



CAPITAL GROUP® | AMERICAN FUNDS®

## FIXED INCOME:

Macro, markets, actionable ideas and portfolio construction

# The case for balance

# Fixed income at Capital Group

## Capital Group

 **Founded in 1931**

 **Privately held**

 **\$2.6 trillion in assets under management\***

 **Manager of the American Funds mutual funds, and Capital Group institutional strategies and separately managed accounts (SMAs)**

**Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.**

\*Preliminary estimate as of September 30, 2021. All values in USD.

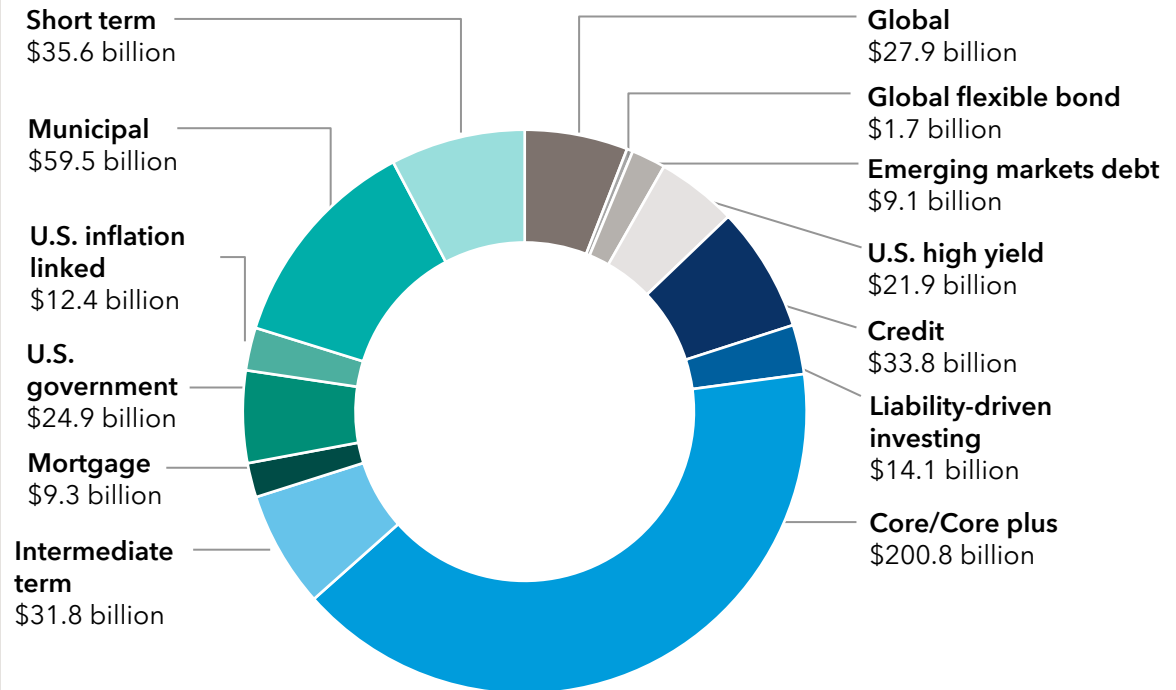
Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

# Broad fixed income capabilities

\$483 billion in assets under management

- Taxable**
- American Funds U.S. Government Money Market Fund<sup>SM</sup>
  - Short-Term Bond Fund of America<sup>®</sup>
  - Intermediate Bond Fund of America<sup>®</sup>
  - The Bond Fund of America<sup>®</sup>
  - U.S. Government Securities Fund<sup>®</sup>
  - American Funds Inflation Linked Bond Fund<sup>®</sup>
  - American Funds Multi-Sector Income Fund<sup>SM</sup>
  - American Funds Mortgage Fund<sup>®</sup>
  - American Funds Corporate Bond Fund<sup>®</sup>
  - American Funds Strategic Bond Fund<sup>SM</sup>
  - Capital World Bond Fund<sup>®</sup>
  - American High-Income Trust<sup>®</sup>
  - American Funds Emerging Markets Bond Fund<sup>®</sup>
- Tax-exempt**
- American Funds Short-Term Tax-Exempt Bond Fund<sup>®</sup>
  - Limited Term Tax-Exempt Bond Fund of America<sup>®</sup>
  - The Tax-Exempt Bond Fund of America<sup>®</sup>
  - American High-Income Municipal Bond Fund<sup>®</sup>
  - The Tax-Exempt Fund of California<sup>®</sup>
  - American Funds Tax-Exempt Fund of New York<sup>®</sup>

Total fixed income assets by strategy



Assets under management by Capital Fixed Income Investors as of September 30, 2021. All values in USD. Totals may not reconcile due to rounding.

# Pursuing durable outcomes for investors

Our focus on long-term client outcomes and downside protection has led to strong relative results

## A disciplined process guided by conviction

Empowering research analysts to manage money enhances accountability and helps identify better opportunities

A team approach results in high-conviction ideas gaining prominence in our portfolios

196 fixed income professionals collaborate regularly with their equity colleagues, leveraging our size and scale<sup>1</sup>

## Commitment to investor success

Portfolio managers invest in their own funds – 100% manager ownership in each fixed income fund (excluding state-specific municipal funds)

Manager compensation places an emphasis on long-term results, not assets under management

We offer funds with low expense ratios<sup>2</sup>

## Superior outcomes

Delivered strong returns and risk-adjusted returns vs. peers<sup>3</sup>

Helped investors achieve diversification through attention to the correlation between bonds and equities<sup>4</sup>

Manage core bond funds that have shown resilience in periods of equity market volatility<sup>5</sup>

<sup>1</sup> As of September 30, 2021.

<sup>2</sup> Source: Lipper. Based on the F-2 share class data as of 12/31/20. 15 out of 18 American Funds fixed income funds had expense ratios below the average for their respective Lipper categories, based on institutional load funds, excluding funds of funds.

<sup>3</sup> Data as of 12/31/20. Based on three-, five- and 10-year total returns and Morningstar risk-adjusted returns of Class F-2 shares for taxable and tax-exempt bond funds. Peer group is defined as the Morningstar category for each fund. The majority of the funds outpaced their peer group medians.

<sup>4</sup> Data as of 12/31/20. Standard & Poor's 500 Composite Index was used as an equity market proxy. Correlation based on monthly total returns in USD.

<sup>5</sup> Data from Morningstar. Periods of equity volatility were defined as the most recent market corrections between April 2010 and September 2021 when price declines of 10% or more (without dividends reinvested) occurred in the unmanaged S&P 500 with 50% recovery persisting for more than one business day between declines. The Bond Fund of America, Intermediate Bond Fund of America, Short-Term Bond Fund of America and American Funds Strategic Bond Fund outpaced the S&P 500 during these periods of volatility. The returns of the funds and index are based on total returns.

# Four roles of fixed income

How to think about fixed income in portfolio construction

When stocks struggle, owning bonds with a low correlation to equities can result in lower portfolio volatility. It also allows investors to rebalance portfolios at appropriate times in a market cycle.



Diversification from equities



Income



Providing dependable income is a central function of a bond allocation.

A fixed income allocation should help protect principal in most market environments.



Capital preservation



Inflation protection



Bonds directly linked to the Consumer Price Index can help to protect an investor's purchasing power.

# A process built on experience

An experienced team of dedicated fixed income professionals

	Total	Average years of experience	
		In the industry	With Capital Group
 Portfolio managers	29	24	16
 Research analysts	52	12	5
 Trading professionals	37	20	12
 Macro analysts	13	24	10
 Risk and quantitative analysts	11	14	7
 Investment services professionals	23	18	5
 Other fixed income professionals	31	15	6
 Total fixed income professionals	196		

Data as of September 30, 2021.

Trading includes traders, trading analysts and head of Global Fixed Income Trading.

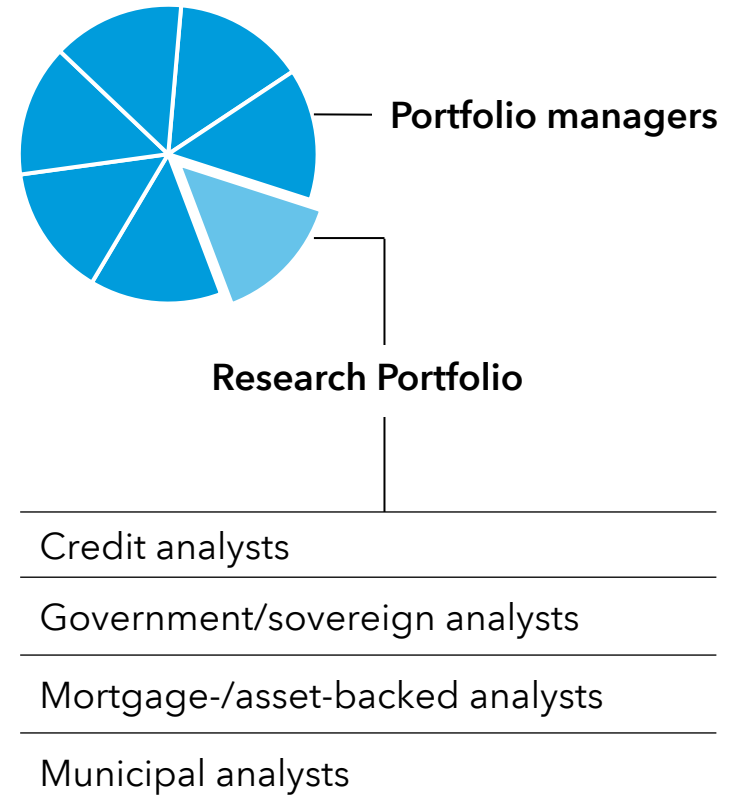
Investment services professionals includes Investment Directors, LDI team and Investment Product Management associates.

Other fixed income professionals includes portfolio and derivatives strategists, research associates, Aladdin team and business management.

# Our research advantage

## Analysts managing money helps create value

- Our commitment to research analysts managing assets helps us attract and retain excellent talent
- Analysts typically begin to manage money soon after their initial investment review
- Holdings in Research Portfolios (RPs) signal the analysts' investment convictions to portfolio managers
- Analysts learn how to construct portfolios and manage different types of investment risk early in their Capital careers
- RP investment results help inform succession planning
- Most new portfolio managers have a track record of successful investing within the RPs
- **Research Portfolios have, historically, been additive to fund results**



Size and number of portfolio segments do not reflect actual asset allocations.

# Trading experience

## Institutional strength in trade execution

### Experienced team

- 37-person trading team
- Averaging 20 years of industry experience and 12 years with Capital Group
- Trading desks in London, Los Angeles, New York and Singapore

### Partner in the investment process

- Participate in investment meetings
- Deep sector experience
- Relative value analysis
- Advice on sizing ideas in the portfolio

### Primary and secondary liquidity

- Capital's size, scale and reputation position us well in the new issue market
- Sector specialists often find better secondary liquidity than generalist traders

### Specialized trading responsibilities

	Average years of experience		
	Total	Industry	Capital Group
Non-U.S. and emerging markets debt	7	21	14
Corporates (high yield and investment grade)	8	22	13
Municipal	5	18	10
Foreign exchange	4	28	20
Money market	2	26	24
Rates and structured	6	14	6
Fixed income trading management	1	28	4
Fixed income trading analysts	4	9	6

Data as of September 30, 2021.

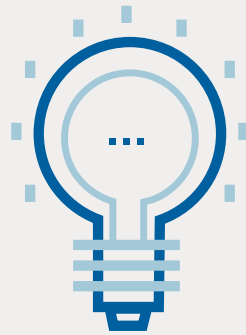


# Navigating today's complex world



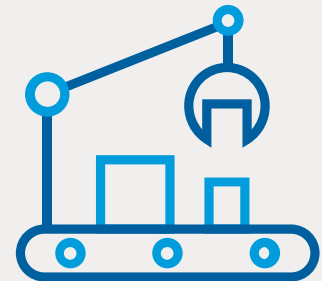
1

Macro and  
markets



2

Actionable  
ideas



3

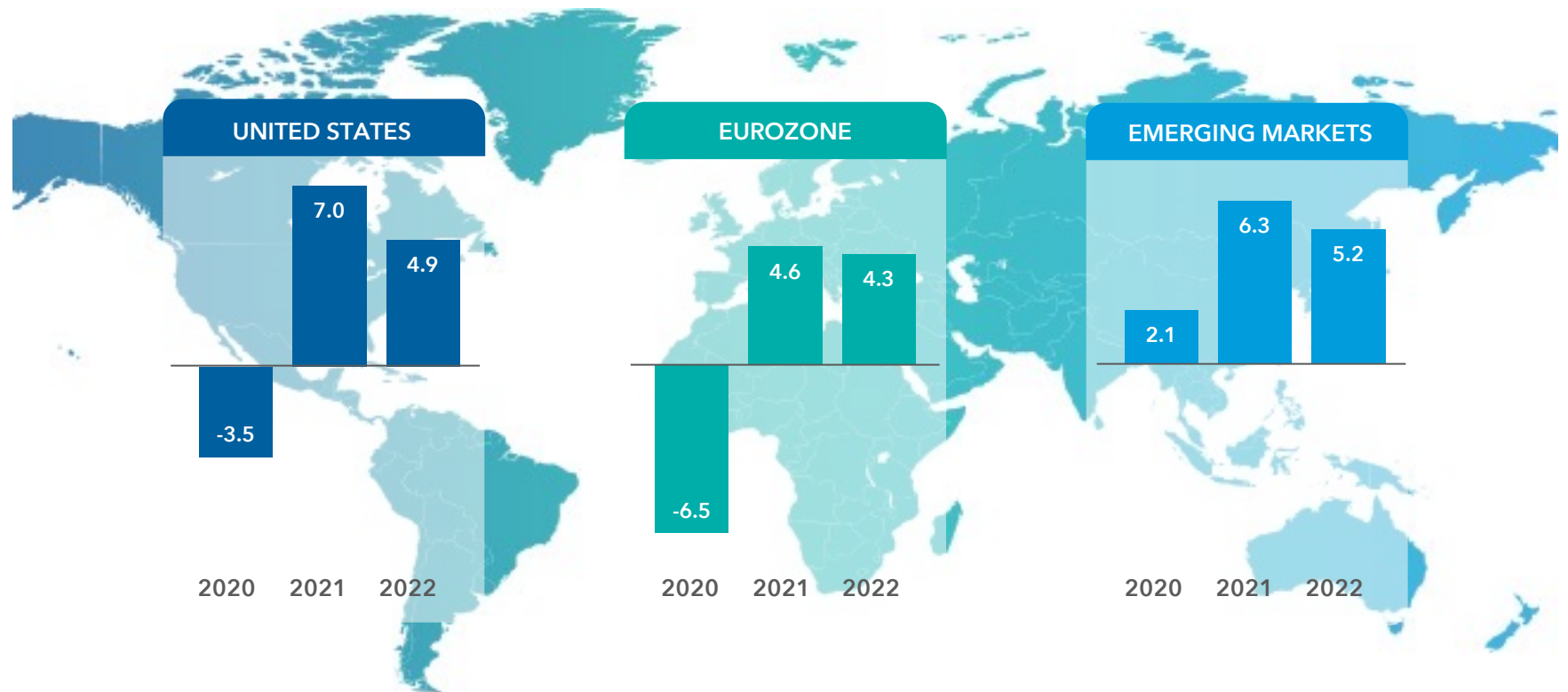
Portfolio  
construction

# Global economic recovery

Strong growth is projected

GDP is expected to rebound

Annual real growth rates (%)

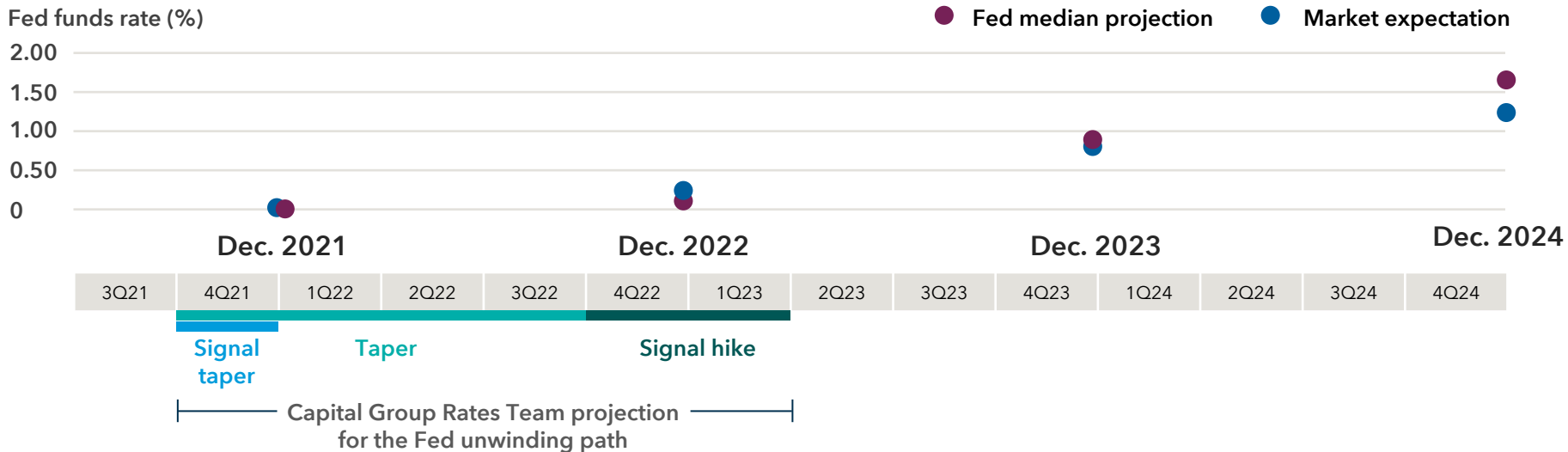


Source: International Monetary Fund, World Economic Outlook Database, July 2021. GDP figures for 2021 and 2022 are forecasts.

# The Fed's future path – higher but phased

Tapering is next; the first rate hike is not expected in the near-term

The Fed now projects three rate hikes for 2023, tightening the gap between market expectations



Global central banks are moving toward normalization but at varying speeds

	Current policy rate	1-yr forward market proj.	2-yr forward market proj.
Bank of Canada	0.25%	0.76%	1.38%
Bank of England	0.10%	0.63%	0.85%
European Central Bank	-0.50%	-0.46%	-0.36%

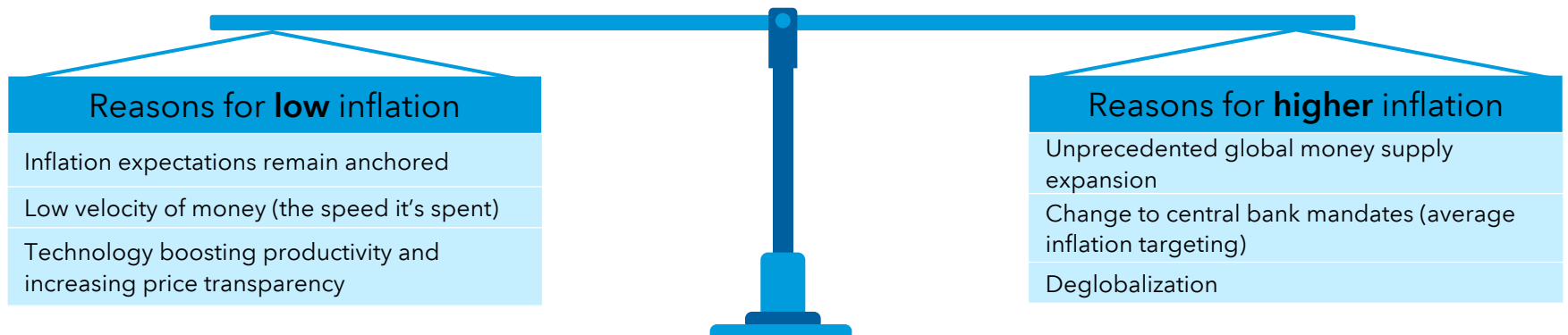
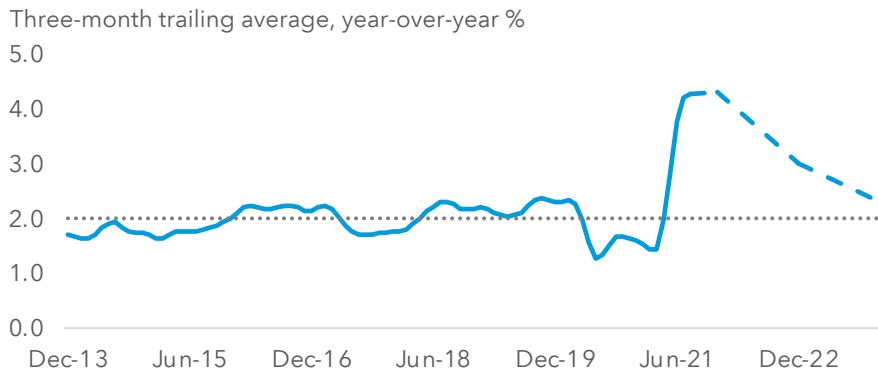
Sources: Capital Group, Bloomberg, Federal Reserve. As of 9/30/21.

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# Will high inflation last?

The market doesn't think so, but a strong case can be made either way

## U.S. core CPI with forward expectations

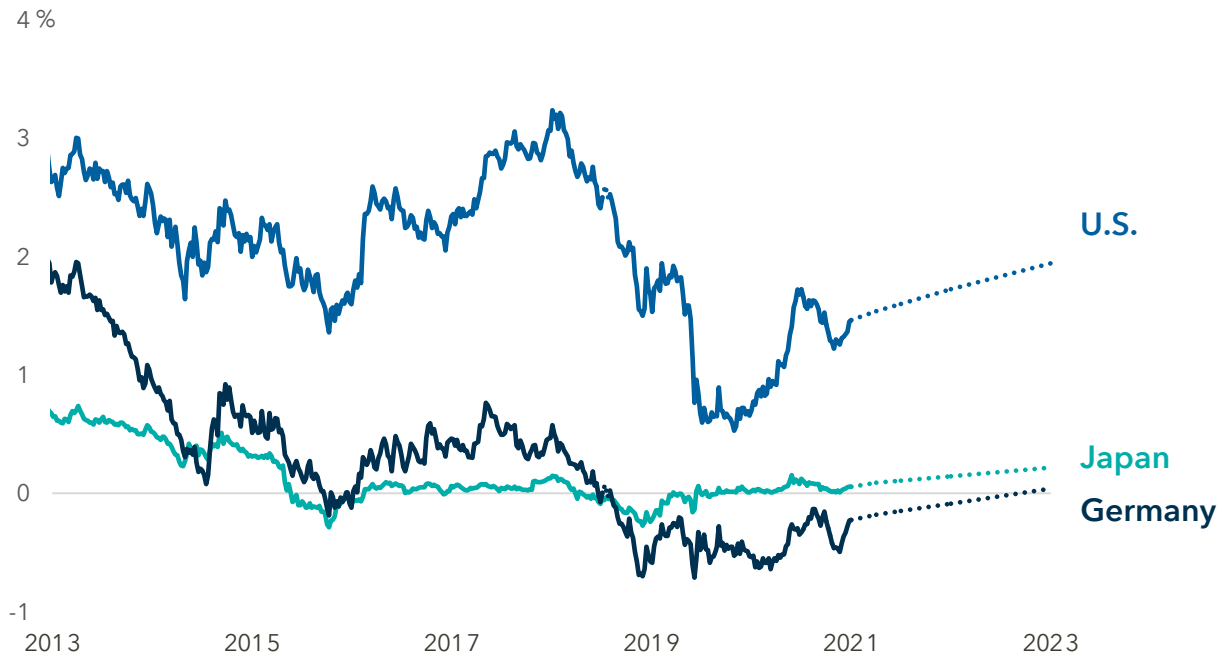


Sources: Bloomberg, Bureau of Labor Statistics, Historic inflation data as of 8/31/21. Projection data shown as dashed line is as of 9/30/21.

# Yields have risen, modest further increases expected

But demand has prevented yields from rising sharply

## 10-year yields and forward projections



### Seeing sustained demand

- Foreign buyers
- Pensions
- Retail bond funds

Source: Bloomberg. As of 10/1/21. Dotted lines are market expectations. In chart, markers are as of October in each year shown.

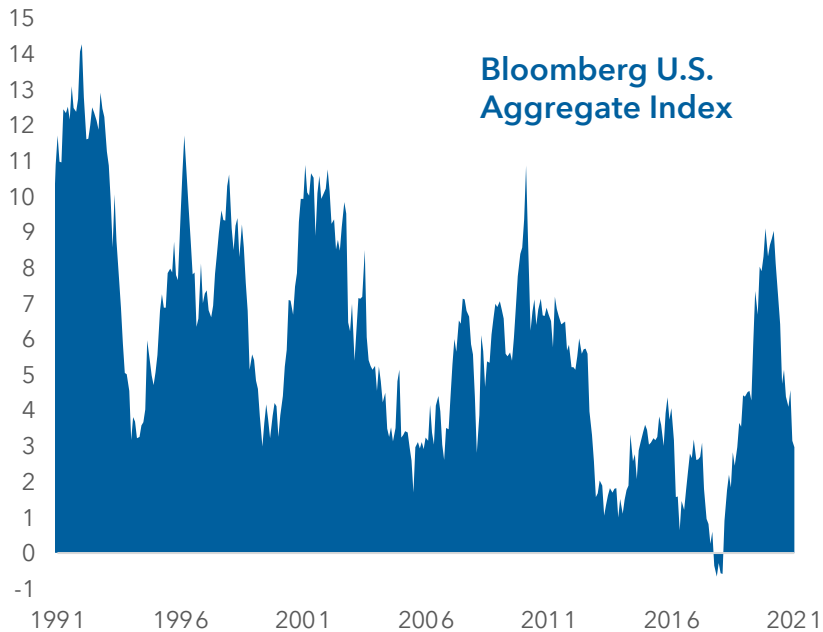
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# Rising fed funds or rising yields? Core had you covered.

Strong core results amid three decades of yield spikes and rate hikes

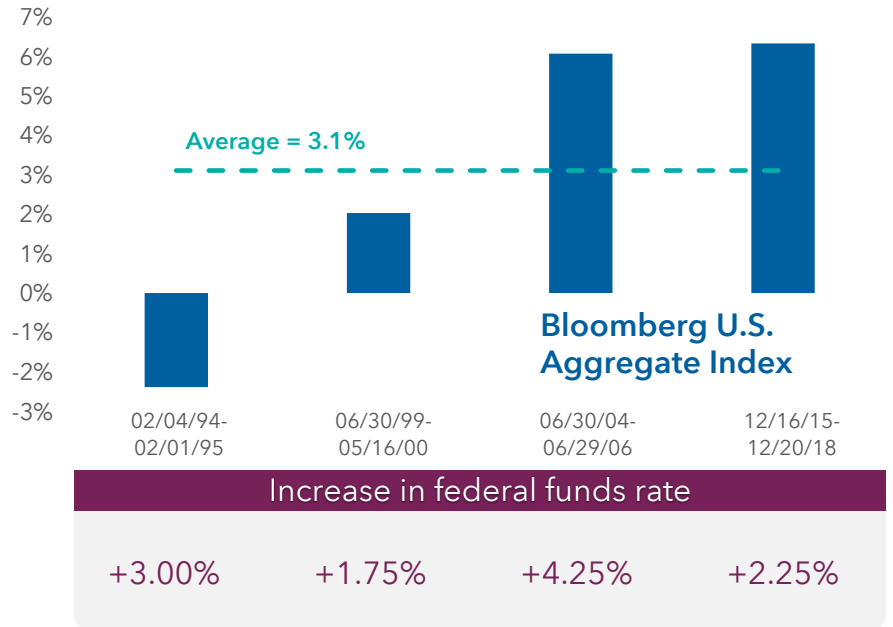
**Core only had one modest negative return period in all two-year periods over 30 years**

Annualized two-year rolling return, %



**Fed hikes don't always mean negative core bond returns**

Cumulative return during Fed hiking periods



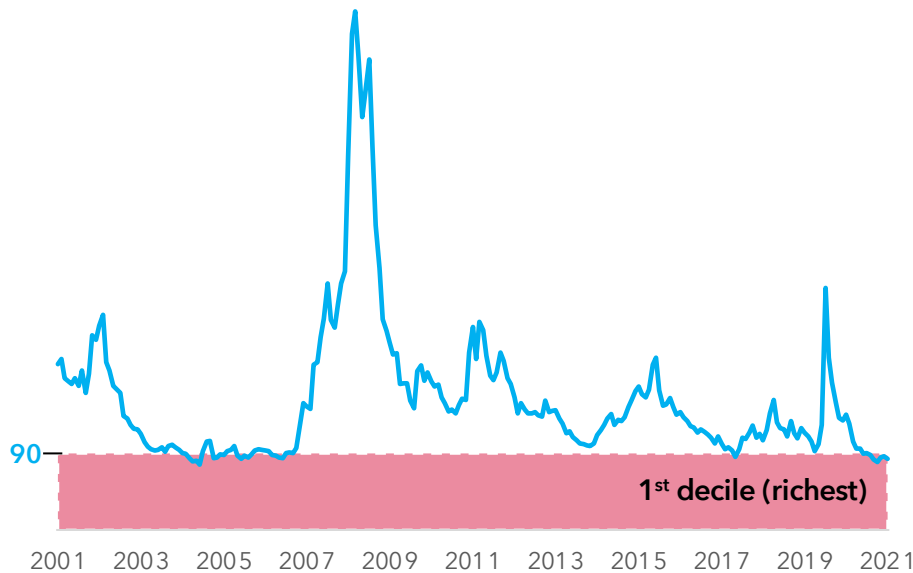
Sources: Bloomberg Index Services Ltd., Federal Reserve Bank of New York, Morningstar. In left chart, markers are as of September in each year shown. As of 9/30/21.

# Historically tight IG credit spreads suggest selectivity

Industry and issuer level spread dispersion remains wide. Be selective.

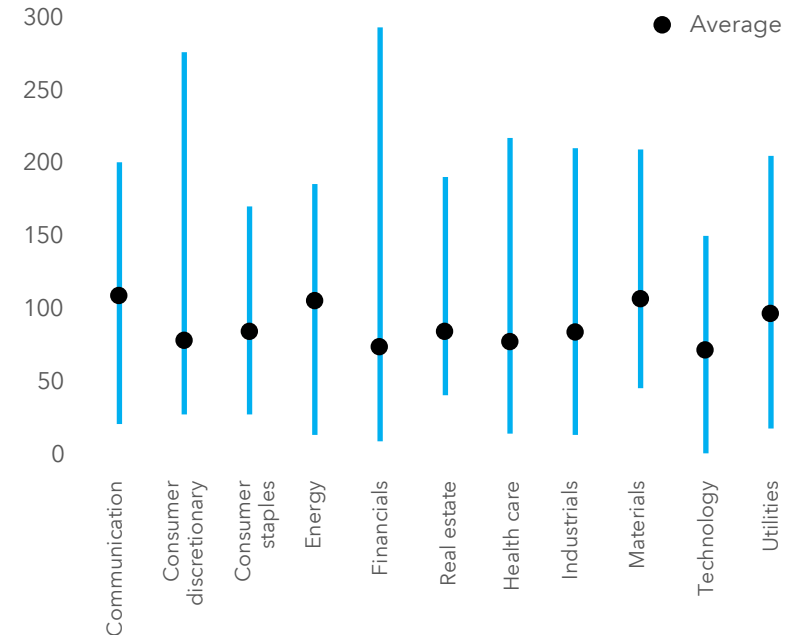
## IG corporate spreads are historically tight<sup>1</sup>

U.S. investment-grade corporate spreads (bps)



## Spread dispersion presents opportunity for industry rotation and security selection<sup>2</sup>

Investment-grade industry spread dispersion, as of 9/30/21 (bps)



Source: Bloomberg Index Services Ltd. Bloomberg U.S. Investment Grade Corporates Index.

<sup>1</sup>Monthly spread data from September 2001, through September 2021. Markers are as of September in each year shown.

<sup>2</sup>As of 9/30/21.

# Historically tight HY credit spreads suggest selectivity

Industry and issuer level spread dispersion remains wide. Be selective.

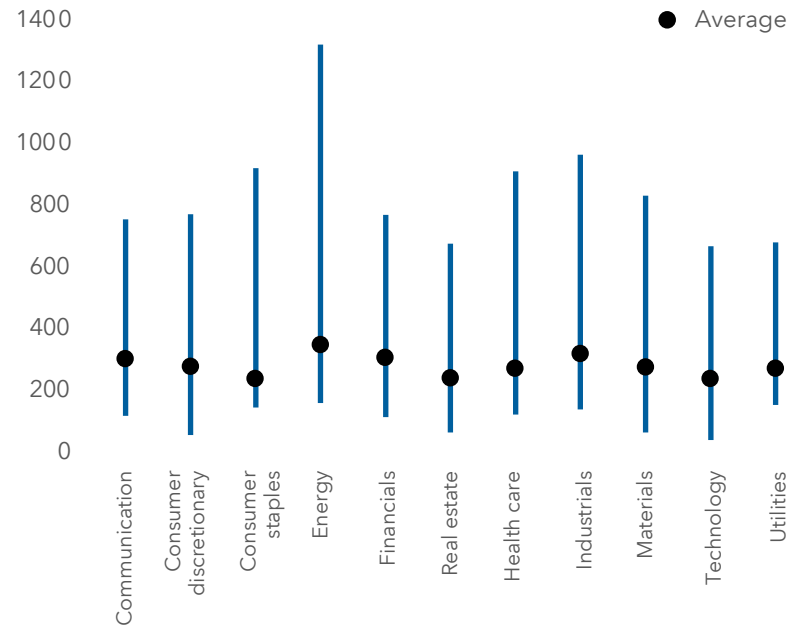
## HY corporate spreads are historically tight<sup>1</sup>

U.S. high-yield corporate spreads (bps)



## Spread dispersion presents opportunity for industry rotation and security selection<sup>2</sup>

High-yield industry spread dispersion, as of 9/30/21 (bps)



Source: Bloomberg Index Services Ltd, U.S. Bloomberg U.S. High Yield Corporates Index 2% Issuer Cap.

<sup>1</sup>Monthly spread data from September 2001, through September 2021. Markers are as of September in each year shown.

<sup>2</sup>As of 9/30/21. High-yield industry dispersion shown excludes the top 2.5% and bottom 2.5% of issuers in each industry, as well as any with negative option-adjusted spreads.



# EM debt: Poised to benefit from recovery

Many EM currencies appear undervalued

Returns within EM dollar-denominated and local currency bonds vary. Consider a blended approach.

		EMD USD sovereign <sup>1</sup>			EMD USD corporate <sup>2</sup>			EMD local currency sovereign <sup>3</sup>											
Calendar-year returns (%)		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Rank																			
1		22.2	23.0	10.2	15.2	18.1	-5.2	34.9	15.7	7.3	17.4	-0.6	7.4	1.3	10.2	15.2	-1.6	15.0	7.1
2		16.9	11.6	6.3	9.9	6.2	-12.0	29.8	13.1	2.3	16.8	-5.3	5.0	1.2	9.9	10.3	-4.3	13.5	5.3
3		16.2	10.3	6.1	6.5	3.9	-15.9	22.0	12.2	-1.8	15.0	-9.0	-5.7	-14.9	9.7	8.0	-6.2	13.1	2.7

## EM currencies are attractive relative to the U.S. dollar:

- Many measures point to an overvalued USD. A longer term correction could be significant.
- A broad global recovery and predictable Fed could benefit cheaper EM currencies.

Source: Bloomberg, JPMorgan. As of 12/31/20.

<sup>1</sup>JPMorgan EMBI Global Diversified Index.

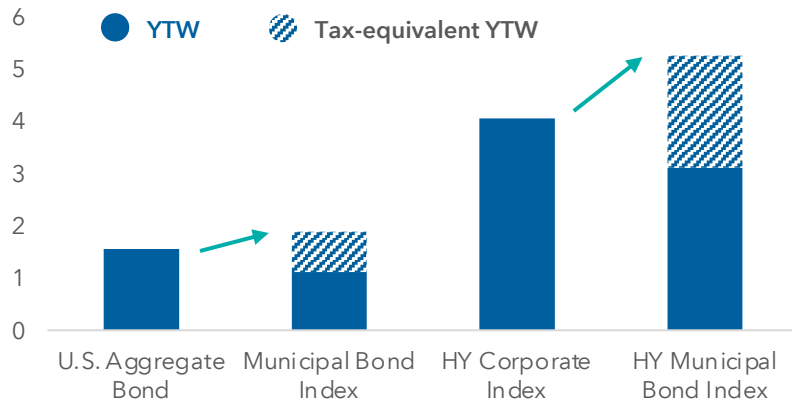
<sup>2</sup>JPMorgan CEMBI Broad Diversified Index.

<sup>3</sup>JPMorgan GBI-EM Global Diversified Index.

# Despite tighter spreads, munis have had an after-tax edge

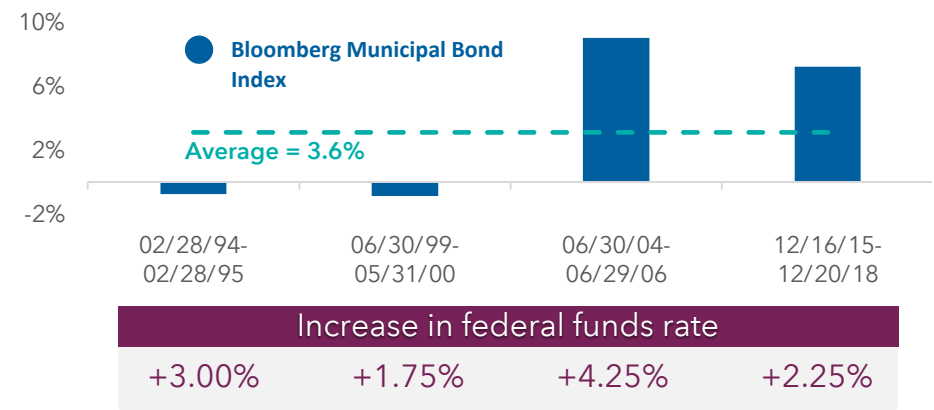
Strong security selection can provide better outcomes within sectors

## Cross asset yields (%)

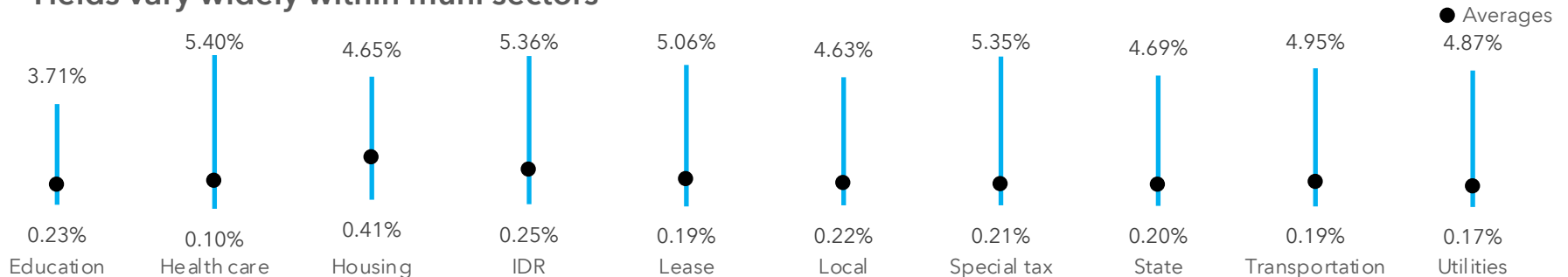


## Fed hikes don't always mean negative muni returns

Cumulative return during Fed hiking periods



## Yields vary widely within muni sectors



Source: Bloomberg, Bloomberg Index Services, Ltd. Indexes shown are Bloomberg indexes. HY Corporate index is 2% Issuer capped. Daily results for the muni index are not available prior to 2006. For those earlier periods, returns were calculated from the closest month-end to the day of the first hike through the closest month-end to the day of the final hike. High-yield muni index results are not available before 2003. As of 9/30/21. Taxable-equivalent yield assumptions are based on a federal marginal tax rate of 37%, the top 2021 rate. In addition, we have applied the 3.8% Medicare tax. IDR in bottom chart represents the Industrial Development Revenue and Pollution Control sector.



## Actionable ideas

**1. Get off the sidelines**

**2. Stay invested in core**

**3. Diversify your income**

**4. Consider after-tax benefits of munis**

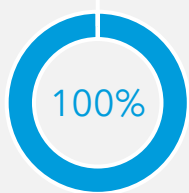
## Important information

**Figures shown as of September 30, 2021, are past results for Class F-2 shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. Fund results shown are at net asset value with all distributions reinvested. For current information and month-end results, visit [capitalgroup.com](https://capitalgroup.com).**

# 1. Get off the sidelines

Investors had \$4.5 trillion in money market funds in Q3. Consider a shorter duration bond fund instead.

Positive three-year rolling return since fund inception, F-2 after fees



## Intermediate Bond Fund of America

Inception date: February 19, 1988



## Limited Term Tax-Exempt Bond Fund of America

Inception date: October 6, 1993

### High-quality, shorter duration bond funds have:

- The potential to provide additional yield
- A track record of strong capital preservation

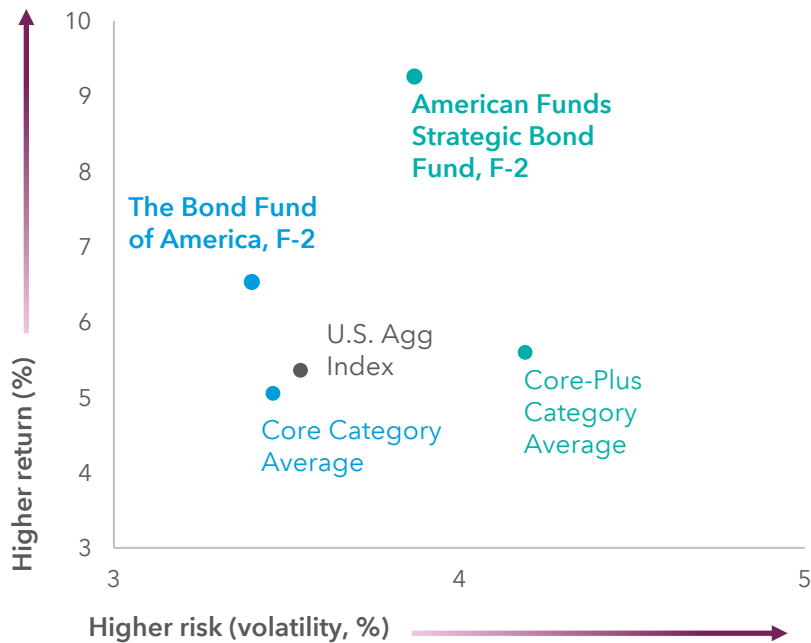
Sources: Capital Group, Morningstar, as of September 30, 2021.

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## 2a. Stay invested in core: Superior core & core plus results

BFA and SBF have produced strong risk-adjusted returns compared to peers

### BFA & SBF three-year risk & return



### The Bond Fund of America, F-2

(Morningstar percentile ranking, Intermediate Core)

1-year	3-year	5-year	10-year	Since inception
20	3	4	15	6

### American Funds Strategic Bond Fund, F-2

(Morningstar percentile ranking, Intermediate Core-Plus)

1-year	3-year	5-year	Since inception
32	1	1	4

● 1<sup>st</sup> quartile ● 2<sup>nd</sup> quartile ● 3<sup>rd</sup> quartile ● 4<sup>th</sup> quartile

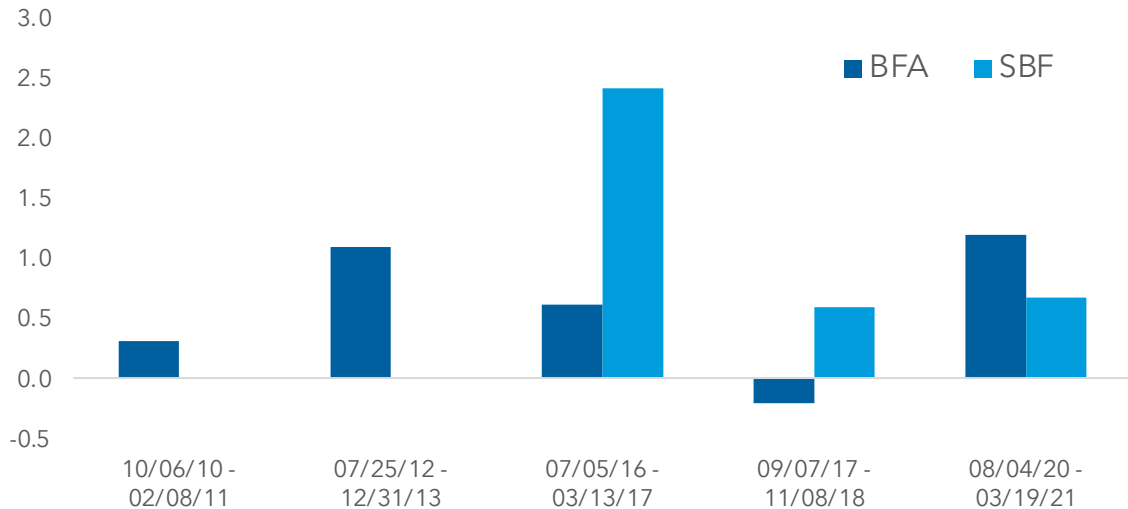
Sources: Capital Group, Morningstar, as of September 30, 2021. U.S. Agg Index represents the Bloomberg U.S. Aggregate Index. Return measure is average annual return. Volatility measure is standard deviation. Percentile rankings based on total return. Inception dates for The Bond Fund of America and American Funds Strategic Bond Fund were May 28, 1974, and March 18, 2016, respectively.

