

Asymmetric risk advantage

Equity investments | Class F-2



Finding managers with an asymmetric advantage



A portfolio that considers multiple risk factors can increase the probability for more consistent results

We normally think of risk and return as equal and paired tradeoffs in an investment decision: If we want to achieve a greater return, we must accept greater risk. Alternatively, some investment strategies may offer asymmetric returns – a scenario in which the upside potential exceeds the downside risk.

But how can we identify funds that have consistently achieved higher returns than peers or their benchmarks and have done so at reduced risk levels, as measured by volatility?

We believe there are traditional and non-traditional risk measures that can help identify actively managed equity funds that have consistently delivered this **asymmetric advantage** for investors.

We provide a roadmap to examine risk and help mitigate it through:



1. Traditional risk metrics
such as Sharpe ratio,
standard deviation,
upside/downside
capture, etc.



2. A lens on asymmetric risk and returns
showing the importance
of success rates and
magnitude of results
relative to indexes



3. A set of intuitive screens
to help select
active funds that stand
out from their peers,
as well as from their
benchmarks

Putting these insights together can be impactful for equity investors by offering a framework to select active funds that have demonstrated an asymmetric advantage.

Unless otherwise noted, 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. Share 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, visit capitalgroup.com.

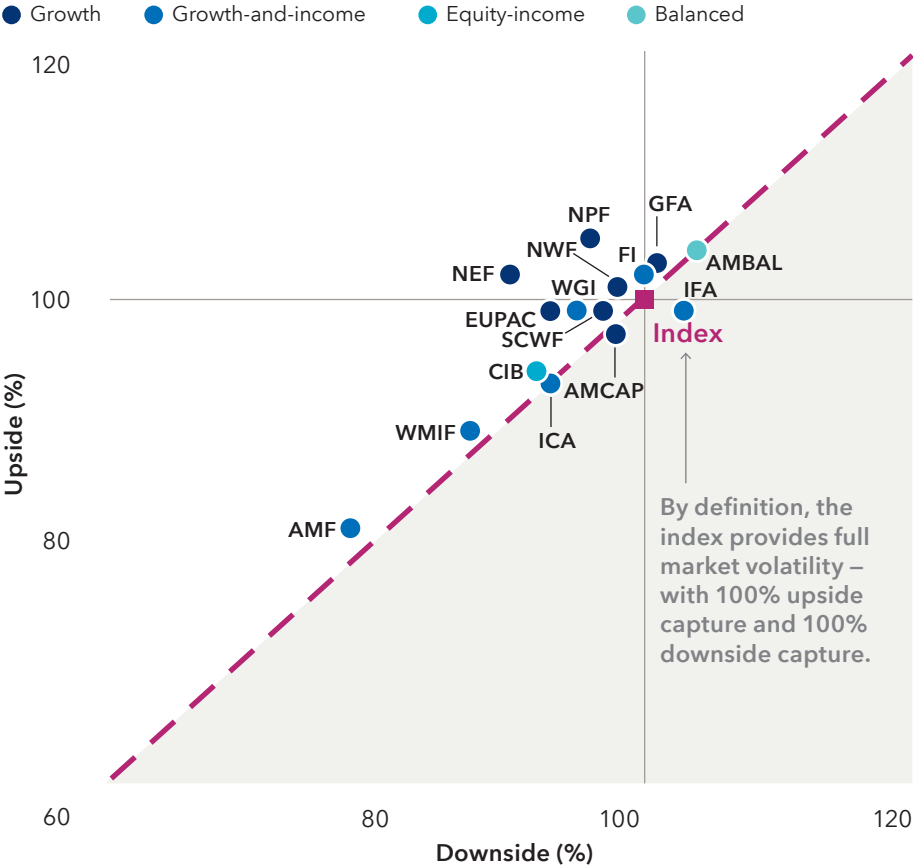
Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

A traditional measure of asymmetric risk: Assessing upside and downside capture

One way to assess asymmetric risk is to examine a fund’s **upside** and **downside capture**, relative to the index, which is illustrated by the dotted line in the chart below.

There are funds that may lag their benchmark in extended positive periods, but by losing less than their benchmarks in negative periods, some funds can offer an asymmetric advantage.

20-year capture ratios of American Funds equity-focused funds (Class F-2 shares)



11 out of 15 of our equity-focused funds shown here have 20-year downside capture ratios less than 100%, with a **95%** average downside capture across all 15 funds

American Funds
Objective-based strategies designed with varying levels of risk and often including a secondary objective such as income or capital preservation.

Indexing strategy
Designed to track the index in up or down markets. It is not designed to outpace its benchmark.

Upside capture: Measures a fund’s results in positive market periods relative to its benchmark; greater than 100% is better.

Downside capture: Measures a fund’s results in negative market periods relative to its benchmark; less than 100% is better.

Source: Capital Group. As of December 31, 2023. Funds without a 20-year history were excluded from analysis. Refer to page 9 for the full names of the funds and a list of the indexes used for comparison with each fund.

The information in relation to the index is provided for context and illustration only.

