

Navigating the Indexing Ecosystem

And an introduction to American Century Investments and Avantis Investors

June 2026

Mark Killen

Senior Vice President

Managing Executive Officer - Japan



Who We Are by the Numbers

\$305B

TOTAL AUS

1400+ EMPLOYEES

30+

COUNTRIES

~210

CLIENT
CONSULTANTS

10+

INVESTMENT
VEHICLE TYPES

20+

AVG YEARS
EXPERIENCE OF
INVESTMENT
PROFESSIONALS

7

INVESTMENT
BOUTIQUES

3

PRIMARY
CLIENT
SEGMENTS

65+

YEARS IN
BUSINESS

~200

INVESTMENT
PROFESSIONALS

As of 3/31/2026



Global Investment Solutions for a Global Client Base





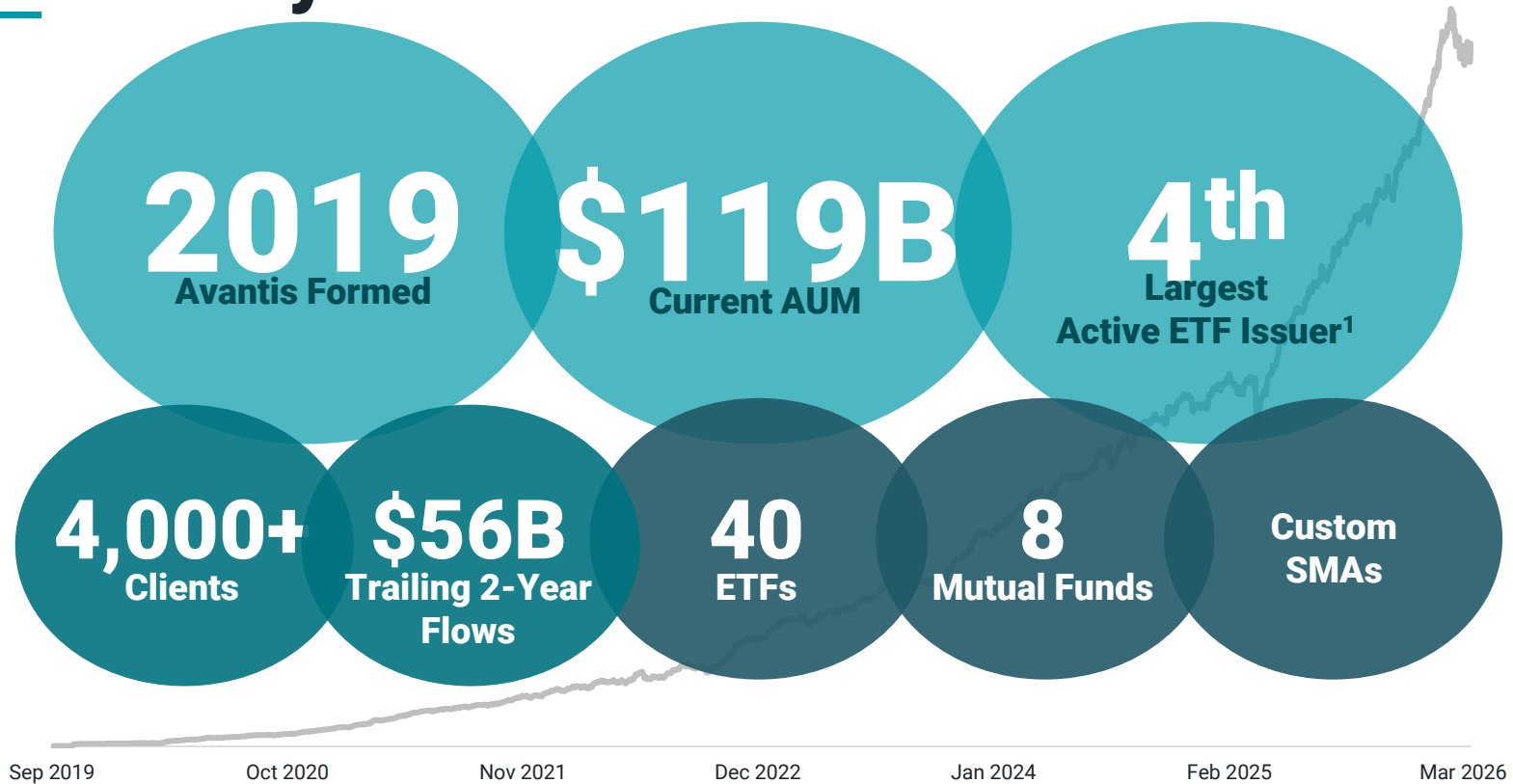
Our Capabilities Answer Diverse Client Needs

