

Capital Group Active-Passive Models Designed for the long term

Quarterly update – Q1 2024



Quarterly models summary

Key takeaways for the quarter ended March 31, 2024

- Model portfolio asset allocation remains focused on long-term goals amid the potential for different economic scenarios.
- Underlying fund managers continue to find a wide range of equity opportunities despite heavy levels of market concentration.
- The Portfolio Solutions Committee and Capital Solutions Group balance the four roles of fixed income according to specific long-term model goals.
- The Capital Group Active-Passive Model Portfolios posted strong, positive absolute results for the quarter with mixed results relative to their respective benchmarks on a gross basis, mostly lagging their benchmarks net of a 3% annual fee.

Featured investment professionals



Samir Mathur
Chair of the Portfolio
Solutions Committee



Mario DiVito
Investment Director



Liz Yakes
Multi-Asset Investment
Product Manager

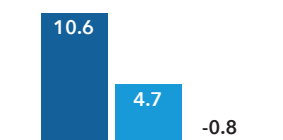
Model portfolios are only available through registered investment advisers. This content is intended for registered investment advisers and their clients. Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Past results are not predictive of results in future periods.

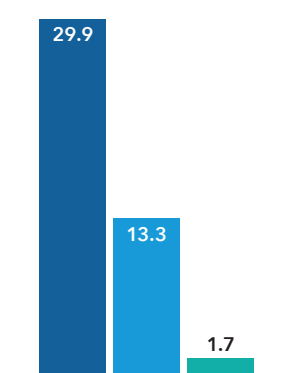
Broad market results

Cumulative returns (%)

Q1



1-year as of 3/31/24



- **U.S. equities**
(S&P 500 Index)
- **International equities**
(MSCI ACWI ex USA Index)
- **U.S. fixed income**
(Bloomberg U.S. Aggregate Index)

Market Review

Equity markets climbed in the first quarter, extending double-digit gains in 2023 amid hopes that the economy would avoid a severe downturn and inflation would moderate enough to support interest rate cuts over time. The S&P 500 Index rose 10.56% for the quarter in its biggest first quarter gain since 2019. All sectors gained, except for real estate, with returns for Magnificent Seven stocks more mixed at the start of this year following sweeping gains in 2023. (The Magnificent Seven are seven stocks with a high market-cap weighting in the S&P 500 Index.) International equities also rose but lagged U.S. stocks for the quarter; the MSCI All Country World Index (ACWI) ex USA gained 4.69%. Lower dividend payers outpaced higher dividend payers in the S&P 500 Index, while many dividend payers in international equity markets posted strong returns, as measured by the MSCI ACWI ex USA.

Within fixed income markets, U.S. Treasuries fell over the quarter amid uncertainty about the timing and extent of interest rate cuts. The U.S. Federal Reserve held its benchmark interest rate at a range of 5.25% to 5.50% for the fifth consecutive meeting in March and indicated that it would continue to closely monitor inflation data with its 2% inflation target in mind. The Consumer Price Index (CPI), including food and energy, rose 3.2% for the 12 months ending February. The Bloomberg U.S. Aggregate Index ended the quarter 0.78% lower. Meanwhile, the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index rose 1.47%. The yield curve remained inverted, with short-term bonds continuing to post higher yields than long-term bonds.

Growth models

Our active-passive growth models have substantial active and passive allocations to equities, particularly growth equities, given their capital appreciation objective. These models produced positive absolute returns and led or were in line with their benchmarks on a gross basis, with mixed results on a net-of-fee basis. (All comments about model composite returns versus the benchmark are true on a gross and net-of-fees basis, unless otherwise noted.)

Capital Group Active-Passive Global Growth Model Portfolio posted positive absolute returns for the quarter and was in line with its benchmark, but net returns lagged.

- Stock selection: both U.S. equities and non-U.S. equities were additive.
- Selection within information technology (semiconductors), communication services (social media company), and industrials (airline) boosted results; stock selection in financials (insurance company) and consumer staples weighed on returns.
- Vanguard Growth ETF and The Growth Fund of America® were additive to relative returns; SMALLCAP World Fund® and New World Fund® were relative detractors.
- Geographic allocations to U.S. equity and non-U.S. equity ended the quarter at 54% and 43%.

Capital Group Active-Passive Growth Model Portfolio posted positive absolute returns for the quarter and led its benchmark on a gross basis, but net returns lagged.

- Stock selection: both U.S. equities and non-U.S. equities were additive.
- Selection within information technology (semiconductors) and communication services (social media company) boosted results; selection in health care (pharmaceuticals) and financials weighed on returns.
- The New Economy Fund® was additive, SMALLCAP World Fund was a detractor, and the passive ETFs were net neutral contributors to relative results.

Composite net results are calculated by subtracting an annual 3% fee, (which is equal to or higher than the highest actual model portfolio wrap fee charged by a program sponsor) from the gross composite monthly returns, which are net of underlying fund fees and expenses of all accounts in the composite.

Past results are not predictive of results in future periods.

Contribution to returns commentary is based on a representative account and is net of all fees and expenses applicable to the underlying funds and is gross of any advisory fee charged by model providers. The net of fees composite results shown illustrate the impact of fees on the portfolio. Attribution for underlying ETFs is based on market price.

Capital Group Active-Passive Moderate Growth Model Portfolio posted positive absolute returns for the quarter and led its benchmark on both a gross and net-of-fee basis.