Refer to page 11 for a more detailed explanation of asymmetric risk.

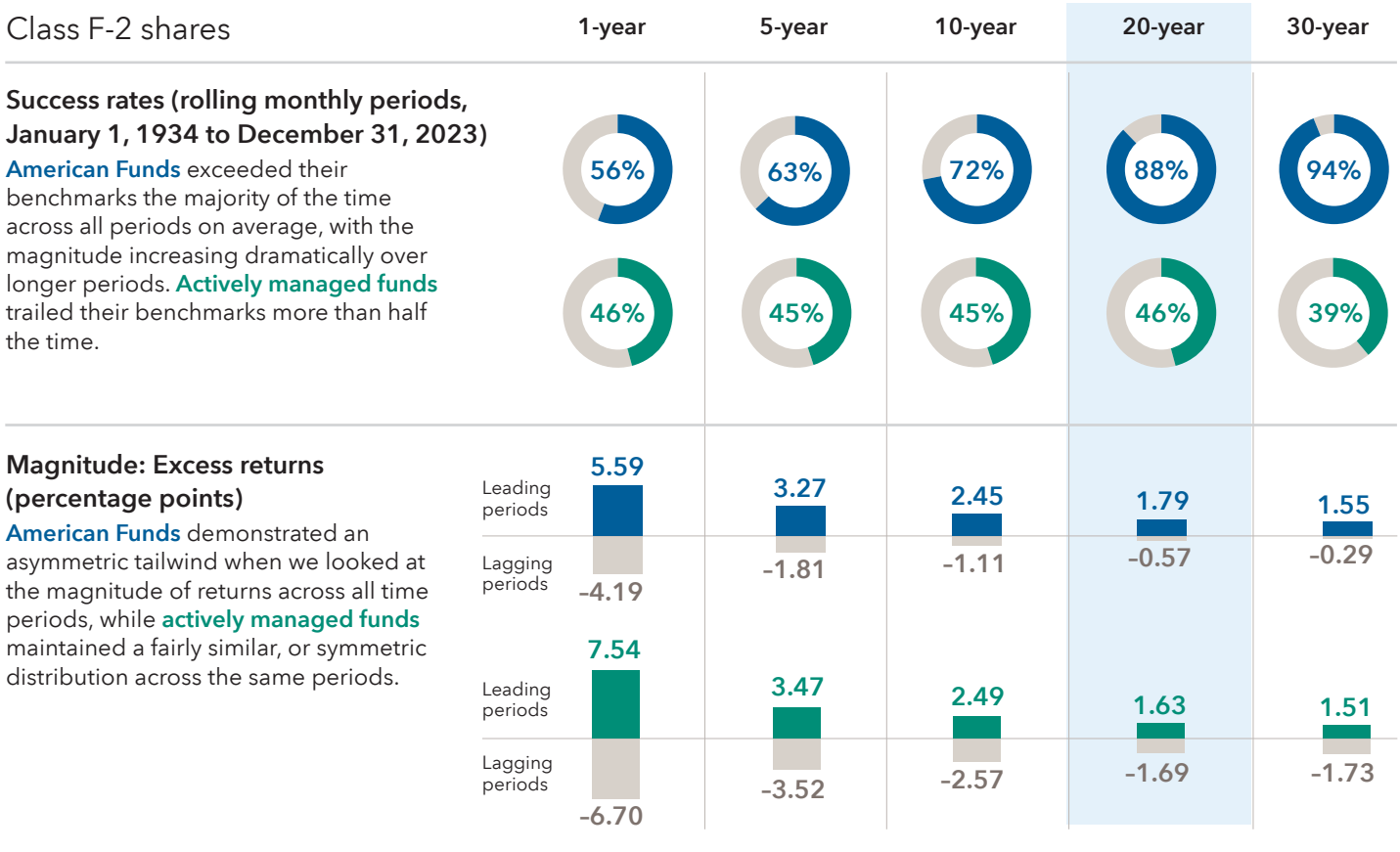
Past results are not predictive of results in future periods.

Looking beyond upside and downside capture: Consistency and magnitude are key

Assessing a fund's asymmetric risk and returns can help investors gauge how it may perform over longer-term periods. To do this, we look at the consistency with which it beat the benchmark (success rate) and the strength of its relative gains (magnitude of excess returns).

Equity-focused mutual funds: ■ American Funds vs. ■ Actively managed funds

Here's a look at success rates and magnitude of excess returns over time.



