

# American Funds Model Portfolios at Merrill

Quarterly update – Q1 2024



**CAPITAL  
GROUP®**

**AMERICAN  
FUNDS®**



## Quarterly models summary

### Key takeaways for the quarter ended March 31, 2024

- Model portfolio asset allocation remains focused on long-term goals amid increased potential for market broadening and reduced downside risk for the economy.
- Underlying fund managers continue to find a wide range of equity opportunities despite heavy levels of market concentration.
- The Custom Solutions Committee and Capital Solutions Group balance the four roles of fixed income according to specific long-term model goals.

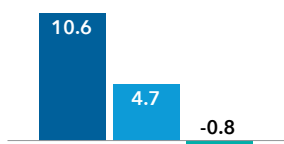
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Model portfolios are only available through registered investment advisers. This content is intended for registered investment advisers and their clients.

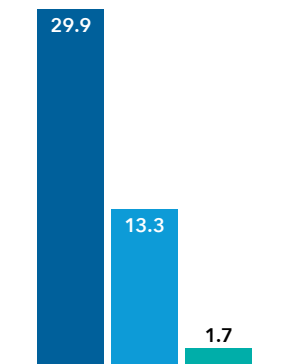
## Broad market results

Cumulative returns (%)

Q1



1-year as of 3/31/24



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

## Market review

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

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

## The four roles of fixed income

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

For example, says Queen, "in a core bond portfolio we're looking for excess return, of course, but we're also looking to make sure that it continues to play a role as an equity hedge. If there's a slowdown where equities tend to do poorly, the core bond portfolio should act like a core bond portfolio, not a high-yield portfolio where you'd expect some more volatility alongside the equity portfolio." While returns for core bond funds such as The Bond Fund of America® have been largely flat versus the Bloomberg



### Diversification from equities

When stocks struggle, owning bonds with a low correlation to equities can result in lower portfolio volatility. It also allows investors to rebalance portfolios at appropriate times in a market cycle.



### Income

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



### Capital preservation

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



### Inflation protection

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



U.S. Aggregate Index this past quarter, we continue to believe that the role of core bond allocations remains critical alongside flexible exposure to credit via funds such as American Funds® Multi-Sector Income Fund. For example, American Funds Moderately Aggressive MF Model Portfolio includes allocations to The Bond Fund of America, American Funds Multi-Sector Income Fund and American Funds® Strategic Bond Fund. The selection of funds and approach to the four roles of fixed income depends upon the model goal.

## Looking forward

As active managers, we recognize the potential for different economic and market scenarios, against a backdrop of reduced risk for severe economic downturn and uncertain timing of interest rate cuts. Underlying fund managers continue to find a wide range of opportunities, despite heavy levels of market concentration.

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

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– **Mario DiVito**  
Multi-Asset Investment Director



## Model portfolio allocation exposure

Exposure changes are based on actual model allocations, which reflect changes in the underlying funds over the periods shown.

Percent of net assets in equity as of 3/31/24.

■ \*Increased allocation by 1% or more

■ †Decreased allocation by 1% or more

Taxable models									
	Total equity	% Change 3 months	% Change 12 months	U.S. equity	% Change 3 months	% Change 12 months	Non-U.S. equities	% Change 3 months	% Change 12 months
American Funds® Aggressive MF	89.7	0.1	1.9*	66.6	0.1	3.8*	23.1	-0.1	-1.9†
American Funds® Moderately Aggressive MF	76.7	0.1	1.4*	56.7	0.4	2.8*	19.9	-0.3	-1.4†
American Funds® Moderate MF	60.1	0.8	-1.3†	43.1	0.6	-0.3	16.9	0.2	-1.0†
American Funds® Moderately Conservative MF	39.0	0.7	1.8*	29.9	0.5	1.9*	9.1	0.2	-0.1
American Funds® Conservative MF	22.3	0.4	1.0*	18.7	0.2	0.7	3.6	0.2	0.3

