

Effective November 22, 2024

American Century U.S. Quality
Value Index
(ACVALQ)

Rules and Methodology

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The American Century U.S. Quality Value Index

Rule Book

I. Index Overview

American Century Investment Management, Inc. (referred to herein as “American Century” or “we”), the index provider, developed the American Century U.S. Quality Value Index (ACVALQ or Index) to capture the performance of large- and mid-capitalization companies in the U.S. that possess attractive quality, valuation and income fundamentals.

The construction process excludes lower quality stocks based on our methodology. Value and income scoring provide additional building blocks for constructing the Value and Income sub-portfolios. The final portfolio is a blend of the two sub-portfolios.

American Century rebalances the Index monthly and reconstitutes the Index quarterly typically at the end of February, May, August and November. The updates are effective by the U.S. market open on the 1st business day of the month. In the event that the reconstitution overlaps with a known holiday or early market closure, the effective date may be rescheduled to a different day to ensure appropriate market liquidity and support.

The Index calculation captures price appreciation and total return (dividends reinvested in the Index). The Index calculation utilizes primary market prices, generally in U.S. dollars.

II. Initial Universes

American Century creates the Initial Universe (sometimes referred to as “market” in this document) from the S-Network US Equity Large/Mid-Cap 1000 Index¹ excluding the bottom 2% companies ranked on market cap. From the remaining securities, we create the Value and Income sub-portfolios based on the quality, valuation, and income criteria described in this document. The American Century U.S. Quality Value Index (ACVALQ) is a blend of stocks from the two sub-portfolios.

III. Quality Scoring

American Century ranks the initial universes and excludes securities with lower quality scores. American Century excludes bottom 20 percent companies ranked on quality score and the bottom 20 percent within each industry group. The quality attributes and the method for calculating the quality scores are described below.

A. Quality Attributes

Quality Attributes	
Category	Financial Measure
Profitability	Free Cash Flow over Assets Asset Turnover Margin Gross Profitability ROA ROE
Earnings Quality	Accruals Cash Earnings to Earnings Variability in Sales, Operating Income, Earnings, Cash Flows, Analyst Estimates over Price
Management Quality	Asset Growth Issuance Growth Capital Expenditure and Growth
Leverage	Net Debt/EBITDA Assets/Equity

For the Income universe, we use additional quality metrics including dividend growth, price volatility, dividend payout and leverage to further screen for companies that have sustainable income characteristics.

B. Quality Score Calculation

Our calculation for the quality score is provided below.

- Securities are ranked by each quality attribute relative to their universe.
- Each attribute is scored by the percentile rank.
- Attribute scores are combined in a weighted quality score.

¹ Reconstitute semiannually on the third Friday in June and December. Rebalance quarterly on the third Friday of March, June, September and December.

IV. Value Scoring

American Century ranks securities based on a value score. The value attributes vary by company type. The method for calculating the value score is shown below.

A. Value Attributes

Value Attributes	
Category	Financial Measure
Deep Value	B/P S/P
Earnings Yield	E/P EBITDA/EV
Cash Flow Yield	OCF/P FCF/P

B. Value Score Calculation

American Century performs the calculations below to determine weighted value scores for each stock.

- Securities are ranked by each value attribute relative to their industry group.
- Each attribute is scored by percentile rank.
- Attribute scores are combined to create a weighted value score.

V. *Income Scoring*

American Century ranks securities based on an income and quality composite score. The income attribute is measured as dividend yield using annualized most recently reported dividend divided by price.

A. **Income Attribute**

The income attribute is measured as dividend yield using annualized most recently reported dividend divided by price.

B. **Income Score Calculation**

American Century performs the calculations below to determine weighted income and quality composite scores for each stock.

- Securities are ranked by each income and quality attribute relative to their universe.
- Each attribute is scored by percentile rank.
- Attribute scores are combined to create a weighted income and quality score.

VI. *Portfolio Construction*

A. Value Sub-portfolio

The Value sub-portfolio maximizes the value score, subject to the constraints described below.

Portfolio Constraints	
Sector Active Exposure	No more than 1.5% above the market
Quality	At least 15% above the market

Security Constraints	
Individual Stock Weights	At least 25 basis points
Size and Volatility	Companies are grouped with an upper weight ranging between 0.50% and 2.5%
Top Size Decile Weights	Maximum 10% less than the top decile weight of the overall universe of securities

B. Income Sub-portfolio

The Income sub-portfolio maximizes the income and quality composite score, subject to the constraints described below.