## 2b. Stay invested in core: Even in challenging bond markets

BFA and SBF's active management can respond to rising rates and inflation

BFA and SBF have helped to mitigate periods of negative returns during the biggest yield spikes since 2010

Excess return over benchmark, %



To protect against inflation, active managers can:

- Own Treasury Inflation-Protected Securities
- Shorten duration
- Implement yield curve positions

Rise in 10-year Treasury yield

+1.3%

+1.6%

+1.3%

+1.2%

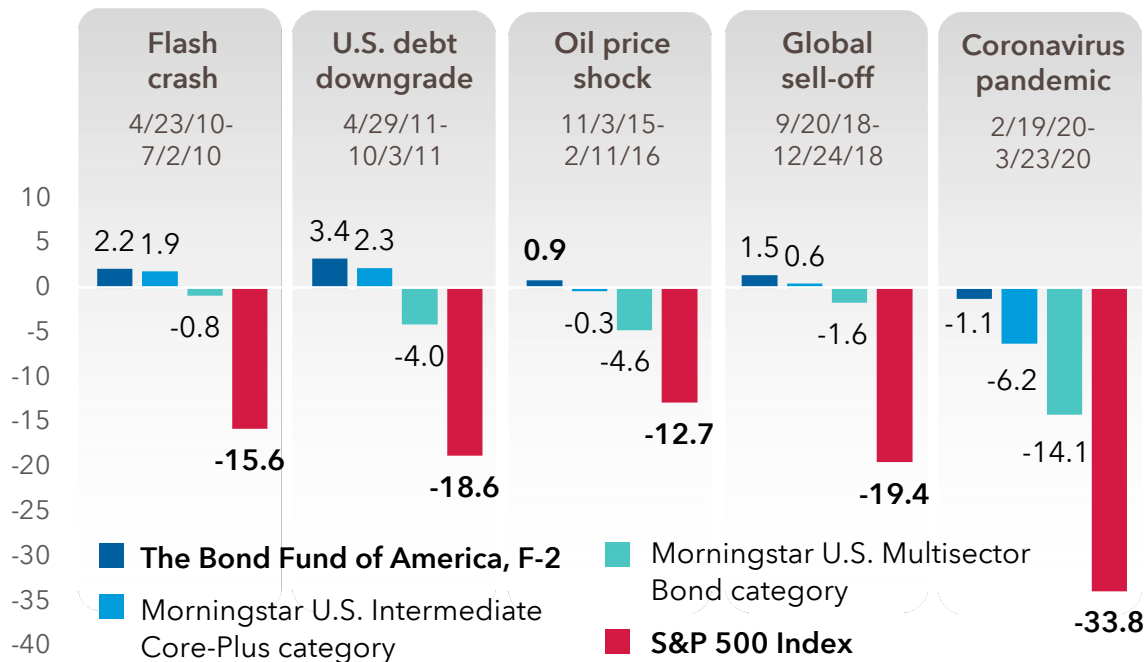
+1.2%

Sources: Capital Group, Morningstar, as of September 30, 2021. Chart shows cumulative excess returns in all periods of 10-year Treasury yield spikes of at least 1% since 2010. Total returns for BFA and SBF for each period shown from left to right are: -2.4%, N/A; -0.6%, N/A; -2.6%, -0.8%; -3.0%, -2.1%; -2.5%, -3.0%. Benchmark index is the Bloomberg U.S. Aggregate Index.

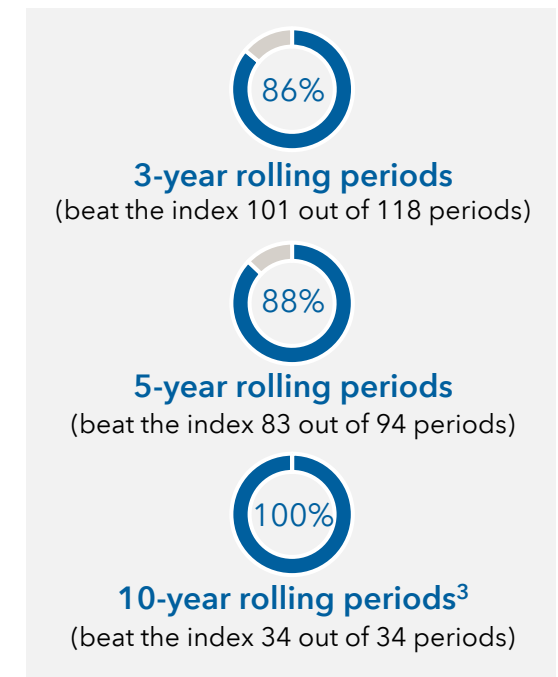
## 2c. Stay invested in core: Stability remains important

Balance, diversification and consistency

Cumulative returns (%) during the five largest equity market declines since 2009<sup>1</sup>



% of time the fund outpaced the index<sup>2</sup> (F-2, after fees)



<sup>1</sup>Dates shown are representative of the five largest equity market declines (without dividends reinvested) in the unmanaged S&P 500 with at least 50% recovery persisting for more than one business day between declines. The returns are based on total returns. There have been periods when the fund has lagged the equity index, such as in rising equity markets.

<sup>2</sup>Bloomberg U.S. Aggregate Index. Based on monthly data for the period January 1, 2009, through September 30, 2021. On January 1, 2009, The Bond Fund of America's strategy was repositioned from core plus to core fixed income, with its prospectus and guidelines adjusted accordingly.

<sup>3</sup>The fund also outpaced its index 96% of the time in 67 out of 70 periods over 7-year rolling returns.

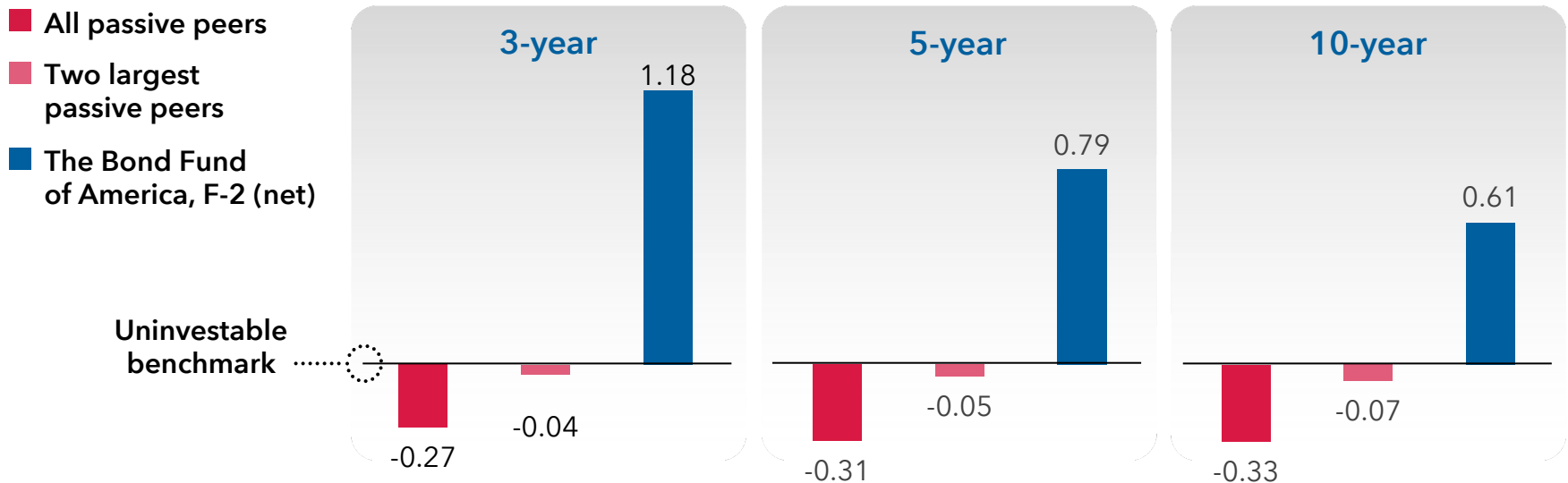
Sources: Capital Group, Bloomberg Index Services, Ltd., Morningstar.



## 2d. Stay invested in core: Rethink passive funds at the core

BFA's excess returns have actively outpaced those of passive, after fees

Average annualized excess returns for The Bond Fund of America and passive peers compared to their respective benchmarks (%)<sup>1</sup>



Passive funds are not striving to outpace their benchmarks; rather, they seek to replicate the benchmark's return pattern. When contemplating passive versus active fixed income funds, it's also important to consider, among other things, each fund's investment objectives and policies, risks, tax implications from portfolio turnover and expenses.

Sources: Capital Group, Morningstar.

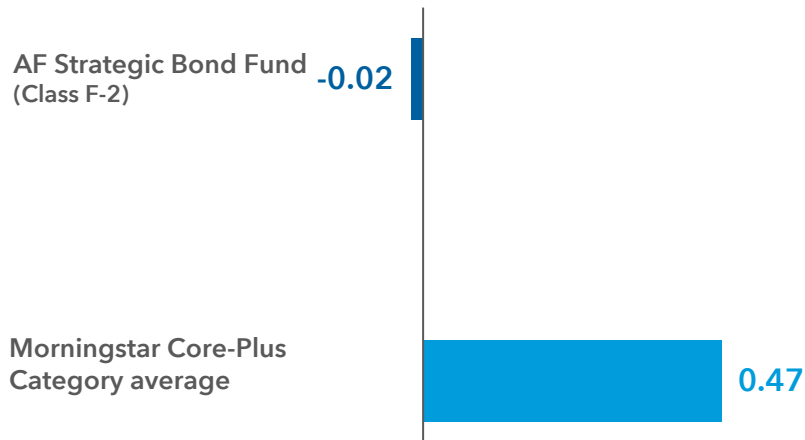
<sup>1</sup>Respective excess returns shown over strategies' respective prospectus benchmark for passive peer groups net of fees from the Morningstar Intermediate Core Bond category. Group of all passive peers includes passive Intermediate Core Bond category strategies. Group of two largest includes Vanguard Total Bond Market ETF (BND) and iShares Core U.S. Aggregate Bond ETF (AGG). Annualized three-, five-, and 10-year excess returns for these two funds, as of September 30, 2021, were: -0.03%, -0.06% and -0.08%; -0.05%, -0.05% and -0.06%. Returns for ETFs based on NAV. As of 9/30/21.

## 2e. Stay invested in core: Stick with differentiated core plus

A unique combination for investors that has provided diversification from equities alongside strong active lifetime returns

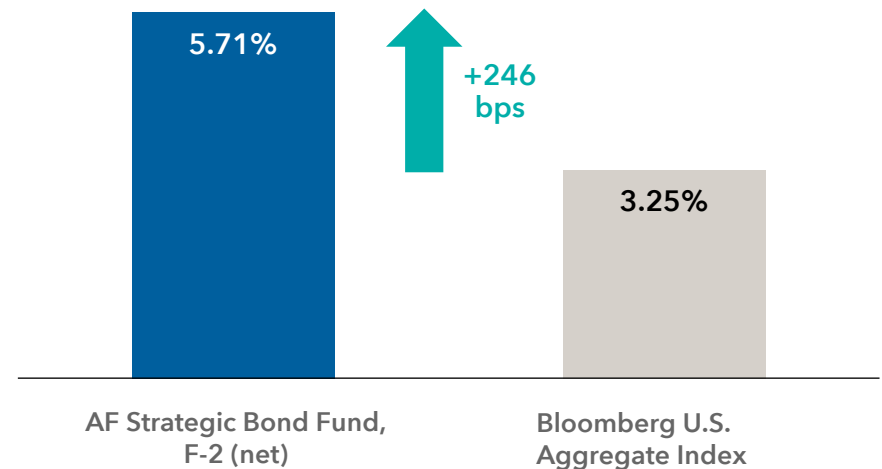
### Low correlation to equities

Three-year correlation with S&P 500



### Strong investment results

Annualized returns since fund inception  
3/18/2016-9/30/2021



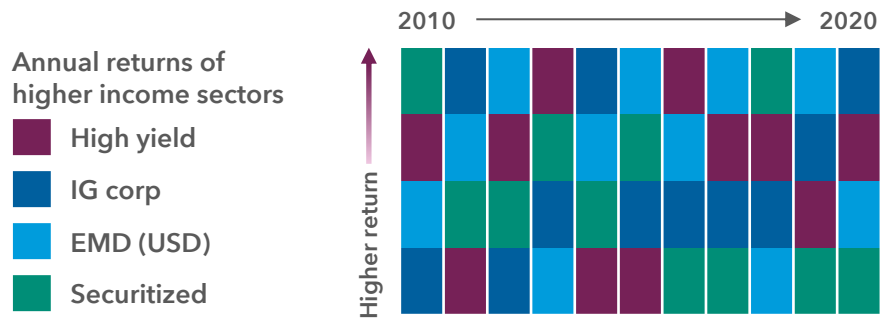
Sources: Bloomberg Index Services, Ltd., Morningstar. As of 9/30/21.

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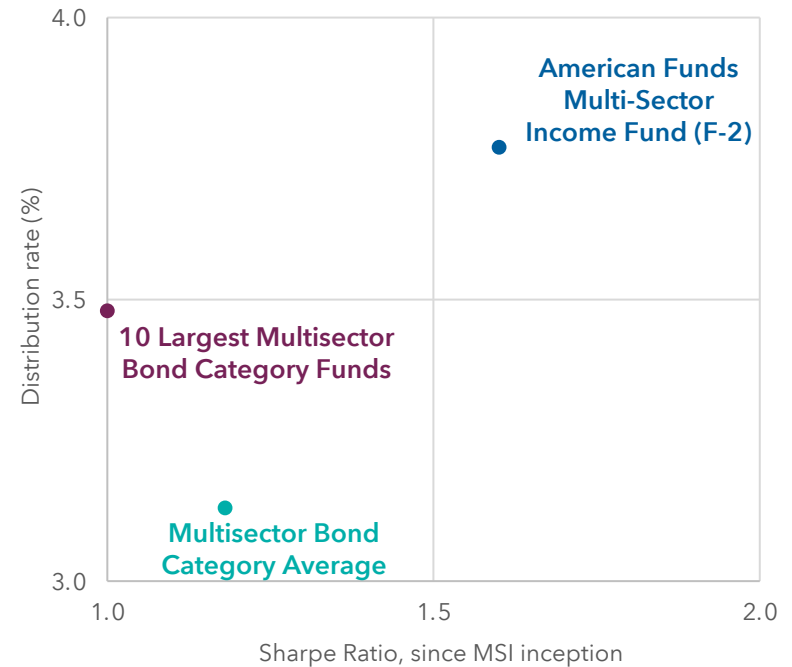
# 3. Diversify your income: AF Multi-Sector Income Fund

Amid rich valuations, the best opportunities may come from varying sectors

Within higher income, no single sector consistently posted the highest return every year<sup>1</sup>



Pursue income while maintaining strong risk-adjusted returns<sup>3</sup>



American Funds Multi-Sector Income Fund, F-2  
(Morningstar percentile ranking, Multisector Bond)<sup>2</sup>

1-year	Since inception
37	5

● 1<sup>st</sup> quartile ● 2<sup>nd</sup> quartile ● 3<sup>rd</sup> quartile ● 4<sup>th</sup> quartile

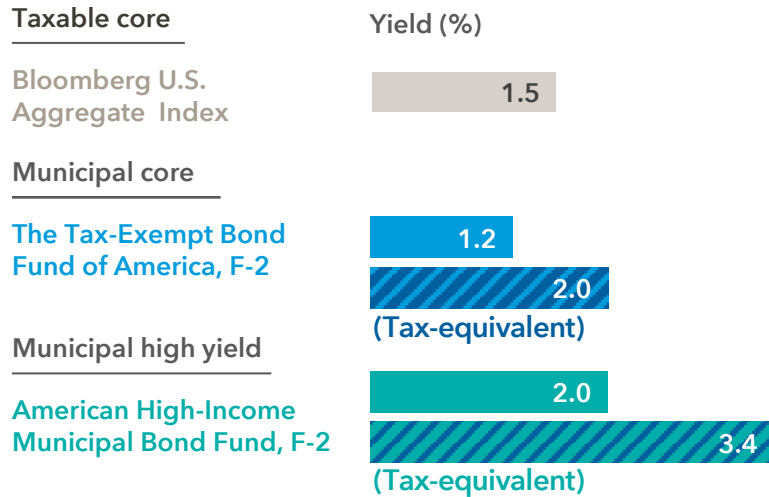
<sup>1</sup>Source: Morningstar. As of 12/31/20. Sectors shown represented by Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index, Bloomberg U.S. Corporate Investment Grade Index, J.P. Morgan Emerging Markets Bond Index (EMBI) Global Diversified and 80% Bloomberg CMBS Ex AAA Index/20% Bloomberg ABS Ex AAA Index, respectively.

<sup>2</sup>Source: Morningstar. As of 9/30/21. The fund's inception date was March 22, 2019. Percentile rankings based on total return.

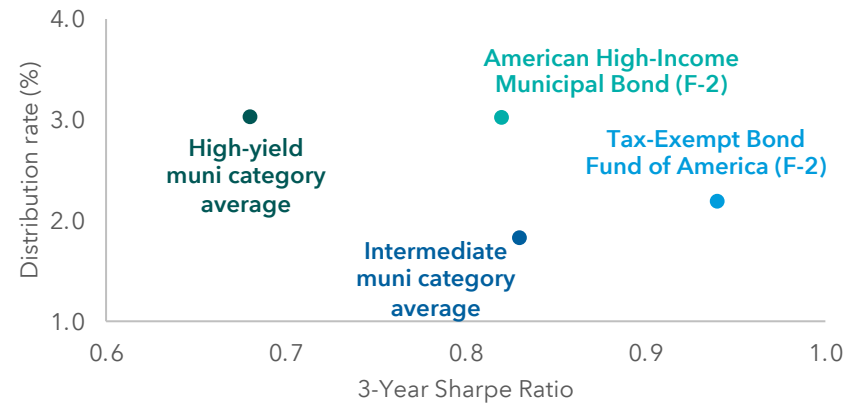
<sup>3</sup>Source: Morningstar. As of 9/30/21. Category shown is the Morningstar Multisector Bond category. Distribution rate shown is 12-month distribution rate.

# 4. Consider after-tax benefits of munis

Relatively attractive yields in a low-yield world



Pursue income while maintaining strong risk-adjusted returns



## The Tax-Exempt Bond Fund of America, F-2

(Morningstar percentile ranking, Muni National Intermediate)

1-year	3-year	5-year	10-year	Since inception
33	21	14	9	1

● 1<sup>st</sup> quartile ● 2<sup>nd</sup> quartile ● 3<sup>rd</sup> quartile ● 4<sup>th</sup> quartile

## American High-Income Municipal Bond Fund, F-2

(Morningstar percentile ranking, High Yield Muni)

1-year	3-year	5-year	10-year	Since inception
44	25	24	28	10

Source: Morningstar. As of 9/30/21. The fund's inception date was 10/3/1979. High-yield muni category represents the Morningstar High Yield Municipal Category. Intermediate muni category represents the Morningstar Municipal National Intermediate Category. Yields shown on left are yield to worst. Distribution rate shown on right is 12-month distribution rate. Taxable-equivalent yield assumptions are based on a federal marginal tax rate of 37%, the top 2021 rate. In addition, we have applied the 3.8% Medicare tax. Percentile rankings based on total return.

# The four roles of fixed income remain critical

How to think about fixed income in portfolio construction



**Diversification  
from equities**

When stocks struggle, owning bonds with a low correlation to equities can result in lower portfolio volatility.



**Income**

Providing dependable income is a central function of a bond allocation.



**Capital  
preservation**

A fixed income allocation should help protect principal in most market environments.



**Inflation  
protection**

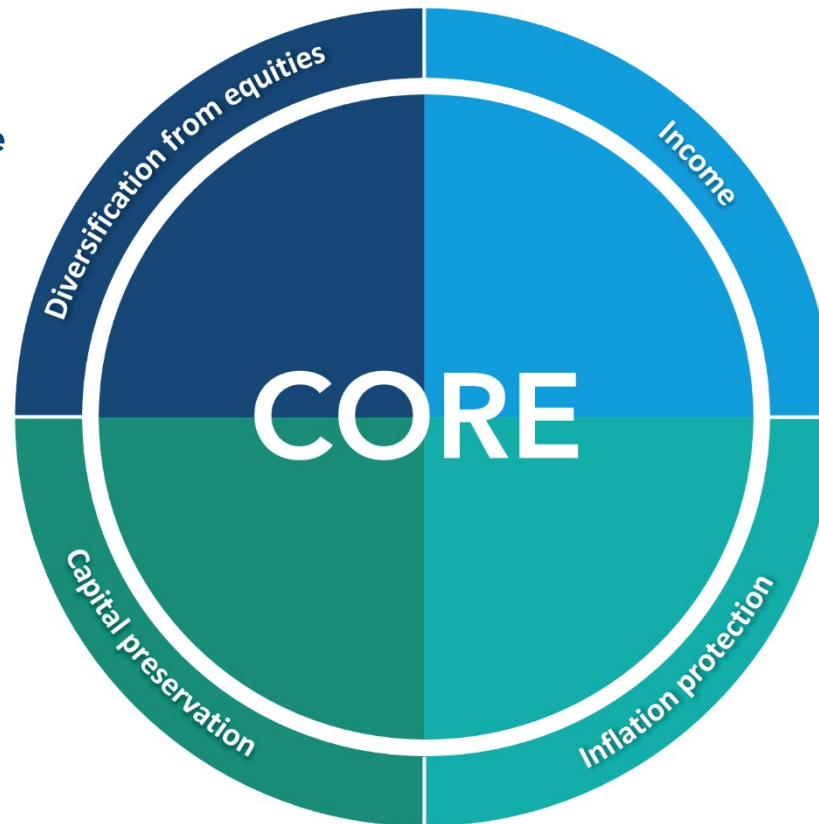
Bonds directly linked to the Consumer Price Index can help to protect purchasing power.

# In today's environment, the four roles remain critical

How can the four roles help with current market challenges?

- ❑ Full valuations of many risk assets argue for balance

- ❑ High-quality bonds can help dampen volatility from ever-present macro risks



- ❑ With rates low and spreads tight, a balanced approach to income is warranted

- ❑ Explicit inflation protection can help hedge portfolios should inflation persist

# Clients need: A strong core bond allocation

For a 40% fixed income allocation



Diversification  
from equities



Income



Capital  
preservation



Inflation  
protection

## Portfolio statistics

	<b>CORE</b> <b>The Bond Fund of America</b> ABNFX (F-2), ABNDX (A)	15%
	<b>CORE-PLUS</b> <b>American Funds Strategic Bond Fund</b> ANBFX (F-2); ANBAX (A)	15%
	<b>MULTISECTOR</b> <b>American Funds Multi-Sector Income Fund*</b> MIAAYX (F-2); MIAQX (A)	10%

2.1%  
Yield to worst

5.7 years  
Duration

0.2  
3-year correlation  
to equities

\*If American Funds Multi-Sector Income Fund is not yet available on your platform, an equal combination of American High-Income Trust, American Funds Emerging Markets Bond Fund and American Funds Corporate Bond Fund can be substituted.

Sources: Capital Group, Morningstar. Data is a weighted average of the funds in the model approach and is as of September 30, 2021. U.S. equity index proxies used are Standard & Poor's 500 Composite Index. Correlations based on F-2 share class results. Correlation used for American Funds Multi-Sector Income Fund shown since its 3/22/19 inception, as it does not yet have three years of results. The model approach is hypothetical and for illustrative purposes only. We have identified which funds contribute to a particular role of fixed income based on the fund's investment strategies. The extent to which a fund contributes to a specified role depends on the portfolio's composition at any point in time. Allocations, holdings, yields and other data shown do not reflect an actual portfolio. Financial professionals should tailor client recommendations to their individual circumstances.







# Clients need: A flexible solution

Four examples of how our fixed income funds can serve clients' needs





## 1. Client need: Diversification from equities

Remove multi-sector, add government bonds

	The Bond Fund of America	15%	1.4% YTW 5.7 Duration -0.1 Correlation
	AF Strategic Bond Fund	15%	
	U.S. Government Securities Fund	10%	
			





## 2. Client need: Income

Reduce core and core plus, add high yield

	The Bond Fund of America	10%	2.7% YTW 5.2 Duration 0.3 Correlation
	AF Strategic Bond Fund	10%	
	AF Multi-Sector Income Fund	10%	
	American High-Income Trust	10%	





## 3. Client need: Capital preservation

Remove core plus and multi-sector, add high-quality short-term bonds

	The Bond Fund of America	15%	1.0% YTW 2.6 Duration 0.0 Correlation
	American Funds Preservation Portfolio <sup>SM</sup>	25%	
	Intermediate Bond Fund of America, Short-Term Bond Fund of America and AF Inflation Linked Bond Fund		
			

## 4. Client need: Inflation protection

Reduce core and core plus, add inflation-linked bonds

	The Bond Fund of America	10%	1.9% YTW 5.5 Duration 0.2 Correlation
	AF Strategic Bond Fund	10%	
	AF Multi-Sector Income Fund	10%	
	AF Inflation Linked Bond Fund	10%	

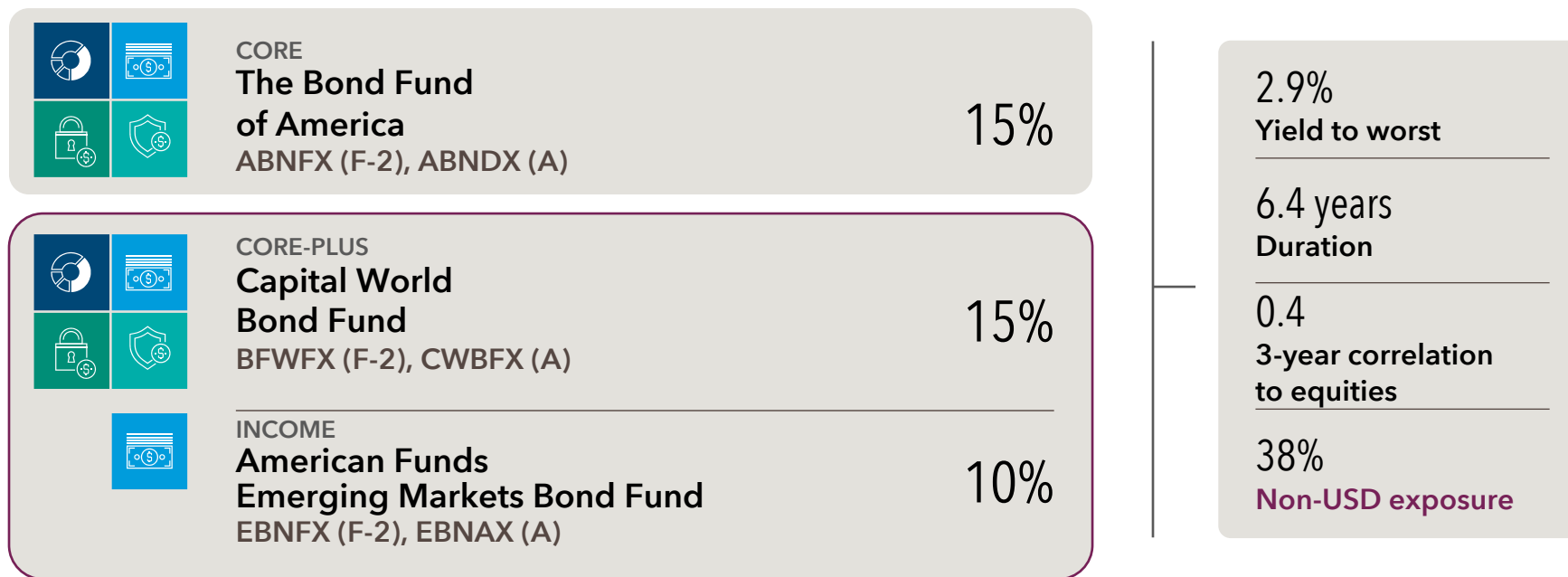
Sources: Capital Group, Morningstar. American Funds Preservation Portfolio consists of 55% Intermediate Bond Fund of America, 40% Short-Term Bond Fund of America and 5% AF Inflation Linked Bond Fund. Data is a weighted average of funds in the model approach and is as of September 30, 2021. Correlation used for AF Multi-Sector Income Fund shown since its 3/22/19 inception, as it does not yet have three years of results. U.S. equity index proxies used are Standard & Poor's 500 Composite Index. Correlations shown are over three years based on F-2 share class results. The model approach is hypothetical and for illustrative purposes only. We have identified which funds contribute to a particular role of fixed income based on the fund's investment strategies. The extent to which a fund contributes to a specified role depends on the portfolio's composition at any point in time. Allocations, holdings, yields and other data shown do not reflect an actual portfolio. Financial professionals should tailor client recommendations to their individual circumstances.



# Client need: Non-U.S. dollar exposure

A mix of developed and emerging market bonds alongside U.S. core

Clients need: **Non-U.S. dollar exposure**



Sources: Capital Group, Morningstar. Data is a weighted average of the funds in the model approach and is as of September 30, 2021. U.S. equity index proxies used are Standard & Poor's 500 Composite Index. Correlations based on F-2 share class results. The model approach is hypothetical and for illustrative purposes only. We have identified which funds contribute to a particular role of fixed income based on the fund's investment strategies. The extent to which a fund contributes to a specified role depends on the portfolio's composition at any point in time. Allocations, holdings, yields and other data shown do not reflect an actual portfolio. Financial professionals should tailor client recommendations to their individual circumstances.

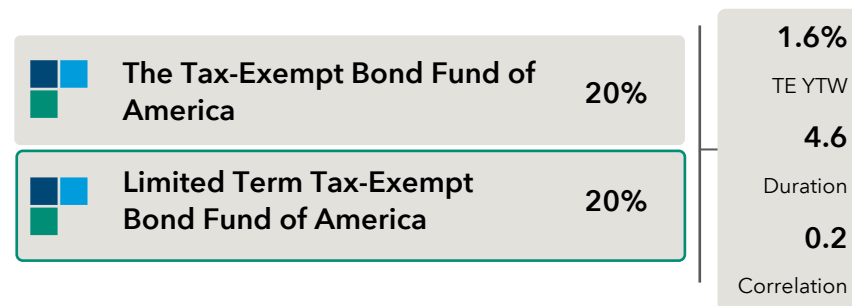
# Tax-aware clients need: A flexible solution

Three examples of how our municipal bond funds can serve clients' needs



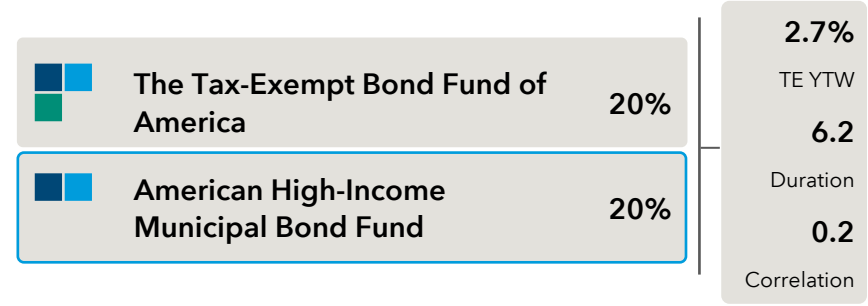
## 1. Client need: Capital preservation

Reduce core munis, add short-term munis



## 2. Client need: Income

Reduce core munis, add high-income munis



Sources: Capital Group, Morningstar. Data is a weighted average of the funds in the model approach and is as of September 30, 2021. U.S. equity index proxies used are Standard & Poor's 500 Composite Index. Correlations shown are over three years based on F-2 share class results. The model approach is hypothetical and for illustrative purposes only. Allocations, holdings, yields and other data shown do not reflect an actual portfolio. Financial professionals should tailor client recommendations to their individual circumstances. Taxable-equivalent-rate assumptions are based on a federal marginal tax rate of 37%, the top 2021 rate. In addition, we have applied the 3.8% Medicare tax.

# American Funds fixed income funds: Strong peer rankings

Taxable Core/Core-Plus	Ticker symbol	Percentile ranking for F-2 share class as of September 30, 2021				Morningstar Category
		1-year	3-year	5-year	10-year	
Short-Term Bond Fund of America	SBFFX	81	83	85	91	Short-Term Bond
Intermediate Bond Fund of America	IBAFX	76	8	27	44	Short-Term Bond
The Bond Fund of America	ABNFX	20	3	4	15	Intermediate Core Bond
American Funds Strategic Bond Fund	ANBFX	32	1	1	–	Intermediate Core-Plus Bond
<b>Other taxable</b>						
American Funds Corporate Bond Fund	BFCGX	96	14	23	–	Corporate Bond
American Funds Emerging Markets Bond Fund	EBNFX	37	16	28	–	Emerging Markets Bond
American Funds Inflation Linked Bond Fund	BFIGX	85	7	9	–	Inflation-Protected Bond
American Funds Mortgage Fund	MFAFX	13	29	4	6	Intermediate Government
American Funds Multi-Sector Income Fund	MIAYX	37	–	–	–	Multisector Bond
American High-Income Trust	AHIFX	5	16	9	35	High Yield Bond
Capital World Bond Fund	BFWFX	51	16	24	22	World Bond
U.S. Government Securities Fund	GVTFX	32	3	1	7	Intermediate Government
<b>Tax-exempt</b>						
American Funds Short-Term Tax-Exempt Bond Fund	ASTFX	71	45	42	53	Muni National Short
Limited Term Tax-Exempt Bond Fund of America	LTEFX	19	8	9	7	Muni National Short
The Tax-Exempt Bond Fund of America	TEAFX	33	21	14	9	Muni National Intermediate
American High-Income Municipal Bond Fund	AHMFY	44	25	24	28	High Yield Muni
The Tax-Exempt Fund of California	TEFEX	59	56	45	47	Muni California Long
American Funds Tax-Exempt Fund of New York	NYAFX	47	55	55	50	Muni New York Long

● 1<sup>st</sup> quartile ● 2<sup>nd</sup> quartile ● 3<sup>rd</sup> quartile ● 4<sup>th</sup> quartile

Sources: Capital Group, Morningstar. Percentile rankings based on total return.

# In summary



## Macro and markets

As economic growth rebounds, central bankers are moving towards normalization. Assets have priced in much of this optimism and are becoming expensive. Balance is crucial.



## Actionable ideas

1. Get off the sidelines
2. Stay invested in core
3. Diversify your income
4. Consider after-tax benefits of munis



## Portfolio construction

Fixed income plays four critical roles in a portfolio

- A balanced portfolio starts with a strong core bond allocation
- Weighting of the four roles can vary based on client needs
- American Funds fixed income funds strive to provide resilience in times of volatility and over the longer term

# Appendix

# American Funds investment results

Figures shown are past results for Class F-2 shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. For current information and month-end results, visit [capitalgroup.com](http://capitalgroup.com).

## Average annual total returns as of 9/30/21 (Class F-2)

	Returns (%)				Gross expense ratio (%)	SEC Yields (%)		12-month distribution rate (%)
	1 year	5 years	10 years	Lifetime		Gross	Net	
<b>American Funds Strategic Bond Fund<sup>1</sup></b>	<b>1.85</b>	<b>5.54</b>	<b>-</b>	<b>5.71</b>	<b>0.51</b>	<b>2.47   2.47</b>		<b>2.31</b>
<b>The Bond Fund of America<sup>2</sup></b>	<b>0.51</b>	<b>3.73</b>	<b>3.62</b>	<b>7.55</b>	<b>0.32</b>	<b>1.30   1.30</b>		<b>1.62</b>
Bloomberg U.S. Aggregate Index	-0.90	2.94	3.01					
S&P 500 Index	30.00	16.90	16.63					
<b>American Funds Multi-Sector Income Fund<sup>3</sup></b>	<b>7.43</b>	<b>-</b>	<b>-</b>	<b>8.37</b>	<b>0.85</b>	<b>3.20   3.22</b>		<b>3.77</b>
<b>Intermediate Bond Fund of America<sup>4</sup></b>	<b>0.33</b>	<b>2.59</b>	<b>2.15</b>	<b>4.70</b>	<b>0.36</b>	<b>1.17   1.17</b>		<b>1.12</b>

<sup>1</sup>Fund inception date was March 18, 2016. The investment adviser is currently reimbursing a portion of the other expenses and waiving a portion of its management fees. The reimbursement and waiver will be in effect through at least March 1, 2022. The adviser may elect at its discretion to extend, modify or terminate the reimbursement or waiver at that time. The fund's board of trustees will consider the management fee reduction in connection with the next assessment of the Investment Advisory and Service Agreement with the fund's investment adviser. In addition, the fund's transfer agent is currently waiving a portion of the other expenses. This waiver will be in effect through at least March 1, 2022. The transfer agent may elect at its discretion to extend, modify or terminate the waiver at that time. The investment results and net expense ratio shown reflect the waivers and reimbursement, without which the results would have been lower and the expenses higher.

<sup>2</sup>Fund inception date was May 28, 1974.

<sup>3</sup>Fund inception date was March 22, 2019. Investment results reflect reimbursements, without which the results would have been lower. The investment adviser is currently reimbursing a portion of other expenses for American Funds Multi-Sector Income Fund. This reimbursement will be in effect through at least March 1, 2022. The adviser may elect at its discretion to extend, modify or terminate the reimbursement at that time. Please see the fund's most recent prospectus for details.

<sup>4</sup>Fund inception date was February 19, 1988.

The SEC yield reflects the rate at which the fund is earning income on its current portfolio of securities, while the distribution rate reflects the fund's past dividends paid to shareholders. Accordingly, the fund's SEC yield and distribution rate may differ. Annualized 30-day yield is calculated in accordance with the SEC formula. We offer a range of share classes designed to meet the needs of retirement plan sponsors and participants. The different share classes incorporate varying levels of advisor compensation and service provider payments. Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F-2 shares sold after the funds' date of first offering. Please see [capitalgroup.com](http://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. Expense ratios are as of each fund's prospectus available at the time of publication. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which results would have been lower. Please see [capitalgroup.com](http://capitalgroup.com) for more information.

Sources: Bloomberg Index Services, Ltd., Morningstar, Standard and Poor's.

# American Funds investment results

Figures shown are past results for Class F-2 shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. For current information and month-end results, visit [capitalgroup.com](http://capitalgroup.com).

Average annual total returns as of 9/30/21 (Class F-2)	Returns (%)				Gross expense ratio (%)	SEC Yields (%)		12-month distribution rate (%)
	1 year	5 years	10 years	Lifetime		Gross	Net	
American Funds Inflation Linked Bond Fund	4.54	4.73	-	2.83	0.40	3.13	3.13	2.15
American High-Income Trust	15.39	6.87	6.69	7.95	0.44	3.48	3.48	5.06
Short-Term Bond Fund of America	0.10	1.75	1.24	1.80	0.41	0.62	0.62	0.71
U.S. Government Securities Fund	-0.61	2.85	2.46	5.64	0.34	1.20	1.20	1.15
American Funds Preservation Portfolio	0.31	2.21	-	1.86	0.39	1.47	1.47	2.11
Capital World Bond Fund	0.49	2.63	2.61	6.07	0.59	1.83	1.83	1.99
American Funds Emerging Markets Bond Fund*	6.01	4.56	-	5.24	0.77	5.34	5.34	5.00
American Funds Corporate Bond Fund*	0.33	4.90	-	4.71	0.53	1.54	1.62	1.71
American Funds Mortgage Fund	0.00	2.54	2.53	2.69	0.37	0.47	0.47	0.69

\*Investment results reflect reimbursements, without which the results would have been lower. The investment adviser is currently reimbursing a portion of other expenses for American Funds Emerging Markets Bond Fund and American Funds Corporate Bond Fund. These reimbursements will be in effect through at least March 1, 2022 and August 1, 2022, respectively. The adviser may elect at its discretion to extend, modify or terminate the reimbursements at that time. Please see the fund's most recent prospectus for details.

Inceptions: American Funds Inflation Linked Bond Fund - December 12, 2012; American High-Income Trust - February 19, 1988; Short-Term Bond Fund of America - October 2, 2006; U.S. Government Securities Fund - October 17, 1985; American Funds Preservation Portfolio - May 18, 2012; Capital World Bond Fund - August 4, 1987; American Funds Emerging Markets Bond Fund - April 22, 2016; American Funds Corporate Bond Fund - December 14, 2012; American Funds Mortgage Fund - November 1, 2010.

The SEC yield reflects the rate at which the fund is earning income on its current portfolio of securities, while the distribution rate reflects the fund's past dividends paid to shareholders. Accordingly, the fund's SEC yield and distribution rate may differ. Annualized 30-day yield is calculated in accordance with the SEC formula. We offer a range of share classes designed to meet the needs of retirement plan sponsors and participants. The different share classes incorporate varying levels of advisor compensation and service provider payments. Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Results for certain funds with an inception date after August 1, 2008, also include hypothetical returns because those funds' Class F-2 shares sold after the funds' date of first offering. Please see [capitalgroup.com](http://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. Expense ratios are as of each fund's prospectus available at the time of publication. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which results would have been lower. Please see [capitalgroup.com](http://capitalgroup.com) for more information.

Sources: Bloomberg Index Services, Ltd., Morningstar, Standard and Poor's.

# American Funds investment results

Figures shown are past results for Class F-2 shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. For current information and month-end results, visit [capitalgroup.com](http://capitalgroup.com).

Average annual total returns as of 9/30/21 (Class F-2)	Returns (%)			Gross expense ratio (%)	SEC Yields (%) Gross   Net	12-month distribution rate (%)	Tax- equivalent SEC Yield (%) Gross   Net	Tax- equivalent distribution rate (%)
	1 year	5 years	10 years					
Limited Term Tax-Exempt Bond Fund of America	1.16	2.27	2.44	0.34	0.36   0.36	1.13	0.61   0.61	1.91
The Tax-Exempt Bond Fund of America	3.51	3.29	4.18	0.33	0.90   0.90	2.19	1.52   1.52	3.70
American Funds Short-Term Tax- Exempt Bond Fund <sup>1</sup>	0.30	1.56	1.29	0.45	0.10   -	0.71	0.17   -	1.20
American High-Income Municipal Bond Fund	8.50	4.79	6.12	0.41	1.55   1.55	3.02	2.62   2.62	5.10
The Tax-Exempt Fund of California	3.39	3.21	4.41	0.40	0.90   0.90	2.23	1.52   1.52	3.77
American Funds Tax-Exempt Fund of New York <sup>2</sup>	4.79	2.97	3.77	0.50	0.93   1.14	2.30	1.57   1.93	3.89

<sup>1</sup>The investment adviser is currently reimbursing a portion of other expenses for the fund. The adviser may elect at its discretion to extend, modify or terminate the reimbursement at any time.

<sup>2</sup>Investment results reflect reimbursements, without which the results would have been lower. The investment adviser is currently reimbursing a portion of other expenses for fund. This reimbursement will be in effect through at least October 1, 2021. The adviser may elect at its discretion to extend, modify or terminate the reimbursements at that time. Please see the fund's most recent prospectus for details.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. Expense ratios are as of each fund's prospectus available at the time of publication. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which results would have been lower. Please see [capitalgroup.com](http://capitalgroup.com) for more information. The pretax yield that a taxable bond would need to be equal to that of a tax-free municipal bond. Tax-equivalent yield = tax-free municipal bond yield / 1 - tax rate. (Based on a federal marginal tax rate of 37%, the top 2021 rate. In addition, we have applied the 3.8% Medicare tax.)

The SEC yield reflects the rate at which the fund is earning income on its current portfolio of securities, while the distribution rate reflects the fund's past dividends paid to shareholders. Accordingly, the fund's SEC yield and distribution rate may differ. Annualized 30-day yield is calculated in accordance with the SEC formula. We offer a range of share classes designed to meet the needs of retirement plan sponsors and participants. The different share classes incorporate varying levels of advisor compensation and service provider payments.



# Peer results

For current information and month-end results for these funds, visit their respective websites.

Average annual total returns as of 9/30/21	Returns (%)						Gross expense ratio (%)
	1 year		5 years		10 years		
	Price	NAV	Price	NAV	Price	NAV	
iShares Core U.S. Aggregate Bond ETF (AGG)	-0.96	-0.93	2.85	2.89	2.92	2.95	0.05
Vanguard Total Bond Market ETF (BND)	-1.04	-0.91	2.89	2.93	2.95	2.97	0.04

Source: Morningstar.

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## Important information

**Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing. This material must be preceded or accompanied by a summary prospectus or prospectus for the funds being offered.**

# Important information

If used after December 31, 2021, this material must be accompanied by the current American Funds quarterly statistical update.

Statements attributed to an individual represent the opinions of that individual as of the date published and do not necessarily reflect the opinions of Capital Group or its affiliates. This information is intended to highlight issues and not to be comprehensive or to provide advice.

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness. If agency ratings differ, the security will be considered to have received the lowest of those ratings, consistent with the fund's investment policies. Securities in the Unrated category have not been rated by a rating agency; however, the investment adviser performs its own credit analysis and assigns comparable ratings that are used for compliance with fund investment policies.

American Funds Strategic Bond Fund may engage in frequent and active trading of its portfolio securities, which may involve correspondingly greater transaction costs, adversely affecting the fund's results.

# Important information

Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in the prospectus. These risks may be heightened in connection with investments in developing countries. The return of principal for bond funds and for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Investments in mortgage-related securities involve additional risks, such as prepayment risk, as more fully described in the prospectus. Higher yielding, higher risk bonds can fluctuate in price more than investment-grade bonds, so investors should maintain a long-term perspective.

The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional cash securities, such as stocks and bonds.

# Important information

## **Methodology for calculation of tax-equivalent yield:**

Based on 2021 federal tax rates. Taxable equivalent rate assumptions are based on a federal marginal tax rate of 37%, the top 2021 rate. In addition, we have applied the 3.8% Medicare tax. Thus taxpayers in the highest tax bracket will face a combined 40.8% marginal tax rate on their investment income. The federal rates do not include an adjustment for the loss of personal exemptions and the phase-out of itemized deductions that are applicable to certain taxable income levels.