Asymmetric returns

To determine asymmetric return, we use the formula shown at right. The 20-year asymmetric return for **American Funds** outpaced **actively managed funds** by 166 basis points.

$$\left(\begin{matrix} \text{Success} \\ \text{rate} \end{matrix} \times \begin{matrix} \text{Magnitude} \\ \text{of relative} \\ \text{excess returns} \end{matrix} \right) - \left(\begin{matrix} \text{Lag} \\ \text{rate} \end{matrix} \times \begin{matrix} \text{Magnitude} \\ \text{of relative} \\ \text{losses} \end{matrix} \right)$$

$$\left(88\% \times 1.79 \right) - \left(12\% \times 0.57 \right) = 1.50$$

$$\left(46\% \times 1.63 \right) - \left(54\% \times 1.69 \right) = -0.16$$

} +166 bps

Sources: Capital Group, Morningstar. "Actively managed funds" data represents all actively managed, single-strategy, retail mutual funds (excluding American Funds) with the same primary prospective benchmarks and/or Morningstar category with one or more of American Funds' equity-focused mutual funds. Funds were considered actively managed if they were not classified by Morningstar as index funds. "American Funds" data represents our 20 equity-focused mutual funds. Additional details about the fund universe, American Funds, their primary benchmarks and Morningstar categories as well as asymmetric risk can be found on pages 10 and 11.

Totals may not reconcile due to rounding.

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

Past results are not predictive of results in future periods.

Three screens can help uncover funds that have delivered strong, long-term outcomes

The American Funds aren't the only actively managed funds that have offered an asymmetric advantage for investors. To help narrow the field, Capital Group has spent years researching factors that have contributed to better-than-peer and better-than-benchmark results.

This research identified three screens – **strong downside capture**, **lower fees** and **higher firm manager ownership** – that have enhanced outcomes consistently across every asset class, every time period and every market environment that we examined.

	U.S. Large Cap	Foreign Large Cap	World Stock Large	Emerging Markets	World Stock Small/Mid Cap	Moderate Allocation	World Allocation
Morningstar active funds universe ¹	2,509	735	487	402	50	500	133
Rolling 10-year success rates ²	14%	48%	44%	23%	30%	10%	29%
Strong downside capture	1,027	315	192	161	21	216	61
Lower fees	254	157	96	80	11	107	30
High firm manager ownership	245	157	93	78	10	108	30
Screened active funds	52	71	51	45	6	62	13
Rolling 10-year success rates ^{2,3}	52%	82%	100%	66%	44%	48%	68%

90% of our equity-focused American Funds passed all three screens

- Screen one**
 Strong downside capture
 Funds that have exhibited **strong downside capture** versus peers over a rolling three-year period
- Screen two**
 Lower fees
 Funds that have fees in the **least expensive quartile** versus their peers
- Screen three**
 High firm manager ownership
 Funds managed by portfolio managers with the **highest quartile of firm manager ownership** in their fund

¹ Morningstar universe of active funds uses an asset-weighted methodology. This method can increase comparability between funds as compared to an equal-weighting methodology. Refer to page 10 for methodology details.

² Success rates are calculated for rolling 10-year periods on a monthly basis from 1/1/1996 to 12/31/2023.

³ Results reflect funds within the specified Morningstar category that met the combined low expense ratio, strong downside capture and high firm manager ownership screens. Not all individual funds beat their benchmark.

Refer to page 10 for indexes used to calculate the success rates for the different categories.

Sources: Capital Group, Morningstar as of December 31, 2023. Screens were based on historical fund performance in comparison with peer median. Best downside capture was defined as top 50%. Lowest expense ratio and highest firm manager ownership were defined as top 25% for the U.S. Large Cap category (owing to its larger sample size) and top 50% for the other categories. Past results are not predictive of results in future periods.

Real-world scenarios for real-world investors:

How the three screens have impacted investor outcomes

These three intuitive screens added significant value when applied to U.S. large cap and foreign large cap strategies, identifying funds that delivered higher results with lower risk metrics over the last 25-plus years. The American Funds portfolio fared even better with the highest return.

Hypothetical portfolios (1/1/1996-12/31/2023)

	50% U.S. Large Cap: S&P 500	50% U.S. Large Cap: 52 funds	50% U.S. Large Cap: 6 funds
	50% Foreign Large Cap: MSCI All Country World ex USA Index	50% Foreign Large Cap: 71 funds	50% Foreign Large Cap: 2 funds
Annualized results	Index blend	Screened active	American Funds
Average annual return	7.43%	8.12%	8.98%
Standard deviation	15.55%	14.44%	14.53%
Sharpe ratio	0.40	0.46	0.51
Alpha	0.00%	0.97%	1.76%
Beta	1.00	0.92	0.92

The screening process also worked equally well in moderate allocation and world allocation strategies over the last 25-plus years. This cohort outperformed with lower risk, and the American Funds portfolio had the highest return.

Hypothetical portfolios (1/1/1996-12/31/2023)

	60% Equity: MSCI All Country World Index	50% Moderate Allocation: 62 funds	50% Moderate Allocation: 2 funds
	40% Bond: Bloomberg Global Aggregate Index	50% World Allocation: 13 funds	50% World Allocation: 2 funds
Annualized results	Index blend	Screened active	American Funds
Average annual return	5.88%	7.04%	7.93%
Standard deviation	10.45%	9.08%	9.72%
Sharpe ratio	0.39	0.55	0.61
Alpha	0.00%	1.67%	2.42%
Beta	1.00	0.82	0.86

