CAPITAL GROUP®

Using asymmetric risk to improve client outcomes

A deep dive on equity risk

Insights based on six years of robust research

We examined results for virtually every active mutual fund since 1934[1]

Equities are typically the largest component of risk in a portfolio. But not all equities or funds are equal from a risk perspective.

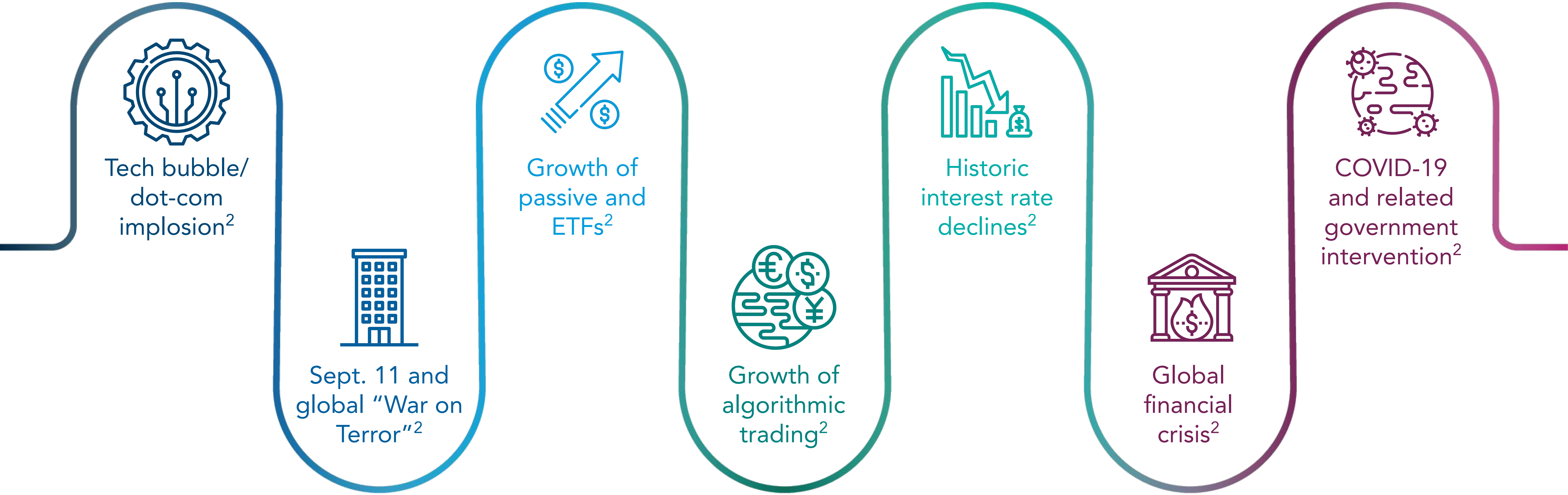
New findings on fund selection shed light on factors contributing to a potential asymmetric risk advantage. These factors can be used to help manage risk, enhance outcomes and more closely align fund characteristics with clients' objectives.

We believe many of our funds exemplify these factors and can offer a differentiated outcome for investors.

[1]Our research analyzed actively managed, equity-focused mutual funds with the same primary prospectus benchmarks and Morningstar categories as American Funds' equity-focused mutual funds. Additional details about fund universe are provided on slide 24.

Risk is certainly top of mind — in part due to recent market events

In the last 20 years, we have experienced at least seven significant market events[1]:



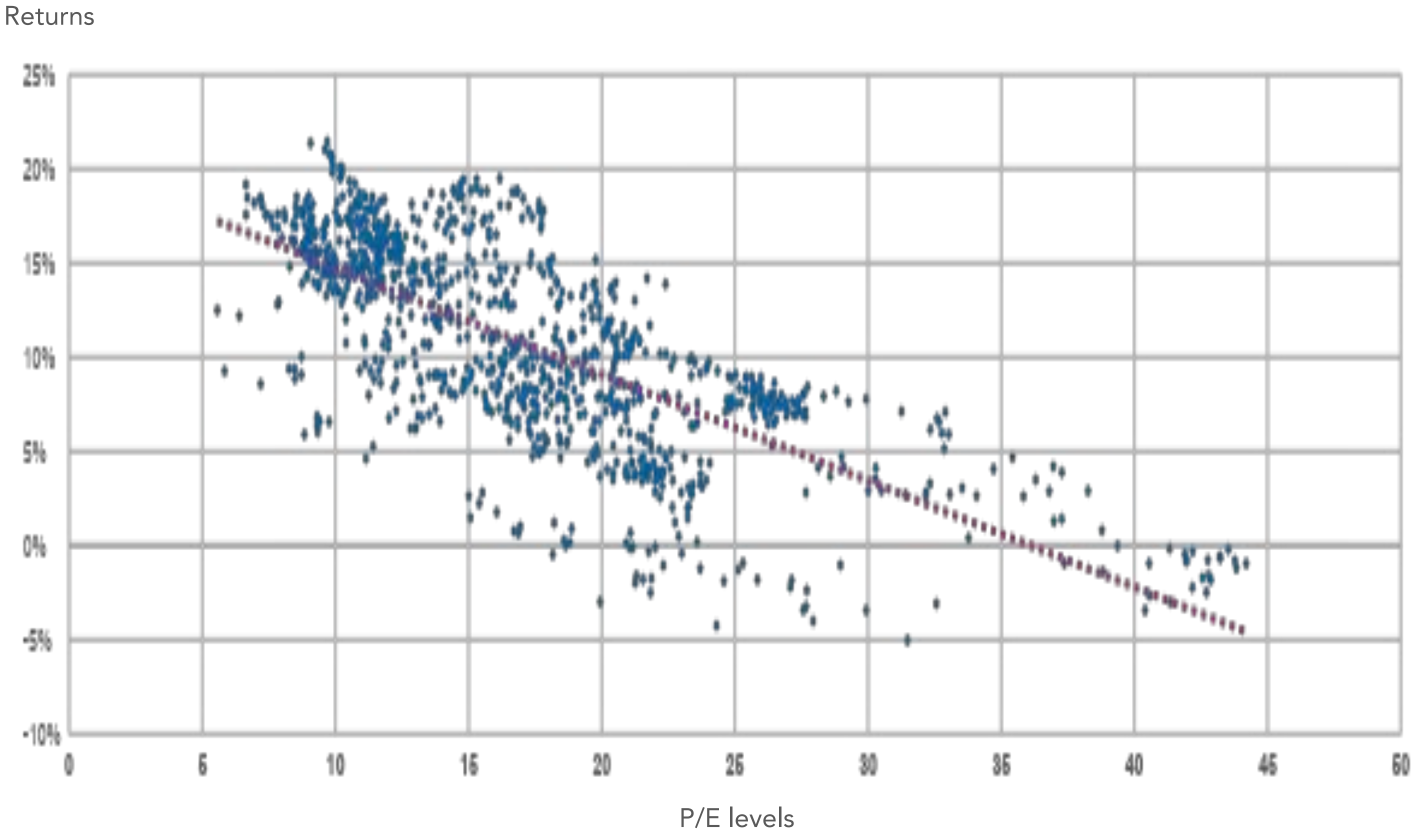
[1]Events that resulted in fairly significant disruptions to "normal" equity markets.
[2]Tech bubble/dot-com implosion — 2000; Sept. 11 and global "War on Terror" — beginning in 2001; Growth of passive and ETFs — beginning in 2009; Growth of algorithmic trading — early 2000s; Historic interest rate declines — 2001–2002 and 2008–2010; Global financial crisis — 2007–2009; COVID-19 and related government intervention — beginning in 2020.

Risk is always a critical component in building a portfolio or selecting a fund

Key takeaways

Future market returns are inversely correlated with current price-to-earnings ratio (P/E ratio) levels.