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## Important information

Bloomberg U.S. Aggregate Index represents the U.S. investment-grade fixed-rate bond market. Bloomberg Municipal Bond Index is a market-value-weighted index designed to represent the long-term investment-grade tax-exempt bond market. The JPMorgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified) is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds. The J.P. Morgan Emerging Market Bond Index (EMBI) Global Diversified is a uniquely weighted emerging market debt benchmark that tracks total returns for U.S. dollar-denominated bonds issued by emerging market sovereign and quasi-sovereign entities. JP Morgan Government Bond Index - Emerging Markets Global Diversified covers the universe of regularly traded, liquid fixed-rate, domestic currency emerging market government bonds to which international investors can gain exposure. The Bloomberg CMBS Ex AAA Index tracks investment-grade commercial mortgage-backed securities excluding AAA-rated securities. The index is constructed by grouping individual pools into aggregates or generics based on program, coupon, and vintage. The Bloomberg ABS Ex AAA Index tracks investment-grade asset-backed securities excluding AAA-rated securities. The index is constructed by grouping individual pools into aggregates or generics based on program, coupon, and vintage.

# Important information

Bloomberg U.S. Corporate High Yield Index covers the universe of fixed-rate, non-investment-grade debt. Bloomberg U.S. Corporate Investment Grade Index represents the universe of investment grade, publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements. Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index covers the universe of fixed-rate, non-investment-grade debt. The index limits the maximum exposure of any one issuer to 2%. S&P 500 Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks. Bloomberg High Yield Municipal Bond Index is a market-value-weighted index composed of municipal bonds rated below BBB/Baa.

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Income from municipal bonds may be subject to state or local income taxes and/or the federal alternative minimum tax. Certain other income, as well as capital gain distributions, may be taxable.

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# Thank you.



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Equity markets insights | 3Q 2021

# Navigating a new global system

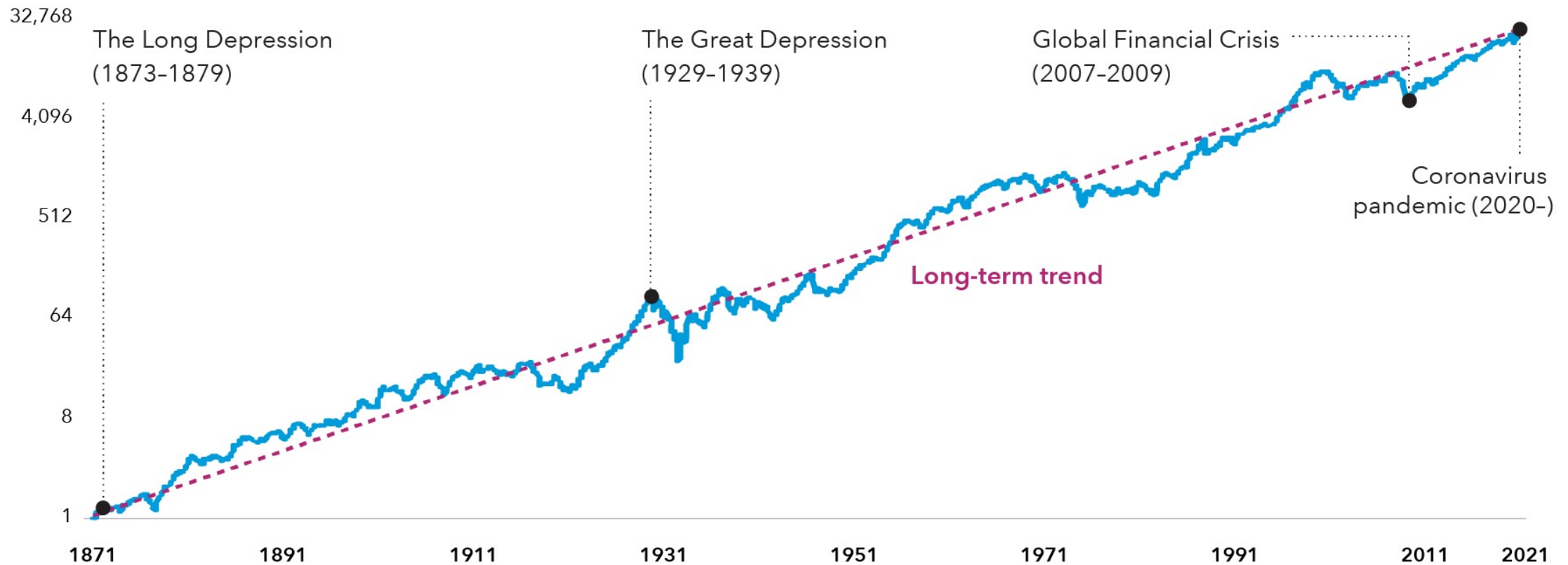


**Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.**

# Investment success is about time, not timing

Despite ups and downs, it has paid to stay invested over the long term

Historical monthly value for Standard & Poor's 500 Index (total return), 1871-2021

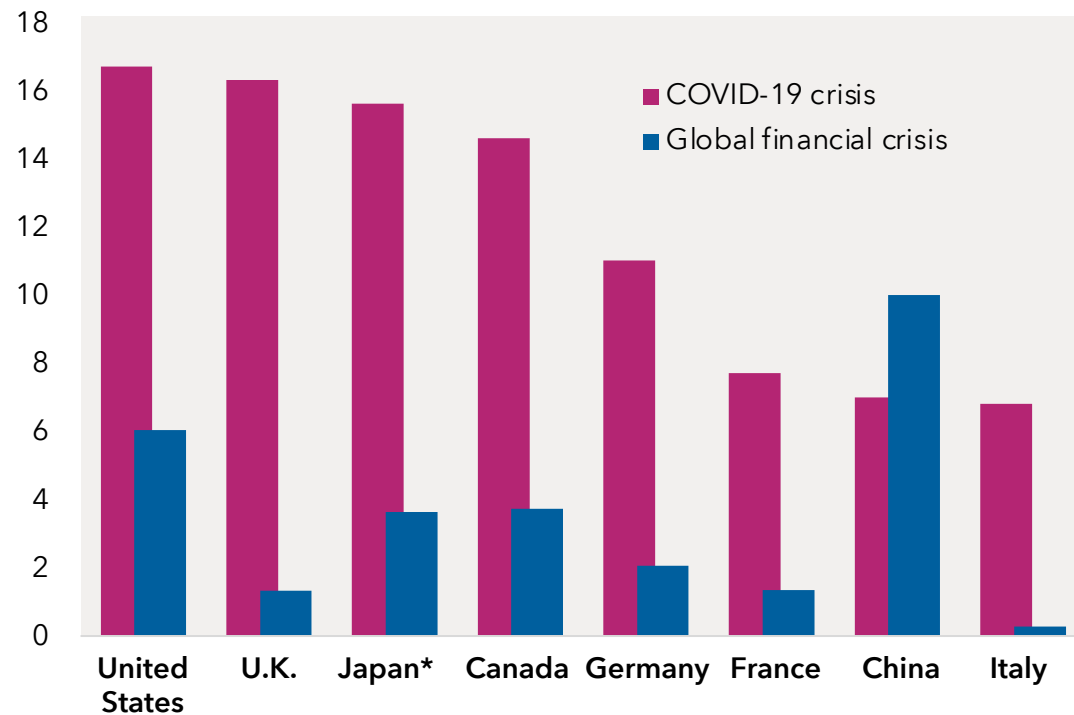


Sources: Bloomberg, FactSet. Data through March 2021.

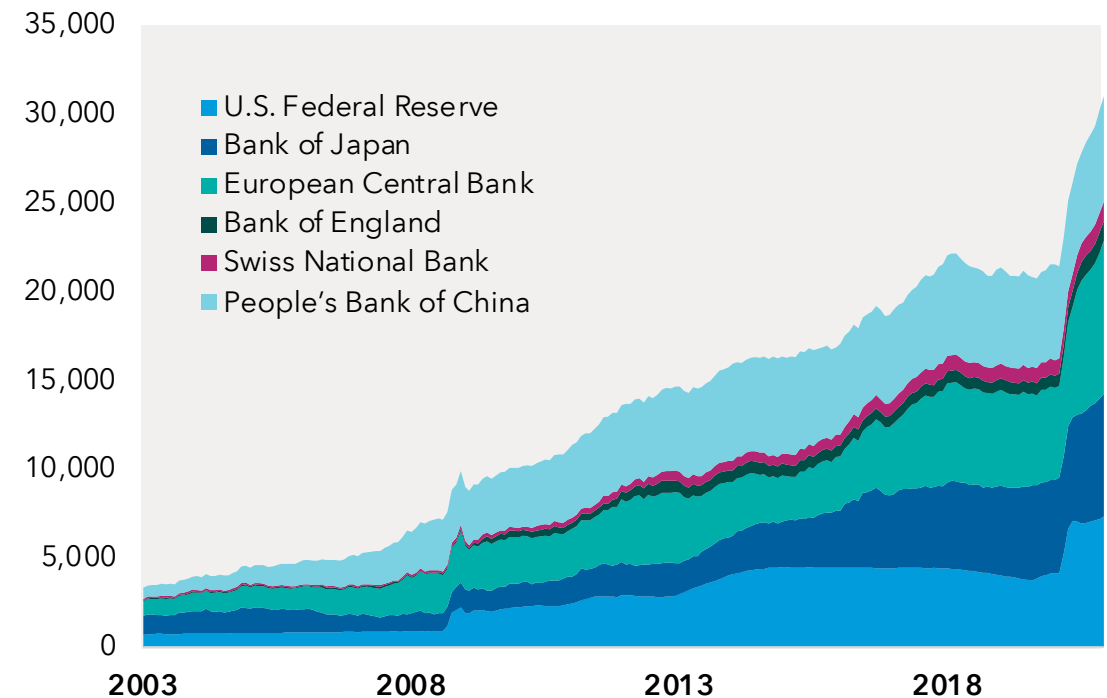
# Aggressive macro policy response during difficult times

Fiscal support during COVID-19 has exceeded that of financial crisis

Change in budget balances (as % of GDP)



Global central bank balance sheets (billions USD)



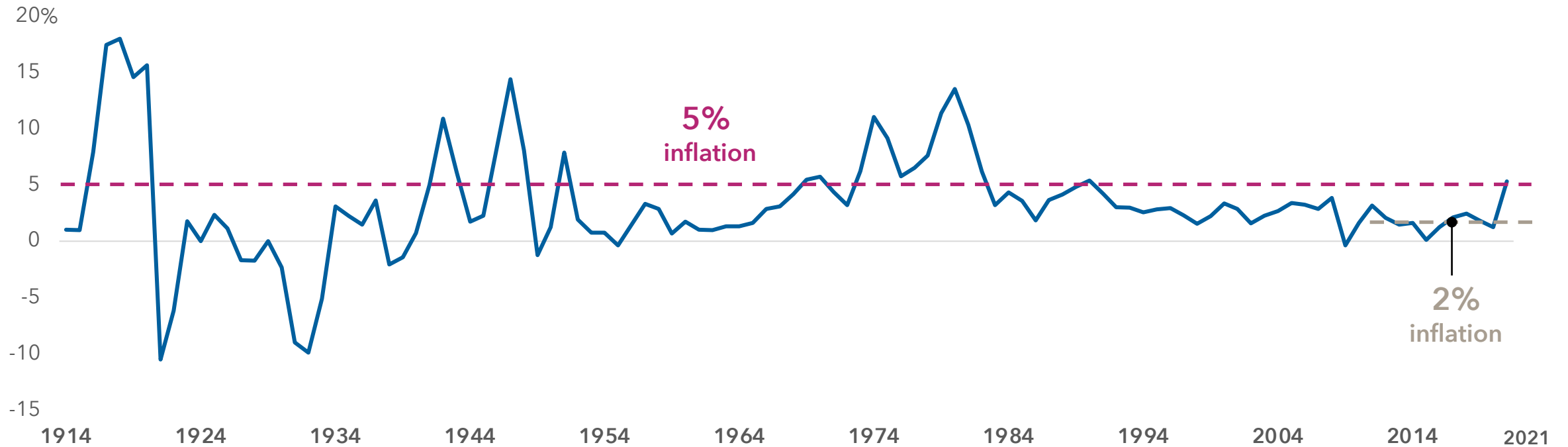
Sources: Capital Group, International Monetary Fund. As of December 31, 2020.  
 \*Figures for Japan only refer to direct government outlays; do not include loans, guarantees and other measures.

Sources: Capital Group, Refinitiv Eikon. As of December 31, 2020.

# Sustained periods of high inflation are not that common

Over the long-term, low inflation has been the norm, rarely climbing above 5%

U.S. Consumer Price Index inflation (1913-2021)

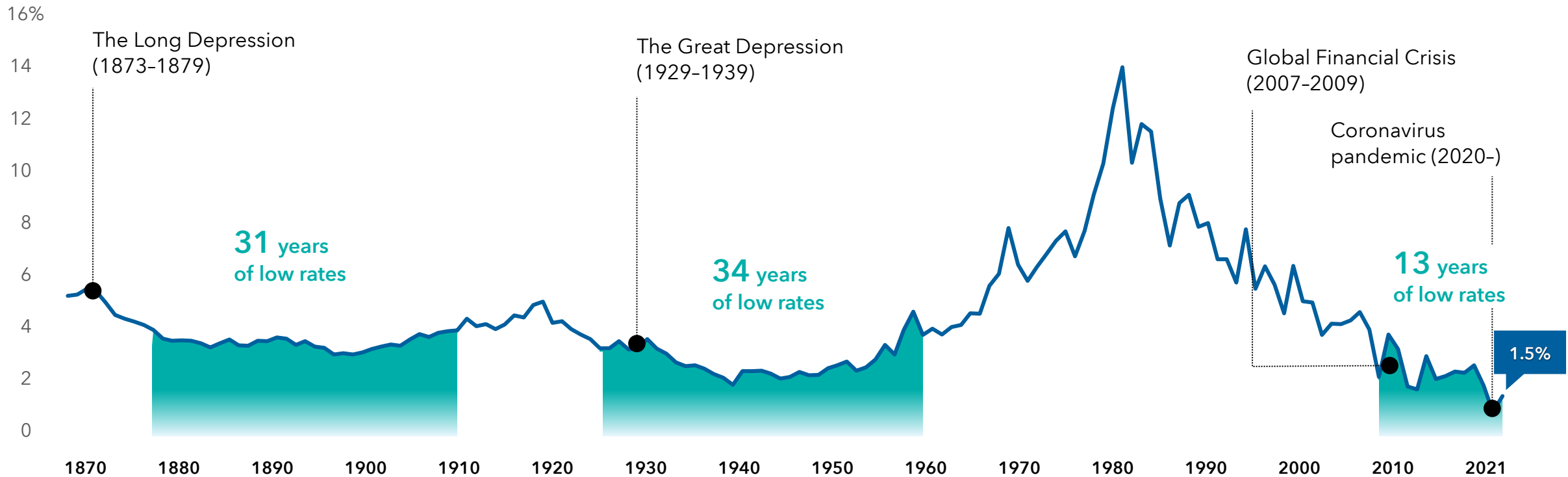


Sources: Capital Group, Global Financial Data, Bureau of Labor Statistics. As of August 31, 2021.

# Lower-for-longer interest rates extend the cycle

History shows that U.S. long-term rates can remain low for extended periods

## U.S. long-term government bond yields (1870-2021)

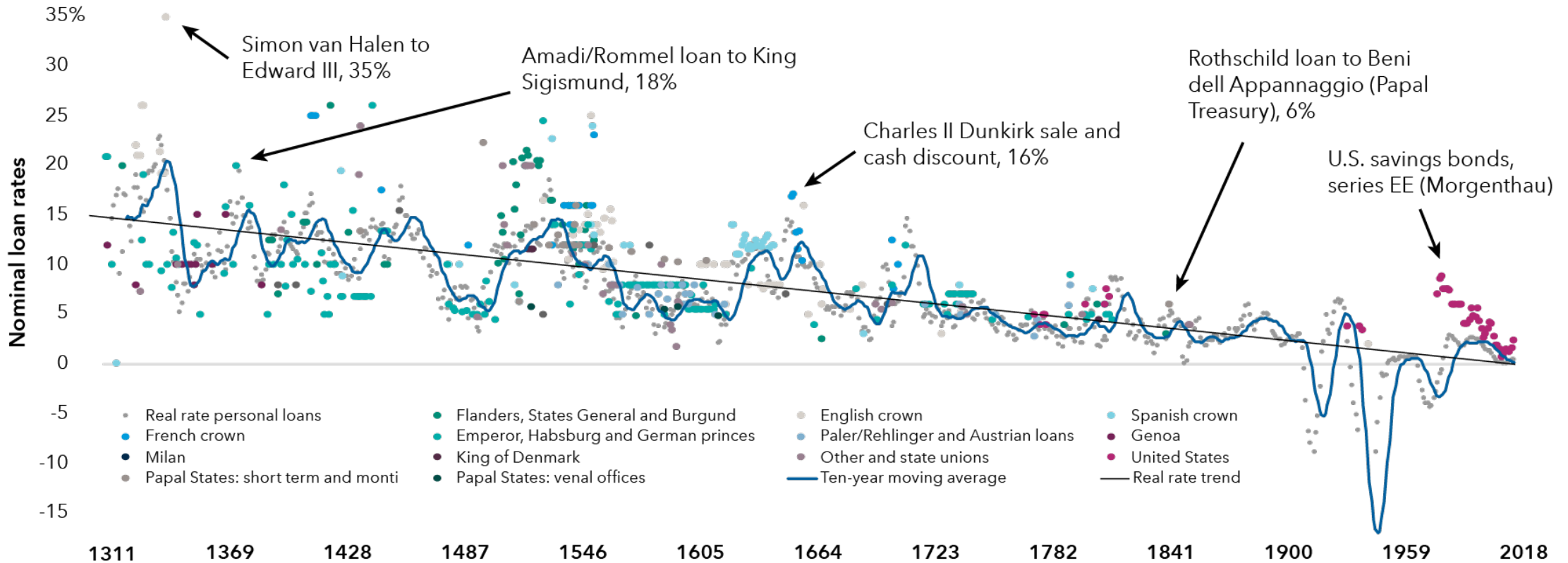


Sources: Federal Reserve, FactSet, Robert Shiller, Refinitiv Datastream. Data for 1871-1961 represents average monthly U.S. long-term government bond yields compiled by Robert Shiller. Data for 1962-September 2021 represents 10-year Treasury yields as of December 31 each year within the period. Length of low rate periods above are consecutive years with rates below 4%.

# Money has been getting cheaper for some time

## Eight centuries of declining interest rates, from van Halen to Morgenthau

Personal/non-marketable loans to sovereigns (1311-1946) and U.S. savings bonds (1947-2018)

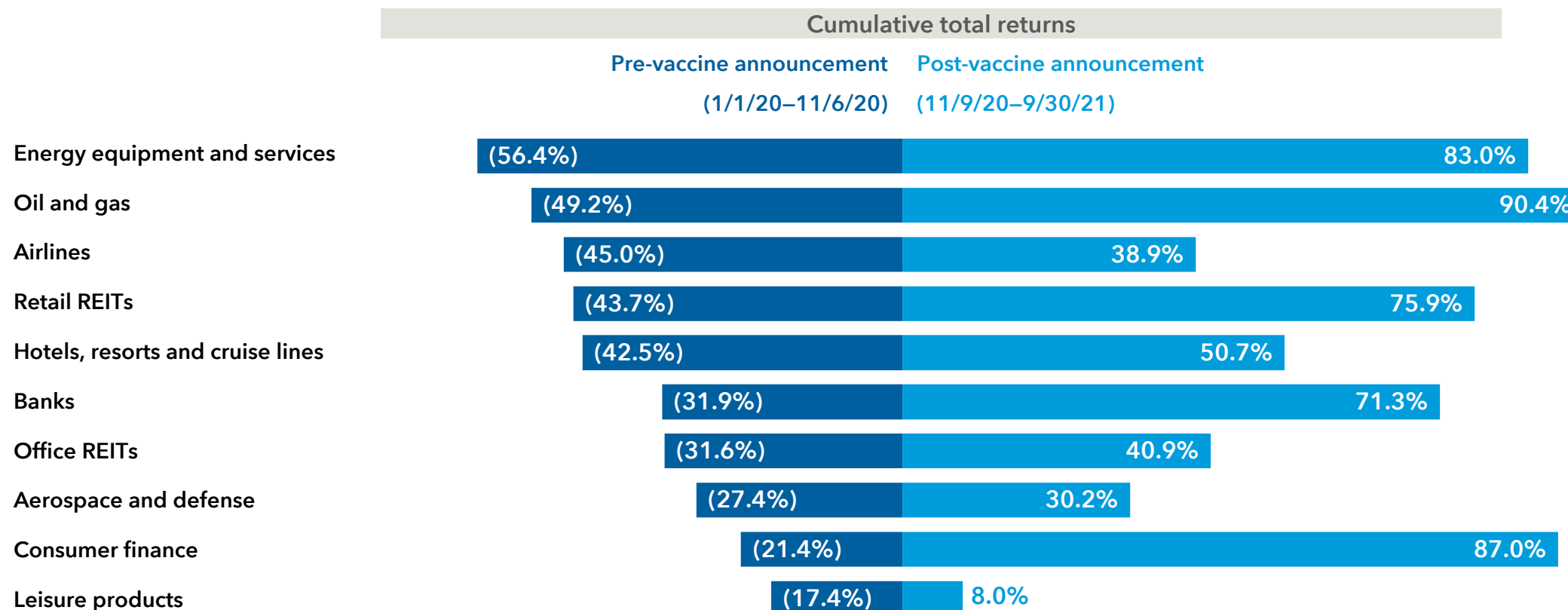


Source: Bank of England (BOE). Schmelzing, Paul, "Eight centuries of global real interest rates, R-G, and the 'suprasecular' decline, 1311-2018," BOE Staff Working Paper No. 845, January 2020. Loans are arithmetically-weighted at global headline level prior to establishment of consolidated debt at national levels (Germany: prior to 1618). Excluded are intragovernmental loans from central/public banks, from de facto public agencies, and any bank loans opened to public subscription. Annualized cash-only rates recorded. Interest on U.S. savings bonds adjusted bi-annually since 1995: average of two bi-annual long-term rates taken. Nominal loan sample deflated with arithmetic global inflation.



# Value or growth? Balance them both

A rotation to cyclical companies began on November 9, or “vaccine day”

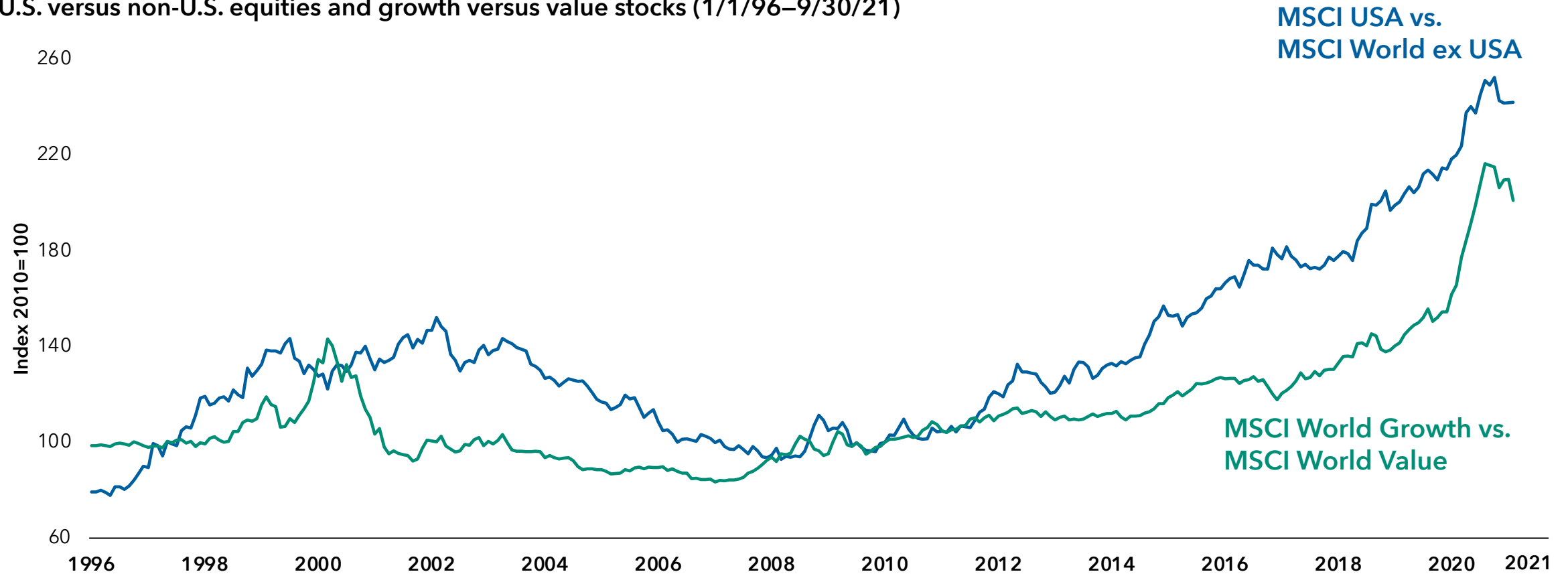


Sources: RIMES, Standard & Poor's. Industries listed are the 10 worst-performing industries within the S&P 500 Index from 1/1/20-11/6/20. Returns are in USD. 11/6/20 was the last business day before the Pfizer-BioNTech COVID-19 vaccine was revealed to have more than 90% efficacy in global trials.

# Low interest rates have allowed for extended equity duration

Companies with secular growth outpaced those reliant on cyclical growth, especially in U.S.

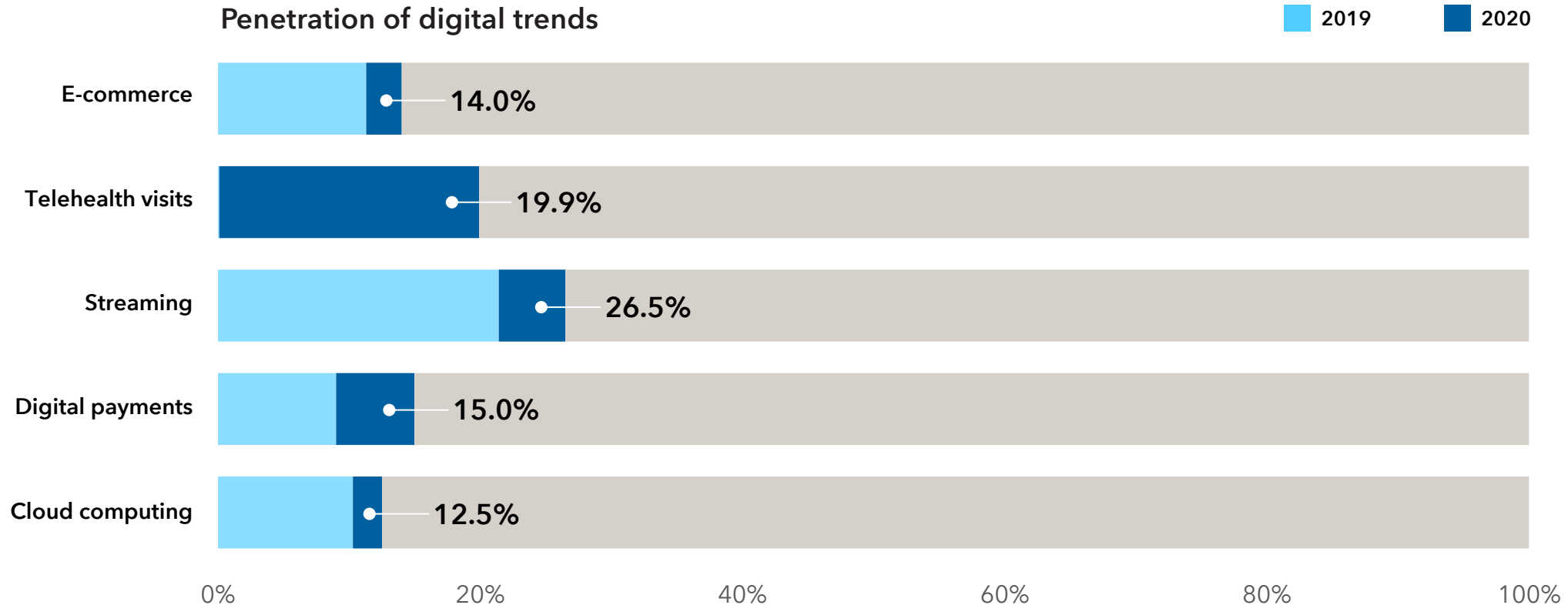
U.S. versus non-U.S. equities and growth versus value stocks (1/1/96–9/30/21)



Sources: Capital Group, RIMES. Data as of February 28, 2021.

# The great digital acceleration still has room to run

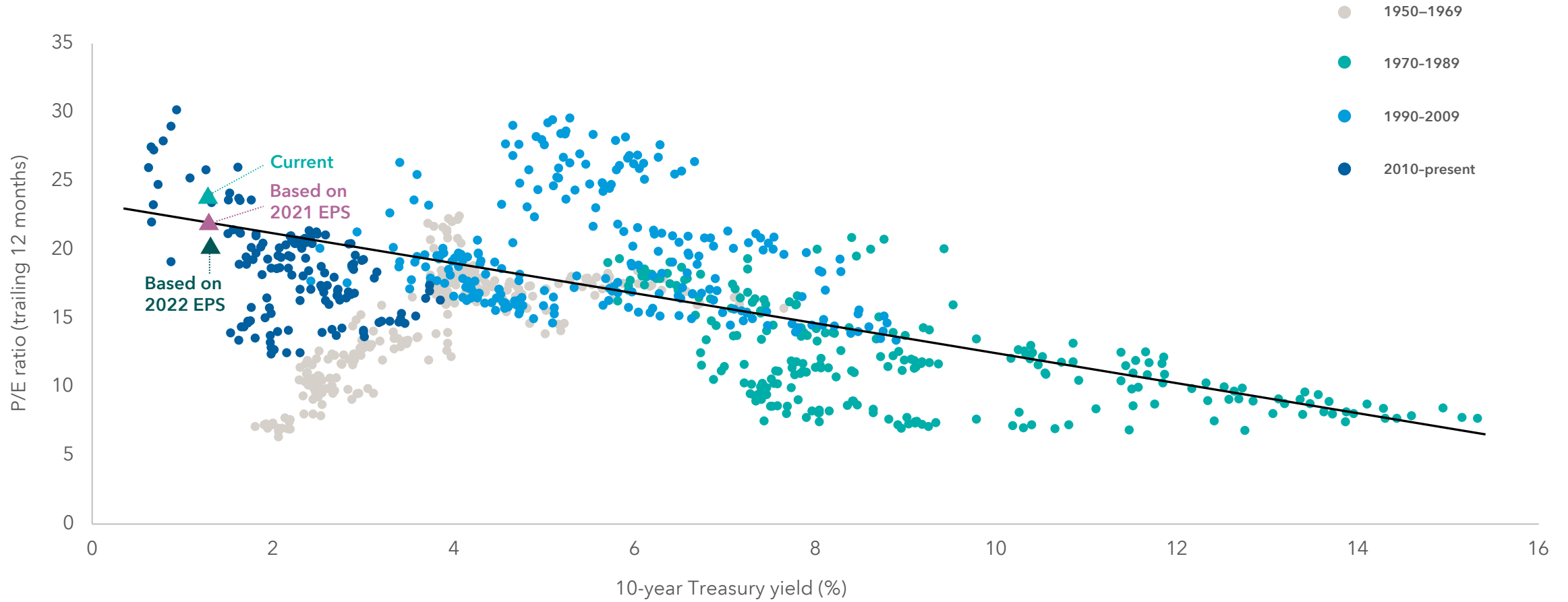
Near-term behavioral shifts could prove to be long lasting



Sources: E-commerce = % of total U.S. retail sales (U.S. Census Bureau); telehealth visits = % of total primary care visits that were not in-person visits (U.S. Department of Health & Human Services, as of June 2020); streaming = % of time spent watching TV on streaming content (Nielsen, as of 3Q 2020); digital payments = % of payments made with digital wallets (Statista); cloud computing = % of total IT spend on public cloud computing (Capital Group, IDC).

# Interest rates are supportive of equity valuations

The S&P 500 P/E ratio has been “high” for years, and the market has risen strongly

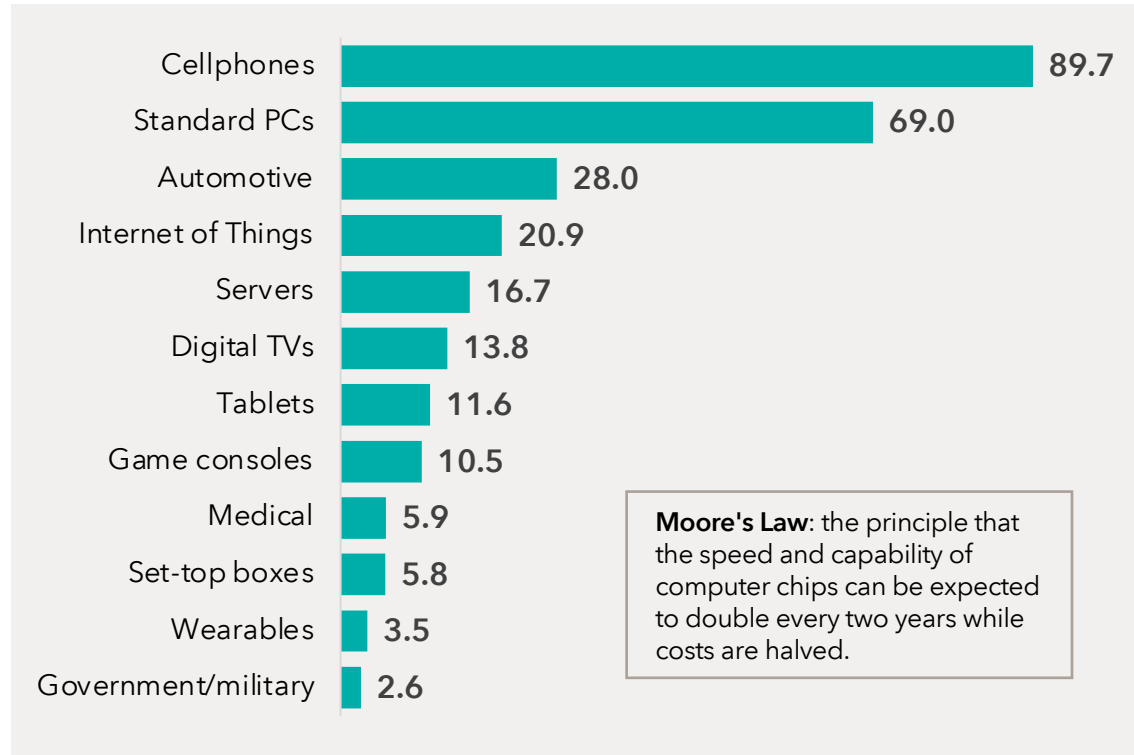


Sources: Capital Group, FactSet, Federal Reserve, Standard & Poor's. Dots represent monthly data from 1/31/50-8/31/21.

# Moore's Law: The picks and shovels of the digital age

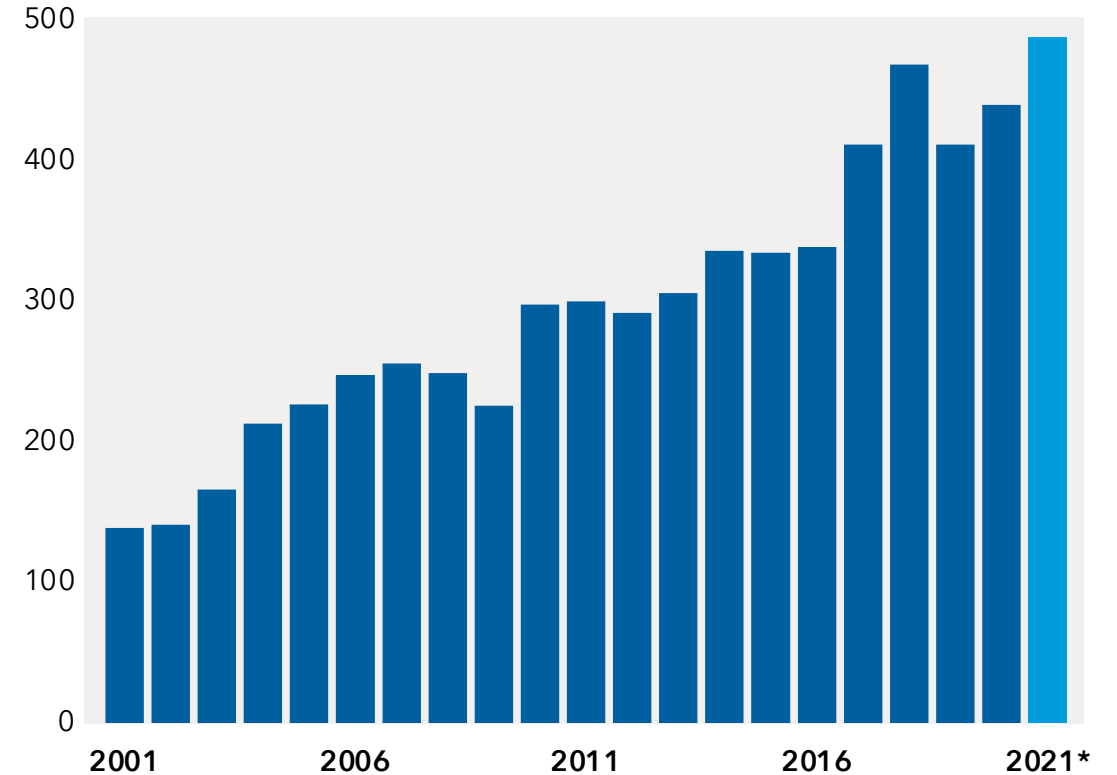
Chip suppliers fuel power behind great products, sending revenues higher

Products that use integrated circuits, by worldwide revenue (billions USD)



Source: Statista. Revenue shown is for 2017, most recent data available.

Semiconductor sales revenue worldwide (billions USD)



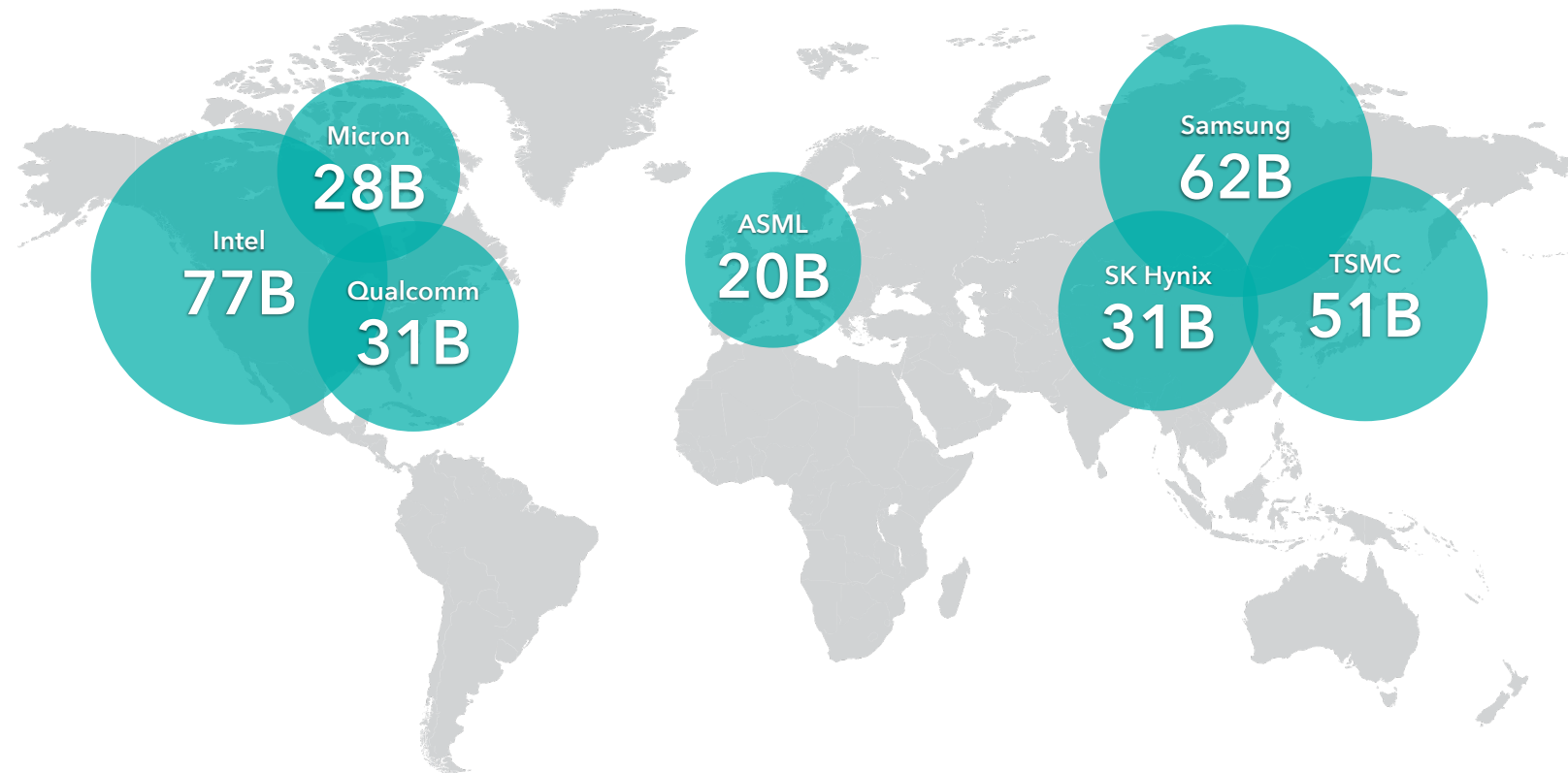
Sources: Statista, World Semiconductor Trade Statistics. As of March 1, 2021.

\*Estimate 2021.

# Chips ahoy! Semiconductors will be everywhere and in everything

Post-pandemic chip shortages underscore the importance of semiconductors to global supply chains

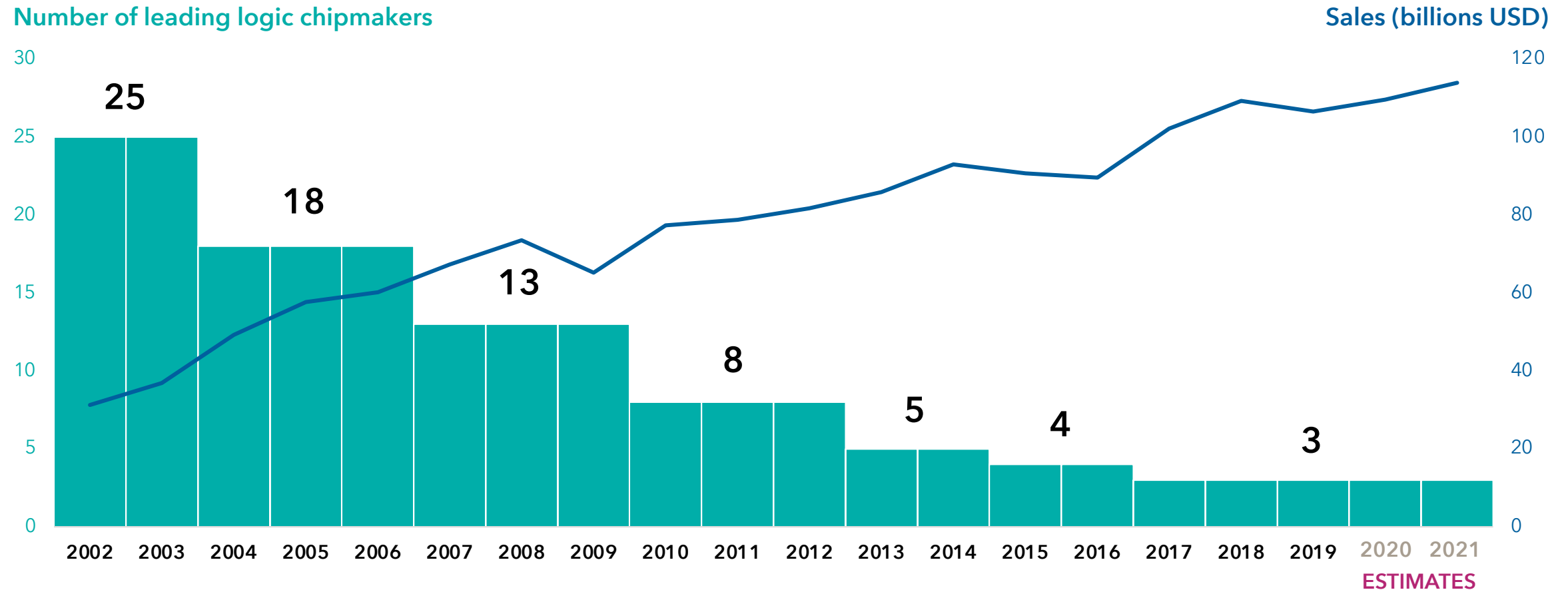
Revenue reported within the semiconductor industry (USD)



Sources: Capital Group, FactSet. Companies selected from the MSCI ACWI Semiconductor Index (plus sales from Samsung's semiconductor division) based on highest 12-month revenue reported in each company's most recent financial statement, as of 9/30/21. Samsung is not listed as a semiconductor company, but their semiconductor division would have the second highest revenue if it was a standalone semiconductor company.

# Playing offense? Consider companies with pricing power

Semiconductor logic: Fewer companies plus soaring demand equals pricing power



Sources: Capital Group, Intel, Statista, World Semiconductor Trade Statistics. Number of companies represents leading logic semiconductor companies capable of manufacturing the smallest chips available in each period.