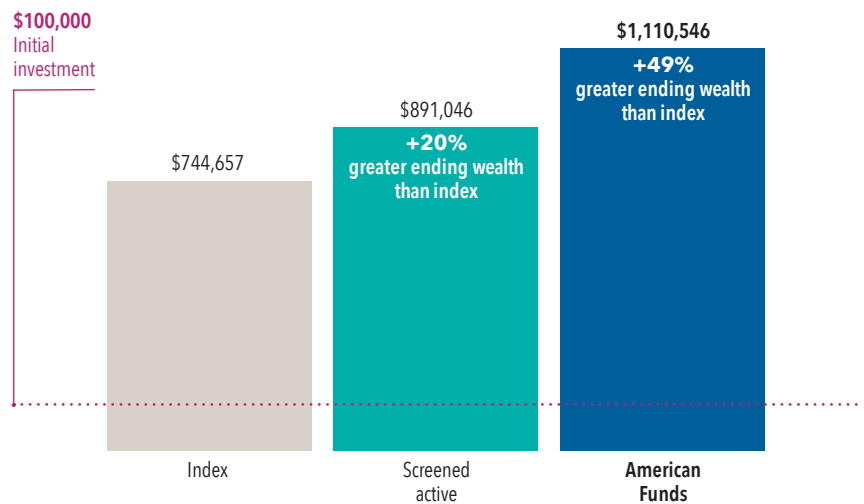
Sources: Capital Group, Morningstar. U.S. Large Cap uses top quartile expense ratio and ownership after top 50% downside capture filter. Foreign Large Cap, Moderate Allocation and World Allocation use top 50% expense ratio, top 50% ownership after top 50% downside capture filter. American Funds U.S. Large Cap funds include AMCAP Fund, American Mutual Fund, Fundamental Investors, The Growth Fund of America, The Investment Company of America and Washington Mutual Investors Fund. American Funds Foreign Large Cap funds include EuroPacific Growth Fund and American Funds International Vantage Fund. American Funds Moderate Allocation funds include The Income Fund of America and American Balanced Fund. American Funds World Allocation funds include Capital Income Builder and American Funds Global Balanced Fund.

Past results are not predictive of results in future periods.

American Funds would have offered greater wealth in accumulation

While screened active funds would have resulted in 20% greater ending wealth than their index, the American Funds portfolio would have been more than double that with 49% greater wealth over the same time period.

Hypothetical example: A 40-year-old started an investment plan with a \$100,000 lump-sum investment in a 50% U.S. Large Cap/50% Foreign Large Cap portfolio and held it until age 68. 1/1/1996–12/31/2023



There may have been periods when the fund(s) lagged the index(es). Market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Sources: Capital Group, Morningstar. Time period from 1/1/1996 to 12/31/2023. Index consists of S&P 500 and MSCI ACWI ex USA. Screened active consists of 50% U.S. Large Cap and 50% Foreign Large Cap portfolio with funds that have both the lowest quartile expenses and highest quartile firm manager ownership. American Funds consists of a 50% U.S. Large Cap and 50% Foreign Large Cap portfolio of American Funds that qualified for the screened equity core. American Funds U.S. Large Cap funds include AMCAP Fund, American Mutual Fund, Fundamental Investors, The Growth Fund of America, The Investment Company of America, and Washington Mutual Investors Fund. American Funds Foreign Large Cap funds include EuroPacific Growth Fund and American Funds International Vantage Fund. The funds in the hypothetical portfolio were equal weighted at the beginning of the period and rebalanced monthly. New funds that inceptioned during the period and funds that went obsolete (merged or liquidated) during the period were included or excluded in the monthly rebalance, respectively.

Past results are not predictive of results in future periods.



“Our multiple manager approach, The Capital System™, was designed to better manage risk even before formal risk management systems were a thing. Our entire culture of risk management is designed to support that system and is evident in everything that we do, from recruiting to compensation to remaining private and even to our governance structure. What we know is that managing risk and volatility is critical to investor confidence and the long-term investment success of our clients.”