CAPE/10-year forward annualized S&P 500 returns (December 1, 1927–December 31, 2020)



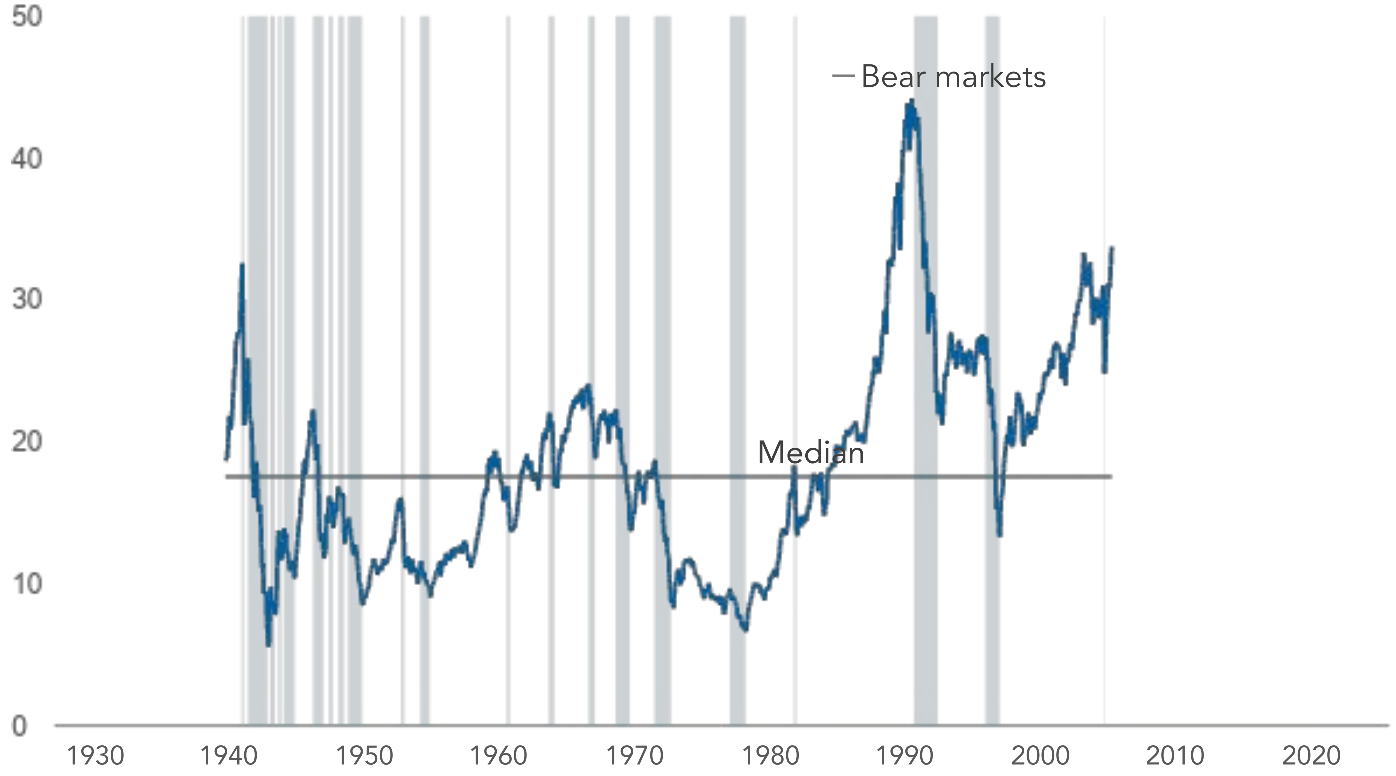
Sources: Shiller, U.S. Stock Markets 1871–present and cyclically adjusted P/E ratio (CAPE ratio) (http://www.econ.yale.edu/~shiller/data.htm). CAPE ratio is calculated by dividing price by the average of 10 years of earnings, adjusted for inflation. In this chart, S&P 500 returns are ex ante, looking 10 years into the future. The final CAPE point measures December 31, 2010, and then looks 10 years into the future, for a 10-year S&P 500 ending December 31, 2020.

Risk is always a critical component in building a portfolio or selecting a fund

Key takeaways

- Future market returns are inversely correlated with current price-to-earnings ratio (P/E ratio) levels.
- High CAPE ratio levels have also been correlated with more extreme market volatility and corrections.
- Current CAPE ratio levels have been reached only twice before over the last 80+ years, in 1929 and 1999.

CAPE ratio from December 1, 1927–December 31, 2020



Sources: Shiller, U.S. Stock Markets 1871–present and CAPE ratio (http://www.econ.yale.edu/~shiller/data.htm); Yardeni Research, Stock Market Briefing: S&P 500 Bull & Bear Market Tables. Bear markets (in blue) defined as drawdowns greater than 20%.

Risk is always a critical component in building a portfolio or selecting a fund

Key takeaways

- Future market returns are inversely correlated with current price-to-earnings ratio (P/E ratio) levels.
- High CAPE ratio levels have also been correlated with more extreme market volatility and corrections.
- Current CAPE ratio levels have been reached only twice before over the last 80+ years, in 1929 and 1999.
- Active management has tended to add value for U.S. equities in periods of both very high or very low CAPE ratio levels.

CAPE ratio and average active management, 50 years (January 31, 1971–December 31, 2020)

	CAPE ratio		Annualized rolling 3-year return			
	Min	Max	S&P 500	Average active manager[1]	Relative return	Average active success rate
Decile 1	6.64	9.23	16.99%	17.95%	0.97%	54.39%
Decile 2	9.23	10.59	16.25%	17.29%	1.03%	55.36%
Decile 3	10.59	14.65	11.58%	12.51%	0.93%	46.43%
Decile 4	14.65	17.36	9.21%	8.10%	–1.10%	28.07%
Decile 5	17.36	19.92	7.53%	6.14%	–1.39%	26.79%
Decile 6	19.92	21.80	18.91%	16.61%	–2.30%	3.57%
Decile 7	21.80	24.87	13.23%	11.41%	–1.82%	24.56%
Decile 8	24.87	26.47	8.18%	6.82%	–1.36%	33.93%
Decile 9	26.47	30.24	8.81%	7.71%	–1.10%	25.00%
Decile 10	30.24	44.20	–0.19%	0.50%	0.69%	62.50%

[1]Average active manager reflects an equal-weighted portfolio of all actively managed funds in the Large Value, Large Blend and Large Growth Morningstar categories, with data based on funds' oldest share class.

Sources: Shiller, Capital Group. Data from ex ante study that identified CAPE ratio on January 31, 1972, and then viewed outcomes for S&P 500 and active returns three years later. Shaded rows indicate deciles with an average active success rate higher than 50%.

What is risk, exactly? Financial professionals and their clients view it differently.

Financial professionals tend to define it in more technical terms such as volatility measured by standard deviation, Sharpe ratio, Sortino ratio, etc.

Clients tend to view it in terms of actual losses on their monthly statements or as risks to achieving their goals — such as retirement.

We provide a road map by examining risk, and helping to mitigate it, on three dimensions:

1. **Traditional risk metrics**
   such as Sharpe ratio, volatility, upside/downside capture, etc.

2. **An innovative, new risk metric**
   for total return, defined as:

   (Success rates × magnitude of relative excess returns) – (Failure rates × magnitude of relative losses)

3. **Client case studies**
   that demonstrate the potential importance of looking through the lens of what really matters to your clients.

Magnitude refers to the average of relative excess returns or losses.

Figures shown are past results for Class F-2 shares (for American Funds) and oldest share class (for other managers) except where noted. Past results are not predictive of results in future periods.

Current and future results may be lower or higher than those shown. Prices and results will vary, so investors may lose money. Investing for short periods makes losses more likely. Returns shown at net asset value (NAV) have all distributions reinvested. For current information and month-end results, visit capitalgroup.com.

Investment results assume all distributions are reinvested and reflect applicable fees and expenses.