ASSET CLASS	EQUITY	FIXED INCOME	MULTI-ASSET CLASS*	AVANTIS INVESTORS®
AUM	\$145B+	\$35B+	\$25B+	\$115B+
CAPABILITY	<p>Global Growth</p> <ul style="list-style-type: none"> • Large Cap • Mid Cap • Small Cap • Developed Markets • Emerging Markets <p>Global Value</p> <ul style="list-style-type: none"> • Large Cap • Mid Cap • Small Cap • Real Estate <p>Disciplined Equity</p> <p>Private Equity</p>	<p>Global Fixed Income</p> <ul style="list-style-type: none"> • Core/Core Plus • Corporates • Government/Agency • High Yield • Securitized • Inflation Indexed • Municipals • Income • Cash Management 	<p>Multi-Asset</p> <ul style="list-style-type: none"> • Target Date • Target Risk • Income Solutions • Volatility Management • Custom Solutions 	<p>Global Equity</p> <ul style="list-style-type: none"> • Large Cap • Mid Cap • Small Cap • Developed Markets • Emerging Markets <p>U.S. Fixed Income</p> <ul style="list-style-type: none"> • Taxable • Municipals

As of 3/31/2026. Assets under management in USD.

*Underlying multi-asset components are also included in their respective asset class.

Avantis by The Numbers



Data as of 3/31/2026 unless otherwise noted. 1. Based on AUM out of 423 ETF issuers overall and 376 active ETF issuers as of March 31, 2026.

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Avantis Investors From Launch to Today

Firm Assets Under Management (\$B)



Data as of 3/31/2026

March 31, 2026
Avantis Investors

- \$119.2B total AUM
- \$12.8B net flows YTD
- 36 strategies
 - 29 equity
 - 4 fixed income
 - 2 real assets
 - 1 global balanced
- 29 strategies over \$100M

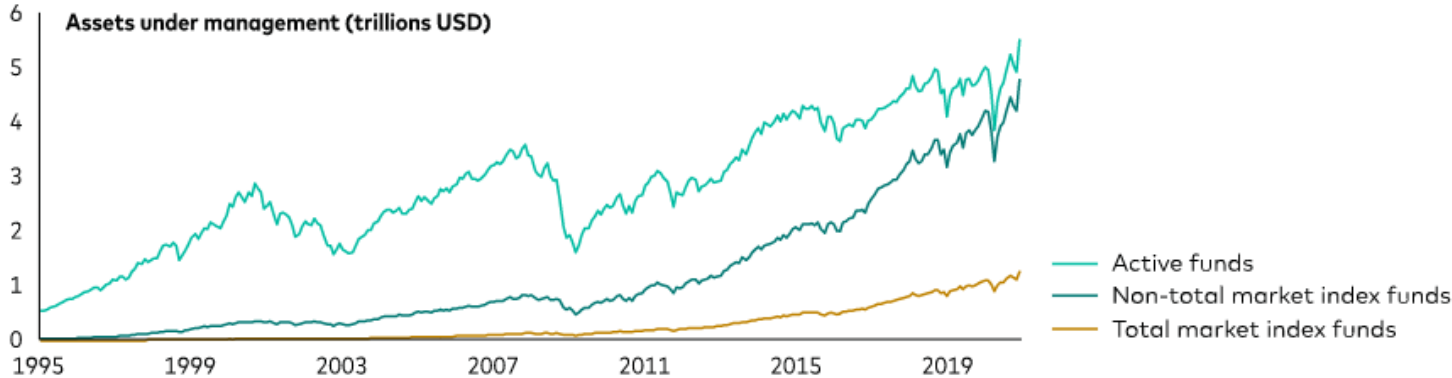
Avantis Investors[®]

By American Century Investments[®]

Navigating the Indexing Ecosystem: How Non-total Market Indexing Involves Active Decision Making

What's Driven the Growth in Indexing?

Non-total market index funds capture the majority of index fund assets



Notes: The chart shows the development of assets under management in the categories of non-total market index funds, total market index funds, and active funds. Time period observed: January 1995 to December 2020.

Sources: Vanguard calculations, based on data from Morningstar, Inc.