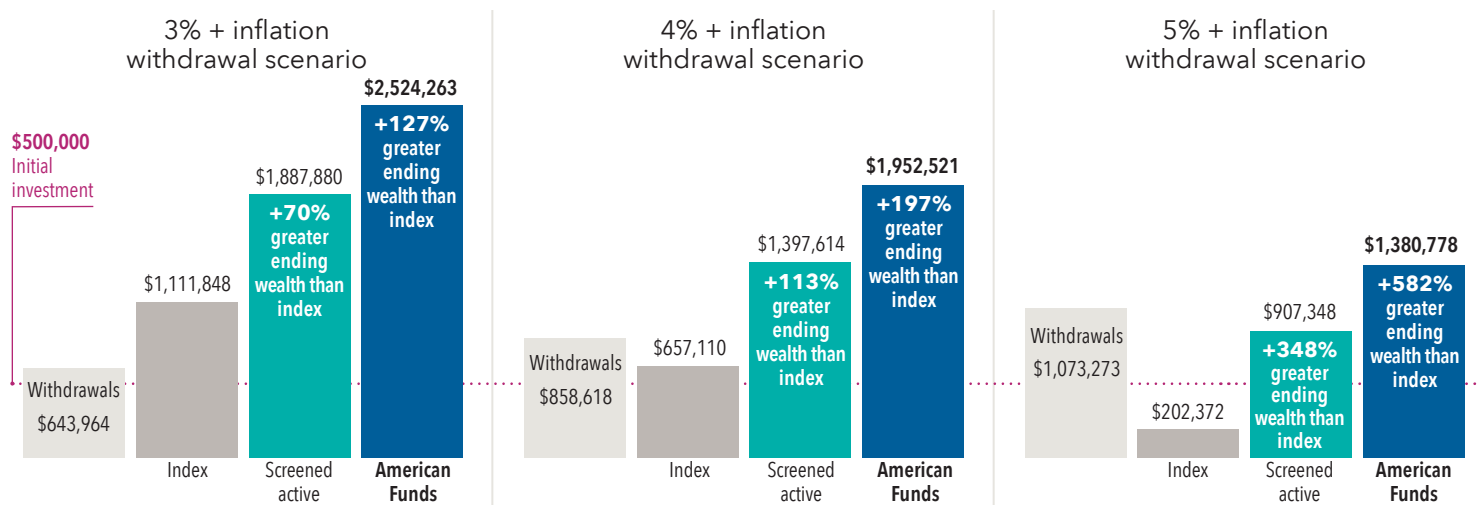
ROB LOVELACE
Portfolio manager

In typical withdrawal scenarios, we would have provided even greater ending wealth

Active funds that passed the three screens would have provided between 70% and 348% greater wealth compared to their index, while the American Funds would have provided between 127% and 582% greater wealth.

Return of a hypothetical \$500,000 initial investment, assuming an initial percentage withdrawal rate, increasing by 3% each year thereafter for inflation, for a 50% Moderate Allocation/50% World Allocation portfolio.

1/1/1996-12/31/2023



There may have been periods when the fund(s) lagged the index(es). Market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Sources: Capital Group, Morningstar. Index consists of 60% MSCI All Country World Index and 40% Bloomberg Global Aggregate Index. Screened active and American Funds consist of 50% Moderate Allocation and 50% World Allocation. American Funds Moderate Allocation funds include The Income Fund of America and American Balanced Fund. American Funds World Allocation funds include Capital Income Builder and American Funds Global Balanced Fund. World Allocation and Moderate Allocation use top 50% expense ratio and top 50% ownership after top 50% downside capture filter. The funds in the hypothetical portfolio were equal weighted at the beginning of the period and rebalanced monthly. New funds that inception during the period and funds that went obsolete (merged or liquidated) during the period were included or excluded in the monthly rebalance, respectively.

Past results are not predictive of results in future periods.



What this means for investors

These differences can be impactful for retirees. Excess returns can provide flexibility to deal with inflation and unexpected health care expenses. Building additional wealth over time can help retirees confidently balance living, lifestyle, emergency and legacy goals.

Investment results

Results for periods ended September 30, 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. Share 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, visit capitalgroup.com.

Class F-2 shares	Inception date	Cumulative total returns (%)		Average annual total returns (%)			Expense ratio (%)	20-year capture ratios (%)	
		1 year	5 years	10 years	Lifetime	Upside		Downside	
S&P 500 Index		36.35	15.98	13.38	–	–	–	–	
AMCAP Fund® (AMCAP)	5/1/67	36.04	13.33	11.32	11.78	0.45	97.0	99.0	
American Mutual Fund® (AMF)	2/21/50	28.85	11.44	10.43	11.72	0.38	81.0	78.0	
Fundamental Investors® (FI)	8/1/78	37.46	14.92	12.38	12.73	0.38	101.0	100.0	
The Growth Fund of America® (GFA)	12/1/73	40.79	16.66	13.72	13.94	0.40	103.0	101.0	
The Investment Company of America® (ICA)	1/1/34	39.18	16.00	12.07	12.40	0.37	93.0	93.0	
Washington Mutual Investors Fund (WMIF)	7/31/52	32.64	13.94	11.94	12.15	0.37	89.0	87.0	
MSCI All Country World (ACWI) Index		31.76	12.19	9.39	–	–	–	–	
Capital World Growth and Income Fund® (WGI)	3/26/93	30.09	11.17	8.66	10.54	0.52	98.0	95.0	
The New Economy Fund® (NEF)	12/1/83	38.06	12.94	11.51	11.62	0.52	103.0	90.0	
New Perspective Fund® (NPF)	3/13/73	31.57	13.74	11.65	12.46	0.52	105.0	95.0	
New World Fund® (NWF)	6/17/99	24.50	8.26	6.8	8.08	0.68	100.0	98.0	
MSCI ACWI ex USA Index		25.35	7.59	5.22	–	–	–	–	
EuroPacific Growth Fund® (EUPAC)	4/16/84	24.60	7.41	6.15	10.21	0.57	99.0	93.0	
International Growth and Income Fund (IGI)	10/1/08	22.02	7.46	4.96	6.89	0.65	–	–	
MSCI ACWI Small Cap Index		24.62	9.40	7.81	–	–	–	–	
SMALLCAP World Fund® (SCWF)	4/30/90	21.32	8.71	8.76	9.62	0.77	100.0	97.0	
MSCI EAFE (Europe, Australasia, Far East) Index		24.77	8.20	5.71	–	–	–	–	
American Funds® International Vantage Fund (IVE)	4/1/11	23.36	8.18	6.83	6.33	0.65	–	–	
MSCI Emerging Markets Index		26.05	5.75	4.02	–	–	–	–	
American Funds® Developing World Growth and Income Fund (DWGI)	2/3/14	20.95	4.03	2.39	3.17	0.86	–	–	
MSCI World Index		32.43	13.04	10.07	–	–	–	–	
American Funds® Global Insight Fund (GIF)	4/1/11	26.94	10.41	9.31	9.16	0.56	–	–	
70% MSCI ACWI/30% Bloomberg U.S. Aggregate		25.43	8.75	7.28	–	–	–	–	
Capital Income Builder® (CIB)	7/30/87	24.35	7.78	6.20	8.93	0.38	94.0	92.0	
65% S&P 500/35% Bloomberg U.S. Aggregate		27.24	10.56	9.46	–	–	–	–	
The Income Fund of America® (IFA)	12/1/73	23.22	8.39	7.34	10.72	0.37	97.0	103.0	
60% S&P 500/40% Bloomberg U.S. Aggregate		25.98	9.78	8.89	–	–	–	–	
American Balanced Fund® (AMBAL)	7/26/75	26.13	9.53	8.66	10.64	0.35	103.0	105.0	
60% MSCI ACWI/40% Bloomberg Global Aggregate		23.57	7.03	5.98	–	–	–	–	
American Funds® Global Balanced Fund (GBAL)	2/1/11	23.30	7.15	5.54	6.41	0.59	–	–	

