



# Portfolio construction insights

Capital Group's Portfolio Consulting and Analytics team reviews thousands of advisor portfolios and delivers customized analyses for advisors and investment committees across the country. Through these consultations, the team gathers valuable portfolio insights, implications and implementation strategies for advisors and the investors they serve.

This report includes portfolio implementation ideas and perspective on the following topics:

**Industry research and Capital's analysis of advisor portfolios**

**Equity: Dividends, selective growth and global/international flexibility**

**Fixed income: Core, core-plus, multisector and municipal bonds**

**Objective-based portfolio construction**

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



# Industry flows favor blend strategies amid concentration risks

Industry flows as of March 31, 2024

- Asset allocators appear to favor blend strategies as they lack conviction in growth or value going forward.
- But flows to passive strategies may be creating unintended risks to core allocations.

		Category net flows (\$ millions)					
		Quarter to date		Year to date		12 months	
<b>All categories</b>	<b>Top</b>	Intermediate Core Bond	\$47,925	Intermediate Core Bond	\$47,925	Large Blend	\$195,887
		Large Blend	47,195	Large Blend	47,195	Intermediate Core Bond	138,852
		Intermediate Core-Plus Bond	25,684	Intermediate Core-Plus Bond	25,684	Intermediate Core-Plus Bond	56,661
	<b>Bottom</b>	Large Value	-10,321	Large Value	-10,321	Large Value	-74,285
		Mid-Cap Growth	-7,741	Mid-Cap Growth	-7,741	Short-Term Bond	-47,874
		Moderate Allocation	-6,435	Moderate Allocation	-6,435	Large Growth	-42,433
<b>U.S. equity</b>	<b>Top</b>	Large Blend	\$47,195	Large Blend	\$47,195	Large Blend	\$195,887
		Mid-Cap Blend	4,340	Mid-Cap Blend	4,340	Small Blend	14,337
		Small Value	3,119	Small Value	3,119	Small Value	3,961
	<b>Bottom</b>	Large Value	-10,321	Large Value	-10,321	Large Value	-74,285
		Mid-Cap Growth	-7,741	Mid-Cap Growth	-7,741	Large Growth	-42,433
		Mid-Cap Value	-6,273	Mid-Cap Value	-6,273	Mid-Cap Growth	-21,980
<b>International equity</b>	<b>Top</b>	Foreign Large Blend	\$13,797	Foreign Large Blend	\$13,797	Foreign Large Blend	\$53,921
		Diversified Emerging Mkts	7,405	Diversified Emerging Mkts	7,405	Japan Stock	9,331
		Japan Stock	3,392	Japan Stock	3,392	India Equity	6,273
	<b>Bottom</b>	Foreign Large Growth	-4,081	Foreign Large Growth	-4,081	Foreign Large Growth	-20,367
		Global Large-Stock Blend	-2,244	Global Large-Stock Blend	-2,244	Global Large-Stock Growth	-7,665
		Global Large-Stock Growth	-2,125	Global Large-Stock Growth	-2,125	Global Large-Stock Blend	-6,347

- Three largest inflows
- Three largest outflows

# Industry flows show that asset allocators may be extending duration

Industry flows as of March 31, 2024

- Industry flows show that asset allocators are attempting to lengthen fixed income duration and may have elevated cash positions.
- Flows to money market fund assets suggest that investors may miss out on capital appreciation opportunities should rates decline.

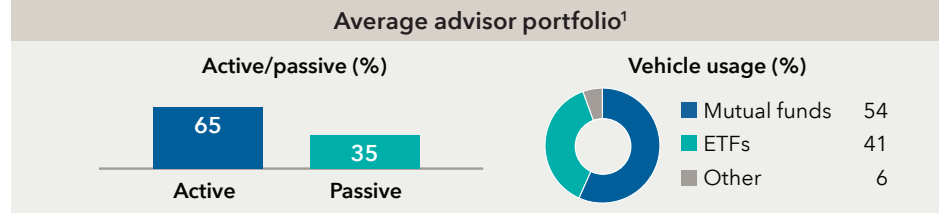
Category net flows (\$ millions)							
		Quarter to date		Year to date		12 months	
<b>Taxable bond</b>	<b>Top</b>	Intermediate Core Bond	\$47,925	Intermediate Core Bond	\$47,925	Intermediate Core Bond	\$138,852
		Intermediate Core-Plus Bond	25,684	Intermediate Core-Plus Bond	25,684	Intermediate Core-Plus Bond	56,661
		Multisector Bond	15,317	Multisector Bond	15,317	Long Government	40,709
	<b>Bottom</b>	Short Government	-4,851	Short Government	-4,851	Short-Term Bond	-47,874
		Emerging Markets Bond	-2,189	Emerging Markets Bond	-2,189	Inflation-Protected Bond	-21,317
		Inflation-Protected Bond	-1,428	Inflation-Protected Bond	-1,428	Short Government	-11,007
<b>Municipal bond</b>	<b>Top</b>	Muni National Interm	\$4,742	Muni National Interm	\$4,742	Muni National Interm	\$15,845
		High Yield Muni	4,417	High Yield Muni	4,417	Muni National Long	4,086
		Muni National Long	2,655	Muni National Long	2,655	High Yield Muni	3,144
	<b>Bottom</b>	Muni National Short	-2,218	Muni National Short	-2,218	Muni National Short	-19,347
		Muni Single State Interm	-196	Muni Single State Interm	-196	Muni Single State Interm	-1,193
		Muni Single State Short	-80	Muni Single State Short	-80	Muni Single State Long	-1,089
<b>Money market flows</b>		Money Markets	\$15,423	Money Markets	\$15,423	Money Markets	\$558,330

# Where do we see risks in actual advisor portfolios?

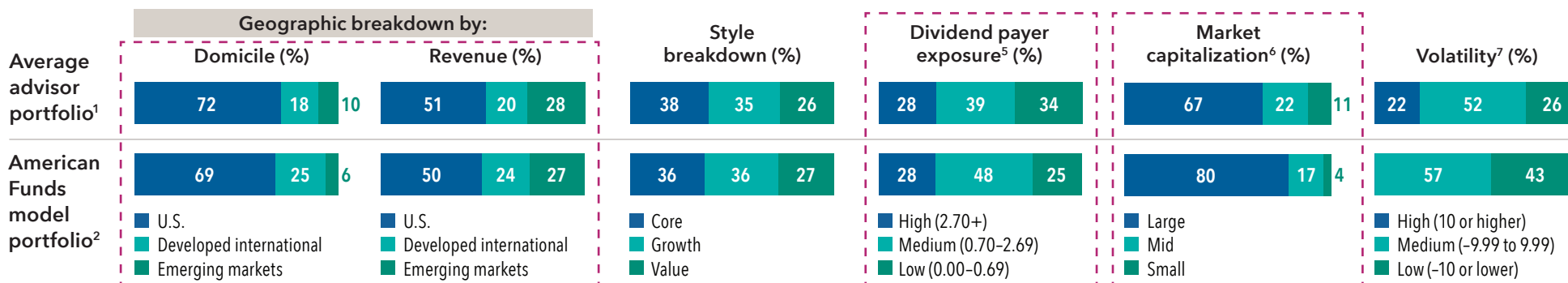
## Capital Group portfolio analysis summary (Portfolio analysis summary of data from January 1 to March 31, 2024)

### Overall portfolio composition

	Expense ratio <sup>3</sup> (%)	Flexible mandate <sup>4</sup> (%)	Holdings
Average advisor portfolio <sup>1</sup>	0.44	12	12
American Funds model portfolio <sup>2</sup>	0.45	70	10



### Equity positioning



### Fixed income positioning

	Correlation <sup>8</sup>	Below investment grade <sup>9</sup> (%)	Effective duration
Average advisor portfolio <sup>1</sup>	0.62	17	4.50 years
American Funds model portfolio <sup>2</sup>	0.51	14	5.29 years

Sources: Capital Group, FactSet and Morningstar. Totals may not reconcile due to rounding.

