

## Monthly Mutual Fund Field Guide

Talking Points for Client Conversations

June 2024

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### Did You Know?

#### *Has Passive Investing Gotten Too Big?*

Passive investing has grown to nearly 60% of the equity fund market as of May 2024, sparking debates about its influence on stock prices. We explain why truly passive investments don't significantly impact relative price movements in the stock market.

### Academic Perspective

#### *How Self-Efficacy Shapes Financial Outcomes*

By Camelia Kuhnen, Ph.D.  
We explore how self-efficacy, or the belief in one's ability to influence events, significantly impacts financial behaviors and decisions, such as savings, debt management and risk-taking.

### Market Review

- U.S. and emerging markets stocks delivered solid second-quarter gains.
- Inflation inched lower, but the Fed remained on hold, awaiting more evidence that target inflation is in sight.
- Treasury yields rose for the quarter, and bond returns were nearly flat.

### Portfolio Updates

- Portfolio characteristics and composition (month-end)
- Portfolio commentary (quarter-end)

### Appendix

- Standardized performance
- Glossary
- Disclosures

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# Did You Know?

# Has Passive Investing Gotten Too Big?

## Key Takeaways

- Passive investing has grown significantly in recent years, raising questions about its impact on market dynamics and individual stock prices.
- Passive funds make up just one segment of the stock ownership landscape, which also includes direct holdings by retail and institutional investors.
- Truly passive investments don't affect the relative demand for stocks and, therefore, shouldn't significantly impact relative price movements.

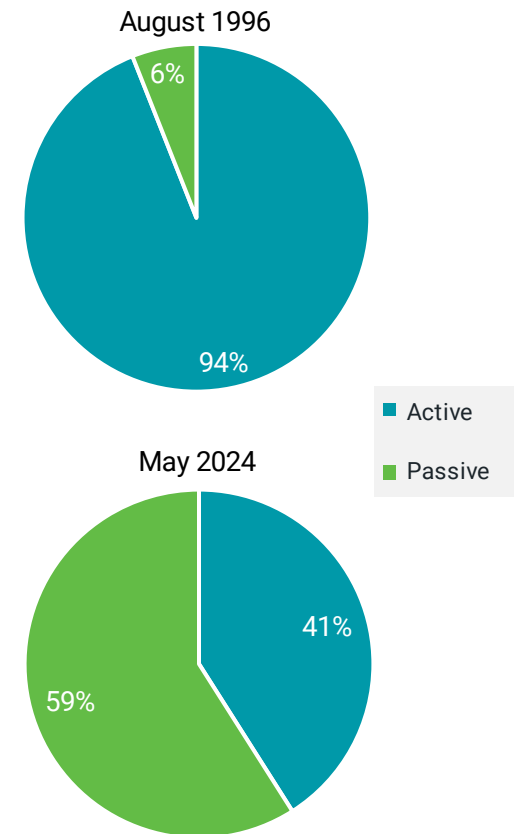
The growing market share of passive investments has been a continuing theme in the fund industry over the past few decades. Passive funds are often thought of as mutual funds or exchange-traded funds (ETFs) that track a periodically rebalanced, market-capitalization-weighted index.

In August 1996, 20 years after the launch of the first publicly available index fund, passive funds represented only 6% of U.S.-domiciled equity mutual fund and ETF assets. Active, non-index tracking funds held 94%. As of the end of May 2024, passive mutual funds and ETF assets have grown to nearly 60% of the equity fund market.

Figures such as these, along with the common perception that all passive investors are buying and holding the market and thereby no longer actively trading in stocks, have brought about questions about the potential impact passive investing may have on market prices. Periods when a subset of companies rise rapidly in price and valuations, such as the Magnificent 7 stocks of late, may also contribute to investor curiosity. Some claim that perhaps more money flowing into index funds that hold these companies is the driving force for the dramatic price increases in those few mega-cap companies with very high prices.

Figure 1 | Passive Fund Assets Have Grown Exponentially Over the Past Several Decades

Share of Equity Mutual Fund and ETF Assets by Active and Passive



# Has Passive Investing Gotten Too Big?

While the growth of passive funds has been a remarkable trend to watch, we believe that's all it is. Truly passive investments don't affect relative demand for the ownership of companies and so shouldn't have a significant effect on relative price movements, or in other words, drive price changes in some companies more than others. We explain why.

## Mutual Funds and ETFs Aren't the Only Owners of Stocks

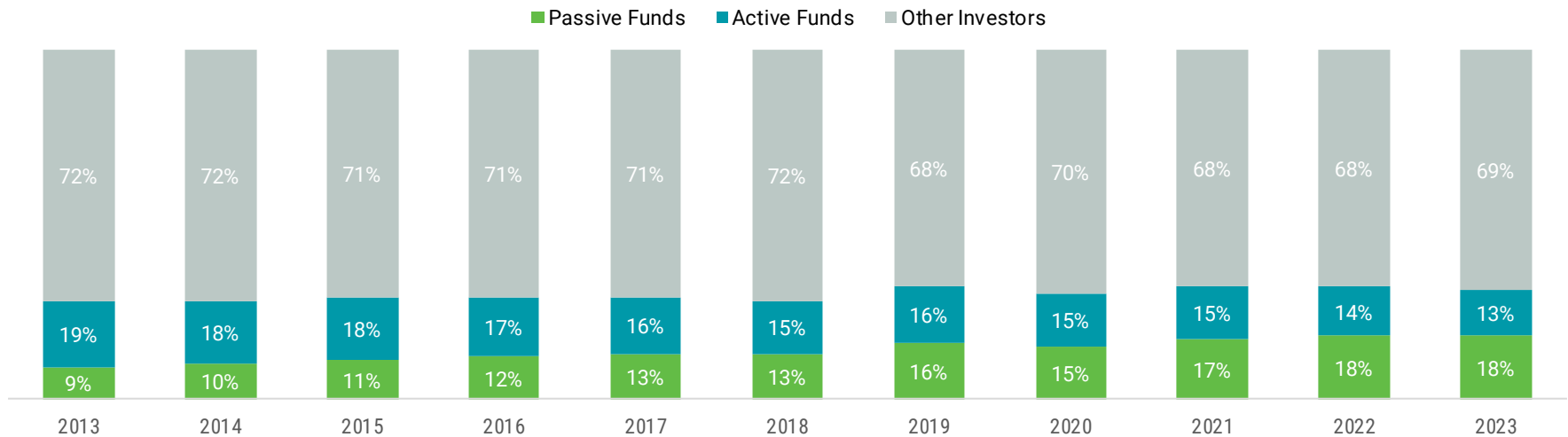
First, it's important to recognize that all securities are owned by investors, not only through funds but also directly, such as those held directly by retail and institutional investors. Considering the share of index fund ownership of all securities in the market versus just within the fund industry meaningfully changes the picture.

At the end of 2023, index-tracking mutual funds and ETFs were measured to hold only 18% of U.S. stocks. **Figure 2** shows how this has evolved. Index funds have increased their share primarily at the expense of active funds, not direct holdings.

We acknowledge that this still may not provide a complete picture of the ownership of companies attached to passive strategies, given that there may also be passive approaches managed in institutional and retail separate accounts. A recent study considered this reality and estimated the actual ownership of passive strategies between 30% and 35%.<sup>1</sup> So, while it's difficult to determine the total share of passive investing, we know it becomes much smaller when we expand our view beyond mutual funds and ETFs.

Figure 2 | Index Funds' Share of the Total U.S. Stock Market Is Small

Percentage of U.S. Stock Market Capitalization at Year-End



Data from 2013 – 2023. Source: Investment Company Institute (ICI), 2024 Fact Book.

<sup>1</sup> Alex Chinco (Baruch College, Zicklin School of Business) and Marco Sammon (Harvard Business School), "The Passive-Ownership Share Is Double What You Think It Is," (April 2024). Available at SSRN.

# Has Passive Investing Gotten Too Big?

## Redefining Passive Investments

The definition of passive investments also bears redefining. A truly passive investment makes no security selection decisions. For example, a total market index, such as the Russell 3000® Index, is designed to capture essentially all companies in the U.S. market at their market capitalization weight with very little security selection. This is a passive investment. While larger companies will have a higher dollar allocation than smaller companies, no companies are held disproportionately more or less than in the market.

In contrast, many other indexes tracked by funds today select subsets, or asset classes, of the market or even more customized indices that are even closer to traditional active stock picking. Think of the Russell 1000® Growth Index, representing U.S. large-cap growth stocks, or the Russell 2000® Value Index, representing U.S. small-cap value stocks.

With asset class indexes, someone — typically the index provider — makes security selection decisions about which companies to hold. These active decisions include which companies will be classified as large or small, value or growth and at what weight to hold them. Different index providers tend to make different choices when defining asset class indexes and when and how often to rebalance them. These aren't truly passive investments.

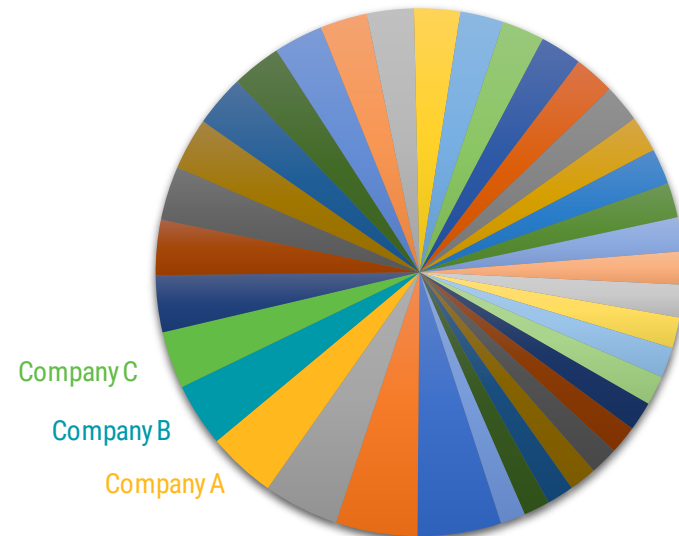
The active decisions underlying asset class indexes can be viewed similarly to those made in traditional active stock-picking strategies, but portfolio managers don't make these decisions. With funds tracking asset class or custom indices, portfolio managers are tasked with simply

following the holdings selected by the index provider (e.g., FTSE Russell, S&P, CRSP, MSCI).

## A Sharpe Perspective

Following the logic of renowned economist and Nobel laureate Bill Sharpe, we can get an idea of the effects of truly passive strategies buying the market (i.e., those without security selection decisions). To start, the market is the aggregation of all company shares owned by all investors, as depicted in **Figure 3**.

Figure 3 | The Market Is the Aggregation of All Companies

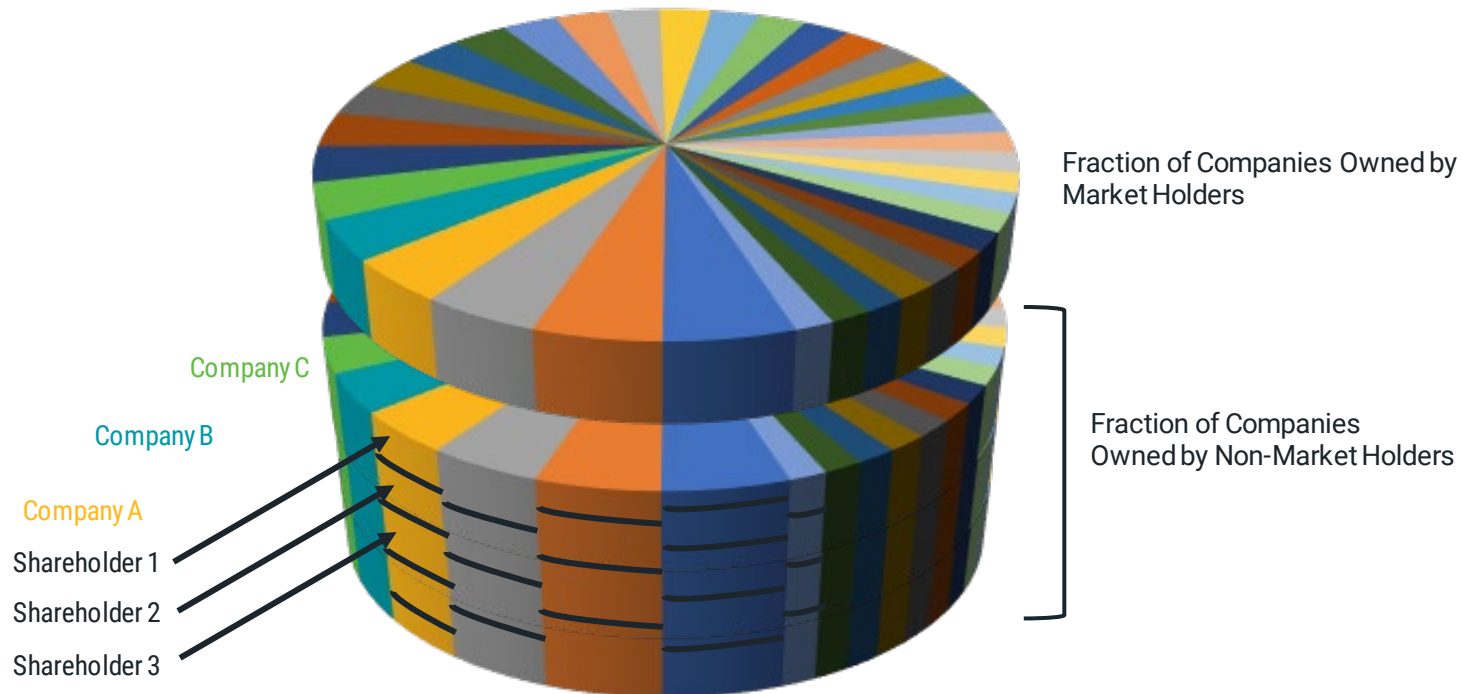


# Has Passive Investing Gotten Too Big?

It follows that the market comprises all passive investors who hold a pro-rata slice of all companies in the market (market holders) and active investors with holdings that differ from the market (non-market holders). Non-market holders include active fund investors, asset class index fund investors and other investors who hold stocks outside of funds that don't match the market.