- Stock selection: both U.S. equities and non-U.S. equities were additive.
- Selection within industrials (aerospace) and communication services (streaming service) boosted results; selection in financials and health care (managed care) weighed on returns.
- Fixed income was additive to results. Less overall exposure was beneficial while U.S. Treasuries selection detracted.
- Capital World Growth and Income Fund® was a relative contributor, American Funds® Global Balanced Fund was a detractor, and the passive ETFs were net neutral contributors to relative results.

Growth-and-income models

Our active-passive growth-and-income models, which generally seek a combination of long-term capital appreciation and income, produced relatively strong absolute results, but mixed relative results against their custom benchmarks over the first quarter. Allocations to dividend-paying equities are a key component of these strategies; success metrics for these models emphasize lower volatility, strong risk-adjusted returns and yield.

Capital Group Active-Passive Growth and Income Model Portfolio posted positive absolute returns for the quarter and led its benchmark on a gross basis, but net returns slightly lagged.

- Stock selection: U.S. equities was detractive; non-U.S. equities was additive.
- Selection within industrials (industrials conglomerate) and consumer discretionary boosted results; selection in financials and consumer staples (tobacco) weighed on returns.
- Fixed income was additive. Less overall exposure and corporate bond selection boosted returns while U.S. Treasuries detracted.
- Capital World Growth and Income Fund and The Growth Fund of America were relative contributors; Capital Income Builder® and the dividend-oriented passive ETFs were detractors to relative results.

Capital Group Active-Passive Moderate Growth and Income Model Portfolio posted positive absolute returns for the quarter and led its benchmark on a gross basis, but net returns lagged.

- Stock selection: U.S. equities was detractive; non-U.S. equities was additive.
- Selection within information technology (semiconductors) and consumer discretionary boosted results; selection in financials (financial exchange) and health care (managed care) weighed on returns.
- Fixed income was additive. Less overall exposure and corporate bond selection boosted returns while U.S. Treasuries detracted.
- American Funds® Multi-Sector Income and American Balanced Fund® were relative contributors; The Income Fund of America® and the dividend-oriented passive ETFs were detractors to relative results.

Capital Group Active-Passive Conservative Growth and Income Model Portfolio posted positive absolute returns for the quarter but lagged its benchmark on both a gross and net-of-fee basis.

- Stock selection: U.S. equities was detractive; non-U.S. equities was neutral.
- Selection within utilities and less exposure to consumer discretionary boosted results; selection in health care (pharmaceutical) and communication services and less technology exposure weighed on returns.
- Fixed income was additive. High yield selection boosted returns while U.S. Treasuries selection detracted.
- American High-Income Trust® was a relative contributor; American Mutual Fund® and the dividend-oriented passive ETFs were detractors to relative results.

Capital Group Active-Passive Conservative Income and Growth Model Portfolio posted positive absolute returns for the quarter and led its benchmark on a gross basis, but net returns lagged.

- Stock selection: U.S. equities was detractive; non-U.S. equities was additive.
- Selection within industrials (industrial conglomerate) and utilities boosted results; selection in health care (pharmaceutical) and less technology exposure weighed on returns.
- Fixed income was additive. High yield and Securitized bond selection boosted returns while U.S. Treasuries selection detracted.
- American Funds Multi-Sector Income was a relative contributor; American Mutual Fund was a detractor, and the passive ETFs were net neutral contributors to relative results.

Preservation and income models

Capital Group Active-Passive Conservative Income Model Portfolio posted positive absolute returns for the quarter but lagged its benchmark on a gross and net-of-fees basis.

- Stock selection: U.S. equities was detractive; non-U.S. equities was additive.
- Selection within industrials (aerospace) and less exposure to consumer discretionary boosted results; selection in health care (pharmaceutical) and less technology exposure weighed on returns.
- Fixed income was a marginal detractor. Securitized and corporate bond selection boosted returns while U.S. Treasuries detracted.
- Short-Term Bond Fund of America® and Vanguard Short-Term Treasury ETF were relative contributors; The Income Fund of America and the American Funds® Strategic Bond Fund were detractors to relative results.

Capital Group Active-Passive Preservation Model Portfolio posted positive absolute returns for the quarter and led its benchmark on a gross basis, but net returns lagged.

- Exposure to securitized bonds boosted results while U.S. Treasuries detracted.
- Short-Term Bond Fund of America was a relative contributor, Intermediate Bond Fund of America® was a detractor, and the passive ETFs were net neutral contributors to relative results.

Retirement income models

All three Capital Group Active-Passive Retirement Income Model Portfolios posted positive absolute returns for the quarter. Enhanced and Moderate led their benchmark on both a gross and net-of-fee basis, while Conservative lagged its benchmark on both a gross and net-of-fee basis.

These models seek to support sustained inflation-adjusted withdrawals, within their guidance ranges, primarily through allocations to income-focused equities and a combination of higher yielding and higher quality fixed income securities.

- All three models hold greater equity exposure than the benchmark, which was beneficial.
- Driven by their income objectives, the models hold greater exposure to dividend paying equities, which weighed on relative results. The Income Fund of America has a meaningful concentration in higher yielding dividend payers.
- Greater exposure to energy and industrials across all models boosted returns while greater exposure to the higher yielding utilities and real estate sectors weighed on returns.
- Within fixed income, U.S. Treasuries weighed on returns across all three models; greater exposure to high yield bonds boosted returns as did greater emerging market bonds in Moderate and Enhanced. American Funds Multi-Sector Income aided results, while American Funds Strategic Bond Fund was a detractor in the Moderate and Conservative models.

Tax-aware portfolios

Capital Group Active-Passive Tax-Aware Moderate Growth, Growth and Income, and Moderate Growth and Income posted positive absolute returns for the quarter and outpaced their respective benchmarks on a gross basis, but experienced mixed results on a net-of-fee basis.

