination of underlying American Century Investments mutual funds. Each portfolio's asset allocation is intended to diversify investments among stocks, bonds and cash



equivalents. Generally, more conservative portfolios emphasize investments in bonds and cash equivalents while more aggressive portfolios emphasize investments in stocks.

Some of our asset allocation portfolios are target date portfolios, such as our **LIVESTRONG®** 2035 portfolio. A fund with an earlier target date represents a more conservative choice. A fund with a later target date represents a more aggressive choice. The target year does not necessarily represent the specific year that a client expects to need his or her assets. It is intended only as a general guide and assumes a retirement age of 65.

The underlying stock funds of the asset allocation portfolios draw on growth, value and quantitative investment techniques and diversify investments among small, medium and large U.S. companies. They also include investments in the real estate sector as well as in foreign stocks from developed and emerging markets.

The growth strategy looks for stocks of companies the portfolio managers believe will increase in value over time. In implementing this strategy, the portfolio managers use a variety of analytical research tools and techniques to identify stocks of companies demonstrating accelerating earnings or revenue growth rates, stock price momentum, increasing cash flows, or other indications of the relative strength of a company's business. The value investment discipline seeks capital growth by investing in equity securities of companies that the funds' portfolio managers believe to be temporarily undervalued. For underlying funds that are quantitatively managed, the portfolio managers utilize quantitative, computer-driven models to construct and manage portfolios that they believe provide the optimal balance between risk and expected return.

The underlying bond funds represent a diverse range of fixed-income investments that vary by issuer type (corporate and government), credit quality (investment-grade and high-yield) and geographic exposure (domestic and international).

Although the asset allocation portfolios generally will remain exposed to each of the investment disciplines and categories described above, a particular investment discipline or category may be emphasized when, in the portfolio managers' opinion, such investment discipline or category is undervalued relative to the other disciplines or categories.

**Principal Risks.** Each portfolio's performance and risks depend in part on the portfolio managers' skill in determining the fund's asset class allocations and in selecting and weighting the underlying funds. There is a risk that the portfolio managers' evaluations and assumptions regarding asset classes or underlying funds may differ from actual market conditions.

Each portfolio's performance and risks also reflect the performance and risks of the underlying American Century Investments mutual funds in which it invests. Some of these risks relate to investments in stocks. Others relate primarily to fixed-income or foreign investments. The degree to which the risks described above for the other investment strategies apply to a particular asset allocation portfolio varies according to its asset allocation.

### **Other Investment Strategies**

American Century Investments also manages portfolios that are concentrated in certain sectors or security types, such as real estate, global gold, utilities, and inflation-protected bonds. These portfolios are exposed to other risks unique to those sectors, as well as concentration risk.

### **Item 9 – Disciplinary Information**

Under this Item, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of American Century Investments' advisory business or the integrity of our management. We have no information applicable to this Item to disclose.

### **Item 10 – Other Financial Industry Activities and Affiliations**

American Century Investments is under common control with the following entities that also provide financial services:

- American Century Investment Services, Inc. ("ACIS") is a broker-dealer registered with the SEC and the distributor for the American Century Investments mutual funds.
- American Century Brokerage, Inc. ("ACB") is an introducing broker-dealer registered with the SEC.
- American Century Advisory Services, Inc. ("ACAS") is an investment adviser registered with the SEC.
- American Century Investment Management (UK) Limited is an investment adviser registered with the United Kingdom's Financial Services Authority.

ACIS solicits the sale of shares of the mutual funds that we advise to intermediary and retail clients. ACIS does not act as a broker-dealer with respect to the portfolio securities held in our client's accounts. Some of our portfolio managers are registered representatives of ACIS, but do not solicit business on our behalf.

ACIS and most of its registered representatives provide various services for us, including, without limitation, the services of marketing, underwriting and selling shares of the mutual funds, the marketing of institutional investment management services, and soliciting advisory business on our behalf. We compensate ACIS for performing these services for us. The compensation of ACIS's registered representatives may be impacted by their success in marketing our advisory services and investment products.

Each of the American Century Investments mutual funds is a series of an investment company registered with the SEC under the Investment Company Act of 1940, as amended, and a related person and client of American Century Investments. Each of these investment companies has entered into an investment management agreement with us.