Critically, Sharpe's logic points out that if some investors buy the market, non-market holdings must also add up to the market in aggregate. **Figure 4** illustrates this point.

Figure 4 | Market and Non-Market Investor Holdings Add Up to the Total Market

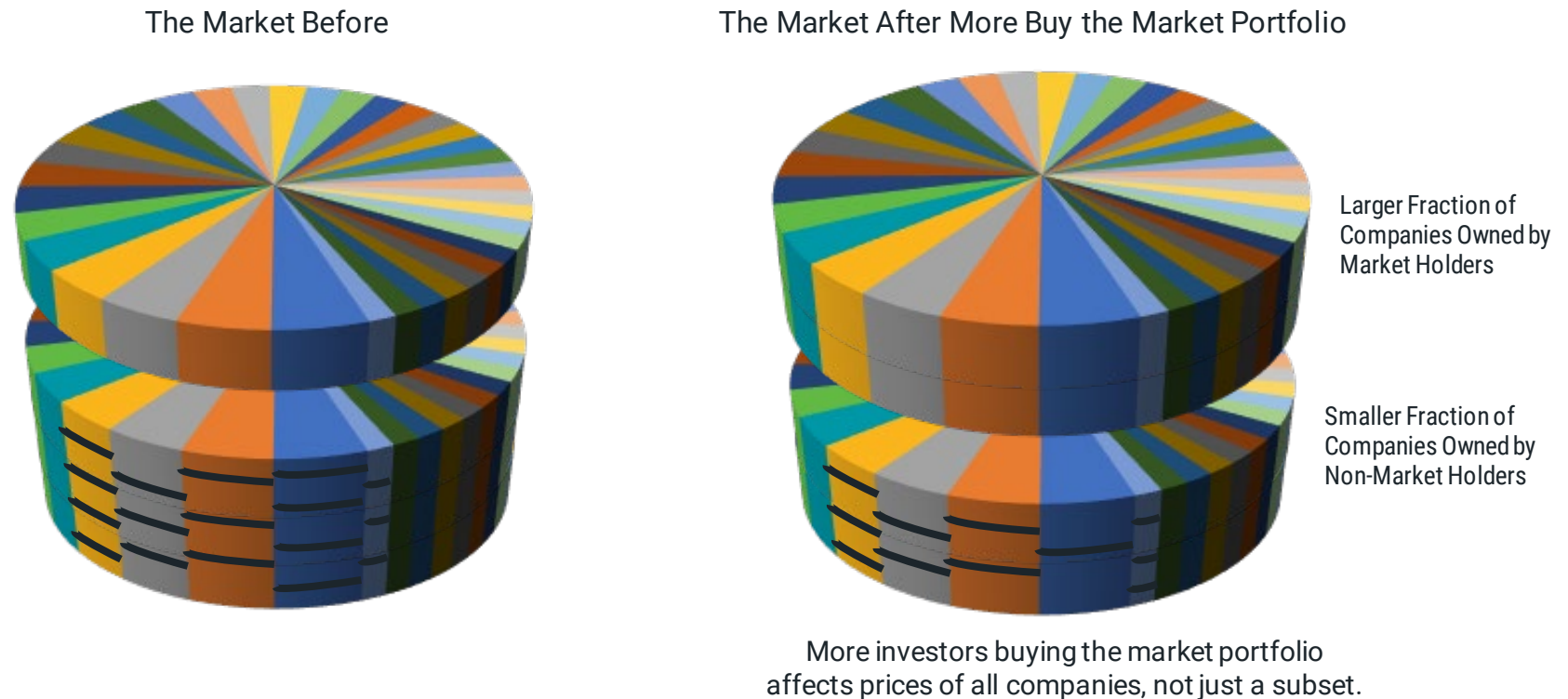


# Has Passive Investing Gotten Too Big?

So, what happens when more investors become market holders (i.e., by buying total market index funds)? Let's imagine that market holders own 30% of the market, and now, new investors have decided to move from cash to buy an additional 1% of the market. These new market holders need to buy an equivalent share of each company from a diversified group of non-market holders to increase the share for market holders.

In this scenario, the demand for the ownership fraction of each company is the same. While this activity may push prices (price incentivizes sellers), there is no clear reason why a small subset of companies (e.g., mega caps) will be bid up significantly more than the rest of the market. **Figure 5** demonstrates this example.

Figure 5 | More Investors Buying the Market Portfolio Should Affect Prices of All Companies Equally



# Has Passive Investing Gotten Too Big?

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## Who Drives Relative Price Changes?

In contrast to market holders, non-market investors are more likely to push the prices of some companies more than others. This is because non-market holders will prefer a subset of companies in the market and will buy them from other non-market investors who hold them. Again, the incentive for the seller is price. Market holders are only spectators to this activity and play no role in the trades.

This same effect can occur from non-market, asset class fund investors, whether from an actively managed fund, index-tracking fund or a strategy buying just a few stocks. If many investors come to prefer a particular asset class, those preferred securities can be pushed up in price more than other companies in the market. This is particularly true of funds tracking growth indexes that tend to continue to hold securities despite rising prices, whereas value indexes tend to sell securities as prices go up.

## What About Non-Market Holders Converting to Market Holders?

In the scenario that many non-market holders decide to become market holders (i.e., rather than coming from cash, as in the first example), the distribution of the non-market holders matters when it comes to price effects. We can think of this as biased and non-biased cohorts of non-market holders.

Suppose the investors wishing to buy the market currently hold investments in aggregate similar to the market (non-biased cohort). In that case, the effect on prices should also be reasonably distributed across companies; in other words, there should be no significant difference in impact between companies.

If, instead, there is a bias to a particular area of the market among the non-market converters (biased cohort), such as holding only small-caps, then moving to the market portfolio would likely push down prices of small-cap stocks and push up prices of large-cap stocks. Importantly, that effect would not be limited to only the largest companies, such as the Magnificent 7 stocks. The effect would be across all large-cap companies.



# Has Passive Investing Gotten Too Big?

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## Takeaways

In our view, this logic from Sharpe provides a powerful framework for understanding relative stock price movements from investor activity. While the details come with some complexity, we believe the critical takeaway is that there is a sound theory to address the common investor questions about the effects of continued growth among index funds.

The theory is clear that passive market holders shouldn't have any significant effect on relative stock prices. It's the non-market holders, including asset class investors (index or active) and, in particular, growth-oriented investors, who are more likely to push prices. This is just one reason we think all asset class strategies (index-based or otherwise) must be evaluated based on their methodology for selecting and weighting securities and overall expected implementation costs and results.

While some index-based strategies may look attractive based on expense ratios alone, when considering overall implementation costs, the low-cost advantage may be eliminated due to their prioritization of tracking the index on top of all other implementation costs.

The fact that market, or large-cap blend, index funds are allocating a large fraction of their assets to a few mega-cap companies with very high prices today, disregarding their expected returns or valuations, is caused by the high prices of these stocks. It's not the reason why they have high prices. We think strategies that consider market capitalization and valuations should produce better outcomes for investors.

# Academic Perspective

# How Self-Efficacy Shapes Financial Outcomes

Many financial decisions are made in an uncertain environment. For example, people evaluate whether the expected benefits of saving for a rainy day may or may not outweigh the cost of reducing consumption today.

Borrowers struggling to repay loans compare the potential benefits of avoiding default, such as preserving a good credit score, to the costs of reducing spending today or getting a second job to avoid defaulting on their debt. Many middle-aged people evaluate whether insuring their long-term care is worthwhile at the expense of the insurance premiums each month.

In all these choices, people consider a trade-off involving an action that is costly today and has an uncertain effect on how future outcomes might look. Therefore, people's subjective perception of this trade-off is likely to influence their decisions.

## Self-Efficacy and Financial Behavior

Building on this idea, in my research with Prof. Brian Melzer from Dartmouth College, we examine the effect of subjective beliefs on financial behavior.<sup>1</sup> People vary in their self-efficacy or the strength of their belief that their actions or efforts can influence the future. A very similar concept to self-efficacy is locus of control.

People with high self-efficacy are those we'd refer to as having an internal locus of control. They believe they can impact what the future will bring through their actions. People with low self-efficacy, or an external locus of control, believe that no matter what they do, the future will unfold in ways driven by other external forces.

A growing economics literature on noncognitive skills shows that self-efficacy is important for educational attainment and labor market success. In our work we investigate whether self-efficacy also matters for financial choices, such as defaulting on debt, setting aside emergency savings and insuring against risks.



**Camelia Kuhn, Ph.D.**

**Contributor to Avantis Investors**

Camelia Kuhn is a Professor of Finance and Sarah Graham Kenan Distinguished Scholar at the Kenan-Flagler Business School at the University of North Carolina at Chapel Hill. She serves as the Faculty Director of the CREATE Economic Development Center at the Kenan Institute for Private Enterprise.

Her research focuses on household finance, neuroeconomics, and labor and finance, with an emphasis on understanding the effects of adversity on people's financial decision-making and their expectations about personal and macro-level economic outcomes.

<sup>1</sup> Camelia M. Kuhn and Brian T. Melzer, "Non-Cognitive Abilities and Financial Delinquency: The Role of Self-Efficacy in Avoiding Financial Distress," *Journal of Finance* 73 (6): 2837-2869, December 2018.

# How Self-Efficacy Shapes Financial Outcomes

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Why might self-efficacy matter for financial decisions? Self-efficacy influences an individual's perception of the benefits from acting. Consider a borrower at risk of default. His efforts to avoid default are immediately costly and may be ineffective. If he has low self-efficacy, he will perceive his sacrifices to have little effect on his financial future and defaulting will appear optimal.

Why would he spend any effort today to try to avoid the bad outcome, if he believes that his actions have no impact on the bad outcome occurring, anyway? By contrast, a person with high self-efficacy will believe his actions can reduce his chance of default and thus may choose to sacrifice consumption or work longer hours today.

A simple way to conceptualize the role of self-efficacy is as an effort choice problem, where providing effort is costly but increases the chance of avoiding a poor outcome in the future. People with lower self-efficacy foresee less benefit from exerting effort or making sacrifices today, so they choose to spend less effort, which in turn increases the likelihood of a bad outcome.

Given this framework, we would expect individuals with lower self-efficacy to have higher rates of financial distress, spend less effort preparing for potential adverse shocks, and become delinquent at higher rates upon encountering such shocks.

Drawing on these insights, we use data from the National Longitudinal Survey of Youth (NLSY) to test whether self-efficacy affects financial choices and outcomes. Our main analysis uses the NLSY Child and Youth

panel, which follows survey participants from early childhood through adulthood. The survey tracks individuals' cognitive and noncognitive abilities, including their self-efficacy, from an early age.

Once participants move into adulthood, they also report their labor and financial market experiences. The survey's financial variables include measures of borrowing, delinquency on loans and bills, bankruptcy and asset repossession, precautionary saving, and health insurance take-up. The sample includes adults ages 21 to 41. We extend the analysis by using the NLSY 1979 panel (the parents of those in the Child and Youth panel) to study additional financial choices — credit applications and denials, retirement preparations, and purchases of long-term care insurance — among older adults, ages 47 to 56.

## How Self-Efficacy Influences Financial Distress

We document a strong negative correlation between self-efficacy and financial distress. Individuals with high self-efficacy, measured earlier in life, are subsequently less likely to default on outstanding loans or fall behind on bill payments than their peers with low self-efficacy.