<sup>1</sup>The average advisor portfolio is representative of the aggregate exposures of 1,402 advisor portfolios analyzed by Capital Group's Portfolio Consulting and Analytics team from 1/1/24 to 3/31/24.

<sup>2</sup>American Funds model portfolio represents the most recent available data, as of 3/31/24, for the American Funds Moderate Growth and Income Model Portfolio unless otherwise stated. This model aligns closely to the broad asset allocation of the average advisor allocation with 63% equity and 37% fixed income.

<sup>3</sup>Expense ratio for the model is the weighted average of the underlying mutual funds' and/or exchange-traded funds' gross expense ratios as of their most recent prospectuses. Underlying American Funds mutual funds are based on Class F-2 shares. Expense ratios do not reflect any advisory fee charged by model providers.

<sup>4</sup>Aggregated average portfolio cumulative exposure to global equity and Morningstar allocation categories (ex. sector-specific global real estate). Average includes portfolios with zero allocation toward flexible mandates.

<sup>5</sup>The American Funds model portfolio dividend payer exposure is represented by a monthly average exposure from 12/31/2023 - 3/31/2024.

<sup>6</sup>Market capitalization ranges are based on Morningstar style categories.

<sup>7</sup>Standard deviation relative to the S&P 500.

<sup>8</sup>Average five-year correlation of the fixed income sleeve to the S&P 500.

<sup>9</sup>High yield allocations include companies with a below investment grade debt rating (BB and below) or whose debt is not rated by ratings agencies.

# Potential for equity concentration risk, especially given passive exposures

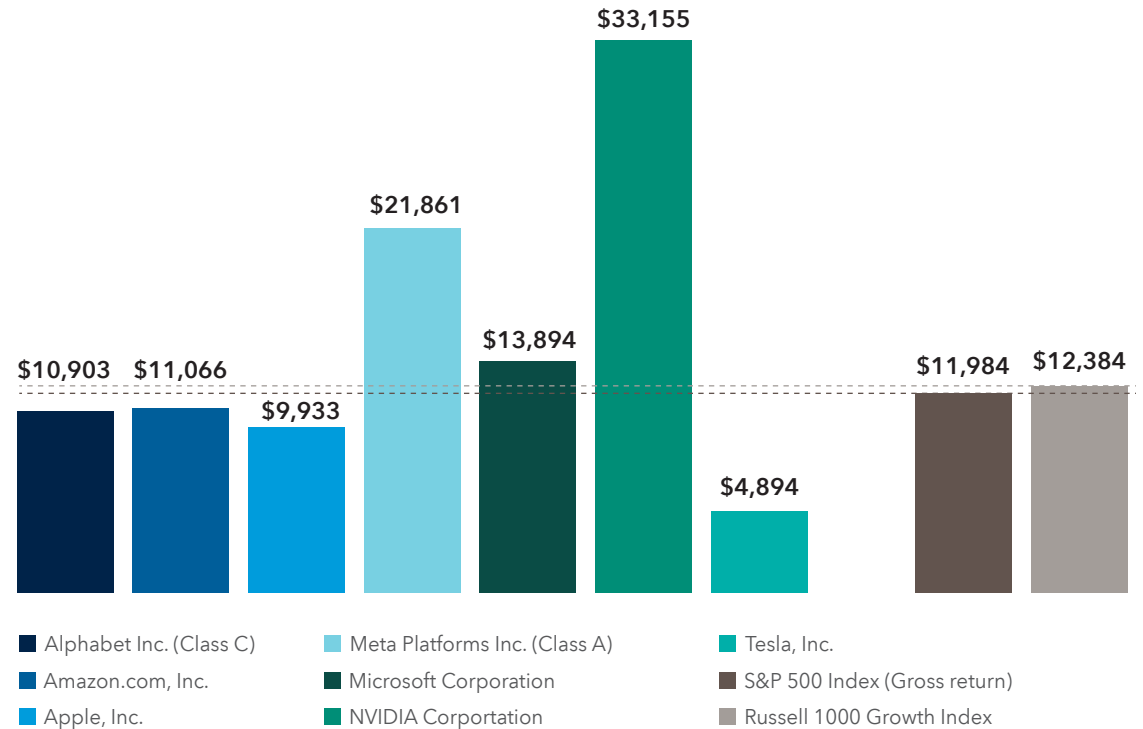
Consider a more diversified approach to capital appreciation

Magnificent Seven stocks make up significant portions of major U.S. equity indexes

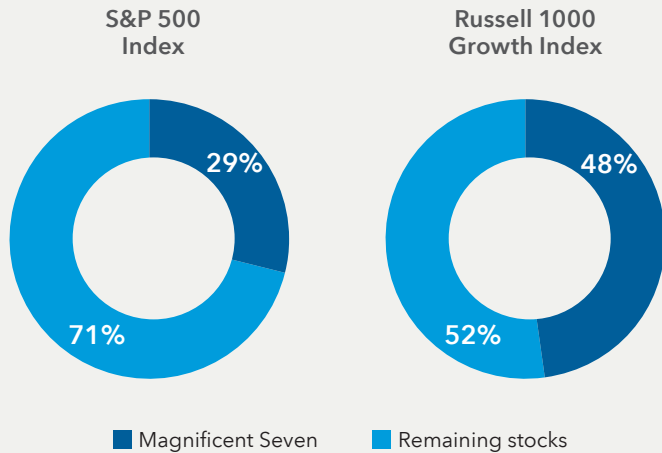
- As of March 31, 2024, Magnificent Seven companies in the S&P made up 29% of the index but only 24% of the recurring earnings.
- Over the past two years, only one of the Magnificent Seven stocks ranks among the top ten returning stocks in the S&P 500 Index.

## Total returns for the Magnificent Seven stocks were mixed over a two-year market cycle

Growth of \$10,000K for Magnificent Seven stocks from 3/31/22 through 3/31/24



## Allocation weight of Magnificent Seven stocks in the S&P 500 and Russell 1000 Growth indexes

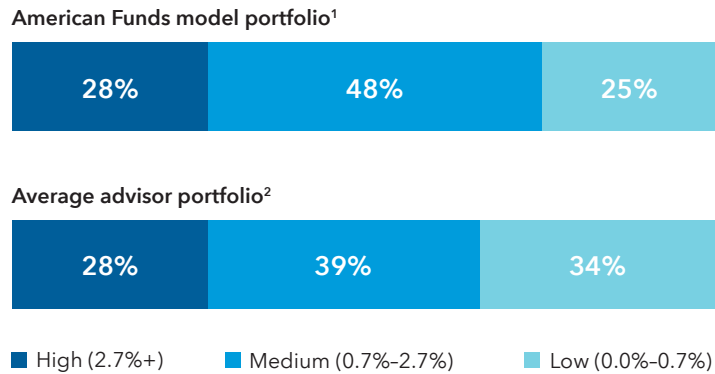


Sources: Factset. Data as March 31, 2024. Magnificent Seven stocks are defined as Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia and Tesla.

