



Investment Viewpoints

Asset Allocation Perspective

First Quarter 2009

A Time of Tremendous Challenges...and Opportunities

Jeff Tyler, CFA, Senior Vice President, Asset Allocation

Last December, the National Bureau of Economic Research (NBER) made it official: We are in a recession and have been since December 2007. In some respects, the early months of this official recession were unusual: Unemployment rose slightly from 4.9% to 5.0%. Oil prices rose substantially for the first half of the year and peaked in July, and quarterly GDP growth remained positive, albeit anemic, through the first two quarters of 2008.

On the other hand, the major equity markets and consumer spending had been declining all year-long. Home prices also exhibited declines throughout the year with the sun and sand states, such as Nevada, Arizona, California and Florida, particularly hard hit.

What began as a credit crisis in 2007 has now cascaded into deep, global, consumer-led recession. The charts in this Asset Allocation Perspective

incorporate data and trends going back to the beginning of 1980 so that comparisons can be made between recent trends in unemployment, prices and industrial production and those in past recessions such as the sharp and prolonged 1981-82 downturn.

Behind the headlines is one irrefutable fact: Households, corporations, banks and other financial institutions, hedge funds and small businesses are reducing the amount of debt owed. Much of this is forced deleveraging as prices and demand decline. The only economic players that are leveraging-up are government treasuries and central banks as they attempt to become last resort liquidity providers for their national economies. It won't be until this necessary deleveraging is fairly well along before the prospect of a solid and sustainable economic recovery will be realized.

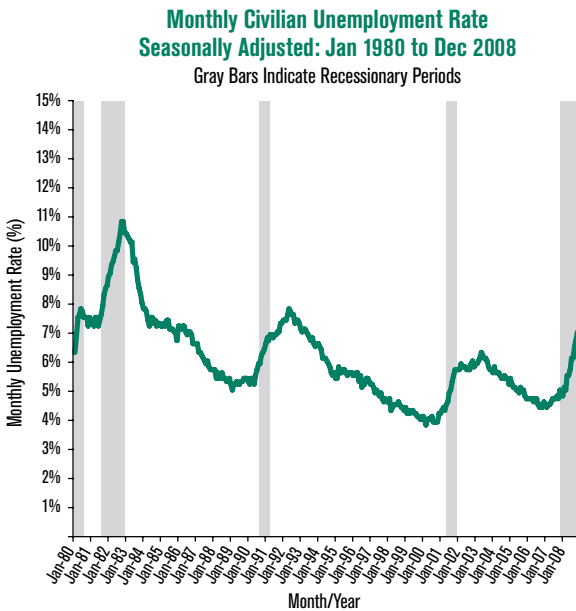
First Quarter 2009 Asset Allocation - Tactical Weightings					
Asset Category	Strategic Allocation: Aggressive	Strategic Allocation: Moderate	Tactical Weight: Aggressive/Moderate*	Strategic Allocation: Conservative	Tactical Weight: Conservative*
Large Cap Value	8.00	9.00	(0.50) underweight	10.50	(0.50) underweight
Mid Cap Value	5.50	6.00	(0.50) underweight	7.25	(0.25) underweight
Core Equity	14.00	15.50	(0.50) underweight	8.50	(0.50) underweight
Large Cap Growth	15.00	8.50	0.50 overweight	5.25	0.50 overweight
Mid Cap Growth	14.50	8.00	neutral	4.75	neutral
International Developed	13.00	10.00	neutral	8.00	neutral
International Emerging	7.00	5.00	neutral	0.00	neutral
Stocks - Total	77.00	62.00	(1.00) underweight	44.25	(0.75) underweight
High Quality Bond	17.00	30.00	2.00 overweight	46.00	1.00 overweight
High Yield Bond	4.00	2.00	(1.00) underweight	0.00	neutral
International Bond	0.00	0.00	neutral	0.00	neutral
Bonds - Total	21.00	32.00	1.00 overweight	46.00	1.00 overweight
Cash & Equivalents	2.00	6.00	neutral	9.75	(0.25) underweight
Totals	100.00	100.00		100.00	

*This chart details the difference between current tactical weightings and the long-term strategic allocations that distinguish each strategy. Periodic adjustments are occasionally needed to balance our overall risk-reward ratio. Tactical weight numbers reflect current, equal adjustments to each fund as of December 31, 2008. **The risk designations are relative only to the three Strategic Allocation funds and do not represent comparisons with any other investment.**

You should consider the funds' investment objectives, risks, charges and expenses carefully before you invest. The funds' prospectuses, which can be obtained by calling 1-800-345-6488 or by visiting www.americancentury.com, contain this and other information about the funds and should be read carefully before investing.

