

American Funds Model Portfolios: Designed for the long term

Quarterly update – Q3 2024



CAPITAL GROUP® | **AMERICAN FUNDS**®



Key takeaways for the quarter ended September 30, 2024

- Equity markets showed signs of broadening, with value-oriented and rate-sensitive sectors leading the way; dividend payers claimed the spotlight.
- Model portfolio asset allocation remains focused on long-term goals and investment opportunities amid geopolitical and economic risks and potentially volatile market shifts.
- The Portfolio Solutions Committee (PSC) and Capital Solutions Group (CSG) introduced new active exchange-traded funds (ETFs) to tax-aware models, including the addition of dividend-focused ETFs and municipal bond ETFs.

Market review

Markets continued to climb as investors absorbed the rate-cut decision by the U.S. Federal Reserve in mid-September, election uncertainty and the potential economic risks. The S&P 500 Index rose 6%, taking year-to-date gains to 22%. Among U.S. equity sectors, information technology and communication services stocks lagged the market this quarter in a reversal from earlier this year, while real estate and utilities stocks rebounded 19% and 17%, respectively. In another shift from earlier in the year, value stocks, as measured by the Russell 1000 Value Index, rose 9%, compared with a 3% gain for the Russell 1000 Growth Index for the quarter. International equity stocks, as measured by the MSCI All Country World Index (ACWI) ex USA, outpaced the S&P 500, rising 8% for the quarter. The MSCI ACWI ex USA has climbed 14% so far this year.

Bond markets rallied, with the Bloomberg U.S. Aggregate Index and the Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index each rising over 5%. The Federal Reserve reduced its benchmark interest rate for the first time since 2020 with a 50-basis-point cut as inflation eased. The Fed indicated that it would remain flexible on the extent and timing of future moves based on economic data.

Investment professionals



Samir Mathur
Chair of the Portfolio Solutions Committee



Mario DiVito
Multi-Asset Investment Director



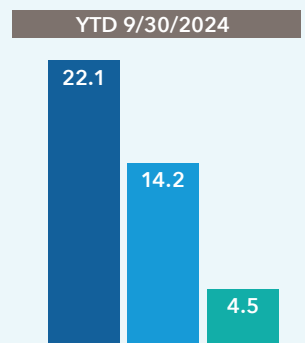
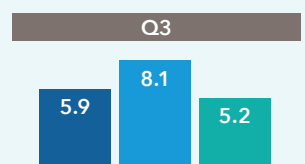
Stanley Moy
Multi-Asset Investment Specialist

Model portfolios are only available through registered investment advisers. This content is intended for registered investment advisers and their clients. Past results are not predictive of results in future periods.

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

Broad market results

Cumulative returns (%)



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

Net of fee results calculations include a conservative annual 3% fee, which is equal or higher than the highest actual model portfolio wrap fee charged by a program sponsor.

Past results are not predictive of results in future periods.

Contribution to returns commentary is based on representative accounts of the model composites and is net of all fees and expenses applicable to the underlying funds and 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.

Model portfolio results for the quarter

(All comments about model composite returns versus the benchmark are true on a gross and net-of-fees basis, unless otherwise noted.)

Growth portfolios

American Funds Global Growth Model Portfolio had positive absolute returns but lagged its benchmark.

- Non-U.S. equity selection hampered relative results.
- Selection in health care and information technology hurt while financials and consumer discretionary helped.
- New World Fund® was a strong relative contributor, while The New Economy Fund® was weaker.

American Funds Growth Model Portfolio had positive absolute returns but trailed its benchmark.

- Positive U.S. equity selection in consumer discretionary and financials was outweighed by negative non-U.S. equity selection in health care.
- The Investment Company of America® (added to the model last quarter) was a strong relative contributor as was SMALLCAP World Fund®. The New Economy Fund was a relative drag.

American Funds Moderate Growth Model Portfolio had positive absolute returns but lagged its benchmark.

- Negative non-U.S. equity stock selection outweighed positive U.S. equity selection.
- Positive selection in industrials and financials outweighed negative selection in health care and materials.
- The Investment Company of America and SMALLCAP World Fund contributed to relative results while Capital World Growth and Income Fund® detracted.