# Many advisor portfolios have greater exposure to low dividend payers than an American Funds model

Yet dividend payers offer the potential to diversify portfolios and can mitigate risk

## Allocation to stocks by dividend yield



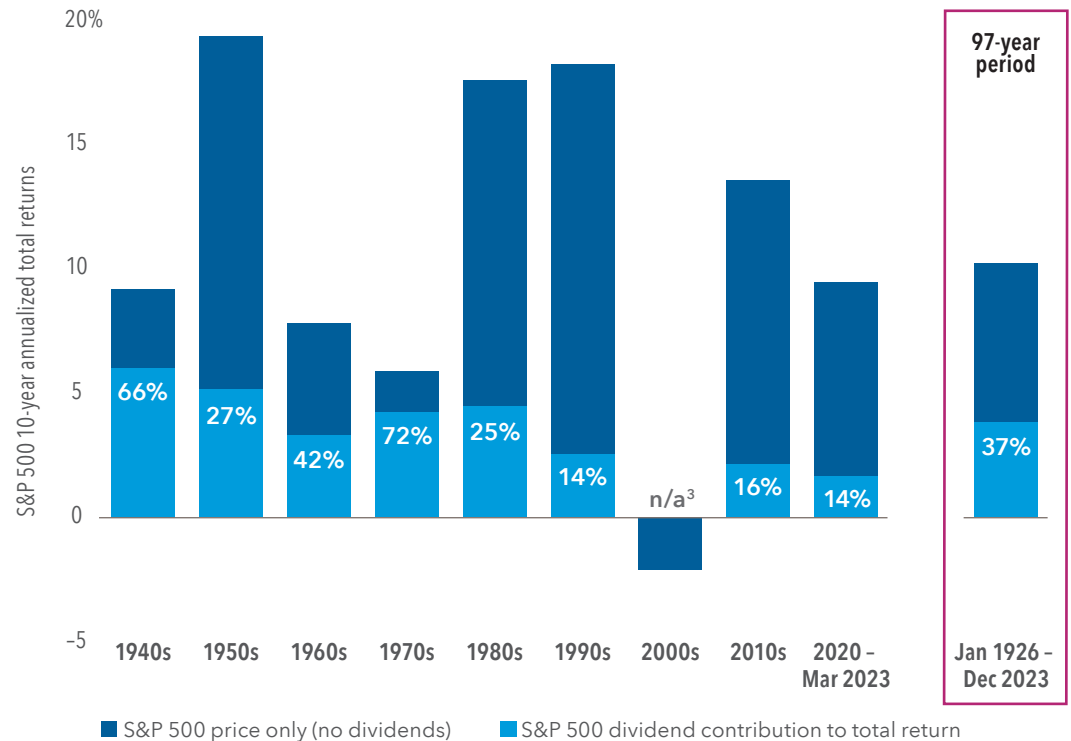
Sources: Capital Group, FactSet, Morningstar. Totals may not reconcile due to rounding.

<sup>1</sup>The American Funds model portfolio dividend payer exposure is represented by a monthly average exposure for the American Funds Moderate Growth and Income Model Portfolio from 12/31/2023 - 3/31/2024. This model aligns closely with the broad asset allocation of the average advisor allocation with 63% equity and 37% fixed income.

<sup>2</sup>The average advisor portfolio is representative of the aggregate exposures of 1,402 advisor portfolios analyzed by Capital Group's Portfolio Consulting and Analytics team from 1/1/24 to 3/31/24.

## Dividends comprised 37% of total returns since 1926

S&P 500 total return by decade



Source: Capital Group. Data as of 3/31/23.

<sup>3</sup>Total return for the S&P 500 Index was negative for the 2000s. Dividends provided a 1.8% annualized return over the decade. Past results are not predictive of results in future periods.

## Dividends and selective growth

Consider reallocating to dividend-paying and/or selective growth equities

### Selected equity options

ETF	Mutual fund	SMA
CGUS - Capital Group Core Equity ETF	ICAFX - The Investment Company of America®	Capital Group U.S. Core SMA
CGDV - Capital Group Dividend Value ETF	WMFFX - Washington Mutual Investors Fund	Capital Group U.S. Income and Growth SMA

ETF	Mutual fund	SMA
CGGR - Capital Group Growth ETF	GFFFX - The Growth Fund of America®	Capital Group U.S. Flexible Growth SMA

Please check with your home office for product availability.

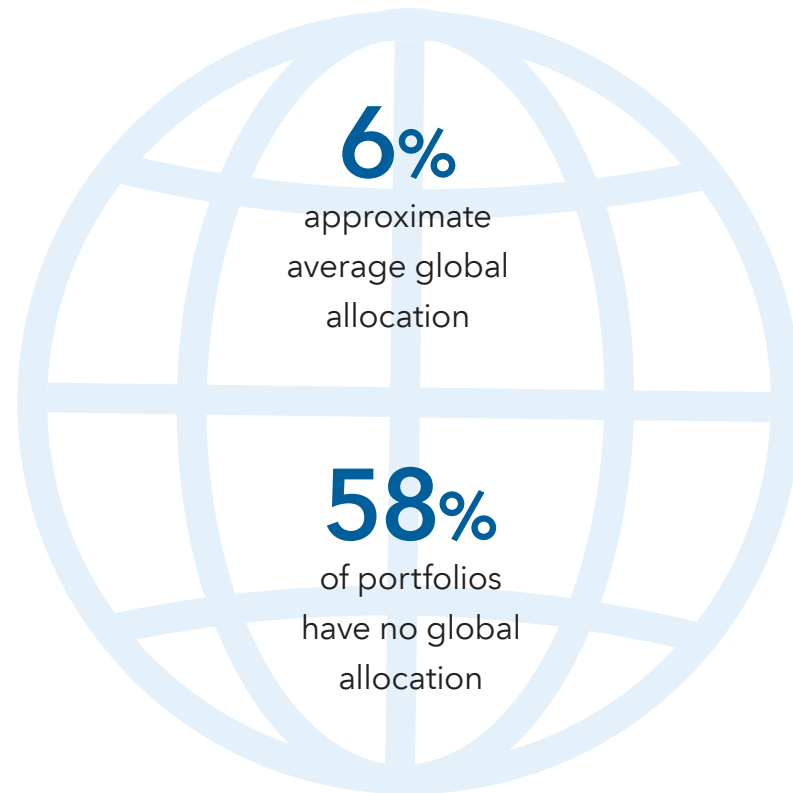
All mutual fund ticker symbols represent F-2 share class.



## Many advisor portfolios have limited allocations to globally flexible strategies

Taking a more flexible approach to a wider opportunity set can support diversification and reduce potential risks

- Few advisors have global flexibility (defined as allocations to the Morningstar Global Large-Stock Growth Blend, Value and Global Small/Mid categories).
- Increasing global flexibility can help advisors take a more dynamic approach to opportunities while reducing potential risks as markets change over time.































































Sources: Capital Group: Of the portfolios specifically analyzed for global flexibility, 640 had allocations to the Morningstar Global Large-Stock Growth, Blend, Value, and Global Small/Mid categories. These 640 portfolios comprised 42.2% of all portfolios analyzed, while 877 portfolios (or 57.8%) did not have an allocation to global equity strategies. To determine the average allocation to global equity strategies, the team took a weighted average of the allocation to global equities across all 1,517 portfolios. They calculated the weighted average by multiplying 42.2% (percentage of portfolios that had allocations to global equity strategies) by their average allocation (13.7%) and then added the product of those two numbers to the product of 57.8% (percentage of portfolios that had no allocations to global equity strategies) by 0% (since those 57.8% of portfolios had 0% allocated to global equities). The sum of those two products is 5.8% the average allocation to global equities across all portfolios analyzed from January 1, 2024 through March 31, 2024.

# Consider a more nimble global approach to regional allocations as the market landscape shifts over time

The global leaders of today may not be the leaders of tomorrow

## The world's top 10 largest companies by market capitalization (ex Aramco)

1980	1990	2000	2010	2020	2023
Oil is crowned king	Japan leads the way	Dot-com bubbles over	China dominates global trade	Tech offers a new frontier	U.S. leads innovation
 IBM	 IBM	 Microsoft	 Exxon Mobil	 Apple	 Apple
 Exxon	 Exxon	 Cisco Systems	 PetroChina	 Microsoft	 Microsoft
 AT&T	 Industrial Bank Of Japan	 General Electric	 Apple	 Amazon	 Alphabet
 Standard Oil of Indiana	 Fuji Bank	 Intel	 BHP Group	 Alphabet	 Amazon
 First Quantum Minerals*	 General Electric	 Vodafone Group	 Microsoft	 Tencent	 NVIDIA
 Standard Oil of California	 Philip Morris Companies	 Exxon Mobil	 ICBC	 Tesla	 Tesla
 British Petroleum	 Sakura Bank	 Deutsche Telekom	 Petrobras	 Facebook	 Meta
 Atlantic Richfield	 Sumitomo Mitsui Banking	 Nokia	 China Construction Bank	 Alibaba	 Eli Lilly
 General Electric	 Dai-ichi Kangyo Bank	 NTT	 Shell	 Samsung	 Broadcom
 General Motors	 Toyota	 Wal-Mart	 Nestlé	 TSMC	 TSMC

\*As listed in FactSet. First Quantum Minerals was officially incorporated in 1983 and renamed Xenium Resources.