Commodity Prices and Industrial Output Plummet while Unemployment Rises

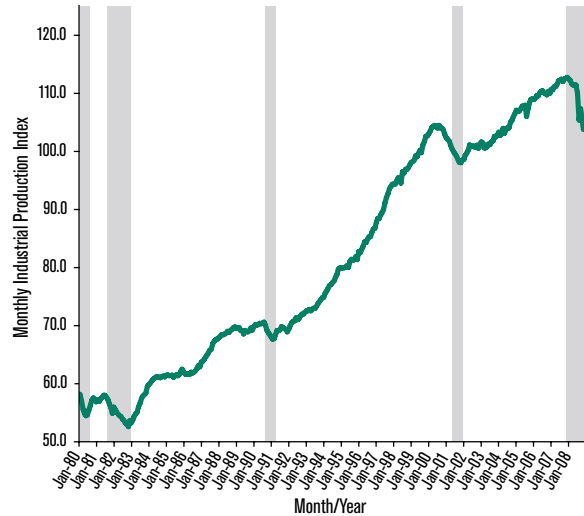
What began as a pullback in consumer spending in the third quarter of 2008 turned into a rout by the fourth quarter as large corporate layoffs made headlines. Between April and December, unemployment rose 2.3% ending the year at 7.2%. Many economists expect this upward trend will continue into the first half of 2009.



Source: U.S. Census Bureau

Industrial production also fell sharply beginning mid-2008 at a rate that surpassed the severity of decline in the 1981-82 recession. And output in critical manufacturing sectors, such as the automobile industry, fell dramatically as the “Big Three” (GM, Ford and Chrysler) went to Washington seeking a multi-billion dollar loan package to forestall bankruptcy.

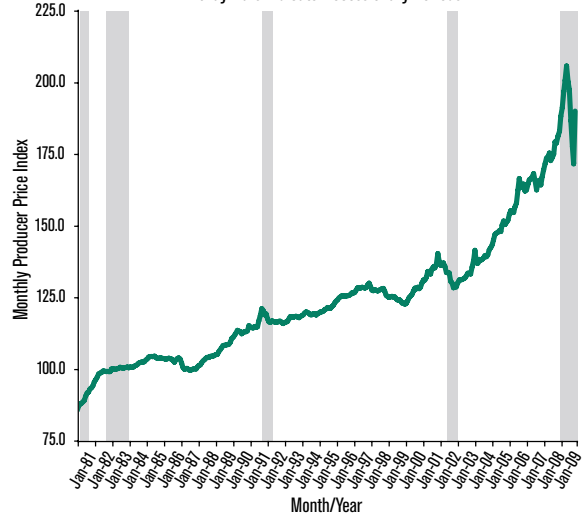
Monthly Industrial Product Index
2002 = 100
Jan 1980 to Dec 2008
Gray Bars Indicate Recessionary Periods



Source: The Federal Reserve Board

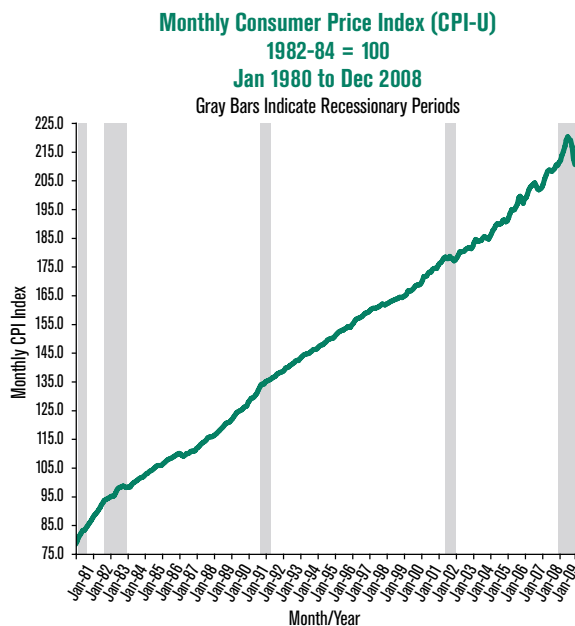
As demand and production fell sharply, so did the price of most commodities. This steep decline combined with falling real estate prices created the risk of a possible deflationary spiral if dramatic actions were not taken. This sudden and striking decline in commodity prices is one characteristic that distinguishes this recession from all of the past ones since 1980. The silver lining is that oil prices have dropped nearly two-thirds since their peak last July.