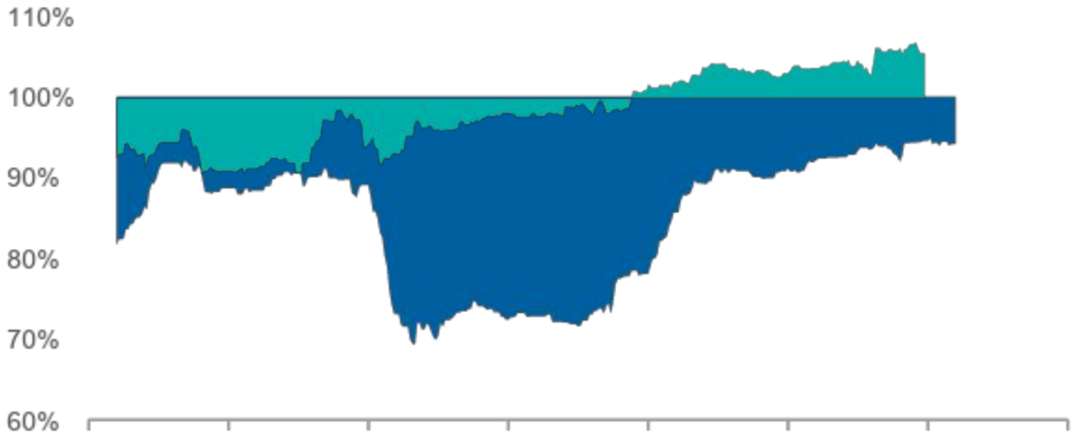
Active management has mitigated risk differently than passive

Passive management • May represent fewer moving parts in removing manager selection risk
• Has fewer levers available to manage direct market risk

Active management • Allows for the opportunity to manage risk through security selection on any dimension
• Can have a secondary objective, such as capital preservation or income

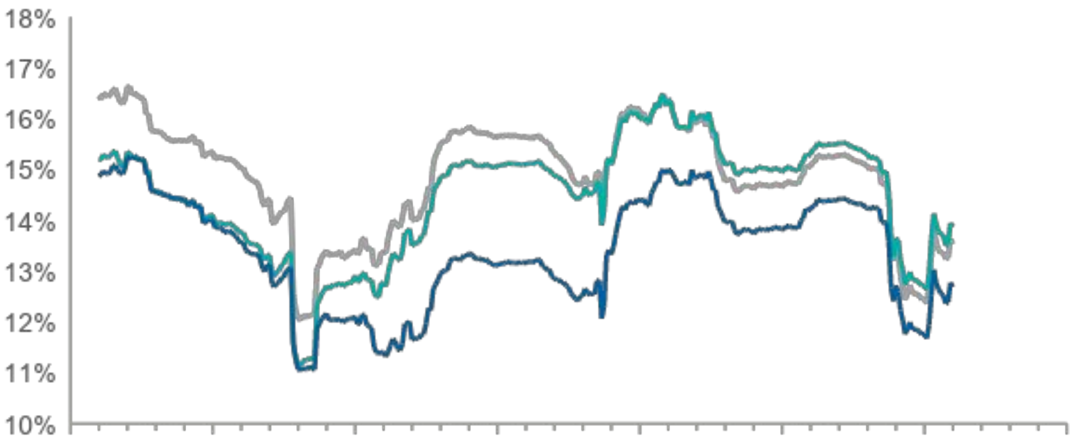
Average downside capture ratios vs. S&P 500 Index

Rolling 10-year periods (monthly basis) from 12/31/1990–12/31/2020



Average 10-year standard deviations

Rolling 10-year periods (monthly basis) from 12/31/1990–12/31/2020

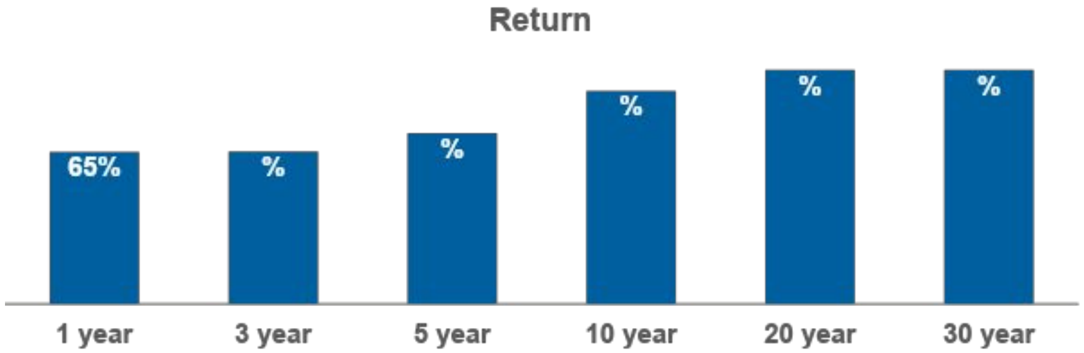


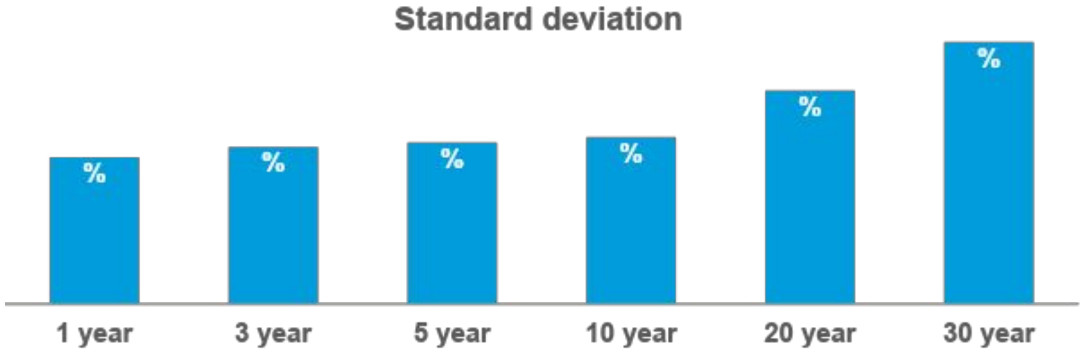
American Funds benchmarked against S&P 500 (average) Like funds of other active managers (average) S&P 500 Index

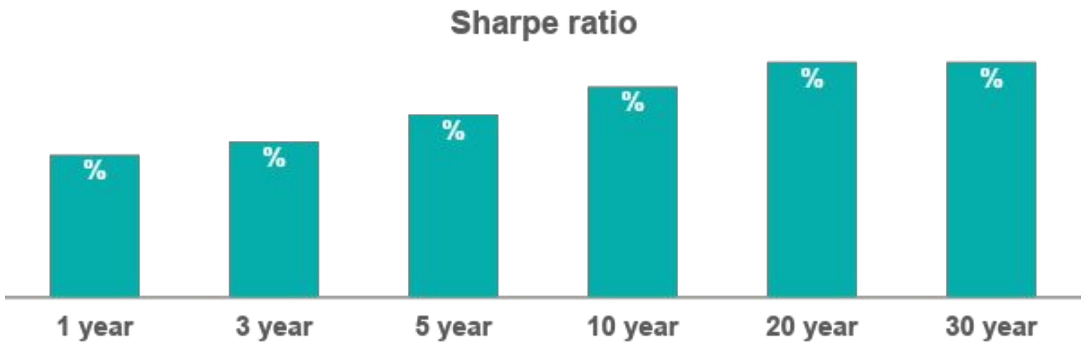
Sources: Capital Group, Morningstar. U.S. equity-focused American Funds data are based on monthly returns for Class F-2 shares of AMCAP Fund, The Growth Fund of America, American Mutual Fund, Fundamental Investors, The Investment Company of America and Washington Mutual Investors Fund. Other actively managed, equity-focused funds include all actively managed funds in the Large Value, Large Blend and Large Growth Morningstar categories, with data based on monthly returns for oldest share class.

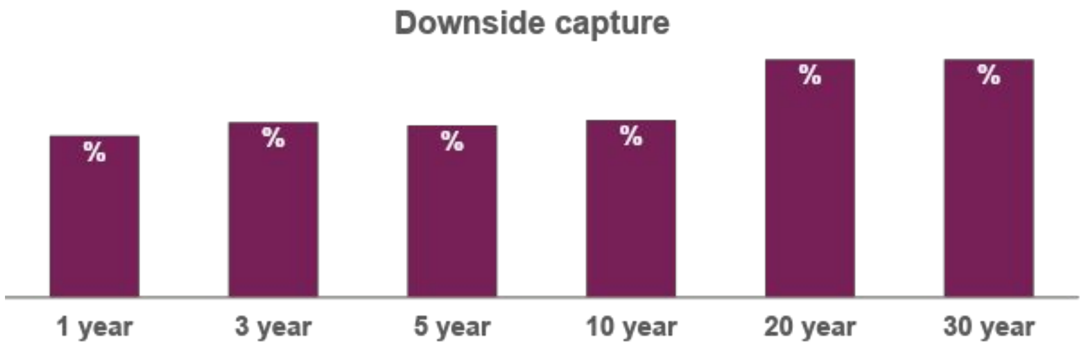
American Funds equity-focused funds lifetime success rates for return and risk metrics

Success rates over rolling monthly periods show similar — and increasing — advantages on return and three measures of risk









Source: Capital Group. As of 12/31/20. Please see slide 24 for a list of equity-focused American Funds and their respective indexes, as well as success rate definitions for each metric.