Observation date for each set of holdings is December 31 of the year. For example, for 1980, the observation date for the largest companies is 12/31/1980. The exception is for 2000, which uses the observation date of 2/28/2000, as it reflects the closest month-end peak of the tech bubble.

Source: Capital Group. As of December 31, 2023.

## Global/International

Consider allocating to vehicles that provide flexibility

### Selected equity options

ETF	Mutual fund	SMA
CGGO - Capital Group Global Growth Equity ETF	ANWFX - New Perspective Fund®	Capital Group Global Growth SMA

ETF	Mutual fund	SMA
CGXU - Capital Group International Focus Equity ETF	AEPFX - EuroPacific Growth Fund®	Capital Group International Growth SMA

Please check with your home office for product availability.

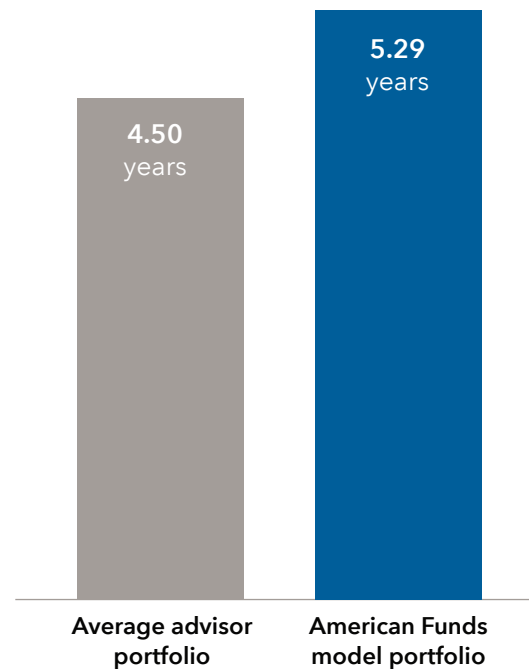
All mutual fund ticker symbols represent the F-2 share class.

# Many advisor portfolios still have shorter duration than an American Funds model and may have unintentional credit exposure

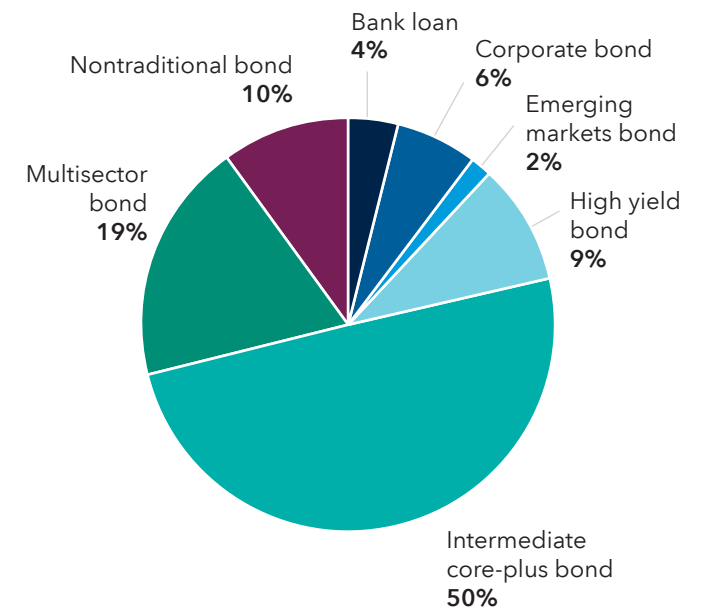
Consider a strong core and dedicated credit exposure relative to client goals

- While many advisors have started to extend duration in portfolios, duration for the average advisor portfolio remains lower than an American Funds model portfolio.
- While the average advisor's high-yield exposure is moving closer to being in-line with our model portfolio, that exposure may not always be intentional. The average advisor portfolio allocates 50% of exposure to higher risk spread sectors through intermediate core plus bonds, rather than an allocation focused on credit markets like multisector funds.

**Average duration in fixed income portion of portfolios**



**Spread sector allocations for average advisor portfolio**



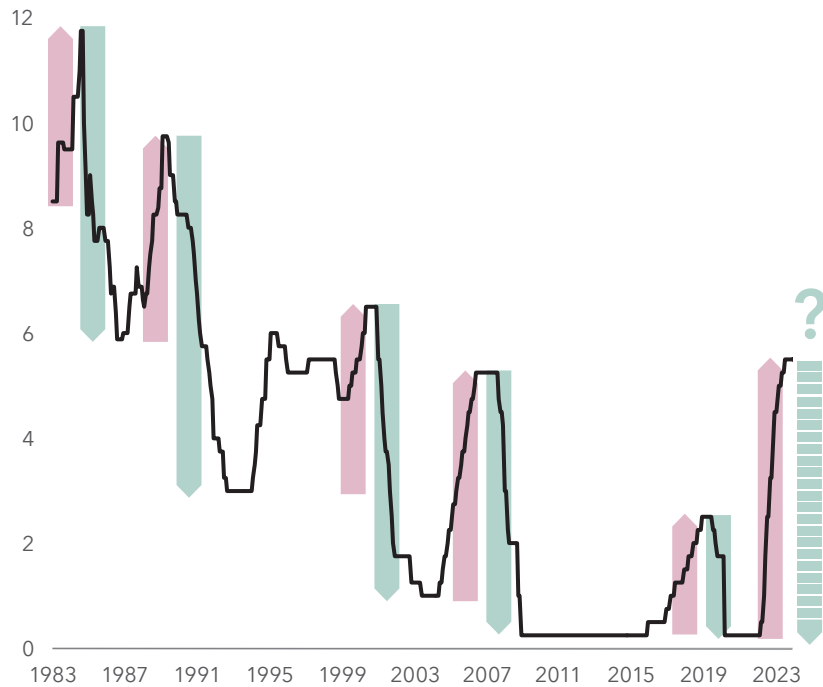
Source: Data from the Capital Group Portfolio Consulting and Analytics team based on analysis of 1402 advisor portfolios from 1/1/24 to 3/31/24. American Funds model portfolio represents the most recent available data, as of 3/31/24, for the American Funds Moderate Growth and Income Model Portfolio. This model aligns closely to the broad asset allocation of the average advisor allocation with 63% equity and 37% fixed income. Spread sectors made up 44.5% of the fixed income portion of the average advisor portfolio, while non-spread sectors made up 55.5% as of March 31, 2024.