Investment results assume all distributions are reinvested and reflect applicable fees and expenses. Expense ratios are as of each fund's prospectus available at the time of publication. When applicable, results reflect fee waivers and/or expense reimbursements, without which they would have been lower. Visit capitalgroup.com for more information.

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. Visit capitalgroup.com for more information on specific expense adjustments and the actual dates of first sale. For American Funds Global Insight Fund and American Funds International Vantage Fund, Class F-2 shares were first offered on November 8, 2019. 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 funds, adjusted for typical estimated expenses. Visit capitalgroup.com for more information on specific expense adjustments and the actual dates of first sale.

Important information

Rolling 10-year success rates (Class F-2 shares)

Annual results for monthly rolling 10-year periods, 12/31/1999-12/31/2023	Average annual fund return	Average annual index return	Number of periods fund led index	Percentage of periods fund led index
S&P 500 Index				
AMCAP Fund	9.37%	8.89%	122 of 169	72%
American Mutual Fund	8.59	8.89	69 of 169	41
Fundamental Investors	9.50	8.89	94 of 169	56
The Growth Fund of America	9.62	8.89	138 of 169	82
The Investment Company of America	8.43	8.89	42 of 169	25
Washington Mutual Investors Fund	8.73	8.89	41 of 169	24
MSCI All Country World (ACWI) Index				
Capital World Growth and Income Fund	8.18	6.68	126 of 169	75
The New Economy Fund	9.90	6.68	149 of 169	88
New Perspective Fund	9.33	6.68	169 of 169	100
New World Fund	8.23	6.68	89 of 169	53
MSCI ACWI ex USA Index				
EuroPacific Growth Fund	6.72	5.11	169 of 169	100
International Growth and Income Fund	5.66	5.13	60 of 63	95
MSCI ACWI Small Cap Index				
SMALLCAP World Fund	9.17	8.78	114 of 169	67
MSCI EAFE (Europe, Australasia, Far East) Index				
American Funds International Vantage Fund	6.68	5.51	33 of 33	100
MSCI World Index				
American Funds Global Insight Fund	9.65	9.92	4 of 33	12
70% MSCI ACWI/30% Bloomberg U.S. Aggregate				
Capital Income Builder	6.64	6.20	88 of 169	52
65% S&P 500/35% Bloomberg U.S. Aggregate				
The Income Fund of America	7.52	7.46	66 of 169	39
60% S&P 500/40% Bloomberg U.S. Aggregate				
American Balanced Fund	7.98	7.24	160 of 169	95
60% MSCI ACWI/40% Bloomberg Global Aggregate				
American Funds Global Balanced Fund	6.05	5.86	20 of 35	83

Results for American Funds Global Insight Fund, American Funds International Vantage Fund, International Growth and Income Fund and American Funds Global Balanced Fund are since each fund's inception on 4/1/11, 4/1/11, 10/1/08 and 2/1/11, respectively. American Funds Developing World Growth and Income Fund is not included because it has less than 10 years of results.

Past results are not predictive of future results.

METHODOLOGY

Fund universe: The American Funds in our analysis included our 20 equity-focused mutual funds (listed below). The other equity-focused funds included all actively managed, single-strategy, retail mutual funds that share a primary prospectus benchmark and/or Morningstar category with one or more of American Funds' equity-focused mutual funds. Funds were considered actively managed if they were not classified by Morningstar as index funds.

