

# International Growth Fund

## Quarterly Commentary

### Portfolio Review

**Non-U.S. developed markets advanced through volatility.** Equity markets faced periods of volatility but remained strong to finish the quarter higher as central banks cut interest rates. Small-cap stocks outperformed large caps, and value narrowly performed better than growth. As we expected, the multiyear trend of value outperformance appears to be waning with cooler inflation around the world.

**Global economies continue to migrate through a soft landing.** Slower economic growth has been a drag on earnings growth, particularly among consumer-oriented names, but we are seeing early signs of broad improvement. The stronger earnings momentum and positive earnings revisions, which began in the second quarter, have continued to carry through. We are encouraged for this to have a positive impact into 2025.

**Health care holdings were a source of weakness.** Within the health care sector, positions in the pharmaceuticals industry weighed on performance compared with the benchmark. Drugmaker Novo Nordisk faced a few headwinds during the quarter, and AstraZeneca stumbled after releasing disappointing clinical trial results. Clinical research company ICON pulled back on news that biotechnology funding has dropped, albeit from very strong growth levels.

**Positioning within information technology was a drag.** The portfolio's underperformance in information technology compared with the benchmark was primarily attributable to overweighting within the sector relative to the benchmark. Positions in the semiconductors and semiconductor equipment industry had the largest impact, including ASML Holding, which faced uncertain demand outlooks, and Japanese precision toolmaker Disco.

**Consumer discretionary contributed.** Athletic footwear and apparel manufacturer On Holding gave a boost to performance compared with the benchmark as the company continued to outpace its larger and more mature peers through solid business performance and new products. Specialty retailer Fast Retailing also added. Among automobile manufacturers, Ferrari was a notable contributor, and a lack of exposure to underperforming benchmark industry names was also beneficial.

### Key Contributors

**On Holding.** The stock performed well, helped by the introduction of new products and a positive price mix. The company has outperformed larger and more mature brands in its peer group like NIKE and Adidas. Demand remained strong across all regions, including Asia as the Chinese market improved.

**Mitsubishi Heavy Industries.** The company has seen a year-over-year increase in Japanese machine tool orders, as international orders also rose significantly. Management unveiled its three-year, medium-term plan, which was in line with consensus. Key growth areas are gas turbine combined cycle power, nuclear power and defense.

**Techtronic Industries.** The company is a beneficiary of the easing U.S. interest rate cycle, which is expected to boost new home construction and remodeling activities. Market penetration for its battery-operated power tools is rising across consumer and professional users, and overseas expansion is providing additional fuel.

### Goal and Strategy

Long-term capital growth by investing primarily in large companies in developed countries outside the U.S.

### Portfolio Management Team

Name	Start Date	
	Industry	Company
Rajesh Gandhi, CFA	1993	2002
Jim Zhao, CFA	1999	2009

### Top 10 Holdings (%)

Novo Nordisk A/S	4.80
ASML Holding NV	3.27
AstraZeneca PLC	2.87
SAP SE	2.77
Air Liquide SA	2.43
Schneider Electric SE	2.39
Hitachi Ltd	2.32
London Stock Exchange Group PLC	2.30
Keyence Corp	1.92
RELX PLC	1.89

As of 9/30/2024

*The holdings listed should not be considered recommendations to purchase or sell a particular security. Equity holdings are grouped to include common shares, depository receipts, rights and warrants issued by the same company. Fund holdings subject to change.*

## Key Detractors

**Novo Nordisk.** Shares of the Danish drugmaker declined on disappointing trial results for its latest obesity treatment. Management also recently lowered its operating profit outlook for full-year 2024 to register between 20% and 28%.

**ASML Holding.** Shares of the Dutch chip equipment manufacturer were pressured by investors' concerns over government restrictions limiting sales to China, along with uncertain demand outlooks. The company has labeled 2024 as a transition year while focusing on building out its production capacity.

**ICON.** The stock pulled back on news that biotechnology funding has dropped, albeit from very strong growth levels. We continue to believe the company is a beneficiary of long-lasting trends in the pharmaceuticals industry, which support outsourcing to clinical research organizations.

## Notable Trades

**Cellnex Telecom.** We initiated a position in the Spanish telecommunications company as we expect earnings growth to remain resilient in a more uncertain macro environment. Synergies from previous acquisitions should be beneficial, while we also expect the divestment of certain assets to accelerate cash return to shareholders.