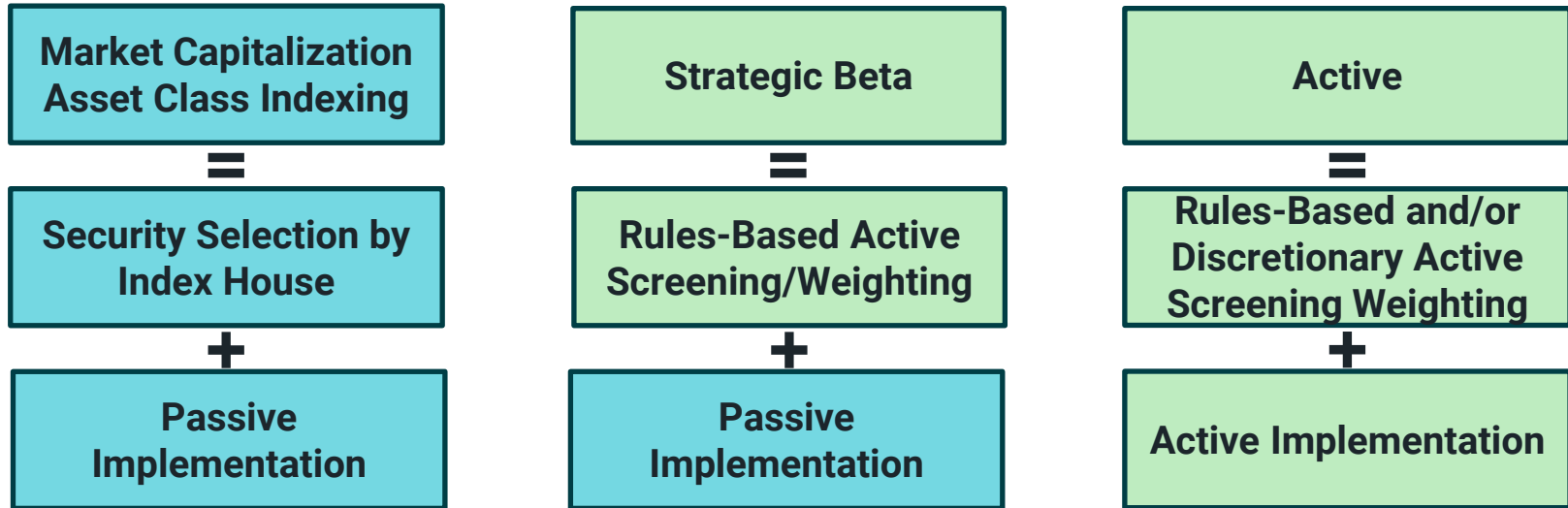
Source: <https://corporate.vanguard.com/content/corporatesite/us/en/corp/articles/new-form-of-active-investing.html>

What is Truly “Passive”?

In “Truly Passive” there is no security selection

**Market Portfolio =
Only Truly Passive**

Once we deviate from the market, “someone” is selecting securities



Active/Strategic Beta/Passive Framework is credited to Ben Johnson at Morningstar.

What's in a Name?

U.S. Large Cap Value Index Returns (%) Ranked from Highest to Lowest (2009-2025)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
S&P	Wilshire	Wilshire	S&P	CRSP	Russell	Wilshire	Morningstar	CRSP	CRSP	S&P	Wilshire	CRSP	Morningstar	S&P	CRSP	Morningstar
Russell	CRSP	CRSP	Russell	Russell	CRSP	CRSP	S&P	Wilshire	Wilshire	Wilshire	Russell	MSCI	CRSP	Morningstar	Wilshire	Wilshire
CRSP	Russell	Morningstar	CRSP	S&P	Wilshire	Morningstar	Russell	S&P	Morningstar	Russell	CRSP	Russell	S&P	Russell	Russell	Russell
Wilshire	Morningstar	MSCI	Wilshire	Morningstar	S&P	MSCI	CRSP	MSCI	MSCI	CRSP	S&P	S&P	Wilshire	CRSP	Morningstar	CRSP
MSCI	S&P	Russell	Morningstar	MSCI	MSCI	S&P	MSCI	Morningstar	Russell	Morningstar	MSCI	Wilshire	MSCI	Wilshire	MSCI	S&P
Morningstar	MSCI	S&P	MSCI	Wilshire	Morningstar	Russell	Wilshire	Russell	S&P	MSCI	Morningstar	Morningstar	Russell	MSCI	S&P	MSCI
MAX - MIN RETURN																