In turn, they are also less likely to experience foreclosure, asset repossession or personal bankruptcy. Individuals with more self-efficacy also display greater use of traditional credit products such as credit cards, automobile loans, and mortgages and are less likely to be rejected for credit and turn to high-cost payday loans.

# How Self-Efficacy Shapes Financial Outcomes

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We use the detailed data of the NLSY to explore why self-efficacy displays a negative correlation with financial distress. We first rule out potential differences – in cognitive ability, risk preferences, education, earnings, net worth and parental support – that may confound the effects of self-efficacy.

We find that self-efficacy remains negatively correlated with financial distress after accounting for measures of cognitive ability, risk tolerance and time preference. As documented in prior studies, both education and earnings rise with self-efficacy. Nevertheless, self-efficacy remains strongly negatively correlated with distress after controlling for educational attainment and income.

We also examine sibling groups for whom the NLSY collects data on each individual to test whether parental support accounts for differences in self-efficacy and delinquency. Maybe people with high self-efficacy scores happen to come from families with great parental involvement, including financial assistance, and this is why we see them avoid financial distress.

We find that even when looking at siblings, who likely benefit from similar support from parents, we continue to find a strong negative correlation between self-efficacy and financial distress: namely, the sibling who early in life scored better in terms of self-efficacy will have a lower likelihood of financial distress later in life.

This implies that shared family support does not confound self-efficacy in our results. We also show that all our findings for self-efficacy hold even after we control for further differences in noncognitive ability, as measured by the “Big-Five” personality traits – extraversion, agreeableness, openness, conscientiousness and neuroticism.

Finally, we show that lower self-efficacy individuals are not defaulting more because they are more indebted. As noted earlier, these individuals are, in fact, less likely to borrow through traditional credit market products.

Consistent with our hypothesis that higher self-efficacy leads to better future outcomes by increasing preparatory behaviors early on, we find that individuals with high self-efficacy are more likely to take precautionary actions to avoid financial distress. They are more likely to set aside emergency savings, purchase insurance and plan for retirement. Individuals with high self-efficacy are also more likely to obtain insurance coverage and plan for retirement.

Among younger adults, the purchase of health insurance increases with self-efficacy, even after controlling for income and the availability of employer-sponsored coverage. Among older adults, purchases of long-term care insurance and preparation for retirement (e.g., visiting with a financial planner) increase with self-efficacy, even after controlling for income and net worth.

# How Self-Efficacy Shapes Financial Outcomes

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Individuals with high self-efficacy are not only more financially prepared but also more resilient when facing income and health shocks.

Individuals with low self-efficacy who experience a job loss or health problem default on their debt and bill payments at very high rates — more than 50% higher than the rate of those who remain employed and healthy.

By contrast, individuals with the highest self-efficacy experience little to no increase in default after an income or health shock. These findings are consistent with the notion that self-efficacy, through its impact on financial preparedness, promotes financial stability. The precautionary actions that self-efficacy engenders appear to matter the most for individuals from poorer backgrounds.

When we link young adults to their parents, we find that the negative correlation between self-efficacy and default is strongest for individuals who grew up in the least wealthy families. Specifically, the beneficial effect of self-efficacy on default triples when moving from the top tertile to the bottom tertile of parental net worth.

## The Importance of Self-Efficacy for Financial Stability

Our results suggest that this specific non-cognitive skill, self-efficacy, or believing that one's actions can actually shape one's future, is particularly important for people from lower-income groups. They are less able to rely on other forms of support or insurance when difficult times occur, such as leaning on family financial support.

Our results have implications for understanding household financial fragility. According to Federal Reserve Board data from 2023, about 46% of U.S. adults are ill-prepared for financial disruption and would struggle to cover emergency expenses should they arise.<sup>2</sup> It is, therefore, important to understand why some households become financially delinquent but many others do not.

Previously, economists thought about default as a strategic decision in which people trade off the benefits of expunging remaining debt payments against the costs of credit market exclusion, forgone collateral and social stigma. Our insight is that this view excludes an important factor that influences default. Our work shows that individuals' subjective beliefs — self-efficacy, specifically — affect how they perceive the costs and benefits of default.

We find that self-efficacy is a meaningful predictor of financial distress, alongside other factors such as income and spending shocks, strategic motivations, the structure of bankruptcy law, and cultural norms.

Going forward, more research is needed on how we can cultivate self-efficacy in people of all ages, starting early. Consumers and investors today may do well to reconsider when they believe their actions can't change their financial futures for the better. Believing that what we do changes what we will experience later is, as it turns out, a valuable skill that helps us in many dimensions of our lives.

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<sup>2</sup> Jeff Horwich, "Amid a Resilient Economy, Many Americans Aren't Ready for a 'Rainy Day,'" Federal Reserve Bank of Minneapolis, May 31, 2024.

# Market Review

# Snapshot

U.S. stocks advanced for the second quarter, outperforming non-U.S. developed markets stocks but lagging emerging markets. Meanwhile, inflation slowly moderated, economic data remained generally healthy, and bond returns were nearly flat.

- Amid persistent inflation and renewed expectations for Fed rate cuts, the S&P 500 Index logged its second consecutive quarterly gain. Solid monthly returns in May and June offset April's decline, and the index advanced 4.3% for the quarter.
- S&P 500 sector performance was mixed in June and for the quarter. Information technology was the top sector for both periods. The utilities sector was the main laggard in June, while materials was the quarter's weakest sector.
- Non-U.S. developed markets stocks declined for the month and quarter. Emerging markets stocks advanced and outperformed U.S. stocks for the month and quarter.
- The Fed held rates steady in June. The European Central Bank cut three key rates in June, while the Bank of England left its target rate unchanged.
- Annual U.S. headline inflation eased to 3.3% in May from 3.4% in April. Inflation slowed to 2.5% in Europe and 2% in the U.K.
- In the U.S., large-cap stocks advanced in June and for the quarter, outperforming small-caps, which declined. Growth stocks outpaced value stocks across capitalizations. Outside the U.S., most developed markets' size and style indices declined for the month, but they all gained for the quarter.
- U.S. Treasury yields declined for the month but rose for the quarter. The broad bond market gained nearly 1% in June and 0.1% for the quarter.

## Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
<b>U.S. Large-Cap Equity</b>							
S&P 500	3.59	4.28	15.29	24.56	10.01	15.05	12.86
<b>U.S. Small-Cap Equity</b>							
Russell 2000	-0.93	-3.28	1.73	10.06	-2.58	6.94	7.00
<b>Intl. Developed Markets Equity</b>							
MSCI World ex USA	-1.66	-0.60	4.96	11.22	2.82	6.55	4.27
<b>Emerging Markets Equity</b>							
MSCI Emerging Markets	3.94	5.00	7.49	12.55	-5.07	3.10	2.79
<b>Global Real Estate Equity</b>							
S&P Global REIT	1.13	-1.48	-2.66	5.10	-3.06	0.65	2.94
<b>U.S. Fixed Income</b>							
Bloomberg U.S. Aggregate	0.95	0.07	-0.71	2.63	-3.02	-0.23	1.35
<b>Global Fixed Income</b>							
Bloomberg Global Aggregate Bond	0.14	-1.10	-3.16	0.93	-5.49	-2.02	-0.42
<b>U.S. Cash</b>							
Bloomberg U.S. 1-3 Month Treasury Bill	0.41	1.34	2.68	5.50	3.11	2.17	1.50

Data as of 6/30/2024. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.



# Equity Returns | Size and Style

		U.S.				Non-U.S. Developed Markets				Emerging Markets			
		QTD (%)		YTD (%)		QTD (%)		YTD (%)		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth
Size	Large	-2.17	8.33	6.62	20.70	0.07	-0.52	4.66	6.89	5.40	5.92	7.25	10.20
	Small	-3.64	-2.92	-0.85	4.44	-1.82	-1.30	1.02	0.94	6.48	5.39	7.85	6.25

- The broad U.S. stock index rose for the quarter, pushing its year-to-date gain to more than 15%.
- Large-cap stocks rose for the quarter and outperformed small-caps, which declined. Year to date, large-cap stocks gained more than 14%, sharply outpacing small-caps.
- Growth outpaced value, notably among large-caps. For the quarter, large-cap growth stocks gained 8%, while their value peers returned -2%. Year to date, large-cap growth gained 21%, compared with 7% for large-cap value.

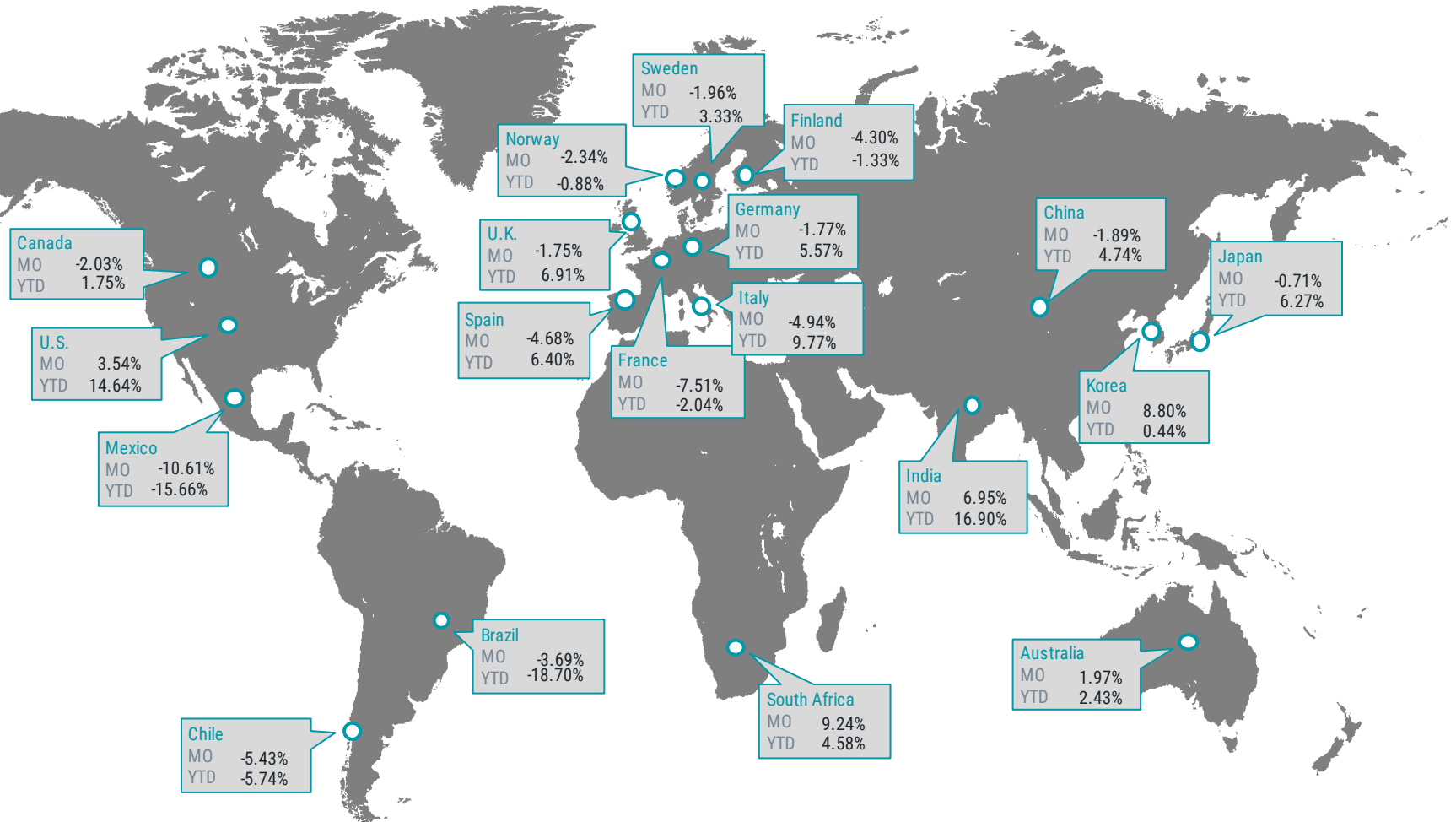
- International developed markets stocks declined modestly for the quarter but advanced year to date.
- Large-cap stocks declined slightly but outperformed small-caps for the quarter. Year to date, large-caps gained nearly 6%, compared with 1% for the small-cap index.
- For the quarter, value outperformed growth among large-caps but lagged among small-caps. Year to date, growth stocks outperformed among large-caps but slightly lagged in the small-cap category.

- The broad emerging markets (EM) stock index advanced for the quarter and year-to-date period.
- Small-cap stocks gained nearly 6% and outperformed large-caps for the quarter. Year to date, large-caps advanced nearly 9% versus 7% for small-cap stocks.
- For the quarter and year to date, growth stocks outperformed value stocks among large-caps but lagged among small-caps. Large-cap growth stocks were top EM performers year to date, gaining more than 10%.