# Harnessing the power of the cloud

Cloud provides the ability to analyze data and generate insights in real time and on a global scale

**Ease of data integration**



**Real-time data and analytics**



**Reliable global accessibility with limited lag**



**Everyday applications of cloud analytics:**

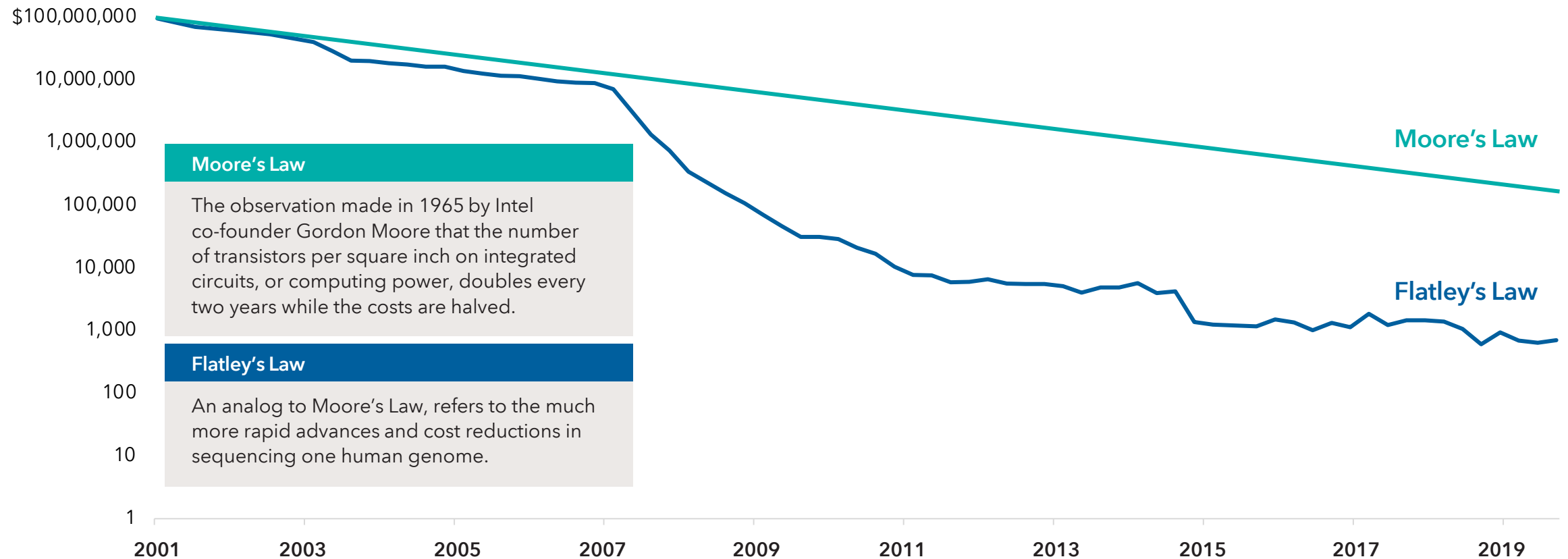
- Real-time navigation
- Street images
- Alternate route suggestions
- Store reviews and hours
- Transit information



# The health care sector has innovation in its DNA

## Gene sequencing costs have fallen far faster than pace set by Moore's Law

DNA sequencing costs (Flatley's Law) versus computer power costs (Moore's Law)

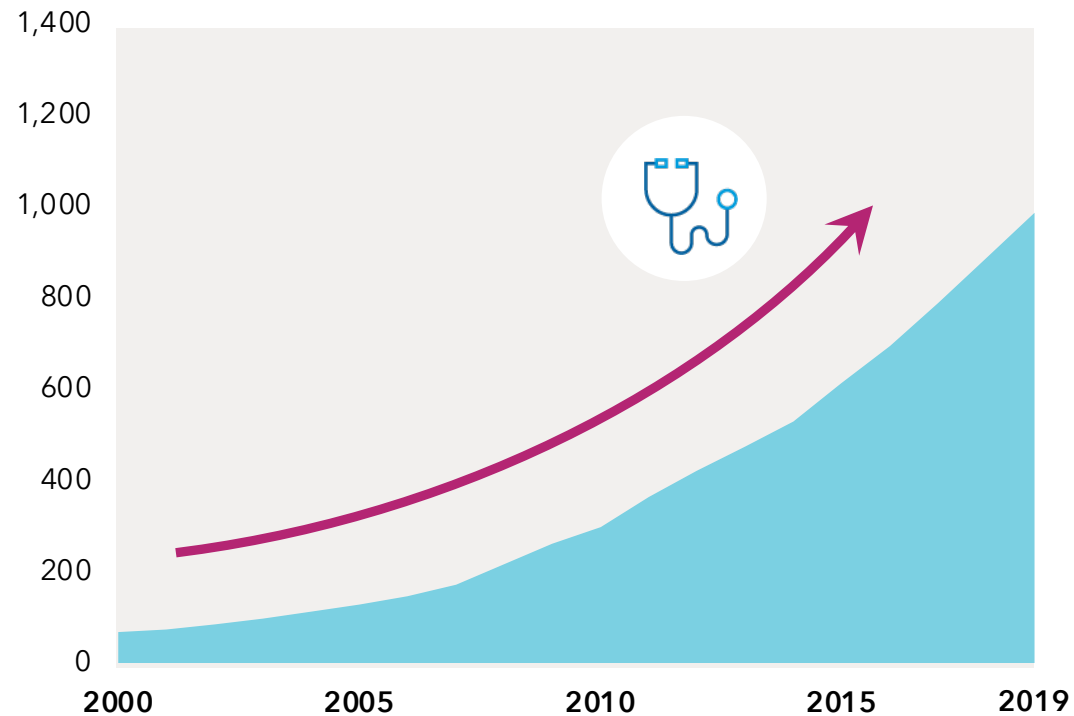


Source: National Human Genome Research Institute. Data as of August 31, 2020. Values shown on a logarithmic scale.

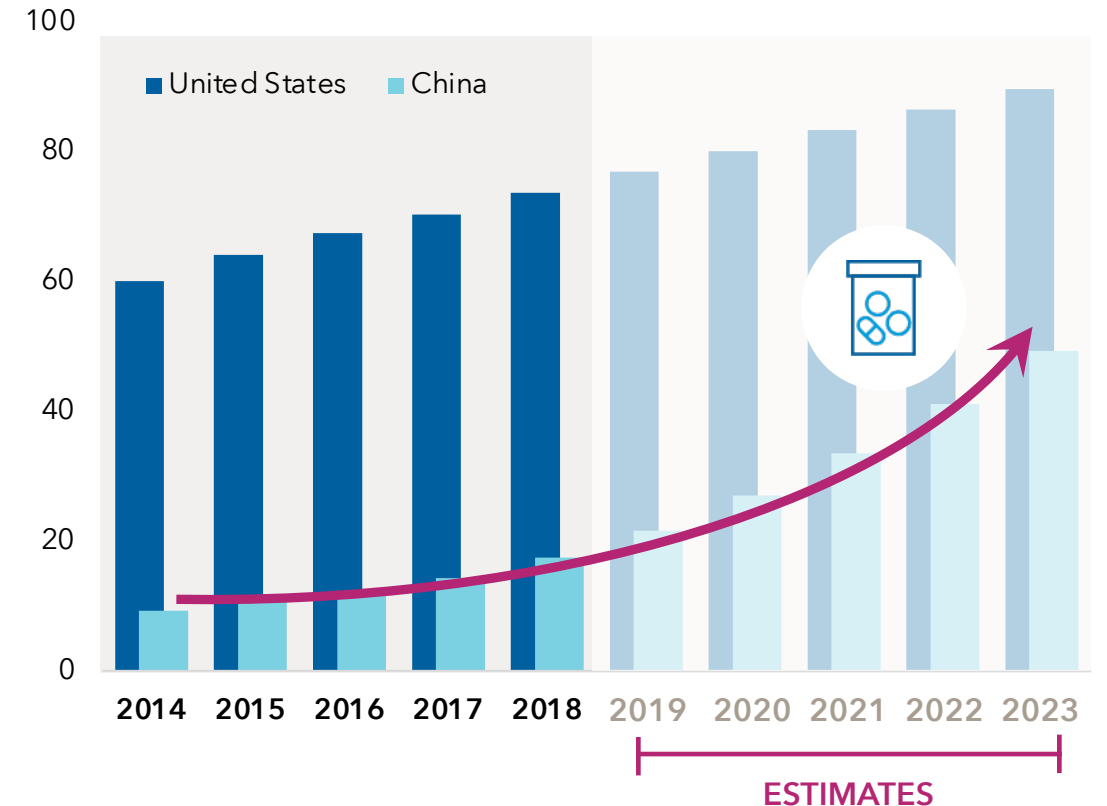
# China opens wallet for pharmaceutical research

One of the few large countries where health care spending is on the rise

**Health care expenditures in China**  
(billions USD)



**Pharmaceutical research and development spending**  
(billions USD)



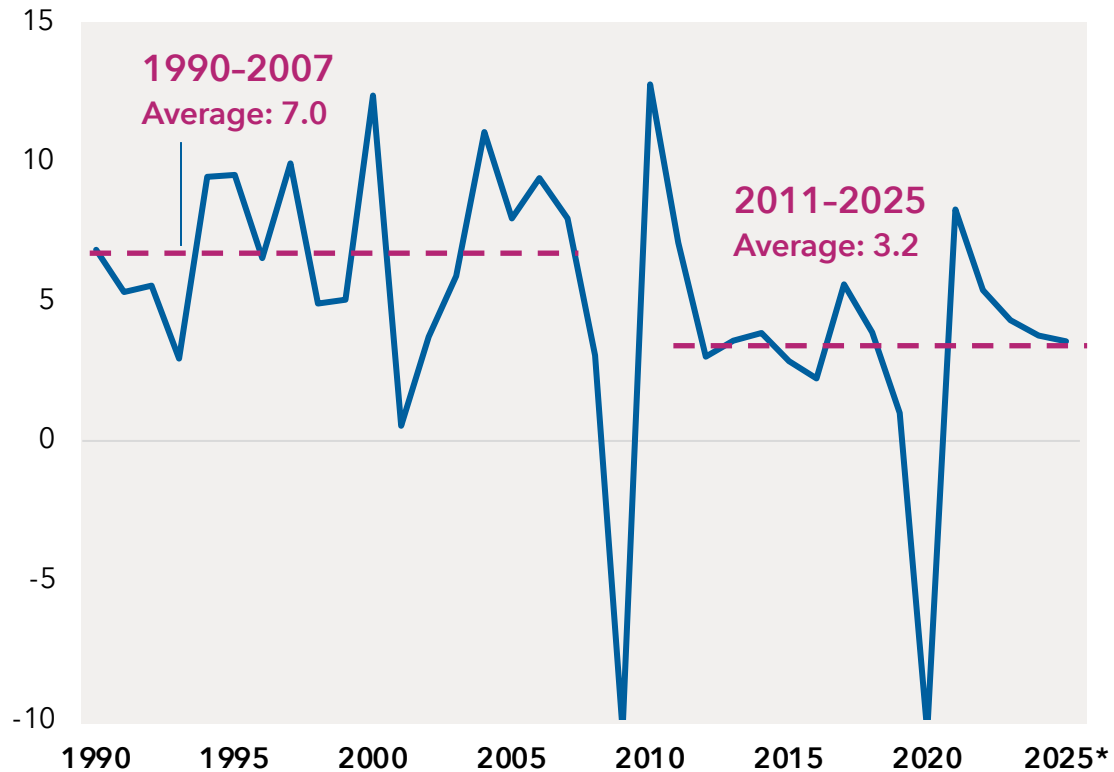
Sources: National Bureau of Statistics of China, RIMES, Statista. Data is latest available as of December 31, 2020. Data converted from yuan to USD, using the exchange rate on December 31, 2020.

# Rewiring world trade: the shift from physical to digital

World trade growth has slowed since the financial crisis as digital trade has risen

## World trade volume of goods and services

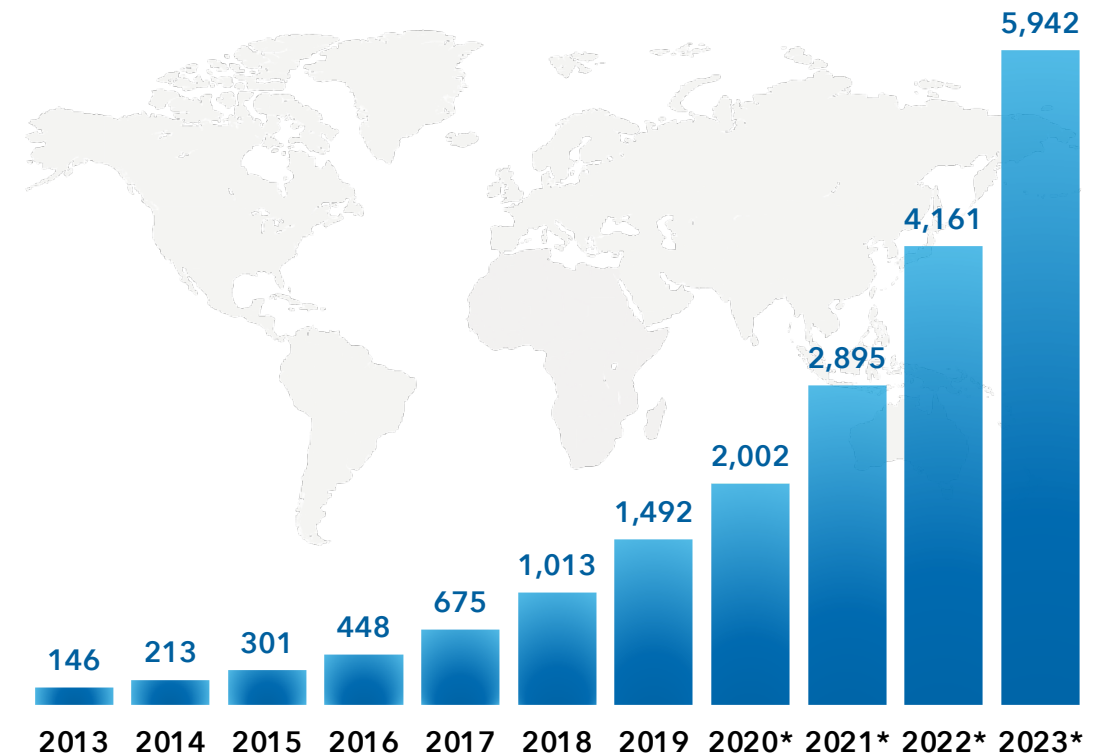
Year-over-year change (%)



Sources: International Monetary Fund, World Bank Refinitiv Datastream. Estimates 2021-2025.

## Data traffic is rapidly rising as digital trade grows

Global cross-border bandwidth (terabits per second)

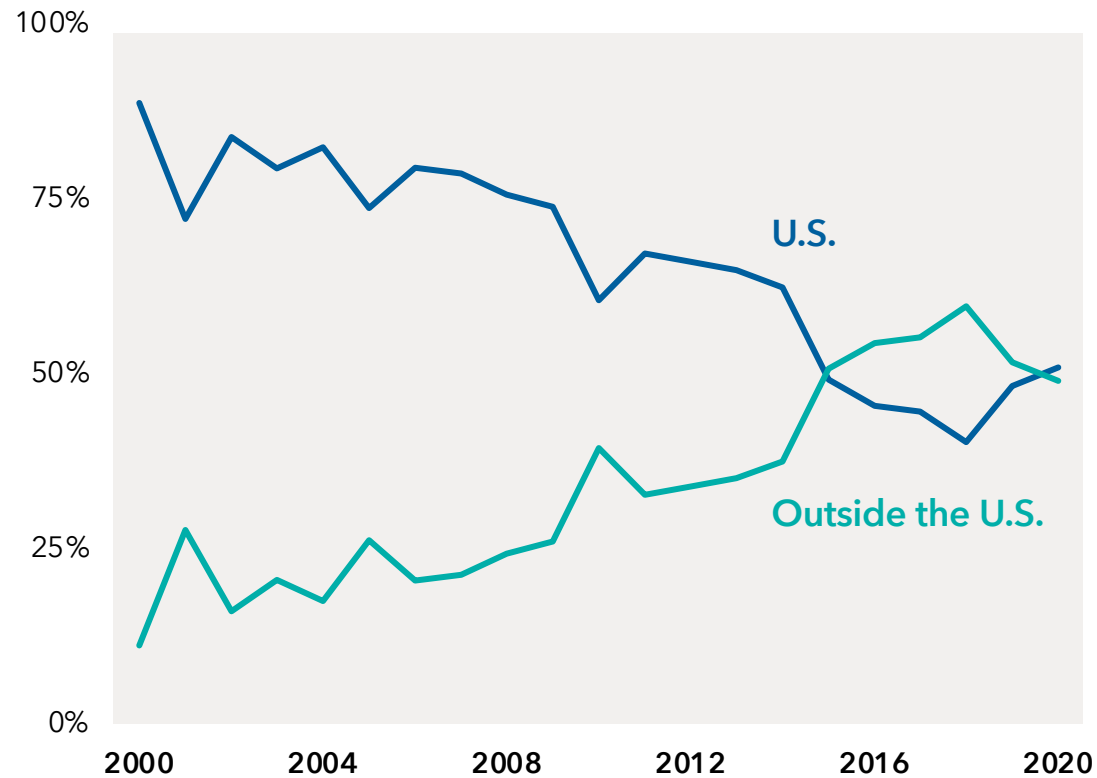


Sources: TeleGeography, McKinsey Global Institute. Actual data through 2020. Estimates 2021-2023.

# Venture capital is gaining traction outside the U.S.

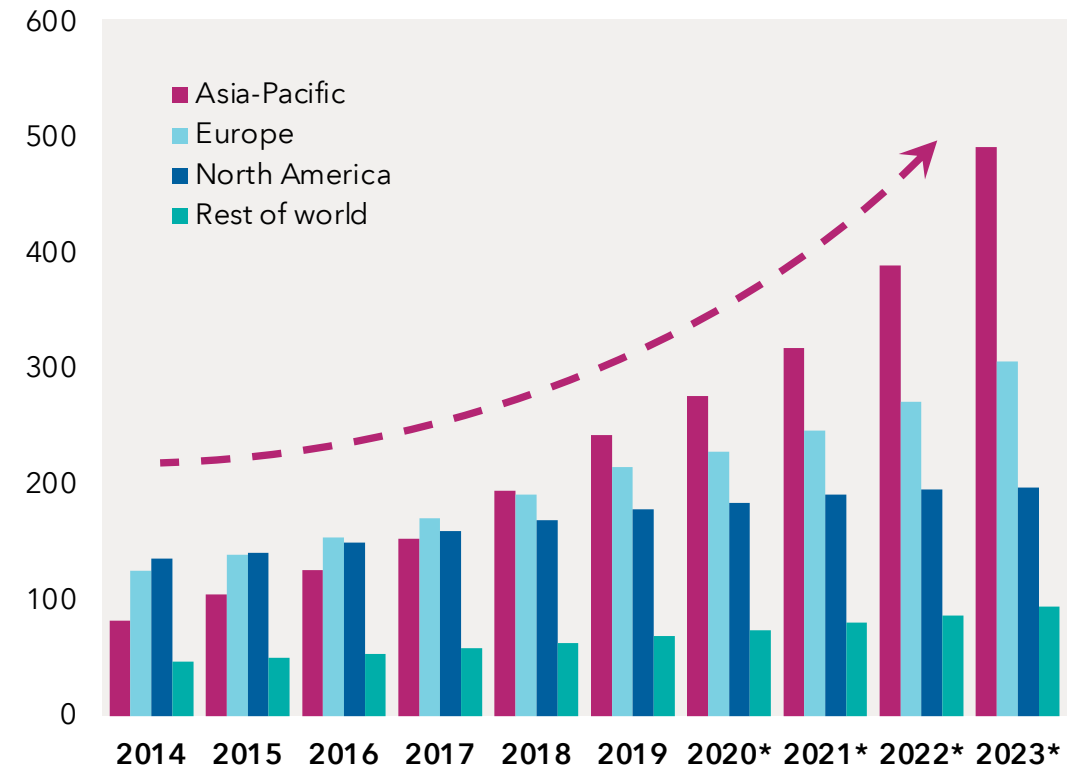
## Asia is quickly becoming the world leader in digital payments

Global venture capital funding (%)



Source: Pitchbook. Data through December 31, 2020.

Global payments revenue (billions USD)



Source: Capgemini, World Payments Report.

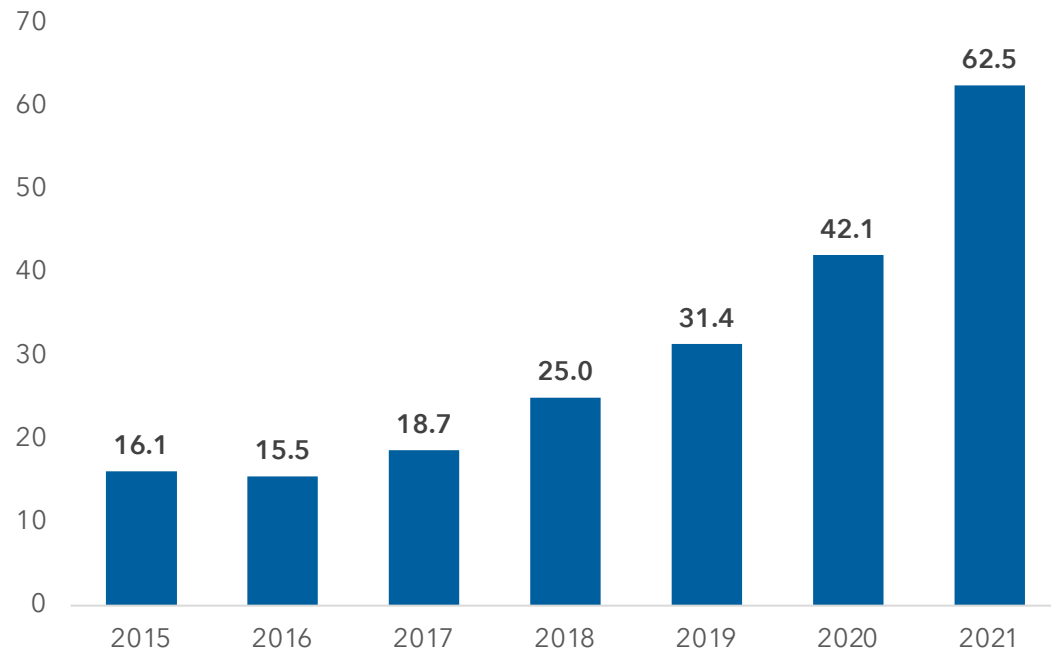
\*Estimates 2020-2023. Figures reflect non-cash payments.

# Venture capital is increasingly funding innovation in Europe and Asia

## VC deals are on the increase – particularly in Europe

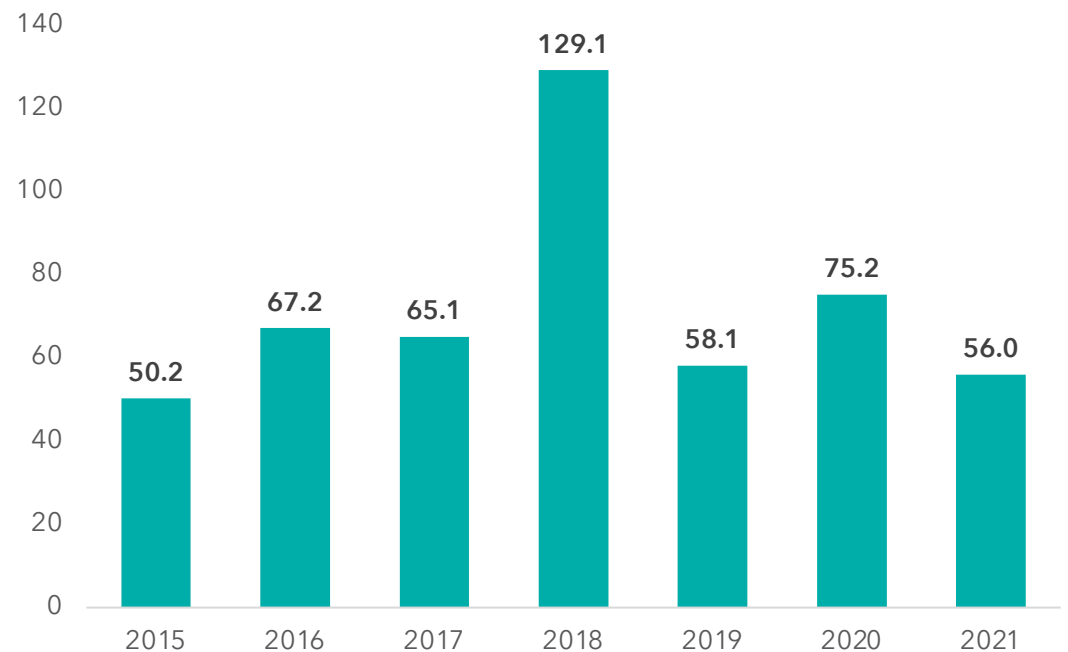
### VC deals funded in Europe

(deal value in \$ billion)



### VC deals funded in China

(deal value in \$ billion)

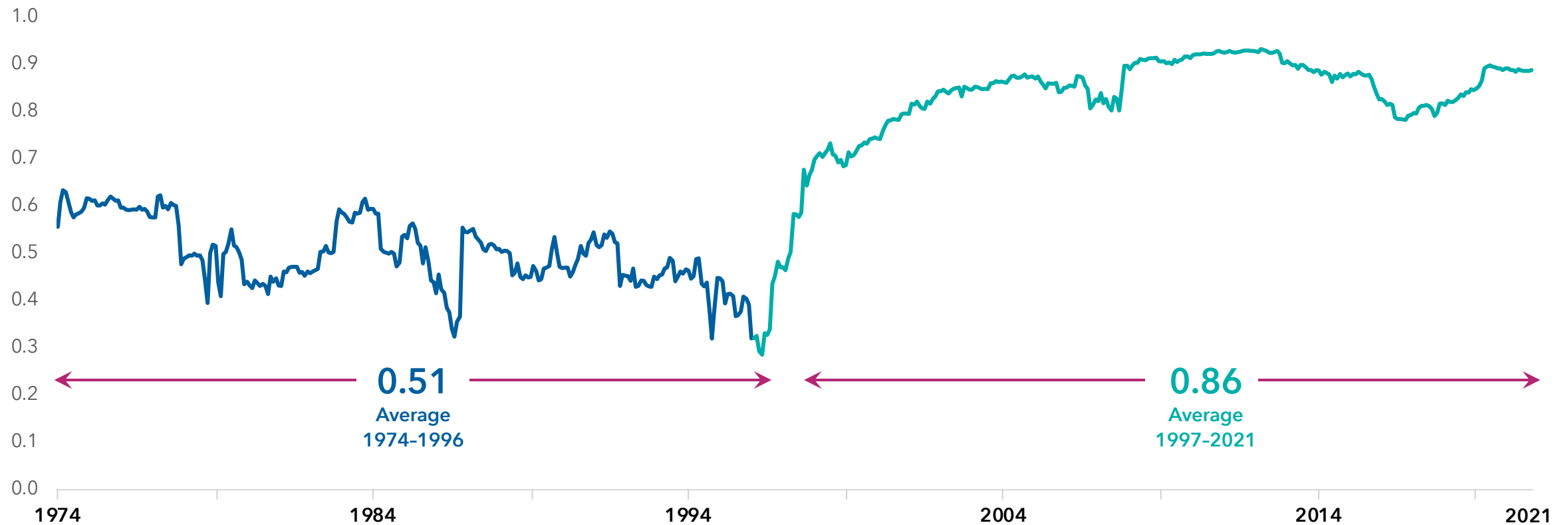


Source: PitchBook. Data as of August 25, 2021, for Europe and June 30, 2021, for China.

# No more free lunch from diversification

Higher correlations have reduced geographic diversification benefits

Rolling five-year correlation between U.S. and non-U.S. equities (1974-2021)

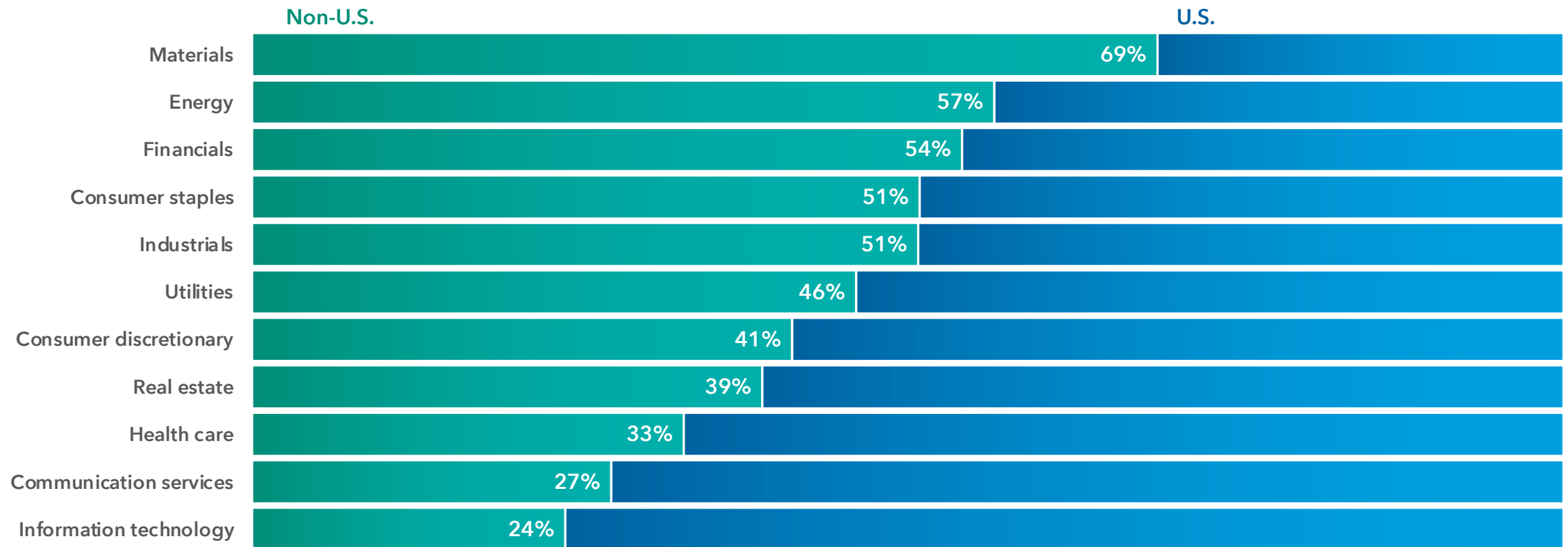


Sources: Capital Group, MSCI, Standard & Poor's. S&P 500 Index and MSCI World ex USA Index used to represent U.S. and non-U.S. equities, respectively. Includes all five-year rolling periods ending between December 31, 1974 and September 30, 2021.

# International indexes are more weighted toward older industries

Bottom-up research can help uncover growth opportunities across sectors

Regional exposure of each sector within MSCI All Country World Index (ACWI)

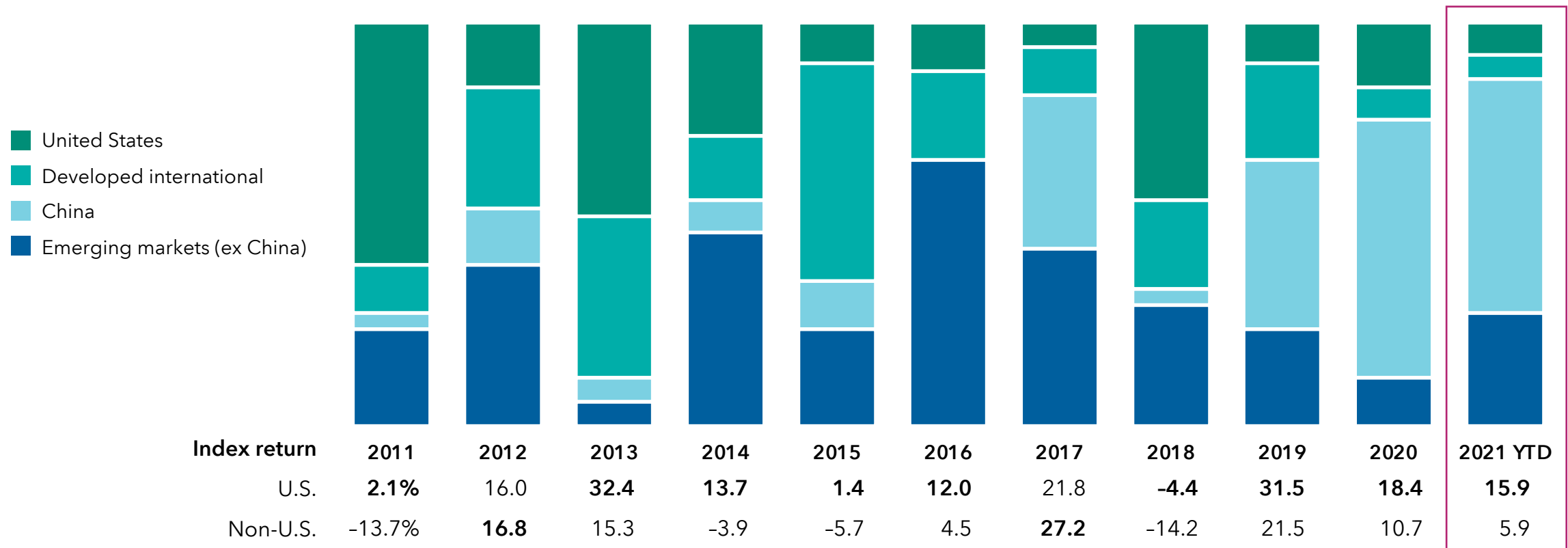


Source: MSCI, RIMES. As of September 30, 2021.

# Think all the best stocks are in the U.S.? Think again.

75% of the top stocks since 2011 have been based outside the U.S.

Number of the top 50 stocks each year by company location



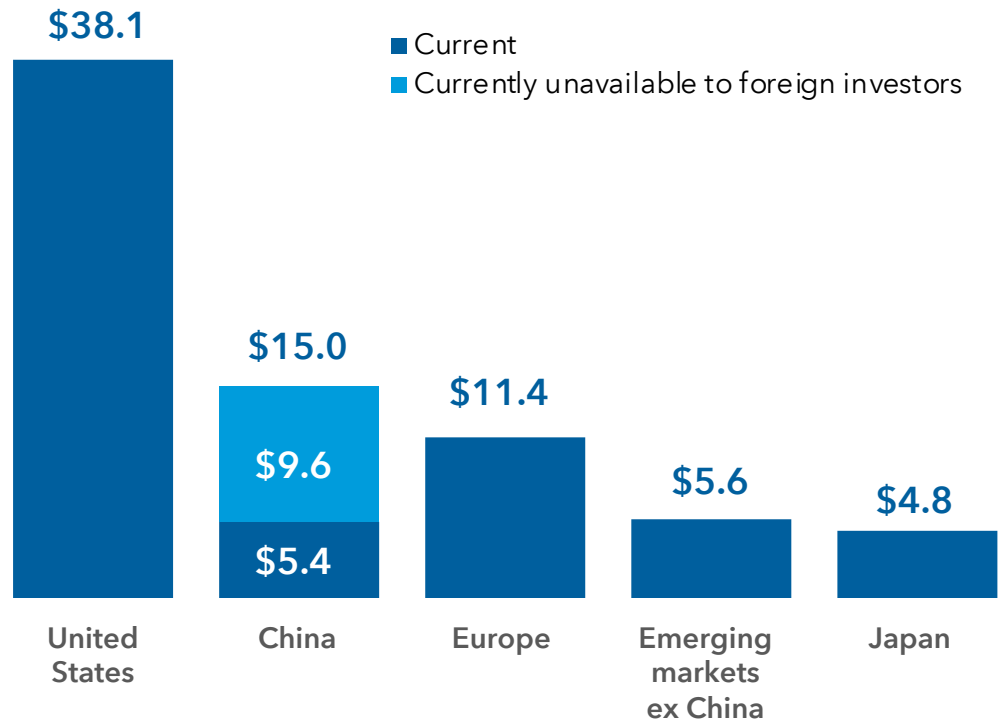
Sources: MSCI, RIMES. Data as of September 30, 2021. Returns in U.S. dollars. Top 50 stocks are the companies with the highest total return in the MSCI ACWI each year. Returns table uses the S&P 500 and MSCI ACWI ex USA indexes for U.S. and non-U.S., respectively.



# Too big to ignore - Investment opportunities in China

Hundreds of companies across many sectors will be available to foreign investors for the first time

Market cap of major equity markets (USD trillions)



MSCI China A Onshore Index by sector weight

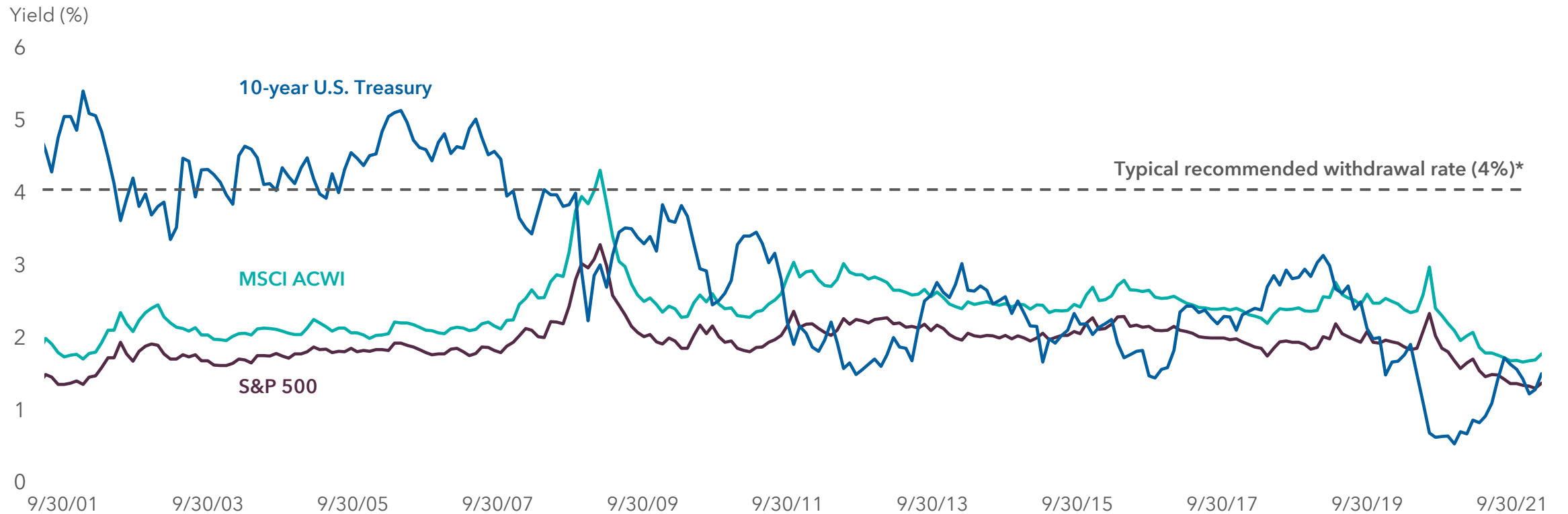
Financials	20%
Information technology	16%
Consumer staples	15%
Industrials	13%
Health care	11%
Consumer discretionary	9%
Materials	9%
Real estate	3%
Communication services	2%
Energy	1%
Utilities	1%

Sources: MSCI, Refinitiv Datastream, RIMES. Market cap data as of December 31, 2020. Sector weights as of January 29, 2021. China's current market value is based on the MSCI China All Shares IMI, adjusted for foreign inclusion and ownership restrictions. China's currently unavailable market value is calculated based on the unadjusted market value of all Chinese equities tracked by MSCI, assuming no foreign inclusion or ownership restrictions. All regions reflect MSCI IMI data, which includes large-, mid- and small-cap securities.

# In a low-rate world, dividends are more important than ever

## Dividend-paying companies remain an important source of income

### S&P 500 dividend yield vs. MSCI ACWI vs. 10-year U.S. Treasury yield (2001–2021)



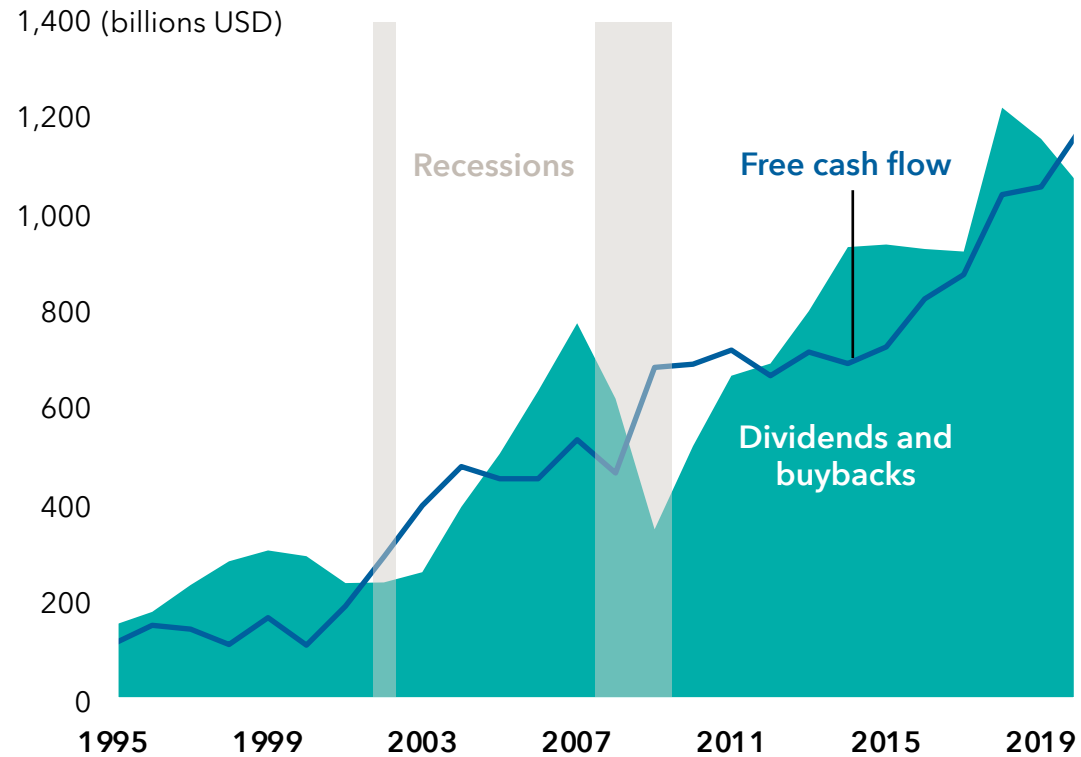
Sources: MSCI, Refinitiv Datastream, Standard & Poor's. As of 9/30/21.

\*Source: Wall Street Journal, "How to Make Sure Your Retirement Nest Egg Lasts," by Neal Templin, April 2021. The article states that when taking inflation into consideration, portfolios shouldn't follow the 4% annual withdrawal rule. Instead, the article suggests 2.8% may be a better annual withdrawal rate to consider.

# Dividend zeroes to dividend heroes

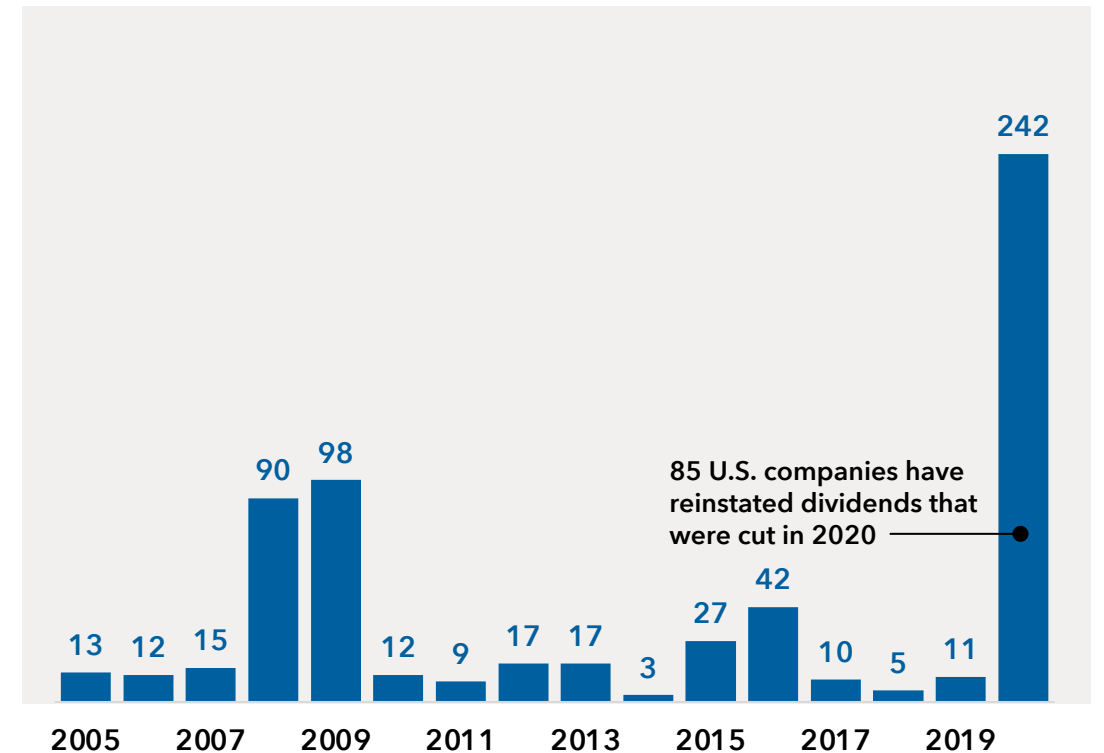
After historic cuts, some U.S. companies are restoring dividends

Dividends and buybacks have, until recently, exceeded free cash flow since 2013



Source: Capital Group. Universe is made up of 12,507 non-financial U.S.-based companies that are meant to be a proxy for the U.S. public equity market. Data as of September 30, 2020.