Portfolio Constraints	
Sector	Not more than 15% above of the market sector weights and may not exceed 20% of overall portfolio weight
Quality	At least 15% above the market

Security Constraints	
Individual Stock Weights	At least 25 basis points
Size and Volatility	Companies are grouped with an upper weight ranging between 0.50% and 3%
Top Size Decile Weights	Maximum 10% less than the overall universe of securities

C. The Final Index

The Final Index is a blend of the Value and Income sub-portfolios. We dynamically modify the sub-portfolio weights monthly based on their trailing returns adjusted by volatility when returns are positive; when trailing returns are negative, monthly adjustments are based solely on average trailing returns. The allocation weight for Value sub-portfolio ranges from a minimum of 35% to a maximum of 80% (Income sub-portfolio weights = 100% - Value target weights). In any month the weights cannot increase or decrease by more than 15%.

VII. Calculating the Index

A. Index Formula

The Index value is calculated each business day based on the formula below.

$$P_t = \sum_{i=1}^n \frac{x_{i,t} * p_{i,t} * f_{i,t}}{D_t}$$

With:

$x_{i,t}$ = Number of Index Shares of the Index Component i on Trading Day t

$p_{i,t}$ = Price of Index Component i on Trading Day t

$f_{i,t}$ = Foreign exchange rate to convert the Price of Index Component i on Trading Day t into the Index Currency

D_t = Divisor on Trading Day t

n = Number of Components in the Index on Trading Day t

The initial Divisor on the Start Date is calculated according to the following formula:

$$D_t = \sum_{i=1}^n \frac{(P_{i,t} * f_{i,t} * x_{i,t})}{100}$$

After the close of trading on each Adjustment Day t , the new Divisor is calculated as follows:

$$D_{t+1} = D_t * \frac{\sum_{i=1}^n (P_{i,t} * f_{i,t} * x_{i,t+1})}{\sum_{i=1}^n (P_{i,t} * f_{i,t} * x_{i,t})}$$

This Divisor is valid starting the immediately following business day.

B. Adjustments

VettaFi LLC (the Calculation Agent) makes adjustments to the Index as necessary whenever there are extraordinary events such as liquidations, conversions, delistings, bankruptcies, mergers or takeovers involving Index components. In these cases, each event will be taken

into account on its effective date. Whenever possible, the changes in the Index's components will be announced at least two business days prior to their implementation date.

C. Dividends and other distributions

Dividend payments and other distributions are included in the total return and net total return variants of the Index as follows:

$$T_t = T_y * \frac{\left(P_t + \frac{\sum_{i=1}^n y_{i,t} * g_{i,t} * x_{i,t}}{D_t} \right)}{P_{t-1}}$$

With:

- T_y = Total Return (or as applicable, Net Total Return) Index variant value as of the previous trade date TR
- P_{t-1} = Price Index variant value as of the previous trade date
- P_t = Price Index variant value as of the current trade date (Trading Day t)
- $x_{i,t}$ = Number of Index Shares of the Index Component i on Trading Day t
- $y_{i,t}$ = Distribution of Index Component i with ex-date $t + 1$ multiplied by the Dividend Correction Factor (which incorporates the applicable withholding tax rate when used in the Net Total Return variant calculation)
- $g_{i,t}$ = Foreign exchange rate to convert the amount of the distribution of Index Component i on Trading Day t into the Index Currency
- D_t = Divisor on Trading Day t
- n = Number of Components in the Index on Trading Day t

D. Corporate Actions

i. Overview

When a company that is included in the Index announces the terms and conditions of a corporate action, the Calculation Agent assesses the action's impact on the price of the company's stock. If required, the Calculation Agent makes appropriate adjustments to the Index to account for the effect of the corporate action. The adjustments are described below.

ii. Capital increases

In the case of capital increases with ex-date $t + 1$, the Index is adjusted as follows:

$$x_{i,t+1} = x_{i,t} * \frac{1 + B}{1}$$

With:

- $p_{i,t}$ = Price of Index Component i on Trading Day t
 $p_{i,t+1}$ = Hypothetical price of Index Component i on Trading Day $t + 1$
 s = Subscription Price in the Index Component currency
 B = Shares received for every share held

$$D_{t+1} = D_t * \frac{\sum_{i=1}^n (P_{i,t} * f_{i,t} * x_{i,t}) + \sum_{i=1}^n [(x_{i,t+1} * P_{i,t+1} * f_{i,t}) - (x_{i,t} * P_{i,t} * f_{i,t})]}{\sum_{i=1}^n (P_{i,t} * f_{i,t} * x_{i,t})}$$

With:

- $x_{i,t}$ = Number of Index Shares of the Index Component i on Trading Day t
 $x_{i,t+1}$ = Number of Index Shares of the Index Component i on Trading Day $t + 1$
 $p_{i,t}$ = Price of Index Component i on Trading Day t
 $p_{i,t+1}$ = Hypothetical price of Index Component i on Trading Day $t + 1$
 $f_{i,t}$ = Foreign exchange rate to convert the Price of Index Component i on Trading Day t into the Index Currency
 D_t = Divisor on Trading Day t
 D_{t+1} = Divisor on Trading Day $t + 1$

iii. Spinoffs

In the case of a spinoff with ex-date $t + 1$, the Index is adjusted as follows:

$$P_{i,t+1} = P_{i,t} - s$$

With:

- $p_{i,t}$ = Price of Index Component i on Trading Day t
 $p_{i,t+1}$ = Hypothetical price of Index Component i on Trading Day $t + 1$
 s = Price of the spun-off security in the Index Component currency

$$D_{t+1} = D_t * \frac{\sum_{i=1}^n (P_{i,t} * f_{i,t} * x_{i,t}) + \sum_{i=1}^n [(x_{i,t+1} * P_{i,t+1} * f_{i,t}) - (x_{i,t} * P_{i,t} * f_{i,t})]}{\sum_{i=1}^n (P_{i,t} * f_{i,t} * x_{i,t})}$$

With:

- $x_{i,t}$ = Number of Index Shares of the Index Component i on Trading Day t
- $x_{i,t+1}$ = Number of Index Shares of the Index Component i on Trading Day $t + 1$
- $p_{i,t}$ = Price of Index Component i on Trading Day t
- $p_{i,t+1}$ = Hypothetical price of Index Component i on Trading Day $t + 1$
- $f_{i,t}$ = Foreign exchange rate to convert the Price of Index Component i on Trading Day t into the Index Currency
- D_t = Divisor on Trading Day t
- D_{t+1} = Divisor on Trading Day $t + 1$

iv. Share splits

In the case of share splits with ex-date on Trading Day $t + 1$, it is assumed that the prices change in ratio of the terms of the split. The new number of Index Shares is calculated as follows:

$$x_{i,t+1} = x_{i,t} * B$$

With:

- $x_{i,t}$ = Number of Index Shares of the affected Index Component on Trading Day t
- $x_{i,t+1}$ = Number of Index Shares of the affected Index Component on Trading Day $t + 1$
- B = Shares after the share split for every share held before the split

v. Stock distributions

In the case of stock distributions with ex-date on trading day $t + 1$, it is assumed that the prices change according to the terms of the distribution. The new number of Index Shares is calculated as follows:

$$x_{i,t+1} = x_{i,t} * (1 + B)$$

With:

- $x_{i,t}$ = Number of Index Shares of the Index Component i on Trading Day t
- $x_{i,t+1}$ = Number of Index Shares of the Index Component i on Trading Day $t + 1$
- B = Shares received for every share held

E. Recalculation and Market Disruption

Recalculation

In the event of an error, the Calculation Agent adheres to the following correction policy:

To maintain a high standard of data integrity, a series of procedures have been implemented to ensure accuracy, timeliness and consistency. Input prices are monitored using a variety of computerized range-check warning systems for both ticker-plant and real-time index systems. Fault tolerant methods are employed in the collection of market and corporate action data. Various verification and audit tasks are performed to ensure the quality of the real-time data feeds and related market data. While every effort is made to ensure the accuracy of the information used for the index calculation, an index error may occur due to incorrect or missing data, including trading prices, exchange rates, shares outstanding and corporate actions, due to operational errors or other reasons.

Index-Related Data and Divisor Corrections. Incorrect pricing and corporate action data for individual issues in the database will be corrected upon detection. In addition, an incorrect divisor of an index, if discovered within five days of its occurrence, will be fixed on the day it is discovered to prevent an error from being carried forward.

If a divisor error is discovered more than five days after occurrence, the adjustment will depend upon how significant the error is, how far back the error occurred and the feasibility of performing the adjustment.

Market Disruption

During periods of high volatility and market stress, the Calculation Agent calculates the indices following procedures outlined in its publicly available Disruption Policy.

VIII. Changes in calculation method

The application by the Calculation Agent of the method described in this document is final and binding. The Calculation Agent shall apply the method described above for the composition and calculation of the Index. However, it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require changes to be made to this method. The Calculation Agent may also make changes to the terms and conditions of the Index and the method applied to calculate the Index that it deems to be necessary and desirable to prevent obvious or demonstrable error or to remedy, correct or supplement incorrect terms and conditions. The Calculation Agent is not obliged to provide information on any such modifications or changes. Despite the modifications and changes, the Calculation Agent will take the appropriate steps to ensure a calculation method is applied that is consistent with the method described above.

IX. Changes in the index methodology

- Effective November 22, 2024, modifications made to eliminate market cap constraints, control the weight of the top decile and remove momentum from the quality screen.