Data as of 6/30/2024. Performance in USD. Past performance is no guarantee of future results. Source: FactSet.

U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

# Equity Returns | Country



Data as of 6/30/2024. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

# Fixed-Income Returns

While U.S. bonds gained nearly 1% in June, they were up only fractionally for the quarter. Against a backdrop of persistent — albeit slowing — inflation, generally positive economic data and Fed policy uncertainty, Treasury yields rose for the quarter.

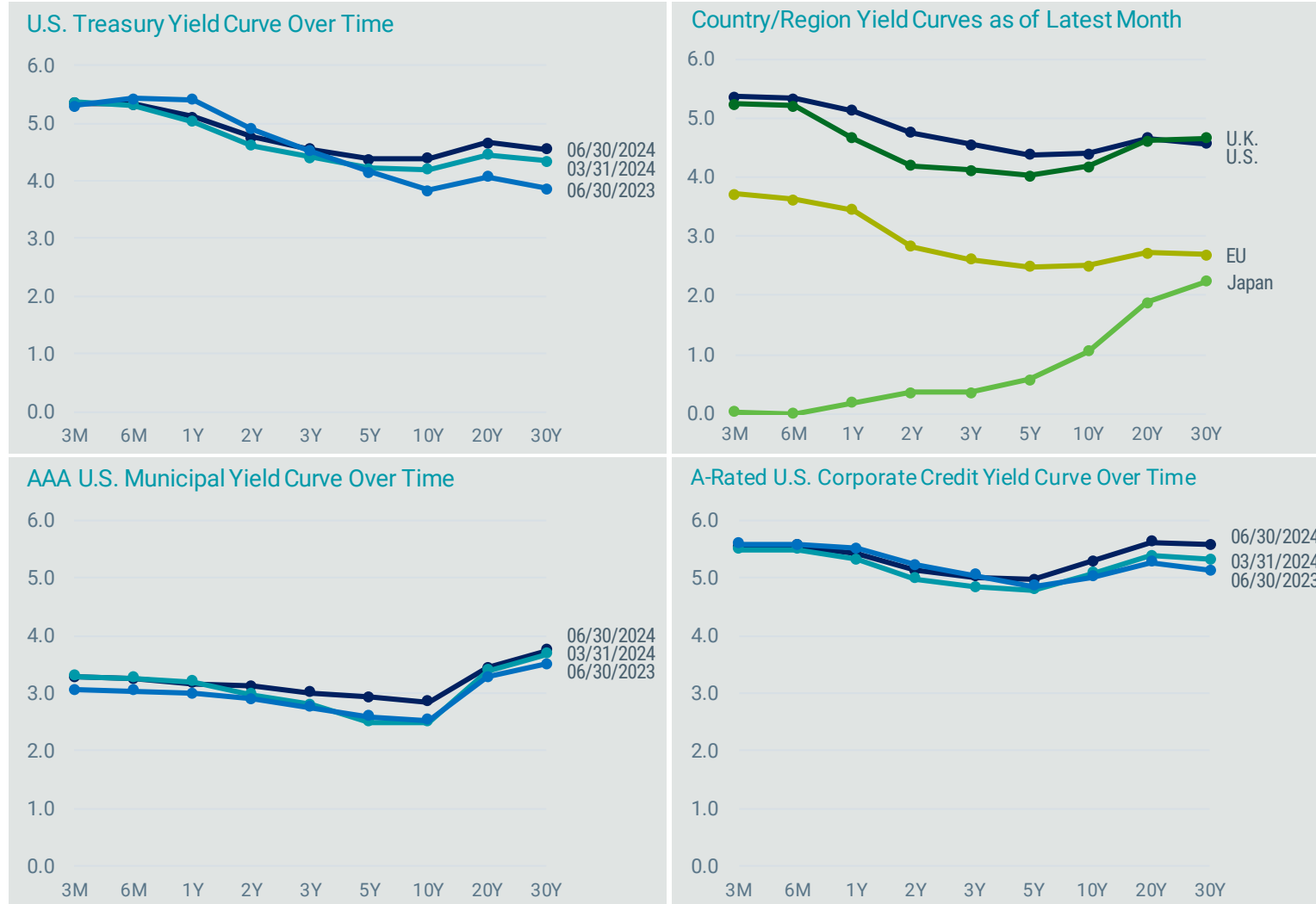
- The Bloomberg U.S. Aggregate Bond Index returned 0.1% for the quarter. But this performance wasn't sufficient to offset the first quarter's decline, and the index returned -0.7% year to date.
- Treasury yields declined in June but rose for the quarter, with the 10-year note ending June at 4.40%, 19 bps higher than March 31. The two-year Treasury yield climbed 14 bps to 4.77%, and the yield curve remained inverted.
- Investment-grade credit spreads inched wider for the quarter, and corporate bonds declined slightly and underperformed Treasuries. MBS slightly underperformed Treasuries for the quarter but outperformed in June. High-yield corporates advanced for the month and quarter.
- The Fed held its target lending rate steady, waiting for more evidence that inflation is on a sustainable slowdown. At the June policy meeting, Fed officials hinted at one rate cut later this year, down from their December outlook for three rate cuts.
- Headline CPI slowed to an annualized pace of 3.3% in May, down from 3.4% in April. Annual core CPI slowed to 3.4%, compared with 3.6% in April. Annual core PCE, the Fed's preferred inflation gauge, slowed to 2.6% in May from 2.8% in April.
- Municipal bonds gained in June but fell slightly for the quarter. They outperformed Treasuries in June but lagged for the quarter.
- Inflation expectations decreased slightly during the quarter, but TIPS outperformed nominal Treasuries.

## Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
<b>Global Fixed Income</b>							
Bloomberg Global Aggregate Bond	0.14	-1.10	-3.16	0.93	-5.49	-2.02	-0.42
<b>U.S. Fixed Income</b>							
Bloomberg U.S. Aggregate	0.95	0.07	-0.71	2.63	-3.02	-0.23	1.35
<b>U.S. High-Yield Corporate</b>							
Bloomberg U.S. Corporate High Yield Bond	0.94	1.09	2.58	10.44	1.64	3.92	4.31
<b>U.S. Investment Grade</b>							
Bloomberg U.S. Corporate Bond	0.64	-0.09	-0.49	4.63	-3.03	0.62	2.34
<b>Municipals</b>							
Bloomberg Municipal Bond	1.53	-0.02	-0.40	3.21	-0.88	1.16	2.39
<b>U.S. TIPS</b>							
Bloomberg U.S. TIPS	0.78	0.79	0.70	2.71	-1.33	2.07	1.91
<b>U.S. Treasuries</b>							
Bloomberg U.S. Treasury Bond	1.01	0.10	-0.86	1.55	-3.26	-0.65	0.91
<b>U.S. Cash</b>							
Bloomberg U.S. 1-3 Month Treasury Bill	0.41	1.34	2.68	5.50	3.11	2.17	1.50

Data as of 6/30/2024. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

# Global Yield Curves



Data as of 6/30/2024. Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).

# Portfolio Updates

# Performance Overview | Equity Funds

## Returns as of Month-End (%)

TICKER	FUND AND BENCHMARK	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION	INCEPTION DATE	EXPENSE RATIO (%)	TOTAL ASSETS (\$M)
AVUSX	U.S. Equity Inst.	1.35	0.93	11.04	21.40	7.62	--	--	13.93	12/04/2019	0.15	640.11
	Russell 3000	3.10	3.22	13.56	23.13	8.05	--	--	14.01			
AVLVX	U.S. Large Cap Value Inst.	-0.22	-1.82	9.33	19.84	--	--	--	17.37	06/21/2022	0.16	258.43
	Russell 1000 Value	-0.94	-2.17	6.62	13.06	--	--	--	12.38			
AVUVX	U.S. Small Cap Value Inst.	-3.06	-4.07	1.29	17.81	7.70	--	--	15.48	12/04/2019	0.25	750.25
	Russell 2000 Value	-1.69	-3.64	-0.85	10.90	-0.53	--	--	6.97			
AVDEX	International Equity Inst.	-2.83	-0.50	4.70	11.29	2.51	--	--	6.59	12/04/2019	0.23	223.22
	MSCI World ex USA IMI	-1.83	-0.73	4.41	10.76	1.97	--	--	6.06			
AVDVX	International Small Cap Value Inst.	-3.57	0.08	5.53	16.19	3.74	--	--	7.85	12/04/2019	0.36	328.19
	MSCI World ex-U.S. Small Cap	-2.88	-1.56	0.98	7.80	-2.98	--	--	3.71			
AVEEX	Emerging Markets Equity Inst.	2.21	5.99	8.77	17.24	-1.58	--	--	6.61	12/04/2019	0.34	370.55
	MSCI Emerging Markets IMI	3.83	5.13	7.41	13.56	-4.11	--	--	4.49			

Data as of 06/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Returns less than one year are not annualized. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

# U.S. Equity AVUSX | Performance Commentary

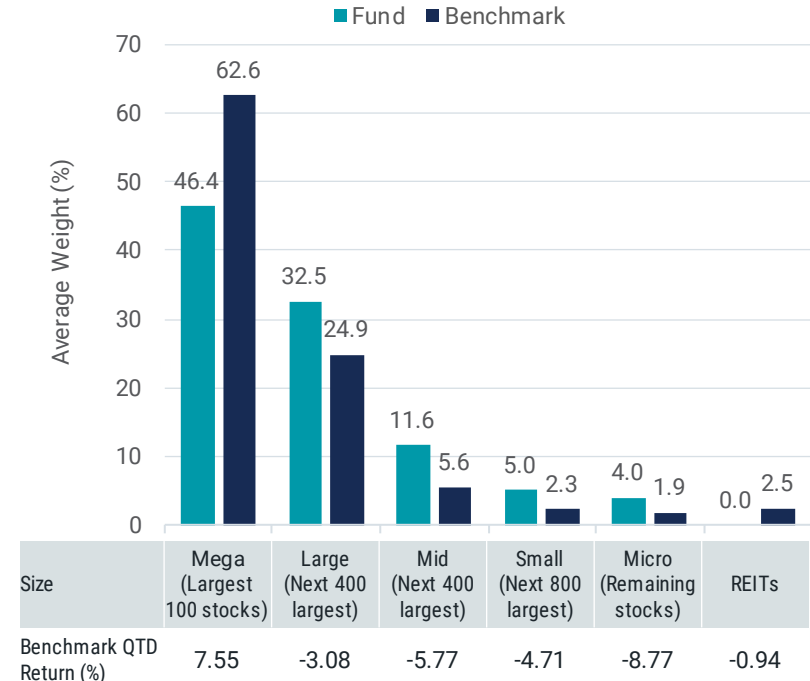
## Returns as of Month-End (%)

<i>Russell 3000</i>	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION*
Fund	1.35	0.93	11.04	21.40	7.62	-	-	13.93
Benchmark	3.10	3.22	13.56	23.13	8.05	-	-	14.01

\*Inception Date: 12/4/2019. Data as of 6/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

- The portfolio underperformed its benchmark for the second quarter.
- The portfolio's overweight versus the index to smaller-cap stocks and underweight to mega caps detracted from relative results as mega caps significantly outpaced the rest of the market over the period.
- The portfolio's overweight to companies with the higher book-to-market and profitability characteristics and underweight versus the index to companies with lower book-to-market and profitability characteristics was additive to relative performance.

## Average Allocation by Company Size



Data from 3/31/2024 to 6/30/2024. Source: FactSet. See Appendix for more information about this chart.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

# U.S. Equity AVUSX | Portfolio Composition

## Key Characteristics

	FUND	BENCHMARK
<i>Benchmark: Russell 3000</i>		
Weighted Average Market Cap (\$B)	611.6	887.2
Weighted Average Book/Market	0.21	0.13
Weighted Average Profits/Book	0.57	0.58
Number of Holdings	1,920	2,925

Data as of 6/30/2024. Source: FactSet.

## Size and Style Allocation (%)

FUND		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	5.97	25.87	15.85
	LARGE/MID	6.35	17.70	17.50
	SMALL/MICRO	0.36	4.20	4.19

BENCHMARK		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	12.81	35.26	14.85
	LARGE/MID	9.81	11.00	6.43
	SMALL/MICRO	1.00	1.87	0.99

Data as of 6/30/2024. Charts show weights in various book/market and profitability buckets (highest 25%, middle 50% and lowest 25%) across market capitalizations. Excludes REITs.

Source: FactSet.

## Sector Allocation (%)

	FUND	BENCHMARK
Information Technology	21.71	30.09
Financials	16.17	13.17
Industrials	12.46	9.41
Consumer Discretionary	12.26	10.10
Health Care	8.95	11.88
Energy	8.49	3.88
Communication Services	8.28	8.82
Consumer Staples	5.12	5.46
Materials	4.09	2.45
Utilities	2.31	2.19
Real Estate	0.16	2.55

Data as of 6/30/2024. Source: FactSet.



