

Allocation update Capital Group Active-Passive Models

Data as of September 26, 2024



Enhancements to models

As part of the ongoing active management of our multi-asset solutions, Capital Group’s solutions investment team regularly conducts strategic and thematic research on the portfolios to ensure alignment with their long-term objectives. The team assessed current portfolio allocations utilizing updated capital markets output and model optimization, considering both quantitative and qualitative criteria. Following the most recent review, research-driven enhancements to several models have been approved.

Key themes driving the updated allocation recommendations include:

- Aiming to improve the tax efficiency of our active-passive, tax-aware model portfolios through the addition of several newly launched active equity and fixed income Capital Group exchange-traded funds (ETFs), as well as an additional passive equity ETF.

Asset Class	ETF	Role
Equity	Capital Group Dividend Growers ETF (CGDG) iShares Core Dividend Growth ETF (DGRO) – passive	Dividend growth to support income, risk-adjusted returns and potentially lower volatility
Fixed income	Capital Group Municipal Income ETF (CGMU) Capital Group Short Duration Municipal ETF (CGSM)	Higher credit quality bonds to support equity diversification, tax-exempt income, and preservation of capital

- Increase flexible capital appreciation opportunities in equity-focused models to support capital growth objectives.
- Diversify dividend sources by introducing dividend growth opportunities in growth-and-income objective models.
- Refine mix of fixed income exposures by increasing bottom-up fixed income flexibility.

The resulting enhancements seek to balance the tax efficiency advantages of ETFs along with the benefits of our American Funds mutual funds to achieve the overall desired portfolio characteristics, including key exposures, flexibility and diversification of holdings.

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.

Allocation updates – Capital Group Active-Passive Tax-Aware Models

COLUMN DESIGNATIONS: **New** allocation (as of 9/26/24) X% ▲ X% Allocation change (as of 9/26/24)

Category	Underlying funds	Moderate Growth Model		Growth and Income Model		Moderate Growth and Income Model		Conservative Growth and Income Model		Moderate Income Model		Conservative Income Model		Preservation Model Portfolio	
Growth	SMALLCAP World Fund®	8%		6%		5%									
Growth	Capital Group Global Growth Equity ETF (CGGO)	6%	▲ 6%	6%	▲ 6%	5%									
Growth	Capital Group Growth ETF (CGGR)	21%	▲ 1%	8%	▼ -1%	2%	▲ 2%								
Growth	AMCAP Fund®		▼ -5%												
Growth	American Funds Global Insight Fund	6%													
Growth and income	Fundamental Investors®				▼ -5%										
Growth and income	Capital World Growth and Income Fund®	10%		13%		10%	▼ -1%	11%	▼ -1%	7%	▼ -3%				
Growth and income	Capital Group Core Equity ETF (CGUS)	12%	▼ -3%	20%	▲ 5%	13%	▼ -1%								
Growth and income	The Investment Company of America®				▼ -5%										
Growth and income	Capital Group Dividend Value ETF (CGDV)			5%		8%	▼ -5%	13%		12%	▲ 2%	6%	▲ 1%		
Growth and income	Washington Mutual Investors Fund								▼ -5%						
Growth and income	Capital Group Dividend Growers ETF (CGDG)					3%	▲ 3%	7%	▲ 7%	4%	▲ 4%	3%	▲ 3%		
Growth and income	American Mutual Fund®							5%		5%	▼ -5%	5%	▼ -5%		
Passive equity	Vanguard Growth Index Fund ETF (VUG)	7%	▲ 1%												
Passive equity	Vanguard Total World Stock Index Fund ETF (VT)	15%		12%		10%	▲ 1%	10%		7%	▲ 1%	3%	▼ -2%		
Passive equity	iShares Core S&P 500 ETF (IVV)	3%	▼ -1%	7%	▼ -2%	4%	▲ 1%								
Passive equity	iShares Core Dividend Equity ETF (DGRO)			2%	▲ 2%	2%	▲ 2%								
Passive equity	Schwab US Dividend Equity ETF™ (SCHD)					2%		2%		2%		2%	▲ 2%		
Passive equity	Vanguard High Dividend Yield Index Fund ETF (VYM)						▼ -2%	2%		2%					
Fixed income	American High-Income Municipal Bond Fund®	5%		10%		17%		23%		17%		13%			
Fixed income	Capital Group Municipal Income ETF (CGMU)	4%	▲ 4%	5%	▲ 5%	10%	▲ 10%	11%	▲ 11%	18%	▲ 18%	22%	▲ 22%		
Fixed income	The Tax-Exempt Bond Fund of America®		▼ -3%		▼ -5%		▼ -8%		▼ -10%		▼ -11%		▼ -15%		
Fixed income	Limited Term Tax-Exempt Bond Fund of America®								▼ -5%		▼ -10%		▼ -16%	40%	▼ -10%
Fixed income	Capital Group Short Duration Municipal Income ETF (CGSM)							3%	▲ 3%	10%	▲ 10%	25%	▲ 25%	34%	▲ 34%
Fixed income	American Funds Short-Term Tax-Exempt Bond Fund®										▼ -5%		▼ -15%		▼ -24%
Passive fixed income	Vanguard Tax-Exempt Bond Index Fund ETF (VTXB)			3%		4%	▼ -1%	5%		6%	▼ -3%	5%	▼ -2%		
Passive fixed income	iShares National Muni Bond ETF (MUB)	3%		3%		5%	▼ -1%	5%	▼ -1%	5%		4%			
Passive fixed income	SPDR Nuveen Bloomberg Short Term Municipal Bond ETF (SHM)											5%		12%	
Passive fixed income	iShares Short-Term National Muni Bond ETF (SUB)							3%	▲ 1%	5%	▲ 2%	7%	▲ 2%	14%	

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