- Equities were net additive to results. Stock selection in industrials and information technology boosted results; selection in health care and consumer staples weighed on returns.
- Fixed income was additive to results. Less overall exposure and general obligation municipal bond and health care municipals boosted returns. There were no detractors.
- Capital Group Core Equity ETF (ticker: CGUS) and American High-Income Municipal Bond Fund® were relative contributors; SMALLCAP World Fund was a detractor and the passive ETFs had neutral to negative net impact to relative results.

Capital Group Active-Passive Tax-Aware Conservative Growth and Income, Conservative Income, and Capital Group Active-Passive Tax-Aware Moderate Income posted positive absolute returns for the quarter, but experienced mixed results relative to their respective benchmarks on a gross and net-of-fee basis.

- Equities were a net detractor to results. Stock selection in industrials and consumer discretionary boosted results; selection in health care and consumer staples weighed on returns.
- Fixed income was additive to results. Education, housing, and health care municipals boosted returns. There were no detractors.
- American High-Income Municipal Bond Fund was a relative contributor; Capital Group Dividend Value ETF (ticker: CGDV) and the passive ETFs were net negative contributors to relative results.

Capital Group Active-Passive Tax-Exempt Preservation led its benchmark on a gross basis, but net returns lagged.

- Housing municipals boosted returns while general obligation bond holdings weighed on returns.
- Limited Term Tax-Exempt Bond Fund of America® was a relative contributor, and the passive ETFs were net neutral contributors to relative results.



Diversification from equities

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.



Income

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



Capital preservation

A fixed income allocation has the potential to protect principal in most market environments.



Inflation protection

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

The four roles of fixed income

Underlying fixed income funds in model portfolios reflect views from the Capital Group fixed income team's Portfolio Strategy Group (PSG), which analyzes differing economic scenarios to provide a broad directional framework and guidance in the form of core portfolio positioning themes. "I think of asset allocation like putting together the pieces of a puzzle every day," according to John Queen, a fixed income portfolio manager and member of the Portfolio Solutions Committee (PSC), which oversees the Capital Group Active-Passive model portfolios. A key question when applying fixed income guidance to portfolios is what the actual portfolio goal is, says Queen. "What is the job of each portfolio and what role should fixed income play in it?" Queen continues. This applies to Capital Group Active-Passive Model Portfolios and how the PSC thinks about balancing the four roles of fixed income relative to model portfolio goals: diversification from equity, income, capital preservation and inflation protection.

For example, says Queen, "in a core bond portfolio we're looking for excess return, of course, but we're also looking to make sure that it continues to play a role as an equity hedge. If there's a slowdown where equities tend to do poorly, the core bond portfolio should act like a core bond portfolio, not a high-yield portfolio where you'd expect some more volatility alongside the equity portfolio." While returns for core bond funds such as The Bond Fund of America® and iShares U.S. AGG Bond ETF have been largely flat versus the Bloomberg U.S. Aggregate Index this past quarter, we continue to believe that the role of core bond allocations, both active and passive, remains critical alongside flexible exposure to credit via funds such as American Funds Multi-Sector Income Fund. For example, Capital Group Active-Passive Moderate Growth and Income Model Portfolio includes allocations to iShares U.S. AGG Bond ETF, American Funds Multi-Sector Income Fund and American Funds Strategic Bond Fund. The selection of both active and passive funds and approach to the four roles of fixed income depends upon the model goal.

Looking forward

As active managers, we recognize the potential for different economic and market scenarios and uncertainty about the timing of interest rate cuts. Underlying fund managers continue to find a wide range of opportunities, despite heavy levels of market concentration.

"Model portfolios reflect a conscious, dynamic approach to asset classes and sectors at the fund level," says Multi-Asset Investment Director Mario DiVito. "At a broad sweep, model asset allocation shows conviction in opportunities across both equity and fixed income markets," continues DiVito. "While equity allocations in multi-asset funds such as American Balanced Fund® have inched higher, primarily driven by strong market conditions, managers are also finding attractive opportunities to add to their fixed income holdings. Among equities in general, underlying managers in growth funds are taking an active approach to select opportunities, driven by company-specific research. Growth fund managers are currently expressing interest in industrials and communication services companies likely to benefit from innovation as well as smaller firms across sectors that seem poised to continue cutting costs and improve their business models. Global fund managers, in particular, are finding value in industrials to include auto manufacturers and retail-focused consumer companies in Europe and Asia," says DiVito. Meanwhile, the Portfolio Solutions Committee and Capital Solutions Group balance the four roles of fixed income based on model objective and actively monitor underlying fund allocations across both fixed income and equities.

"I think of asset allocation like putting together the pieces of a puzzle every day. What is the job of each portfolio and what role should fixed income play in it? In a core bond portfolio we're looking for excess return, of course, but we're also looking to make sure that it continues to play a role as an equity hedge."

– **John Queen**

fixed income portfolio manager
and member of the Portfolio
Solutions Committee

"Model portfolios reflect a conscious, dynamic approach to asset classes and sectors at the fund level. Among equities in general, underlying managers in growth funds are taking an active approach to select opportunities, driven by company-specific research. Growth fund managers are currently expressing interest in industrials and communication services companies likely to benefit from innovation as well as smaller firms across sectors that seem poised to continue cutting costs and improve their business models."

– **Mario DiVito**

Multi-Asset Investment Director



Model composite results as of March 31, 2024

Past results 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.