Number of U.S. companies that have suspended or cut dividends

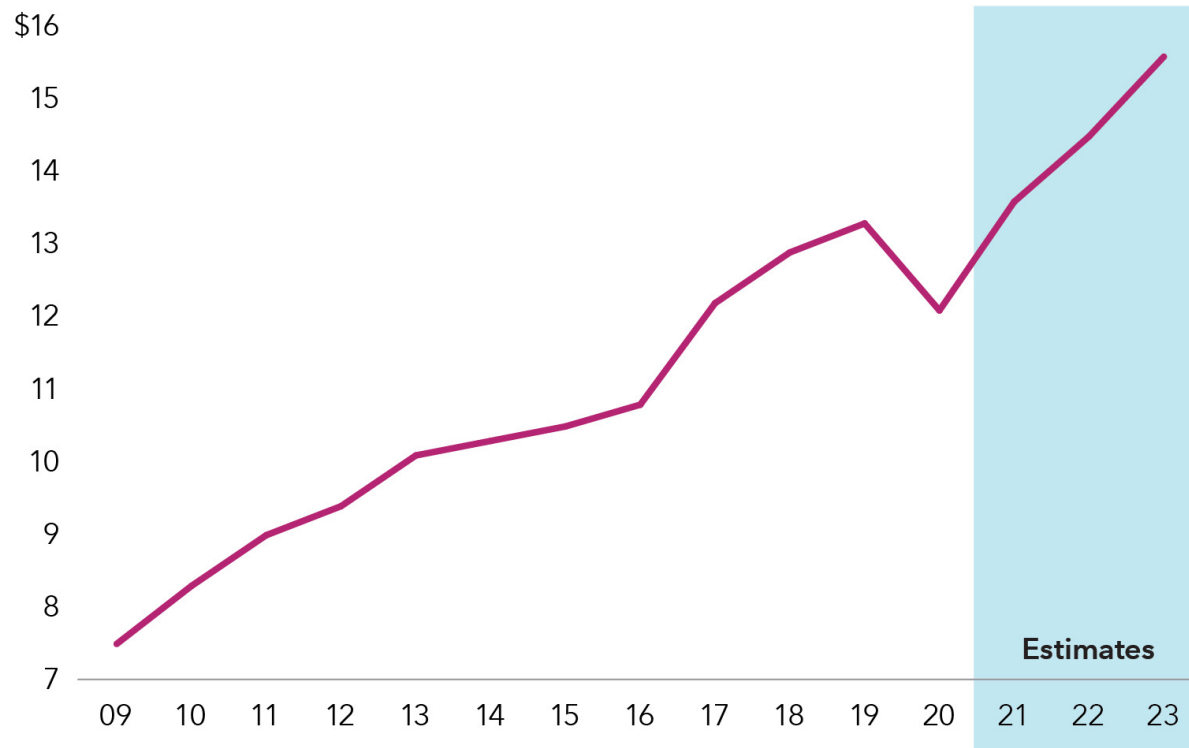


Source: Wolfe Research, LLC. Copyright © Wolfe Research, LLC 2021. All rights reserved. Data for 2020 as of October 15, reinstated dividends through October 14, 2021. Only companies with market cap of at least \$250 million included.

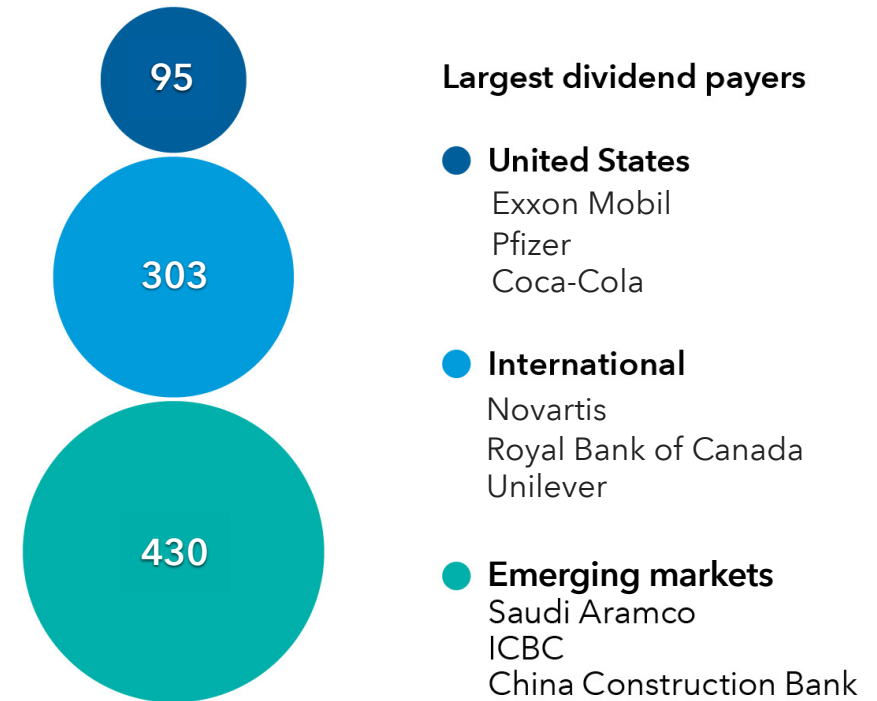
# Dividends have staged a comeback and abound outside the U.S.

After a decline, companies are paying dividends again

### Dividends per share (MSCI ACWI)



### Number of companies with dividend yields higher than 3%

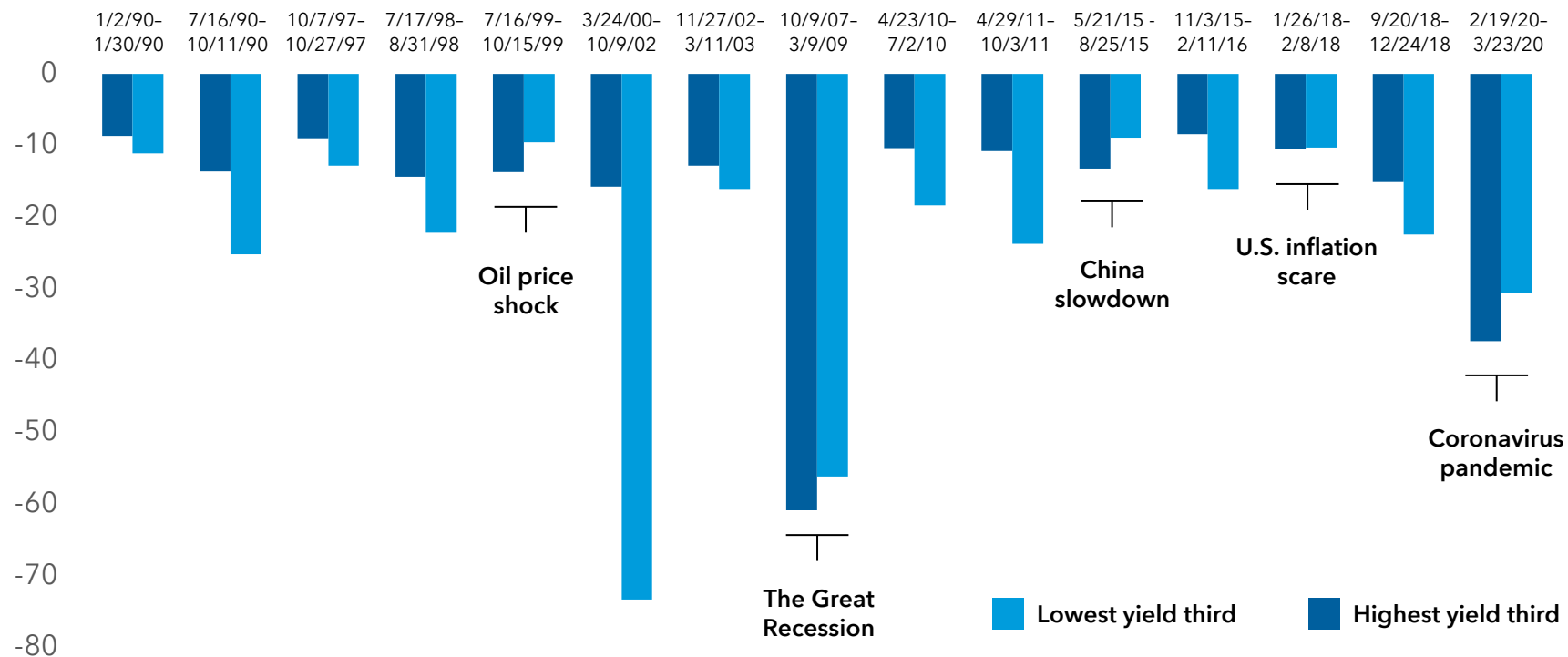


Sources: Capital Group, FactSet, MSCI, RIMES. 2021-2023 in the chart at left are estimates by FactSet. Both charts use the MSCI All Country World Index (ACWI) to represent global dividends and are as of 9/30/21.

# Higher dividend providers tended to provide resilience during downturns

In all but five of the last 15 downturns, higher yielding companies held up better than lower yielding companies

S&P 500 highest and lowest yield third over the last 15 market downturns

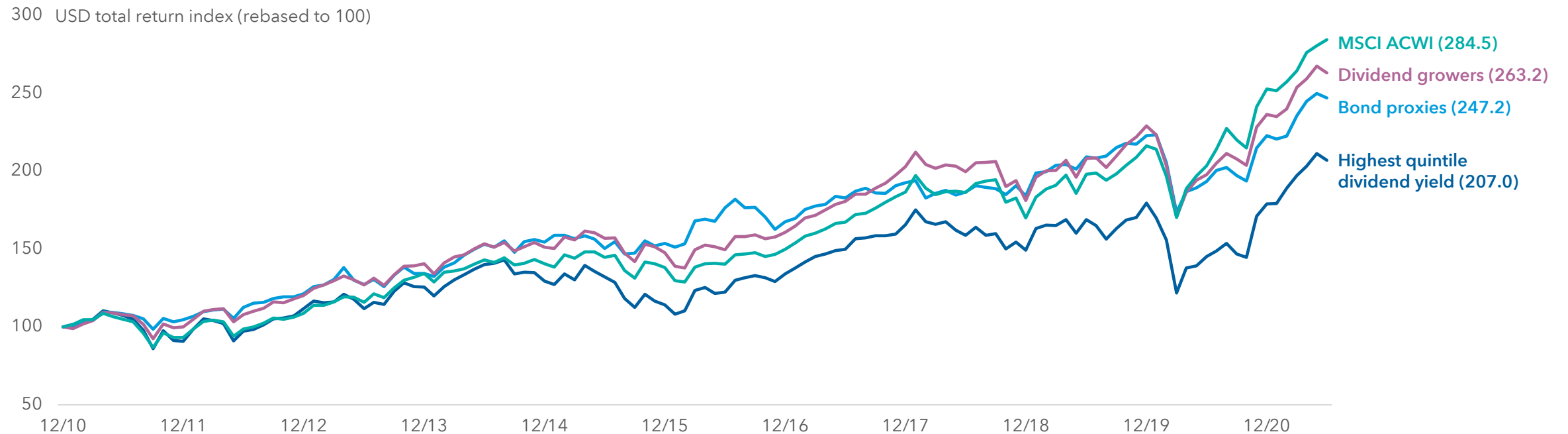


Correction	Difference
1/2/90-1/30/90	2.46
7/16/90-10/11/90	11.56
10/7/97-10/27/97	3.83
7/17/98-8/31/98	7.82
7/16/99-10/15/99	-4.15
3/24/00-10/9/02	57.61
11/27/02-3/11/03	3.26
10/9/07-3/9/09	-4.65
4/23/10-7/2/10	7.98
4/29/11-10/3/11	12.95
5/21/15-8/25/15	-4.36
11/3/15-2/11/16	7.70
1/26/18-2/8/18	-0.23
9/20/18-12/24/18	7.29
2/19/20-3/23/20	-6.75

Source: Capital Group and FactSet. The dividend yield ranges for the terciles are calculated monthly. Periods shown include bear markets and market corrections. A bear market is defined as the index cumulative decline of 20% or more from peak to trough. A market correction is defined as the index cumulative decline of 10%-20% from peak to trough.

# Dividend growers have outpaced other income strategies

## Dividend growth can signal a disciplined capital allocation process



Sources: Jefferies, FactSet Alpha Tester. Results are cumulative total returns in USD (with gross dividends reinvested) of companies represented in the MSCI ACWI (All Country World Index) segmented by dividend policy for the period December 31, 2010 to June 30, 2021. Highest quintile dividend yield are the top 20% of companies by 12-month forward dividend yield. Bond proxies are those stocks that tend to have higher yields but lower growth. They include stocks in the telecom, utilities and consumer staples sectors as well as REITs, railroads and transportation infrastructure stocks. Dividend growers include stocks with consistent dividend growth over the previous five years. Past results are not predictive of results in future periods.

# Summary

## Navigating the world in a new global system

How the challenges of the pandemic can help us find the road to prosperity

**Our job is to disaggregate the growth brought forward from permanent shifts.**

**As active investors, we are seeking to identify the long-term winners and losers.**

**With rates close to zero, equity markets must play a central role in generating wealth.**

## Important information

Bond ratings, which typically range from AAA/Aaa (highest) to D (lowest), are assigned by credit rating agencies such as Standard & Poor's, Moody's and/or Fitch, as an indication of an issuer's creditworthiness.

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# The World in 2030:

10 predictions for  
long-term investors



## This isn't science fiction



**Rob Lovelace**

is an equity portfolio manager with 35 years experience.\* He is vice chairman and president of The Capital Group Companies, Inc.,<sup>SM</sup> and is a manager for New Perspective Fund.<sup>®</sup>

The world in 2030 may seem a long way off, but at Capital Group we spend a lot of time thinking about the distant future.

Imagining life in 2030 is not a hypothetical for me. That's because in the portfolios I manage, my average holding period is about eight years, so I'm living that approach to investing.

I know too that most investors are focused on their long-term goals, like funding their retirement and their childrens' education. And yet it's rare to see investment perspective that considers anything beyond the next year or two.

That's why we want to look ahead to 2030 to highlight 10 of the most exciting and in some cases life-changing developments uncovered through our global research efforts. Sure, there will be challenges along the way. But as a portfolio manager, I'm inspired by all the innovations that our team is finding and the potential investment opportunities.

We hope this report helps you put the future in perspective and provides some reassurance that it looks bright for long-term investors.

\*As of December 31, 2020.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

# 1. Health care innovation will reach warp speed



## Rich Wolf

is an equity portfolio manager with 23 years experience\*. He also has research responsibilities for U.S. medical technology companies and is a manager for Fundamental Investors.®

Star Trek depicted a far-off future where space explorers traveled the galaxies equipped with cutting edge technology such as the tricorder, a hand-held medical device that scanned a person's vital signs, issued a diagnosis and prescribed treatment in minutes. While I don't think we'll have tricorders, I suspect that by 2030 many of us will have devices that will analyze blood, do cardiology monitoring and even remotely check our breathing while we sleep, some of which are readily available.

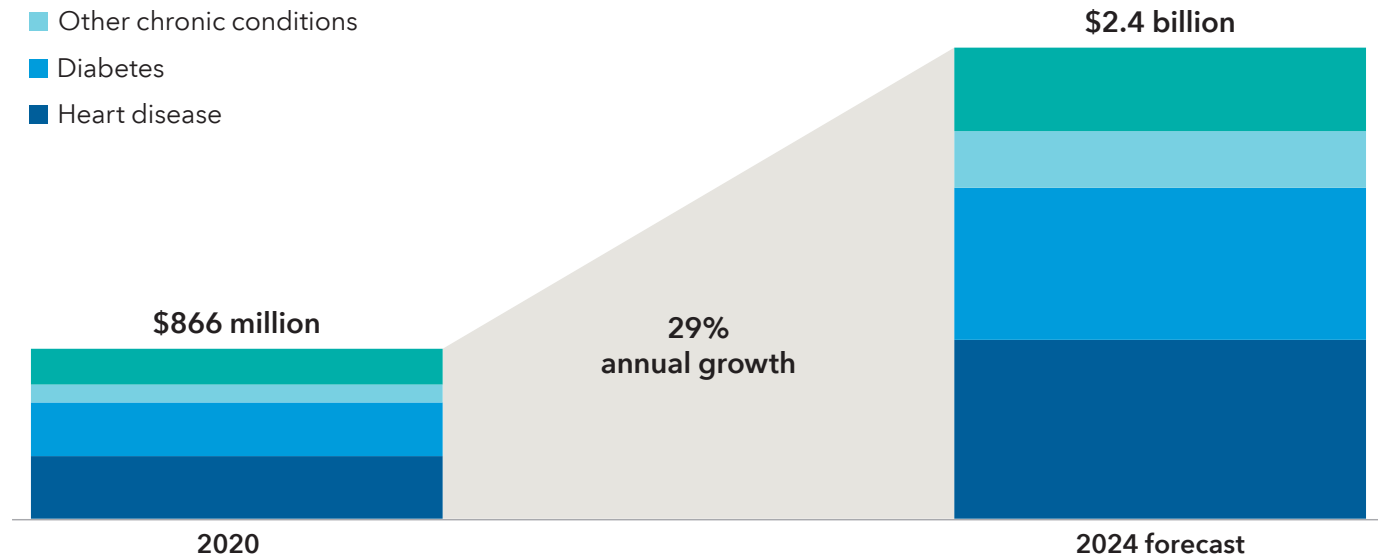
We are already experiencing a massive wave of innovation across the health care sector that will drive new opportunity for companies, potentially reduce overall costs and, most importantly, improve outcomes for patients. Breakthroughs

in diagnostics may lead to earlier detection of illnesses, or in some cases treat disease before it progresses. Genetic testing equipment maker Illumina and research and manufacturing company Thermo Fisher Scientific are providing services to a host of drug developers. One of the most exciting things is the liquid biopsy, whereby a sample of your blood can be used to identify cancer at its earliest stages.

Much of the recent focus has been on the pandemic and vaccine development. These are very important, but we have also been looking over the horizon, trying to determine how health care will transform itself and how we can invest in those shifts.

## Revenue of remote patient monitoring devices

- Post-hospital care
- Other chronic conditions
- Diabetes
- Heart disease



\*As of December 31, 2020.

Sources: Industry & government data, Kagan estimates, Standard & Poor's. Data compiled June 2020. Values in USD.

## 2. A cure for cancer may be around the corner



**Cheryl Frank** is an equity portfolio manager with 22 years experience.\* She also has research responsibilities for the health care services sector and drug retail industry. She is a manager for American Mutual Fund.®

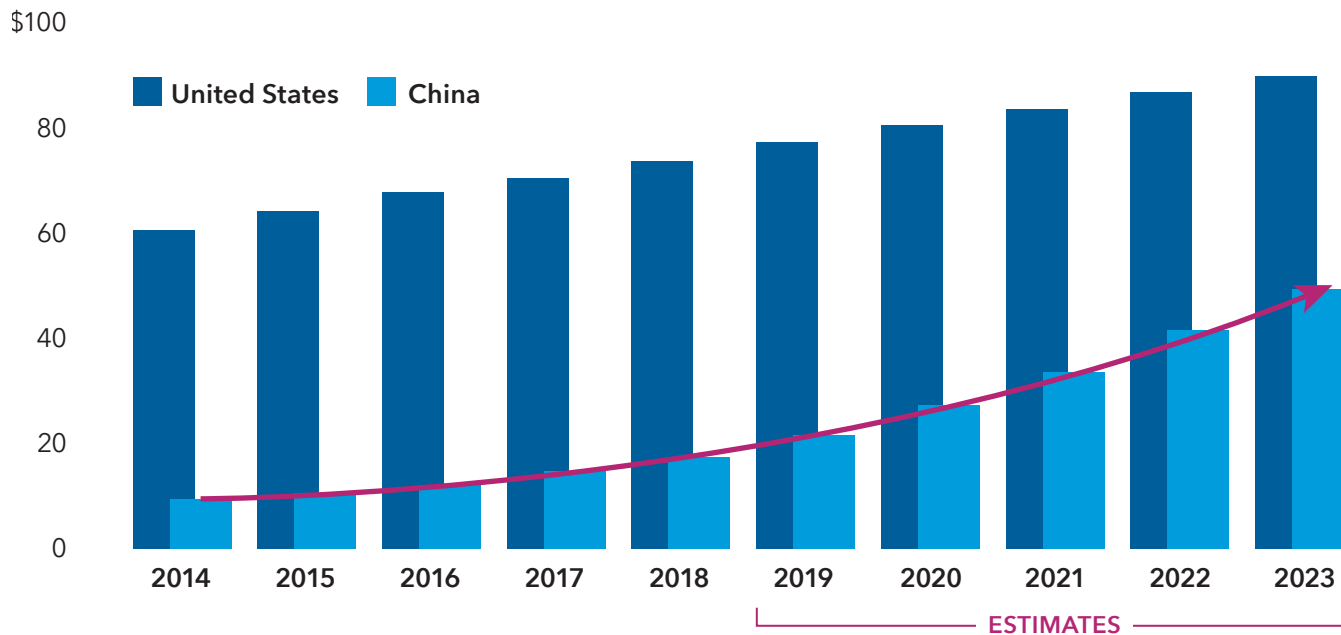
A cure for cancer may be closer than you think. In fact, I believe some cancers will be functionally cured with cell therapy between now and 2030. New, reliable tests should enable very early detection of cancer formation and location. It could largely be eradicated as a major cause of death through early diagnosis.

Vastly reduced costs and scientific developments have contributed to phenomenal growth in research. We're in a renaissance for R&D, and companies are investing aggressively to find unique ways to battle cancer and other illnesses. Therapies derived from genetic testing have the potential to extend lives

and generate billions of dollars in revenue for companies that develop them.

I wouldn't be surprised to see increasing amounts of pharmaceutical innovation come from outside the U.S. In fact, I expect to see many blockbuster drugs from China by 2030. The country has the biggest population of cancer patients in the world, and it's significantly easier to enroll those patients in clinical trials. I believe they will begin to produce novel drugs within five to 10 years and sell them in the U.S. at one-tenth the cost.

### Pharmaceutical R&D spending (billions USD)



\*As of December 31, 2020.

Source: Statista. 2019 through 2023 are estimates.

### 3. Cash will be but a distant memory



**Jody Jonsson** is an equity portfolio manager with 32 years experience.\* She is president of Capital Research and Management Company<sup>SM</sup> and a manager for New Perspective Fund.

A decade from now I think digital payments will be the norm, and people will give you odd looks if you try to pay with cash.

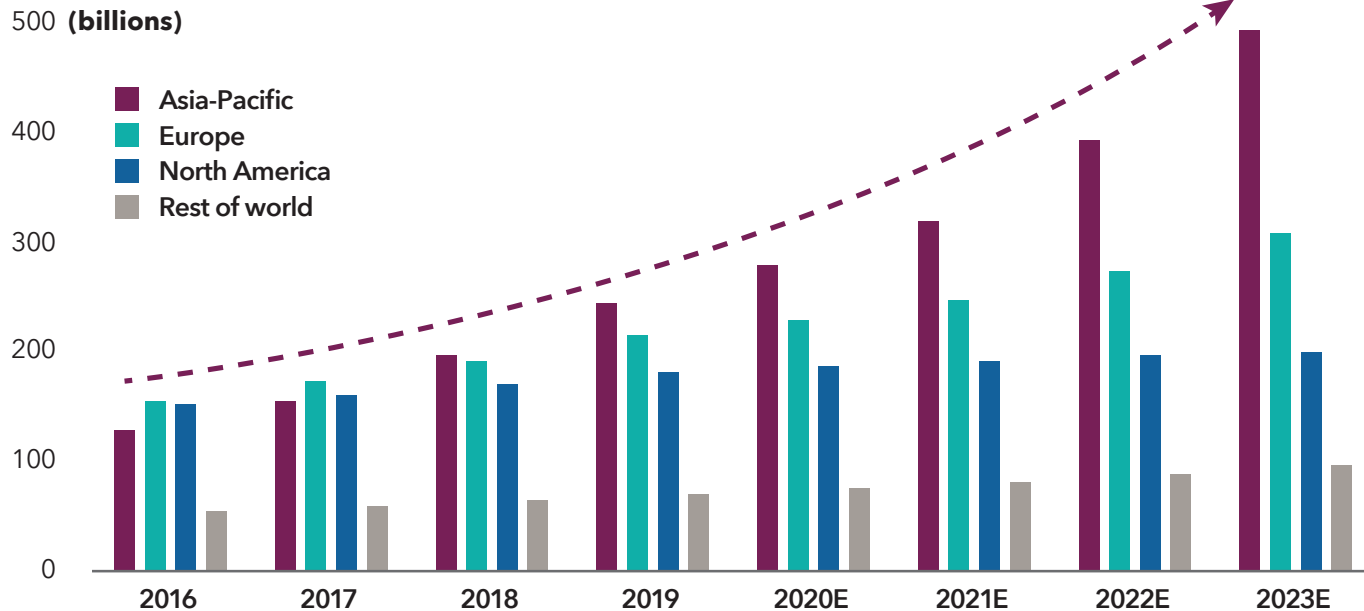
This is one area where emerging markets are ahead of the U.S. We've seen this trend for several years in developing countries where many consumers had no bank accounts, but did have mobile phones and adopted mobile payment technology quickly.

The pandemic accelerated use of digital payments around the world, including places where they weren't being used as a

function of daily life. Once this crisis is over, I think a lot more people will be comfortable making digital payments, and they probably won't feel the need to use cash as often.

As consumers become increasingly comfortable with technology, companies with large global footprints could be poised to benefit. We've also seen strong growth in smaller companies outside the U.S. that offer mobile payment platforms for merchants.

#### Number of digital payment transactions



Source: World Payments Report 2020 from Capgemini. 2020–2023 are estimates. Figures reflect all non-cash payments. No third party whose information is referenced in this report under credit to it, assumes any liability towards the user with respect to its information.

\*As of December 31, 2020.



**Martin Romo** is an equity portfolio manager with 32 years experience.\* He is president of Capital Research Company<sup>SM</sup> and a manager for The Growth Fund of America<sup>®</sup> and The Investment Company of America<sup>®</sup>.

## COVID will be remembered as a major turning point

Ten years from now I think we will look back on COVID as our generation's "Pearl Harbor moment" – a period when extreme adversity spurs innovation and behavioral changes to help address some of the era's biggest problems. At the time of Pearl Harbor, the U.S. artillery was 75% horse drawn. Let me say that again: In 1941, three quarters of our artillery depended on horses. Yet by the end of the war we had entered the atomic age. That incredible transformation sparked a period of innovation and growth in the U.S. economy that lasted for decades.

COVID could be the trigger that spurs us to tackle critical issues over the next decade, such as the cost of health care, education and housing. We've already seen the development of COVID vaccines at a speed few thought possible. And we're doing things in our daily lives we never imagined would happen so quickly.

In 2030 we may be living, working, studying and playing in a radically new world. Our lives could be better, richer, healthier, cheaper and profoundly more digital, virtual and data centric. Many of the technologies already exist, but I believe there's still so much untapped potential for innovative companies to think bigger and apply them in ways that solve societal problems.

\*As of December 31, 2020.

## 4. Semiconductors will be everywhere – and in everything



**Steve Watson** is an equity portfolio manager with 33 years experience\*. He is a manager for New Perspective Fund.

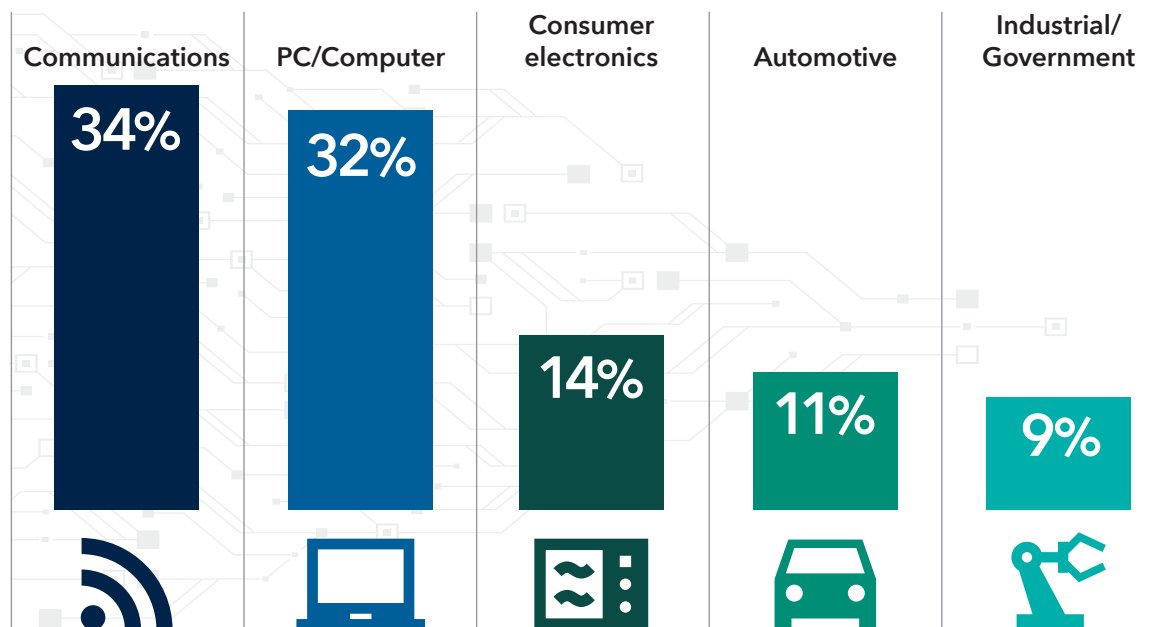
It's said that only 10% of everything that can be measured is being measured today. But I wouldn't be surprised if it was actually closer to 1%. I think one thing that's going to be vastly different a decade from now is the penetration of semiconductors to monitor many more aspects of our daily lives.

Most of this will be through products we already have – phones and tablets, automobiles, entertainment systems and appliances. Wearables are becoming more sophisticated and will help us track our workouts, sleep and overall health. These devices will feel familiar, but we'll be able to use them in ways we never could before.

Cars are being equipped with more electronics every year. The recent global shortage in automotive chips underscores the dependence the industry now has on chipmakers. As vehicles become autonomous, they will require even more advanced components to make them safe and efficient.

Over the next decade, I expect chipmakers to be working overtime to satisfy the robust demand for semis across industries. In my portfolios I'm interested in companies that may be misunderstood by the market but are working on transformative ideas to change daily life.

Uses for semiconductors (2025 forecast)



\*As of December 31, 2020.

Source: Bloomberg. Data represents the share of all semiconductor device applications in 2025, as forecast by Bloomberg.



## 5. Wearable technology will blur the lines of reality



**Mark Casey**  
is an equity portfolio manager  
with 20 years experience.\*  
He is a manager for  
The Growth Fund of America.

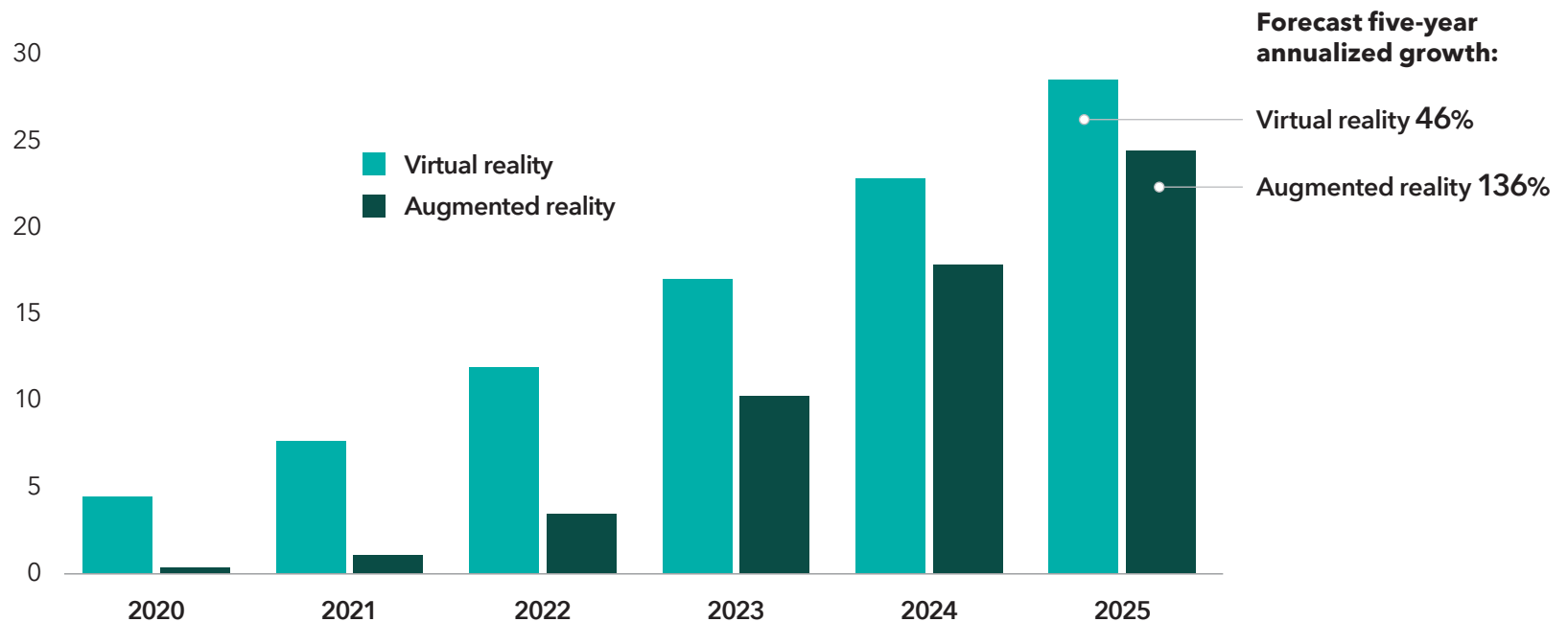
For my look into the future, I'm reminded of the Babel Fish from "The Hitchhiker's Guide to the Galaxy," a great science fiction novel. The Babel Fish was a small, bright yellow fish. If you put it in your ear, it would feed off brainwaves around you and let you understand anyone who spoke to you, even if you weren't familiar with their language.

In 10 years, I think there will be devices powerful enough to make real-time translation a reality. Perhaps wireless earbuds translate the voices and smart glasses do the same with foreign text. Devices like these could transform the tourism industry, giving

people more confidence to travel to and possibly even live in countries where they don't know the native language.

Improvements in machine learning, smart wearable devices and augmented reality could enable other helpful features. Imagine if your smart glasses had an overlay that provided – each time someone approached you – that person's name (provided you'd previously met), and when and where you saw that person last. The Apple Watch and Google's Fitbit are quite useful already, and I'm excited to see what new features they and their competitors deliver between now and 2030.

Worldwide hardware shipments (millions)



\*As of December 31, 2020.

Source: IDC (report #US47225121). 2021-2025 are forecasts from IDC, as of January 2021.

## 6. Digital entertainment will take center stage



**Brad Barrett** is an investment director and an equity investment analyst with 20 years experience\*. He has research responsibilities for media, cable and satellite, advertising-driven internet companies and telecommunications services in the U.S.

They say content is king. But the platform is the kingdom.

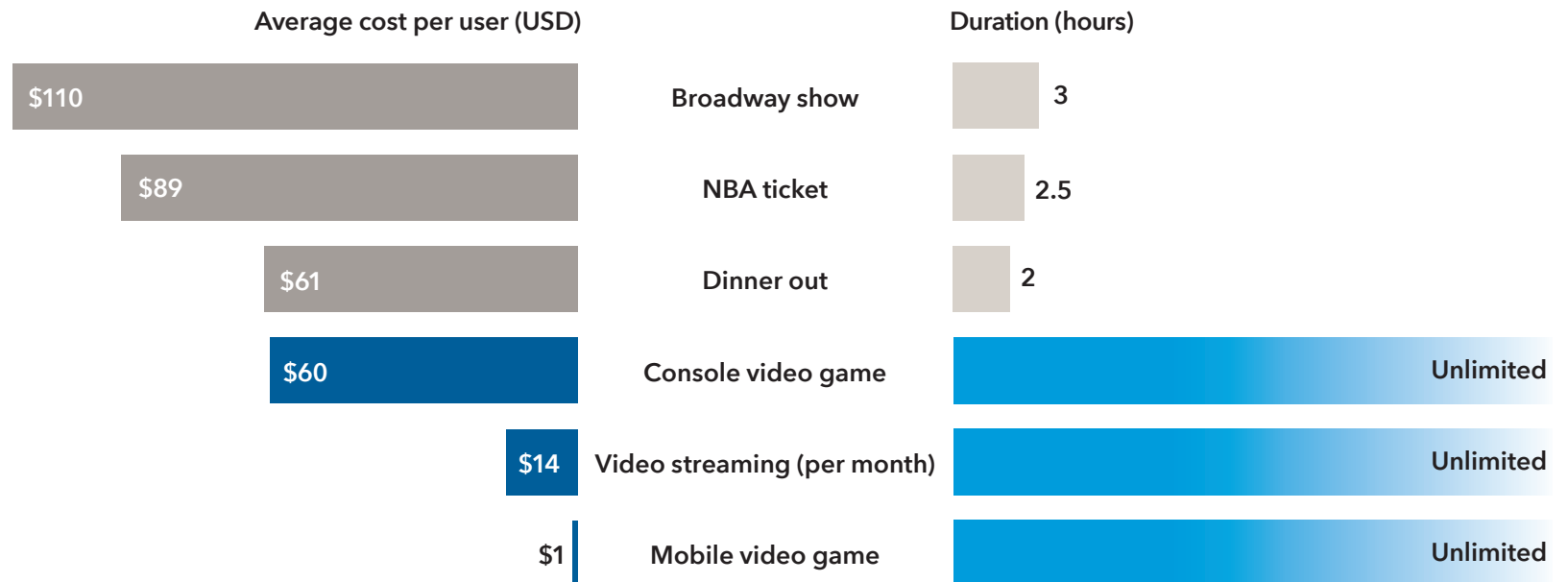
The shift to streaming content accelerated in the wake of COVID, but it may still be in its earliest stages. Roughly one-third of all content consumption is currently transacted via streaming, but by 2030 I think that's going to increase to more than 80%.

You have this incredible combination of streaming being both better and cheaper than traditional television, and I don't see that changing. The network effect can be extremely powerful – the bigger a streaming platform gets, the more it can reinvest

in content, which could help lower costs and attract even more users. Due to economies of scale and high barriers to entry, I expect a winner-take-most market structure in the future, and those are the type of companies I want to be invested in.

Similarly, the video game industry will likely continue its explosive growth into the next decade. I also suspect virtual and augmented reality will become more mainstream. As the technology evolves, these may even achieve an experience similar to attending a concert, sporting event or Broadway show, but likely at a fraction of the cost.

### Trade-off between cost and duration of different types of entertainment



Sources: Capital Group. Broadway show cost from Jefferies, as of July 2019. NBA ticket cost from Barrytickets for 2018-19 season. Console video game cost from Business Insider, as of October 2018. Video streaming cost is for a standard monthly Netflix subscription as of December 2020.

\*As of December 31, 2020.



**Lisa Thompson** is an equity portfolio manager with 32 years experience.\* She is a manager for New World Fund.®

## Remote work will reshape industries

As remote work becomes more common, I think we will see many people relocate to suburbs and smaller cities. Even if working from home is only an option for two or three days each week, a longer but less frequent commute will be worth it for many. This shift would have implications that span a variety of industries.

De-urbanization would obviously impact office and commercial real estate in city centers. Companies may downsize their headquarters if many workers are remote and instead opt for smaller satellite offices. However, lower rents could be a positive for housing affordability and smaller retail businesses.

I think the restaurant sector may look very different in 10 years. Many restaurants have reinvented themselves during the COVID era, and I think those that are able to adapt to shifting customer preferences will be the most successful. I expect we'll continue to see the ghost kitchen concept – where you have the equipment and facilities to prepare meals, but the value will be in providing customers with the options of dining and entertaining at home. Potential winners outside the food industry may include retailers of athletic casual wear, home improvement, furniture and décor.

Even if older generations spend less time in cities, I still expect young adults will flock to them. Cities will just recreate themselves, as they have in the past. The impacts of such a structural shift present an opportunity for investors who think long term.

\*As of December 31, 2020.



## 7. Autonomous vehicles will hit the fast lane



**Chris Buchbinder** is an equity portfolio manager with 25 years experience\*. He is a manager and principal investment officer for The Growth Fund of America and The Investment Company of America.

Ready for a ride in your robotaxi?

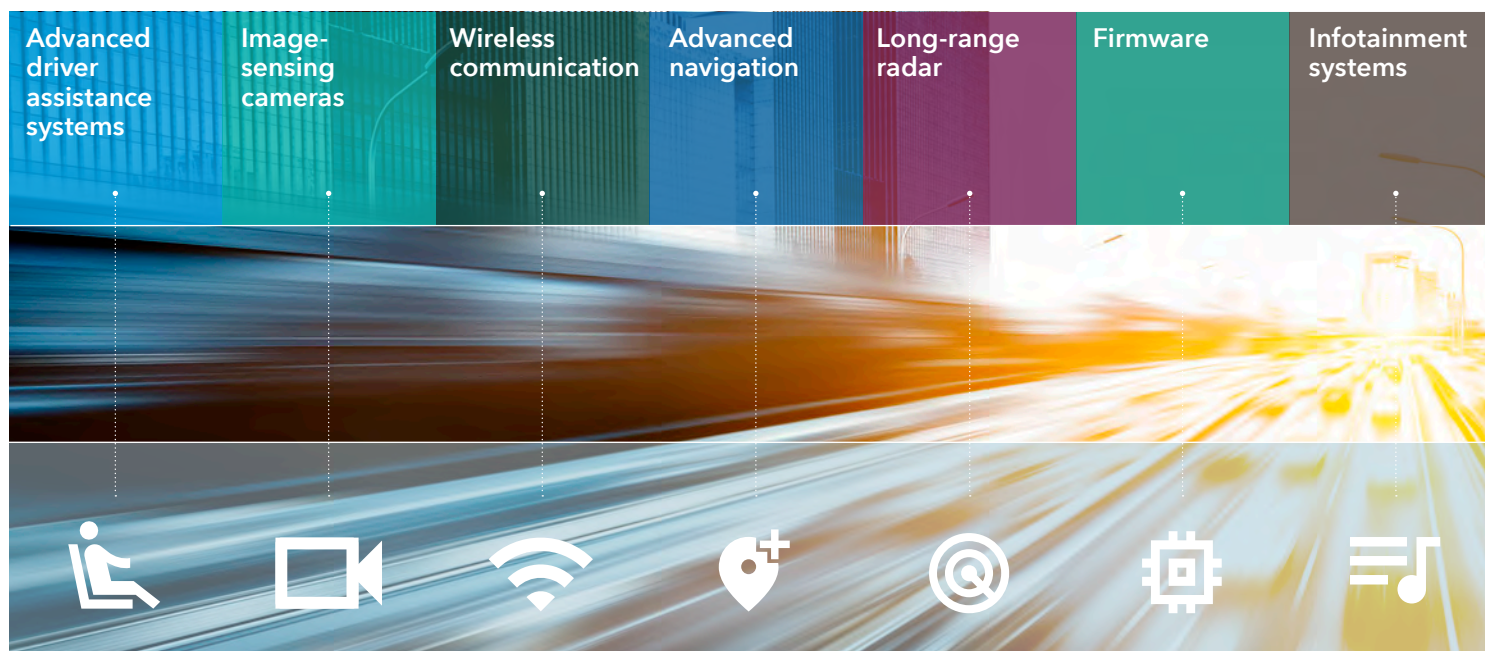
I think in 2030 we will have broadly deployed fleets of autonomous electric vehicles operating in cities throughout the world. Ownership of a personal vehicle will go from being a necessity to a luxury. Many people will still have vehicles – just like people ride horses or bicycles for fun –but they will no longer be necessary as a primary form of transportation in major cities.

This is an area I believe the market has yet to fully appreciate. At the moment, the market leaders are embedded in other companies – such as Alphabet’s Waymo, Amazon’s Zoox or the Cruise division of GM – so investors can’t buy a pure-play autonomous driving company. But as these fleets roll out more

publicly, the market should start to reevaluate these companies and realize this is a real business, not a science project. As vehicles become more about technological components and less about traditional manufacturing, winners will emerge from a variety of industries.

I also think 2030 is when we’re likely to see hybrid electric engines and hydrogen engines introduced into commercial aircraft, with widespread deployment over the following five to 10 years. The impact on global emissions could be significant if we transition to a world with autonomous electric vehicles on the road and aircraft transportation shifting from oil-based fuel to a mixture of oil, electricity and hydrogen.

### Self-driving cars will be computers on wheels



\*As of December 31, 2020.

Source: Capital Group.

## 8. Green machines will rule the road



**Kaitlyn Murphy** is an equity analyst who covers U.S. chemicals and automobile & components manufacturers and railroads for the U.S. and Canada. She has 16 years investment experience.\*

Ladies and gentlemen, start your batteries.