Monthly Producer Price Index: All Commodities
1982 = 100
Jan 1980 to Dec 2008
Gray Bars Indicate Recessionary Periods



Source: Federal Reserve Bank of St. Louis

In the wake of this rapid deterioration, the U.S. Federal Reserve announced that it was cutting the federal funds rate, used for overnight bank lending, to essentially zero. The Fed discount rate was also cut to 0.5%, its lowest since the 1940's. These moves were intended to prevent the possibility of deflation with prices and wages dragging each other down.



Source: Bureau of Labor Statistics

The Fed also signaled a commitment to pursue other policies to lower longer term borrowing rates for corporations and households. Given the longer-term inflationary risks of these policies, long-term Treasury Inflation-Protected Securities (TIPS) enjoyed a substantial price rally in December.

New Measures Needed to Stimulate Economic Recovery

The key trend of deleveraging is both necessary to lay the foundation of a sustainable recovery and very painful. We have reached the practical limit of what can be accomplished through traditional monetary policies such as cuts in the Fed funds and discount rates. In the wake of substantial consumer spending declines, rate cuts in and of themselves are like pushing on a string.

What is needed, as the new Obama administration and Congress come to office, is a major government-sponsored fiscal stimulus plan that combines spending with the extension of capital gains and income tax cuts initiated by the Bush administration. Industries need substantial investment and loan packages, but these must be tied to meaningful restructuring plans. Without the latter, markets may become convinced that 'good money is being thrown after bad' in a never-ending cycle.

Infrastructure spending is one area where the magnitude of investment required could easily match the amount of spending needed to stimulate the economy with sound long-term economic benefits. Overdue areas for investment are aging transportation systems, energy transmission and public education. Additional investment areas are alternative energy and transportation systems, such as renewable fuels or light rail. The key to any major investment, from the markets' perspective, is that it is viewed as contributing to long-term economic growth as opposed to pork-barrel spending.

Looking Ahead

Perhaps the biggest risks President Obama and Congress face are high expectations for dramatic change, and how interest groups will compete to ensure that a fiscal recovery program reflects their agendas. From the markets' perspective, any plan should be large enough to arrest the current economic downturn and practical enough to re-assure investors that there will be long-term economic benefits. It will be a fine line to walk and the markets will be watching closely.

Because of our near-term outlook for sluggish economic growth both in the U.S. and world wide,

our position remains cautious and conservative with respect to our asset allocations. Like last quarter, we are underweight stocks in general. We are also continuing to maintain a slight tilt toward growth versus value stocks in our equity holdings based on the belief that an economic recovery is in the future—although we're not forecasting how soon and how rapid. In addition, we have an overweight position in high-quality bonds. Given recent substantial equity market underperformance and volatility, we have rebalanced our portfolios to maintain our targets.

A WORD ABOUT RISK

The funds' performance depends on the investment managers' skill in determining the strategic asset class allocations, the mix of underlying American Century funds, as well as the performance of those underlying funds. The underlying funds' performance may be lower than the performance of the asset class they were selected to represent. Stocks and bonds can decline due to adverse issuer, market, regulatory, or economic developments. International markets may be less liquid and can be more volatile than U.S. markets. These risk factors, including those associated with currency exchange rates also apply to investments in international markets, all of which make international markets more volatile and less liquid than investments in domestic markets. Some of the underlying funds can invest in either high-yield securities or small/emerging growth companies. Investments in these types of securities generally are subject to greater volatility than either higher-grade securities or more-established companies, respectively. Before making an investment in any fund, you should consider all the risks associated with it.

Jeff Tyler, Senior Vice President and Senior Portfolio Manager, is the senior investment officer assigned to American Century's Asset Allocation Funds (Conservative, Moderate and Aggressive). The risk designations are relative only to the three Strategic Allocation funds and do not represent comparisons with any other investment. The three diversified portfolios invest in varying levels of stocks, bonds and cash and account for over \$2.7 billion (as of 12/31/08) in assets. Mr. Tyler, who also holds the title of Market Strategist, has managed money for American Century Investments for 16 years.

The opinions expressed are those of the contributors from the portfolio investment team. The opinions are no guarantee of the future performance of any American Century portfolio. Material presented has been derived from industry sources considered to be reliable, but their accuracy and completeness cannot be guaranteed.

You should consider the funds' investment objectives, risks, charges and expenses carefully before you invest. The funds' prospectus, which can be obtained by calling 1-800-345-6488 or by visiting www.americancentury.com, contains this and other information about the fund and should be read carefully before investing.



American Century
Investments®

American Century Investment Services, Inc., Distributor

©2009 American Century Proprietary Holdings, Inc. All rights reserved.

American Century Investments | P.O. Box 419385 | Kansas City, Missouri 64141-6385 | 1-800-345-6488 | www.americancentury.com

IN-BRO-64676 0902

Non-FDIC Insured • May Lose Value • No Bank Guarantee