Composite net results are calculated by subtracting an annual 3% fee, (which is equal to or higher than the highest actual model portfolio wrap fee charged by a program sponsor) from the gross composite monthly returns, which are net of underlying fund fees and expenses of all accounts in the composite. Composite gross results are net of underlying fund fees and expenses of all accounts in the composite and gross of any advisory fees charged by model providers. Results would have been lower if such fees had been deducted. Results and results-based figures shown are preliminary and subject to change.

Model portfolio	Inception date	Cumulative total returns (%)				Average annual total returns (%)			
			QTD	YTD	1 year	3 years	5 years	10 years	Lifetime
Growth									
Capital Group Active-Passive Global Growth MP Composite	11/30/2022	Gross	8.16	8.16	23.49	–	–	–	21.13
		Net	7.37	7.37	19.89	–	–	–	17.60
MSCI All Country World Index (ACWI)	–		8.20	8.20	23.22	–	–	–	19.64
Capital Group Active-Passive Growth MP Composite	11/30/2022	Gross	9.78	9.78	30.16	–	–	–	25.58
		Net	8.99	8.99	26.38	–	–	–	21.92
Growth Model Portfolio Index Blend	–		9.07	9.07	25.57	–	–	–	20.84
Capital Group Active-Passive Moderate Growth MP Composite	11/30/2022	Gross	8.27	8.27	25.84	–	–	–	21.71
		Net	7.48	7.48	22.18	–	–	–	18.16
Moderate Growth Model Portfolio Index Blend	–		7.34	7.34	21.13	–	–	–	17.80
Growth and income									
Capital Group Active-Passive Growth and Income MP Composite	11/30/2022	Gross	6.79	6.79	20.69	–	–	–	16.90
		Net	6.01	6.01	17.16	–	–	–	13.48
Growth and Income Model Portfolio Index Blend	–		6.20	6.20	18.24	–	–	–	15.79
Capital Group Active-Passive Moderate Growth and Income MP Composite	11/30/2022	Gross	5.42	5.42	16.52	–	–	–	13.37
		Net	4.65	4.65	13.11	–	–	–	10.04
Moderate Growth and Income Model Portfolio Index Blend	–		5.35	5.35	16.20	–	–	–	14.19
Capital Group Active-Passive Conservative Growth and Income MP Composite	11/30/2022	Gross	3.64	3.64	11.31	–	–	–	8.75
		Net	2.87	2.87	8.03	–	–	–	5.55
Conservative Growth and Income Model Portfolio Index Blend	–		4.29	4.29	14.29	–	–	–	12.79
Capital Group Active-Passive Conservative Income and Growth MP Composite	11/30/2022	Gross	2.69	2.69	8.95	–	–	–	7.55
		Net	1.93	1.93	5.74	–	–	–	4.39
Conservative Income and Growth Model Portfolio Index Blend	–		2.54	2.54	9.45	–	–	–	9.08
Preservation and income									
Capital Group Active-Passive Conservative Income MP Composite	11/30/2022	Gross	1.33	1.33	5.20	–	–	–	4.95
		Net	0.57	0.57	2.09	–	–	–	1.85
Conservative Income Model Portfolio Index Blend	–		1.78	1.78	7.45	–	–	–	7.18
Capital Group Active-Passive Preservation MP Composite	11/30/2022	Gross	0.23	0.23	2.60	–	–	–	3.48
		Net	-0.52	-0.52	-0.44	–	–	–	0.43
Bloomberg 1-5 Year U.S. Government/Credit A+ Index	–		0.06	0.06	2.80	–	–	–	3.54

Index lifetime returns are based on composite inception dates.

Model composite results as of March 31, 2024

Model portfolio	Inception date		Cumulative total returns (%)			Average annual total returns (%)			
			QTD	YTD	1 year	3 years	5 years	10 years	Lifetime
Income									
Capital Group Active-Passive Retirement Income - Enhanced MP Composite	11/30/2022	Gross	5.03	5.03	14.42	–	–	–	11.22
		Net	4.26	4.26	11.06	–	–	–	7.95
S&P Target Date Retirement Income Index	–		2.33	2.33	8.72	–	–	–	8.53
Capital Group Active-Passive Retirement Income - Moderate MP Composite	11/30/2022	Gross	3.56	3.56	10.43	–	–	–	8.42
		Net	2.79	2.79	7.18	–	–	–	5.23
S&P Target Date Retirement Income Index	–		2.33	2.33	8.72	–	–	–	8.53
Capital Group Active-Passive Retirement Income - Conservative MP Composite	11/30/2022	Gross	2.24	2.24	6.91	–	–	–	5.92
		Net	1.48	1.48	3.75	–	–	–	2.79
S&P Target Date Retirement Income Index	–		2.33	2.33	8.72	–	–	–	8.53
Tax-aware growth									
Capital Group Active-Passive Tax-Aware Moderate Growth MP Composite	10/31/2023	Gross	8.54	8.54	–	–	–	–	25.34
		Net	7.75	7.75	–	–	–	–	23.85
Tax-Aware Moderate Growth Model Portfolio Index Blend	–		7.40	7.40	–	–	–	–	21.78
Tax-aware growth and income									
Capital Group Active-Passive Tax-Aware Growth and Income MP Composite	10/31/2023	Gross	7.66	7.66	–	–	–	–	23.02
		Net	6.88	6.88	–	–	–	–	21.55
Tax-Aware Growth and Income Model Portfolio Index Blend	–		6.30	6.30	–	–	–	–	19.96
Capital Group Active-Passive Tax-Aware Moderate Growth and Income MP Composite	10/31/2023	Gross	6.01	6.01	–	–	–	–	19.70
		Net	5.23	5.23	–	–	–	–	18.26
Tax-Aware Moderate Growth and Income Model Portfolio Index Blend	–		5.49	5.49	–	–	–	–	18.47
Capital Group Active-Passive Tax-Aware Conservative Growth and Income MP Composite	10/31/2023	Gross	4.53	4.53	–	–	–	–	16.26
		Net	3.76	3.76	–	–	–	–	14.86
Tax-Aware Conservative Growth and Income Model Portfolio Index Blend	–		4.43	4.43	–	–	–	–	16.77
Tax-aware preservation and income									
Capital Group Active-Passive Tax-Aware Moderate Income MP Composite	10/31/2023	Gross	3.59	3.59	–	–	–	–	13.99
		Net	2.82	2.82	–	–	–	–	12.61
Tax-Aware Moderate Income Model Portfolio Index Blend	–		2.79	2.79	–	–	–	–	13.78
Capital Group Active-Passive Tax-Aware Conservative Income MP Composite	10/31/2023	Gross	1.81	1.81	–	–	–	–	9.76
		Net	1.05	1.05	–	–	–	–	8.42
Tax-Aware Conservative Income Model Portfolio Index Blend	–		1.78	1.78	–	–	–	–	10.10
Capital Group Active-Passive Tax-Exempt Preservation MP Composite	10/31/2023	Gross	-0.06	-0.06	–	–	–	–	4.24
		Net	-0.80	-0.80	–	–	–	–	2.96
Bloomberg Municipal Bond 1-7 Year Blend Index	–		-0.29	-0.29	–	–	–	–	4.32

