



AMERICAN
FUNDS®

From Capital Group

The Capital AdvantageSM

Key Steps to Retirement Success
July 2017

Key Steps to Retirement Success: How to Seek Greater Wealth and Downside Resilience

The key to successful retirement investing has been generating sustainable income while managing risk. In retirement, investors must balance two key risks: longevity risk (the risk of outliving assets) and market risk (volatility). That balancing act has become more difficult because of low bond yields, which have made a meaningful equity exposure even more important in retirement. Because equities have greater total return than bonds but greater volatility, an increase in equity can reduce longevity risk – but at the cost of higher market risk.

In this environment, investors need equity that can generate strong returns to address longevity risk but with downside resilience to address market risk. Our research has identified a group of select equity and allocation funds that have delivered on those goals. While past results aren't a guarantee of future success, these funds have shared three traits: low expense ratios, high firm-level manager ownership, and a history of outpacing indexes in market declines (a trait known as low downside capture). This group of funds has a history of outpacing indexes in withdrawal scenarios, while experiencing less volatility and greater risk-adjusted returns.

Multiple Perspectives. One Approach.®

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

Although it's true that the average select equity fund has lagged indexes over long periods, not all funds are average.

Don't Settle for Average – in Accumulation or Distribution

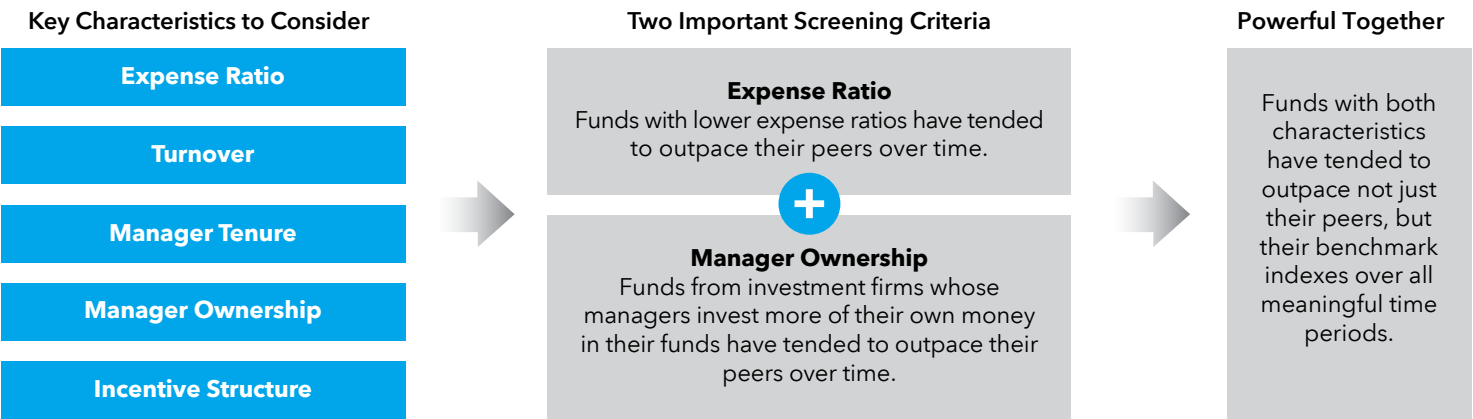
In 2014, we produced key research showing that select equity funds have developed a track record of outperforming indexes. This finding was important because equity investments in core accumulation portfolios have been trending passive in recent years, based on a belief that large-cap developed equity markets were so efficient that investment management could not add value.

Although it's true that the average equity fund has lagged indexes over long periods, not all funds are average. We studied a variety of fund traits that

could potentially be used to identify equity funds that have added value over indexes. Although we found that many factors were relevant, we identified two traits – **low expense ratios** and **high firm-level manager ownership** – that were historically associated with a strong track record versus indexes. Now we have extended our research to focus on the distribution phase of the saving cycle, when investors take withdrawals. We found that adding a third trait – low downside capture – to the investment selection process enhanced results during withdrawal scenarios.

Look for Two Manager Traits in Core Portfolios ...

Although many metrics were relevant, expense ratio and manager ownership stood out in our study.



... And an Additional Trait in Distribution Portfolios

For those relying on their investments for income, look for low downside capture in addition to low expense ratios and high ownership.

A Third Important Screening Criterion

Low Downside Capture
The group of funds that has lost less than the market during significant declines has, on average, outpaced its peers and, in many cases, the index over time.

The Math of Investing Changes in Retirement

The problem of sequence-of-returns risk is familiar to investors. Although volatility can be beneficial during working years, when participants are making regular contributions, volatility (at least on the downside) tends to be harmful once income stops coming in and participants must regularly draw down savings.

To illustrate these differences, we took the stream of annual returns of the S&P 500 Index from 1965 to 2016. We assumed in one case that an investor experienced the returns in chronological order. Another investor experienced the same set of returns but in reverse order (backward). In a scenario in which an initial lump sum is invested and no withdrawals are taken,

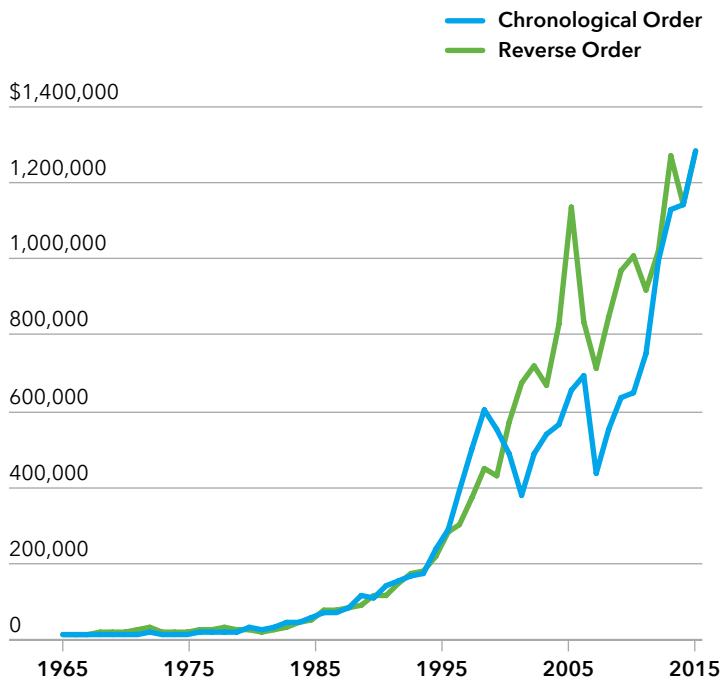
the order of returns is irrelevant – both return streams generate the same ending balance in the bottom left chart. Once withdrawals are taken, the picture changes. As can be seen in the bottom right chart, the investor who experienced the returns in chronological order ran out of funds within 30 years. In contrast, the reverse-order investor finished with more than \$400,000.

Without any salary to make up for losses, downturns in retirement can create serious setbacks. But given their increased lifespans, retirees still need to build assets, making continued exposure to equity important. The key is to seek out equity investments that have been more resilient in down periods.

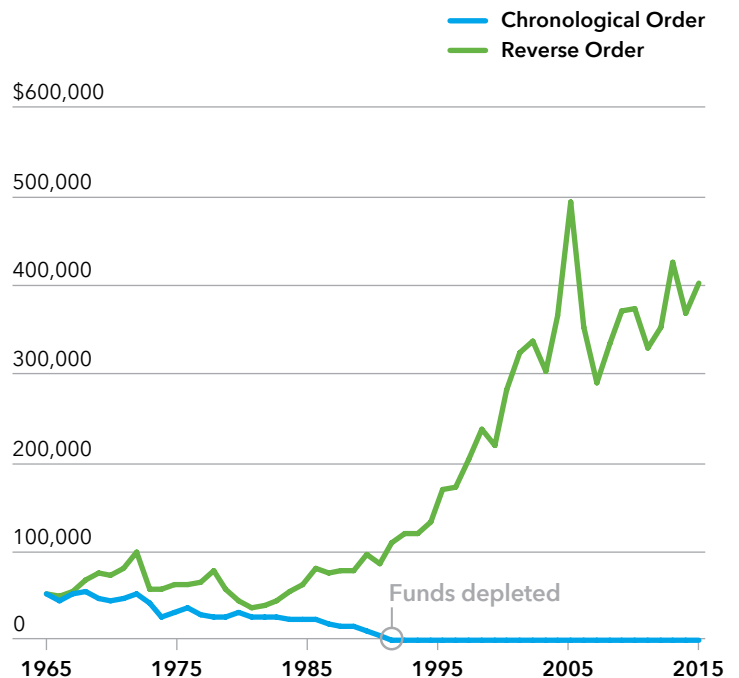
A Tale of Two Different Return Streams

Annual returns of the S&P 500 Index from 1965 through 2016 in chronological and reverse order.