Growth-and-income portfolios

American Funds Growth and Income Model Portfolio outpaced its benchmark on a gross return basis, but net returns lagged.

- Positive U.S. equity security selection supported results while non-U.S. equity hurt.
- Selection in the industrials sector outweighed negative selection in materials and consumer discretionary.
- Selection in Treasuries nullified negative selection in securitized debt.
- Capital Income Builder® and Washington Mutual Investors Fund were strong relative contributors; The Growth Fund of America® held back relative results.

American Funds Moderate Growth and Income Model Portfolio led its benchmark on a gross basis, but net returns trailed.

- Positive U.S. equity and fixed income security selection helped. Non-U.S. equity selection was negative.
- Less exposure to U.S. information technology boosted relative results, as did positive total equity selection in industrials. Selection in materials detracted.
- Selection in Treasuries was positive. Selection in securitized debt hampered results.
- The Income Fund of America® and Washington Mutual Investors Fund were strong relative contributors, while New Perspective Fund® and Capital World Growth and Income Fund were weaker. American Funds Strategic Bond Fund helped relative fixed income returns; American Funds Multi-Sector Income Fund hurt on a relative basis.

American Funds Conservative Growth and Income Model Portfolio posted positive absolute and relative returns, helped by dividend payers.

- Less-than-benchmark exposure to information technology and greater exposure to utilities and real estate helped as did positive stock selection in the industrials and health care sectors. Selection in materials hurt.

- Selection in emerging markets debt and Treasuries partially offset negative selection in securitized and corporates.
- American Mutual Fund® had strong relative contributions while Capital World Growth and Income Fund was relatively weaker. The newly added American Funds Emerging Markets Bond Fund® supported relative fixed income returns.

American Funds Conservative Income and Growth Model Portfolio had higher gross returns than the benchmark, but net returns lagged.

- U.S. equity security selection lifted results.
- Selection in health care and industrials helped on a relative basis as did structurally limited allocations to information technology. Selection in materials hurt.
- Positive selection and sector allocation in Treasuries outweighed negative selection in securitized debt.

Preservation and income portfolios

American Funds Conservative Income Model Portfolio outpaced its benchmark.

- U.S. equity selection boosted returns.
- Selection in health care lifted results as did limited exposure to the information technology and communication services sectors. Selection in utilities hurt.
- Selection in fixed income helped, particularly sector and security selection within Treasuries.

American Funds Preservation Model Portfolio fared better than the benchmark on a gross basis but net returns trailed.

- Positive selection in Treasuries outweighed negative selection in securitized bonds.

Retirement income portfolios

American Funds Retirement Income models had positive absolute returns and outpaced their benchmarks.

- Greater exposure to equities helped as did significant exposure to dividend payers via funds such as American Mutual Fund and Capital Income Builder.
- Less exposure to Treasury inflation-protected securities and greater exposure to emerging market bonds helped. Exposure to asset-backed securities detracted.
- American Funds Strategic Bond Fund aided returns for the Moderate and Conservative models on a relative basis, while shorter duration Intermediate Bond Fund of America detracted from relative returns for Conservative.

Tax-aware portfolios

- Returns for Tax-Aware Moderate Growth trailed its benchmark. Selection in the U.S. communication services and consumer discretionary sectors helped. Non-U.S. equities hurt.
- Gross returns for tax-aware growth-and-income portfolios outpaced their respective benchmarks, but net returns for Tax-Aware Growth & Income and Tax-Aware Moderate Growth & Income trailed. Stock selection in health care and industrials helped in all three growth-and-income models, as did less exposure to information technology than their respective benchmarks. Selection in materials hampered results in these models.
- Income and preservation model portfolios had mixed returns. (Tax-Aware Moderate Income outpaced its benchmark while returns for Tax-Exempt Preservation lagged. Gross returns for Tax-Aware Conservative Income led the benchmark, but net returns trailed.) Strong security selection in Treasuries supported results across these models. Selection in municipal fixed income helped in Tax-Aware Moderate Income and Tax-Aware Conservative Income, particularly general obligation, special tax and health care revenue bonds.