Asymmetric returns can be a powerful way to pursue client goals, mitigate some risks and enhance client satisfaction

Asymmetric returns are defined as:

Investment opportunities where the risk/reward relationship is unbalanced in one or more positive dimensions, meaning:

- Potential profit is higher than potential loss; or
- Probability of a profit is higher than probability of a loss of the same magnitude; or
- A combination of both

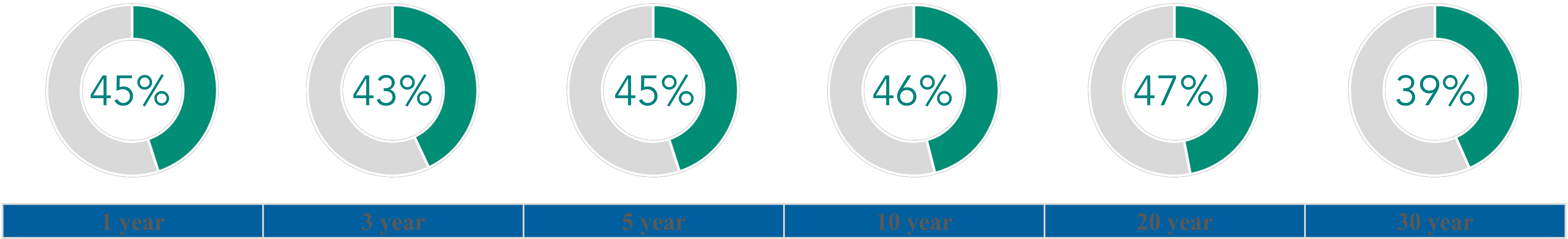
Asymmetric returns are an innovative new risk metric used to analyze and identify total return, calculated as:

(Success rates × magnitude of relative excess returns) – (Failure rates × magnitude of relative losses)

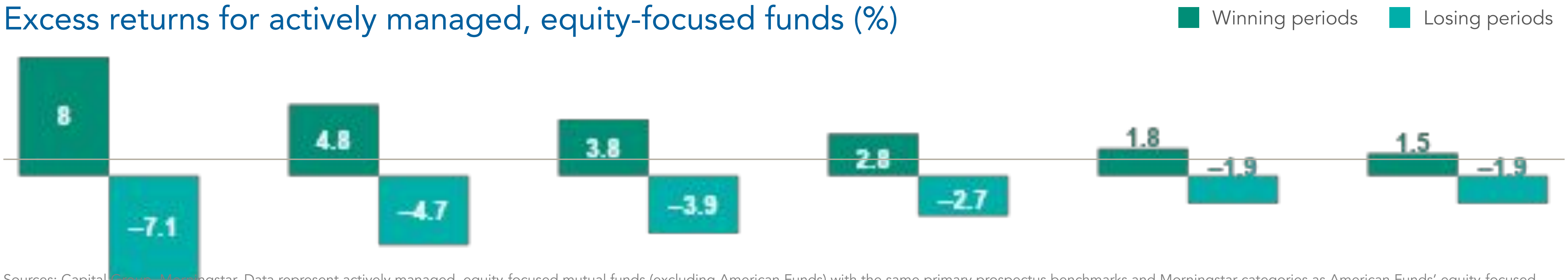
Magnitude refers to the average of relative excess returns or losses.

Actively managed, equity-focused mutual fund success rates and magnitude of relative excess and under-benchmark returns

Success rates for actively managed, equity-focused funds (rolling periods, monthly basis) as of December 31, 2020



Excess returns for actively managed, equity-focused funds (%)

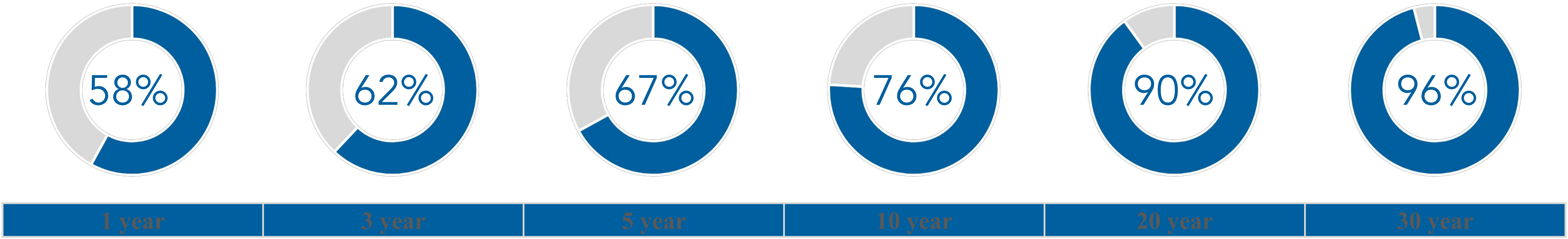


Sources: Capital Group, Morningstar. Data represent actively managed, equity-focused mutual funds (excluding American Funds) with the same primary prospectus benchmarks and Morningstar categories as American Funds' equity-focused mutual funds. Additional details about fund universe are provided on slide 24. Excess returns shown for the time period from 1934 to 2020 based on averages of monthly rolling returns. American Funds use F-2 share class; other managers use oldest share class.

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

American Funds equity-focused funds success rates and magnitude of relative excess and under-benchmark returns

American Funds success rates (rolling periods, monthly basis) as of December 31, 2020



Excess returns for equity–focused American Funds (%)

Winning periods   Losing periods

Sources: Capital Group, Morningstar. See slide 24 for a list of equity-focused American Funds and their respective indexes. Excess returns shown for the time period from 1934 to 2020 based on averages of monthly rolling returns. American Funds use F-2 share class; other managers use oldest share class.

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

Another approach to asymmetry: Asymmetric upside and downside capture

Examine capture ratios to assess risk

Upside capture

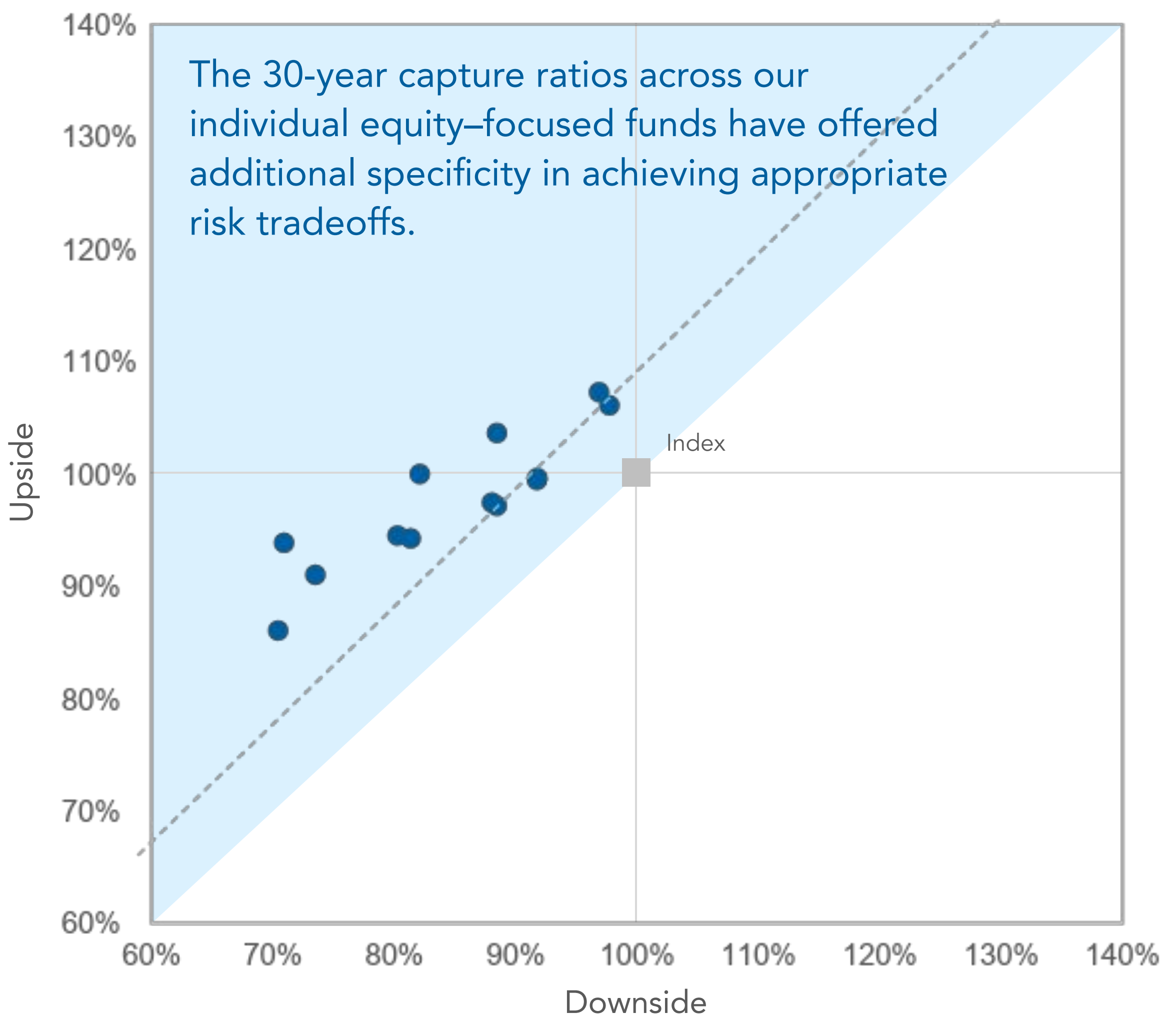
Measures a fund's results in positive market periods relative to the benchmark, and >1 is better.