Returns Based on a Lump Sum \$10,000 Investment



Returns Based on a \$50,000 Initial Investment, Including Withdrawals (6% Initial Withdrawal Rate, Increasing by 3% Annually Thereafter)



Source: Capital Group. Returns shown in reverse order are hypothetical and are shown for illustrative purposes only.

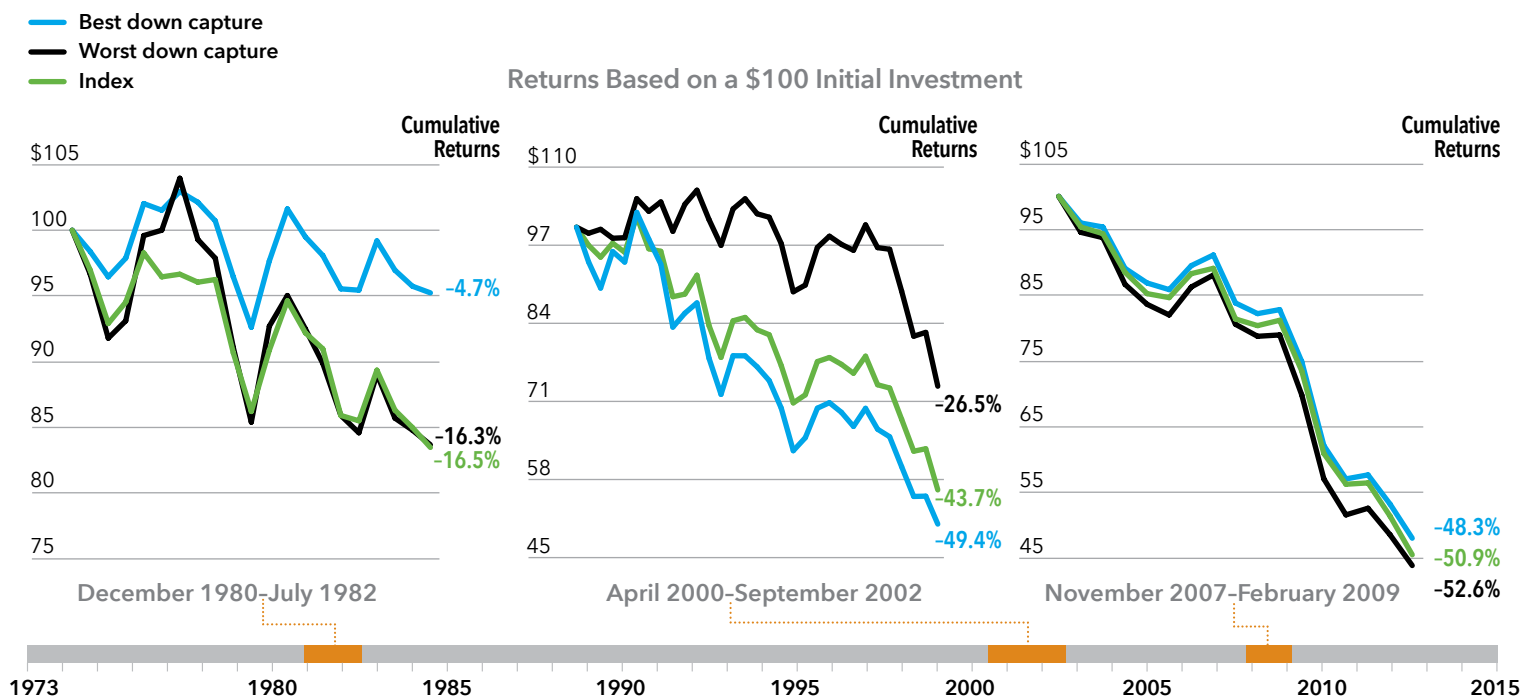
The Key to Retirement Investing: Do Better in Bad Times

To quantify the benefit of downside resilience, we looked at 12 bear markets or corrections in the S&P 500 since 1973. We analyzed the downside capture ratios of U.S. large-cap equity funds. We found that in 11 of those 12 markets, the group of funds that had the lowest three-year downside capture ratios *just prior* to the start of the bear market or correction, on average, outpaced indexes over the course of the downturn. For example, the funds with the best three-year downside capture ratios just prior to the 1980-1982 bear market collectively lost 4.7% over that period, compared with a loss of 16.5% for the index. To get a sense of that difference, the index investor would need to earn a 19.8%

return following the downturn to be made whole again, compared to a 4.9% return for the investor in the lowest downside capture portfolio. Although past results are not predictive of results in future periods, this stark comparison illustrates the importance of “having shallower losses” in down markets. The tech bubble bear market of the early 2000s proved to be the exception. That’s possibly because funds that overweighted technology had better upside and downside capture in the three years prior to that downturn. Although those funds’ overweight tech stance lowered their downside capture figures in the years prior to the downturn, the position obviously hurt after the bubble burst.

U.S. Large-Cap Funds With the Best Down Capture Outpaced in Most Bear Markets and Corrections

The group of funds that had the best three-year downside capture ratios immediately prior to the start of a bear market or correction, on average, outpaced during the downturns.



Source: Capital Group. Funds include those from the Morningstar Open-End Large Growth, Large Value and Large Blend categories (U.S. large cap). Index is S&P 500. The market index is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index. Fund groupings determined by each fund’s three-year downside capture just prior to a bear market or correction. Results based on an equally weighted portfolio of funds in each grouping. Past results are not predictive of results in future periods. There have been periods when funds have lagged the index. See Appendix for methodology and definitions. “Best down capture” indicates the group of funds with the lowest downside capture. “Worst down capture” indicates the group of funds with the highest downside capture.

One Secret of Lower Downside Equity: A Focus on Income

Dividend payers (and especially dividend growers) have tended to be less volatile.

Downside capture is a commonly used metric. But what generally is driving a fund's favorable downside capture figure? Although there are many factors behind low downside capture, we found that many lower downside capture funds tended to be more dividend oriented, as seen in the below chart showing rolling 12-month yields of low-downside U.S. large-cap equity funds.

