

American Century Investment Management, Inc. **Pinnacle American Large Cap Growth Equity Fund** **First Quarter, 2009**

The Pinnacle American Large Cap Growth Equity Fund fell in the first quarter of 2009; slightly less than its benchmark, the Russell 1000 Growth Index which declined -4.12% . In terms of the Pinnacle American Large Cap Growth Equity Fund's absolute returns, information technology shares contributed most, while economically sensitive industrial stocks were the biggest detractors. Relative to the benchmark, the leading contribution came from consumer discretionary shares, where outperformance was largely a result of stock choices. Stock selection also made the Financials, Industrials, and Information Technology sectors notable contributors to relative results. Energy shares detracted most from performance relative to the benchmark due to security selection.

Leading Contributors

In the Consumer Discretionary sector, outperformance was driven by positioning among hotels, restaurants, and leisure companies, as stock selection was positive and it helped to be underweight this poor-performing industry. The single largest contributor to relative results in the quarter resided in this sector—Kohl's is a mid-price retailer that gained market share despite the drop-off in consumer spending. The company also benefited from being one of the retailers best able to manage inventory in the challenging economic environment. A number of the portfolio's holdings outperformed in the media segment as well during the quarter.

In the Financials sector, outperformance was largely a result of stock selection in the capital markets industry. A key contributor to relative return was Northern Trust. The firm, which derives much of its revenue from fee-based services, reported record fourth-quarter results despite the difficult economic and market conditions.

Stock selection also made Industrials and Information Technology shares positive contributors to relative return. In industrials, the key contribution came from stock choices among machinery companies. And in the information technology space, outperformance resulted from selection and allocation decisions in the semiconductor and computers and peripherals industries.

Leading Detractors

However, the Industrials sector was also home to the biggest *detractor* from relative results for the quarter—defense contractor Raytheon was hurt by worry that it might suffer in the current round of budget negotiations in Washington. Nevertheless, portfolio managers continue to like the company—which reported solid business fundamentals during the quarter—and believe it is well positioned to benefit from ongoing defense spending by governments around the world.

Elsewhere, stock selection among energy shares hurt relative performance most at the sector level, led by holdings in the oil, gas, and consumable fuels industry. These stocks were hampered by the continued decline in natural gas prices. Investors generally moved away from the higher-quality exploration and production (E&P) companies in which the portfolio was overweight, in favour of more highly levered E&P and oil services companies, in which the portfolio was underrepresented.

In Health Care, selection and allocation decisions detracted most in the pharmaceutical industry. The portfolio held an underweight position in the sector, which benefited from mergers and acquisitions—both actual and rumoured—during the quarter. In particular, it hurt to have no exposure to drug giant Schering-Plough, which was a takeover target of Merck.

The Pinnacle Program

A Large Growth Portfolio

The Pinnacle American Large Cap Growth Equity Fund seeks long-term capital appreciation for investors who can tolerate short-term share price fluctuations. The portfolio advisor will pursue this objective by continuing to remain fully invested in large companies that are exhibiting sustainable improvement in their businesses. It is the portfolio advisor's belief that owning such companies will generate outperformance over time versus the Russell 1000 Growth Index and the other funds in the large-growth peer group.

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