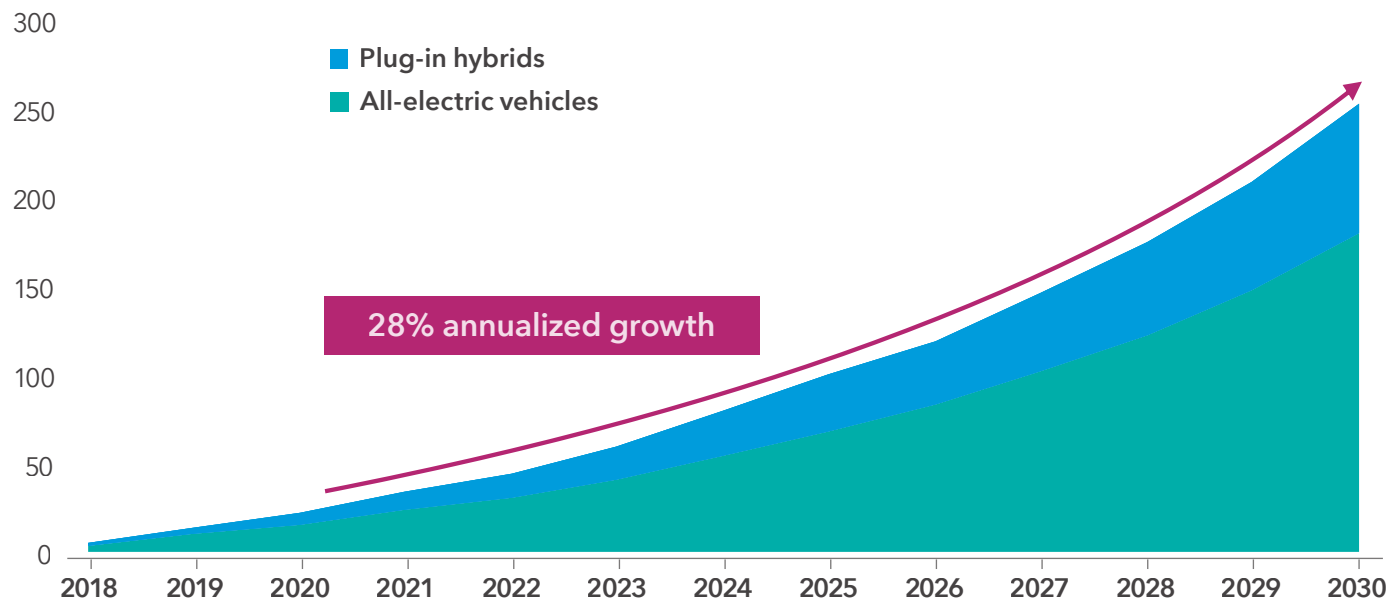
Global electric vehicle (EV) sales are expected to rise 28% a year over the next decade, but I believe those estimates may be too conservative. Rapidly declining battery costs and innovative developments will potentially make EVs cost competitive not only with new gas-burning cars but with the entire fleet currently on the road, including used cars. That's about 270 or 280 million vehicles in the U.S. If you take a long-term view, that suggests there could be much stronger growth than the market expects.

GM's recent announcement to go all-electric by 2035 signaled an inflection point for the auto industry and was followed shortly by Volvo's promise to only produce EVs by 2030.

An innovation that will not only drive cost considerations but also transform the total customer experience is the introduction of software-defined EVs. The software receives over-the-air updates to improve functionality and safety and also provide entertainment. Through these updates a vehicle could potentially be a better product five years *after* its purchase. With that approach, an EV maker can reverse some of the severe depreciation associated with older cars.

As an investor, I am seeking to identify companies with the potential to not only make money selling the cars but also successfully roll out subscription packages that include managing your battery, providing in-vehicle entertainment and improved safety, and also self-driving technology.

### Electric vehicle fleet worldwide (millions units)



\*As of December 31, 2020.

Source: IEA, Electric vehicle stock in the EV30@30 scenario, 2018–2030, IEA, Paris. Data for 2020–2030 are forecasts, provided by IEA.

## 9. Renewable energy will power the world



**Noriko Chen**

is an equity portfolio manager with 22 years experience.\* She serves on the Capital Group Management Committee and is a manager for EuroPacific Growth Fund®

I believe we'll see a dramatic shift toward renewable energy over the next decade. We are in the early stages of the transition to an electrification of the grid and green energy, and there are strong tailwinds that could drive growth through 2030 and beyond.

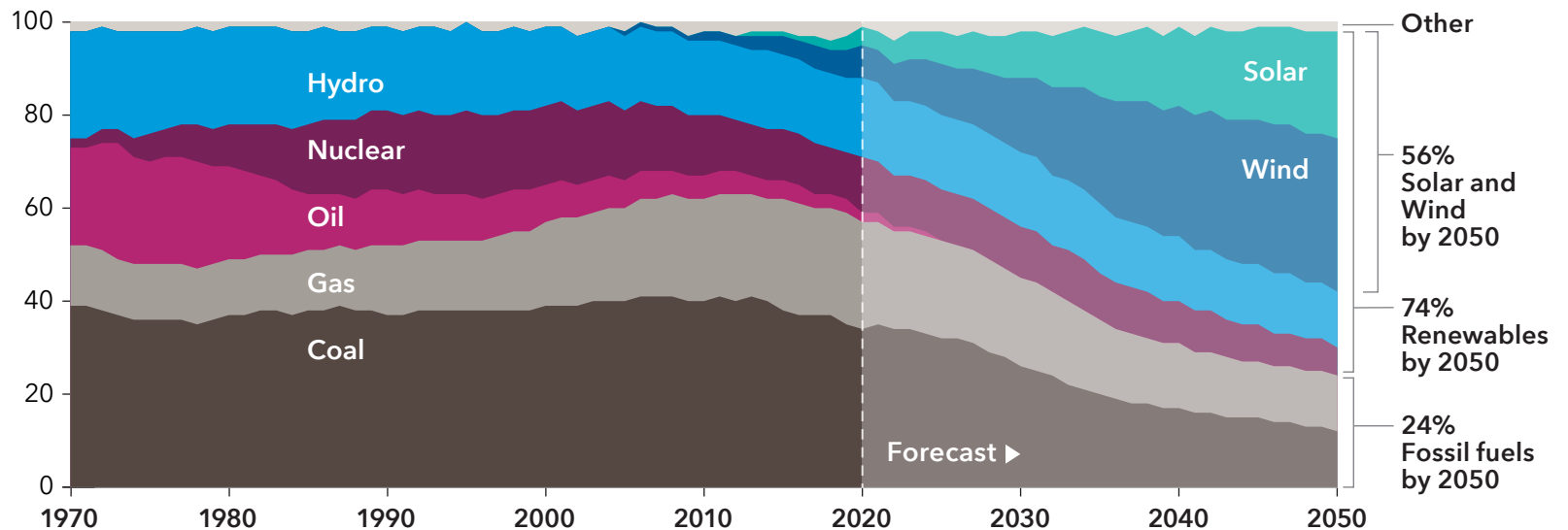
Automation and artificial intelligence are setting the stage for a golden age in renewables – pushing costs down while boosting productivity and efficiency.

Renewable energy has historically been perceived as expensive, impractical and unprofitable – but all that is quickly changing. Some traditional utilities are already generating more than 30% of

their business from renewables and being recognized as growth companies rather than staid, old-economy power generators and grid operators.

The move is most pronounced in European utilities, including Enel in Italy, E.ON in Germany and Denmark's Ørsted. Some European governments have set high decarbonization targets. For example, the Renewable Energy Directive stipulates that a minimum of 32% of energy in the European Union should come from renewable resources by 2030.

**World power generation mix (%)**



Source: Bloomberg, New Energy Outlook 2020, a detailed study on global energy demand and supply conducted by 65 analysts for Bloomberg New Energy Finance. "Other" includes geothermal, biomass, etc.

\*As of December 31, 2020.

## 10. Innovative companies will make the world better



**Anne-Marie Peterson** is an equity portfolio manager with 26 years experience.\* She is a manager and principal investment officer for The Growth Fund of America.

As a growth investor, I look for companies whose products or services can improve the world, and a lot of the transformational change we are seeing today has that potential. I look for growth in three broad stages, depending on where a company is in its life cycle – early stage growers, durable businesses with long runways and mature companies getting more from their existing assets.

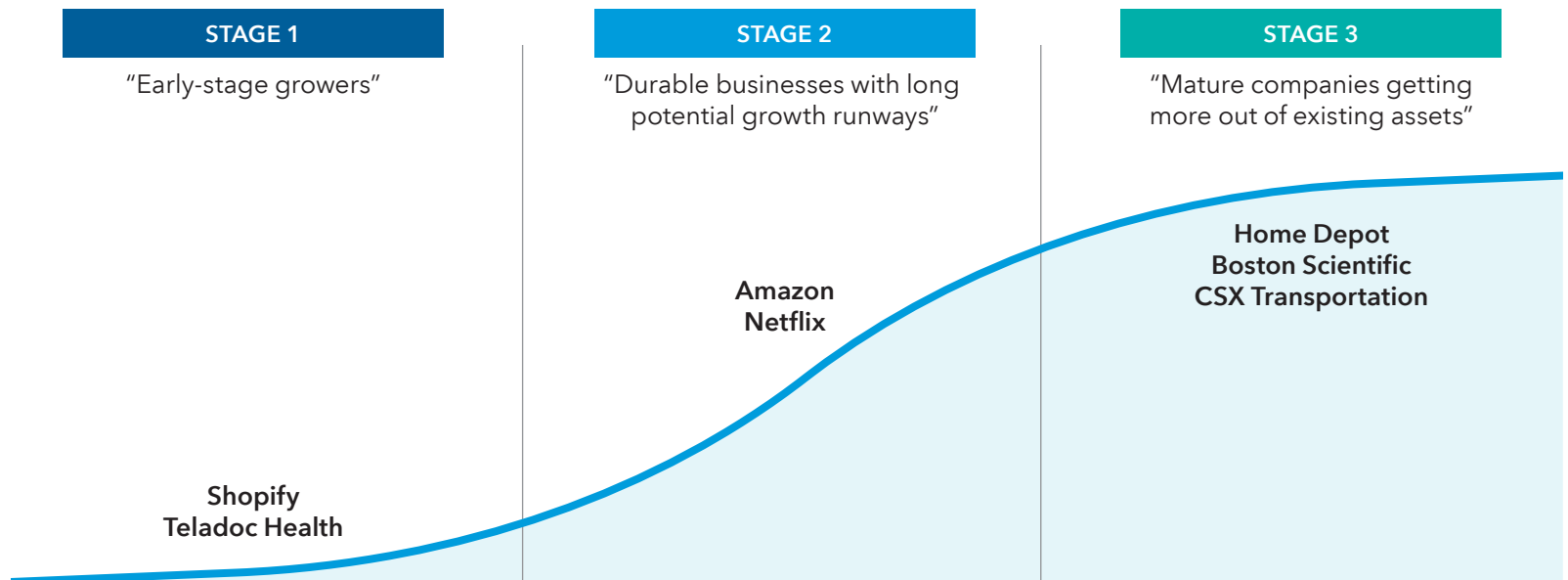
The bottom line is that we are living in an incredible time of change. Change drives opportunity for active investors like us.

Take retailers as an example. Historically, a big investment budget and IT department would be needed to run a retail operation.

Now we are starting to see a wave of back-end infrastructure development with the potential to empower small- and medium-sized businesses by lowering the barriers of reaching customers and managing inventory. Online retailers will be launched in as little as 15 minutes.

Similarly, I think we will see the democratization of health care. Remote medical devices and robotics will allow a specialist in Japan to perform a procedure on a patient in Nebraska. Anyone will have access to leading specialists, no matter where they live. The pieces are in place, and all of this has the potential to improve outcomes, reduce costs and save lives.

### Three potential stages of growth in a company's life cycle



\*As of December 31, 2020.

Source: Capital Group. Company examples are for illustrative purposes only.

# What's not changing? The importance of long-term investing



**Andrew Suzman** is an equity portfolio manager with 27 years experience\*. He serves on the Portfolio Solutions Committee and is a manager for EuroPacific Growth Fund.

My colleagues may be able to look at the future and imagine new products and trends, but I'd like to predict one thing that won't be different in 2030. Despite all the change in the world, I believe the nature of my job and focus as a portfolio manager will be exactly the same.

In 2030, just as we did in 2020, 2010, and every year before, we will come upon individual companies that do interesting things.

We'll try to buy them at reasonable prices and hold them so that any returns we see may be better than if we were to buy all companies. That is my true north. Some companies will get it right, and some will get it wrong. Our job is to find those most likely to get it right and create wealth over time so that our investors may benefit. Not that we'll be perfect, but I'm optimistic that we can get more companies right than wrong and continue to add value for our clients.

## Long-term compensation is built into the Capital System<sup>SM</sup>



Source: Capital Group. Compensation paid to our investment professionals is heavily influenced by results over one-, three-, five- and eight-year periods, with increasing weight placed on each succeeding measurement period to encourage a long-term investment approach.

\*As of December 31, 2020.



# 10 predictions for the next decade:

1. Health care innovation will reach warp speed
2. A cure for cancer may be around the corner
3. Cash will be but a distant memory
4. Semiconductors will be everywhere – and in everything
5. Wearable technology will blur the lines of reality
6. Digital entertainment will take center stage
7. Autonomous vehicles will hit the fast lane
8. Green machines will rule the road
9. Renewable energy will power the world
10. Innovative companies will make the world better



**Voted #1 in  
thought leadership\***



\*Source: Fund Intelligence, February 20, 2020. FUSE Research survey of nearly 600 advisors identifying the “most-read thought leaders.”

**Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.**

Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

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# What makes American Funds different

2021 edition: Class A shares



**CAPITAL  
GROUP**<sup>®</sup>

**AMERICAN  
FUNDS**<sup>®</sup>

# Invest for long-term success



# Our goal is to earn your trust each and every day

Since 1931, we have taken a long-term approach that's consistent with the long-term goals of our investors.

We know how important it is for you to select an experienced manager who understands the value of your trust. We offer our funds through financial professionals because we believe in the value of professional advice.

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Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

# Each of our funds is designed to pursue objectives that help investors meet their real-life needs

For nearly 90 years, we have managed investments with the goal of helping long-term investors succeed.

Below are a few examples of investors who, while working with their financial professionals, are pursuing their goals by investing in American Funds.



## Funding an education

"We want to fully fund our children's education for as long as they wish to go to school, and it's our hope that they all earn at least a master's degree."

– **Viet Ha,**  
American Funds investor



## Investing for the long term

"Our focus is long-term growth. We like to keep 70% of our money in growth and growth-and-income mutual funds. We had some good success with our decisions to stay in the market and dollar cost average."

– **Gregory Brookins,**  
American Funds investor



## Living in retirement

"It's comforting to know that there are people who are on our side now, and we don't have to worry about [managing our money] as much."

– **Howard Duzan,**  
American Funds investor

Learn more about how we've helped millions of investors worldwide pursue their real-life goals at [capitalgroup.com/individual/about-us.html](https://capitalgroup.com/individual/about-us.html).



## We are aligned with long-term investors

Our investment philosophy is based on doing what we believe is right for investors. In our efforts to help protect the value of investments, we pay close attention to risk. We base our decisions on a long-term perspective because we believe it is the best way to achieve superior long-term investment results.



### We invest with you

“My investments are in American Funds right alongside yours. Our associates and portfolio managers are also significant investors in our funds, a reflection of our collective interest in helping you succeed.”

– **Tim Armour**, Portfolio Manager



### We reward long-term results

“We measure ourselves over one-, three-, five- and eight-year periods – with increasing weight placed on each succeeding period – to encourage a long-term focus and to further align ourselves with our investors.”

– **Joyce Gordon**, Portfolio Manager

## Seven American Funds among Morningstar’s highly selective “Thrilling 36” list

For the ninth year in a row, investment research firm Morningstar® included several American Funds on its list of standout mutual funds in its universe. Of the 36 funds chosen from a universe of 8,000 eligible funds, seven were American Funds.

Source: Morningstar, “Fund Investor: The Thrilling 36,” by Russel Kinnel, August 2020. Morningstar’s screening took into consideration expense ratios, manager ownership, returns over manager’s tenure, and Morningstar Risk, Analyst and Parent ratings. The universe was limited to share classes accessible to individual investors with a minimum investment no greater than \$50,000 and did not include funds of funds. Class A shares were evaluated for American Funds. Visit [morningstar.com](http://morningstar.com) for more details.

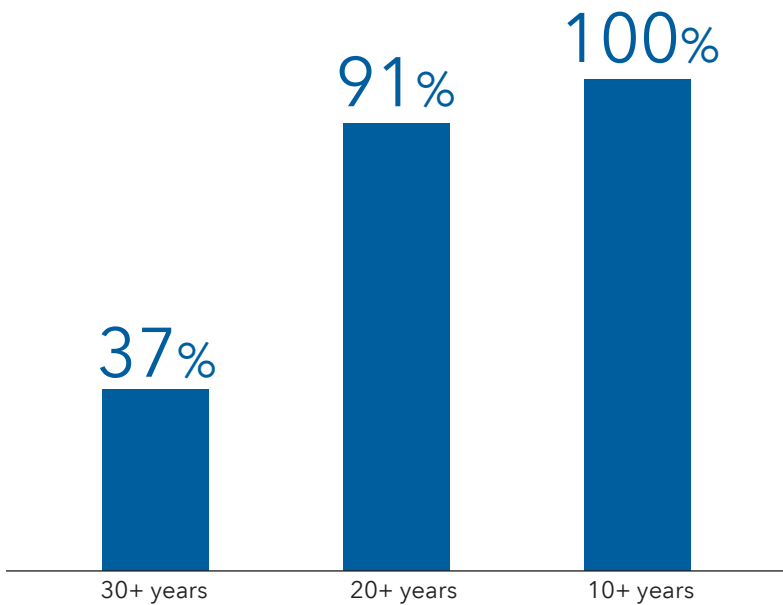
# Put our experience to work for you

Our portfolio managers average 27 years of investment industry experience, including 21 years at our company.

The average tenure of our portfolio managers on a fund is 7.8 years; for the industry, it's 7.0 years.\*

## Our investment experience spans generations

(portfolio manager years of investment experience)



## Strength in numbers

5%

of our portfolio managers experienced the 1982 recession

24%

of our portfolio managers experienced the October 1987 crash

55%

of our fixed income portfolio managers experienced the difficult 1994 bond market

## A closer look: Current portfolio managers who covered oil and energy companies



### Noriko Chen

As a portfolio manager with analyst responsibilities, Noriko covered energy companies in the 2000s.

**Years of experience:** 30

**Office:** San Francisco



### Barry Crosthwaite

Early in his Capital career, Barry's research responsibilities included global energy equipment, as well as oil field services and drilling companies.

**Years of experience:** 24

**Office:** San Francisco



### Damien McCann

Damien, a fixed income portfolio manager, covered oil and pipeline companies as an energy analyst earlier this decade.

**Years of experience:** 21

**Office:** Los Angeles

Unless otherwise indicated, the years of investment industry experience are as of January 1, 2021.

\*Source: Morningstar

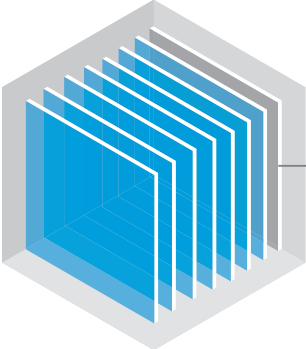
# The Capital System<sup>SM</sup> combines independence and teamwork

We begin by defining a clear investment objective and assembling a team best equipped to pursue the opportunities.

## The Capital System's multiple manager approach\*

**Example:**  
**New Perspective Fund<sup>®</sup>**

A diverse group of portfolio managers and analysts brings complementary investment approaches, experience levels, backgrounds and areas of focus.



**Analysts**  
In most funds, including New Perspective Fund, a group of investment analysts manages a portion of the fund known as the research portfolio.

## Portfolio managers

Each portfolio manager is assigned a portion of the overall assets to manage independently, enabling them to focus on their highest conviction ideas.



**Noriko Chen**  
Experience: 30 years  
Office: San Francisco



**Brady Enright**  
Experience: 29 years  
Office: Los Angeles



**Jody Jonsson**  
Experience: 32 years  
Office: Los Angeles



**Jonathan Knowles**  
Experience: 29 years  
Office: Singapore



**Rob Lovelace**  
Experience: 35 years  
Office: Los Angeles



**Andraz Razen**  
Experience: 22 years  
Office: London



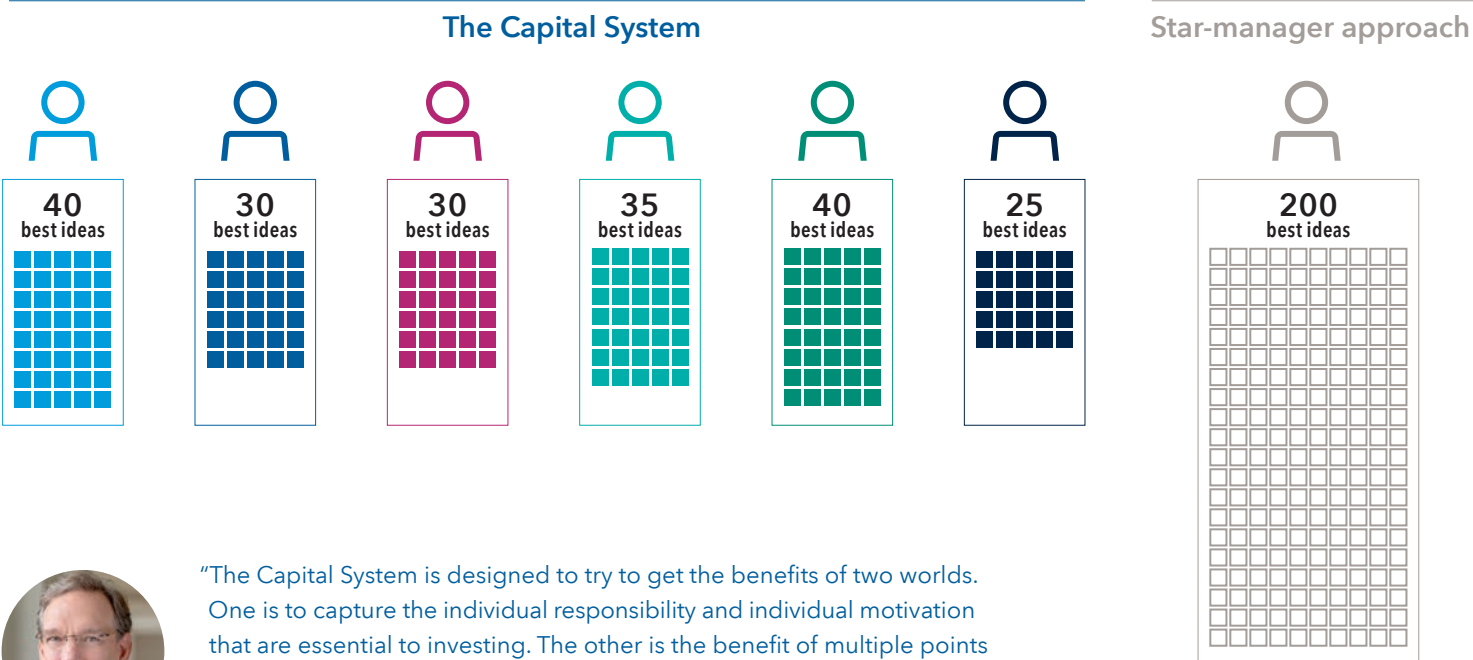
**Steve Watson**  
Experience: 33 years  
Office: Hong Kong

Years of investment industry experience as of the fund's prospectus dated December 1, 2020. Portfolio segments do not reflect actual allocations and vary by fund.

\*American Funds Strategic Bond Fund<sup>SM</sup> is managed by a portfolio team.

# The Capital System means not investing in anyone's 200th best idea

Which would you prefer: A mutual fund that represents the 25 to 40 best ideas of several people or one person's 200 best ideas?



“The Capital System is designed to try to get the benefits of two worlds. One is to capture the individual responsibility and individual motivation that are essential to investing. The other is the benefit of multiple points of view, which serves to sharpen the investment ideas.”

– Rob Lovelace, Portfolio Manager

## How The Capital System approach can benefit you

**Broad diversification**

Each portfolio manager invests in their highest conviction ideas, so fund portfolios tend to contain a diverse group of securities.

**Rigorous risk management**

The diverse combination of portfolio managers and investment analysts in each fund is designed to lower volatility while striving for superior long-term results.

**Consistency with fund objectives**

Each fund's principal investment officer, along with a coordinating group, reviews investments for consistency with fund objectives and overall guidelines.



# Global research is the backbone of our organization

We have invested internationally for more than half a century. We are among the largest U.S. investors in international stocks and bonds.\*

**Mark Casey**  
 Previously a director and product manager at a major software company, Mark has research responsibilities for entertainment, media, internet media and imaging companies.

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**Experience: 20 years**

**Sarah Carvalho**  
 Sarah is a fixed income investment analyst who has more than a decade of research experience covering Latin American corporations.

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**Experience: 14 years**

**Barbara Burtin**  
 Having worked in business development for Capital One in the U.S., France and Italy before joining Capital Group, Barbara brings a variety of international experience to her role as a research analyst for European and Latin American banks, including entrepreneurship and management consulting.

---

**Experience: 12 years**

## Strength in numbers†

343

Investment professionals

231

Investment analysts

112

Portfolio managers

164

Based outside the U.S.

44

Languages spoken

Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.



**Robert Burgess**

A bond analyst and research director, Robert has research responsibility for emerging market debt. Prior to Capital, Robert was a chief economist for emerging markets in Europe, the Middle East and Africa at a large European bank. He also has been an economist at the International Monetary Fund and HM Treasury.

**Experience: 29 years**



**Stephen Green**

An economist responsible for covering Asia, Stephen previously ran the Asia Programme at Chatham House, an international affairs think tank.

**Experience: 16 years**



**Chitra Gopal**

An equity analyst who covers the Asian technology sector, as well as European and U.S. semiconductor equipment. She holds a bachelor's degree in electrical and electronics engineering.

**Experience: 19 years**

● Research offices

\*Source: Morningstar, based on total net assets of all funds in the broad U.S. category group "International Stocks" as of December 31, 2020.

†As of December 31, 2020.

# We have provided superior long-term equity results

For most investors, results are paramount.  
Consider the following facts\*:

- American Funds equity-focused funds have beaten their Lipper peer indexes in 88% of 10-year periods and 96% of 20-year periods.

## In good times and bad, an 88-year track record of success in equity funds

Over the years, investors have looked to us to provide superior long-term results. The reason becomes apparent when you look at our equity funds' results over 558 10-calendar-year periods since our first fund began in 1934 (as shown below).

	Number of 10-calendar-year periods	When the total return was positive (annualized return greater than 0.00%)	When the value of an investment ...		
			At least doubled (annualized return 7.18% or greater)	At least tripled (annualized return 11.61% or greater)	At least quadrupled (annualized return 14.87% or greater)
AMCAP Fund®	44	44	38	27	12
EuroPacific Growth Fund®	27	27	18	8	3
The Growth Fund of America®	38	38	33	27	15
The New Economy Fund®	28	26	23	12	7
New Perspective Fund®	38	38	32	24	15
New World Fund®	12	12	7	2	0
SMALLCAP World Fund®	21	21	13	4	1
American Mutual Fund®	61	61	49	29	14
Capital World Growth and Income Fund®	18	18	13	5	0
Fundamental Investors®	33	33	28	19	12
International Growth and Income Fund®	3	3	0	0	0
The Investment Company of America®	78	78	65	43	20
Washington Mutual Investors Fund <sup>SM</sup>	59	59	48	31	15
Capital Income Builder®	24	24	15	5	0
The Income Fund of America®	38	38	30	18	6
American Balanced Fund®	36	36	27	18	2
	<b>558</b>	<b>556</b>	<b>439</b>	<b>272</b>	<b>122</b>
<b>Percent of time</b>		<b>99.6%</b>	<b>78.7%</b>	<b>48.7%</b>	<b>21.9%</b>

Based on results calculated at net asset value with all distributions reinvested. Reflects applicable fees and expenses.

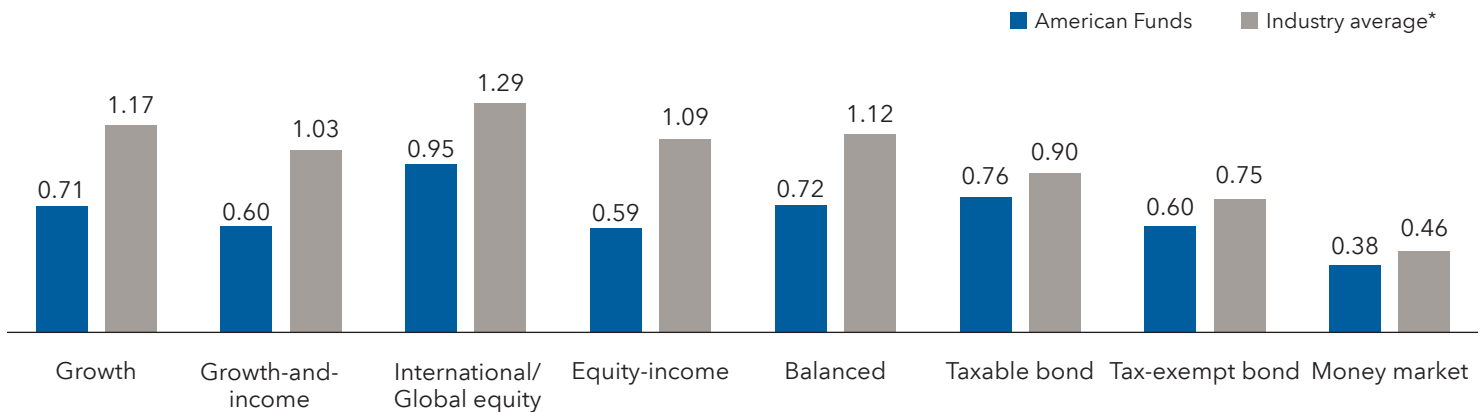
\*Based on Class A share results for rolling periods through December 31, 2020. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary.

# Our expenses are among the lowest

We are committed to providing exceptional services at a reasonable cost.

- We have some of the lowest management fees among mutual fund companies.
- We strive to keep management fees low so that operating expenses remain competitive.

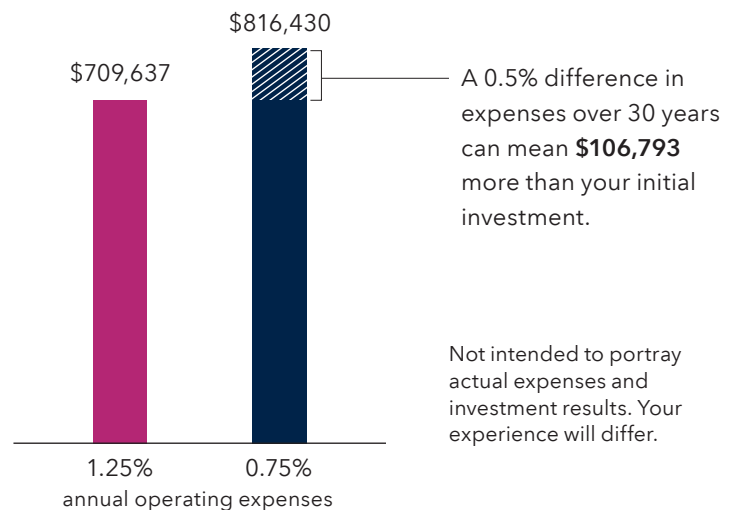
Lower is better: American Funds annual operating expenses (%)



## The difference adds up

- Ongoing annual expenses have an impact on long-term results.
- As you can see, a 0.5% difference in expenses could add up to more than your initial investment over time.

The growth of hypothetical investments of \$100,000 over 30 years, assuming an annual growth rate of 8% before expenses and annual expense ratios of 1.25% and 0.75%, respectively.



The American Funds expense ratios are for Class A shares as of each fund's most recent prospectus available on December 31, 2020. American Funds Strategic Bond Fund is currently reimbursing a portion of other expenses and the investment adviser is currently waiving a portion of its management fees through at least March 1, 2022. The fund's board of trustees will consider the management fee reduction in connection with the next assessment of the Investment Advisory and Service Agreement with the fund's investment adviser. The investment adviser is currently reimbursing a portion of other expenses for American Funds Corporate Bond Fund, American Funds Emerging Markets Bond Fund, American Funds Multi-Sector Income Fund and American Funds Tax-Exempt Fund of New York. Net expense ratios reflect the reimbursements, without which the expense ratios would have been higher. This reimbursement will be in effect through at least August 1, 2021, for American Funds Corporate Bond Fund, March 1, 2022, for American Funds Emerging Markets Bond Fund, March 1, 2022, for American Funds Multi-Sector Income Fund and October 1, 2021, for American Funds Tax-Exempt Fund of New York. The adviser may elect at its discretion to extend, modify or terminate the reimbursement at that time. Please see each fund's most recent prospectus for details. The investment adviser is currently reimbursing a portion of other expenses for American Fund Short-Term Tax-Exempt Bond Fund. The adviser may elect at its discretion to extend, modify or terminate the reimbursement at that time. Please see the fund's most recent prospectus for details.

Due to their significant investments outside the U.S., Capital World Growth and Income Fund, EuroPacific Growth Fund, International Growth and Income Fund, New Perspective Fund, New World Fund and SMALLCAP World Fund are included in the International/Global equity category.

\*Source for industry averages: Lipper, based on comparable categories for front-end load funds (except money market funds, which are compared against no-load funds), excluding funds of funds, as of each fund's most recent fiscal year-end available December 31, 2020.

# It's important to measure results over meaningful periods of time



"We keep one objective in front of us every single day, and that is to generate superior long-term investment results for our investors. We take this very seriously, and it drives every decision that we make."

– Justin Toner, Portfolio Manager

Figures shown are past results for Class A shares and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. You could lose money by investing in American Funds U.S. Government Money Market Fund. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. An investment in the fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will do so at any time. Fund results reflect deduction of maximum sales charge (5.75% for equity, American Funds Retirement Income Portfolio Series, some Portfolio Series funds and target date funds, 3.75% for most bond funds and American Funds Tax-Aware Conservative Growth and Income Portfolio, 2.50% for shorter term bond funds, American Funds Preservation Portfolio and American Funds Tax-Exempt Preservation Portfolio). There is no sales charge for American Funds U.S. Government Money Market Fund Class A shares. For current information and month-end results, visit [capitalgroup.com](http://capitalgroup.com).

## Equity fund results at a glance (as of March 31, 2021)

	Inception date	Outpaced Lipper indexes over <sup>1</sup>		1 year	Average annual total return			Expense ratio <sup>2</sup> (net/gross)
		10-year periods	20-year periods		5 years	10 years	Lifetime	
<b>Growth funds</b>								
AMCAP Fund	5/1/67	36 of 44	34 of 34	44.88%	14.49%	12.91%	11.66%	0.69%
American Funds Global Insight Fund <sup>SM</sup>	4/1/11	–	–	36.73	12.42	–	9.00	0.97/1.00
American Funds International Vantage Fund <sup>SM</sup>	4/1/11	–	–	30.26	9.79	–	5.96	1.09/1.12
EuroPacific Growth Fund	4/16/84	27 of 27	17 of 17	51.00	11.18	6.71	10.69	0.84
The Growth Fund of America	12/1/73 <sup>3</sup>	30 of 38	26 of 28	56.76	18.38	14.28	13.89	0.64
The New Economy Fund	12/1/83	25 of 28	18 of 18	51.71	16.79	13.86	11.71	0.76
New Perspective Fund	3/13/73	28 of 28	18 of 18	57.15	16.19	11.80	12.51	0.76
New World Fund	6/17/99	8 of 12	2 of 2	52.22	12.74	6.35	8.47	1.00
SMALLCAP World Fund	4/30/90	10 of 21	5 of 11	72.65	16.87	11.27	10.43	1.06
<b>Growth-and-income funds</b>								
American Funds Developing World Growth and Income Fund <sup>SM</sup>	2/3/14	–	–	46.25	8.47	–	4.57	1.26
American Mutual Fund	2/21/50	43 of 52	41 of 42	30.18	10.48	10.36	11.49	0.59
Capital World Growth and Income Fund	3/26/93	18 of 18	8 of 8	42.55	11.07	8.63	10.47	0.76
Fundamental Investors	8/1/78 <sup>3</sup>	33 of 33	23 of 23	45.62	13.65	11.77	12.44	0.61
International Growth and Income Fund	10/1/08	0 of 3	–	43.29	8.38	5.10	6.96	0.92
The Investment Company of America	1/1/34	51 of 52	42 of 42	42.66	12.34	11.38	12.09	0.58
Washington Mutual Investors Fund	7/31/52	51 of 52	42 of 42	40.43	12.45	11.75	11.82	0.59
<b>Equity-income funds</b>								
Capital Income Builder	7/30/87	16 of 18	8 of 8	20.86	5.55	6.07	8.75	0.61
The Income Fund of America	12/1/73 <sup>3</sup>	23 of 23	13 of 13	25.07	7.57	7.75	10.67	0.57

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which results would have been lower. Please see [capitalgroup.com](http://capitalgroup.com) for more information. Expense ratios for American Funds Global Insight Fund and American Funds International Vantage Fund are estimated. American Funds Global Insight Fund and American Funds International Vantage Fund began investment operations on April 1, 2011, but were only available to a limited number of investors. Now available on the American Funds platform, the reorganized funds have adopted the results and financial history of the original fund. Class A shares were first offered on November 8, 2019. Class A share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Please see [capitalgroup.com](http://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. When applicable, investment results and net expense ratios reflect fee waivers and/or expense reimbursements, without which results would have been lower and expense ratios would have been higher. American Funds Strategic Bond Fund is currently reimbursing a portion of other expenses and the investment adviser is currently waiving a portion of its management fees through at least March 1, 2022. The fund's board of trustees will consider the management fee reduction in connection with the next assessment of the Investment Advisory and Service Agreement with the fund's investment adviser. The investment adviser is currently reimbursing a

## Fixed income fund results at a glance (as of March 31, 2021)

	Inception date	Outpaced Lipper indexes over <sup>1</sup>		Average annual total return				Expense ratio <sup>2</sup> (net/gross)
		10-year periods	20-year periods	1 year	5 years	10 years	Lifetime	
<b>Balanced funds</b>								
American Balanced Fund	7/26/75 <sup>3</sup>	29 of 36	21 of 26	22.66%	9.15%	9.19%	10.51%	0.58%
American Funds Global Balanced Fund <sup>SM</sup>	2/1/11	–	–	22.12	6.48	6.07	6.15	0.84
<b>Taxable bond funds</b>								
American Funds Corporate Bond Fund <sup>®</sup>	12/14/12	–	–	3.02	4.24	–	4.03	0.85/0.89
American Funds Emerging Markets Bond Fund <sup>®</sup>	4/22/16	–	–	14.27	–	–	4.19	1.05/1.08
American Funds Inflation Linked Bond Fund <sup>®</sup>	12/14/12	–	–	5.23	3.56	–	1.98	0.70
American Funds Mortgage Fund <sup>®</sup>	11/1/10	0 of 1	–	-2.96	1.54	2.37	2.11	0.65
American Funds Multi-Sector Income Fund <sup>SM</sup>	3/22/19	–	–	12.65	–	–	6.53	0.91/1.14
American Funds Strategic Bond Fund	3/18/16	–	–	1.43	4.21	–	4.40	0.78/0.81
American High-Income Trust <sup>®</sup>	2/19/88	15 of 23	13 of 13	21.06	6.94	4.83	7.56	0.73
The Bond Fund of America <sup>®</sup>	5/28/74	8 of 23	2 of 13	-0.38	2.83	3.23	7.26	0.57
Capital World Bond Fund <sup>®</sup>	8/4/87	15 of 23	12 of 13	3.63	2.16	1.98	5.72	0.92
Intermediate Bond Fund of America <sup>®</sup>	2/19/88	3 of 21	0 of 11	0.16	1.84	1.87	4.42	0.63
Short-Term Bond Fund of America <sup>®</sup>	10/2/06	0 of 5	–	-1.18	1.13	0.89	1.49	0.70
U.S. Government Securities Fund <sup>®</sup>	10/17/85	9 of 26	7 of 16	-5.01	1.55	2.31	5.26	0.66
<b>Tax-exempt bond funds</b>								
American Funds Short-Term Tax-Exempt Bond Fund <sup>®</sup>	8/7/09	2 of 2	–	-0.02	1.06	1.15	1.25	-/0.58
American Funds Tax-Exempt Fund of New York <sup>®</sup>	11/1/10	0 of 1	–	1.61	2.16	3.85	3.41	0.63/0.67
American High-Income Municipal Bond Fund <sup>®</sup>	9/26/94	16 of 17	7 of 7	6.86	3.98	6.05	5.39	0.67
Limited Term Tax-Exempt Bond Fund of America <sup>®</sup>	10/6/93	18 of 18	8 of 8	1.52	1.68	2.48	3.68	0.60
The Tax-Exempt Bond Fund of America <sup>®</sup>	10/3/79	13 of 30	11 of 20	1.56	2.57	4.27	6.16	0.52
The Tax-Exempt Fund of California <sup>®</sup>	10/28/86	16 of 25	9 of 15	1.63	2.46	4.69	5.26	0.61
<b>Money market fund<sup>4</sup></b>								
American Funds U.S. Government Money Market Fund <sup>SM</sup>	5/1/09	–	–	0.01	0.82	0.41	0.34	0.38

Although the fund has 12b-1 plans for some share classes, it is currently suspending certain 12b-1 payments in this low interest rate environment. Should payments commence, the fund's investment results will be lower and expenses will be higher.

The annualized seven-day SEC yield for American Funds U.S. Government Money Market Fund was -0.32% as of March 31, 2021. The yield more accurately reflects the fund's current earnings than do the fund's total returns.

portion of other expenses for American Funds Corporate Bond Fund, American Funds Emerging Markets Bond Fund, American Funds Multi-Sector Income Fund and American Funds Tax-Exempt Fund of New York. This reimbursement will be in effect through at least August 1, 2021, for American Funds Corporate Bond Fund, March 1, 2022, for American Funds Emerging Markets Bond Fund, March 1, 2022, for American Funds Multi-Sector Income Fund and October 1, 2021, for American Funds Tax-Exempt Fund of New York. The adviser may elect at its discretion to extend, modify or terminate the reimbursement at that time. Please see each fund's most recent prospectus for details. The investment adviser is currently reimbursing a portion of other expenses for American Funds Short-Term Tax-Exempt Bond Fund. The adviser may elect at its discretion to extend, modify or terminate the reimbursement at any time.

<sup>1</sup> Based on Class A shares at net asset value for periods through December 31, 2020. Each fund's Lipper index is as follows: AMCAP Fund (Growth); The Growth Fund of America (Large-Cap Growth Fund); EuroPacific Growth Fund (International); The New Economy Fund, New Perspective Fund and Capital World Growth and Income Fund (Global); New World Fund (Emerging Markets); American Mutual Fund, Fundamental Investors, The Investment Company of America and Washington Mutual Investors Fund (Growth & Income); The Income Fund of America (Income [Mixed Equity]); American Balanced Fund (Balanced); American High-Income Trust (High Yield); The Bond Fund of America (Core Bond); Capital World Bond Fund (Global Income); Intermediate Bond Fund of America (Short-Intermediate Investment Grade Debt); Short-Term Bond Fund of America (Short U.S. Government Fund); U.S. Government Securities Fund (General U.S. Government); American High-Income Municipal Bond Fund (High Yield Municipal Debt); Limited Term Tax-Exempt Bond Fund of America (Short-Intermediate Municipal Debt); The Tax-Exempt Bond Fund of America (General & Insured Municipal Debt); and The Tax-Exempt Fund of California (California Municipal Debt). SMALLCAP World Fund results are based on comparisons with Lipper Global Small-/Mid-Cap Funds Average. Capital Income Builder results are based on comparisons with Lipper Global Equity Income Funds Average. Results for the Lipper indexes averages do not reflect sales charges. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date.

<sup>2</sup> Expense ratios are as of each fund's prospectus available at the time of publication.

<sup>3</sup> Capital Research and Management Company began managing the fund on this date.

<sup>4</sup> American Funds U.S. Government Money Market Fund will invest at least 99.5% of its assets in qualifying government securities.

<sup>5</sup> The Retirement Income Portfolio Series allocations may not achieve investment objectives and adequate income through retirement is not guaranteed. The portfolios' risks are directly related to the risks of the underlying funds. Payments consisting of return of capital will result in a decrease in an investor's fund share balance. Higher rates of withdrawal and withdrawals during declining markets may result in a more rapid decrease in an investor's fund share balance. Persistent returns of capital could ultimately result in a zero account balance.

<sup>6</sup> Although the target date portfolios are managed for investors on a projected retirement date time frame, the allocation strategy does not guarantee that investors' retirement goals will be met. Investment professionals manage the portfolio, moving it from a more growth-oriented strategy to a more income-oriented focus as the target date gets closer. Investment professionals continue to manage each fund for approximately 30 years after it reaches its target date. The target date is the year that corresponds roughly to the year in which an investor is assumed to retire and begin taking withdrawals.