Tax-aware models									
	Total equity	% Change 3 months	% Change 12 months	U.S. equity	% Change 3 months	% Change 12 months	Non-U.S. equities	% Change 3 months	% Change 12 months
American Funds® Aggressive MFTA	88.4	-0.3	3.1*	64.8	-0.2	3.9*	23.6	-0.1	-0.8
American Funds® Moderately Aggressive MFTA	74.2	-0.2	0.9	55.8	-0.1	2.4*	18.3	-0.1	-1.5†
American Funds® Moderate MFTA	58.0	0.1	-4.1†	42.5	0.0	-0.7	15.5	0.1	-3.4†
American Funds® Moderately Conservative MFTA	40.3	0.1	0.8	31.6	0.2	1.2*	8.7	-0.1	-0.4
American Funds® Conservative MFTA	21.9	0.1	0.9	18.3	0.1	0.8	3.6	0.0	0.0

Multi-asset income models									
	Total equity	% Change 3 months	% Change 12 months	U.S. equity	% Change 3 months	% Change 12 months	Non-U.S. equities	% Change 3 months	% Change 12 months
American Funds® Conservative Income MF	34.9	0.7	-2.0†	25.2	0.6	-0.9	9.7	0.1	-1.2†
American Funds® Moderately Conservative Income MF	47.1	0.9	-3.0†	32.8	0.8	-1.1†	14.3	0.1	-1.9†
American Funds® Moderate Income MF	63.2	1.1*	2.4*	44.9	1.0*	2.5*	18.3	0.1	-0.1

Holdings are weighted averages of the model portfolio's underlying funds. The underlying funds are managed, so holdings will change. Cash and equivalents includes short-term securities, other assets less liabilities, and may include accrued income. It may also include investments in money market or similar funds managed by the investment adviser or its affiliates that are not offered to the public.



## Model portfolio allocation exposure

Exposure changes are based on actual model allocations, which reflect changes in the underlying funds over the periods shown.

Percent of net assets in fixed income and cash as of 3/31/24.

■ \*Increased allocation by 1% or more

■ †Decreased allocation by 1% or more

Taxable models												
	Total bond	% Change 3 months	% Change 12 months	U.S. bond	% Change 3 months	% Change 12 months	Non-U.S. bonds	% Change 3 months	% Change 12 months	Cash & equivalents	% Change 3 months	% Change 12 months
American Funds® Aggressive MF	6.2	-0.3	-0.4	4.4	-0.3	-0.4	1.9	0.0	-0.1	4.1	0.2	-1.5 <sup>†</sup>
American Funds® Moderately Aggressive MF	19.2	-0.2	-0.2	16.5	-0.3	-0.4	2.7	0.1	0.2	4.1	0.1	-1.2 <sup>†</sup>
American Funds® Moderate MF	35.5	-0.3	2.8*	29.6	-0.5	2.2*	5.9	0.2	0.6	4.5	-0.6	-1.5 <sup>†</sup>
American Funds® Moderately Conservative MF	56.3	-0.3	0.3	47.6	-0.7	-0.1	8.7	0.4	0.3	4.7	-0.4	-2.1 <sup>†</sup>
American Funds® Conservative MF	72.6	-0.1	1.1*	65.4	-0.3	1.4*	7.2	0.2	-0.3	5.1	-0.3	-2.1 <sup>†</sup>

Tax-aware models												
	Total bond	% Change 3 months	% Change 12 months	U.S. bond	% Change 3 months	% Change 12 months	Non-U.S. bonds	% Change 3 months	% Change 12 months	Cash & equivalents	% Change 3 months	% Change 12 months
American Funds® Aggressive MF	7.3	-0.1	-1.6 <sup>†</sup>	7.3	-0.1	-1.5 <sup>†</sup>	0.0	0.0	0.0	4.3	0.4	-1.5 <sup>†</sup>
American Funds® Moderately Aggressive MF	21.0	-0.2	0.7	20.9	-0.2	0.7	0.0	0.0	0.0	4.8	0.4	-1.6 <sup>†</sup>
American Funds® Moderate MF	36.4	-0.3	5.6*	36.3	-0.3	5.6*	0.0	0.0	0.0	5.7	0.2	-1.5 <sup>†</sup>
American Funds® Moderately Conservative MF	53.1	-0.6	1.8*	52.9	-0.6	1.8*	0.1	0.0	0.1	6.6	0.5	-2.7 <sup>†</sup>
American Funds® Conservative MF	70.4	-1.0 <sup>†</sup>	2.3*	70.3	-1.0 <sup>†</sup>	2.1*	0.2	0.0	0.2	7.7	0.9	-3.2 <sup>†</sup>