From time to time, American Century Investments may use investment management services provided to it by "participating affiliates" (as such term is used in relief granted by the staff of the U.S. Securities and Exchange Commission ("SEC") in a series of no-action letters allowing a registered adviser to use portfolio management and trading and research services and resources provided by an unregistered affiliate subject to the supervision of the registered adviser). We have entered into an agreement with American Century Investment Management (UK) Limited ( "UK Affiliate" ), an asset management affiliate of American Century Investments, pursuant to which UK Affiliate is considered a participating affiliate. UK Affiliate and the following two employees have been deemed associated persons of American Century Investments and (subject to our supervision) may provide portfolio management, research and trading services in connection with our management of one or more client accounts. UK Affiliate is not registered with the SEC:

- Simon Chester, Vice President and Portfolio Manager, was born in 1970. Prior to joining American Century Investments in 2010, he was a senior credit analyst at Western Asset Management. He has a bachelor's degree in commerce from the University of South Africa.
- Tim Doyle, Corporate Analyst, was born in 1980. Prior to joining American Century Investments in 2011, he was a credit analyst at Canada Life. He has a bachelor's degree in politics, philosophy and economics from Exeter College at the University of Oxford. He is a CFA charterholder.

UK Affiliate will act in accordance with the series of SEC no-action letters referred to above requiring UK Affiliate, as a participating affiliate, to be subject to our supervision and the SEC in the manner contemplated in such letters. UK Affiliate has agreed to submit to the jurisdiction of U.S. courts for actions arising under the U.S. securities laws in connection with its investment advisory activities provided for our U.S. clients and has appointed an appropriate agent for service of process, in each case in accordance with, and subject to the

requirements of, such letters. Under the aforementioned agreement, American Century Investments pays compensation to UK Affiliate for the services of the associated persons.

## **Item 11 – Code of Ethics**

Our business is built on trust. In our efforts to ensure that all members of our corporate family always seek to do the right thing for our clients and for each other, we have adopted a Code of Ethics and a Business Code of Conduct, each designed to help ensure that business is conducted in accordance with the law and with the highest ethical standards.

### **Code of Ethics**

American Century Investments has adopted a Code of Ethics that guides the personal investment activities of our employees, officers and directors, and members of their immediate families to ensure that while conducting such activities, they make decisions in the best interest of our clients. The Code of Ethics requires employees of American Century Investments, as well as employees of other companies within the our corporate family, to (a) provide duplicate confirmations of any transactions in accounts held directly by an employee or beneficially owned by an employee and (b) comply with restrictions regarding transacting in American Century Investments mutual funds. In addition, certain of our officers and employees that participate in providing investment advice to our clients, and other persons who consistently obtain information regarding current recommendations with respect to portfolios of our clients or real-time trading information, are required to comply with additional restrictions. These additional restrictions include, but are not limited to, pre-clearance of personal securities transactions in nonexempt securities, periodic transaction reporting, and the filing of initial/annual holdings reports with our compliance department. In addition, portfolio managers, traders, officers and directors of American Century Investments are subject to additional restrictions such as prohibition on trading in initial public offerings of stock.

Under the Code of Ethics, certain classes of securities have been designated as exempt transactions based upon a determination that these would materially not interfere with the best interest of our clients. Because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from investment activity in a client's account. Due to this conflict of interest between us and our clients, our compliance department continually monitors employee trading, as required by the Code of Ethics, to ensure compliance with the Code.

The Code of Ethics also requires our employees to acknowledge at least annually that they have received, read and will comply with the Code, provide account information for reportable mutual fund and brokerage accounts, disclose any potential conflicts of interest, and provide

duplicate confirmations of transactions in reportable brokerage accounts to our compliance department. The Code of Ethics also includes provisions regarding the treatment of confidential information of our clients.

In addition, the Code of Ethics prohibits employees from short term and abusive trading in the American Century Investments mutual funds, and requires all of our employees to comply with certain trading restrictions in the American Century Investments mutual funds.