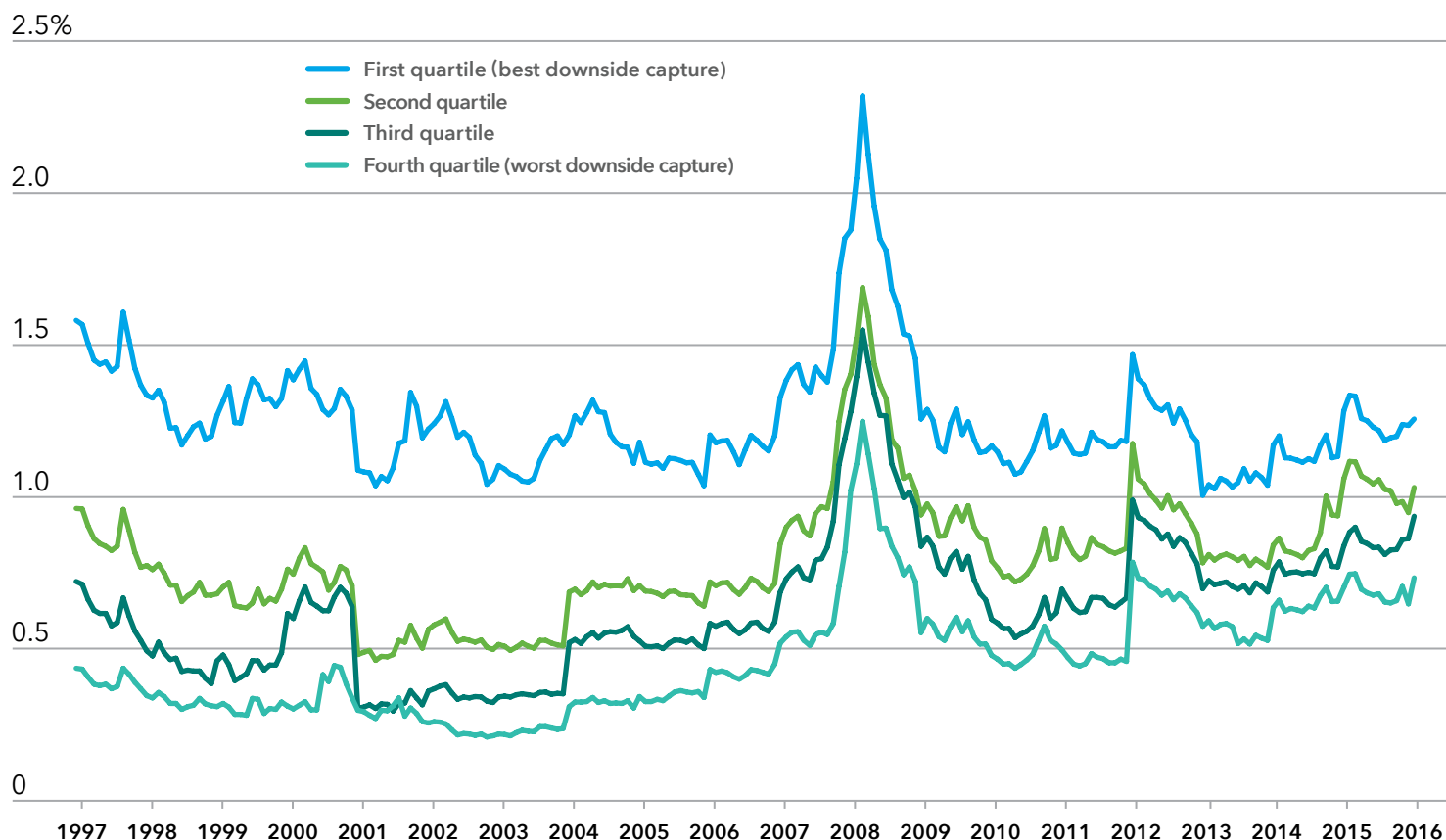
This finding makes sense as dividend payers (and especially dividend growers)

have tended to be less volatile. Because a greater part of their total return comes in the form of cash, they have tended to be less affected by gyrations in broader equity market prices than companies that pay little or no dividends. This finding confirmed our longstanding belief that investors should gradually shift their equity exposure to income-oriented funds as they approach and enter retirement. This reflects the approach of the glide path of Capital Group's American Funds Target Date Retirement Series(R).

Funds With Lower Downside Capture Tended to Be Higher Yielding

Rolling 12-month yield of U.S. large-cap equity funds grouped by downside capture (1997-2016)

12-month yield



Source: Capital Group, based on data from Morningstar. As of December 31, 2016. Funds include those from the Morningstar Open-End Large Growth, Large Value and Large Blend categories (U.S. large cap). For explanation of the methodology used to group funds by downside capture, see the Appendix. The 12-month yield is the sum of a fund's total trailing 12-month interest and dividend payments divided by the last month's ending share price (NAV) plus any capital gains distributed over the same period.

A group of select equity funds with low downside capture, low expense ratios and high firm-level manager ownership, on average, tended to outpace in withdrawal scenarios.

Look for Funds That Meet Three Key Criteria

Our research shows that investors could benefit if they identify equity funds that have outpaced indexes over time while delivering downside resilience and less volatility in retirement, when investors are taking withdrawals. We analyzed a variety of manager and fund traits as part of our research to answer that question. We found three that stood out. Select equity funds collectively sharing all three of these characteristics, on average, tended to outpace in withdrawal scenarios.

Low downside capture: As a group, funds that were most frequently in the best quartiles of downside capture in the period under review tended to, on average, outpace indexes more often in withdrawal scenarios.

Low expense ratios: Mirroring our earlier findings, the group of funds that had the lowest expense ratios, on average, tended to outpace indexes in withdrawal

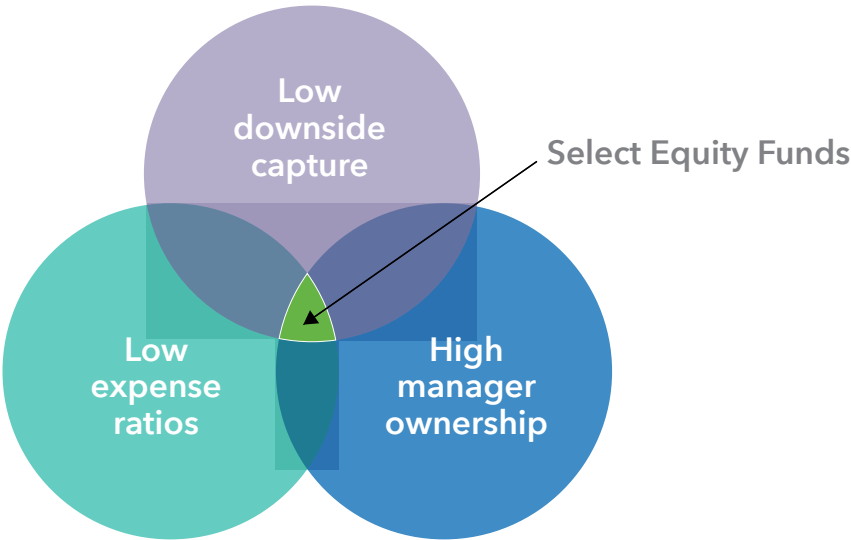
scenarios. This tendency makes sense, as funds with lower expense ratios have a lower bar to clear to beat indexes.

High manager ownership at the firm level: This trait also was relevant in distribution. The group of funds whose managers had invested more dollars into their funds at the firm level also tended to outpace more often. If managers are invested in their own funds, their interests are better aligned with an investor’s.

In our study, we first screened the Morningstar universe by downside capture. We then screened that subset of funds for expense ratios and manager ownership. We studied 20 years of monthly returns, from January 1997 to December 2016. Importantly, we included “dead” funds in our study in order to reduce survivorship bias.

Funds That Met Three Criteria Outpaced Indexes and Their Peers in Our Research

Each trait added value on its own for our study, but the combination was particularly powerful in boosting results versus indexes.



The Three Traits Boosted Success Rates in Retirement

We screened four Morningstar category groupings: U.S. large-cap funds, foreign large-cap funds, Moderate Allocation funds (consisting of a mix of U.S. stocks and bonds) and World Allocation funds (composed of a mix of global stocks and bonds). Our goal: Find out how often the group of funds identified by our screen in each category beat indexes in a withdrawal scenario over rolling 10-year periods.

First, we screened for downside capture. We studied three-year downside capture ratios on a rolling monthly basis for all periods ended 1997 to 2016. Funds that spent the most periods in the top two quartiles of downside capture cleared our screen.

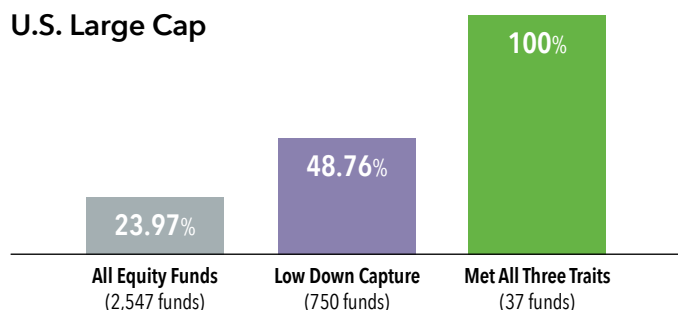
As seen in the chart, portfolios of the select equity funds that met the downside capture screen had higher success rates in a withdrawal scenario, outpacing indexes at least 48% of the time. That's certainly an improvement, but we found that additional screens were needed to significantly boost success rates. So we also screened for expense ratios and manager ownership.