What's new in tax-aware model portfolios

- Introduced CGGO – Capital Group Global Growth Equity ETF in American Funds Tax-Aware Moderate Growth and Tax-Aware Growth & Income models
- Increased exposure to CGDV – Capital Group Dividend Value ETF in the tax-aware growth and income models and the Tax-Aware Conservative Income model
- Added CGDG – Capital Group Dividend Growers ETF to the Tax-Aware Moderate Growth & Income and Tax-Aware Conservative Growth & Income models, and the Tax-Aware Conservative Income and Tax-Aware Moderate Income models
- Introduced CGMU – Capital Group Municipal Income ETF in all six tax-aware models
- New allocation to CGSM – Capital Group Short-Duration Municipal Income ETF to American Funds Tax-Aware Conservative Growth & Income, Tax-Aware Moderate Income, Tax-Aware Conservative Income and Tax-Exempt Preservation models

Q&A with Samir Mathur

What are the new ETF allocations in the tax-aware models, and how does the team think about tradeoffs in portfolio construction?

First of all, let's step back to acknowledge that changes in our models are part of a conscious evolution to expand our offerings and evaluate investments on an ongoing basis to address long-term client goals. In the tax-aware models program, we started introducing Capital Group ETFs in September 2023. The new additions this quarter are part of those ongoing refinements in tax-aware models to include ETFs where appropriate.

In general, equity ETFs have been more tax-efficient than their mutual fund counterparts, given their ability to defer capital gain distributions. In tax-aware models, we don't typically use taxable fixed income and multi-asset funds that include taxable bonds. Similarly, we make much less use of higher dividend equities compared to our core models but do invest in more tax-efficient dividend funds in the form of our dividend ETFs. Recently, we have shifted some of our allocations from Capital World Growth and Income Fund given the potential for better tax-efficiency in equity ETFs.

But the ETF is not a one-to-one replacement for the mutual fund from an investment perspective. We evaluate the investment differences in the ETF and mutual fund and sometimes need to make other adjustments in the portfolios to continue targeting the appropriate strategic asset allocation. CGDG – Capital Group Dividend Grower ETF has been a higher dividend-paying fund than Capital World Growth and Income Fund and also has had slightly less volatility and equity-beta. As a result, we made some other adjustments in portfolios by adding slightly more to growth-oriented equities.

Replacing the Tax-Exempt Bond Fund of America® (TEBFA) with CGMU – Capital Group Municipal Income ETF is another example. CGMU has slightly shorter fixed income duration than TEBFA but has higher allocations to high-yielding municipal bonds and more flexibility to allocate to them. This swap slightly changed duration and credit profiles in a way that required other minor adjustments in portfolios.

How does the team evaluate ETFs relative to mutual funds?

We treat Capital Group ETFs like any other new fund launches and do a proper review before using them in our portfolios. ETFs may differ from their corresponding mutual funds, where applicable.

But if a new ETF is based on an existing strategy with a long track record, that really helps with our analysis. ETFs that do not have a direct reference strategy often are variations of existing strategies with minor differences. For this reason, understanding the similarities and differences between these strategies allows us to better understand their expected behavior in model portfolios. Over time, we monitor all of the funds to make sure we are using the ones that best fit model portfolio objectives and tend to behave as anticipated.

How do the PSC and CSG adapt their allocations process for tax-aware models and evaluate tax efficiency?

One major feature of the multi-objective optimization (MOO) process is that we are able to tailor optimization to a wide range of investor goals and constraints beyond risk and return. This includes modifying the MOO process for tax-sensitive models via tax-aware multi-objective optimization (TAMOO, for short.) In TAMOO, we adjust capital market assumptions (CMAs) and success metrics for tax-aware models. Success metrics for tax-aware models include a combination of post-tax returns, standard deviation, maximum drawdowns and yield. The TAMOO process naturally reduces the expected returns of higher income taxable fixed income and higher yielding equities the most.