# Our portfolios are designed to help investors achieve their objectives

Fund series results at a glance (as of March 31, 2021)

	Inception date	Average annual total return				Expense ratio <sup>2</sup> (net/gross)
		1 year	5 years	10 years	Lifetime	
<b>American Funds Portfolio Series<sup>SM</sup></b>						
American Funds Global Growth Portfolio <sup>SM</sup>	5/18/12	53.28%	14.05%	–	12.62%	0.82%
American Funds Growth Portfolio <sup>SM</sup>	5/18/12	51.65	14.55	–	13.70	0.73
American Funds Growth and Income Portfolio <sup>SM</sup>	5/18/12	34.54	10.53	–	10.46	0.66
American Funds Moderate Growth and Income Portfolio <sup>SM</sup>	5/18/12	26.25	8.91	–	9.20	0.66
American Funds Conservative Growth and Income Portfolio <sup>SM</sup>	5/18/12	17.96	6.47	–	6.77	0.60
American Funds Tax-Aware Conservative Growth and Income Portfolio <sup>SM</sup>	5/18/12	21.00	7.60	–	8.06	0.66
American Funds Preservation Portfolio <sup>SM</sup>	5/18/12	-0.41	1.56	–	1.34	0.66
American Funds Tax-Exempt Preservation Portfolio <sup>SM</sup>	5/18/12	0.92	1.36	–	1.79	0.66/0.67
<b>American Funds Retirement Income Portfolio Series<sup>SM 5</sup></b>						
American Funds Retirement Income Portfolio – Enhanced <sup>SM</sup>	8/28/15	22.30	7.11	–	7.20	0.63
American Funds Retirement Income Portfolio – Moderate <sup>SM</sup>	8/28/15	16.11	6.08	–	6.19	0.62
American Funds Retirement Income Portfolio – Conservative <sup>SM</sup>	8/28/15	10.56	5.01	–	5.18	0.64
<b>American Funds Target Date Retirement Series<sup>® 6</sup></b>						
American Funds 2065 Target Date Retirement Fund <sup>SM</sup>	3/27/20	41.92	–	–	43.37	0.80/0.84
American Funds 2060 Target Date Retirement Fund <sup>SM</sup>	3/27/15	41.75	12.43	–	9.97	0.75
American Funds 2055 Target Date Retirement Fund <sup>SM</sup>	2/1/10	41.81	12.46	10.24	10.97	0.73
American Funds 2050 Target Date Retirement Fund <sup>SM</sup>	2/1/07	41.92	12.47	10.24	7.75	0.72
American Funds 2045 Target Date Retirement Fund <sup>SM</sup>	2/1/07	40.95	12.30	10.16	7.70	0.72
American Funds 2040 Target Date Retirement Fund <sup>SM</sup>	2/1/07	39.73	12.04	10.02	7.61	0.71
American Funds 2035 Target Date Retirement Fund <sup>SM</sup>	2/1/07	35.55	11.38	9.68	7.36	0.70
American Funds 2030 Target Date Retirement Fund <sup>SM</sup>	2/1/07	27.34	9.78	8.91	6.83	0.69
American Funds 2025 Target Date Retirement Fund <sup>SM</sup>	2/1/07	21.86	8.33	8.06	6.15	0.67
American Funds 2020 Target Date Retirement Fund <sup>SM</sup>	2/1/07	17.15	6.98	7.01	5.37	0.65
American Funds 2015 Target Date Retirement Fund <sup>SM</sup>	2/1/07	15.88	6.31	6.39	5.04	0.63
American Funds 2010 Target Date Retirement Fund <sup>SM</sup>	2/1/07	13.49	5.77	5.91	4.70	0.64
<b>American Funds College Target Date Series<sup>® 7,8</sup></b>						
American Funds College 2036 Fund <sup>SM</sup>	2/9/18	36.74	–	–	9.25	0.88
American Funds College 2033 Fund <sup>®</sup>	3/27/15	28.50	10.11	–	7.86	0.80
American Funds College 2030 Fund <sup>®</sup>	9/14/12	19.76	8.19	–	8.20	0.77
American Funds College 2027 Fund <sup>®</sup>	9/14/12	11.76	6.31	–	6.79	0.72
American Funds College 2024 Fund <sup>®</sup>	9/14/12	5.42	4.63	–	5.44	0.69
American Funds College 2021 Fund <sup>®</sup>	9/14/12	-1.05	2.36	–	3.69	0.70
American Funds College Enrollment Fund <sup>®</sup>	9/14/12	-1.04	1.47	–	1.23	0.70

The expense ratios for American Funds 2065 Target Date Retirement Fund is estimated. The investment adviser is currently reimbursing a portion of other expenses for American Funds 2065 Target Date Retirement Fund and American Funds Tax-Exempt Preservation Portfolio. When applicable, investment results and net expense ratios reflect the reimbursements, without which the results would have been lower and the expense ratios would have been higher. The reimbursement will be in effect through at least January 1, 2022, for American Funds 2065 Target Date Retirement Fund and January 1, 2022, for American Funds Tax-Exempt Preservation Portfolio. The adviser may elect at its discretion to extend, modify or terminate the reimbursement at that time. Please see the fund's most recent prospectus for details.

<sup>7</sup> Figures shown are for Class 529-A shares.

<sup>8</sup> American Funds College 2021 Fund will merge into American Funds College Enrollment Fund on May 29, 2021.

# Our fixed income funds have helped provide resilience during market declines



"When it comes to keeping a portfolio on track, your choice of fixed income is critical. Our bond funds are designed with the four roles of fixed income in mind: diversification from equities, income, inflation protection and capital preservation. That means our bond funds can help a balanced portfolio achieve its objectives in both stable and volatile market environments."

– Mike Gitlin, Head of Fixed Income

**Investors have used our fixed income funds to help diversify their portfolios and to pursue income and stability.**

- Although fixed income funds tend to lag during rising stock markets, our fixed income funds have cushioned losses in diversified portfolios during stock market declines, as shown below.

Get the lowdown on our fixed income products, solutions and must-read insights at [capitalgroup.com/fixedincome](https://capitalgroup.com/fixedincome).

Unless otherwise indicated, results shown are at net asset value with all distributions reinvested. If the maximum 3.75% Class A sales charge for most bond and tax-exempt bond funds (2.50% for American Funds Short-Term Tax-Exempt Bond Fund, Intermediate Bond Fund of America, Limited Term Tax-Exempt Bond Fund of America and Short-Term Bond Fund of America) had been deducted, results would have been lower. For current information and month-end results, visit [capitalgroup.com](https://capitalgroup.com).

## Cumulative returns during recent market corrections

	5/21/15-8/25/15	11/3/15-2/11/16	1/26/18-2/8/18	9/20/18-12/24/18	2/19/20-3/23/20
Standard & Poor's 500 Index	-11.9%	-12.7%	-10.1%	-19.4%	-33.8%
The Bond Fund of America	-0.1	0.9	-0.8	1.4	-1.2
The Tax-Exempt Bond Fund of America	1.2	2.7	-0.5	1.3	-9.2
The Tax-Exempt Fund of California	1.2	2.8	-0.6	1.1	-9.0
American High-Income Trust	-5.6	-10.3	-1.3	-5.4	-21.1
U.S. Government Securities Fund	0.7	1.3	-0.5	2.1	5.2
Intermediate Bond Fund of America	0.3	0.5	-0.2	1.3	0.5
Capital World Bond Fund	-1.0	0.9	-1.4	0.2	-7.1
American Funds Corporate Bond Fund	-0.8	0.1	-1.2	-0.2	-8.3
American Funds Short-Term Tax-Exempt Bond Fund	0.4	0.7	-0.2	0.7	-3.2
American High-Income Municipal Bond Fund	0.9	3.3	-0.6	0.7	-12.2
American Funds Tax-Exempt Fund of New York	0.8	3.0	-0.6	1.3	-9.9
American Funds Mortgage Fund	0.7	0.8	-0.5	1.8	2.1
Limited Term Tax-Exempt Bond Fund of America	0.8	1.6	-0.4	1.1	-5.8
Short-Term Bond Fund of America	-0.1	0.0	0.0	0.9	0.6
American Funds Inflation Linked Bond Fund	-0.9	-0.5	-0.7	0.1	2.1
American Funds Strategic Bond Fund	-	-	0.2	1.5	3.1
American Funds Emerging Markets Bond Fund	-	-	-1.9	1.6	-19.4
American Funds Multi-Sector Income Fund	-	-	-	-	-14.4

Dates shown for market corrections are based on price declines of 10% or more (without dividends reinvested) in the unmanaged S&P 500 with 50% recovery between corrections. Returns of the funds and index are based on total returns. There have been periods when the funds have lagged the index, such as in rising equity markets.

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# The Capital Advantage<sup>®</sup>

Since 1931, Capital Group, home of American Funds, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System<sup>SM</sup> – has resulted in superior outcomes.

## Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Our portfolio managers average 27 years of investment industry experience, including 21 years at our company, reflecting a career commitment to our long-term approach.<sup>1</sup>

## The Capital System

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

## American Funds' superior outcomes

Equity funds have beaten their Lipper peer indexes in 88% of 10-year periods and 96% of 20-year periods.<sup>2</sup> Fixed income funds have helped investors achieve diversification through attention to correlation between bonds and equities.<sup>3</sup> Fund management fees have been among the lowest in the industry.<sup>4</sup>

<sup>1</sup>Investment industry experience as of December 31, 2020.

<sup>2</sup>Based on Class A share results at net asset value for rolling periods through December 31, 2020. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Visit [capitalgroup.com](http://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

<sup>3</sup>Based on Class A share results at net asset value as of December 31, 2020. Thirteen of the 17 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation below 0.3. Standard & Poor's 500 Index was used as an equity market proxy. Correlation based on monthly total returns. Correlation is a statistical measure of how two securities move in relation to each other. A correlation ranges from -1 to 1. A positive correlation close to 1 implies that as one security moves, either up or down, the other security will move in "lockstep," in the same direction. A negative correlation close to -1 indicates that the securities have moved in the opposite direction.

<sup>4</sup>On average, our management fees were in the lowest quintile 66% of the time, based on the 20-year period ended December 31, 2020, versus comparable Lipper categories, excluding funds of funds.

**Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectus, summary prospectus and CollegeAmerica Program Description, which can be obtained from a financial professional and should be read carefully before investing. CollegeAmerica is distributed by American Funds Distributors, Inc. Interests in CollegeAmerica are sold through unaffiliated intermediaries. American Funds Distributors, Inc., member FINRA.**

If used after June 30, 2021, this brochure must be accompanied by a current American Funds quarterly statistical update. The use of American Funds investors does not necessarily constitute an endorsement of the funds by the individuals portrayed in the brochure.

Investing outside the United States involves risks such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in fund prospectuses. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks. Bond prices and a bond fund's share price will generally move in the opposite direction of interest rates. The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Investments in mortgage-related securities involve additional risks, such as prepayment risk, as more fully described in the prospectus. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds. While not directly correlated to changes in interest rates, the values of inflation-linked bonds generally fluctuate in response to changes in real interest rates and may experience greater losses than other debt securities with similar durations. American Funds Strategic Bond Fund may engage in frequent and active trading of its portfolio securities, which may involve correspondingly greater transaction costs, adversely affecting the fund's results. The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional cash securities, such as stocks and bonds. For tax-exempt bond funds, income may be subject to state or local income taxes and/or the federal alternative minimum tax. The Tax-Exempt Bond Fund of America does not invest in bonds subject to the alternative minimum tax. Certain other income, as well as capital gain distributions, may be taxable. A state tax-exempt bond fund is more susceptible to factors adversely affecting issuers of its state's tax-exempt securities than a more widely diversified municipal bond fund.

**Depending on your state of residence, there may be an in-state plan that provides state tax and other state benefits, such as financial aid, scholarship funds and protection from creditors, not available through CollegeAmerica. Before investing in any state's 529 plan, investors should consult a tax advisor.**

CollegeAmerica is a nationwide plan sponsored by **Virginia529<sup>™</sup>**

**The Capital Advantage®**  
Equity investments | 2020 Edition: Class F-2



**CAPITAL GROUP®** | **AMERICAN FUNDS®**

Think no one can  
beat the index?  
Think again.



# The average manager can't beat the index ...

Investors seeking better outcomes face a well-documented challenge: The average investment manager can't beat the index. This is a fact supported both by hard data and, unfortunately, many investors' experiences.

Over the last 20 years, on average,

**46.7%**

of U.S. equity funds led, while

**53.3%**

lagged the S&P 500.<sup>1</sup>

This assumption has led many to believe that because the **average** manager can't beat the index, **no** manager can beat the index. And that's simply not true.

The challenge faced by investors today is to find managers able to beat the index consistently, not those that are just a flash in the pan.

---

Strategies vary, but we believe there are three questions that can create a simple framework for selecting a manager.

What are the investment manager's historical results?

How did the manager achieve these results ...

And is there reason to believe they can be repeated?

“ American Funds' multimanager approach has long served its equity investors well – and should continue to do so, thanks to parent Capital Group's strong, results-oriented investing culture. ”

ALEC LUCAS, PH.D., MORNINGSTAR, SEPTEMBER 5, 2019<sup>2</sup>

Unless otherwise noted, figures shown are past results for Class F-2 shares with all distributions reinvested and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. For current information and month-end results, visit [capitalgroup.com](http://capitalgroup.com).

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

# ... but not all managers are average.

In the following pages, we apply this evaluative framework to Capital Group's equity-focused American Funds offerings.

What are the results?	How were the results achieved; is the process repeatable?
<p><b>Index-beating lifetime results</b> All but one of these equity-focused funds have done what index proponents claim is nearly impossible: generated index-beating results over the long term.</p> <p><b>The value of beating the index</b> Investing in the American Funds when the first index fund was launched would have built more wealth.</p> <p><b>Generating wealth in accumulation and distribution</b> Since 2000, most of our funds have created and preserved wealth in both accumulation and distribution, even in the face of two major market downturns.</p> <p><b>The benefits of a risk-sensitive approach</b> Our approach helped preserve wealth when markets fell, something at which we've excelled.</p>	<p><b>A culture of stewardship</b> For nearly 90 years, we've acted as stewards of our investors' capital. This approach is the foundation of our culture.</p> <ul style="list-style-type: none"><li>• We have lower expense ratios than peers.</li><li>• We're invested with you.</li><li>• Employee-owned since 1931.</li></ul> <p><b>Our long-term focus, consistent approach ...</b> Achieving long-term investing objectives requires a long-term investment strategy and aligned managers.</p> <ul style="list-style-type: none"><li>• Aligning manager compensation to long-term goals.</li><li>• Decades of investment experience.</li><li>• Investing for long-term value.</li></ul> <p><b>... and proven system</b> The Capital System<sup>SM</sup>, our proprietary investment process, and global research network support our pursuit of superior long-term results.</p> <ul style="list-style-type: none"><li>• Conviction and collaboration in The Capital System.</li><li>• Global research capabilities and long-standing company relationships.</li></ul>

PHOTO: A peek into the Capital Group investment process in action – an investment meeting in 1967. From left to right: Bob Egelston, Coleman Morton, Cecil Bessell, Inge Andonow, Howard Schow, Jon Lovelace, Bob Cody, Jonathan Bell Lovelace, Bill Newton and Marjorie Fisher.

<sup>1</sup>Capital Group calculations using data from Morningstar as of 12/31/19. Based on calendar-year returns of actively managed funds in the Morningstar U.S. Fund Large Value, Blend and Growth categories.

<sup>2</sup>"What Makes American Funds' Equity Lineup Golden." morningstar.com.

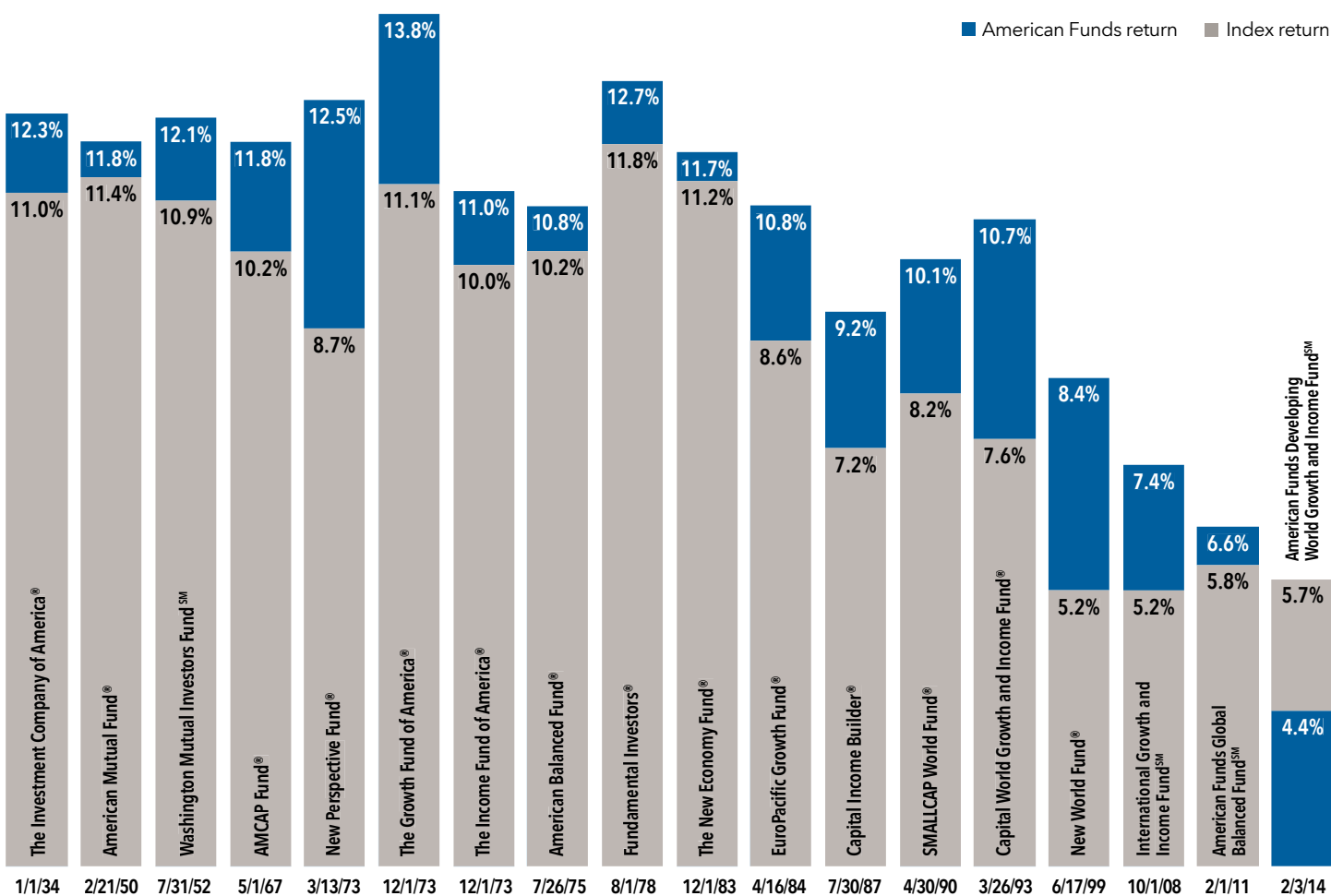
Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Please see [capitalgroup.com](http://capitalgroup.com) for more information.

# Equity-focused mutual funds with index-beating lifetime results

Index investing proponents claim it is nearly impossible to beat the index over the long term. Yet, all but one of these equity-focused American Funds have generated lifetime index-beating results, even though there have been times when the funds lagged their indexes.

### EXHIBIT DETAILS

- Lifetime annual returns of these equity-focused American Funds.
- Class F-2 shares, net of all expenses.
- 1.57%: Average annual return advantage over 708 combined fund years, as of December 31, 2019.<sup>3</sup>
- Shows 18 equity-focused funds as of December 31, 2019, including our first fund that was launched in 1934.



<sup>3</sup>Time-weighted average annual excess return across these 18 equity-focused American Funds. The equal-weighted average annual excess return is 1.57%. The time-weighted average gives greater emphasis to those funds that have been in existence longer. For example, this means that the 1.3% annualized difference between The Investment Company of America and its benchmark is given proportionally greater weighting in alignment with its more than 85 years in existence when calculating the average across all 18 funds.

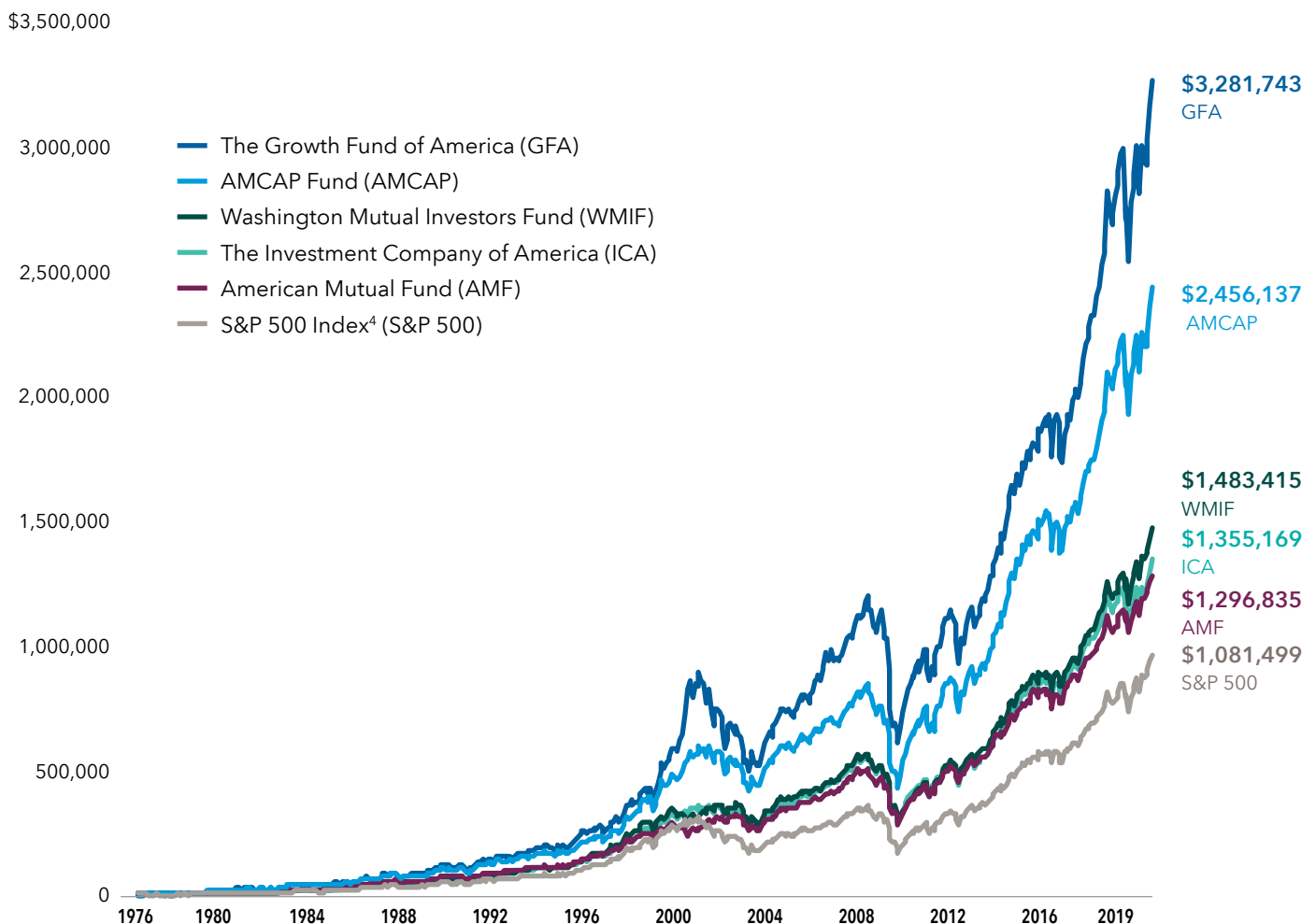
Returns are average annual total returns for benchmark indexes and average annual returns for funds at net asset value from fund inception through 12/31/19. The funds' indexes are as of 12/31/19. See individual fund detail pages at [capitalgroup.com](http://capitalgroup.com) for current information and any applicable benchmark index changes. Please see the Appendix and methodology section for a list of the indexes used for comparison with each American Fund.

# These U.S. equity-focused mutual funds have delivered better results than the S&P 500 since 1976.

The first S&P 500 index-tracking fund was founded in 1976. Between then and now, an investor could have done well for themselves by keeping their money invested in an index-tracking fund. But, if they had invested in any of the five U.S. equity-focused American Funds available for investment at the same time, the value of their investment would have increased significantly.

## EXHIBIT DETAILS

- \$10,000 hypothetical investment in five American Funds and the S&P 500, from August 31, 1976, through December 31, 2019.
- Class F-2 shares, net of all expenses.
- Includes all five of the U.S. equity-focused American Funds available for investment when the first S&P 500 index-tracking fund was launched on August 31, 1976.
- \$1,908,699: The value of a \$10,000 investment equally weighted across these five American Funds over the period. The investment was rebalanced monthly.



<sup>4</sup>The market index is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index.

Source: Capital Group.

# Since 2000, nearly all of our equity-focused funds generated more wealth than their indexes or peers<sup>5</sup>...

The illustrations below show how these equity-focused American Funds fared in the 21<sup>st</sup> century, as well as how investing shortly before the first of its two major downturns could have delivered better results for investors.

### EXHIBIT DETAILS

- Growth of \$100,000 initial investment made on December 31, 1999, through December 31, 2019.
- Class F-2 shares, net of all expenses.
- The American Funds produced greater wealth on average: \$119,714 over indexes and \$167,995 over peer category averages.<sup>5</sup>
- Includes the 18 equity-focused American Funds available for investment on December 31, 1999, none of which have since been liquidated or merged.

Fund/Index name	Ending value of a hypothetical \$100,000 initial investment: INDEX vs. PEER CATEGORY AVERAGE <sup>5</sup> vs. AMERICAN FUNDS	
<b>S&amp;P 500 Index</b>	\$324,209	
AMCAP Fund	\$237,864	\$451,282
American Mutual Fund	\$319,568	\$473,450
Fundamental Investors	\$253,133	\$476,556
The Growth Fund of America	\$237,864	\$445,153
The Investment Company of America	\$253,133	\$390,845
The New Economy Fund	\$237,864	\$347,957
Washington Mutual Investors Fund	\$253,133	\$455,287
<b>MSCI ACWI</b>	\$242,971	
Capital World Growth and Income Fund	\$225,760	\$469,190
New Perspective Fund	\$225,760	\$429,302
New World Fund	\$308,484	\$432,521
<b>MSCI ACWI ex USA</b>	\$212,759	
EuroPacific Growth Fund	\$175,995	\$279,055
<b>MSCI ACWI Small Cap</b>	\$441,828	
SMALLCAP World Fund	\$334,240	\$368,283
<b>70% MSCI ACWI/30% Bloomberg Barclays U.S. Aggregate</b>	\$263,612	
Capital Income Builder	\$258,938	\$416,263
<b>65% S&amp;P 500/35% Bloomberg Barclays U.S. Aggregate</b>	\$319,513	
The Income Fund of America	\$257,694	\$438,673
<b>60% S&amp;P 500/40% Bloomberg Barclays U.S. Aggregate</b>	\$317,334	
American Balanced Fund	\$249,783	\$475,314

<sup>5</sup>Peer category average represents each fund's respective Morningstar U.S. Active Fund category average. There may be funds within these categories that outpaced or lagged their category average and/or the American Funds.

Returns shown for indexes include reinvested dividends. The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. There have been periods when the funds have lagged the index.

## ... and also fared better than both in distribution.

Moreover, these funds have not only preserved wealth in distribution but, in some cases, continued to grow the initial investment while some of the peer category averages<sup>5</sup> dropped to zero.

### EXHIBIT DETAILS

- Growth of \$500,000 initial investment made on December 31, 1999, through December 31, 2019.
- Class F-2 shares, net of all expenses.
- On average, the American Funds ended the period having preserved more wealth: \$531,650 greater than indexes and \$580,502 greater than peer category averages.<sup>5</sup>
- \$537,407: Total amount withdrawn during the period. Monthly withdrawals totaled \$20,000 the first year (4% of the initial investment) and increased by 3% each year thereafter.
- Includes all equity-focused American Funds available for investment on December 31, 1999, none of which have since been liquidated or merged.

Fund/Index name	Ending value of a hypothetical \$500,000 initial investment: INDEX vs. PEER CATEGORY AVERAGE <sup>5</sup> vs. AMERICAN FUNDS	
<b>S&amp;P 500 Index</b>	\$138,440	
AMCAP Fund	\$0	\$737,131
American Mutual Fund	\$428,322	\$987,609
Fundamental Investors	\$34,131	\$841,548
The Growth Fund of America	\$0	\$666,182
The Investment Company of America	\$34,131	\$603,796
The New Economy Fund	\$0	\$126,713
Washington Mutual Investors Fund	\$34,131	\$834,642
<b>MSCI ACWI</b>	\$84,274	
Capital World Growth and Income Fund	\$54,903	\$1,066,541
New Perspective Fund	\$54,903	\$678,083
New World Fund	\$524,890	\$892,785
<b>MSCI ACWI ex USA</b>	\$136,698	
EuroPacific Growth Fund	\$0	\$298,628
<b>MSCI ACWI Small Cap</b>		\$887,119
SMALLCAP World Fund	\$396,030	\$459,079
<b>70% MSCI ACWI/30% Bloomberg Barclays U.S. Aggregate</b>	\$280,125	
Capital Income Builder	\$418,521	\$1,027,488
<b>65% S&amp;P 500/35% Bloomberg Barclays U.S. Aggregate</b>	\$385,907	
The Income Fund of America	\$268,207	\$1,018,009
<b>60% S&amp;P 500/40% Bloomberg Barclays U.S. Aggregate</b>	\$411,286	
American Balanced Fund	\$279,036	\$1,122,598

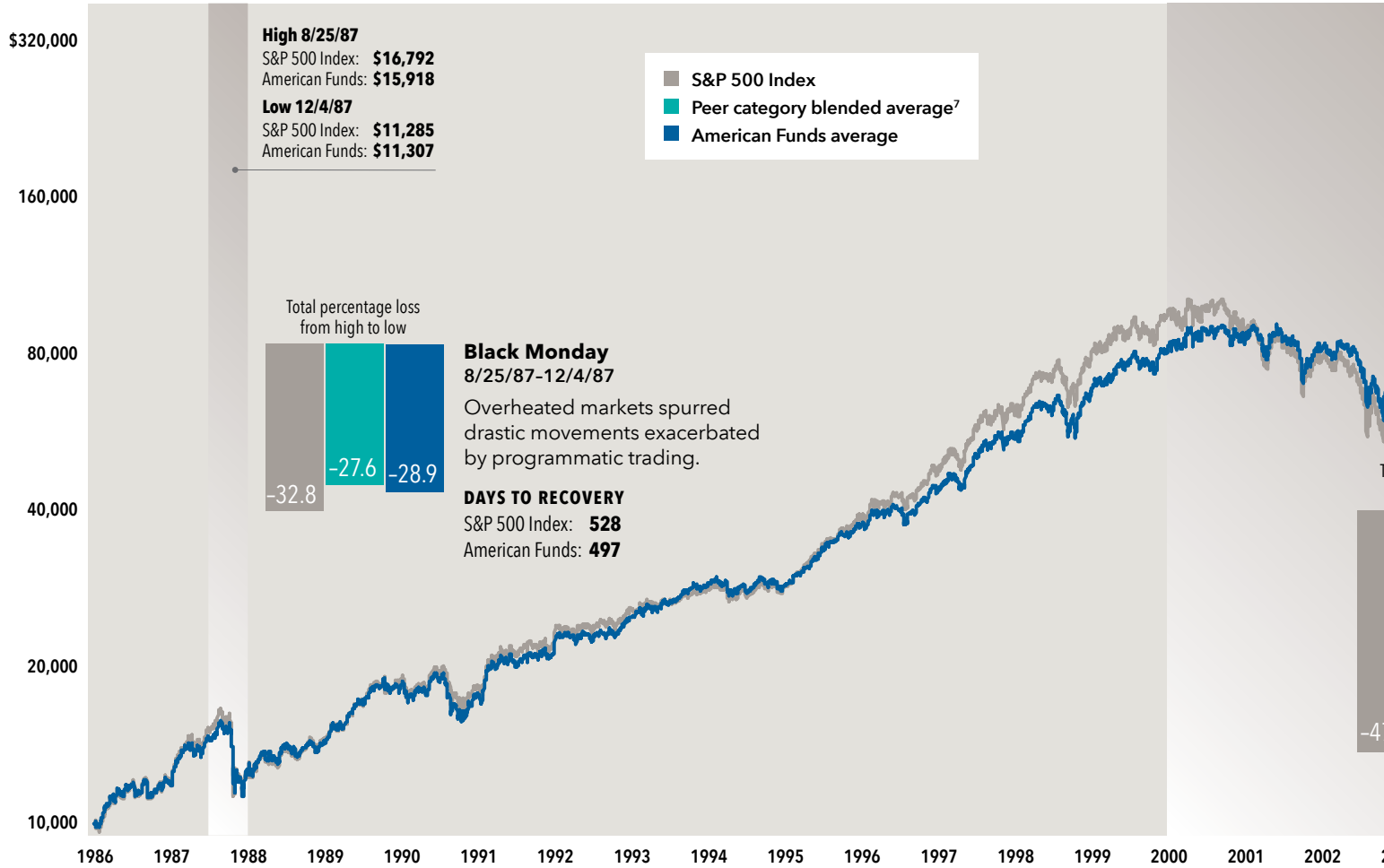
Capital Group calculations on Capital Group and Morningstar data, 12/31/99 to 12/31/19. All comparisons are to each of the funds' primary or secondary benchmarks as of 12/31/19. See individual fund detail pages at [capitalgroup.com](http://capitalgroup.com) for current information and any applicable benchmark index changes. Please see the Appendix and methodology section for a list of each fund's respective Morningstar U.S. Active Fund category, as well as each fund's rolling returns and success rates for this period.



# We held up better during major bear markets.

Rather than chasing the last dollar of return as markets rise, we focus on preserving wealth when markets drop by taking a risk-sensitive approach. This approach has generally enabled many of the equity American Funds<sup>6</sup> to hold up better than the results of both their respective indexes and peer category blended averages.<sup>7</sup>

## DOMESTIC<sup>6</sup>



### EXHIBIT DETAILS: GLOBAL & INTERNATIONAL

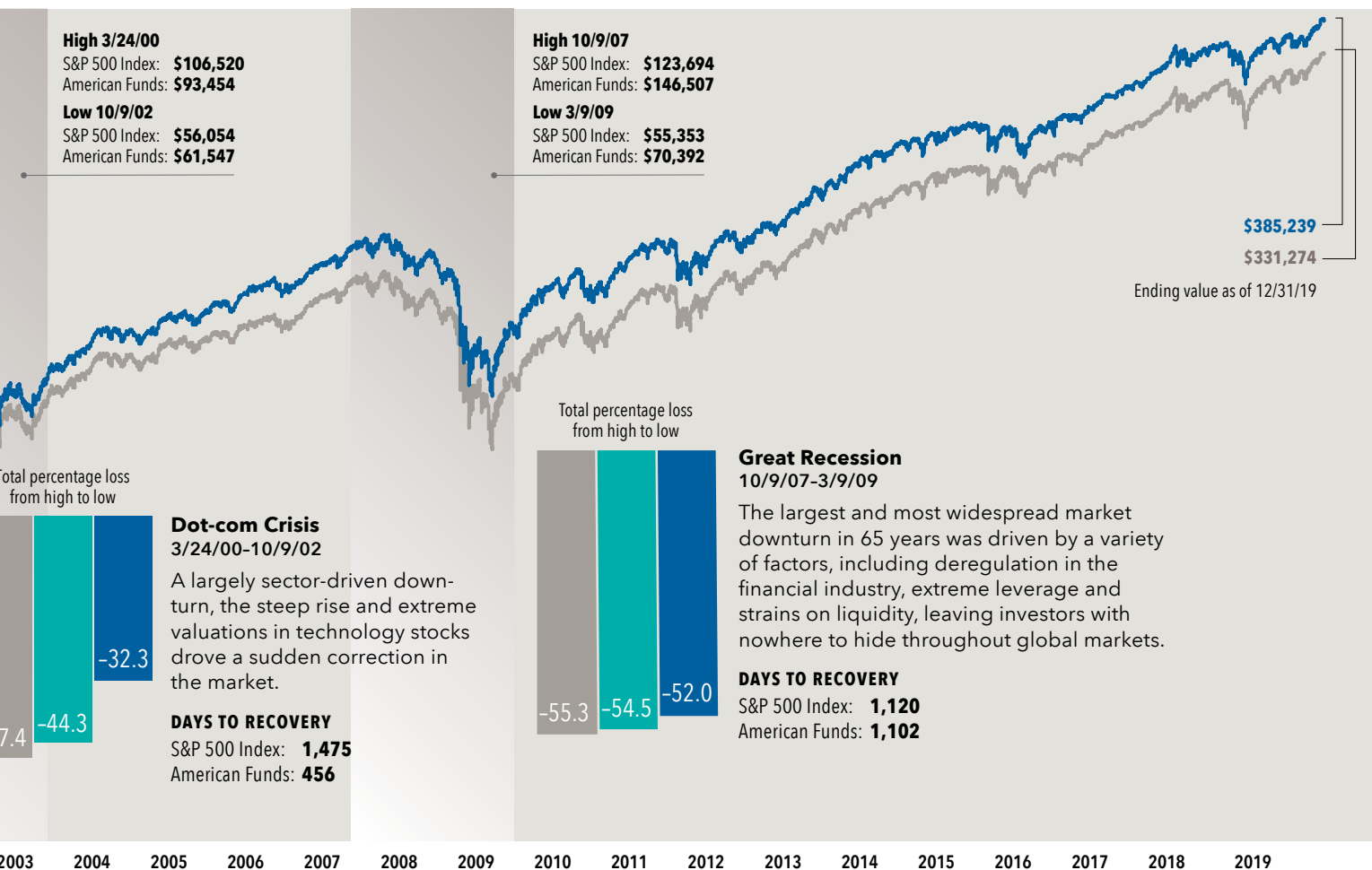
- Global: Both the American Funds<sup>6</sup> and their respective peer category averages are equal-weighted blended averages.<sup>7</sup> Index returns represent each American Funds' respective indexes.
- International: Only EuroPacific Growth Fund and its respective index and peer category average<sup>7</sup> are included,

- as it was the only international equity American Fund available during these periods.
- Class F-2 shares, net of all expenses.
- Black Monday: American Funds average includes only New Perspective Fund and EuroPacific Growth Fund, as Capital World Growth and Income Fund and New World Fund were unavailable for investment until their respective inceptions in 1993 and 1999.

## EXHIBIT DETAILS: DOMESTIC

- Line chart: Hypothetical \$10,000 investment in the S&P 500 Index versus an equal-weighted blended average of seven U.S. equity American Funds.<sup>6</sup> The investment was rebalanced monthly.
- Class F-2 shares, net of all expenses.

- Inset bar charts: Total percentage loss from market high to low for the S&P 500 as well as equal-weighted blended averages for both the seven U.S. equity American Funds<sup>6</sup> and their respective peer category averages.<sup>7</sup>
- Line chart uses a logarithmic scale to display the relative changes in the market downturns since 1986.



## GLOBAL & INTERNATIONAL<sup>6</sup>

Index	Black Monday		Dot-com Crisis		Great Recession	
	GLOBAL	INT'L	GLOBAL	INT'L	GLOBAL	INT'L
Index	-22.6%	-15.6%	-49.1%	-48.5%	-57.8%	-59.5%
Peer category blended average <sup>7</sup>	-22.5	-19.8	-48.1	-56.9	-58.3	-58.8
American Funds average	-25.4	-26.2	-35.3	-46.8	-51.9	-52.1

<sup>6</sup>The equity American Funds in these analyses include, for domestic: AMCAP Fund, American Mutual Fund, Fundamental Investors, The Growth Fund of America, The Investment Company of America, New Economy Fund and Washington Mutual Investors Fund; for global: New Perspective Fund, New World Fund and Capital World Growth and Income Fund; and for international: EuroPacific Growth Fund.

<sup>7</sup>The peer category blended averages represent equal-weighted blended averages of each fund's respective Morningstar U.S. Active Fund category average, as follows – for domestic: U.S. Active Fund Large Blend, Growth and Value; for global: U.S. Active Fund World Large Stock and U.S. Active Fund Diversified Emerging Markets categories; for international, only the U.S. Active Fund Foreign Large Growth category is used. There may be funds within these categories that outpaced or lagged their category average and/or the American Funds.

Capital Group calculations based on Capital Group and Morningstar data, as of 12/31/19. All comparisons are with each fund's primary or secondary benchmarks as disclosed in the fund's most recent prospectus. Please see the Appendix and methodology section for a list of each fund's respective index and Morningstar U.S. Active Fund category, as well as the individual returns for all 18 equity-focused American Funds during these periods. Investment results assume all distributions are reinvested.

# We have a strong culture of stewardship.

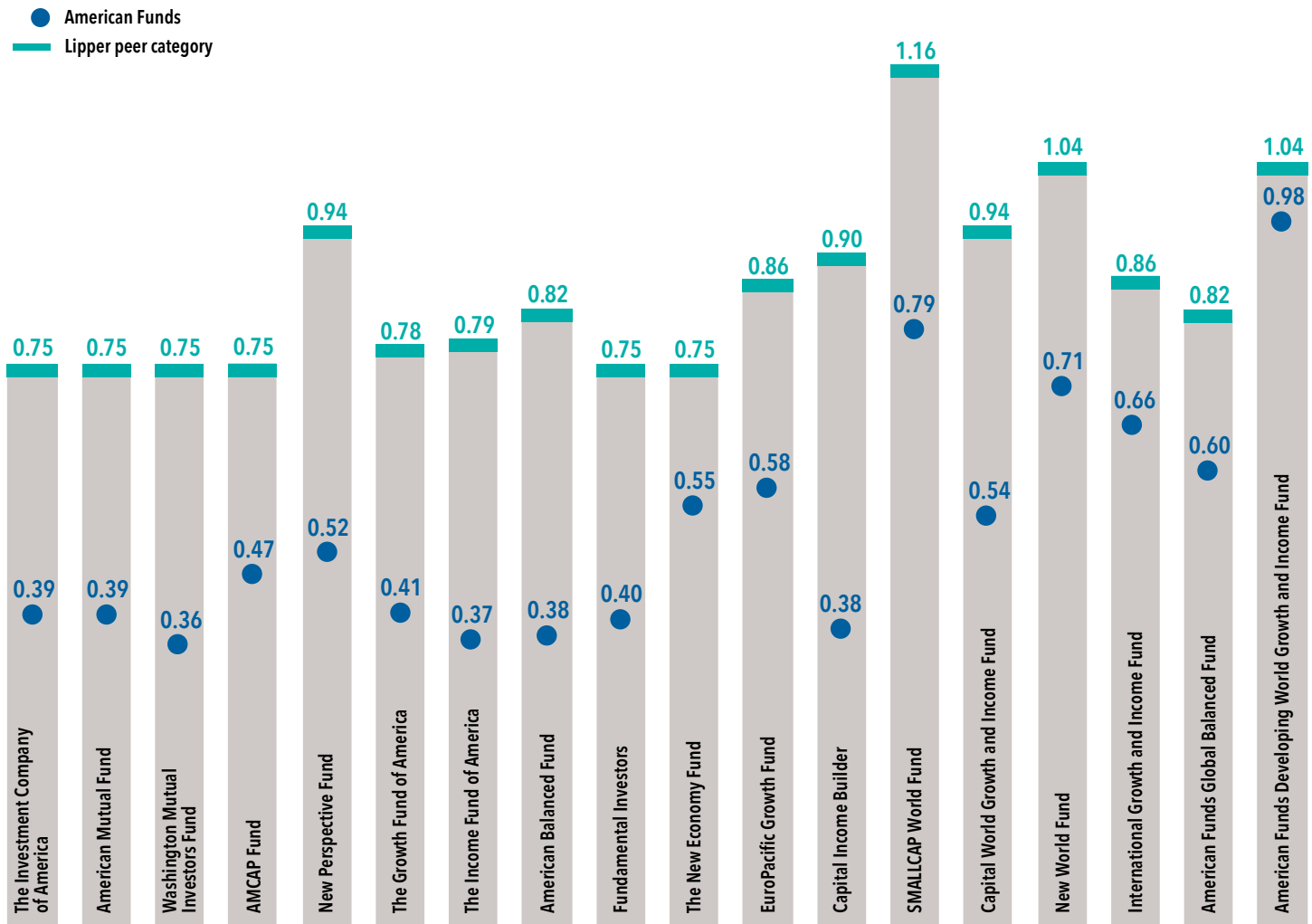
For nearly 90 years, we've acted as stewards of the capital entrusted to us by investors. It's foundational to our culture and reinforced in key ways:

## We have lower expense ratios

These equity-focused mutual funds feature lower expense ratios than the average of their Lipper category peers – a key element of our culture and philosophy.

### EXHIBIT DETAILS

- On average, our funds' expense ratios are 39% lower than their Lipper category peers.<sup>8</sup>
- Expense ratios reflect the most recent prospectus, as of December 31, 2019.
- Expense ratios shown for Class F-2 shares.



<sup>8</sup>Source for Lipper expense ratio comparison: Lipper, based on institutional load funds, excluding funds of funds, for the most recent fiscal year-ends available as of 12/31/2019.

Lipper peer expense categories are as follows: Balanced (American Balanced Fund), Emerging Markets (New World Fund, American Funds Developing World Growth and Income Fund), Flexible Portfolio (American Funds Global Balanced Fund), Global (New Perspective Fund, Capital World Growth and Income Fund), Global Equity Income (Capital Income Builder), Global Small-/Mid-Cap (SMALLCAP World Fund), Growth (AMCAP Fund, The New Economy Fund), Growth and Income (The Investment Company of America, American Mutual Fund, Washington Mutual Investors Fund, Fundamental Investors), Income (Mixed Equity) (The Income Fund of America), International (EuroPacific Growth Fund, International Growth and Income Fund) and Large-Cap Growth (The Growth Fund of America).

## Our managers are invested with you

Our portfolio managers have personal investments in the funds. By taking a stake in their fund, managers convey their conviction in the approach and experience the ups and downs alongside fund investors.

## Employee-owned since 1931

As a privately held company, we're able to maintain a culture and pursue business strategies centered on what's right for long-term investors, not merely what will buoy the next quarter's financials.

### American Funds

99%

of American Funds assets are invested in funds in which at least one manager has invested more than \$1 million.<sup>9</sup>

### Industry

44%

Almost half of the 6,292 actively managed mutual funds are run by portfolio managers who do not invest a single dollar of their own money in their products.<sup>10</sup>

## Two screens help uncover index-beating funds

Translating fund characteristics and manager attributes into screening tools can be challenging. But these factors can be highly valuable if incorporated into an evaluation framework that is able to help identify a group of funds that outpaced the market on average.

Consider the scenario below that relies upon two simple criteria: fund expenses and manager ownership.

### Look for funds that meet two key criteria

Large-cap actively managed equity funds with low expense ratios and high manager ownership

	Total fund universe	Lowest expense quartile	Highest manager ownership quartile	Both low expense and high ownership
U.S. equity funds	2,414	544	490	89
International equity funds	671	152	151	32

On average as a group, the 89 U.S. and 32 international equity funds with low expenses and high ownership outpaced the

### S&P 500

52%

of the time and the MSCI ACWI ex USA

73%

of the time, respectively.<sup>11</sup>

<sup>9</sup>As of 12/31/2019.