# U.S. Large Cap Value AVLVX | Performance Commentary

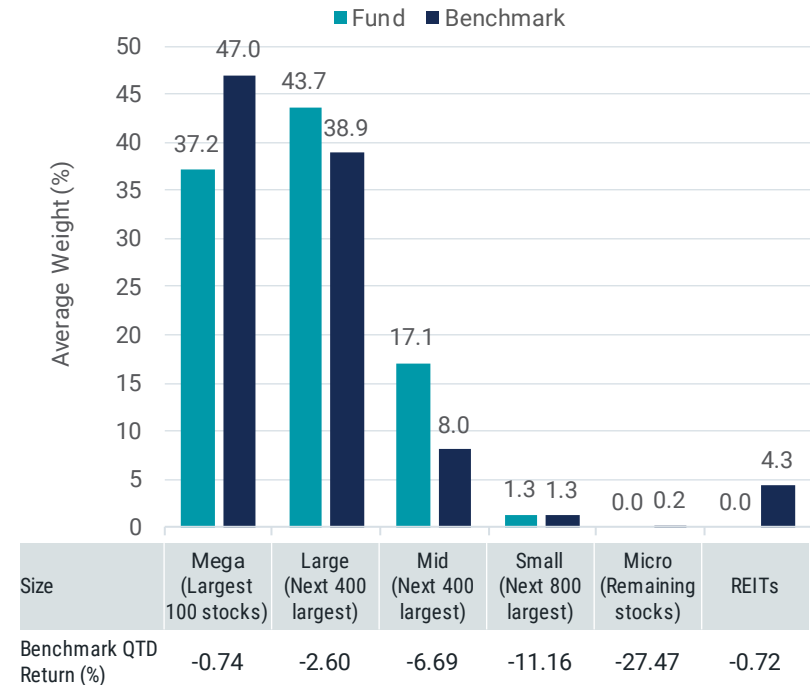
## Returns as of Month-End (%)

Russell 1000 Value	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION*
Fund	-0.22	-1.82	9.33	19.84	-	-	-	17.37
Benchmark	-0.94	-2.17	6.62	13.06	-	-	-	12.38

\*Inception Date: 6/21/2022. Data as of 6/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

- The portfolio outperformed its benchmark for the second quarter.
- The strategy's overweight to mid-caps and underweight to mega caps detracted from relative results.
- However, within mega caps, stocks with more attractive combined BtM and profitability characteristics outperformed, resulting in relative outperformance overall for the portfolio.

## Average Allocation by Company Size



Data from 3/31/2024 to 6/30/2024. Source: FactSet.  
See Appendix for more information about this chart.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

# U.S. Large Cap Value **AVLVX** | Portfolio Composition

## Key Characteristics

	FUND	BENCHMARK
Benchmark: <i>Russell 1000 Value</i>		
Weighted Average Market Cap (\$B)	319.1	158.3
Weighted Average Book/Market	0.28	0.23
Weighted Average Profits/Book	0.51	0.35
Number of Holdings	269	846

Data as of 6/30/2024. Source: FactSet.

## Size and Style Allocation (%)

FUND		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	-	11.96	26.55
	LARGE/MID	-	14.90	43.80
	SMALL/MICRO	-	0.02	1.99

BENCHMARK		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	15.42	19.71	10.78
	LARGE/MID	14.69	18.15	11.96
	SMALL/MICRO	0.24	0.69	0.43

Data as of 6/30/2024. Charts show weights in various book/market and profitability buckets (highest 25%, middle 50% and lowest 25%) across market capitalizations. Excludes REITs.

Source: FactSet.

## Sector Allocation (%)

	FUND	BENCHMARK
Industrials	18.08	14.25
Financials	17.26	22.87
Consumer Discretionary	14.90	4.74
Energy	12.83	8.01
Communication Services	10.04	4.49
Information Technology	8.79	9.53
Consumer Staples	8.15	7.95
Materials	6.01	4.66
Health Care	3.64	13.91
Utilities	0.30	4.98
Real Estate	0.00	4.60

Data as of 6/30/2024. Source: FactSet.

# U.S. Small Cap Value AVUVX | Performance Commentary

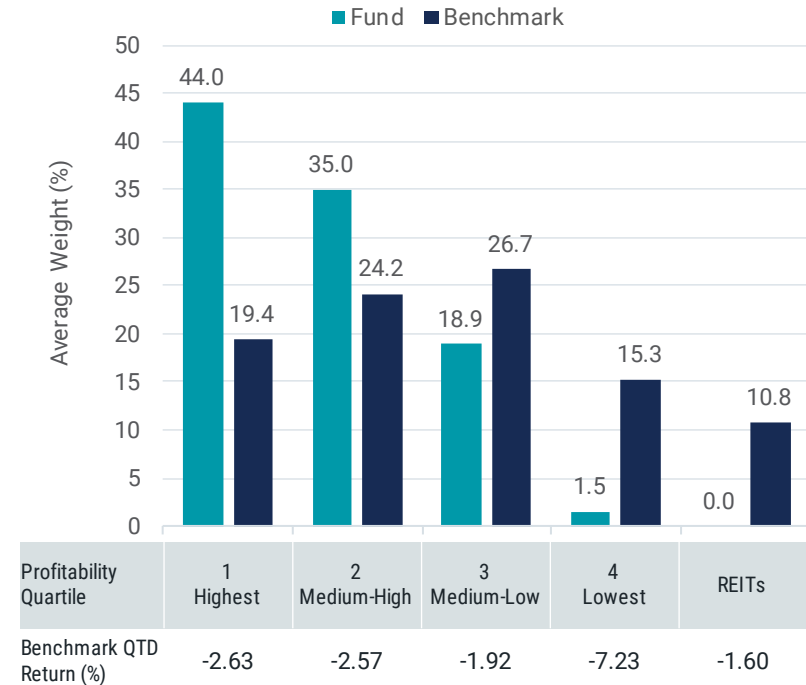
## Returns as of Month-End (%)

Russell 2000 Value	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION*
Fund	-3.06	-4.07	1.29	17.81	7.70	-	-	15.48
Benchmark	-1.69	-3.64	-0.85	10.90	-0.53	-	-	6.97

\*Inception Date: 12/4/2019. Data as of 6/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

- The portfolio underperformed its benchmark for the second quarter.
- The portfolio's exclusion of real estate investment trusts (REITs) detracted from relative performance, as REITs outperformed.
- The portfolio's emphasis on companies with the higher profitability characteristics and underweight versus the index to companies with lower profitability characteristics contributed to relative performance.

## Average Allocation by Profitability Quartile



Data from 3/31/2024 to 6/30/2024. Source: FactSet.  
See Appendix for more information about this chart.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

# U.S. Small Cap Value AVUVX | Portfolio Composition

## Key Characteristics

	FUND	BENCHMARK
Benchmark: Russell 2000 Value		
Weighted Average Market Cap (\$B)	3.3	2.9
Weighted Average Book/Market	0.65	0.54
Weighted Average Profits/Book	0.32	0.17
Number of Holdings	728	1,402

Data as of 6/30/2024. Source: FactSet.

## Size and Style Allocation (%)

FUND		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	-	-	-
	LARGE/MID	0.01	3.98	12.61
	SMALL/MICRO	0.21	15.61	67.14

BENCHMARK		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	0.92	0.55	0.12
	LARGE/MID	1.07	4.64	6.40
	SMALL/MICRO	9.93	34.47	27.54

Data as of 6/30/2024. Charts show weights in various book/market and profitability buckets (highest 25%, middle 50% and lowest 25%) across market capitalizations. Excludes REITs.

Source: FactSet.

## Sector Allocation (%)

	FUND	BENCHMARK
Financials	27.03	26.23
Consumer Discretionary	18.13	10.53
Industrials	17.44	14.40
Energy	17.03	10.39
Materials	6.66	5.03
Information Technology	5.15	6.40
Consumer Staples	3.54	2.24
Health Care	2.82	8.66
Communication Services	1.76	2.38
Real Estate	0.42	9.86
Utilities	0.01	3.87

Data as of 6/30/2024. Source: FactSet.

# International Equity AVDEX | Performance Commentary

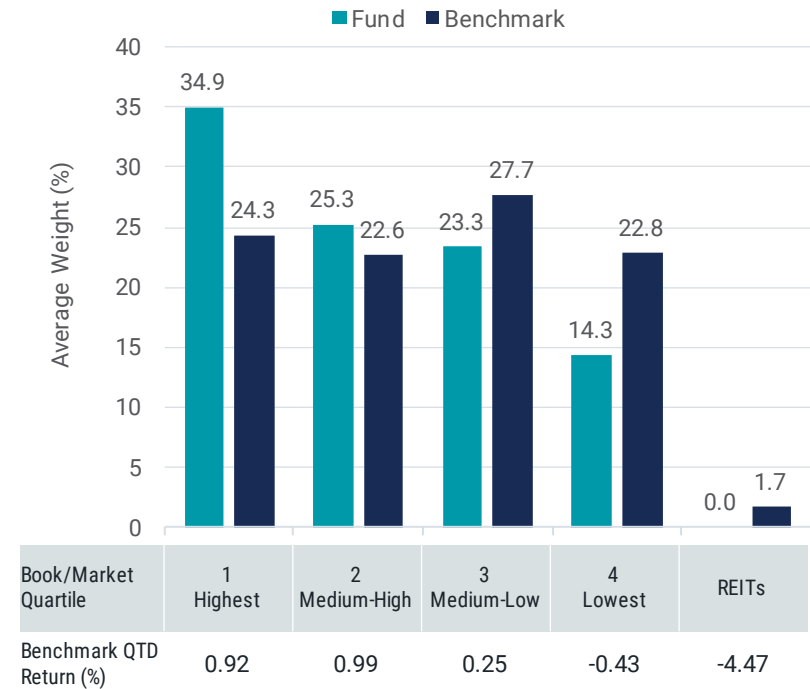
## Returns as of Month-End (%)

<i>MSCI World ex USA IMI</i>	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION*
Fund	-2.83	-0.50	4.70	11.29	2.51	-	-	6.59
Benchmark	-1.83	-0.73	4.41	10.76	1.97	-	-	6.06

\*Inception Date: 12/4/2019. Data as of 6/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

- The portfolio outperformed its benchmark for the second quarter.
- The portfolio's emphasis on companies with the highest book-to-market characteristics and underweight versus the index to companies with lower book-to-market characteristics was additive to relative performance.
- The portfolio's overweight versus the index to smaller-cap stocks and underweight to mega caps detracted from relative results. Smaller-cap stocks lagged mega-cap stocks for the period.

## Average Allocation by Book/Market Quartile



Data from 3/31/2024 to 6/30/2024. Source: FactSet.  
See Appendix for more information about this chart.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Extraordinary performance is attributable in part due to unusually favorable market conditions and may not be repeated or consistently achieved in the future. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

# International Equity AVDEX | Portfolio Composition

## Key Characteristics

Benchmark: MSCI World ex USA IMI	FUND	BENCHMARK
Weighted Average Market Cap (\$B)	62.3	86.3
Weighted Average Book/Market	0.55	0.43
Weighted Average Profits/Book	0.35	0.32
Number of Holdings	2,953	3,152

Data as of 6/30/2024. Source: FactSet.

## Size and Style Allocation (%)

FUND		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	3.61	22.27	13.54
	LARGE/MID	7.30	22.45	13.41
	SMALL/MICRO	1.49	7.55	7.24

BENCHMARK		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	9.53	30.40	14.53
	LARGE/MID	10.51	18.05	6.95
	SMALL/MICRO	2.04	3.58	2.12

Data as of 6/30/2024. Charts show weights in various book/market and profitability buckets (highest 25%, middle 50% and lowest 25%) across market capitalizations. Excludes REITs. Source: FactSet.

## Sector Allocation (%)

	FUND	BENCHMARK
Financials	21.26	20.26
Industrials	18.25	17.29
Consumer Discretionary	11.80	10.78
Materials	10.75	7.71
Health Care	8.71	11.17
Energy	7.48	5.58
Information Technology	7.27	9.51
Consumer Staples	5.92	7.81
Communication Services	3.69	3.74
Utilities	3.09	3.11
Real Estate	1.77	3.03

Data as of 6/30/2024. Source: FactSet.

## Top 5 Country Allocations (%)

	FUND	BENCHMARK
Japan	21.25	21.82
United Kingdom	13.28	13.40
Canada	10.45	10.38
France	9.07	9.13
Switzerland	8.01	8.03

Data as of 6/30/2024. Source: FactSet.