Survivorship: Exhibits with time periods starting 1996 or later correct for survivorship bias by including the return and expense history of funds that have merged or closed. Exhibits with time periods before 1996 reflect either live funds only or a combination of both data types (live funds only and survivorship bias free).

American Funds and index comparisons: The 20 American Funds equity-focused funds used in our analysis (and the relevant indexes/index blends to which they were compared) are: AMCAP Fund, American Mutual Fund, Fundamental Investors, The Growth Fund of America, The Investment Company of America and Washington Mutual Investors Fund (S&P 500); Capital World Growth and Income Fund, The New Economy Fund, New Perspective

Fund, and New World Fund (MSCI All Country World); EuroPacific Growth Fund, International Growth and Income Fund (MSCI ACWI ex USA); SMALLCAP World Fund (MSCI ACWI Small Cap); American Funds International Vantage Fund (MSCI EAFE Index); American Funds Developing World Growth and Income Fund (MSCI Emerging Markets Index); American Funds Global Insight Fund (MSCI World); Capital Income Builder (70% MSCI All Country World/30% Bloomberg U.S. Aggregate); The Income Fund of America (65% S&P 500/35% Bloomberg U.S. Aggregate); American Balanced Fund (60% S&P 500/40% Bloomberg U.S. Aggregate); and American Funds Global Balanced Fund (60% MSCI All Country World/40% Bloomberg Global Aggregate).

Some of these indexes lack sufficient history to cover the lifetime of certain funds. Comparable indexes were used for those periods. For American Balanced Fund, a 60% S&P 500/40% Bloomberg U.S. Government/Credit index blend was used for the period between July 26, 1975 (the fund's inception) and December 31, 1975. For Capital Income Builder, a 70% MSCI World/30% Bloomberg U.S. Aggregate index blend was used for the period between July 30, 1987 (the fund's inception) and December 31, 1987. For The Income Fund of America, a 65% S&P 500/35% Bloomberg U.S. Government/Credit index blend was used for the period between November 30, 1973 (the fund's inception) and December 31, 1975.

American Funds Morningstar categories: The peer groups against which we compare American Funds in these charts reflect the averages of the relevant Morningstar U.S. Active Fund categories. The 20 equity-focused American Funds used in our analysis and their relevant Morningstar U.S. Active Fund categories with which they were compared are as follows: AMCAP Fund, The Growth Fund of America (Large Growth); American Mutual Fund (Large Value); Fundamental Investors, The Investment Company of America, Washington Mutual Investors Fund (Large Blend); American Balanced Fund (Moderate Allocation); Capital Income Builder, American Funds Global Balanced Fund (Global Allocation); The Income Fund of America (Moderately Aggressive Allocation); American Funds Global Insight Fund, Capital World Growth and Income Fund (Global Large-Stock Blend); The New Economy Fund, New Perspective Fund (Global Large-Stock Growth); New World Fund, American Funds Developing World Growth and Income Fund (Diversified Emerging Markets); American Funds International Vantage Fund, EuroPacific Growth Fund (Foreign Large Growth); SMALLCAP World Fund (Global Small/Mid Stock); International Growth and Income Fund (Foreign Large Blend).

Morningstar categories and indexes: U.S. Large Cap funds are those in the Morningstar Large Value, Large Blend and Large Growth categories. Foreign Large Cap funds are those in the Morningstar Foreign Large Value, Foreign Large Blend and Foreign Large Growth categories. World Stock Large funds are those in the Morningstar World Large Stock, Global Large-Stock Blend, Global Large-Stock Growth and Global Large-Stock Value categories. Moderate Allocation funds are those in the Conservative Allocation, Moderately Conservative Allocation, Moderate Allocation, Moderately Aggressive Allocation and Aggressive Allocation categories. The other fund categories are the Morningstar Emerging Markets, World Stock Small/Mid Cap and Global Allocation. The indexes used for each Morningstar fund category are U.S. Large Cap (S&P 500), Foreign Large Cap (MSCI ACWI ex USA), World Stock Large (MSCI ACWI), Emerging Markets (MSCI Emerging Markets), World Stock Small/Mid Cap (MSCI ACWI Small Cap/S&P Global <\$3 Billion Index Linked Net), Moderate Allocation (60% S&P 500/40% Bloomberg U.S. Aggregate Index) and World Allocation (60% MSCI ACWI/40% Bloomberg Global Aggregate Index).

Success rate definition: For returns, success rate reflects percentage of time funds outperformed their respective index.

Asset weighting methodology: Where noted, findings were based on asset-weighting of funds rebalanced monthly, with portfolios equally weighted and rebalanced monthly. Asset weighting used the following process. For each fund, net returns and asset sizes were gathered for all share classes available during each monthly time period. Returns and fees were then share-class weighted, meaning they were weighted according to the proportion of assets in each share class within each fund. Funds were then designated as active or passive, then grouped by Morningstar category.