Index lifetime returns are based on composite inception dates.

Market index results as of March 31, 2024

Index name	Cumulative total returns (%)			Average annual total returns (%)		
	QTD	YTD	1 year	3 years	5 years	10 years
Bloomberg Municipal Bond Index	-0.39	-0.39	3.13	-0.41	1.59	2.66
Bloomberg U.S. Aggregate Index	-0.78	-0.78	1.70	-2.46	0.36	1.54
Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index	1.47	1.47	11.15	2.19	4.19	4.44
MSCI All Country World Index (ACWI)	8.20	8.20	23.22	6.96	10.92	8.66
MSCI All Country World Index (ACWI) ex USA	4.69	4.69	13.26	1.94	5.97	4.25
Russell 1000 Growth Index	11.41	11.41	39.00	12.50	18.52	15.98
Russell 1000 Index	10.30	10.30	29.87	10.45	14.76	12.68
Russell 1000 Value Index	8.99	8.99	20.27	8.11	10.32	9.01
S&P 500 Index	10.56	10.56	29.88	11.49	15.05	12.96

Investment and index disclosures

Appendix

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The underlying funds for each model portfolio as of March 31, 2024, are as follows (allocations may not equal 100% due to rounding):

Capital Group Active-Passive Global Growth Model Portfolio: Growth (66%): New Perspective Fund 20%, The New Economy Fund 15%, SMALLCAP World Fund 12%, EuroPacific Growth Fund 9%, The Growth Fund of America 5%, New World Fund 5%; Growth and income (6%): Capital World Growth and Income Fund 6%; Index ETFs (28%): Vanguard Total World Stock Index Fund 11%, Vanguard Growth Index Fund 10%, Vanguard FTSE All-World ex-US Index Fund 7%.

Capital Group Active-Passive Growth Model Portfolio: Growth (60%): The Growth Fund of America 15%, AMCAP Fund 13%, SMALLCAP World Fund 12%, New Perspective Fund 10%, The New Economy Fund 10%; Growth and income (12%): Fundamental Investors 12%; Index ETFs (28%): Vanguard Growth Index Fund 15%, Vanguard Total World Stock Index Fund 10%, iShares Core S&P 500 ETF 3%.

Capital Group Active-Passive Moderate Growth Model Portfolio: Growth (31%): The Growth Fund of America 13%, AMCAP Fund 10%, SMALLCAP World Fund 8%; Growth and income (16%): Capital World Growth and Income Fund 16%; Balanced (25%): American Funds Global Balanced Fund 13%, American Balanced Fund 12%; Index ETFs (28%): Vanguard Growth Index Fund 12%, Vanguard Total World Stock Index Fund 11%, iShares Core S&P 500 ETF 5%.

Capital Group Active-Passive Growth and Income Model Portfolio: Growth (15%): The Growth Fund of America 10%, SMALLCAP World Fund 5%; Growth and income (27%): Capital World Growth and Income Fund 15%, The Investment Company of America 8%, Washington Mutual Investors Fund 4%; Equity Income (10%): Capital Income Builder 10%; Balanced (10%): American Balanced Fund 10%; Income (11%): American Funds Multi-Sector Income Fund 5%, The Bond Fund of America 3%, American Funds Strategic Bond Fund 3%; Index ETFs (27%): Vanguard Total World Stock Index Fund 14%, iShares Core U.S. Aggregate Bond ETF 5%, iShares Core S&P 500 ETF 4%, Vanguard High Dividend Yield Index Fund 2%, Schwab U.S. Dividend Equity ETF 2%.