The group of funds that met the downside capture and expense ratio screens experienced higher success rates, on average, as did the group of funds meeting both the downside capture and manager ownership screens. Finally, the group of funds that met all three screens – downside capture, expense ratios and ownership – experienced even higher success rates on average.

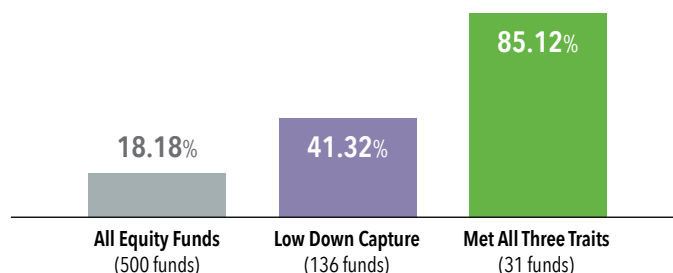
The Group of Select Equity Funds, on Average, Outpaced Indexes More Often in a Withdrawal Scenario

Percentage of monthly rolling 10-year periods in which fund groupings outpaced indexes, assuming a \$500,000 initial investment with an initial 4% withdrawal rate, increasing by 3% annually thereafter (1997-2016)

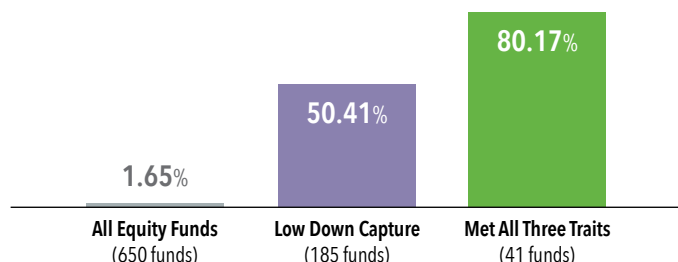
U.S. Large Cap



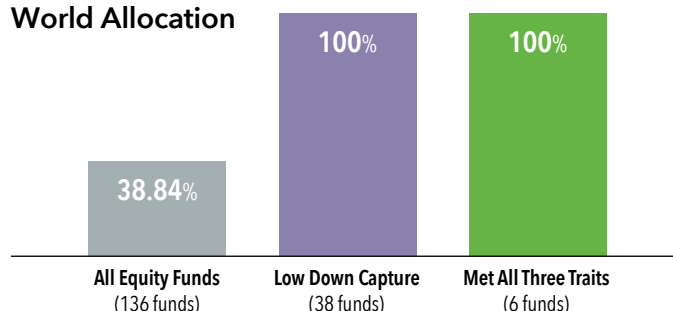
Moderate Allocation



Foreign Large Cap



World Allocation



Source: Capital Group, based on Morningstar data. Based on monthly returns. Average annualized returns are at net asset value and include withdrawals. See Appendix for methodology. U.S. funds are those in the Morningstar Open-End Large Value, Large Blend and Large Growth categories. International funds are those in the Morningstar Open-End Foreign Large Value, Foreign Large Blend and Foreign Large Growth categories. Moderate Allocation and World Allocation funds drawn from Morningstar categories of the same name. Moderate Allocation index is 60% S&P 500 and 40% Bloomberg Barclays U.S. Aggregate indexes. World Allocation index is 60% MSCI All Country World Index and 40% Bloomberg Barclays Global Aggregate Index. U.S. index is S&P 500. Foreign index is MSCI All Country World ex USA. The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Select Equity Portfolios, on Average, Generated Greater Ending Wealth

To translate these success rates into dollars, we tested two hypothetical portfolios of these funds over a 20-year withdrawal scenario. We assumed a \$500,000 initial investment, along with a 4% initial withdrawal rate (growing by 3% annually thereafter).

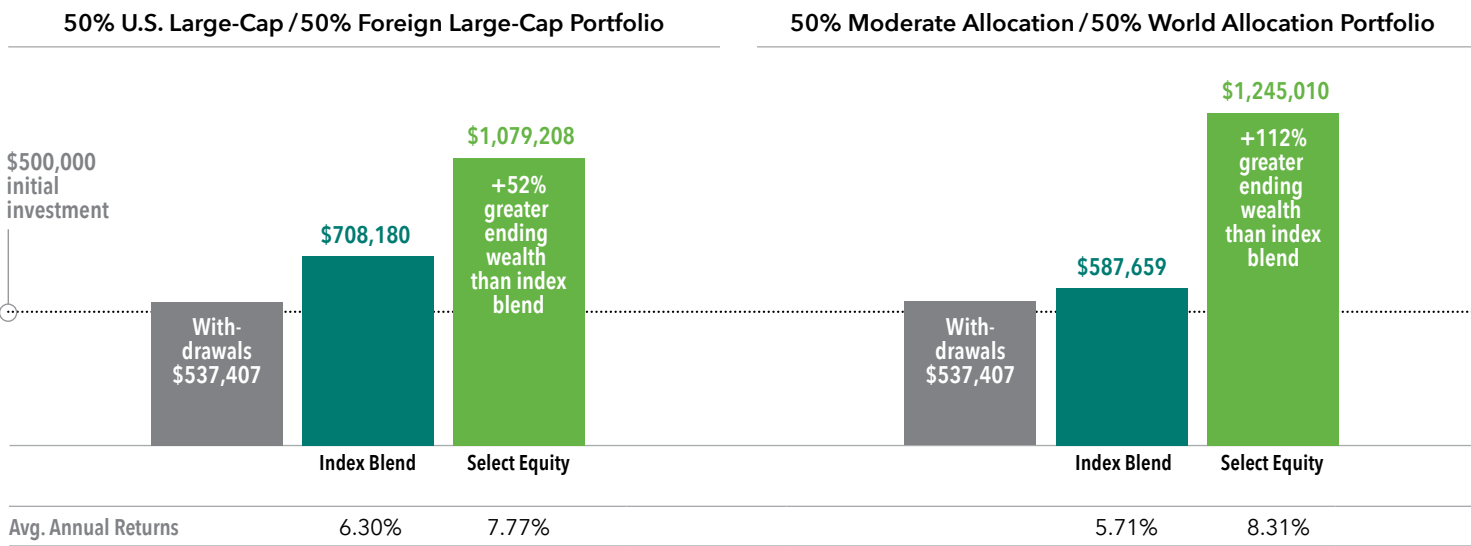
The first portfolio, designed to represent an investor's typical large-cap equity bucket, consisted of a 50% allocation to the select U.S. large-cap funds and a 50% allocation to the select foreign large-cap funds. We compared the select funds' results against an index blend consisting of an equal allocation to the S&P 500 and MSCI All Country World ex USA indexes. The second portfolio consisted of a half-and-half allocation to the select Moderate Allocation and World Allocation funds; to assess the results

of these funds, we compared it to an index blend that closely mirrored the portfolio's allocation: a 60%/40% index of the MSCI All Country World Index and Bloomberg Barclays Global Aggregate Index. Our research question: How would an equally weighted portfolio of the select equity funds have done relative to the index blend and the equity universe as a whole?

As seen in the below chart, for the 50%/50% U.S. and foreign large-cap portfolio, the select equity funds collectively generated 52% greater ending wealth than the index blend after accounting for withdrawals. For the 50%/50% Moderate and World Allocation portfolio, the select equity funds collectively generated 112% greater ending wealth than the index blend after withdrawals.

Select Equity Portfolios Delivered Greater Wealth in Distribution

Return of a hypothetical \$500,000 initial investment, with a 4% initial percentage withdrawal rate, increasing by 3% each year thereafter for the 20-year period ended December 31, 2016



Source: Capital Group, based on Morningstar data. Hypothetical results are based on monthly returns at net asset value of portfolios from January 1997 to December 2016. The components of each allocation can be found in the Methodology section of the Appendix. The U.S./Foreign Large-Cap index blend portfolio consists of 50% S&P 500 Index and 50% MSCI All Country World Index ex USA. The Moderate Allocation/World Allocation index blend portfolio consists of 60% MSCI All Country World Index and 40% Bloomberg Barclays Global Aggregate Index. Past results are not predictive of results in future periods. Portfolios were rebalanced monthly. The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

When it comes to retirement, the ride is as important as the destination.