# International Small Cap Value AVDVX

## Performance Commentary

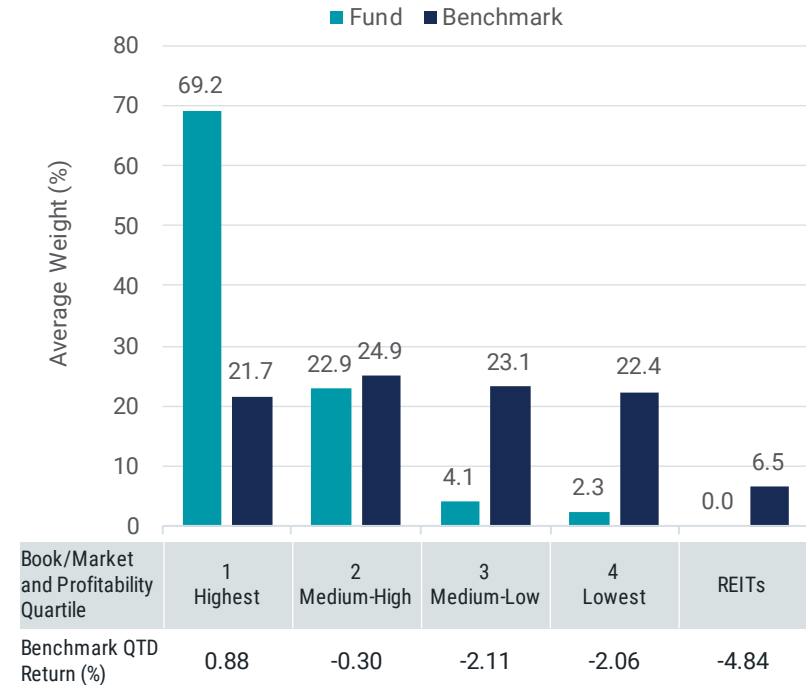
### Returns as of Month-End (%)

<i>MSCI World ex-U.S. Small Cap</i>	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION*
Fund	-3.57	0.08	5.53	16.19	3.74	-	-	7.85
Benchmark	-2.88	-1.56	0.98	7.80	-2.98	-	-	3.71

\*Inception Date: 12/4/2019. Data as of 6/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

- The portfolio outperformed its benchmark for the second quarter.
- The portfolio's emphasis on companies with the highest book-to-market and profitability characteristics and underweight versus the index to companies with lower book-to-market and profitability characteristics was additive to relative performance.
- The portfolio's exclusion of real estate investment trusts (REITs) was additive to relative performance as REITs underperformed.

### Average Allocation by Book/Market and Profitability Quartile



Data from 3/31/2024 to 6/30/2024. Source: FactSet.  
See Appendix for more information about this chart.

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# International Small Cap Value AVDVX | Portfolio Composition

## Key Characteristics

Benchmark: MSCI World ex-U.S. Small Cap	FUND	BENCHMARK
Weighted Average Market Cap (\$B)	2.3	2.9
Weighted Average Book/Market	0.91	0.61
Weighted Average Profits/Book	0.36	0.29
Number of Holdings	1,364	2,323

Data as of 6/30/2024. Source: FactSet.

## Size and Style Allocation (%)

FUND		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	-	-	0.00
	LARGE/MID	0.42	5.29	11.92
	SMALL/MICRO	2.18	22.46	55.94

BENCHMARK		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	1.04	0.27	0.25
	LARGE/MID	8.65	18.49	7.06
	SMALL/MICRO	13.43	28.85	14.13

Data as of 6/30/2024. Charts show weights in various book/market and profitability buckets (highest 25%, middle 50% and lowest 25%) across market capitalizations. Excludes REITs. Source: FactSet.

## Sector Allocation (%)

	FUND	BENCHMARK
Industrials	22.92	22.45
Materials	17.47	11.13
Financials	16.42	11.87
Consumer Discretionary	13.56	11.63
Energy	11.97	5.01
Consumer Staples	5.53	6.01
Information Technology	3.98	9.67
Real Estate	2.44	10.32
Communication Services	2.33	3.39
Health Care	2.00	5.47
Utilities	1.38	3.05

Data as of 6/30/2024. Source: FactSet.

## Top 5 Country Allocations (%)

	FUND	BENCHMARK
Japan	30.15	31.19
United Kingdom	13.76	13.86
Canada	9.46	9.75
Australia	8.48	8.52
Sweden	5.51	5.25

Data as of 6/30/2024. Source: FactSet.



# Emerging Markets Equity AVEEX | Performance Commentary

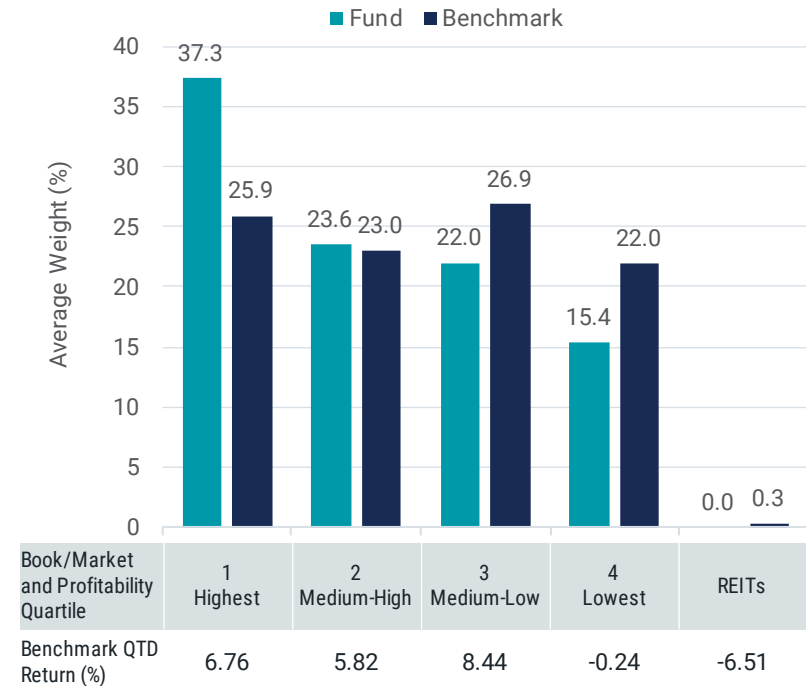
## Returns as of Month-End (%)

<i>MSCI Emerging Markets IMI</i>	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION*
Fund	2.21	5.99	8.77	17.24	-1.58	-	-	6.61
Benchmark	3.83	5.13	7.41	13.56	-4.11	-	-	4.49

\*Inception Date: 12/4/2019. Data as of 6/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

- The portfolio outperformed its benchmark for the second quarter.
- The portfolio's emphasis on companies with the highest book-to-market and profitability characteristics and underweight versus the index to companies with lower book-to-market and profitability characteristics was additive to relative performance.
- The strategy's exclusion of Saudi Arabia was additive to relative performance.

## Average Allocation by Book/Market and Profitability Quartile



Data from 3/31/2024 to 6/30/2024. Source: FactSet.  
See Appendix for more information about this chart.

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# Emerging Markets Equity AVEEX | Portfolio Composition

## Key Characteristics

Benchmark: MSCI Emerging Markets IMI	FUND	BENCHMARK
Weighted Average Market Cap (\$B)	92.7	132.9
Weighted Average Book/Market	0.74	0.60
Weighted Average Profits/Book	0.26	0.25
Number of Holdings	3,015	3,361

Data as of 6/30/2024. Source: FactSet.

## Size and Style Allocation (%)

FUND		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	2.57	20.93	12.40
	LARGE/MID	8.57	17.09	15.71
	SMALL/MICRO	3.61	8.50	8.88

BENCHMARK		BOOK-TO-MARKET AND PROFITABILITY		
		LOW	MID	HIGH
SIZE	MEGA	5.50	31.17	14.64
	LARGE/MID	11.55	15.03	9.27
	SMALL/MICRO	4.04	4.57	2.71

Data as of 6/30/2024. Charts show weights in various book/market and profitability buckets (highest 25%, middle 50% and lowest 25%) across market capitalizations. Excludes REITs. Source: FactSet.

## Sector Allocation (%)

	FUND	BENCHMARK
Information Technology	20.77	24.04
Financials	19.64	20.27
Consumer Discretionary	13.34	12.21
Industrials	11.37	8.72
Materials	9.52	7.56
Communication Services	6.40	8.08
Energy	5.31	4.72
Consumer Staples	4.41	5.31
Health Care	3.76	3.96
Utilities	3.45	3.01
Real Estate	2.01	2.11

Data as of 6/30/2024. Source: FactSet.

## Top 5 Country Allocations (%)

	FUND	BENCHMARK
China	22.24	22.62
India	21.86	20.59
Taiwan	20.97	19.88
South Korea	13.68	12.17
Brazil	4.68	4.14

Data as of 6/30/2024. Source: FactSet.

# Performance Overview | Fixed Income Funds

## Returns as of Month-End (%)

TICKER	FUND AND BENCHMARK	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION	INCEPTION DATE	EXPENSE RATIO (%)	TOTAL ASSETS (\$M)
AVIGX	Core Fixed Income Inst.	0.87	0.18	-0.39	3.32	-3.22	--	--	-2.70	02/24/2021	0.16	5.94
	Bloomberg U.S. Aggregate	0.95	0.07	-0.71	2.63	-3.02	--	--	-2.54			
AVSFX	Short-Term Fixed Income Inst.	0.63	0.92	1.38	5.17	0.00	--	--	-0.01	02/24/2021	0.15	8.15
	Bloomberg U.S. 1-5 Year Government/Credit Bond	0.68	0.83	0.97	4.66	-0.20	--	--	-0.21			

Data as of 06/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Returns less than one year are not annualized. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

# Core Fixed Income AVIGX | Performance Commentary

## Returns as of Month-End (%)

<i>Bloomberg U.S. Aggregate</i>	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION*
Fund	0.87	0.18	-0.39	3.32	-3.22	-	-	-2.70
Benchmark	0.95	0.07	-0.71	2.63	-3.02	-	-	-2.54

\*Inception Date: 2/24/2021. Data as of 6/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

- The portfolio modestly outperformed its benchmark during the first quarter.
- The portfolio's overweight versus the index to corporate bonds detracted as credit spreads widened slightly during the quarter. However, its positioning on the yield curve contributed to relative performance as the yield curve slightly steepened during the quarter.
- The portfolio maintained a duration close to its benchmark.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

See Appendix for additional notes about risk.

# Core Fixed Income AVIGX | Portfolio Composition

## Key Characteristics

	FUND	BENCHMARK
<i>Benchmark: Bloomberg U.S. Aggregate</i>		
Effective Duration (years)	6.06	6.02
Yield to Maturity (%)	5.12	5.01
SEC Yield (%)	5.03	N/A
OAS (bps)	43	38
Holdings	358	13,617

Data as of 06/30/2024. Source: American Century Investments, Bloomberg Index Services Ltd., State Street. Data is preliminary and subject to change.

## Credit Quality (%)

	FUND	BENCHMARK
U.S. Government	46.72	70.21
AAA	3.57	3.10
AA	4.93	2.74
A	29.21	11.62
BBB	24.50	12.22
BB	0.00	0.00
Non Rated	0.35	0.07
Cash and Cash Equivalents	-9.28	0.03

Data as of 6/30/2024. Source: American Century Investments, Bloomberg Index Services Ltd. Data is preliminary and subject to change.

## Sector Allocations (%)

	FUND	BENCHMARK
Credit	62.34	27.05
Government	25.42	43.17
Securitized	19.70	27.62
Agency	1.59	0.87
Emerging Markets	0.22	1.28
Cash & Cash Equivalents	-9.28	0.00

Data as of 6/30/2024. Source: American Century Investments, S&P Dow Jones Indices LLC. Data is preliminary and subject to change.

## Duration Breakdown (%)

YEARS	FUND	BENCHMARK
0-2	14.37	13.56
2-4	18.44	23.68
4-6	21.65	21.11
6-8	23.50	24.13
8-10	7.21	1.57
10-15	14.83	10.09
15+	0.00	5.86

Data as of 6/30/2024. Source: American Century Investments, Bloomberg Index Services Ltd. Data is preliminary and subject to change.

# Short-Term Fixed Income AVSFX | Performance Commentary

## Returns as of Month-End (%)

<i>Bloomberg U.S. 1-5 Year Government/Credit Bond</i>	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION*
Fund	0.63	0.92	1.38	5.17	0.00	-	-	-0.01
Benchmark	0.68	0.83	0.97	4.66	-0.20	-	-	-0.21

\*Inception Date: 2/24/2021. Data as of 6/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

- The portfolio modestly outperformed its benchmark during the first quarter.
- The portfolio's positioning on the yield curve and underweight duration positioning contributed to relative performance.
- The portfolio maintained a slightly shorter duration than the benchmark.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

See Appendix for additional notes about risk.