U.S. Small Cap Value Index Returns (%) Ranked from Highest to Lowest (2009-2025)

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Morningstar	CRSP	CRSP	Wilshire	S&P	CRSP	Wilshire	Russell	CRSP	Wilshire	S&P	Wilshire	Morningstar	Morningstar	CRSP	CRSP	Russell
CRSP	Wilshire	S&P	CRSP	CRSP	Morningstar	CRSP	S&P	S&P	CRSP	Wilshire	CRSP	S&P	CRSP	Wilshire	Wilshire	Morningstar
Wilshire	Morningstar	Morningstar	Morningstar	Morningstar	Wilshire	MSCI	Morningstar	MSCI	S&P	CRSP	Russell	MSCI	MSCI	S&P	Morningstar	Wilshire
MSCI	S&P	MSCI	S&P	Russell	S&P	S&P	Wilshire	Morningstar	Russell	Russell	S&P	Wilshire	S&P	MSCI	MSCI	MSCI
S&P	Russell	Wilshire	Russell	Wilshire	MSCI	Russell	MSCI	Russell	MSCI	MSCI	MSCI	Russell	Wilshire	Russell	Russell	CRSP
Russell	MSCI	Russell	MSCI	MSCI	Russell	Morningstar	CRSP	Wilshire	Morningstar	Morningstar	Morningstar	CRSP	Russell	Morningstar	S&P	S&P
MAX - MIN RETURN																

Data over the 15-year period from 1/1/2009-12/31/2025. Source: Morningstar. Return periods greater than one year are annualized. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

What's in a Name? Answer: Not Enough

U.S. Large Cap Value Index Returns (%) Ranked from Highest to Lowest (2009-2025)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
S&P	21.18	Wilshire	Wilshire	S&P	CRSP	Russell	Wilshire	Morningstar	CRSP	CRSP	S&P	Wilshire	CRSP	Morningstar	S&P	CRSP	Morningstar
	16.56	3.74	17.68	33.34	13.45	-0.79	20.01	17.16	-5.40	31.93	7.37	26.51	-0.35	22.23	16.00	17.67	
Russell	19.69	CRSP	CRSP	Russell	Russell	CRSP	CRSP	S&P	Wilshire	Wilshire	Wilshire	Russell	MSCI	CRSP	Morningstar	Wilshire	Wilshire
	16.06	1.43	17.51	32.53	13.29	-0.86	17.40	16.31	-5.94	27.72	2.80	26.29	-2.01	11.76	15.01	16.12	
CRSP	18.42	Russell	Morningstar	CRSP	S&P	Wilshire	Morningstar	Russell	S&P	Morningstar	Russell	CRSP	Russell	S&P	Russell	Russell	Russell
	15.51	1.35	16.71	31.99	13.00	-2.13	17.34	15.36	-6.90	26.54	2.26	25.16	-5.22	11.46	14.37	15.91	
Wilshire	16.98	Morningstar	MSCI	Wilshire	Morningstar	S&P	MSCI	CRSP	MSCI	MSCI	CRSP	S&P	S&P	Wilshire	CRSP	Morningstar	CRSP
	15.17	0.64	14.56	31.78	12.36	-2.82	16.93	14.42	-7.96	25.85	1.36	24.90	-5.51	9.17	14.10	15.31	
MSCI	16.91	S&P	Russell	Morningstar	MSCI	MSCI	S&P	MSCI	Morningstar	Russell	Morningstar	MSCI	Wilshire	MSCI	Wilshire	MSCI	S&P
	15.10	0.39	14.06	31.22	11.36	-3.13	15.83	14.25	-8.27	25.53	0.05	24.53	-6.96	9.17	13.55	13.19	
Morningstar	16.39	MSCI	S&P	MSCI	Wilshire	Morningstar	Russell	Wilshire	Russell	S&P	MSCI	Morningstar	Morningstar	Russell	MSCI	S&P	MSCI
	13.46	-0.48	13.96	30.24	9.37	-3.83	15.44	13.66	-8.95	24.61	-1.65	23.28	-7.54	8.35	12.29	12.97	
MAX - MIN RETURN	4.78	3.10	4.22	3.72	3.10	4.08	3.04	4.57	3.49	3.55	7.31	9.01	3.24	7.18	13.88	3.72	4.70