Capital Group Active-Passive Moderate Growth and Income Model

Portfolio: Growth (9%): New Perspective Fund 5%, SMALLCAP World Fund 4%; Growth and income (16%): Capital World Growth and Income Fund 11%, Washington Mutual Investors Fund 5%; Equity Income: (10%): The Income Fund of America 10%; Balanced (30%): American Balanced Fund 20%, American Funds Global Balanced Fund 10; Income (8%): American Funds Multi-Sector Income Fund 5%, American Funds Strategic Bond Fund 3%; Index ETFs (27%): iShares Core U.S. Aggregate Bond ETF 9%, Vanguard Total World Stock Index Fund 6%, iShares Core S&P 500 ETF 6%, Vanguard Total International Bond Index Fund 2%, Vanguard High Dividend Yield Index Fund 2%, Schwab U.S. Dividend Equity ETF 2% .

Capital Group Active-Passive Conservative Growth and Income

Model Portfolio: Growth and income (13%): American Mutual Fund 8%, Washington Mutual Investors Fund 5%; Equity Income (30%): Capital Income Builder 16%, The Income Fund of America 14%; Income (30%): American Funds Multi-Sector Income Fund 14%, American High-Income Trust 10%, The Bond Fund of America 6%; Index ETFs (27%): iShares Core U.S. Aggregate Bond ETF 14%, Vanguard Total World Stock Index Fund 5%, Vanguard High Dividend Yield Index Fund 4%, Schwab U.S. Dividend Equity ETF 4%.

Capital Group Active-Passive Conservative Income and Growth Model

Portfolio: Growth and income (13%): American Mutual Fund 8%, Capital World Growth and Income Fund 5%; Equity income (10%): The Income Fund of America 10%; Balanced (15%): American Balanced Fund 10%, American Funds Global Balanced Fund 5%; Income (45%): American Funds Multi-Sector Income Fund 13%, The Bond Fund of America 10%, American Funds Strategic Bond Fund 8%, Intermediate Bond Fund of America 4%; Index ETFs (27%): iShares Core U.S. Aggregate Bond ETF 12%, Vanguard Short-Term Treasury Index Fund 4%, Schwab U.S. Dividend Equity ETF 3%, Vanguard Total World Stock Index Fund 2%, Vanguard Total International Bond Index Fund 2%, Vanguard High Dividend Yield Index Fund 2%, Vanguard Short-Term Inflation-Protected Securities Index Fund 2%.

Capital Group Active-Passive Conservative Income Model Portfolio:

Growth and income (10%): American Mutual Fund 10%; Equity Income (10%): The Income Fund of America 10%; Balanced (5%): American Balanced Fund 5%; Income (49%): Intermediate Bond Fund of America 15%, The Bond Fund of America 11%, American Funds Strategic Bond

Fund 10%, Short-Term Bond Fund of America 8%, American Funds Multi-Sector Income Fund 5%; Index ETFs (26%): Vanguard Short-Term Treasury Index Fund 14%, iShares Core U.S. Aggregate Bond ETF 6%, Vanguard Total International Bond Index Fund 3%, Vanguard Short-Term Inflation-Protected Securities Index Fund 3%.

Capital Group Active-Passive Preservation Model Portfolio: Income (74%): Short-Term Bond Fund of America 41%, Intermediate Bond Fund of America 33%; Index ETFs (26%): Vanguard Short-Term Treasury Index Fund 17%, iShares MBS ETF 4%, Vanguard Short-Term Inflation-Protected Securities Index Fund 5%.

Capital Group Active-Passive Retirement Income Model – Enhanced: Growth (3%): AMCAP 3%; Growth and income (12%): Capital World Growth and Income Fund 8%, American Mutual Fund 4%; Equity Income (26%): The Income Fund of America 16%, Capital Income Builder 10%; Balanced (17%): American Balanced Fund 14%, American Funds Global Balanced Fund 3%; Income (15%): American Funds Multi-Sector Income Fund 7%, American High-Income Trust 5%, American Funds Inflation Linked Bond Fund 3%; Index ETFs (27%): Vanguard High Dividend Yield Index Fund 5%, iShares Core U.S. Aggregate Bond ETF 5%, Schwab U.S. Dividend Equity ETF™ 5%, Vanguard Developed Markets Index Fund 4%, Vanguard Growth Index Fund 2%, Vanguard Total World Stock Index Fund 2%, Vanguard Total International Bond Index Fund 2%, Vanguard Short-Term Inflation-Protected Securities Index Fund 2%.

Capital Group Active-Passive Retirement Income Model – Moderate: Growth and income (9%): Capital World Growth and Income Fund 5%, American Mutual Fund 4%; Equity income (26%): The Income Fund of America 16%, Capital Income Builder 10%; Balanced (13%): American Balanced Fund 10%, American Funds Global Balanced Fund 3%; Income (25%): American Funds Multi-Sector Income Fund 9%, American Funds Strategic Bond Fund 6%, The Bond Fund of America 4%, American Funds Inflation Linked Bond Fund 3%, U.S. Government Securities Fund 3%; Index ETFs (27%): Vanguard Developed Markets Index Fund 5%, iShares Core U.S. Aggregate Bond ETF 5%, Vanguard High Dividend Yield Index Fund 4%, Schwab U.S. Dividend Equity ETF 4%, Vanguard Short-Term Inflation-Protected Securities Index Fund 3%, Vanguard Total International Bond Index Fund 2%, Vanguard Short-Term Treasury Index Fund 2%, iShares Core S&P 500 ETF 2%.