Multi-asset income models												
	Total bond	% Change 3 months	% Change 12 months	U.S. bond	% Change 3 months	% Change 12 months	Non-U.S. bonds	% Change 3 months	% Change 12 months	Cash & equivalents	% Change 3 months	% Change 12 months
American Funds® Conservative Income MF	60.2	-0.3	4.1*	54.2	-0.4	3.5*	6.0	0.1	0.6	4.9	-0.4	-2.0 <sup>†</sup>
American Funds® Moderately Conservative Income MF	47.7	-0.6	4.3*	41.4	-0.9	3.4*	6.2	0.3	0.9	5.2	-0.3	-1.3 <sup>†</sup>
American Funds® Moderate Income MF	31.8	-1.1 <sup>†</sup>	-1.2 <sup>†</sup>	27.2	-1.1 <sup>†</sup>	-1.1 <sup>†</sup>	4.5	0.1	-0.2	5.0	0.0	-1.1 <sup>†</sup>

## Model portfolio allocation range

Taxable models		
	Strategy ID	Estimated allocation range* (equity/fixed income % range)
American Funds® Aggressive MF	28S02452	80%-90% Equity/10%-20% Fixed Income
American Funds® Moderately Aggressive MF	28S02451	70%-80% Equity/20%-30% Fixed Income
American Funds® Moderate MF	28S02450	60%-70% Equity/30%-40% Fixed Income
American Funds® Moderately Conservative MF	28S02449	30%-40% Equity/60%-70% Fixed Income
American Funds® Conservative MF	28S02448	15%-25% Equity/75%-85% Fixed Income
Tax-aware models		
	Strategy ID	Estimated allocation range* (equity/fixed income % range)
American Funds® Aggressive MF TA	28S02457	80%-90% Equity/10%-20% Fixed Income
American Funds® Moderately Aggressive MF TA	28S02456	70%-80% Equity/20%-30% Fixed Income
American Funds® Moderate MF TA	28S02455	60%-70% Equity/30%-40% Fixed Income
American Funds® Moderately Conservative MF TA	28S02454	30%-40% Equity/60%-70% Fixed Income
American Funds® Conservative MF TA	28S02453	15%-25% Equity/75%-85% Fixed Income
Multi-asset income models		
	Strategy ID	Estimated allocation range* (equity/fixed income % range)
American Funds® Moderate Income MF	28S02347	55%-65% Equity/35%-45% Fixed Income
American Funds® Moderately Conservative Income MF	28S02346	45%-55% Equity/45%-55% Fixed Income
American Funds® Conservative Income MF	28S02345	35%-45% Equity/55%-65% Fixed Income

\*Capital Group Custom Solutions Committee does not explicitly manage to these asset allocation ranges. The ranges reflect current expectations for the portfolios' allocations. These ranges may change based on market conditions or Merrill CIO guidance.



## Model portfolio results as of March 31, 2024

For additional model results, please view the profile sheets available on the Capital Group investment managers page in Resource Central. Past results are not predictive of results in future periods.

### MAA composite results (gross and net percentage)

Taxable models								
	Strategy ID	Inception date	Type of return	QTD	YTD	1 year	3 year	Lifetime
American Funds Aggressive MF Taxable	28S02452	2/28/2021	Gross	8.5	8.5	26.0	6.4	7.5
			Net	8.0	8.0	23.9	4.4	5.5
Merrill CIO Benchmark (Aggressive MF) Taxable				7.4	7.4	21.6	6.3	7.6
American Funds Moderately Aggressive MF Taxable	28S02451	3/31/2021	Gross	6.6	6.6	20.5	6.2	6.8
			Net	6.1	6.1	18.4	4.2	4.9
Merrill CIO Benchmark (Moderately Aggressive MF) Taxable				6.0	6.0	18.1	4.9	5.5
American Funds Moderate MF Taxable	28S02450	3/31/2021	Gross	4.5	4.5	14.5	4.3	4.9
			Net	4.1	4.1	12.5	2.4	3.0
Merrill CIO Benchmark (Moderate MF) Taxable				4.5	4.5	14.4	3.4	3.7
American Funds Moderately Conservative MF Taxable	28S02449	3/31/2021	Gross	2.6	2.6	9.1	2.4	2.8
			Net	2.2	2.2	7.2	0.6	0.9
Merrill CIO Benchmark (Moderately Conservative MF) Taxable				3.0	3.0	10.9	2.0	2.2
American Funds Conservative MF Taxable	28S02448	3/31/2021	Gross	1.3	1.3	5.4	1.1	1.4
			Net	0.8	0.8	3.6	-0.7	-0.5
Merrill CIO Benchmark (Conservative MF) Taxable				1.8	1.8	8.1	1.1	1.1

Past results are not predictive of results in future periods.