# To seek duration and resilience, look to core, core-plus and munis

Rate cuts have historically boosted these bond sectors

**Over the past 40 years, the U.S. Federal Reserve has eventually cut at least the full amount of rate hikes in the prior cycle\***

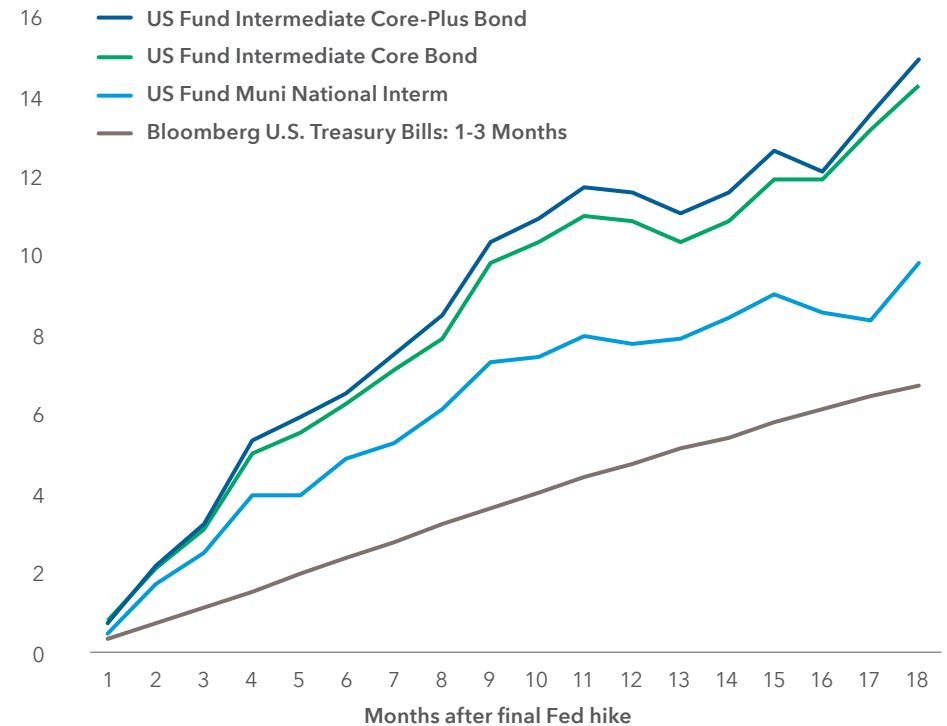
Fed funds rate upper band (%)



\*Sources: Capital Group, Bloomberg, Federal Reserve. As of 3/31/24.

**While high-quality bond funds saw stronger relative returns**

Cumulative returns (%)



Sources: Capital Group, Bloomberg. Average returns shown for respective Morningstar categories (Municipal National Intermediate, Intermediate Core, and Intermediate Core-plus) and the Bloomberg 1-3 Month U.S. Treasury Bill Index. Chart represents the average returns across fixed income sectors in a forward-extending window starting in the month of the last Fed hike in the last four transition cycles from 1995 to 2018 with data through 3/31/24.

Past results are not predictive of results in future periods.

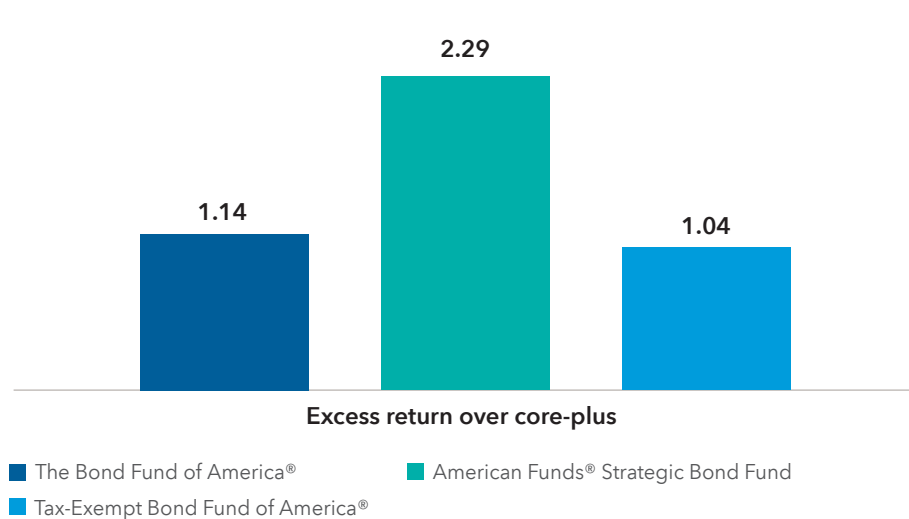
## But also take intentional credit risk to ensure a solid core and flexible credit

For core, rely on **bond funds that behave like bond funds<sup>®</sup>** and multisector for added income

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, refer to [capitalgroup.com](http://capitalgroup.com).

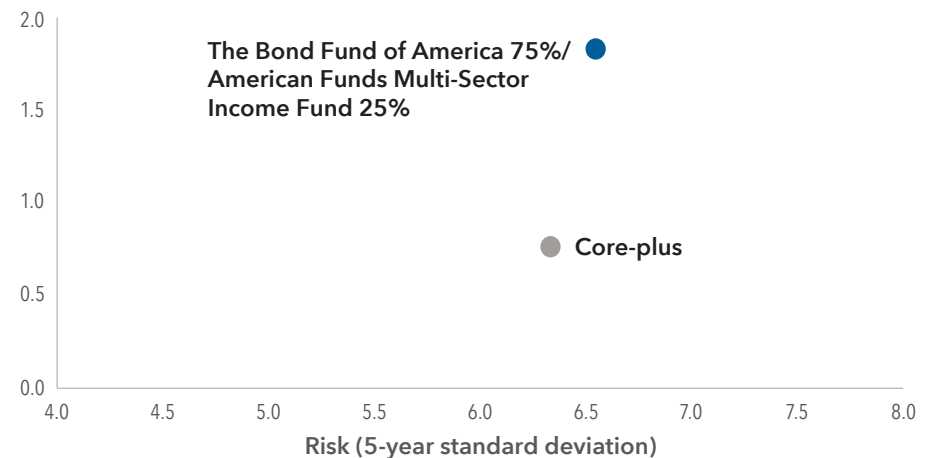
### In equity correction periods since 2010, these true core, rates-driven core-plus and muni funds outpaced the core-plus category

Average cumulative excess return (%)



### An allocation of true core and multisector achieved higher return with comparable risk

5-year annualized return (%)



Sources: Capital Group, Morningstar. As of 3/31/24.

Averages were calculated by using the cumulative returns of funds versus Morningstar categories shown during the eight equity market correction periods since 2010, except for American Funds Strategic Bond Fund – the calculation for which only includes four periods after its March 2016 inception. Corrections are based on price declines of 10% or more (without dividends reinvested) in the unmanaged S&P 500 Index with at least 75% recovery. The cumulative returns are based on total returns. Ranges of returns for the equity corrections measured: The Bond Fund of America: -14.07% to 3.41%; American Funds Strategic Bond Fund: -14.46% to 3.04%; Tax-Exempt Bond Fund of America: -11.36% to 6.14%; Morningstar U.S. Fund Intermediate Core-Plus Bond: -14.73% to 2.25%; S&P 500 Index: -33.79% to -9.94%. There have been periods when the funds have lagged the categories and the index, such as in rising equity markets.

Standardized fund results for funds shown on this page can be found on page 20.

## Core, rates-driven core-plus, muni and multisector

Consider reallocating to fixed income that can provide your desired, intentional combination of interest rate exposure and credit risk

### Selected fixed income options

CORE	
ETF	Mutual Fund
CGCB – Capital Group Core Bond ETF	ABNFX – The Bond Fund of America

CORE PLUS	
ETF	Mutual Fund
CGCP – Capital Group Core Plus Income ETF	ANBFX – American Funds Strategic Bond Fund

MULTI-SECTOR	
ETF	Mutual Fund
CGMS – Capital Group U.S. Multi-Sector Income ETF	MIAYX – American Funds® Multi-Sector Income Fund

MUNIS		
ETF	Mutual Fund	SMA
CGMU – Capital Group Municipal Income ETF	TEAFX – The Tax-Exempt Bond Fund of America	Capital Group Intermediate Municipal SMA

Please check with your home office for product availability.