Capital Group Active-Passive Retirement Income Model – Conservative: Growth and income (6%): American Mutual Fund 6%; Equity income (25%): The Income Fund of America 15%; Capital Income Builder 10%, Balanced (8%): American Balanced Fund 5%, American Funds Global Balanced Fund 3%; Income (34%): The Bond Fund of America 10%, American Funds Strategic Bond Fund 10%, U.S. Government Securities Fund 4%, Intermediate Bond Fund of America 4%, American Funds Inflation Linked Bond Fund 3%, American Funds Multi-Sector Income Fund 3%; Index ETFs (27%): iShares Core U.S. Aggregate Bond ETF 8%, Vanguard High Dividend Yield Index Fund 3%, Vanguard Short-Term Inflation-Protected Securities Index Fund 3%, Vanguard Developed Markets Index Fund 3%, iShares U.S. Treasury Bond ETF 3%, Schwab U.S. Dividend Equity ETF 3%, Vanguard Total International Bond Index Fund 2%, Vanguard Short-Term Treasury Index Fund 2%.

Capital Group Active-Passive Tax-Aware Moderate Growth: Growth (39%): CGGR – Capital Group Growth ETF 20%, SMALLCAP World Fund 8%, American Funds Global Insight Fund 6%, AMCAP Fund 5%; Growth and income (25%): CGUS – Capital Group Core Equity ETF 15%, Capital World Growth and Income Fund 10%; Tax-exempt (8%): American High-Income Municipal Bond Fund 5%, The Tax-Exempt Bond Fund of America 3%; Index ETFs (28%): Vanguard Total World Stock Index Fund 15%, Vanguard Growth Index Fund 6%, iShares Core S&P 500 ETF 4%, iShares National Muni Bond ETF 3%.

Capital Group Active-Passive Tax-Aware Growth and Income: Growth (15%): CGGR – Capital Group Growth ETF 9%, SMALLCAP World Fund 6%; Growth and income (43%): CGUS – Capital Group Core Equity ETF 15%, Capital World Growth and Income Fund 13%, CGDV – Capital Group Dividend Value ETF 5%, Fundamental Investors 5%, The Investment Company of America 5%; Tax-exempt (15%): American High-Income Municipal Bond Fund 10%, The Tax-Exempt Bond Fund of America 5%; Index ETFs (27%): Vanguard Total World Stock Index Fund

12%, iShares Core S&P 500 ETF 9%, iShares National Muni Bond ETF 3%, Vanguard Tax-Exempt Bond Index Fund 3%.

Capital Group Active-Passive Tax-Aware Moderate Growth and Income: Growth (10%): SMALLCAP World Fund 5%, CGGO – Capital Group Global Growth Equity ETF 5%; Growth and income (38%): CGUS – Capital Group Core Equity ETF 14%, CGDV – Capital Group Dividend Value ETF 13%, Capital World Growth and Income Fund 11%, Tax-exempt (25%): American High-Income Municipal Bond Fund 17%, The Tax-Exempt Bond Fund of America 8%; Index ETFs (27%): Vanguard Total World Stock Index Fund 9%, iShares National Muni Bond ETF 6%, Vanguard Tax-Exempt Bond Index Fund 5%, iShares Core S&P 500 ETF 3%, Schwab U.S. Dividend Equity ETF™ 2%, Vanguard High Dividend Yield Index Fund 2%.

Capital Group Active-Passive Tax-Aware Conservative Growth and Income: Growth and income (35%): CGDV – Capital Group Dividend Value ETF 13%, Capital World Growth and Income Fund 12%, American Mutual Fund 5%, Washington Mutual Investors Fund 5%; Tax-exempt (38%) American High-Income Municipal Bond Fund 23%, The Tax-Exempt Bond Fund of America 10%, Limited Term Tax-Exempt Bond Fund of America 5%; Index ETFs (27%) Vanguard Total World Stock Index Fund 10%, iShares National Muni Bond ETF 6%, Vanguard Tax-Exempt Bond Index Fund 5%, iShares Short-Term National Muni Bond ETF 2%, Schwab U.S. Dividend Equity ETF™ 2%, Vanguard High Dividend Yield Index Fund 2%.

Capital Group Active-Passive Tax-Aware Moderate Income: Growth and income (30%): American Mutual Fund 10%, CGDV – Capital Group Dividend Value ETF 10%, Capital World Growth and Income Fund 10%; Tax-exempt (43%): American High-Income Municipal Bond Fund 17%, The Tax-Exempt Bond Fund of America 11%, Limited Term Tax-Exempt Bond Fund of America 10%, American Funds Short-Term Tax-Exempt Bond Fund 5%; Index ETFs (27%): Vanguard Tax-Exempt Bond Index Fund 9%, Vanguard Total World Stock Index Fund 6%, iShares National Muni Bond ETF 5%, iShares Short-Term National Muni Bond ETF 3%, Schwab U.S. Dividend Equity ETF™ 2%, Vanguard High Dividend Yield Index Fund 2%.

Capital Group Active-Passive Tax-Aware Conservative Income: Growth and income (15%): American Mutual Fund 10%, CGDV – Capital Group Dividend Value ETF 5%; Tax-exempt (49%): Limited Term Tax-Exempt Bond Fund of America 16%, American Funds Short-Term Tax-Exempt Bond Fund 15%, The Tax-Exempt Bond Fund of America 15%, American High-Income Municipal Bond Fund 13%; Index ETFs (26%): Vanguard Tax-Exempt Bond Index Fund 7%, iShares Short-Term National Muni Bond ETF 5%, SPDR® Nuveen Bloomberg Short Term Municipal Bond ETF 5%, Vanguard Total World Stock Index Fund 5%, iShares National Muni Bond ETF 4%.

Capital Group Active-Passive Tax-Exempt Preservation: Tax-exempt (74%) Limited Term Tax-Exempt Bond Fund of America 50%, American Funds Short-Term Tax-Exempt Bond Fund 24%; Index ETFs (26%): SPDR® Nuveen Bloomberg Short Term Municipal Bond ETF 12%, iShares Short-Term National Muni Bond ETF 14%.