Failure to comply with the Code of Ethics constitutes a violation of the policy and results in sanctions, including, without limitation, formal warning with manager notification, required attendance of a Code of Ethics training session, suspension of trading privileges, fine, disgorgement of profits, and/or suspension or termination of employment.

American Century Investments will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **Business Code of Conduct**

American Century Investments has also adopted a Business Code of Conduct that expresses our commitment to the highest degree of ethical business standards and provides general guidelines for employees to use, along with their own good judgment, while conducting business. The Business Code of Conduct includes provisions relating to the protection of customers' privacy, a prohibition on insider trading and the sharing of non-public information, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, restrictions on outside employment and outside directorships, restrictions on political contributions, and personal securities trading procedures. A violation of the Business Code of Conduct may result in disciplinary action up to and including termination of the employee's employment.

### **Political Contributions**

Political contributions made by investment advisers and their employees to state or local government officials may raise potential conflicts of interest. Moreover, the SEC and the Municipal Securities Rulemaking Board have promulgated rules addressing such contributions. American Century Investments and its affiliates do not make any corporate contributions, directly or indirectly, to state or local officials or candidates, political parties, or political action committees. American Century Investment Management, Inc., has adopted a political contributions policy which requires employees to obtain approval prior to making personal political contributions or engaging in certain political activities.

## Our Privacy Commitment

### It's a matter of privacy — yours

Trust is the foundation of any solid relationship. At American Century Investments, trust takes on even greater importance because you are entrusting your money to our care. We understand you are also entrusting us with your goals and plans for your financial future. We take that responsibility seriously and work hard to do the right thing by providing solid value, excellent investment management and the best service possible. We apply this same integrity to protecting your privacy.

- We do not sell your personal information to anyone.
- Because we limit the use of your personal information, there is no opportunity for you to opt out of sharing it with third-party service providers. Please know these companies are not authorized to use it or share it for any purpose other than to help us serve you.

This summary of our Privacy Policy describes the type of personal information we collect, how we use it and, perhaps most important, what we do to protect it.

#### *What type of information do we collect?*

The information we collect about you generally falls into one of the following categories:

- Information, such as your address, Social Security number, your date of birth, income and investment profile, that you provide on account applications or during your business relationship with us.
- Account information, such as your investment choices, account balances and transaction history.
- Personal information about you, such as estimated household income and investable assets, that consumer reporting agencies and other organizations may provide to us.

If you conduct business with us online, you may notice our use of Internet “cookies” — electronically transmitted files that hold small pieces of information. When you navigate through our Web site, your browser requests pages for you to review. That request includes the information stored in the cookie we previously sent to your computer. Cookies help us better understand how investors use our Web site, so we can improve your online experience. Once you are logged in, cookies maintain your security as you move from page to page within the site. You can learn more by visiting [www.americancentury.com](http://www.americancentury.com) and searching the keyword “cookie.”

#### *How do we use the information we collect?*

We use the information we collect primarily to maintain your accounts and process your transactions. In doing so, we may share this information with other financial services

companies in our corporate family, such as the transfer agent and distributor for the American Century Investments mutual funds. We also may share this information with outside service providers that we retain to perform administrative or other services on our behalf. Examples include print and mail service providers that assist us in distributing materials, such as statements, prospectuses and reports. We also may share this information with others under certain limited circumstances permitted by law, such as to resolve a dispute or prevent fraud.

### *Do we use this information for marketing?*

Our vision, which drives all our company activities, is to help people achieve their financial goals. We rely on the information we collect to help us better understand you and your investing needs. This allows us to offer relevant investment products and services that may interest you. From time to time, we may share this information with other financial services companies in our corporate family. On occasion, we also may share it with others we retain to help us with our research efforts, mailings or other marketing or communication activities.

### *How do we protect your information?*

We treat all personal information as confidential and use it solely and exclusively to provide financial products and services for your benefit.

We do not sell the personal information we collect. All service providers outside of our corporate family with whom we share personal information are not authorized to use or share it for any purpose other than to help us serve you.

Our policies limit access to your personal information to those who must have it to service your account. We maintain physical, electronic and procedural safeguards to protect this information. We regularly review these safeguards and adjust them as appropriate. We treat information about our former customers with the same care we take with current customers' information. We believe that your privacy should be respected. We appreciate and take seriously your trust in us and our ability to safeguard your personal information.