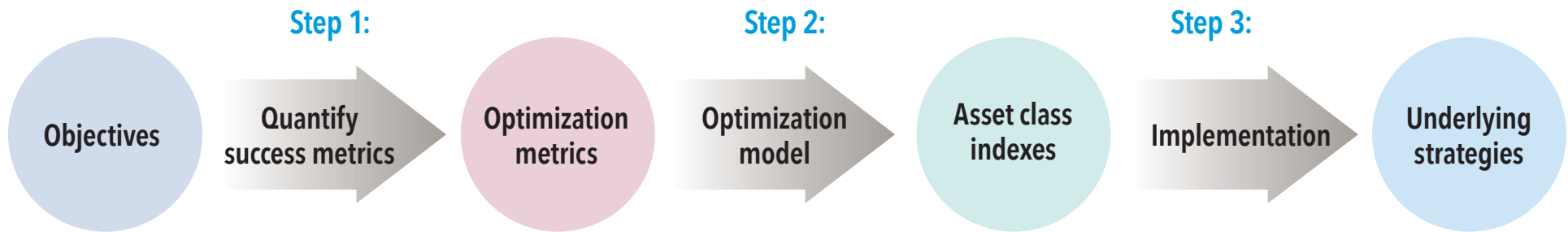
All mutual fund ticker symbols represent the F-2 share class.

ANBFX's net negative exposure to ratings BB or lower reflects impact of credit default swap protection, used to hedge systematic market risk and focus exposure on the idiosyncratic risk of high-conviction credits.

# Translating client goals into actual portfolios

How the Capital Solutions Group builds objective-based model portfolios

## Success metrics translate to underlying fund allocations



### Objectives

#### Equity

Capital appreciation  
Capital appreciation and income

#### Fixed income

Return-seeking income  
Income for withdrawal  
Inflation protection  
Diversification from equity  
Capital preservation

### Optimization metrics

#### Equity

Portfolio return  
Median account value and dividend yield

#### Fixed income

Fixed income return  
Fixed income yield  
Inflation shock return  
Stress market beta and drawdown  
Probability of loss

### Example

Optimization metrics, such as dividend yield, map to asset class indexes like the MSCI USA High Dividend Yield Index and the MSCI ACWI ex USA High Dividend Yield Index, which translate to dividend-focused underlying funds.

- Capital Market Assumptions (CMAs) help drive strategic asset allocation for model portfolios along with qualitative judgment from the Capital Solutions Group (CSG)
- Our CMAs have a 20-year horizon which tends to be longer than industry



# Know your benchmark

Dynamic sector changes based on underlying fund flexibility and portfolio goal

Quarterly equity buys and sells in American Funds model portfolios via underlying fund changes as of March 31, 2024

	Growth			Growth and income				Income			Preservation and income	
	Global Growth	Growth	Moderate Growth	Growth and Income	Moderate Growth and Income	Conservative Growth and Income	Conservative Income and Growth	Retirement Income – Enhanced	Retirement Income – Moderate	Retirement Income – Conservative	Conservative Income	Preservation
Information technology	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Dark Blue	Light Blue	Light Blue	Dark Blue	Dark Blue	Light Blue	Light Blue	-
Consumer discretionary	Light Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-
Communication services	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-
Consumer staples	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-
Health care	Dark Blue	Dark Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-
Utilities	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-
Energy	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-
Financials	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-
Industrials	Dark Blue	Dark Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-
Materials	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-
Real estate	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	Light Blue	-

Legend:



Please check with your home office for product availability.

Source: Capital Group. Data reflects purchases and sales of common stock, which also includes depository receipts. Data excludes fixed income and other non-equity securities. Change from buying/selling is calculated by first calculating the cumulative net transactions by the fund at the security level during the reported time frame. The cumulative net transactions are grouped into sectors (e.g., information technology, consumer discretionary, etc.) and divided by the fund's weighted average total net assets during the same time frame. That value is then divided by the latest equity exposure to get to the final rescaled value used in the heat map.

# Know your benchmark

Dynamic sector changes based on underlying fund flexibility and portfolio goal

Quarterly fixed income buys and sells in American Funds model portfolios via underlying fund changes as of March 31, 2024

	Growth			Growth and income				Income			Preservation and income	
	Global Growth	Growth	Moderate Growth	Growth and Income	Moderate Growth and Income	Conservative Growth and Income	Conservative Income and Growth	Retirement Income – Enhanced	Retirement Income – Moderate	Retirement Income – Conservative	Conservative Income	Preservation
<b>Characteristics<sup>1</sup></b>												
Duration	–	–	6.25	4.95	5.32	4.86	4.81	4.62	4.79	4.74	3.94	2.54
One quarter ago	–	–	6.25	4.96	5.30	4.84	4.80	4.66	4.82	4.73	3.94	2.54
Average credit quality	–	–	A	BBB	BBB	BB	BBB	BB	BBB	BBB	BBB	A
<b>Sectors<sup>2</sup></b>												
Government	–	–	0.00% to 2.50%	0.00% to 2.50%	-2.50% to 0.00%	-2.50% to 0.00%	-2.50% to 0.00%	0.00% to 2.50%	-2.50% to 0.00%	-2.50% to 0.00%	-2.50% to 0.00%	-2.50% to 0.00%
Corporate	–	–	0.00% to 2.50%	0.00% to 2.50%	-2.50% to 0.00%	-2.50% to 0.00%	0.00% to 2.50%	-2.50% to 0.00%	-2.50% to 0.00%	0.00% to 2.50%	-2.50% to 0.00%	-2.50% to 0.00%
Securitized	–	–	>2.50%	0.00% to 2.50%	-2.50% to 0.00%	-2.50% to 0.00%	0.00% to 2.50%	-2.50% to 0.00%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%	-2.50% to 0.00%
Municipal	–	–	0.00% to 2.50%	0.00% to 2.50%	-2.50% to 0.00%	-2.50% to 0.00%	0.00% to 2.50%	-2.50% to 0.00%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%
<b>Credit quality<sup>1</sup></b>												
High yield	–	–	0.00% to 2.50%	-2.50% to 0.00%	-2.50% to 0.00%	-2.50% to 0.00%	-2.50% to 0.00%	0.00% to 2.50%	0.00% to 2.50%	-2.50% to 0.00%	-2.50% to 0.00%	–
<b>Geographic<sup>1</sup></b>												
Emerging markets	–	–	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%	0.00% to 2.50%

Legend:



Please check with your home office for product availability.

<sup>1</sup>Source: Capital Group. Changes found in the "Credit Quality" and "Geographic" sections are calculated by subtracting the value from the most recent period to the period one quarter ago. We then divide that value by the ending fixed income exposure to get the rescaled values used in the heat map above.

<sup>2</sup>Source: Morningstar. Data reflects shifts in exposure to various fixed income super sectors as defined by Morningstar. Data excludes equity and other non-fixed income securities. Change is calculated by subtracting the value from the most recent period to the period one quarter ago. We then divide that value by the ending fixed income exposure to get the rescaled value used in the heat map above.

# Consider a personal portfolio consultation

Capital Group can help you focus on client goals

## Portfolio analytics and consulting

We will work with you one-on-one to support efforts on behalf of your clients via:

- A personal consultation on your portfolio and practice
- Portfolio analytics with insights, robust tools and research
- Ongoing engagement with custom reports and implementation plans

**Please connect with your Capital Group representative to schedule a portfolio consultation and analysis.**

**Voted #1 in portfolio construction in a Cogent survey**

**American Funds selected most often for offering tools, services and portfolio construction insights, according to Cogent**

**32,700**

Total portfolio construction engagements for calendar year 2023

**4,214**

Portfolio consultations



Source notes: Capital Group. "Advisor Use of Model Portfolios and SMAs." Cogent. December 2023. Web survey conducted from October 24 to November 7, 2023 of 403 registered financial advisors with an active book of business of at least \$5M in AUM across five channels, with an average AUM of \$249M and median AUM of \$93M. Survey question: Which company or companies are described by this statement: Offers tools, services and insights that enable me to create a portfolio that meets my needs? The document containing these survey results was purchased for use by Capital Group/American Funds.

# Fund results

Class F-2 shares as of March 31, 2024

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, refer to [capitalgroup.com](http://capitalgroup.com).