Performance data shows MAA Composite Performance results. Merrill Lynch is responsible for the calculation of these results.

**MAA Composites:** The MAA Composite performance results represent the actual performance of all unconstrained accounts managed by MAA in this Strategy that have enrolled in the Merrill Lynch Investment Advisory Program (IAP) as well as in other Merrill or Merrill affiliated investment advisory programs that meet the criteria set by MAA for inclusion in the MAA Composite performance calculation. The MAA Composite performance results shown, if any, are affected by the methodology used by MAA to select accounts and also by the size and number of accounts in the MAA Composite, which can vary.

**Gross/Net Performance Results:** Performance results are shown 'gross' or '(before fees)' which reflects the performance before the deduction of the Program Fee. Performance results are also shown 'net' or '(after fees)' which reflects the performance after the deduction of the Program Fee based on the maximum rate then in effect for the period shown for the Program and the maximum Style Manager Expense Rate charged for the Strategy, as reflected in the Strategy Profile. This maximum rate may differ from the actual rate agreed to by the client for IAP services and investment in the Style Manager Strategy. The return on investment for your client's Account will be reduced by the deduction of the Program Fee they pay. The compound impact on Composite performance of the deduction of fees is determined by the account size, the amount of the fee, the time period, and the gross investment performance.

The net of fee performance information shown for the Strategy for the period from May 1, 2022, to the date of this Profile is calculated using the maximum Program Fee of 1.75%, which is based on the maximum Style Manager Expense Rate (is applicable) in effect during the period and the maximum Merrill Lynch Fee Rate of 1.75%. The net of fee performance information shown for prior past periods is calculated based on the Style Manager Expense Rate then in effect plus the maximum Merrill Lynch Fee rate then in effect for the periods indicated as follows: (i) 2.00% rate in effect for the period from January 1, 2019, to April 30, 2022; (ii) 2.20% rate in effect from February 1, 2017 to January 1, 2019; and (iii) 2.70% rate in effect for the period prior to January 31, 2017.

For more information on the Merrill CIO benchmarks refer to page 9.

## Model portfolio results as of March 31, 2024

For additional model results, please view the profile sheets available on the Capital Group investment managers page in Resource Central. Past results are not predictive of results in future periods.

MAA composite results (gross and net percentage).

Tax-aware models								
	Strategy ID	Inception date	Type of return	QTD	YTD	1 year	3 year	Lifetime
American Funds Aggressive MF Tax-Aware	28S02457	11/30/2021	Gross	8.7	8.7	26.5	—	3.1
			Net	8.2	8.2	24.3	—	1.3
Merrill CIO Benchmark (Aggressive MF Tax-Aware)				7.4	7.4	21.6	—	3.9
American Funds Moderately Aggressive MF Tax-Aware	28S02456	5/31/2021	Gross	7.2	7.2	22.4	—	5.4
			Net	6.7	6.7	20.3	—	3.4
Merrill CIO Benchmark (Moderately Aggressive MF Tax-Aware)				6.0	6.0	18.2	—	4.4
American Funds Moderate MF Tax-Aware	28S02455	4/30/2021	Gross	5.5	5.5	17.5	5.0	5.0
			Net	5.1	5.1	15.4	3.1	3.1
Merrill CIO Benchmark (Moderate MF Tax-Aware)				4.6	4.6	14.9	4.3	4.3
American Funds Moderately Conservative MF Tax-Aware	28S02454	5/31/2021	Gross	3.6	3.6	11.6	—	3.1
			Net	3.2	3.2	9.7	—	1.3
Merrill CIO Benchmark (Moderately Conservative MF Tax-Aware)				3.2	3.2	11.7	—	2.0
American Funds Conservative MF Tax-Aware	28S02453	6/30/2022	Gross	1.8	1.8	6.8	—	3.9
			Net	1.3	1.2	4.9	—	2.1
Merrill CIO Benchmark (Conservative MF Tax-Aware)				1.8	1.8	8.3	—	4.4