U.S. Small Cap Value Index Returns (%) Ranked from Highest to Lowest (2009-2025)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Morningstar	40.28	CRSP	CRSP	Wilshire	S&P	CRSP	Wilshire	Russell	CRSP	Wilshire	S&P	Wilshire	Morningstar	Morningstar	CRSP	CRSP	Russell
	27.18	0.01	21.52	39.98	10.63	-4.36	31.74	11.83	-12.04	24.54	6.16	31.79	-6.60	15.91	12.42	12.59	
CRSP	37.81	Wilshire	S&P	CRSP	CRSP	Morningstar	CRSP	S&P	S&P	CRSP	Wilshire	CRSP	S&P	CRSP	Wilshire	Wilshire	Morningstar
	26.76	-1.38	20.50	38.47	10.03	-4.64	31.32	11.51	-12.27	23.08	5.75	30.95	-9.27	15.35	11.51	11.84	
Wilshire	37.45	Morningstar	Morningstar	Morningstar	Morningstar	Wilshire	MSCI	Morningstar	MSCI	S&P	CRSP	Russell	MSCI	MSCI	S&P	Morningstar	Wilshire
	25.96	-1.84	18.30	35.71	9.09	-5.89	27.96	8.44	-12.64	22.76	4.63	29.77	-10.33	14.89	9.67	10.79	
MSCI	29.21	S&P	MSCI	S&P	Russell	S&P	S&P	Wilshire	Morningstar	Russell	Russell	S&P	Wilshire	S&P	MSCI	MSCI	MSCI
	24.72	-4.72	18.21	34.52	7.54	-6.67	27.68	8.40	-12.86	22.39	2.53	29.24	-11.04	14.77	8.82	10.70	
S&P	22.85	Russell	Wilshire	Russell	Wilshire	MSCI	Russell	MSCI	Russell	MSCI	MSCI	MSCI	Russell	Wilshire	Russell	Russell	CRSP
	24.50	-5.34	18.05	33.80	6.64	-7.47	26.62	7.84	-13.60	21.27	1.20	28.27	-14.22	14.65	8.05	9.11	
Russell	20.58	MSCI	Russell	MSCI	MSCI	Russell	Morningstar	CRSP	Wilshire	Morningstar	Morningstar	Morningstar	CRSP	Russell	Morningstar	S&P	S&P
	24.21	-5.50	17.69	32.73	4.22	-8.65	24.82	7.42	-16.61	19.96	1.01	28.15	-14.48	14.58	7.56	6.70	
MAX - MIN RETURN	19.70	2.97	5.51	3.82	7.25	6.41	4.28	6.92	4.41	4.57	4.57	5.16	3.64	7.88	1.33	4.86	5.89

Data over the 15-year period from 1/1/2009-12/31/2025. Source: Morningstar. Return periods greater than one year are annualized. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

400 Factors...and Counting

Data availability has allowed researchers and practitioners to “search” for patterns using historical data

- Most of these patterns have no reason to exist – they happened randomly in the past
- Some factors provide benefits (but not increased expected returns), e.g. Low volatility
- Some factors may not be directly implementable but can enhance expected returns, e.g. momentum

What should investors do to cut through the factor noise?

See A Census of the Factor Zoo, Harvey/Liu (2019)

We Should Consider Valuation

Use the learnings from asset pricing and factor research but within a valuation framework.

$\text{Price} = \text{Equity} + \frac{\text{Profits}}{\text{Discount Rate}}$	$\frac{\text{Equity}}{\text{Price}} \text{ AND } \frac{\text{Profits}}{\text{Equity}}$
<p>Expected returns (discount rates) are a function of:</p> <ul style="list-style-type: none">PricesCurrent equityExpected profits	<p>Differences in expected returns across securities are captured in valuation ratios</p> <p>Need to define</p> <ul style="list-style-type: none">Equity (modified B/M)Profits (cash-based operating profitability)

Goal is to find reliable proxies for equity and profits that incorporate enhancements to have a more robust approach.

Valuations and Expected Returns

Two independent ratios using the information from the balance sheet, cash flows and price:

$$\frac{\text{Cash Flows}}{\text{Equity}} \quad \& \quad \frac{\text{Equity}}{\text{Price}}$$

If both ratios are high \longrightarrow Discount Rate is **High**
Companies are trading at a low price despite high profitability.

If both ratios are low \longrightarrow Discount Rate is **Low**
Companies are trading at a high price despite low profitability.

Quality Investing (Novy-Marx 2013): "Buying high quality assets without paying premium prices is just as much value investing as buying average quality assets at discount prices. Strategies that exploit the quality dimension of value can be profitable on their own, and accounting for both dimensions of value yields dramatic performance improvements over traditional value strategies. Gross profitability is particularly powerful among popular quality notions, especially among large cap stocks and for long-only investors."