Funds and indexes*	Inception date	Average annual returns % (NAV)			
		1 year	5 years	10 years	Lifetime
The Bond Fund of America	5/28/74	1.28	1.11	1.92	6.97
The Tax-Exempt Bond Fund of America	10/3/79	3.99	1.69	2.74	5.94
American Funds Strategic Bond Fund	3/18/16	-3.63	1.44	–	2.04
American Funds Multi-Sector Income Fund	3/22/19	9.43	4.02	–	4.10
S&P 500 Index	–	29.88	15.05	12.96	–
Morningstar Intermediate Core-Plus Bond Category Average	–	2.91	0.75	1.67	–
Morningstar Multisector Bond Category Average	–	7.09	2.39	2.72	–

**Please check with your home office for product availability.**

Not all funds shown are held in model portfolios.

\*Standardized fund results for funds shown on page 14.

# Share classes and expense ratios

As March 31, 2024

Funds	Inception date	Class F-1*		Class F-2*		Class F-3*		Class 529 F-2*		Class R-6		ETFs	
		Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio
<b>GROWTH</b>													
AMCAP Fund®	5/1/67	AMPFX	0.73	AMCFX	0.44	FMACX	0.34	FMMM	0.46	RAFGX	0.34		
American Funds® Global Insight Fund	4/1/11	AGVEX	0.82	AGVGX	0.56	AGVHX	0.46	CGVGX	0.59	RGLGX	0.46		
American Funds® International Vantage Fund	4/1/11	AIVEX	0.92	AIVFX	0.65	AIVGX	0.56	CIVGX	0.71	RIVGX	0.56		
EuroPacific Growth Fund®	4/16/84	AEGFX	0.86	AEPFX	0.57	FEUPX	0.47	FUEPX	0.58	RERGX	0.47		
The Growth Fund of America®	12/1/73	GFAFX	0.67	GFFFX	0.40	GAFFX	0.30	FAFGX	0.41	RGAGX	0.30		
The New Economy Fund®	12/1/83	ANFFX	0.80	NEFFX	0.52	FNEFX	0.41	FNEEX	0.54	RNGGX	0.41		
New Perspective Fund®	3/13/73	NPFFX	0.80	ANWFX	0.52	FNPFX	0.42	FFPNX	0.53	RNPGX	0.42		
New World Fund®	6/17/99	NWFFX	0.96	NFFFX	0.68	FNWFX	0.57	FNFWX	0.71	RNWGX	0.57		
SMALLCAP World Fund®	4/30/90	SCWFX	1.09	SMCFX	0.77	SFCWX	0.66	FSWFX	0.78	RLLGX	0.66		
Capital Group Global Growth Equity ETF	2/22/22											CGGO	0.47
Capital Group Growth ETF	2/22/22											CGGR	0.39
Capital Group International Equity ETF	9/26/23											CGIE	0.54
Capital Group International Focus Equity ETF	2/22/22											CGXU	0.54

**Please check with your home office for product availability.**

Not all funds shown are held in model portfolios. The expense ratios are as of each fund's prospectus available at the time of publication. Expense ratio for CGIE is estimated.

\*Generally, Class F-1 shares are available with no transaction fee, Class F-2 shares are available with a transaction fee and Class F-3 shares do not carry 12b-1 or sub-transfer agency fees. Individual platforms may vary. Class 529-F-2 shares do not carry 12b-1 fees and are available only for CollegeAmerica accounts sold through Registered Investment Advisers.

# Share classes and expense ratios

As March 31, 2024

Funds	Inception date	Class F-1*		Class F-2*		Class F-3*		Class 529 F-2*		Class R-6		ETFs	
		Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio
<b>GROWTH-AND-INCOME</b>													
American Funds® Developing World Growth and Income Fund	2/3/14	DWGFY	1.14	DWGHX	0.86	FDWGX	0.76	FWDDX	0.87	RDWGX	0.76		
American Mutual Fund®	2/21/50	AMFFX	0.64	AMRFY	0.38	AFMFY	0.27	FFMMX	0.36	RMFGX	0.27		
Capital World Growth and Income Fund®	3/26/93	CWGFY	0.81	WGIFY	0.52	FWGIX	0.41	FCWGX	0.53	RWIGX	0.41		
Fundamental Investors®	8/1/78	AFIFY	0.65	FINFY	0.38	FUNFY	0.28	FFXFY	0.37	RFNGX	0.28		
International Growth and Income Fund	10/1/08	IGIFY	0.94	IGFFY	0.65	IGAIX	0.54	FGGGX	0.64	RIGGX	0.54		
The Investment Company of America®	1/1/34	AICFY	0.64	ICAFY	0.37	FFICY	0.27	FCIAX	0.36	RICGX	0.27		
Washington Mutual Investors Fund	7/31/52	WSHFY	0.64	WMFFY	0.38	FWMIX	0.27	FWMMX	0.36	RWMGX	0.27		
Capital Group Core Equity ETF	2/22/22											CGUS	0.33
Capital Group Dividend Growers ETF	9/26/23											CGDG	0.47
Capital Group Dividend Value ETF	2/22/22											CGDV	0.33
<b>EQUITY-INCOME</b>													
Capital Income Builder®	7/30/87	CIBFY	0.66	CAIFY	0.38	CFIHX	0.27	FBCIX	0.37	RIRGX	0.27		
The Income Fund of America®	12/1/73	IFAFY	0.65	AMEFY	0.37	FIFAX	0.27	FAIFY	0.35	RIDGX	0.27		
<b>BALANCED</b>													
American Balanced Fund®	7/26/75	BALFY	0.62	AMBFY	0.35	AFMBX	0.25	FBAFY	0.33	RLBGX	0.25		
American Funds® Global Balanced Fund	2/1/11	GBLEY	0.87	GBLFY	0.59	GFBLX	0.48	FFGGX	0.59	RGBGX	0.48		
Capital Group Core Balanced ETF	9/26/23											CGBL	0.33

Please check with your home office for product availability.

Not all funds shown are held in model portfolios. The expense ratios are as of each fund's prospectus available at the time of publication. Expense ratios for CGDG and CGBL are estimated.

\*Generally, Class F-1 shares are available with no transaction fee, Class F-2 shares are available with a transaction fee and Class F-3 shares do not carry 12b-1 or sub-transfer agency fees. Individual platforms may vary. Class 529-F-2 shares do not carry 12b-1 fees and are available only for CollegeAmerica accounts sold through Registered Investment Advisers.

# Share classes and expense ratios

As March 31, 2024

Funds	Inception date	Class F-1*		Class F-2*		Class F-3*		Class 529-F-2*		Class R-6		ETFs	
		Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio	Symbol	Expense ratio
<b>TAXABLE AND MUNICIPAL CORE</b>													
The Bond Fund of America	5/28/74	BFAFX	0.65	ABNFX	0.35	BFFAX	0.24	FFBOX	0.35	RBFGX	0.24		
Capital Group Core Bond ETF	9/26/23											CGCB	0.27
The Tax-Exempt Bond Fund of America	10/3/79	AFTFX	0.61	TEAFX	0.35	TFEBX	0.24						
Capital Group Municipal Income ETF	10/25/22											CGMU	0.27
<b>TAXABLE CORE-PLUS</b>													
American Funds Strategic Bond Fund	3/18/16	ANBEX	0.69	ANBFX	0.42	ANBGX	0.32	FSBMX	0.40	RANGX	0.32		
Capital Group Core Plus Income ETF	2/22/22											CGCP	0.34
Capital Group U.S. Multi-Sector Income ETF	10/25/22											CGMS	0.39
<b>TAXABLE AND MUNICIPAL SHORT TERM</b>													
Intermediate Bond Fund of America	2/19/88	IBFFX	0.67	IBAFX	0.38	IFBFX	0.26	FFOOX	0.36	RBOGX	0.26		
Capital Group Short Duration Income ETF	10/25/22											CGSD	0.25
Limited Term Tax-Exempt Bond Fund of America	10/6/93	LTXFX	0.62	LTEFX	0.35	FLTEX	0.24						
Capital Group Short Duration Municipal Income ETF	9/26/23											CGSM	0.25

**Please check with your home office for product availability.**

Not all funds shown are held in model portfolios.