From there, the CSG and PSC identify which ETFs and mutual funds to use in each model. This is based on ongoing evaluation of portfolio characteristics across American Funds mutual funds and Capital Group ETF offerings. Specifically, the CSG evaluates the tax efficiency of ETFs and mutual funds via metrics such as Morningstar's Tax-Cost Ratio. Our final allocation changes are based on discussions about tradeoffs within CSG and PSC.

Looking ahead

We continue to recognize the potential for ongoing volatility, heightened geopolitical risk and uncertainty about the timing and extent of future rate cuts as Fed officials keep a watchful eye on economic data. At the same time, we think this is a time of market broadening, with the current backdrop offering attractive opportunities relative to specific investor goals. This includes:

- Focusing on company-specific growth opportunities for long-term capital appreciation in growth models
- Emphasizing dividend payers in growth-and-income models to help dampen volatility
- Finding company-specific opportunities in international markets as the broader global landscape shifts over the next 10 years
- Balancing core allocations with conscious credit allocations to capture income opportunities and manage potential risks according to model objective.

The PSC and CSG regularly evaluate strategic asset allocation for models, adjusting as needed, while underlying fund managers continue to take an active approach to company and security-specific opportunities across regions and sectors.

“I’m excited about active ETFs for a few reasons. We are buying what we have conviction in and able to make conscious decisions about minimizing transaction costs and reducing capital gains taxes in some cases for investors via in-kind trades. These advantages can add up and make a difference for our investors.”

– **David Hoag,**

Portfolio manager and member
of Fixed Income Management Committee

“The ETF is not a one-to-one replacement for the mutual fund from an investment perspective. We evaluate the investment differences in the ETF and mutual fund and sometimes need to make other adjustments in the portfolios to continue targeting the appropriate strategic asset allocation.”

– **Samir Mathur,**

Chair of the Portfolio Solutions Committee



Model composite results as of September 30, 2024

Past results are not predictive of results in future periods.

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.

Model portfolio	Inception date		Cumulative total returns (%)			Average annual total returns (%)			
			QTD	YTD	1 year	3 years	5 years	10 years	Lifetime
Growth									
American Funds Global Growth MP Composite	05/31/2012	Gross	5.72	16.75	31.15	4.03	11.62	9.57	11.32
		Net	4.93	14.19	27.35	0.95	8.33	6.35	8.05
MSCI All Country World Index (ACWI)	–		6.61	18.66	31.76	8.09	12.19	9.39	10.95
American Funds Growth MP Composite	05/31/2012	Gross	5.60	19.07	35.29	6.08	13.32	10.97	12.71
		Net	4.82	16.46	31.37	2.95	9.99	7.71	9.40
Growth Model Portfolio Index Blend	–		6.43	20.11	33.57	10.00	13.90	11.35	12.95
American Funds Moderate Growth MP Composite	05/31/2017	Gross	5.86	17.50	32.57	7.07	12.29	–	10.84
		Net	5.08	14.93	28.73	3.91	9.00	–	7.58
Moderate Growth Model Portfolio Index Blend	–		6.33	17.37	29.67	8.03	11.61	–	10.58
Growth and income									
American Funds Growth and Income MP Composite	05/31/2012	Gross	6.35	15.61	28.66	7.30	11.30	9.04	10.47
		Net	5.57	13.08	24.92	4.14	8.03	5.84	7.23
Growth and Income Model Portfolio Index Blend	–		6.26	15.56	27.11	6.72	10.07	8.59	9.75
American Funds Moderate Growth and Income MP Composite	05/31/2012	Gross	6.31	13.45	24.90	5.82	9.17	7.91	9.15
		Net	5.53	10.96	21.26	2.70	5.96	4.74	5.94
Moderate Growth and Income Model Portfolio Index Blend	–		6.08	14.16	25.13	5.78	8.94	7.86	8.84
American Funds Conservative Growth and Income MP Composite	05/31/2012	Gross	6.92	11.58	21.15	5.63	7.09	6.42	7.31
		Net	6.13	9.12	17.61	2.51	3.94	3.29	4.15
Conservative Growth and Income Model Portfolio Index Blend	–		5.88	12.45	22.60	4.85	7.67	7.02	7.87
American Funds Conservative Income and Growth MP Composite	07/31/2020	Gross	6.33	9.95	18.69	3.55	–	–	5.30
		Net	5.55	7.53	15.22	0.49	–	–	2.19
Conservative Income and Growth Model Portfolio Index Blend	–		5.66	9.66	18.80	2.55	–	–	4.00

Index lifetime returns are based on composite inception dates.