Downside capture

Measures a fund's results in negative market periods relative to a benchmark, and <1 is better.

Overall capture ratio

Is simply upside capture divided by downside capture, and >1 is better.



Source: Capital Group. As of 12/31/20. Funds without a 30-year history were excluded from analysis. Please see slide 24 for 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.

Why does this matter?

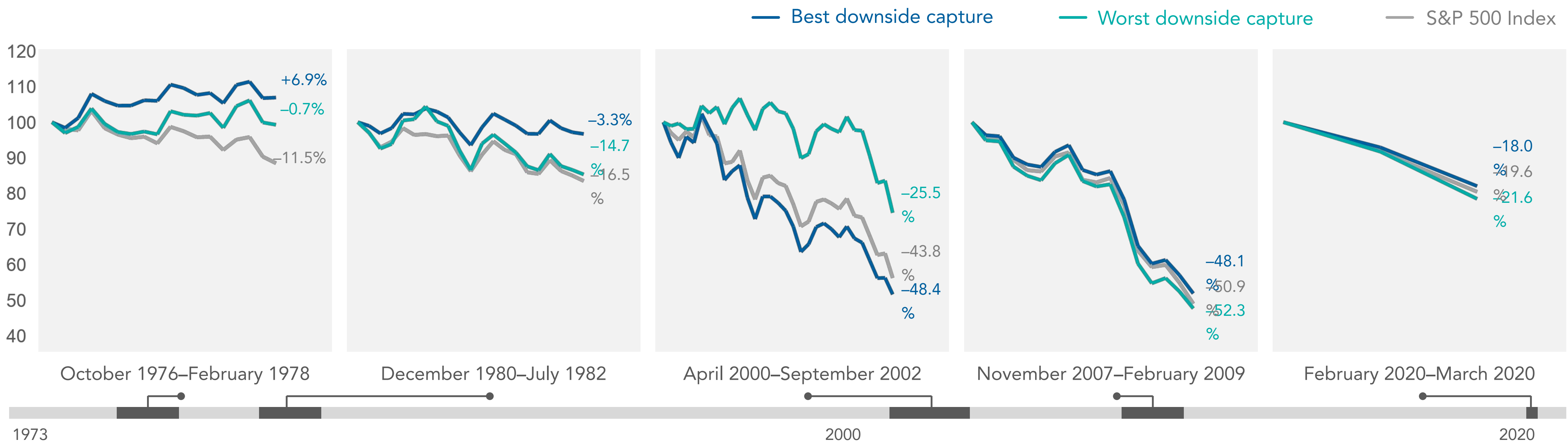
Client outcomes

These differences in key risk metrics and asymmetric returns can be the determining factors between success or failure — in both accumulation and decumulation scenarios.

The key is doing better in bad times

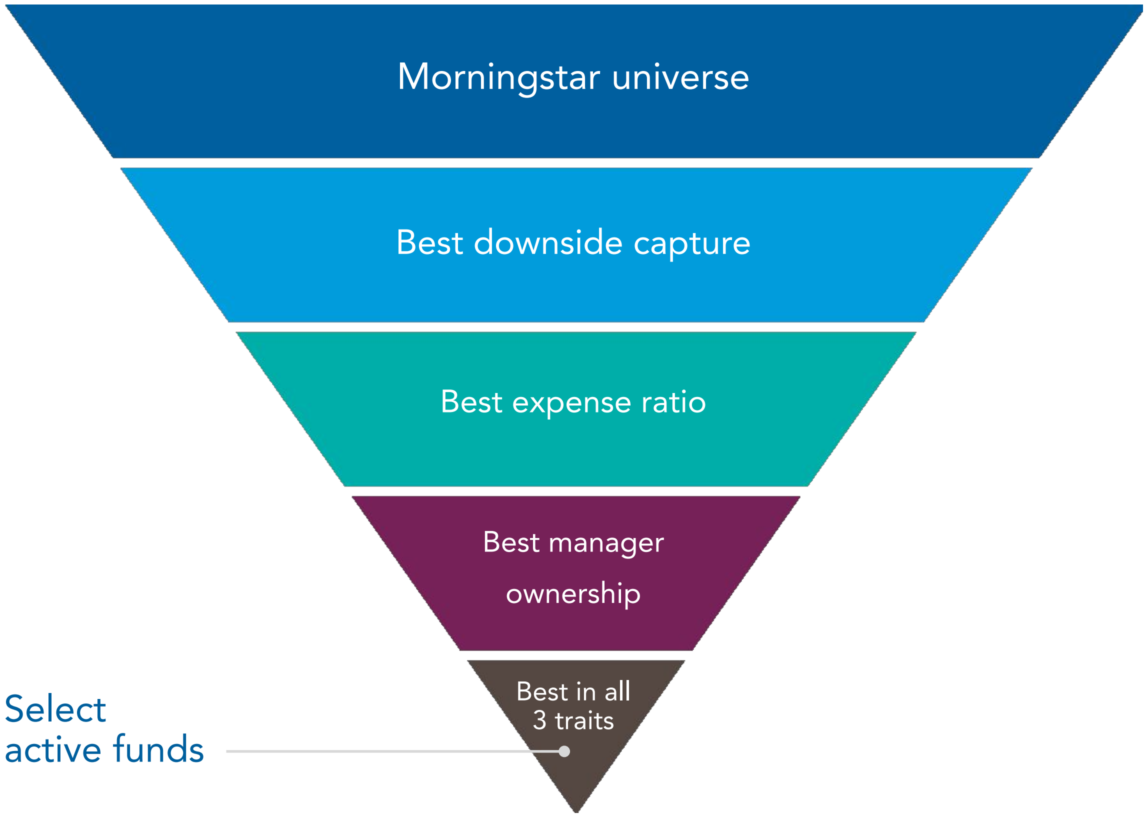
Funds that had the best 3-year downside capture ratios immediately prior to the start of a bear market or correction outpaced during subsequent downturns — in fact, they outpaced in 12 of 13 downturns since 1973.

Cumulative returns based on a hypothetical $100 initial investment



Sources: Capital Group, Morningstar. Data are from January 1970–March 2020, and reflect all active mutual funds excluding American Funds. Best downside capture reflects a portfolio of funds that were in the top quartile for 3-year down capture screened the month before the downturn. Worst downside capture reflects a portfolio of funds that were in the worst quartile for 3-year down capture screened the month before the downturn. Measurement was ex-ante, with no new funds able to enter the portfolio during the downturn. If a fund merged or liquidated, returns were rebalanced to the remaining funds. Downturn is defined as a period in which the S&P 500 fell more than 10% as measured by monthly data.