Additionally, for exhibits with time periods starting in 1996 or later, survivorship bias is corrected for. (Exhibits with time periods before 1996 reflect either live funds only or a combination of both data types: live funds only and survivorship bias free.) In cases where a fund is merged or closed, its asset-weighting is adjusted to zero. For newly created funds, the weight is zero until the period in which it has reported assets, whereupon we use the standard asset-weighting to weight the returns based on asset size.

An asset-weighting methodology is used to more effectively portray the likely experience of market participants in the analyzed period versus an equal-weighting methodology, which is more appropriate when analyzing performance of a specific fund over time, regardless of the size of its assets.

TERMINOLOGY

Alpha is typically considered the additional return – compared to a broader market return – that an active manager generates. This additional return is over and above what might be anticipated given the level of investment risk taken.

Annualized standard deviation (based on monthly returns) is a common measure of absolute volatility that tells how returns over time have varied from the mean. A lower number signifies lower volatility.

Asymmetric risk is the concept of taking a risk that will produce a return that surpasses the risk taken. Downside capture is the most common measurement of asymmetric risk but can also be summarized in the common phrase “risk-adjusted returns.”

Beta is a relative measure of a fund’s sensitivity to market movements over a specific period of time. The beta of the market (represented by the benchmark index) is equal to 1; a beta higher than 1 implies that a fund’s return was more volatile than the market. A beta lower than 1 suggests that the fund was less volatile than the market. Generally the higher the R-squared measure, the more reliable the beta measurement will be.

Capture ratio reflects the annualized product of fund versus index returns for all months in which the index had a positive return (upside capture) or negative return (downside capture).

Sharpe ratio uses standard deviation and return in excess of the risk-free rate to determine reward per unit of risk. The higher the number, the better the portfolio’s historical risk-adjusted performance.

INDEX DESCRIPTIONS

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.

S&P 500 Index is a market capitalization-weighted index based on the average weighted results of approximately 500 widely held common stocks.

Bloomberg Global Aggregate Index represents the global investment-grade fixed income markets.

Bloomberg U.S. Aggregate Index represents the U.S. investment-grade fixed-rate bond market and consists of U.S. Treasury and government related bonds, corporate securities and asset-backed securities.

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.

MSCI All Country World Index is a free float-adjusted, market capitalization-weighted index that is designed to measure results of more than 40 developed and developing country markets. Results reflect dividends gross of withholding taxes through 12/31/00, 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 results of more than 40 developed and emerging equity markets, excluding the United States. Results reflect dividends gross of withholding taxes through 12/31/00, and dividends net of withholding taxes thereafter.

MSCI All Country World Small Cap Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market results of smaller capitalization companies in both developed and emerging markets. Results reflect dividends net of withholding taxes.

MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted, market capitalization weighted index that is designed to measure developed equity market results, excluding the United States and Canada. Results reflect dividends net of withholding taxes.

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MSCI World Index is a free float-adjusted, market capitalization-weighted index that is designed to measure results of more than 20 developed equity markets. Results reflect dividends net of withholding taxes.

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If used after December 31, 2024, this presentation must be accompanied by a current American Funds quarterly statistical update.

Capital Group manages equity assets through three investment groups. These groups make investment and proxy voting decisions independently. Fixed income investment professionals provide fixed income research and investment management across the Capital organization; however, for securities with equity characteristics, they act solely on behalf of one of the three equity investment groups.

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The Capital System combines individual accountability with teamwork. Funds using The Capital System are divided into portions that are managed independently by investment professionals with diverse backgrounds, ages and investment approaches. An extensive global research effort is the backbone of our system.

American Funds' superior outcomes

Equity-focused funds have beaten their Lipper peer indexes in 84% of 10-year periods and 97% of 20-year periods.² Relative to their peers, our fixed income funds have helped investors achieve better diversification through attention to correlation between bonds and equities.³ Fund management fees have been among the lowest in the industry.⁴

¹ Investment industry experience as of December 31, 2023.

² Based on Class F-2 share results for rolling monthly 10- and 20-year periods starting with the first 10- or 20-year period after each mutual fund's inception through December 31, 2023. Periods covered are the shorter of the fund's lifetime or since the comparable Lipper index inception date (except Capital Income Builder and SMALLCAP World Fund, for which the Lipper average was used). Expenses differ for each share class, so results will vary. Past results are not predictive of results in future periods.

³ Based on Class F-2 share results as of December 31, 2023. Thirteen of the 18 fixed income American Funds that have been in existence for the three-year period showed a three-year correlation lower than their respective Morningstar peer group averages. S&P 500 Index was used as an equity market proxy. Correlation based on monthly total returns. Correlation is a statistical measure of how a security and an index move in relation to each other. A correlation ranges from -1 to 1. A positive correlation close to 1 implies that as one moved, either up or down, the other moved in "lockstep," in the same direction. A negative correlation close to -1 indicates the two have moved in the opposite direction.

⁴ On average, our mutual fund management fees were in the lowest quintile 55% of the time, based on the 20-year period ended December 31, 2023, versus comparable Lipper categories, excluding funds of funds.

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. Visit capitalgroup.com for more information on specific expense adjustments and the actual dates of first sale.

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

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