Multi-asset income models								
	Strategy ID	Inception date	Type of return	QTD	YTD	1 year	3 year	Lifetime
American Funds Conservative Income MF	28S02345	12/31/2020	Gross	1.7	1.7	6.2	1.6	2.4
			Net	1.3	1.3	4.3	-0.2	0.6
Merrill CIO Benchmark (Conservative Income MF)				1.8	1.8	8.1	1.1	1.3
American Funds Moderately Conservative Income MF	28S02346	12/31/2020	Gross	3.2	3.2	10.0	3.4	4.7
			Net	2.7	2.7	8.1	1.5	2.7
Merrill CIO Benchmark (Moderately Conservative Income MF)				3.0	3.0	10.9	2.0	2.7
American Funds Moderate Income MF	28S02347	12/31/2020	Gross	4.8	4.8	14.1	5.0	4.6
			Net	4.4	4.4	12.1	3.1	4.0
Merrill CIO Benchmark (Moderate Income MF)				4.5	4.5	14.4	3.4	2.0

## Market index results as of March 31, 2024

Index name	Cumulative total returns (%)			Average annual total returns (%)		
	QTD	YTD	1 year	3 years	5 years	10 years
Bloomberg U.S. Aggregate Index	-0.78	-0.78	1.7	-2.46	0.36	1.54
MSCI All Country World Index (ACWI) ex USA	4.69	4.69	13.26	1.94	5.97	4.25
S&P 500 Index	10.56	10.56	29.88	11.49	15.05	12.96



## Important information

### Merrill CIO Benchmarks (pages 7-8)

The Merrill CIO Benchmarks, referred to as Style Indexes at Merrill, provide a reasonably relevant market comparison to the performance of the Strategy. Merrill selects either a single market index or customizes the Style Index. For a Style Index customized by Merrill, its performance is derived from the performance of the two or more indexes identified according to the percentage allocations noted. The Merrill CIO Benchmarks and their respective weightings are as follows:

**Aggressive MF:** 31% Russell 1000 Value Index, 27% Russell 1000 Growth Index, 16% MSCI All Country World Index (ACWI) ex USA (Net), 9% MSCI Emerging Markets Index (Net), 5% ICE BofA US Corporate Master Index, 4% Russell 2000 Growth Index, 4% Russell 2000 Value Index, 3% ICE BofA Government Master, 1% ICE BofA Treasury Bill LOC TR.

**Aggressive MF TA:** 31% Russell 1000 Value Index, 27% Russell 1000 Growth Index, 16% MSCI All Country World Index (ACWI) ex USA (Net), 9% MSCI Emerging Markets Index (Net), 7% BBG BC Capital Municipal Bond Index, 4% Russell 2000G, 4% Russell 2000V, 1% BBG BC Capital Municipal High Yield Index, 1% ICE BofA US Treasury Bill LOC TR.

**Conservative MF, Conservative Income MF:** 22% ICE BofA Global Broad Market ex USD TR Hedged, 17% ICE BofA Government Master, 17% ICE BofA US Corporate Master, 12% ICE BofA Mortgage Master Index, 8% Russell 1000 Value Index, 7% Russell 1000 Growth Index, 5% ICE BofA US Treasury Bill LOC TR, 5% MSCI All Country World Index (ACWI) ex USA (Net), 3% ICE BofA High Yield Master Cash Only, 2% MSCI Emerging Markets Index (Net), 1% Russell 2000 Growth Index, 1% Russell 2000 Value Index.

**Conservative MF TA:** 28% BBG BC Capital Municipal Bond Index, 17% ICE BofA Global Broad Market ex USD TR Hedged, 9% ICE BofA Government Master, 8% Russell 1000 Value Index, 7% ICE BofA US Corporate Master Index, 7% Russell 1000 Growth Index, 5% ICE BofA Mortgage Master Index, 5% ICE BofA US Treasury Bill LOC TR, 4% BBG BC Capital Municipal High Yield Index, 4% MSCI All Country World Index (ACWI) ex USA (Net), 3% ICE BofA High Yield Master Cash Only, 1% MSCI Emerging Markets Index (Net), 1% Russell 2000 Growth Index, 1% Russell 2000 Value Index.

**Moderately Aggressive MF:** 26% Russell 1000 Value Index, 22% Russell 1000 Growth Index, 14% MSCI All Country World Index (ACWI) ex USA (Net), 11% ICE BofA US Corporate Master Index, 8% ICE BofA Government Master Index, 7% MSCI Emerging Markets Index (Net), 3% ICE BofA Mortgage Master Index, 3% Russell 2000 Growth Index, 3% Russell 2000 Value Index, 1% ICE BofA Global Broad Market ex USD TR Hedged, 1% ICE BofA High Yield Master Cash Only, 1% ICE BofA US Treasury Bill LOC TR.