For more information, please visit [americancentury.com](http://americancentury.com) and search the keywords "privacy commitment." Or, you may contact us at the address provided on the cover page of this Brochure.

## **Participation or Interest in Client Transactions**

We are a wholly-owned subsidiary of American Century Companies, Inc. ("ACC"). On occasion, we, ACC, and our employees may buy or sell shares of the American Century Investments mutual funds. In addition, we may recommend a security for a client's account that we also purchase or sell for our proprietary accounts (either for investment purposes or to test new investment strategies or methodologies prior to offering them to clients), but only

if such recommendation is consistent with the client's investment objectives. Investments of our corporate assets in proprietary accounts may raise conflicts of interest. To mitigate these potential conflicts of interest, we have adopted policies and procedures intended to provide that trading in proprietary accounts is performed in a manner that does not give improper advantage to American Century Investments to the detriment of client portfolios

In these circumstances, we may either purchase or sell the security separately for each account, or aggregate the orders for all participating accounts (which may include our own account(s)), but only if we determine that the aggregation of orders is consistent with our obligation to seek best execution.

In addition, American Century Investments has adopted a Policy for the Aggregation of Portfolio Transactions that is designed to (a) minimize the risk that a client could be systematically advantaged or disadvantaged in connection with the aggregation of orders and (b) ensure that all clients are treated fairly in the aggregation and allocation of portfolio transactions. For more information regarding this policy and American Century Investments' aggregation procedures, please refer to *"Aggregation of Client Orders"* in Item 12 – Brokerage Practices.

American Century Investments may, if appropriate, cross orders for a security to be purchased or sold for non-ERISA accounts, including the American Century Investments mutual funds, in an attempt to obtain a more favorable price, lower brokerage commissions or more efficient execution. Each trade crossed with a registered mutual fund must comply with Rule 17a-7 under the Investment Company Act of 1940, and may not be executed by a broker-dealer that controls us, is controlled by us, or is under common control with us. For any cross trade, we may deduct any customary transfer fees (excluding brokerage commissions or other remuneration paid in connection with the transaction) incurred in such trades from the accounts of participating clients. A transaction fee charged by a broker or custodial bank will be considered a customary transfer fee for this purpose. It is our policy that we will not effect any cross securities transactions between our or ACC's proprietary accounts and a client's account.

American Century Investments may, on occasion, invest in securities that we do not recommend to our clients.

### **Other Potential Conflicts of Interest: Management of Multiple Portfolios**

Certain conflicts of interest may arise in connection with the management of multiple portfolios. Potential conflicts include, for example, conflicts among investment strategies, such as one portfolio buying or selling a security while another portfolio has a differing, potentially opposite position in such security. This may include one portfolio taking a short position in the security of an issuer that is held long in another portfolio (or vice versa). Other potential



conflicts may arise with respect to the allocation of investment opportunities, which are discussed in more detail in Item 12 below. American Century Investments has adopted policies and procedures that are designed to minimize the effects of these conflicts.

Responsibility for managing our client portfolios is organized according to investment discipline. Investment disciplines include, for example, quantitative equity, U.S. growth mid- and small-cap, U.S. growth large-cap, value, global and non-U.S., fixed income and asset allocation. Within each discipline are one or more portfolio teams responsible for managing specific client portfolios. Generally, client portfolios with similar strategies are managed by the same team using the same objective, approach, and philosophy. Accordingly, portfolio holdings, position sizes, and industry and sector exposures tend to be similar across similar portfolios, which minimizes the potential for conflicts of interest. In addition, American Century Investments maintains an ethical wall around each of its equity investment disciplines (U.S. growth large-cap, U.S. growth mid- and small-cap, value, quantitative equity and global and non-U.S.), meaning that access to information regarding any portfolio's transactional activities is only available to team members of the investment discipline that manages such portfolio. The ethical wall is intended to aid in preventing the misuse of portfolio holdings information and trading activity in the other disciplines.