# Short-Term Fixed Income AVSFX | Portfolio Composition

## Key Characteristics

Benchmark: Bloomberg U.S. 1-5 Year Government/Credit Bond	FUND	BENCHMARK
Effective Duration (years)	2.36	2.64
Yield to Maturity (%)	5.11	4.84
SEC Yield (%)	5.03	N/A
OAS (bps)	34	18
Holdings	166	3,613

Data as of 06/30/2024. Source: American Century Investments, Bloomberg Index Services Ltd., State Street. Data is preliminary and subject to change.

## Credit Quality (%)

	FUND	BENCHMARK
U.S. Government	22.17	69.19
AAA	1.76	3.62
AA	6.52	2.83
A	44.00	12.46
BBB	25.57	11.88
BB	0.00	0.00
Non Rated	0.00	0.01
Cash and Cash Equivalents	-0.02	0.01

Data as of 6/30/2024. Source: American Century Investments, Bloomberg Index Services Ltd. Data is preliminary and subject to change.

## Sector Allocations (%)

	FUND	BENCHMARK
Credit	77.85	29.83
Government	19.95	67.41
Agency	2.22	1.81
Cash & Cash Equivalents	-0.02	0.00

Data as of 6/30/2024. Source: American Century Investments, S&P Dow Jones Indices LLC. Data is preliminary and subject to change.

## Duration Breakdown (%)

YEARS	FUND	BENCHMARK
0-2	43.76	34.67
2-4	47.17	51.23
4-6	9.06	14.10

Data as of 6/30/2024. Source: American Century Investments, Bloomberg Index Services Ltd. Data is preliminary and subject to change.

# Appendix



# Standardized Performance | Mutual Funds

## Returns as of Quarter-End (%)

TICKER	FUND AND BENCHMARK	1 MO	QTD	YTD	1 YR	3 YR	5 YR	10 YR	SINCE INCEPTION	INCEPTION DATE
AVUSX	U.S. Equity Inst.	1.35	0.93	11.04	21.40	7.62	--	--	13.93	12/04/2019
	Russell 3000	3.10	3.22	13.56	23.13	8.05	--	--	14.01	
AVLVX	U.S. Large Cap Value Inst.	-0.22	-1.82	9.33	19.84	--	--	--	17.37	06/21/2022
	Russell 1000 Value	-0.94	-2.17	6.62	13.06	--	--	--	12.38	
AVUVX	U.S. Small Cap Value Inst.	-3.06	-4.07	1.29	17.81	7.70	--	--	15.48	12/04/2019
	Russell 2000 Value	-1.69	-3.64	-0.85	10.90	-0.53	--	--	6.97	
AVDEX	International Equity Inst.	-2.83	-0.50	4.70	11.29	2.51	--	--	6.59	12/04/2019
	MSCI World ex USA IMI	-1.83	-0.73	4.41	10.76	1.97	--	--	6.06	
AVDVX	International Small Cap Value Inst.	-3.57	0.08	5.53	16.19	3.74	--	--	7.85	12/04/2019
	MSCI World ex-U.S. Small Cap	-2.88	-1.56	0.98	7.80	-2.98	--	--	3.71	
AVEEX	Emerging Markets Equity Inst.	2.21	5.99	8.77	17.24	-1.58	--	--	6.61	12/04/2019
	MSCI Emerging Markets IMI	3.83	5.13	7.41	13.56	-4.11	--	--	4.49	
AVIGX	Core Fixed Income Inst.	0.87	0.18	-0.39	3.32	-3.22	--	--	-2.70	02/24/2021
	Bloomberg U.S. Aggregate	0.95	0.07	-0.71	2.63	-3.02	--	--	-2.54	
AVSFX	Short-Term Fixed Income Inst.	0.63	0.92	1.38	5.17	0.00	--	--	-0.01	02/24/2021
	Bloomberg U.S. 1-5 Year Government/Credit Bond	0.68	0.83	0.97	4.66	-0.20	--	--	-0.21	

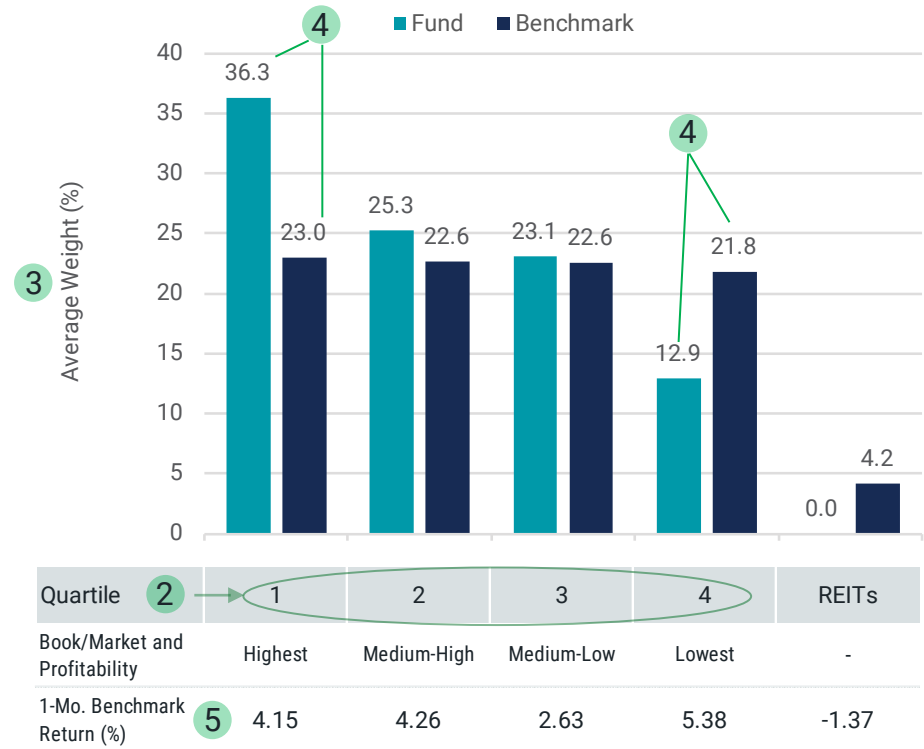
Data as of 06/30/2024. Performance in USD, net of fees. Periods greater than one year have been annualized. Source: FactSet.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than original cost. Returns less than one year are not annualized. Index performance does not represent the fund's performance. It is not possible to invest directly in an index.

# How to Interpret Book/Market and Profitability Charts

- 1 We sort the underlying stocks in our universe from highest to lowest based on a proprietary calculation using book-to-market, or B/M, and profitability ratios. B/M is a ratio that compares a company's book value relative to its market capitalization. Profitability is a ratio used to measure a company's profitability relative to its book value. We view stocks with higher B/M and profitability ratios more favorably.
- 2 After arranging the stocks in the universe, we divide the holdings into fourths, or quartiles. The top 25% of stocks are placed in the "highest" quartile, while the bottom 25% of stocks are placed in the "lowest" quartile. Our equity strategies generally do not invest in REITs, so these stocks are bucketed separately.
- 3 We show the average weight of the stocks in each quartile over the month for our portfolio and the benchmark so that you can compare the two allocations.
- 4 We believe stocks in the higher quartiles have higher expected future returns\*—that's why you'll see our portfolios generally allocate more to these types of stocks than the benchmark does. Conversely, we believe stocks in the lower quartiles have lower expected future returns, so our portfolios generally hold less in these stocks than the benchmark. It's important to note, however, that higher B/M and profitability stocks do not always outperform.
- 5 We also show the performance of the stocks in the benchmark based on the B/M and profitability quartile they're in. If the higher quartiles outperform the lower quartiles, then in general, we would expect our portfolio to benefit from its larger allocation to these outperforming stocks. If, however, the lower quartiles outperform the higher quartiles, then in general, we would expect our portfolio to lag the benchmark.

1 Average Allocation by Book/Market and Profitability Quartile



Data from 10/31/2019 to 11/30/2019. Source: FactSet.

\*Our funds seek securities of companies that we expect to have higher returns by placing an enhanced emphasis on securities of companies with smaller market capitalizations and securities of companies we define as high profitability or value companies. Conversely, the funds seek to underweight or exclude securities we expect to have lower returns, such as securities of large companies with lower levels of profitability and higher prices relative to their book values or other financial metrics. To identify small capitalization, high profitability or value companies, the portfolio managers employ a proprietary calculation using reported and estimated company financials and market data including, but not limited to, shares outstanding, book value and its components, cash flows, revenue, expenses, accruals and income. Value companies may be defined as those with lower price relative to book value ratio or other fundamental value. High profitability companies may be defined as those with higher cash-based operating profitability. The portfolio managers may also consider other factors when selecting a security, including industry classification, past performance of the security relative to other securities, liquidity, float, and tax, governance or cost considerations, among others.

# Glossary

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**Agencies:** Agency securities are debt securities issued by U.S. government agencies such as the Federal Home Loan Bank and the Federal Farm Credit Bank. Some agency securities are backed by the full faith and credit of the U.S. government, while others are guaranteed only by the issuing agency.

**Alpha:** The alpha of a portfolio adjusts for risk by beta, a measure of risk. The alpha of a portfolio is the extra portfolio return available to investors after adjusting for risk.

**Basis points (BPS):** Basis points are used in financial literature to express values that are carried out to two decimal places (hundredths of a percentage point), particularly ratios, such as yields, fees, and returns. Basis points describe values that are typically on the right side of the decimal point—one basis point equals one one-hundredth of a percentage point (0.01%).

**Bloomberg Global Aggregate Bond Index:** A flagship measure of global investment-grade debt from 24 local currency markets. This multicurrency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

**Bloomberg Global U.S. Treasury - U.S. TIPS Index:** Consists of Treasury inflation-protected securities issued by the U.S. Treasury with a remaining maturity of one year or more.

**Bloomberg Municipal Bond Index:** A market value-weighted index designed for the long-term tax-exempt bond market.

**Bloomberg U.S. 1-3 Month Treasury Bill Index:** A subindex of the Bloomberg Barclays U.S. Short Treasury Index, the Bloomberg Barclays U.S. 1-3 Month Treasury Bill Index is composed of zero-coupon Treasury bills with a maturity between one and three months.

**Bloomberg 1-5 Year U.S. Government/Credit Index:** Tracks the market for investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities.

**Bloomberg U.S. Aggregate Bond Index:** Represents securities that are taxable, registered with the Securities and Exchange Commission, and U.S. dollar-denominated. The index covers the U.S. investment-grade fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

**Bloomberg U.S. Corporate Bond Index:** Measures the investment-grade, fixed-rate, taxable corporate bond market. It includes U.S. dollar-denominated securities publicly issued by U.S. and non-U.S. industrial, utility and financial issuers.

**Bloomberg U.S. Corporate High Yield Bond Index:** Measures the U.S. dollar-denominated, high-yield (non-investment grade), fixed-rate corporate bond market.

**Bloomberg U.S. Corporate High Yield Bond Index:** Measures the U.S. dollar-denominated, high-yield (non-investment grade), fixed-rate corporate bond market.

**Bloomberg U.S. Treasury Index:** Measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index.

**Book-to-Market Ratio:** Compares a company's book value relative to its market capitalization. Book value is generally a firm's reported assets minus its liabilities on its balance sheet. A firm's market capitalization is calculated by taking its share price and multiplying it by the number of shares it has outstanding.

**Carbon Emissions Intensity:** A measure of emissions efficiency calculated as company emissions normalized by company revenue (metric tons CO2 per USD million sales) and presented as a weighted average of fund or index holdings. Company emissions data includes reported or estimated scope 1 and scope 2 greenhouse gas emissions in carbon dioxide equivalents. If neither reported nor estimated emissions data is available for a company held by the fund or index, emissions data for that company is excluded from the carbon emissions intensity calculation. The calculation of this measure is completed by American Century Investment Management Inc, the investment advisor to the ETFs reporting the measure, based on data sources from MSCI. The Carbon Emissions Intensity figure is solely a result of a mathematical calculation based on the MSCI data, with no additional inputs. Scores and ratings across third-party providers may be inconsistent or incomparable and, in certain cases, incorrect. In addition, data is not currently available for many issuers and, when available, frequently only includes some but not all of the characteristics considered.

**Case-Shiller Index:** This economic indicator tracks the monthly change in the value of single-family homes in the U.S.

**Consumer Price Index (CPI):** CPI is a U.S. government (Bureau of Labor Statistics) index derived from detailed consumer spending information. Changes in CPI measure price changes in a market basket of consumer goods and services such as gas, food, clothing, and cars. Core CPI excludes food and energy prices, which tend to be volatile.

**CRSP U.S. Total Market Index:** Consists of nearly 4,000 constituents across mega, large, small and micro capitalizations, representing nearly 100% of the U.S. investable equity market.