**Bureau Veritas.** We initiated a position in the French company, which specializes in testing, inspection and certification, expecting its earnings to inflect positively as its cost-efficiency program drives margins higher. The company has invested in structural growth areas such as energy, marine and offshore.

**Nestle.** Although volume acceleration occurred as we expected, the company disappointed on net pricing, indicating that volume growth was achieved through significant pricing weakness. In our opinion, the management team lost credibility in its ability to revive the organic growth profile of Nestle, and we exited the position.

**Murata Manufacturing.** This producer of electronic devices made from fine ceramics has faced headwinds from ongoing battery utilization weakness. The automotive outlook has also worsened, and we believe demand from iPhone volume growth is unlikely to drive upside. We decided to exit the position.

## Portfolio Positioning

The portfolio continues to invest in companies we believe are strong and improving but whose share price performance does not fully reflect these factors. Our process is based on individual security selection, but broad themes have emerged.

**Governments have committed to major infrastructure investment.** Fiscal stimulus programs enacted by governments in recent years have enabled large-scale infrastructure projects to begin. There are now a large number of megaprojects underway around the world. These offer long-term growth opportunities to companies involved in building, and adjacent products and services continue to see strong earnings.

**Energy transition and power demand are strong secular forces.** As the world moves to rely less on fossil fuels, we are finding opportunities across sectors related to the transition. Increased demand for electric vehicles and large-scale renewable energy infrastructure projects creates inflection points for well-positioned businesses. Artificial intelligence (AI) investment is leading to a significant increase in demand for electricity to power data centers.

**Digital transformation supports information technology positions.** The acceleration of digitalization and the growth of AI are benefiting the semiconductors industry and technology holdings exposed to cloud computing, automation, digital payments and information technology services growth. Japanese companies, in particular, are investing to catch up with international competitors and increase efficiency and corporate profits.

**Developments in health care create growth opportunities.** Obesity and cancer are areas that continue to generate a tremendous amount of growth and investment in the pharmaceuticals industry. Successful new drugs have broadly encouraged increased funding for research and development, which also benefits supporting product and service providers.

**Consumer companies pivoting from pricing to volume growth.** Easing inflation pressures on consumers have alleviated trade-downs and encouraged them to buy higher-cost, more premium goods. Opportunities emerge as food, fragrances and personal care companies have invested significantly in research and development to create sustainable volume growth for the future.

# International Growth Fund

TICKERS	Investor Class: TWIEX	I Class: TGRIX	A Class: TWGAX	C Class: AIWCX	R Class: ATGRX	R5 Class: ATGGX	R6 Class: ATGDY
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Data presented reflects past performance. Past performance is no guarantee of future results. Current performance may be higher or lower than the performance shown. To obtain performance data current to the most recent month end, please visit [www.americancentury.com/performance](http://www.americancentury.com/performance). Investment return and share value will fluctuate, and redemption value may be more or less than original cost. Data assumes reinvestment of dividends and capital gains. Returns for periods less than one year are not annualized. For information about other share classes available, please consult the prospectus. There is no guarantee that the investment objectives will be met. Dividends and yields represent past performance and there is no guarantee that they will continue to be paid.

## Average Annual Total Returns for Period Ended 9/30/2024

Class	Qtr (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	Since Inception (%)	Inception Date	Gross Expense Ratio (%)
Investor	6.58	23.31	-1.33	7.10	5.32	7.20	5/9/91	1.22
I	6.63	23.54	-1.14	7.31	5.53	5.85	11/20/97	1.02
R5	6.62	23.52	-1.14	7.30	5.53	7.38	4/10/17	1.02
R6	6.70	23.80	-0.97	7.46	5.70	5.88	7/26/13	0.87
MSCI EAFE Index	7.26	24.77	5.48	8.20	5.71	-	-	-

Historical performance for the R5 Class prior to its inception is based on the performance of I Class shares, which have the same expenses as the R5 Class. Expense ratio is as of the fund's current prospectus. The I Class minimum investment amount is \$5 million (\$3 million for endowments and foundations) per fund. The R5 Share Class is available only to participants in group employer-sponsored retirement plans where a financial intermediary provides recordkeeping services to plan participants. Periods greater than one year have been annualized.

**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 at [americancentury.com](http://americancentury.com), contains this and other information about the fund, and should be read carefully before investing.**

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