## **Item 12 – Brokerage Practices**

### **Brokerage Discretion and the Selection of Broker-Dealers**

American Century Investments is authorized to select the brokers-dealers ("brokers") who effect securities transactions for the accounts of most of our clients, negotiate the commissions charged for such transactions and enter into brokerage agreements with such brokers on behalf of our clients. We select brokers on their perceived ability to obtain "best execution" in effecting transactions in our clients' portfolios. In selecting brokers to effect portfolio transactions for our clients, we consider the full range and quality of a broker's research and brokerage services, including the following:

- Value of a broker's proprietary research and other brokerage services (collectively referred to as "Research"). Research may include, but is not limited to, proprietary research and analysis; general market analysis; economic forecasting services; fundamental and technical advice on individual securities; market analysis; advice (either directly or indirectly through publications or writing) as the value of securities, availability of securities or of purchasers/sellers of securities; access to company executives; "road show" visits; and analytic and execution management systems;
- Applicable commission rates and other transaction costs charged by the broker;
- Timeliness of broker's trade executions;
- Efficiency and accuracy of the broker's clearance and settlement process;

- Broker's ability to provide data on securities executions;
- Financial condition of broker; and
- The quality of the overall brokerage and customer service provided by the broker.

**Equity Securities:** American Century Investments executes transactions in securities (other than those for which an exchange is the primary market) with a dealer acting as principal, with a market maker, or a broker. We will execute a security transaction on a brokerage basis when we believe that the facilities, expert personnel and technological systems of a broker enable our clients to secure as good a net price as when dealing with a market maker.

**Fixed Income Securities:** American Century Investments purchases fixed income securities for client accounts directly from issuers, underwriters, broker-dealers or banks. In many transactions, we select the broker-dealer based on the availability of the desired security and its offering price. In both purchase and sale transactions, we also select the broker-dealer based on the selection of market and the negotiation of price, as well as the broker-dealer's general execution, operational and financial capabilities in the type of transaction involved.

The ten broker-dealers that provided the most significant amounts of Research to American Century Investments during the past year were Bank of America, Barclays Capital, Citigroup Capital Markets, Credit Suisse, Goldman Sachs, J.P. Morgan Securities, Morgan Stanley, S.G. Cowen, Sanford C. Bernstein, and UBS Warburg. A full list of broker-dealers providing Research is available to clients upon request.

We do not consider other business relationships we may have with a broker when determining whether to select that broker to execute a transaction in a client's account.

In addition, we do not engage in "brokerage for sales" practices, whereby we would direct trades in our clients' accounts to a broker as remuneration for client leads or referrals.

To mitigate any conflict that could arise in the brokerage selection process due to the provision of gifts and entertainment to our personnel, we have included in our Business Code of Conduct a provision that restricts an employee's ability to accept gifts. That provision prohibits any employee from accepting one or a series of gifts worth an aggregate of \$100 each year from any person, firm, or company with which American Century Investments does or seeks to do business, provided that such gifts are in accordance with normally accepted business practices. It also requires each employee to report the gift to his or her manager and to report any gift received that is valued at more than \$50 to our compliance department. In addition, our trade oversight committee monitors all gifts and entertainment provided by broker-dealers to our investment management personnel and traders.

## Soft Dollar Arrangements

Section 28(e) of the Securities and Exchange Act of 1934 provides a safe harbor for persons who exercise investment and brokerage discretion over advisory accounts to pay for research and brokerage services with commission dollars generated by account transactions. Such arrangements are sometimes referred to as “soft dollar arrangements.”

American Century Investments receives Research from certain broker-dealers under “soft dollar arrangements” that comply with Section 28(e) of the Securities Exchange Act of 1934. Because Research is “bundled” by broker-dealers with execution services, Research generally does not have an identifiable price. We become eligible to receive Research by sending trades and paying commissions to approved executing broker-dealers. In order to obtain Research, we may cause our clients to pay commissions higher than those obtainable from other broker-dealers. We will do so only if we determine in good faith that the amount of commissions paid is reasonable in relation to the value of the Research provided by the broker-dealer.

We may use Research for the benefit of one or more of our clients, and not just for the clients that pay commissions to the brokers providing the Research. We do not accept products, consulting services, payment of exchange fees (other than for market data) or other items that might be considered office overhead expenses from broker-dealers, nor do we direct broker-dealers to pay third-party vendors for products or services that we receive. If we do use a research product or service provided by a third party (e.g., not a broker-dealer that executes trades for our clients' accounts), and that product or service is available for purchase in an unbundled fashion, we generally pay for it directly with our own funds.