Model composite results as of September 30, 2024

Model portfolio	Inception date		Cumulative total returns (%)			Average annual total returns (%)			
			QTD	YTD	1 year	3 years	5 years	10 years	Lifetime
Preservation and income									
American Funds Conservative Income MP Composite	05/31/2017	Gross	5.53	7.62	14.23	2.32	4.05	–	3.94
		Net	4.75	5.24	10.88	-0.71	0.98	–	0.87
Conservative Income Model Portfolio Index Blend	–		4.65	7.78	14.83	2.19	3.93	–	4.30
American Funds Preservation MP Composite	05/31/2012	Gross	3.66	4.74	8.31	0.93	1.85	1.87	1.70
		Net	2.88	2.42	5.11	-2.06	-1.16	-1.14	-1.31
Bloomberg 1-5 Year U.S. Government/Credit A+ Index	–		3.46	4.35	7.82	0.82	1.40	1.63	1.48
Income									
American Funds Retirement Income - Enhanced MP Composite	08/31/2015	Gross	6.89	13.66	24.43	6.47	8.30	–	8.01
		Net	6.10	11.16	20.81	3.33	5.11	–	4.83
S&P Target Date Retirement Income Index	–		5.16	8.81	16.86	2.84	4.68	–	4.88
American Funds Retirement Income - Moderate MP Composite	08/31/2015	Gross	6.93	11.82	21.51	5.03	6.93	–	6.85
		Net	6.14	9.36	17.96	1.93	3.78	–	3.71
S&P Target Date Retirement Income Index	–		5.16	8.81	16.86	2.84	4.68	–	4.88
American Funds Retirement Income - Conservative MP Composite	08/31/2015	Gross	6.74	9.80	18.28	3.28	5.41	–	5.58
		Net	5.95	7.38	14.82	0.23	2.30	–	2.47
S&P Target Date Retirement Income Index	–		5.16	8.81	16.86	2.84	4.68	–	4.88
Tax-aware growth									
American Funds Tax-Aware Moderate Growth MP Composite	07/31/2020	Gross	5.71	17.45	32.65	6.95	–	–	11.48
		Net	4.93	14.88	28.80	3.80	–	–	8.20
Tax-Aware Moderate Growth Model Portfolio Index Blend	–		5.95	17.01	29.46	8.28	–	–	12.14
Tax-aware growth and income									
American Funds Tax-Aware Growth and Income MP Composite	08/31/2019	Gross	5.98	16.49	30.56	7.87	11.67	–	11.65
		Net	5.19	13.94	26.77	4.69	8.39	–	8.37
Tax-Aware Growth and Income Model Portfolio Index Blend	–		5.63	14.97	26.78	7.12	10.35	–	10.46
American Funds Tax-Aware Moderate Growth and Income MP Composite	08/31/2019	Gross	5.71	14.31	26.84	6.60	9.57	–	9.57
		Net	4.93	11.80	23.14	3.46	6.35	–	6.35
Tax-Aware Moderate Growth and Income Model Portfolio Index Blend	–		5.20	13.34	24.66	6.33	9.32	–	9.39
American Funds Tax-Aware Conservative Growth and Income MP Composite	05/31/2012	Gross	5.69	12.24	22.89	6.03	7.55	7.08	8.15
		Net	4.91	9.76	19.31	2.90	4.38	3.93	4.97
Tax-Aware Conservative Growth and Income Model Portfolio Index Blend	–		4.69	11.56	22.40	5.09	7.81	7.20	8.06

Index lifetime returns are based on composite inception dates.