Implications for Expected Returns

		Book-to-Market	
		Low	High
Profitability	High		High E(R)
	Low	Low E(R)	

		Book-to-Market	
		Low	High
Profitability	High		
	Low		

	All Companies	Low-Low	High-High
Large Caps	12.35	10.77	16.36
Mid Caps	13.50	11.35	17.22
Small Caps	14.30	8.66	19.37

	Low-High	High-Low
	12.44	11.95
	13.15	13.05
	14.58	14.95

Premium vs. Market



Source: Avantis Investors and Sunil Wahal, CRSP/Compustat, U.S. Securities, 1973-2024

Implications for Asset Allocation

Expectations from empirical evidence based on the valuation framework.

Exclude/Underweight to Increase Expected Returns

High price (low BtM) despite low profitability implies a low discount rate.

		Book-to-Market			
		Low			High
Profitability	High				High E(R)
	Low	Low E(R)			

Select/Overweight to Increase Expected Returns

Low price (high BtM) despite high profitability implies a high discount rate.

High price (low BtM) due to high profitability. No expectations of high discount rate or high expected returns.

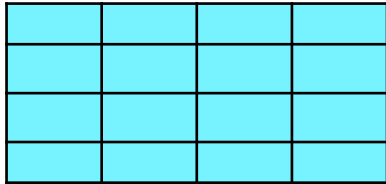
		Book-to-Market			
		Low			High
Profitability	High				
	Low				

Low price (high BtM) due to low profitability, not a high discount rate. No expectations of high expected returns.

Efficiently Increasing Expected Returns

A Road Map for An Efficient Asset Allocation

Market Portfolio

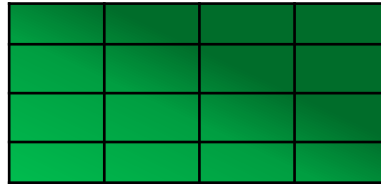


Market Expected Returns

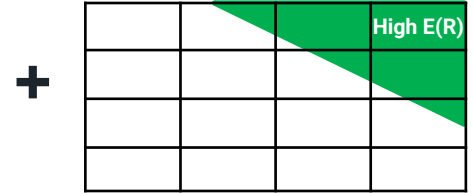


Increasing Expected Return

Start with the
Integrated Market



Valuation-Based Premiums



If we integrate the market (or market by size ranges) plus higher E(R) portfolios

Integrated Market
(OW high/high and UW/exclude low/low)

Integrated Higher E(R) Portfolios
(Focused on high/high companies in green)

A Demonstrated Track Record

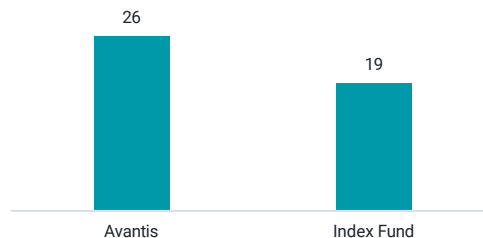
Through a systematic, valuation-based approach, we deliver daily-managed strategies with active upside at near passive fees. And we've built a body of work that demonstrates our view: indexing offers benefits for investors, but we can do better.

Avantis Equity Strategies with 5+ Year Track Record¹

Average Annualized Excess Return
Net of Fees (bps)

319

Average Expense Ratio (bps)



1. Data as of 3/31/2026. ETFs included are those that have at least a five-year live track record as of the most recent quarter end – AVUS, AVUV, AVDE, AVDV, AVEM. The average excess return is calculated by taking the annualized excess NAV return versus each ETF's respective prospectus benchmark since inception through the most recent quarter end. The average index expense ratio is calculated using the asset-weighted average passive fee for each of the fund's respective Morningstar Categories from the Morningstar 2024 Fund Fee study. Standardized performance including NAV and market price returns can be found in the "Performance Overview" slide. Past performance is no guarantee of future results.

Thinking Beyond Factors and Indexes

Financial Science and Research on Asset Pricing and Factors taught us:

Certain stock characteristics are associated with premiums

Premiums can be linked to valuations

To create better portfolios:

We do not need the factors

factors are just one possible implementation of a concept

We need the underlying concepts we learned from research
and their interactions

Basu (1977), Stattman (1980), Banz (1981), Rosenberg (1985), Bhandari (1988)

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