<sup>10</sup>Capital Group, based on Morningstar data as of 2/28/20. All funds included in the analysis are non-index (active funds), based on oldest share class. Manager ownership is the latest point available. If fund liquidated or merged, this information is as of the latest Statement of Additional Information.

<sup>11</sup>Success rate: Rolling 10-year basis over the last 20 years. As of 12/31/19. Since these results reflect the average of the funds in the group that meet the screens, it's important to remember that some individual funds within the group failed to beat their benchmarks.

Source: Capital Group, based on Morningstar data. All funds included in analysis are active only, as delineated by Morningstar. Domestic funds are those in the Morningstar Large Value, Large Blend and Large Growth categories. International funds are those in the Morningstar Foreign Large Value, Foreign Large Blend and Foreign Large Growth categories. Size of quartiles varies because those funds in the Morningstar database that did not include an expense ratio or firm-level investment ownership were excluded from the analysis. Fund expenses are based on an average of the expense ratios of the underlying share classes where each share class is weighted according to the amount of assets it had at the time, relative to the fund as a whole.

# We have a long-term focus, a consistent approach ...

Long-term investing objectives require a corresponding investment strategy and professionals aligned with that goal. At Capital Group, we strongly support this orientation in key ways.

## Portfolio manager compensation

Compensation paid to our investment professionals is heavily influenced by investment results over one-, three-, five- and eight-year periods. Increasing weight is placed on each successive measurement period to encourage a long-term investment approach.

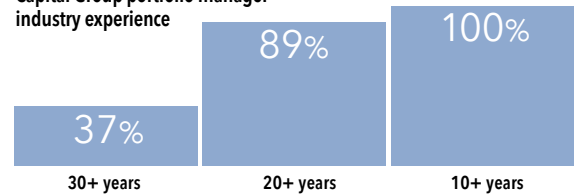
Compensation basis (years)



## Portfolio manager experience

Averaging 28 years of industry experience, Capital Group portfolio managers have invested through multiple market and economic cycles. In addition, their tenure with their funds averages 22% longer than the industry average.<sup>12</sup>

Capital Group portfolio manager industry experience



## Longer holding periods

We believe the best way to pursue superior outcomes is by investing in solid companies positioned to deliver value over full market and economic cycles. Less buying and selling than comparable funds also reduces trading costs and supports tax efficiency.

**69%**  
Longer holding periods, on average, versus Morningstar category peers.<sup>13</sup>

PHOTO: A few of our investment professionals share their insights during an investment group orientation in 2013. From left to right: Craig Beacock, Noriko Honda Chen, Bill Hurt and Jessica Spaly.

<sup>12</sup>Based on Capital Group calculations on Capital Group and Morningstar data. As of 12/31/2019. Average portfolio manager tenure across all American Funds is 8.3 years but 6.8 years for the industry as a whole, excluding American Funds.

<sup>13</sup>On average, the equity-focused American Funds hold their investments for 2.92 years, whereas their peers hold their investments for 1.73 years, based on the equal-weighted blended averages across each of the 18 equity-focused American Funds' respective Morningstar categories. Please see the Appendix and methodology section for a list of each fund's respective Morningstar category.

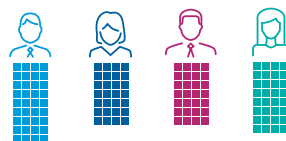
## ... and a proven system.

Our system was designed to help our investment teams uncover high-quality opportunities, establish and refine a repeatable process, and ensure fund management continuity.

### The Capital System

The Capital System is the foundation of our investment success. It features a multi-manager approach that enables each manager to invest in his or her highest conviction ideas within his or her portion of the portfolio. Our flat structure fosters a cooperative culture among managers and analysts, and encourages robust interactions across regional and sector responsibilities.

#### The Capital System



#### Star manager approach



### Expansive research capabilities and global access

Few firms match the scale and scope of our proprietary research effort. Our long-standing relationships with companies enable our vast investment network to conduct in-depth, fundamental research on businesses across the globe.

#### Our diverse and global network

420<sup>14</sup>

Investment professionals

222

Investment analysts

152

Based outside the U.S.

104

Portfolio managers

45

Languages spoken

<sup>14</sup>As of 12/31/2019.

# Stress test: Our index-beating results have been persistent.

Below are results for these equity-focused American Funds over multiple rolling periods since each fund's inception and the percentage of periods each fund outpaced their indexes, as of December 31, 2019.

■ ≥ 50% ■ ≥ 75% 🏆 Morningstar's "Thrilling 34" list    **Difference:** ■ Positive ■ Negative ■ Neutral

## GROWTH FUNDS

	🏆 AMCAP Fund					EuroPacific Growth Fund					🏆 The Growth Fund of America					
Inception date	5/1/67					4/16/84					12/1/73					
Rolling periods	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>10 yrs</b>	<b>20 yrs</b>	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>10 yrs</b>	<b>20 yrs</b>	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>10 yrs</b>	<b>20 yrs</b>	
Number of rolling periods	620	596	572	512	392	417	393	369	309	189	542	518	494	434	314	
Percentage of periods outpaced index	<b>52%</b>	<b>53%</b>	<b>54%</b>	<b>73%</b>	<b>89%</b>	<b>64%</b>	<b>77%</b>	<b>85%</b>	<b>97%</b>	<b>100%</b>	<b>57%</b>	<b>67%</b>	<b>69%</b>	<b>76%</b>	<b>100%</b>	
Fund annualized return (%)	13.17	12.17	12.16	12.58	12.90	12.44	10.87	10.26	9.87	9.74	15.55	14.67	14.45	13.67	13.71	
Index annualized return (%)	11.46	10.64	10.58	10.66	11.42	11.21	8.69	7.23	6.63	6.48	12.65	11.85	11.72	11.49	11.50	
Difference (%)	<b>1.71</b>	<b>1.53</b>	<b>1.59</b>	<b>1.92</b>	<b>1.48</b>	<b>1.23</b>	<b>2.18</b>	<b>3.03</b>	<b>3.24</b>	<b>3.26</b>	<b>2.90</b>	<b>2.82</b>	<b>2.73</b>	<b>2.18</b>	<b>2.21</b>	
Share class: Ticker symbols	F-2: AMCFX C: AMPCX	F-3: FMACX R-3: RAFCX	A: AMCPX R-6: RAFGX			F-2: AEPFX C: AEPXC	F-3: FEUPX R-3: RERCX	A: AEPGX R-6: RERGX			F-2: GFFFX C: GFACX	F-3: GAFFX R-3: RGACX	A: AGTHX R-6: RGAGX			

## GROWTH AND INCOME FUNDS

	American Funds Developing World Growth and Income Fund					American Mutual Fund					🏆 Capital World Growth and Income Fund					
Inception date	2/3/14					2/21/50					3/26/93					
Rolling periods	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>10 yrs</b>	<b>20 yrs</b>	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>10 yrs</b>	<b>20 yrs</b>	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>10 yrs</b>	<b>20 yrs</b>	
Number of rolling periods	59	35	11	-	-	827	803	779	719	599	310	286	262	202	82	
Percentage of periods outpaced index	<b>36%</b>	<b>0%</b>	<b>0%</b>	-	-	<b>47%</b>	<b>51%</b>	<b>55%</b>	<b>66%</b>	<b>77%</b>	<b>75%</b>	<b>82%</b>	<b>92%</b>	<b>93%</b>	<b>100%</b>	
Fund annualized return (%)	2.18	4.51	1.13	-	-	12.57	11.91	11.80	11.44	11.59	11.47	10.68	10.19	9.61	9.86	
Index annualized return (%)	4.44	7.53	2.94	-	-	12.43	11.36	11.10	10.52	10.53	8.49	7.37	6.65	5.75	6.05	
Difference (%)	<b>-2.25</b>	<b>-3.01</b>	<b>-1.81</b>	-	-	<b>0.14</b>	<b>0.55</b>	<b>0.70</b>	<b>0.93</b>	<b>1.07</b>	<b>2.98</b>	<b>3.31</b>	<b>3.55</b>	<b>3.86</b>	<b>3.81</b>	
Share class: Ticker symbols	F-2: DWGHX C: DWGCX	F-3: FDWGX R-3: RDWCX	A: DWGAX R-6: RDWGX			F-2: AMRFX C: AMFCX	F-3: AFMFX R-3: RMFCX	A: AMRMX R-6: RMFGX			F-2: WGFIX C: CWGCX	F-3: FWGIX R-3: RWICX	A: CWGIX R-6: RWIGX			

## EQUITY INCOME FUNDS

	🏆 Capital Income Builder				
Inception date	7/30/87				
Rolling periods	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>10 yrs</b>	<b>20 yrs</b>
Number of rolling periods	378	354	330	270	150
Percentage of periods outpaced index	<b>57%</b>	<b>70%</b>	<b>76%</b>	<b>88%</b>	<b>100%</b>
Fund annualized return (%)	9.85	9.53	9.45	9.28	9.08
Index annualized return (%)	7.83	7.25	7.16	6.91	6.62
Difference (%)	<b>2.02</b>	<b>2.28</b>	<b>2.29</b>	<b>2.36</b>	<b>2.46</b>
Share class: Ticker symbols	F-2: CAIFX C: CIBCX	F-3: CFIHX R-3: RIRCX	A: CAIBX R-6: RIRGX		

	🏆 The Income Fund of America				
Inception date	12/1/73				
Rolling periods	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>10 yrs</b>	<b>20 yrs</b>
Number of rolling periods	542	518	494	434	314
Percentage of periods outpaced index	<b>54%</b>	<b>49%</b>	<b>58%</b>	<b>61%</b>	<b>84%</b>
Fund annualized return (%)	11.74	11.22	11.10	11.17	11.08
Index annualized return (%)	10.85	10.48	10.47	10.51	10.51
Difference (%)	<b>0.89</b>	<b>0.74</b>	<b>0.63</b>	<b>0.66</b>	<b>0.57</b>
Share class: Ticker symbols	F-2: AMEFX C: IFACX	F-3: FIFAX R-3: RIDCX	A: AMECX R-6: RIDGX		

## BALANCED FUNDS

	🏆 American Balanced Fund				
Inception date	7/26/75				
Rolling periods	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>10 yrs</b>	<b>20 yrs</b>
Number of rolling periods	522	498	474	414	294
Percentage of periods outpaced index	<b>57%</b>	<b>56%</b>	<b>57%</b>	<b>63%</b>	<b>83%</b>
Fund annualized return (%)	11.20	10.85	10.90	10.86	10.83
Index annualized return (%)	10.55	10.28	10.34	10.30	10.20
Difference (%)	<b>0.65</b>	<b>0.56</b>	<b>0.56</b>	<b>0.56</b>	<b>0.63</b>
Share class: Ticker symbols	F-2: AMBFX C: BALCX	F-3: AFMBX R-3: RLBCX	A: ABALX R-6: RLBGX		

Both fund and index annualized returns reflect the average of the average annual total returns for all periods. Data from published sources were calculated internally. Fund returns, which are based on Class F-2 shares, are from the first month-end following each fund's inception date through December 31, 2019. Class F-2 shares were first offered on August 1, 2008. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Please see [capitalgroup.com](http://capitalgroup.com) for more

“ Rolling period returns can provide a more in-depth view into a fund’s performance history than you can get by looking at a single-period trailing return. In a way it’s like comparing a panoramic photo of a forest to a snapshot of a small group of trees. ”

KAREN WALLACE, MORNINGSTAR, NOVEMBER 29, 2017<sup>15</sup>

The New Economy Fund					New Perspective Fund					New World Fund					SMALLCAP World Fund				
12/1/83					3/13/73					6/17/99					4/30/90				
1 yr	3 yrs	5 yrs	10 yrs	20 yrs	1 yr	3 yrs	5 yrs	10 yrs	20 yrs	1 yr	3 yrs	5 yrs	10 yrs	20 yrs	1 yr	3 yrs	5 yrs	10 yrs	20 yrs
421	397	373	313	193	550	526	502	442	322	235	211	187	127	7	345	321	297	237	117
<b>52%</b>	<b>59%</b>	<b>66%</b>	<b>66%</b>	<b>83%</b>	<b>75%</b>	<b>87%</b>	<b>89%</b>	<b>95%</b>	<b>100%</b>	<b>60%</b>	<b>63%</b>	<b>57%</b>	<b>75%</b>	<b>100%</b>	<b>62%</b>	<b>68%</b>	<b>67%</b>	<b>66%</b>	<b>82%</b>
13.62	11.94	11.34	10.60	9.84	13.69	13.07	12.98	12.86	12.85	9.97	9.36	9.54	8.95	8.10	12.54	10.39	9.80	8.82	8.88
12.54	11.38	10.82	9.98	9.19	10.42	9.97	9.87	9.87	9.63	6.30	5.83	6.19	5.54	4.79	9.74	8.67	8.22	7.95	7.96
<b>1.08</b>	<b>0.56</b>	<b>0.52</b>	<b>0.62</b>	<b>0.65</b>	<b>3.28</b>	<b>3.10</b>	<b>3.11</b>	<b>2.99</b>	<b>3.23</b>	<b>3.68</b>	<b>3.52</b>	<b>3.35</b>	<b>3.41</b>	<b>3.31</b>	<b>2.80</b>	<b>1.73</b>	<b>1.58</b>	<b>0.87</b>	<b>0.92</b>
F-2: NEFFX C: ANFCX	F-3: FNEFX R-3: RNGCX	A: ANEFX R-6: RGGX	F-2: ANWFX C: NPFCX	F-3: FNPFX R-3: RNPCX	A: ANWPX R-6: RNPGX	F-2: NFFFX C: NEWCX	F-3: FNWFX R-3: RNWCX	A: NEWFX R-6: RNWGX	F-2: SMCFX C: SCWCX	F-3: SFCWX R-3: RSLCX	A: SMCWX R-6: RLLGX								

Fundamental Investors					International Growth and Income Fund					The Investment Company of America					Washington Mutual Investors Fund				
8/1/78					10/1/08					1/1/34					7/31/52				
1 yr	3 yrs	5 yrs	10 yrs	20 yrs	1 yr	3 yrs	5 yrs	10 yrs	20 yrs	1 yr	3 yrs	5 yrs	10 yrs	20 yrs	1 yr	3 yrs	5 yrs	10 yrs	20 yrs
486	462	438	378	258	123	99	75	15	-	1,021	997	973	913	793	798	774	750	690	570
<b>55%</b>	<b>59%</b>	<b>66%</b>	<b>80%</b>	<b>93%</b>	<b>50%</b>	<b>58%</b>	<b>64%</b>	<b>87%</b>	-	<b>53%</b>	<b>59%</b>	<b>64%</b>	<b>67%</b>	<b>79%</b>	<b>58%</b>	<b>60%</b>	<b>66%</b>	<b>77%</b>	<b>99%</b>
13.94	13.09	12.92	12.28	12.18	8.42	6.56	6.14	6.96	-	13.58	12.24	11.94	12.01	12.35	13.22	12.33	11.99	11.69	12.03
13.04	12.05	11.82	11.06	10.78	8.11	5.85	5.40	6.49	-	12.43	11.23	11.03	11.11	11.37	12.12	11.11	10.67	10.27	10.45
<b>0.89</b>	<b>1.05</b>	<b>1.10</b>	<b>1.22</b>	<b>1.40</b>	<b>0.31</b>	<b>0.72</b>	<b>0.74</b>	<b>0.47</b>	-	<b>1.14</b>	<b>1.00</b>	<b>0.91</b>	<b>0.90</b>	<b>0.98</b>	<b>1.10</b>	<b>1.22</b>	<b>1.32</b>	<b>1.42</b>	<b>1.57</b>
F-2: FINFX C: AFICX	F-3: FUNFX R-3: RFNCX	A: ANCFX R-6: RFNGX	F-2: IGFFX C: IGICX	F-3: IGAIX R-3: RGICX	A: IGAAX R-6: RIGGX	F-2: ICAFX C: AICCX	F-3: FFICX R-3: RICCX	A: AIVSX R-6: RICGX	F-2: WMFFX C: WSHCX	F-3: FWMIX R-3: RWMCX	A: AWSHX R-6: RWMGX								

American Funds Global Balanced Fund				
2/1/11				
1 yr	3 yrs	5 yrs	10 yrs	20 yrs
95	71	47	-	-
<b>53%</b>	<b>55%</b>	<b>64%</b>	-	-
6.68	6.48	5.91	-	-
5.96	5.85	5.33	-	-
<b>0.71</b>	<b>0.63</b>	<b>0.58</b>	-	-
F-2: GBLFX C: GBLCX	F-3: GFBFX R-3: RGBCX	A: GBLAX R-6: RGGX		

**8** American Funds on Morningstar’s 2019 “Thrilling 34” list  
 Out of 8,000 funds, these American Funds were among the 34 funds that met Morningstar’s stringent criteria. They also represent a significant portion of American Funds assets under management.<sup>16</sup>

information on specific expense adjustments and the actual dates of first sale. Data are not shown for periods when funds were not in existence. There have been periods when the funds have lagged the indexes. The percentage of periods funds outpaced the index were calculated based on the total return. The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

<sup>15</sup>“Rolling Returns: A Powerful Analytical Tool That Anyone Can Use.” Morningstar.

<sup>16</sup>Morningstar, Fund Spy: The Thrilling 34, by Russell Kinnel, December 2019. Morningstar’s screening took into consideration expense ratios, manager ownership, returns over manager’s tenure, and Morningstar Risk, Analyst and Parent ratings. The universe was limited to share classes accessible to individual investors with a minimum investment no greater than \$500,000 and did not include funds of funds. Class A shares were evaluated for American Funds.



# Appendix and methodology

## Pages 6 and 7

Annual results for monthly rolling 10-year periods, 12/31/99-12/31/19	Average annual fund return	Average annual index return	Number of periods fund led index	Percentage of periods fund led index
<b>S&amp;P 500 Index</b>				
AMCAP Fund	8.03%	7.04%	112 of 121	93%
American Mutual Fund	7.65	7.04	69 of 121	57
Fundamental Investors	8.38	7.04	94 of 121	78
The Growth Fund of America	7.82	7.04	104 of 121	86
The Investment Company of America	7.06	7.04	42 of 121	35
The New Economy Fund	8.62	7.04	114 of 121	94
Washington Mutual Investors Fund	7.32	7.04	41 of 121	34
<b>MSCI ACWI</b>				
Capital World Growth and Income Fund	7.91	5.78	107 of 121	88
New Perspective Fund	8.31	5.78	121 of 121	100
New World Fund	8.92	5.78	89 of 121	74
<b>MSCI ACWI ex USA</b>				
EuroPacific Growth Fund	6.70	5.27	121 of 121	100
<b>MSCI ACWI Small Cap</b>				
SMALLCAP World Fund	8.56	8.88	66 of 121	55
<b>70% MSCI ACWI/30% Bloomberg Barclays U.S. Aggregate</b>				
Capital Income Builder	6.72	5.80	88 of 121	73
<b>65% S&amp;P 500/35% Bloomberg Barclays U.S. Aggregate</b>				
The Income Fund of America	7.28	6.53	66 of 121	55
<b>60% S&amp;P 500/40% Bloomberg Barclays U.S. Aggregate</b>				
American Balanced Fund	7.40	6.44	121 of 121	100

## METHODOLOGY

**Pages 8 and 9:** The \$10,000 hypothetical investment in the line chart is based on daily returns. The S&P 500 values are calculated using the total return index, which includes dividends. The equal-weighted blended average of the seven U.S. equity-focused American Funds includes AMCAP Fund, American Mutual Fund, Fundamental Investors, The Growth Fund of America, The Investment Company of America, The New Economy Fund, Washington Mutual Investors Fund. The investment was rebalanced monthly.

Dates shown for market highs and lows are based on the price return of the unmanaged S&P 500 Index, which does not include reinvested dividends. The total percentage loss from high to low shown for the index, Morningstar active category blended averages and American Funds averages are calculated using these dates and based on total returns, which include reinvested dividends.

For each of the bear markets shown, the Days to Recovery for the S&P 500 Index and American Funds equal-weighted blended average reflect the number of calendar days (including weekends and holidays) between the stated market low and the next time the value of the investments for each met or surpassed the value set at the pre-downturn market high.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which the results would have been lower. Please see [capitalgroup.com](http://capitalgroup.com) for more information.

## Pages 8 and 9

Individual returns		Black Monday	Dot-com Crisis	Great Recession	
Equity-focused American Funds during major bear markets					
		Market high	8/25/87	3/24/00	10/9/07
Inception date		Market low	12/4/87	10/9/02	3/9/09
1/1/34	<b>The Investment Company of America</b>	-27.57%	-27.96%	-50.72%	
2/21/50	<b>American Mutual Fund</b>	-21.36	-6.73	-48.14	
7/31/52	<b>Washington Mutual Investors Fund</b>	-28.30	-16.16	-53.87	
5/1/67	<b>AMCAP Fund</b>	-29.84	-32.74	-52.57	
3/13/73	<b>New Perspective Fund</b>	-25.36	-42.47	-50.67	
12/1/73	<b>The Income Fund of America</b>	-13.57	1.12	-43.40	
12/1/73	<b>The Growth Fund of America</b>	-32.37	-45.86	-51.52	
7/26/75	<b>American Balanced Fund</b>	-18.93	4.72	-40.06	
8/1/78	<b>Fundamental Investors</b>	-32.76	-35.57	-52.68	
12/1/83	<b>The New Economy Fund</b>	-30.40	-61.00	-54.49	
4/16/84	<b>EuroPacific Growth Fund</b>	-26.19	-46.82	-52.10	
7/30/87	<b>Capital Income Builder</b>	-9.73	10.24	-42.54	
4/30/90	<b>SMALLCAP World Fund</b>	-	-59.09	-61.47	
3/26/93	<b>Capital World Growth and Income Fund</b>	-	-25.57	-52.71	
6/17/99	<b>New World Fund</b>	-	-37.80	-52.30	
10/1/08	<b>International Growth and Income Fund</b>	-	-	-	
2/1/11	<b>American Funds Global Balanced Fund</b>	-	-	-	
2/3/14	<b>American Funds Developing World Growth and Income Fund</b>	-	-	-	

**Page 11:** Tracking low expenses & high manager ownership: In conducting our research, we searched Morningstar's database for large-cap actively managed funds that were in both the lowest quartile ranked by expense ratio and the highest quartile ranked by manager ownership at the firm level. For this analysis we relied on Morningstar Direct data analysis software.

Least expensive quartile was calculated using annual report Net Expense Ratio (NER) for all observed Morningstar categories for the period indicated. For share classes with missing expense ratios, gaps between two available data points were filled in using linear interpolation. Linear interpolation is a statistical method used to estimate the values between two known data points in a time series. After interpolation of share class expense ratios, fund expenses are based on an average of the expense ratios of the underlying share classes where each share class is weighted according to the amount of assets it had at the time relative to the fund as a whole. Highest manager ownership quartile was calculated using weighted averages of Morningstar screens of manager holdings at the firm level. Each fund was assigned the weighted average of its firm manager holding. Funds without values were excluded from the quartile rankings. The combination of least expensive NER and highest manager ownership quartiles was the result of a cross-section of the two screens. Only those funds with both the lowest expense ratios and the highest manager ownership were included.

The Securities and Exchange Commission (SEC) requires that mutual funds disclose all fees and expenses in a standardized table published in the front portion of the fund prospectus. The SEC also requires that a fund disclose in its statements of additional information (SAI) certain information about its portfolio managers, including ownership of securities in the fund. Ownership disclosure is made using the following seven ranges: none; \$1 to \$10,000; \$10,001 to \$50,000; \$50,001 to \$100,000; \$100,001 to \$500,000; \$500,001 to \$1,000,000; and over \$1,000,000.

**Index comparisons:** The 18 American Funds equity-focused funds used in our analysis (and the relevant indexes/index blends with which they were compared) are as follows: AMCAP Fund, American Mutual Fund, Fundamental Investors, The Growth Fund of America, The Investment Company of America, The New Economy Fund and Washington Mutual Investors Fund (Standard & Poor's 500 Index); American Balanced Fund (60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Aggregate indexes); American Funds Global Balanced Fund (60% MSCI All Country World and 40% Bloomberg Barclays Global Aggregate indexes); Capital Income Builder (70% MSCI All Country World and 30% Bloomberg Barclays U.S. Aggregate indexes); The Income Fund of America (65% Standard & Poor's 500 and 35% Bloomberg Barclays U.S. Aggregate indexes); Capital World Growth and Income Fund, New Perspective Fund and New World Fund (MSCI All Country World Index); American Funds Developing World Growth and Income Fund, (MSCI Emerging Markets Index); EuroPacific Growth Fund and International Growth and Income Fund (MSCI All Country World ex USA Index); SMALLCAP World Fund (MSCI All Country World Small Cap Index). All relevant indexes listed are funds' primary benchmark with the exception of Capital Income Builder, The Income Fund of America, American Balanced Fund and American Funds Global Balanced Fund. Each of these funds have two primary benchmarks, which are the indexes included in the funds' index blend as described, rebalanced monthly.

Some of these indexes lack sufficient history to have covered the lifetime of certain funds; therefore, comparable indexes were used for those periods. For American Balanced Fund, 60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Government/Credit indexes were used for the period July 26, 1975 (the fund's inception), through December 31, 1975. Results for this index blend were rebalanced monthly. For EuroPacific Growth Fund, the MSCI EAFE (Europe, Australasia, Far East) Index was used for the period April 16, 1984 (the fund's inception), through December 31, 1987. The MSCI All Country World ex USA Index was subsequently used. For New Perspective Fund, the MSCI World Index was used for the period March 13, 1973 (the fund's inception), through December 31, 1987. The MSCI All Country World Index was subsequently used. For SMALLCAP World Fund, the S&P Global <\$3 Billion Index (formerly the S&P Global <\$1.2 Billion Index) was used for the period April 30, 1990 (the fund's inception), through May 31, 1994. The MSCI All Country World Small Cap Index was subsequently used. For Capital Income Builder, 70% MSCI World and 30% Bloomberg Barclays U.S. Aggregate indexes were used for the period July 30, 1987 (the fund's inception), through December 31, 1987. From January 1, 1988, through December 31, 2000, and thereafter, 70% MSCI All Country World and 30% Bloomberg Barclays U.S. Aggregate indexes were used. For The Income Fund of America, 65% Standard & Poor's 500 and 35% Bloomberg Barclays U.S. Government/Credit indexes were used for the period November 30, 1973 (the fund's inception), through December 31, 1975.

**American Funds Morningstar categories:** The peer groups against which we compare the American Funds in these charts reflect the averages of the relevant Morningstar U.S. Active Fund categories. The 18 equity-focused American Funds used in our analysis and their relevant Morningstar U.S. Active Fund categories with which they were compared are as follows: AMCAP Fund, The Growth Fund of America, The New Economy Fund (Large Growth); American Mutual Fund (Large Value); Fundamental Investors, The Investment Company of America, Washington Mutual Investors Fund (Large Blend); American Balanced Fund (Allocation—50% to 70% Equity); Capital Income Builder, American Funds Global Balanced Fund (World Allocation); The Income Fund of America (Allocation—70% to 85% Equity); Capital World Growth and Income Fund, New Perspective Fund (World Large Stock); New World Fund, American Funds Developing World Growth and Income Fund (Diversified Emerging Markets); EuroPacific Growth Fund (Foreign Large Growth); SMALLCAP World Fund (World Small/Mid Stock); International Growth and Income Fund (Foreign Large Blend).

## INDEX DESCRIPTIONS

Bloomberg Barclays Global Aggregate Index represents the global investment-grade fixed income markets.

Bloomberg Barclays U.S. Aggregate Index represents the U.S. investment-grade fixed-rate bond market and consists of U.S. Treasury and government related bonds, corporate securities and asset-backed securities.

MSCI All Country World Index is a free float-adjusted, market capitalization-weighted index that is designed to measure results of more than 40 developed and developing country markets. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter.

MSCI All Country World Small Cap Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market results of smaller capitalization companies in both developed and emerging markets. Results reflect dividends net of withholding taxes.

MSCI All Country World ex USA Index is a free float-adjusted, market capitalization-weighted index that is designed to measure results of more than 40 developed and emerging equity markets, excluding the United States. Results reflect dividends gross of withholding taxes

through December 31, 2000, and dividends net of withholding taxes thereafter.

MSCI World Index is a free float-adjusted, market capitalization-weighted index that is designed to measure results of more than 20 developed equity markets. Results reflect dividends net of withholding taxes.

MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted, market capitalization-weighted index that is designed to measure developed equity market results, excluding the United States and Canada. Results reflect dividends net of withholding taxes.

Standard & Poor's 500 Index is a market capitalization-weighted index based on the average weighted results of approximately 500 widely held common stocks.

## IMPORTANT INFORMATION

Fund results for periods before a share class was sold are hypothetical. These hypothetical returns were calculated by adjusting Class A share results without a sales charge for the difference between the Class A share expense ratio and the estimated expense ratio for the share class as of the date of first sale.

Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in the prospectus. These risks may be heightened in connection with investments in developing countries. Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks. The return of principal for funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

If used after March 31, 2020, this brochure must be accompanied by a current American Funds quarterly statistical update.

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The Capital Group companies manage equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

Figures shown are past results for Class F-2 shares with all distributions reinvested and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. For current information and month-end results, visit [capitalgroup.com](http://capitalgroup.com).

## Investment results

### CLASS F-2 SHARES

Results for periods ended December 31, 2019	Inception date	1 year	Average annual total return (%)		Expense ratio (%)
			5 years	10 years	
<b>Growth funds</b>					
AMCAP Fund	5/1/67	26.58	10.92	13.17	0.47
EuroPacific Growth Fund	4/16/84	27.28	7.30	6.63	0.58
The Growth Fund of America	12/1/73	28.39	12.63	13.20	0.41
The New Economy Fund	12/1/83	26.74	11.78	13.40	0.55
New Perspective Fund	3/13/73	30.34	11.34	11.05	0.52
New World Fund	6/17/99	27.89	7.99	6.65	0.71
SMALLCAP World Fund	4/30/90	31.12	10.49	11.11	0.79
<b>Growth-and-income funds</b>					
American Funds Developing World Growth and Income Fund	2/3/14	23.71	4.13	4.44*	0.98
American Mutual Fund	2/21/50	21.97	9.45	11.67	0.39
Capital World Growth and Income Fund	3/26/93	25.61	8.12	8.71	0.54
Fundamental Investors	8/1/78	27.87	11.56	12.61	0.40
International Growth and Income Fund	10/1/08	27.42	5.40	6.02	0.66
The Investment Company of America	1/1/34	24.76	9.70	11.61	0.39
Washington Mutual Investors Fund	7/31/52	25.77	10.85	12.98	0.36
<b>Equity-income funds</b>					
Capital Income Builder	7/30/87	17.64	5.49	7.29	0.38
The Income Fund of America	12/1/73	19.16	7.05	9.18	0.37
<b>Balanced funds</b>					
American Balanced Fund	7/26/75	19.45	8.36	10.36	0.38
American Funds Global Balanced Fund	2/1/11	17.51	5.44	6.59*	0.60

\*10-year results for American Funds Developing World Growth and Income Fund and American Funds Global Balanced Fund are the funds' lifetime results, as these funds do not yet have 10 years of results.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. Expense ratios are as of each fund's prospectus available as of 12/31/19. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which the results would have been lower. Please see [capitalgroup.com](http://capitalgroup.com) for more information. Class F-2 shares were first offered on 8/1/08. Class F-2 share results prior to the date of first sale are hypothetical based on the results of the original share class of the fund without a sales charge, adjusted for typical estimated expenses. Please see [capitalgroup.com](http://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.



# The Capital Advantage<sup>®</sup>

Since 1931, Capital Group, home of American Funds, has helped investors pursue long-term investment success. Our consistent approach – in combination with The Capital System<sup>SM</sup> – has resulted in superior outcomes.

## Aligned with investor success

We base our decisions on a long-term perspective, which we believe aligns our goals with the interests of our clients. Our portfolio managers average 28 years of investment experience, including 22 years at our company, reflecting a career commitment to our long-term approach.<sup>1</sup>

## The Capital System

The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

## American Funds' superior outcomes

Equity funds have beaten their Lipper peer indexes in 92% of 10-year periods and 99% of 20-year periods.<sup>2</sup> Fixed income funds have helped investors achieve diversification through attention to correlation between bonds and equities.<sup>3</sup> Fund management fees have been among the lowest in the industry.<sup>4</sup>

<sup>1</sup>Portfolio manager experience as of December 31, 2019.

<sup>2</sup>Based on Class F-2 share results for rolling periods through December 31, 2019. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Please see [capitalgroup.com](http://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

<sup>3</sup>Based on Class F-2 share results as of December 31, 2019. Fifteen of the 17 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation below 0.2. Standard & Poor's 500 Composite Index was used as an equity market proxy. Correlation based on monthly total returns. Correlation is a statistical measure of how two securities move in relation to each other. A correlation ranges from -1 to 1. A positive correlation close to 1 implies that as one security moves, either up or down, the other security will move in "lockstep," in the same direction. A negative correlation close to -1 indicates that the securities have moved in the opposite direction.

<sup>4</sup>On average, our management fees were in the lowest quintile 65% of the time, based on the 20-year period ended December 31, 2019, versus comparable Lipper categories, excluding funds of funds.

**Past results are not predictive of future results. Investing for short periods makes losses more likely.**

**Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing.**

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# The Thrilling 37

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*Russel Kinnel, Director of  
Manager Research and Editor*

It's time to unveil the Thrilling 37. It's an extremely selective annual list focused on the most important data points for achieving investment success. With more than 8,000 funds out there, you can be super choosy. So, I raise the bar on some crucial metrics, and each year, somewhere between 20 and 50 funds pop out. I don't make any changes to the metrics, so the results are simply the output of screens and not influenced by my opinion.

The whole point is to use the data points most closely linked with strong performance. Here are the tests that each fund must pass.

- 1** | Expense ratio in the category's cheapest quintile.
- 2** | Manager investment of more than \$1 million in the fund (the top rung of the investment ranges reported in SEC filings).
- 3** | Morningstar Risk rating below the High level.
- 4** | Morningstar Analyst Rating of Bronze or higher.
- 5** | Parent rating better than Average.
- 6** | Returns greater than the fund's Morningstar Category benchmark over the manager's tenure for a minimum of five years. In the case of allocation funds, I also used category averages because benchmarks are often pure equity or bond and therefore not a good test.
- 7** | Must be a share class accessible to individual investors with a minimum investment no greater than \$50,000.
- 8** | No funds of funds.

For the expense ratio, I use the prospectus adjusted expense ratio. This figure excludes costs that are not collected as fees by the manager such as leverage, shorting costs, or brokerage commissions. The reason is that it gives us a true apples-to-apples comparison.

That's not to suggest that those kinds of costs don't matter. They do matter, but, as they are not collected by the fund company and tend to bounce around, they are more noise than signal.

The Morningstar Risk measure is the risk adjustment used for the Morningstar Rating for funds. It is based on the utility theory of risk and penalizes downside volatility more than upside. I throw out high-risk funds because our studies of Morningstar Investor Returns suggest that people have a harder time using high-risk funds well.

I have not excluded funds closed to new investors. The people who bought them in the past want to know if they still qualify. I have marked those funds as closed in the table. You'll notice that some institutional share classes made the test. That's because they are available for a minimum of \$50,000 or less. Also, there are A shares — yes, a full load can undermine that fee edge, but all of the listed funds are available for no-load as well.

## **There From the Start**

My first list came out in April 2012. That 14 funds from the original Fantastic 46 are still on the list today speaks to the staying power of these funds and the tests that they passed. Because I don't have space to write about all 37, I'll focus on those 14 funds that have endured.

## **Allocation**

All three of our enduring allocation funds hail from American Funds. Their focus on the long game is really borne out here. The firm's formula is to have seasoned managers, outstanding analysts, a simple

*Continued on Page 2*

strategy, and low costs. American is particularly good at income-oriented funds like **American Funds Capital Income Builder** CAIBX and **American Funds Income Fund of America** AMECX because they are savvy investors in dividends but also responsible enough to avoid big gambles that boost yield. American Funds Capital Income Builder, a world-allocation fund, really showcases the firm's depth. The fund is 70% equity, and the equities are a pretty even split between foreign and domestic stocks. The fund tilts to value to pick up dividends, though that means it lagged until late 2020 when value began to outperform growth.

American Funds Income Fund of America is in our allocation — 70% to 85% equity category, and it, too, has lagged a bit because of its tilt to dividend stocks. Hilda Applbaum makes modest adjustments to the asset mix based on the apparent opportunities. The fund is limited to stocks with a forward dividend yield, which keeps the fund grounded in value, but management doesn't chase the highest-yielding stocks as they come with the highest risks. From Dina Perry's 1992 start date, the fund's annualized 8.9% returns have topped the category's 7.6% return.

**American Funds American Balanced** ABALX is also an appealing mix of stocks and bonds that quietly gets investors to their goals. Underpinning these three Silver-rated funds are low fees whose benefits show up in long-term compounding.

### Bonds

**Dodge & Cox Income** DODIX and **Fidelity Total Bond Fund** FTBFX have long made the most of their strategies by sound issue selection and robust risk controls that keep the funds from getting too aggressive. Both are Gold-rated and super cheap funds with very experienced leaders.

Dodge & Cox went on offense in March 2020 when credit sold off, severely raising corporate exposure by month-end to 38% from 34% and up to 45% in June. It was a good call as the market later rallied. Fidelity's Ford O'Neil likewise added corporate exposure amid the stark sell-off in 2020.

### International Equity

**American Funds New Economy** ANEFX and **American Funds New Perspective** ANWPX have been quite rewarding for shareholders. American Funds New Economy has 10- and 15-year annualized returns of 14.7% and 11.6%, respectively. American Funds New Perspective is a touch behind at 12.9% and 10.6%. American Funds New Economy has a more pronounced U.S. equity tilt and more exposure to mid-caps and the smaller end of large caps. American Funds New Perspective, with 4 times the asset base, naturally is focused on big blue chips and has a smaller U.S. weighting at 52% of assets.

### U.S. Equity

Silver-rated **American Funds Growth Fund of America** AGTHX is a solid core holding that sticks to very large growth names.

**Fidelity Low-Priced Stock** FLPSX is another welcome sight as Joel Tillinghast has diligently done a remarkable job of stock selection even with a very large asset base. Very few could have pulled it off, and yet he just keeps doing it year after year.

**T. Rowe Price Mid-Cap Growth** RPMGX also feels like an old friend. Brian Berghuis been remarkably consistent for legions of shareholders. Maintaining an edge in the rapidly changing growth arena is not easy. But Berghuis and T. Rowe's analysts succeed through fundamental research that keeps them a step ahead.

Primecap's three funds subadvised for Vanguard were on my first list, and they are still going strong. The funds' relative underweighting of FAANGs (**Facebook** FB, **Apple** AAPL, **Amazon.com** AMZN, **Netflix** NFLX, and **Google** [Alphabet] GOOGL) and greater exposure to blend stocks held back returns in 2020, but they've since come back strong and boast solid performance. Primecap aims to hire the smartest people and let them figure the rest out. It's worked well, and the funds' very low fees provide a boost relative to most competitors. (The three funds it runs under the Primecap label just missed the cut because of either fees or risk.)

Finally, **Vanguard Dividend Growth** VDIGX is another example of the power of Vanguard's low costs, a great

Name	Ticker	Morningstar Analyst Rating	Morningstar Risk Rating Overall	Morningstar Category	Prospectus Adjusted Exp Ratio %	Return From PM Start Date	Index or Category Return From Start Date
American Funds American Balanced	ABALX	Silver	Below Average	Allocation—50% to 70% Equity	0.58	8.10	5.60
American Funds American Mutual	AMRMX	Gold	Low	Large Value	0.59	8.80	8.20
American Funds Capital Income Bldr	CAIBX	Silver	Below Average	World Allocation	0.61	8.50	7.00
American Funds Growth Fund of Amer	AGTHX	Silver	Average	Large Growth	0.64	12.10	11
American Funds Income Fund of Amer	AMECX	Silver	Low	Allocation—70% to 85% Equity	0.57	8.90	7.60
American Funds New Economy	ANEFX	Silver	Average	World Large-Stock Growth	0.76	11.80	10.40
American Funds New Perspective	ANWPX	Silver	Average	World Large-Stock Growth	0.76	9.60	7.50
Baird Aggregate Bond	BAGIX	Gold	Average	Intermediate Core Bond	0.30	5.30	4.80
Baird Core Plus Bond	BCOIX	Silver	Average	Intermediate Core-Plus Bond	0.30	5.80	5.10
Baird Short-Term Bond	BSBIX	Gold	Below Average	Short-Term Bond	0.30	2.80	2.40
Baird Ultra Short Bond	BUBIX	Gold	Below Average	Ultrashort Bond	0.15	1.50	1.30
Dodge & Cox Global Bond	DODLX	Gold	Average	World Bond	0.45	4.00	2.00
Dodge & Cox Global Stock	DODWX	Gold	Above Avg	World Large-Stock Value	0.62	7.30	4.70
Dodge & Cox Income	DODIX	Gold	Below Average	Intermediate Core-Plus Bond	0.42	6.60	6.00
Dodge & Cox Stock	DODGX	Gold	Above Avg	Large Value	0.52	12.00	10.20
Fidelity Asset Manager 20%	FASIX	Bronze	Below Average	Allocation—15% to 30% Equity	0.51	5.70	5.30
Fidelity Asset Manager 40%	FFANX	Bronze	Average	Allocation—30% to 50% Equity	0.53	8.10	7.40
Fidelity Growth & Income	FGRIX	Bronze	Average	Large Value	0.61	12.70	11.30
Fidelity Low-Priced Stock	FLPSX	Silver	Low	Mid-Cap Value	0.78	13.60	11.50
Fidelity Select Health Care	FSPHX	Gold	Average	Health	0.69	17.50	14.30
Fidelity Total Bond Fund	FTBFX	Gold	Average	Intermediate Core-Plus Bond	0.45	4.80	4.40
Fidelity Value Discovery	FVDFX	Bronze	Average	Large Value	0.66	12.70	12.60
JPMorgan Hedged Equity	JHQAX	Bronze	Below Average	Options Trading	0.85	8.60	6.60
Meridian Growth	MRIGX	Bronze	Average	Small Growth	0.86	13.90	12.90
Seafarer Overseas Gr and Income	SIGIX	Silver	Below Average	Diversified Emerging Mkts	0.93	8.30	5.30
T. Rowe Price Equity Income	PRFDX	Silver	Average	Large Value	0.65	11.60	11.30
T. Rowe Price Mid-Cap Growth	RPMGX	Gold	Below Average	Mid-Cap Growth	0.73	14.30	11.50
T. Rowe Price New Asia	PRASX	Silver	Below Average	Pacific/Asia ex-Japan Stk	0.92	10.50	9.10
Vanguard Capital Opportunity	VHCAX / VHCOX	Gold	Above Avg	Large Growth	0.37	14.80	9.10
Vanguard Dividend Growth	VDIGX	Gold	Low	Large Blend	0.26	10.70	10.60
Vanguard Equity-Income	VEIRX / VEIPX	Silver	Below Average	Large Value	0.19	9.60	8.60
Vanguard Explorer	VEXRX / VEXPX	Bronze	Average	Small Growth	0.30	15.60	14.40
Vanguard Primecap	VPMAX / VPMCX	Gold	Above Avg	Large Blend	0.31	13.80	11.60
Vanguard Primecap Core	VPCCX	Gold	Above Avg	Large Blend	0.46	11.90	10.70
Vanguard US Growth	VWUAX / VWUSX	Silver	Above Avg	Large Growth	0.28	19.70	18.40
Vanguard Wellesley Income	VWVAX / VWVNX	Gold	Below Average	Allocation—30% to 50% Equity	0.16	7.20	4.90
Vanguard Windsor	VWVNX / VWVNDX	Silver	Above Avg	Large Value	0.19	14.00	12.80

Figures are through June 2021. Total Returns are annualized from the longest-tenured manager's start date. For Vanguard funds that had both Admiral and Investor share classes qualify, I show tickers for both, and the data is for the Admiral shares. = closed to new investors

strategy, and a skilled manager. Wellington's Donald Kilbride has produced solid returns with great downside protection. The process of finding companies that can grow their dividends means Kilbride is buying companies with sustainable growth and low levels of debt. Those are the sort of companies that usually hold up well in a bear market.

## Conclusion

The funds on this list have the potential to make rewarding long-term investments that you can depend on. When you focus on the most important aspects of a fund, you find that a lot of pretenders fade away. Contact Russel Kinnel at [russel.kinnel@morningstar.com](mailto:russel.kinnel@morningstar.com)



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For more detailed information about Morningstar's Analyst Rating, including its methodology, please go to:

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#### Results as of June 30, 2021

Fund name	Inception date	Average annual total returns (%)				Expense ratio (%)
		One year	Five years	10 years	Lifetime	
American Balanced Fund® (ABALX)	7/26/75	15.55	9.65	9.70	10.58	0.58
American Mutual Fund® (AMRMX)	2/21/50	21.14	10.56	10.73	11.53	0.59
Capital Income Builder® (CAIBX)	7/30/87	15.59	5.86	6.31	8.83	0.61
The Growth Fund of America® (AGTHX)	12/1/73	34.74	19.60	15.28	14.00	0.64
The Income Fund of America® (AMECX)	12/1/72	19.47	7.82	8.13	10.72	0.57
The New Economy Fund® (ANEFX)	12/1/83	30.55	18.99	14.54	11.85	0.76
New Perspective Fund® (ANWPX)	3/12/73	37.41	17.86	12.67	12.63	0.76

#### Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. Returns greater than one year were annualized. Expense ratios are as of each fund's prospectus available at the time of publication. When applicable, investment results reflect fee waivers and/or expense reimbursements, without which results would have been lower. Please see [capitalgroup.com](http://capitalgroup.com) for more information.

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If used after September 30, 2021, this article must be accompanied by a current American Funds quarterly statistical update.

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