# Glossary

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**Credit Quality:** Refers to the creditworthiness or financial health of the issuer of the bond. It reflects the likelihood that the issuer will meet its debt obligations, including interest payments and the return of principal, in a timely manner. Credit rating agencies assess and assign credit ratings to bonds based on the issuer's financial strength, stability, and ability to honor its debt commitments.

**Credit Rating:** Standard & Poor's credit ratings range from AAA (highest quality; perceived as least likely to default) to D (in default). Securities and issuers rated AAA to BBB are considered/perceived to be "investment-grade"; those below BBB are considered/perceived to be non-investment-grade (high yield).

**Dow Jones Industrial Average:** An average made up of 30 blue-chip stocks that trade daily on the New York Stock Exchange.

**Duration:** Measures how long it takes, in years, for an investor to be repaid a bond's price by the bond's total cash flows. It is also a measure of a bond's interest rate sensitivity. The longer the duration, the more sensitive a bond is to interest rate shifts.

**Effective Duration:** The average duration of all the bonds in a fund. It provides an indication of how a fund's net asset value (NAV) will change as interest rates change.

**Emerging Markets Debt:** Debt issued by countries whose economies are considered to be developing or emerging from underdevelopment.

**Exchange-Traded Fund (ETF):** An ETF represents a basket of securities that trades on an exchange, similar to a stock. An ETF differs from a mutual fund in that its share price fluctuates all day as investors buy and sell the ETF. A mutual fund's net asset value (NAV) is calculated once per day after the market closes.

**Expected Returns:** Valuation theory shows that the expected return of a stock is a function of its current price, its book equity (assets minus liabilities) and expected future profits, and that the expected return of a bond is a function of its current yield and its expected capital appreciation (depreciation). We use information in current market prices and company financials to identify differences in expected returns among securities, seeking to overweight securities with higher expected returns based on this current market information. Actual returns may be different than expected returns, and there is no guarantee that the strategy will be successful.

**FAANG stocks:** This acronym refers to the stocks of the U.S. technology companies Meta Platforms (formerly known as Facebook), Amazon, Apple, Netflix, and Alphabet (formerly known as Google).

**Market Capitalization:** The market value of all the equity of a company's common and preferred shares. It is usually estimated by multiplying the stock price by the number of shares for each share class and summing the results.

**Money Market Mutual Funds:** These funds invest in short-term debt instruments (e.g., commercial paper, U.S. Treasury bills, repurchase agreements) and are valued for their relative safety and liquidity.

**MSCI ACWI Index:** A capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets.

**MSCI ACWI ex-USA Index:** A market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States.

**MSCI Emerging Markets IMI Index:** Captures large-, mid- and small-cap securities across 27 emerging markets countries.

**MSCI Emerging Markets IMI Value Index:** Captures large-, mid- and small-cap securities exhibiting overall value style characteristics across 27 emerging markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

**MSCI Emerging Markets Asia IMI Index:** Captures large-, mid- and small-cap securities in China, India, Indonesia, Korea, Malaysia, the Philippines, Taiwan and Thailand.

**MSCI Emerging Markets EMEA IMI Index:** Captures large-, mid- and small-cap securities across 11 emerging markets countries in Europe, the Middle East and Africa (EMEA).

**MSCI Emerging Markets Latin America IMI Index:** Captures large-, mid- and small-cap securities in Brazil, Chile, Colombia, Mexico and Peru.

# Glossary

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**MSCI Europe IMI Index:** Captures large-, mid- and small-cap securities across 15 developed markets countries in Europe.

**MSCI Pacific IMI Index:** Captures large-, mid- and small-cap securities in five developed markets countries: Australia, Hong Kong, Japan, New Zealand and Singapore.

**MSCI USA Index:** A market capitalization-weighted index designed to measure the performance of the large and mid-cap segments of the U.S. market.

**MSCI World ex USA IMI Index:** Captures large-, mid- and small-cap representation across 22 of 23 developed markets countries, excluding the U.S.

**MSCI World ex USA Small Cap Index:** Captures small-cap representation across 22 of 23 developed markets countries, excluding the U.S.

**MSCI World ex USA Value Index:** Captures large- and mid-cap securities exhibiting overall value style characteristics across 22 of 23 developed markets countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

**Net Asset Value (NAV):** The total value per share of all the underlying securities in a portfolio.

**Oil and Gas Revenue Percentage:** Represents the proportion of total revenue of fund or index holdings that is derived from reported or estimated oil and gas-related activities. If neither reported nor estimated oil and gas-related data is available for held by either the fund or the index, such data for that company is excluded from the calculation.

The calculation of this measure is completed by American Century Investment Management Inc, the investment advisor to the ETFs reporting the measure, based on data sourced from MSCI. The Oil and Gas Revenue Percentage figure is solely a result of a mathematical calculation based the MSCI data, with no additional inputs.

Scores and ratings across third party providers may be inconsistent or incomparable, and, in certain cases, incorrect. In addition, data is not currently available for many issuers and, when available, frequently only includes some but not all of the characteristics considered.

**Option-Adjusted Spread (OAS):** Measures the difference between the yield of a bond with an embedded option and the yield on Treasuries. Call options give the issuer the right to redeem the bond prior to maturity at a preset price, and put options allow the holder to sell the bond back to the company on certain dates. The OAS adjusts the spread to account for these potential changing cash flows.

**Personal Consumption Expenditures (PCE):** The PCE price deflator – which comes from the Bureau of Economic Analysis' quarterly report on U.S. gross domestic product – is based on a survey of businesses and is intended to capture the price changes in all final goods, no matter the purchaser. Because of its broader scope and certain differences in the methodology used to calculate the PCE price index, the Federal Reserve holds the PCE deflator as its preferred, consistent measure of inflation over time.

**Profits-to-Book Ratio:** Measures a company's profits relative to its book value. A company's profits are generally calculated by subtracting operating expenses from its gross profit. Book value is generally a firm's reported assets minus its liabilities on its balance sheet.

**Responsible Equity ETFs:** Because the portfolio managers screen securities based on ESG characteristics, the fund may exclude the securities of certain issuers or industry sectors for other than financial reasons and, as a result, the fund may perform differently or maintain a different risk profile than the market generally or compared to funds that do not use similar ESG-based screens.

Investing based on ESG considerations may also prioritize long-term rather than short-term returns. Furthermore, when analyzing ESG criteria for issuers, the portfolio management team relies on proprietary evaluations and information, ratings and scoring models published by third-party sources (collectively, "ESG Data").

Due to the lack of regulation and uniform reporting standards with respect to ESG characteristics of issuers, ESG Data may be inconsistent across sources and, in certain cases, incorrect. In addition, ESG Data is not currently available for many issuers and, when available, frequently only includes some but not all of the ESG characteristics considered by the team when applying their ESG screens.

# Glossary

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**Russell 1000® Growth Index:** Measures the performance of those Russell 1000 Index companies (the 1,000 largest publicly traded U.S. companies, based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

**Russell 1000® Value Index:** Measures the performance of those Russell 1000 Index companies (the 1,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

**Russell 2000® Index:** Measures the performance of the 2,000 smallest companies among the 3,000 largest publicly traded U.S. companies, based on total market capitalization.

**Russell 2000® Growth Index:** Measures the performance of those Russell 2000 Index companies (the 2,000 smallest of the 3,000 largest publicly traded U.S. companies, based on total market capitalization) with higher price-to-book ratios and higher forecasted growth values.

**Russell 2000® Value Index:** Measures the performance of those Russell 2000 Index companies (the 2,000 smallest of the 3,000 largest publicly traded U.S. companies, based on total market capitalization) with lower price-to-book ratios and lower forecasted growth values.

**Russell 3000® Index:** Measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

**S&P 500® Index:** A market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The index is widely regarded as the best gauge of large-cap U.S. equities.

**S&P Global REIT Index:** A comprehensive benchmark of publicly traded equity REITs listed in both developed and emerging markets.

**S&P National AMT-Free Municipal Bond Index:** A broad, comprehensive, market value-weighted index designed to measure the performance of the investment-grade tax-exempt U.S. municipal bond market. Bonds issued by U.S. territories, including Puerto Rico, are excluded from this index. It is not possible to invest directly in an index.

**SEC Yield:** A calculation based on a 30-day period ending on the last day of the previous month. It is computed by dividing the net investment income per share earned during the period by the maximum offering price per share on the last day of the period.

**Securitized Debt:** Debt resulting from the process of aggregating debt instruments into a pool of similar debts, then issuing new securities backed by the pool (securitizing the debt). Examples include asset-backed and mortgage-backed securities.

**Sharpe Ratio:** The Sharpe Ratio adjusts the returns of the portfolio for its risk by the volatility of returns. It is the ratio of the difference between the average return of the portfolio and the return of a Treasury bill to the standard deviation of the returns of the portfolio.

**Standard deviation:** Standard deviation is a statistical measurement of variations from the average. In financial literature, it's often used to measure risk when risk is measured or defined in terms of volatility. In general, more risk means more volatility and more volatility means a higher standard deviation – there's more variation from the average of the data being measured.

**Treasury Inflation-Protected Securities (TIPS):** A special type of U.S. Treasury security that is indexed to inflation as measured by the Consumer Price Index, or CPI. At maturity, TIPS are guaranteed by the U.S. government to return at least their initial \$1,000 principal value, or that principal value adjusted for inflation, whichever amount is greater. In addition, as their principal values are adjusted for inflation, their interest payments also adjust.

**U.S. Treasury securities:** Debt securities issued by the U.S. Treasury and backed by the direct “full faith and credit” of the U.S. government. Treasury securities include bills (maturing in one year or less), notes (maturing in two to 10 years) and bonds (maturing in more than 10 years).

**Wash Sale:** This is a transaction in which an investor sells securities at a loss to reap tax benefits and then repurchases the same or significantly similar security within 30 days before or after the sale.

**Weighted Average Book-to-Market:** An average book-to-market ratio resulting from the multiplication of each security's book-to-market by its weight in the portfolio.

**Weighted Average Market Capitalization:** An average market capitalization resulting from the multiplication of each security's market capitalization by its weight in the portfolio.

**Weighted Average Profitability-to-Book:** An average profitability-to-book ratio resulting from the multiplication of each security's profitability-to-book by its weight in the portfolio.

**Yield to Maturity:** The rate of return an investor will receive if an interest-bearing security, such as a bond, is held to its maturity date. It considers total annual interest payments, the purchase price, the redemption value, and the amount of time remaining until maturity.

# Fund Disclosure Key

TICKER	FUND	DISCLOSURE NUMBER
<b>US Equity</b>		
AVUSX	U.S. Equity Inst.	-
AVLVX	U.S. Large Cap Value Inst.	-
AVUVX	U.S. Small Cap Value Inst.	2
<b>Non-US Equity</b>		
AVDEX	International Equity Inst.	1
AVDVX	International Small Cap Value Inst.	1, 2
AVEEX	Emerging Markets Equity Inst.	1

TICKER	FUND	DISCLOSURE NUMBER
<b>Fixed Income</b>		
AVIGX	Core Fixed Income Inst.	3, 4
AVSFX	Short-Term Fixed Income Inst.	3, 4

# Fund Disclosures

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1. International investing involves special risks, such as political instability and currency fluctuations. Investing in emerging markets may accentuate these risks.
2. Historically, small- and/or mid-cap stocks have been more volatile than the stocks of larger, more-established companies. Smaller companies may have limited resources, product lines and markets, and their securities may trade less frequently and in more limited volumes than the securities of larger companies.
3. Generally, as interest rates rise, the value of the securities held in the fund will decline. The opposite is true when interest rates decline.
4. Lower-rated securities in which the fund invests are subject to greater credit risk, default risk and liquidity risk. If the portfolio managers' considerations are inaccurate or misapplied, the fund's performance may suffer. Derivatives may be more sensitive to changes in market conditions and may amplify risks.



# General Disclosures

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***You should consider the fund's investment objectives, risks, and charges and expenses carefully before you invest. The fund's prospectus or summary prospectus, which can be obtained by visiting [Avantisinvestors.com](https://www.avantisinvestors.com) or by calling 833-928-2684, contains this and other information about the fund, and should be read carefully before investing.***

Investment return and principal value of security investments will fluctuate. The value at the time of redemption may be more or less than the original cost. Past performance is no guarantee of future results.

This information is for educational purposes only and is not intended as tax advice. Please consult your tax advisor for more detailed information or for advice regarding your individual situation.

The opinions expressed are those of the portfolio team and are no guarantee of the future performance of any Avantis fund. Opinions and estimates offered constitute our judgment and, along with other portfolio data, are subject to change without notice.

References to specific securities are for illustrative purposes only and are not intended as recommendations to purchase or sell securities.

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