Select Equity Portfolios Had Strong Risk-Adjusted Returns

Greater ending wealth is the main goal for retirement investing. However, when it comes to retirement, the ride is as important as the destination. Given their concern for downside risk, many retirees would prefer a smoother ride to reach greater ending wealth – one that would experience less volatility and greater risk-adjusted returns.

In other words, many retirees may be willing to sacrifice some upside potential in exchange for more downside resilience. In addition to achieving greater ending wealth over the periods we studied, the two portfolios of select equity funds also delivered some desirable return characteristics for the distribution phase.

These funds collectively registered a lower standard deviation, greater Sharpe ratios (a measure of risk-adjusted returns) and greater alpha. They did so over the entire 20-year time frame we studied, as well as on an average rolling five-year basis over that same period.

The portfolios of select equity funds also had meaningfully lower beta, which is a relative measure of a fund's sensitivity to market movements. A beta of less than one indicates that the investments moved less than the index, which is an important consideration in the distribution phase, when investors are looking to de-risk.

Select Equity Portfolios Had Greater Risk-Adjusted Returns and Less Volatility

Portfolio characteristics for the 20 years ended December 31, 2016

50% Moderate Allocation / 50% World Allocation Portfolio

	20-Year Period		Average Rolling 5-Year	
	Index Blend	Select Equity	Index Blend	Select Equity
Standard deviation	10.29%	9.13%	10.45%	9.20%
Sharpe ratio	0.36	0.65	0.39	0.70
Alpha	0.00%	3.47%	0.00%	3.48%
Beta	1.00	0.83	1.00	0.83

50% U.S. Large-Cap / 50% Foreign Large-Cap Portfolio

	20-Year Period		Average Rolling 5-Year	
	Index Blend	Select Equity	Index Blend	Select Equity
Standard deviation	15.70%	14.24%	15.89%	14.49%
Sharpe ratio	0.33	0.43	0.32	0.43
Alpha	0.00%	1.93%	0.00%	1.95%
Beta	1.00	0.90	1.00	0.90

Source: Capital Group, based on Morningstar data. Hypothetical results are based on monthly returns of portfolios from January 1997 to December 2016. The components of each allocation can be found in the Methodology section of the Appendix. The index for the U.S. and foreign large-cap portfolio consists of 50% S&P 500 Index and 50% MSCI All Country World Index ex USA. The index portfolio for the Moderate Allocation and World Allocation portfolio consists of 60% MSCI All Country World Index and 40% Bloomberg Barclays Global Aggregate Index. Portfolios were rebalanced monthly. Past results are not predictive of results in future periods. The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. For definitions of standard deviation, Sharpe ratio, beta and alpha, please consult the Appendix.

We believe it's important to stress test portfolios to see how they may fare under different withdrawal assumptions.

Select Equity Portfolios Outpaced With Higher Withdrawals

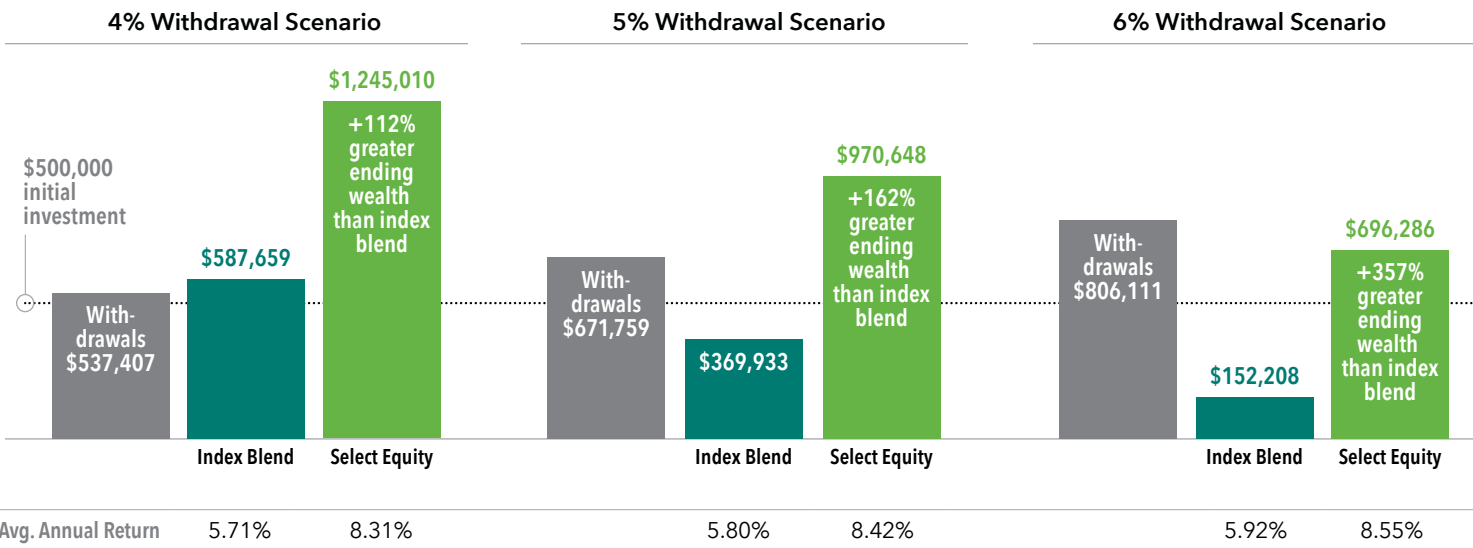
Selecting a sustainable withdrawal rate is a complicated issue that depends much on an investor's financial circumstances and goals; as such, it should be determined through the close collaboration of an investor with a financial advisor. Although there may be no hard-and-fast rule on withdrawal rates, we believe it's important to stress-test portfolios to see how they may fare under different withdrawal rate assumptions. A 4% rate is a rule of thumb in the industry. However, we wanted to see how the portfolio of select equity funds would fare under greater withdrawal rates.

We looked at the 50%/50% World and Moderate Allocation portfolio under 4%, 5% and 6% withdrawal rates. The ending wealth of the select equity funds portfolio outpaced the index blend in all scenarios.

Interestingly, the select equity funds collectively bested the index by a greater percentage under the 6% scenario than under the 4% scenario. The select equity funds collectively generated 357% greater ending wealth than the index blend in the 6% withdrawal scenario, versus 112% more wealth in the 4% scenario.

The Select Equity Portfolios Held Up Better in Stress Tests

Return of a hypothetical \$500,000 initial investment, in a 50% Moderate Allocation / 50% World Allocation portfolio, assuming an initial percentage withdrawal rate, increasing by 3% each year thereafter for the 20-year period ended December 31, 2016



Source: Capital Group, based on Morningstar data. Hypothetical results are based on monthly returns of portfolios from January 1997 to December 2016. Average annualized returns include withdrawals. The components of each allocation can be found in the Methodology section of the Appendix. Past results are not predictive of results in future periods. The index portfolio for the 50% Moderate Allocation / 50% World Allocation portfolio consists of 60% MSCI All Country World Index and 40% Bloomberg Barclays Global Aggregate Index. Portfolios were rebalanced monthly. The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index.

Conclusion

Figures shown are past results for Class A 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. Unless otherwise indicated, fund results shown are at net asset value with all distributions reinvested. If the funds' sales charge had been deducted, the results would have been lower. For current information and month-end results, visit americanfunds.com.