Select active funds — those that met three key criteria of low downside capture, low expenses and high ownership — had enhanced outcomes consistently



Number of active funds[1]

U.S. Large Cap	Foreign Large Cap	Moderate Allocation	World Allocation
2,632	719	547	137
997	285	218	54
247	142	108	27
198	135	94	26
39	66	53	12

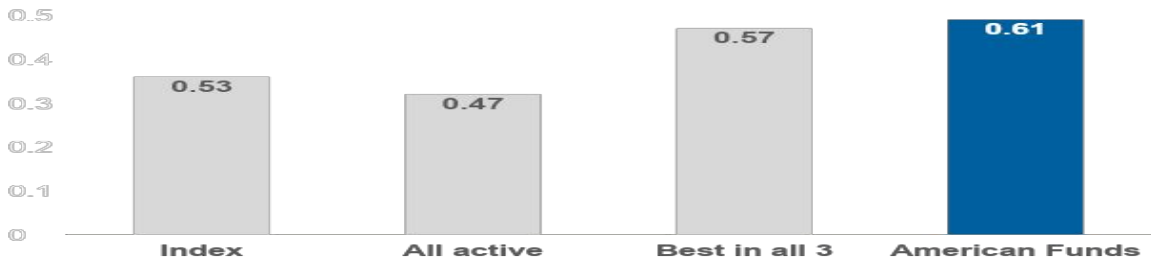
[1]Comparisons with screened funds on slides 17–21 used an asset-weighted methodology. This method can increase comparability between portfolios as compared with an equal-weighting methodology. See slide 25 for methodology details.

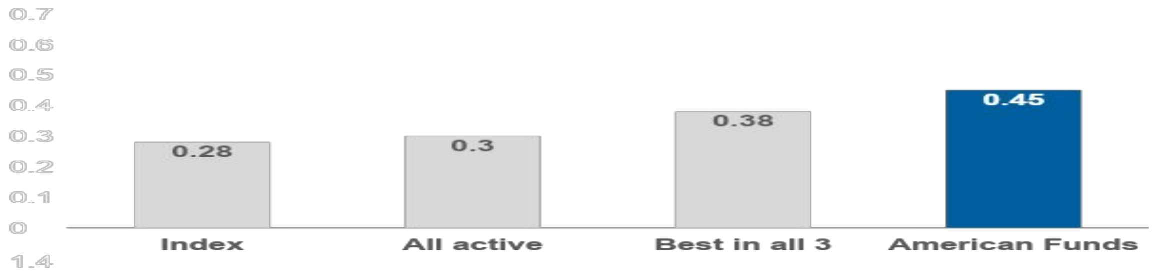
Sources: Capital Group, Morningstar. As of 12/31/20. Screens were based on historical fund performance in comparison with peer median. Best downside capture was defined as top 50%. Best expense ratio and best manager ownership were defined as top 25% for the U.S. Large Cap category (owing to its larger sample size) and top 50% for the other categories.

All three intuitive factors added value: A look at Sharpe and Sortino ratios

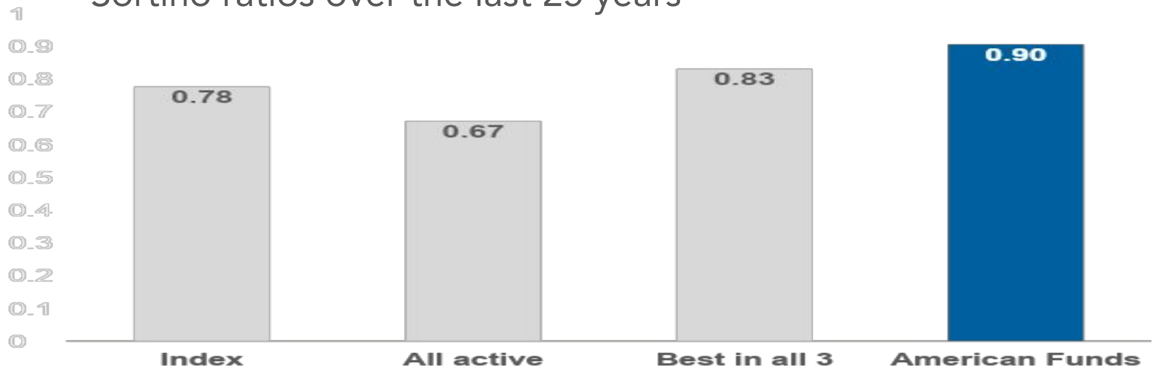
U.S. Large Cap | Foreign Large Cap

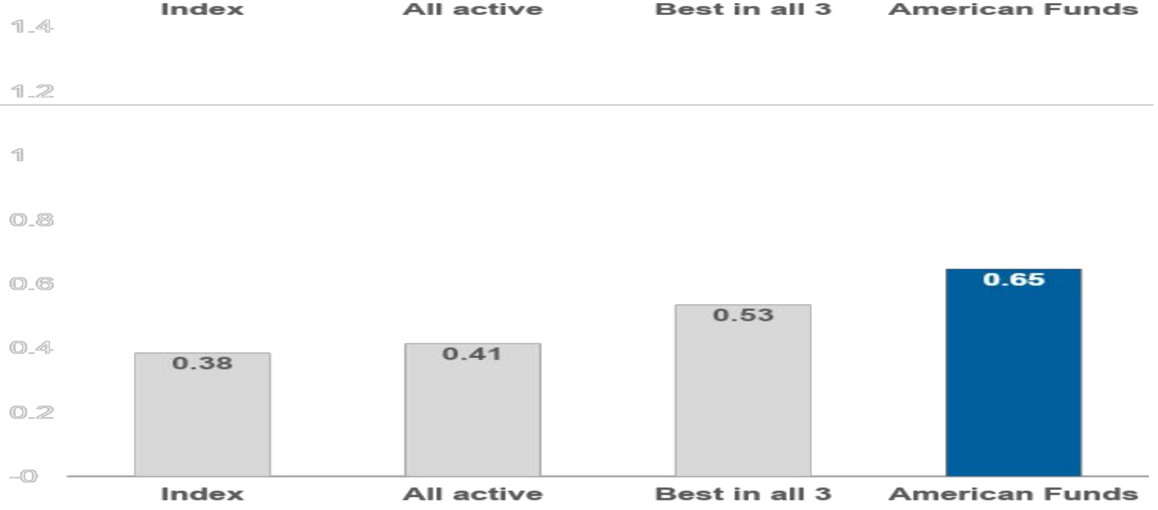
Sharpe ratios over the last 25 years





Sortino ratios over the last 25 years





Sources: Capital Group, Morningstar. Time period from 1996 to 2020. Index core consists of S&P 500 and MSCI ACWI ex USA. Best in all 3 for U.S. Large Cap uses top quartile expense ratio and ownership after top 50% downside capture filter. Best in all 3 for Foreign Large Cap uses top 50% expense ratio and top 50% ownership after top 50% downside capture filter.

These three simple screens boosted results and lowered risk in equity portfolios

Examples of simple screens in two portfolios (1996–2020)

50%/50% core U.S. large cap and foreign large cap			50%/50% moderate and world allocation		
50% U.S. Large Cap: S&P 500 50% Foreign Large Cap: MSCI ACWI ex USA*	50% U.S. Large Cap: 39 funds 50% Foreign Large Cap: 66 funds	50% U.S. Large Cap: 6 funds 50% Foreign Large Cap: 3 funds	60% Equity: MSCI ACWI* 40% Bond: BB Global Agg Index*	50% Moderate: 53 funds 50% World: 12 funds	50% Moderate: 2 funds 50% World: 2 funds

Annualized results for the 25 years ended December 31, 2020

	Index blend	Screened active	American Funds	Index blend	Screened active	American Funds
Average annual return	7.63%	8.42%	9.25%	6.45%	7.38%	8.05%
Standard deviation	15.49%	14.47%	14.23%	10.15%	8.81%	9.47%
Sharpe ratio	0.41	0.48	0.54	0.45	0.61	0.64
Alpha	0.00%	1.06%	1.90%	0.00%	1.58%	2.09%
Beta	1.00	0.93	0.91	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 uses 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 The New Economy Fund, New Perspective Fund, New World Fund and Capital World Growth and Income 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. The index portfolio consists of 60% MSCI All Country World Index and 40% Bloomberg Barclays Global Aggregate Index.

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.

*MSCI ACWI ex USA is MSCI All Country World Index ex USA; MSCI ACWI is MSCI All Country World Index; BB Global Agg Index is Bloomberg Barclays Global Aggregate Index.