Model composite results as of September 30, 2024

Model portfolio	Inception date	Cumulative total returns (%)			Average annual total returns (%)				
		QTD	YTD	1 year	3 years	5 years	10 years	Lifetime	
Tax-aware preservation and income									
American Funds Tax-Aware Moderate Income MP Composite	08/31/2019	Gross	5.20	10.48	20.12	5.08	6.59	–	6.53
		Net	4.42	8.05	16.61	1.98	3.45	–	3.39
Tax-Aware Moderate Income Model Portfolio Index Blend	–		4.03	8.20	17.97	3.55	5.76	–	5.71
American Funds Tax-Aware Conservative Income MP Composite	08/31/2019	Gross	3.82	6.78	14.06	2.85	4.19	–	4.13
		Net	3.05	4.42	10.71	-0.18	1.11	–	1.06
Tax-Aware Conservative Income Model Portfolio Index Blend	–		3.33	6.04	13.81	2.78	4.37	–	4.25
American Funds Tax-Exempt Preservation MP Composite	05/31/2012	Gross	2.43	2.94	7.39	0.93	1.49	1.83	2.01
		Net	1.66	0.65	4.22	-2.06	-1.52	-1.19	-1.00
Bloomberg Municipal Bond 1-7 Year Blend Index	–		2.68	2.27	6.94	0.69	1.38	1.68	1.71

Index lifetime returns are based on composite inception dates.

Market index results as of September 30, 2024

Index name	Cumulative total returns (%)			Average annual total returns (%)		
	QTD	YTD	1 year	3 years	5 years	10 years
Bloomberg Municipal Bond Index	2.71	2.30	10.37	0.09	1.39	2.52
Bloomberg U.S. Aggregate Index	5.20	4.45	11.57	-1.39	0.33	1.84
Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index	5.28	8.00	15.73	3.09	4.70	5.04
MSCI All Country World Index (ACWI)	6.61	18.66	31.76	8.09	12.19	9.39
MSCI All Country World Index (ACWI) ex USA	8.06	14.21	25.35	4.14	7.59	5.22
Russell 1000 Growth Index	3.19	24.55	42.19	12.02	19.74	16.52
Russell 1000 Index	6.08	21.18	35.68	10.83	15.64	13.10
Russell 1000 Value Index	9.43	16.68	27.76	9.03	10.69	9.23
S&P 500 Index	5.89	22.08	36.35	11.91	15.98	13.38

Investment and index disclosures

Appendix

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The underlying funds for each model portfolio as of September 30, 2024, are as follows (allocations may not equal 100% due to rounding):

American Funds Global Growth Model Portfolio: Growth (85%): SMALLCAP World Fund 15%, The New Economy Fund 15%, EuroPacific Growth Fund 8%, The Growth Fund of America 15%, New Perspective Fund 20%, New World Fund 7%, American Funds Global Insight Fund 5%; Growth and income (15%): Capital World Growth and Income Fund 15%.

American Funds Growth Model Portfolio: Growth (80%): SMALLCAP World Fund 15%, The New Economy Fund 10%, The Growth Fund of America 25%, New Perspective Fund 15%, AMCAP Fund 15%; Growth and income (20%): Fundamental Investors 10%, The Investment Company of America 10%.

American Funds Moderate Growth Model Portfolio: Growth (45%): SMALLCAP World Fund 10%, The Growth Fund of America 20%, AMCAP Fund 10%, American Funds Global Insight Fund 5%; Growth and income (35%): Fundamental Investors 10%, Capital World Growth and Income Fund 15%, The Investment Company of America 10%; Balanced (20%): American Funds Global Balanced Fund 10%, American Balanced Fund 10%.

American Funds Growth and Income Model Portfolio: Growth (20%): SMALLCAP World Fund 8%, The Growth Fund of America 7%, American Funds Global Insight Fund 5%; Growth and income (45%): Capital World Growth and Income Fund 15%, The Investment Company of America 20%, Washington Mutual Investors Fund 10%; Equity Income (10%): Capital Income Builder 10%; Balanced (10%): American Balanced Fund 10%; Bond (15%): The Bond Fund of America 5%, American Funds Strategic Bond Fund 5%, American Funds Multi-Sector Income Fund 5%.