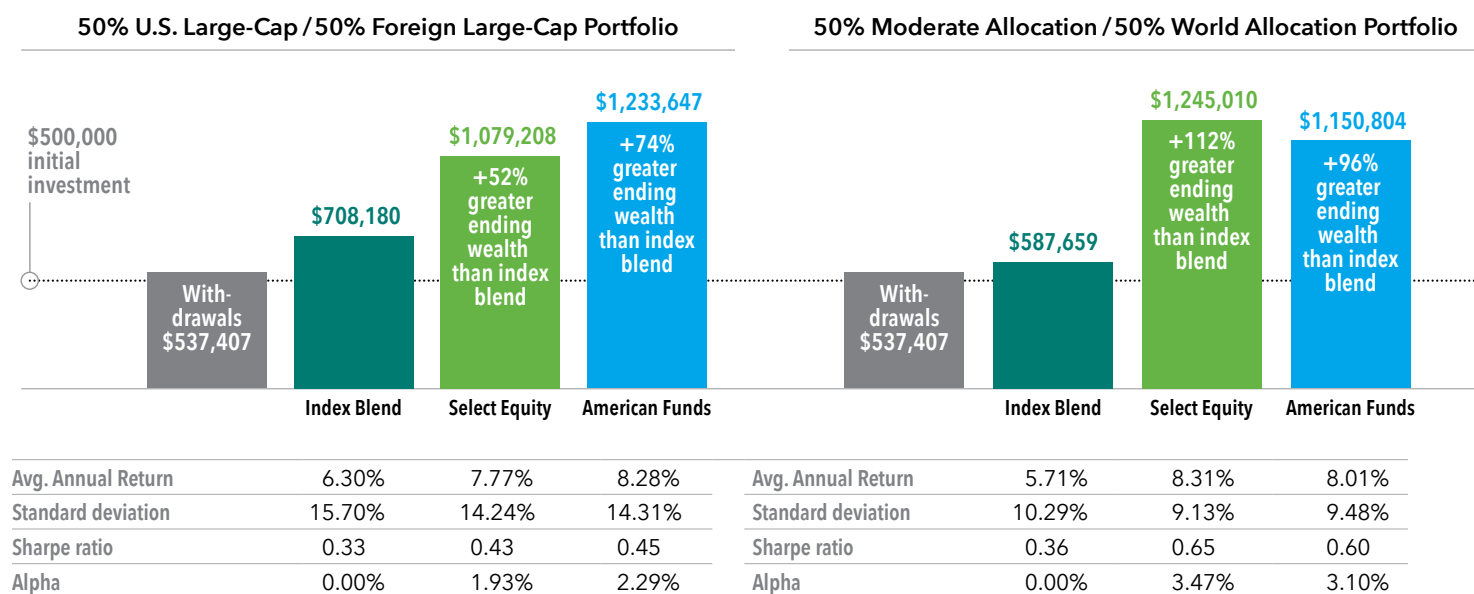
Equities have been a major source of appreciation; they also have been a major source of volatility. Therefore, investing in equity with a history of downside resilience can be valuable in retirement. Our research shows that a group of equity funds sharing three traits – low downside capture, low expense ratio and high firm-level manager ownership – has, on average, historically generated strong results in withdrawal scenarios with greater risk-adjusted returns and a lower standard deviation than indexes. Historically, investing in these select equity portfolios would have resulted in greater ending wealth, on average, in withdrawal scenarios.

The Capital Advantage

As part of our screening process, six out of seven Capital Group's American Funds U.S. and foreign large-cap funds cleared the three screens. All eligible American Funds Moderate Allocation and World Allocation funds also qualified (there were two in each category). The American Funds portfolios would have collectively generated greater ending wealth than the index blend in a 4% withdrawal scenario. The American Funds portfolios also registered a lower standard deviation and higher Sharpe ratio.

American Funds Portfolios Generated Greater Ending Wealth With Lower Volatility Than the Index

Return of a hypothetical \$500,000 initial investment with an initial 4% withdrawal rate, increasing by 3% each year thereafter for the 20-year period ended December 31, 2016



Source: Capital Group, based on Morningstar data. Hypothetical results are based on monthly returns of portfolios from January 1997 to December 2016. The components of each allocation can be found in the Appendix. 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 International Growth and Income Fund. The index portfolio consists of 50% S&P 500 Index and 50% MSCI All Country World Index ex USA. American Funds Moderate Allocation funds include American Balanced Fund and The Income Fund of America. The American Funds World Allocation funds include American Funds Global Balanced Fund and Capital Income Builder. The index portfolio consists of 60% MSCI All Country World Index and 40% Bloomberg Barclays Global Aggregate Index. Portfolios were rebalanced monthly. Past results are not predictive of results in future periods. The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. For definitions of standard deviation, Sharpe ratio and alpha, please consult the Appendix.

Behind the Numbers: The Capital SystemSM

Through the decades, Capital Group's select equity management has provided clear advantages over index investing. The tables on this page and the next show superior results across multiple investment strategies and time periods. The 18 equity-focused

American Funds shown here have frequently outpaced their benchmarks, provided resilience in challenging environments, produced results with less volatility than the broad market and done so at a relatively low cost.

Figures shown are past results for Class A shares with all distributions reinvested 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. Unless otherwise indicated, fund results are for Class A shares at net asset value with all distributions reinvested. If the funds' maximum sales charge (5.75%) had been deducted, results would have been lower. For current information and month-end results, visit americanfunds.com.

Fund-Specific Capital Advantage

Rolling Monthly Periods Ended 12/31/16

Fund and Inception Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	30 Years
Growth Funds							
AMCAP Fund® (5/1/67)							
Percentage of time fund outpaced index	51%	53%	51%	72%	82%	82%	92%
Fund annualized return (%)	12.88	11.98	11.90	12.42	12.81	13.09	13.08
Index annualized return (%)	11.28	10.53	10.43	10.64	11.24	11.89	11.85
Difference (%)	1.60	1.45	1.47	1.78	1.57	1.20	1.23
EuroPacific Growth Fund® (4/16/84)							
Percentage of time fund outpaced index	62%	75%	83%	96%	100%	100%	100%
Fund annualized return (%)	12.42	11.02	10.42	10.20	9.89	10.15	10.62
Index annualized return (%)	11.42	8.98	7.51	6.99	6.52	6.86	8.30
Difference (%)	1.00	2.04	2.91	3.21	3.37	3.29	2.32
The Growth Fund of America® (12/1/73)							
Percentage of time fund outpaced index	55%	63%	63%	73%	86%	100%	100%
Fund annualized return (%)	15.28	14.50	14.26	13.66	13.66	14.01	13.62
Index annualized return (%)	12.53	11.82	11.64	11.53	11.63	12.12	11.56
Difference (%)	2.75	2.68	2.62	2.13	2.03	1.89	2.06
The New Economy Fund® (12/1/83)							
Percentage of time fund outpaced index	51%	56%	61%	60%	59%	68%	84%
Fund annualized return (%)	13.06	11.60	10.89	10.18	9.74	9.97	11.03
Index annualized return (%)	12.38	11.29	10.61	9.85	9.52	9.75	10.73
Difference (%)	0.68	0.31	0.28	0.33	0.22	0.22	0.30
New Perspective Fund® (3/13/73)							
Percentage of time fund outpaced index	72%	86%	88%	91%	100%	100%	100%
Fund annualized return (%)	13.43	12.98	12.91	12.94	12.92	13.14	12.01
Index annualized return (%)	10.35	10.06	9.99	10.13	10.07	10.16	9.47
Difference (%)	3.08	2.92	2.92	2.81	2.85	2.98	2.54
New World Fund® (6/17/99)							
Percentage of time fund outpaced index	59%	67%	71%	98%	100%	—	—
Fund annualized return (%)	9.30	9.37	10.21	9.95	8.44	—	—
Index annualized return (%)	5.37	5.23	5.68	4.98	4.43	—	—
Difference (%)	3.93	4.14	4.54	4.97	4.01	—	—
SMALLCAP World Fund® (4/30/90)							
Percentage of time fund outpaced index	58%	61%	56%	53%	55%	99%	—
Fund annualized return (%)	12.17	10.10	9.46	8.44	8.36	8.90	—
Index annualized return (%)	9.70	8.64	8.13	7.76	8.00	7.80	—
Difference (%)	2.47	1.46	1.33	0.68	0.36	1.10	—