The expense ratios are as of each fund's prospectus available at the time of publication. Expense ratios for CGCB and CGSM are estimated.

\*Generally, Class F-1 shares are available with no transaction fee, Class F-2 shares are available with a transaction fee and Class F-3 shares do not carry 12b-1 or sub-transfer agency fees. Individual platforms may vary. Class 529-F-2 shares do not carry 12b-1 fees and are available only for CollegeAmerica accounts sold through Registered Investment Advisers.

# Important information

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

**Capital Group exchange-traded funds (ETFs) are actively managed and do not seek to replicate a specific index. ETF shares are bought and sold through an exchange at the then current market price, not net asset value (NAV), and are not individually redeemed from the fund. Shares may trade at a premium or discount to their NAV when traded on an exchange. Brokerage commissions will reduce returns. There can be no guarantee that an active market for ETFs will develop or be maintained, or that the ETF's listing will continue or remain unchanged.**

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 refer to [capitalgroup.com](http://capitalgroup.com) for more information on specific expense adjustments and the actual dates of first sale.

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.

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.

Investments in mortgage-related securities involve additional risks, such as prepayment risk.

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

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. For most funds, unless otherwise noted below, if agency ratings differ, a security will be considered to have received the highest of those ratings, consistent with applicable 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 applicable investment policies. Bond ratings for the American Funds Portfolio Series relate to the securities held by the portfolios' underlying mutual funds, and if agency ratings of those holdings differ, the security will be considered to have received the highest of those ratings.

Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds.

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.

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.

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.

All Capital Group trademarks mentioned are owned by The Capital Group Companies, Inc., an affiliated company or fund. All other company and product names mentioned are the property of their respective companies.

Model portfolios are provided to financial intermediaries who may or may not recommend them to clients. The portfolios consist of an allocation of funds for investors to consider and are not intended to be investment recommendations. The portfolios are asset allocations designed for individuals with different time horizons, investment objectives, and risk profiles. Allocations may change and may not achieve investment objectives. If a cash allocation is not reflected in a model, the intermediary may choose to add one. Capital Group does not have investment discretion or authority over investment allocations in client accounts. Rebalancing approaches may differ depending on where the account is held. Investors should talk to their financial professional for information on other investment alternatives that may be available. In making investment decisions, investors should consider their other assets, income, and investments. Refer to [capitalgroup.com](http://capitalgroup.com) for current allocations.

Model portfolios are subject to the risks associated with the underlying funds in the model portfolio. Investors should carefully consider investment objectives, risks, fees and expenses of the funds in the model portfolio, which are contained in the fund prospectuses. 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. 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. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds. The use of derivatives involves a variety of risks, which may be different from, or greater than, the risks associated with investing in traditional securities, such as stocks and bonds. A nondiversified fund has 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 nondiversified 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.

The investment strategies described herein are those of Capital Group. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these Capital Group materials are preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Advisor.



## Important information (continued)

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. Refer to the applicable prospectus for details.

Small-company stocks entail additional risks, and they can fluctuate in price more than larger company stocks.

There may have been periods when the results lagged the index(es). The indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. Index/Index blends for Capital Group/American Funds Model Portfolios are those that the Portfolio Solutions Committee believes most closely approximate the investment universe of a given model portfolio and do not specifically represent the benchmarks of the underlying funds in the model portfolio. Index blends are rebalanced monthly.

© 2024 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

Source: Bloomberg Index Services Limited. BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). Bloomberg or Bloomberg's licensors own all proprietary rights in the Bloomberg Indices. Neither Bloomberg nor Bloomberg's licensors approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained there from and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith.

FTSE/Russell indexes: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"). © LSE Group 2024. FTSE Russell is a trading name of certain of the LSE Group companies. FTSE indexes are trademarks of the relevant LSE Group companies and are used by any other LSE Group company under license. All rights in the FTSE Russell indexes

or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication.

MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

Each S&P Index ("Index") shown is a product of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by Capital Group. Copyright © 2024 S&P Dow Jones Indices LLC, a division of S&P Global, and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part is prohibited without written permission of S&P Dow Jones Indices LLC.

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.

Multisector-bond portfolios seek income by diversifying their assets among several fixed-income sectors, usually U.S. government obligations, U.S. corporate bonds, foreign bonds, and high-yield U.S. debt securities. Morningstar Category averages are designed to represent the average return of funds within their category over time. The daily category averages are calculated daily and reconstituted monthly.

This content, developed by Capital Group, home of American Funds, should not be used as a primary basis for investment decisions and is not intended to serve as impartial investment or fiduciary advice.

# Portfolio construction insights summary

	Dividends and selective growth	Global/international equity	Fixed income
<b>Portfolio observations</b>	There's potential for concentration risk, especially given passive exposures. Many advisor portfolios also have greater exposure to low dividend payers than an American Funds model portfolio*	Few advisors have allocations to globally flexible strategies.	Many advisors still have shorter duration than an American Funds model portfolio* and may have unintentional credit exposure.
<b>Implications</b>	Consider a diversified approach to capital appreciation, including selective growth and exposure to dividend payers.	Taking a more flexible approach to a wider opportunity set can support diversification and reduce potential risks.	Consider core, core plus and municipal bonds to seek duration and provide resilience while taking intentional credit risk.
<b>Implementation offerings to consider</b>	<p><b>DIVIDEND-ORIENTED</b></p> <ul style="list-style-type: none"> <li>CGUS – Capital Group Core Equity ETF</li> <li>ICAFX – The Investment Company of America®</li> <li>Capital Group U.S. Core SMA</li> <li>CGDV – Capital Group Dividend Value ETF</li> <li>WMFFX – Washington Mutual Investors Fund®</li> <li>Capital Group U.S. Income &amp; Growth SMA</li> </ul> <p><b>SELECTIVE GROWTH-ORIENTED</b></p> <ul style="list-style-type: none"> <li>CGGR – Capital Group Growth ETF</li> <li>GFFFX – The Growth Fund of America®</li> <li>Capital Group U.S. Flexible Growth SMA</li> </ul>	<p><b>GLOBAL/INTERNATIONAL-ORIENTED</b></p> <ul style="list-style-type: none"> <li>CGGO – Capital Group Global Growth Equity ETF</li> <li>ANWFX – New Perspective Fund® MF</li> <li>Capital Group Global Growth SMA</li> <li>CGXU – Capital Group International Focus Equity ETF</li> <li>AEPFX – EuroPacific Growth Fund®</li> <li>Capital Group International Growth SMA</li> </ul>	<p><b>CORE</b></p> <ul style="list-style-type: none"> <li>CGCB – Capital Group Core Bond ETF</li> <li>ABNFX – The Bond Fund of America® MF</li> </ul> <p><b>CORE-PLUS</b></p> <ul style="list-style-type: none"> <li>CGCP – Capital Group Core Plus Income ETF</li> <li>ANBFX – American Funds® Strategic Bond Fund MF</li> </ul> <p><b>MULTI-SECTOR</b></p> <ul style="list-style-type: none"> <li>CGMS – Capital Group U.S. Multi-Sector Income ETF</li> <li>MIAYX – American Funds® Multi-Sector Income Fund</li> </ul> <p><b>MUNIS</b></p> <ul style="list-style-type: none"> <li>CGMU – Capital Group Municipal Income ETF</li> <li>TEAFX – The Tax-Exempt Bond Fund of America®</li> <li>Capital Group Intermediate Municipal SMA</li> </ul>

## Consider a personal portfolio consultation

Capital Group can help you focus on client goals



**ETF** – Exchange-traded fund  
**MF** – Mutual fund  
**SMA** – Separately managed account

Please check with your home office for product availability.

All mutual fund ticker symbols represent the F-2 share class.

\*American Funds model portfolio represents the most recent available data, as of 3/31/24, for the American Funds Moderate Growth and Income Model Portfolio. This model aligns closely to the broad asset allocation of the average advisor allocation with 63% equity and 37% fixed income.