American Funds Moderate Growth and Income Model Portfolio: Growth (10%): SMALLCAP World Fund 5%, New Perspective Fund 5%; Growth and income (25%): Capital World Growth and Income Fund 10%, Washington Mutual Investors Fund 15%; Equity Income: (10%): The Income Fund of America 10%; Balanced (40%): American Funds Global Balanced Fund 15%, American Balanced Fund 25%; Bond (15%): The Bond Fund of America 5%, American Funds Strategic Bond Fund 5%, American Funds Multi-Sector Income Fund 5%.

American Funds Conservative Growth and Income Model Portfolio: Growth and income (27%): Washington Mutual Investors Fund 10%, American Mutual Fund 10%, Capital World Growth and Income Fund 7%; Equity Income (30%): Capital Income Builder 15%, The Income Fund of America 15%; Bond (43%): American High-Income Trust 10%, American Funds Multi-Sector Income Fund 15%, The Bond Fund of America 15%, American Funds Emerging Markets Bond Fund 3%.

American Funds Conservative Income and Growth Model Portfolio: Growth and income (20%): Capital World Growth and Income Fund 5%, American Mutual Fund 15%; Equity income (10%): The Income Fund of America 10%; Balanced (15%): American Funds Global Balanced Fund 5%, American Balanced Fund 10%; Bond (55%): American Funds Multi-Sector Income Fund 14%, American Funds Strategic Bond Fund 10%, The Bond Fund of America 19%, Intermediate Bond Fund of America 10%, American Funds Emerging Markets Bond Fund 2%.

American Funds Retirement Income Model Portfolio – Enhanced: Growth (5%): AMCAP Fund 5%; Growth and income (15%): Capital World Growth and Income Fund 10%, American Mutual Fund 5%; Equity Income (38%): Capital Income Builder 18%, The Income Fund of America 20%; Balanced (25%): American Funds Global Balanced Fund 5%, American Balanced Fund 20%; Bond (17%): American High-Income Trust 5%, American Funds Multi-Sector Income Fund 7%, The Bond Fund of America 5%.

American Funds Retirement Income Model Portfolio – Moderate: Growth and income (12%): Capital World Growth and Income Fund 7%, American Mutual Fund 5%; Equity Income (38%): Capital Income Builder 18%, The Income Fund of America 20%; Balanced (20%): American Funds Global Balanced Fund 5%, American Balanced Fund 15%; Bond (30%): American Funds Multi-Sector Income Fund 9%, The Bond Fund of

America 8%, American Funds Strategic Bond Fund 6%, U.S. Government Securities Fund 7%.

American Funds Retirement Income Model Portfolio – Conservative: Growth and income (7%): American Mutual Fund 7%; Equity income (33%): Capital Income Builder 18%, The Income Fund of America 15%; Balanced (12%): American Funds Global Balanced Fund 4%, American Balanced Fund 8%; Bond (48%): American Funds Inflation Linked Bond Fund 5%, The Bond Fund of America 15%, American Funds Strategic Bond Fund 10%, American Funds Multi-Sector Income Fund 8%, Intermediate Bond Fund of America 5%, U.S. Government Securities Fund 5%.

American Funds 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%; Bond (75%): The Bond Fund of America 20%, American Funds Strategic Bond Fund 10%, American Funds Multi-Sector Income Fund 5%, Intermediate Bond Fund of America 25%, Short-Term Bond Fund of America 15%.

American Funds Preservation Model Portfolio: Bond (100%): Intermediate Bond Fund of America 45%, Short-Term Bond Fund of America 55%.