Fund-Specific Capital Advantage

Rolling Monthly Periods Ended 12/31/16

Fund and Inception Date	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	30 Years
Growth-and-Income Funds							
American Funds Developing World Growth and Income FundSM (2/3/14)							
Percentage of time fund outpaced index	26%	—	—	—	—	—	—
Fund annualized return (%)	-7.93	—	—	—	—	—	—
Index annualized return (%)	-6.13	—	—	—	—	—	—
Difference (%)	-1.80	—	—	—	—	—	—
American Mutual Fund[®] (2/21/50)							
Percentage of time fund outpaced index	46%	50%	56%	64%	75%	69%	84%
Fund annualized return (%)	12.43	11.81	11.67	11.35	11.45	11.67	12.21
Index annualized return (%)	12.34	11.32	11.02	10.49	10.49	10.77	11.15
Difference (%)	0.09	0.49	0.65	0.86	0.96	0.90	1.06
Capital World Growth and Income Fund[®] (3/26/93)							
Percentage of time fund outpaced index	77%	87%	96%	100%	100%	100%	—
Fund annualized return (%)	11.33	10.78	10.22	9.87	9.41	10.37	—
Index annualized return (%)	8.11	7.17	6.37	5.48	5.03	6.55	—
Difference (%)	3.22	3.61	3.85	4.39	4.38	3.82	—
Fundamental Investors[®] (8/1/78)							
Percentage of time fund outpaced index	54%	57%	66%	80%	85%	91%	100%
Fund annualized return (%)	13.77	12.94	12.73	12.25	12.26	12.54	12.10
Index annualized return (%)	12.95	12.02	11.73	11.07	11.04	11.44	10.91
Difference (%)	0.82	0.92	1.00	1.18	1.22	1.10	1.19
International Growth and Income FundSM (10/1/08)							
Percentage of time fund outpaced index	53%	79%	95%	—	—	—	—
Fund annualized return (%)	8.06	7.36	7.62	—	—	—	—
Index annualized return (%)	7.76	5.89	6.14	—	—	—	—
Difference (%)	0.30	1.47	1.48	—	—	—	—
The Investment Company of America[®] (1/1/34)							
Percentage of time fund outpaced index	53%	58%	63%	65%	71%	76%	97%
Fund annualized return (%)	13.47	12.11	11.77	11.91	12.08	12.39	12.39
Index annualized return (%)	12.37	11.19	10.97	11.11	11.31	11.59	11.36
Difference (%)	1.10	0.92	0.80	0.80	0.77	0.80	1.03
Washington Mutual Investors FundSM (7/31/52)							
Percentage of time fund outpaced index	57%	59%	64%	76%	91%	97%	100%
Fund annualized return (%)	13.00	12.16	11.79	11.56	11.76	12.12	12.71
Index annualized return (%)	12.02	11.05	10.56	10.23	10.30	10.71	11.20
Difference (%)	0.98	1.11	1.22	1.33	1.45	1.42	1.51
Equity-Income Funds/Balanced Funds							
Capital Income Builder[®] (7/30/87)							
Percentage of time fund outpaced index	66%	79%	84%	100%	100%	100%	—
Fund annualized return (%)	10.04	9.81	9.69	9.59	9.46	9.51	—
Index annualized return (%)	7.34	7.06	7.06	6.89	6.51	6.86	—
Difference (%)	2.70	2.75	2.63	2.70	2.95	2.65	—
The Income Fund of America[®] (12/1/73)							
Percentage of time fund outpaced index	59%	54%	58%	69%	81%	85%	100%
Fund annualized return (%)	11.82	11.34	11.18	11.45	11.26	11.37	11.27
Index annualized return (%)	10.66	10.42	10.40	10.65	10.60	10.87	10.56
Difference (%)	1.16	0.92	0.78	0.80	0.66	0.50	0.71
American Balanced Fund[®] (7/26/75)							
Percentage of time fund outpaced index	54%	48%	48%	56%	60%	76%	100%
Fund annualized return (%)	11.10	10.79	10.81	10.80	10.83	11.01	10.77
Index annualized return (%)	10.61	10.44	10.48	10.48	10.45	10.75	10.41
Difference (%)	0.49	0.36	0.33	0.32	0.38	0.26	0.36
American Funds Global Balanced FundSM (2/1/11)							
Percentage of time fund outpaced index	80%	100%	100%	—	—	—	—
Fund annualized return (%)	6.57	7.60	6.35	—	—	—	—
Index annualized return (%)	4.88	5.67	4.77	—	—	—	—
Difference (%)	1.69	1.93	1.58	—	—	—	—

Both fund and index annualized returns reflect the average of the average annual total returns for all periods. Data from published sources were calculated internally. Returns are from the first month-end following each fund's inception date through December 31, 2016. For each fund's comparable index/index blend, see Methodology.

Methodology

Compiling the Fund Universe

The universe of both large-cap domestic and large-cap foreign funds drew from Morningstar's Open-End U.S. and Foreign Large Value, Large Blend and Large Growth categories. The universe of Moderate Allocation and World Allocation funds drew from Morningstar categories of the same name. Both live and dead funds were included in each universe in order to eliminate survivorship bias. For live funds, only the oldest share class was used. For dead funds with multiple share classes, the median monthly returns were used. Results are at net asset value. If a sales charge had been deducted results would have been lower. For fee-related illustrations that include dead funds with multiple share classes, the median expense ratios were used. Due to the dynamic nature of the Morningstar database, results for the Morningstar universe may change.

Screening Process

Relying on Morningstar Direct data analysis software, we performed screens for one or more of the following criteria: downside capture ratio, expense ratio and manager ownership at the firm level.

To screen for downside capture ratio, we analyzed statistics for all rolling three-year periods in the years under study. Three-year periods were chosen because many funds that "died" did so in the first five years of their lives; therefore, using rolling periods of greater than three years would have excluded many dead funds from our study. For each rolling three-year period, we ranked all funds into quartiles by downside capture, then classified each fund based on which quartile it most frequently belonged to for all those periods.

To screen for expense ratio, we calculated quartiles based on averages of annual report Net Expense Ratios (NER) for all observed Morningstar categories for the 20-year period indicated. For funds with missing expense ratios, we filled in gaps between two available data points using linear interpolation, a statistical method used to estimate the values between two known data points in a time series.

To screen for manager ownership, we calculated quartiles using weighted averages of the midpoints of Morningstar ranges of manager holdings at the firm level. Each fund was assigned the weighted average of its firm manager holding. Funds without values were excluded from the quartile rankings.

Which screens we used and how we implemented them depended on which investment phase we were examining and how many funds qualified overall.

We used a two-step screening process, beginning with the downside capture ratio. Across each fund category, we sought the top two quartile grouping of funds with low downside capture ratio. Using this subset, we then screened for low NER and high manager ownership – the intersection of those two groups – seeking the top quartile for large-cap domestic funds and the top two quartiles (50%) for large-cap foreign, Moderate Allocation and World Allocation funds. (The number of quartiles used depended on the number of qualifying funds. Using the top quartile alone for some Morningstar categories would have yielded an insufficient number of funds for our study to be meaningful.) We created an equally weighted portfolio of qualifying funds.

The screening for large-cap domestic resulted in six qualifying American Funds: AMCAP Fund, American Mutual Fund,

Fundamental Investors, The Growth Fund of America, The Investment Company of America and Washington Mutual Investors Fund. The screening for large-cap foreign resulted in two qualifying American Funds: EuroPacific Growth Fund and International Growth and Income Fund.

The screening for the Moderate Allocation and World Allocation categories resulted in two qualifying American Funds apiece: The Income Fund of America and American Balanced Fund, and Capital Income Builder and American Funds Global Balanced Fund, respectively.

For the illustrations on pages 4 and 5: We examined bear markets and corrections of the S&P 500 Composite Index from 1973 to 2016. (We defined a bear market as an index decline of more than 20%; we defined a correction as an index decline of more than 10%, then we chose the nearest month-end prior to those dates.) All results were based on monthly returns of the S&P 500 Index or mutual funds in the Morningstar Open-End Large Value, Large Blend and Large Growth categories (reflecting U.S. large-cap funds). For each bear market/correction, we divided all funds into quartiles based on the fund's downside capture ratio in the three years (36 months) prior to the month in which the bear market/correction began. Cumulative returns for each quartile were calculated using equally weighted portfolios of funds for the down period. "Best down capture" quartile indicates the quartile of funds with the lowest downside capture ratio.

Detailed Information About Manager Ownership and NER Screens

The Securities and Exchange Commission requires that mutual funds disclose all fees and expenses in a standardized table published in the front portion of the fund prospectus. The SEC also requires that a fund disclose in its statements of additional information (SAI) certain information about its portfolio managers, including ownership of securities in the fund. Ownership disclosure is made using the following seven ranges: none; \$1 to \$10,000; \$10,001 to \$50,000; \$50,001 to \$100,000; \$100,001 to \$500,000; \$500,001 to \$1,000,000; and over \$1,000,000.