Why it matters: The potential for greater wealth — compounding over 25 years

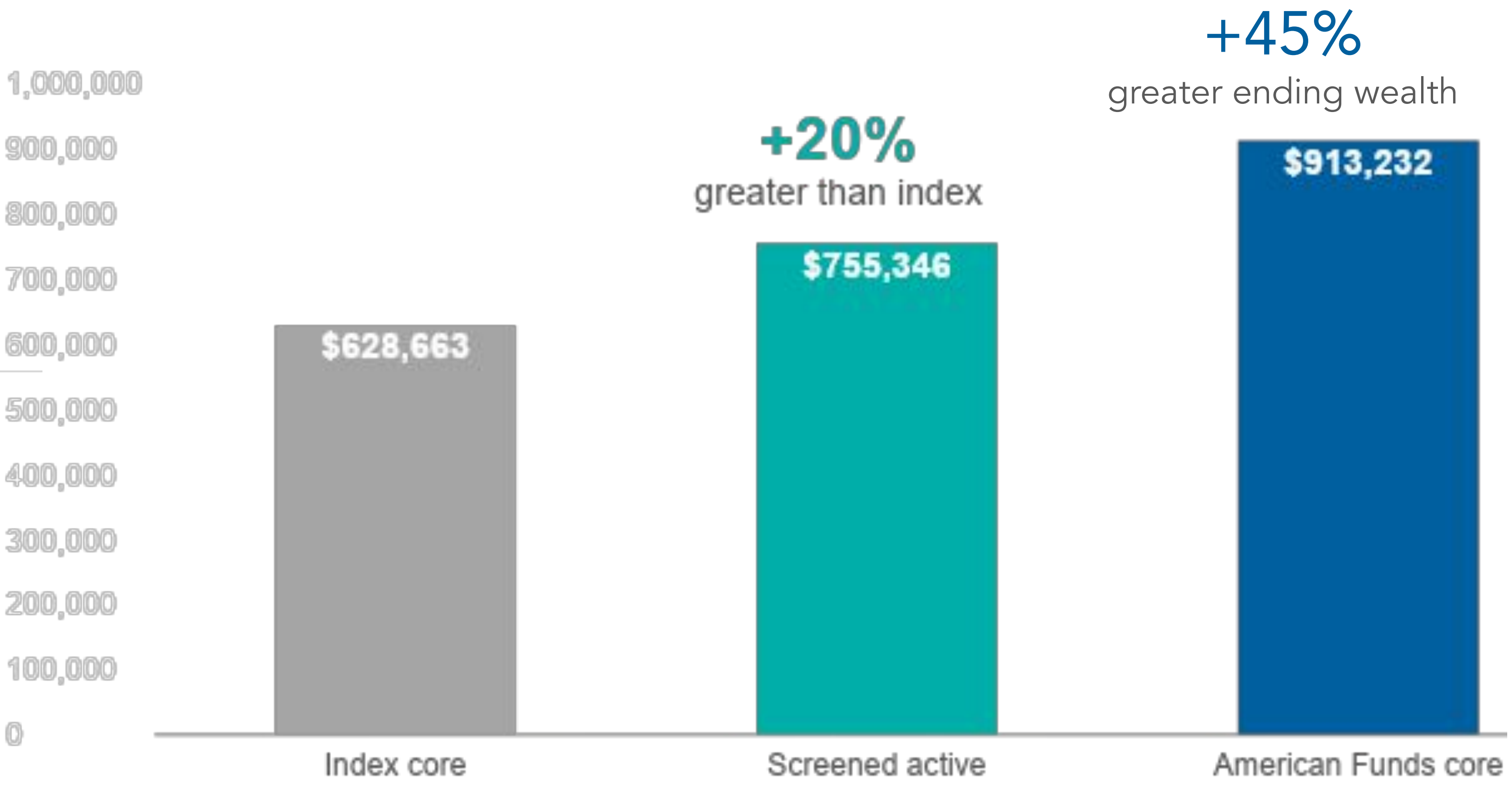
Accumulation phase: Age 40 to 65

Hypothetical example:

A 40-year-old starts an investment plan with a $100,000 lump-sum investment and holds it until age 65.

$100K

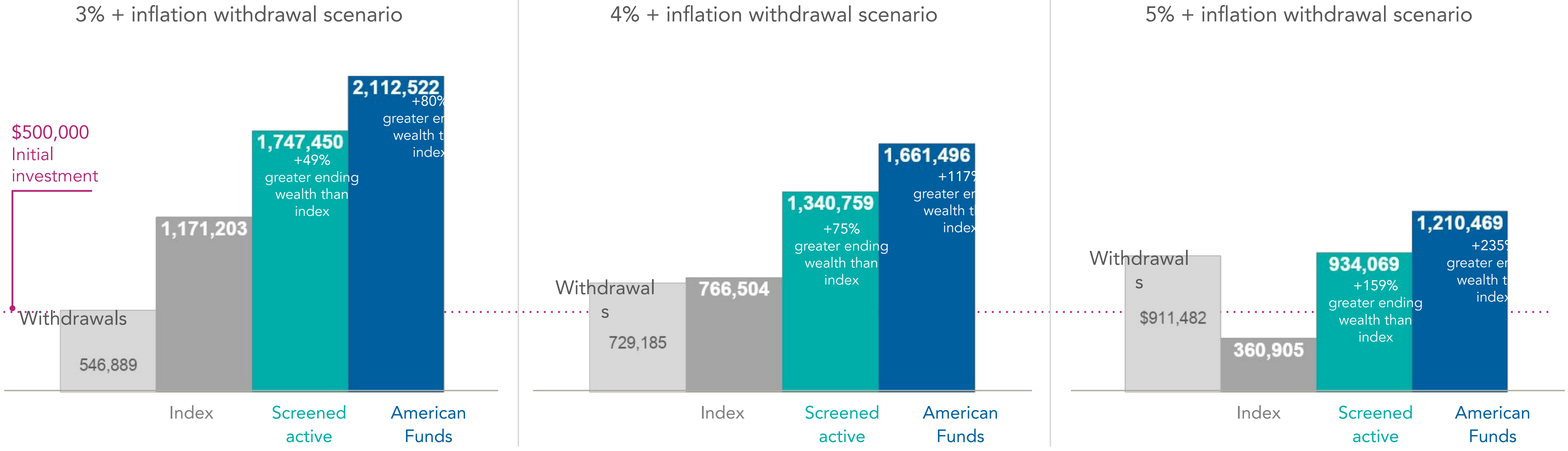
Initial investment



Sources: Capital Group, Morningstar. Time period from 1996 to 2020. Index core consists of S&P 500 and MSCI ACWI ex USA. Screened equity core 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 The New Economy Fund, New Perspective Fund, New World Fund and Capital World Growth and Income Fund. The funds in the hypothetical portfolio were equal weighted at the beginning of the period and rebalanced monthly. New funds that incepted during the period and funds that went obsolete (merged or liquidated) during the period were included or excluded in the monthly rebalance, respectively.

Why it matters: Screened active funds and our funds generated from 49% to 235% greater ending wealth and more reliable income in typical withdrawal scenarios

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. For the 25 years ending December 31, 2020.



Sources: Capital Group, Morningstar. Time period from 1996 to 2020. Index consists of 60% MSCI All Country World Index and 40% Barclays 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 incepted during the period and funds that went obsolete (merged or liquidated) during the period were included or excluded in the monthly rebalance, respectively.

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.

Key takeaways:

- Talk to your clients in risk terms that matter to them.
- Use active management and asymmetric risk analysis to help enhance returns while managing risk.
- Use three simple fund–selection factors to help enhance outcomes — no silver bullet guarantees, of course, but these can increase your probability of success.
- Build portfolios with active at the core to seek more protection on the downside while participating in upside markets.

Investment results

Class F-2 shares

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. Prices and returns will vary, so investors may lose money. Investing for short periods makes losses more likely. Returns shown at net asset value (NAV) have all distributions reinvested. For current information and month-end results, visit capitalgroup.com.