American Funds Tax-Aware Moderate Growth Model Portfolio: Growth (44%): SMALLCAP World Fund 10%, CGGR – Capital Group Growth ETF 25%, CGGO – Capital Group Global Growth Equity ETF 4%; American Funds Global Insight Fund 5% Growth and income (45%): Capital World Growth and Income Fund 20%; CGUS – Capital Group Core Equity ETF 25%; Bond (11%): CGMU – Capital Group Municipal Income ETF 6%, American High-Income Municipal Bond Fund 5%.

American Funds Tax-Aware Growth and Income Model Portfolio: Growth (20%): SMALLCAP World Fund 8%, CGGR – Capital Group Growth ETF 7%, CGGO – Capital Group Global Growth Equity ETF 5%; Growth and income (60%): Capital World Growth and Income Fund 20%, CGUS – Capital Group Core Equity ETF 25%, CGDV – Capital Group Dividend Value ETF 15%; Bond (20%): American High-Income Municipal Bond Fund 10%, CGMU – Capital Group Municipal Income ETF 10%.

American Funds Tax-Aware Moderate Growth and Income Model Portfolio: Growth (10%): SMALLCAP World Fund 5%, CGGO – Capital Group Global Growth Equity ETF 5%; Growth and income (55%): Capital World Growth and Income Fund 15%, CGUS – Capital Group Core Equity ETF 15%, CGDV – Capital Group Dividend Value ETF 20%, CGDG – Capital Group Dividend Growers ETF 5%; Bond (35%): American High-Income Municipal Bond Fund 20%, CGMU – Capital Group Municipal Income ETF 15%.

American Funds Tax-Aware Conservative Growth and Income Model Portfolio: Growth and income (51%): Capital World Growth and Income Fund 15%, CGDV – Capital Group Dividend Value ETF 16%, CGDG – Capital Group Dividend Growers ETF 10%, American Mutual Fund 10%; Bond (49%): American High-Income Municipal Bond Fund 25%, CGMU – Capital Group Municipal Income ETF 20%, CGSM – Capital Group Short Duration Municipal Income ETF 4%.

American Funds Tax-Aware Moderate Income Model Portfolio: Growth and income (40%): Capital World Growth and Income Fund 10%, CGDV – Capital Group Dividend Value ETF 15%, American Mutual Fund 10%, CGDG – Capital Group Dividend Growers ETF 5%; Bond (60%): American High-Income Municipal Bond Fund 20%, CGMU – Capital Group Municipal Income ETF 25%, CGSM – Capital Group Short Duration Municipal Income ETF 10%, American Funds Short-Term Tax-Exempt Bond Fund 5%.

American Funds Tax-Aware Conservative Income Model Portfolio: Growth and income (19%): CGDG – Capital Group Dividend Growers ETF 5%, CGDV – Capital Group Dividend Value ETF 9%, American Mutual Fund 5%; Bond (81%): American High-Income Municipal Bond Fund 15%, CGMU – Capital Group Municipal Income ETF 25%, CGSM – Capital Group Short Duration Municipal Income ETF 25%, American Funds Short-Term Tax-Exempt Bond Fund 16%.

American Funds Tax-Exempt Preservation Model Portfolio: Bond (100%): Limited-Term Tax-Exempt Bond Fund of America 40%, CGSM – Capital Group Short Duration Municipal Income ETF 30%, American Funds Short-Term Tax-Exempt Bond Fund 30%.

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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 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.

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

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 Years U.S. Government/Credit A+ 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: 25% Bloomberg Municipal Bond, 50% S&P 500 and 25% MSCI ACWI ex USA indexes.

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

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

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

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

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

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 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. 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 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

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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 U.S. Aggregate Index represents the U.S. investment-grade fixed-rate bond market.

Bloomberg U.S. Corporate Investment Grade Index represents the universe of investment grade, publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity and quality requirements.

Bloomberg U.S. Corporate High Yield 2% Issuer Capped Index covers the universe of fixed-rate, non-investment-grade debt. The index limits the maximum exposure of any one issuer to 2%.

Bloomberg High Yield Municipal Bond Index is a market-value-weighted index composed of municipal bonds rated below BBB/Baa.

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

Bloomberg 1-3 Year U.S. Government/Credit 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 three years.

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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