**Moderately Aggressive MF TA:** 26% Russell 1000 Value Index, 22% BBG BC Capital Municipal Bond Index, 22% Russell 1000 Growth Index, 13% MSCI All Country World Index (ACWI) ex USA (Net), 7% MSCI Emerging Markets Index (Net), 3% BBG BC Capital Municipal High Yield Index, 3% Russell 2000 Growth Index, 3% Russell 2000 Value Index, 1% ICE BofA US Treasury Bill LOC TR.

**Moderately Conservative MF, Moderately Conservative Income MF:** 17% ICE BofA Government Master Index, 16% ICE BofA US Corporate Master Index, 14% Russell 1000 Value Index, 13% ICE BofA Mortgage Master Index, 12% Russell 1000 Growth Index, 10% ICE BofA Global Broad Market ex USD TR Hedged, 8% MSCI All Country World Index (ACWI) ex USA (Net), 4% MSCI Emerging Markets Index (Net), 3% ICE BofA High Yield Master Cash Only, 1% ICE BofA US Treasury Bill LOC TR, 1% Russell 2000 Growth Index, 1% Russell 2000 Value Index.

**Moderately Conservative MF TA:** 34% BBG BC Capital Municipal Bond Index, 14% ICE BofA Global Broad Market ex USD TR Hedged, 14% Russell 1000 Value Index, 12% Russell 1000 Growth Index, 8% MSCI All Country World Index (ACWI) ex USA (Net), 4% BBG BC Capital Municipal High Yield Index, 4% ICE BofA US Corporate Master Index, 4% MSCI Emerging Markets Index (Net), 2% ICE BofA Mortgage Master Index, 1% ICE BofA High Yield Master Cash Only, 1% ICE BofA US Treasury Bill LOC TR, 1% Russell 2000 Growth Index, 1% Russell 2000 Value Index.

**Moderate MF, Moderate Income MF:** 20% Russell 1000 Value Index, 17% Russell 1000 Growth Index, 13% ICE BofA US Government Master Index, 13% ICE BofA US Corporate Master, 11% MSCI All Country World Index (ACWI) ex USA (Net), 10% ICE BofA Mortgage Master Index, 6% MSCI Emerging Markets Index (Net), 3% ICE BofA Global Broad Market ex USD TR Hedged, 2% ICE BofA High Yield Master Cash Only, 2% Russell 2000 Growth Index, 2% Russell 2000 Value Index, 1% ICE BofA US Treasury Bill LOC TR.

**Moderate MF TA:** 35% BBG BC Capital Municipal Bond Index, 20% Russell 1000 Value Index, 17% Russell 1000 Growth Index, 11% MSCI All Country World Index (ACWI) ex USA (Net), 6% MSCI Emerging Markets Index (Net), 4% BBG BC Capital Municipal High Yield Index, 2% Russell 2000 Growth Index, 2% Russell 2000 Value Index, 1% ICE BofA Global Broad Market ex USD TR Hedged, 1% ICE BofA High Yield Master Cash Only, 1% ICE BofA US Treasury Bill LOC TR.

The Style Index is unmanaged and is not subject to management fees and other expenses. Securities contained in the Style Index will vary from those in the strategies list or in the client account. It is not possible to invest directly in a Style Index. There may have been periods when the model portfolios lagged the Style Index.

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Past results are not predictive of results in future periods.

Investment results reflect realized and unrealized appreciation and the reinvestment of dividends and interest. Taxes have not been deducted.

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.

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.

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The indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Bloomberg U.S. Aggregate Index represents the U.S. investment-grade fixed-rate bond market. This index is unmanaged, and its 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.

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%. This index is unmanaged, and its results include reinvested distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

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. This index is unmanaged, and its results include reinvested dividends and/or distributions but do not reflect the effect of sales charges, commissions, account fees, expenses or U.S. federal income taxes.

S&P 500 Index is a market-capitalization-weighted index based on the results of approximately 500 widely held common stocks. This index is unmanaged, and its 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.

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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.

The Russell 2000 Index is a small-cap U.S. stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index.

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