Capital Group Classics Edition

We've brought back this timeless story from our archives to show that a steady, unwavering investment approach may be better in the long run than chasing high returns to make up for losses.

CAPITAL GROUP® | AMERICAN FUNDS®

Once upon a time,

there was a hare who often made fun of a tortoise for being so slow. Tired of the teasing, the tortoise decided to challenge the hare to a very unusual race.

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

Slow and steady *can* win the race

The tortoise suggested they each shell out $10,000 into the investment of their choice. Whoever ended up with the most money after eight years would win.

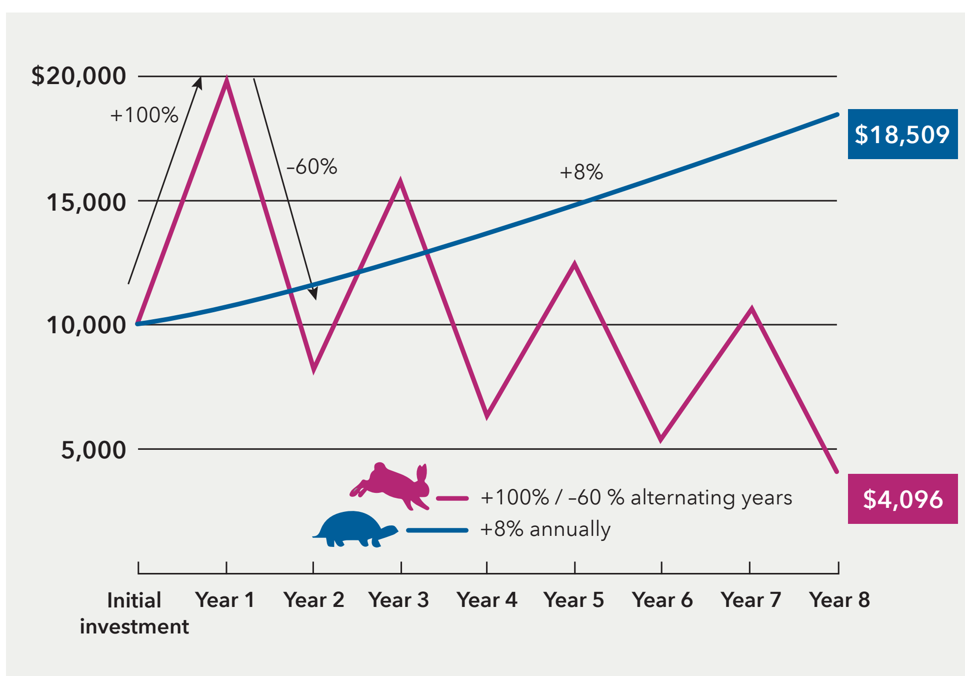
The tortoise chose an investment that increased at a modest – but steady – rate of 8%. Not surprisingly, the hare was drawn to an investment with an annual return of 100%. Although he knew such high returns were risky and rare, the hare liked the idea of doubling his money so much that he was willing to take the risk.

From the beginning, the hare's investment hopped around. The first year it jumped 100%. The second year, it dropped 60%. In fact, his investment repeated this pattern during the entire eight-year period – rising 100% one year and losing 60% in the next.

At first the hare didn't mind – because in the year his investment doubled, the tortoise trailed far behind. At the end of the fifth year, however, the hare had to face facts: doubling his money wasn't enough to make up for losing 60% every other year. He was quickly losing steam.

By the end of the eighth year, the hare had less than half of his original $10,000. The tortoise, on the other hand, had almost doubled his money, proving that, in investing, slow and steady *can* win the race.

Of course, no one can know for sure what results an investment will generate, and all investments experience volatility. This is an extreme example meant to illustrate the impact volatility can have on an investment, which is why it's important to have a diversified portfolio with investments that seek to do better than the market during downturns.



Figures shown are based on hypothetical $10,000 investments and are not predictive of results in future periods. Hypothetical results are for illustrative purposes only and in no way represent the actual results of a specific investment. Prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely.

Capital Group, home of American Funds, has helped investors pursue long-term investment success since 1931. Visit us at **capitalgroup.com**.

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.

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.

Capital Client Group, Inc.

Lit. No. MFGEOS-205-0923C CGD/10623-S98617 © 2023 Capital Group. All rights reserved.