On occasion, American Century Investments may obtain third party research and/or other brokerage services that are useful both in making investment decisions for client accounts and in performing administrative or other non-research functions that benefit us (known as “mixed use” Research). If we obtain “mixed-use” Research, our trade oversight committee will make a good faith allocation of the costs of the products and services so that the portion or specific component of the Research that assists us in the investment-decision making process is obtained through client commissions and the portion or specific component that provides non-research assistance to us is paid by us out of our own funds. The allocation of the cost of mixed-use Research amongst our clients and us presents an inherent conflict of interest for us. We attempt to mitigate this risk by having our trade oversight committee determine how costs will be allocated.

Soft dollar arrangements may create other conflicts of interest for us. Because we can use a client's soft dollars to pay for Research that we use for all or many of our clients' accounts and that we would otherwise have to pay for from our own funds, we may have an incentive to use

clients' assets to "pay up" for the Research. We may also have an incentive to select a broker-dealer on the basis of the Research we may obtain through that broker-dealer with clients' soft dollars, rather than on the basis of the quality of execution for our clients' accounts. To minimize these conflicts, American Century Investments has established policies and procedures covering the use of soft dollars that, among other things, mandates the following:

- American Century Investments attempts to negotiate the lowest possible commission rate with each broker-dealer that we use.
- We regularly evaluate the quality of the services provided by each broker-dealer that we use. On a semi-annual basis, each of our portfolio management teams scores the quality of research and brokerage services provided by each broker-dealer that provides execution services and Research for our clients' accounts. The resulting scores are compiled on a "Research List".
- We direct portfolio transactions in a manner that is consistent with best execution. Where we have determined that best execution for a particular transaction may be obtained by more than one broker-dealer, we may consider the relative positions of the broker-dealers on the Research List in determining the party through which to execute the transaction.
- American Century Investments has a trade oversight committee, comprised of members of the trading, compliance, and investment management departments, that reviews soft dollar arrangements on a periodic basis.

In cases where American Century Investments is acting as a sub-advisor to an account or mutual fund, we may not have the authority to negotiate brokerage commissions (for both securities and currency transactions), costs and soft-dollar arrangements for that account. Instead, the investment advisor of that account may do so. In these situations, the broker commissions and costs may be higher or lower than those negotiated directly by us for our clients' accounts.

### **Directed Brokerage Arrangements**

A directed brokerage arrangement is an agreement whereby a client directs the investment adviser to execute a portion of the trades for the client's account through a particular broker-dealer. In return, the client receives from the broker-dealer either services or payment of expenses as a rebate of the commissions or remuneration earned from the client's transactions. Under directed brokerage arrangements, the investment adviser may be unable to achieve best execution of client transactions. In addition, directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because the investment adviser may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

American Century Investments, like many investment advisers, does not recommend, request or require that a client direct it to execute transactions through a specified broker-dealer. In addition, we do not currently permit a client to direct brokerage.

## Aggregation of Client Orders

Generally, American Century Investments processes and executes orders for client accounts in the order received by our trading desk (i.e., first-in, first-out), or when applicable, in accordance with a specific trading strategy provided by an account's portfolio manager regarding the execution of a particular order. However, in many cases, aggregating trade orders for the same security may prove advantageous to clients. For example, by aggregating purchase or sale orders for a client, we may be able to reduce commission costs or market impact, because larger orders tend to have lower execution costs. In addition, for certain types of offerings that have minimum purchase or sale amounts (such as private placements and certain debt offerings), aggregation can help clients meet the minimum requirements.