			Average annual total return (%)				
Results for periods ended June 30, 2021	Fund inception	1 year	5 year	10 year	Lifetime	Gross expense ratio[2]
AMCAP Fund®	5/1/1967	35.14	17.52	14.61	12.12	0.45
American Funds Global Insight Fund℠ [1]	4/1/2011	31.58	14.99	10.72	10.35	0.67
American Funds International Vantage Fund℠ [1]	4/1/2011	28.43	12.59	7.54	7.43	0.81
EuroPacific Growth Fund®	4/16/1984	39.98	14.38	8.22	11.22	0.57
The Growth Fund of America®	12/1/1973	43.28	21.28	16.23	14.39	0.41
The New Economy Fund®	12/1/1983	38.84	20.68	15.49	12.27	0.52
New Perspective Fund®	3/13/1973	46.12	19.51	13.59	12.99	0.53
New World Fund®	6/17/1999	42.20	15.97	8.14	9.39	0.70
SMALLCAP World Fund®	4/30/1990	50.17	19.76	13.11	11.09	0.78
American Funds Developing World Growth and Income Fund℠	2/03/2014	37.31	10.50	—	6.28	0.95
American Mutual Fund®	2/21/1950	28.84	12.08	11.60	11.80	0.38
Capital World Growth and Income Fund®	3/26/1993	35.51	13.59	9.96	11.05	0.52
Fundamental Investors®	8/1/1978	39.32	16.09	13.51	12.92	0.39
International Growth and Income Fund℠	10/1/2008	38.27	11.03	6.30	7.96	0.66
The Investment Company of America®	1/1/1934	35.72	14.48	13.03	12.40	0.38
Washington Mutual Investors Fund℠	7/31/1952	36.30	14.62	13.14	12.17	0.38
Capital Income Builder®	7/30/1987	22.89	7.33	7.16	9.21	0.38
The Income Fund of America®	12/1/1973	26.99	9.30	8.96	11.04	0.37
American Balanced Fund®	7/26/1975	22.84	11.16	10.58	10.94	0.36
American Funds Global Balanced Fund℠	2/1/2011	20.90	8.29	7.18	7.28	0.60

[1] The fund began investment operations on April 1, 2011, but was only available to a limited nu [illegible] available on the American Funds platform, the reorganized fund has adopted the results and financial history of the original fund.

[2] Expense ratios are as of the most recent prospectus. Expense ratios are estimated for American Funds Global Insight Fund and American Funds International Vantage Fund. The investment adviser is currently reimbursing a portion of other expenses. Net expense ratios reflect the reimbursement, without which they would have been higher. The reimbursement for American Funds Global Insight Fund and American Funds International Vantage Fund will be in effect through at least May 21, 2022 and January 1, 2022, respectively. The adviser may elect at its discretion to extend, modify or terminate the reimbursement at that time. Please see the fund's most recent prospectus for details.

Important information

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 with which they were compared) are as follows: AMCAP Fund (AMCAP), American Mutual Fund (AMF), Fundamental Investors (FI), The Growth Fund of America (GFA), The Investment Company of America (ICA) and Washington Mutual Investors Fund WMIF) (Standard & Poor's 500 Index); American Balanced Fund (AMBAL) (60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Aggregate indexes); American Funds Global Balanced Fund (GBAL) (60% MSCI All Country World and 40% Bloomberg Barclays Global Aggregate indexes); Capital Income Builder (CIB) (60% MSCI All Country World and 40% Bloomberg Barclays World Aggregate indexes); The Income Fund of America (IFA) (60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Aggregate indexes); Capital World Growth and Income Fund (WGI), The New Economy Fund (NEF), New Perspective Fund (NPF) and New World Fund (NWF) (MSCI All Country World Index); American Funds Developing World Growth and Income Fund (DWGI) (MSCI Emerging Markets Index); EuroPacific Growth Fund (EUPAC) and International Growth and Income Fund (IGI) (MSCI All Country World ex USA Index); SMALLCAP World Fund (SCWF) (MSCI All Country World Small Cap Index); American Funds International Vantage Fund (IVE) (MSCI EAFE Index); American Funds Global Insight Fund (GIF) (MSCI World Index). All relevant indexes listed are funds' primary benchmark with the exception of IFA and CIB. The alternate index listed for these funds was used to increase comparability among funds within their respective Morningstar categories. Thus, Moderate Allocation funds (IFA and AMBAL) were compared with 60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Aggregate indexes; and World Allocation funds (CIB and GBAL) were compared with 60% MSCI All Country World and 40% Bloomberg Barclays Global Aggregate indexes).

Some of these indexes lack sufficient history to have covered the lifetime of certain funds; therefore, comparable indexes were used for those periods. For American Balanced Fund, 60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Government/Credit indexes were used for the period July 26, 1975 (the fund's inception), through December 31, 1975. Results for this index blend were rebalanced monthly. For EuroPacific Growth Fund, the MSCI EAFE (Europe, Australasia, Far East) Index was used for the period April 16, 1984 (the fund's inception), through December 31, 1987. The MSCI All Country World ex USA Index was subsequently used. For The New Economy Fund, the MSCI World Index was used for the period December 1, 1983 (the fund's inception), through December 31, 1987. The MSCI All Country World Index was subsequently used. For New Perspective Fund, the MSCI World Index was used for the period March 13, 1973 (the fund's inception), through December 31, 1987. The MSCI All Country World Index was subsequently used. For SMALLCAP World Fund, the S&P Global <$3 Billion Index (formerly the S&P Global <$1.2 Billion Index) was used for the period April 30, 1990 (the fund's inception), through May 31, 1994. The MSCI All Country World Small Cap Index was subsequently used. For Capital Income Builder, 70% MSCI World and 30% Bloomberg Barclays U.S. Aggregate indexes were used for the period July 30, 1987 (the fund's inception), through December 31, 1987. From January 1, 1988, through December 31, 2000, and thereafter, 70% MSCI All Country World and 30% Bloomberg Barclays U.S. Aggregate indexes were used. For The Income Fund of America, 65% Standard & Poor's 500 and 35% Bloomberg Barclays U.S. Government/Credit indexes were used for the period November 30, 1973 (the fund's inception), through December 31, 1975.

Important information

American Funds Morningstar categories: Where noted, the peer groups against which we compare the American Funds reflect the averages of the relevant Morningstar categories. The 20 equity-focused American Funds used in our analysis and their relevant Morningstar categories are as follows: AMCAP Fund, The Growth Fund of America; American Mutual Fund (Large Value); Fundamental Investors, The Investment Company of America, Washington Mutual Investors Fund (Large Blend); American Balanced Fund (Allocation—50% to 70% Equity); Capital Income Builder, American Funds Global Balanced Fund (World Allocation); The Income Fund of America (Allocation—70% to 85% Equity); Capital World Growth and Income Fund, New Perspective Fund, The New Economy Fund (World Large Stock); American Funds Global Insight Fund (World Large Stock); 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 (World Small/Mid Stock); International Growth and Income Fund (Foreign Large Blend).

Success rate definitions: For return and Sharpe ratio, success rate reflects percentage of time funds outperformed their respective index. For standard deviation, success rate reflects percentage of time funds' standard deviation was smaller than that of their respective index. For downside capture, success rate reflects percentage of time, during down months, that funds outperformed (i.e., lost less than) 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 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.

Important information

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.

Statements attributed to an individual represent the opinions of that individual as of the date published and do not necessarily reflect the opinions of Capital Group or its affiliates. This information is intended to highlight issues and should not be considered advice, an endorsement, or a recommendation.

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.

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.

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.

Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility, as more fully described in the prospectus. 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 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.

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 results of the original share class 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. Please see capitalgroup.com for more information on specific expense adjustments and the actual dates of first sale. For American Funds Global Insight Fund and American Fund 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 fund, adjusted for typical estimated expenses. Please see capitalgroup.com for more information on specific expense adjustments and the actual dates of first sale.

If used after September 30, 2021, this presentation must be accompanied by a current American Funds quarterly statistical update.

Important information

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

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

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 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 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 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.

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.

60%/40% S&P 500 Index/Bloomberg Barclays U.S. Aggregate Index blends the S&P 500 with the Bloomberg Barclays U.S. Aggregate Index by weighting their cumulative total returns at 60% and 40%, respectively. This assumes the blend is rebalanced monthly.

60%/40% MSCI All Country World Index Gross/Bloomberg Barclays Global Aggregate Index

60%/40% MSCI ACWI/BBG Index blends the MSCI All Country World Index with the Bloomberg Barclays Global Aggregate Index by weighting their cumulative total returns at 60% and 40%, respectively. This assumes the blend is rebalanced monthly.

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