American Century One Choice Target-Date Fund Series Report

Morningstar Analyst Rating Bronze

Key Features

Asset-Weighted Expense Ratio	0.86%
Active/Passive Exposure	100% Active
Open/Closed Architecture	100% Closed
Total Net Assets ($M)	16,116

Executive Summary **Rating:**

Process **Positive**

American Century's research has emphasized the risks of taking a hit from the markets close to retirement. Thus, it has kept equity allocations lighter than have many competitors in the years leading up to retirement. The One Choice portfolios are a streamlined set of roughly 20 American Century funds. The equity funds are a mix of generally solid value and momentum managers, while the fixed-income sleeve is underpinned by the cautious American Century Diversified Bond.

Price **Neutral**

American Century's fees look just average under Morningstar's asset-weighted methodology. Institutional share classes are relatively cheap, but the Investor and A share classes carry average to high price tags.

Performance **Positive**

The funds held up relatively well in the down markets of 2008 and 2011 while also keeping pace in all but the fiercest bull markets. In the five-year period through March 2016, each fund lands in the top quartile of its respective category on a risk-adjusted basis. The series' modest equity stake generally boosted the longer-dated funds' returns when equities struggled to keep pace with bonds.

People **Positive**

Asset-allocation CIO Scott Wittman came to American Century from Munder Capital Management in mid-2009 following the original architect's departure. Rich Weiss joined in 2010 to handle day-to-day management of the funds. Scott Wilson remains a veteran of the team, but a long-tenured team member left the firm in 2012, replaced by Radu Gabudean. In April 2013, firm CIO Enrique Chang left for Janus; David MacEwen and Victor Zhang assumed co-CIO roles in December 2013.

Parent **Neutral**

American Century has made some improvements in its corporate culture, particularly in the areas of manager incentives and participant communications. The firm's level of manager turnover has stabilized since reaching uncomfortably high levels late in the past decade, though Enrique Chang's mid-2013 departure for Janus dings that track record.

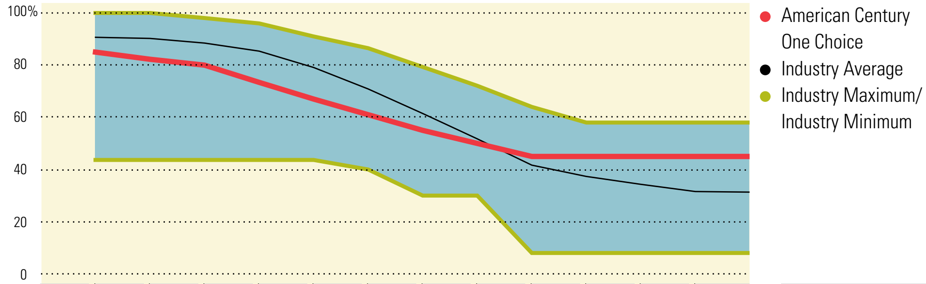
Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Strategic Glide Path Total Equity Exposure



2055	2050	2045	2040	2035	2030	2025	2020	2015	2010	2005	2000	1995	Retirement Date
85	82	80	73	67	61	55	50	45	45	45	45	45	American Century One Choice
91	90	88	85	79	71	61	52	42	37	34	32	31	Industry Average
7.45	7.33	7.28	6.95	6.59	6.25	5.95	5.60	-	5.16	-	-	-	3-Yr Total Return
								-		-	-	-	3-Yr Performance Quartile

Available Funds

Retirement Income Fund
2020 Fund
2025 Fund
2030 Fund
2035 Fund
2040 Fund
2045 Fund
2050 Fund
2055 Fund
2060 Fund
2060 Fund

Morningstar Opinion

Gretchen Rupp
Analyst, Fund-of-Funds Strategies 05-04-2016

American Century One Choice strikes a unique stance with an asset-allocation glide path that tends to be flatter than its target-date fund peers. This notable feature has been in place since the series' 2004 inception. Lead managers Scott Wittman and Rich Weiss contend this flatter path results in lower expected volatility in returns relative to peers with steeper paths. The design prioritizes addressing sequence-of-returns risk (the risk of having to sell securities following market losses) ahead of other risks. The managers have made few changes to the series over the years, but their ongoing research did support the introduction of additional asset classes in 2015. The team's approach has produced solid long-term performance, particularly on a risk-adjusted basis. This sound and steady process earns the series a Morningstar Analyst Rating of Bronze.

The glide path starts with an overall lower allocation to equities (85% compared with the 91% industry average) and transitions out of equities at a slower pace than most peers. It reaches a 45% allocation to stocks at the retirement date, which is just above the norm. In addition, sub-asset-class shifts occur as the glide path approaches retirement. For example, equities transition from growth to value-leaning, while emerging markets and REIT exposures decrease as the short-term Treasury Inflation-Protected Securities allocation increases. Unlike some peers that continue to roll down their series' equity exposure beyond retirement age, this series is in the industry camp that stops rolling down at the retirement date.

As a result of this approach, performance can appear out of step at times when compared with peers. While the series can produce decent absolute returns in up markets like 2009, it will typically lag peers in those markets. But the series shows better resilience in downturns, like 2008 and 2011, when the funds ranked among the target-date universe's best. The net effect has been some of the industry's best risk-adjusted returns: The series' five-year risk-adjusted returns, as measured by the Sortino ratio, through March 2016 land in the top quintile among peers across all funds in the series.

The series' typical outperformance when equities decline was not as pronounced in 2015 as in the past. The asset allocation changed slightly in early 2015 when the team increased overall exposure to international equities and international bonds. Also, the team added an additional quantitatively managed growth equity fund for diversification purposes. Overall, the underlying funds' quantitative models generally lagged peers in 2015, as their valuation-heavy approach was slightly out of favor. However, the series' returns still ranked in the top half of category peers for year through March 2016, and the team continues to base diversification decisions on longer-term performance results.