American Century Investments has adopted a policy for the aggregation of portfolio transactions that is designed to (a) minimize the risk that a client could be systematically advantaged or disadvantaged in connection with the aggregation of orders and (b) ensure that all clients are treated fairly in the aggregation and allocation of portfolio transactions. This policy requires, among other things, that:

- Transaction costs (which includes brokerage commissions) of aggregated transactions are shared on a *pro rata* basis by all participants (which could include our or ACC's proprietary accounts);
- All participating accounts participate in the aggregated order at the average share price for all of our transactions in that security;
- Prior to entering an aggregated order, American Century Investments prepares a written trade order specifying the participating clients and the method of allocation among the participating accounts;
- Completed orders are allocated as specified in the trade order. Partially filled orders are allocated on a *pro rata* basis, based on the trade order; and
- If an order must be allocated in a manner different from that in the written trade order, all participating accounts must receive fair and equitable treatment and the written rationale for the departure must be provided to our compliance department.

This policy also prohibits us and ACC from purchasing for our proprietary accounts equity securities sold in an initial public offering ("IPO").

Because IPOs are usually available in limited supply and in amounts too small to permit across-the-board pro rata allocations, we have adopted procedures designed to promote a fair and equitable allocation of IPO securities among clients over time.

American Century Investments will not aggregate purchase and sale orders under circumstances where aggregation is not possible, not permitted, or would not be in the best interest of a client. For example, we would generally not aggregate orders in the following instances:

- Orders placed for clients on the same day, but are not concurrently open (i.e., an order that was opened and filled in the morning for one client would not be aggregated with an order for a different client that was opened later in the day);
- Orders for two or more clients that are open concurrently, but are pursuing different trading strategies;
- Limit orders (i.e., an order to buy or sell a set number of shares at a specified price or better); and
- Short sale orders (i.e., an order to sell a security that has been borrowed from a third party (usually a broker) with the intention of buying the security back at a later date to return to the lender).

Fixed-income securities transactions are not executed through a centralized trading desk. Instead, portfolio teams are responsible for executing trades with broker/dealers in a predominately dealer marketplace. Trade allocation decisions are made by the portfolio manager at the time of trade execution and order entry on the fixed-income order management systems.

If we do not aggregate orders for client accounts when we have the opportunity to do so, the clients may incur higher transaction costs when we separately execute the clients' orders.

American Century Investments receives no additional compensation or remuneration as a result of the aggregation of orders of our clients. If requested, we will provide a client a summary or composite transaction data sufficient to compare the results of transactions within its account with those of other clients.

### **Item 13 – Review of Accounts**

American Century Investments reviews our clients' portfolios on a continuous basis. Equity portfolios are managed by teams of equity portfolio managers (with the assistance of analysts) who meet weekly to review the portfolios that they manage and on an informal basis as needed. Fixed-income portfolios are managed on a daily basis by teams of fixed-income portfolio managers with the assistance of securities analysts.

American Century Investments provides written reports to the board of directors/trustees of each of the mutual funds that it advises or subadvises at the boards' quarterly meetings. These reports include, but are not limited to, reports on investment performance, risk management, the quality of our services, and compliance. We also provide the funds' boards with additional information on an annual basis at the time the boards consider the renewal of each mutual fund's investment management agreement with us. We provide the mutual fund boards with other information and reports upon request or as needed.

We also provide reports to our non-mutual fund clients regarding their accounts in accordance with their instructions.

#### **Item 14 – Client Referrals and Other Compensation**

We have entered into an agreement with our affiliate ACIS, pursuant to which we agree to compensate them for the solicitation of clients and client referrals.

In addition, we have entered into client referral agreements with two of our foreign affiliates:

- American Century Investment Management (UK) Limited ("ACIM UK"), a sister company of American Century Investments that is organized in the United Kingdom as a private limited company, and
- American Century Investment Management (Asia Pacific) Limited ("ACIM HK"), a sister company that is organized in Hong Kong as a private limited company.

We have entered into an agreement with both ACIM UK and ACIM HK, pursuant to which we agree to compensate each entity for the solicitation of clients and client referrals.

In these situations, solicitations and/or referrals and any related compensation are made in accordance with the requirements Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended.

American Century Investments has compensated, and may compensate from time to time in the future, either directly or indirectly, employees or third parties for client referrals. Compensating third parties for the solicitation of clients creates a conflict of interest for those third parties in that the compensation they receive from us may influence the recommendation they make to their customers.