Information About Indexes

Market indexes referenced in this material are defined as follows:

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. 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 emerging equity markets. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. MSCI All Country World ex USA Index is a free float-adjusted, market capitalization-weighted index that is designed to measure results of more than 40 developed and emerging equity markets, excluding the United States. Results reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. Results for MSCI Emerging Markets Index reflect dividends gross of withholding taxes through December 31, 2000, and dividends net of withholding taxes thereafter. Standard & Poor's 500 Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks.

The market indexes are unmanaged and, therefore, have no expenses. Investors cannot invest directly in an index. There have been periods when the funds have lagged the index. Past results are not predictive of results in future periods.

Fund Benchmark Indexes and Index Blends

The 18 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, The Growth Fund of America, The New Economy Fund, American Mutual Fund, Fundamental Investors, The Investment Company of America and Washington Mutual Investors Fund (Standard & Poor's 500 Index); American Funds Developing World Growth and Income Fund (MSCI Emerging Markets Index); EuroPacific Growth Fund and International Growth and Income Fund (MSCI All Country World ex USA Index); New Perspective Fund, New World Fund and Capital World Growth and Income Fund (MSCI All Country World Index); SMALLCAP World Fund (MSCI All Country World Small Cap Index); Capital Income Builder and American Funds Global Balanced Fund (60% MSCI All Country World and 40% Bloomberg Barclays Global Aggregate indexes); and The Income Fund of America and American Balanced Fund (60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Aggregate indexes). All relevant indexes listed are funds' primary benchmarks, with the exception of Capital Income Builder and The Income Fund of America. The primary benchmark for Capital Income Builder is Standard & Poor's 500 Index, for The Income Fund of America, they are Standard & Poor's 500 and Bloomberg Barclays U.S. Aggregate indexes. In order to provide a more relevant comparison, Capital Income Builder and The Income Fund of America were compared to their Morningstar benchmark index blend, as described below.

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 31, 1975 (month-end following the fund's inception on July 26, 1975), through December 31, 1975. Results for this index blend and the index blend that was subsequently used (60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Aggregate indexes) were rebalanced monthly. For Capital World Growth and Income Fund, results for the MSCI All Country World Index reflect dividends gross of withholding taxes for the period March 31, 1993 (month-end following the fund's inception on March 26, 1993), through December 31, 2000, and net of withholding taxes thereafter. For New World Fund, results for the MSCI All Country World Index reflect dividends gross of withholding taxes for the period June 30, 1999 (month-end following the fund's inception on June 17, 1999), through December 31, 2000, and net of withholding taxes thereafter. For EuroPacific Growth Fund, the MSCI EAFE (Europe, Australasia, Far East) Index was used for the period April 30, 1984 (month-end following the fund's inception on April 16, 1984), through December 31, 1987; results for the index reflect dividends net of withholding taxes. Results for the MSCI All Country World ex USA Index, which was subsequently used, reflect dividends gross of withholding taxes from January 1, 1988, through December 31, 2000, and dividends net of withholding taxes thereafter. For New Perspective Fund, the MSCI World Index was used for the period March 31, 1973 (month-end following the fund's inception on March 13, 1973), through December 31, 1987; results for the index reflect dividends net of withholding taxes. Results for the MSCI All Country World Index, which was subsequently

used, reflect dividends gross of withholding taxes from January 1, 1988, through December 31, 2000, and dividends net of withholding taxes thereafter. For SMALLCAP World Fund, the S&P Global <\$1.2 Billion Index was used for the period April 30, 1990 (fund's inception), through May 31, 1994. Results for the MSCI All Country World Small Cap Index, which was subsequently used, reflect dividends net of withholding taxes. For Capital Income Builder, 60% MSCI World and 40% Citigroup World Government Bond indexes were used for the period July 31, 1987 (month-end following the fund's inception on July 30, 1987), through December 31, 1987; results for the MSCI World Index reflect dividends net of withholding taxes. From January 1, 1988, through December 31, 1989, 60% MSCI All Country World and 40% Citigroup World Government Bond indexes were used; results for the MSCI All Country World Index reflect dividends gross of withholding taxes. From January 1, 1990, and thereafter, 60% MSCI All Country World and 40% Bloomberg Barclays Global Aggregate indexes were used; results for the MSCI All Country World Index reflect dividends gross of withholding taxes from January 1, 1988, through December 31, 2000, and net of withholding taxes thereafter. Results for this index blend and the index blend used prior to it were rebalanced monthly. For The Income Fund of America, 60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Government/Credit indexes were used for the period November 30, 1973 (fund's inception date), through December 31, 1975. Results for this index blend and the index blend that was subsequently used (60% Standard & Poor's 500 and 40% Bloomberg Barclays U.S. Aggregate indexes) were rebalanced monthly.

Success rate data on pages 12 and 13 were calculated using geometric linking of net-of-fee monthly returns from Morningstar. The American Funds and index returns were calculated internally in the same manner using monthly returns.

Glossary

Success rate is the percentage of time a fund (or a group of funds) has outpaced its relevant index (or peer group) over rolling periods.

Alpha is a measure of the difference between a portfolio's actual returns and its expected results, given its level of risk as measured by beta. A positive alpha figure indicates the portfolio has generated results better than its beta would predict. In contrast, a negative alpha indicates the portfolio has lagged, given the expectations established by beta.

Beta is a relative measure of a fund's sensitivity to market movements over a specified 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.

Downside capture ratio reflects the ratio of annualized fund-versus-index returns for all months in which the index had a negative return.

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

Standard deviation (annualized, 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.

American Funds Investment Results

Figures shown are past results for Class A 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. Results shown below reflect the deduction of the 5.75% maximum sales charge with all distributions reinvested. For current information and month-end results, visit americanfunds.com.

Results as of June 30, 2017

Results as of June 30, 2019

Funds	Inception Date	1 Year	Average Annual Total Returns (%)			Lifetime	Expense Ratio (%)
Growth Funds							
AMCAP Fund®	5/1/67	9.76	13.10	7.05	11.32	0.68	
EuroPacific Growth Fund®	4/16/84	14.76	7.94	2.55	10.64	0.85	
The Growth Fund of America®	12/1/73	14.52	14.21	6.61	13.39	0.66	
The New Economy Fund®	12/1/83	18.86	14.11	7.29	11.02	0.81	
New Perspective Fund®	3/13/73	14.22	11.39	5.75	12.09	0.77	
New World Fund®	6/17/99	12.21	5.24	2.65	7.53	1.07	
SMALLCAP World Fund®	4/30/90	14.73	11.26	4.62	9.44	1.10	
Growth-and-Income Funds							
American Funds Developing World Growth and Income Fund SM	2/3/14	9.29	—	—	0.97	1.33	
American Mutual Fund®	2/21/50	5.83	11.02	5.94	11.51	0.59	
Capital World Growth and Income Fund®	3/26/93	11.61	9.87	3.92	10.34	0.79	
Fundamental Investors®	8/1/78	12.22	13.47	6.40	12.29	0.61	
International Growth and Income Fund SM	10/1/08	11.02	5.92	—	6.37	0.91	
The Investment Company of America®	1/1/34	9.10	12.76	5.77	12.05	0.59	
Washington Mutual Investors Fund SM	7/31/52	8.47	11.94	5.79	11.73	0.58	
Equity-Income Funds							
Capital Income Builder®	7/30/87	1.70	6.46	3.41	9.09	0.60	
The Income Fund of America®	12/1/73	3.23	8.08	4.73	10.88	0.56	
Balanced Funds							
American Balanced Fund®	7/26/75	4.08	9.32	5.97	10.53	0.59	
American Funds Global Balanced Fund SM	2/1/11	1.73	6.31	—	5.42	0.85	

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, investment results reflect fee waivers and/or expense reimbursements, without which the results would have been lower. Please see americanfunds.com for more 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. 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.

If used after September 30, 2017, this white paper must be accompanied by a current American Funds quarterly statistical update.

Securities offered through American Funds Distributors, Inc.