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Investment results assume all distributions are reinvested and reflect applicable fees and expenses.

Model portfolio index/index blends

Index/Index blends for American Funds Model Portfolios are those that the Portfolio Solutions Committee believes most closely approximate the investment universe of a given model portfolio. The index/index blends do not specifically represent the benchmarks of the underlying funds in the American Funds model portfolio. The index/index blends for the model portfolios are a composite of the cumulative total returns for the indexes and respective weightings listed:

Global Growth – MSCI All Country World Index (ACWI)

Growth – Index Blend: 75% S&P 500 and 25% MSCI ACWI ex USA indexes.

Moderate Growth – Index Blend: 60% S&P 500, 25% MSCI ACWI ex USA and 15% Bloomberg U.S. Aggregate indexes.

Growth and Income – Index Blend: 50% S&P 500, 25% MSCI ACWI ex

USA and 25% Bloomberg U.S. Aggregate indexes.

Moderate Growth and Income – Index Blend: 45% S&P 500, 35% Bloomberg U.S. Aggregate and 20% MSCI ACWI ex USA indexes.

Conservative Growth and Income – Index Blend: 35% S&P 500, 35% Bloomberg U.S. Aggregate, 15% MSCI ACWI ex USA and 15% Bloomberg U.S. Corporate High Yield 2% Issuer Capped indexes.

Conservative Income and Growth – Index Blend: 25% S&P 500, 65% Bloomberg U.S. Aggregate and 10% MSCI ACWI ex USA indexes.

Conservative Income – Index Blend: 50% Bloomberg U.S. Aggregate Index, 30% Bloomberg U.S. Government/Credit (1-3 years, ex BBB) Index and 20% S&P 500 indexes.

Preservation – Bloomberg 1-5 Year U.S. Government/Credit A+ Index.

Retirement Income portfolios – S&P Target Date Retirement Income Index.

Tax-Aware Moderate Growth – Index Blend: 60% S&P 500, 25% MSCI ACWI ex USA and 15% Bloomberg Municipal Bond indexes.

Tax-Aware Growth and Income – Index Blend: 50% S&P 500, 25% MSCI ACWI ex USA and 25% Bloomberg Municipal Bond indexes.

Tax-Aware Moderate Growth and Income – Index Blend: 45% S&P 500, 20% MSCI ACWI ex USA and 35% Bloomberg Municipal Bond indexes.

Tax-Aware Conservative Growth and Income – Index Blend: 35% S&P 500, 15% MSCI ACWI ex USA, 35% Bloomberg Municipal Bond and 15% Bloomberg High Yield indexes.

Tax-Aware Moderate Income – Index Blend: 25% S&P 500, 10% MSCI ACWI ex USA and 65% Bloomberg Municipal Bond indexes.

Tax-Aware Conservative Income – Index Blend: 40% Bloomberg Municipal Bond Index, 40% Bloomberg Municipal 1-7 Years Blend Index and 20% S&P 500 Index.

Tax-Exempt Preservation – Bloomberg Municipal Bond 1-7 Year Blend Index.

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Source for model portfolio and American Funds data is Capital Group. Source for ETF data is Morningstar. Results for non-American Funds are calculated by Morningstar. Due to differing calculation methods, the results shown here may differ from those calculated by individual fund companies.

Capital Group is the strategist and provides ongoing portfolio monitoring and fund selection.

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The index blends are rebalanced monthly. MSCI index results reflect dividends gross of withholding taxes through 12/31/00 and dividends net of withholding taxes thereafter. The indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. There have been periods when the model portfolio has lagged the index/index blend.

Model portfolios are provided to financial intermediaries who may

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As nondiversified funds, Capital Group ETFs have the ability to invest a larger percentage of assets in securities of individual issuers than a diversified fund. As a result, a single issuer could adversely affect a fund's results more than if the fund invested a smaller percentage of assets in securities of that issuer. See the applicable prospectus for details.

Indexes are unmanaged, and their results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes. S&P 500 Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks.

The S&P Target Date Retirement Income Index, a component of the S&P Target Date Index Series, has an asset allocation and glide path that represent a market consensus across the universe of target date fund managers.

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

MSCI All Country World ex USA Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market results in the global developed and emerging markets, excluding the United States. The index consists of more than 40 developed and emerging market country indexes. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter.

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Bloomberg Municipal Bond Index is a market-value-weighted index designed to represent the long-term investment-grade tax-exempt bond market.

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Bloomberg Municipal Bond 1-7 Year Blend Index is a market-value-weighted index that includes investment-grade tax-exempt bonds with maturities of one to seven years.

Bloomberg 1-5 Year U.S. Government/Credit A+ Index is a market-value weighted index that tracks the total return results of fixed-rate, publicly placed, dollar-denominated obligations issued by the U.S. Treasury, U.S. government agencies, quasi-federal corporations, corporate or foreign debt guaranteed by the U.S. government, and U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity and quality requirements, with maturities of one to five years, including A-rated securities and above.

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Russell 1000 Growth Index is a market capitalization-weighted index that represents the large-cap growth segment of the U.S. equity market and includes stocks from the Russell 1000 Index that have higher price-to book ratios and higher expected growth values.

Russell 1000 Value Index is a market capitalization-weighted index that represents the large-cap value segment of the U.S. equity market and includes stocks from the Russell 1000 Index that have lower price-to book ratios and lower expected growth values.

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