If you purchase an American Century Investments mutual fund through a broker-dealer or other financial intermediary (such as a bank, insurance company, plan sponsor or financial professional), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend our

fund over another investment. Ask your salesperson or visit your financial intermediary's Web site for more information.

### **Item 15 – Custody**

Some of our clients receive account statements from the bank or other qualified custodian that holds and maintains their investment assets. American Century Investments urges these clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to them. If we provide a client with an account statement, it may vary from the statement that the custodian provides, due to different accounting procedures or reporting dates.

### **Item 16 – Investment Discretion**

At the outset of our relationship with a client, we usually receive discretionary investment authority to select the identity and amount of securities to be bought or sold for the client's account. In all cases, however, we exercise this discretionary authority in a manner consistent with our client's investment objectives, limitations and restrictions.

For our clients that are registered mutual funds, our authority to select and trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

If you desire us to pursue a certain investment strategy while managing your account, or to observe certain investment limitations or restrictions, you must provide these investment guidelines to us in writing before or at the time we sign an agreement with you regarding our management of your assets.

### **Item 17 – Voting Client Securities**

American Century Investments is responsible for exercising the voting rights associated with the securities purchased and/or held by certain of our clients, including the mutual funds that we manage. In exercising our voting obligations, we are guided by general fiduciary principles. We must act prudently, solely in the interest of our clients, and for the exclusive purpose of providing benefits to them.

We (along with the board of directors of the American Century Investments mutual funds) have agreed on certain significant contributors to shareholder value with respect to a number of matters that are often the subject of proxy solicitations for shareholder meetings. The proxy voting guidelines specifically address these considerations and establish a framework for our



consideration of the vote that would be appropriate for our clients. The guidelines were designed to ensure that the proxy voting decisions that we make are based on the best interests of clients and fund investors and are not the product of any conflict of interest. In particular, the proxy voting guidelines outline principles and factors to be considered in the exercise of voting authority for proposals addressing:

- election of directors
- ratification of selection of auditors
- executive compensation
- equity-based compensation plans
- anti-takeover proposals
  - cumulative voting
  - staggered boards
  - “blank check” preferred stock
  - elimination of preemptive rights
  - non-targeted share repurchase
  - increase in authorized common stock
  - “super majority” voting provisions or “super voting” share classes
  - “fair price” amendments
  - limiting the right to call special shareholder meetings
  - poison pills or shareholder rights plans
  - golden parachutes
  - reincorporation
  - confidential voting
  - opting in or out of state takeover laws
- shareholder proposals involving social, moral or ethical matters
- anti-greenmail proposals
- changes to indemnification provisions
- non-stock incentive plans
- director tenure
- directors’ stock option plans
- director share ownership
- non-U.S. proxies

Finally, the proxy voting guidelines establish procedures for voting of proxies in cases in which we may have a potential conflict of interest. Companies with which we have direct business relationships could theoretically use these relationships to attempt to unduly influence the manner in which we vote on matters for our clients. To ensure that such a conflict of interest

does not affect proxy votes cast for the American Century Investments mutual funds, all discretionary (including case-by-case) voting for these companies will be voted in direct consultation with a committee of the independent directors of the funds.

In addition, to avoid any potential conflicts of interest that may arise when one American Century Investments mutual fund owns shares of another, we will “echo vote” such shares, if possible. That is, we will vote the shares in the same proportion as the vote of all other holders of the shares. In all other cases, we will consult with a committee of the independent directors of the voting fund in determining how to vote the shares owned by the fund.

You may direct how we vote shares held in your account by providing us with written voting instructions.

You may obtain a copy of American Century Investments' complete proxy voting policies and procedures, as well as information regarding how we voted proxies relating to securities held in your account, upon request. In addition, information regarding how we voted proxies relating to securities held by American Century Investments mutual funds during the most recent 12-month period ended June 30 is available on the *About Us* page at [americancentury.com](http://americancentury.com). Our proxy voting record is also available on the SEC's website at [sec.gov](http://sec.gov).

## **Item 18 – Financial Information**

As a registered investment adviser, we are required to provide you with certain information or disclosures about our financial condition. American Century Investments has no financial commitments that impair our ability to meet our contractual commitments and fiduciary responsibilities to you.

We have never been the subject of a bankruptcy proceeding.